



Nordea

Nordea Hypotek Covered Bonds

Q2 2018 Debt investor presentation


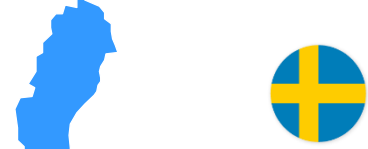


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1. In brief

Nordea covered bond operations

Q2 2018

<p><i>Four aligned covered bond issuers with complementary roles</i></p>	 <p>Nordea Eiendomskreditt</p>	 <p>Nordea Hypotek</p>	 <p>Nordea Kredit</p>	 <p>Nordea Mortgage Bank</p>
Legislation	Norwegian	Swedish	Danish/SDRO	Finnish
Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
Cover pool size	EUR 11.2bn (eq.)	EUR 52.5bn (eq.)	Balance principle	EUR 20.1bn
Covered bonds outstanding	EUR 8.9bn (eq.)	EUR 31.4bn (eq.)	EUR 52.9bn (eq.)	EUR 18.3bn
OC	26%	67%	CC1/CC2 27.3%/9%	10%
Issuance currencies	NOK, GBP, USD, CHF	SEK	DKK, EUR	EUR
Rating (Moody's / S&P)	Aaa / -	Aaa / AAA	Aaa / AAA	Aaa / -

- Covered bonds are an integral part of Nordea’s long term funding operations
- Issuance in Scandinavian and international currencies
- ECBC Covered Bond Label on all Nordea covered bond issuance

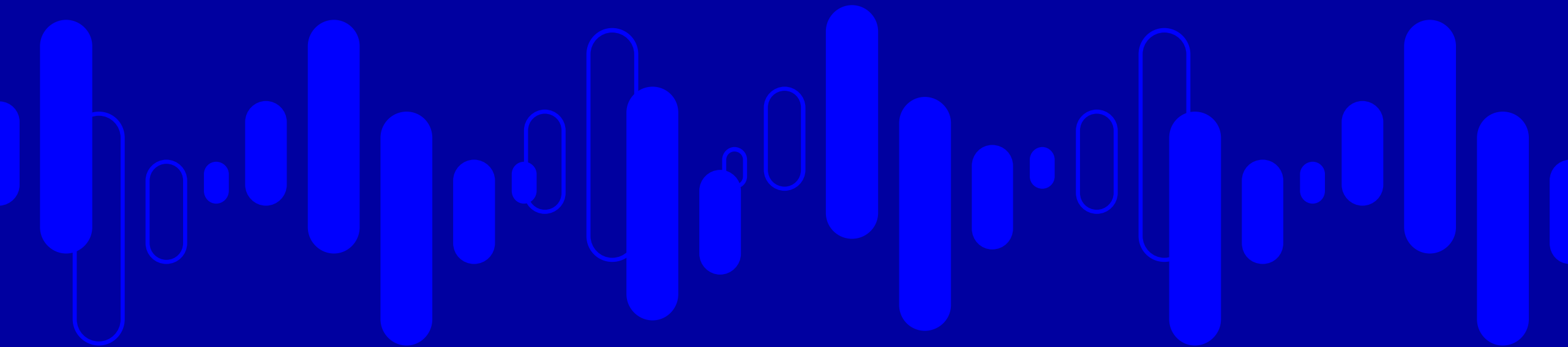


Nordea Hypotek – overview

Q2 2018

- 100% owned subsidiary of Nordea Bank AB - the largest Nordic financial institution
- Grants long-term loans to Swedish households, municipalities, municipal housing companies and corporates
- All loans secured by mortgages, tenant-owner units or municipal/state guarantees
- Cost-effective loan origination and service through Nordea Bank's nationwide Swedish branch network and internet
- Licensed by the Swedish Financial Supervisory Authority to issue covered bonds (Säkerställda Obligationer) according to the Swedish Covered Bond Act
- Covered bonds rated Aaa/AAA by Moody's/S&P

2. Cover pool characteristics



Cover pool key characteristics

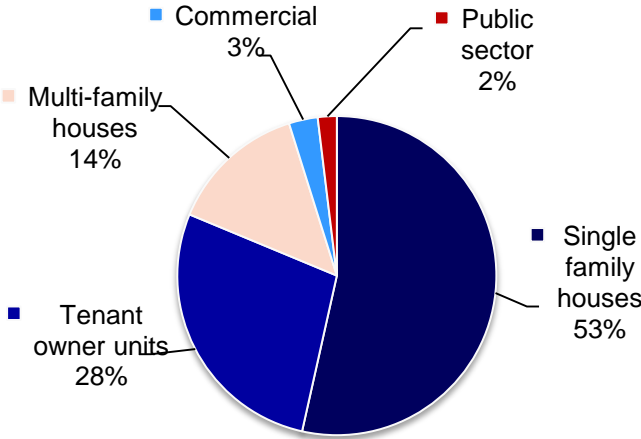
Q2 2018

Cover pool summary	
Loans in cover pool	SEK 522.8bn
Outstanding covered bonds	SEK 312.5bn
Cover pool content	Mortgage loans secured by residential or commercial property. Loans to public sector
Geographic distribution	Throughout Sweden with concentration to urban areas
Asset distribution	95.2% residential, 2.9% commercial, 1.9% public sector
Weighted average LTV*	50.4% (indexed)
Average loans size*	SEK 577k
Over collateralization, OC	67%
Rate type	Floating 79.8%, Fixed 20.2%
Amortization	Bullet/ interest only 24.9%, Amortizing 75.1%
Pool type	Dynamic
Loans originated by	Nordea Bank AB

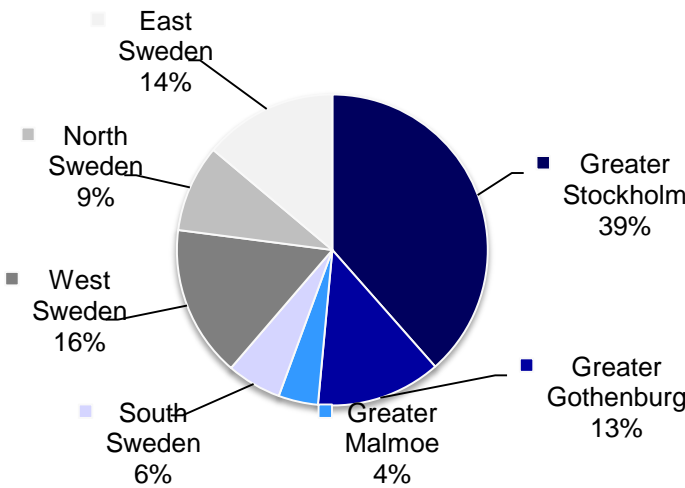
Cover pool key characteristics (2)

Q2 2018

Cover pool balance by loan category

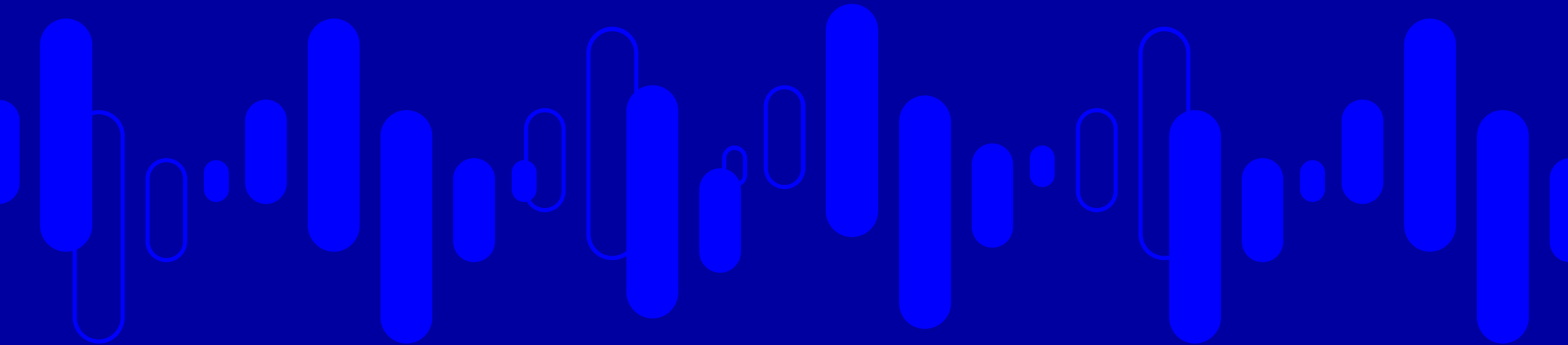


Cover pool balance by region*



* excluding Public sector

3. Asset quality



Loan To Value* (LTV)

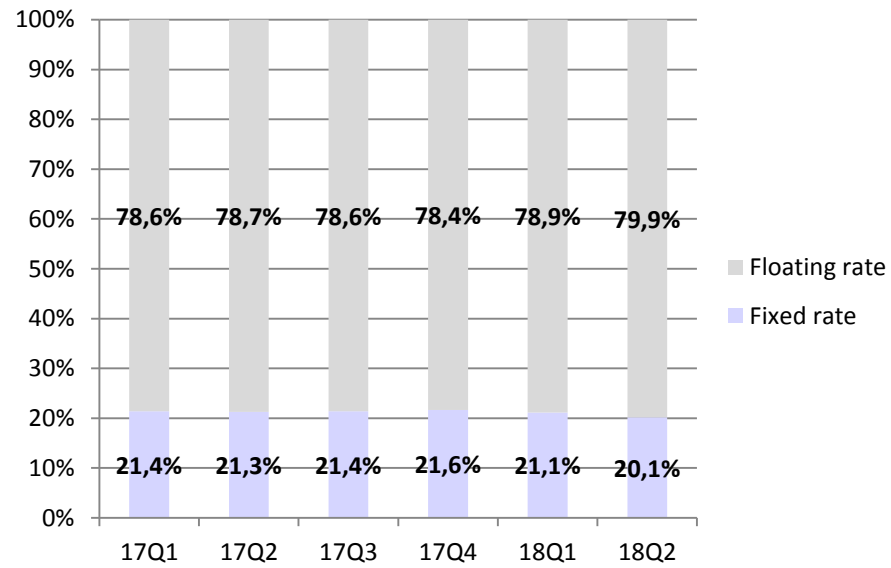
Q2 2018

Weighted Average LTV – Unindexed		57.7%	
LTV buckets	Nominal (SEKm)		% Residential Loans
>0 - <=40 %	350 628		70,49%
>40 - <=50 %	57 929		11,65%
>50 - <=60 %	45 389		9,12%
>60 - <=70 %	33 017		6,64%
>70 - <=80 %	10 469		2,10%
Total	497 431		100%
Weighted Average LTV - Indexed		50.4%	
LTV buckets	Nominal (SEKm)		% Residential Loans
>0 - <=40 %	385 716		77,54%
>40 - <=50 %	52 380		10,53%
>50 - <=60 %	34 486		6,93%
>60 - <=70 %	19 441		3,91%
>70 - <=80 %	5 409		1,09%
Total	497 431		100%

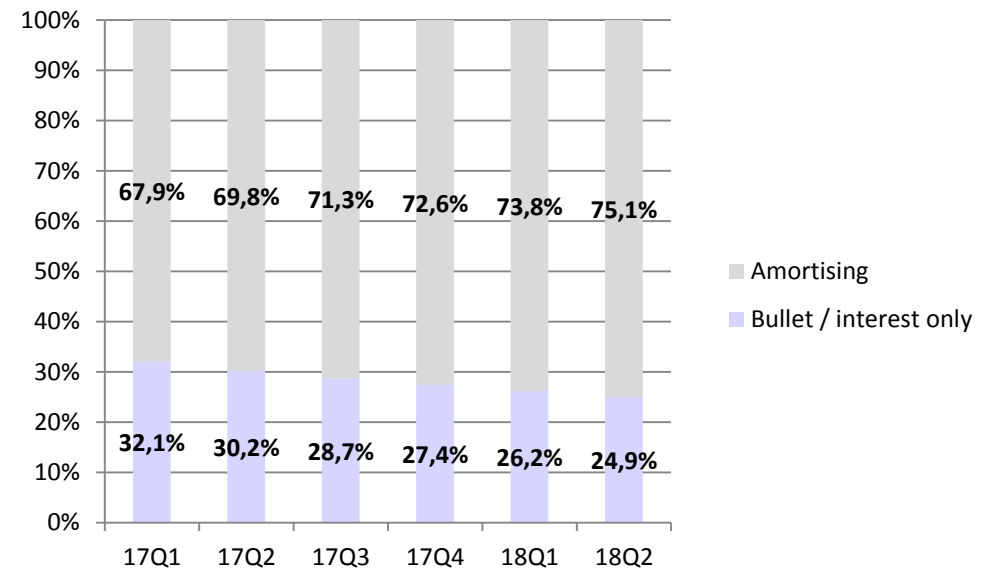
Loan structure

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Rate type



Repayment



Underwriting criteria

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Private households

- Track record and income checked via UC
- Always household budget "before-after" with buffer requirement and stress test including behavioral analysis
- Individual valuation of the pledged property

Corporates / Municipalities

- Financial analysis with adjustments to market conditions
- Verification of key ratios and other requirements in Nordea general real estate lending policy
- Rating according to Nordea's in-house models
- Individual valuation of the pledged property
- Yearly reassessments

4. Covered Bond framework

Swedish covered bond framework

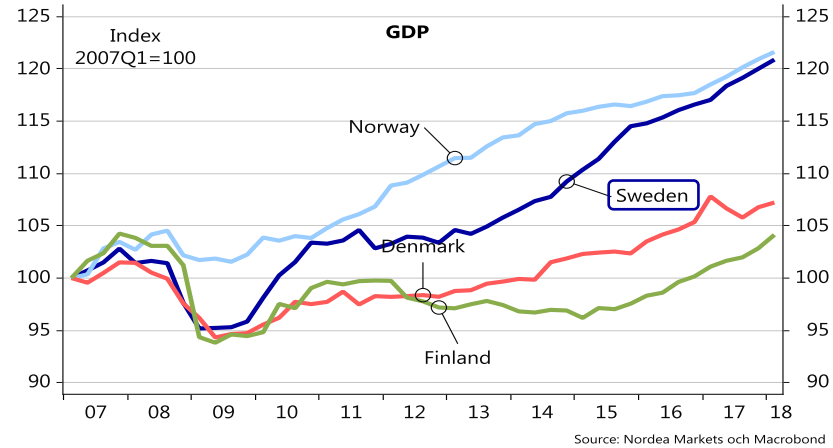
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- Legal framework
 - Swedish Covered Issuance Act (SFS 2003:1223), came into force 1 July 2004
- Registration
 - An issuing institution is required to maintain a register on covered bonds, the cover pool and, if applicable, derivative agreements
- Limit on LTV ratio – based on the current value
 - 75% for housing loans (residential property)
 - 60% for commercial loans (commercial property)
- Matching rules
 - The nominal value of the cover pool must at all times exceed the aggregate nominal value of any claims that may be brought against the issuing institution in respect of covered bonds
 - The issuing institution must ensure that the flow of payments regarding assets in the cover pool, derivative agreements and covered bonds are such that the institution is, at all times, able to fulfil its payment obligations towards the holders of covered bonds and counterparties in derivative agreements
- Independent inspector
 - Finansinspektionen will appoint an independent inspector for each issuing institution
 - The inspector is required to look after that the register is maintained in a correct manner and in accordance with the provisions of the Act

5. Macro

Prospering Nordic economies

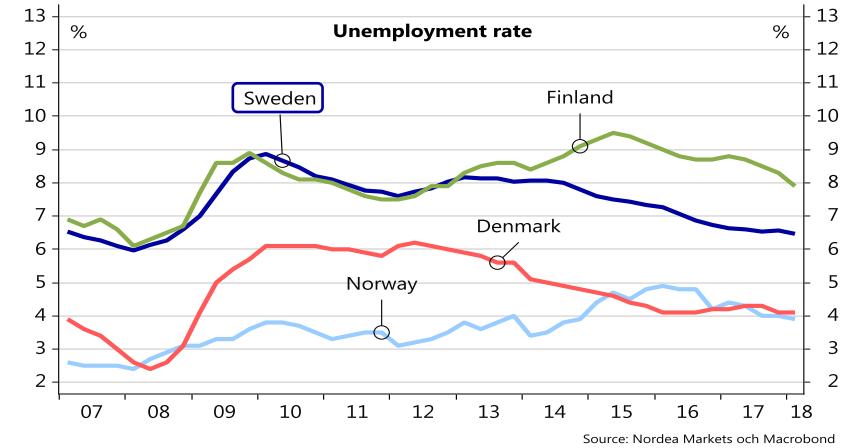
GDP development



Comments

- The Nordics are enjoying an economic tailwind. While the synchronized global recovery raise exports, the accommodative monetary polices support domestic demand
- Short-term survey indicators remain upbeat, which suggests growth will be held up in the near-term

Unemployment rate



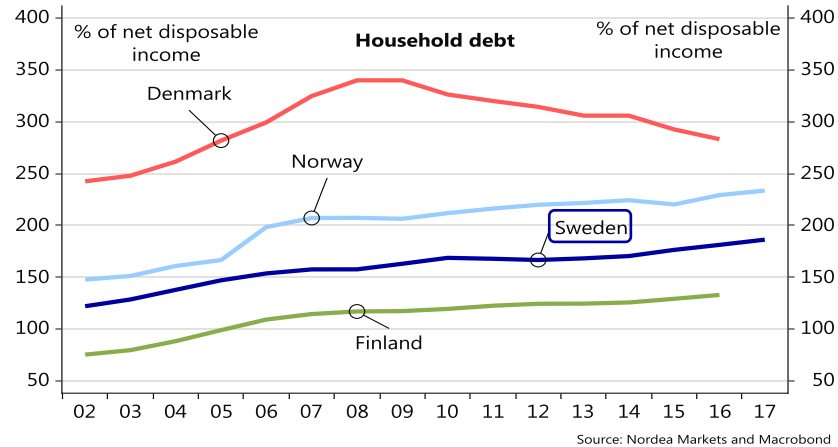
GDP forecast, %

Country	2015	2016	2017	2018E	2019E
Denmark	1.6	2.0	2.2	1.8	1.7
Finland	0.1	2.1	2.6	3.0	2.5
Norway	1.4	1.0	1.8	2.4	2.4
Sweden	4.3	3.0	2.7	2.5	1.9

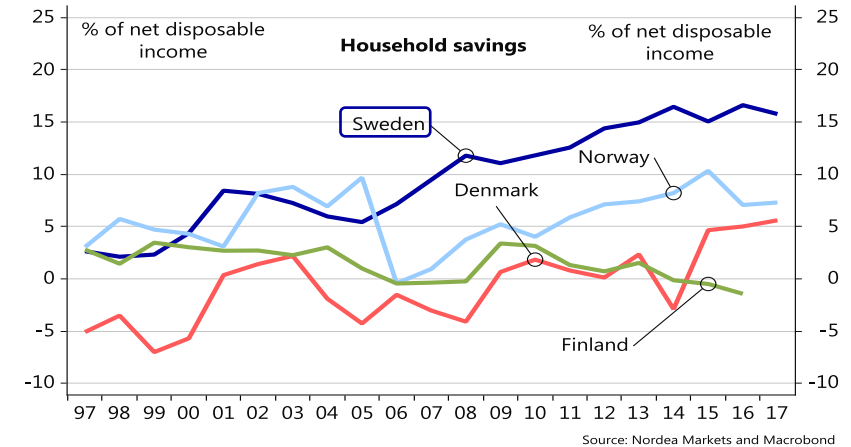
Source: Nordea Markets Economic Outlook April 2018 and Macrobond

Household debt remains high, but so is private and public savings

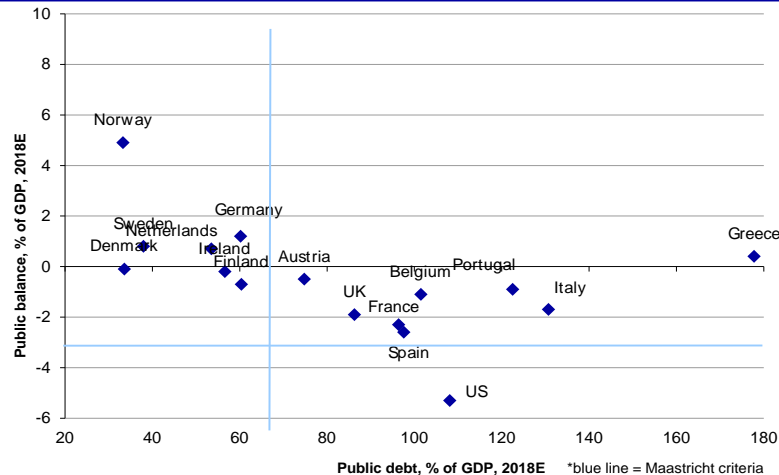
Household debt



Household savings



Public balance/debt, % of GDP, 2018E

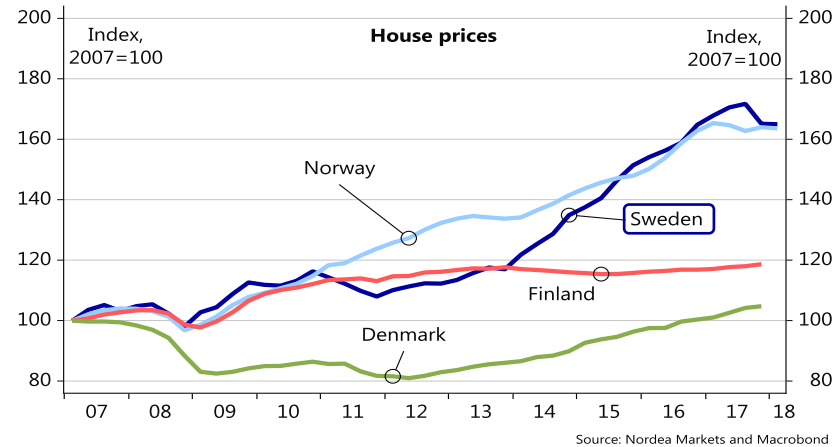


Comments

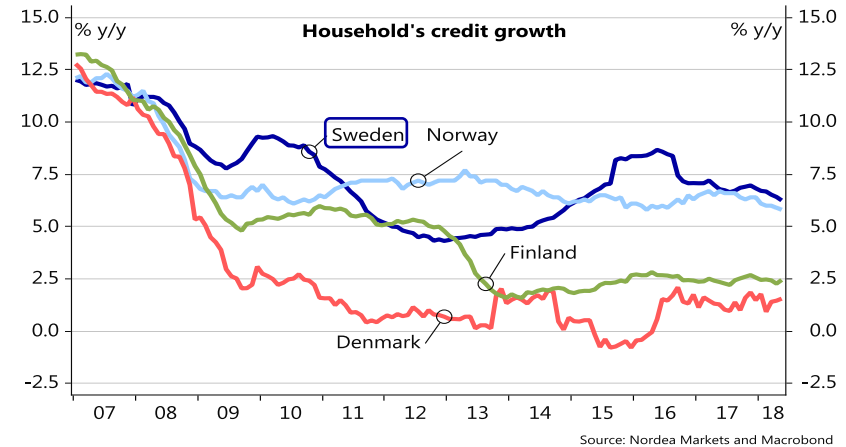
- In all countries, apart from Denmark, household debt continues to rise somewhat faster than income. Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined somewhat in recent years
- The Nordic public finances are robust due to the overall economic recovery and relatively strict fiscal policies. Norway is in a class of its own due to oil revenues

House price development in the Nordics

House prices



Household's credit growth



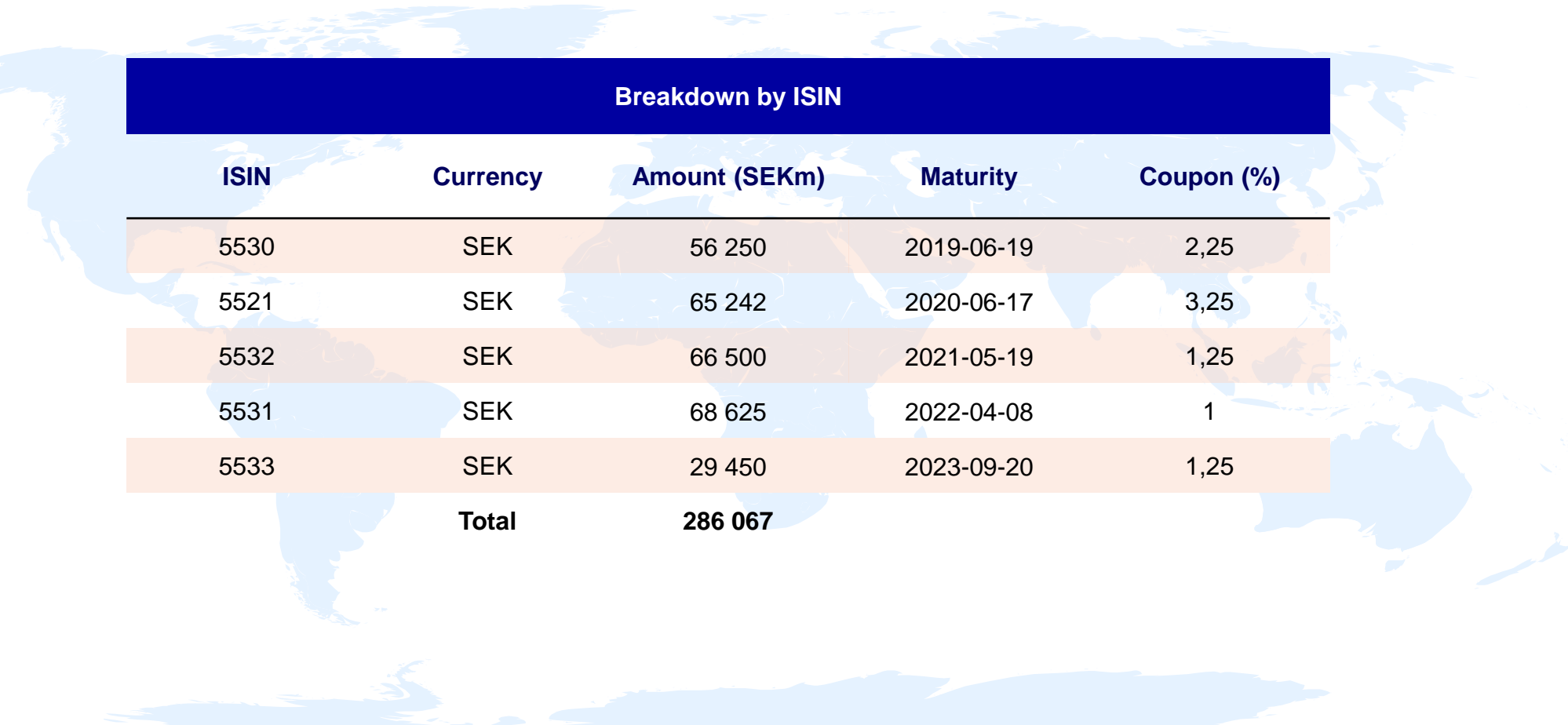
Comments

- Recent quarters have shown stabilisation in the Swedish and Norwegian housing markets, while prices continue to rise in Denmark and to some extent also in Finland
- In Sweden house prices declined during H2 2017 but the trend has levelled out in H1 2018, despite increased regulations which was expected to put downward pressure on house prices. The price correction is probably caused by the marked rise in new buildings seen in recent years. Going forward, largely stagnant prices are expected as mortgage rates are expected to stay low
- In Norway, primarily in Oslo, house prices turned down during 2017. The downturn was primarily driven by stricter lending requirements introduced 1 January 2017. However, prices have levelled out, and even increased somewhat in Oslo, in recent months. Largely unchanged prices are forecast ahead

6. Further information

Nordea Hypotek – outstanding benchmark covered bonds

Q2 2018



Breakdown by ISIN				
ISIN	Currency	Amount (SEKm)	Maturity	Coupon (%)
5530	SEK	56 250	2019-06-19	2,25
5521	SEK	65 242	2020-06-17	3,25
5532	SEK	66 500	2021-05-19	1,25
5531	SEK	68 625	2022-04-08	1
5533	SEK	29 450	2023-09-20	1,25
	Total	286 067		

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