

**Nordea**

**Nordea Hypotek Covered Bonds**

Q4 2018 Debt investor presentation


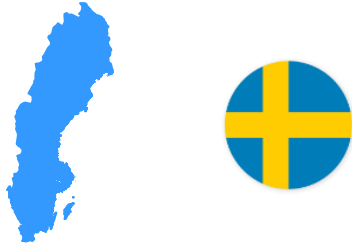

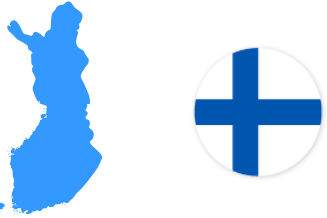


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# 1. In brief

# Nordea covered bond operations

<p><i>Four aligned covered bond issuers with complementary roles</i></p>	<p><b>Nordea Eiendomskreditt</b></p> 	<p><b>Nordea Hypotek</b></p> 	<p><b>Nordea Kredit</b></p> 	<p><b>Nordea Mortgage Bank</b></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 10.1bn (eq.)	EUR 51.9bn (eq.)	Balance principle	EUR 19.8bn
Covered bonds outstanding	EUR 8.4bn (eq.)	EUR 30.9bn (eq.)	EUR 51.9bn (eq.)	EUR 16.7bn
OC	21%	68%	CC1/CC2 31%/11%	19%
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

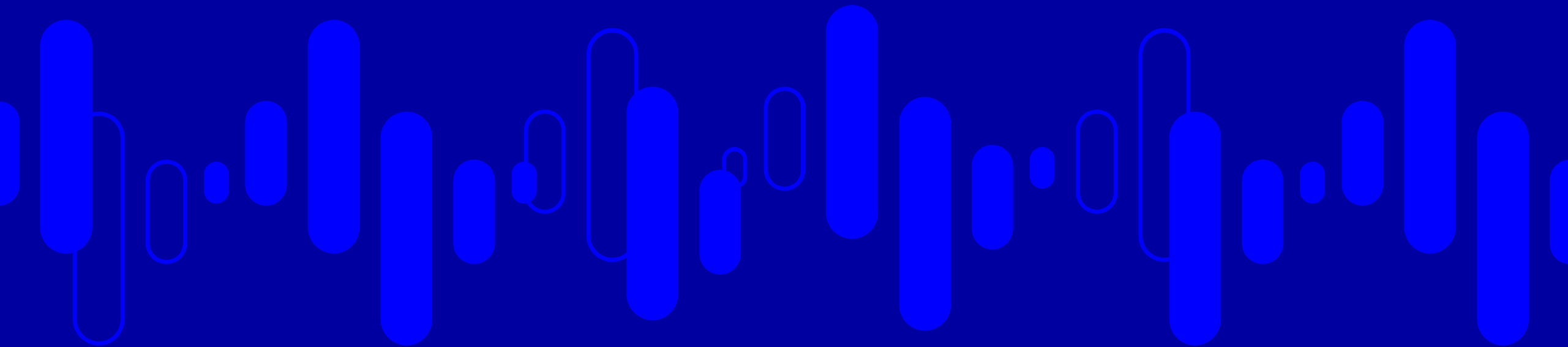


# Nordea Hypotek – overview

Q4 2018

- 100% owned subsidiary of Nordea Bank Abp (as of October 1<sup>st</sup>) - 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

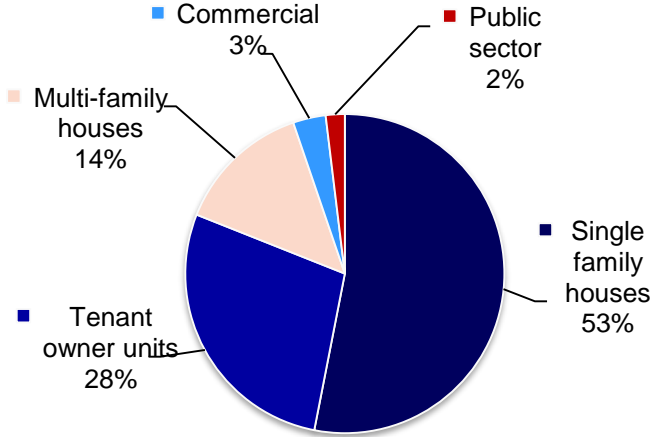
Q4 2018

Cover pool summary	
Loans in cover pool	SEK 530.9bn
Outstanding covered bonds	SEK 316.6bn
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	94.8% residential, 3.3% commercial, 1.9% public sector
Weighted average LTV*	51.2% (indexed)
Average loans size*	SEK 588k
Over collateralization, OC	68%
Rate type	Floating 80.4%, Fixed 19.6%
Amortization	Bullet/ interest only 22.9%, Amortizing 77.1%
Pool type	Dynamic
Loans originated by	Nordea Hypotek

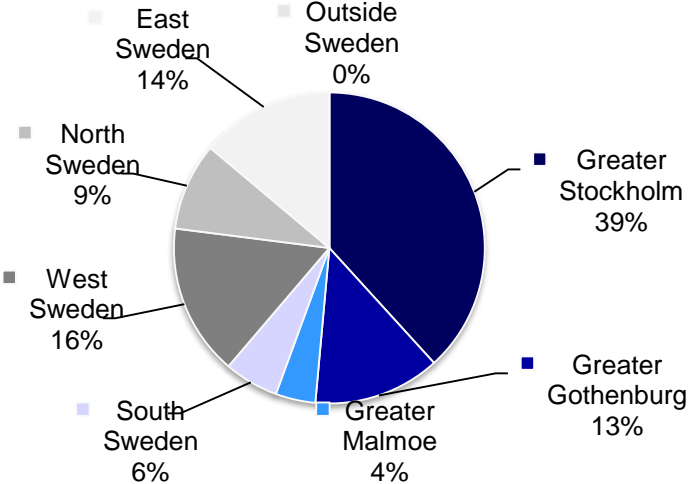
# Cover pool key characteristics (2)

Q4 2018

Cover pool balance by loan category



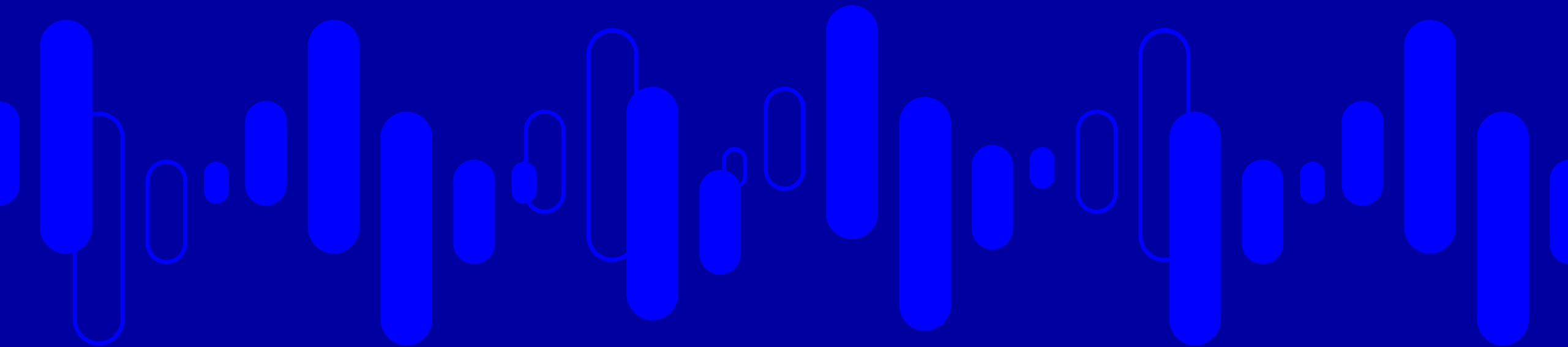
Cover pool balance by region\*



\* excluding Public sector



### 3. Asset quality



# Loan To Value\* (LTV)

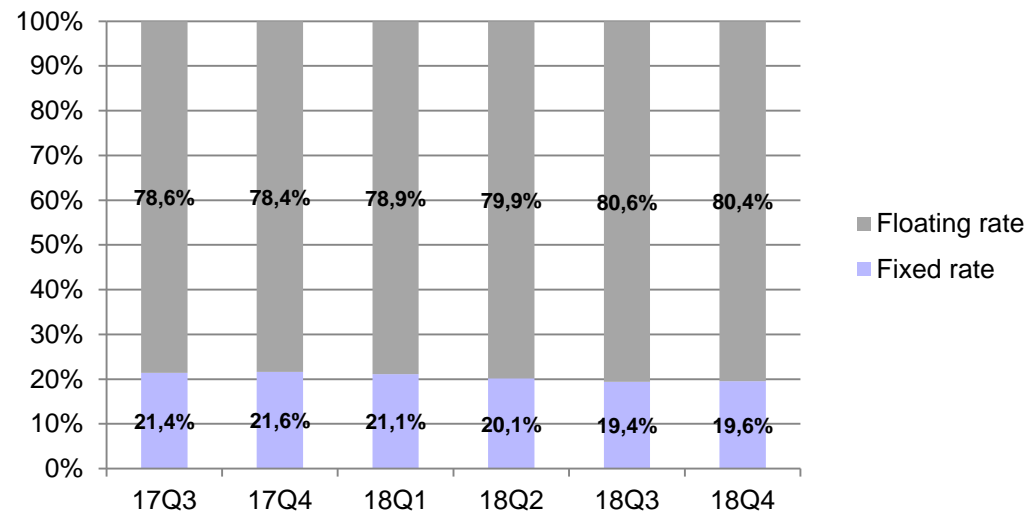
Q4 2018

<b>Weighted Average LTV – Unindexed</b>		<b>57.6%</b>
<b>LTV buckets</b>	<b>Nominal (SEKm)</b>	<b>% Residential Loans</b>
>0 - <=40 %	354 920	70,55%
>40 - <=50 %	58 559	11,64%
>50 - <=60 %	45 838	9,11%
>60 - <=70 %	33 268	6,61%
>70 - <=80 %	10 482	2,08%
Total	503 066	100%
<b>Weighted Average LTV - Indexed</b>		<b>51.2%</b>
<b>LTV buckets</b>	<b>Nominal (SEKm)</b>	<b>% Residential Loans</b>
>0 - <=40 %	386 238	76,78%
>40 - <=50 %	53 489	10,63%
>50 - <=60 %	36 138	7,18%
>60 - <=70 %	21 306	4,24%
>70 - <=80 %	5 894	1,17%
Total	503 066	100%

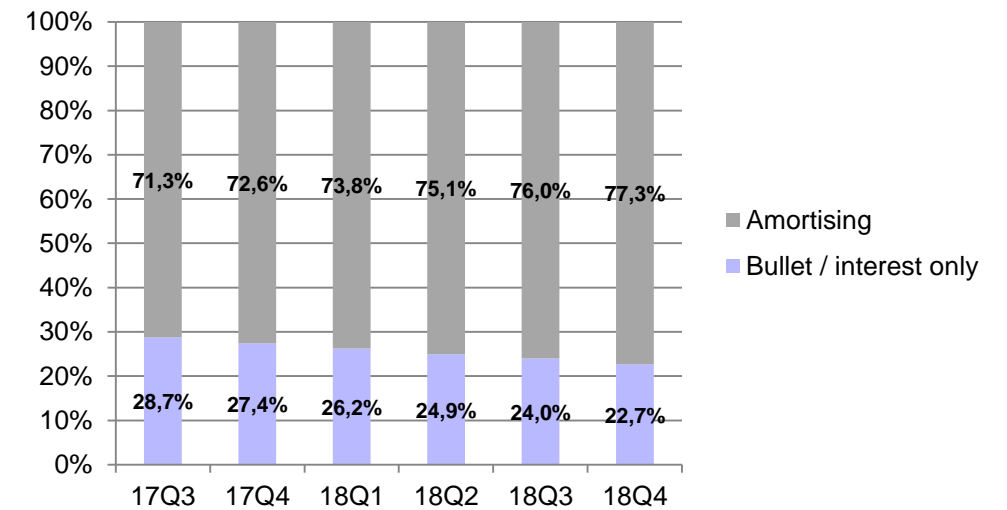
# Loan structure

Q4 2018

### Rate type



### Repayment



# Underwriting criteria

Q4 2018

## 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

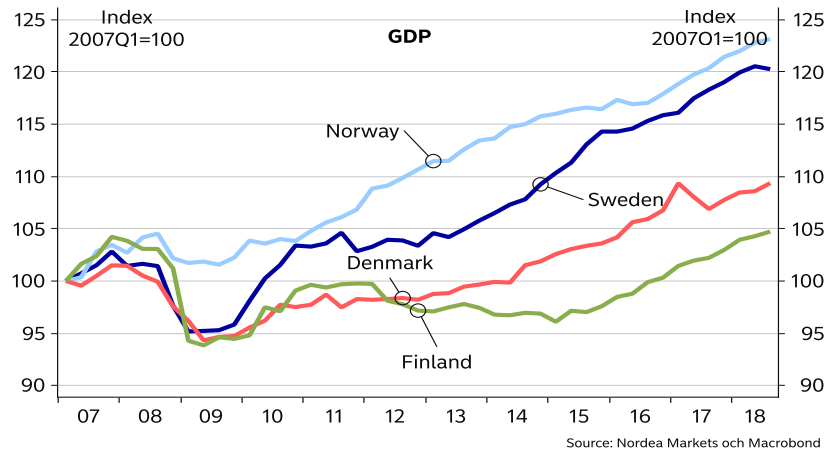
## Q4 2018

- 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

# Robust Nordic economies

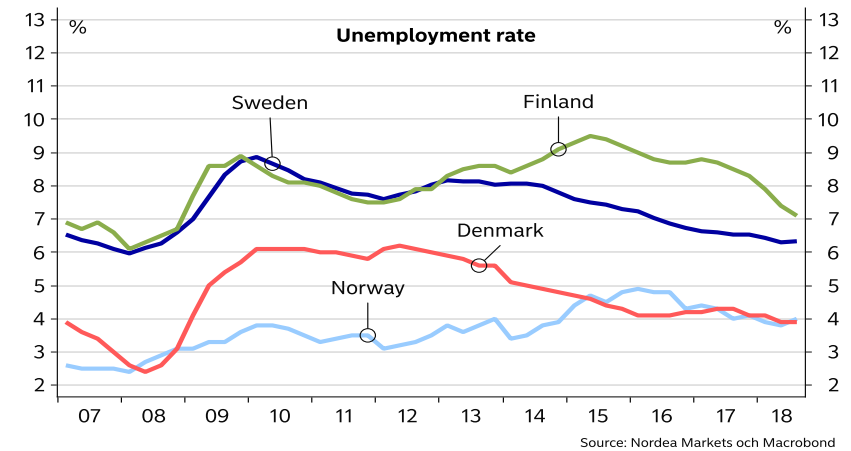
## GDP development



## Comments

- The Nordics have enjoyed a solid economic development in recent years. The global economy slowed down during the autumn and especially in the Euro-Area. Monetary policy has shifted to be less supportive. This has affected the Nordics to various extent. Sweden and Finland have been most hit as being more dependant on exports.
- Short-term survey indicators have declined, but from elevated levels, suggesting that growth will remain decent in the near-term and that a major slowdown of the economies is not imminent.

## Unemployment rate



## GDP forecast, %

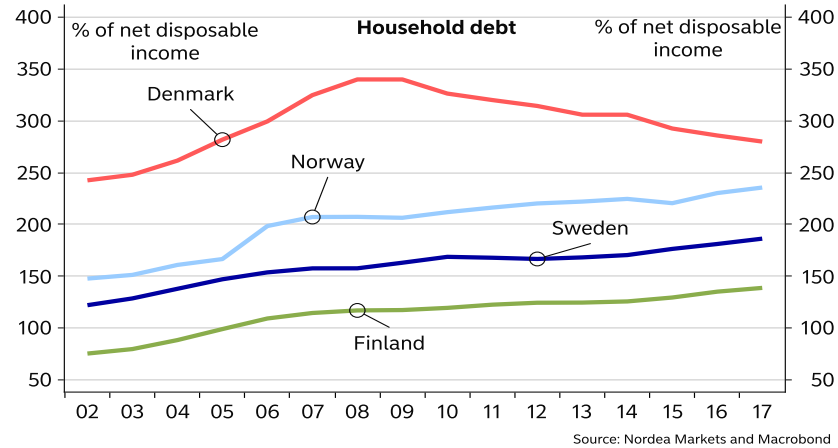
Country	2016	2017	2018E	2019E	2020E
Denmark	2.4	2.3	0.9	1.8	1.7
Finland	2.5	2.8	2.3	1.5	1.0
Norway	1.1	2.0	2.5	2.6	2.1
Sweden	2.4	2.4	2.3	1.0	1.3

Source: Nordea Markets Economic Outlook January 2019 and Macrobond

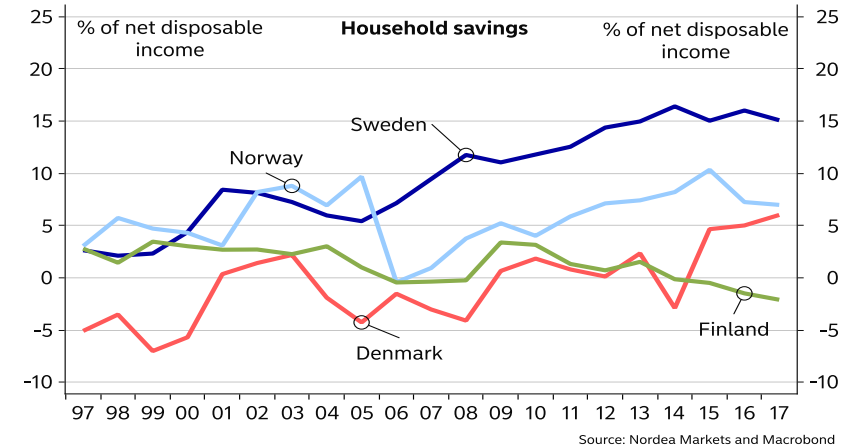


# Household debt remains high, but so is private and public savings

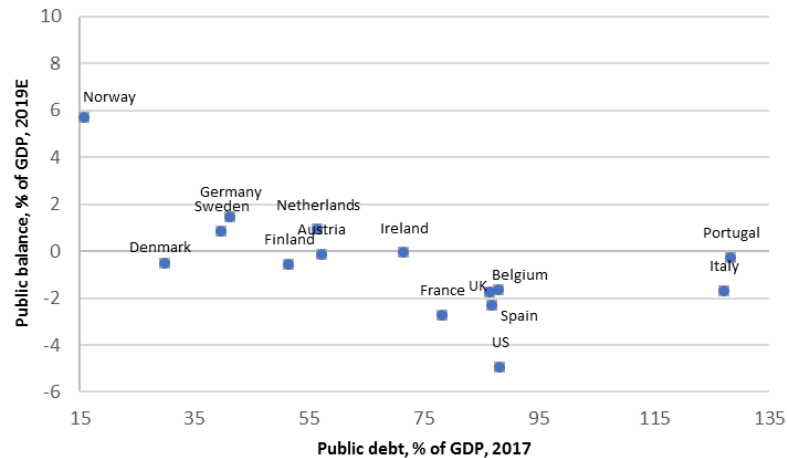
## Household debt



## Household savings



## Public balance/debt, % of GDP, 2019E

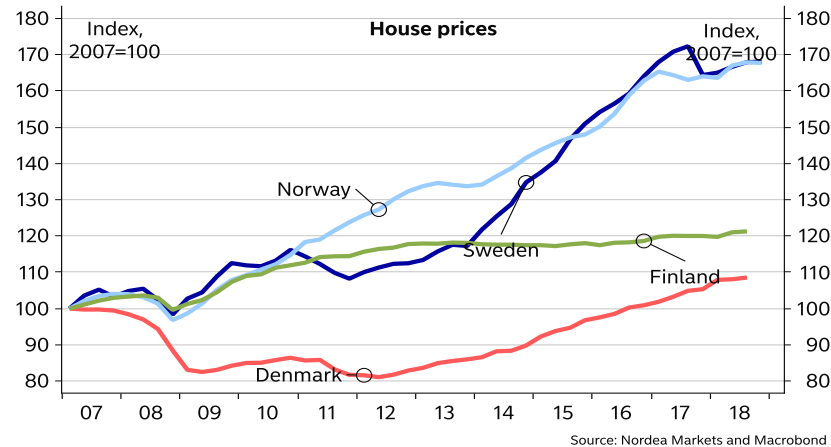


## Comments

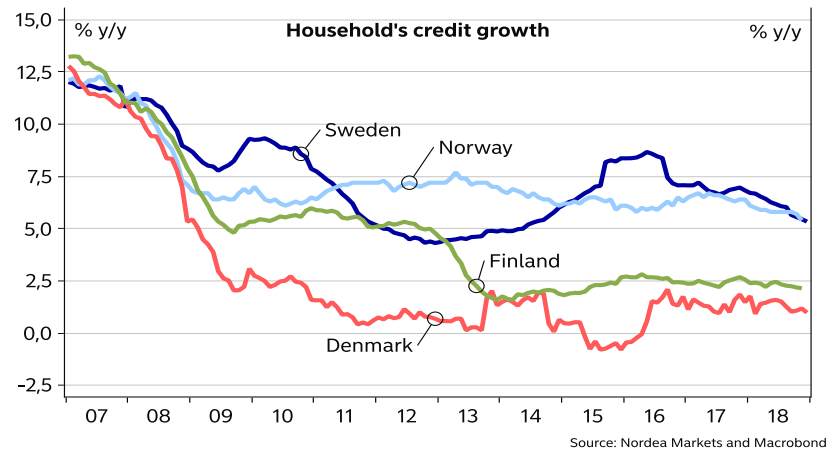
- In all countries, apart from Denmark, household debt continues to rise somewhat faster than income. Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined somewhat in recent years.
- The Nordic public finances are robust due to the overall economic 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



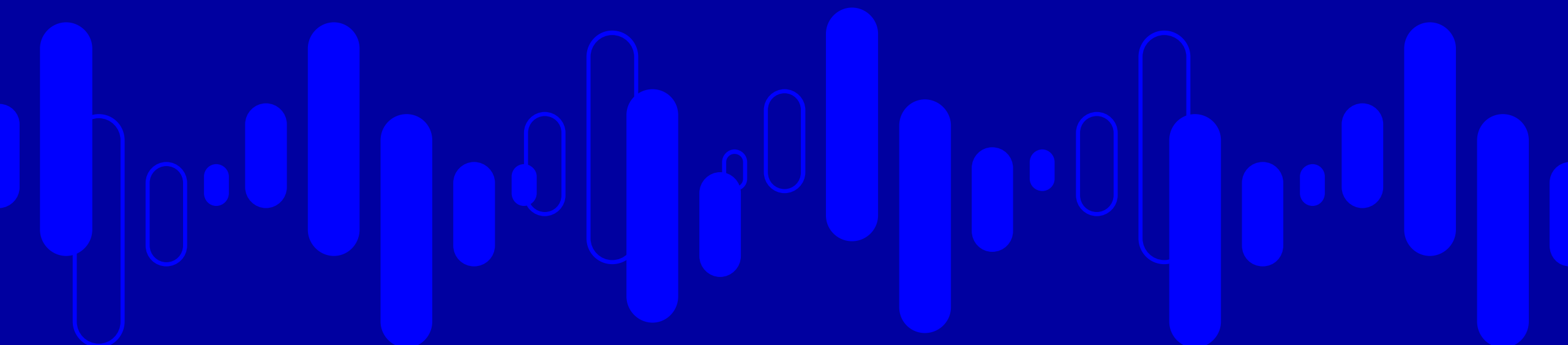
## Household's credit growth



## Comments

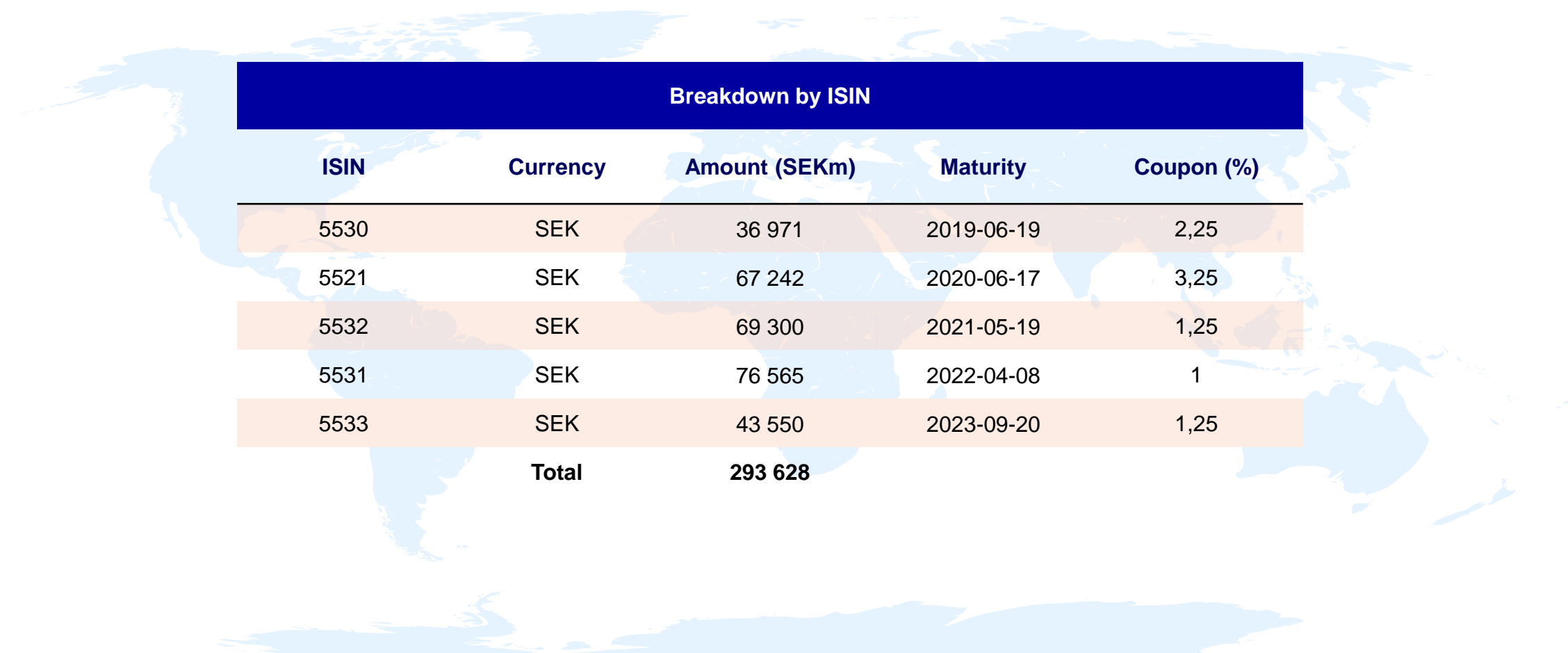
- Recent quarters have shown stabilisation in the Swedish and Norwegian housing markets, while prices continue to rise in Denmark and to some extent also in Finland.
- In Sweden house prices declined during H2 2017 but the trend has levelled out in 2018. The price correction was probably due to the marked rise in new buildings as well as the FSA's additional amortization requirement (March 2018). Going forward we expect house prices to remain stable as mortgage rates will remain low even though we see risks on the downside.
- 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. Largely unchanged prices are forecast ahead.

# 6. Further information



# Nordea Hypotek – outstanding benchmark covered bonds

Q4 2018



Breakdown by ISIN				
ISIN	Currency	Amount (SEKm)	Maturity	Coupon (%)
5530	SEK	36 971	2019-06-19	2,25
5521	SEK	67 242	2020-06-17	3,25
5532	SEK	69 300	2021-05-19	1,25
5531	SEK	76 565	2022-04-08	1
5533	SEK	43 550	2023-09-20	1,25
	<b>Total</b>	<b>293 628</b>		

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