



# Nordea

## Nordea Hypotek Covered Bonds

Q3 2018 Debt investor presentation

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# 1. In brief

# Nordea covered bond operations

Q3 2018

<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 11.2bn (eq.)	EUR 51.0bn (eq.)	Balance principle	EUR 19.9bn
Covered bonds outstanding	EUR 9.2bn (eq.)	EUR 31.5bn (eq.)	EUR 56.0bn (eq.)	EUR 16.7bn
OC	21%	62%	CC1/CC2 21%/11%	20%
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

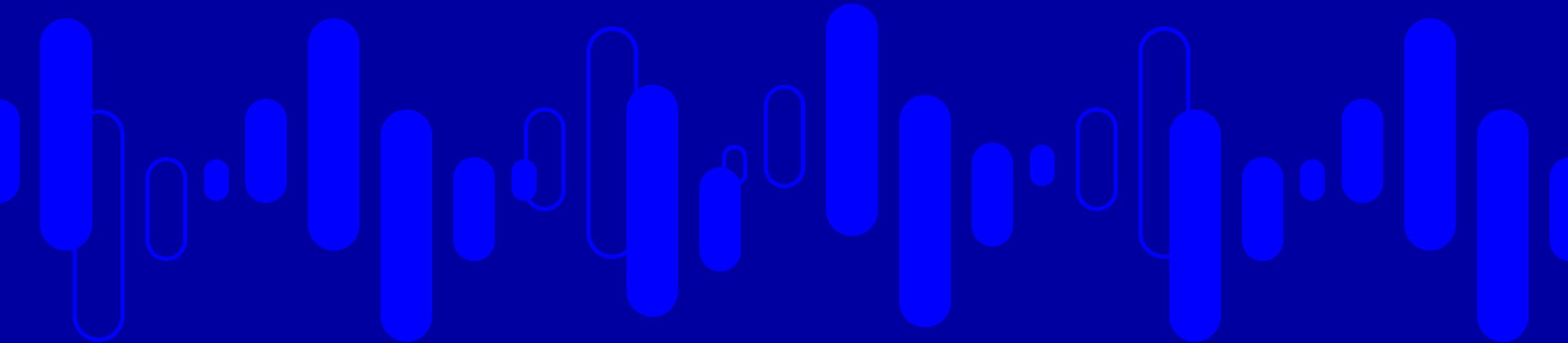


# Nordea Hypotek – overview

Q3 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

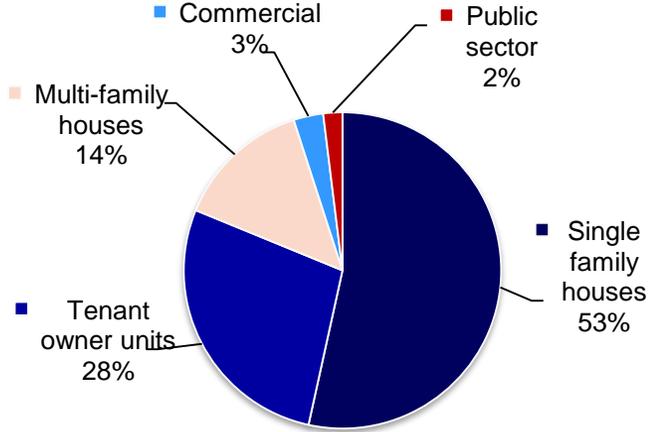
Q3 2018

Cover pool summary	
Loans in cover pool	SEK 525.7bn
Outstanding covered bonds	SEK 324.9bn
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	95.0% residential, 3.0% commercial, 2.0% public sector
Weighted average LTV*	51.0% (indexed)
Average loans size*	SEK 582k
Over collateralization, OC	62%
Rate type	Floating 80.6%, Fixed 19.4%
Amortization	Bullet/ interest only 24.0%, Amortizing 76.0%
Pool type	Dynamic
Loans originated by	Nordea Hypotek

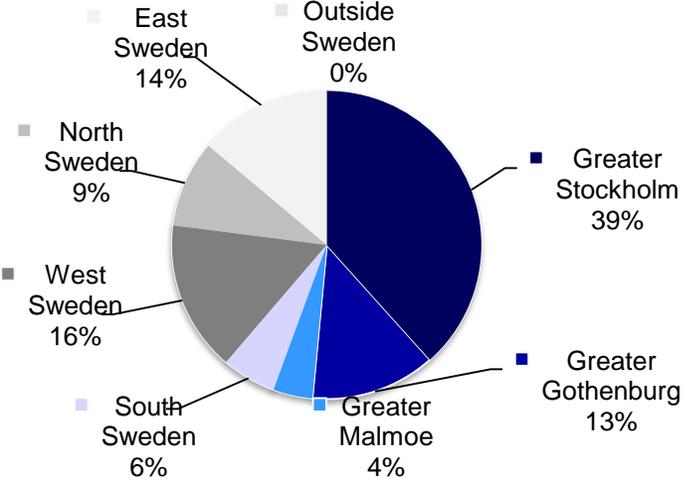
# Cover pool key characteristics (2)

Q3 2018

Cover pool balance by loan category

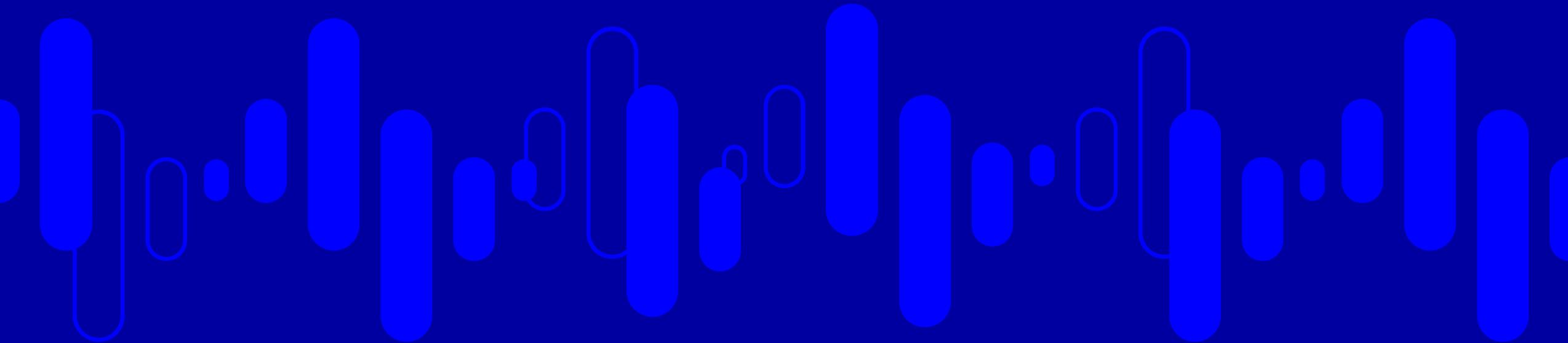


Cover pool balance by region\*



\* excluding Public sector

### 3. Asset quality



# Loan To Value\* (LTV)

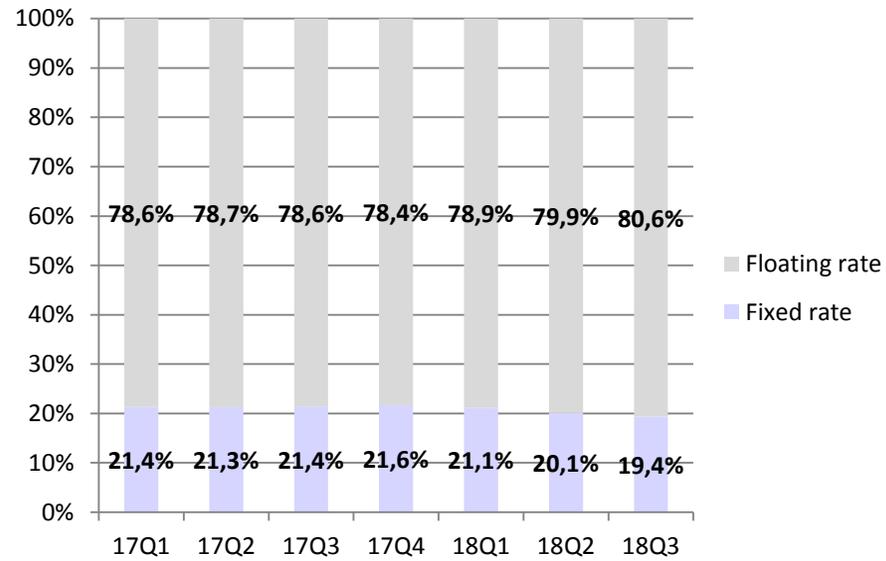
Q3 2018

<b>Weighted Average LTV – Unindexed</b>		<b>57.6%</b>
<b>LTV buckets</b>	<b>Nominal (SEKm)</b>	<b>% Residential Loans</b>
>0 - <=40 %	352 516	70,56%
>40 - <=50 %	58 150	11,64%
>50 - <=60 %	45 513	9,11%
>60 - <=70 %	33 029	6,61%
>70 - <=80 %	10 405	2,08%
Total	499 614	100%
<b>Weighted Average LTV - Indexed</b>		<b>51.0%</b>
<b>LTV buckets</b>	<b>Nominal (SEKm)</b>	<b>% Residential Loans</b>
>0 - <=40 %	384 689	77,00%
>40 - <=50 %	53 028	10,61%
>50 - <=60 %	35 437	7,09%
>60 - <=70 %	20 610	4,13%
>70 - <=80 %	5 850	1,17%
Total	499 614	100%

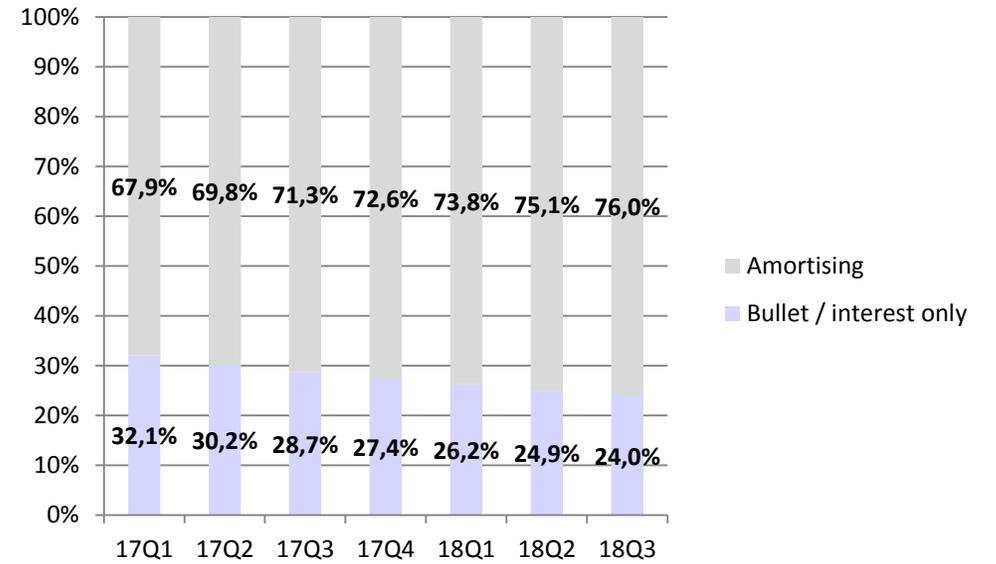
# Loan structure

Q3 2018

## Rate type



## Repayment



# Underwriting criteria

Q3 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

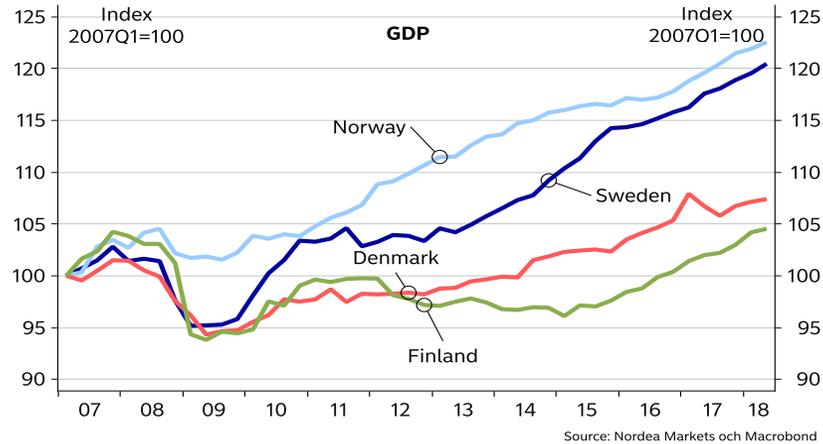
## Q3 2018

- 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

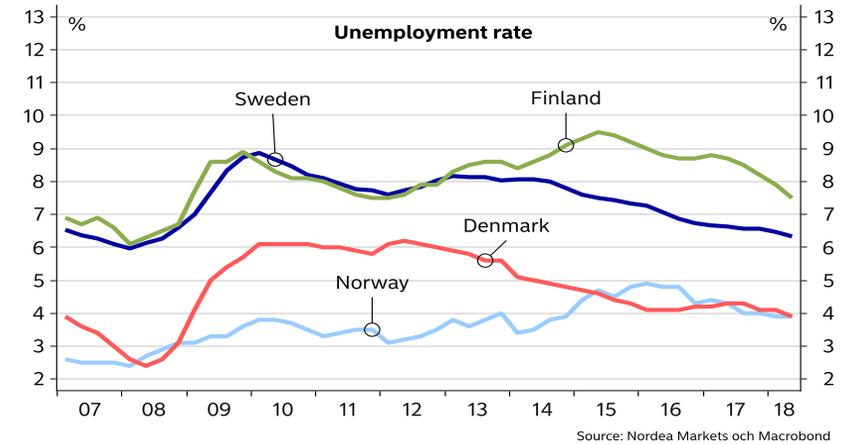
## GDP development



## Comments

- The Nordics are enjoying a solid economic development. While the synchronised global recovery supports exports, the accommodative monetary polices support domestic demand
- Short-term survey indicators have declined somewhat from elevated levels, but nevertheless suggest that growth will be held up fairly well in the near-term

## Unemployment rate



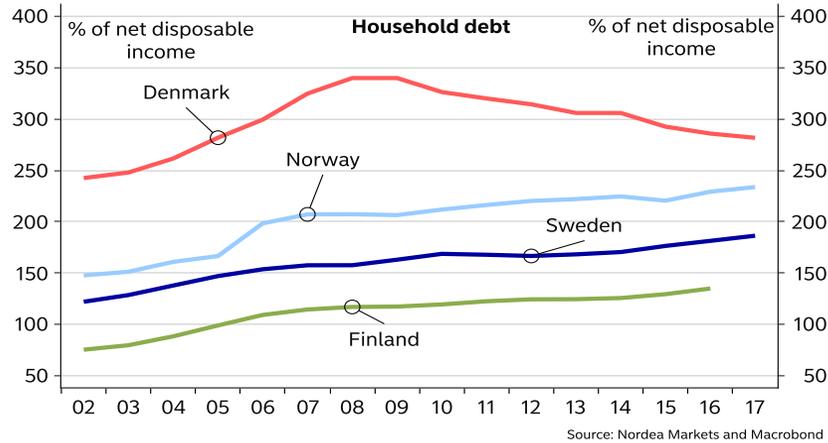
## GDP forecast, %

Country	2016	2017	2018E	2019E	2020E
Denmark	2.0	2.3	1.0	1.8	1.7
Finland	2.5	2.8	3.0	2.0	1.5
Norway	1.1	2.0	2.4	2.7	2.5
Sweden	3.0	2.5	2.8	2.1	1.8

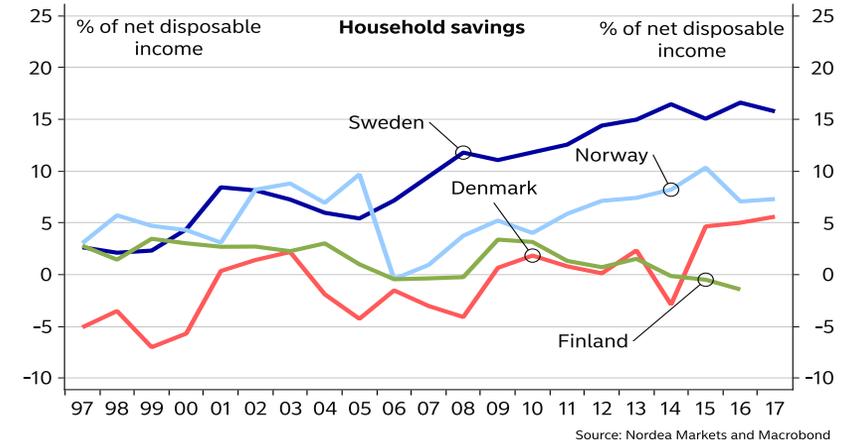
Source: Nordea Markets Economic Outlook September 2018 and Macrobond

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

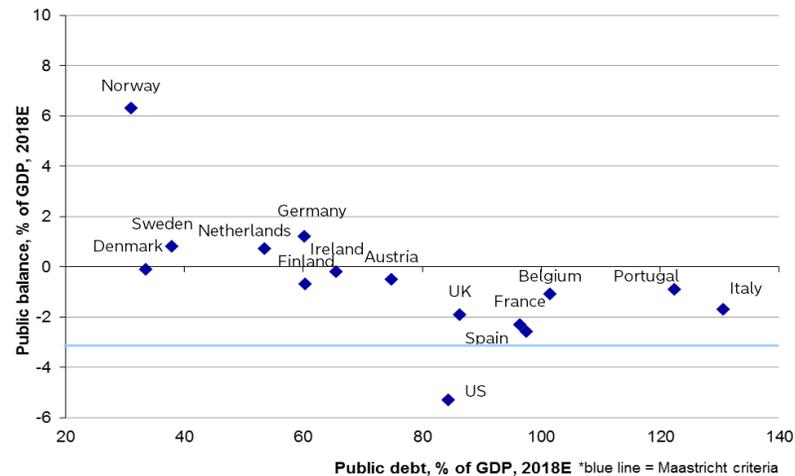
## Household debt



## Household savings



## Public balance/debt, % of GDP, 2018E

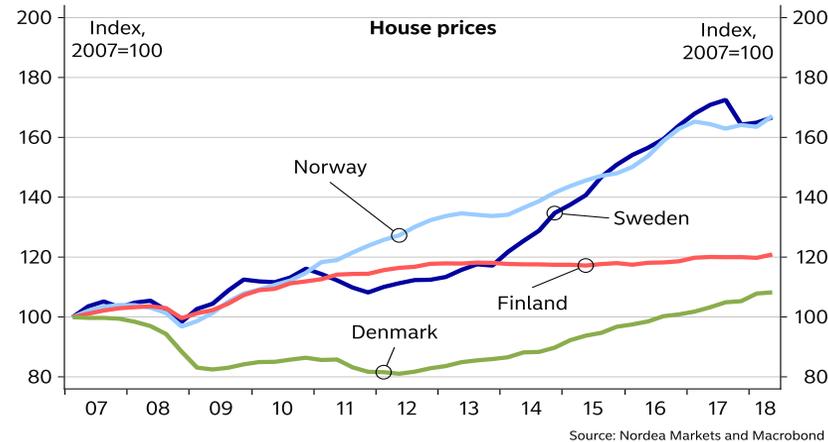


## Comments

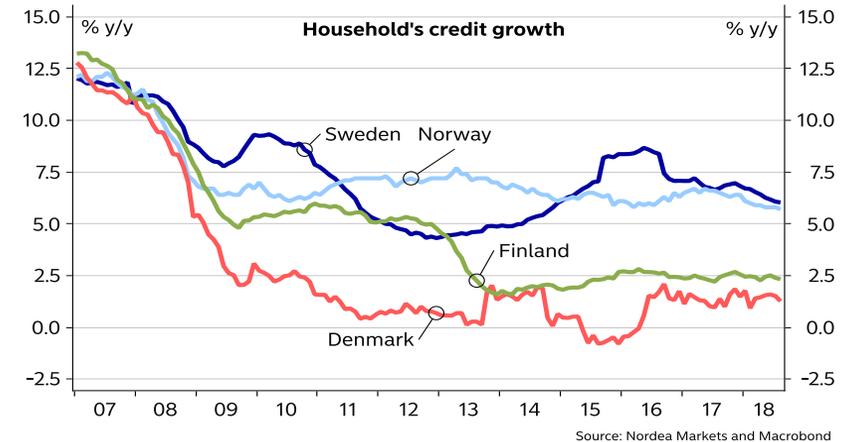
- In all countries, apart from Denmark, household debt continues to rise somewhat faster than income. Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined somewhat in recent years
- The Nordic public finances are robust due to the overall economic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



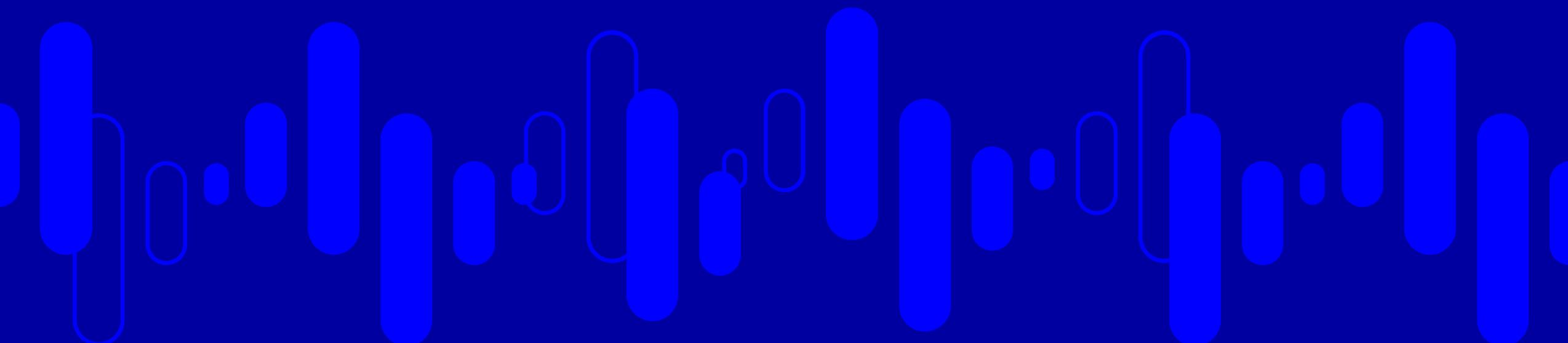
## Household's credit growth



## Comments

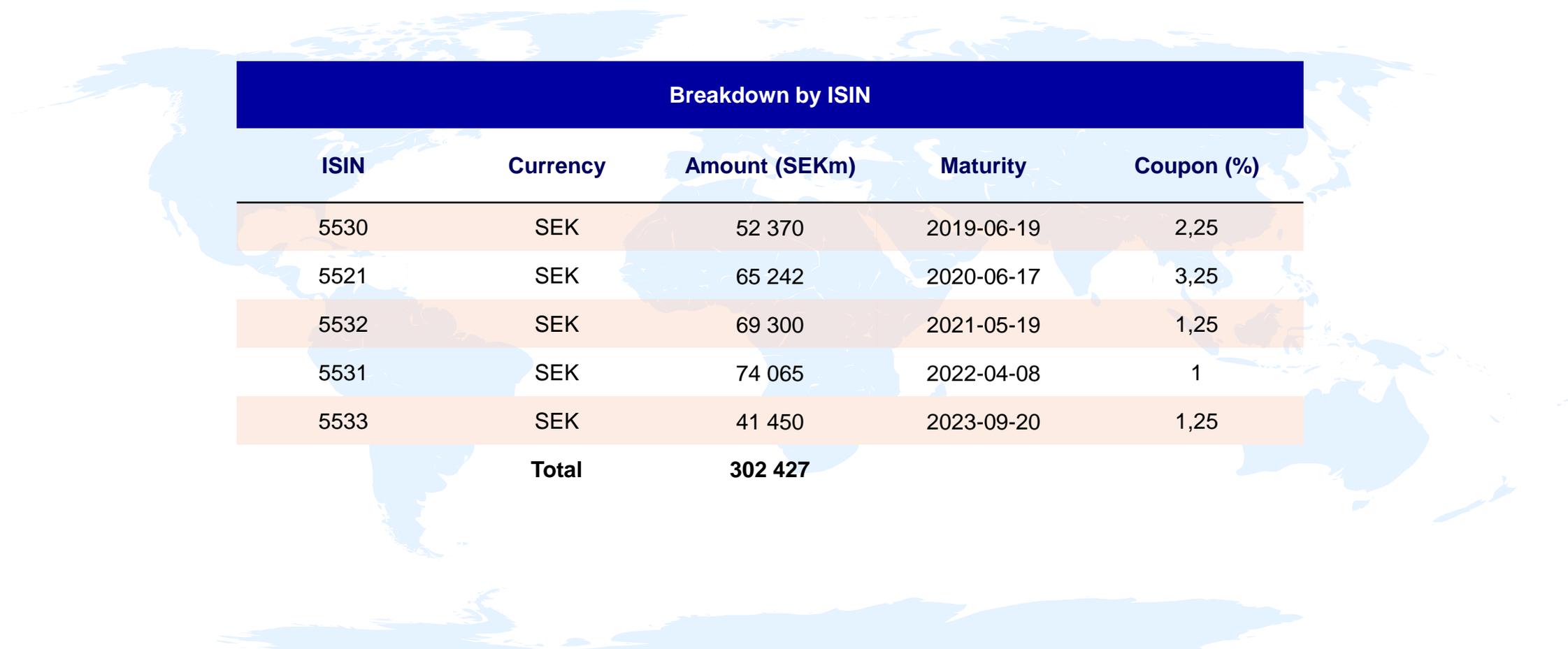
- Recent quarters have shown stabilisation in the Swedish and Norwegian housing markets, while prices continue to rise in Denmark and to some extent also in Finland.
- In Sweden house prices declined during H2 2017 but the trend has levelled out in 2018, despite increased regulations which was expected 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

Q3 2018



Breakdown by ISIN				
ISIN	Currency	Amount (SEKm)	Maturity	Coupon (%)
5530	SEK	52 370	2019-06-19	2,25
5521	SEK	65 242	2020-06-17	3,25
5532	SEK	69 300	2021-05-19	1,25
5531	SEK	74 065	2022-04-08	1
5533	SEK	41 450	2023-09-20	1,25
	<b>Total</b>	<b>302 427</b>		

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