



Nordea

Nordea Hypotek Covered Bonds

Q2 2019 Debt investor presentation




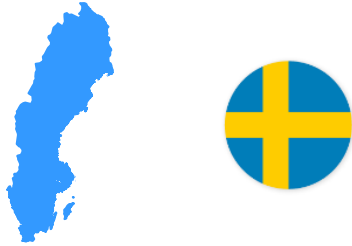

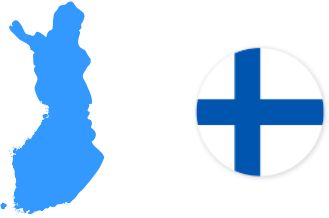
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1. In brief

Nordea covered bond operations

Q2 2019

<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 16.4bn (eq.)	EUR 51.4bn (eq.)	Balance principle	EUR 21.8bn
Covered bonds outstanding	EUR 9.5bn (eq.)	EUR 31.4bn (eq.)	EUR 57.7bn (eq.)	EUR 16.2bn
OC	71%	63%	CC1/CC2 40%/10%	35%
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

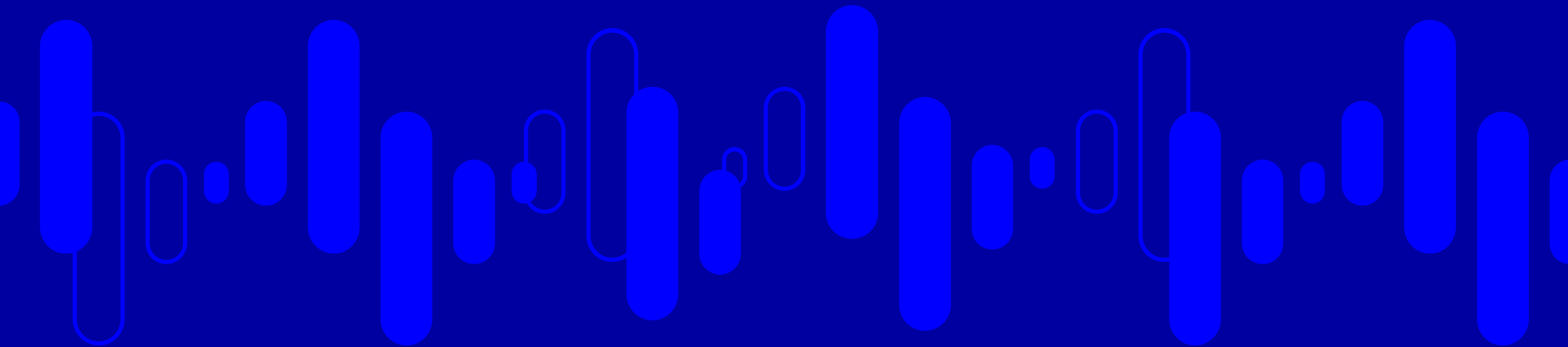


Nordea Hypotek – overview

Q2 2019

- 100% owned subsidiary of Nordea Bank Abp (as of October 1st) - 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

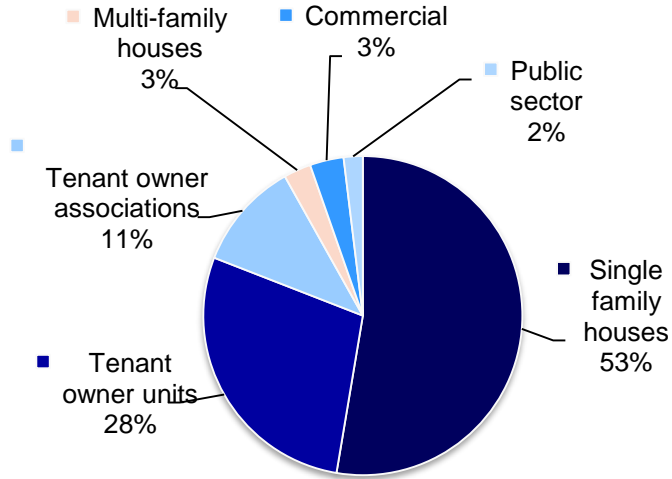
Q2 2019

Cover pool summary	
Loans in cover pool	SEK 542.6bn
Outstanding covered bonds	SEK 332.2bn
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	94.6% residential, 3.4% commercial, 1.9% public sector
Weighted average LTV*	52.3% (indexed)
Average loans size*	SEK 604k
Over collateralization, OC	63%
Rate type	Floating 70.2%, Fixed 29.8%
Amortization	Bullet/ interest only 21.8%, Amortizing 78.2%
Pool type	Dynamic
Loans originated by	Nordea Hypotek

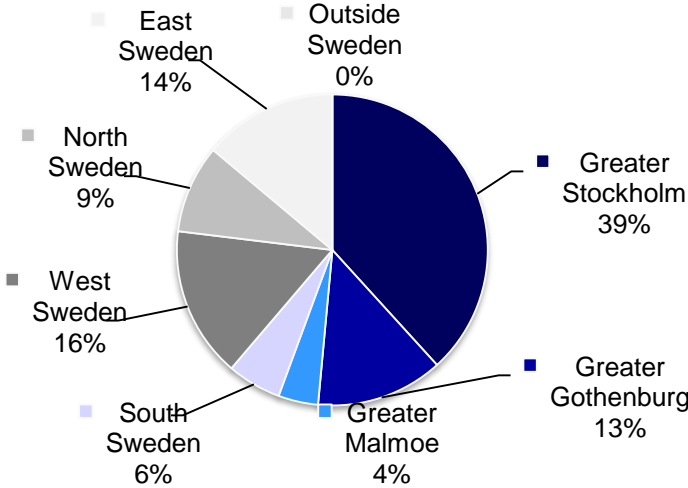
Cover pool key characteristics (2)

Q2 2019

Cover pool balance by loan category

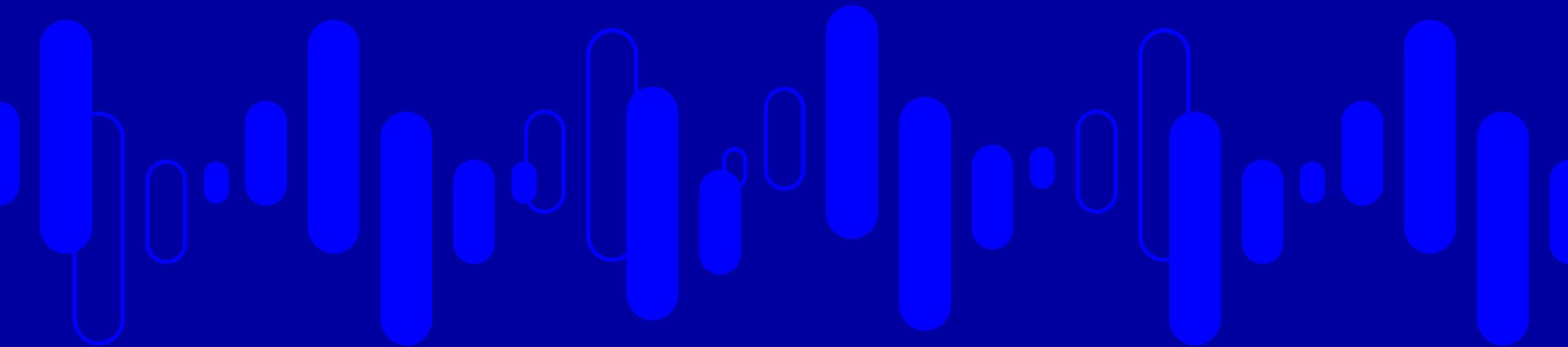


Cover pool balance by region*



* excluding Public sector

3. Asset quality



Loan To Value* (LTV)

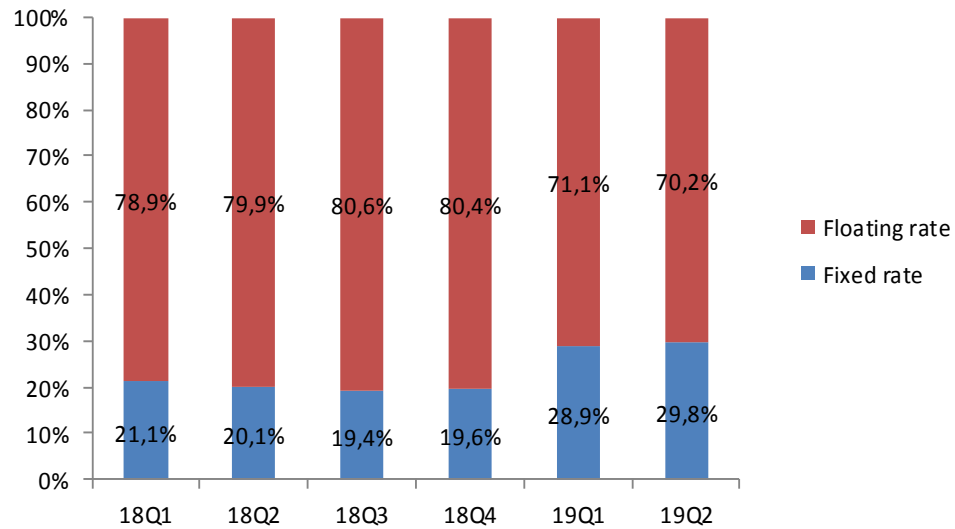
Q2 2019

Weighted Average LTV – Unindexed		57.4%
LTV buckets	Nominal (SEKm)	% Residential Loans
>0 - <=40 %	363 144	70,71%
>40 - <=50 %	59 752	11,64%
>50 - <=60 %	46 599	9,07%
>60 - <=70 %	33 568	6,54%
>70 - <=80 %	10 487	2,04%
Total	513 549	100%
Weighted Average LTV - Indexed		52.3%
LTV buckets	Nominal (SEKm)	% Residential Loans
>0 - <=40 %	389 451	75,84%
>40 - <=50 %	55 621	10,83%
>50 - <=60 %	38 385	7,47%
>60 - <=70 %	23 378	4,55%
>70 - <=80 %	6 715	1,31%
Total	513 549	100%

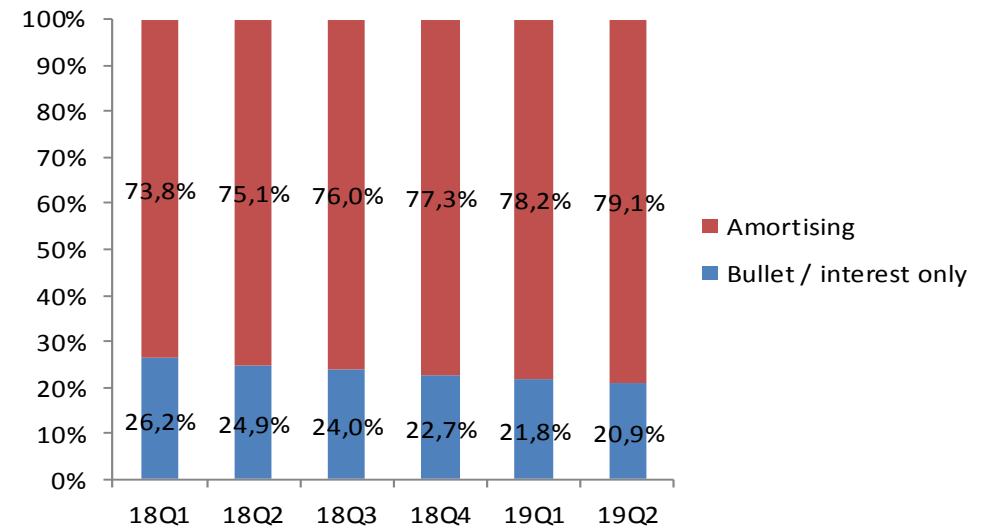
Loan structure

Q2 2019

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

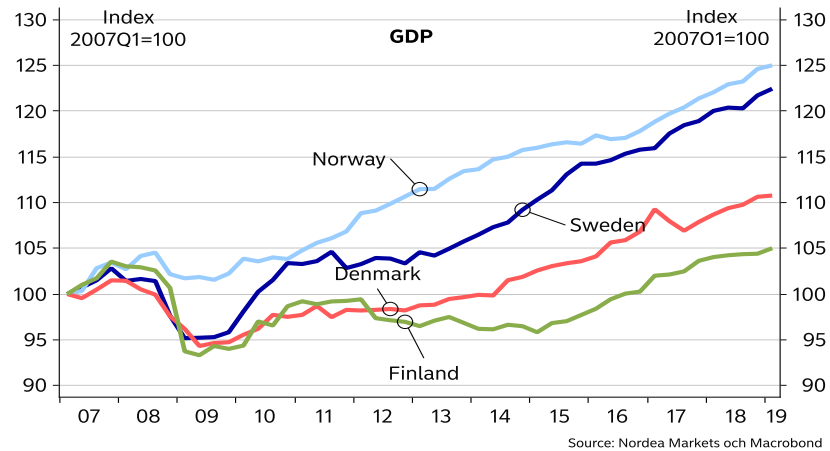
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- Legal framework
 - Swedish Covered Issuance Act (SFS 2003:1223), came into force 1 July 2004
- Registration
 - An issuing institution is required to maintain a register on covered bonds, the cover pool and, if applicable, derivative agreements
- 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 by a minimum of 2%
 - 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

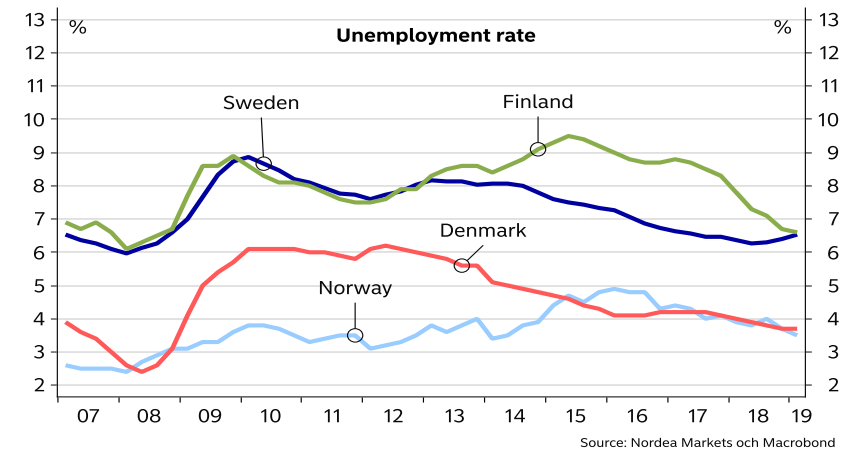
GDP development



Comments

- The Nordics have enjoyed a solid economic development in recent years. The global economy slowed down more than expected during the end of last year to this year, especially in the euro area
- Export-dependent Sweden and Finland have been most hit by the downturn, while higher growth is projected in Norway and Denmark
- Monetary policy has shifted to a more cautious stance (except Norway) as the global growth and inflation outlook remains subdued
- In Sweden, unemployment is increasing from a large net inflow to the labour market as a result of the growing population. Looking forward, we expect a continued decrease in the rest of the Nordics

Unemployment rate



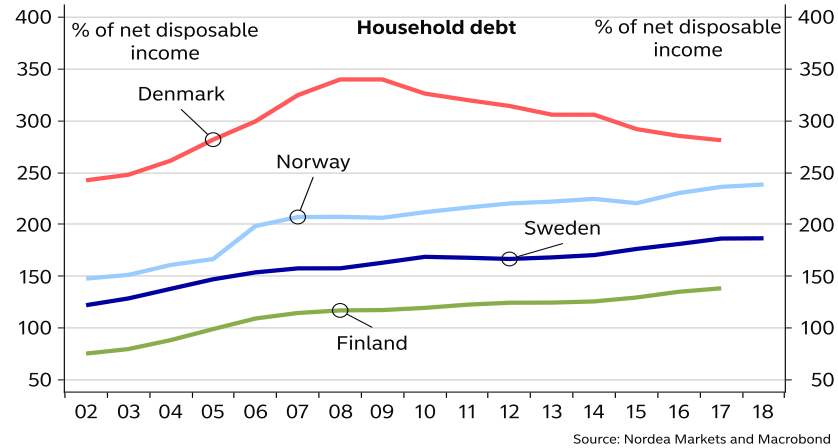
GDP forecast, %

Country	2016	2017	2018	2019E	2020E
Denmark	2.4	2.3	1.4	1.8	1.7
Finland	2.5	2.8	2.3	1.5	1.0
Norway	1.1	2.0	2.2	2.6	2.1
Sweden	2.4	2.4	2.3	1.0	1.3

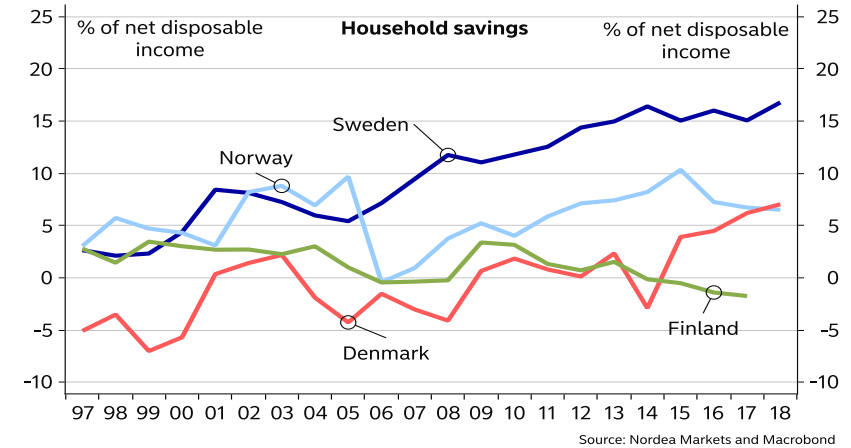
Source: Nordea Markets Economic Outlook May 2019, Macrobond and OECD.

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

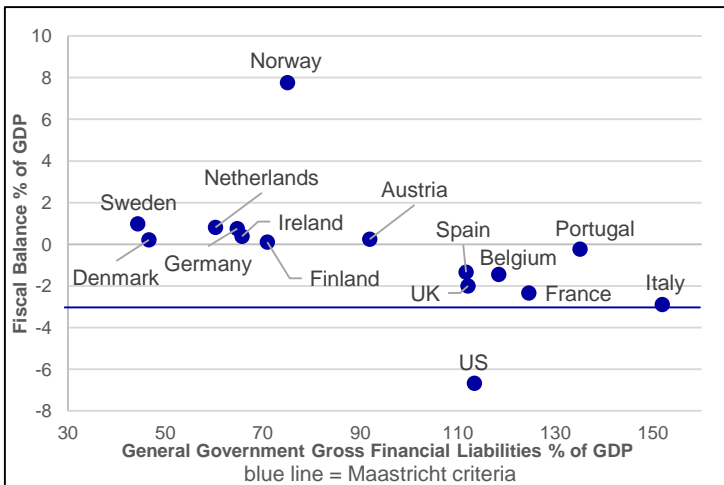
Household debt



Household savings



Public balance/debt, % of GDP, 2020E

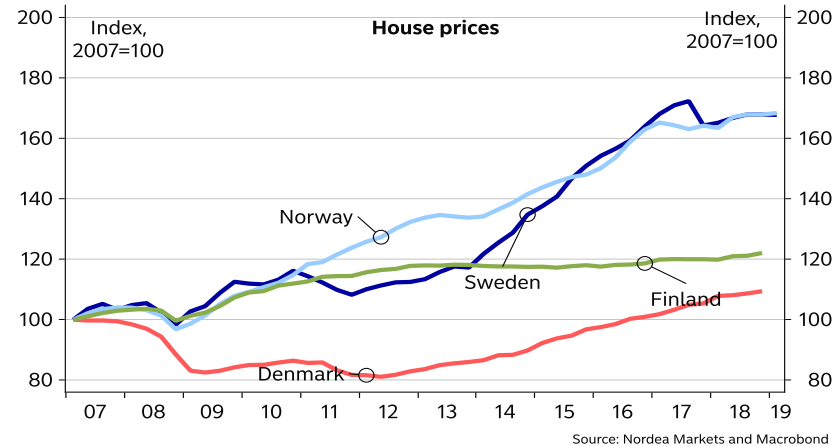


Comments

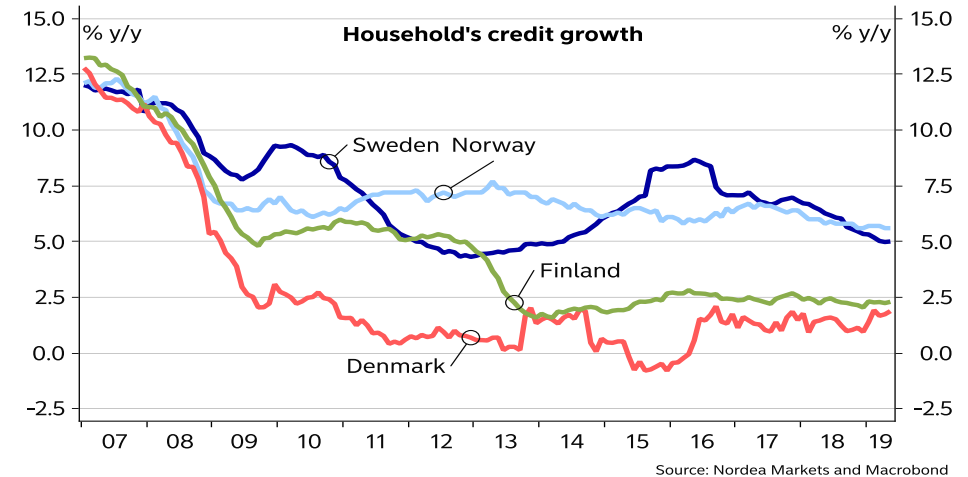
- Household debt continues to rise somewhat faster than income in Norway and Finland. Denmark continues to move in the opposite trend while Sweden is showing signs of stabilisation
- Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined in recent years
- The Nordic public finances are robust due to the overall economic recovery and firm fiscal policies. Norway is in a class of its own due to oil revenues

House price development in the Nordics

House prices



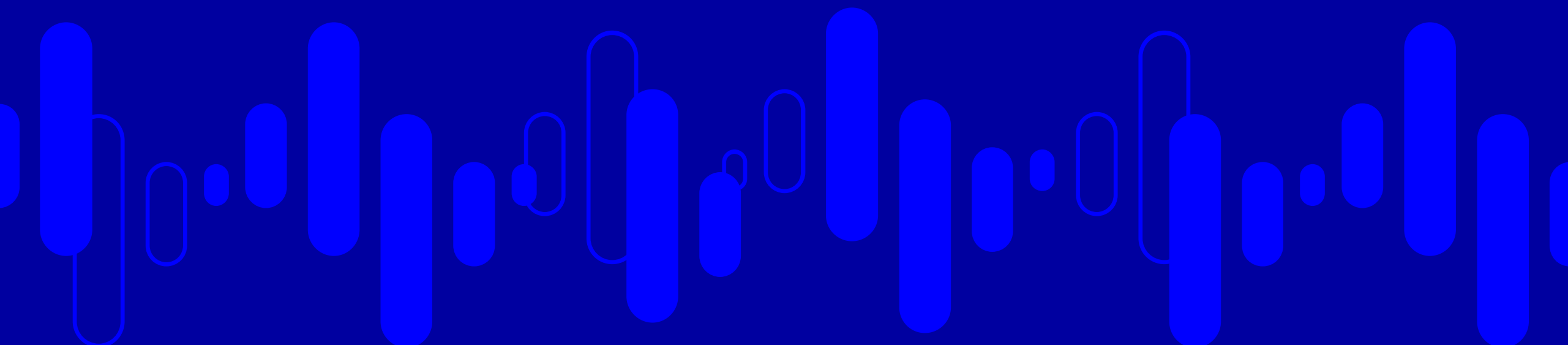
Household's credit growth



Comments

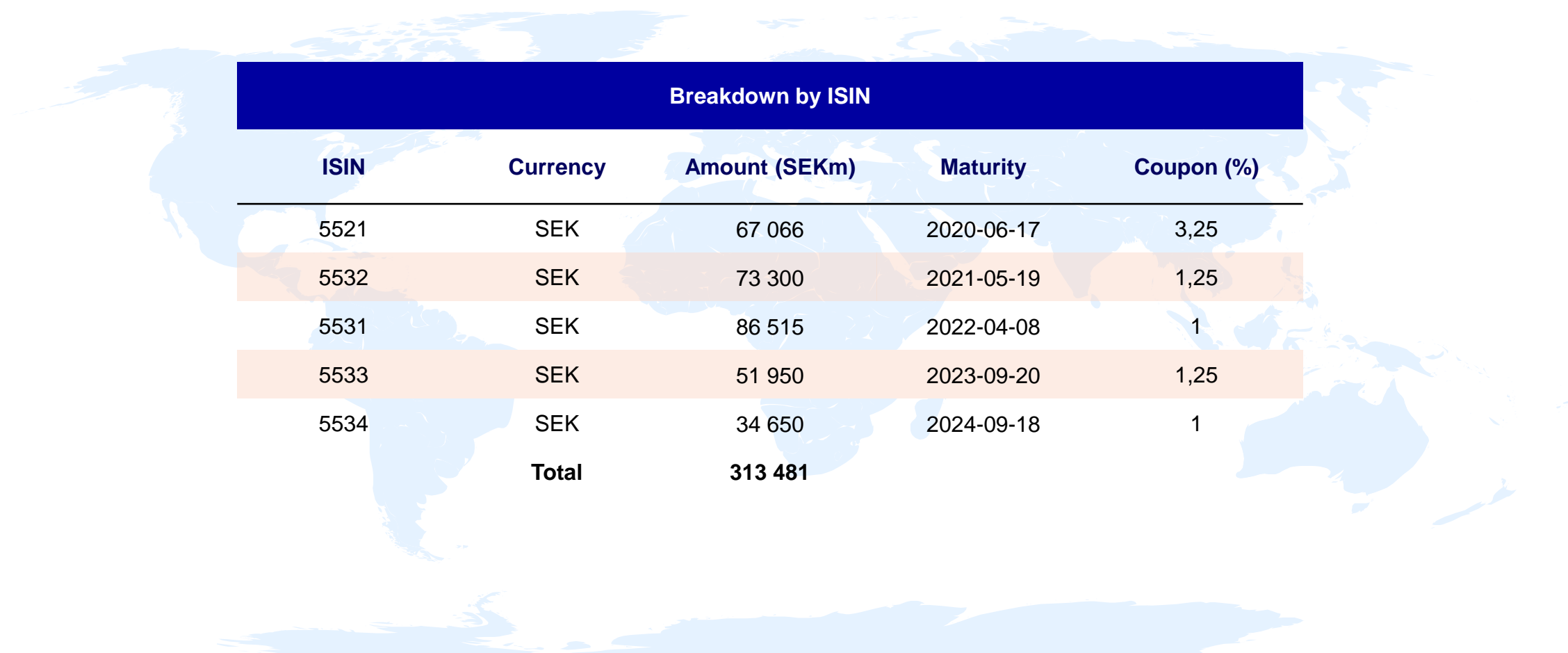
- Recent quarters have shown stabilisation in the Swedish and Norwegian housing markets, while prices continue to rise in Denmark and to some extent also in Finland. Credit growth in the Nordics is showing signs of stabilisation
- In Sweden, house prices declined during H2 2017 but have since then risen slightly. The current main risks are the high supply of homes as well as signs of a weaker labour market. However, mortgage rates have historically had a strong correlation with the price development and they will most likely remain low
- In Norway, primarily in Oslo, house prices turned down during 2017, but have leveled out and even increased somewhat in Oslo. The downturn was primarily driven by stricter lending requirements introduced 1 January 2017. Largely unchanged prices are forecast ahead, as dampened demand from rising interest rates will be balanced by a strengthening labour market and household purchasing power
- In Denmark, tighter regulations have been implemented in an attempt to prevent price bubbles in the housing market. Housing prices are expected to increase only slightly faster than inflation in the coming years

6. Further information



Nordea Hypotek – outstanding benchmark covered bonds

Q2 2019



Breakdown by ISIN				
ISIN	Currency	Amount (SEKm)	Maturity	Coupon (%)
5521	SEK	67 066	2020-06-17	3,25
5532	SEK	73 300	2021-05-19	1,25
5531	SEK	86 515	2022-04-08	1
5533	SEK	51 950	2023-09-20	1,25
5534	SEK	34 650	2024-09-18	1
	Total	313 481		

Contacts

Investor Relations

Andreas Larsson

Head of Debt IR
Nordea Bank AB
Mobile: +46 709 70 75 55
Tel: +46 10 156 29 61
andreas.larsson@nordea.com

Maria Caneman

Debt IR Officer
Nordea Bank AB
Mobile: +46 768 24 92 18
Tel: +46 10 156 50 19
maria.caneman@nordea.com

Group Treasury & ALM

Cecilia Tannerfeldt

Senior Treasury Manager
Tel: +46 8 407 91 05
Mobile: +46 733 21 44 33
cecilia.tannerfeldt@nordea.com