

Nordea

Nordea Hypotek Covered Bonds

Q3 2019 Debt investor presentation

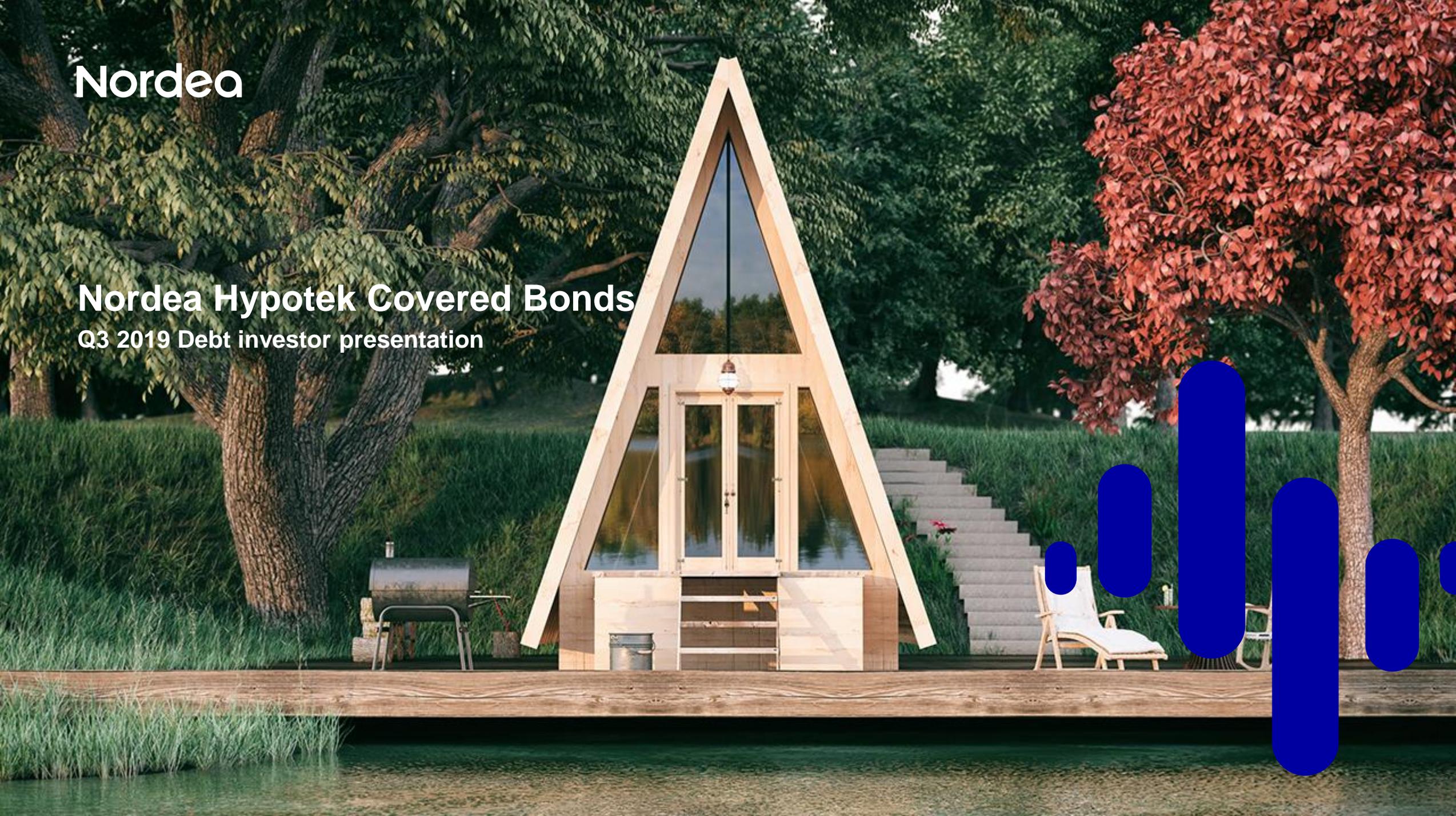
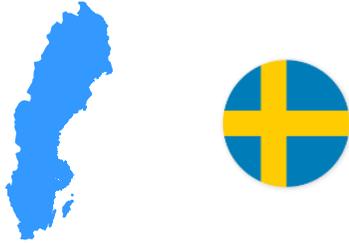
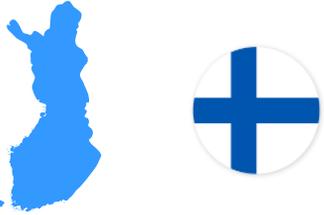


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1. In brief

Nordea covered bond operations

<p><i>Four aligned covered bond issuers with complementary roles</i></p>	<p>Nordea Eiendomskreditt</p> 	<p>Nordea Hypotek</p> 	<p>Nordea Kredit</p> 	<p>Nordea Mortgage Bank</p> 
Legislation	Norwegian	Swedish	Danish	Finnish
Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
Cover pool size	EUR 16.5bn (eq.)	EUR 51.4bn (eq.)	Balance principle	EUR 21.8bn
Covered bonds outstanding	EUR 10.0bn (eq.)	EUR 31.6bn (eq.)	EUR 59bn (eq.)	EUR 16.1bn
OC	66%	63%	CC1/CC2 43%/10%	36%
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

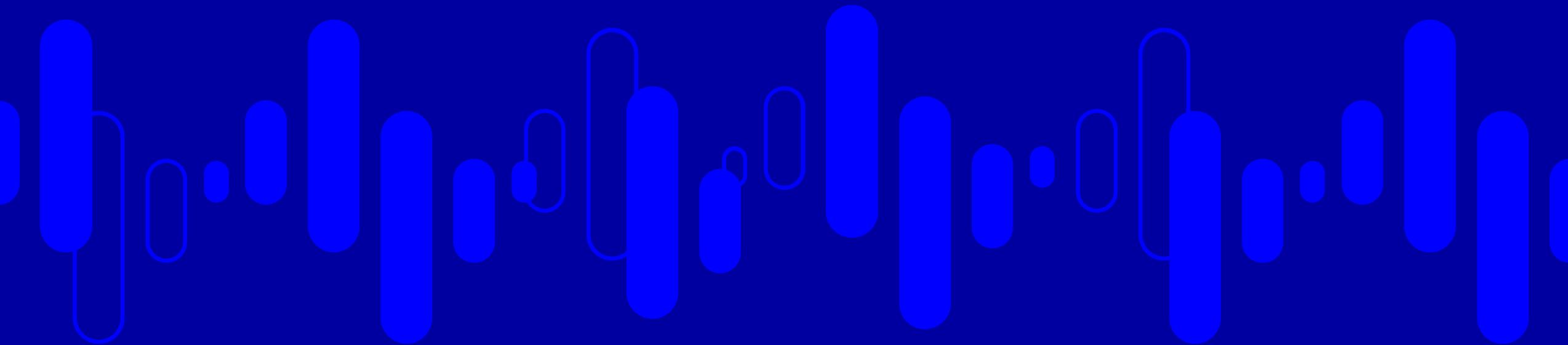


Nordea Hypotek – overview

Q3 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

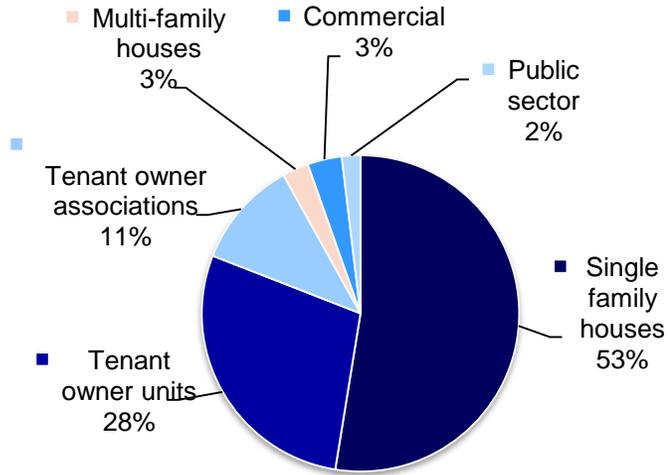
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Cover pool summary	
Loans in cover pool	SEK 550.6bn
Outstanding covered bonds	SEK 338.6bn
Cover pool content	Mortgage loans secured by residential or commercial property. Loans to public sector
Geographic distribution	Throughout Sweden with concentration to urban areas
Asset distribution	94.6% residential, 3.5% commercial, 1.9% public sector
Weighted average LTV*	51.7% (indexed)
Average loans size*	SEK 612k
Over collateralization, OC	63%
Rate type**	Floating 68.7%, Fixed 31.3%
Amortization**	Bullet/ interest only 20.0%, Amortizing 80.0%
Pool type	Dynamic
Loans originated by	Nordea Hypotek

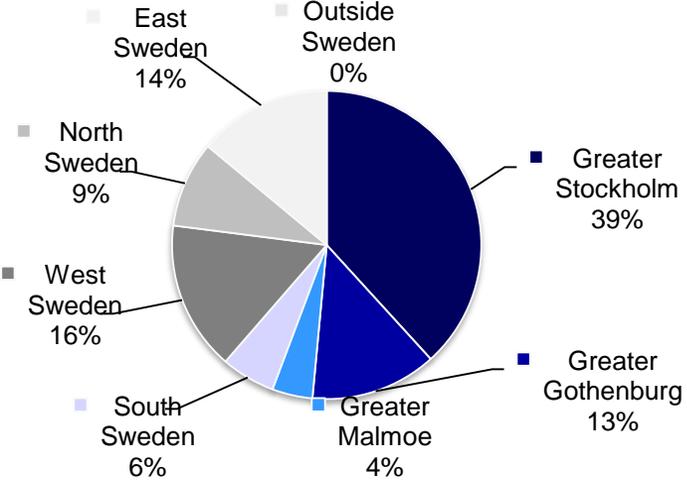
Cover pool key characteristics (2)

Q3 2019

Cover pool balance by loan category

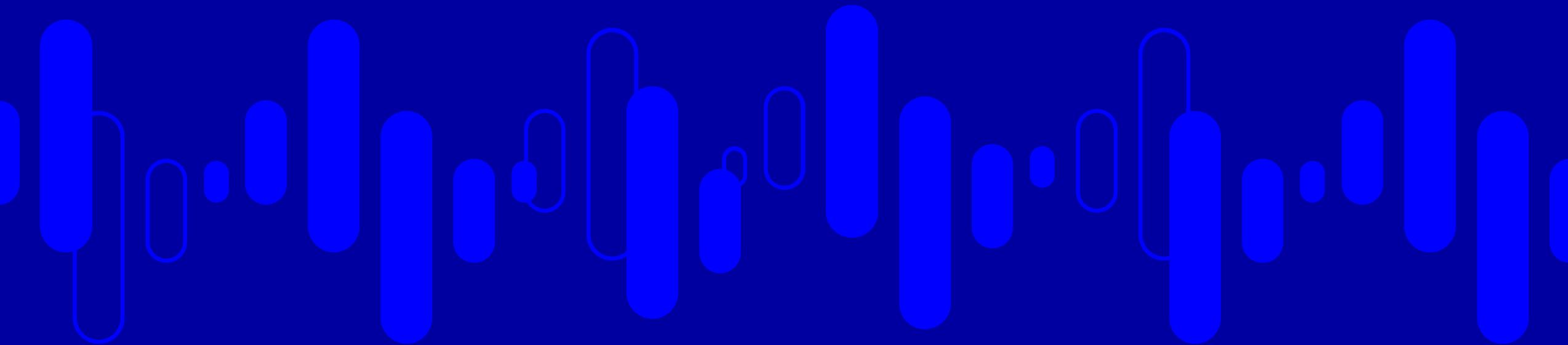


Cover pool balance by region*



* excluding Public sector

3. Asset quality



Loan To Value (LTV)*

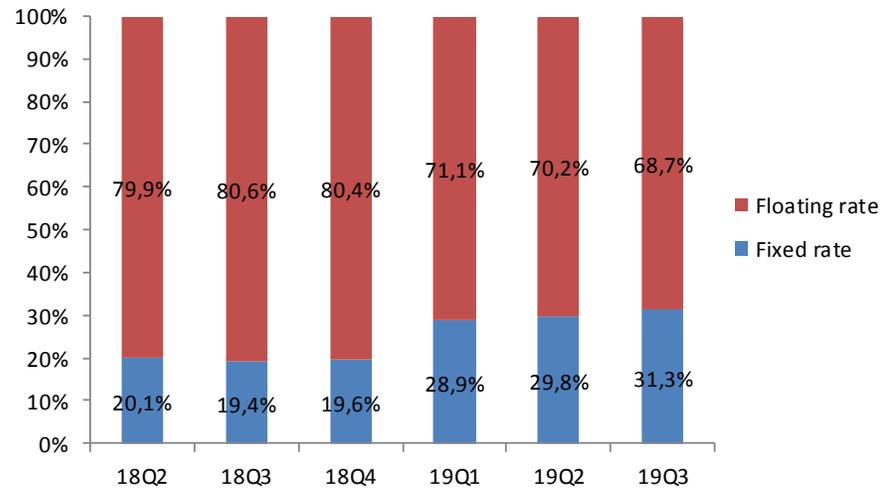
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Weighted Average LTV – Unindexed		57.4%
LTV buckets	Nominal (SEKm)	% Residential Loans
>0 - <=40 %	368 396	70,72%
>40 - <=50 %	60 677	11,65%
>50 - <=60 %	47 258	9,07%
>60 - <=70 %	34 001	6,53%
>70 - <=80 %	10 597	2,03%
Total	520 929	100%
Weighted Average LTV - Indexed		51.7%
LTV buckets	Nominal (SEKm)	% Residential Loans
>0 - <=40 %	397 109	76,23%
>40 - <=50 %	55 545	10,66%
>50 - <=60 %	38 207	7,33%
>60 - <=70 %	23 340	4,48%
>70 - <=80 %	6 728	1,29%
Total	520 929	100%

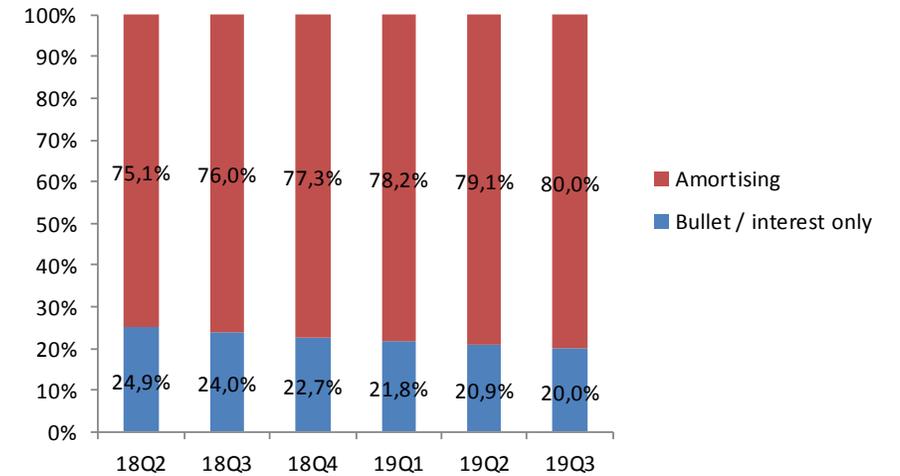
Loan structure

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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

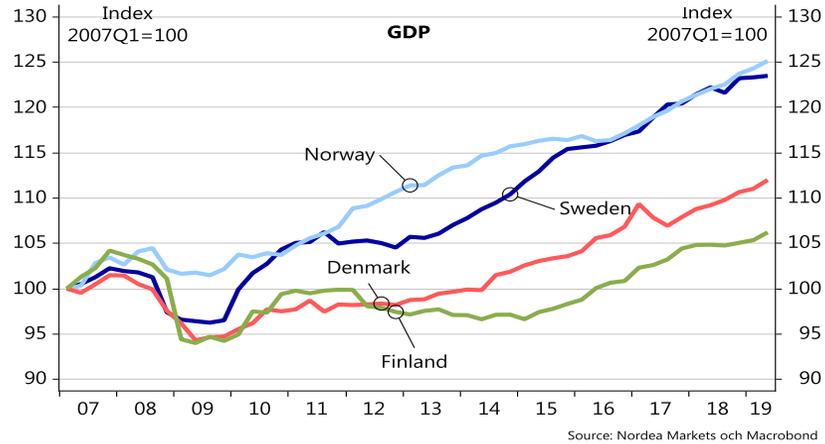
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- Legal framework
 - Swedish Covered Issuance Act (SFS 2003:1223), came into force 1 July 2004
- Registration
 - An issuing institution is required to maintain a register on covered bonds, the cover pool and, if applicable, derivative agreements
-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

Diverging Nordic economies

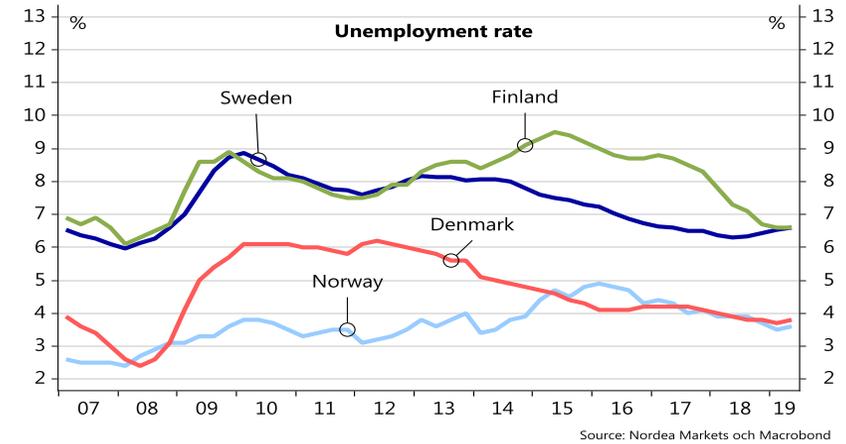
GDP development



Comments

- Increased global uncertainty is playing out to different degrees in the Nordic economies. Sweden and Finland have already taken a hit from the slowdown. Conditions in Denmark are much more benign while Norway looks set to prosper from recent years' oil sector investments.
- Monetary policy in the Nordics has shifted to a more cautious stance as the inflation outlook remains subdued. Norway is however a global outlier and hiked interest rates in September.
- In Sweden, unemployment is set to increase further due to weakening domestic demand and an unfavourable demographic outlook. The Danish labour market is expected to remain balanced while Finland and Norway can expect lower unemployment rates ahead.

Unemployment rate



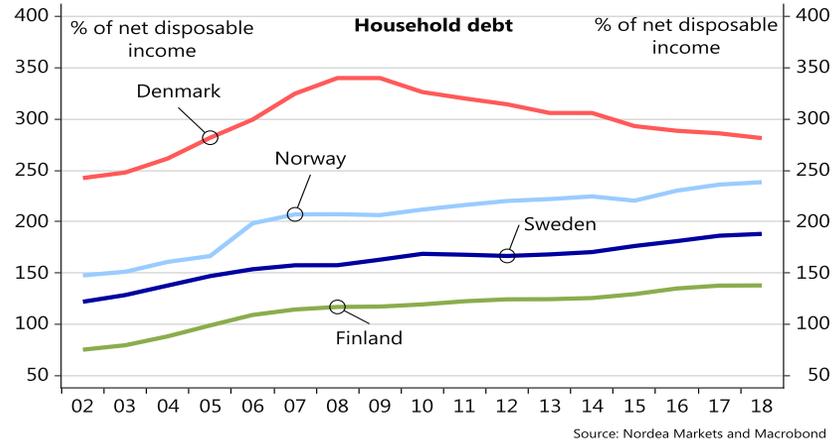
GDP forecast, %

Country	2017	2018	2019E	2020E	2021E
Denmark	2.3	1.5	1.8	1.5	1.5
Finland	3.0	1.7	1.2	1.0	0.5
Norway	2.0	2.2	2.5	2.3	2.1
Sweden	2.1	2.4	1.3	1.2	1.7

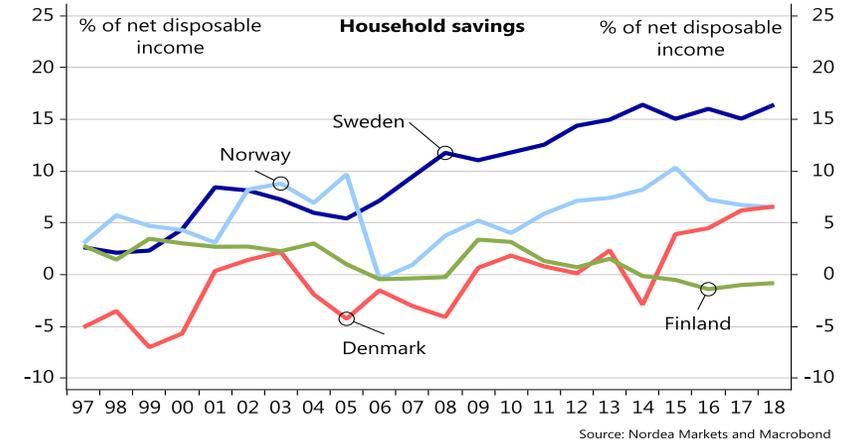
Source: Nordea Markets Economic Outlook September 2019, Macrobond and OECD.

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

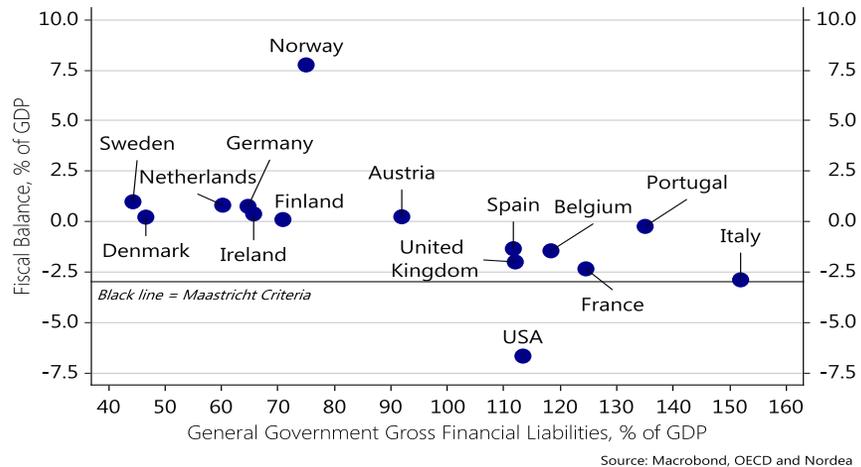
Household debt



Household savings



Public balance/debt, % of GDP, 2020E

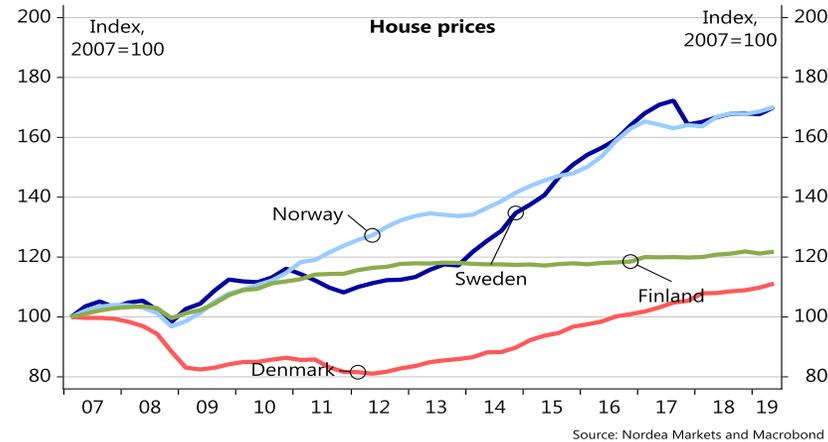


Comments

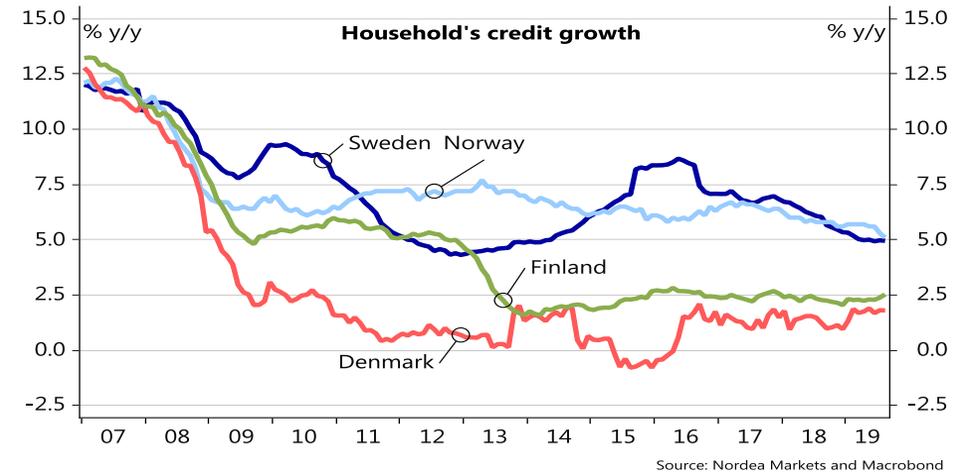
- Household debt continues to rise somewhat faster than income in Norway, Finland and Sweden. Denmark continues to move in the opposite trend, though from very high levels.
- Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined in recent years
- The 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



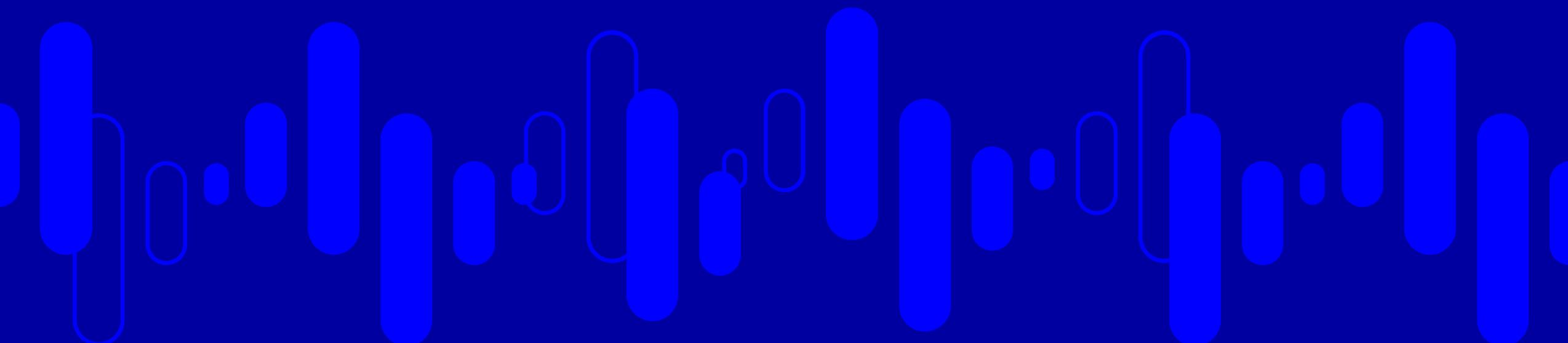
Household's credit growth



Comments

- Swedish and Norwegian house prices are picking up after a period of stabilization. Prices continue to rise in Denmark, but are still at a low level. The Finnish housing market remains stable and is expected to remain steady in the coming years. Credit growth in the Nordics is moving sideways except for Norway.
- Swedish house prices are close to the level before the decline in H2 2017. Interest rates are most likely to remain low for very long and residential construction will level out, which should further support price increases in the housing market.
- Slightly higher interest rates in Norway are likely to contribute to dampening the rate of increase in housing prices. At the same time, the strong Norwegian economy and labor market provides a positive environment for housing demand. All in all, very modest price increases are expected in the coming years.
- The recent pick-up in Danish house prices does not mark the onset of a new period of sharply rising prices. Extremely low interest rates coupled with tighter regulations should lead to housing prices increasing only slightly faster than inflation in the coming years.

6. Further information



Nordea Hypotek – outstanding benchmark covered bonds

Q3 2019



Breakdown by ISIN				
ISIN	Currency	Amount (SEKm)	Maturity	Coupon (%)
5521	SEK	59 066	2020-06-17	3,25
5532	SEK	73 300	2021-05-19	1,25
5531	SEK	86 515	2022-04-08	1
5533	SEK	52 700	2023-09-20	1,25
5534	SEK	42 700	2024-09-18	1
	Total	314 281		

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