

Nordea

Nordea Hypotek Covered Bonds

Q1 2020 Debt investor presentation




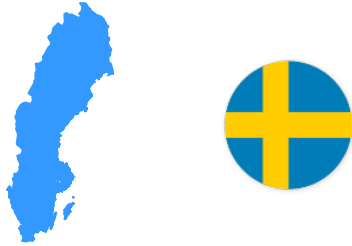

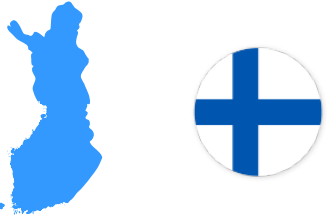
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1. In brief

Nordea covered bond operations

Q1 2020

<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 14.1bn (eq.)	EUR 51.9bn (eq.)	Balance principle	EUR 22.2bn
Covered bonds outstanding	EUR 8.8bn (eq.)	EUR 32.7bn (eq.)	EUR 56.9bn (eq.)*	EUR 14.8bn
OC	61%	59%	9%*	50%
Issuance currencies	NOK	SEK	DKK, EUR	EUR, GBP
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



4 *Reported values only include CC2. Nordea Kredit no longer reports for CC1 (RO), as this capital center only accounts for a minor (<1%) part of the outstanding volumes of loans and bonds.

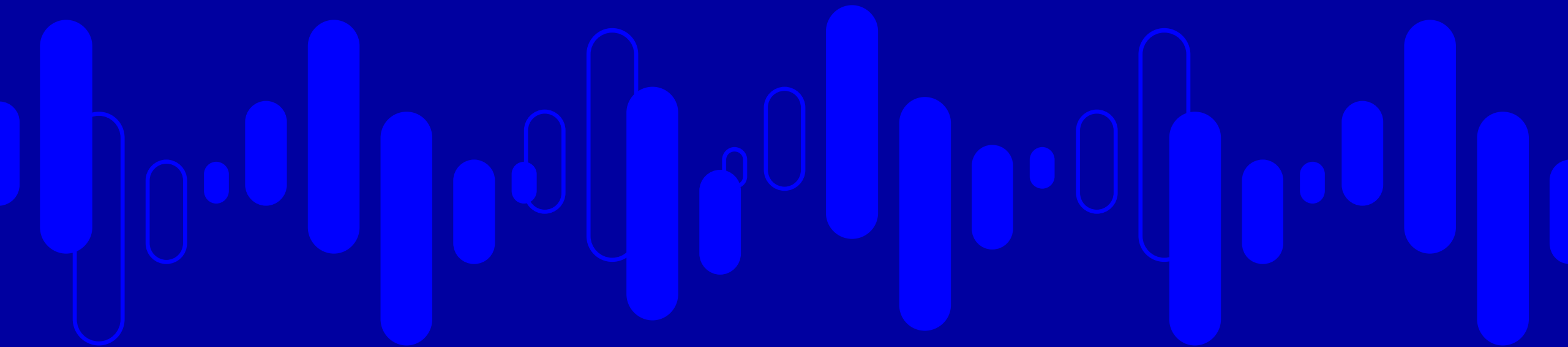
**S&P removed for Nordea Hypotek from 1 April

Nordea Hypotek – overview

Q1 2020

- 100% owned subsidiary of Nordea Bank Abp - 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

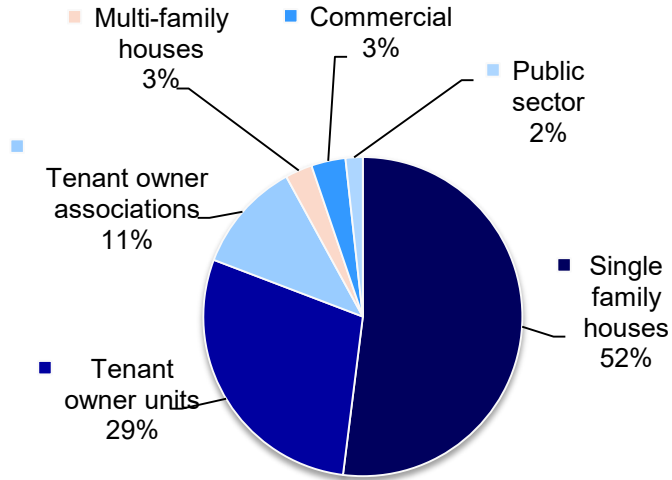
Q1 2020

Cover pool summary	
Loans in cover pool	SEK 567.2bn
Outstanding covered bonds	SEK 357.9bn
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	94.8% residential, 3.5% commercial, 1.8% public sector
Weighted average LTV*	51.5% (indexed)
Average loans size*	SEK 633k
Over collateralization, OC	58.5%
Rate type**	Floating 64.5%, Fixed 35.5%
Amortization**	Bullet/ interest only 19.8%, Amortizing 80.2%
Pool type	Dynamic
Loans originated by	Nordea Hypotek

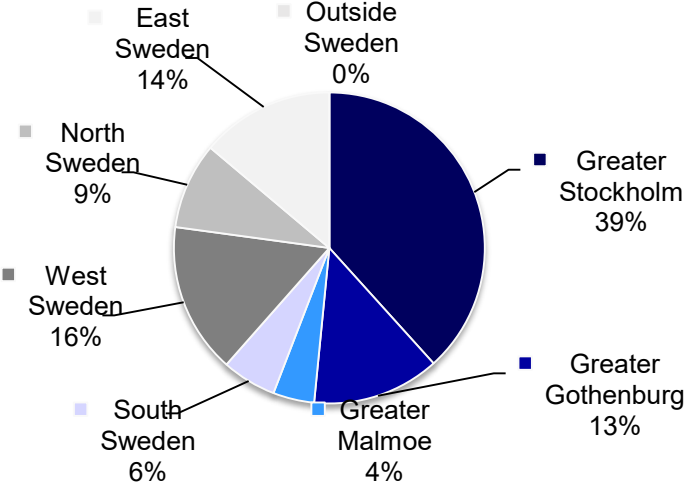
Cover pool key characteristics (2)

Q1 2020

Cover pool balance by loan category

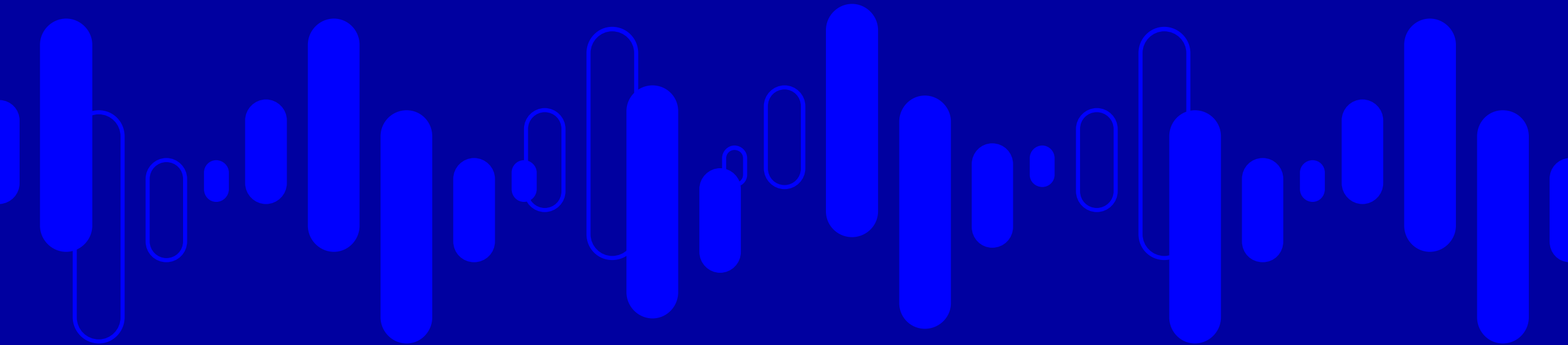


Cover pool balance by region*



* excluding Public sector

3. Asset quality



Loan To Value (LTV)*

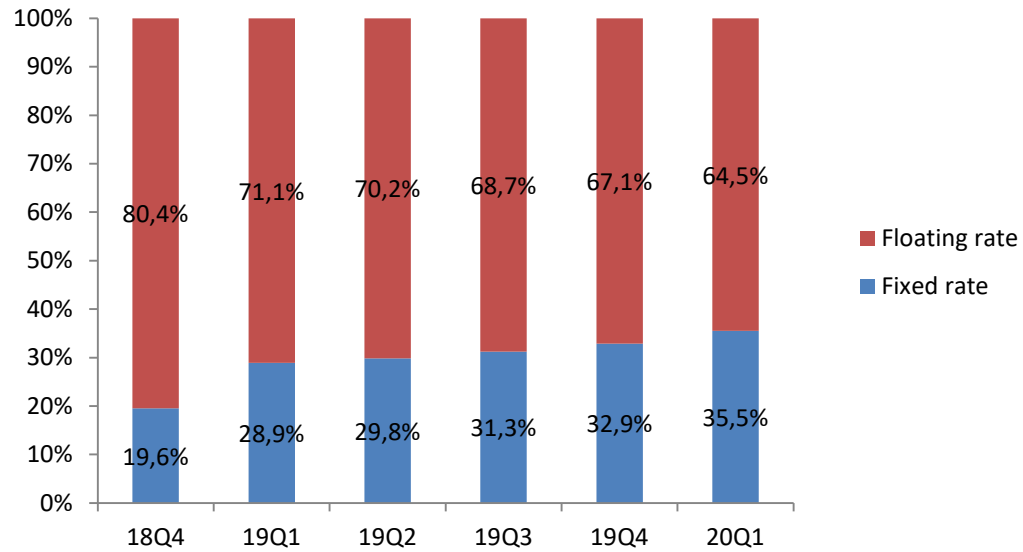
Q1 2020

Weighted Average LTV – Unindexed		57.4%	
LTV buckets	Nominal (SEKm)		% Residential Loans
>0 - <=40 %	380 831		70,85%
>40 - <=50 %	62 493		11,63%
>50 - <=60 %	48 546		9,03%
>60 - <=70 %	34 743		6,46%
>70 - <=80 %	10 921		2,03%
Total	537 534		100%
Weighted Average LTV - Indexed		51.5%	
LTV buckets	Nominal (SEKm)		% Residential Loans
>0 - <=40 %	410 894		76,44%
>40 - <=50 %	57 022		10,61%
>50 - <=60 %	39 143		7,28%
>60 - <=70 %	23 778		4,42%
>70 - <=80 %	6 697		1,25%
Total	537 534		100%

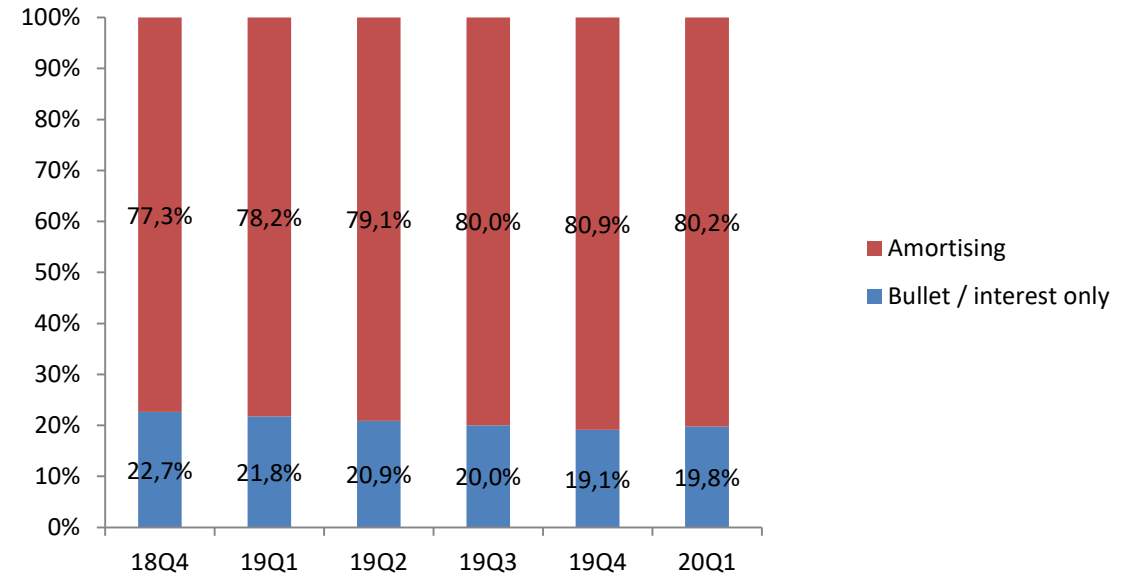
Loan structure

Q1 2020

Rate type



Repayment



Underwriting criteria

Q1 2020

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

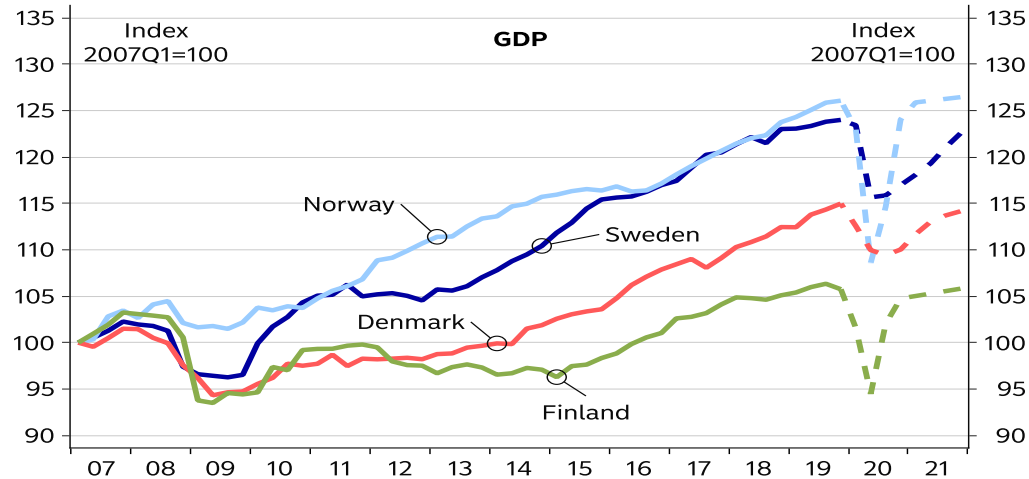
Q1 2020

- Legal framework
 - Swedish Covered Issuance Act (SFS 2003:1223), came into force 1 July 2004
 - A Swedish investigation regarding the new EU covered bond directive will be presented 31 October 2020
- 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

Nordic economies – years before back to normal

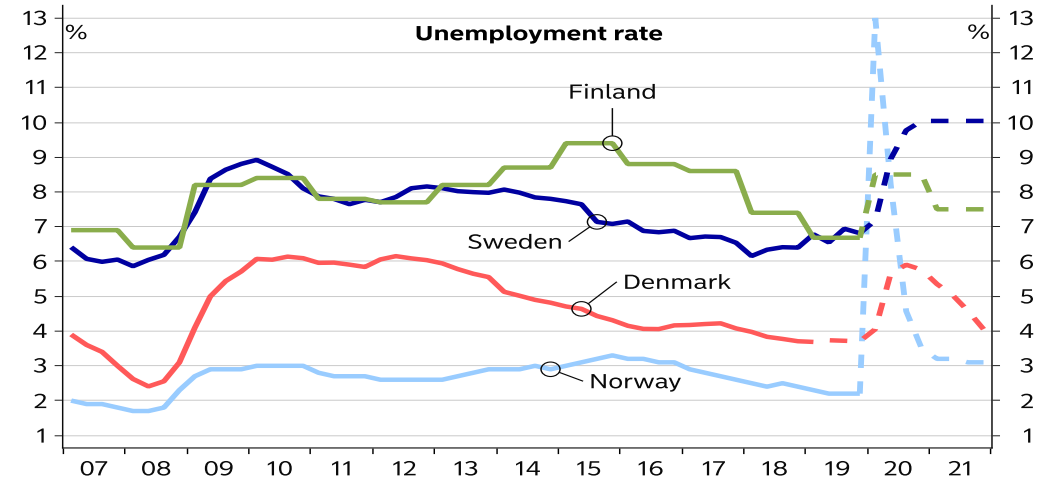
GDP development



Comments

- The global economy is in recession and the next few months will be extremely challenging. Lockdowns will trigger lower consumer spending and investments on top of the disruptions in the global supply chain
- The Nordic countries have responded to the COVID-19 crisis with lockdowns of a varying degree. The extent of the economic consequences depends on when restrictions will be lifted – not just in the Nordics but also in the rest of the world
- Unemployment is expected to surge. Relatively quick recoveries are expected in Denmark, Finland and Norway, but unemployment will remain elevated in Sweden for a long time

Unemployment rate

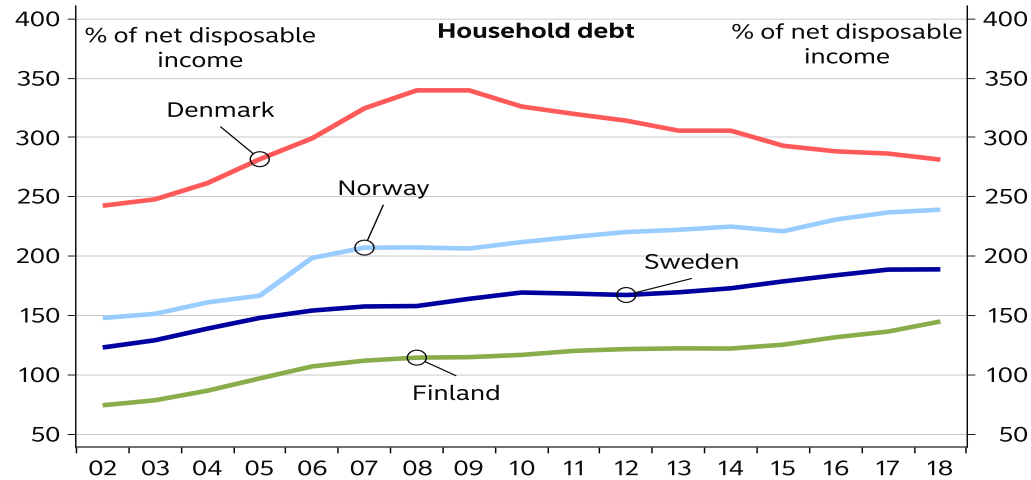


GDP, %, U-shaped scenario

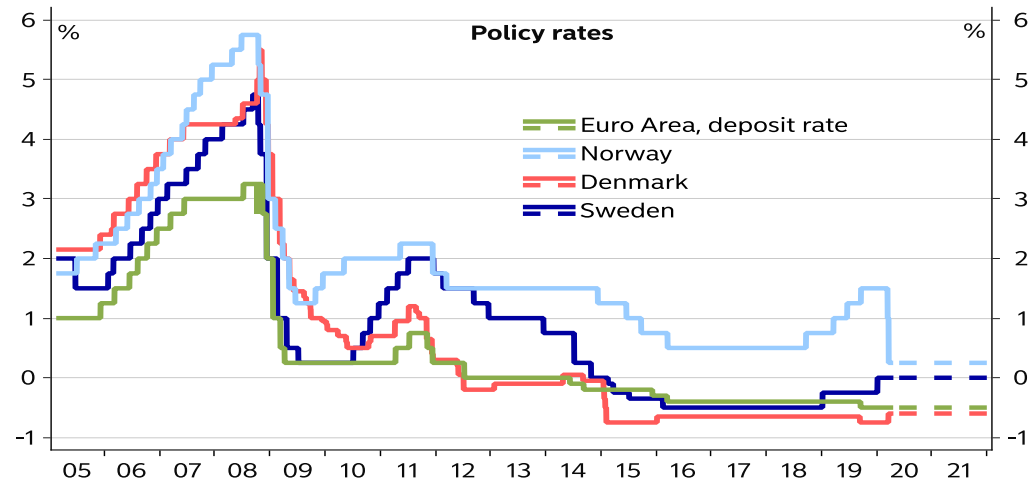
Country	2018	2019	2020E	2021E
Denmark	2.4	2.2	-3.0 (1.5)	2.4 (1.5)
Finland	1.6	1.0	-5.0 (1.0)	2.7 (0.5)
Norway	2.2	2.3	-6.2 (1.8)	7.3 (1.6)
Sweden	2.3	1.3	-4.6 (0.8)	-0.2 (1.8)

Nordic interest rates – low for very long

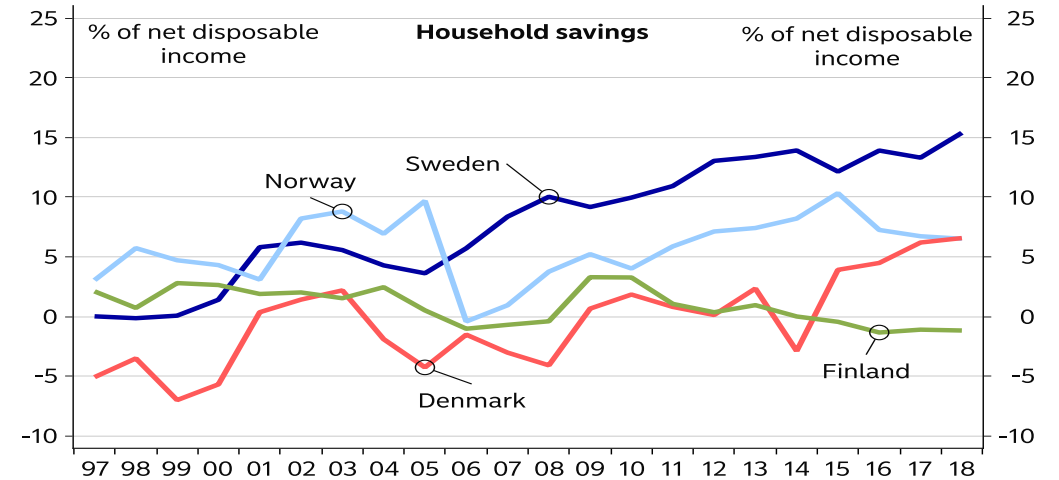
Household debt



Policy rates



Household savings

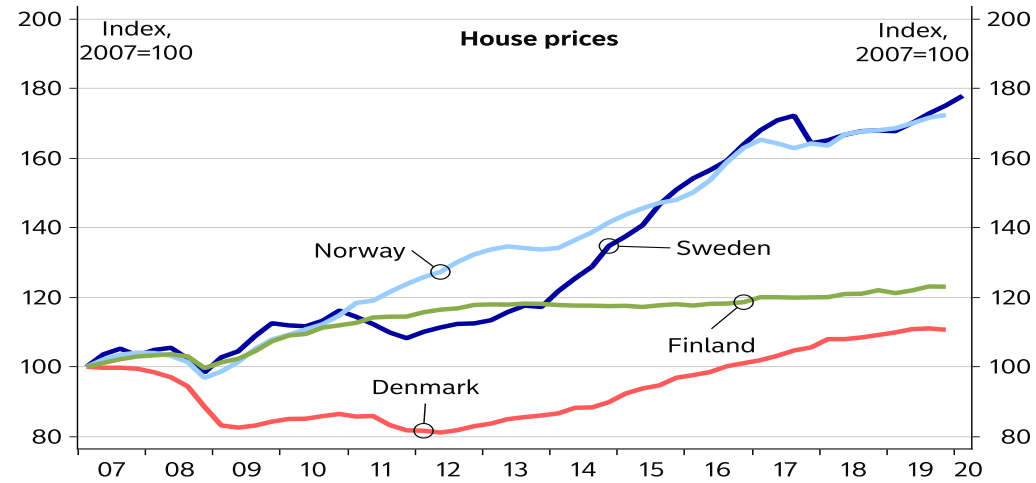


Comments

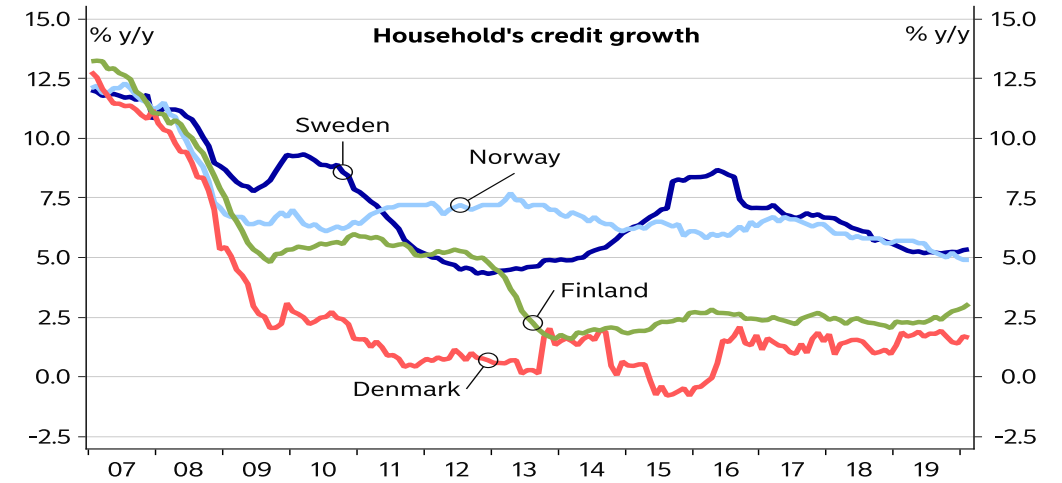
- Household debt is likely to level off in the coming year, in line with decelerating activity on the housing market. However, the debt ratio remains at very high levels in all countries. Uncertainty and higher unemployment will lead to increased precautionary savings, which could affect consumption negatively
- Norway has seen two rate cuts totalling 125 bps in one week. Policy rates have been left unchanged in Sweden and the Euro area while Denmark hiked the interest rate due to technical reasons. Liquidity measures have been ramped up by all central banks, and the governments have launched large fiscal packages to cushion the fall. Monetary policy will remain accommodative for a long time

House price development in the Nordics

House prices



Household's credit growth



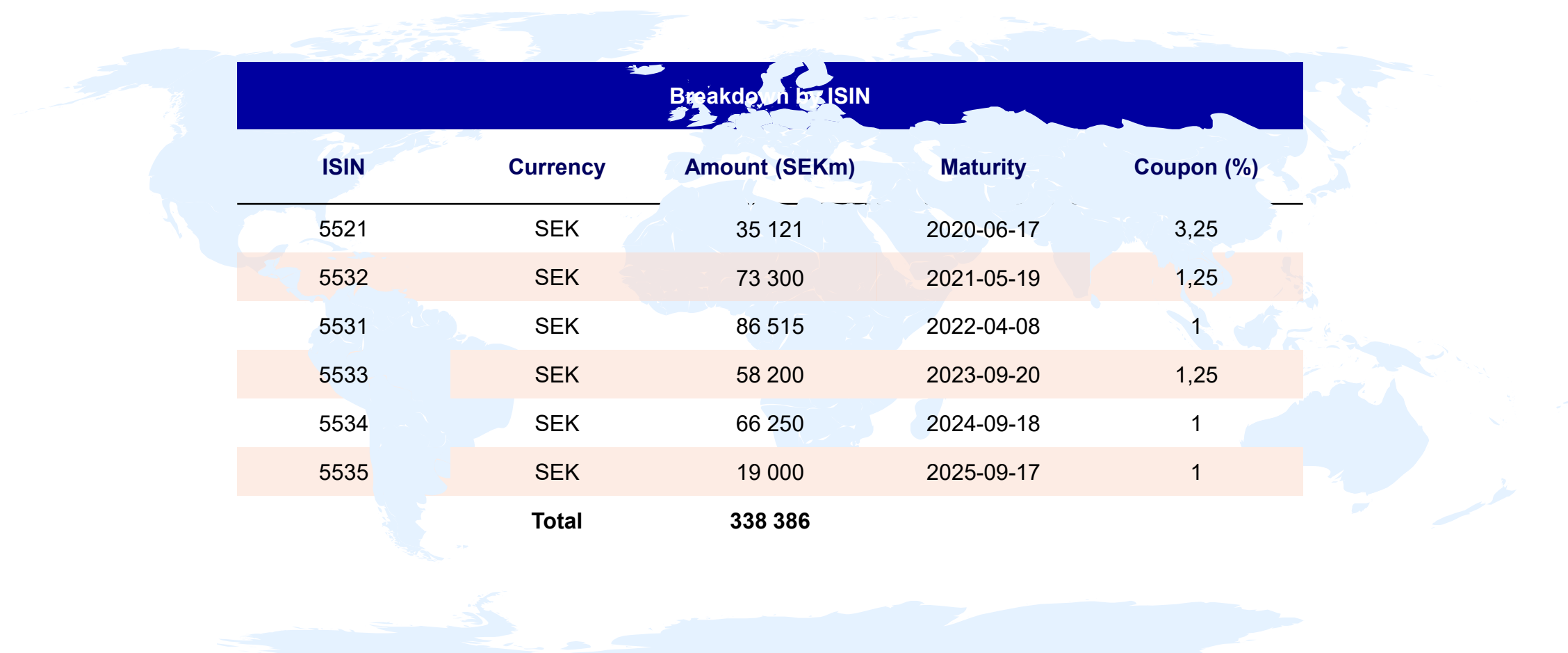
Comments

- Rising unemployment and high uncertainty will take its toll on the Nordic housing markets. Before the crisis, low interest rates kept the Nordic housing markets afloat and stable price increases were expected in the coming years. Declines are expected in all countries this year but low interest rates, accommodative central banks and reduced supply should limit the downside in the short term.
- Household credit growth has stabilized in the last years. In Sweden and especially Finland, credit growth was picking up while Denmark was trending sideways. Nordic households will likely increase their precautionary savings due to high levels of uncertainty, which could affect consumption growth negatively. Increased savings and lower activity in the housing market will dampen credit growth.

6. Further information

Nordea Hypotek – outstanding benchmark covered bonds

Q1 2020



Breakdown by ISIN				
ISIN	Currency	Amount (SEKm)	Maturity	Coupon (%)
5521	SEK	35 121	2020-06-17	3,25
5532	SEK	73 300	2021-05-19	1,25
5531	SEK	86 515	2022-04-08	1
5533	SEK	58 200	2023-09-20	1,25
5534	SEK	66 250	2024-09-18	1
5535	SEK	19 000	2025-09-17	1
	Total	338 386		

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