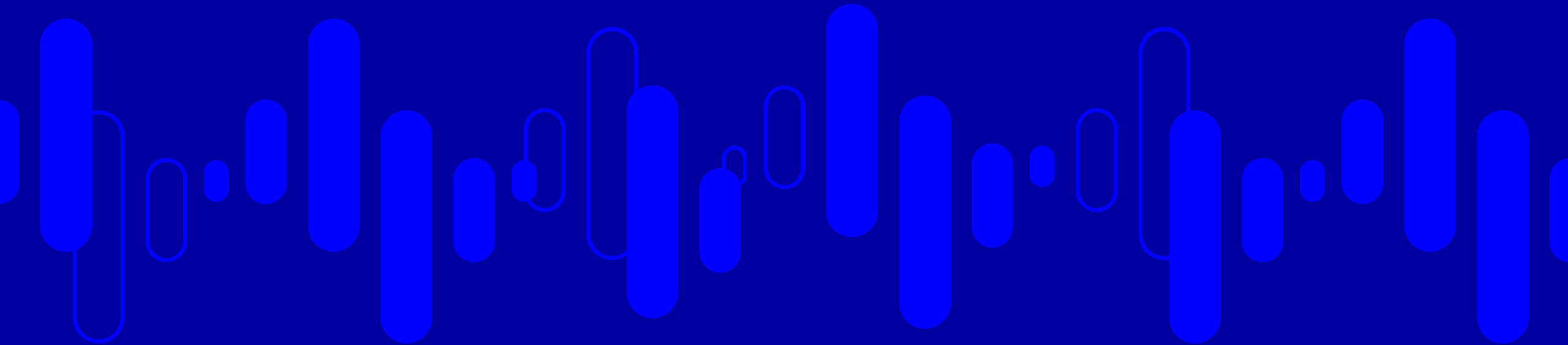


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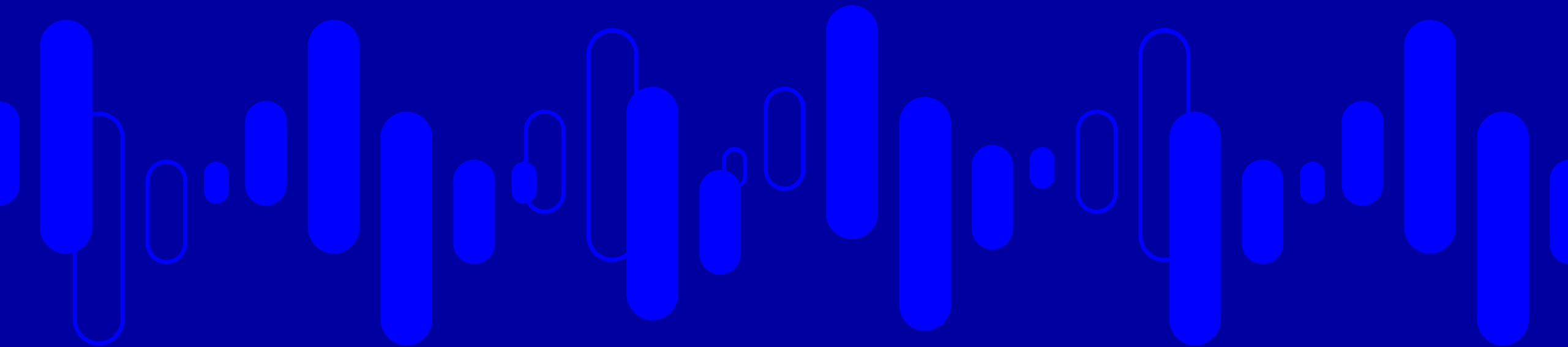
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1. In brief

2. Cover pool characteristics



3. Asset quality



Loan To Value (LTV)*

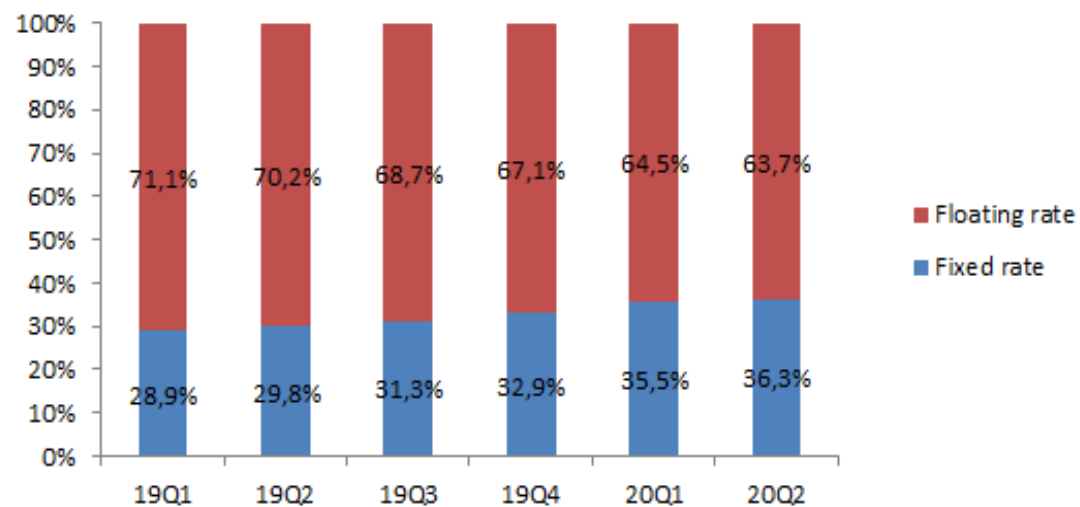
Q2 2020

Weighted Average LTV – Unindexed		57.3%
LTV buckets	Nominal (SEKm)	% Residential Loans
>0 - <=40 %	387 115	70,8%
>40 - <=50 %	63 751	11,7%
>50 - <=60 %	49 333	9,0%
>60 - <=70 %	35 310	6,5%
>70 - <=80 %	11 118	2,0%
Total	546 627	100%
Weighted Average LTV - Indexed		51.5%
LTV buckets	Nominal (SEKm)	% Residential Loans
>0 - <=40 %	417 362	76,4%
>40 - <=50 %	58 057	10,6%
>50 - <=60 %	39 892	7,3%
>60 - <=70 %	24 362	4,5%
>70 - <=80 %	6 954	1,3%
Total	546 627	100%

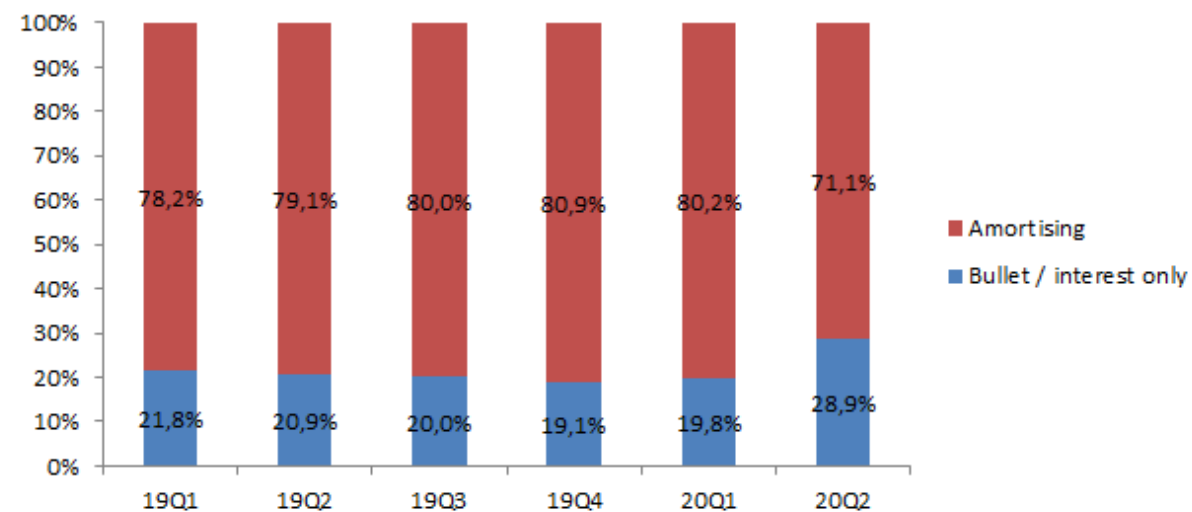
Loan structure

Q2 2020

Rate type



Repayment



Underwriting criteria

Q2 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

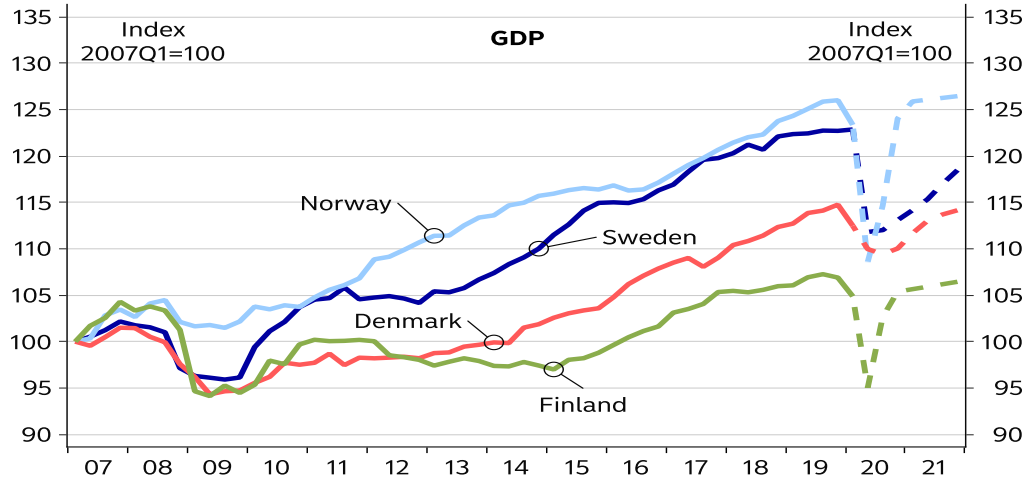
Q2 2020

- 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

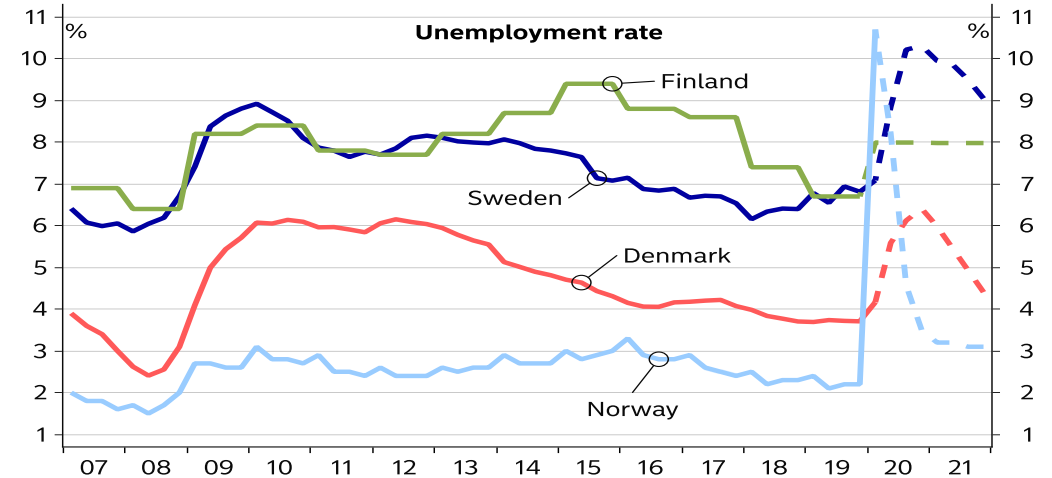
GDP development



Comments

- Lockdowns to halt the spread of Covid-19 have had enormous financial costs worldwide, and the Nordic economies are no exception.
- However, the Nordics are relatively well equipped to deal with the long-term consequences of the pandemic, thanks to solid public finances.
- In Sweden, the domestic economy is showing signs of resilience, while Finland's household consumption continues to recover. The Danish economy is in better shape now compared to past crises, and the interest rate has been a powerful tool in Norway.

Unemployment rate

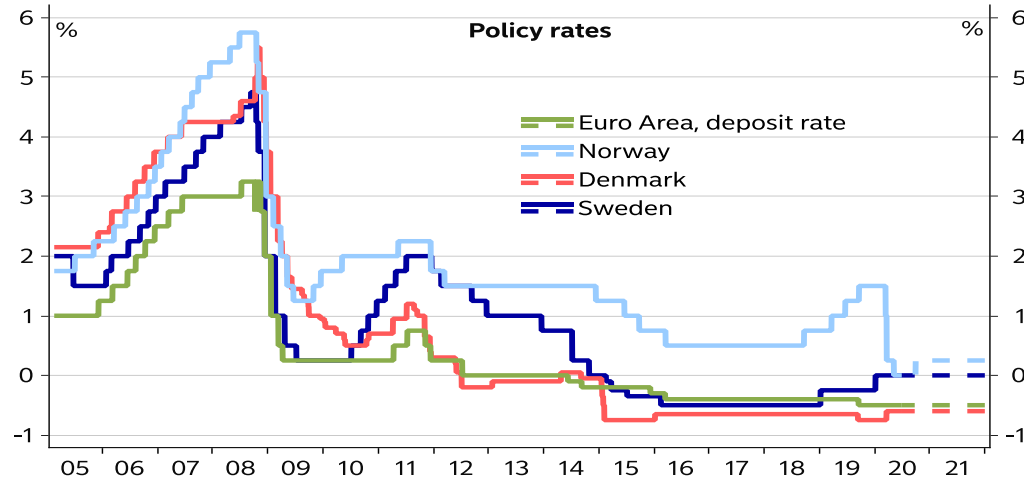


GDP, %, baseline scenarios

Country	2018	2019E	2020E	2021E
Denmark	2.4	2.4	-5.0	4.0
Finland	1.6	1.0	-7.0	4.0
Norway	2.2	2.3	-6.0	4.0
Sweden	2.3	1.3	-6.0	4.0

Nordic rates – low for very long

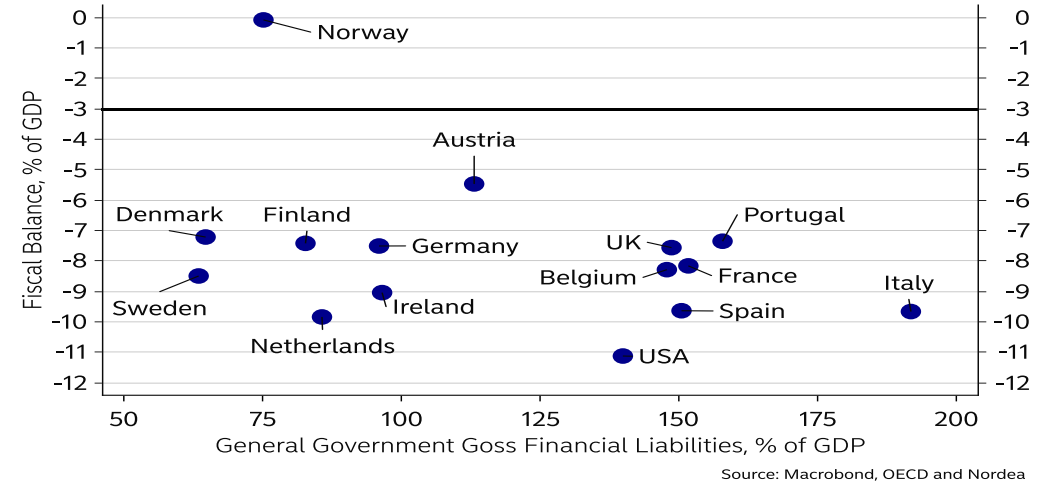
Policy rates



Comments

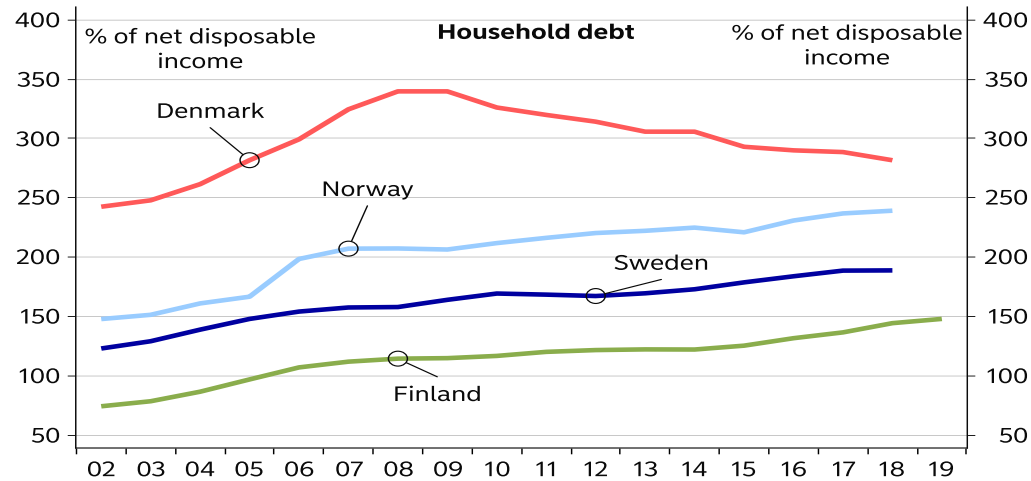
- Norway has seen three rate cuts totalling 150 bp in two months. Policy rates have been left unchanged in Sweden and the Euro Area while Denmark hiked the interest rate marginally due to technical reasons. Liquidity measures have been ramped up by all central banks, and the governments have launched large fiscal packages to cushion the fall. More relaxed macroprudential policy has been imposed as well, though e.g. a temporary pause of amortization rules in Sweden and reduced capital requirements for Finnish financial institutions. Monetary and fiscal policy will remain accommodative for a long time.
- The Riksbank and ECB have launched new large-scale asset purchase programmes (QE) as a response to the corona crisis. The ECB is expected to purchase financial assets to a corresponding 12 percent of Euro Area GDP this year, while the Riksbank's purchases amount to 8 percent of GDP. All together, global ultra-expansionary monetary policy has contributed to calming and stabilizing international markets amidst the crisis.
- Nordic public finances were in good shape prior to the crisis and governments stood ready to act swiftly. Lower revenue and increased spending will lead to large fiscal deficits this year, hence prompting governments debt/GDP ratios to balloon. However, Nordic public finances will remain in a favorable position and are well-equipped to handle the long-term consequences of the pandemic.

Public balance/debt, %, of GDP, 2021E

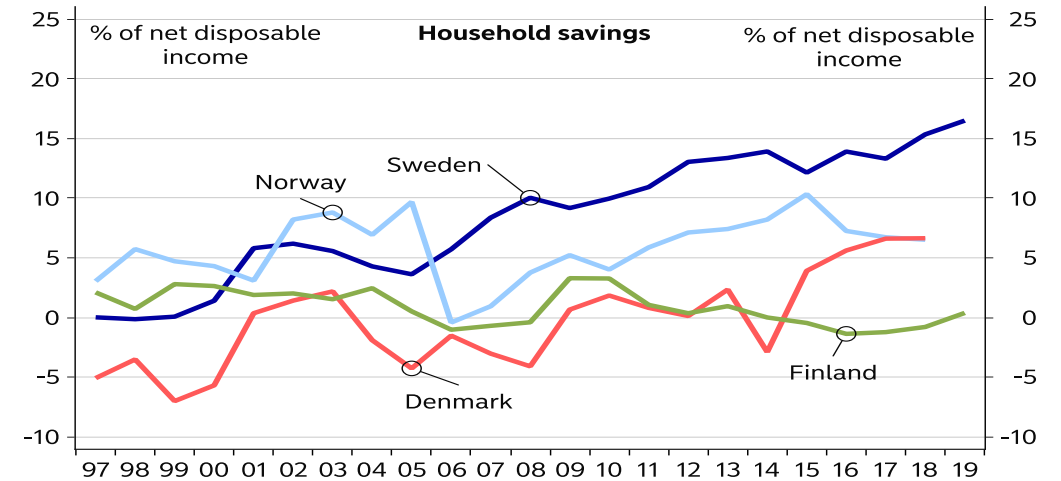


Household debt remains high, but so are private and public savings

Household debt



Household savings

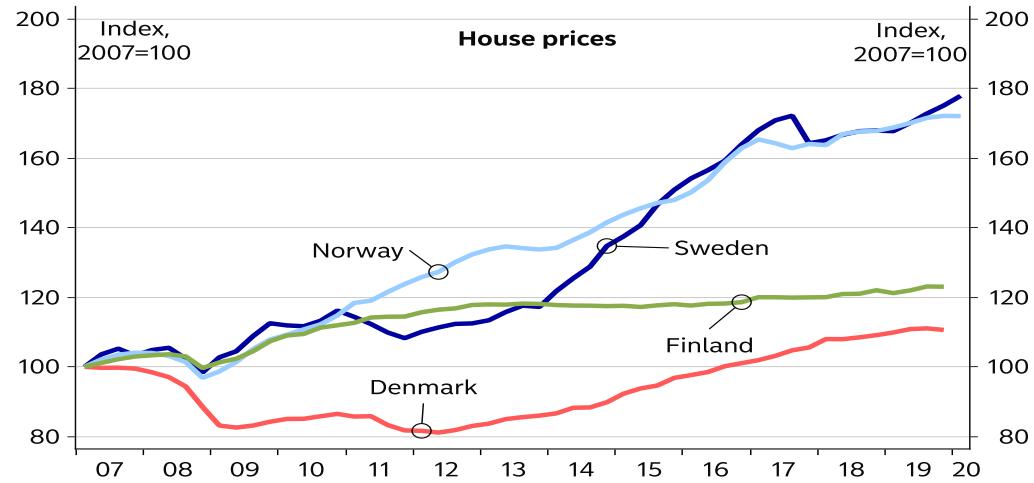


Comments

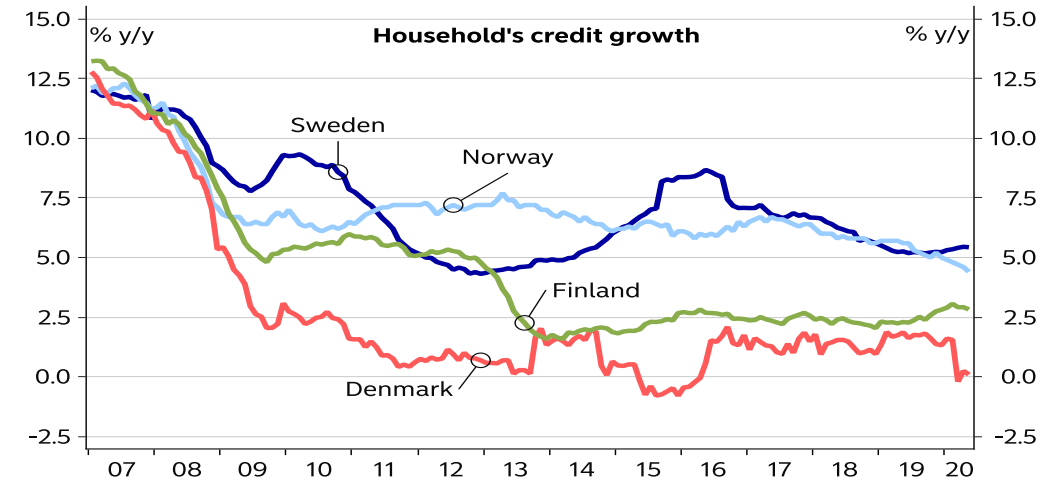
- Household debt is likely to level off in the coming year, in line with decelerating activity on the housing market. However, the debt ratio remains at elevated levels in all countries, supported by low interest rates. Uncertainty and higher unemployment will lead to increased precautionary savings, which is likely to dampen the economic recovery.
- Early labor market measures, automatic stabilizers and other measures to stimulate demand help to soften the blow on households. Robust public finances prior to the crisis increases the credibility of the measures and harsh fiscal tightening is neither needed in the short term nor expected, which is important for household's income expectations.

House price development in the Nordics

House prices



Household 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. Low interest rates, accommodative central banks and reduced supply should limit the downside in the short term.
- If the economic outlook would worsen, key risks are found in the housing market as steep declines would cause severe stress in the financial system and result in long-term stagnation of the economy. Holiday homes are particularly price-sensitive but the negative effect is expected to be partly offset by increased demand as a result of changes in travel patterns.

6. Further information

Nordea Hypotek – outstanding benchmark covered bonds

Q2 2020

Breakdown by ISIN				
ISIN	Currency	Amount (SEKm)	Maturity	Coupon (%)
5532	SEK	73 300	2021-05-19	1,25
5531	SEK	86 515	2022-04-08	1
5729	SEK	22 700	2022-07-29	FRN
5533	SEK	59 350	2023-09-20	1,25
5534	SEK	66 250	2024-09-18	1
5535	SEK	31 500	2025-09-17	1
	Total	339 615		

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