

Nordea

**Nordea Eiendomskreditt Covered Bonds
Q2 2019 Debt investor presentation**



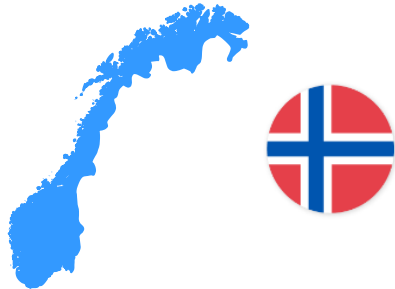
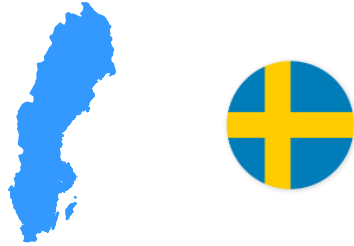

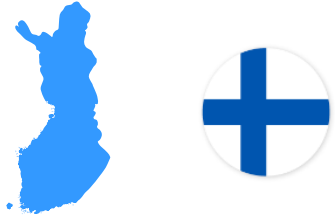
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1. In brief

Nordea covered bond operations

Q2 2019

	Nordea Eiendomskreditt	Nordea Hypotek	Nordea Kredit *	Nordea Mortgage Bank
<i>Four aligned covered bond issuers with complementary roles</i>				
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

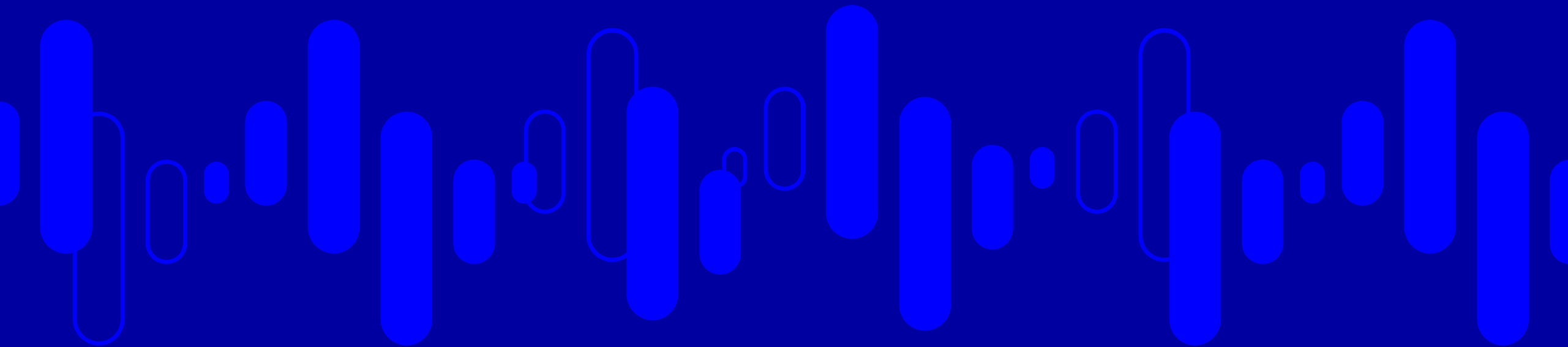


Nordea Eiendomskreditt – overview

Q2 2019

- A 100% owned subsidiary of Nordea Bank Abp (as of 1 October 2018)
- The purpose of the Issuer is to acquire and provide residential mortgage loans and finance its activities mainly through issuance of covered bonds
- Loans in Nordea Eiendomskreditt (NE) are originated by Nordea Bank Abp, Norwegian branch and subsequently transferred to NE
 - Collateral must be in the form of mortgages in residential real estate or in shares in housing cooperatives
 - At the time of transfer, the loans are not in default, i.e. payments of installments and interest are not overdue at the time of transfer
- Cost-effective loan origination and service through Nordea Bank's nationwide Norwegian branch network and internet
- Covered bonds rated Aaa by Moody's

2. Cover pool characteristics



Cover pool key characteristics

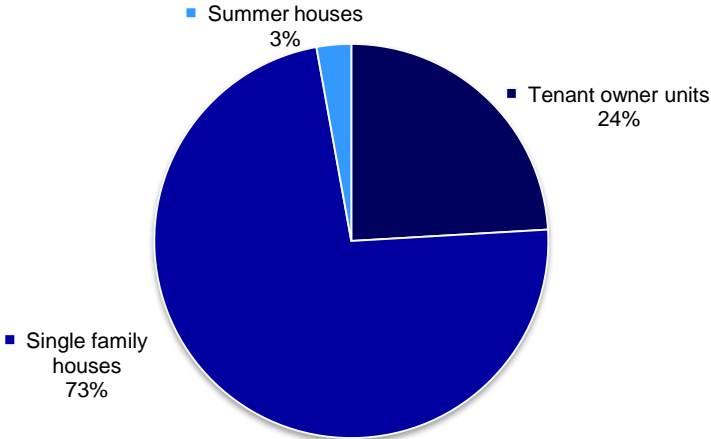
Q2 2019

Cover pool summary	
Pool notional	NOK 158.9bn
Outstanding Covered Bonds	NOK 92.7bn
Cover pool content	Mortgage loans secured by Norwegian residential collateral
Geographic distribution	Throughout Norway with concentration to urban areas
Asset distribution	100% residential
Weighted average LTV	50.6% (indexed, calculated per property)
Average loan size	NOK 1.6m
Over Collateralisation (OC)	71%
Rate type	Floating 98.8%, Fixed 1.2%
Amortisation	Bullet/ interest only 39.5%, Amortizing 60.5%
Pool type	Dynamic
Loans originated by	Nordea Bank Abp (as of 1 October 2018), Norway Branch

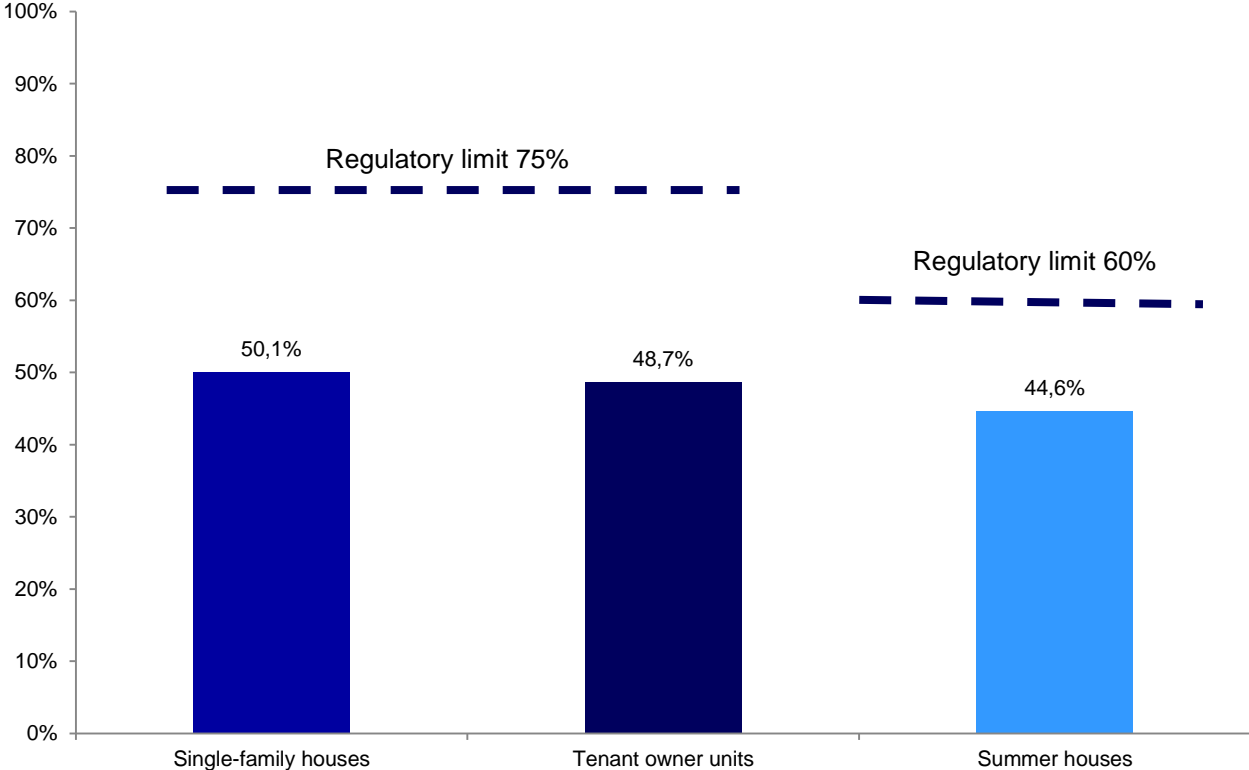
Cover pool key characteristics (2)

Q2 2019

Cover pool balance by loan category

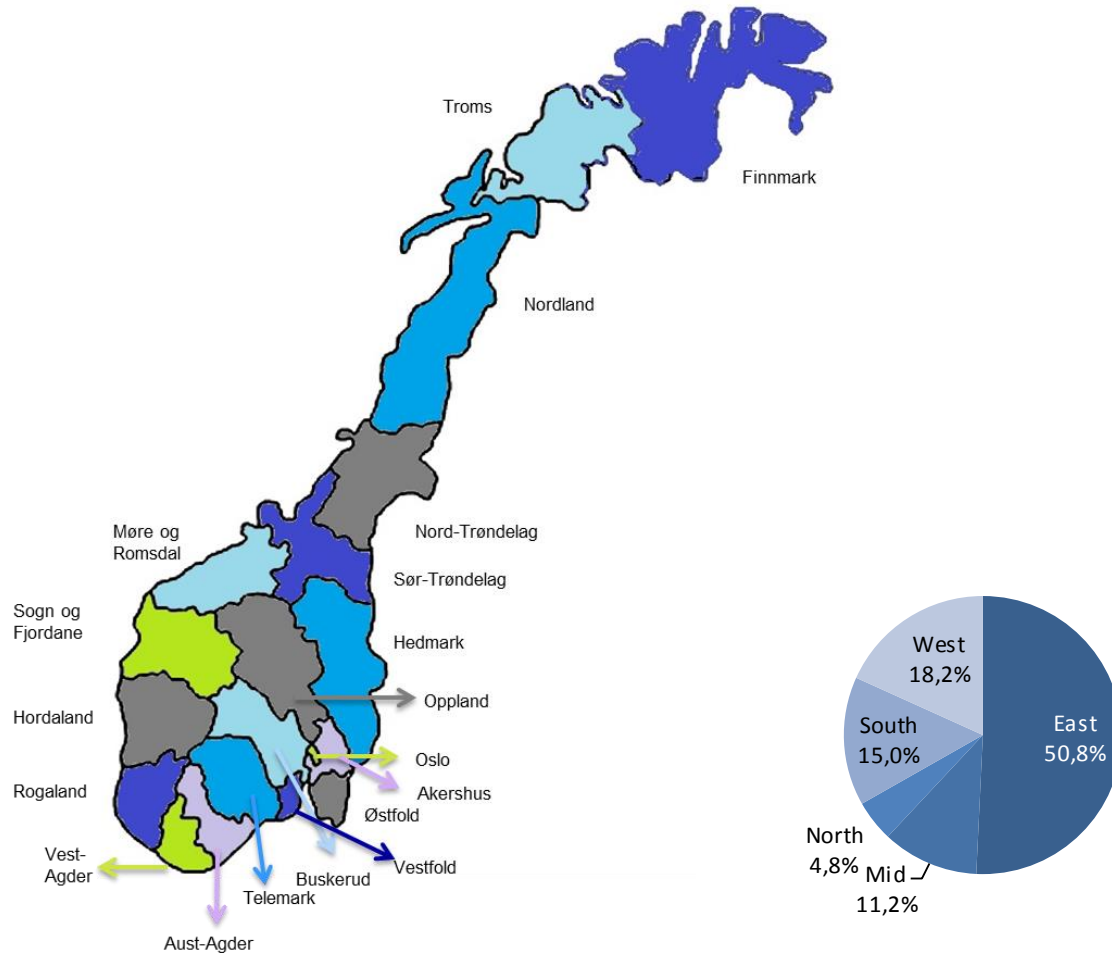


Weighted Average LTV – Indexed



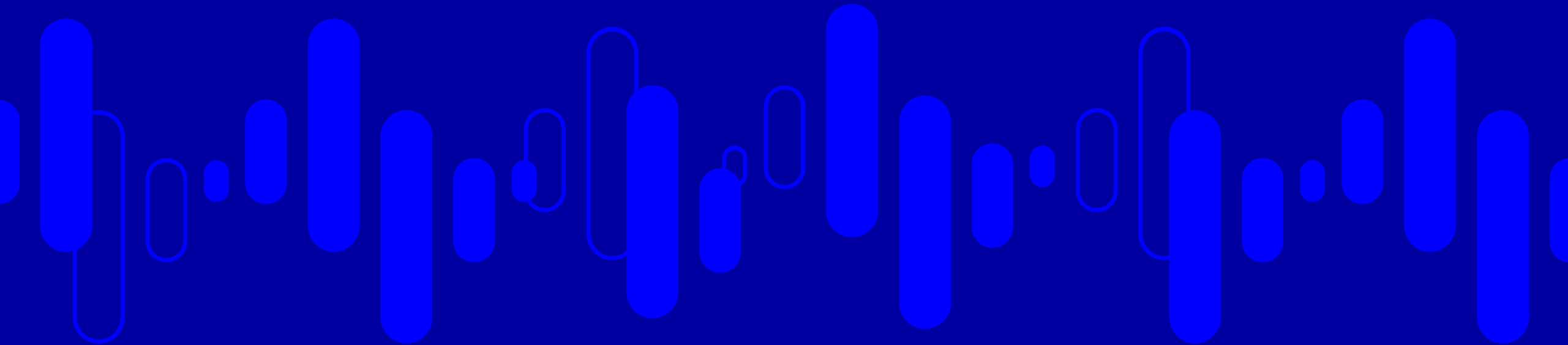
Cover pool – geographic distribution

Q2 2019



Fylke	Loan balance	Region
Akershus	18,1%	East
Aust-Agder	1,5%	South
Buskerud	4,2%	Mid
Finnmark	0,4%	North
Hedmark	1,9%	East
Hordland	10,2%	West
Møre og Romsdal	6,9%	West
Nordland	2,1%	North
Oppland	3,7%	Mid
Oslo	23,2%	East
Østfold	7,5%	East
Rogaland	3,8%	South
Sogn og Fjordane	1,1%	West
Trøndelag	3,3%	Mid
Telemark	1,2%	South
Troms	2,4%	North
Vest-Agder	3,9%	South
Vestfold	4,6%	South

3. Asset quality



Loan to Value (LTV)

Each loan is reported in the highest bucket

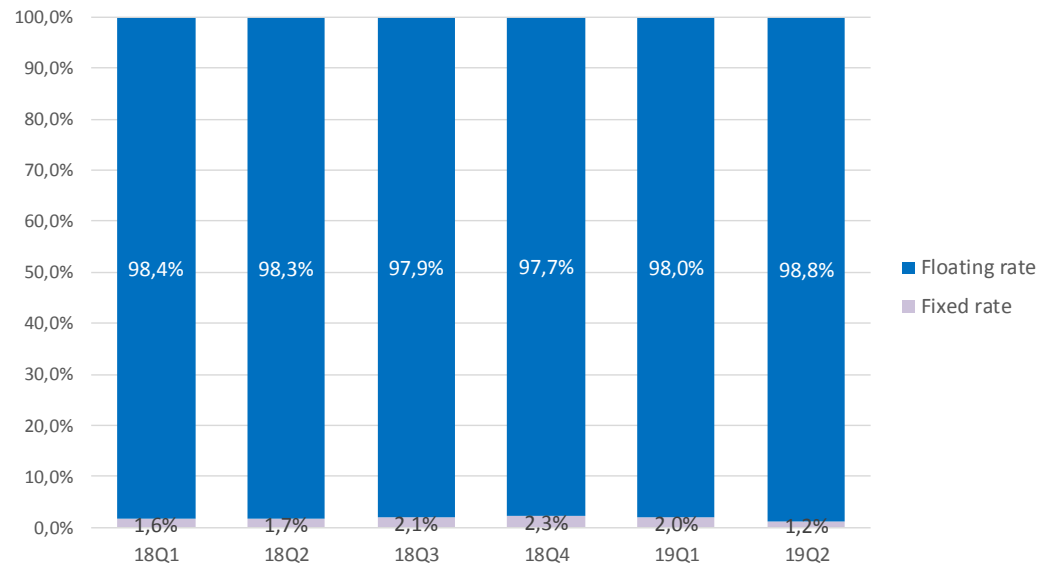
Q2 2019

Weighted Average LTV – Unindexed		50.7%	
LTV buckets		Nominal (NOKm)	% Residential Loans
>0 - <=40 %		41 428	26,07%
>40 - <=50 %		26 848	16,89%
>50 - <=60 %		35 511	22,35%
>60 - <=70 %		34 141	21,48%
>70 - <=80 %		20 988	13,21%
Total		158 916	100%
Weighted Average LTV - Indexed		50.6%	
LTV buckets		Nominal (NOKm)	% Residential Loans
>0 - <=40 %		42 016	26,44%
>40 - <=50 %		27 074	17,04%
>50 - <=60 %		34 851	21,93%
>60 - <=70 %		33 936	21,35%
>70 - <=80 %		21 038	13,24%
Total		158 916	100%

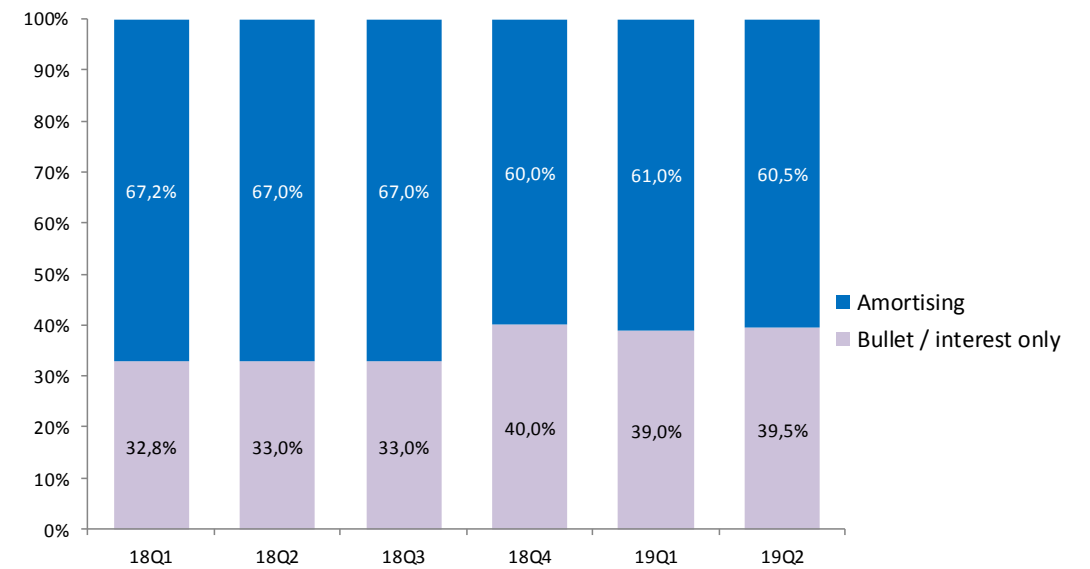
Loan structure

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Rate type



Repayment



Underwriting criteria

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Affordability

- Customers ability to service its commitment out of its cash flow/income is critical
- Repayment ability of borrowers is calculated using stressed scenarios. Customers must manage 5 percentage points increase on interest rate on all debt
- Scoring of retail customers

Payment history

- Credit bureau check is always conducted. Potential external payment remarks are revealed

Collateral

- Information from Norwegian official property register in order to secure correct real estate ownership and priority
- Nordea accepts four sources of real estate valuations:
 - a) Written statement from external authorized valuer
 - b) Last sales price (within 6 months)
 - c) Use of external evaluating system “Eiendomsverdi” (used by most banks and real estate agents in Norway)
 - d) Written statement from (external) real estate agent

5. Covered Bond framework

Norwegian covered bond framework

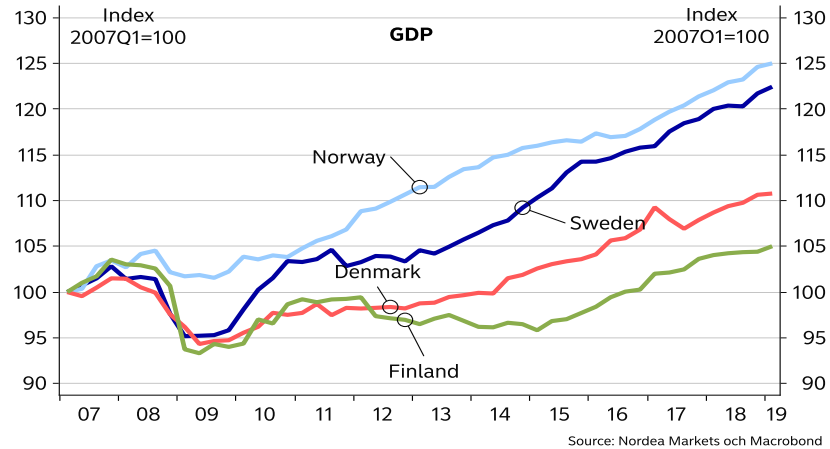
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- Legal framework
 - Norwegian Financial Institutions Act (2007)
- Registration and independent inspector
 - A mortgage credit institution shall for each cover pool establish a register of loans, interest rate contracts and foreign exchange contracts, substitute assets and covered bonds
 - The institution shall put forward an independent inspector who shall be appointed by the FSA “Finanstilsynet”
- Limit on LTV ratio – based on the current value
 - 75% for housing loans (residential property)
 - 60% for commercial loans (commercial property)
- Matching cover requirements
 - The value of the cover pool shall at all times exceed the value of covered bonds with a preferential claim over the pool and account shall be taken of the mortgage credit institution’s derivative contracts
- Liquidity requirements
 - The mortgage credit institution shall ensure that the payment flows from the cover pool enable the mortgage credit institution to honour its payment obligations towards holders of covered bonds and counterparties to derivative contracts at any and all times

6. Macro

Robust Nordic economies

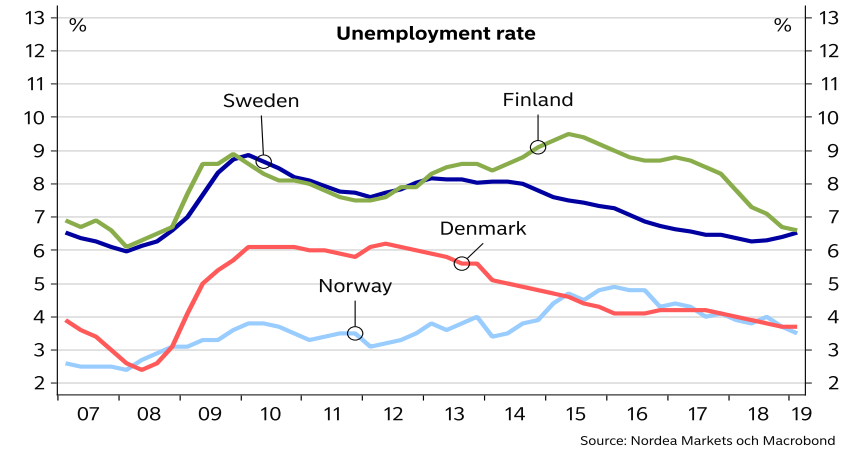
GDP development



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



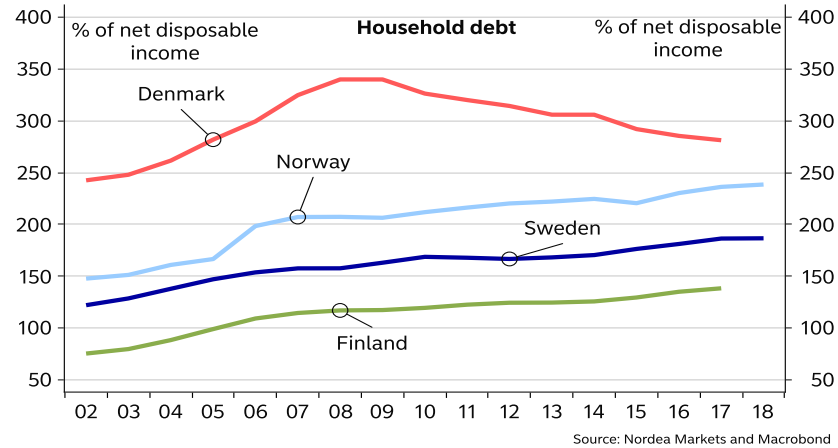
GDP forecast, %

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

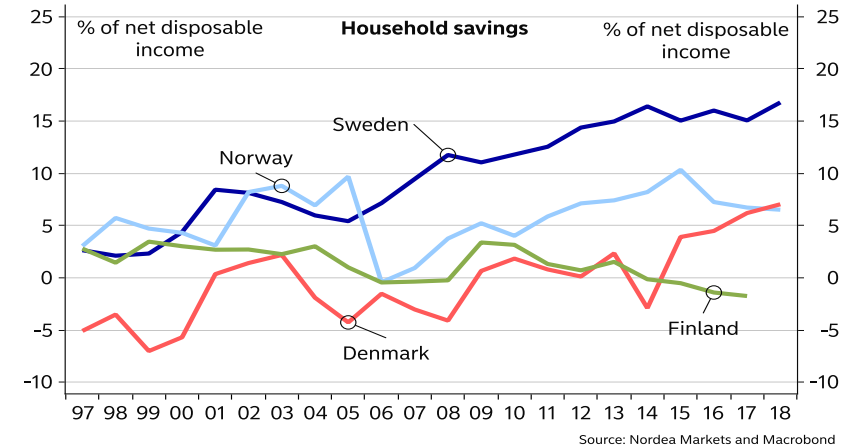
Source: Nordea Markets Economic Outlook May 2019, Macrobond and OECD.

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

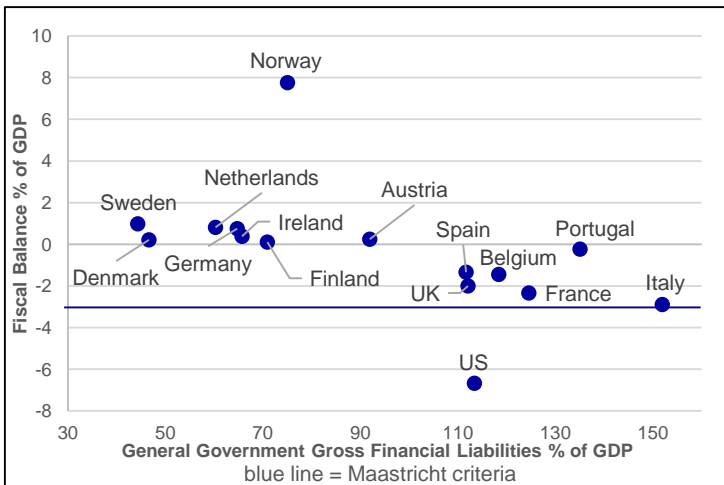
Household debt



Household savings



Public balance/debt, % of GDP, 2020E

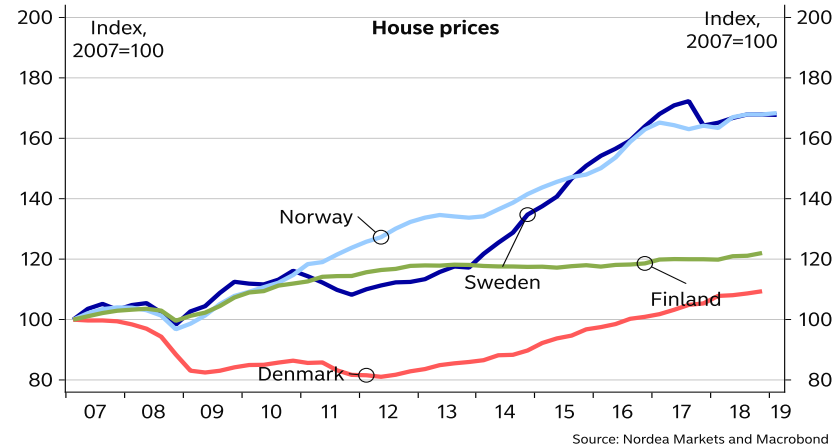


Comments

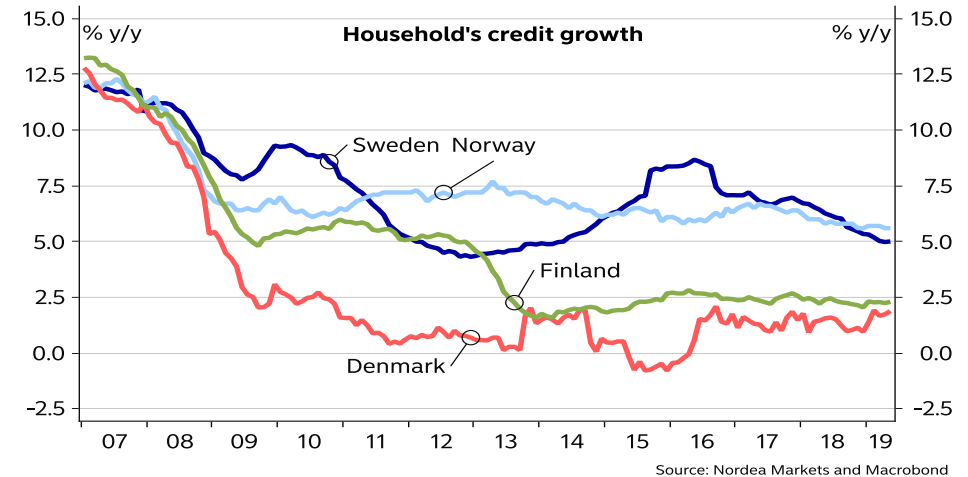
- Household debt continues to rise somewhat faster than income in Norway and Finland. Denmark continues to move in the opposite trend while Sweden is showing signs of stabilisation
- Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined in recent years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



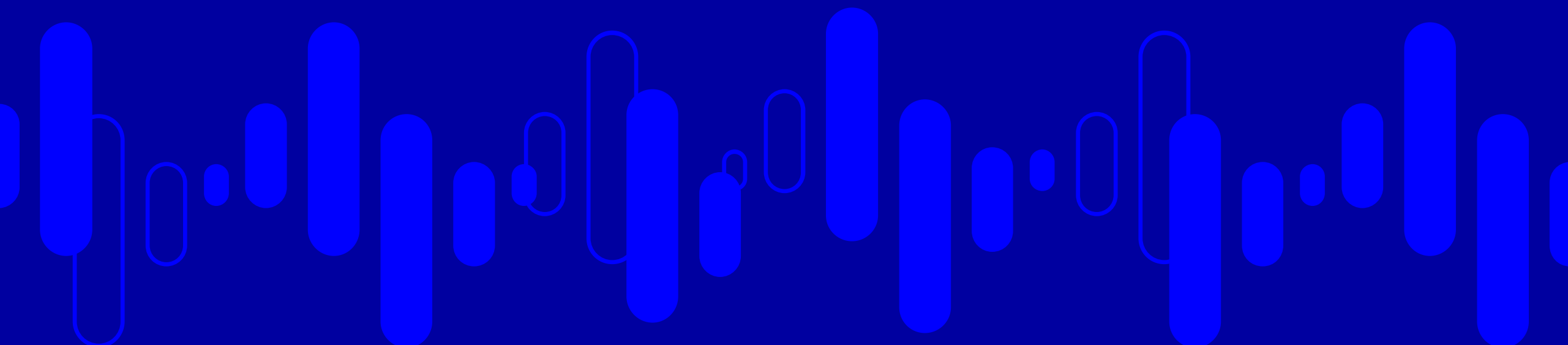
Household's credit growth



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

7. Further information



Covered bonds – outstanding volumes

Q2 2019

Breakdown by ISIN				
ISIN	Currency	Amount (NOKm)	Maturity	Coupon (%)
NO0010703531	NOK	13 500	2020-06-17	FRN
NO0010741903	NOK	14	2020-06-17	1,75
NO0010729817	NOK	11 000	2021-06-16	FRN
NO0010584345	NOK	9 383	2021-06-16	4,25
NO0010758931	NOK	4 615	2022-06-15	1,08
NO0010759632	NOK	16 500	2022-06-15	FRN
NO0010819717	NOK	14 550	2023-06-21	FRN
NO0010843626	NOK	15 300	2024-06-19	FRN
NO0010593064	NOK	550	2025-06-18	4,8
NO0010852650	NOK	1 500	2026-05-22	2,17
NO0010766827	NOK	500	2031-06-18	1,75
NO0010812084	NOK	300	2043-06-17	2,20
NO0010821986	NOK	300	2048-05-04	2,60
XS1210746134	GBP	1 401	2020-03-30	FRN
XS1487838291	GBP	134	2021-09-09	FRN
XS1837099339	GBP	3 362	2023-06-18	FRN
XS1451306036	EUR	968	2031-07-15	0,74
	Total	93 877		

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