

Nordea

Nordea Eiendomskreditt Covered Bonds
Q3 2019 Debt investor presentation

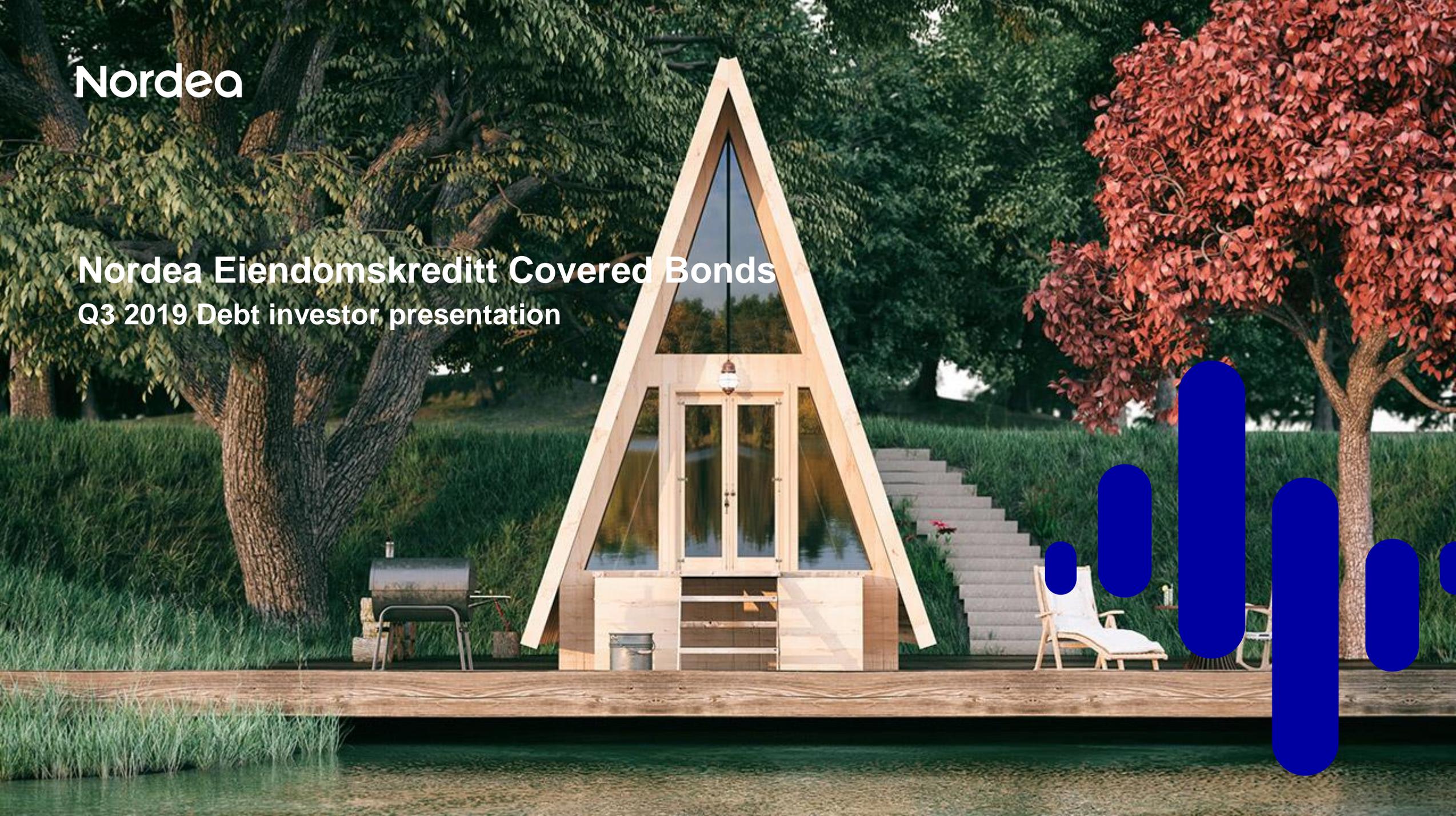


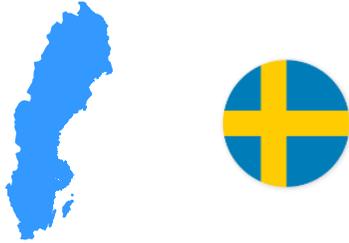
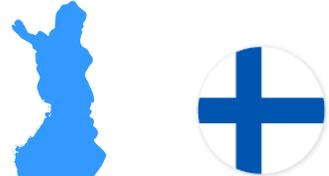
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1. In brief

Nordea covered bond operations

Q3 2019

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

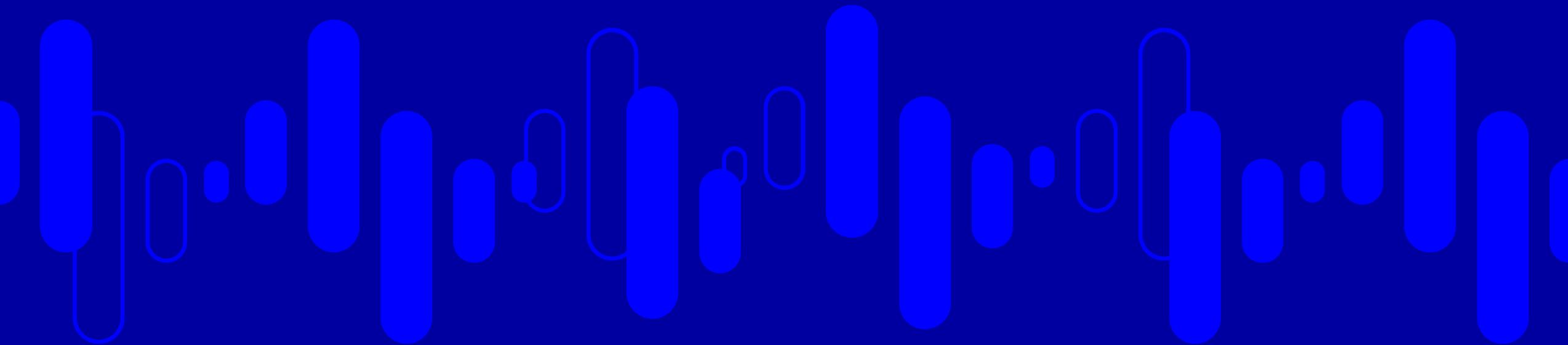


Nordea Eiendomskreditt – overview

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- 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

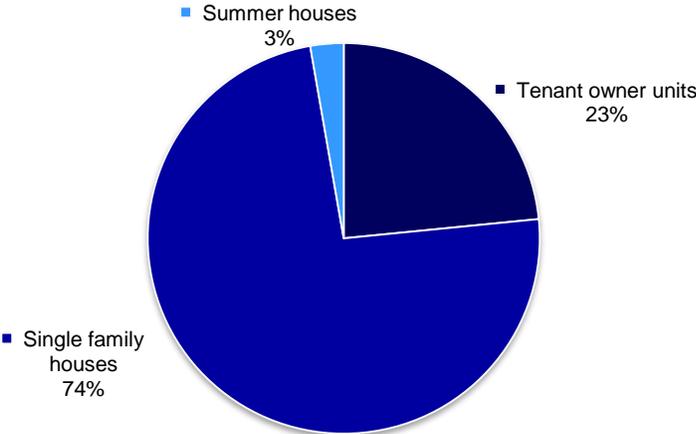
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Cover pool summary	
Pool notional	NOK 163.8bn
Outstanding Covered Bonds	NOK 98.9bn
Cover pool content	Mortgage loans secured by Norwegian residential collateral
Geographic distribution	Throughout Norway with concentration to urban areas
Asset distribution	100% residential
Weighted average LTV	49.7% (indexed, calculated per property)
Average loan size	NOK 1.7m
Over Collateralisation (OC)	66%
Rate type	Floating 98.5%, Fixed 1.5%
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

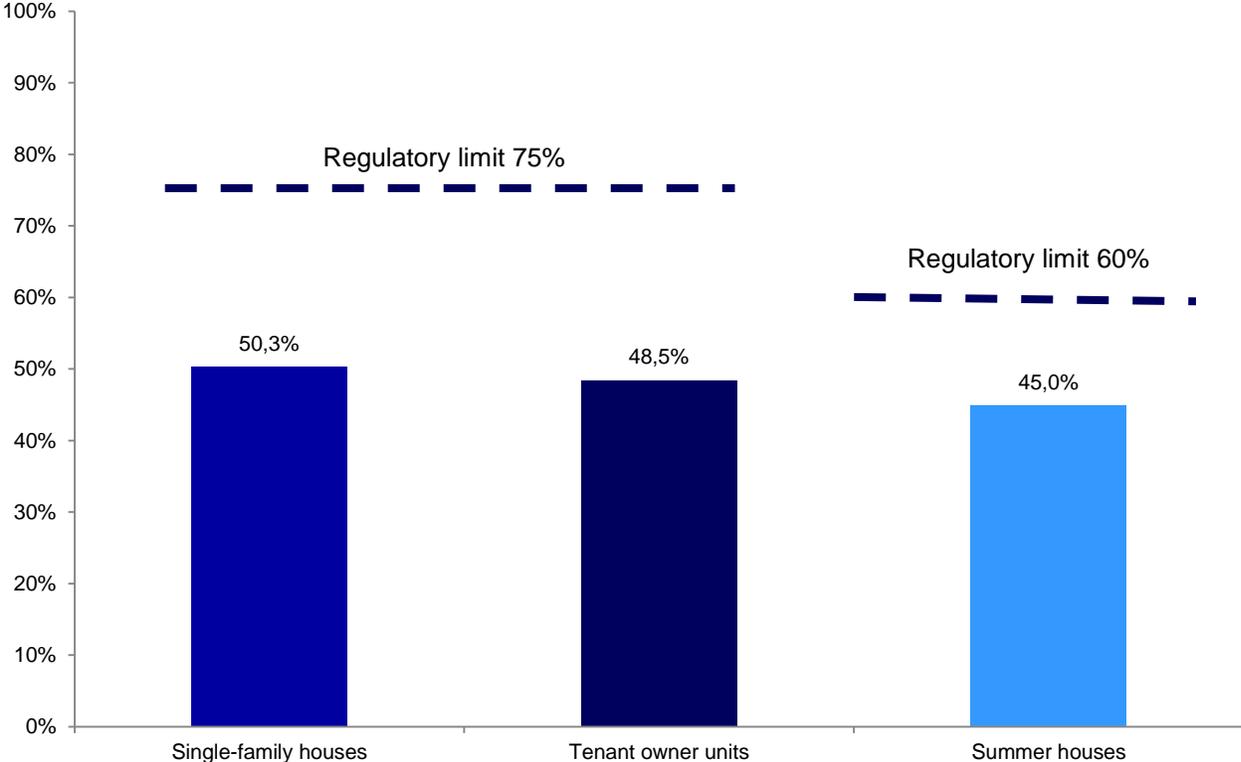
Cover pool key characteristics (2)

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Cover pool balance by loan category

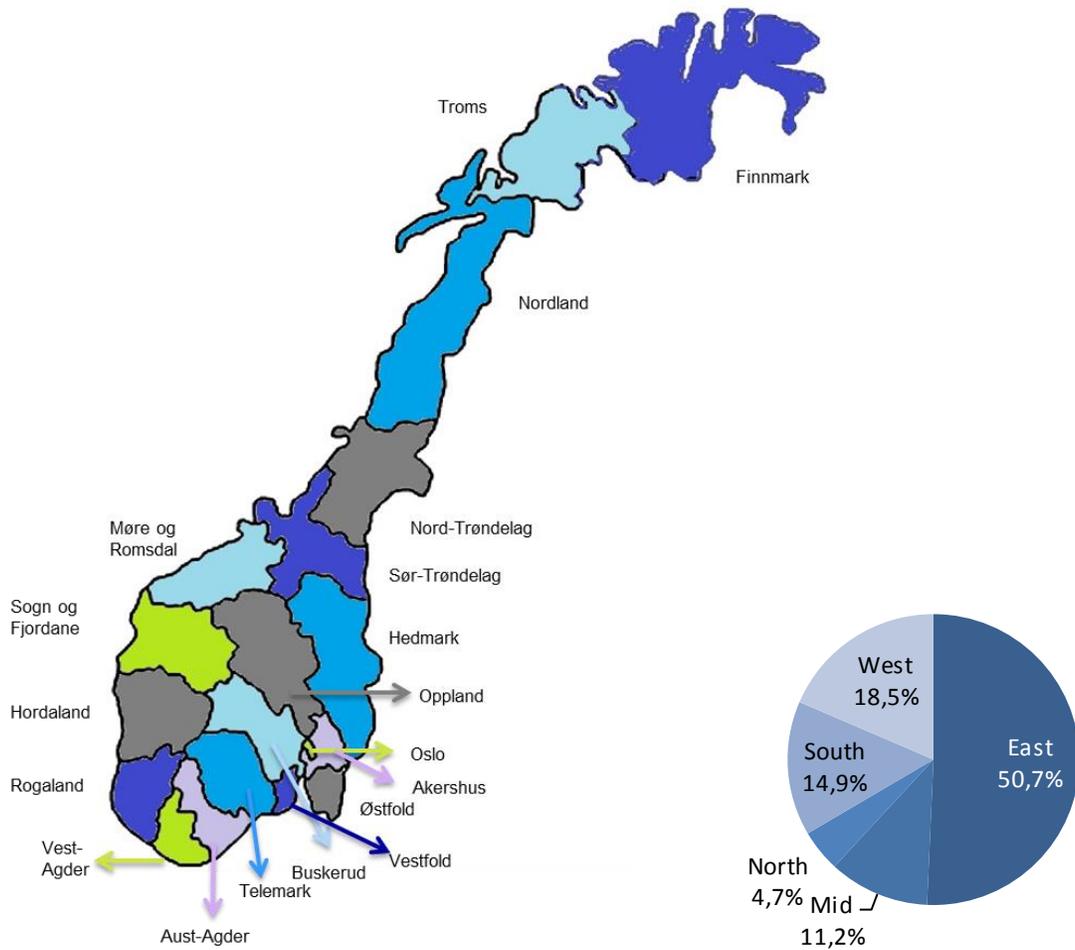


Weighted Average LTV – Indexed



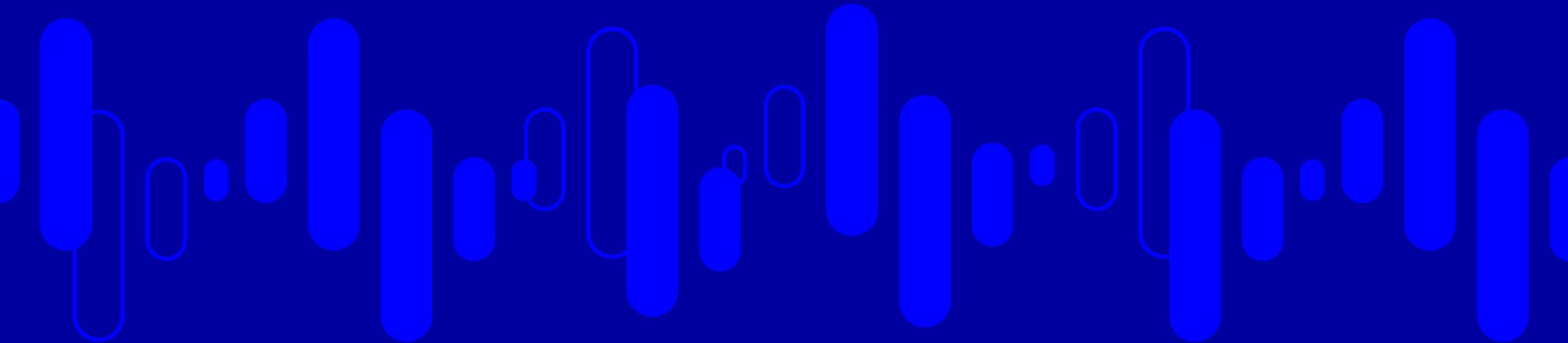
Cover pool – geographic distribution

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

3. Asset quality



Loan to Value (LTV)

Each loan is reported in the highest bucket

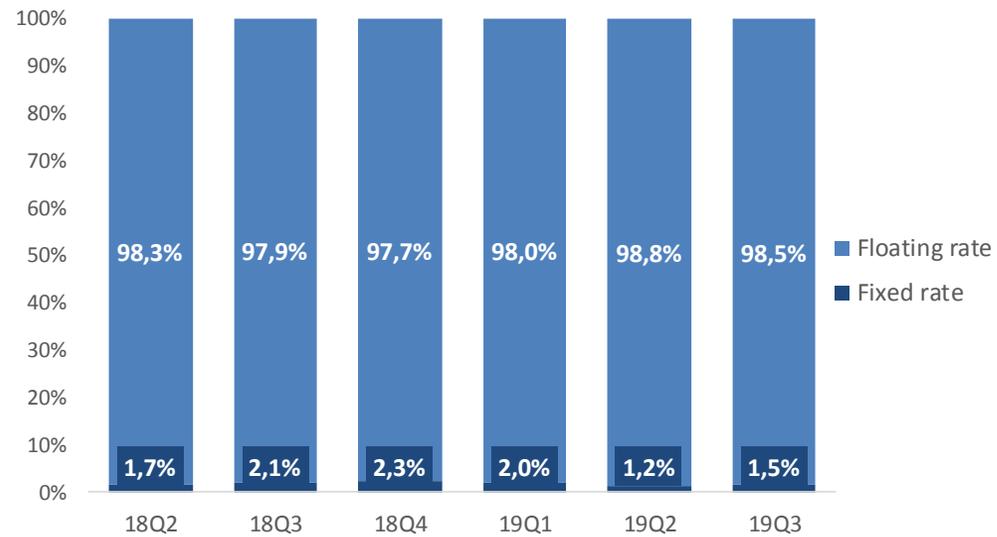
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Weighted Average LTV – Unindexed		51.2%	
LTV buckets	Nominal (NOKm)		% Residential Loans
>0 - <=40 %	41 660		25,43%
>40 - <=50 %	27 111		16,55%
>50 - <=60 %	36 418		22,23%
>60 - <=70 %	35 233		21,51%
>70 - <=80 %	23 391		14,28%
Total	163 813		100%
Weighted Average LTV - Indexed		49.7%	
LTV buckets	Nominal (NOKm)		% Residential Loans
>0 - <=40 %	44 752		27,32%
>40 - <=50 %	29 013		17,71%
>50 - <=60 %	37 647		22,98%
>60 - <=70 %	36 065		22,02%
>70 - <=80 %	16 336		9,97%
Total	163 813		100%

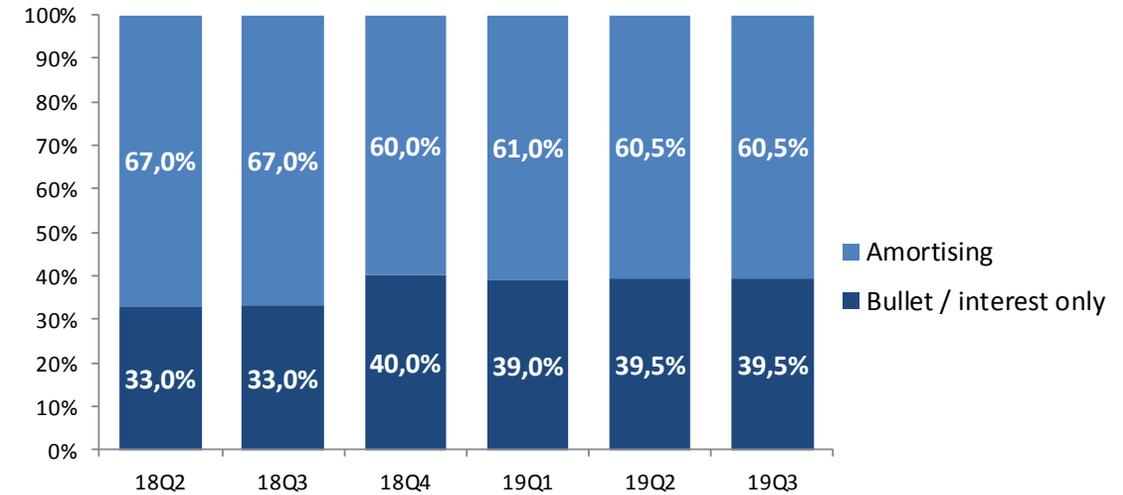
Loan structure

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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

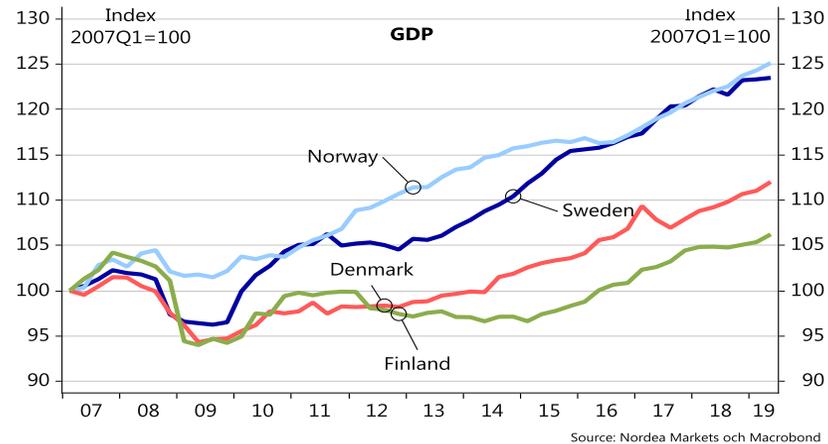
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- Legal framework
 - Norwegian Financial Institutions Act (2007)
- Registration and independent inspector
 - A mortgage credit institution shall for each cover pool establish a register of loans, interest rate contracts and foreign exchange contracts, 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

Diverging Nordic economies

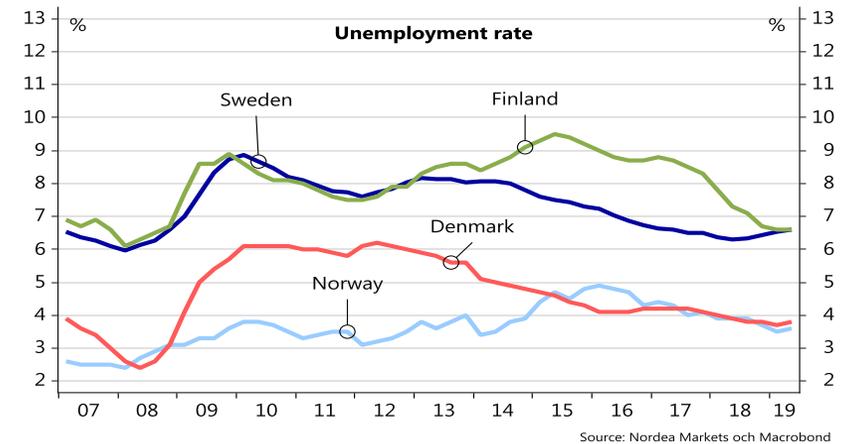
GDP development



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



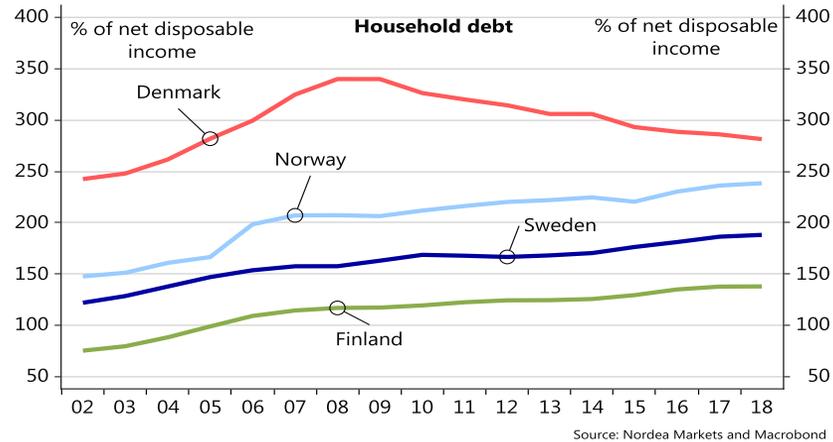
GDP forecast, %

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

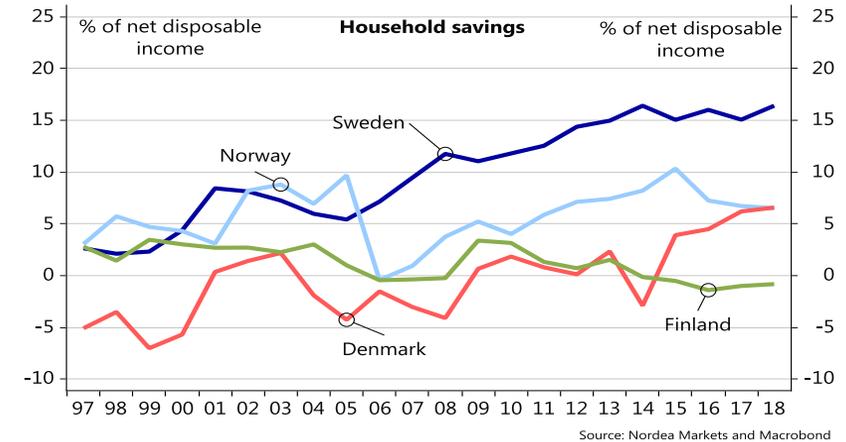
Source: Nordea Markets Economic Outlook September 2019, Macrobond and OECD.

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

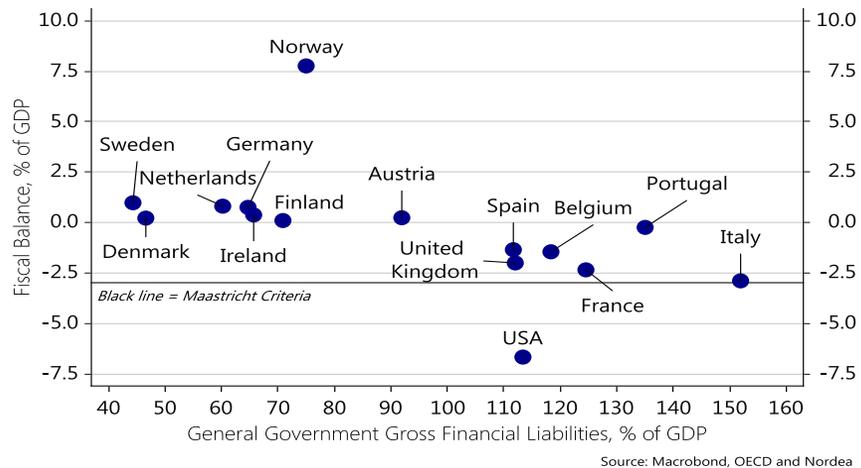
Household debt



Household savings



Public balance/debt, % of GDP, 2020E

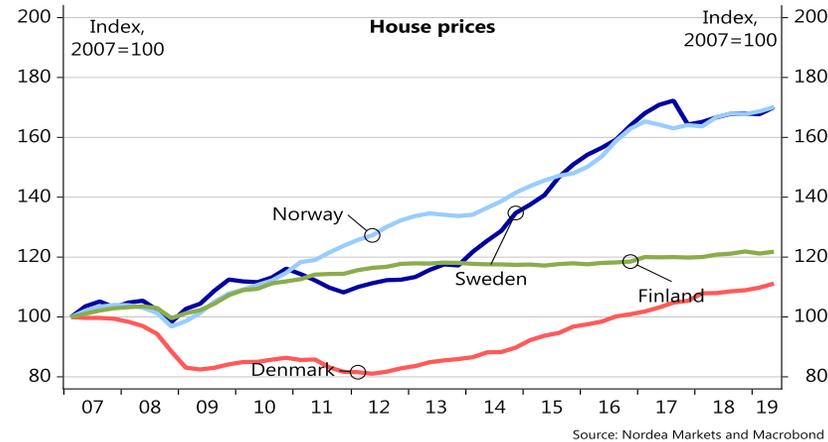


Comments

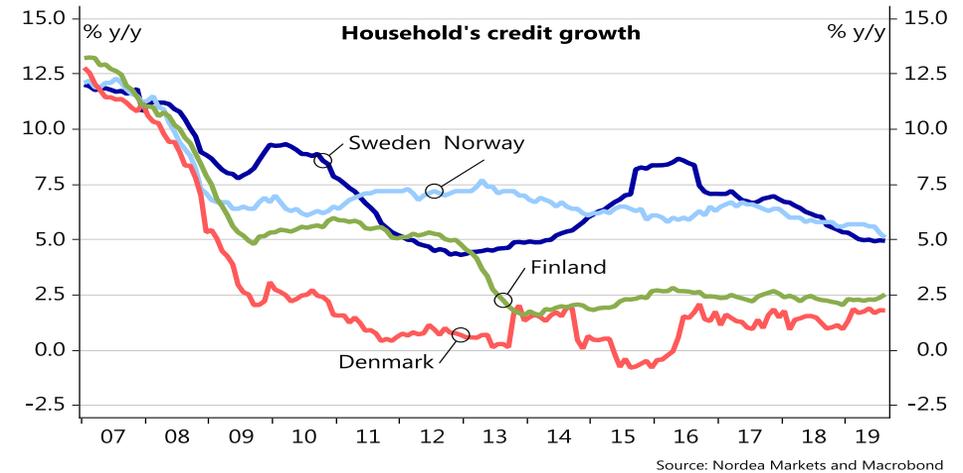
- Household debt continues to rise somewhat faster than income in Norway, Finland and Sweden. Denmark continues to move in the opposite trend, though from very high levels.
- Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined in recent years
- The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



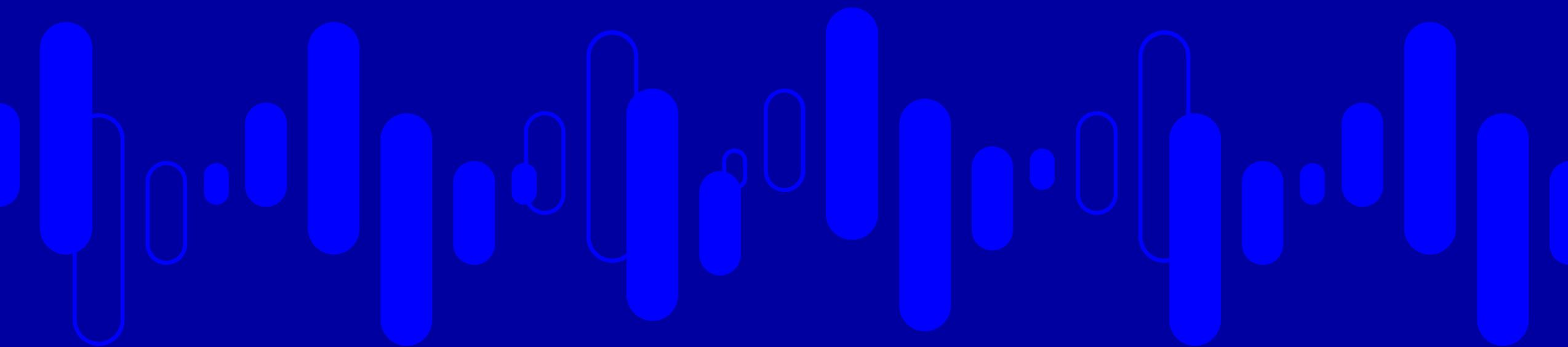
Household's credit growth



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.

7. Further information



Covered bonds – outstanding volumes

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Breakdown by ISIN				
ISIN	Currency	Amount (NOKm)	Maturity	Coupon (%)
NO0010703531	NOK	10 347	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	17 550	2022-06-15	FRN
NO0010819717	NOK	16 800	2023-06-21	FRN
NO0010843626	NOK	17 650	2024-06-19	FRN
NO0010593064	NOK	550	2025-06-18	4,8
NO0010852650	NOK	4 000	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	1 526	2020-03-30	FRN
XS1487838291	GBP	133	2021-09-09	FRN
XS1837099339	GBP	3 270	2023-06-18	FRN
XS1451306036	EUR	938	2031-07-15	0,74
	Total	98 876		

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

Ola Bladholm

Chief Treasury Manager
Tel: +46 101 56 1389
Mobile: +46 702 69 6532
ola.bladholm@nordea.com