

**Nordea**

**Nordea Eiendomskreditt Covered Bonds**  
Q4 2019 Debt investor presentation



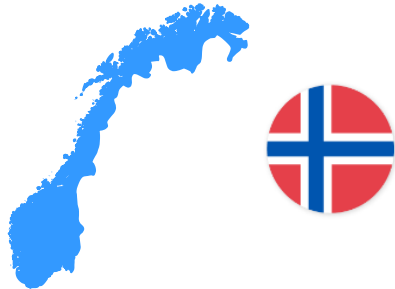
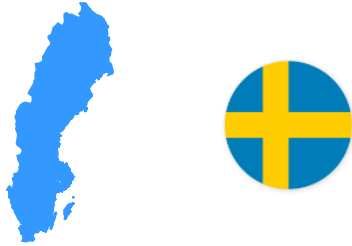

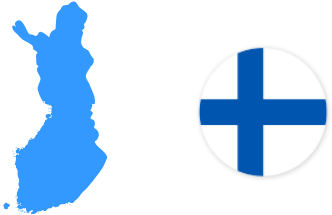
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# 1. In brief

# Nordea covered bond operations

Q4 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 16.9bn (eq.)	EUR 53.5bn (eq.)	Balance principle	EUR 21.9bn
Covered bonds outstanding	EUR 9.9bn (eq.)	EUR 31.8bn (eq.)	EUR 58.6bn (eq.)*	EUR 16.1bn
OC	71%	68%	8%*	37%
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



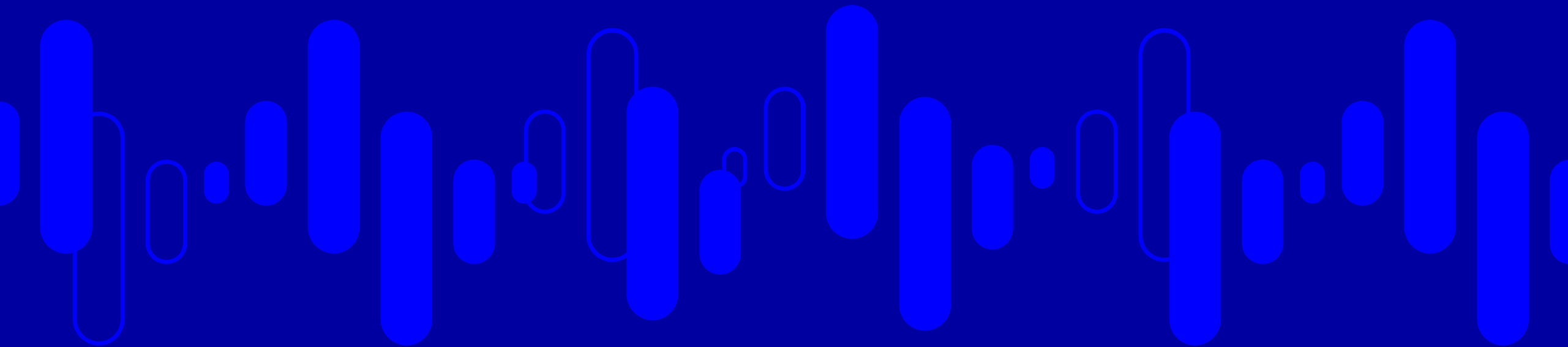
4 \*Reported values only include CC2. Nordea Kredit no longer reports for CC1 (RO), as this capital center only accounts for a minor (<1%) part of the outstanding volumes of loans and bonds.

# Nordea Eiendomskreditt – overview

Q4 2019

- A 100% owned subsidiary of Nordea Bank Abp
- 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

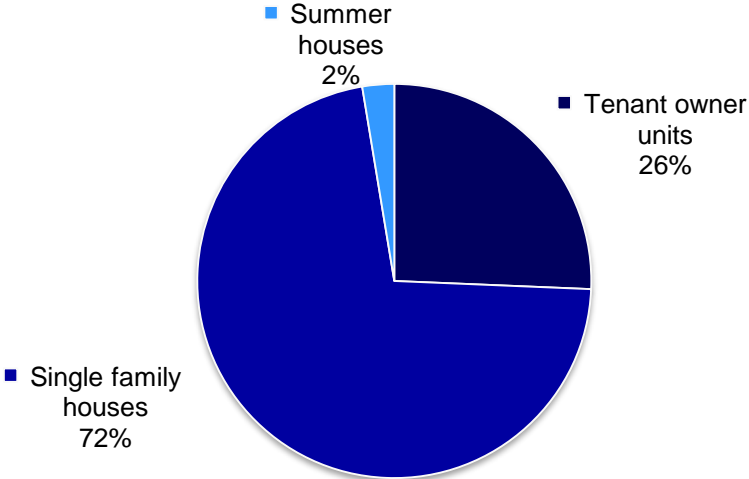
Q4 2019

Cover pool summary	
Pool notional	NOK 166.2bn
Outstanding Covered Bonds	NOK 97.2bn
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	50.5% (indexed, calculated per property)
Average loan size	NOK 1.7m
Over Collateralisation (OC)	71%
Rate type	Floating 98.3%, Fixed 1.7%
Amortisation	Bullet/ interest only 38.7%, Amortizing 61.3%
Pool type	Dynamic
Loans originated by	Nordea Bank Abp (as of 1 October 2018), Norway Branch

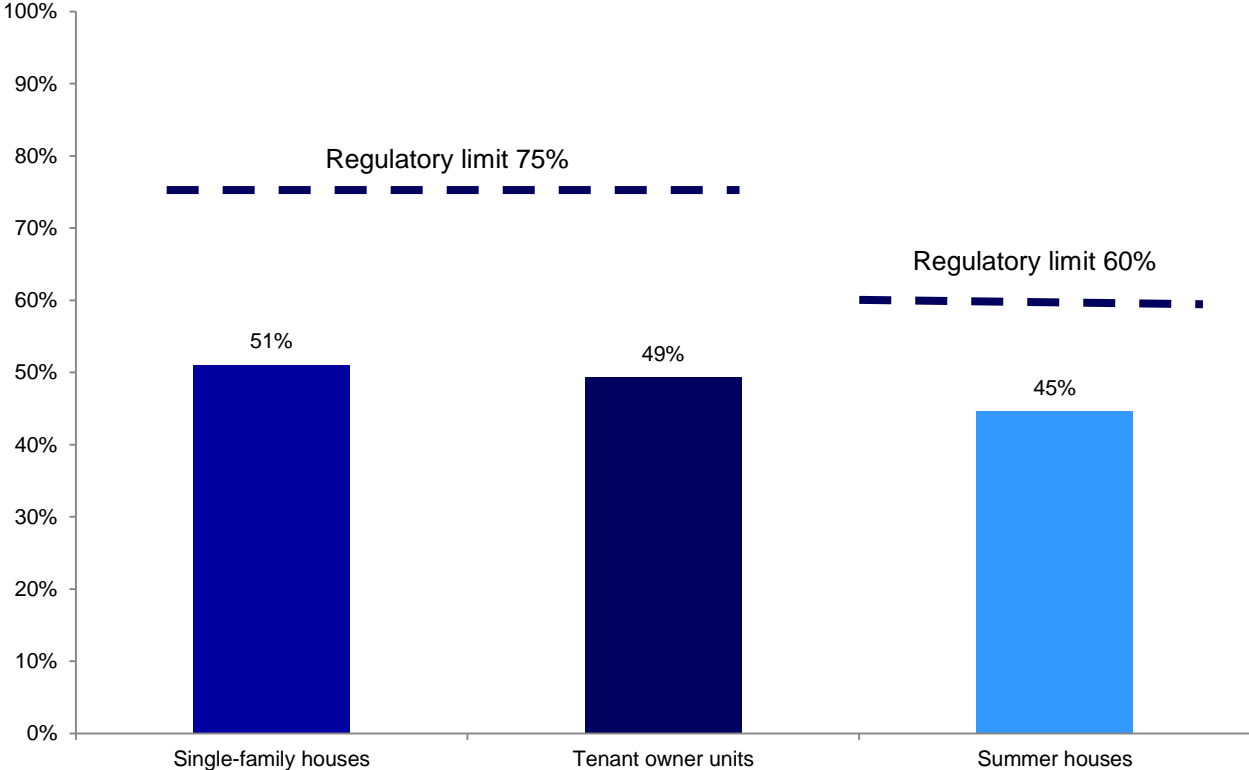
# Cover pool key characteristics (2)

Q4 2019

Cover pool balance by loan category



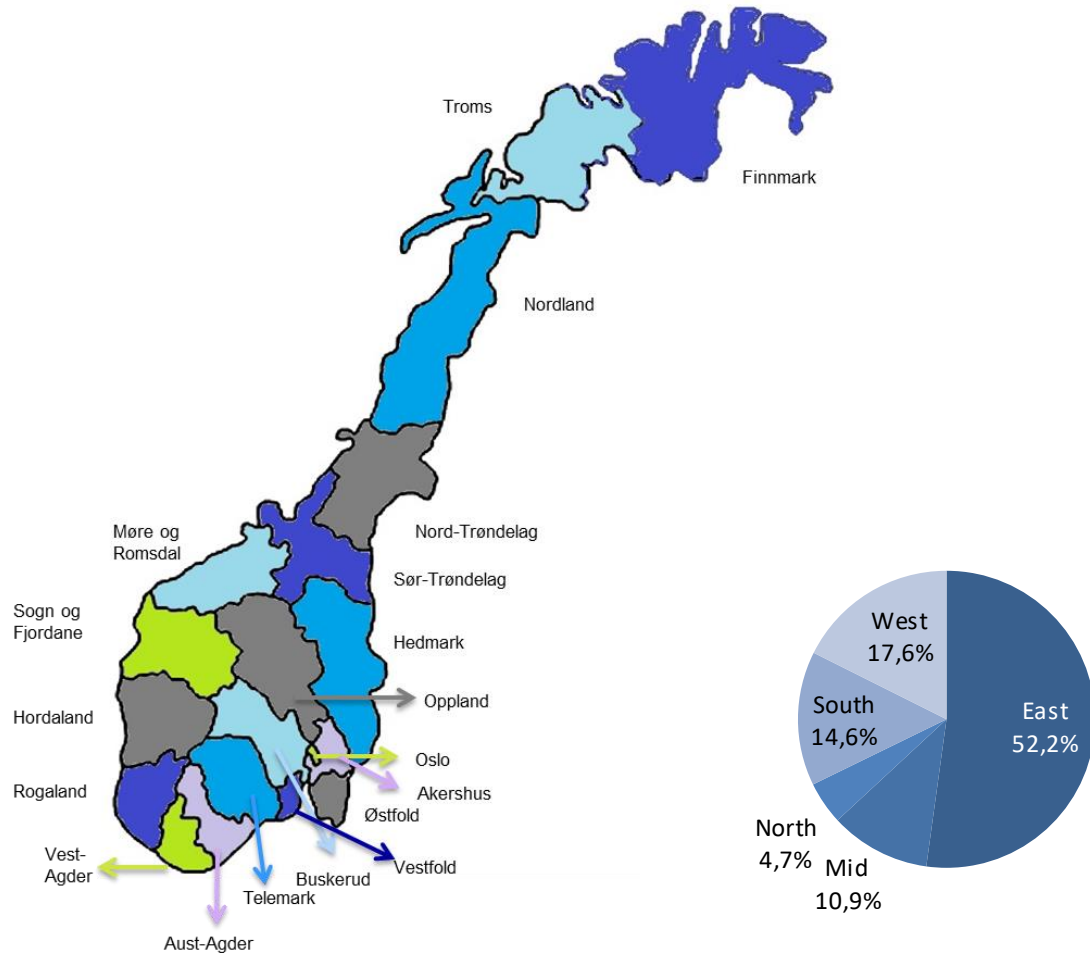
Weighted Average LTV – Indexed





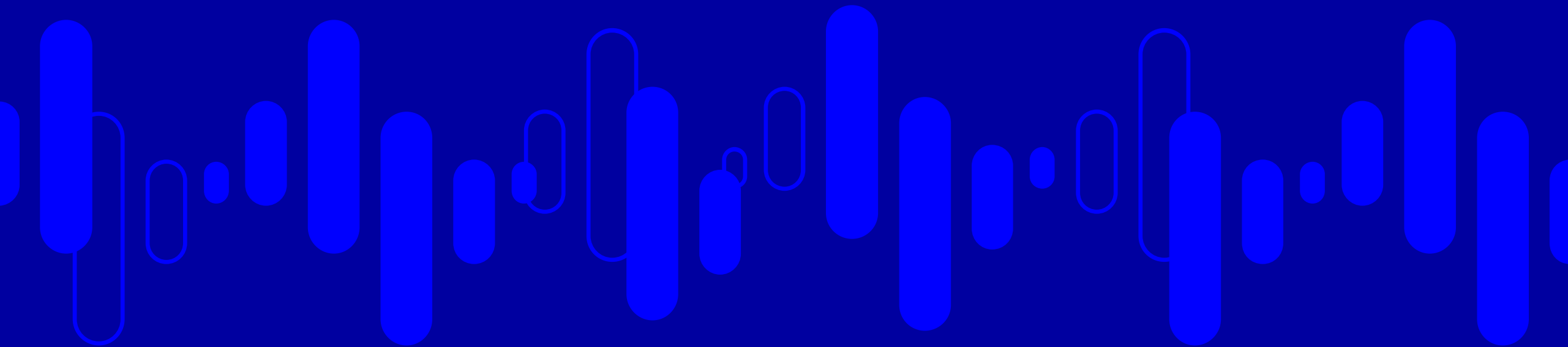
# Cover pool – geographic distribution

Q4 2019



Fylke	Loan balance	Region
Akerhus	18,5%	East
Aust-Agder	1,4%	South
Buskerud	4,2%	Mid
Finnmark	0,3%	North
Hedmark	1,9%	East
Hordland	10,0%	West
Møre og Romsdal	6,6%	West
Nordland	2,0%	North
Oppland	3,5%	Mid
Oslo	24,1%	East
Østfold	7,6%	East
Rogaland	3,6%	South
Sogn og Fjordane	1,0%	West
Trøndelag	3,2%	Mid
Telemark	1,2%	South
Troms	2,3%	North
Vest-Agder	3,8%	South
Vestfold	4,6%	South

### 3. Asset quality



## Loan to Value (LTV)

Each loan is reported in the highest bucket

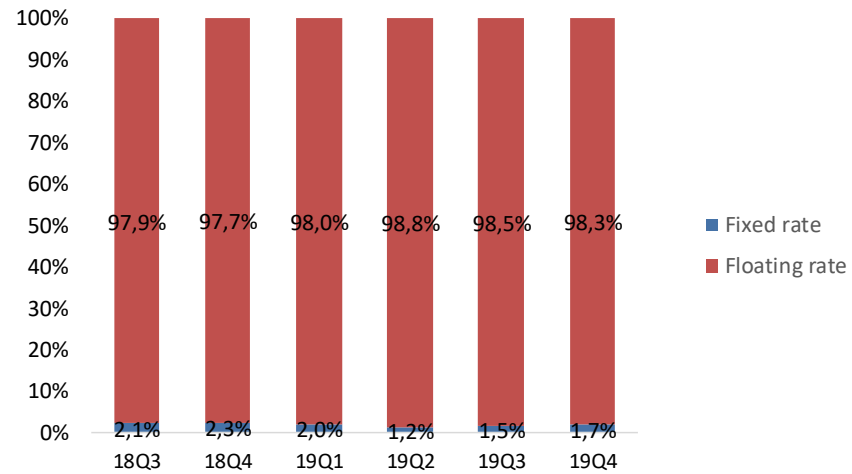
Q4 2019

<b>Weighted Average LTV – Unindexed</b>		<b>50.6%</b>	
LTV buckets	Nominal (NOKm)		% Residential Loans
>0 - <=40 %	44 126		26,55%
>40 - <=50 %	27 982		16,83%
>50 - <=60 %	36 613		22,03%
>60 - <=70 %	34 723		20,89%
>70 - <=80 %	22 776		13,70%
Total	166 220		100%
<b>Weighted Average LTV - Indexed</b>		<b>50.5%</b>	
LTV buckets	Nominal (NOKm)		% Residential Loans
>0 - <=40 %	44 531		26,79%
>40 - <=50 %	28 088		16,90%
>50 - <=60 %	36 580		22,01%
>60 - <=70 %	34 638		20,84%
>70 - <=80 %	22 382		13,47%
Total	166 220		100%

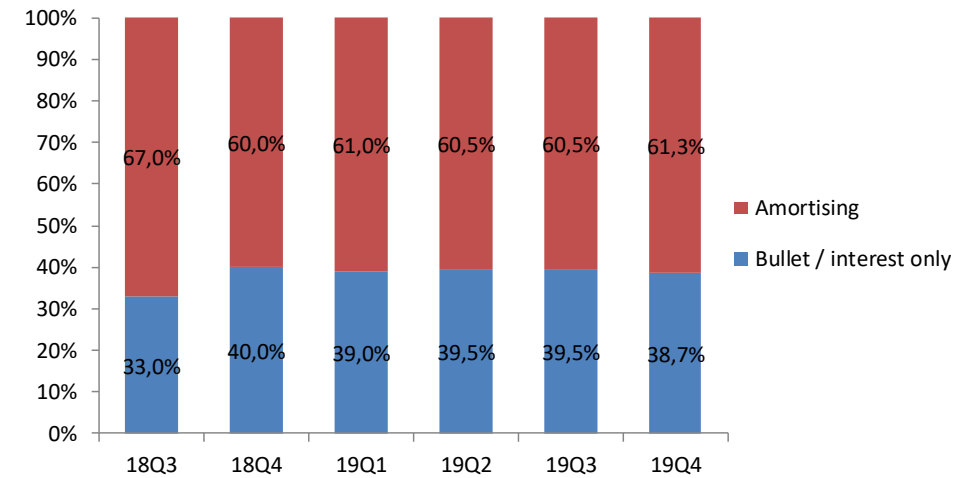
# Loan structure

Q4 2019

## Rate type



## Repayment



# Underwriting criteria

Q4 2019

## 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

## Q4 2019

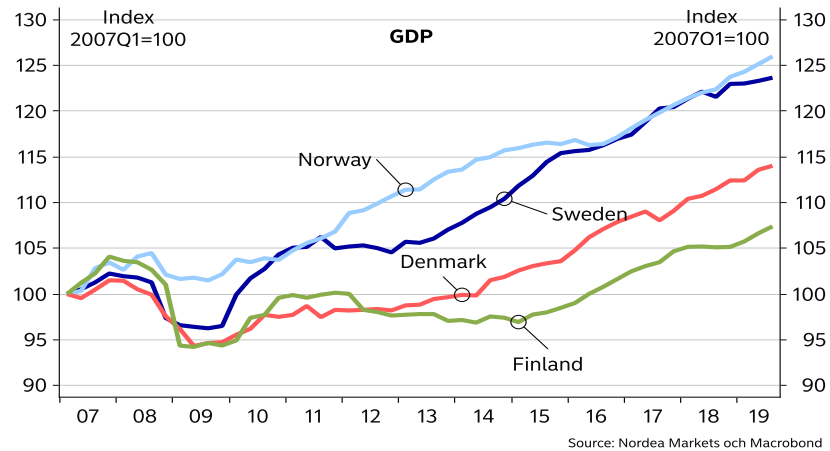
- Legal framework
  - Norwegian Financial Institutions Act (2007)
- Registration and independent inspector
  - A mortgage credit institution shall for each cover pool establish a register of loans, interest rate contracts and foreign exchange contracts, substitute assets and covered bonds
  - The institution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

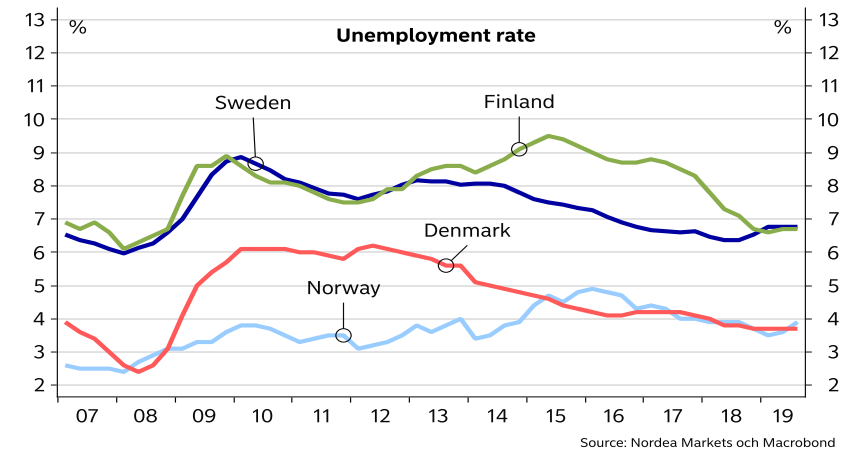


# Nordic economies – solid

## GDP development



## Unemployment rate



## Comments

- The Nordic economies are well equipped to handle the global slowdown. Sweden is set to recover in the end of 2020, and Denmark is headed for a soft landing after a six-year upswing. Norway will continue to show strength after a solid 2019, while growth is stalling in Finland
- Norway has seen three rate hikes in 2019 and, more surprisingly, the Riksbank hiked the repo rate in Sweden to 0% in December. Monetary policy in the Nordics will however be more cautious in 2020
- Swedish unemployment is set to increase further due to weakening domestic demand. The Danish labour market is expected to remain balanced as well as in Norway. Finnish unemployment is expected to hover at current levels if no structural reforms are implemented

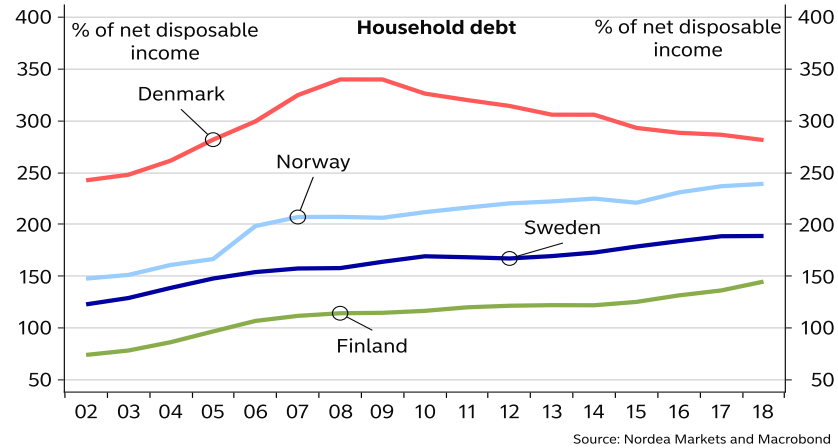
## GDP forecast, %

Country	2017	2018	2019E	2020E	2021E
Denmark	2.0	2.4	2.1	1.5	1.5
Finland	3.1	1.7	1.5	1.0	0.5
Norway	2.0	2.2	2.5	1.8	1.6
Sweden	2.7	2.3	1.1	0.8	1.8

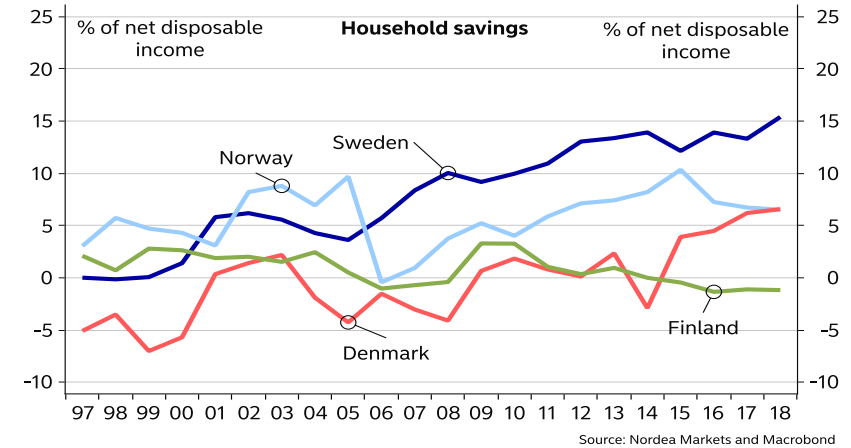
Source: Nordea Markets Economic Outlook January 2020, Macrobond and OECD.

# Household debt remains high, but so do private and public savings

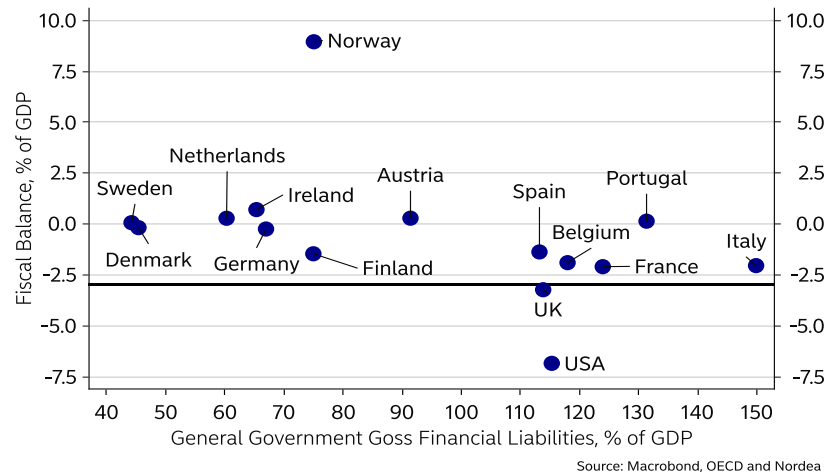
## Household debt



## Household savings



## Public balance/debt, % of GDP, 2020E

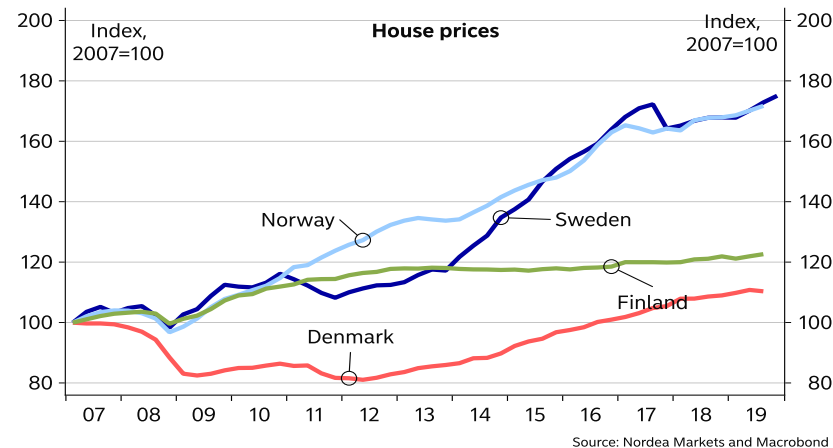


## Comments

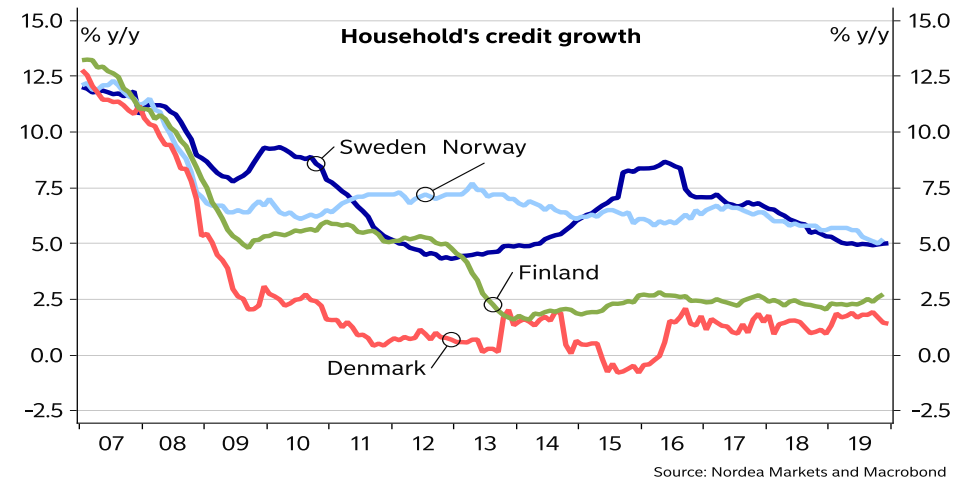
- Household debt continues to rise somewhat faster than income in Norway, Finland and Sweden. Denmark continues to move in the opposite trend
- Meanwhile, households' savings rates remain at high levels, and are increasing in Sweden and Denmark. Finnish savings have stabilised in recent years and are finally showing signs of picking up
- 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



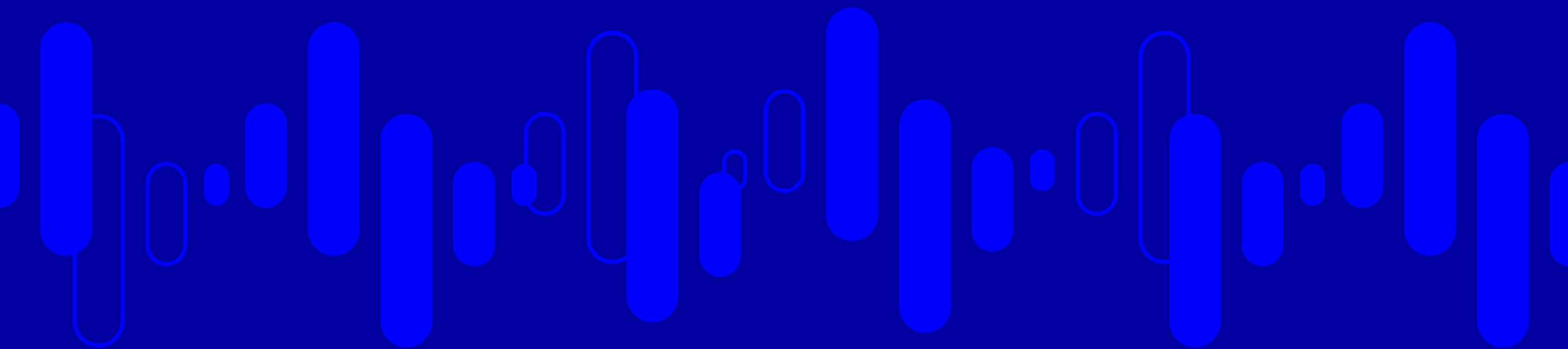
## Households' credit growth



## Comments

- Low interest rates continue to keep Nordic housing markets afloat and modest price increases are expected in the coming years. Prices continue to rise in Sweden and Norway. Danish home prices are still at a low level. The Finnish housing market was unusually active in 2019. However, uncertainty will remain while low interest rates will support prices in growing cities. Credit growth in the Nordics is moving sideways except for in Denmark
- Swedish house prices have exceeded the previous top in 2017. The Riksbank's rate hike in late 2019 may temporarily dampen the pick-up, but the prospect of low interest rates in the foreseeable future will likely be more important for housing prices than rising unemployment and the Riksbank's isolated rate hike
- Last year's increase in interest rates in Norway and good supply of new housing have contributed to keeping a lid on housing prices in Norway. The total rate hike was nonetheless modest, and interest rates are still very low. The housing market is thus well balanced and the risk of a significant turnaround in the market is considered to be very low
- 2019 was a good year for the Danish housing market and prices rose across most of the country. Housing prices are expected to continue to rise by around 3% annually – driven by persistently low interest rates and the expected stronger purchasing power of households

# 7. Further information



# Covered bonds – outstanding volumes

Q4 2019

Breakdown by ISIN				
ISIN	Currency	Amount (NOKm)	Maturity	Coupon (%)
NO0010703531	NOK	7 690	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	17 950	2024-06-19	FRN
NO0010593064	NOK	550	2025-06-18	4,8
NO0010852650	NOK	4 800	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
	<b>Total</b>	<b>97 319</b>		

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