

**Nordea**

**Nordea Hypotek Covered Bonds**

Q4 2019 Debt investor presentation



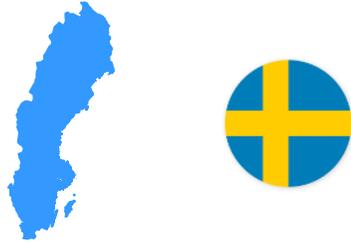
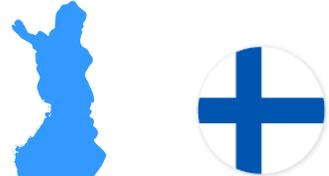
# Table of contents

1. In brief	3
2. Cover pool key characteristics	6
3. Asset quality	9
4. Covered bond framework	13
5. Macro	15
6. Further information	19

# 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



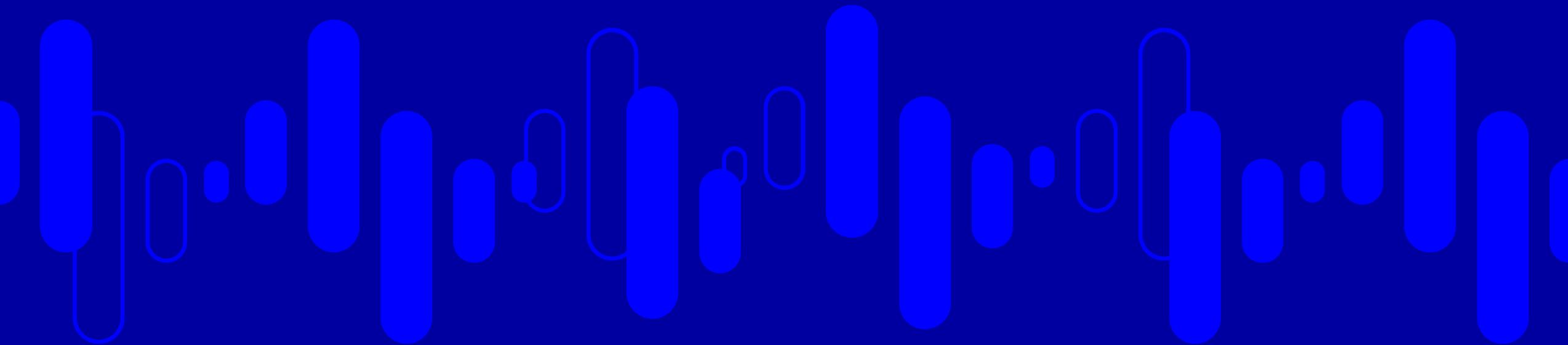
4 \*Reported values only include CC2. Nordea Kredit no longer reports for CC1 (RO), as this capital center only accounts for a minor (<1%) part of the outstanding volumes of loans and bonds.

# Nordea Hypotek – overview

Q4 2019

- 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

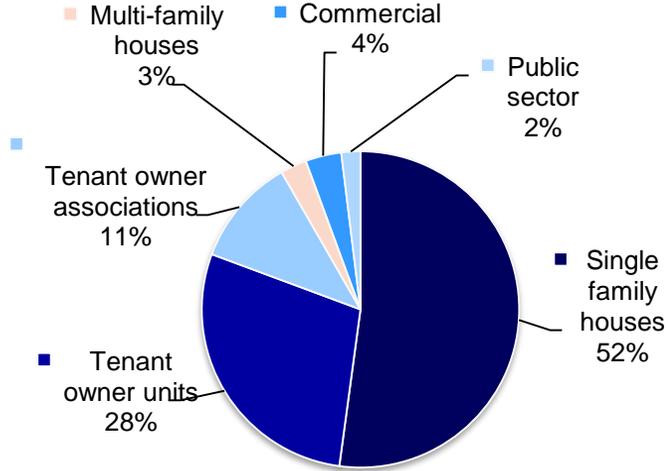
Q4 2019

Cover pool summary	
Loans in cover pool	SEK 561.6bn
Outstanding covered bonds	SEK 334.0bn
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	94.4% residential, 3.7% commercial, 1.9% public sector
Weighted average LTV*	51.5% (indexed)
Average loans size*	SEK 623k
Over collateralization, OC	68%
Rate type**	Floating 67.1%, Fixed 32.9%
Amortization**	Bullet/ interest only 19.1%, Amortizing 80.9%
Pool type	Dynamic
Loans originated by	Nordea Hypotek

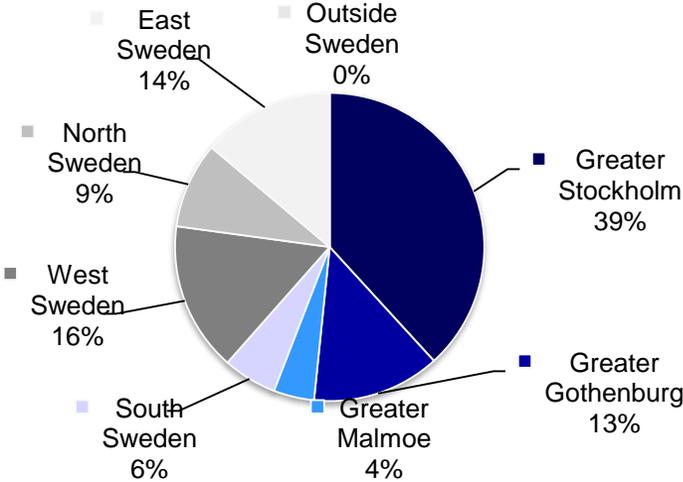
# Cover pool key characteristics (2)

Q4 2019

**Cover pool balance by loan category**

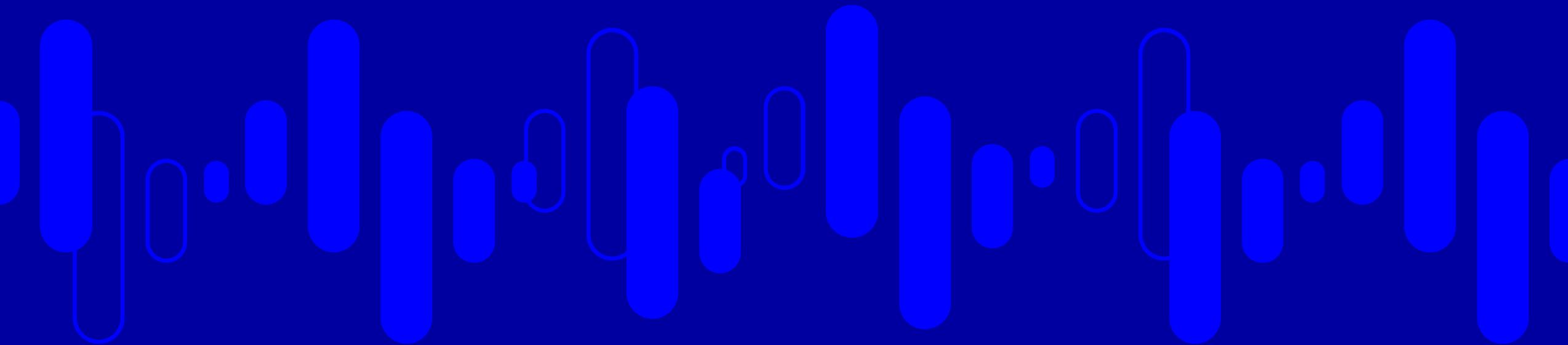


**Cover pool balance by region\***



\* excluding Public sector

### 3. Asset quality



# Loan To Value (LTV)\*

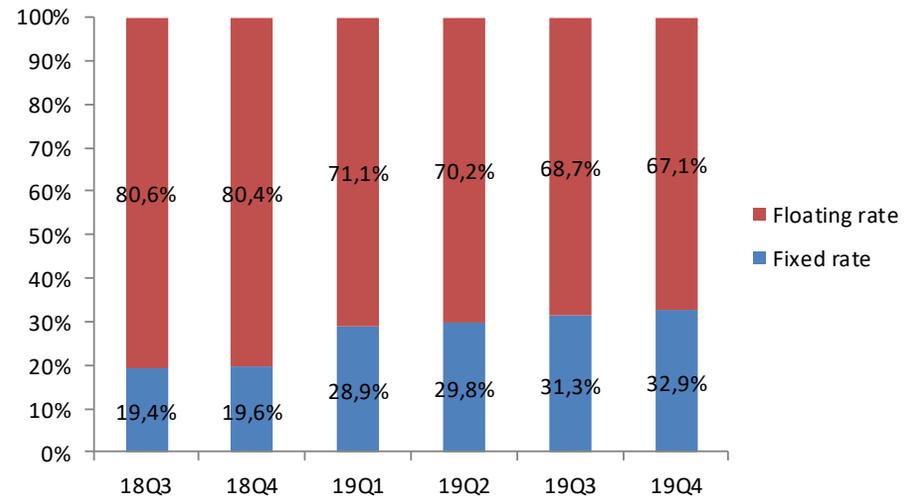
Q4 2019

<b>Weighted Average LTV – Unindexed</b>		<b>57.4%</b>	
<b>LTV buckets</b>	<b>Nominal (SEKm)</b>		<b>% Residential Loans</b>
>0 - <=40 %	375 107		70,75%
>40 - <=50 %	61 810		11,66%
>50 - <=60 %	48 012		9,06%
>60 - <=70 %	34 458		6,50%
>70 - <=80 %	10 835		2,04%
Total	530 221		100%
<b>Weighted Average LTV - Indexed</b>		<b>51.5%</b>	
<b>LTV buckets</b>	<b>Nominal (SEKm)</b>		<b>% Residential Loans</b>
>0 - <=40 %	405 407		76,46%
>40 - <=50 %	56 338		10,63%
>50 - <=60 %	38 526		7,27%
>60 - <=70 %	23 350		4,40%
>70 - <=80 %	6 599		1,24%
Total	530 221		100%

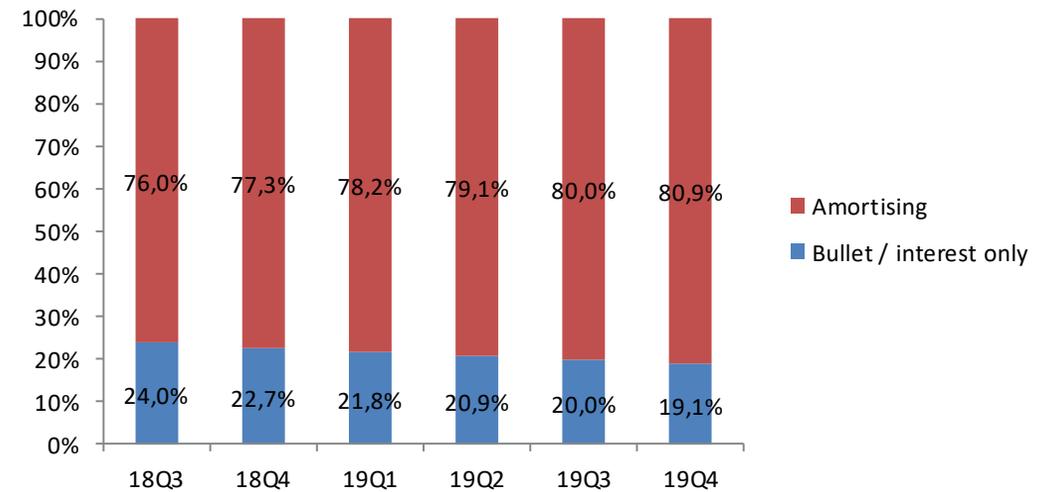
# Loan structure

Q4 2019

## Rate type



## Repayment



# Underwriting criteria

Q4 2019

## 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

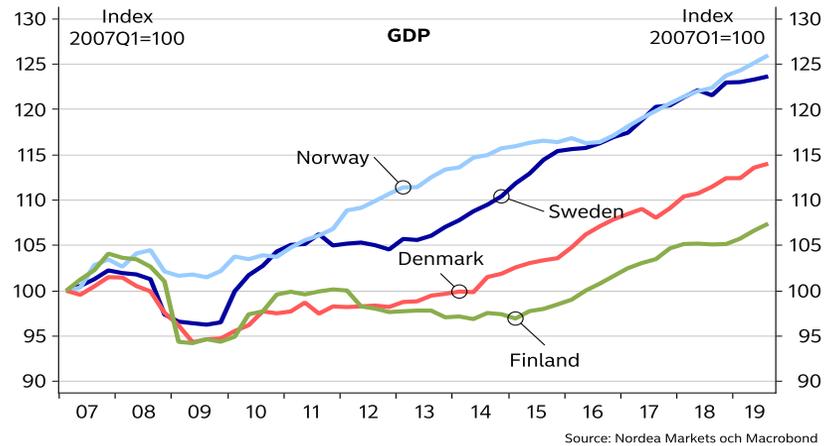
## Q4 2019

- Legal framework
  - Swedish Covered Issuance Act (SFS 2003:1223), came into force 1 July 2004
- 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 – solid

## GDP development



## 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

## Unemployment rate



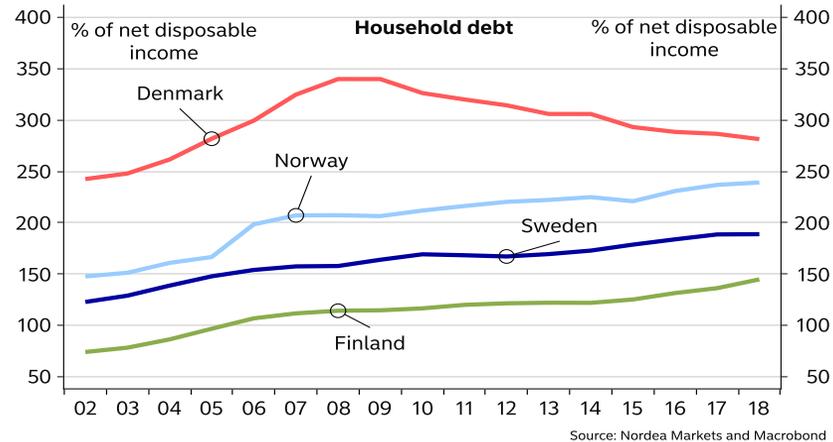
## GDP forecast, %

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

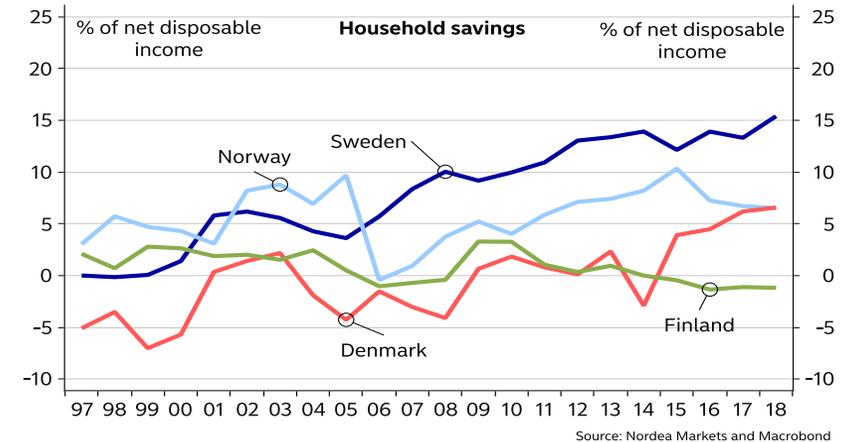
Source: Nordea Markets Economic Outlook January 2020, Macrobond and OECD.

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

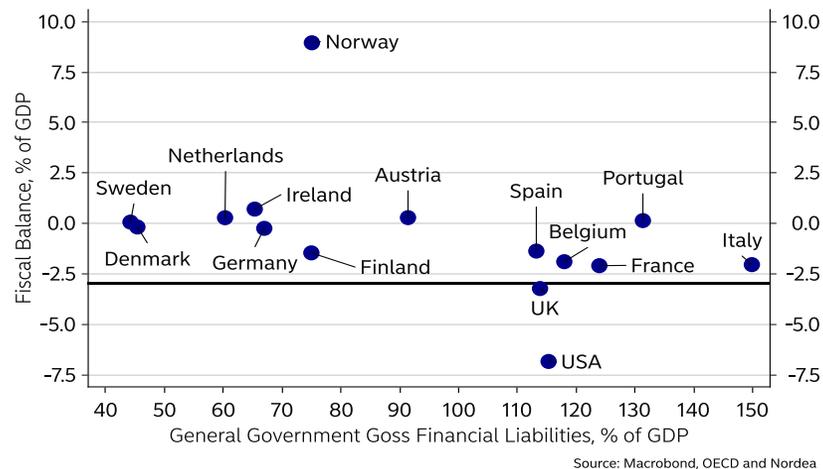
## Household debt



## Household savings



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

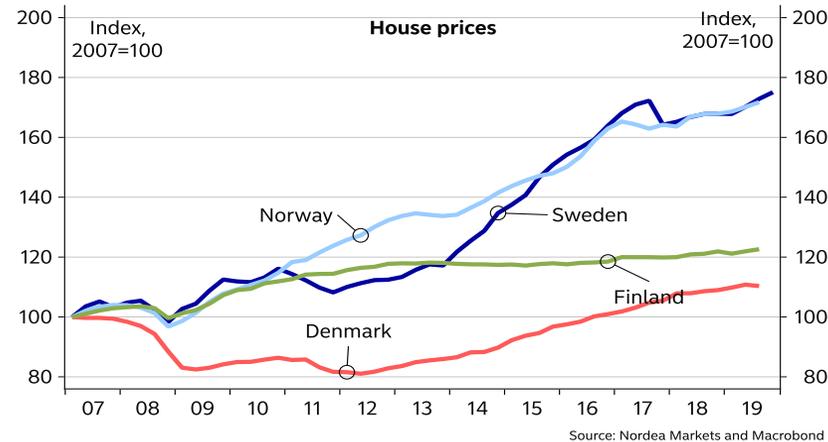


## Comments

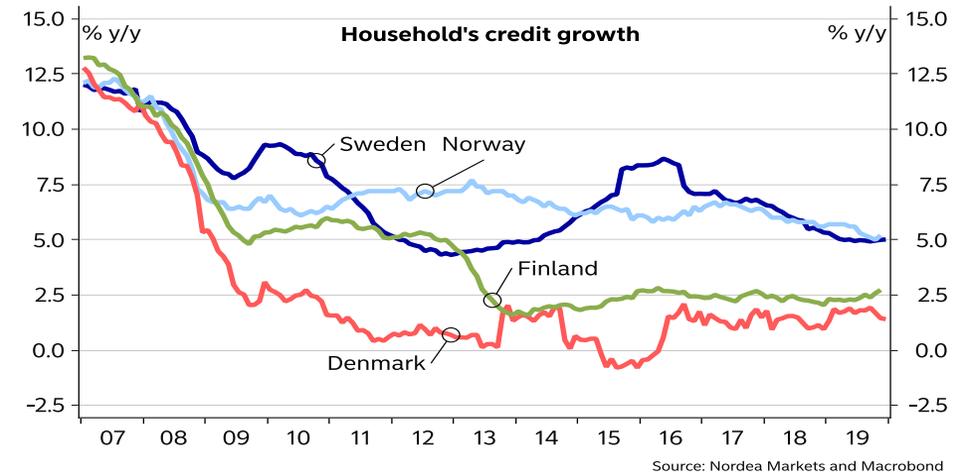
- Household debt continues to rise somewhat faster than income in Norway, Finland and Sweden. Denmark continues to move in the opposite trend
- Meanwhile, households' savings rates remain at high levels, and are increasing in Sweden and Denmark. Finnish savings have stabilised in recent years and are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



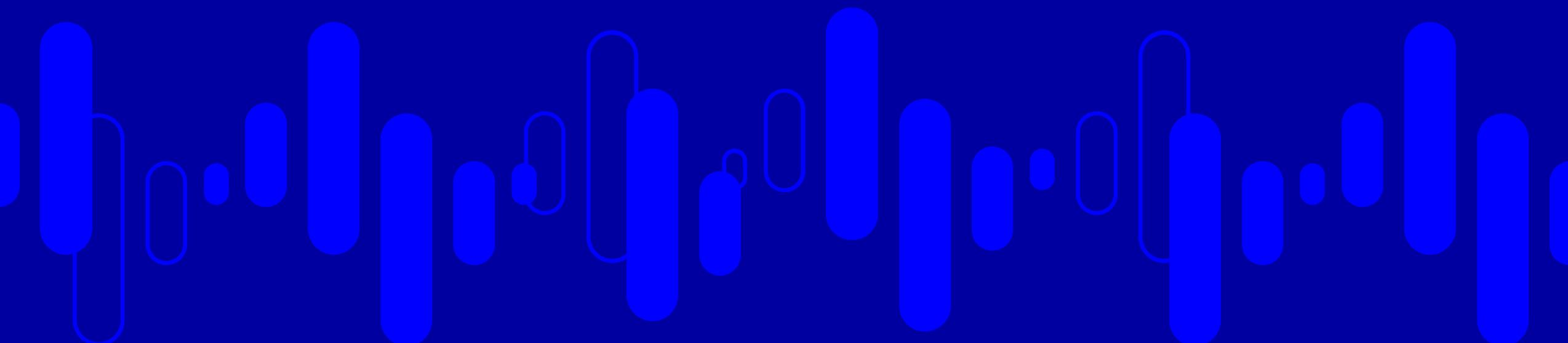
## Households' credit growth



## Comments

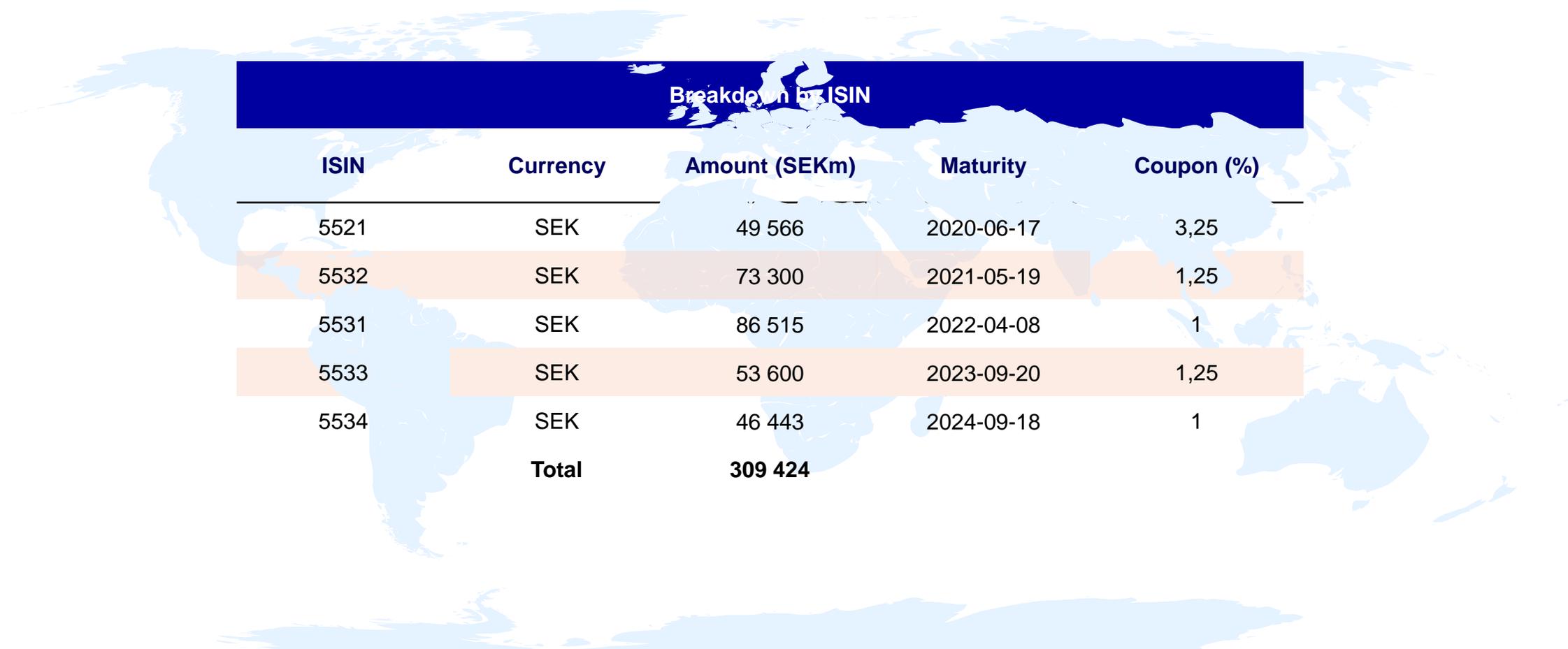
- Low interest rates continue to keep Nordic housing markets afloat and modest price increases are expected in the coming years. Prices continue to rise in Sweden and Norway. Danish home prices are still at a low level. The Finnish housing market was unusually active in 2019. However, uncertainty will 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

# 6. Further information



# Nordea Hypotek – outstanding benchmark covered bonds

Q4 2019



Breakdown by ISIN

ISIN	Currency	Amount (SEKm)	Maturity	Coupon (%)
5521	SEK	49 566	2020-06-17	3,25
5532	SEK	73 300	2021-05-19	1,25
5531	SEK	86 515	2022-04-08	1
5533	SEK	53 600	2023-09-20	1,25
5534	SEK	46 443	2024-09-18	1
	<b>Total</b>	<b>309 424</b>		

# 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](mailto: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](mailto:maria.caneman@nordea.com)

## Group Treasury & ALM

### Cecilia Tannerfeldt

Senior Treasury Manager  
Tel: +46 8 407 91 05  
Mobile: +46 733 21 44 33  
[cecilia.tannerfeldt@nordea.com](mailto:cecilia.tannerfeldt@nordea.com)