



**Nordea**

**Nordea Eiendomskreditt Covered Bonds**  
**Q2 2020 Debt investor presentation**



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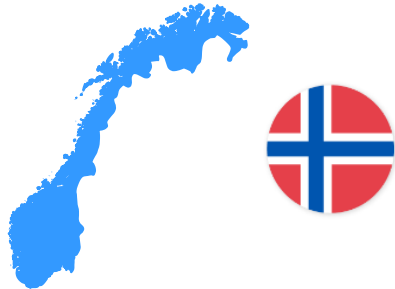
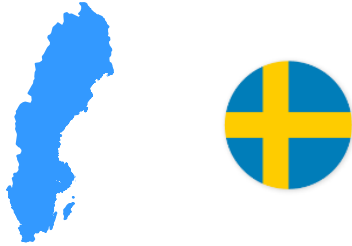

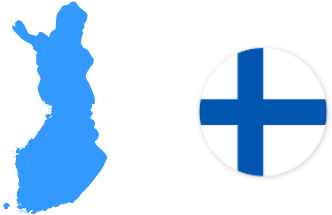
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# 1. In brief



# Nordea covered bond operations

Q2 2020

	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 15.6bn (eq.)	EUR 55.2bn (eq.)	Balance principle	EUR 22.3bn
Covered bonds outstanding	EUR 12.4bn (eq.)	EUR 34.8bn (eq.)	EUR 55.6n (eq.)*	EUR 19.8bn
OC	26%	58%	9%*	13%
Issuance currencies	NOK	SEK	DKK, EUR	EUR, GBP
Rating (Moody's / S&P)**	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



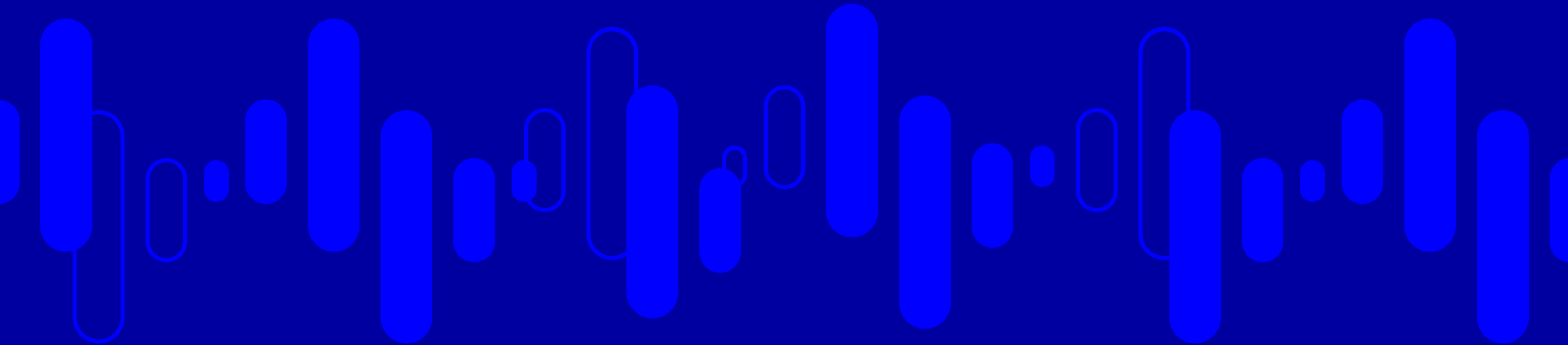
4 \*Nordea Kredit only include capital centre 2 (CC2). Nordea Kredit no longer reports for CC1 (RO), as this capital centre only accounts for a minor part (<1%) of the outstanding volumes of loans and bonds.

# Nordea Eiendomskreditt – overview

Q2 2020

- 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 are originated by Nordea Eiendomskreditt (NE)
  - Collateral must be in the form of mortgages in residential real estate or holiday houses
- 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

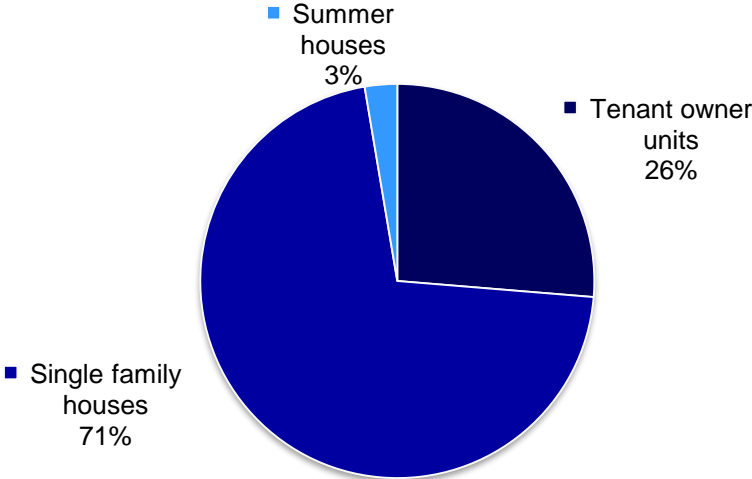
Q2 2020

Cover pool summary	
Pool notional	NOK 170.1bn
Outstanding Covered Bonds	NOK 135.3bn
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	50.7% (indexed, calculated per property)
Average loan size	NOK 1.7m
Over Collateralisation (OC)	26%
Rate type	Floating 98.3%, Fixed 1.7%
Amortisation	Bullet/ interest only 46.3%, Amortizing 53.7%
Pool type	Dynamic
Loans originated by	Nordea Eiendomskreditt

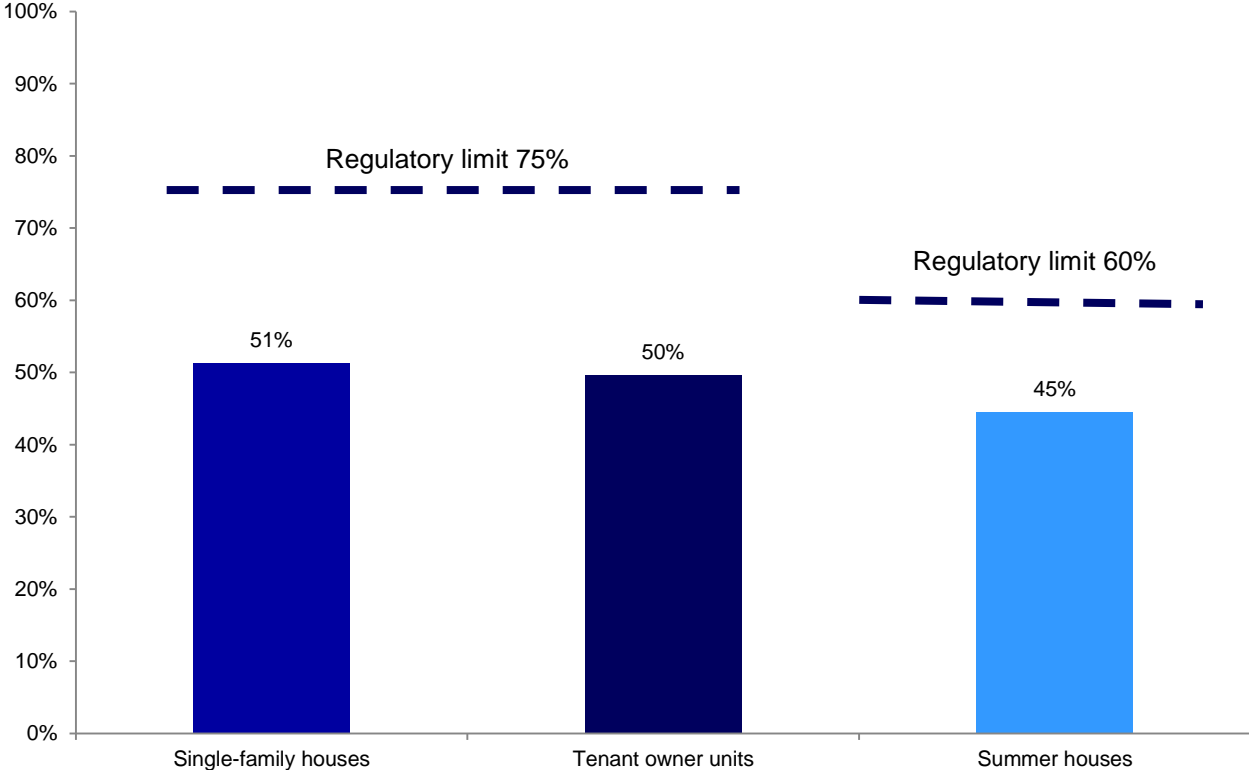
# Cover pool key characteristics (2)

Q2 2020

Cover pool balance by loan category



Weighted Average LTV – Indexed

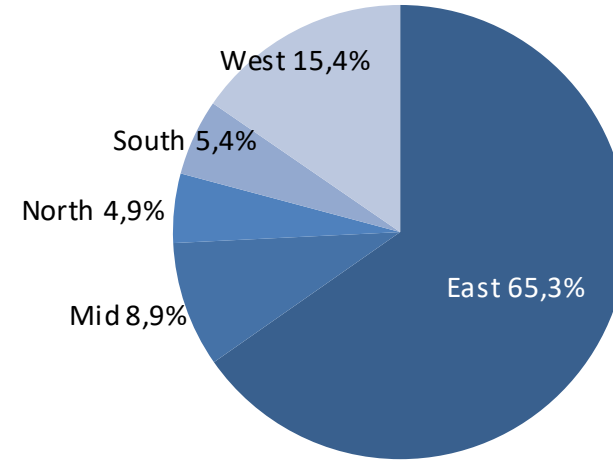




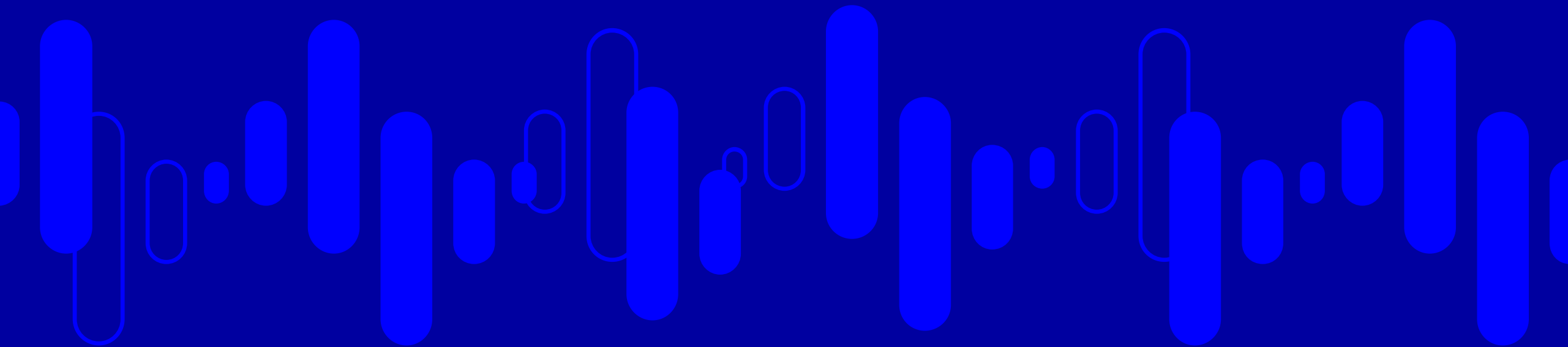
# Cover pool – geographic distribution

Q2 2020

Fylke	Loan balance	Region
Agder	5,4%	South
Innlandet	5,4%	Mid
Nordland	2,1%	North
Oslo	26,3%	East
Rogaland	3,8%	West
Trøndelag	3,5%	Mid
Troms og Finnmark	2,8%	North
Vestfold og Telemark	6,0%	East
Vestland	11,6%	West
Viken	32,9%	East



### 3. Asset quality



## Loan to Value (LTV)

Each loan is reported in the highest bucket

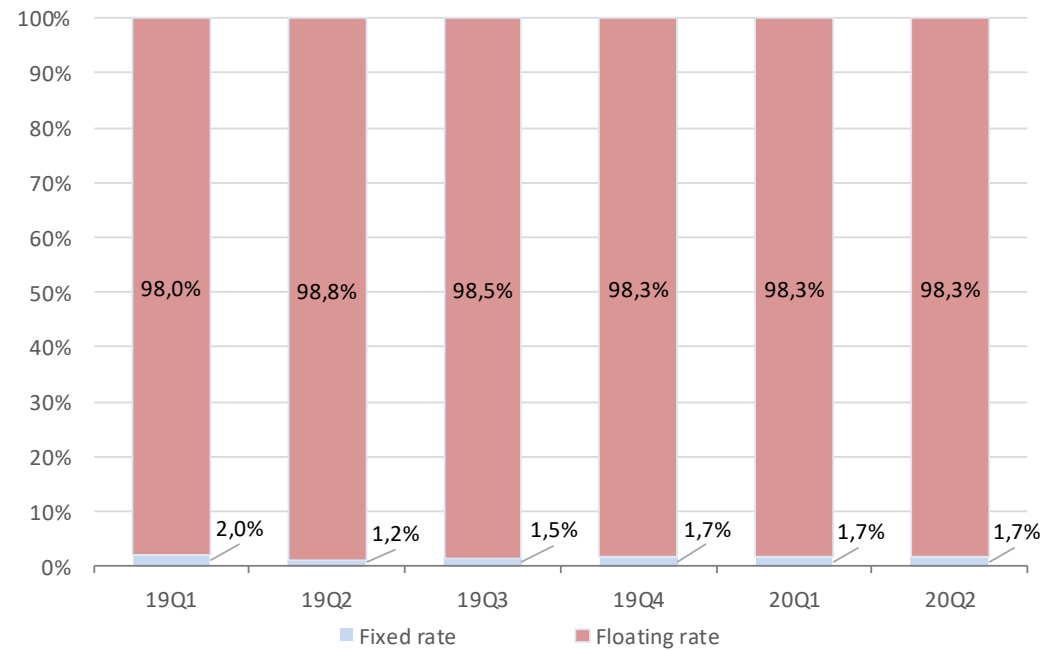
Q2 2020

Weighted Average LTV – Unindexed		50.7%
LTV buckets	Nominal (NOKm)	% Residential Loans
>0 - <=40 %	44 520,4	26,2%
>40 - <=50 %	28 857,8	17,0%
>50 - <=60 %	38 274,5	22,5%
>60 - <=70 %	35 059,0	20,6%
>70 - <=80 %	23 339,4	13,7%
Total	170 051,0	100%
Weighted Average LTV - Indexed		50.7%
LTV buckets	Nominal (NOKm)	% Residential Loans
>0 - <=40 %	44 607,0	26,2%
>40 - <=50 %	28 861,6	17,0%
>50 - <=60 %	38 291,9	22,5%
>60 - <=70 %	35 014,0	20,6%
>70 - <=80 %	23 276,6	13,7%
Total	170 051,0	100%

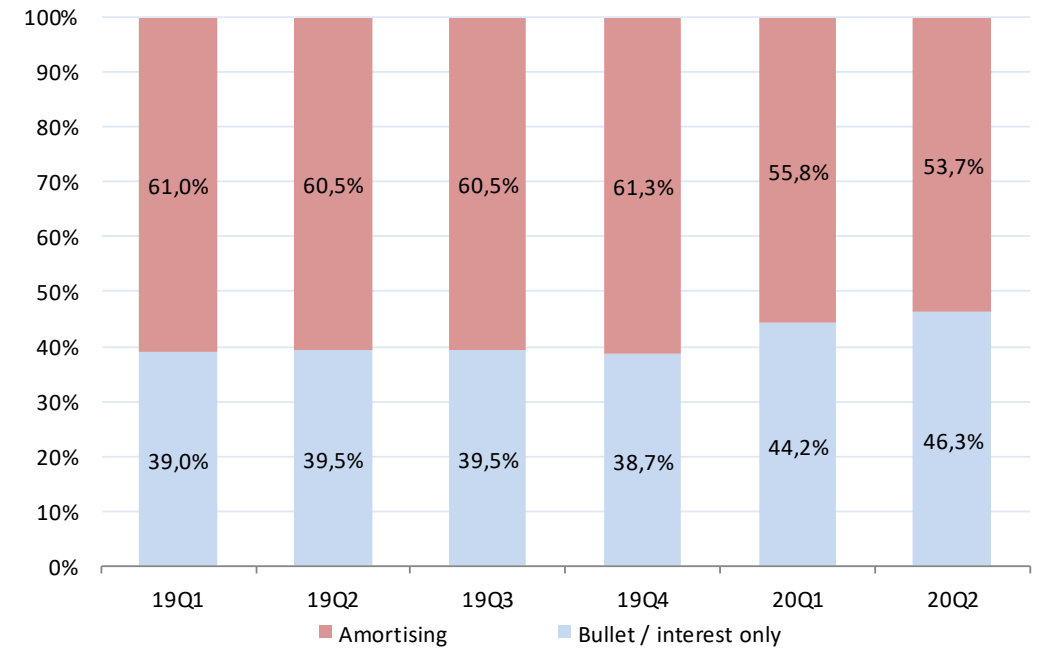
# Loan structure

Q2 2020

### Rate type



### Repayment



# Underwriting criteria

## Q2 2020

### Regulation

- Mortgages is regulated in "Boliglånsforskriften" which set requirements on borrowers' debt to income, rent sensitivity, instalments and loan to value.

### 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 three sources of real estate valuations:
  - a) Written statement from external authorized valuer
  - b) Use of external evaluating system "Eiendomsverdi" (used by most banks and real estate agents in Norway)
  - c) Written statement from (external) real estate agent

## 4. Covered Bond framework



# Norwegian covered bond framework

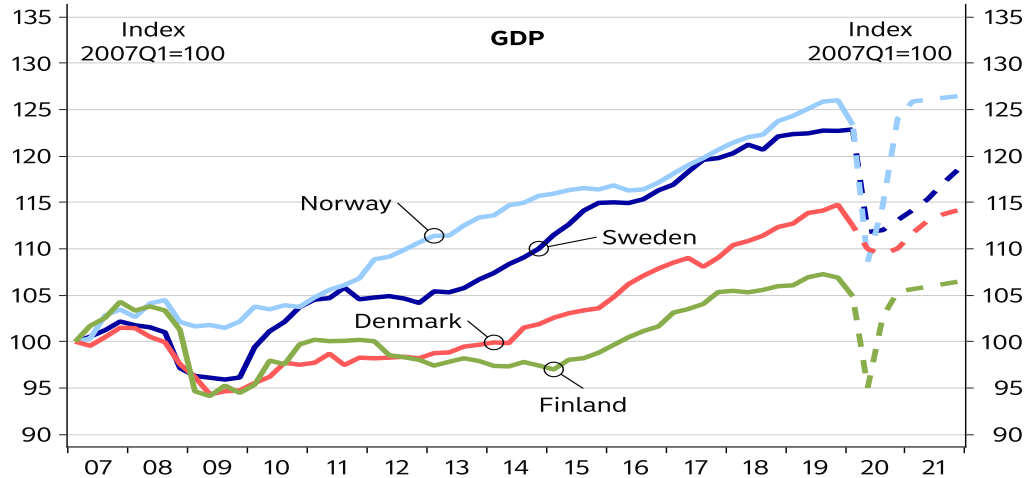
## Q2 2020

- Legal framework
  - Financial Undertakings Act (Act. No. 17 of 10 April 2015, Norwegian: Finansforetaksloven)
- 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 holiday houses
- Matching cover requirements
  - The value of the cover pool shall at all times exceed the value of covered bonds by 102% 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

## 5. Macro

# Nordic economies – years before back to normal

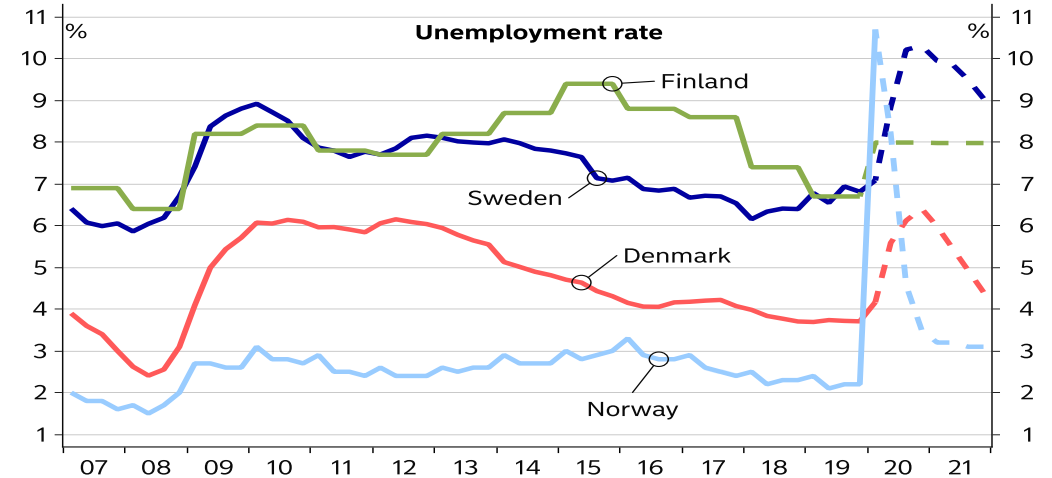
## GDP development



## 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

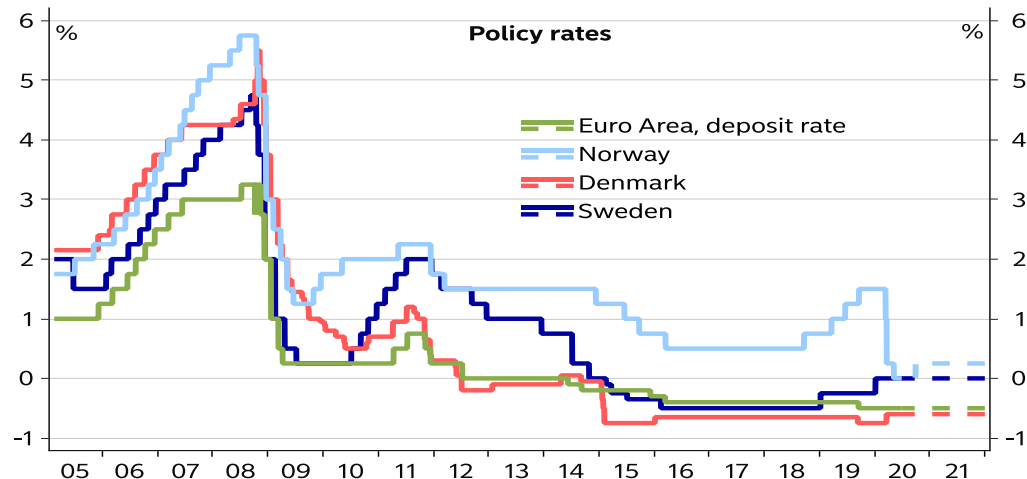


## GDP, %, baseline scenarios

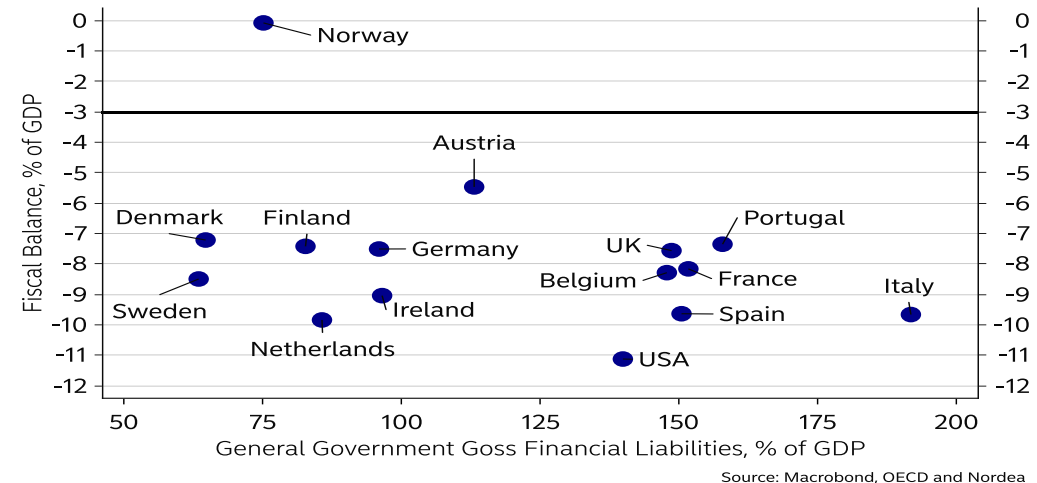
Country	2018	2019E	2020E	2021E
Denmark	2.4	2.4	-5.0	4.0
Finland	1.6	1.0	-7.0	4.0
Norway	2.2	2.3	-6.0	4.0
Sweden	2.3	1.3	-6.0	4.0

# Nordic rates – low for very long

## Policy rates



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

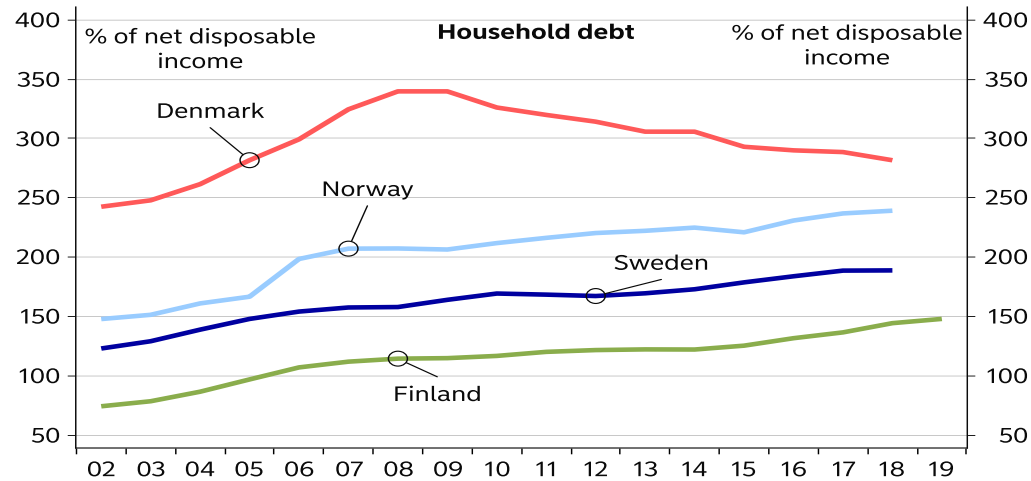


## Comments

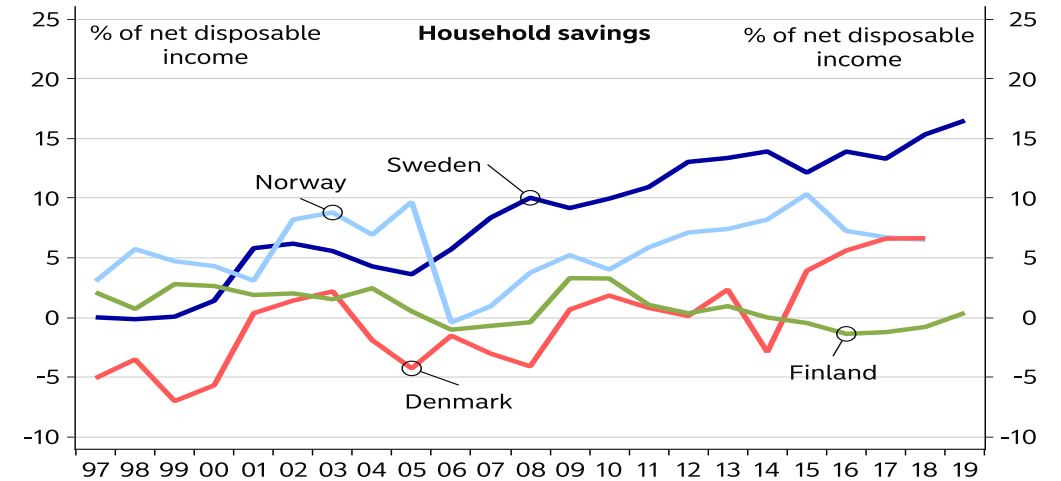
- Norway has seen three rate cuts totalling 150 bp in two months. Policy rates have been left unchanged in Sweden and the Euro Area while Denmark hiked the interest rate marginally due to technical reasons. Liquidity measures have been ramped up by all central banks, and the governments have launched 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.

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

## Household debt



## Household savings

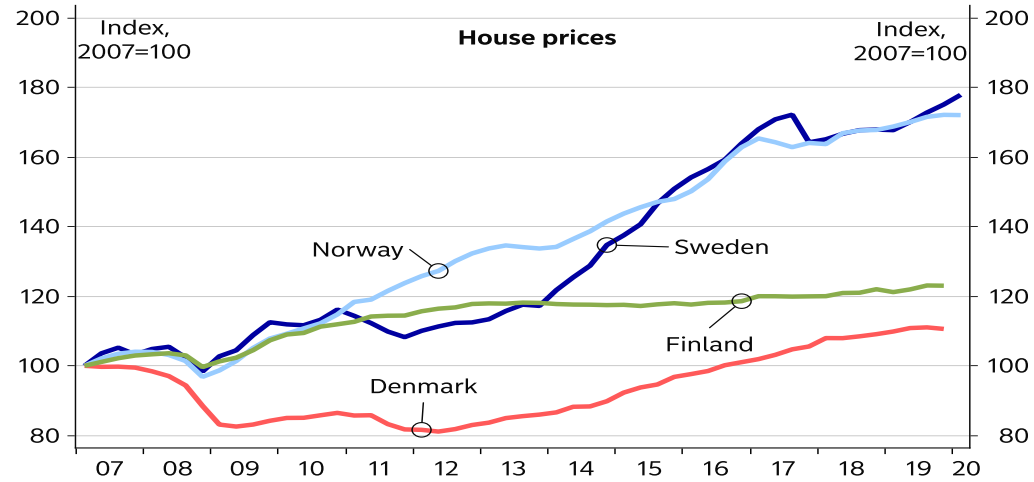


## Comments

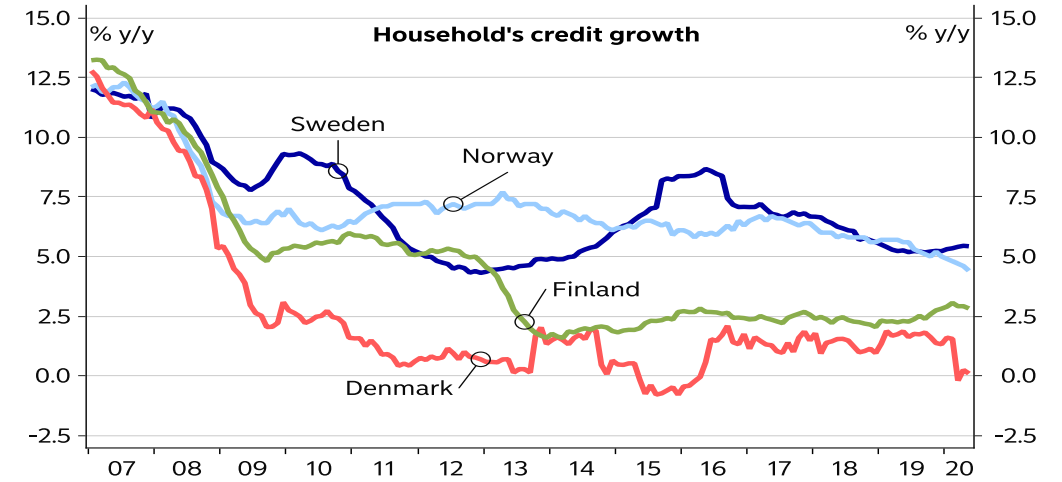
- Household debt is likely to level off in the coming year, in line with decelerating activity on the housing market. However, the debt ratio remains at elevated levels in all countries, supported by low interest rates. Uncertainty and higher unemployment will lead to increased precautionary savings, 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

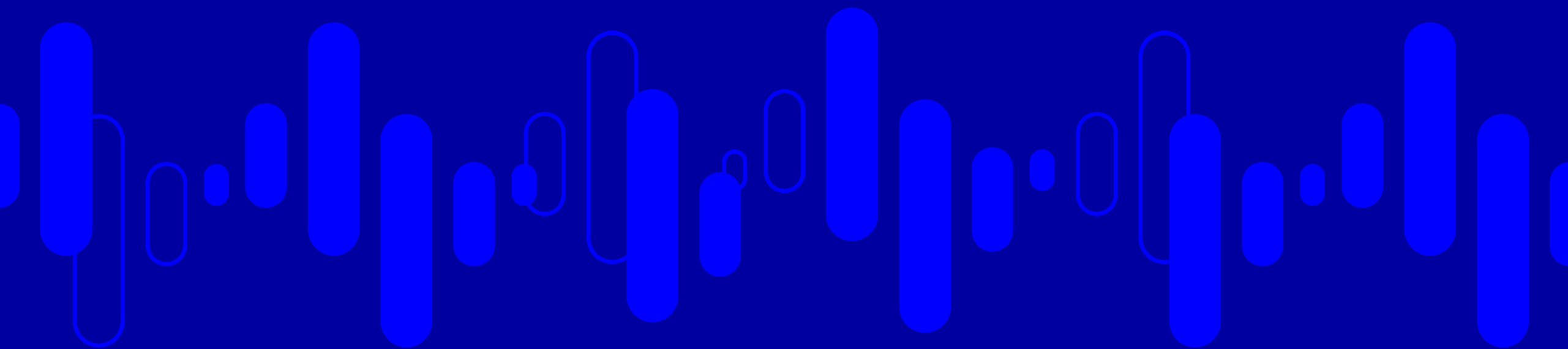


## Comments

- 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



# Covered bonds – outstanding volumes

Q2 2020

Breakdown by ISIN					
ISIN	Currency	Amount (NOKm)	Maturity	Coupon (%)	
NO0010729817	NOK	9 275	2021-06-16	FRN	
NO0010584345	NOK	9 383	2021-06-16	4,25	
NO0010878374	NOK	36 000	2021-12-15	FRN	
NO0010758931	NOK	4 615	2022-06-15	1,08	
NO0010759632	NOK	19 050	2022-06-15	FRN	
NO0010819717	NOK	17 550	2023-06-21	FRN	
NO0010843626	NOK	18 700	2024-06-19	FRN	
No0010873334	NOK	9 900	2025-03-19	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	
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>135 264</b>			

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