

Nordea

Nordea Hypotek Covered Bonds

Q3 2020 Debt investor presentation



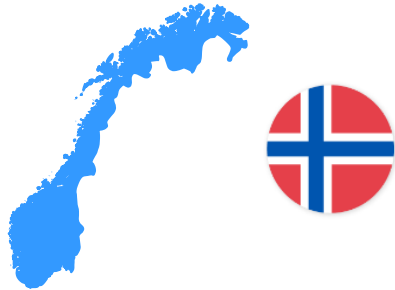
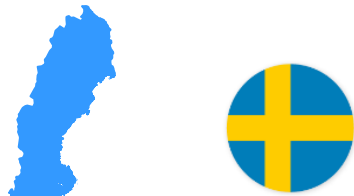


Table of contents

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

Q3 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 16.6bn (eq.)	EUR 55.3bn (eq.)	Balance principle	EUR 22.6bn
Covered bonds outstanding	EUR 13.2bn (eq.)	EUR 34.2bn (eq.)	EUR 57.9n (eq.)*	EUR 19.8bn
OC	25%	62%	8%*	14%
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



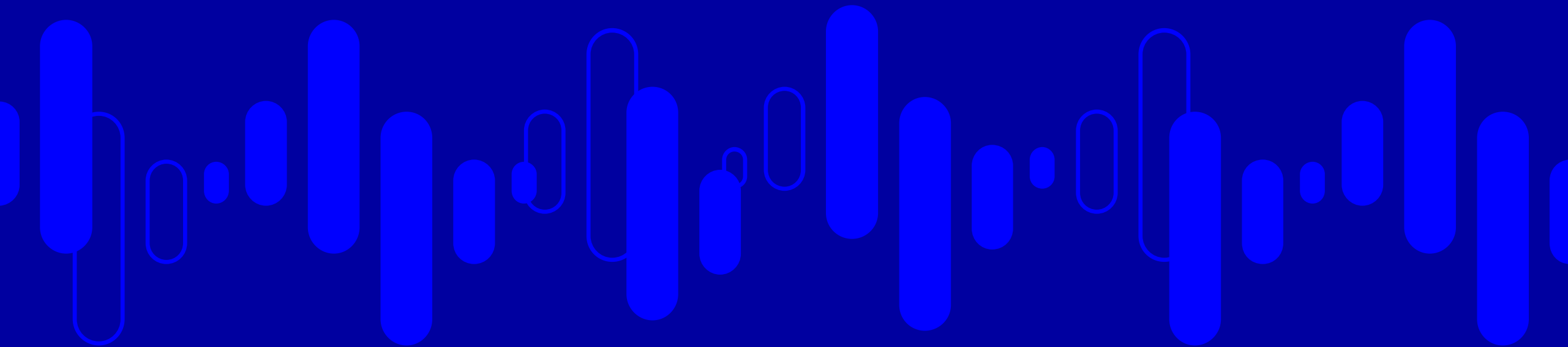
4 *Nordea Kredit only include capital centre 2 (CC2). Nordea Kredit no longer reports for CC1 (RO), as this capital centre only accounts for a minor part (<1%) of the outstanding volumes of loans and bonds.

Nordea Hypotek – overview

Q3 2020

- 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 by Moody's

2. Cover pool characteristics



Cover pool key characteristics

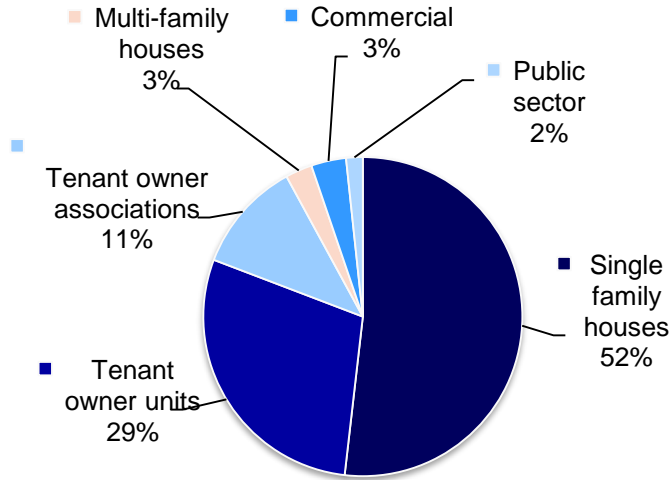
Q3 2020

Cover pool summary	
Loans in cover pool	SEK 584.5bn
Outstanding covered bonds	SEK 360.8bn
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	94.8% residential, 3.5% commercial, 1.7% public sector
Weighted average LTV*	57.2% (indexed)
Average loans size*	SEK 652.8k
Over collateralization, OC	62.0%
Rate type**	Floating 60.7%, Fixed 39.3%
Amortization**	Bullet/ interest only 27.8%, Amortizing 72.2%
Pool type	Dynamic
Loans originated by	Nordea Hypotek

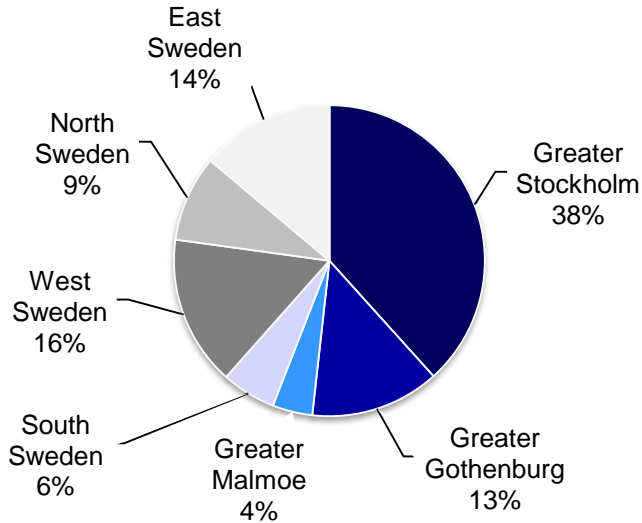
Cover pool key characteristics (2)

Q3 2020

Cover pool balance by loan category

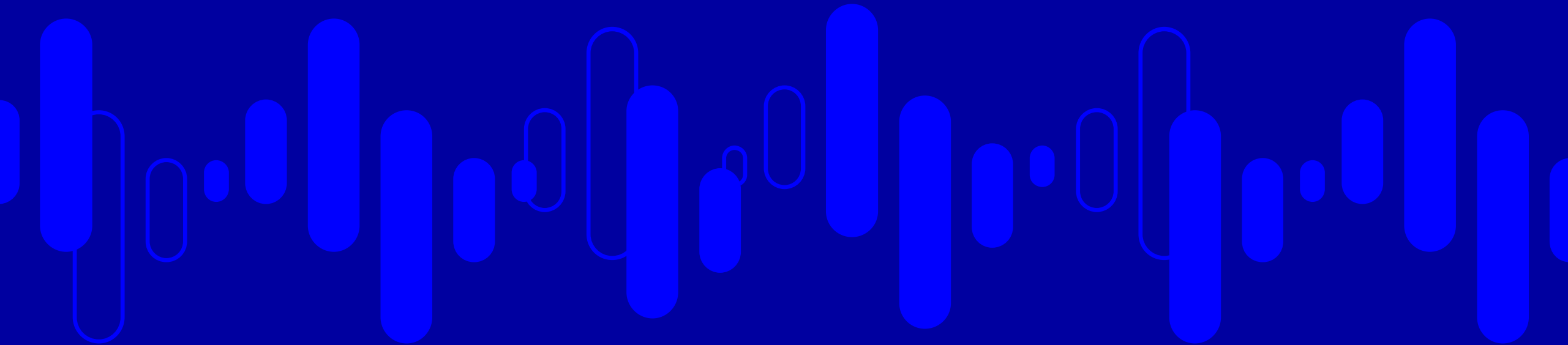


Cover pool balance by region*



* excluding Public sector

3. Asset quality



Loan To Value (LTV)*

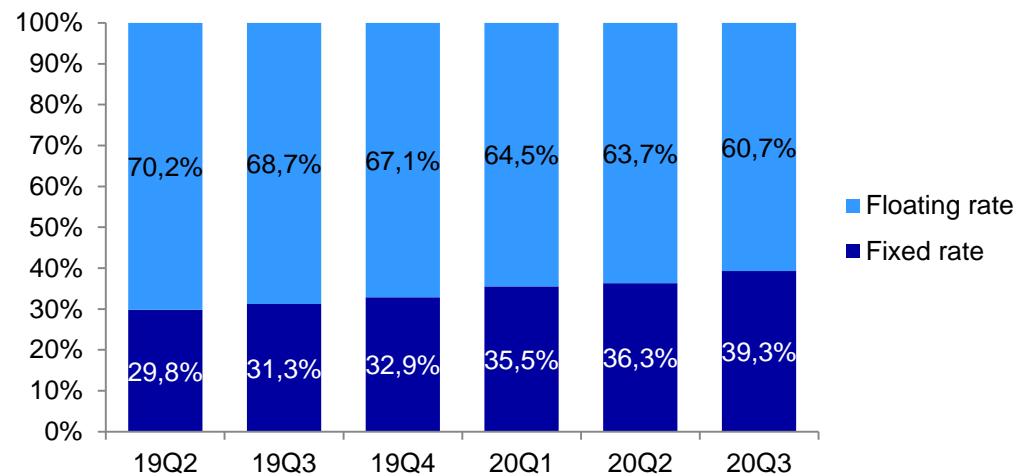
Q3 2020

Weighted Average LTV – Unindexed		57.2%
LTV buckets	Nominal (SEKm)	% Residential Loans
>0 - <=40 %	392 626	70,9%
>40 - <=50 %	64 421	11,6%
>50 - <=60 %	49 825	9,0%
>60 - <=70 %	35 764	6,5%
>70 - <=80 %	11 291	2,0%
Total	553 927,3	100%
Weighted Average LTV - Indexed		51.6%
LTV buckets	Nominal (SEKm)	% Residential Loans
>0 - <=40 %	422 656	76,3%
>40 - <=50 %	58 561	10,6%
>50 - <=60 %	40 444	7,3%
>60 - <=70 %	25 007	4,5%
>70 - <=80 %	7 259	1,3%
Total	553 927,3	100%

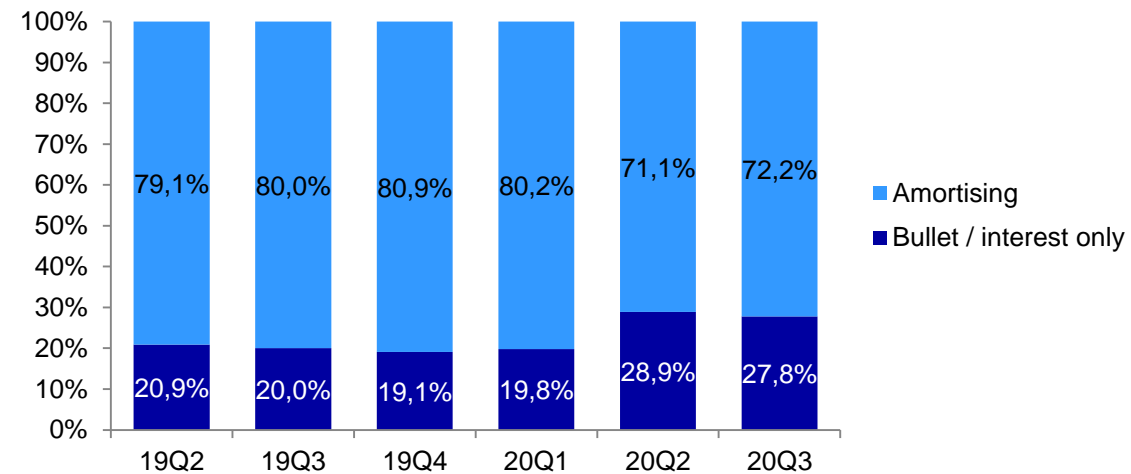
Loan structure

Q3 2020

Rate type



Repayment



Underwriting criteria

Q3 2020

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

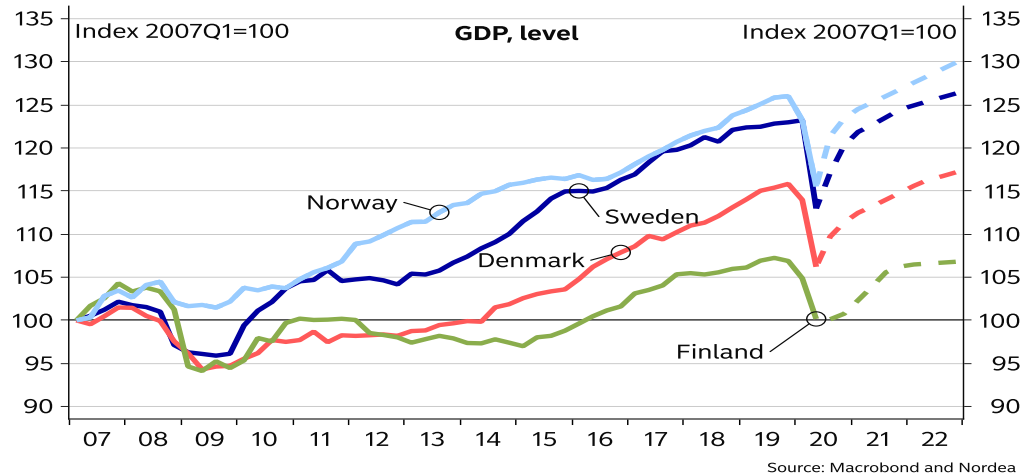
Q3 2020

- Legal framework
 - Swedish Covered Issuance Act (SFS 2003:1223), came into force 1 July 2004
 - A Swedish investigation regarding the new EU covered bond directive will be presented 31 October 2020
- 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 – a solid rebound

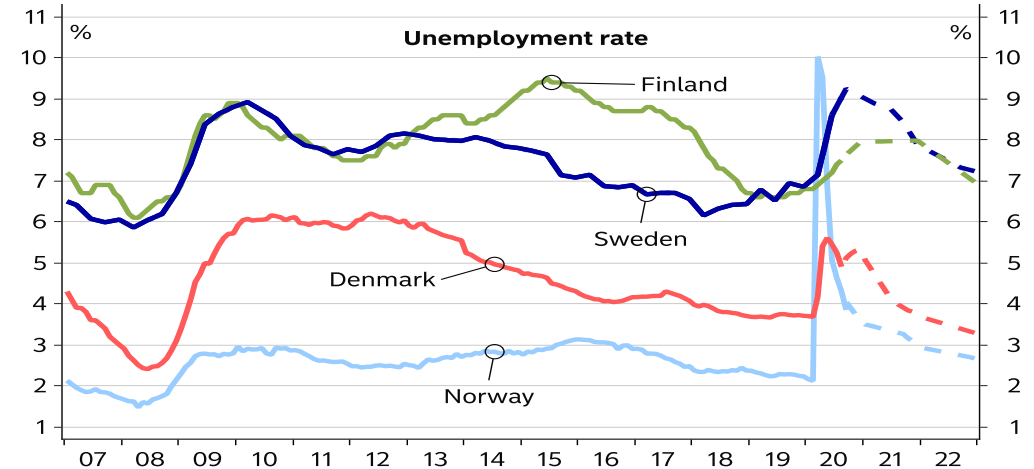
GDP development



Comments

- The Nordic economies are experiencing a solid rebound after the historically large setback in the first half of 2020 due to the COVID-19. However, the pandemic is not yet over, and risks remain elevated.
- The Nordics have managed to control the virus relatively quickly and in combination with rising household confidence, the economic prospects in the region look rather positive from a global perspective.
- The Swedish economy is seeing a broad recovery and Finland has fared better than expected. 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

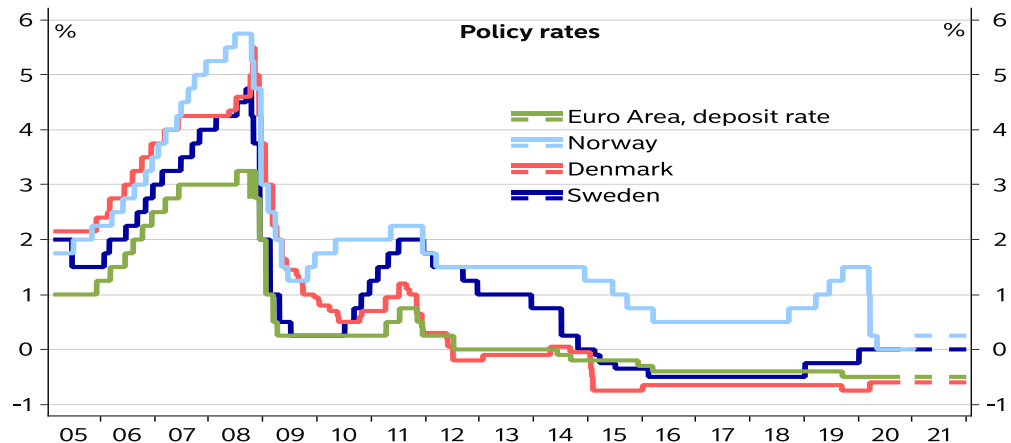


GDP, baseline scenarios

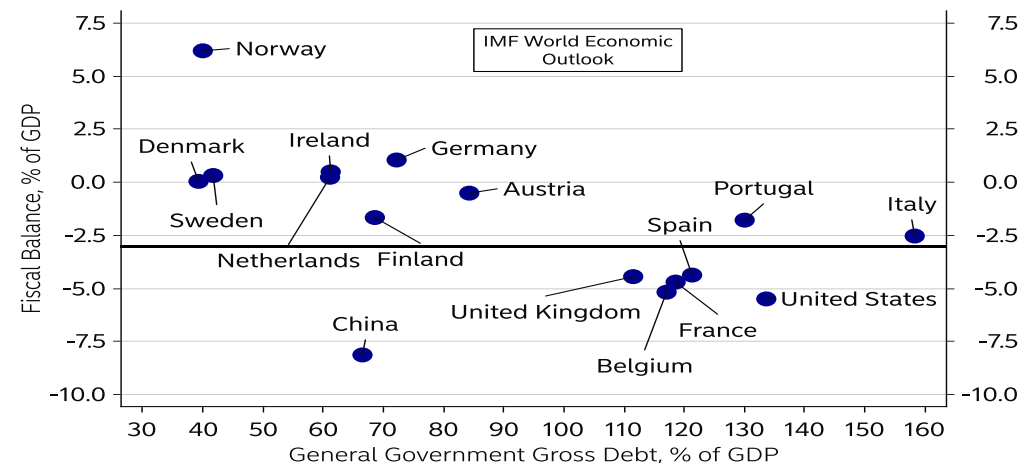
Country	2018	2019	2020E	2021E	2022E
Denmark	2.4	2.3	-4.5	3.0	2.5
Finland	1.5	1.1	-5.0	3.0	2.0
Norway	2.2	2.3	-3.5	4.0	2.5
Sweden	2.1	1.3	-3.5	4.0	2.0

Nordic rates – low for very long

Policy rates



Public balance/debt, % of GDP, 2021E

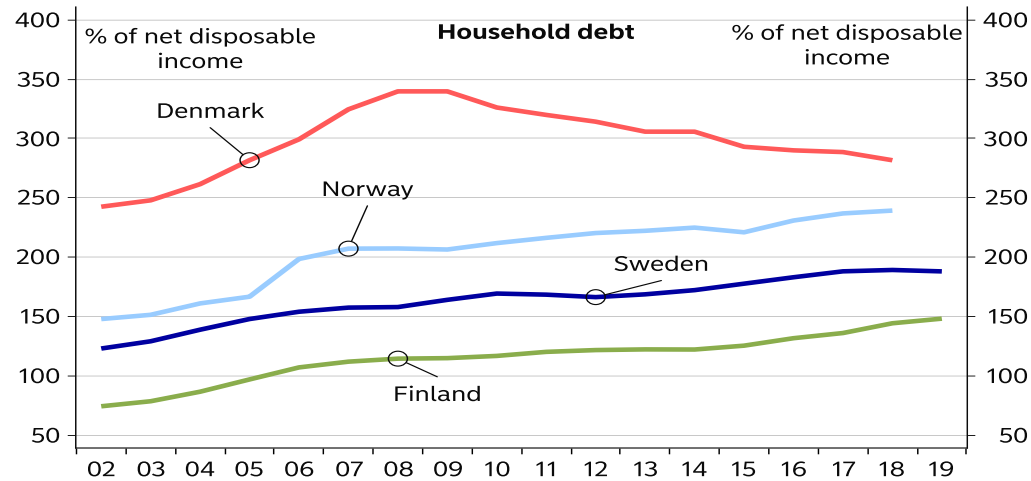


Comments

- Norway saw three rate cuts totalling 150 bp in the beginning of the crisis. Policy rates have been left unchanged in Sweden and the Euro Area while Denmark hiked the interest rate marginally due to technical reasons. Monetary and fiscal policy will remain accommodative for a long time and we expect policy rates to be left unchanged throughout the forecast period.
- 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.

Households remain resilient

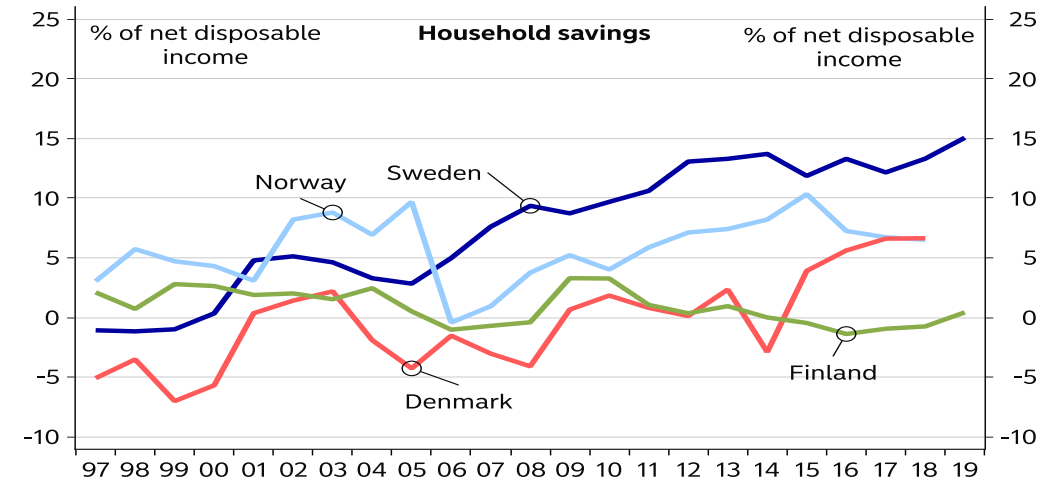
Household debt



Comments

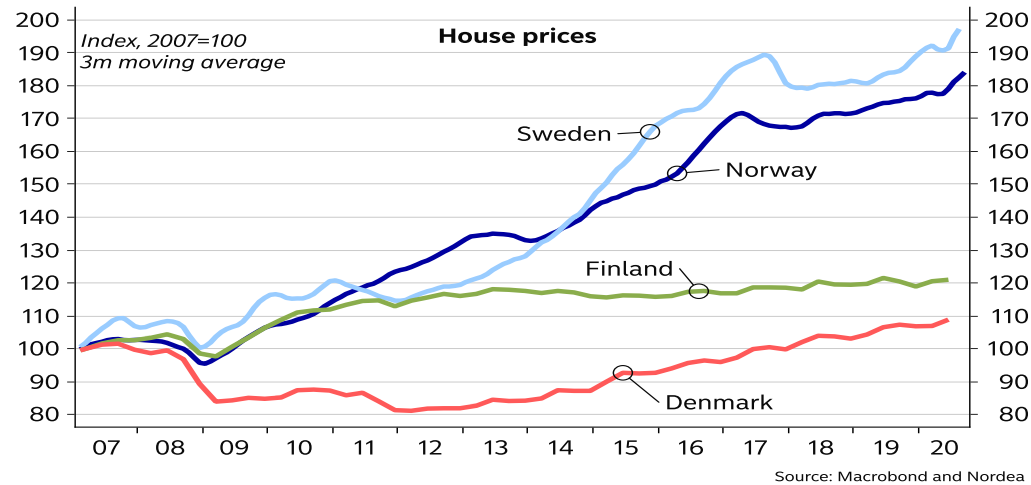
- Despite the high debt levels amongst households, low interest rates for longer continue to support credit growth, which in turn helps to stabilize the housing market. There is some uncertainty related to households' elevated indebtedness, but this is not deemed to create problems over our forecast period.
- 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 households' income expectations.

Household savings

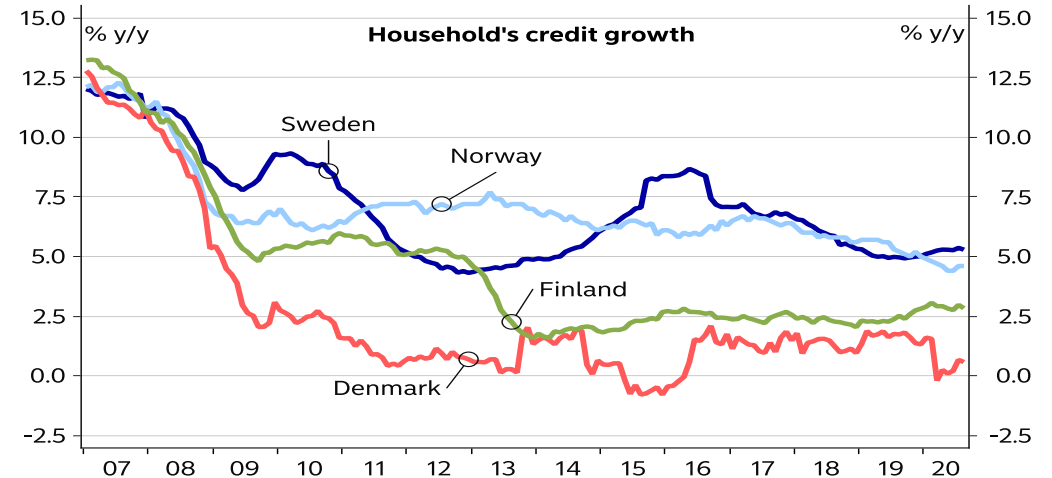


House price development in the Nordics

House prices



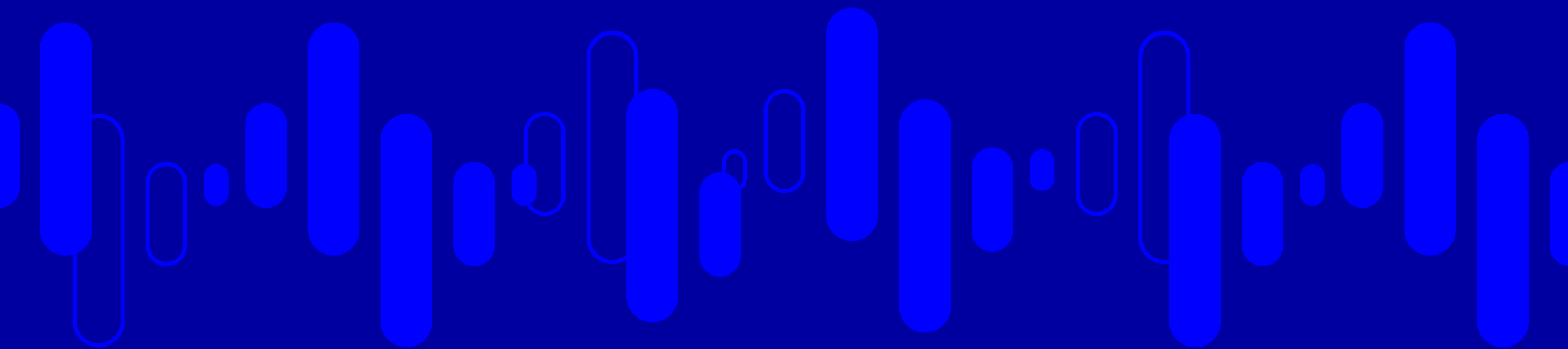
Households' credit growth



Comments

- In **Sweden**, the housing market has rebounded, and prices were back at pre-crisis levels already during the summer. With low-anchored interest rates and a slightly more positive outlook for the labour market, much points to a continued rise in prices during the autumn. **Denmark's** housing market has been surprisingly strong, underpinned by declining financing costs. However, an expected step-up in supply, seasonal effects and an increase in unemployment will dampen the market towards year-end. Primarily due to recent rate cuts by Norges Bank but also thanks to a stronger household confidence, the housing market in **Norway** is experiencing a strong trend. In **Finland**, the housing market has picked up during the summer, but prices have remained flat.
- 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



Nordea Hypotek – outstanding benchmark covered bonds

Q3 2020

Breakdown by ISIN				
ISIN	Currency	Amount (SEKm)	Maturity	Coupon (%)
5532	SEK	63 197	2021-05-19	1,25
5531	SEK	86 515	2022-04-08	1
5533	SEK	59 350	2023-09-20	1,25
5534	SEK	66 750	2024-09-18	1
5535	SEK	36 050	2025-09-17	1
5729*	SEK	22 700	2022-07-29	FRN

* Retained bond issue

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