

Nordea

Nordea Eiendomskreditt Covered Bonds

Q3 2020 Debt investor presentation




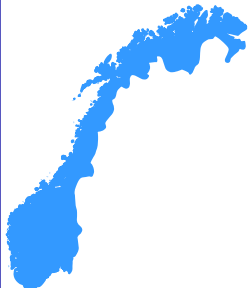






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1. In brief

Nordea covered bond operations

Q3 2020

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



Nordea Eiendomskreditt – overview

Q3 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

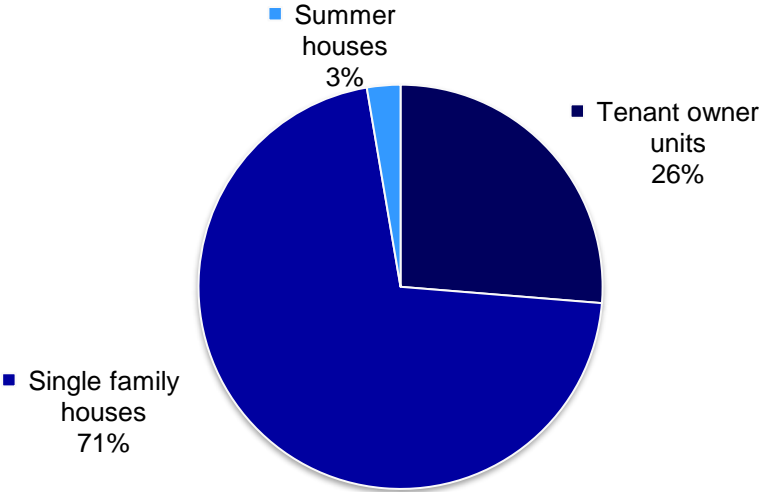
Q3 2020

Cover pool summary	
Pool notional	NOK 177.9bn
Outstanding Covered Bonds	NOK 141.9bn
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	50.6% (indexed, calculated per property)
Average loan size	NOK 1.8m
Over Collateralisation (OC)	25%
Rate type	Floating 98.2%, Fixed 1.8%
Amortisation	Bullet/ interest only 39.5%, Amortizing 60.5%
Pool type	Dynamic
Loans originated by	Nordea Eiendomskreditt

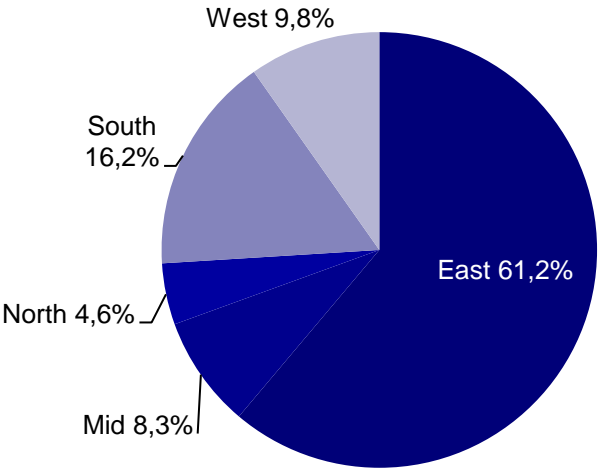
Cover pool key characteristics (2)

Q3 2020

Cover pool balance by loan category



Cover pool balance by region



3. Asset quality

Loan to Value (LTV)

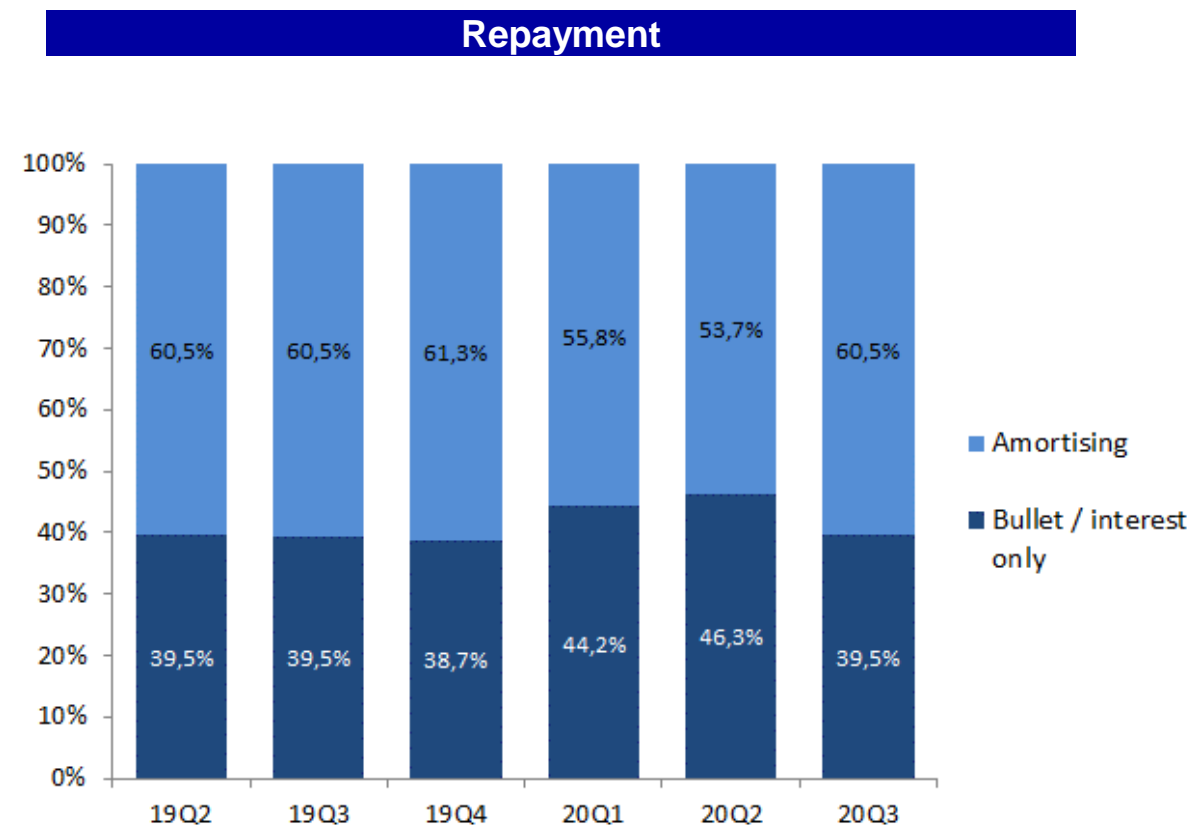
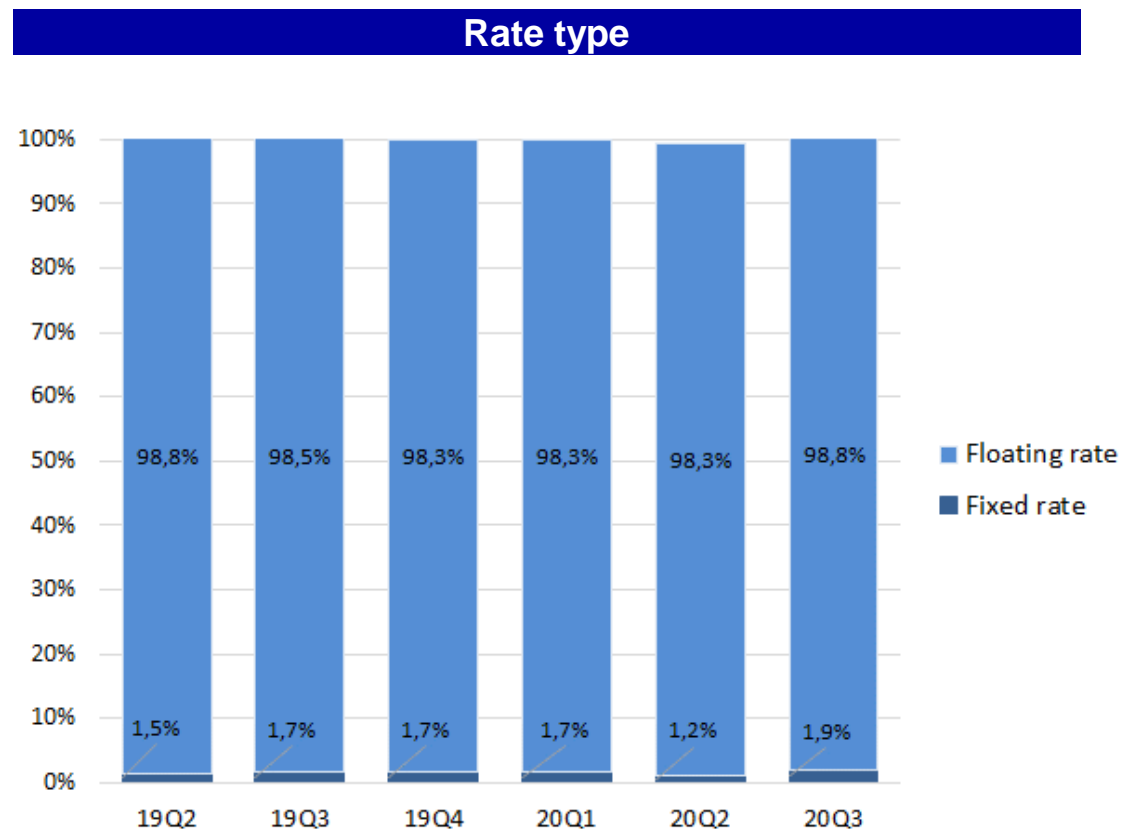
Each loan is reported in the highest bucket

Q3 2020

Weighted Average LTV Unindexed		50.6%	
LTV buckets		Nominal (NOKm)	% Residential Loans
>0 - <=40 %		46 575,2	26,2%
>40 - <=50 %		30 735,9	17,3%
>50 - <=60 %		39 873,9	22,4%
>60 - <=70 %		37 120,8	20,9%
>70 - <=80 %		23 593,8	13,3%
Total		177 899,5	100%
Weighted Average LTV Indexed		50.6%	
LTV buckets		Nominal (NOKm)	% Residential Loans
>0 - <=40 %		46 709,5	26,3%
>40 - <=50 %		30 714,6	17,3%
>50 - <=60 %		39 877,8	22,4%
>60 - <=70 %		37 093,5	20,9%
>70 - <=80 %		23 504,1	13,2%
Total		177 899,5	100%

Loan structure

Q3 2020



Underwriting criteria

Q3 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

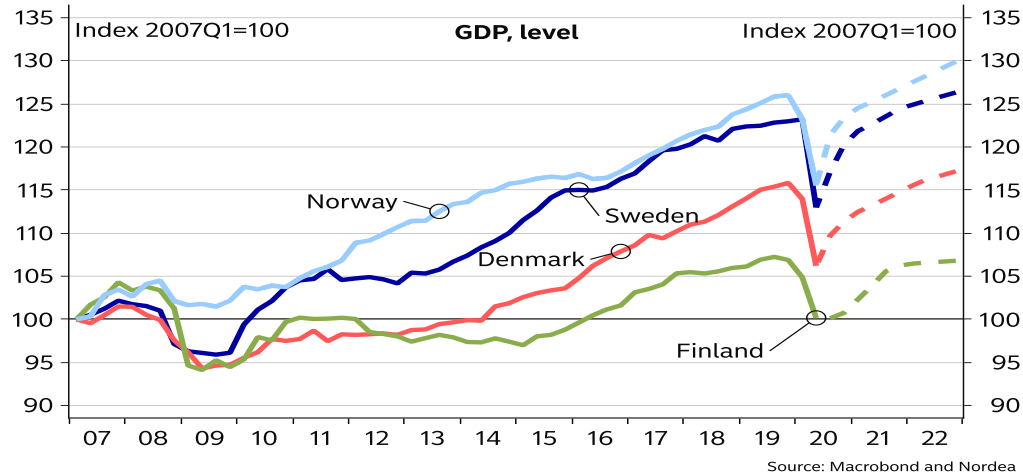
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- Legal framework
 - Financial Undertakings Act (Act. No. 17 of 10 April 2015, Norwegian: Finansforetaksloven)
- Registration and independent inspector
 - A mortgage credit institution shall for each cover pool establish a register of loans, interest 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 – a solid rebound

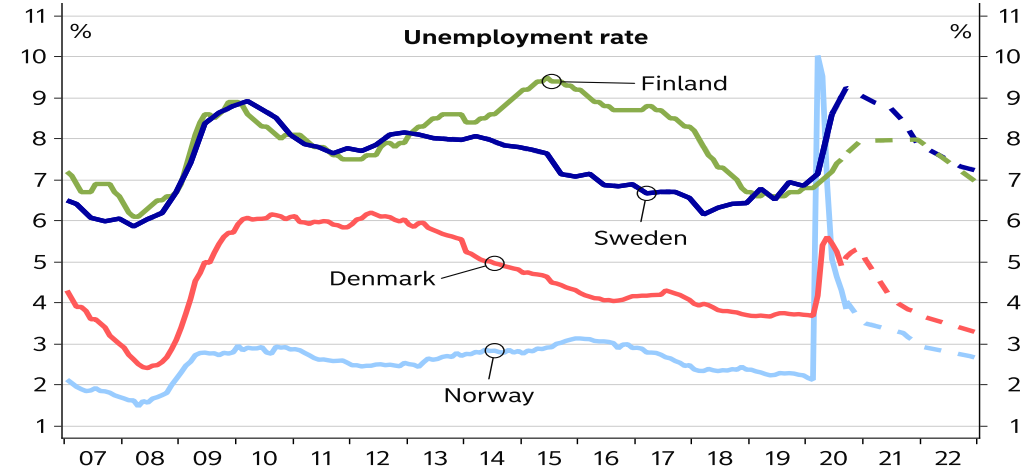
GDP development



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

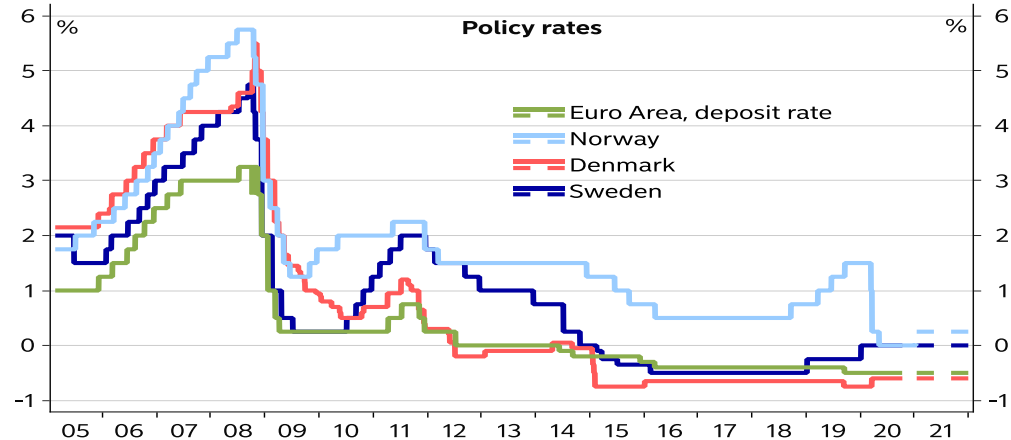


GDP, baseline scenarios

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

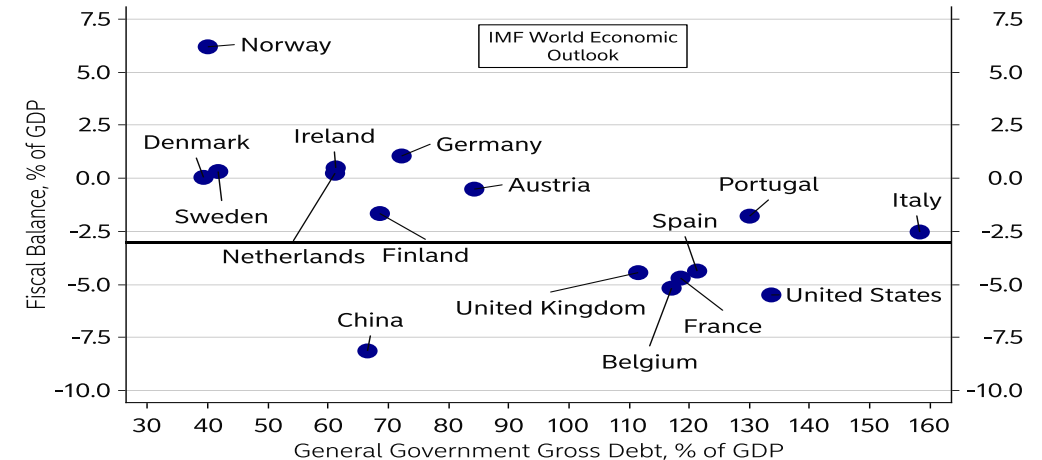
Policy rates



Comments

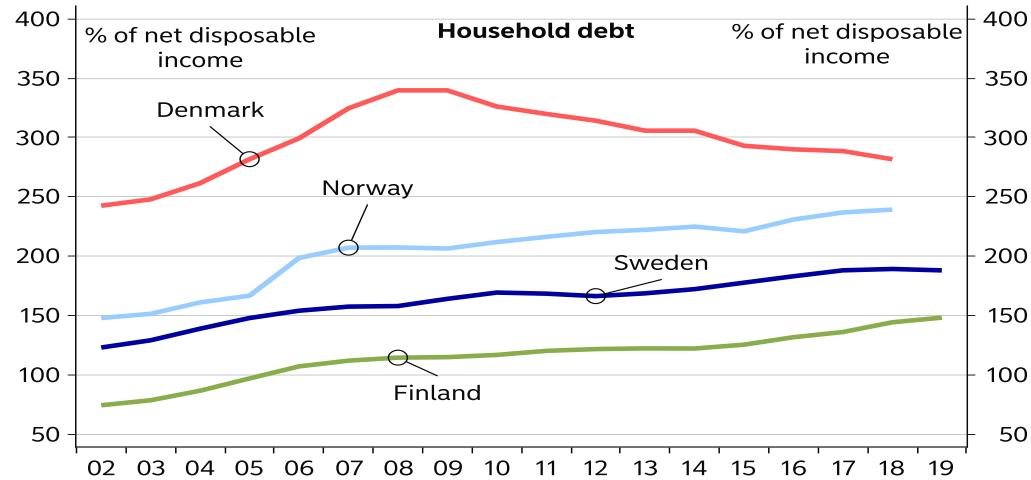
- Norway saw three rate cuts totalling 150 bp in the beginning of the crisis. Policy rates have been left unchanged in Sweden and the Euro Area while Denmark hiked the interest rate marginally due to technical reasons. Monetary and fiscal policy will remain accommodative for a long time and we expect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

Public balance/debt, % of GDP, 2021E



Households remain resilient

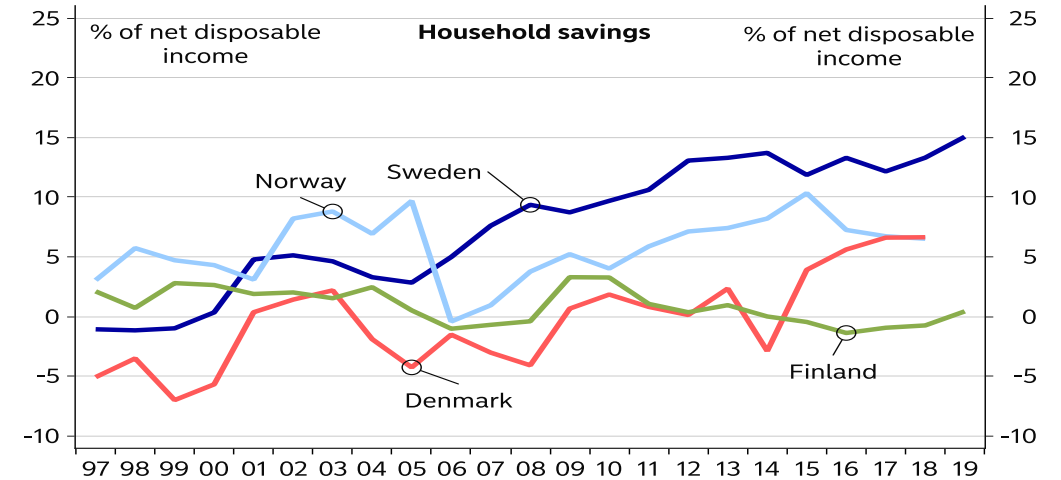
Household debt



Comments

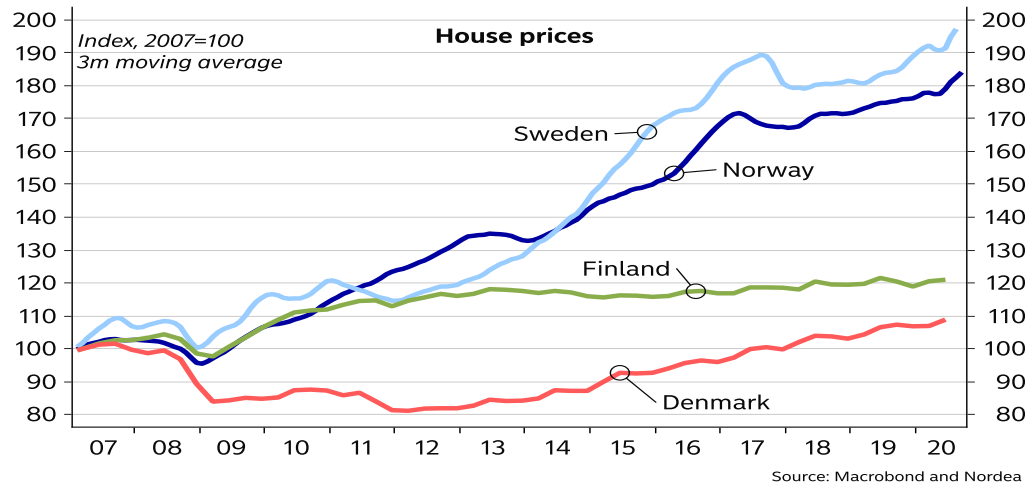
- Despite the high debt levels amongst households, low interest rates for longer continue to support credit growth, which in turn helps to stabilize the housing market. There is some uncertainty related to households' elevated indebtedness, but this is not deemed to create problems over our forecast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

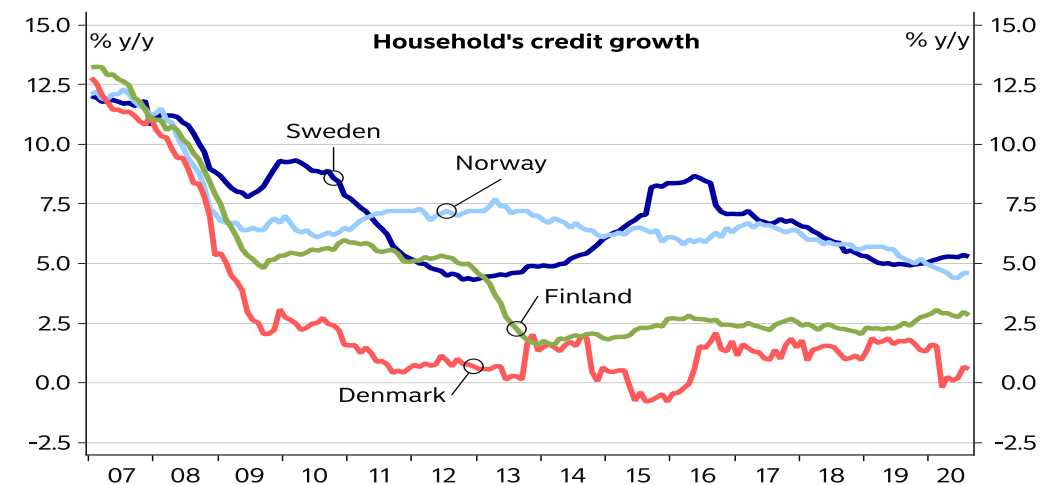
House prices



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.

Households' credit growth



6. Further information

Covered bonds – outstanding volumes

Q3 2020

Breakdown by ISIN				
ISIN	Currency	Amount (NOKm)	Maturity	Coupon (%)
NO0010729817	NOK	6 986	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	18 550	2023-06-21	FRN
NO0010843626	NOK	18 900	2024-06-19	FRN
NO0010873334	NOK	11 400	2025-03-19	FRN
NO0010593064	NOK	550	2025-06-18	4,8
NO0010852650	NOK	5 050	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
Total		135 925		

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