

The background of the slide is a photograph of a skier in silhouette, descending a steep, snow-covered mountain slope. The skier is positioned in the lower-middle part of the frame, leaving a trail of snow behind them. In the background, several jagged mountain peaks are visible under a pale, overcast sky. On the right side of the image, there is a stylized graphic consisting of five vertical blue bars of varying heights, resembling a bar chart or a modern logo element.

Nordea

Nordea Hypotek Covered Bonds

Q4 2019 Debt investor presentation

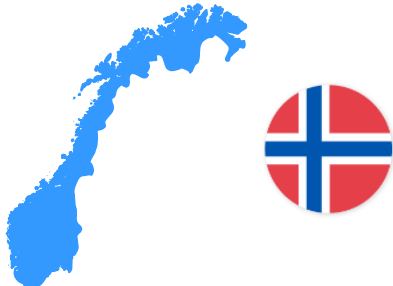
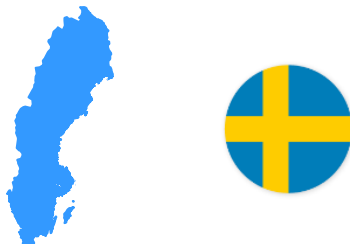


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1. In brief

Nordea covered bond operations

Q4 2019

Four aligned covered bond issuers with complementary roles	Nordea Eiendomskreditt	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank	
					
	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



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

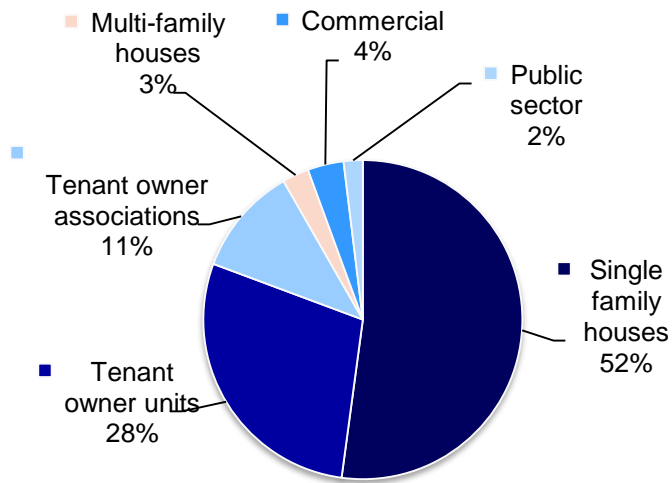
Q4 2019

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

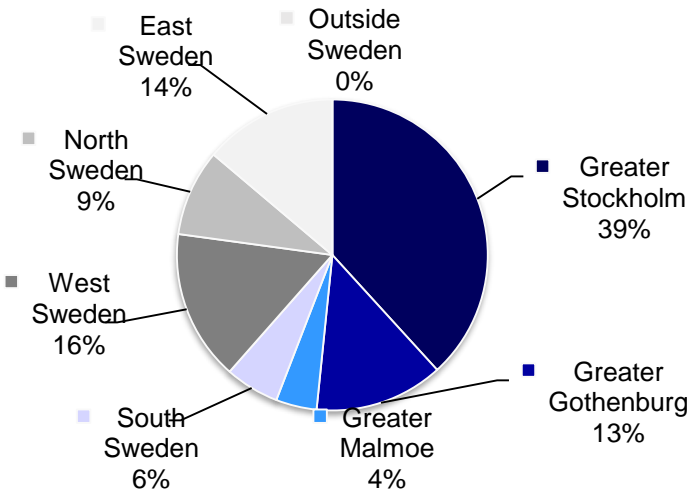
Cover pool key characteristics (2)

Q4 2019

Cover pool balance by loan category



Cover pool balance by region*



3. Asset quality

Loan To Value (LTV)*

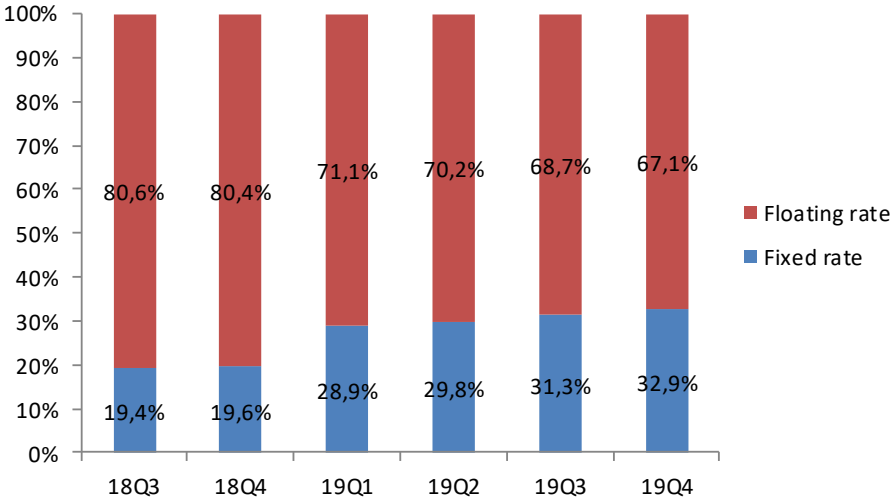
Q4 2019

Weighted Average LTV – Unindexed		57.4%	
LTV buckets	Nominal (SEKm)	% Residential Loans	
>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%	
Weighted Average LTV - Indexed		51.5%	
LTV buckets	Nominal (SEKm)	% Residential Loans	
>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%	

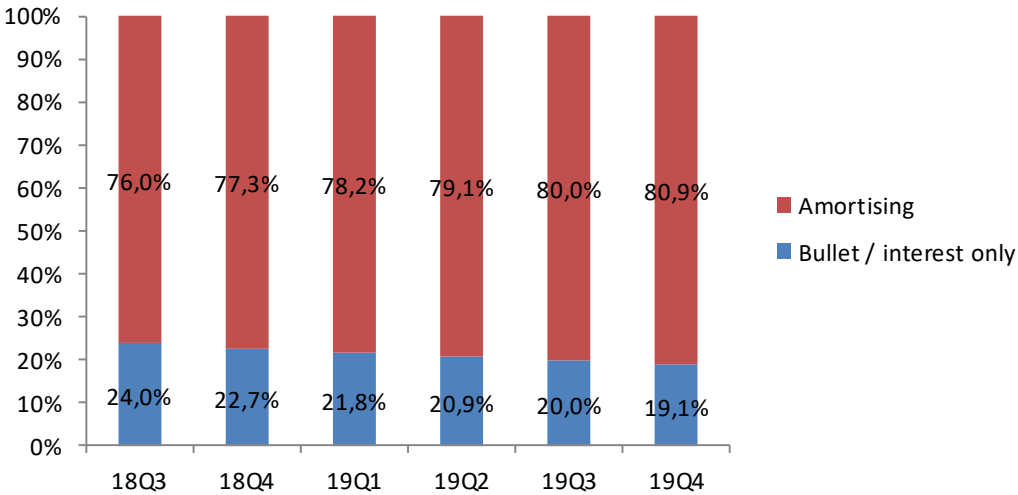
Loan structure

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

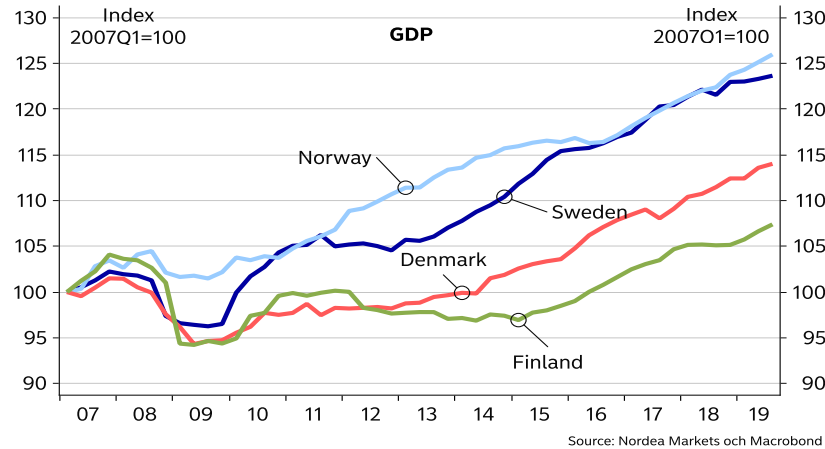
Q4 2019

- 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

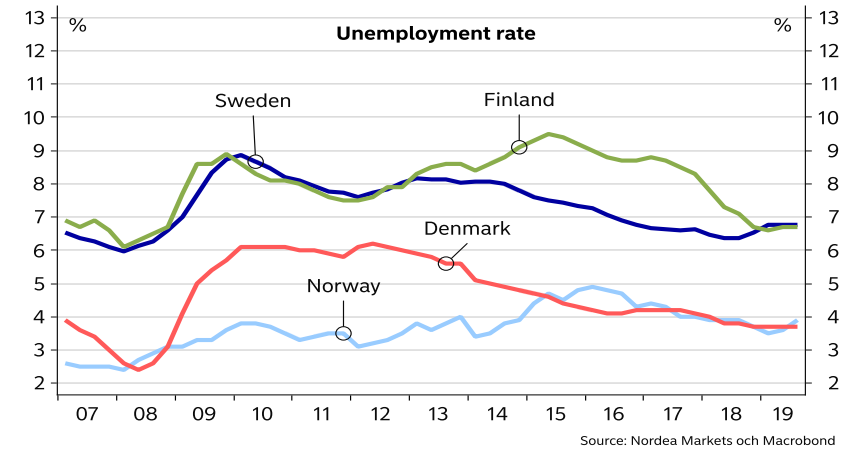
GDP development



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



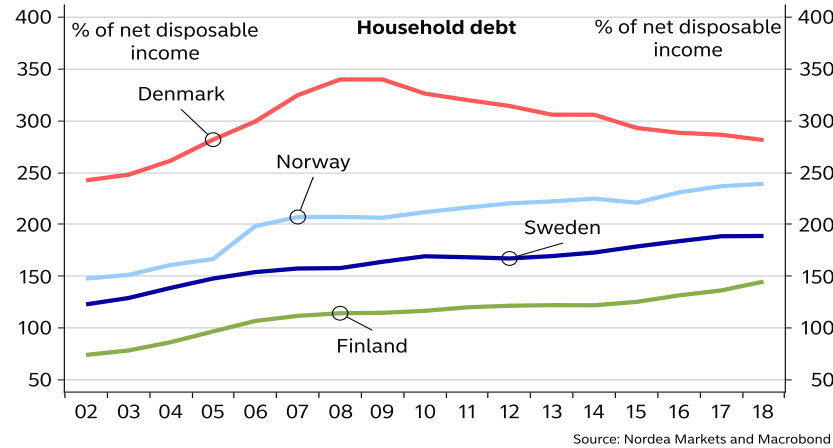
GDP forecast, %

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

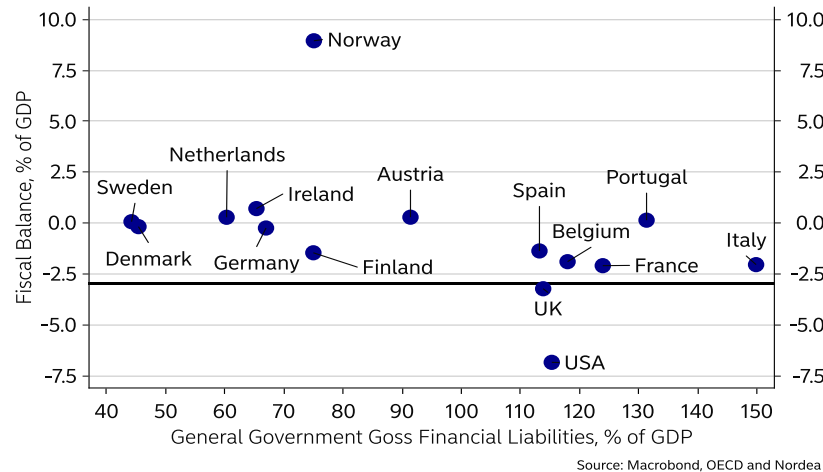
Source: Nordea Markets Economic Outlook January 2020, Macrobond and OECD.

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

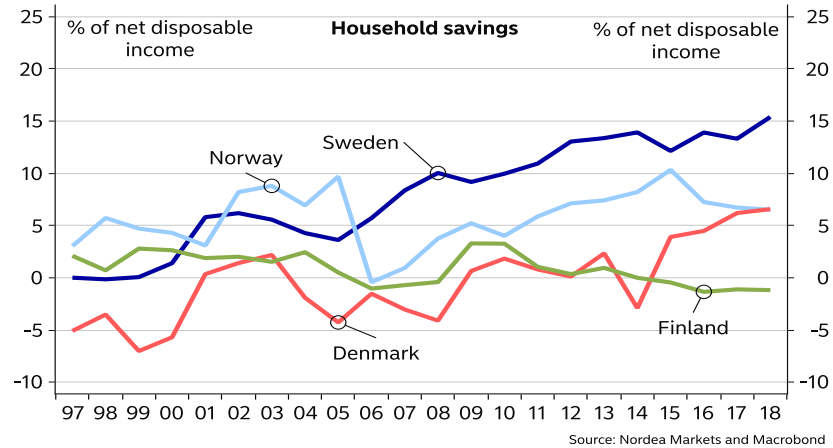
Household debt



Public balance/debt, % of GDP, 2020E



Household savings

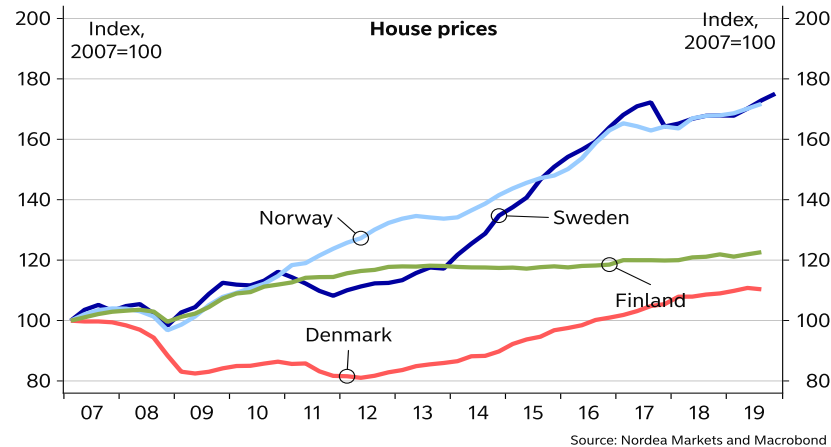


Comments

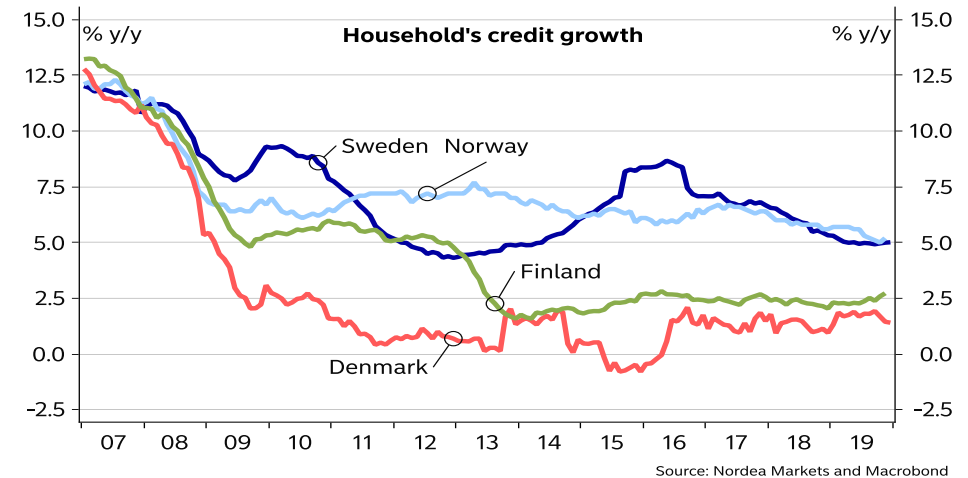
- Household debt continues to rise somewhat faster than income in Norway, Finland and Sweden. Denmark continues to move in the opposite trend
- Meanwhile, households' savings rates remain at high levels, and are increasing in Sweden and Denmark. Finnish savings have stabilised in recent years and are 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 this 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
	Total	309 424		

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

Maria Caneman

Debt IR Officer
Nordea Bank AB
Mobile: +46 768 24 92 18
Tel: +46 10 156 50 19
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