



Nordea

# Nordea Mortgage Bank Covered Bonds

Q4 2017 Debt investor presentation

# Nordea Mortgage Bank Plc – overview

Q4 2017

- 100% owned subsidiary of Nordea Bank AB - the largest Nordic financial institution
- Operates as a mortgage credit institution with the main purpose of issuing covered bonds
- Licensed by the European Central Bank to issue covered bonds according to the Finnish covered bond legislation (Covered Bond Act (688/2010) or CBA)
- Market share of Nordea approx. 30% of the Finnish mortgage market (housing loans)
- Acting in a healthy Finnish housing market
- Covered bonds to be issued are expected to be rated Aaa by Moody's, outstanding covered bonds are rated Aaa
- Dedicated liquidity line provided by Nordea Bank AB (publ), Finnish Branch, to manage daily cash needs and ensure compliance with external and internal requirements regarding liquidity management

# Cover pool key characteristics

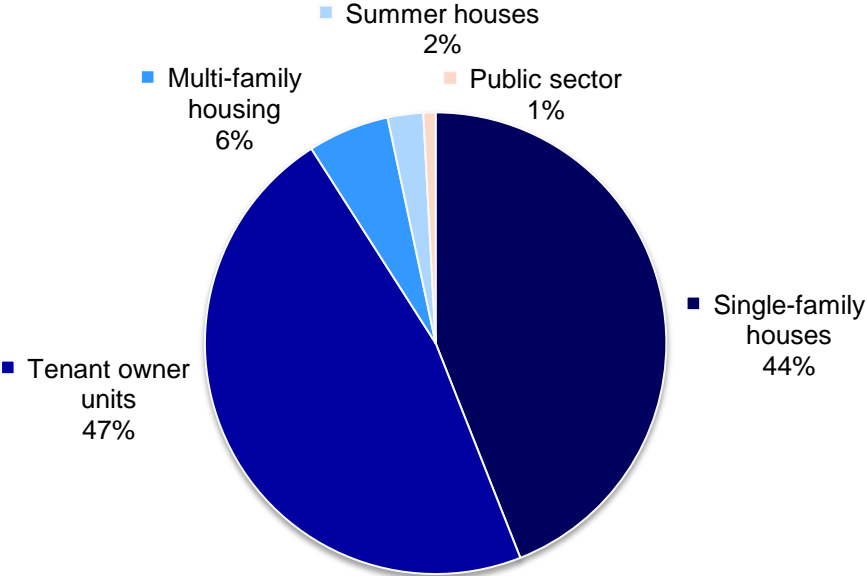
Q4 2017

<b>Pool notional</b>	EUR 20.6bn
<b>Outstanding Covered Bonds</b>	EUR 15.4bn
<b>Cover pool content</b>	Mortgage loans secured by residential property. Loans guaranteed by public sector.
<b>Geographic distribution</b>	Throughout Finland with concentration in urban areas
<b>Asset distribution</b>	99.2% residential, 0.8% public sector
<b>Weighted average LTV</b>	48.9% (indexed, calculated per property)
<b>Average loan size*</b>	EUR 63.2k
<b>Over collateralisation, OC</b>	33.6%
<b>Rate type*</b>	Fixed rate 2.0%, Floating rate 98.0%
<b>Amortization*</b>	Bullet/ interest only 4.9%, Amortizing 95.1%
<b>Substitute assets</b>	None
<b>Pool type</b>	Dynamic
<b>Loans originated by</b>	Nordea Bank Finland Plc / Nordea Bank AB (publ), Finnish Branch

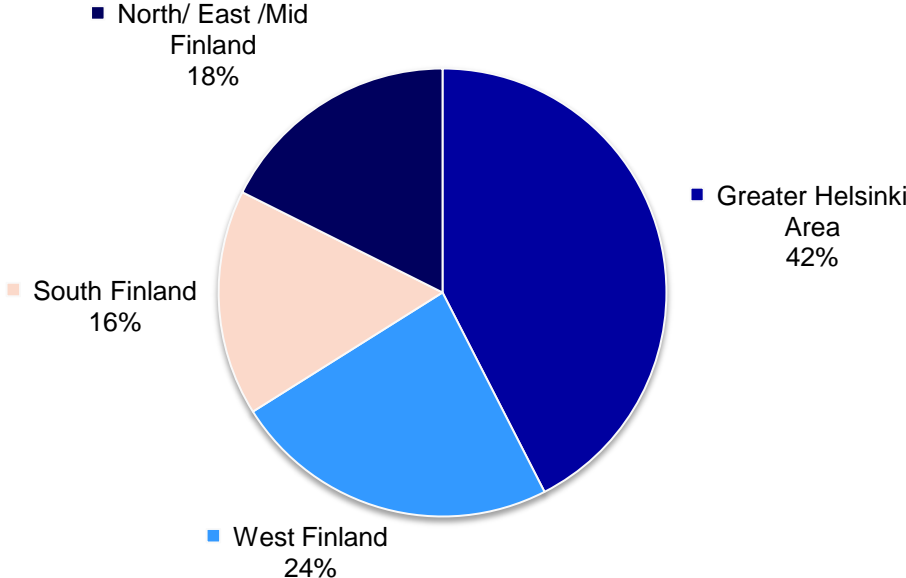
# Cover pool key characteristics (2)

Q4 2017

Cover pool balance by loan category



Cover pool balance by geographical area



## Loan To Value (LTV)

Continuous distribution where each loan can exist in multiple buckets

Q4 2017

Weighted Average LTV – Unindexed	50.7%	
<b>LTV buckets</b>	<b>Nominal (EURm)</b>	<b>% Residential Loans</b>
>0 - <=40 %	15 578	76,40%
>40 - <=50 %	2 178	10,68%
>50 - <=60 %	1 605	7,87%
>60 - <=70 %	1 030	5,05%
Total	20 390	100%
Weighted Average LTV - Indexed	48.9%	
<b>LTV buckets</b>	<b>Nominal (EURm)</b>	<b>% Residential Loans</b>
>0 - <=40 %	15 921	78,08%
>40 - <=50 %	2 085	10,23%
>50 - <=60 %	1 482	7,27%
>60 - <=70 %	902	4,42%
Total	20 390	100%

# Nordea Mortgage Bank – outstanding benchmark covered bonds

Q4 2017

Breakdown by ISIN				
ISIN	Currency	Amount (EURm)	Maturity	Coupon
XS0965104978	EUR	1 500	2018-08-28	1,375
XS1014673849	EUR	1 500	2019-01-14	1,25
XS0778465228	EUR	1 500	2019-05-03	2,25
XS0874351728	EUR	1 250	2020-01-15	1,375
XS1204134909	EUR	1 000	2020-06-17	0,125
XS0591428445	EUR	1 000	2021-02-10	4
XS1554271590	EUR	1 500	2022-01-24	0,025
XS1308350237	EUR	1 250	2022-10-19	0,625
XS1522968277	EUR	1 000	2023-11-21	0,25
XS1132790442	EUR	1 000	2024-11-05	1
XS1204140971	EUR	1 000	2027-03-17	0,625
	<b>Total</b>	<b>13 500</b>		

# Underwriting criteria – harmonised Nordea Group policy

Q4 2017

- Residential mortgage loans
  - Nordea's credit decision is based on the borrower's repayment capacity and collateral is always taken
  - Collateral must be in the form of mortgages in real estate or in shares in housing companies
  - Repayment ability of borrowers is calculated using stressed scenarios
  - Credit bureau check is always conducted (Suomen Asiakastieto)
  - Individual valuation of property based on market value
  - Repayment schedules ranging from 20 to 35 years
- Multi-family residential mortgage loans
  - Borrowers with strong EBITDA/debt and cash flow based on e.g. long-term high quality lease contracts and adequate interest rate hedging
  - Individual credit decision based on credit policy and rating
  - An evaluation of all property-related commitments is performed in the ordinary annual review against a background of quality issues/risk factors regarding the property itself, the lease, the management, the long-term cash flow and -strength of balance sheet/gearing. The analysis focuses on the repayment capacity
  - Individual valuation of property based on market value

# Finnish covered bond framework

## Q4 2017

- Legal framework
  - Finnish Covered Bond Act (statute 688/2010)
- Registration
  - Collateral assets remain on the balance sheet of the issuer
  - Covered bonds, collateral and relevant derivative contracts are entered in a separate register
- Limit on LTV ratio – based on the current value
  - 70% for housing loans (residential property)
  - 60% for commercial loans (commercial property)
- Matching cover requirements
  - Total value of the cover pool must be greater than the aggregate outstanding principal amount of the covered bonds
  - Net present value of the cover pool must be at least 2% above the net present value of the liabilities under the covered bonds
- Liquidity requirements
  - Average maturity of the covered bonds must not exceed the average maturity of the loans entered in the register
  - Total amount of interest accrued from the cover pool assets, during any 12-month period, must be sufficient to cover the total amount payable under covered bonds and derivatives transactions during the same period



## Finnish covered bond framework (2)

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- Bankruptcy remoteness and preferential claim
  - Isolation of registered collateral assets, registered derivatives from all other assets and liabilities of the insolvent issuer
  - Holders of covered bonds together with counterparties of registered derivatives and bankruptcy liquidity loans in bankruptcy would rank pari passu and have a preferential claim to the cover pool (subject to a maximum LTV ratio of 70% for residential loans and 60% for commercial loans)
- Post-bankruptcy procedures
  - A bankruptcy administrator is appointed by the court (administration of estate) and a supervisor is appointed by the Finnish FSA (protection of covered bond creditors' rights)
  - The cover pool, derivatives and covered bonds to be kept separated from the bankruptcy estate as long as stipulated matching and liquidity requirements are met
  - Covered bond creditors and counterparties of registered derivatives would rank pari passu and have a preferential claim on the proceeds of the liquidation of the cover pool