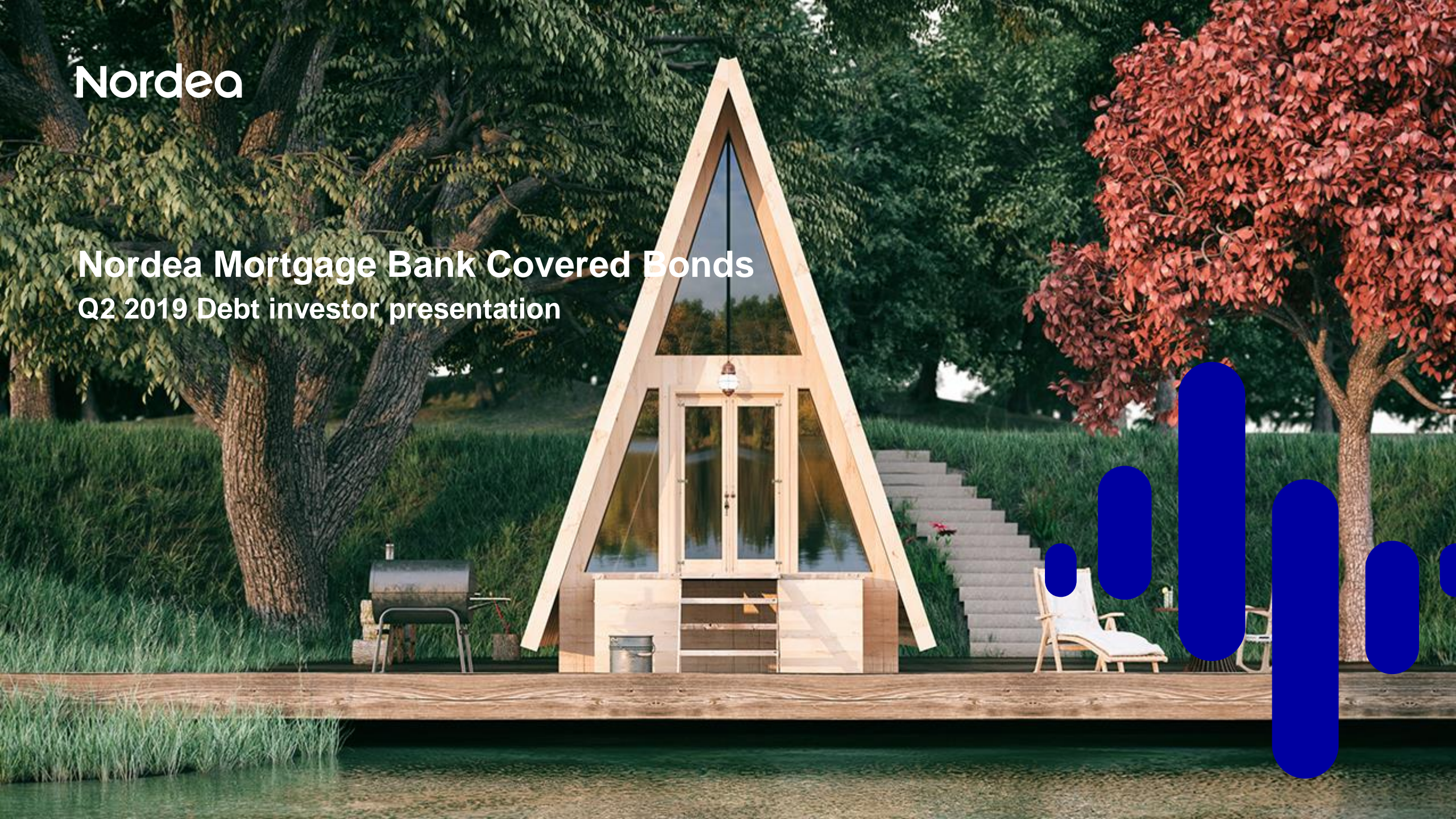


**Nordea**

**Nordea Mortgage Bank Covered Bonds**  
Q2 2019 Debt investor presentation



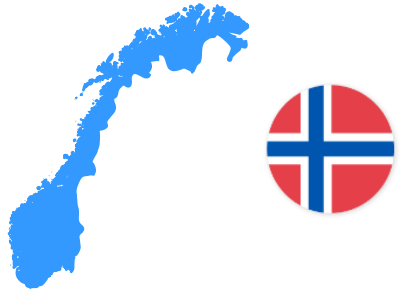
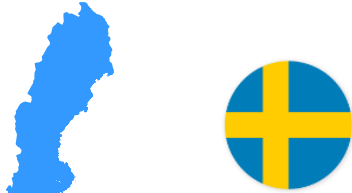


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# 1. In brief

# Nordea covered bond operations

Q2 2019

<p><i>Four aligned covered bond issuers with complementary roles</i></p>	<p>Nordea Eiendomskredit</p> 	<p>Nordea Hypotek</p> 	<p>Nordea Kredit *</p> 	<p>Nordea Mortgage Bank</p> 
Legislation	Norwegian	Swedish	Danish/SDRO	Finnish
Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
Cover pool size	EUR 16.4bn (eq.)	EUR 51.4bn (eq.)	Balance principle	EUR 21.8bn
Covered bonds outstanding	EUR 9.5bn (eq.)	EUR 31.4bn (eq.)	EUR 57.7bn (eq.)	EUR 16.2bn
OC	71%	63%	CC1/CC2 40%/10%	35%
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

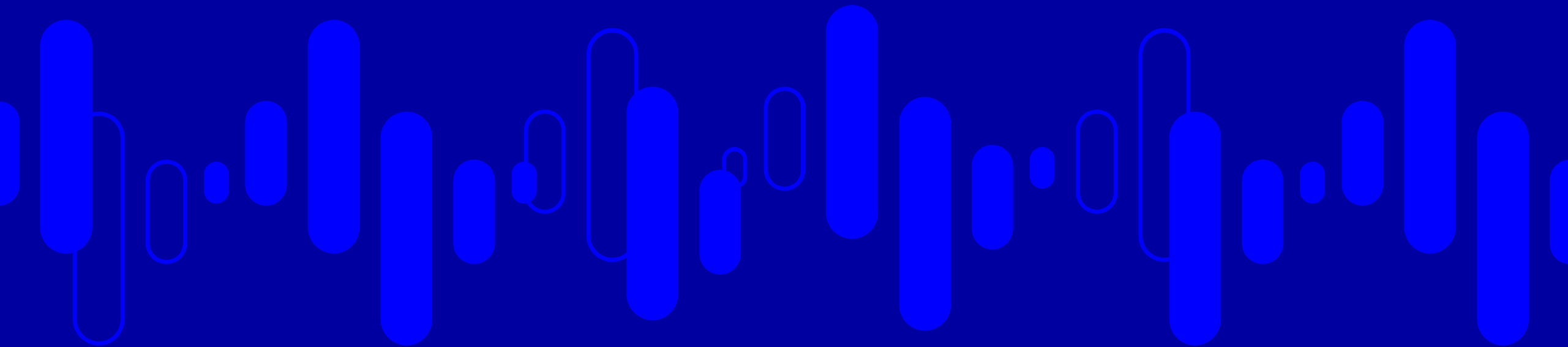


# Nordea Mortgage Bank Plc – overview

## Q2 2019

- 100% owned subsidiary of Nordea Bank Abp (as of October 1<sup>st</sup>) - 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 ~29% of the Finnish mortgage market (housing loans)
- Acting in a healthy and conservative Finnish housing market
- Dedicated liquidity line provided by Nordea Bank Abp to manage daily cash needs and ensure compliance with external and internal requirements regarding liquidity management
- Covered bonds rated Aaa by Moody's

## 2. Cover pool characteristics



# Cover pool key characteristics

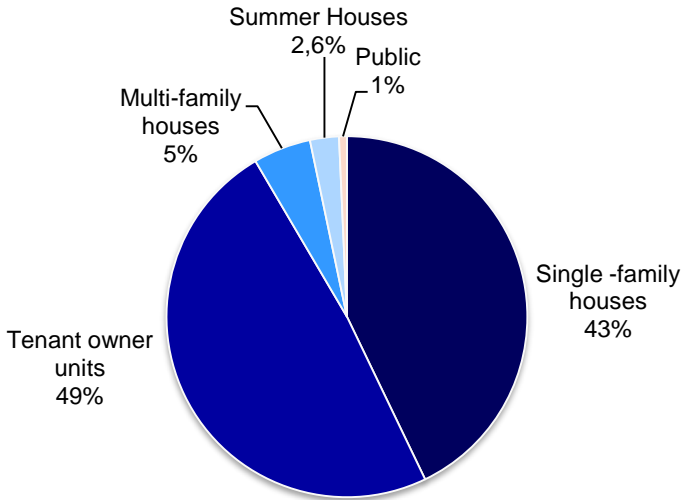
Q2 2019

Cover pool summary	
Pool notional	EUR 21.8bn
Outstanding Covered Bonds	EUR 16.2bn
Cover pool content	Mortgage loans secured by residential property. Loans guaranteed by public sector
Geographic distribution	Throughout Finland with concentration in urban areas
Asset distribution	99.3% residential, 0.7% public sector
Weighted average LTV	49.7% (indexed, calculated per property)
Average loan size*	EUR 65.8k
Over collateralisation, OC	35%
Rate type*	Fixed rate 1.5%, Floating rate 98.5%
Amortisation*	Bullet/ interest only 5.4%, Amortising 94.6%
Substitute assets	None
Pool type	Dynamic
Loans originated by	Nordea Bank Abp (as of 1 October 2018)

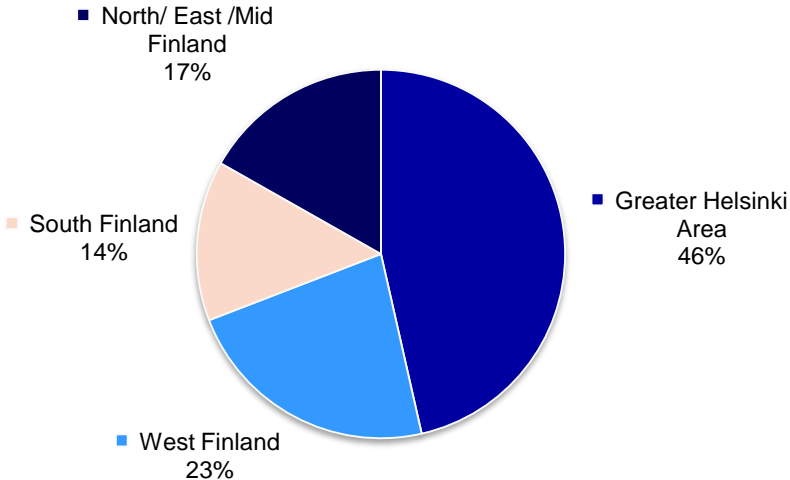
# Cover pool key characteristics (2)

Q2 2019

Cover pool balance by loan category

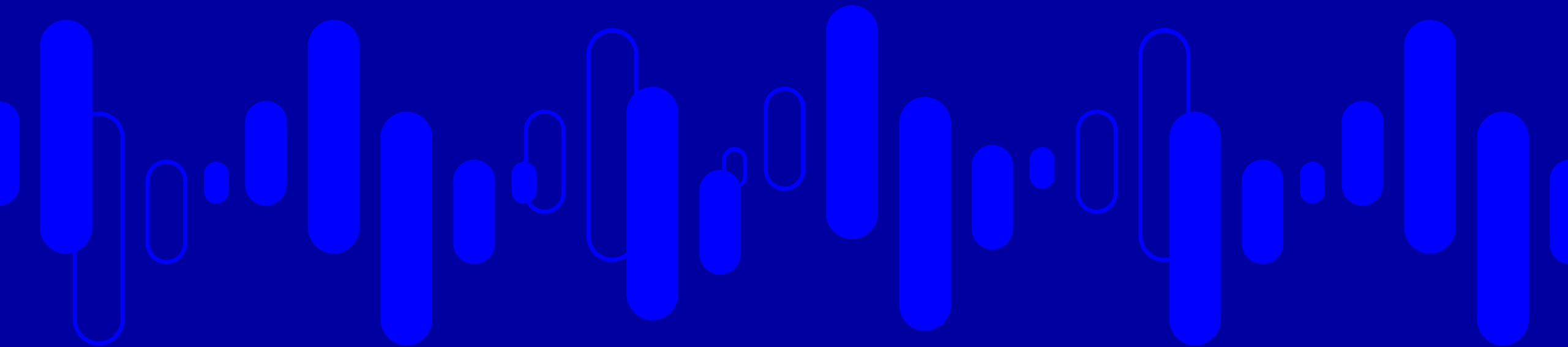


Cover pool balance by region





### 3. Asset quality



# Loan To Value (LTV)

Continuous distribution where each loan can exist in multiple buckets

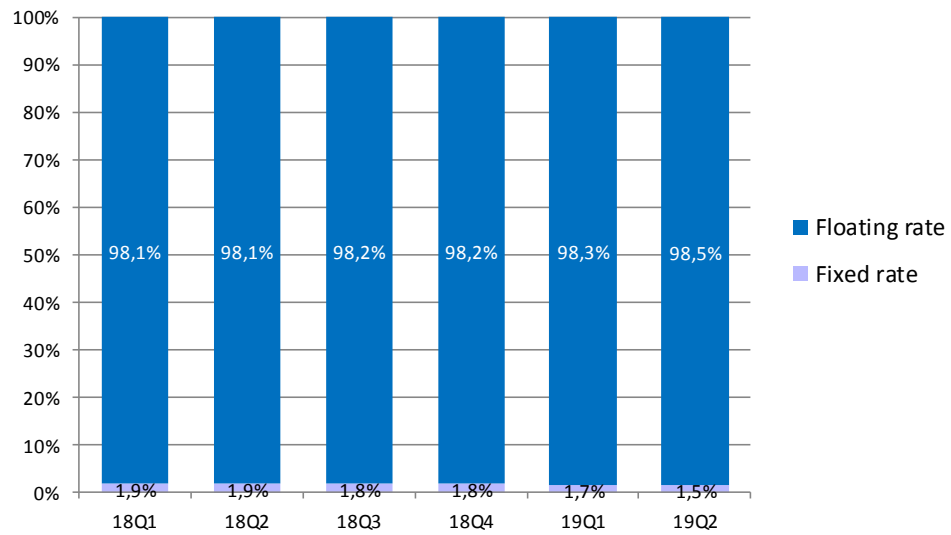
Q2 2019

<b>Weighted Average LTV – Unindexed</b>		<b>50.9%</b>	
<b>LTV buckets</b>	<b>Nominal (EURm)</b>	<b>% Residential Loans</b>	
>0 - <=40 %	16 494	76,23%	
>40 - <=50 %	2 316	10,71%	
>50 - <=60 %	1 717	7,93%	
>60 - <=70 %	1 110	5,13%	
Total	21 637	100%	
<b>Weighted Average LTV - Indexed</b>		<b>49.7%</b>	
<b>LTV buckets</b>	<b>Nominal (EURm)</b>	<b>% Residential Loans</b>	
>0 - <=40 %	16 742	77,38%	
>40 - <=50 %	2 238	10,34%	
>50 - <=60 %	1 622	7,50%	
>60 - <=70 %	1 035	4,78%	
Total	21 637	100%	

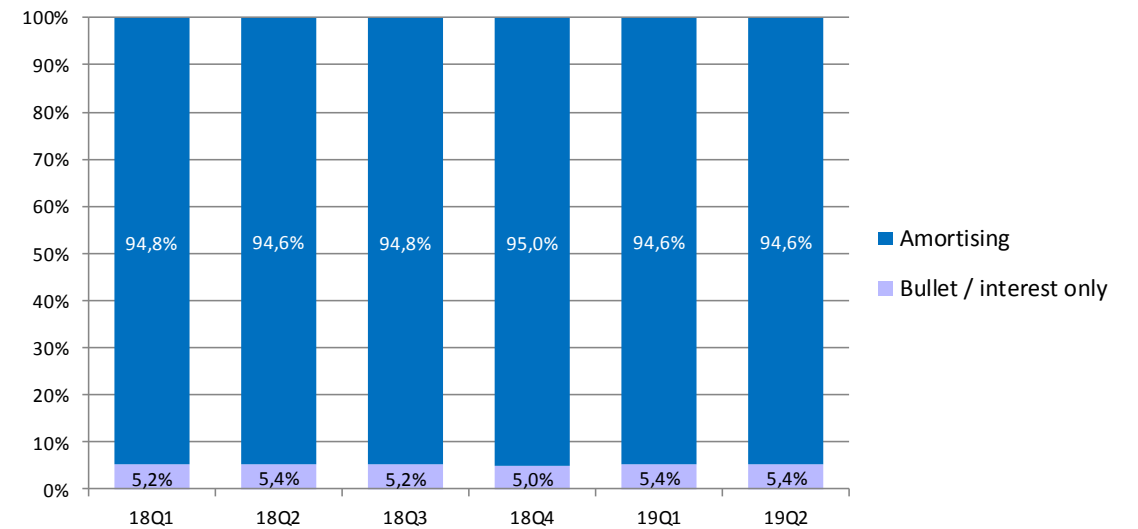
# Loan structure

Q2 2019

### Rate type



### Repayment



# Underwriting criteria

## Q2 2019

- 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

## 4. Covered Bond framework

# Finnish covered bond framework

## Q2 2019

- 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)

Q2 2019

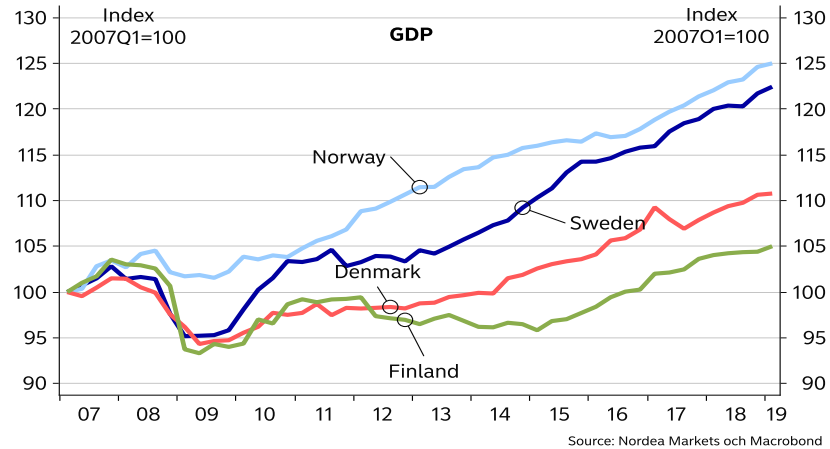
- Bankruptcy remoteness and preferential claim
  - Isolation of registered collateral assets, registered derivatives from all other assets and liabilities of the insolvent issuer
  - Holders of covered bonds together with counterparties of registered derivatives and bankruptcy liquidity loans in bankruptcy 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

## 5. Macro



# Robust Nordic economies

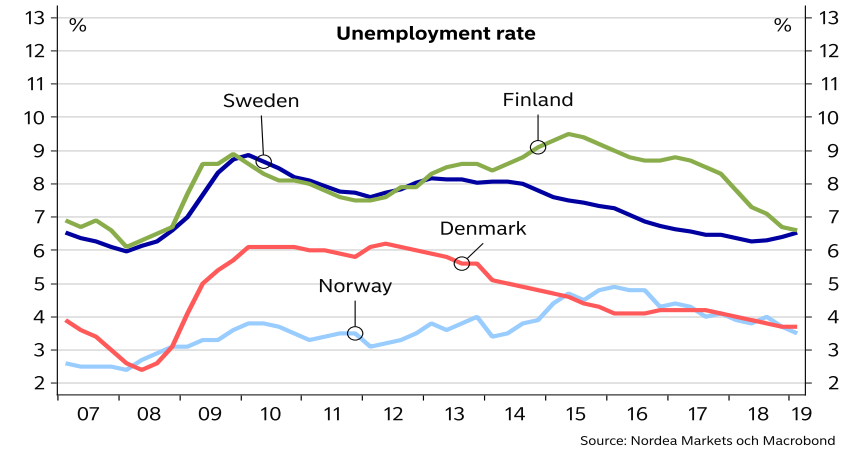
## GDP development



## Comments

- The Nordics have enjoyed a solid economic development in recent years. The global economy slowed down more than expected during the end of last year to this year, especially in the euro area
- Export-dependent Sweden and Finland have been most hit by the downturn, while higher growth is projected in Norway and Denmark
- Monetary policy has shifted to a more cautious stance (except Norway) as the global growth and inflation outlook remains subdued
- In Sweden, unemployment is increasing from a large net inflow to the labour market as a result of the growing population. Looking forward, we expect a continued decrease in the rest of the Nordics

## Unemployment rate



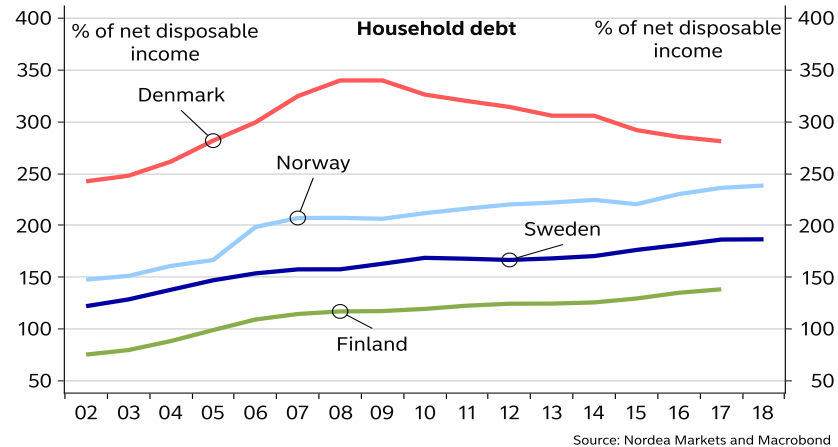
## GDP forecast, %

Country	2016	2017	2018	2019E	2020E
Denmark	2.4	2.3	1.4	1.8	1.7
Finland	2.5	2.8	2.3	1.5	1.0
Norway	1.1	2.0	2.2	2.6	2.1
Sweden	2.4	2.4	2.3	1.0	1.3

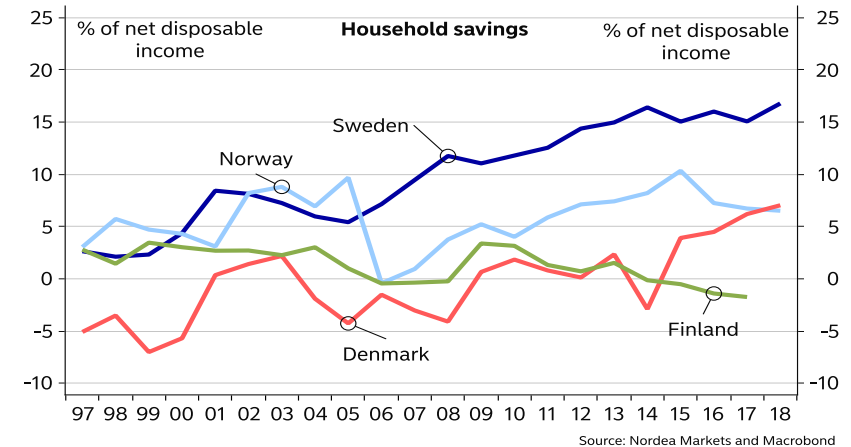
Source: Nordea Markets Economic Outlook May 2019, Macrobond and OECD.

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

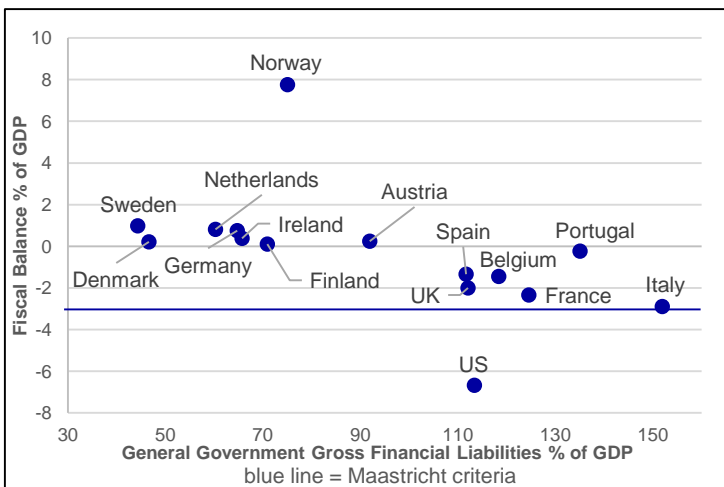
## Household debt



## Household savings



## Public balance/debt, % of GDP, 2020E

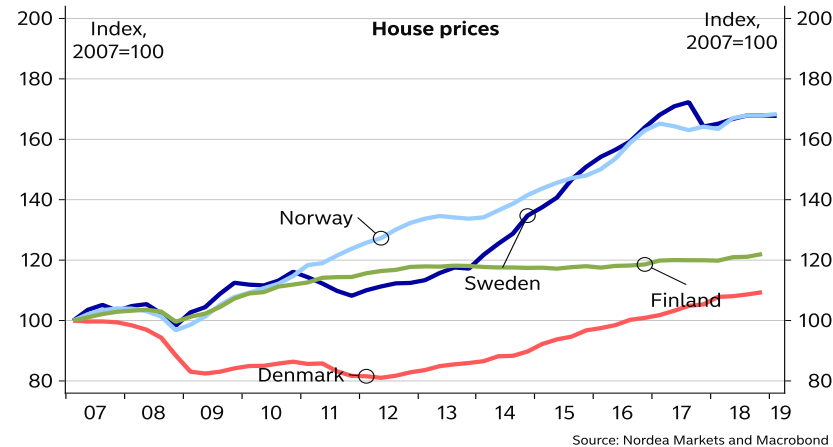


## Comments

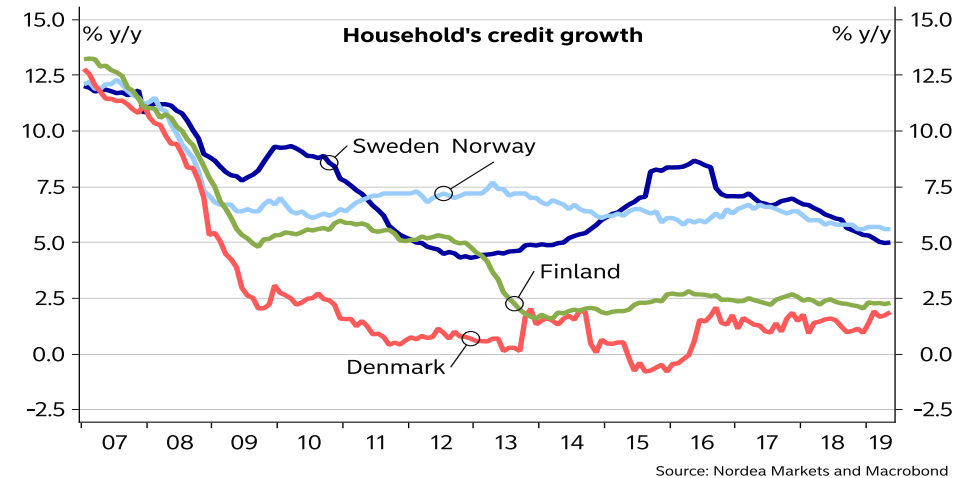
- Household debt continues to rise somewhat faster than income in Norway and Finland. Denmark continues to move in the opposite trend while Sweden is showing signs of stabilisation
- Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined in recent years
- The 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



## Household's credit growth



## Comments

- Recent quarters have shown stabilisation in the Swedish and Norwegian housing markets, while prices continue to rise in Denmark and to some extent also in Finland. Credit growth in the Nordics is showing signs of stabilisation
- In Sweden, house prices declined during H2 2017 but have since then risen slightly. The current main risks are the high supply of homes as well as signs of a weaker labour market. However, mortgage rates have historically had a strong correlation with the price development and they will most likely remain low
- In Norway, primarily in Oslo, house prices turned down during 2017, but have leveled out and even increased somewhat in Oslo. The downturn was primarily driven by stricter lending requirements introduced 1 January 2017. Largely unchanged prices are forecast ahead, as dampened demand from rising interest rates will be balanced by a strengthening labour market and household purchasing power
- In Denmark, tighter regulations have been implemented in an attempt to prevent price bubbles in the housing market. Housing prices are expected to increase only slightly faster than inflation in the coming years

## 6. Further information

# Nordea Mortgage Bank – outstanding benchmark covered bonds

Q2 2019

Breakdown by ISIN				
ISIN	Currency	Amount (EURm)	Maturity	Coupon
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
XS1784067529	EUR	1 250	2023-02-28	0,25
XS1522968277	EUR	1 000	2023-11-21	0,25
XS1132790442	EUR	1 000	2024-11-05	1
XS1825134742	EUR	1 000	2025-05-23	0,625
XS1963717704	EUR	1 500	2026-03-18	0,25
XS1204140971	EUR	1 000	2027-03-17	0,625
XS2013525410	EUR	1 000	2027-06-18	0,125
XS1784071042	EUR	750	2033-02-28	1,375
	<b>Total</b>	<b>14 500</b>		

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