

Nordea

**Nordea Mortgage Bank Covered Bonds
Q1 2020 Debt investor presentation**




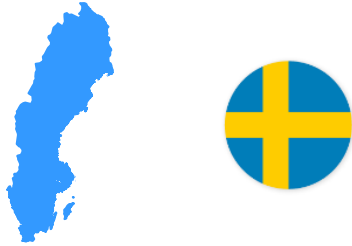

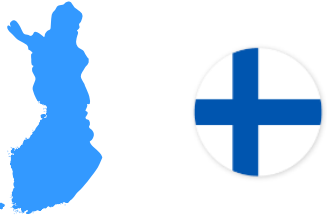
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1. In brief

Nordea covered bond operations

Q1 2020

<p><i>Four aligned covered bond issuers with complementary roles</i></p>	<p>Nordea Eiendomskreditt</p> 	<p>Nordea Hypotek</p> 	<p>Nordea Kredit</p> 	<p>Nordea Mortgage Bank</p> 
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 14.1bn (eq.)	EUR 51.9bn (eq.)	Balance principle	EUR 22.2bn
Covered bonds outstanding	EUR 8.8bn (eq.)	EUR 32.7bn (eq.)	EUR 56.9bn (eq.)*	EUR 14.8bn
OC	61%	59%	9%*	50%
Issuance currencies	NOK	SEK	DKK, EUR	EUR, GBP
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

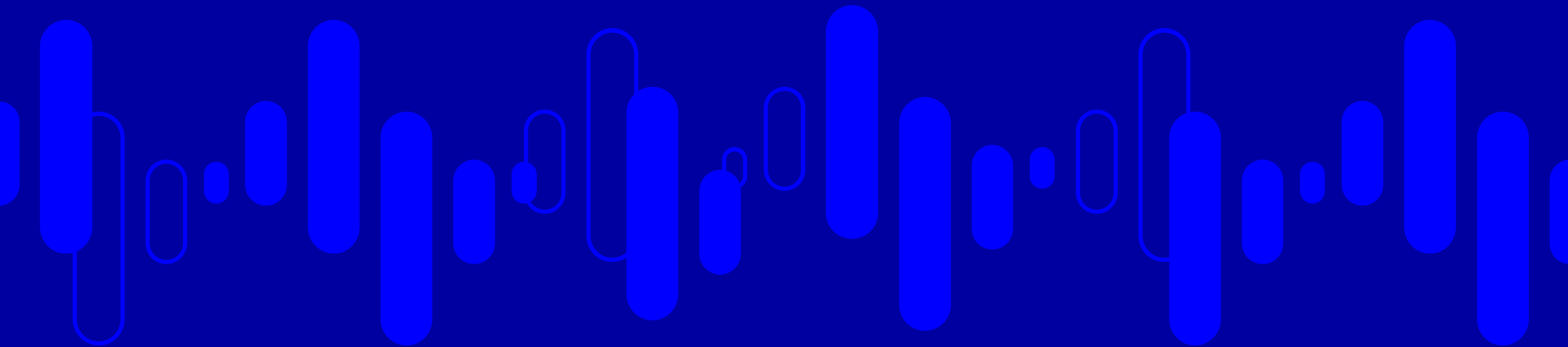


Nordea Mortgage Bank Plc – overview

Q1 2020

- 100% owned subsidiary of Nordea Bank Abp - 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

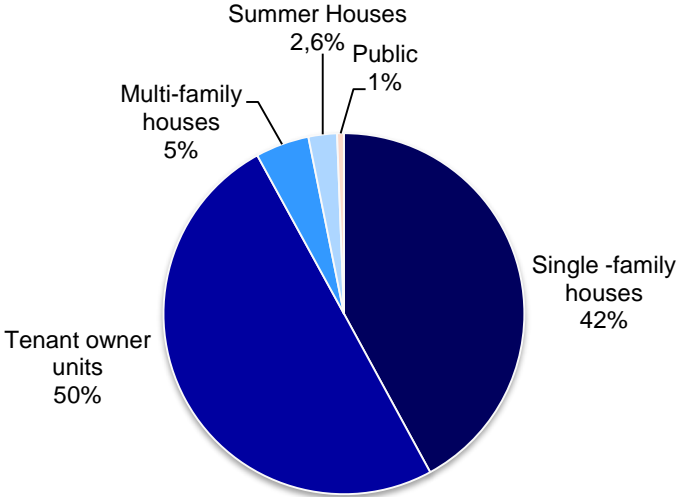
Q1 2020

Cover pool summary	
Pool notional	EUR 22.2bn
Outstanding Covered Bonds	EUR 14.8bn
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	99.4% residential, 0.6% public sector
Weighted average LTV*	50.0% (indexed, calculated per property)
Average loan size*	EUR 66.9k
Over collateralisation, OC	50%
Rate type**	Fixed rate 1.4%, Floating rate 98.6%
Amortisation**	Bullet/ interest only 6.3%, Amortising 93.7%
Substitute assets	None
Pool type	Dynamic
Loans originated by	Nordea Bank Abp (as of 1 October 2018)

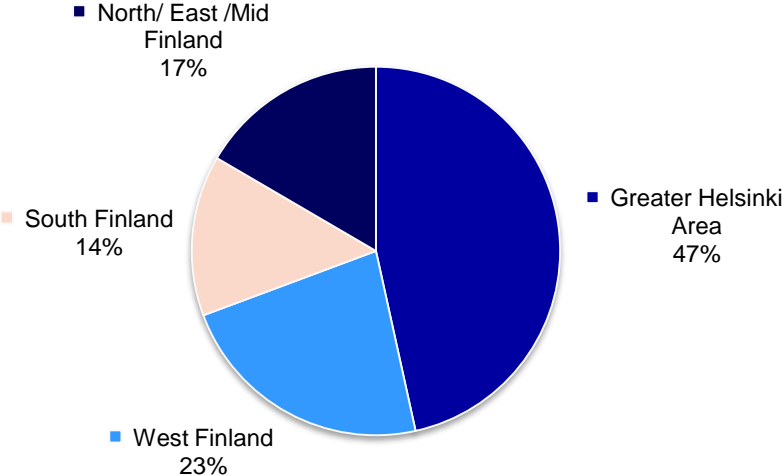
Cover pool key characteristics (2)

Q1 2020

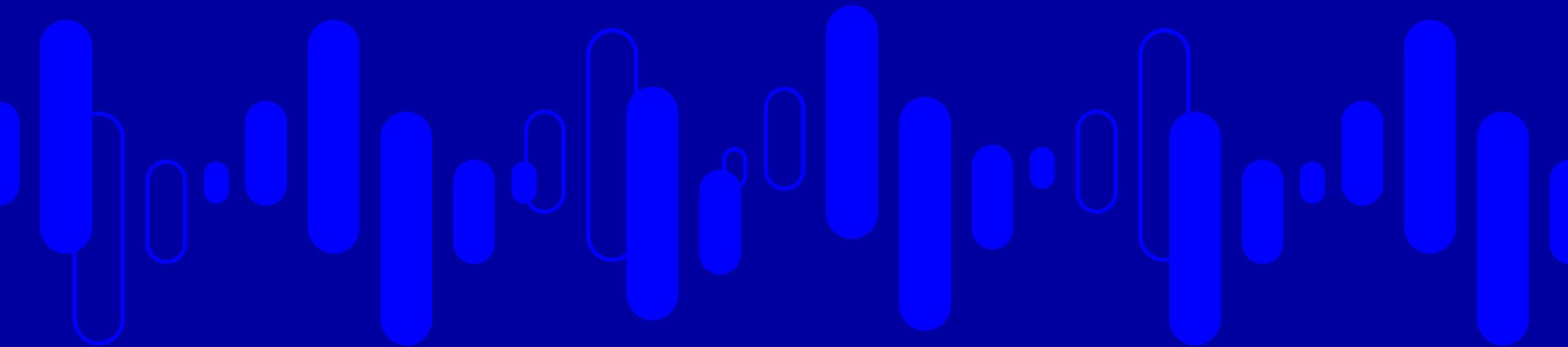
Cover pool balance by loan category



Cover pool balance by region



3. Asset quality



Loan To Value (LTV)

Continuous distribution where each loan can exist in multiple buckets

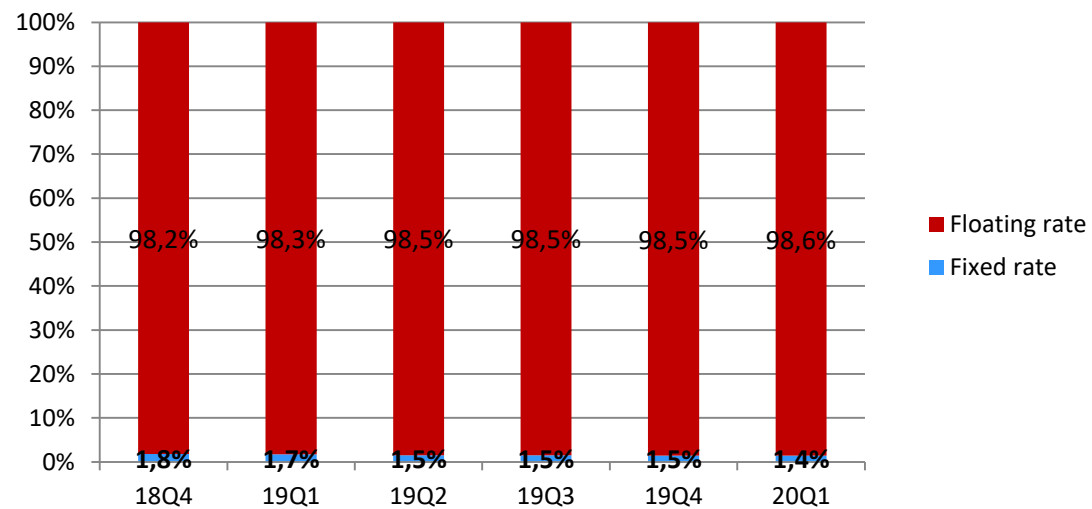
Q1 2020

Weighted Average LTV – Unindexed		51.3%	
LTV buckets	Nominal (EURm)		% Residential Loans
>0 - <=40 %	16 726		75,89%
>40 - <=50 %	2 374		10,77%
>50 - <=60 %	1 771		8,04%
>60 - <=70 %	1 168		5,30%
Total	22 039		100%
Weighted Average LTV - Indexed		50.1%	
LTV buckets	Nominal (EURm)		% Residential Loans
>0 - <=40 %	16 979		77,04%
>40 - <=50 %	2 294		10,41%
>50 - <=60 %	1 676		7,60%
>60 - <=70 %	1 090		4,95%
Total	22 039		100%

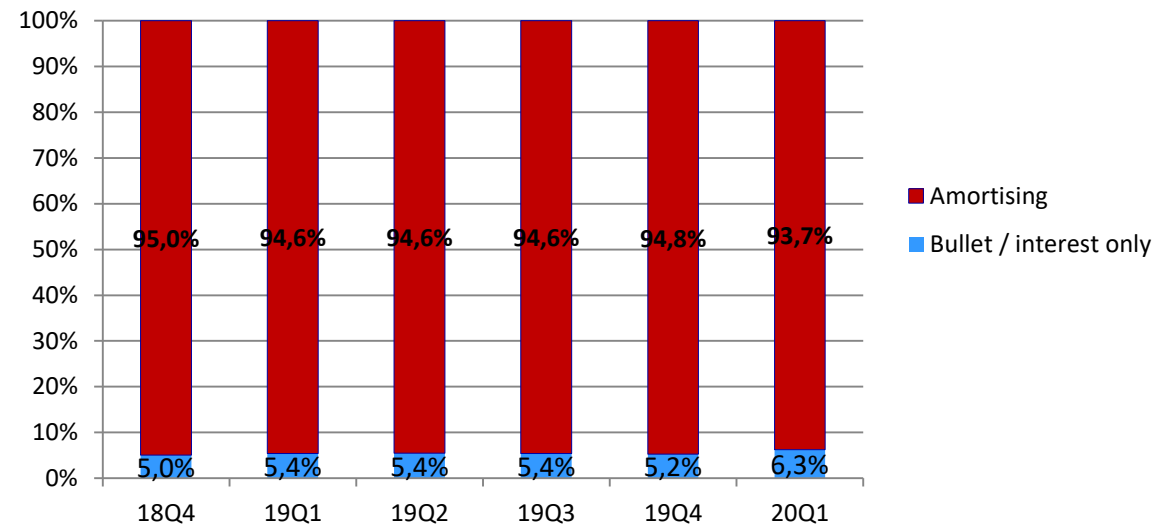
Loan structure

Q1 2020

Rate type



Repayment



Underwriting criteria

Q1 2020

- 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

Q1 2020

- 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)

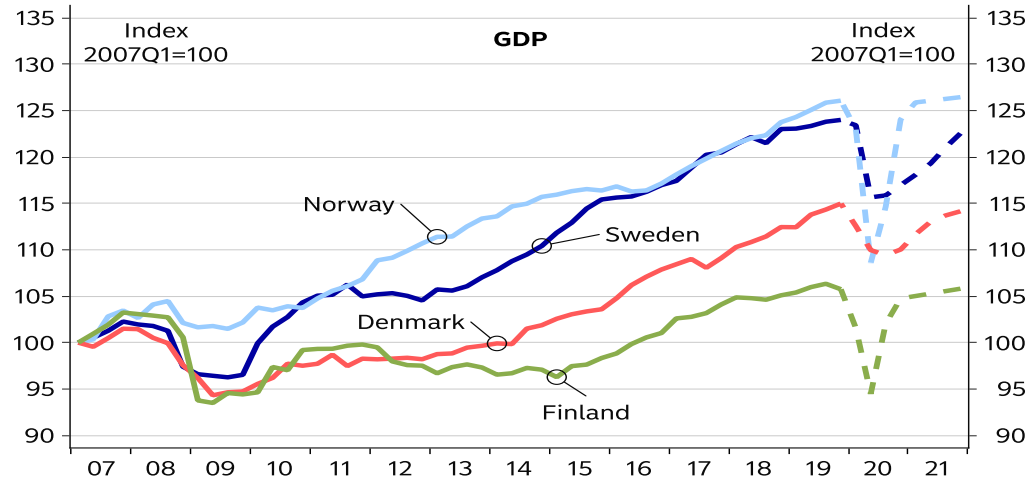
Q1 2020

- 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

Nordic economies – years before back to normal

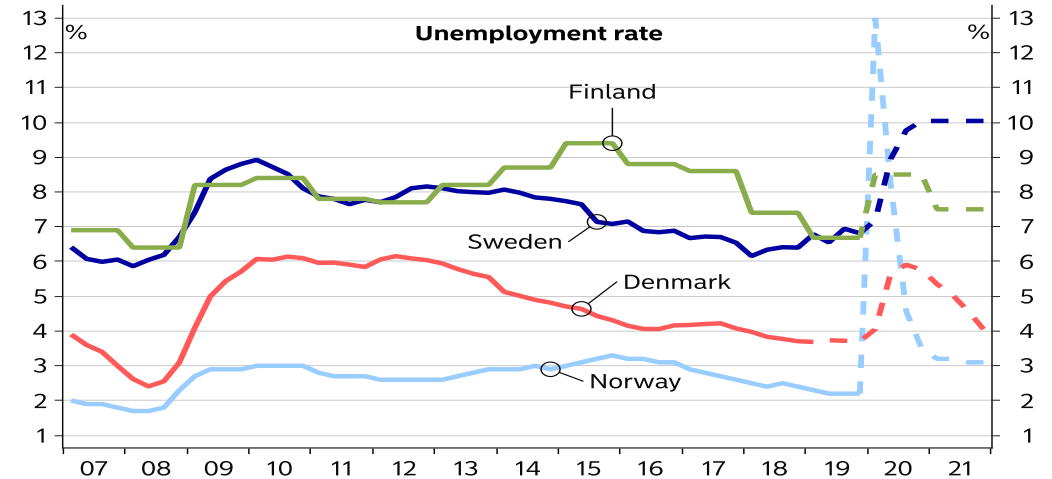
GDP development



Comments

- The global economy is in recession and the next few months will be extremely challenging. Lockdowns will trigger lower consumer spending and investments on top of the disruptions in the global supply chain
- The Nordic countries have responded to the COVID-19 crisis with lockdowns of a varying degree. The extent of the economic consequences depends on when restrictions will be lifted – not just in the Nordics but also in the rest of the world
- Unemployment is expected to surge. Relatively quick recoveries are expected in Denmark, Finland and Norway, but unemployment will remain elevated in Sweden for a long time

Unemployment rate

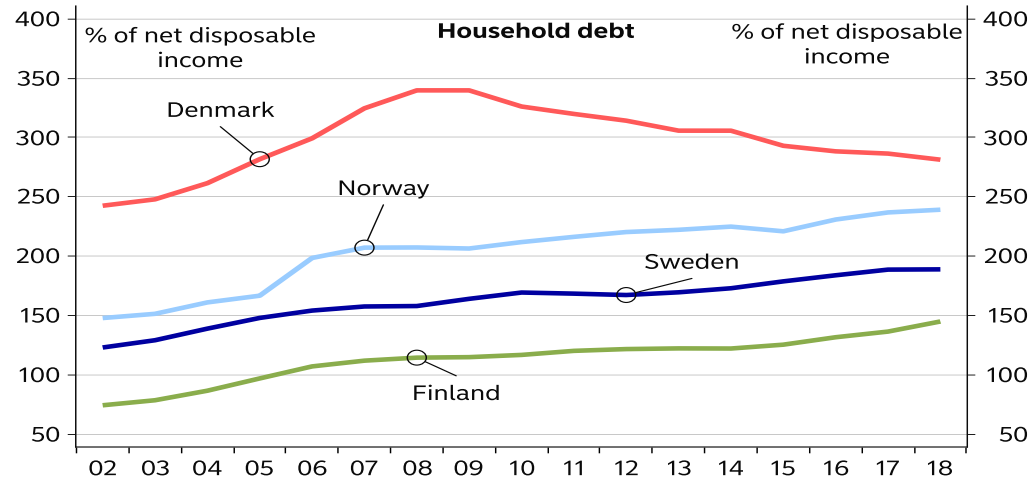


GDP, %, U-shaped scenario

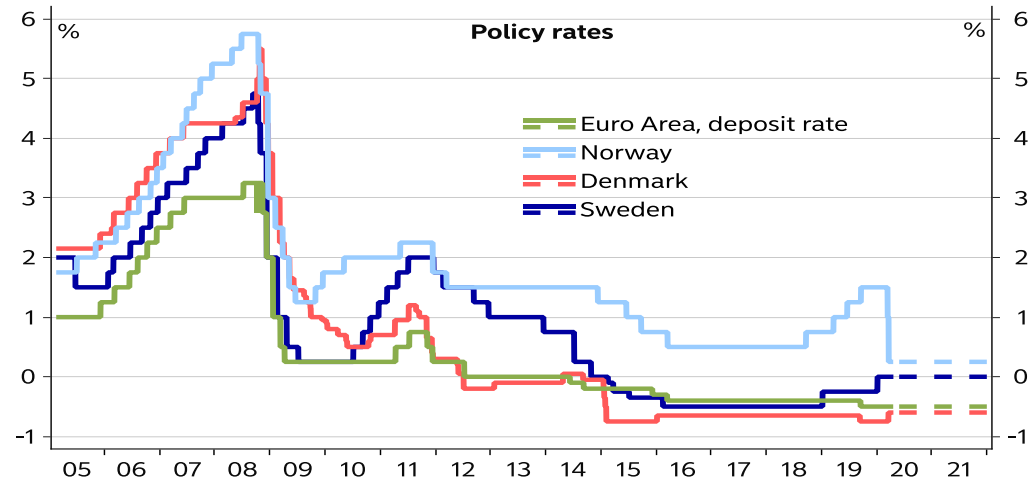
Country	2018	2019	2020E	2021E
Denmark	2.4	2.2	-3.0 (1.5)	2.4 (1.5)
Finland	1.6	1.0	-5.0 (1.0)	2.7 (0.5)
Norway	2.2	2.3	-6.2 (1.8)	7.3 (1.6)
Sweden	2.3	1.3	-4.6 (0.8)	-0.2 (1.8)

Nordic interest rates – low for very long

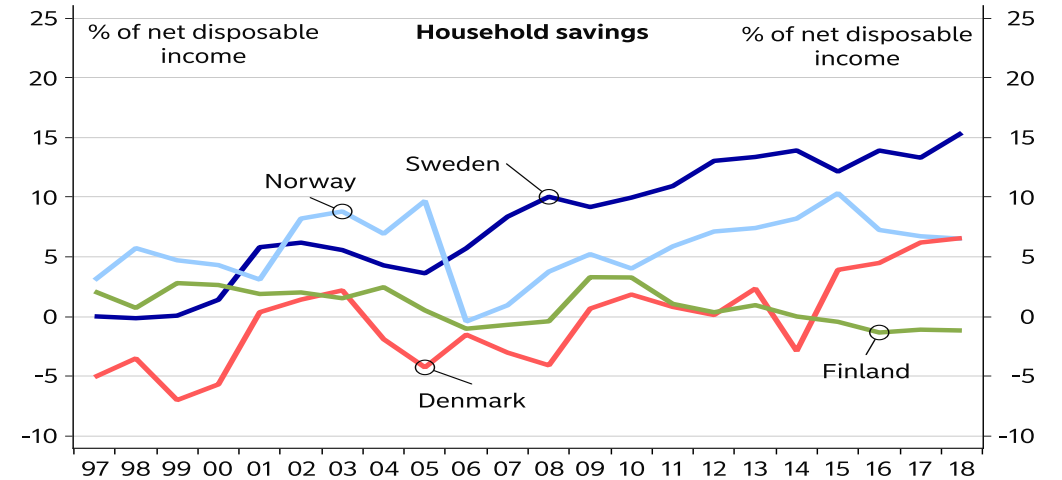
Household debt



Policy rates



Household savings

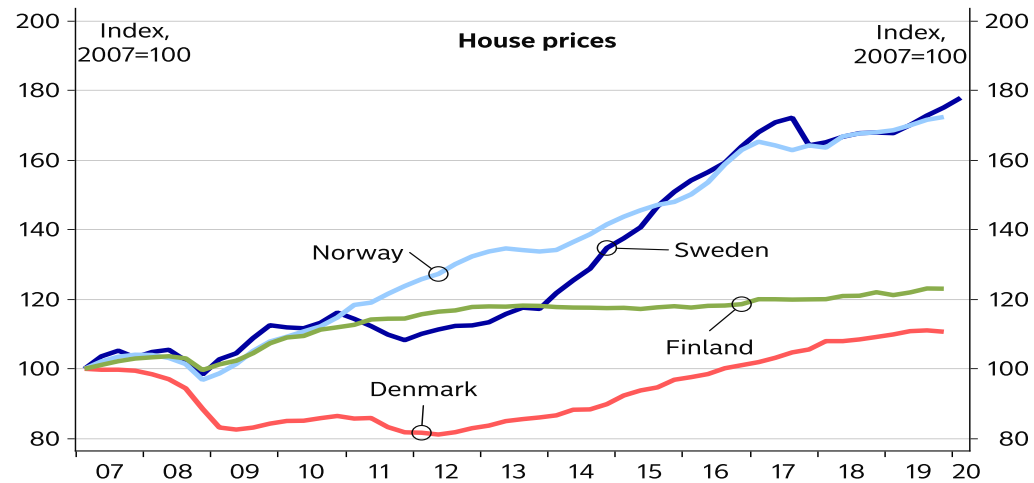


Comments

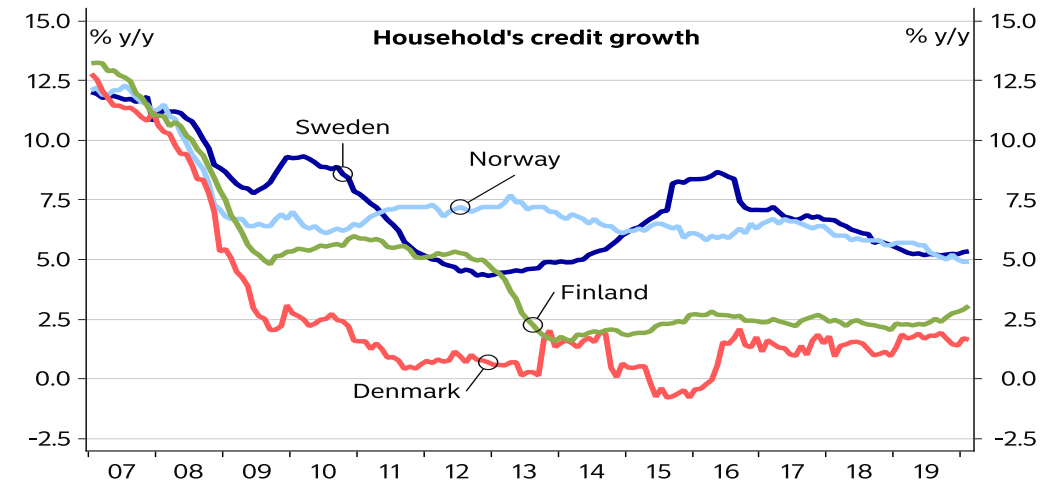
- Household debt is likely to level off in the coming year, in line with decelerating activity on the housing market. However, the debt ratio remains at very high levels in all countries. Uncertainty and higher unemployment will lead to increased precautionary savings, which could affect consumption negatively
- Norway has seen two rate cuts totalling 125 bps in one week. Policy rates have been left unchanged in Sweden and the Euro area while Denmark hiked the interest rate due to technical reasons. Liquidity measures have been ramped up by all central banks, and the governments have launched large fiscal packages to cushion the fall. Monetary policy will remain accommodative for a long time

House price development in the Nordics

House prices



Household's credit growth



Comments

- Rising unemployment and high uncertainty will take its toll on the Nordic housing markets. Before the crisis, low interest rates kept the Nordic housing markets afloat and stable price increases were expected in the coming years. Declines are expected in all countries this year but low interest rates, accommodative central banks and reduced supply should limit the downside in the short term.
- Household credit growth has stabilized in the last years. In Sweden and especially Finland, credit growth was picking up while Denmark was trending sideways. Nordic households will likely increase their precautionary savings due to high levels of uncertainty, which could affect consumption growth negatively. Increased savings and lower activity in the housing market will dampen credit growth.

6. Further information

Nordea Mortgage Bank – outstanding benchmark covered bonds

Q1 2020

Breakdown by ISIN				
ISIN	Currency	Amount (EURm)	Maturity	Coupon
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
	Total	13 250		

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