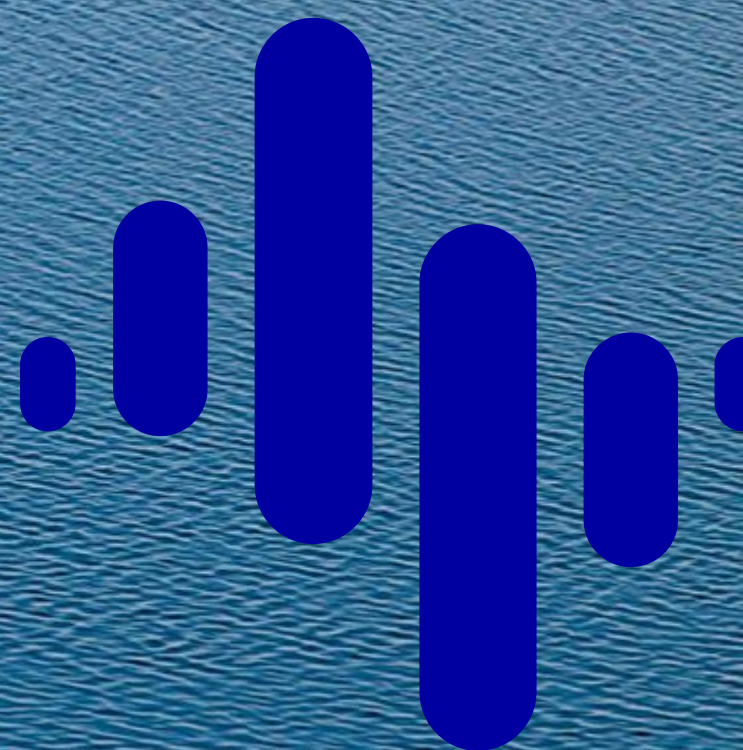
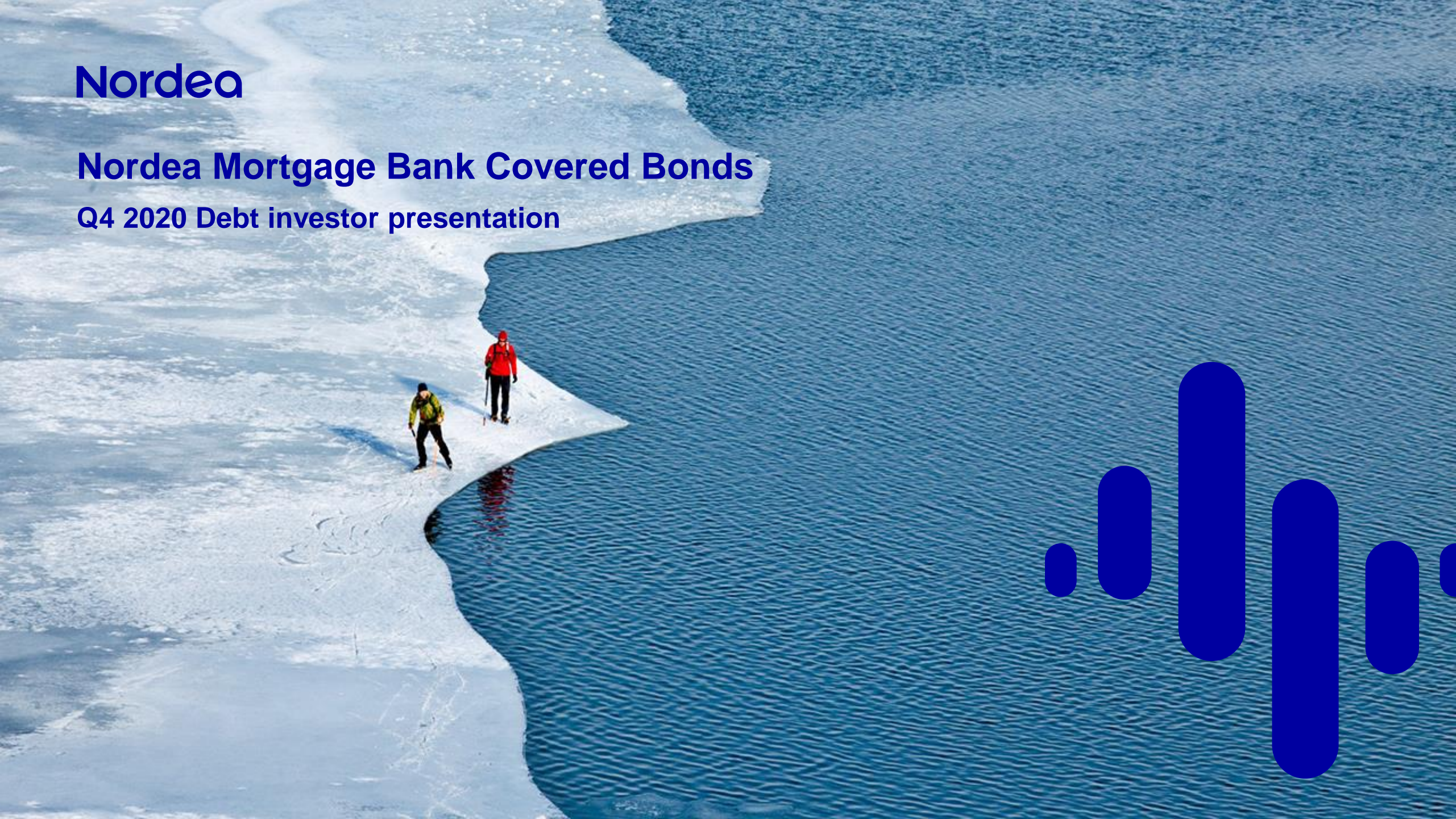


**Nordea**

**Nordea Mortgage Bank Covered Bonds**

**Q4 2020 Debt investor presentation**





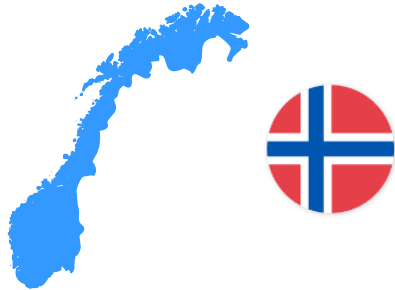
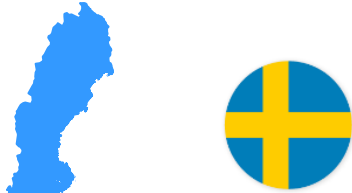


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# 1. In brief

# Nordea covered bond operations

Q4 2020

	Nordea Eiendomskreditt	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank
<i>Four aligned covered bond issuers with complementary roles</i>				
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 17.6bn (eq.)	EUR 59.5bn (eq.)	Balance principle	EUR 22.9bn
Covered bonds outstanding	EUR 13.5bn (eq.)	EUR 38.8bn (eq.)	EUR 58.1n (eq.)*	EUR 19.6bn
OC	31%	53%	8%*	17%
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

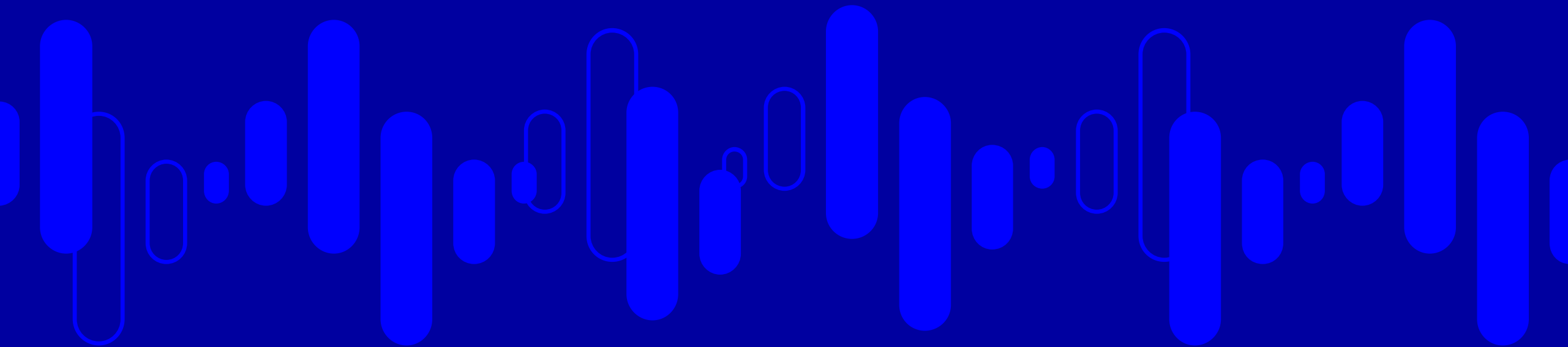


# Nordea Mortgage Bank Plc – overview

Q4 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

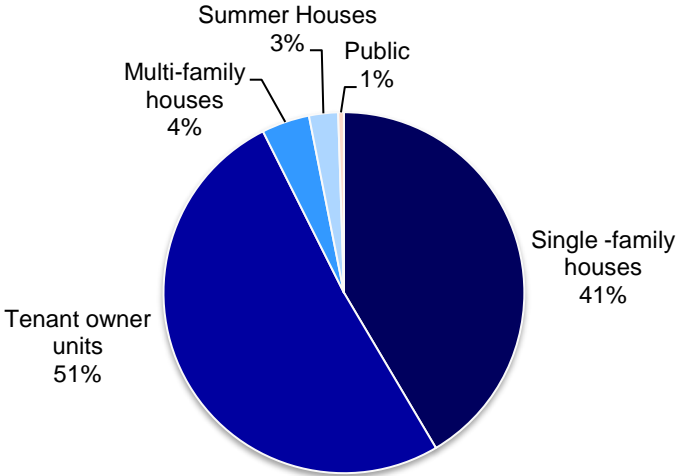
Q4 2020

Cover pool summary	
Pool notional	EUR 22.9bn
Outstanding Covered Bonds	EUR 19.6bn
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	99.5% residential, 0.5% public sector
Weighted average LTV*	50.7% (indexed, calculated per property)
Average loan size*	EUR 70.1k
Over collateralisation, OC	17%
Rate type**	Fixed rate 1.3%, Floating rate 98.7% (31.0% capped)
Amortisation**	Bullet/ interest only 6.7%, Amortising 94.2%
Substitute assets	None
Pool type	Dynamic
Loans originated by	Nordea Bank Abp (as of 1 October 2018)

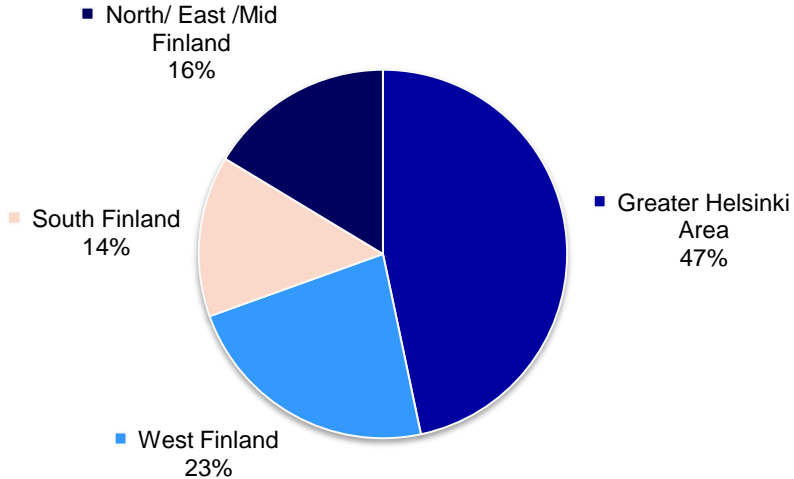
# Cover pool key characteristics (2)

Q4 2020

Cover pool balance by loan category

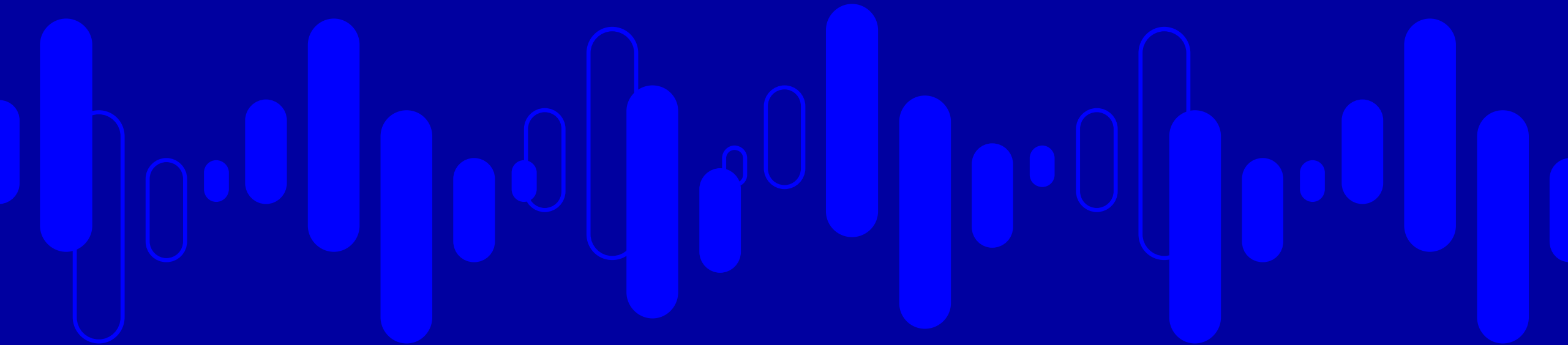


Cover pool balance by region





### 3. Asset quality



# Loan To Value (LTV)

Continuous distribution where each loan can exist in multiple buckets

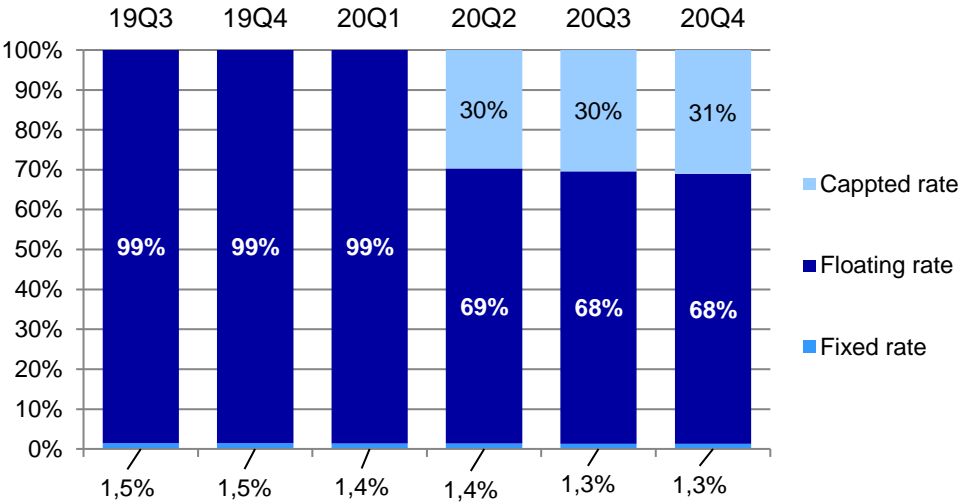
Q4 2020

Weighted Average LTV – Unindexed		52.2%	
<b>LTV buckets</b>		<b>Nominal (EURm)</b>	<b>% Residential Loans</b>
>0 - <=40 %		17 107	75%
>40 - <=50 %		2 505	11%
>50 - <=60 %		1 907	8%
>60 - <=70 %		1 298	6%
Total		22 818	100%
Weighted Average LTV - Indexed		50.7%	
<b>LTV buckets</b>		<b>Nominal (EURm)</b>	<b>% Residential Loans</b>
>0 - <=40 %		17 423	76%
>40 - <=50 %		2 409	11%
>50 - <=60 %		1 791	8%
>60 - <=70 %		1 195	5%
Total		22 818	100%

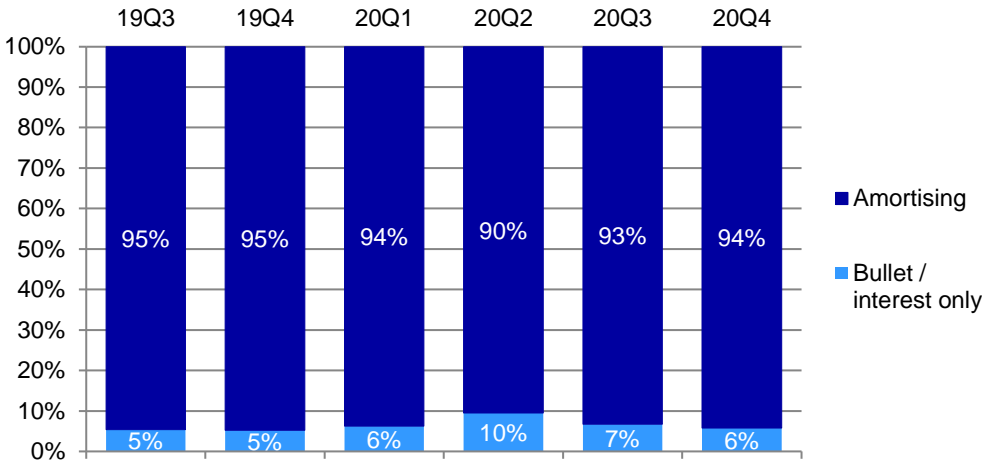
# Loan structure

Q4 2020

## Rate type



## Repayment



# Underwriting criteria

## Q4 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

## Q4 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)

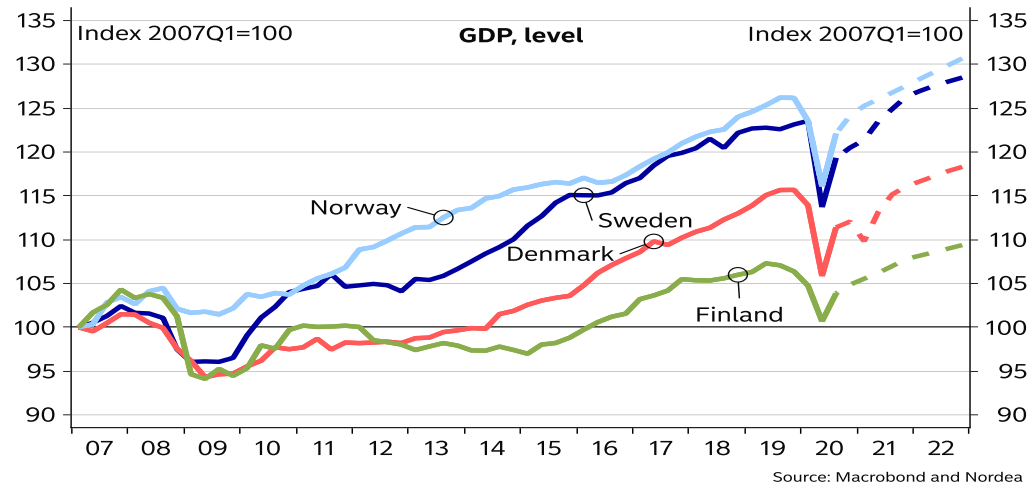
Q4 2020

- 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 – strong rebound in sight

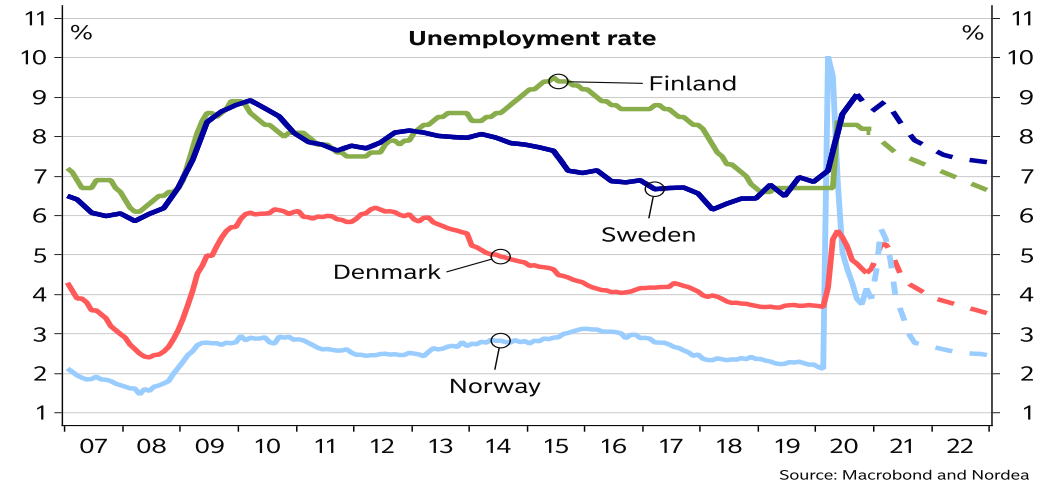
## GDP development



## Comments

- After the dramatic setback in 2020 due to the coronavirus, there appears to be light at the end of the tunnel for 2021
- While the second wave is hindering the recovery, vaccines are expected to bring long-awaited relief and the prospect of a return to normal. Nordic households' relatively strong finances pave the way for a broad recovery as pent-up demand unwinds when restrictions are lifted
- The labour market has showed resilience, largely due to government subsidies such as short-term furloughs. The hard-hit services sector will rebound swiftly, and GDP is expected to reach pre-crisis levels around towards late 2021

## Unemployment rate

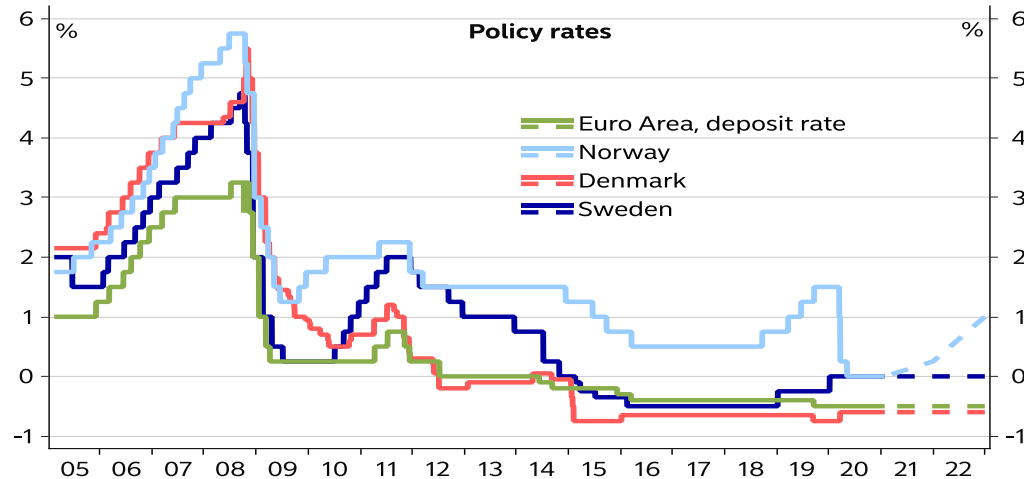


## GDP, forecasts from Economic Outlook January 2021

Country (% y/y)	2020E	2021E	2022E
Denmark	-3.7	2.5	3.5
Finland	-3.0	3.0	2.0
Norway	-3.4	2.7	4.3
Sweden	-2.9	4.0	3.0

# Nordic rates – Nordics well-equipped to handle the long-term consequences of COVID-19

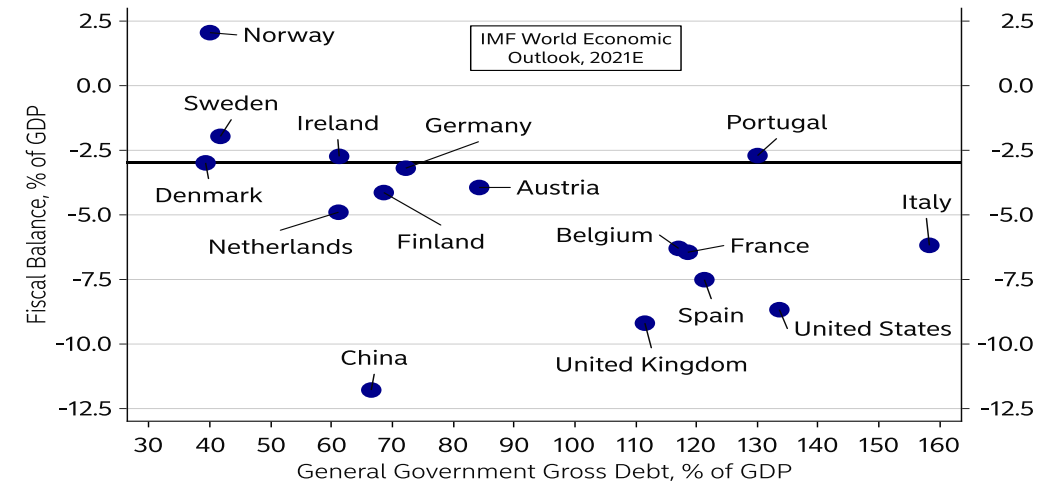
## Policy rates



## Comments

- In December, Norges Bank brought forward its first rate hike by more than six months and now expects to start hiking rates in early 2022. However, due to their conservative assumptions regarding the roll-out of vaccines, we expect the bank to raise the policy rate before the end of this year. This means that Norges Bank is likely to be the first central bank in the world to hike rates after the start of the pandemic. Policy rates in the Euro Area, Sweden and Denmark are expected to remain unchanged throughout the forecast period
- The Riksbank and ECB launched new large-scale asset purchase programmes (QE) as a response to the COVID-19 crisis. The ECB is expected to purchase financial assets to a corresponding 7% of Euro Area GDP in 2021, while the Riksbank's purchases amount to an expected 8% of GDP
- Solid public finances prior to the crisis have enabled the Nordic governments to act swiftly during the crisis, and large recovery packages have been announced in 2021 as well. Fiscal deficits are expected to narrow this year and approach zero in 2022 except for Finland. The Nordics are relatively well-equipped to handle the long-term consequences of the pandemic

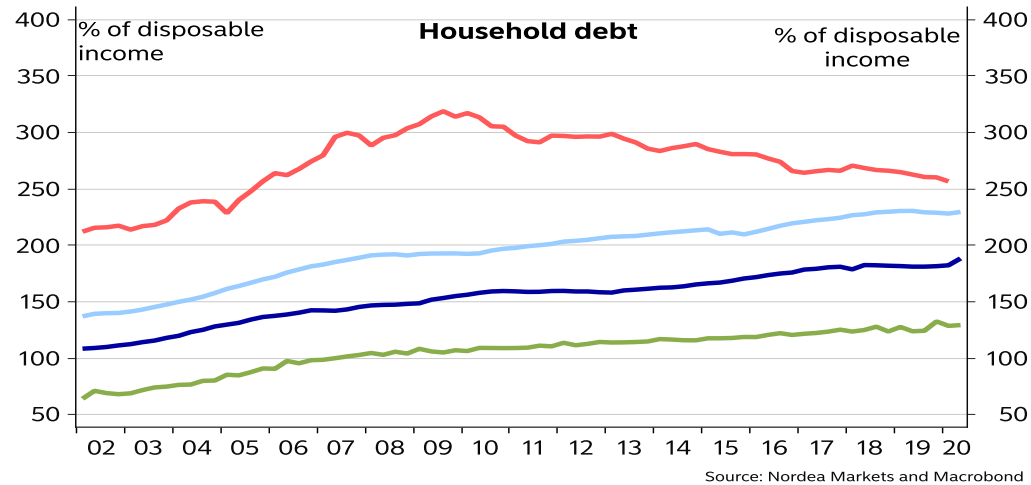
## Public balance/debt, % of GDP, 2021E



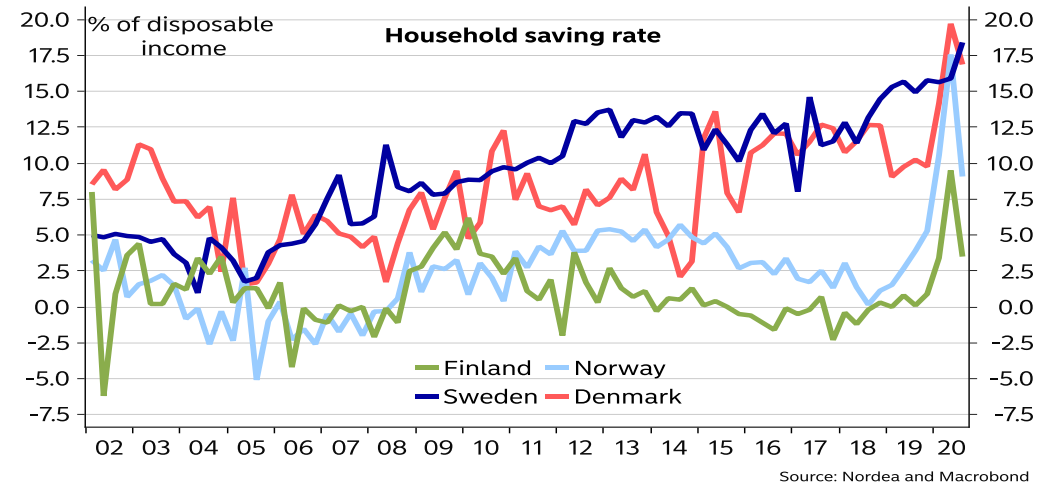


# Households remain resilient

## Household debt



## Household savings

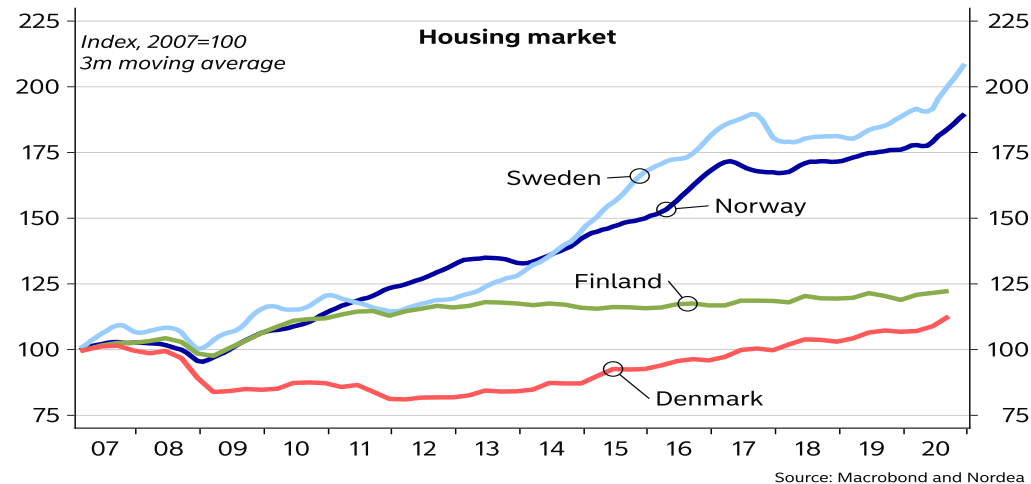


## Comments

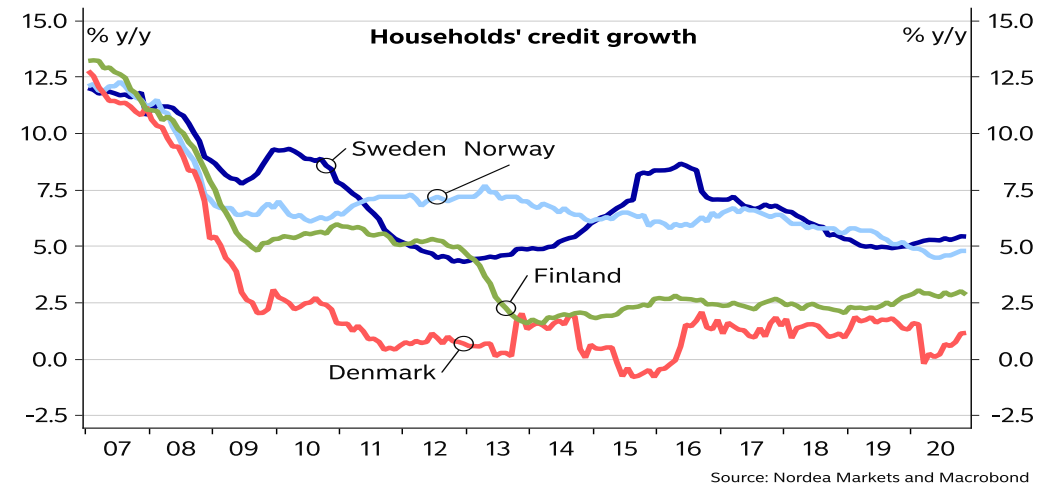
- Household savings have increased dramatically during the crisis, largely because of a decline in spending. Despite high debt levels, Nordic households' strong finances are expected to support economic growth as soon as restrictions are lifted. Low interest rates and economic stimulus continue to support credit growth and the housing market
- Early labour market measures, automatic stabilisers and other measures to stimulate demand help to soften the blow on households and businesses. Robust public finances prior to the crisis increase 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

# Nordic housing markets heat up

## House prices



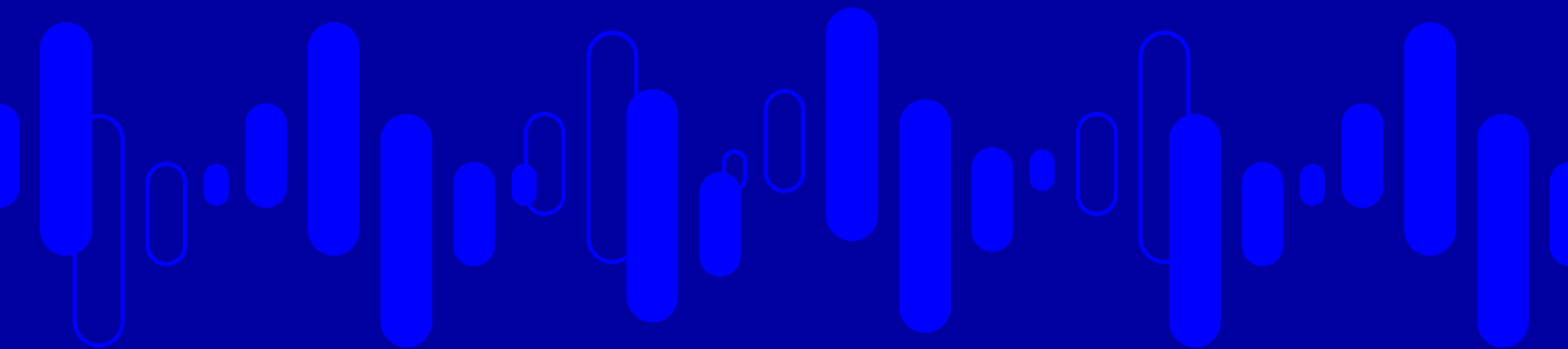
## Households' credit growth



## Comments

- Contrary to expectations, house prices have increased to record-high levels in all the Nordic countries during the crisis. This is not least because of unprecedented expansionary fiscal and monetary policy in support of households and businesses
- The crisis has had a limited effect on those groups on the labour market which are more active on the housing market, while demand has surged due to preferences shifting towards larger housing and single-family homes. At the same time, people's mobility has been severely restricted, causing a sharp decline in the number of homes on the market which in turn has contributed to driving prices higher
- House prices are expected to continue to rise in all four countries this year and next year. However, interest rates are not likely to go much lower, and at some point, the expansionary fiscal policies will come to an end. Moreover, as mobility levels increase, housing supply will increase again. Against this backdrop, the pace of price growth will slow. If the housing market remains in good shape, the economy will as well, so the benign trend in house prices helps all the Nordic countries to get through the crisis

# 6. Further information



# Nordea Mortgage Bank – outstanding benchmark covered bonds

Q4 2020

Breakdown by ISIN				
ISIN	Currency	Amount (EURm)	Maturity	Coupon
XS0591428445	EUR	1 000	2021-02-10	4
XS1554271590	EUR	1 500	2022-01-24	0,025
XS2157194643	EUR	6 000	2022-05-16	FRN
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>18 250</b>		

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