



# Nordea

## Nordea Mortgage Bank Covered Bonds

Q2 2018 Debt investor presentation

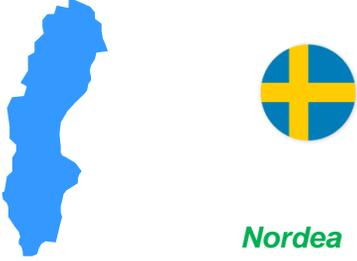
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# 1. In brief

# Nordea covered bond operations

Q2 2018

<p><i>Four aligned covered bond issuers with complementary roles</i></p>	 <p><b>Nordea Eiendomskreditt</b></p>	 <p><b>Nordea Hypotek</b></p>	 <p><b>Nordea Kredit</b></p>	 <p><b>Nordea Mortgage Bank</b></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 11.2bn (eq.)	EUR 52.5bn (eq.)	Balance principle	EUR 20.1bn
Covered bonds outstanding	EUR 8.9bn (eq.)	EUR 31.4bn (eq.)	EUR 52.9bn (eq.)	EUR 18.3bn
OC	26%	67%	CC1/CC2 27.3%/9%	10%
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

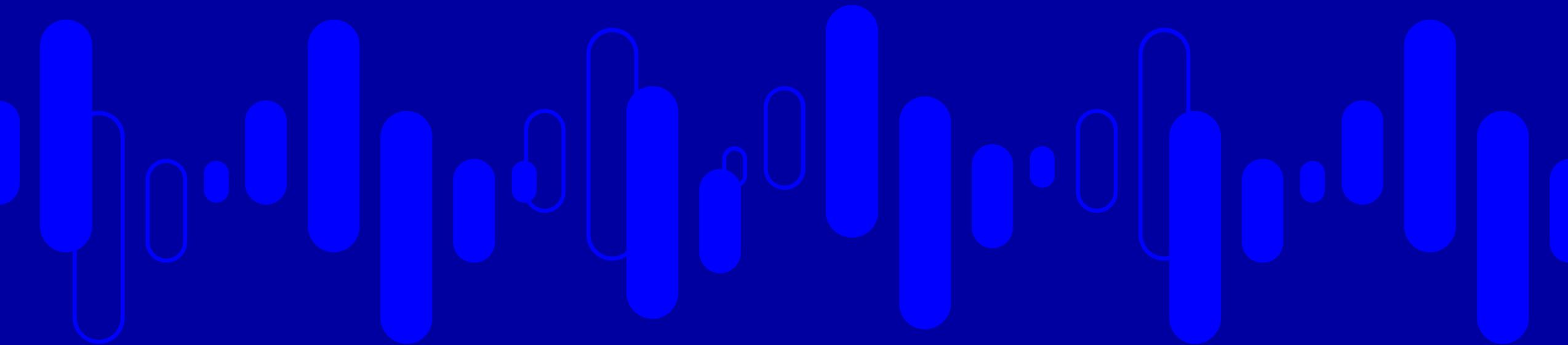


# Nordea Mortgage Bank Plc – overview

Q2 2018

- 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 and conservative Finnish housing market
- 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
- Covered bonds rated Aaa by Moody's

## 2. Cover pool characteristics



# Cover pool key characteristics

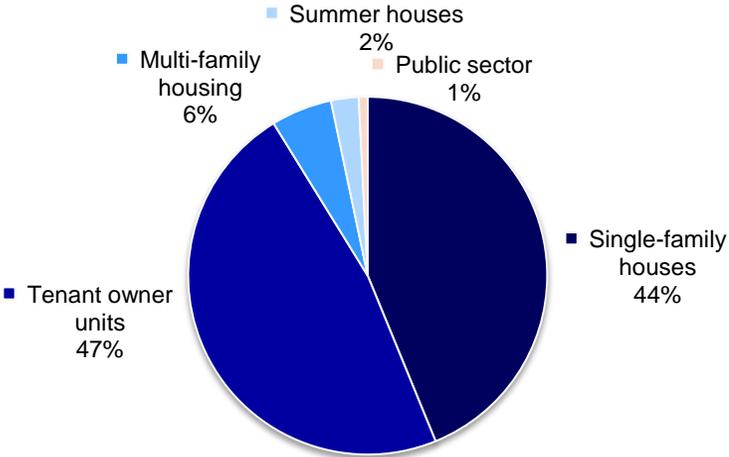
Q2 2018

Cover pool summary	
Pool notional	EUR 20.1bn
Outstanding Covered Bonds	EUR 18.3bn
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	99.2% residential, 0.8% public sector
Weighted average LTV	48.9% (indexed, calculated per property)
Average loan size*	EUR 63.0k
Over collateralisation, OC	9.5%
Rate type*	Fixed rate 1.9%, Floating rate 98.1%
Amortisation*	Bullet/ interest only 5.4%, Amortising 94.6%
Substitute assets	None
Pool type	Dynamic
Loans originated by	Nordea Bank Finland Plc / Nordea Bank AB (publ.) Finnish Branch

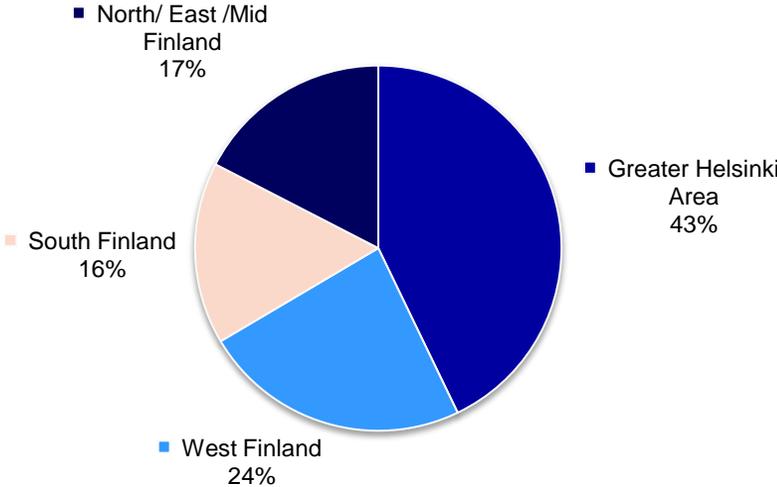
# Cover pool key characteristics (2)

Q2 2018

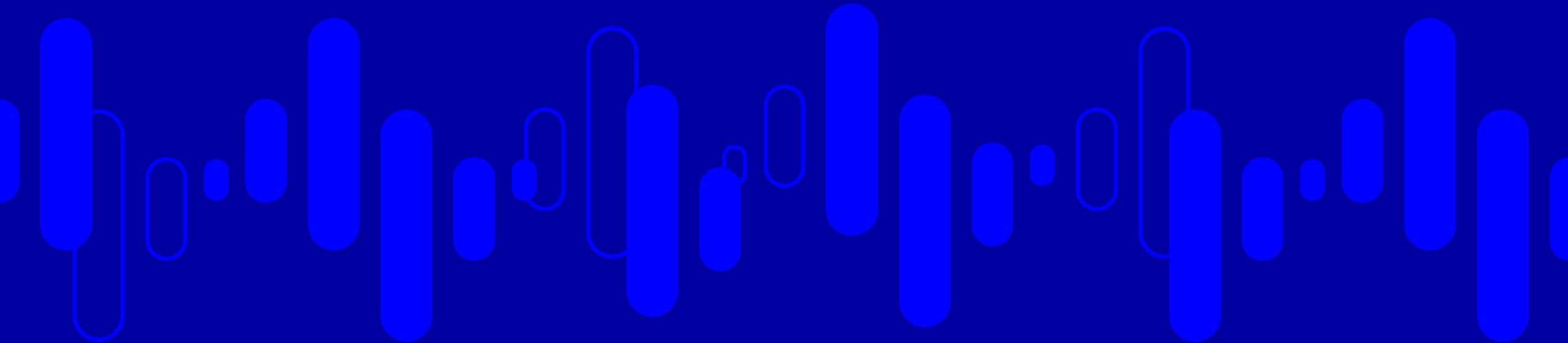
Cover pool balance by loan category



Cover pool balance by region



### 3. Asset quality



# Loan To Value (LTV)

Continuous distribution where each loan can exist in multiple buckets

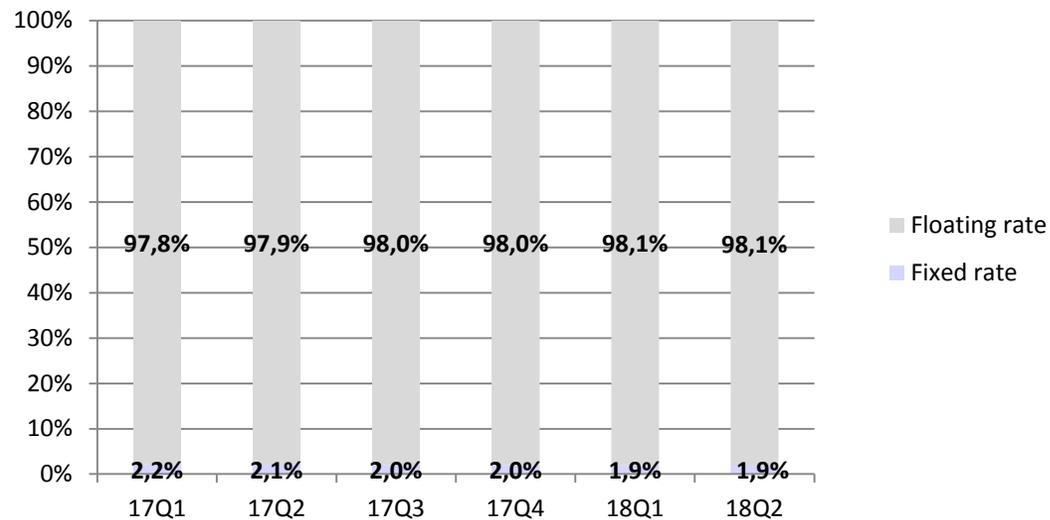
Q2 2018

<b>Weighted Average LTV – Unindexed</b>		<b>50.2%</b>	
<b>LTV buckets</b>	<b>Nominal (EURm)</b>		<b>% Residential Loans</b>
>0 - <=40 %	15 309		76,84%
>40 - <=50 %	2 102		10,55%
>50 - <=60 %	1 535		7,71%
>60 - <=70 %	976		4,90%
Total	19 922		100%
<b>Weighted Average LTV - Indexed</b>		<b>48.9%</b>	
<b>LTV buckets</b>	<b>Nominal (EURm)</b>		<b>% Residential Loans</b>
>0 - <=40 %	15 555		78,08%
>40 - <=50 %	2 024		10,16%
>50 - <=60 %	1 445		7,25%
>60 - <=70 %	898		4,51%
Total	19 922		100%

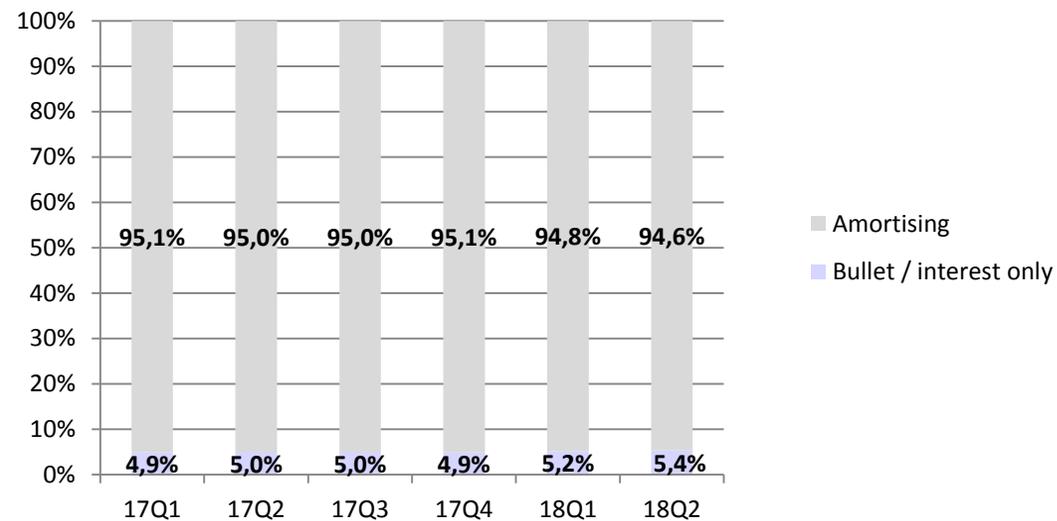
# Loan structure

Q2 2018

### Rate type



### Repayment



# Underwriting criteria

## Q2 2018

- 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 2018

- 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)

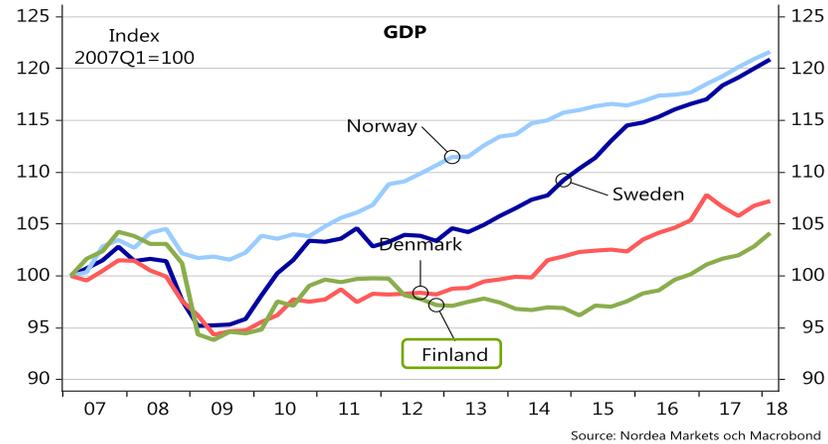
Q2 2018

- 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

# Prospering Nordic economies

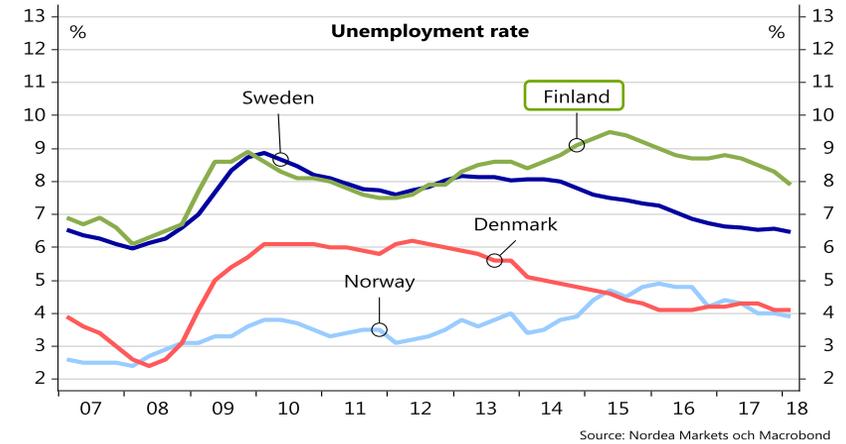
## GDP development



## Comments

- The Nordics are enjoying an economic tailwind. While the synchronized global recovery raise exports, the accommodative monetary polices support domestic demand
- Short-term survey indicators remain upbeat, which suggests growth will be held up in the near-term

## Unemployment rate



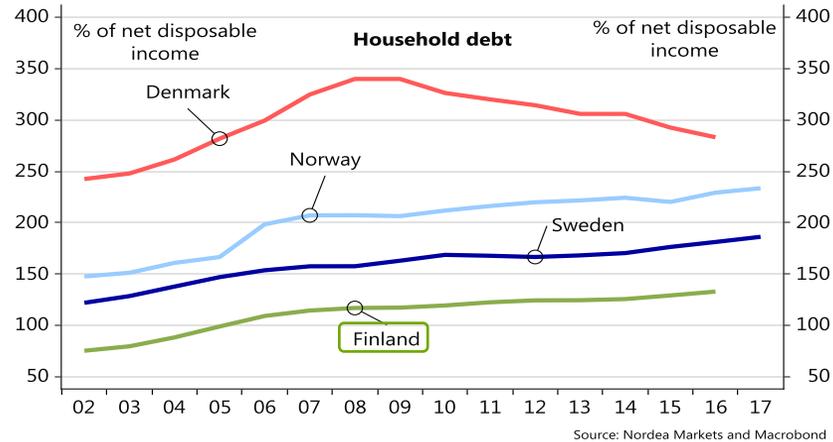
## GDP forecast, %

Country	2015	2016	2017	2018E	2019E
Denmark	1.6	2.0	2.2	1.8	1.7
Finland	0.1	2.1	2.6	3.0	2.5
Norway	1.4	1.0	1.8	2.4	2.4
Sweden	4.3	3.0	2.7	2.5	1.9

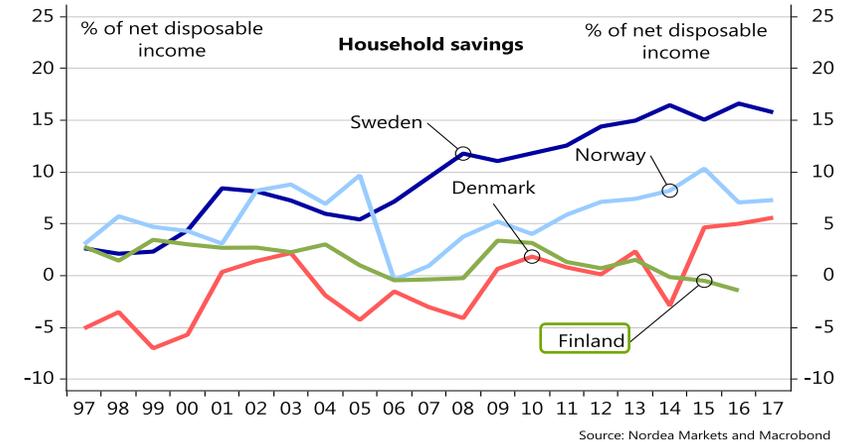
Source: Nordea Markets Economic Outlook April 2018 and Macrobond

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

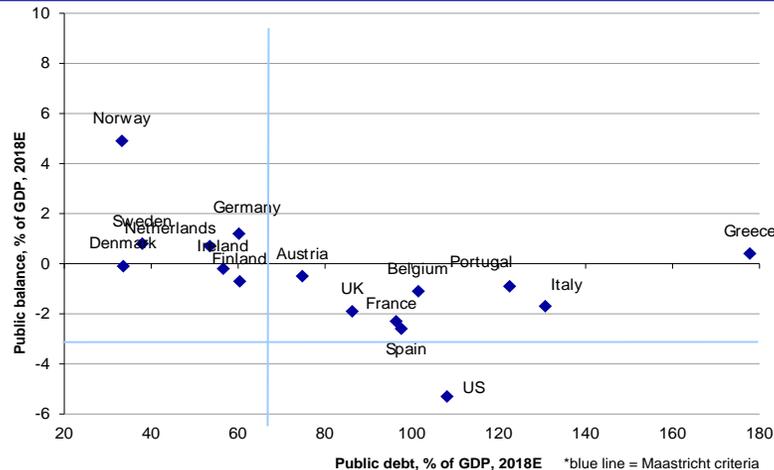
## Household debt



## Household savings



## Public balance/debt, % of GDP, 2018E

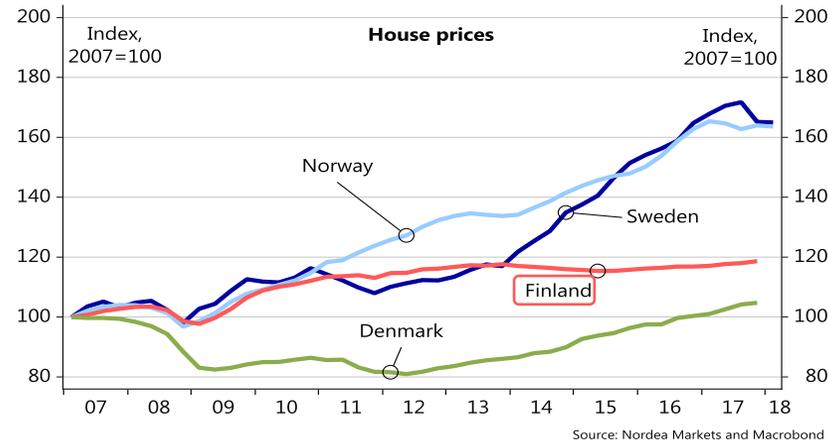


## Comments

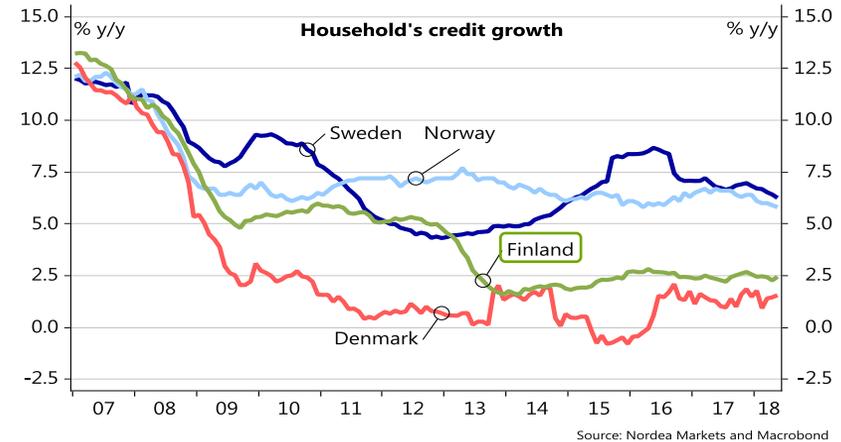
- In all countries, apart from Denmark, household debt continues to rise somewhat faster than income. Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined somewhat in recent years
- The Nordic public finances are robust due to the overall economic recovery and relatively strict 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
- In Sweden house prices declined during H2 2017 but the trend has levelled out in H1 2018, despite increased regulations which was expected to put downward pressure on house prices. The price correction is probably caused by the marked rise in new buildings seen in recent years. Going forward, largely stagnant prices are expected as mortgage rates are expected to stay low
- In Norway, primarily in Oslo, house prices turned down during 2017. The downturn was primarily driven by stricter lending requirements introduced 1 January 2017. However, prices have levelled out, and even increased somewhat in Oslo, in recent months. Largely unchanged prices are forecast ahead

## 6. Further information

# Nordea Mortgage Bank – outstanding benchmark covered bonds

Q2 2018

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
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
XS1204140971	EUR	1 000	2027-03-17	0,625
XS1784071042	EUR	750	2033-02-28	1,375
	<b>Total</b>	<b>16 500</b>		

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