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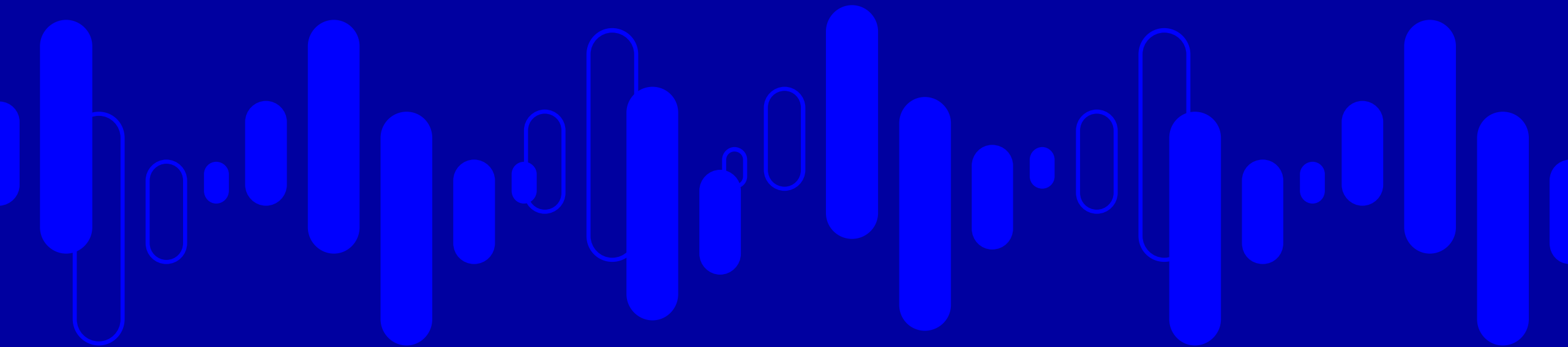
1. In brief

Nordea Mortgage Bank Plc – overview

Q2 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

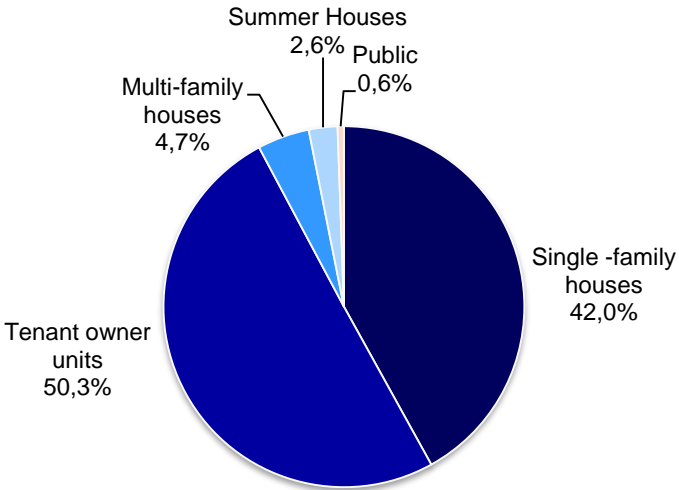
Q2 2020

Cover pool summary	
Pool notional	EUR 22.3bn
Outstanding Covered Bonds	EUR 19.8bn
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*	50.2% (indexed, calculated per property)
Average loan size*	EUR 68.2k
Over collateralisation, OC	13%
Rate type**	Fixed rate 1.4%, Floating rate 98.6% (29.7% capped)
Amortisation**	Bullet/ interest only 9.5%, Amortising 90.5%
Substitute assets	None
Pool type	Dynamic
Loans originated by	Nordea Bank Abp (as of 1 October 2018)

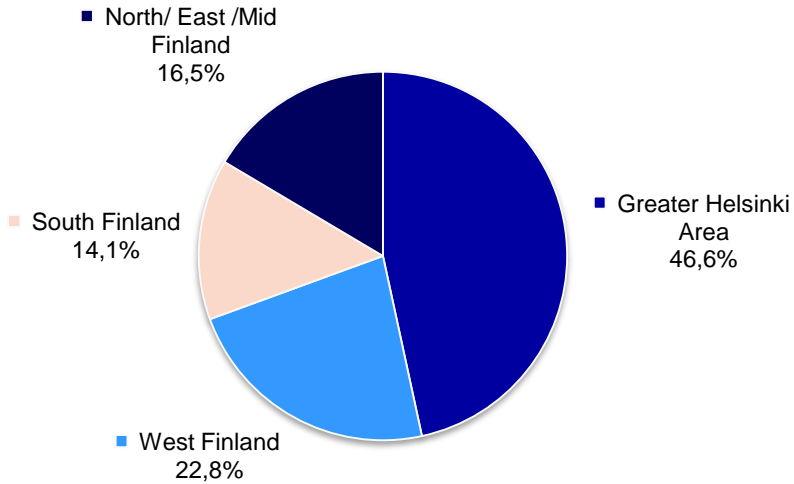
Cover pool key characteristics (2)

Q2 2020

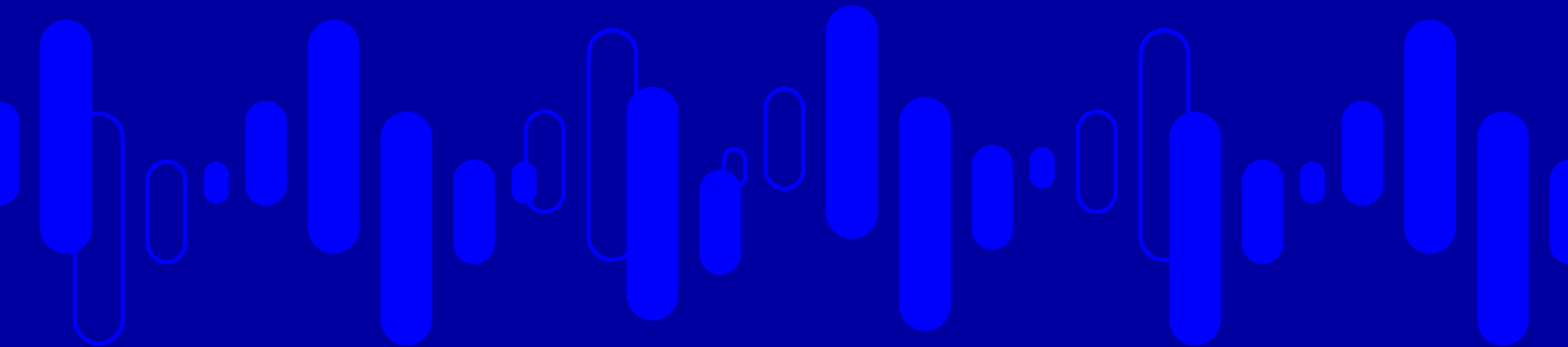
Cover pool balance by loan category



Cover pool balance by region



3. Asset quality



Loan To Value (LTV)

Continuous distribution where each loan can exist in multiple buckets

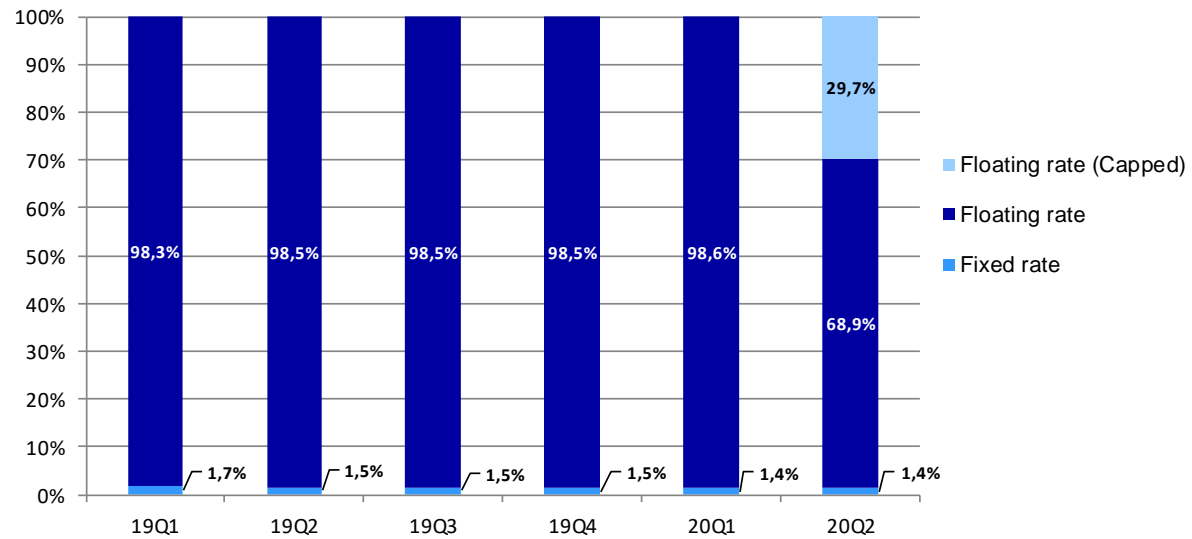
Q2 2020

Weighted Average LTV – Unindexed		51.5%	
LTV buckets	Nominal (EURm)		% Residential Loans
>0 - <=40 %	16 791		76%
>40 - <=50 %	2 407		11%
>50 - <=60 %	1 806		8%
>60 - <=70 %	1 200		5%
Total	22 204		100%
Weighted Average LTV - Indexed		50.2%	
LTV buckets	Nominal (EURm)		% Residential Loans
>0 - <=40 %	17 080		77%
>40 - <=50 %	2 317		10%
>50 - <=60 %	1 698		8%
>60 - <=70 %	1 108		5%
Total	22 204		100%

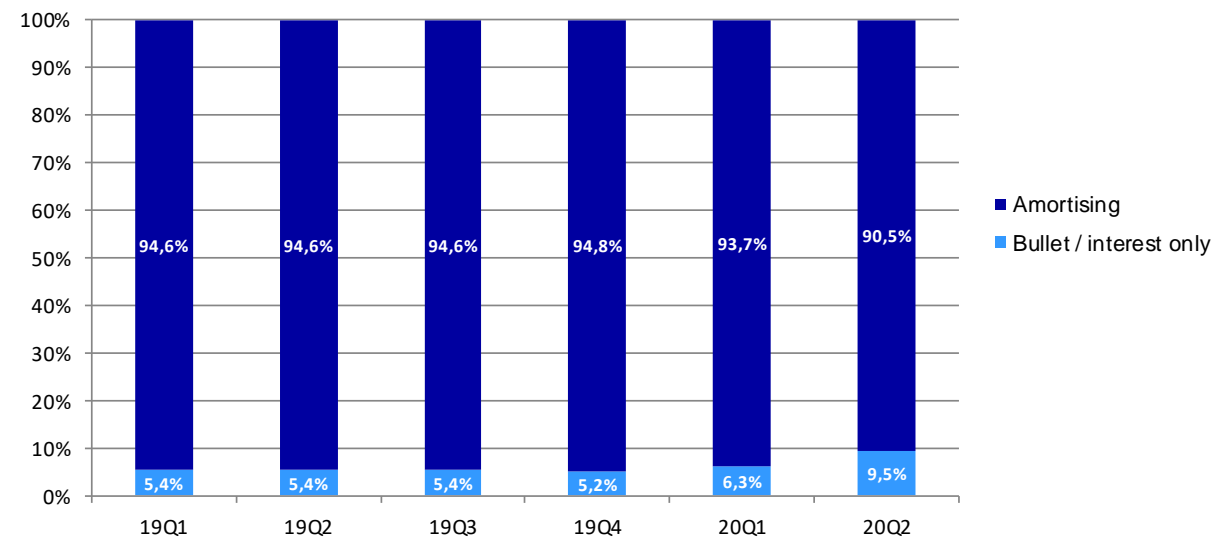
Loan structure

Q2 2020

Rate type



Repayment



Underwriting criteria

Q2 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

Q2 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)

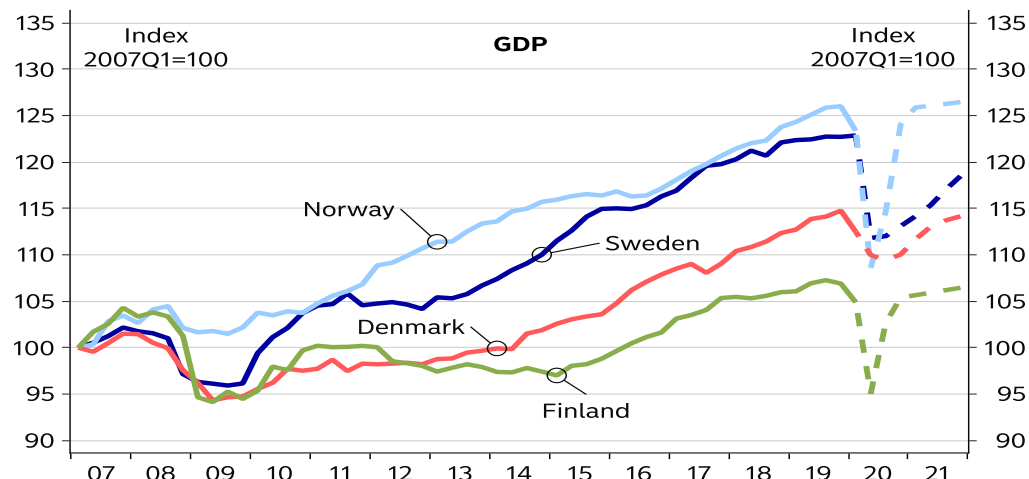
Q2 2020

- 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

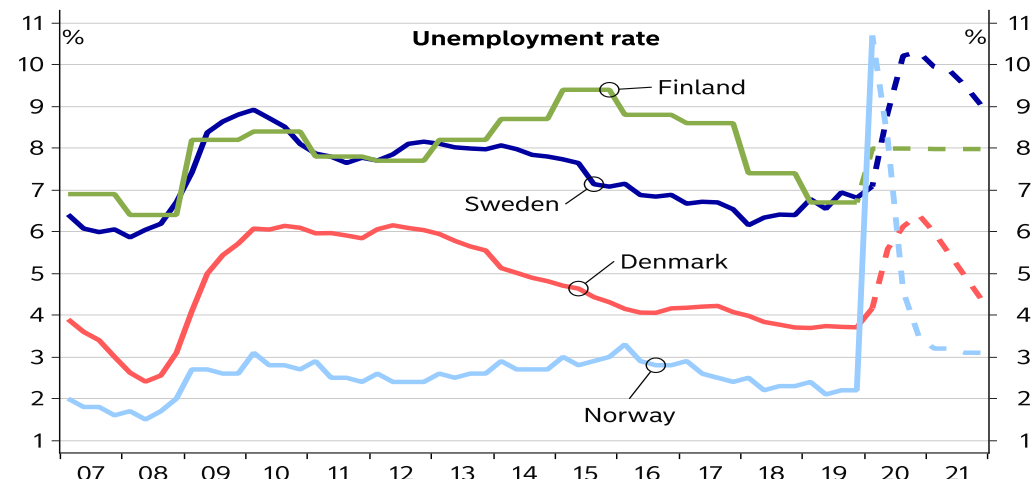
GDP development



Comments

- Lockdowns to halt the spread of Covid-19 have had enormous financial costs worldwide, and the Nordic economies are no exception.
- However, the Nordics are relatively well equipped to deal with the long-term consequences of the pandemic, thanks to solid public finances.
- In Sweden, the domestic economy is showing signs of resilience, while Finland's household consumption continues to recover. The Danish economy is in better shape now compared to past crises, and the interest rate has been a powerful tool in Norway.

Unemployment rate

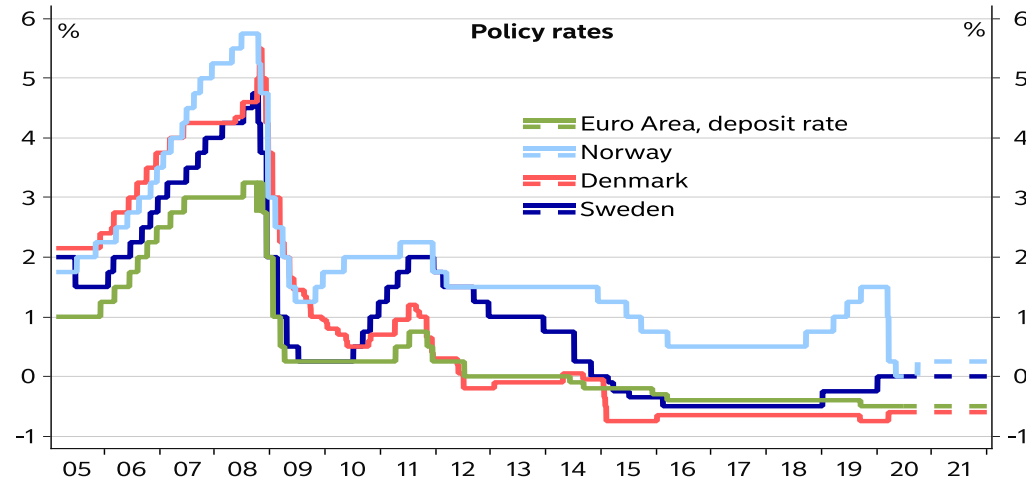


GDP, %, baseline scenarios

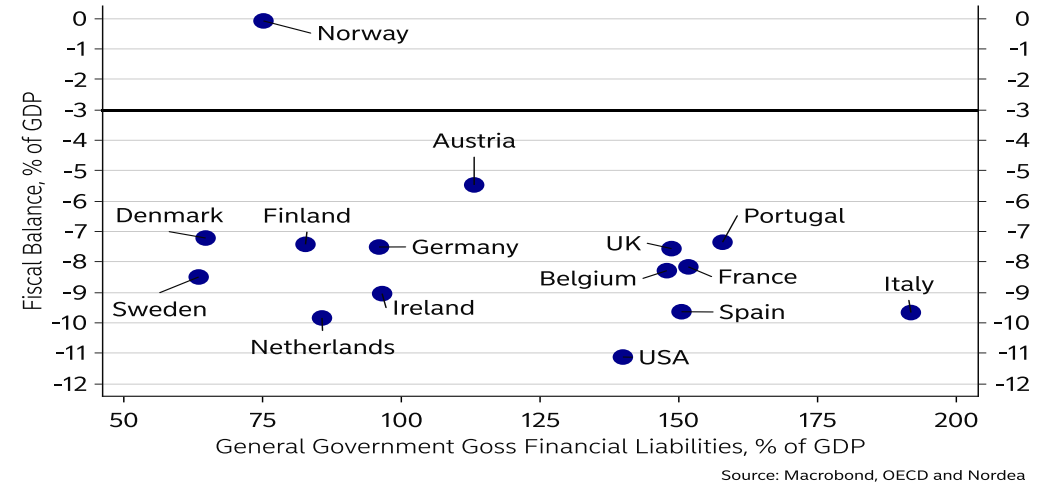
Country	2018	2019E	2020E	2021E
Denmark	2.4	2.4	-5.0	4.0
Finland	1.6	1.0	-7.0	4.0
Norway	2.2	2.3	-6.0	4.0
Sweden	2.3	1.3	-6.0	4.0

Nordic rates – low for very long

Policy rates



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

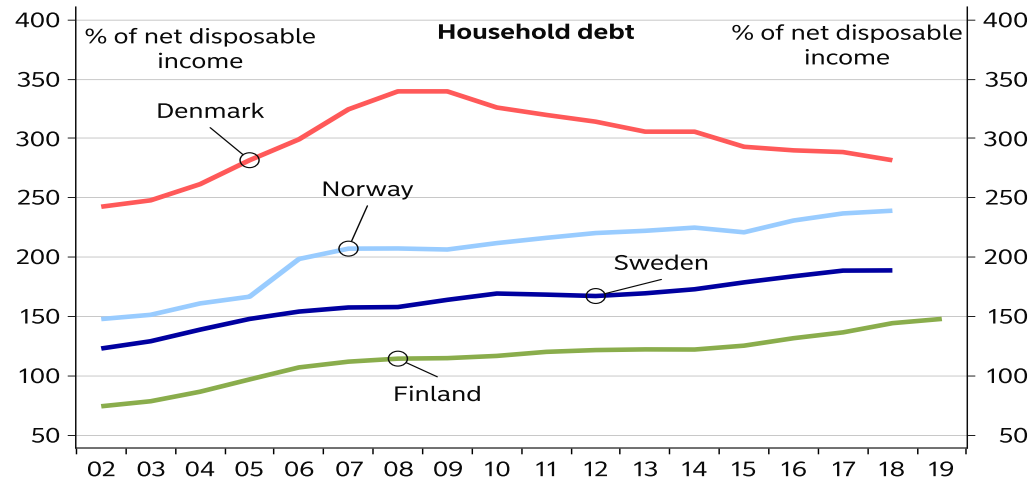


Comments

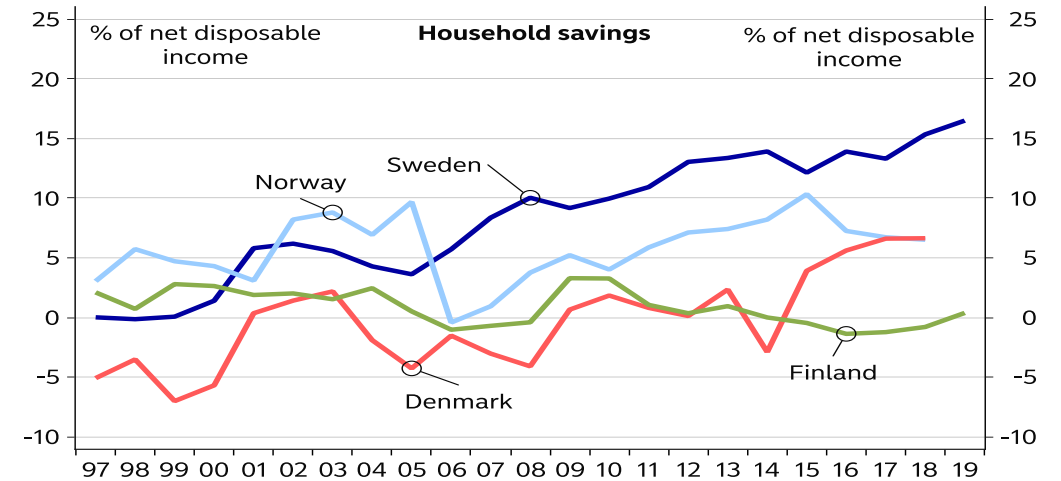
- Norway has seen three rate cuts totalling 150 bp in two months. Policy rates have been left unchanged in Sweden and the Euro Area while Denmark hiked the interest rate marginally due to technical reasons. Liquidity measures have been ramped up by all central banks, and the governments have launched large fiscal packages to cushion the fall. More relaxed macroprudential policy has been imposed as well, though e.g. a temporary pause of amortization rules in Sweden and reduced capital requirements for Finnish financial institutions. Monetary and fiscal policy will remain accommodative for a long time.
- The Riksbank and ECB have launched new large-scale asset purchase programmes (QE) as a response to the corona crisis. The ECB is expected to purchase financial assets to a corresponding 12 percent of Euro Area GDP this year, while the Riksbank's purchases amount to 8 percent of GDP. All together, global ultra-expansionary monetary policy has contributed to calming and stabilizing international markets amidst the crisis.
- Nordic public finances were in good shape prior to the crisis and governments stood ready to act swiftly. Lower revenue and increased spending will lead to large fiscal deficits this year, hence prompting governments debt/GDP ratios to balloon. However, Nordic public finances will remain in a favorable position and are well-equipped to handle the long-term consequences of the pandemic.

Household debt remains high, but so are private and public savings

Household debt



Household savings

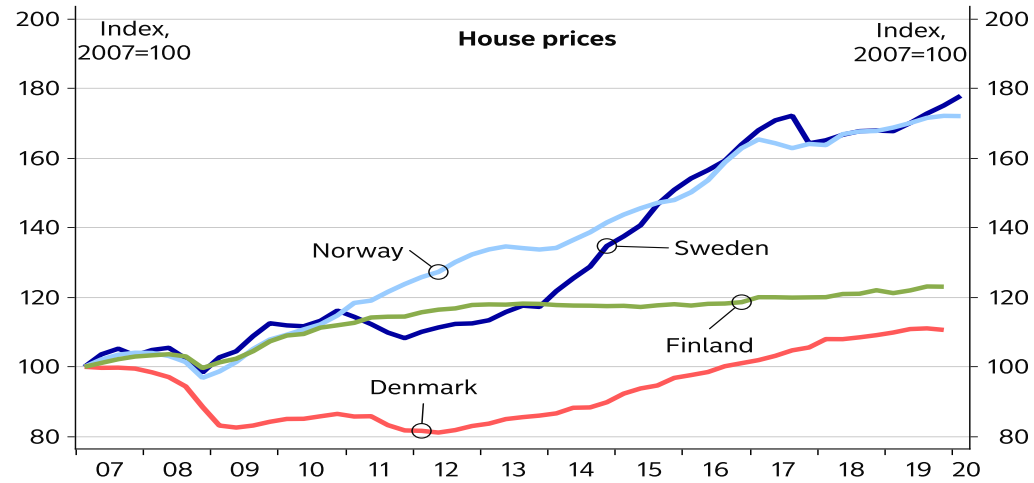


Comments

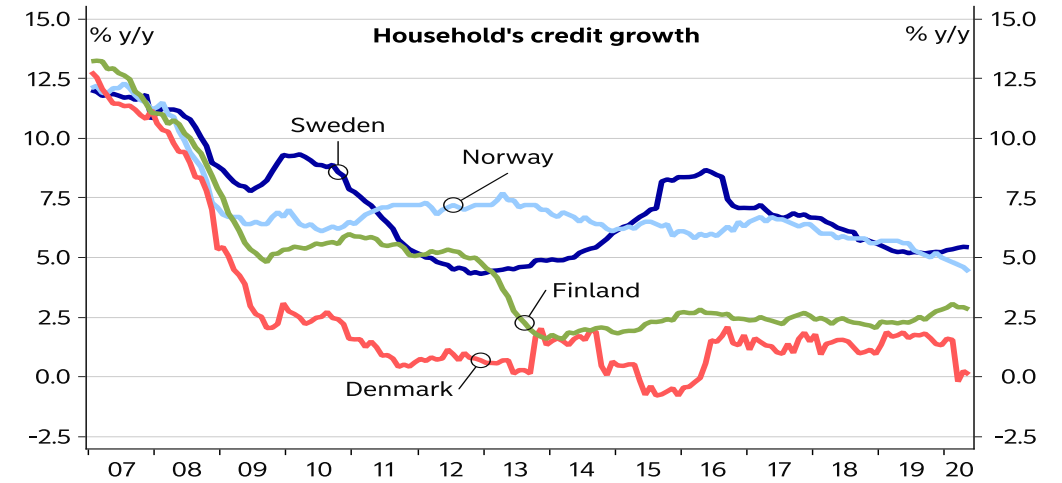
- Household debt is likely to level off in the coming year, in line with decelerating activity on the housing market. However, the debt ratio remains at elevated levels in all countries, supported by low interest rates. Uncertainty and higher unemployment will lead to increased precautionary savings, which is likely to dampen the economic recovery.
- Early labor market measures, automatic stabilizers and other measures to stimulate demand help to soften the blow on households. Robust public finances prior to the crisis increases the credibility of the measures and harsh fiscal tightening is neither needed in the short term nor expected, which is important for household's income expectations.

House price development in the Nordics

House prices



Household 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. Low interest rates, accommodative central banks and reduced supply should limit the downside in the short term.
- If the economic outlook would worsen, key risks are found in the housing market as steep declines would cause severe stress in the financial system and result in long-term stagnation of the economy. Holiday homes are particularly price-sensitive but the negative effect is expected to be partly offset by increased demand as a result of changes in travel patterns.

6. Further information

Nordea Mortgage Bank – outstanding benchmark covered bonds

Q2 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
	Total	18 250		

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