

Nordea

Nordea Mortgage Bank Covered Bonds
Q4 2018 Debt investor presentation

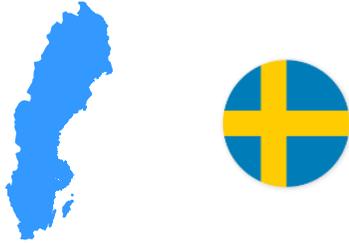
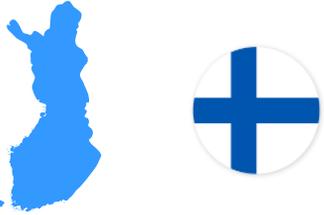


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1. In brief

Nordea covered bond operations

<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/SDRO	Finnish
Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
Cover pool size	EUR 10.1bn (eq.)	EUR 51.9bn (eq.)	Balance principle	EUR 19.8bn
Covered bonds outstanding	EUR 8.4bn (eq.)	EUR 30.9bn (eq.)	EUR 51.9bn (eq.)	EUR 16.7bn
OC	21%	68%	CC1/CC2 31%/11%	19%
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

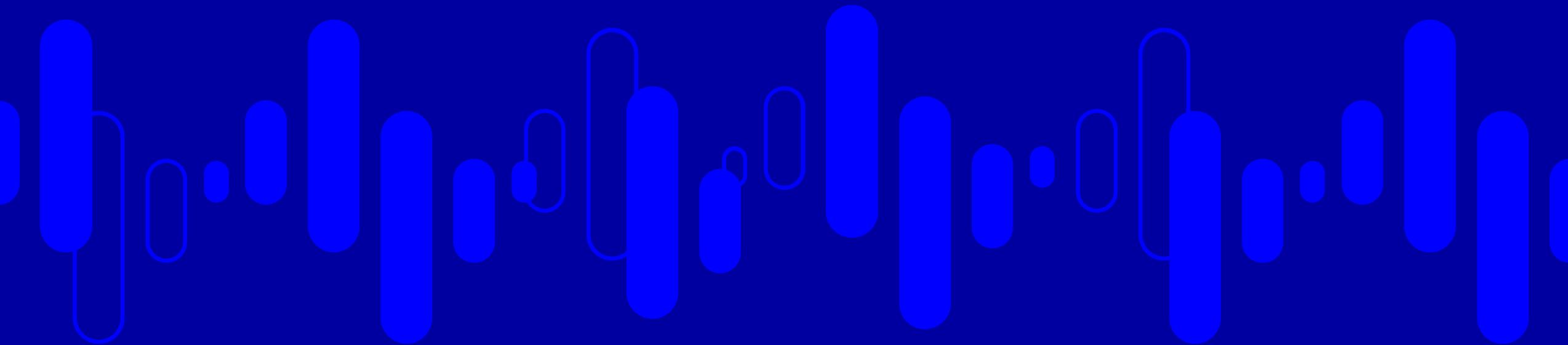


Nordea Mortgage Bank Plc – overview

Q4 2018

- 100% owned subsidiary of Nordea Bank Abp (as of October 1st) - 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

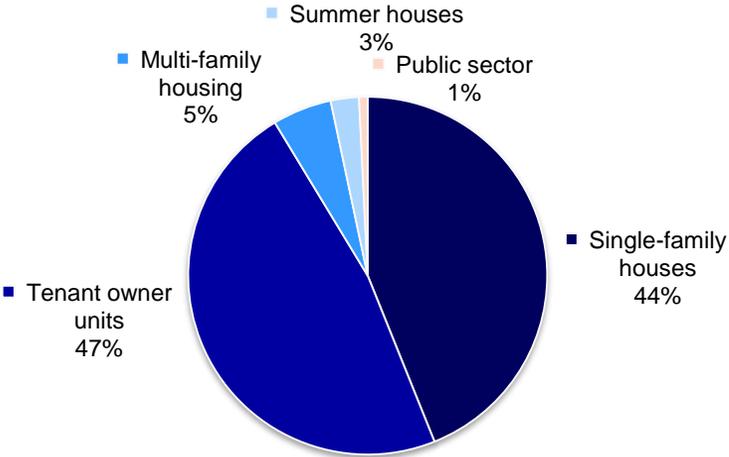
Q4 2018

Cover pool summary	
Pool notional	EUR 19.8bn
Outstanding Covered Bonds	EUR 16.7bn
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	48.5% (indexed, calculated per property)
Average loan size*	EUR 63.0k
Over collateralisation, OC	18.5%
Rate type*	Fixed rate 1.8%, Floating rate 98.2%
Amortisation*	Bullet/ interest only 5.1%, Amortising 94.9%
Substitute assets	None
Pool type	Dynamic
Loans originated by	Nordea Bank Abp (as of 1 October 2018)

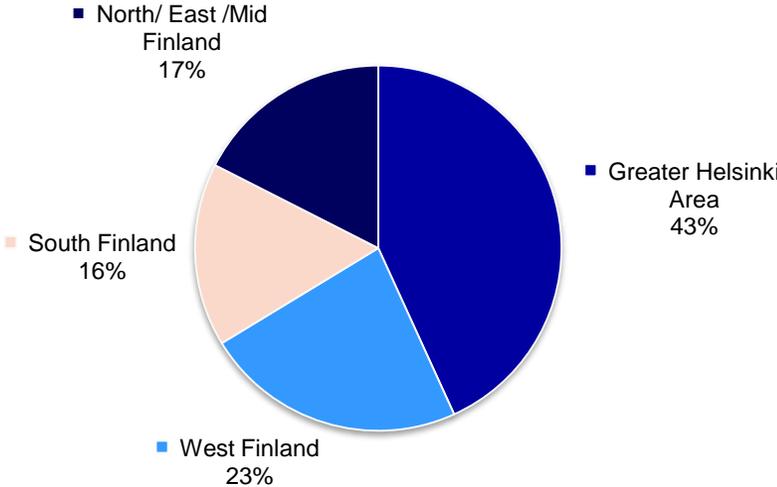
Cover pool key characteristics (2)

Q4 2018

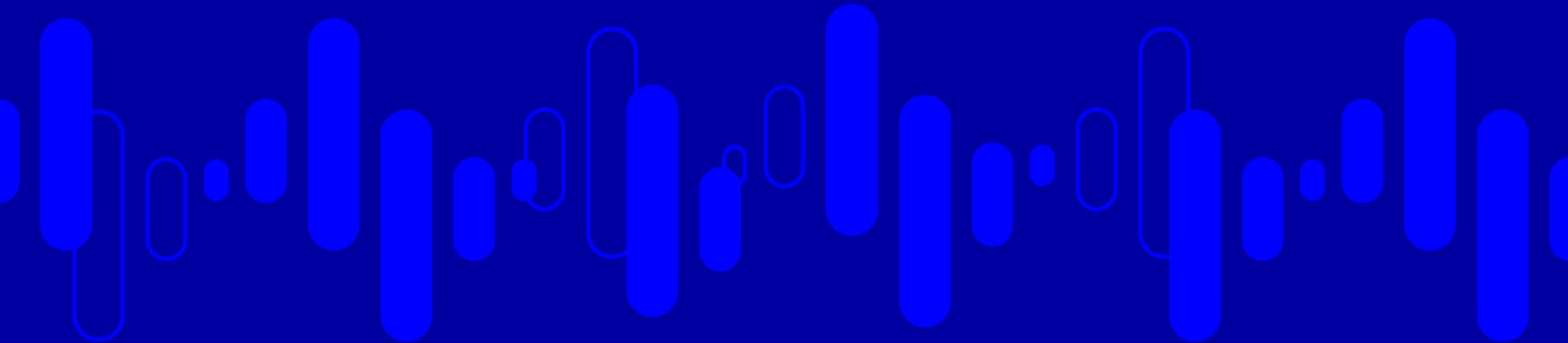
Cover pool balance by loan category



Cover pool balance by region



3. Asset quality



Loan To Value (LTV)

Continuous distribution where each loan can exist in multiple buckets

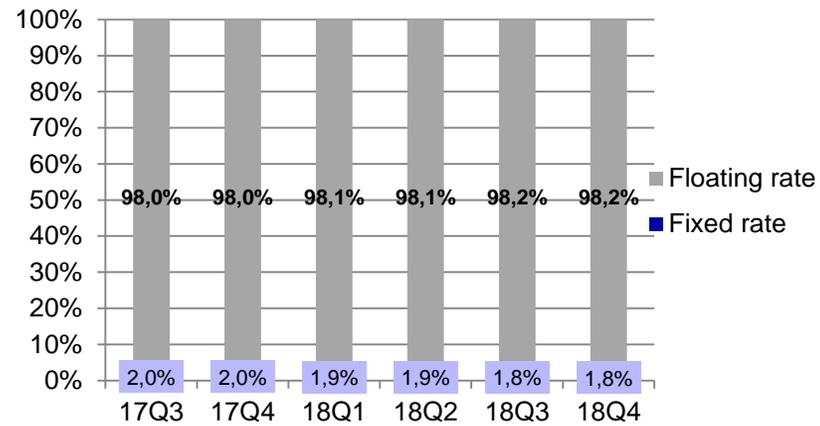
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Weighted Average LTV – Unindexed		50.0%	
LTV buckets	Nominal (EURm)	% Residential Loans	
>0 - <=40 %	15 107	77,05%	
>40 - <=50 %	2 054	10,47%	
>50 - <=60 %	1 498	7,64%	
>60 - <=70 %	948	4,84%	
Total	19 607	100%	
Weighted Average LTV - Indexed		48.5%	
LTV buckets	Nominal (EURm)	% Residential Loans	
>0 - <=40 %	15 394	78,51%	
>40 - <=50 %	1 968	10,04%	
>50 - <=60 %	1 391	7,09%	
>60 - <=70 %	854	4,35%	
Total	19 607	100%	

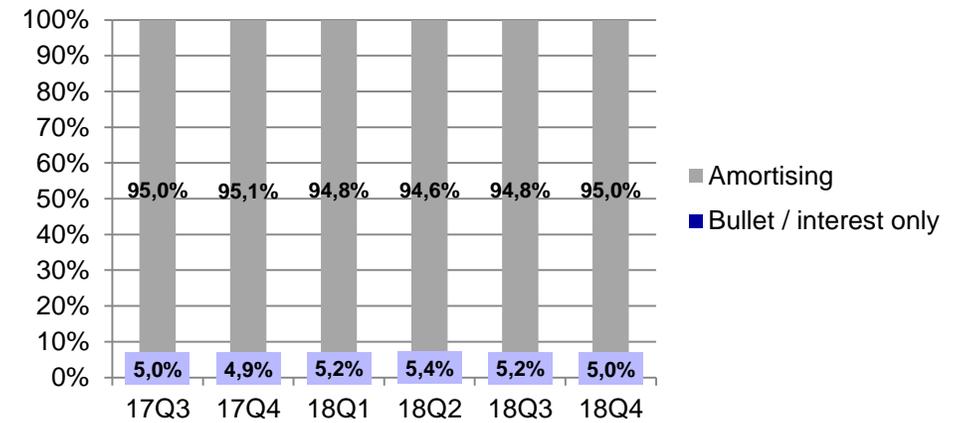
Loan structure

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Rate type



Repayment



Underwriting criteria

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- 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 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)

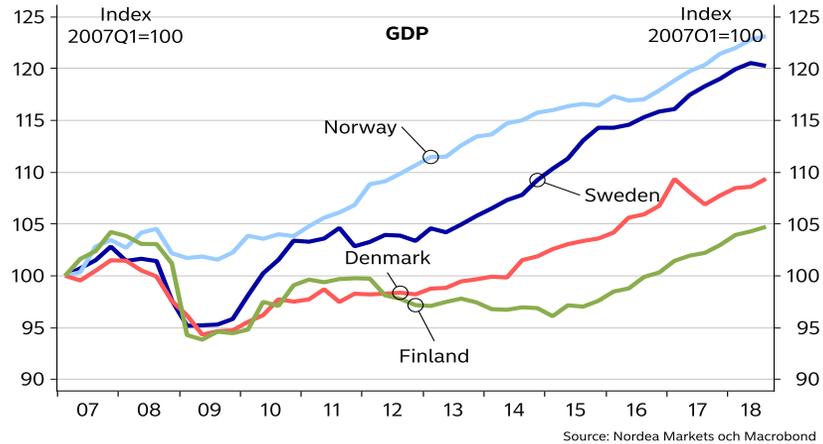
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- Bankruptcy remoteness and preferential claim
 - Isolation of registered collateral assets, registered derivatives from all other assets and liabilities of the insolvent issuer
 - Holders of covered bonds together with counterparties of registered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

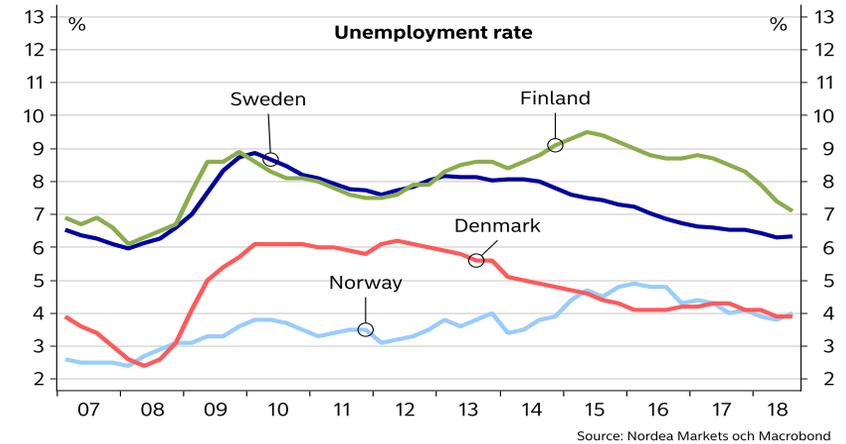
GDP development



Comments

- The Nordics have enjoyed a solid economic development in recent years. The global economy slowed down during the autumn and especially in the Euro-Area. Monetary policy has shifted to be less supportive. This has affected the Nordics to various extent. Sweden and Finland have been most hit as being more dependant on exports.
- Short-term survey indicators have declined, but from elevated levels, suggesting that growth will remain decent in the near-term and that a major slowdown of the economies is not imminent.

Unemployment rate



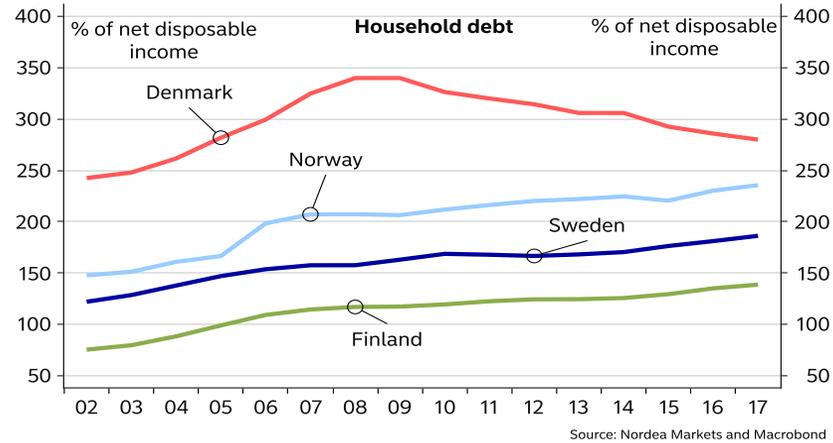
GDP forecast, %

Country	2016	2017	2018E	2019E	2020E
Denmark	2.4	2.3	0.9	1.8	1.7
Finland	2.5	2.8	2.3	1.5	1.0
Norway	1.1	2.0	2.5	2.6	2.1
Sweden	2.4	2.4	2.3	1.0	1.3

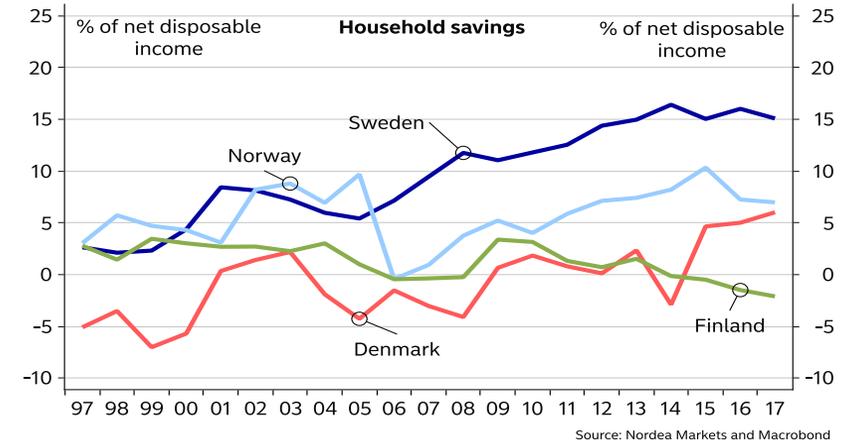
Source: Nordea Markets Economic Outlook January 2019 and Macrobond

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

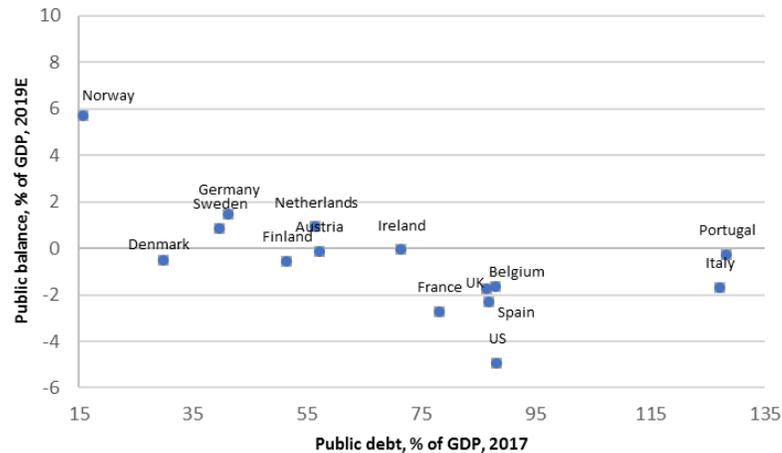
Household debt



Household savings



Public balance/debt, % of GDP, 2019E

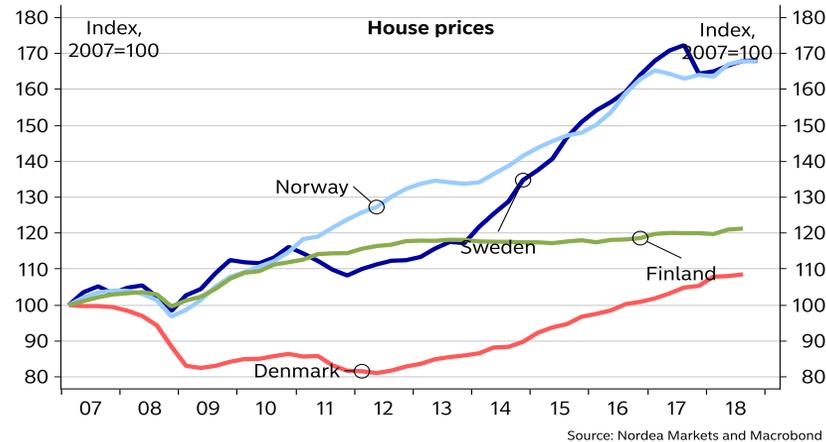


Comments

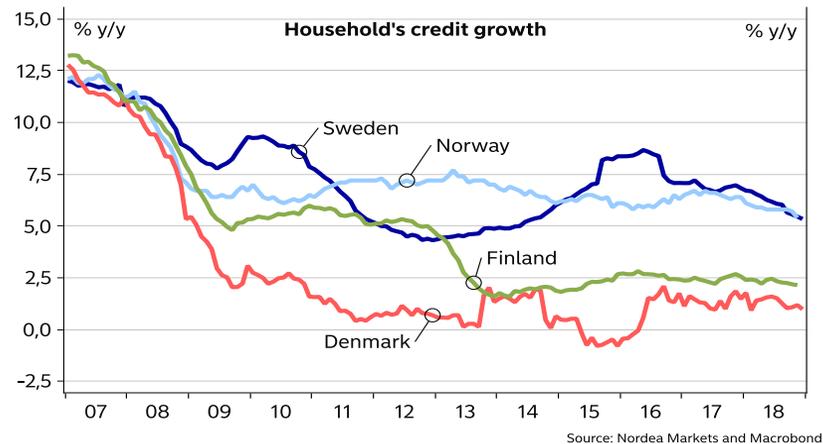
- In all countries, apart from Denmark, household debt continues to rise somewhat faster than income. Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined somewhat in recent years.
- The Nordic public finances are robust due to the overall economic 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 2018. The price correction was probably due to the marked rise in new buildings as well as the FSA's additional amortization requirement (March 2018). Going forward we expect house prices to remain stable as mortgage rates will remain low even though we see risks on the downside.
- 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. Largely unchanged prices are forecast ahead.

6. Further information

Nordea Mortgage Bank – outstanding benchmark covered bonds

Q4 2018

Breakdown by ISIN				
ISIN	Currency	Amount (EURm)	Maturity	Coupon
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
	Total	16 500		

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