

Nordea



Nordea Mortgage Bank Covered Bonds

Q1 2018 Debt investor presentation

Nordea Mortgage Bank Plc – overview

Q1 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 Finnish housing market
- Covered bonds to be issued are expected to be rated Aaa by Moody's, outstanding covered bonds are rated Aaa
- 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

Cover pool key characteristics

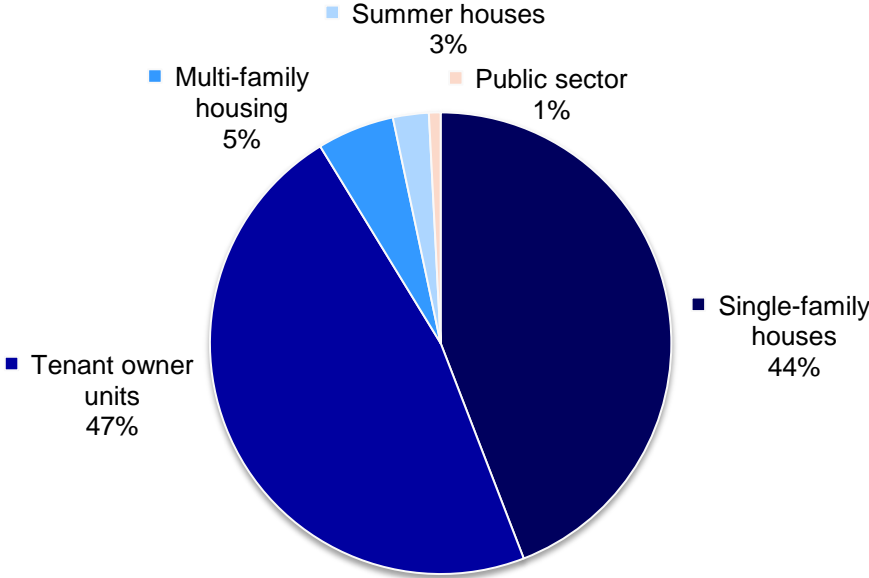
Q1 2018

Pool notional	EUR 20.4bn
Outstanding Covered Bonds	EUR 17.4bn
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	48.8% (indexed, calculated per property)
Average loan size*	EUR 63.1k
Over collateralisation, OC	17.3%
Rate type*	Fixed rate 1.9%, Floating rate 98.1%
Amortization*	Bullet/ interest only 5.2%, Amortizing 94.8%
Substitute assets	None
Pool type	Dynamic
Loans originated by	Nordea Bank Finland Plc / Nordea Bank AB (publ), Finnish Branch

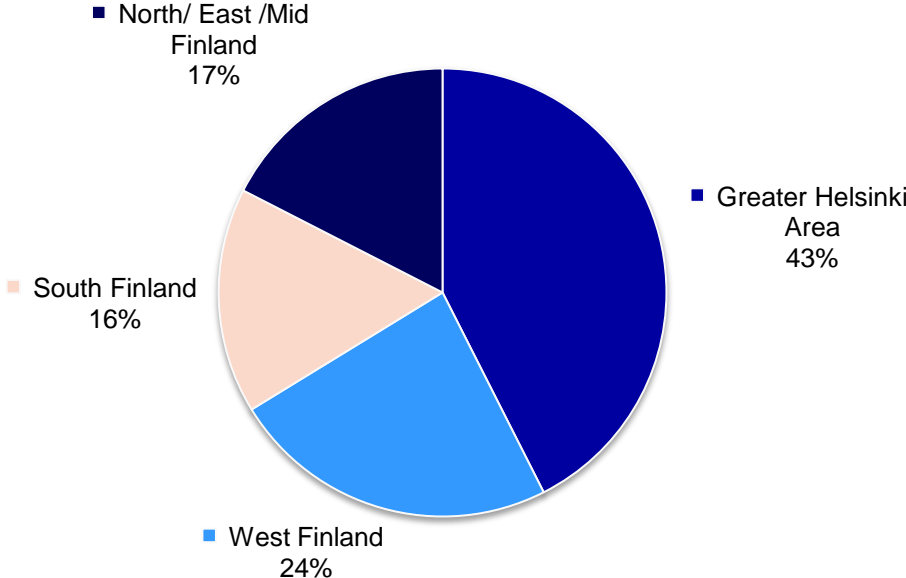
Cover pool key characteristics (2)

Q1 2018

Cover pool balance by loan category



Cover pool balance by geographical area



Loan To Value (LTV)

Continuous distribution where each loan can exist in multiple buckets

Q1 2018

Weighted Average LTV – Unindexed	50.4%	
LTV buckets	Nominal (EURm)	% Residential Loans
>0 - <=40 %	15 470	76,61%
>40 - <=50 %	2 144	10,62%
>50 - <=60 %	1 574	7,80%
>60 - <=70 %	1 004	4,97%
Total	20 194	100%
Weighted Average LTV - Indexed	48.8%	
LTV buckets	Nominal (EURm)	% Residential Loans
>0 - <=40 %	15 793	78,21%
>40 - <=50 %	2 056	10,18%
>50 - <=60 %	1 457	7,22%
>60 - <=70 %	888	4,40%
Total	20 194	100%

Nordea Mortgage Bank – outstanding benchmark covered bonds

Q1 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
XS1204140971	EUR	1 000	2027-03-17	0,625
XS1784071042	EUR	750	2033-02-28	1,375
	Total	15 500		

Underwriting criteria – harmonised Nordea Group policy

Q1 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

Finnish covered bond framework

Q1 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)

Q1 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