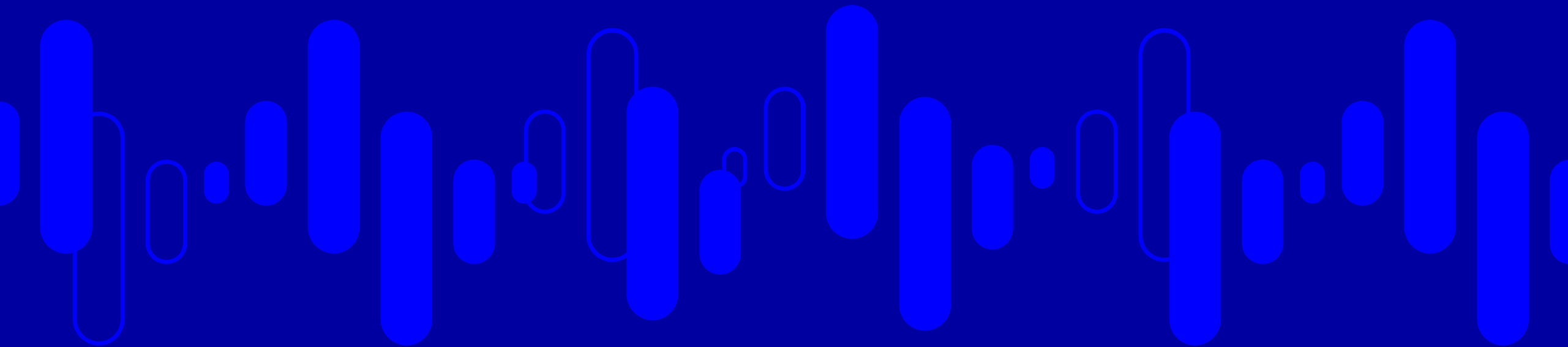


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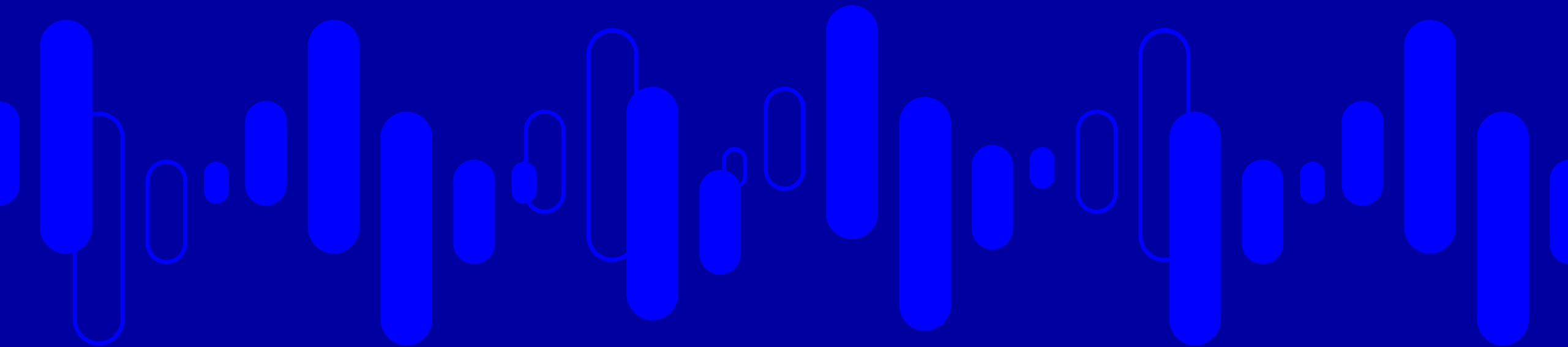
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1. In brief

2. Cover pool characteristics



3. Asset quality



Underwriting criteria

Q1 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

Q1 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)

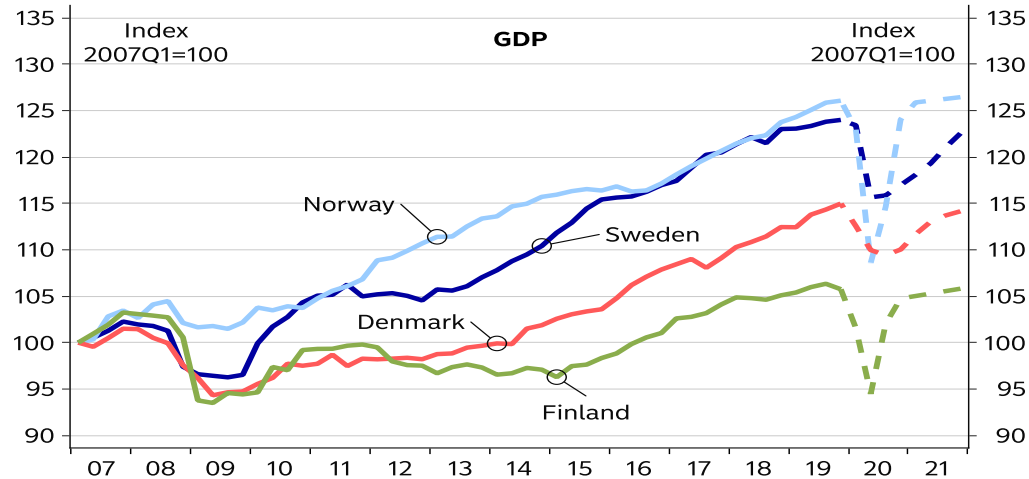
Q1 2020

- 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

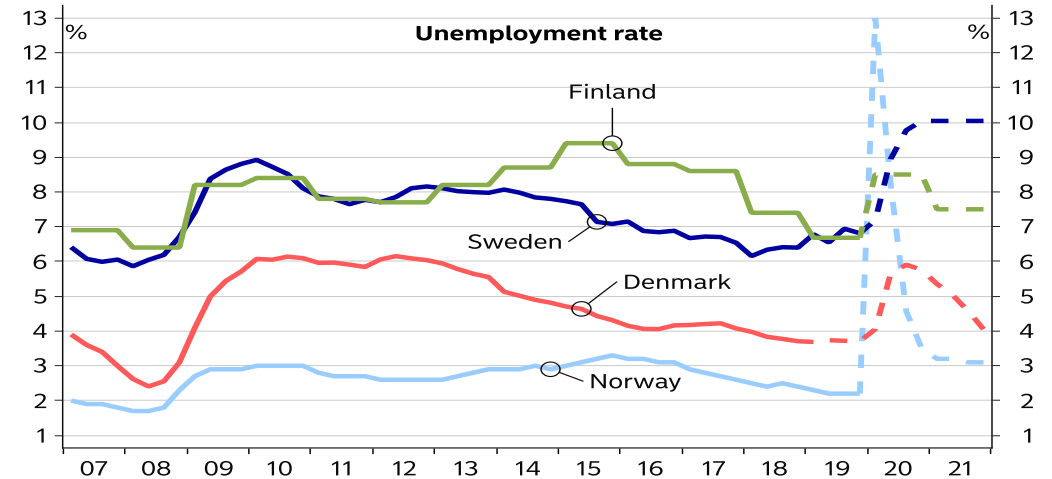
GDP development



Comments

- The global economy is in recession and the next few months will be extremely challenging. Lockdowns will trigger lower consumer spending and investments on top of the disruptions in the global supply chain
- The Nordic countries have responded to the COVID-19 crisis with lockdowns of a varying degree. The extent of the economic consequences depends on when restrictions will be lifted – not just in the Nordics but also in the rest of the world
- Unemployment is expected to surge. Relatively quick recoveries are expected in Denmark, Finland and Norway, but unemployment will remain elevated in Sweden for a long time

Unemployment rate

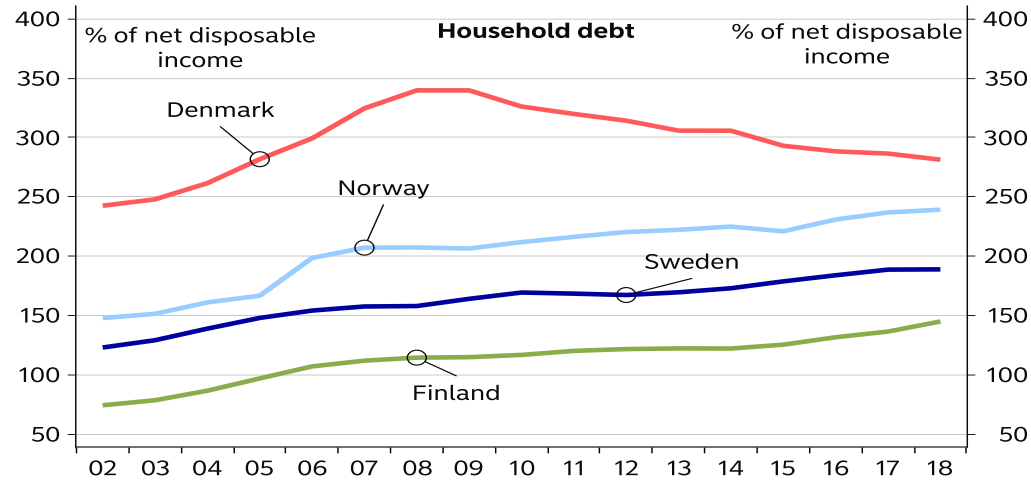


GDP, %, U-shaped scenario

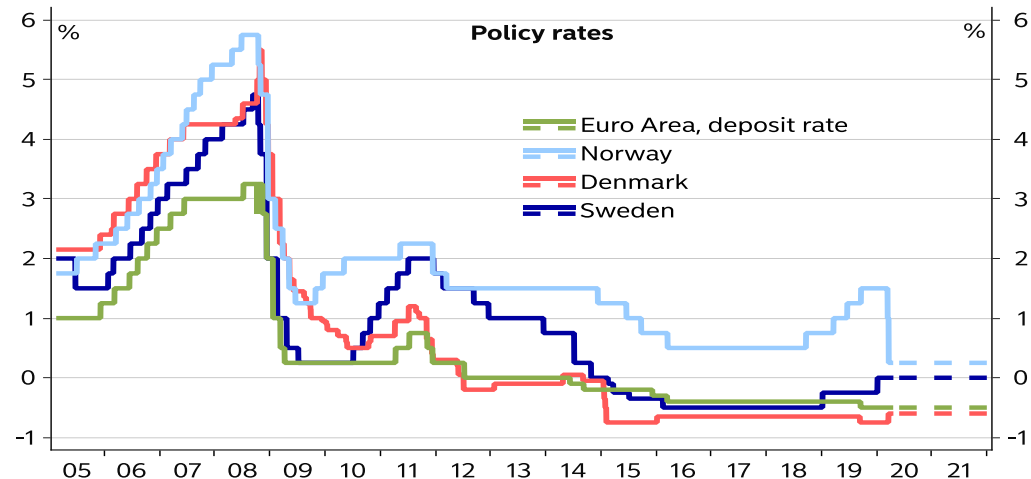
Country	2018	2019	2020E	2021E
Denmark	2.4	2.2	-3.0 (1.5)	2.4 (1.5)
Finland	1.6	1.0	-5.0 (1.0)	2.7 (0.5)
Norway	2.2	2.3	-6.2 (1.8)	7.3 (1.6)
Sweden	2.3	1.3	-4.6 (0.8)	-0.2 (1.8)

Nordic interest rates – low for very long

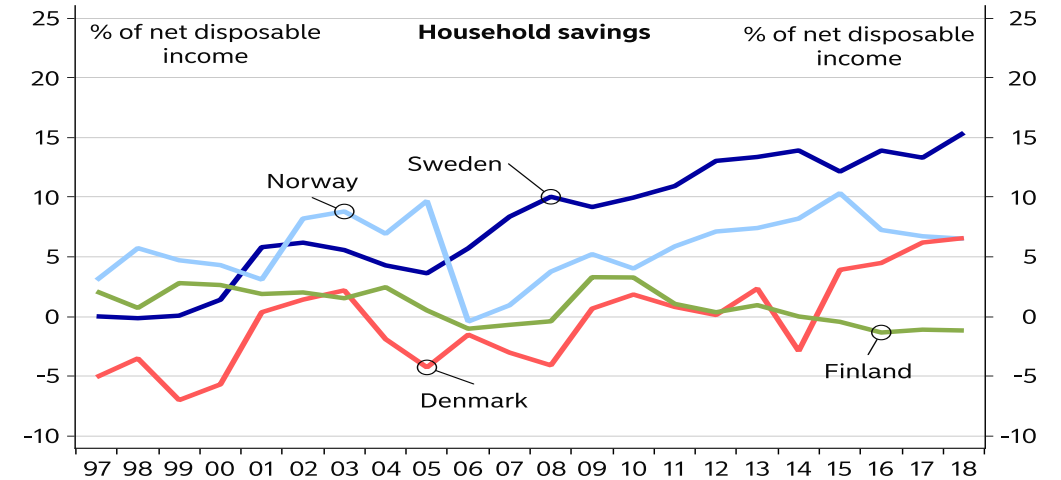
Household debt



Policy rates



Household savings

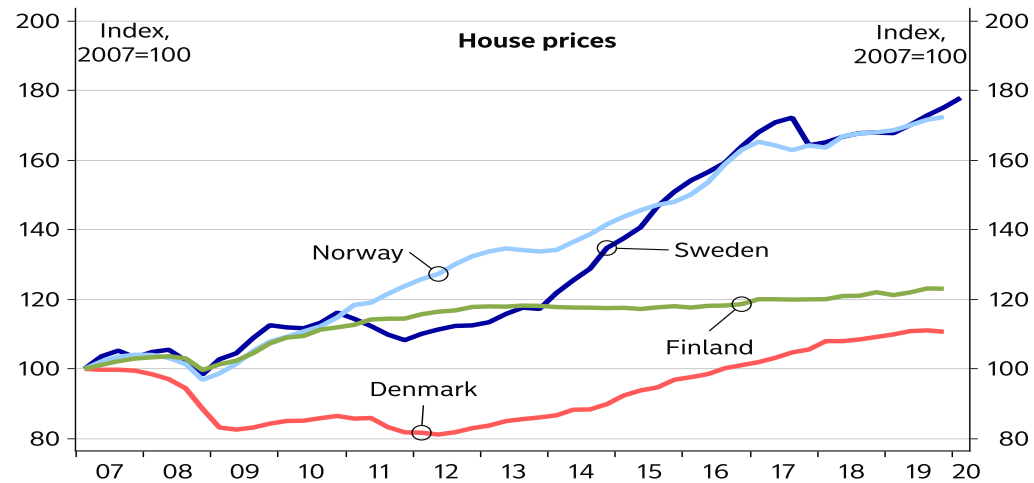


Comments

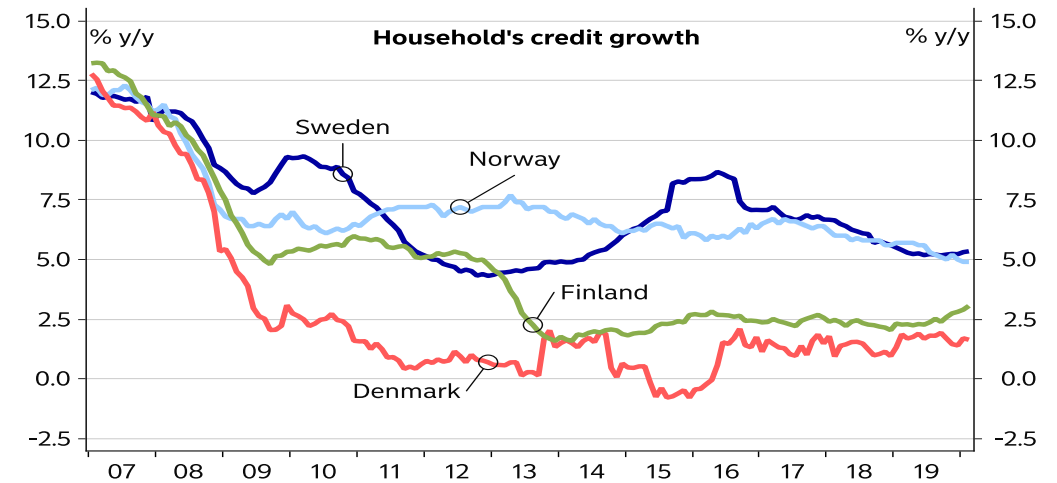
- Household debt is likely to level off in the coming year, in line with decelerating activity on the housing market. However, the debt ratio remains at very high levels in all countries. Uncertainty and higher unemployment will lead to increased precautionary savings, which could affect consumption negatively
- Norway has seen two rate cuts totalling 125 bps in one week. Policy rates have been left unchanged in Sweden and the Euro area while Denmark hiked the interest rate 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. Monetary policy will remain accommodative for a long time

House price development in the Nordics

House prices



Household's 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. Declines are expected in all countries this year but low interest rates, accommodative central banks and reduced supply should limit the downside in the short term.
- Household credit growth has stabilized in the last years. In Sweden and especially Finland, credit growth was picking up while Denmark was trending sideways. Nordic households will likely increase their precautionary savings due to high levels of uncertainty, which could affect consumption growth negatively. Increased savings and lower activity in the housing market will dampen credit growth.

6. Further information

Nordea Mortgage Bank – outstanding benchmark covered bonds

Q1 2020

Breakdown by ISIN				
ISIN	Currency	Amount (EURm)	Maturity	Coupon
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
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	13 250		

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