

Finnish covered bond framework (2)

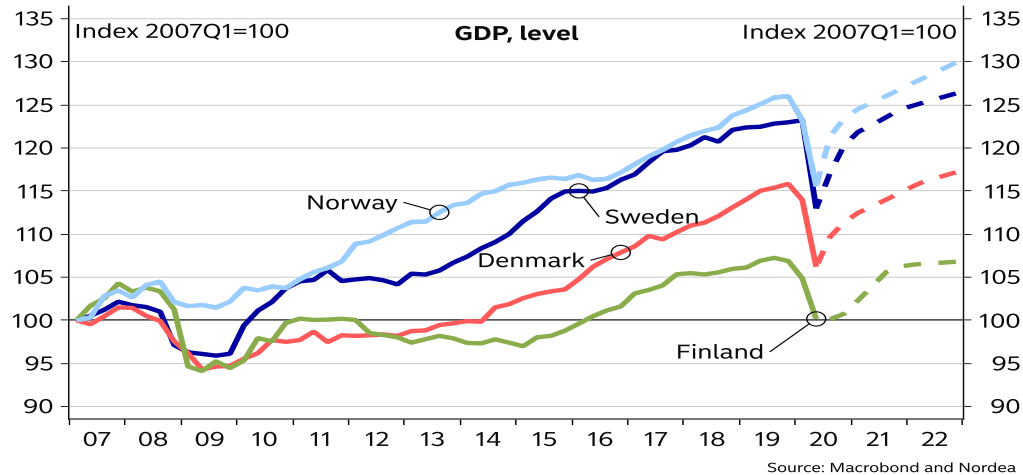
Q3 2020

- 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 – a solid rebound

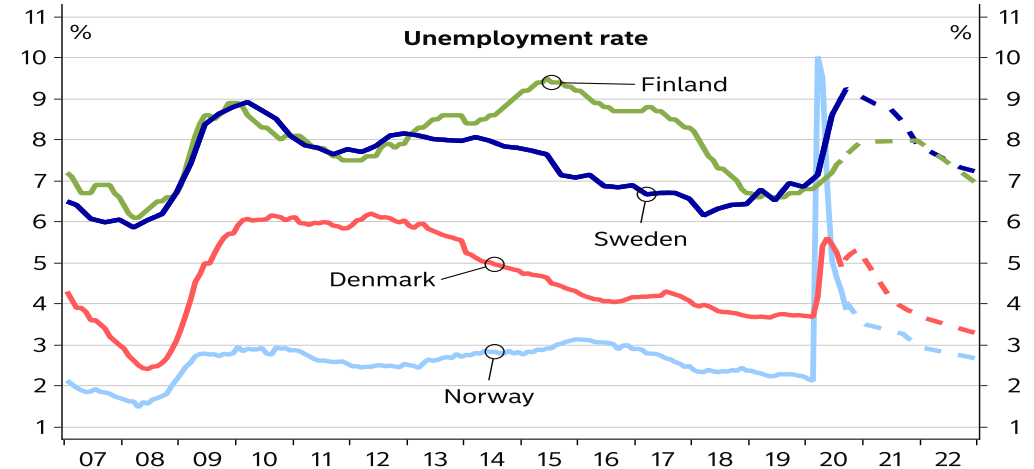
GDP development



Comments

- The Nordic economies are experiencing a solid rebound after the historically large setback in the first half of 2020 due to the COVID-19. However, the pandemic is not yet over, and risks remain elevated.
- The Nordics have managed to control the virus relatively quickly and in combination with rising household confidence, the economic prospects in the region look rather positive from a global perspective.
- The Swedish economy is seeing a broad recovery and Finland has fared better than expected. 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

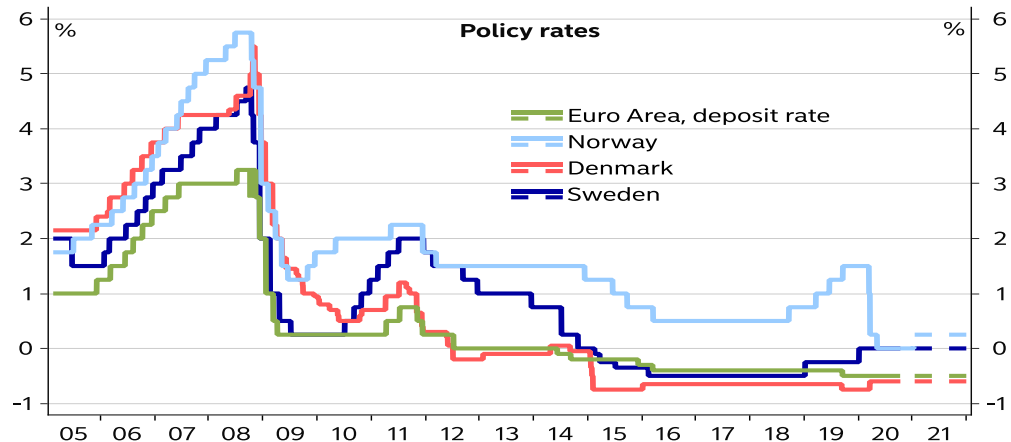


GDP, baseline scenarios

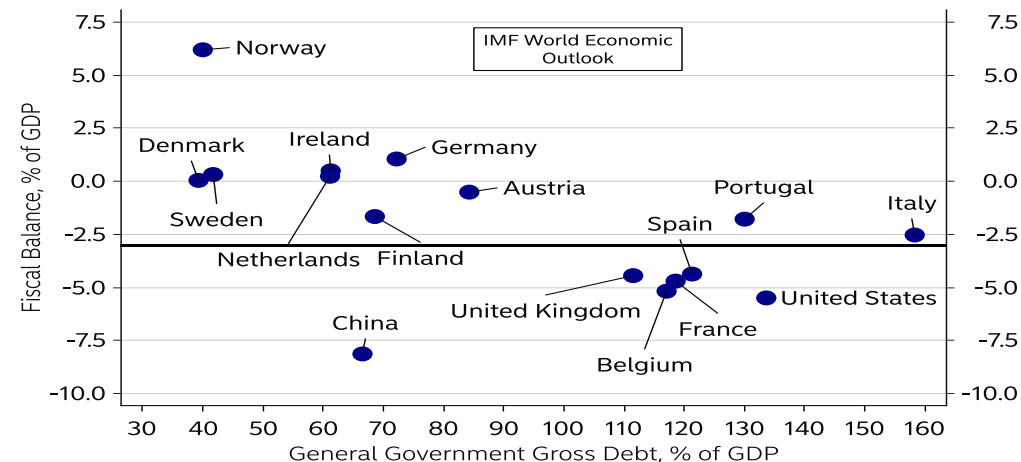
Country	2018	2019	2020E	2021E	2022E
Denmark	2.4	2.3	-4.5	3.0	2.5
Finland	1.5	1.1	-5.0	3.0	2.0
Norway	2.2	2.3	-3.5	4.0	2.5
Sweden	2.1	1.3	-3.5	4.0	2.0

Nordic rates – low for very long

Policy rates



Public balance/debt, % of GDP, 2021E

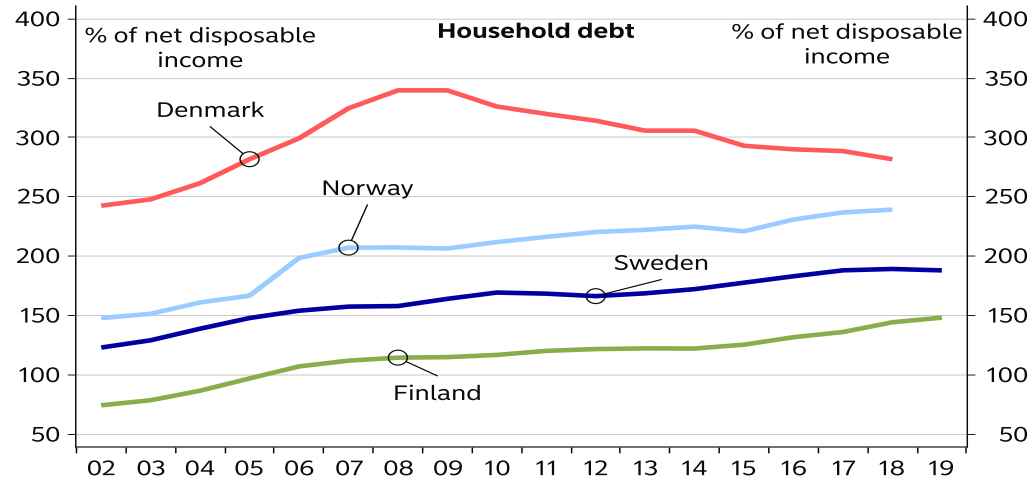


Comments

- Norway saw three rate cuts totalling 150 bp in the beginning of the crisis. Policy rates have been left unchanged in Sweden and the Euro Area while Denmark hiked the interest rate marginally due to technical reasons. Monetary and fiscal policy will remain accommodative for a long time and we expect policy rates to be left unchanged throughout the forecast period.
- 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.

Households remain resilient

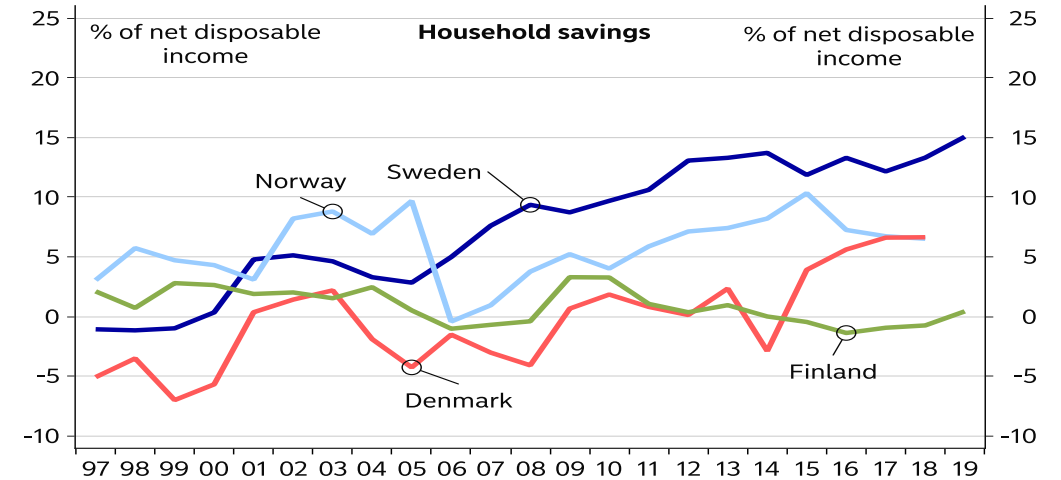
Household debt



Comments

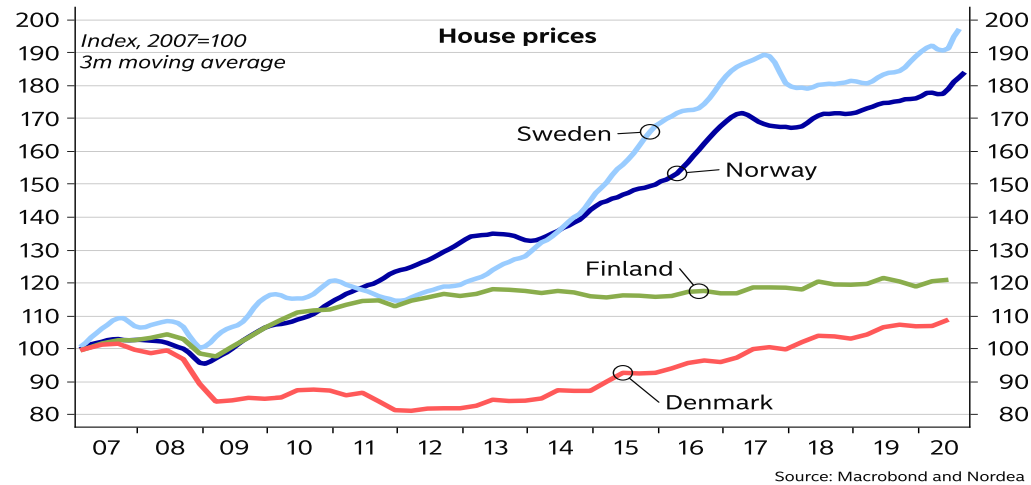
- Despite the high debt levels amongst households, low interest rates for longer continue to support credit growth, which in turn helps to stabilize the housing market. There is some uncertainty related to households' elevated indebtedness, but this is not deemed to create problems over our forecast period.
- 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 households' income expectations.

Household savings

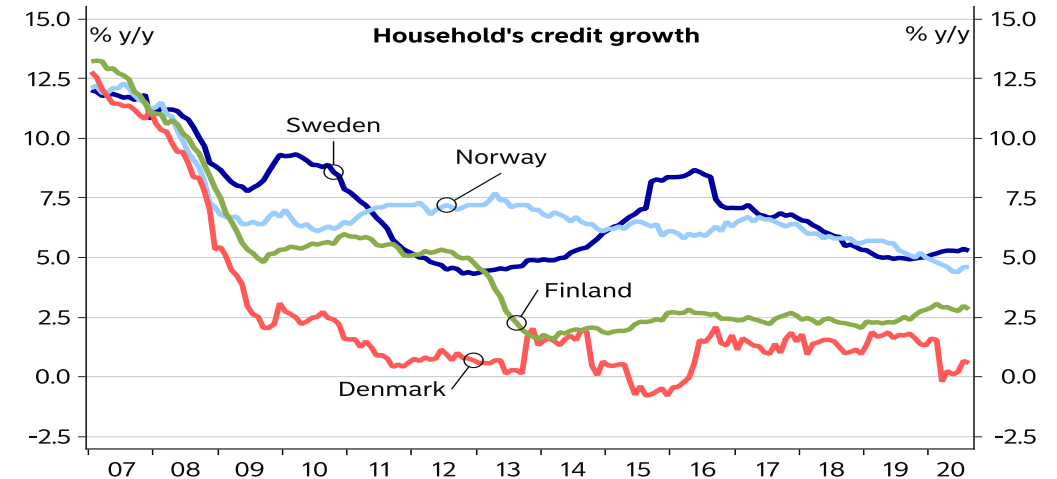


House price development in the Nordics

House prices



Households' credit growth



Comments

- In **Sweden**, the housing market has rebounded, and prices were back at pre-crisis levels already during the summer. With low-anchored interest rates and a slightly more positive outlook for the labour market, much points to a continued rise in prices during the autumn. **Denmark's** housing market has been surprisingly strong, underpinned by declining financing costs. However, an expected step-up in supply, seasonal effects and an increase in unemployment will dampen the market towards year-end. Primarily due to recent rate cuts by Norges Bank but also thanks to a stronger household confidence, the housing market in **Norway** is experiencing a strong trend. In **Finland**, the housing market has picked up during the summer, but prices have remained flat.
- 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

Q3 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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