



Nordea

Q2 2024 Debt investor presentation

# Nordea Mortgage Bank Covered Bonds

Cover pools 1 & 2

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# 1. In brief

## Covered bonds

### Nordea covered bond operations

**Four aligned covered bond issuers with complementary roles**



Legislation	Norwegian	Swedish	Danish	Finnish
Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
Cover pool size	EUR 27.8bn (eq.)	EUR 60.1bn (eq.)	Balanced principle	Pool 1: EUR 13.5bn/ Pool 2: EUR 10.9bn
Covered bonds outstanding	EUR 18.7bn (eq.)	EUR 34.6bn (eq.)	EUR 59.0bn (eq.)*	Pool 1: EUR 11.5bn/ Pool 2: EUR 7.8bn
OC	49%	74%	7%*	Pool 1: 18% / Pool 2: 41%
Issuance currencies	NOK	SEK	DKK, EUR	EUR
Rating (Moody's / S&P)	Aaa / -	Aaa / -	- / AAA	Aaa / -
Outstanding green covered bonds	EUR 1.2bn	EUR 1.1bn	EUR 2.1bn	EUR 2.0bn

- Covered bonds are an integral part of Nordea's long term funding operations
- Issuance in Scandinavian and international currencies
- All Nordea covered bond issuance entities (MCIs) refer to Nordea's updated 2023 [Nordea green funding framework](#)



<sup>1)</sup> The figures in Nordea Kredit only include capital centre 2 (SDRO). Nordea Kredit no longer reports for CC1 (RO), as this capital centre only accounts for a minor part (<0.5%) of the outstanding volume of loans and bonds

# Nordea Mortgage Bank Plc – overview

Q2 2024



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



Issuing covered bonds according to the Finnish covered bond legislation

Legacy bonds

Old Covered Bond Act (688/2010), secured by Covered Pool I

New covered bonds

New Mortgage and Covered bond Act (151/2022), secured by Covered Pool II



Acting in a healthy and conservative Finnish housing market. Market share of Nordea ~30% of the Finnish mortgage market (housing loans)



Dedicated liquidity line provided by Nordea Bank Abp to manage daily cash needs and ensure compliance with external and internal requirements regarding liquidity management

**MOODY'S**

Covered bonds rated Aaa by Moody's

## 2. Cover pool characteristics



# Cover pool key characteristics

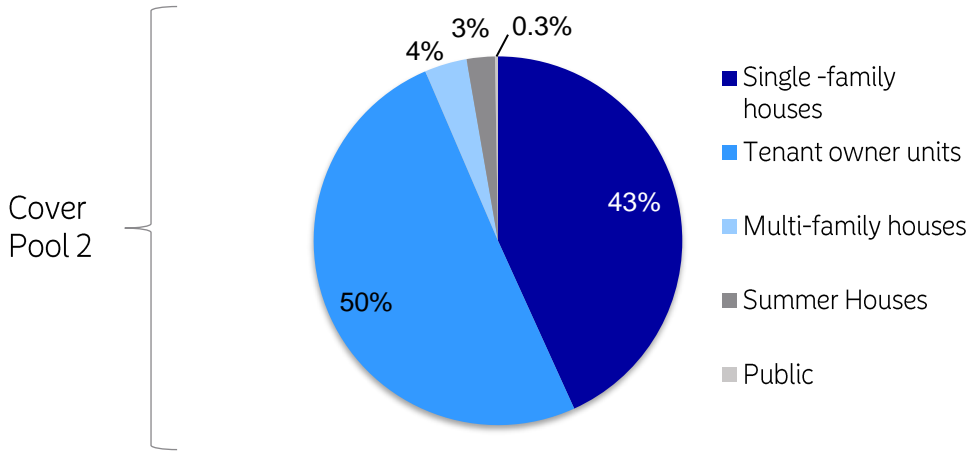
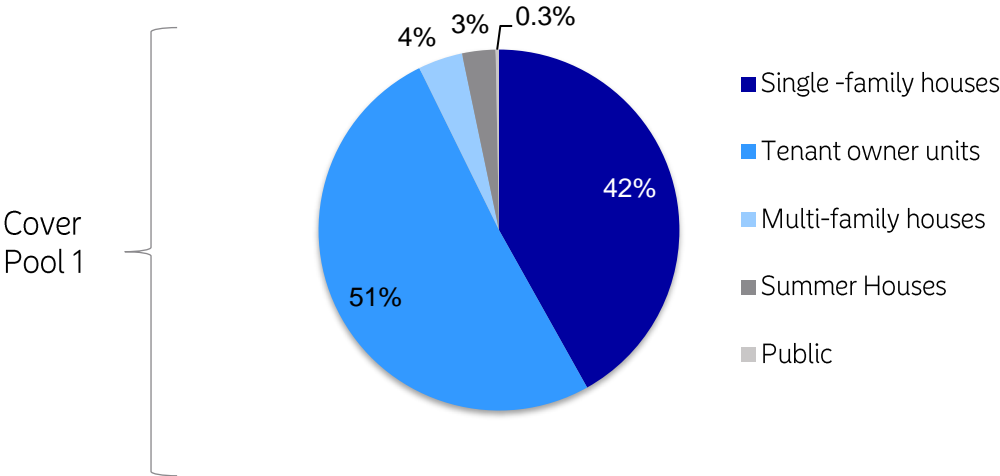
Q2 2024

Cover pool summary	Cover pool 1 (Legacy)	Cover Pool 2 (New)
<b>Pool notional</b>	EUR 13.5bn	EUR 10.9bn
<b>Outstanding Covered Bonds</b>	EUR 11.5bn	EUR 7.8bn
<b>Cover pool content</b>	Mortgage loans secured by residential property. Loans guaranteed by public sector	Mortgage loans secured by residential property. Loans guaranteed by public sector
<b>Geographic distribution</b>	Throughout Finland with concentration in urban areas	Throughout Finland with concentration in urban areas
<b>Asset distribution</b>	99.7% residential, 0.3% public sector	99.7% residential, 0.3% public sector
<b>Weighted average LTV*</b>	50.8% (indexed, calculated per property)	55.5% (indexed, calculated per property)
<b>Average loan size*</b>	EUR 75.5k	EUR 87.7k
<b>Over collateralisation, OC</b>	17.7%	40.7%
<b>Rate type*</b>	Fixed rate 1.1%, Floating rate 98.9%	Fixed rate 1.0%, Floating rate 99.0%
<b>Amortisation*</b>	Bullet/ interest only 2.8%, Amortising 97.2%	Bullet/ interest only 2.6%, Amortising 97.4%
<b>Substitute assets</b>	None	None
<b>Pool type</b>	Dynamic	Dynamic
<b>Loans originated by</b>	Nordea Bank Abp. (as of 1 October 2018)	Nordea Bank Abp. (as of 1 October 2018)

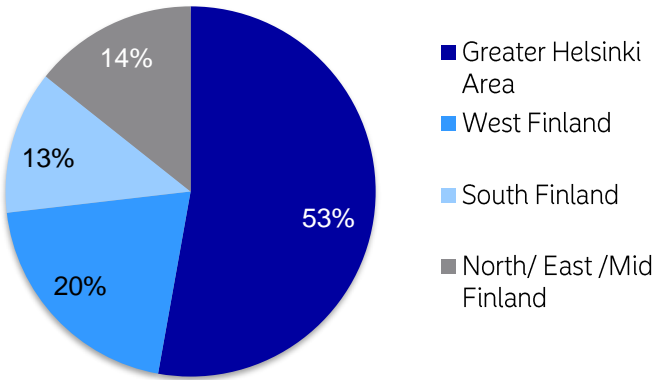
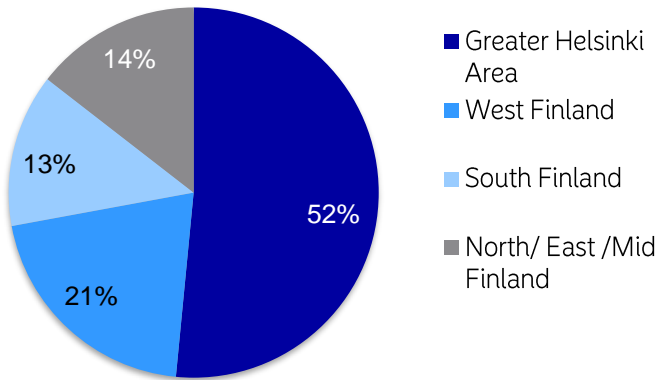
# Cover pool key characteristics (2)

Q2 2024

Cover pool balance by loan category



Cover pool balance by region

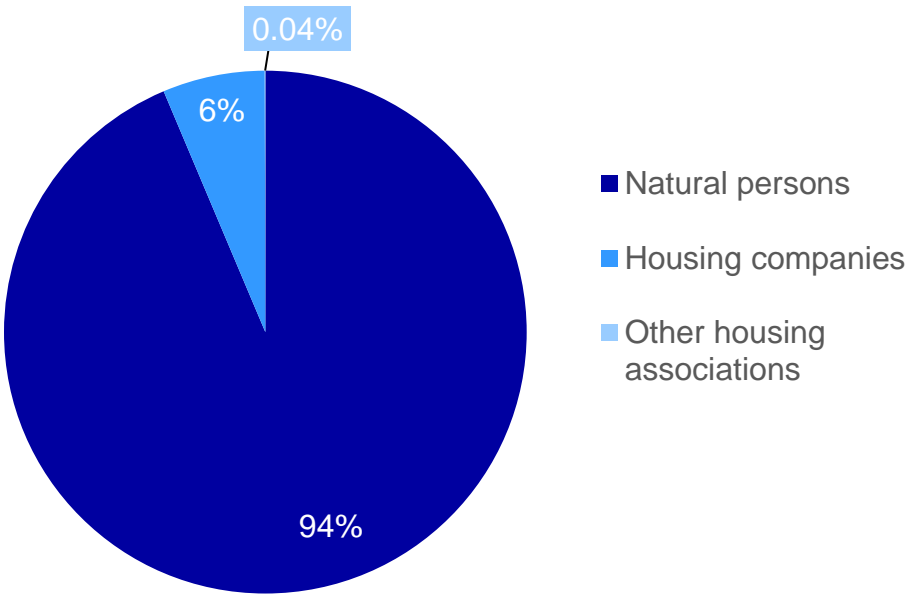




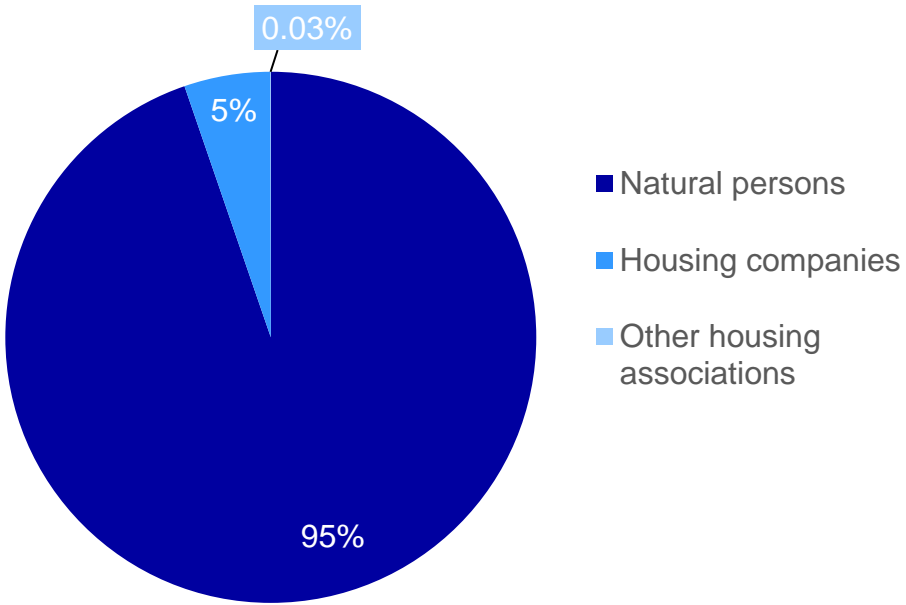
# Cover pool key characteristics (3)

Q2 2024

Distribution of collateral assets – Pool 1



Distribution of collateral assets – Pool 2



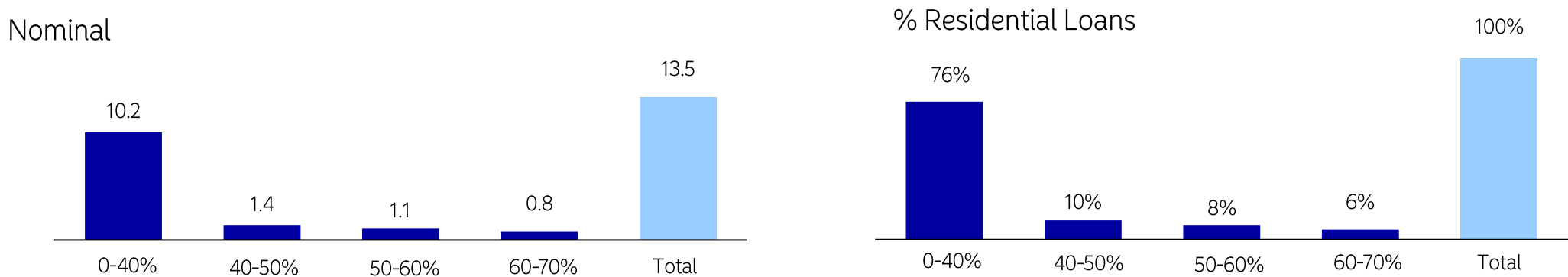
### **3. Asset quality**

Continuous distribution where each loan can exist in multiple buckets

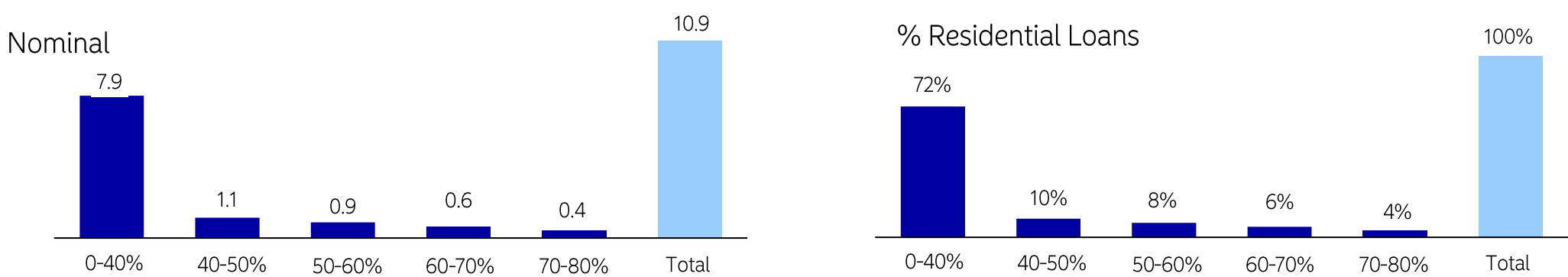
Loan To Value (LTV)

Q2 2024

Cover Pool 1 - Weighted Average LTV – Indexed – 50.9%

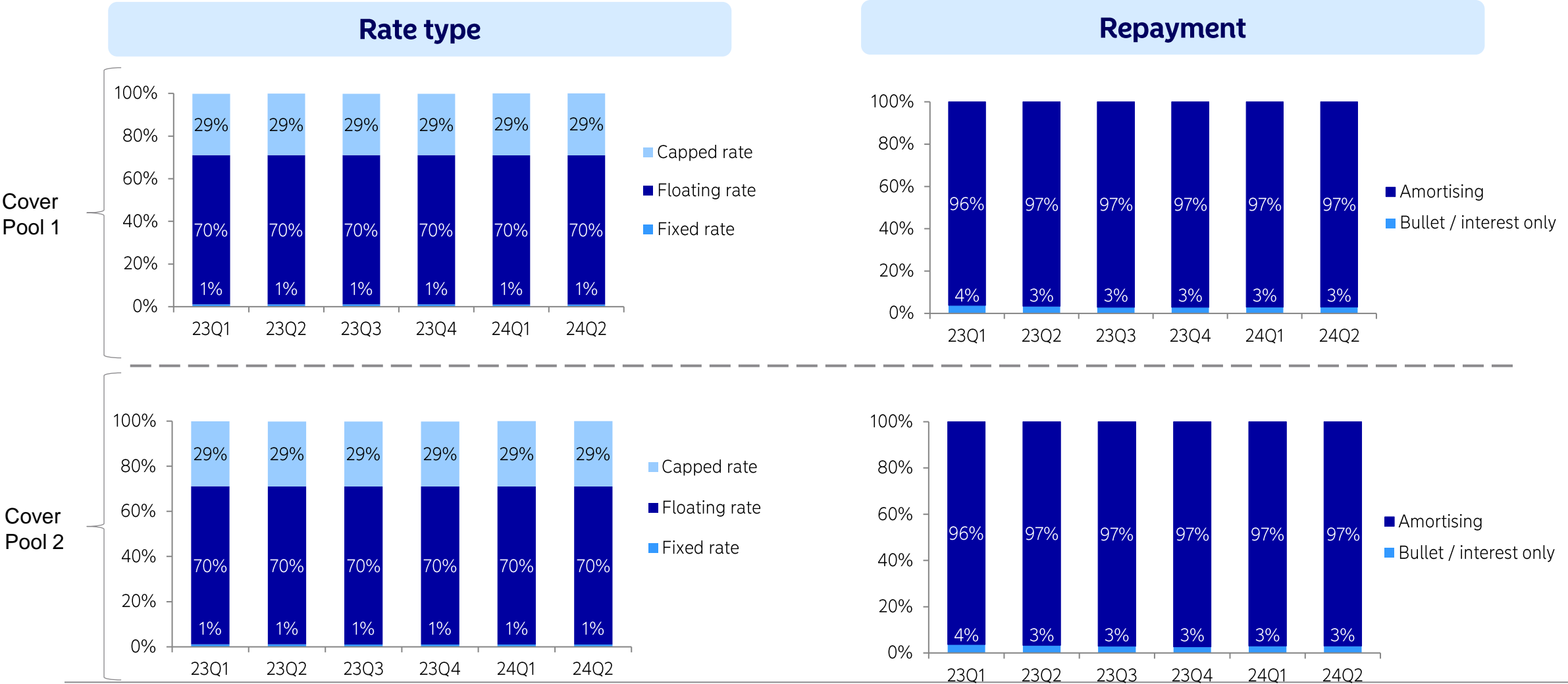


Cover Pool 2 - Weighted Average LTV – Indexed – 55.5%



# Loan structure

Q2 2024



# Underwriting criteria

## 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 30 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

	Cover pool 1 – old until July 2022	Cover pool 2 – new as per July 2022
Legal framework	Finnish Covered Bond Act (statute 688/2010)	Finnish Mortgage Banks and Covered Bonds Act (statute 151/2022)
LTV ratios	Limit on LTV ratio – based on the current value <ul style="list-style-type: none"> <li>70% for housing loans (residential property)</li> <li>60% for commercial loans (commercial property)</li> </ul>	Limit on LTV ratio – based on the current value <ul style="list-style-type: none"> <li>80% for housing loans (residential property)</li> <li>60% for commercial loans (commercial property)</li> </ul>
Coverage	Matching cover requirements <ul style="list-style-type: none"> <li>Total value of the cover pool must be greater than the aggregate outstanding principal amount of the covered bonds</li> <li>Net present value of the cover pool must be at least 2% above the net present value of the liabilities under the covered bonds</li> </ul>	Overcollateralization requirements <ul style="list-style-type: none"> <li>Value of the cover pool must be at least 2% above the value of the payment liabilities under the covered bonds calculated on a net present value basis or on a nominal value basis depending on which method provides a lower value for the cover pool</li> <li>In addition, the overcollateralization must cover the estimated winding-down costs of the covered bonds</li> </ul>
Liquidity risk mitigation	Liquidity requirements <ul style="list-style-type: none"> <li>Average maturity of the covered bonds must not exceed the average maturity of the loans entered in the register</li> <li>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</li> </ul>	Liquidity Buffer Requirement <ul style="list-style-type: none"> <li>Cover pool must also include liquid assets in the amount that covers the maximum net liquidity outflow during the next following period of 180 days</li> <li>When determining the net liquidity outflow, the issuer may use the soft bullet maturity date as the date when the covered bond matures</li> </ul>



## Finnish covered bond framework (2)

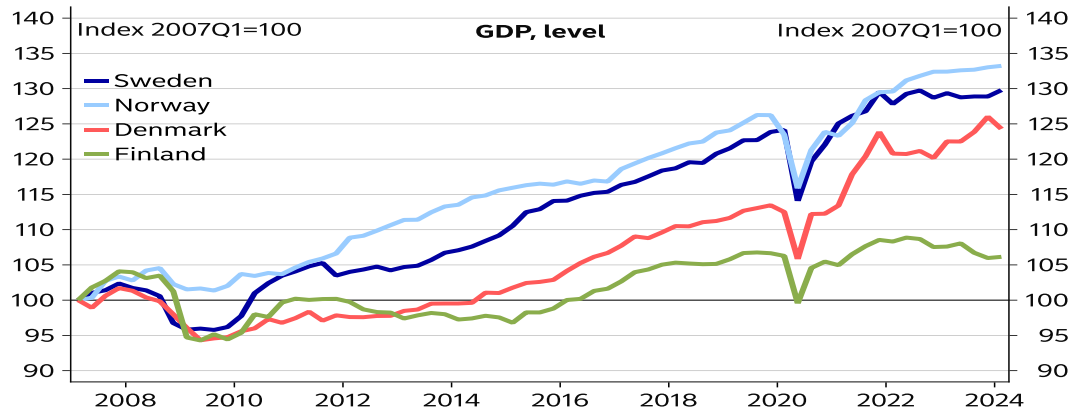
	Cover pool 1 & 2
Registration	<ul style="list-style-type: none"> <li>• Collateral assets remain on the balance sheet of the issuer</li> <li>• Covered bonds, collateral and relevant derivative contracts are entered in a separate register</li> </ul>
Bankruptcy remoteness	Isolation of registered collateral assets and registered derivatives from all other assets and liabilities of the insolvent issuer
Preferential claim	Holders of covered bonds together with counterparties of registered derivatives and creditors of management and settlement costs in bankruptcy would rank pari passu and have a preferential claim to the cover pool assets
Post-bankruptcy procedures	<ul style="list-style-type: none"> <li>• 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)</li> <li>• The cover pool, derivatives and covered bonds to be kept separated from the bankruptcy estate and remain outstanding until their maturity unless the coverage requirements can no longer be met, in which case the bankruptcy administrator will upon request or consent of the supervisor accelerate the covered bonds and liquidate the cover pool assets</li> <li>• Covered bond creditors, counterparties of registered derivatives and creditors of management and settlement costs would rank pari passu and have a preferential claim on the proceeds of the liquidation of the cover pool</li> </ul>

## 5. Macroeconomy

## Nordic economic development

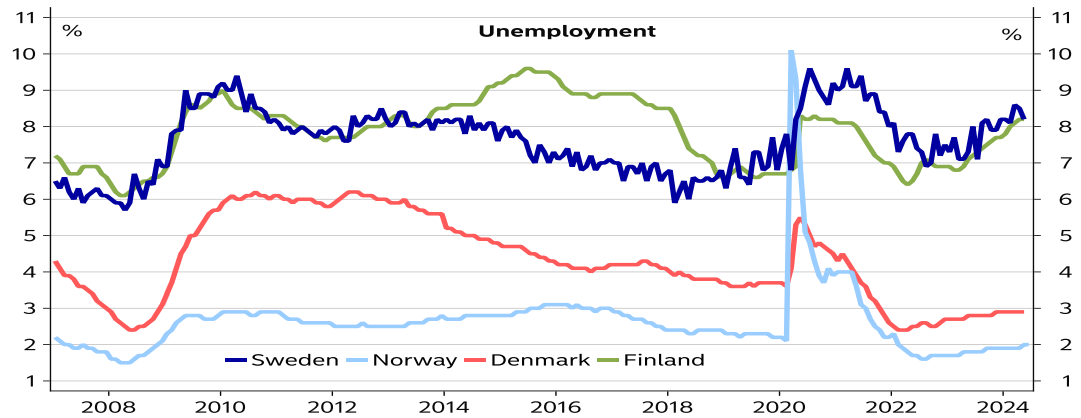
### Continued normalisation

#### GDP



- The Nordic economies have shown mixed trends on the back of surging inflation and higher interest rates. However, the overall economic development has been better than previously anticipated
- Normalising inflation and lower policy rates should ease financial conditions and improve the growth outlook going forward
- The labour market is expected to weaken further before stabilising during the latter part of this year

#### Unemployment rate

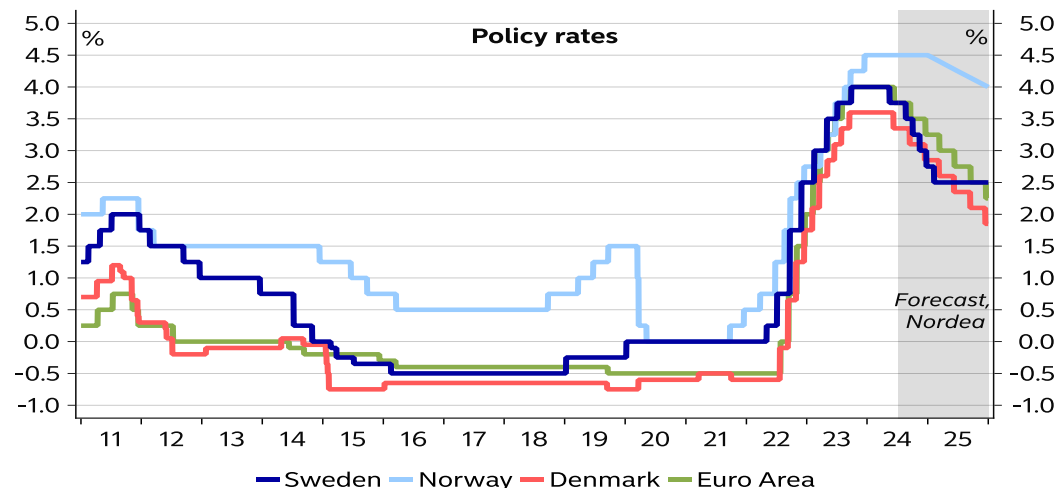


#### GDP, % y/y, Economic Outlook April 2024

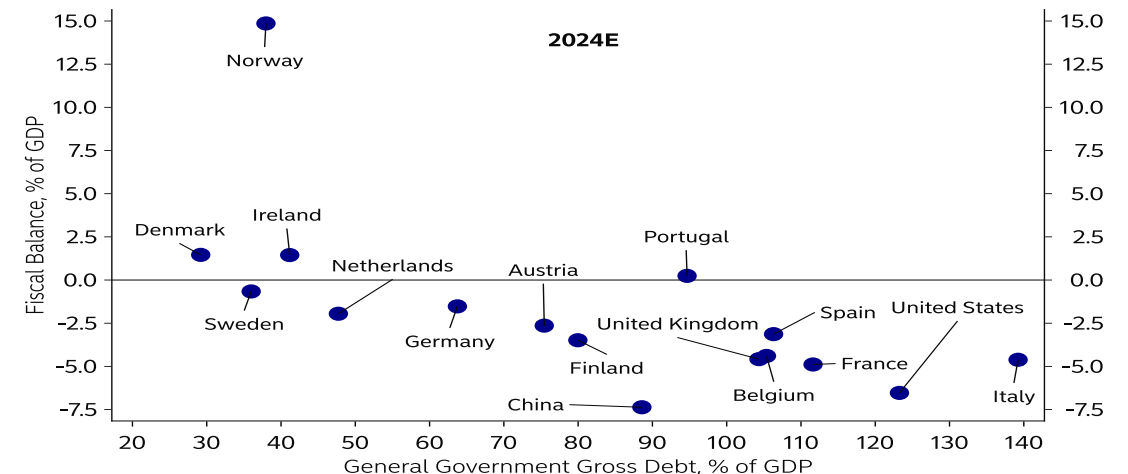
Country	2022	2023	2024E	2025E
Denmark	1.5	2.5	2.5	1.5
Finland	1.3	-1.2	-1.0	1.5
Norway (mainland)	3.7	0.7	1.0	1.7
Sweden	1.5	0.1	0.4	2.1

## The policy rate cutting cycle has commenced

### Policy rates



### Public balance/debt, % of GDP, 2024E (IMF)

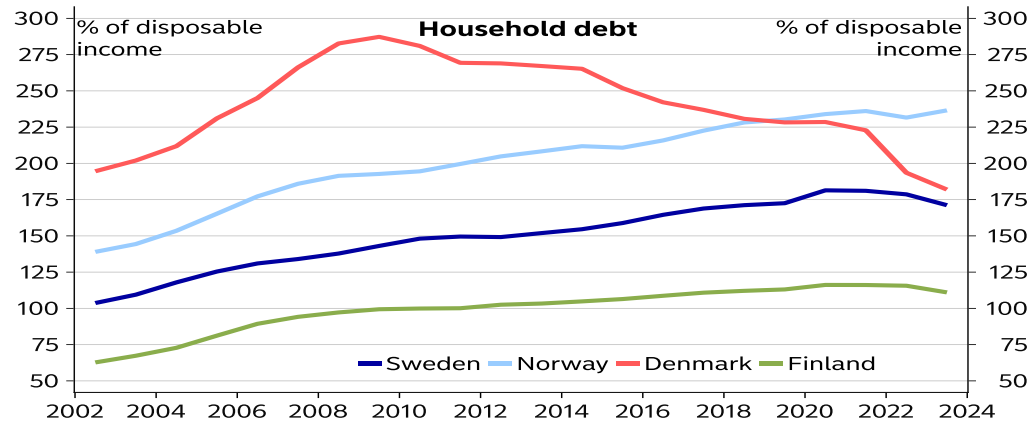


- The Riksbank cut its policy rate in May and the ECB, as well as Danmarks Nationalbank, followed suit in June
- The Riksbank is expected to cut its policy rate four additional times this year and one time in early 2025 to 2.50%
- The ECB is expected to lower rates gradually by 0.25 percentage points per quarter, until they reach 2.25% by the end of 2025
- Norges Bank is expected to stay on hold this year but cut the policy rate by 0.50 percentage points next year, from 4.50 to 4.00%
- The ECB and the Riksbank are reducing their balance sheets
- Solid public finances will help Nordic governments to support the economic recovery ahead

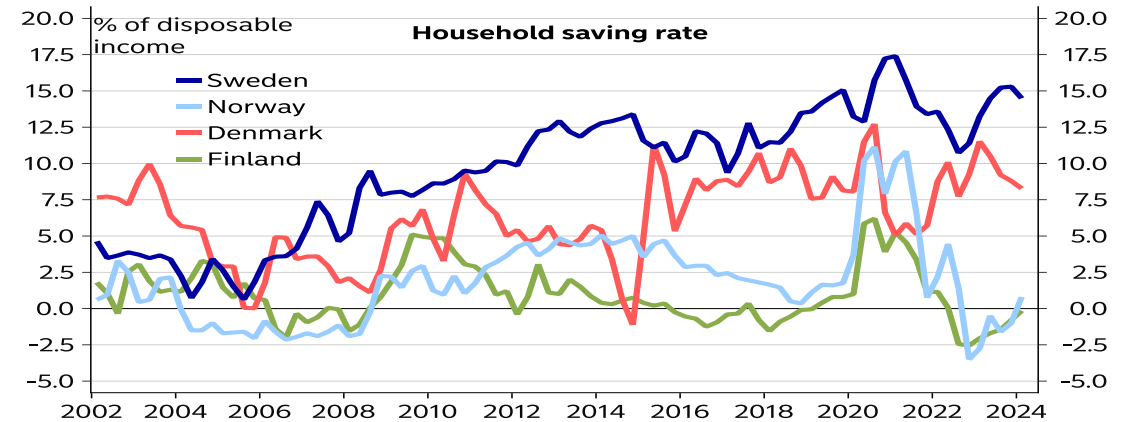
## Households

# Purchasing power is increasing, but from low levels

### Household debt

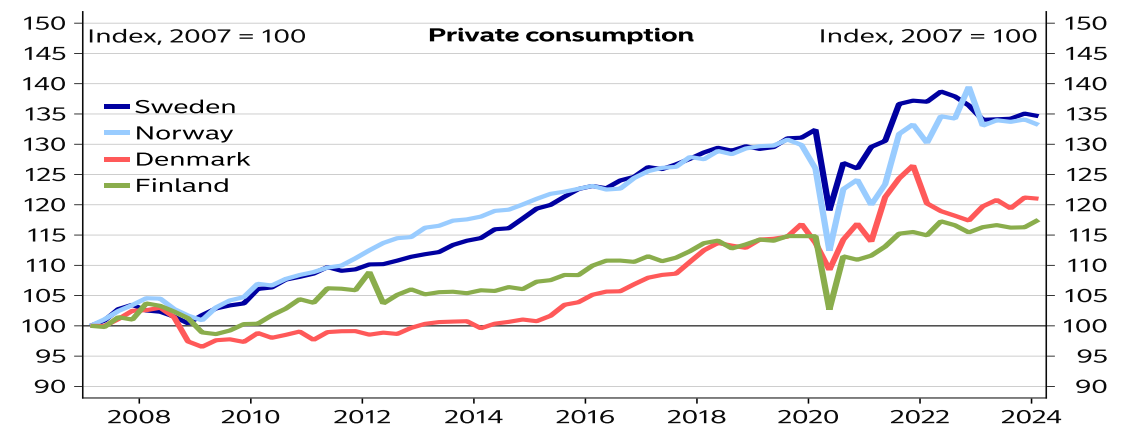


### Household savings



- Household consumption will remain sluggish due to a continued high interest burden this year. Danish households are expected to fare better than their Nordic counterparts, primarily due to higher positive real wage growth
- Households' purchasing power will continue to improve as inflation normalises and wage growth remains higher than before the pandemic
- In most of the Nordics, households' debt ratios have decreased whilst savings rates have increased

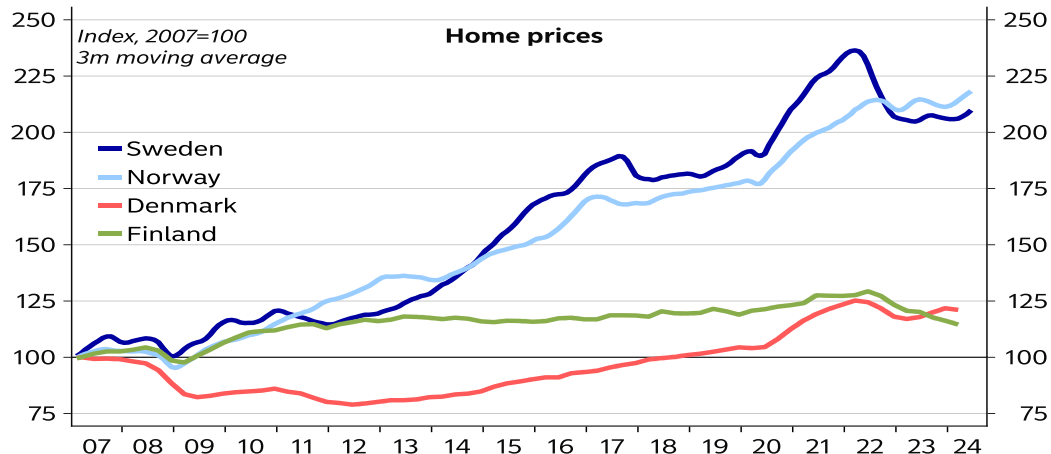
### Private consumption



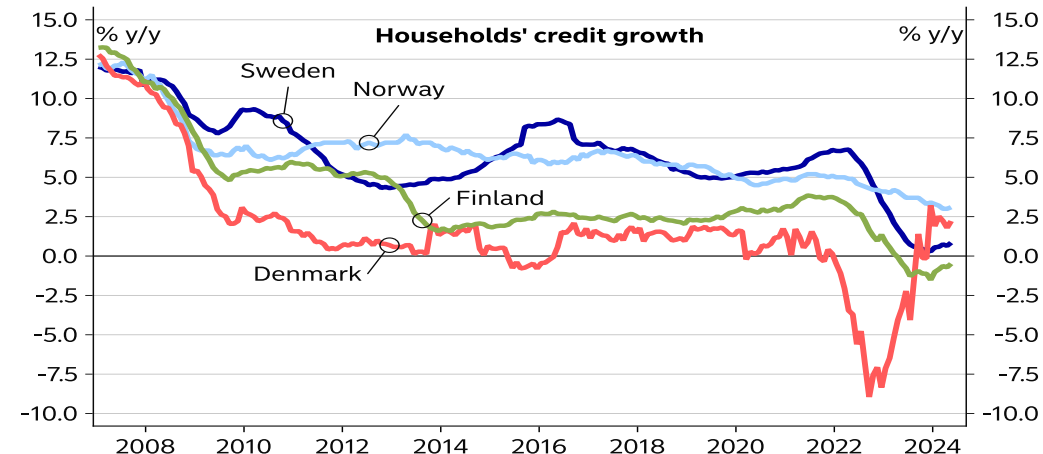
## Housing markets

# Stabilisation process

### Home prices



### Households' credit growth



- Home prices have stabilised in the Nordics, possibly attributed to households' expectations of lower interest rates. Prices have modestly started to increase in Sweden and Norway
- Monetary policy will remain restrictive for the better part of 2024 despite most central banks commencing policy rate cutting cycles. Accordingly, home prices in most of the Nordics are expected to only gradually recover going forward
- In addition, the higher-than-normal supply of homes suggest there is room for the markets to absorb a higher demand, without sharp price increases
- Households' credit growth has stabilised close to zero in Sweden and Finland. Credit growth is expected to increase as central banks continue to cut their policy rates

## 6. Further information



# Nordea Mortgage Bank – outstanding benchmark covered bonds

Q2 2024

## Breakdown by ISIN

ISIN	Currency	Amount (EURm)	Maturity	Coupon
XS1132790442	EUR	1 000	05/11/2024	1.000%
XS1825134742	EUR	1 000	23/05/2025	0.625%
XS2157194643	EUR	6 000	16/11/2025	FRN
XS2561746855	EUR	1 000*	01/12/2025	2.625%
XS1963717704	EUR	1 500	18/03/2026	0.250%
XS2673972795	EUR	1 000*	31/08/2026	3.500%
XS2758065010	EUR	750	31/01/2027	FRN
XS1204140971	EUR	1 000	17/03/2027	0.625%
XS2013525410	EUR	1 000	18/06/2027	0.125%
XS2708690685	EUR	1 000	26/10/2028	3.625%
XS2463702907	EUR	1 500	30/03/2029	1.000%
XS2589317697	EUR	1 000	20/02/2030	3.000%
XS2758065796	EUR	1 000	31/01/2031	3.000%
XS2532376949	EUR	1 000	14/09/2032	2.500%
XS1784071042	EUR	750	28/02/2033	1.375%
XS2802191937	EUR	1 000	12/04/2034	3.000%

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