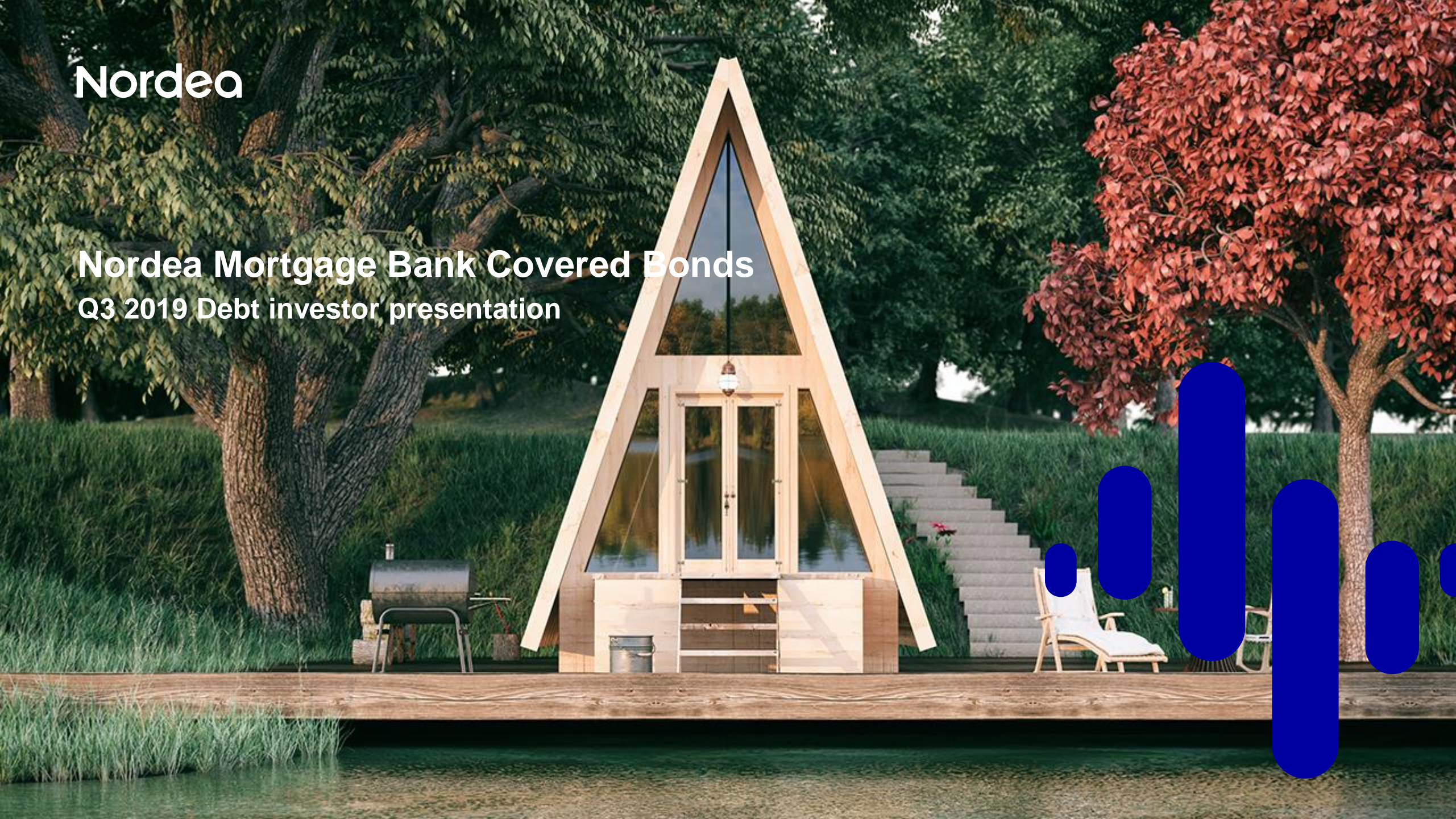


**Nordea**

**Nordea Mortgage Bank Covered Bonds**  
Q3 2019 Debt investor presentation





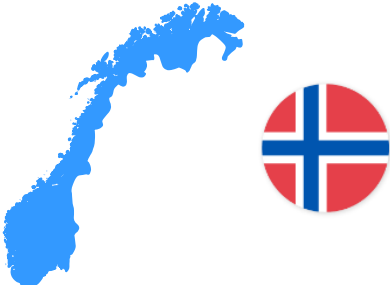
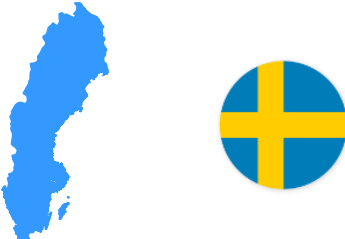


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# 1. In brief

# Nordea covered bond operations

Q3 2019

Four aligned covered bond issuers with complementary roles	Nordea Eiendomskreditt	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank	
					
	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 16.5bn (eq.)	EUR 51.4bn (eq.)	Balance principle	EUR 21.8bn
	Covered bonds outstanding	EUR 10.0bn (eq.)	EUR 31.6bn (eq.)	EUR 59bn (eq.)	EUR 16.1bn
	OC	66%	63%	CC1/CC2 43%/10%	36%
	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

Q3 2019

- 100% owned subsidiary of Nordea Bank Abp (as of October 1<sup>st</sup>) - 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

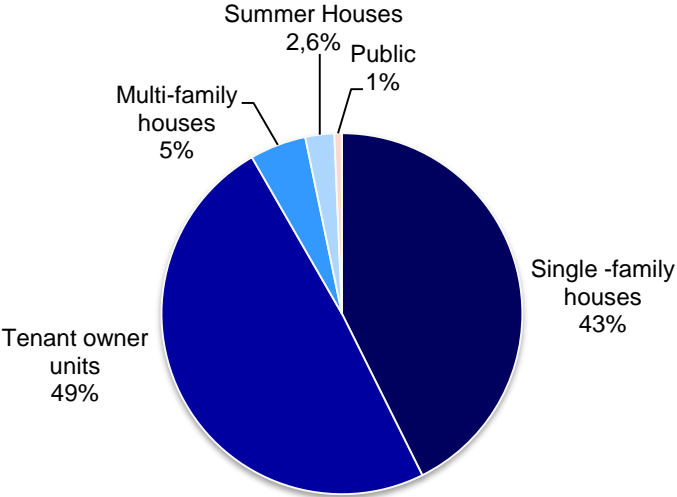
Q3 2019

Cover pool summary	
Pool notional	EUR 21.8bn
Outstanding Covered Bonds	EUR 16.1bn
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	99.3% residential, 0.7% public sector
Weighted average LTV*	49.5% (indexed, calculated per property)
Average loan size*	EUR 66.3k
Over collateralisation, OC	36%
Rate type**	Fixed rate 1.5%, Floating rate 98.5%
Amortisation**	Bullet/ interest only 5.4%, Amortising 94.6%
Substitute assets	None
Pool type	Dynamic
Loans originated by	Nordea Bank Abp (as of 1 October 2018)

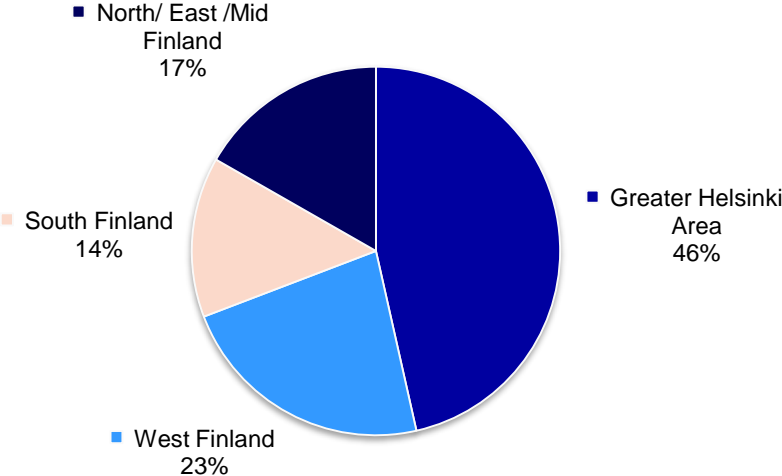
# Cover pool key characteristics (2)

Q3 2019

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

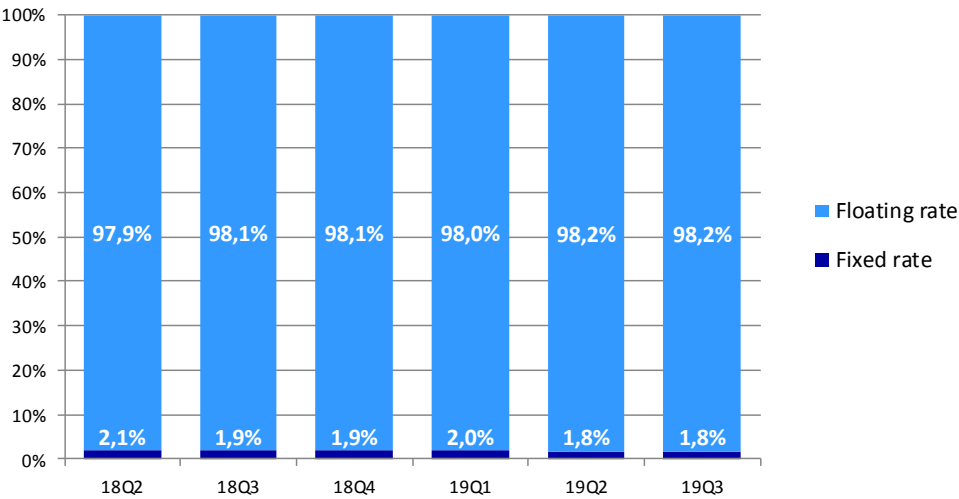
Q3 2019

Weighted Average LTV – Unindexed		51.0%	
LTV buckets	Nominal (EURm)	% Residential Loans	
>0 - <=40 %	16 512	76,09%	
>40 - <=50 %	2 331	10,74%	
>50 - <=60 %	1 731	7,98%	
>60 - <=70 %	1 125	5,18%	
Total	21 699	100%	
Weighted Average LTV - Indexed		49.5%	
LTV buckets	Nominal (EURm)	% Residential Loans	
>0 - <=40 %	16 824	77,53%	
>40 - <=50 %	2 239	10,32%	
>50 - <=60 %	1 614	7,44%	
>60 - <=70 %	1 022	4,71%	
Total	21 699	100%	

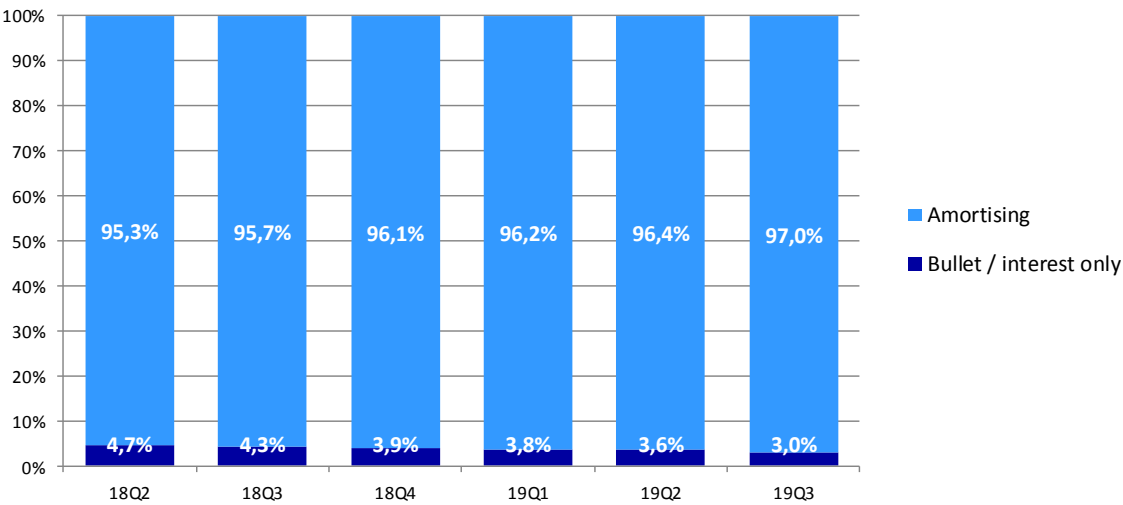
# Loan structure

Q3 2019

Rate type



Repayment



# Underwriting criteria

## Q3 2019

- 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

## Q3 2019

- 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)

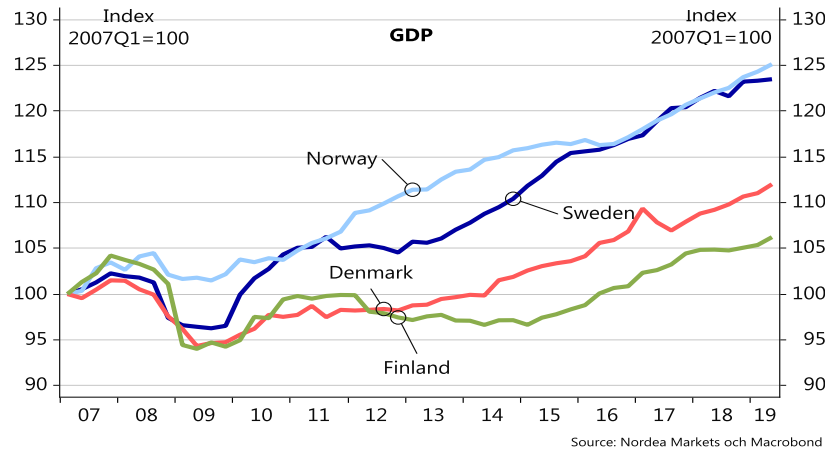
Q3 2019

- 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

# Diverging Nordic economies

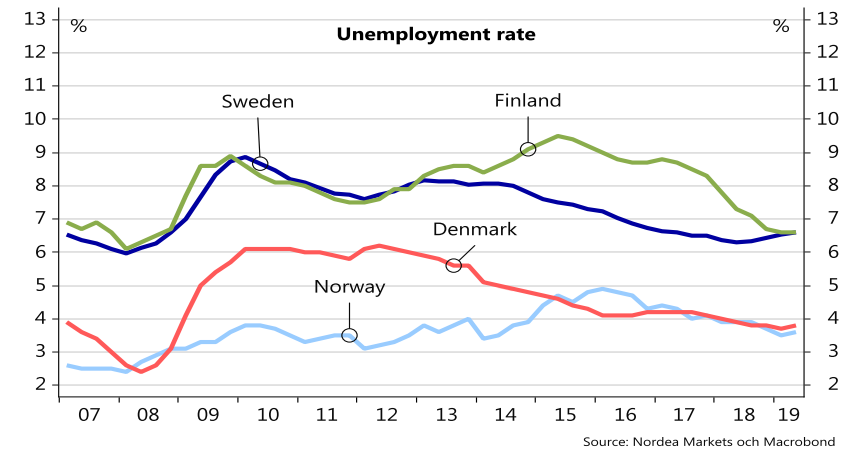
## GDP development



## Comments

- Increased global uncertainty is playing out to different degrees in the Nordic economies. Sweden and Finland have already taken a hit from the slowdown. Conditions in Denmark are much more benign while Norway looks set to prosper from recent years' oil sector investments.
- Monetary policy in the Nordics has shifted to a more cautious stance as the inflation outlook remains subdued. Norway is however a global outlier and hiked interest rates in September.
- In Sweden, unemployment is set to increase further due to weakening domestic demand and an unfavourable demographic outlook. The Danish labour market is expected to remain balanced while Finland and Norway can expect lower unemployment rates ahead.

## Unemployment rate



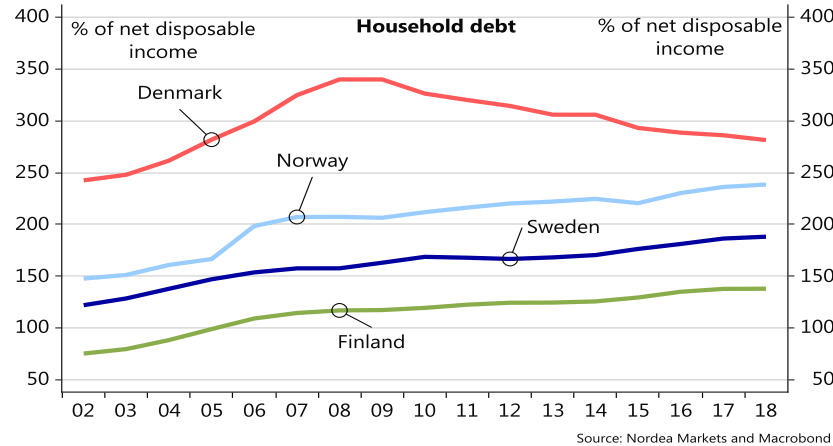
## GDP forecast, %

Country	2017	2018	2019E	2020E	2021E
Denmark	2.3	1.5	1.8	1.5	1.5
Finland	3.0	1.7	1.2	1.0	0.5
Norway	2.0	2.2	2.5	2.3	2.1
Sweden	2.1	2.4	1.3	1.2	1.7

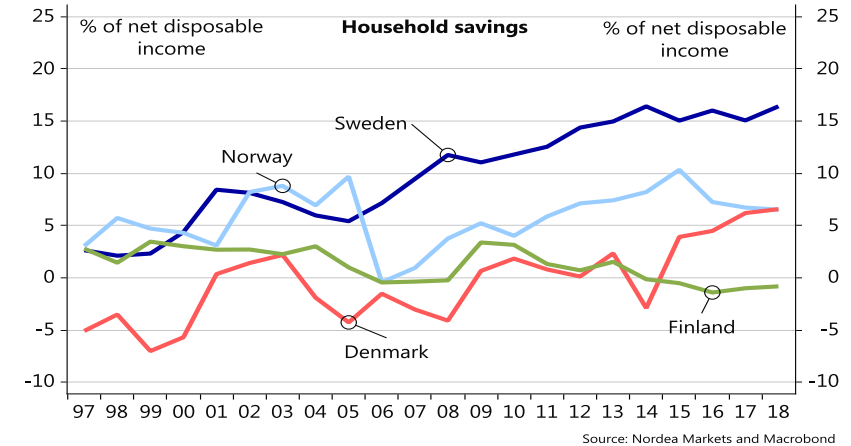
Source: Nordea Markets Economic Outlook September 2019, Macrobond and OECD.

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

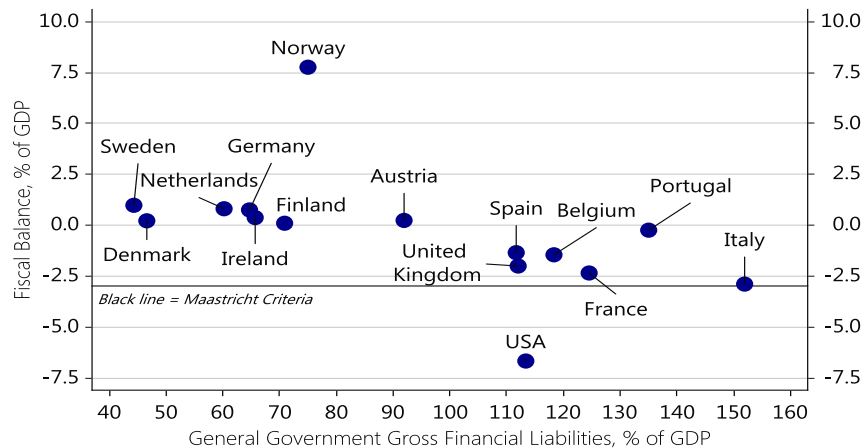
## Household debt



## Household savings



## Public balance/debt, % of GDP, 2020E



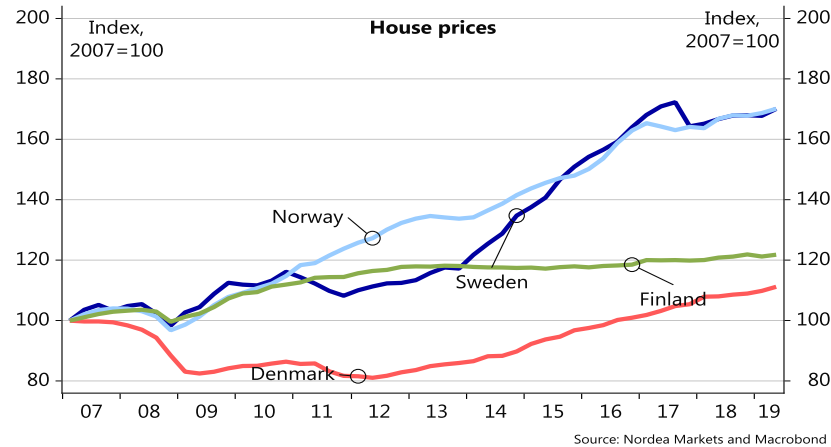
## Comments

- Household debt continues to rise somewhat faster than income in Norway, Finland and Sweden. Denmark continues to move in the opposite trend, though from very high levels.
- Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined in recent years
- The Nordic public finances are robust due to the overall economic recovery and firm fiscal policies. Norway is in a class of its own due to oil revenues

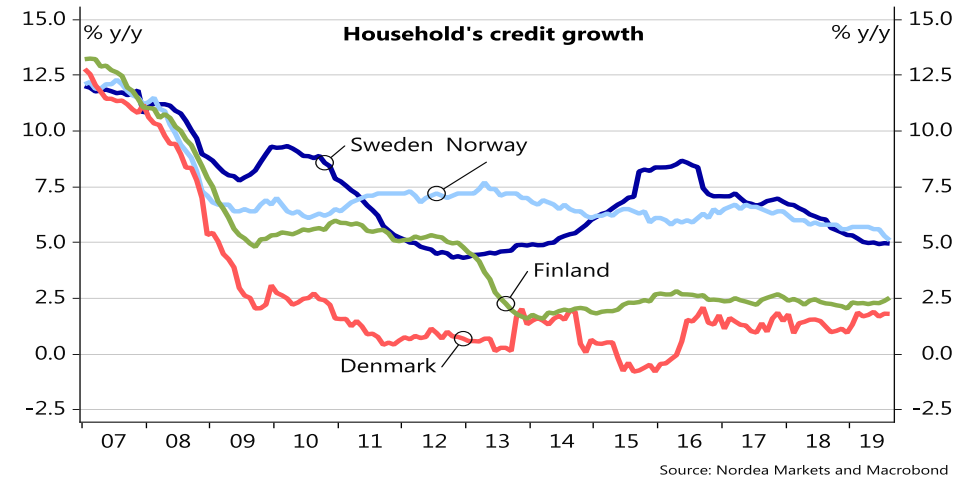


# House price development in the Nordics

## House prices



## Household's credit growth



## Comments

- Swedish and Norwegian house prices are picking up after a period of stabilization. Prices continue to rise in Denmark, but are still at a low level. The Finnish housing market remains stable and is expected to remain steady in the coming years. Credit growth in the Nordics is moving sideways except for Norway.
- Swedish house prices are close to the level before the decline in H2 2017. Interest rates are most likely to remain low for very long and residential construction will level out, which should further support price increases in the housing market.
- Slightly higher interest rates in Norway are likely to contribute to dampening the rate of increase in housing prices. At the same time, the strong Norwegian economy and labor market provides a positive environment for housing demand. All in all, very modest price increases are expected in the coming years.
- The recent pick-up in Danish house prices does not mark the onset of a new period of sharply rising prices. Extremely low interest rates coupled with tighter regulations should lead to housing prices increasing only slightly faster than inflation in the coming years.

## 6. Further information

# Nordea Mortgage Bank – outstanding benchmark covered bonds

Q3 2019

Breakdown by ISIN				
ISIN	Currency	Amount (EURm)	Maturity	Coupon
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
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		14 500		

# Contacts

## Investor Relations

### Andreas Larsson

Head of Debt IR  
Nordea Bank AB  
Mobile: +46 709 70 75 55  
Tel: +46 10 156 29 61  
[andreas.larsson@nordea.com](mailto:andreas.larsson@nordea.com)

### Maria Caneman

Debt IR Officer  
Nordea Bank AB  
Mobile: +46 768 24 92 18  
Tel: +46 10 156 50 19  
[maria.caneman@nordea.com](mailto:maria.caneman@nordea.com)

## Group Treasury & ALM

### Juho-Pekka Jääskeläinen

Senior Treasury Manager  
Tel: +46 8 407 9027  
Mobile: +46 721 43 21 48  
[juho-pekka.jaaskelainen@nordea.com](mailto:juho-pekka.jaaskelainen@nordea.com)