

Nordea

Nordea Mortgage Bank Covered Bonds

Q3 2021 Debt investor presentation

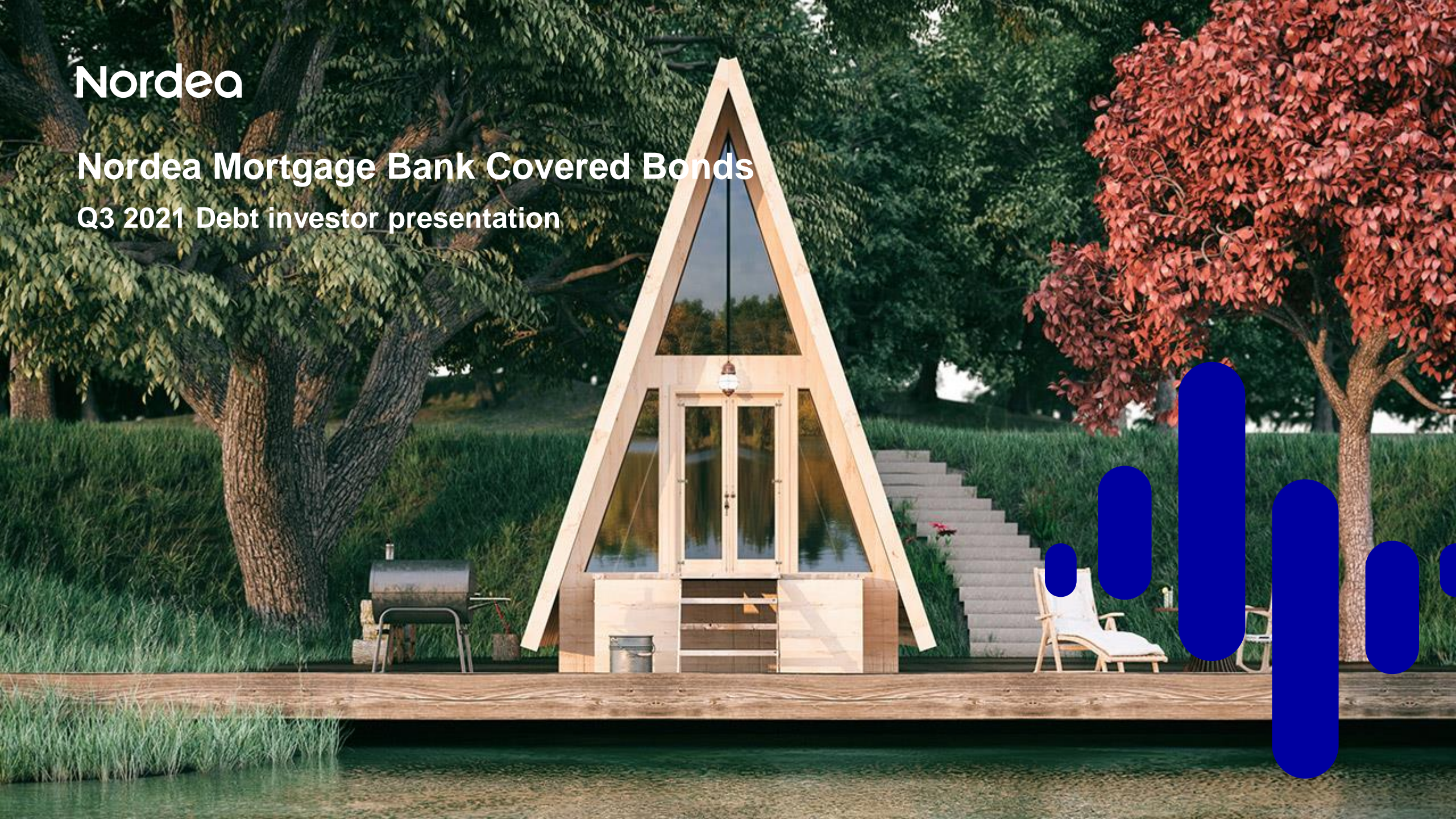


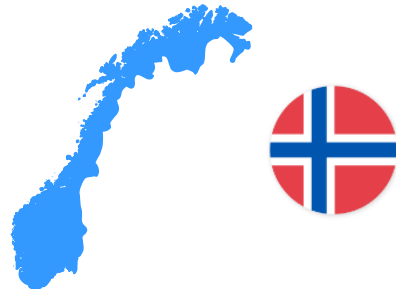
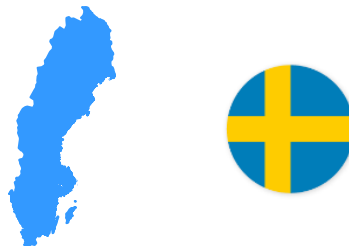


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1. In brief

Nordea covered bond operations

Q3 2021

	Nordea Eiendomskreditt	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank	
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 21.0bn (eq.)	EUR 61.9bn (eq.)	Balance principle	EUR 23.5bn
	Covered bonds outstanding	EUR 9.1bn (eq.)	EUR 35.6bn (eq.)	EUR 60.3bn (eq.)*	EUR 20.8bn
	OC	130%	74%	8%*	13%
	Issuance currencies	NOK	SEK	DKK, EUR	EUR, GBP
	Rating (Moody's / S&P)	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 2021

- 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
- 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

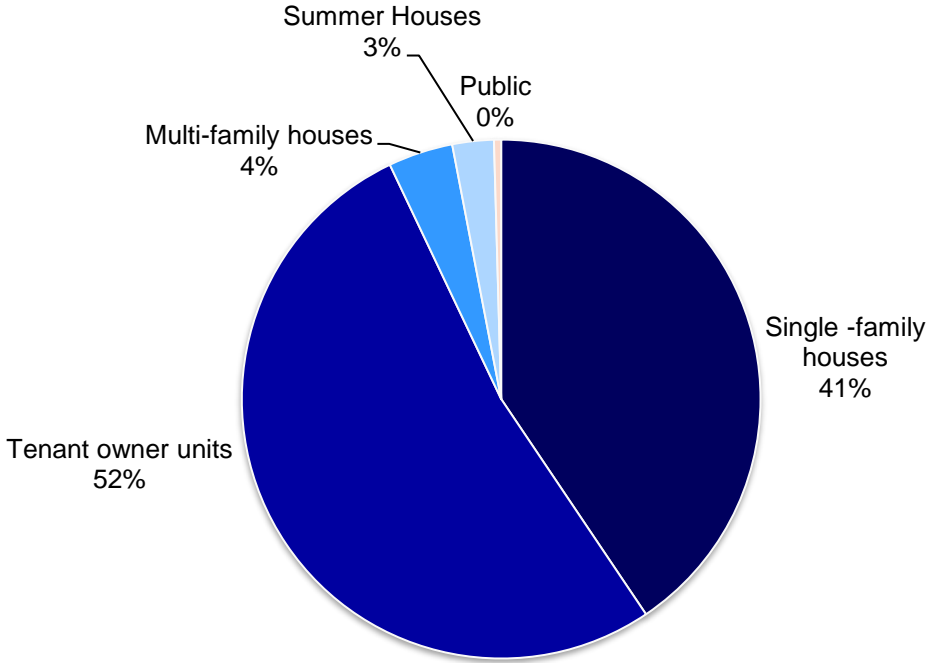
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Cover pool summary	
Pool notional	EUR 23.5bn
Outstanding Covered Bonds	EUR 20.8bn
Cover pool content	Mortgage loans secured by residential property. Loans guaranteed by public sector
Geographic distribution	Throughout Finland with concentration in urban areas
Asset distribution	99.6% residential, 0.4% public sector
Weighted average LTV*	50.8% (indexed, calculated per property)
Average loan size*	EUR 72.5k
Over collateralisation, OC	13.2%
Rate type**	Fixed rate 1.3%, Floating rate 98.7%
Amortisation**	Bullet/ interest only 5.0%, Amortising 95.0%
Substitute assets	None
Pool type	Dynamic
Loans originated by	Nordea Bank Abp (as of 1 October 2018)

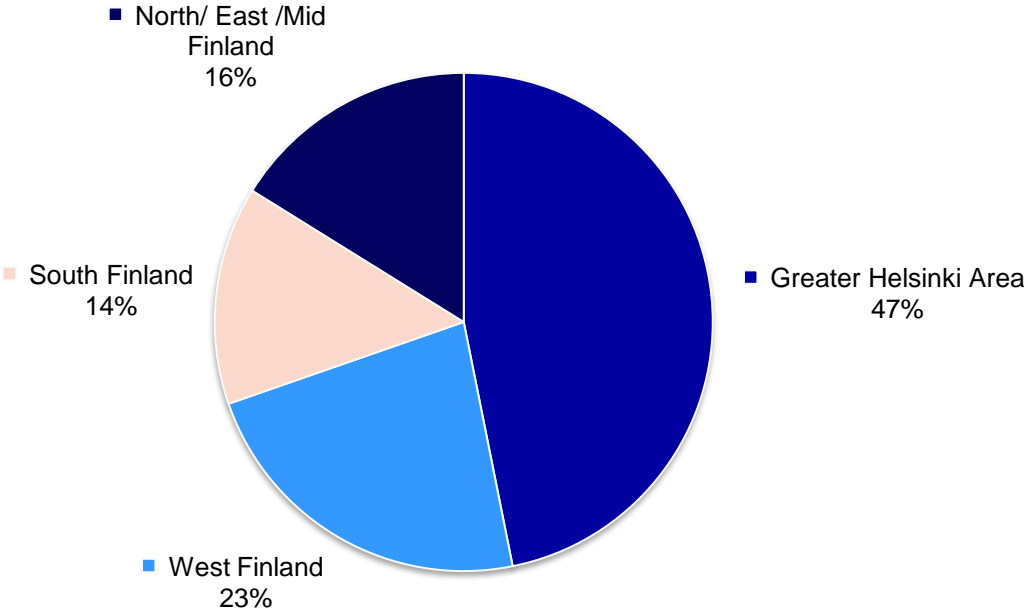
Cover pool key characteristics (2)

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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

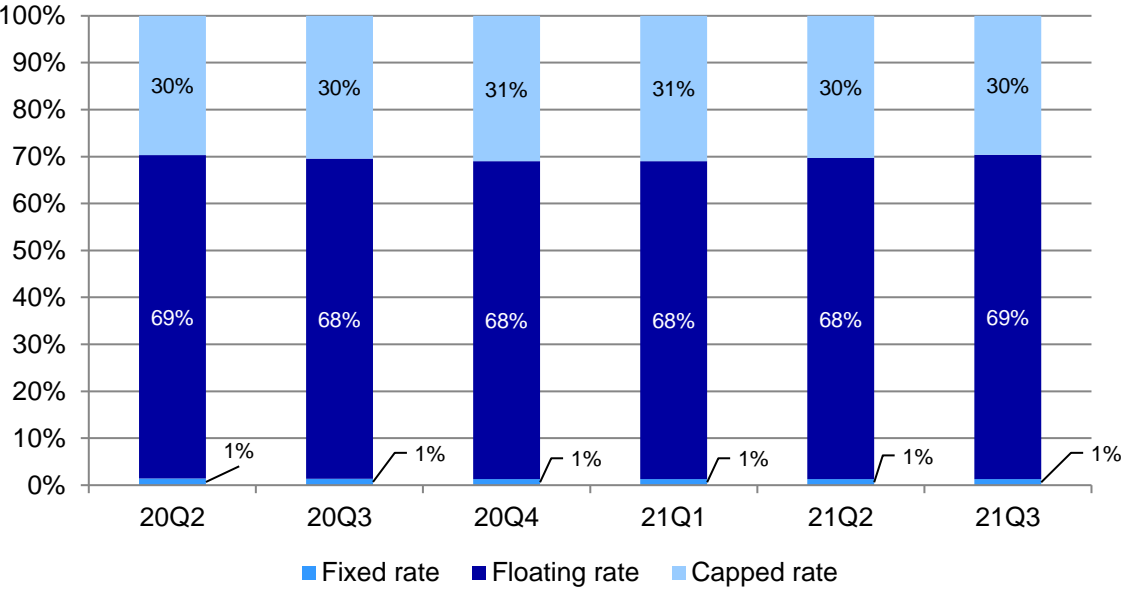
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Weighted Average LTV – Unindexed		53.1%	
LTV buckets	Nominal (EURbn)	% Residential Loans	
>0 - <=40 %	17.4	74%	
>40 - <=50 %	2.6	11%	
>50 - <=60 %	2.0	9%	
>60 - <=70 %	1.4	6%	
Total	23.4	100%	
Weighted Average LTV - Indexed		50.8%	
LTV buckets	Nominal (EURbn)	% Residential Loans	
>0 - <=40 %	17.9	76%	
>40 - <=50 %	2.5	11%	
>50 - <=60 %	1.8	8%	
>60 - <=70 %	1.2	5%	
Total	23.4	100%	

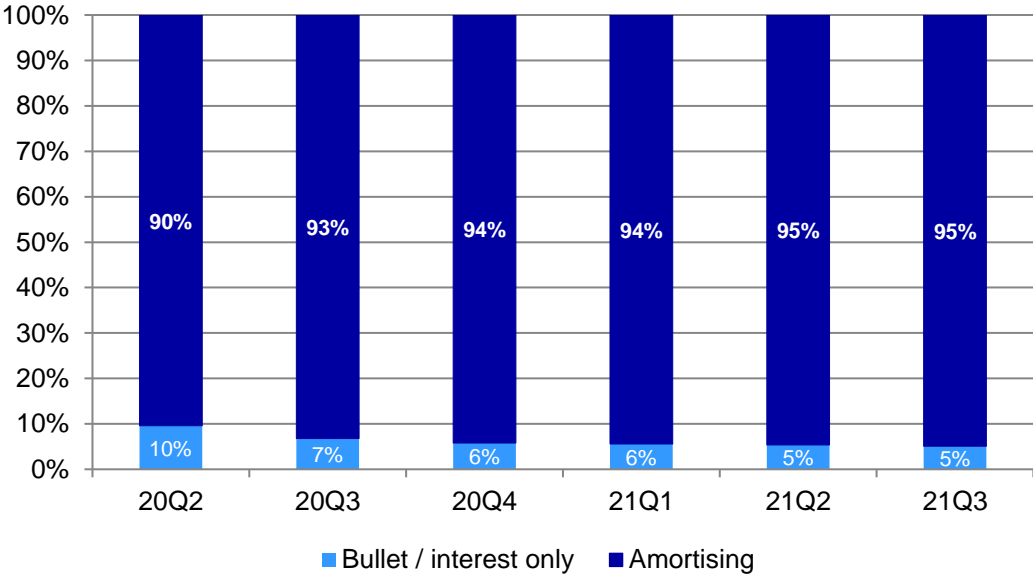
Loan structure

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Rate type



Repayment



Underwriting criteria

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- 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

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- 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)

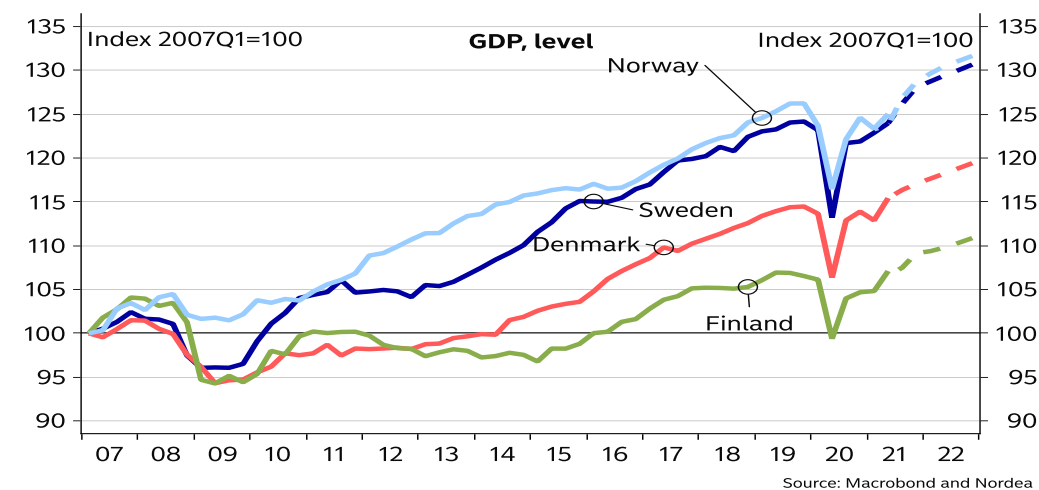
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- Bankruptcy remoteness and preferential claim
 - Isolation of registered collateral assets, registered derivatives from all other assets and liabilities of the insolvent issuer
 - Holders of covered bonds together with counterparties of registered 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. Macroeconomy

Nordic economies – resilient economies back on track

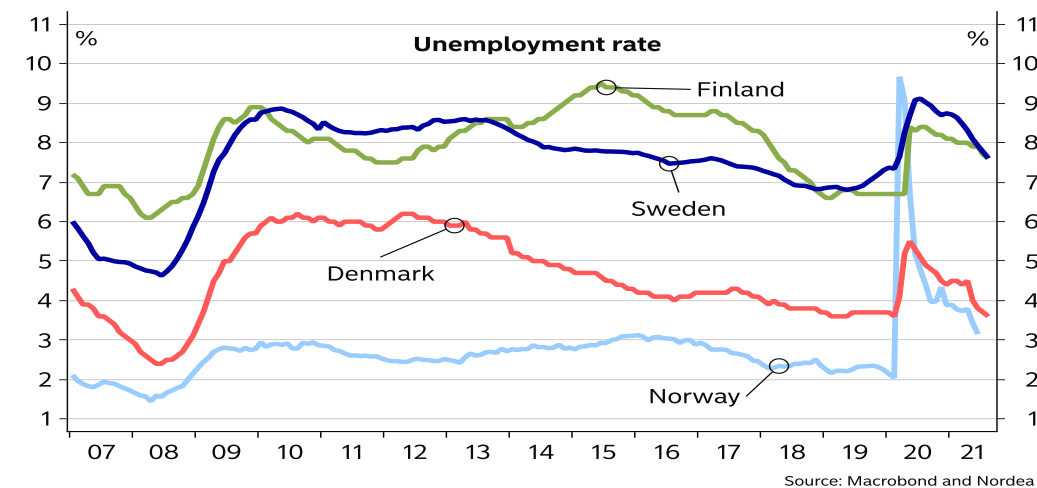
GDP development



Comments

- After the dramatic setback in 2020 due to the COVID-19 pandemic, the Nordic economies have almost fully recovered
- Vaccines have brought long-awaited relief and, to a large extent, a return to normal. Nordic households' relatively strong finances have paved the way for a broad recovery as pent-up demand unwinds when restrictions are lifted
- The labour market has shown resilience, largely due to government subsidies such as short-term furloughs. The hard-hit services sector is rebounding, and GDP is back to pre-crisis levels

Unemployment rate

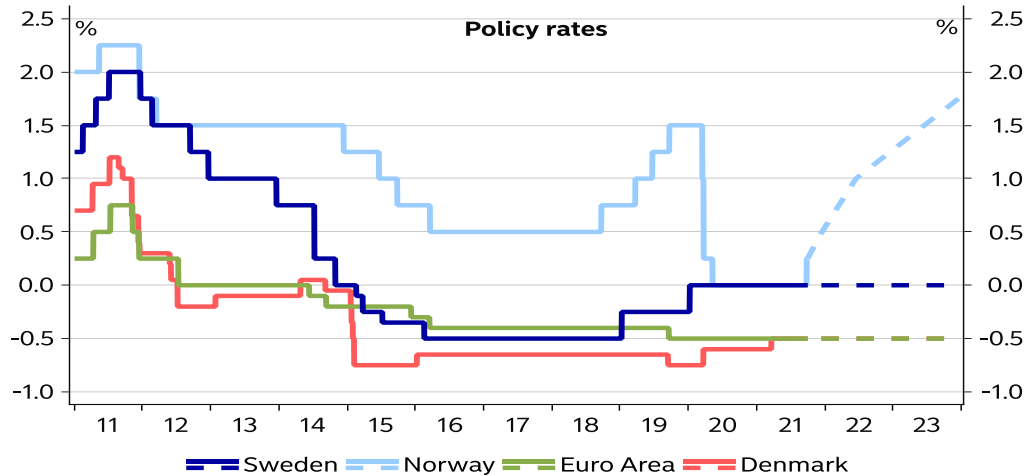


GDP, forecasts from Economic Outlook September 2021

Country	2020	2021E	2022E
Denmark	-2.1	3.3	2.7
Finland	-2.9	3.5	3.0
Norway	-2.5	3.9	3.9
Sweden	-3.0	4.5	3.5

Nordic rates – Nordics well equipped to handle long-term consequences of COVID-19

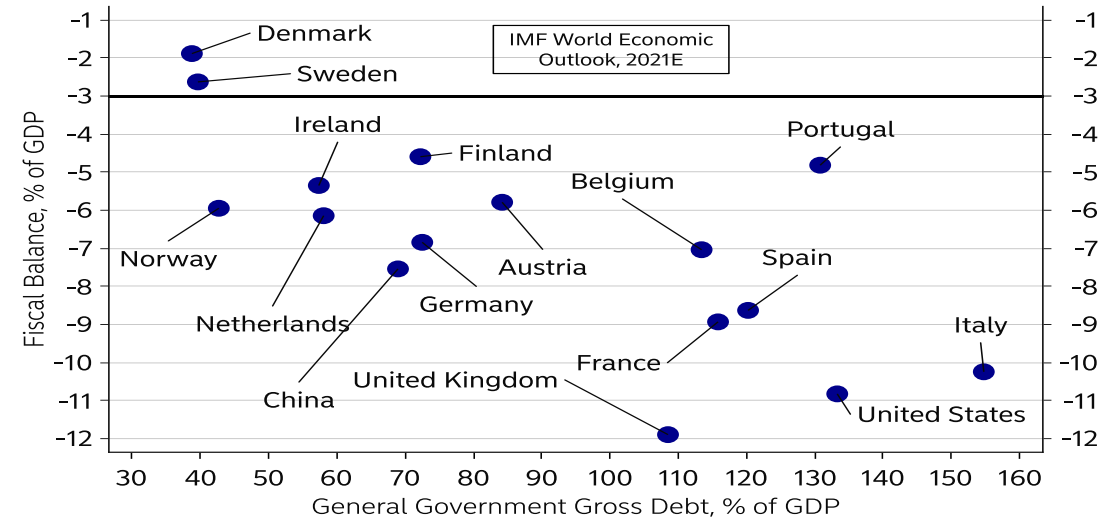
Policy rates



Comments

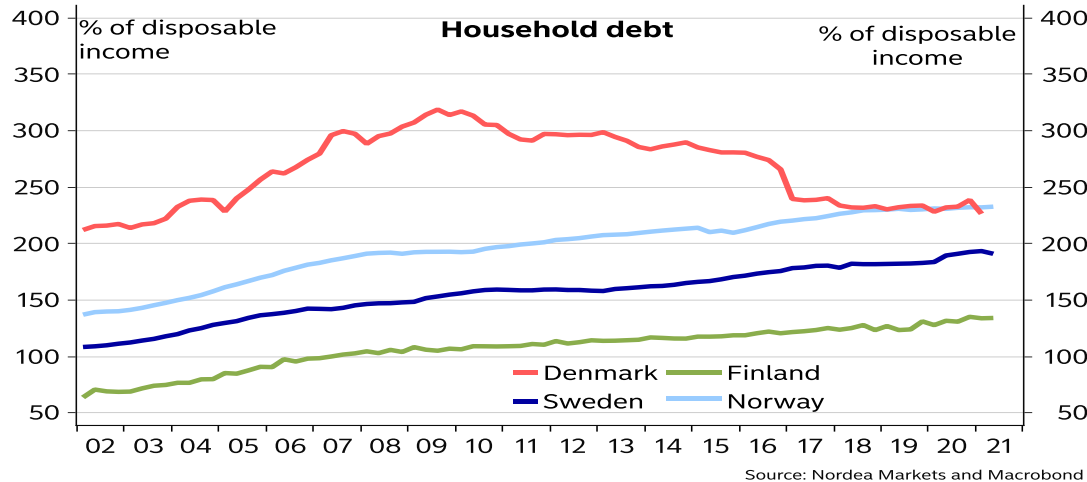
- Norges Bank increased its key rate in September this year, with a second increase likely in December. Policy rates in the euro area, Denmark and Sweden are expected to remain unchanged throughout the forecast period
- Sveriges Riksbank and the ECB launched new large-scale asset purchase programmes (QE) as a response to the COVID-19 crisis. The ECB is expected to purchase financial assets corresponding to 7% of euro area GDP in 2021, while Sveriges Riksbank's purchases amount to an expected 8% of GDP
- Solid public finances prior to the crisis have enabled the Nordic governments to act swiftly during the crisis, and large recovery packages have been announced in 2021 as well. The Nordics are relatively well-equipped to handle the long-term consequences of the pandemic

Public balance and debt, % of GDP, 2021E



Households remain resilient

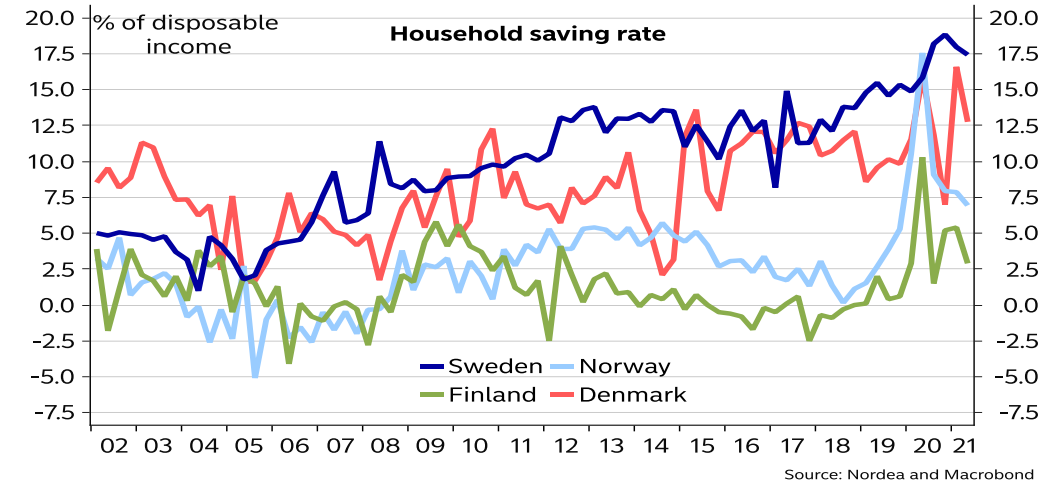
Household debt



Comments

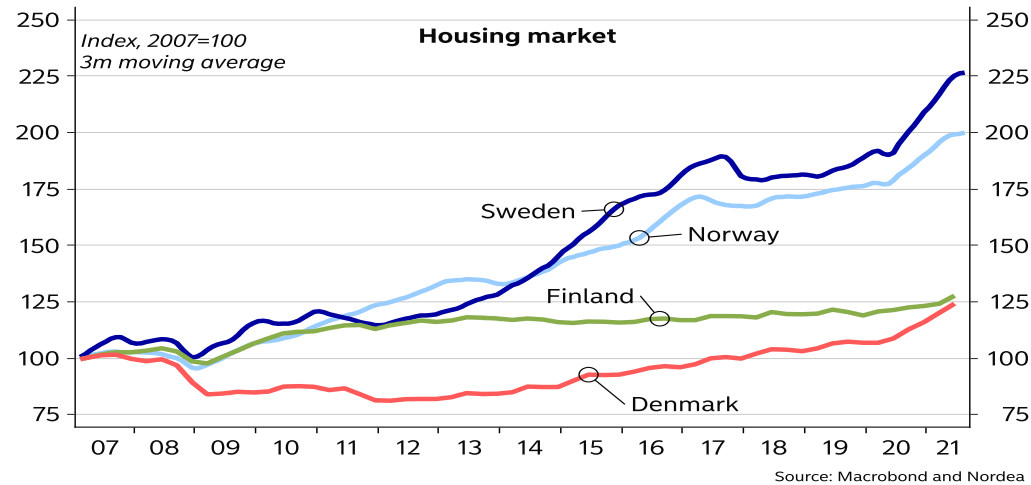
- Household savings have increased dramatically during the crisis, largely due to a decline in spending. Despite high debt levels, Nordic households' strong finances are expected to support economic growth as restrictions are lifted. Low interest rates and economic stimulus continue to support credit growth and the housing market
- Early labour market measures, automatic stabilisers and other measures to stimulate demand have helped to soften the blow to households and businesses. Robust public finances prior to the crisis have increased 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



Nordic housing markets heat up

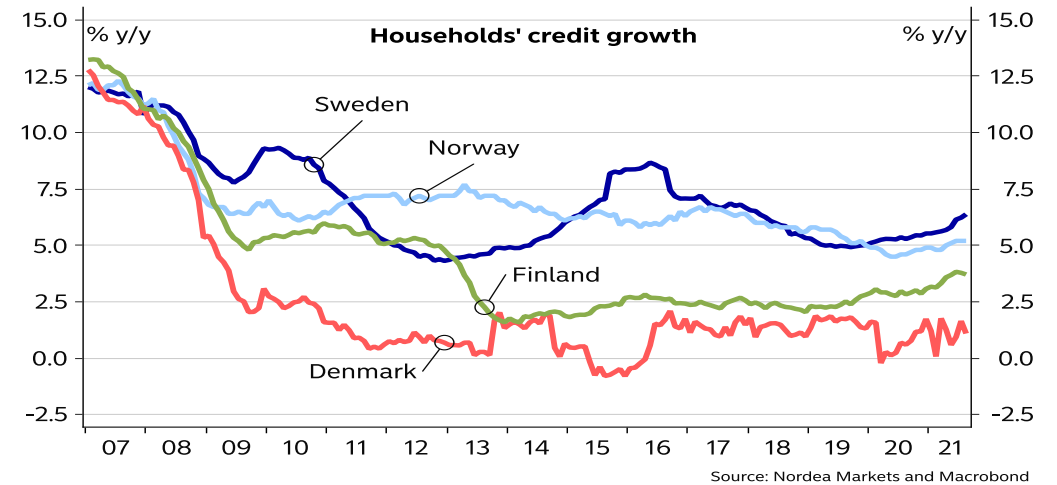
Housing prices



Comments

- Contrary to expectations, house prices have increased to record-high levels in all the Nordic countries during the crisis. This is not least because of unprecedented expansionary fiscal and monetary policy in support of households and businesses
- The crisis has had a limited effect on those groups in the labour market which are more active in the housing market, while demand has surged due to preferences shifting towards larger housing and single-family homes. At the same time, people's mobility has been severely restricted, causing a sharp decline in the number of homes on the market, which in turn has contributed to driving prices higher
- However, interest rates are not likely to go lower and, at some point, the expansionary fiscal policies will come to an end. Moreover, as mobility levels increase, the housing supply will increase again. Against this backdrop, the pace of price growth will slow
- If the housing market remains in good shape, the economy will as well, so the benign trend in house prices has helped all the Nordic countries get through the crisis

Households' credit growth



6. Further information

Nordea Mortgage Bank – outstanding benchmark covered bonds

Q3 2021

Breakdown by ISIN				
ISIN	Currency	Amount (EURm)	Maturity	Coupon
XS1554271590	EUR	1 500	24/01/2022	0.025%
XS1308350237	EUR	1 250	19/10/2022	0.625%
XS1784067529	EUR	1 250	28/02/2023	0.25%
XS2157194643	EUR	8500	16/11/2023*	FRN
XS1522968277	EUR	1 000	21/11/2023	0.25%
XS1132790442	EUR	1 000	05/11/2024	1%
XS1825134742	EUR	1 000	23/05/2025	0.625%
XS1963717704	EUR	1 500	18/03/2026	0.25%
XS1204140971	EUR	1 000	17/03/2027	0.625%
XS2013525410	EUR	1 000	18/06/2027	0.125%
XS1784071042	EUR	750	28/02/2033	1.375%
Total		19 750		

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