

An aerial photograph of a wind turbine in a field. The turbine is white with three blades, and its shadow is cast long and dark across the brown, textured ground. The field is divided into sections by faint lines, possibly furrows or paths.

Nordea

Q3 2023 Debt investor presentation

Nordea Mortgage Bank Covered Bonds

Cover pools 1 & 2

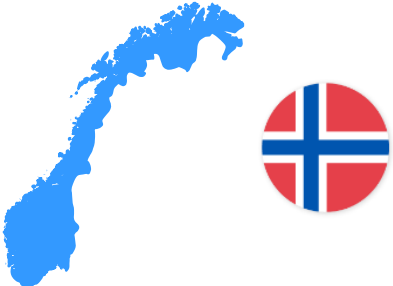
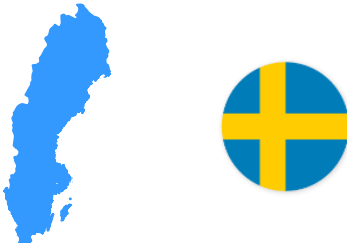

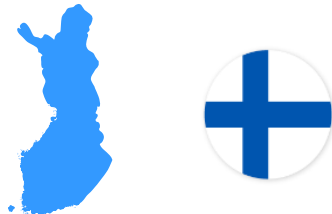
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1. In brief

Nordea covered bond operations

Q3 2023

Four aligned covered bond issuers with complementary roles	Nordea Eiendoms kreditt	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 21.3bn (eq.)	EUR 57.8bn (eq.)	Balance principle	Pool 1: EUR 19.7bn/ Pool 2: EUR 5.6bn
	Covered bonds outstanding	EUR 15.1bn (eq.)	EUR 31.5bn (eq.)	EUR 60.0bn (eq.)*	Pool 1: EUR 15.6bn/ Pool 2: EUR 4bn
	OC	41%	83%	7%*	Pool 1: 27% / Pool 2: 44%
	Issuance currencies	NOK	SEK	DKK, EUR	EUR, GBP
	Rating (Moody's / S&P)	Aaa/ -	Aaa / -	- / AAA	Aaa / -
	Included in Nordea Green Framework	Yes	Yes	Yes	Yes
Issued Green CB's	Yes (inaugural issue in 2021)	Yes (inaugural issue in 2022)	Yes (inaugural issue in 2019)	Yes (inaugural issue in 2022)	

- 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) are covered by Nordea's updated 2022 Nordea green funding framework



⁴ * 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 (<1%) of the outstanding volume of loans and bonds

Nordea Mortgage Bank Plc – overview

Q3 2023



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

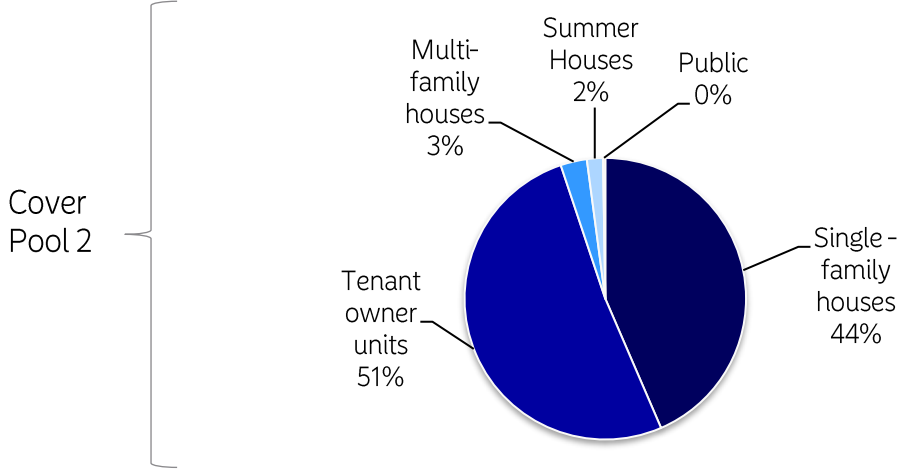
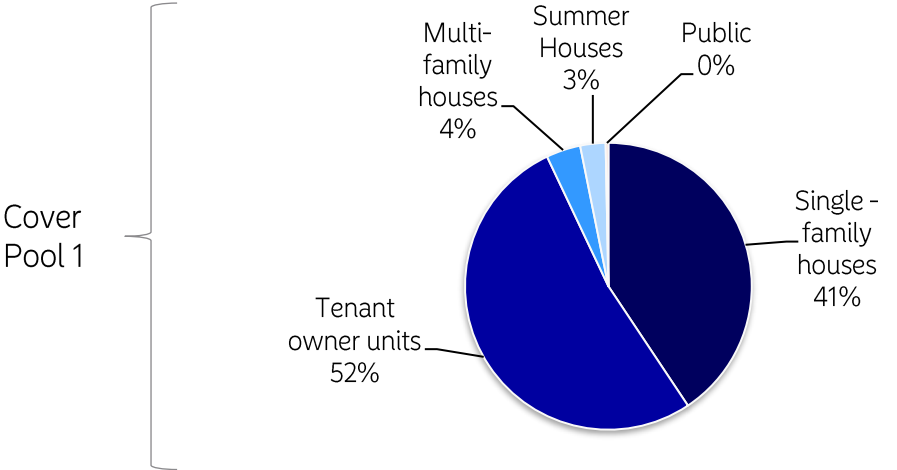
Q3 2023

Cover pool summary	Cover pool 1 (Legacy)	Cover Pool 2 (New)
Pool notional	EUR 19.7bn	EUR 5.6bn
Outstanding Covered Bonds	EUR 15.6bn	EUR 4.0bn
Cover pool content	Mortgage loans secured by residential property. Loans guaranteed by public sector	Mortgage loans secured by residential property. Loans guaranteed by public sector
Geographic distribution	Throughout Finland with concentration in urban areas	Throughout Finland with concentration in urban areas
Asset distribution	99.7% residential, 0.3% public sector	99.7% residential, 0.3% public sector
Weighted average LTV*	50.9% (indexed, calculated per property)	56.1% (indexed, calculated per property)
Average loan size*	EUR 76.1k	EUR 102.9k
Over collateralisation, OC	26.6%	44.0%
Rate type**	Fixed rate 1.1%, Floating rate 98.9%	Fixed rate 1.1%, Floating rate 98.9%
Amortisation**	Bullet/ interest only 2.9%, Amortising 97.1%	Bullet/ interest only 3.0%, Amortising 97.0%
Substitute assets	None	None
Pool type	Dynamic	Dynamic
Loans originated by	Nordea Bank Abp. (as of 1 October 2018)	Nordea Bank Abp. (as of 1 October 2018)

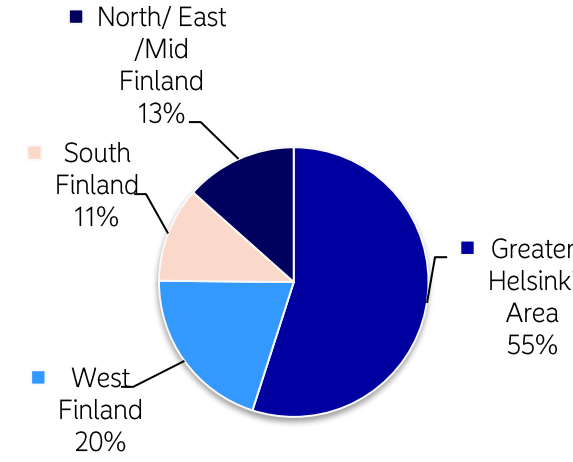
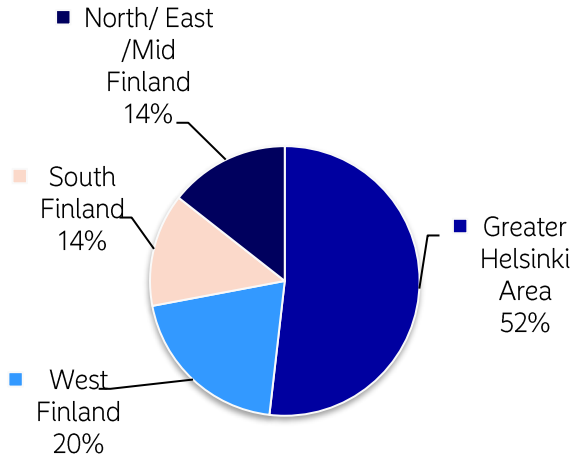
Cover pool key characteristics (2)

Q3 2023

Cover pool balance by loan category



Cover pool balance by region



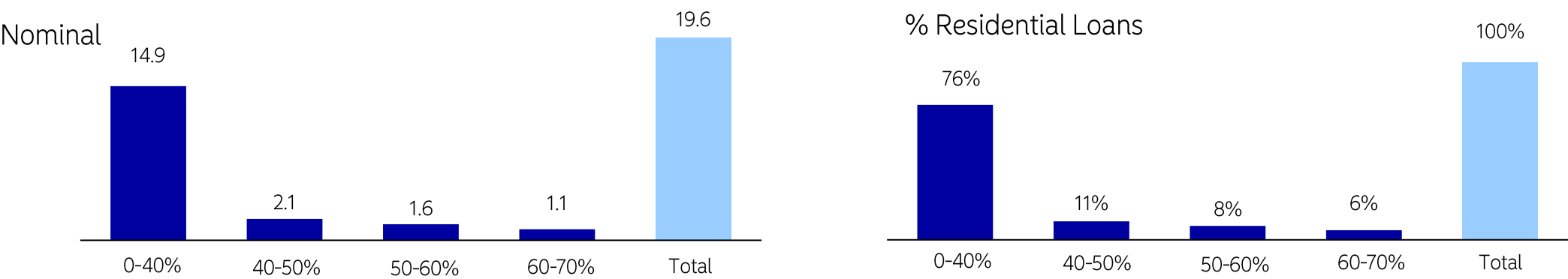
3. Asset quality

Loan To Value (LTV)

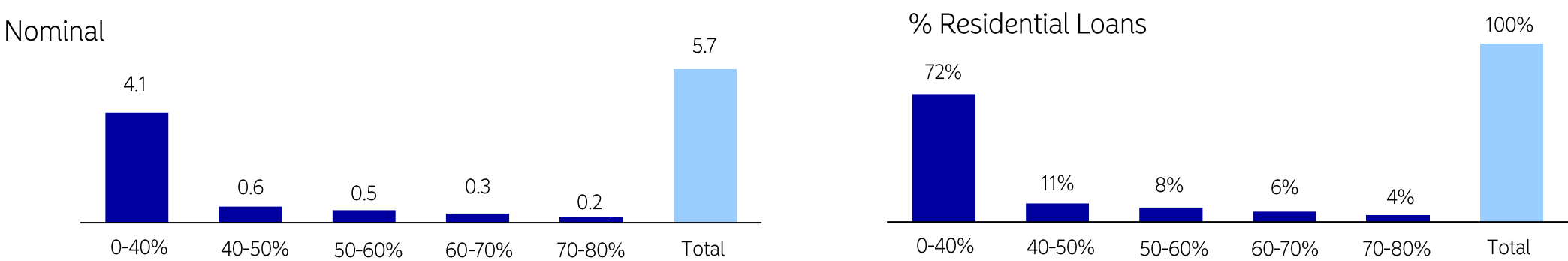
Continuous distribution where each loan can exist in multiple buckets

Q3 2023

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

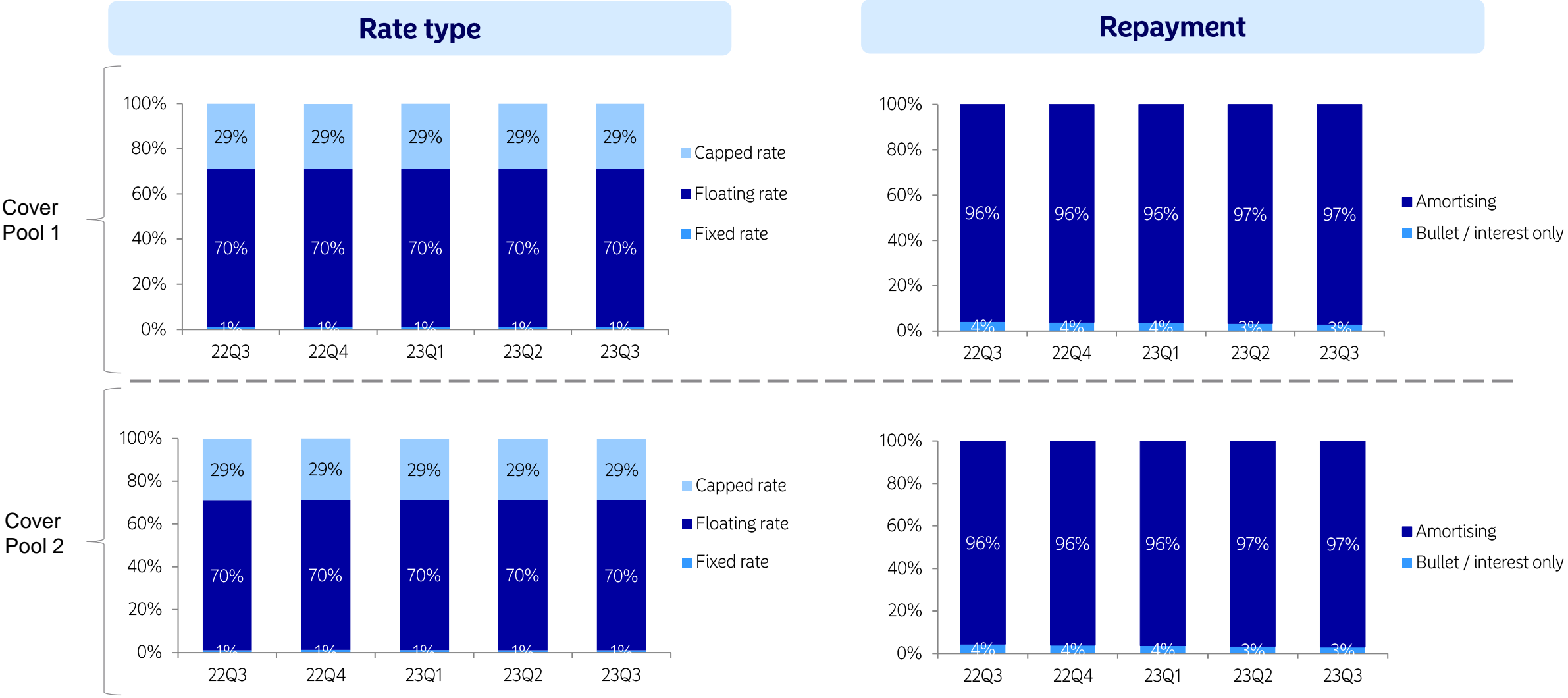


Cover Pool 2 - Weighted Average LTV – Indexed – 56.1%



Loan structure

Q3 2023



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 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

	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"> • 70% for housing loans (residential property) • 60% for commercial loans (commercial property) 	Limit on LTV ratio – based on the current value <ul style="list-style-type: none"> • 80% for housing loans (residential property) • 60% for commercial loans (commercial property)
Coverage	Matching cover requirements <ul style="list-style-type: none"> • 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 	Overcollateralization requirements <ul style="list-style-type: none"> • 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 • In addition, the overcollateralization must cover the estimated winding-down costs of the covered bonds
Liquidity risk mitigation	Liquidity requirements <ul style="list-style-type: none"> • 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 	Liquidity Buffer Requirement <ul style="list-style-type: none"> • 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 • When determining the net liquidity outflow, the issuer may use the soft bullet maturity date as the date when the covered bond matures

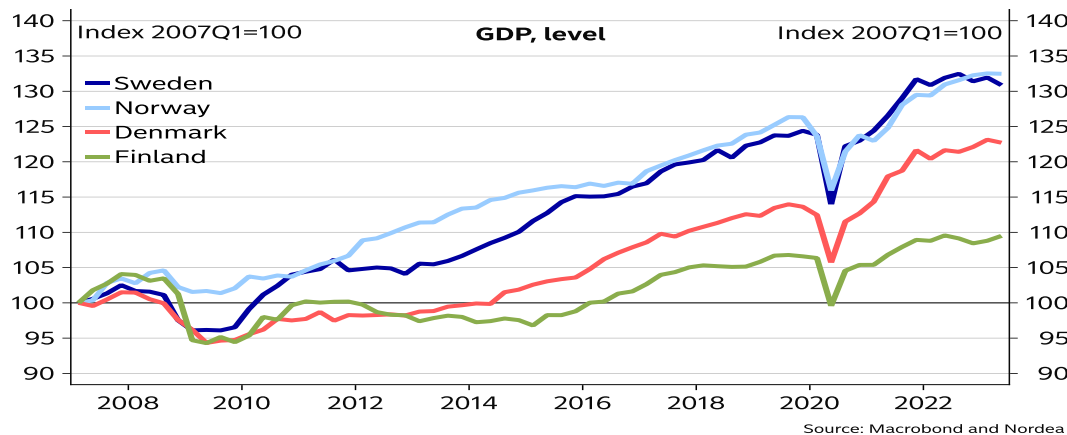
Finnish covered bond framework, continued

	Cover pool 1 & 2
Registration	<ul style="list-style-type: none"> • Collateral assets remain on the balance sheet of the issuer • Covered bonds, collateral and relevant derivative contracts are entered in a separate register
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"> • 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 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 • 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

5. Macroeconomy

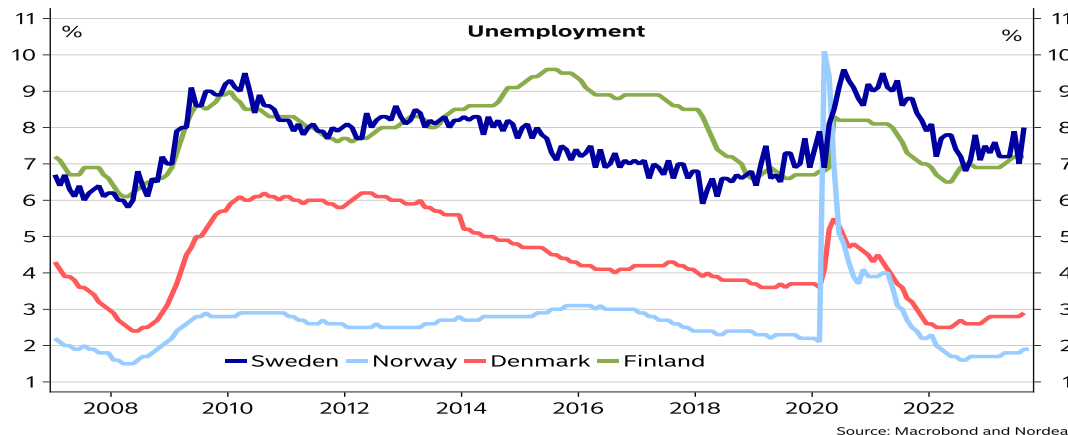
New interest rate environment

GDP development



- The Nordic economies have shown mixed resilience on the back of surging inflation and interest rates
- Central banks intend to keep interest rates higher for longer. Combined with weaker global demand, the Nordic economies are facing headwinds going forward
- Indicators are pointing to a weaker labour demand. The labour market is set to weaken as economic growth continues to dampen

Unemployment rate

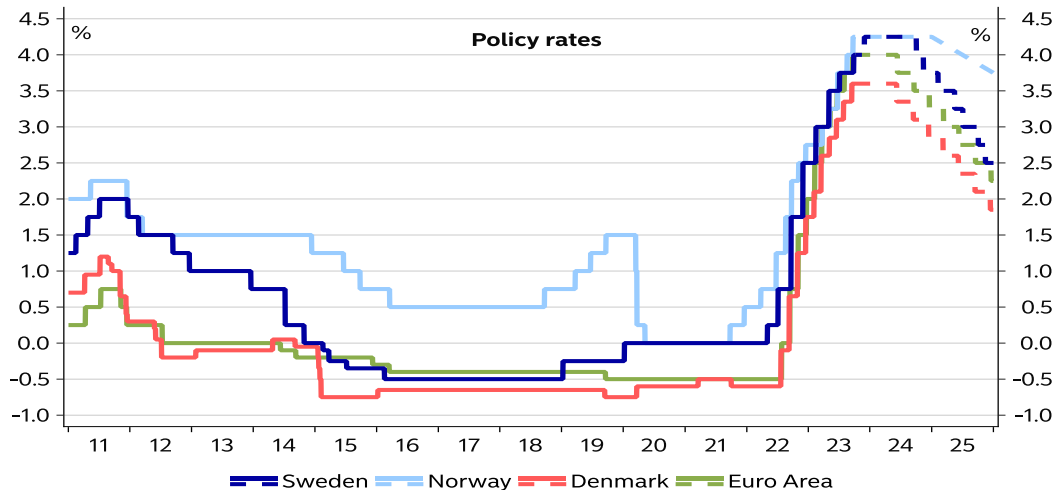


GDP, % y/y, Economic Outlook September 2023

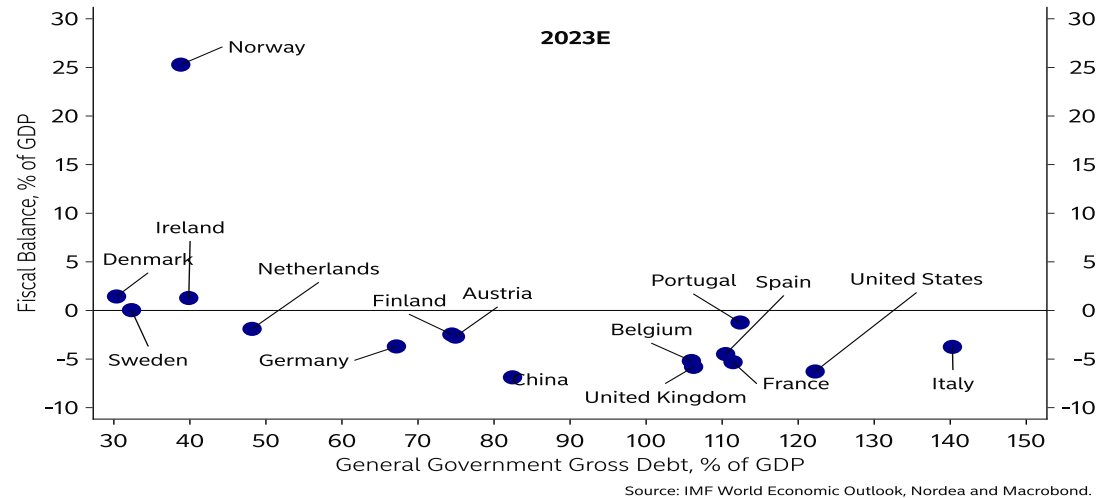
Country	2022	2023E	2024E	2025E
Denmark	2.7	1.3	1.0	1.7
Finland	1.6	0.0	0.0	1.5
Norway (mainland)	3.8	1.2	0.5	1.0
Sweden	2.8	-1.0	-0.2	2.2

Higher for longer interest rates

Policy rates



Public balance/debt, % of GDP, 2023E (IMF)

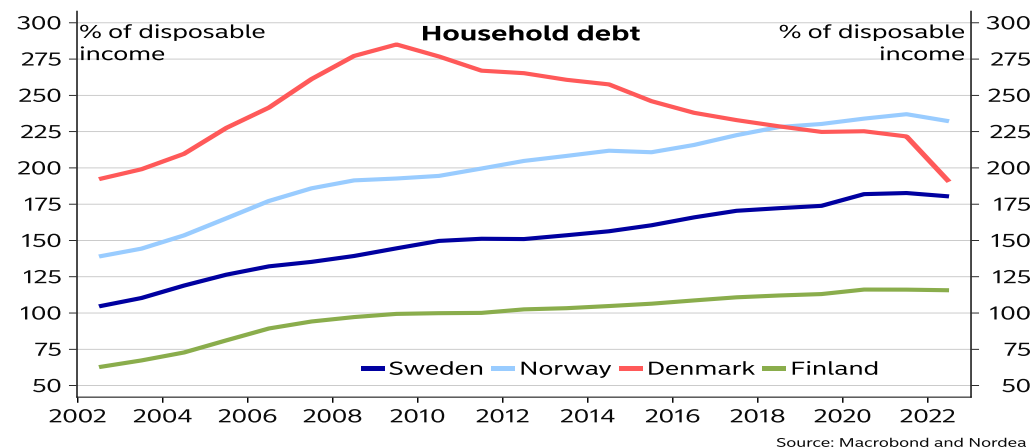


- Central banks are continuing to combat too high core inflation
- Norges Bank delivered a 25bp hike in September. The bank has in total hiked from 0 to 4.25% since autumn 2021
- The Swedish Riksbank raised the policy rate to 4.00% in September and is expected to hike until they reach 4.25% in November
- The ECB delivered a 25bp hike in September to 4.00%. We predict that the policy rate in the Euro Area, Denmark and Norway will not be raised any further this cycle
- The ECB and the Riksbank are reducing the size of their balance sheets
- Solid public finances will help Nordic governments to handle the economic slowdown ahead

Households

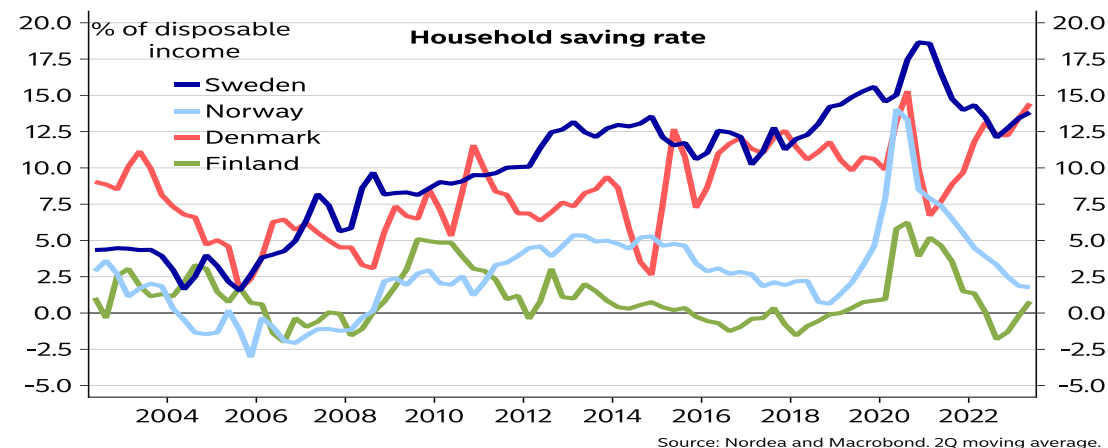
Heavy steps

Household debt

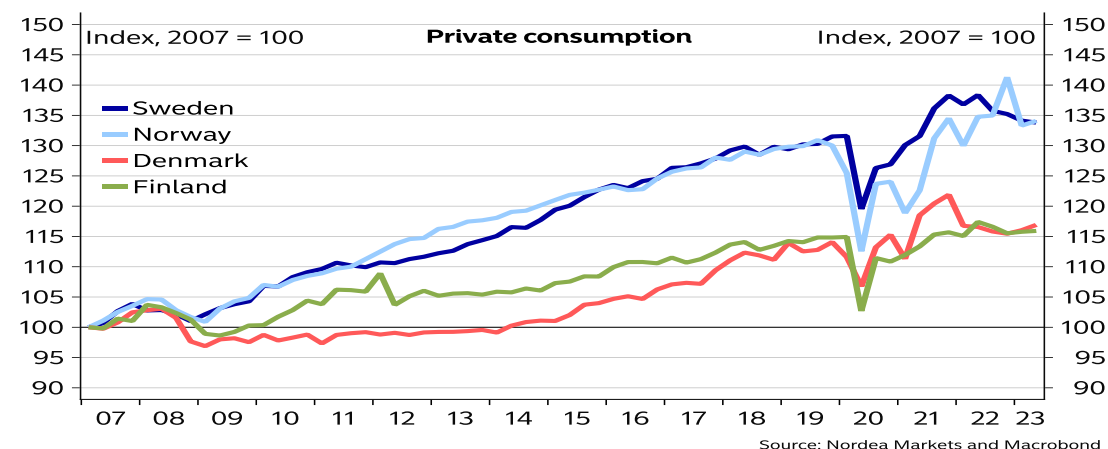


- High and broad-based inflation continues to pressure households' purchasing power. Additionally, the arduous adaptation process to higher for longer interest rates will continue to squeeze households
- Real disposable income in Sweden is expected to decline by -3.0 percent in 2023
- Household indebtedness has started to decrease, due to rising interest rates

Household savings

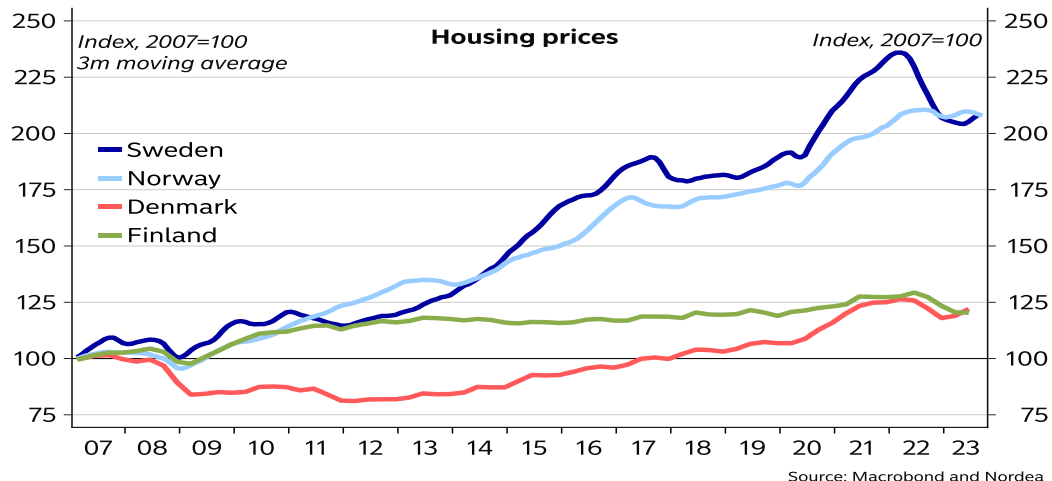


Private consumption

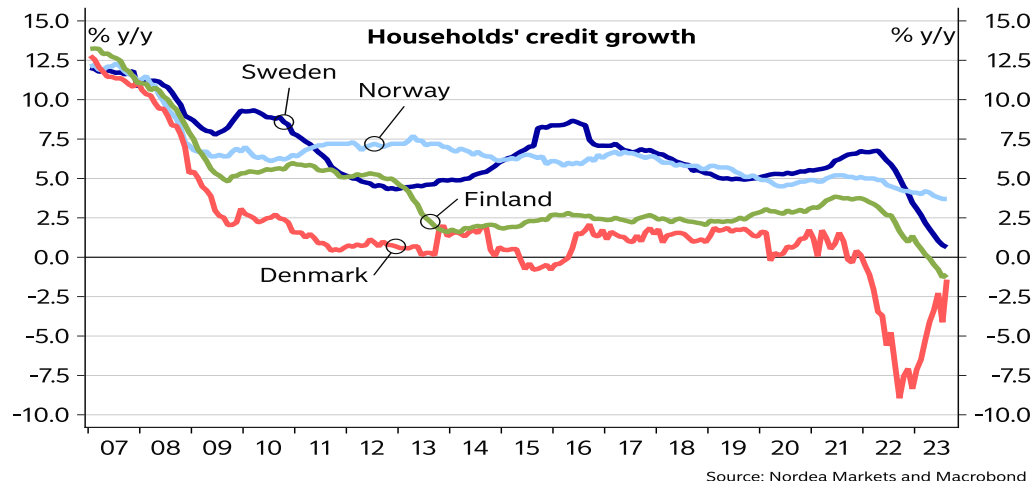


Higher interest rates imply downside risks on the housing market

Housing prices



Households' credit growth





- Housing prices rose to record-high levels in all the Nordic countries in 2022
- Housing prices have fallen in all the Nordic countries on the back of surging borrowing costs and lower credit growth. However, housing prices have stabilized during the summer, possibly attributed to lower activity
- The risks are on the downside going forward, accounting for low demand and higher interest rates. We expect further declines in all Nordic economies, especially Sweden
- Households' credit growth in the Nordic countries, except for Denmark, has been on a downward trend the past couple of quarters. In August 2023, Sweden had close to zero credit growth while both Finland and Denmark had negative credit growth

6. Further information

Nordea Mortgage Bank – outstanding benchmark covered bonds

Q3 2023

Breakdown by ISIN				
ISIN	Currency	Amount (EURm)	Maturity	Coupon
XS1522968277	EUR	1 000	21/11/2023	0.250%
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%
XS1204140971	EUR	1 000	17/03/2027	0.625%
XS2013525410	EUR	1 000	18/06/2027	0.125%
XS2463702907	EUR	1 500	30/03/2029	1.000%
XS2589317697	EUR	1 000	20/02/2030	3.000%
XS2532376949	EUR	1 000	14/09/2032	2.500%
XS1784071042	EUR	750	28/02/2033	1.375%
Total		18 750		

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