



Nordea

Nordea Mortgage Bank Covered Bonds

Q4 2021 Debt investor presentation

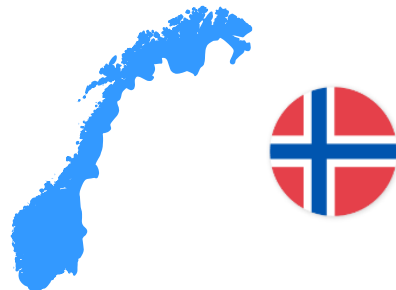
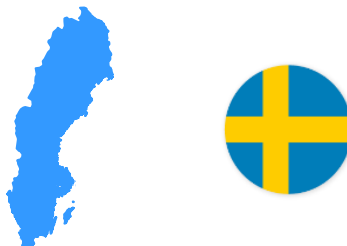

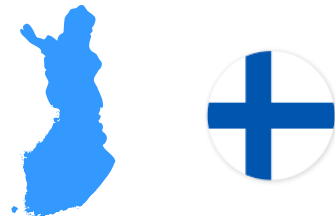


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1. In brief

Nordea covered bond operations

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 21.0bn (eq.)	EUR 62.1bn (eq.)	Balance principle	EUR 23.6bn
	Covered bonds outstanding*	EUR 9.6bn (eq.)	EUR 35.6bn (eq.)	EUR 60.2bn (eq.)	EUR 20.8bn
	OC*	120%	75%	6%*	14%
	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 2019)	-	

- 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 (MCI's) are covered by Nordea's updated 2021 green bond 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

Q4 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

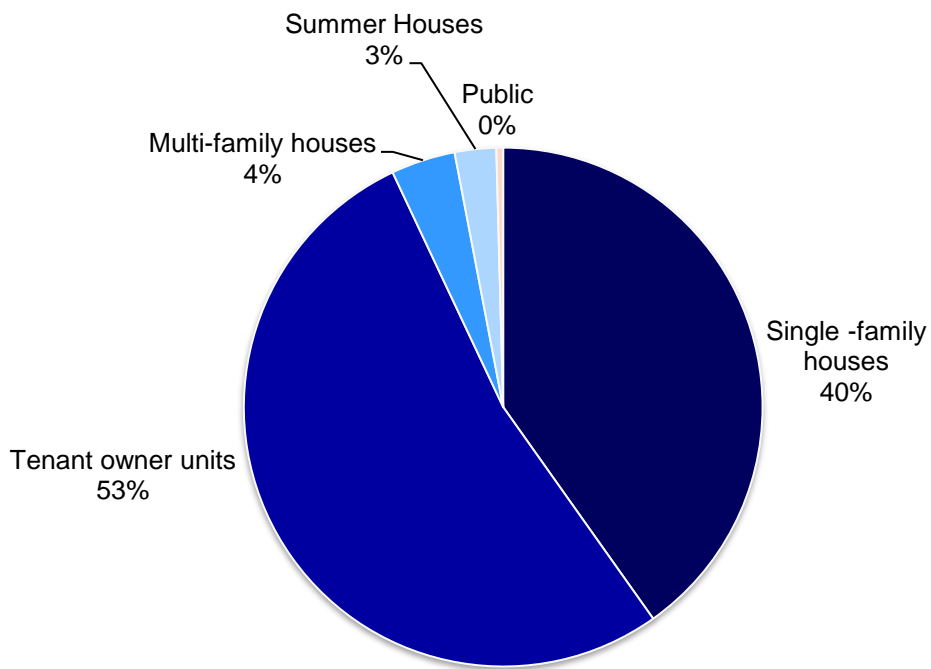
Q4 2021

Cover pool summary	
Pool notional	EUR 23.6bn
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*	51.4% (indexed, calculated per property)
Average loan size*	EUR 73.3k
Over collateralisation, OC	13.9%
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)

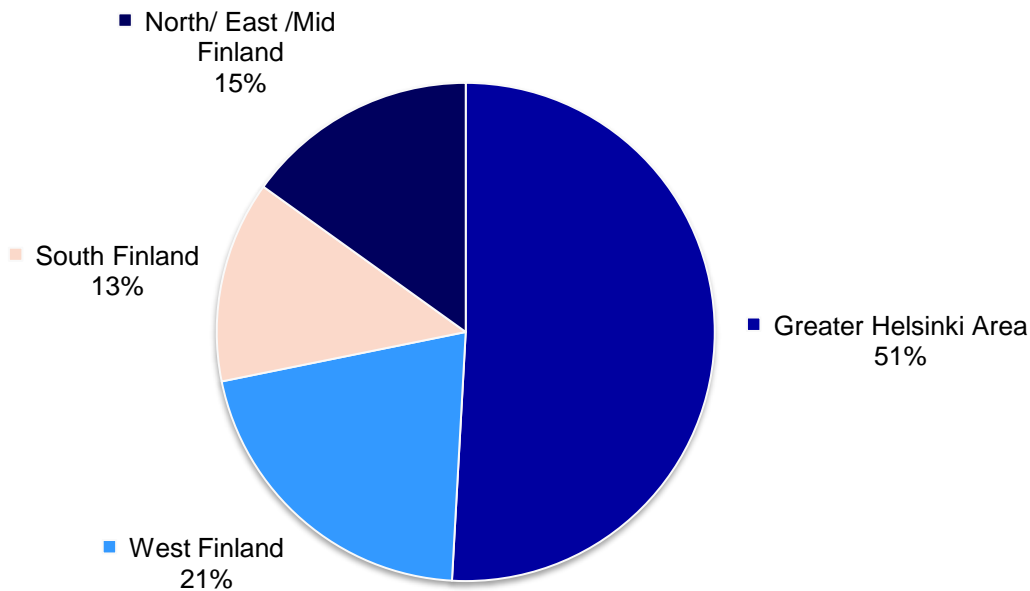
Cover pool key characteristics (2)

Q4 2021

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

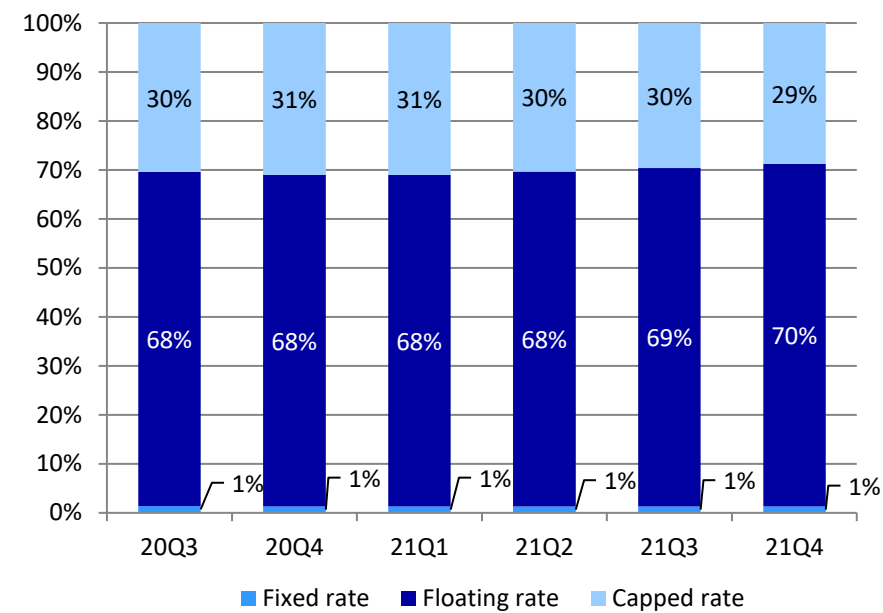
Q4 2021

Weighted Average LTV – Unindexed		53.2%	
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	23.5	100%	
Weighted Average LTV - Indexed		51.4%	
LTV buckets	Nominal (EURbn)	% Residential Loans	
>0 - <=40 %	17.8	76%	
>40 - <=50 %	2.5	11%	
>50 - <=60 %	1.9	8%	
>60 - <=70 %	1.3	5%	
Total	23.5	100%	

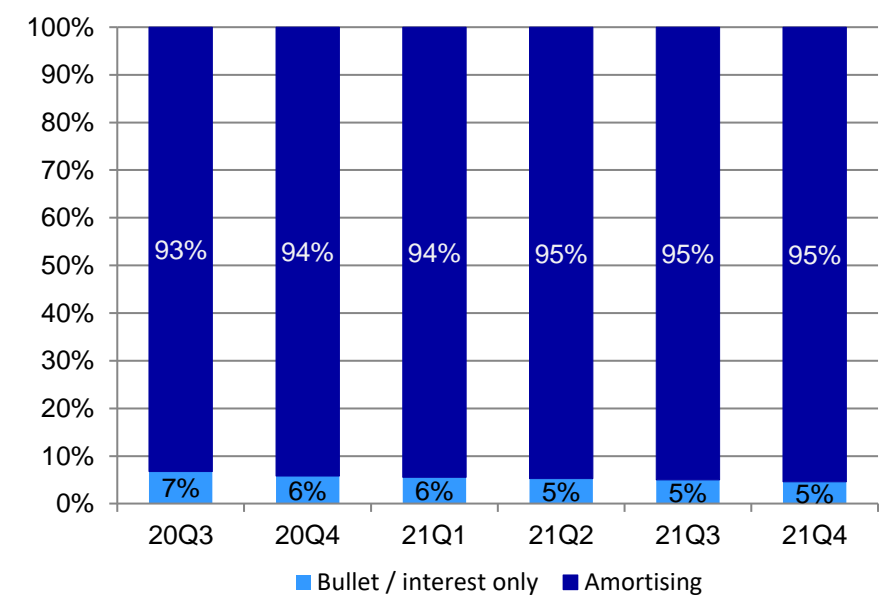
Loan structure

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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

Q4 2021

- 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)

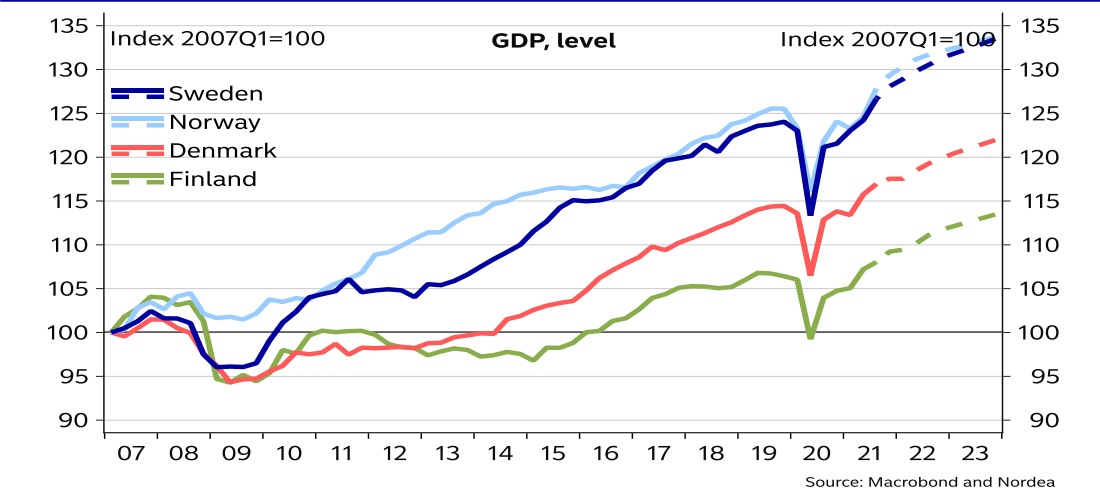
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- Bankruptcy remoteness and preferential claim
 - Isolation of registered collateral assets, registered derivatives from all other assets and liabilities of the insolvent issuer
 - Holders of covered bonds together with counterparties of registered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

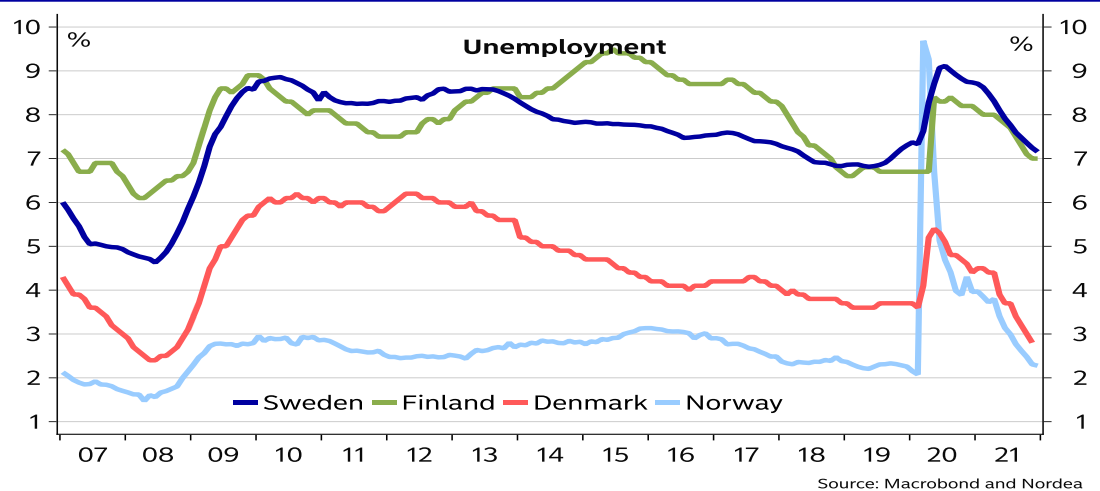
GDP development



Comments

- After the dramatic setback in 2020 due to the COVID-19 pandemic, the Nordic economies have all recovered. However, data points to a slowdown in economic activity towards the end of 2021, as new restrictions have been introduced to contain the spread of the Omicron variant
- The labour market has shown resilience, largely due to government subsidies such as short-term furloughs. The hard-hit services sector has largely rebounded (at least until the recent Omicron restrictions), and GDP is back to pre-crisis levels

Unemployment rate

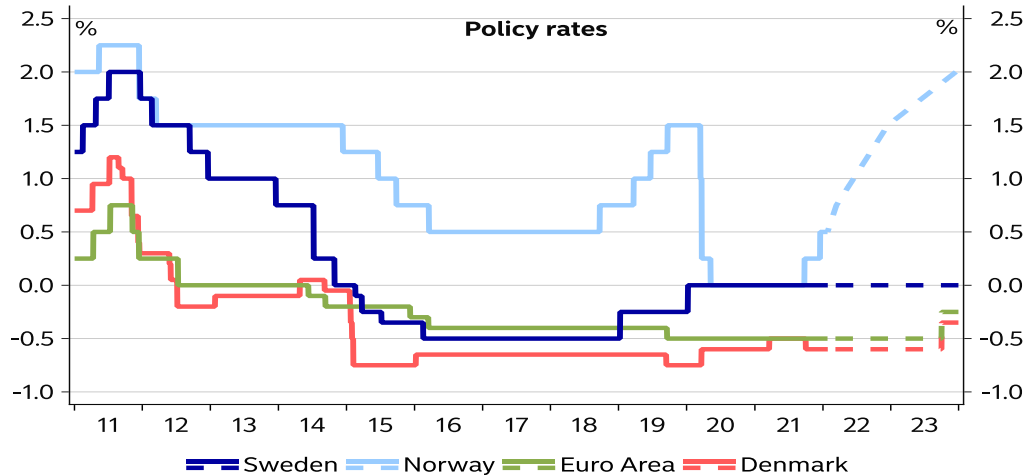


GDP, forecasts from Economic Outlook January 2022

Country	2021E	2022E	2023E
Denmark	3.8	2.5	.2.0
Finland	3.8	3.0	2.0
Norway	4.1	4.0	2.0
Sweden	4.9	3.7	1.9

Nordic economies – solid public finances, well-equipped for future

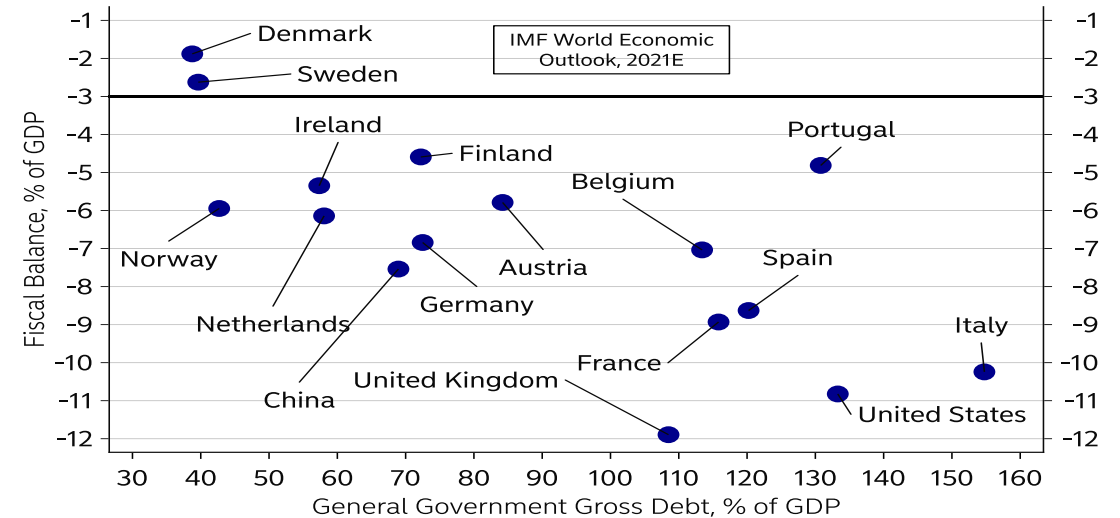
Policy rates



Comments

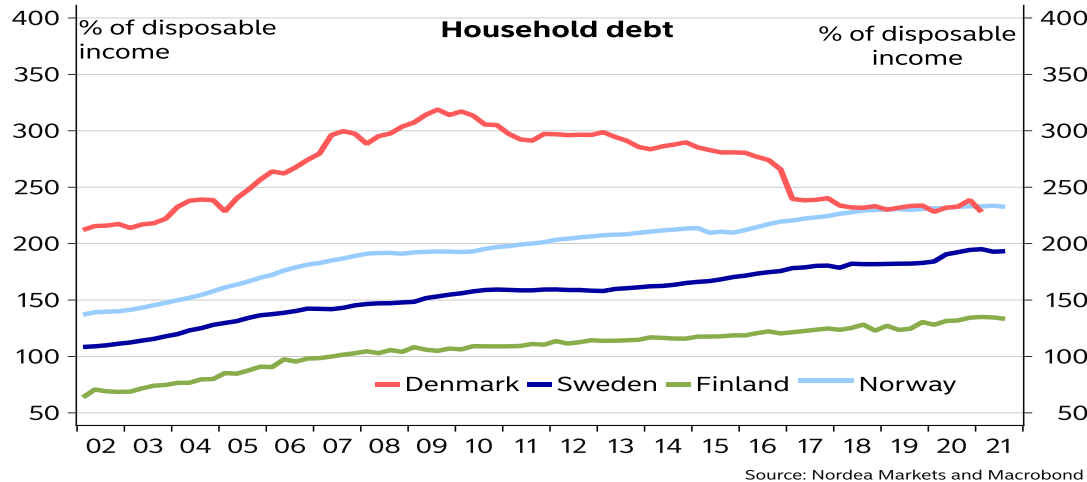
- Norges Bank increased its policy rate in September and December last year, and is expected to make further increases this year and in 2023. The policy rate in Sweden is expected to remain unchanged throughout the forecast period. Single rate hikes are predicted in late 2023 in the euro area and Denmark
- Sveriges Riksbank and the ECB launched new large-scale asset purchase programmes (QE) as a response to the COVID-19 crisis. The ECB has purchased financial assets corresponding to 17% of euro area GDP since January 2020, while Sveriges Riksbank's purchases amount to around 11% of Swedish GDP
- Solid public finances prior to the crisis have enabled the Nordic governments to act swiftly during the crisis. The Nordics are relatively well-equipped to handle the long-term consequences of the pandemic

Public balance/debt, % of GDP, 2021E



Households resilient

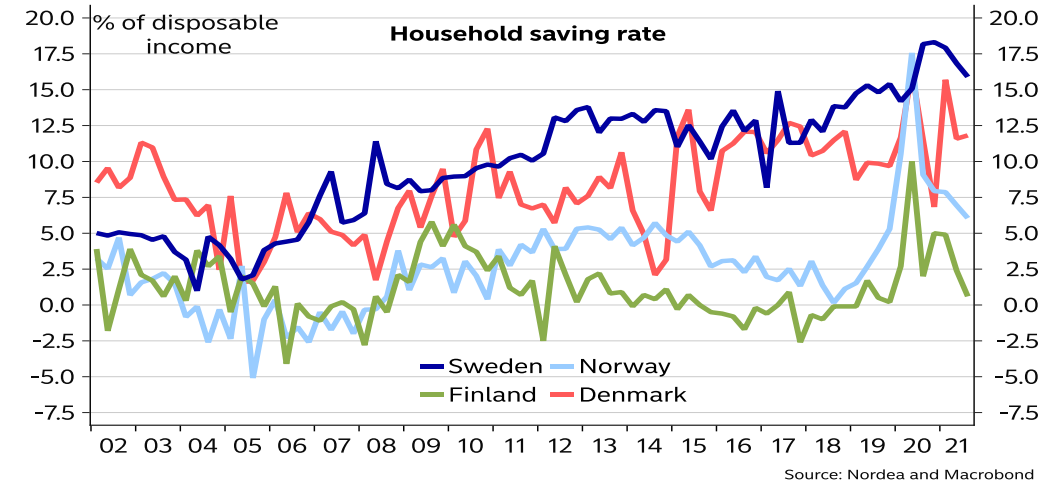
Household debt



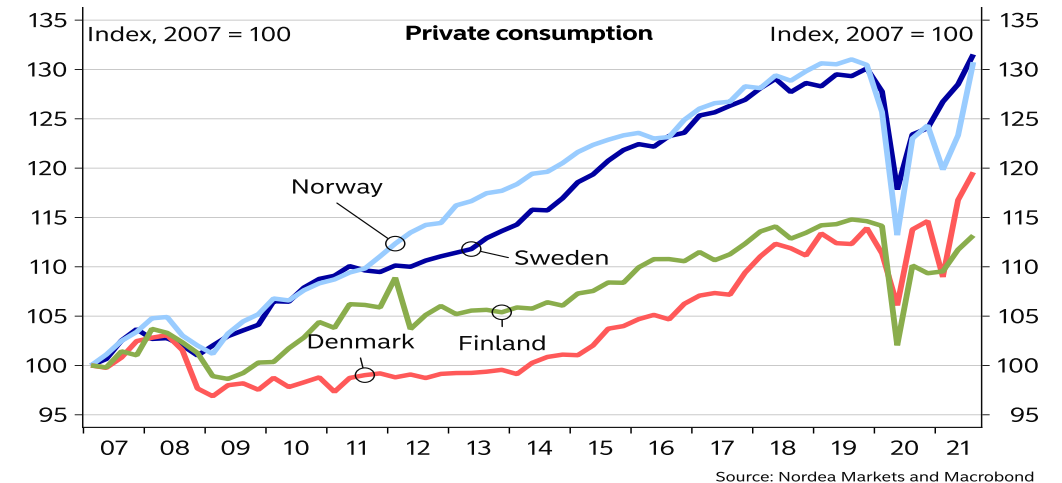
Comments

- Household savings increased dramatically during the pandemic, largely due to a decline in spending, but have since returned to more normal levels as consumption has increased. Despite high debt levels, Nordic households' strong finances are expected to support economic growth. 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 pandemic's 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

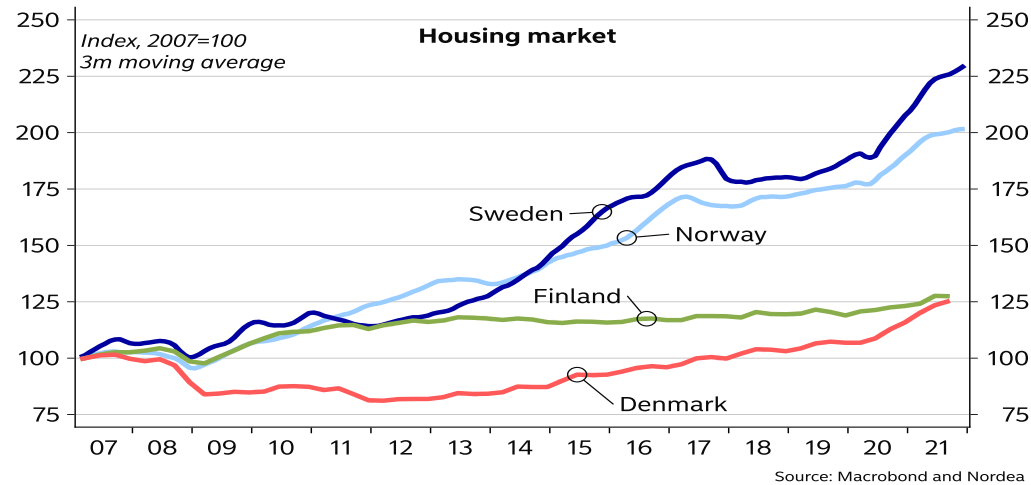


Private consumption

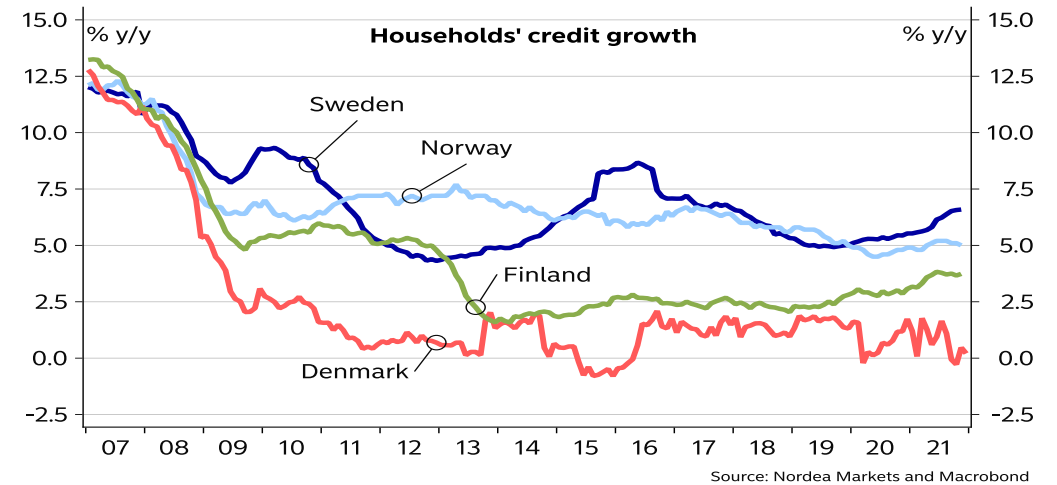


Nordic housing markets hot during pandemic

Housing prices



Households' credit growth



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 was 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 beginning to increase again, 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 might 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

6. Further information

Nordea Mortgage Bank – outstanding benchmark covered bonds

Q4 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	8 500	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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