

Nordea

Q1 2022 Debt investor presentation

Nordea Mortgage Bank Covered Bonds



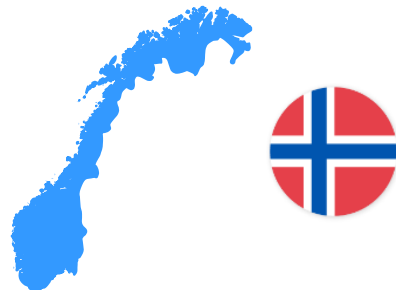
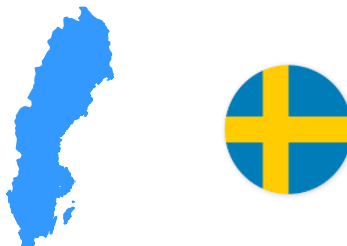

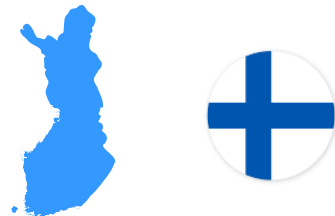
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1. In brief

Nordea covered bond operations

Q1 2022

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 20.5bn (eq.)	EUR 63.4bn (eq.)	Balance principle	EUR 23.8bn
	Covered bonds outstanding*	EUR 10.8bn (eq.)	EUR 34.4bn (eq.)	EUR 61.1bn (eq.)	EUR 20.7bn
	OC*	120%	84%	7%*	15%
	Main issuance currency	NOK	SEK	DKK	EUR
	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



Nordea Mortgage Bank Plc – overview

Q1 2022

- 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 ~30% 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

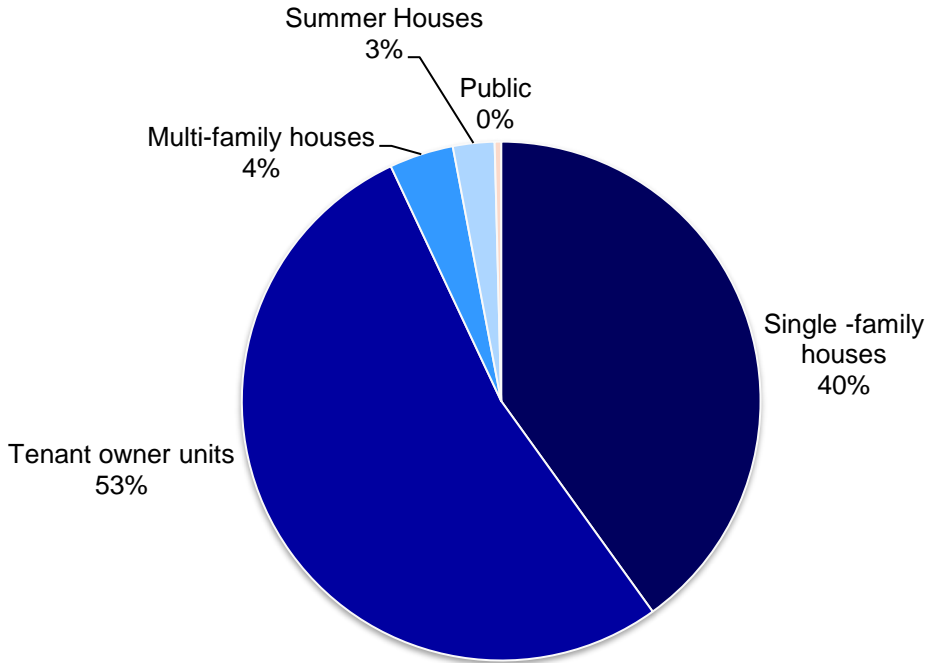
Q1 2022

Cover pool summary	
Pool notional	EUR 23.8bn
Outstanding Covered Bonds	EUR 20.7bn
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*	51.6% (indexed, calculated per property)
Average loan size*	EUR 74.1k
Over collateralisation, OC	14.8%
Rate type**	Fixed rate 1.2%, Floating rate 98.8%
Amortisation**	Bullet/ interest only 4.6%, Amortising 95.4%
Substitute assets	None
Pool type	Dynamic
Loans originated by	Nordea Bank Abp (as of 1 October 2018)

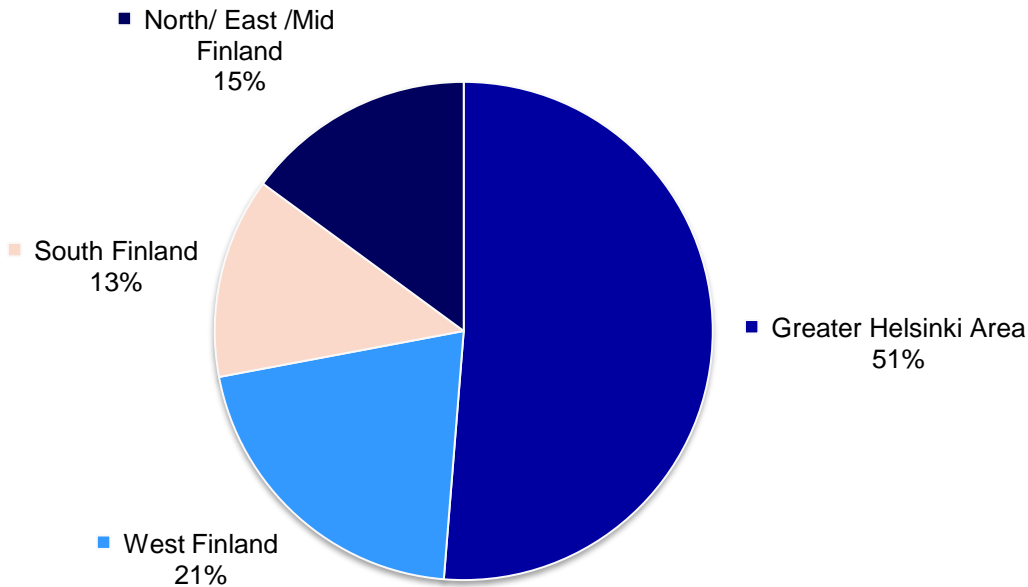
Cover pool key characteristics (2)

Q1 2022

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

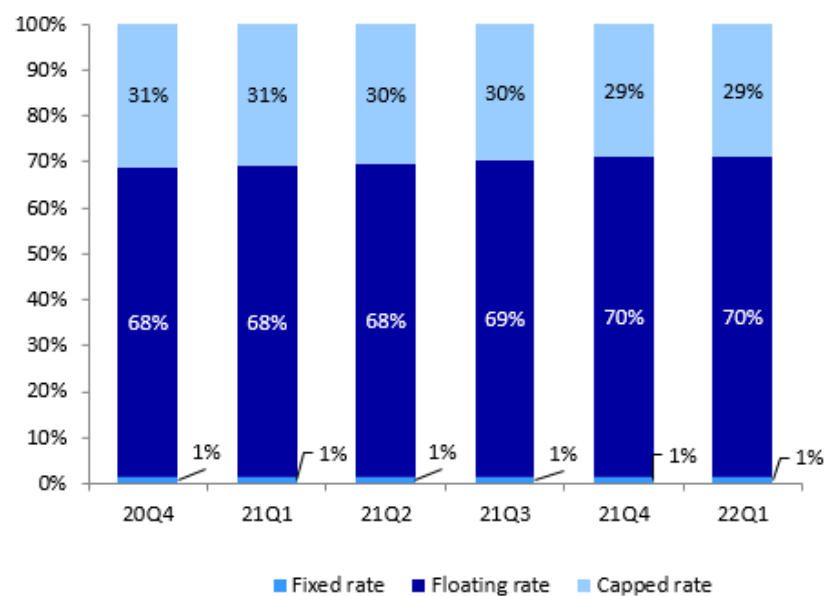
Q1 2022

Weighted Average LTV – Unindexed		53.3%	
LTV buckets	Nominal (EURbn)	% Residential Loans	
>0 - <=40 %	17.5	74%	
>40 - <=50 %	2.7	11%	
>50 - <=60 %	2.1	9%	
>60 - <=70 %	1.4	6%	
Total	23.7	100%	
Weighted Average LTV - Indexed		51.6%	
LTV buckets	Nominal (EURbn)	% Residential Loans	
>0 - <=40 %	17.9	76%	
>40 - <=50 %	2.6	11%	
>50 - <=60 %	1.9	8%	
>60 - <=70 %	1.3	5%	
Total	23.7	100%	

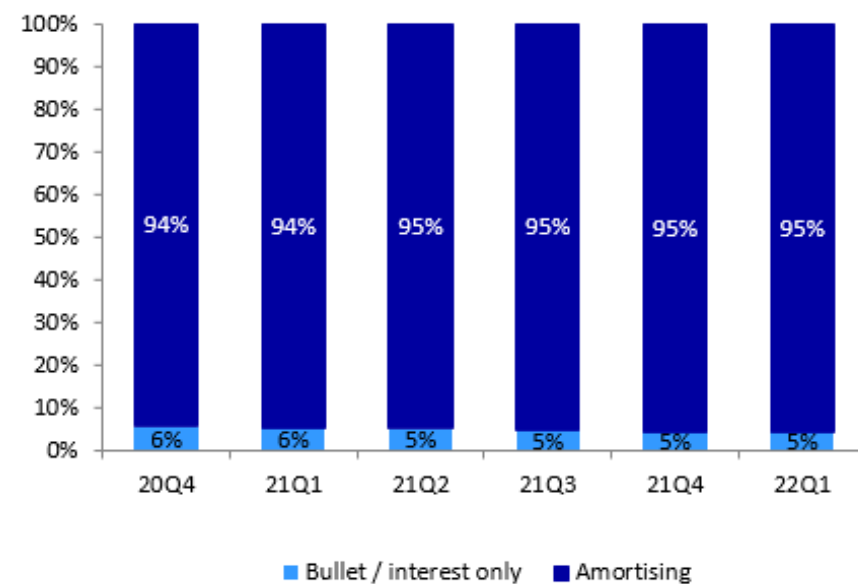
Loan structure

Q1 2022

Rate type



Repayment



Underwriting criteria

Q1 2022

- 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

Q1 2022

- 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)

Q1 2022

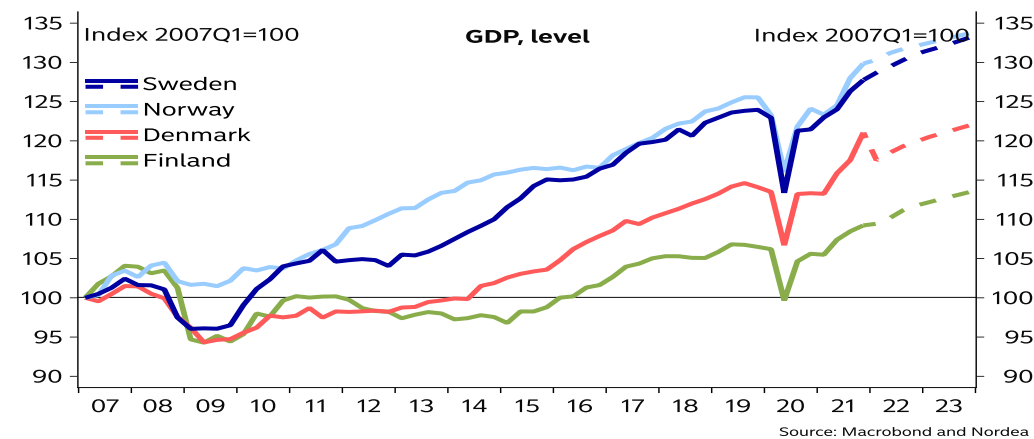
- Bankruptcy remoteness and preferential claim
 - Isolation of registered collateral assets, registered derivatives from all other assets and liabilities of the insolvent issuer
 - Holders of covered bonds together with counterparties of registered derivatives and bankruptcy liquidity loans in bankruptcy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

Resilient economies face global uncertainty

GDP development



- After the dramatic setback in 2020 due to the coronavirus, the Nordic economies recovered quickly and even showed signs of overheating. However, the Russian invasion of Ukraine, as well as monetary tightening by central banks around the world, now risk slowing down the global economy, including the Nordics.
- The Nordic countries, with the exception of Finland, do not have significant trade relations with Russia. Thus, the direct impact from declining trade with Russia will be very limited for Sweden, Norway and Denmark. Instead, the main effects of the war in Ukraine on the economies of these countries are higher prices due to supply disruptions, faster monetary tightening to limit these price increases, and higher risk aversion leading to lower demand.

Trade with Russia

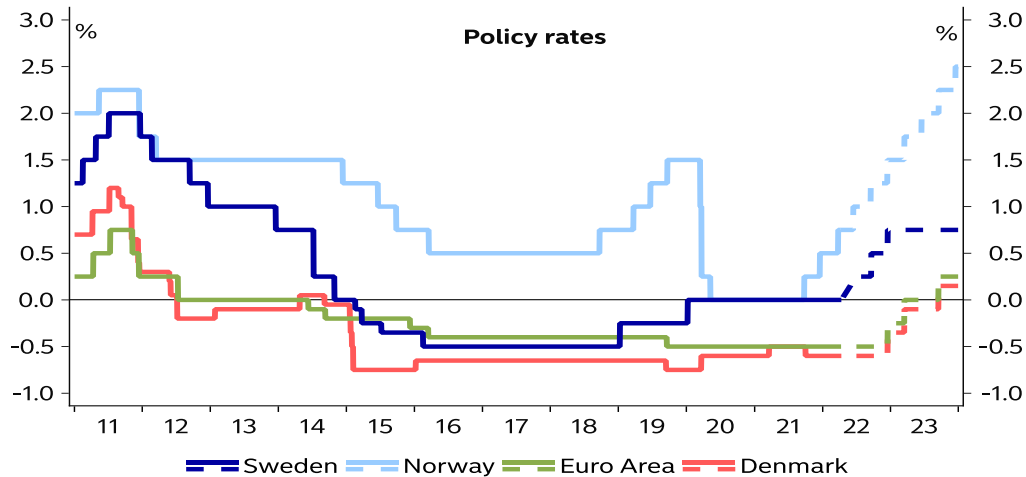


GDP, forecasts from Economic Outlook January 2022

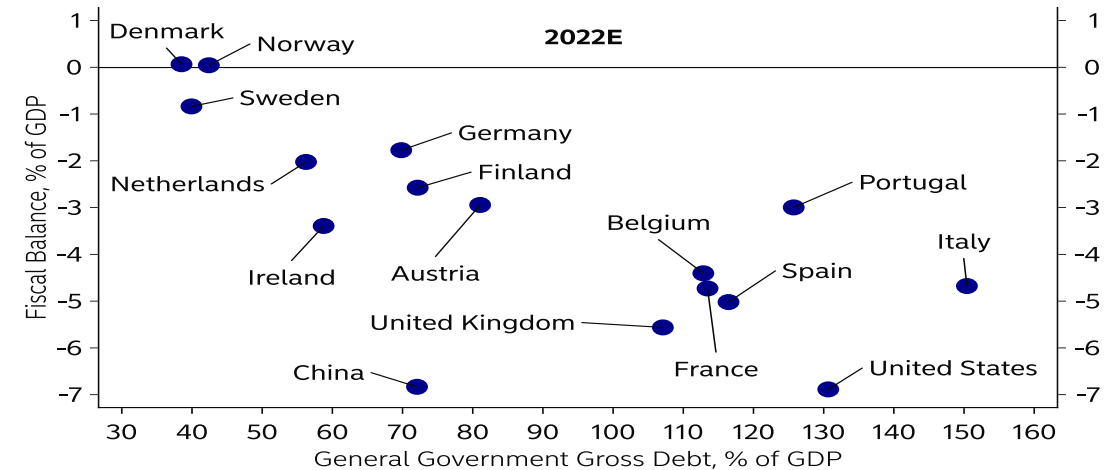
Country	2021	2022E	2023E
Denmark	4.7	2.5	2.0
Finland	3.5	3.0	2.0
Norway	4.2	4.0	2.0
Sweden	4.8	3.7	1.7

Interest rates to rise throughout the Nordics

Policy rates



Public balance/debt, % of GDP, 2022E

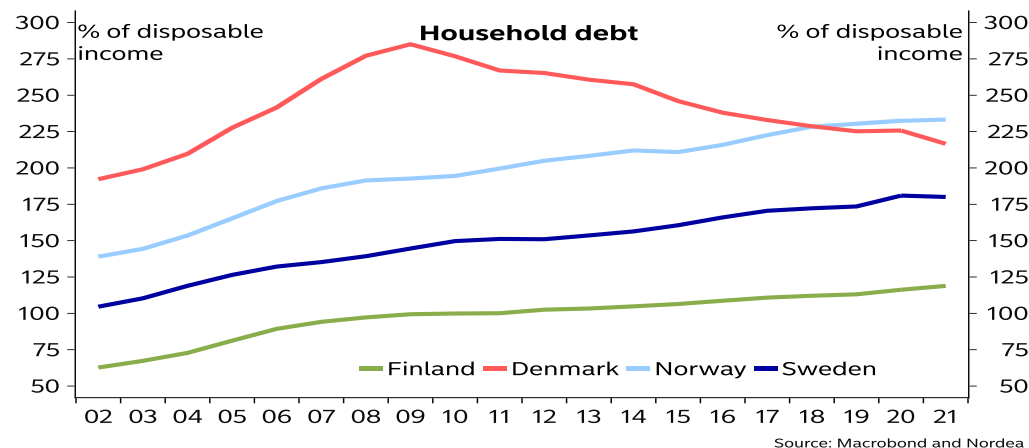


Source: IMF World Economic Outlook, Nordea and Macrobond.

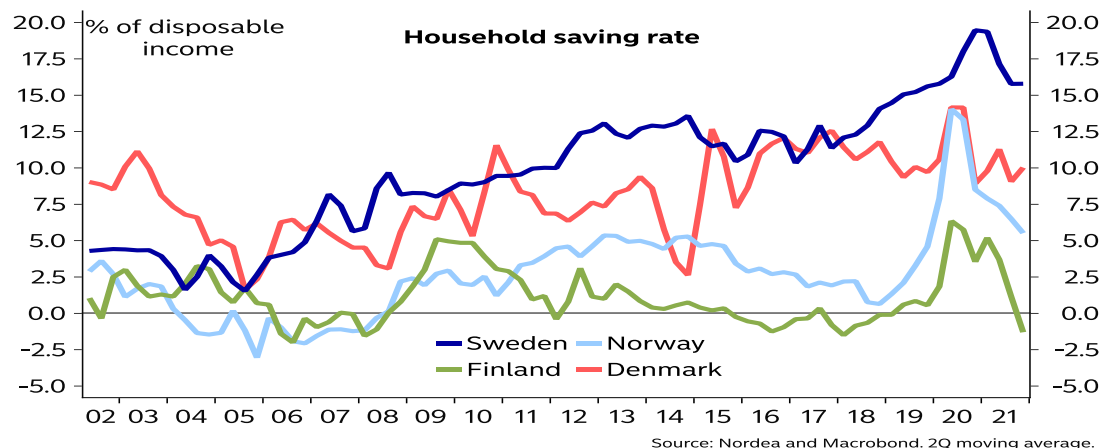
- Central banks around the Western world are beginning to tighten monetary policy to combat the high inflation. Norges Bank has hiked their rate three times since last fall and are expected to continue with a total of seven more hikes this year and next. The Swedish Riksbank is expected to hike rates three times this year, while we predict one rate hike in late 2022 and two more in 2023 in the Euro Area and Denmark.
- The Riksbank and ECB launched new large-scale asset purchase programmes (QE) as a response to the COVID-19 crisis. The ECB is expected to stop increasing its balance sheet this year, while the Riksbank is expected to begin decreasing its balance sheet.
- Solid public finances enabled the Nordic governments to act swiftly during the pandemic. With government debt still lower than in most Western countries, the Nordics are relatively well-equipped to handle the potential slowdown that might result from higher interest rates as well as supply issues and risk aversion due to the war in Ukraine.

Households facing high inflation and rising interest rates

Household debt

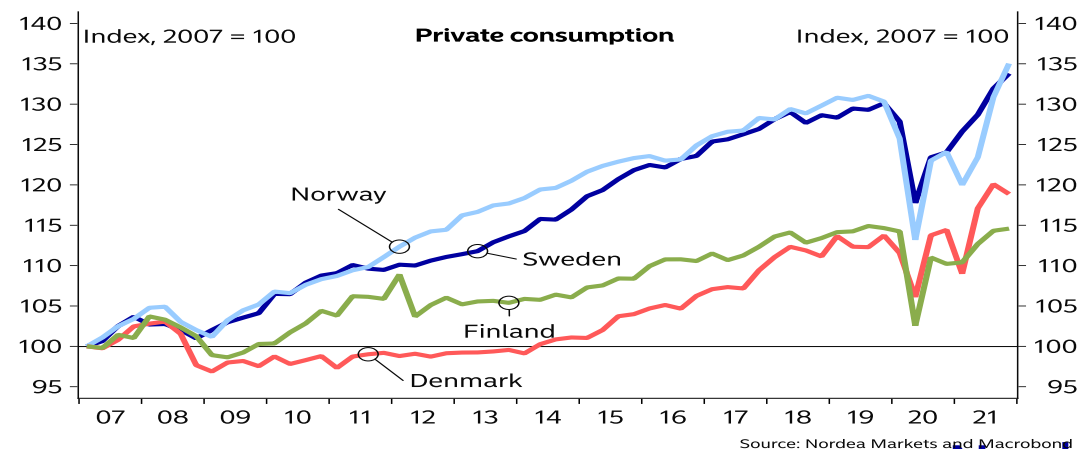


Household savings



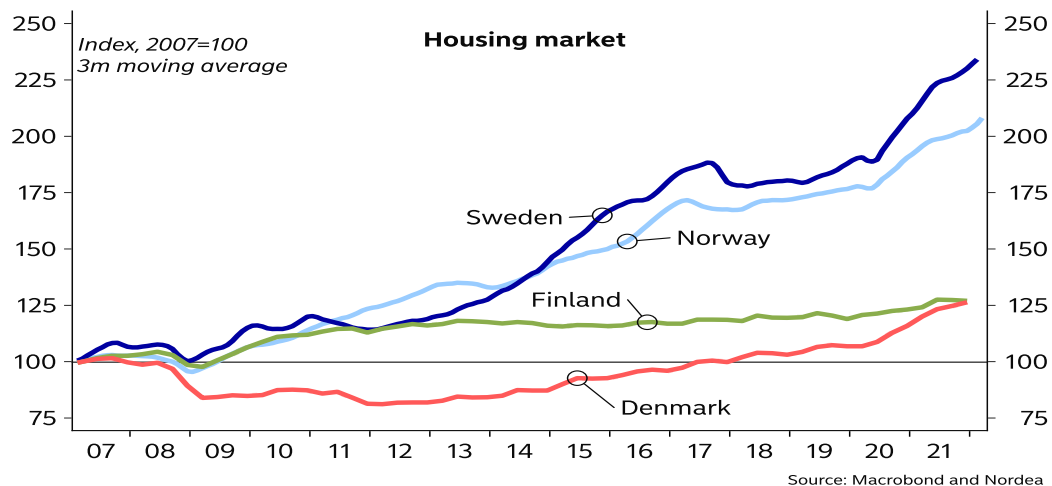
- Household savings increased dramatically during the pandemic, largely because of a decline in spending, but have since returned to more normal levels as consumption has increased. Despite high debt levels, Nordic households' strong finances are expected to support economic growth. However, rising interest rates, as well as high inflation which decreases purchasing power, imply downside risks for private consumption.
- Governments might try to soften the blow of high inflation to households and businesses by partially compensating them for the higher prices, which could boost consumer confidence and support households' spending. Robust public finances increase the credibility of such measures.

Private consumption

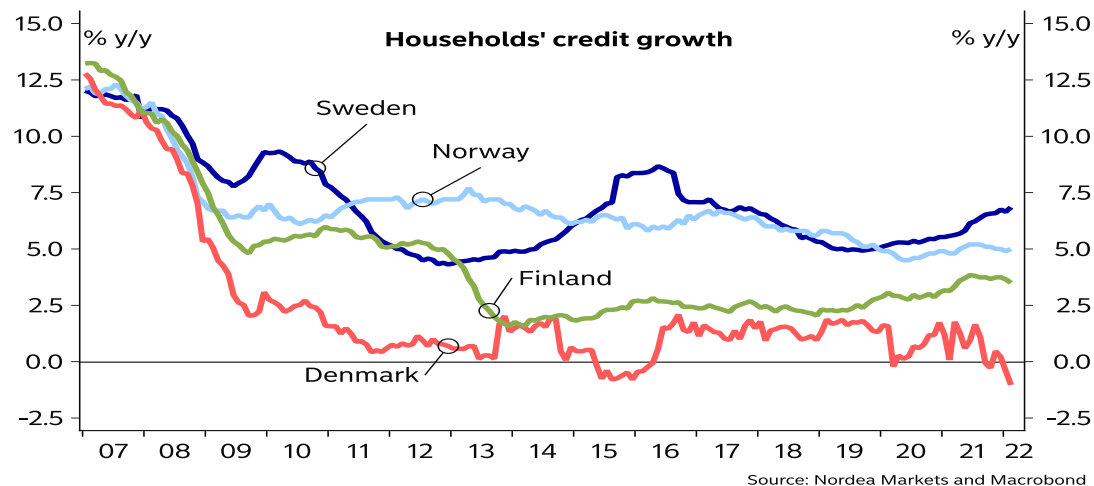


Rising interest rates might cool off hot Nordic housing markets

Housing prices



Households' credit growth



- Contrary to expectations, house prices increased to record-high levels in all the Nordic countries during the pandemic, not least because of unprecedented expansionary fiscal and monetary policy.
- The economic impact of the pandemic was limited for those groups on the labour market which are more active on the housing market, while demand 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 contributed to driving prices higher.
- However, with interest rates on the rise and mobility levels returning to normal, there are now more downside risks to housing prices.

6. Further information

Nordea Mortgage Bank – outstanding benchmark covered bonds

Q2 2022

Breakdown by ISIN				
ISIN	Currency	Amount (EURm)	Maturity	Coupon
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%
XS2463702907	EUR	1 500	30/03/2029	1%
XS1784071042	EUR	750	28/02/2033	1.375%
Total		19 750		

Contacts

Investor Relations

Maria Caneman

Debt IR and ratings

Mobile: +46 738 66 17 24

Tel: +46 10 156 50 19

maria.caneman@nordea.com

Group Treasury

Petra Mellor

Chief Treasury Manager

Mobile: +46 702 77 8372

Tel: +46 8 407 9124

petra.mellor@nordea.com

Morten Keil

Head of Covered Bonds

Tel: +45 3333 1875

Mobile: +45 6177 3100

morten.keil@nordea.com