

Rating Object	Rating Information
<p>Nordea Bank Abp (Group) as parent of Nordea Mortgage Bank Plc</p> <p>Creditreform ID: 5164060120 Management: Frank Vang-Jensen (CEO)</p> <p>Rating Date: <b>19 August 2021</b> Monitoring until: withdrawal of the rating Rating Methodology: CRA "Bank Ratings v.3.0" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.0" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3"</p> <p>Rating History: <a href="http://www.creditreform-rating.de">www.creditreform-rating.de</a></p>	<p>Long Term Issuer Rating / Outlook: <b>A+ / stable</b></p> <p>Short Term: <b>L2</b></p> <p>Type: Update / Unsolicited</p> <p>Rating of Bank Capital and Unsecured Debt Instruments:</p> <p>Preferred Senior Unsecured: <b>n.r.</b> Non-Preferred Senior Unsecured: <b>n.r.</b> Tier 2: <b>BBB</b> Additional Tier 1: <b>n.r.</b></p>

**Our rating of Nordea Mortgage Bank Plc is reflected by our rating opinion of Nordea Bank Abp (Group) due to its group structure. Therefore we refer to our rating report of Nordea Bank Abp (Group) from 19 August 2021.**

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## Key Rating Driver

- + Diversified by income sources and by geography in the Scandinavian countries
- + Strong capitalization
- + Remarkably low NPL ratio
- + Resilient profitability
- + Ongoing digitalization investments enabling cost efficiency and meet customer needs
- + ESG product offerings
- Persistently low net interest margin and relatively high dependency on interest income
- Increasing cost of risk in 2020 due to the corona pandemic impact, however significant reversals of the loan loss provisions are likely in 2021
- Low-interest rate environment puts pressure on profitability

## Executive Summary

CRA affirms the rating of Nordea Bank Abp at A+/stable. The affirmation of the credit rating is a result of Nordea's stable performance, which is in line with our expectations. Nordea still benefits from its sound asset quality, the strong capitalization but shows only average earnings figures.

## Company Overview

Nordea Bank Abp (hereafter Nordea) is a full-service universal banking group formed by mergers and acquisitions of Merita Bank (Finland), Nordbanken (Sweden), Unibank A/S (Denmark) and Christiania Bank (Norway) that took place between 1997 and 2000. All operations of these four banks have been conducted under the brand name of Nordea from 2001. Nordea has a presence in 19 countries, primarily in the Scandinavian region (Sweden, Finland, Norway, and Denmark) as well as in Eastern Europe. Moreover, the Group has an international network with banks across the globe in order to support its international business needs.

Nordea re-domiciled the parent company of the Nordea Group from Stockholm (SWE) to Helsinki (FIN) in October 2018 and has been under the supervision of the ECB since then. Nordea is considered as an "Other Systemically Important Institution" (OSII) and must therefore comply with additional regulatory capital requirements. With 28.123 employees (full-time equivalents - average of year 2020) the Group serves approximately 9.2 million household customers as well as 540,000 SME's and had total assets of €552 billion in 2020.

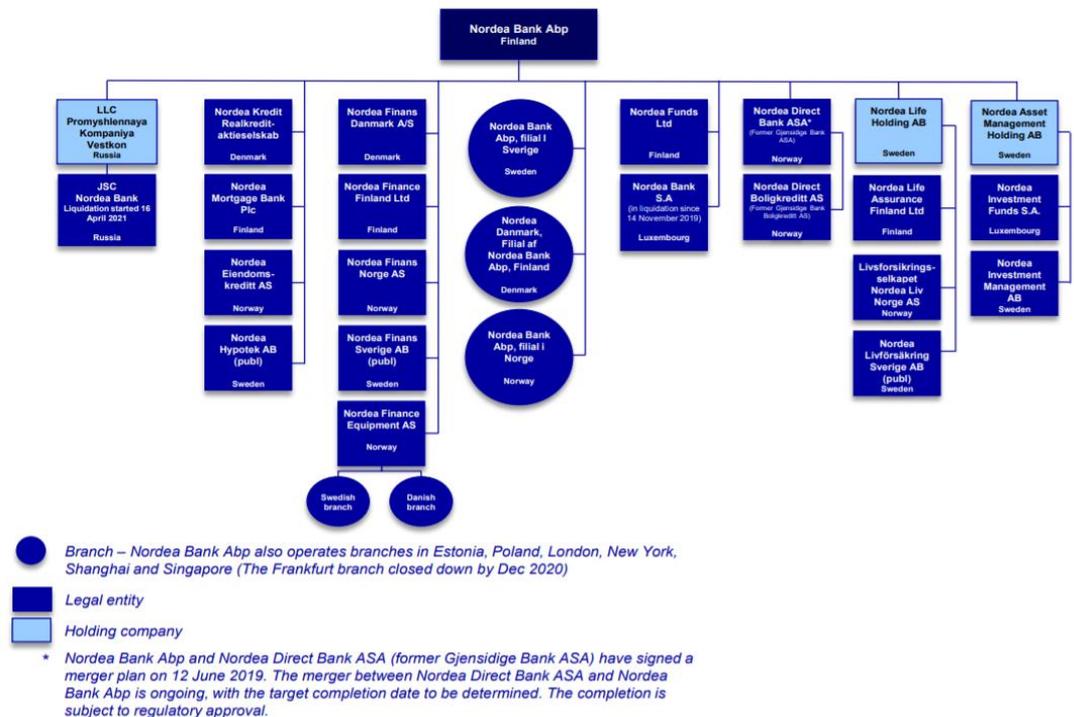
The Group is divided into four main business areas: *Personal Banking*, *Business Banking*, *Large Corporates & Institutions* and *Asset & Wealth Management*. In addition, Nordea maintains a *Group Functions and Other* business unit. *Personal Banking* serves Nordea's household customers through various channels with a range of financial and advisory services. *Business Banking* is responsible for servicing small and medium-sized corporates. Against this, Nordea's *Large Corporates & Institutions* unit provides financial solutions to large and international customers with a diverse range of financing and advisory services. *Asset & Wealth Management* is responsible for Nordea's affluent and high net worth individuals as well as institutional investors, and provides individual investment, savings and pensions solutions. *Group Functions and Other* provides the Group with various management and administrative services such as asset and liability management, treasury operations, strategic frameworks and a common infrastructure.

Nordea's updated business plan considers the following three group priorities: optimize operational efficiency, drive income growth initiatives, and create great customer experience. These targets aim to achieve a cost income ratio of 50% and a ROE of >10% in FY2020. In addition, the bank aims to maintain a 150-200bp management buffer above the capital requirements and a dividend policy of a targeted payout ratio of 60-70% applicable to profit generated from 1 January 2021.

In June 2019, Nordea acquired Nordea Direct Bank ASA (formerly Gjensidige Bank ASA [NOR]), which provides financial services in the area of insurance, savings, funding, online and mobile banking as well as loans and mortgage services. The effective date of the merger is expected for the summer 2021. Moreover, due to Nordea’s intended focus on the Nordic countries, the bank closed its sale of its Baltic operations (Luminor Bank AS) in the end of 2019.

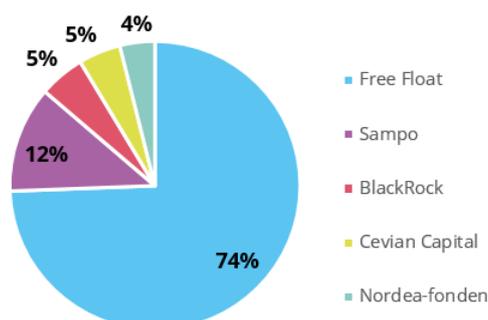
The main legal structure of Nordea as of 29 April 2021 can be found in the following chart:

Chart 1: Legal Structure of Nordea Bank Abp. | Source: Website of Nordea Bank Abp.



The shareholder structure of Nordea as of July 2021 is as follows:

Chart 2: Major shareholders of Nordea Bank Abp as of July 2021. | Source: Own presentation based on data of Nordea Bank Abp.



## Business Development

### Profitability

Nordea's operating income remained at a stable level with about €8.5 billion in 2020. Net interest income as Nordea's major source of income increased through strong mortgage growth and contributed almost half of the operating income. In addition, Nordea was able to overcompensate its reduction in interest income by a stronger decrease of its interest expense, which led eventually to an increase of its net interest income by 4.5%. Fees and commissions is Nordea's second major source of income and decreased slightly following lower customer activities in 2020. Asset Management Commissions account for almost half of these revenues (1,469m EUR) and represent the bank's stable source of income.

Operating expenses "normalized" and amounted to €4.6 billion in 2020, decreasing strongly in a YOY comparison in particular because of lower depreciation and amortization expenses. The increase in the previous year was a result of the impairment on Nordea's global IT platform for 735m EUR, which was due to the impairment test, which revealed significantly shorter expected lifetime of some IT systems. In addition, Nordea benefits from a reduction of its labor force with lower personnel expense. For 2021, Nordea expects to maintain its operating expenses at about €4.6 billion.

Nordea increased its pre-impairment operating profit to €3.85 billion in comparison to the fiscal year 2019. However, as a result of the Corona pandemic, Nordea recorded a significant increase of its loan loss provisions. About 810m EUR of the bank's total asset write-downs of 908m EUR are related to loans to the public (thereof 255m EUR to stage 1 and stage 2 adjustments). This increase represents a cost of risk ratio of 25bp, which is significantly more favorable than of most other large European banks. However, the strong increase was mainly due to the 2020 management judgement allowances made in anticipation of Covid-19 related losses and the impact of the IFRS9 implementation. Since the major part of provisions did not materialize yet, we expect for 2021 a significant reduction of the bank's cost of risk with reversals of provisions which could push Nordea's results in 2021. Nevertheless, the final impact of the Corona pandemic is still uncertain.

A detailed group income statement for the years of 2017 through 2020 can be found in Figure 1 below:

Figure 1: Group income statement | Source: eValueRate / CRA

Income Statement (EUR k)	2020	%	2019	2018	2017
<b>Income</b>					
Net Interest Income	4.515.000	+4,6	4.318.000	4.491.000	4.666.000
Net Fee & Commission Income	2.959.000	-1,7	3.011.000	2.993.000	3.369.000
Net Insurance Income	80.000	+3,9	77.000	123.000	229.000
Net Trading Income	868.000	-8,3	947.000	965.000	1.102.000
Equity Accounted Results	-1.000	< -100	50.000	124.000	23.000
Dividends from Equity Instruments	-	-	-	-	-
Other Income	71.000	-16,5	85.000	82.000	67.000
<b>Operating Income</b>	<b>8.492.000</b>	<b>+0,0</b>	<b>8.488.000</b>	<b>8.778.000</b>	<b>9.456.000</b>
<b>Expense</b>					
Depreciation and Amortisation	605.000	-54,5	1.330.000	482.000	268.000
Personnel Expense	2.752.000	-8,8	3.017.000	2.998.000	3.212.000
Tech & Communications Expense	547.000	-8,2	596.000	567.000	666.000
Marketing and Promotion Expense	46.000	-22,0	59.000	60.000	66.000
Other Provisions	-	-	-	-	-
Other Expense	693.000	-29,6	984.000	939.000	893.000
<b>Operating Expense</b>	<b>4.643.000</b>	<b>-22,4</b>	<b>5.986.000</b>	<b>5.046.000</b>	<b>5.105.000</b>
<b>Operating Profit &amp; Impairment</b>					
<b>Pre-impairment Operating Profit</b>	<b>3.849.000</b>	<b>+53,8</b>	<b>2.502.000</b>	<b>3.732.000</b>	<b>4.351.000</b>
Asset Writedowns	908.000	+69,4	536.000	173.000	369.000
<b>Net Income</b>					
Non-Recurring Income	22.000	-85,0	147.000	394.000	16.000
Non-Recurring Expense	-	-	-	-	-
<b>Pre-tax Profit</b>	<b>2.963.000</b>	<b>+40,2</b>	<b>2.113.000</b>	<b>3.953.000</b>	<b>3.998.000</b>
Income Tax Expense	698.000	+22,2	571.000	872.000	950.000
Discontinued Operations	-	-	-	-	-
<b>Net Profit</b>	<b>2.265.000</b>	<b>+46,9</b>	<b>1.542.000</b>	<b>3.081.000</b>	<b>3.048.000</b>
Attributable to minority interest (non-controlling interest)	-	-	-3.000	4.000	17.000
Attributable to owners of the parent	2.238.000	+47,3	1.519.000	3.070.000	3.031.000

Due to Nordea's increased net profit YOY, the bank's earnings ratios improved widely. However, the Group's earnings figures are just on an average level.

The values for ROA, ROE and RoRWA (before and after taxes) of Nordea improved in a year-over-year comparison and reached widely a satisfactory level. In addition, the Group's Cost-income-ratios improved significantly and are again at a favorable level. Moreover, Nordea targets further improvements with regard to its profitability and aims to reach a cost income ratio of about 50% and a ROE of >10%. In addition, through its improvement Nordea is now again in line with the average of its Nordic peer banks in terms of the earnings figures. As of now and following the low impact of the Corona pandemic, we expect for 2021 improved profitability figures as the loan loss provisions likely do not materialize and instead cause reversals of impairments.

A detailed overview of the income ratios for the years of 2017 through 2020 can be found in Figure 2 below:

Figure 2: Group key earnings figures | Source: eValueRate / CRA

Income Ratios (%)	2020	%	2019	2018	2017
Cost Income Ratio (CIR)	54,67	-15,85	70,52	57,48	53,99
Cost Income Ratio ex. Trading (CIRex)	60,90	-18,48	79,38	64,58	61,11
Return on Assets (ROA)	0,41	+0,13	0,28	0,56	0,52
Return on Equity (ROE)	6,71	+1,82	4,89	9,36	9,15
Return on Assets before Taxes (ROAbT)	0,54	+0,16	0,38	0,72	0,69
Return on Equity before Taxes (ROEbT)	8,78	+2,08	6,70	12,01	12,00
Return on Risk-Weighted Assets (RORWA)	1,46	+0,43	1,03	1,98	2,42
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,91	+0,50	1,41	2,54	3,18
Net Interest Margin (NIM)	1,09	+0,04	1,05	1,09	1,13
Pre-Impairment Operating Profit / Assets	0,70	+0,25	0,45	0,68	0,75
Cost of Funds (COF)	0,52	-0,29	0,81	0,65	0,65
Change in %-Points					

## Asset Situation and Asset Quality

Net loans to customers represent the largest share of Nordea's assets, increasing by 4.4% YOY (€13.4 billion). However, the increase in recent years is partially related to the acquisition of Gjensidige Bank ASA (Norway), which was closed on 01 March 2019. Moreover, 41% of Nordea's loans are corporate loans, thereof about 20% in relation to the corporate commercial real estate sector. By contrast, about 53% of Nordea's loans are loans to households, which are well diversified across the four Nordic countries. Total securities, as the second largest asset, decreased by about €4 billion YOY. The decrease in investments over the past years is mainly attributable to the decreased amount of interest bearing securities by about €2.5bn (year-end 2020 at 62.5bn EUR), whereas equity instruments reduced by only €1.5bn YOY and are now at about €12.6bn. The balance sheet item of noncurrent assets held for sale & discontinued operations in 2017 largely comprises Nordea's sale of the shares of its subsidiary Danish Nordea Liv & Pension Livsforsikringselskab A/S.

A detailed look at the development of the asset side of the balance sheet for the years of 2017 through 2020 can be taken in Figure 3 below:

Figure 3: Development of assets | Source: eValueRate / CRA

Assets (EUR k)	2020	%	2019	2018	2017
Cash and Balances with Central Banks	36.078.000	-19,3	44.716.000	49.220.000	47.877.000
Net Loans to Banks	3.123.000	-63,3	8.519.000	11.320.000	8.592.000
Net Loans to Customers	317.611.000	+4,4	304.202.000	308.304.000	310.158.000
Total Securities	75.158.000	-5,0	79.114.000	88.674.000	92.474.000
Total Derivative Assets	45.129.000	+14,8	39.328.000	37.194.000	46.274.000
Other Financial Assets	15.949.000	-38,8	26.040.000	7.568.000	6.489.000
<b>Financial Assets</b>	<b>493.048.000</b>	<b>-1,8</b>	<b>501.919.000</b>	<b>502.280.000</b>	<b>511.864.000</b>
Equity Accounted Investments	555.000	-3,0	572.000	1.601.000	1.235.000
Other Investments	1.535.000	-3,2	1.585.000	1.607.000	1.448.000
Insurance Assets	36.484.000	+18,5	30.799.000	24.583.000	25.879.000
Non-current Assets & Discontinued Ops	-	-	-	-	22.186.000
Tangible and Intangible Assets	5.702.000	+0,1	5.697.000	4.581.000	4.607.000
Tax Assets	706.000	-16,8	849.000	448.000	239.000
Total Other Assets	14.130.000	+5,2	13.427.000	16.308.000	14.154.000
<b>Total Assets</b>	<b>552.160.000</b>	<b>-0,5</b>	<b>554.848.000</b>	<b>551.408.000</b>	<b>581.612.000</b>

Nordea's asset quality remained at a sound level despite the Corona pandemic. The NPL ratio of 1.25%, as well as the NPL / RWA ratio (2.56%), are clearly better than those

of the most large European banks. However, as a result of the Corona pandemic the bank records an increase in its potential problem loans (stage 2 loans) in relation to its net customer loans. The Group's RWA ratio shows a prudent approach and outperforms most large European banks. As a result of Nordea's strong increase of its loan loss provisions in 2020 following the Corona pandemic, the Group's net write-off ratios deteriorated considerably but to a lower extent than of the most other European large banks. However, according to the bank's H1-2021 Report the bank is likely to benefit from significant reversals from its loan loss provisions in 2021 as the anticipated loan losses did not materialize. As of now, we do not expect a significant worsening of Nordea's asset quality following the Corona pandemic. However, the final impact of Corona is still uncertain.

Overall, Nordea's asset quality figures of 2020 are the best performers in any of the areas analyzed.

A detailed overview of the asset quality for the years of 2017 through 2020 can be found in Figure 4 below:

Figure 4: Development of asset quality | Source: eValueRate / CRA

Asset Ratios (%)	2020	%	2019	2018	2017
Net Loans/ Assets	57,52	+2,70	54,83	55,91	53,33
Risk-weighted Assets/ Assets	28,15	+1,08	27,07	28,27	21,63
NPLs*/ Net Loans to Customers	1,25	-0,26	1,52	1,51	2,06
NPLs*/ Risk-weighted Assets	2,56	-0,51	3,07	2,98	5,08
Potential Problem Loans**/ Net Loans to Customers	4,34	+0,83	3,51	4,77	0,55
Reserves/ NPLs*	61,42	+14,42	47,01	43,91	36,49
Reserves/ Net Loans	0,77	+0,06	0,71	0,66	0,75
Net Write-offs/ Net Loans	0,29	+0,11	0,18	0,06	0,12
Net Write-offs/ Risk-weighted Assets	0,58	+0,23	0,36	0,11	0,29
Net Write-offs/ Total Assets	0,16	+0,07	0,10	0,03	0,06
Level 3 Assets/ Total Assets	1,21	+0,21	1,00	0,89	0,87
Change in %-Points					

\* NPLs are represented from 2017 onwards by Stage 3 Loans.  
\*\* Potential Problem Loans are Stage 2 Loans where available.

## Refinancing, Capital Quality and Liquidity

Nordea's financial liabilities remained widely constant year-over-year. Customer deposits and total debt represent the most significant shares of the Group's liabilities with each about 35%. While customer deposits increased significantly to about €205bn (as of H1-2021) following increased customer liquidity needs and the aforementioned acquisition of Gjensidige Bank (2.3bn EUR), total debt decreased accordingly. Moreover, Nordea benefits through the participation in the ECB TLTRO III program. Thereby Nordea took about €12bn (as of H1-2021) at a negative interest rate. About €113bn of Nordea's total debt are attributable to the issue of covered bonds. The item of non-current liabilities & discontinued operations in 2017 relates to the sale of the shares of its subsidiary Danish Nordea Liv & Pension Livsforsikringselskab A/S. The increase in insurance assets since 2019 results from the increased liabilities in unit-linked investment contracts of the Life Group and Nordea Denmark, whereas the Group has the asset and liabilities on its balance sheet for which customers bear the risk.

A detailed overview of the development of liabilities for the years of 2017 through 2020 can be found in Figure 5 below:

Figure 5: Development of refinancing and capital adequacy | Source: eValueRate / CRA

Liabilities (EUR k)	2020	%	2019	2018	2017
Total Deposits from Banks	23.939.000	-25,9	32.304.000	42.419.000	39.983.000
Total Deposits from Customers	182.064.000	+9,4	166.426.000	160.228.000	165.418.000
Total Debt	181.250.000	-11,0	203.545.000	199.577.000	188.101.000
Derivative Liabilities	49.641.000	+12,7	44.065.000	40.820.000	44.163.000
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	1.367.000	-40,5	2.299.000	4.730.000	7.016.000
<b>Total Financial Liabilities</b>	<b>438.261.000</b>	<b>-2,3</b>	<b>448.639.000</b>	<b>447.774.000</b>	<b>444.681.000</b>
Insurance Liabilities	55.712.000	+9,0	51.105.000	43.883.000	45.745.000
Non-current Liabilities & Discontinued Ops	-	-	-	-	26.031.000
Tax Liabilities	741.000	-39,4	1.223.000	1.120.000	1.111.000
Provisions	596.000	+4,6	570.000	719.000	610.000
Total Other Liabilities	23.110.000	+6,1	21.783.000	25.011.000	30.118.000
<b>Total Liabilities</b>	<b>518.420.000</b>	<b>-0,9</b>	<b>523.320.000</b>	<b>518.507.000</b>	<b>548.296.000</b>
<b>Total Equity</b>	<b>33.740.000</b>	<b>+7,0</b>	<b>31.528.000</b>	<b>32.901.000</b>	<b>33.316.000</b>
<b>Total Liabilities and Equity</b>	<b>552.160.000</b>	<b>-0,5</b>	<b>554.848.000</b>	<b>551.408.000</b>	<b>581.612.000</b>

Nordea's regulatory capital ratios increased continuously over the past years. The Group's improvement in its ratios is a result of the retained earnings. The nominal CET1 capital increased from €24.4bn in 2019 to €26.6bn in 2020. In addition, Nordea benefits from the de-risking of its assets by reducing its total risk weighted assets in recent years. However, the bank's RWA's increased in 2020 to 155bn EUR. Nordea manages a very solid capital buffer in relation to its requirements. In addition, Nordea's declared goal is to maintain a management buffer of 150-200 bps above the required CET1 capital ratio from January 2020 on. Nordea intends to distribute the unpaid 2019-2020 dividends in October 2021 and plans to start share buy-backs as an additional vehicle to distribute excess capital.

The drop in Nordea's regulatory capital ratios in 2018 is a result from Nordea's re-domiciliation from Sweden to Finland and thereby moving to another regulatory basis. Nordea's total equity / total assets ratio, however, is somewhat below the average of the peer group, whereas the Group is not able to catch up to its peers over the last years. The Group's leverage ratio is in line with the average of the peer group and complies with the regulatory requirements with a solid buffer. Overall, with regard to the bank's capitalization, we acknowledge strong regulatory capital ratios. However, the intended dividend payments and the intention to start share buybacks, prevents the Group to ascend to the top-level peer banks.

Nordea's liquidity situation remains sufficient. The group's liquidity coverage ratio is distinctly more favorable than the average of the peer group despite the recent lowering. By contrast, the NSFR is below the peer group average. However, both ratios meet the regulatory requirements. In addition, we are confident that Nordea will meet the regulatory liquidity requirements comfortably in the future as well and will maintain its liquidity position. Nordea's loan to deposit ratio is clearly above the average of its competitors and has remained at a stable level over the past years. Thus, Nordea

manages to convert its liquidity through deposits in loans, whereas there is even room to gather more customer deposits.

A detailed overview of the development of capital and liquidity ratios for the years of 2017 through 2020 can be found in Figure 6 below:

Figure 6: Development of capital and liquidity ratios | Source: eValueRate / CRA

Capital Ratios and Liquidity (%)	2020	%	2019	2018	2017
Total Equity/ Total Assets	6,11	+0,43	5,68	5,97	5,73
Leverage Ratio	5,62	+0,35	5,27	5,10	5,20
Common Equity Tier 1 Ratio (CET1)*	17,10	+0,80	16,30	15,50	19,50
Tier 1 Ratio (CET1 + AT1)*	18,70	+0,40	18,30	17,30	22,30
Total Capital Ratio (CET1 + AT1 + T2)*	20,50	-0,30	20,80	19,90	25,20
SREP Capital Requirements	10,20	-1,20	11,40	7,90	10,70
Net Loans/ Deposits (LTD)	174,45	-8,33	182,79	192,42	187,50
Interbank Ratio	13,05	-13,33	26,37	26,69	21,49
Liquidity Coverage Ratio	158,00	-8,00	166,00	185,00	152,00
Customer Deposits / Total Funding (excl. Derivates)	38,84	+4,11	34,73	33,54	32,81
Net Stable Funding Ratio (NSFR)	110,30	+1,70	108,60	-	-
Change in %Points					

\*Fully loaded figure whenever available.

Due to Nordea's bank capital and debt structure, the Group's Preferred Senior Unsecured Debt instruments have been notched down by one notch in comparison to the long-term issuer rating. Due to the seniority structure, Nordea's Non-Preferred Senior Unsecured debt has been notched down by two notches. Nordea's Tier 2 capital rating is rated four notches below the long-term issuer rating, based on the bank's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 capital is rated five notches below the long-term issuer rating, reflecting a high bail-in risk in the event of resolution. Due to lack of AT1 capital, Non-Preferred Senior Unsecured debt as well as Preferred Senior Unsecured debt CRA withdraws the rating auf these capital and debt classes of the subsidiary Nordea Mortgage Bank Plc.

## Environmental, Social and Governance (ESG) Score Card

Nordea Bank Abp (Group) has two moderate and one significant ESG rating driver

- Corporate Governance is identified as a significant rating driver. The relevance for the credit rating results from the impact of the corporate governance factor on all other ESG factors. This sub-factor is rated positive due to Nordea's strong economic track record, the banks diversity program as well as the implemented ESG policies and targets.

- Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated neutral due to the still relatively low volume of green and sustainable bonds despite significant increases, Corporate Behaviour is rated neutral and was thereby upgraded as the bank widely overcome its money laundering issues.

### ESG Score

3,7 / 5

ESG Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
<= 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2021	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	3	( )
	1.2 Exposure to Environmental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)

Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)

Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated positive in terms of the CRA ESG criteria.	4	(+)
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	3	( )
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria.	1	(+ +)

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
( - )	Negative
( - -)	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage <https://creditreform-rating.de/en/about-us/regulatory-requirements.html>. In addition, we refer to CRA's position paper "Considering the Impact of ESG Factors".

## Conclusion

Overall, Nordea Bank Abp maintains a well-diversified business model and its performance in 2020 is characterized by the Corona pandemic and the significant loan loss provision. Despite the significant impact, Nordea performed quite well and recorded a considerable net profit. However, since most of the anticipated risk did not materialize, we expect significant reversals of the loan loss provisions and thus an increase in the bank's profitability in 2021. The low-interest environment in Europe stills puts pressure on Nordea's main income source - interest income. Moreover, some uncertainties in relation with the Corona pandemic persists and require a close monitoring of the development. The reduction of the operating expenses is a result of the banks sound cost management.

Nordea still records an outstanding asset quality. In particular, the Group reports a very low NPL ratio in comparison to other European large banks and benefits from its prudent approach to credit risk. Following the Corona pandemic, the records only a small increase in its potential problem loans (stage 2 loans). Nevertheless, uncertainties exist with regard to the further economic development. Moreover, Nordea benefits from its diversified business model with operations in a variety of industries as well as in economically strong countries. On the liabilities side, Nordea records a steady development of total deposits from customers as a favorable source of financing with still enough leeway for further enhancements. Moreover, Nordea reveals strong regulatory capital ratios, especially in comparison to large banks in the Eurozone. Furthermore, the liquidity situation of Nordea remains satisfactory.

## Outlook

We consider the outlook of Nordea Bank Abp (Group) long-term issuer rating and its bank capital and debt instruments as stable. This reflects our view that the bank is likely to keep being profitable in the upcoming years while operating in the current low interest rate environment. However, we will observe how the bank will deal with the Corona pandemic effects on the economy. In addition, we assume no significant economic worsening due to the Corona pandemic and stable political environment in the banks markets of operations.

## Scenario Analysis

In a scenario analysis, the bank is able to reach an "AA" rating in the "best case" scenario and an "A-" rating in the "worst case" scenario. The ratings of bank capital and senior unsecured debt would behave similarly based on our rating mechanism. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We might upgrade Nordea Banks Abp's (Group) long-term issuer credit rating and its bank capital and debt instruments if we see that Nordea is able to reach a sustainable

Best-case scenario: AA

Worst-case scenario: A-

### Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

higher level of profitability in addition to increased capital ratios while maintaining its sound asset quality.

By contrast, a downgrade of the Group`s long-term issuer credit rating and its bank capital and debt instruments is likely if we see declining capital ratios or a worsening of the asset quality. In particular, we will observe the ongoing Corona pandemic impact on Nordea`s asset quality and its earnings figures.

## Appendix

### Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **A+ / stable / L2**

### Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred Senior Unsecured Debt (PSU): **n.r.**

Non-Preferred Senior Unsecured Debt (NPS): **n.r.**

Tier 2 (T2): **BBB**

Additional Tier 1 (AT1): **n.r.**

### Rating History

Please consult our website [www.creditreform-rating.de](http://www.creditreform-rating.de) for additional information regarding the dates of publication.

Figure 7: Rating History

Bank Issuer Rating	Rating Date	Result
Initialrating	27.04.2018	AA- / stabil / L1
Rating Update	02.07.2019	AA- / stabil / L1
Monitoring	24.03.2020	AA- / NEW / L1
Rating Update	31.08.2020	A+ / stable / L2
Rating Update	19.08.2021	A+ / stable / L2
Bank Capital and Debt Instruments	Rating Date	Result
Senior Unsecured / T2 / AT1 (Initial)	27.04.2018	AA- / BBB+ / BBB
PSU / NPS / T2 / AT1	02.07.2019	AA- / A+ / BBB+ / BBB
PSU / NPS / T2 / AT1	24.03.2020	AA- / A+ / BBB+ / BBB (NEW)
PSU / NPS / T2 / AT1	31.08.2020	A / A- / BBB / BBB-
PSU / NPS / T2 / AT1	19.08.2021	A / A- / BBB / BBB-
Subsidiaries of the Bank	Rating Date	Result
Nordea Mortgage Bank PLC		
Initialrating	27.04.2018	AA- / stabil / L1
Rating Update	02.07.2019	AA- / stabil / L1
Monitoring	24.03.2020	AA- / NEW / L1
Rating Update	31.08.2020	A+ / stable / L2

# Creditreform Bank Rating

Nordea Bank Abp (Group) as parent of  
Nordea Mortgage Bank Plc

Rating Update	19.08.2021	A+ / stable / L2
Bank Capital and Debt Instruments of Nordea Mortgage Bank PLC		
Senior Unsecured / T2 / AT1 (Initial)	31.08.2018	AA- / BBB+ / BBB
PSU / NPS / T2 / AT1	02.07.2019	AA- / A+ / BBB+ / BBB
Monitoring	24.03.2020	AA- / A+ / BBB+ / BBB (NEW)
Rating Update	31.08.2020	A / A- / BBB / BBB-
PSU / NPS / T2 / AT1	19.08.2021	n.r. / n.r. / BBB / n.r.

Figure 8: Income statement of Nordea Mortgage Bank Plc | Source: eValueRate / CRA

Income Statement (EUR k)	2020	%	2019	2018	2017
<b>Income</b>					
Net Interest Income	235.600	+7,2	219.700	219.800	192.100
Net Fee & Commission Income	-200	-97,4	-7.600	-9.500	-11.000
Net Insurance Income	-	-	-	-	-
Net Trading Income	-9.400	<-100	600	-1.800	-2.400
Equity Accounted Results	-	-	-	-	-
Dividends from Equity Instruments	-	-	-	-	-
Other Income	100	+0,0	100	-	-
<b>Operating Income</b>	<b>226.100</b>	<b>+6,3</b>	<b>212.800</b>	<b>208.500</b>	<b>178.700</b>
<b>Expense</b>					
Depreciation and Amortisation	-	-	-	-	-
Personnel Expense	1.400	-26,3	1.900	1.900	1.900
Tech & Communications Expense	-	-	-	-	200
Marketing and Promotion Expense	-	-	100	-	100
Other Provisions	-	-	-	-	-
Other Expense	64.700	-2,4	66.300	52.200	45.600
<b>Operating Expense</b>	<b>66.100</b>	<b>-3,2</b>	<b>68.300</b>	<b>54.100</b>	<b>47.800</b>
<b>Operating Profit &amp; Impairment</b>					
<b>Pre-impairment Operating Profit</b>	<b>160.000</b>	<b>+10,7</b>	<b>144.500</b>	<b>154.400</b>	<b>130.900</b>
Asset Writedowns	15.400	<-100	-10.300	11.400	-700
<b>Net Income</b>					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
<b>Pre-tax Profit</b>	<b>144.600</b>	<b>-6,6</b>	<b>154.800</b>	<b>143.000</b>	<b>131.600</b>
Income Tax Expense	28.900	-17,7	35.100	29.600	26.300
Discontinued Operations	-	-	-	-	-
<b>Net Profit</b>	<b>115.700</b>	<b>-3,3</b>	<b>119.700</b>	<b>113.400</b>	<b>105.300</b>
Attributable to minority interest (non-controlling interest)	-	-	-	-	-
Attributable to owners of the parent	115.700	-3,3	119.700	113.400	105.300

Figure 9: Key earnings figures of Nordea Mortgage Bank Plc | Source: eValueRate / CRA

Income Ratios (%)	2020	%	2019	2018	2017
Cost Income Ratio (CIR)	29,23	-2,86	32,10	25,95	26,75
Cost Income Ratio ex. Trading (CIRex)	28,07	-4,12	32,19	25,73	26,39
Return on Assets (ROA)	0,38	-0,02	0,40	0,43	0,42
Return on Equity (ROE)	9,66	-0,89	10,55	9,63	8,92
Return on Assets before Taxes (ROAbT)	0,47	-0,05	0,52	0,54	0,53
Return on Equity before Taxes (ROEbT)	12,08	-1,57	13,64	12,14	11,15
Return on Risk-Weighted Assets (RORWA)	2,34	-0,25	2,59	2,61	3,31
Return on Risk-Weighted Assets before Taxes (RORWAbT)	2,92	-0,43	3,36	3,29	4,13
Net Interest Margin (NIM)	0,74	+0,00	0,73	0,83	0,76
Pre-Impairment Operating Profit / Assets	0,52	+0,04	0,48	0,59	0,52
Cost of Funds (COF)	0,15	-0,04	0,19	0,20	0,27

Figure 10: Development of assets of Nordea Mortgage Bank Plc | Source: eValueRate / CRA

Assets (EUR k)	2020	%	2019	2018	2017
Cash and Balances with Central Banks	241.800	-85,7	1.694.400	1.696.400	198.200
Net Loans to Banks	582.700	-12,6	666.400	899.500	647.600
Net Loans to Customers	28.764.200	+7,6	26.733.400	23.106.700	23.530.100
Total Securities	-	-	-	-	-
Total Derivative Assets	1.088.500	+22,9	886.000	603.100	617.700
Other Financial Assets	-	-	-	-	-
<b>Financial Assets</b>	<b>30.677.200</b>	<b>+2,3</b>	<b>29.980.200</b>	<b>26.305.700</b>	<b>24.993.600</b>
Equity Accounted Investments	-	-	-	-	-
Other Investments	-	-	-	-	-
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	-	-	-	-	-
Tangible and Intangible Assets	-	-	-	-	-
Tax Assets	7.400	-19,6	9.200	16.200	14.700
Total Other Assets	98.600	>+100	32.200	69.800	16.900
<b>Total Assets</b>	<b>30.783.200</b>	<b>+2,5</b>	<b>30.021.600</b>	<b>26.391.700</b>	<b>25.025.200</b>

Figure 11: Development of asset quality of Nordea Mortgage Bank Plc | Source: eValueRate / CRA

Asset Ratios (%)	2020	%	2019	2018	2017
Net Loans/ Assets	93,44	+4,39	89,05	87,55	94,03
Risk-weighted Assets/ Assets	16,06	+0,70	15,37	16,47	12,72
NPLs*/ Net Loans to Customers	0,84	-0,06	0,90	0,84	0,63
NPLs*/ Risk-weighted Assets	4,87	-0,35	5,22	4,45	4,68
Potential Problem Loans**/ Net Loans to Customers	7,60	+1,16	6,44	9,63	0,66
Reserves/ NPLs*	9,84	+4,99	4,86	24,69	7,45
Reserves/ Net Loans	0,08	+0,04	0,04	0,21	0,05
Net Write-offs/ Net Loans	0,05	+0,09	-0,04	0,05	0,00
Net Write-offs/ Risk-weighted Assets	0,31	+0,53	-0,22	0,26	-0,02
Net Write-offs/ Total Assets	0,05	+0,08	-0,03	0,04	0,00
Level 3 Assets/ Total Assets	0,29	-	-	0,05	-
Change in %-Points					

\* NPLs are represented from 2017 onwards by Stage 3 Loans.  
\*\* Potential Problem Loans are Stage 2 Loans where available.

Figure 12: Development of refinancing and capital adequacy of Nordea Mortgage Bank Plc | Source: eValueRate / CRA

Liabilities (EUR k)	2020	%	2019	2018	2017
Total Deposits from Banks	8.386.600	-27,5	11.560.400	7.667.600	7.557.600
Total Deposits from Customers	0	-	0	0	-
Total Debt	19.951.300	+22,3	16.312.200	16.961.100	15.670.100
Derivative Liabilities	1.048.100	+40,9	743.800	446.300	486.300
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>29.386.000</b>	<b>+2,7</b>	<b>28.616.400</b>	<b>25.075.000</b>	<b>23.714.000</b>
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	6.900	-26,6	9.400	-	-
Provisions	100	+0,0	100	200	-
Total Other Liabilities	193.000	-26,1	261.100	138.700	130.700
<b>Total Liabilities</b>	<b>29.586.000</b>	<b>+2,4</b>	<b>28.887.000</b>	<b>25.213.900</b>	<b>23.844.700</b>
<b>Total Equity</b>	<b>1.197.200</b>	<b>+5,5</b>	<b>1.134.600</b>	<b>1.177.800</b>	<b>1.180.500</b>
<b>Total Liabilities and Equity</b>	<b>30.783.200</b>	<b>+2,5</b>	<b>30.021.600</b>	<b>26.391.700</b>	<b>25.025.200</b>

Figure 13: Development of capital and liquidity ratios of Nordea Mortgage Bank Plc | Source: eValueRate / CRA

Capital Ratios and Liquidity (%)	2020	%	2019	2018	2017
Total Equity/ Total Assets	3,89	+0,11	3,78	4,46	4,72
Leverage Ratio	3,70	+0,10	3,60	3,95	4,10
Common Equity Tier 1 Ratio (CET1)*	23,10	-0,40	23,50	24,10	32,70
Tier 1 Ratio (CET1 + AT1)*	23,10	-0,40	23,50	24,10	32,70
Total Capital Ratio (CET1 + AT1 + T2)*	27,40	-0,50	27,90	29,10	39,20
SREP Capital Requirements	7,00	+0,00	7,00	7,50	7,00
Net Loans/ Deposits (LTD)	-	-	-	-	-
Interbank Ratio	6,95	+1,18	5,76	11,73	8,57
Liquidity Coverage Ratio	4549,00	+4391,00	158,00	151,00	1585,00
Customer Deposits / Total Funding (excl. Derivates)	0,00	+0,00	0,00	0,00	-
Net Stable Funding Ratio (NSFR)	108,30	-13,00	121,30	-	-
Change in %-Points					

\* Fully loaded figure whenever available.

## Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following scheme clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website [www.creditreform-rating.de](http://www.creditreform-rating.de). The rating was carried out on the basis of the rating methodology for [bank ratings as \(v3.0\)](#), the methodology for the [rating of bank capital and unsecured debt instruments \(v2.0\)](#), the rating methodology for [Environmental, Social and Governance Score for Banks \(v1.0\)](#) in conjunction with Creditreform's basic document [Rating Criteria and Definitions \(v1.3\)](#).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (v1.3) are published on our homepage:

<https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html>

On 19 August 2021, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Nordea Bank Abp (Group) and Nordea Mortgage Bank Plc, and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

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Rating Endorsement Status: The rating of Nordea Bank Abp (Group) and Nordea Mortgage Bank

Plc was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

## Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

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1. Aggregated data base by eValueRate
2. Annual Report and interim reports
3. Investors relations information and other publications
4. Website of the rated bank
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6. Internet research

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The "Basic data" information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

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The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the "Basic data" card as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

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