

Nordea

Green bond report 2021



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Executive summary

In 2021 we accelerated our focus on sustainability in general and sustainable financing in particular. The highlight of the year was in February, when we published our sustainable banking strategy, setting ambitious long-term objectives and medium- and short-term targets to help reach those objectives. Our sustainable banking strategy is aligned with the goals of the Paris Agreement and rests on four pillars: financial strength, climate action, social responsibility, and governance and culture. The pillars draw on the United Nations' Sustainable Development Goals.

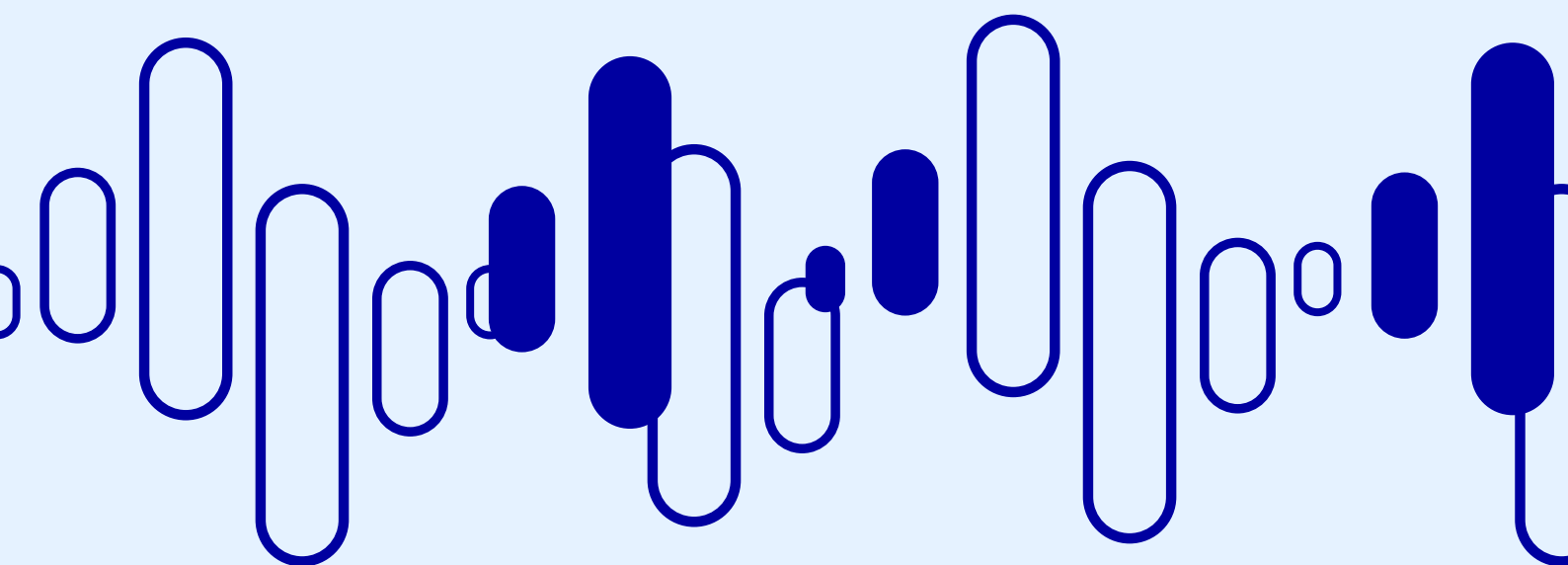
Over the course of the year we further developed our sustainability offering and client support capabilities to help drive the transition to a sustainable future. Examples of our widened product offering include green loans at reduced rates for small and medium-sized enterprises, loans for sustainable house renovation and green deposits for corporate clients in Norway. Customer demand for our sustainable financing products is increasing, evidenced by growing volumes of green and sustainability-linked lending. More information on our development can be found in the Annual Report 2021.

Our increased sustainability focus, enhanced product offering and volume development were also reflected in our green bond operations. Compared with the verified figures for 2020, we were able to grow our green bond asset portfolio by 32%, to EUR 3.76bn in late 2021, as confirmed by the latest second party opinion (SPO). We also made some major updates to our Green Bond Framework,

enabling us to issue green covered bonds from all our mortgage credit institutions (MCIs). In addition, we updated and amended some of the green bond asset categories included in our framework, mainly to align with the EU taxonomy technical screening criteria where relevant. More information can be found in this report, as well as on our "Green bond" investor web pages.

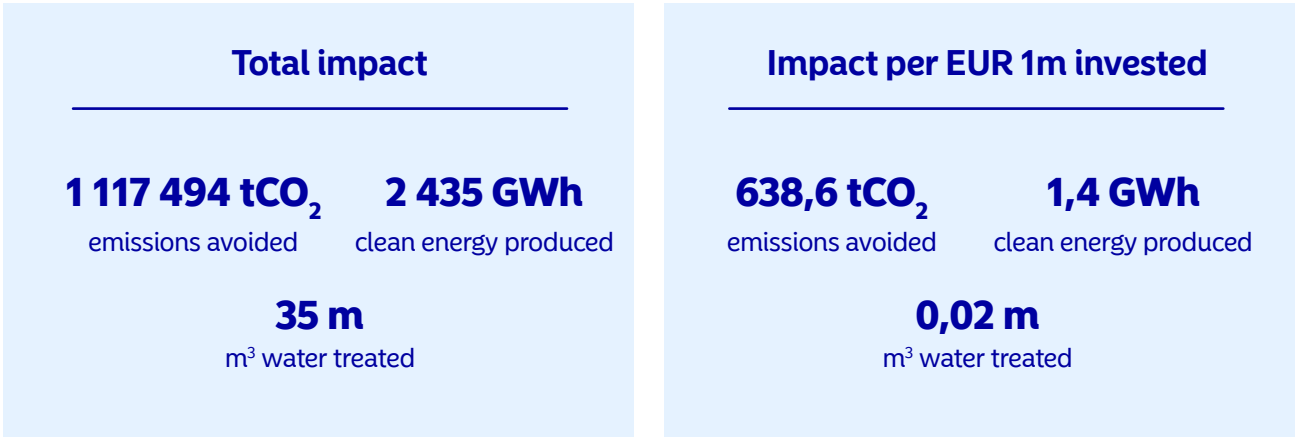
The updates to the framework enabled us to issue our first green NOK-denominated covered bond from our Norwegian mortgage credit institution, Nordea Eiendomskreditt, in November 2021. The transaction was successful and well received by the market. We also issued our second senior non-preferred green bond from Nordea Bank in March 2021. Our Danish mortgage credit institution, Nordea Kredit, also opened their second green covered bond in DKK. The green asset growth to date and positive growth outlook will help us to remain active in the green bond market in the future.

This report covers all the green bond operations of Nordea Bank Abp and its subsidiaries. The asset portfolios and impacts are presented at the asset portfolio level, i.e. separately for Nordea Bank and for the MCIs with outstanding green covered bonds. Our reporting and impact calculations are based on the latest externally verified green bond asset portfolio figures as presented in the publicly available SPO. The reporting covers the calendar year 2021.



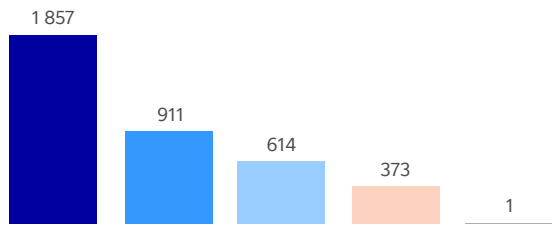
SUMMARY:

Impact of allocated proceeds from Nordea Bank Abp

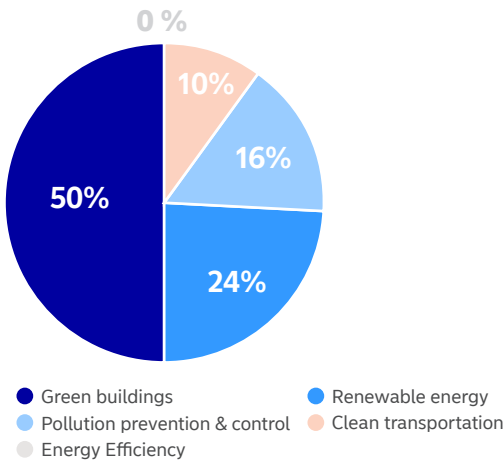


Green bond asset portfolio

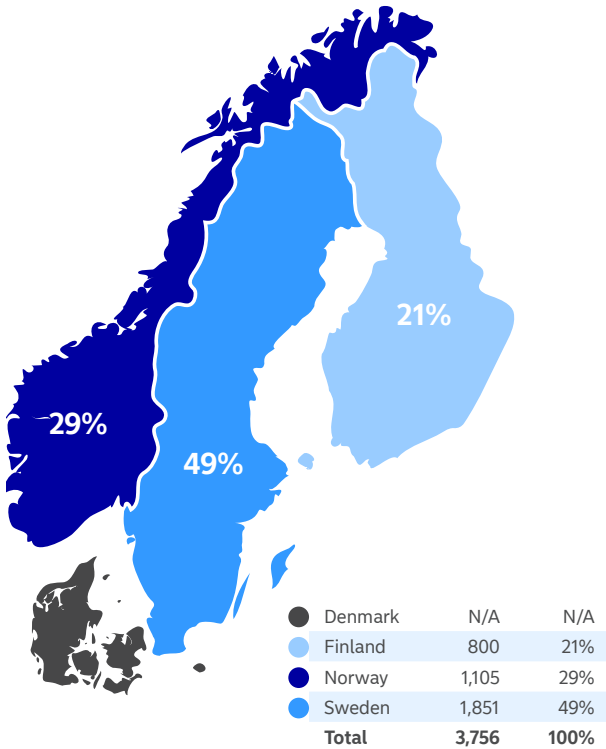
Green Bond Asset portfolio, EURm



Asset categories split



Country split of Green Bond Asset portfolio, EURm



Sustainability at Nordea

Sustainability is part of our business strategy

For us at Nordea, sustainable banking is about inspiring and enabling our customers to make sustainable choices and contributing to societal goals through climate action, social impact and strong governance – and by reducing the impact of our internal operations. We have made sustainability an integrated part of our business strategy and introduced measurable long-term objectives and medium-term targets to help drive a greener and more sustainable future.

In 2021 we launched a new long-term plan to fully integrate sustainability into our business strategy. Our work rests on four strategic pillars: financial strength, climate action, social responsibility, and governance and culture. The pillars draw on the United Nations' Sustainable Development Goals (SDGs) and the Paris Agreement.

Under each pillar, we are focusing on relevant SDGs and sustainability topics that impact us or that we can have a significant impact on – by reducing the negative impact or increasing the positive impact of our business activities and internal operations.

For the pillar climate action, we have set 2030 objectives and medium-term targets. For the other three pillars, we have set medium-term targets. The targets and objec-

tives were approved by the Group Leadership Team in November 2020 and by the Board in December 2020.

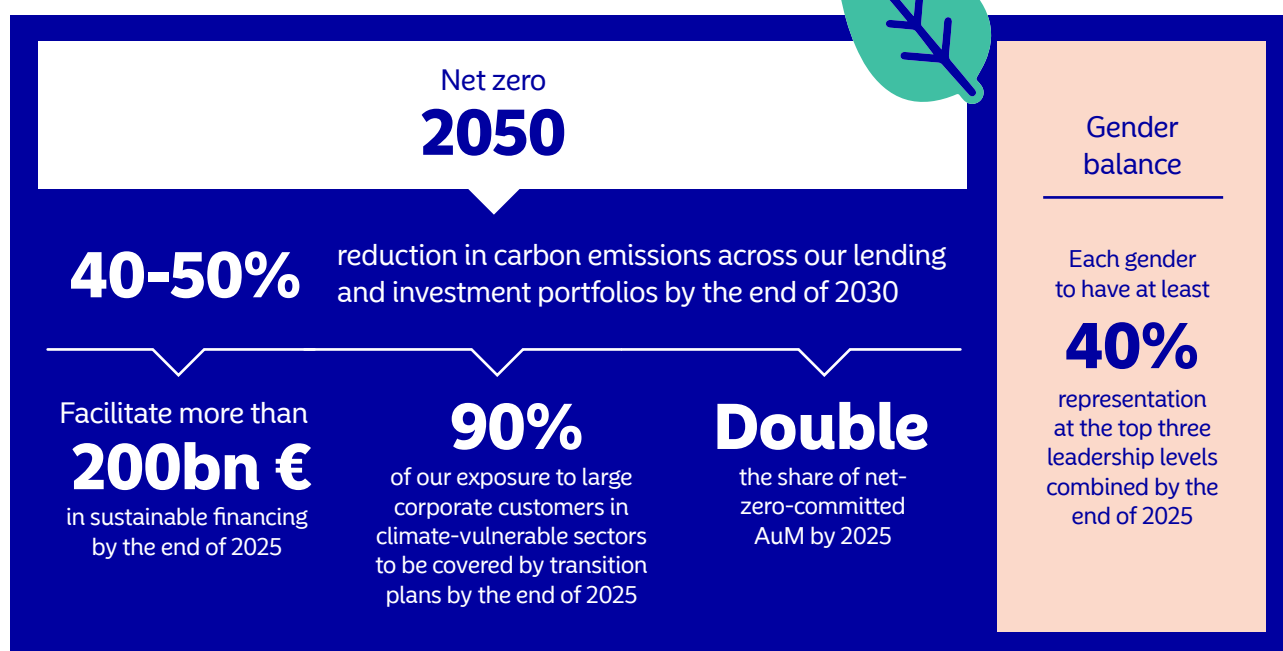
In 2021 we revised and further strengthened our targets and the Board decided to include environmental, social and governance (ESG) targets in executive remuneration programmes. We also revised and strengthened our sustainability governance model so as to be able to execute our strategic sustainability agenda as effectively as possible.

Our business objectives in relation to the climate are to achieve net-zero emissions by 2050 at the latest and, by 2030, to reduce the carbon emissions across our lending and investment portfolios by 40–50% relative to our 2019 baseline.

Although our greatest impact on the climate is through financing and investments, we also work to reduce the climate impact of our internal operations. We have a long-term objective to reduce carbon emissions from internal operations by more than 50% by 2030 and by 30% by 2023, compared with 2019.

For more information on our sustainability work, please see our 2021 Annual Report, in particular the Sustainable banking chapter and Sustainability notes.

Our sustainability targets





Development of the Green Bond Framework in 2021

Since we established our Green Bond Framework and issued our inaugural green bond in 2017, we have assessed the need for updates to our framework on a periodic basis, usually in connection with the reverification of our green bond asset portfolio. 2021 was no exception and work on updating the framework started in the summer. An updated framework and a second party opinion from ISS ESG covering the changes we made were published in the autumn.

The amendments made in 2021 were the most comprehensive since the framework was created. The major change was to incorporate green covered bond aspects into the framework and, as such, enable us to issue green covered bonds from all our mortgage credit institutions. This required specific descriptions under many sections in the framework, as the process for green covered bonds differs to some extent from the process for Nordea Bank's senior issuances. We added specific green covered asset

categories to the framework and decided to fully align the criteria for the categories with the EU taxonomy's technical screening criteria (TSC). The work enabled us to issue our first green covered bond from our Norwegian mortgage credit institution, Nordea Eiendomskreditt AS.

In addition to the major update described above, we made some amendments to the existing asset categories. These included aligning some criteria with the taxonomy TSC, e.g. for the financing of electric grids and the renovation of buildings. We also added subcategories within the "Pollution prevention and control" and "Sustainable management of living natural resources" categories, enabling us to incorporate waste management activities and sustainable aquaculture (land-based fish farming) into our green financing sphere.

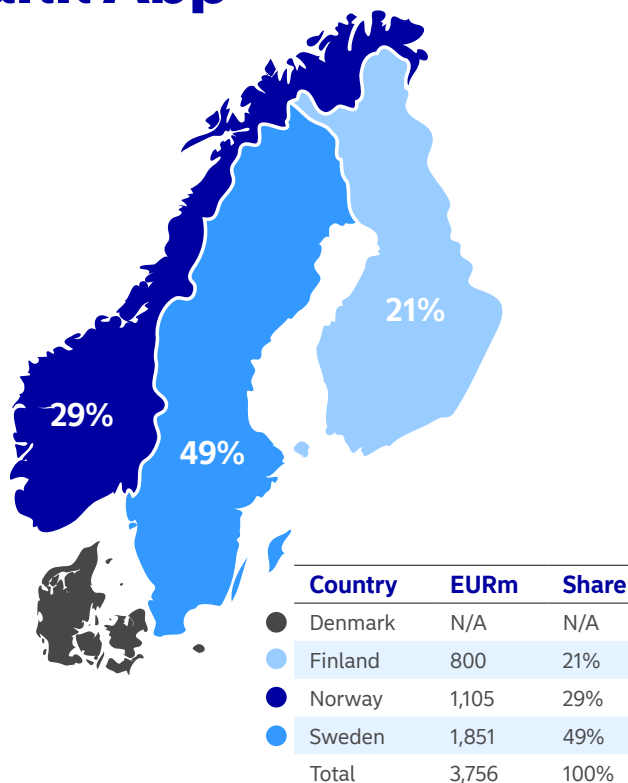
Our Green Bond Framework is available on our "Green bonds" investor web pages.

Development of the green bond asset portfolio in Nordea Bank Abp

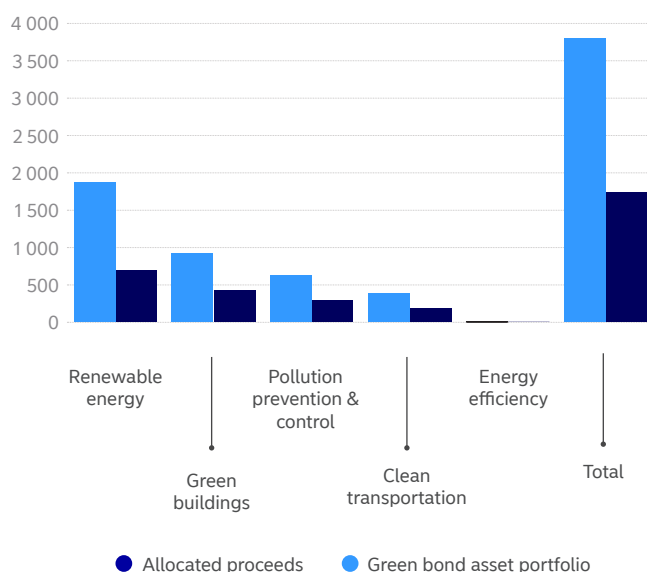
In 2021 we increased our focus on sustainability in general and sustainable financing in particular. This was reflected in the new long-term objectives we published in February. Sustainable financing, including green financing, is an important component that will help us to meet our targets. Green financing is a way for us to support the climate transition and thus have a positive impact on the real economy.

Our focus on sustainable financing was also reflected in the growth of our green bond asset portfolio. From EUR 2.85bn at the end of 2020, the portfolio grew to EUR 3.76bn in the course of 2021, an increase of 32%. The weight of the "Green buildings" category was reduced due to the fact that we originated new green lending in other categories and included those assets in the portfolio. We use the latest externally verified portfolio figures for our green bond reporting and impact calculations.

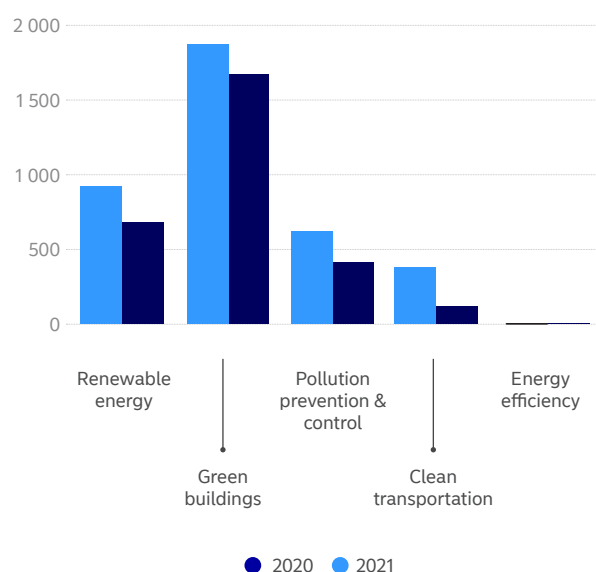
In 2021 we issued one new green bond from Nordea Bank Abp, a EUR 500m 10-year green senior non-preferred bond in March 2021. The green bond asset portfolio and allocation of proceeds are presented below.



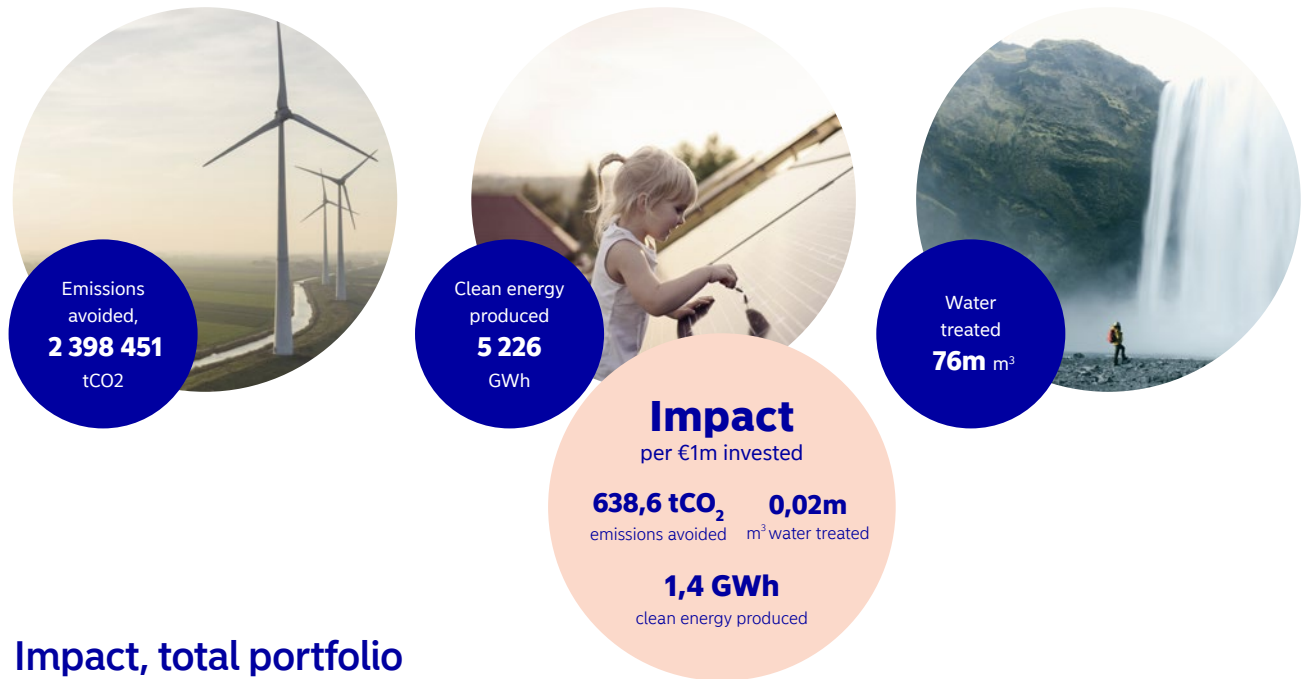
Green bond asset portfolio amount and allocation of proceeds, EURm



Green Bond Asset portfolio development, EURm



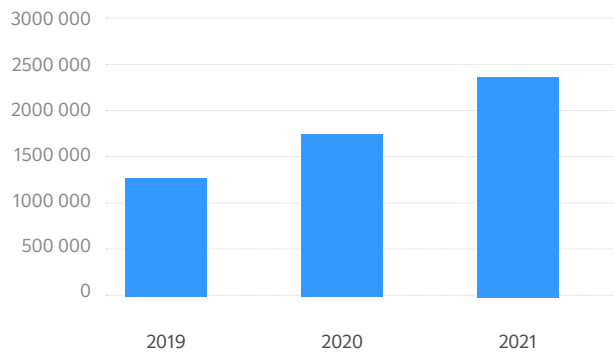
Impact of the green bond asset portfolio



Impact, total portfolio

Category	Sub-category	Green Bond Asset portfolio amount, EURm	Annual emissions avoided, tCO ₂ e	Annual energy production, GWh	Annual energy savings, MWh	Annual water withdrawn or treated, m m3	SDGs
Clean transportation	Electric cars	87	4 193				
	Electric ferries	2	3 200				
	Electric Trains	285	908 520				
	Subtotal	373	915 913				
Energy Efficiency	Energy Efficiency	1	40	0			
	Subtotal	1	40	0			
Green Buildings	Green Buildings	1 857	6 712		21 307		
	Subtotal	1 857	6 712				
Renewable energy	Hydro	569	645 831	2 050			
	Solar	0	198	1			
	Wind	341	452 242	1 436			
	Subtotal	911	1 098 272	3 487			
Pollution Prevention and control	Waste to Energy	385	377 514	1 739			
	Water and Waste Water Treatment	229				76	
	Subtotal	614	377 514	1 739			
	Grand Total	3 756	2 398 451	5 226	21 307	76	

Total impact (CO2) development 2019–21



Outstanding green bonds from Nordea Bank Abp as of year end 2021

Bond	Issuer	Type	Rating	Nominal amount	Issue date	Maturity date	Listing	ISIN
Nordea inaugural green bond EUR 500m, senior unsecured, 5-year	Nordea Bank AB (publ.)	Direct, unsecured and unsubordinated	Standard & Poor's: AA-; Moody's: Aa3; Fitch: AA	EUR 500m	30 June 2017	30 June 2022	LGX	XS1604493372
Nordea green bond EUR 750m, senior preferred, 7-year	Nordea Bank ABp	Senior preferred	Standard & Poor's: AA-; Moody's: Aa3; Fitch: AA	EUR 750m	28 May 2019	28 May 2019	LGX	XS2003499386
Nordea green bond EUR 500m, senior non-preferred, 10-year	Nordea Bank ABp	Senior non-preferred	Standard & Poor's: A; Moody's: Baa; Fitch: AA-	EUR 500m	19 March 2021	19 March 2021	LGX	XS2321526480

Nordea Green Bond Framework

Eligible activities, green bond asset categories

GBP category	Project types
Renewable energy	<p>Renewable energy means generation and transmission of energy from renewable sources and manufacturing of the related equipment for:</p> <ul style="list-style-type: none"> • wind power • solar power • hydro power <ul style="list-style-type: none"> • small-scale plants, run-of-river plants or refurbishments of existing larger hydro power plants in the Nordic countries without any increase in the size of its impoundment facility • integrating renewable energy sources into the transmission network
Energy efficiency	<p>Energy efficiency means infrastructure, equipment, technology and processes related to energy transmission, energy storage, district heating and heat pumps including:</p> <ul style="list-style-type: none"> • automation and intelligence in the power transmission network, distribution and related systems • transmission of electricity produced by renewable sources from the production site to the system grid • system grids for electricity where, over a rolling five-year period, 67% of new connected generation capacity in the grid is below 100g CO₂e per kWh or the average system grid emissions factor is below 100g CO₂e per kWh
Green buildings	<p>Green buildings means commercial or residential buildings with at least one of the following certifications:</p> <ul style="list-style-type: none"> • the LEED "gold" certification • the BREEAM "very good" certification • the Miljöbyggnad "Silver" certification (Sweden) • Nordic Swan Ecolabel • DGNB "Gold" certification • the RTS "2 stars" certification, or • renovations and refurbishments of commercial or residential buildings leading to reduced energy use, or existing buildings having an annual energy use on a square metre basis that is at least 25% lower than the applicable national regulations in the relevant Nordic country, or that lead to an annual reduction of primary energy demand (PED) on a square metre basis of at least 30%
Pollution prevention and control	<p>Pollution prevention and control means projects or activities and any related infrastructure, equipment, technology and processes towards</p> <ul style="list-style-type: none"> • water and waste water management • waste management including the prevention, reduction, collection, treatment, recycling and processing of all types of waste • waste-to-energy
Clean transportation	<p>Clean transportation means projects or activities and related equipment, technology and processes towards clean transportation infrastructure, including expansion and improvements of train and metro networks, stations and rolling stock for passenger or freight transportation, such as:</p> <ul style="list-style-type: none"> • electric vehicles, for example trains, busses, cars and ships
Sustainable management of living natural resources	<p>Sustainable management of living natural resources means projects or activities related to sustainable forestry, agriculture or aquaculture in the Nordic countries, including the acquisition, maintenance and management of:</p> <ul style="list-style-type: none"> • forests certified by the Forest Stewardship Council (the FSC) or the Programme for the Endorsement of Forest Certification (the PEFC) (Sweden) • sustainable agriculture in the Nordic countries comprised of: <ul style="list-style-type: none"> • organic farming as certified in compliance with EU and national regulation • sustainable aquaculture in the Nordic countries comprised of: <ul style="list-style-type: none"> • operation, construction, maintenance and development of land-based fish farming facilities with waste water treatment • for expenditures related to sourcing of feed; soy is required to be sustainable and deforestation free as evidenced by a ProTerra or equivalent certification and marine-based feed ingredients need to comply with the standard by the Marine Stewardship Council (the MSC), the MarineTrust Standard or equivalent certifications

Green covered bond asset categories

GBP category	Project types
Green residential buildings	<p>Construction of new buildings</p> <ul style="list-style-type: none"> The primary energy demand, defining the energy performance of the building resulting from the construction, is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC).
	<p>Acquisition and ownership of buildings</p> <ul style="list-style-type: none"> For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock (relevant type) expressed as operational primary energy demand (PED) and demonstrated by adequate evidence. For buildings built after 31 December 2020, the building meets the criteria specified under "Construction of new buildings".
Energy efficiency	<p>Renovation of existing buildings</p> <ul style="list-style-type: none"> The building renovation complies with the applicable requirements for major renovations OR The renovation leads to a reduction of primary energy demand (PED) of at least 30%.
	<p>Investments, installation and repair of equipment leading to energy efficiency improvements</p> <ul style="list-style-type: none"> Investments in renewable energy sources, energy efficiency improvements and/or overall quality improvement, such as (but not limited to): <ul style="list-style-type: none"> geothermal heating, water meters, windows, doors, light sources etc.

Nordea green bond asset categories and EU taxonomy alignment

The EU taxonomy is currently coming into force, requiring companies under Directive 2014/95/EU – also called the Non-Financial Reporting Directive (NFRD) – to disclose information about their exposure to taxonomy-eligible activities in 2022 and taxonomy-aligned activities in 2024. The European Union has also published a proposal for an EU green bond standard which, once adopted, will enable bonds to be issued under a EU green bond label indicating that they finance taxonomy-aligned assets.

During 2021 we performed a high-level assessment of the green bond asset categories included in our Green Bond Framework (GBF) against the EU taxonomy technical screening criteria (TSC). We compared how well the defining criteria for the green bond asset categories in the GBF aligned with the "Substantial contribution to climate change mitigation" TSC applicable to corresponding economic activity/activities in the taxonomy. "Do no significant harm" aspects were not assessed. As confirmed by the second party opinion provided by ISS ESG, minimum social safeguards are well covered by our commitments to a number of international treaties. We also made some updates to the criteria presented in the GBF to better align the categories included with the taxonomy TSC. The assessment was made according to the scale below:

Aligned All or most of the criteria included in the TSC

Partially aligned Some of the criteria included in the TSC

Not aligned Criteria not included in the TSC

GB Asset category	Alignment	Comments
Renewable Energy	Aligned	Solar, wind and renewable energy related activities align with the Taxonomy TSC. For hydro power, Nordea lacks the specific emissions threshold as described in the Taxonomy.
Energy Efficiency	Partially	Nordea's energy efficiency category is a diverse category with a number of corresponding activities in the Taxonomy TSC. District heating and heat pumps are included in the Taxonomy. For electric grids, Nordea utilises the exact TSC from the Taxonomy.
Green Buildings	Partially	Eligibility based on energy performance for existing buildings is assumed to fall under the Taxonomy requirements. Due to lack of complete country level data, an exact assessment can not be made. Some of the certificates Nordea considers eligible include sufficient energy performance requirements, but an asset level assessment is needed to determine the exact alignment with the Taxonomy TSC. Green Covered bond asset categories are fully aligned with the Taxonomy TSC.
Pollution Prevention and Control	Partially	Waste management activities and water and waste water management activities are being developed for the remaining four environmental objectives of the Taxonomy. Waste to energy is not included in the Taxonomy TSC as an activity mitigating climate change, however Nordea includes bioenergy production in this category.
Clean Transportation	Aligned	Nordea only sees electric means of transportation as eligible for green bond financing which is stricter than the Taxonomy TSC.
Sustainable Management of Living Natural Resources	Partially	For sustainable forestry Nordea utilises PEFC or FSC certifications that cover sustainable forest management practices as described in the Taxonomy TSC. Carbon sinks are excluded from Nordea's criteria. For sustainable farming activities Nordea utilises a different set of criteria than the Taxonomy, and sustainable aquaculture is not included in the Taxonomy.

Impact from Nordea mortgage credit institutions

Outstanding green bonds, Nordea Kredit

Bond	Green covered mortgage bond	Green covered mortgage bond
Issuer	Nordea Kredit Realkreditaktieselskab	Nordea Kredit Realkreditaktieselskab
Type	DKK benchmark/tap covered 3 year	DKK benchmark/tap covered 3 year
Rating	Standard & Poor's AAA	Standard & Poor's AAA
Nominal amount	DKK 6,942m	DKK 4,777m ¹⁾
Issue date	20 November 2019	26 April 2021
Maturity date	July 2022	July 2024
Listing	Nasdaq OMX Copenhagen	Nasdaq OMX Copenhagen
ISIN	DK0002046689	DK0002050608

1) Open for new issuance

Our focus on the green transition is clearly reflected in Nordea Kredit's lending portfolio. Green mortgage loans to corporate customers reached DKK 11bn (DKK 4bn) at the end of 2021 – equivalent to a market share of approximately 29% for bonds denominated in DKK. The growth was significant during 2021 from almost none to over DKK 11bn, amounting to almost the entire reported and externally verified portfolio. This was driven by an increased focus on green lending within Nordea Kredit.

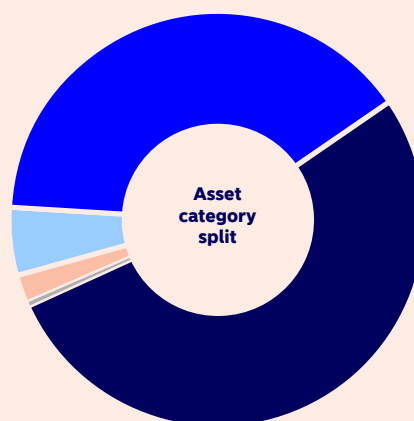
The green mortgage loans are based on the criteria in the Nordea Green Bond Framework (GBF) and are offered for the funding of energy efficiency investments, buildings with energy performance certificate (EPC) ratings A or B, renewable public utilities, etc.

Customer and investor feedback has been positive, and the green bonds are priced slightly better than Nordea Kredit's ordinary Cbor6 bonds. The bonds funding the green mortgage loans have been classified as "most liquid assets".

Nordea Kredit is also contributing to the green transition by offering loans for green corporate projects where mortgage loans are not an option but where the criteria of the GBF are met. For personal customers, we offer an attractive low-interest loan (Energisparelån) earmarked for energy improvements to homes. These bank loans supplement Nordea Kredit's portfolio of mortgage products.

Green mortgage loans issued by Nordea Kredit as at 31 December 2021:

Asset category	Outstanding DKK	Share
Energy efficiency	6,052,852,429	52.9%
Green buildings	4,515,139,553	39.5%
Renewable energy	603,938,906	5.3%
Organic farming	253,882,936	2.2%
Pollution control	12,589,829	0.1%
Total	11,438,403,652	



Impact, allocated proceeds

Category	Annual emissions avoided, tCO2e	Annual energy production, GWh	Annual energy savings, MWh	Annual water withdrawn or treated, m ³
Energy Efficiency	-			
Green Buildings	3 566		11 336	
Sustainable Agriculture				
Waste to energy	139 551			
Water and Waste Water Treatment				27
Wind	80 484	692		
Grand Total	223 602	692	11 336	27

Nordea Eiendomskreditt AS

Our focus on the green transition is also clearly reflected in Nordea Eiendomskreditt's lending portfolio. Nordea Eiendomskreditt's first green covered bond was issued in November 2021 and received very positive investor feedback. The bond was priced at a "greenium" compared with ordinary covered bonds.

Green covered bond asset categories refer to the EU taxonomy technical screening criteria. Nordea Eiendomskreditt's green covered bond asset portfolio follows the GBF and is currently selected based on the individual EPC labels of the underlying buildings. The portfolio only includes assets with EPC labels A and B.

Outstanding green bond, Nordea Eiendomskreditt AS

Bond	Green covered mortgage bond
Issuer	Nordea Eiendomskreditt AS
Type	NOK 7bn FRN covered 5-year
Rating	-
Nominal amount	NOK 7bn
Issue date	November 2021
Maturity date	November 2021
Listing	-
ISIN	NO0011151771

In 2021, Nordea Eiendomskreditt's Green Asset portfolio created energy savings of 25.4 GWh and an estimated amount of emissions avoided of 7,992 t

2021

At year end 2021, Nordea Eiendomskreditt's portfolio amounted to NOK 8.6bn. 15% of assets were EPC A and 85% EPC B, with a majority in single-family homes and one third in apartments.

Process for project evaluation and selection

Nordea completes the following process when selecting and evaluating financing within the green bond asset categories that qualify as assets to be included in the green bond asset portfolio, and specifically, the green bond assets in relation to green bond issuances.

1

Nordea chooses potential Green Assets from each financing that is originated by relevant business units according to Nordea's financing criteria and proposed for selection by the business units.

2

Nordea removes financing that does not qualify (or where the client of such financing does not qualify) as Green Bond Assets.

3

Nordea further removes financing that is deemed ineligible (or where the client of such financing is deemed ineligible) in reference to Nordea's ESG assessment process to be included in the Green Bond Assets.

4

The remaining financing is evaluated by sustainability experts within Nordea, after which the qualifying financing is deemed as potential Green Bond Assets.

Verification of the potential Green Bond Assets is then performed by the external second party opinion provider (i.e. the external verifier). The qualifying assets are included in the Green Bond Register and constitute the Green Bond Asset Portfolio.

After the selection, a confirmation process is undertaken by the Green Bond Committee within Nordea in respect of the assessments made by other staff in relation to the green bond asset categories. The Green Bond Committee also reviews the green bond asset portfolio on a semi-annual basis. Allocation of the proceeds of any green bond issuances to the green bond assets is done on a portfolio level, where the proceeds of a green bond issuance are allocated to all assets in the green bond asset portfolio in equal shares.



Methodology notes

We report the estimated impact of the assets financed by our green bonds at an aggregate level per category. The 2021 calculations cover the period 1 January to 31 December inclusive. To the extent possible, the reporting is based on real data reported by the project teams, companies or other organisations. For the 2021 reporting, we expanded the use of real data to the extent possible.

Where real data is not available, estimates of the relevant asset type and location are used. We include the expected annual impacts (ex ante) of projects under construction and aggregate these with the actual known impacts (ex post) of projects in operation. The full-year impact is accounted for regardless of when during the year the asset was added to the green bond asset portfolio.

Estimates are based on either the average of similar assets (in terms of size and location) within the green bond asset portfolio or national averages (e.g. for "Green buildings", apartment size and energy consumption). The avoided CO₂ emissions and other impacts are reported in accordance with Nordea's debt financing share. It is assumed that new energy capacity crowds out fossil fuel-based generation. Hence, wind, solar and hydropower are assumed to crowd out CO₂ emissions in line with the defined emission factor.

We have opted to use the emission factor of 315g CO₂/kWh presented in the Nordic Public Sector Issuers (NPSI) Position Paper on Green Bonds Impact Reporting. The position paper and emission factor were updated in

2020, resulting in fewer avoided emissions per kWh. This baseline represents a European mainland mix, including Norway. The emission factor is calculated as a combined margin in line with the International Financial Institutions' harmonised framework methodology, comprising a build margin and an operating margin. The same combination of build margin (50%) and operating margin (50%) is used for all energy projects. We will continue updating this baseline in accordance with any updates to the NPSI Position Paper or other relevant guidelines.

For "Green buildings", we use national building standards as a baseline for measuring impacts. As the NPSI Position Paper suggests, we disclose the energy savings from green buildings as a net value in relation to national building requirements. We have both commercial and residential buildings in the green bond asset portfolio, and respective national building requirements are used based on the year of construction. For buildings where we are not able to obtain actual energy consumption figures, we estimate the energy savings based on the building certificate requirements, national building requirements, year of construction and floor area.

It should be noted that, in general, when we have to estimate annual energy output instead of using actual generation figures, the results are less accurate and provide an order of magnitude estimate of electricity produced and thus of CO₂ emissions avoided. The same applies to estimates in relation to the other green bond asset categories.

Contacts

Petra Mellor
Group Treasury, Long-Term Funding
+46 70 277 83 72
petra.mellor@nordea.com

Maria Caneman
Investor Relations
+46 76 824 92 18
maria.caneman@nordea.com

Casimir von Frenckell
Group Sustainability
+358 40 727 727 1
casimir.vonfrenckell@nordea.com