

Nordea

Q1 2023 Debt investor presentation

Nordea Hypotek Bank Covered Bonds



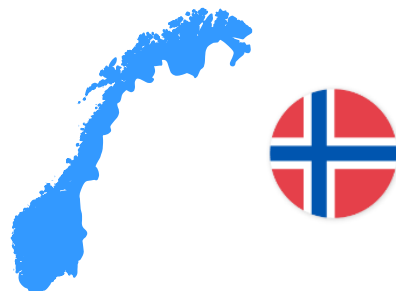
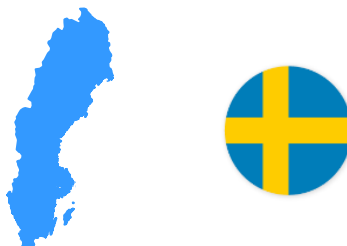

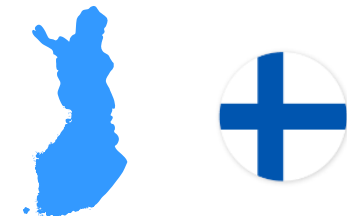
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1. In brief

Nordea covered bond operations

Q1 2023

Four aligned covered bond issuers with complementary roles	Nordea Eiendoms kreditt	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank	
					
	Legislation	Norwegian	Swedish	Danish	Finnish
	Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
	Cover pool size	EUR 21.5bn (eq.)	EUR 60.3bn (eq.)	Balance principle	Pool 1: EUR 20.7bn/ Pool 2: EUR 3.3bn
	Covered bonds outstanding	EUR 14.4bn (eq.)	EUR 35.3bn (eq.)	EUR 58.9bn (eq.)*	Pool 1: EUR 18.1bn/ Pool 2: EUR 3bn
	OC	46%	73%	7.3%*	Pool 1: 14% / Pool 2: 11%
	Issuance currencies	NOK	SEK	DKK, EUR	EUR, GBP
	Rating (Moody's / S&P)	Aaa / -	Aaa / -	- / AAA	Aaa / -
	Included in Nordea Green Framework	Yes	Yes	Yes	Yes
Issued Green CB's	Yes (inaugural issue in 2021)	Yes (inaugural issue in 2022)	Yes (inaugural issue in 2019)	Yes (inaugural issue in 2022)	

- Covered bonds are an integral part of Nordea's long term funding operations
- Issuance in Scandinavian and international currencies
- All Nordea covered bond issuance entities (MCIs) are covered by Nordea's updated 2022 Nordea green funding framework



⁴ * The figures in Nordea Kredit only include capital centre 2 (SDRO). Nordea Kredit no longer reports for CC1 (RO), as this capital centre only accounts for a minor part (<1%) of the outstanding volume of loans and bonds

Nordea Hypotek – overview

- 100% owned subsidiary of Nordea Bank Abp - the largest Nordic financial institution
- Grants long-term loans to Swedish households, municipalities, municipal housing companies and corporates
- All loans secured by mortgages, tenant-owner units or municipal/state guarantees
- Cost-effective loan origination and service through Nordea Bank's nationwide Swedish branch network and internet
- Licensed by the Swedish Financial Supervisory Authority to issue covered bonds (Säkerställda Obligationer) according to the Swedish Covered Bond Act
- Covered bonds rated Aaa by Moody's

2. Cover pool characteristics

Cover pool key characteristics

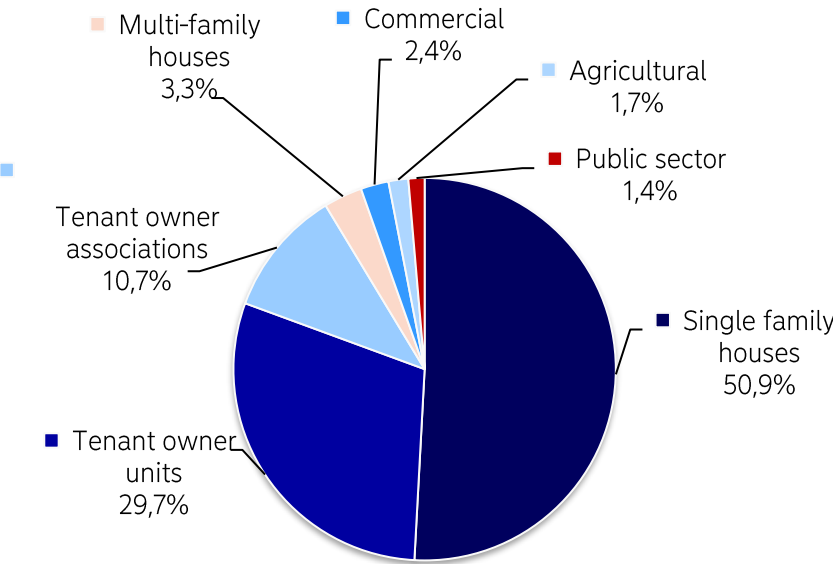
Q1 2023

Cover pool summary	
Loans in cover pool	SEK 679.9bn
Outstanding covered bonds	SEK 398.0bn
Cover pool content	Mortgage loans secured by residential or commercial property. Loans to public sector
Geographic distribution	Throughout Sweden with concentration to urban areas
Asset distribution	94.6% residential, 2.4% commercial, 1.7% agricultural, 1.4% public sector
Weighted average LTV*	51.4% (indexed)
Average loans size*	SEK 762.4k
Over collateralization, OC	72.8%
Rate type**	Floating 47.5%, Fixed 52.5%
Amortization**	Bullet/ interest only 34.7%, Amortizing 65.3%
Pool type	Dynamic
Loans originated by	Nordea Hypotek

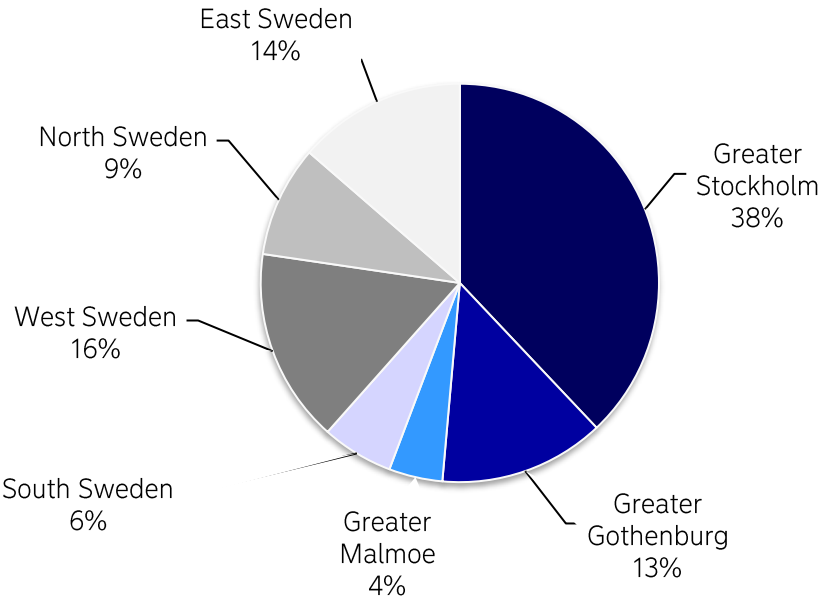
Cover pool key characteristics (2)

Q1 2023

Cover pool balance by loan category



Cover pool balance by region*



3. Asset quality

Loan To Value (LTV)*

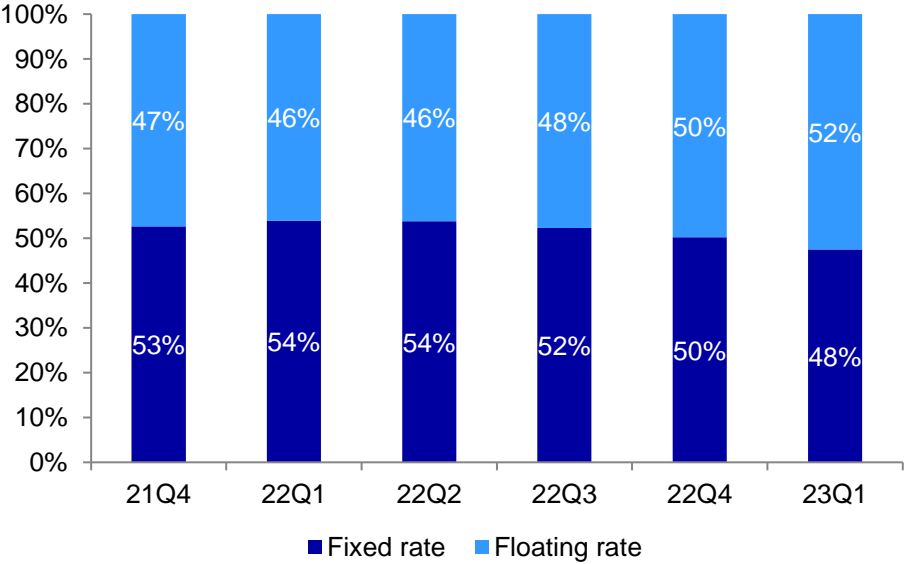
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Weighted Average LTV - Unindexed		56.9%	
LTV buckets		Nominal (SEKbn)	% Residential Loans
>0 - <=40 %		460.0	71%
>40 - <=50 %		73.5	11%
>50 - <=60 %		54.0	8%
>60 - <=70 %		37.1	6%
>70 - <=80 %		18.6	3%
Total		643.2	100%
Weighted Average LTV - Indexed		51.4%	
LTV buckets		Nominal (SEKbn)	% Residential Loans
>0 - <=40 %		494.4	77%
>40 - <=50 %		64.2	10%
>50 - <=60 %		43.4	7%
>60 - <=70 %		27.2	4%
>70 - <=80 %		14.0	2%
Total		643.2	100%

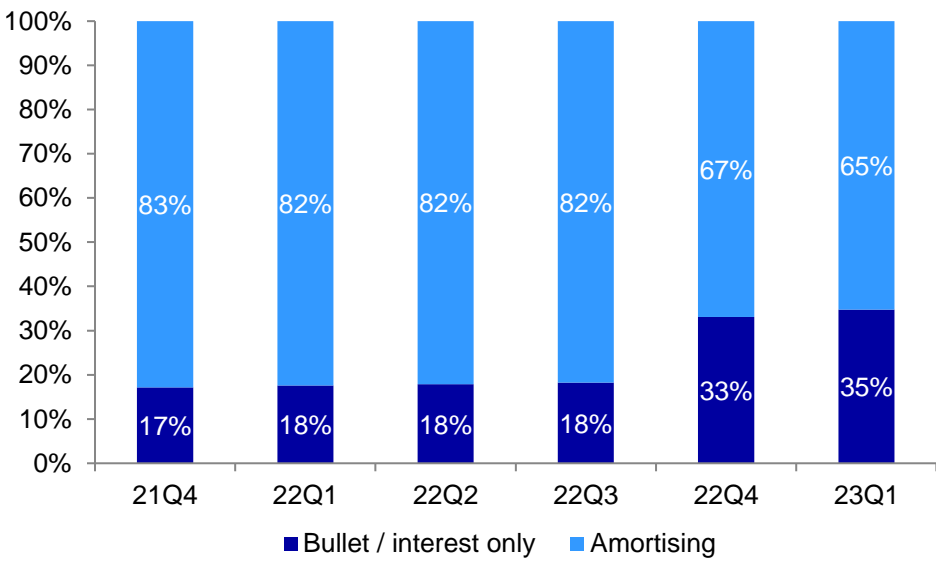
Loan structure

Q1 2023

Rate type



Repayment



Underwriting criteria

Private households

- Track record and income checked via UC
- Always household budget "before-after" with buffer requirement and stress test including behavioral analysis
- Individual valuation of the pledged property

Corporates / Municipalities

- Financial analysis with adjustments to market conditions
- Verification of key ratios and other requirements in Nordea general real estate lending policy
- Rating according to Nordea's in-house models
- Individual valuation of the pledged property
- Yearly reassessments

4. Covered bond framework

Swedish covered bond framework

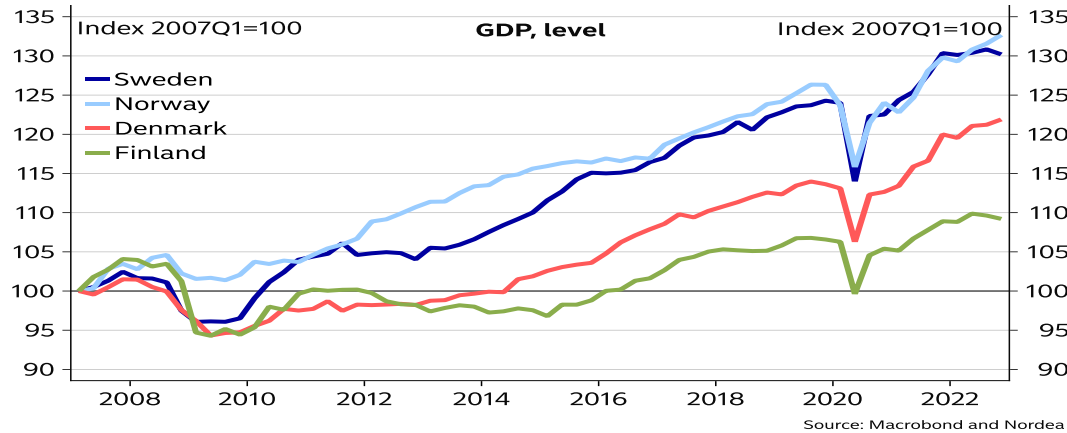
- Legal framework
 - Swedish Covered Issuance Act (SFS 2003:1223), came into force 1 July 2004 and amended on 8 July 2022 in order to implement the European covered bond directive.
- Registration
 - An issuing institution is required to maintain a register on covered bonds, the cover pool and, if applicable, derivative agreements
- Limit on LTV ratio – based on the current value
 - 80% for housing loans (residential property)
 - 60% for commercial loans (commercial property)
- Matching rules
 - The nominal value of the cover pool must at all times exceed the aggregate nominal value of any claims (including estimated winding-down costs) that may be brought against the issuing institution in respect of covered bonds by a minimum of 2%
 - The issuing institution must ensure that the flow of payments regarding assets in the cover pool, derivative agreements and covered bonds are such that the institution is, at all times, able to fulfil its payment obligations towards the holders of covered bonds and counterparties in derivative agreements
- Liquidity buffer requirement
 - The cover pool must include a liquidity buffer in an amount covering the maximum net liquidity outflow during the next following period of 180 days
 - For covered bonds with an extendable maturity, the extended maturity date may be used when calculating the net liquidity outflow.
- Independent inspector
 - Finansinspektionen will appoint an independent inspector for each issuing institution
 - The inspector is required to look after that the register is maintained in a correct manner and in accordance with the provisions of the Act

5. Macroeconomy

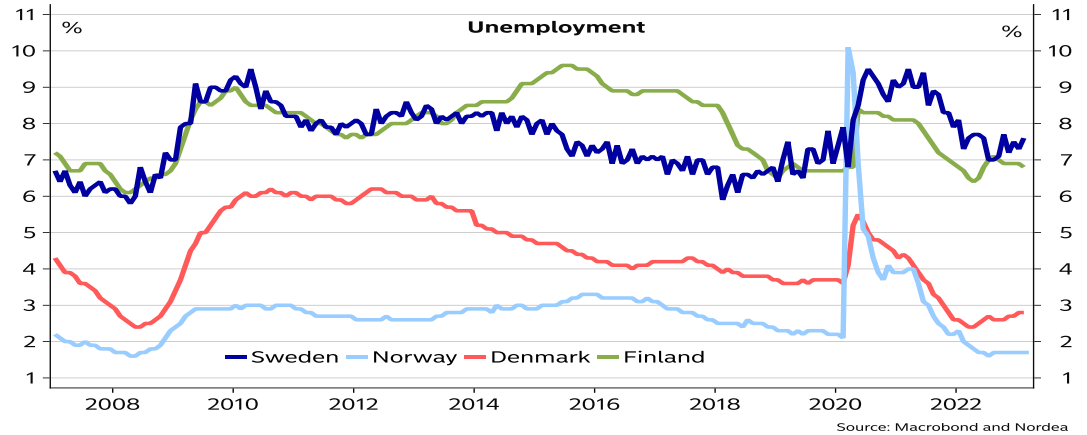
Nordic economic development

Strong economies are facing a recession

GDP development



Unemployment rate



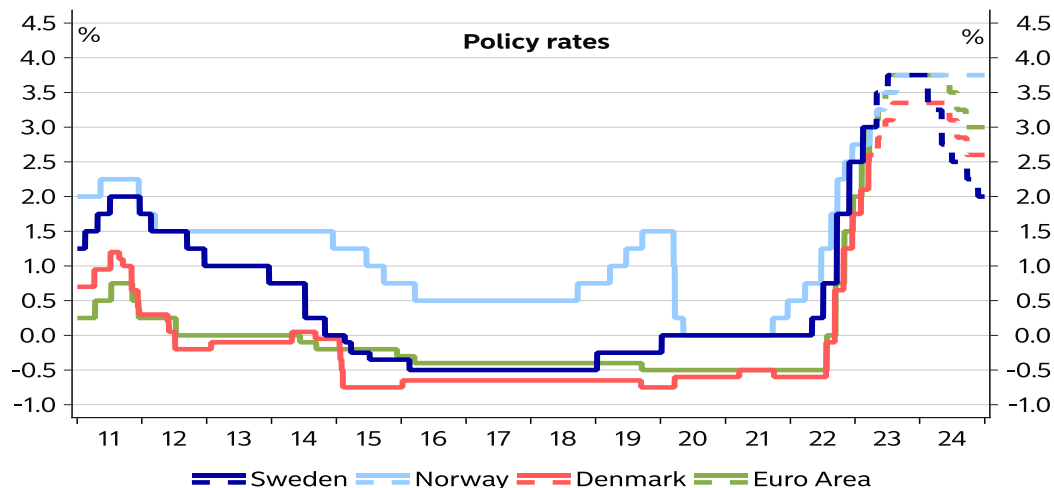
- The Nordic economies have been among the best performing economies globally during the pandemic
- However, on the back of surging inflation and interest rates, coupled with lower global growth, most of the Nordic countries are expected to enter a recession
- The resilient labour market is set to weaken as the economic activity slows down

GDP, % y/y, Economic Outlook January 2023

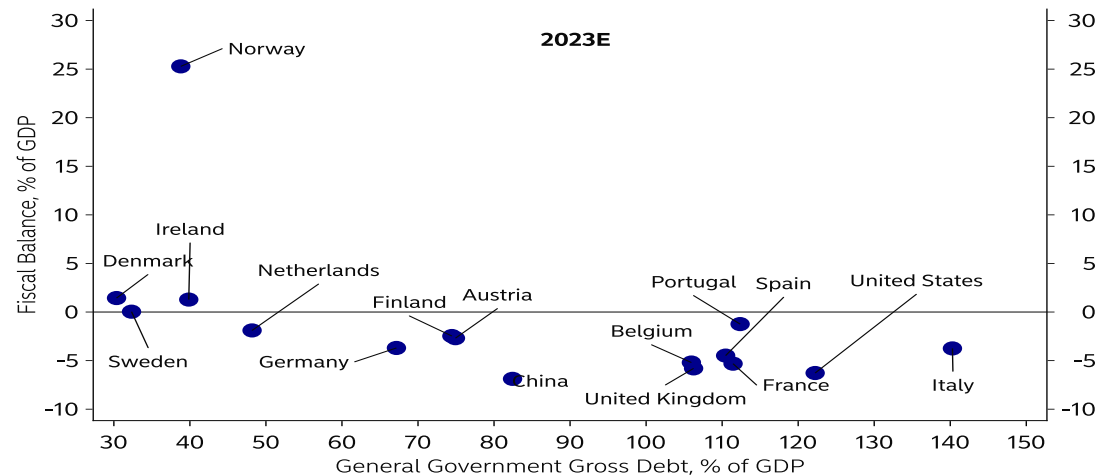
Country	2021	2022	2023E	2024E
Denmark	4.9	3.8	-0.5	1.0
Finland	3.0	2.1	0.0	1.0
Norway (mainland)	4.2	3.8	1.0	1.0
Sweden	5.2	2.7	-1.8	0.8

Interest rates set to peak in 2023

Policy rates



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



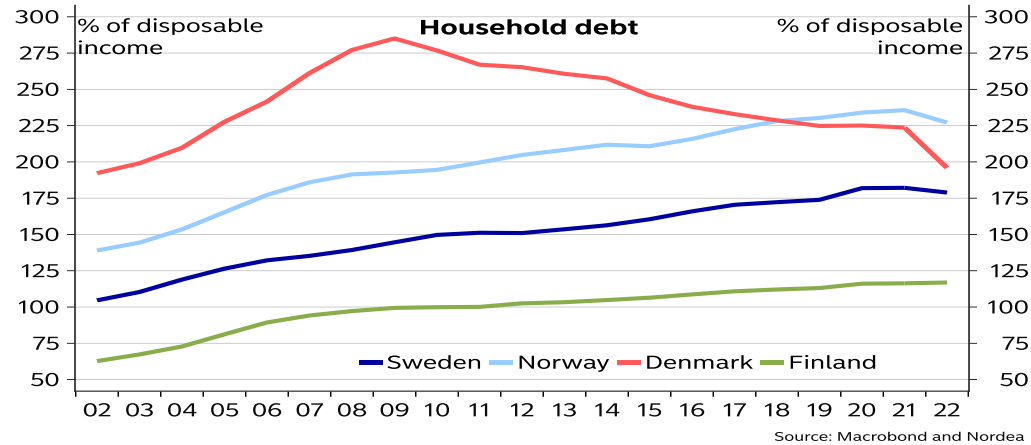
Source: IMF World Economic Outlook, Nordea and Macrobond.

- Central banks have rapidly hiked interest rates to combat the high inflation
- Norges Bank has hiked from 0 to 3.00% since September 2021, and are expected to continue until they reach 3.75% in August 2023
- The Swedish Riksbank raised the policy rate to 3.50% in April and are expected to hike until they reach 3.75% in June 2023
- The ECB delivered a 50bp hike in March. We predict that the policy rates will rise by a total of 4.25 percentage points in the Euro Area and 3.95 percentage points in Denmark
- The ECB and the Riksbank are reducing the size of their balance sheets
- Solid public finances will help the Nordic government handle the economic difficulties ahead

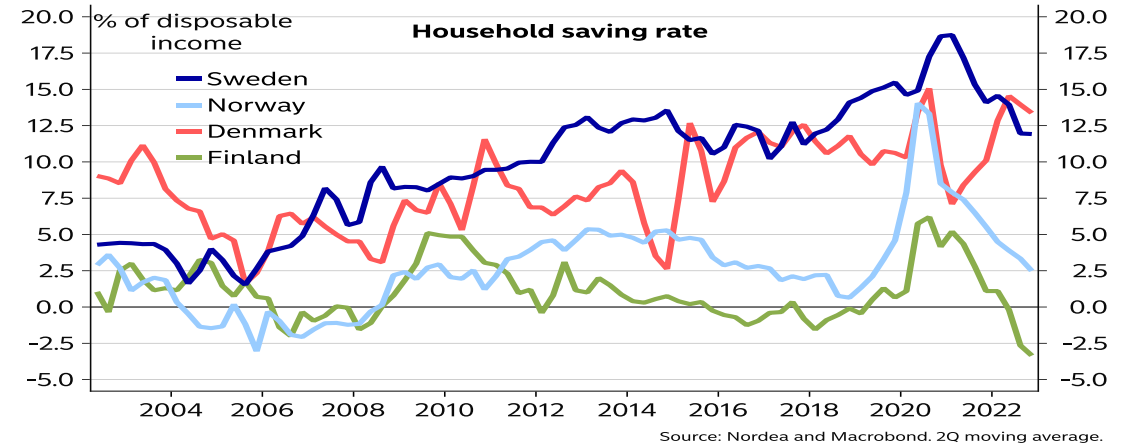
Households

Households squeezed by high interest rates and inflation

Household debt

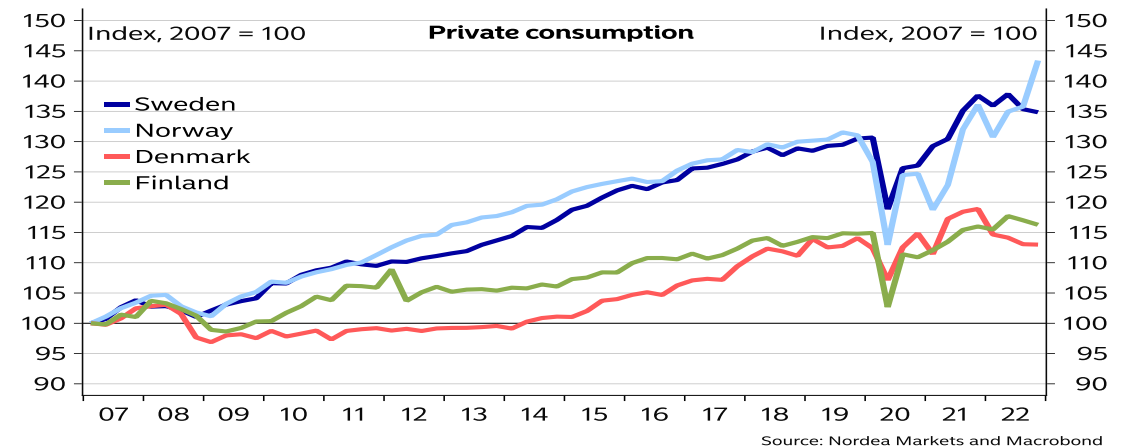


Household savings



- Household savings have fallen drastically as consumption have returned to well above pre-pandemic levels
- However, households are feeling the squeeze and purchasing power is continuing to rapidly decrease. The high and still rising interest rates as well as high inflation implies downside risks for private consumption moving forward

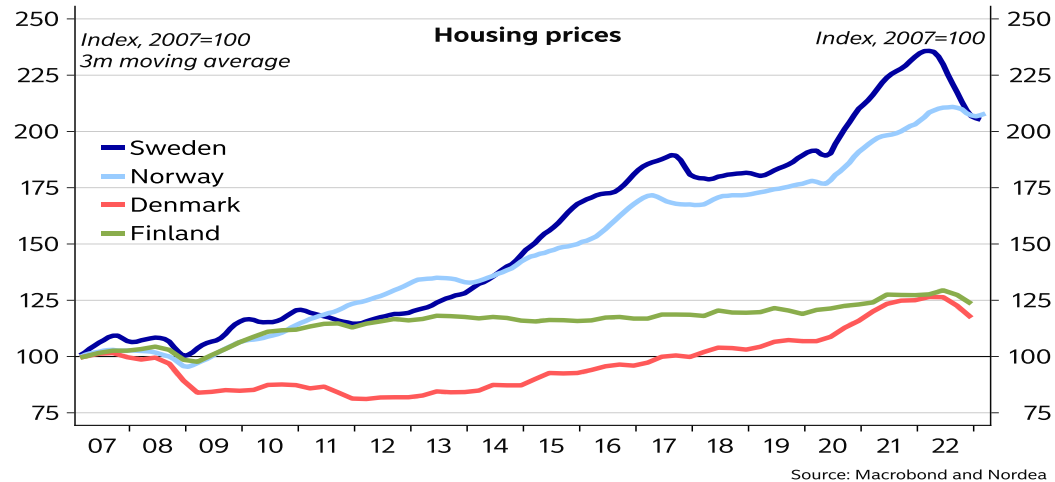
Private consumption



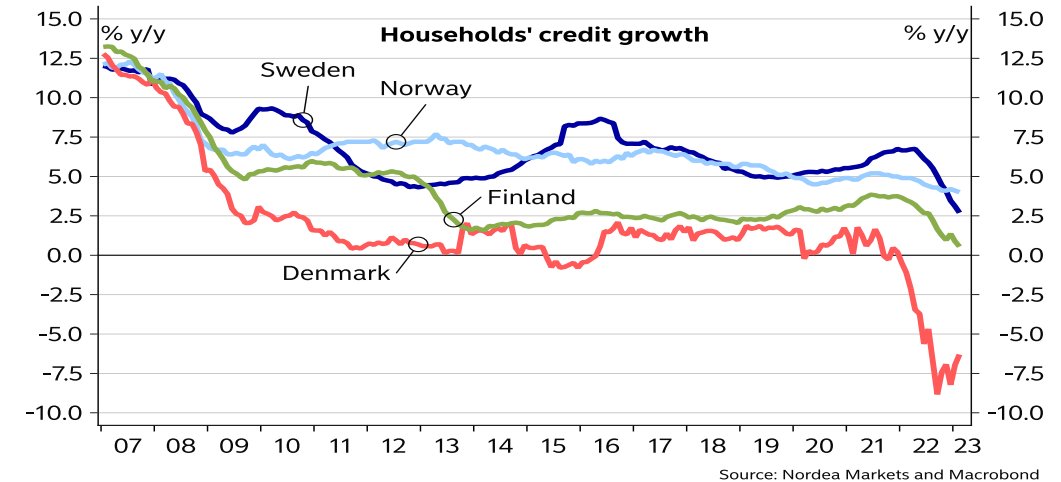
Housing markets

Higher interest rates continues to cool off Nordic housing markets

Housing prices



Households' credit growth



- Housing prices increased to record-high levels in all the Nordic countries in 2022
- However, with higher and increasing interest rates, risks are on the downside for housing prices
- These risks are most pronounced in Sweden and Denmark, with home prices down 13.2% respectively 7.5% since the peak
- Households' credit growth in the Nordic countries have since the start of 2022 been on a downward trend except for Denmark which has increased since September

6. Further information

Nordea Hypotek – outstanding benchmark covered bonds

Q1 2023

Breakdown by ISIN				
Serial no.	Currency	Amount (m)	Maturity	Coupon
5533	SEK	58 942	20/09/2023	1.25%
5534	SEK	79 200	18/09/2024	1%
5535	SEK	82 800	17/09/2025	1%
5536	SEK	56 300	16/09/2026	0.5%
5537	SEK	53 900	16/06/2027	1%
5731	SEK	6 000*	25/11/2027	3.375%
5538	SEK	11 400	20/09/2028	3.5%
-	EUR	3 000**	19/03/2024	FRN

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

Cecilia Tannerfeldt

Senior Treasury Manager
Tel: +46 8 407 91 05
Mobile: +46 733 21 44 33
cecilia.tannerfeldt@nordea.com

Morten Keil

Head of Covered Bonds
Tel: +45 3333 1875
Mobile: +45 6177 3100
morten.keil@nordea.com