

Nordea

Q1 2022 Debt investor presentation

Nordea Hypotek Bank Covered Bonds



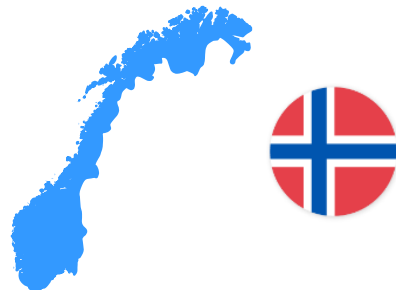
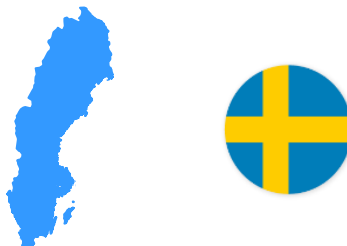

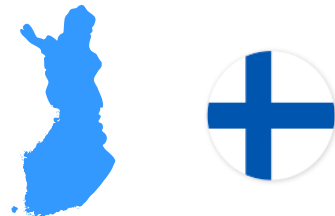
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1. In brief

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



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

Q1 2022

- 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

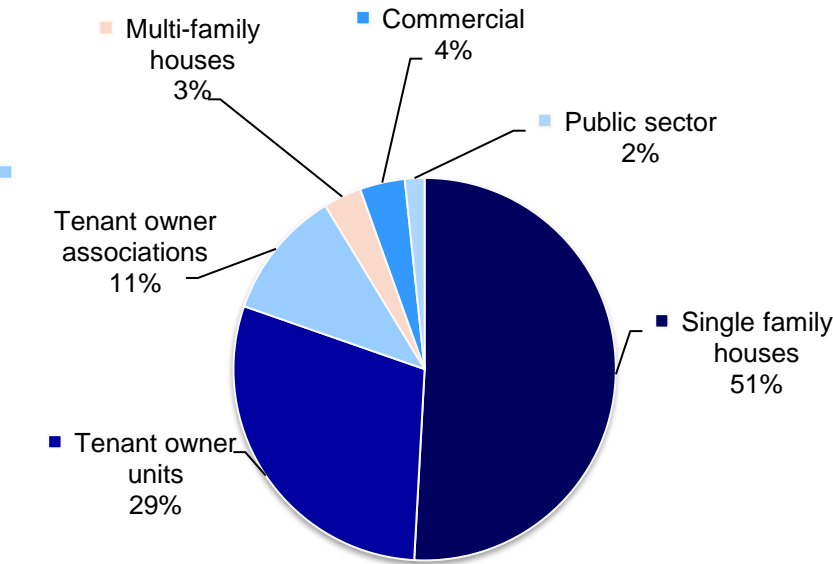
Q1 2022

Cover pool summary	
Loans in cover pool	SEK 650.9bn
Outstanding covered bonds	SEK 353.7bn
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	94.5% residential, 3.8% commercial, 1.7% public sector
Weighted average LTV*	48.6% (indexed)
Average loans size*	SEK 726.5k
Over collateralization, OC	84.0%
Rate type**	Floating 45.1%, Fixed 54.9%
Amortization**	Bullet/ interest only 17.0%, Amortizing 83.0%
Pool type	Dynamic
Loans originated by	Nordea Hypotek

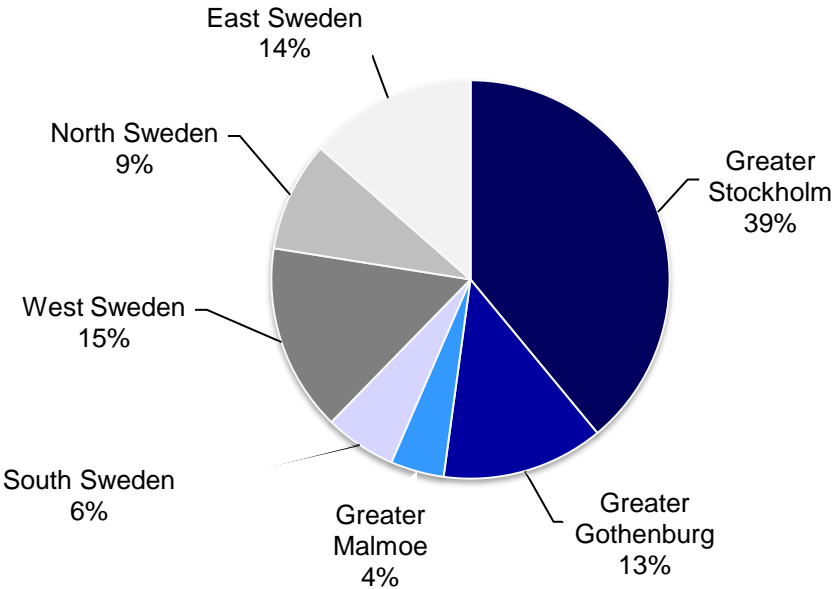
Cover pool key characteristics (2)

Q1 2022

Cover pool balance by loan category



Cover pool balance by region*



3. Asset quality

Loan To Value (LTV)*

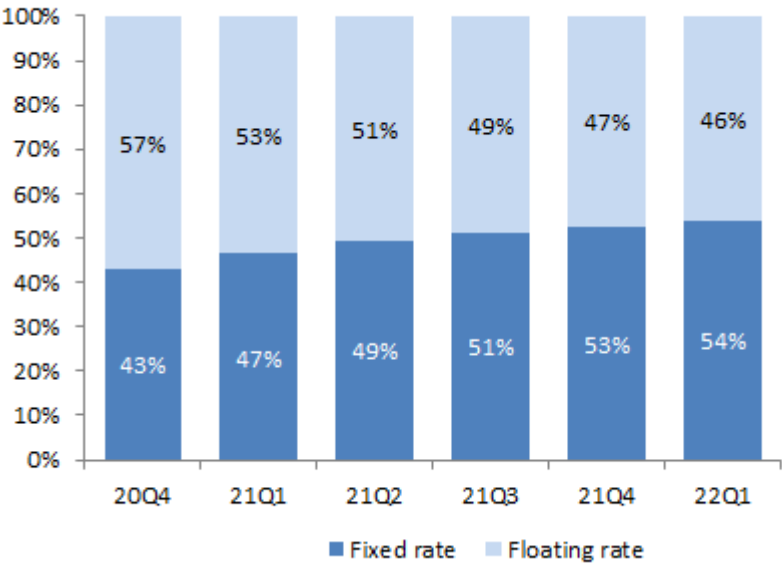
Q1 2022

Weighted Average LTV – Unindexed		56.4%	
LTV buckets	Nominal (SEKbn)	% Residential Loans	
>0 - <=40 %	441.1	72%	
>40 - <=50 %	71.4	12%	
>50 - <=60 %	53.6	9%	
>60 - <=70 %	37.6	6%	
>70 - <=80 %	11.6	2%	
Total	615.3	100%	
Weighted Average LTV - Indexed		48.6%	
LTV buckets	Nominal (SEKbn)	% Residential Loans	
>0 - <=40 %	490.0	80%	
>40 - <=50 %	60.3	10%	
>50 - <=60 %	38.8	6%	
>60 - <=70 %	21.2	3%	
>70 - <=80 %	5.2	1%	
Total	615.3	100%	

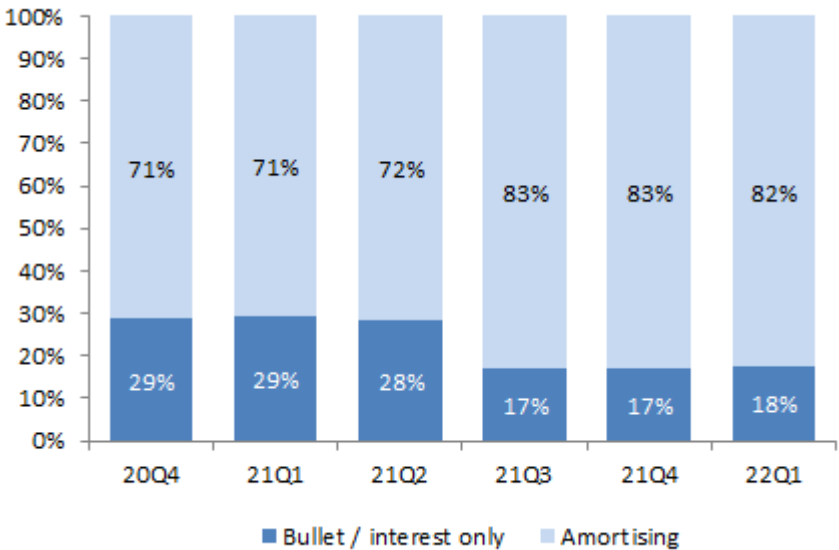
Loan structure

Q1 2022

Rate type



Repayment



Underwriting criteria

Q1 2022

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

Q1 2022

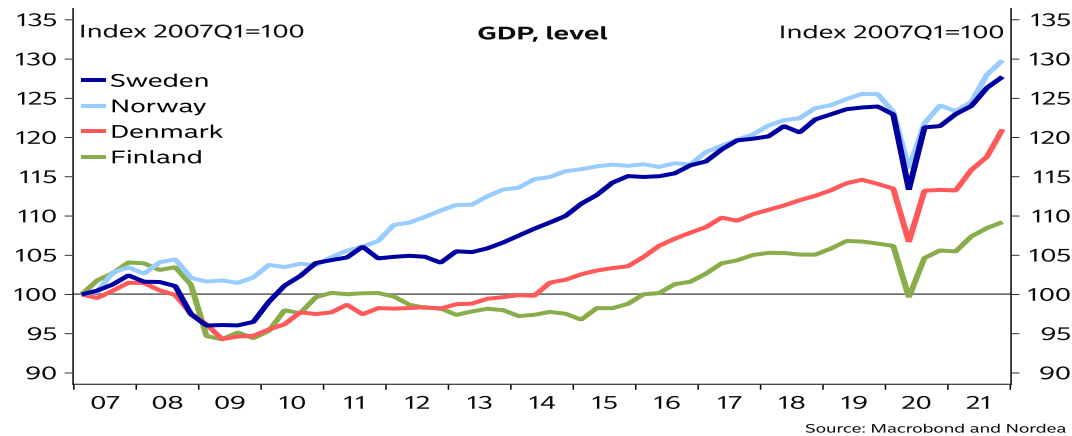
- Legal framework
 - Swedish Covered Issuance Act (SFS 2003:1223), came into force 1 July 2004
 - A domestic legal proposal regarding the new EU covered bond directive was presented in November 2020 (SOU 2020:61). In October 2021, the Law Council referral was published (significantly delayed). Domestic legal changes will enter into force on July 8th, 2022
- 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
 - 75% 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 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
- 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

Resilient economies facing global uncertainty

GDP development



- The Nordic economies recovered quickly from the pandemic and even showed signs of overheating
- Now, the war in Ukraine and higher interest rates are slowing down the global economy, including the Nordics
- The main effects of the war on the Nordic economies are higher prices due to supply disruptions

Trade with Russia

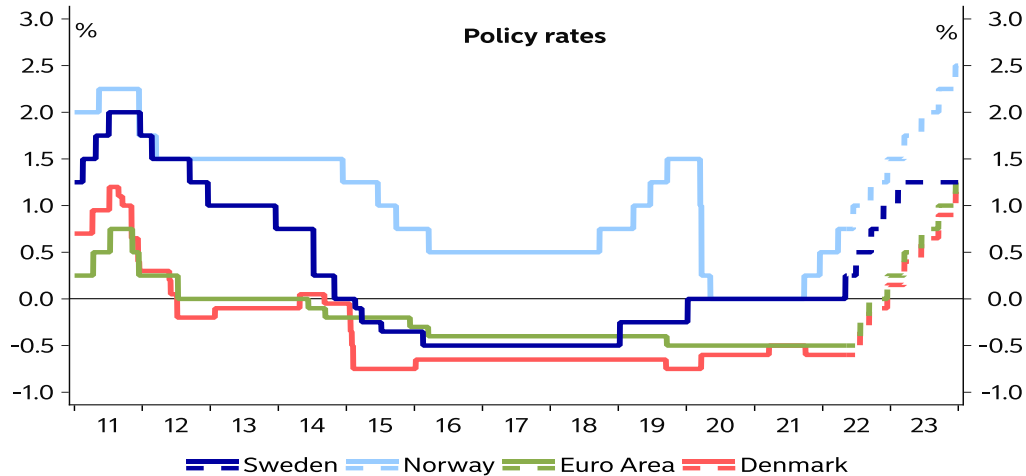


GDP, forecasts from Economic Outlook May 2022

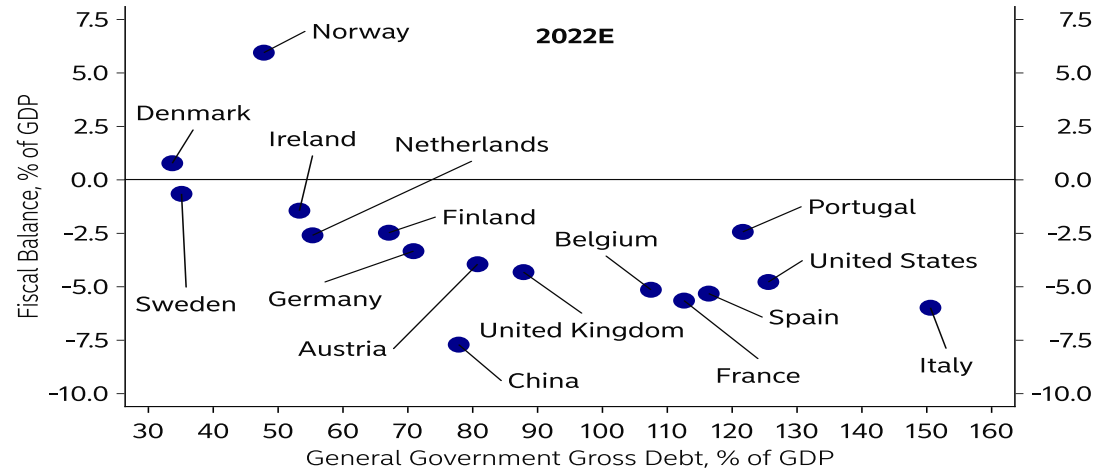
Country	2021	2022E	2023E
Denmark	4.7	3.5	1.0
Finland	3.5	2.0	1.5
Norway	4.2	3.5	2.0
Sweden	4.7	3.0	1.0

Interest rates to rise throughout the Nordics

Policy rates



Public balance/debt, % of GDP, 2022E (IMF)



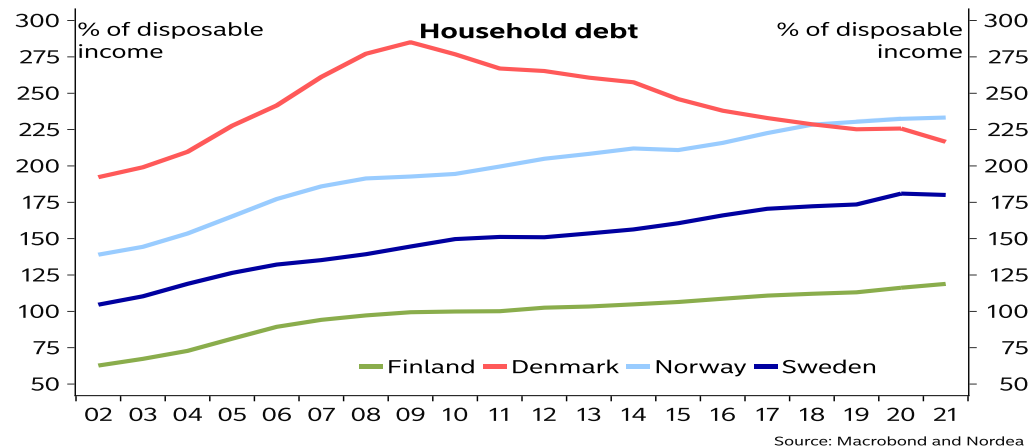
Source: IMF World Economic Outlook, Nordea and Macrobond.

- Central banks are rapidly hiking interest rates to combat the high inflation
- Norges Bank has hiked from 0 to 0.75% since last fall, and are expected to continue until they reach 2.50% at the end of 2023
- The Swedish Riksbank raised their policy rate to 0.25% in April, and is expected to hike rates four more times, reaching 1.25% in February 2023
- We predict three rate hikes in 2022 and four more in 2023 in the Euro Area and Denmark
- 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 helped Nordic governments during the pandemic, and will help them handle the economic difficulties ahead

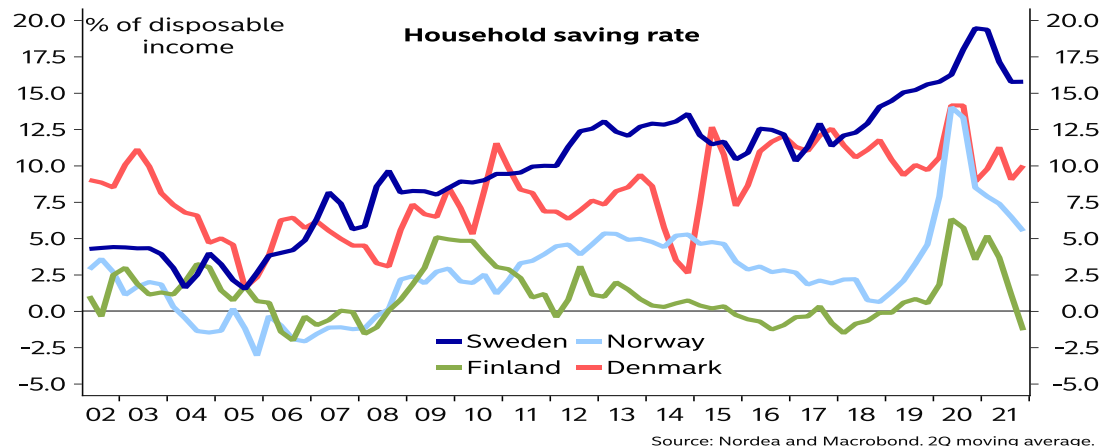
Households

Households facing high inflation and rising interest rates

Household debt

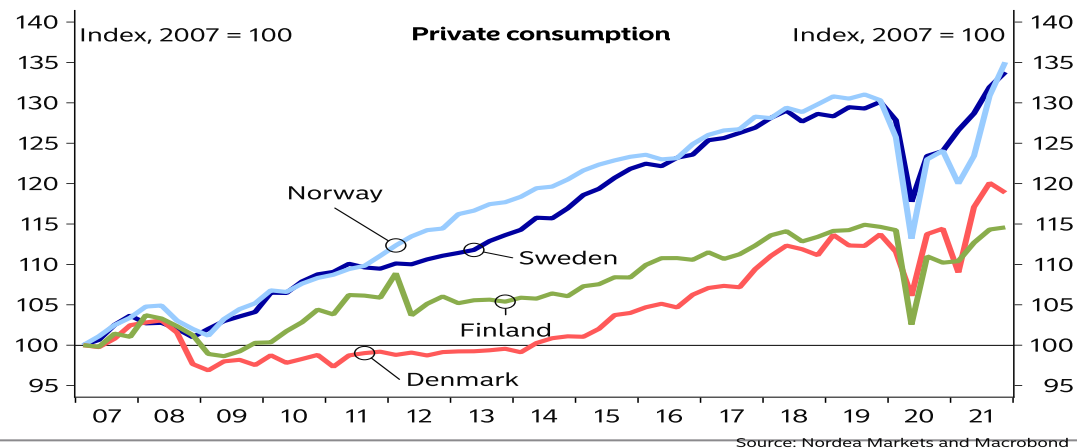


Household savings



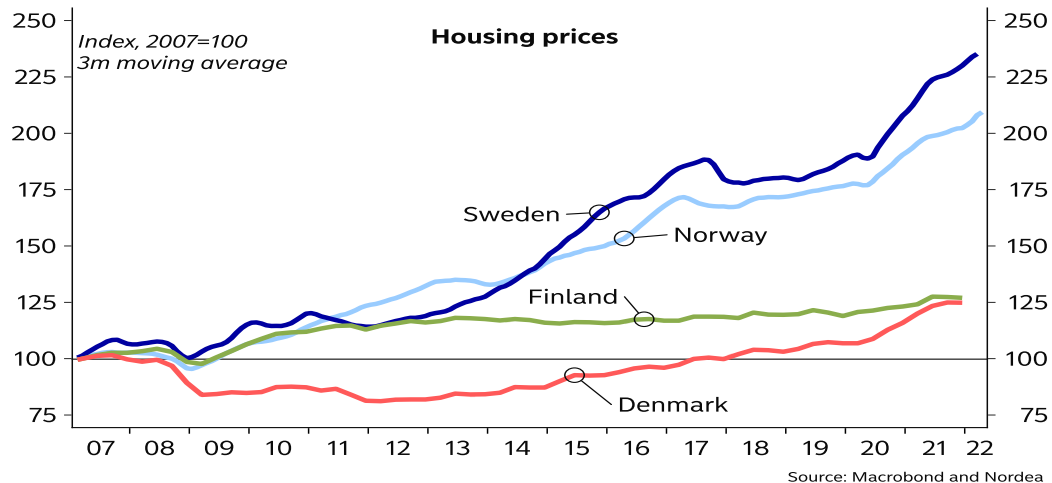
- Household savings increased dramatically during the pandemic, but have since returned to more normal levels as consumption has increased
- However, rising interest rates, as well as high inflation which decreases purchasing power, imply downside risks for private consumption

Private consumption

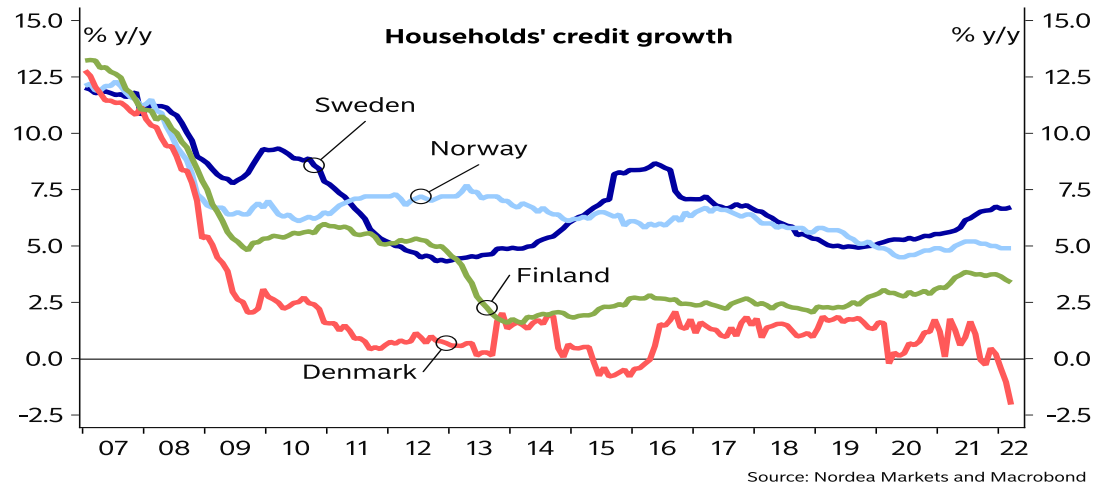


Rising interest rates might cool off hot Nordic housing markets

Housing prices



Households' credit growth



- Housing prices increased to record-high levels in all the Nordic countries during the pandemic
- 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
- However, with interest rates on the rise, there are now more downside risks to housing prices

6. Further information

Nordea Hypotek – outstanding benchmark covered bonds

Q1 2022

Breakdown by ISIN				
Serial no.	Currency	Amount (m)	Maturity	Coupon
5533	SEK	64 400	20/09/2023	1.25%
5534	SEK	79 200	18/09/2024	1%
5535	SEK	70 800	17/09/2025	1%
5536	SEK	26 550	16/09/2026	0.5%
5537	SEK	17 150	16/06/2027	1%
-	EUR	3 000*	19/03/2024	FRN

* Retained bond issue

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