

Nordea

Q2 2023 Debt investor presentation

# Nordea Hypotek Bank Covered Bonds



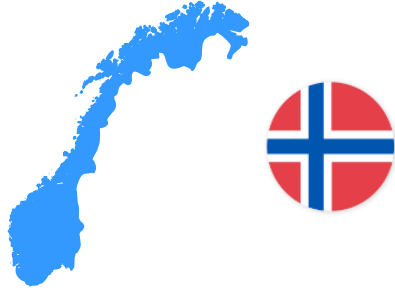
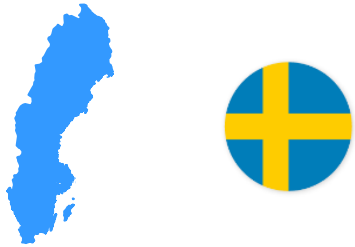

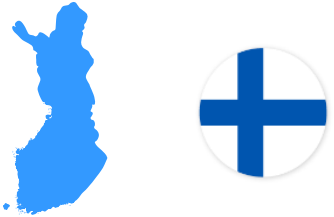
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# 1. In brief

# Nordea covered bond operations

Q2 2023

	Nordea Eiendomsrett	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank
<b>Four aligned covered bond issuers with complementary roles</b>				
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 22.2bn (eq.)	EUR 59.2bn (eq.)	Balance principle	Pool 1: EUR 21.6bn/ Pool 2: EUR 4.6bn
Covered bonds outstanding	EUR 14.9bn (eq.)	EUR 34.2bn (eq.)	EUR 60.6bn (eq.)*	Pool 1: EUR 18.1bn/ Pool 2: EUR 3bn
OC	49%	73%	7%*	Pool 1: 20% / Pool 2: 54%
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](#)



<sup>4</sup> \* The figures in Nordea Kredit only include capitalcentre 2 (SDRO). Nordea Kredit no longer reports for CC1 (RO), as this capitalcentre 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

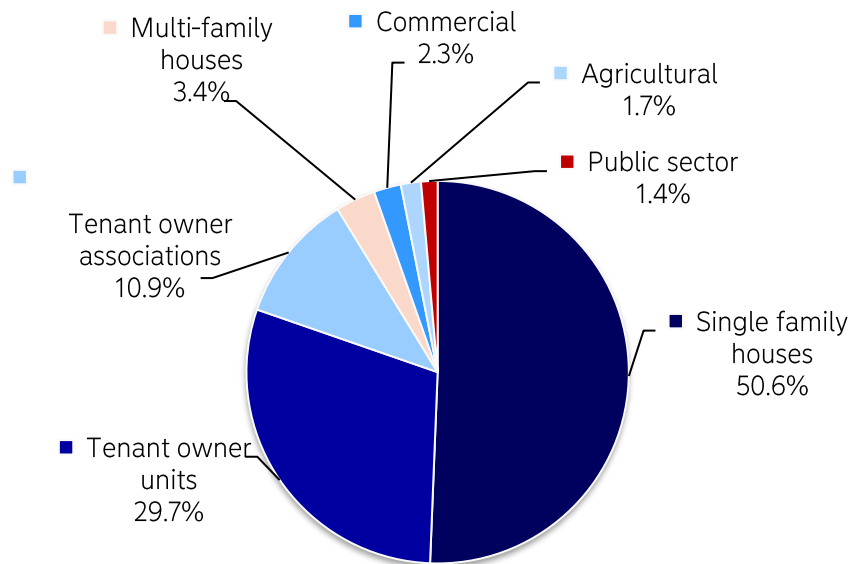
Q2 2023

Cover pool summary	
Loans in cover pool	SEK 684.2bn
Outstanding covered bonds	SEK 395.4bn
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, 2.3% commercial, 1.7% agricultural, 1.4% public sector
Weighted average LTV*	52.5% (indexed)
Average loans size*	SEK 768.8k
Over collateralization, OC	73%
Rate type**	Floating 44.9%, Fixed 55.1%
Amortization**	Bullet/ interest only 35.9%, Amortizing 64.1%
Pool type	Dynamic
Loans originated by	Nordea Hypotek

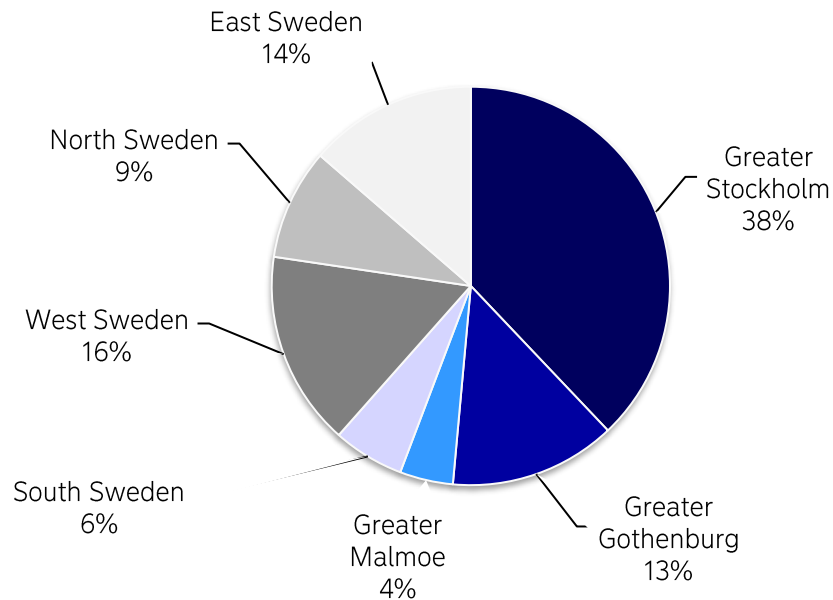
# Cover pool key characteristics (2)

Q2 2023

### Cover pool balance by loan category



### Cover pool balance by region\*





## 3. Asset quality

# Loan To Value (LTV)\*

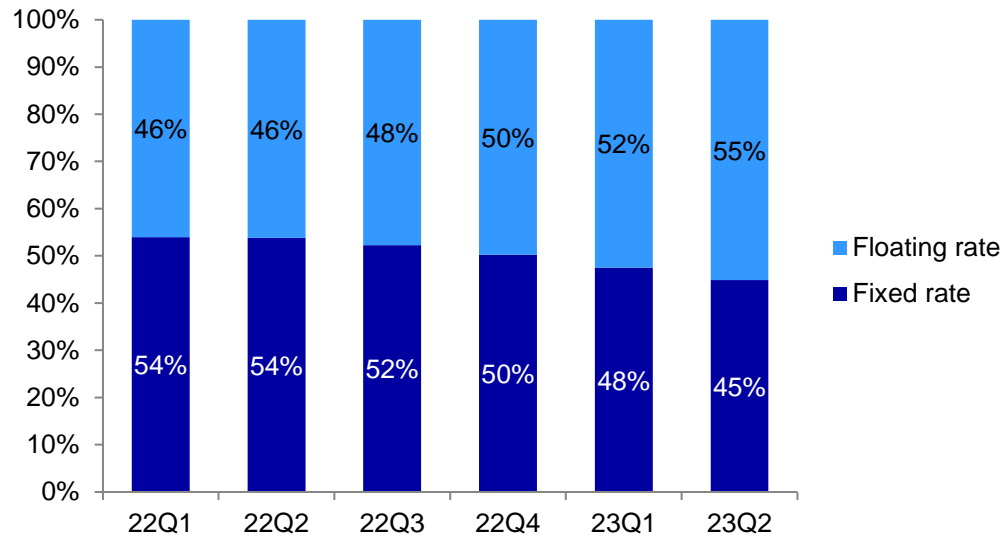
Q2 2023

<b>Weighted Average LTV - Unindexed</b>		<b>56.7%</b>
<b>LTV buckets</b>	<b>Nominal (SEKbn)</b>	<b>% Residential Loans</b>
>0 - <=40 %	460.0	72%
>40 - <=50 %	73.5	11%
>50 - <=60 %	54.1	8%
>60 - <=70 %	37.1	6%
>70 - <=80 %	18.5	3%
Total	647.4	100%
<b>Weighted Average LTV - Indexed</b>		<b>52.5%</b>
<b>LTV buckets</b>	<b>Nominal (SEKbn)</b>	<b>% Residential Loans</b>
>0 - <=40 %	490.5	76%
>40 - <=50 %	65.9	10%
>50 - <=60 %	45.8	7%
>60 - <=70 %	29.5	5%
>70 - <=80 %	15.7	2%
Total	647.4	100%

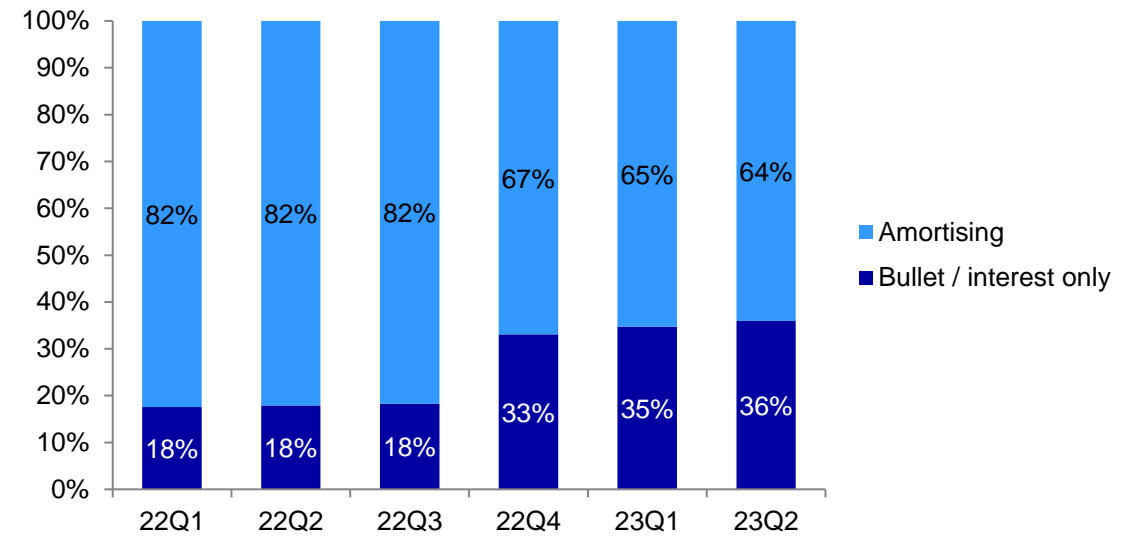
# Loan structure

Q2 2023

## Rate type



## Repayment



# Underwriting criteria

## Private households

- Track record and income checked via UC and Tink
- 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

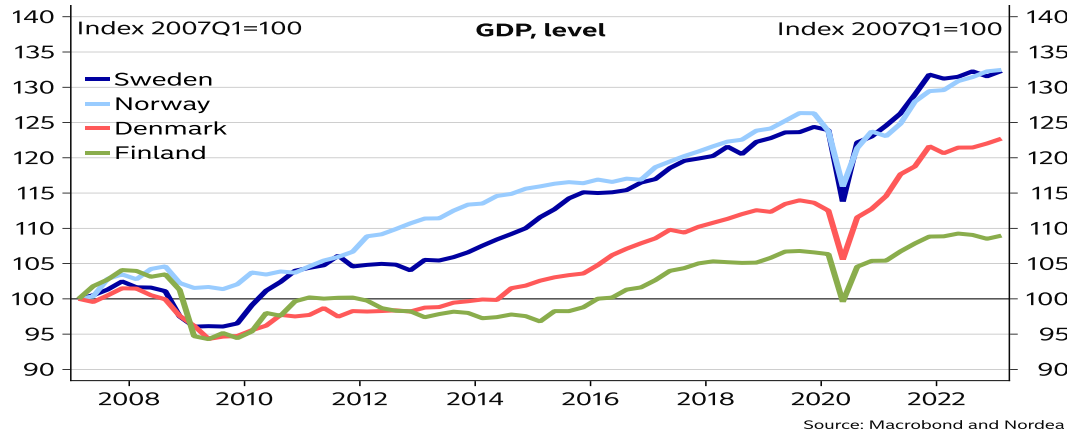
- Legal framework
  - Swedish Covered Issuance Act (SFS 2003:1223), came into force 1 July 2004 and amended on 8 July 2022 in order to implement the European covered bond directive.
- Registration
  - An issuing institution is required to maintain a register on covered bonds, the cover pool and, if applicable, derivative agreements
- Limit on LTV ratio – based on the current value
  - 80% for housing loans (residential property)
  - General limit of 60% for commercial loans (commercial property), and 70% if conditions of CRR Article 129 are met. Nordea Hypotek qualifies for and use the 70% limit
- 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

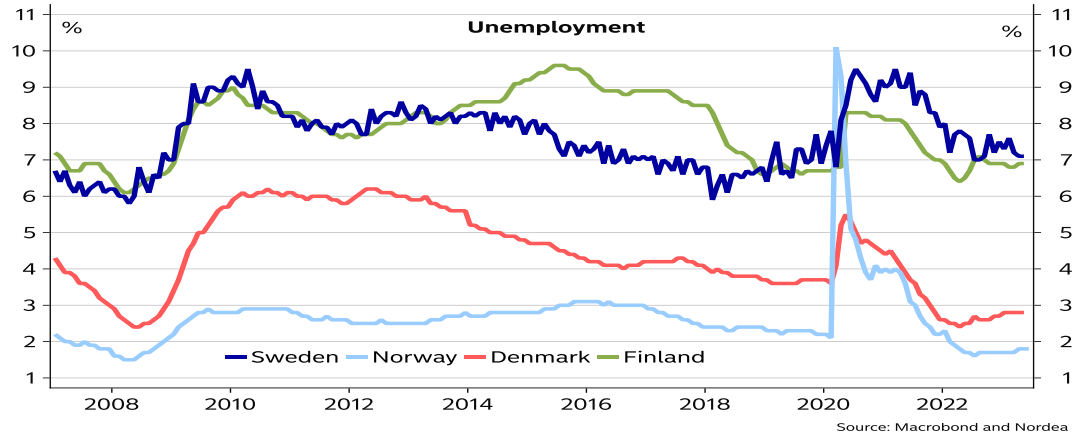
## Nordic economic development

# Resilient economies are facing headwinds

### GDP development



### Unemployment rate



- The Nordic economies have been among the best performing economies globally since the pandemic.
- However, on the back of surging inflation and interest rates, coupled with weaker global growth, the resilient Nordic economies are facing headwinds.
- The stronger than anticipated labour market is set to weaken as economic growth dampens.

### GDP, % y/y, Economic Outlook May 2023

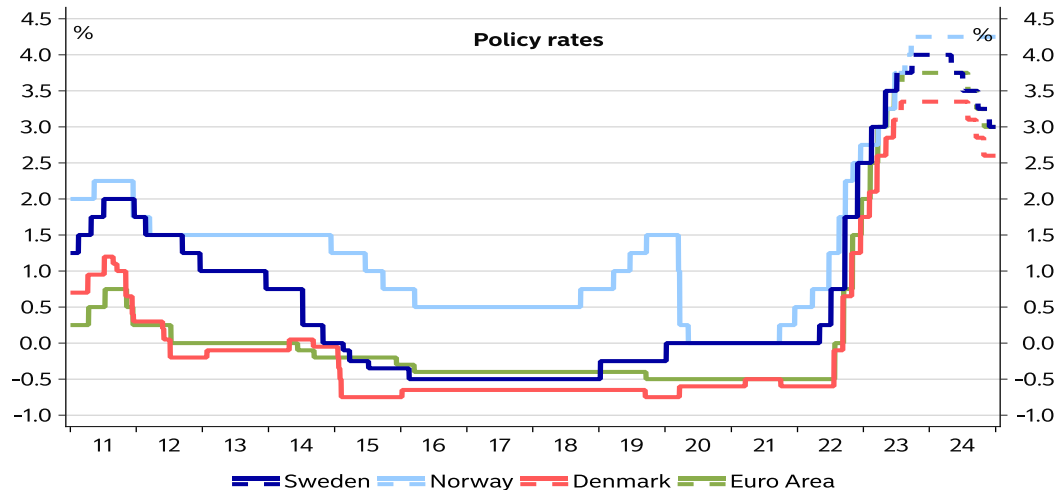
Country	2021	2022	2023E	2024E
Denmark	6.8	2.7	0.5	1.5
Finland	3.2	1.6	0.0	1.0
Norway (mainland)	4.2	3.8	0.5	0.5
Sweden	6.0	2.8	-1.2	0.4



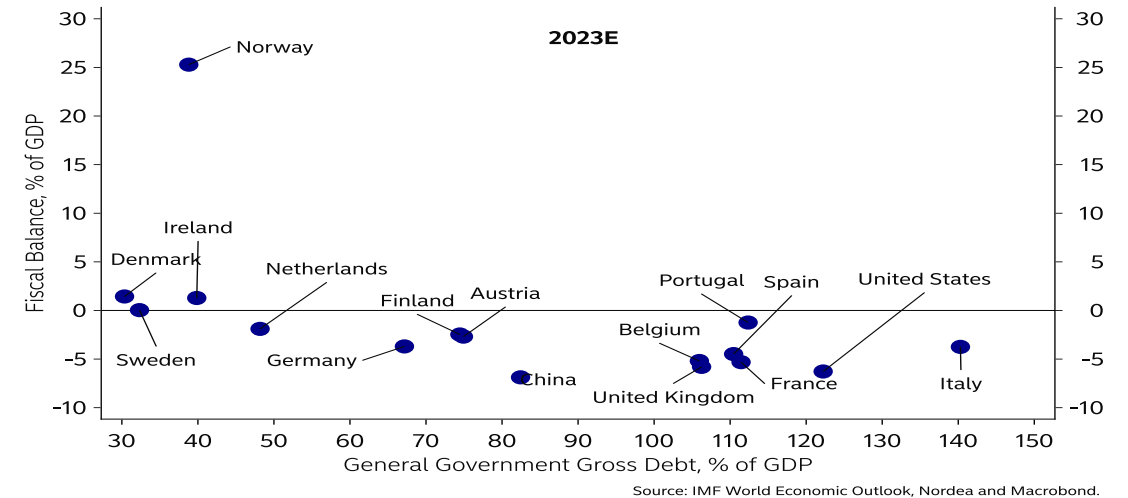
## Nordic economies

# Higher for longer interest rates

### Policy rates



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

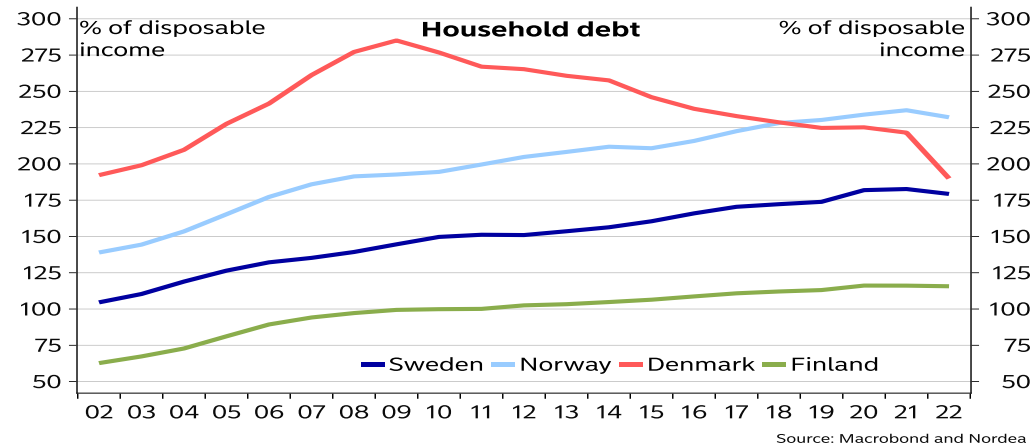


- Central banks are continuing to hike interest rates to combat the high inflation.
- Norges Bank has hiked from 0 to 3.75% since autumn 2021 and are expected to continue until they reach 4.25% in September 2023.
- The Swedish Riksbank raised the policy rate to 3.75% in June and are expected to hike one more time to 4.00% in September 2023.
- The ECB delivered a 25bp hike in June to 3.50%. We predict that the policy rate in the Euro Area and Denmark will peak in July at 3.75% and 3.35% respectively.
- The ECB and the Riksbank are reducing the size of their balance sheets.
- Solid public finances will help Nordic governments to handle the economic slowdown ahead.

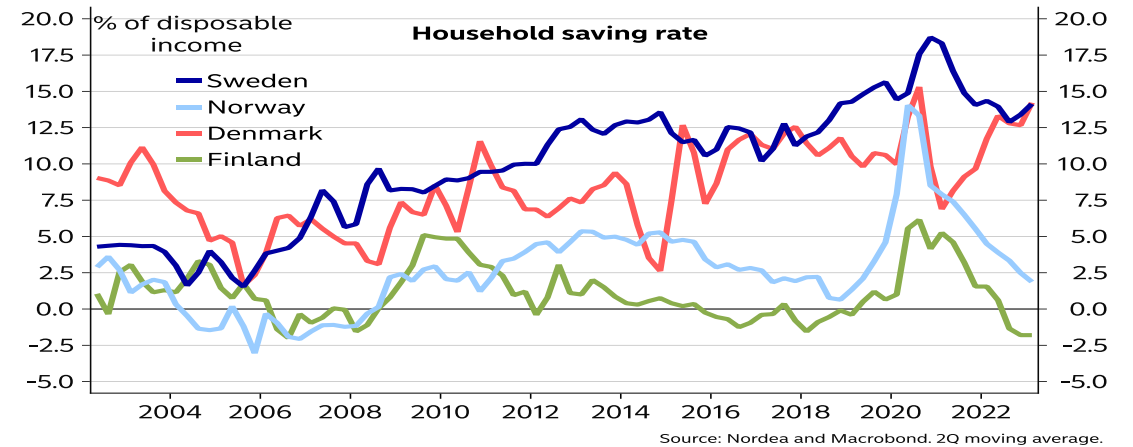
## Households

# Feeling the squeeze

### Household debt

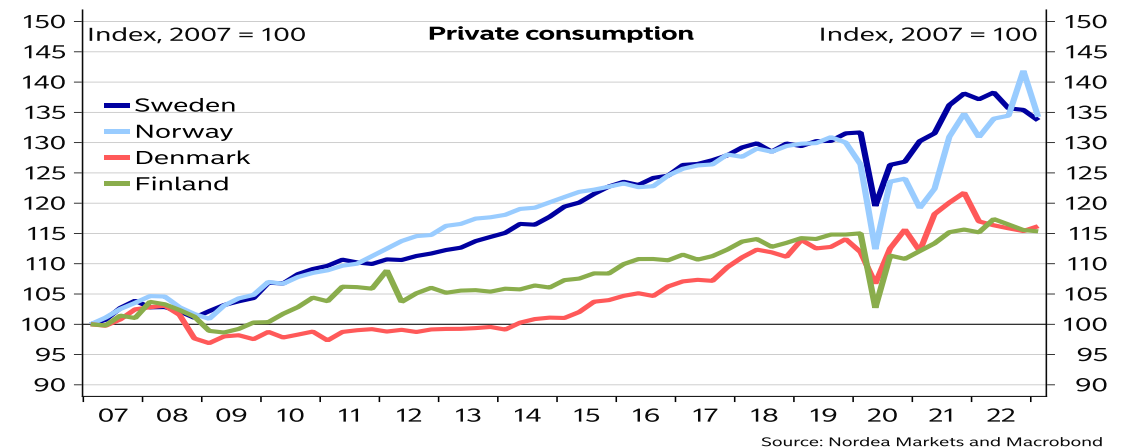


### Household savings



- High and broad-based inflation and still rising interest rates continues to pressure households' purchasing power. Households are feeling the squeeze and consumption is set to decline this year in all the Nordic countries.
- Household debt is beginning to decrease as interest rates continues to rise.

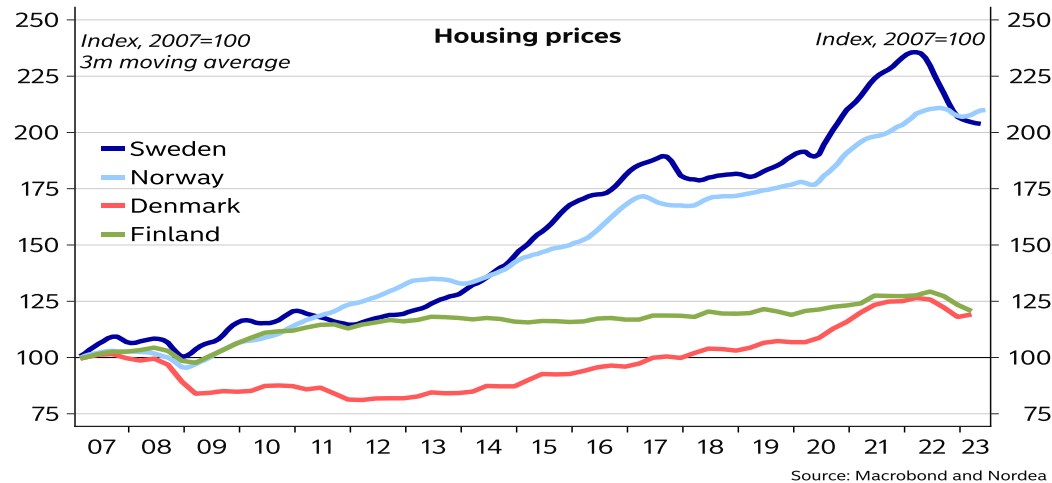
### Private consumption



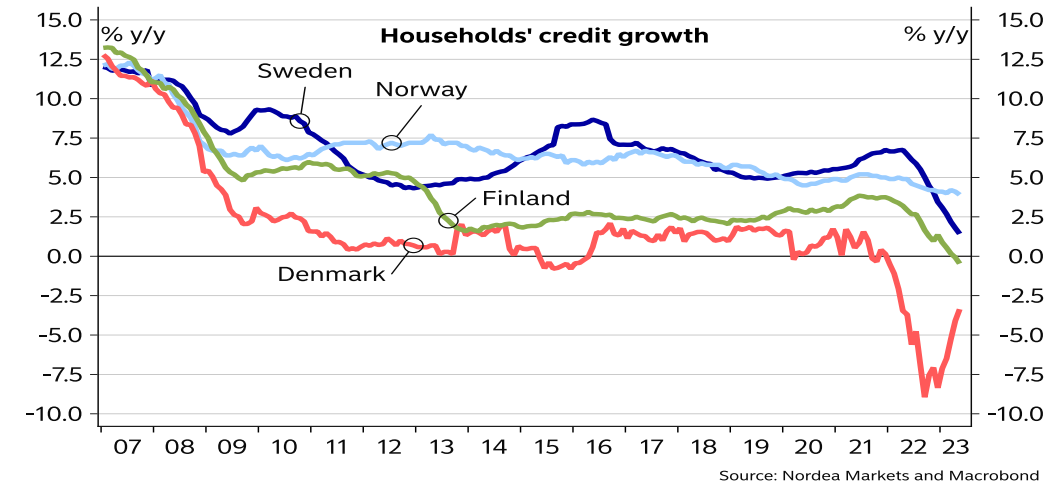
## Housing markets

# Higher interest rates imply downside risks on the housing market

### Housing prices



### Households' credit growth



- Housing prices rose to record-high levels in all the Nordic countries in 2022.
- Housing prices have fallen in all Nordic countries on the back of surging borrowing costs. However, prices have recently started to stabilize.
- The risks are still on the downside for housing prices going forward, accounting for the higher interest rates.
- Households' credit growth in the Nordic countries, except for Denmark, have been on a downward trend the past couple of quarters. In May 2023, both Finland and Denmark had negative credit growth.

## 6. Further information

# Nordea Hypotek – outstanding benchmark covered bonds

Q2 2023

## Breakdown by ISIN

Serial no.	Currency	Amount (m)	Maturity	Coupon
5533	SEK	50 407	20/09/2023	1.25%
5534	SEK	79 200	18/09/2024	1%
5535	SEK	83 272	17/09/2025	1%
5536	SEK	66 200	16/09/2026	0.5%
5537	SEK	56 600	16/06/2027	1%
5731	SEK	6 000*	25/11/2027	3.375%
5538	SEK	18 050	20/09/2028	3.5%
-	EUR	1 750**	19/03/2024	FRN

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