

Nordea

Q3 2023 Debt investor presentation

Nordea Hypotek Covered Bonds



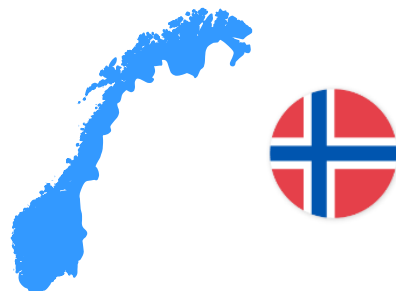
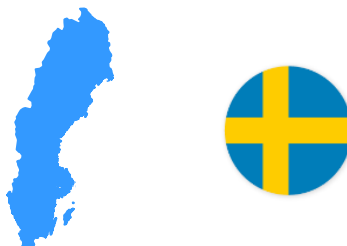

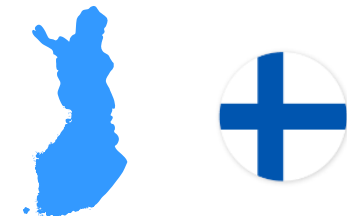
Table of contents

1. In brief	3
2. Cover pool key characteristics	6
3. Asset quality	9
4. Covered bond framework	13
5. Macroeconomy	16
6. Further information	20

1. In brief

Nordea covered bond operations

Q3 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 21.3bn (eq.)	EUR 57.8bn (eq.)	Balance principle	Pool 1: EUR 19.7bn/ Pool 2: EUR 5.6bn
	Covered bonds outstanding	EUR 15.1bn (eq.)	EUR 31.5bn (eq.)	EUR 60.0bn (eq.)*	Pool 1: EUR 15.6bn/ Pool 2: EUR 4bn
	OC	41%	83%	7%*	Pool 1: 27% / Pool 2: 44%
	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

Q3 2023



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



Licensed by the Swedish Financial Supervisory Authority to issue covered bonds (Säkerställda Obligationer) according to the Swedish Covered Bond Act



Cost-effective loan origination and service through Nordea Bank's nationwide Swedish branch network and internet

MOODY'S

Covered bonds rated Aaa by Moody's

2. Cover pool characteristics

Cover pool key characteristics

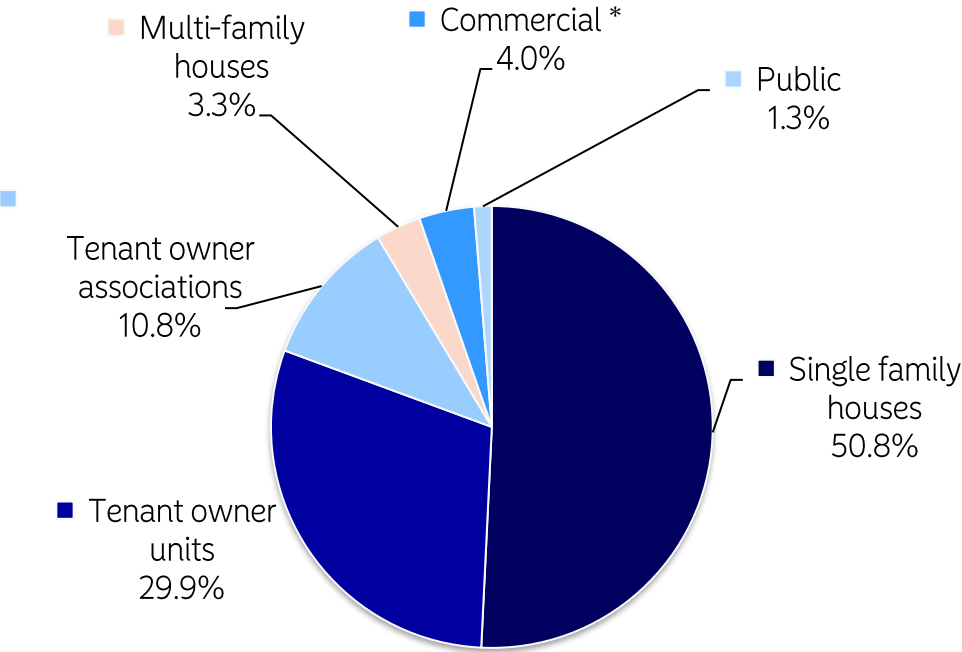
Q3 2023

Cover pool summary	
Loans in cover pool	SEK 684.6bn
Outstanding covered bonds	SEK 373.3bn
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	94.7% residential, 2.3% commercial, 1.7% agricultural, 1.3% public sector
Weighted average LTV*	53.2% (indexed)
Average loans size*	SEK 771.0k
Over collateralization, OC	83%
Rate type**	Floating 42.8%, Fixed 57.2%
Amortization**	Bullet/ interest only 36.6%, Amortizing 63.4%
Pool type	Dynamic
Loans originated by	Nordea Hypotek

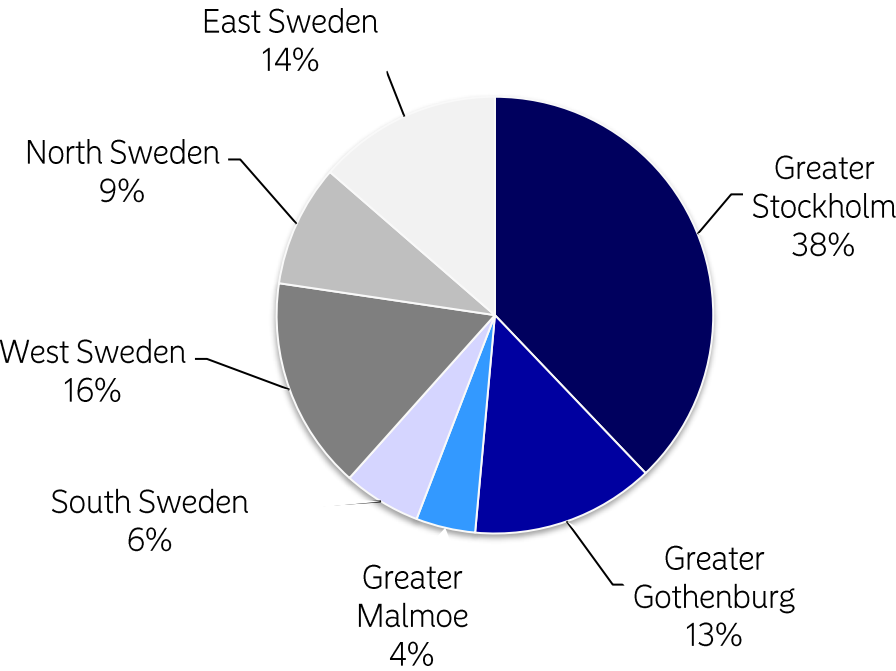
Cover pool key characteristics (2)

Q3 2023

Cover pool balance by loan category*



Cover pool balance by region**



* of which 1.7% agricultural

** excluding Public sector

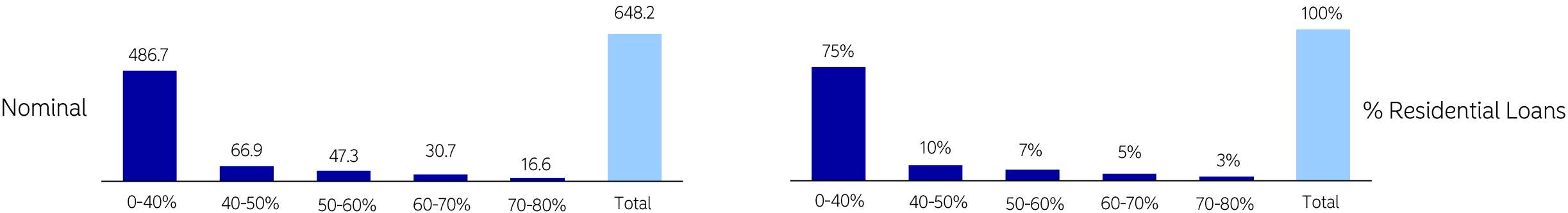
3. Asset quality

Loan To Value (LTV)*

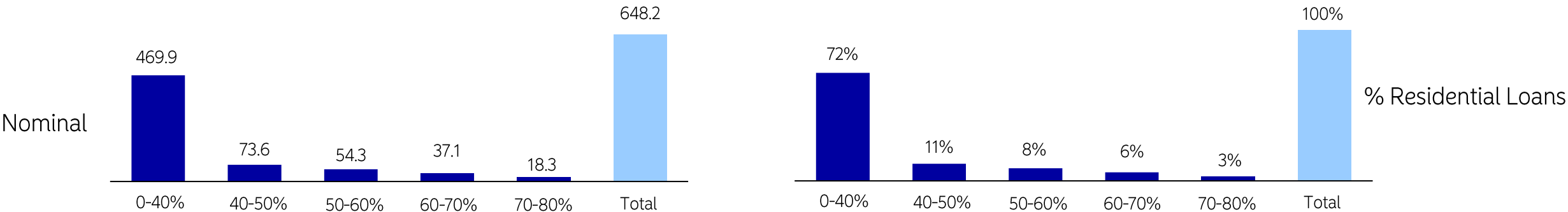
Continuous distribution where each loan can exist in multiple buckets

Q3 2023

Weighted Average LTV – Indexed – 53.2%



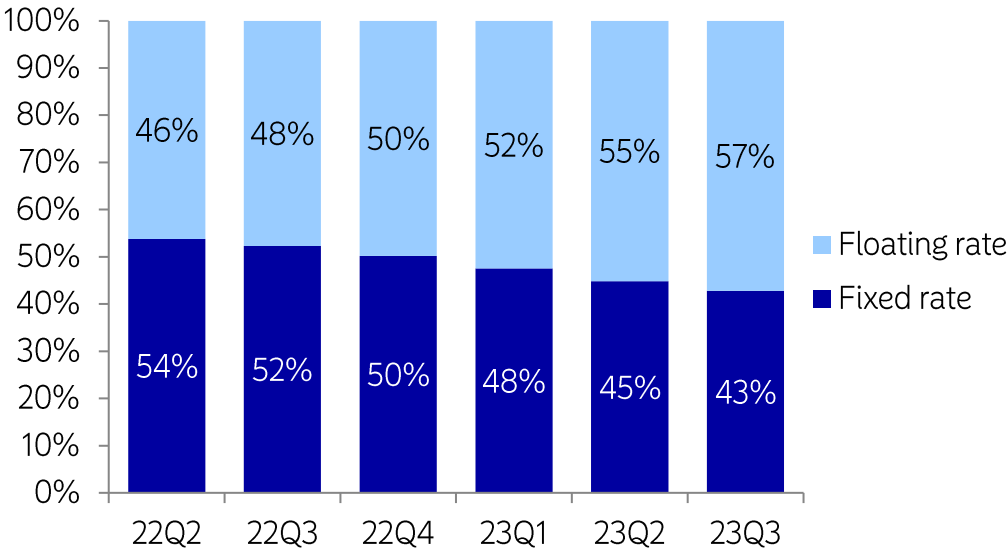
Weighted Average LTV – Unindexed – 56.7%



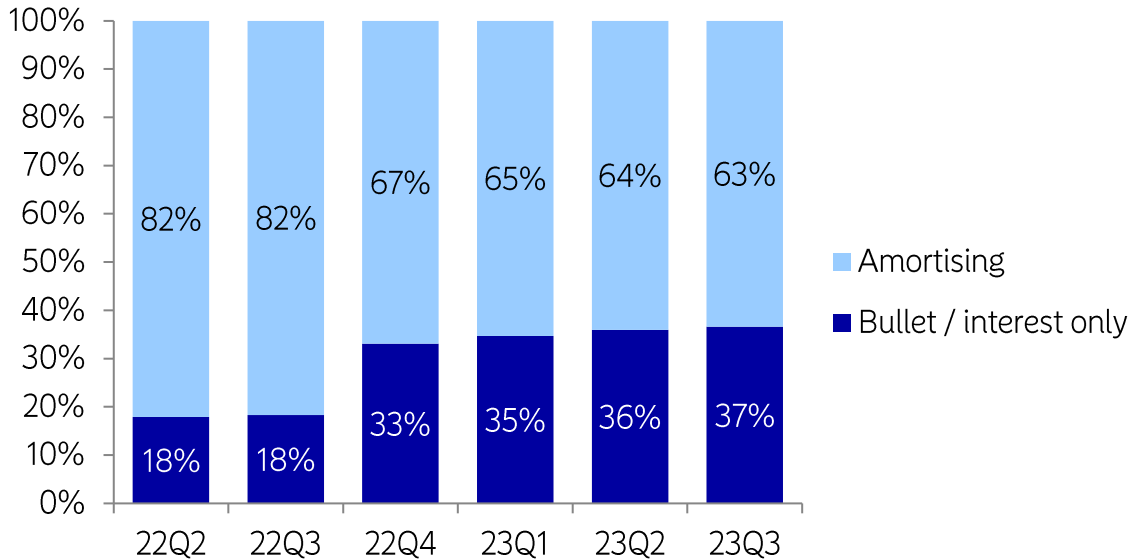
Loan structure

Q3 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 and net present value of the cover pool must at all times exceed the aggregate nominal value and the net present 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 requirements

- 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

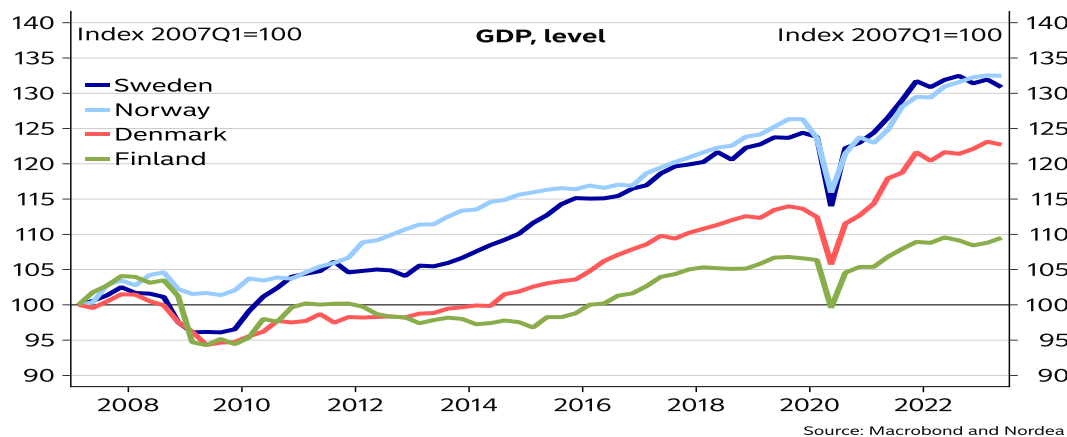
Independent inspector

- 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

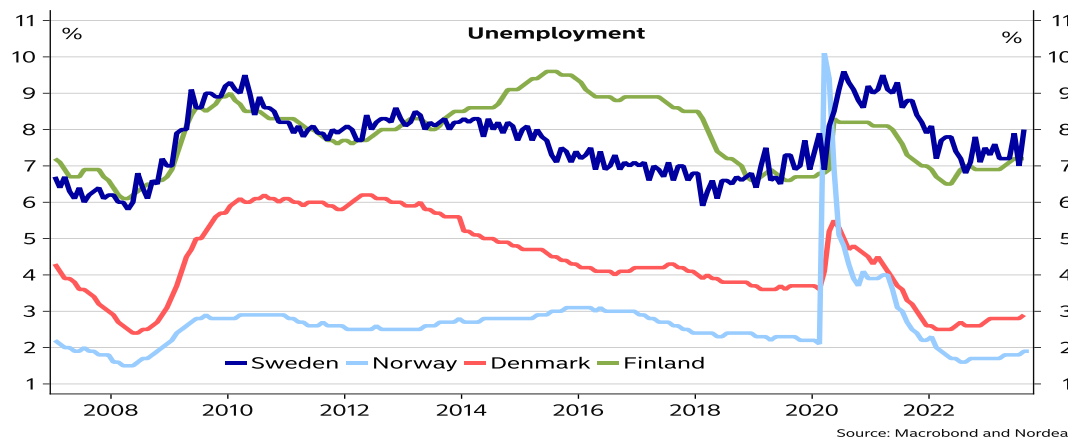
New interest rate environment

GDP development



- The Nordic economies have shown mixed resilience on the back of surging inflation and interest rates
- Central banks intend to keep interest rates higher for longer. Combined with weaker global demand, the Nordic economies are facing headwinds going forward
- Indicators are pointing to a weaker labour demand. The labour market is set to weaken as economic growth continues to dampen

Unemployment rate

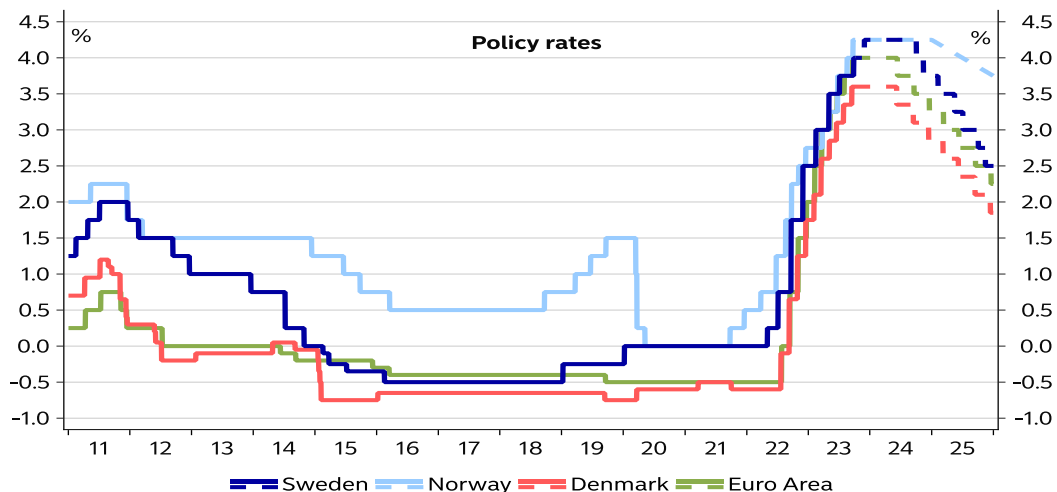


GDP, % y/y, Economic Outlook September 2023

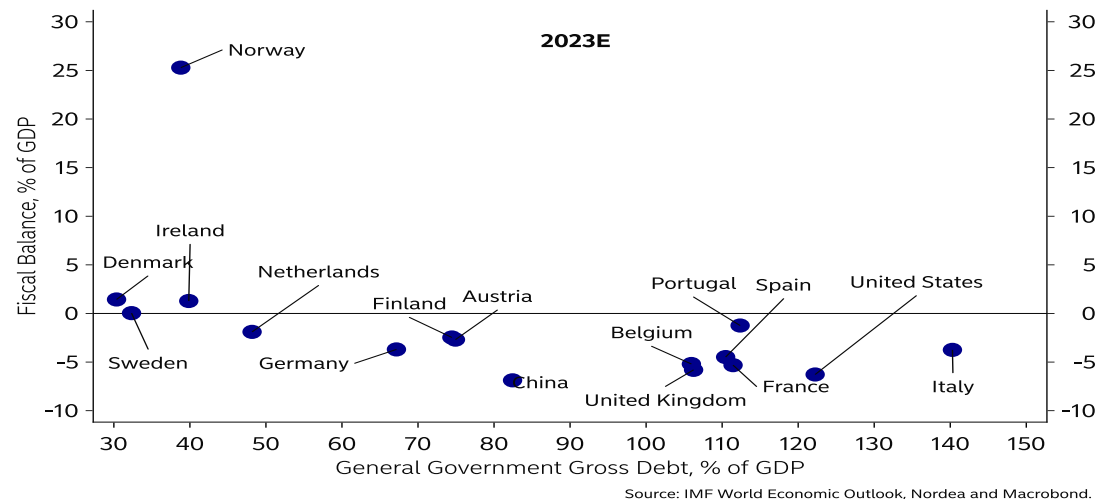
Country	2022	2023E	2024E	2025E
Denmark	2.7	1.3	1.0	1.7
Finland	1.6	0.0	0.0	1.5
Norway (mainland)	3.8	1.2	0.5	1.0
Sweden	2.8	-1.0	-0.2	2.2

Higher for longer interest rates

Policy rates



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

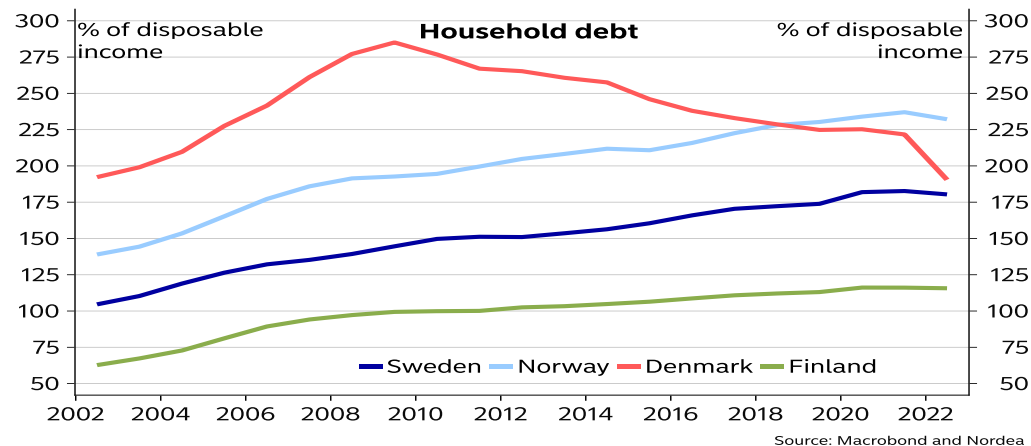


- Central banks are continuing to combat too high core inflation
- Norges Bank delivered a 25bp hike in September. The bank has in total hiked from 0 to 4.25% since autumn 2021
- The Swedish Riksbank raised the policy rate to 4.00% in September and is expected to hike until they reach 4.25% in November
- The ECB delivered a 25bp hike in September to 4.00%. We predict that the policy rate in the Euro Area, Denmark and Norway will not be raised any further this cycle
- 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

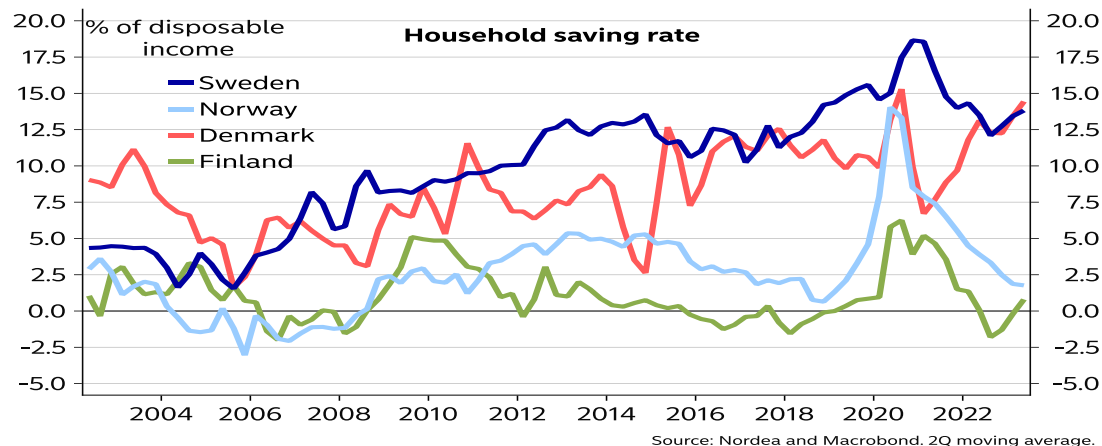
Heavy steps

Household debt

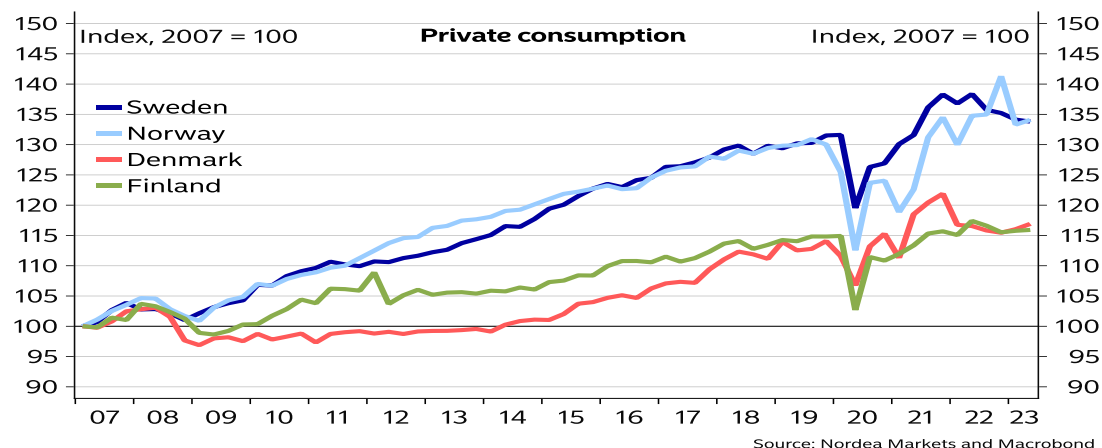


- High and broad-based inflation continues to pressure households' purchasing power. Additionally, the arduous adaptation process to higher for longer interest rates will continue to squeeze households
- Real disposable income in Sweden is expected to decline by -3.0 percent in 2023
- Household indebtedness has started to decrease, due to rising interest rates

Household savings

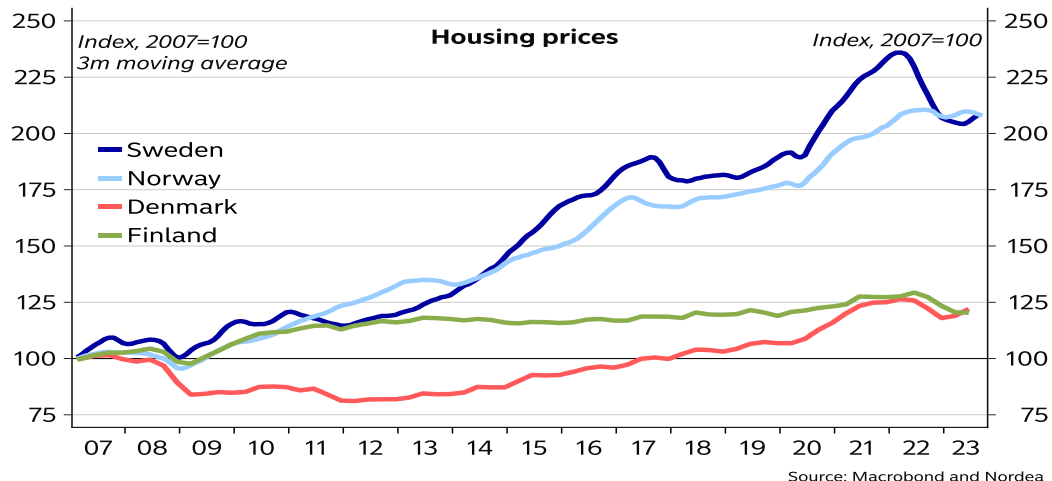


Private consumption

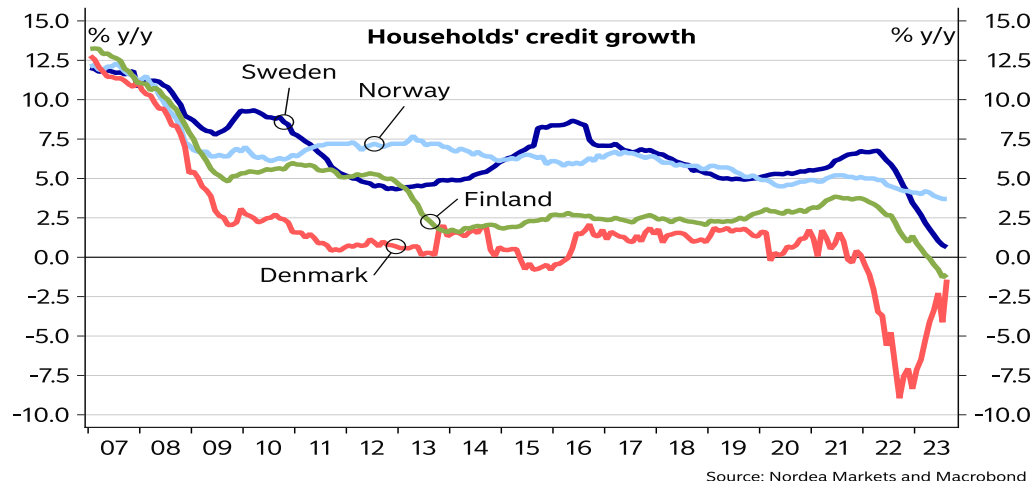


Higher interest rates imply downside risks on the housing market

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 the Nordic countries on the back of surging borrowing costs and lower credit growth. However, housing prices have stabilized during the summer, possibly attributed to lower activity
- The risks are on the downside going forward, accounting for low demand and higher interest rates. We expect further declines in all Nordic economies, especially Sweden
- Households' credit growth in the Nordic countries, except for Denmark, has been on a downward trend the past couple of quarters. In August 2023, Sweden had close to zero credit growth while both Finland and Denmark had negative credit growth

6. Further information

Nordea Hypotek – outstanding benchmark covered bonds

Q3 2023

Breakdown by ISIN				
Serial no.	Currency	Amount (m)	Maturity	Coupon
5534	SEK	79 200	18/09/2024	1%
5535	SEK	82 200	17/09/2025	1%
5536	SEK	74 450	16/09/2026	0.5%
5537	SEK	59 300	16/06/2027	1%
5731	SEK	6 000*	25/11/2027	3.375%
5538	SEK	35 050	20/09/2028	3.5%
-	EUR	1 750**	19/03/2024	FRN

Contacts

Investor Relations

Maria Caneman

Head of Debt IR and Ratings
Tel: +46 10 156 50 19
Mobile: +46 768 24 92 18
maria.caneman@nordea.com

Group Treasury

Cecilia Tannerfeldt

Lead Dealer
Tel: +46 8 407 91 05
Mobile: +46 733 21 44 33
cecilia.tannerfeldt@nordea.com

Morten Kiel

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