



Nordea

# Nordea Hypotek Covered Bonds

Q4 2021 Debt investor presentation



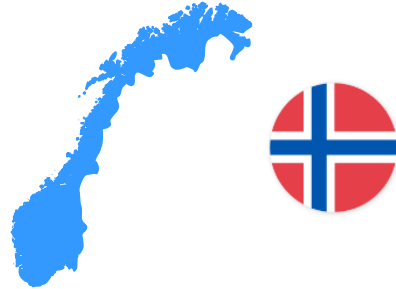
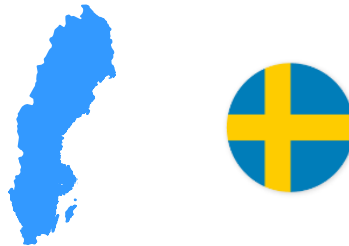

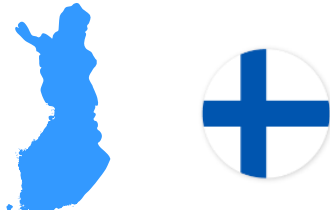


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# 1. In brief

# Nordea covered bond operations

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 21.0bn (eq.)	EUR 62.1bn (eq.)	Balance principle	EUR 23.6bn
	Covered bonds outstanding*	EUR 9.6bn (eq.)	EUR 35.6bn (eq.)	EUR 60.2bn (eq.)	EUR 20.8bn
	OC*	120%	75%	6%*	14%
	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 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



<sup>4</sup> \* 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

Q4 2021

- 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

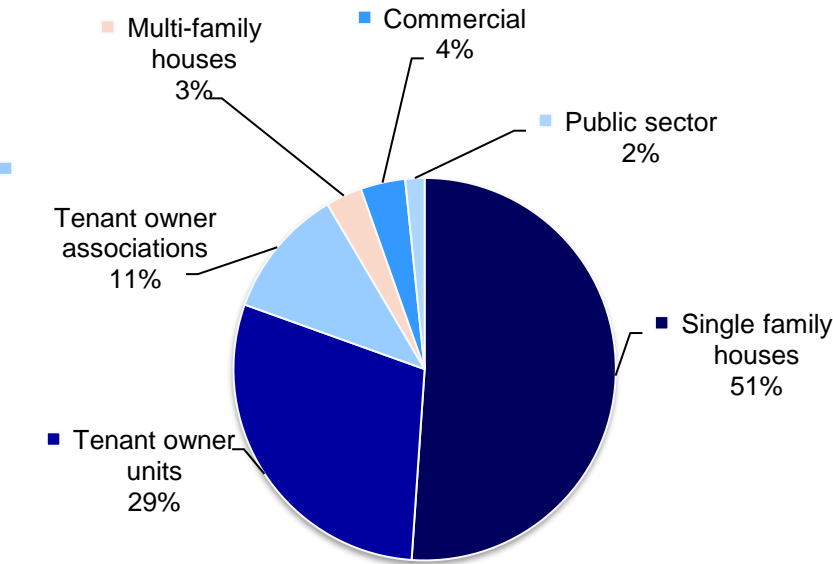
Q4 2021

Cover pool summary	
Loans in cover pool	SEK 639.2bn
Outstanding covered bonds	SEK 364.9bn
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, 3.8% commercial, 1.6% public sector
Weighted average LTV*	48.5% (indexed)
Average loans size*	SEK 714.2k
Over collateralization, OC	75.2%
Rate type**	Floating 52.7%, Fixed 47.3%
Amortization**	Bullet/ interest only 17.1%, Amortizing 82.9%
Pool type	Dynamic
Loans originated by	Nordea Hypotek

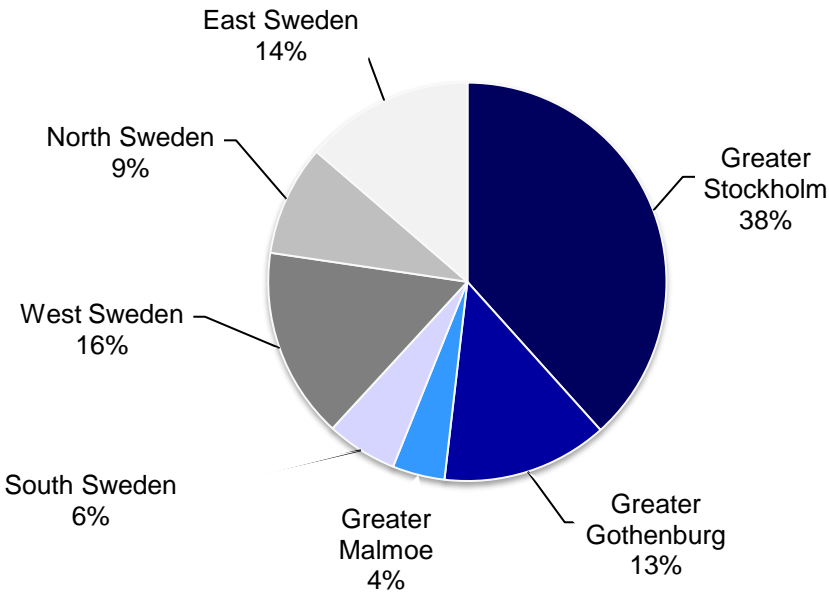
# Cover pool key characteristics (2)

Q4 2021

Cover pool balance by loan category



Cover pool balance by region\*





### 3. Asset quality

# Loan To Value (LTV)\*

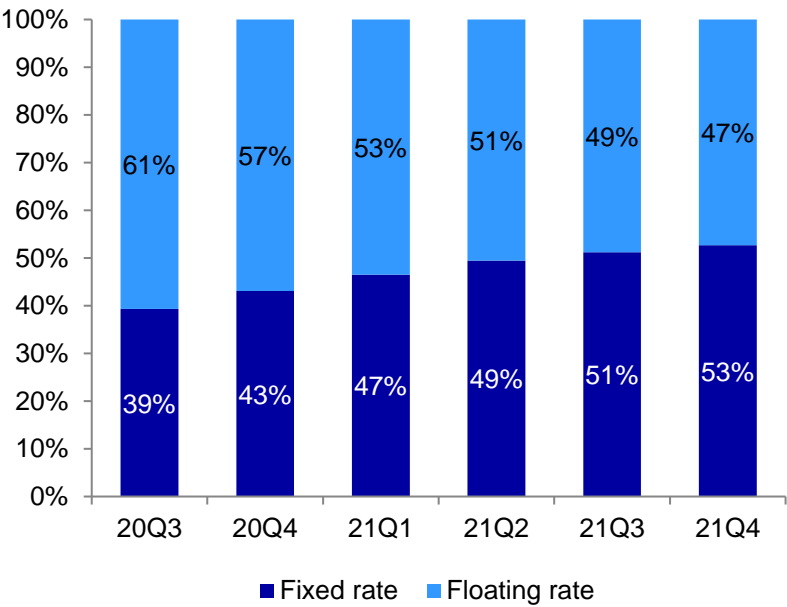
Q4 2021

Weighted Average LTV – Unindexed		56.6%	
LTV buckets	Nominal (SEKbn)	% Residential Loans	
>0 - <=40 %	432.1	71%	
>40 - <=50 %	70.1	12%	
>50 - <=60 %	53.1	9%	
>60 - <=70 %	37.6	6%	
>70 - <=80 %	11.7	2%	
Total	604.6	100%	
Weighted Average LTV - Indexed		48.5%	
LTV buckets	Nominal (SEKbn)	% Residential Loans	
>0 - <=40 %	482.1	80%	
>40 - <=50 %	58.9	10%	
>50 - <=60 %	38.1	6%	
>60 - <=70 %	20.6	3%	
>70 - <=80 %	4.9	1%	
Total	604.6	100%	

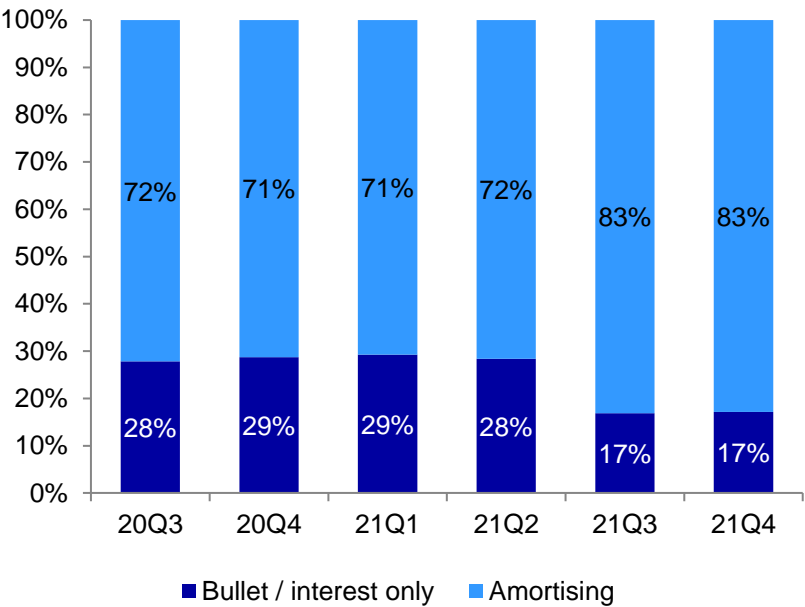
# Loan structure

Q4 2021

Rate type



Repayment



# Underwriting criteria

Q4 2021

## 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

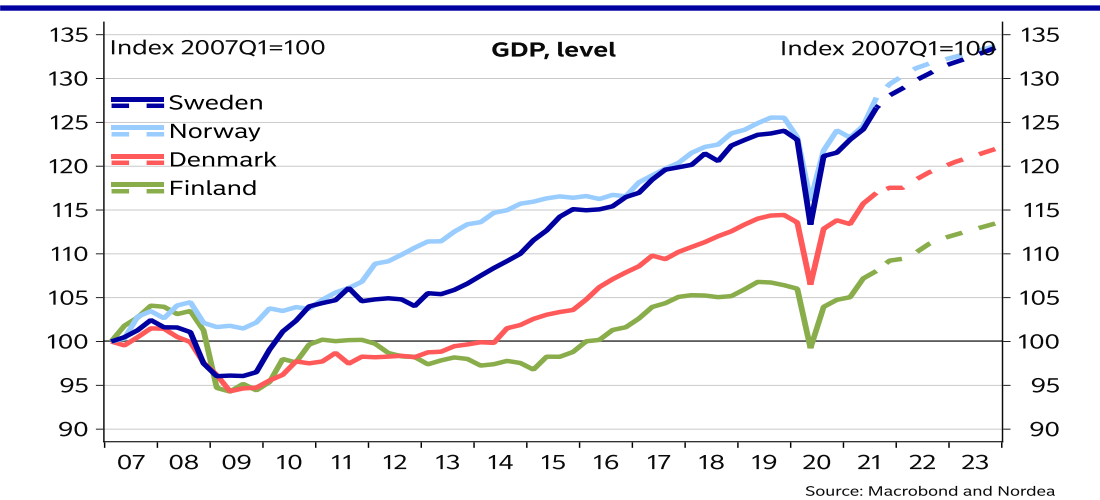
## Q4 2021

- 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 economies – resilient economies back on track

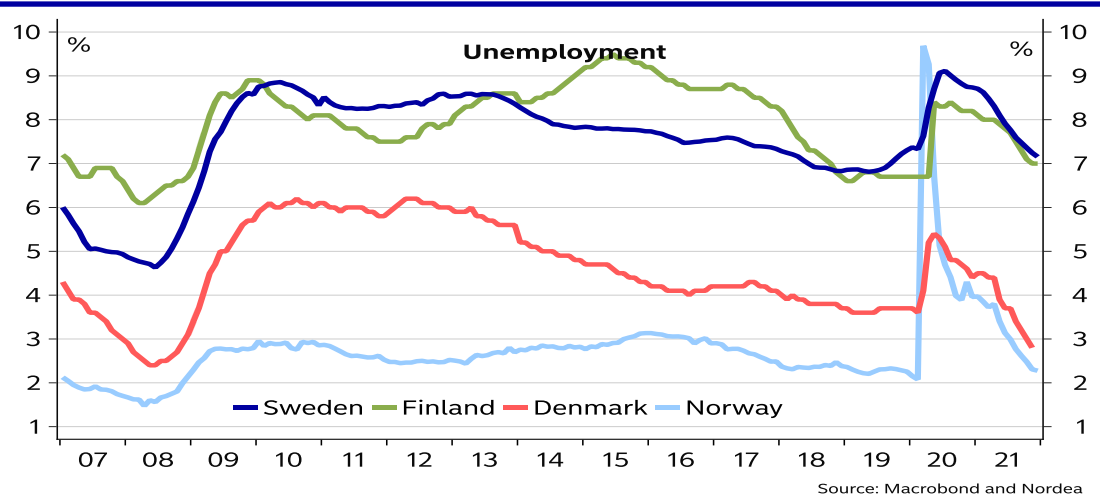
## GDP development



## Comments

- After the dramatic setback in 2020 due to the COVID-19 pandemic, the Nordic economies have all recovered. However, data points to a slowdown in economic activity towards the end of 2021, as new restrictions have been introduced to contain the spread of the Omicron variant
- The labour market has shown resilience, largely due to government subsidies such as short-term furloughs. The hard-hit services sector has largely rebounded (at least until the recent Omicron restrictions), and GDP is back to pre-crisis levels

## Unemployment rate

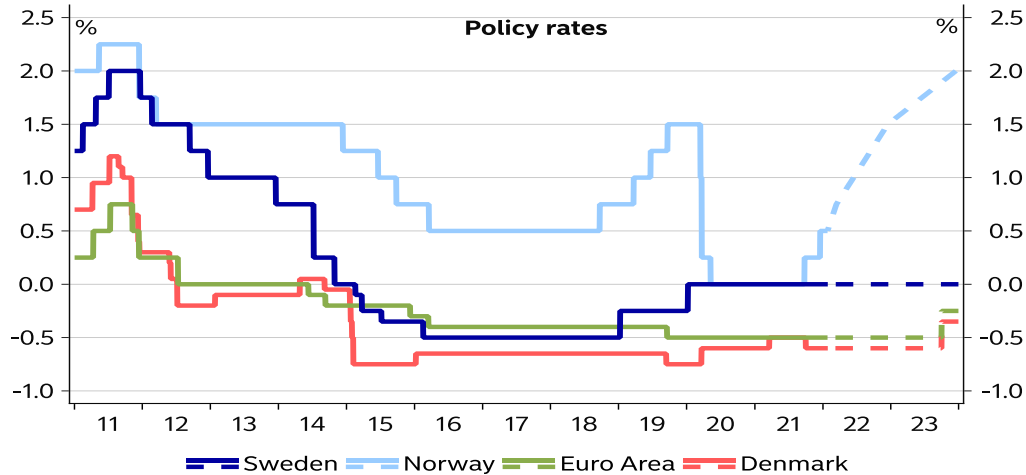


## GDP, forecasts from Economic Outlook January 2022

Country	2021E	2022E	2023E
Denmark	3.8	2.5	.2.0
Finland	3.8	3.0	2.0
Norway	4.1	4.0	2.0
Sweden	4.9	3.7	1.9

# Nordic economies – solid public finances, well-equipped for future

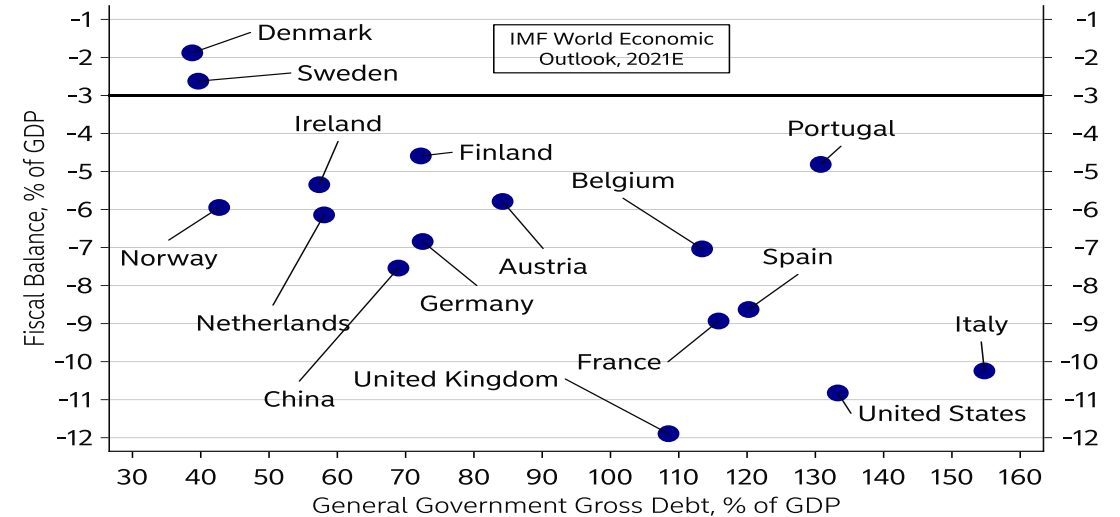
## Policy rates



## Comments

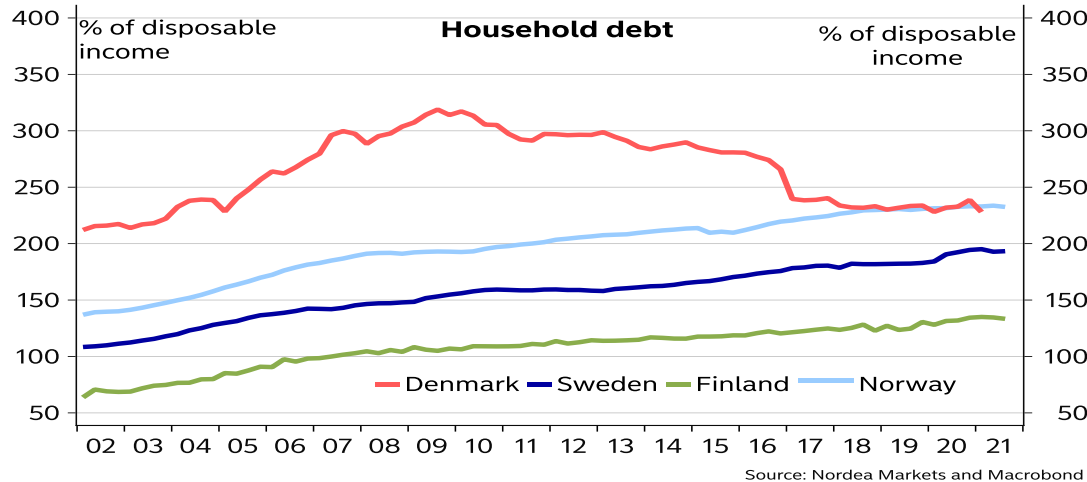
- Norges Bank increased its policy rate in September and December last year, and is expected to make further increases this year and in 2023. The policy rate in Sweden is expected to remain unchanged throughout the forecast period. Single rate hikes are predicted in late 2023 in the euro area and Denmark
- Sveriges Riksbank and the ECB launched new large-scale asset purchase programmes (QE) as a response to the COVID-19 crisis. The ECB has purchased financial assets corresponding to 17% of euro area GDP since January 2020, while Sveriges Riksbank's purchases amount to around 11% of Swedish GDP
- Solid public finances prior to the crisis have enabled the Nordic governments to act swiftly during the crisis. The Nordics are relatively well-equipped to handle the long-term consequences of the pandemic

## Public balance/debt, % of GDP, 2021E



# Households resilient

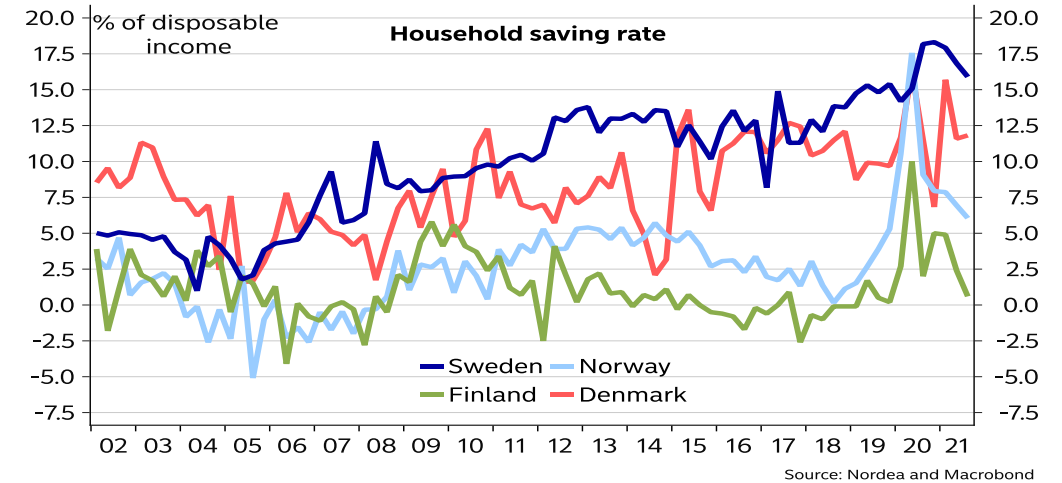
## Household debt



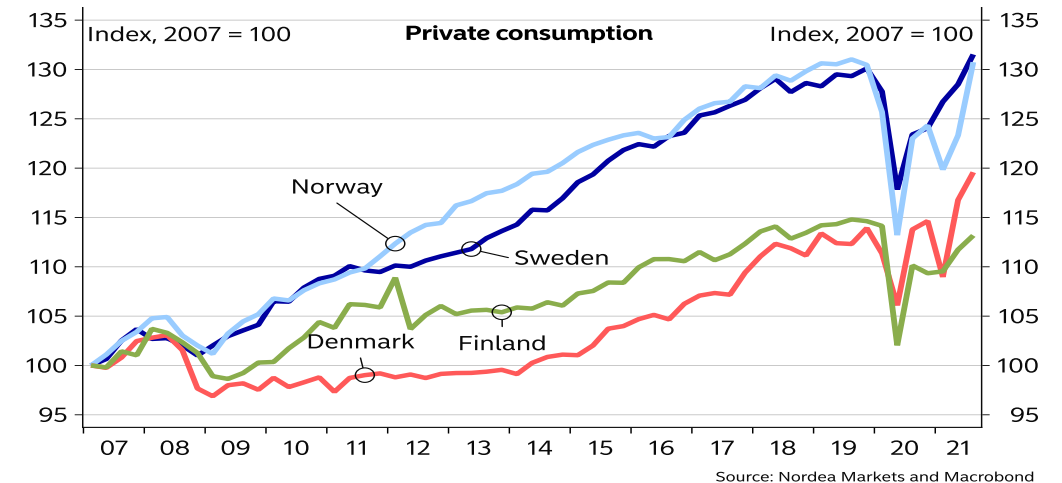
## Comments

- Household savings increased dramatically during the pandemic, largely due to a decline in spending, but have since returned to more normal levels as consumption has increased. Despite high debt levels, Nordic households' strong finances are expected to support economic growth. Low interest rates and economic stimulus continue to support credit growth and the housing market
- Early labour market measures, automatic stabilisers and other measures to stimulate demand have helped to soften the pandemic's blow to households and businesses. Robust public finances prior to the crisis have increased the credibility of the measures, and harsh fiscal tightening is neither needed in the short term nor expected, which is important for households' income expectations

## Household savings



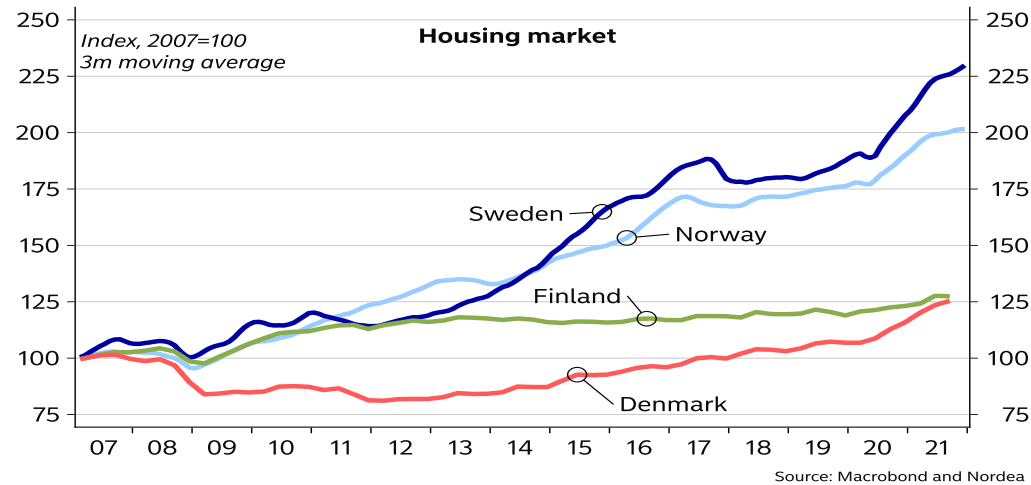
## Private consumption



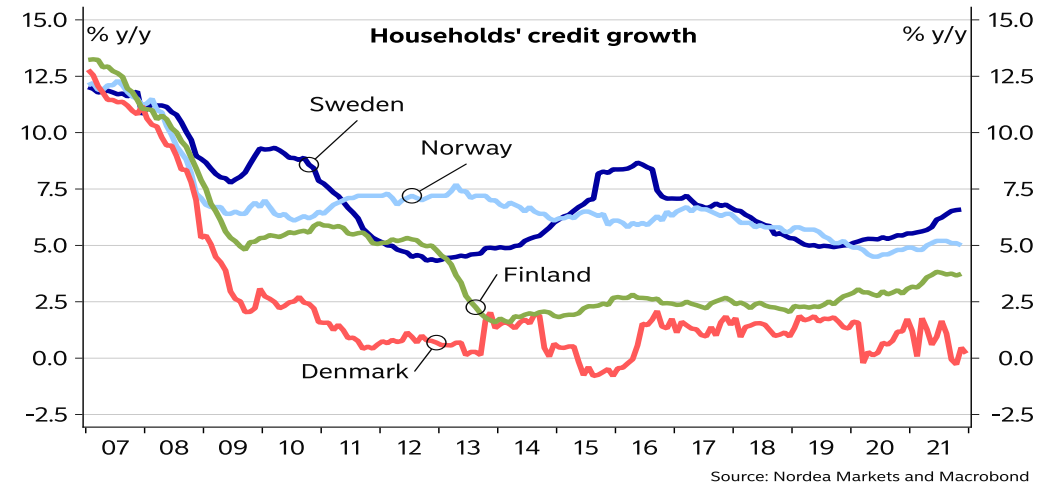


# Nordic housing markets hot during pandemic

## Housing prices



## Households' credit growth



## Comments

- Contrary to expectations, house prices have increased to record-high levels in all the Nordic countries during the crisis. This is not least because of unprecedented expansionary fiscal and monetary policy in support of households and businesses
- The crisis has had a limited effect on those groups in the labour market which are more active in the housing market, while demand has surged due to preferences shifting towards larger housing and single-family homes. At the same time, people's mobility was severely restricted, causing a sharp decline in the number of homes on the market, which in turn has contributed to driving prices higher
- However, interest rates are beginning to increase again, and at some point, the expansionary fiscal policies will come to an end. Moreover, as mobility levels increase, the housing supply will increase again. Against this backdrop, the pace of price growth might slow. If the housing market remains in good shape, the economy will as well, so the benign trend in house prices has helped all the Nordic countries get through the crisis

## 6. Further information

# Nordea Hypotek – outstanding benchmark covered bonds

Q4 2021

Breakdown by ISIN				
Serial no.	Currency	Amount (m)	Maturity	Coupon
5531	SEK	70 515	08/04/2022	1%
5533	SEK	64 400	20/09/2023	1.25%
5534	SEK	79 200	18/09/2024	1%
5535	SEK	62 950	17/09/2025	1%
5536	SEK	24 050	16/09/2026	0.5%
-	EUR	3 000*	19/03/2024	FRN

\* Retained bond issue

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