

Nordea

Q4 2022 Debt investor presentation

Nordea Hypotek Bank Covered Bonds



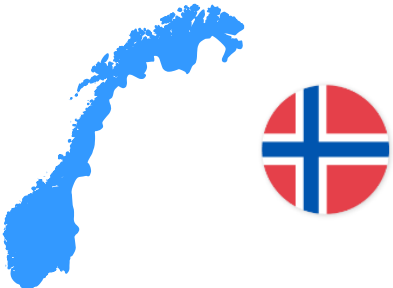
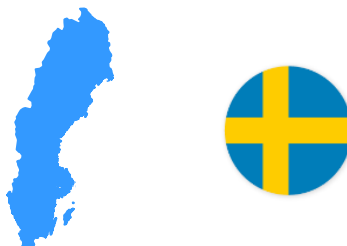


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1. In brief

Nordea covered bond operations

Q4 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 22.5bn (eq.) | EUR 60.9bn (eq.) | Balance principle | Pool 1: EUR 21.9bn/ Pool 2: EUR 2.4bn |
| | Covered bonds outstanding | EUR 13.6bn (eq.) | EUR 33.6bn (eq.) | EUR 59.2bn (eq.)* | Pool 1: EUR 19.4bn/ Pool 2: EUR 2bn |
| | OC | 66% | 81% | 7.1%* | Pool 1: 13% / Pool 2: 18% |
| | 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 (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

- 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

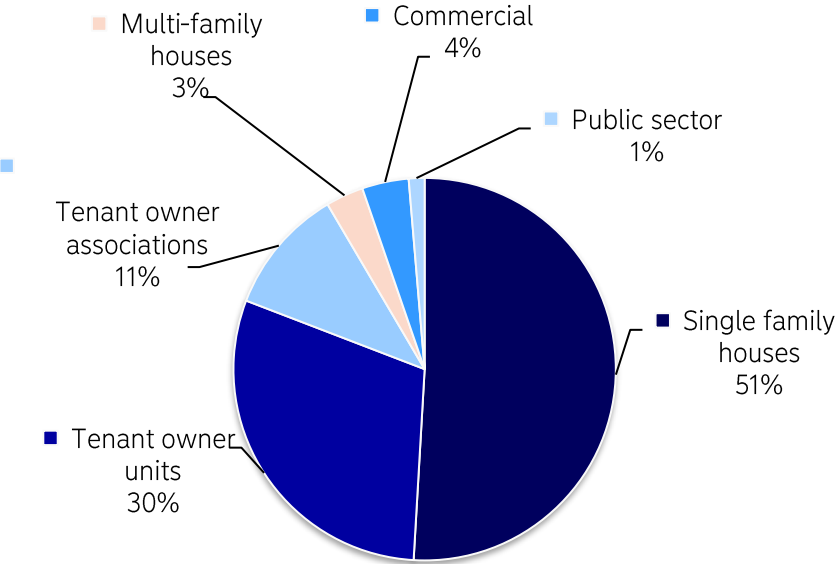
Q4 2022

| Cover pool summary | |
|----------------------------|--|
| Loans in cover pool | SEK 677.2bn |
| 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, 3.9% commercial, 1.3% public sector |
| Weighted average LTV* | 49.5% (indexed) |
| Average loans size* | SEK 757.5k |
| Over collateralization, OC | 81.4% |
| Rate type** | Floating 49.8%, Fixed 50.2% |
| Amortization** | Bullet/ interest only 18.3%, Amortizing 81.7% |
| Pool type | Dynamic |
| Loans originated by | Nordea Hypotek |

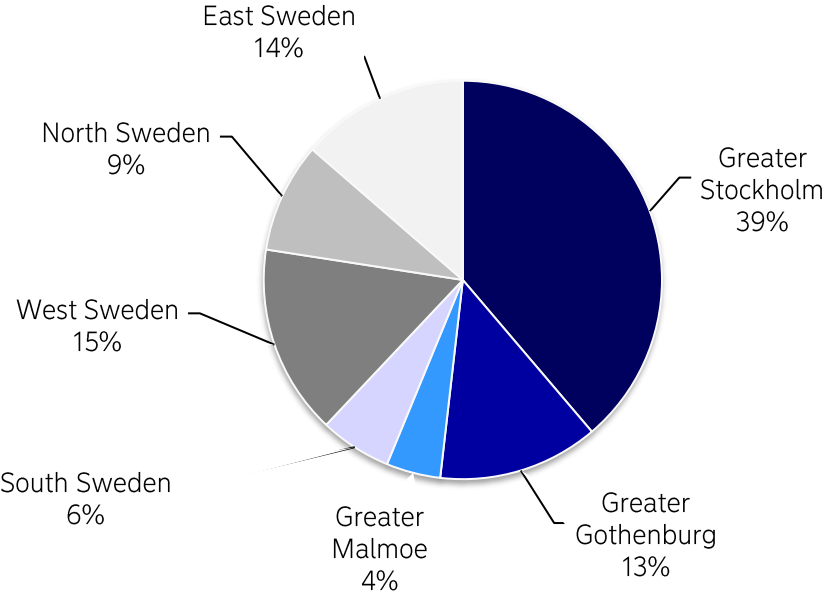
Cover pool key characteristics (2)

Q4 2022

Cover pool balance by loan category



Cover pool balance by region*



3. Asset quality

Loan To Value (LTV)*

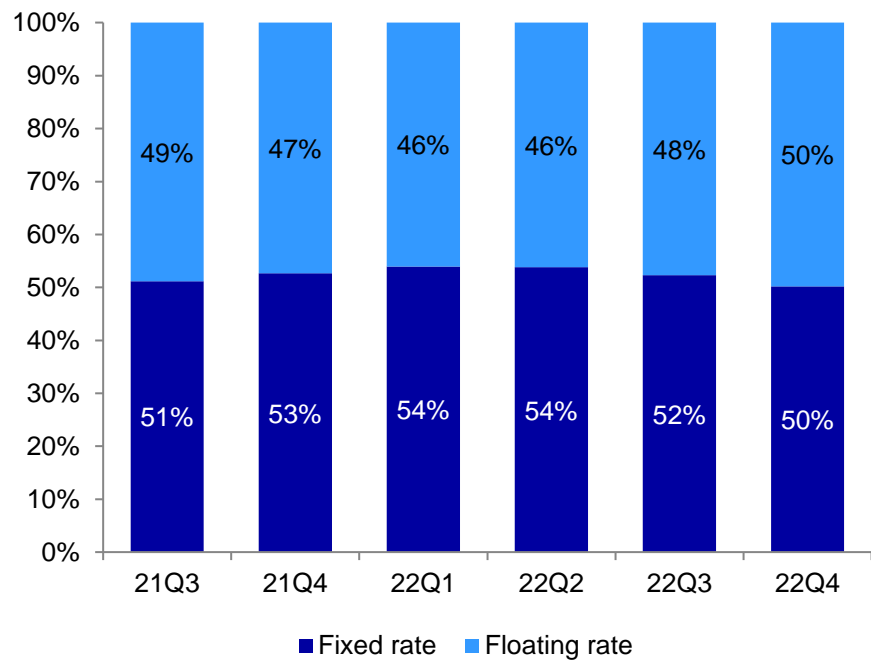
Q4 2022

| Weighted Average LTV - Unindexed | | 57.1% | |
|----------------------------------|--|-----------------|---------------------|
| LTV buckets | | Nominal (SEKbn) | % Residential Loans |
| >0 - <=40 % | | 457.5 | 71% |
| >40 - <=50 % | | 73.4 | 11% |
| >50 - <=60 % | | 54.2 | 8% |
| >60 - <=70 % | | 37.4 | 6% |
| >70 - <=80 % | | 19.0 | 3% |
| Total | | 641.4 | 100% |
| Weighted Average LTV - Indexed | | 49.5% | |
| LTV buckets | | Nominal (SEKbn) | % Residential Loans |
| >0 - <=40 % | | 505.1 | 79% |
| >40 - <=50 % | | 61.6 | 10% |
| >50 - <=60 % | | 39.9 | 6% |
| >60 - <=70 % | | 23.7 | 4% |
| >70 - <=80 % | | 11.1 | 2% |
| Total | | 641.4 | 100% |

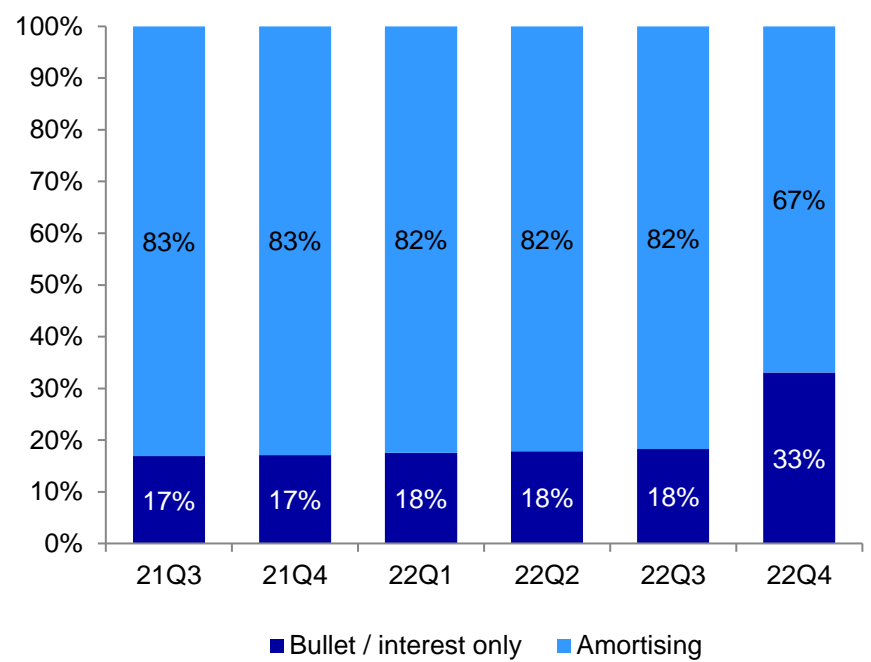
Loan structure

Q4 2022

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

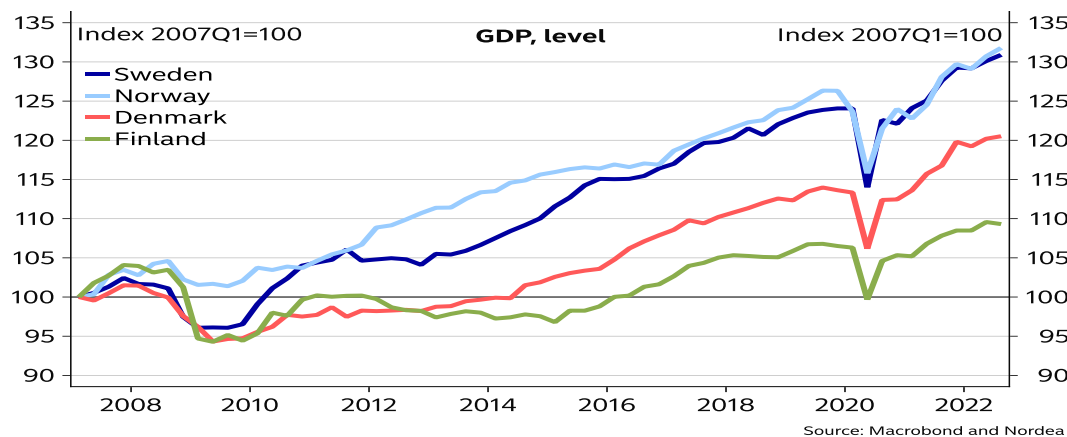
Swedish covered bond framework

- Legal framework
 - Swedish Covered Issuance Act (SFS 2003:1223), came into force 1 July 2004 which most recently amended on 8 July 2022 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

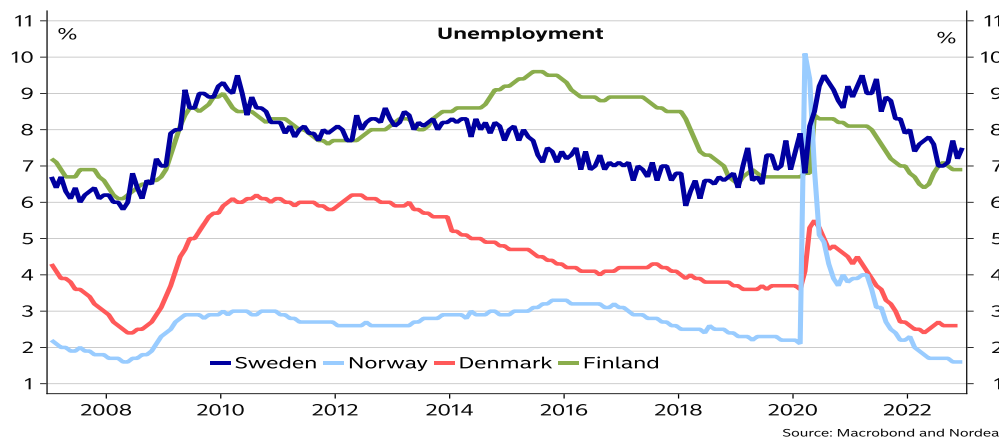
5. Macroeconomy

Nordic outlook pressured by higher inflation, interest rates and energy prices

GDP development



Unemployment rate



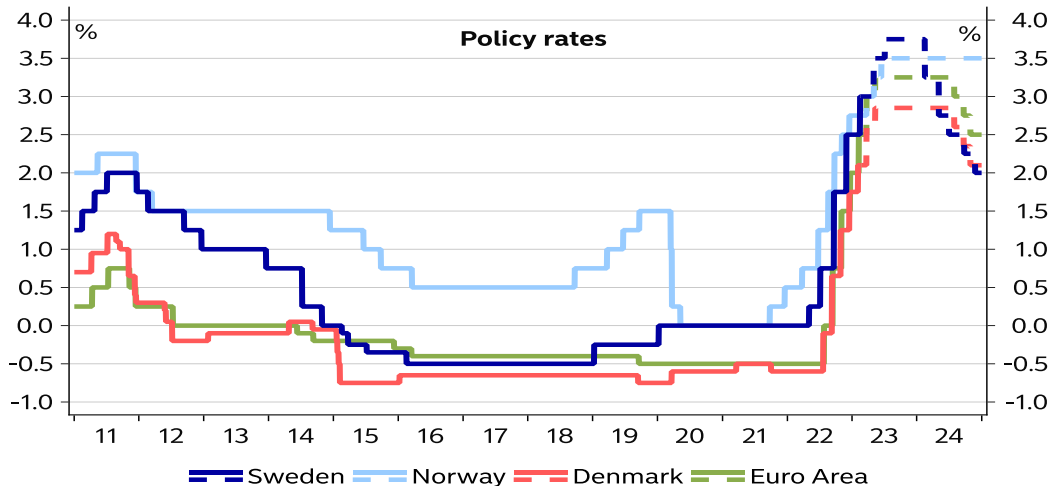
- The Nordic economies recovered quickly from the pandemic and showed signs of overheating last year
- On the back of surging inflation and interest rates, coupled with higher-than-normal energy prices, the Nordic countries are expected to enter a recession during 2023
- Unemployment is expected to increase as the economic activity slows down

GDP, % y/y, Economic Outlook January 2023

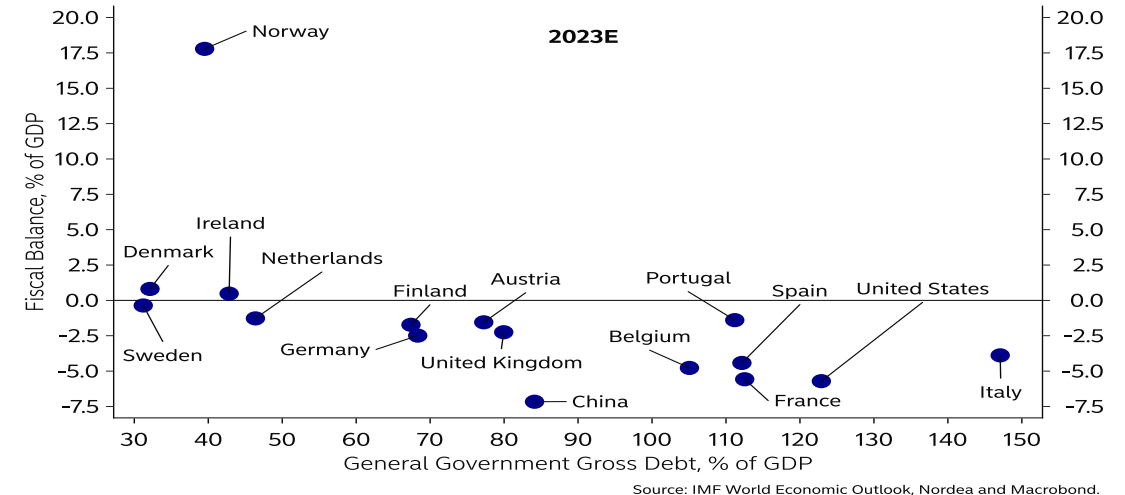
| Country | 2021 | 2022E | 2023E | 2024E |
|---------|------|-------|-------|-------|
| Denmark | 4.9 | 3.0 | -0.5 | 1.0 |
| Finland | 3.0 | 2.0 | 0.0 | 1.0 |
| Norway | 4.1 | 3.8 | 1.0 | 1.0 |
| Sweden | 4.9 | 2.9 | -1.8 | 0.8 |

Interest rates set to peak in 2023

Policy rates



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

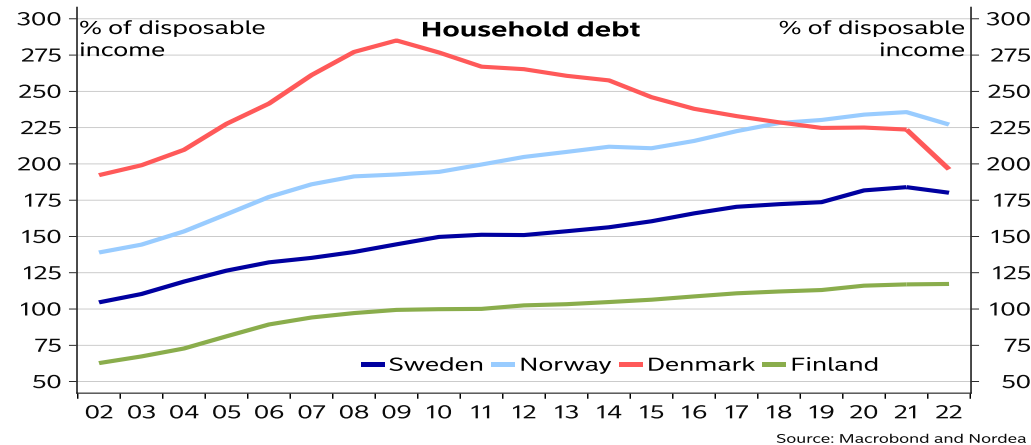


- Central banks have rapidly hiked interest rates to combat the high inflation
- Norges Bank has hiked from 0 to 2.75% since September 2021, and are expected to continue until they reach 3.50% in June 2023
- The Swedish Riksbank raised the policy rate to 3.00% in February and are expected to hike until they reach 3.75% in June 2023
- The ECB delivered a 50bp hike in February. We predict that policy rates will rise by a total of 3.75 percentage points in the Euro Area and 3.45 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

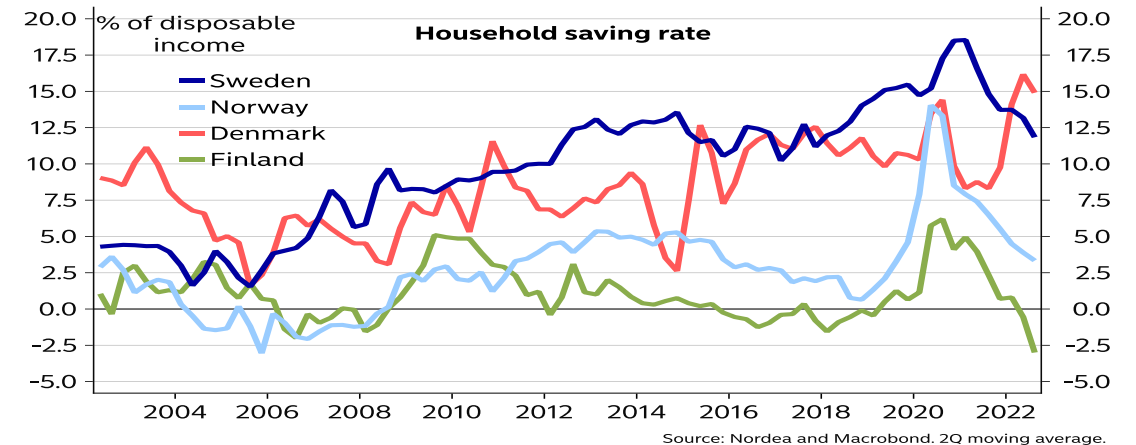
Households

Households pressured by high interest rates and inflation

Household debt

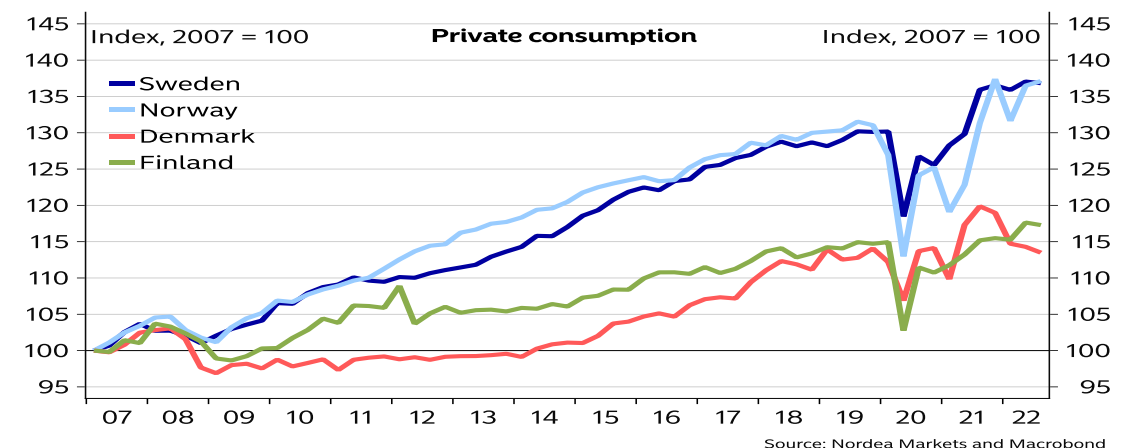


Household savings



- Household savings have returned to more normal levels since the pandemic as consumption has increased
- However, households are now feeling the squeeze and purchasing power is decreasing rapidly. The high and still rising interest rates as well as high inflation implies downside risks for private consumption moving forward

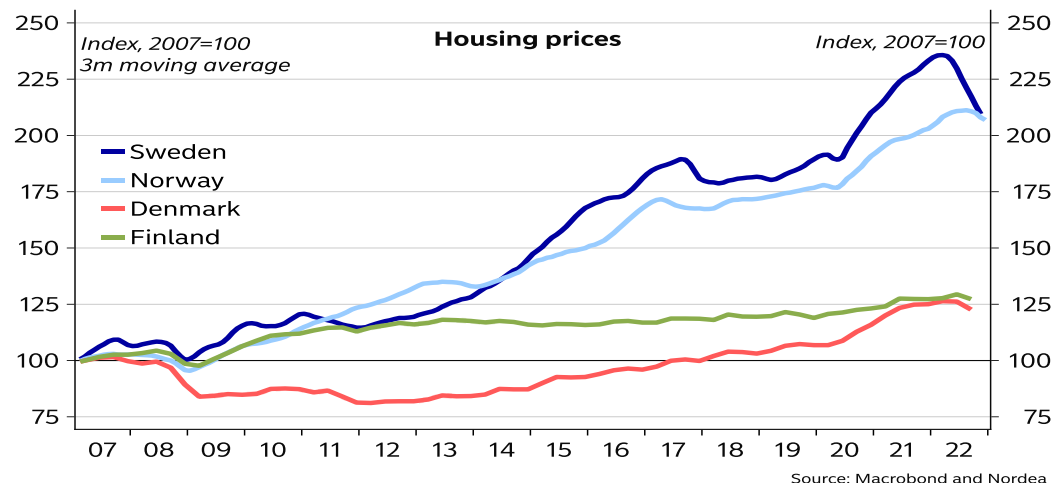
Private consumption



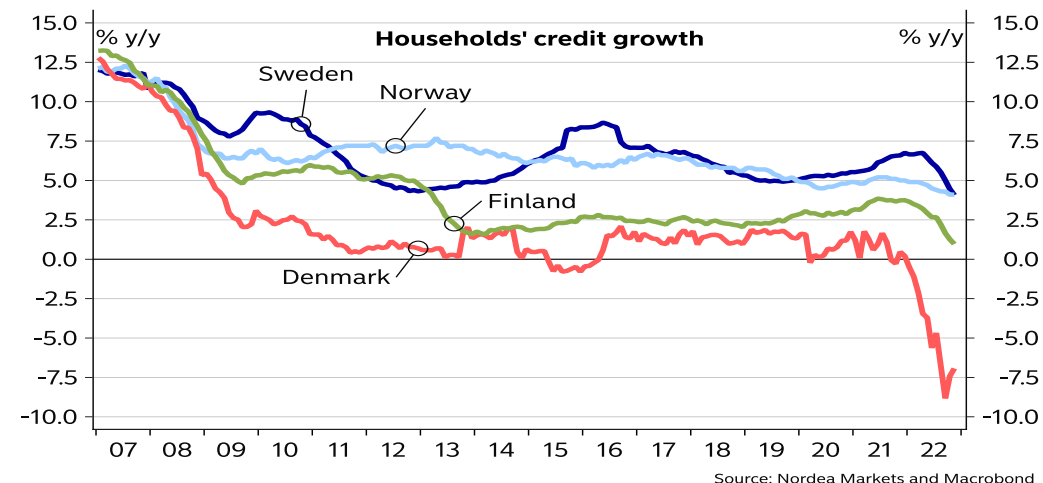
Housing markets

Higher interest rates is cooling 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
- However, with higher and increasing interest rates, risks are on the downside for housing prices
- These risks are most pronounced in Sweden, with home prices down 12.4% from the peak in February to November last year
- Households' credit growth in the Nordic countries have since April 2022 continuously declined except for Denmark which has increased since September

6. Further information

Nordea Hypotek – outstanding benchmark covered bonds

Q4 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 | 82 800 | 17/09/2025 | 1% |
| 5536 | SEK | 42 800 | 16/09/2026 | 0.5% |
| 5537 | SEK | 42 650 | 16/06/2027 | 1% |
| - | EUR | 3 000* | 19/03/2024 | FRN |

* Retained bond issue

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