

Nordea

Q1 2023 Debt investor presentation

Nordea Mortgage Bank Covered Bonds

Cover pools 1 & 2



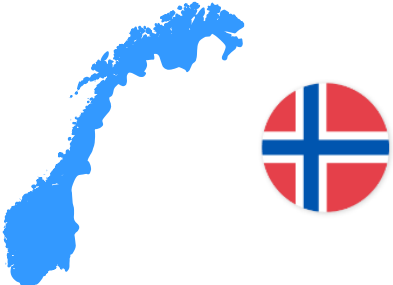
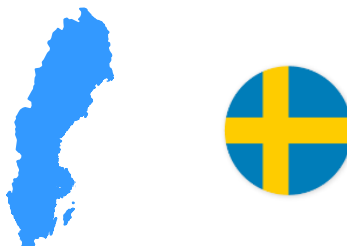

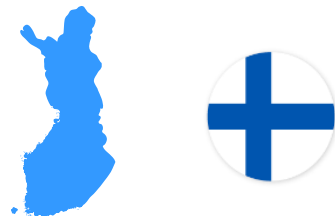
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1. In brief

Nordea covered bond operations

Q1 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 21.5bn (eq.)	EUR 60.3bn (eq.)	Balance principle	Pool 1: EUR 20.7bn/ Pool 2: EUR 3.3bn
	Covered bonds outstanding	EUR 14.4bn (eq.)	EUR 35.3bn (eq.)	EUR 58.9bn (eq.)*	Pool 1: EUR 18.1bn/ Pool 2: EUR 3bn
	OC	46%	73%	7.3%*	Pool 1: 14% / Pool 2: 11%
	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 Mortgage Bank Plc – overview

Q1 2023

- 100% owned subsidiary of Nordea Bank Abp - the largest Nordic financial institution
- Operates as a mortgage credit institution with the main purpose of issuing covered bonds
- Issuing covered bonds according to the Finnish covered bond legislation;
 - Legacy bonds - old Covered Bond Act (688/2010), secured by Covered Pool I
 - New covered bonds - new Mortgage and Covered bond Act (151/2022), secured by Covered Pool II
- Market share of Nordea ~30% of the Finnish mortgage market (housing loans)
- Acting in a healthy and conservative Finnish housing market
- Dedicated liquidity line provided by Nordea Bank Abp to manage daily cash needs and ensure compliance with external and internal requirements regarding liquidity management
- Covered bonds rated Aaa by Moody's

2. Cover pool characteristics

Cover pool key characteristics

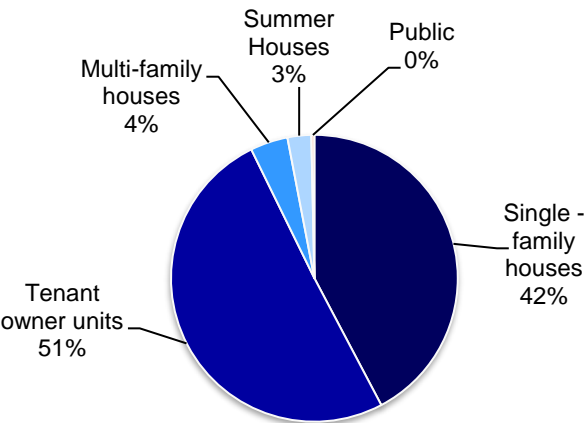
Q1 2023

Cover pool summary	Cover pool 1 (Legacy)	Cover Pool 2 (New)
Pool notional	EUR 20.7bn	EUR 3.3bn
Outstanding Covered Bonds	EUR 18.1bn	EUR 3.0bn
Cover pool content	Mortgage loans secured by residential property. Loans guaranteed by public sector	Mortgage loans secured by residential property. Loans guaranteed by public sector
Geographic distribution	Throughout Finland with concentration in urban areas	Throughout Finland with concentration in urban areas
Asset distribution	99.7% residential, 0.3% public sector	99.7% residential, 0.3% public sector
Weighted average LTV*	52.5% (indexed, calculated per property)	57.6% (indexed, calculated per property)
Average loan size*	EUR 74.8k	EUR 91.2k
Over collateralisation, OC	14.2%	10.6%
Rate type**	Fixed rate 1.1%, Floating rate 98.9%	Fixed rate 1.1%, Floating rate 98.9%
Amortisation**	Bullet/ interest only 3.8%, Amortising 96.2%	Bullet/ interest only 3.7%, Amortising 96.3%
Substitute assets	None	None
Pool type	Dynamic	Dynamic
Loans originated by	Nordea Bank Abp. (as of 1 October 2018)	Nordea Bank Abp. (as of 1 October 2018)

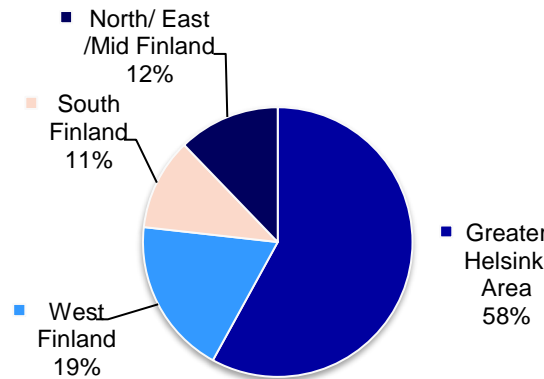
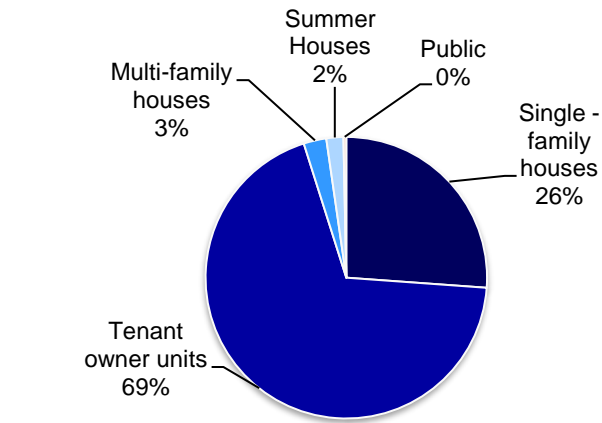
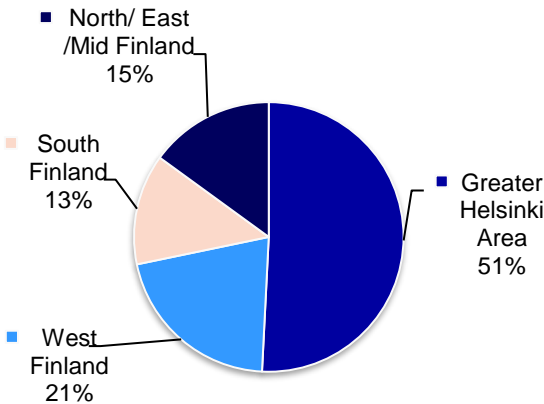
Cover pool key characteristics (2)

Q1 2023

Cover pool balance by loan category



Cover pool balance by region



3. Asset quality

Loan To Value (LTV)

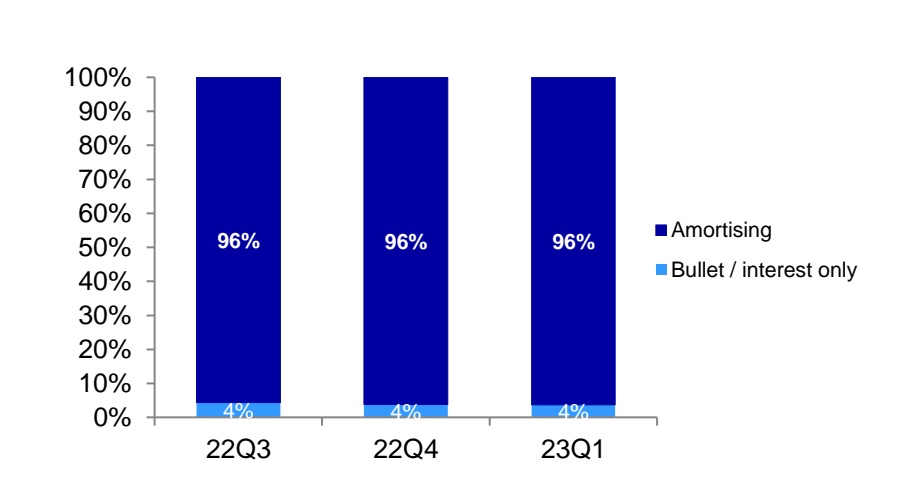
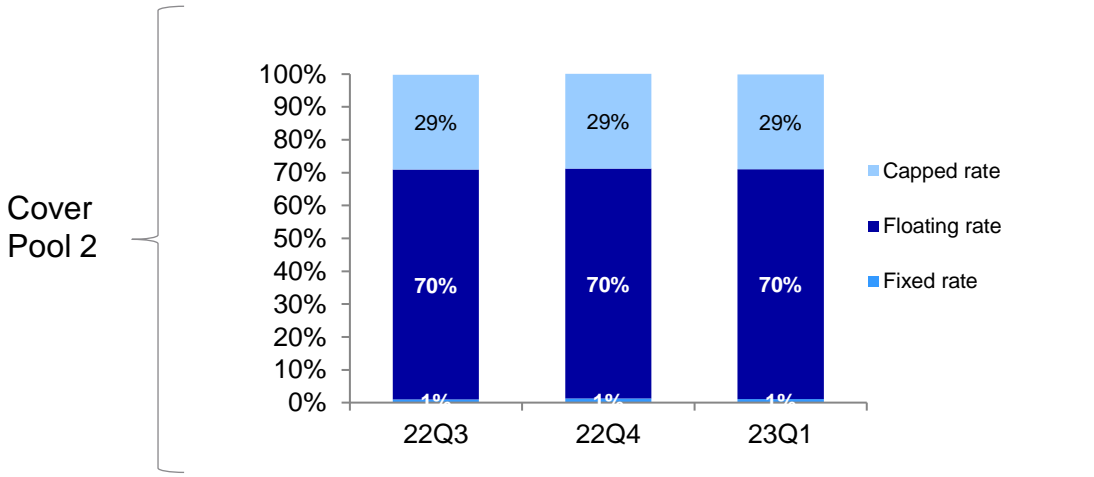
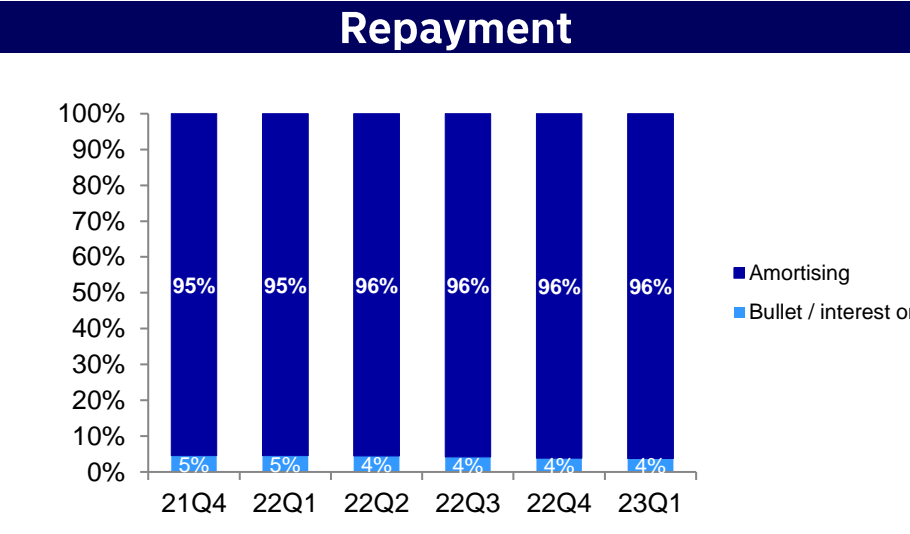
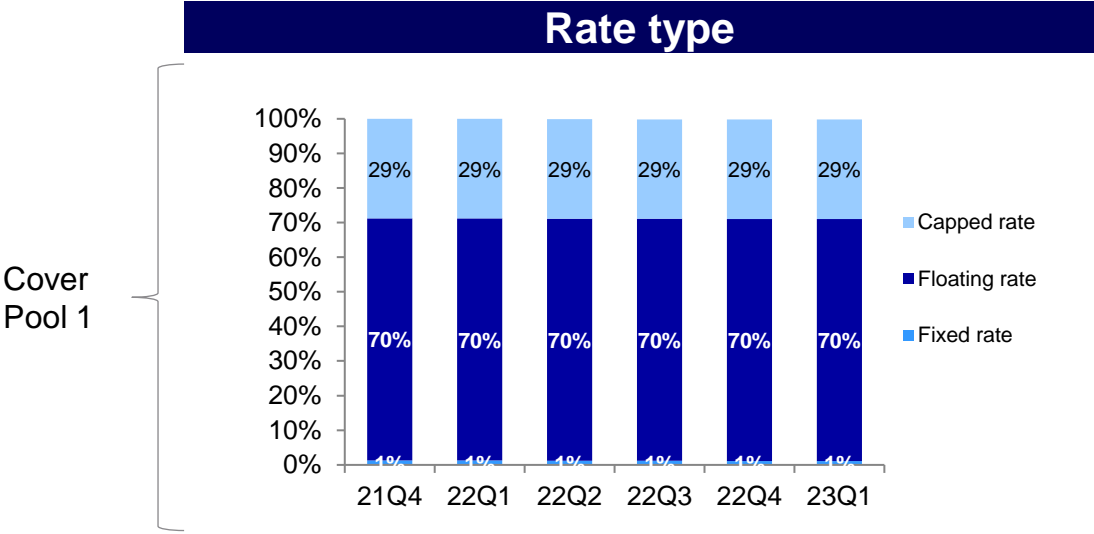
Continuous distribution where each loan can exist in multiple buckets

Q1 2023

Cover Pool 1 - Weighted Average LTV – Indexed	52.5%	
LTV buckets	Nominal (EURbn)	% Residential Loans
>0 - <=40 %	15.4	75%
>40 - <=50 %	2.2	11%
>50 - <=60 %	1.7	8%
>60 - <=70 %	1.2	6%
Total	20.6	100%
Cover Pool 2 - Weighted Average LTV - Indexed	57.6%	
LTV buckets	Nominal (EURbn)	% Residential Loans
>0 - <=40 %	2.3	70%
>40 - <=50 %	0.4	11%
>50 - <=60 %	0.3	9%
>60 - <=70 %	0.2	6%
>70 - <=80 %	0.1	4%
Total	3.3	100%

Loan structure

Q1 2023



Underwriting criteria

- Residential mortgage loans
 - Nordea's credit decision is based on the borrower's repayment capacity and collateral is always taken
 - Collateral must be in the form of mortgages in real estate or in shares in housing companies
 - Repayment ability of borrowers is calculated using stressed scenarios
 - Credit bureau check is always conducted (Suomen Asiakastieto)
 - Individual valuation of property based on market value
 - Repayment schedules ranging from 20 to 35 years
- Multi-family residential mortgage loans
 - Borrowers with strong EBITDA/debt and cash flow based on e.g. long-term high quality lease contracts and adequate interest rate hedging
 - Individual credit decision based on credit policy and rating
 - An evaluation of all property-related commitments is performed in the ordinary annual review against a background of quality issues/risk factors regarding the property itself, the lease, the management, the long-term cash flow and -strength of balance sheet/gearing. The analysis focuses on the repayment capacity
 - Individual valuation of property based on market value

4. Covered bond framework

Finnish covered bond framework

	Cover pool 1 – old until July 2022	Cover pool 2 – new as per July 2022
Legal framework	Finnish Covered Bond Act (statute 688/2010)	Finnish Mortgage Banks and Covered Bonds Act (statute 151/2022)
LTV ratios	Limit on LTV ratio – based on the current value <ul style="list-style-type: none"> • 70% for housing loans (residential property) • 60% for commercial loans (commercial property) 	Limit on LTV ratio – based on the current value <ul style="list-style-type: none"> • 80% for housing loans (residential property) • 60% for commercial loans (commercial property)
Coverage	Matching cover requirements <ul style="list-style-type: none"> • Total value of the cover pool must be greater than the aggregate outstanding principal amount of the covered bonds • Net present value of the cover pool must be at least 2% above the net present value of the liabilities under the covered bonds 	Overcollateralization requirements <ul style="list-style-type: none"> • Value of the cover pool must be at least 2% above the value of the payment liabilities under the covered bonds calculated on a net present value basis or on a nominal value basis depending on which method provides a lower value for the cover pool • In addition, the overcollateralization must cover the estimated winding-down costs of the covered bonds
Liquidity risk mitigation	Liquidity requirements <ul style="list-style-type: none"> • Average maturity of the covered bonds must not exceed the average maturity of the loans entered in the register • Total amount of interest accrued from the cover pool assets, during any 12-month period, must be sufficient to cover the total amount payable under covered bonds and derivatives transactions during the same period 	Liquidity Buffer Requirement <ul style="list-style-type: none"> • Cover pool must also include liquid assets in the amount that covers the maximum net liquidity outflow during the next following period of 180 days • When determining the net liquidity outflow, the issuer may use the soft bullet maturity date as the date when the covered bond matures

Finnish covered bond framework, continued

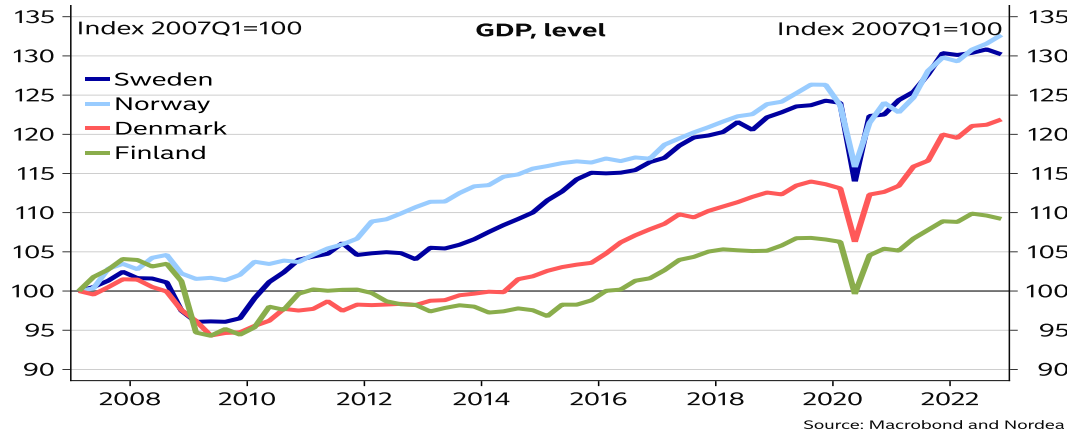
	Cover pool 1 & 2
Registration	<ul style="list-style-type: none"> • Collateral assets remain on the balance sheet of the issuer • Covered bonds, collateral and relevant derivative contracts are entered in a separate register
Bankruptcy remoteness	Isolation of registered collateral assets and registered derivatives from all other assets and liabilities of the insolvent issuer
Preferential claim	Holders of covered bonds together with counterparties of registered derivatives and creditors of management and settlement costs in bankruptcy would rank pari passu and have a preferential claim to the cover pool assets
Post-bankruptcy procedures	<ul style="list-style-type: none"> • A bankruptcy administrator is appointed by the court (administration of estate) and a supervisor is appointed by the Finnish FSA (protection of covered bond creditors' rights) • The cover pool, derivatives and covered bonds to be kept separated from the bankruptcy estate and remain outstanding until their maturity unless the coverage requirements can no longer be met, in which case the bankruptcy administrator will upon request or consent of the supervisor accelerate the covered bonds and liquidate the cover pool assets • Covered bond creditors, counterparties of registered derivatives and creditors of management and settlement costs would rank pari passu and have a preferential claim on the proceeds of the liquidation of the cover pool

5. Macroeconomy

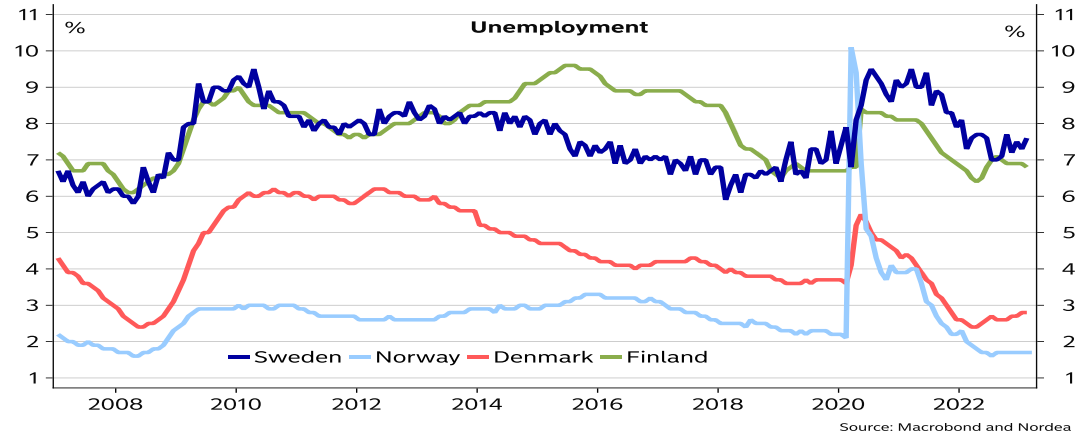
Nordic economic development

Strong economies are facing a recession

GDP development



Unemployment rate



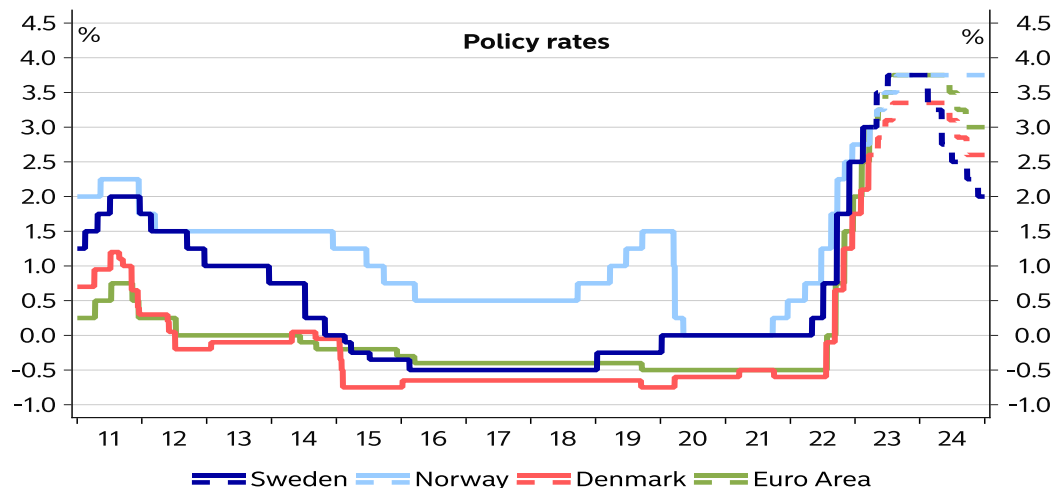
- The Nordic economies have been among the best performing economies globally during the pandemic
- However, on the back of surging inflation and interest rates, coupled with lower global growth, most of the Nordic countries are expected to enter a recession
- The resilient labour market is set to weaken as the economic activity slows down

GDP, % y/y, Economic Outlook January 2023

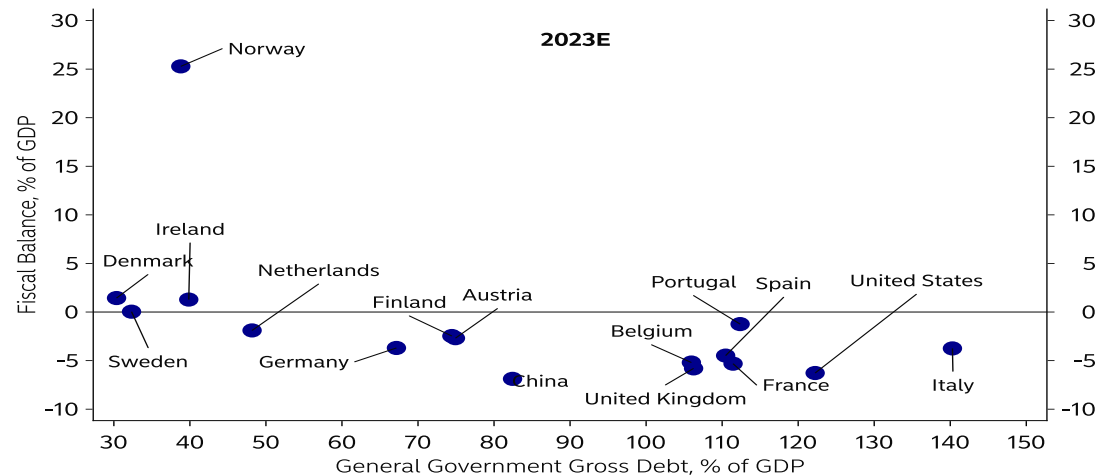
Country	2021	2022	2023E	2024E
Denmark	4.9	3.8	-0.5	1.0
Finland	3.0	2.1	0.0	1.0
Norway (mainland)	4.2	3.8	1.0	1.0
Sweden	5.2	2.7	-1.8	0.8

Interest rates set to peak in 2023

Policy rates



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



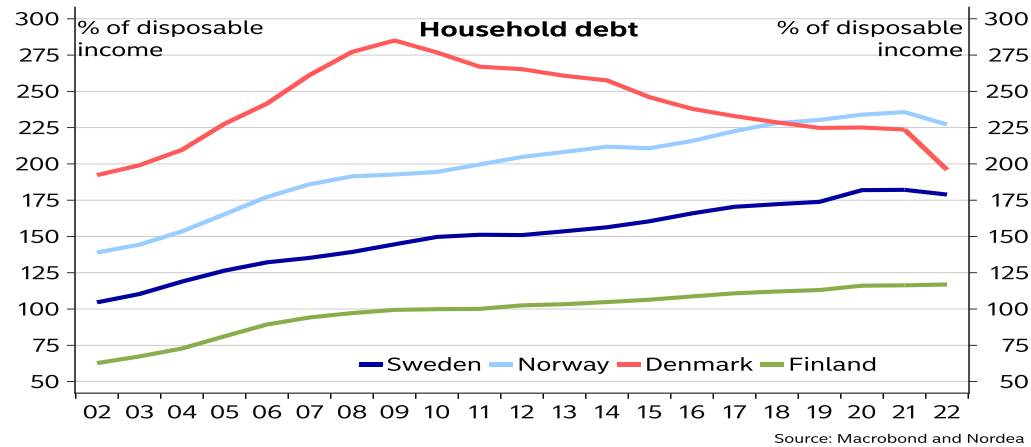
Source: IMF World Economic Outlook, Nordea and Macrobond.

- Central banks have rapidly hiked interest rates to combat the high inflation
- Norges Bank has hiked from 0 to 3.00% since September 2021, and are expected to continue until they reach 3.75% in August 2023
- The Swedish Riksbank raised the policy rate to 3.50% in April and are expected to hike until they reach 3.75% in June 2023
- The ECB delivered a 50bp hike in March. We predict that the policy rates will rise by a total of 4.25 percentage points in the Euro Area and 3.95 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

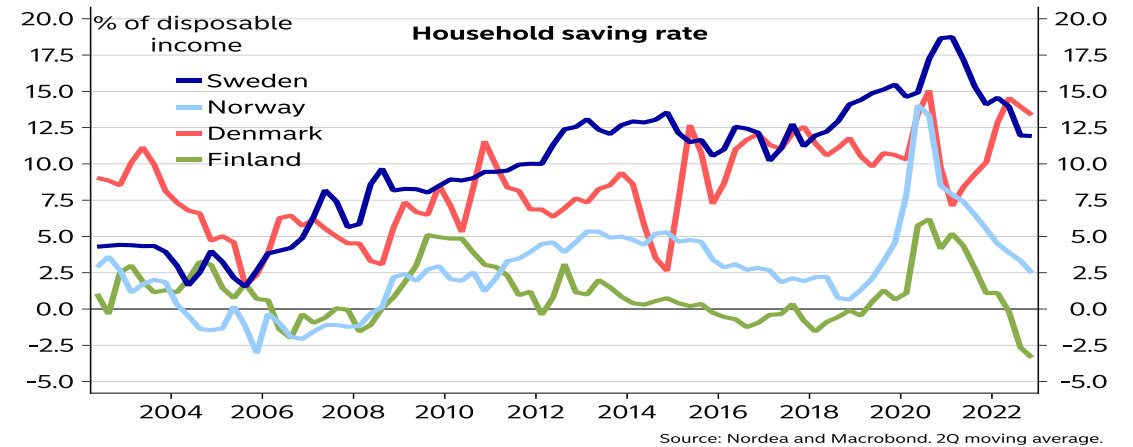
Households

Households squeezed by high interest rates and inflation

Household debt

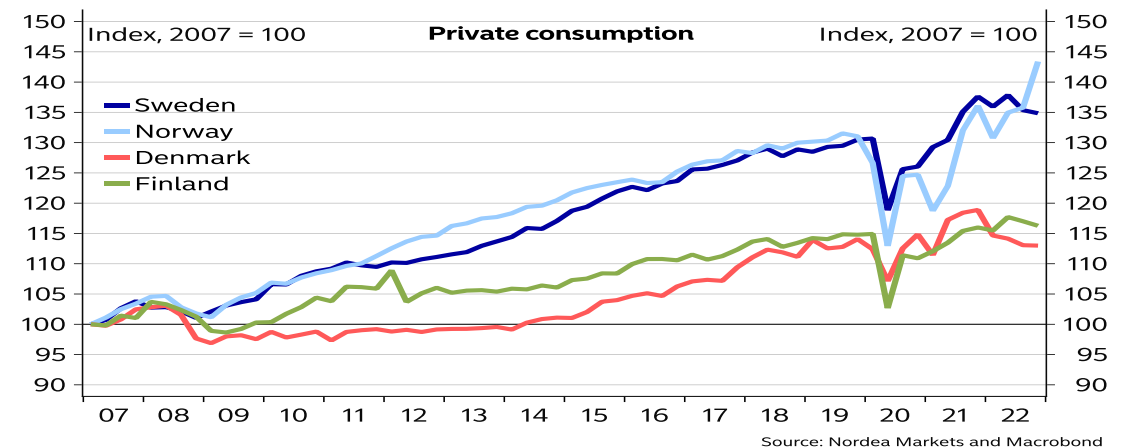


Household savings



- Household savings have fallen drastically as consumption have returned to well above pre-pandemic levels
- However, households are feeling the squeeze and purchasing power is continuing to rapidly decrease. The high and still rising interest rates as well as high inflation implies downside risks for private consumption moving forward

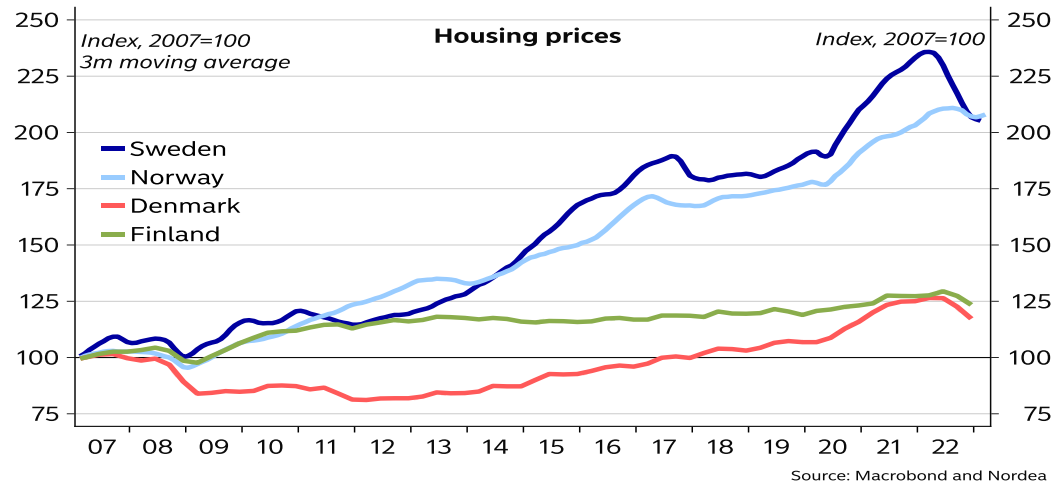
Private consumption



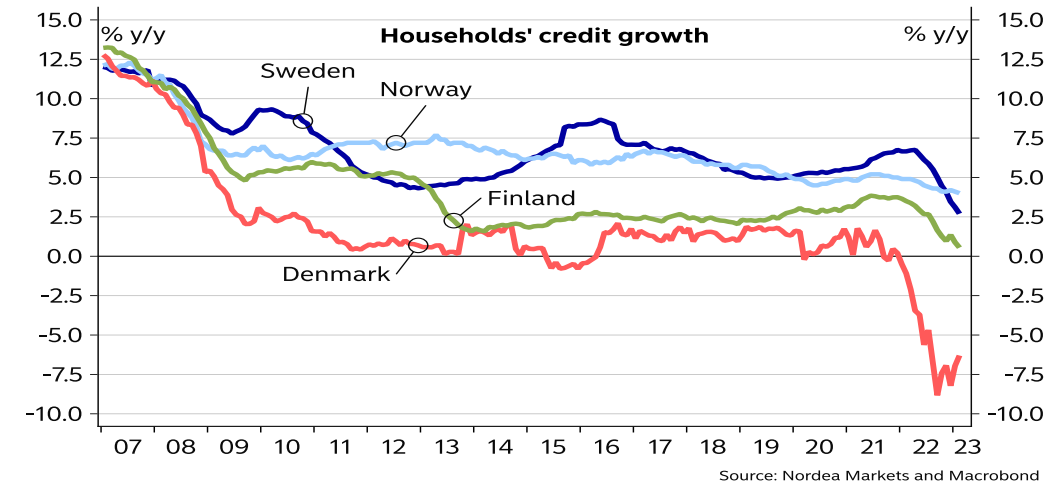
Housing markets

Higher interest rates continues to cool off Nordic housing markets

Housing prices



Households' credit growth



- Housing prices increased to record-high levels in all the Nordic countries in 2022
- However, with higher and increasing interest rates, risks are on the downside for housing prices
- These risks are most pronounced in Sweden and Denmark, with home prices down 13.2% respectively 7.5% since the peak
- Households' credit growth in the Nordic countries have since the start of 2022 been on a downward trend except for Denmark which has increased since September

6. Further information

Nordea Mortgage Bank – outstanding benchmark covered bonds

Q1 2023

Breakdown by ISIN					
Cover Pool	ISIN	Currency	Amount (EURm)	Maturity	Coupon
1	XS1522968277	EUR	1 000	21/11/2023	0.25%
1	XS1132790442	EUR	1 000	05/11/2024	1%
1	XS1825134742	EUR	1 000	23/05/2025	0.625%
1	XS2157194643	EUR	8 500	16/11/2025	FRN
2	XS2561746855	EUR	1 000	01/12/2025	2.625%
1	XS1963717704	EUR	1 500	18/03/2026	0.25%
1	XS1204140971	EUR	1 000	17/03/2027	0.625%
1	XS2013525410	EUR	1 000	18/06/2027	0.125%
1	XS2463702907	EUR	1 500	30/03/2029	1%
2	XS2589317697	EUR	1 000	20/02/2030	3%
2	XS2532376949	EUR	1 000	14/09/2032	2.5%
1	XS1784071042	EUR	750	28/02/2033	1.375%
Total			20 250		

Contacts

Investor Relations

Maria Caneman

Debt IR and ratings
Mobile: +46 738 66 17 24
Tel: +46 10 156 50 19
maria.caneman@nordea.com

Group Treasury

Petra Mellor

Chief Treasury Manager
Mobile: +46 702 77 8372
Tel: +46 8 407 9124
petra.mellor@nordea.com

Morten Keil

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