

Nordea

Q3 2022 Debt investor presentation

Nordea Mortgage Bank Covered Bonds

Cover pools 1 & 2



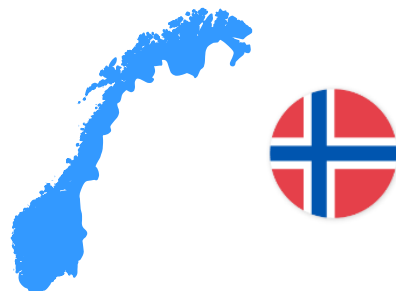
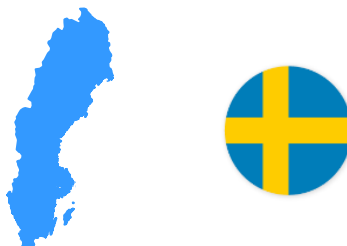


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1. In brief

Nordea covered bond operations

Q3 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 21.3bn (eq.)	EUR 61.8bn (eq.)	Balance principle	Pool 1: EUR 22.9bn/ Pool 2: EUR 1.3bn
	Covered bonds outstanding*	EUR 11.8bn (eq.)	EUR 33.2bn (eq.)	EUR 61.1bn (eq.)*	Pool 1: EUR 20.7bn/ Pool 2: EUR 1bn
	OC*	81%	86%	7.4%*	Pool 1: 11% / Pool 2: 28%
	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 2022 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

2. Cover pool characteristics

Cover pool key characteristics

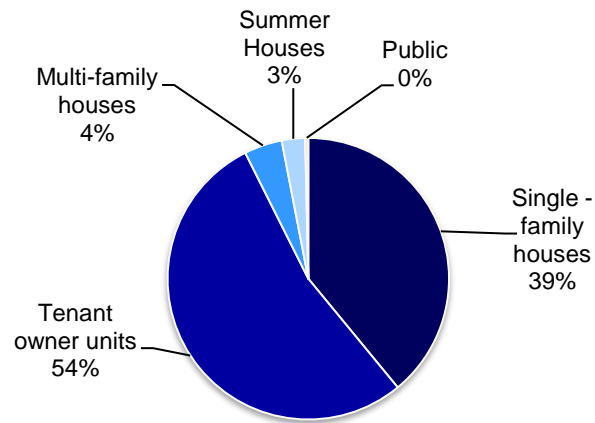
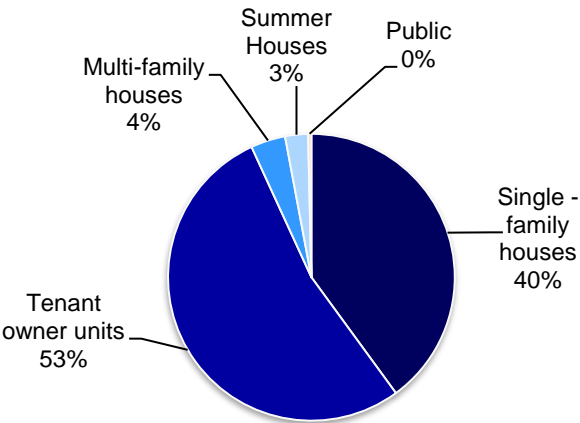
Q3 2022

Cover pool summary	Cover pool 1 (Legacy)	Cover Pool 2 (New)
Pool notional	EUR 22.9bn	EUR 1.3bn
Outstanding Covered Bonds	EUR 20.7bn	EUR 1.0bn
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	99.6% residential, 0.4% public sector	99.6% residential, 0.4% public sector
Weighted average LTV*	51.6% (indexed, calculated per property)	52.8% (indexed, calculated per property)
Average loan size*	EUR 75.7k	EUR 79.1k
Over collateralisation, OC	10.9%	28.1%
Rate type**	Fixed rate 1.1%, Floating rate 98.9%	Fixed rate 1.0%, Floating rate 99.0%
Amortisation**	Bullet/ interest only 4.2%, Amortising 95.8%	Bullet/ interest only 4.4%, Amortising 95.6%
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)

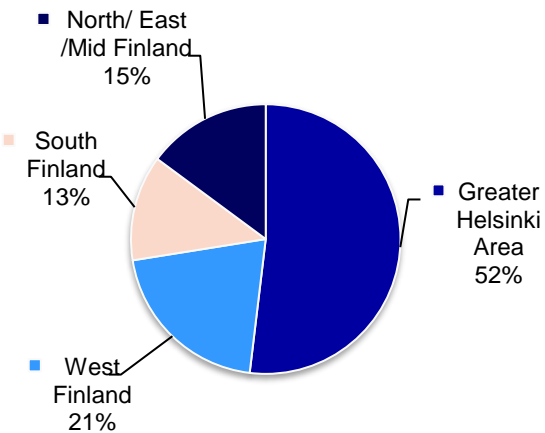
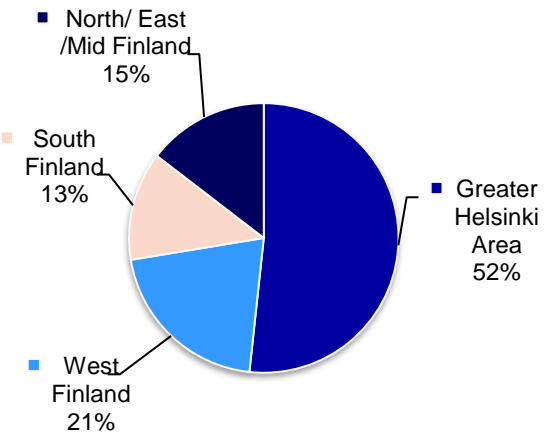
Cover pool key characteristics (2)

Q3 2022

Cover pool balance by loan category



Cover pool balance by region



3. Asset quality

Loan To Value (LTV)

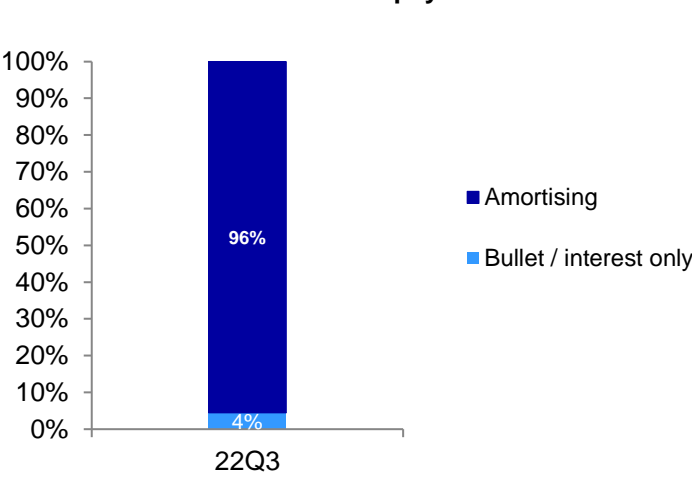
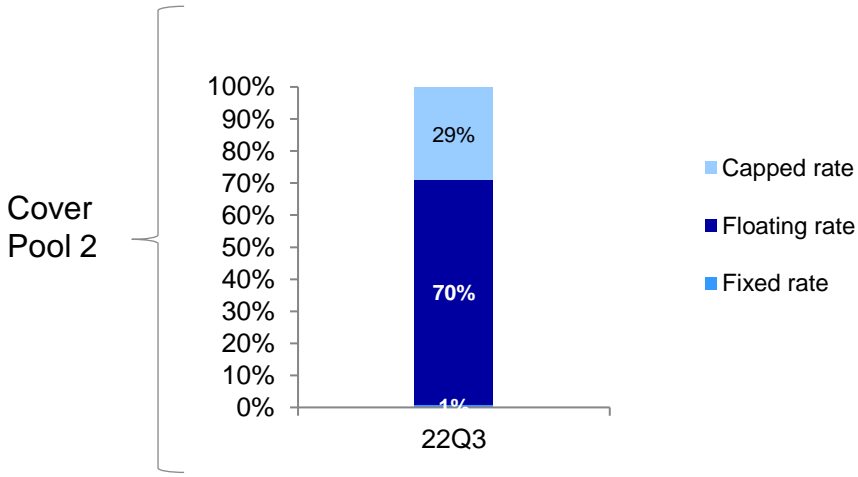
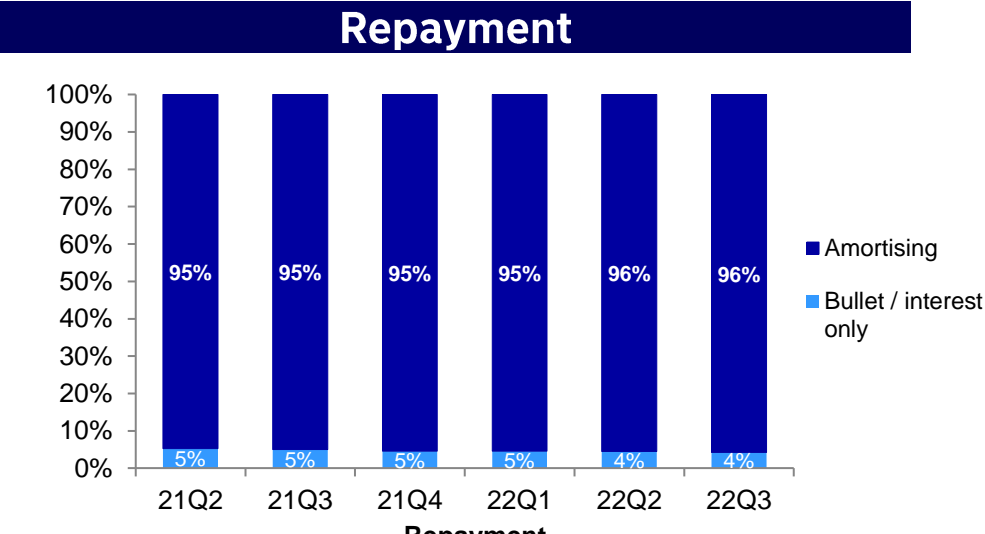
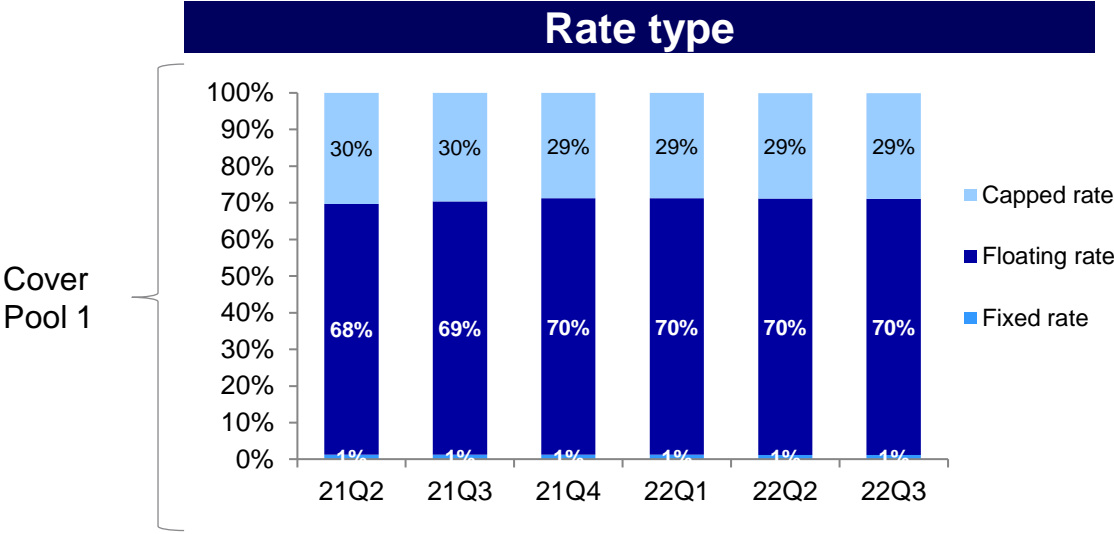
Continuous distribution where each loan can exist in multiple buckets

Q3 2022

Cover Pool 1 - Weighted Average LTV – Indexed	51.7%	
LTV buckets	Nominal (EURbn)	% Residential Loans
>0 - <=40 %	17.3	74%
>40 - <=50 %	2.5	11%
>50 - <=60 %	1.9	9%
>60 - <=70 %	1.3	6%
Total	22.8	100%
Cover Pool 2 - Weighted Average LTV - Indexed	52.8%	
LTV buckets	Nominal (EURbn)	% Residential Loans
>0 - <=40 %	0.95	75%
>40 - <=50 %	0.13	10%
>50 - <=60 %	0.10	8%
>60 - <=70 %	0.07	5%
>70 - <=80 %	0.04	3%
Total	1.3	100%

Loan structure

Q3 2022



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

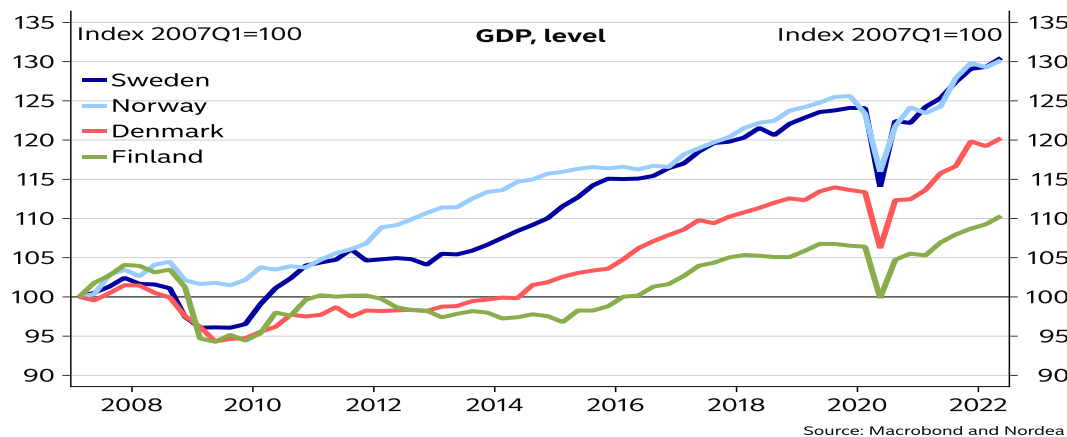
Finnish covered bond framework, continued

	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

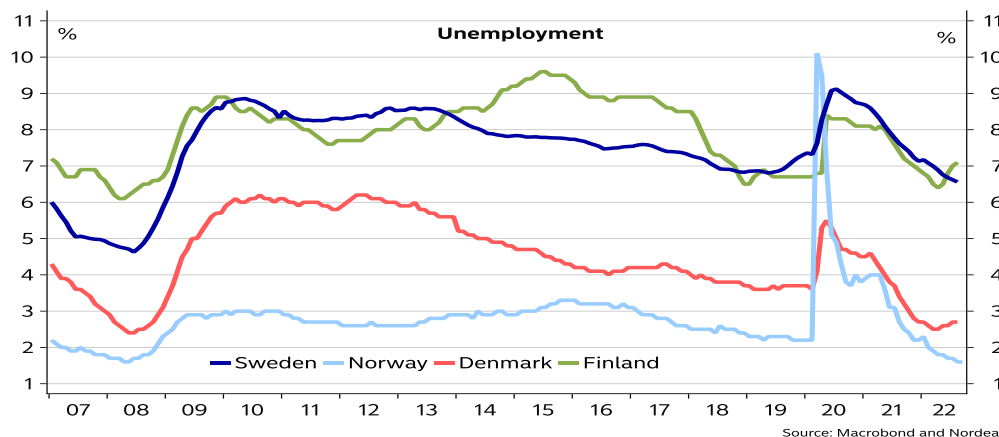
5. Macroeconomy

Nordic outlook dampened by higher inflation and interest rates

GDP development



Unemployment rate



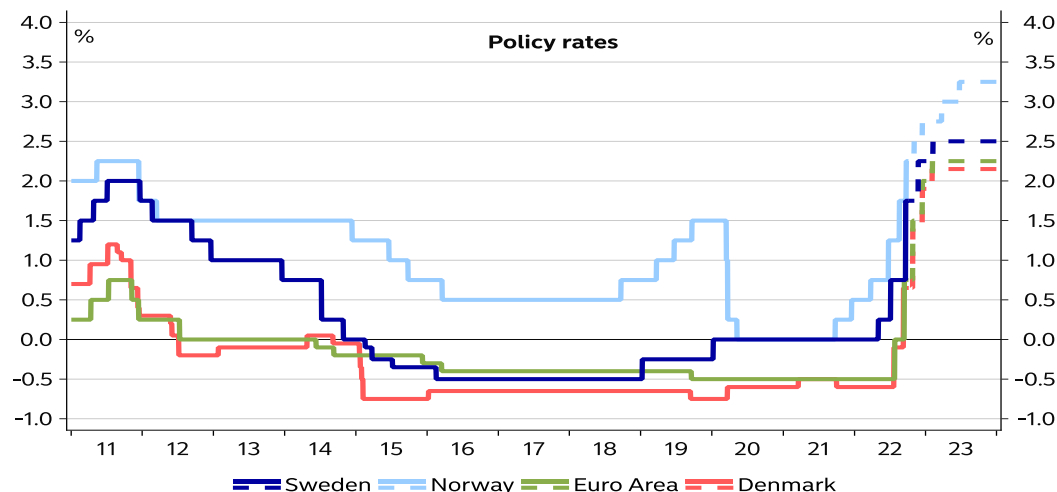
- The Nordic economies recovered quickly from the pandemic and even showed signs of overheating
- With surging inflation and energy prices, the economic development in the Nordic countries will most likely slow down in the following quarters
- Unemployment rate in the Nordic countries have continuously declined since the pandemic

GDP, % y/y (Economic Outlook September 2022)

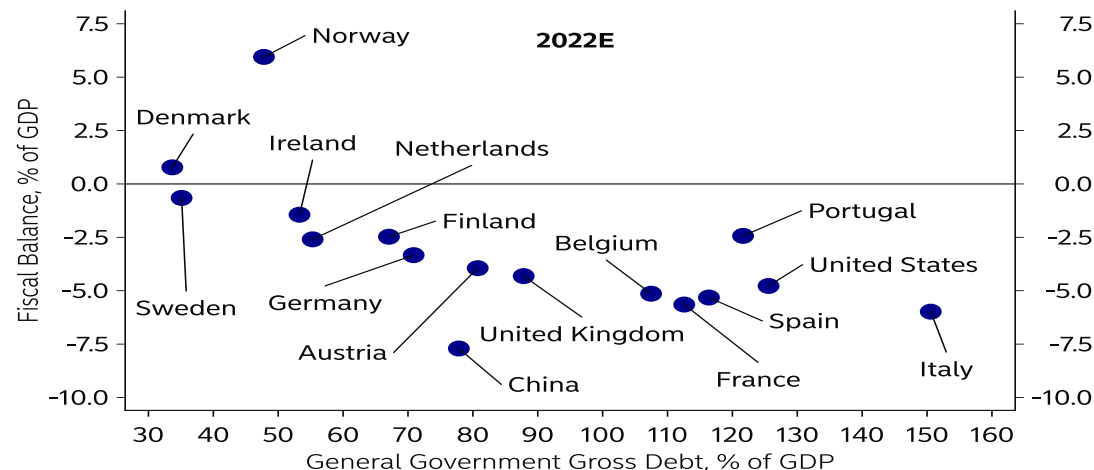
Country	2021	2022E	2023E	2024E
Denmark	4.9	2.5	0.5	1.8
Finland	3.0	2.5	0.0	1.5
Norway	4.1	3.2	1.0	1.3
Sweden	4.9	3.0	-0.5	1.0

Interest rates are increasing rapidly throughout the Nordics

Policy rates



Public balance/debt, % of GDP, 2022E (IMF)



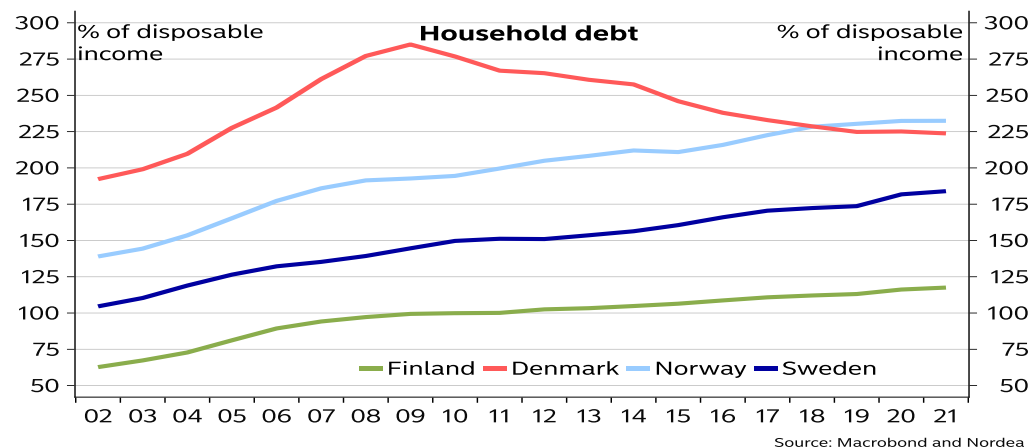
Source: IMF World Economic Outlook, Nordea and Macrobond.

- Central banks are rapidly hiking interest rates to combat high inflation
- Norges Bank has hiked from 0 to 2.25% since last fall, and are expected to continue until they reach 3.25% at the end of 2023
- The Swedish Riksbank raised the policy rate to 1.75% in September and are expected to hike to 2.5% by February 2023
- The ECB delivered a 75bp hike in September. We predict that policy rates will rise by a total of 2.75 percentage points in the Euro Area and Denmark
- The ECB and the Riksbank are reducing the size of their balance sheets
- Solid public finances helped Nordic governments during the pandemic, which will help them handle the economic difficulties ahead

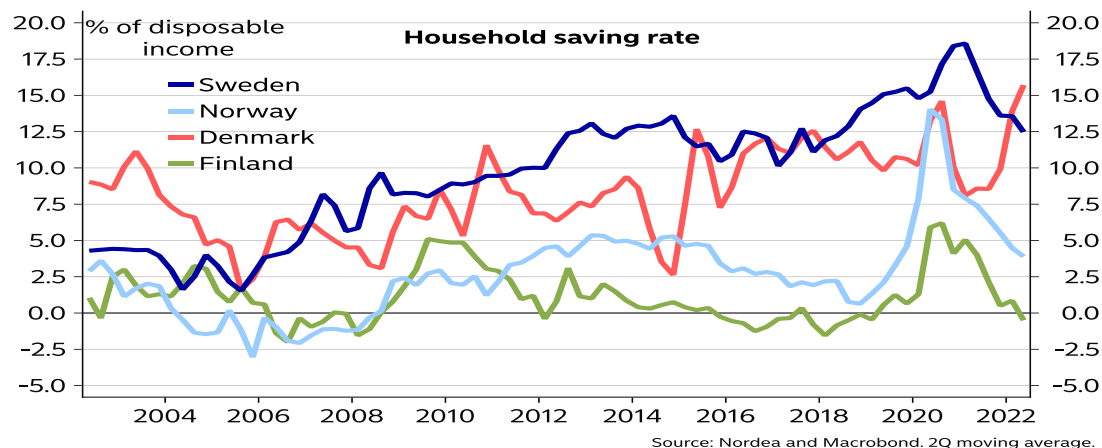
Households

Households facing high inflation and rising interest rates

Household debt

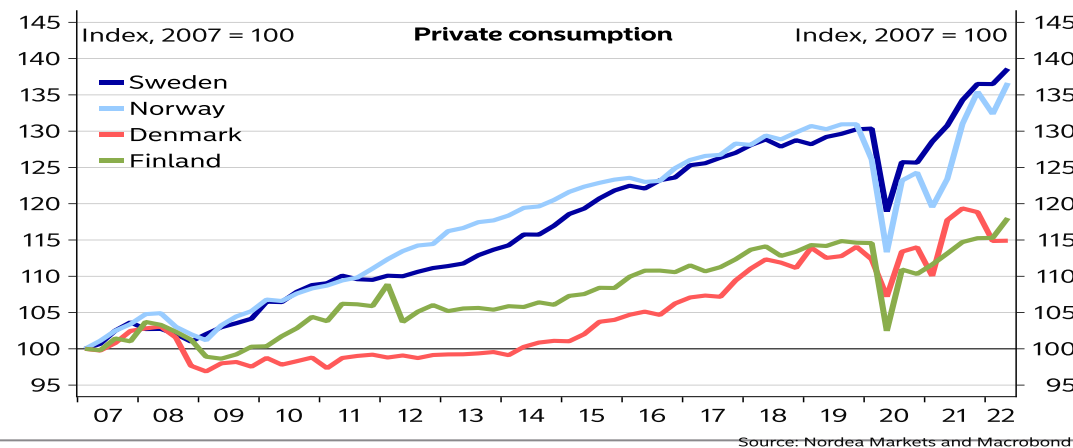


Household savings



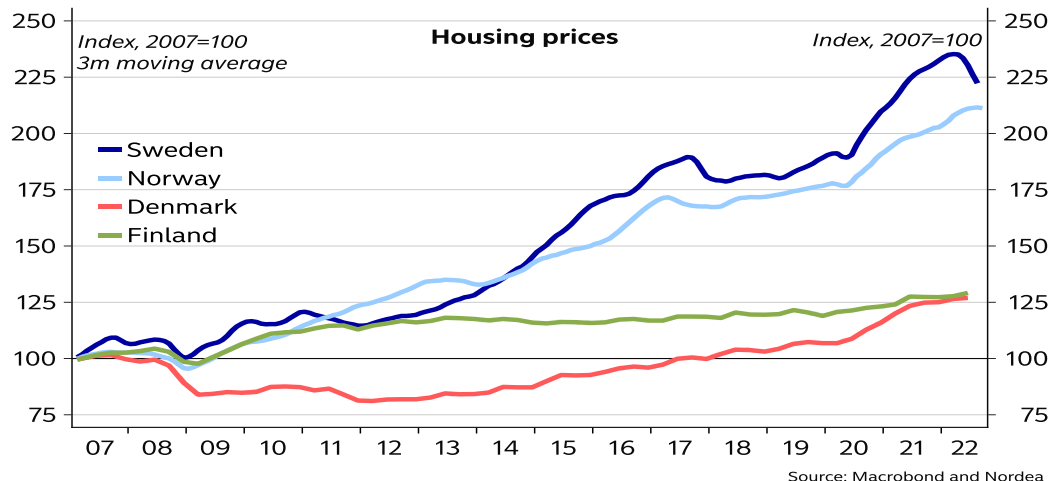
- Household savings increased dramatically during the pandemic, but have since returned to more normal levels as consumption has increased
- However, purchasing power is decreasing rapidly. Rising interest rates as well as high inflation implies downside risks for private consumption moving forward

Private consumption

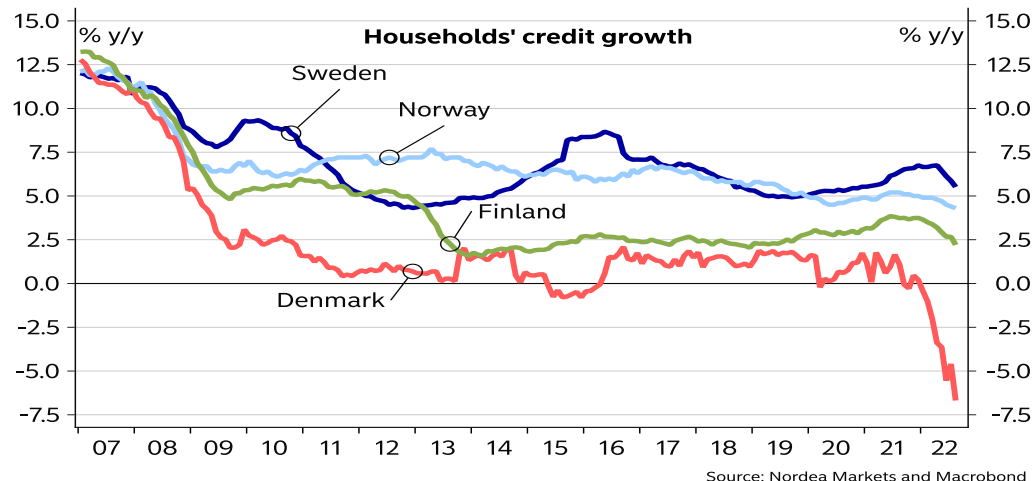


Rising interest rates are cooling off hot Nordic housing markets

Housing prices



Households' credit growth



- Housing prices increased to record-high levels in all the Nordic countries during the pandemic
- However, with inflation and interest rates quickly increasing, there are now more downside risks to housing prices
- These risks are especially pronounced in Sweden, and home prices are down 7% since March this year
- Households' credit growth in the Nordic countries have continuously declined since April 2022 except for Denmark in July 2022

6. Further information

Nordea Mortgage Bank – outstanding benchmark covered bonds

Q3 2022

Breakdown by ISIN					
Cover Pool	ISIN	Currency	Amount (EURm)	Maturity	Coupon
1	XS1308350237	EUR	1 250	19/10/2022	0.625%
1	XS1784067529	EUR	1 250	28/02/2023	0.25%
1	XS2157194643	EUR	8 500	16/11/2023	FRN
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	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	XS2532376949	EUR	1 000	14/09/2032	2.5%
1	XS1784071042	EUR	750	28/02/2033	1.375%
Total			20 750		

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