

Nordea

Q1 2023 Debt investor presentation

Nordea Eiendomskreditt Covered Bonds



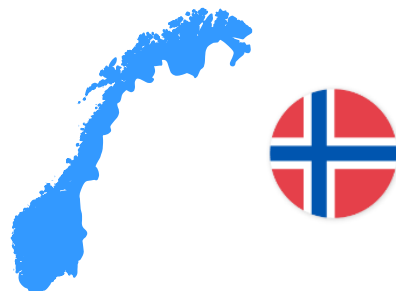
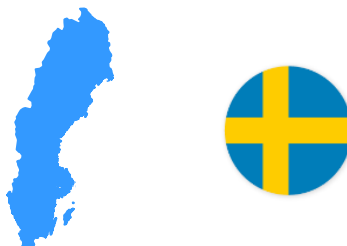

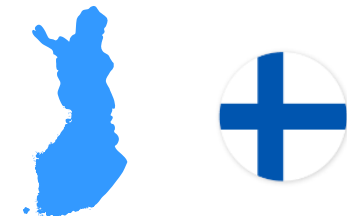
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1. In brief

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 Eiendomskreditt – overview

- A 100% owned subsidiary of Nordea Bank Abp
- The purpose of the Issuer is to acquire and provide residential mortgage loans and finance its activities mainly through issuance of covered bonds
- Issues also green covered bonds
- Loans are originated by Nordea Eiendomskreditt (NE)
- Collateral must be in the form of mortgages in residential real estate or holiday houses
- Cost-effective loan origination and service through Nordea Bank's nationwide Norwegian branch network and internet
- Covered bonds rated Aaa by Moody's

2. Cover pool characteristics

Cover pool key characteristics

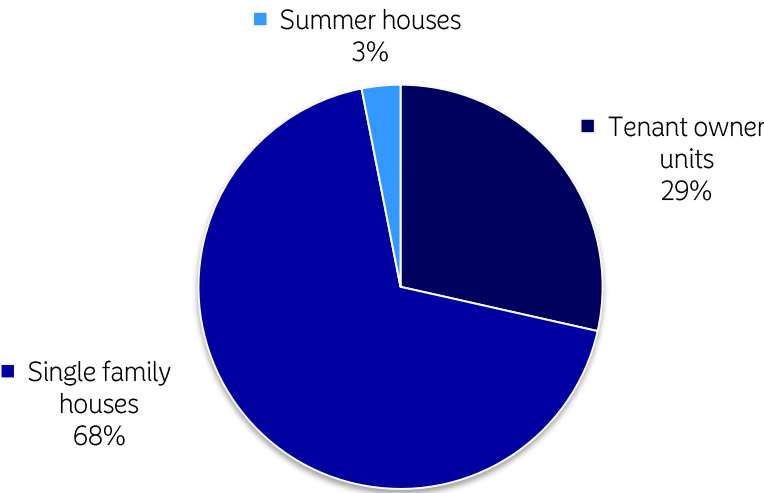
Q1 2023

Cover pool summary	
Pool notional	NOK 239.2bn
Outstanding Covered Bonds	NOK 164.2bn
Cover pool content	Mortgage loans secured by Norwegian residential collateral
Geographic distribution	Throughout Norway with concentration to urban areas
Asset distribution	100% residential
Weighted average LTV	49.1% (indexed, calculated per property)
Average loan size	NOK 2.1m
Over Collateralisation (OC)	46%
Rate type	Floating 97.8%, Fixed 2.2%
Amortisation	Bullet/ interest only 39.0%, Amortizing 61.0%
Pool type	Dynamic
Loans originated by	Nordea Eiendoms kreditt

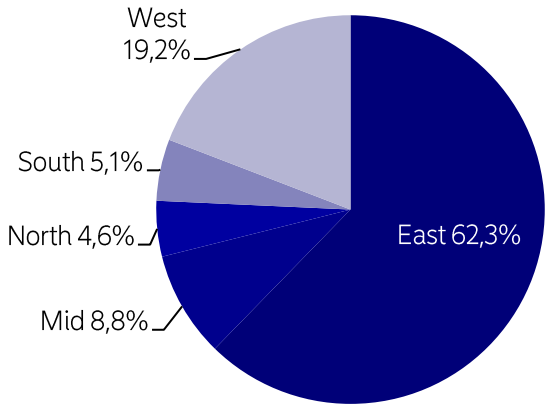
Cover pool key characteristics (2)

Q1 2023

Cover pool balance by loan category



Cover pool balance by region



3. Asset quality

Loan to Value (LTV)

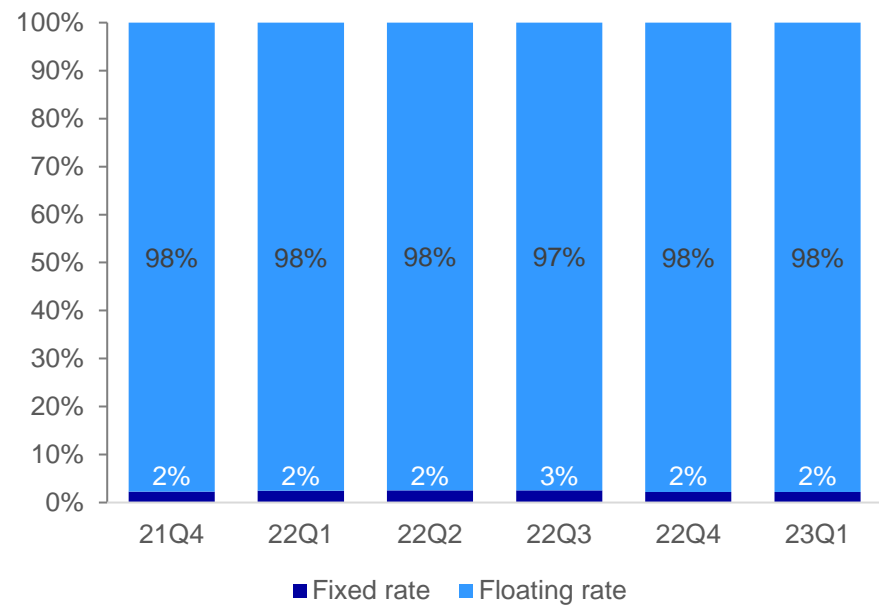
Q1 2023

Weighted Average LTV - Indexed	49.1%	
LTV buckets	Nominal (NOKbn)	% Residential Loans
>0 - <=40 %	67.3	46%
>40 - <=50 %	44.7	16%
>50 - <=60 %	56.3	17%
>60 - <=70 %	48.6	14%
>70 - <=80 %	22.2	6%
Total	239.2	100%

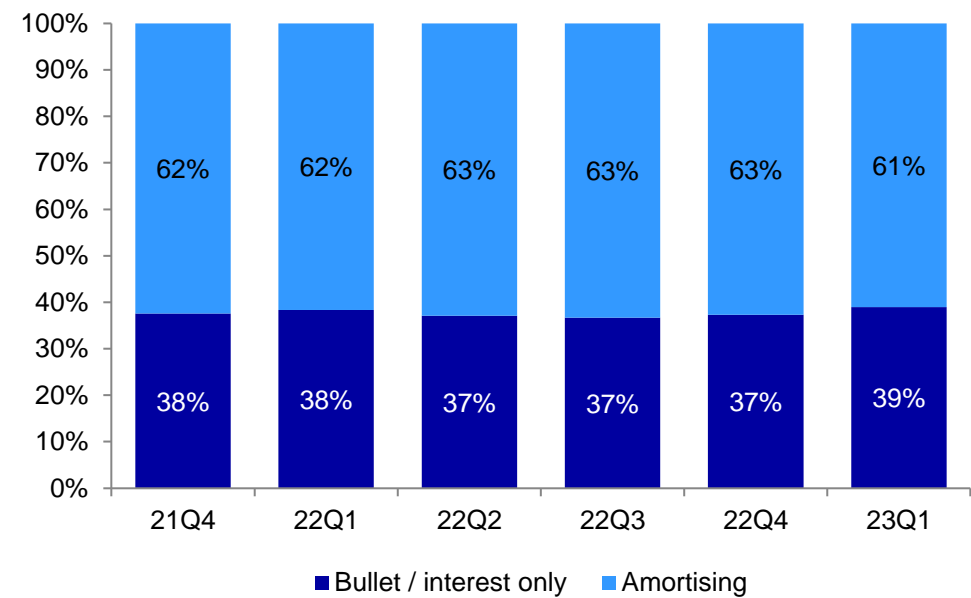
Loan structure

Q1 2023

Rate type



Repayment



Underwriting criteria

Regulation

- Mortgages are regulated in "Boliglånsforskriften" which sets requirements on borrowers' debt to income, rent sensitivity, instalments and loan to value.

Affordability

- Customer's ability to service its commitment out of its cash flow/income is critical
- Repayment ability of borrowers is calculated using stressed scenarios. Customers must manage 5 percentage points increase on interest rate on all debt
- Scoring of retail customers

Payment history

- Credit bureau check is always conducted. Potential external payment remarks are revealed

Collateral

- Information from Norwegian official property register in order to secure correct real estate ownership and priority
- Nordea accepts three sources of real estate valuations:
 - a) Written statement from external authorized valuer
 - b) Use of external evaluating system "Eiendomsverdi" (used by most banks and real estate agents in Norway)
 - c) Written statement from (external) real estate agent

4. Covered bond framework

Norwegian covered bond framework

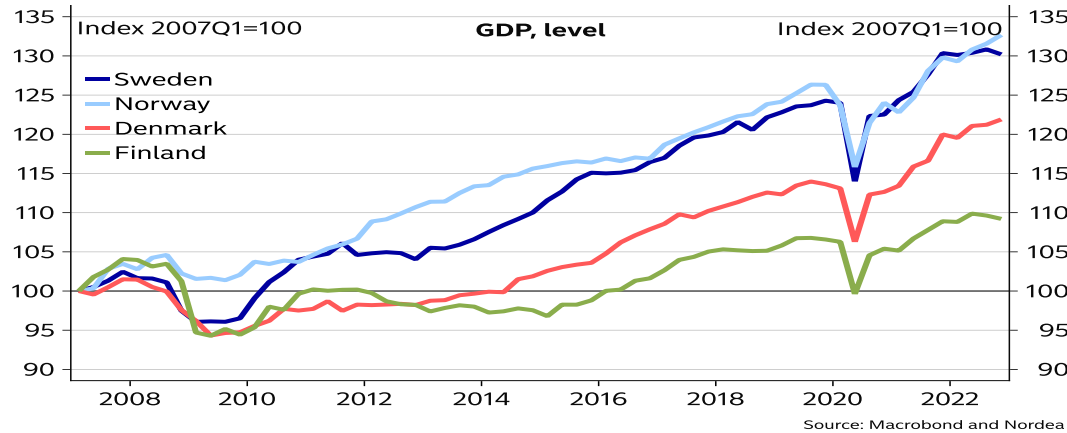
- Legal framework
 - Financial Undertakings Act (Act. No. 17 of 10 April 2015, Norwegian: Finansforetaksloven), which was recently amended on 8 July 2022 to implement the European Covered Bond Directive.
- Registration and independent inspector
 - A mortgage credit institution shall for each cover pool establish a register of loans, cover assets, derivative contracts and covered bonds
 - The institution shall appoint an independent inspector for the purpose of monitoring the register and compliance with matching cover requirements
- Limit on LTV ratio – based on the current value
 - 80% for residential property (however, 60% in case of vacation property)
 - 60% for other real estate
- Matching cover requirements
 - The value of the cover pool shall at all times exceed the value of covered bonds by minimum 5% with a preferential claim over the pool for bondholders and derivative counterparties
- Liquidity requirements
 - The mortgage credit institution shall ensure that the payment flows from the cover pool enable the mortgage credit institution to honour its payment obligations towards holders of covered bonds and derivative counterparties at any and all times
- Liquidity buffer requirement
 - The cover pool must include a liquidity buffer in an amount covering the 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.

5. Macroeconomy

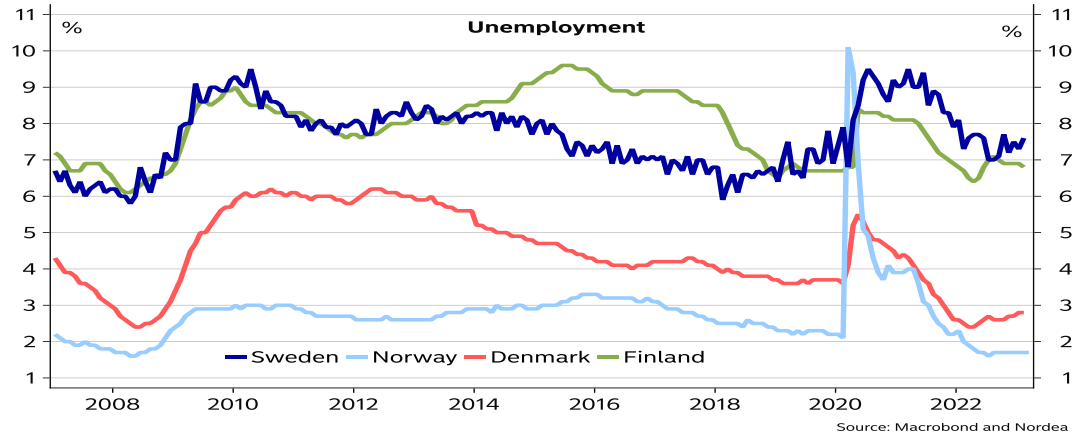
Nordic economic development

Strong economies are facing a recession

GDP development



Unemployment rate



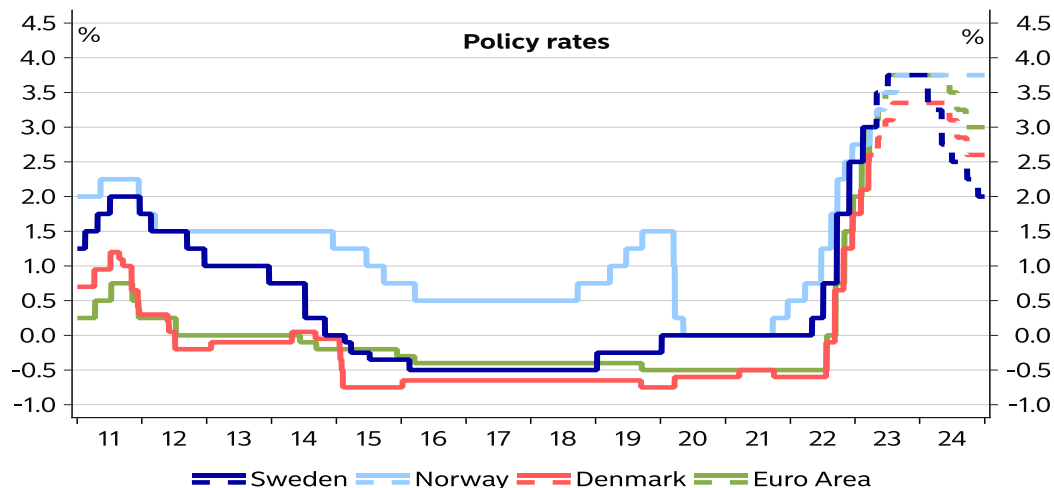
- The Nordic economies have been among the best performing economies globally during the pandemic
- However, on the back of surging inflation and interest rates, coupled with lower global growth, most of the Nordic countries are expected to enter a recession
- The resilient labour market is set to weaken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

GDP, % y/y, Economic Outlook January 2023

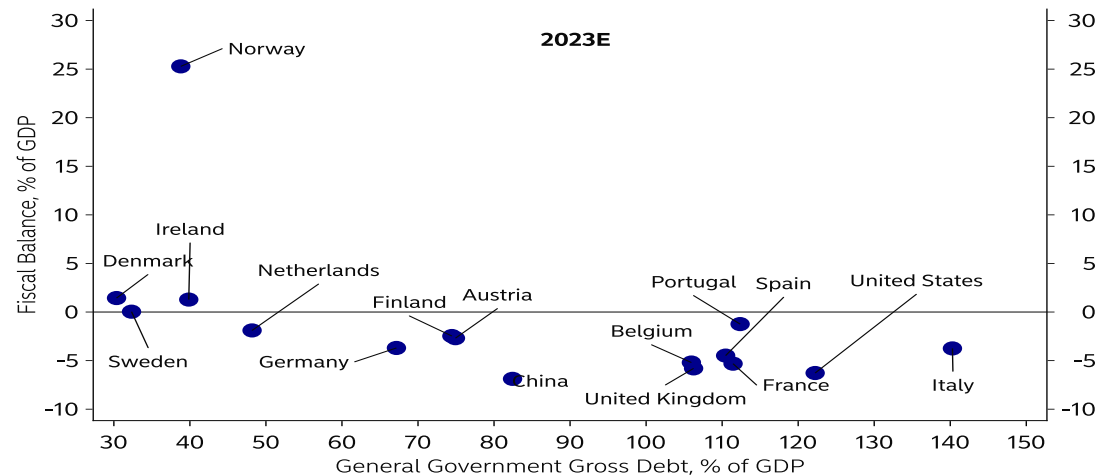
Country	2021	2022	2023E	2024E
Denmark	4.9	3.8	-0.5	1.0
Finland	3.0	2.1	0.0	1.0
Norway (mainland)	4.2	3.8	1.0	1.0
Sweden	5.2	2.7	-1.8	0.8

Interest rates set to peak in 2023

Policy rates



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



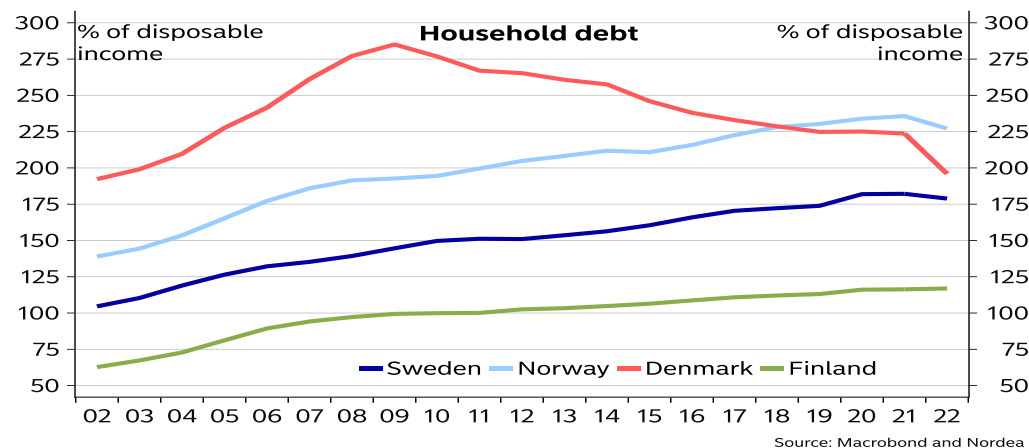
Source: IMF World Economic Outlook, Nordea and Macrobond.

- 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

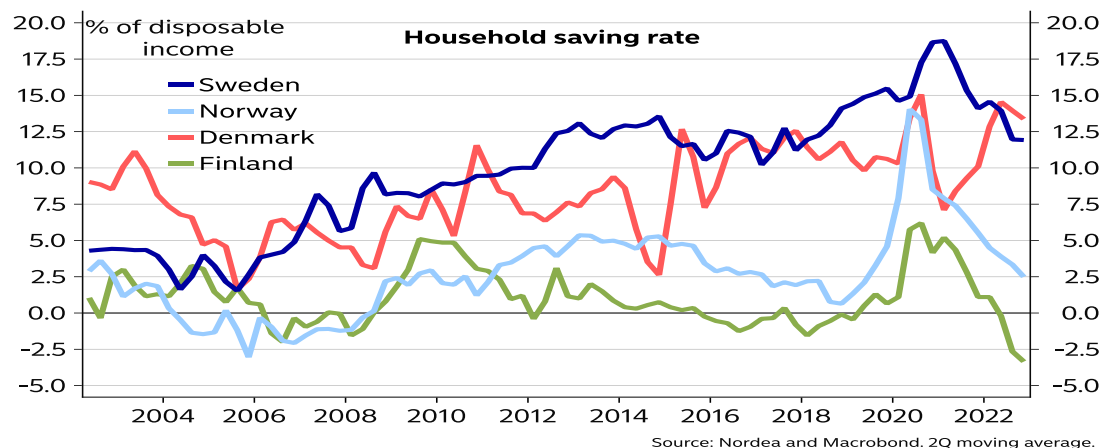
Households

Households squeezed by high interest rates and inflation

Household debt

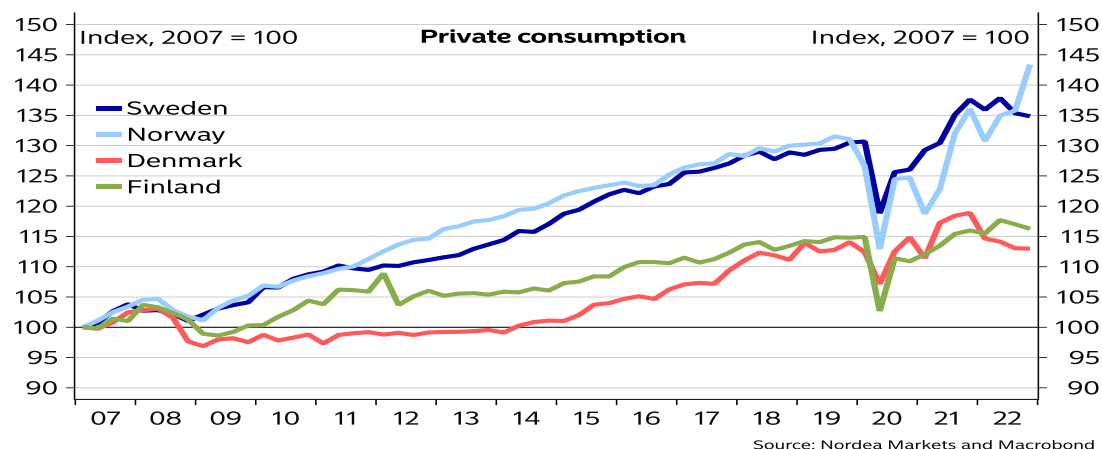


Household savings



- 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

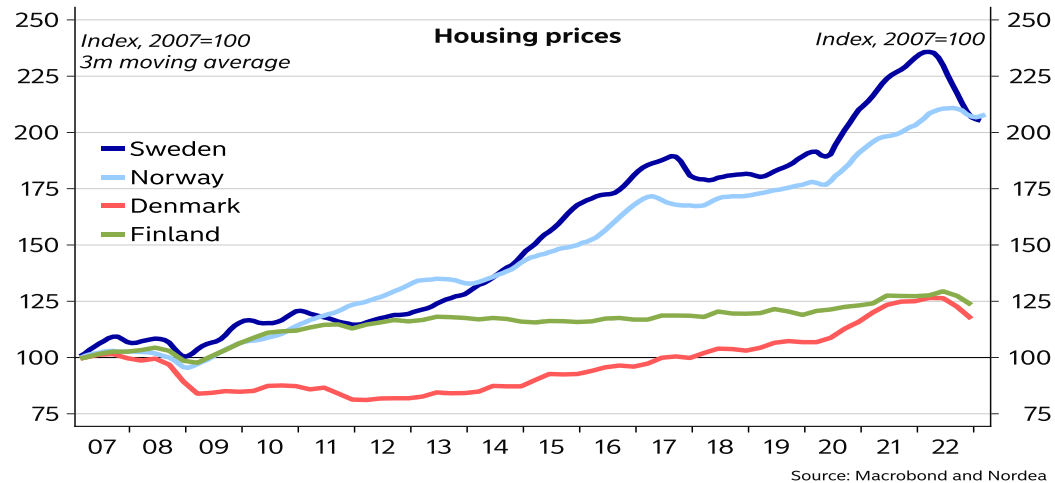
Private consumption



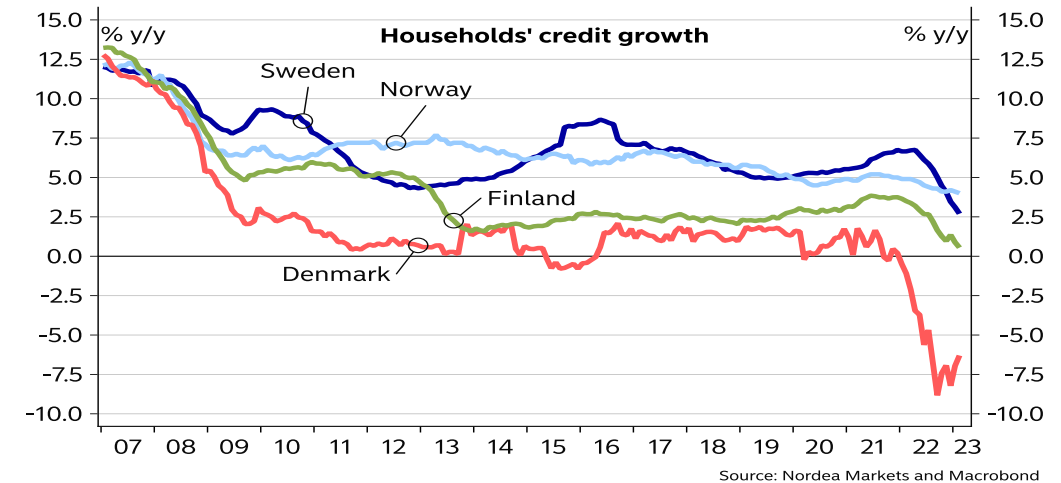
Housing markets

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

Covered bonds – outstanding volumes

Domestic benchmark in NOK									
ISIN	Amount, M	Currency	Amount, MNOK	Issue date	Coupon	Interest rate type	Maturity type	Maturity	Extended maturity
NO0010819717	5 776	NOK	5 776	2018-03-21	0,3	Float	Soft bullet	2023-06-21	2024-06-21
NO0010843626	38 900	NOK	38 900	2019-02-26	0,34	Float	Soft bullet	2024-06-19	2025-06-19
NO0010852650	6 000	NOK	6 000	2019-05-22	2,17	Fixed	Soft bullet	2026-05-22	2027-05-22
NO0010873334	20 000	NOK	20 000	2020-01-22	0,26	Float	Soft bullet	2025-03-19	2026-03-19
NO0010893282	19 700	NOK	19 700	2020-09-16	1,5	Float	Soft bullet	2025-09-16	2026-09-16
NO0010981301	18 050	NOK	18 050	2021-04-21	1,5	Float	Soft bullet	2026-03-18	2027-03-18
NO0011151771	7 000	NOK	7 000	2021-11-17	0,75	Float	Soft bullet	2026-09-17	2027-09-17
NO0012513532	19 200	NOK	19 200	2022-05-03	0,33	Float	Soft bullet	2027-03-17	2028-03-17
NO0012829763	13 600	NOK	13 600	2023-02-02	0,48	Float	Soft bullet	2028-02-02	2029-02-02
Sum	148 226		148 226						

Other bonds									
ISIN	Amount, M	Currency	Amount, MNOK	Issue date	Coupon	Interest rate type	Maturity type	Maturity	Extended maturity
NO0010593064	550	NOK	550	2010-12-22	4,8	Fixed	Soft bullet	2025-06-18	2026-06-18
NO0010678766	600	NOK	600	2013-05-08	3,6	Fixed	Hard bullet	2025-05-08	2026-05-08
NO0010766827	500	NOK	500	2016-06-21	2,2	Fixed	Soft bullet	2031-06-18	2032-06-18
XS1451306036	100	EUR	938	2016-07-19	0,74	Fixed	Soft bullet	2031-07-15	2032-07-15
NO0010789266	2 015	NOK	2 015	2017-03-23	0,57	Float	Hard bullet	2023-05-23	2024-05-23
NO0010812084	300	NOK	300	2017-12-11	2,2	Fixed	Soft bullet	2043-06-17	2044-06-17
NO0010821986	300	NOK	300	2018-05-04	2,6	Fixed	Soft bullet	2048-05-04	2049-05-04
XS1837099339	300	GBP	3 270	2018-06-18	0,45	Float	Soft bullet	2023-06-18	2024-06-18
NO0012441643	3 500	NOK	3 500	2022-02-15	2,45	Fixed	Soft bullet	2030-02-15	2031-02-15
NO0012720988	3 150	NOK	3 150	2022-10-12	4	Fixed	Soft bullet	2029-10-12	2030-10-12
NO0012732017	400	NOK	400	2022-10-28	4	Fixed	Soft bullet	2037-10-28	2038-10-28
NO0012838277	420	NOK	420	2023-02-14	3,39	Fixed	Soft bullet	2035-02-14	2036-02-14
Sum			15 943						

	Amount, MNOK
Total outstanding bonds	164 169
of which repos	0

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

Ola Bladholm

Chief Treasury Manager

Tel: +46 101 56 1389

Mobile: +46 702 69 6532

ola.bladholm@nordea.com

Morten Keil

Head of Covered Bonds

Tel: +45 3333 1875

Mobile: +45 6177 3100

morten.keil@nordea.com