



# Nordea

## Nordea Eiendomskreditt Covered Bonds

Q3 2021 Debt investor presentation

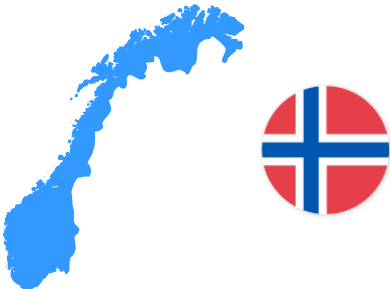
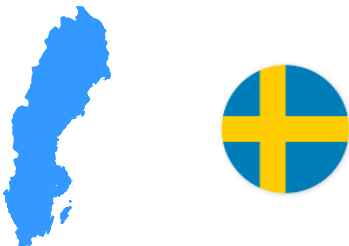


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# 1. In brief

# Nordea covered bond operations

Q3 2021

Four aligned covered bond issuers with complementary roles	Nordea Eiendomskreditt	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 61.9bn (eq.)	Balance principle	EUR 23.5bn
	Covered bonds outstanding	EUR 9.1bn (eq.)	EUR 35.6bn (eq.)	EUR 60.3bn (eq.)*	EUR 20.8bn
	OC	130%	74%	8%*	13%
	Issuance currencies	NOK	SEK	DKK, EUR	EUR, GBP
	Rating (Moody's / S&P)	Aaa/ -	Aaa / -	- / AAA	Aaa / -

- Covered bonds are an integral part of Nordea's long term funding operations
- Issuance in Scandinavian and international currencies
- ECBC Covered Bond Label on all Nordea covered bond issuance



4 \*The figures in Nordea Kredit only include capital centre 2 (CC2). 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 Eiendoms kreditt – overview

Q3 2021

- 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
- Loans are originated by Nordea Eiendoms kreditt (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

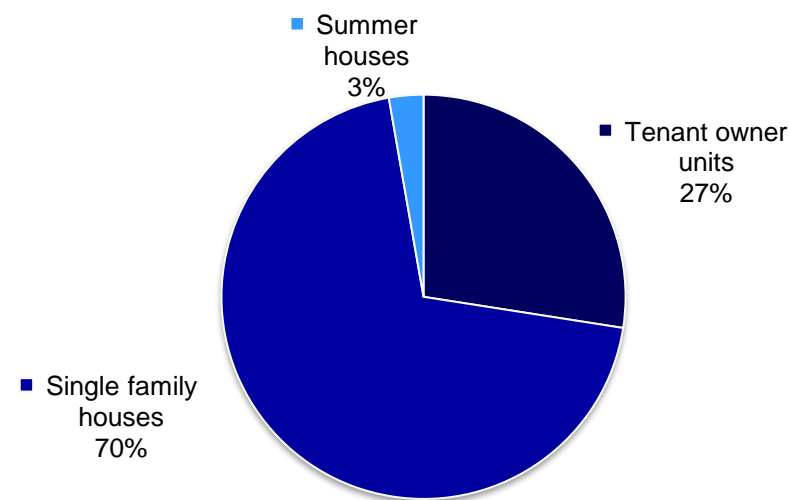
Q3 2021

Cover pool summary	
Pool notional	NOK 212.6bn
Outstanding Covered Bonds	NOK 92.3bn
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	49.7% (indexed, calculated per property)
Average loan size	NOK 2.0m
Over Collateralisation (OC)	130%
Rate type	Floating 97.8%, Fixed 2.2%
Amortisation	Bullet/ interest only 37.2%, Amortising 62.8%
Pool type	Dynamic
Loans originated by	Nordea Eiendomskreditt

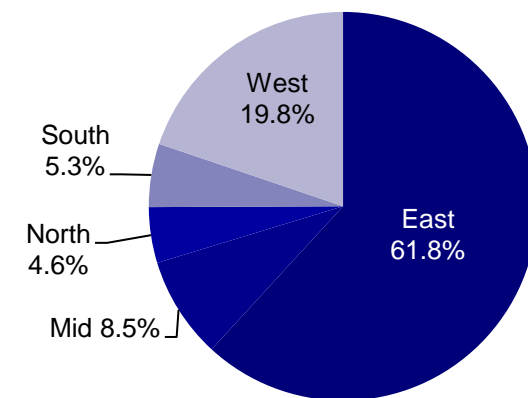
# Cover pool key characteristics (2)

Q3 2021

Cover pool balance by loan category



Cover pool balance by region





### 3. Asset quality

# Loan to Value (LTV)

Each loan is reported in the highest bucket

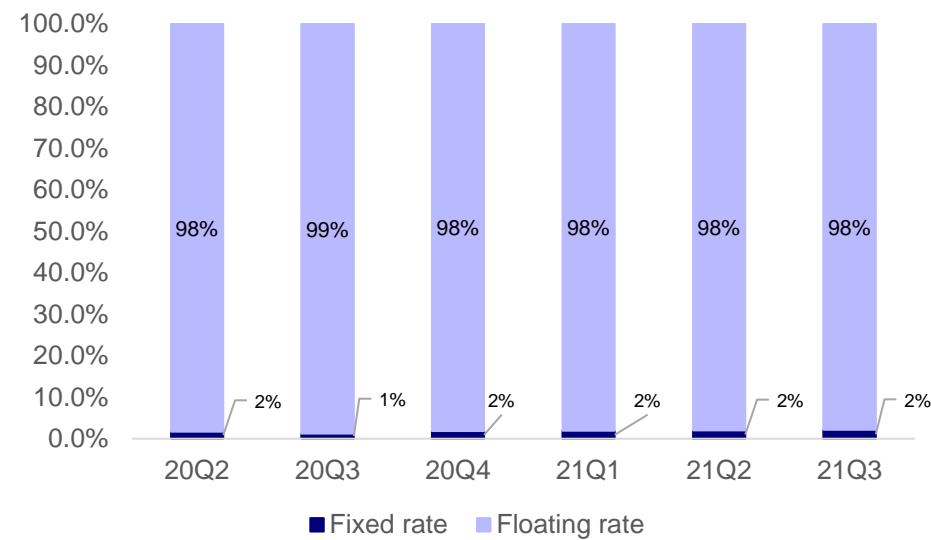
Q3 2021

Weighted Average LTV – Unindexed		49.8%	
LTV buckets		Nominal (NOKm)	% Residential Loans
>0 - <=40 %		57 765.5	27.2%
>40 - <=50 %		38 969.6	18.3%
>50 - <=60 %		48 538.7	22.8%
>60 - <=70 %		44 149.5	20.8%
>70 - <=80 %		23 197.9	10.9%
Total		212 621.2	100.0%
Weighted Average LTV - Indexed		49.7%	
LTV buckets		Nominal (NOKm)	% Residential Loans
>0 - <=40 %		57 986.4	27.3%
>40 - <=50 %		39 161.6	18.4%
>50 - <=60 %		48 419.1	22.8%
>60 - <=70 %		44 052.8	20.7%
>70 - <=80 %		23 001.4	10.8%
Total		212 621.2	100.0%

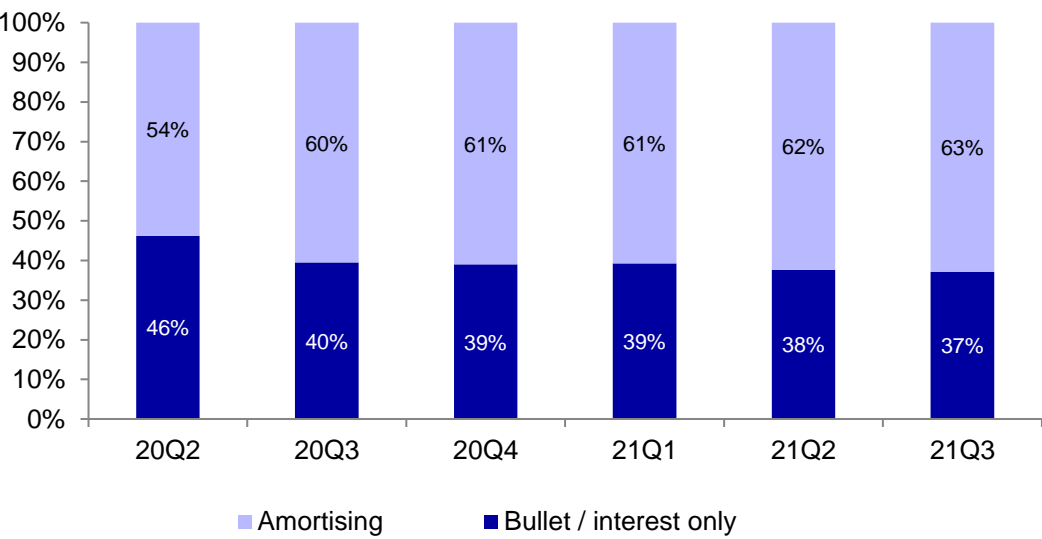
# Loan structure

Q3 2021

Rate type



Repayment



# Underwriting criteria

## Q3 2021

### Regulation

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

### Affordability

- Customers 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

Q3 2021

- Legal framework
  - Financial Undertakings Act (Act. No. 17 of 10 April 2015, Norwegian: Finansforetaksloven)
- Registration and independent inspector
  - A mortgage credit institution shall for each cover pool establish a register of loans, interest rate contracts and foreign exchange contracts, substitute assets and covered bonds
  - The institution shall put forward an independent inspector who shall be appointed by the FSA “Finanstilsynet”
- Limit on LTV ratio – based on the current value
  - 75% for housing loans (residential property)
  - 60% for holiday houses
- Matching cover requirements
  - The value of the cover pool shall at all times exceed the value of covered bonds by 102% with a preferential claim over the pool and account shall be taken of the mortgage credit institution’s derivative contracts
- 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 counterparties to derivative contracts at any and all times



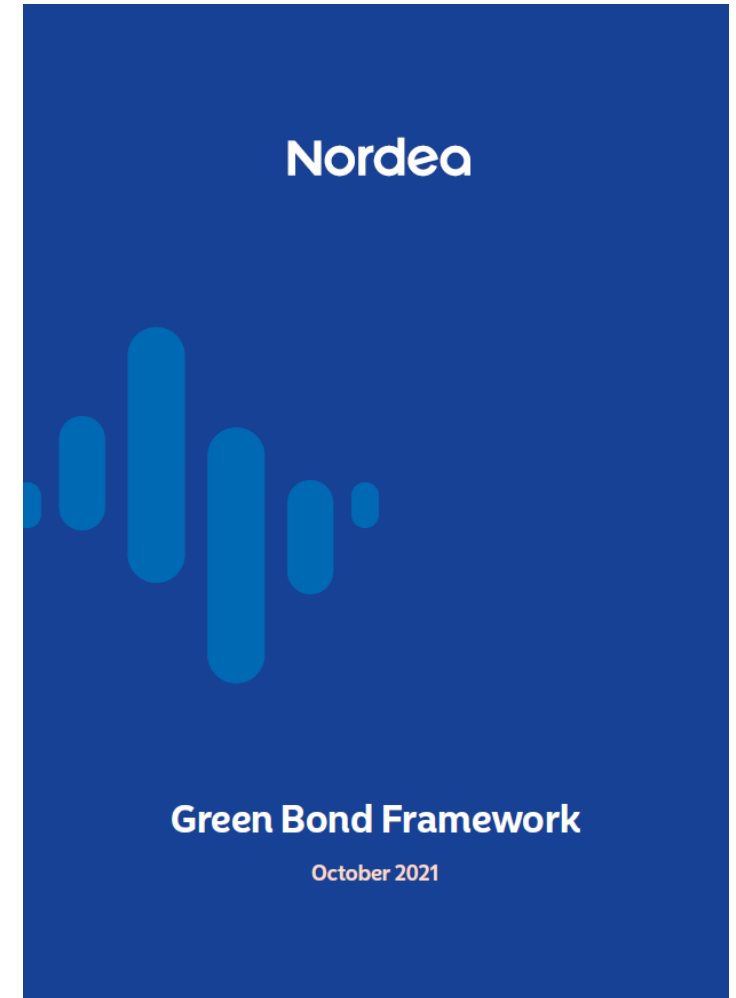
## 5. Green bond framework and Green covered bonds

# Green bond framework update – widened scope to enable issuance of covered bonds

## Highlights

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- Nordea's green bond framework is updated annually, most recently in October 2021
- **The major amendment is the inclusion of covered bonds in the framework, which enables all Nordea mortgage credit institutions (MCIs) to issue green covered bonds in the future**
  - Green assets are defined in accordance with the EU Taxonomy technical screening criteria (TSC) for real estate as applicable
- Green residential buildings and energy efficiency & renovation added as new categories
  - Construction of new buildings; energy performance certificate (EPC) is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB)
  - For buildings built before 31 December 2020; EPC class A or alternatively within the top 15% of the national or regional building stock
  - Major renovations or leading to a reduction of primary energy demand (PED) of at least 30%
- Some amendments and specifications have also been made for existing green asset categories
  - Specifying how the greenness of electric grids is defined
  - Including the DGNB certification for green buildings, as well as aligning the renovation requirements with the Taxonomy TSC
  - Including waste management activities in pollution prevention and control
  - Including sustainable aquaculture in sustainable management of living natural resources



# Nordea green bond framework

## Green covered bond asset categories

- The categories of green assets listed in the table have been identified by Nordea as aiming to increase the positive or reduce the negative impact of residential buildings on the environment while encouraging especially energy efficiency in buildings and reducing energy consumption by households
- The Nordea green bond framework is based on the GBP, although the project types and criteria stated under project types make reference to the technical screening criteria (TCS) as defined by the EU Taxonomy delegated acts of the EU commission and the associated annexes
- Assets that have been assessed by Nordea to be in accordance with the criteria stated below, are eligible for being included in cover pools in respective covered bond issuance entity
- Green asset portfolios will be included in the general cover pool of the respective Nordea MCI.
  - Hence, no separate cover pools with green portfolio assets only will be created
  - All Nordea covered bond issuers utilise this framework including the process descriptions, green asset categories and subsequent criteria.
  - We aim to optimise portfolio selection locally amongst the four different pools. Local variations in identifying eligible green assets exist

GBP category	Project types
<b>Green residential buildings</b>	<b>Construction of new buildings</b> <ul style="list-style-type: none"><li>• The primary energy demand, defining the energy performance of the building resulting from the construction, is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC).</li></ul> <b>Acquisition and ownership of buildings</b> <ul style="list-style-type: none"><li>• For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock (relevant type) expressed as operational primary energy demand (PED) and demonstrated by adequate evidence.</li><li>• For buildings built after 31 December 2020, the building meets the criteria specified under “Construction of new buildings”.</li></ul>
<b>Energy efficiency</b>	<b>Renovation of existing buildings</b> <ul style="list-style-type: none"><li>• The building renovation complies with the applicable requirements for major renovations OR • The renovation leads to a reduction of primary energy demand (PED) of at least 30%.</li></ul> <b>Investments, installation and repair of equipment leading to energy efficiency improvements</b> <ul style="list-style-type: none"><li>• Investments in renewable energy sources, energy efficiency improvements and/or overall quality improvement, such as (but not limited to): geothermal heating, water meters, windows, doors, light sources etc</li></ul>

# Nordea green bond framework

## Selection and evaluation of green covered bond assets

- The Nordea covered bond Issuing entity will complete the specific process (outlined here) when selecting and evaluating financing within the green covered bond asset categories that qualify as green assets to be included in the green asset portfolios
- The green covered bond committee meets and reviews potential green assets on a quarterly basis
- Allocation of the proceeds of any green covered bond issuances to the green covered bond assets is done on a portfolio level

## Use of proceeds green covered bond assets

- The net proceeds of the green covered bonds issued by either Nordea Kredit Realkreditaktieselskab, Nordea Mortgage Bank Plc, Nordea Eiendomskreditt AS or Nordea Hypotek AB (publ), are intended to be used, directly or indirectly, to finance or refinance assets that
  - are eligible for being included in the general cover pool of the respective Nordea MCI, and
  - satisfy certain eligibility requirements that promote climate-friendly and other environmental purposes.
- Nordea will establish a register in relation to green covered bonds issued by each Nordea covered bond issuer for the purpose of recording the green asset portfolios and the intended allocation of the net proceeds from green covered bonds to green assets

## Selection process

1

Nordea chooses potential green assets from each financing that is originated by Nordea according to Nordea's financing criteria (including the regulatory cover pool eligibility criteria) and proposed for selection by the business units

2

Nordea removes financing that does not qualify (or where the customer of such financing does not qualify) as green assets

3

The remaining financing is evaluated by sustainability experts within Nordea, after which the qualifying financing is deemed as potential green assets

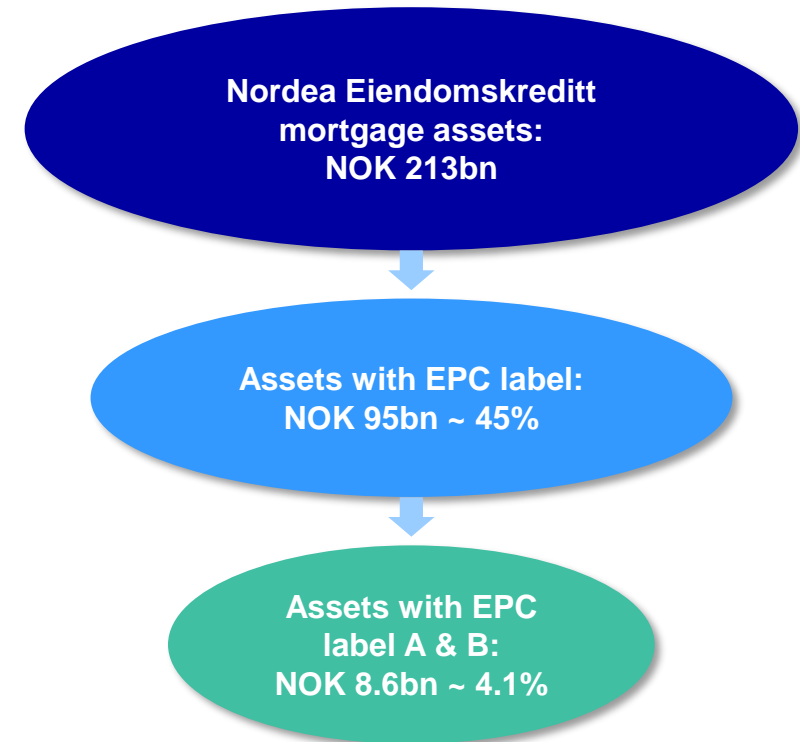
4

The green covered bond committee reviews the potential green assets. The qualifying assets are included in the green covered bond register(s) and constitute the green covered bond asset portfolios

# Nordea Eiendomskreditt green mortgage assets

## Selection and evaluation of Norwegian green covered bond assets

- Green covered bond asset categories make reference to the TSC as defined by the EU Taxonomy delegated acts of the EU Commission and the associated annexes
  - For buildings built before 31 December 2020, the building has at least an energy performance certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock (relevant type) expressed as operational primary energy demand (PED) and demonstrated by adequate evidence
- Nordea Eiendomskreditt applies green selection criteria adapted to local Norwegian requirements and data availability
- The green pool of Nordea Eiendomskreditt is currently selected based on individual EPC labels of the underlying buildings
  - Using EPC labels create increased comparability and harmonisation between the Nordea covered bond issuing entities
- Nordea currently only include assets with EPC label A and B in the Nordea Eiendomskreditt green portfolio
  - Over time Nordea may evaluate possible inclusion of EPC label C assets that meet the criteria set out in the green bond framework
  - Assets without EPC labels are currently excluded
- Asset level EPC data have been provided by Eiendomsverdi

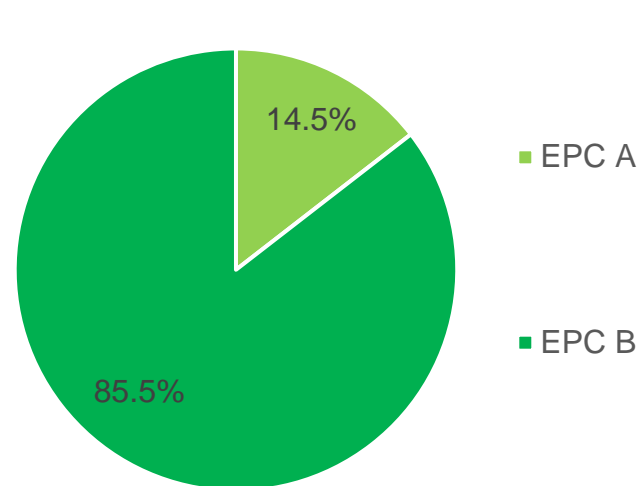


# Nordea Eiendomskreditt green mortgage assets

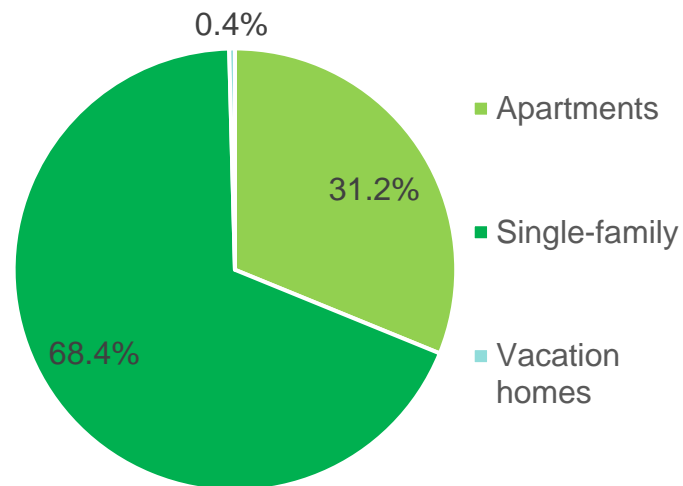
## NOK 8.6bn of green asset as per Q3 2021

- By currently only selecting EPC A and B Nordea ensures only the most energy efficient buildings are included
- 100% of green assets included in Nordea Eiendomskreditt's green covered bond asset portfolio are aligned with the EU Taxonomy TSC

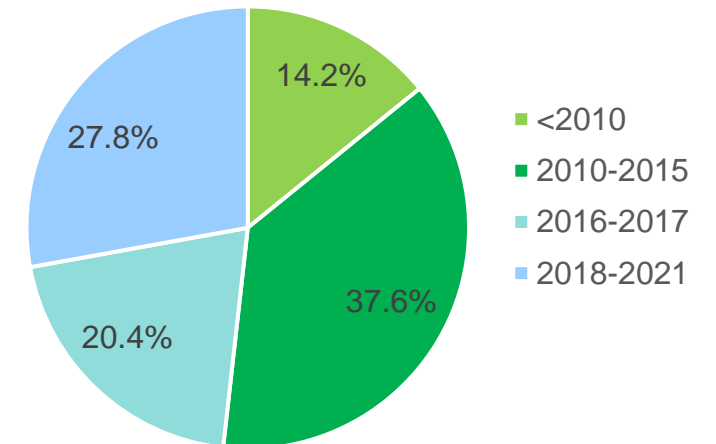
### EPC label



### Asset class



### Building year





# Reporting and verification of green mortgage assets

## Reporting

- Nordea will annually publish on its website a Green bond report
- Nordea will provide information on its green covered bonds and the green covered bond assets in the yearly green bond report. Allocation and impact reporting will be presented on individual issuer level (including Nordea Eiendomskreditt)
- In addition, Nordea Eiendomskreditt will provide a quarterly allocation report on outstanding green covered bonds
- Reporting will include amount of energy saved and estimation of avoided CO<sub>2</sub>e emissions
- The green bond report is publicly available on <https://www.nordea.com/en/doc/green-bond-report-2019.pdf>



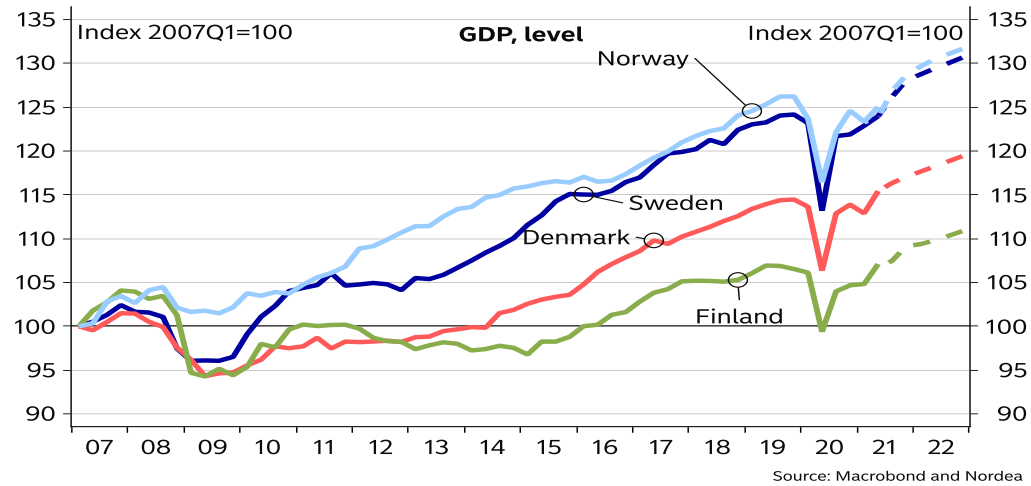
## External review and highlights of ISS ESG SPO

- Nordea has engaged ISS ESG to act as an external verifier of this Green Bond Framework
  - *“ISS ESG finds that the Use of Proceeds financed through this Green Bond Framework are broadly consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing a Green Bond is clearly described by the issuer.”*
  - *“The Green Bond will (re-)finance residential Green Buildings in Nordic countries. This use of proceed category has a positive contribution to SDG 11 ‘Sustainable cities and communities’ and SDG 13 ‘Climate Action’.”*
  - *“Based on robust processes for selection, the green eligible projects are aligned with the relevant activity specific EU Taxonomy Technical Screening Criteria and Minimum Social Safeguards requirements on a best effort basis.”*

## 6. Macroeconomy

# Nordic economies – resilient economies back on track

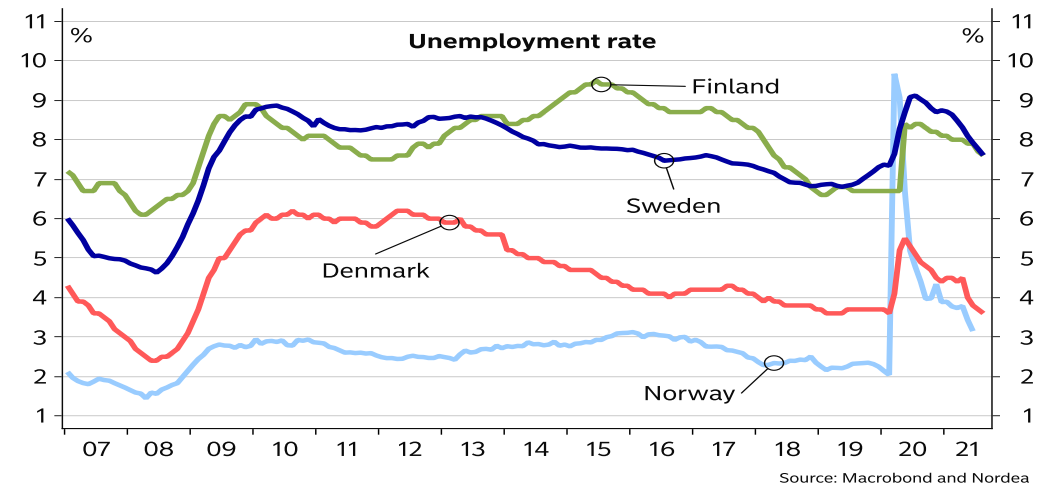
## GDP development



## Comments

- After the dramatic setback in 2020 due to the COVID-19 pandemic, the Nordic economies have almost fully recovered
- Vaccines have brought long-awaited relief and, to a large extent, a return to normal. Nordic households' relatively strong finances have paved the way for a broad recovery as pent-up demand unwinds when restrictions are lifted
- The labour market has shown resilience, largely due to government subsidies such as short-term furloughs. The hard-hit services sector is rebounding, and GDP is back to pre-crisis levels

## Unemployment rate

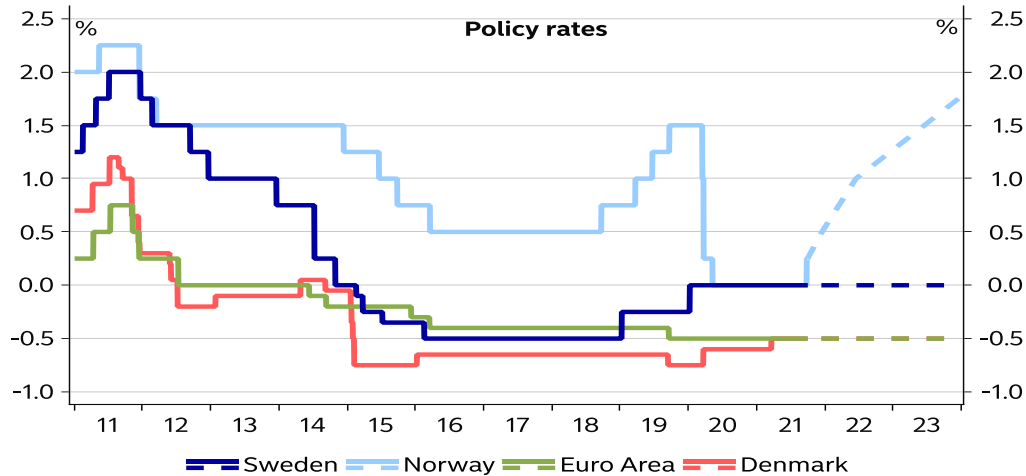


## GDP, forecasts from Economic Outlook September 2021

Country	2020	2021E	2022E
Denmark	-2.1	3.3	2.7
Finland	-2.9	3.5	3.0
Norway	-2.5	3.9	3.9
Sweden	-3.0	4.5	3.5

# Nordic rates – Nordics well equipped to handle long-term consequences of COVID-19

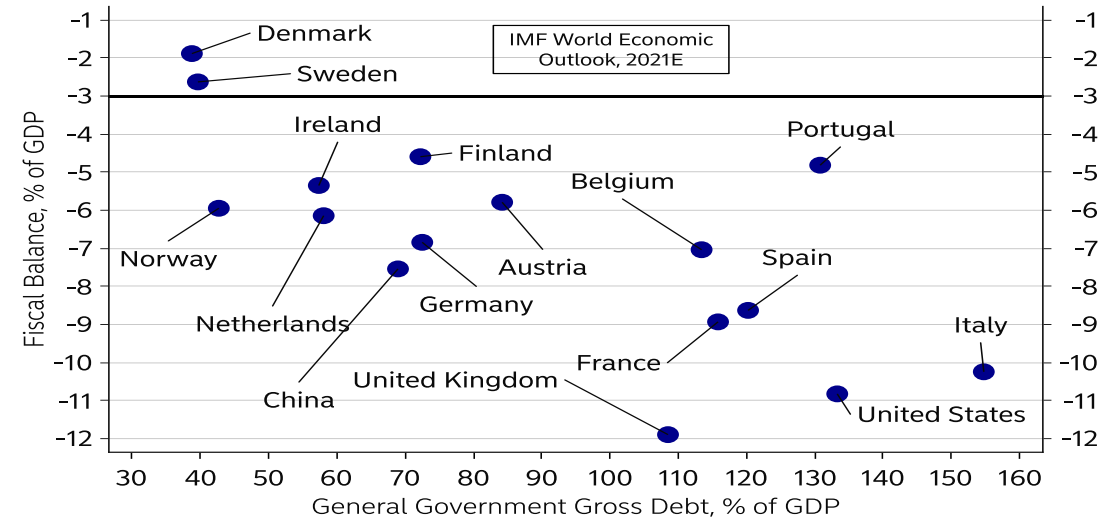
## Policy rates



## Comments

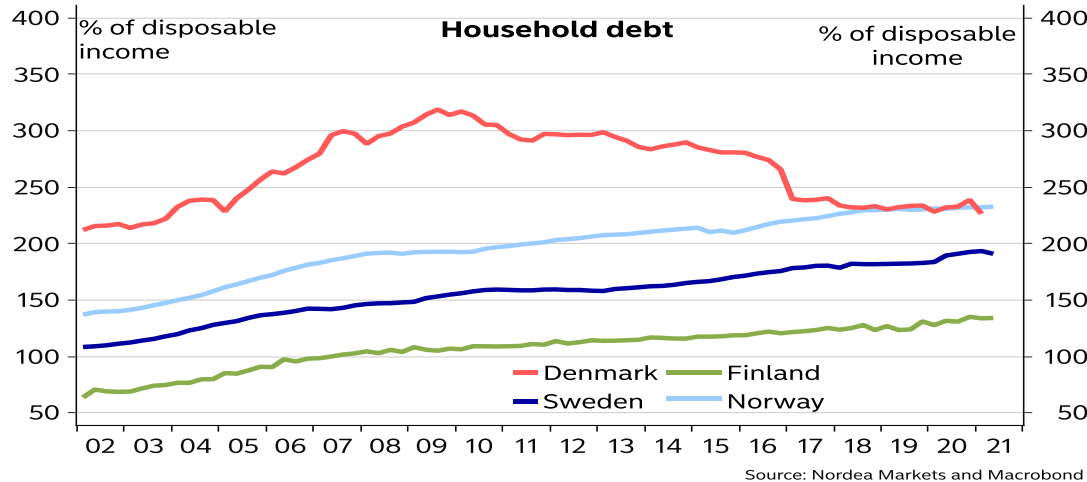
- Norges Bank increased its key rate in September this year, with a second increase likely in December. Policy rates in the euro area, Denmark and Sweden are expected to remain unchanged throughout the forecast period
- Sveriges Riksbank and the ECB launched new large-scale asset purchase programmes (QE) as a response to the COVID-19 crisis. The ECB is expected to purchase financial assets corresponding to 7% of euro area GDP in 2021, while Sveriges Riksbank's purchases amount to an expected 8% of GDP
- Solid public finances prior to the crisis have enabled the Nordic governments to act swiftly during the crisis, and large recovery packages have been announced in 2021 as well. The Nordics are relatively well-equipped to handle the long-term consequences of the pandemic

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



# Households remain resilient

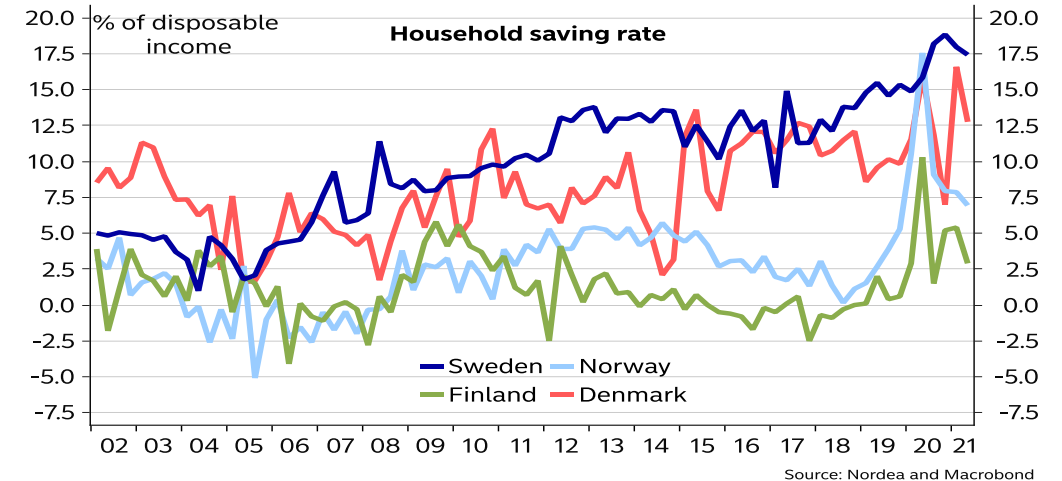
## Household debt



## Comments

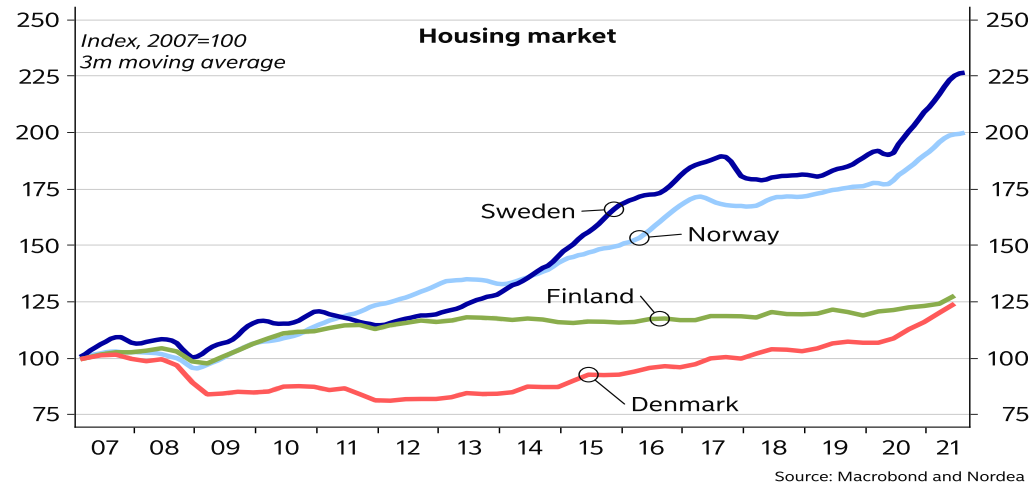
- Household savings have increased dramatically during the crisis, largely due to a decline in spending. Despite high debt levels, Nordic households' strong finances are expected to support economic growth as restrictions are lifted. Low interest rates and economic stimulus continue to support credit growth and the housing market
- Early labour market measures, automatic stabilisers and other measures to stimulate demand have helped to soften the 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

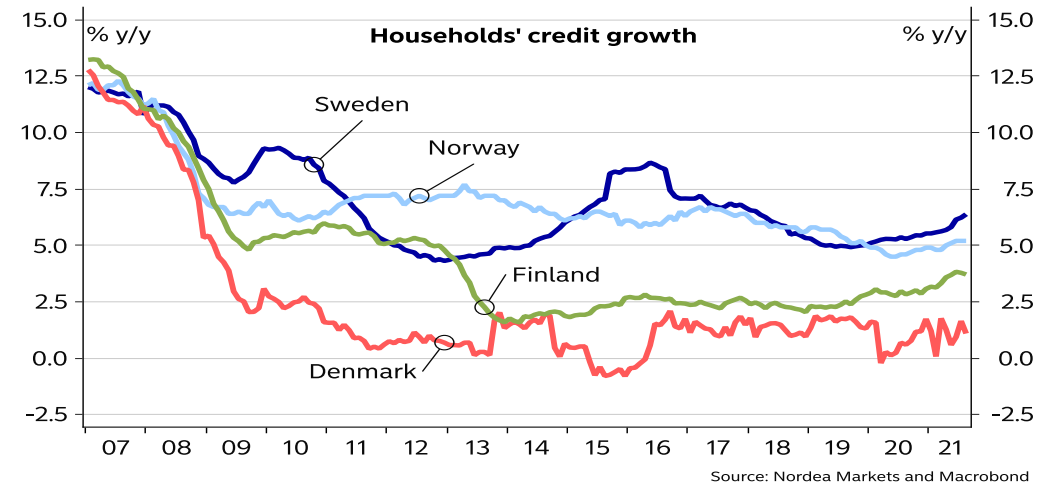


# Nordic housing markets heat up

## 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 has been 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 not likely to go lower 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 will 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



## 7. Further information

# Covered bonds – outstanding volumes

Q3 2021

Breakdown by ISIN				
ISIN	Currency	Amount (NOKm)	Maturity	Coupon (%)
NO0010758931	NOK	4 615	2022-06-15	1,08
NO0010759632	NOK	13 711	2022-06-15	FRN
NO0010819717	NOK	18 550	2023-06-21	FRN
NO0010843626	NOK	18 900	2024-06-19	FRN
No0010873334	NOK	11 400	2025-03-19	FRN
NO0010593064	NOK	550	2025-06-18	4,8
NO0010893282	NOK	7 750	2025-09-16	FRN
NO0010981301	NOK	6 500	2026-03-18	FRN
NO0010852650	NOK	5 050	2026-05-22	2,17
NO0010766827	NOK	500	2031-06-18	1,75
NO0010812084	NOK	300	2043-06-17	2,20
NO0010821986	NOK	300	2048-05-04	2,60
XS1837099339	GBP	3 537	2023-06-18	FRN
XS1451306036	EUR	1 013	2031-07-15	0,74
<b>Total</b>		<b>92 677</b>		

# Contacts

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