

Nordea

Q3 2022 Debt investor presentation

Nordea Eiendomskreditt Covered Bonds



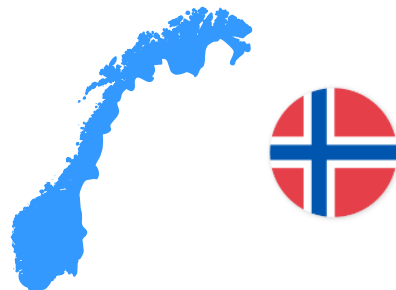
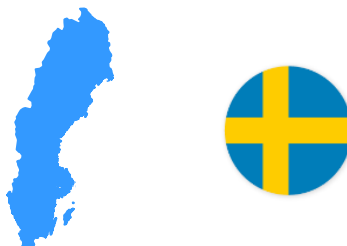


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1. In brief

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

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

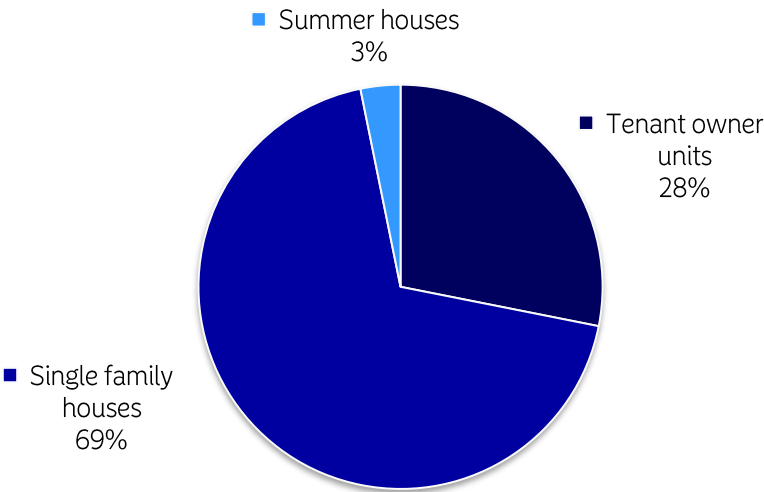
Q3 2022

Cover pool summary	
Pool notional	NOK 226.1bn
Outstanding Covered Bonds	NOK 124.8bn
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	48.8% (indexed, calculated per property)
Average loan size	NOK 2.1m
Over Collateralisation (OC)	81%
Rate type	Floating 97.5%, Fixed 2.5%
Amortisation	Bullet/ interest only 36.7%, Amortizing 63.3%
Pool type	Dynamic
Loans originated by	Nordea Eiendoms kreditt

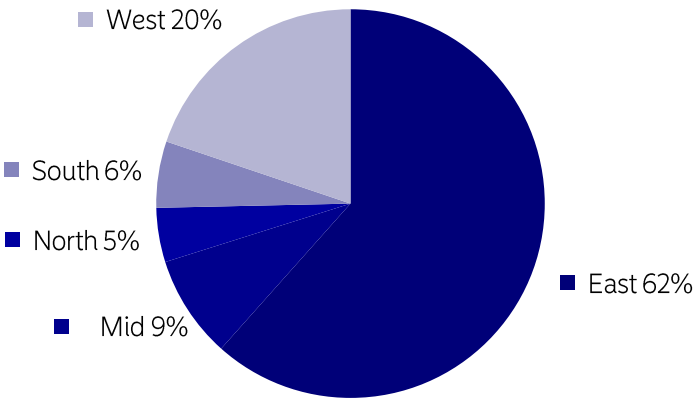
Cover pool key characteristics (2)

Q3 2022

Cover pool balance by loan category



Cover pool balance by region



3. Asset quality

Loan to Value (LTV)

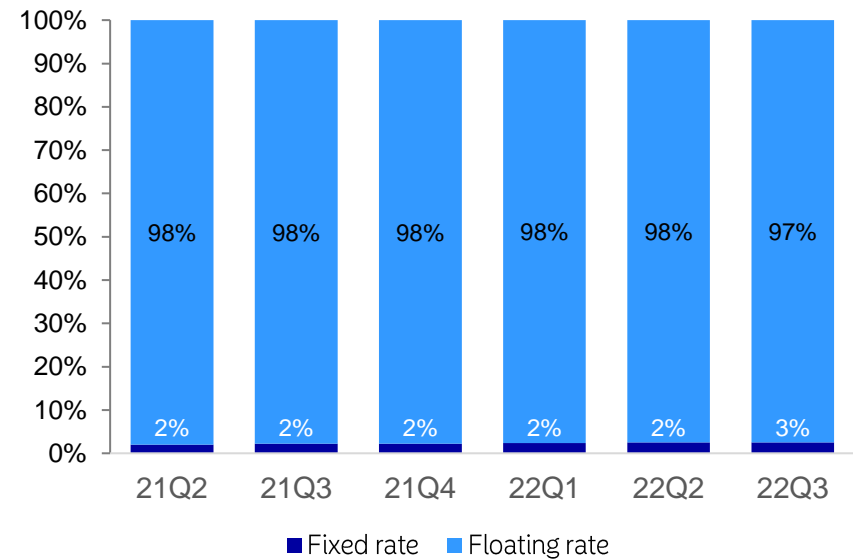
Q3 2022

Weighted Average LTV - Indexed	48.8%	
LTV buckets	Nominal (NOKm)	% Residential Loans
>0 - <=40 %	65.0	46%
>40 - <=50 %	44.1	17%
>50 - <=60 %	51.9	17%
>60 - <=70 %	44.5	14%
>70 - <=80 %	20.5	6%
Total	226.1	100%

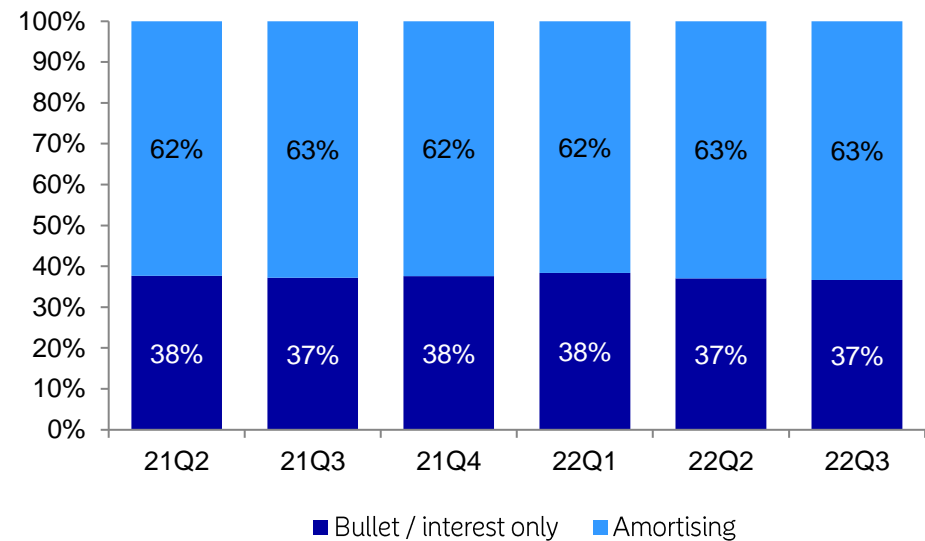
Loan structure

Q3 2022

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

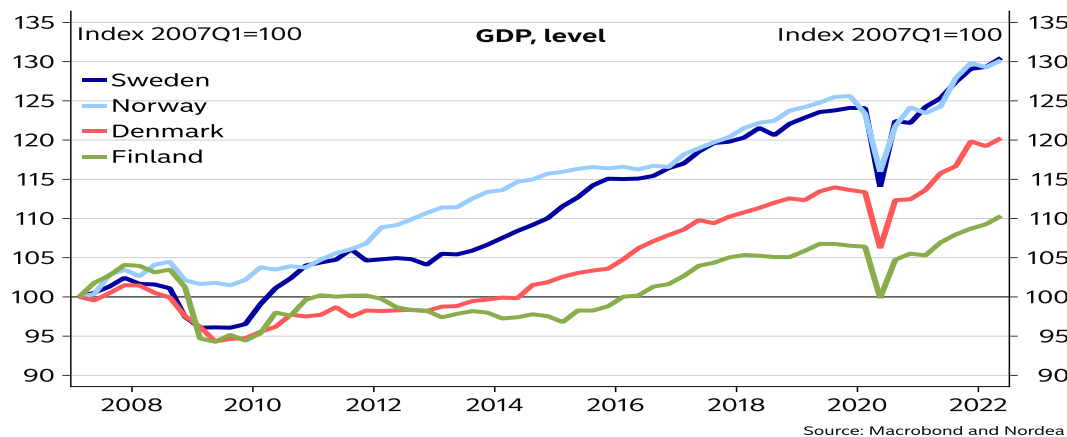
Norwegian covered bond framework

- 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.

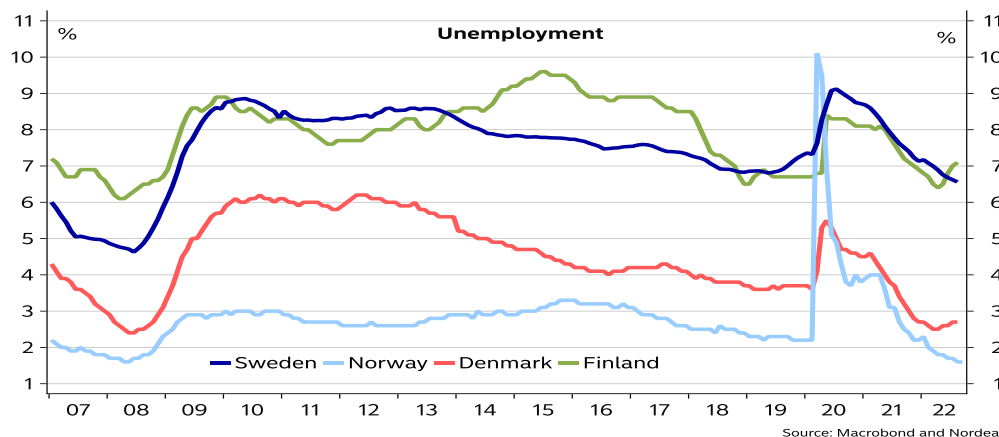
5. Macroeconomy

Nordic outlook dampened by higher inflation and interest rates

GDP development



Unemployment rate



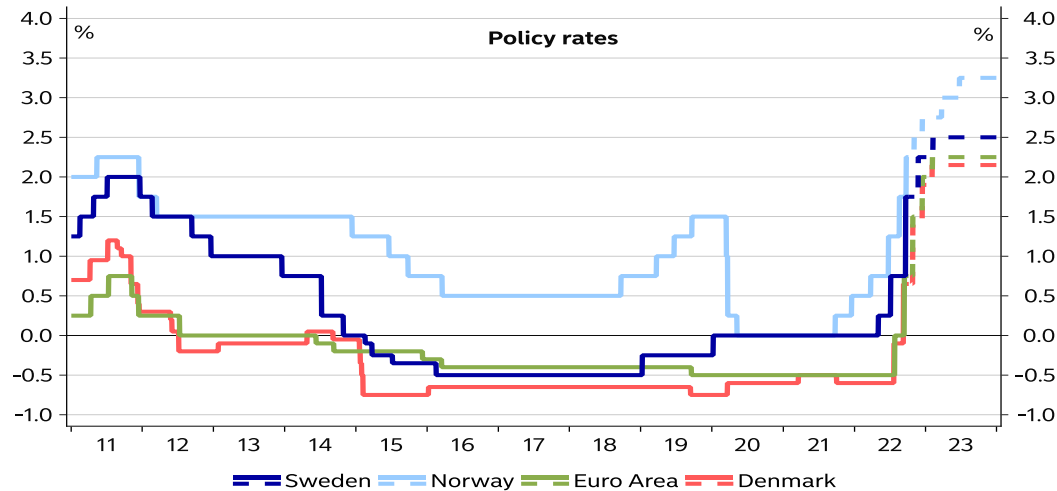
- The Nordic economies recovered quickly from the pandemic and even showed signs of overheating
- With surging inflation and energy prices, the economic development in the Nordic countries will most likely slow down in the following quarters
- Unemployment rate in the Nordic countries have continuously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

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

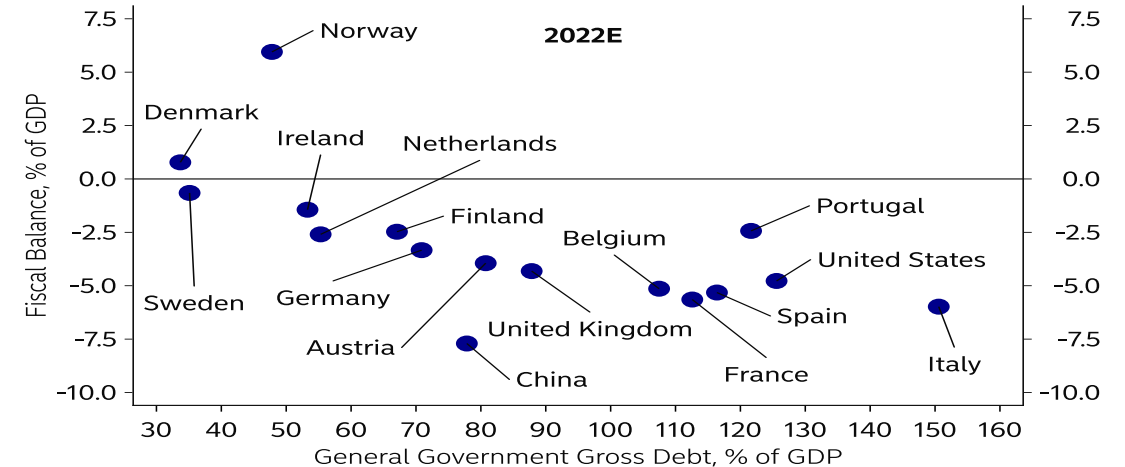
Country	2021	2022E	2023E	2024E
Denmark	4.9	2.5	0.5	1.8
Finland	3.0	2.5	0.0	1.5
Norway	4.1	3.2	1.0	1.3
Sweden	4.9	3.0	-0.5	1.0

Interest rates are increasing rapidly throughout the Nordics

Policy rates



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



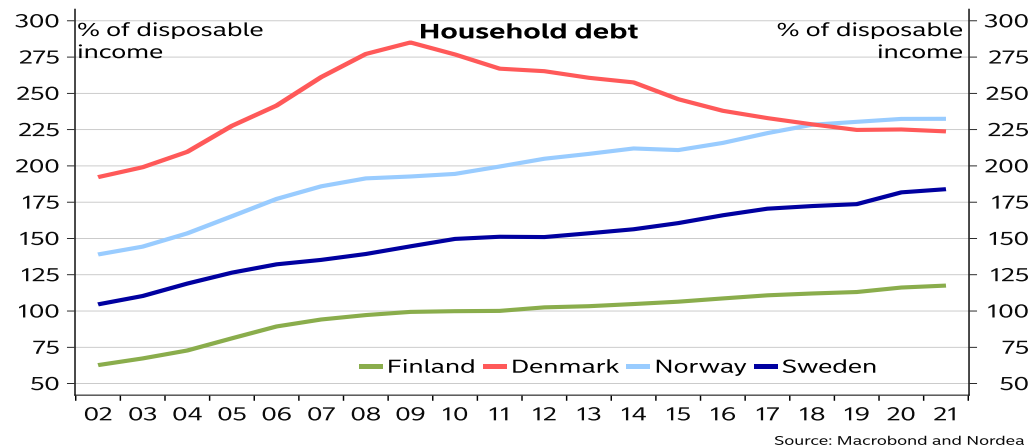
Source: IMF World Economic Outlook, Nordea and Macrobond.

- 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

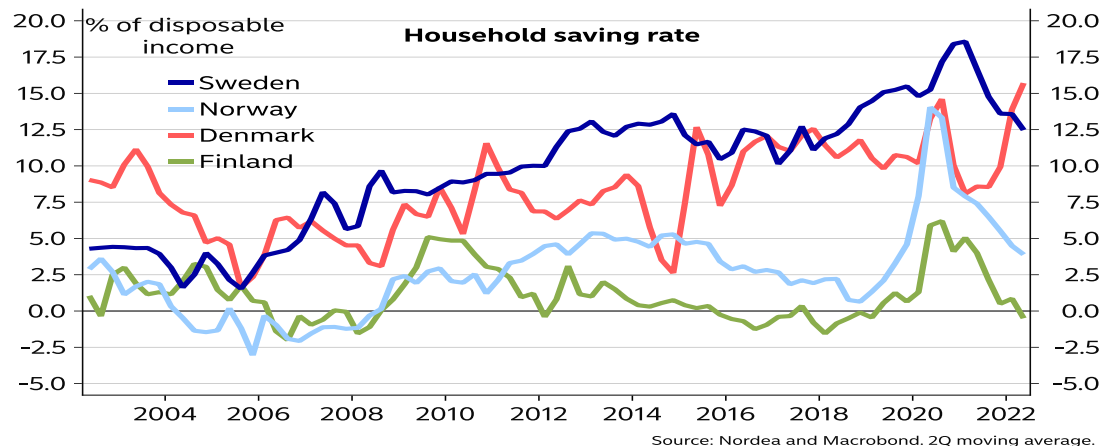
Households

Households facing high inflation and rising interest rates

Household debt

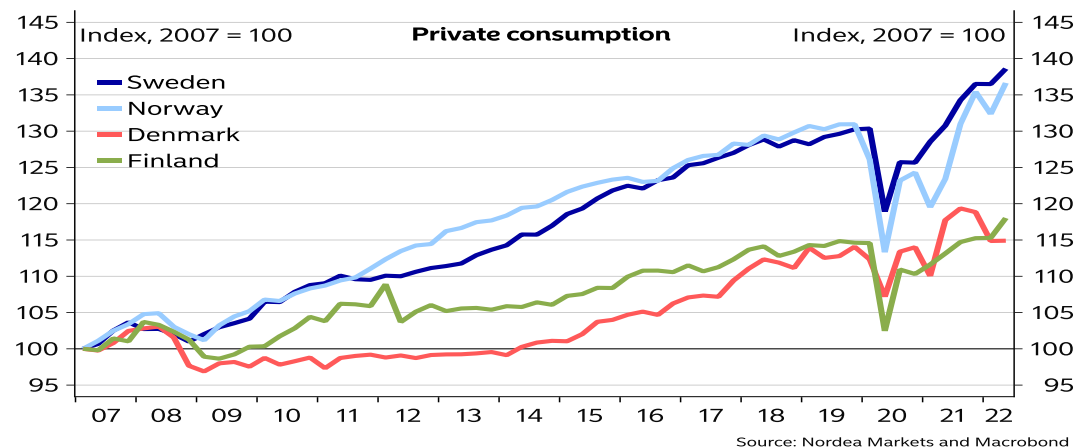


Household savings



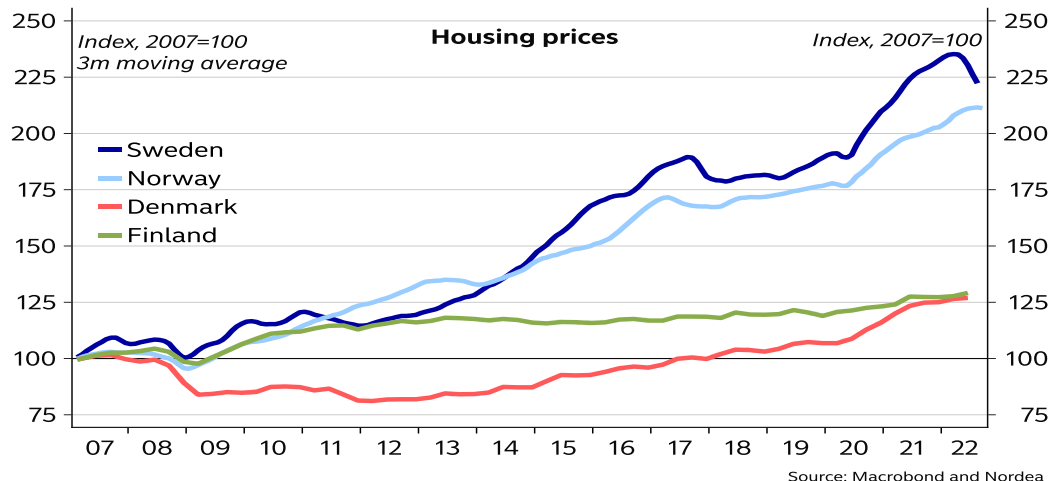
- Household savings increased dramatically during the pandemic, but have since returned to more normal levels as consumption has increased
- However, purchasing power is decreasing rapidly. Rising interest rates as well as high inflation implies downside risks for private consumption moving forward

Private consumption

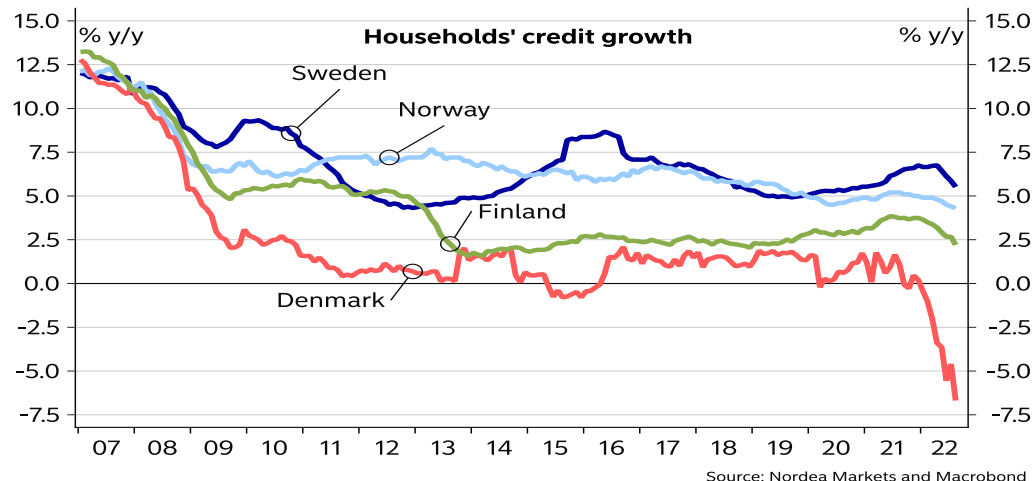


Rising interest rates are cooling off hot Nordic housing markets

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

Covered bonds – outstanding volumes

Q3 2022

Breakdown by ISIN				
ISIN	Currency	Amount (NOKm)	Maturity	Coupon (%)
NO0010819717	NOK	14 904	2023-06-21	FRN
NO0010843626	NOK	28 900	2024-06-19	FRN
NO0010873334	NOK	20 000	2025-03-19	FRN
NO0010593064	NOK	550	2025-06-18	4,8
NO0010893282	NOK	16 450	2025-09-16	FRN
NO0010981301	NOK	11 950	2026-03-18	FRN
NO0010852650	NOK	6 000	2026-05-22	2,17
NO0011151771 (Green)	NOK	7 000	2026-09-17	FRN
NO0012513532	NOK	10 200	2027-03-17	FRN
NO0012441643	NOK	3 500	2030-02-15	2,45
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	3 649	2023-06-18	FRN
XS1451306036	EUR	1 027	2031-07-15	0,74
Total		125 230		

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