

**Nordea**

Q4 2022 Debt investor presentation

## **Nordea Eiendomskreditt Covered Bonds**



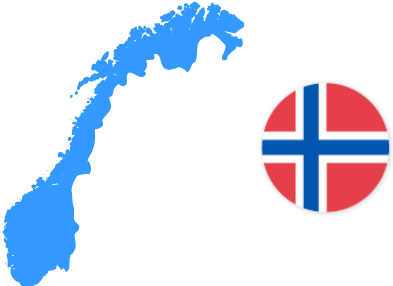
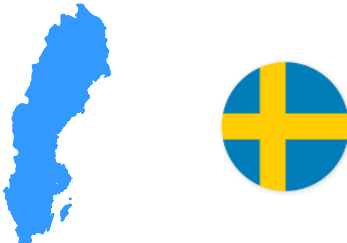


# Table of contents

1. In brief	3
2. Cover pool key characteristics	6
3. Asset quality	9
4. Covered bond framework	13
5. Macroeconomy	15
6. Further information	20

# 1. In brief

# Nordea covered bond operations

Q4 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 22.5bn (eq.)	EUR 60.9bn (eq.)	Balance principle	Pool 1: EUR 21.9bn/ Pool 2: EUR 2.4bn
	Covered bonds outstanding	EUR 13.6bn (eq.)	EUR 33.6bn (eq.)	EUR 59.2bn (eq.)*	Pool 1: EUR 19.4bn/ Pool 2: EUR 2bn
	OC	66%	81%	7.1%*	Pool 1: 13% / Pool 2: 18%
	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 (MCI's) are covered by Nordea's updated 2021 green bond framework



<sup>4</sup> \* 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

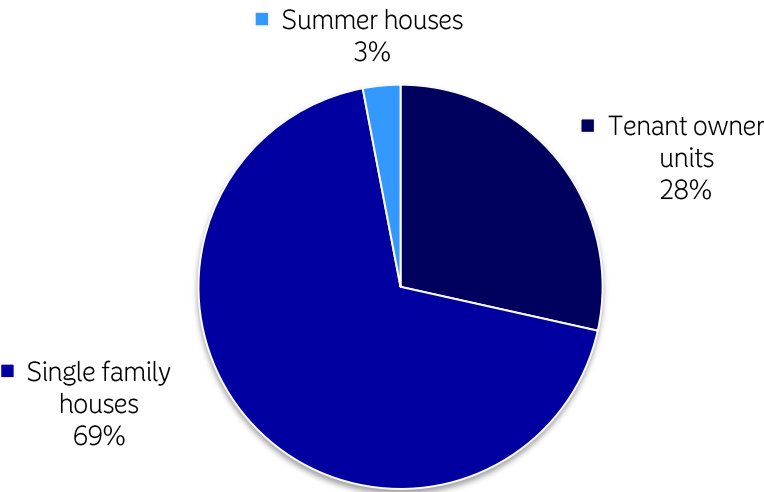
Q4 2022

Cover pool summary	
Pool notional	NOK 245.1bn
Outstanding Covered Bonds	NOK 147.9bn
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	48.6% (indexed, calculated per property)
Average loan size	NOK 2.1m
Over Collateralisation (OC)	56%
Rate type	Floating 97.8%, Fixed 2.2%
Amortisation	Bullet/ interest only 37.3%, Amortizing 62.7%
Pool type	Dynamic
Loans originated by	Nordea Eiendoms kreditt

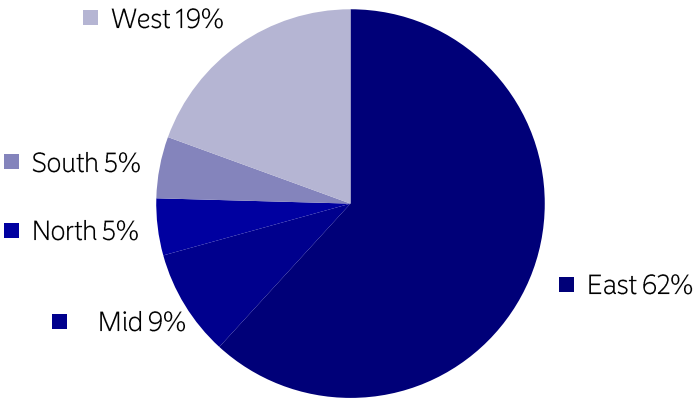
# Cover pool key characteristics (2)

Q4 2022

Cover pool balance by loan category



Cover pool balance by region





### 3. Asset quality

# Loan to Value (LTV)

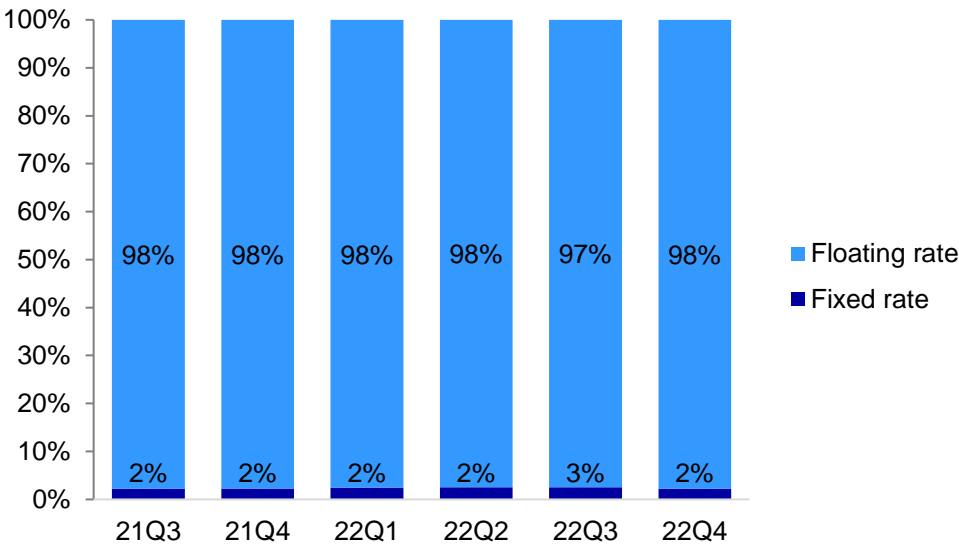
Q4 2022

Weighted Average LTV - Indexed	48.6%	
LTV buckets	Nominal (NOKbn)	% Residential Loans
>0 - <=40 %	71.4	47%
>40 - <=50 %	47.1	17%
>50 - <=60 %	57.3	17%
>60 - <=70 %	48.1	14%
>70 - <=80 %	21.2	6%
Total	245.1	100%

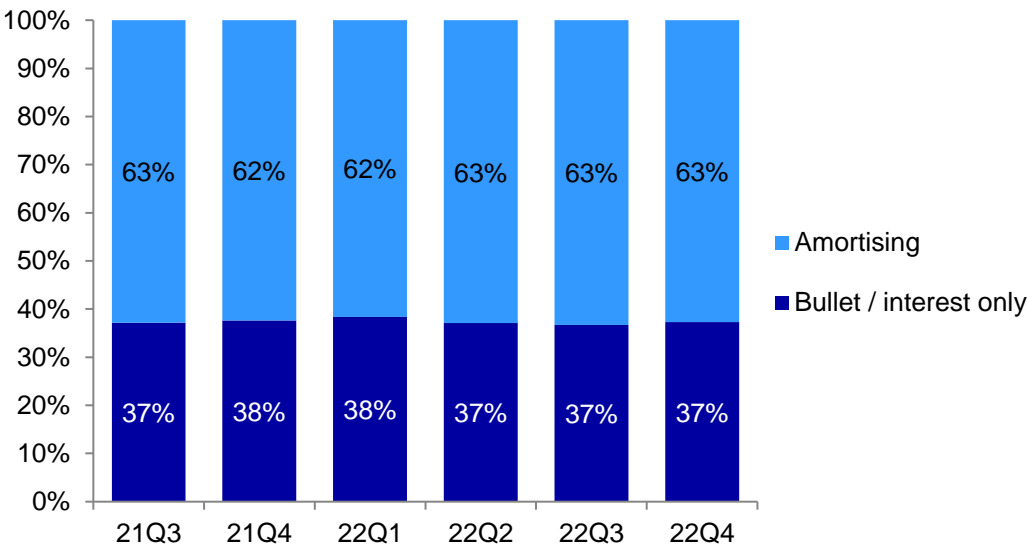
# Loan structure

Q4 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

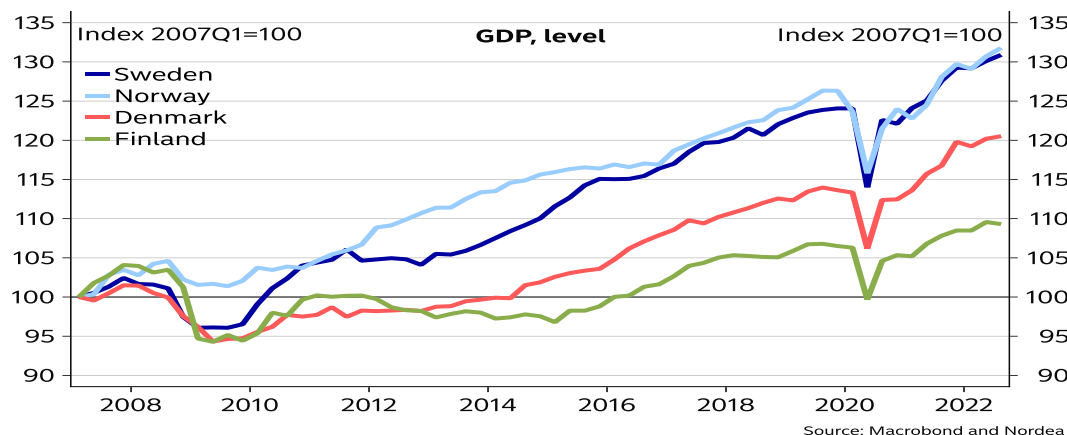
- Legal framework
  - Financial Undertakings Act (Act. No. 17 of 10 April 2015, Norwegian: Finansforetaksloven), which was recently amended on 8 July 2022 to implement the European Covered Bond Directive.
- Registration and independent inspector
  - A mortgage credit institution shall for each cover 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 economic development

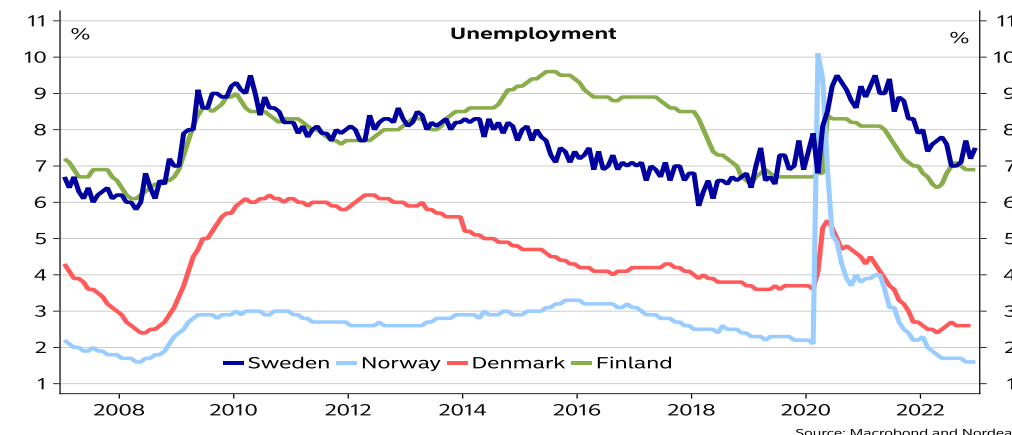
# Nordic outlook pressured by higher inflation, interest rates and energy prices

### GDP development



- The Nordic economies recovered quickly from the pandemic and showed signs of overheating last year
- On the back of surging inflation and interest rates, coupled with higher-than-normal energy prices, the Nordic countries are expected to enter a recession during 2023
- Unemployment is expected to increase as the economic activity slows down

### Unemployment rate



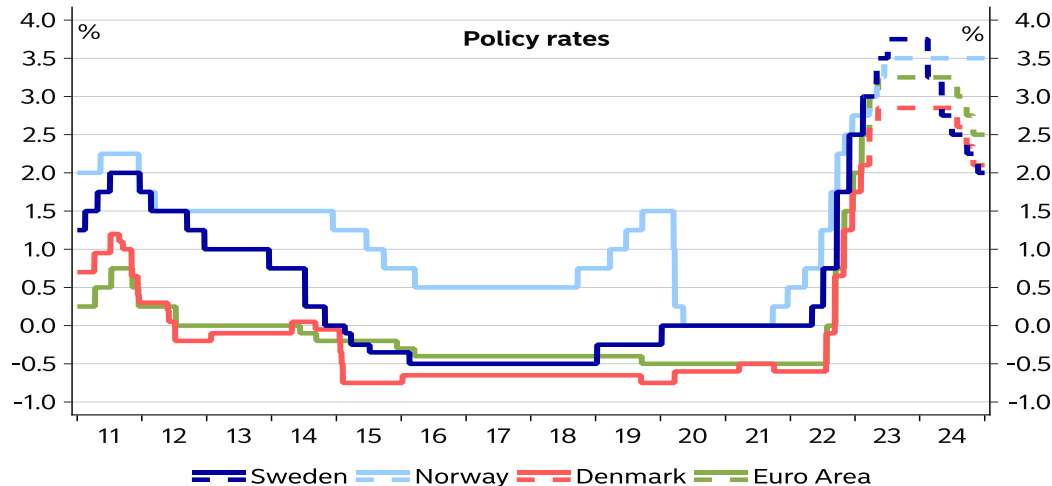
### GDP, % y/y, Economic Outlook January 2023

Country	2021	2022E	2023E	2024E
Denmark	4.9	3.0	-0.5	1.0
Finland	3.0	2.0	0.0	1.0
Norway	4.1	3.8	1.0	1.0
Sweden	4.9	2.9	-1.8	0.8

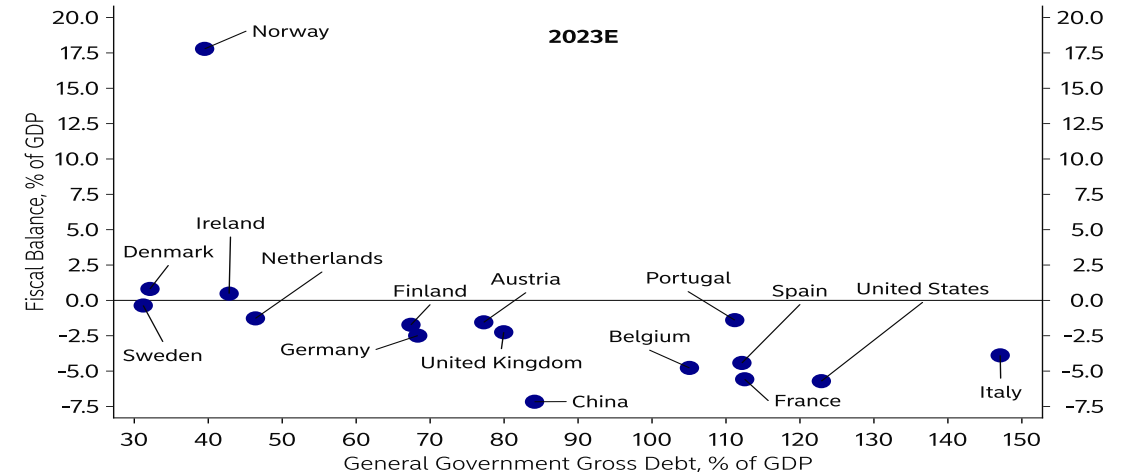


## Interest rates set to peak in 2023

### Policy rates



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



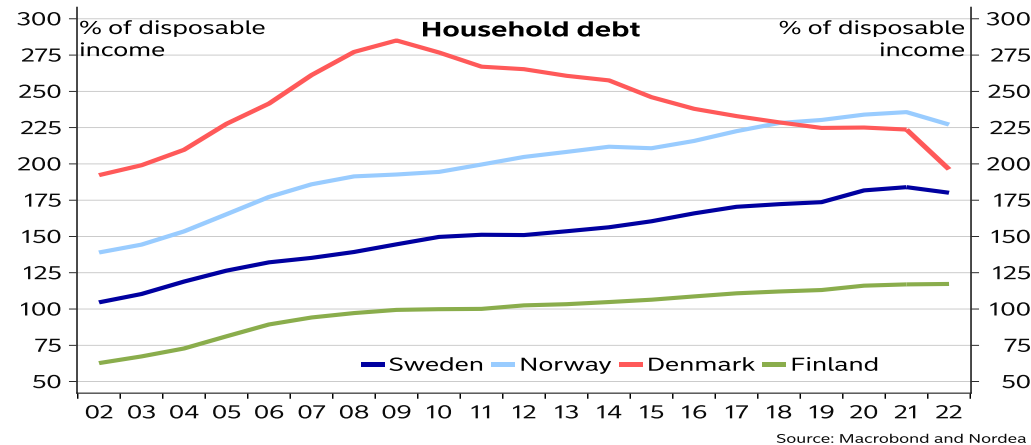
Source: IMF World Economic Outlook, Nordea and Macrobond.

- Central banks have rapidly hiked interest rates to combat the high inflation
- Norges Bank has hiked from 0 to 2.75% since September 2021, and are expected to continue until they reach 3.50% in June 2023
- The Swedish Riksbank raised the policy rate to 3.00% in February and are expected to hike until they reach 3.75% in June 2023
- The ECB delivered a 50bp hike in February. We predict that policy rates will rise by a total of 3.75 percentage points in the Euro Area and 3.45 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

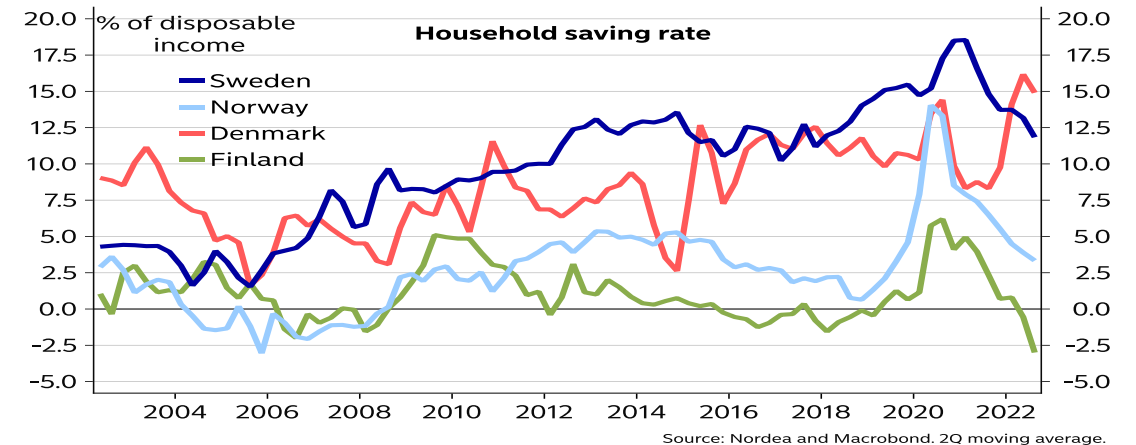
## Households

# Households pressured by high interest rates and inflation

## Household debt

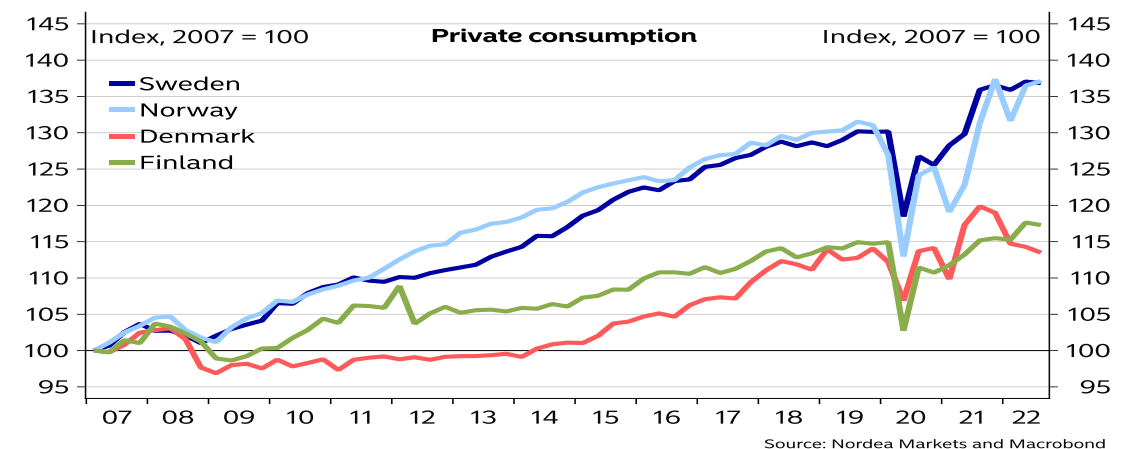


## Household savings



- Household savings have returned to more normal levels since the pandemic as consumption has increased
- However, households are now feeling the squeeze and purchasing power is decreasing rapidly. The high and still rising interest rates as well as high inflation implies downside risks for private consumption moving forward

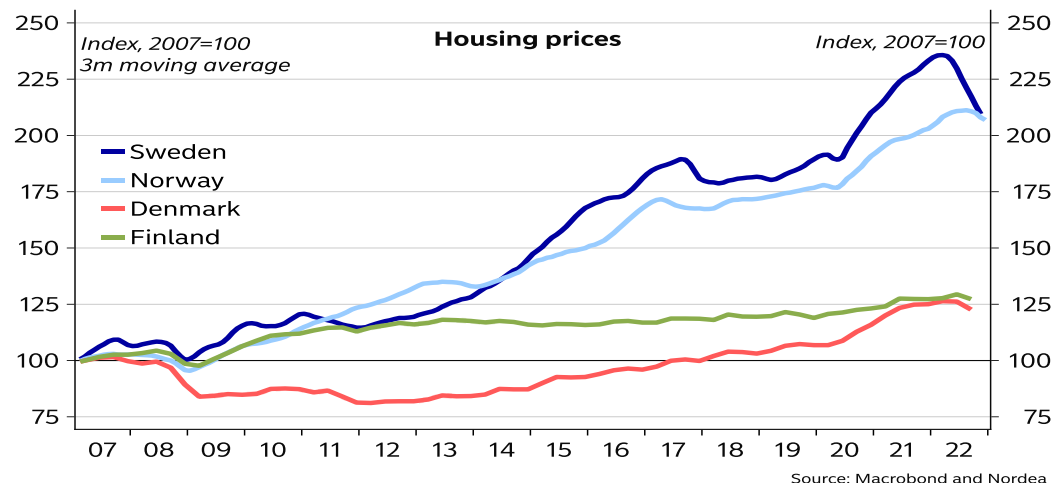
## Private consumption



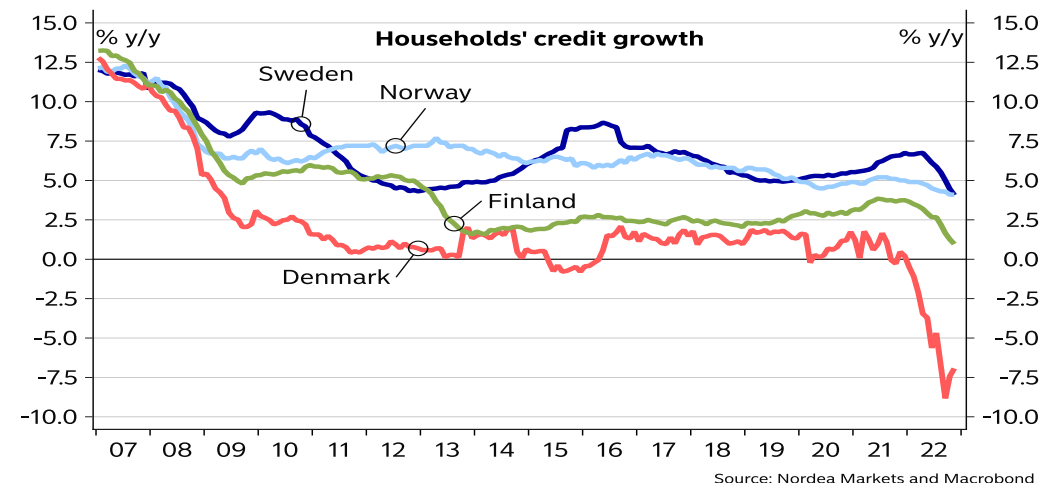
## Housing markets

# Higher interest rates is 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 higher and increasing interest rates, risks are on the downside for housing prices
- These risks are most pronounced in Sweden, with home prices down 12.4% from the peak in February to November last year
- Households' credit growth in the Nordic countries have since April 2022 continuously declined except for Denmark which has increased since September

## 6. Further information

# Covered bonds – outstanding volumes

Q4 2022

Breakdown by ISIN				
ISIN	Currency	Amount (NOKm)	Maturity	Coupon (%)
NO0010789266	NOK	2 932	2023-05-23	FRN
NO0010819717	NOK	13 483	2023-06-21	FRN
NO0010843626	NOK	38 900	2024-06-19	FRN
NO0010873334	NOK	20 000	2025-03-19	FRN
NO0010678766	NOK	600	2025-05-08	3,6
NO0010593064	NOK	550	2025-06-18	4,8
NO0010893282	NOK	19 700	2025-09-16	FRN
NO0010981301	NOK	12 950	2026-03-18	FRN
NO0010852650	NOK	6 000	2026-05-22	2,17
NO0011151771 (Green)	NOK	7 000	2026-09-17	FRN
NO0012513532	NOK	13 450	2027-03-17	FRN
NO0012720988	NOK	3 150	2029-10-12	4
NO0012441643	NOK	3 500	2030-02-15	2,45
NO0010766827	NOK	500	2031-06-18	1,75
NO0012732017	NOK	400	2037-10-28	4
NO0010812084	NOK	300	2043-06-17	2,20
NO0010821986	NOK	300	2048-05-04	2,60
XS1837099339	GBP	3 565	2023-06-18	FRN
XS1451306036	EUR	1 052	2031-07-15	0,74
Total		148 332		

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