



Nordea Kredit Covered Bonds

Q2 2023 Debt Investor Presentation

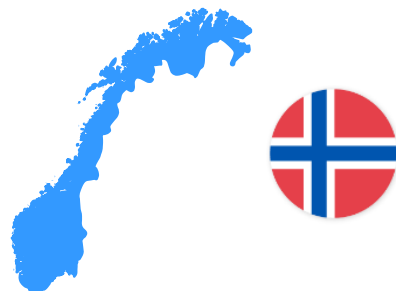
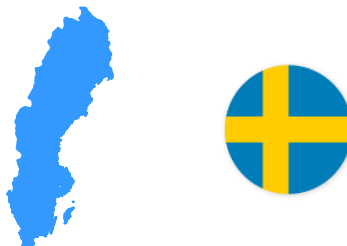
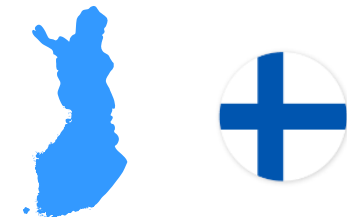
Table of contents

1. Nordea covered bond operations	3
2. Nordea Kredit in brief	5
3. Cover pool key characteristics	7
4. Asset quality	11
5. Underwriting criteria	14
6. Danish covered bond framework	16
7. Macro	18
8. Links and contacts	23

1. Nordea covered bond operations

Nordea covered bond operations

Q2 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 22.2bn (eq.)	EUR 59.2bn (eq.)	Balance principle	Pool 1: EUR 21.6bn/ Pool 2: EUR 4.6bn
	Covered bonds outstanding	EUR 14.9bn (eq.)	EUR 34.2bn (eq.)	EUR 60.6bn (eq.)*	Pool 1: EUR 18.1bn/ Pool 2: EUR 3bn
	OC	49%	73%	8%*	Pool 1: 20% / Pool 2: 54%
	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 capitalcentre 2 (SDRO). Nordea Kredit no longer reports for CC1 (RO), as this capitalcentre only accounts for a minor part (<1%) of the outstanding volume of loans and bonds

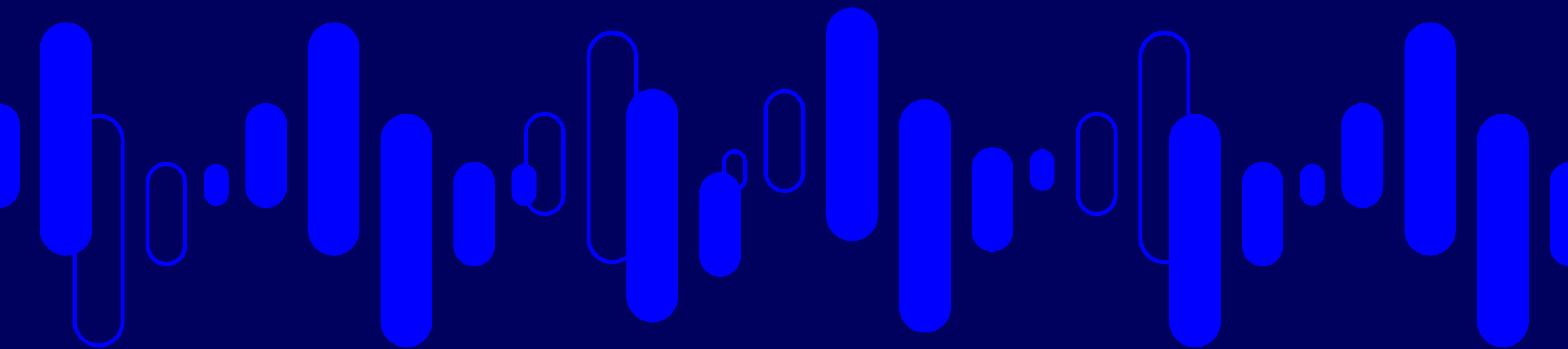
2. Nordea Kredit - in brief

Nordea Kredit – in brief

- 100% owned subsidiary of Nordea Bank Abp - the largest Nordic financial institution
- Operates as a mortgage credit institution with the main purpose of granting mortgage credit loans funded by issuing covered bonds
- Founded in 1993 and supervised by the Danish FSA (DFSA, Finanstilsynet)
- All covered bonds are rated AAA by Standard & Poor's
- Dedicated liquidity line provided by Nordea Bank Abp to manage daily cash needs and ensure compliance with external and internal requirements regarding liquidity management
- More information at nordeakredit.dk

Key Figures and Ratios	Q2 2023	Q2 2022	Y/Y
Profit Before Tax	855	680	25.7%
Cost-Income Ratio	45.2%	52.5%	-7.3pp
Capital Ratio	30.8%	28.6%	2.2pp
Tier 1 Capital Ratio	28.7%	26.6%	2.1pp

3. Cover pool key characteristics



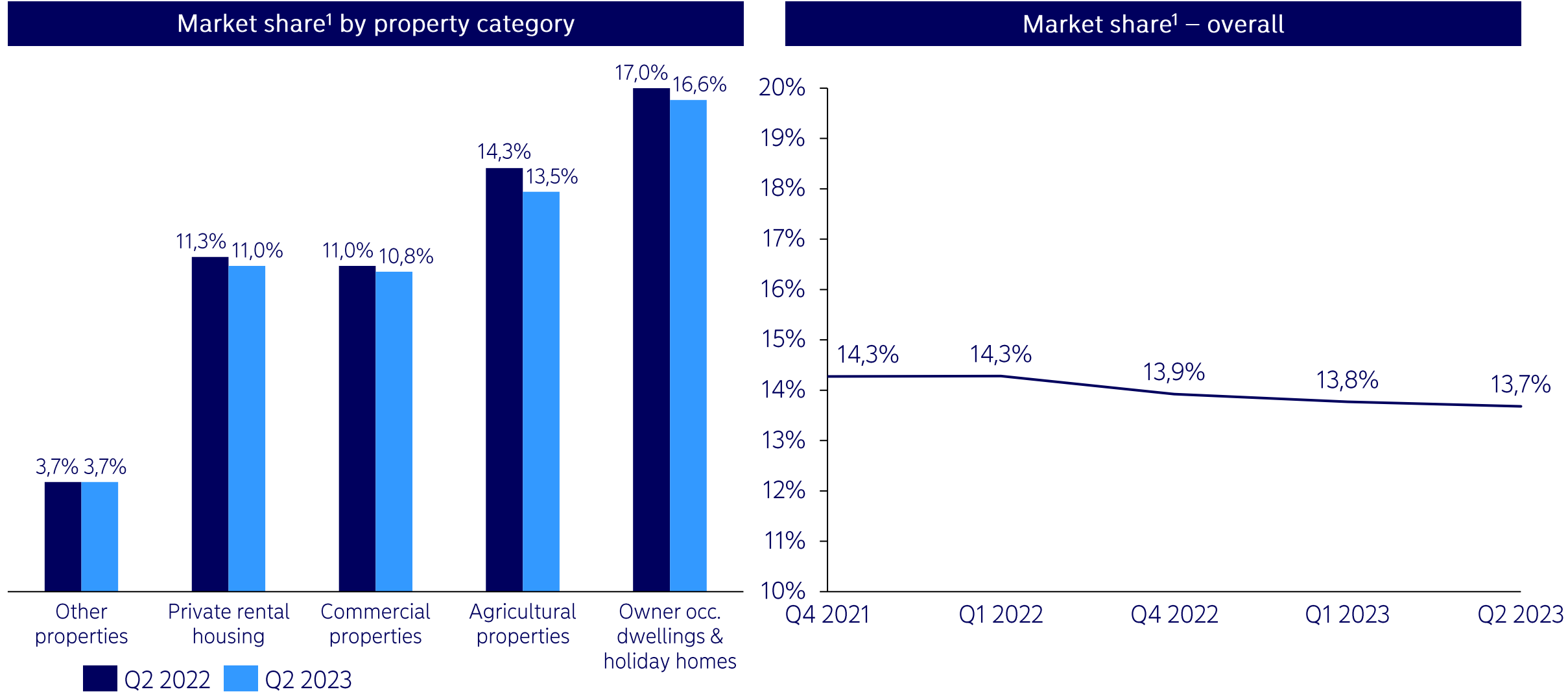
Cover pool key characteristics

Q2 2023

Outstanding covered bonds	EUR 60.6bn
Cover pool content	Mortgage credit loans secured by mainly residential property (total: EUR 65.1bn including substitute assets)
Geographic distribution	Throughout Denmark with concentration in urban areas
Weighted average LTV	48.6%
Average residential loan size	EUR 206,274
Over collateralisation, OC	7.7%
Rate type (bonds)	Fixed rate 74.1%, Floating rate 25.9%
Amortization	Interest only 53.5%, Amortizing 46.5%
Substitute assets	EUR 7.838bn
Pool type	Static
Loans originated by	Nordea Kredit CC2

Loan portfolio

Q2 2023

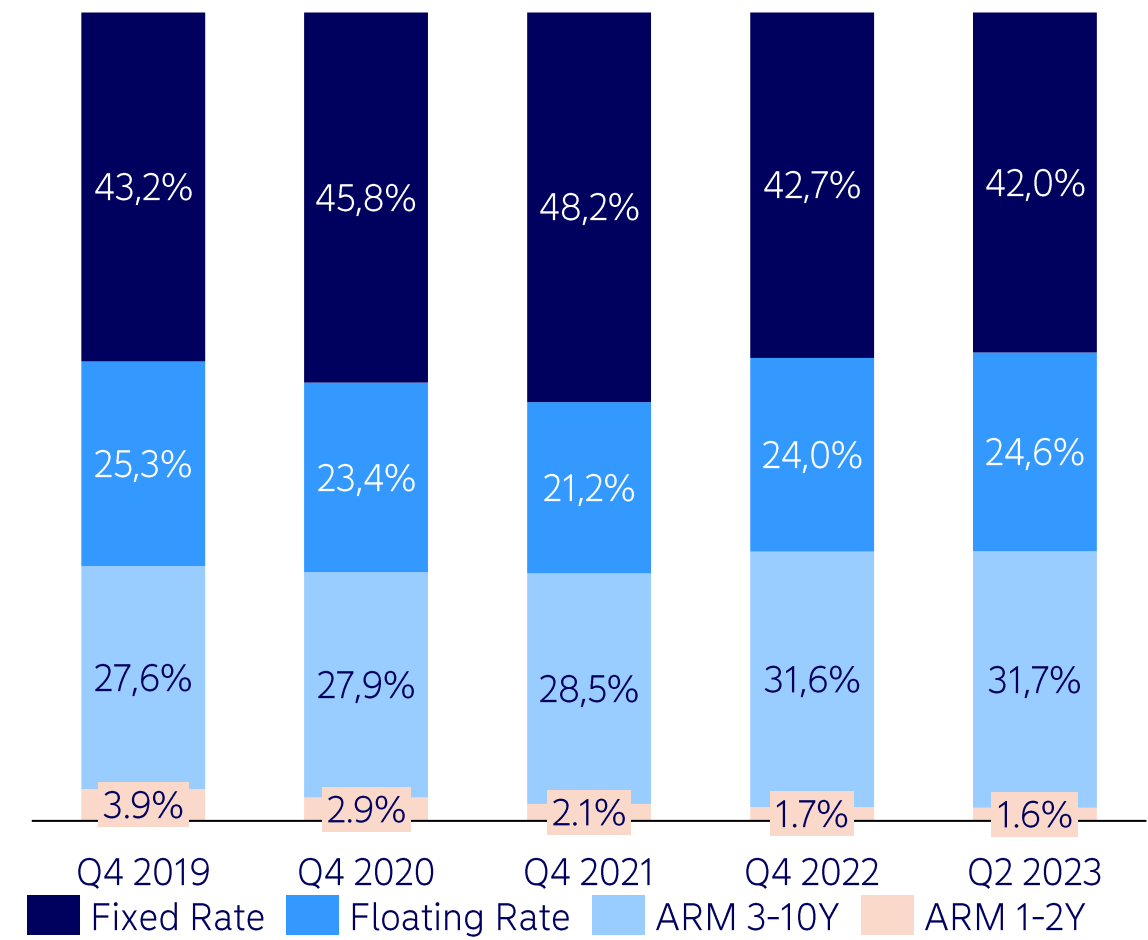


9 ¹⁾ Market share of the Danish mortgage credit market

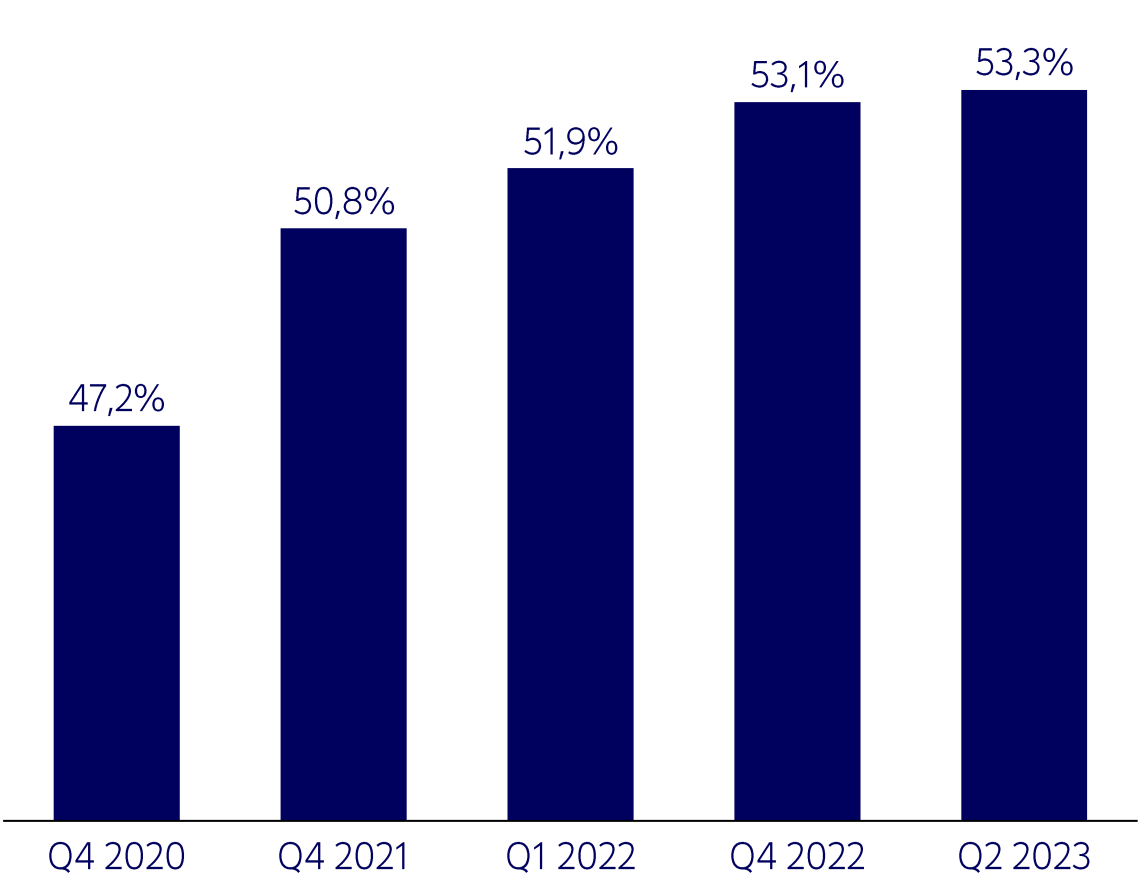
Loan portfolio

Q2 2023

Loan portfolio by loan type



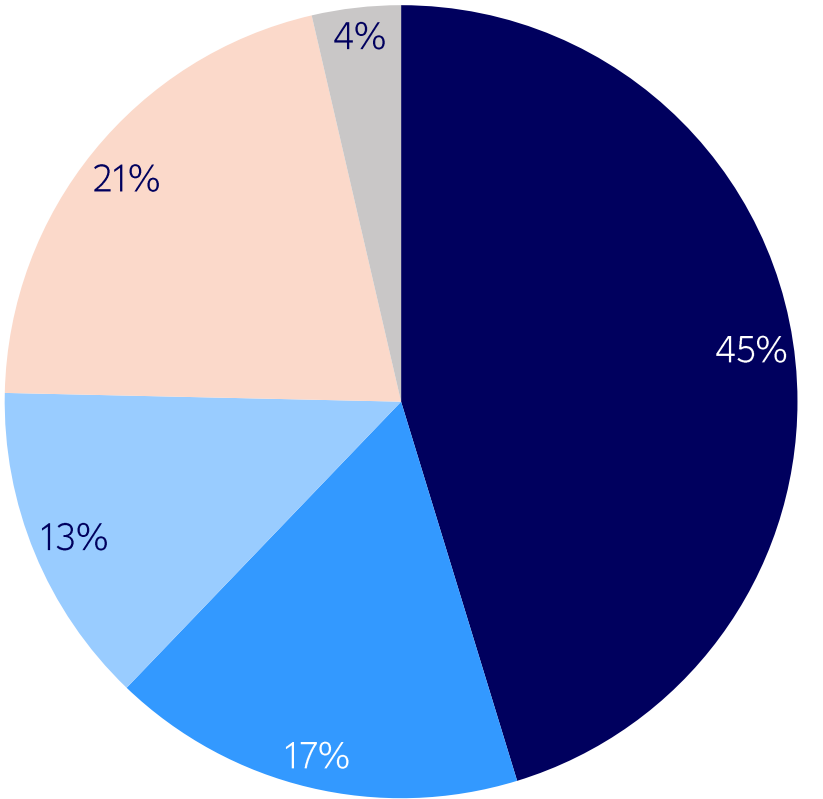
Share of interest-only mortgages



Loan portfolio

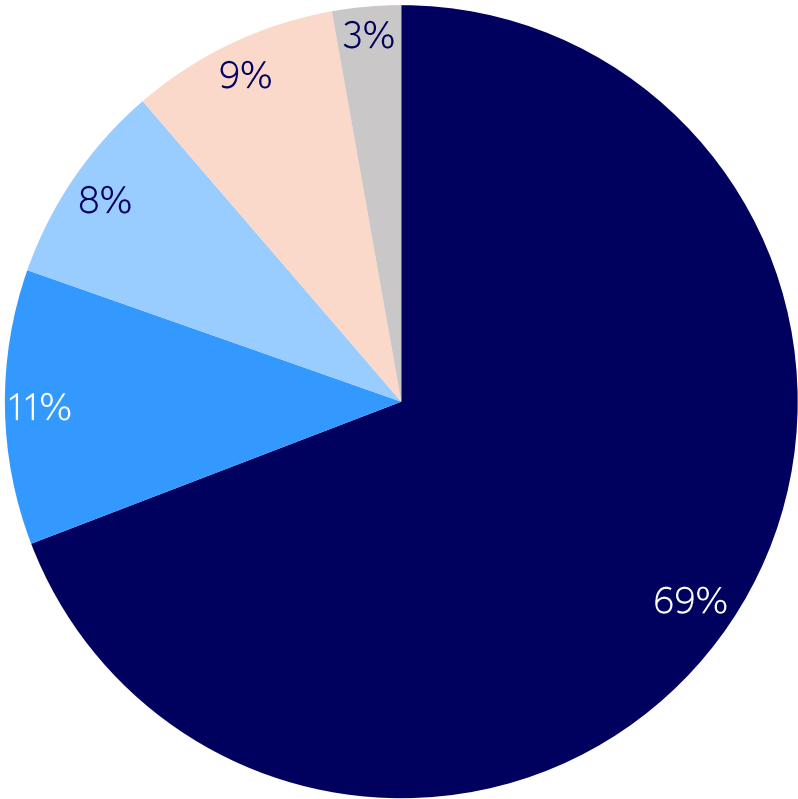
Q2 2023

Loan balance by region



- The Capital Region of Denmark
- Central Denmark Region
- Region Zealand
- The North Denmark Region
- Region of Southern Denmark

Loan balance by property category

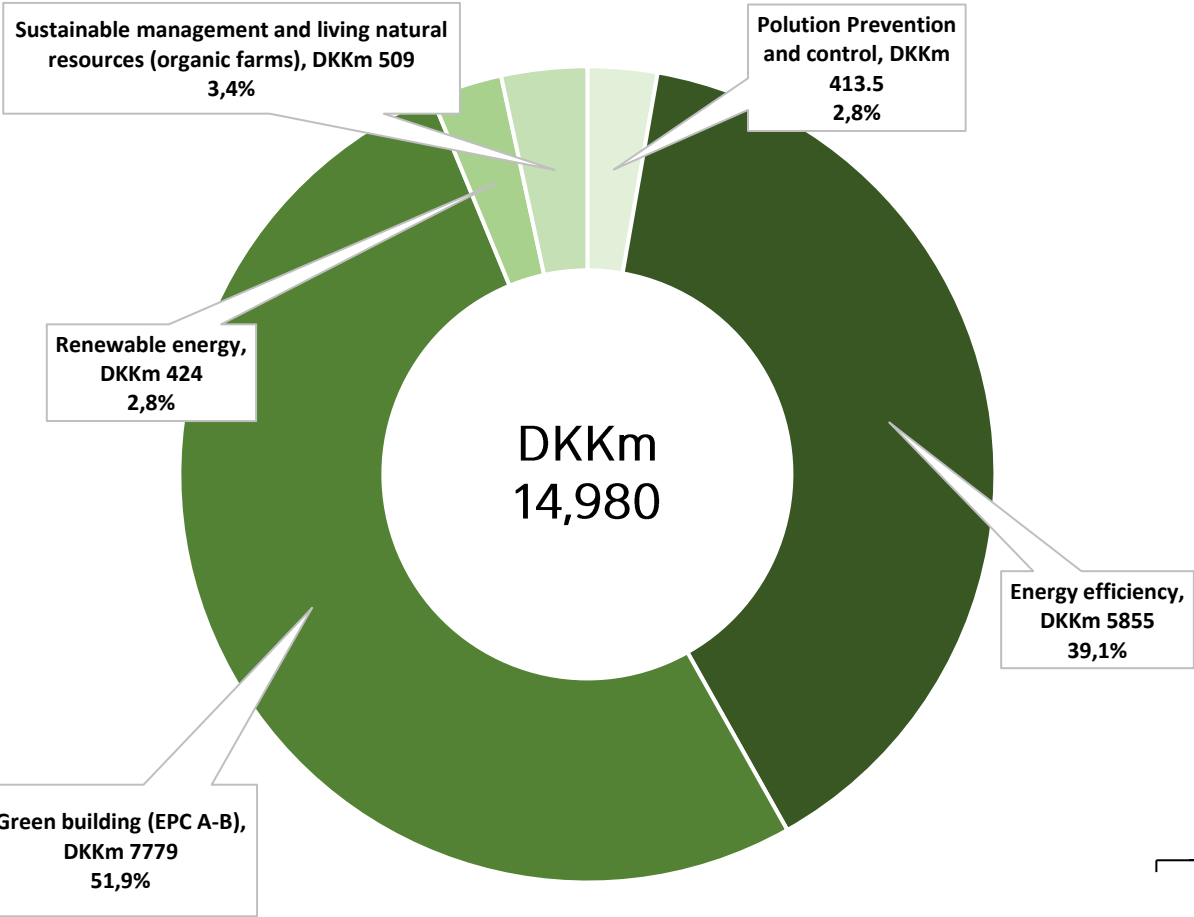


- Owner occupied dwellings
- Rental
- Commercial properties
- Agriculture
- Other properties

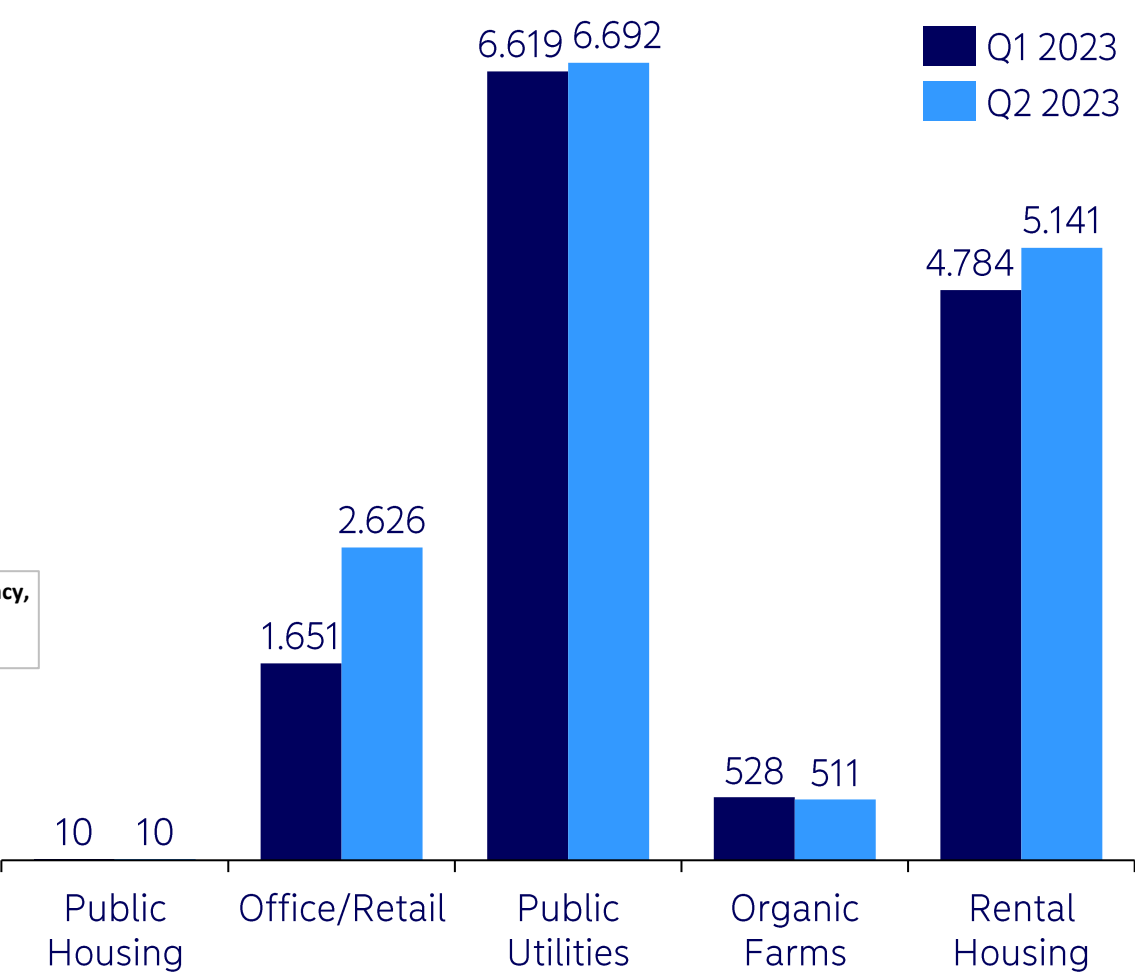
Green Bonds

Q2 2023

Green lending by asset category



Green lending by property category - DKKm



Financed emissions – and portfolio by EPCs

Q2 2023

Financed emissions ¹⁾						
Type of property	Total volume DKKbn	Coverage (volume)	Total emission tCO2	Financed emission tCO2	Financed emission CO2/DKKbn	Total emission CO2/sqm
Owner. Occ. Dwellings	253	99.3%	513,093	248,571	0.98	21
Commercial residential	40	93.3%	104,637	47,276	1.18	10
Offices & retail prop.	25	81.2%	97,109	37,022	1.48	15
Other properties ²⁾	44	0.0%				
Total	362	83.3%	714,839	332,869		

Notes

1) Calculations and portfolio as of 30 June 2023

2) Other properties include agriculture, industry etc.

3) Energy Performance Certificate (EPC): Theoretical calculation of the building's energy consumption

Disclaimer

The information on CO2 emissions is presented on the basis the Finance Denmark's "Framework for Financed Emissions Accounting" and Nordea Kredit's "Approach for estimations of CO2-emissions for the lending portfolio of Nordea Kredit".

The reported information on CO2 emissions has been prepared by Nordea Kredit using publicly available information considered reliable – including e.g. The Building and Housing Register (heating source etc.) and The Danish Energy Agency ([information on EPCs](#)). However, Nordea Kredit has not independently verified the contents hereof.

Nordea Kredit has taken reasonable care to ensure that the information and data used are not misleading, however, no representation or warranty, should be placed on the accuracy or completeness of the information presented above.

Portfolio by EPCs ^{1, 3)}	
EPC	Volume DKKbn
A2020	7
A2015	20
A2010	11
B	16
C	63
D	49
E	18
F	7
G	4
N/A	167
Total	362

4. Asset quality

Loan to value (LTV) – loans for residential and commercial properties

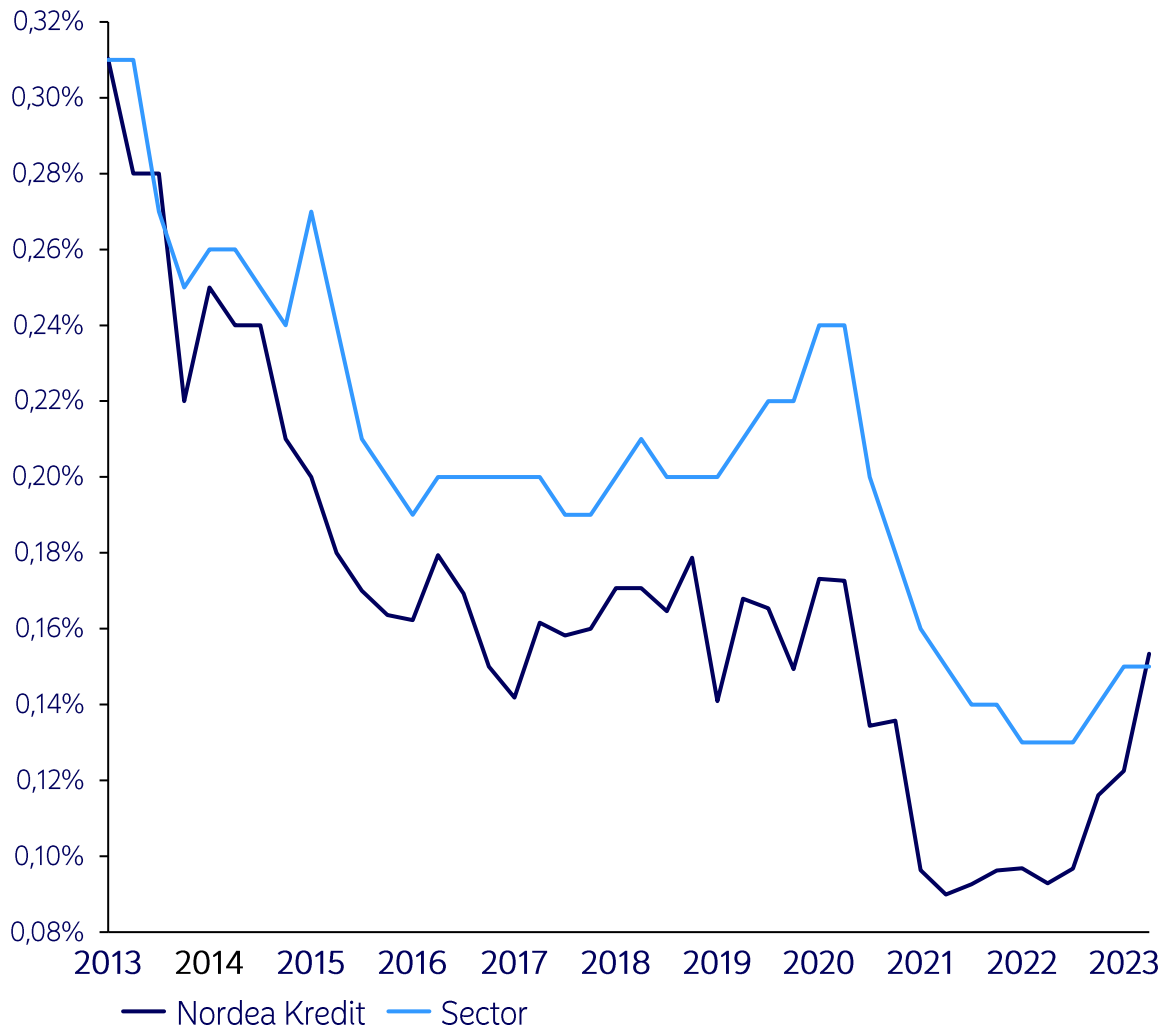
Q2 2023

Loan type		Residential loans		Commercial loans	
Weighted average LTV – indexed		57.2%		42.1%	
LTV buckets		Nominal (DKKm)	% Loans	Nominal (DKKm)	% Loans
> 0 - ≤ 40 %		239,9123	68.9%	60,133	76.6%
> 40 - ≤ 50 %		43,728	12.6%	10,533	13.4%
> 50 - ≤ 60 %		32.138	9.2%	5,541	7.1%
> 60 - ≤ 70 %		19.184	5.5%	1.845	2.3%
> 70 - ≤ 80 %		9.359	2.7%	340	0.4%
>80%		3.757	1.1%	158	0.2%
Total		348,079	100.0%	78,550	100.0%

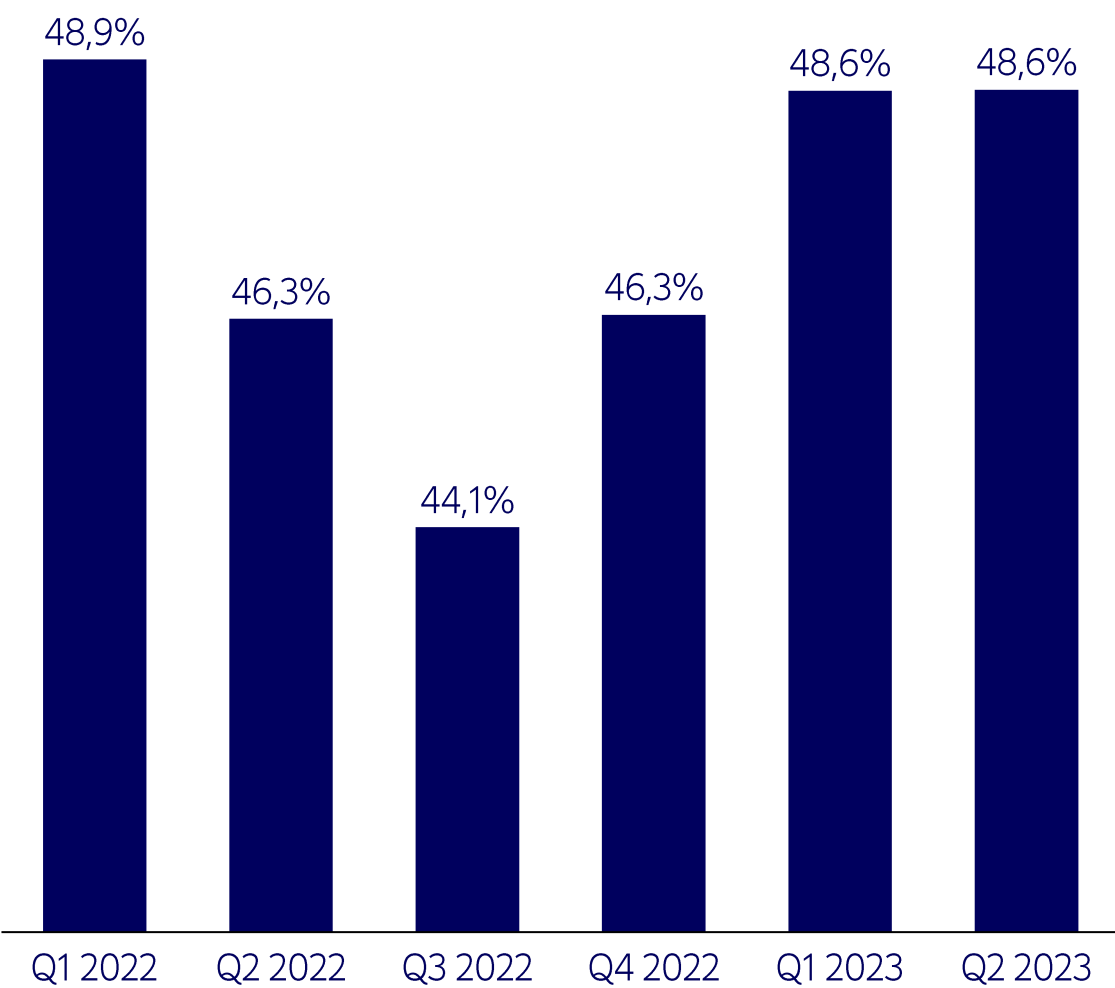
Asset quality

Q2 2023

Arrears (owner occupied dwellings and holiday homes) *



Loan to value (LTV) weighted average (all loans)



5. Underwriting criteria

Underwriting criteria

Private households

- Behavioural score and individual credit assessment are conducted based on income information, e.g. payslips and tax information
- "Before-after loan" household budgets are made and used in the assessment (based on 30 years annuity and fixed interest rate)
 - If the borrower chooses adjustable or floating interest rate loans, an additional stress test based on the variable interest rate +1 percentage point is conducted
 - If the LTV (loan to value) is > 60 and LTI (loan to income) is > 4, the customer can only choose:
 - Fixed rate loans and
 - Amortising variable rate, fixed for minimum 5 years
- An individual valuation is made of the pledged property

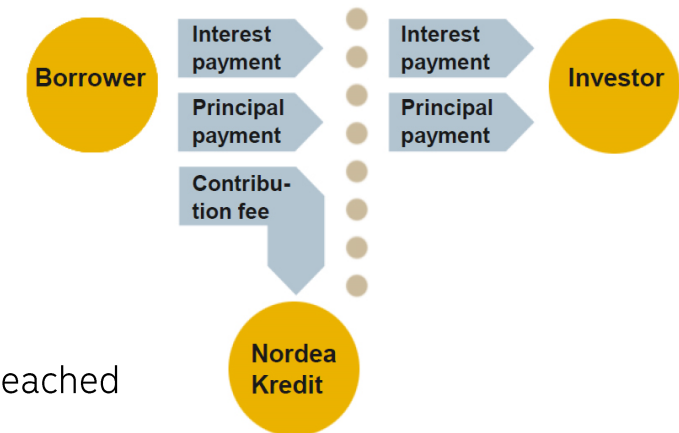
Corporates, agriculture etc.

- A financial analysis of the customer is made, including adjustments for current market conditions
- Key ratios and other requirements in Nordea general real estate lending policy are verified
- Rating of the customer according to Nordea's in-house models
- An individual valuation is made of the pledged property
- Yearly repricing based on reassessment

6. Danish covered bond framework

Danish covered bond framework

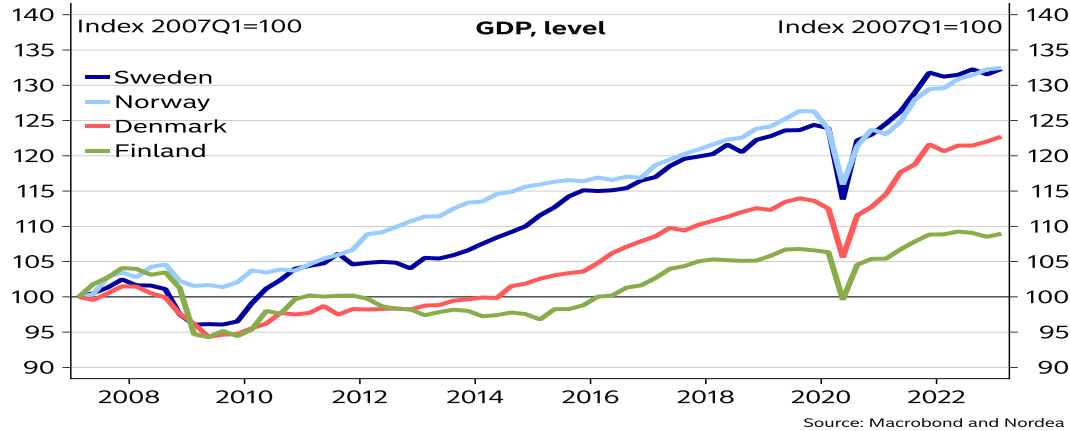
- Legal framework
 - The Financial Business Act
 - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act with several implementing executive orders
- Registration
 - An issuing institution is required to maintain a static cover pool
 - Mortgage deeds are registered in the Danish Public Land Registry
- Limits on LTV ratios – based on the value of the property at loan origination
 - 80% for housing loans (residential property)
 - 60% for commercial loans (legislative limit 70%)
 - Static cover pools – issuer must provide supplementary capital if LTV-limits are breached
- Matching rules
 - Nordea Kredit complies with the strict balance principle utilising match funding, hence Nordea Kredit only has insignificant interest rate and currency risk
- Public supervision
 - The DFSA performs supervision and on site inspections on an ongoing basis



7. Macroeconomy

Resilient economies are facing headwinds

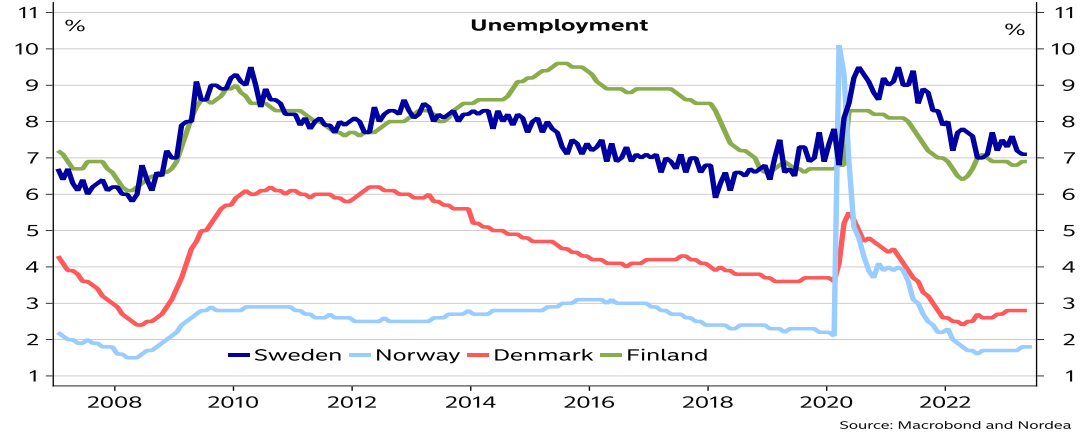
GDP development



- The Nordic economies have been among the best performing economies globally since the pandemic.
- However, on the back of surging inflation and interest rates, coupled with weaker global growth, the resilient Nordic economies are facing headwinds.
- The stronger than anticipated labour market is set to weaken as economic growth dampens.

Source: Nordea Markets and Macrobond

Unemployment rate

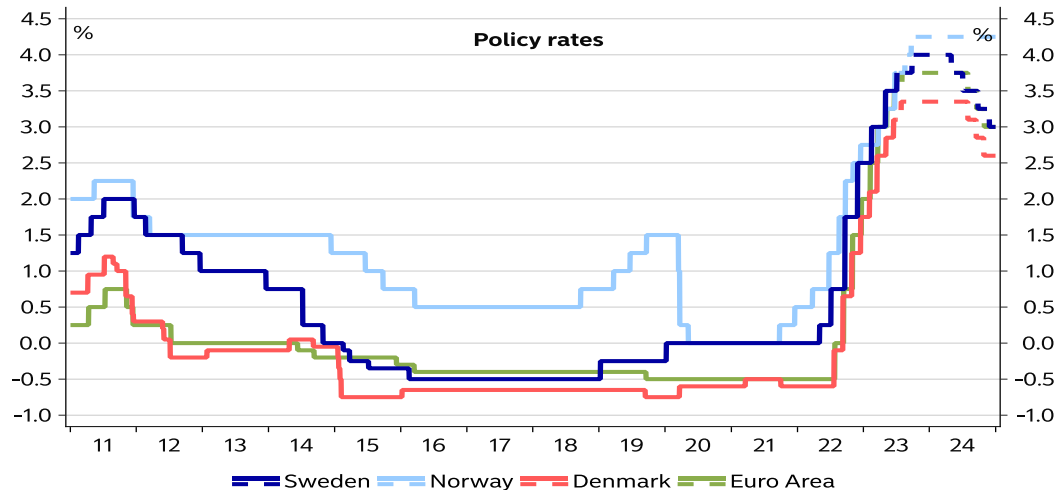


GDP, % y/y, Economic Outlook May 2023

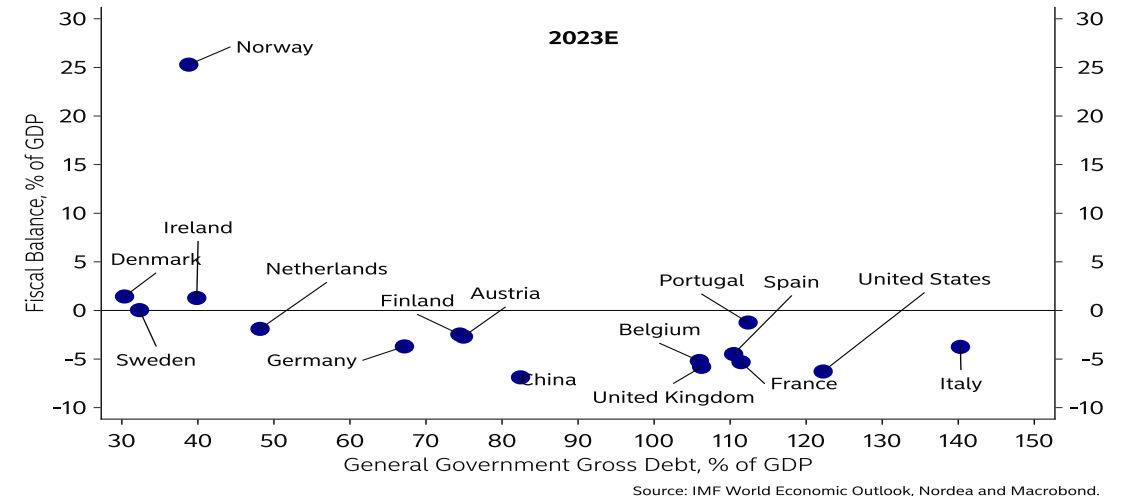
Country	2021	2022	2023E	2024E
Denmark	6.8	2.7	0.5	1.5
Finland	3.2	1.6	0.0	1.0
Norway (mainland)	4.2	3.8	0.5	0.5
Sweden	6.0	2.8	-1.2	0.4

Higher for longer interest rates

Policy rates



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

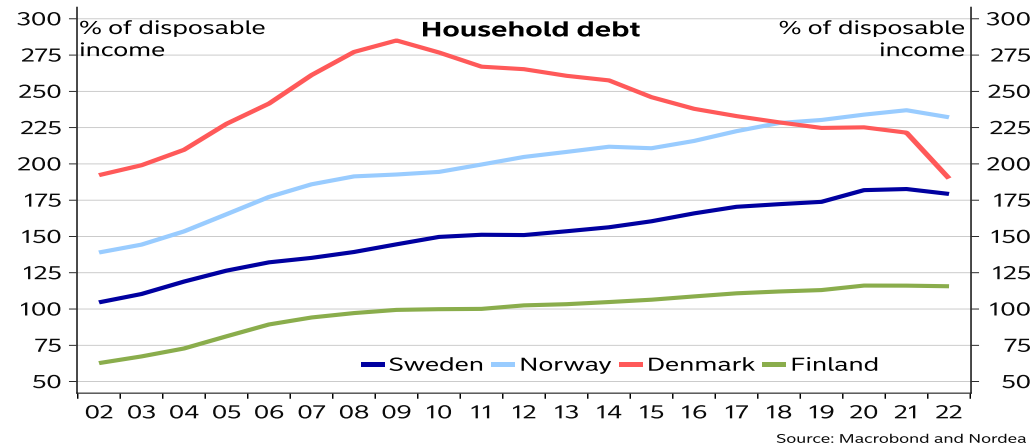


- Central banks are continuing to hike interest rates to combat the high inflation.
- Norges Bank has hiked from 0 to 3.75% since autumn 2021 and are expected to continue until they reach 4.25% in September 2023.
- The Swedish Riksbank raised the policy rate to 3.75% in June and are expected to hike one more time to 4.00% in September 2023.
- The ECB delivered a 25bp hike in June to 3.50%. We predict that the policy rate in the Euro Area and Denmark will peak in July at 3.75% and 3.35% respectively.
- The ECB and the Riksbank are reducing the size of their balance sheets.
- Solid public finances will help Nordic governments to handle the economic slowdown ahead.

Households

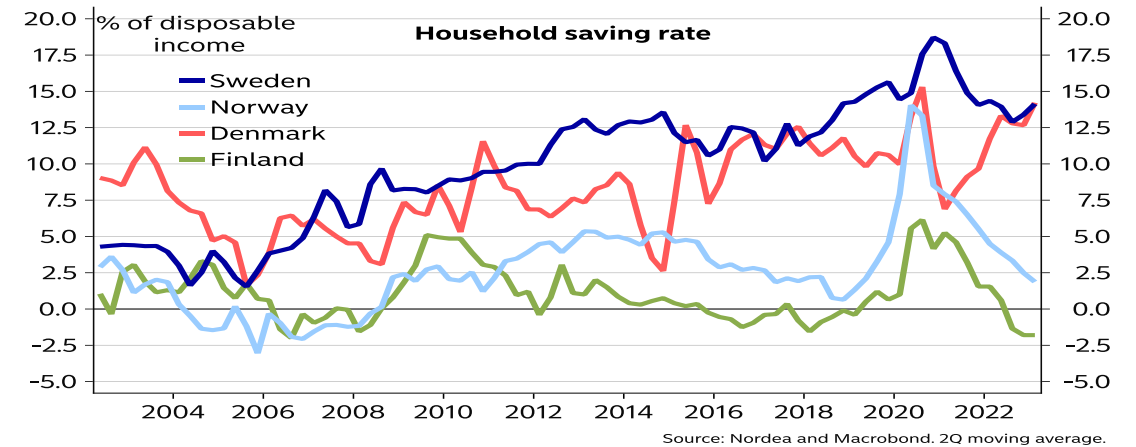
Feeling the squeeze

Household debt

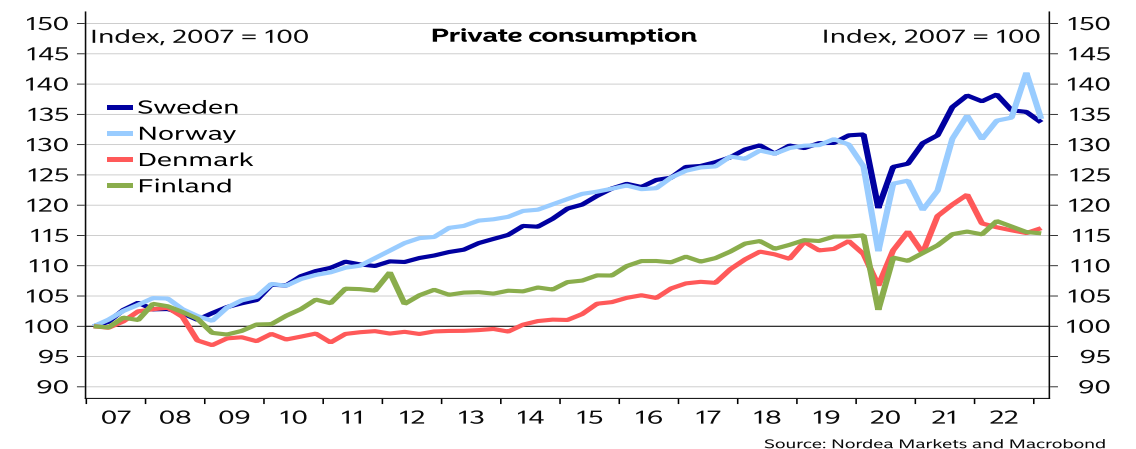


- High and broad-based inflation and still rising interest rates continues to pressure households' purchasing power. Households are feeling the squeeze and consumption is set to decline this year in all the Nordic countries.
- Household debt is beginning to decrease as interest rates continues to rise.

Household savings

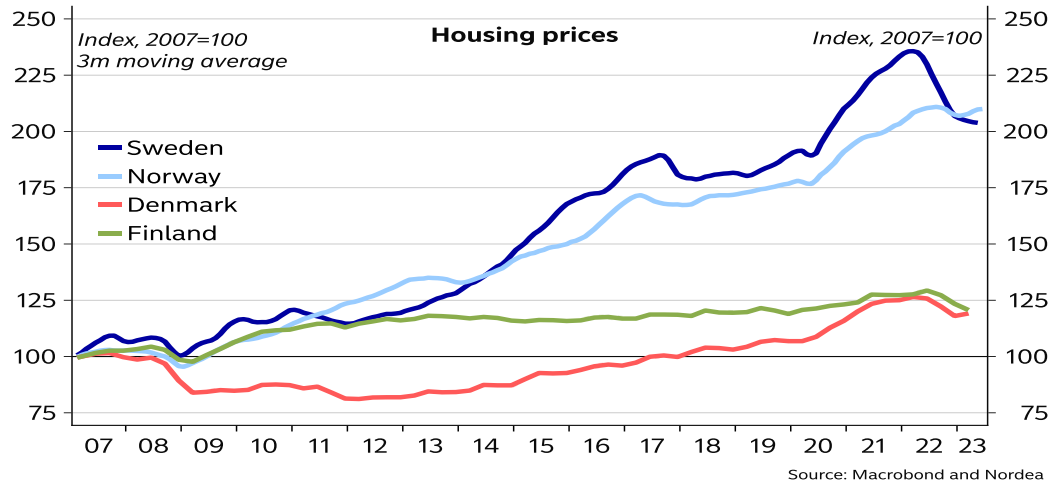


Private consumption

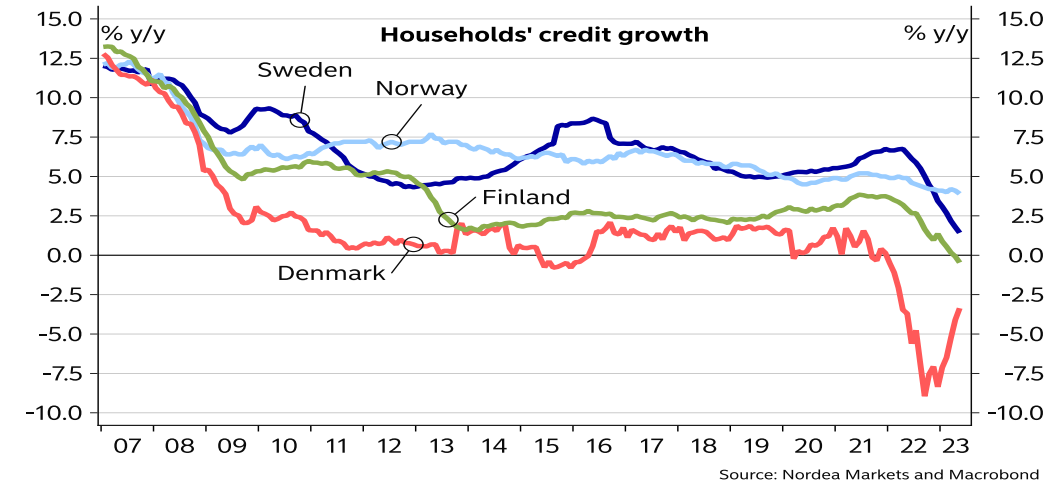


Higher interest rates imply downside risks on the housing market

Housing prices



Households' credit growth



- Housing prices rose to record-high levels in all the Nordic countries in 2022.
- Housing prices have fallen in all Nordic countries on the back of surging borrowing costs. However, prices have recently started to stabilize.
- The risks are still on the downside for housing prices going forward, accounting for the higher interest rates.
- Households' credit growth in the Nordic countries, except for Denmark, have been on a downward trend the past couple of quarters. In May 2023, both Finland and Denmark had negative credit growth.

8. Links and Contacts

Links for more information

Nordea Kredit

- Nordea Kredit ECBC harmonised transparency templates.
Link: <https://www.nordea.com/en/investor-relations/reports-and-presentations/bonds/nordea-kredit-covered-bonds/>
- Nordea Kredit financial reports.
Link: <https://www.nordea.com/en/investor-relations/reports-and-presentations/subsidiary-reports/nordeas-danish-subsiary-reports/>

Legislation

- Danish mortgage credit institutions are supervised by the DFSA (Finanstilsynet).
Link: <https://finanstilsynet.dk/en>
- Relevant legislation can be found in English at the DFSA's English website.
Link: <https://finanstilsynet.dk/en/Lovgivning>
- All mortgage bank legislation can be found in Danish at the DFSA's Danish website.
Link: <http://finanstilsynet.dk/da/Lovgivning/Lovsamling>

Contacts

If you have any questions, please feel free to contact:

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