

Nordea

# Nordea Kredit Covered Bonds

Q1 2023 Debt Investor Presentation



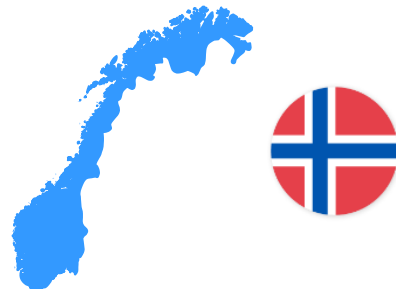
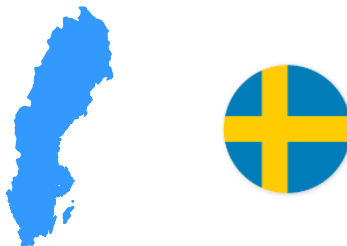

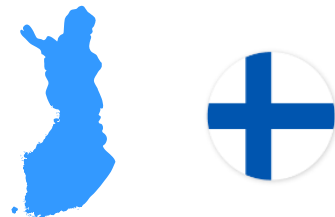
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## 1. Nordea covered bond operations

# 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%	71%	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



<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

## 2. Nordea Kredit - in brief

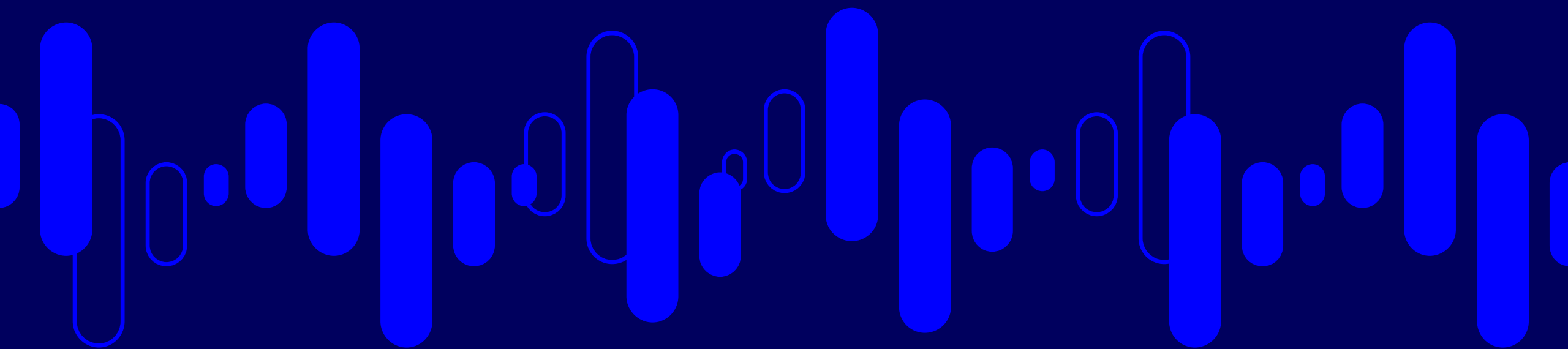
## Nordea Kredit – in brief

- 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](https://nordeakredit.dk)

<b>Key Figures and Ratios</b>	<b>Q4 2022</b>	<b>Q4 2021</b>	<b>Q4/Q4</b>
Profit Before Tax	1,377	1,419	-3.1%
Cost-Income Ratio	50.4%	50.5%	-0.1pp
Capital Ratio	30.5%	26.6%	3.9pp
Tier 1 Capital Ratio	28.4%	24.7%	3.7pp
Market Share	13.9%	14.2%	-0.3pp



### 3. Cover pool key characteristics



# Cover pool key characteristics

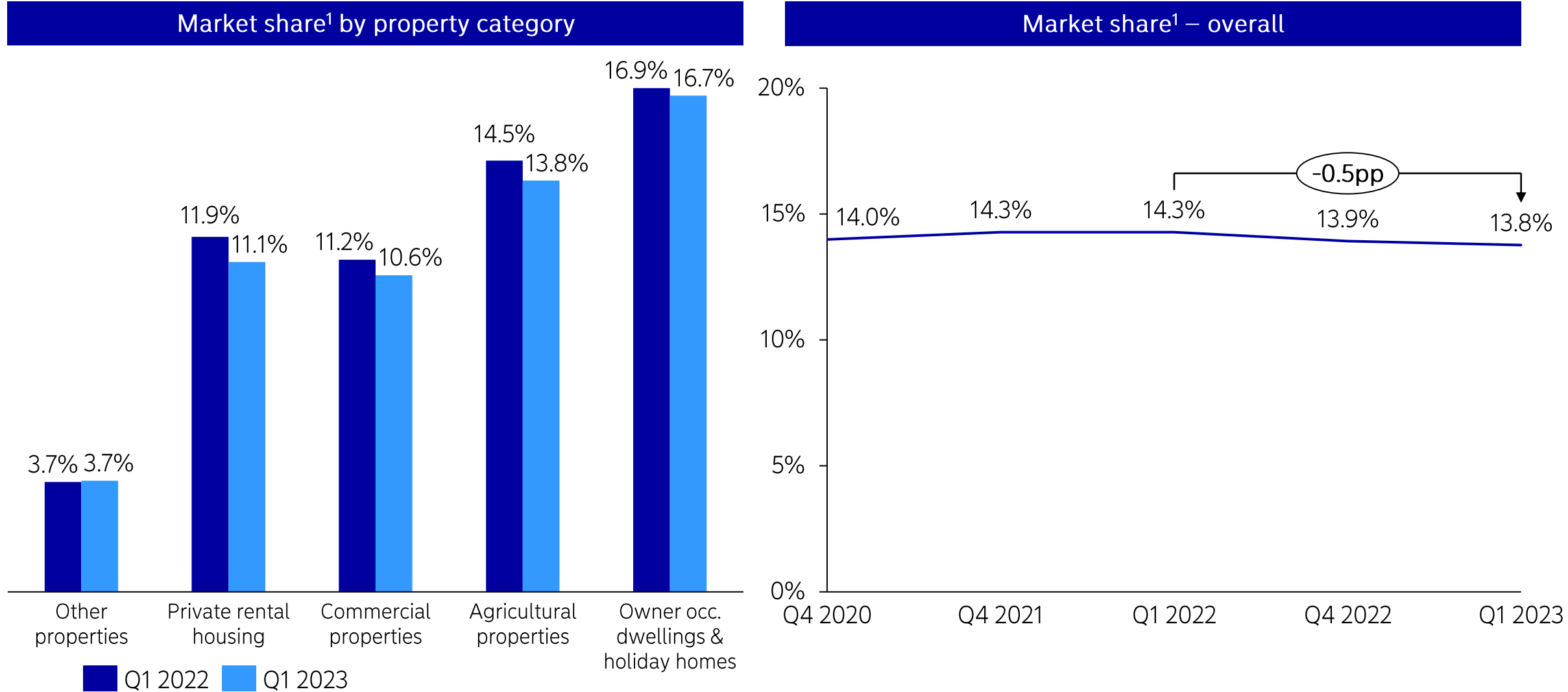
Q1 2023

<b>Outstanding covered bonds</b>	EUR 58.9bn
<b>Cover pool content</b>	Mortgage credit loans secured by mainly residential property (total: EUR 63.2bn including substitute assets)
<b>Geographic distribution</b>	Throughout Denmark with concentration in urban areas
<b>Weighted average LTV</b>	48.6%
<b>Average residential loan size</b>	EUR 205,678
<b>Over collateralisation, OC</b>	7.3%
<b>Rate type (bonds)</b>	Fixed rate 74.3%, Floating rate 25.7%
<b>Amortization</b>	Interest only 53.4%, Amortizing 46.6%
<b>Substitute assets</b>	EUR 5.693bn
<b>Pool type</b>	Static
<b>Loans originated by</b>	Nordea Kredit CC2



# Loan portfolio

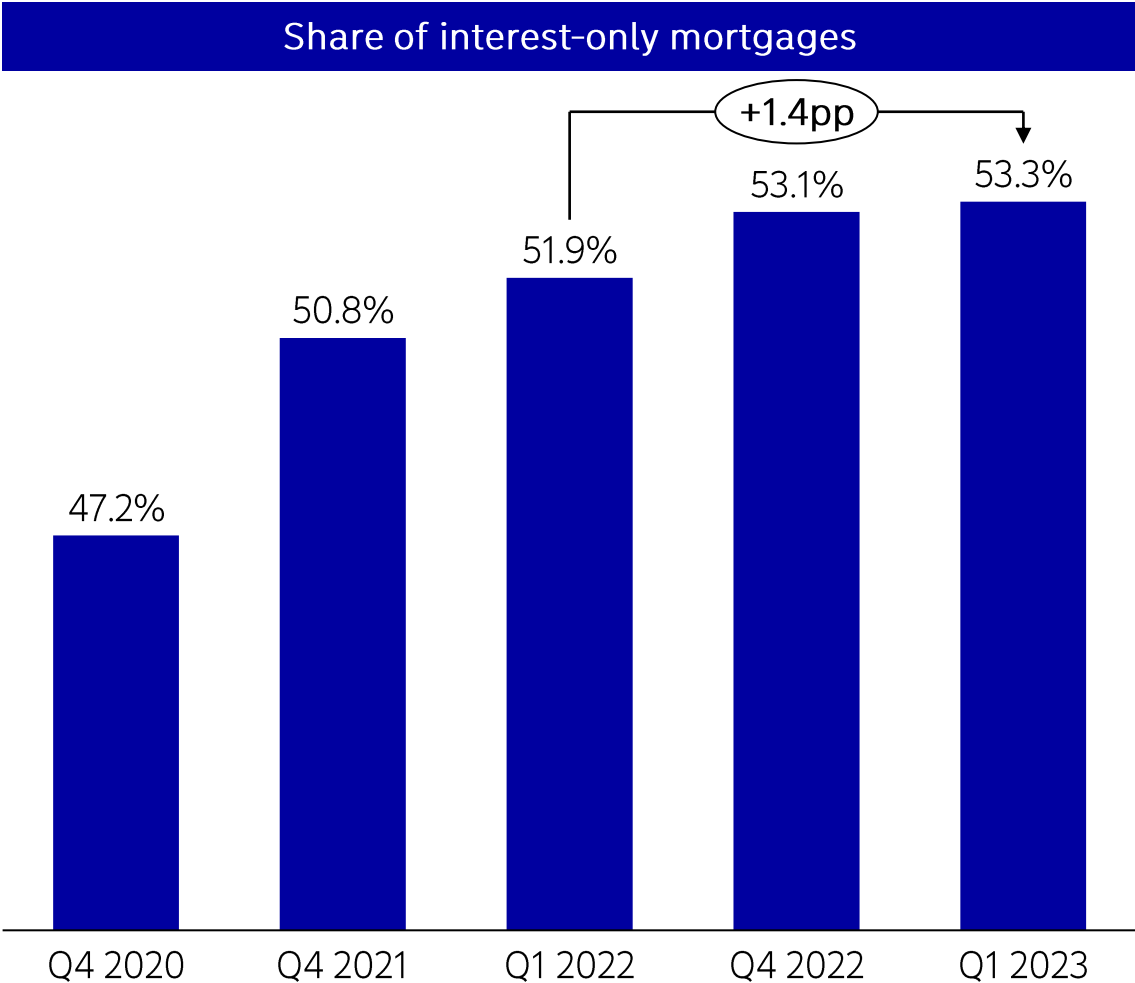
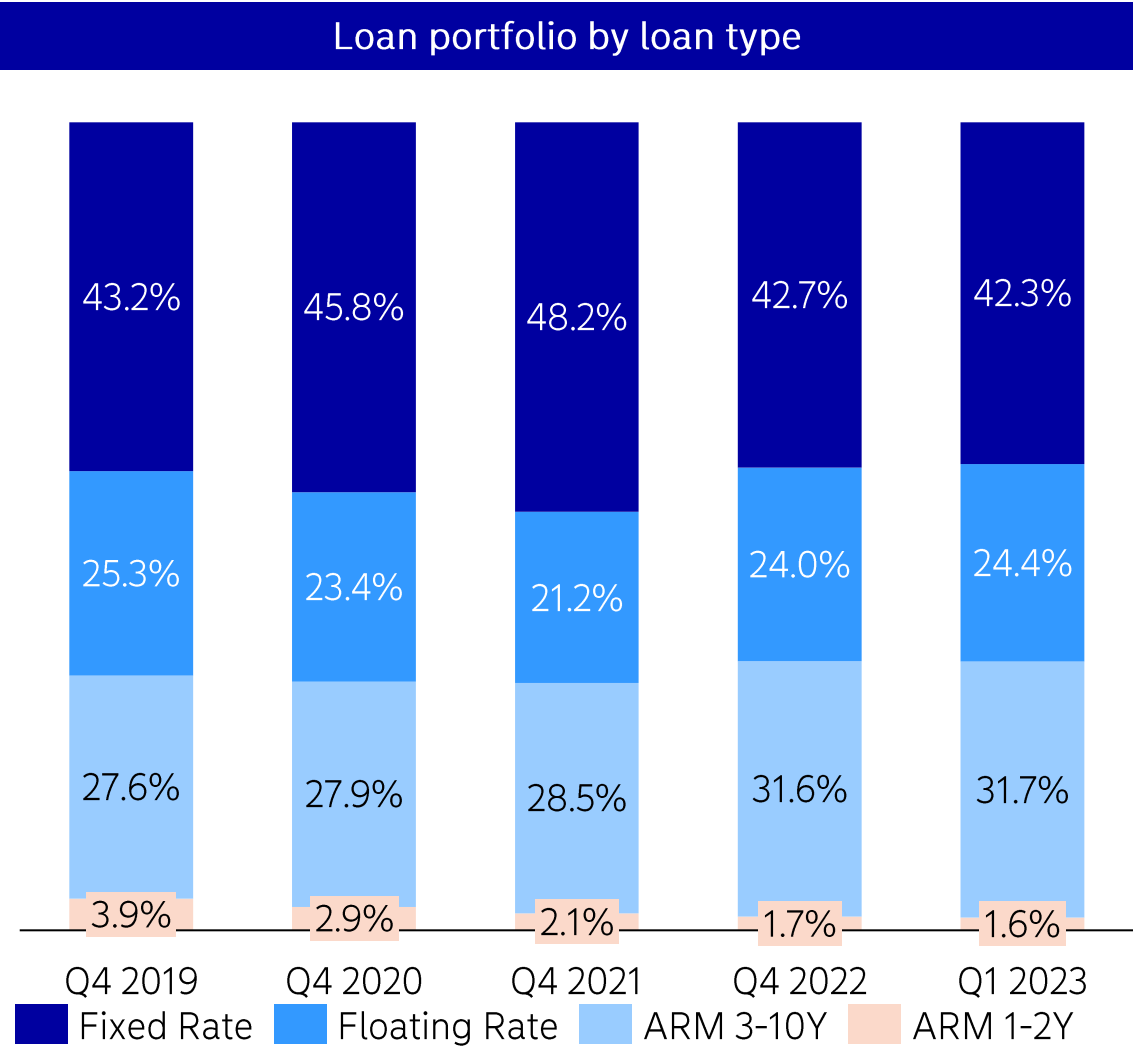
Q1 2023



<sup>1</sup>) Market share of the Danish mortgage credit market

# Loan portfolio

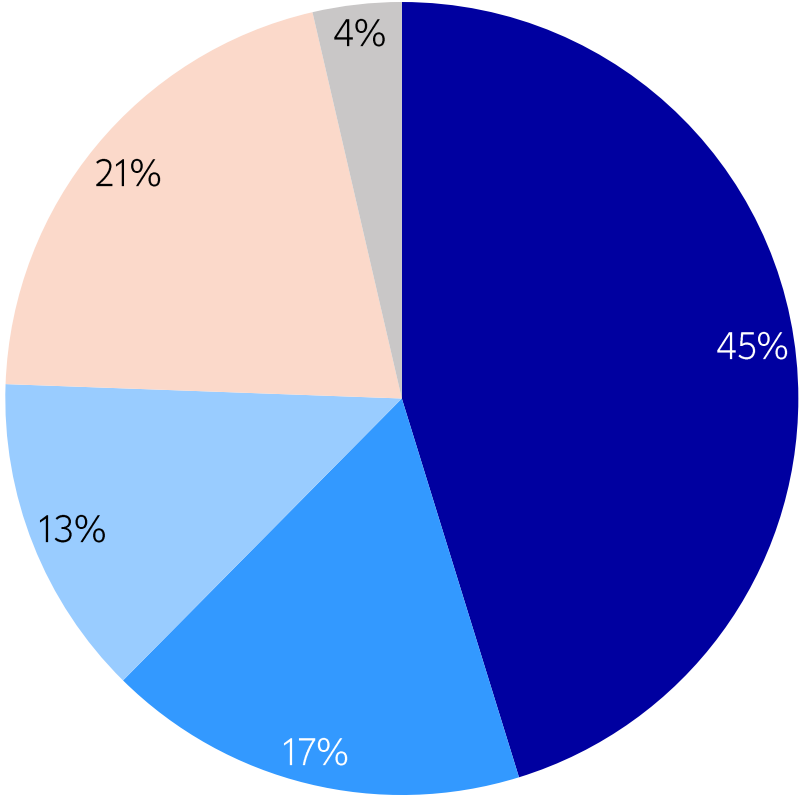
Q1 2023



# Loan portfolio

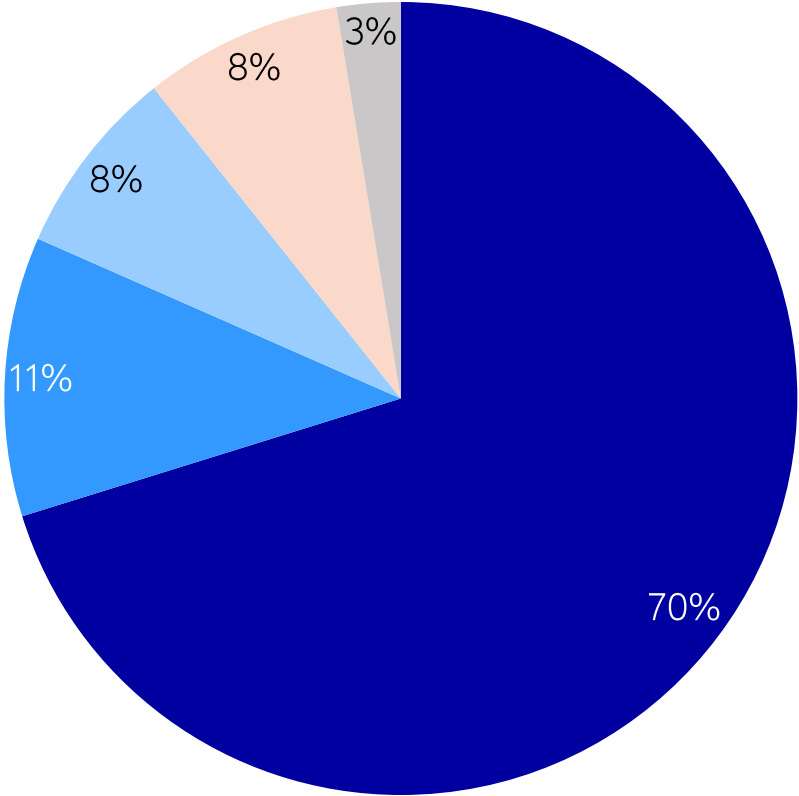
Q1 2023

Loan balance by region



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

Cover pool balance by property category

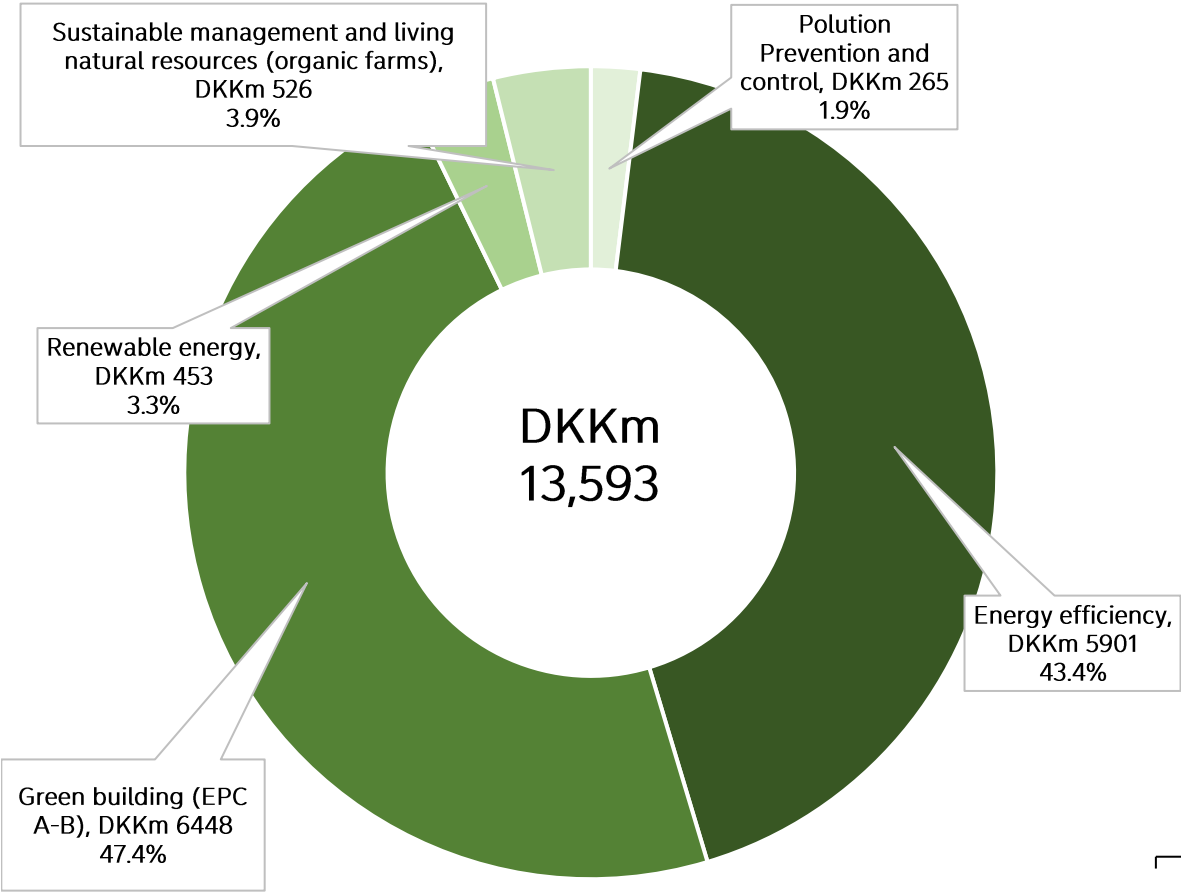


- Owner occupied dwellings
- Rental
- Commercial properties
- Agriculture
- Other properties

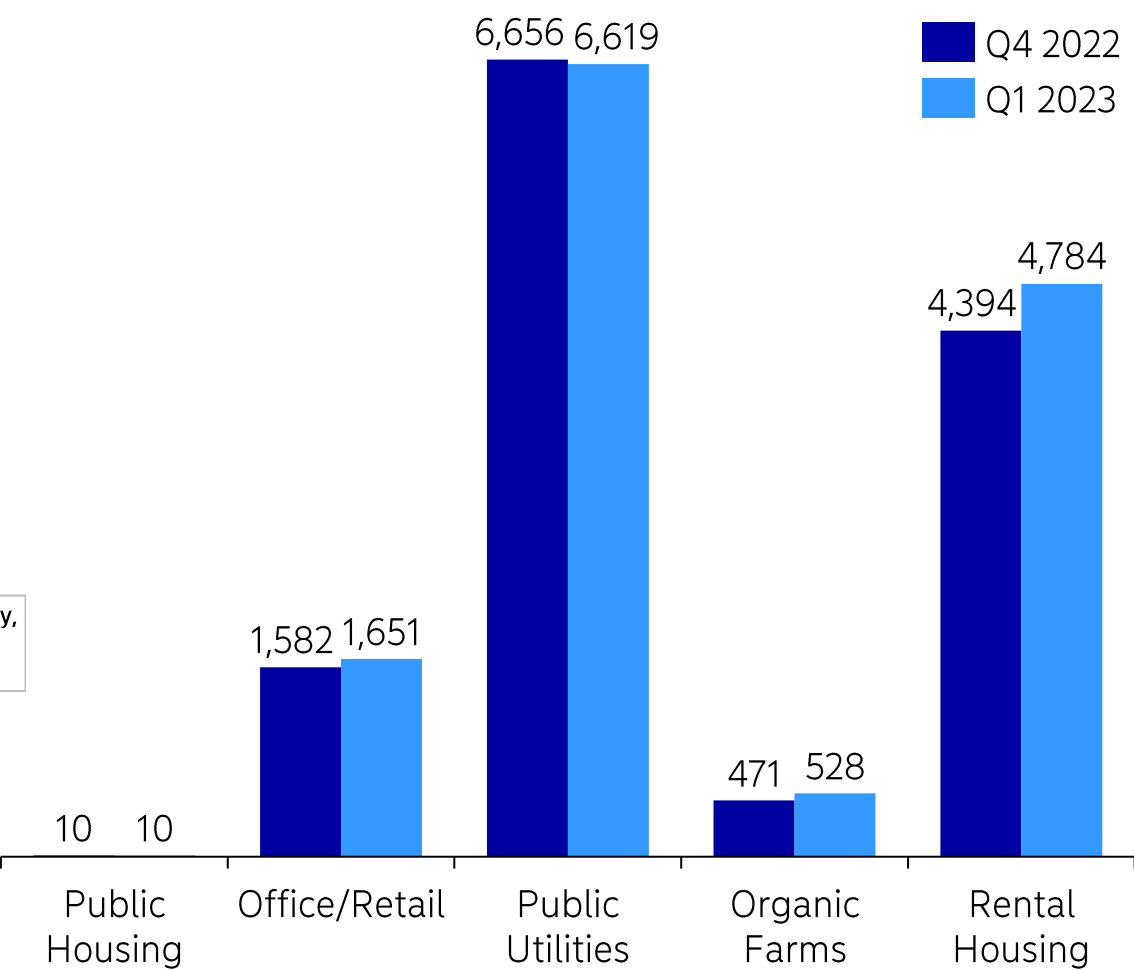
# Green Bonds

Q1 2023

Green lending by asset category



Green lending by property category - DKKm



# Financed emissions – and portfolio by EPCs

Q1 2023

Financed emissions <sup>1)</sup>						
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	256	99.4%	516,246	252,592	0.99	21
Commercial residential	40	94.1%	106,349	48,216	1.19	10
Offices & retail prop.	26	83.7%	99,040	38,370	1.51	15
Other properties <sup>2)</sup>	45	0.0%				
<b>Total</b>	<b>367</b>	<b>83.5%</b>	<b>721,635</b>	<b>339,178</b>		

Notes

1) Calculations and portfolio as of 31 March 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 <sup>1, 3)</sup>	
EPC	Volume DKKbn
A2020	7
A2015	20
A2010	11
B	16
C	65
D	51
E	19
F	8
G	4
N/A	166
<b>Total</b>	<b>367</b>

## 4. Asset quality

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

Q1 2023

Loan type Weighted average LTV – indexed		Residential loans 56.6%		Commercial loans 42.3%	
LTV buckets		Nominal (DKKkm)	% Loans	Nominal (DKKkm)	% Loans
> 0 - ≤ 40 %		238,756	68.9%	60,255	76.5%
> 40 - ≤ 50 %		43,627	12.6%	10,317	13.1%
> 50 - ≤ 60 %		31,862	9.2%	5,645	7.2%
> 60 - ≤ 70 %		19,028	5.5%	1,995	2.5%
> 70 - ≤ 80 %		9,327	2.7%	379	0.5%
>80%		3,869	1.1%	183	0.1%
Total		346,379	100.0%	78,774	100.0%

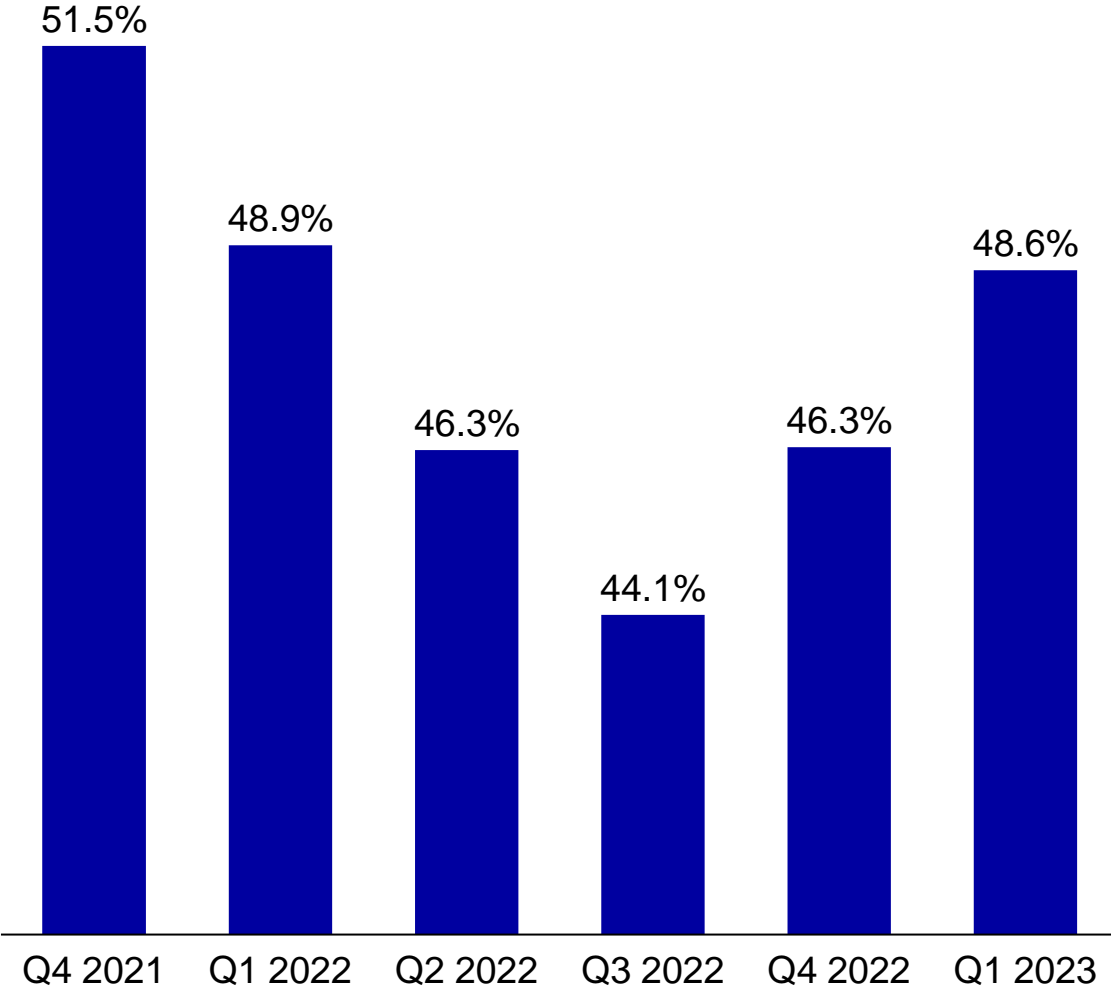
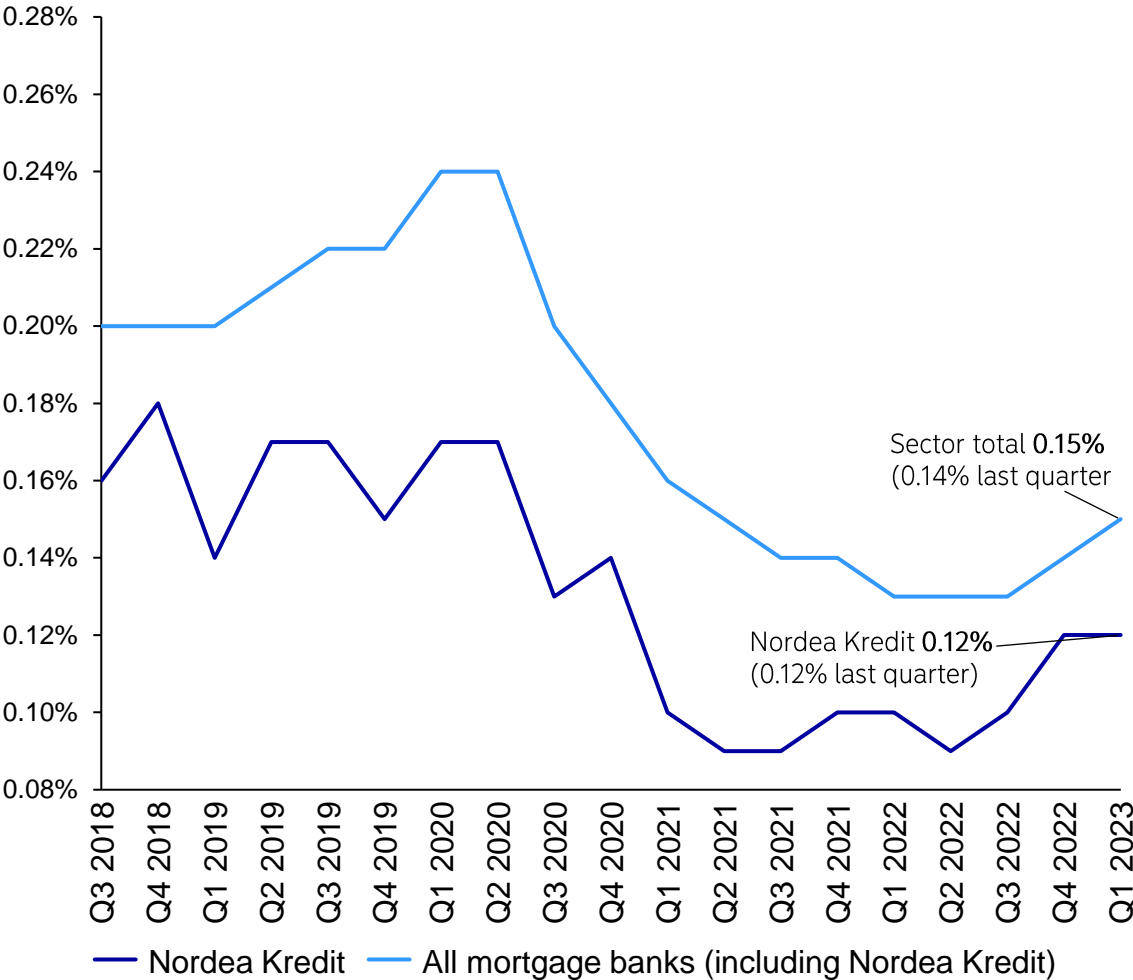


# Asset quality

Q1 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

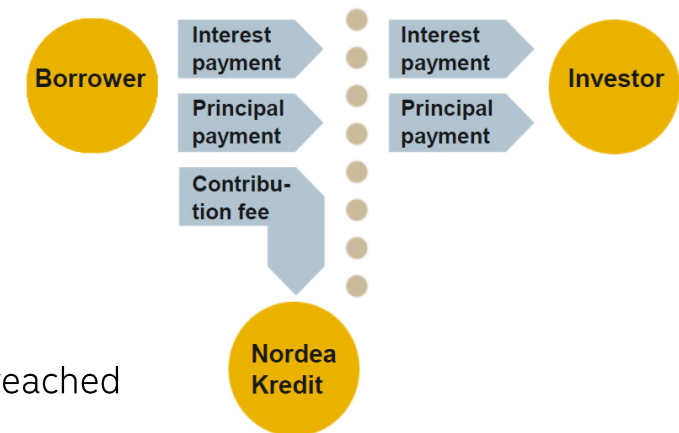
## Corporates, agriculture etc.

- 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

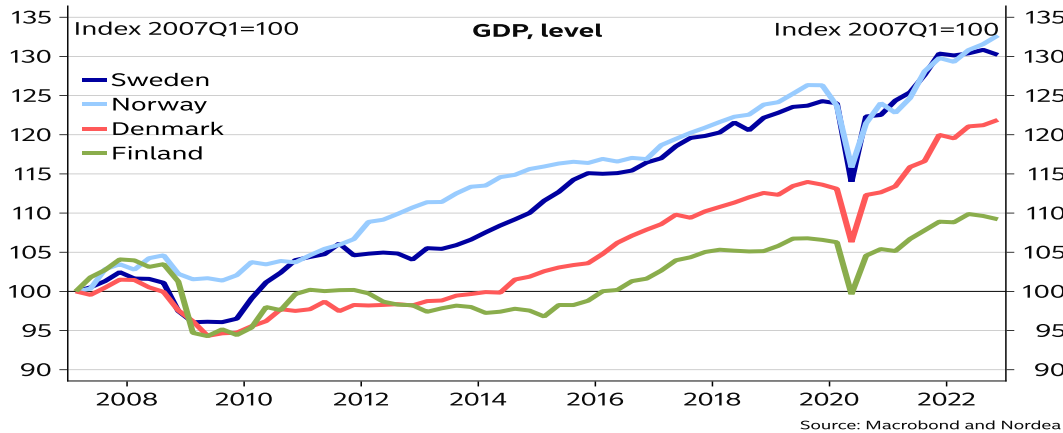
- Legal framework
  - The Financial Business Act
  - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act with several implementing executive orders
- Registration
  - An issuing institution is required to maintain a static cover pool
  - Mortgage deeds are registered in the Danish Public Land 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



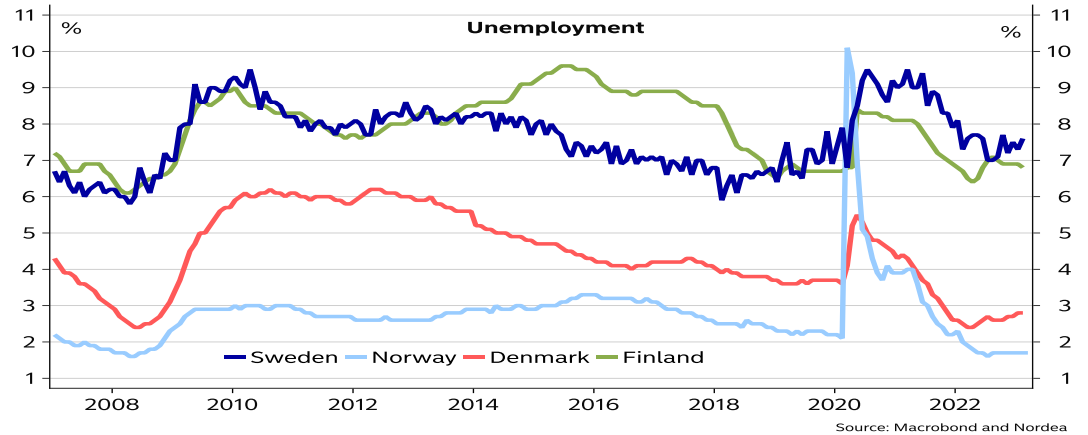
## 7. Macroeconomy

## 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

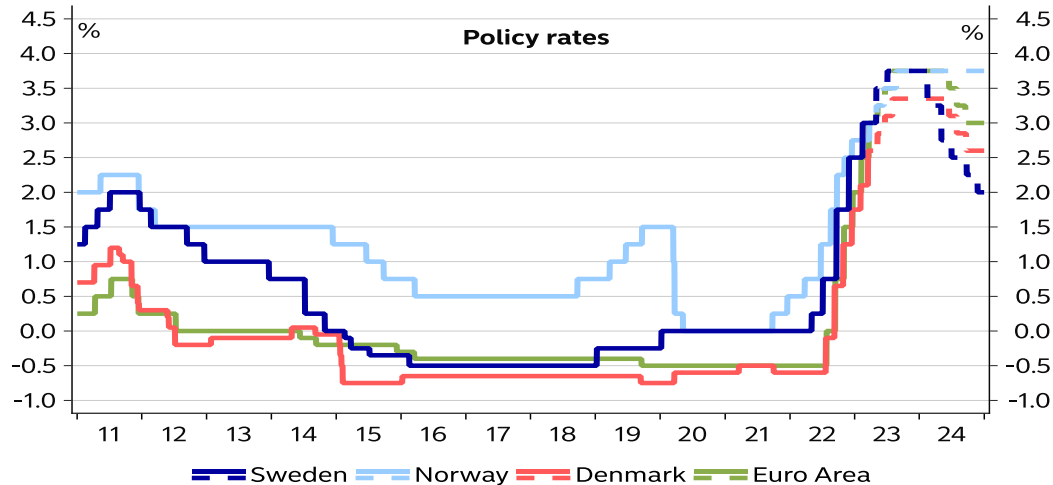
### GDP, % y/y, Economic Outlook January 2023

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

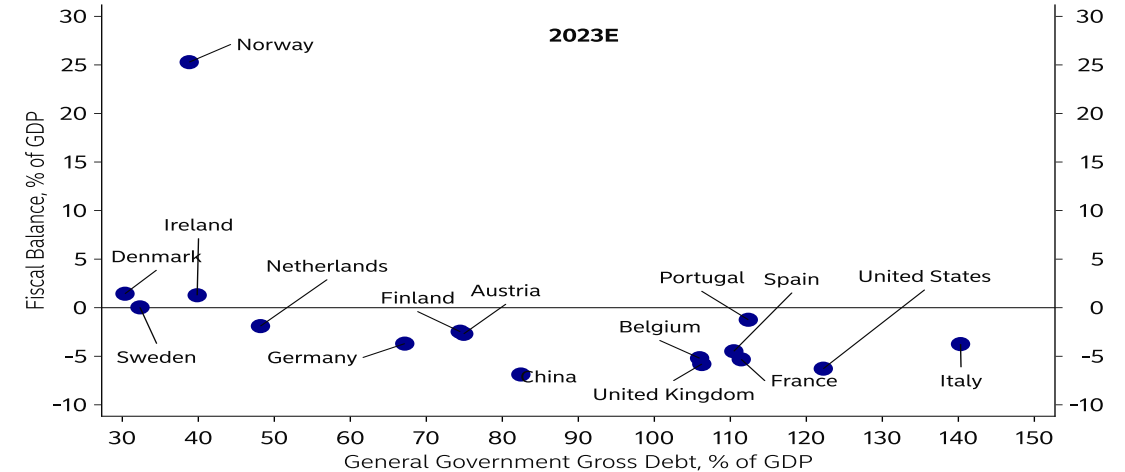


## Interest rates set to peak in 2023

### Policy rates



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

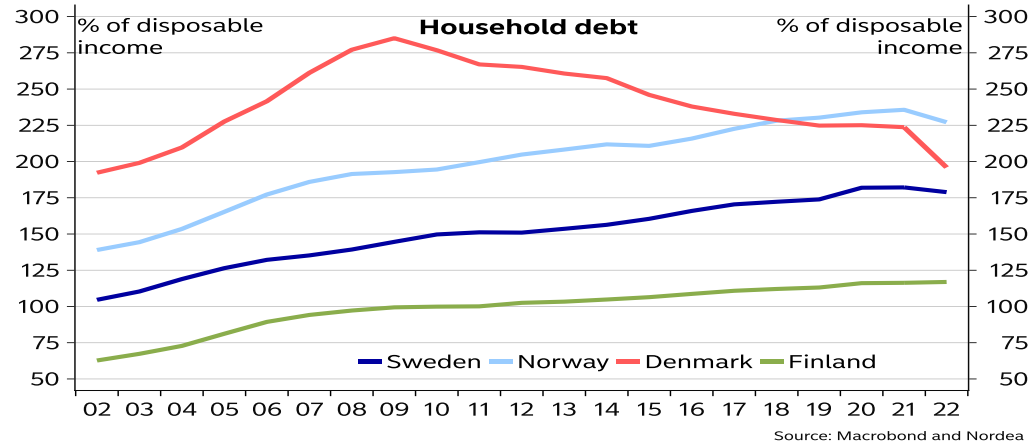


Source: IMF World Economic Outlook, Nordea and Macrobond.

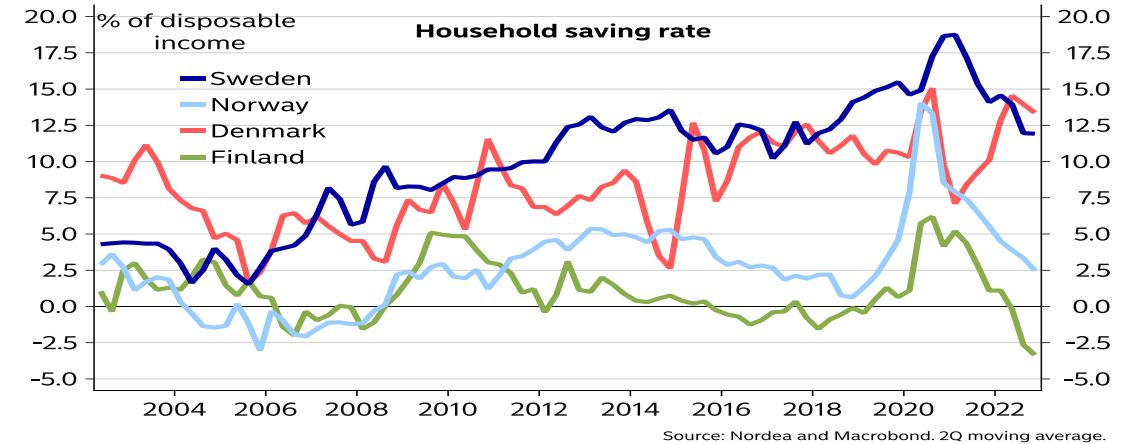
- Central banks have rapidly hiked interest rates to combat the high inflation
- Norges Bank has hiked from 0 to 3.00% since September 2021, and are expected to continue until they reach 3.75% in August 2023
- The Swedish Riksbank raised the policy rate to 3.50% in April and are expected to hike until 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 squeezed by high interest rates and inflation

## Household debt

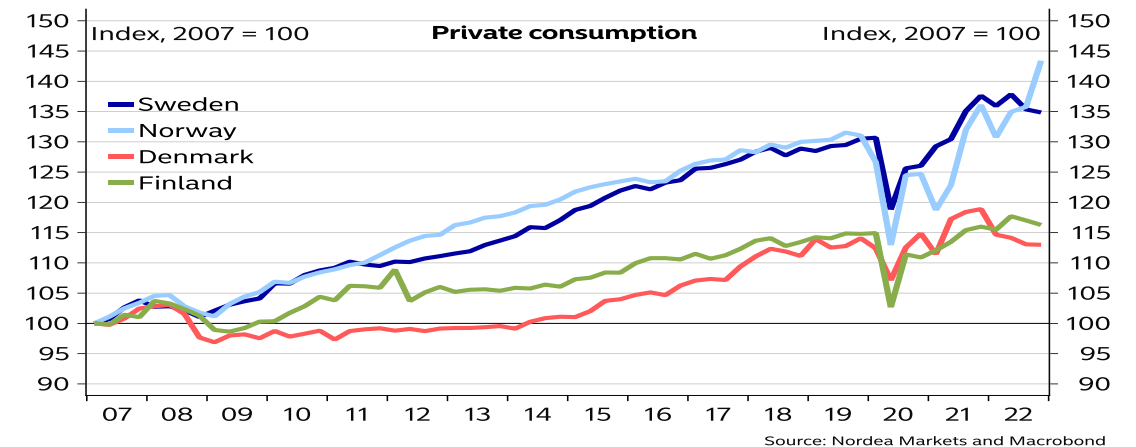


## Household savings



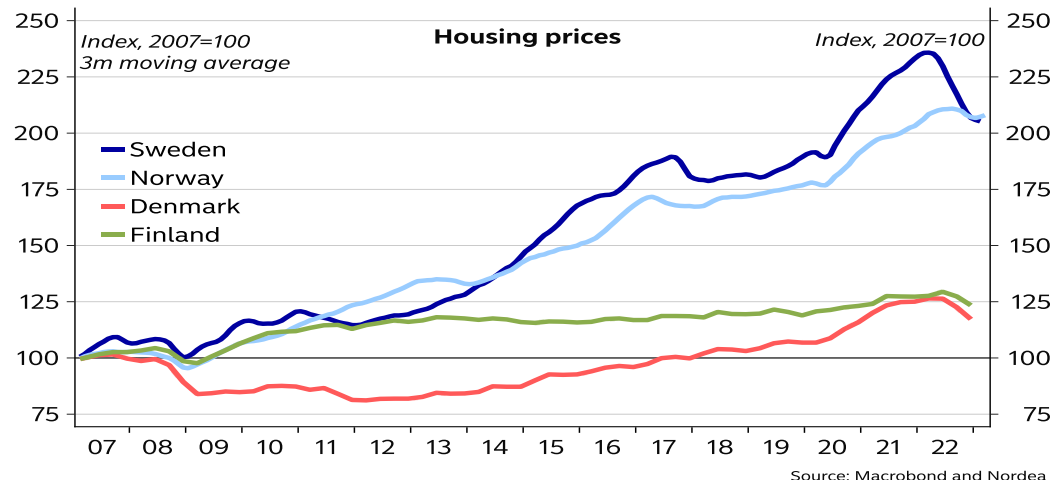
- Household savings have fallen drastically as consumption have returned to well above pre-pandemic levels
- However, households are feeling the squeeze and purchasing power is continuing to rapidly decrease. The high and still rising interest rates as well as high inflation implies downside risks for private consumption moving forward

## Private consumption

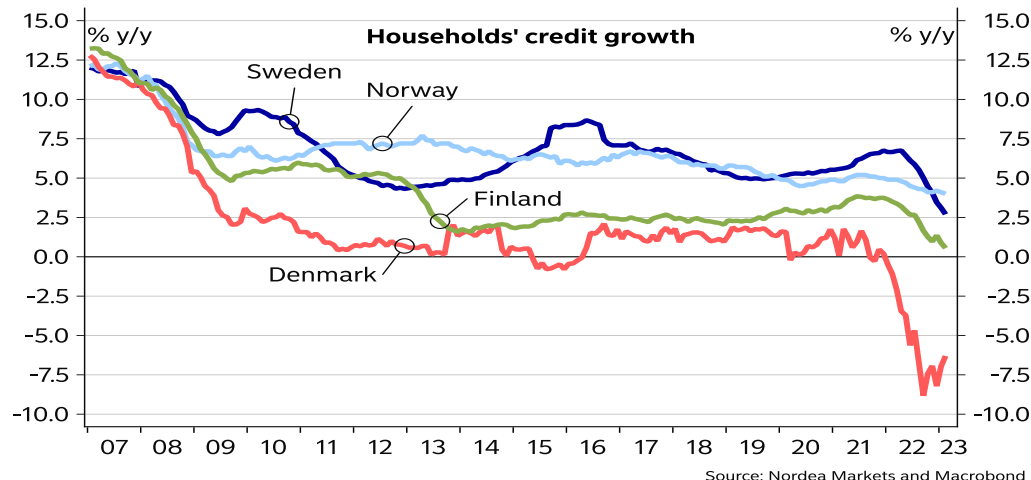


## Higher interest rates continues to cool off Nordic housing markets

### 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

## 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-subsidiary-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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