

Nordea

Nordea Kredit Covered Bonds

Q1 2024 Debt Investor Presentation



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1. Nordea covered bond operations

Covered bonds

Nordea covered bond operations

Four aligned covered bond issuers with complementary roles



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 27.5bn (eq.)	EUR 60.0bn (eq.)	Balance principle	Pool 1: EUR 16.6bn/ Pool 2: EUR 8.3bn
Covered bonds outstanding	EUR 18.9bn (eq.)	EUR 34.8bn (eq.)	EUR 57.8bn (eq.)*	Pool 1: EUR 14.5bn/ Pool 2: EUR 6.8bn
OC	45%	72%	7%*	Pool 1: 14% / Pool 2: 23%
Issuance currencies	NOK	SEK	DKK, EUR	EUR
Rating (Moody's / S&P)	Aaa/ -	Aaa / -	- / AAA	Aaa / -
Outstanding green covered bonds	EUR 1.25bn	EUR 1.1bn	EUR 2.2bn	EUR 2.0bn

- 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) refer to Nordea's updated 2023 [Nordea green funding framework](#)



* The figures for Nordea Kredit only include capital centre 2 (SDRO) unless otherwise stated.. Nordea Kredit no longer reports for capital centre 1 (RO), as this capital centre only accounts for a minor part (<0.5%) 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 issued by Nordea Kredit 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	2023	2022	Y/Y
Profit Before Tax, EURm	205.8	184.6	11.5%
Cost-Income Ratio	52.0%	50.4%	1.6pp
Capital Ratio	30.7%	30.5%	0.2pp
Tier 1 Capital Ratio	28.5%	28.4%	0.1pp

3. Cover pool key characteristics

Cover pool key characteristics

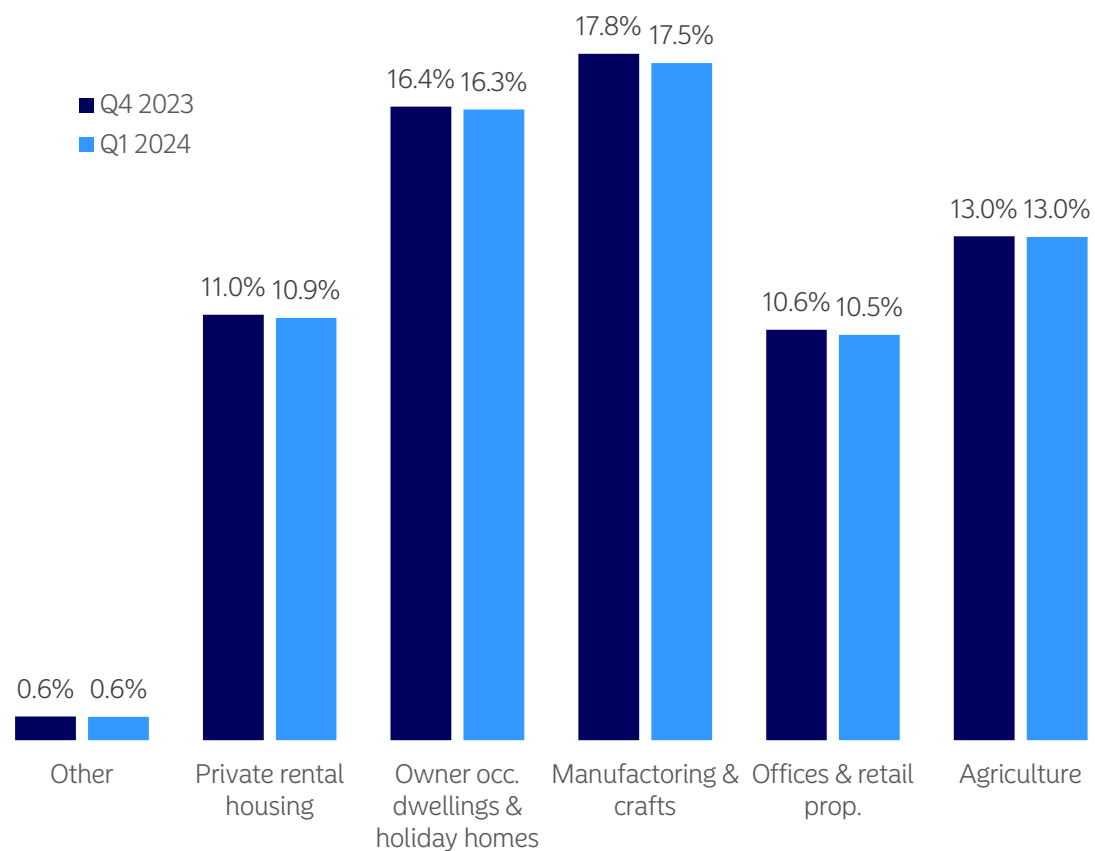
Q1 2024

Outstanding covered bonds	EUR 57.8bn
Cover pool content	Mortgage credit loans secured by mainly residential property (total: EUR 61.8bn including substitute assets)
Geographic distribution	Throughout Denmark with concentration in urban areas
Weighted average LTV	48.9%
Average residential loan size	EUR 207,674
Over collateralisation, OC	6.9%
Rate type (bonds)	Fixed rate 75.2%, Floating rate 24.8%
Amortization of underlying loans	Interest only 53.5%, Amortizing 46.5%
Substitute assets	EUR 5.8bn
Pool type	Static
Loans originated by	Nordea Kredit CC2

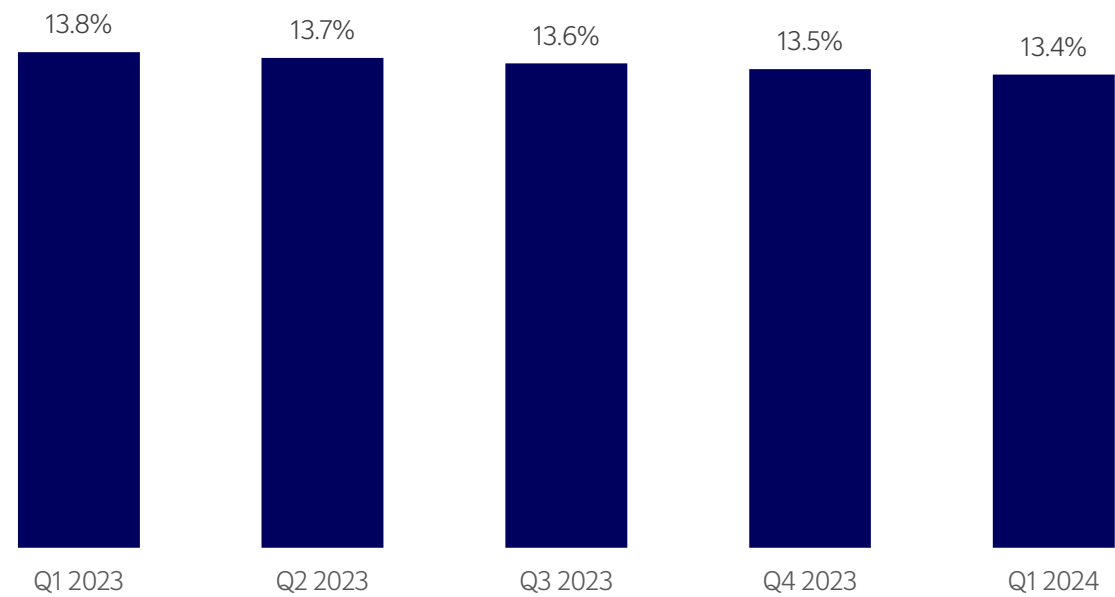
Loan portfolio

Q1 2024

Market share¹ by property category



Market share¹ – overall

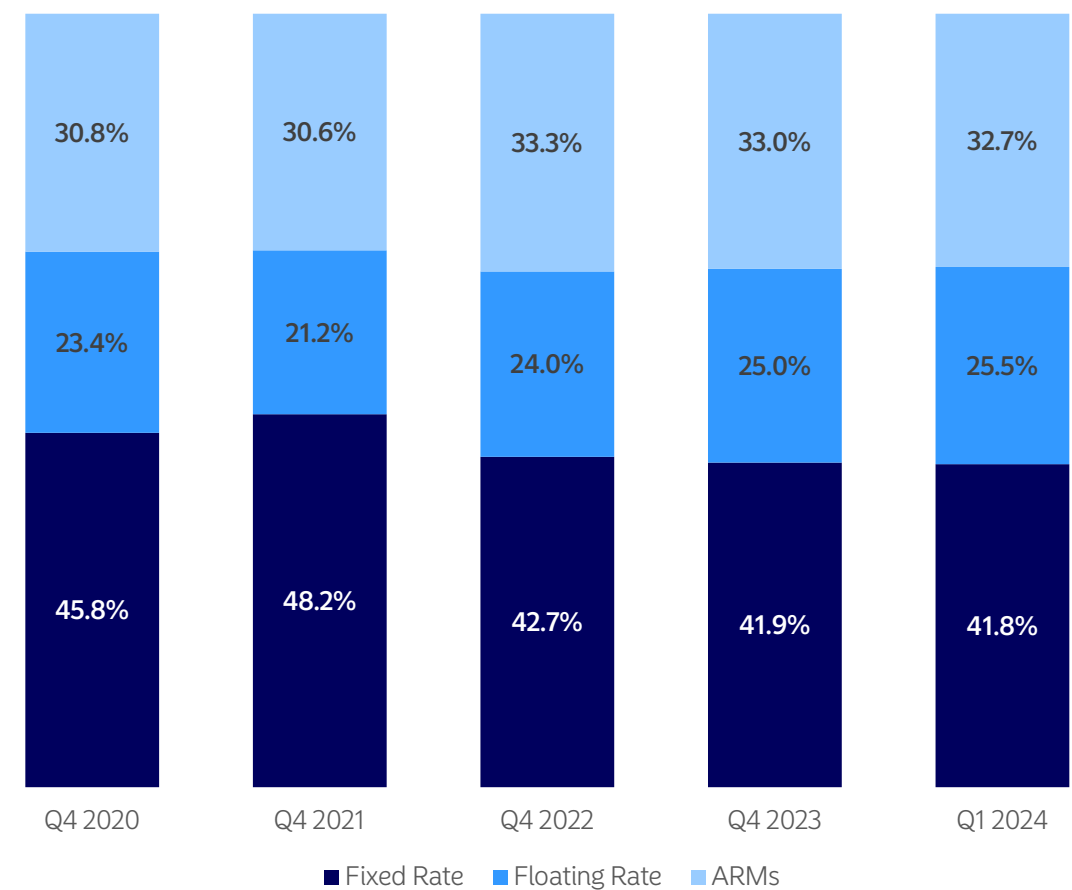


9 ¹⁾ Market share of the Danish mortgage credit market (Loan balance)

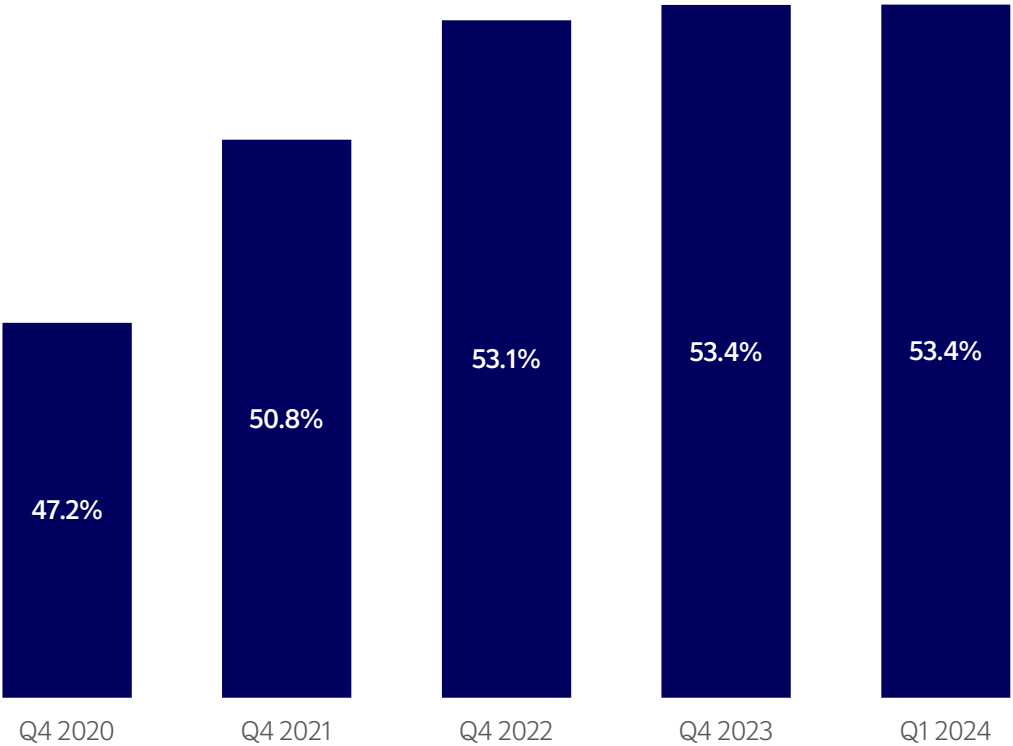
Total loan portfolio (CC1 and CC2)

Q1 2024

Loan portfolio by loan type



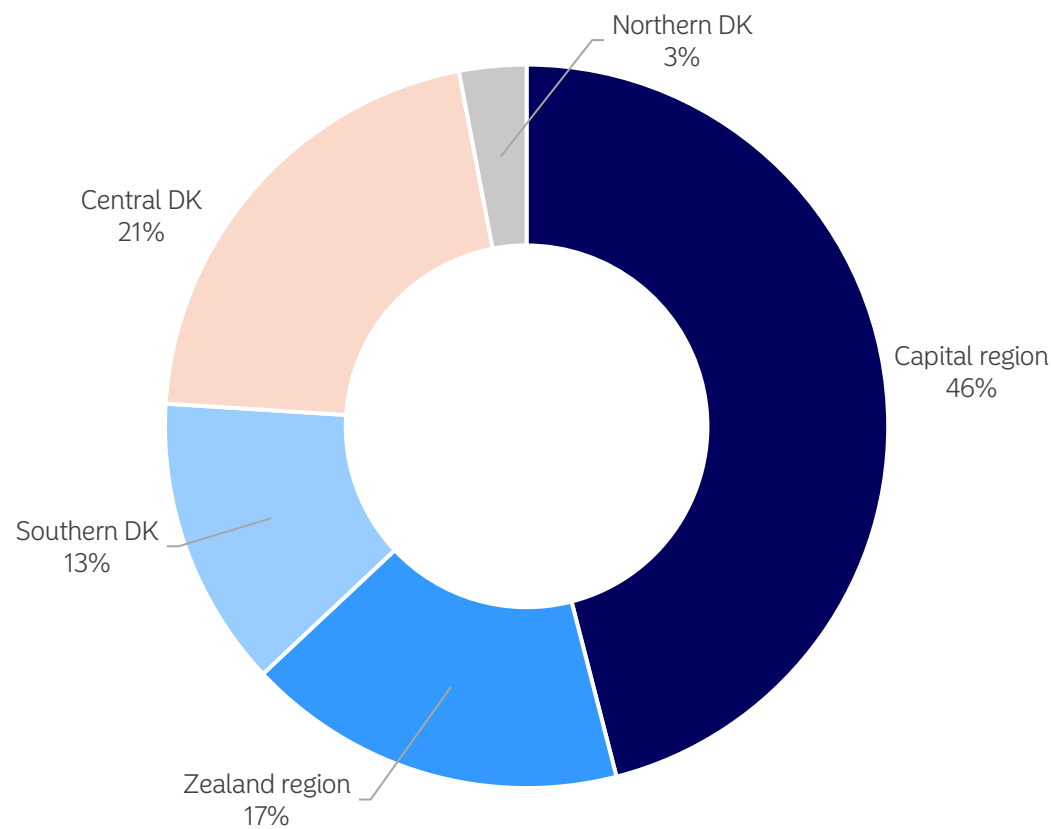
Share of interest-only mortgages



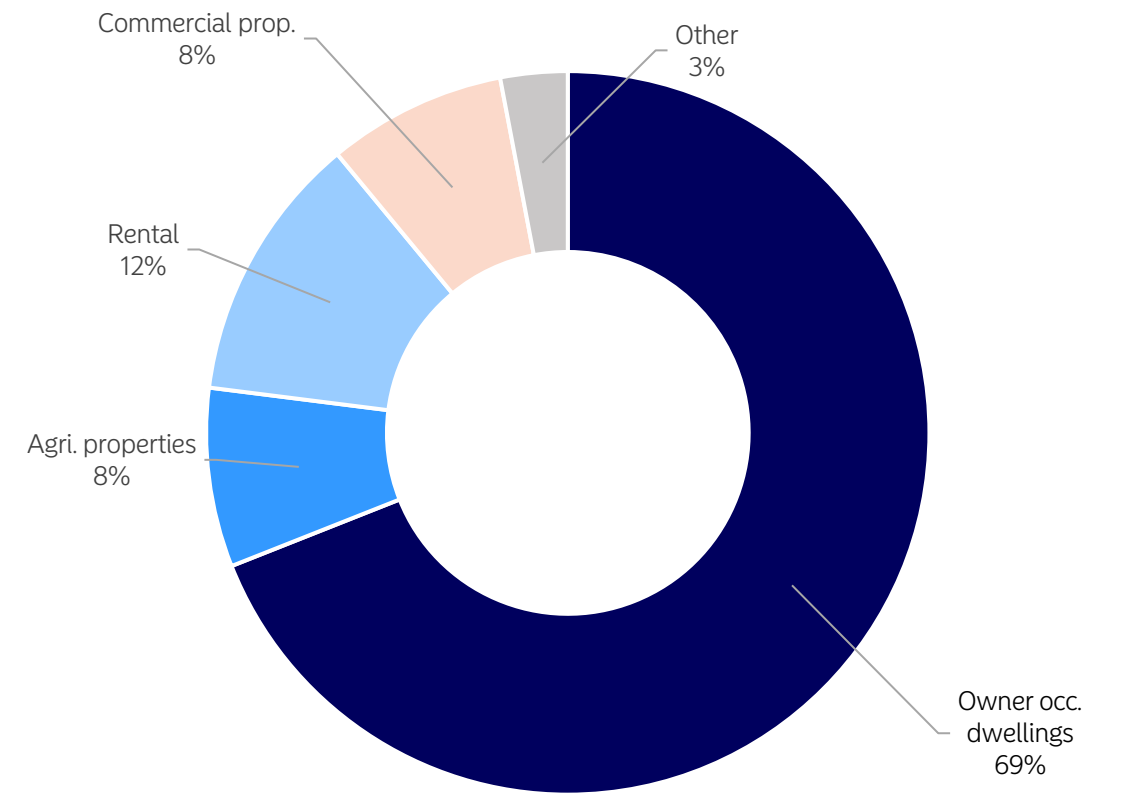
Loan portfolio

Q1 2024

Loan balance by region



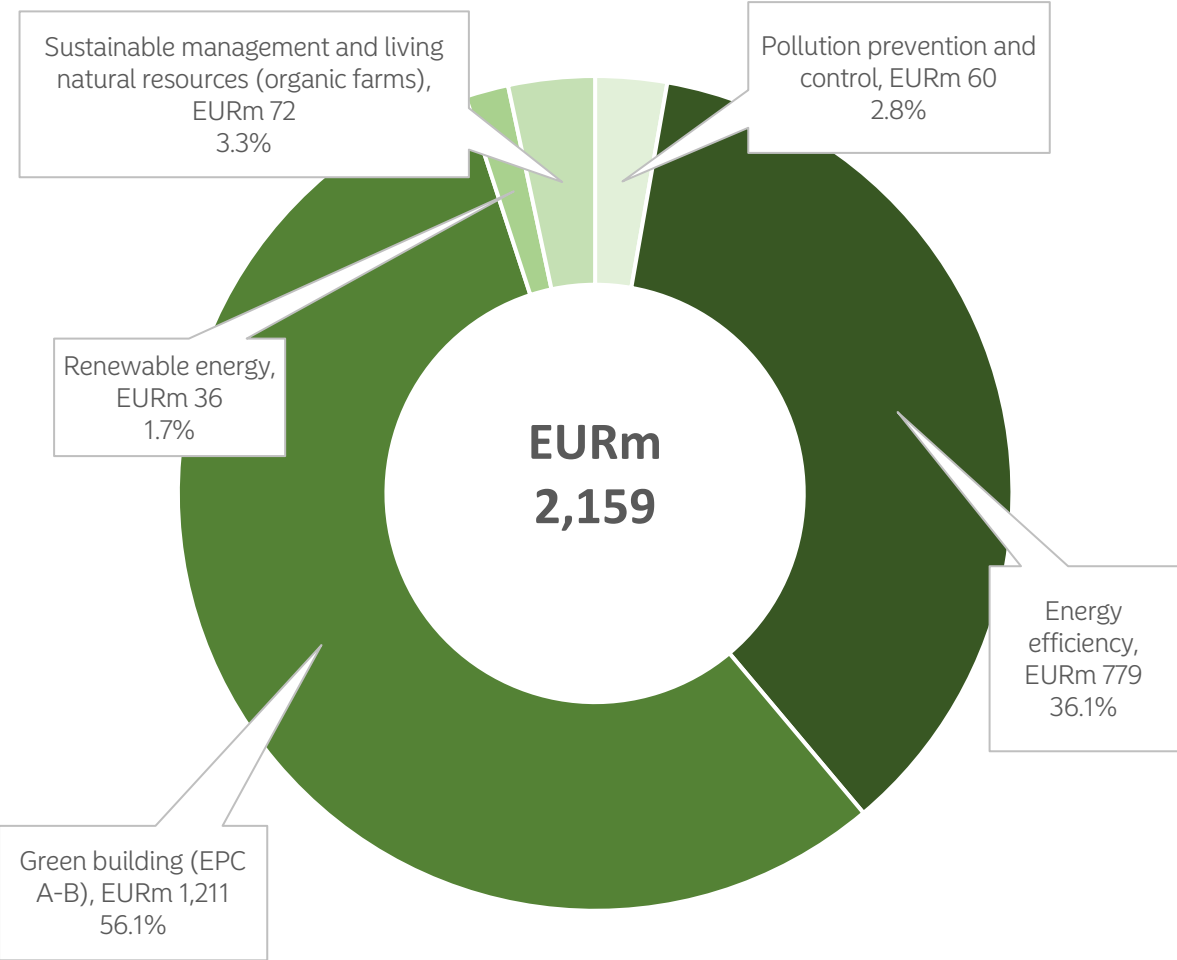
Loan balance by property category



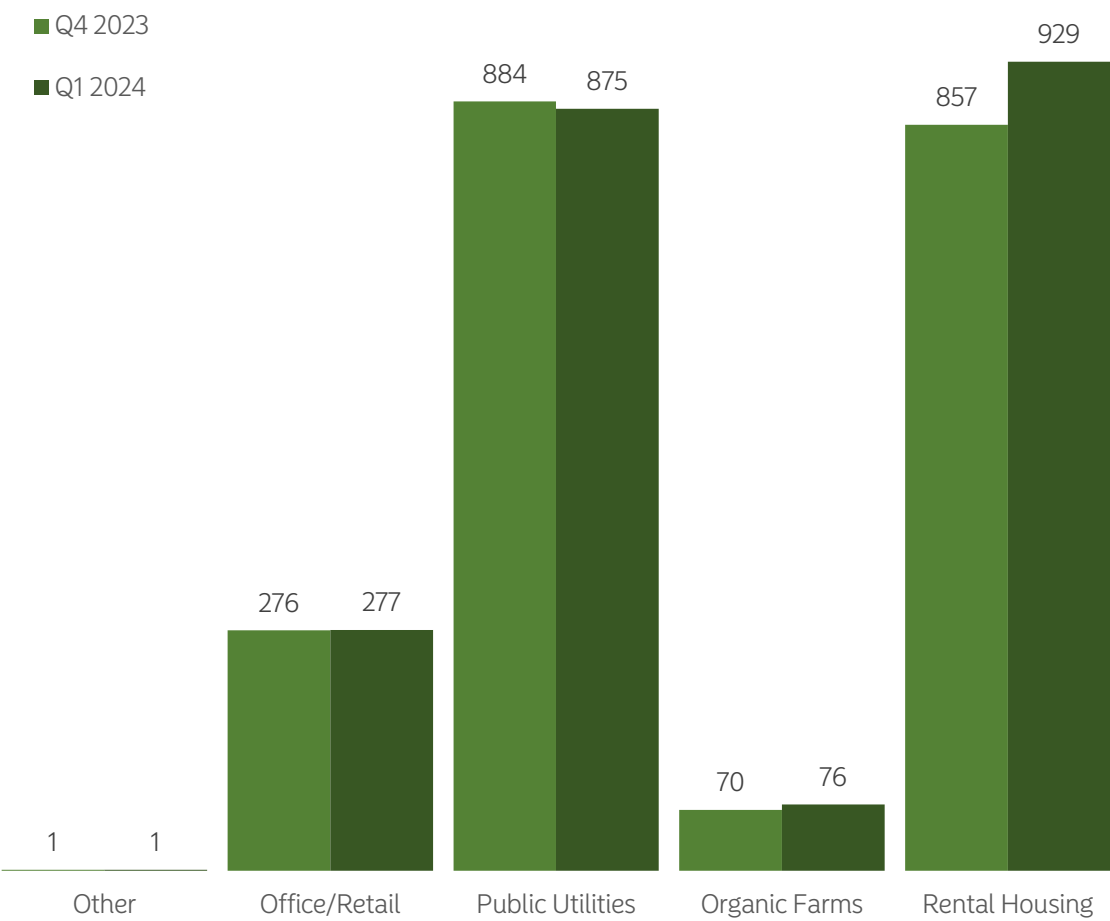
Green Bonds

Q1 2024

Green lending by asset category



Green lending by property category - EURm



Financed emissions – and portfolio by EPCs

Q1 2024

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	258	99.4%	490,780	239,208	0.93	20
Commercial residential	43	92.7%	100,968	46,080	1.08	10
Offices & retail prop.	25	80.9%	120,312	43,397	1.72	18
Other properties ²⁾	43	0.0%				
Total	369	83.8%	712,060	328,685		

Notes

1) Calculations and portfolio as of 31 March 2024

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 of 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	8
A2015	22
A2010	12
B	17
C	68
D	52
E	19
F	8
G	4
N/A	159
Total	369

4. Asset quality

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

Q1 2024

Loan type	Mortgage loans for residential properties		Mortgage loans for commercial properties	
Weighted average LTV – indexed	54.8%		41.3%	
LTV buckets	Nominal (EURm)	% Loans	Nominal (EURm)	% Loans
> 0 - ≤ 40 %	32,513	71.1%	7,632	77.1%
> 40 - ≤ 50 %	5,706	12.5%	1,404	13.6%
> 50 - ≤ 60 %	3,984	8.7%	681	6.6%
> 60 - ≤ 70 %	2,213	4.8%	218	2.1%
> 70 - ≤ 80 %	1,014	2.2%	39	0.4%
>80%	280	0.6%	21	0.2%
Total	45,710	100.0%	10,292	100.0%

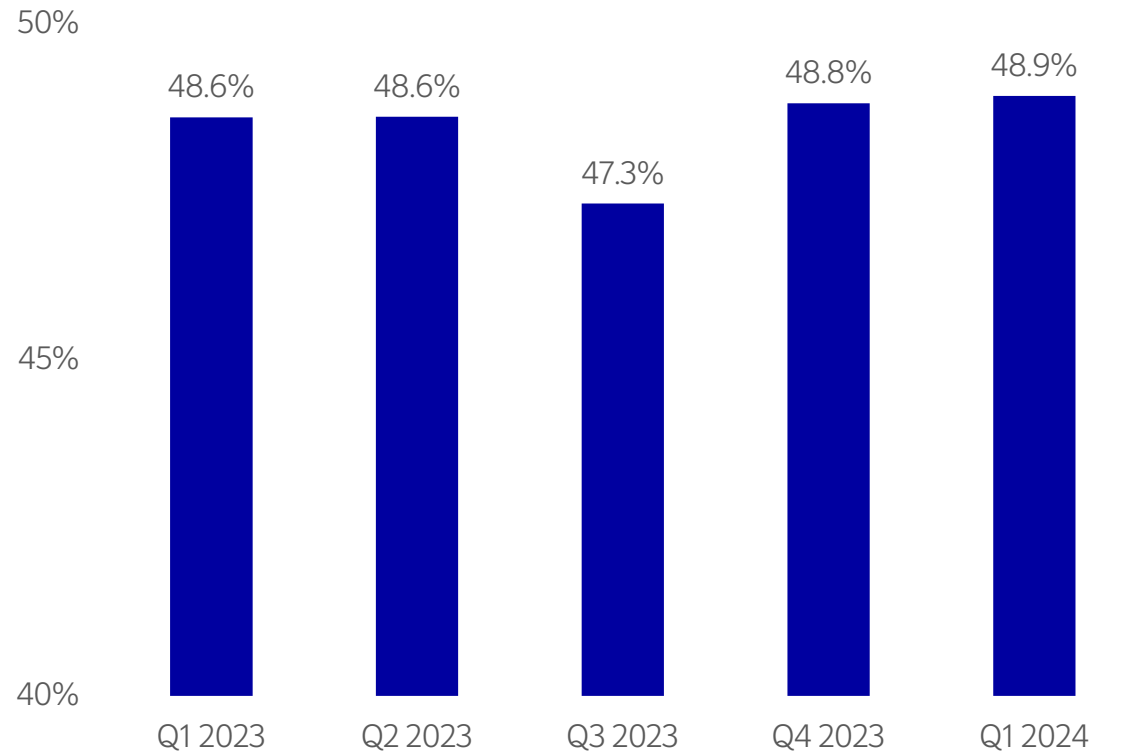
Asset quality

Q1 2024

Arrears (owner occupied dwellings and holiday homes) *



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



16 * Arrears as a percentage of the Q4, 2023 scheduled payments – 3½ months after due date

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 a 30-year fixed interest rate annuity loan)
 - If the borrower chooses adjustable or floating interest rate loans, an additional stress test based on the current fixed interest rate +1 percentage point is conducted
 - If the LTV (loan to value) is > 60 and the LTI (loan to income) is > 4, the customer can only choose:
 - Fixed rate loans OR
 - Amortising variable rate, fixed for minimum 5 years
- An individual valuation is made of the pledged property

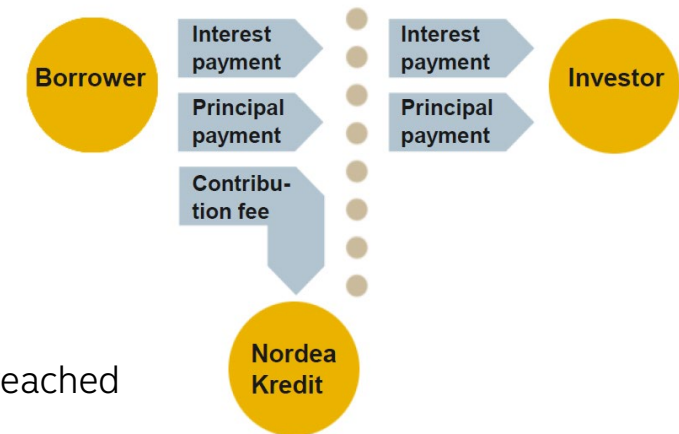
Corporates, agriculture etc.

- 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 margin 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 mortgage loans in residential property
 - 60% for mortgage loans in commercial real estate (legislative limit 70%)
 - Static cover pools – issuer must provide supplementary capital if LTV-limits are breached
- Matching rules
 - Nordea Kredit complies with the specific 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

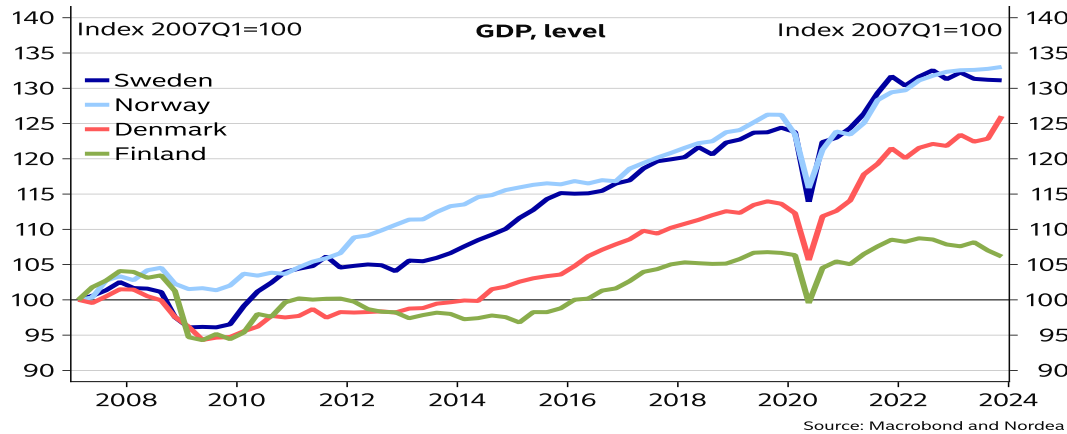


7. Macroeconomy

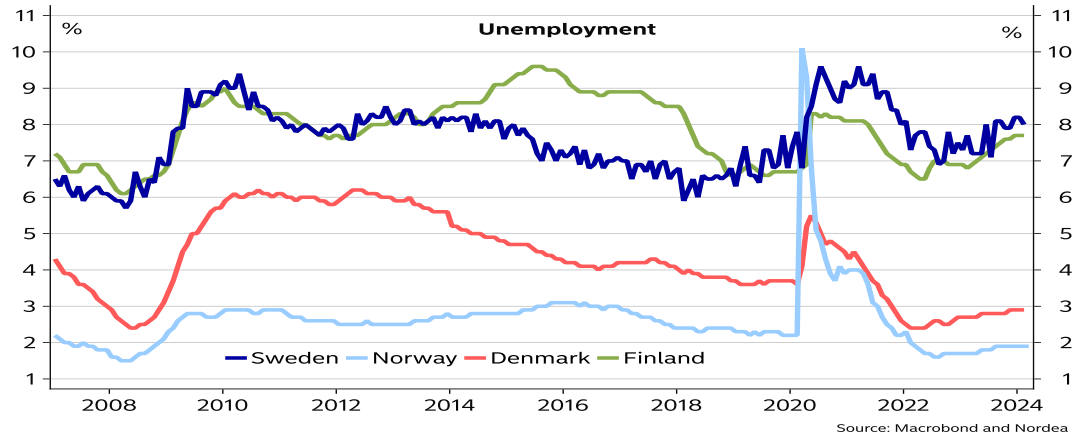
Nordic economic development

Recovery

GDP



Unemployment rate



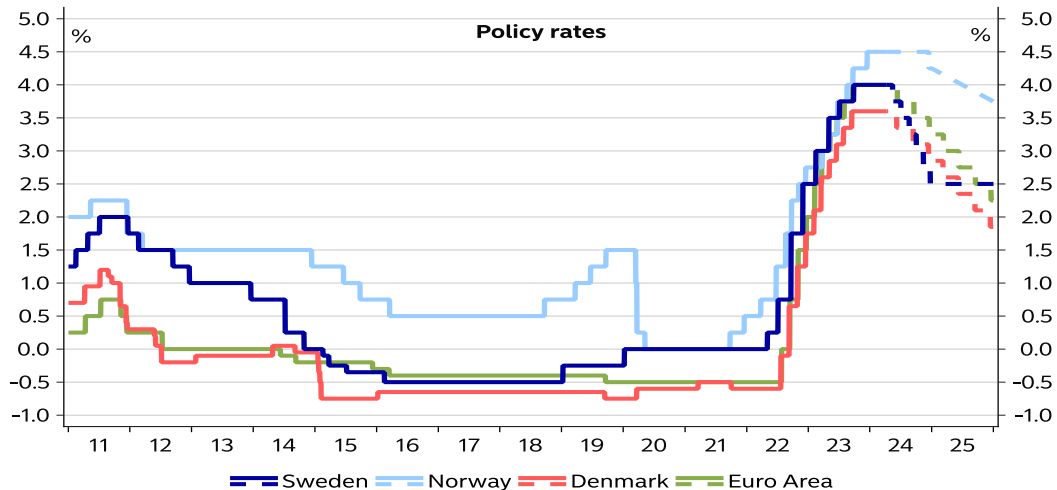
- The Nordic economies have shown mixed trends on the back of surging inflation and higher interest rates. However, the economic development in most of the countries have been better than previously anticipated.
- Normalising inflation and central banks moving closer to cutting policy rates this year should ease financial conditions going forward.
- The labour market is expected to further weaken before stabilising during the second half of this year.

GDP, % y/y, Economic Outlook January 2024

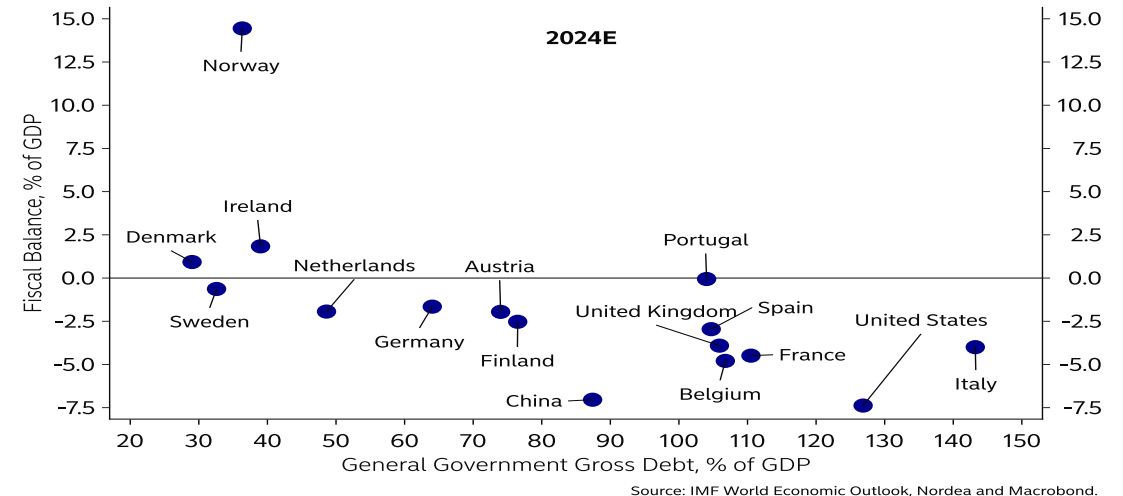
Country	2022	2023	2024E	2025E
Denmark	2.7	1.9	1.0	1.7
Finland	1.3	-1.0	-1.0	2.0
Norway (mainland)	3.7	0.7	1.0	1.5
Sweden	2.7	0.0	-0.5	2.2

Central banks moving closer to cutting policy rates

Policy rates



Public balance/debt, % of GDP, 2024E (IMF)

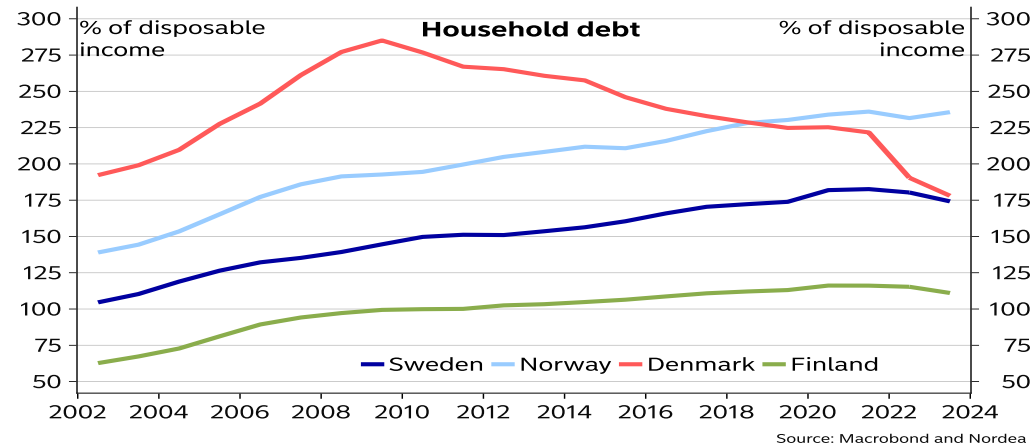


- The Swedish Riksbank, ECB, Danmarks Nationalbank and Norges Bank are not expected to raise policy rates any further
- The Riksbank is expected to start cutting the policy rate in May, by 0.25 percentage points to 3.75%, and cut five additional times during this year to 2.50% in December, according to Nordea Market's forecast. The ECB is expected to start cutting the policy rates in June and thereafter lower the level by 0.25 percentage points each quarter until they reach 2.25% by the end of the forecast horizon
- Norges Bank is expected to cut the policy rate by 0.75 percentage points, from 4.50 to 3.75%, until year-end 2025
- The ECB and the Riksbank are reducing their balance sheets
- Policy rates are expected to remain well above pre-pandemic levels, despite the expected rate cuts
- Solid public finances will help Nordic governments to support the economic recovery ahead

Households

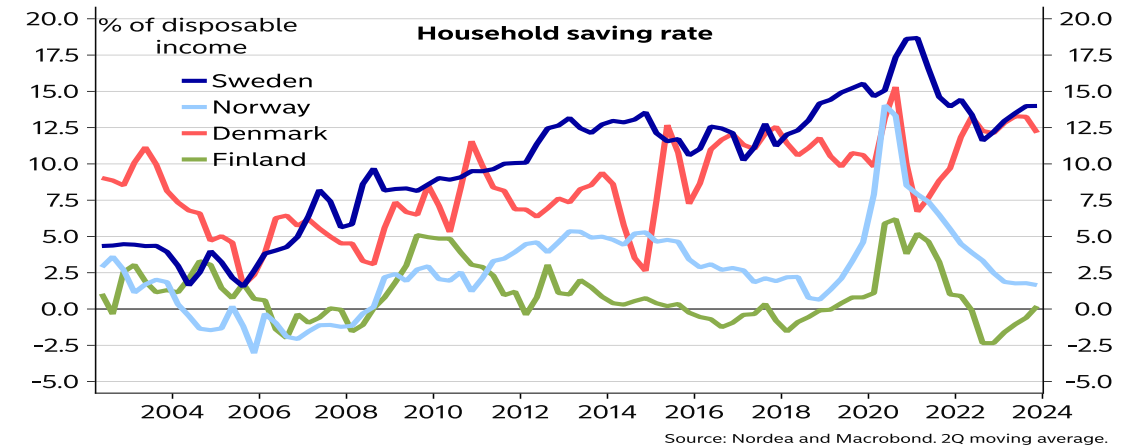
Stabilisation

Household debt

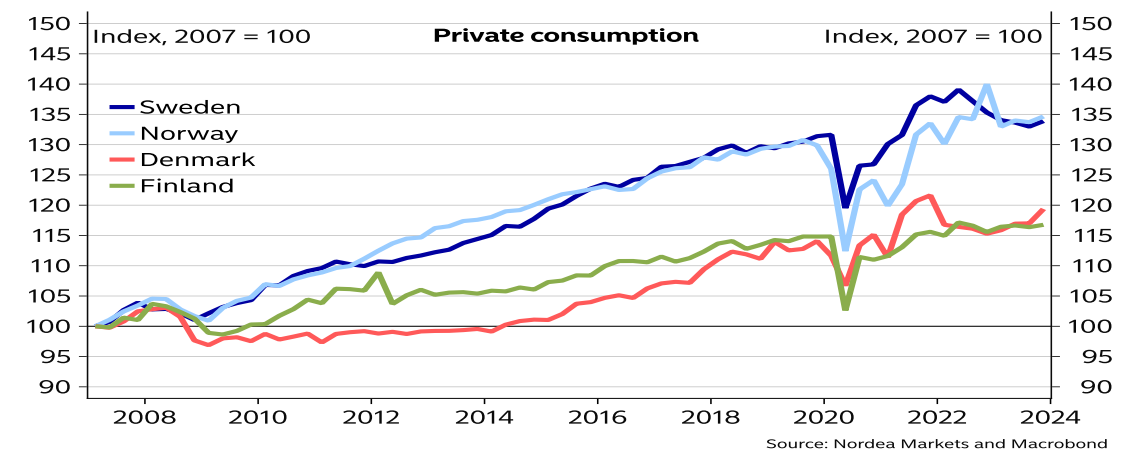


- Household consumption will remain sluggish due to high interest rates. Denmark and Norway is expected, however, to recover better this year than their Nordic counterparts.
- Households' purchasing power will continue to improve as inflation normalises and wage growth remains higher than before the pandemic.
- In most of the Nordics, households' debt ratios have decreased whilst savings rate have increased.

Household savings



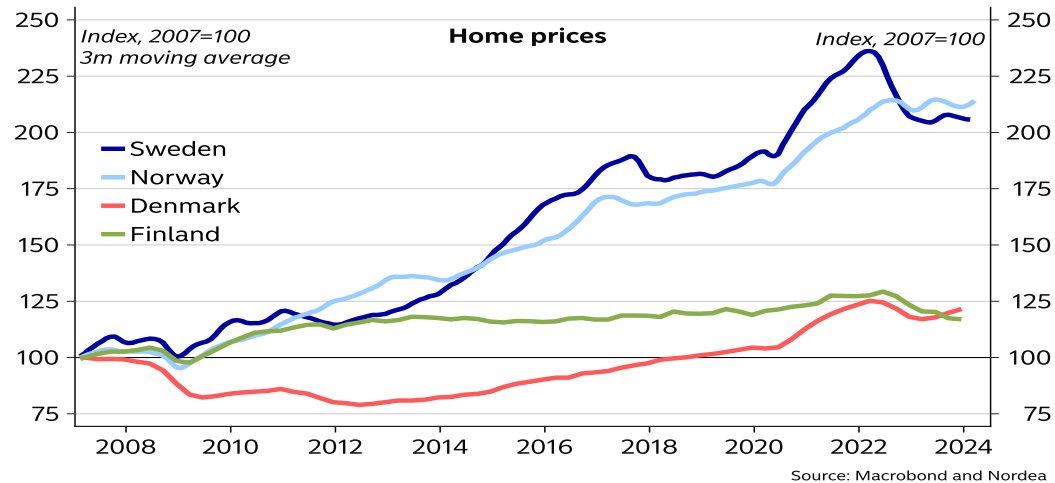
Private consumption



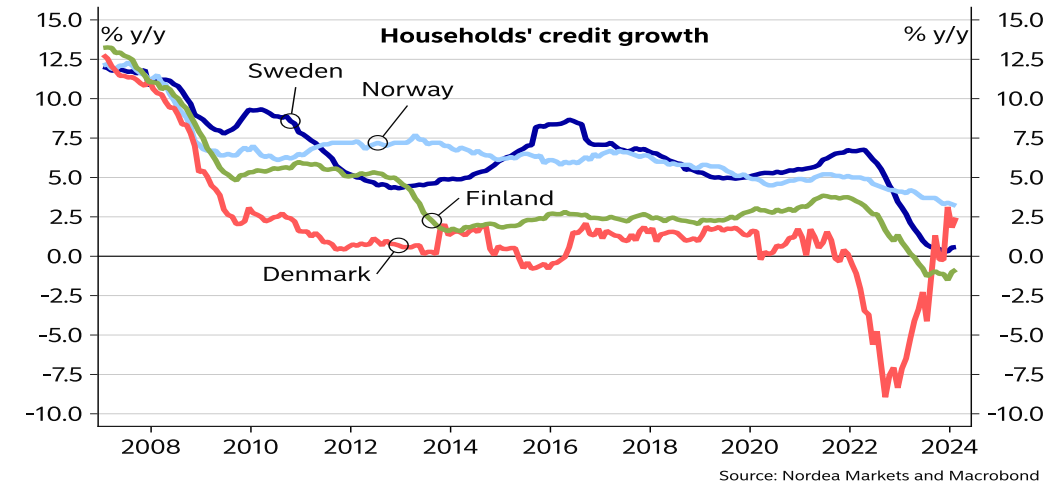
Housing markets

Stabilisation

Home prices



Households' credit growth



- Home prices have stabilised in Sweden and Norway at the start of this year, possibly attributed to households' expectations of lower interest rates. Developments were mixed last year in the Nordics after rising to record-high levels in 2022.
- Monetary policy will remain restrictive for the better part of 2024 despite central banks starting to cut rates.
- Accordingly, home prices are expected to bottom out by the summer and to recover gradually in the second half of this year.
- Households' credit growth has stabilised close to zero in Sweden and Finland. Credit growth remains high but continues to slow down in Norway. Credit growth has bounced back in Denmark from record low year-on-year figures.

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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