

Nordea

Nordea Kredit Covered Bonds

Q2 2022 Debt Investor Presentation

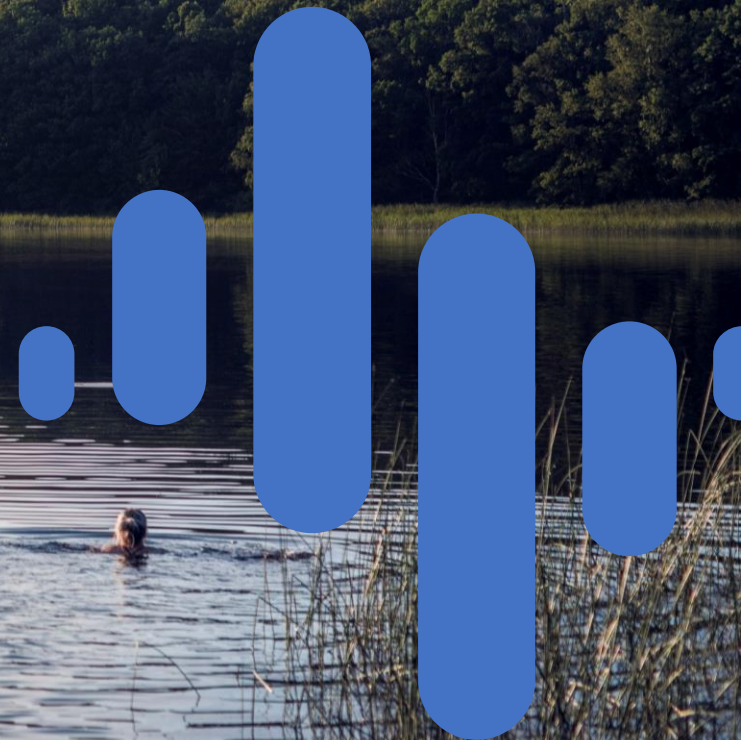


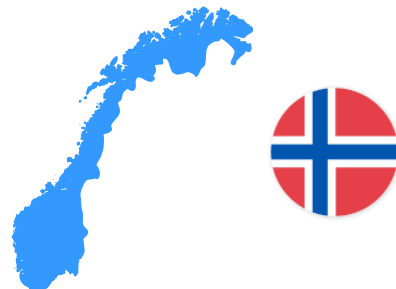
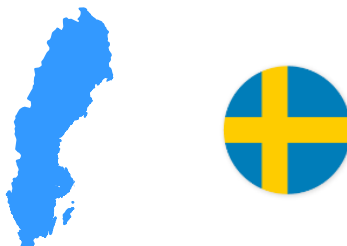

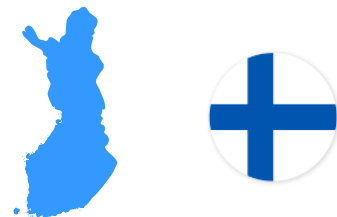
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1. Nordea covered bond operations

Nordea covered bond operations

Q2 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 21.5bn (eq.)	EUR 61.8bn (eq.)	Balance principle	EUR 24.0bn
	Covered bonds outstanding*	EUR 11.7bn (eq.)	EUR 31.4bn (eq.)	EUR 62.9bn (eq.)	EUR 20.7bn
	OC*	84%	97%	6.6%*	16%
	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 2021 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

2. Nordea Kredit - in brief

Nordea Kredit – in brief

Q2 2022

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)

Market share 14.2% of the Danish mortgage credit market

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

Profit before tax H1 2022: DKK 680m

Cost-income ratio H1 2022: 52.5%

Capital ratio H1 2022 (of which Tier 1): 28.6% (26.6%)

More information at nordeakredit.dk

3. Cover pool key characteristics

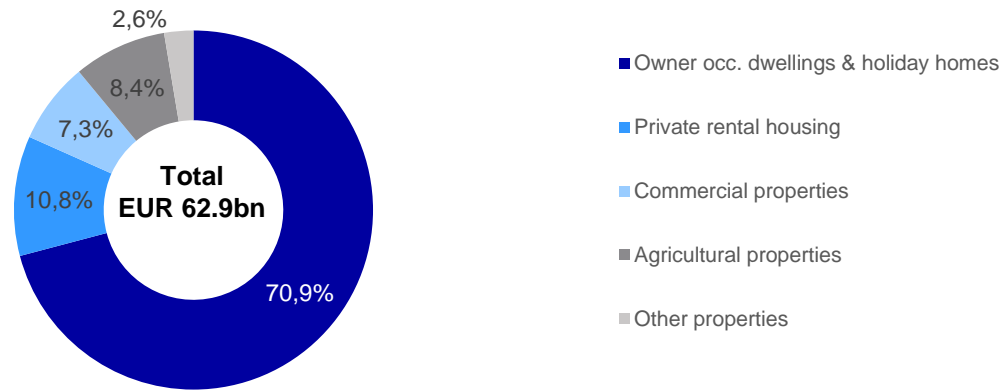
Cover pool key characteristics

Q2 2022

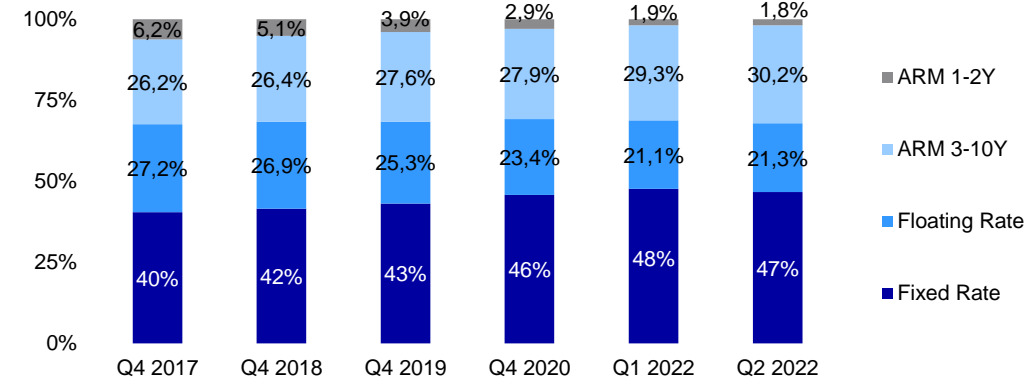
Outstanding covered bonds	EUR 62.9bn
Cover pool content	Mortgage credit loans secured by mainly residential property (total: EUR 67bn including substitute assets)
Geographic distribution	Throughout Denmark with concentration in urban areas
Weighted average LTV	46.3%
Average residential loan size	EUR 204,862
Over collateralisation, OC	6.6%
Rate type (bonds)	Fixed rate 77.2%, Floating rate 22.8%
Amortization	Interest only 52.6%, Amortizing 47.4%
Substitute assets	EUR 7.735bn
Pool type	Static
Loans originated by	Nordea Kredit CC2

Loan portfolio

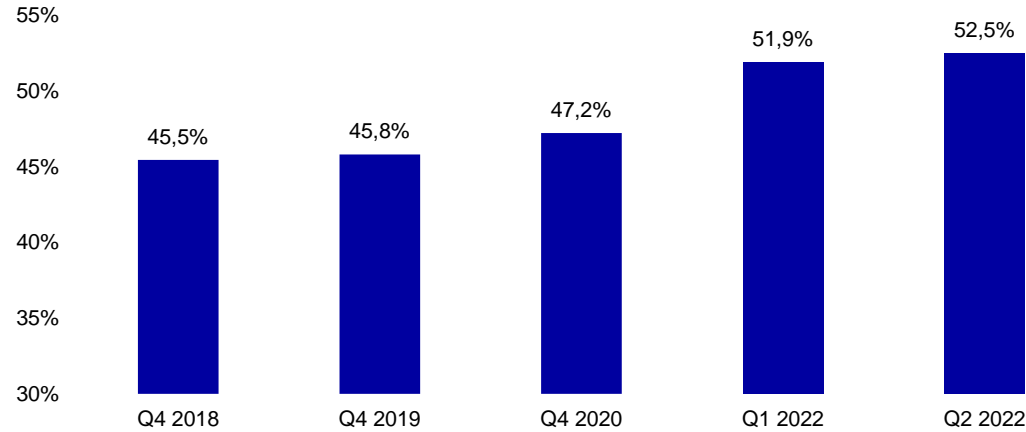
Loan portfolio by property category



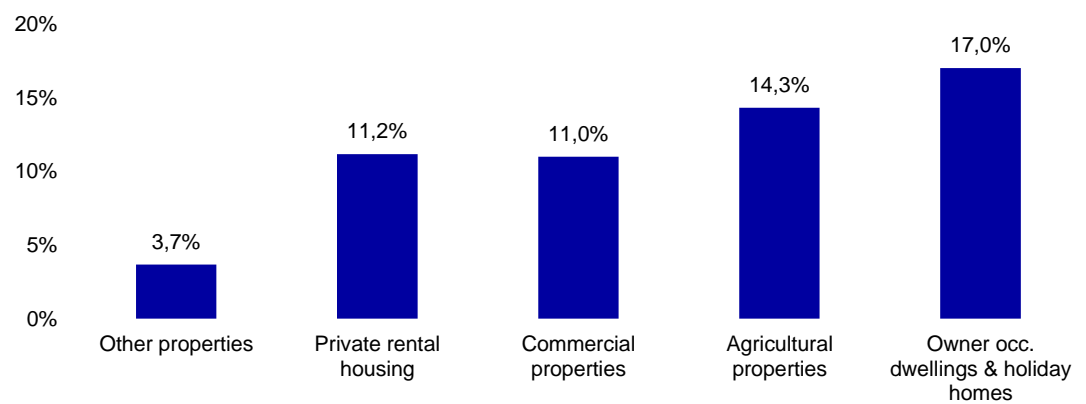
Loan portfolio by loan type



Share of interest-only mortgages



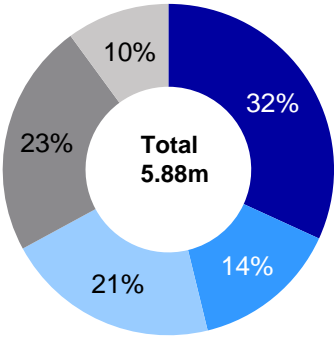
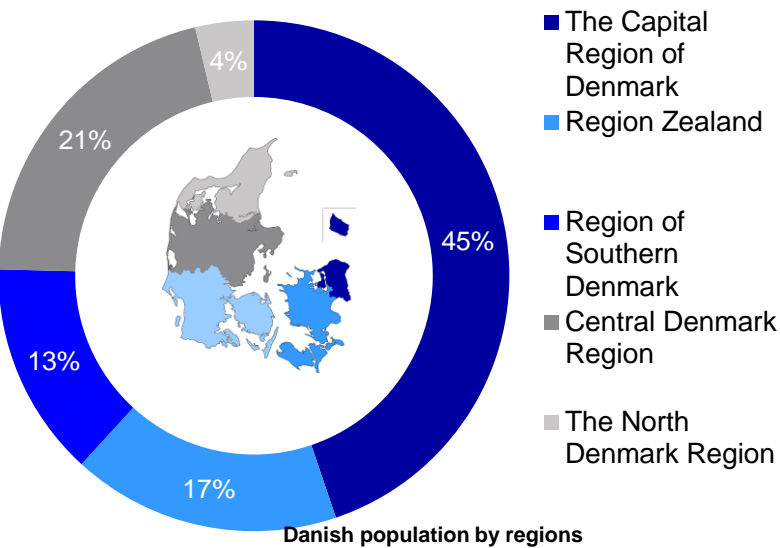
Market share¹ – 14.2% overall



¹) Market share of the Danish mortgage credit market

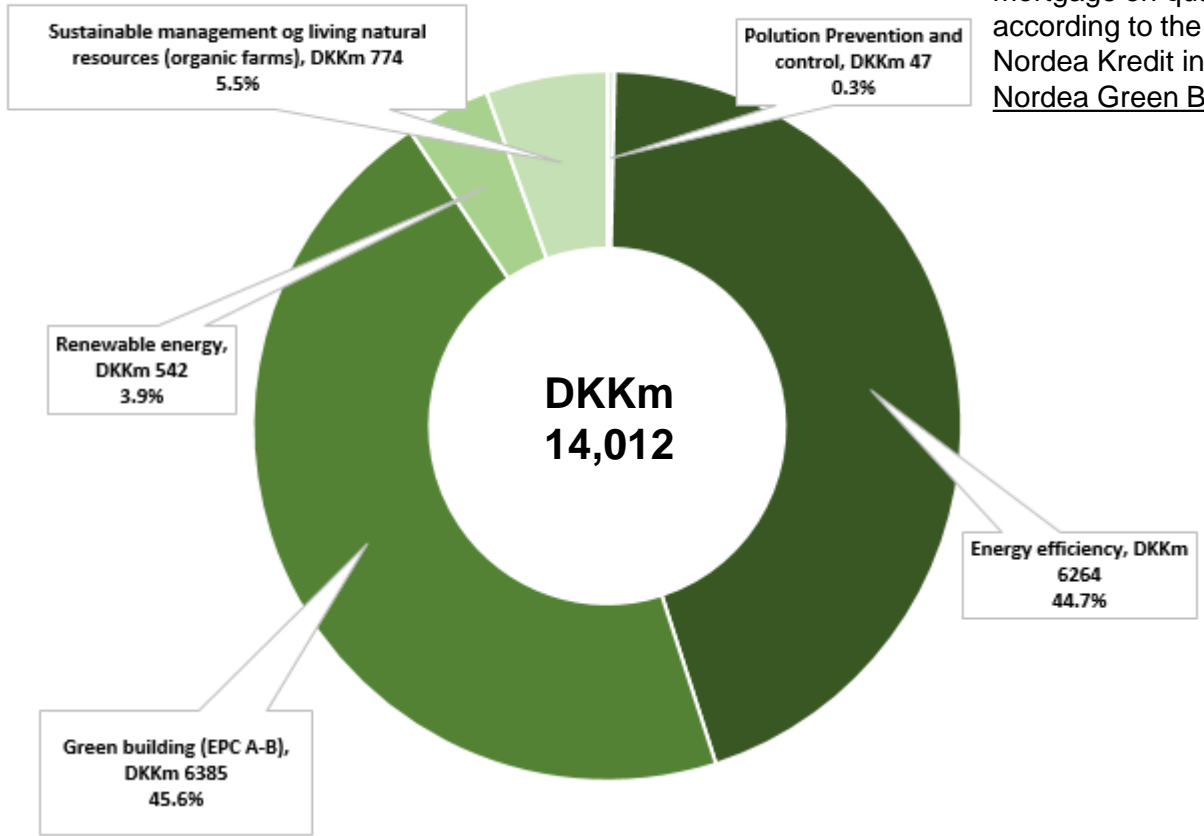
Loan portfolio by regions – and green bonds

Loan portfolio by regions



Green bonds

Green lending by asset category



Green loans can be granted against a mortgage on qualified properties according to the criteria set out by Nordea Kredit in the Nordea Green Bond Framework.



4. Asset quality

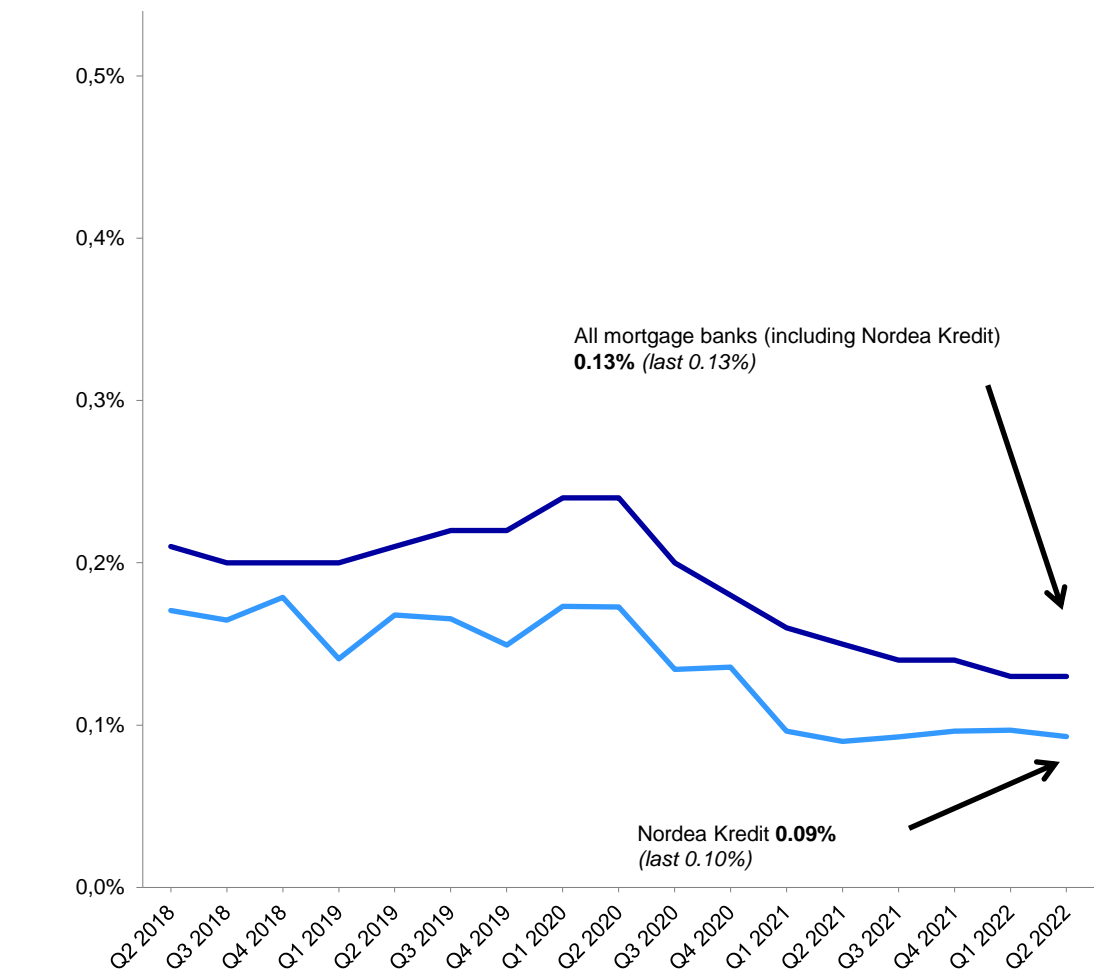
Loan to value (LTV) – loans for residential and commercial

Q2 2022

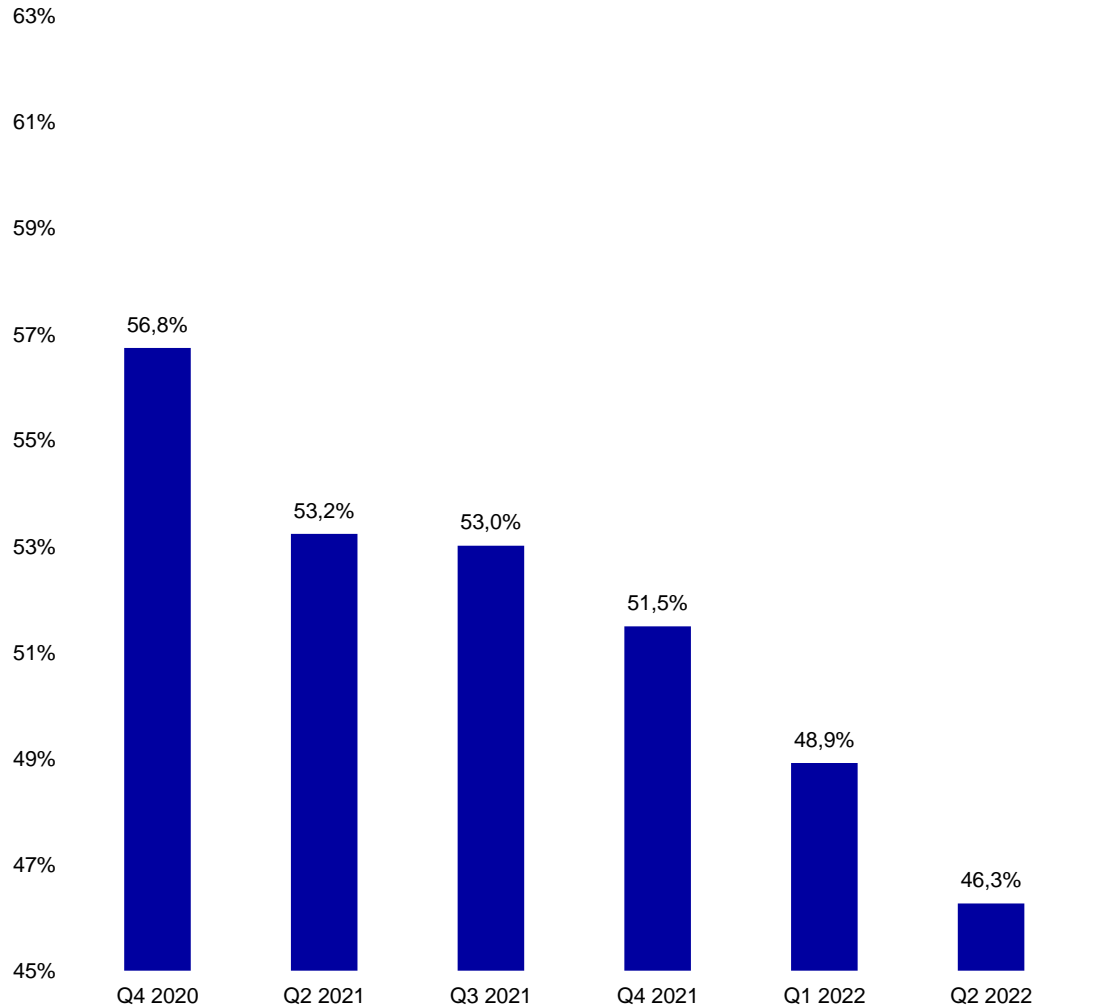
Loan type	Residential loans		Commercial loans	
Weighted average LTV - indexed	53.5%		43.5%	
LTV buckets	Nominal (DKKm)	% Loans	Nominal (DKKm)	% Loans
> 0 - ≤ 40 %	254,614	72.0%	60,715	75.7%
> 40 - ≤ 50 %	44,193	12.5%	10,611	13.2%
> 50 - ≤ 60 %	29,998	8.5%	6,035	7.5%
> 60 - ≤ 70 %	16,374	4.6%	2,142	2.7%
> 70 - ≤ 80 %	6,816	1.9%	395	0.5%
>80%	1,508	0.4%	343	0.5%
Total	353,503	100.0%	80,241	100.0%

Asset quality

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)
 - In case of adjustable or floating interest rates, 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

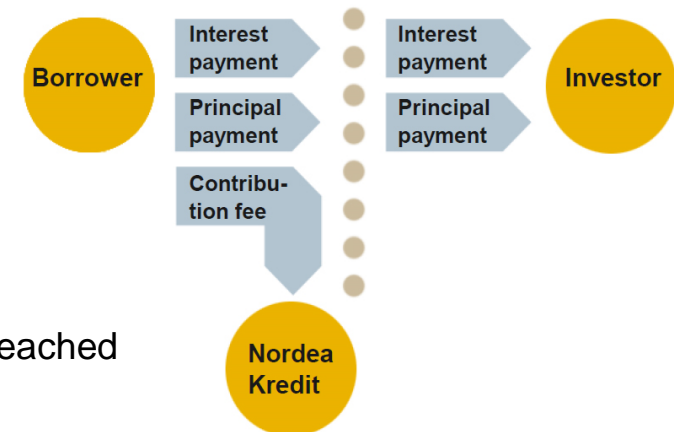
Corporates, agriculture etc.

- 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

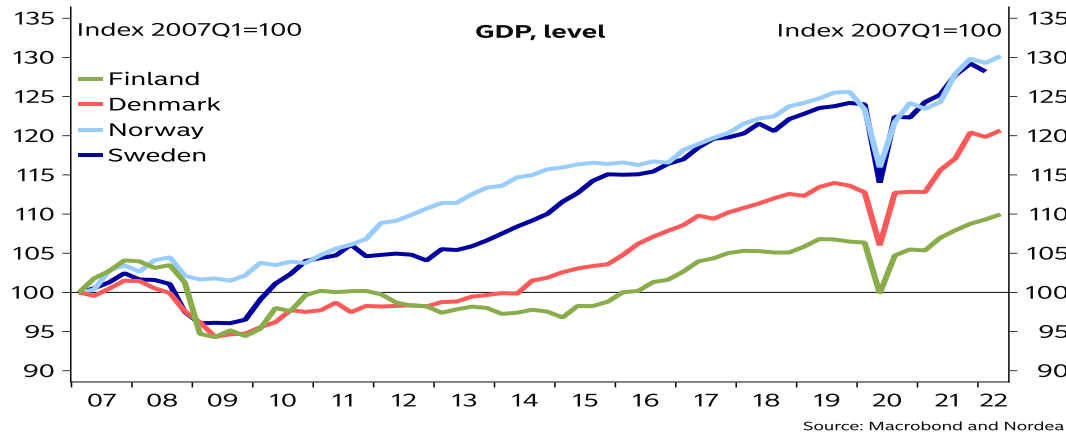
- Legal framework
 - The Financial Business Act
 - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act with several detailed executive orders
- Registration
 - An issuing institution is required to maintain a static cover pool
 - Mortgage deeds are registered in the Danish Public Land Registry
- 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 foreign exchange risk
- Public supervision
 - The DFSA performs supervision and on site inspections on an ongoing basis



7. Macro

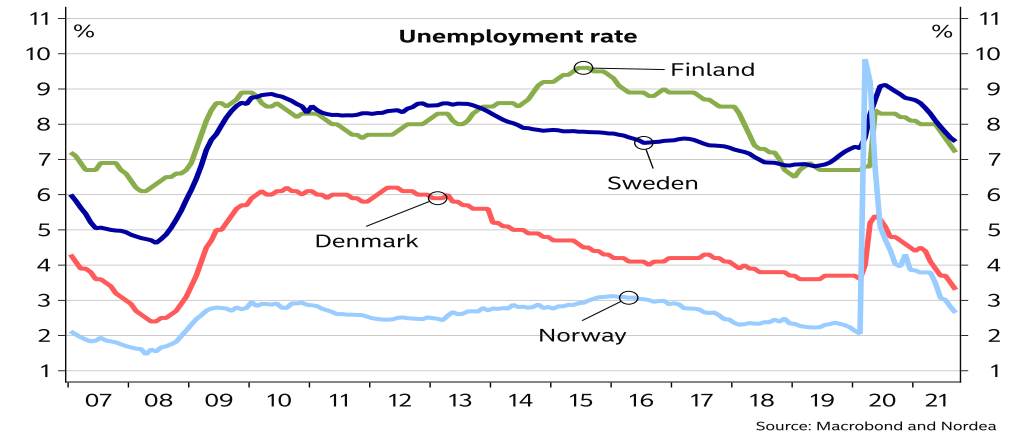
Hot economies are facing a “cold” winter

GDP development



- 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

Unemployment rate

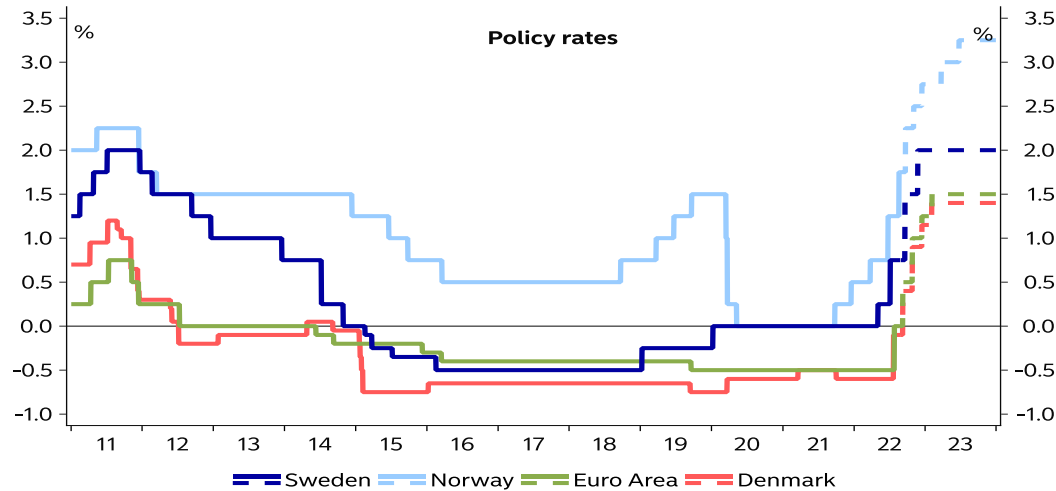


GDP, % y/y (Economic Outlook May 2022)

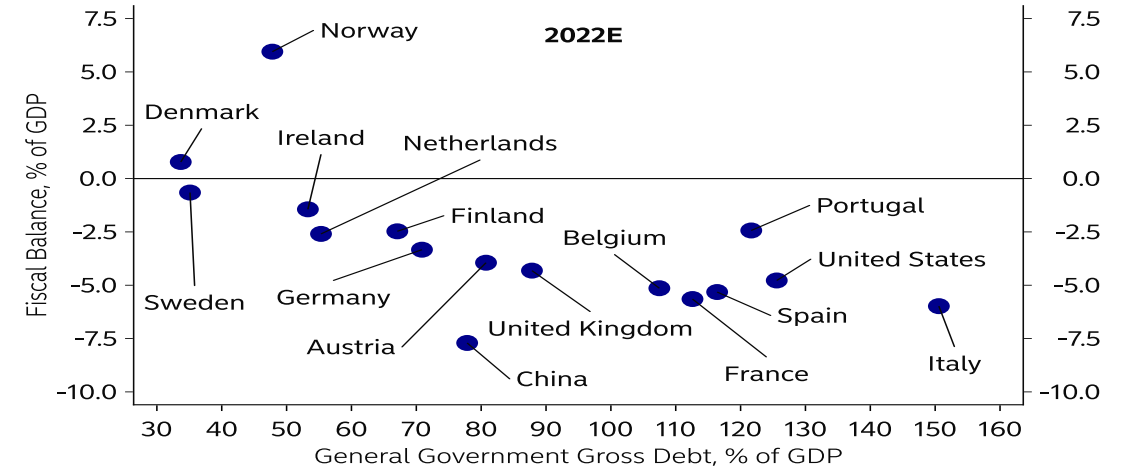
Country	2021	2022E	2023E
Denmark	4.7	3.5	1.0
Finland	3.5	2.0	1.5
Norway	4.2	3.5	2.0
Sweden	4.7	3.0	1.0

Interest rates are increasing rapidly throughout the Nordics

Policy rates



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

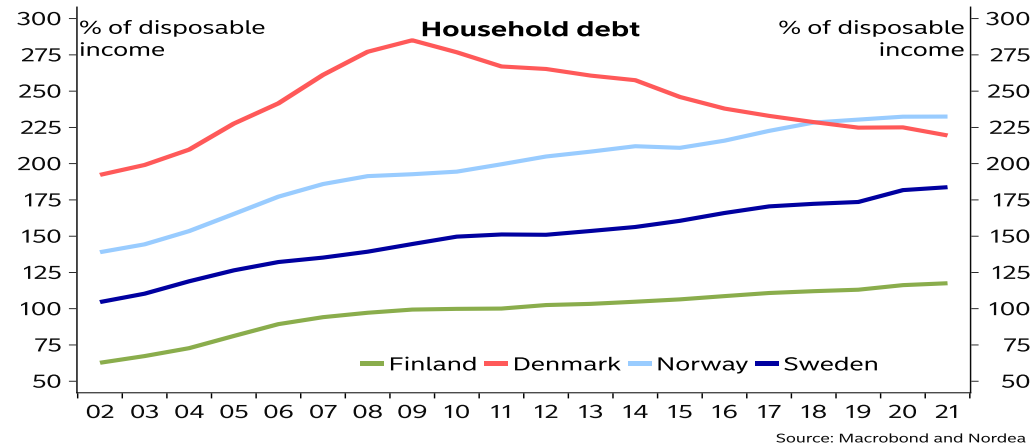


Source: IMF World Economic Outlook, Nordea and Macrobond.

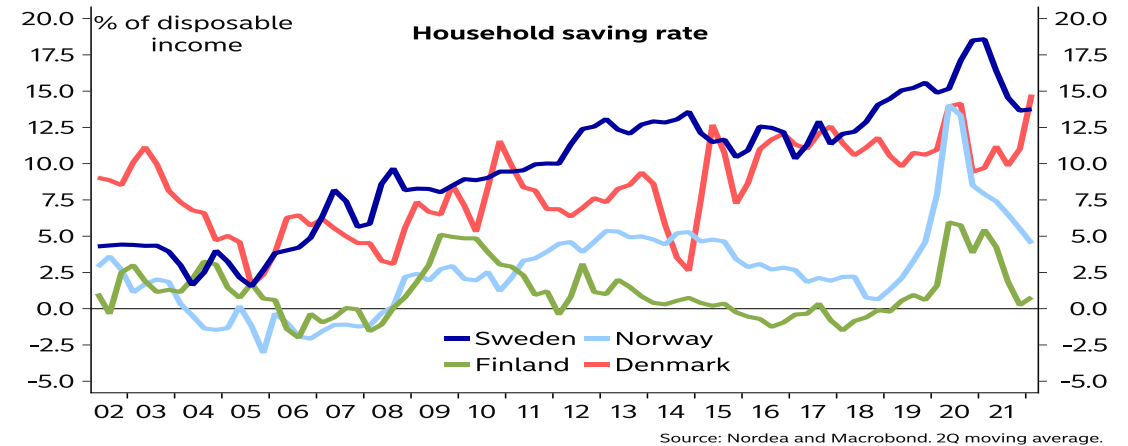
- Central banks are rapidly hiking interest rates to combat high inflation
- Norges Bank has hiked from 0 to 1.75% since last fall, and are expected to continue until they reach 3.25% at the end of 2023
- The Swedish Riksbank raised the policy rate to 0.75% in June. It is expected to hike to 2% by end-2022 and to stay put in 2023
- The ECB exited its negative interest rate policy era with an unexpected 50bp hike in July. We predict that policy rates will rise by a total of 2.00 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 facing high inflation and rising interest rates

Household debt

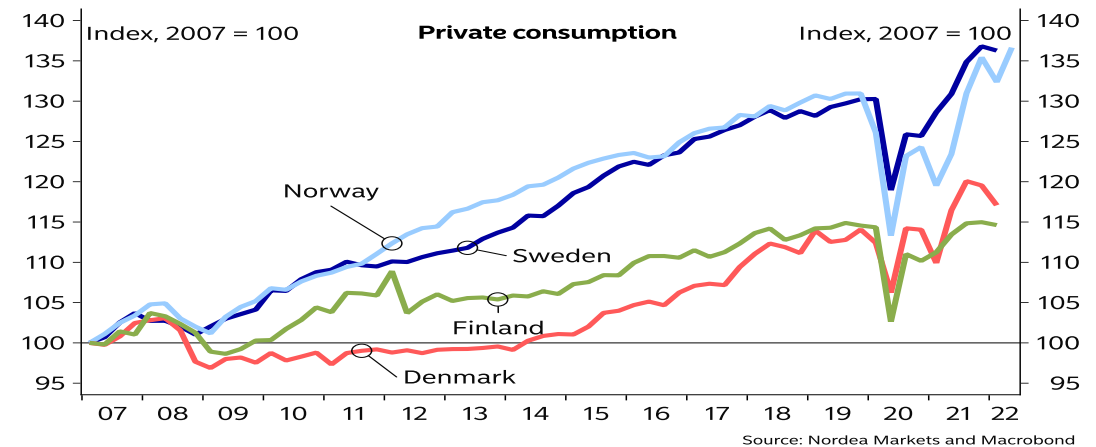


Household savings



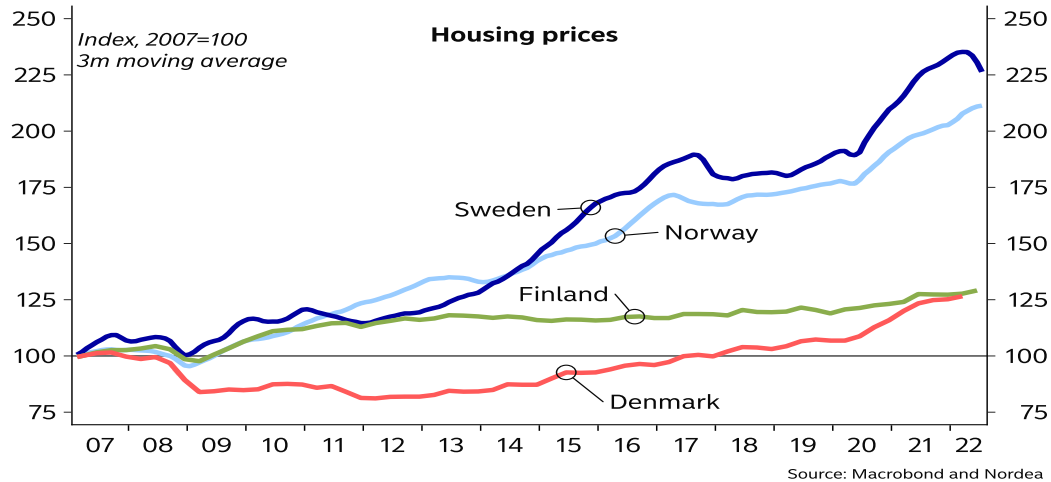
- Household savings increased dramatically during the pandemic, but have since returned to more normal levels as consumption has increased
- However, purchasing power is decreasing rapidly. Rising interest rates as well as high inflation implies downside risks for private consumption moving forward

Private consumption

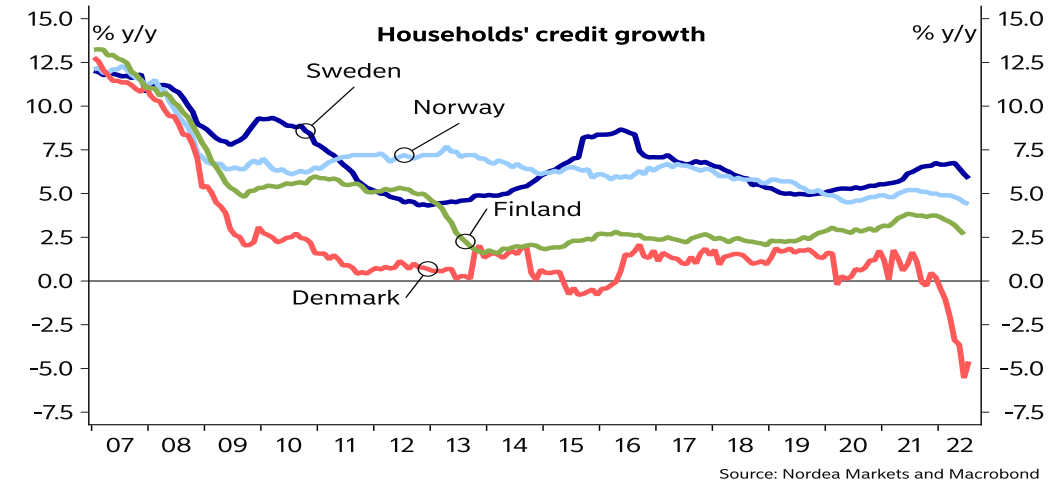


Rising interest rates is cooling off hot Nordic housing markets

Housing prices



Households' credit growth



- Housing prices increased to record-high levels in all the Nordic countries during the pandemic
- However, with 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 6% since March this year
- Households' credit growth in the Nordic countries have continuously declined since April 2022 except for Denmark in July 2022.

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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