



Nordea

Nordea Kredit Covered Bonds

Q3 2022 Debt Investor Presentation



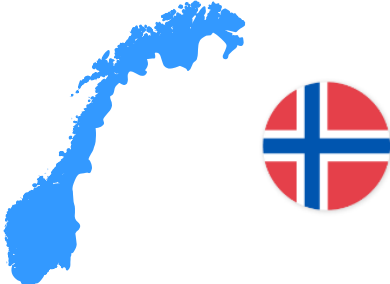
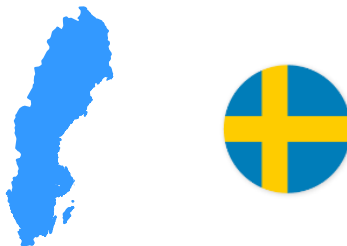


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1. Nordea covered bond operations

Nordea covered bond operations

Q3 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 21.3bn (eq.)	EUR 61.8bn (eq.)	Balance principle	Pool 1: EUR 22.9bn/ Pool 2: EUR 1.3bn
	Covered bonds outstanding*	EUR 11.8bn (eq.)	EUR 33.2bn (eq.)	EUR 61.1bn (eq.)*	Pool 1: EUR 20.7bn/ Pool 2: EUR 1bn
	OC*	81%	86%	7.4%*	Pool 1: 11% / Pool 2: 28%
	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

Q3 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

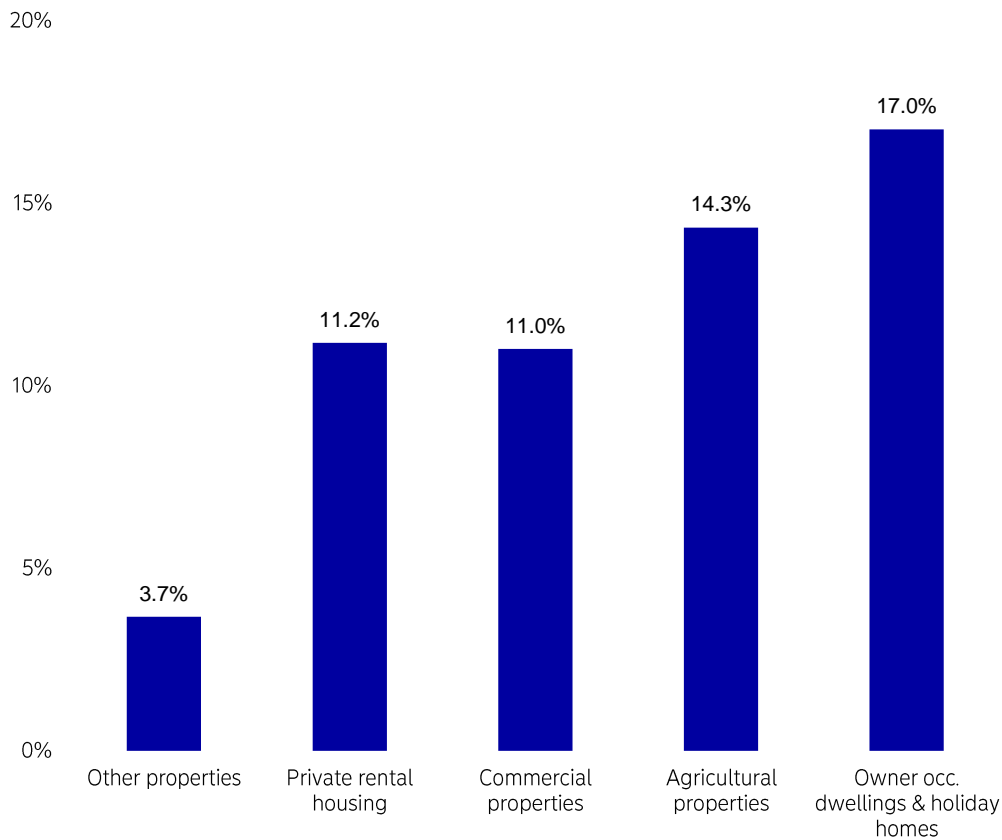
Q3 2022

Outstanding covered bonds	EUR 61.1bn
Cover pool content	Mortgage credit loans secured by mainly residential property (total: EUR 65.6bn including substitute assets)
Geographic distribution	Throughout Denmark with concentration in urban areas
Weighted average LTV	44.1%
Average residential loan size	EUR 204,862
Over collateralisation, OC	7.4%
Rate type (bonds)	Fixed rate 83.9%, Floating rate 16.1%
Amortization	Interest only 55.0%, Amortizing 45.0%
Substitute assets	EUR 6.641bn
Pool type	Static
Loans originated by	Nordea Kredit CC2

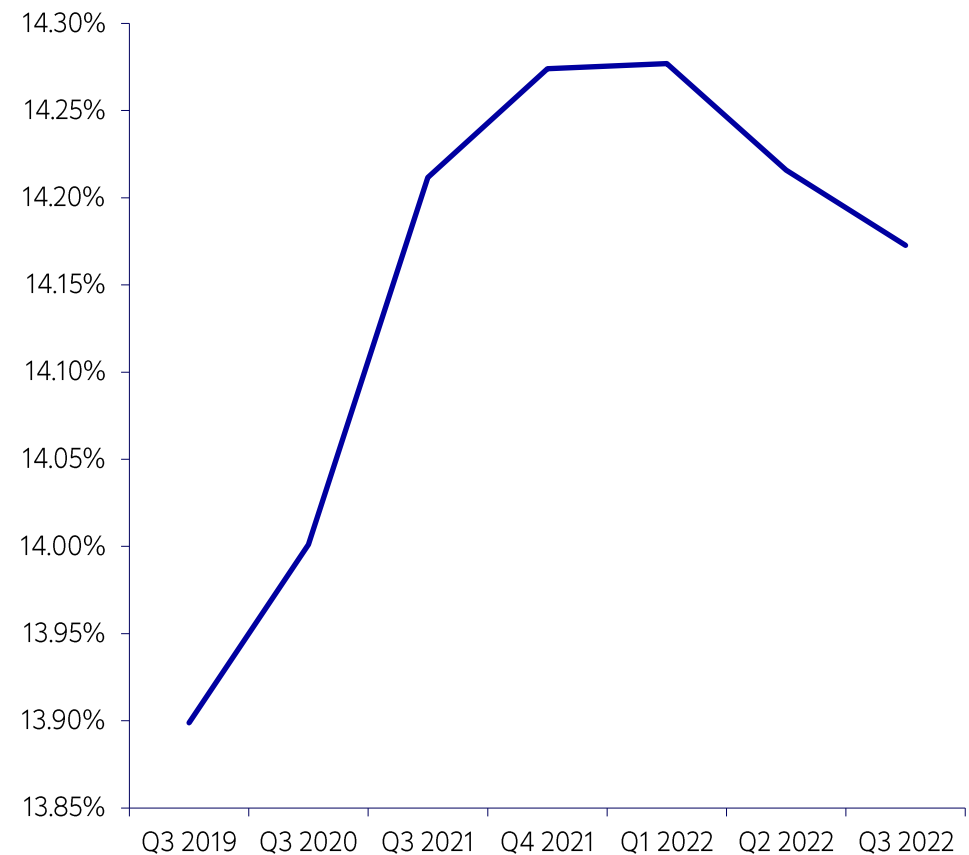
Loan portfolio

Q3 2022

Market share by property category



Market share¹ – overall

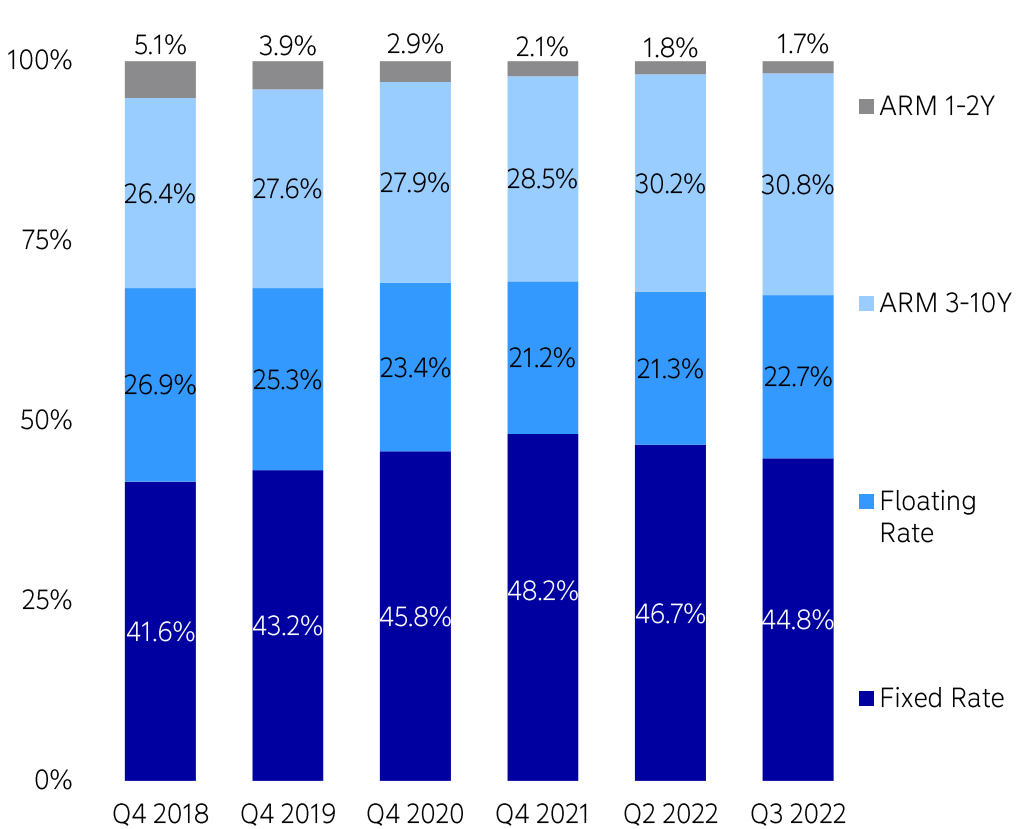


⁹ 1) Market share of the Danish mortgage credit market

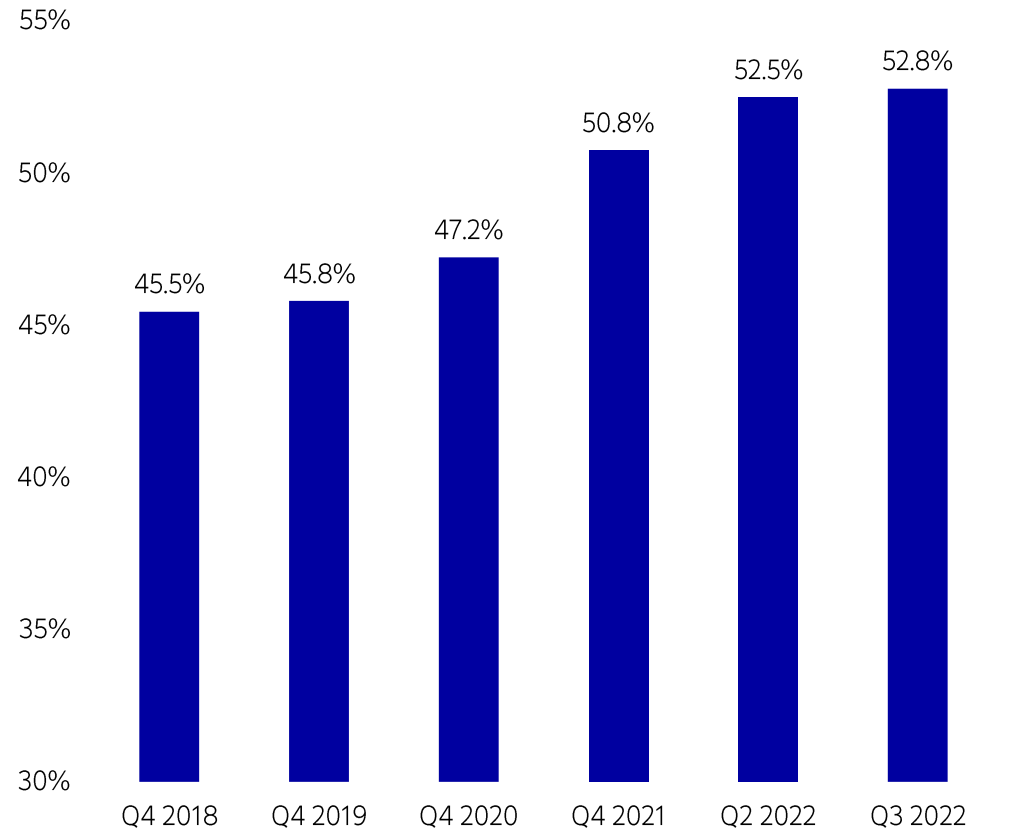
Loan portfolio

Q3 2022

Loan portfolio by loan type



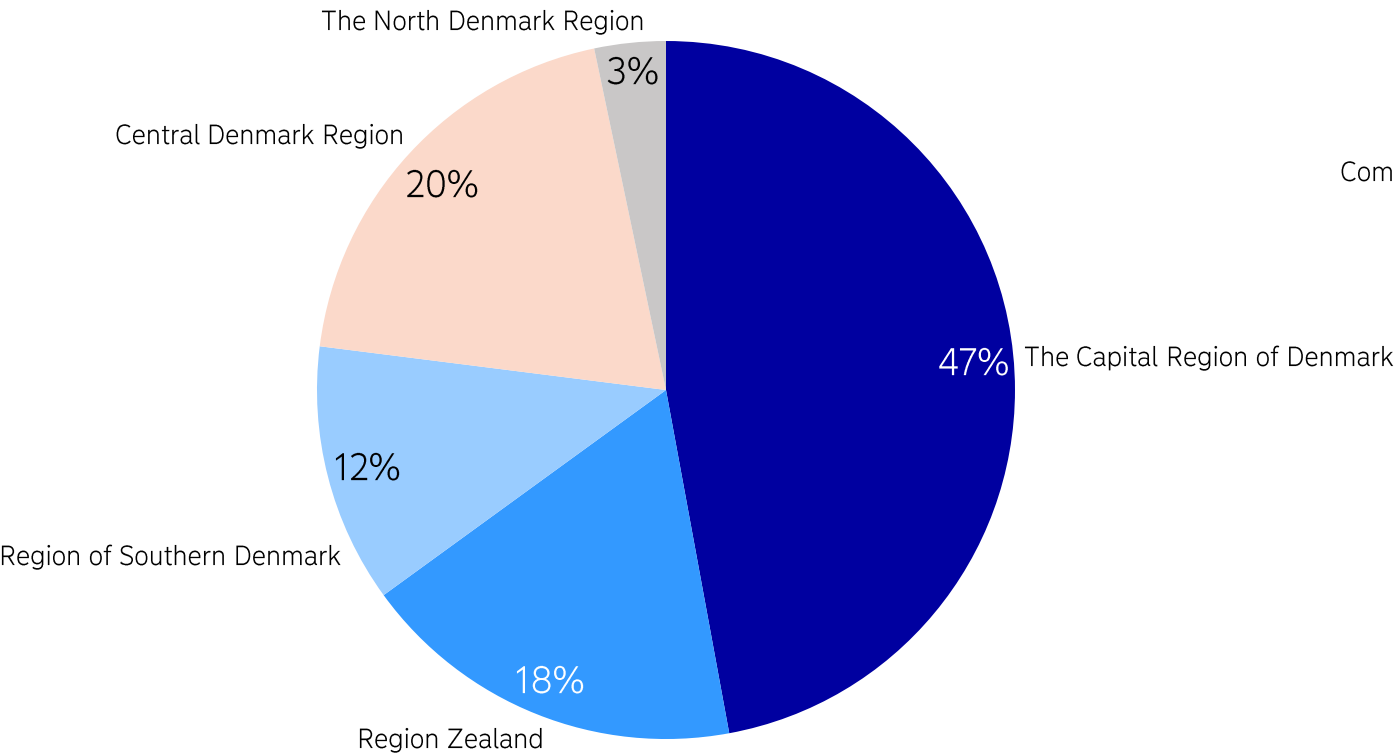
Share of interest-only mortgages



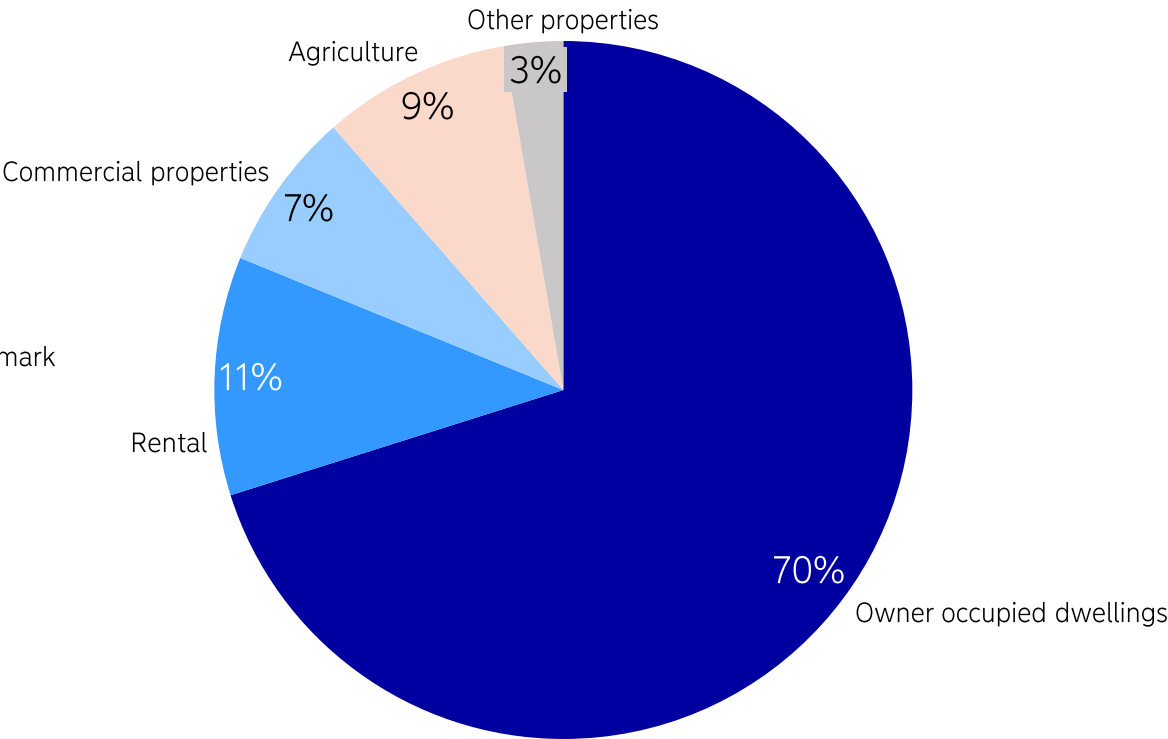
Loan portfolio

Q3 2022

Loan balance by region



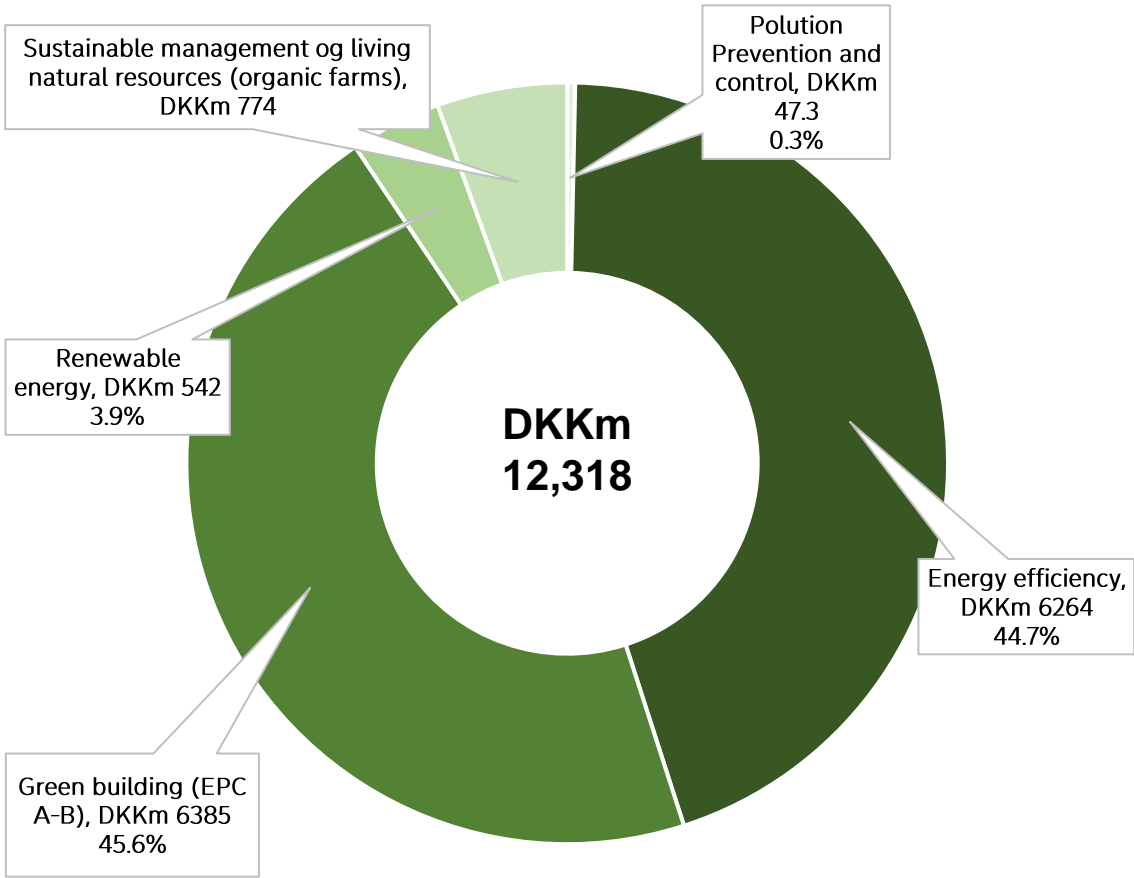
Cover pool balance by property category



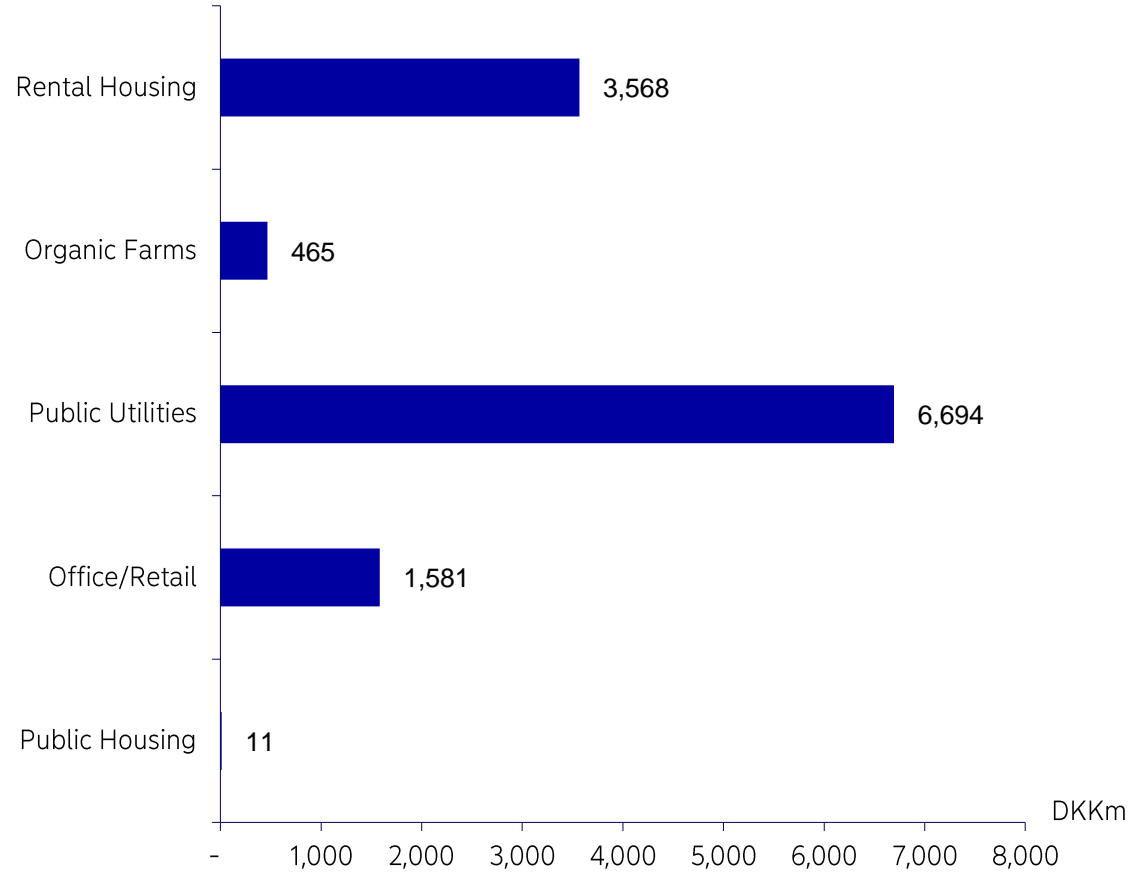
Green Bonds

Q3 2022

Green lending by asset category



Green lending by property category



Financed emissions – and portfolio by EPCs

H1 2022

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	268	95.3%	521,215	243,914	0.96	21
Commercial residential	42	91.7%	83,075	30,880	0.80	11
Offices & retail prop.	30	82.0%	95,724	37,963	1.54	17
Other properties ²⁾	58	0.0%				
Total	398	80.2%	700,014	312,757		

Notes

1) Calculations and portfolio as of 30 June 2022

2) Other properties include agriculture, industry etc.

Disclaimer

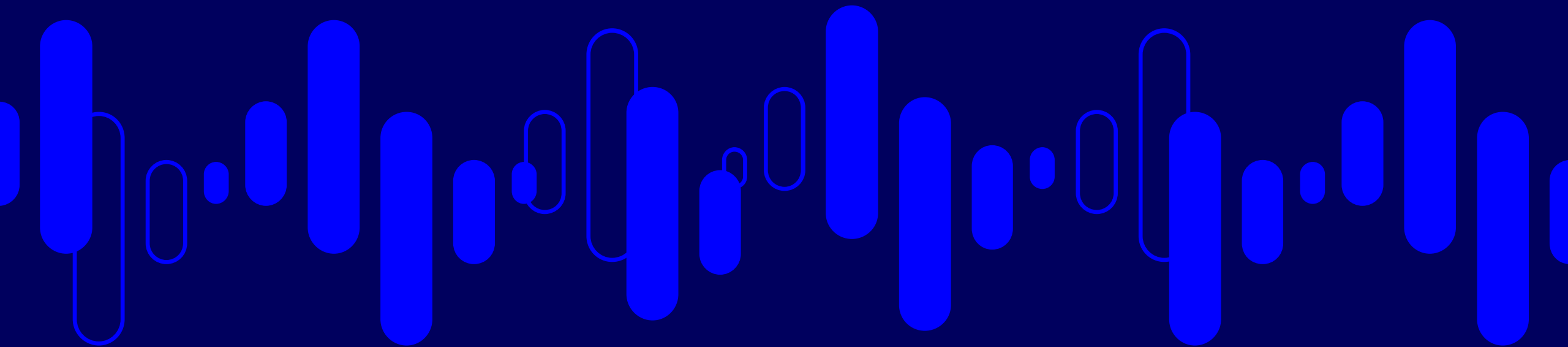
The information on CO2 emissions is presented on the basis the Finance Denmark's "Framework for Financed Emissions Accounting" and Nordea Kredit's "Approach for estimations of CO2-emissions for the lending portfolio of Nordea Kredit".

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⁾	
EPC	Volume DKKbn
A2020	4
A2015	15
A2010	8
B	10
D	44
C	38
E	16
F	7
G	4
N/A	252
Total	398

4. Asset quality



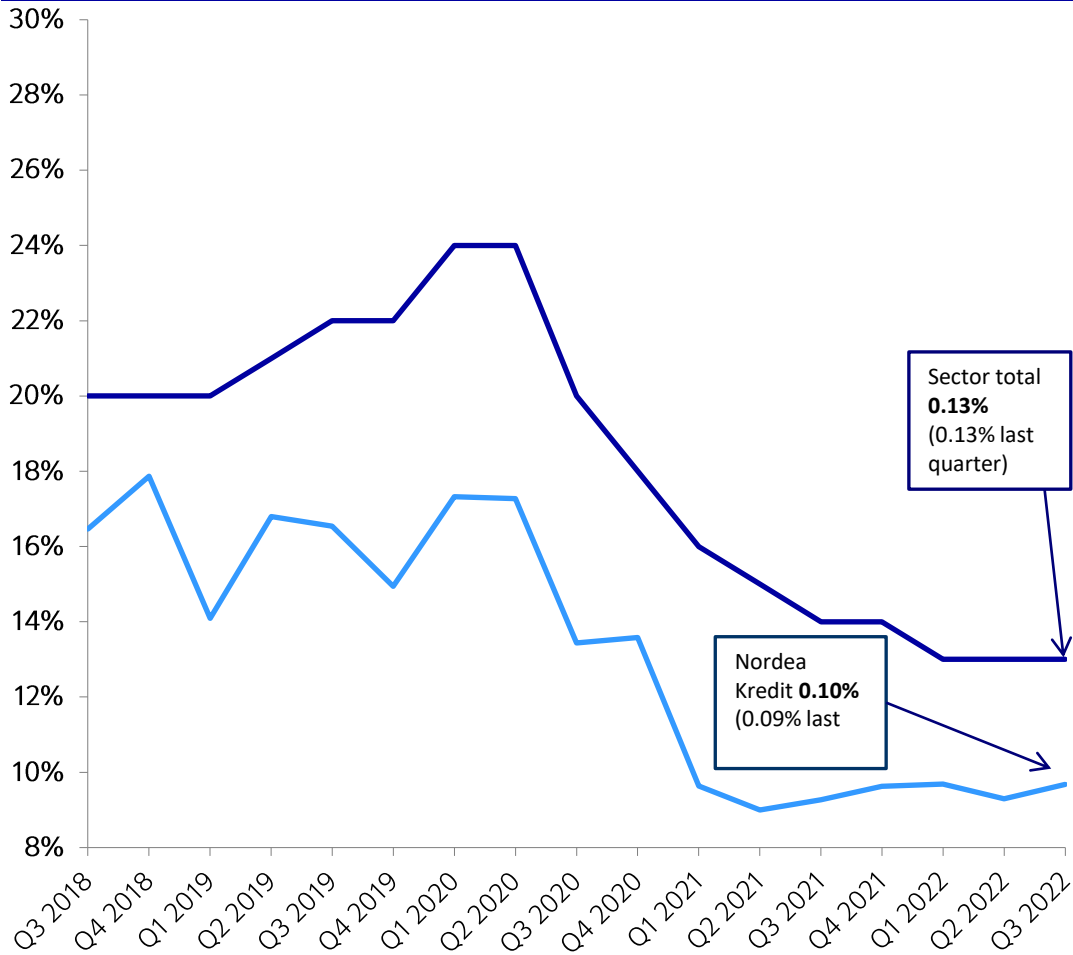
Loan to value (LTV) – loans for residential and commercial properties

Q3 2022

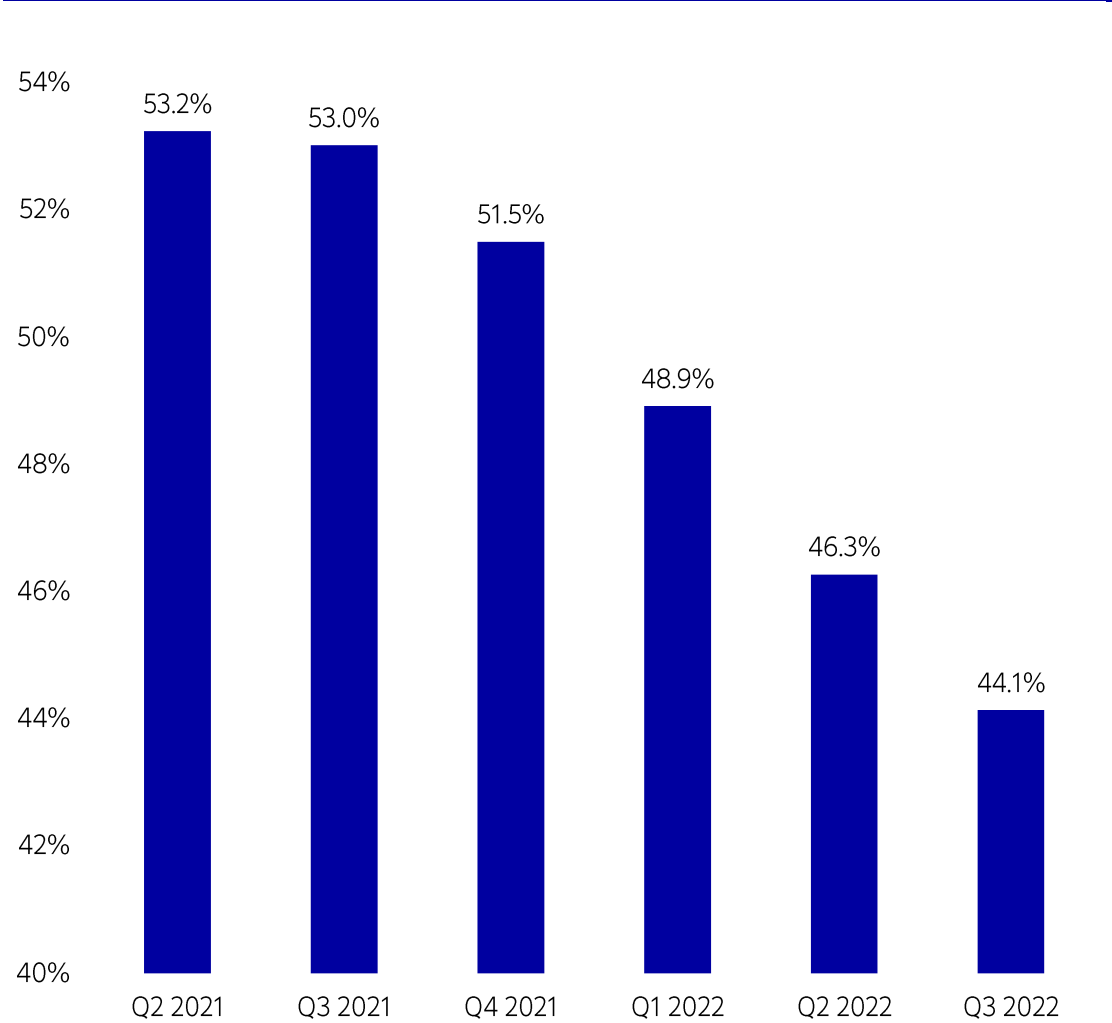
Loan type		Residential loans		Commercial loans	
Weighted average LTV – indexed		52.7%		42.9%	
LTV buckets		Nominal (DKKkm)	% Loans	Nominal (DKKkm)	% Loans
> 0 - <= 40 %		256,517	72.7%	60,519	76.2%
> 40 - <= 50 %		43,689	12.4%	10,389	13.1%
> 50 - <= 60 %		29,151	8.3%	5,765	7.3%
> 60 - <= 70 %		15,573	4.4%	2,031	2.6%
> 70 - <= 80 %		6,499	1.8%	361	0.5%
>80%		1,371	0.4%	322	0.3%
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

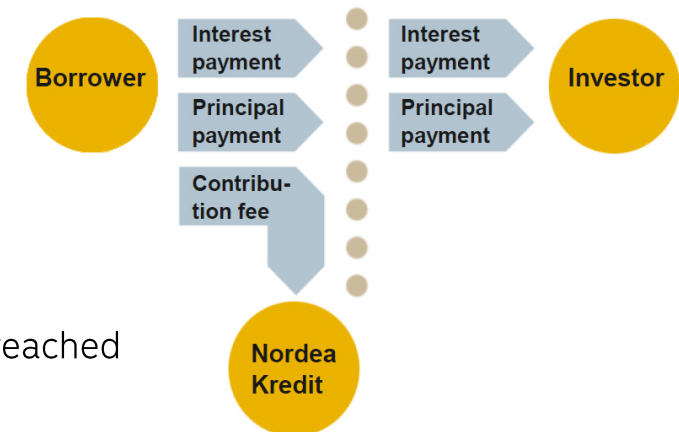
Corporates, agriculture etc.

- 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

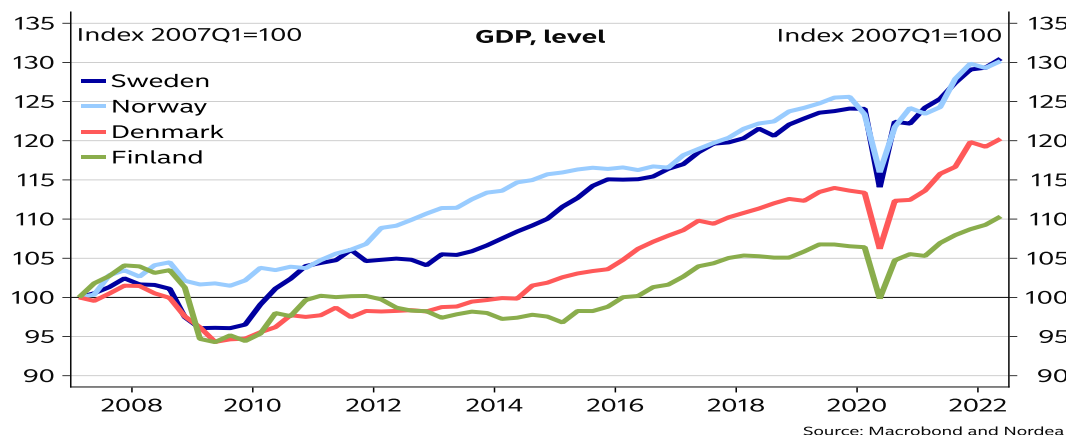
- Legal framework
 - The Financial Business Act
 - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act with several detailed executive orders
- Registration
 - An issuing institution is required to maintain a static cover pool
 - Mortgage deeds are registered in the Danish Public Land Registry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



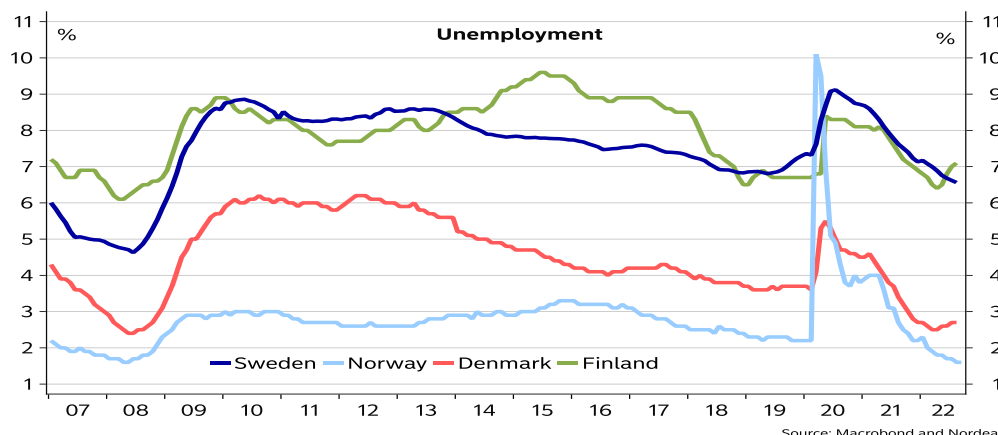
7. Macro

Nordic outlook dampened by higher inflation and interest rates

GDP development



Unemployment rate



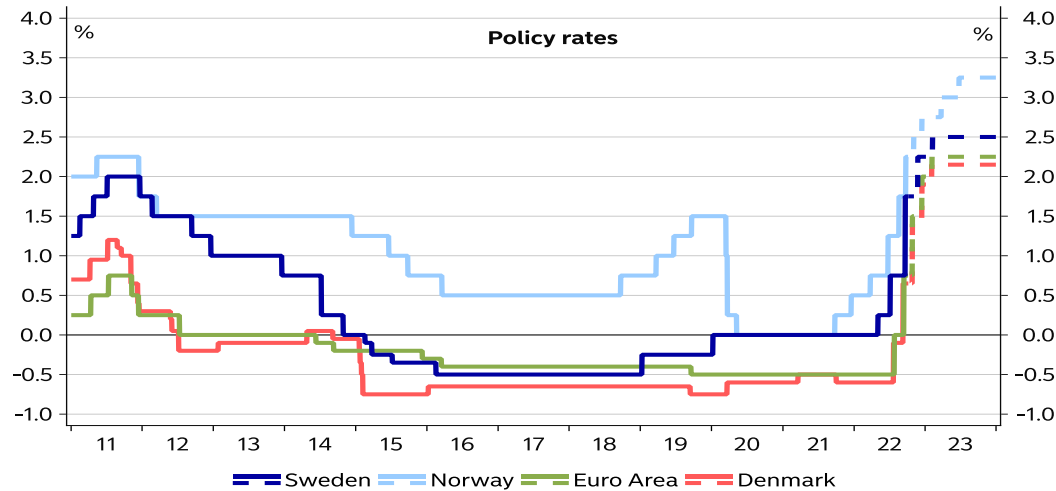
- The Nordic economies recovered quickly from the pandemic and even showed signs of overheating
- With surging inflation and energy prices, the economic development in the Nordic countries will most likely slow down in the following quarters
- Unemployment rate in the Nordic countries have continuously declined since the pandemic

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

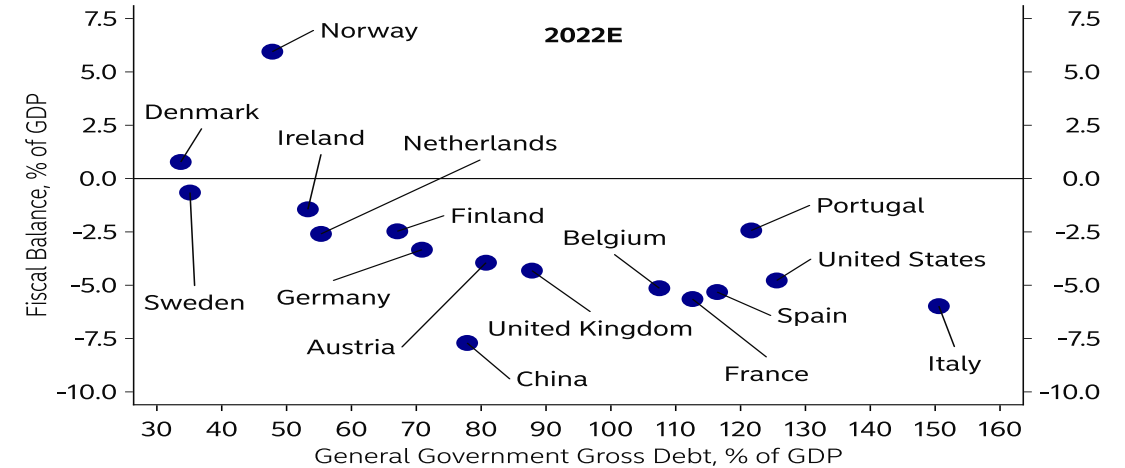
Country	2021	2022E	2023E	2024E
Denmark	4.9	2.5	0.5	1.8
Finland	3.0	2.5	0.0	1.5
Norway	4.1	3.2	1.0	1.3
Sweden	4.9	3.0	-0.5	1.0

Interest rates are increasing rapidly throughout the Nordics

Policy rates



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

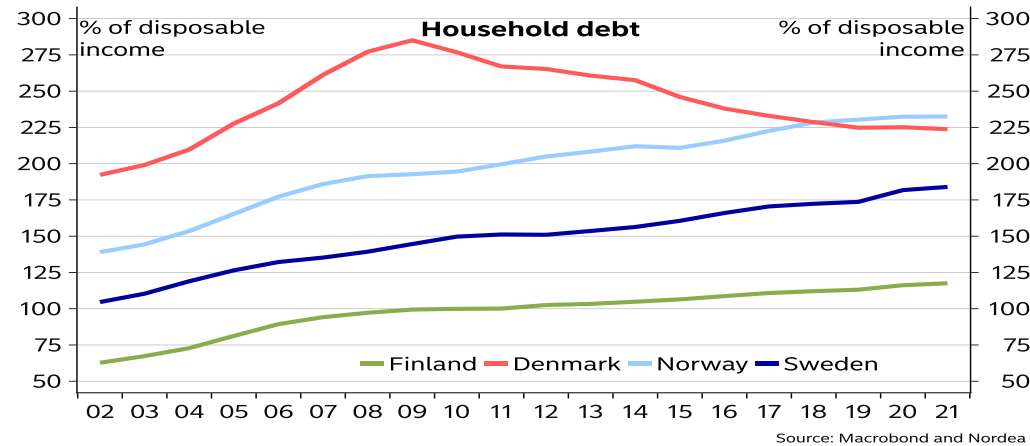


Source: IMF World Economic Outlook, Nordea and Macrobond.

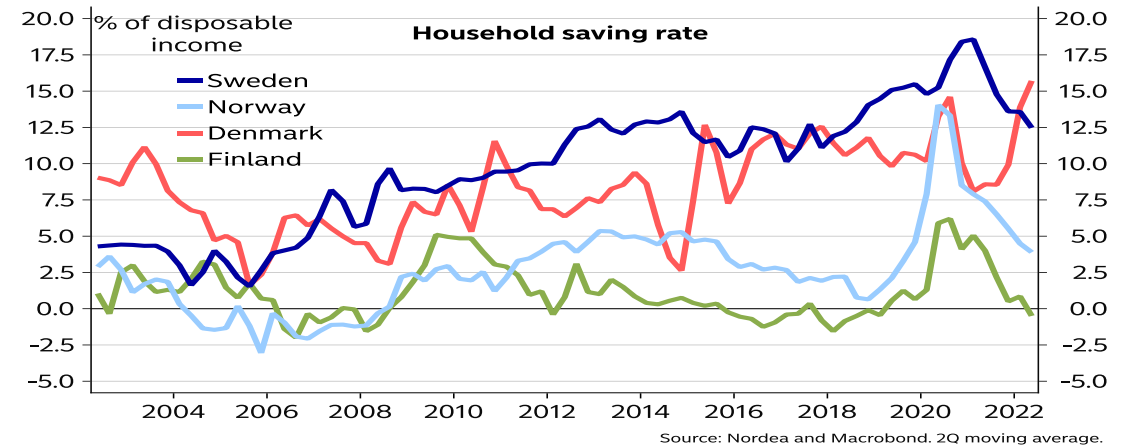
- Central banks are rapidly hiking interest rates to combat high inflation
- Norges Bank has hiked from 0 to 2.25% since last fall, and are expected to continue until they reach 3.25% at the end of 2023
- The Swedish Riksbank raised the policy rate to 1.75% in September and are expected to hike to 2.5% by February 2023
- The ECB delivered a 75bp hike in September. We predict that policy rates will rise by a total of 2.75 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

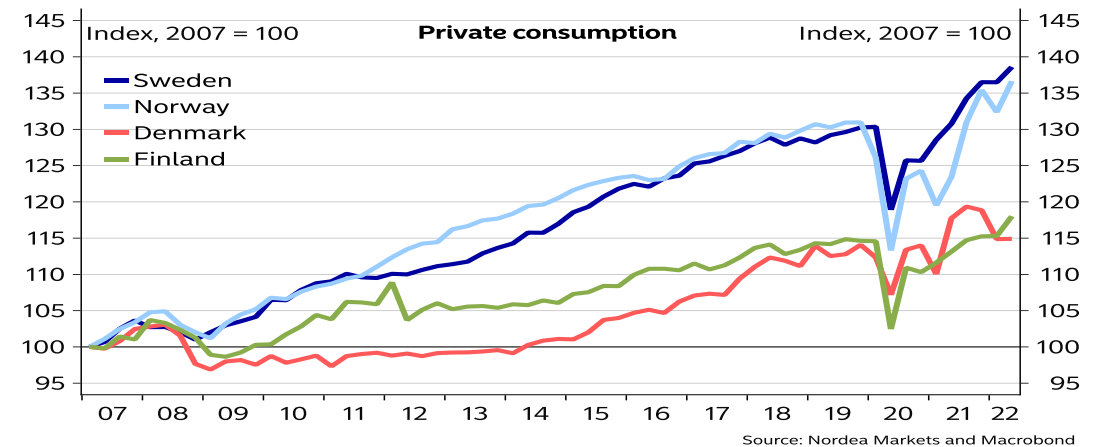


Household savings



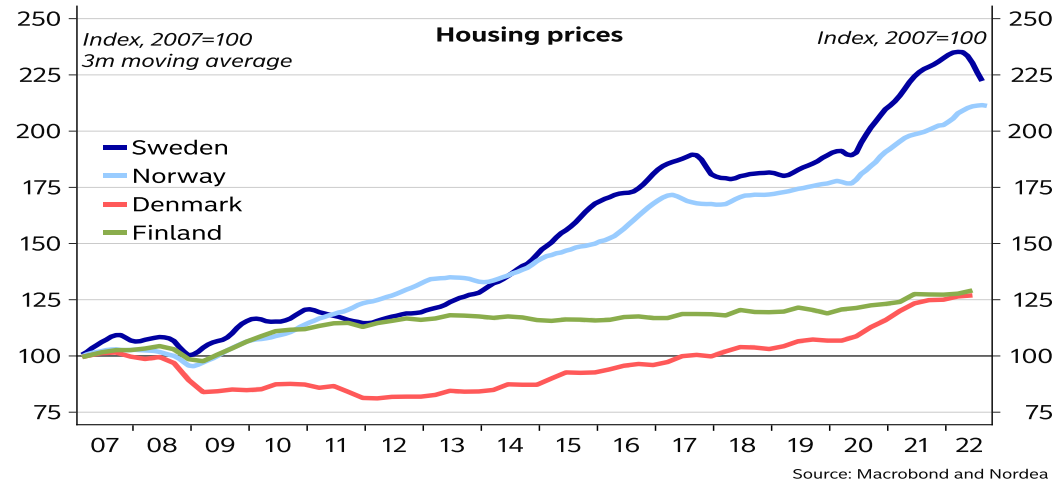
- Household savings increased dramatically during the pandemic, but have since returned to more normal levels as consumption has increased
- However, purchasing power is decreasing rapidly. Rising interest rates as well as high inflation implies downside risks for private consumption moving forward

Private consumption

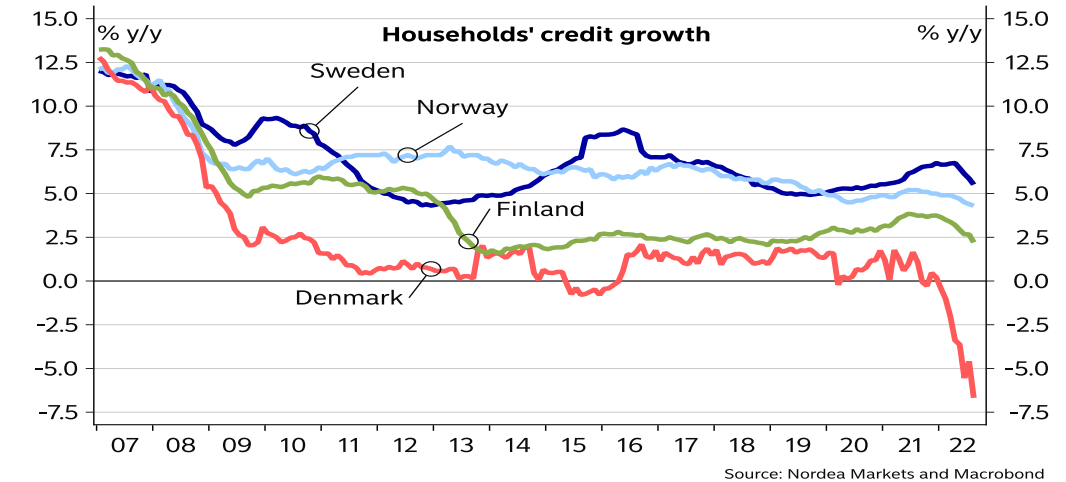


Rising interest rates are cooling off hot Nordic housing markets

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 7% 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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