

Nordea Kredit Covered Bonds

Q3 2023 Debt Investor Presentation

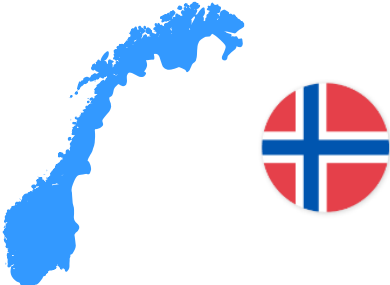
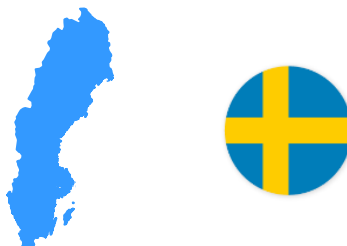

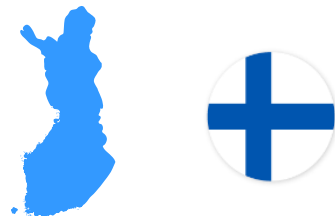
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1. Nordea covered bond operations

Nordea covered bond operations

Q3 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 21.3bn (eq.) | EUR 57.8bn (eq.) | Balance principle | Pool 1: EUR 19.7bn/ Pool 2: EUR 5.6bn |
| | Covered bonds outstanding | EUR 15.1bn (eq.) | EUR 31.5bn (eq.) | EUR 60.0bn (eq.)* | Pool 1: EUR 15.6bn/ Pool 2: EUR 4bn |
| | OC | 41% | 83% | 7%* | Pool 1: 27% / Pool 2: 44% |
| | 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 capital centre 2 (SDRO). Nordea Kredit no longer reports for CC1 (RO), as this capital centre only accounts for a minor part (<0.5%) of the outstanding volume of loans and bonds

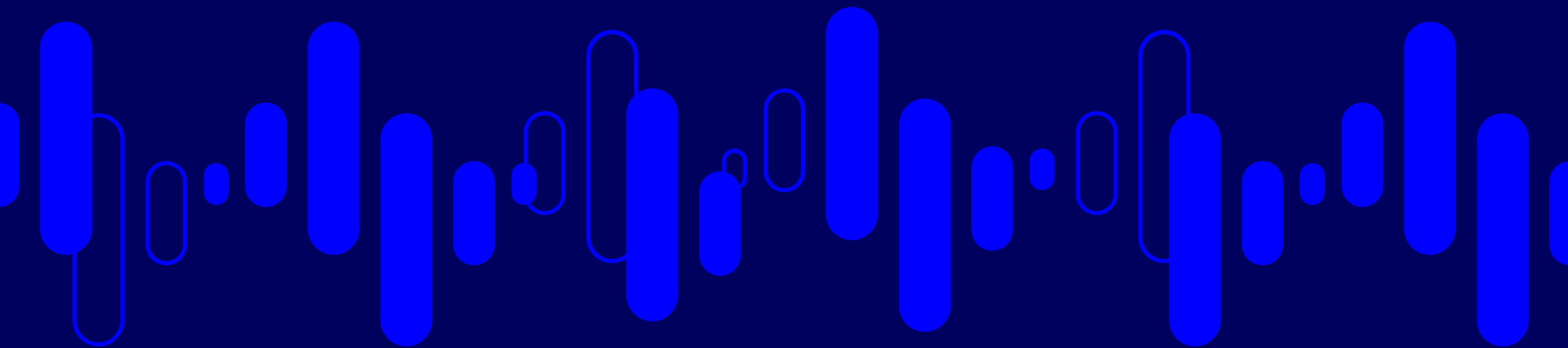
2. Nordea Kredit - in brief

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 | 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



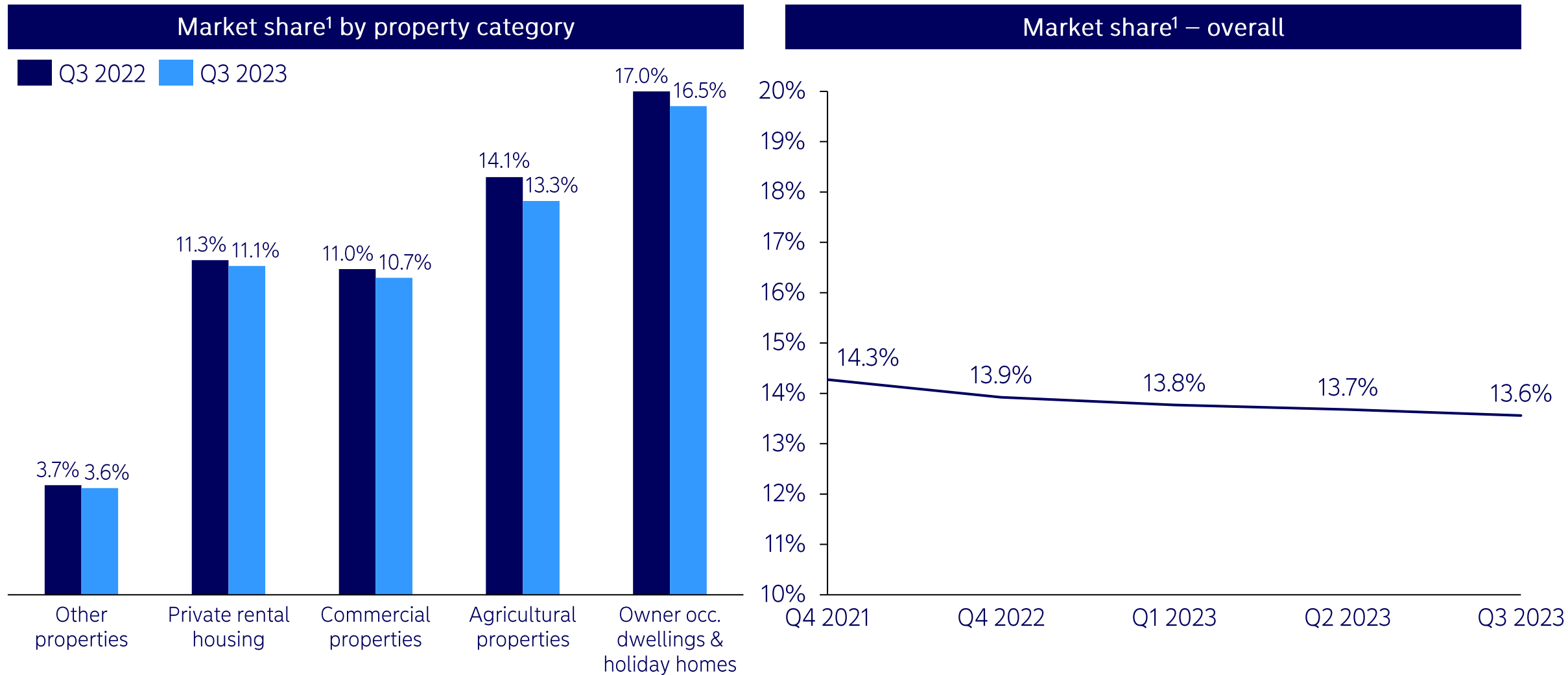
Cover pool key characteristics

Q3 2023

| | |
|---|--|
| Outstanding covered bonds | EUR 60.0bn |
| Cover pool content | Mortgage credit loans secured by mainly residential property (total: EUR 63.1bn including substitute assets) |
| Geographic distribution | Throughout Denmark with concentration in urban areas |
| Weighted average LTV | 47.3% |
| Average residential loan size | EUR 206,629 |
| Over collateralisation, OC | 7.1% |
| Rate type (bonds) | Fixed rate 73.8%, Floating rate 26.2% |
| Amortization of underlying loans | Interest only 53.6%, Amortizing 46.4% |
| Substitute assets | EUR 6.275bn |
| Pool type | Static |
| Loans originated by | Nordea Kredit CC2 |

Loan portfolio

Q3 2023

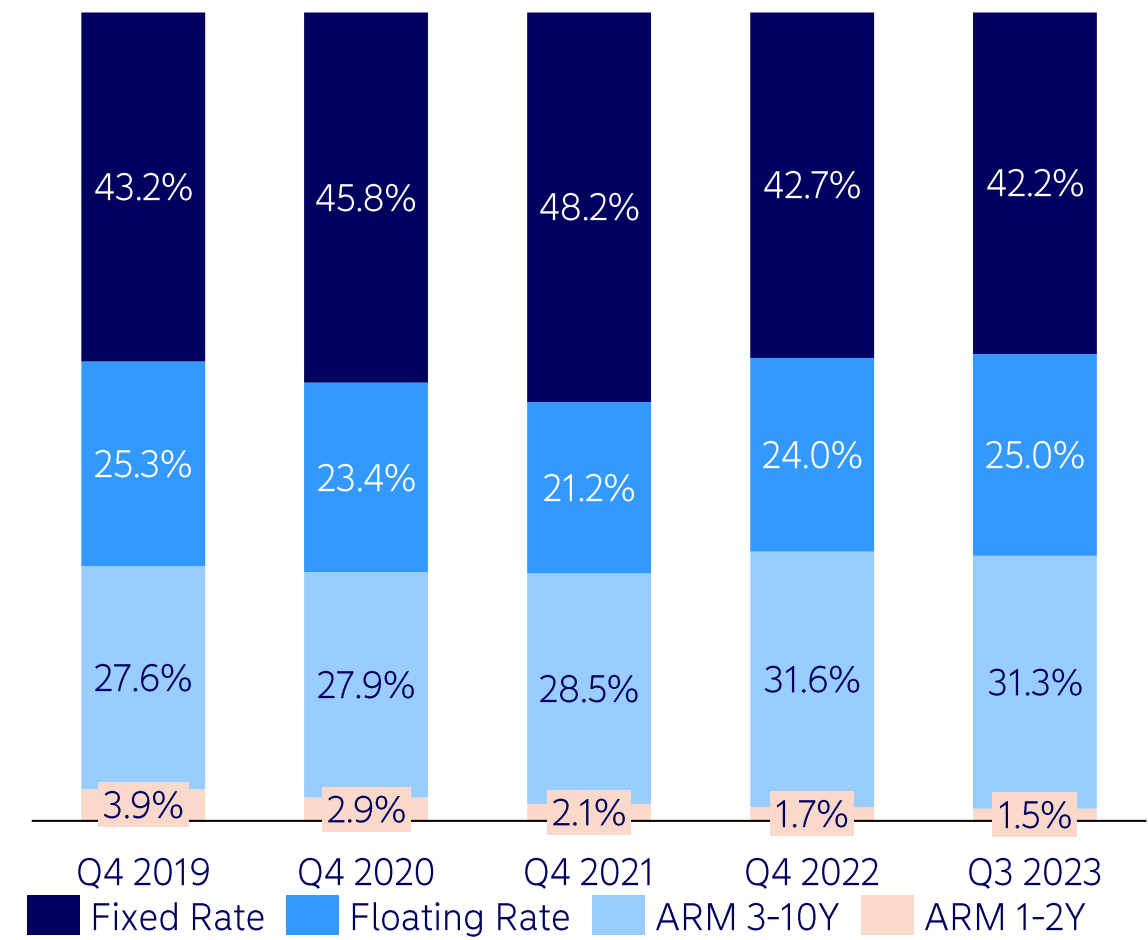


9 ¹⁾ Market share of the Danish mortgage credit market (Loan balance)

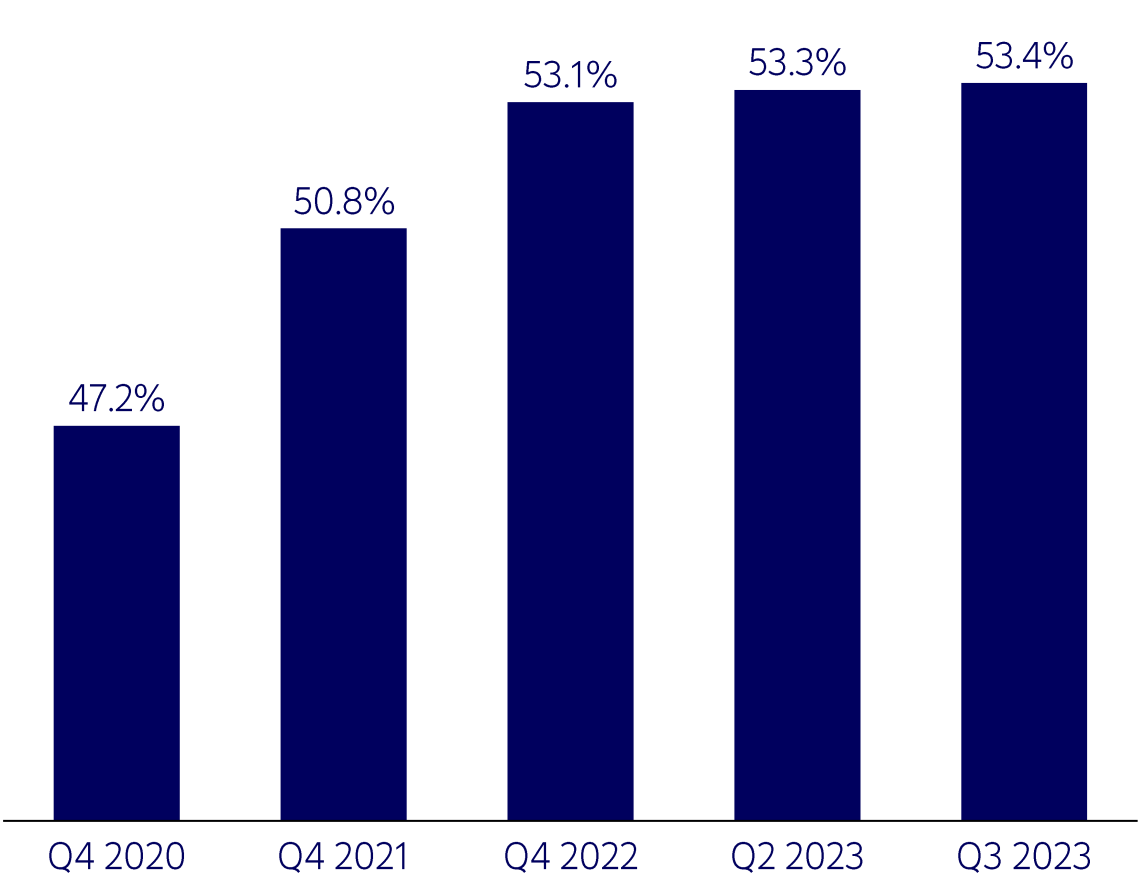
Loan portfolio

Q3 2023

Loan portfolio by loan type



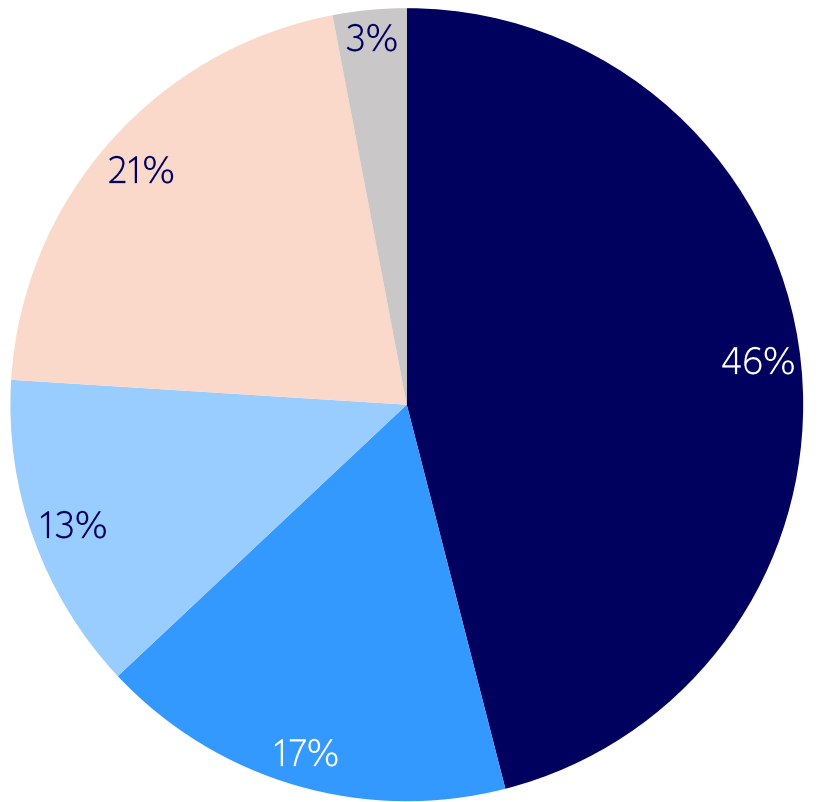
Share of interest-only mortgages



Loan portfolio

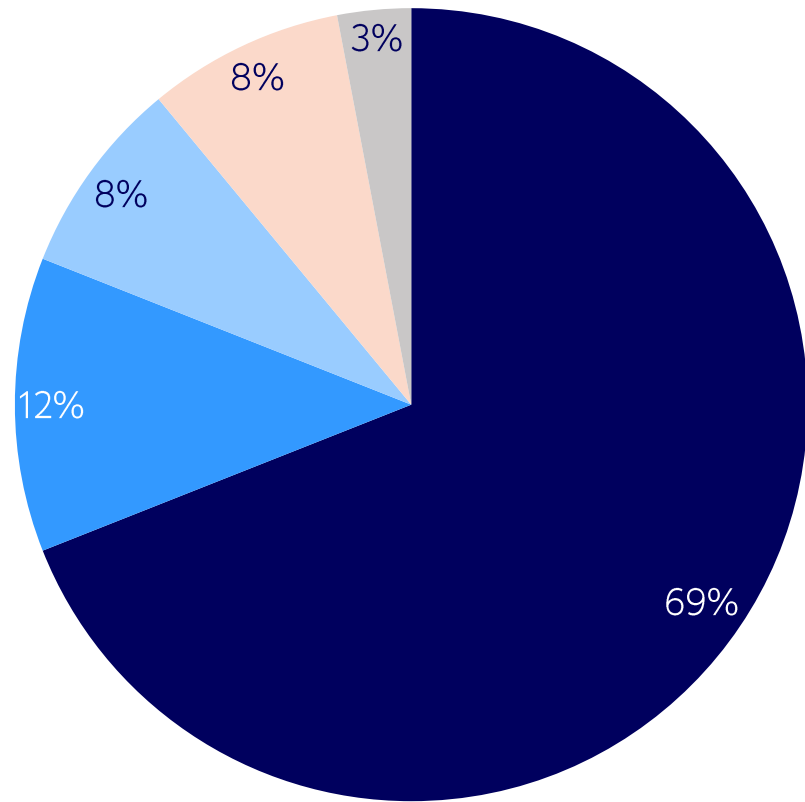
Q3 2023

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

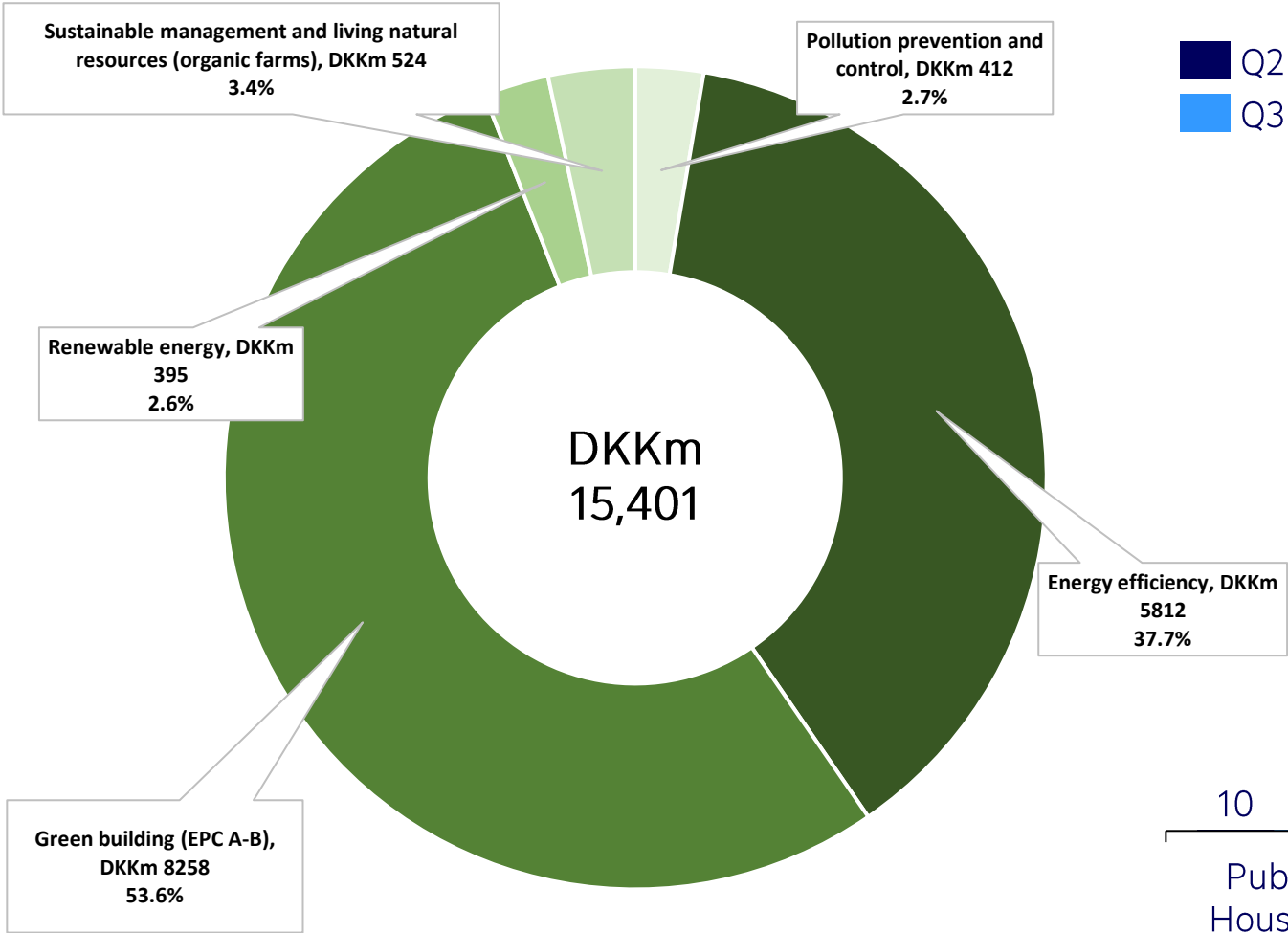


- Owner occupied dwellings
- Rental
- Commercial properties
- Agriculture
- Other properties

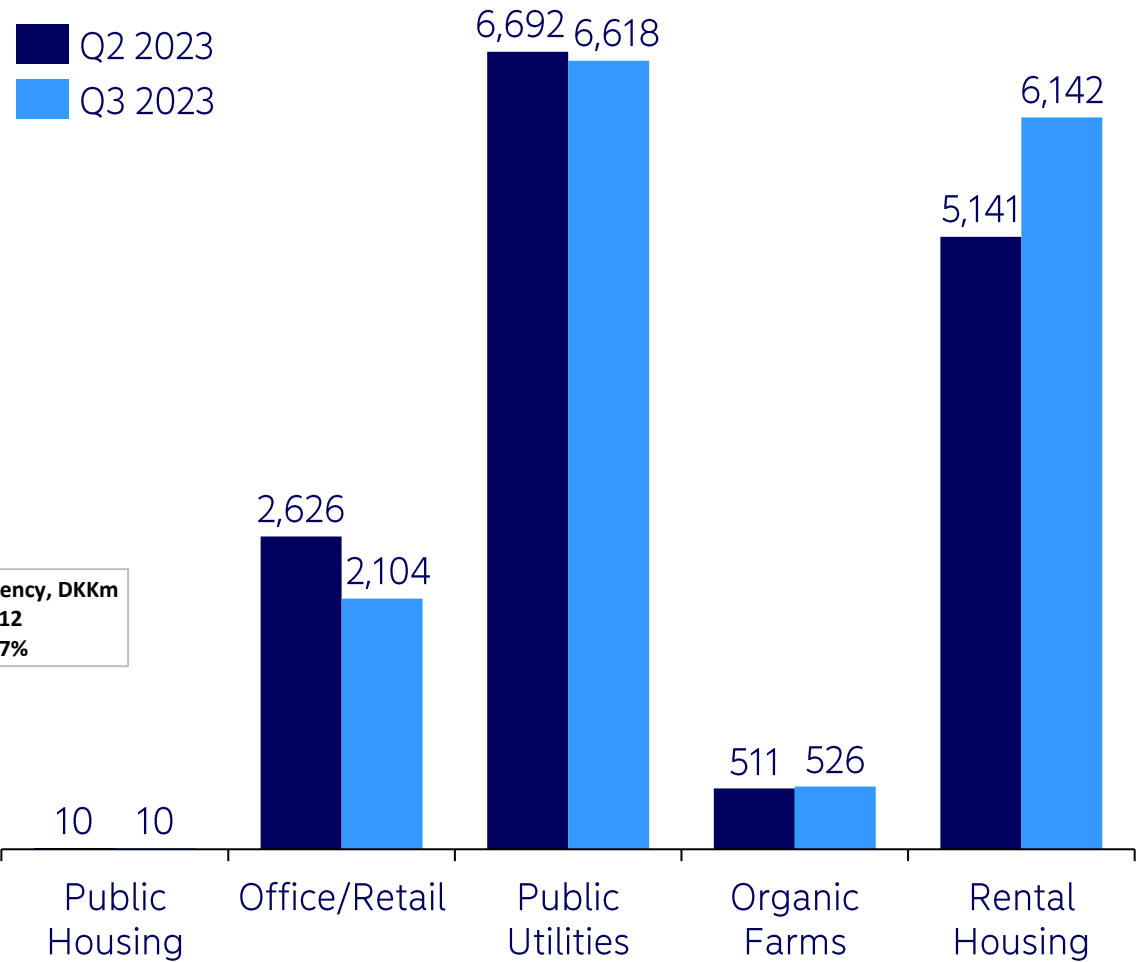
Green Bonds

Q3 2023

Green lending by asset category



Green lending by property category - DKKm



Financed emissions – and portfolio by EPCs

Q3 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 | 250 | 99.3% | 505,018 | 232,794 | 0.93 | 20 |
| Commercial residential | 40 | 91.5% | 102,300 | 46,574 | 1.17 | 10 |
| Offices & retail prop. | 25 | 80.0% | 97,981 | 36,779 | 1.49 | 15 |
| Other properties ²⁾ | 43 | 0.0% | | | | |
| Total | 358 | 83.09% | 705,299 | 316,147 | | |

Notes

1) Calculations and portfolio as of 29 September 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 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 | 7 |
| A2015 | 20 |
| A2010 | 11 |
| B | 16 |
| C | 63 |
| D | 49 |
| E | 18 |
| F | 7 |
| G | 4 |
| N/A | 163 |
| Total | 358 |

4. Asset quality

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

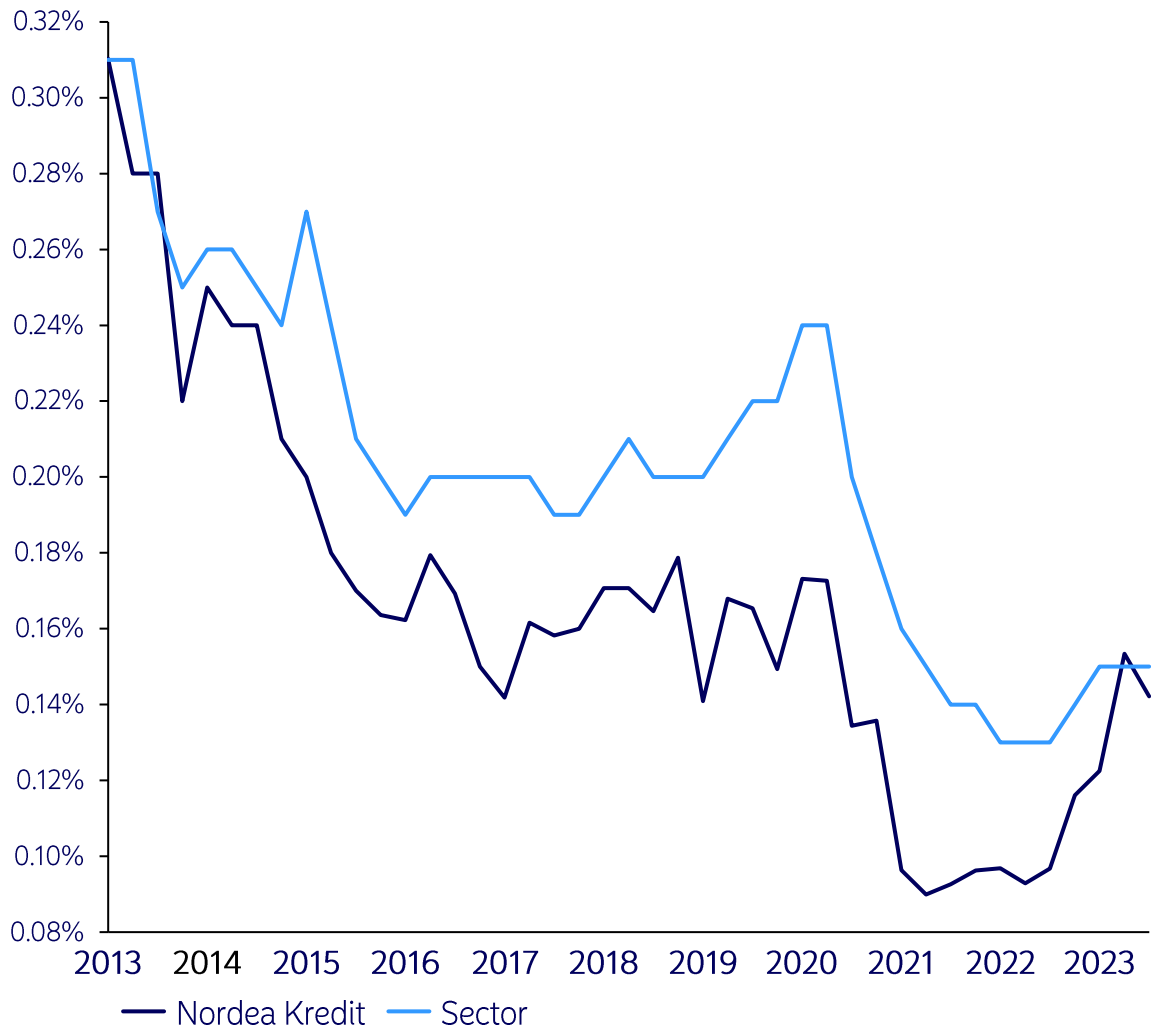
Q3 2023

| Loan type | | Residential loans | | Commercial loans | |
|--------------------------------|--|-------------------|---------|------------------|---------|
| Weighted average LTV – indexed | | 54.9% | | 41.5% | |
| LTV buckets | | Nominal (DKKkm) | % Loans | Nominal (DKKkm) | % Loans |
| > 0 - ≤ 40 % | | 245,113 | 70.9% | 59,982 | 77.1% |
| > 40 - ≤ 50 % | | 43,159 | 12.5% | 10,250 | 13.2% |
| > 50 - ≤ 60 % | | 30,304 | 8.8% | 5,311 | 6.8% |
| > 60 - ≤ 70 % | | 17,174 | 5.0% | 1,766 | 2.3% |
| > 70 - ≤ 80 % | | 7,805 | 2.2% | 307 | 0.4% |
| >80% | | 2,262 | 0.6% | 147 | 0.2% |
| Total | | 345,817 | 100.0% | 77,763 | 100.0% |

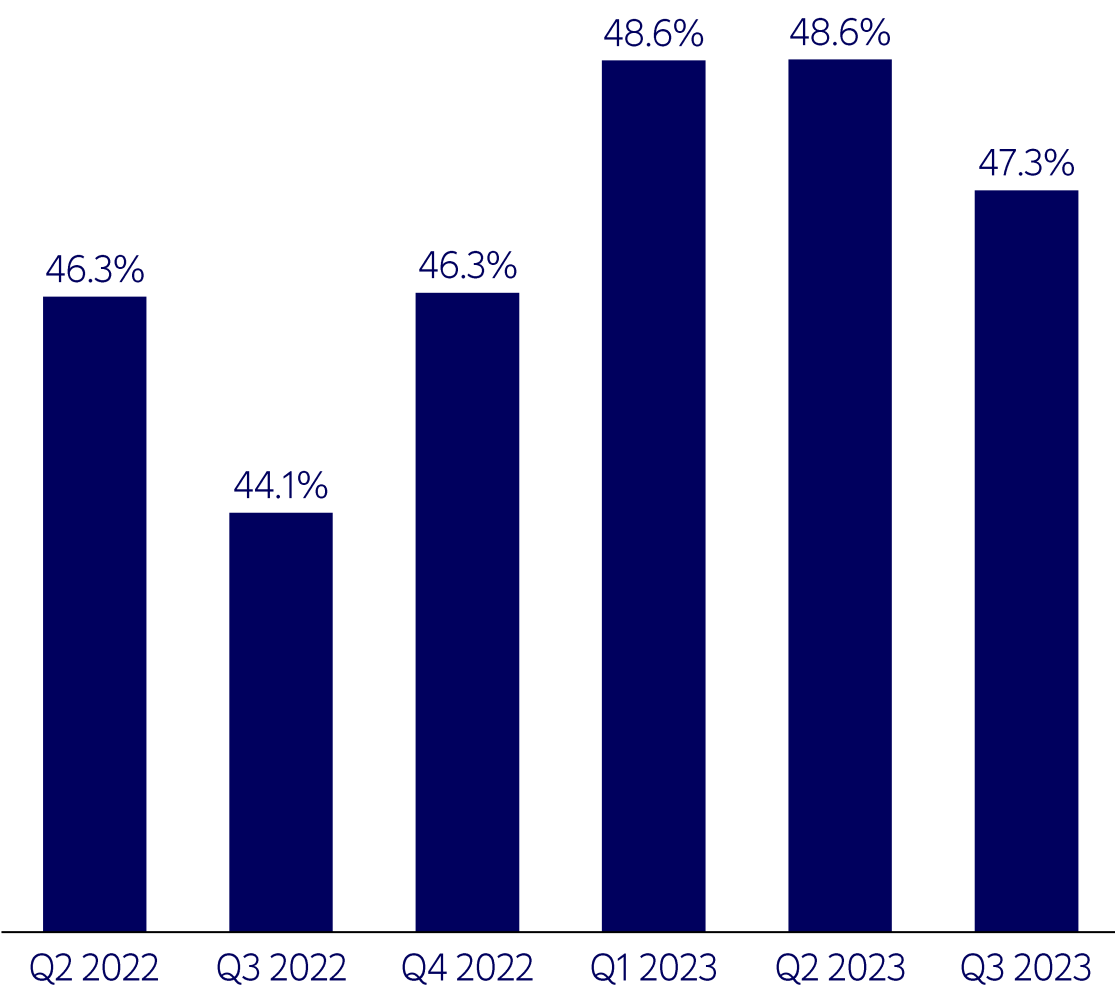
Asset quality

Q3 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 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 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

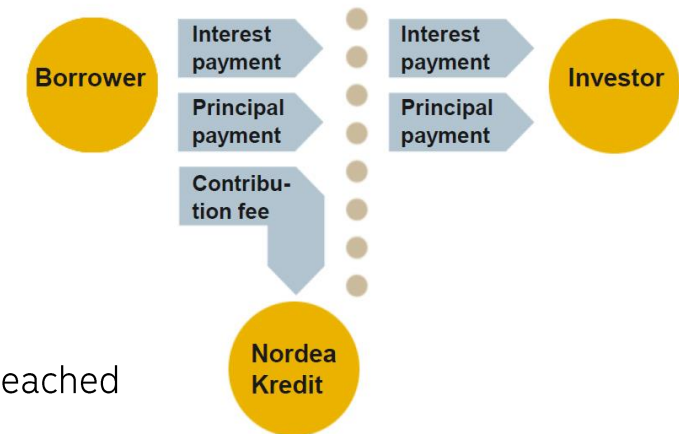
Corporates, agriculture etc.

- 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

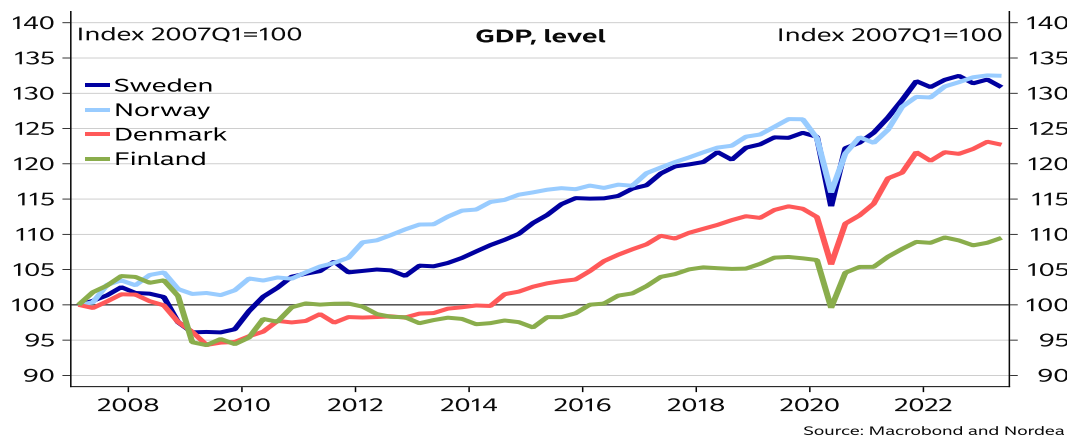
- Legal framework
 - The Financial Business Act
 - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act with several implementing executive orders
- Registration
 - An issuing institution is required to maintain a static cover pool
 - Mortgage deeds are registered in the Danish Public Land Registry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



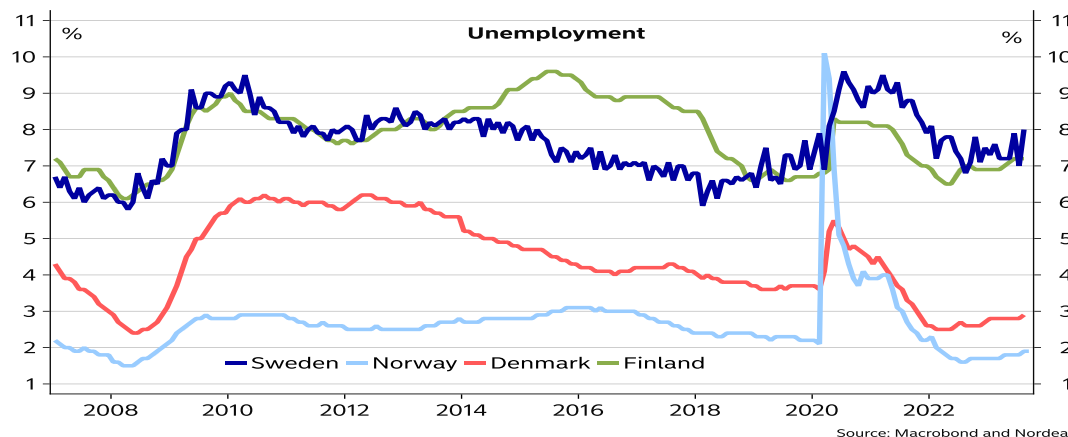
7. Macroeconomy

New interest rate environment

GDP development



Unemployment rate



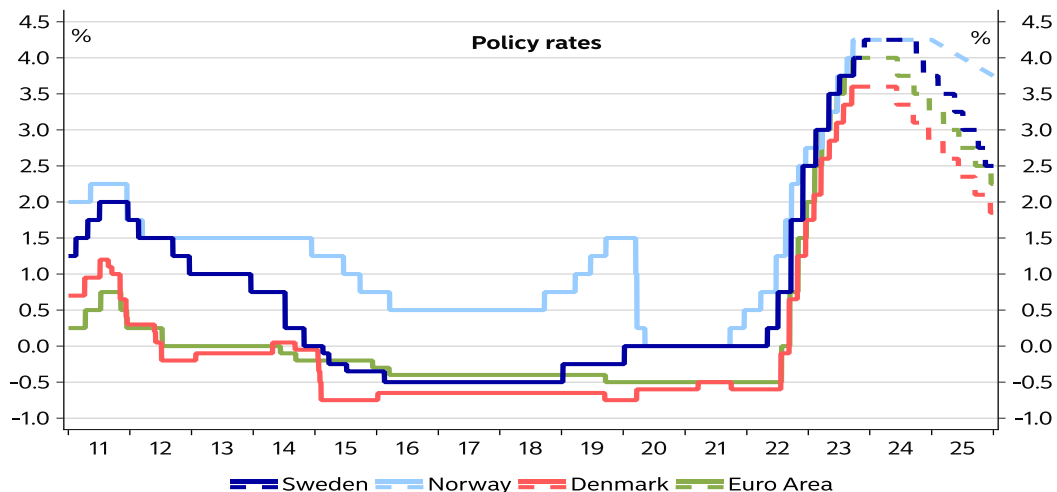
- The Nordic economies have shown mixed resilience on the back of surging inflation and interest rates.
- Central banks intend to keep interest rates higher for longer. Combined with weaker global demand, the Nordic economies are facing headwinds going forward.
- Indicators are pointing to a weaker labour demand. The labour market is set to weaken as economic growth continues to dampen.

GDP, % y/y, Economic Outlook September 2023

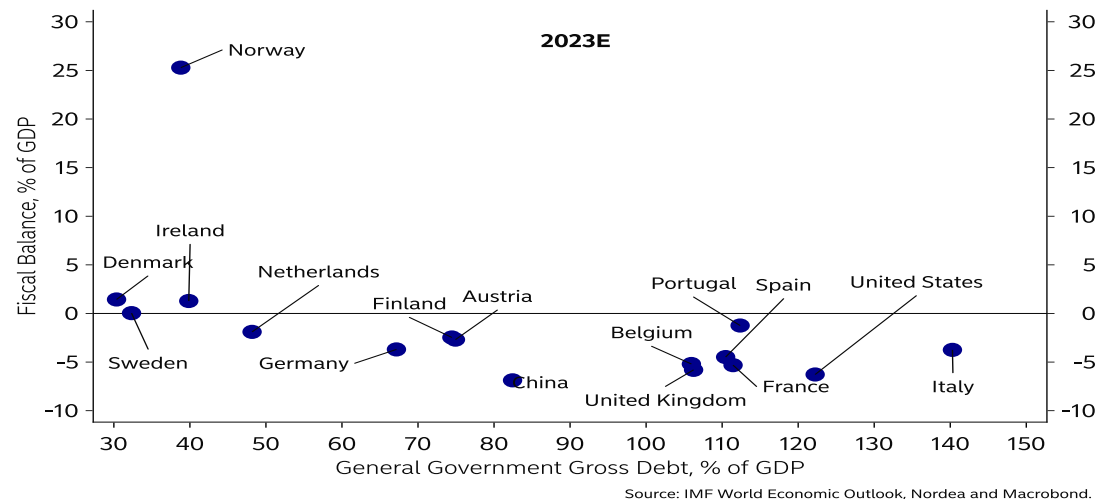
| Country | 2022 | 2023E | 2024E | 2025E |
|-------------------|------|-------|-------|-------|
| Denmark | 2.7 | 1.3 | 1.0 | 1.7 |
| Finland | 1.6 | 0.0 | 0.0 | 1.5 |
| Norway (mainland) | 3.8 | 1.2 | 0.5 | 1.0 |
| Sweden | 2.8 | -1.0 | -0.2 | 2.2 |

Higher for longer interest rates

Policy rates



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

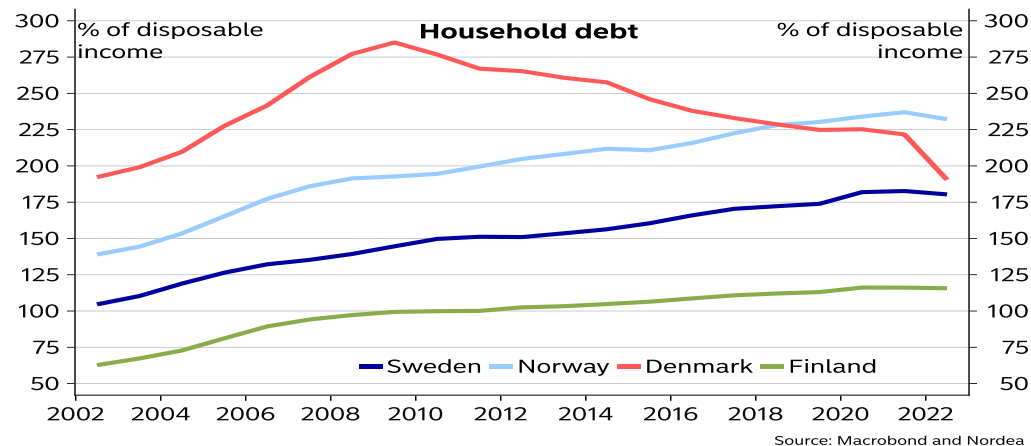


- Central banks are continuing to combat too high core inflation.
- Norges Bank delivered a 25bp hike in September. The bank has in total hiked from 0 to 4.25% since autumn 2021.
- The Swedish Riksbank raised the policy rate to 4.00% in September and are expected to hike until they reach 4.25% in November.
- The ECB delivered a 25bp hike in September to 4.00%. We predict that the policy rate in the Euro Area, Denmark and Norway will not be raised any further this cycle.
- 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

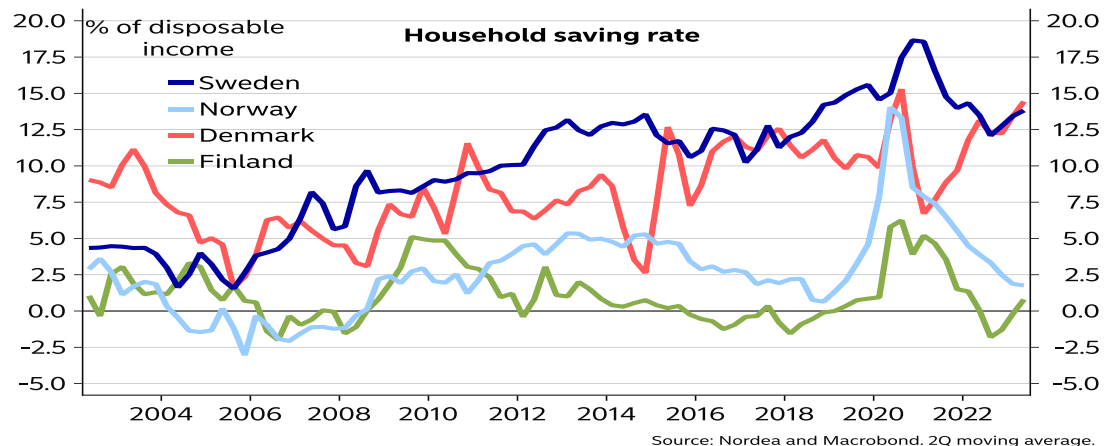
Heavy steps

Household debt

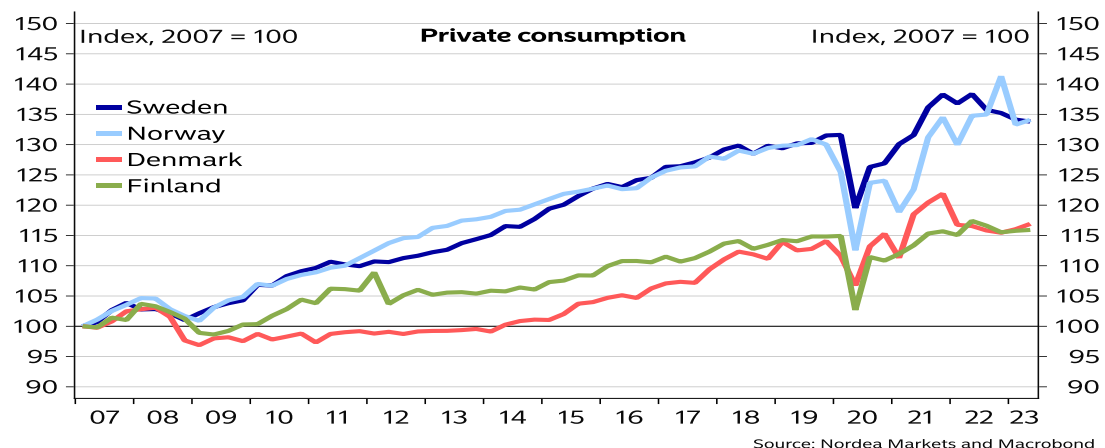


- High and broad-based inflation continues to pressure households' purchasing power. Additionally, the arduous adaptation process to higher for longer interest rates will continue to squeeze households.
- Real disposable income in Sweden is expected to decline by -3.0 percent in 2023.
- Household indebtedness has started to decrease, due to rising interest rates.

Household savings

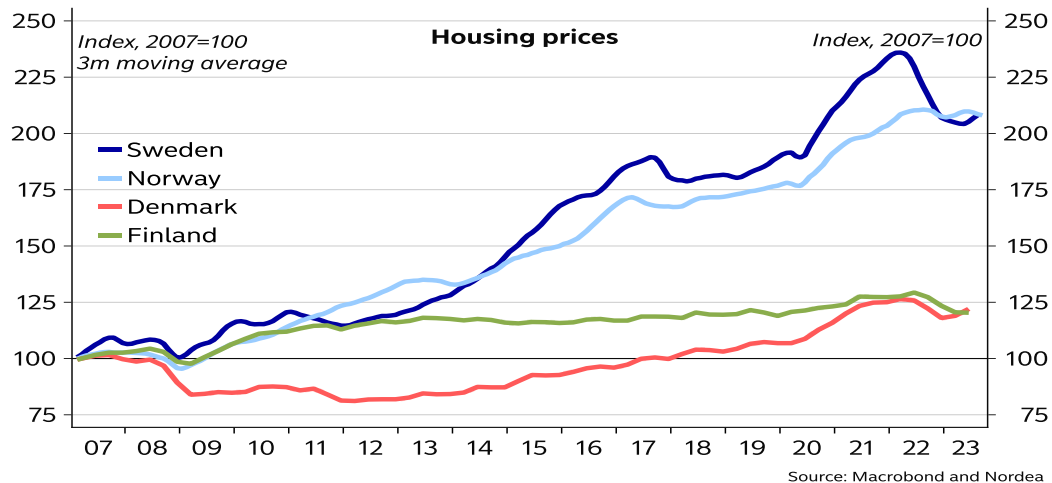


Private consumption

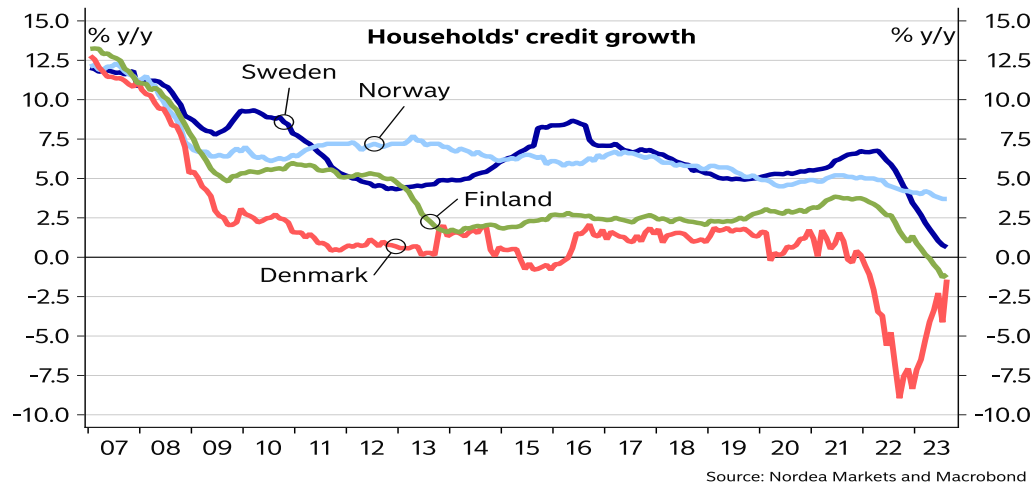


Higher interest rates imply downside risks on the housing market

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 the Nordic countries on the back of surging borrowing costs and lower credit growth. However, housing prices have stabilized during the summer, possibly attributed to lower activity.
- The risks are on the downside going forward, accounting for low demand and higher interest rates. We expect further declines in all Nordic economies, especially Sweden.
- Households' credit growth in the Nordic countries, except for Denmark, have been on a downward trend the past couple of quarters. In August 2023, Sweden had close to zero credit growth while both Finland and Denmark had negative credit growth.

8. Links and Contacts

Links for more information

Nordea Kredit

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