

Nordea

# Nordea Kredit Covered Bonds

Q4 2023 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 28.0bn (eq.)	EUR 61.7bn (eq.)	Balanced principle	Pool 1: EUR 16.7bn/ Pool 2: EUR 8.4bn
Covered bonds outstanding	EUR 17.5bn (eq.)	EUR 34.5bn (eq.)	EUR 57.4bn (eq.) <sup>1)</sup>	Pool 1: EUR 14.5bn/ Pool 2: EUR 5bn
OC	60%	79%	7% <sup>1)</sup>	Pool 1: 15% / Pool 2: 68%
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 2.1bn	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](#)



<sup>1)</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 (<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](https://nordeakredit.dk)

Key Figures and Ratios	Q4 2023	Q4 2022	Y/Y
Profit Before Tax	1,535	1,377	25.7%
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

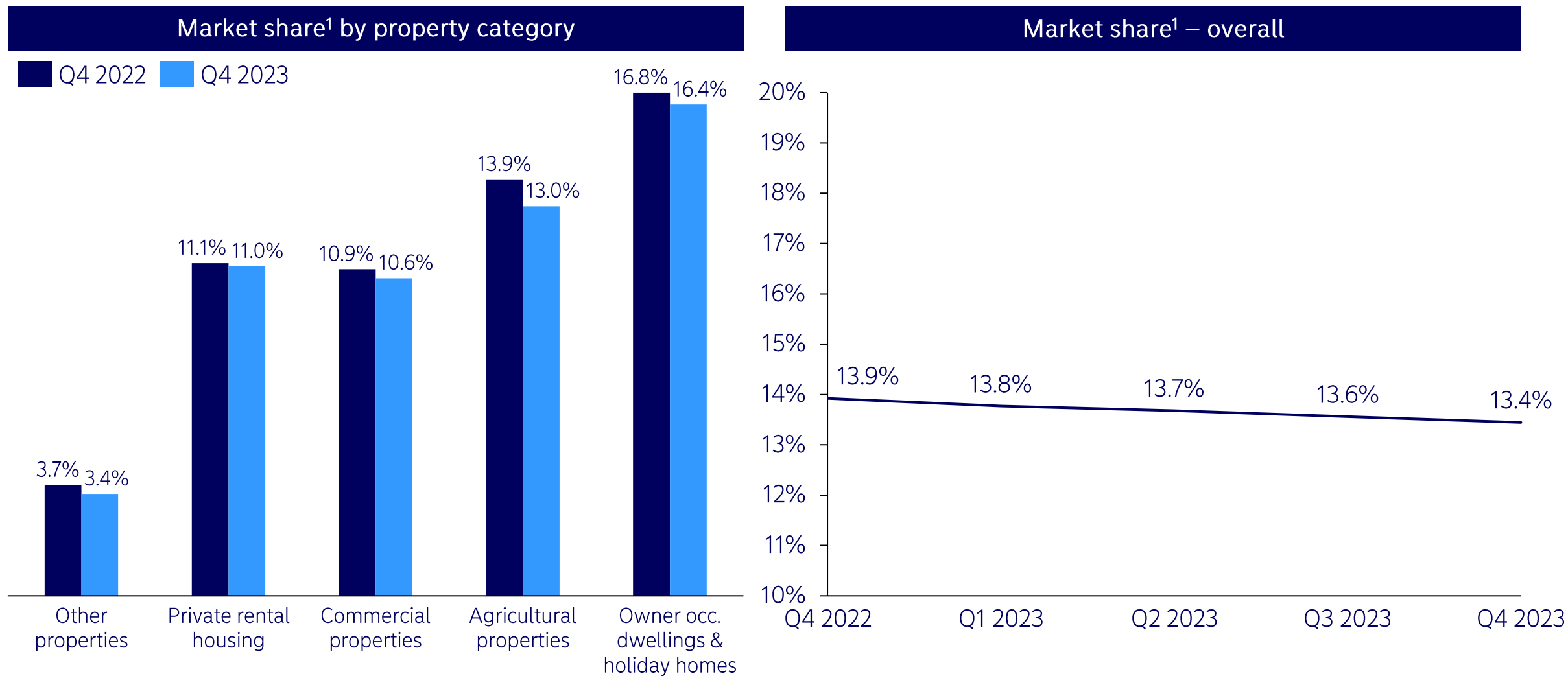
Q4 2023

<b>Outstanding covered bonds</b>	EUR 57.4bn
<b>Cover pool content</b>	Mortgage credit loans secured by mainly residential property (total: EUR 63.1bn including substitute assets)
<b>Geographic distribution</b>	Throughout Denmark with concentration in urban areas
<b>Weighted average LTV</b>	48.8%
<b>Average residential loan size</b>	EUR 207,844
<b>Over collateralisation, OC</b>	7.5%
<b>Rate type (bonds)</b>	Fixed rate 73.6%, Floating rate 26.4%
<b>Amortization of underlying loans</b>	Interest only 53.5%, Amortizing 46.5%
<b>Substitute assets</b>	EUR 5.230bn
<b>Pool type</b>	Static
<b>Loans originated by</b>	Nordea Kredit CC2



# Loan portfolio

Q4 2023

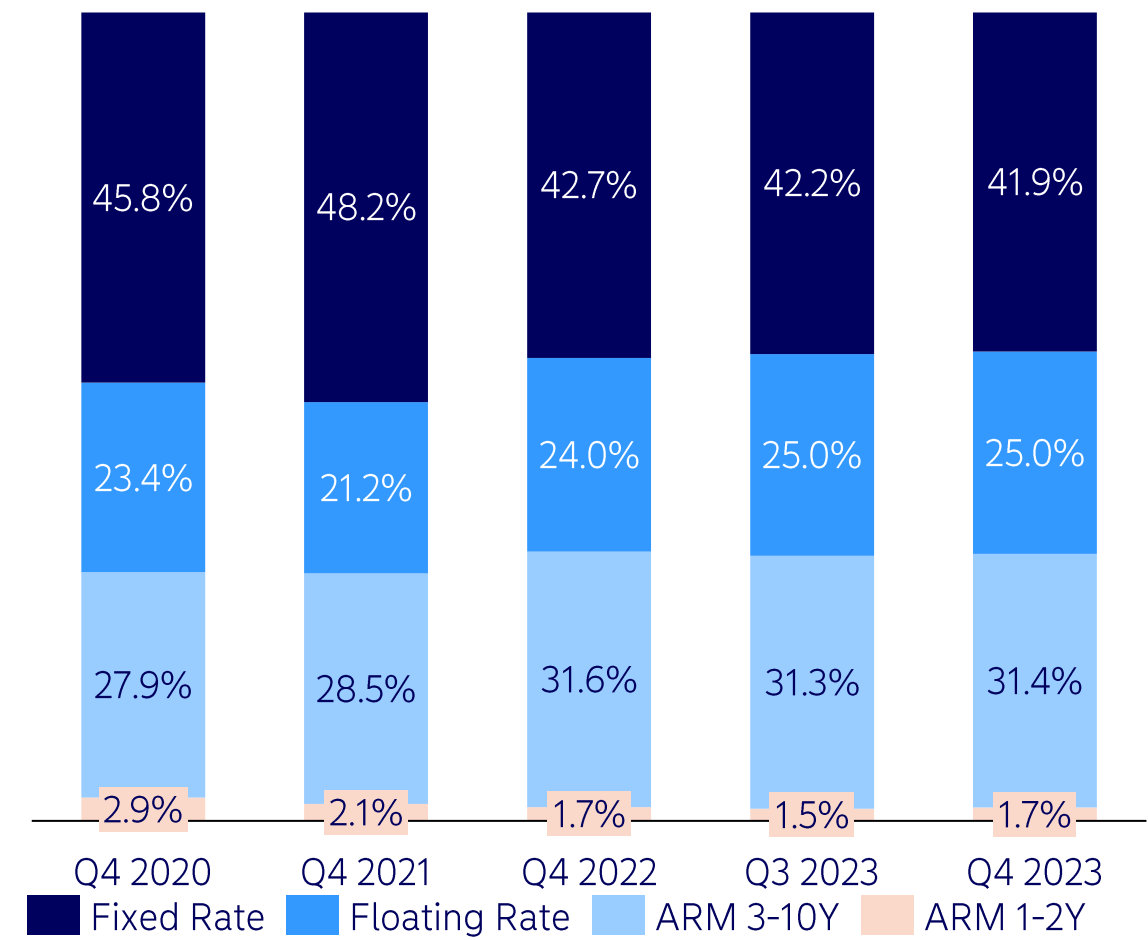


9 <sup>1)</sup> Market share of the Danish mortgage credit market (Loan balance)

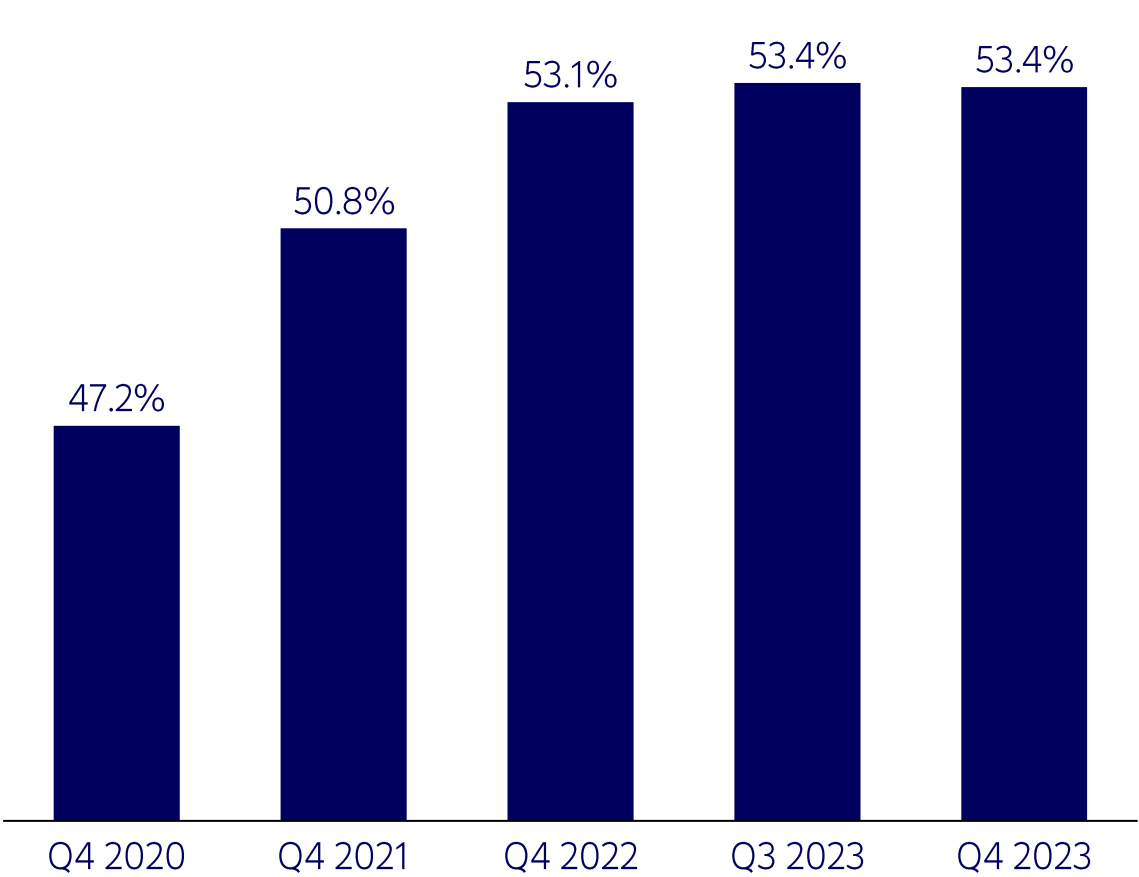
# Loan portfolio

Q4 2023

Loan portfolio by loan type



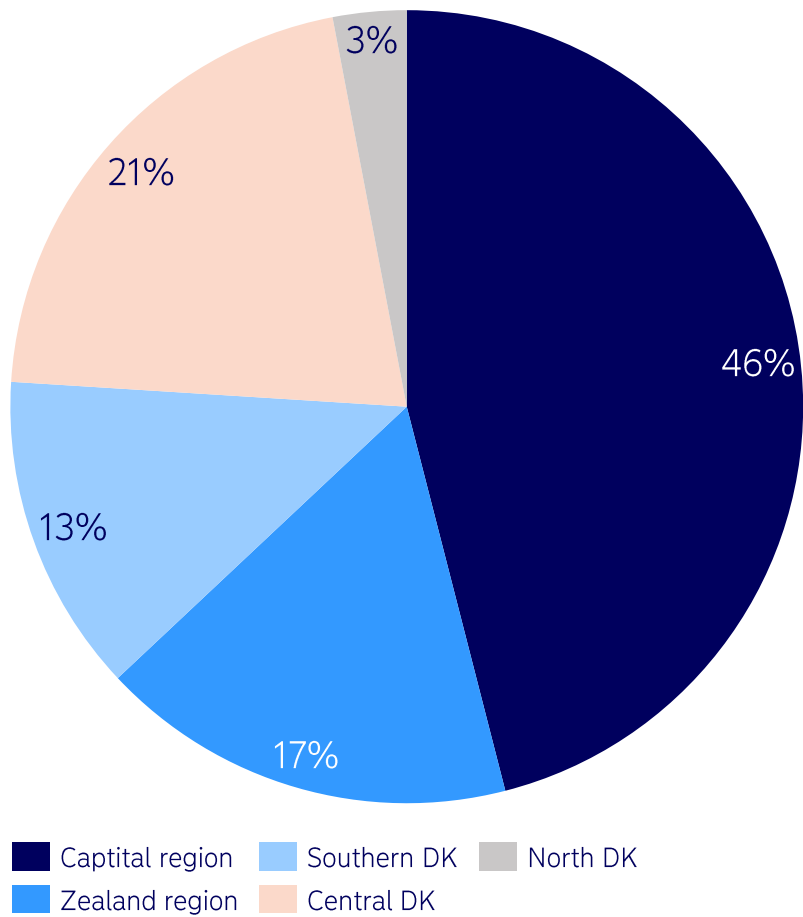
Share of interest-only mortgages



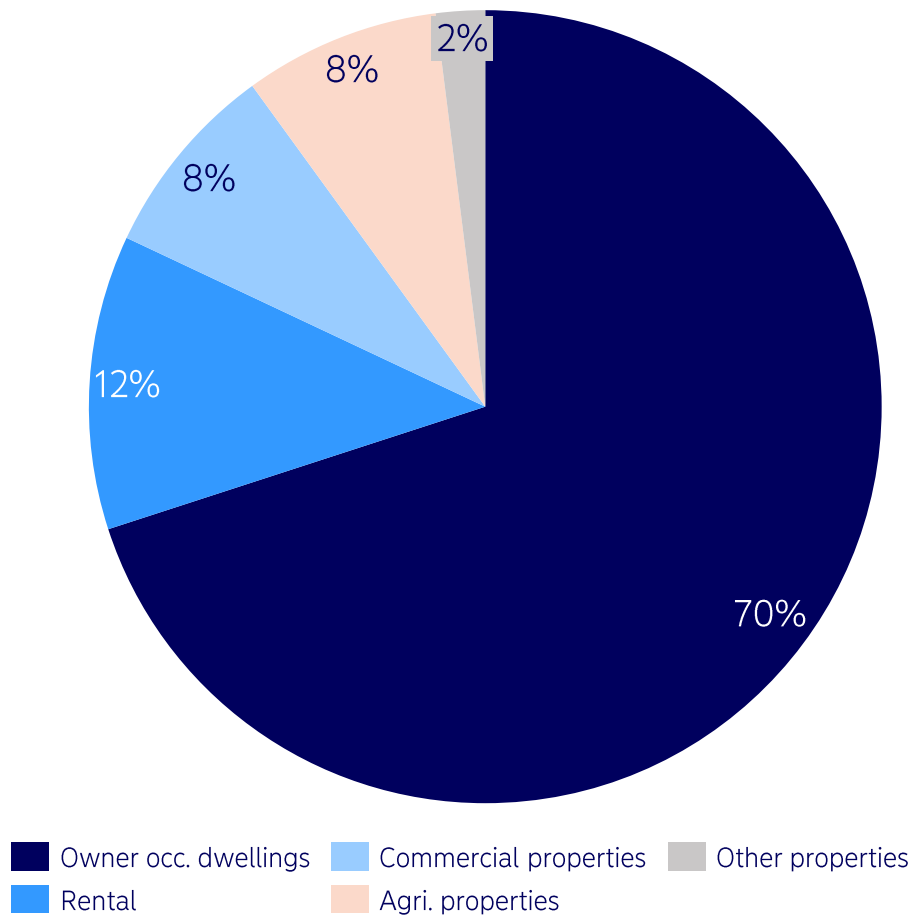
# Loan portfolio

Q4 2023

Loan balance by region

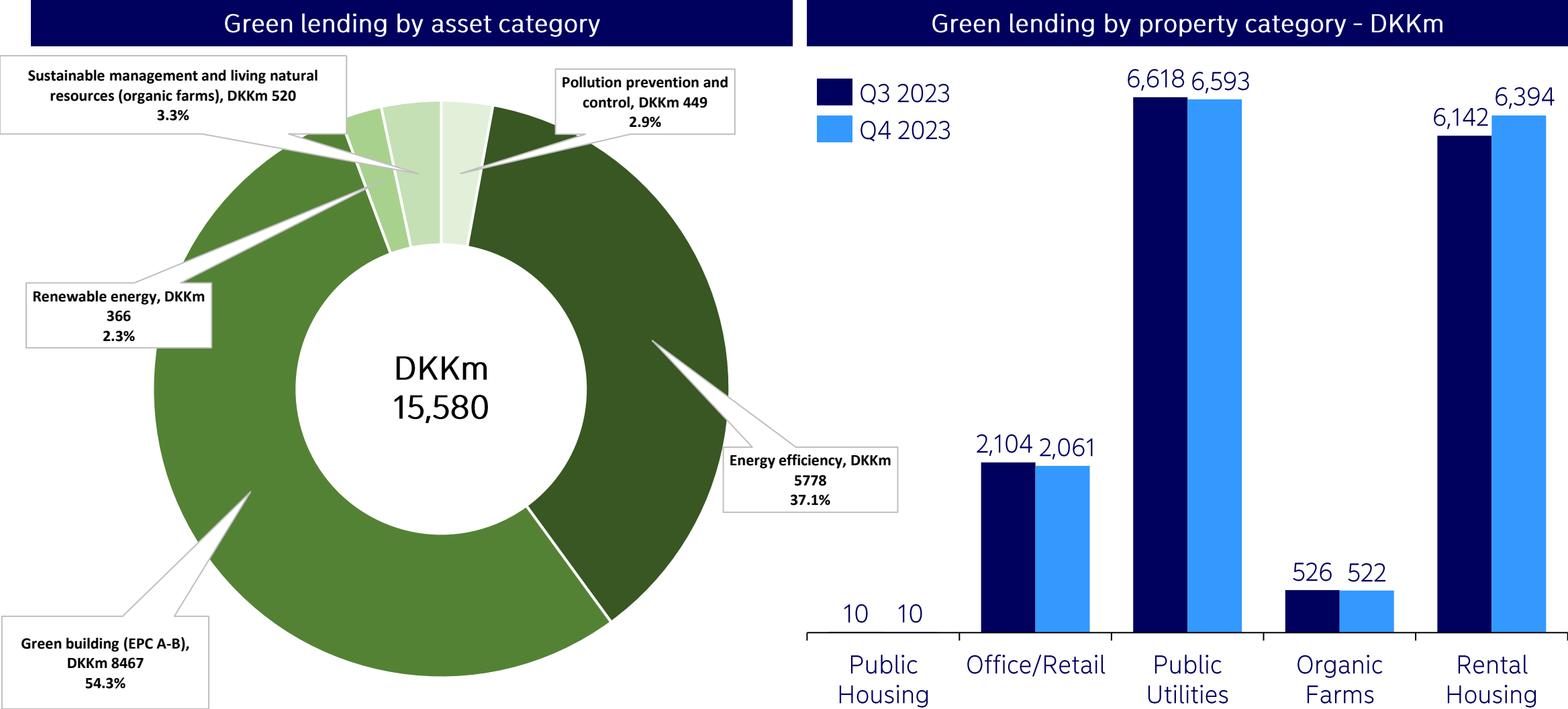


Loan balance by property category



# Green Bonds

Q4 2023



# Financed emissions – and portfolio by EPCs

Q4 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	260	99.4%	496,920	241,201	0.93	20
Commercial residential	42	92.0%	101,312	47,255	1.11	10
Offices & retail prop.	25	80.0%	119,083	44,554	1.79	19
Other properties <sup>2)</sup>	43	0.0%				
<b>Total</b>	<b>370</b>	<b>83.6%</b>	<b>717,315</b>	<b>333,010</b>		

Notes

1) Calculations and portfolio as of 29 December 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 <sup>1, 3)</sup>	
EPC	Volume DKKbn
A2020	7
A2015	21
A2010	12
B	17
C	66
D	51
E	19
F	7
G	4
N/A	166
<b>Total</b>	<b>370</b>

## 4. Asset quality

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

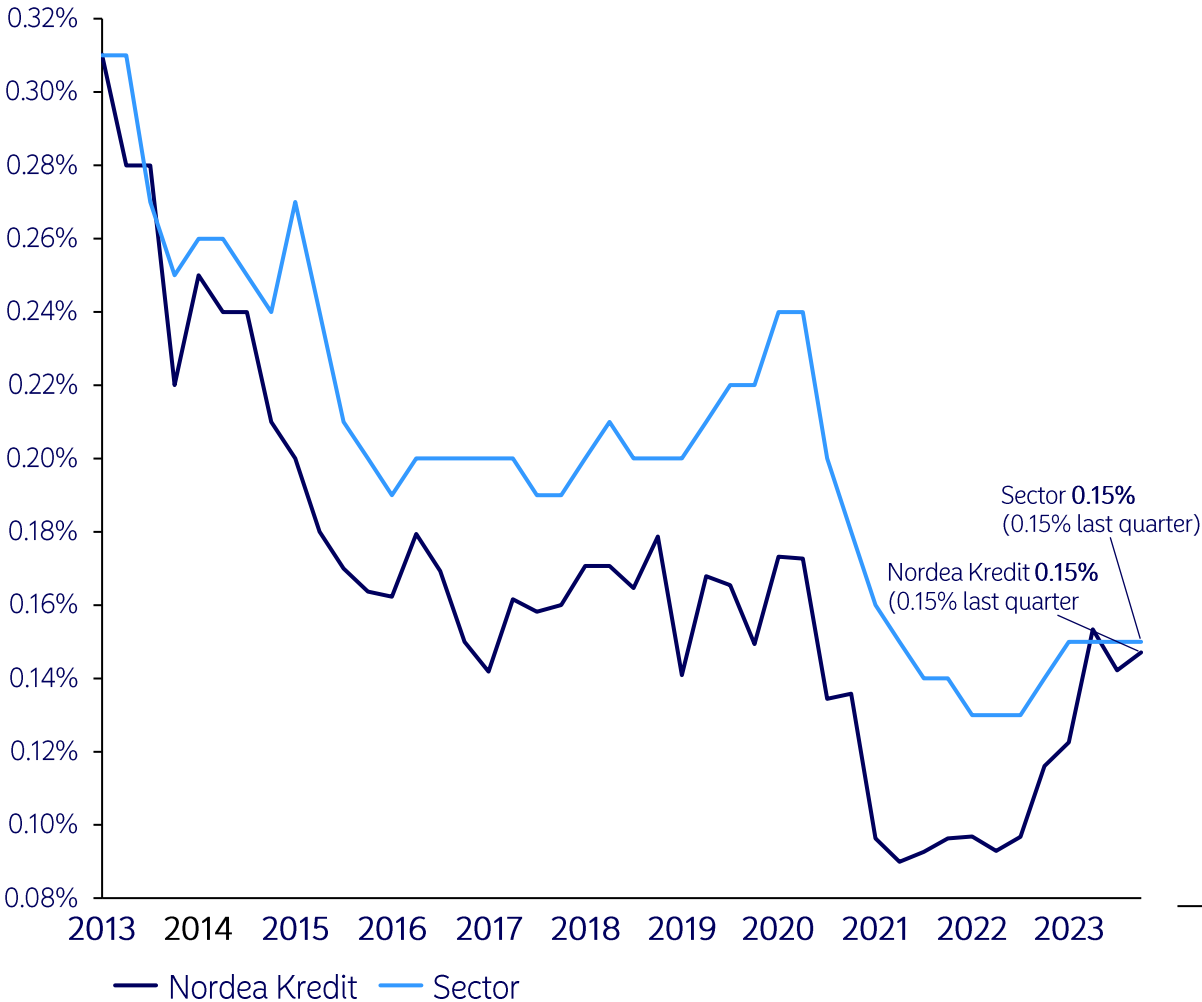
Q4 2023

Loan type Weighted average LTV – indexed		Residential loans 54.8%		Commercial loans 41.3%	
LTV buckets		Nominal (DKKkm)	% Loans	Nominal (DKKkm)	% Loans
> 0 - ≤ 40 %		244,086	71.0%	59,247	77.1%
> 40 - ≤ 50 %		42,973	12.5%	10,242	13.3%
> 50 - ≤ 60 %		30,057	8.7%	5,168	6.7%
> 60 - ≤ 70 %		16,810	4.9%	1,767	2.3%
> 70 - ≤ 80 %		7,641	2.2%	298	0.4%
>80%		2,105	0.6%	163	0.2%
Total		343,672	100.0%	76,885	100.0%

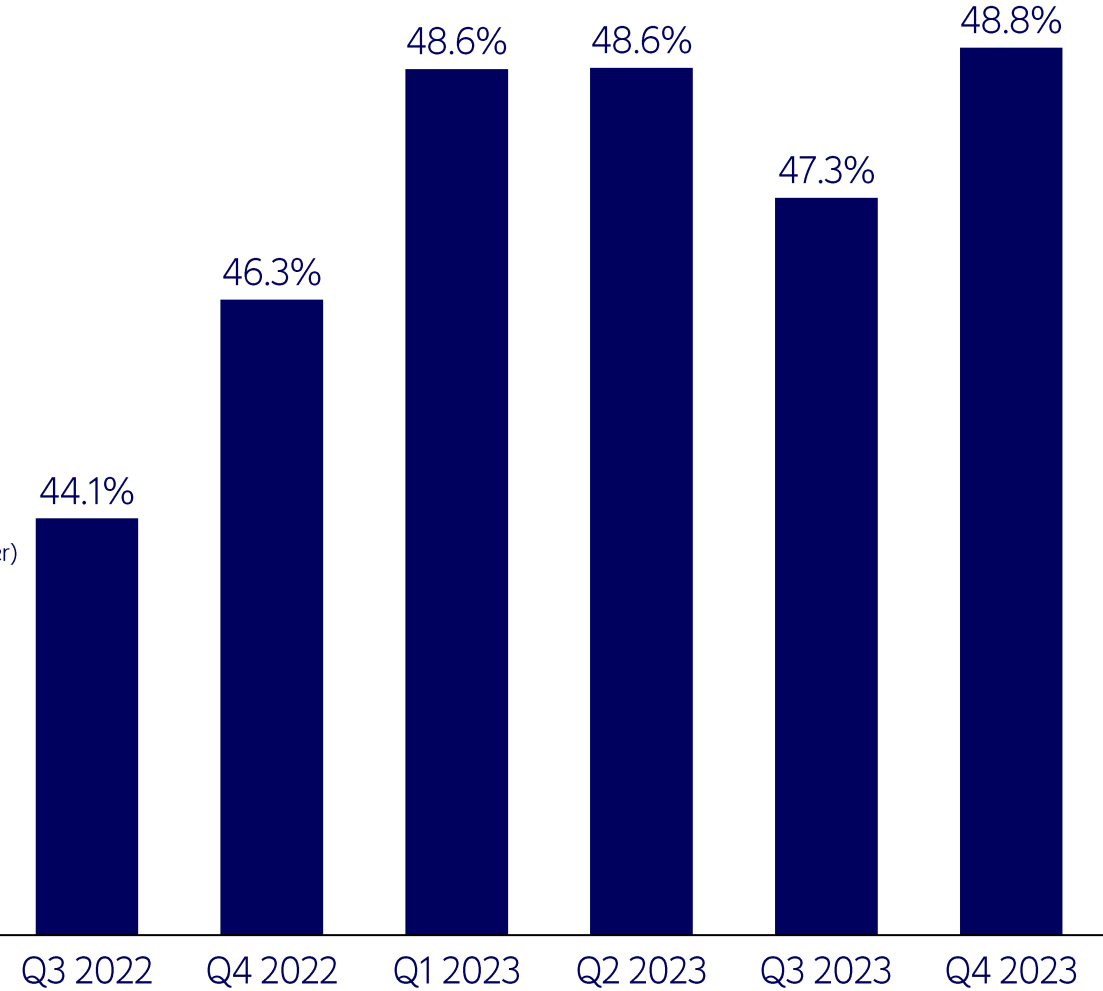
# Asset quality

Q4 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 current fixed 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

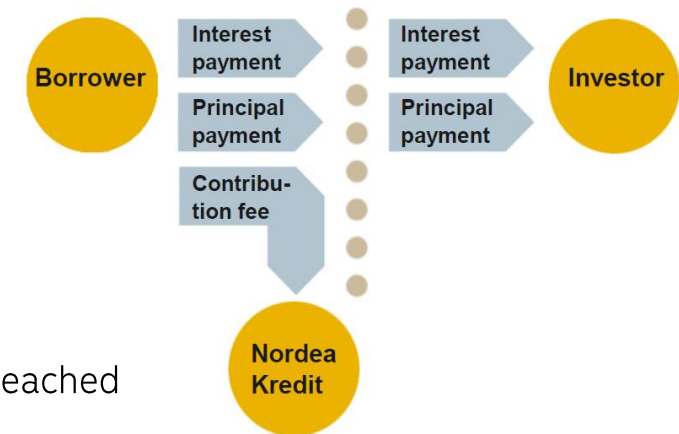
## Corporates, agriculture etc.

- 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

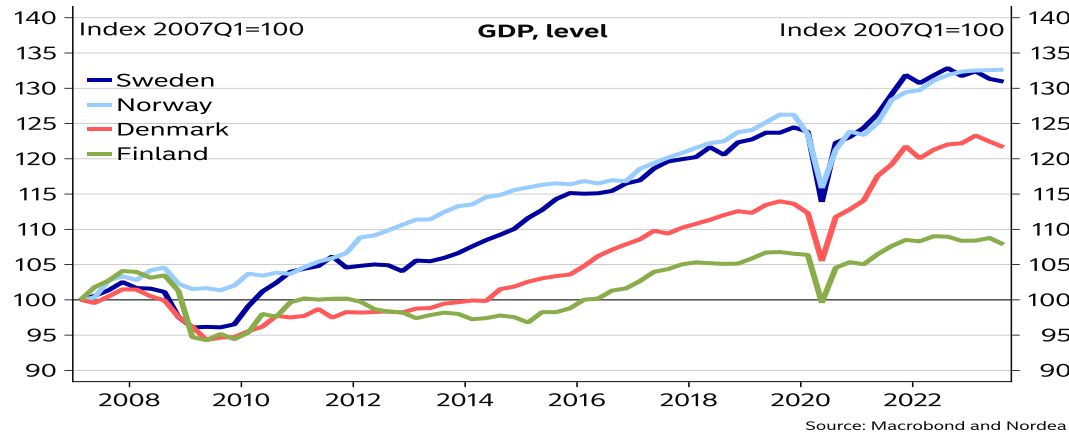


## 7. Macroeconomy

## Nordic economic development

# Soft landing

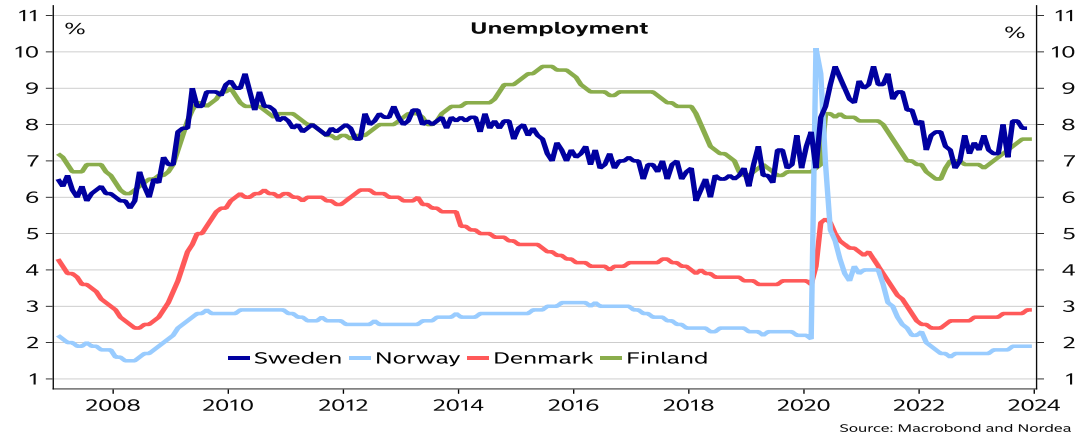
### GDP



- The Nordic economies have shown mixed trends on the back of surging inflation and higher interest rates.
- Central banks are done hiking policy rates. However, the current high interest rate environment and dampened global demand will lead to a prolonged economic slowdown in the Nordics.
- The labour market is set to weaken further with unemployment rising in all Nordic countries.

Source: Nordea Markets and Macrobond

### Unemployment rate

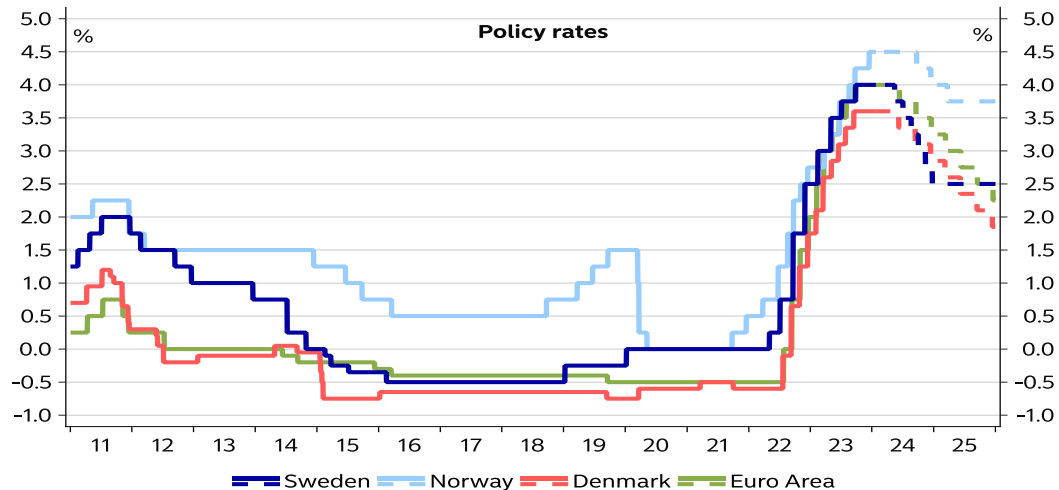


### GDP, % y/y, Economic Outlook January 2024

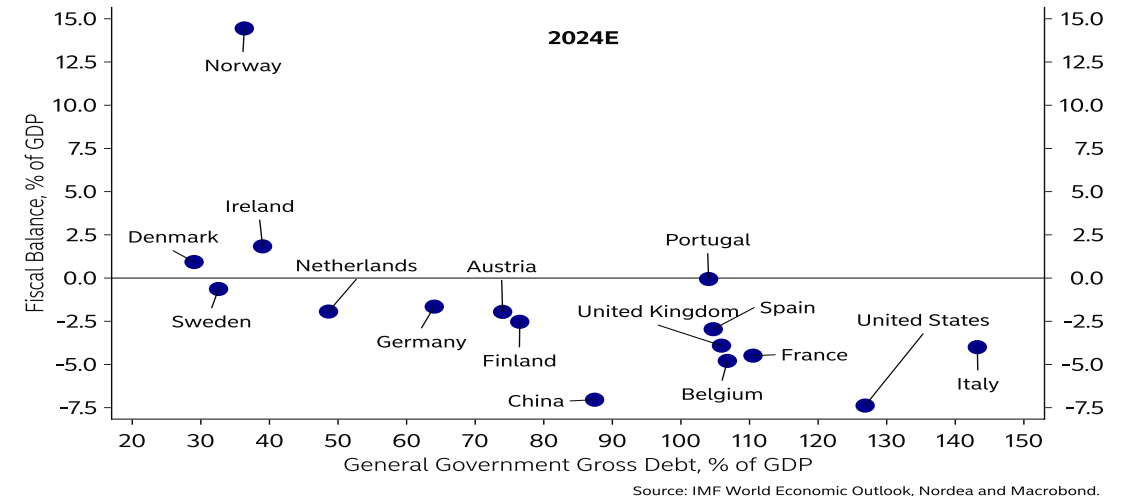
Country	2022	2023E	2024E	2025E
Denmark	2.7	0.7	1.0	1.7
Finland	1.6	-0.5	-1.0	2.0
Norway (mainland)	3.8	1.1	1.0	1.5
Sweden	2.9	-0.3	-0.5	2.2

## Nordic economies Past the peak

### Policy rates



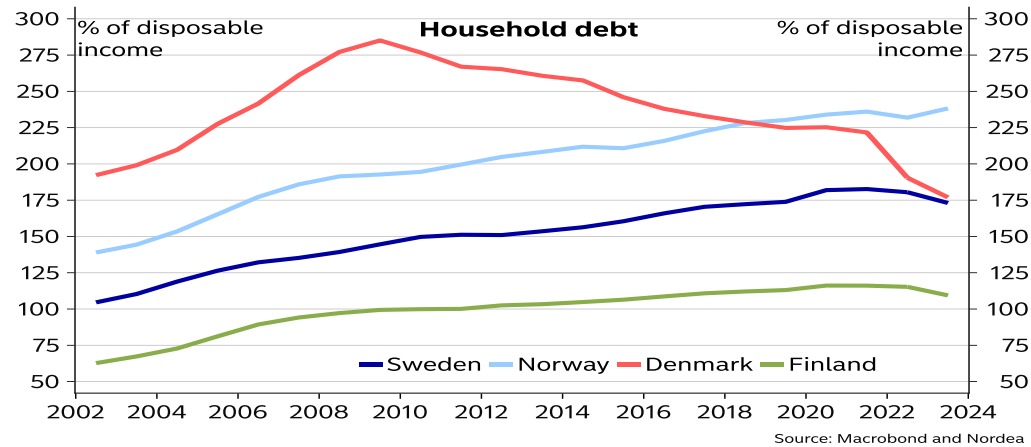
### Public balance/debt, % of GDP, 2024E (IMF)



- 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. The ECB will 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 handle the economic slowdown ahead.

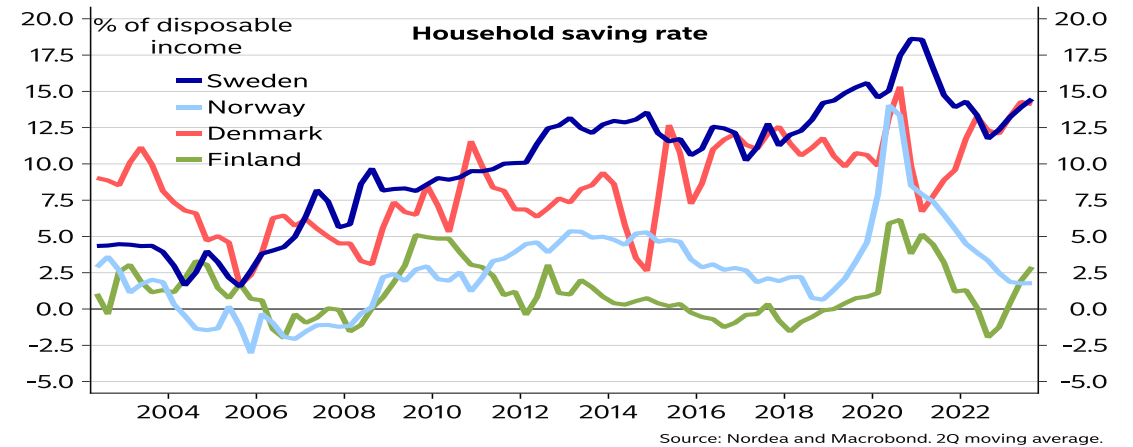
# Adapting to higher interest rates

## Household debt

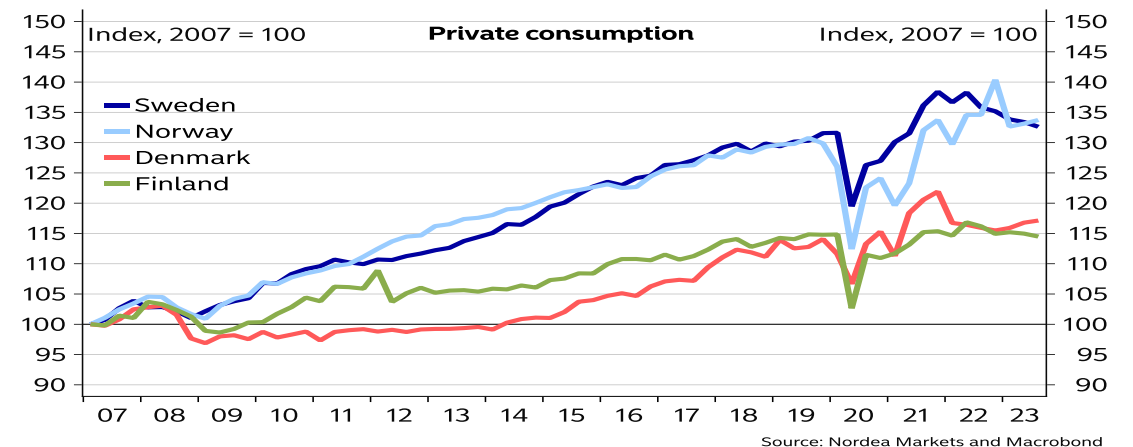


- Household consumption will remain sluggish as households continue to adapt to the higher interest rates.
- In all the Nordics, except for Norway, savings rates have risen whilst households' debt ratio have decreased.
- Households' purchasing power is set to recover as inflation normalizes and wage growth remains elevated.

## Household savings



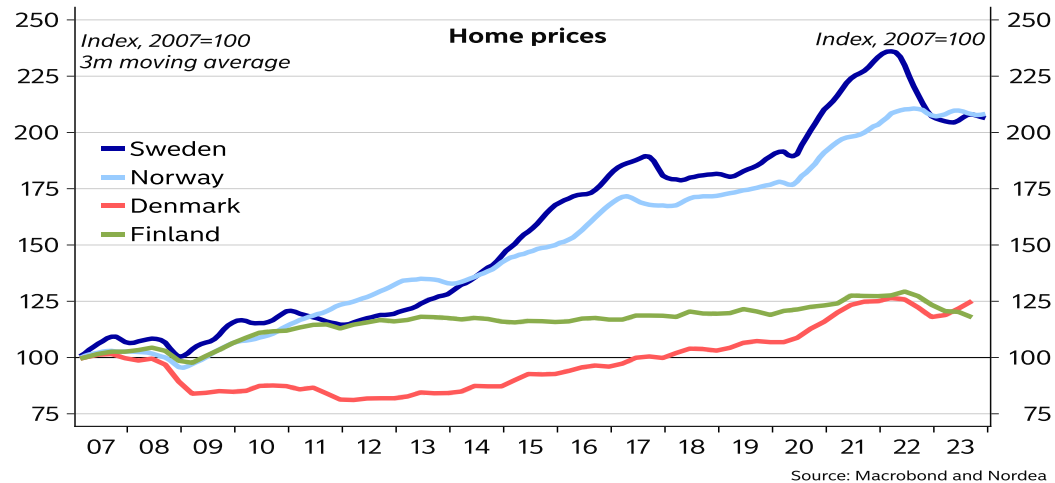
## Private consumption



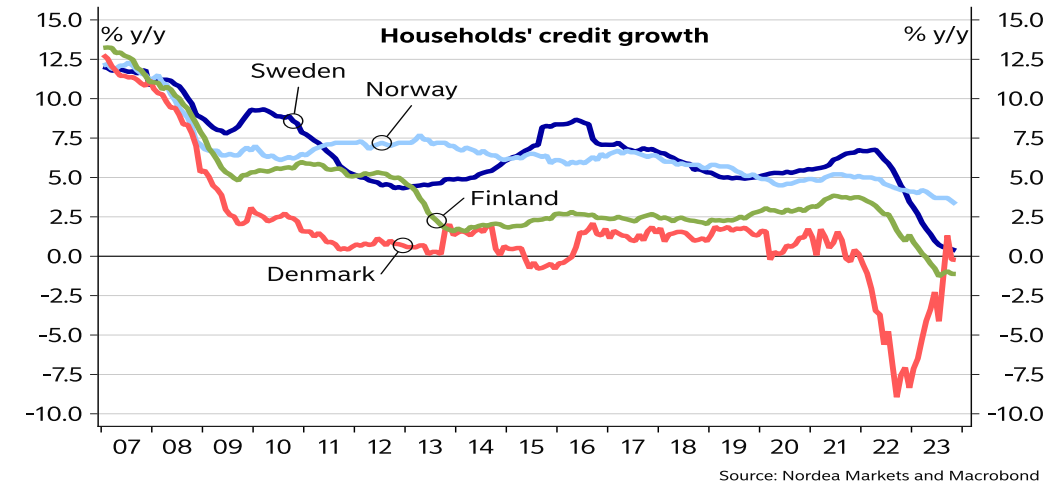


## Still under pressure from high interest rates

### Home prices



### Households' credit growth



- Home price development was mixed last year in the Nordic countries after rising to record-high levels in 2022.
- Monetary policy will remain restrictive for most of 2024 despite central banks starting to cut rates from the middle of this year.
- Accordingly, prices are expected to bottom out by the summer and start to increase in the second half of this year.
- Households' credit growth has seemingly stabilized close to zero in Sweden, Denmark and Finland. Credit growth remains high but continues to slow down in Norway.

## 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://finansstilsynet.dk/en>*
- Relevant legislation can be found in English at the DFSA's English website.  
*Link: <https://finansstilsynet.dk/en/Lovgivning>*
- All mortgage bank legislation can be found in Danish at the DFSA's Danish website.  
*Link: <http://finansstilsynet.dk/da/Lovgivning/Lovsamling>*

## Contacts

If you have any questions, please feel free to contact:

**Peter Brag**

Lead Dealer, Long Term Funding & Structuring  
+45 3333 1663

[Peter.brag@nordea.com](mailto:Peter.brag@nordea.com)

**Morten Keil**

Head of Covered Bonds, Long Term Funding & Structuring  
+45 3333 1875

[morten.keil@nordea.com](mailto:morten.keil@nordea.com)