Debt investor presentation Q4 2022

Disclaimer

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Important factors that may cause such a difference for Nordea include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels.

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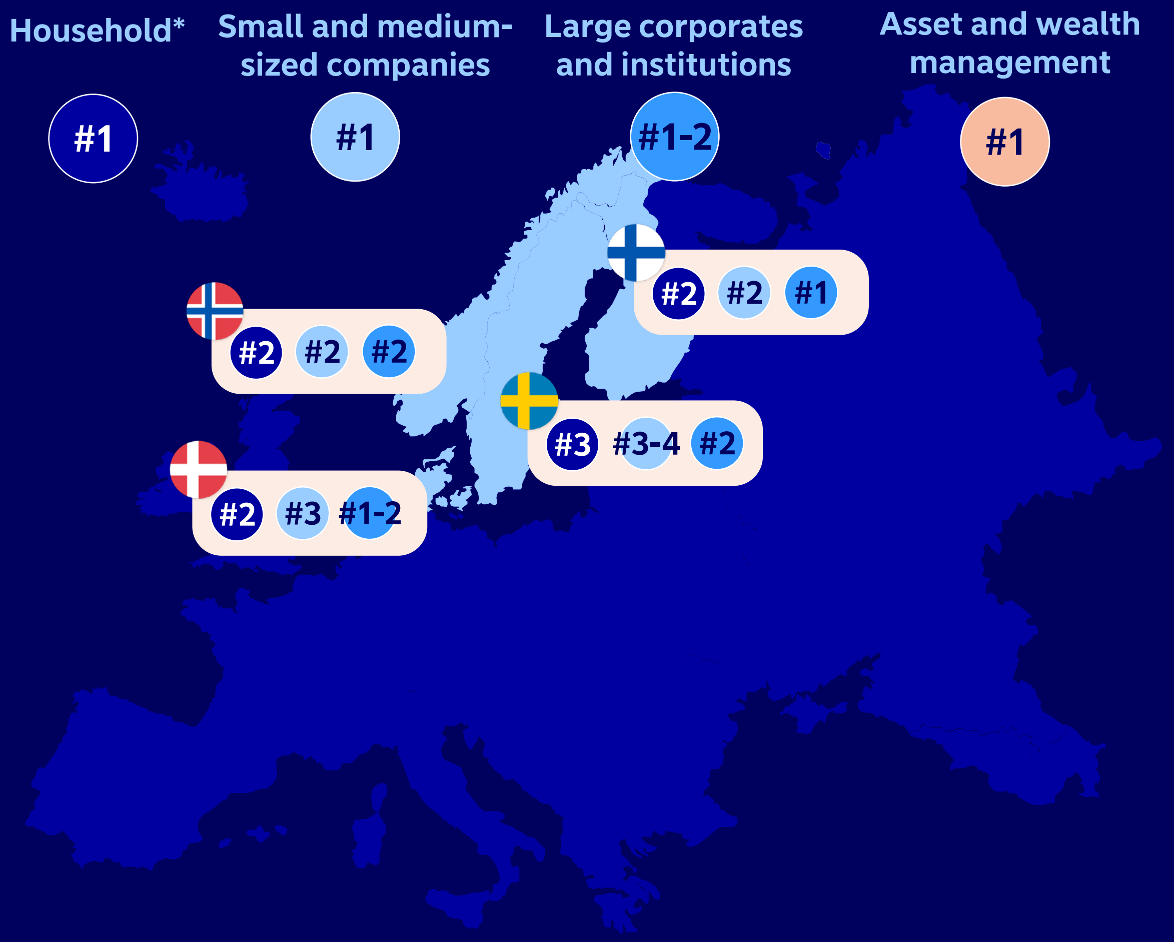
1. Nordea fourth-quarter and full-year 2022 update

Nordea today

The largest financial services group in the Nordics



Business position

- Universal bank with a 200-year history of supporting and growing the Nordic economies
- Leading market position in all four Nordic countries
- Well-diversified mix of net interest income, net fee and commission income and capital markets income

Broad customer base and strong distribution power

- Approx. 320 branch office locations
- Enhanced digitalisation of business for customers
- Sustainability an integrated part of our business strategy

Financial strength (Q4 2022)

- EUR 2.9bn in total income
- EUR 1.7bn profit before loan losses; EUR 1.3bn net profit
- EUR 594.8bn in assets
- EUR 31.4bn in equity capital
- CET1 ratio 16.4%
- Leverage ratio 4.9%

AA level credit ratings

- Moody's Aa3 (stable outlook)
- S&P AA- (stable outlook)
- Fitch AA- (stable outlook)

EUR 36.6bn in market capitalisation (Q4 2022)

- One of the largest Nordic corporations
- A top-5 universal bank in Europe

* Combined market shares in lending, savings and investments

Executive summary

Strong corporate lending driving continued growth in business volumes

- Corporate lending up 9% y/y and mortgage volumes up 3% y/y. Assets under management up 5% q/q

Income and operating profit growth

- Net interest income up 31%, net fee and commission income down 12% and net fair value result up 69%
- Operating profit up 26% to EUR 1,609m

Cost-to-income ratio* improved to 45% – 42% excluding regulatory fees

Strong credit quality with low net loan losses – management judgement buffer increased by EUR 20m to EUR 585m

- Net loan losses and similar net result amounting to EUR 59m or 7bp during quarter – low realised losses

Return on equity* 15.9% and earnings per share up 31% to EUR 0.34

Dividend of EUR 0.80 per share proposed for 2022 – up 16% compared with 2021

- CET1 ratio increased to 16.4% – 5.3pp above regulatory requirement

2023 outlook: return on equity above 13%

* With amortised resolution fees

Key financials

Fourth-quarter results 2022

Income statement and key ratios EURm	Q422	Q421	Q4/Q4	Q322	Q4/Q3
Net interest income	1,641	1,255	31%	1,407	17%
Net fee and commission income	812	920	-12%	816	0%
Net fair value result	417	247	69%	264	58%
Other income	28	16		14	
Total operating income	**2,898**	**2,438**	**19%**	**2,501**	**16%**
Total operating expenses excl. regulatory fees	-1,214	-1,101	10%	-1,130	7%
Total operating expenses	-1,230	-1,101	12%	-1,146	7%
Profit before loan losses	**1,668**	**1,337**	**25%**	**1,355**	**23%**
Net loan losses and similar net result	-59	-56		-58	
Operating profit	**1,609**	**1,281**	**26%**	**1,297**	**24%**
Cost-to-income ratio excl. regulatory fees, %	41.9	45.2		45.2	
Cost-to-income ratio*, %	44.7	47.5		48.4	
Return on equity*, %	15.9	11.3		12.7	
Diluted earnings per share, EUR	0.34	0.26	31%	0.27	26%

* With amortised resolution fees

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Key financials

Full-year results 2022*

Income statement and key ratios EURm	FY22	FY21	FY/FY
Net interest income	5,664	4,925	15%
Net fee and commission income	3,336	3,495	-5%
Net fair value result	1,258	1,119	12%
Other income	75	81	
Total operating income	**10,333**	**9,620**	**7%**
Total operating expenses excl. regulatory fees	-4,581	-4,425	4%
Total operating expenses	-4,903	-4,649	5%
Profit before loan losses	**5,430**	**4,971**	**9%**
Net loan losses and similar net result	-49	-35	
Operating profit	**5,381**	**4,936**	**9%**
Cost-to-income ratio excl. regulatory fees, %	44.3	46.0	
Cost-to-income ratio**, %	47.5	48.3	
Return on equity**, %	13.5	11.2	
Diluted earnings per share, EUR	1.10	0.95	16%
Proposed dividend per share, EUR	0.80	0.69	16%

* Excluding IAC; see page 5 in Q4 interim report for details
** With amortised resolution fees

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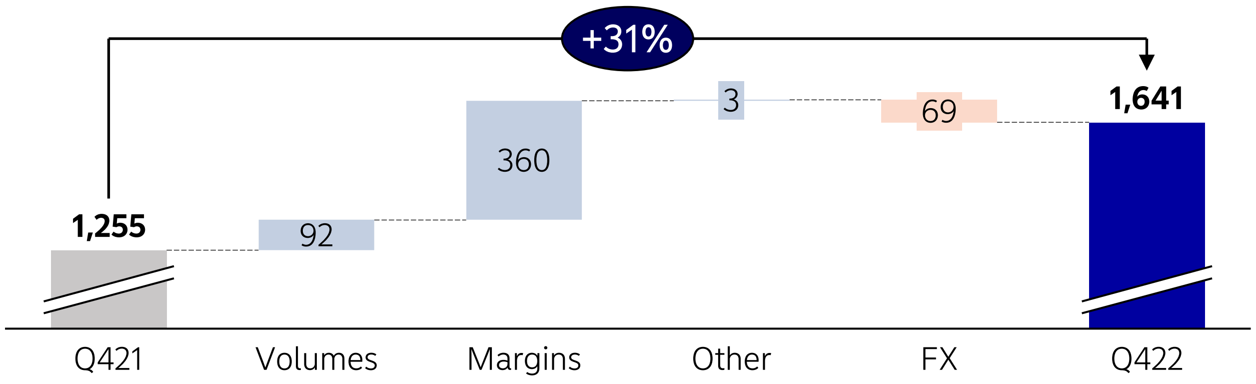
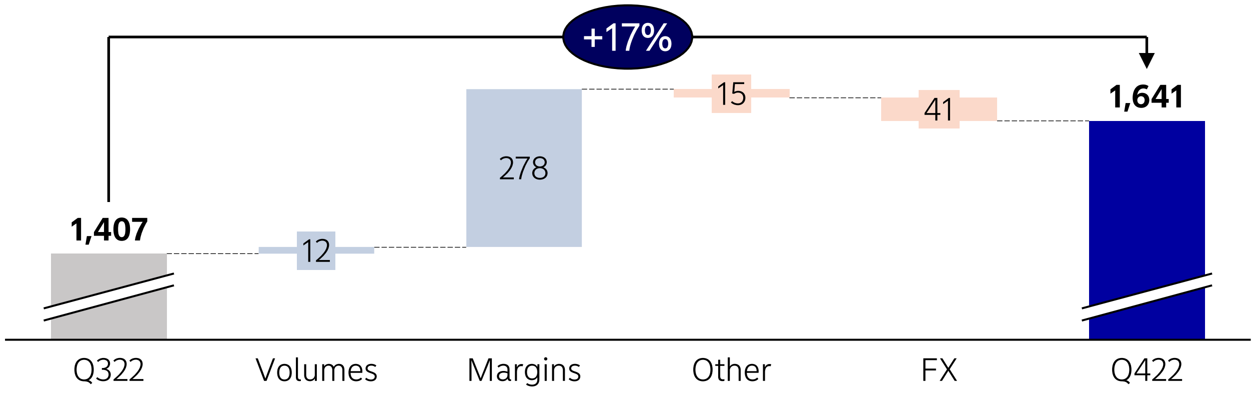
Continued volume growth and increased deposit margins

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Net interest income up 31%**
- **Lending volume growth driven by corporate lending, but all business areas contributed**
  - Corporate lending up 9%
  - Mortgages up 3%
- **Net interest margin up 32bp to 1.46%**
  - Lending margin pressure continued, driven by increased funding costs
  - Deposit margins up across business areas and countries

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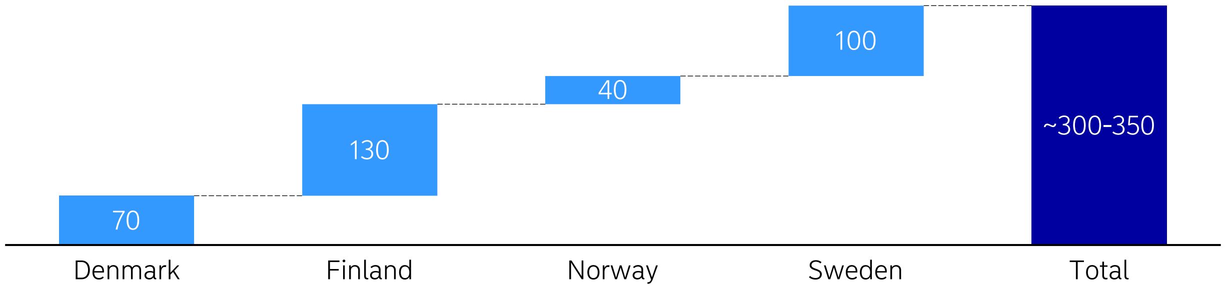
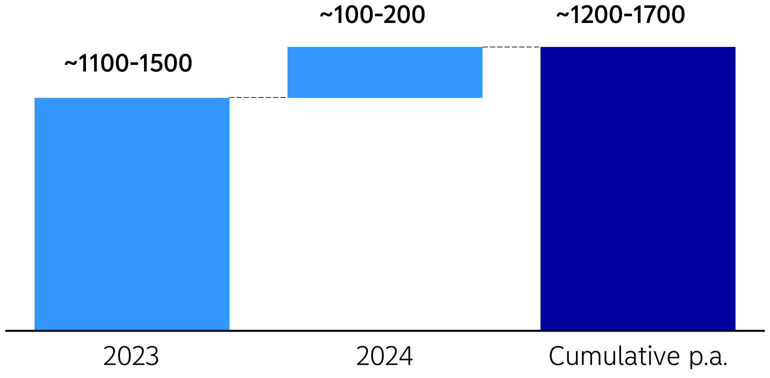
Net interest income sensitivity to policy rate increases

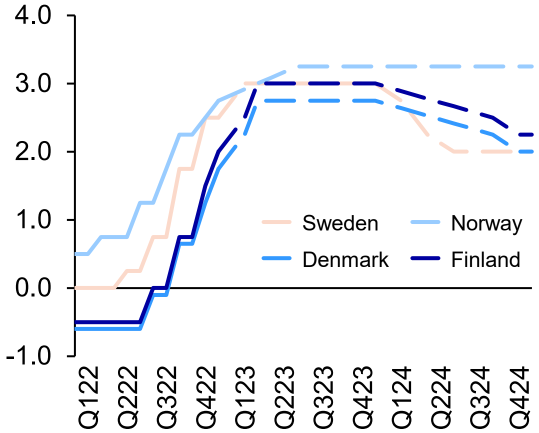
Sensitivity to +50bp parallel rate shift in policy rates



Estimated incremental full-year NII impact solely from higher policy rates, EURm



Policy rate path expectations

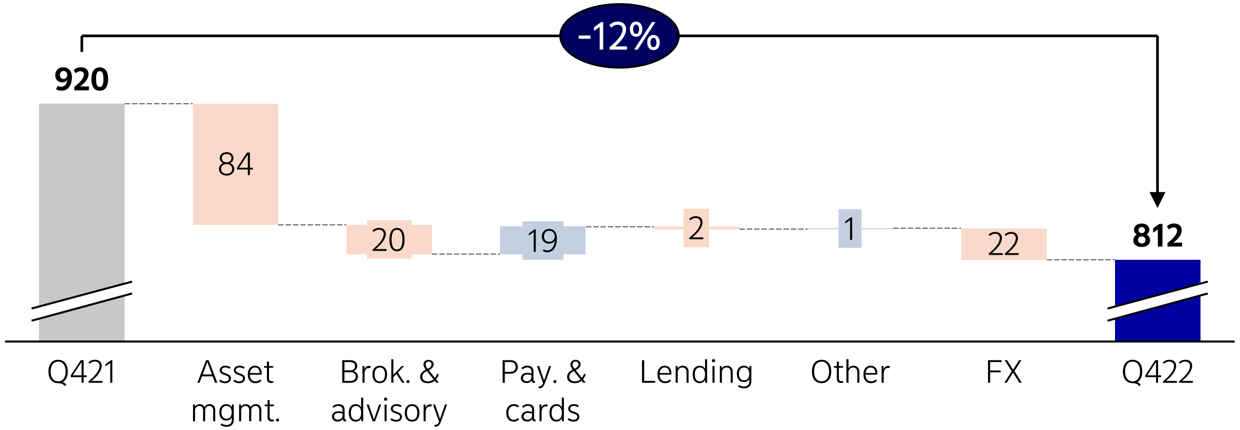


- **NII impact is largely driven by policy rates and pass-through**
  - Expected higher policy rates in 2023 are estimated to increase NII by EUR ~1.1-1.5bn, solely related to rates impact
  - Actual pass-through will vary between account types and countries, and throughout rate hike cycle
- **Group NII is also impacted by other drivers**
  - Volumes
  - Asset pricing
  - Wholesale funding costs
  - Deposit hedging

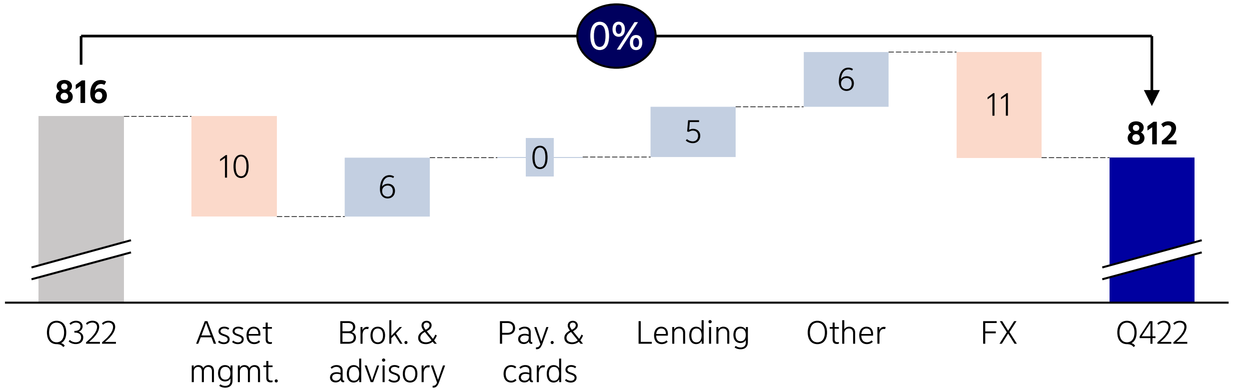
Net fee and commission income

Higher payment and card income partly offsetting lower asset management, brokerage and advisory income

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Net fee and commission income down 12%**
- **Savings fees down following lower assets under management**
  - Assets under management down 13%, but net inflows from internal channels
- **Brokerage and advisory fee income down due to lower activity**
  - Customer activity negatively impacted by unfavourable market conditions
- **Payment and card fee income up due to higher customer activity**

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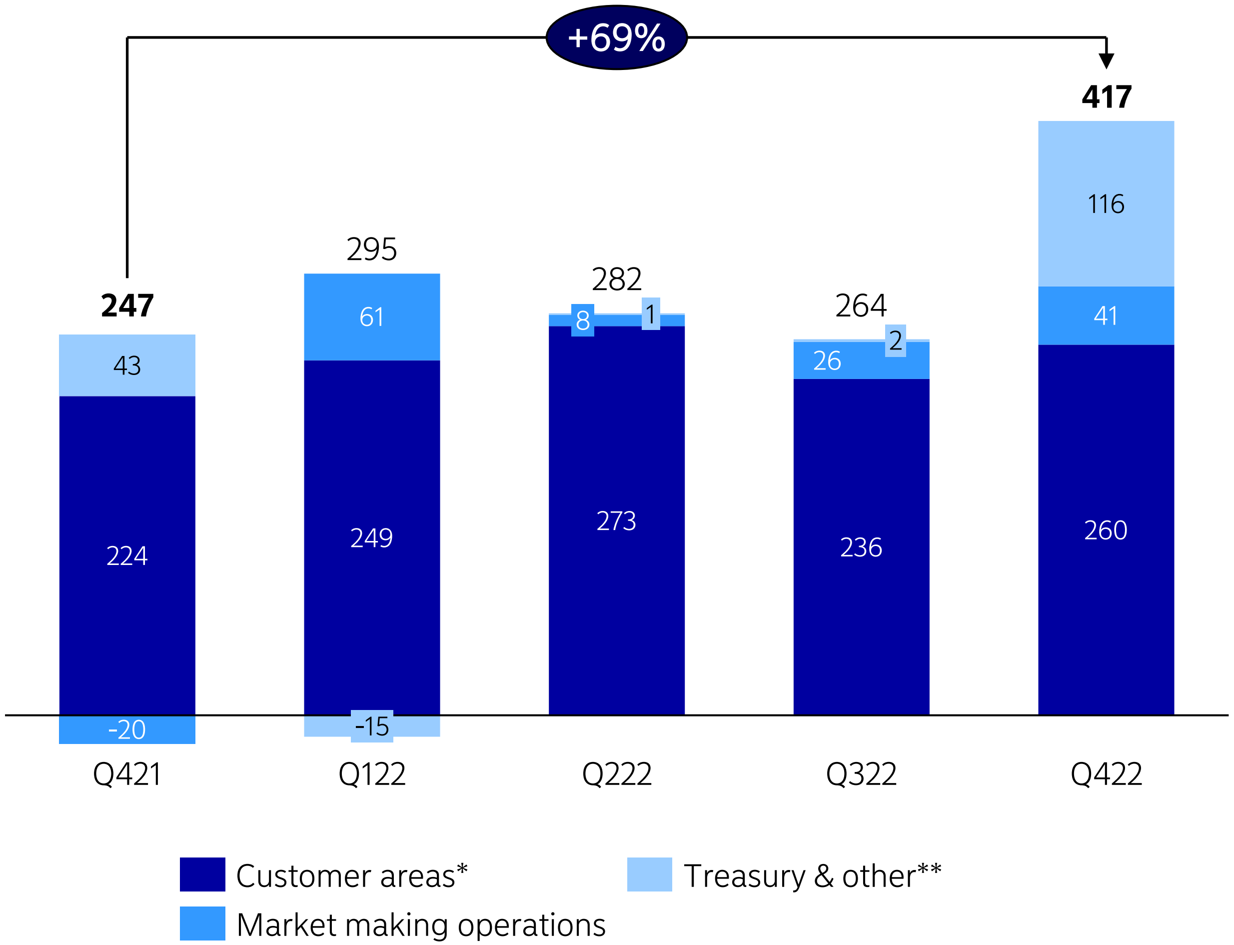
Net fair value result

High customer activity

Net fair value result, EURm



* Excludes fair value adjustments to loans held at fair value in Nordea Kredit
** Includes valuation adjustments and FX

- **Continued high customer hedging activity**
  - Good demand for FX and rates products
- **Market making up, driven by FX and rates trading**
- **Treasury up, driven by tighter spreads and hedging activities**

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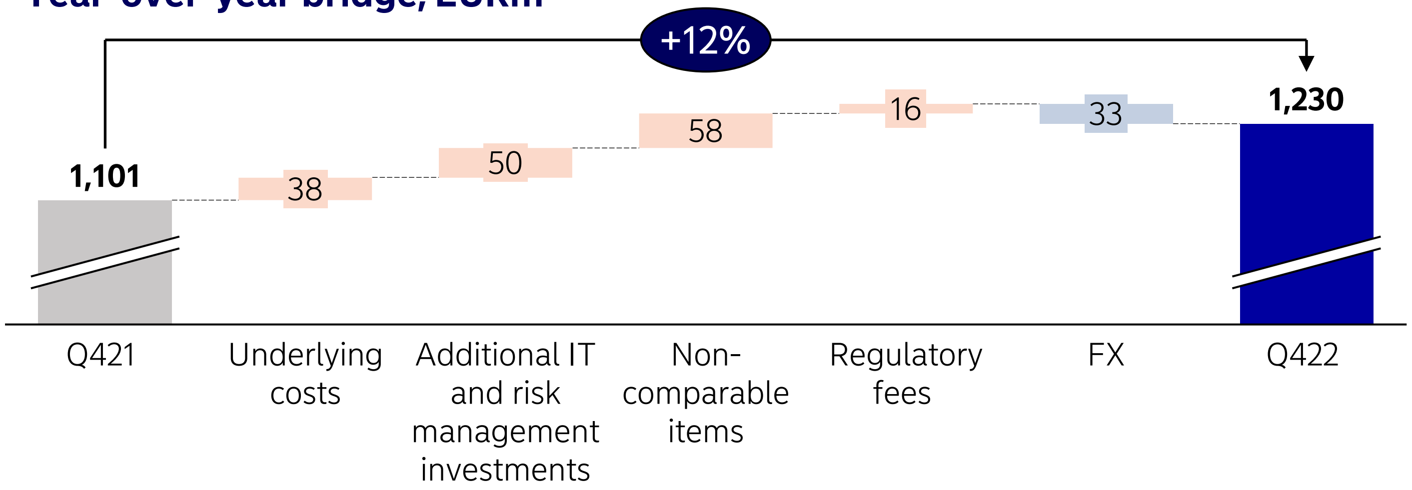
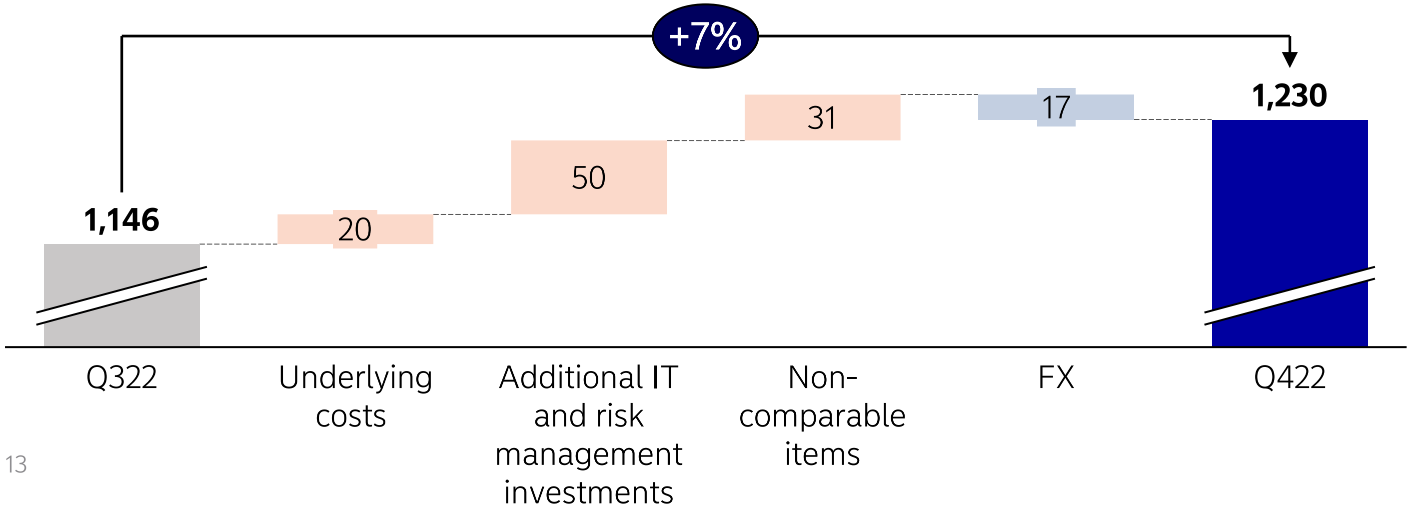
Increased cost pressure and additional investments

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Higher costs driven by additional investments, non-comparable items and higher regulatory fees**
  - Increased investment in financial crime prevention capabilities and IT infrastructure
  - Non-comparable items included Q4 2021 provision releases and Topdanmark Life transaction costs
- **Underlying costs up 3%**

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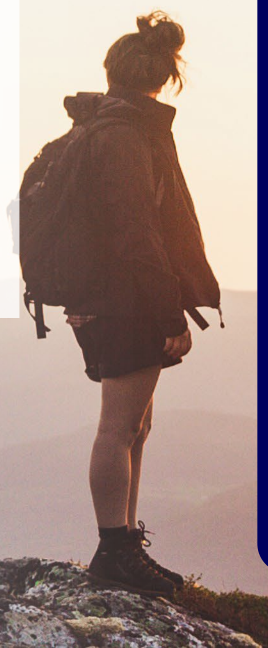
2025: The preferred financial partner in the Nordics

Creating the best omnichannel customer experience

Driving focused and profitable growth

Increasing operational and capital efficiency



2025 financial target

Return on equity

>13%

Assumes CET1 requirement of 15–16%, including management buffer

Supported in 2025 by

Cost-to-income ratio
45–47%

Loan losses
Normalised ~10bp

Capital and dividend policy

60–70% dividend payout ratio; excess capital distributed through buy-backs

Management buffer of 150–200bp above regulatory CET1 requirement

Our long-term sustainability objectives supported by short-term targets

2050 long-term objective:

Become a
net-zero
emissions bank by 2050 at the latest

2030 mid-term objective:

40-50%
reduction in emissions across investment and lending portfolios by 2030[1]

50%
reduction in emissions from internal operations by 2030[1]

Supported by our 2025 targets[2]:

EUR >200bn
Sustainable Financing facilitation 2022-2025

90%
of exposure to large corporates in climate-vulnerable sectors to be covered by transition plans

80%
of top 200 emitters in NAM portfolios to be aligned with the Paris agreement or else subject to active engagement to become aligned

x2 **Double**
the share of net-zero-committed AUM

At least 40%
representation of each gender at the top three leadership levels combined

1) compared to 2019 baseline
2) Selection of our medium-term targets – link to full list of targets

Further strengthened climate targets

Sector emission reduction targets by 2030

Shipping	Residential real estate	Oil & gas
Vessels	Housing loans & TOA	Exploration & production
30%[1]	40-50%[1]	55%[1]
Emission intensity[3]	Emission intensity[4]	Absolute emissions[5]

Sector emission reduction targets by 2025

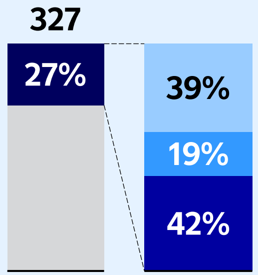
Offshore	Mining	Mining
incl. shipping	Thermal peat	Thermal coal
100%[1]	100%[2]	100%
Lending[6]	Lending[6]	Full phase-out achieved 2021[6]

- **Sector targets for emission reduction set**
  - To support the objective to reduce carbon emissions by 40-50% across lending and investment portfolios by 2030
  - Targets a result of sector assessments conducted over the last years
  - Further sector assessments scheduled in 2023

- **Climate-vulnerable exposure**

Sector assessment (total lending, EURbn)

Climate-vulnerable sectors



A **Assessment completed**
Oil, gas and offshore, shipping, mining, power production and utilities (and waste management), tenant-owned associations (TOA)

B **Assessment under way**
Commercial real estate

C **Assessment planned**
Other climate-vulnerable sectors

1) Base year: 2019
2) Base year: 2022
3) Scope 1, AER, gCO2/dwt-nm
4) Scope 1 & 2, kgCO2e/m2
5) Scope 1, 2 & 3, tCO2e
6) EUR lending

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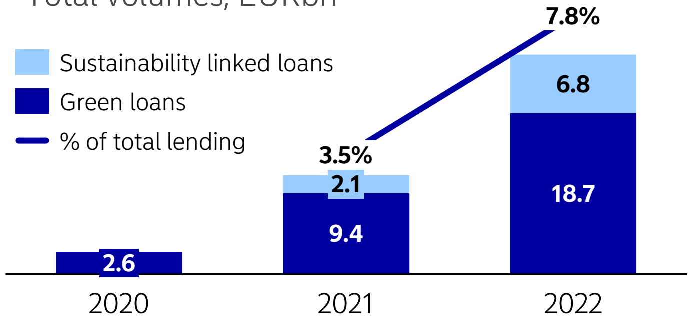
Sustainability at the core

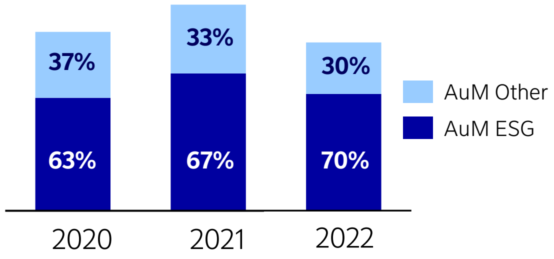
Actively engaging to drive transition and capture growth opportunities

Channelling capital towards sustainable solutions

Green and sustainability linked loans
Total volumes, EURbn



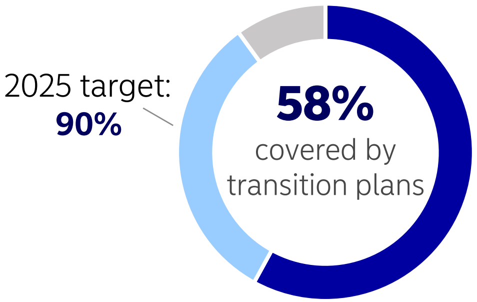
Assets under management
Share of ESG AuM, %



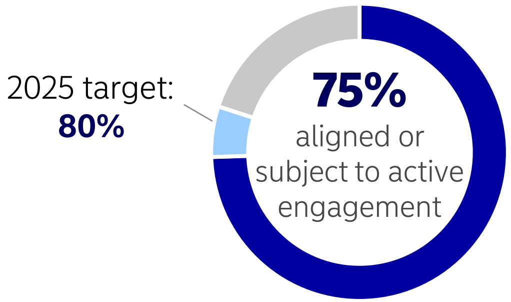
ESG AuM = article 8 and 9 funds (according to EU SFDR)

Engaging to support green transition

Transition plan for large corporates
Q4 2022, climate vulnerable sectors



Alignment with Paris agreement for top 200 emitters
Q4 2022, portfolios in Asset Management



- **Financed emissions down more than 15% compared to 2019**
- **Facilitated EUR 58bn in sustainable financing**
  - Compared to target EUR >200bn by 2025
- **Ranked best in the Nordics in active ownership within ESG**
  - "Voting Matters" report from the NGO ShareAction
- **#1 ranking for Nordic sustainable bonds overall**
- **#1 arranger in Nordic sustainable loans**

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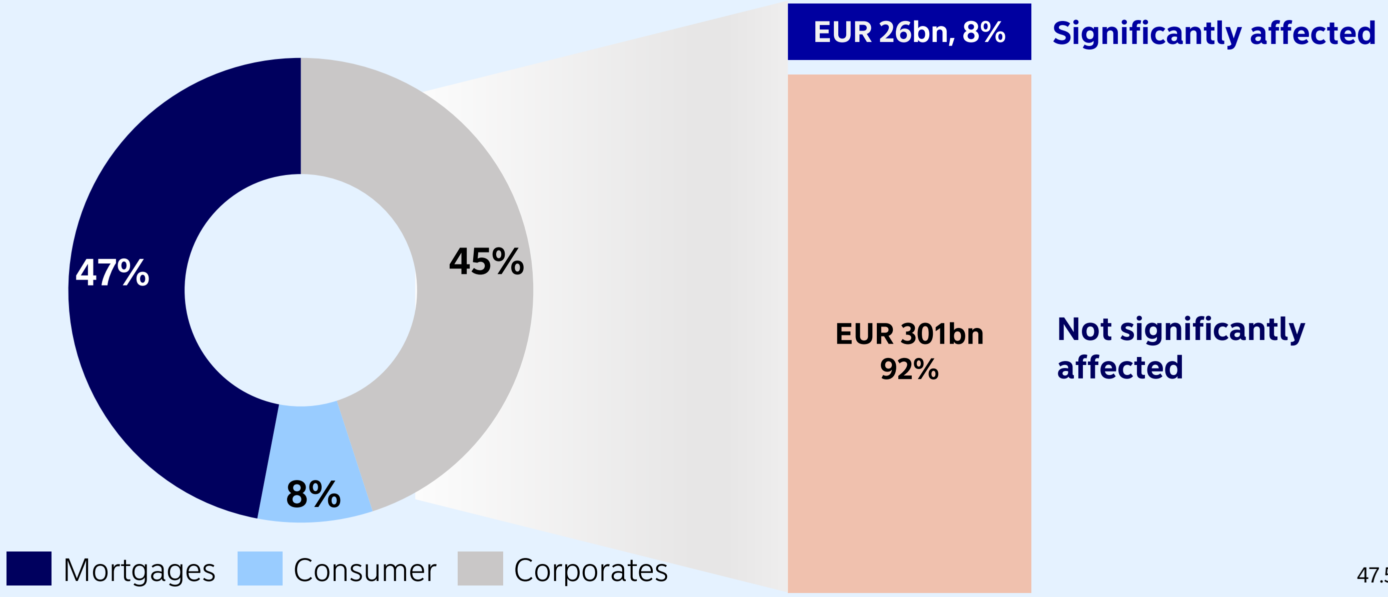
2. Credit quality

Credit portfolio

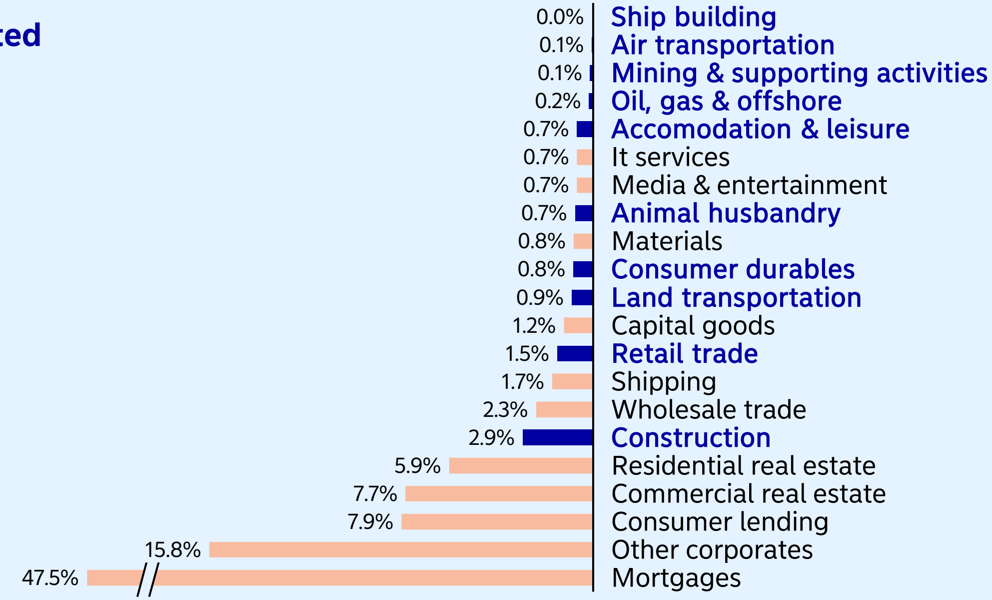
Well diversified with strong credit quality

Portfolio well diversified across countries and segments

Analysis of higher energy costs, high inflation and lower disposable income impact by segment



Ten segments with 8% of total exposures significantly affected



Nordic societies have well-structured social safety nets, strong fiscal positions and effective legal systems

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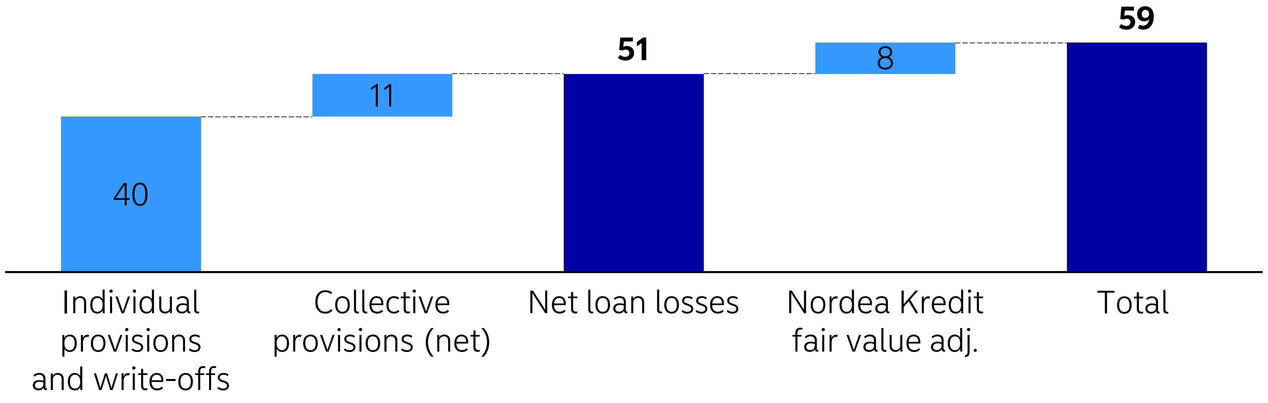
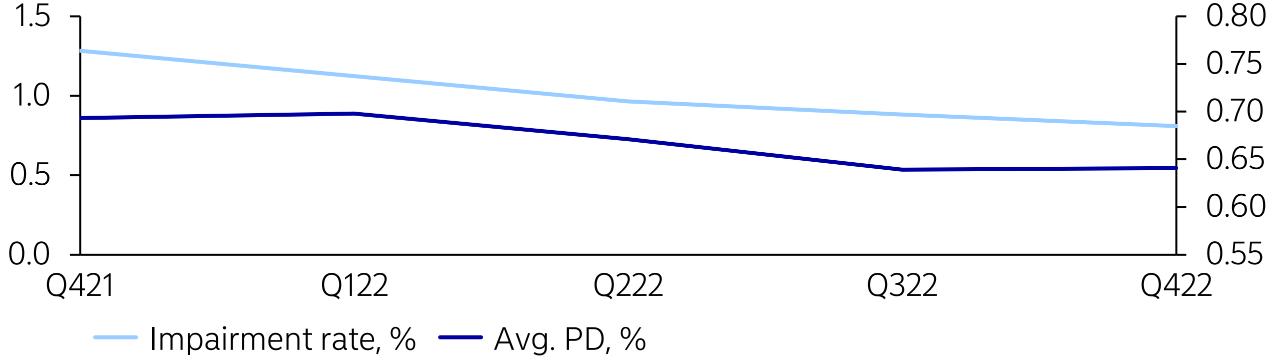
Strong credit quality amid weaker economic conditions

Net loan losses and similar net result Q4 2022, EURm



Impaired (Stage 3) loans and PD of total loans, %

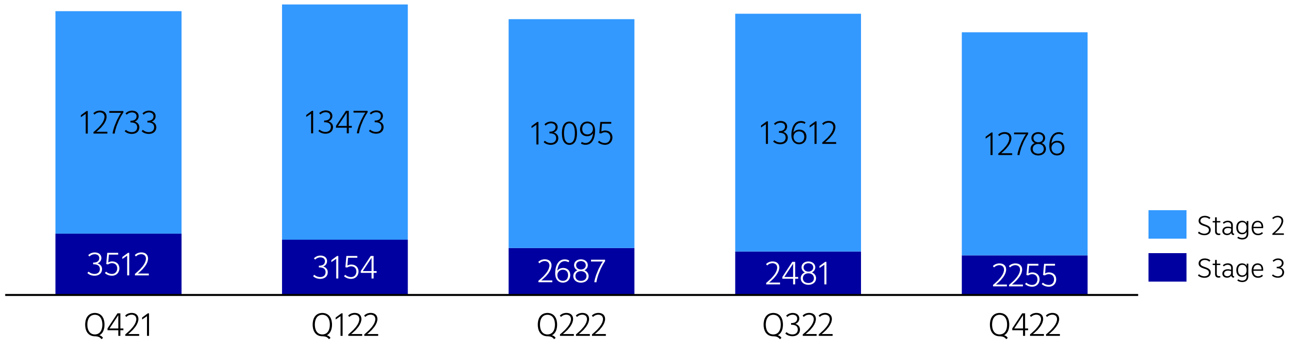


- **Total net loan result low at EUR 59m (7bp)**
  - New provisions mainly for SME customers, no specific industry concentration
  - Increased collective provisions related to weakening macro environment
  - FV adjustment for Danish mortgages of EUR 8m related to weakened macro
- **Management judgement buffer reassessed due to weaker macro, lower impact from pandemic**
  - EUR 20m of provisions reallocated, buffer now at EUR 585m
- **Continued strong credit quality; risks carefully monitored**

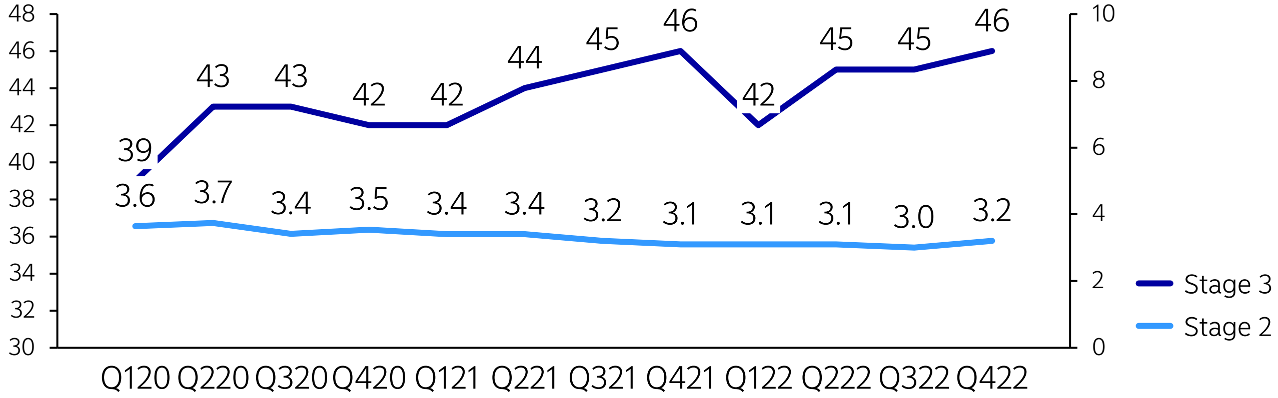
Impairments and provisioning coverage

Strong and stable portfolio credit quality

Stage 2 and 3 loans at amortised cost, EURm



Coverage ratio, %



- **Stage 3 impaired loans further reduced, to 0.81% from 0.88% in Q3**
- **Stage 2 loans down 6% q/q**
- **Coverage ratio for remaining stage 3 portfolio increase to 46%**
- **Portfolio credit quality remained strong**

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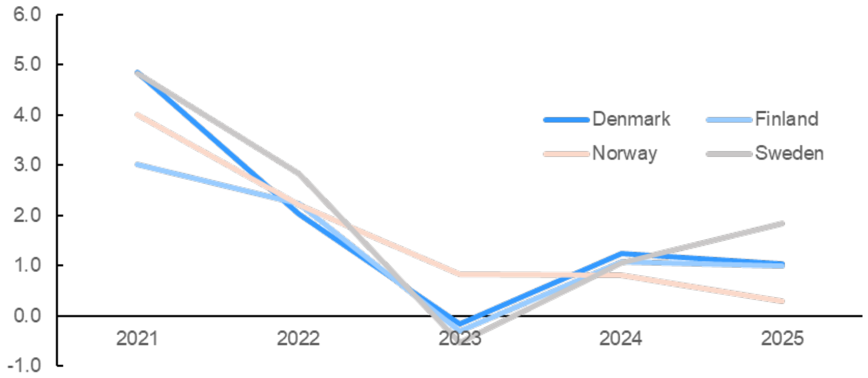
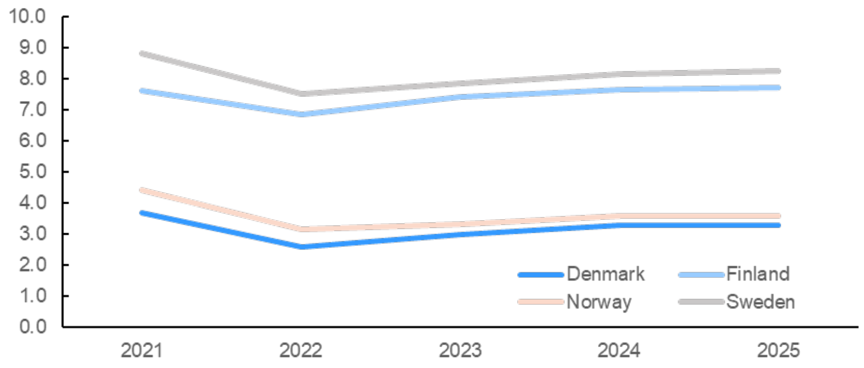
IFRS 9 model update

Macroeconomic assumptions for scenarios

Baseline annual GDP growth, %



Baseline unemployment rate, %



- **Base scenario, 50% weight**
  - High interest rates and record levels of energy prices trigger a recession in all Nordic countries except Norway in 2023, which is supported by high energy prices. Weak growth will resume later in 2023 and the recovery is expected to be slower and longer
  - Following strong housing market activity over the past years, prices are now falling in all Nordic countries, most significant in Sweden and Denmark. The decline in house prices is expected to continue in 2023 nearly reversing the gains seen since the beginning of 2020
- **Adverse scenario, 40% weight**
  - Continued uncertainty around the Ukraine war, energy prices and higher interest rates push all four Nordic economies into a deep recession. House prices decline in all four countries, reaching a trough in 2024
- **Upside scenario, 10% weight**
  - Household, business and investor sentiment improves as energy and food prices stabilise at lower levels

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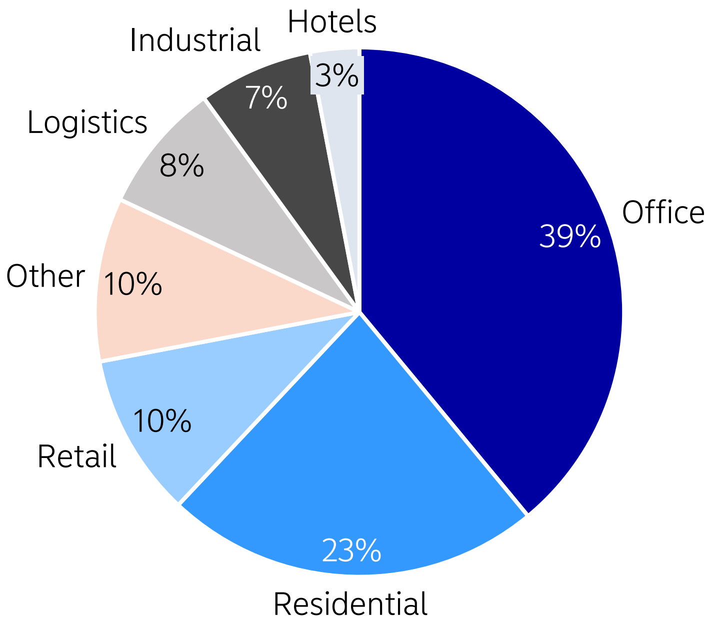
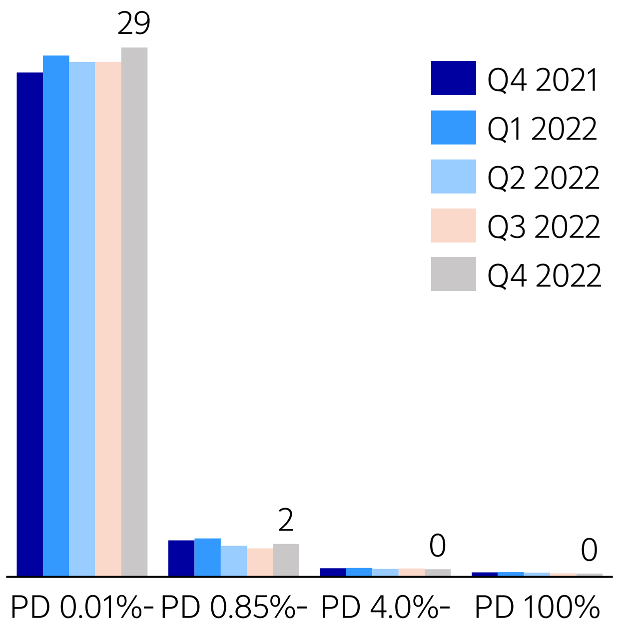
Real estate management industry (REMI)

Well diversified with high quality

Distribution of REMI property types, EUR 31bn*



Distribution of REMI by probability of default (PD), EURbn*



- **Diversified portfolio**
- **Nearly two-thirds of portfolio consists of resilient office and residential properties**
- **Growing demand for properties supporting e-commerce and last-mile logistics**
- **92% of exposure towards low-risk customers in Q4**

* Excluding tenant owners' associations (TOA)

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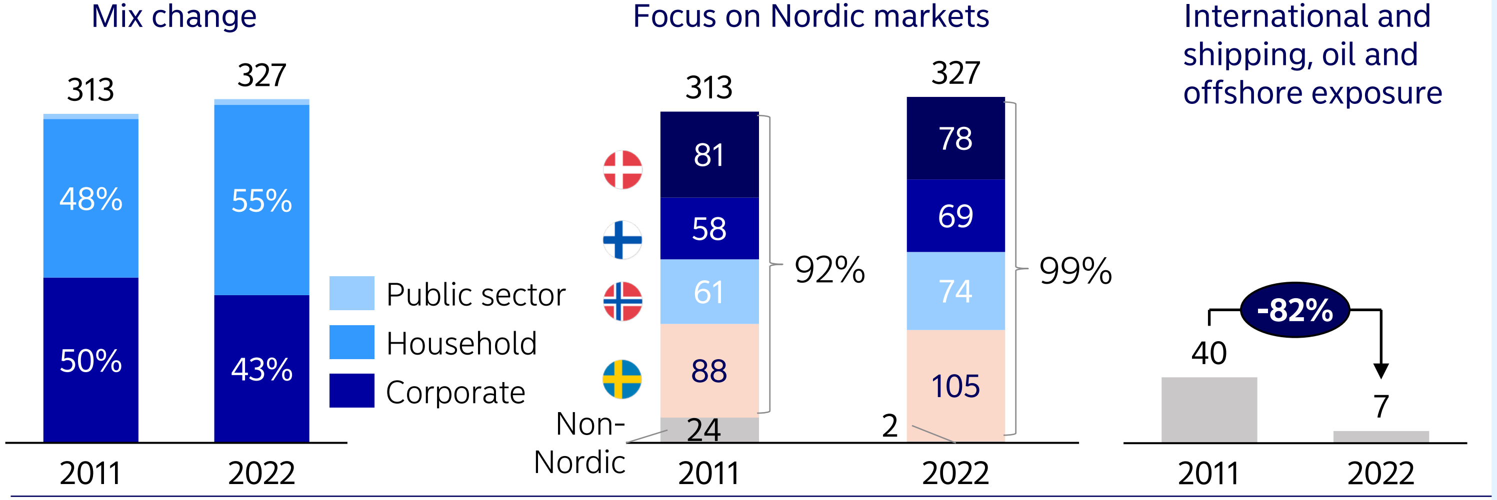
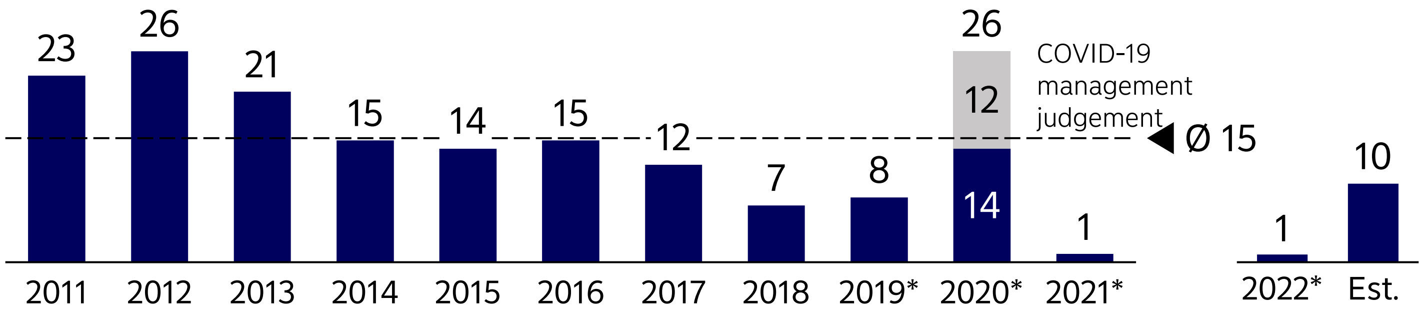
Cost of risk

Loan losses settling below historical average

Significant de-risking (EURbn)



Loan loss ratios (bp)



- **Significant portfolio de-risking**
  - Increased share of household lending
  - Focus on our four Nordic home markets
  - Reduced international exposure
    - Divested business in Poland, Luxembourg and Baltics
    - Exit from Russia completed
  - Reduced shipping, oil and offshore portfolio by half; further actions ongoing

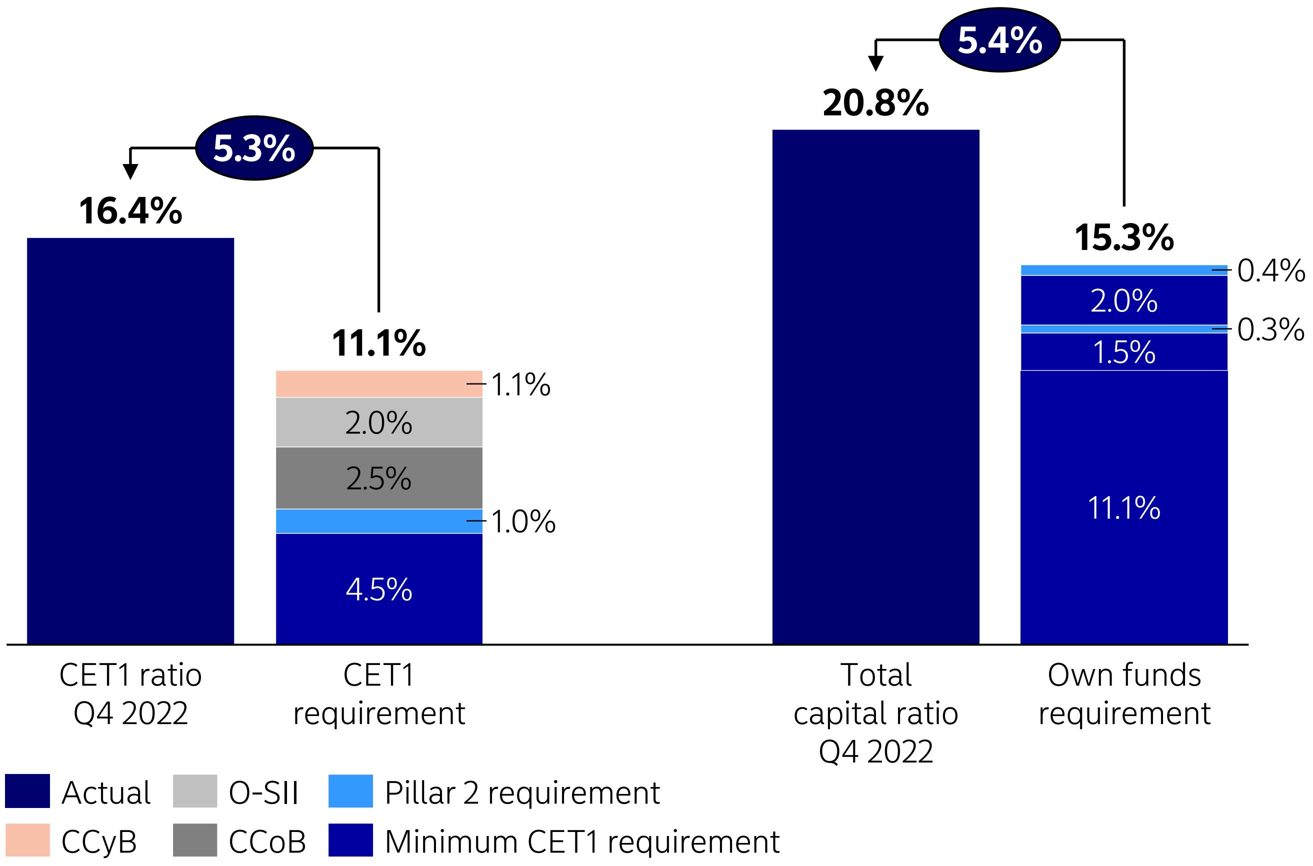
- **Normalised run rate of loan losses expected to be ~10bp**

*Including fair value adjustments to loans held at fair value in Nordea Kredit; 2019 also excludes items affecting comparability

3. Capital and funding

Significant buffer to capital requirements

Capital position and requirements (%)



- **CET1 capital ratio 16.4%**
  - 5.3 percentage points above regulatory requirement, corresponding to a CET1 buffer of EUR 7.7bn
  - Capital policy of 150-200bp management buffer above regulatory requirement (MDA level)
- **Pillar 2 requirement (P2R) reduced**
  - From Q1 2023, the P2R is reduced to 1.60% from 1.75%, of which the CET1 part is reduced to 0.90% from the current 0.98%
- **MDA level expected to increase in 2023 following decided increases in countercyclical capital buffer rates and O-SII***
  - CCyB: ~10bp in Denmark, ~10bp in Norway and ~30bp in Sweden
  - 50bp O-SII buffer

* Decided increases of CCyB buffer rates: Norway and Denmark from current 2.0% to 2.5% in Q1 2023 and Sweden from current 1.0% to 2.0% in Q2 2023. O-SII buffer to increase from 2.0% to 2.5% in Q1 2023.

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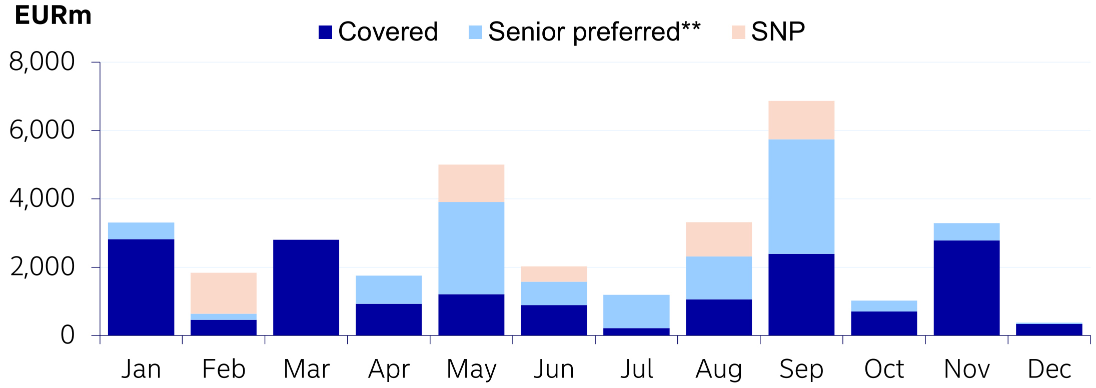
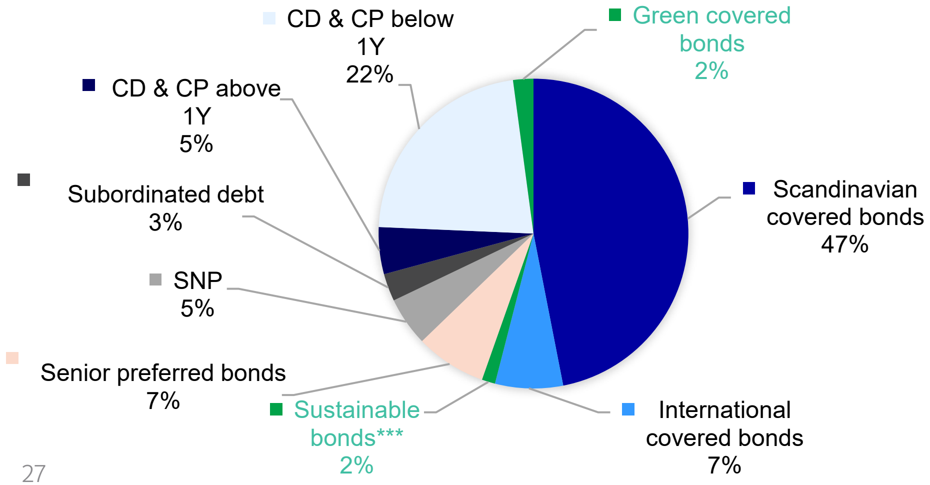
Solid funding operations

Long term issuance 2022, EUR 32.8bn



** Including CPs/CDs where original maturity is over one year

Wholesale funding outstanding, EUR 185bn



*** Including Green SP/SNP bonds & SLL SP bonds

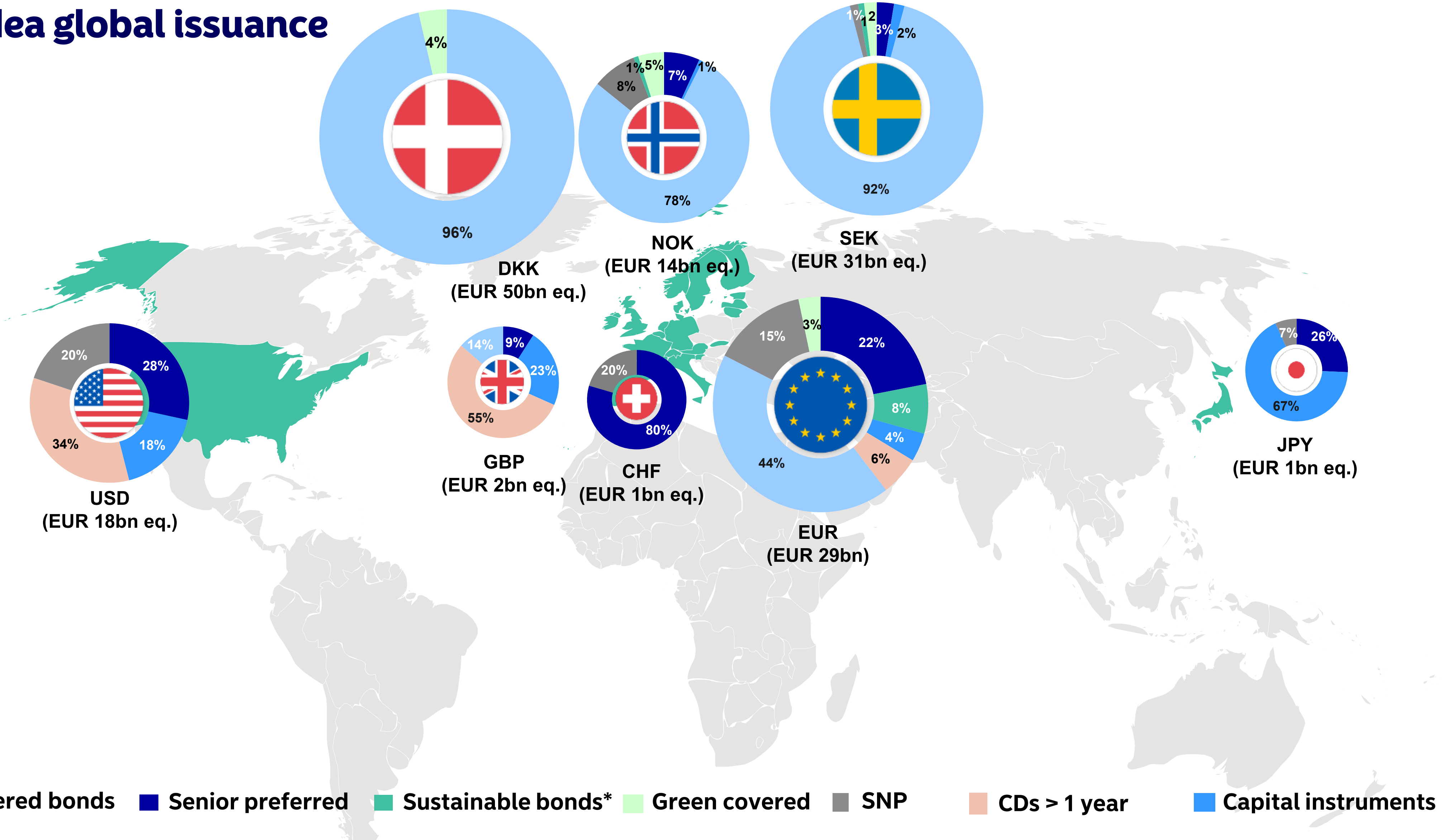
2023 Best FIG Issuer Nordea cmdportal

- **Issuance Q4**
  - EUR 4.7bn in long term debt issued during Q4
    - EUR 3.8bn covered bonds and EUR 0.9bn in senior format
  - Long term funding 73% of total funding at end of Q4

- **Issuance plans 2023**
  - Total issuance estimated to ~EUR 25bn*
    - Around half expected to be issued in Scandinavian markets, primarily in covered bond format
  - Target of ~EUR 13bn outstanding in SNP by end of 2023
    - EUR 11.1bn SNP outstanding by Q4 whereof ~EUR 8.5bn eligible by YE

*Excluding capital transactions and DKK covered bonds

Nordea global issuance

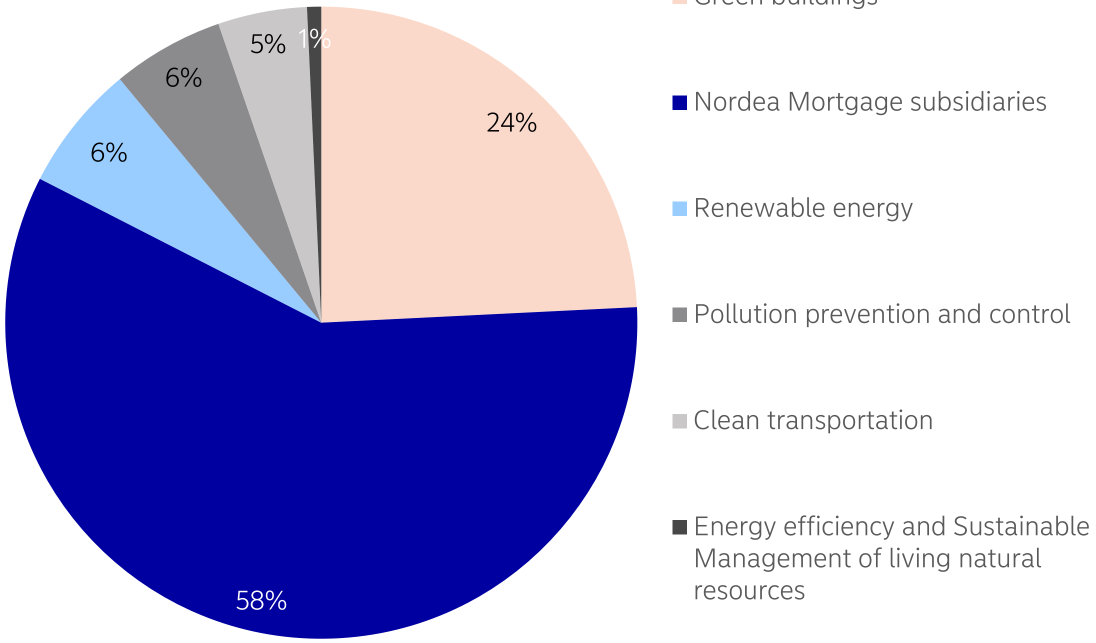


* Including Green SP/SNP bonds & SLL SP bonds

Nordea

Enhanced focus on sustainable funding

Nordea's green bond asset portfolio



- **Assets available for green funding totaling EUR 13bn**
  - EUR 5.4bn in NBAbp's green bond asset portfolio
  - EUR 7.6bn available assets for green covered bond issuance from Nordea's mortgage subsidiaries
- **EUR 2.25bn outstanding of green bonds from NBAbp**
- **EUR 4.0bn outstanding of green covered bonds from all four mortgage subsidiaries**
- **Green deposits offered in Norway**

ISS ESG: **Company rating: C (A+ to D-)***

SUSTAINALYTICS: **ESG score: 21.7 (0 to 100)****

MSCI: **ESG rating: AA (AAA to CCC)**

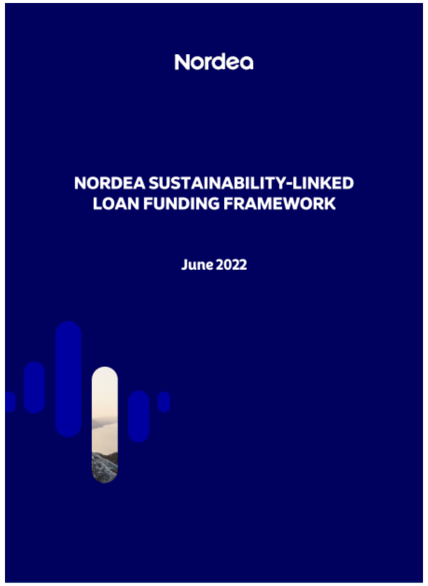
S&P Global: **CSA score: 70 (0 to 100)*****

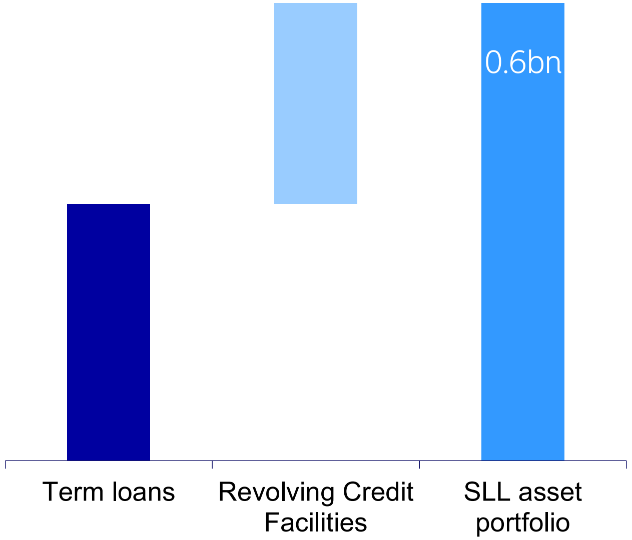
* Highest rating within sector is C+
** Lower score represents lower ESG risk
*** Higher score represents better sustainability practices

Sustainability at the core

Nordea sustainability-linked loan funding framework

Nordea Bank – SLL asset portfolio (EURm)*





- **Nordea SLL funding framework launched in 2022**
  - The SLL funding framework allows issuance of bonds with reference to the impact of the SLLs on Nordea's balance sheet in a use-of-proceeds format
- **SLL assets with climate change mitigation**
  - Once suitable assets have been identified, all assets are reviewed by ISS ESG. Asset selection criteria are:
    - Underlying loans aligned with the sustainability linked loan principles
    - Selected KPIs aligned with impact objective in the framework
    - KPIs and SPTs are material and ambitious
  - SLL funding report to be published annually
  - Nordea sees strong growth in sustainable loans and targets further SLL issuance

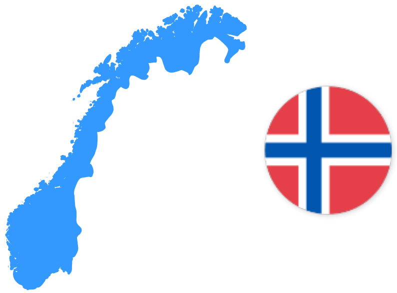
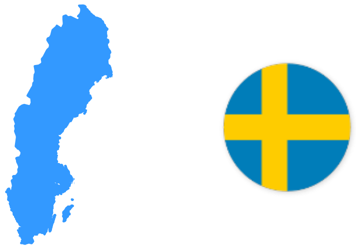
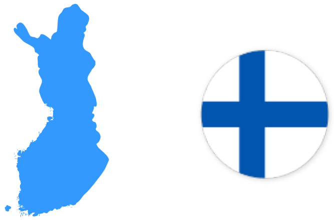
ISS ESG

Nordea has engaged ISS ESG to act as an external reviewer of this SLL funding framework and the SLL funding assets

Inaugural SEK/NOK 4.1bn SLL bond launched in September 2022 with strong Nordic & international investor feedback

https://www.nordea.com/en/investors/debt-and-rating/sustainability-linked-loan-funding-framework
* Q3 2023

Nordea covered bond operations

Four aligned covered bond issuers with complementary roles	Nordea Eiendomskreditt	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 22.5bn (eq.)	EUR 60.9bn (eq.)	Balance principle	Pool 1: EUR 21.9bn/ Pool 2: EUR 2.4bn
Covered bonds outstanding	EUR 13.6bn (eq.)	EUR 33.6bn (eq.)	EUR 59.2bn (eq.)*	Pool 1: EUR 19.4bn/ Pool 2: EUR 2bn
OC	66%	81%	7.1%*	Pool 1: 13% / Pool 2: 18%
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 (MCI's) are covered by Nordea's updated 2021 green bond framework**

COVERED BOND LABEL

* 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

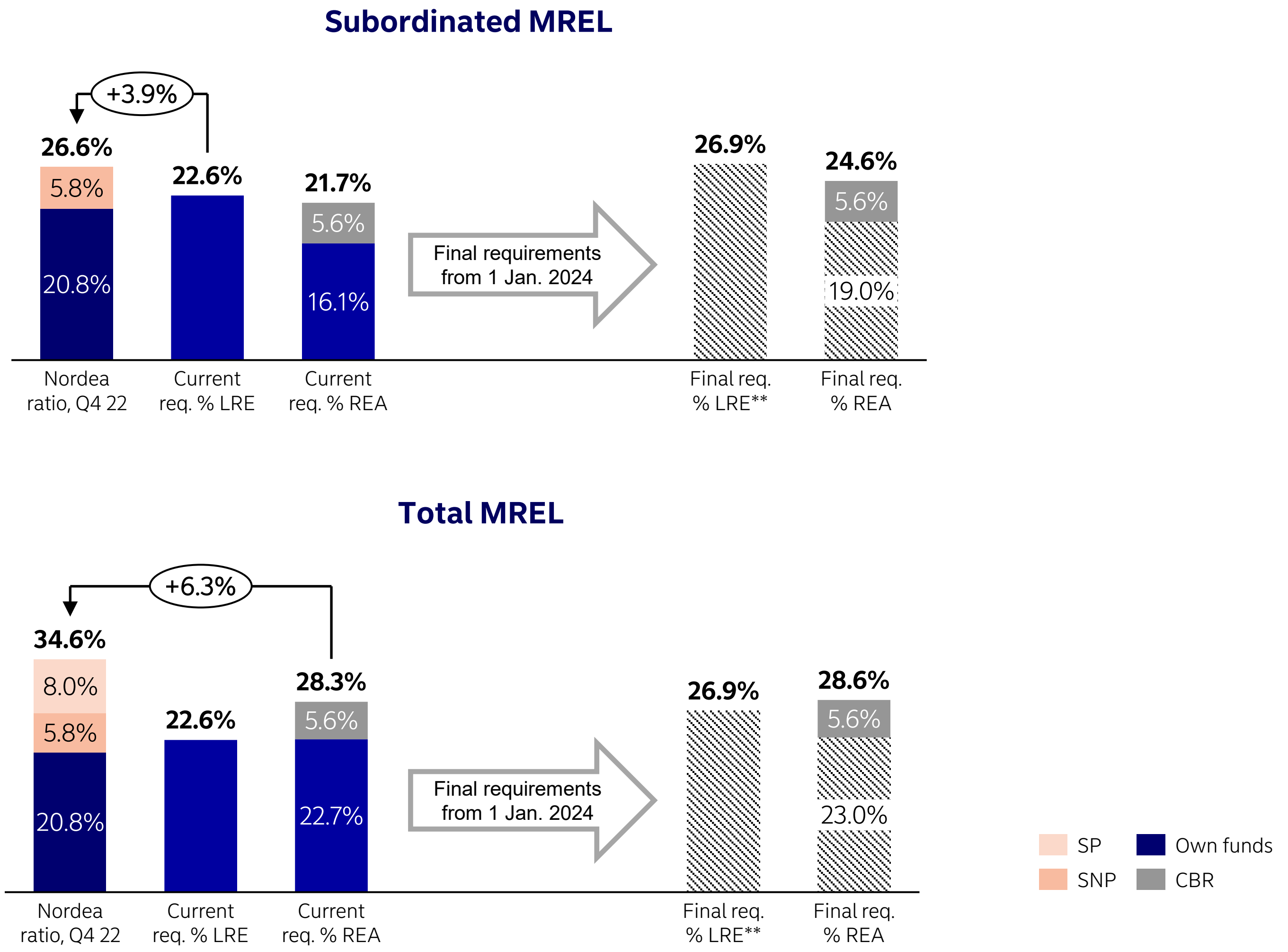
Funding transactions

Nordea recent benchmark transactions

Issuer	Type	Currency	Amount (m)	FRN / Fixed	Issue date	Maturity date	Callable
Nordea Mortgage Bank	Covered, Green	EUR	1,000	Fixed	Nov-22	Dec-25	
Nordea Hypotek	Covered, Green	SEK	6,000	Fixed	Nov-22	Nov-27	
Nordea Eiendomskreditt	Covered	NOK	1,000	Fixed	Oct-22	Oct-29	
Nordea Bank	Senior non-preferred	USD	1,000	Fixed	Sep-22	Sep-27	
Nordea Bank	Senior preferred	USD	1,000	Fixed	Sep-22	Sep-25	
Nordea Mortgage Bank	Covered	EUR	1,000	Fixed	Sep-22	Sep-32	
Nordea Bank	Senior preferred, SLL	NOK	1,300	FRN/Fixed	Sep-22	Sep-27	
Nordea Bank	Senior preferred, SLL	SEK	2,800	FRN/Fixed	Sep-22	Sep-25	
Nordea Bank	Senior non-preferred	EUR	750	Fixed	Aug-22	Aug-32	
Nordea Bank	Senior non-preferred	CHF	200	Fixed	June-22	June-27	
Nordea Bank	Senior preferred	USD	1,000	FRN/Fixed	June-22	June-25	
Nordea Bank	Senior non-preferred	NOK	1,600	FRN/Fixed	June-22	June-27	
Nordea Bank	Senior non-preferred	EUR	1,000	Fixed	May-22	May-29	
Nordea Eiendomskreditt	Covered	NOK	6,000	FRN	Apr-22	Mar-27	
Nordea Mortgage Bank	Covered	EUR	1,500	Fixed	Mar-22	Mar-29	
Nordea Bank	Senior non-preferred, Green	EUR	1,000	Fixed	Feb-22	Feb-27	
Nordea Eiendomskreditt	Covered, Green	NOK	7,000	FRN	Nov-21	Sep-26	

Minimum requirements for own funds and eligible liabilities

MREL and senior non-preferred requirement



Solid buffers above current requirements for both subordinated and total MREL

Final requirements set by Single Resolution Board (SRB)

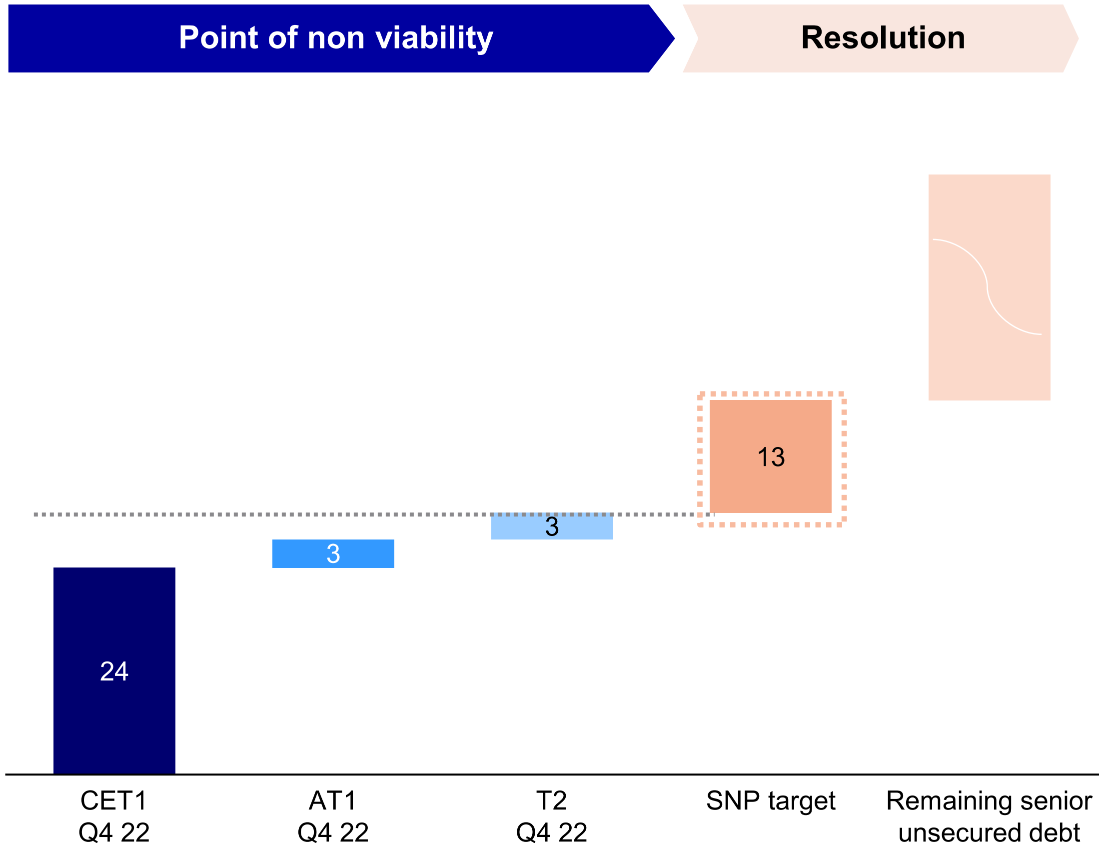
- Subordinated MREL, the higher of:
  - 19.03% REA + CBR*
  - 7.12% LRE** (corresponding to 26.9% REA)
- Total MREL, the higher of
  - 22.97% REA + CBR
  - 7.12% LRE (corresponding to 26.9% REA)
- Applicable from 1 January 2024, to be assessed and updated annually

Target for outstanding eligible senior non-preferred of ~EUR 13bn by YE 2023 to meet final requirements for subordinated MREL

* Combined buffer requirement: CCoB 2.5%, O-SII 2% and CCyB 1.1% as of Q4 22
** Leverage ratio exposure

Own funds and bail-in-able debt position

Senior non-preferred target



Target by YE 2023: eligible SNP of ~EUR 13bn

- Subordinated MREL 26.6% of REA as of Q4 22 (3.9 pp above the requirement)
- Issuance plan to meet future subordination requirement

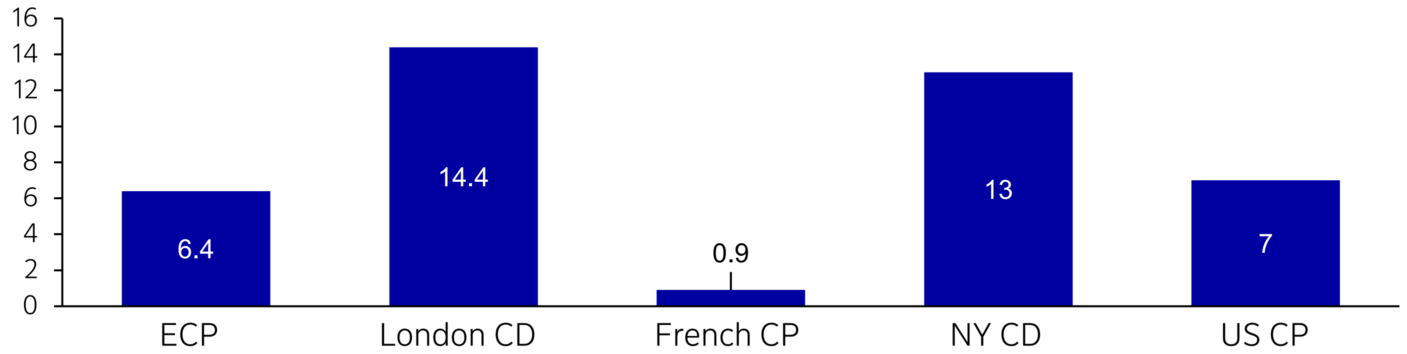
EUR 11.1bn in SNP issued

- Of which ~EUR 8.5bn eligible by YE 2023

Nordea

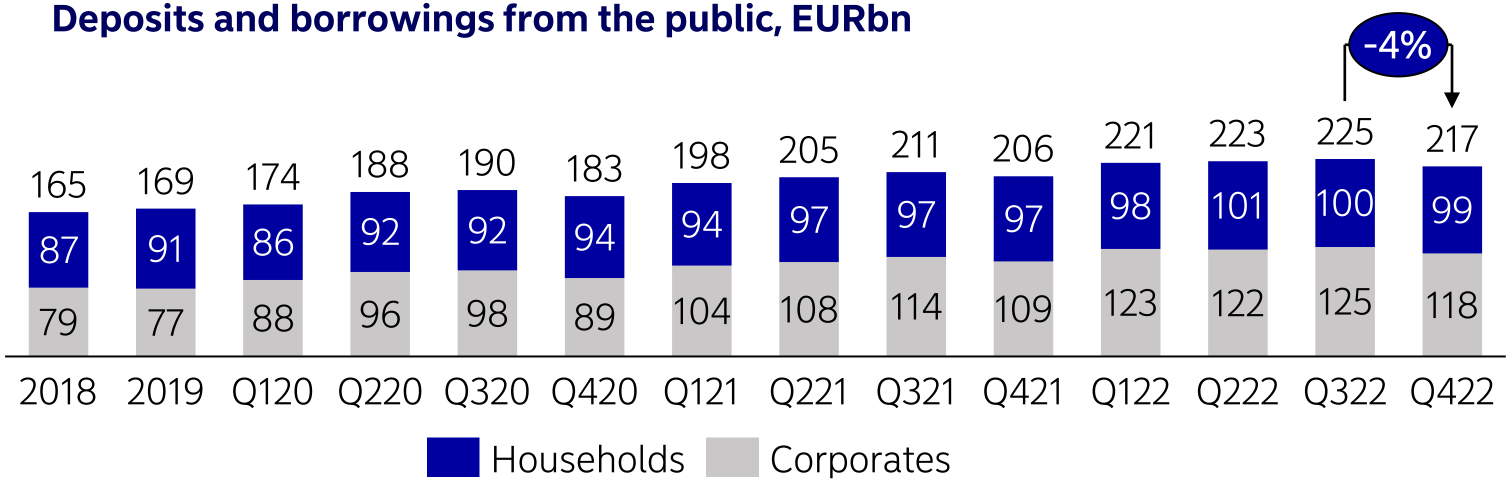
Strong liquidity position

Short term funding outstanding (EURbn), Q4 2022*



* Excluding CPs/CDs where original maturity is over one year

Deposits and borrowings from the public, EURbn



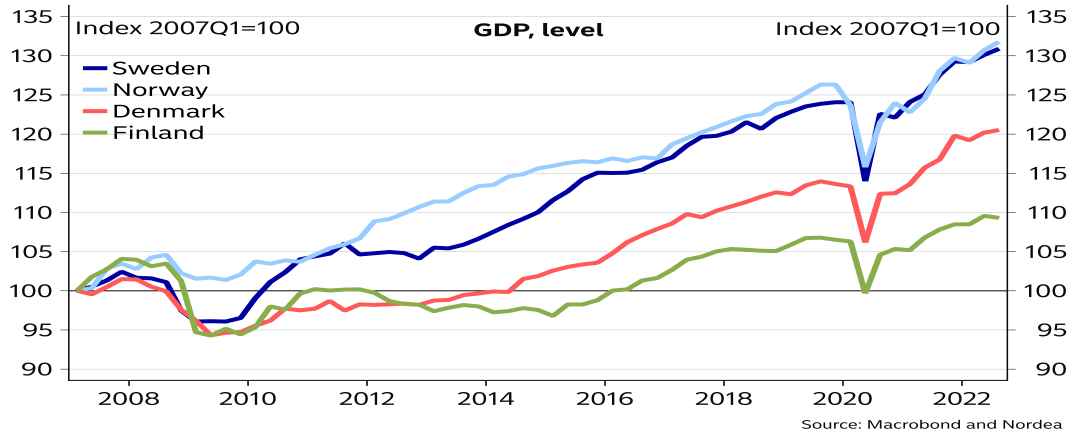
- **Robust liquidity position**
  - Liquidity coverage ratio (LCR) 162%
  - Net stable funding ratio (NSFR) 116%
  - Liquidity buffer EUR 114bn
- **Short term issuance**
  - Total outstanding EUR 41.7bn per end Q4
  - Globally diversified funding with strong market access
- **Deposits**
  - Deposits down by 4% q/q, lower deposits in PeB and LC&I. BB was stable

Nordea

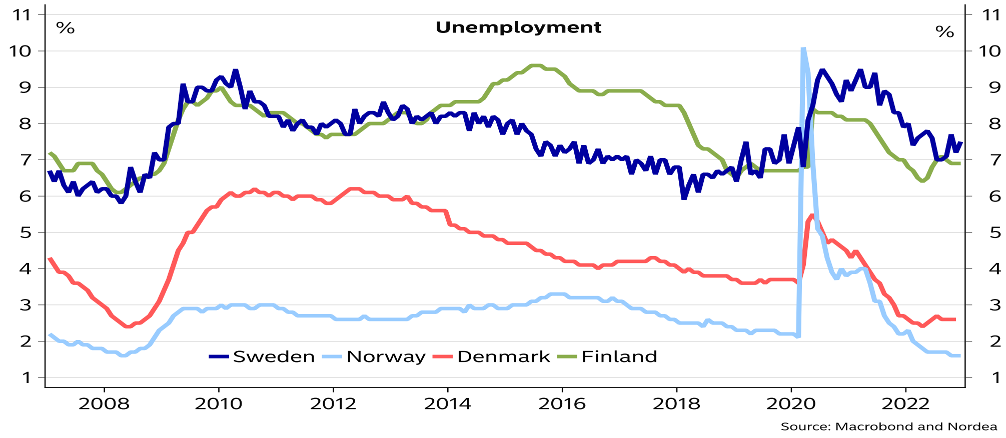
4. Macroeconomy

Nordic outlook pressured by higher inflation, interest rates and energy prices

GDP development



Unemployment rate



- The Nordic economies recovered quickly from the pandemic and showed signs of overheating last year
- On the back of surging inflation and interest rates, coupled with higher-than-normal energy prices, the Nordic countries are expected to enter a recession during 2023
- Unemployment is expected to increase as the economic activity slows down

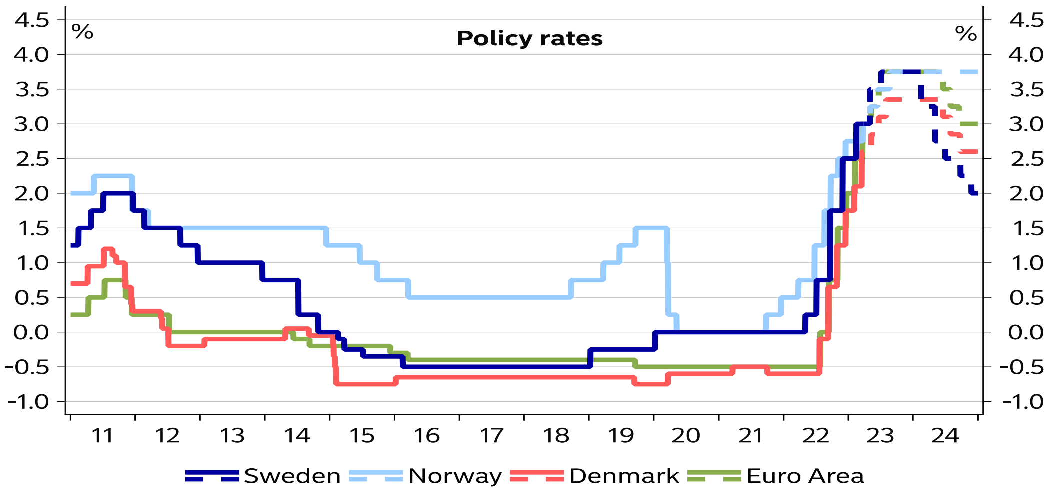
GDP, % y/y, Economic Outlook January 2023

Country	2021	2022E	2023E	2024E
Denmark	4.9	3.0	-0.5	1.0
Finland	3.0	2.0	0.0	1.0
Norway	4.1	3.8	1.0	1.0
Sweden	4.9	2.9	-1.8	0.8

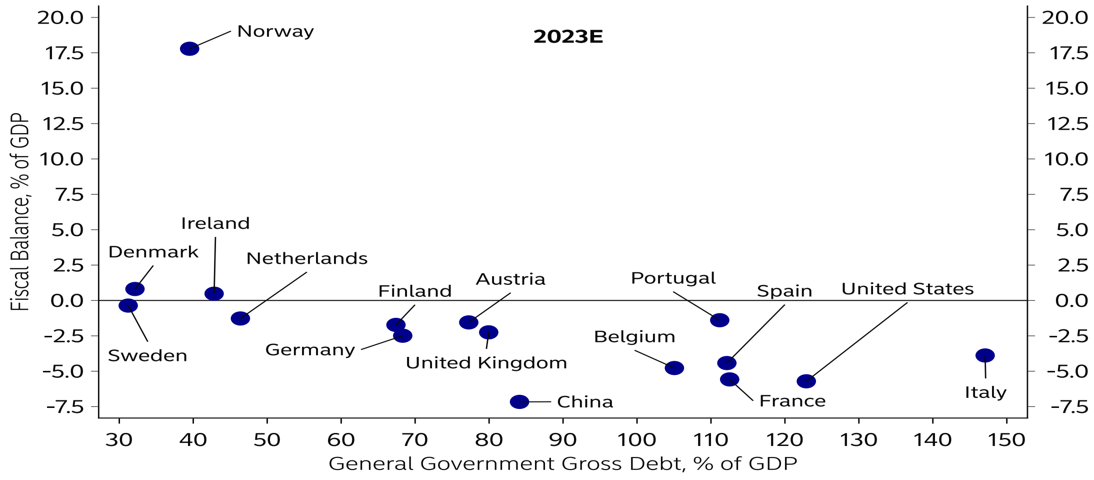
Source: Nordea Markets and Macrobond

Interest rates set to peak in 2023

Policy rates



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



Source: IMF World Economic Outlook, Nordea and Macrobond.

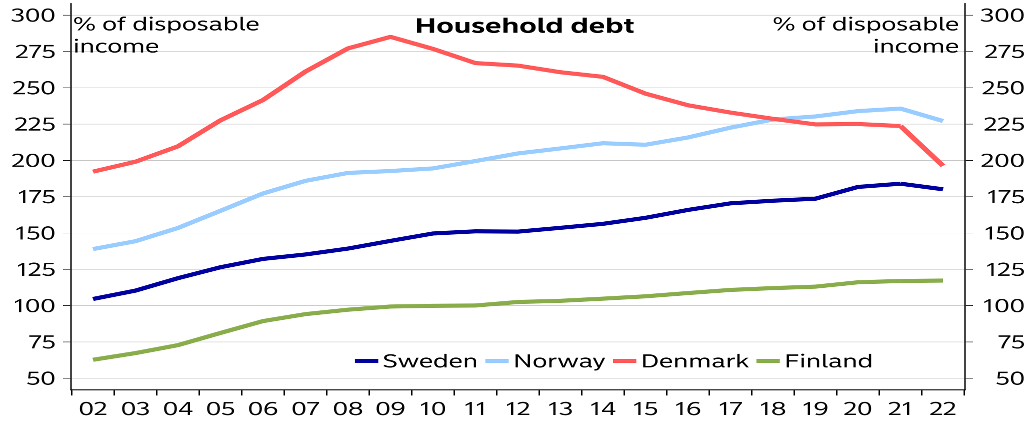
- Central banks have rapidly hiked interest rates to combat the high inflation
- Norges Bank has hiked from 0 to 3.00% since September 2021, and are expected to continue until they reach 3.75% in August 2023
- The Swedish Riksbank raised the policy rate to 3.00% in February and are expected to hike until they reach 3.75% in June 2023
- The ECB delivered a 50bp hike in March. We predict that policy rates will rise by a total of 4.25 percentage points in the Euro Area and 3.95 percentage points in Denmark
- The ECB and the Riksbank are reducing the size of their balance sheets
- Solid public finances will help the Nordic government handle the economic difficulties ahead

Source: Nordea Markets and Macrobond

Nordea

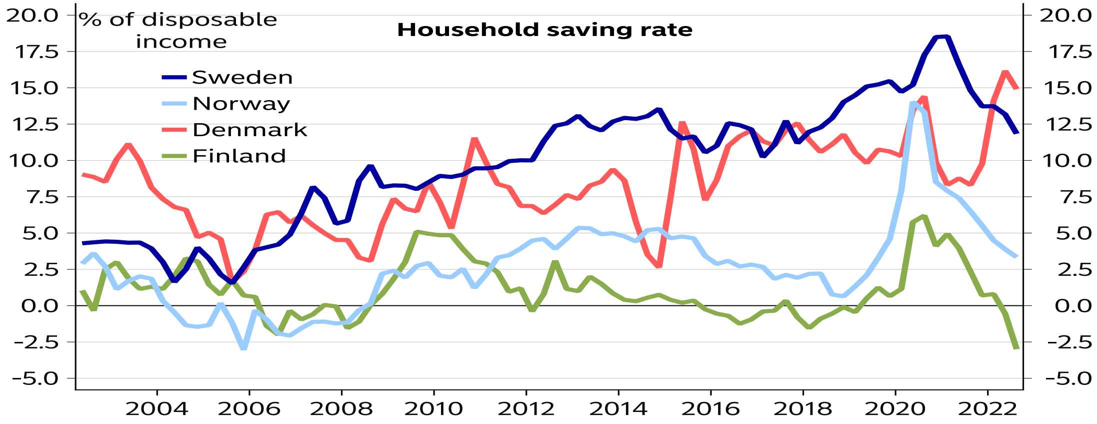
Households pressured by high interest rates and inflation

Household debt



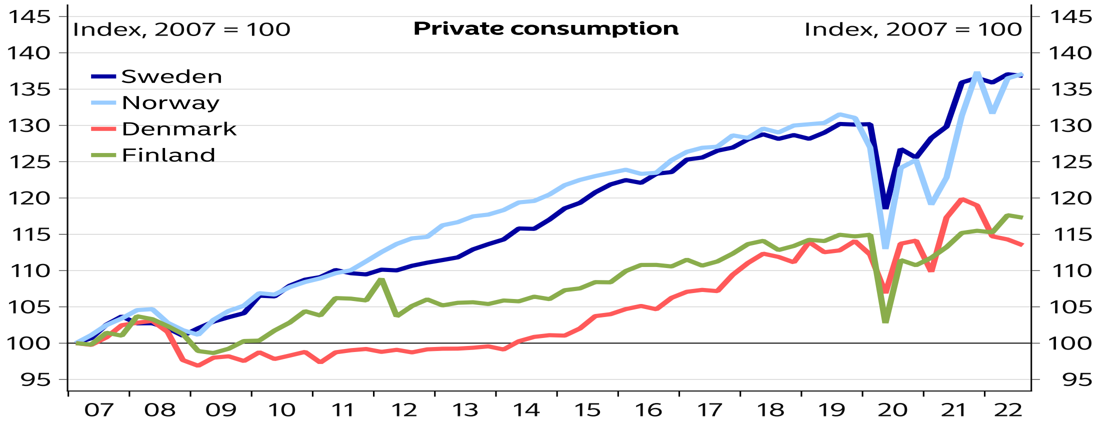
Source: Macrobond and Nordea

Household savings



Source: Nordea and Macrobond. 2Q moving average.

Private consumption



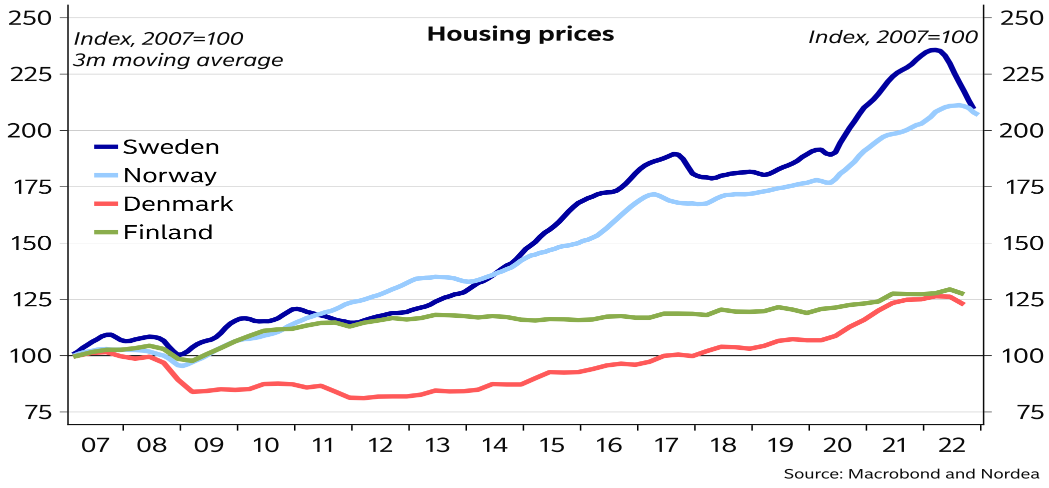
Source: Nordea Markets and Macrobond

- Household savings have returned to more normal levels since the pandemic as consumption has increased
- However, households are now feeling the squeeze and purchasing power is decreasing rapidly. The high and still rising interest rates as well as high inflation implies downside risks for private consumption moving forward

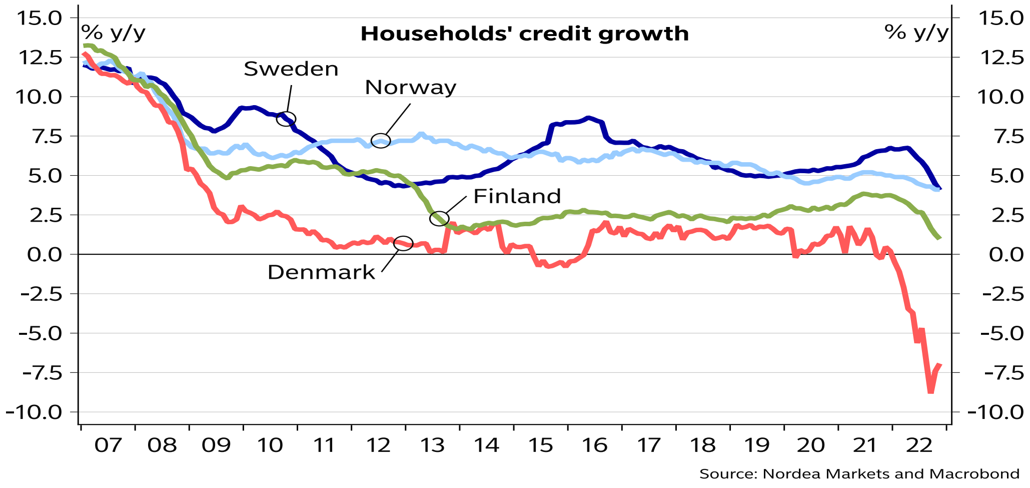
Nordea

Higher 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 higher and increasing interest rates, risks are on the downside for housing prices
- These risks are most pronounced in Sweden, with home prices down 12.4% from the peak in February to November last year
- Households' credit growth in the Nordic countries have since April 2022 continuously declined except for Denmark which has increased since September

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