

Nordea

# Debt investor presentation Q1 2023



## Disclaimer

This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

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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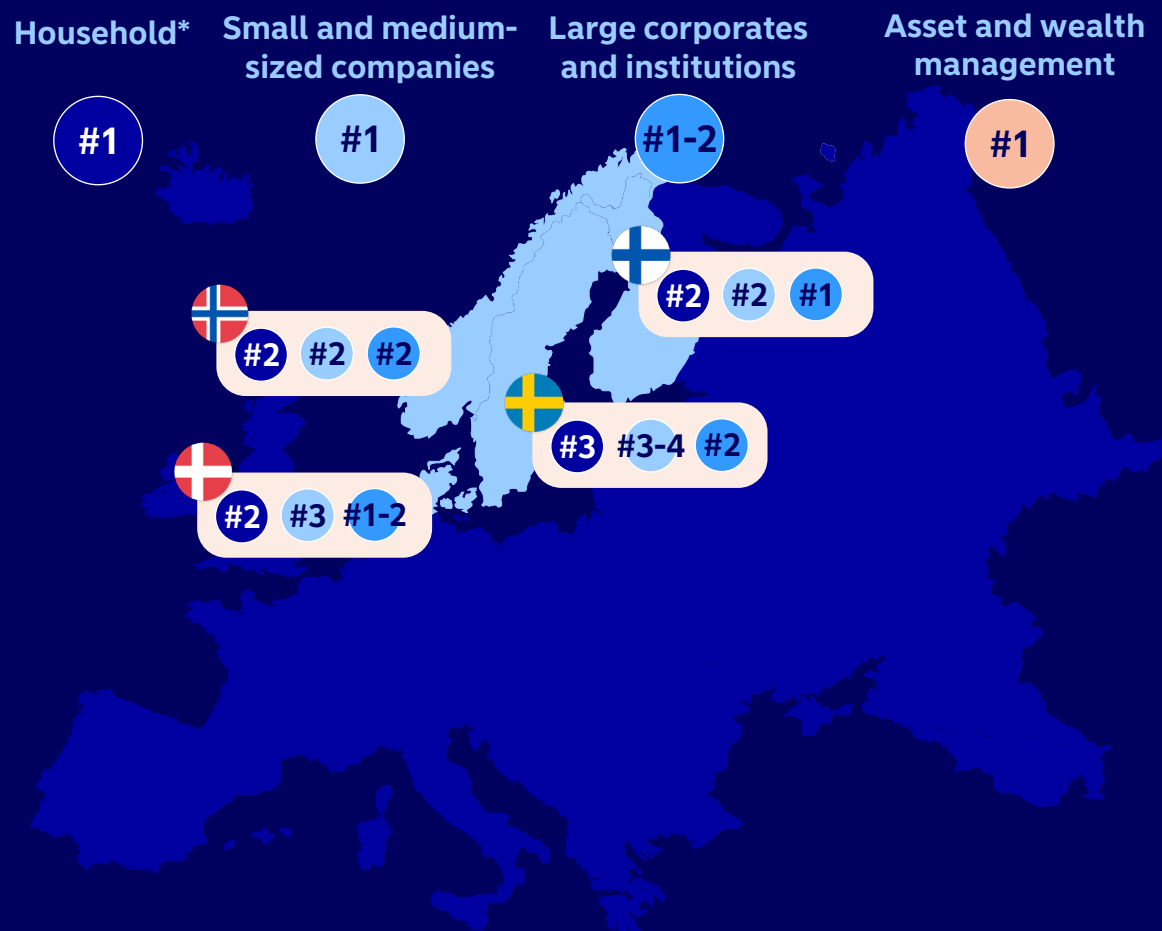
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# **1. Nordea first-quarter 2023 update**



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 (Q1 2023)

- EUR 2.9bn in total income
- EUR 1.5bn profit before loan losses; EUR 1.1bn net profit
- EUR 604.1bn in assets
- EUR 28.2bn in equity capital
- CET1 ratio 15.7%
- Leverage ratio 4.6%

### AA level credit ratings

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

### EUR 35.5bn in market capitalisation (Q1 2023)

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

## First-quarter highlights 2023

### Executive summary

#### **Strong profitability in slower market**

- Net interest income up 35%, net fee and commission income down 8% and net fair value result up 27%
- Operating profit up 34% to EUR 1,480m

#### **Business volume growth driven by corporate lending**

- Corporate lending up 5% y/y, mortgage volumes up 1% y/y and deposits up 5% y/y. Assets under management up 1% q/q

#### **Improved cost-to-income ratio\*: 43% (40% excluding regulatory fees)**

#### **Strong credit quality with low net loan losses – management judgement buffer unchanged at EUR 585m**

- Net loan losses and similar net result amounting to EUR 19m or 2bp during quarter – low individual net loan losses

#### **Return on equity\* 17.1% and earnings per share up 48% to EUR 0.31**

#### **2022 dividend of EUR 0.80 approved and new EUR 1bn share buy-back programme to commence**

- CET1 ratio at 15.7% – 4pp above current regulatory requirement

#### **2023 outlook maintained: return on equity above 13%**

## Key financials

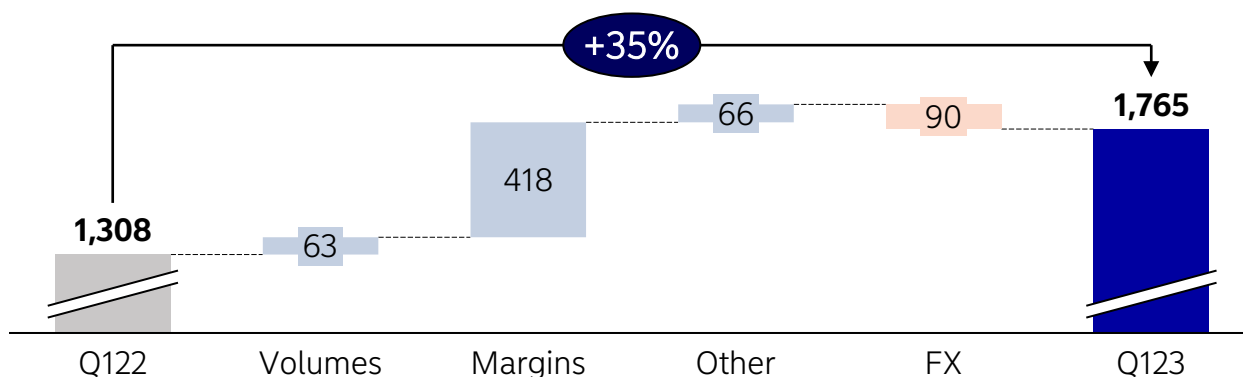
### First-quarter results 2023

Income statement and key ratios EURm	Q123	Q122*	Q1/Q1	Q422	Q1/Q4
Net interest income	1,765	1,308	35%	1,641	8%
Net fee and commission income	765	829	-8%	785	-3%
Net insurance result	46	35	31%	47	-2%
Net fair value result	345	272	27%	396	-13%
Other income	0	17		28	
<b>Total operating income</b>	<b>2,921</b>	<b>2,461</b>	<b>19%</b>	<b>2,897</b>	<b>1%</b>
Total operating expenses excl. regulatory fees	-1,167	-1,098	6%	-1,196	-2%
Total operating expenses	-1,422	-1,370	4%	-1,212	17%
<b>Profit before loan losses</b>	<b>1,499</b>	<b>1,091</b>	<b>37%</b>	<b>1,685</b>	<b>-11%</b>
Net loan losses and similar net result	-19	12		-59	
<b>Operating profit</b>	<b>1,480</b>	<b>1,103</b>	<b>34%</b>	<b>1,626</b>	<b>-9%</b>
Cost-to-income ratio excl. regulatory fees, %	39.9	44.6		41.3	
Cost-to-income ratio**, %	42.7	47.9		44.0	
Return on equity**, %	17.1	12.6		16.3	
Diluted earnings per share, EUR	0.31	0.21	48%	0.35	-11%

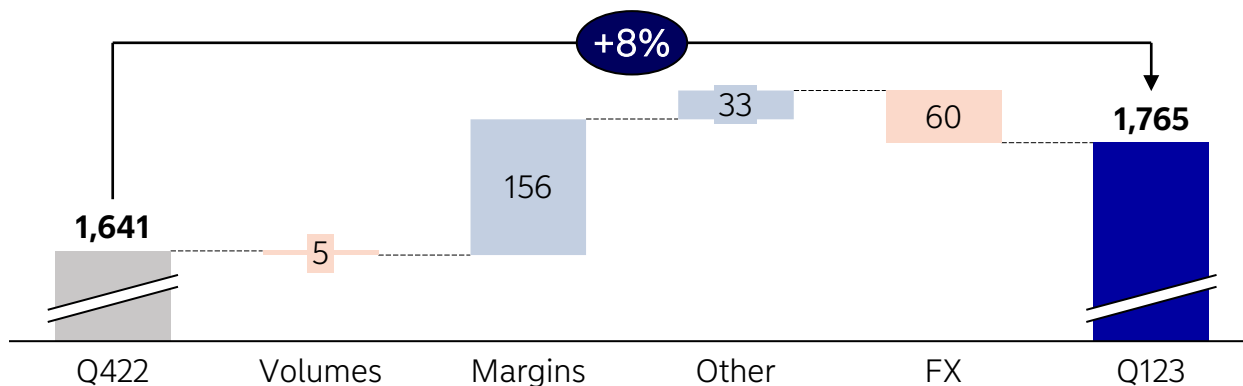
Net interest income

## Slowing volume growth, increased deposit margins

### Year-over-year bridge, EURm



### Quarter-over-quarter bridge, EURm



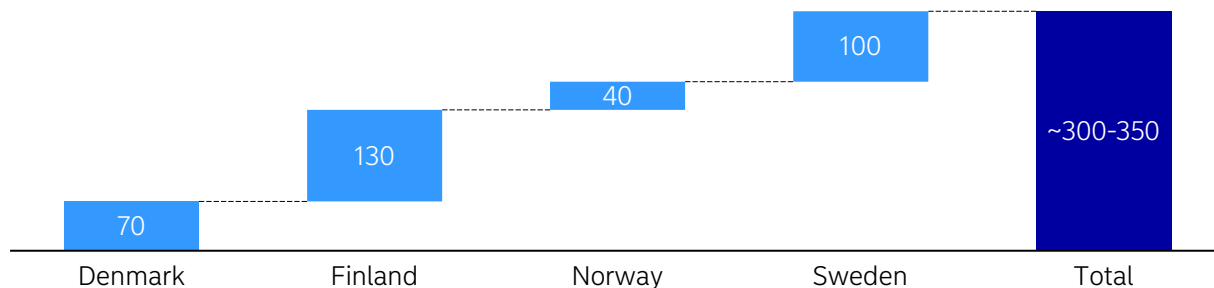
- **Net interest income up 35%**
- **Lending volume growth driven by corporate lending, but all business areas contributing**
  - Corporate lending up 5%
  - Mortgages up 1%
- **Net interest margin up 41bp to 1.58%**
  - Lending margins down, especially in households
  - Further increases in deposit margins across business areas and countries



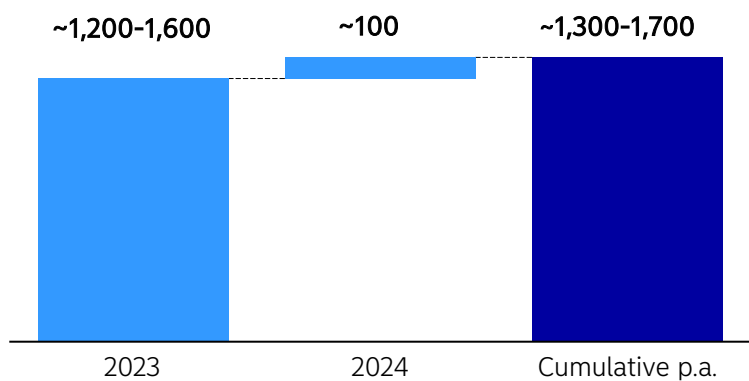
Net interest income

## Net interest income sensitivity to policy rate increases

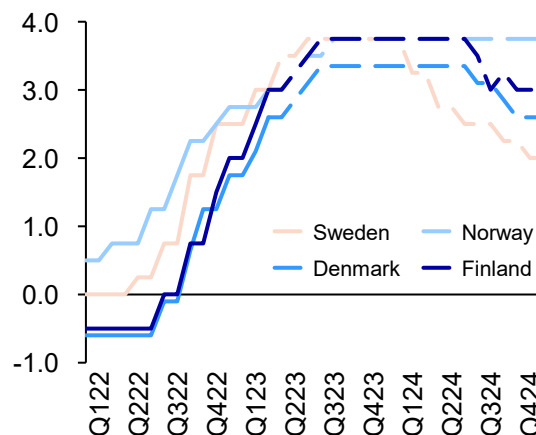
### Sensitivity to +50bp parallel rate shift in policy rates



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




### Policy rate path expectations



- **NII impact largely driven by policy rates and pass-through**

- Expected higher policy rates in 2023 estimated to increase NII by EUR ~1.2–1.6bn
- Actual pass-through to vary between account types and countries, and throughout rate hike cycle

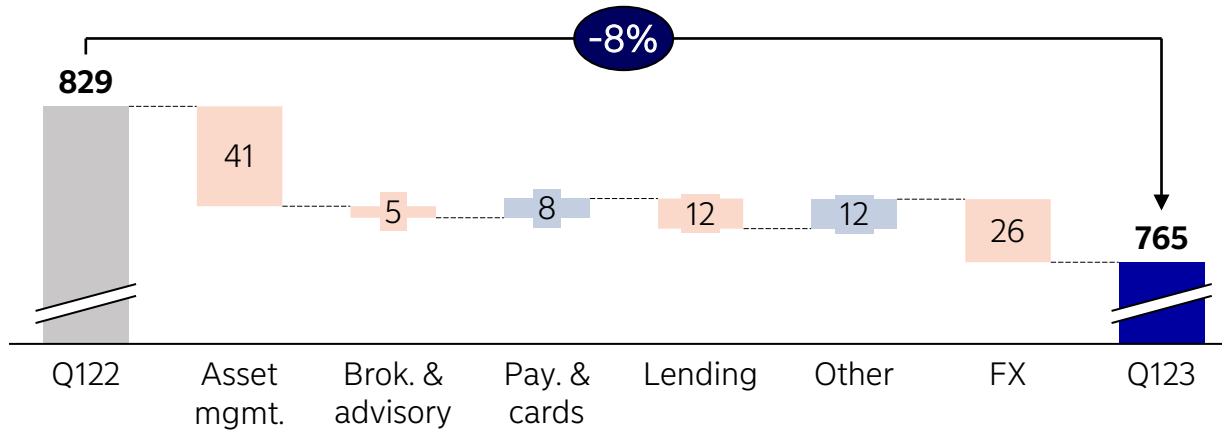
- **Group NII also impacted by other drivers**

- Volumes 
- Asset pricing 
- Wholesale funding costs 
- Deposit hedging 

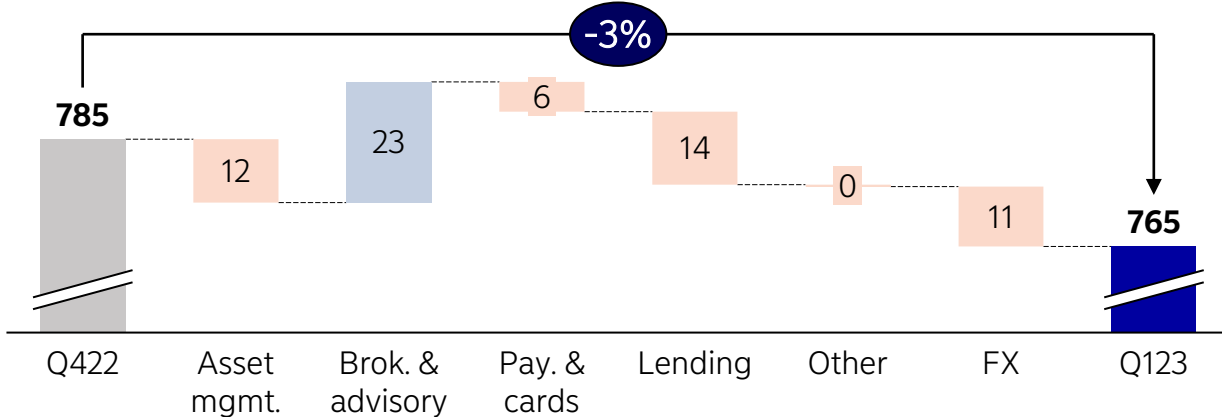
Net fee and commission income

Higher payment and card income partly offsetting lower asset management income

### Year-over-year bridge, EURm



### Quarter-over-quarter bridge, EURm

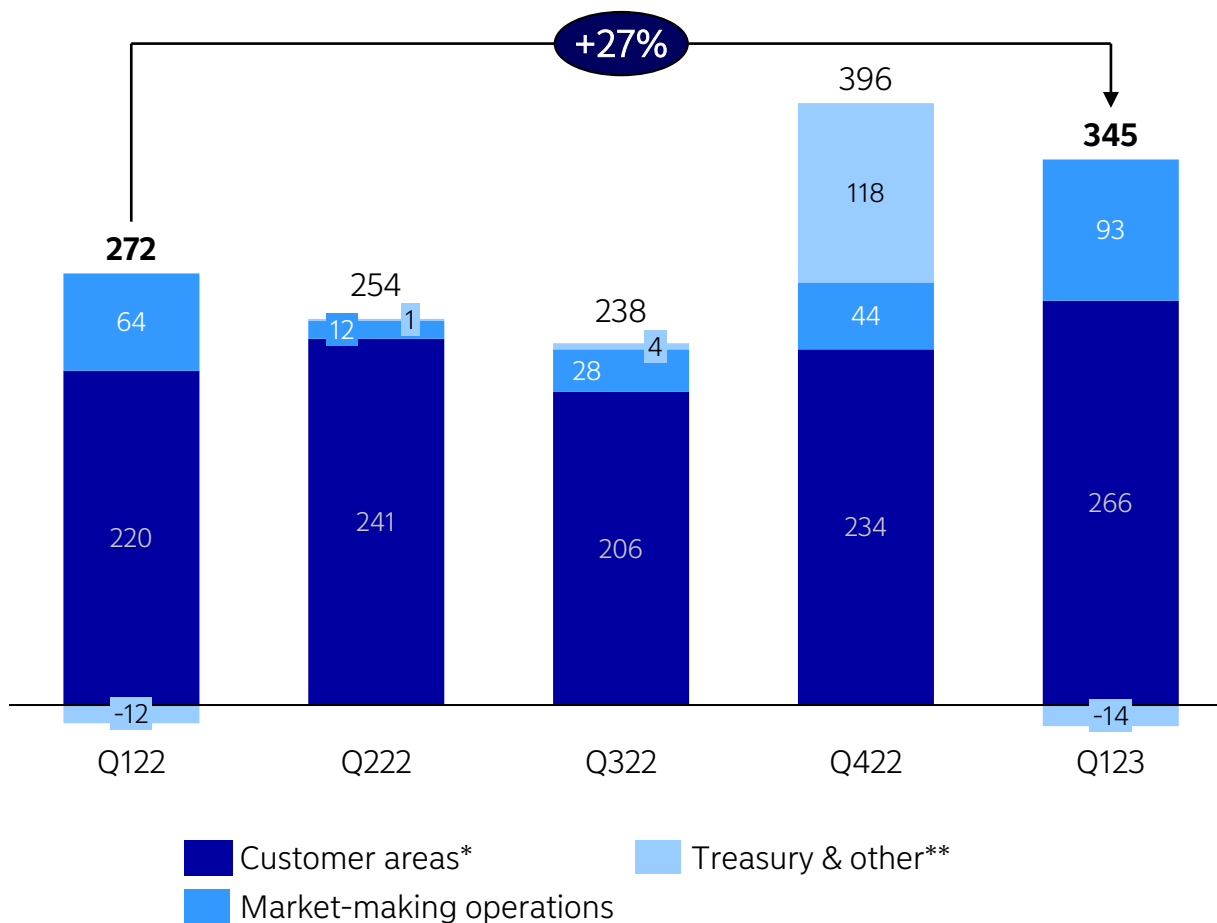


- **Net fee and commission income down 8%**
- **Savings fee income down due to decrease in assets under management**
  - Assets under management down 7%, but net flows from internal channels positive
- **Brokerage and advisory fee income down due to lower activity**
- **Payment and card fee income up due to higher volumes**

Net fair value result

## High customer activity

Net fair value result, EURm

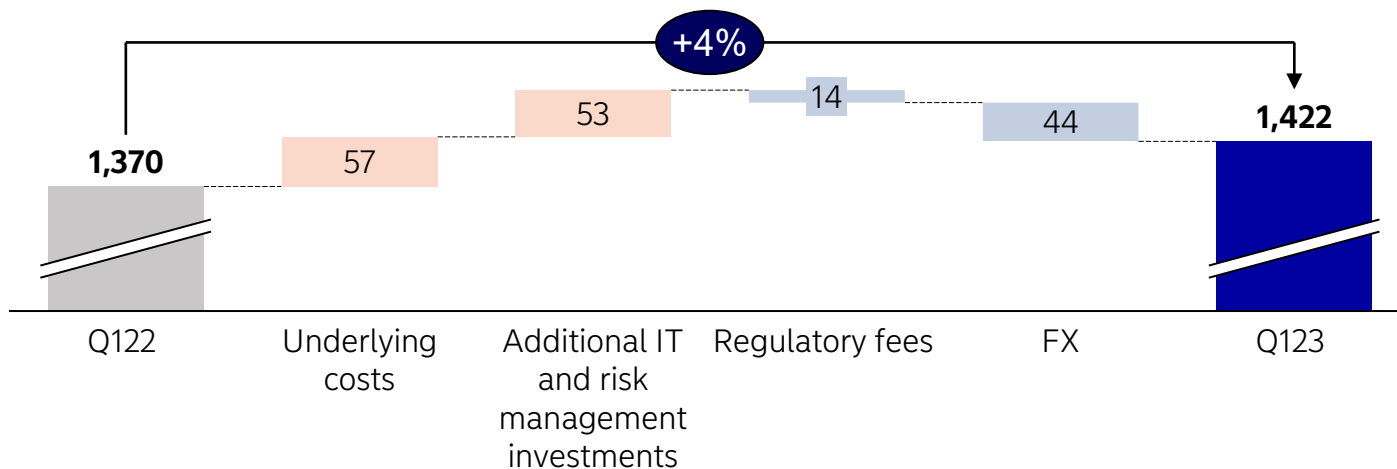


- **Continued high customer risk management activity**
  - Strong demand for FX and rate hedging products
- **Market-making up, driven by rates and FX trading**

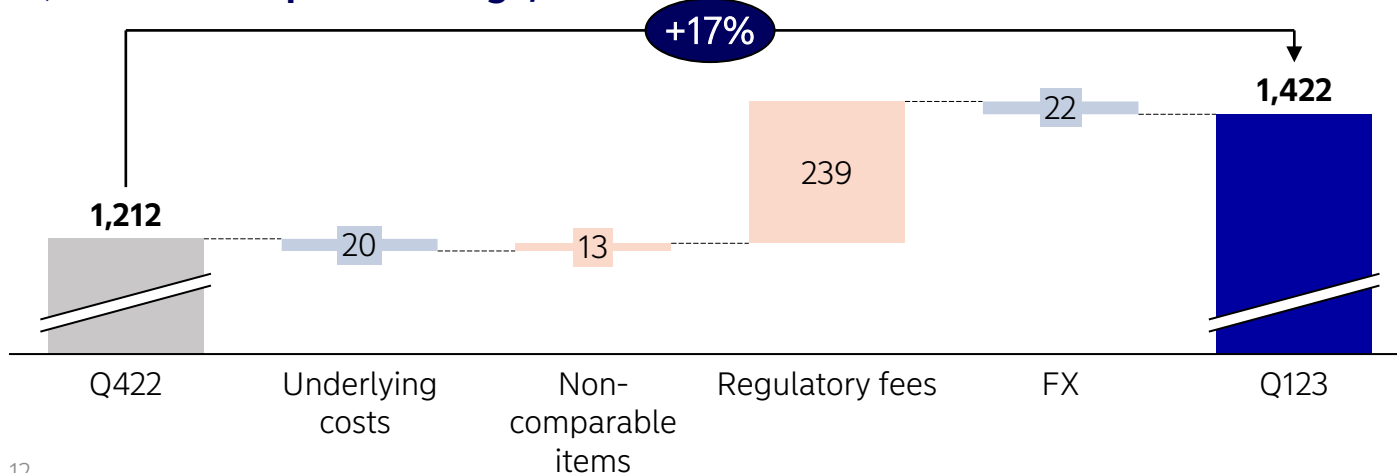
## Costs

### Continued additional investments

#### Year-over-year bridge, EURm



#### Quarter-over-quarter bridge, EURm



- Costs excluding regulatory fees up 6%, in line with plan
- Continued additional investments in selected strategic areas: digital tech, other tech and risk management

# Nordea

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

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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

Sustainability at the core

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

### Our sustainability objectives



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



**40-50%**

reduction in emissions across investment and lending portfolios by 2030<sup>1</sup>



**50%**

reduction in emissions from internal operations by 2030<sup>1</sup>

### Gender balance

### Supported by our 2025 sustainability targets<sup>2</sup>:

€ **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 the top 200 financed emissions  
contributors in Nordea Asset  
Management's portfolios are either  
aligned with the Paris Agreement or  
subject to active engagement



**Double**

the share of net-zero committed  
AUM



**At least 40%**

representation of each gender at  
the top three leadership levels<sup>3</sup>  
combined

14 1) compared to 2019 baseline  
2) Selection of our medium-term targets – [link](#) to full list of targets  
3) Group Leadership Team (GLT), GLT-1 and GLT-2



Sustainability at the core

Further strengthened climate targets in our lending portfolio

<div><div></div><div>40-50% reduction in financed emissions in our lending portfolio by 2030<sup>1</sup></div></div>								Progress
								-19% (2022)
Sector	Sub-sector	Emissions scope	Metric	Base year	Baseline	Target year	Target	Current status
Shipping	Vessels	1	AER, gCO2/dwt-nm	2019	8.3	2030	-30%	8.4 AER (2021)
Residential Real Estate	Households and tenant-owner associations	1 and 2	kgCO2e/m2	2019	17.6	2030	-40–50%	17.1 kgCO2e/m2 (2022)
Oil & Gas	Exploration and production	1, 2 and 3	MtCO2e	2019	3.0	2030	-55%	0.06 MtCO2e (2022)
Offshore	Drilling rigs and offshore service vessels within Oil and Gas, and Shipping	-	EURm	2019	1,885	2025	-100%	-
Mining	Thermal peat	-	EURm	2022	52	2025	-100%	-
	Thermal coal	-	EURm	Restrictive policy, full phase-out achieved in 2021				

15 1) compared to 2019 baseline and covering lending to corporates and households for business loans, motor vehicles, commercial and residential real estate and shipping: Progress excluding commercial real estate

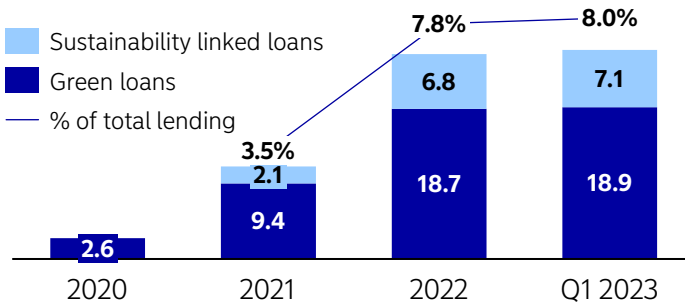
Sustainability at the core

## Actively engaging to drive transition and capture growth opportunities

### Channelling capital towards sustainable solutions

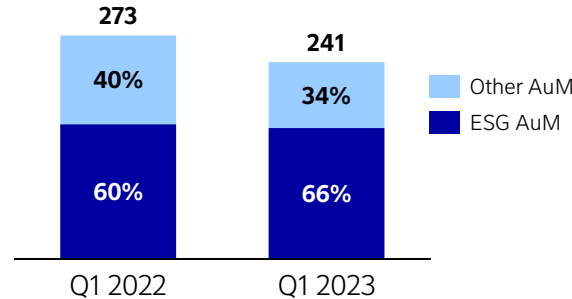
#### Green and sustainability linked loans

Total volumes, EURbn



#### Nordea Asset Management

Assets under management, EURbn



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

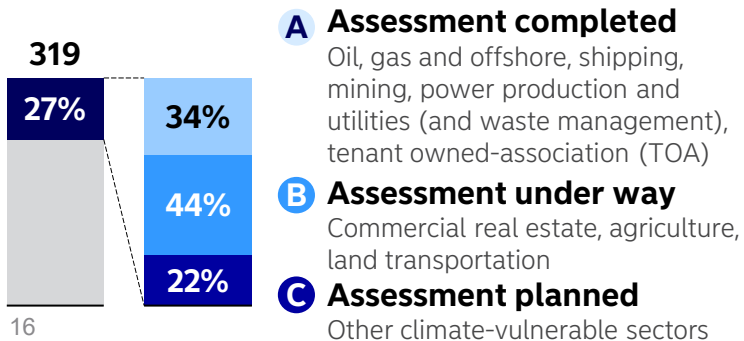
- **Facilitated EUR 73bn in sustainable financing**  
Compared to target EUR >200bn by 2025
- **Nordea included in the S&P global sustainability yearbook - 2023 rankings**

### Engaging to support green transition

#### Climate-vulnerable exposure

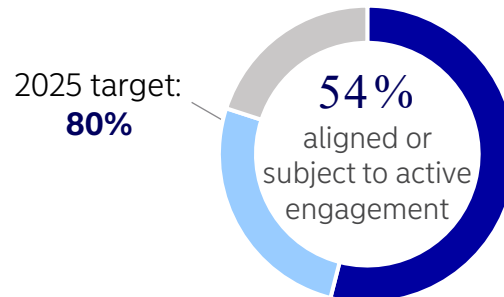
Sector assessment (total lending, EURbn)

Climate-vulnerable sectors



#### Alignment with Paris agreement for top 200 emission contributors

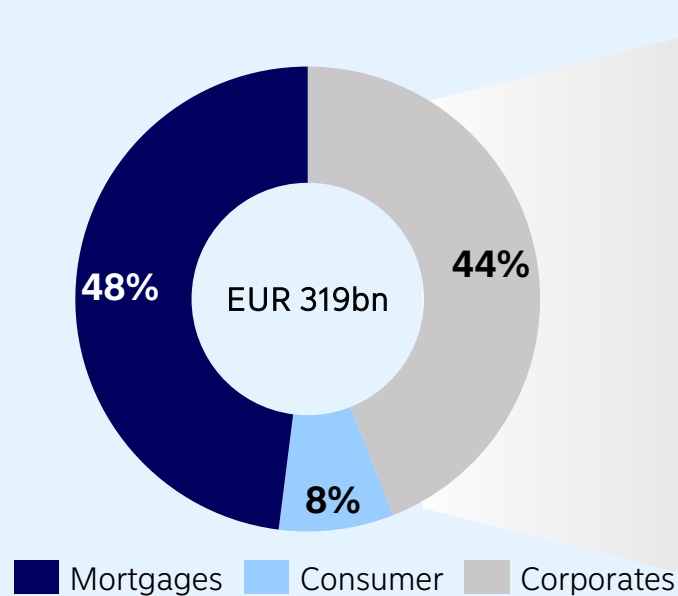
Q1 2023, portfolios in Asset Management



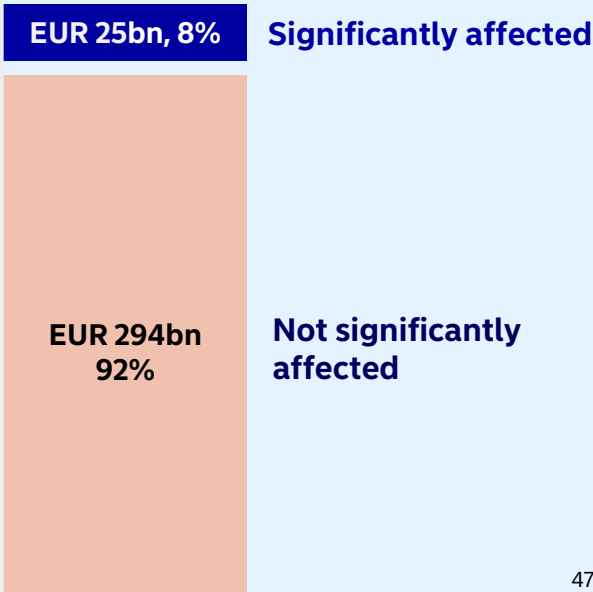
## 2. Credit quality

Well diversified with strong credit quality

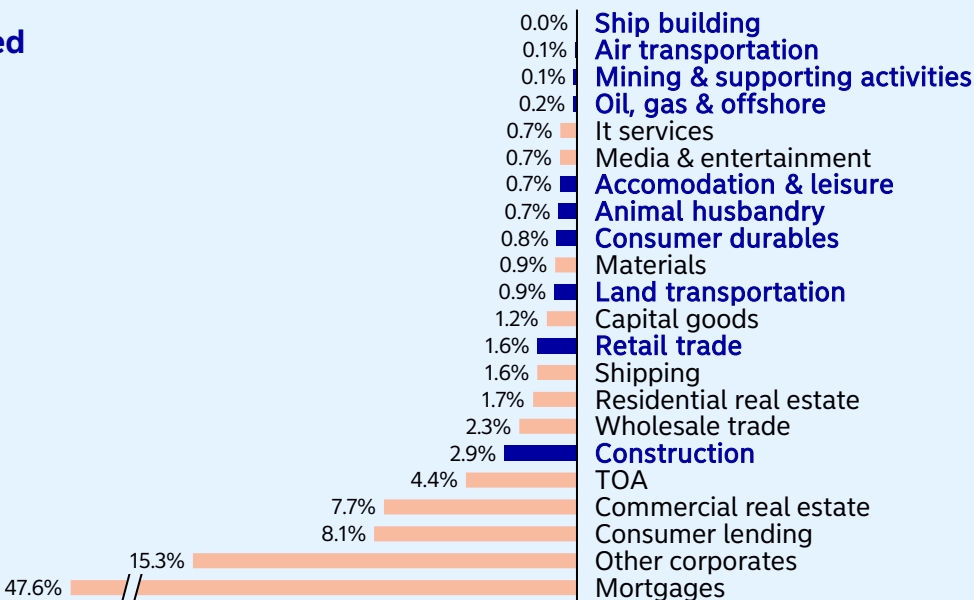
Portfolio well diversified across countries and segments



Analysis of 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

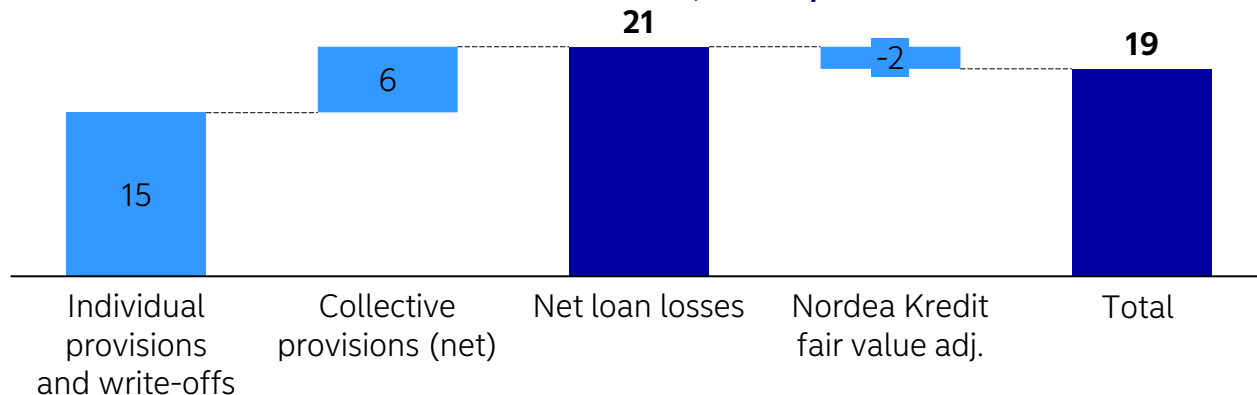
Lending by country



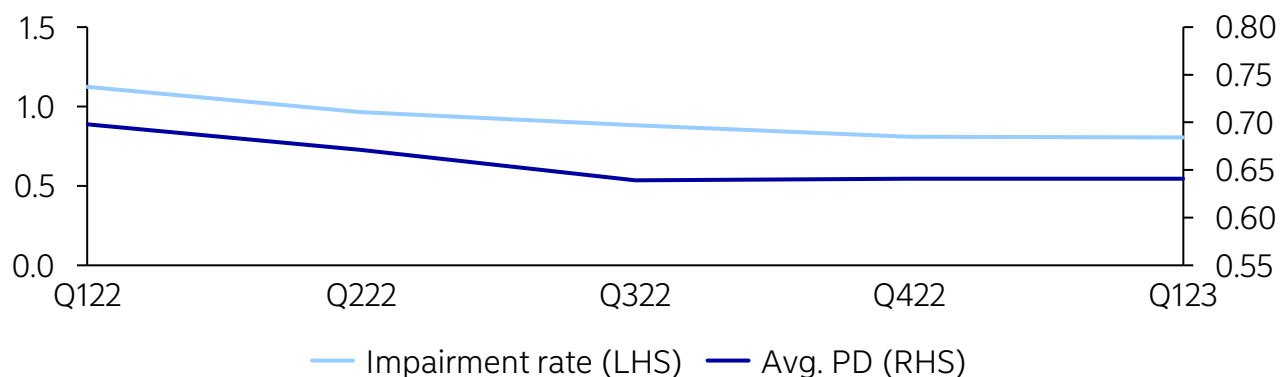
Net loan losses and similar net result

## Strong credit quality in weaker economic conditions

Net loan losses and similar net result Q1 2023, EURm



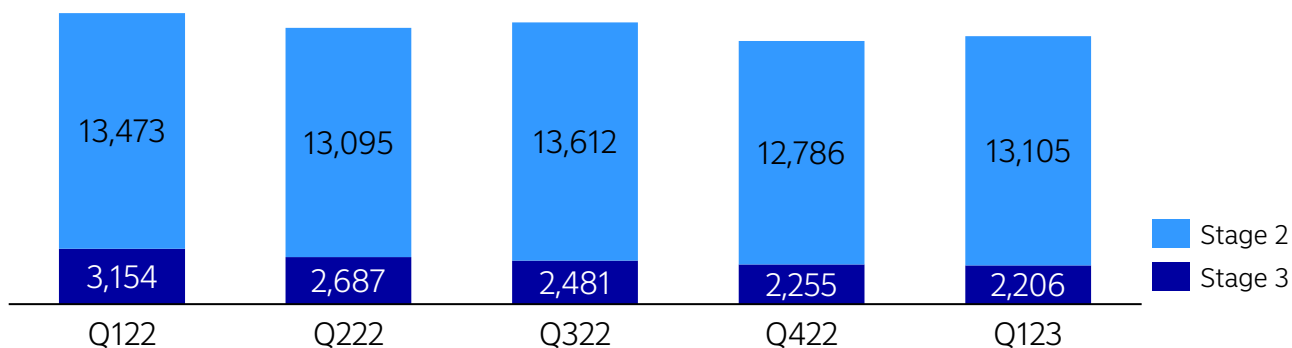
Impaired (stage 3) loans and PD of total loans, %



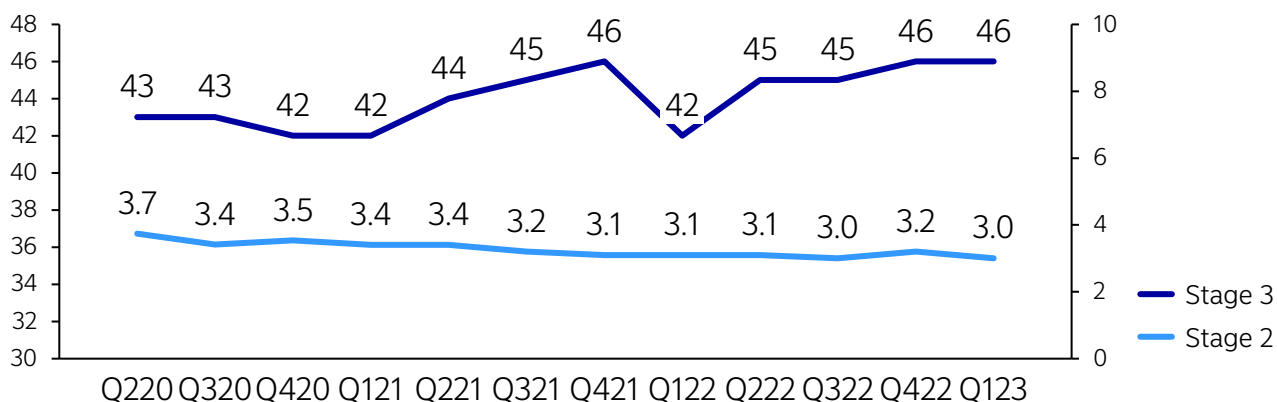
- **Total net loan result low at EUR 19m (2bp)**
  - Low levels of both individual and collective provisions
  - EUR 2m FV gain from Danish mortgages
- **Management judgement buffer maintained at EUR 585m**
- **Continued strong credit quality; risks carefully monitored**

## Strong and stable portfolio credit quality

### Stage 2 and 3 loans at amortised cost, EURm



### Coverage ratio, %

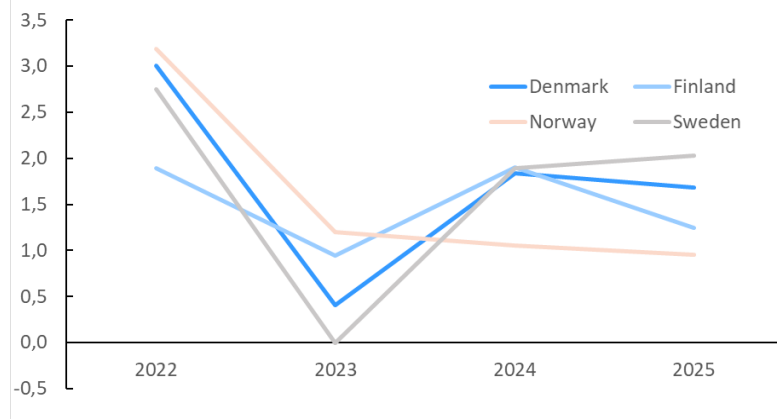


- Stage 3 (impaired) loans unchanged from Q4 2022 at 0.80%
- Stage 2 loans slightly up: 2% q/q
- Coverage ratio for remaining stage 3 portfolio unchanged at 46%
- Continued strong portfolio credit quality

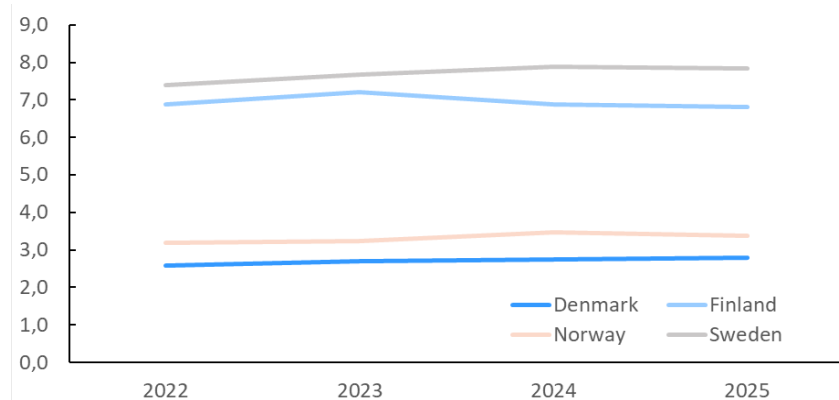


## Macroeconomic assumptions for scenarios

**Baseline annual GDP growth, %**



**Baseline unemployment rate, %**



- **Base scenario, 50% weight**

- High interest rates and elevated inflation continue to weigh on economic activity and push Denmark, Finland and Sweden in mild recessions in 2023 however in Norway high energy prices will support growth. The weak growth momentum will persist throughout 2023 and the recovery is expected to be slower and longer. Rising interest rates lead to financial uncertainty. The financial uncertainty is, however, contained and spill-overs to the real economy are limited
- Following strong housing market activity and price appreciation over the past years, housing markets in the Nordic countries have turned around, with sales down and house prices declining

- **Adverse scenario, 40% weight**

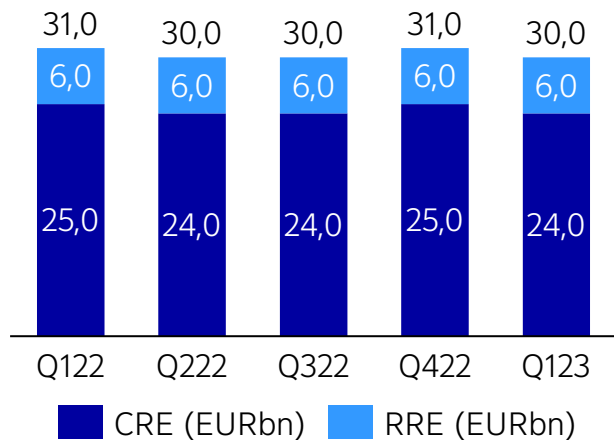
- High energy prices and continued financial uncertainty may lead to a deeper and longer recession due to weaker growth in private consumption and investments

- **Upside scenario, 10% weight**

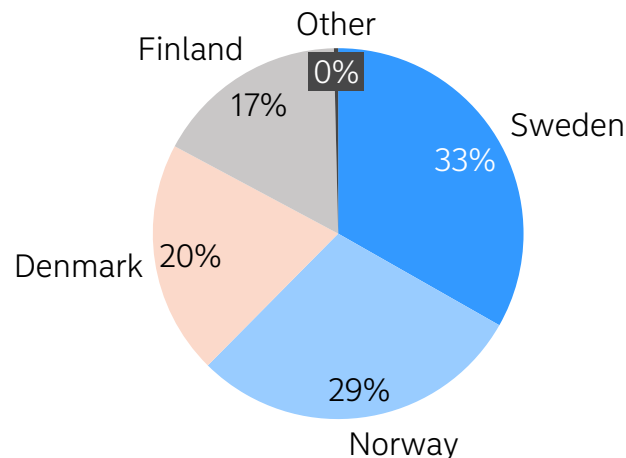
- A stabilisation of energy prices at a lower level may on the other hand prevent growth to turn negative in 2023 and support a stronger recovery going forward

## Well-diversified portfolio of high quality

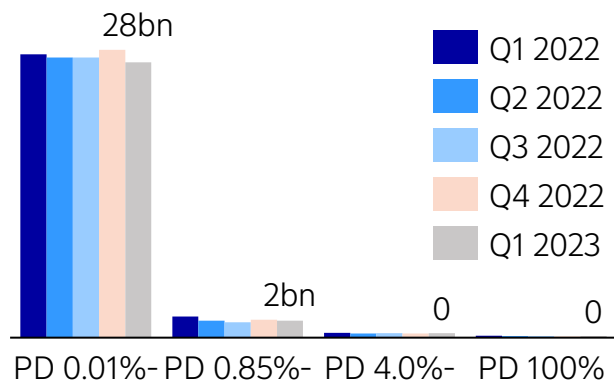
### CRE lending stable



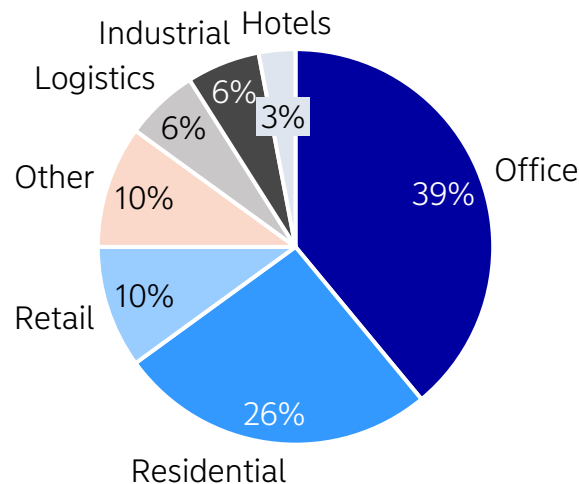
### Diversified across countries



### 92% of portfolio with low probability of default (PD)



### Diversified across types

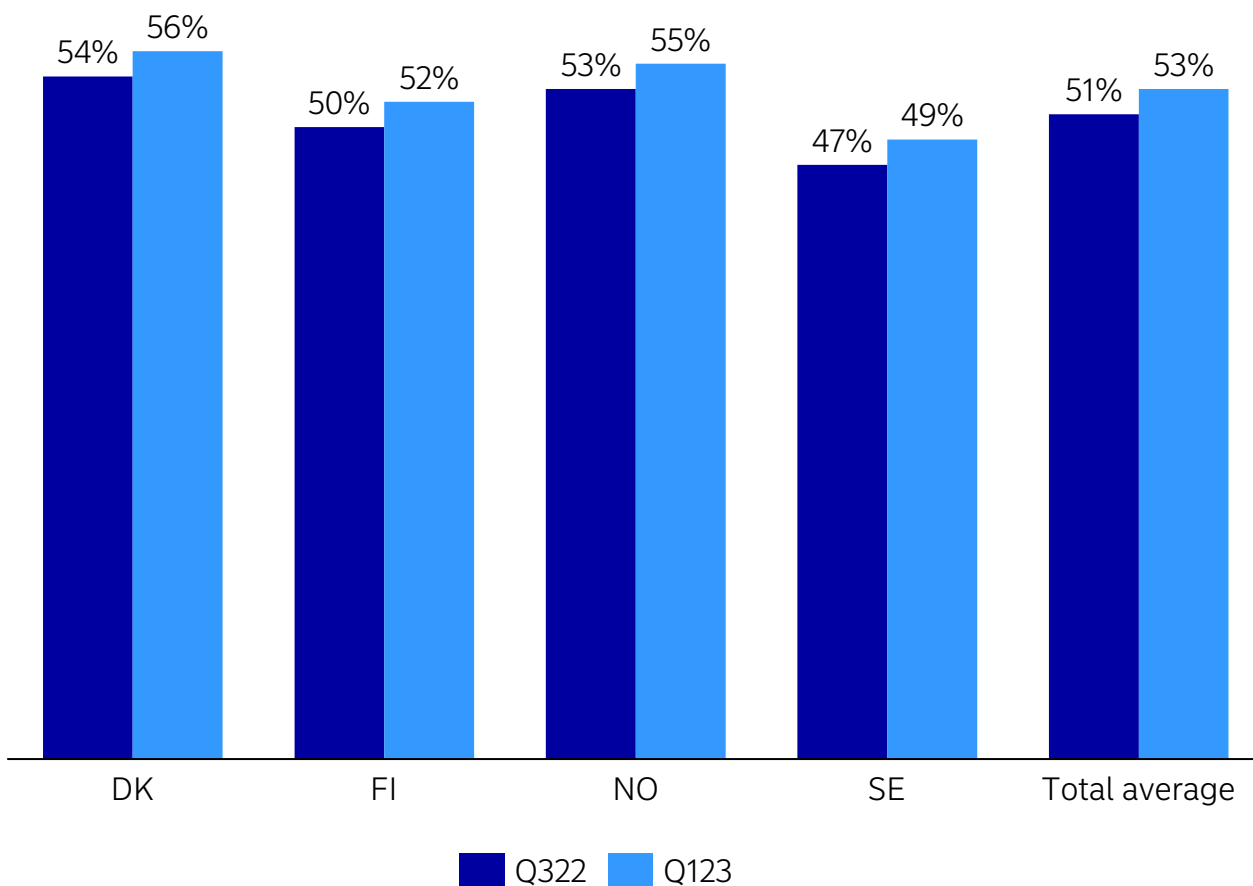


- **Well-diversified portfolio across Nordic markets**
- **92% of exposure towards low-risk customers in Q1 2023, with only 2% towards high risk**
- **Portfolio mainly comprising central and modern office and residential properties**
- **Underwriting standards: conservative credit policy with focus on cash flow and existing customers. All new lending fully collateralised**

Real estate management industry (REMI)\*

## Prudent LTV levels and interest coverage

### Moderate LTV levels for all Nordic countries

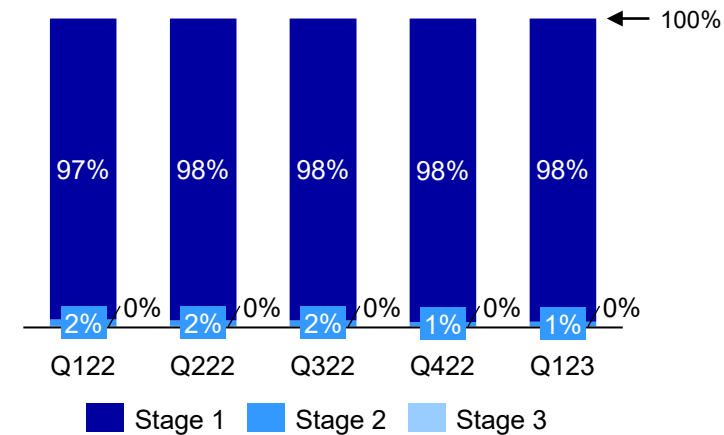


- **Moderate LTVs, resilient interest coverage and low vacancy rates**
- **97% of exposure with LTV below 65%**
- **Average Interest Coverage Ratio (ICR) 5.8x end-Q3 2022**
  - Average ICR in stress scenario above 2x
- **Low vacancy rates, with average letting ratio 93.5%**

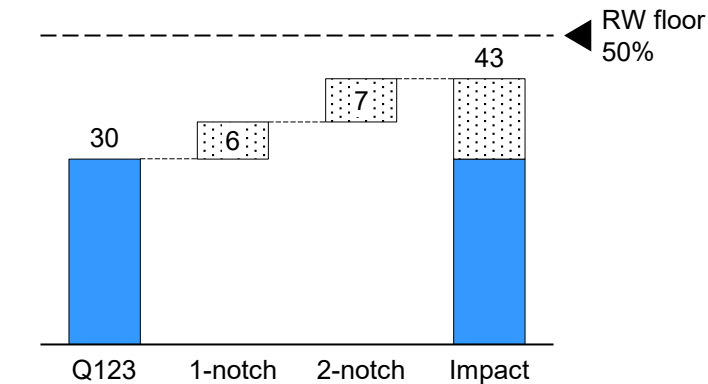
Real estate management industry (REMI)\*

# Low levels of risk exposure

Strong credit quality, with 98% in IFRS 9 stage 1

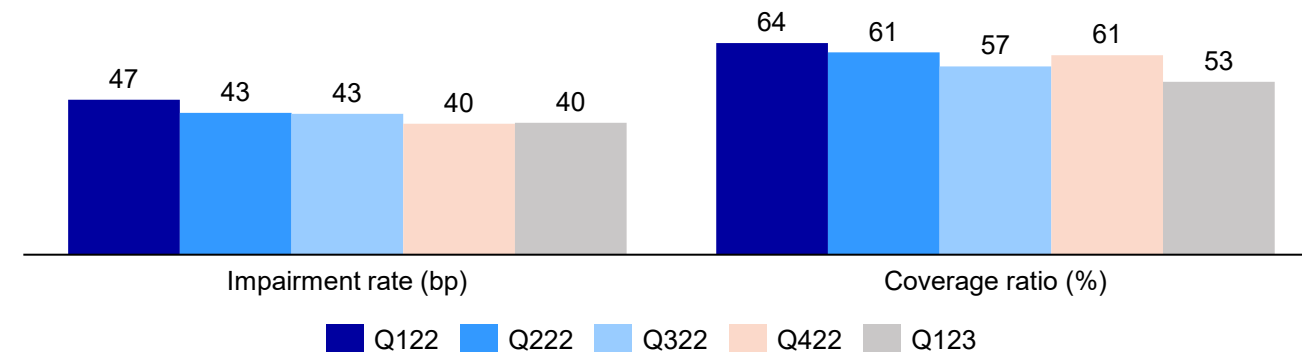


No REA impact even from 2-notch downgrade due to risk weight floors



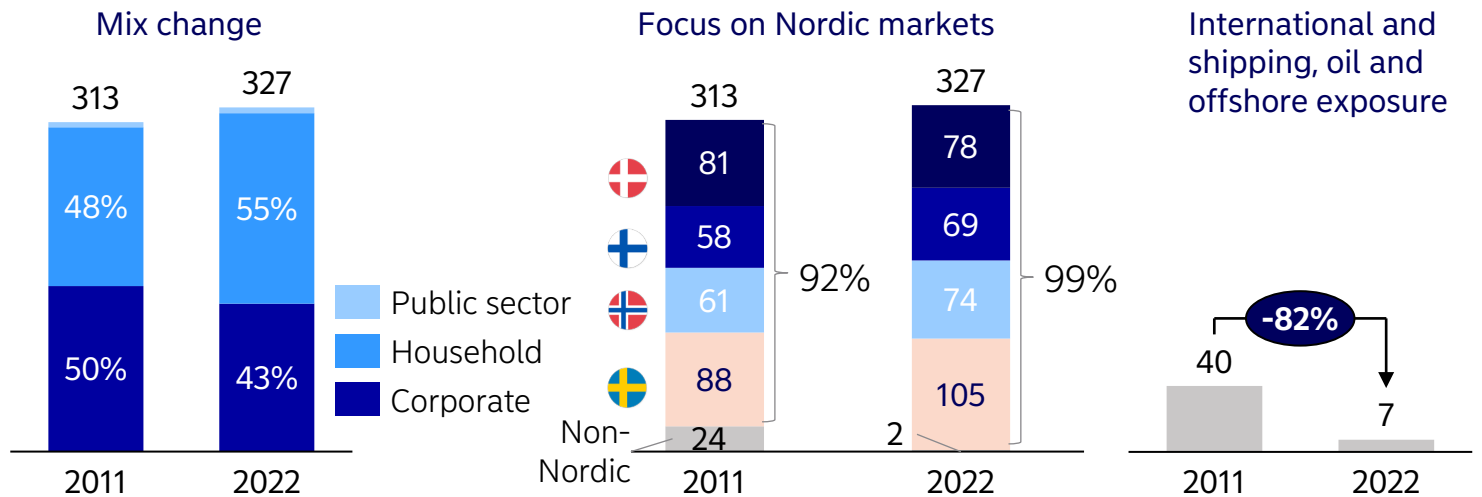
- Only 1% of portfolio in stage 2 (higher credit risk)
- Less than 0.5% of portfolio impaired
- Provision coverage above 50% – strong for collateralised assets
- Limited REA impact from potential rating migration due to risk weight floors

Low impairment rate and high coverage for impaired portfolio

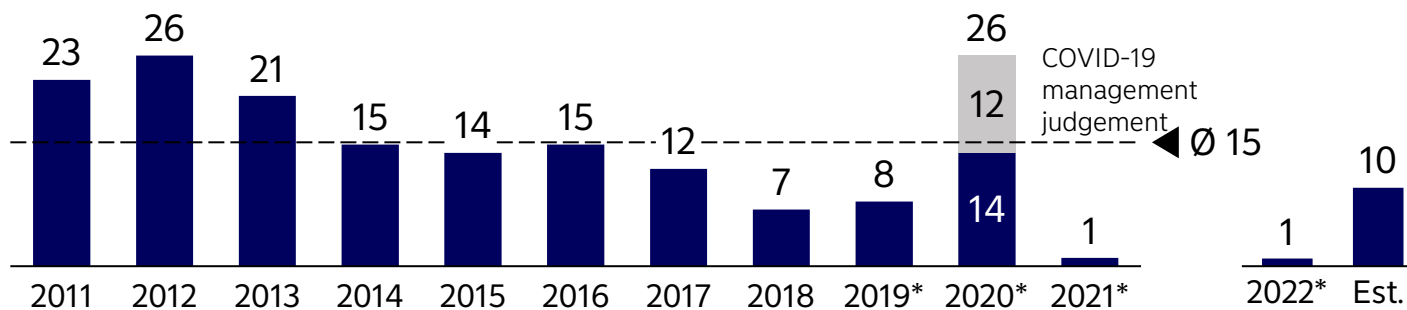


## Loan losses settling below historical average

### 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

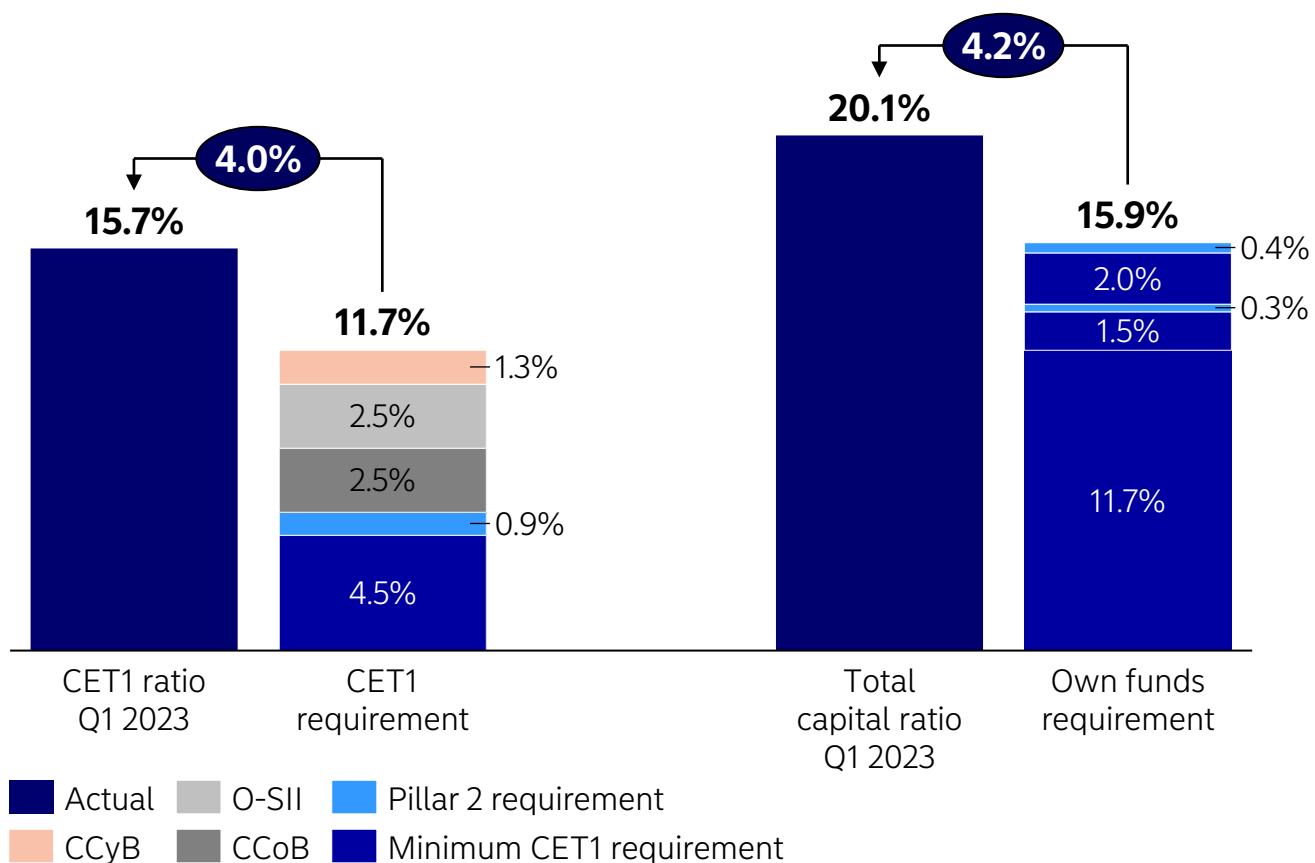
### Normalised run rate of loan losses expected to be ~10bp

### **3. Capital and funding**



## Significant buffer to capital requirements

### Capital position and requirements (%)



- CET1 capital ratio 15.7%**

- 4 percentage points above regulatory requirement, corresponding to a CET1 buffer of EUR 5.6bn
- Capital policy of 150-200bp management buffer above regulatory requirement (MDA level)

- Changes in capital requirements**

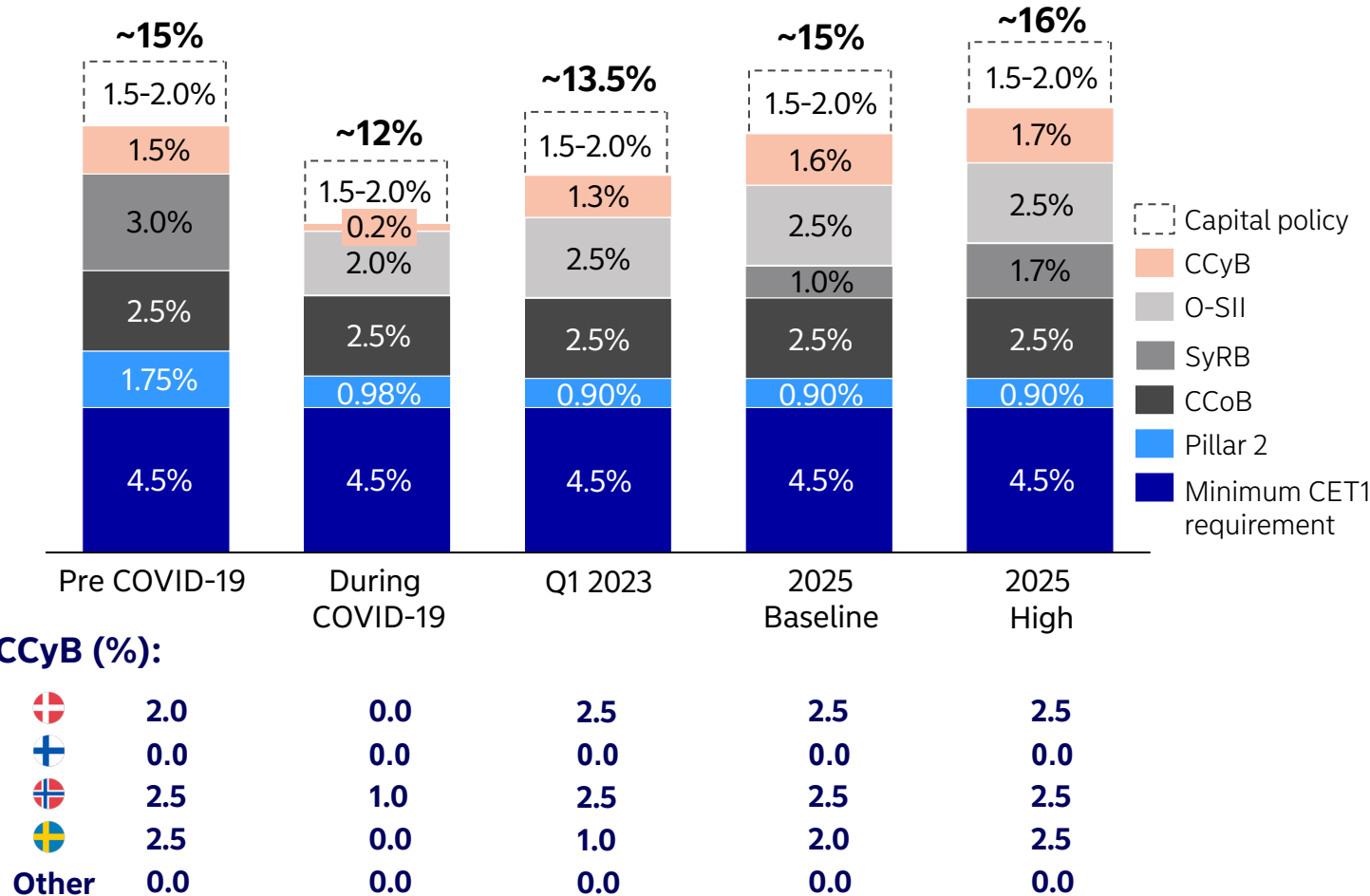
- In Q1 2023, the P2R was reduced to 1.60% from 1.75%, of which the CET1 part is reduced to 0.90% from 0.98%
- Increased CCyB buffer rates in Norway and Denmark to 2.5
- O-SII buffer increased from 2.0% to 2.5%

- MDA level expected to increase following decided increases in CCyB and SyRB**

- Decided increase of CCyB buffer rate in Sweden from Q2 2023\*
- Finnish SyRB set at 1.0% from Q2 2024

27 \* Decided increases of CCyB buffer rates: Sweden from current 1.0% to 2.0% in Q2 2023.

# Capital CET1 capital requirements

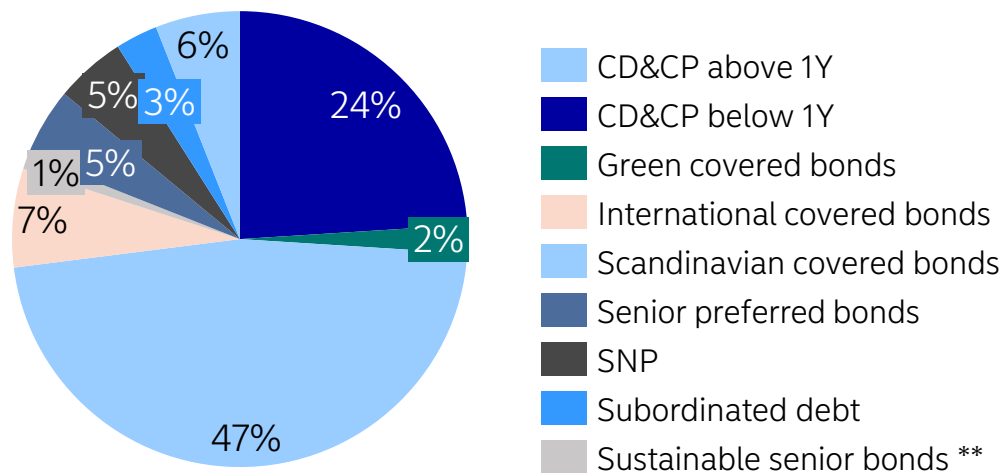


- **Changes in Q1 2023 (Q4 2022)**
  - CCyB increase to 1.3% (1.1%)
  - O-SII increase to 2.5% (2.0%)
  - P2R decrease to 0.90% (0.98%)
- **2025 “Baseline” (known)**
  - Finnish systemic risk buffer increase to 1.0% (Q2 2024)
  - CCyB increase to 1.6% (Q2 2023)
- **2025 “High”**
  - Impact of potential full reciprocation of Norwegian systemic risk buffer ~0.7%
  - CCyB increase in Sweden to 2.5%

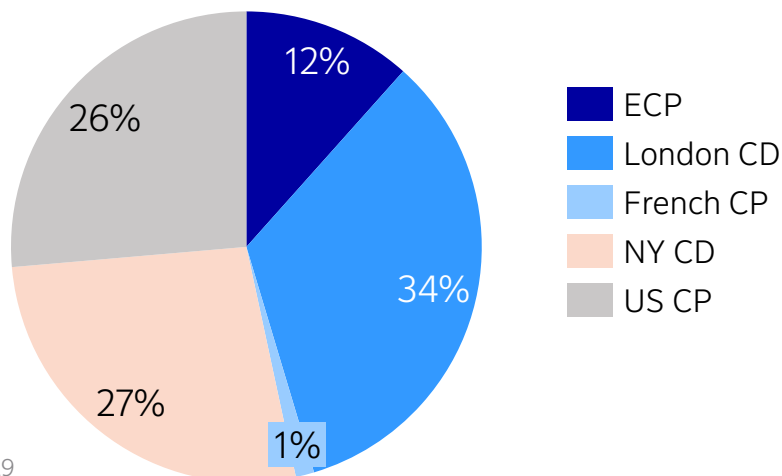
Long term funding

## Solid funding operations

### Wholesale funding outstanding, EUR 196bn



### Short term funding composition\*, EUR 47bn



### • Long term issuance

- EUR 7.6bn\* in long term debt issued during Q1
  - EUR 6.6bn covered bonds and EUR 1bn in senior non-preferred format
- Long term funding 71% of total funding at end of Q1

### • Short term issuance

- Total outstanding EUR 47.4bn per end Q1
- Globally diversified funding with strong market access

### • Issuance plans 2023

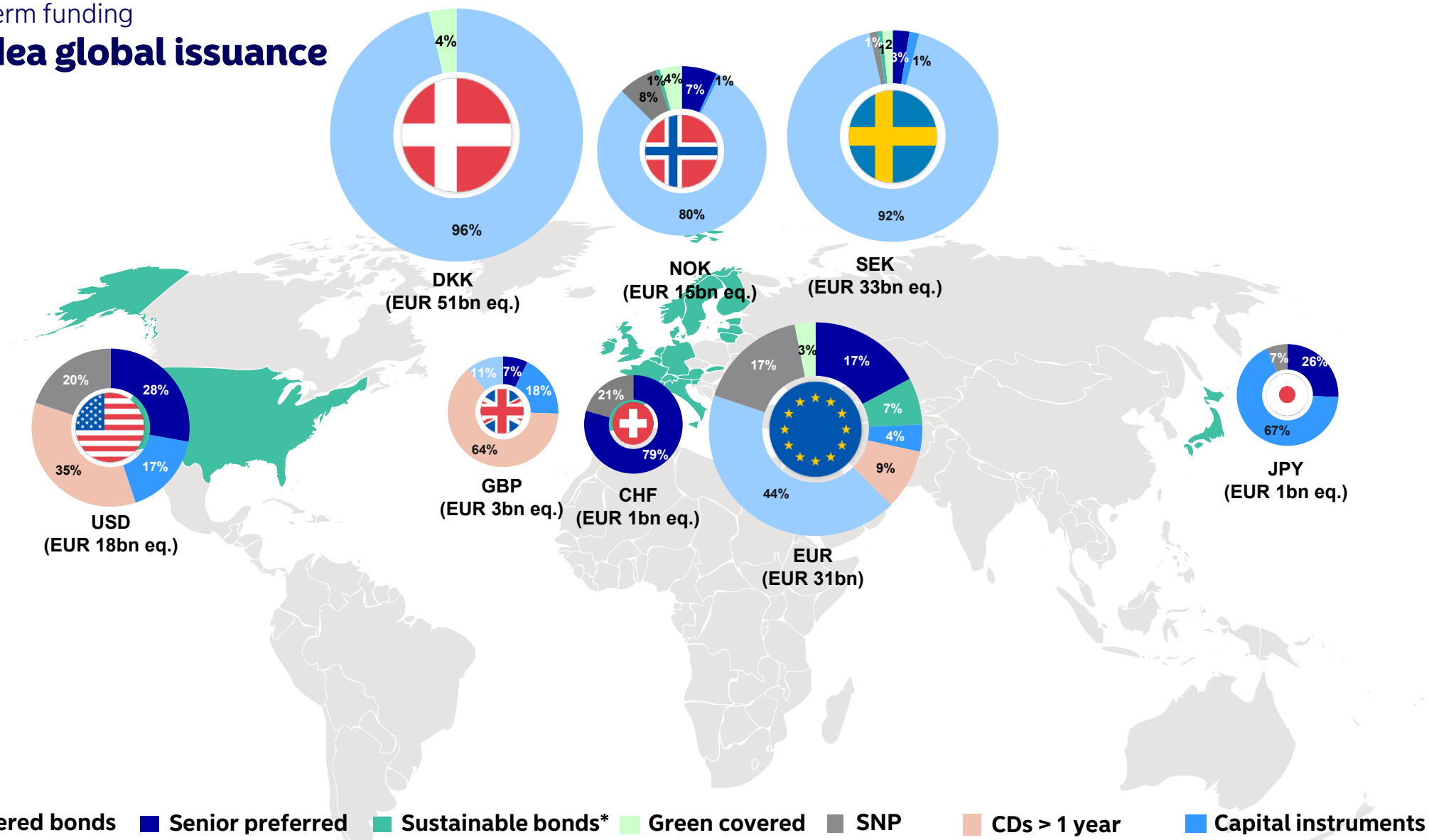
- Total issuance estimated to EUR 20-25bn\*\*
  - Around half expected to be issued in Scandinavian markets, primarily in covered bond format
- Target of ~EUR 13bn outstanding in eligible SNP by end of 2023
  - EUR 12.0bn SNP outstanding by Q1 whereof ~EUR 9.4bn eligible by YE 2023

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

\*\*Excluding DKK covered bonds, CD/CPs above 1Y and subordinated debt

Long term funding

# Nordea global issuance

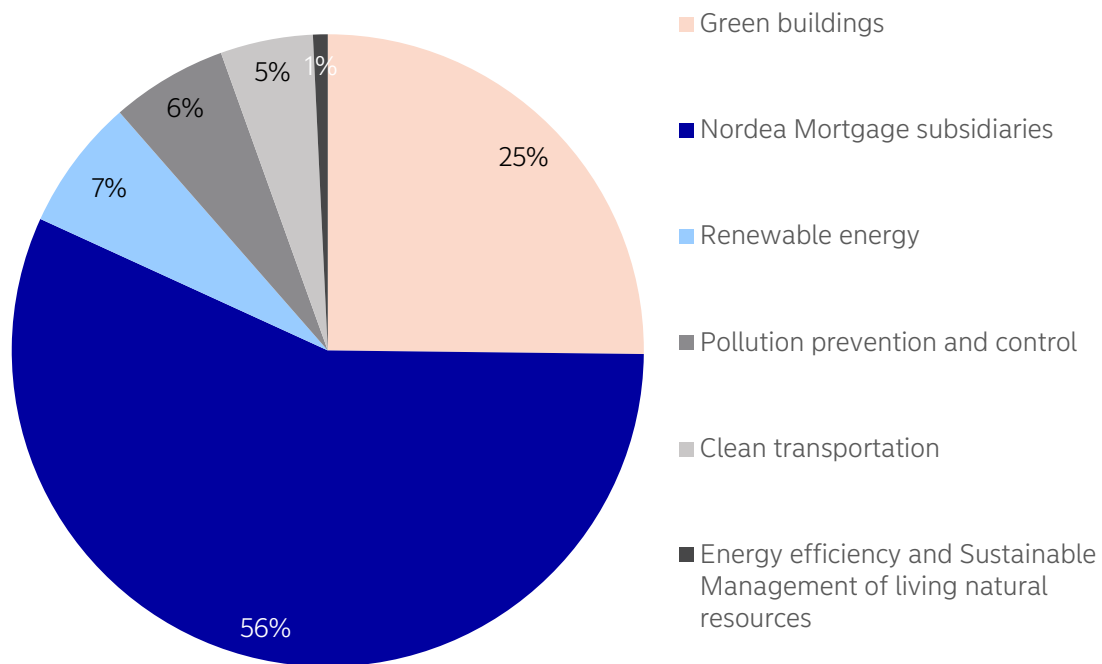


■ Covered bonds ■ Senior preferred ■ Sustainable bonds\* ■ Green covered ■ SNP ■ CDs > 1 year ■ Capital instruments

Sustainability at the core

## Enhanced focus on sustainable funding

### Nordea's green bond asset portfolio



- **Assets available for green funding totaling EUR 11.3bn**
  - EUR 5.4bn in NBAbp's green bond asset portfolio
  - EUR 5.9bn available assets for green covered bond issuance from Nordea's mortgage subsidiaries
- **EUR 2.25bn outstanding of green bonds from NBAbp**
- **EUR 4bn outstanding of green covered bonds from all four mortgage subsidiaries**
- **Green deposits offered in Norway**
- **Inaugural bond under sustainability linked loan (SLL) funding framework issued in 2022**
  - SEK 2.8bn and NOK 1.3bn senior preferred



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



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



ESG rating:  
AA (AAA to CCC)

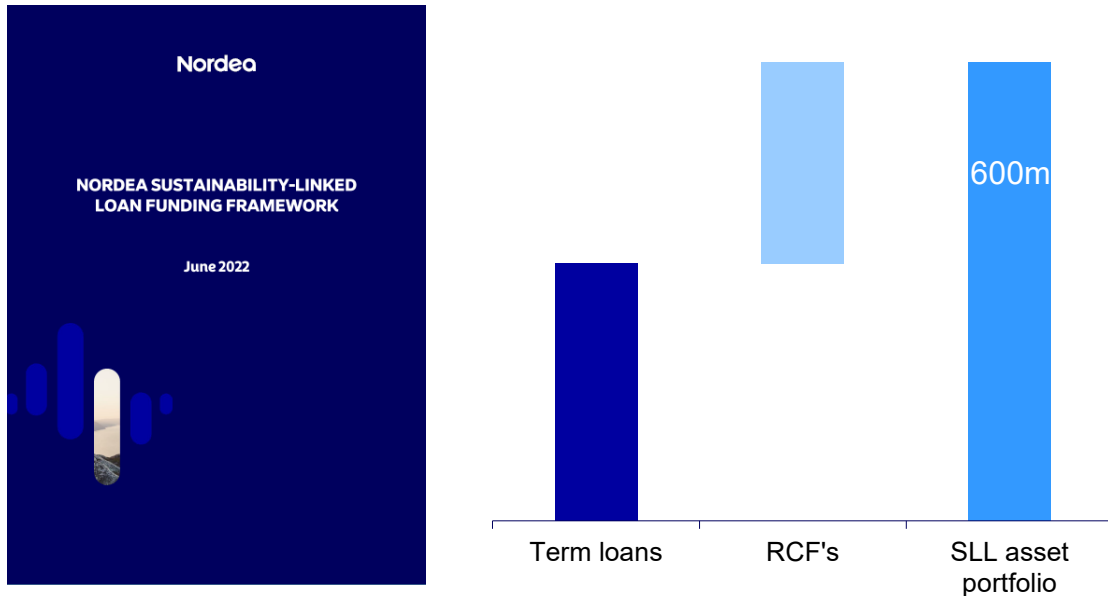


CSA score:  
70 (0 to 100)\*\*\*

Sustainability at the core

## Nordea Sustainable Linked Loan (SLL) 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

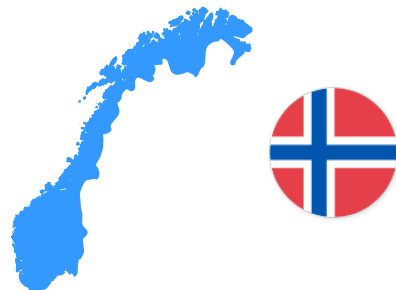
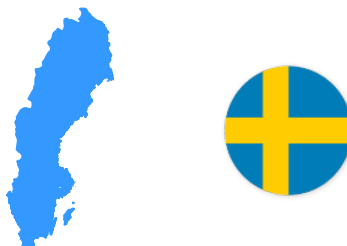

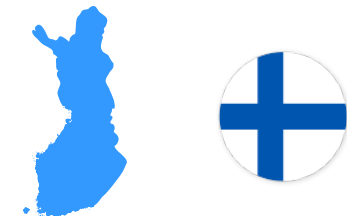


Nordea has engaged ISS ESG to act as an external reviewer of this SLL funding framework and the SLL funding assets

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



## Nordea covered bond operations


















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 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
	Rating (Moody's / S&P)	Aaa / -	Aaa / -	- / AAA	Aaa / -
Nordea Green Funding Framework	Yes	Yes	Yes	Yes	
Issued Green covered bonds	Yes (inaugural issue in 2021)	Yes (inaugural issue in 2022)	Yes (inaugural issue in 2019)	Yes (inaugural issue in 2022)	

- Issuance in Scandinavian and international currencies, all labelled as Premium Covered
- All Nordea covered bond issuance entities are covered by Nordea's updated 2022 green funding framework



## Funding transactions

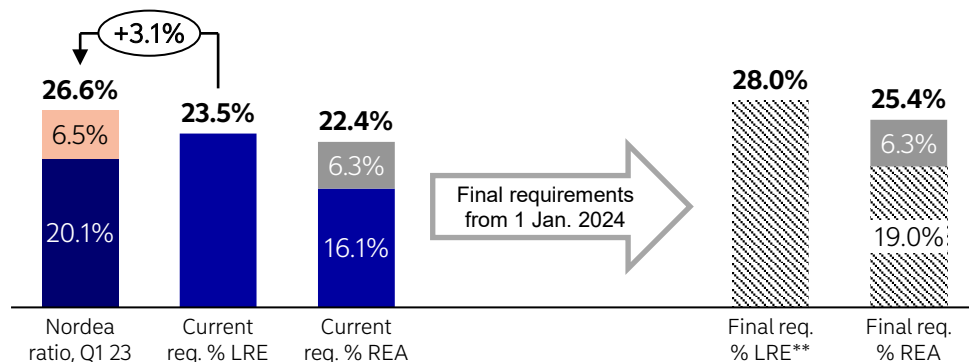
### Nordea recent benchmark transactions

Issuer	Type	Currency	Amount (m)	FRN / Fixed	Issue date	Maturity date	Callable
Nordea Mortgage Bank	Covered	 EUR	1,000	Fixed	Feb-23	Feb-30	
Nordea Bank	Senior non-preferred	 EUR	1,000	Fixed to Float	Feb-23	Feb-26	Feb-25
Nordea Hypotek	Covered	 SEK	6,000	Fixed	Jan-23	Sep-28	
Nordea Eiendomskreditt	Covered	 NOK	11,000	Fixed	Jan-23	Feb-28	
Nordea Mortgage Bank	Covered, <span>Green</span>	 EUR	1,000	Fixed	Nov-22	Dec-25	
Nordea Hypotek	Covered, <span>Green</span>	 SEK	6,000	Fixed	Nov-22	Nov-27	
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, <span>SLL</span>	 NOK	1,300	FRN/Fixed	Sep-22	Sep-27	
Nordea Bank	Senior preferred, <span>SLL</span>	 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	

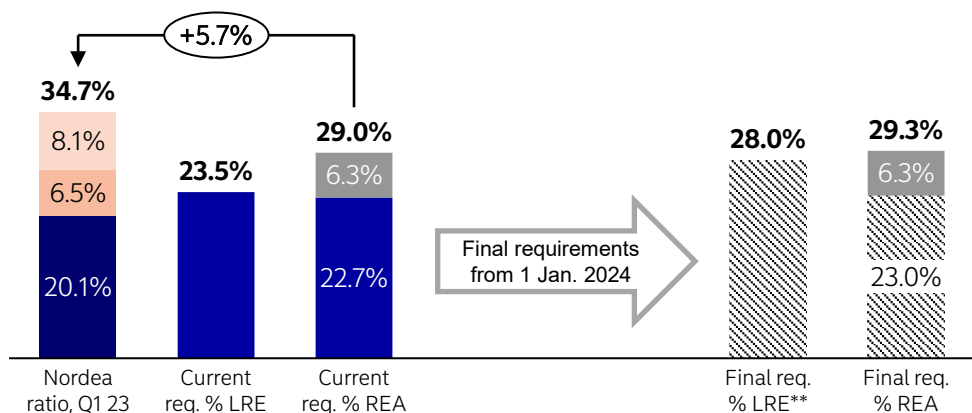
Minimum requirements for own funds and eligible liabilities

## MREL and senior non-preferred target

### Subordinated MREL



### Total MREL



SP Own funds  
SNP CBR

**Solid buffers above current requirements for both subordinated and total MREL**

### Final requirements set by Single Resolution Board (SRB)

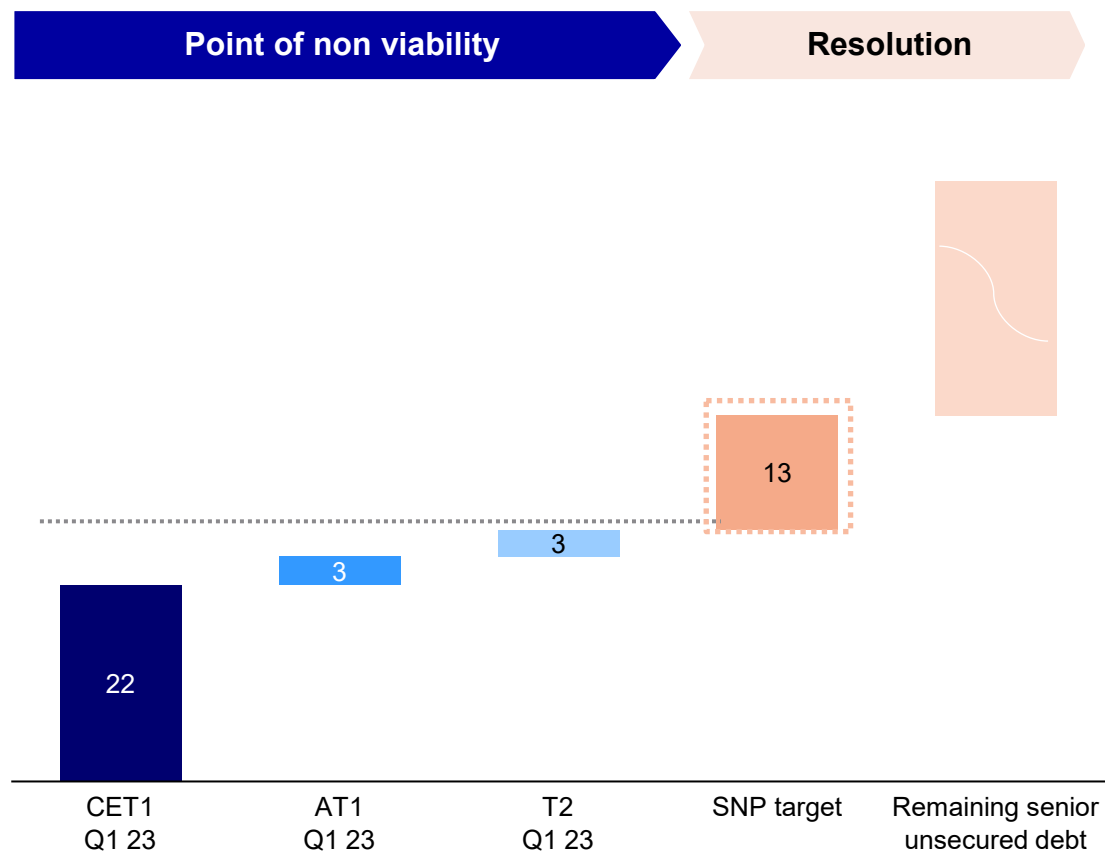
- Subordinated MREL, the higher of:
  - 19.03% REA + CBR\*
  - 7.12% LRE\*\* (corresponding to 28% REA)
- Total MREL, the higher of
  - 22.97% REA + CBR
  - 7.12% LRE (corresponding to 28% REA)
- Applicable from 1 January 2024, to be assessed and updated annually

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

**Nordea**

Own funds and bail-in-able debt position

## Senior non-preferred target



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

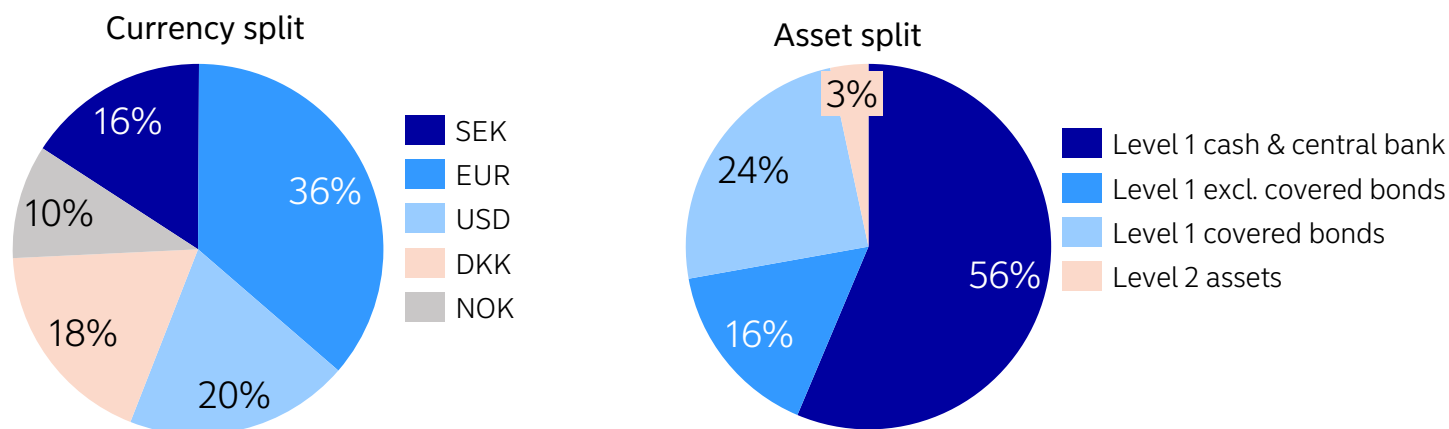
- Subordinated MREL 26.6% of REA as of Q1 23 (3.1 pp above the requirement)
- Issuance plan to meet future subordination requirement

### EUR 12.0bn in SNP issued

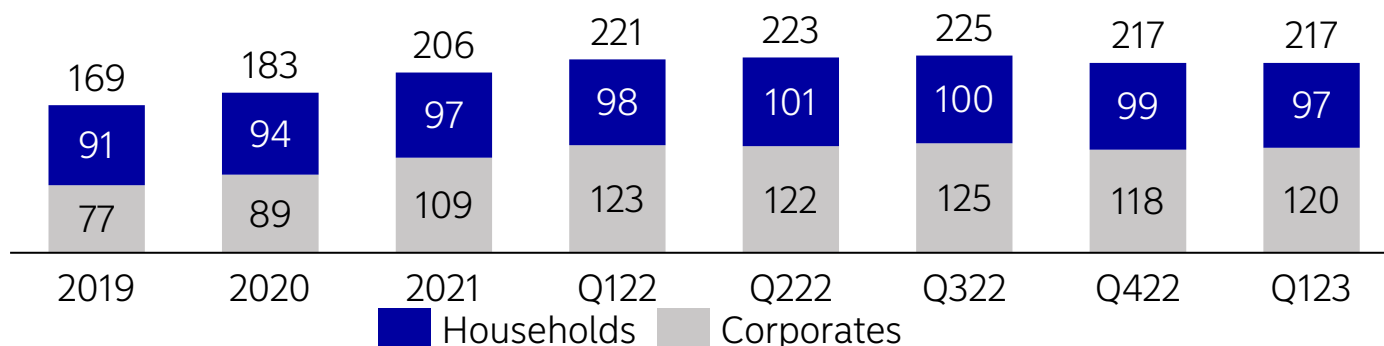
- Of which ~EUR 9.4bn eligible by YE 2023

## Strong liquidity position

### Liquidity buffer composition, EUR 122bn



### Deposits and borrowings from the public\*, EURbn



- Robust liquidity position**

- Liquidity coverage ratio (LCR) 161%
- Net stable funding ratio (NSFR) 116%

- Well diversified liquidity buffer of EUR 122bn**

- 69bn in central bank cash and reserves
- 53bn in bonds, all with MtM accounting
- Conservative hedging approach and no single name concentration

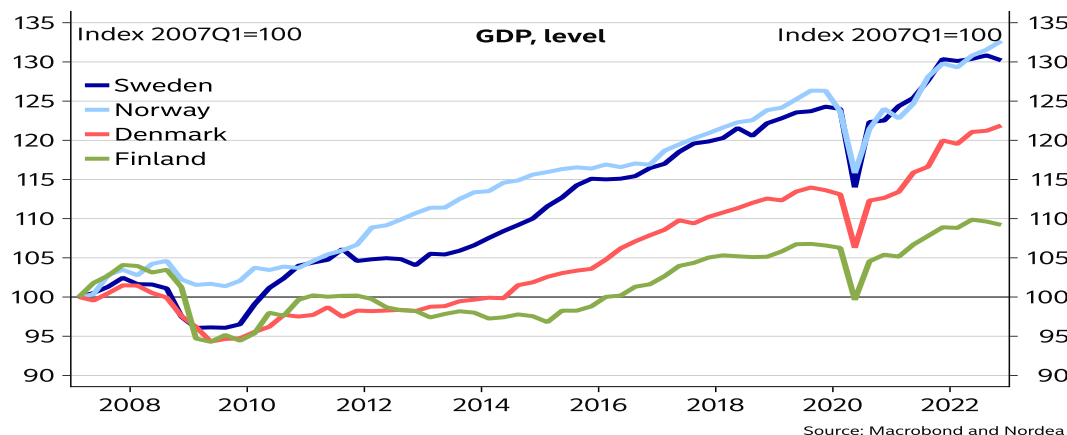
- Deposits**

- In local currency\*\*, deposits up 5% y/y
- 40% of deposits covered by deposit guarantee scheme

## 4. Macroeconomy

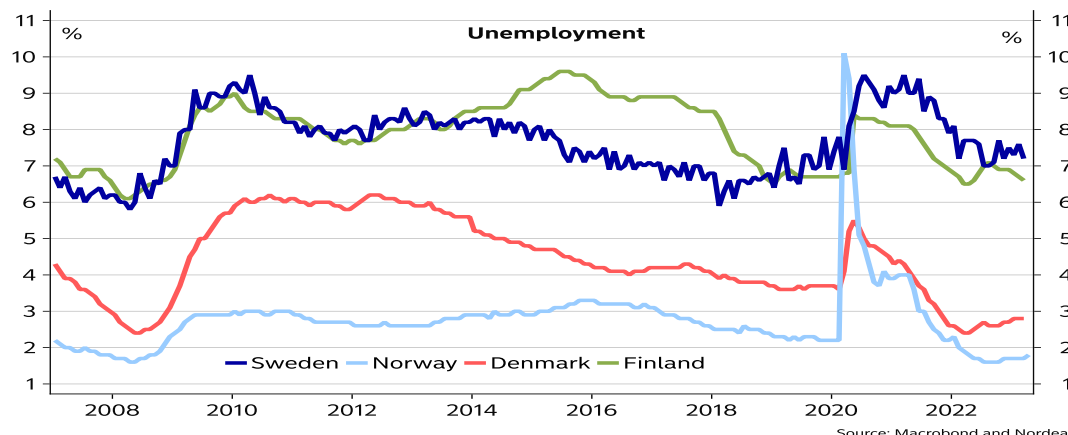
## Resilient economies are facing head-wind

### GDP development



- The Nordic economies have been among the best performing economies globally during the pandemic
- However, on the back of surging inflation and interest rates, coupled with lower global growth, economic activity in the Nordic countries is broadly slowing down
- The resilient labour market is set to weaken as economic growth dampens

### Unemployment rate

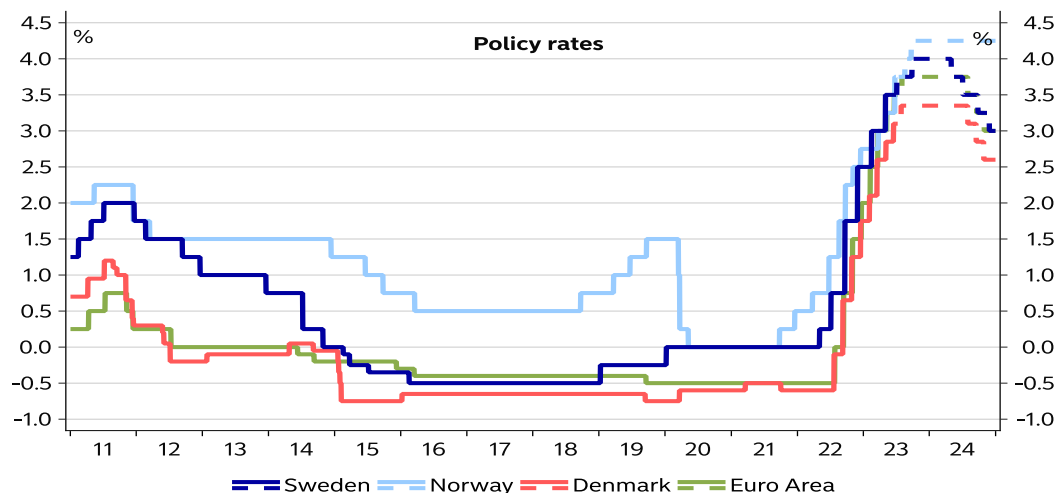


### GDP, % y/y, Economic Outlook May 2023

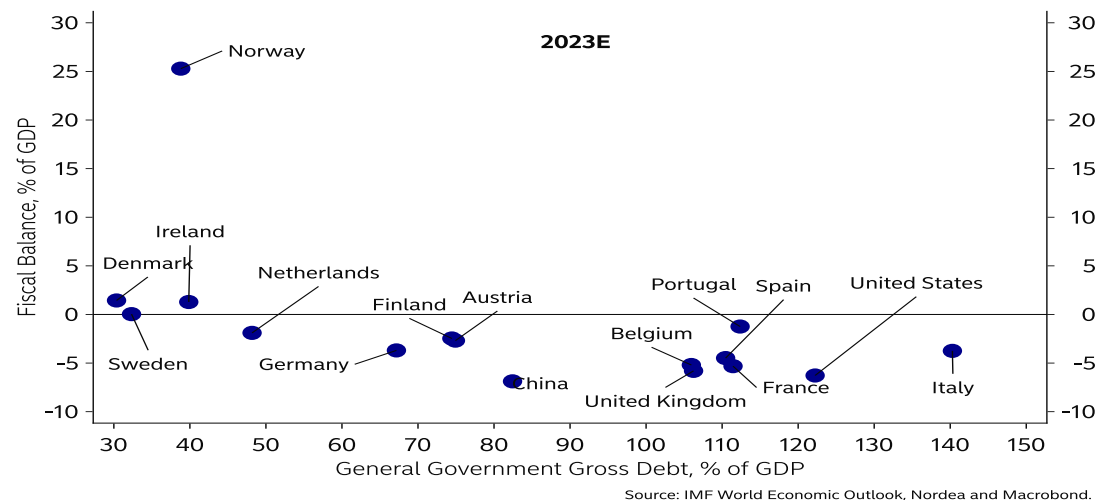
Country	2021	2022	2023E	2024E
Denmark	4.9	3.8	0.5	1.5
Finland	3.0	2.1	0.0	1.0
Norway (mainland)	4.2	3.8	0.5	0.5
Sweden	5.3	2.7	-1.2	0.4

## Central banks not done yet

### Policy rates



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

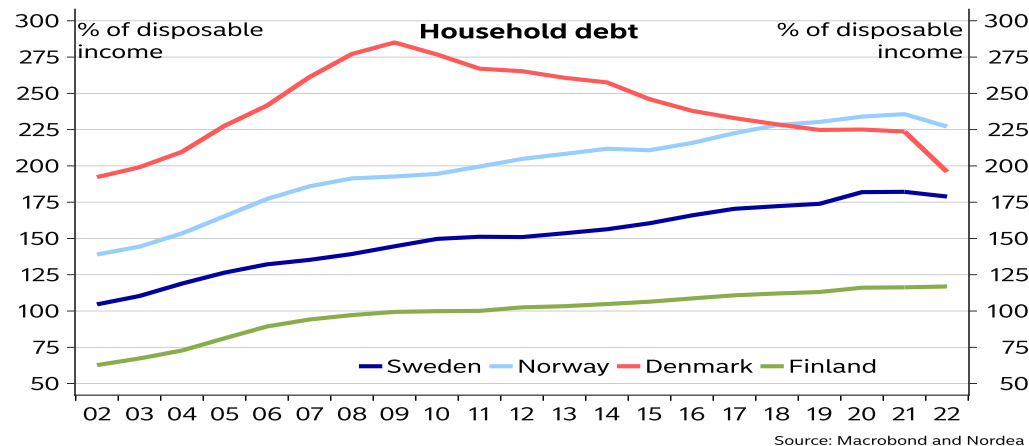


- Central banks have rapidly hiked interest rates to combat the high inflation
- Norges Bank has hiked from 0 to 3.75% since autumn 2021, and are expected to continue until they reach 4.25% in September 2023
- The Swedish Riksbank raised the policy rate to 3.75% in June and are expected to hike until they reach 4.00% in September 2023
- The ECB delivered a 25bp hike in June. We predict that the 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

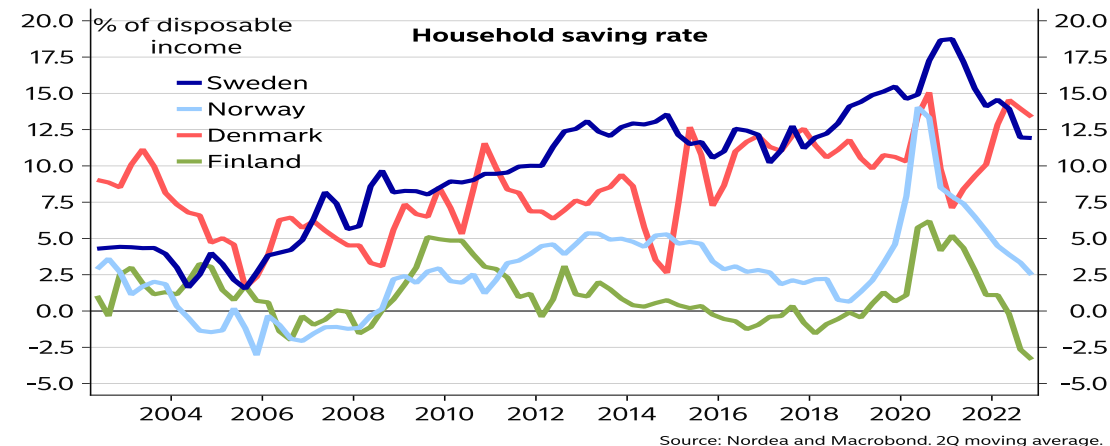


# Households squeezed by high interest rates and inflation

## Household debt

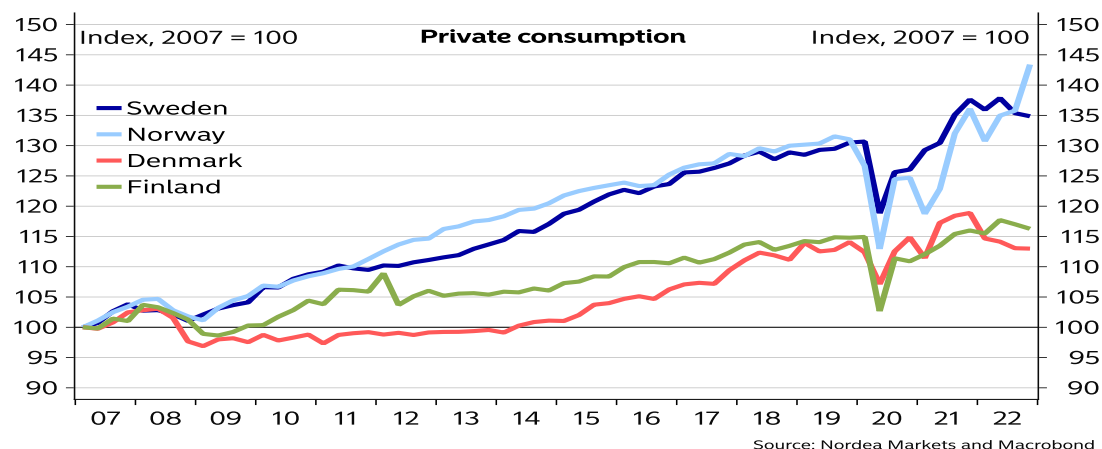


## Household savings



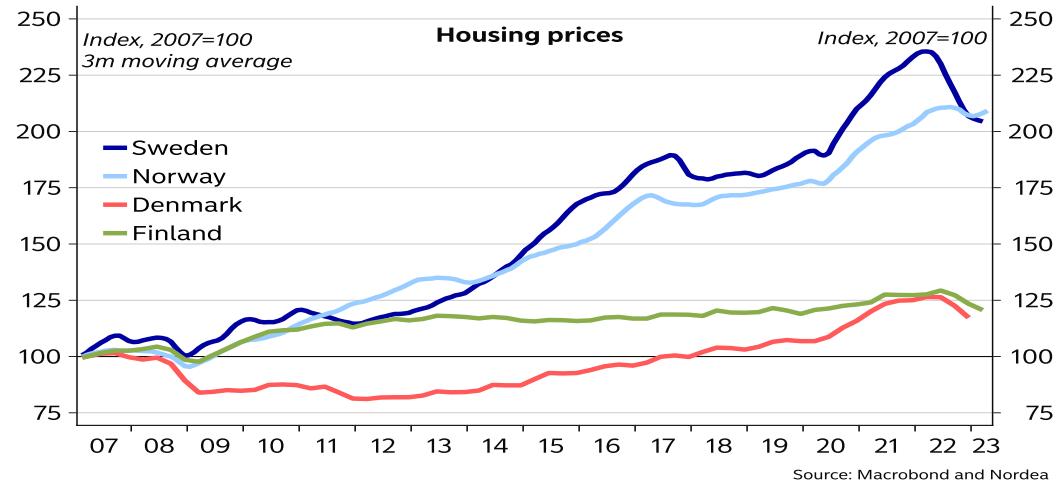
- Household savings have fallen drastically as consumption have returned to well above pre-pandemic levels
- However, households are feeling the squeeze and purchasing power is continuing to rapidly decrease. The high and still rising interest rates as well as high inflation implies downside risks for private consumption moving forward

## Private consumption

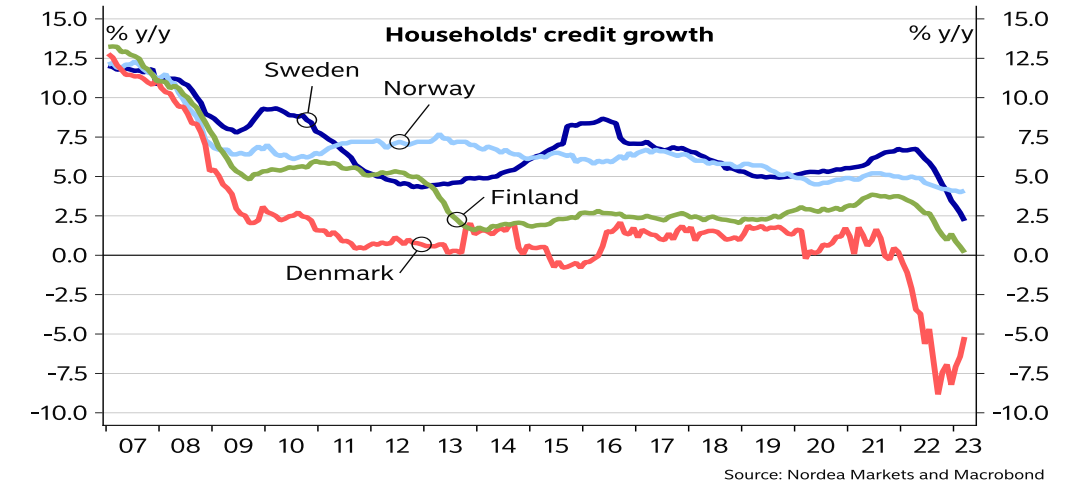


## Higher interest rates continues to cool off Nordic housing markets

### Housing prices



### Households' credit growth



- Housing prices increased to record-high levels in all the Nordic countries in 2022
- However, with higher and increasing interest rates, risks are on the downside for housing prices
- These risks are most pronounced in Sweden and Denmark, with home prices down 13.2% respectively 7.5% since the peak
- Households' credit growth in the Nordic countries have since the start of 2022 been on a downward trend except for Denmark which has increased since September

# Contacts

## Investor Relations

### Matti Ahokas

Head of Investor Relations  
Mobile: +358 40 575 91 78  
[matti.ahokas@nordea.com](mailto:matti.ahokas@nordea.com)

### Maria Caneman

Head of Debt IR and Ratings  
Tel: +46 10 156 50 19  
Mobile: +46 768 24 92 18  
[maria.caneman@nordea.com](mailto:maria.caneman@nordea.com)

### Juho-Pekka Jääskeläinen

Senior IR Officer  
Tel: +358 9 5300 64 35  
Mobile: +358 40 550 91 11  
[juho-pekka.jaaskelainen@nordea.com](mailto:juho-pekka.jaaskelainen@nordea.com)

## Group Treasury

### Anders Frank-Læssøe

Group Treasurer, Head of Group Treasury  
Tel: +45 55477672  
Mobile: +45 61612157  
[anders.frank@nordea.com](mailto:anders.frank@nordea.com)

### Ola Littorin

Head of Long Term Funding  
Tel: +46 8 407 9005  
Mobile: +46 708 400 149  
[ola.littorin@nordea.com](mailto:ola.littorin@nordea.com)

### Petra Mellor

Head of Bank Debt  
Tel: +46 8 407 9124  
Mobile: +46 70 277 83 72  
[petra.mellor@nordea.com](mailto:petra.mellor@nordea.com)