

Nordea

**Debt investor presentation
Q2 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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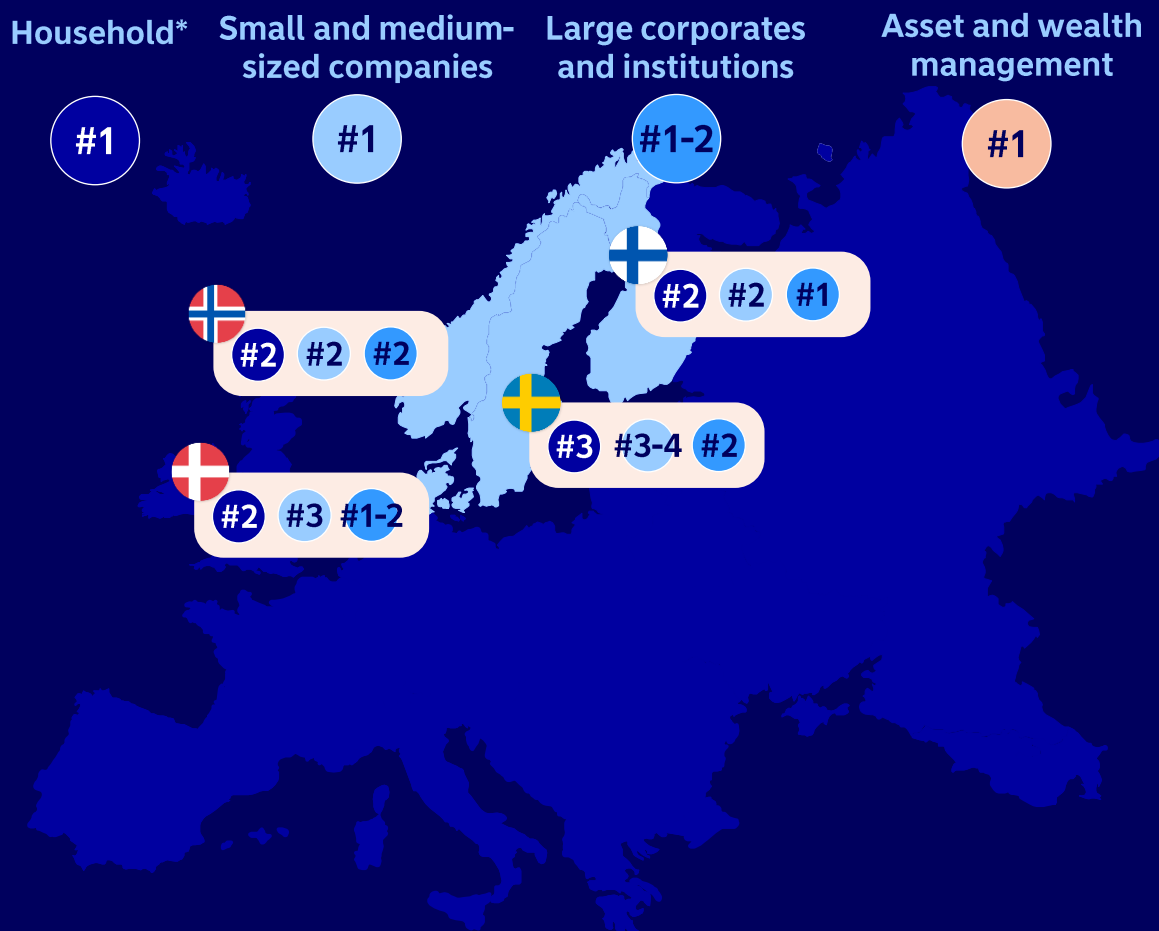
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1. Nordea half-year 2023 update

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 (Q2 2023)

- EUR 3bn in total income
- EUR 1.7bn profit before loan losses; EUR 1.4bn net profit
- EUR 602.4bn in assets
- EUR 29.1bn in equity capital
- CET1 ratio 16.0%
- Leverage ratio 4.6%

AA level credit ratings

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

EUR 35.9bn in market capitalisation (Q2 2023)

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

Second-quarter highlights 2023

Executive summary

High income growth and strong operating profit

- Net interest income up 40%, net fee and commission income down 6% and net fair value result up 14%
- Operating profit up 26% to EUR 1,718m

Return on equity* 18.4% and earnings per share up 32% to EUR 0.37

Strong profitability and stable business volumes

- Mortgage lending stable y/y and corporate lending up 4%. Retail deposits up 1% y/y and corporate deposits down 7%. AuM up 2% y/y

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

Solid credit quality with low net loan losses – management judgement buffer EUR 572m, unchanged in local currencies

- Net loan losses and similar net result EUR 32m or 4bp during quarter – low individual net loan losses

Strong capital position – fourth share buy-back programme in progress

- CET1 ratio at 16.0% – 4.0pp above current regulatory requirement

2023 outlook upgraded: return on equity above 15%

Key financials

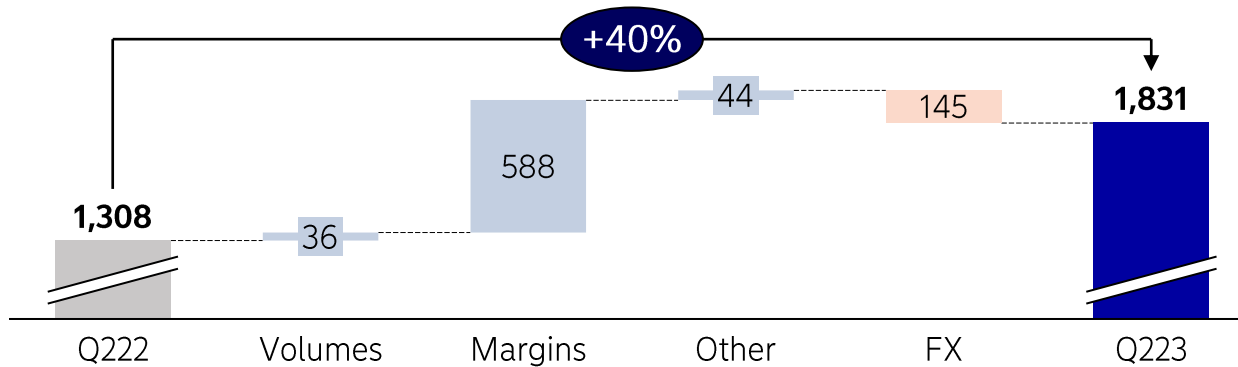
Second-quarter results 2023

Income statement and key ratios EURm	Q223	Q222	Q2/Q2	Q123	Q2/Q1
Net interest income	1,831	1,308	40%	1,765	4%
Net fee and commission income	751	797	-6%	765	-2%
Net insurance result	68	53	28%	46	48%
Net fair value result	290	254	14%	345	-16%
Other income	15	16		0	
Total operating income	2,955	2,428	22%	2,921	1%
Total operating expenses excl. regulatory fees	-1,184	-1,105	7%	-1,167	1%
Total operating expenses	-1,205	-1,122	7%	-1,422	-15%
Profit before loan losses	1,750	1,306	34%	1,499	17%
Net loan losses and similar net result	-32	56		-19	
Operating profit	1,718	1,362	26%	1,480	16%
Cost-to-income ratio excl. regulatory fees, %	40.1	45.5		39.9	
Cost-to-income ratio*, %	42.8	48.8		42.7	
Return on equity*, %	18.4	13.6		17.1	
Diluted earnings per share, EUR	0.37	0.28	32%	0.31	19%

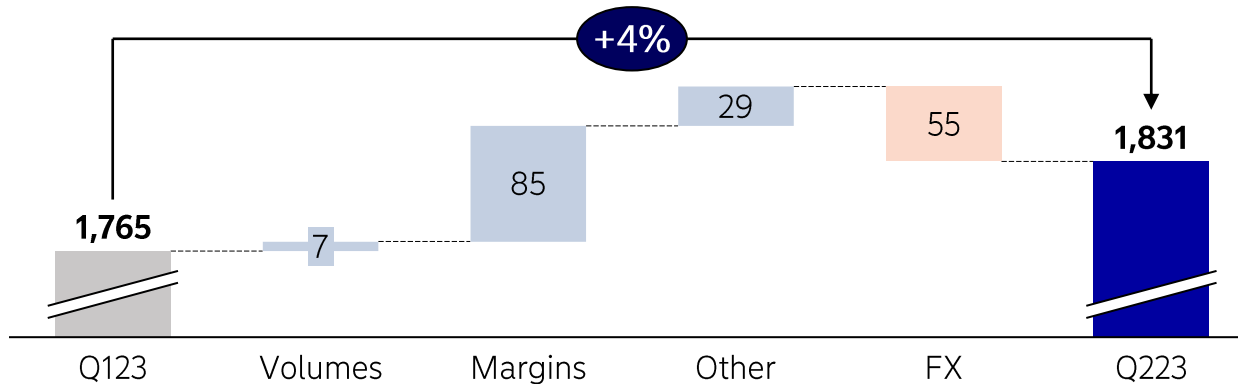
Net interest income

Stable volumes, higher deposit margins

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm

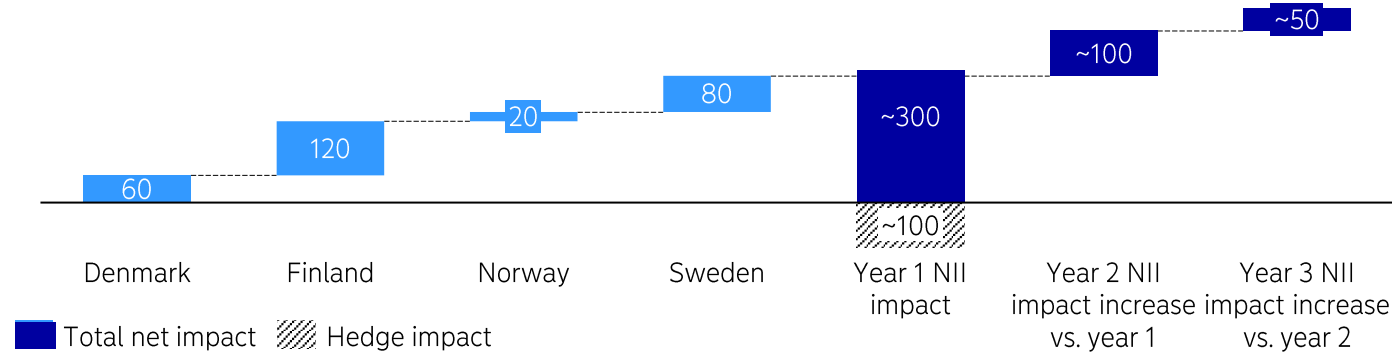


- **Net interest income up 40%**
- **Continued growth in corporate lending**
 - Corporate lending up 4%
 - Mortgages stable
- **Net interest margin up 55bp to 1.69%**
 - Lending margins down, especially in households
 - Further increases in deposit margins across business areas and countries

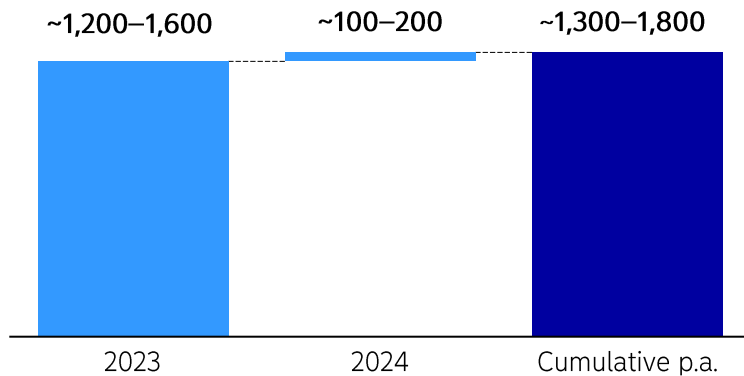
Net interest income

Net interest income sensitivity to policy rate increases

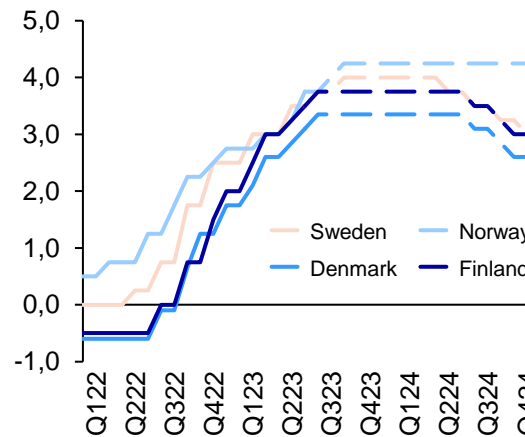
Sensitivity to +50bp parallel rate shift in policy rates



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 alone estimated to contribute EUR ~1.2–1.6bn to NII in 2023
- 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 hedges ↔

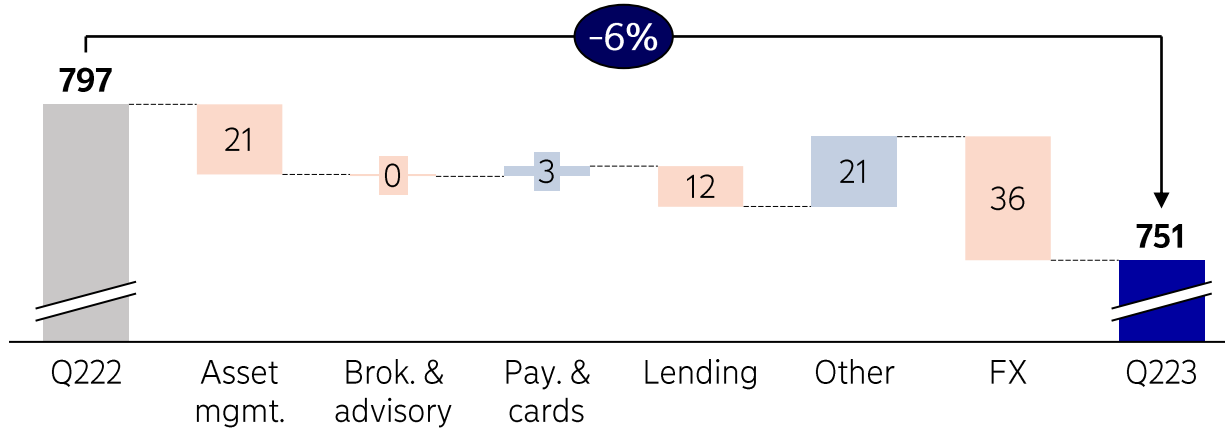
- **Deposit hedging reducing sensitivity to interest rate changes**

- Average hedge maturity ~3 years
- Additional NII impact in Y2–Y3 as assets repriced and hedges rolled over

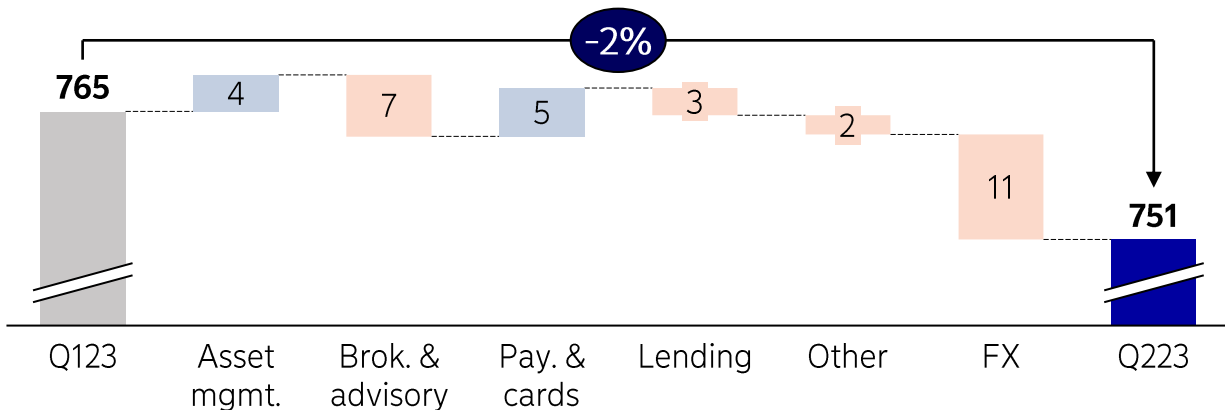
Net fee and commission income

Lower asset management and lending income

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm

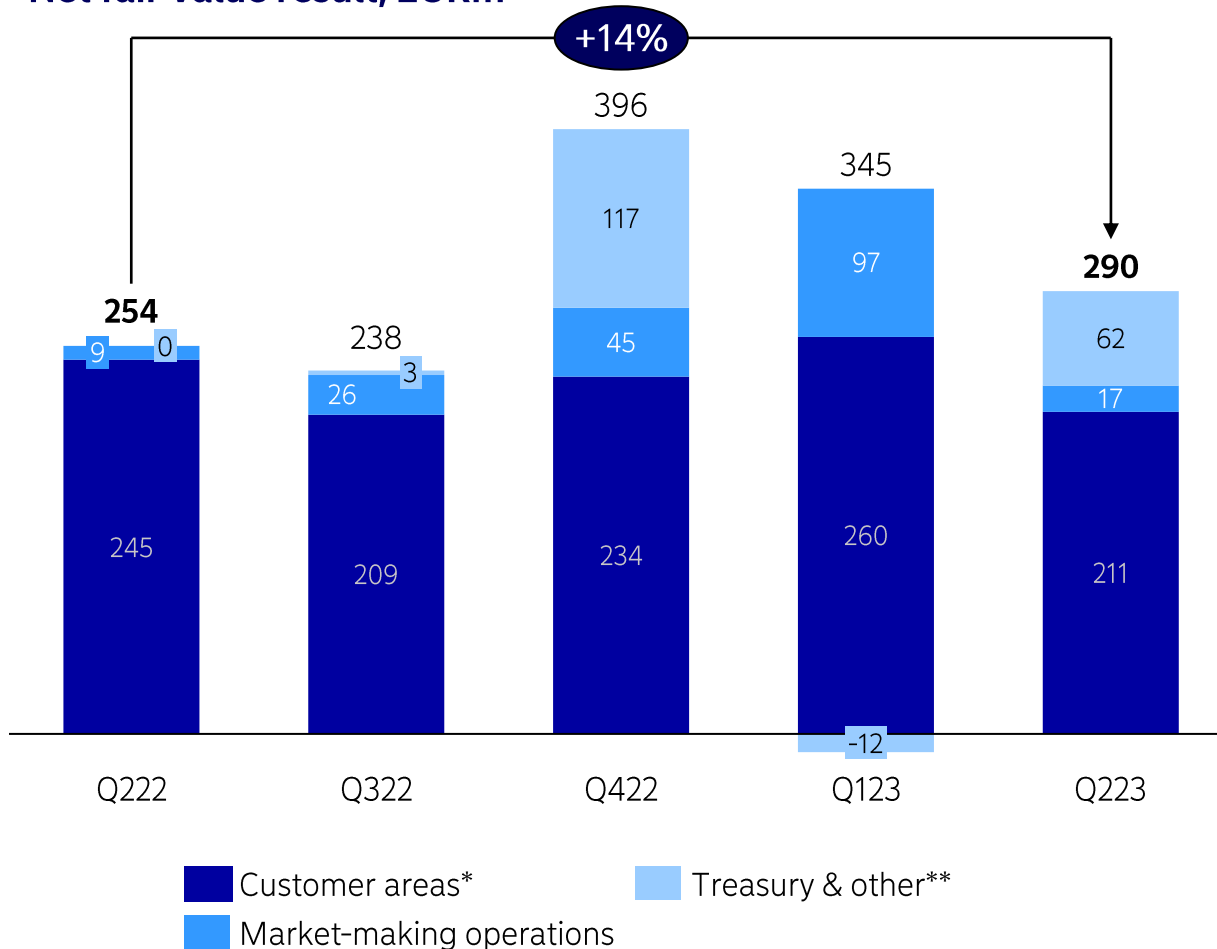


- Net fee and commission income down 6%
- Savings fee income down due to lower average assets under management
 - Net flows from internal channels strong at EUR 2.6bn
- Brokerage and advisory fee income stable in weaker market
- Payment and card fee income up due to higher volumes

Net fair value result

Sustained high levels of customer activity

Net fair value result, EURm

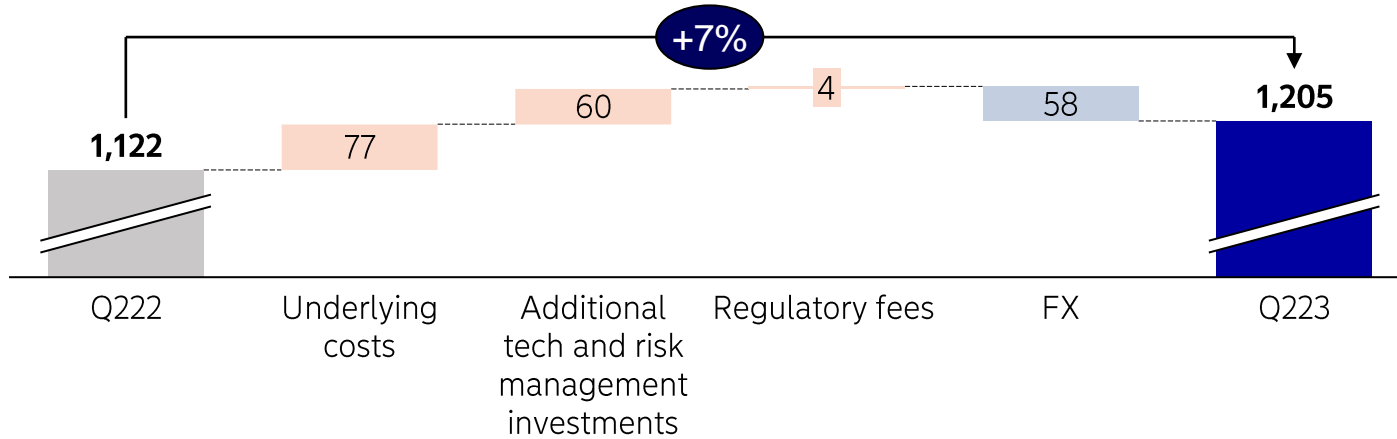


- **Continued high levels of customer risk management activity**
 - Solid demand for FX and rate hedging products
- **Market-making up, driven by rates and FX trading**
- **Treasury up, driven by positive revaluations**

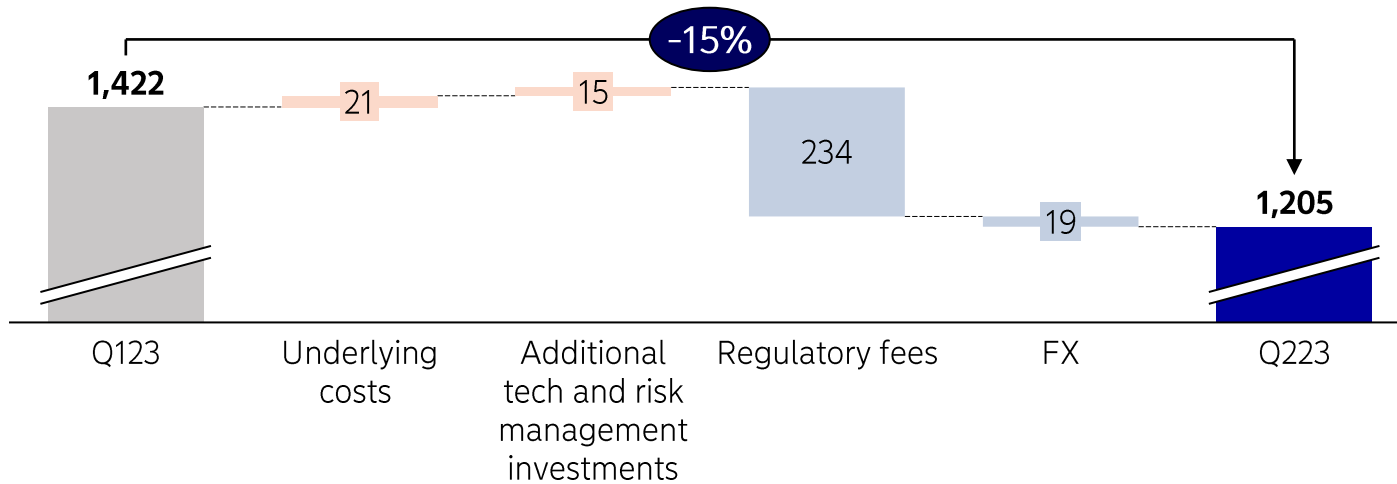
Costs

Continued additional investments

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Costs up 7%, driven by investments and inflation**


- Continued additional investments to protect against financial crime, strengthen cyber security and enhance technological capabilities even further, in line with plan
- Underlying costs mainly driven by inflation and business activity

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 2030¹

 **50%**

reduction in emissions from internal operations by 2030¹

Gender balance

Supported by our 2025 sustainability targets²:

€ **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 levels³
combined

13 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



40-50% reduction in financed emissions in our lending portfolio by 2030¹

Progress

-19% (2022)

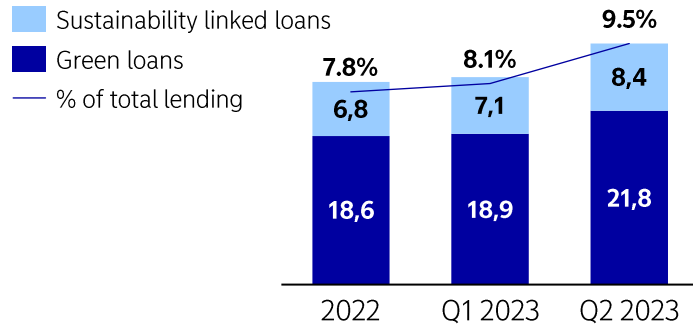
Sector	Sub-sector	Emissions scope	Metric	Base year	Baseline	Target year	Target	Current status
Shipping	Vessels	1	AER, gCO2/dwt-nm	2019	8.3	2030	-30%	8.4 AER (2021)
Residential Real Estate	Households and tenant-owner associations	1 and 2	kgCO2e/m2	2019	17.6	2030	-40–50%	17.1 kgCO2e/m2 (2022)
Oil & Gas	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	<i>Restrictive policy, full phase-out achieved in 2021</i>				

Actively engaging to drive transition and capture growth opportunities

Channelling capital towards sustainable solutions

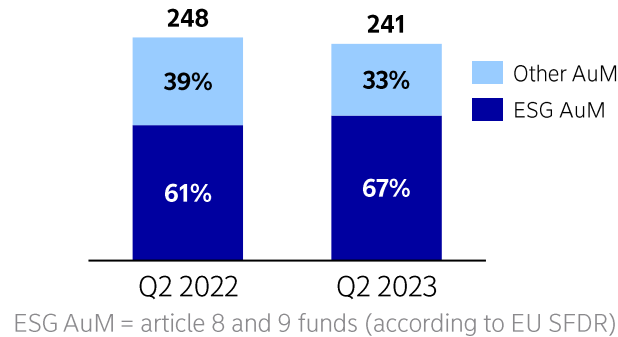
Green and sustainability linked loans

Total volumes, EURbn



Nordea Asset Management

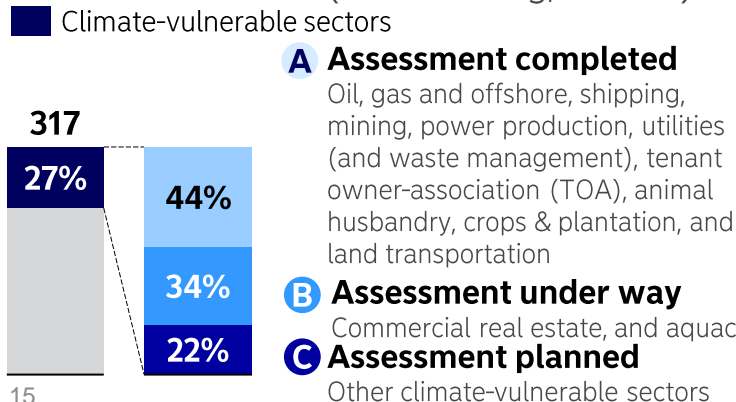
Assets under management, EURbn



Engaging to support green transition

Climate-vulnerable exposure

Sector assessment (total lending, EURbn)



A Assessment completed

Oil, gas and offshore, shipping, mining, power production, utilities (and waste management), tenant owner-association (TOA), animal husbandry, crops & plantation, and land transportation

B Assessment under way

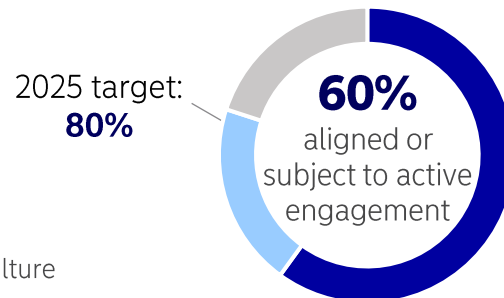
Commercial real estate, and aquaculture

C Assessment planned

Other climate-vulnerable sectors

Alignment with Paris agreement for top 200 emission contributors

Q2 2023, portfolios in Asset Management



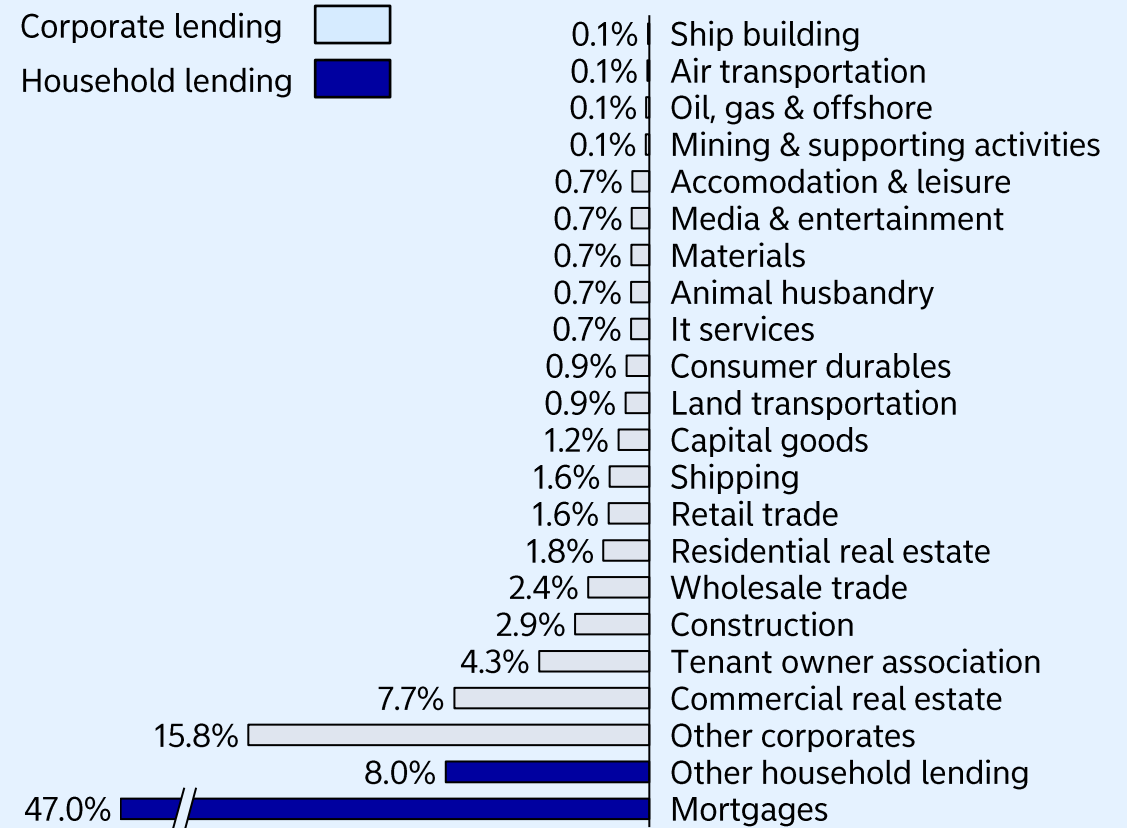
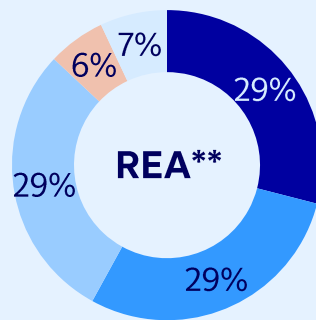
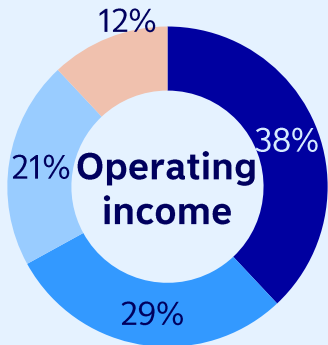
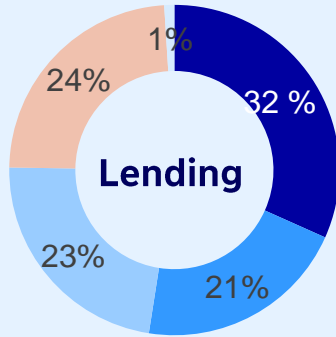
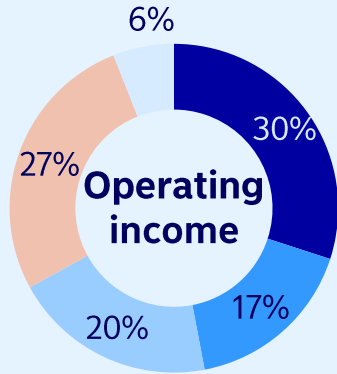
- **Facilitated EUR 94bn in sustainable financing**
Compared to target EUR >200bn by 2025
- **Awarded global finance's 2023 sustainable finance award**
for Finland, Denmark and Norway and the award for outstanding leadership in transition/sustainability-linked loans for western Europe
- **#1 Nordic corporate sustainable bonds**
- **#1 Nordic corporate sustainable loans**

2. Credit quality

Well diversified with strong credit quality

Income and loan portfolio very well spread across Nordic countries, currencies, business areas and industries*

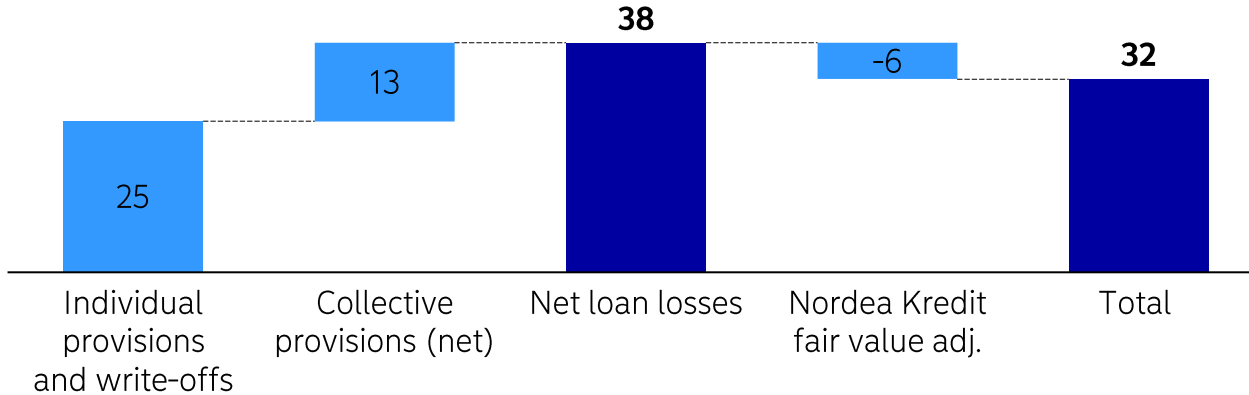
No significant industry sector concentration, total lending portfolio 317 EURbn (excl. repos)



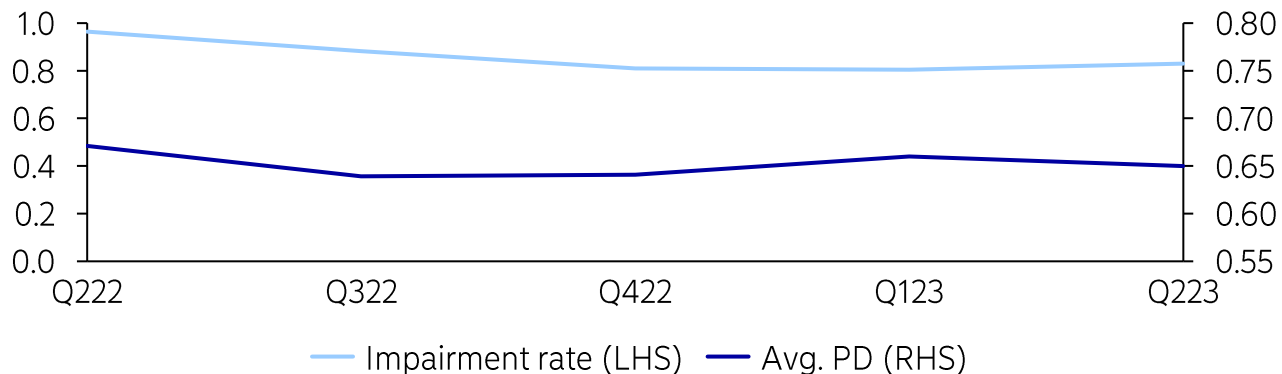
Net loan losses and similar net result

Continued strong credit quality

Net loan losses and similar net result, EURm



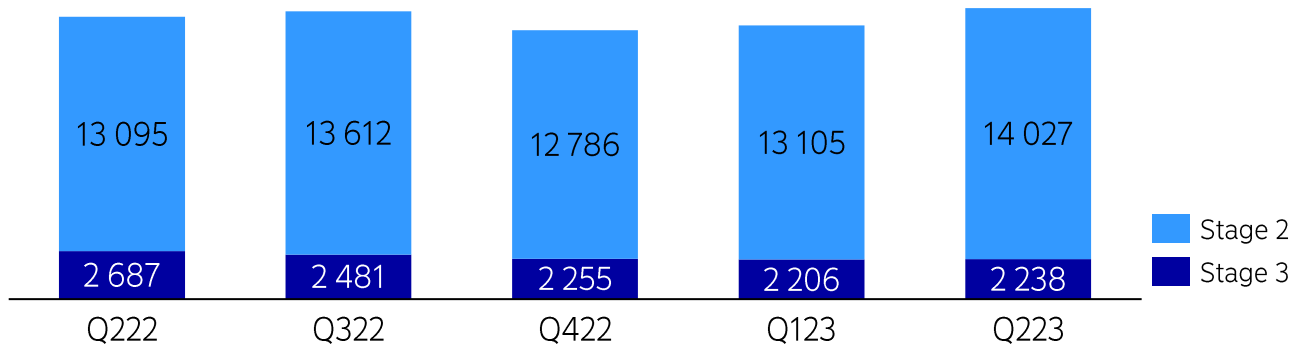
Impaired (Stage 3) loans and PD of total loans, %



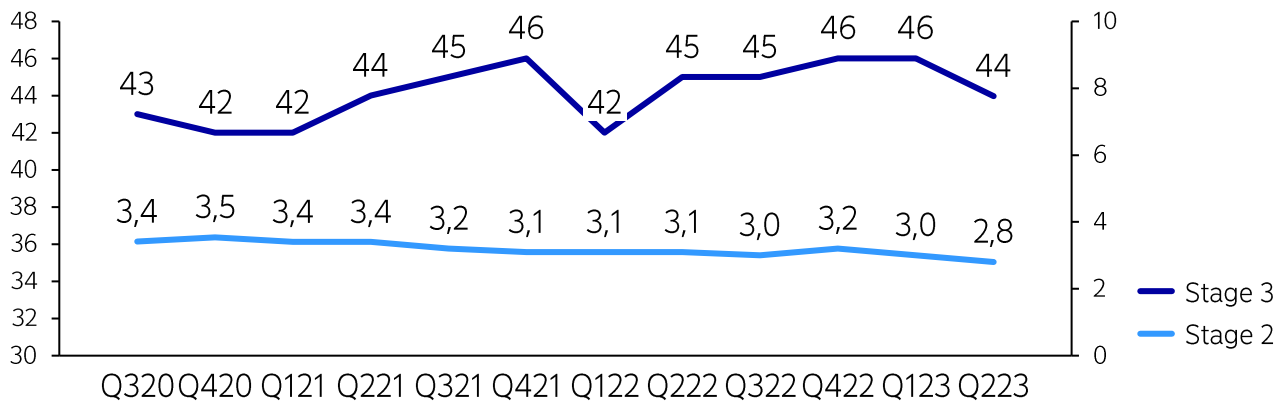
- **Total net loan result low at EUR 32m (4bp)**
 - Low levels of both individual and collective provisions
 - EUR 6m FV gain from Danish mortgages
- **Management judgement buffer EUR 572m – unchanged in local currencies**
- **Continued strong credit quality; risks carefully monitored**
- **Low impairment ratio: 0.83%**

Strong and stable portfolio credit quality

Stage 2 and 3 loans at amortised cost, EURm



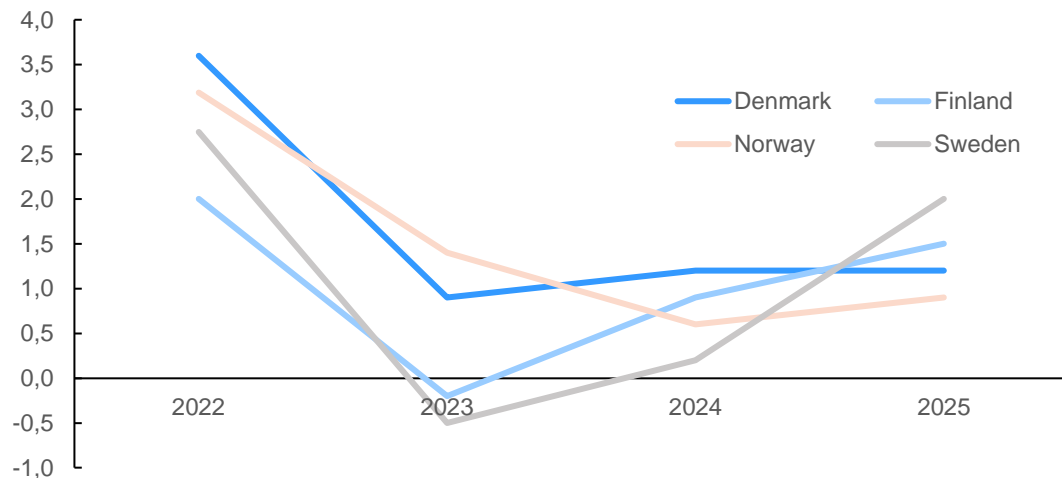
Coverage ratio, %



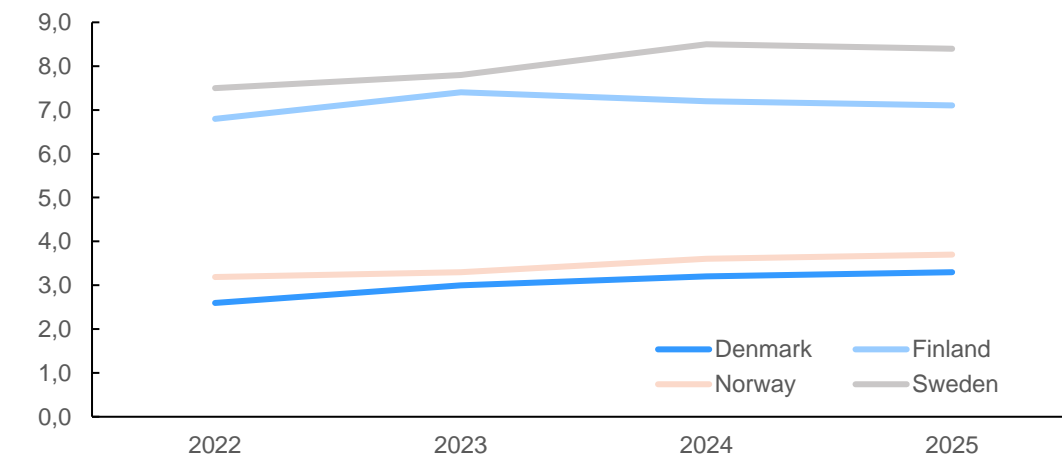
- Stage 3 (impaired) loans slightly up at 0.83% (0.80% in Q1 2023)
- Stage 2 loans up 7% q/q, related to few portfolios
- Coverage ratio for stage 3 portfolio 44%
- Continued strong portfolio credit quality

Macroeconomic assumptions for scenarios

Baseline annual GDP growth, %



Baseline unemployment rate, %



Baseline scenario, 50% weight

- High interest and elevated inflation continue to weigh on economic activity.
- Growth slowing in 2023, with Sweden and Finland seeing negative growth.
- Unemployment increases slightly from recent lows.
- The downward adjustment in home prices is expected to continue this year in the Nordics, with the mildest correction in Norway and the sharpest in Sweden.

Adverse scenario, 40% weight

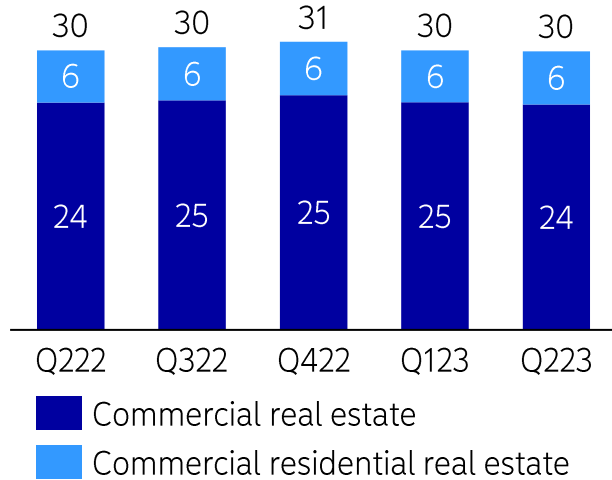
- Financial turmoil and financial stability concerns reappear triggering a recession. Unemployment rises more substantially, and house prices decline in all four countries, reaching a trough in 2024.

Upside scenario, 10% weight

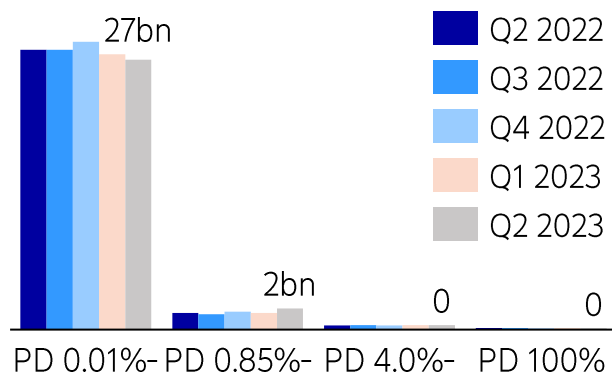
- Household, business and investor sentiment improves as energy and food prices stabilise at lower levels.

Well-diversified portfolio, high-quality lending

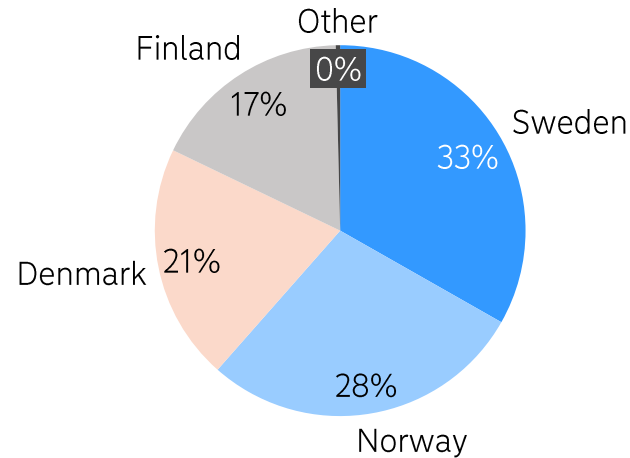
Lending volumes stable



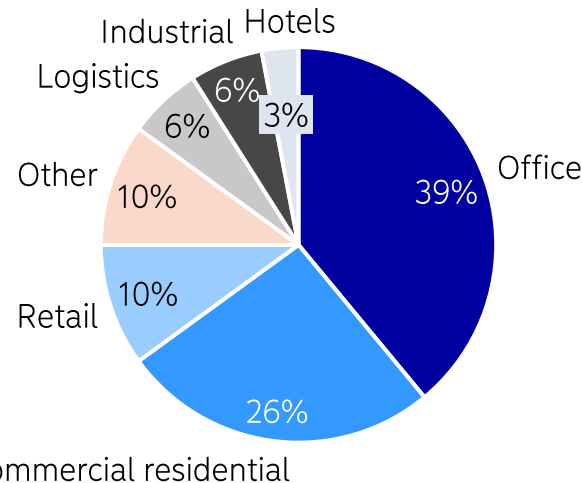
91% of portfolio with low probability of default (PD)



Diversified across countries



Diversified across types

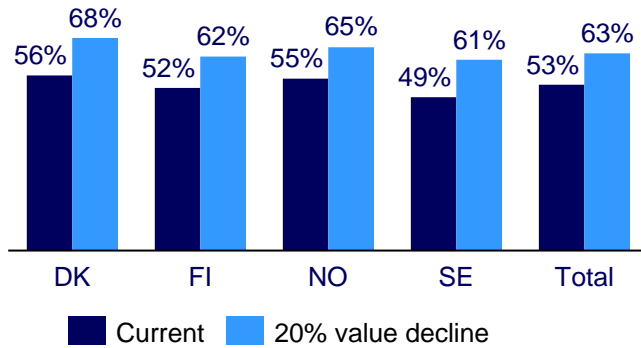


- **Well-diversified portfolio across Nordic markets**
- **91% of exposure towards low-risk customers, with only 2% towards high risk**
- **Portfolio mainly comprising central and modern office and residential properties**
- **Strict underwriting standards: conservative credit policy with focus on cash flow and existing customers. All new lending fully collateralised**

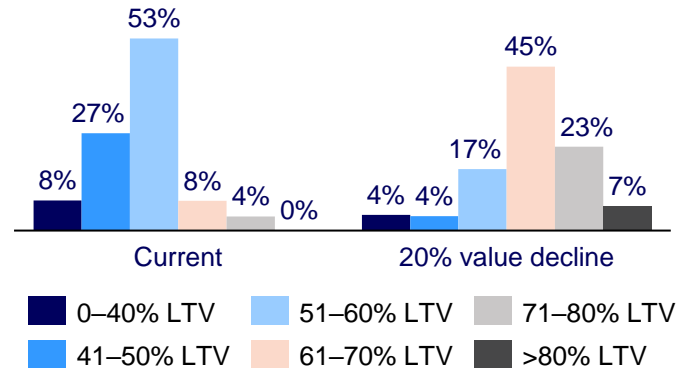
Real estate management industry (REMI) for largest customers*

Solid LTVs, resilient interest coverage, high occupancy

Solid LTV levels for all countries



Majority of portfolio with low LTV



- **88% of exposures with LTV below 60%**

- In event of 20% decline in market value, 70% of portfolio still with LTV below 70%

- **Average Interest Coverage Ratio (ICR) at 4.0x**

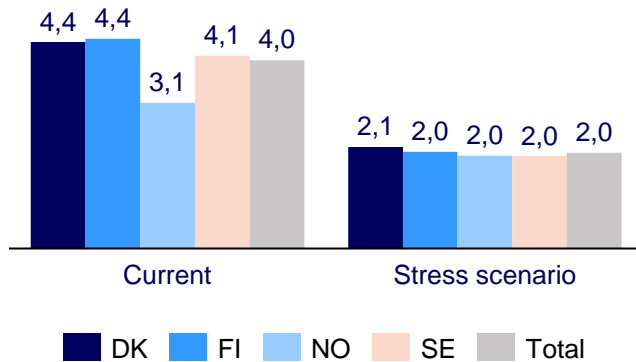
- Average ICR above 2x in stress scenario
- Strict stress scenario: all debt refinanced day one at current 5Y swap rates plus margins, no hedging

- **Strict hedging requirements**

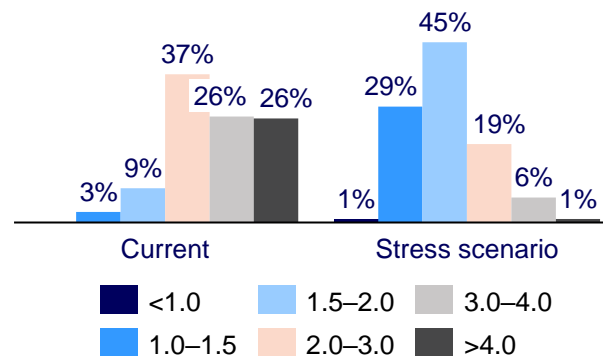
- 56% of customer debt hedged with average maturity of 4.4 years

- **Low vacancy rates with average letting ratio 95%**

ICR high for all countries

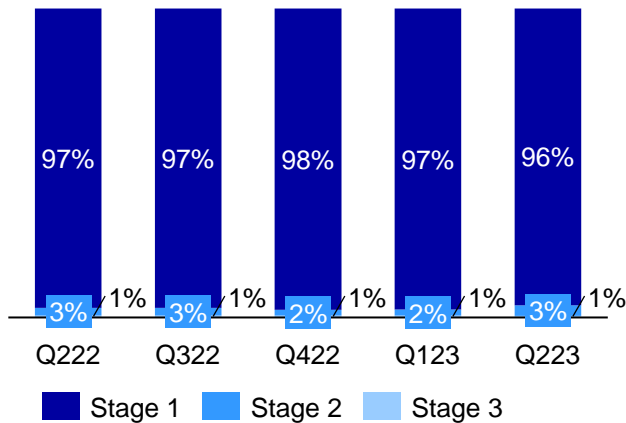


ICR above 1.0 for 99% of portfolio in stress scenario

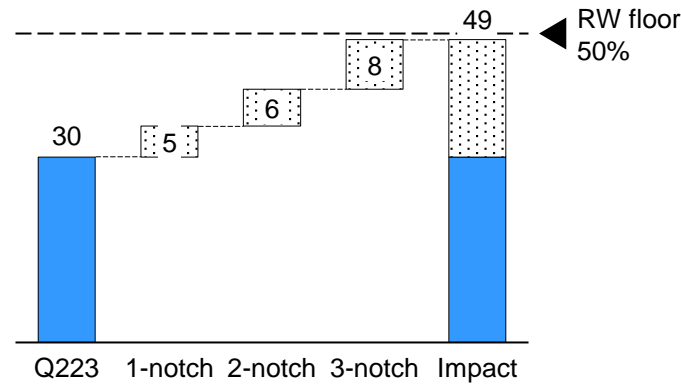


Low levels of risk exposure

Strong credit quality with 96% of IFRS 9 portfolio in stage 1

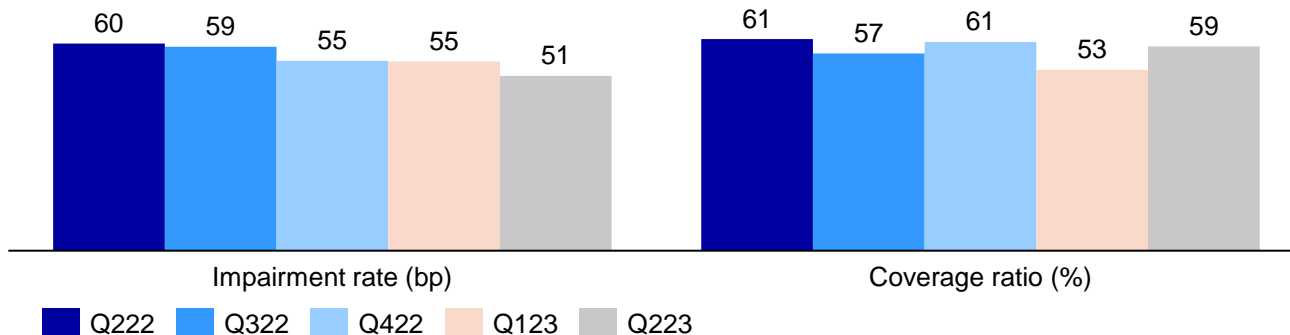


No REA impact even from 3-notch downgrade due to risk weight floors



- **Only 3% of portfolio in stage 2**
 - Few customers moved from stage 1 to stage 2 during Q2
- **0.5% of portfolio impaired**
- **Provision coverage above 50% – strong for collateralised assets**
- **No REA impact from potential rating migration due to risk weight floors**

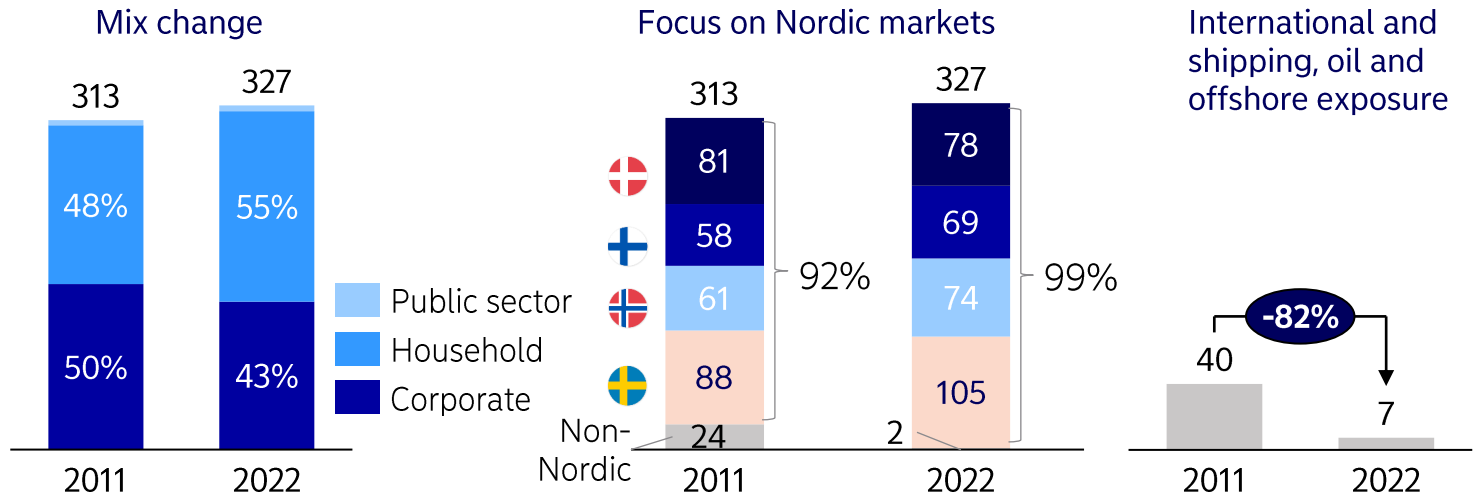
Low impairment rate and high coverage for impaired portfolio



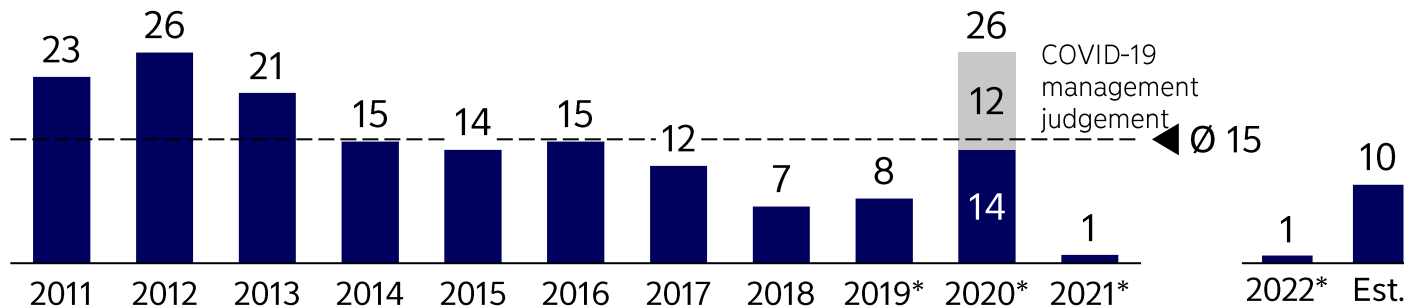
Cost of risk

Loan losses settling below historical average

Significant de-risking (EURbn)



Loan loss ratios (bp)

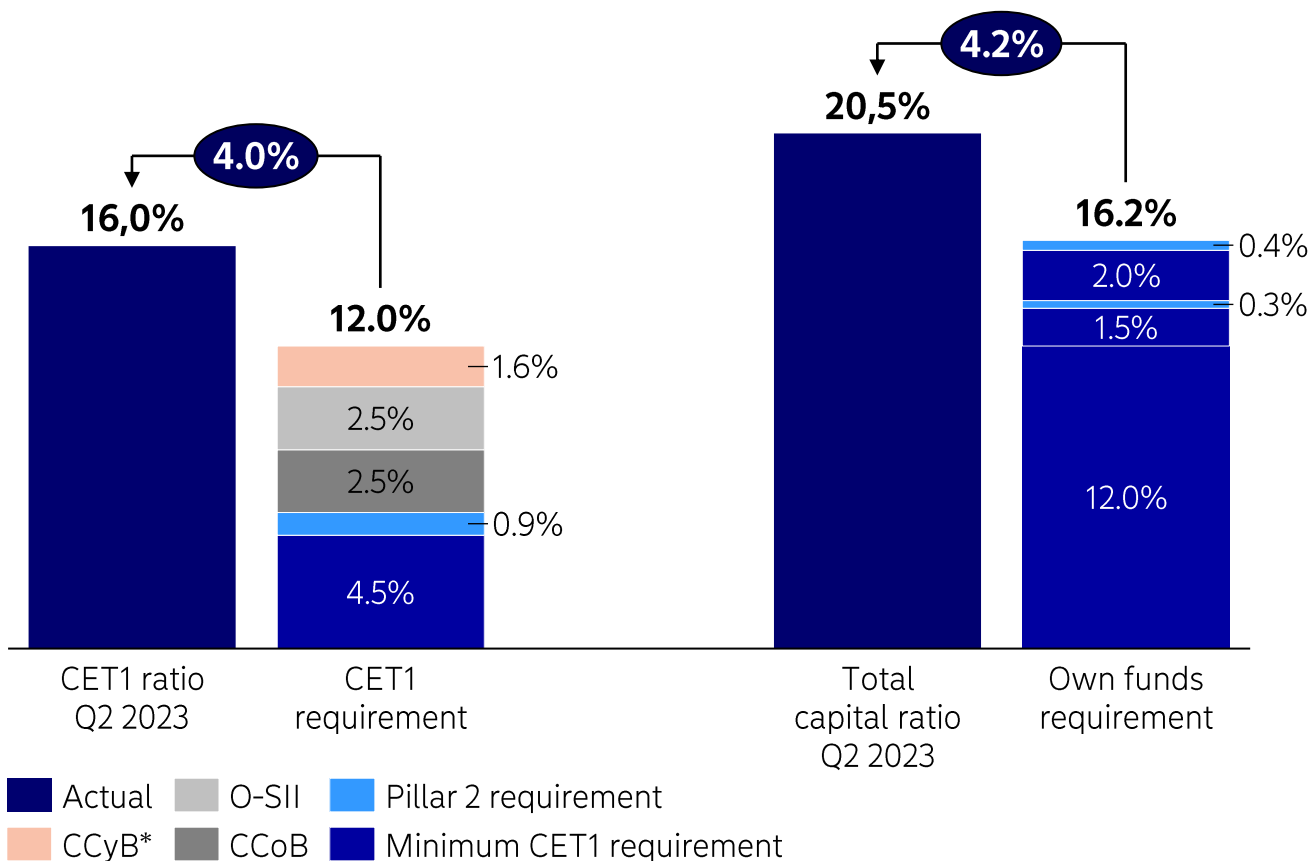


- **Significant portfolio de-risking**
 - Increased share of household lending
 - Focus on our four Nordic home markets
 - Reduced international exposure
 - Divested business in Poland, Luxembourg and Baltics
 - Exit from Russia completed
 - Reduced shipping, oil and offshore portfolio by half; further actions ongoing
- **Normalised run rate of loan losses expected to be ~10bp**

3. Capital, liquidity and funding

Significant buffer to capital requirements

Capital position and requirements (%)

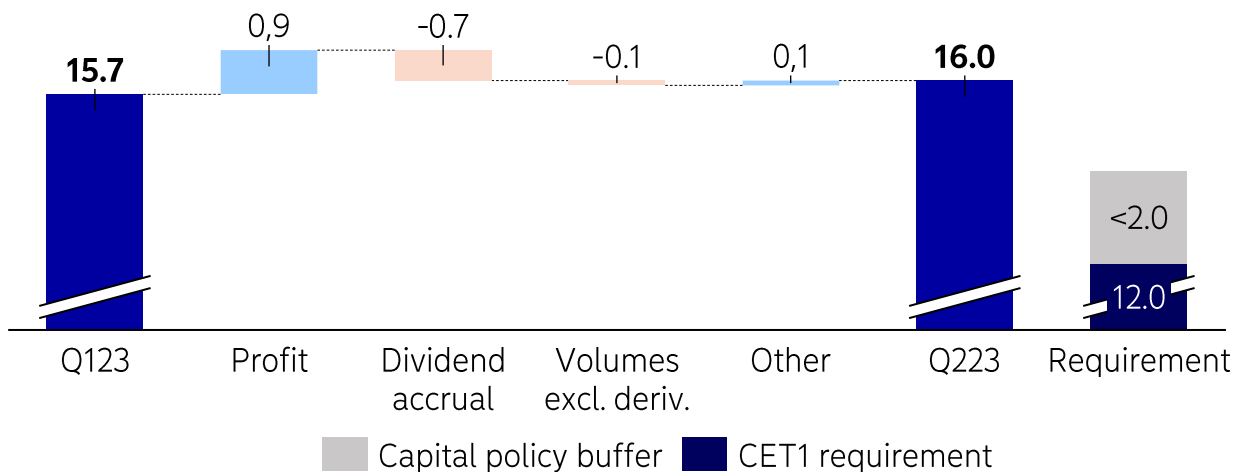


- **CET1 capital ratio 16.0%**
 - 4 percentage points above regulatory requirement, corresponding to a CET1 buffer of EUR 5.6bn
 - Capital policy of 150-200bp management buffer above regulatory requirement (MDA level)
- **Changes in capital requirements**
 - CCyB buffer rate in Sweden increased from 1.0% to 2.0% applicable from 22 June 2023
- **MDA level expected to increase following decided increases in SyRB**
 - Finnish SyRB set at 1.0% from Q2 2024
 - The Finnish FSA decided to give partial reciprocation on the Norwegian SyRB, which will increase Nordea's CET1 requirement with approx. 50bp from 1 July 2024
 - Together with other macroprudential buffers expected CET1 requirement ~13.5% from Q3 2024

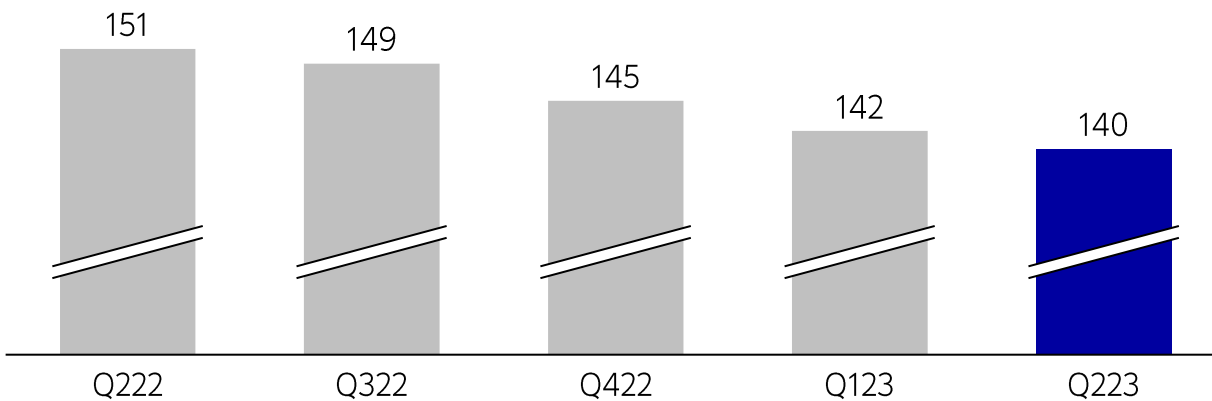
26 *CCyB per country: DK: 2.5%, FI: 0.0%, NO: 2.5%, SE: 2.0%

Strong position; additional share buy-back launched

CET1 capital ratio development, %



REA development, EURbn



- **CET1 capital ratio up at 16.0%**

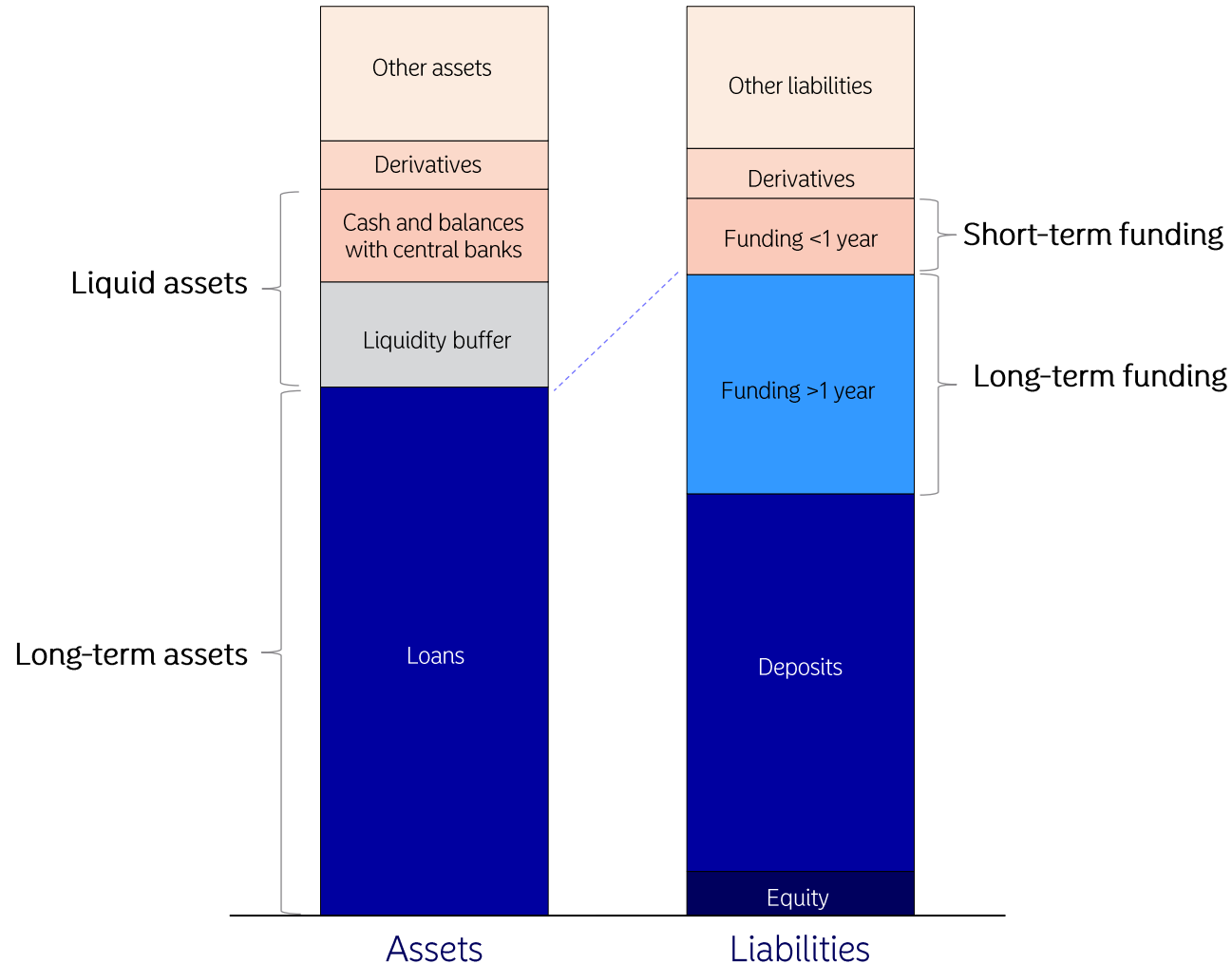
- 4.0 percentage points above regulatory requirement
- CET1 capital up EUR 0.1bn due to profit accumulation net of dividend, partly offset by FX effects
- Risk exposure amount down EUR 2.0bn, mainly driven by FX effects, partly offset by increased corporate lending volumes

- **Good progress on capital distributions**

- EUR 2.9bn distributed to shareholders via dividends in April
- Total of EUR 4.7bn returned to shareholders via buy-backs
- Fourth buy-back programme (EUR 1bn) in progress

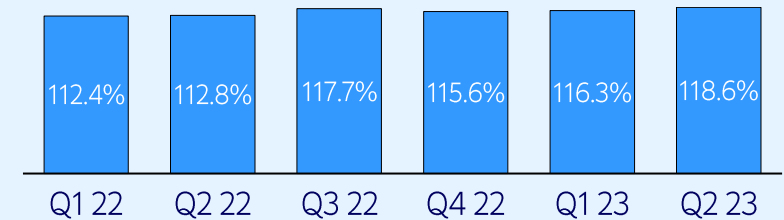
Strong balance sheet structure

Q2 2023



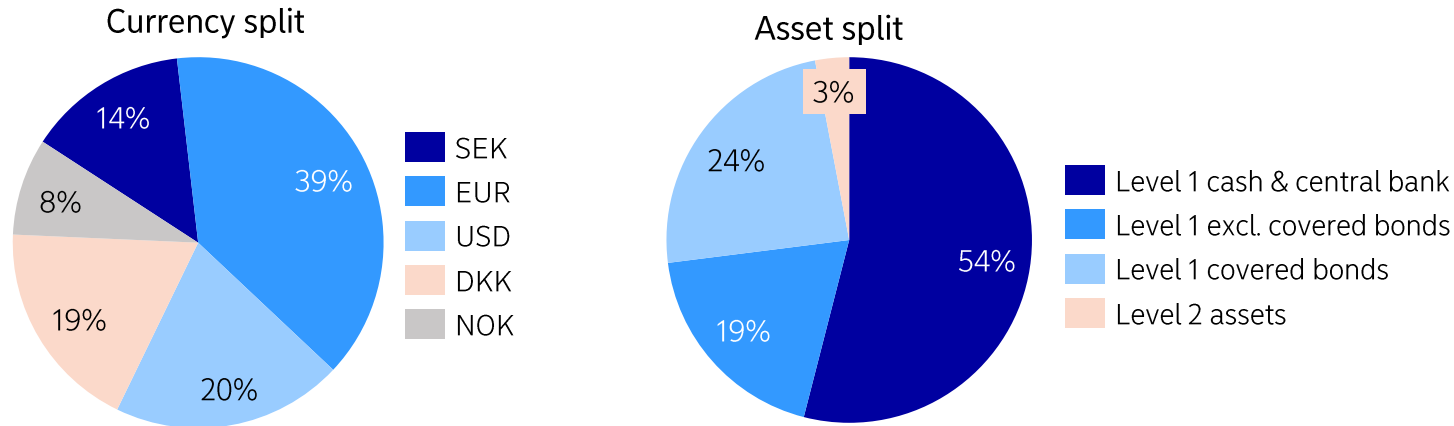
Total assets EUR 602bn at end of Q2 2023

- Strong balance sheet with deposits as primary source of funding
- Long-term funding 74% of total wholesale funding end of Q2
- Nordea's net stable funding ratio (NSFR) is stable over time:

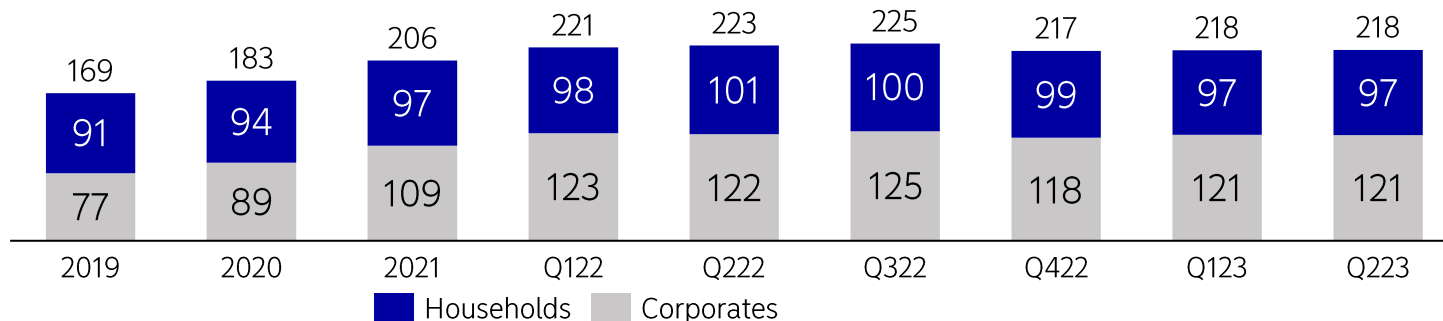


Strong liquidity position

Liquidity buffer composition, EUR 114bn



Deposits and borrowings from the public*, EURbn



- **Robust liquidity position**

- Liquidity coverage ratio (LCR) 160%
- Net stable funding ratio (NSFR) 119%

- **Well diversified liquidity buffer of EUR 114bn**

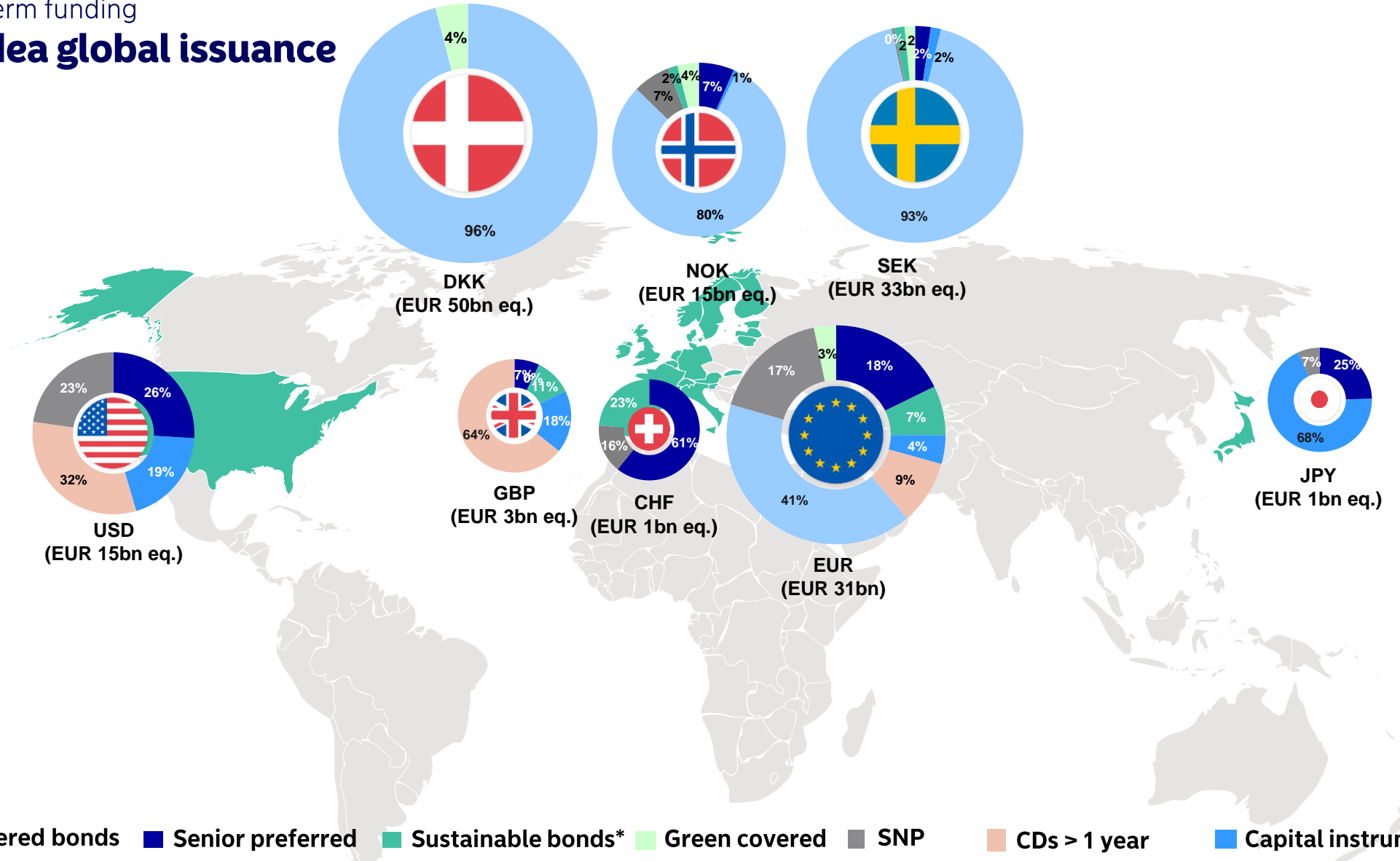
- 61bn in central bank cash and reserves
- 53bn in bonds, all with MtM accounting
- Conservative hedging approach and no single name concentration

- **Deposits**

- 40% of deposits covered by deposit guarantee scheme

Long term funding

Nordea global issuance

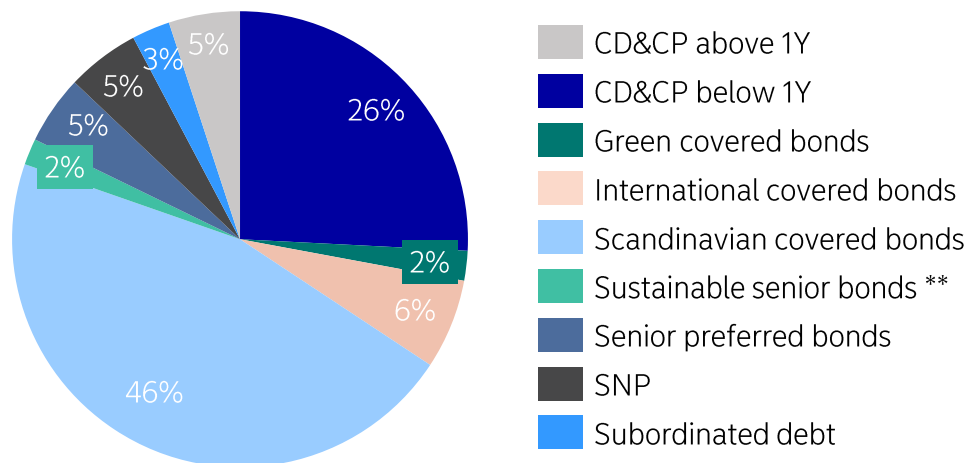


■ Covered bonds
 ■ Senior preferred
 ■ Sustainable bonds*
 ■ Green covered
 ■ SNP
 ■ CDs > 1 year
 ■ Capital instruments

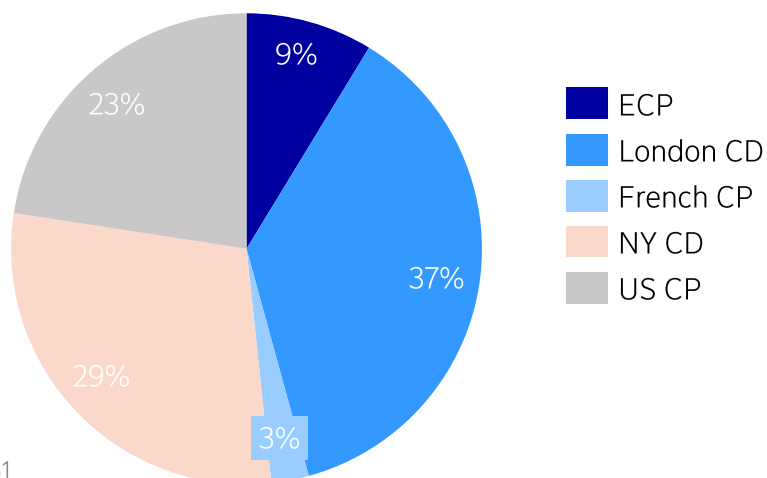
Long term funding

Solid funding operations

Wholesale funding outstanding, EUR 196bn



Short term funding composition*, EUR 51bn



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



• Long term issuance

- EUR 5.4bn* in long term debt issued during Q2
 - EUR 3.3bn covered bonds and EUR 2.1bn in senior non-preferred format
- Long term funding 70% of total funding at end of Q2

• Short term issuance

- Total outstanding EUR 50.6bn per end Q2
- Globally diversified funding with strong market access

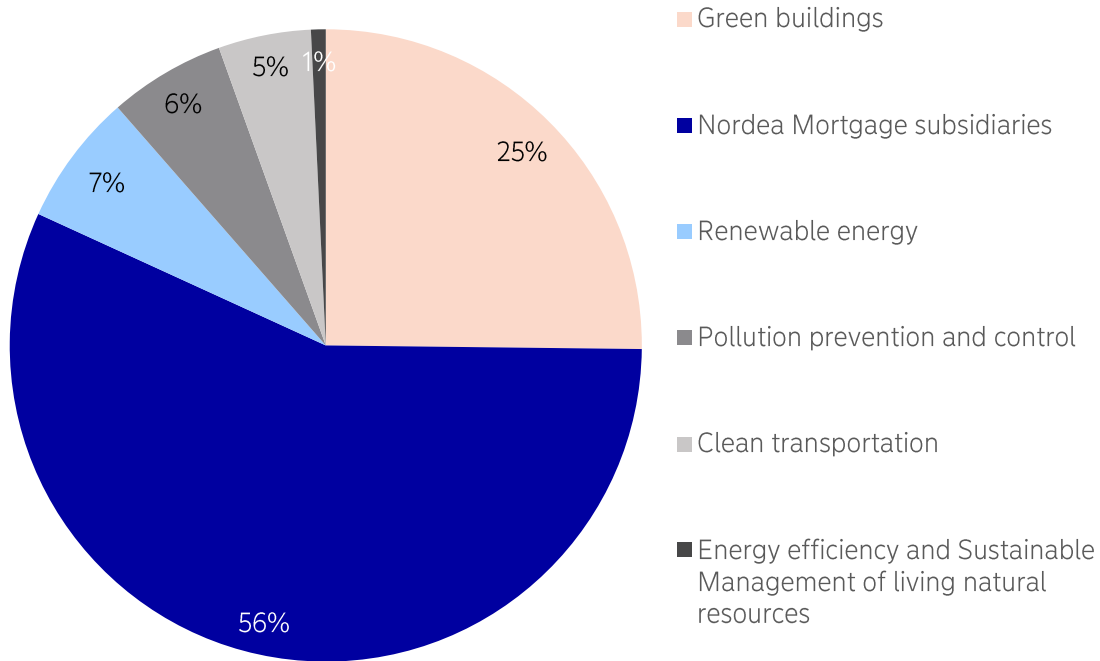
• Issuance plans 2023

- Total issuance estimated to be in the EUR 20bn area*
- Target of ~EUR 13bn of outstanding eligible SNP by end of 2023
 - EUR 12.7bn SNP outstanding by Q2 whereof ~EUR 11.5bn eligible by YE 2023

Sustainability at the core

Enhanced focus on sustainable funding

Nordea's green bond asset portfolio



- **Assets available for green funding totaling EUR 11.5bn**
 - EUR 5.4bn in NBAbp's green bond asset portfolio
 - EUR 6.1bn available assets for Green covered bond issuance from Nordea's mortgage subsidiaries
- **EUR 3.3bn outstanding of green bonds from NBAbp**
- **EUR 4.1bn 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:
16.1 (0 to 100)**



ESG rating:
AA (AAA to CCC)

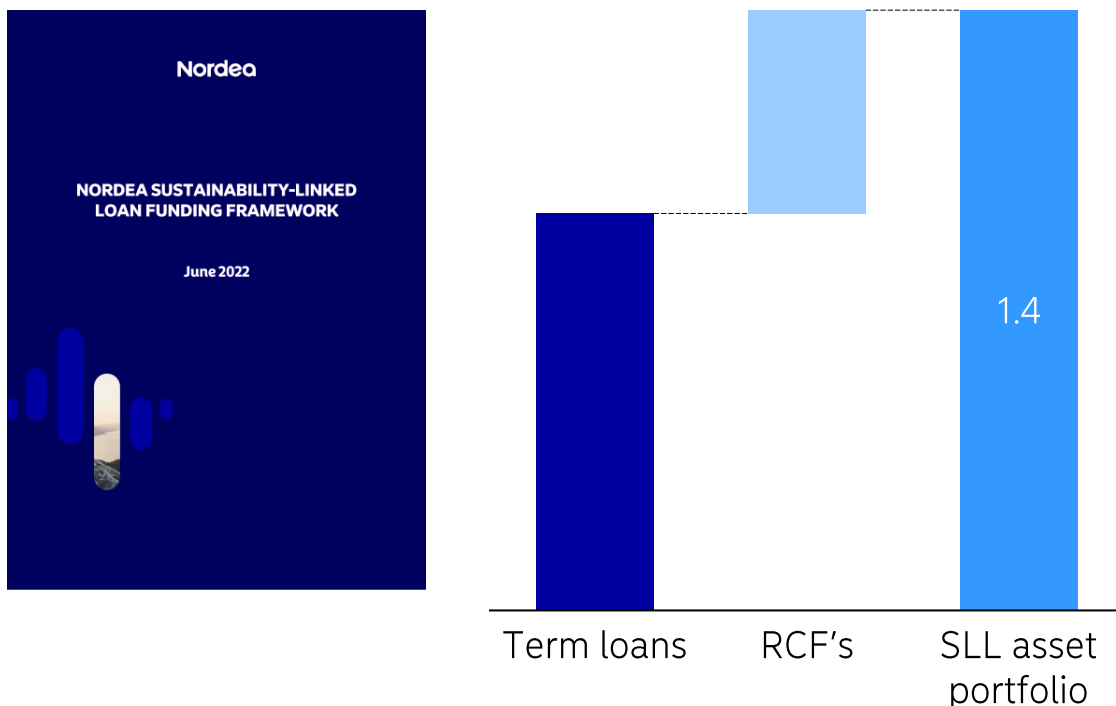


CSA score:
70 (0 to 100)***

Sustainability at the core

Nordea sustainable linked loan (SLL) funding framework

Nordea Bank – SLL asset portfolio (EURbn)*



- **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

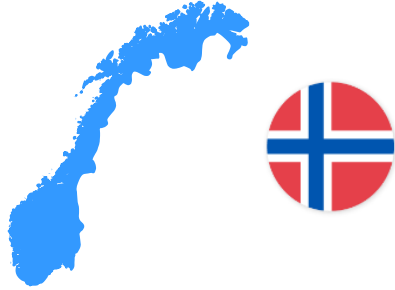
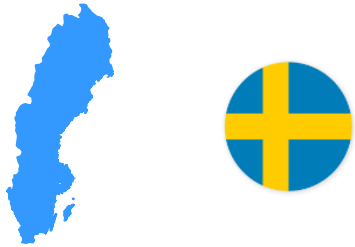

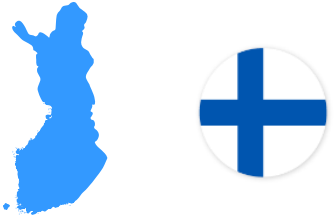


Nordea has engaged ISS ESG to act as an external reviewer of this SLL funding framework and the SLL funding assets

Inaugural SEK/NOK 4.1bn SLL bond launched in September 2022 and EUR 1bn SLL bond in September 2023 with strong Nordic & international investor feedback

Covered bonds

Nordea covered bond operations

	Nordea Eiendomsrett	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank
<i>Four aligned covered bond issuers with complementary roles</i>				
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 22.2bn (eq.)	EUR 59.2bn (eq.)	Balance principle	Pool 1: EUR 21.6bn/ Pool 2: EUR 4.6bn
Covered bonds outstanding	EUR 14.9bn (eq.)	EUR 34.2bn (eq.)	EUR 60.6bn (eq.)	Pool 1: EUR 18.1bn/ Pool 2: EUR 3bn
OC	49%	73%	8%*	Pool 1: 20% / Pool 2: 54%
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](#)




















COVERED BOND
- LABEL -

³⁴ * The figures in Nordea Kredit only include capitalcentre 2 (SDRO). Nordea Kredit no longer reports for CC1 (RO), as this capitalcentre only accounts for a minor part (<1%) of the outstanding volume of loans and bonds

Funding transactions

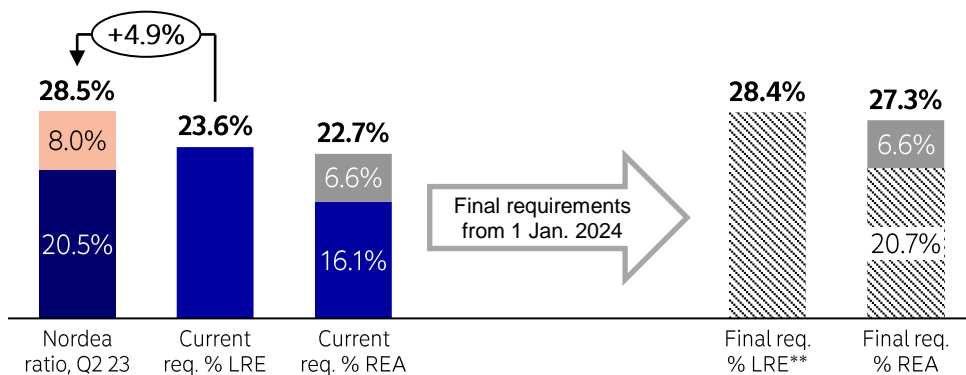
Nordea recent benchmark transactions

Issuer	Type	Currency	Amount (m)	FRN / Fixed	Issue date	Maturity date	Callable
Nordea Bank	Senior non-preferred, Green	 NOK	1,800	FRN/Fixed	Jun-23	Jun-28	
Nordea Bank	Senior non-preferred, Green	 SEK	3,000	FRN/Fixed	Jun-23	Jun-26	
Nordea Bank	Senior non-preferred, Green	 GBP	300	Fixed to Float	Jun-23	Jun-26	Jun-25
Nordea Bank	Senior non-preferred, Green	 CHF	300	Fixed	May-23	May-28	
Nordea Bank	Senior non-preferred	 EUR	1,000	Fixed	Apr-23	Apr-28	
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, Green	 EUR	1,000	Fixed	Nov-22	Dec-25	
Nordea Hypotek	Covered, Green	 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, 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	

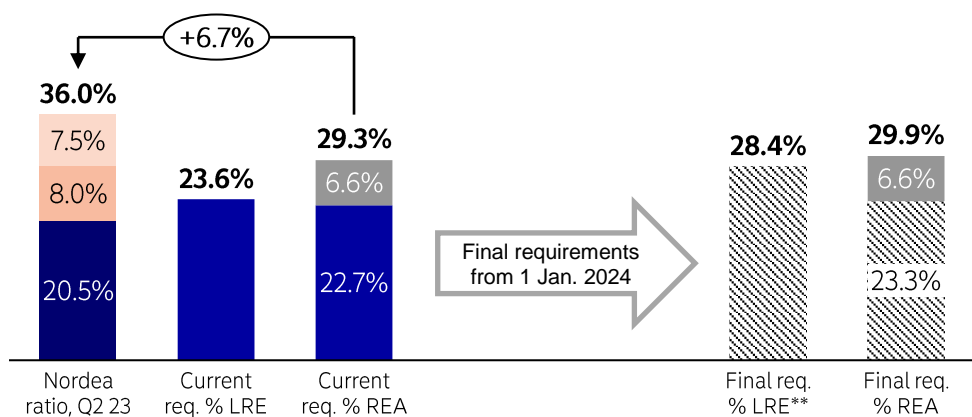
Minimum requirements for own funds and eligible liabilities

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

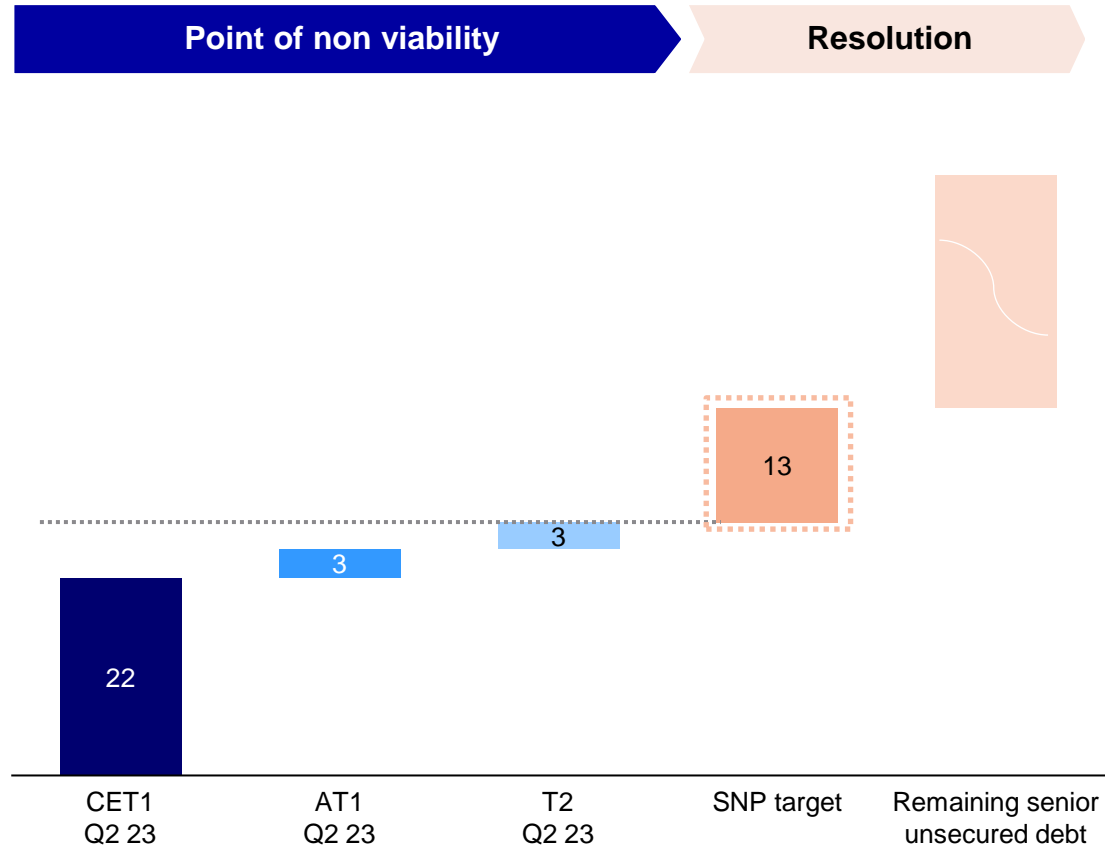
Final requirements set by single resolution board (SRB) in 2023 MREL decision

- Subordinated MREL, the higher of:
 - 20.66% REA + CBR*
 - 7.19% LRE** (corresponding to 28.4% REA)
- Total MREL, the higher of
 - 23.30% REA + CBR
 - 7.19% LRE (corresponding to 28.4% 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

Own funds and bail-in-able debt position

Senior non-preferred target



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

- Subordinated MREL 28.5% of REA as of Q2 23 (4.9 pp above the requirement)
- Issuance plan to meet future subordination requirement

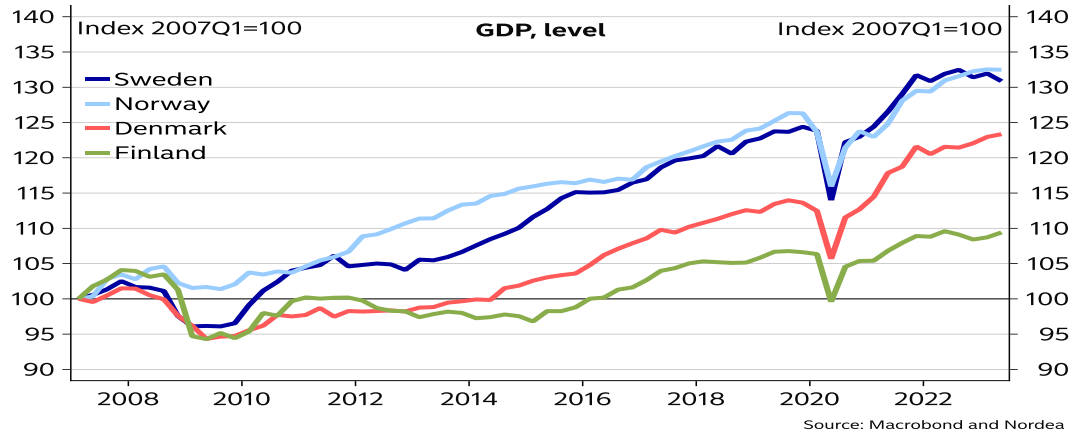
EUR 12.7bn in SNP issued

- Of which ~EUR 11.5bn eligible by YE 2023

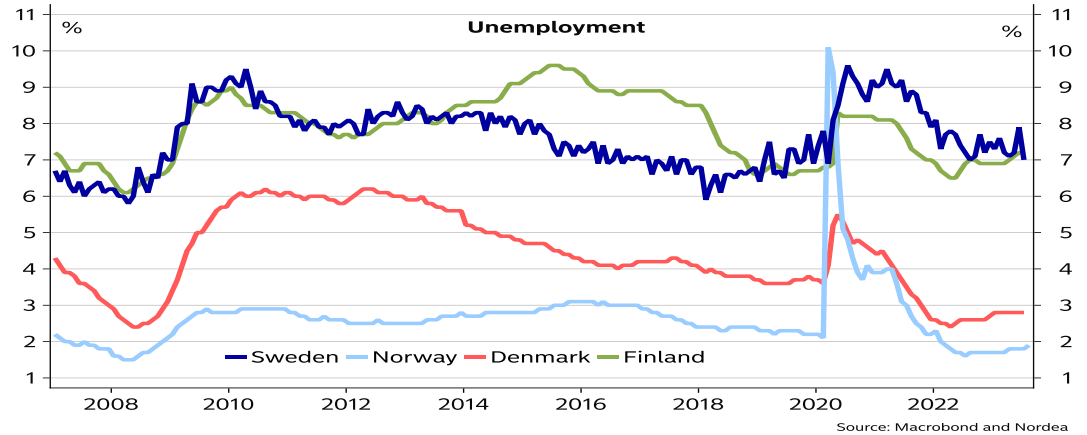
4. Macroeconomy

Resilient economies are facing headwinds

GDP development



Unemployment rate



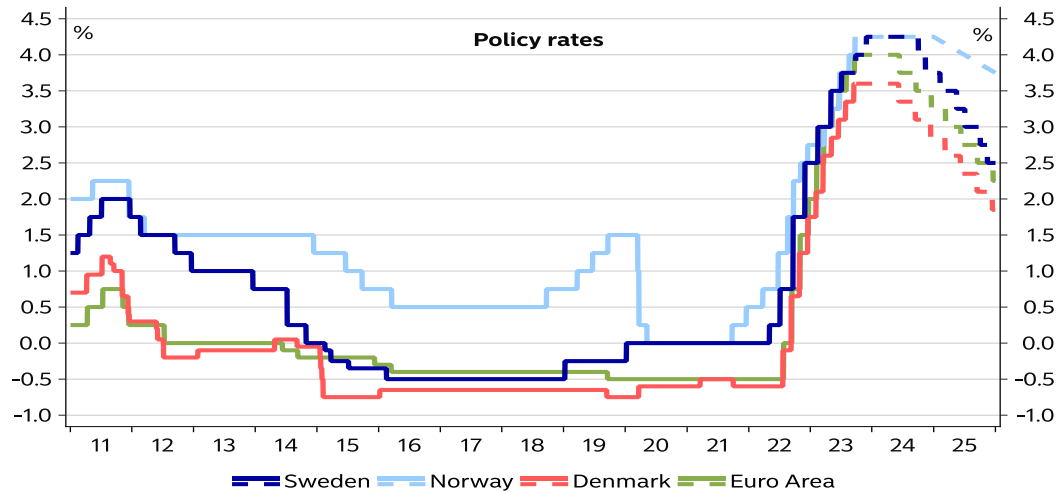
- The Nordic economies have been among the best performing economies globally since the pandemic
- However, on the back of surging inflation and interest rates, coupled with weaker global growth, the resilient Nordic economies are facing headwinds
- The stronger than anticipated labour market is set to weaken as economic growth dampens

GDP, % y/y, Economic Outlook September 2023

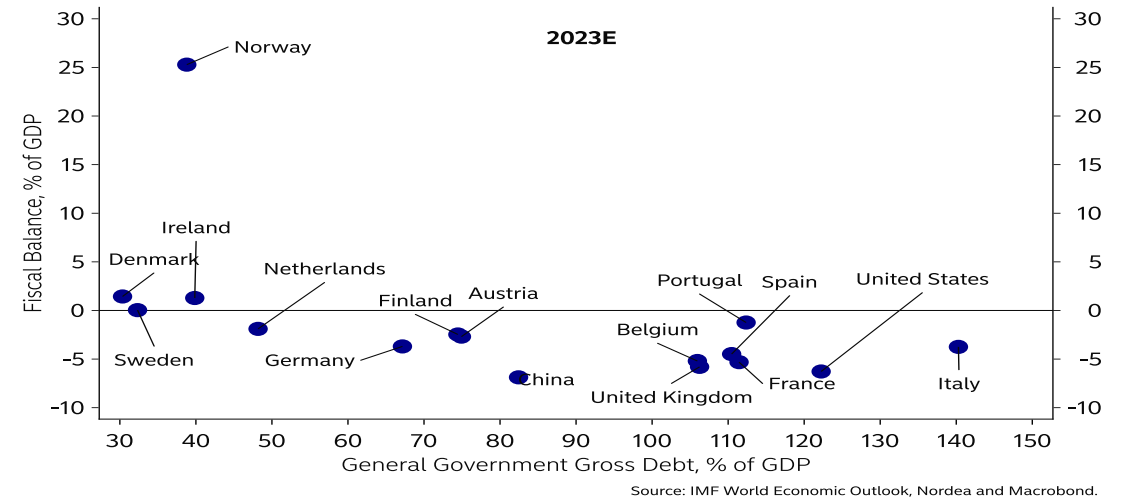
Country	2022	2023E	2024E	2025E
Denmark	2.7	1.3	1.0	1.7
Finland	1.6	0.0	0.0	1.5
Norway (mainland)	3.8	1.2	0.5	1.0
Sweden	2.8	-1.0	-0.2	2.2

Higher for longer interest rates

Policy rates



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

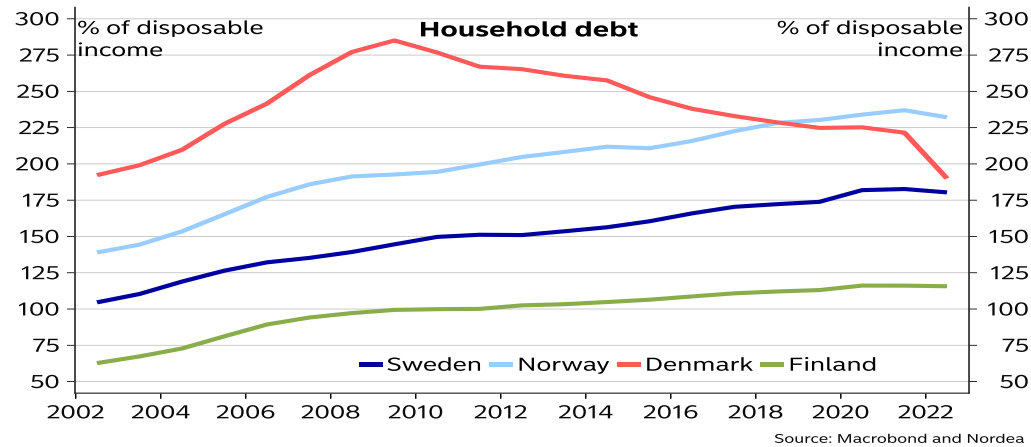


- Central banks are continuing to combat the high inflation
- Norges Bank delivered a 25bp hike in September. The bank has in total hiked from 0 to 4.25% since autumn 2021
- The Swedish Riksbank raised the policy rate to 4.00% in September and are expected to hike until they reach 4.25% in November
- 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 year
- 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

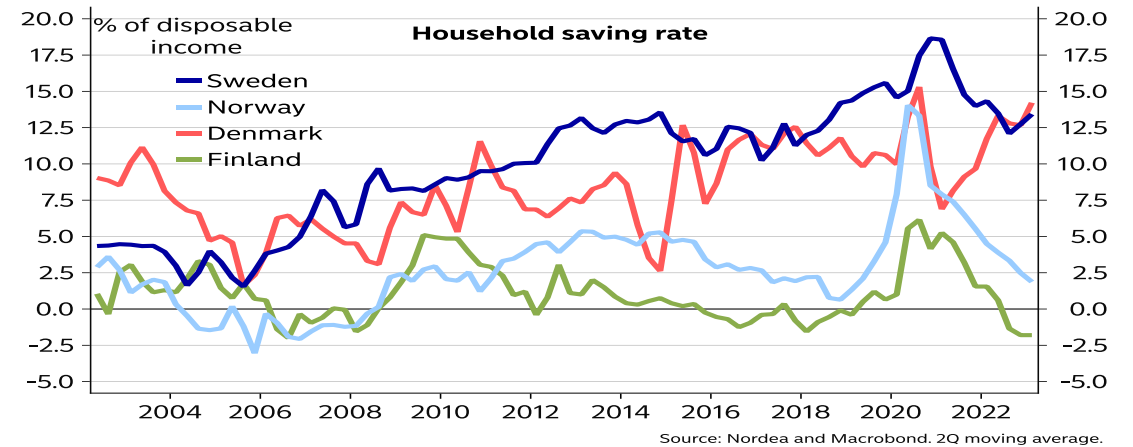
Households

Feeling the squeeze

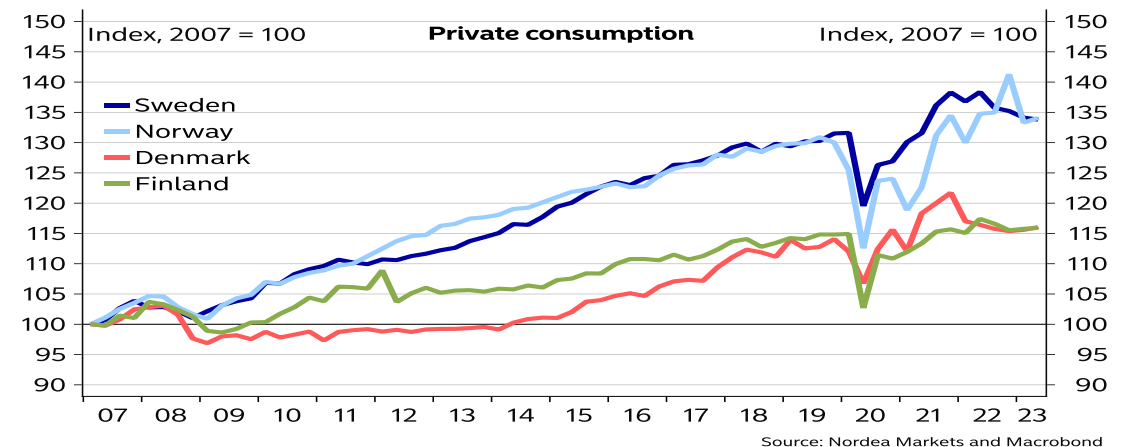
Household debt



Household savings



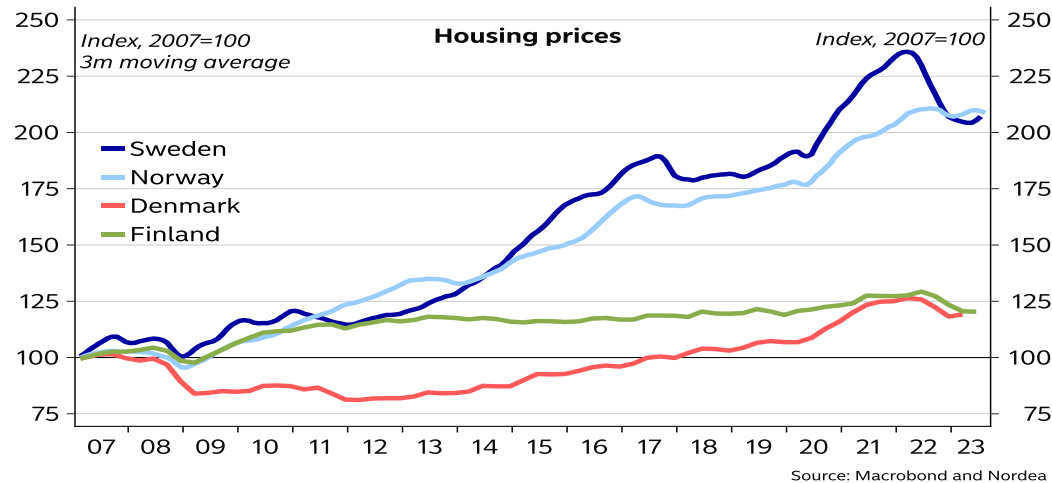
Private consumption



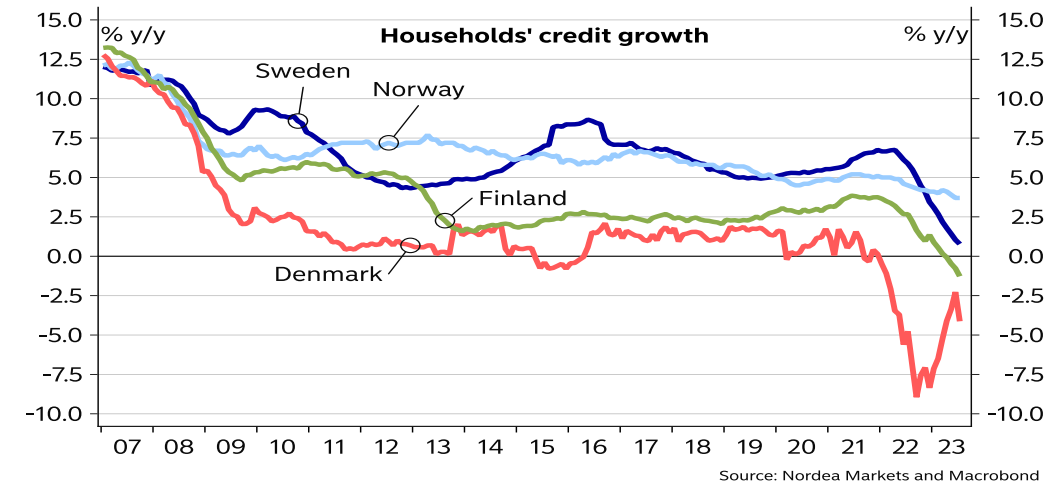
- High and broad-based inflation and still rising interest rates continues to pressure households' purchasing power. Households are feeling the squeeze and consumption is set to decline this year in all the Nordic countries except for Denmark. Real disposable income in Sweden is set to decline by -3.0 percent in 2023
- Household debt is beginning to decrease as interest rates continues to rise

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 Nordic countries on the back of surging borrowing costs. However, prices have during the summer started to stabilize
- The risks are still on the downside for housing prices going forward, accounting for the higher interest rates
- Households' credit growth in the Nordic countries, except for Denmark, have been on a downward trend the past couple of quarters. In July 2023, Sweden had close to zero credit growth while both Finland and Denmark had negative credit growth

Contacts

Investor Relations

Matti Ahokas

Head of Investor Relations
Mobile: +358 40 575 91 78
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

Juho-Pekka Jääskeläinen

Senior IR Officer
Tel: +358 9 5300 64 35
Mobile: +358 40 550 91 11
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

Ola Littorin

Head of Long Term Funding
Tel: +46 8 407 9005
Mobile: +46 708 400 149
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