

EXPERIAN learningDAY₂₀₂₁

Customer centricity during challenging times



EXPERIAN learningDAY 2021

Covid-19 Impact on Nordics Credit Activity and Future Expectations from Experian's Point of View



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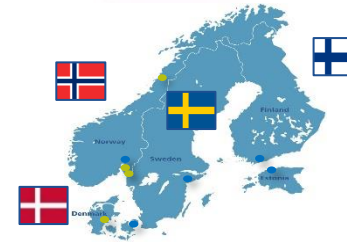


The consequences of Covid-19: The worst is still to come for some sectors, while the new normal is already the normal for others



This presentation is around the status of the market and provides our perspective on the banking environment in the near future

What is the economic situation in Nordics as of today?



What have we learned from the last one year during the lock-downs?



Credit activity



Asset quality



Changing spending behaviors

What will happen next?



The lockdown has had a massive economic impact on many industries. GDPs of the Nordic economies has decreased, and unemployment rates increased in 2020

Different than 2008-09 financial crisis

In 2009;

In Norway:

Unemployment 3,2%, GDP growth -1,7

In Denmark:

Unemployment 6%, GDP growth -4,9

**Better performed than UK & many
European countries' economies BUT**

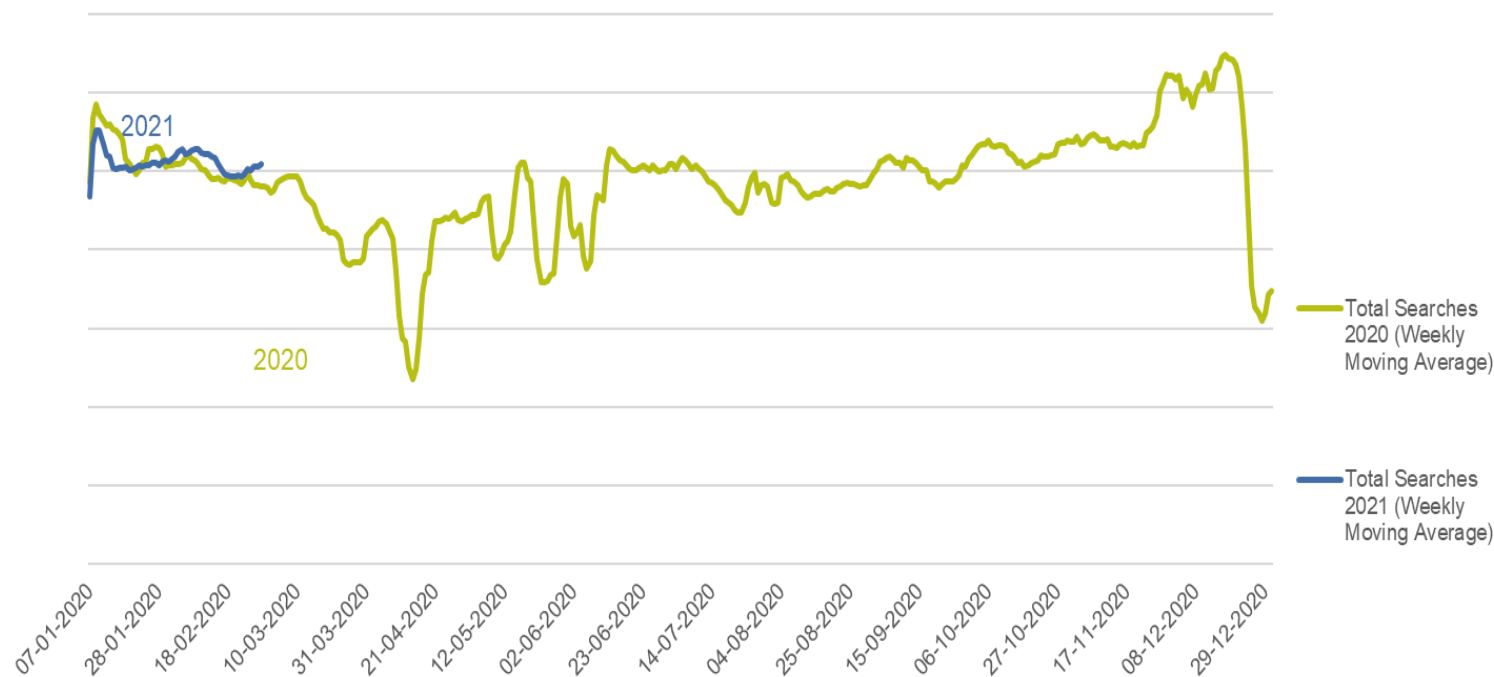
High export volumes with UK & Germany

Economic Statistics	Denmark	Norway	Sweden	Finland
Annual GDP growth (%) in 2019	2.8	0.9	1.4	1.3
Expected annual GDP growth (%) in 2020 pre-Covid-19	1,5	1,9	1,1	0,9
Annual GDP growth (%) in 2020	-3.3	-0.8	-3.0	-2.9
Expected annual GDP growth (%) in 2021 as of Dec 2020	2,9	3,7	3	2,2
Unemployment rate (%) as of Dec 2019	3,7	3,9	6	6
Unemployment rate (%) as of Dec 2020	4,4	5	8,2	7,8

* GDP growth levels: National Statistical Offices
Registered unemployment rate: <https://tradingeconomics.com/>

Credit activity* in Denmark - New normal or just normal?

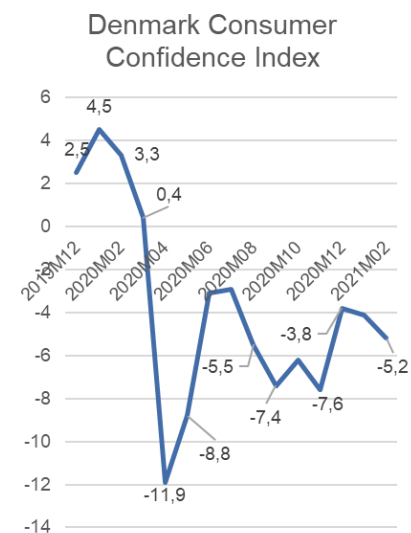
Credit enquiry volumes have a sharp fall in December due to an expected fall due to the Christmas holiday. From the beginning of 2021, credit enquiries have been at the same levels with pre-Covid-19 time



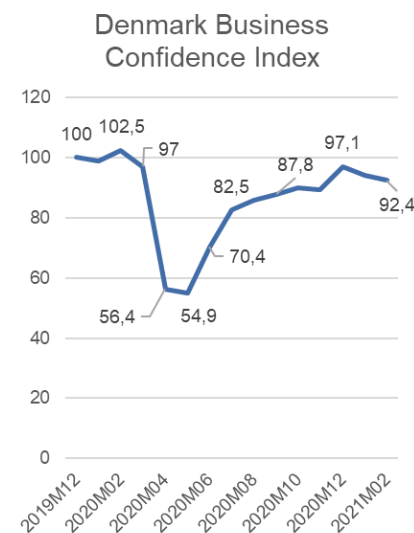
*Credit activity = RKI searches

Covid-19 impact on credit activity in Denmark

- High impact after mid-March after the lockdown
- After May 2020, with gradual openings, recovery started
- Not shocking impact of 2nd lockdown on credit activity

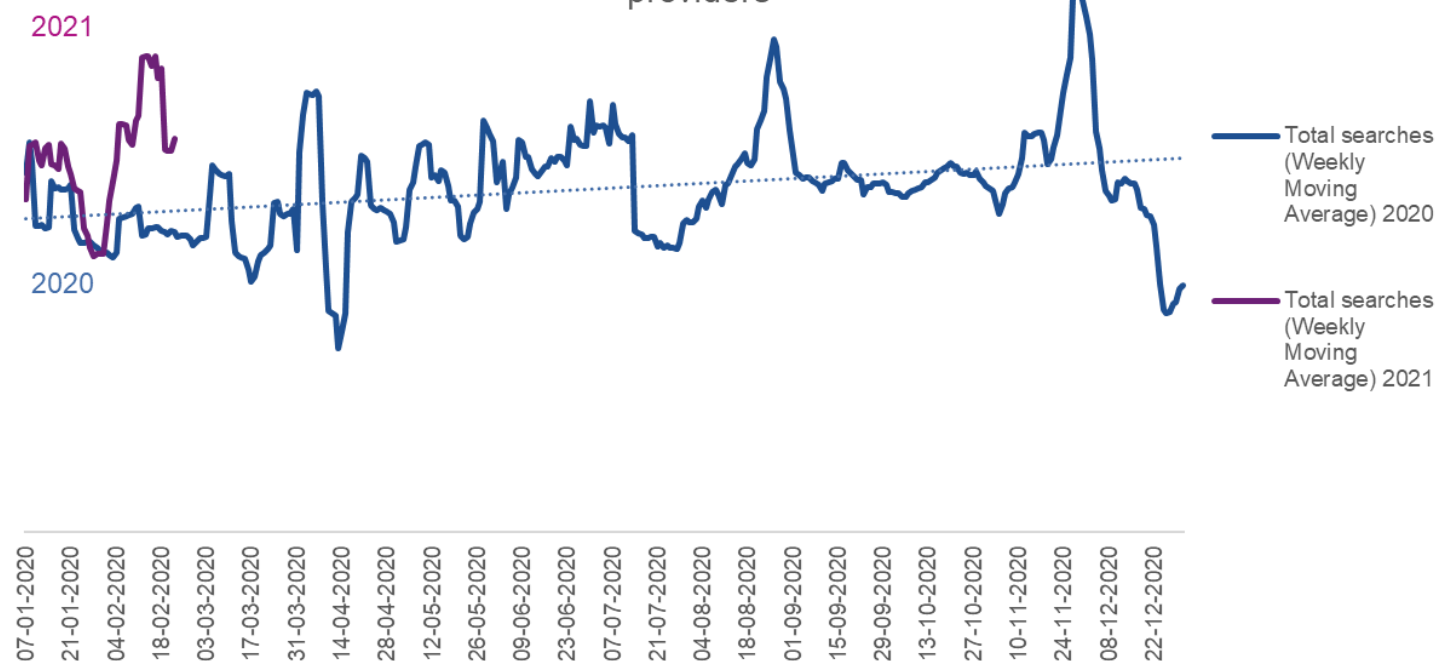


*Danmarks Statistik



Credit activity* in Norway - New normal or - even better?

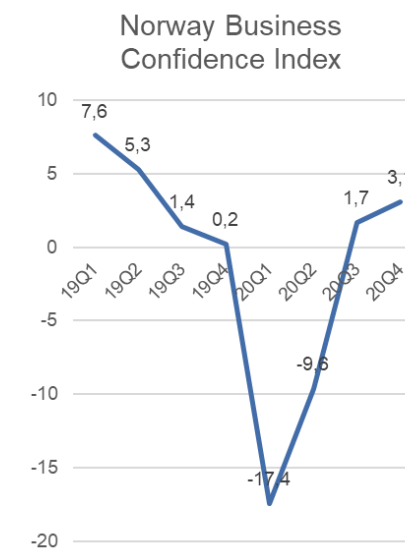
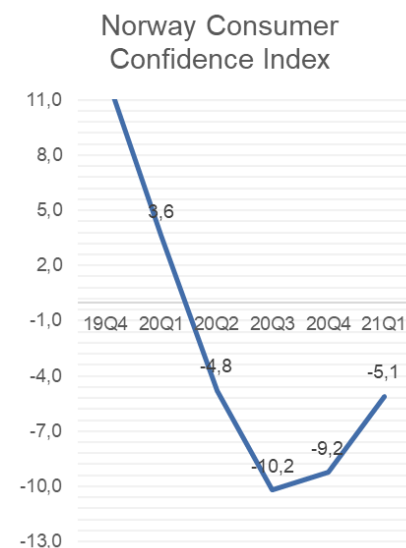
Recovery in the credit activity is mostly supported by fast adaption of the stores to online shopping and mobile payment with the help of payment providers



*Credit activity = RKI searches

Covid-19 impact on credit activity in Norway

- Sharpest decline following the lockdown measures enacted 13th March
- E-commerce effect
- Stricter restrictions in October & November and then December



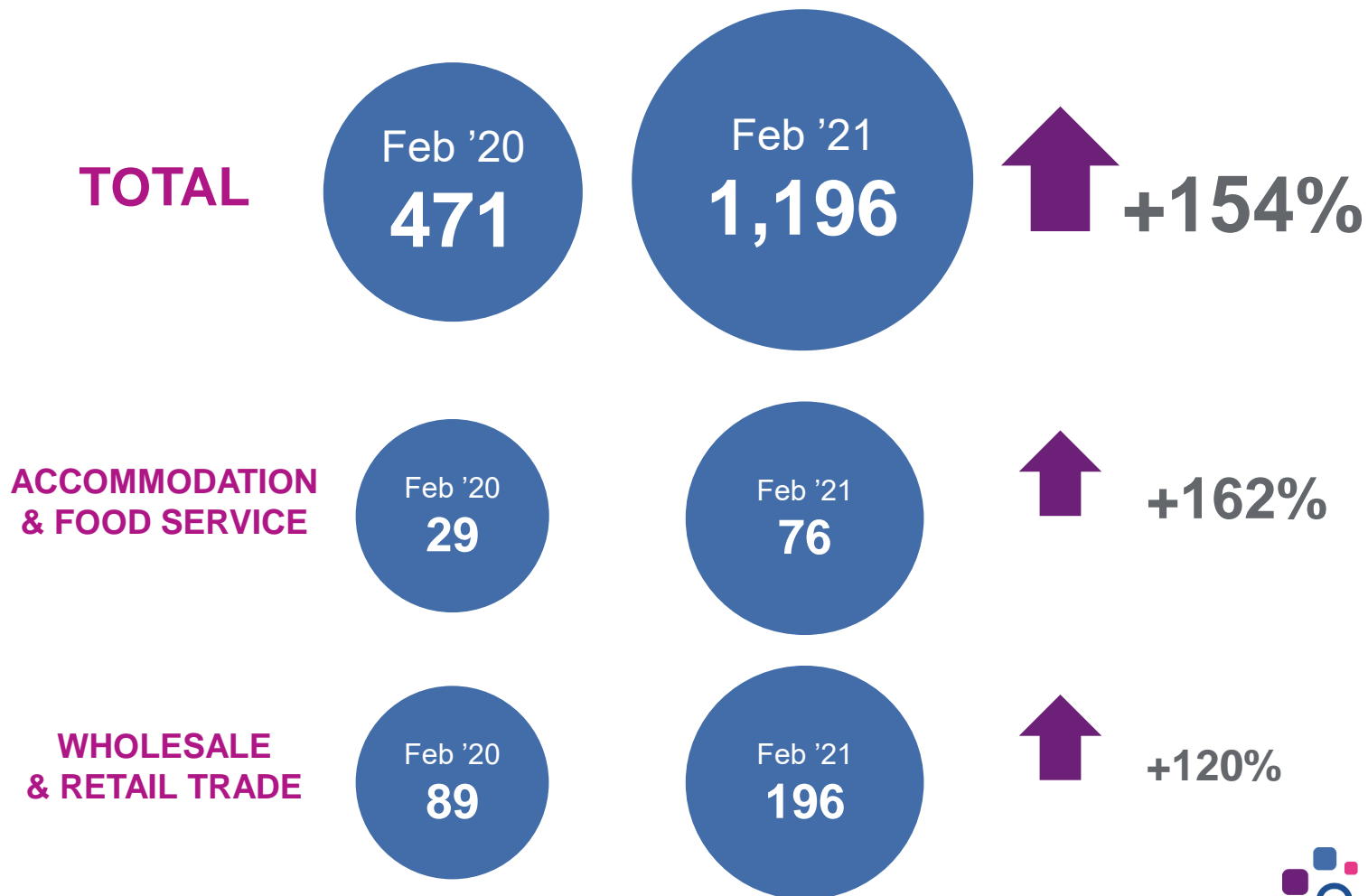
*Business Confidence Index: ssb.no
Consumer Confidence Index: finansnorge.no

For Denmark, expected storm did not arrive but still some more expected bankruptcies will come

The total number of bankruptcies in February 2021 looks 1,5 times higher than the same month of the last year, **BUT**

IVS effect

- Nearly half of the bankruptcies were IVS
- High number of bankruptcies in January & February due to a shift in compulsory dissolutions in October last year - failure to submit accounts
- Mostly the companies with no employees and only limited revenue
- 212 declared bankruptcies in February among active companies - 7.2 % fewer than in January



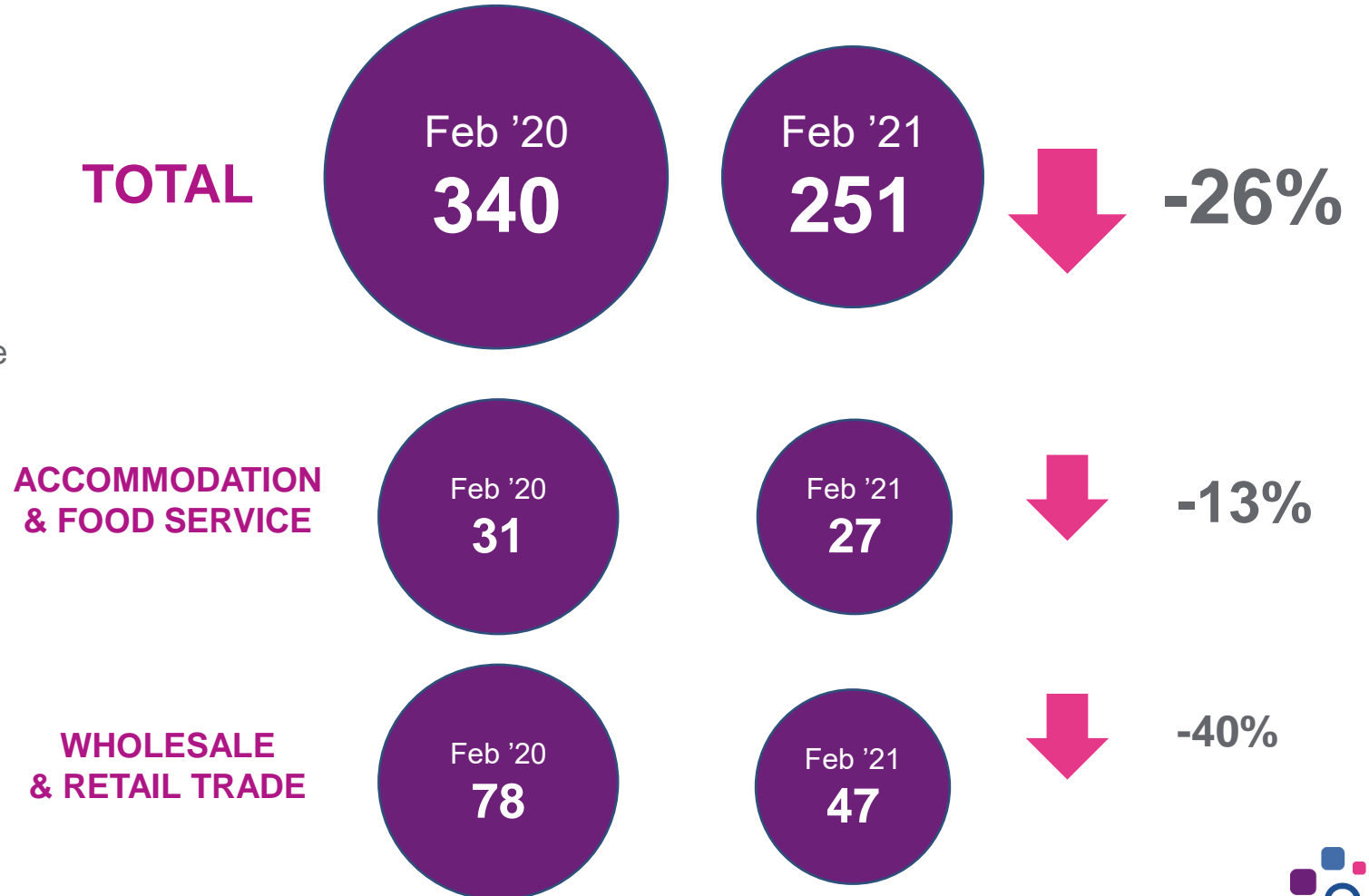
For Norway, decreasing trend in bankruptcies continues. Is it at its “to-be” levels or is the impact postponed?

1 Deferred payments for tax and fees & delayed bankruptcy registrations

- Partly due to fewer bankruptcy petitions from the tax authorities due to deferred payment of taxes and fees
- If it is the case there should have been a spike in the bankruptcies by 50% compared to 2020

2 Or just government aid package impact?

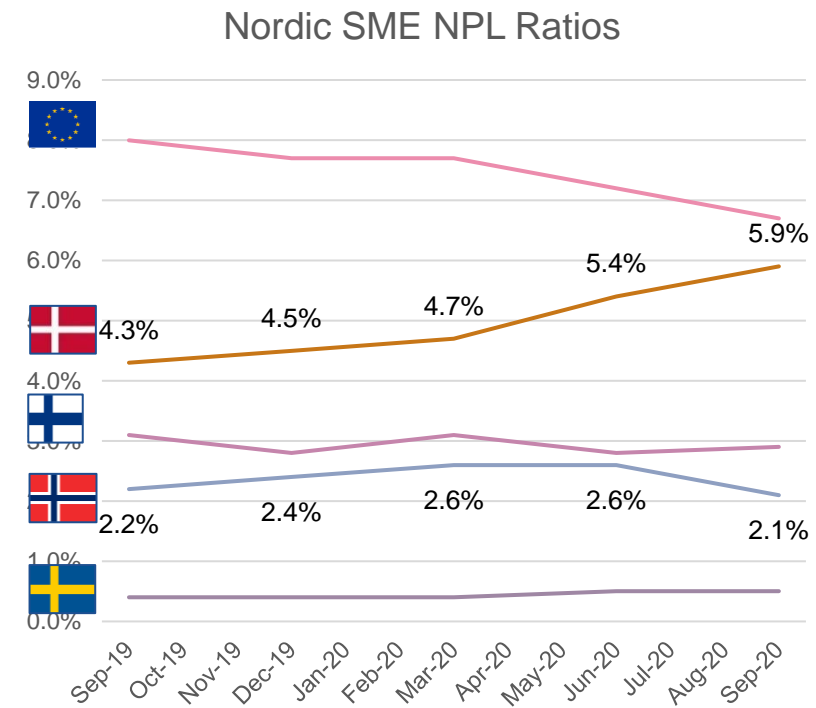
- A more moderate scenario is that to reach 2019 levels relatively quickly, and that bankruptcies will increase moderately through 2021. Which means an increase of approx. 25% compared to 2021



The full impact of Covid-19 will expectedly put more pressure on the bankruptcies because non-performing loan (NPL) stock in SME portfolios in Denmark has an increasing trend

Denmark has the highest NPL levels among Nordic countries and still increasing

- 31% increase in NPL share in Danish SME portfolios – from 4,5% in Dec 2019 to 5,9 in Sep 2020
- In Norway the increase in SME NPL share in SME portfolios continued until 1st half of 2020 then it dropped to 2,1% in Sep 2020.



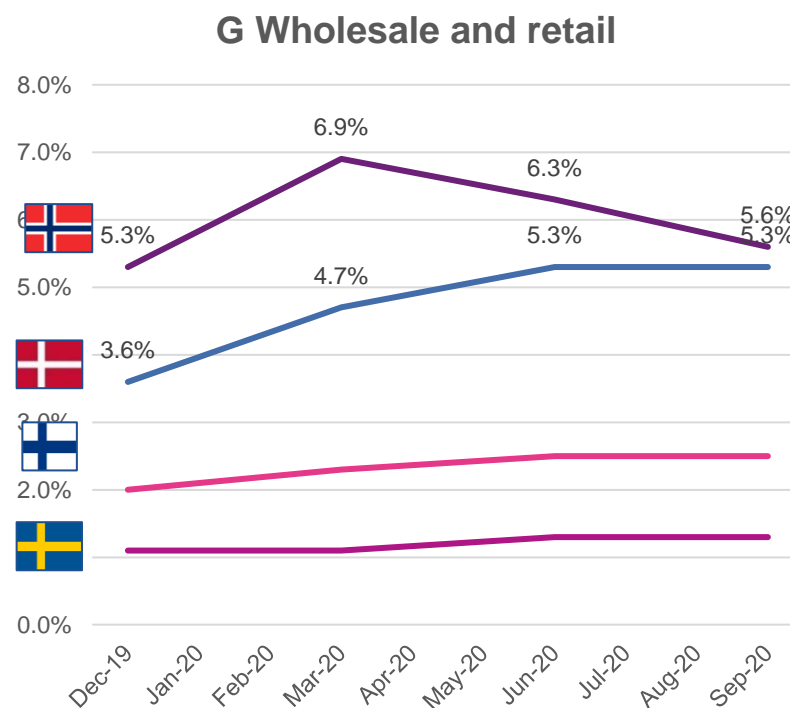
*EBA Risk Dashboard Q3 2020

Sector matters

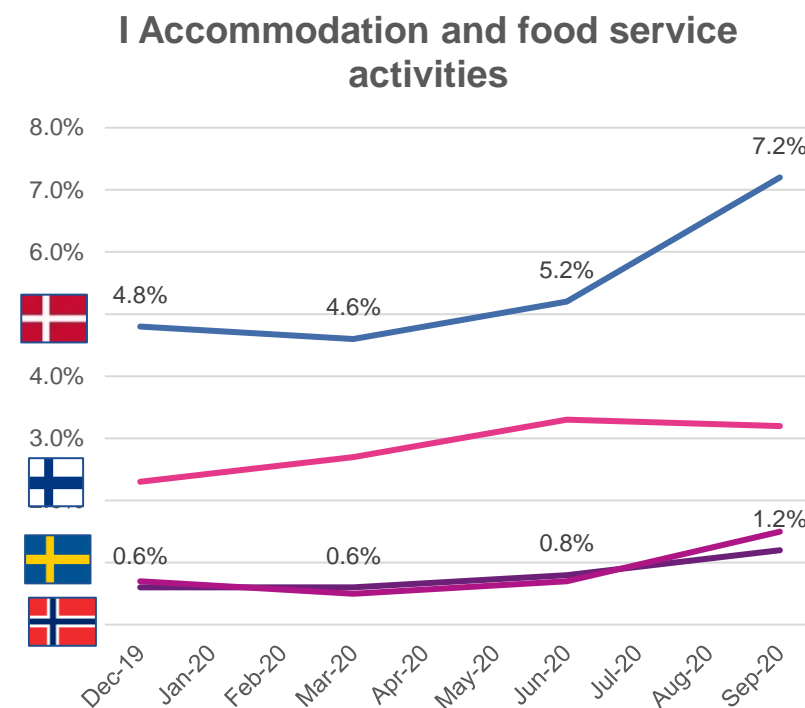
The performance of the loans differs among sectors and among countries

Hotels and restaurants are clearly struggling in Denmark

- In Norway, NPL levels of wholesale and retail sectors' loans started to get improved after March 2020
- In Denmark the increase in NPLs has flattened after June 2020
- Government measures have an impact on sector specific performance.



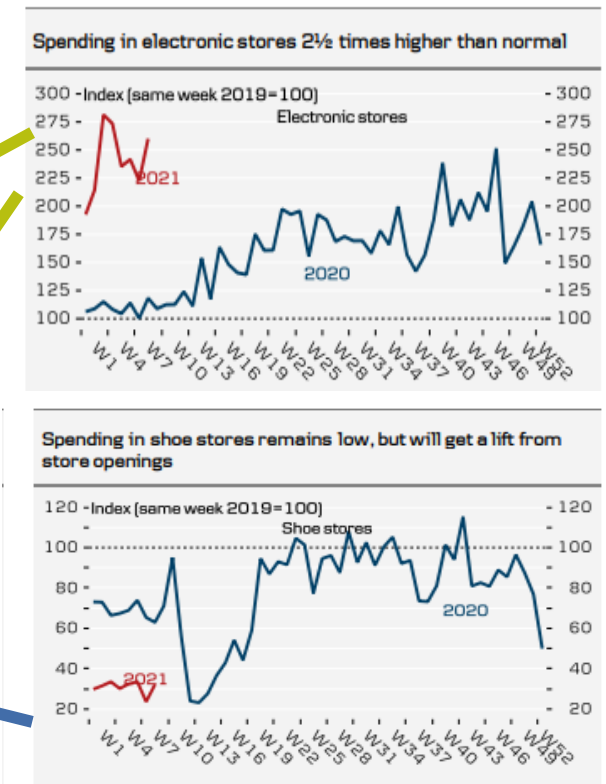
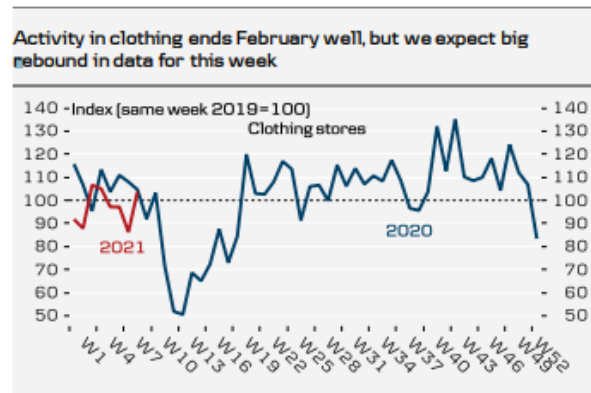
*EBA Risk Dashboard Q3 2020



*EBA Risk Dashboard Q3 2020

We need new clothes and larger screens for Zoom meetings, but we don't need shoes for home office

According to Danske Bank Spending Monitor reports, spending patterns have been also shaped by Covid-19 outbreak



What will happen next?

For example, in Denmark, governmental actions on tax schedules, liquidity injections with holiday money disbursements, uncertainty with positive expectations of completion of the vaccination, limited re-openings for certain sectors and regulatory measures define the agendas of many companies as well as banking and financial institutions

March 1st, 2021:
Postponement of VAT payments

April/May 2021:
Holiday money disbursements

Summer 2021:
Vaccination completed?

On-going
regulations in the
credit market to
protect consumers

March 1st, 2021:
Gradual re-openings started after
2nd lockdown

April 5th, 2021:
Gradual re-openings continue?

June 2021:
Government relief packages still applicable?

Impact on bankruptcies

Impact on loan performances

Impact on payment/spending patterns

Credit assessment

Impact on economic recovery period

Performance differentiation by sector

Income and affordability verification

Early warning triggers

