Nordea

Fourth-quarter and full-year results 2022

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.

This presentation does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

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

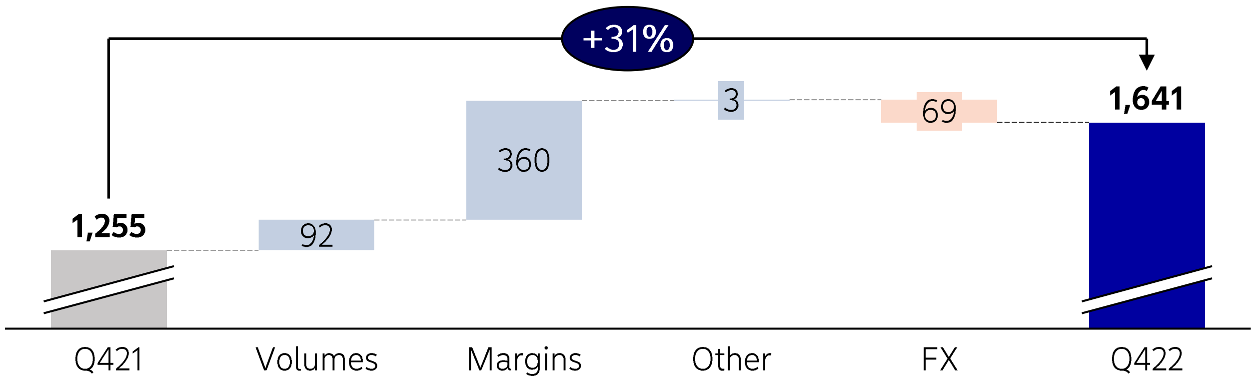
Full-year results 2022*

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%

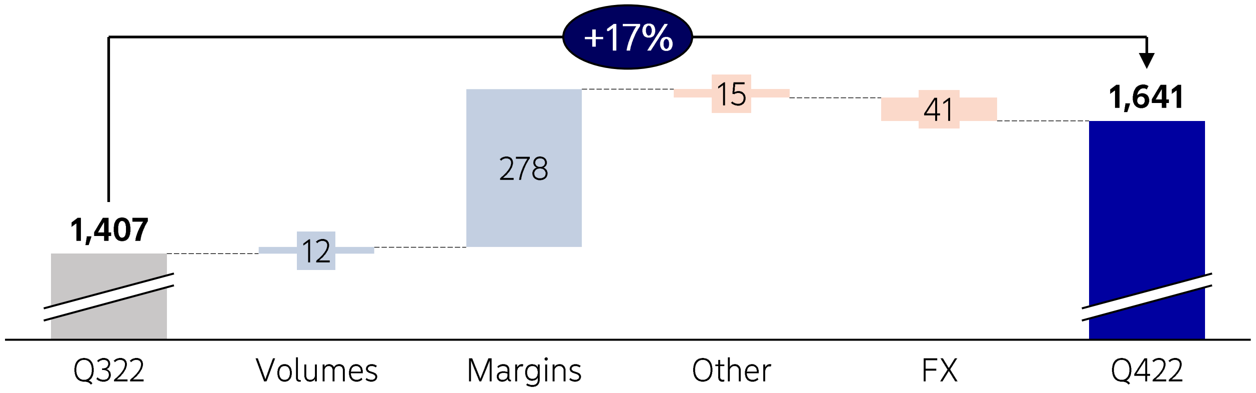
* Excluding IAC; see page 5 in Q4 interim report for details
** With amortised resolution fees

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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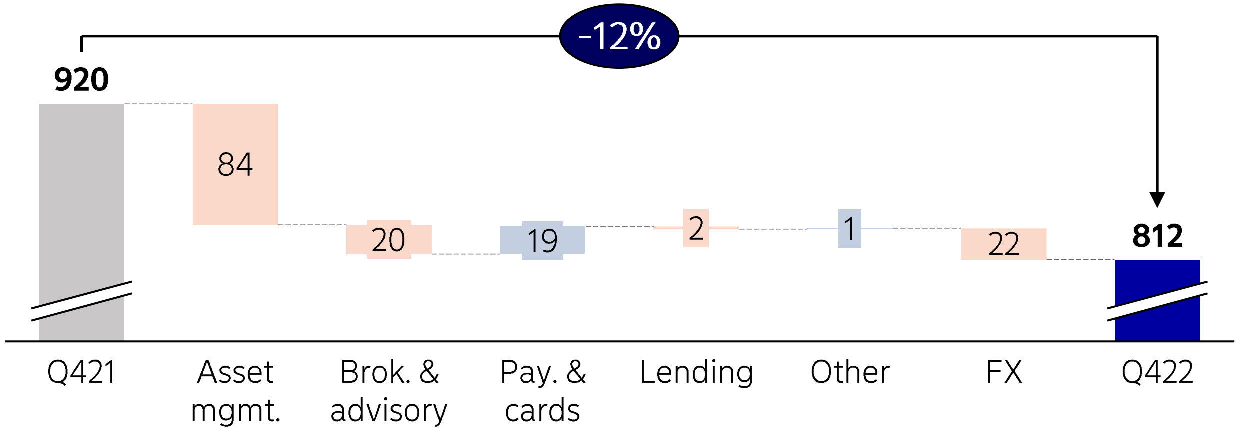
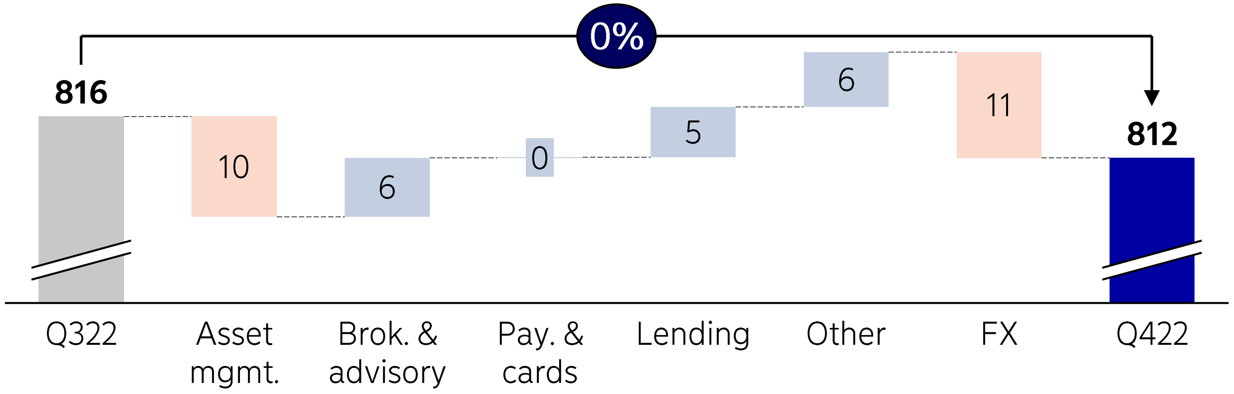
Net fee and commission income

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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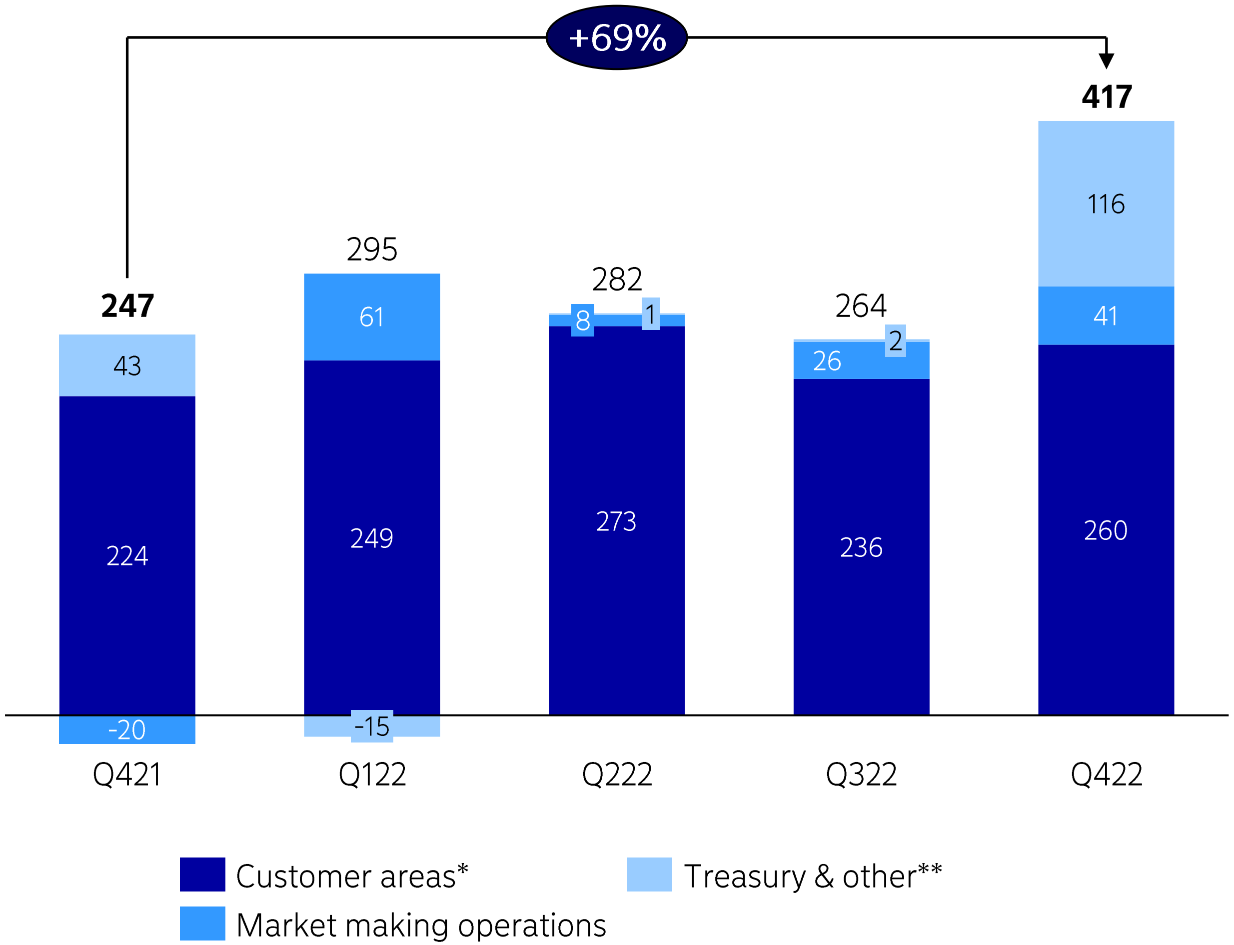
Net fair value result

High customer activity

Net fair value result, EURm



- **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**

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

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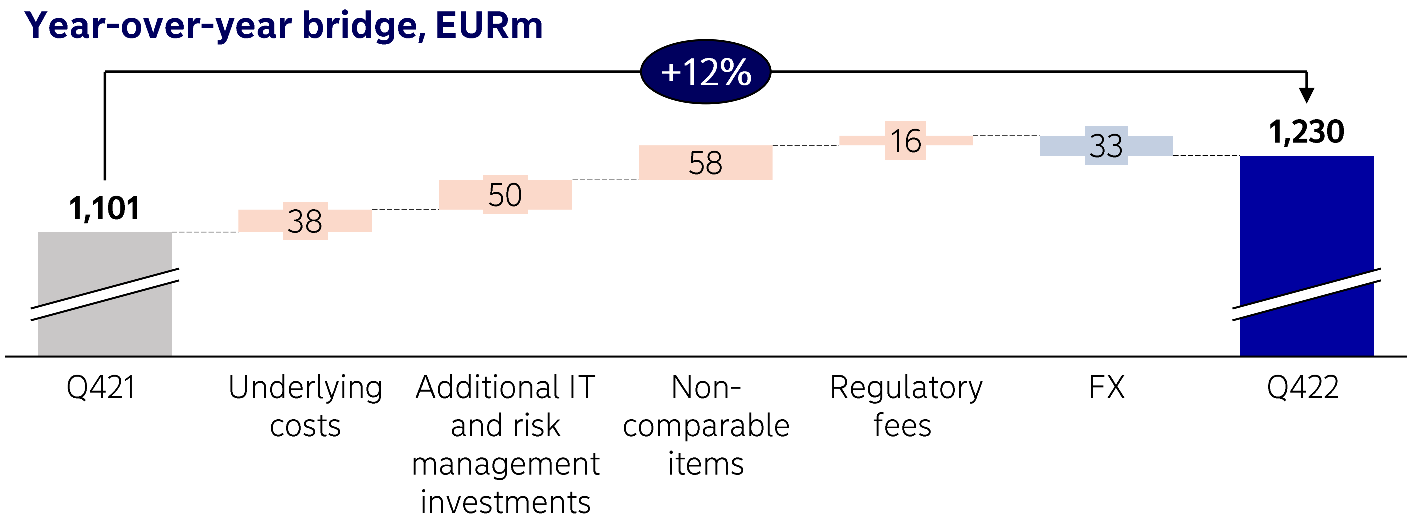
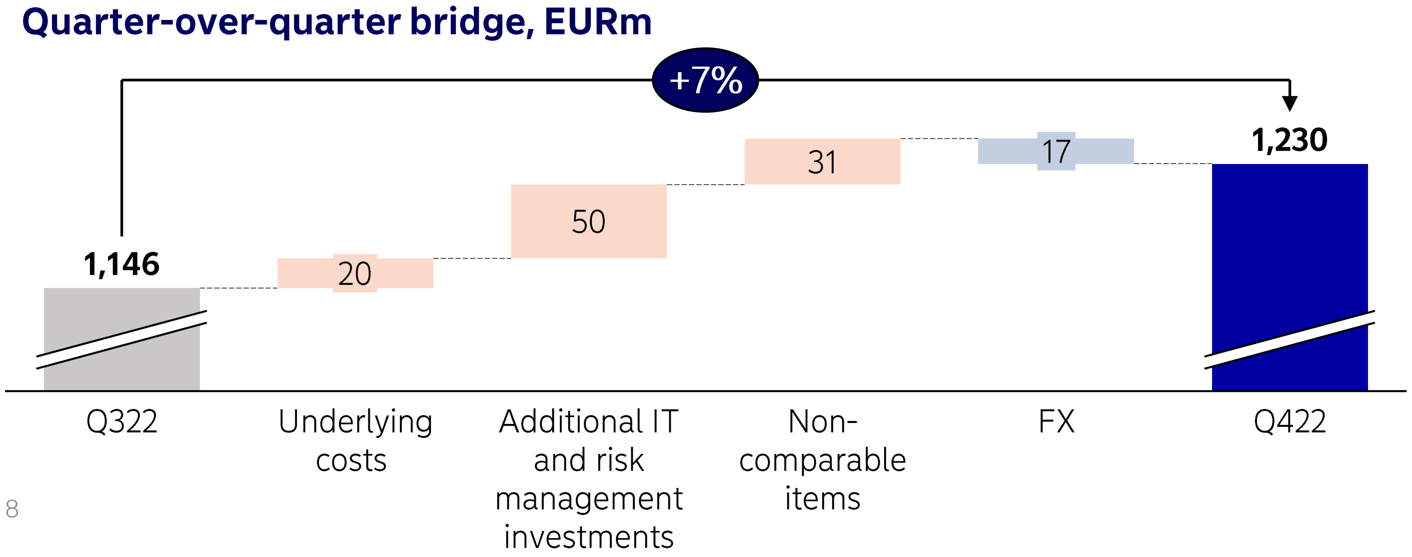
Increased cost pressure and additional investments





- **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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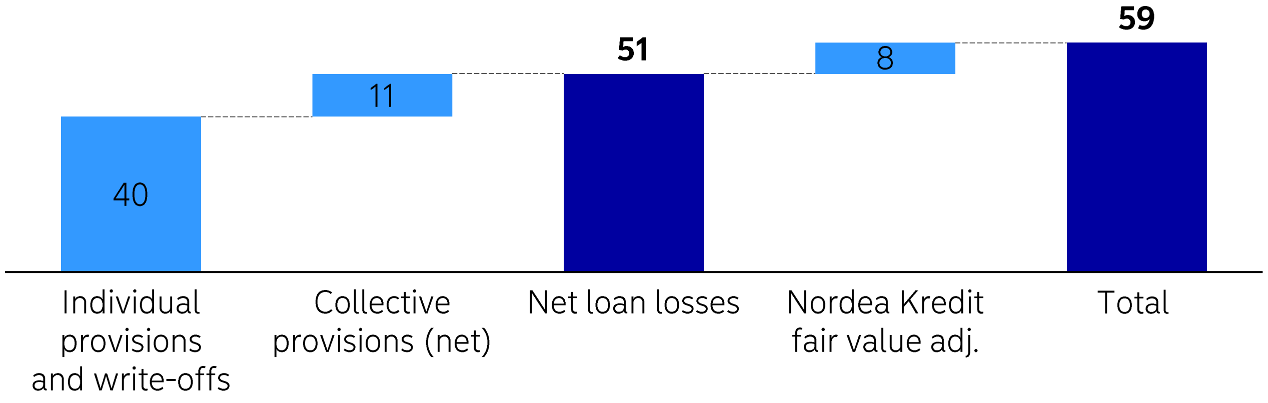
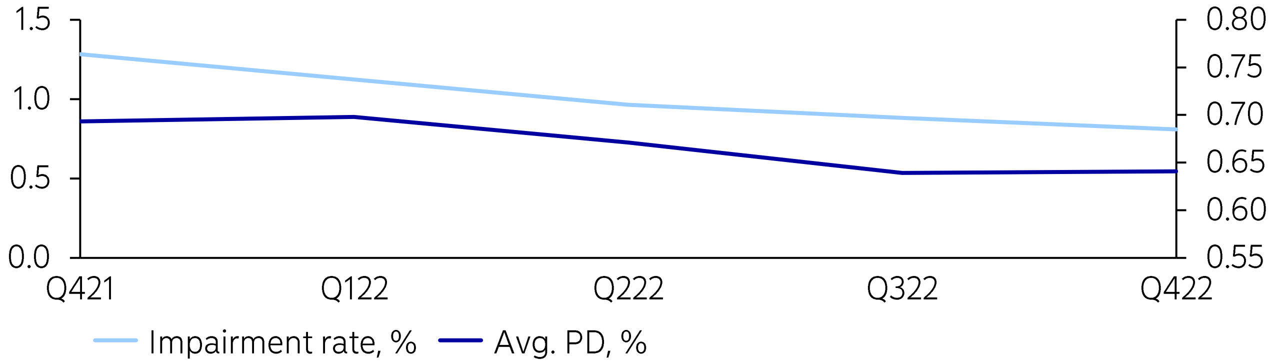
Net loan losses and similar net result

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 weakened macro environment
  - EUR 8m FV adjustment for Danish mortgages related to weakened macro
- **Management judgement buffer reassessed due to weaker macro, lower impact from pandemic**
  - EUR 20m of provisions reallocated, buffer now increased to EUR 585m
- **Continued strong credit quality; risks carefully monitored**

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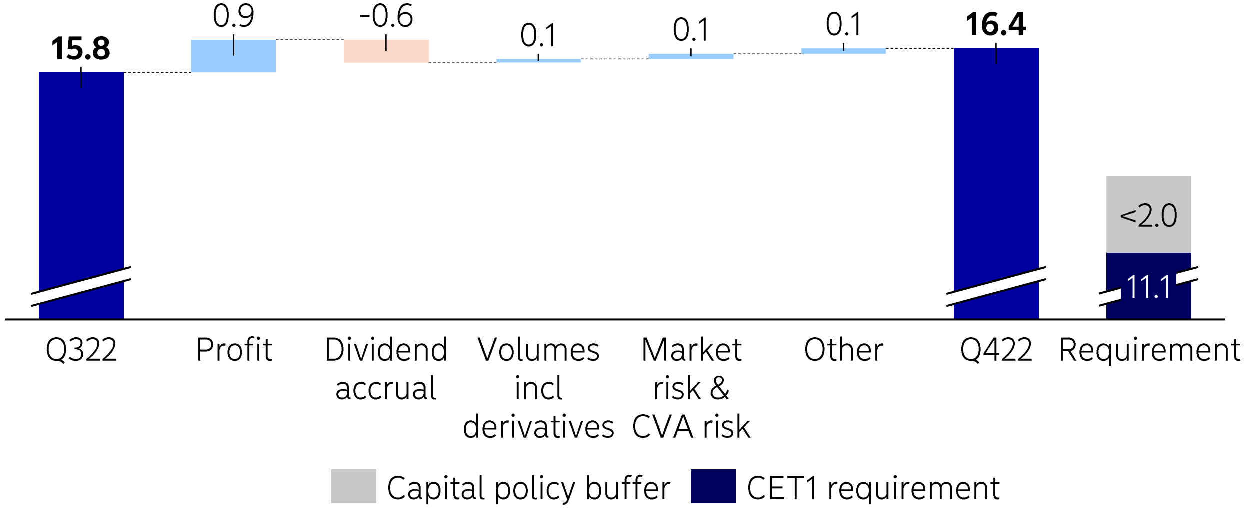
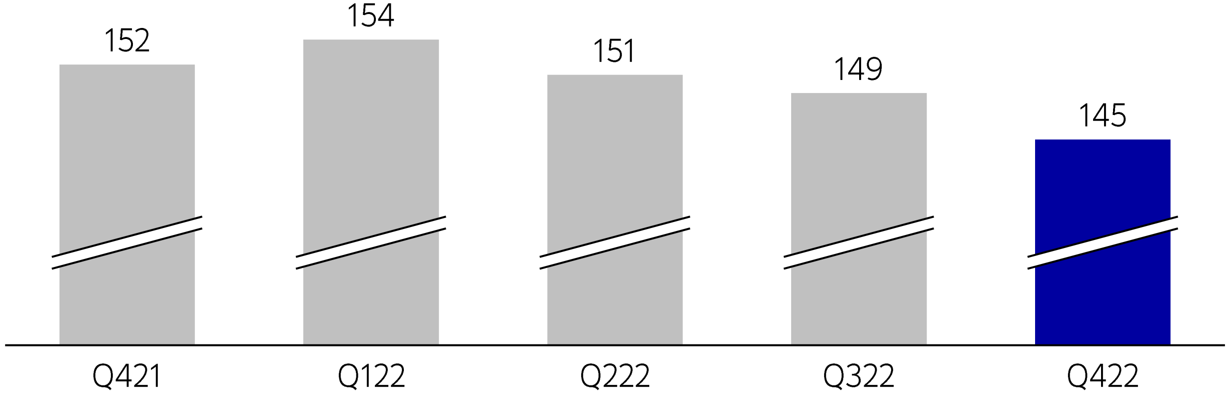
Strong position – share buy-backs in progress

CET1 capital ratio development, %



REA development, EURbn

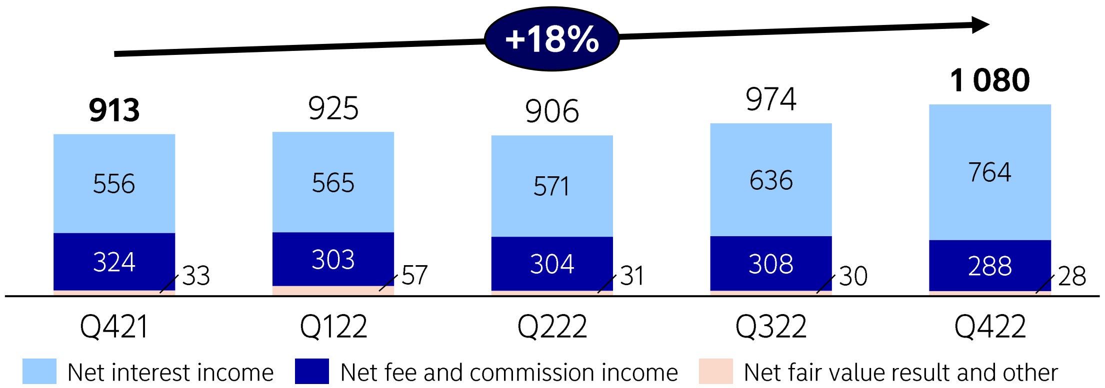


- **CET1 capital ratio increased to 16.4%**
  - 5.3 percentage points above regulatory requirement
  - CET1 capital increased EUR 0.3bn due to profit generation net of dividend accrual
  - Risk exposure amount EUR 145bn, driven by lower market risk and CVA, FX effects and decreased counterparty credit risk
- **Good progress on share buy-backs**
  - EUR 4.0bn returned to shareholders via buy-backs
  - Third EUR 1.5bn programme in progress

Personal Banking

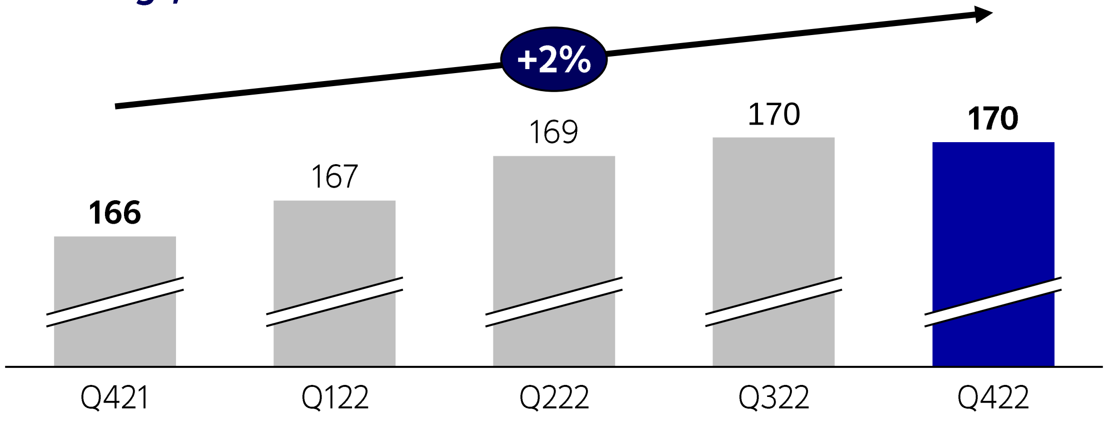
Higher net interest income driven by increased deposit income and higher lending volumes

Total income, EURm

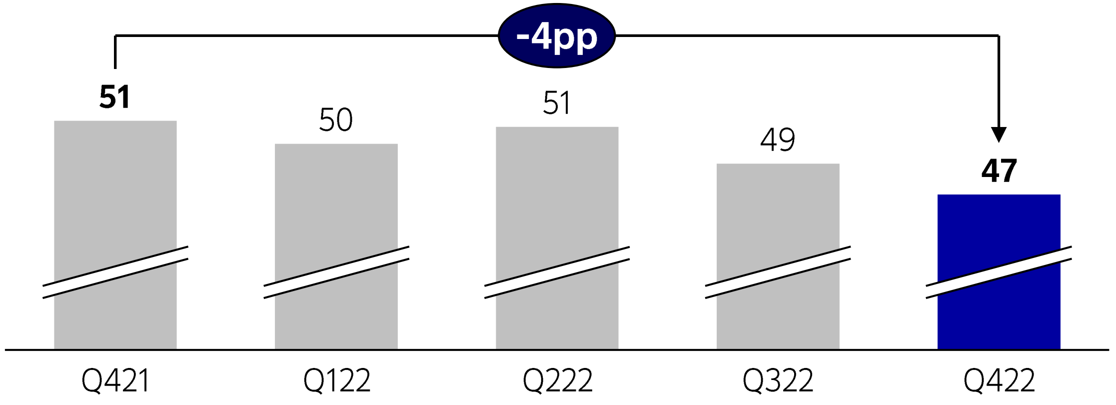


- Total income up 18%
- Increased mortgage market shares across Nordics in muted markets
- Deposit volumes increased by 4% and margins up
- Lower savings and investment income, partly offset by higher payment and card fee income
- Improved cost-to-income ratio, now 47%

Lending*, EURbn



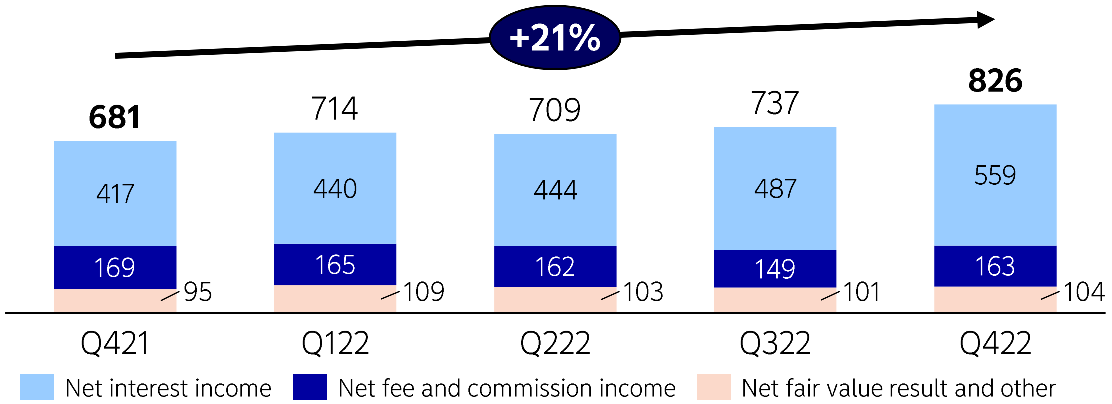
Cost-to-income ratio**, %



* Excluding FX effects
** With amortised resolution fees

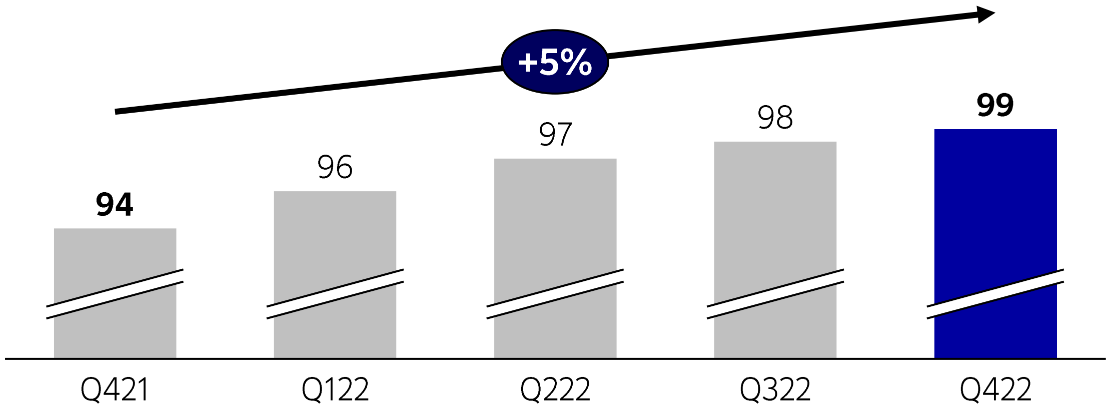
Continued income growth supported by higher lending volumes and interest rates

Total income, EURm

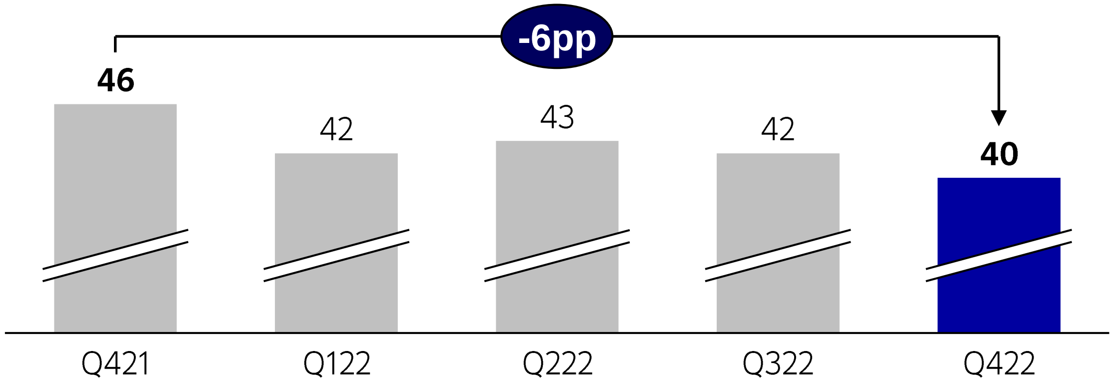


- Total income up 21%
- Lending volumes up 5%, led by Sweden and Norway
- Strong growth in deposit income, supported by higher policy rates in all markets
- Improved cost-to-income ratio, now 40%

Lending*, EURbn



Cost-to-income ratio**, %



* Excluding FX effects
** With amortised resolution fees

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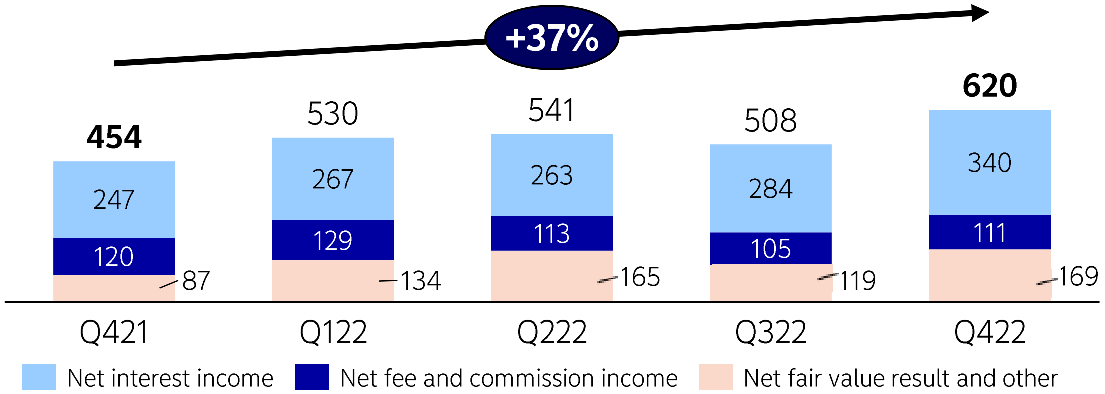
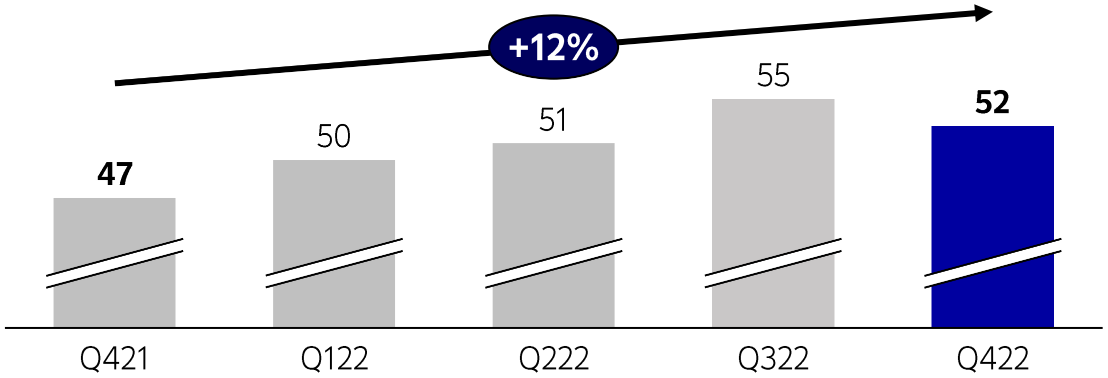
High customer activity and strong lending growth

Total income, EURm

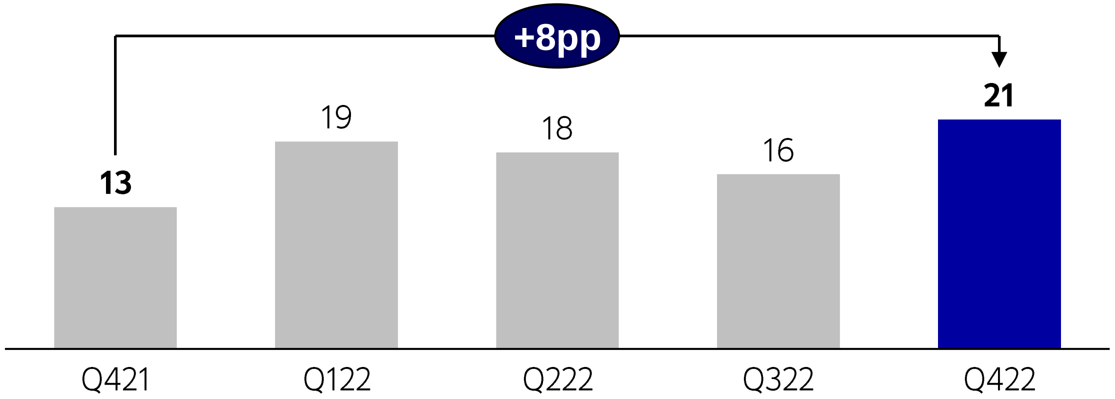


- Total income up 37%
- Net interest income up 38% due to increased lending and higher deposit margins following higher interest rates
- Commission income lower in continued weak capital markets
- Net fair value and other income up 94%, driven by high customer activity and strong risk management
- Return on capital at risk improved to 21% and cost-to-income ratio improved to 36%

Lending*, EURbn



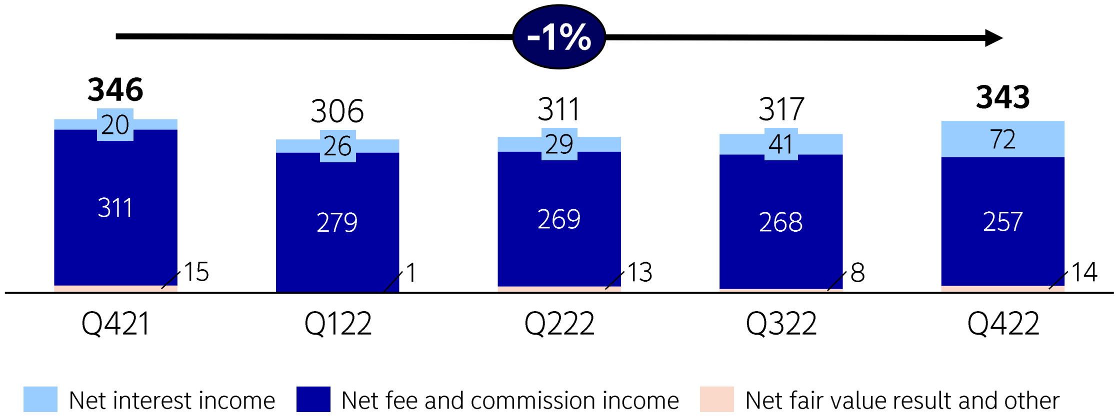
Return on capital at risk**, %



* Excluding repos
** With amortised resolution fees

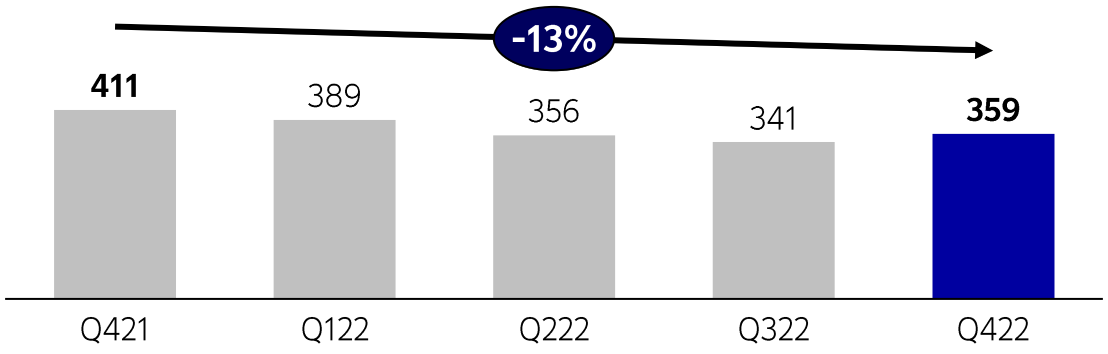
Solid income delivery in turbulent markets

Total income, EURm

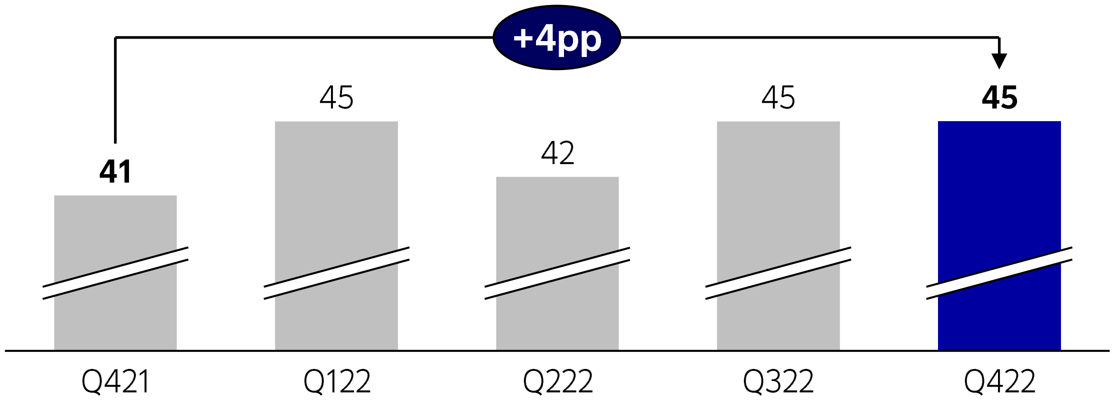


- Total income down 1%, driven by lower assets under management
  - Net interest income up, driven by increased deposit margins
- Assets under management down 13% to EUR 359bn
  - Positive net flows from internal channels, driven by Private Banking
  - Net outflow of EUR 3.0bn (annualised -4%) during quarter
  - Assets under management of 11bn from Topdanmark inclusion
- Cost-to-income ratio at 45%

Assets under management, EURbn



Cost-to-income ratio*, %



* With amortised resolution fees

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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


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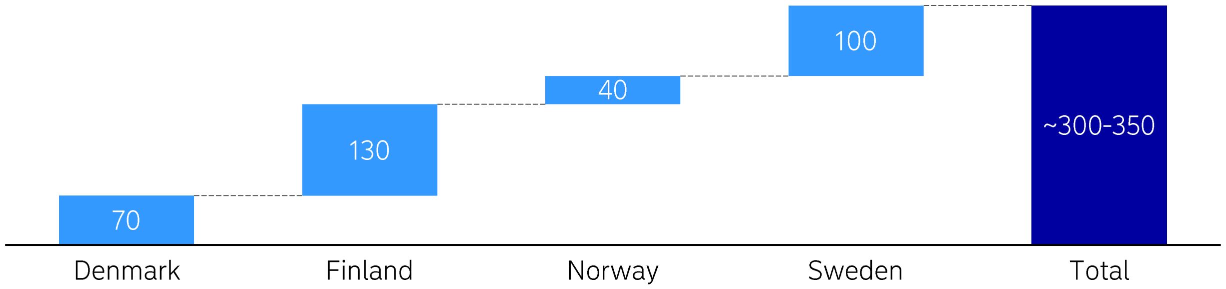
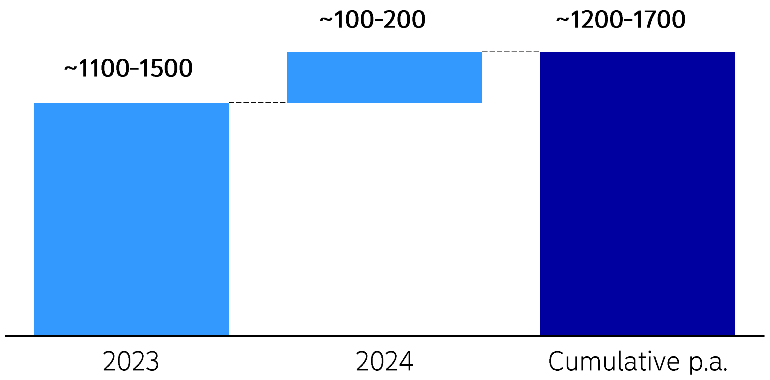
Net interest income

Net interest income sensitivity to policy rate increases

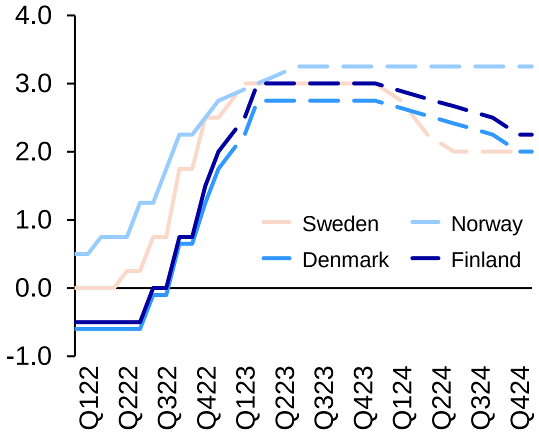
Sensitivity to +50bp parallel rate shift in policy rates



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



Policy rate path expectations



- **NII impact 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

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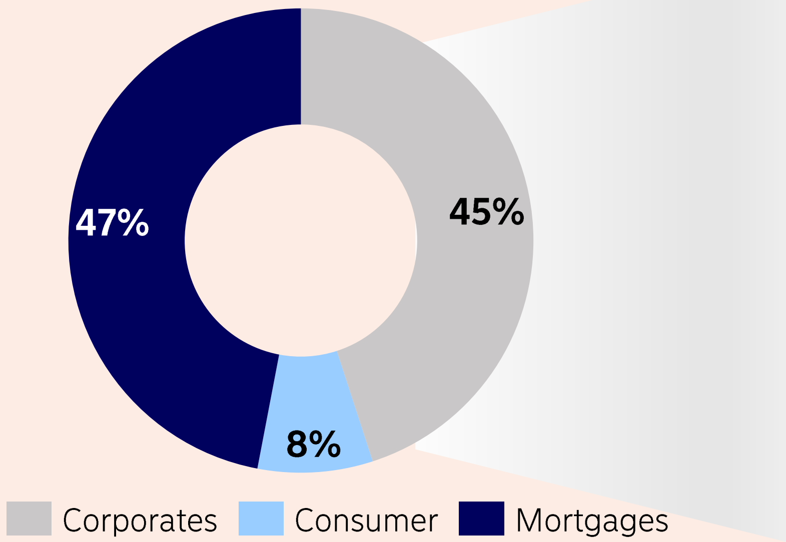
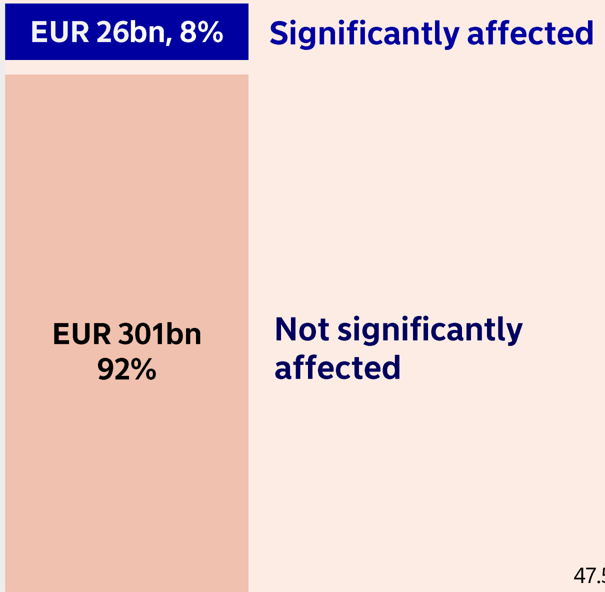
Credit portfolio

Well diversified with strong credit quality

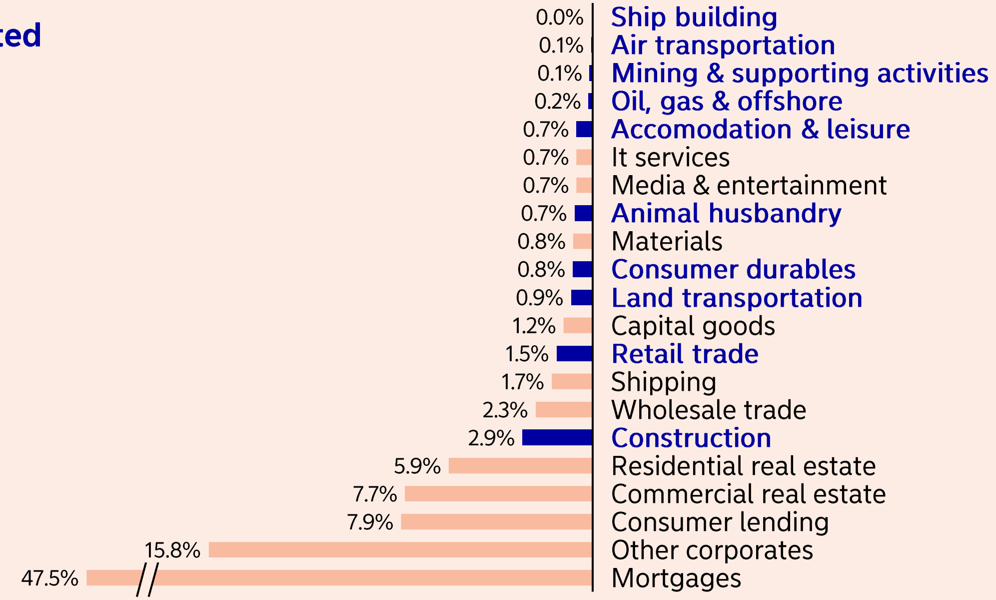
Portfolio well diversified across countries and segments



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

Lending by country

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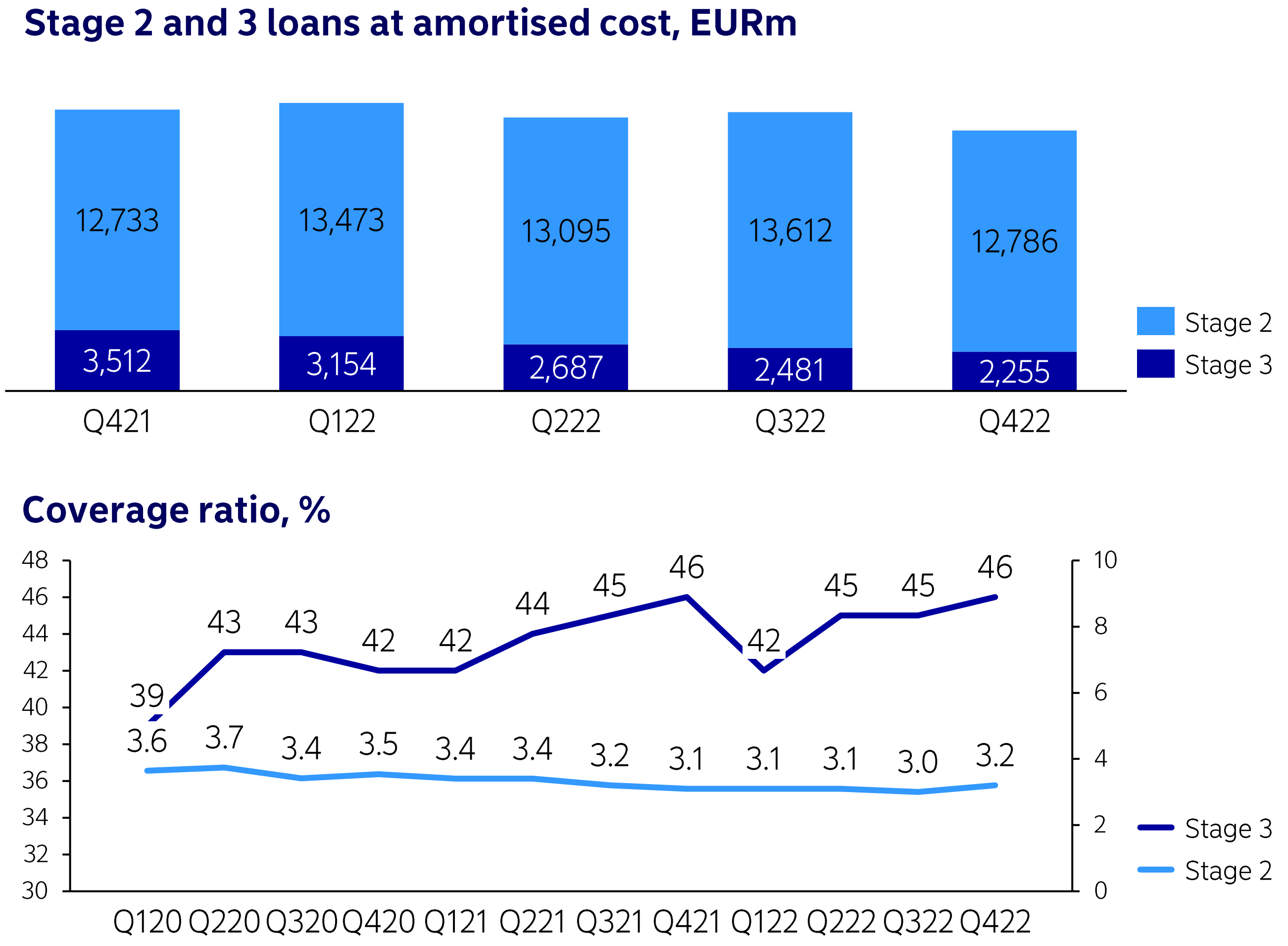
Impairments and provisioning coverage

Strong and stable portfolio credit quality



- **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 increased to 46%**
- **Portfolio credit quality remained strong**

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