Nordea

First-quarter results 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.

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 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%

* With amortised resolution fees

Key financials

First-quarter results 2023

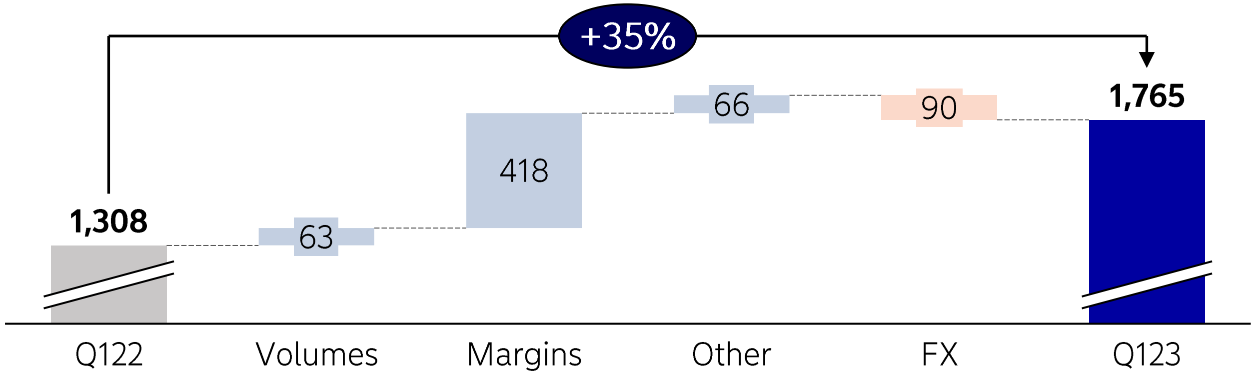
Income statement and key ratios EURm	Q123	Q122*	Q1/Q1	Q422	Q1/Q4
Net interest income	1,765	1,308	35%	1,641	8%
Net fee and commission income	765	829	-8%	785	-3%
Net insurance result	46	35	31%	47	-2%
Net fair value result	345	272	27%	396	-13%
Other income	0	17		28	
Total operating income	**2,921**	**2,461**	**19%**	**2,897**	**1%**
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%
Profit before loan losses	**1,499**	**1,091**	**37%**	**1,685**	**-11%**
Net loan losses and similar net result	-19	12		-59	
Operating profit	**1,480**	**1,103**	**34%**	**1,626**	**-9%**
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%

* Excluding IAC; see page 5 in Q1 2023 interim report for details
** With amortised resolution fees

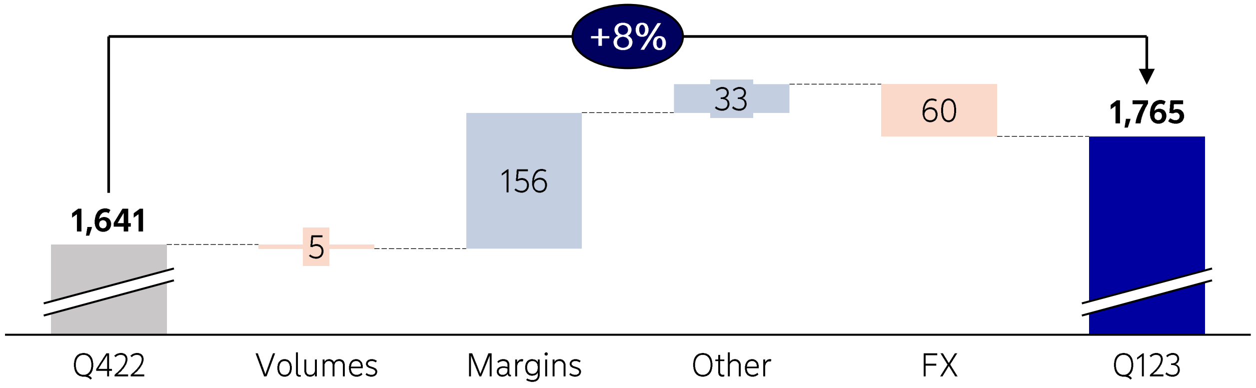
Net interest income

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

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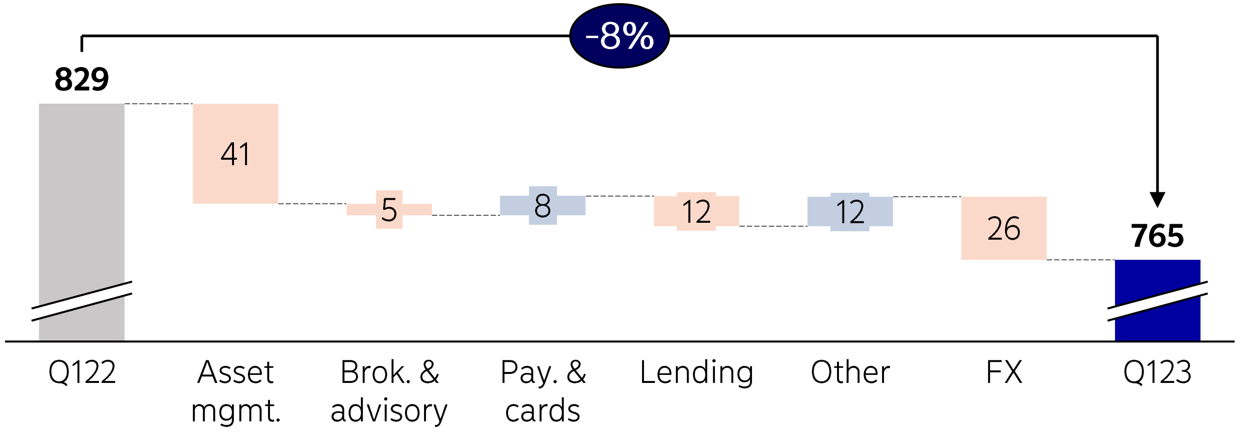
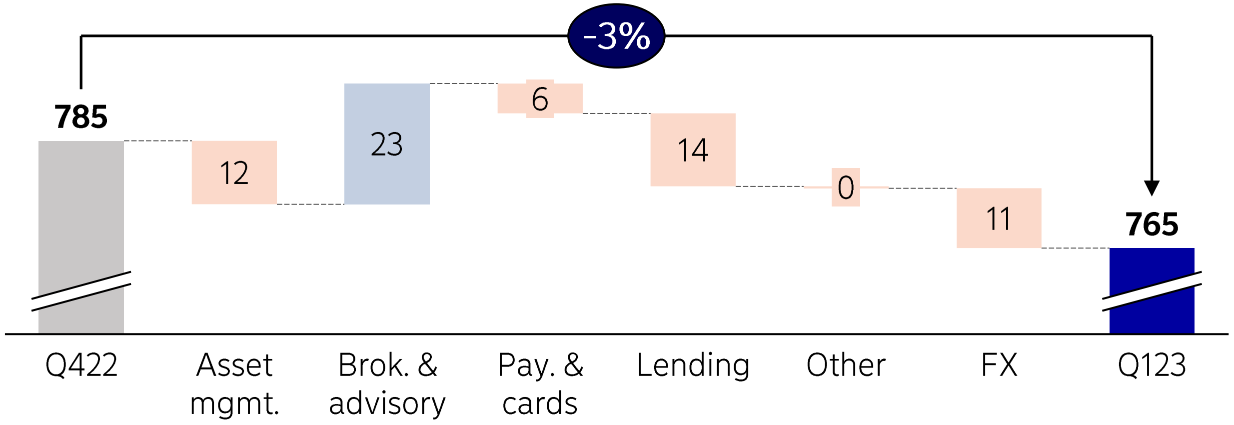
Net fee and commission income

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**

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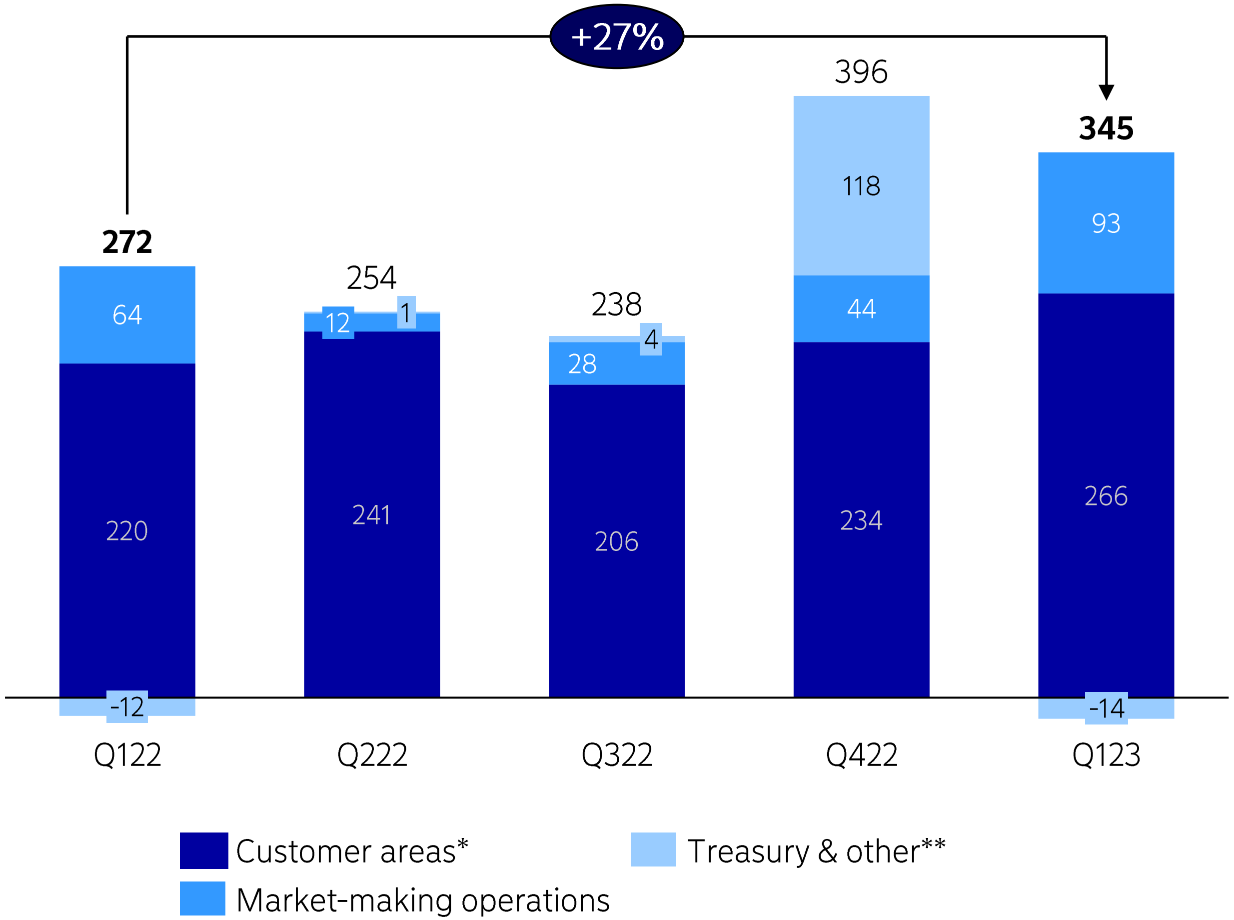
Net fair value result

High customer activity

Net fair value result, EURm



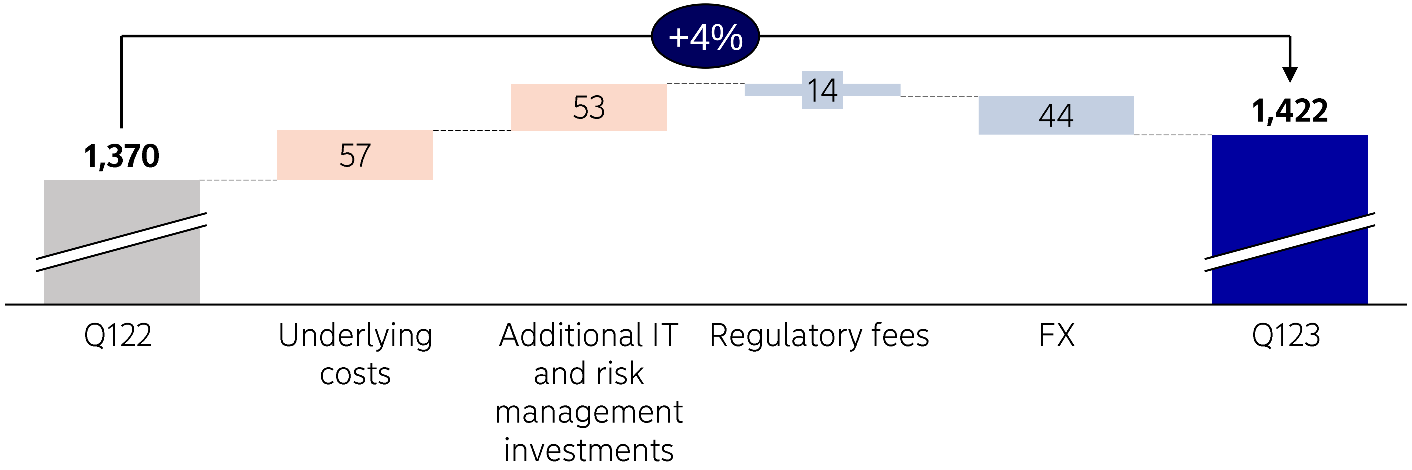
- **Continued high customer risk management activity**
  - Strong demand for FX and rate hedging products
- **Market-making up, driven by rates and FX trading**

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

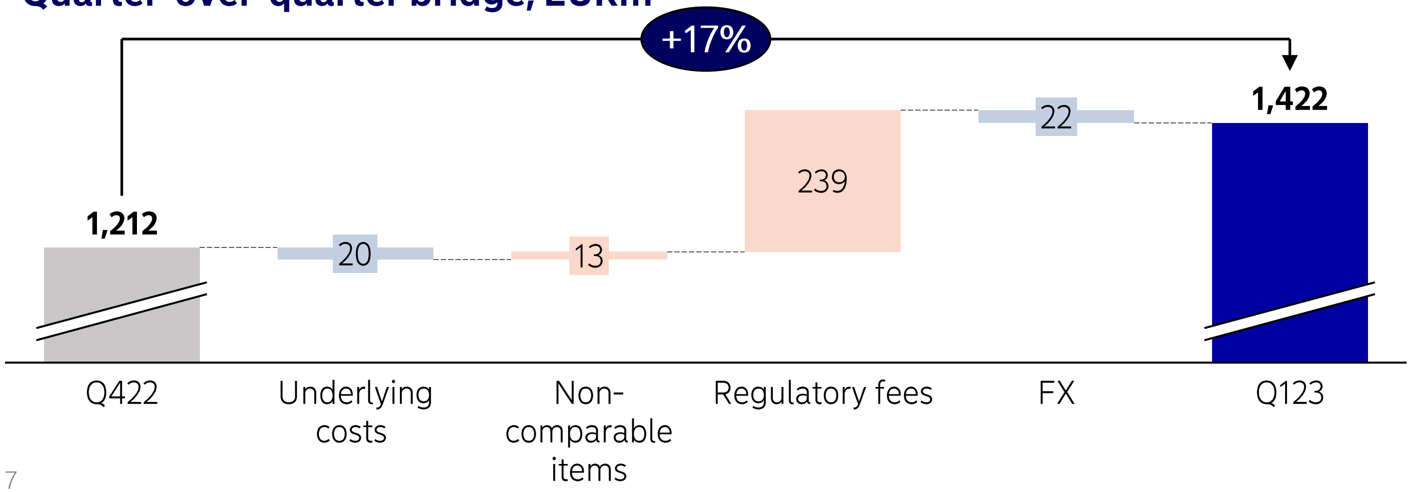
Costs

Continued additional investments

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm

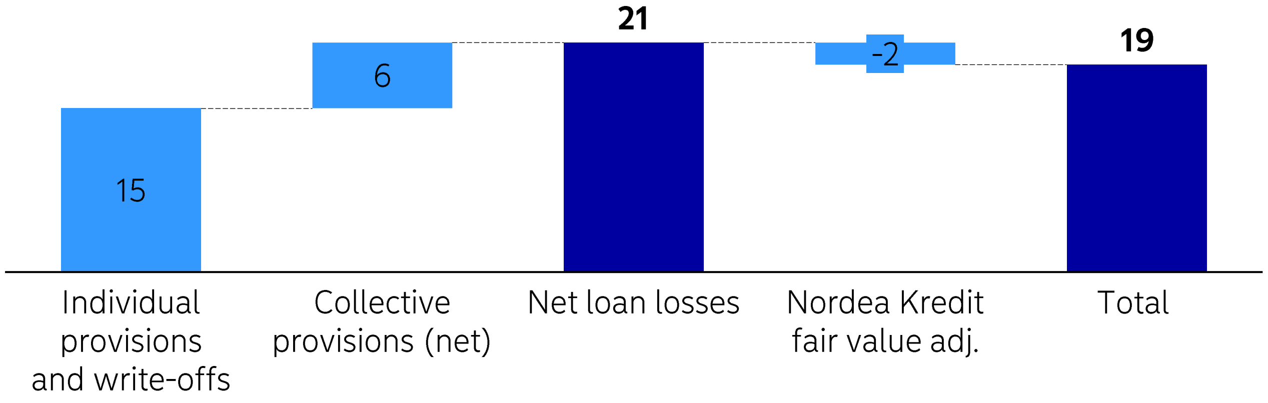


- Costs excluding regulatory fees up 6%, in line with plan
- Continued additional investments in selected strategic areas: digital tech, other tech and risk management

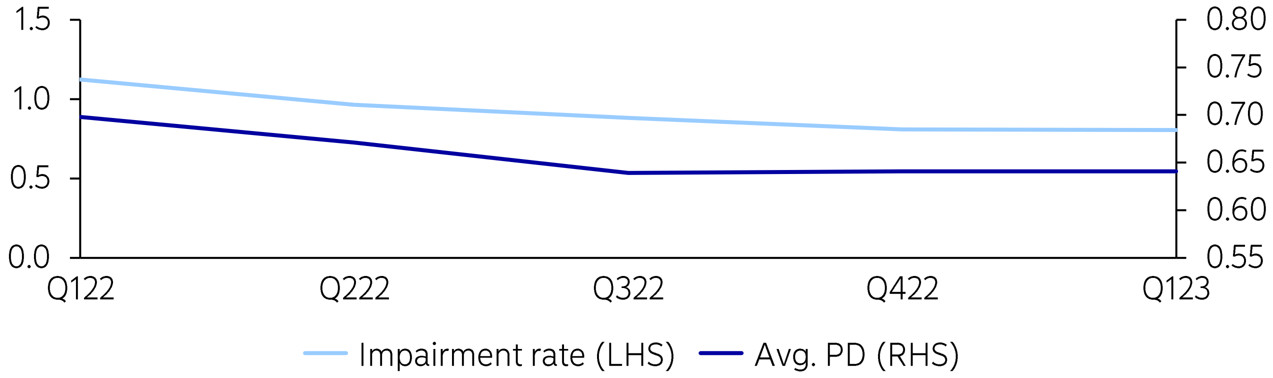
Net loan losses and similar net result

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**

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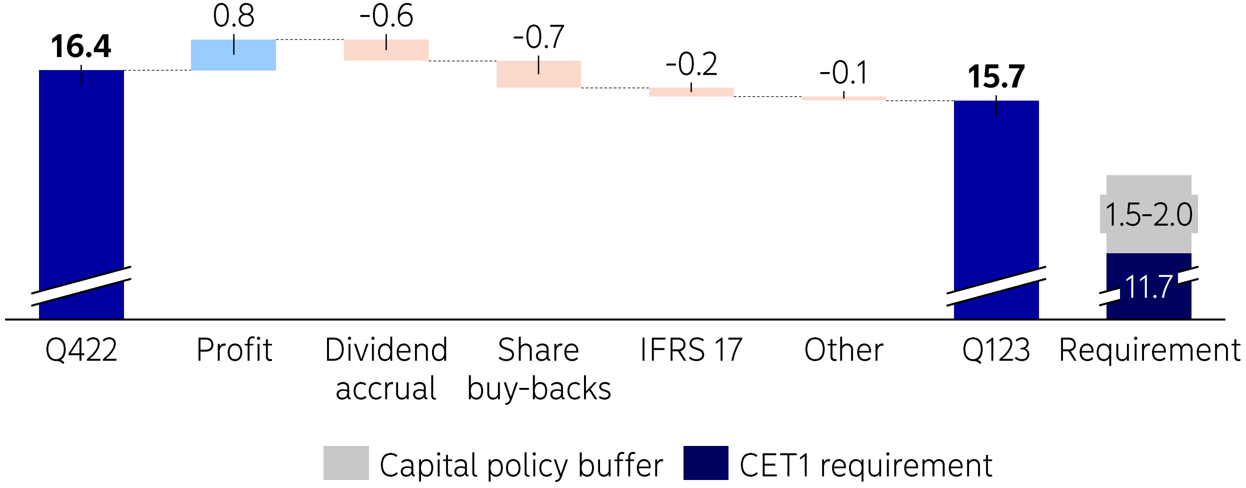
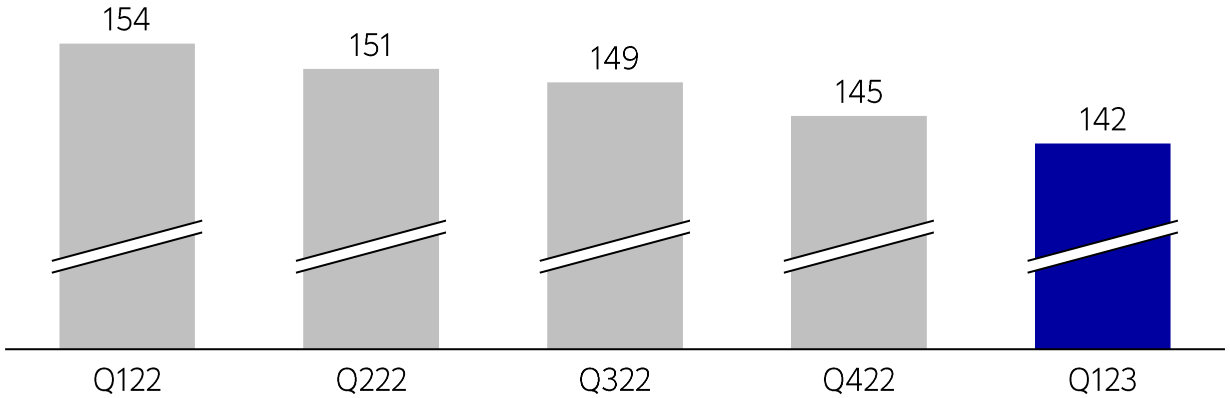
Capital

Strong position; share buy-backs continuing

CET1 capital ratio development, %



REA development, EURbn



- **CET1 ratio 15.7%**
  - 4.0pp above current requirement
  - CET1 capital down EUR 1.6bn following ECB approval of EUR 1.0bn buy-back and implementation of IFRS 17, partly offset by profit net of dividend
  - REA down EUR 3.3bn, mainly driven by FX, IFRS 17 and new securitisation
- **Capital distributions continuing**
  - New buy-back programme of EUR 1.0bn to commence on 28 April or asap thereafter
- **IRB model approval process update**
  - Retail models expected to go live within next 12 months, resulting in REA increase for household lending
  - Non-retail models to be reworked; unlikely to go live before 2025
  - REA impact from IRB models not expected to adversely impact capital outlook or financial target for 2025

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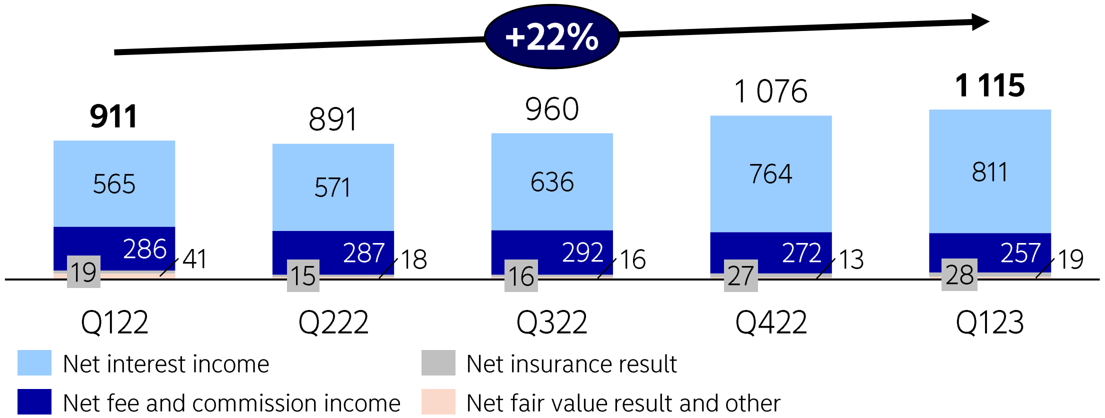
Personal Banking

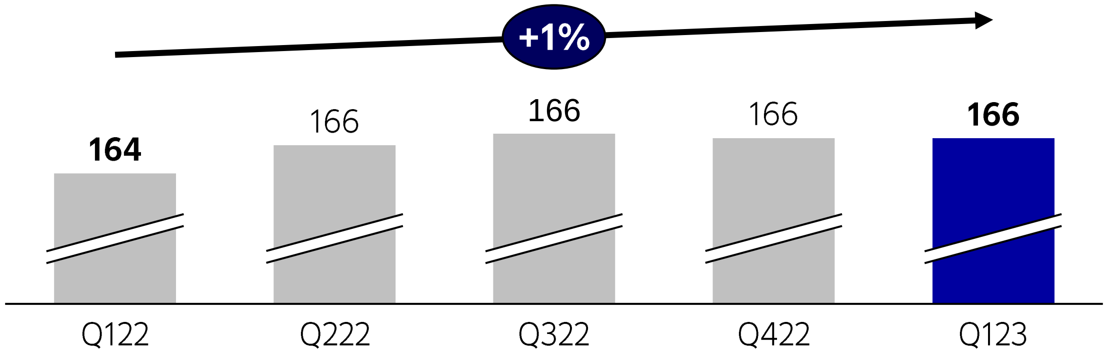
Higher net interest income, driven by higher deposit income and lending volumes

Total income, EURm

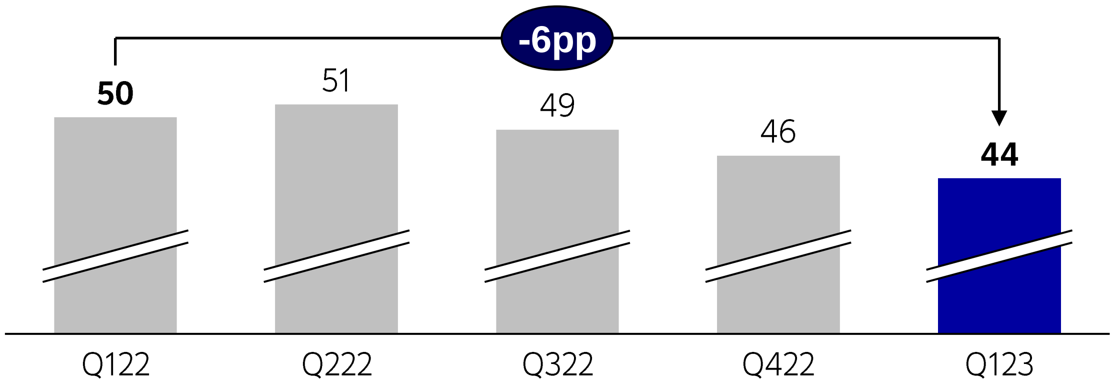


- Total income up 22%
- Mortgage volumes up 1% – margin pressure continuing
- Deposit volumes up 2% and margins increased
- Lower savings & investment and lending income partly offset by higher payment and card fee income
- Improved cost-to-income ratio of 44%

Lending*, EURbn



Cost-to-income ratio**, %



* Excluding FX effects
** With amortised resolution fees

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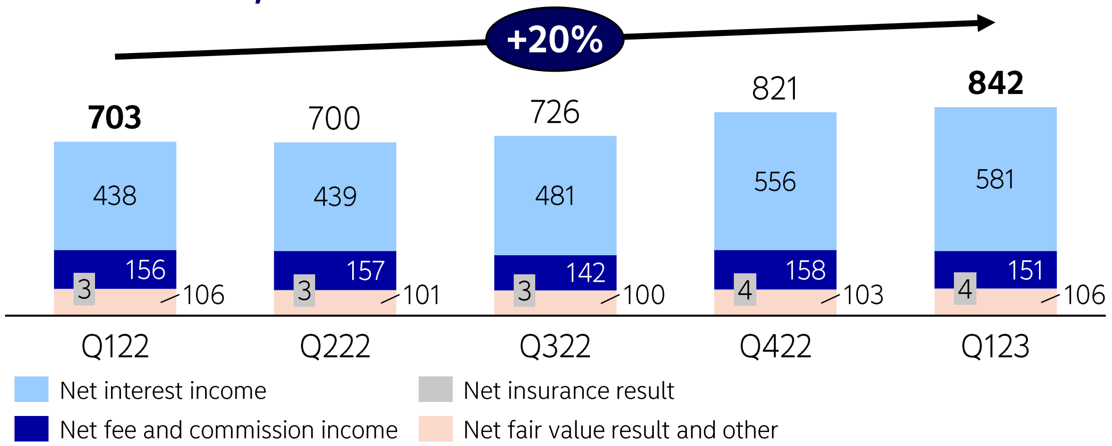
Business Banking

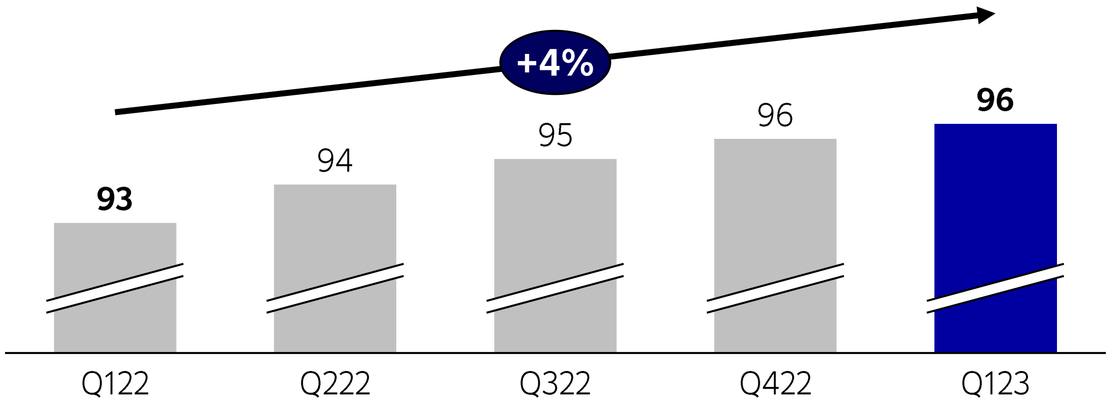
Strong business momentum with continued volume growth

Total income, EURm

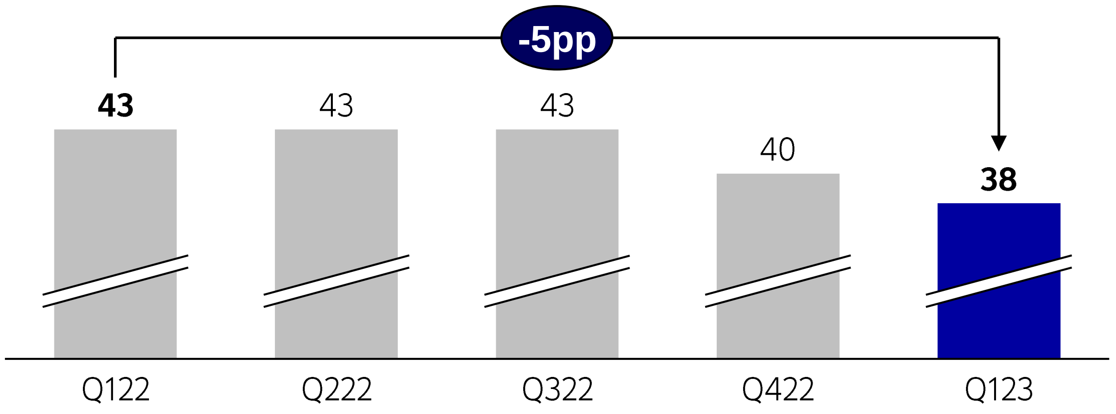


- Total income up 20%
- Lending volumes up 4%, led by Sweden and Norway
- Deposits up 3%
- Strong credit quality – net loan losses of 2bp
- Improved cost-to-income ratio of 38%

Lending*, EURbn



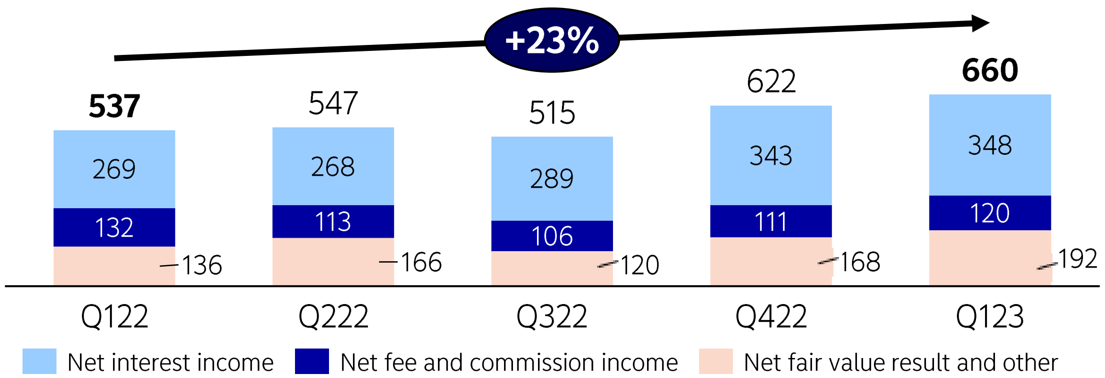
Cost-to-income ratio**, %



* Excluding FX effects
** With amortised resolution fees

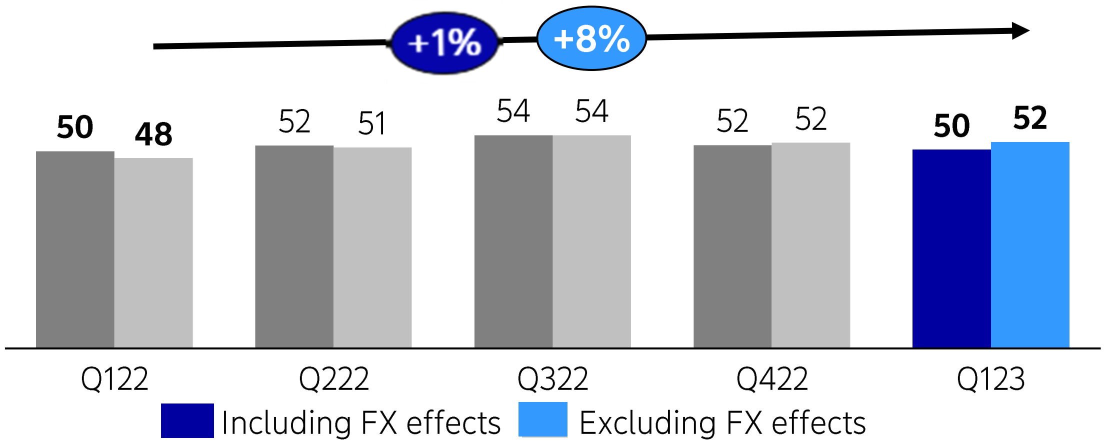
High customer activity and strong net interest income growth

Total income, EURm

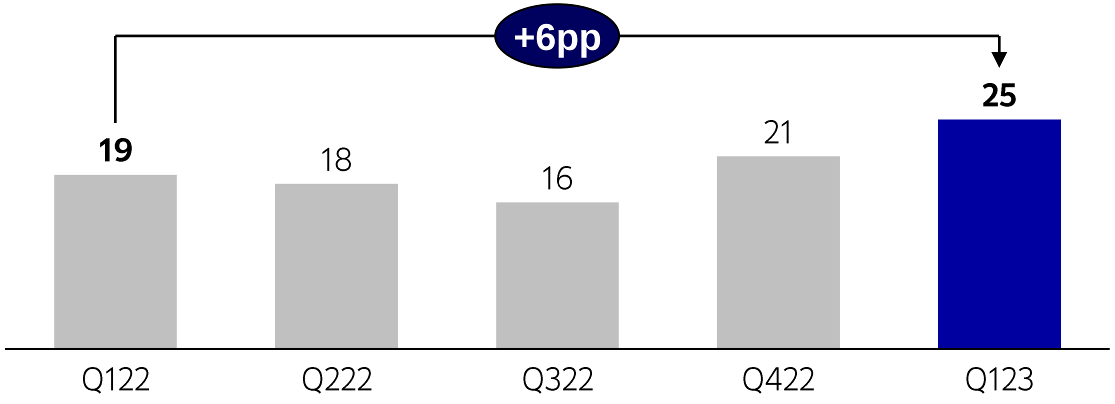


- Total income up 23%
- Net interest income up 29%, driven by higher average lending volumes and deposit margins
- Commission income lower in continued weak capital markets
- Net fair value and other income up 41%, driven by high customer activity and strong risk management
- Improved return on capital at risk of 25% and cost-to-income ratio down to 33%

Lending*, EURbn



Return on capital at risk**, %



* Excluding repos
** With amortised resolution fees

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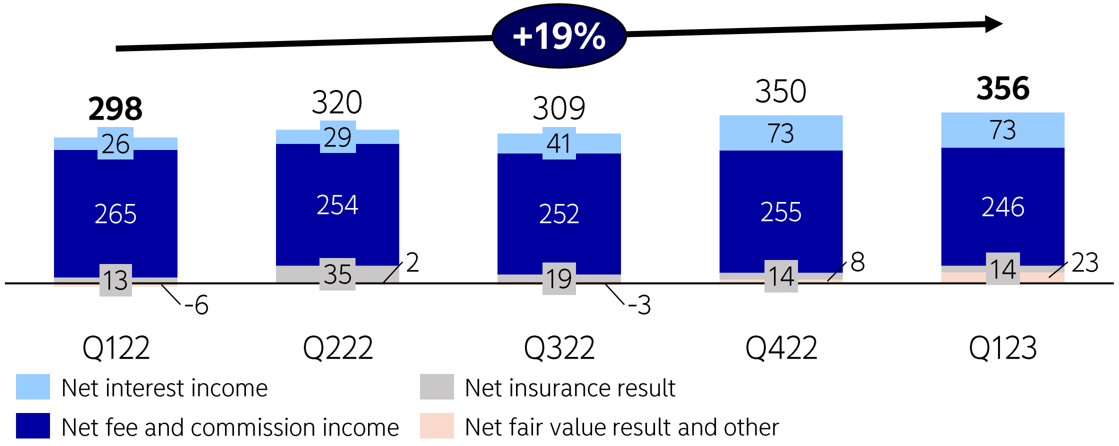
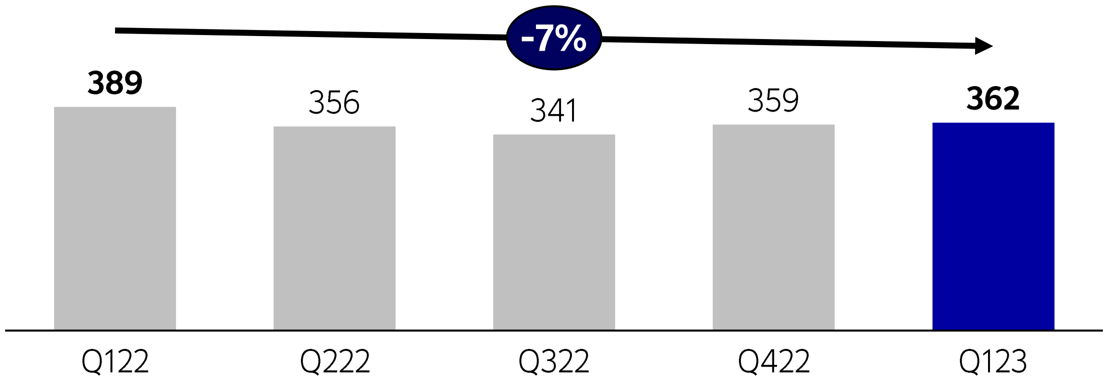
Solid income delivery in weak markets

Total income, EURm

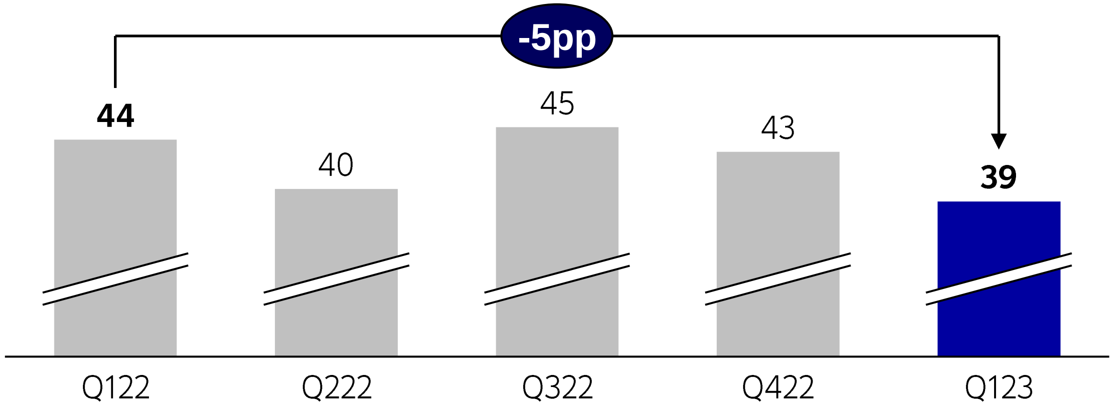


- Total income up 19%, driven by higher net interest income from improved deposit margins
- Strong momentum in Private Banking; lending and deposits up 4% and 11%, respectively
- Assets under management down 7% to EUR 362bn
  - Positive net flows from internal channels, driven by Life & Pension and Private Banking
  - Net outflow of EUR 2.1bn (annualised -2%) during quarter – partly due to seasonality
- Improved cost-to-income ratio of 39%

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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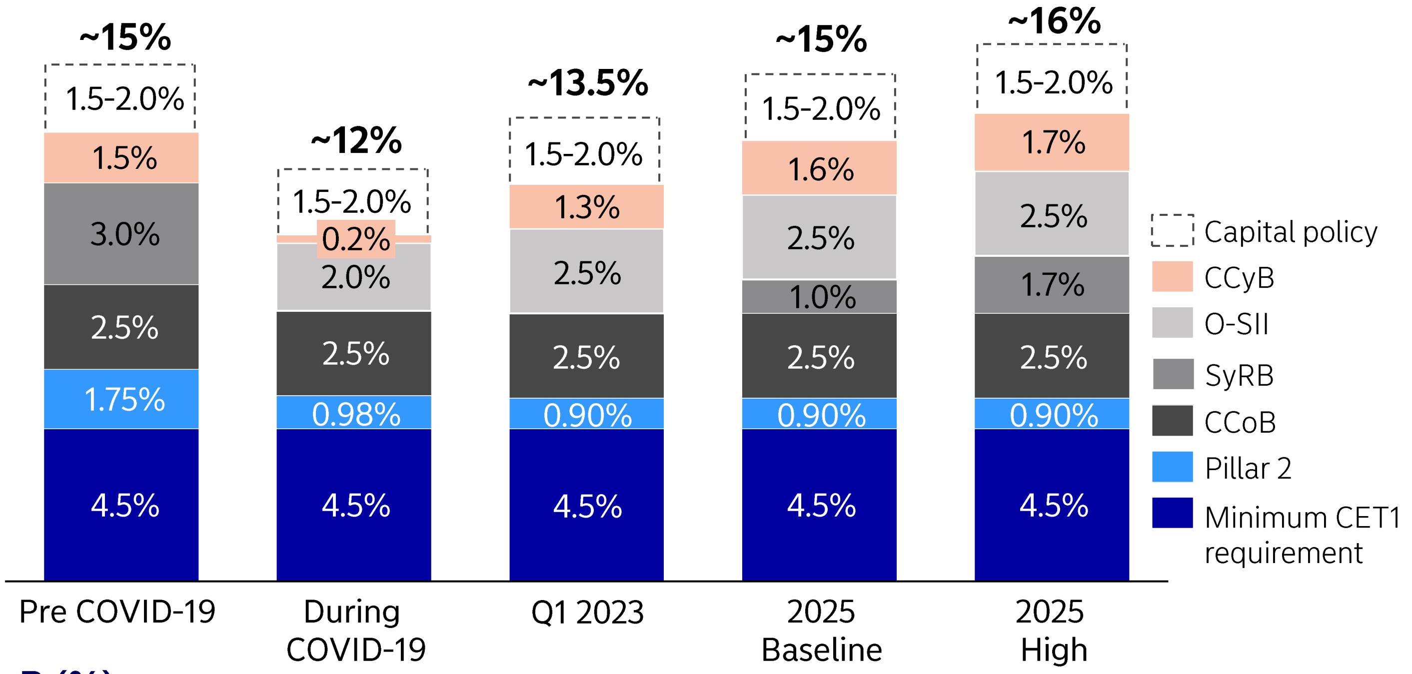
Capital

CET1 capital requirements



CCyB (%):

	Pre COVID-19	During COVID-19	Q1 2023	2025 Baseline	2025 High
	2.0	**0.0**	**2.5**	**2.5**	**2.5**
	0.0	**0.0**	**0.0**	**0.0**	**0.0**
	2.5	**1.0**	**2.5**	**2.5**	**2.5**
	2.5	**0.0**	**1.0**	**2.0**	**2.5**
Other	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

- **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%

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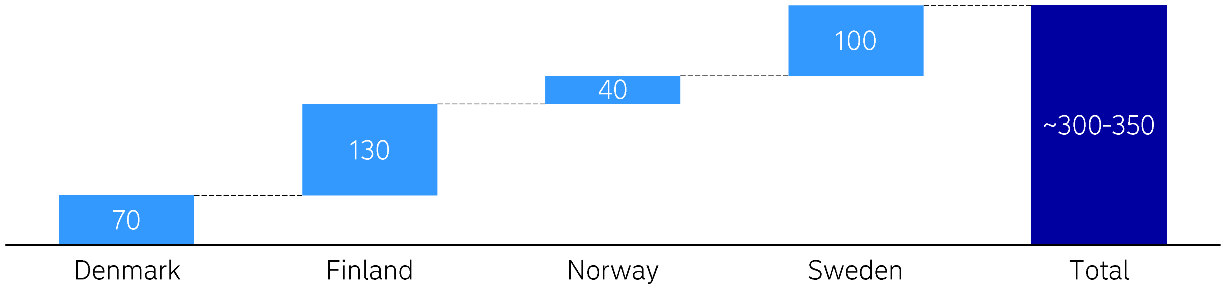
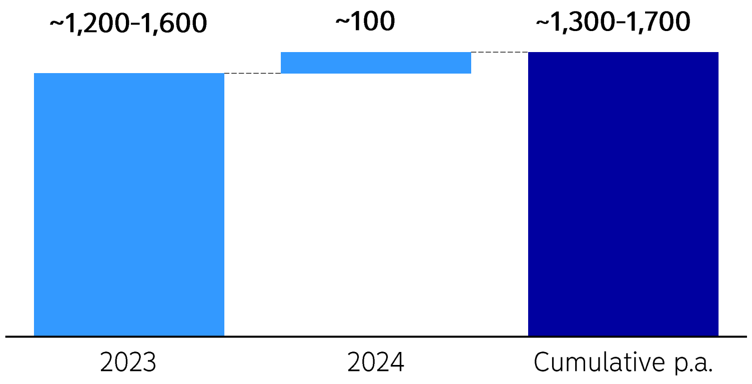
Net interest income

Net interest income sensitivity to policy rate increases

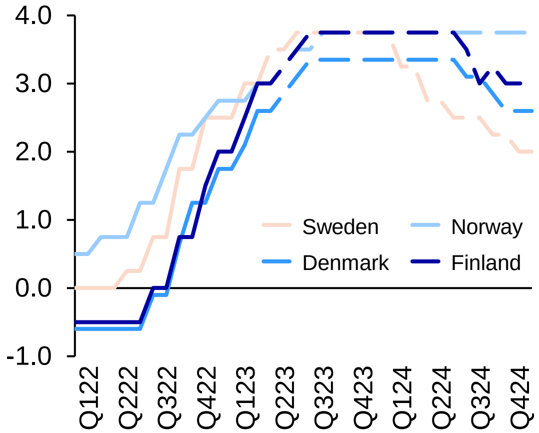
Sensitivity to +50bp parallel rate shift in policy rates



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



Policy rate path expectations



- **NII impact 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

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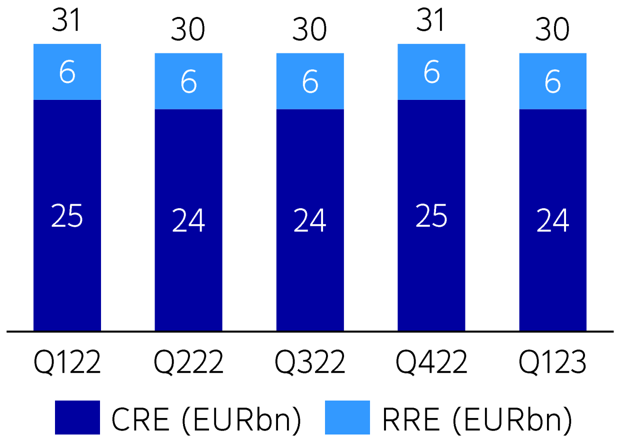
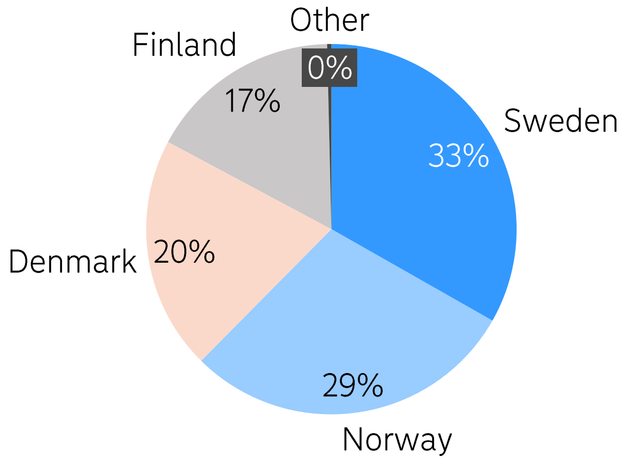
Real estate management industry (REMI)*

Well-diversified portfolio of high quality

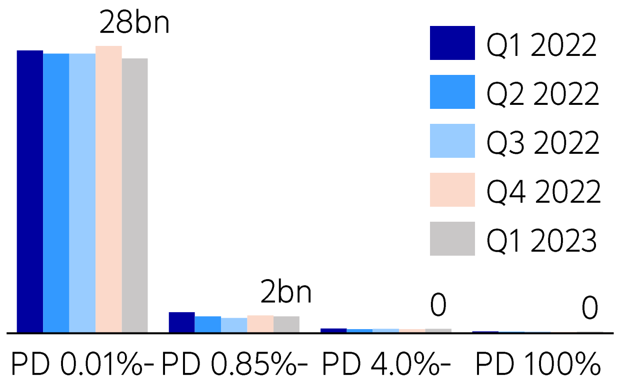
CRE lending stable



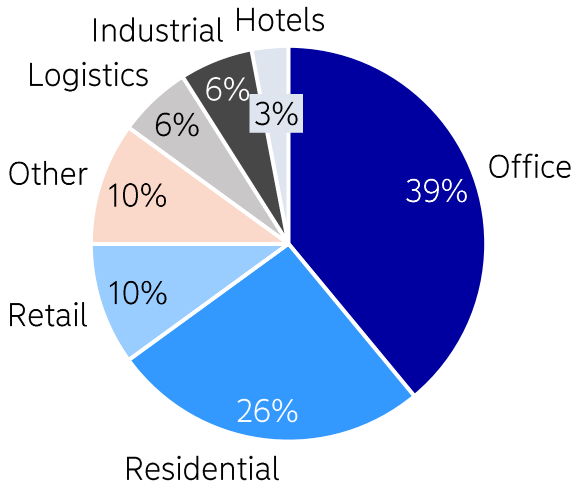
Diversified across countries



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



Diversified across types



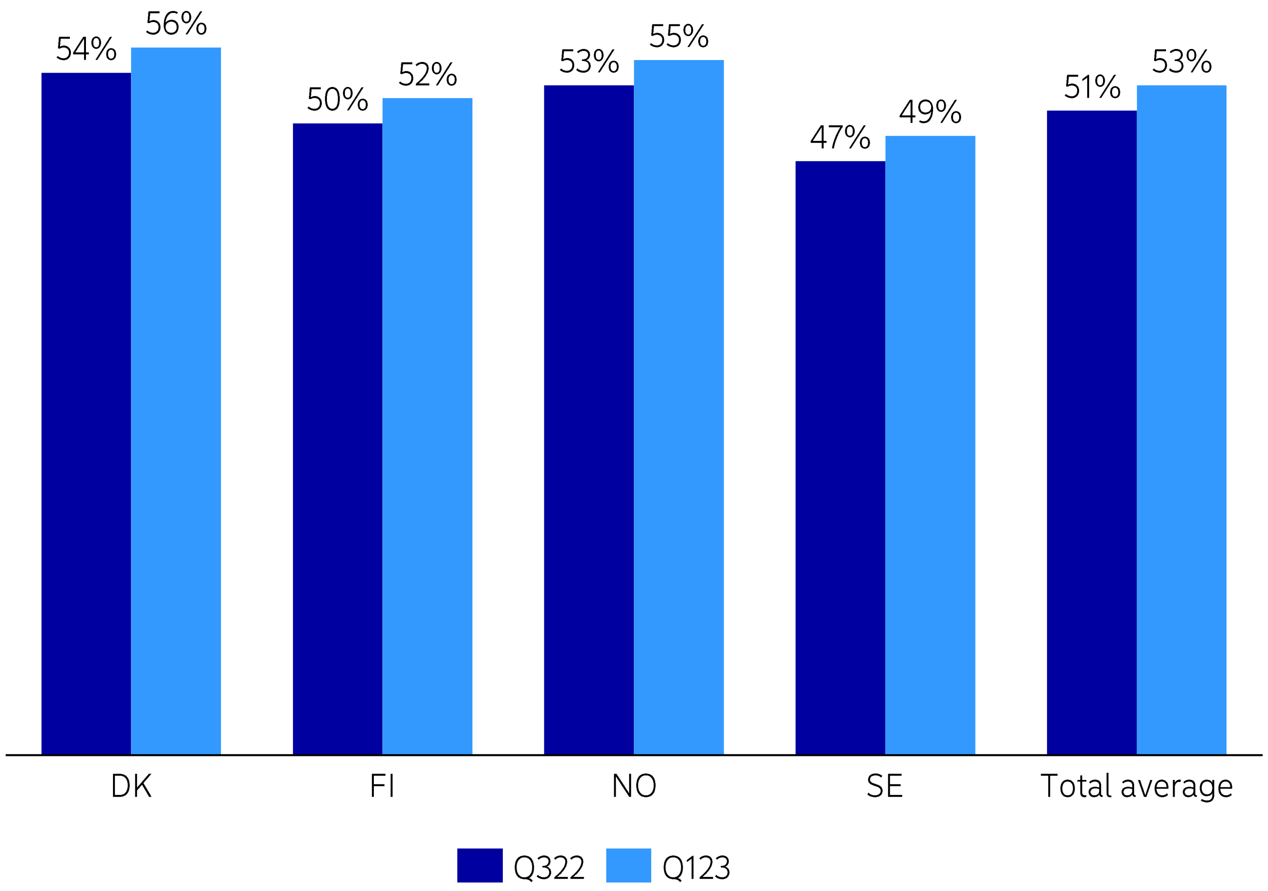
- **Well-diversified portfolio across Nordic markets**
- **92% of exposure towards low-risk customers in Q1 2023, with only 2% towards high risk**
- **Portfolio mainly comprising central and modern office and residential properties**
- **Underwriting standards: conservative credit policy with focus on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

* Excluding tenant owners' associations (TOAs)

Real estate management industry (REMI)*

Prudent LTV levels and interest coverage

Moderate LTV levels for all Nordic countries



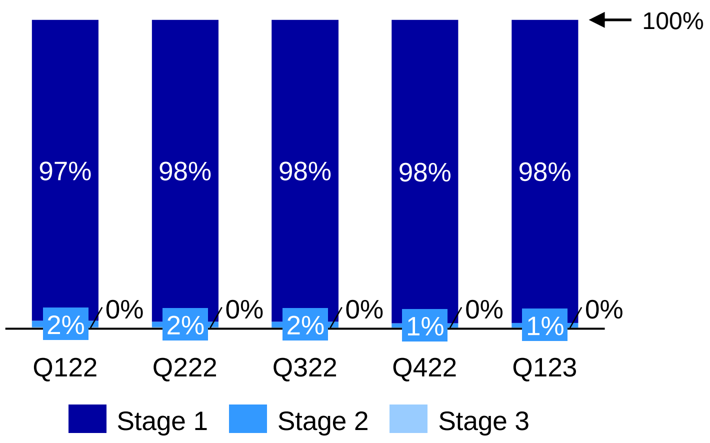
- **Moderate LTVs, resilient interest coverage and low vacancy rates**
- **97% of exposure with LTV below 65%**
- **Average Interest Coverage Ratio (ICR) 5.8x end-Q3 2022**
  - Average ICR in stress scenario above 2x
- **Low vacancy rates, with average letting ratio 93.5%**

Based on analysis of largest customers in portfolio (excl. TOA)

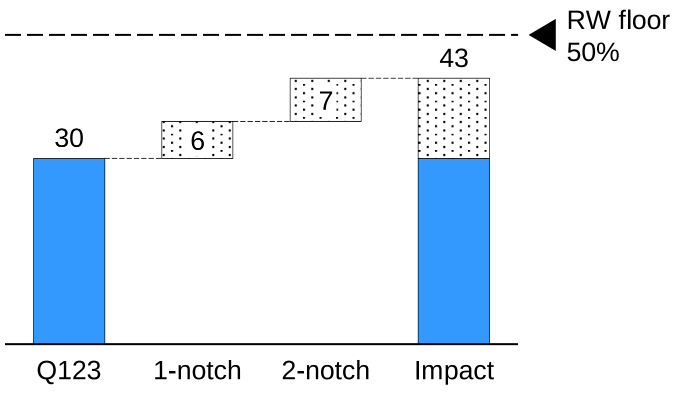
Real estate management industry (REMI)*

Low levels of risk exposure

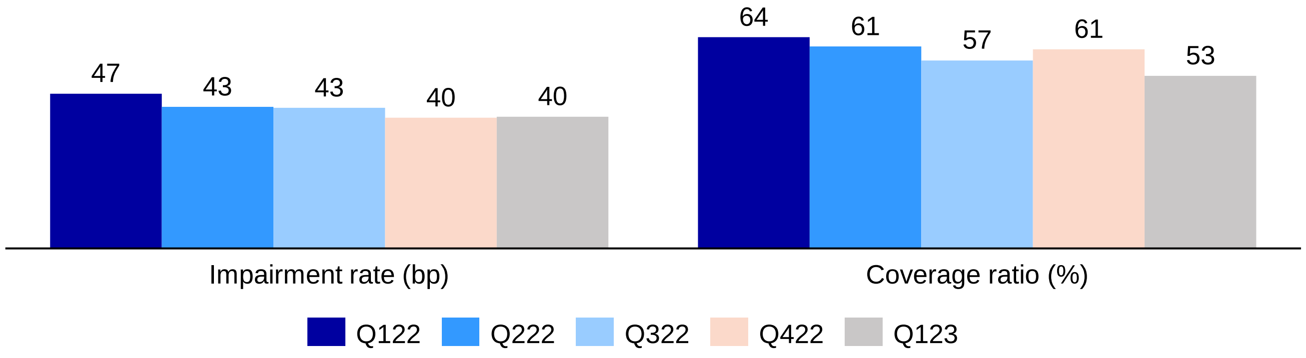
Strong credit quality, with 98% in IFRS 9 stage 1



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



Low impairment rate and high coverage for impaired portfolio



- **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**

* Excluding TOAs

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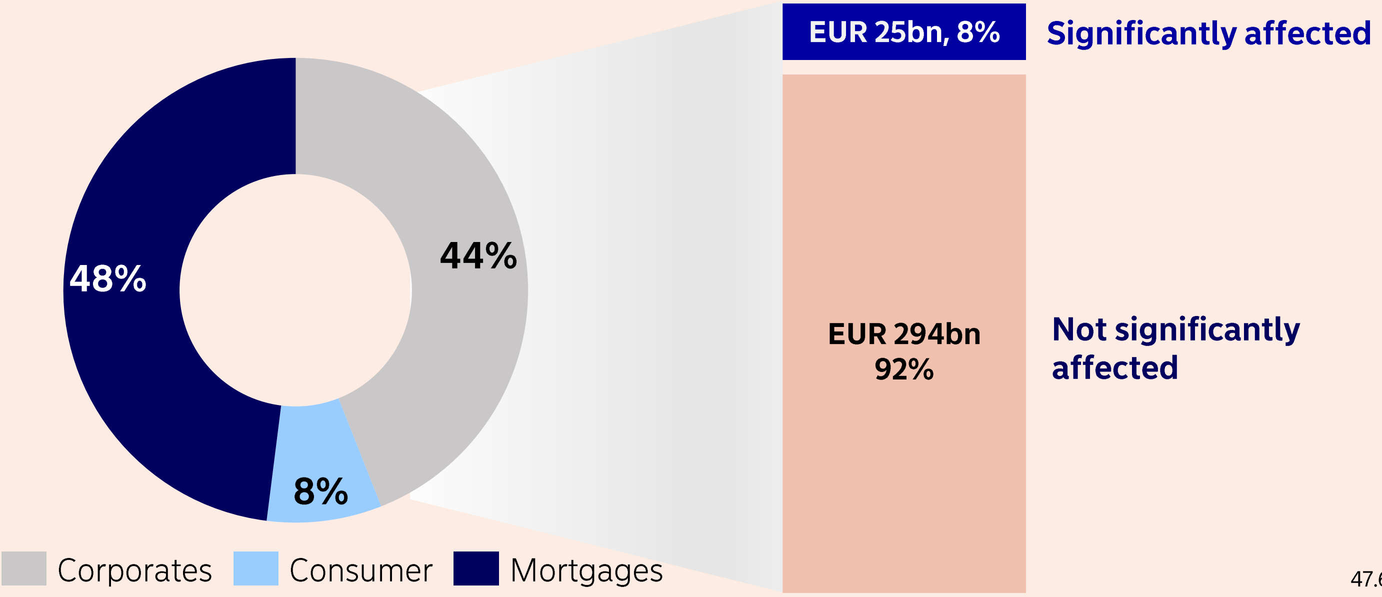
Credit portfolio

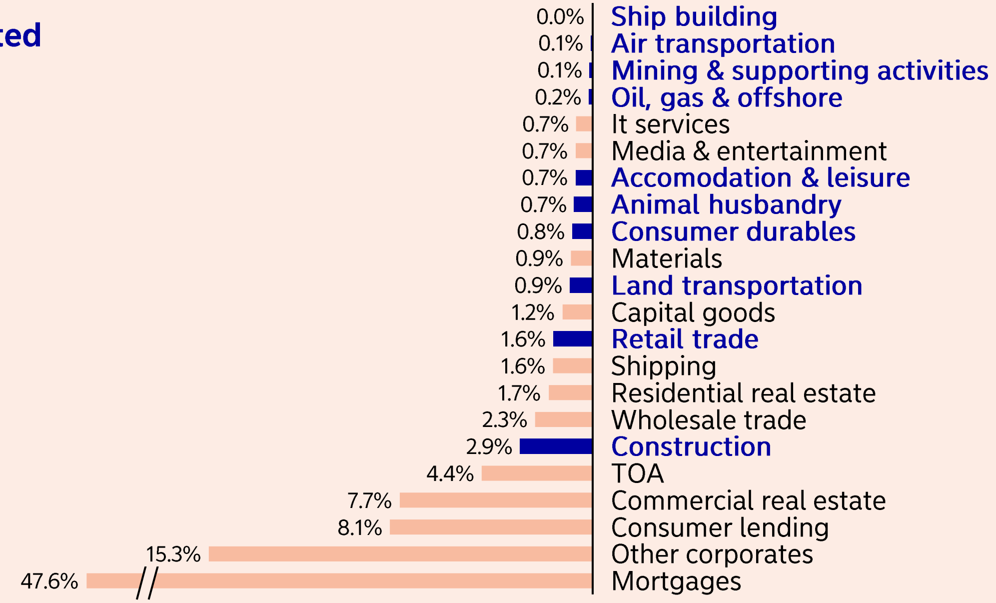
Well diversified with strong credit quality

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

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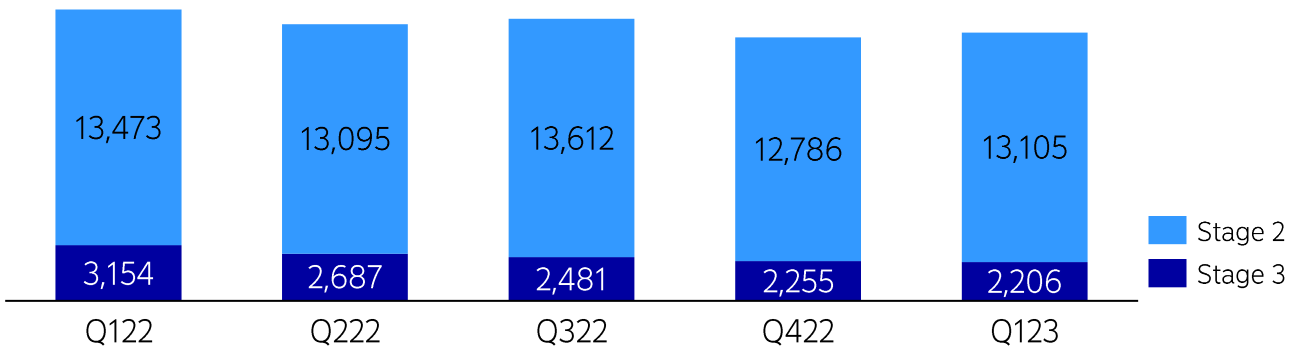
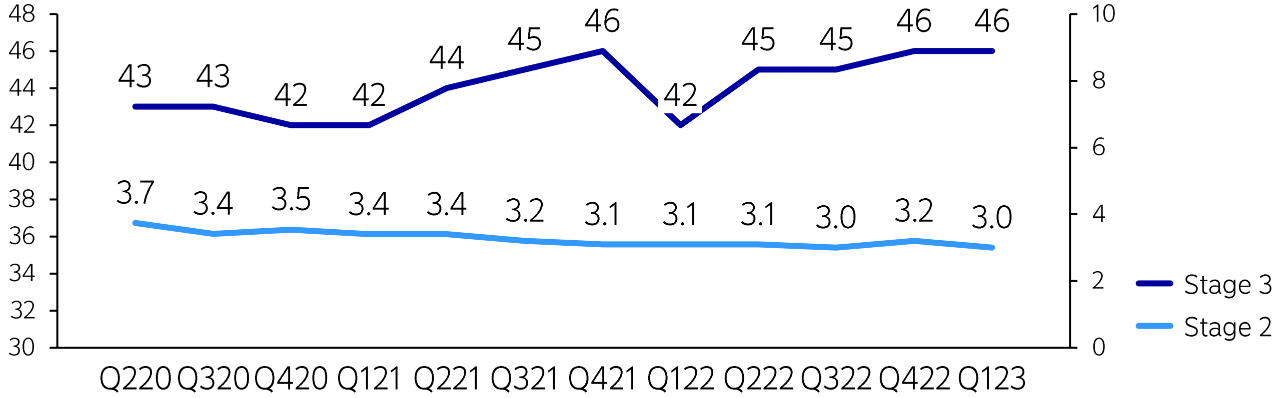
Impairments and provisioning coverage

Strong and stable portfolio credit quality

Stage 2 and 3 loans at amortised cost, EURm



Coverage ratio, %



- **Stage 3 (impaired) loans 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**

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