

Nordea

Half-year 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.

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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

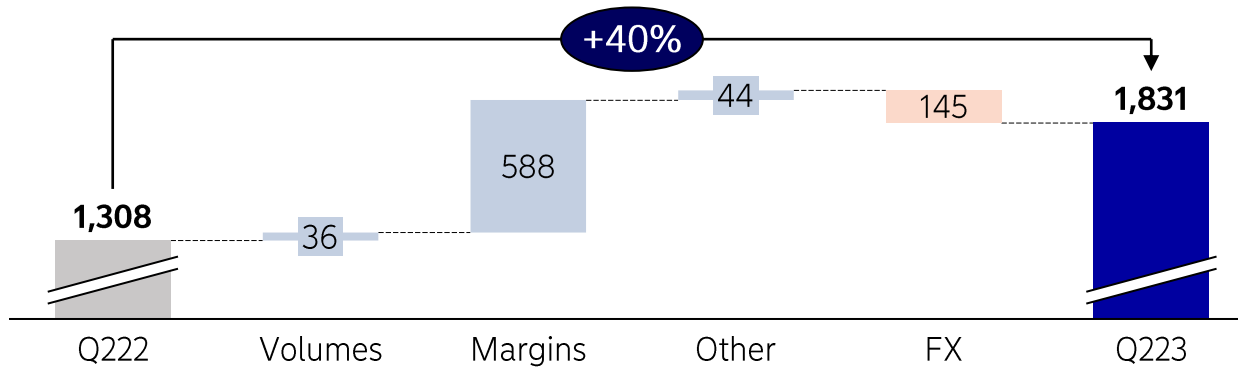
Second-quarter results 2023

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%

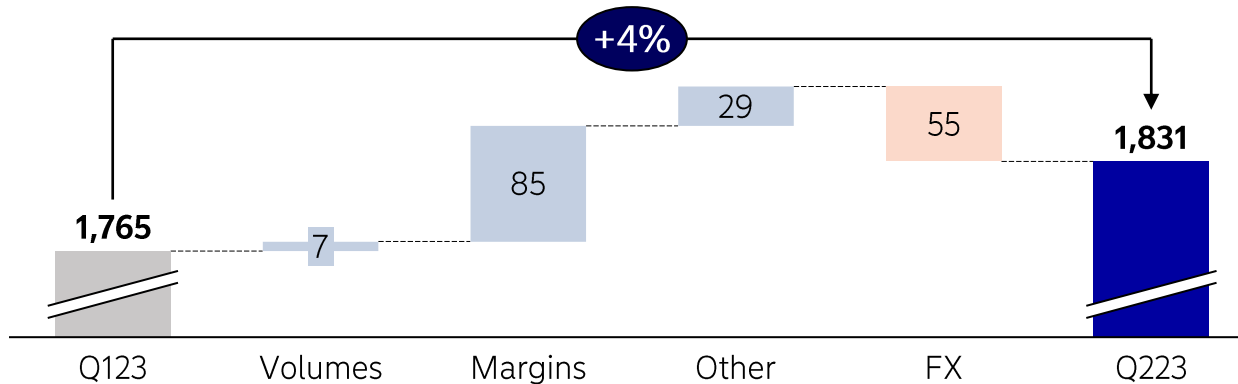
Net interest income

Stable volumes, higher deposit margins

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm

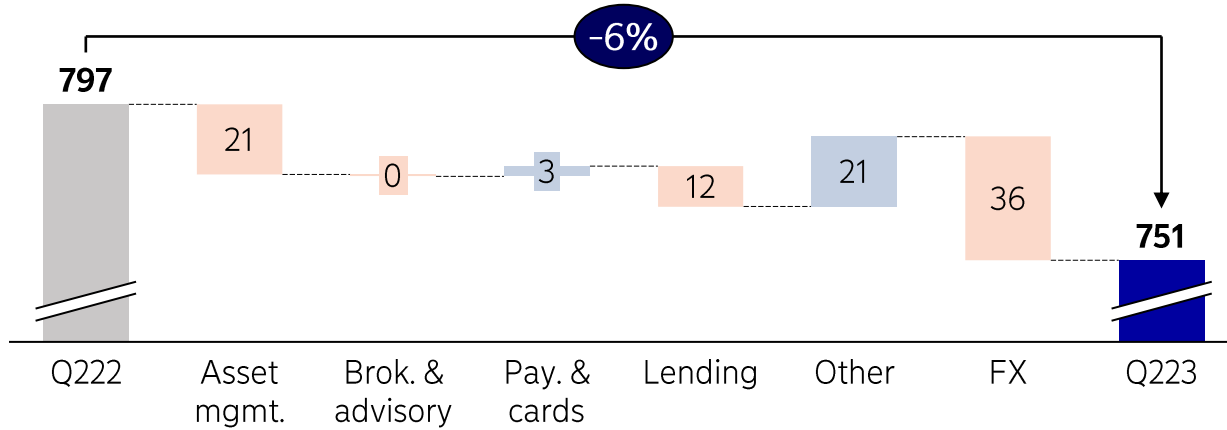


- **Net interest income up 40%**
- **Continued growth in corporate lending**
 - Corporate lending up 4%
 - Mortgages stable
- **Net interest margin up 55bp to 1.69%**
 - Lending margins down, especially in households
 - Further increases in deposit margins across business areas and countries

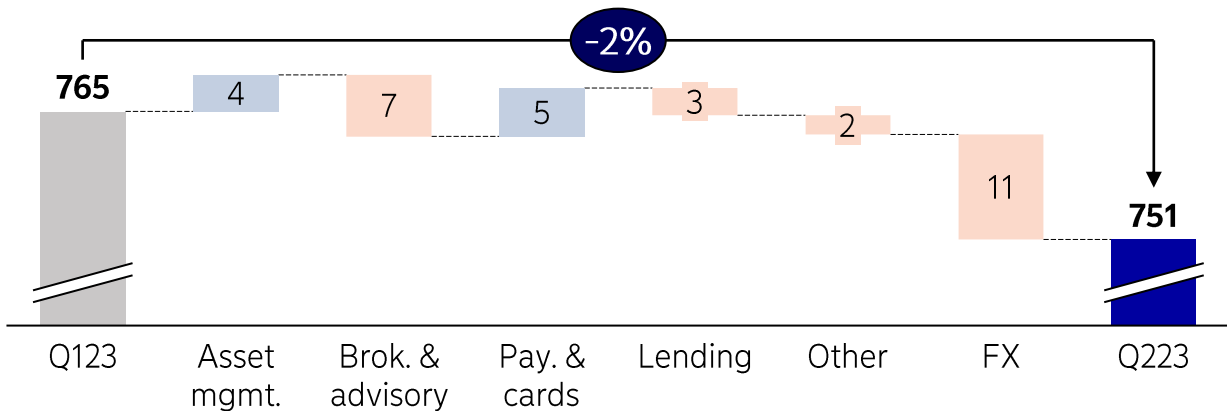
Net fee and commission income

Lower asset management and lending income

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm

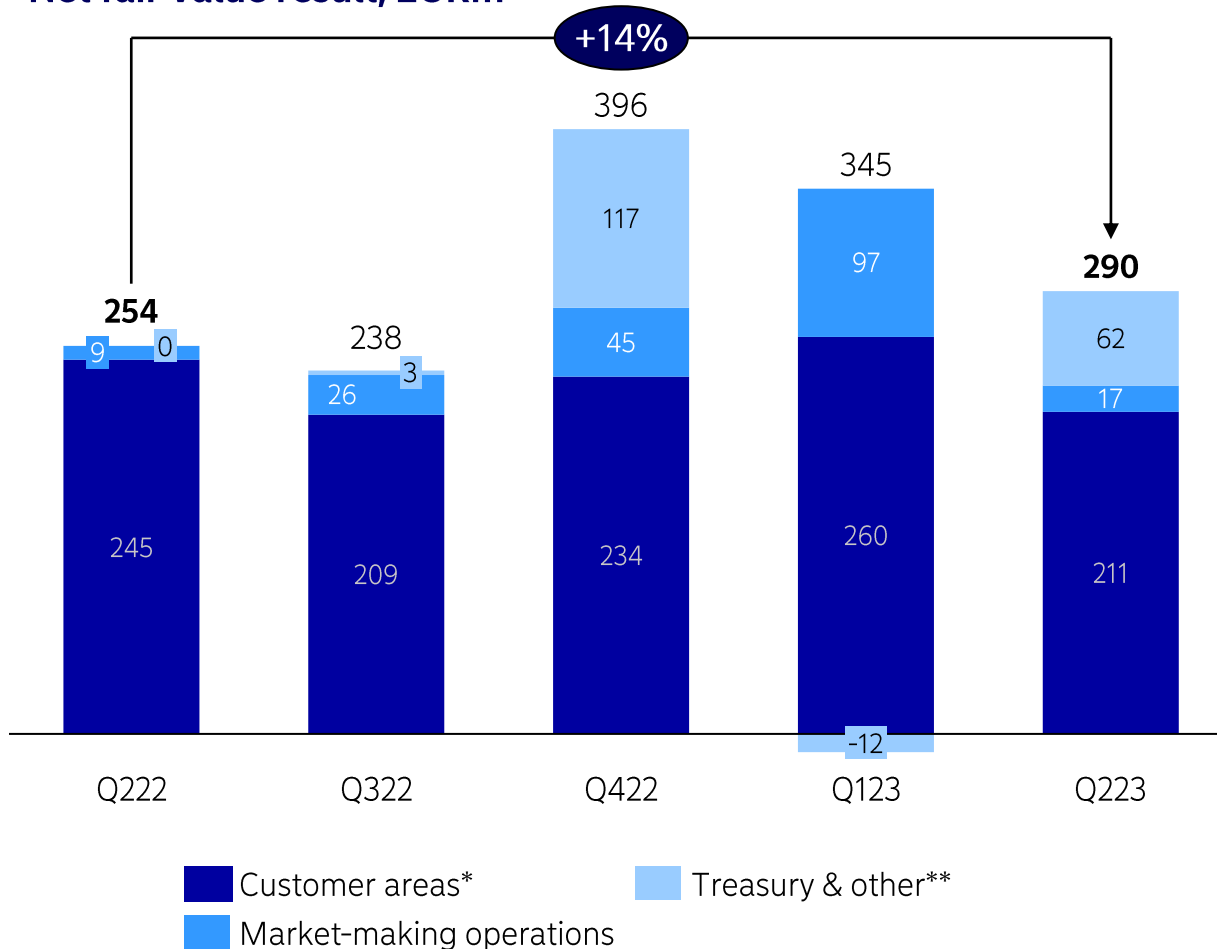


- Net fee and commission income down 6%
- Savings fee income down due to lower average assets under management
 - Net flows from internal channels strong at EUR 2.6bn
- Brokerage and advisory fee income stable in weaker market
- Payment and card fee income up due to higher volumes

Net fair value result

Sustained high levels of customer activity

Net fair value result, EURm

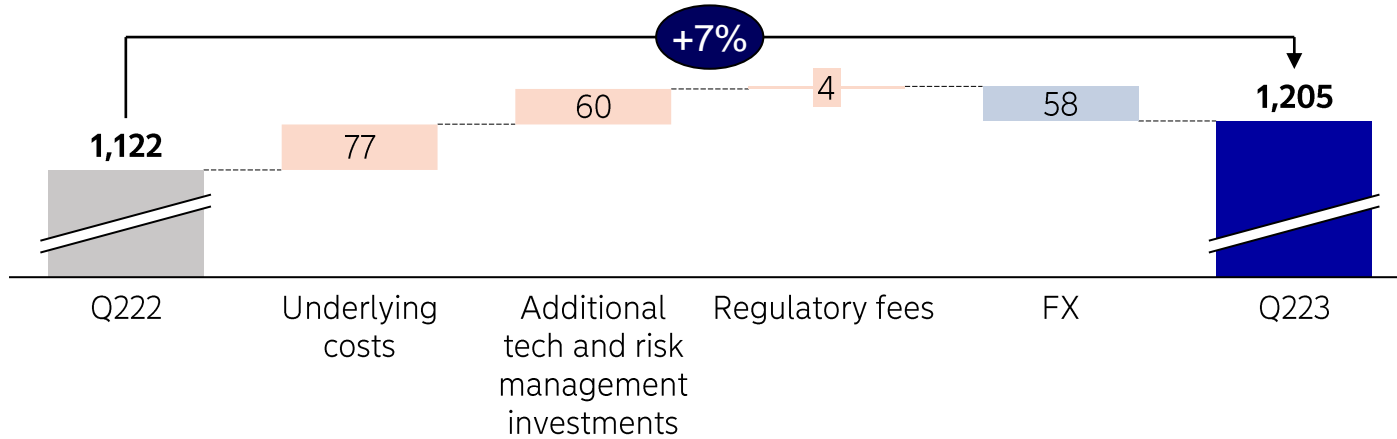


- **Continued high levels of customer risk management activity**
 - Solid demand for FX and rate hedging products
- **Market-making up, driven by rates and FX trading**
- **Treasury up, driven by positive revaluations**

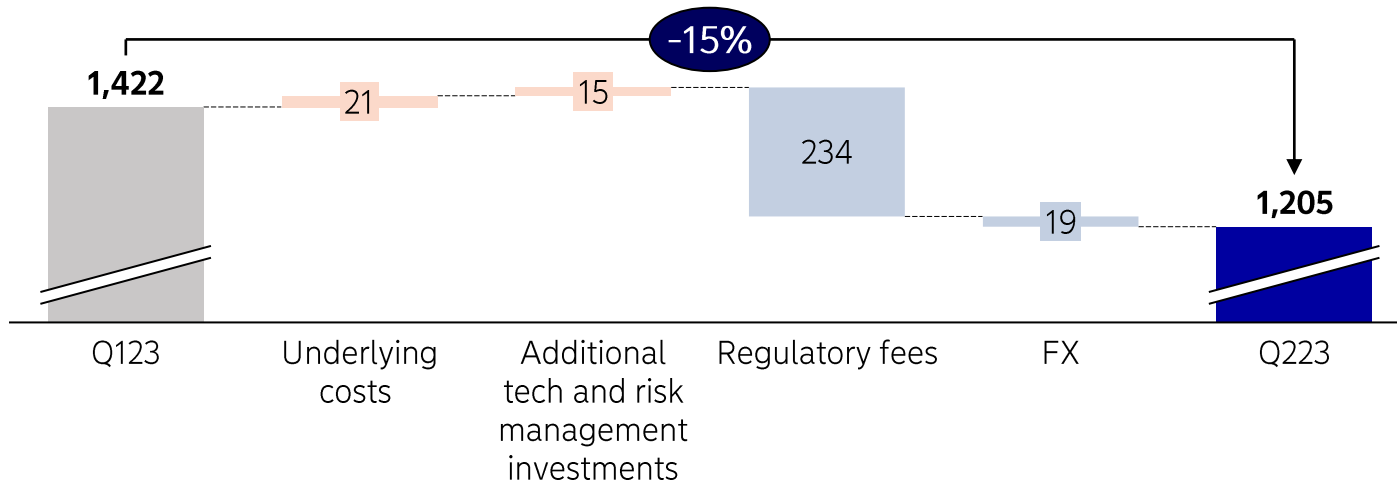
Costs

Continued additional investments

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



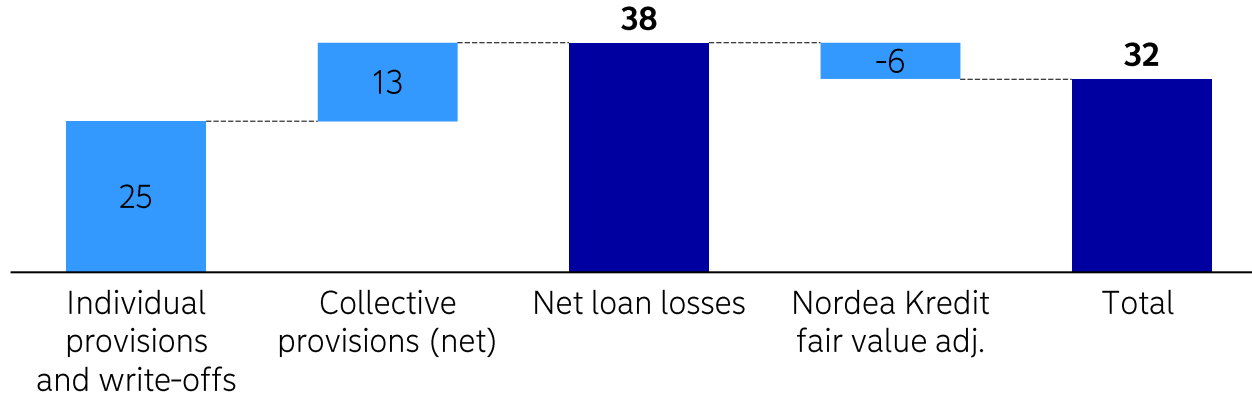
- **Costs up 7%, driven by investments and inflation**

- 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

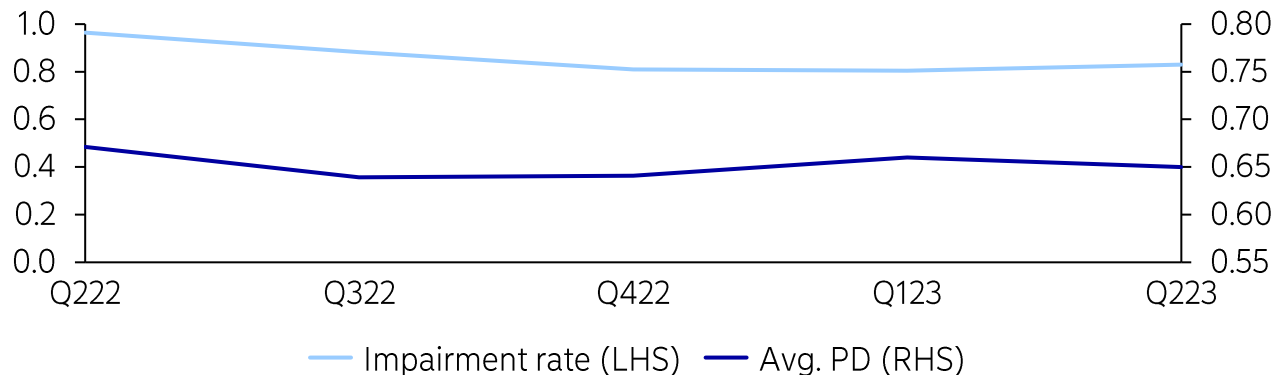
Net loan losses and similar net result

Continued strong credit quality

Net loan losses and similar net result, EURm



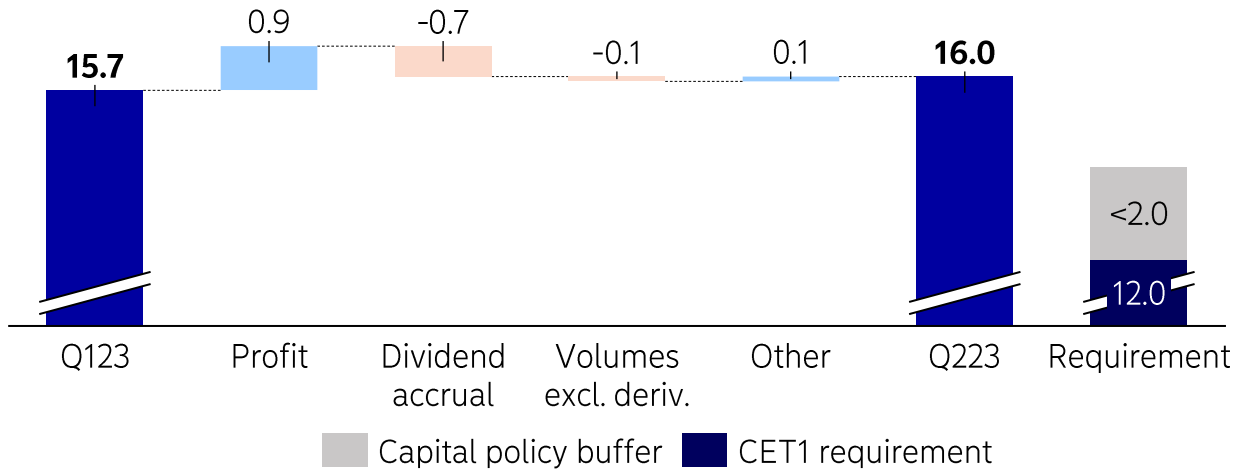
Impaired (Stage 3) loans and PD of total loans, %



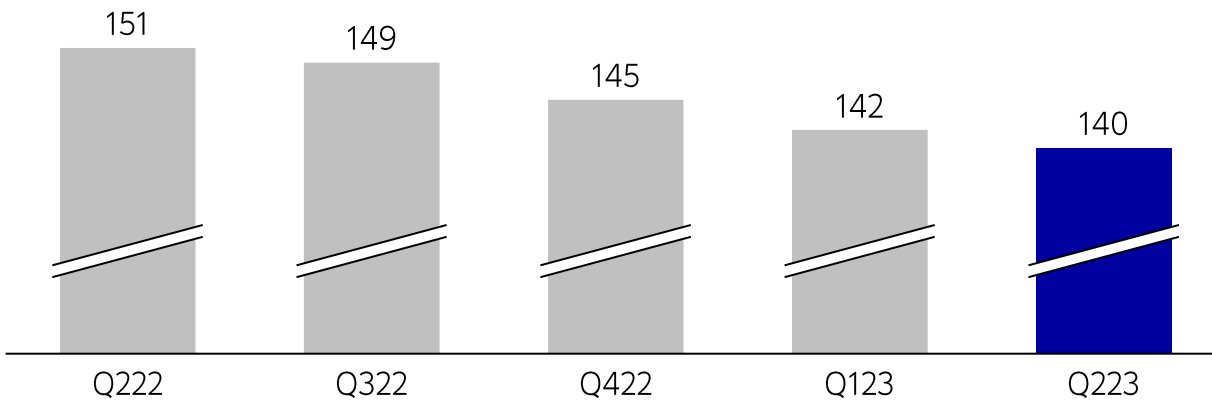
- **Total net loan result low at EUR 32m (4bp)**
 - Low levels of both individual and collective provisions
 - EUR 6m FV gain from Danish mortgages
- **Management judgement buffer EUR 572m – unchanged in local currencies**
- **Continued strong credit quality; risks carefully monitored**
- **Low impairment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

Strong position; additional share buy-back launched

CET1 capital ratio development, %



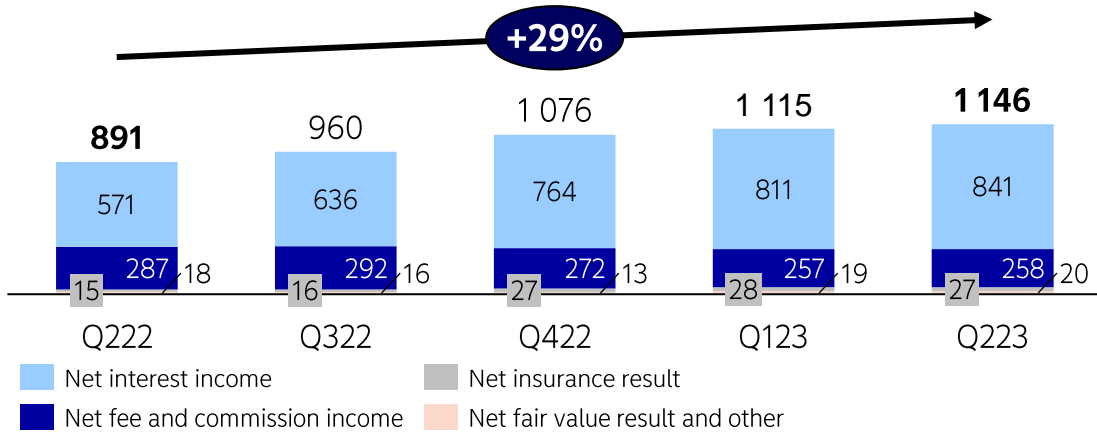
REA development, EURbn



- **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

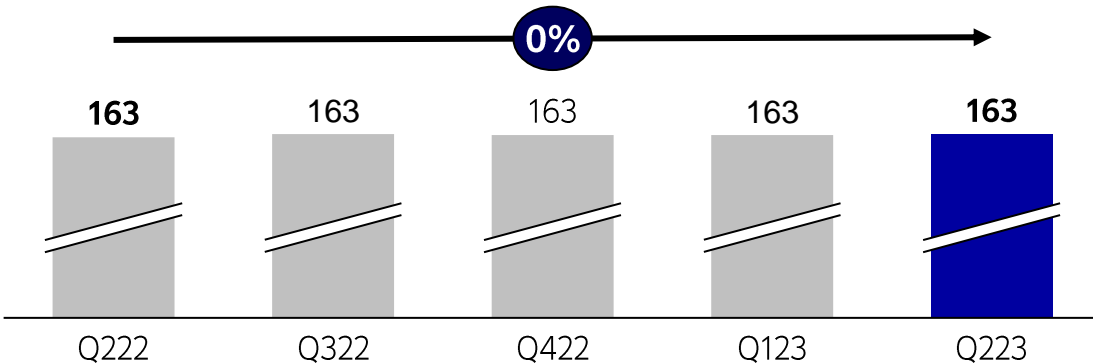
Stable business volumes and higher net interest income

Total income, EURm

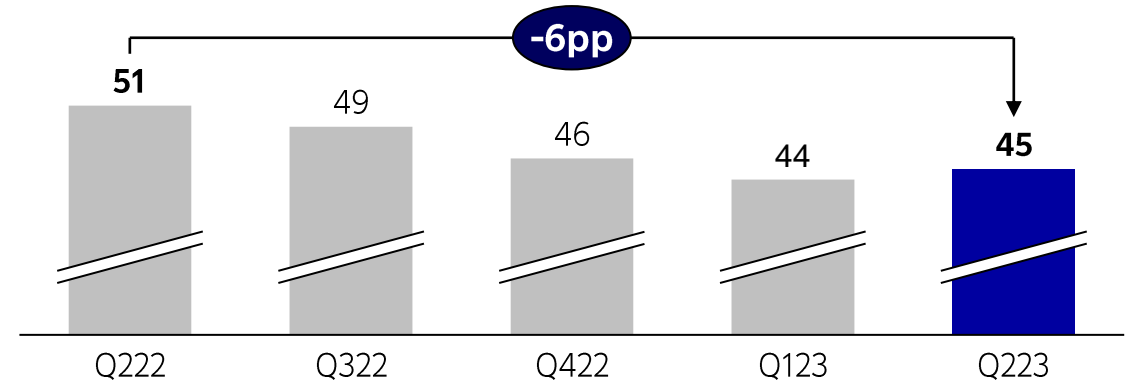


- Total income up 29%
- Net interest income up 47%, driven by higher deposit volumes and improved deposit margins
- Deposit volumes up 1%
- Mortgage volumes stable – margin pressure continuing
- Improved cost-to-income ratio: 45%

Lending*, EURbn



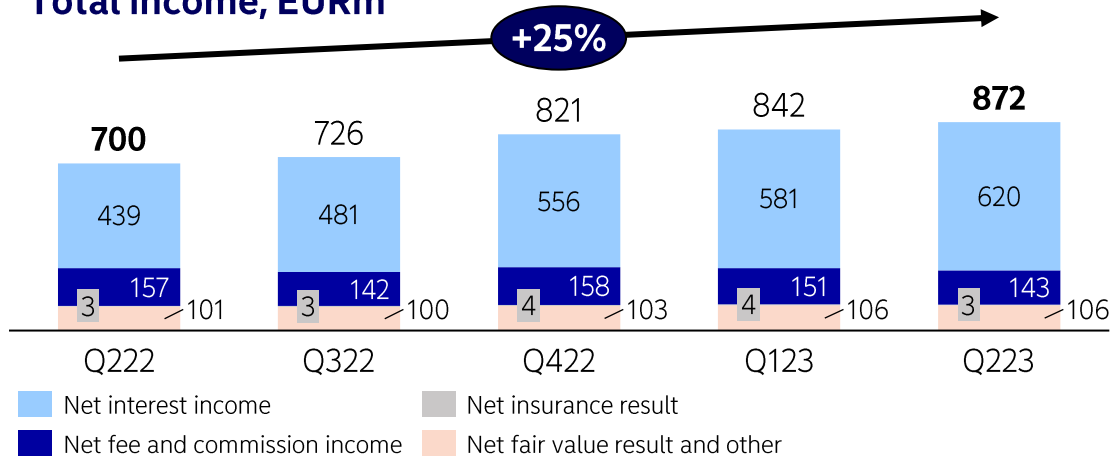
Cost-to-income ratio**, %



10 * Excluding FX effects
 ** With amortised resolution fees

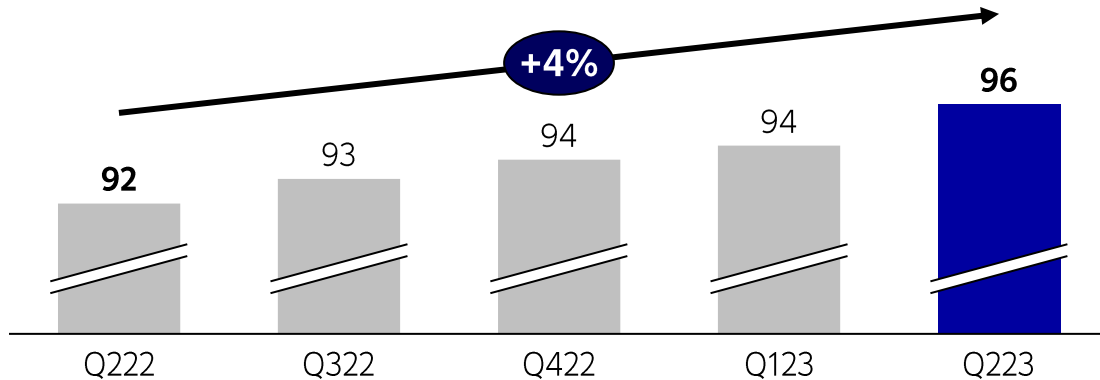
Good business momentum with continued volume growth

Total income, EURm

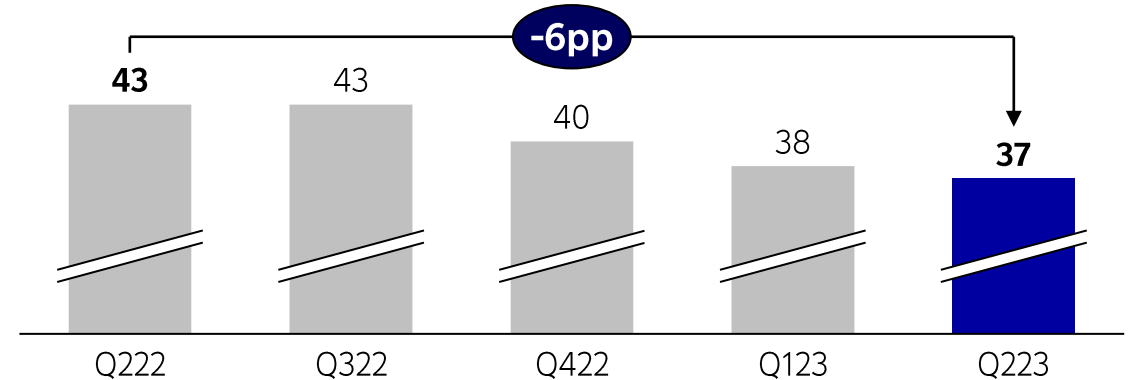


- Total income up 25%
- Net interest income up 41%, driven by higher lending volumes and improved deposit margins
- Lending volumes up 4%, led by Sweden and Norway
- Improved cost-to-income ratio: 37%

Lending*, EURbn

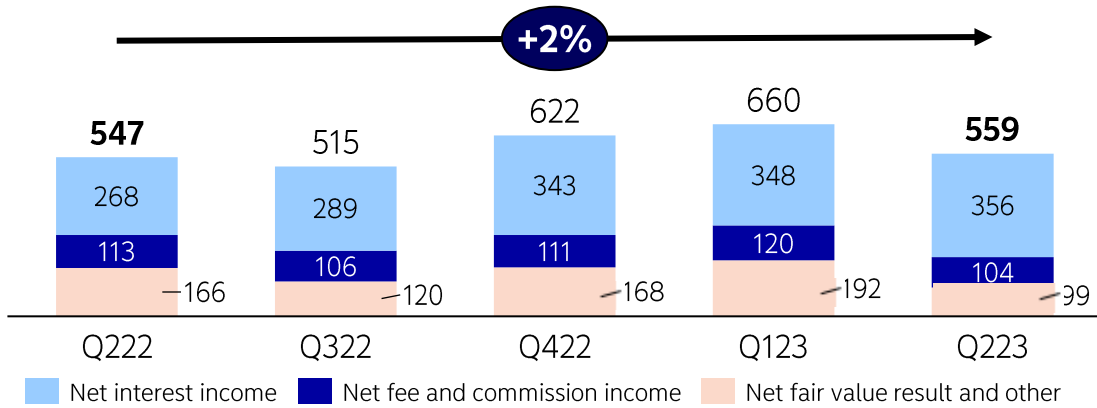


Cost-to-income ratio**, %



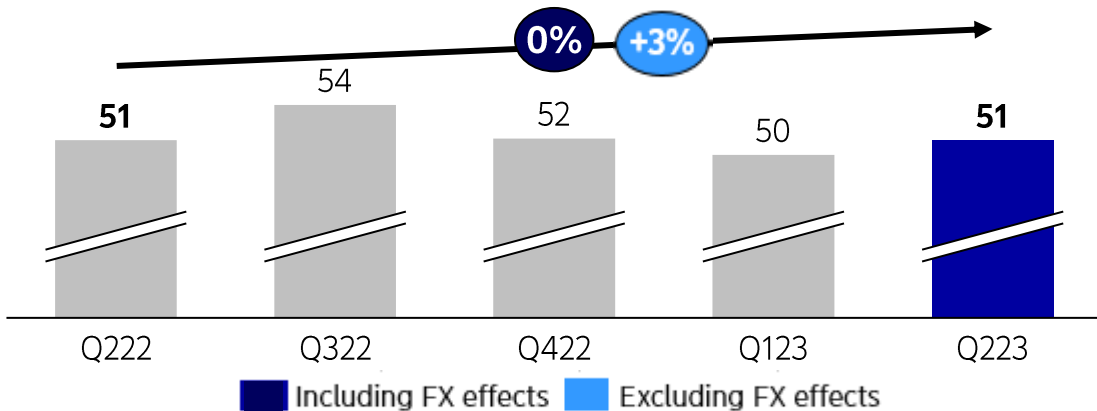
Significant net interest income growth and high levels of customer activity

Total income, EURm

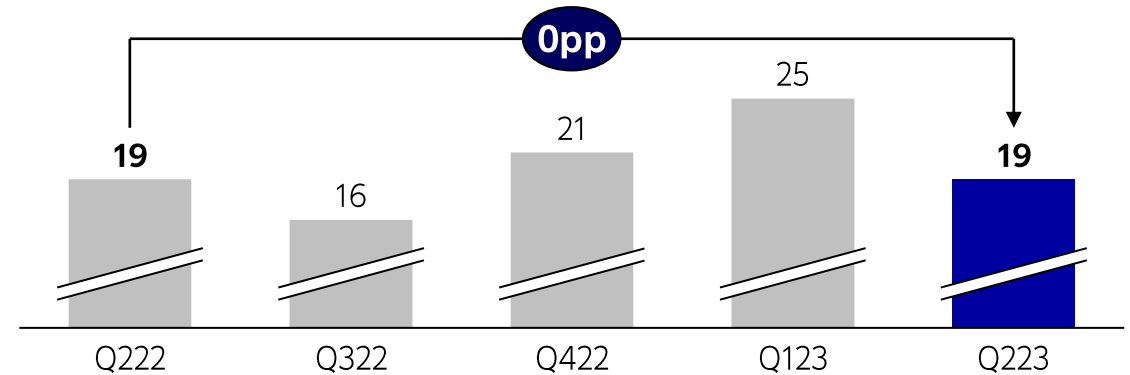


- Total income up 2%
- Net interest income up 33%, driven by higher deposit margins and higher average lending volumes
- Deposit volumes down 15%, driven by FX and normalisation of energy sector deposits
- Net fair value income down, driven by lower trading; high levels of customer activity sustained
- Return on capital at risk 19%

Lending*, EURbn

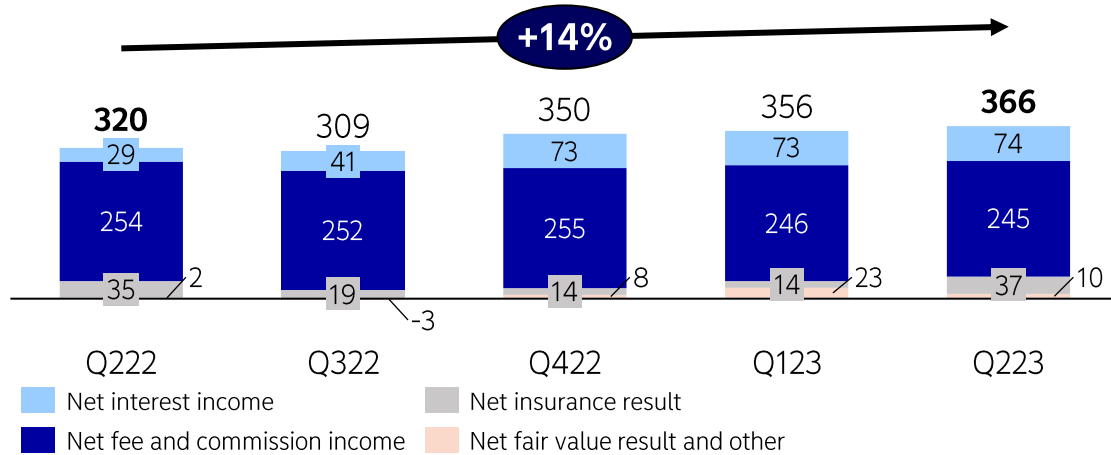


Return on capital at risk**, %

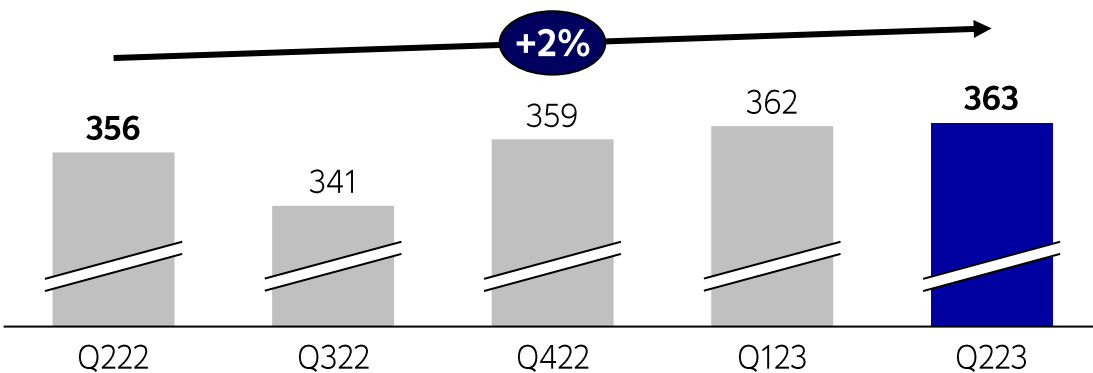


Solid net flows from internal channels

Total income, EURm

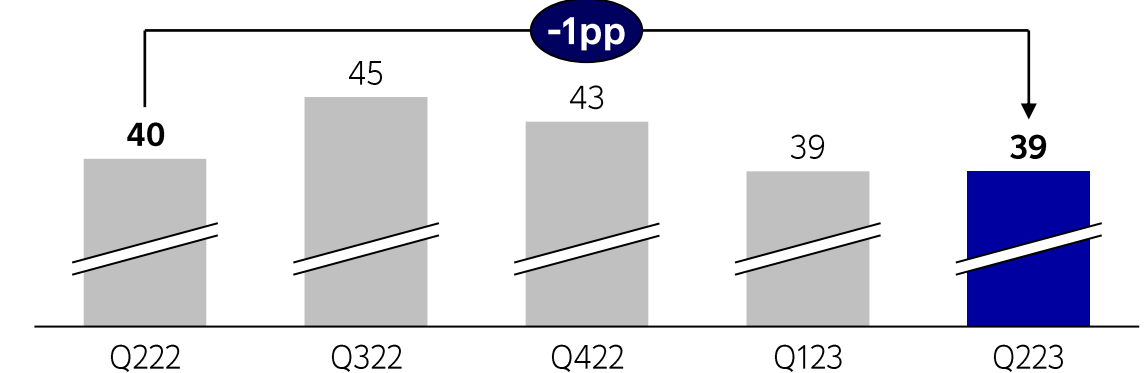


Assets under management, EURbn



- Total income up 14%, driven by higher net interest income from improved deposit margins
- Continued strong momentum in Private Banking; net flows of EUR 1.8bn
- Assets under management up 2% to EUR 363bn
 - Positive net flows of EUR 2.6bn from internal channels, driven by Private Banking and Life & Pension
 - Group net inflow of EUR 0.1bn during quarter
- Improved cost-to-income ratio: 39%

Cost-to-income ratio*, %



Nordea

2025: The preferred financial partner in the Nordics

| Updated outlook for 2023: return on equity comfortably above 15%

| Reassessing long-term financial target for 2025 – update in conjunction with fourth-quarter report



Nordea

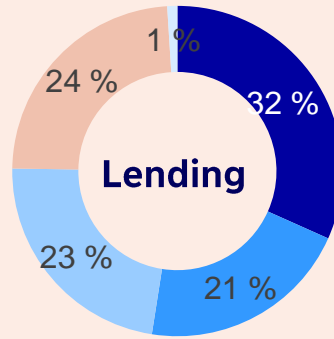
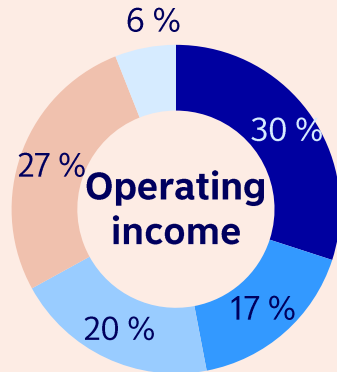


Nordea today

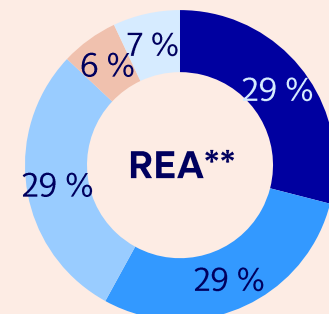
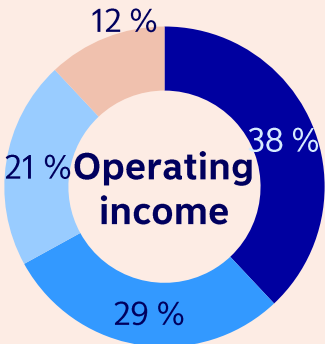
Very well-diversified pan-Nordic financial service provider with stable and sustainable returns

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

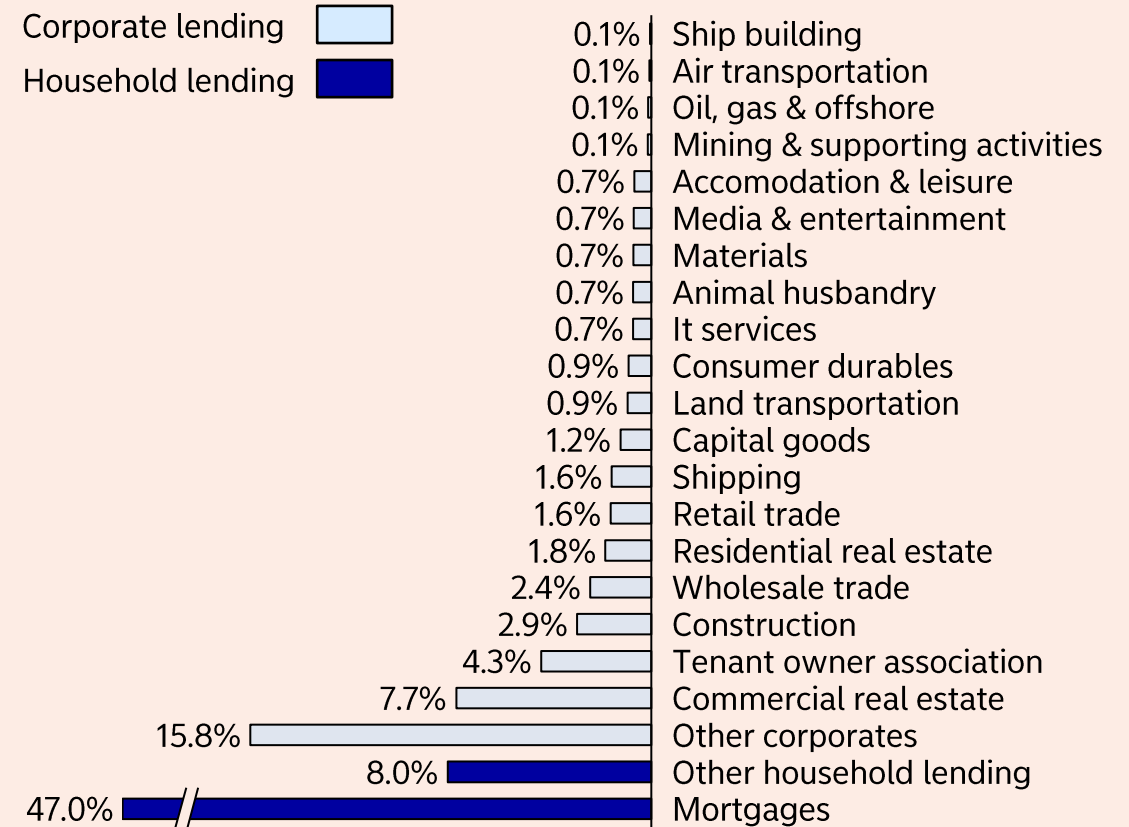
Very well diversified portfolio – no significant industry sector concentration



● Sweden ● Finland ● Norway ● Denmark ● Other***



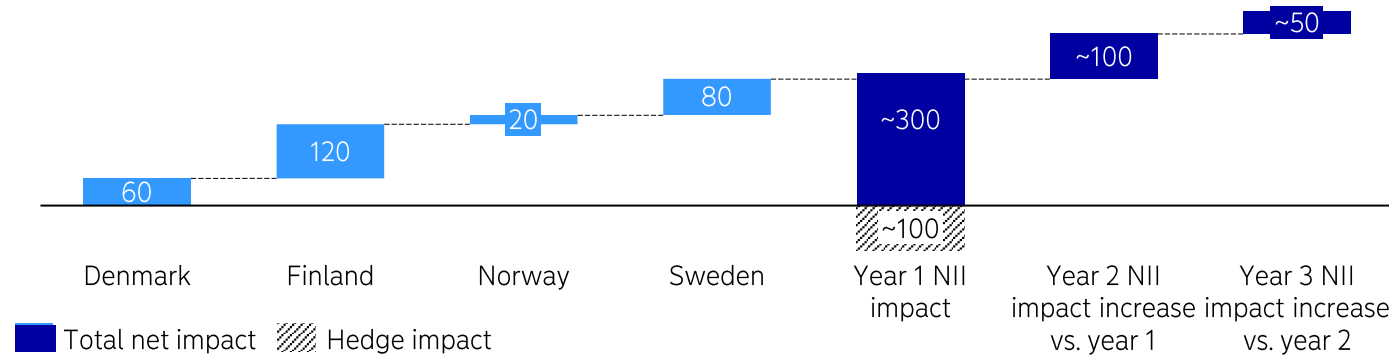
● Personal Banking ● Business Banking ● Large Corporates & Institutions ● Asset & Wealth Management ● Group functions



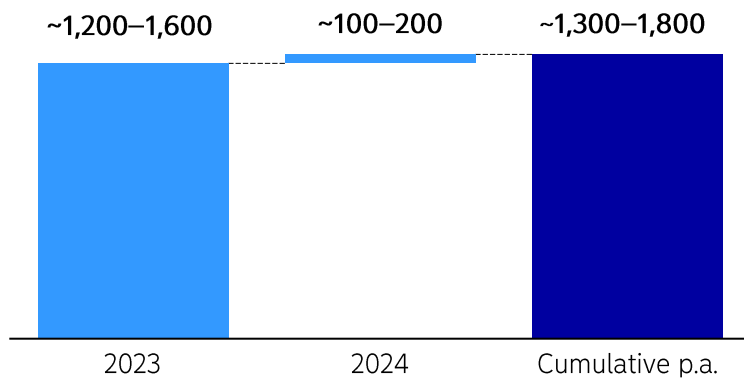
Net interest income

Net interest income sensitivity to policy rate increases

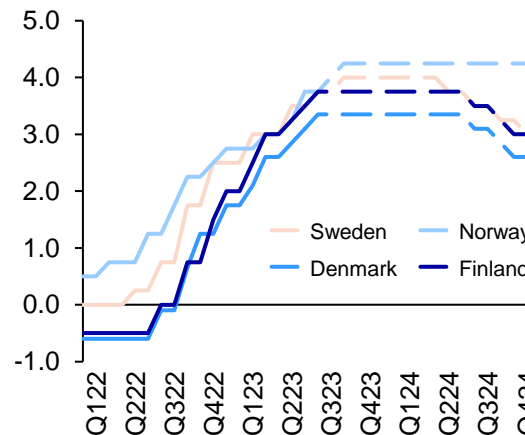
Sensitivity to +50bp parallel rate shift in policy rates



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 ↔

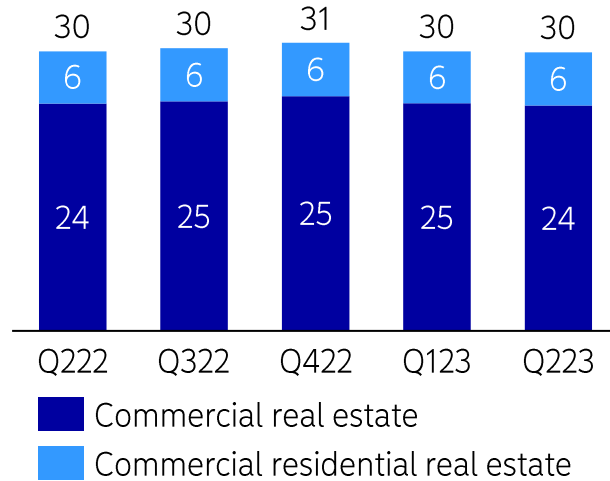
- **Deposit hedging reducing sensitivity to interest rate changes**

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

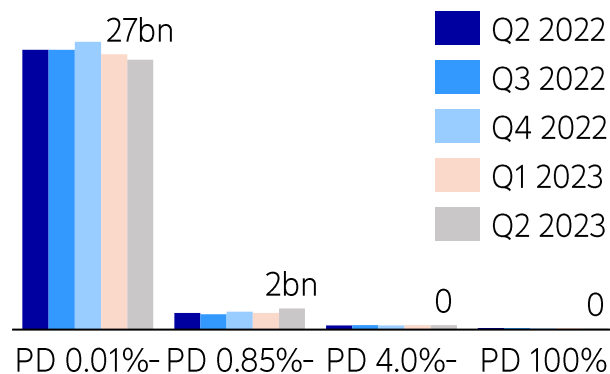
Real estate management industry (REMI)*

Well-diversified portfolio, high-quality lending

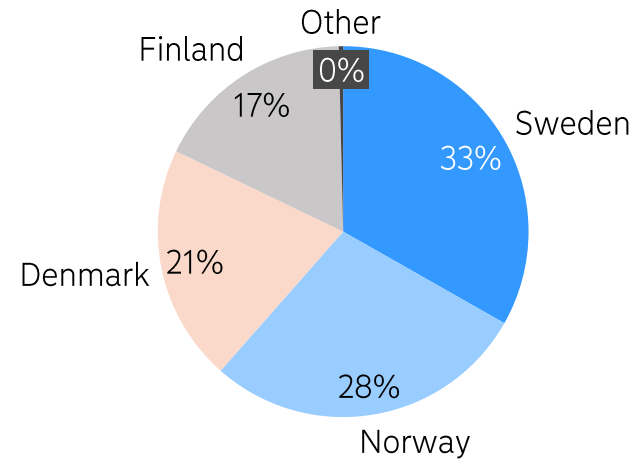
Lending volumes stable



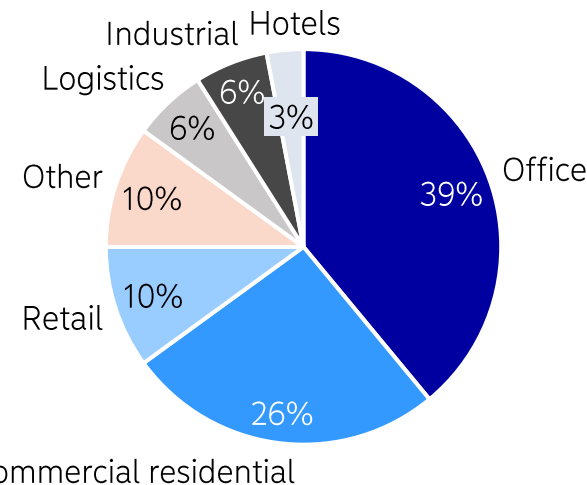
91% of portfolio with low probability of default (PD)



Diversified across countries



Diversified across types

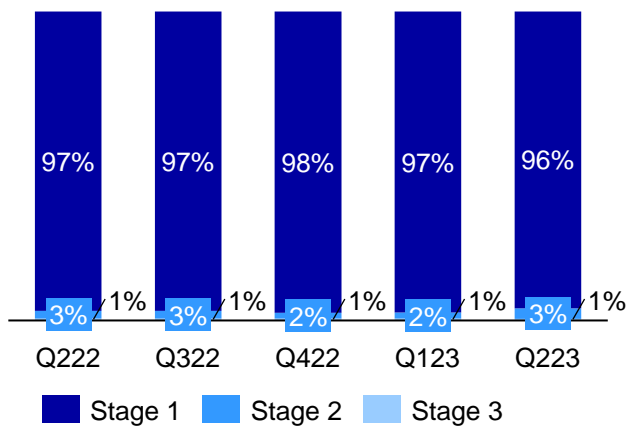


- **Well-diversified portfolio across Nordic markets**
- **91% of exposure towards low-risk customers, with only 2% towards high risk**
- **Portfolio mainly comprising central and modern office and residential properties**
- **Strict underwriting standards: conservative credit policy with focus on cash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

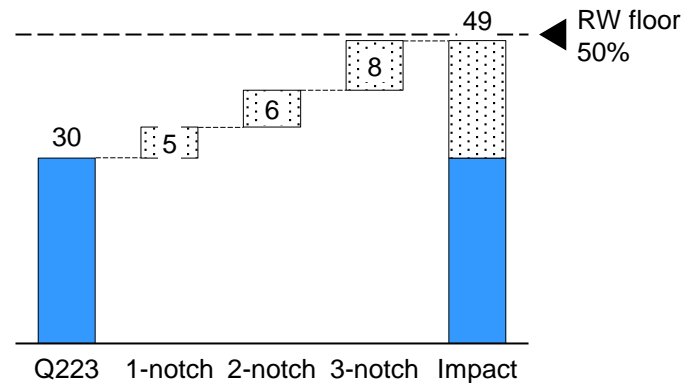
Real estate management industry (REMI)*

Low levels of risk exposure

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

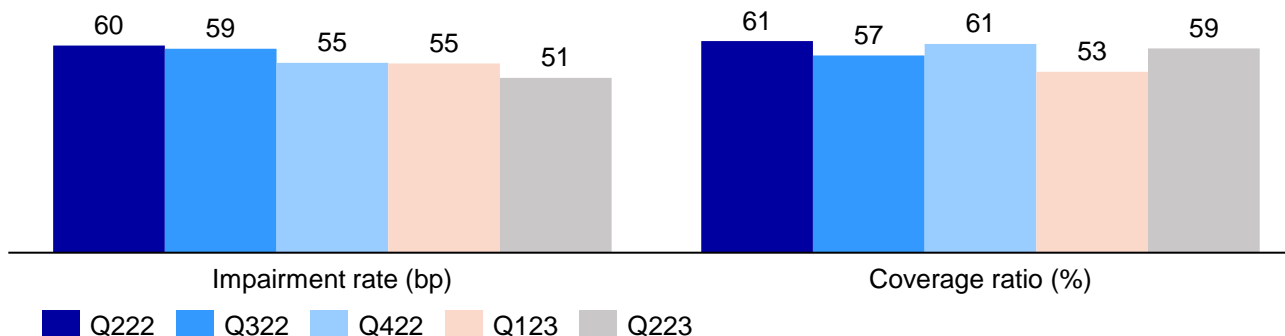


No REA impact even from 3-notch downgrade due to risk weight floors



- **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**

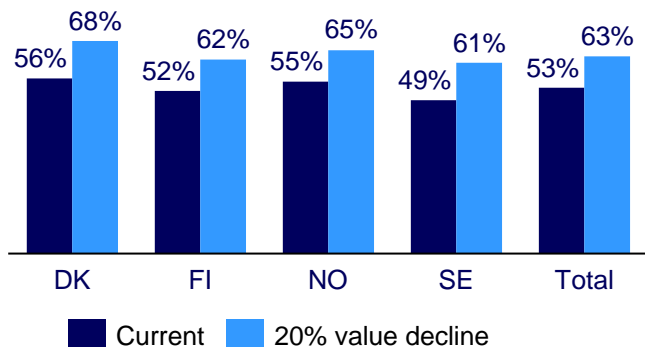
Low impairment rate and high coverage for impaired portfolio



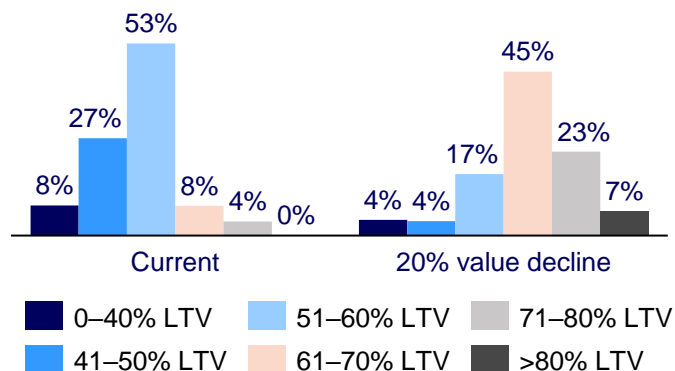
Real estate management industry (REMI) for largest customers*

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**

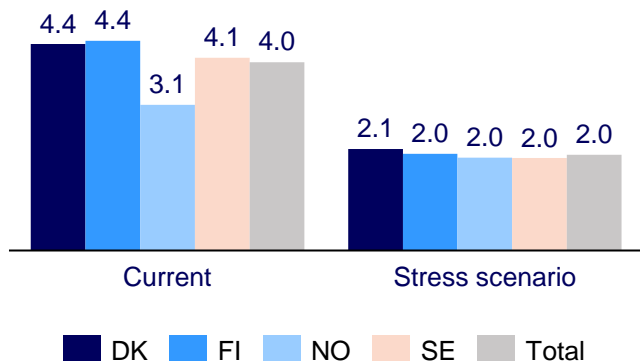
- Average ICR above 2x in stress scenario
- Strict stress scenario: all debt refinanced day one at current 5Y swap rates plus margins, no hedging

- **Strict hedging requirements**

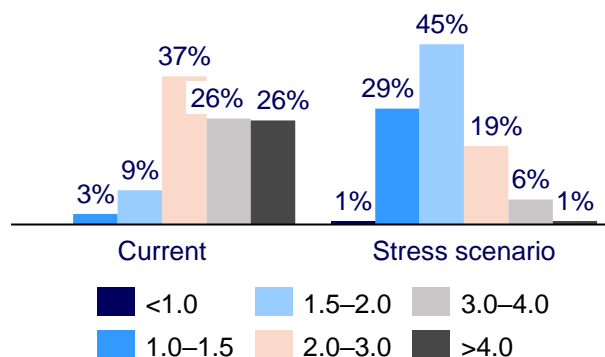
- 56% of customer debt hedged with average maturity of 4.4 years

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

ICR high for all countries



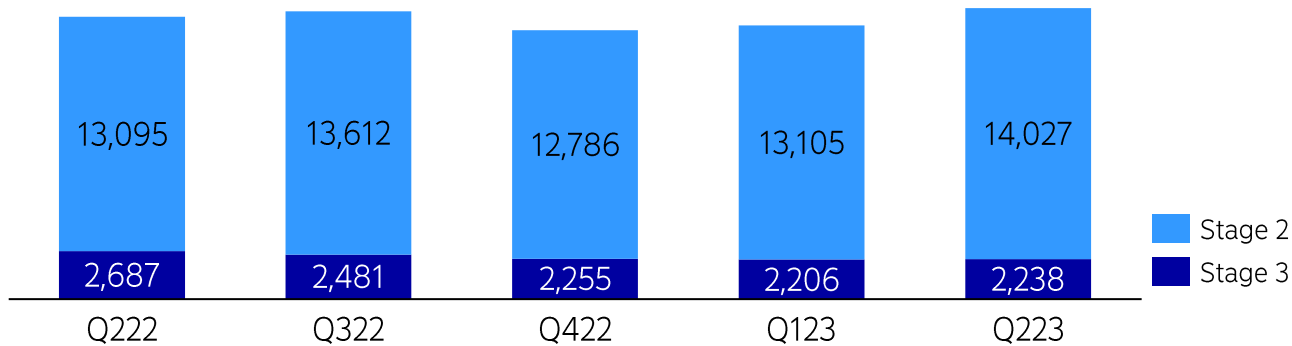
ICR above 1.0 for 99% of portfolio in stress scenario



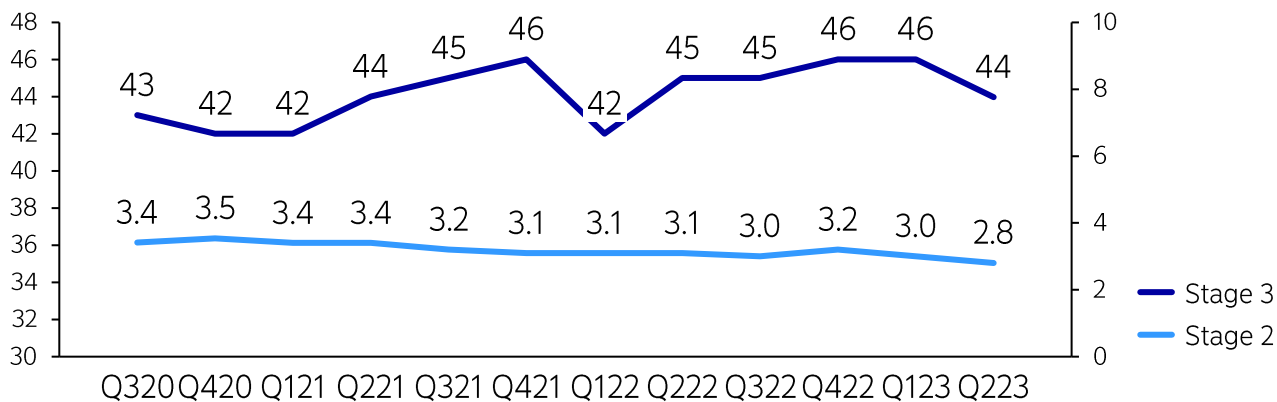
Impairments and provisioning coverage

Strong and stable portfolio credit quality

Stage 2 and 3 loans at amortised cost, EURm



Coverage ratio, %



- **Stage 3 (impaired) loans 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**