

Nordea

# First-quarter 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.

First-quarter highlights 2022

## **Executive summary\***

### **Resilient performance, continued lending growth**

- Mortgage volumes up 7% y/y, SME lending up 6% y/y and large corporate lending up 11% y/y. Assets under management down 5% q/q

### **Increased income and higher operating profit**

- Net interest income up 8% and net fee and commission income up 5%. Net fair value result 20% below exceptionally strong Q1 2021

### **Russia exit completed as planned: final steps to liquidate subsidiaries initiated during quarter**

### **Cost-to-income ratio\*\* 48% – stable despite higher regulatory costs**

### **Continued strong credit quality – management buffer unchanged**

- Net loan losses and similar net result amounting to reversals of EUR 12m or 1bp during quarter

### **Return on equity\*\* 12.5% and earnings per share EUR 0.22**

### **2021 dividend of EUR 0.69 paid and new EUR 1bn share buy-back programme commenced**

- CET1 ratio reduced to 16.3% due to capital deduction associated with share buy-back – 6.1pp above regulatory requirement

### **Outlook unchanged: return on equity above 11% expected for 2022, supported by cost-to-income ratio of 49–50%**

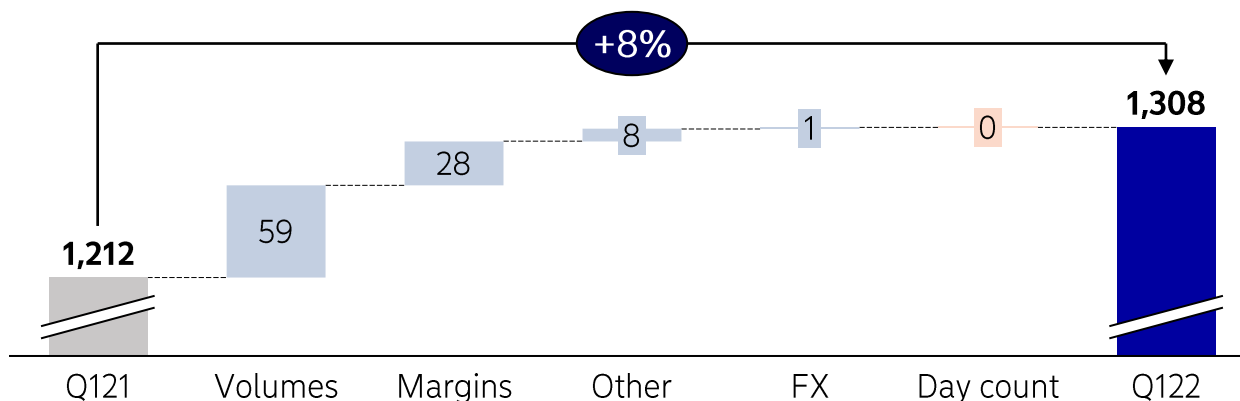
**First-quarter results 2022\***

Income statement and key ratios EURm	Q122	Q121	Q1/Q1	Q421	Q1/Q4
Net interest income	1,308	1,212	8%	1,255	4%
Net fee and commission income	870	827	5%	920	-5%
Net fair value result	295	370	-20%	247	19%
Other income	17	11		16	
<b>Total operating income</b>	<b>2,490</b>	<b>2,420</b>	<b>3%</b>	<b>2,438</b>	<b>2%</b>
Total operating expenses excl. res. fee	-1,132	-1,095	3%	-1,101	3%
Total operating expenses	-1,388	-1,319	5%	-1,101	26%
<b>Profit before loan losses</b>	<b>1,102</b>	<b>1,101</b>	<b>0%</b>	<b>1,337</b>	<b>-18%</b>
Net loan losses and similar net result	12	-52		-56	
<b>Operating profit</b>	<b>1,114</b>	<b>1,049</b>	<b>6%</b>	<b>1,281</b>	<b>-13%</b>
Cost-to-income ratio**, %	48	48		47	
Return on equity**, %	12.5	11.0		11.3	
Diluted earnings per share, EUR	0.22	0.19	16%	0.26	-15%

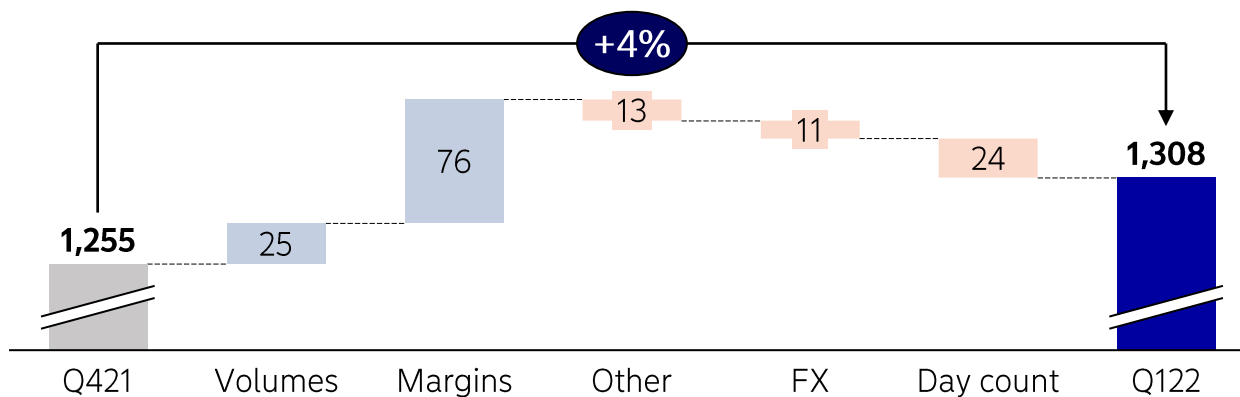
Net interest income

## Growth in business volumes driving NII increase

### Year-over-year bridge, EURm



### Quarter-over-quarter bridge, EURm

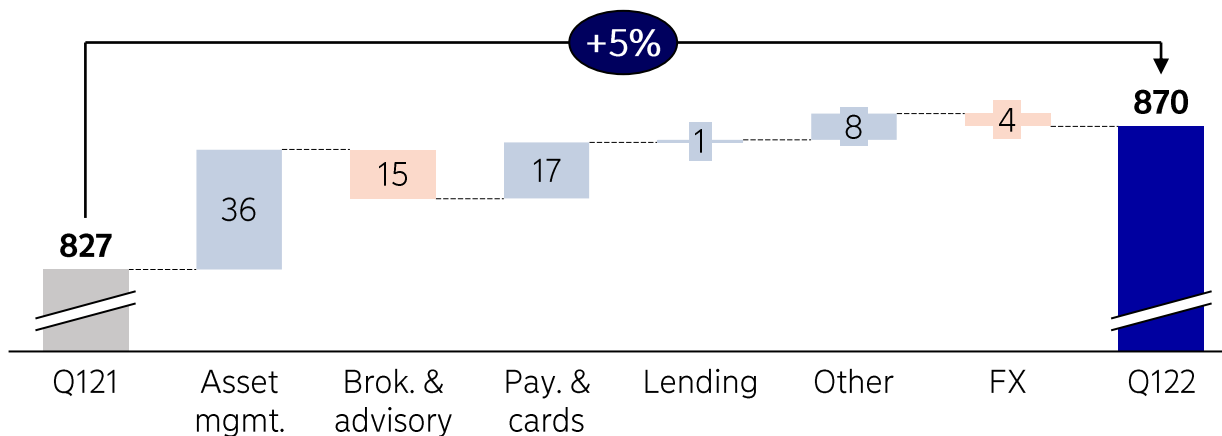


- **Net interest income up 8%**
- **Strong volume growth in all business areas**
  - Mortgage volumes up 7%, lending to SMEs up 6% and large corporate lending up 11%
- **Improved deposit margins and lower funding costs (including TLTRO\* benefit) partly offset by lower lending margins**
- **Higher yield fees following volume growth and increased activity**

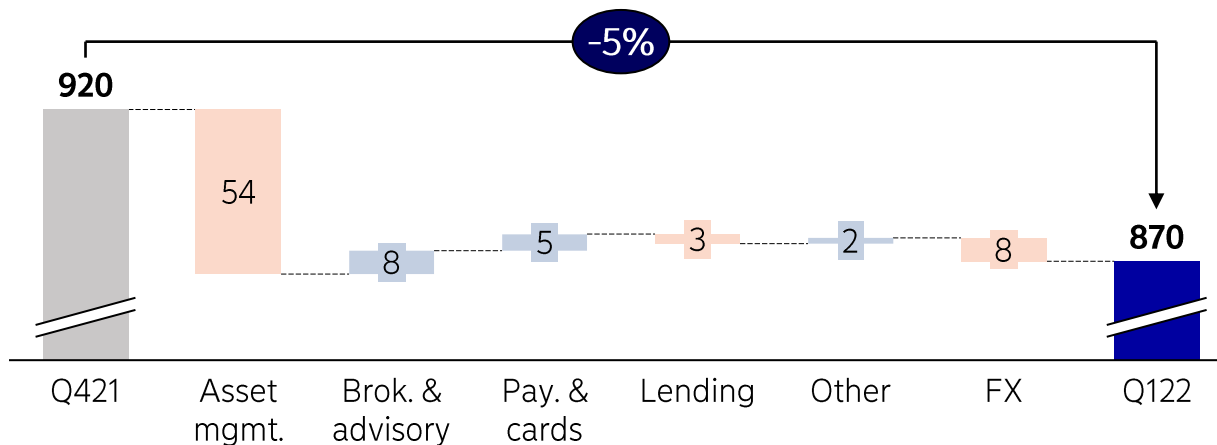
Net fee and commission income

## Growth in savings fee income despite market turbulence

### Year-over-year bridge, EURm



### Quarter-over-quarter bridge, EURm

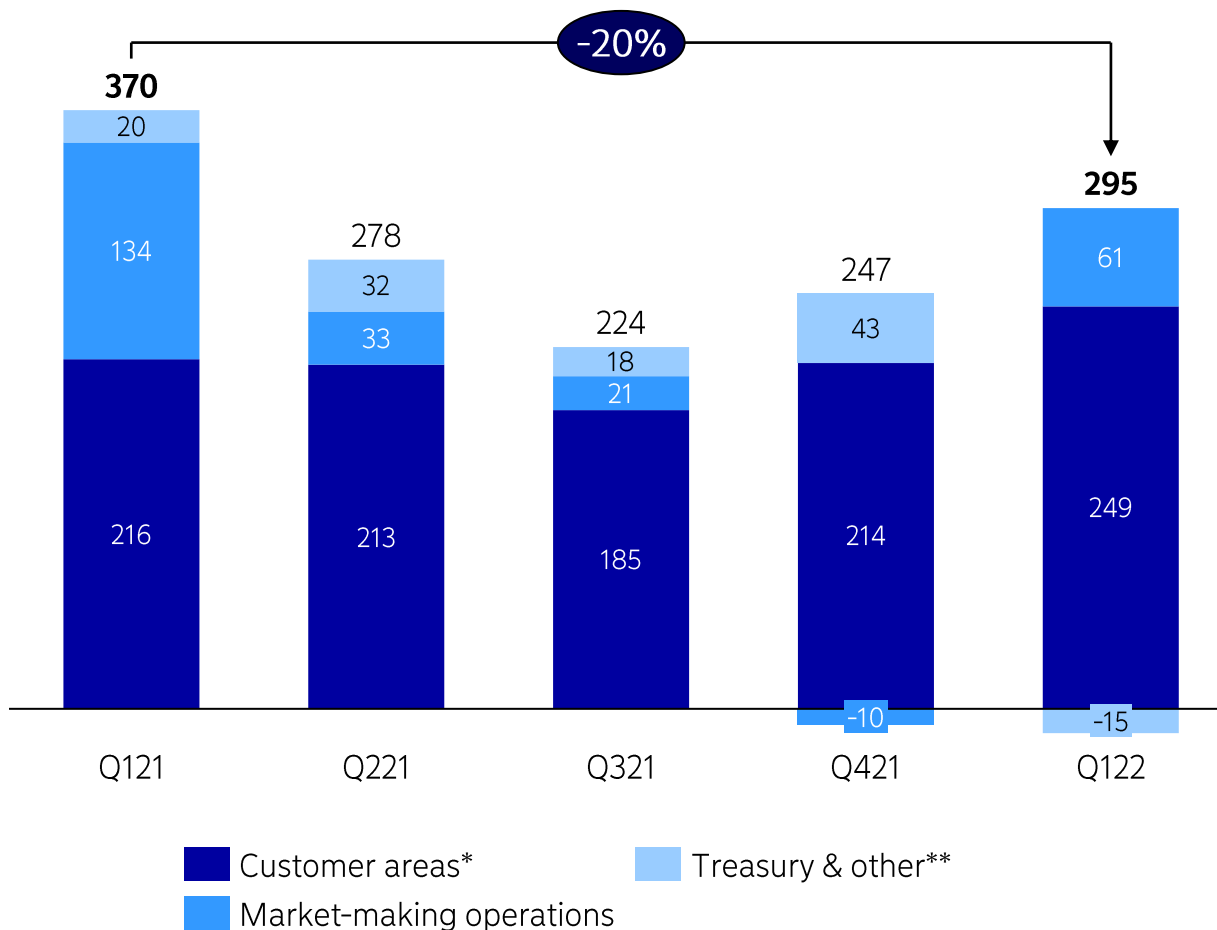


- **Net fee and commission income up 5%**
- **Savings fee income up 9%**
  - Higher assets under management compared with Q1 2021
- **Brokerage and advisory fee income down compared with very strong Q1 2021**
- **Payment and card fee income up due to higher customer activity**

Net fair value result

## Strong customer activity supporting net fair value result

### Net fair value result, EURm

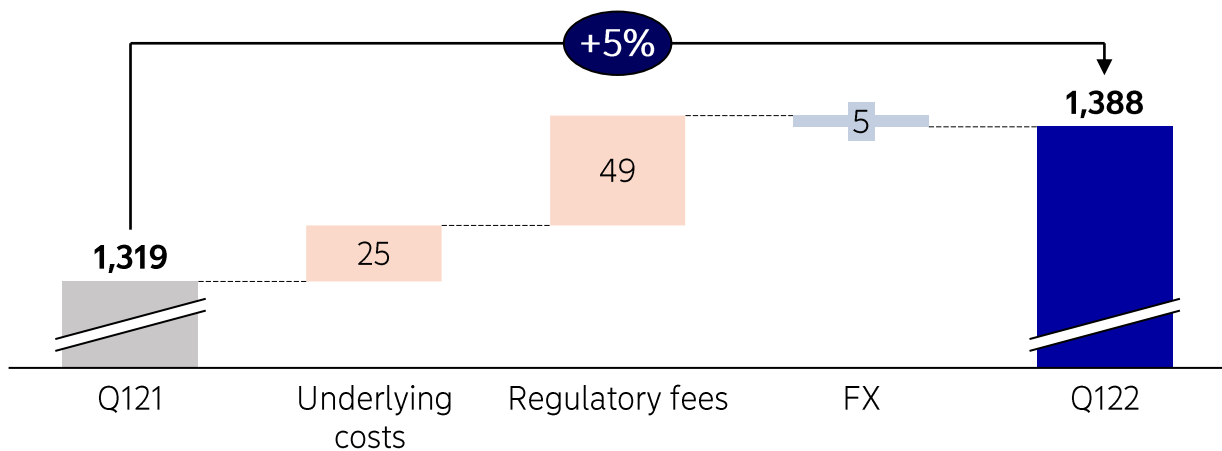


- **Net fair value result strong, but down 20% following last year's exceptional Markets trading income**
- **Strong customer activity**
  - Increased demand for FX and interest rate hedging products
- **Higher valuations in Treasury offset by negative valuation adjustments**

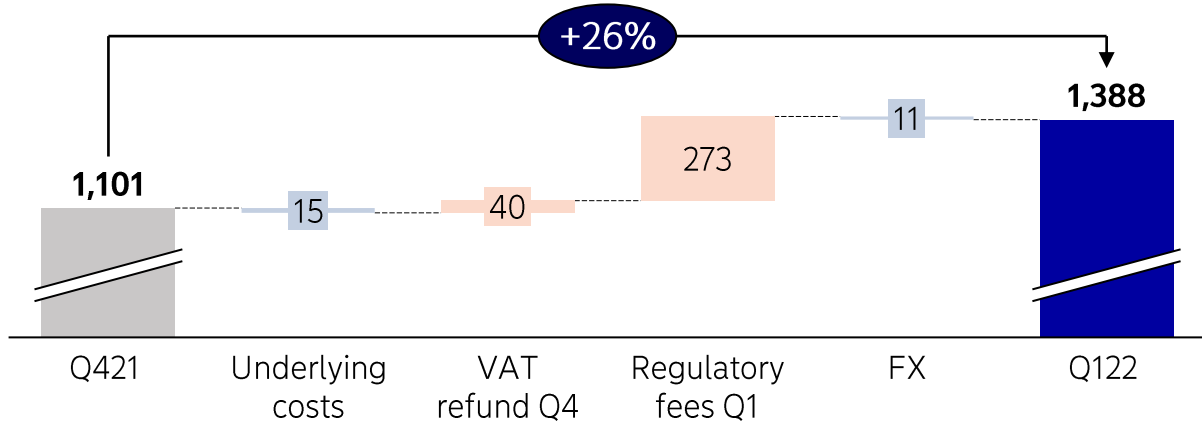
## Costs

### Cost increase mainly due to higher regulatory costs

#### Year-over-year bridge, EURm



#### Quarter-over-quarter bridge, EURm



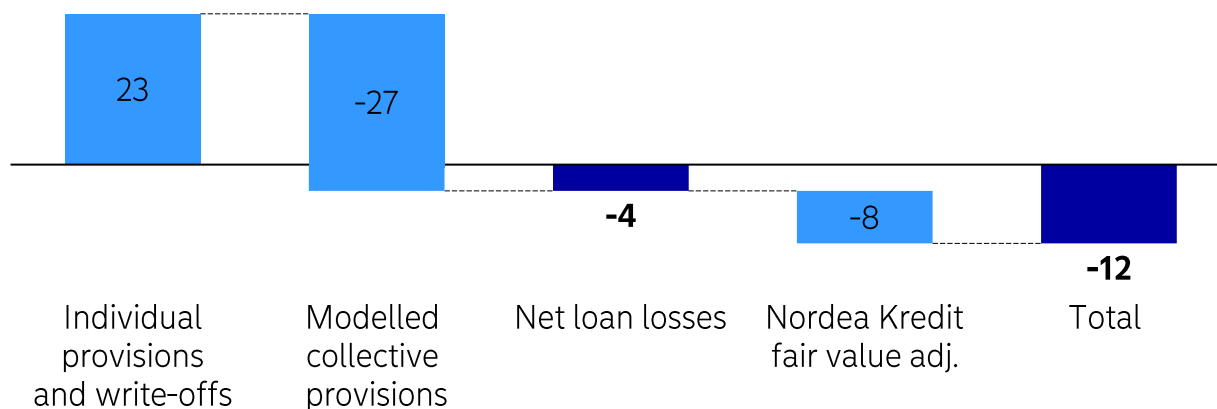
- **Costs up 5%, mainly due to regulatory fees, including resolution fees & Swedish bank tax**
  - Costs excluding regulatory fees up 2%



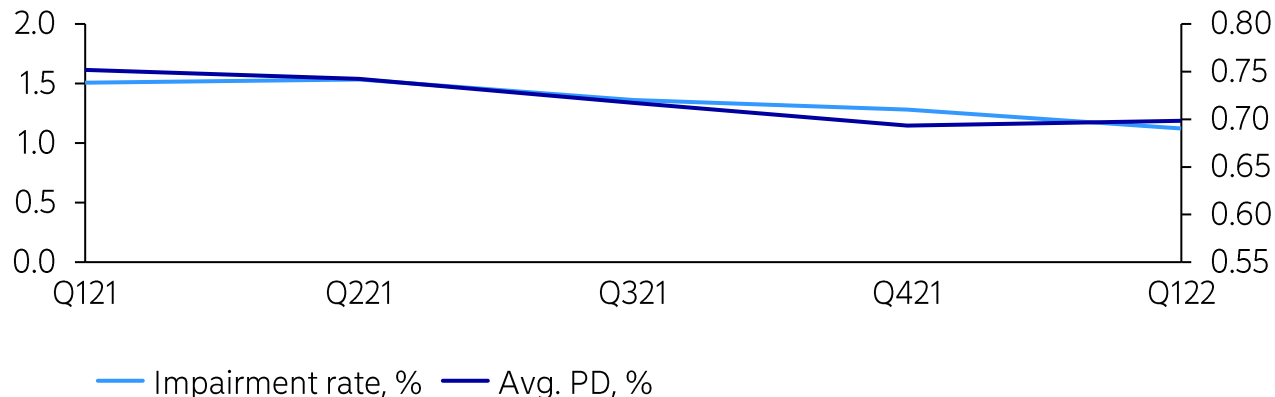
Net loan losses and similar net result

## Net reversals and lower non-performing loans

### Net loan losses and similar net result Q1 2022 excl. IAC, EURm



### Stage 3 loans and PD of total loans, %



- **Net loan losses and similar net result amounting to reversals of EUR 12m (1bp)**
  - Limited new provisions
  - Reversals from Oil, gas & offshore portfolio restructuring
- **Management judgement buffer unchanged at EUR 610m**
- **Continued strong credit quality and further decrease in non-performing loans**

Russia exit

## Limited direct impact on Nordea

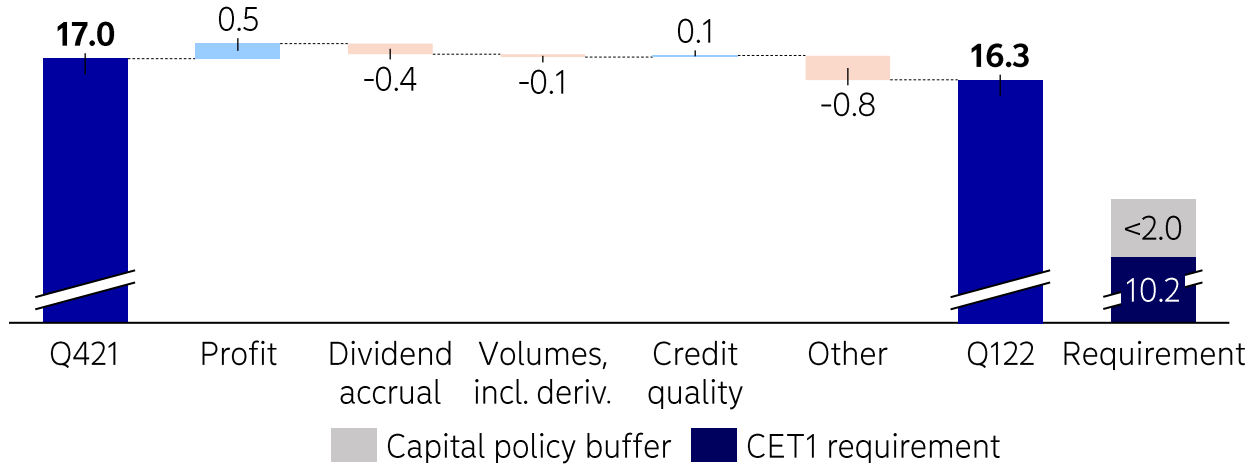
### Russia-related items affecting comparability (IAC)

EURm	Item impacted	Description
-529	Net result from items at fair value	IFRS recycling of accumulated FX losses from OCI into income statement following liquidation of operations in Russia
-8	Net result from items at fair value	Fund investments in Russia
-76	Net loan losses and similar net result	Credit provisions for direct Russia exposures

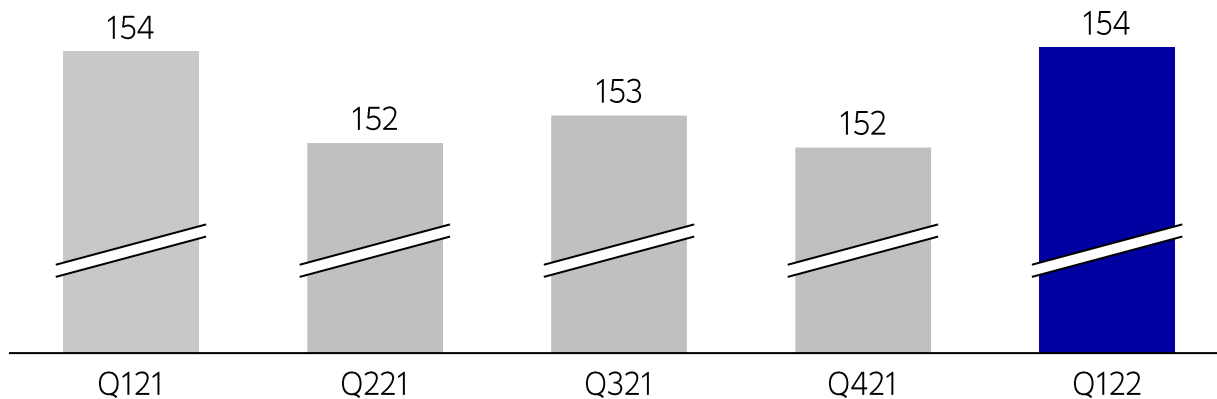
- **Banking operations in Russia closed in 2021**
  - EUR 529m IAC in Q1 2022 related to recycling of FX losses triggered by liquidation; no impact on dividend or buy-back capacity
- **Direct Russia impacts limited and considered IAC**
  - Provisions of EUR 76m during Q1 2022; remaining exposure very small
- **Decision to exclude all Russian investments from asset management portfolios**

## Strong position; share buy-backs in progress

CET1 capital ratio development, %



REA development, EURbn



- CET1 capital ratio 16.3%**

- 6.1 percentage points above regulatory requirement\*
- CET1 capital down EUR 0.8bn following ECB approval of share buy-back programme; decrease partly offset by profit generation net of dividend accrual and increase in retained earnings
- Risk exposure amount EUR 154bn – credit quality strong

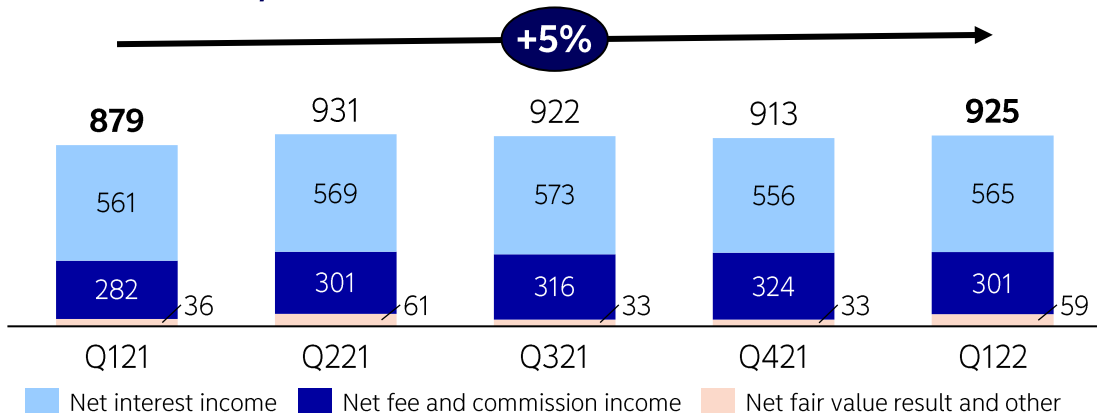
- Capacity to support customers and distribute capital**

- Good progress on share buy-backs**

- EUR 2bn programme completed, EUR 1bn programme ongoing
- Next tranche under discussion with ECB

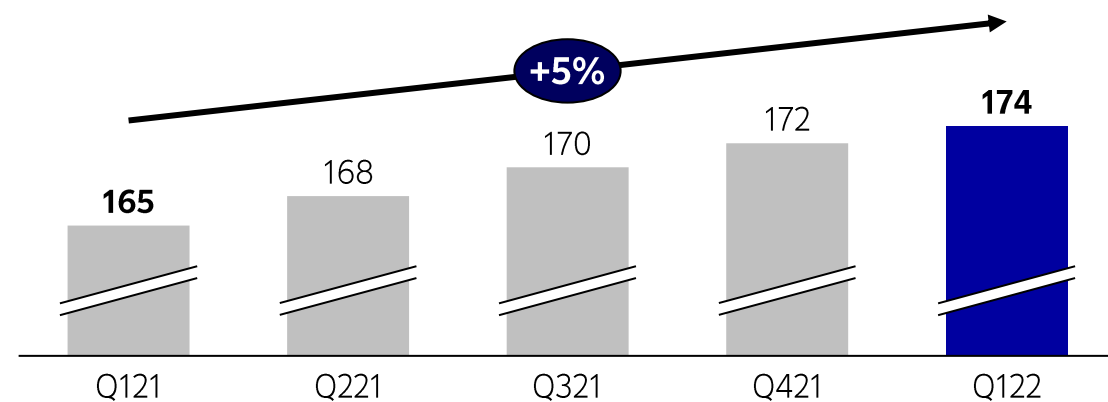
## Continued strong growth in mortgage lending

### Total income, EURm

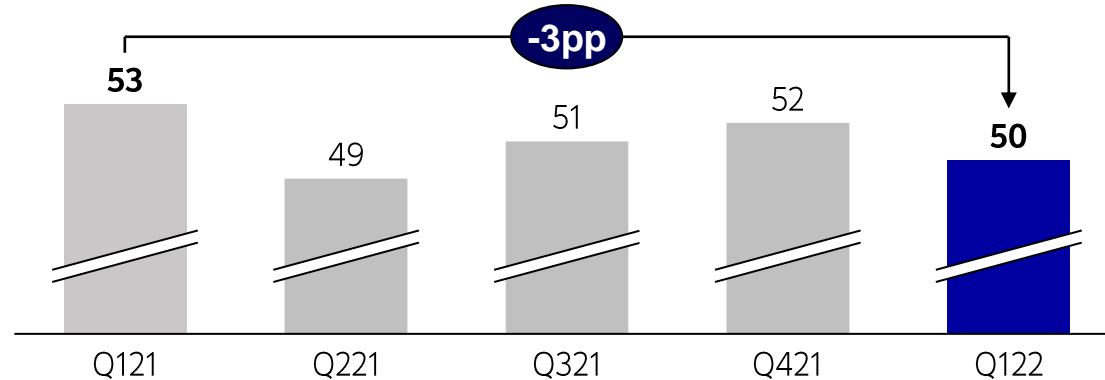


- Total income up 5%
- Increased mortgage market shares across Nordics
- Net fee and commission income growth negatively affected by market turbulence during quarter
- Improvement in cost-to-income ratio, now 50%

### Lending\*, EURbn

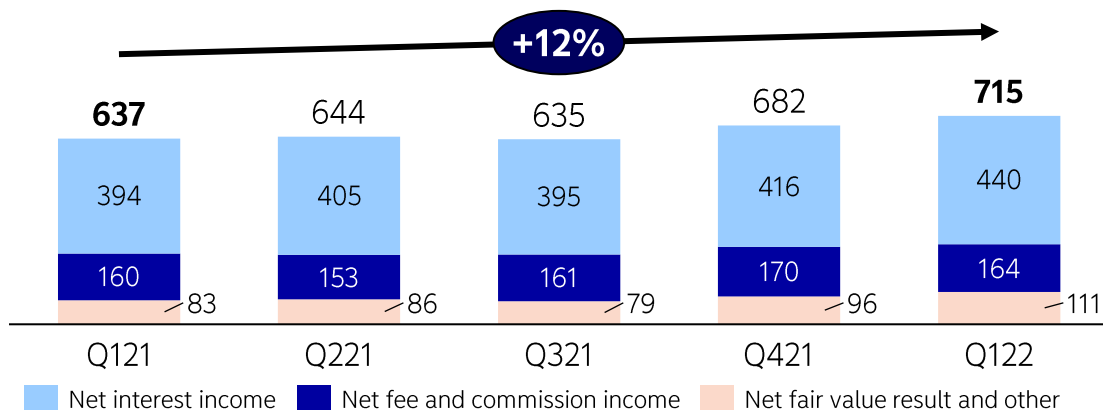


### Cost-to-income ratio\*\*, %



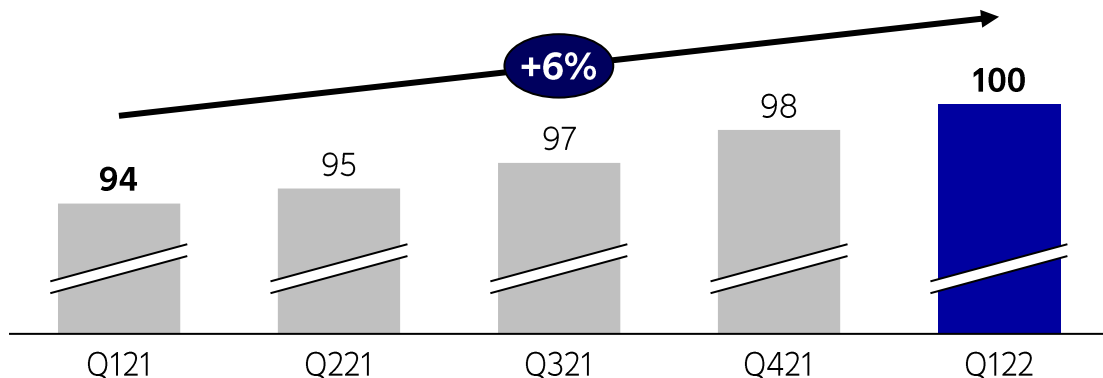
## Strong income growth

### Total income, EURm

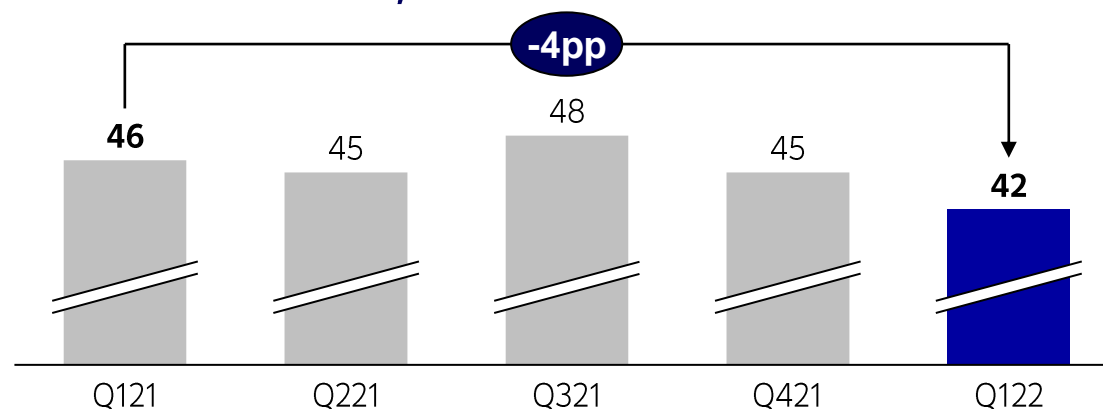


- Total income up 12%
- Lending volumes up 6%, driven by Sweden and Norway
- Net fee and commission income up 3% despite lower capital markets activity due to financial market turbulence
- Strong growth in net fair value result driven by high customer demand for IR hedging and FX products
- Improvement in cost-to-income ratio, now 42%

### Lending\*, EURbn

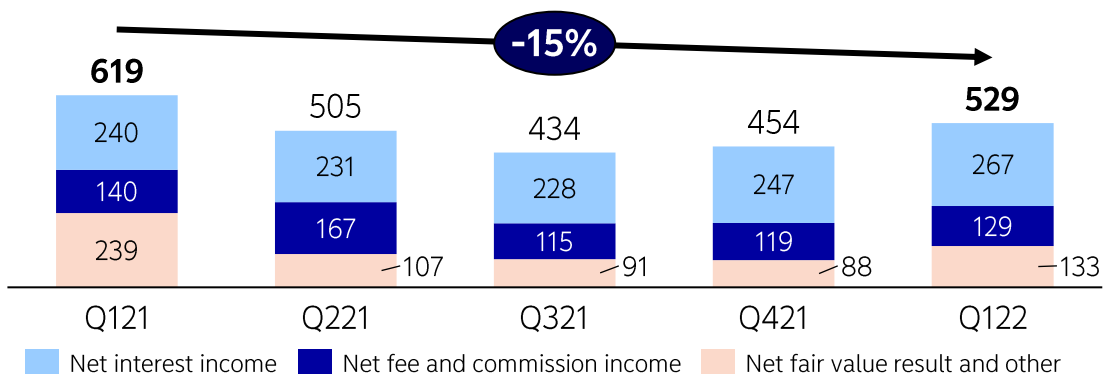


### Cost-to-income ratio\*\*, %



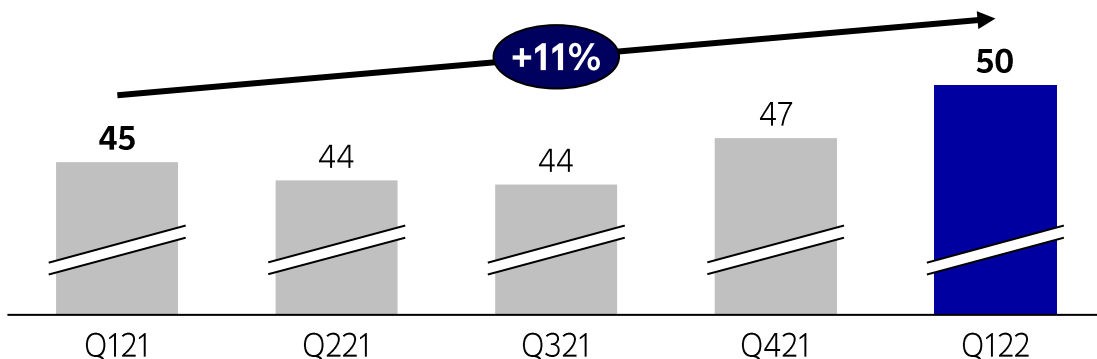
## Solid quarter amid significant market volatility

### Total income, EURm

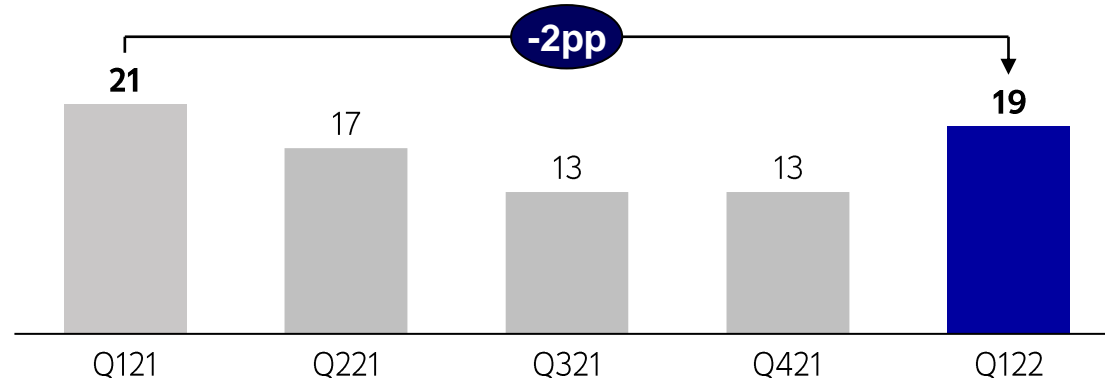


- Total income down 15%
  - Net interest income up 11% and lending volumes up 11%
  - High customer activity, solid commission income
  - NFV lower compared with exceptionally strong Q1 2021
- Net loan loss reversals of EUR 29m\*\*\*
- Return on capital at risk 19% and cost-to-income ratio 38%

### Lending\*, EURbn

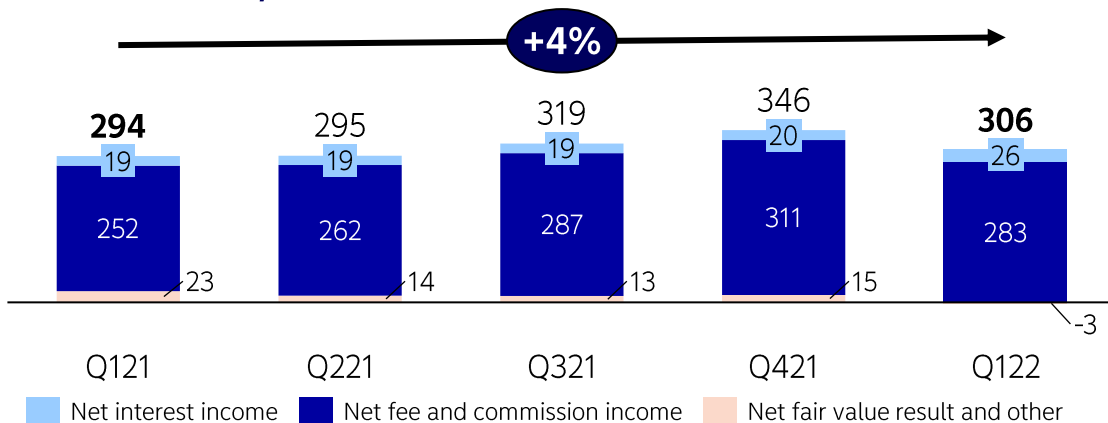


### Return on capital at risk\*\*, %



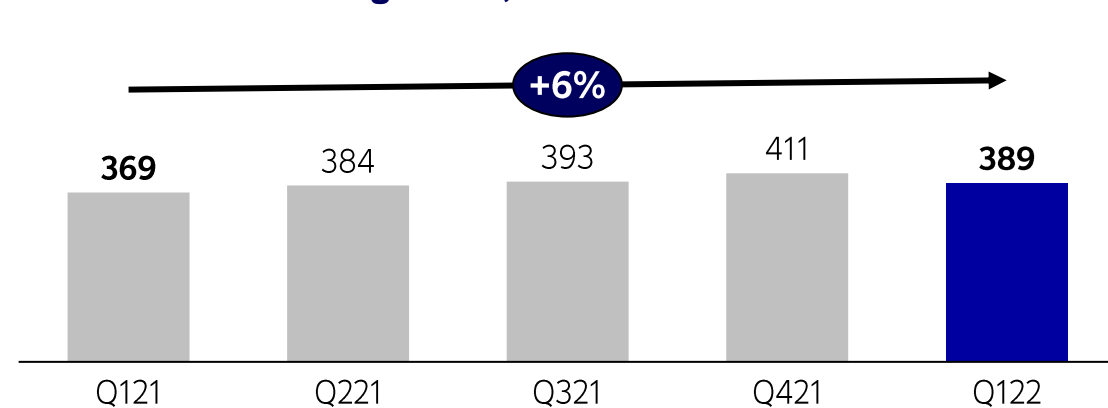
## Total income and AuM up y/y despite market turbulence

### Total income, EURm

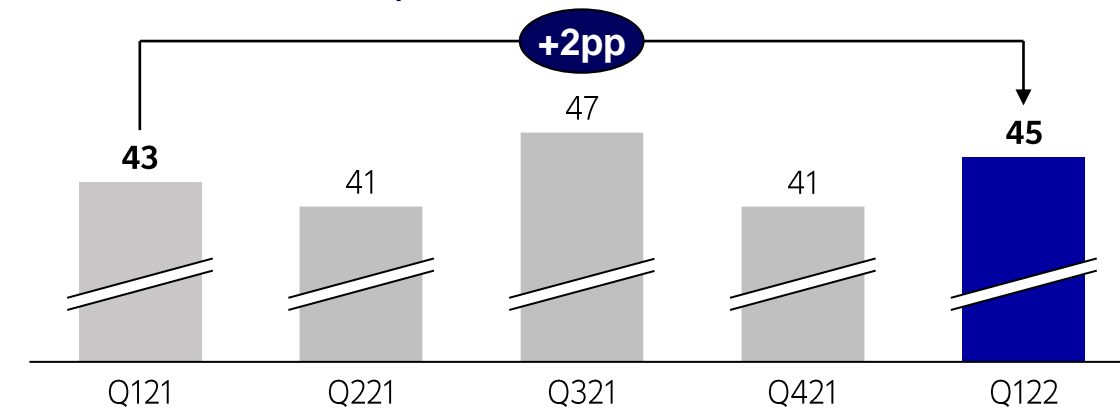


- Total income up 4%
- Assets under management up 6% to EUR 389bn
  - Net outflow of EUR 2.4bn (annualised -2%) during quarter, of which EUR 1bn dividend related
- Positive underlying net flow from internal channels
- Cost-to-income ratio 45%

### Assets under management, EURbn



### Cost-to-income ratio\*, %



# Nordea

2025: The preferred financial partner in the Nordics

**Raising the bar on financial performance**

**Driving best-in-class omnichannel customer experiences and further value creation for shareholders**

**Well equipped for the future**

## 2025 financial target

**Return on equity**  
**>13%**

Assumes CET1 requirement of 15–16%, including management buffer

Supported in 2025 by

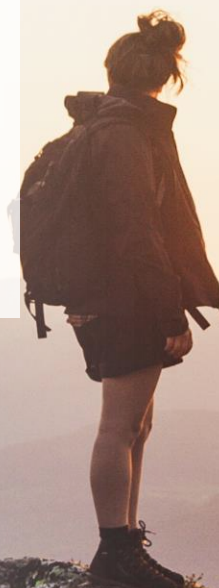
**Cost-to-income ratio**  
45–47%

**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





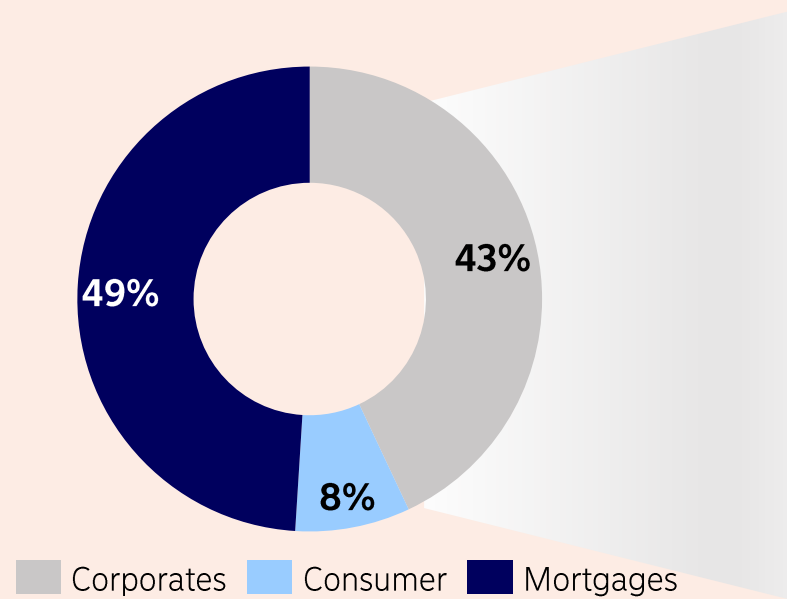
Nordea



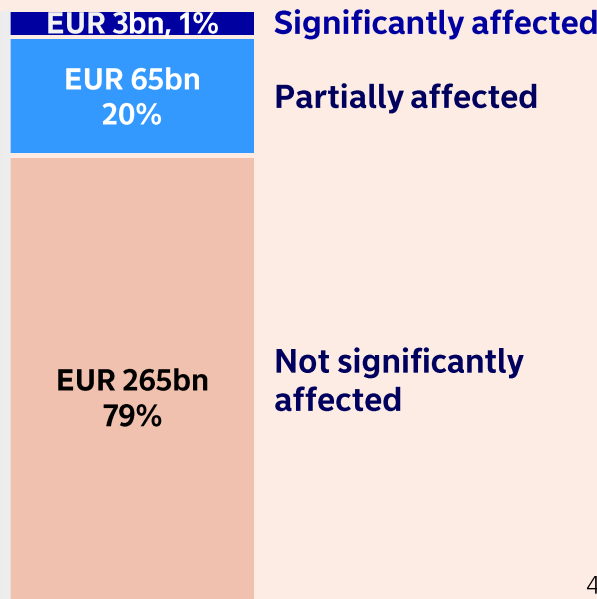
# Appendix

Well diversified with strong credit quality

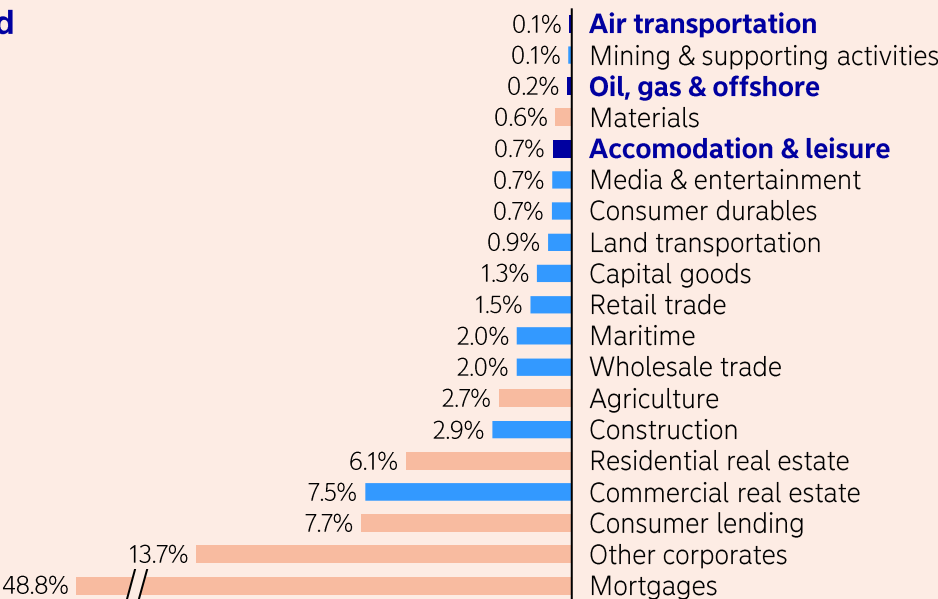
Portfolio well diversified across countries and segments



Updated analysis of COVID-19 impact by segment



Three segments with 1% of total exposures still significantly affected



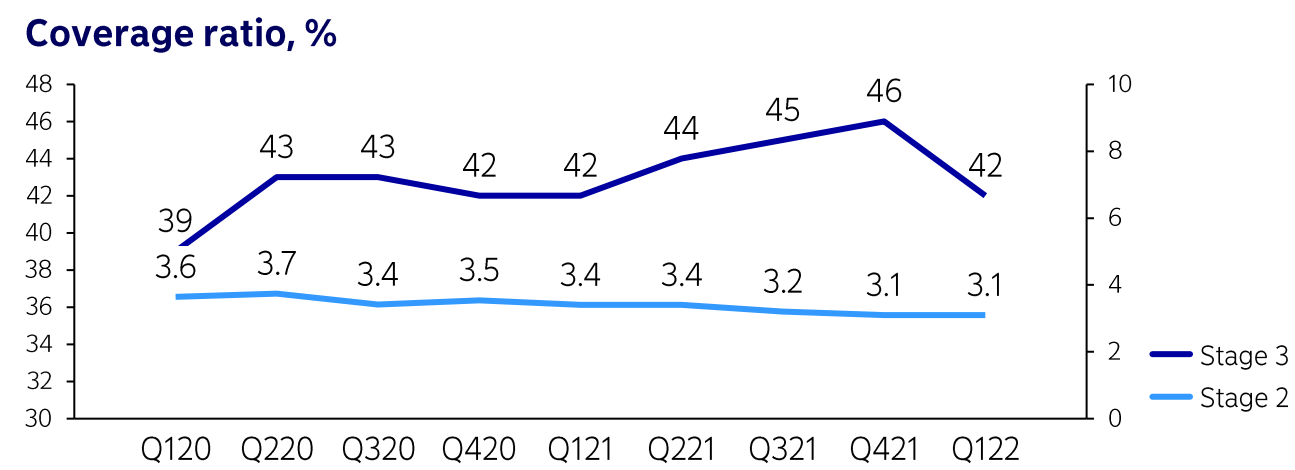
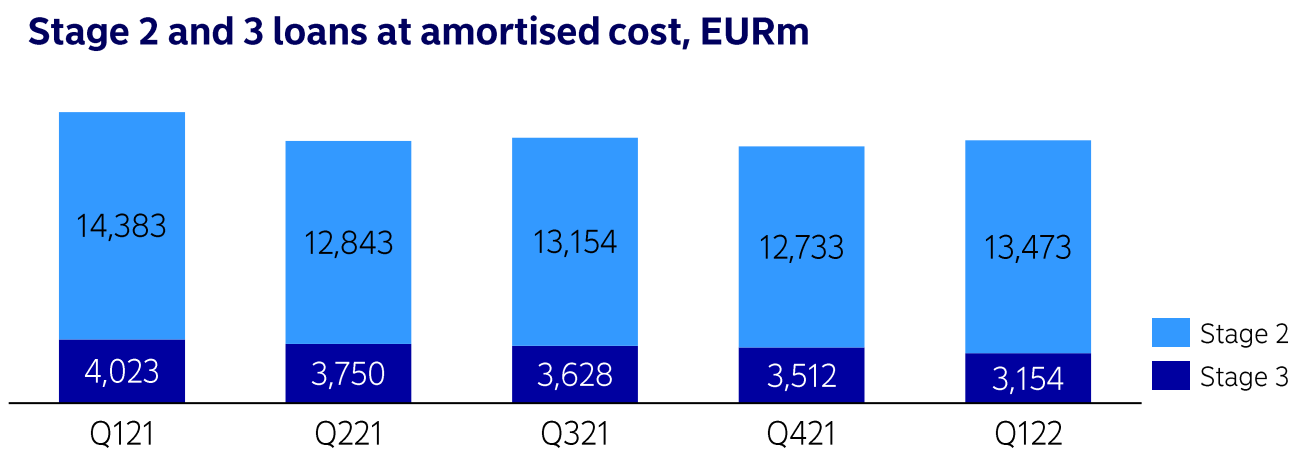
Nordic societies have well-structured social safety nets, strong fiscal positions and effective legal systems

Lending by country



# Impairments and provisioning coverage

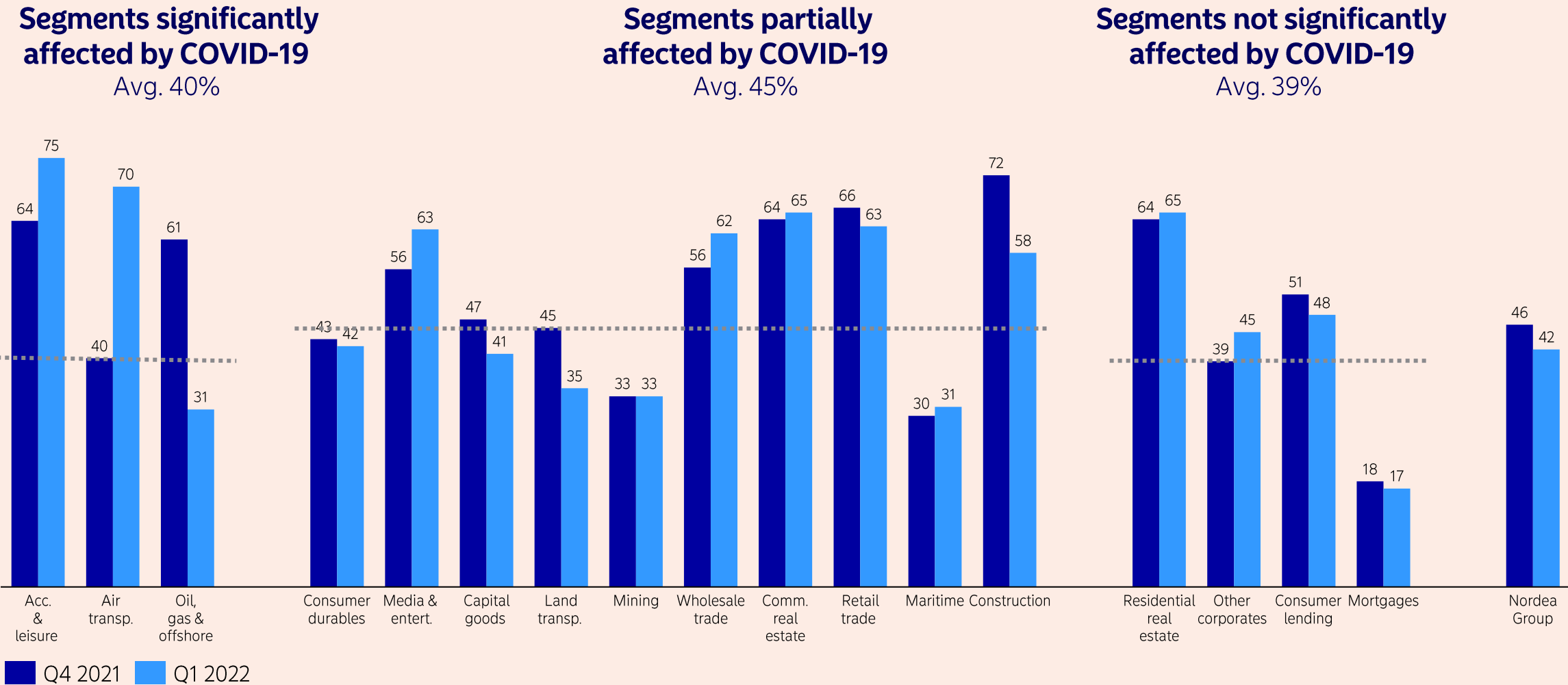
## Continued strong credit quality



- Stage 3 impaired loans further reduced, to 1.12% from 1.28% in Q4
- Stage 2 loans up 6% q/q due to increased high-risk portfolio – rating and scoring migration positive overall
- Decrease in coverage ratio due to exits from Oil, gas & offshore portfolio with high coverage. Remaining portfolio quality significantly improved
- Further assessment of indirect effects of war and updated macroeconomic scenarios in Q2 2022

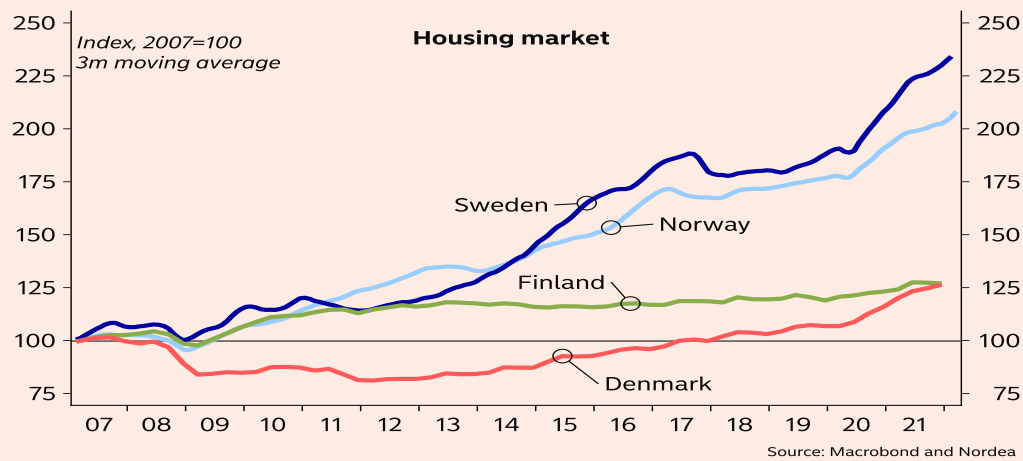
Coverage ratios

**Solid provisioning coverage against potential losses**

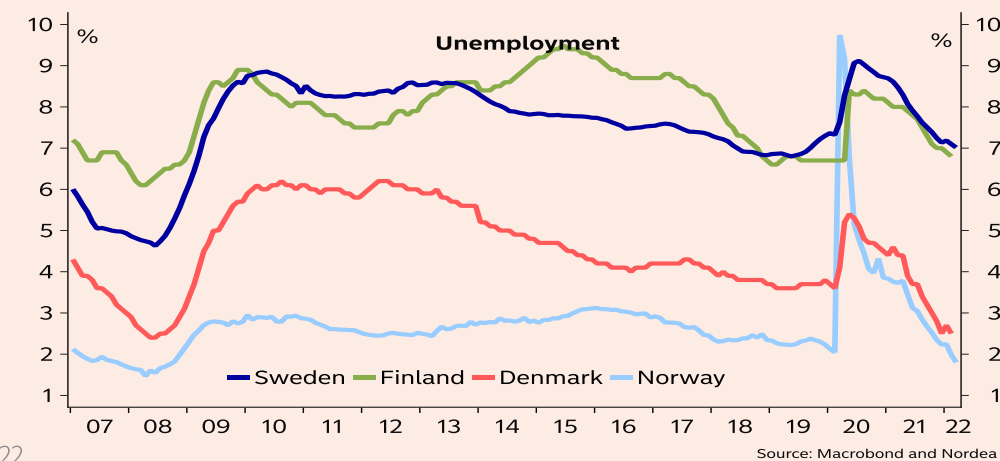


# Resilient economies facing global uncertainty

## Housing prices



## Unemployment rate



## Nordic economies booming before war in Ukraine

- Danish GDP up 3.0% q/q in Q4. Unemployment down to 2.5% in February. House prices up 12.3% and apartment prices up 6.0% y/y in January.
- Finnish GDP up 0.6% q/q in Q4. Unemployment down to 6.8% in February and housing prices up 3.1% y/y in February.
- Norwegian mainland GDP up 1.4% q/q in Q4. Unemployment down to 1.9% in March and housing prices up 6.2% y/y in March.
- Swedish GDP up 1.1% q/q in Q4. Unemployment down to 7.0% in March and housing prices up 9.7% y/y in February.

## GDP forecasts, %, y/y (Nordea Markets)

Country	2021	2022E	2023E
Denmark	4.7	2.5	2.0
Finland	3.5	3.0	2.0
Norway	4.2	4.0	2.0
Sweden	4.8	3.7	1.7