

**Nordea**

# Half-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.

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Second-quarter highlights 2022

## **Executive summary**

### **Continued growth in lending volumes, strong performance in corporate sector**

- Mortgage volumes up 6% y/y, SME lending up 7% y/y and large corporate lending up 16% y/y. Assets under management down 9% q/q

### **Higher income and increased operating profit despite market turbulence**

- Net interest income up 6%, net fee and commission income down 5% and net fair value result up 1%
- Operating profit up 2% compared with record levels in Q2 2021

### **Cost-to-income ratio\* 49% – costs excluding regulatory fees down 1%**

### **Strong credit quality – EUR 45m released from COVID-19 management judgement buffer**

- Net loan losses and similar net result amounting to reversals of EUR 56m or 6bp during quarter

### **Return on equity\* 13.3% and earnings per share EUR 0.28**

### **EUR 4.5bn distributed to shareholders YTD and new EUR 1.5bn share buy-back programme launched**

- CET1 ratio increased to 16.6% – 6.3pp above regulatory requirement

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

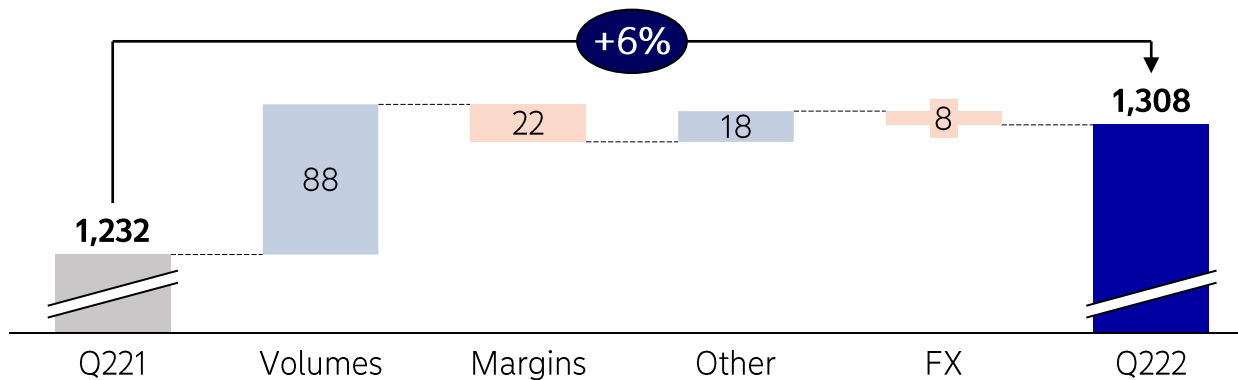
**Second-quarter results 2022**

Income statement and key ratios EURm	Q222	Q221	Q2/Q2	Q122*	Q2/Q1
Net interest income	1,308	1,232	6%	1,308	0%
Net fee and commission income	838	878	-5%	870	-4%
Net fair value result	282	278	1%	295	-4%
Other income	16	30		17	
<b>Total operating income</b>	<b>2,444</b>	<b>2,418</b>	<b>1%</b>	<b>2,490</b>	<b>-2%</b>
Total operating expenses excl. regulatory fees	-1,122	-1,131	-1%	-1,116	1%
Total operating expenses	-1,139	-1,131	1%	-1,388	-18%
<b>Profit before loan losses</b>	<b>1,305</b>	<b>1,287</b>	<b>1%</b>	<b>1,102</b>	<b>18%</b>
Net loan losses and similar net result	56	51		12	
<b>Operating profit</b>	<b>1,361</b>	<b>1,338</b>	<b>2%</b>	<b>1,114</b>	<b>22%</b>
Cost-to-income ratio excl. regulatory fees, %	45.9	46.8		44.8	
Cost-to-income ratio**, %	49.2	49.1		48.0	
Return on equity**, %	13.3	11.4		12.5	
Diluted earnings per share, EUR	0.28	0.25	12%	0.22	27%

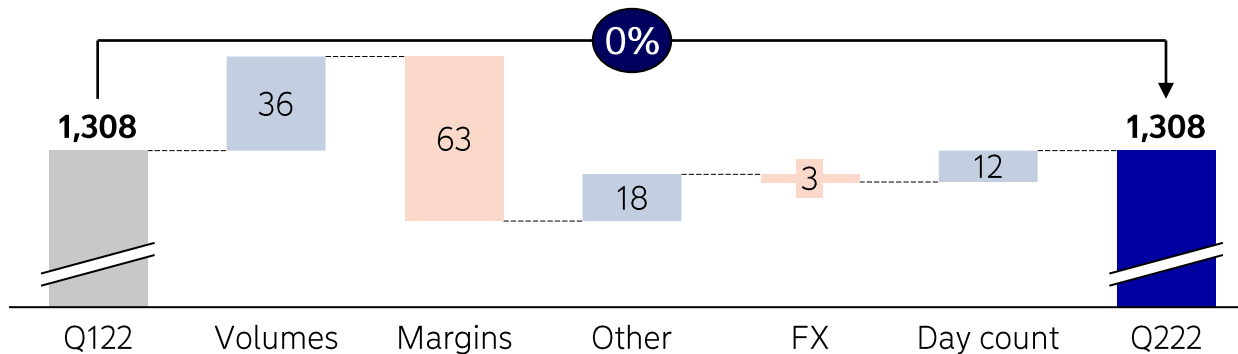
Net interest income

## Continued strong volume growth, lower lending margins

### Year-over-year bridge, EURm



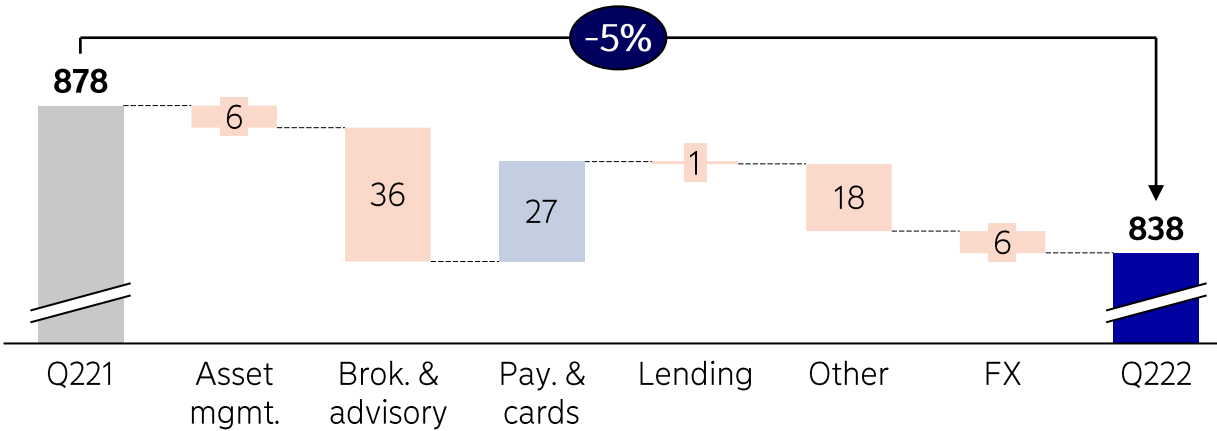
### Quarter-over-quarter bridge, EURm



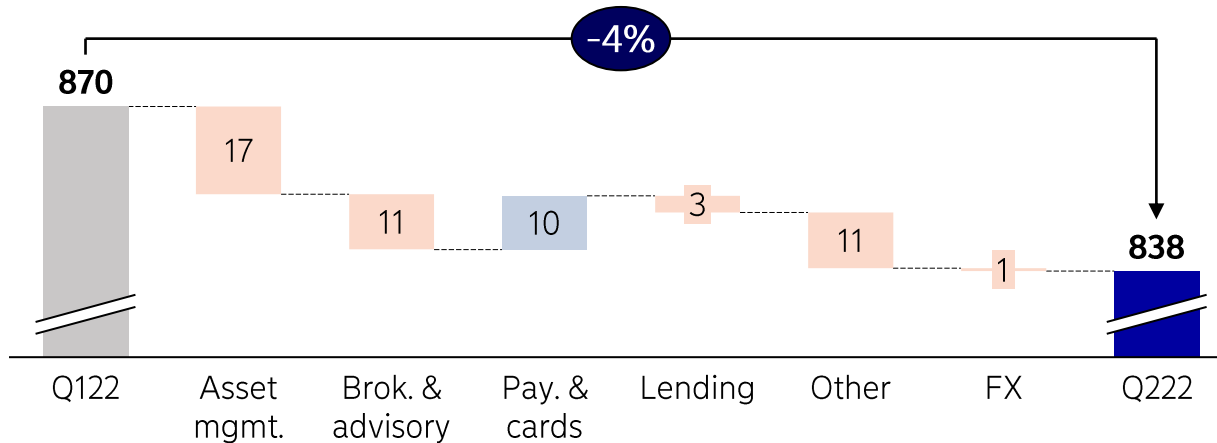
- **Net interest income up 6%**
- **Strong lending volume growth across business areas**
  - Strong performance in corporate sector with large corporate lending up 16%
- **Lending margins down across business areas and countries**
  - Margins pressured by increased funding costs
- **Deposit margins up, driven by higher policy rates in Norway and Sweden**

## Higher payment and card income partly offsetting lower asset management, brokerage and advisory income

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm

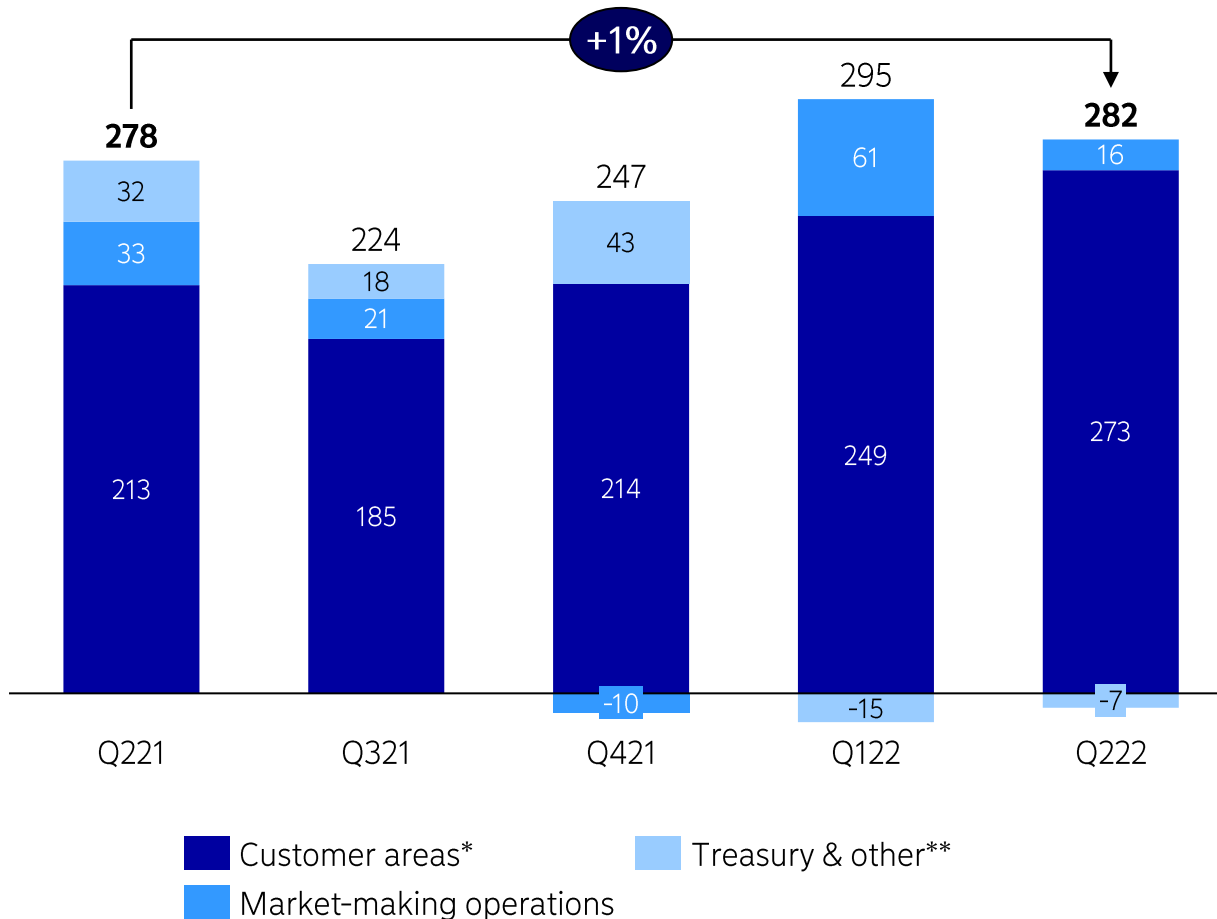


- **Net fee and commission income down 5%**
- **Savings fees down following lower assets under management**
  - Assets under management down 7% but net flow was positive
- **Brokerage and advisory fee income down from record levels of Q2 2021**
  - Customer activity negatively impacted by volatile market conditions
- **Payment and card fee income up due to higher customer activity**

Net fair value result

## High customer activity driving net fair value result

Net fair value result, EURm

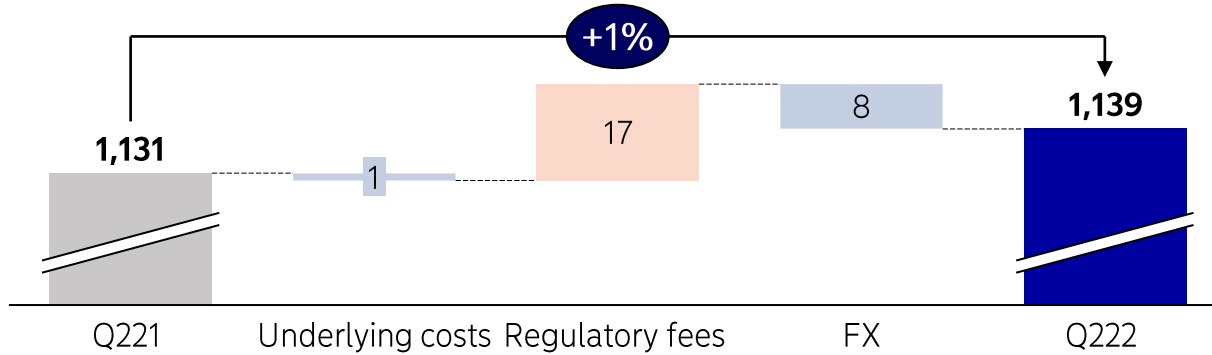


- **High customer activity**
  - Strong interest in FX and rates products
- **Gains related to restructuring of Offshore portfolio**
- **Market-making subdued – challenging market conditions for fixed income**

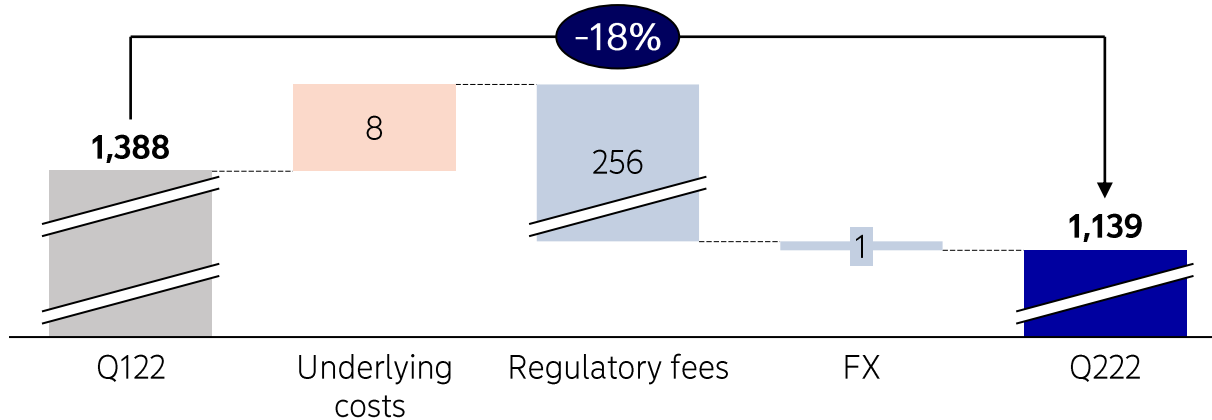
Costs

## Underlying costs stable

### Year-over-year bridge, EURm



### Quarter-over-quarter bridge, EURm



- **Costs up 1% from Swedish bank tax**

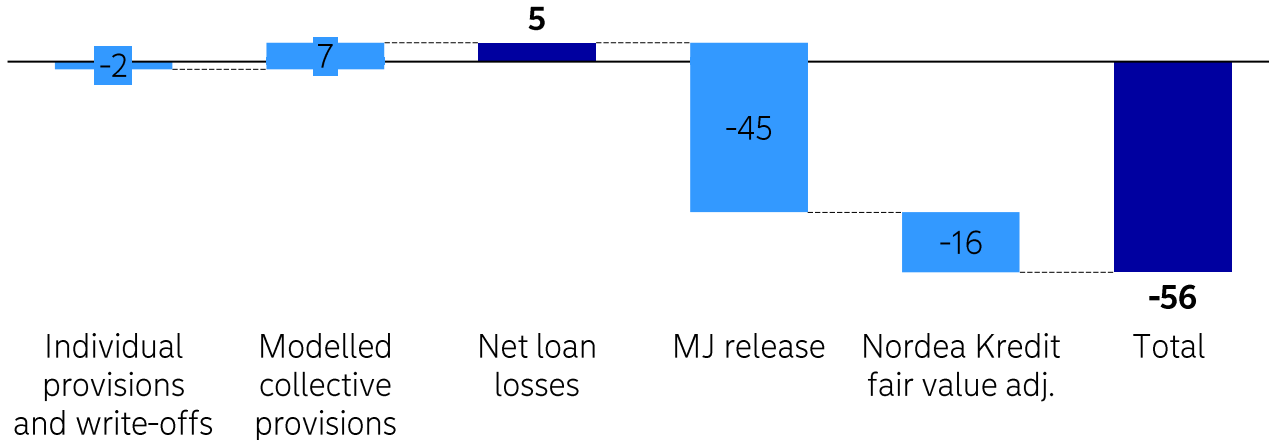
- Costs excluding regulatory fees down 1%



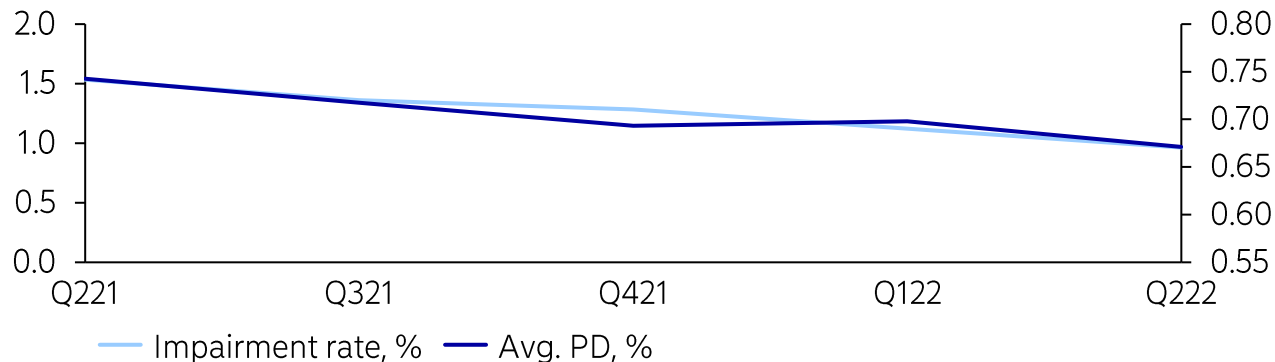
Net loan losses and similar net result

## Net reversals and lower non-performing loans

Net loan losses and similar net result Q2 2022, EURm



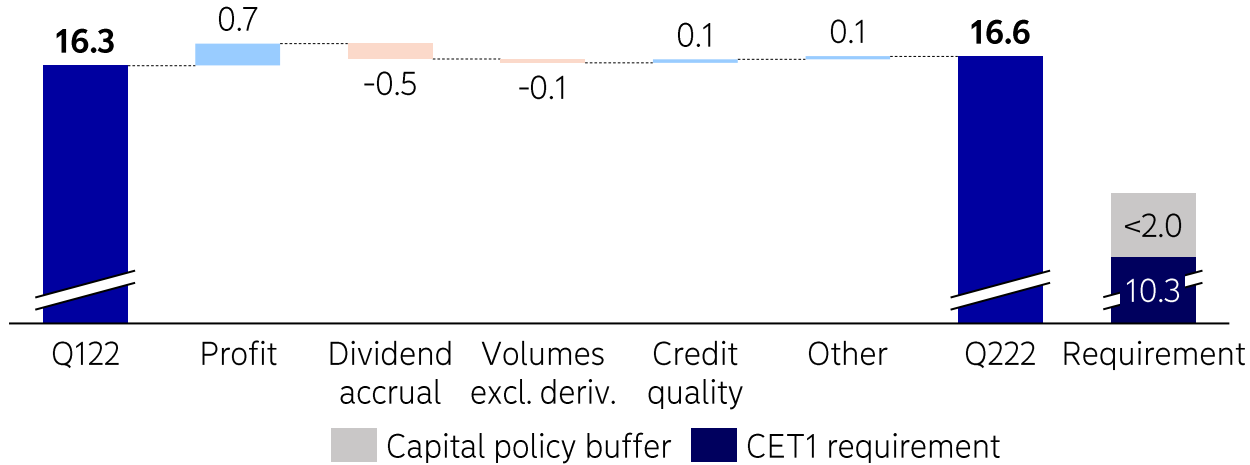
Stage 3 loans and PD of total loans, %



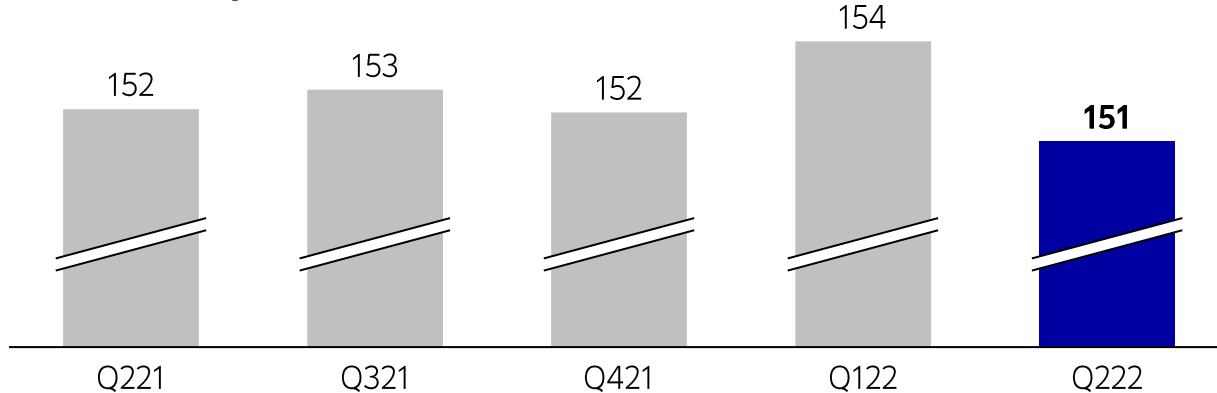
- **Net loan losses and similar net result amounting to reversals of EUR 56m (6bp)**
  - Very low new provisions
  - Continued reversals from Shipping and Oil, gas and offshore portfolio restructuring
  - Weaker macro-economic outlook incorporated in provisioning models
- **Management judgement buffer reduced by EUR 45m to EUR 565m**
  - Credit risk related to COVID-19 assessed as reduced
- **Continued strong credit quality and further decrease in non-performing loans**

## Strong position; new share buy-back launched

CET1 capital ratio development, %



REA development, EURbn



- **CET1 capital ratio increased to 16.6%**

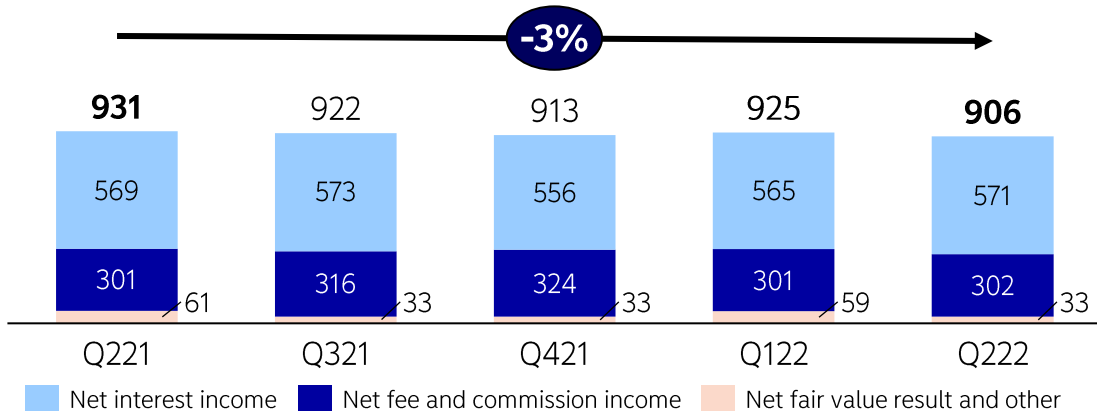
- 6.3 percentage points above regulatory requirement
- CET1 capital down EUR 0.1bn following FX effects, partly offset by profit generation net of dividend accrual
- Risk exposure amount EUR 151bn – positive credit migration

- **Good progress on share buy-backs**

- EUR 3bn returned to shareholders via buy-backs
- Third EUR 1.5bn programme approved by the ECB

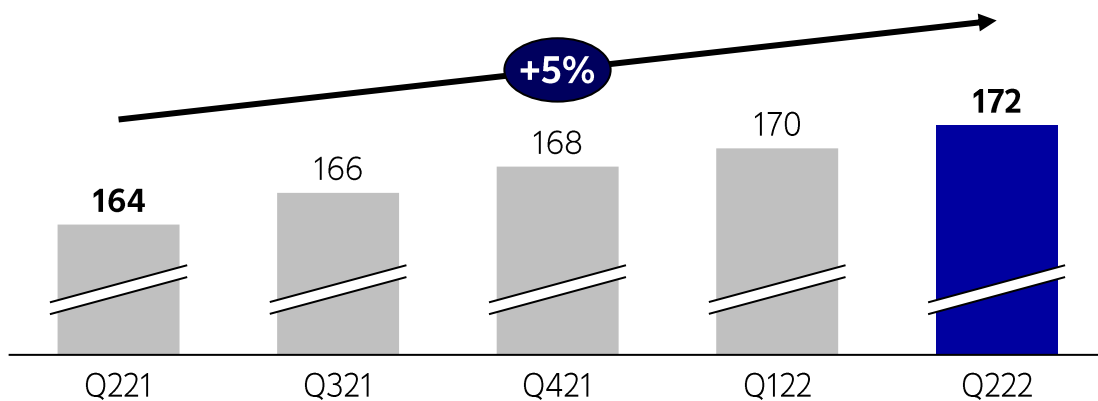
## Strong growth in mortgage lending volumes and increased funding costs

Total income, EURm

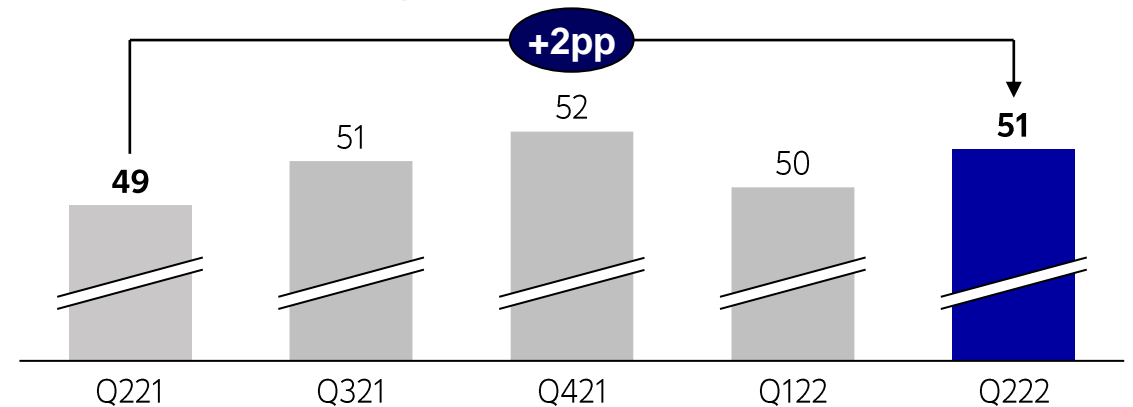


- Total income excluding one-offs up 1%
- Increased mortgage market shares across Nordics
- Strong volume growth and higher deposit margins partly offset by mortgage margin pressure
- Higher payment and card fee income partly offset by lower savings and investment income
- Cost-to-income ratio 51% – higher regulatory fees

Lending\*, EURbn

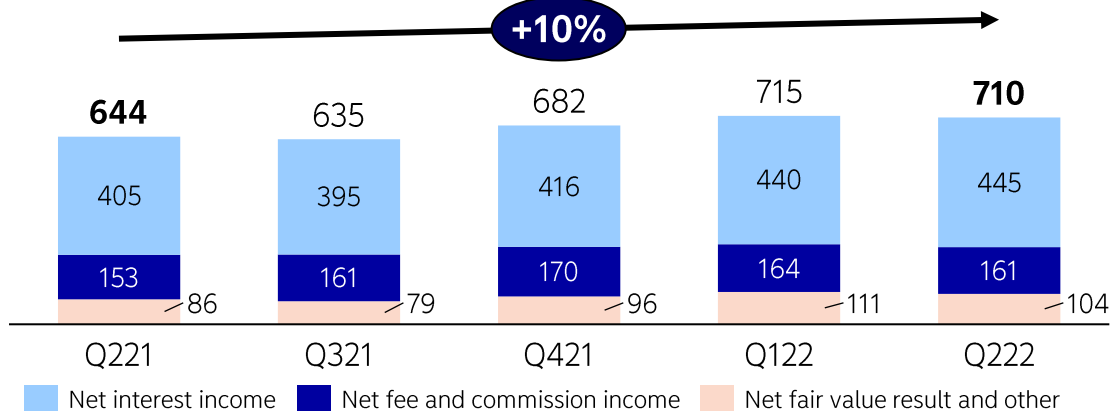


Cost-to-income ratio\*\*, %



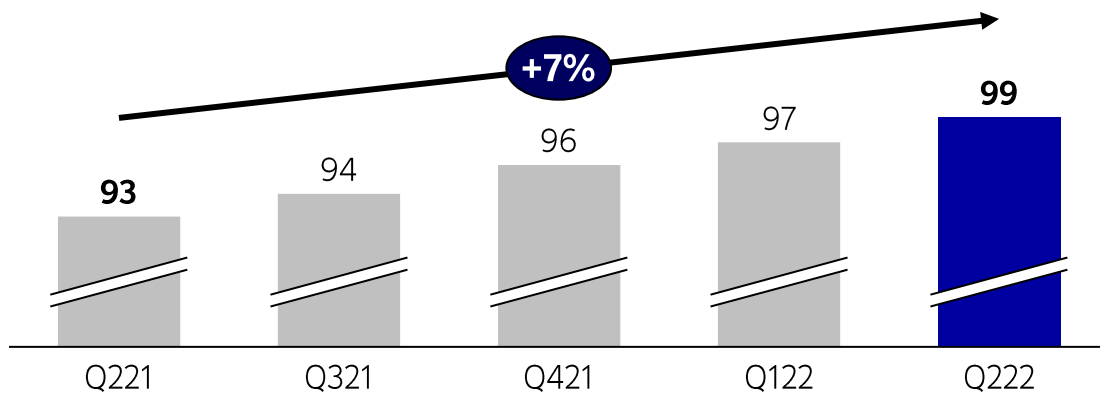
## Continued strong income growth driven by high customer activity

Total income, EURm

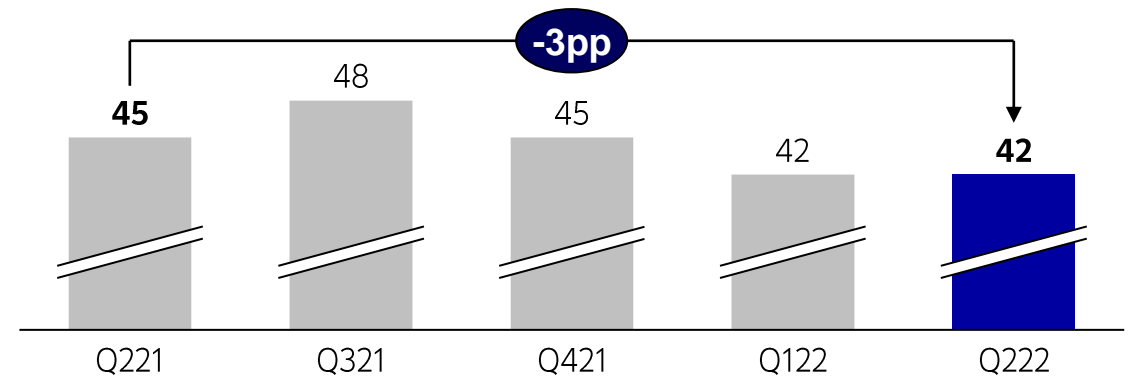


- Total income up 10%
- Lending volumes up 7%, driven by Sweden and Norway
- Strong growth in net fair value result, driven by high customer demand for FX and IR hedging products
- Continued strong credit quality
- Improvement in cost-to-income ratio, now 42%

Lending\*, EURbn

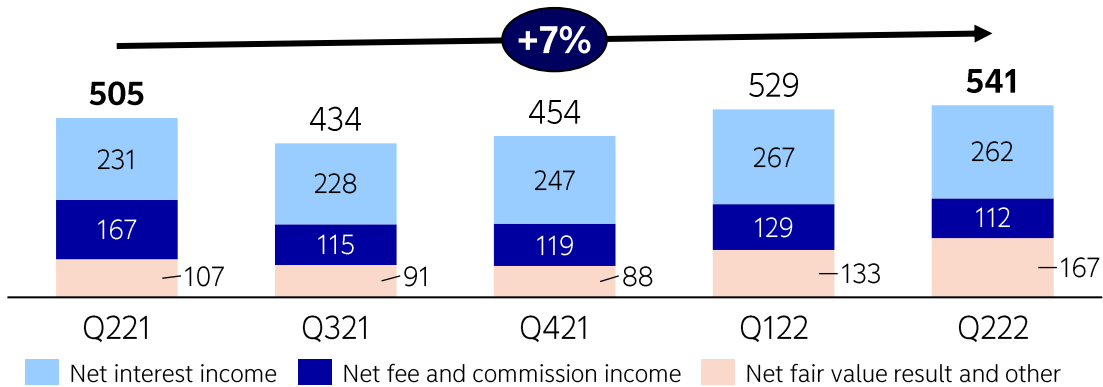


Cost-to-income ratio\*\*, %



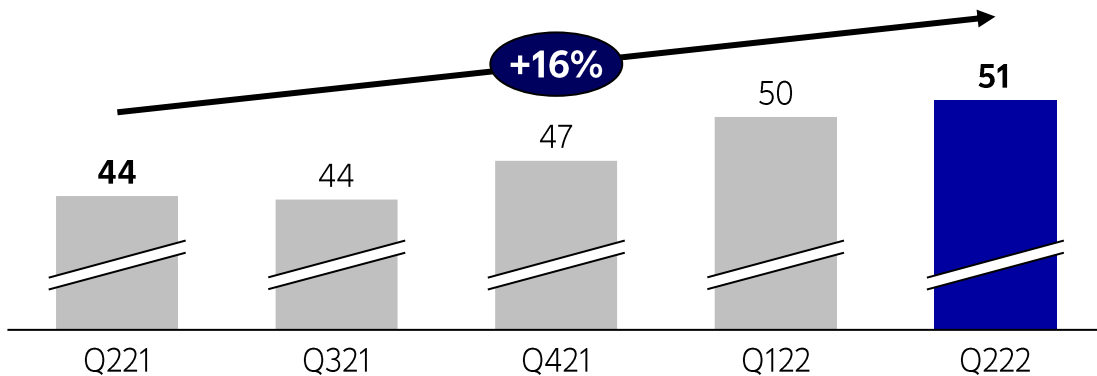
## Very strong lending growth and high customer activity in volatile markets

### Total income, EURm

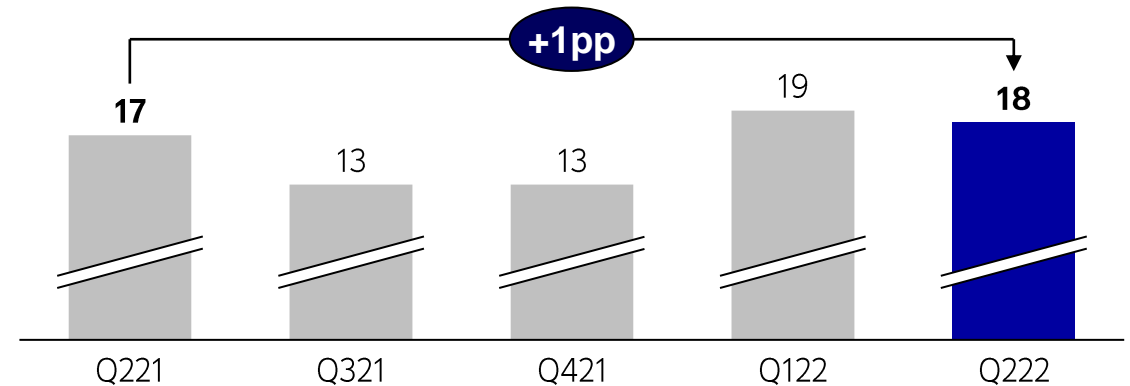


- Total income up 7%
  - Net interest income up 13% and lending volumes up 16%
  - Commission income lower following weaker capital markets
  - High customer activity and gains related to restructurings driving significant net fair value increase
- Net loan loss reversals of EUR 14m
- Return on capital at risk 18% and cost-to-income ratio 38%

### Lending\*, EURbn

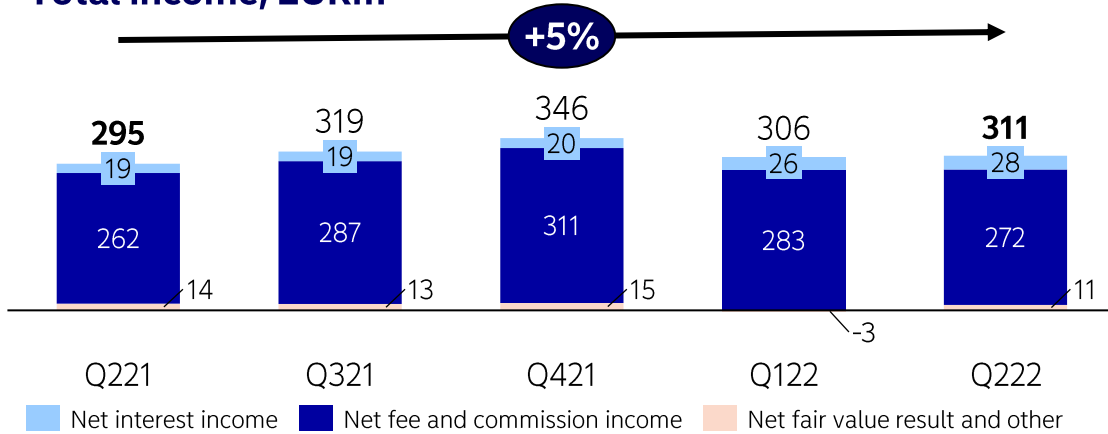


### Return on capital at risk\*\*, %



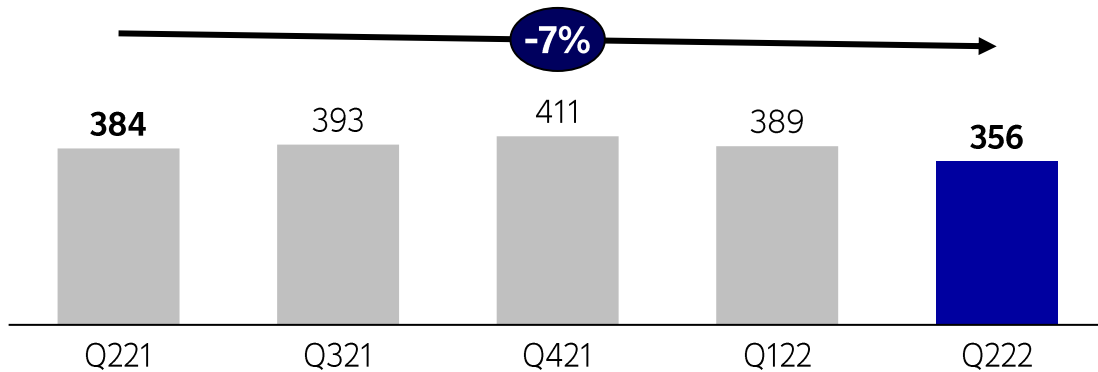
# Total income up despite market turbulence and lower assets under management

Total income, EURm

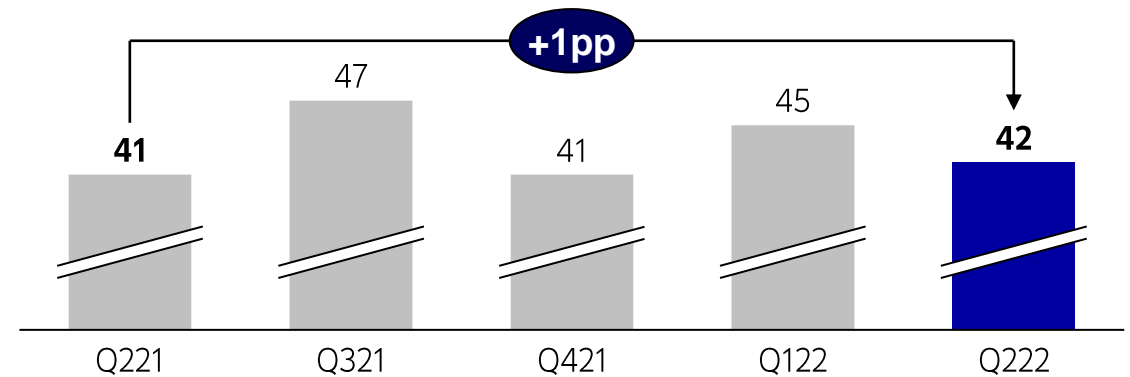


- Total income up 5%, driven by better asset management margins and higher net interest income
- Assets under management down 7% to EUR 356bn
  - Net inflow of EUR 1.3bn (annualised 1%) during quarter
- Record-high net flows in Private Banking across Nordics despite market turbulence
- Cost-to-income ratio 42%

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

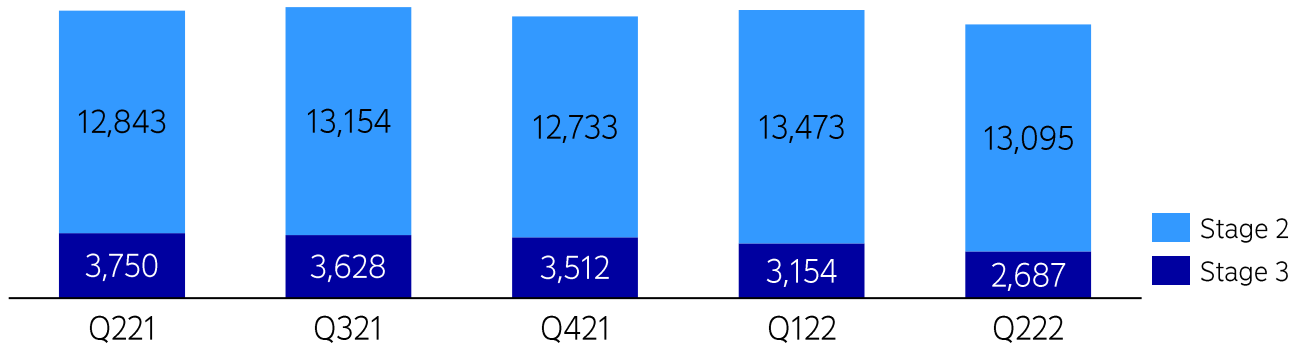




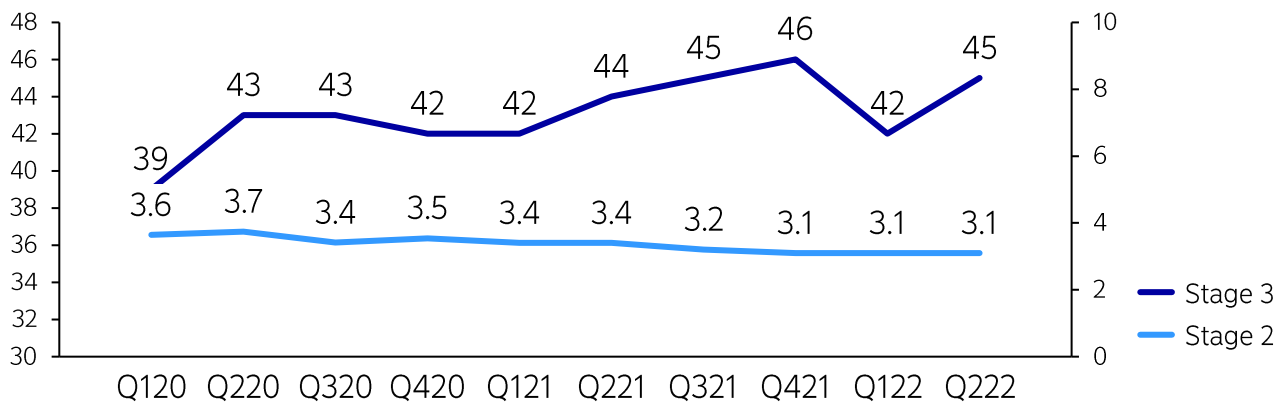
Impairments and provisioning coverage

## Continued strong credit quality

### Stage 2 and 3 loans at amortised cost, EURm



### Coverage ratio, %

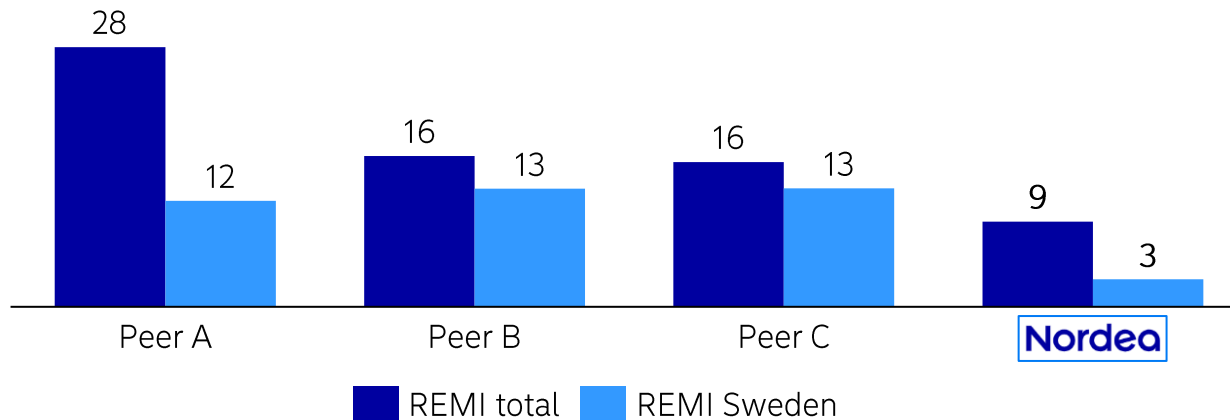


- Stage 3 impaired loans further reduced, to 0.96% from 1.12% in Q1
- Stage 2 loans down 3% q/q
- Coverage ratio for remaining Stage 3 portfolio improved from 42% to 45%
- Weaker macro-economic outlook offset by continued improvement in portfolio credit quality

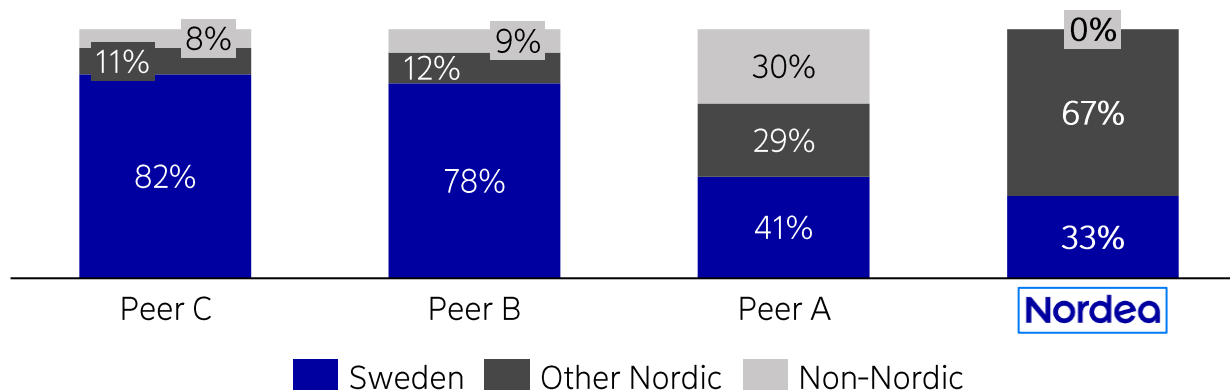
Real estate management industry (REMI)

## Low relative exposure and well-diversified REMI portfolio

REMI as % of total lending, Q1 2022 reports\*



REMI geographic diversification

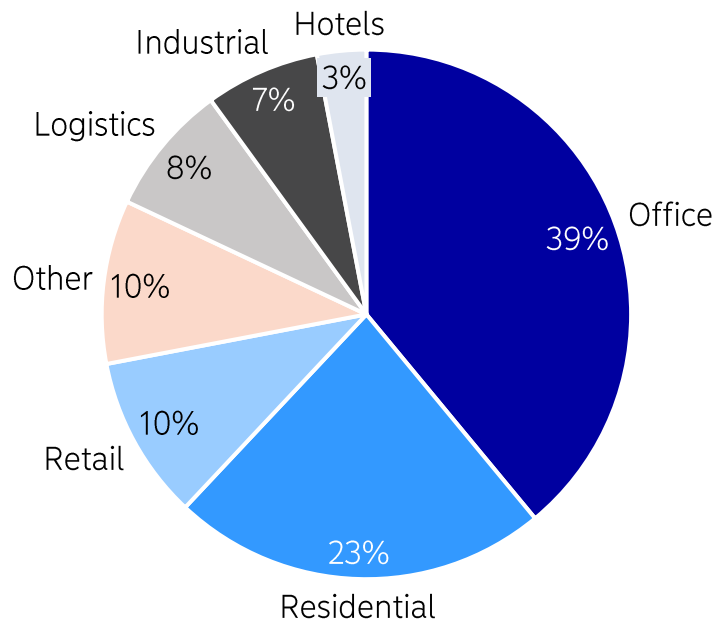


- **Nordea has low share of total lending towards REMI compared with peers**
- **Nordea REMI portfolio (EUR 30bn\*) is well diversified with low exposure to Swedish REMI lending compared with peers**
  - Nordea exposure 3% vs. Swedish peer average of 13%
- **High-quality portfolio**
  - Our stress tests suggest very limited provisions even from potential large price decreases
  - Strict underwriting standards with focus on cash flows, diversified businesses in favourable locations and interest rate risk hedging requirements

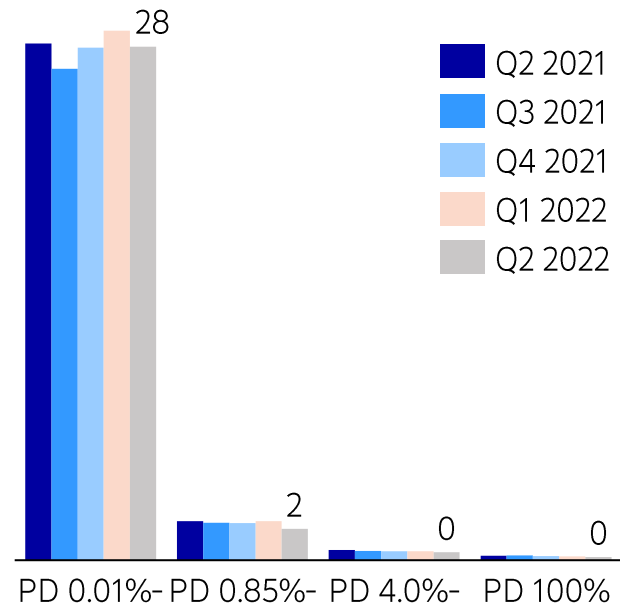
Real estate management industry (REMI)

## Well diversified with high quality

Distribution of REMI property types, EUR 30bn\*



Distribution of REMI by probability of default (PD), EURbn\*

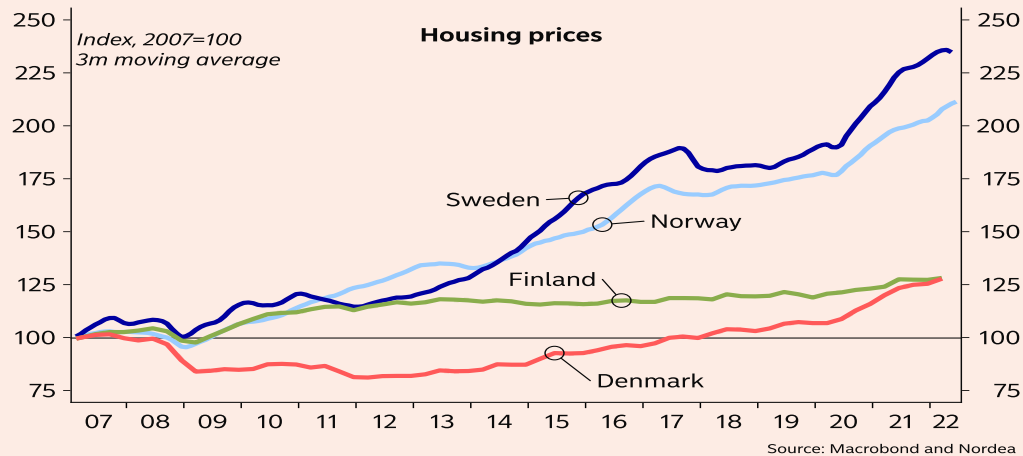


- Diversified portfolio
- Nearly two-thirds of portfolio consists of resilient office and residential properties
- Growing demand for properties supporting e-commerce and last-mile logistics
- 92% of exposure towards low-risk customers in Q2

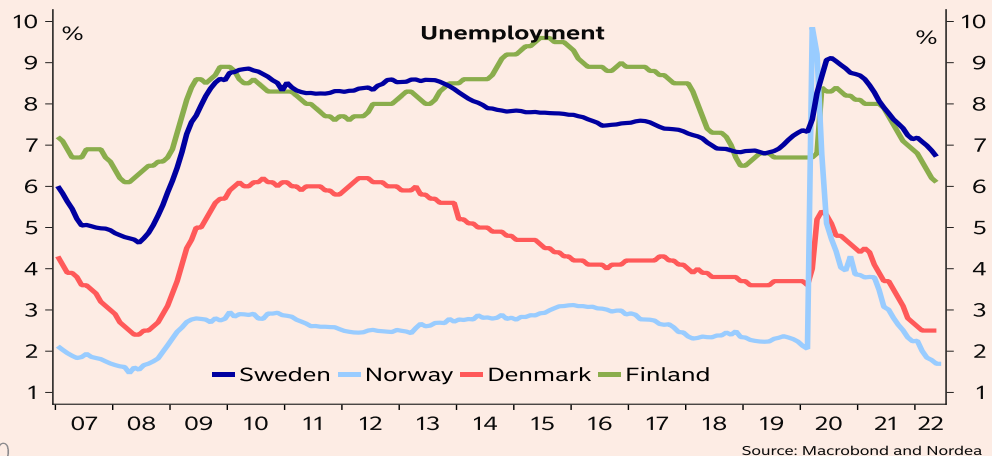
Nordic economies

# Nordic economies are cooling down

## Housing prices



## Unemployment rate



## Nordic outlook dampened by higher inflation and interest rates

- Danish GDP down 0.5% q/q in Q1. Unemployment sideways at 2.5% in May. House prices up 6.5% and apartment prices up 4.7% y/y in Q1.
- Finnish GDP up 0.5% q/q in Q1. Unemployment down to 6.1% in May and housing prices up 1.4% y/y in May.
- Norwegian mainland GDP down 0.6% q/q in Q1. Unemployment sideways at 1.6% in June and housing prices up 6.4% y/y in June.
- Swedish GDP down 0.8% q/q in Q1. Unemployment down to 6.7% in May and housing prices up 2.9% y/y in May.

## GDP, % y/y (Economic Outlook May 2022)

Country	2021	2022E	2023E
Denmark	4.7	3.5	1.0
Finland	3.5	2.0	1.5
Norway	4.2	3.5	2.0
Sweden	4.7	3.0	1.0