Nordea

Half-year results 2024

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.

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Second-quarter highlights 2024

Executive summary

Continued high-quality income growth

- Net interest income up 4%, net fee and commission income up 6% and net fair value result down 15%. Total income up 3%
- Operating profit remained strong, 2% lower compared to Q2 2023

Return on equity* 17.9% and earnings per share EUR 0.37

Mortgage lending volumes stable, deposit volumes and assets under management up

- Mortgage lending stable and corporate lending down slightly. Retail deposits up 1% and corporate deposits up 5% y/y. AuM up 10% y/y

Stable cost-to-income ratio with amortised resolution fees: 42.6%

Solid credit quality – net loan losses increase mainly driven by provisions on few single corporate exposures

- Net loan losses and similar net result EUR 68m or 8bp
- Management judgement buffer at EUR 464m – EUR 30m released, reflecting lower provisioning needs

Continued strong capital position

- CET1 ratio 17.5% – 4.4pp above current regulatory requirement. ECB approval for new capital models for retail exposures

2024 outlook unchanged: return on equity above 15%

* With amortised resolution fees

Key financials

Second-quarter results 2024

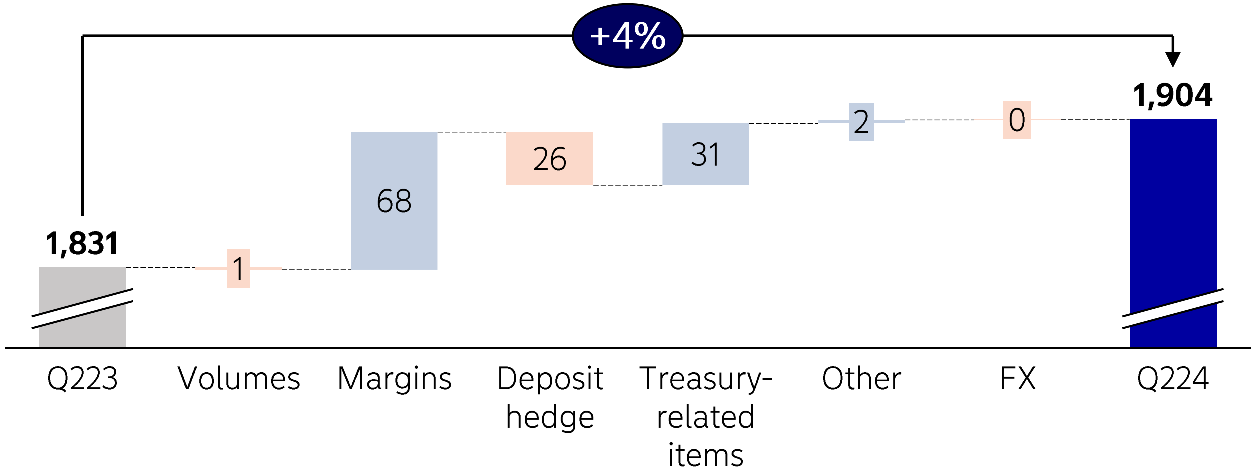
Income statement and key ratios EURm	Q224	Q223	Q2/Q2	Q124	Q2/Q1
Net interest income	1,904	1,831	4%	1,954	-3%
Net fee and commission income	795	751	6%	763	4%
Net insurance result	63	68	-7%	61	3%
Net fair value result	247	290	-15%	291	-15%
Other income	21	15	40%	16	31%
Total operating income	**3,030**	**2,955**	**3%**	**3,085**	**-2%**
Total operating expenses excluding regulatory fees	-1,260	-1,184	6%	-1,226	3%
Total operating expenses	-1,278	-1,205	6%	-1,289	-1%
Profit before loan losses	**1,752**	**1,750**	**0%**	**1,796**	**-2%**
Net loan losses and similar net result	-68	-32		-33	
Operating profit	**1,684**	**1,718**	**-2%**	**1,763**	**-4%**
Cost-to-income ratio excl. regulatory fees, %	41.6	40.1		39.7	
Cost-to-income ratio*, %	42.6	42.8		40.7	
Return on equity*, %	17.9	18.4		18.1	
Diluted earnings per share, EUR	0.37	0.37	0%	0.38	-3%

* With amortised resolution fees

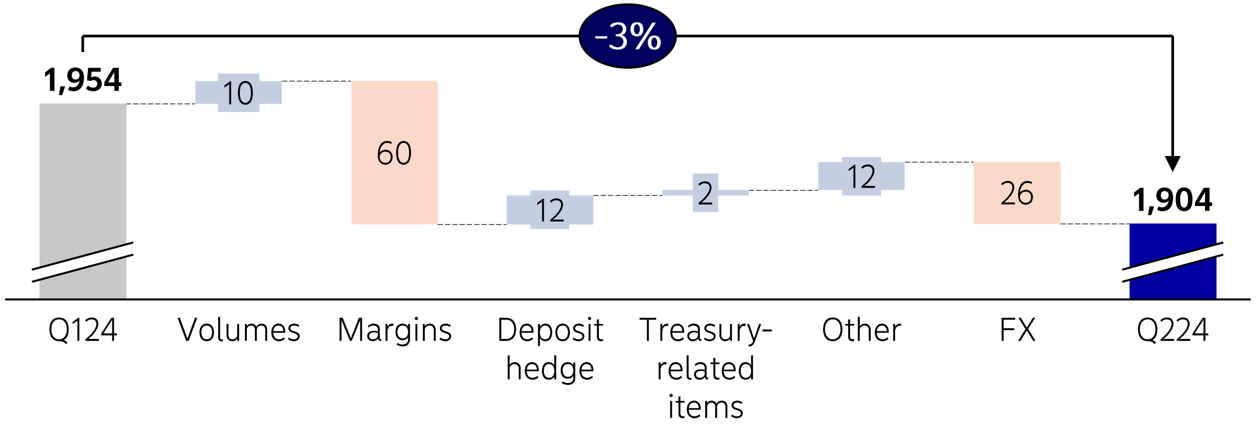
Net interest income

Stable volumes, improved margins

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Net interest income up 4%**
- **Mortgage lending stable and deposits up**
  - Mortgage volumes stable
  - Corporate lending down 1%
  - Retail deposits up 1%
  - Corporate deposits up 5%
- **Net interest margin 1.83%, up 14bp**
  - Improved lending and deposit margins

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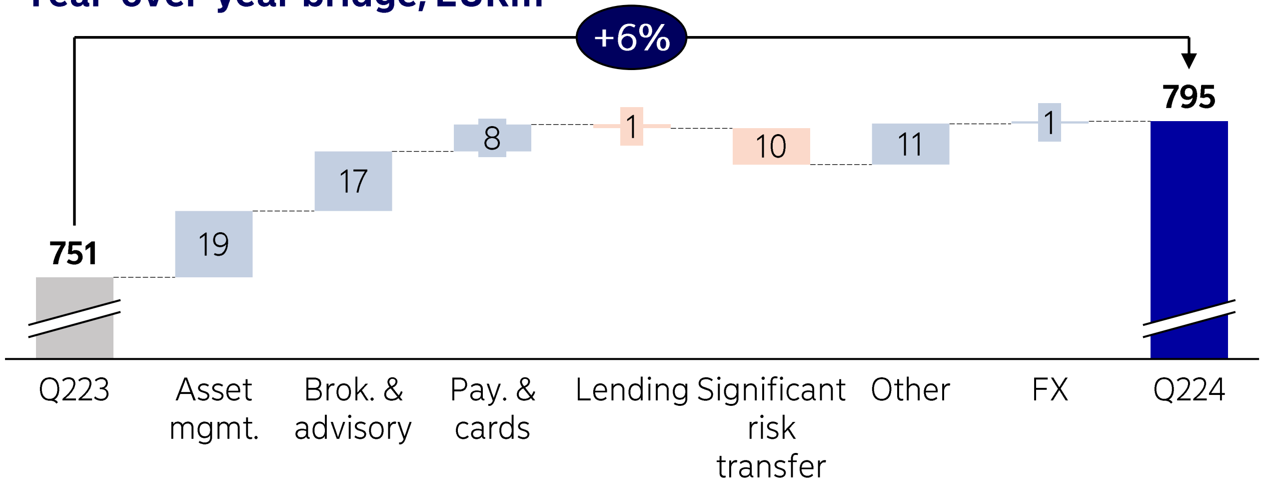
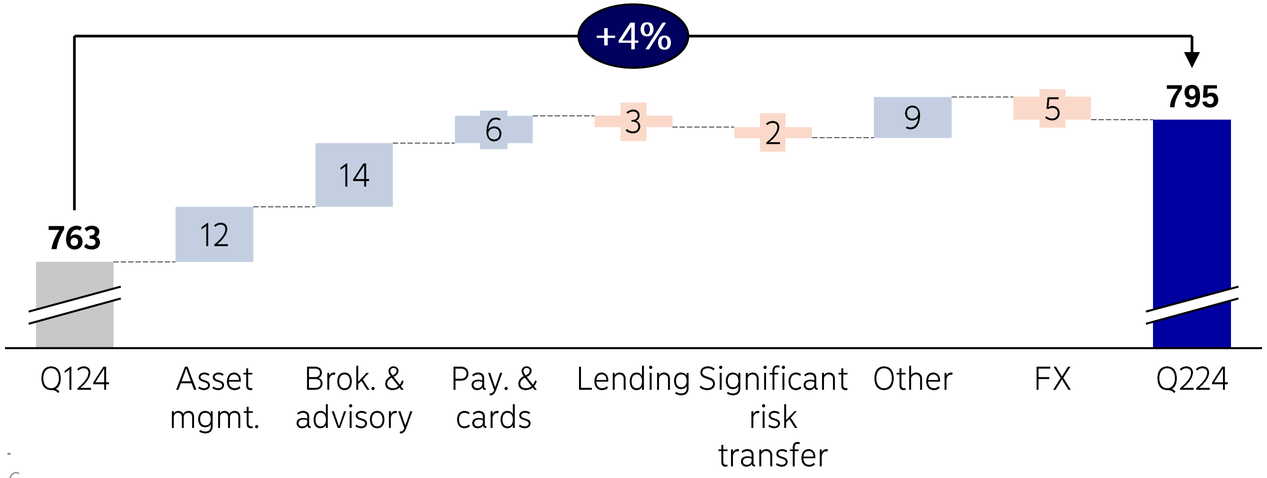
Net fee and commission income

Return to growth driven by higher savings and capital markets activity

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Net fee and commission income up 6%**
- **Savings fee income up due to higher assets under management**
  - AuM up 10% to EUR 400bn
  - Net flows from Nordic channels (86% of AuM) EUR 1.9bn
  - International channels (14% of AuM) net outflows EUR 1.4bn
- **Brokerage and advisory fee income up in stronger market**
- **Payment and card fee income up due to higher activity**

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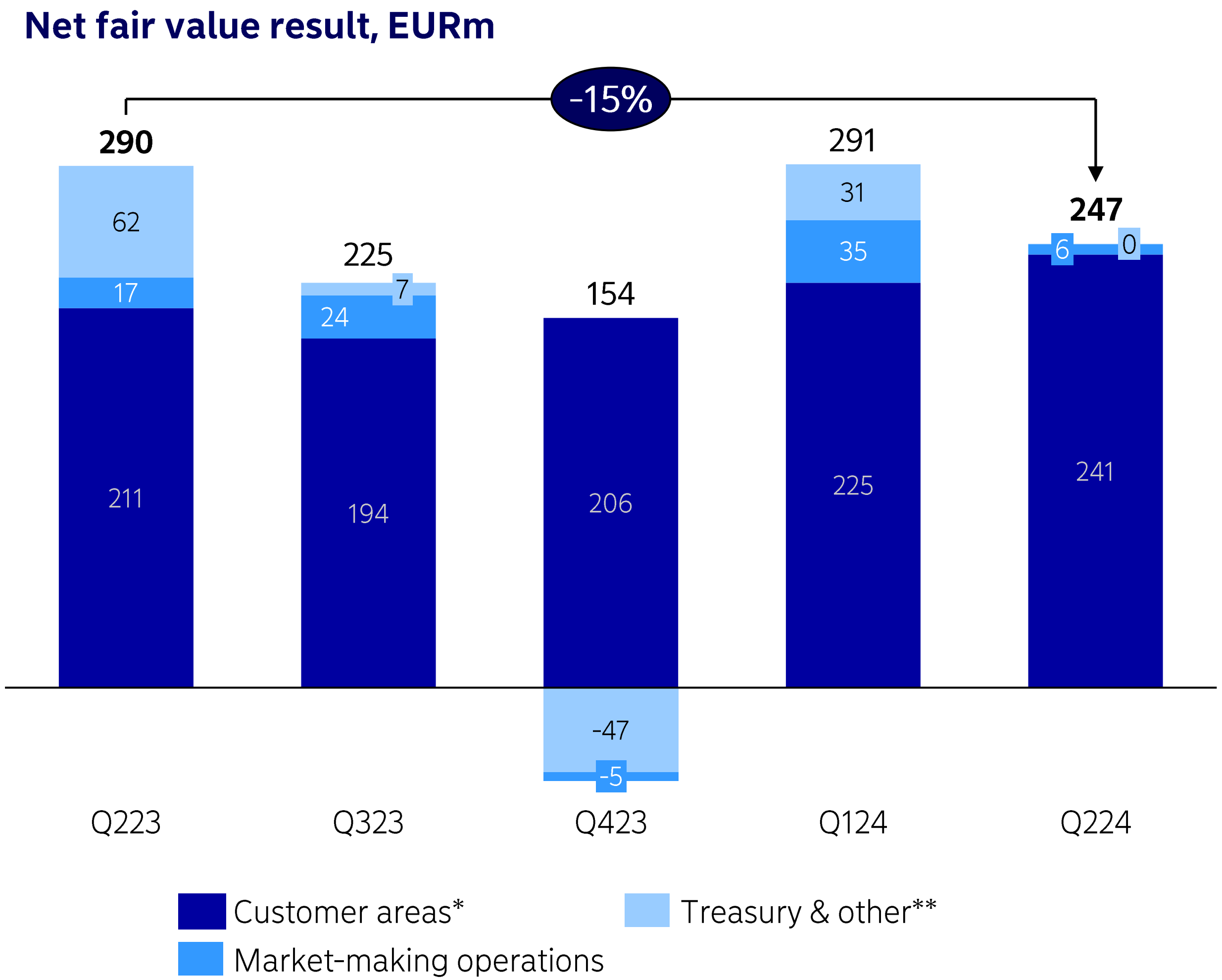
Net fair value result

Higher business activity in customer areas



- **Higher business activity in customer areas mainly in FX and rates products**
- **Market-making slightly down from Q223 that saw high activity in rates products**
- **Treasury down from high Q223 as low volatility resulted in stable valuations of hedges and holdings**

* Excluding fair value adjustments to loans held at fair value in Nordea Kredit
** Including valuation adjustments and FX

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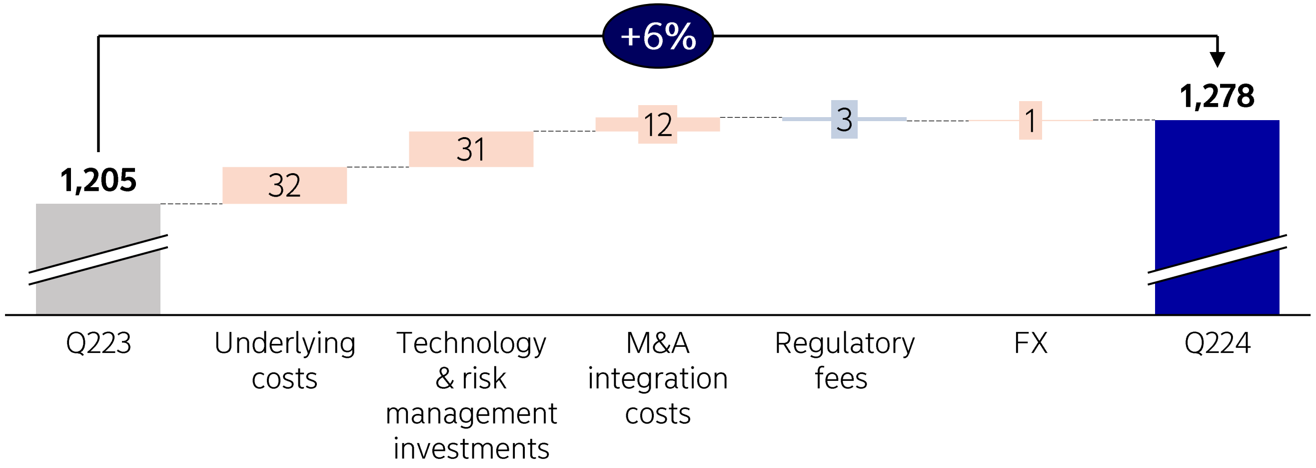
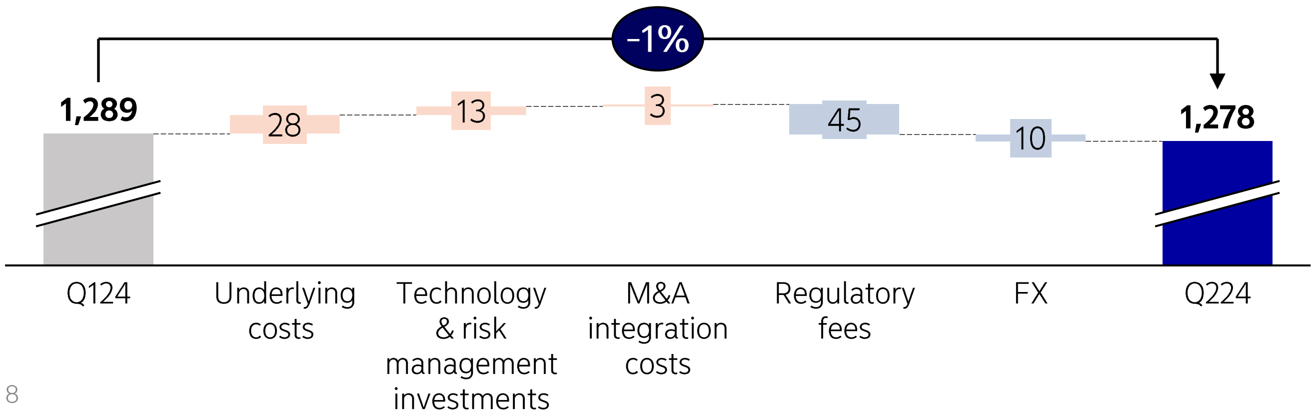
Costs

Costs in line with plan

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Costs up 6% from investments and inflation, in line with plan**
  - Underlying costs up, driven by salary inflation and higher business activity
  - Further investments in technology infrastructure, data and AI, digital offering, financial crime prevention and other risk management capabilities
  - M&A integration costs related to acquisition of Danske Bank's personal customer and private banking business in Norway

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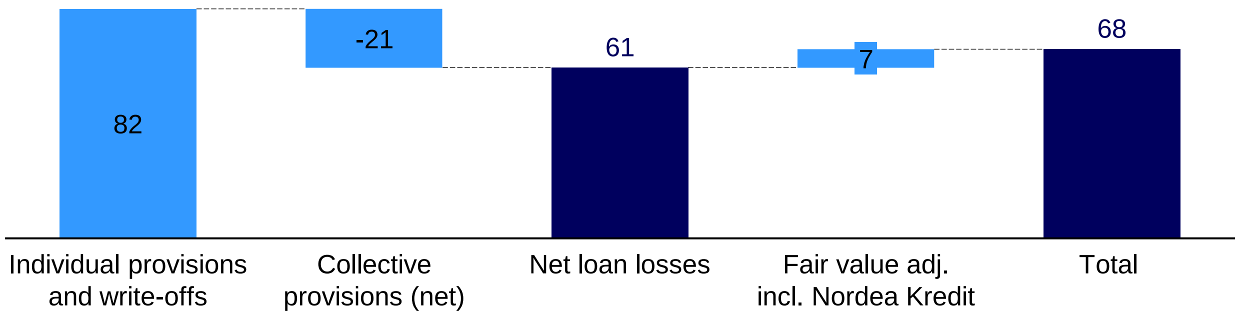
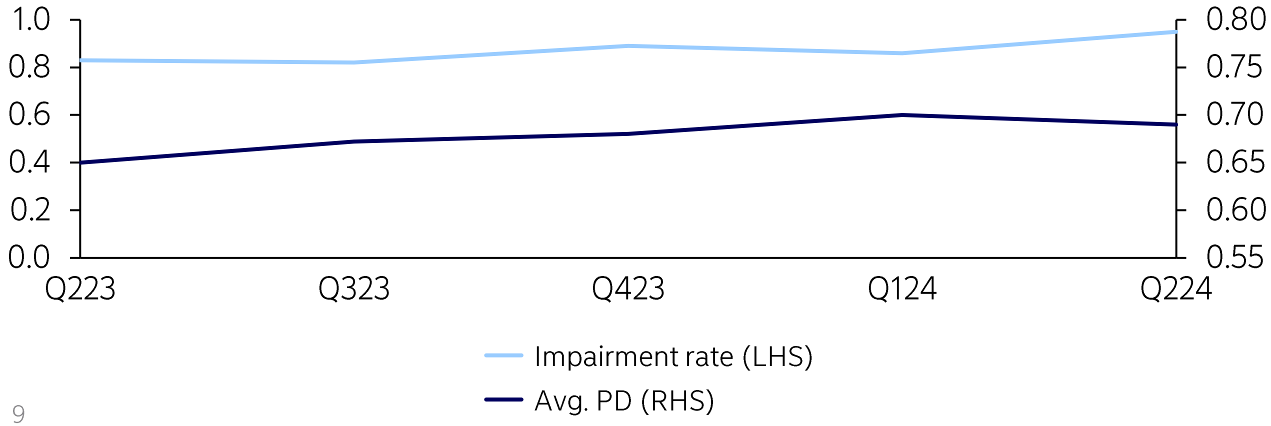
Net loan losses and similar net result

Continued solid credit quality

Net loan losses and similar net result, EURm



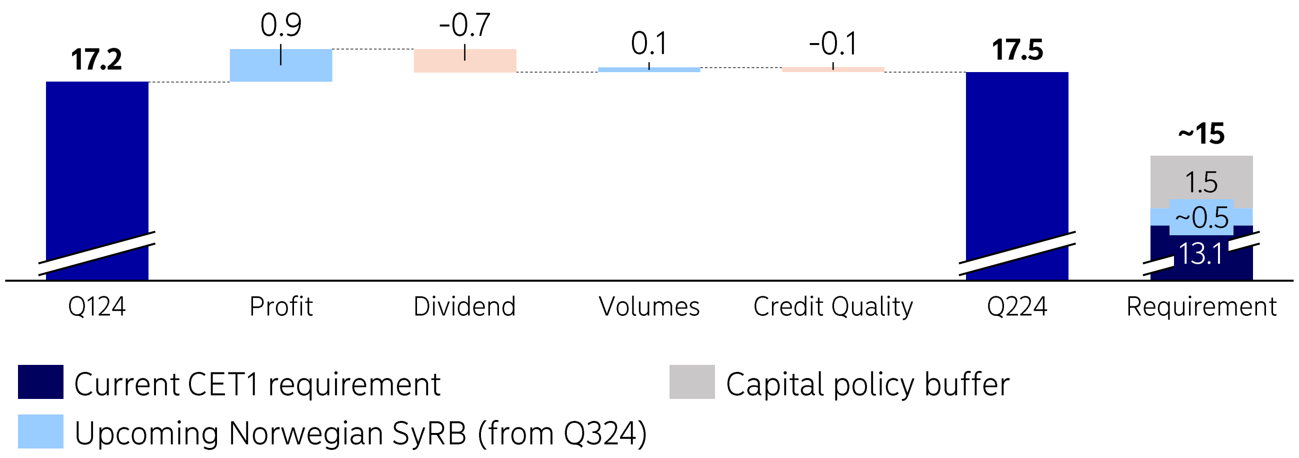
Impaired (Stage 3) loans and PD of total loans, %



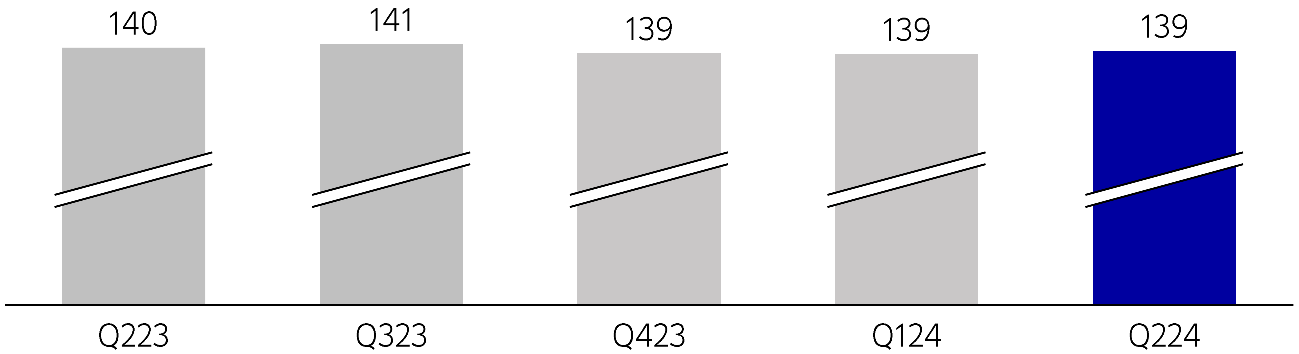
- **Total net loan losses and similar net result at EUR 68m (8bp)**
  - Continued solid credit quality
  - New individual provisions up from Q1, driven by few single corporate exposures
  - Collective provisions include EUR 30m management judgement release due to improved macroeconomic outlook and lower interest rates
- **Overall provisions held at EUR 1.8bn and coverage unchanged**
  - Management judgement buffer now at EUR 464m, after EUR 30m release reflecting lower provisioning needs
- **Continued low level of defaulted loans**
  - Stage 3 loans at 0.95% (0.86% in Q1)
  - Average PD decreased 1bp to 0.69%

Continued strong capital generation

CET1 capital ratio development, %



REA development, EURbn



- **CET1 capital ratio increased to 17.5%**
  - 4.4 percentage points above regulatory requirement
  - CET1 capital increased EUR 0.5bn due to profit accumulation net of dividend accrual and FX effects
  - Risk exposure amount increased by EUR 0.8bn mainly due to FX effects and credit migration, partially offset by lower corporate volumes
- **Capital well above requirement**
  - Management buffer of 150bp above CET1 requirement
  - Implied target CET1 ratio of ~15%
- **Retail models approved and Basel IV impact revised**
  - REA increase as of Q125 broadly in line with estimate
  - Dialogue initiated with ECB on resuming share buy-backs from early 2025

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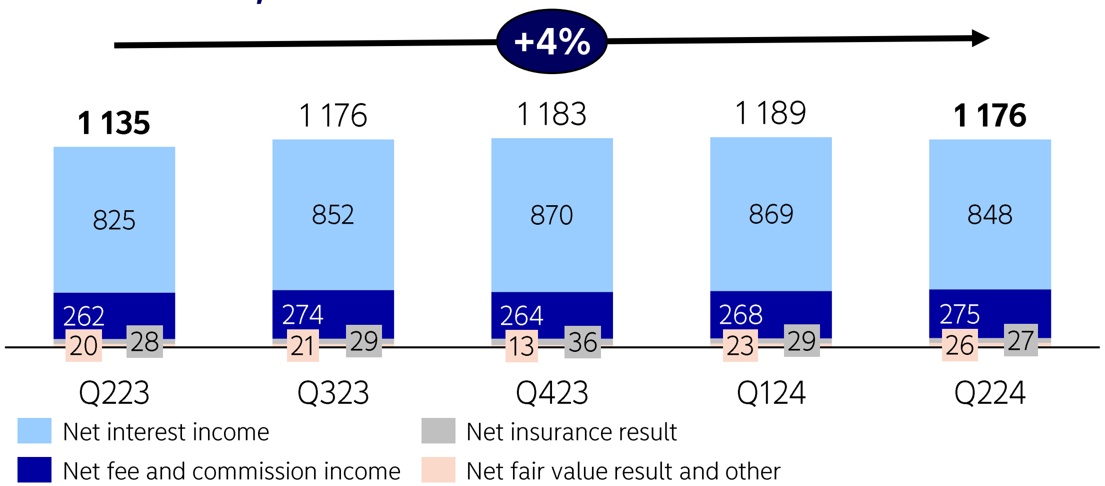
Personal Banking

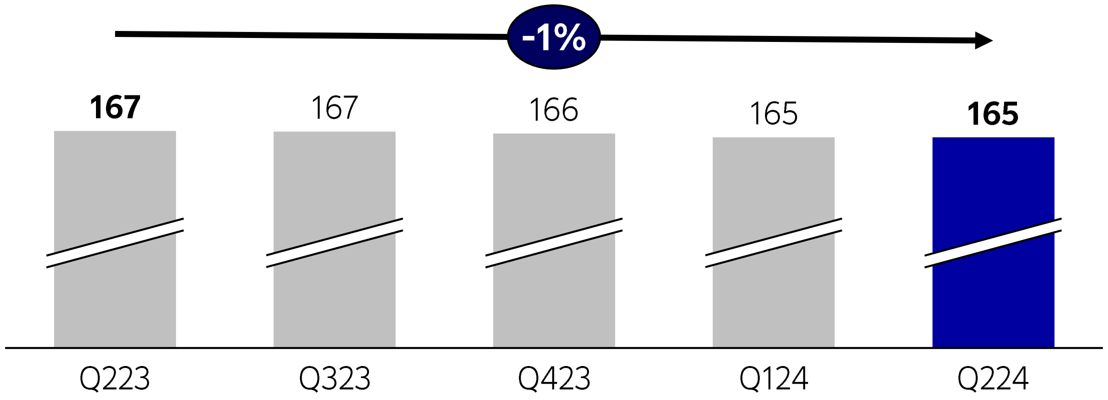
Solid income growth driven by deposit and savings products

Total income, EURm

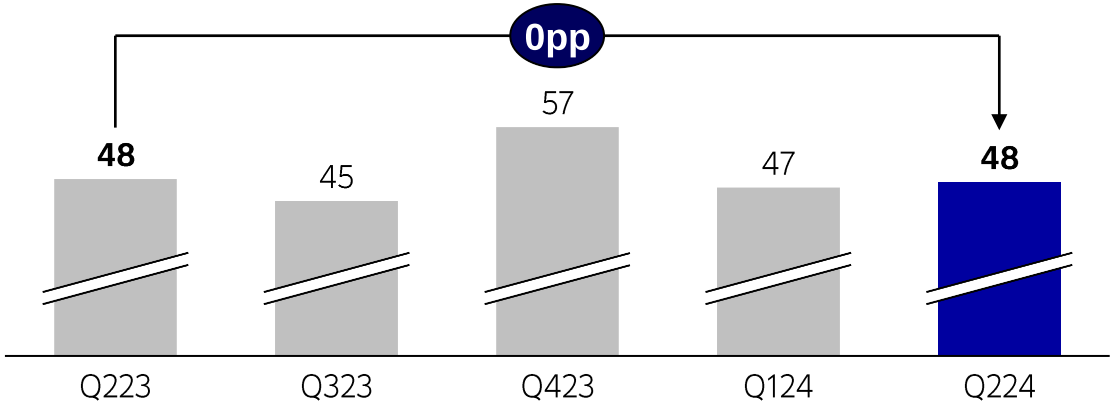


- Total income up 4%
- Net interest income up 3%, driven by deposit margins
- Deposit volumes up 2%
- Mortgage volumes stable
- Net fee and commission income up 5%, driven by savings
- Cost-to-income ratio stable at 48%

Lending*, EURbn



Cost-to-income ratio**, %



* Excluding FX effects
** With amortised resolution fees

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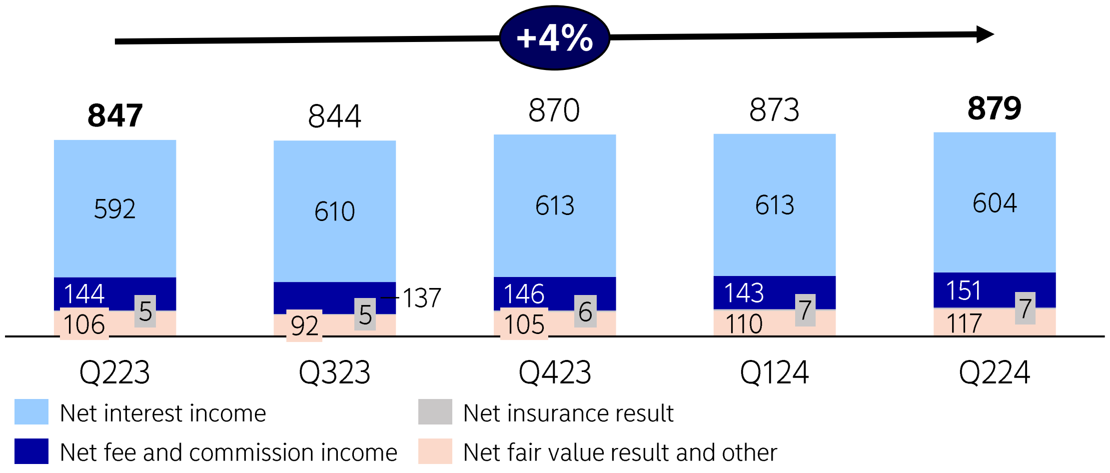
Business Banking

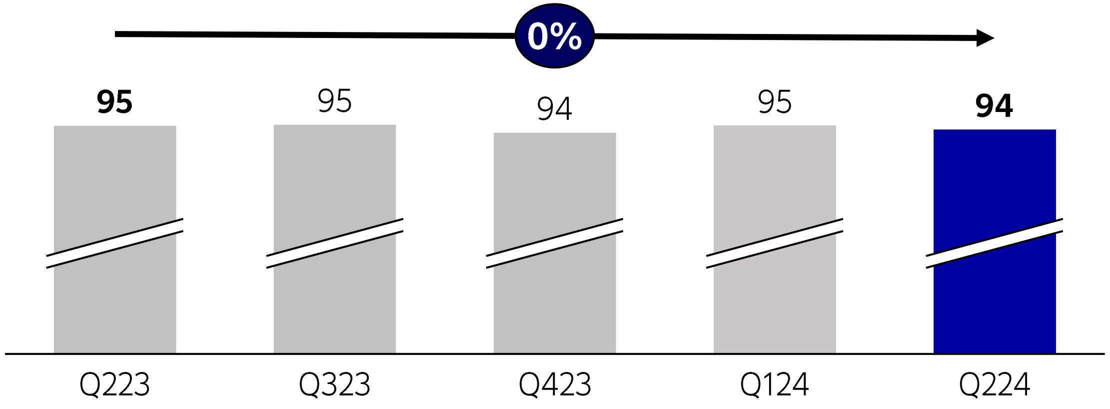
Solid income growth in slower markets

Total income, EURm

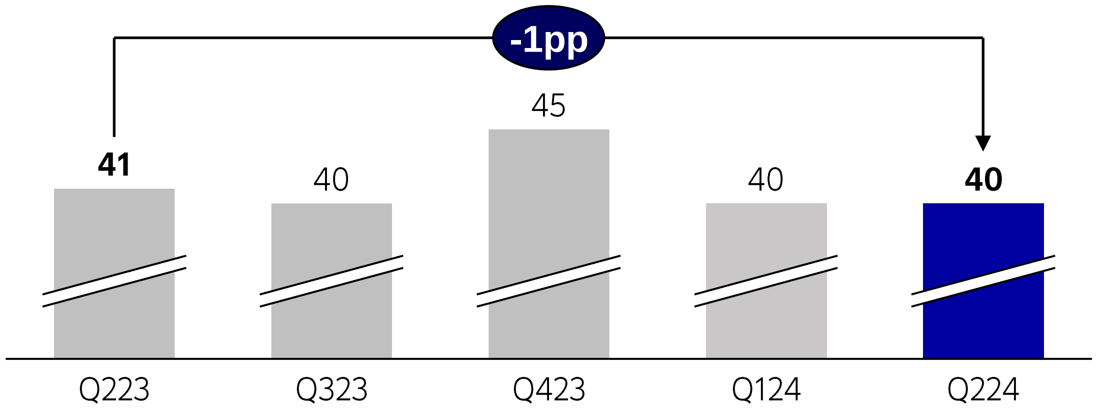


- Total income up 4%
- Net interest income up 2%, supported by improved deposit margins and deposit volume growth, up 1%
- Lending volumes stable following subdued corporate market
- Net fee and commission income up 5%, mainly driven by higher activity in debt and equity capital markets
- Improved cost-to-income ratio: 40%

Lending*, EURbn



Cost-to-income ratio**, %



* Excluding FX effects
** With amortised resolution fees

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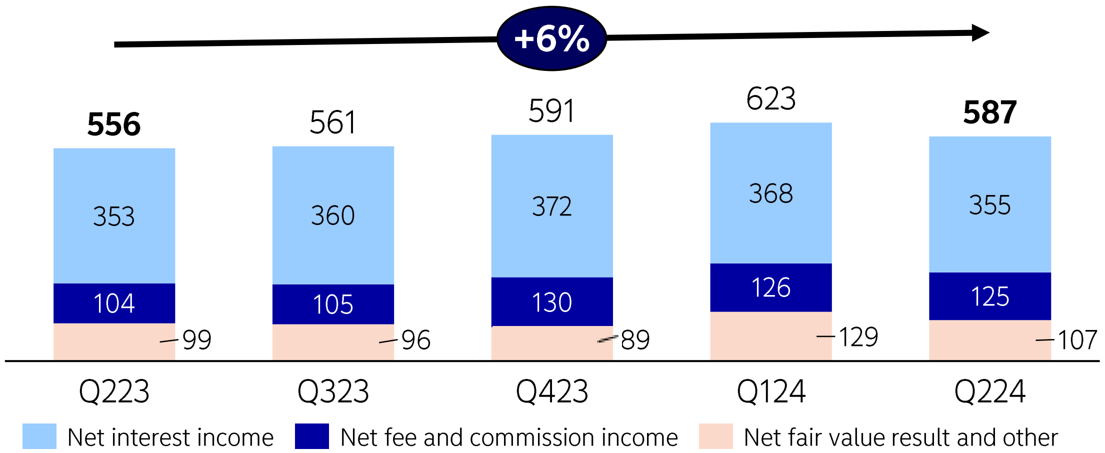
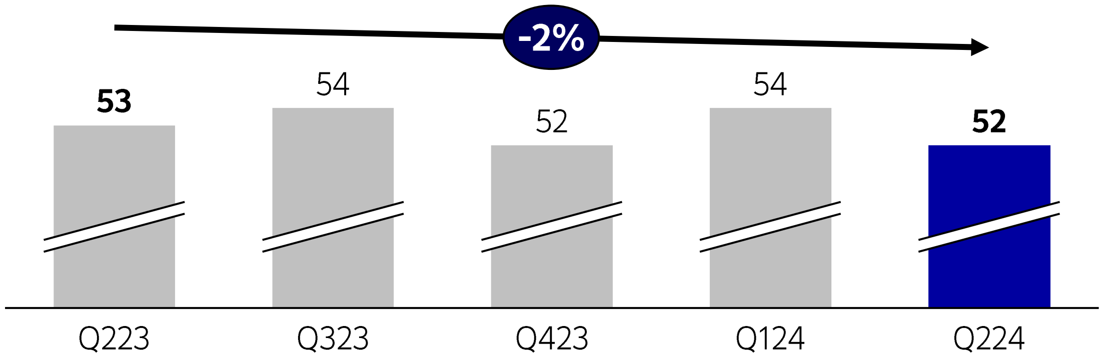
Strong net fee and commission income and solid customer activity

Total income, EURm

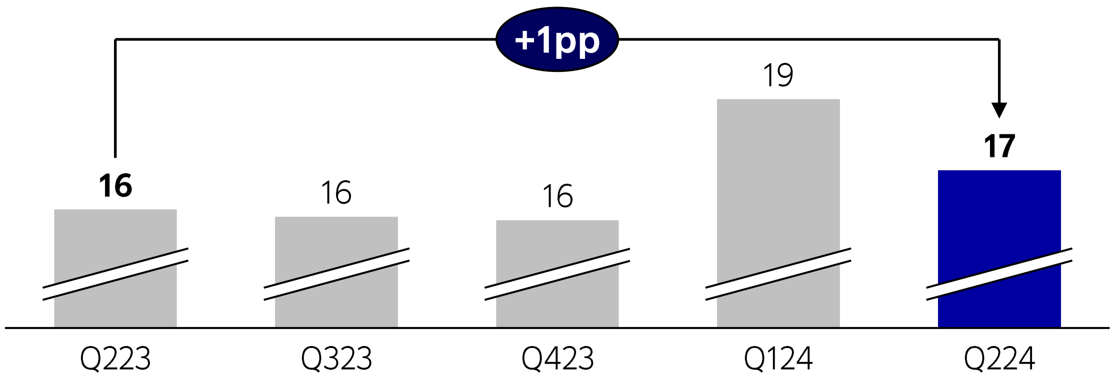


- Total income up 6%
- Net interest income up 1%, driven by positive margin development
- Deposit volumes up 12%
- Net fee and commission income up 20%, mainly driven by debt capital markets and improving corporate finance activity
- Net fair value income up 8%; solid customer activity
- Return on allocated equity 17% and cost-to-income ratio 38%

Lending*, EURbn



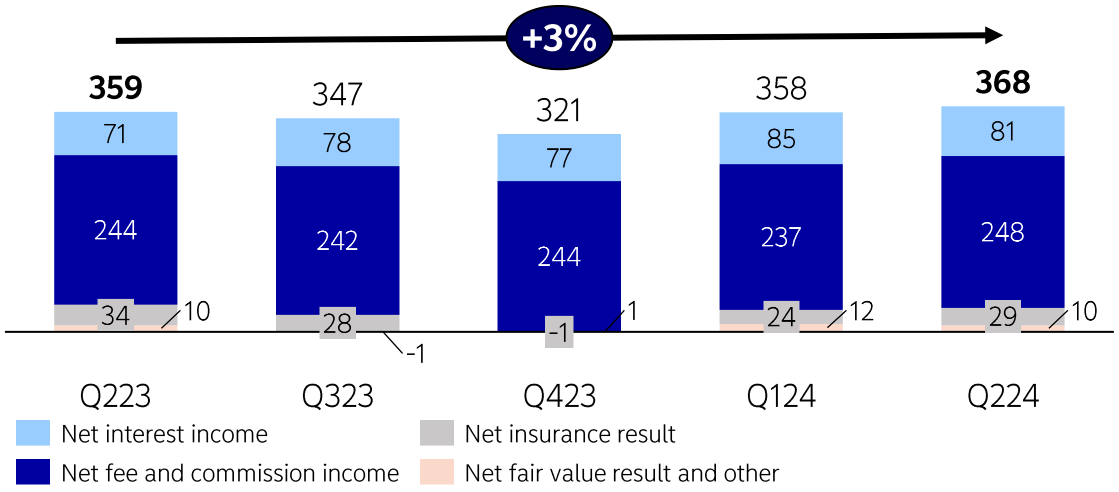
Return on allocated equity**, %



* Excluding repos
** With amortised resolution fees

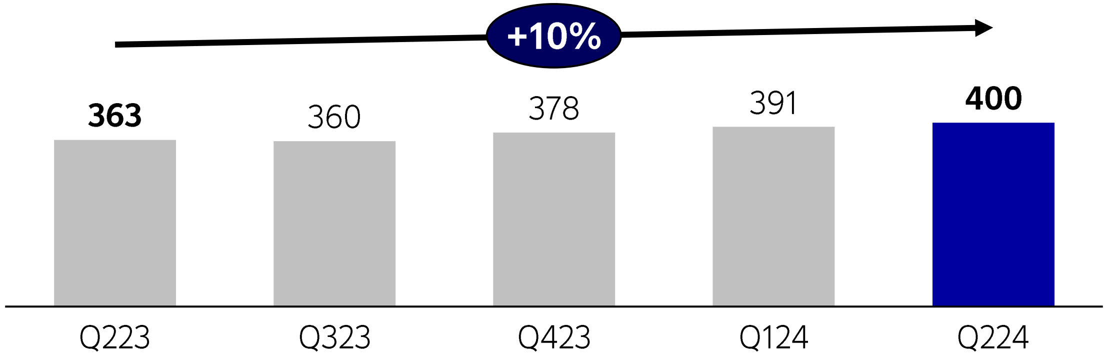
Strong momentum in private banking and continued positive net flow in Nordic channels

Total income, EURm

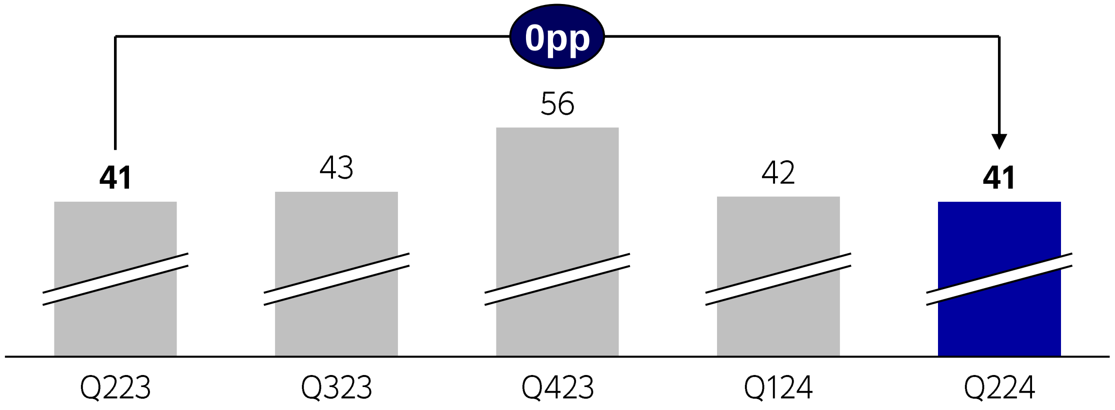


- Total income up 3%, driven by higher net interest income coupled with higher assets under management
- Assets under management up 10% to EUR 400bn
  - Nordic channels inflows of EUR 1.9bn during quarter
  - International channels outflows of EUR 1.4bn
- Cost-to-income ratio stable at 41%

Assets under management, EURbn



Cost-to-income ratio*, %



* With amortised resolution fees

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2025: The preferred financial partner in the Nordics

- **Uniquely well placed – Nordic diversification at scale**
- **Driving profitable growth and operational and capital efficiency**
- **Sustainably higher profitability and capital generation**
- **Unchanged outlook for 2024**

2025 financial target

Return on equity

>15%

Assumes CET1 requirement of 15%, including management buffer

Rates assumed to normalise at ~2%

Supported in 2025 by

Cost-to-income ratio
44–46%

Loan losses
Normalised ~10bp annually

Capital and dividend policies

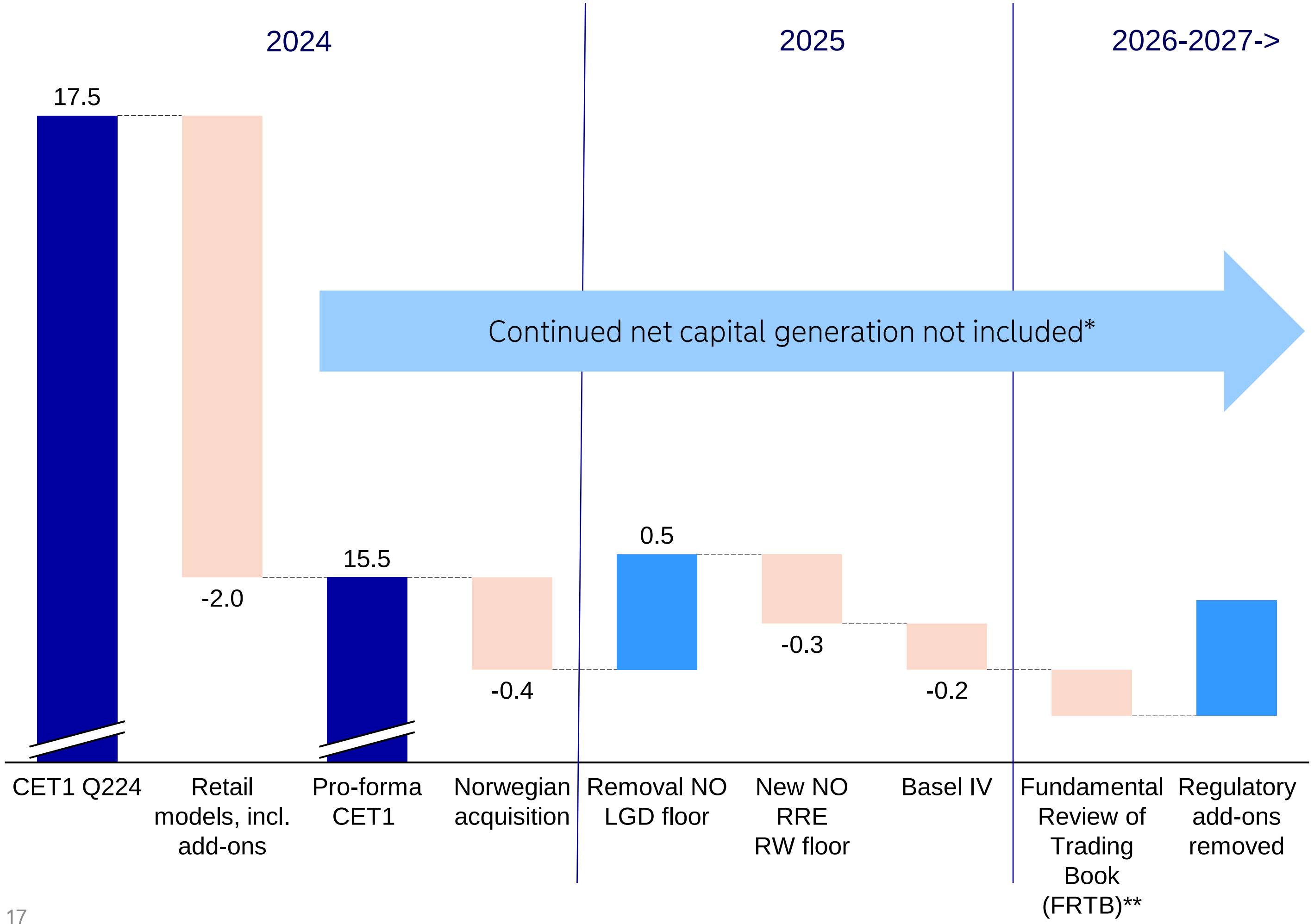
60–70% dividend payout ratio; excess capital distributed through buy-backs

Management buffer of 150bp above regulatory CET1 requirement

Capital excellence

Retail models approved; Basel IV impact updated

Main forward-looking items impacting CET 1 ratio, %



* Chart does not include the impact of capital generation, capital returns, new non-retail models, or other items affecting capital or REA
**European Commission expected to decide on a minimum one year delay for FRTB implementation

- **EUR 17bn REA increase in Q125 from retail models and Basel IV, broadly in-line with estimate**
  - Earlier estimated at EUR 16bn (EUR 10bn models, EUR 6bn Basel IV)
- **Initial model impact EUR 17bn REA increase in Q324**
  - EUR 5bn REA reduction from NO LGD floors – removed in connection with local implementation of CRR3, currently scheduled for Q125
  - EUR 3bn REA increase from proposed NO mortgage risk weight floor of 25%, expected Q125
  - EUR ~4-6bn of regulatory add-ons to be removed
- **Basel IV REA impact estimate revised to EUR 4bn**
  - EUR 2.5bn in Q125
  - EUR 1.5bn in Q126

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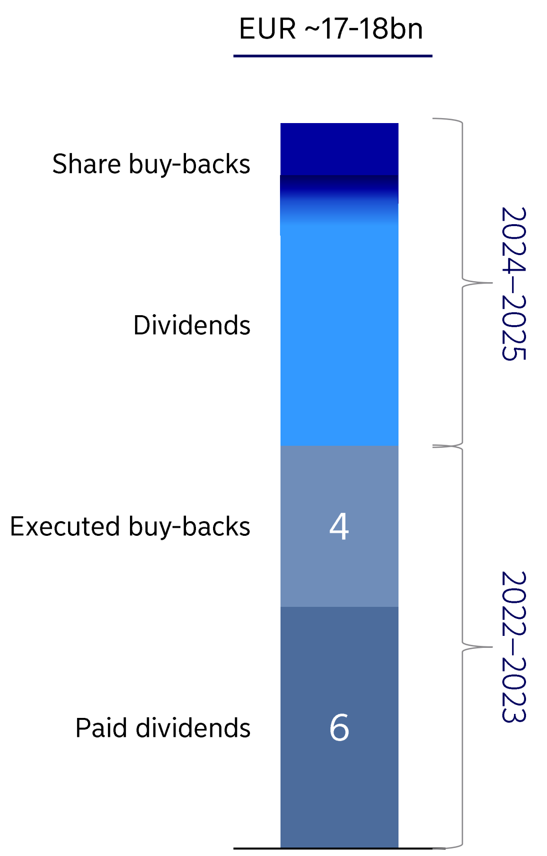
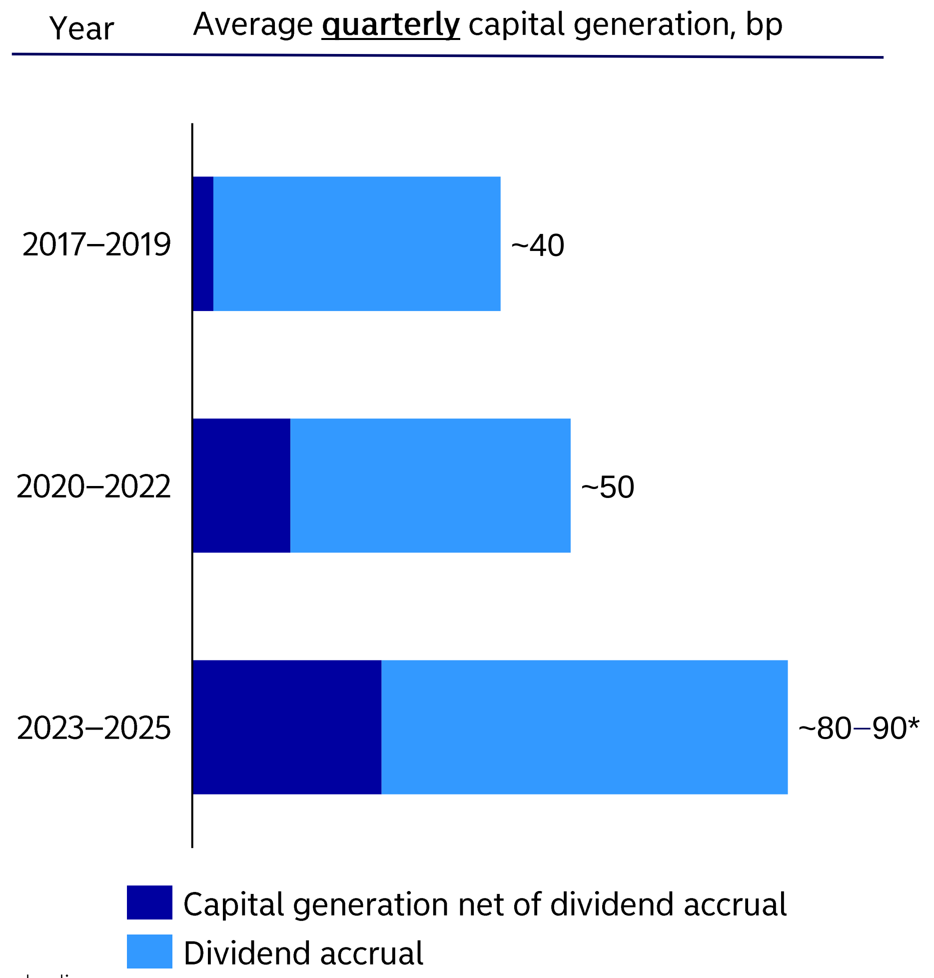
Capital excellence

Strong capital generation supporting returns

Reiterating shareholder returns supported by strong capital generation





* Indicative, based on 15% RoE and current dividend policy

- **Reiterating capital return commitment**
  - Strong capital generation
  - Unchanged dividend policy
  - Share buy-backs to distribute excess capital
- **Dialogue initiated with ECB on resuming share buy-backs from early 2025**

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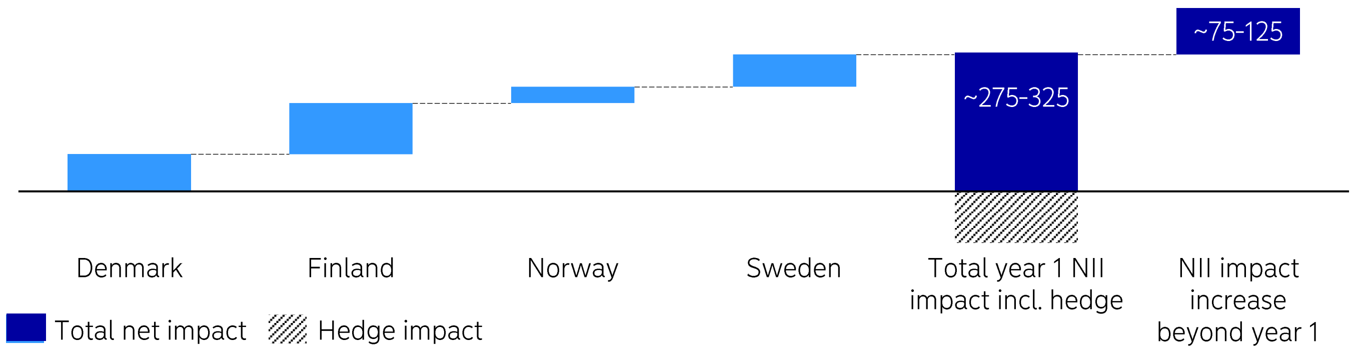
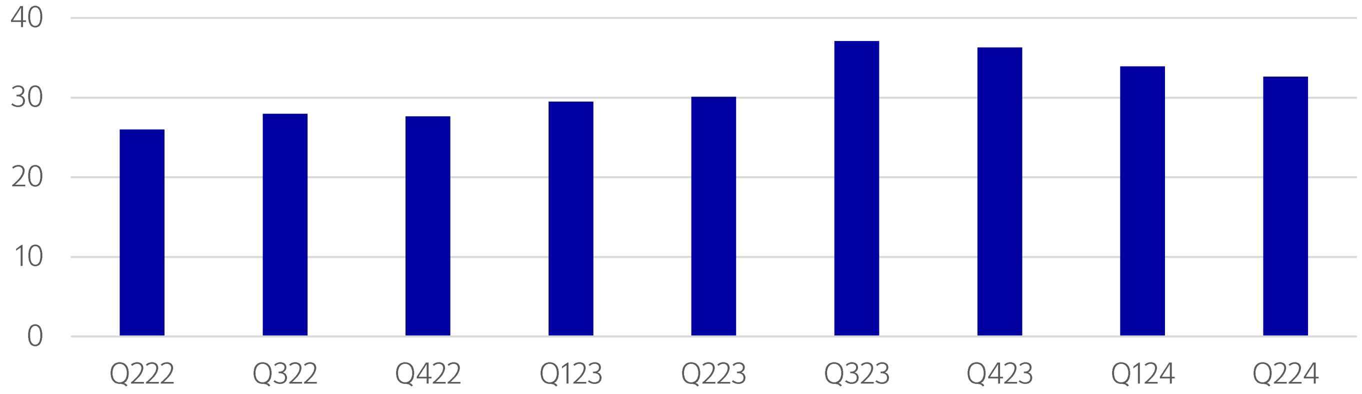
Net interest income sensitivity

Net interest income sensitivity to policy rate changes

Sensitivity to +50bp parallel rate shift in policy rates*, EURm



Structural hedge – nominal volume, EURbn



- **NII impact largely driven by policy rates and pass-through**
  - Actual pass-through to vary between account types and countries, and throughout rate cycles
  - Sensitivity reflecting modelled risk over cycle – actual NII impact lower following initial rate cuts and higher thereafter
- **Group NII also impacted by other drivers**
  - Volumes and loan/deposit pricing
  - Wholesale funding costs
  - Deposit hedges
- **Deposit hedging reducing sensitivity to interest rate changes**
  - Hedge volume up ~10% YoY
  - Average hedge maturity ~3 years
  - Additional NII impact in Y2–Y3 as assets repriced and hedges rolled over

* Symmetrical for -50bp parallel shift

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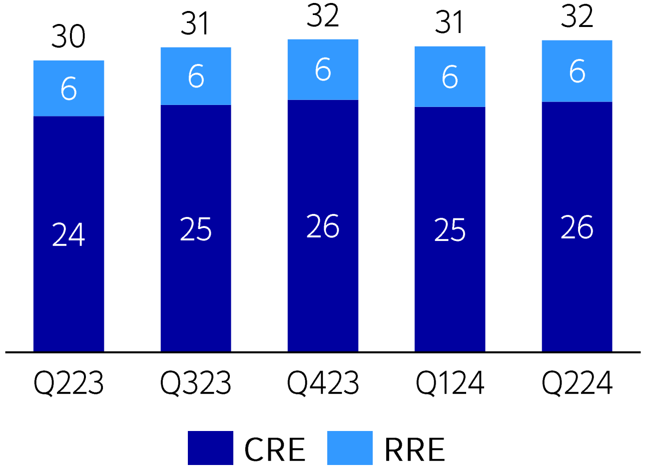
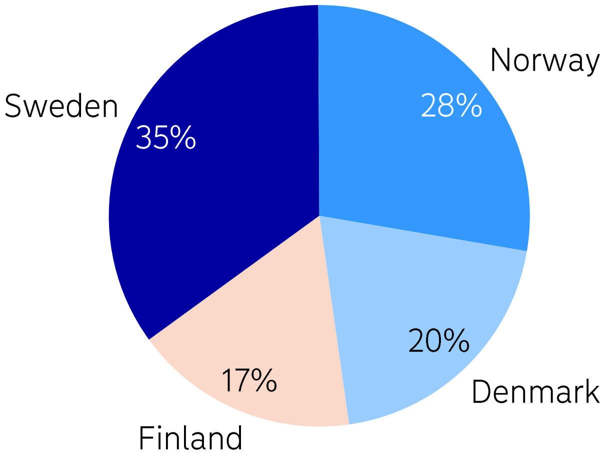
Credit portfolio – real estate management industry (REMI)*

Well-diversified portfolio, high-quality lending

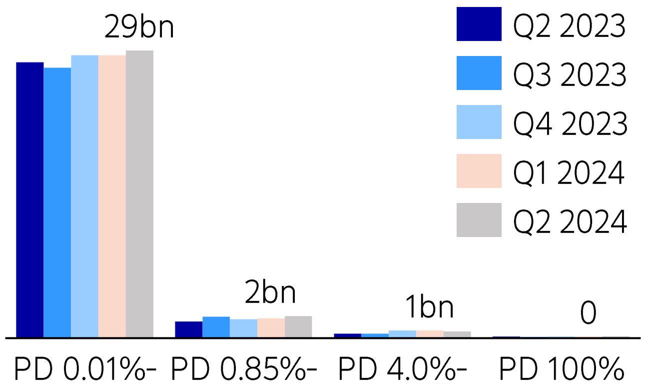
Lending volumes stable



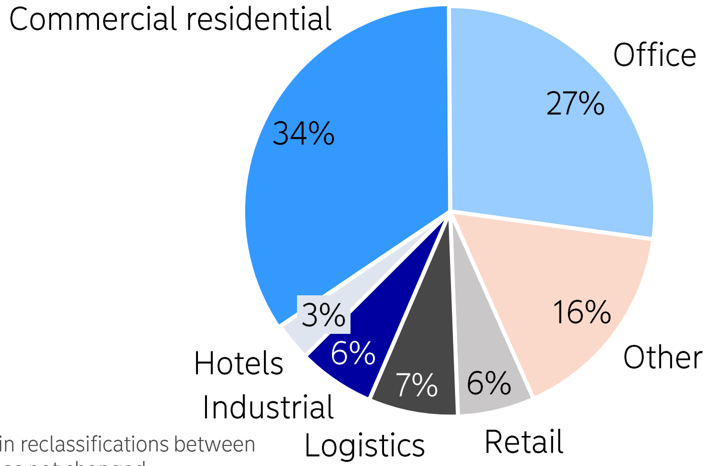
Diversified across countries



90% of portfolio with low probability of default (PD)



Diversified across types**



- **Well-diversified portfolio across Nordic markets**
- **90% of exposure towards low-risk customers, 7% towards increased risk, only 2% towards high risk and less than 1% impaired**
- **Portfolio mainly comprising central, modern office and residential properties**
- **Strict underwriting standards: conservative credit policy with focus on cash flow**

* Excluding tenant-owner associations (TOAs)

** Improved consolidation data quality as of Q1 2024 resulting in reclassifications between property types. Portfolio composition and credit risk profile has not changed.

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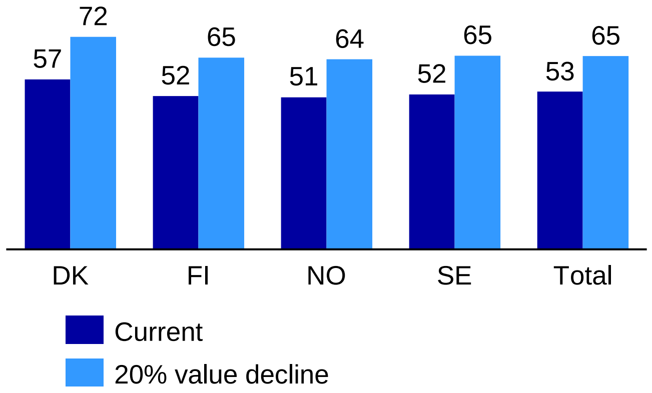
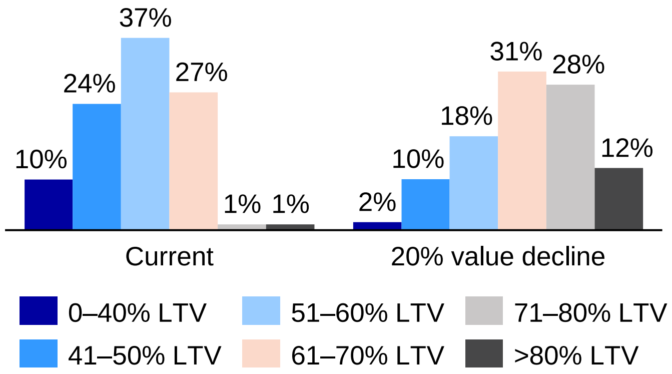
Credit portfolio – real estate management industry (REMI)*

Solid LTVs, resilient interest coverage, high occupancy

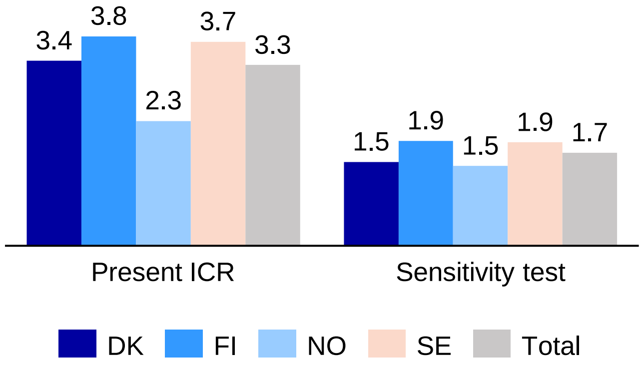
Solid LTV levels for all countries



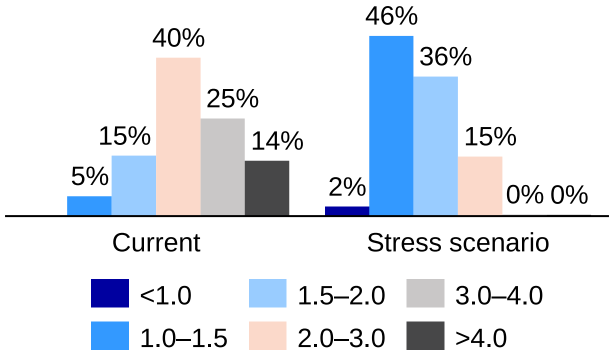
Majority of portfolio with low LTV



ICR high for all countries



ICR above 1.0 for 98% of portfolio in stress scenario



- **71% of exposures with LTV below 60%**
  - In event of 20% decline in market value, 61% of portfolio still with LTV below 70%
- **Average interest coverage ratio (ICR) at 3.3x**
  - Average ICR at 1.7x in stress scenario
  - Stress scenario: all debt refinanced day one at 5Y swap rates plus margins (5.5–6.5%); no hedging
- **Strict interest rate hedging requirements**
  - 61% of customer debt hedged with average maturity of 4.1 years
- **Low vacancy rates, with average letting ratio 95%**

*Based on analysis of largest customers in portfolio in Q4 2023 corresponding to 50% of EAD (excl. TOAs). For smaller customers in portfolio corresponding to 50% of EAD (excl. TOAs), credit quality is monitored through various credit risk indicators, such as PD and IFRS 9 stages

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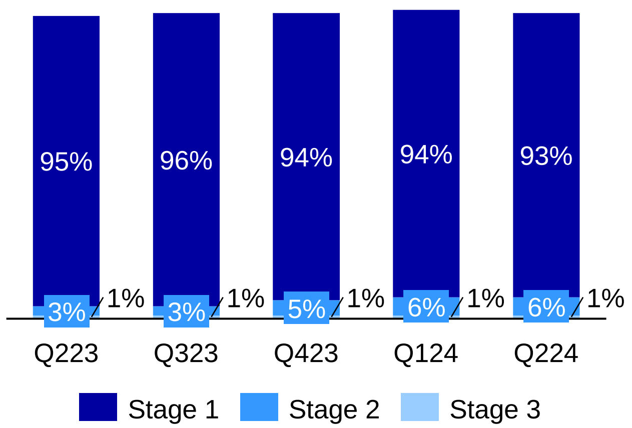
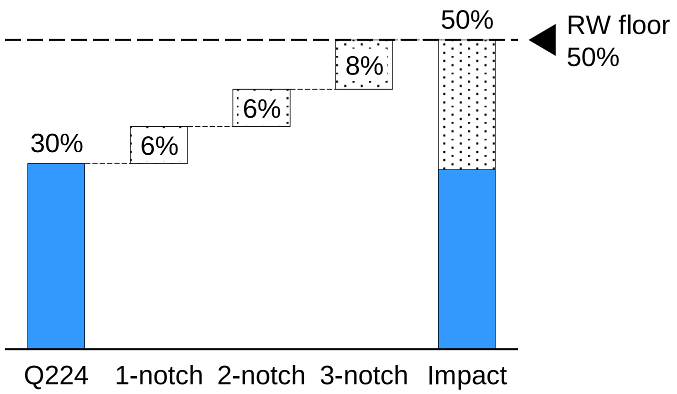
Credit portfolio – real estate management industry (REMI)*

Low levels of risk exposure

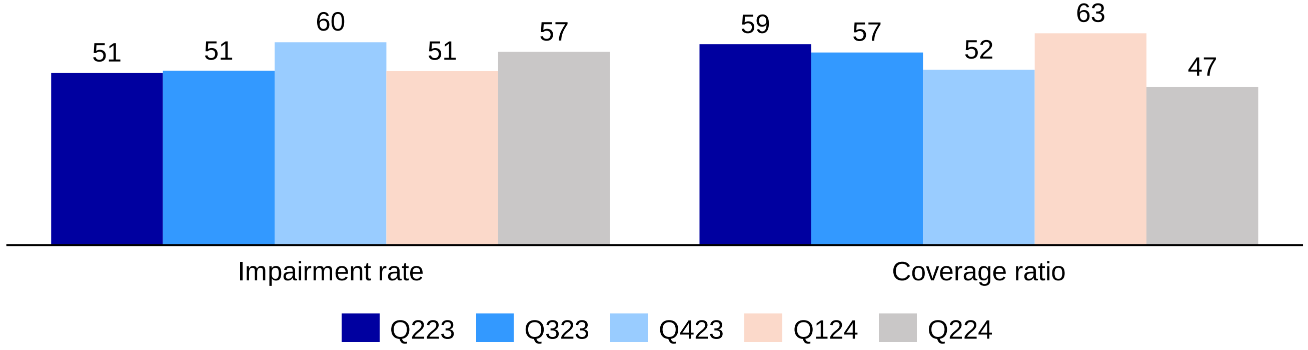
Strong credit quality, with 93% of IFRS 9 portfolio in stage 1



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



Low impairment rate and high coverage for impaired portfolio



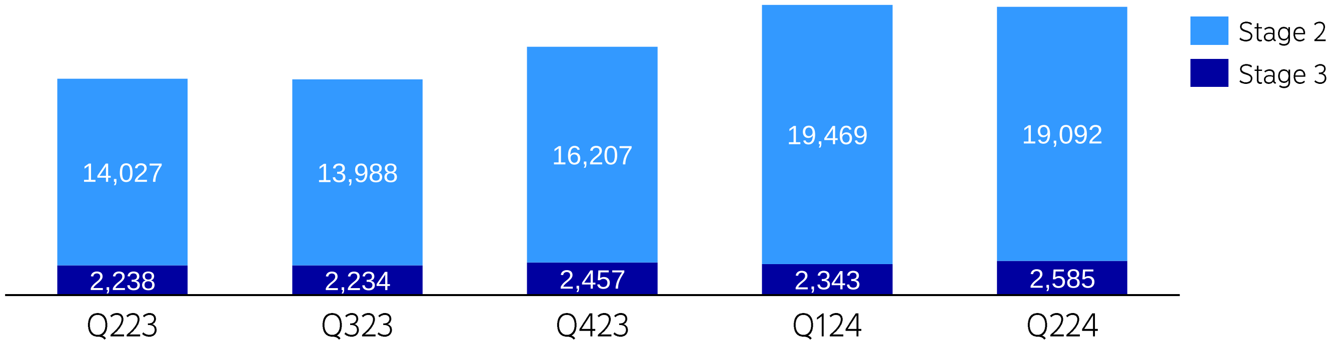
- **Continued strong credit quality, with slight deterioration as expected**
- **93% of portfolio in stage 1**
- **0.6% of portfolio impaired in Q2, with slight increase related to higher level of impaired loans**
- **Provision coverage above 47% – high for collateralised assets**
- **REA protected by risk weight floors**

* Excluding TOAs

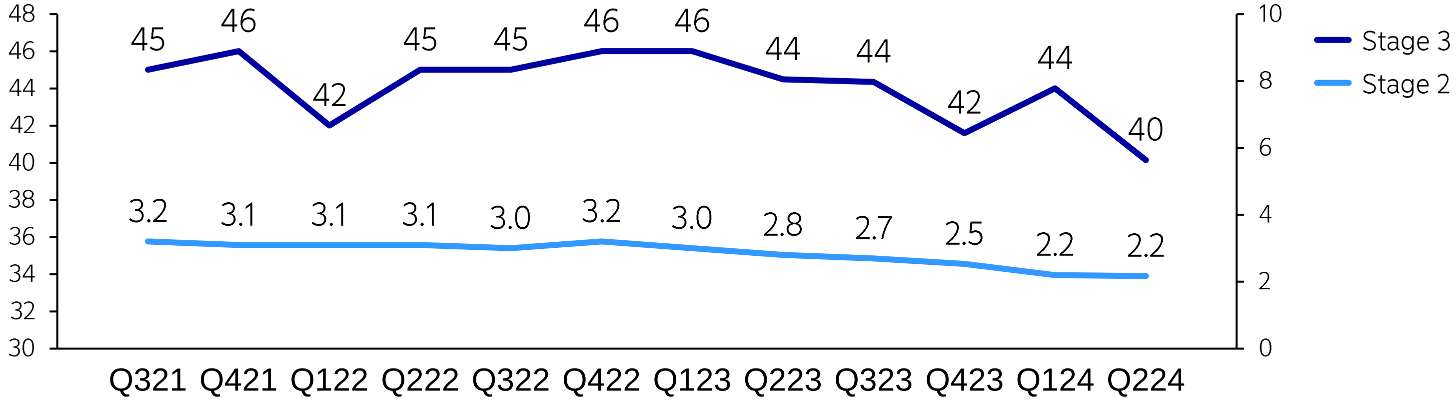
Impairments and provisioning coverage

Stage 3 increased, stage 2 stable; strong credit quality

Stage 2 and 3 loans at amortised cost, EURm



Coverage ratio, %



- **Continued strong portfolio credit quality**
- **Stage 2 loans down EUR 0.4bn, remaining at 7%**
- **Stage 3 loans up EUR 242m to 0.95% from 0.86% in Q1, mainly due to few specific default events**
- **Coverage ratio for stage 3 portfolio down to 40% due to reduced provisioning need**

Nordea