

**Nordea**

**Third-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.

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Third-quarter highlights 2022

## **Executive summary**

### **Corporate sector driving continued lending volume growth, despite economic slowdown**

- Mortgage volumes up 4% y/y and corporate lending up 12% y/y. Assets under management down 4% q/q

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

- Net interest income up 15%, net fee and commission income down 6% and net fair value result up 18%

### **Cost-to-income ratio\* improved to 48% and 45% excluding regulatory fees**

### **Low realised loan losses – with increased charge largely driven by model-based fair value adjustment in Danish mortgage book**

- Net loan losses and similar net result amounting to EUR 58m or 7bp during quarter

### **Return on equity\* 12.7% and earnings per share up 8% to EUR 0.27**

### **Strong underlying capital generation**

- CET1 ratio decreased to 15.8% due to share buy-backs – 5.0pp above regulatory requirement. Underlying CET1 ratio up by 20bp

### **Outlook improved: return on equity above 11% expected for 2022, supported by cost-to-income ratio of 48–49%**

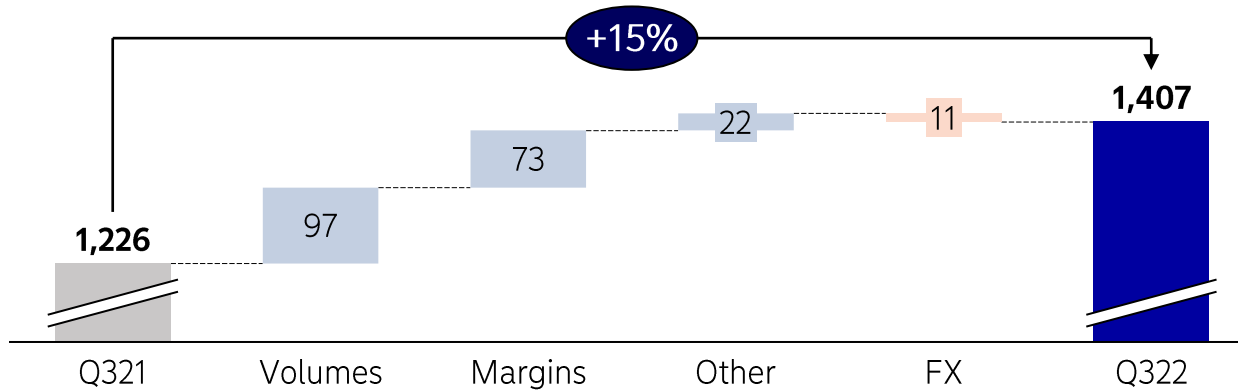
**Third-quarter results 2022**

Income statement and key ratios EURm	Q322	Q321	Q3/Q3	Q222	Q3/Q2
Net interest income	1,407	1,226	15%	1,308	8%
Net fee and commission income	816	870	-6%	838	-3%
Net fair value result	264	224	18%	282	-6%
Other income	14	24		16	
<b>Total operating income</b>	<b>2,501</b>	<b>2,344</b>	<b>7%</b>	<b>2,444</b>	<b>2%</b>
Total operating expenses excl. regulatory fees	-1,130	-1,098	3%	-1,122	1%
Total operating expenses	-1,146	-1,098	4%	-1,139	1%
<b>Profit before loan losses</b>	<b>1,355</b>	<b>1,246</b>	<b>9%</b>	<b>1,305</b>	<b>4%</b>
Net loan losses and similar net result	-58	22		56	
<b>Operating profit</b>	<b>1,297</b>	<b>1,268</b>	<b>2%</b>	<b>1,361</b>	<b>-5%</b>
Cost-to-income ratio excl. regulatory fees, %	45	47		46	
Cost-to-income ratio*, %	48	49		49	
Return on equity*, %	12.7	10.8		13.3	
Diluted earnings per share, EUR	0.27	0.25	8%	0.28	-4%

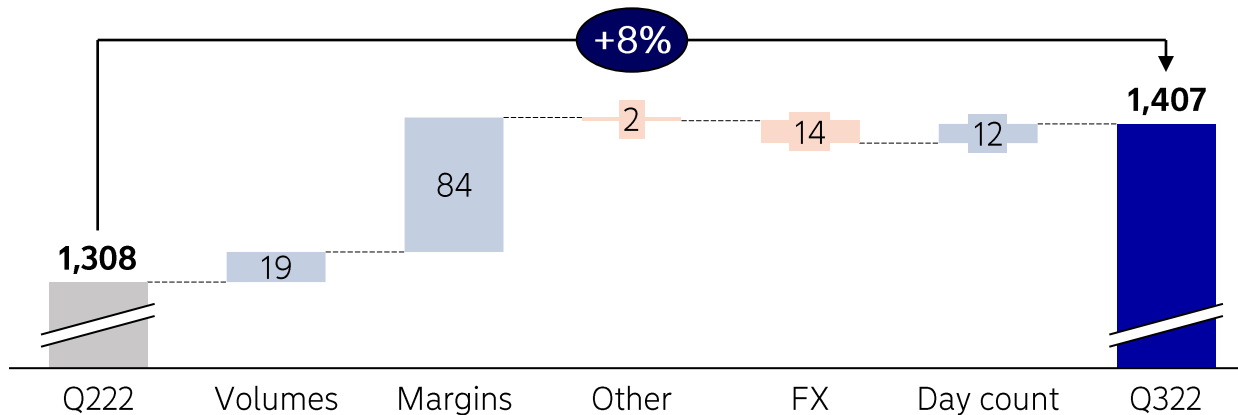
Net interest income

## Continued volume growth, deposit margins up

### Year-over-year bridge, EURm



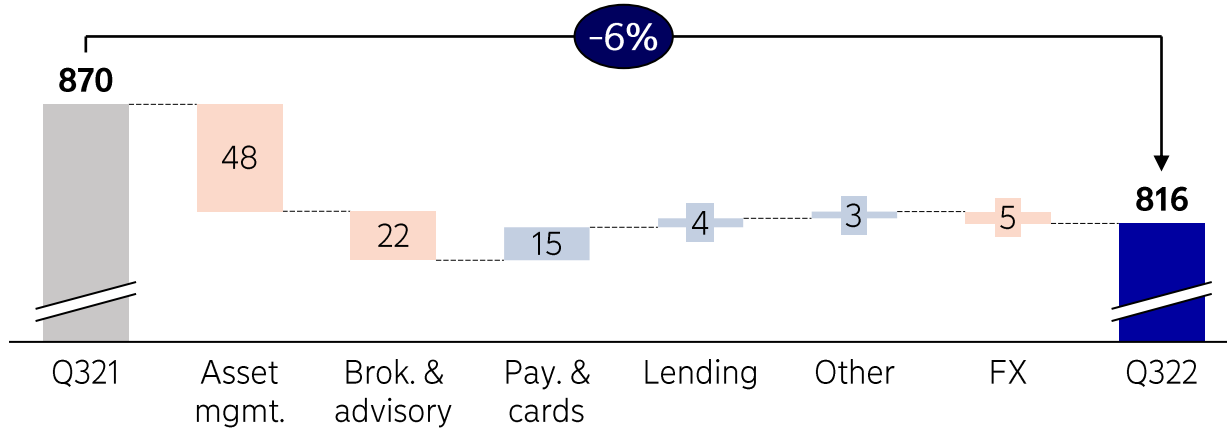
### Quarter-over-quarter bridge, EURm



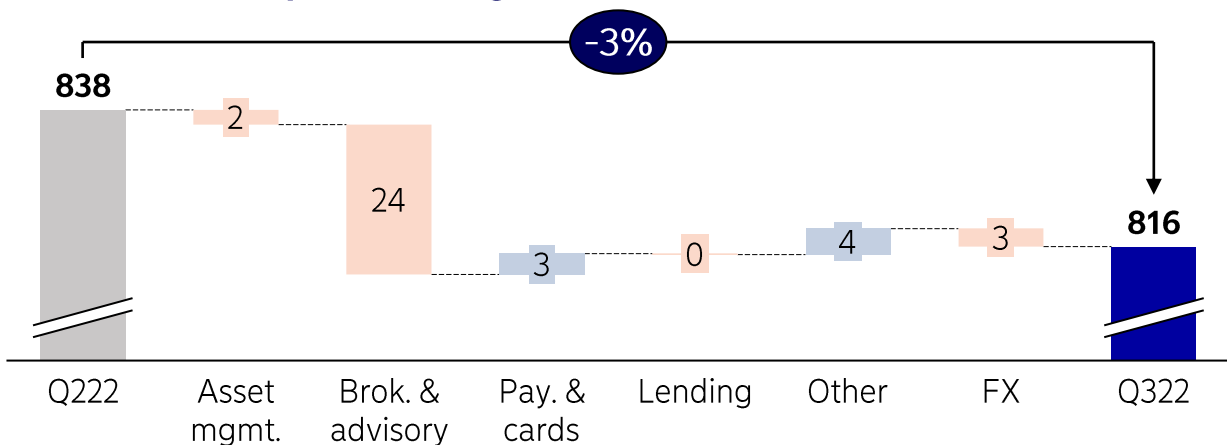
- **Net interest income up 15%**
- **Lending volume growth across all business areas**
  - Strong performance in corporate sector with total corporate lending up 12% and LC&I up 25%
- **Deposit margins up, driven by higher policy rates across Nordics**
- **Lending margin pressure continues**
  - Margins pressured by increased funding costs

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

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm

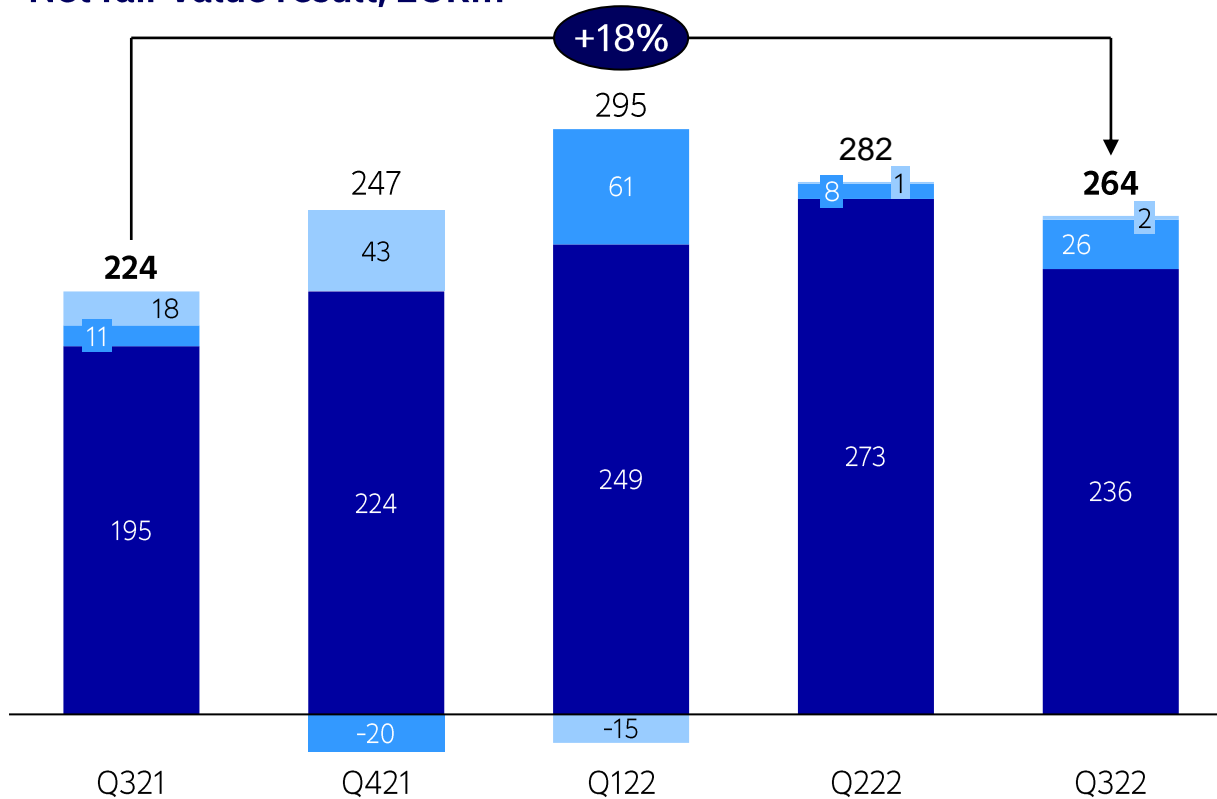


- **Net fee and commission income down 6%**
- **Savings fees down following lower assets under management**
  - Assets under management down 13% but net flows from internal channels were positive
- **Brokerage and advisory fee income down due to low activity**
  - Customer activity negatively impacted by unfavourable market conditions
- **Payment and card fee income up due to higher customer activity**

Net fair value result

## Continued high customer activity in volatile markets

Net fair value result, EURm

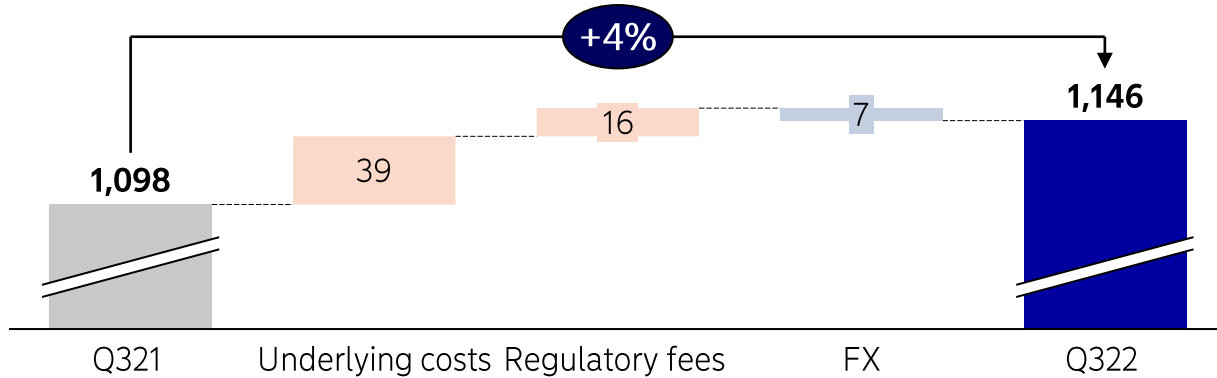


■ Customer areas\*      ■ Treasury & other\*\*  
■ Market making operations

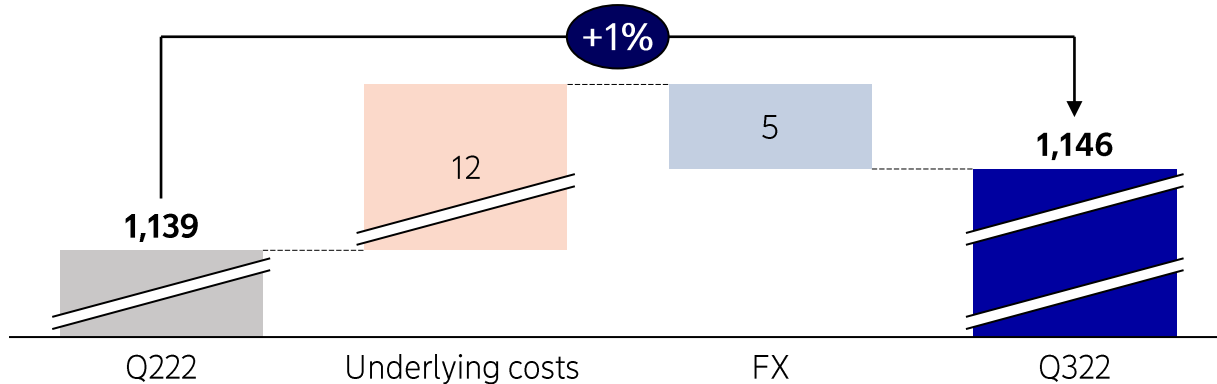
- **Continued high customer activity in volatile markets**
  - Strong interest in FX and rates products
- **Market making up, driven by FX, rates and equity trading**

## Cost increases due to higher investments, normalising activity and increased regulatory fees

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



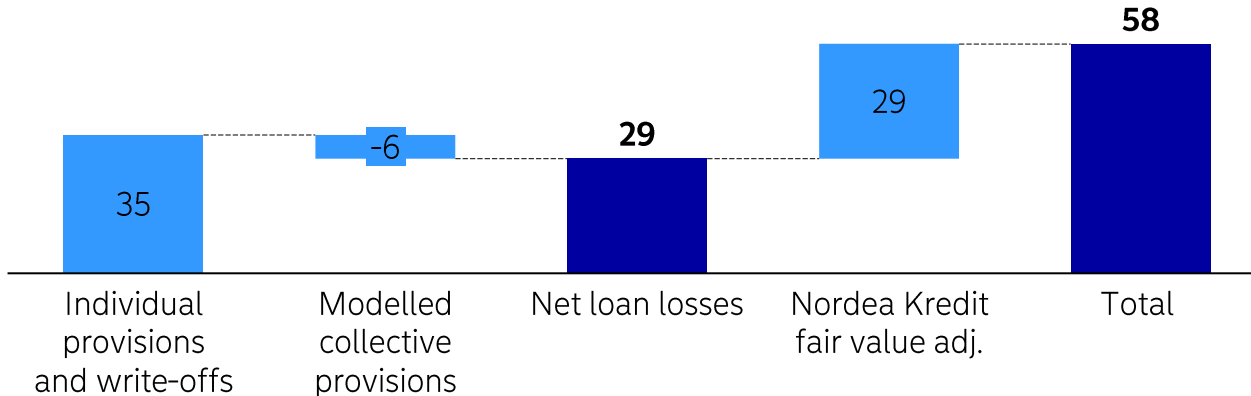
- **Costs including regulatory fees up 4%**
  - Costs excluding regulatory fees up 3%, driven by higher investments in line with our business plan
  - Higher IT investments and marketing costs
  - Staff costs flat



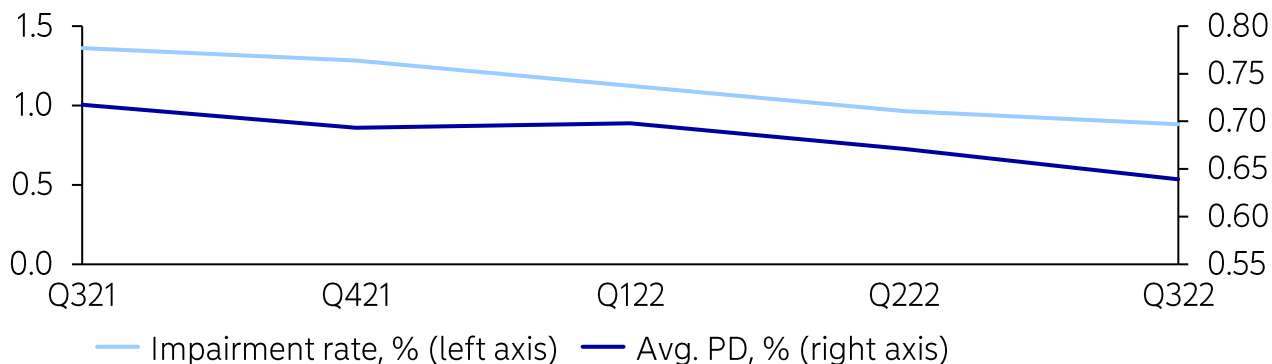
Net loan losses and similar net result

## Strong credit quality amid weaker economic conditions

### Net loan losses and similar net result Q3 2022, EURm



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



- **Net loan losses low at EUR 29m (4bp)**

- Few new provisions for corporates, no specific industry concentration
- Continued reversals from Shipping and Oil, gas and offshore
- Lower collective provisions from improved portfolio quality despite weaker macroeconomic scenarios

- **Total net result EUR 58m (7bp)**

- FV model adjustment for Danish mortgages due to decreased house prices

- **Management judgement buffer kept unchanged at EUR 565m**

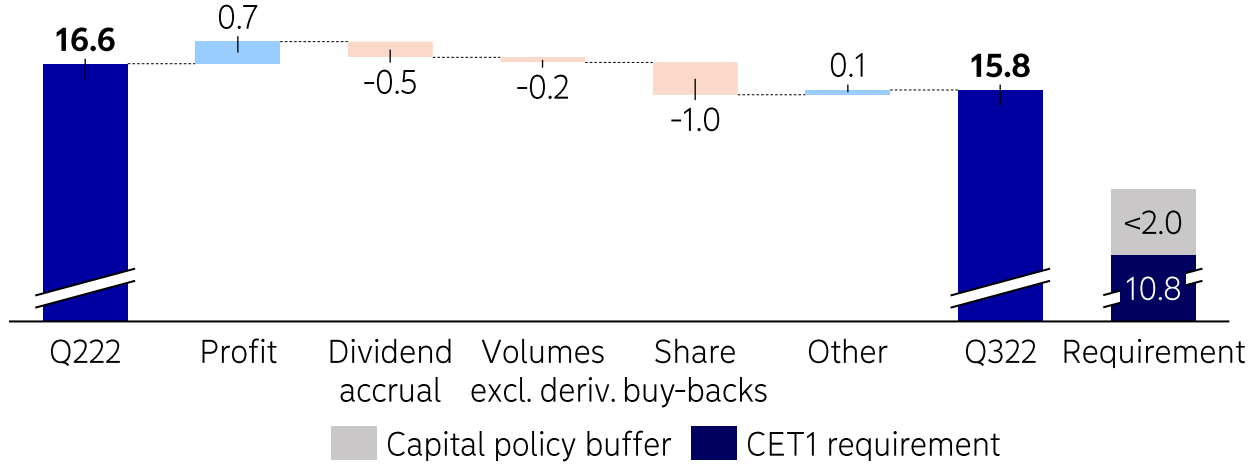
- Higher macroeconomic uncertainty offset by reduced COVID-19 related credit risk

- **Continued strong credit quality, while risks carefully monitored**

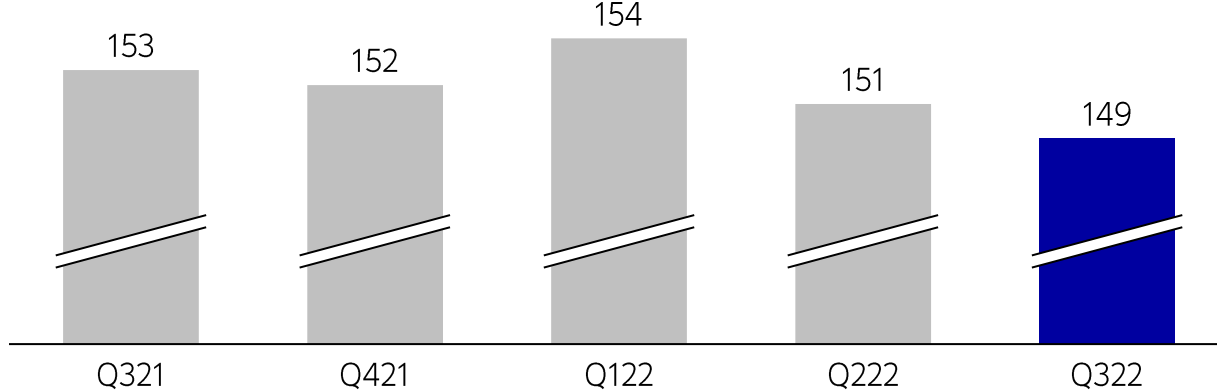
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## Strong position; share buy-backs in progress

CET1 capital ratio development, %



REA development, EURbn



- **CET1 capital ratio 15.8%**

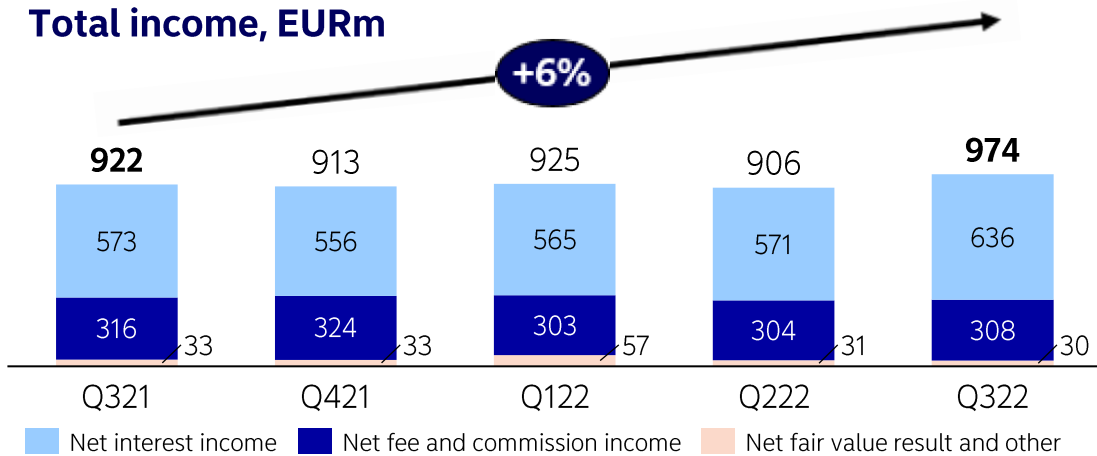
- 5.0 percentage points above regulatory requirement
- CET1 capital EUR 1.4bn lower following ECB approval of third share buy-back programme; decrease partly offset by profit generation net of dividend accrual
- Risk exposure amount EUR 149bn – strong lending growth offset by capital efficiencies

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

- EUR 3.5bn returned to shareholders via buy-backs between Q421 and Q322
- Third EUR 1.5bn programme in progress

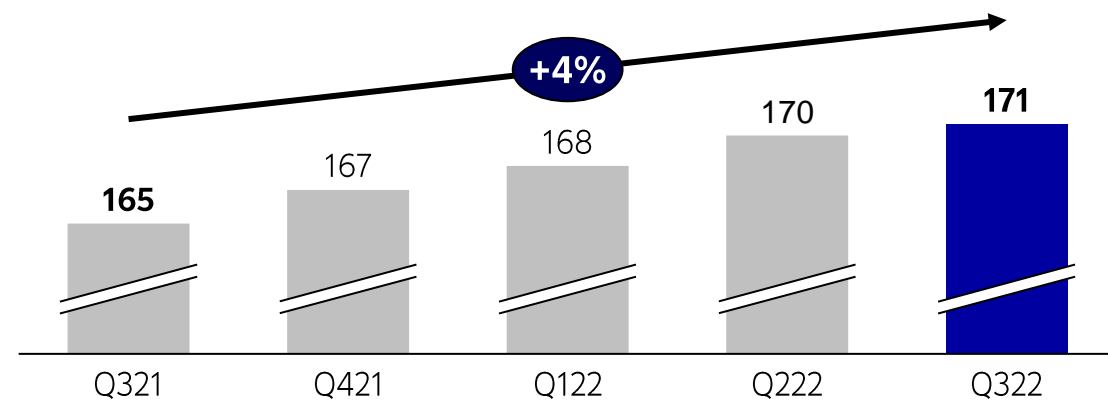
## Increased mortgage market shares across Nordics and improved deposit margins

Total income, EURm

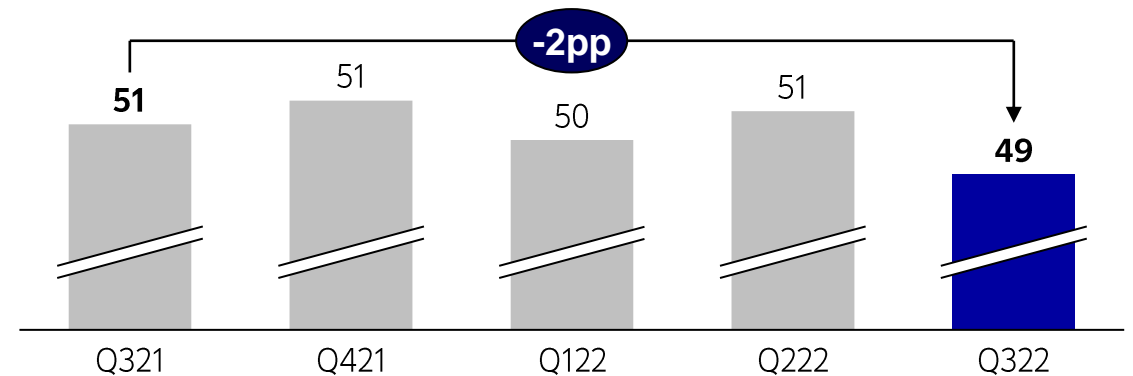


- Total income up 6%
- Increased mortgage market shares across Nordics
- Improved deposit margins, partly offset by mortgage margin pressure
- Lower savings and investment income, partly offset by higher payment and card fee income
- Improved cost-to-income ratio, now 49%

Lending\*, EURbn

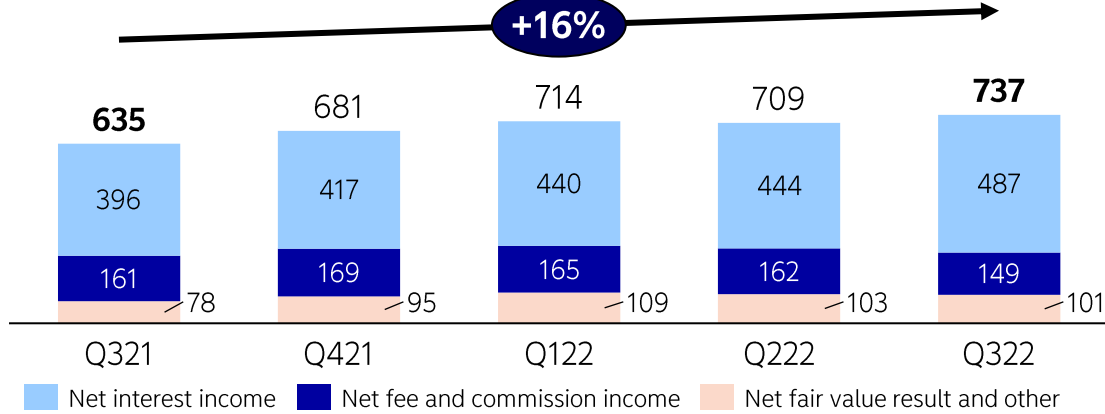


Cost-to-income ratio\*\*, %



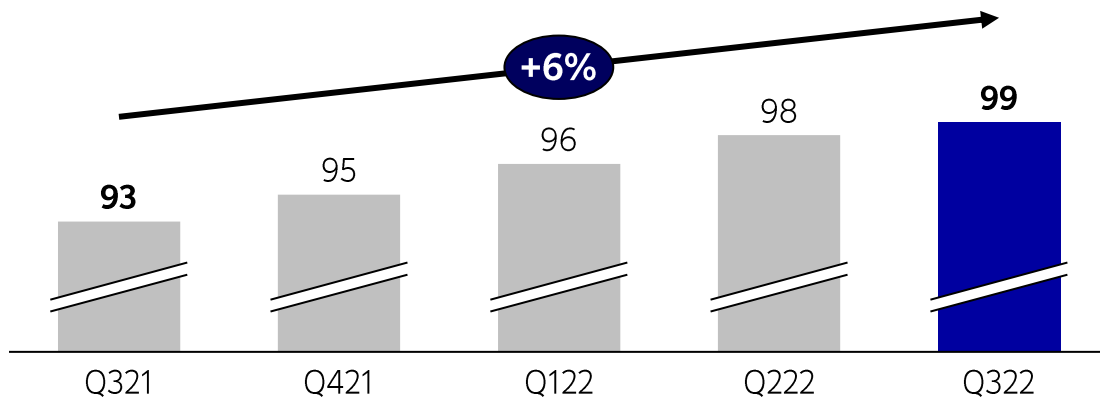
## Strong income growth supported by higher interest rates

Total income, EURm

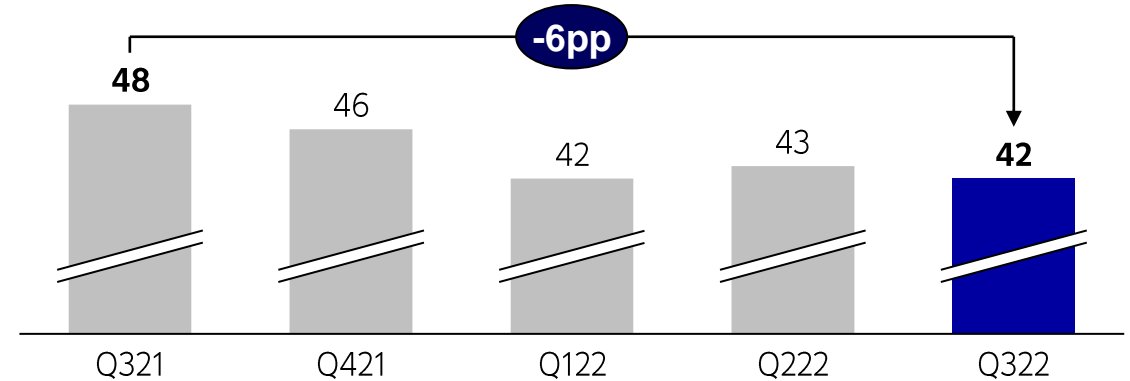


- Total income up 16%
- Lending volumes up 6%, driven by Sweden and Norway
- Strong growth in net interest income, supported by higher interest rates
- Low savings, equity and debt capital markets income, partly offset by high customer demand for FX and IR hedging products
- Improved cost-to-income ratio, now 42%

Lending\*, EURbn

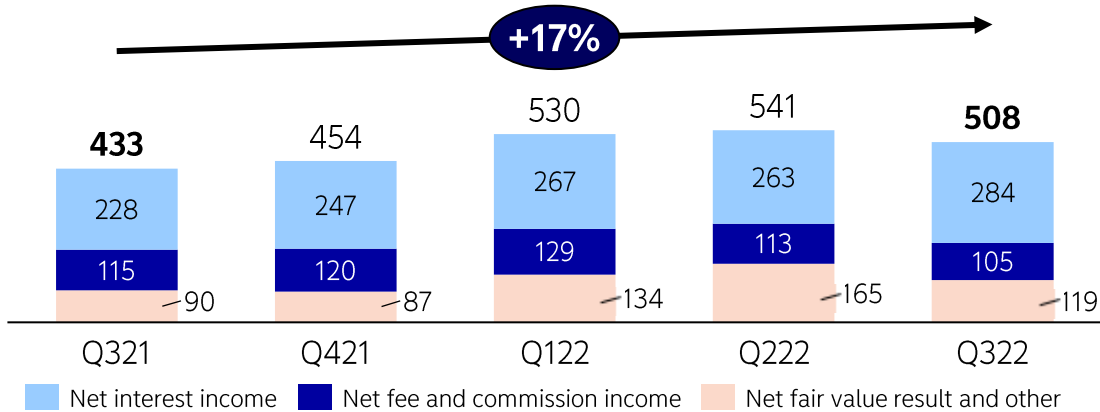


Cost-to-income ratio\*\*, %



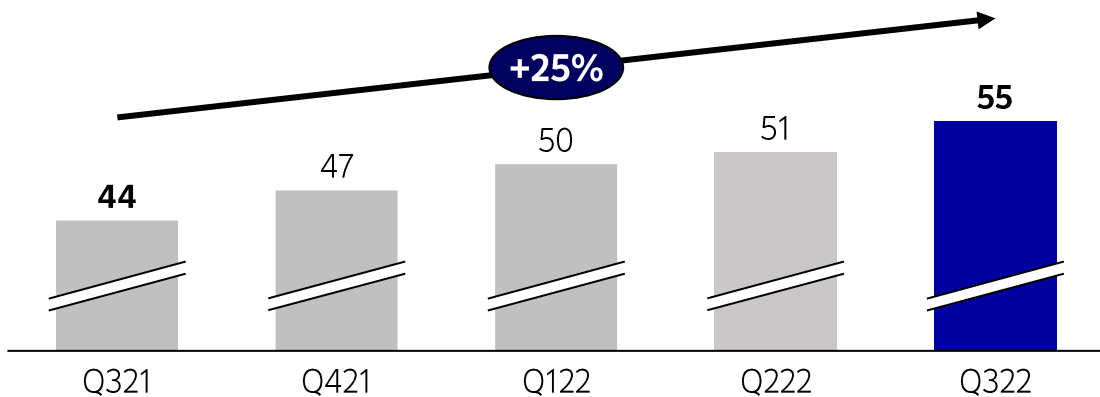
## High customer activity and significant lending growth in volatile markets

### Total income, EURm

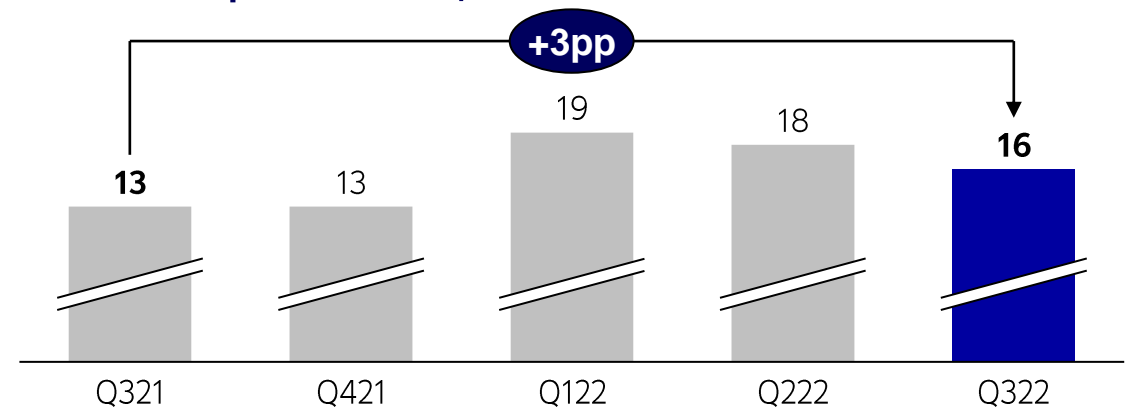


- Total income up 17%
- Net interest income up 25% due to short-term liquidity financings and event-driven demand
- Commission income lower in weak capital markets
- Net fair value result up 31%, driven by high customer activity
- Net loan loss reversals, 16m in Q3
- Return on capital at risk improved, now 16% and cost-to-income ratio 41%

### Lending\*, EURbn

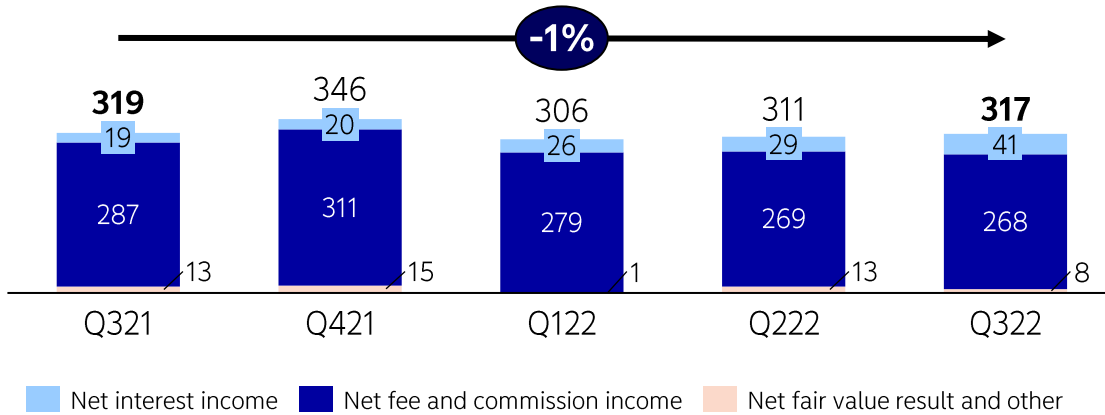


### Return on capital at risk\*\*, %



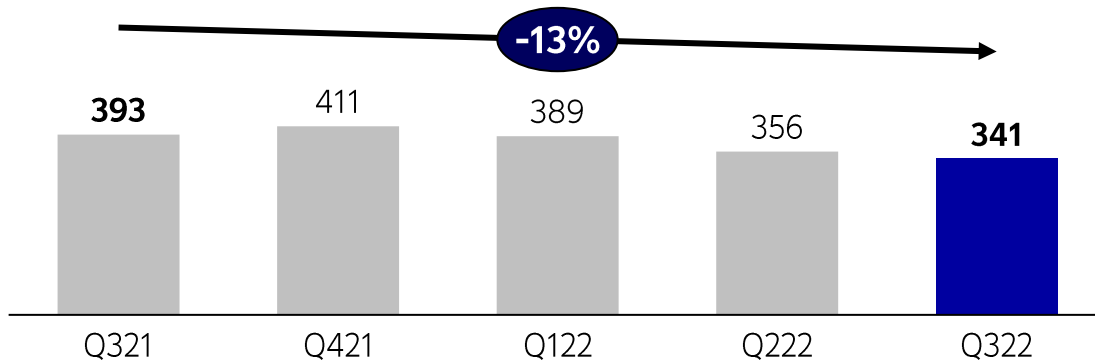
## Lower assets under management, continued strong momentum in Private Banking

### Total income, EURm

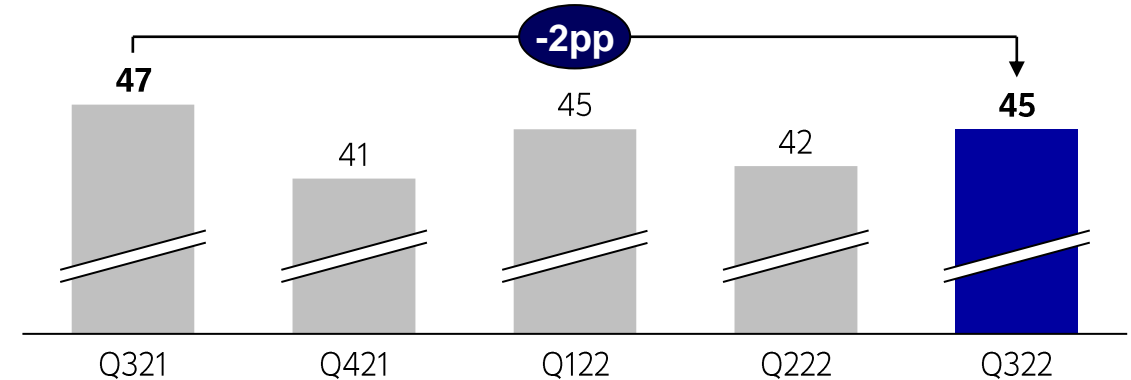


- Total income down 1%, driven by lower assets under management
  - Net interest income up, driven by increased deposit margins
- Assets under management down 13% to EUR 341bn
  - Net outflow of EUR 2.5bn (annualised -3%) during quarter
  - Positive net flows from internal channels, driven by strong momentum in Private Banking
- Improved cost-to-income ratio, now 45%

### Assets under management, EURbn



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



# Nordea

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%

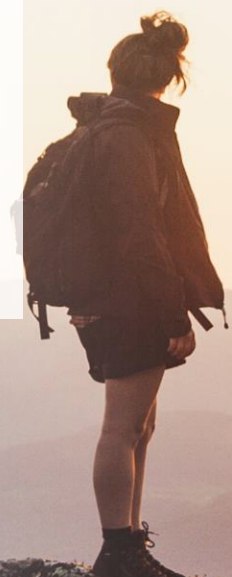
**Loan losses**

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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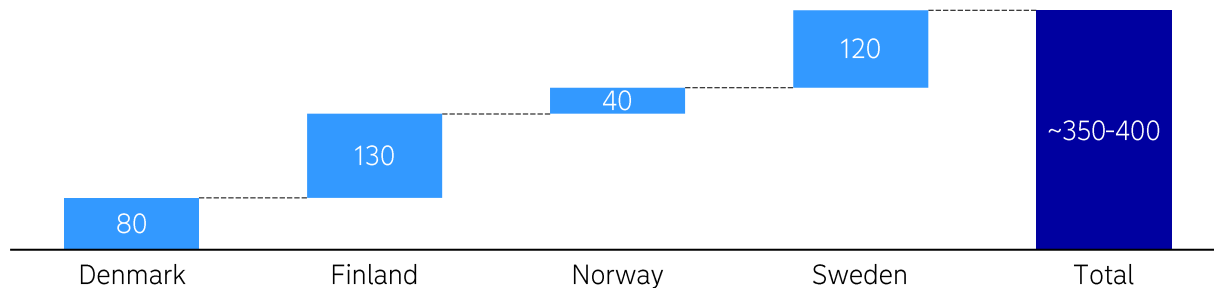




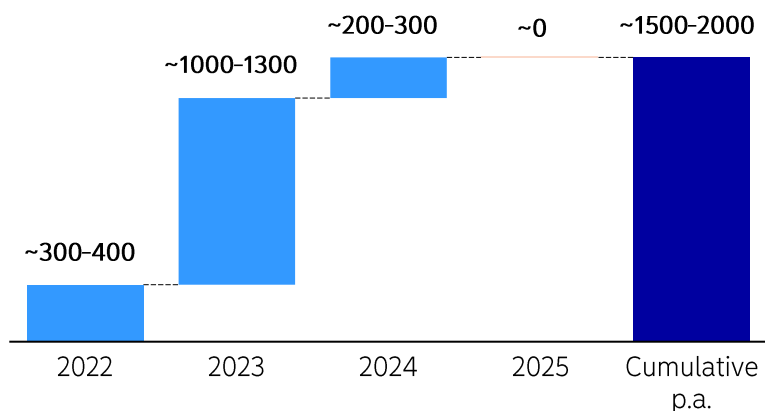
Net interest income

## Net interest income sensitivity to policy rate increases

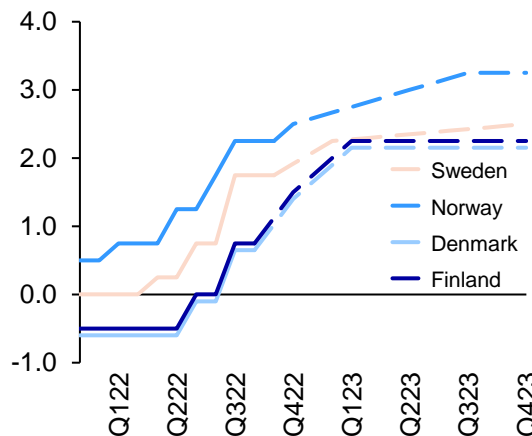
### Sensitivity to +50bp parallel rate shift in policy rates



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



### Policy rate path expectations



- **NII impact is largely driven by policy rates and pass-through**

- Expected higher policy rates in 2023 are estimated to increase NII by EUR ~1.0-1.3bn, solely related to rates impact
- Actual pass-through will vary between account types and countries, and throughout rate hike cycle

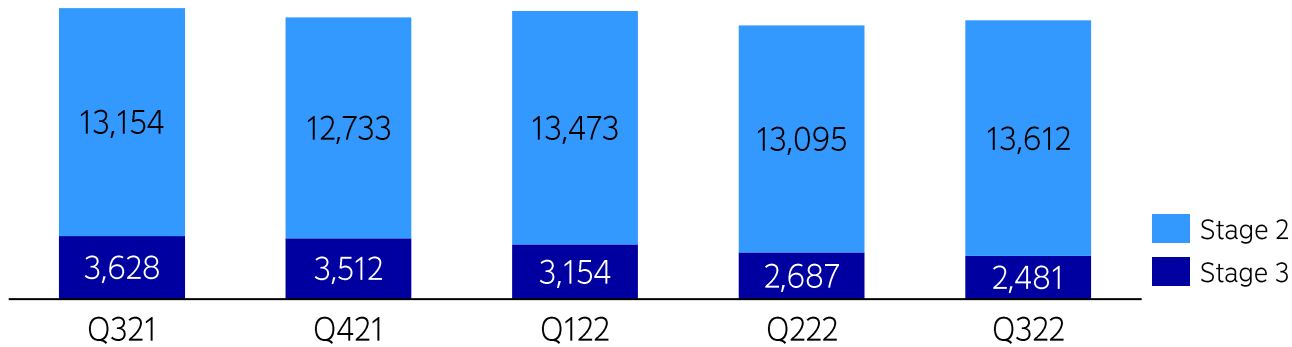
- **Group NII is also impacted by other drivers**

- Volumes
- Asset pricing
- Wholesale funding costs
- Deposit hedging

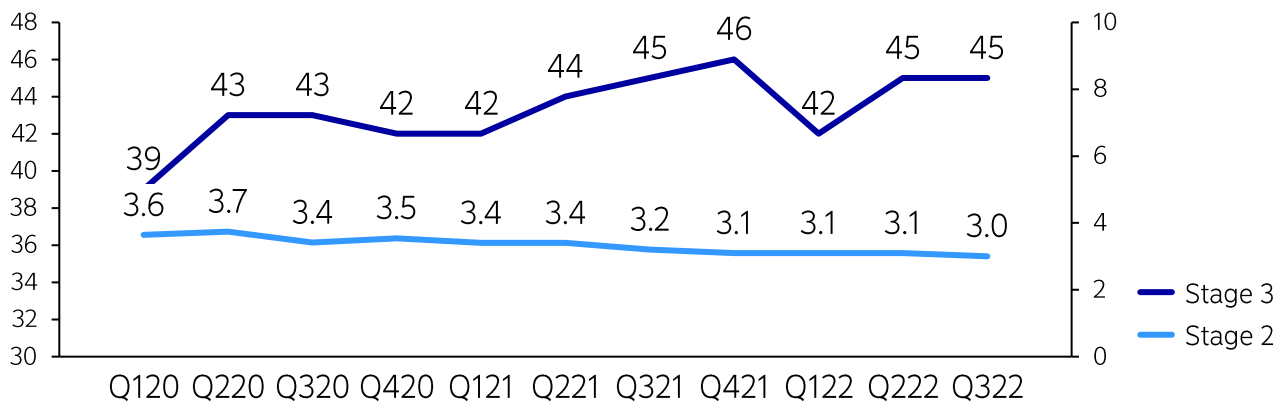
Impairments and provisioning coverage

## Strong and stable portfolio credit quality

Stage 2 and 3 loans at amortised cost, EURm



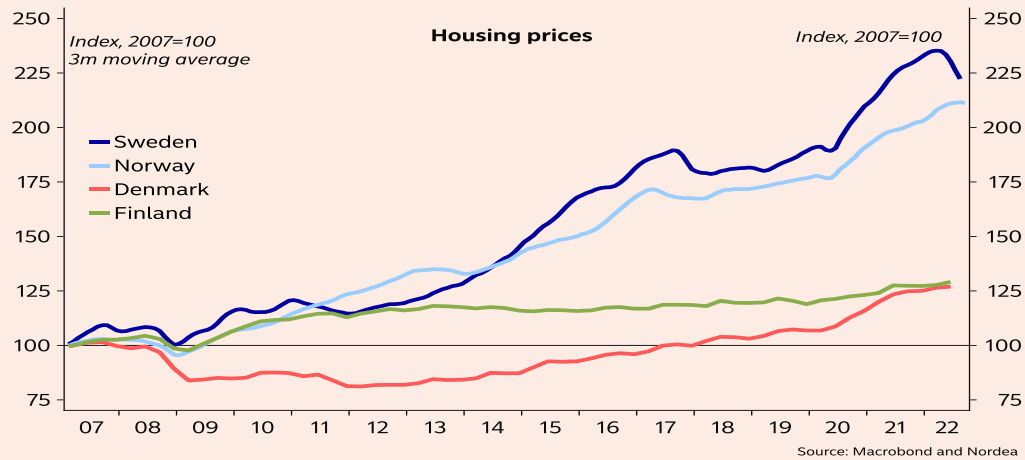
Coverage ratio, %



- Stage 3 impaired loans further reduced, to 0.88% from 0.96% in Q2
- Stage 2 loans up 4% q/q
- Coverage ratio for remaining Stage 3 portfolio at 45%
- Portfolio credit quality remained strong

## Nordic outlook dampened by higher inflation and interest rates

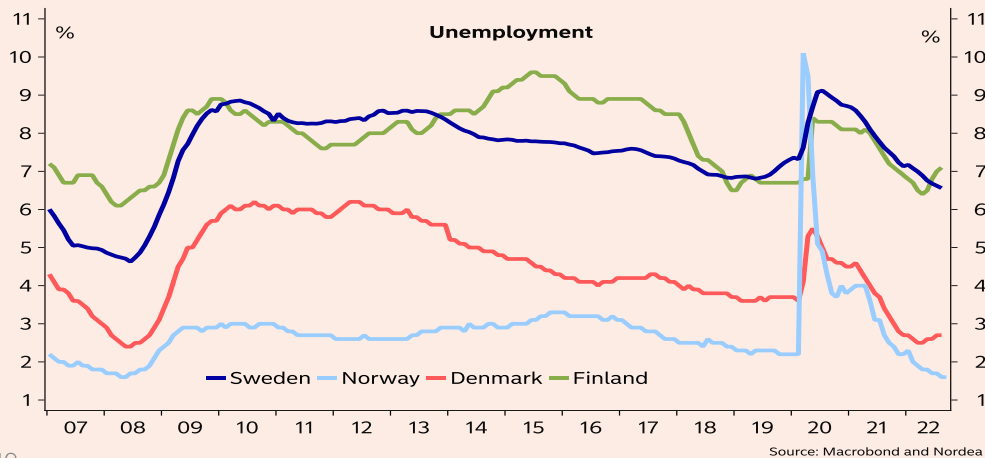
### Housing prices



### Latest GDP, unemployment and housing price changes

- Danish GDP up 0.9% q/q in Q2. Unemployment sideways at 2.7% in August. House prices up 2.9% and apartment prices up 4.6% y/y in Q2.
- Finnish GDP up 0.9% q/q in Q2. Unemployment up to 7.1% in August and housing prices up 0.5% y/y in August.
- Norwegian mainland GDP up 0.7% q/q in Q2. Unemployment sideways at 1.6% and housing prices up 4.4% y/y in September.
- Swedish GDP up 0.9% q/q in Q2. Unemployment down to 6.6% in August and housing prices down 4.1% y/y in August.

### Unemployment rate



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

Country	2021	2022E	2023E	2024E
Denmark	4.9	2.5	0.5	1.8
Finland	3.0	2.5	0.0	1.5
Norway	4.1	3.2	1.0	1.3
Sweden	4.9	3.0	-0.5	1.0