Nordea

Third-quarter 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.

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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Third-quarter highlights 2023

Executive summary

Strong operating profit, driven by high income growth

- Net interest income up 36%, net fee and commission income down 4% and net fair value result down 5%
- Operating profit up 34% to EUR 1,725m

Return on equity* 17.9% and earnings per share up 41% to EUR 0.38

Continued growth in corporate lending, stable mortgage volumes

- Corporate lending up 2% y/y and mortgage lending stable. Retail deposits stable y/y and corporate deposits down 9%. AuM up 5% y/y

Improved cost-to-income ratio*: 42% (40% excluding regulatory fees)

Solid credit quality with low net loan losses – management judgement buffer EUR 577m, unchanged in local currencies

- Net loan losses and similar net result EUR 33m or 4bp – low levels of new net provisions

Strong capital position supported by continued capital generation

- CET1 ratio at 16.3% – 4.3pp above current regulatory requirement

2023 outlook unchanged: return on equity above 15%

* With amortised resolution fees

Key financials

Third-quarter results 2023

Income statement and key ratios EURm	Q323	Q322	Q3/Q3	Q223	Q3/Q2
Net interest income	1,909	1,407	36%	1,831	4%
Net fee and commission income	742	775	-4%	751	-1%
Net insurance result	63	38	66%	68	-7%
Net fair value result	225	238	-5%	290	-22%
Other income	13	14	-7%	15	-13%
Total operating income	**2,952**	**2,472**	**19%**	**2,955**	**0%**
Total operating expenses excl. regulatory fees	-1,174	-1,114	5%	-1,184	-1%
Total operating expenses	-1,194	-1,130	6%	-1,205	-1%
Profit before loan losses	**1,758**	**1,342**	**31%**	**1,750**	**0%**
Net loan losses and similar net result	-33	-58		-32	
Operating profit	**1,725**	**1,284**	**34%**	**1,718**	**0%**
Cost-to-income ratio excl. regulatory fees, %	39.8	45.1		40.1	
Cost-to-income ratio*, %	42.4	48.3		42.8	
Return on equity*, %	17.9	12.7		18.4	
Diluted earnings per share, EUR	0.38	0.27	41%	0.37	3%

* With amortised resolution fees

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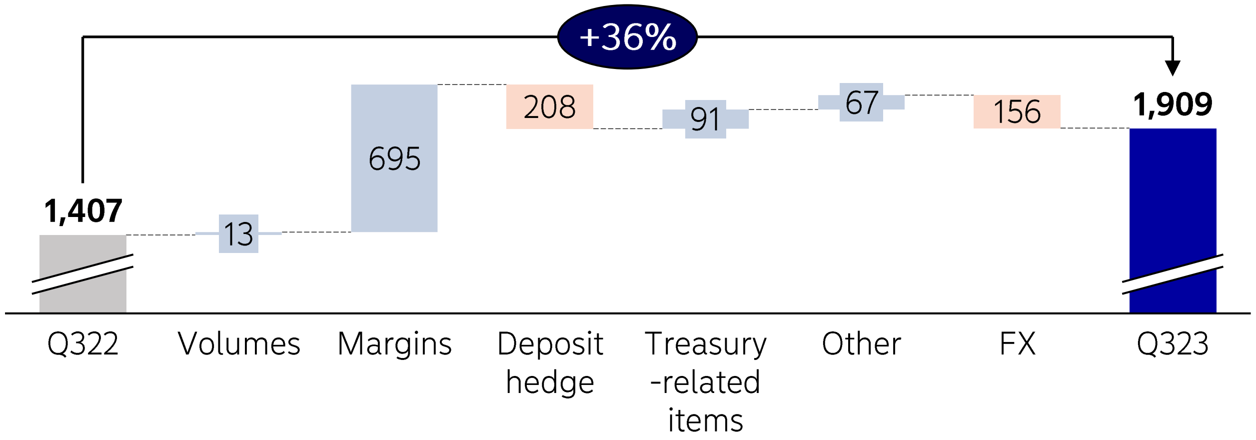
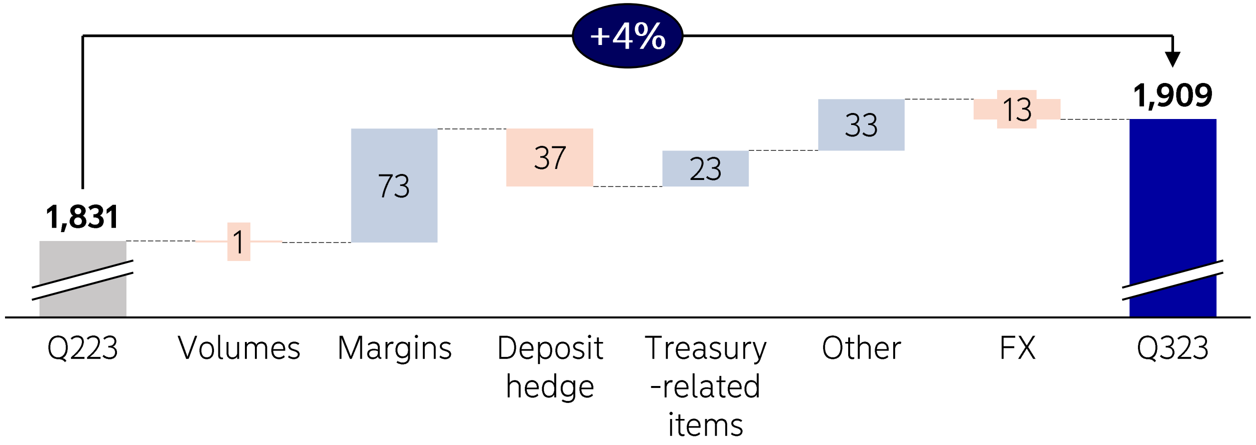
Net interest income

Stable volumes, higher deposit margins

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Net interest income up 36%**
- **Growth in corporate lending continues**
  - Corporate lending up 2%
  - Mortgages stable
- **Net interest margin 1.77%, up 54bp**
  - Lending margins down, especially in households
  - Further increases in deposit margins across business areas and countries

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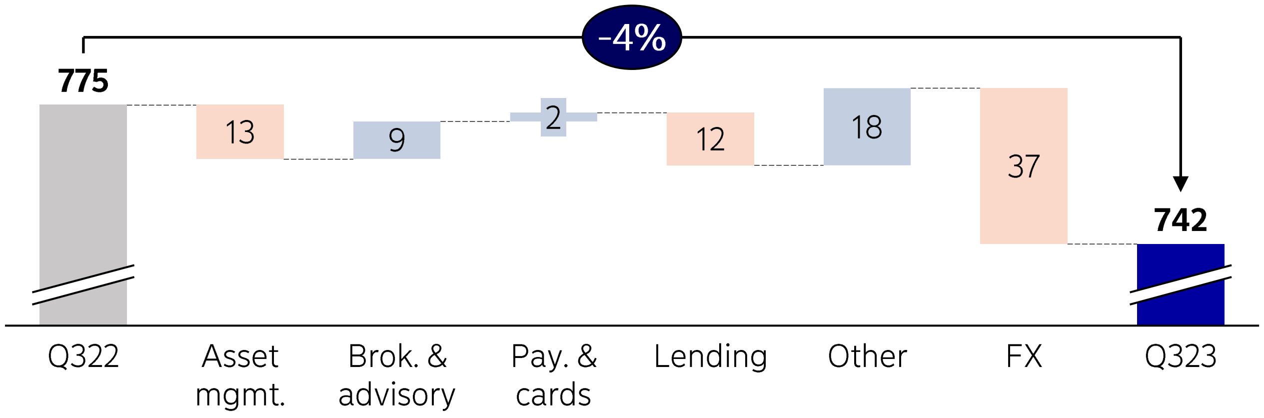
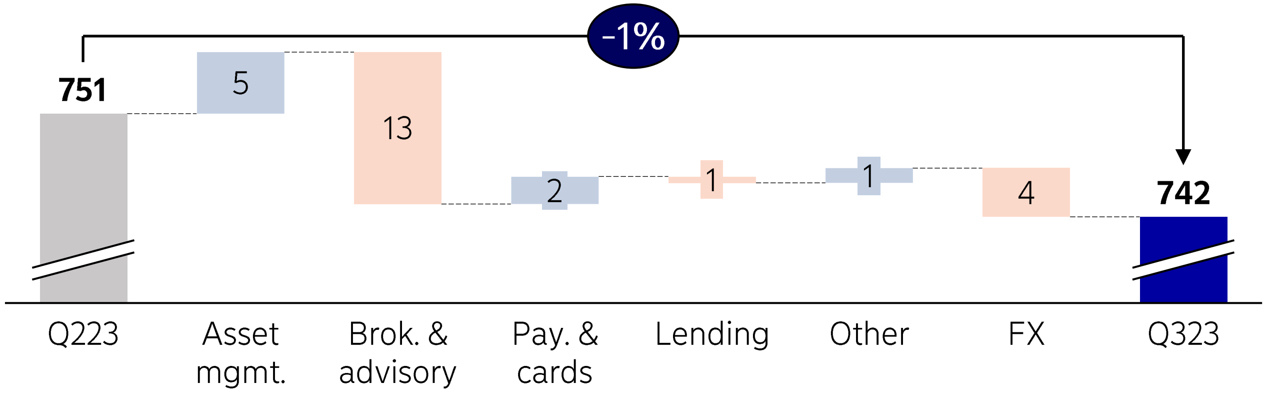
Net fee and commission income

Stable income offset by negative FX effects

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Net fee and commission income down 4%**
- **Savings fee income down due to lower average assets under management**
  - Net flows from internal channels EUR 0.6bn
- **Brokerage and advisory fee income up due to higher activity**
- **Payment and card fee income up due to higher volumes**

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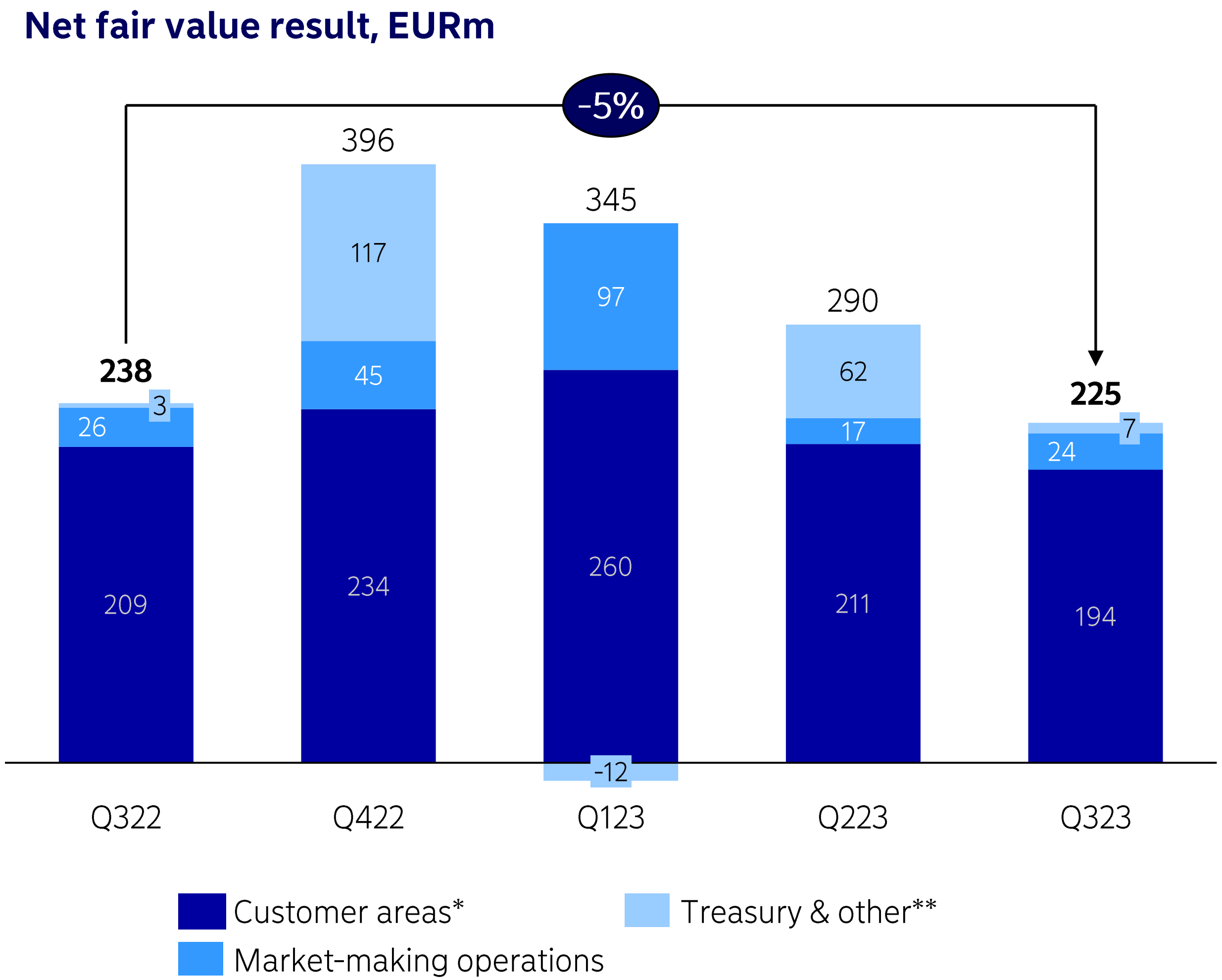
Net fair value result

Lower customer activity



- **Lower customer risk management activity, mainly driven by FX products**
- **Market-making stable**

* Excludes fair value adjustments to loans held at fair value in Nordea Kredit
** Includes valuation adjustments and FX

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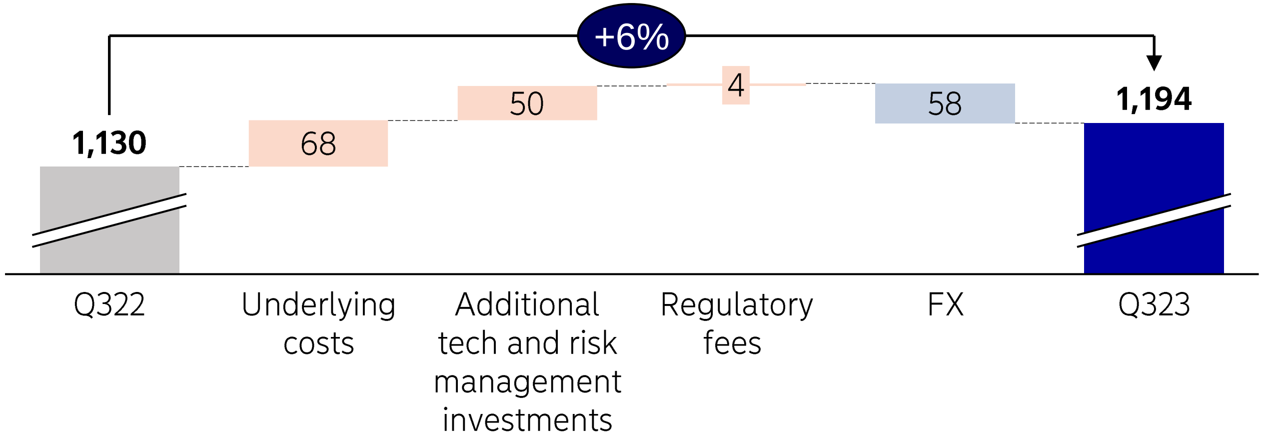
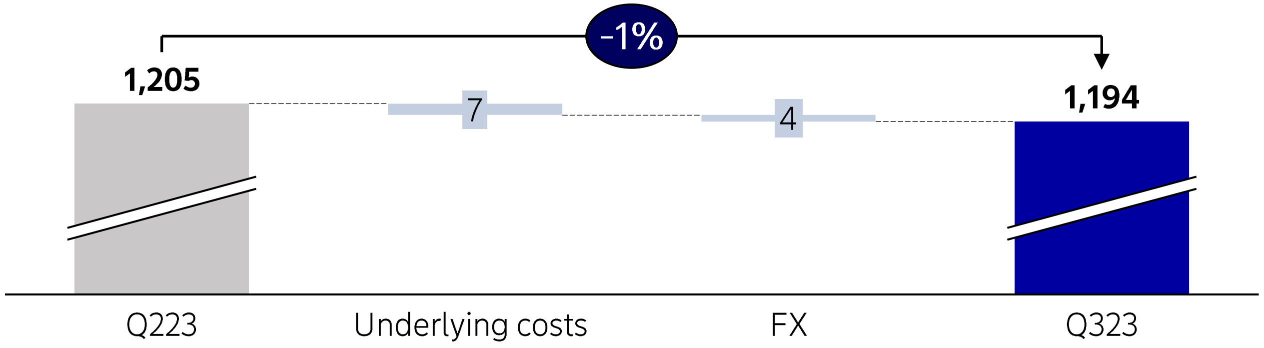
Costs

Continued additional investments, positive jaws

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Costs up 6%, driven by investments and inflation**
  - Continued additional investments in tech and risk management in line with plan
  - Underlying costs driven by salary inflation and higher activity
- **Stable q/q**

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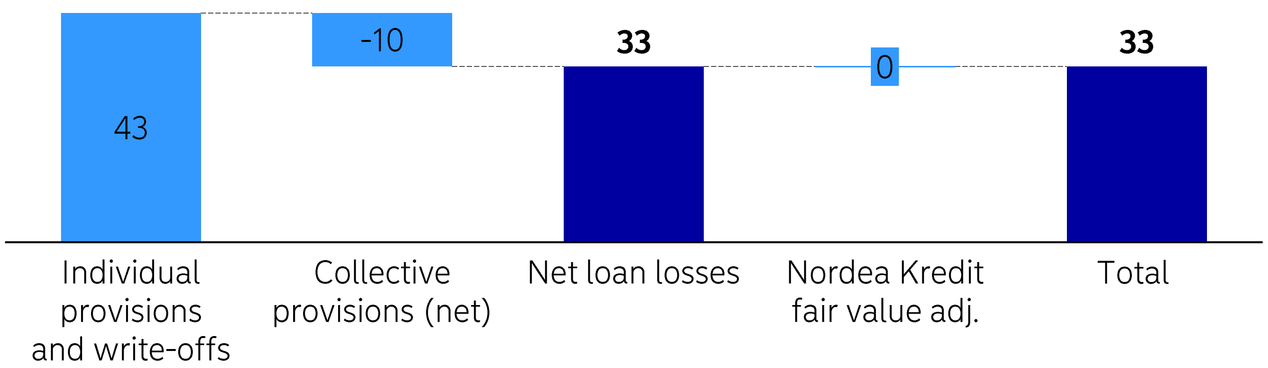
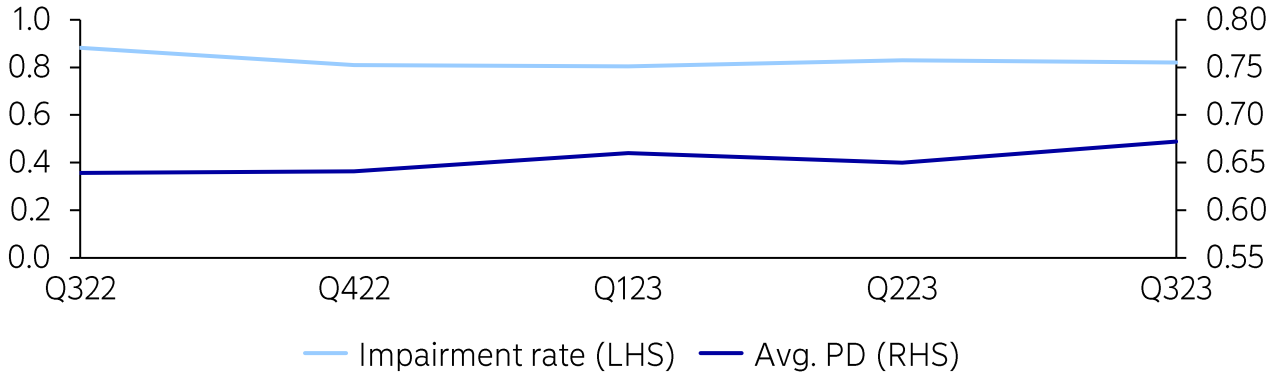
Net loan losses and similar net result

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 33m (4bp)**
  - Low levels of both individual and collective provisions
  - No industry concentration
- **Management judgement buffer EUR 577m – unchanged in local currencies**
- **Continued strong credit quality**
  - Stage 3 loans stable at 0.82% (0.83% in Q2)

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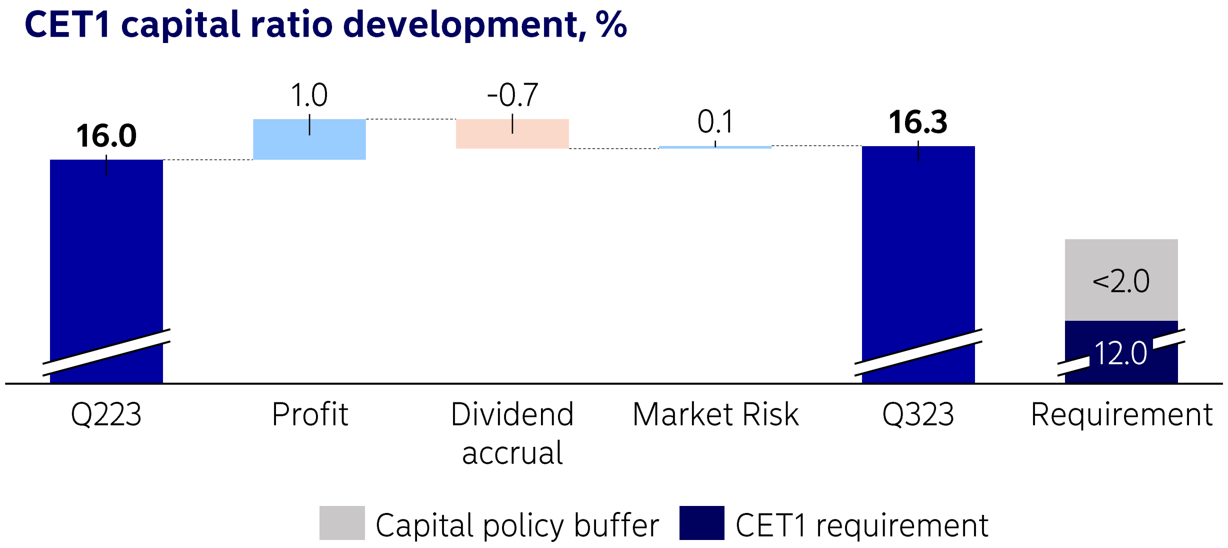
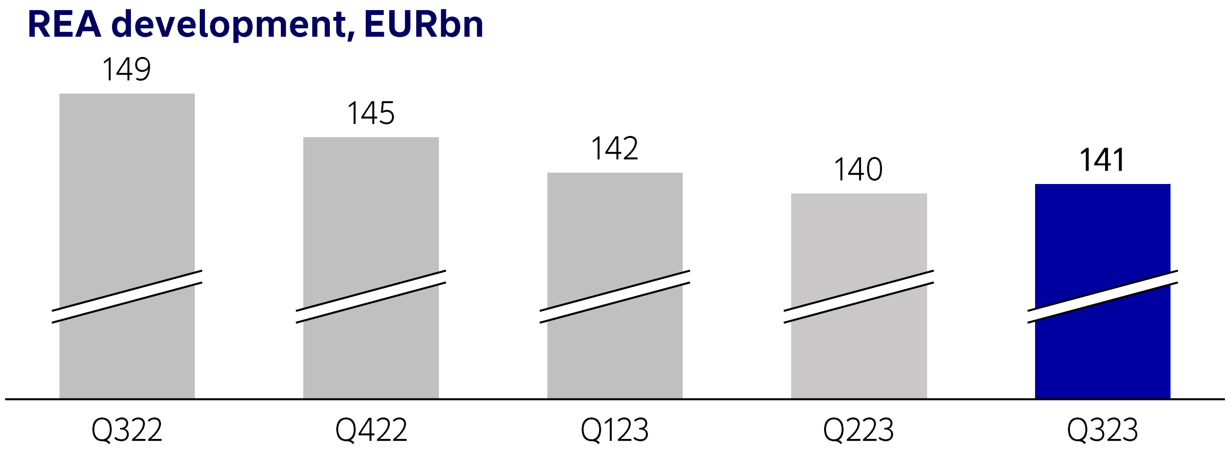
Capital

Strong position; good progress on capital distributions





- **CET1 capital ratio up at 16.3%**
  - 4.3 percentage points above regulatory requirement
  - EUR 0.6bn increase in CET1 capital due to profit accumulation net of dividend accrual and FX effects
  - EUR 0.9bn increase in risk exposure amount, mainly driven by FX effects, partly offset by decreased market risk
- **Good progress on capital distributions**
  - Fourth buy-back programme (up to EUR 1bn) in progress
- **CET1 requirements expected to increase**
  - Finnish and Norwegian SyRB expected to increase CET1 requirement to ~13.5% from Q3 2024

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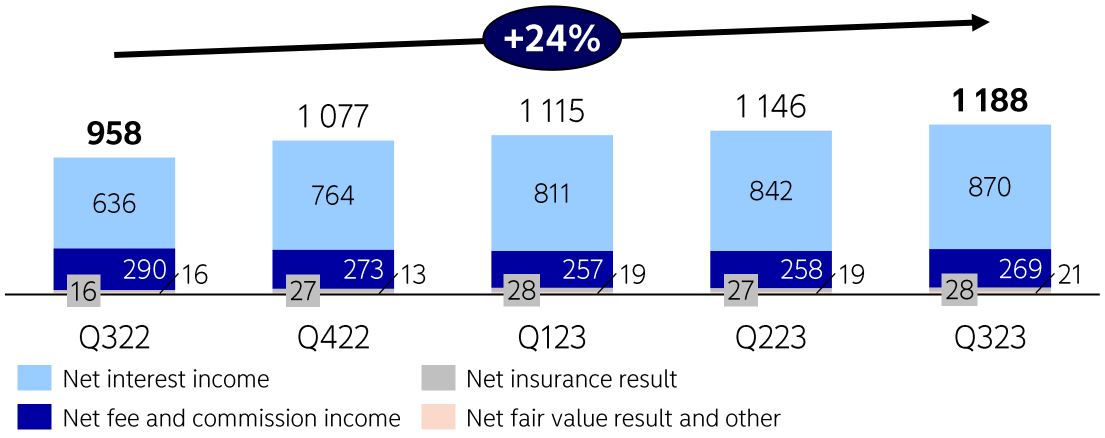
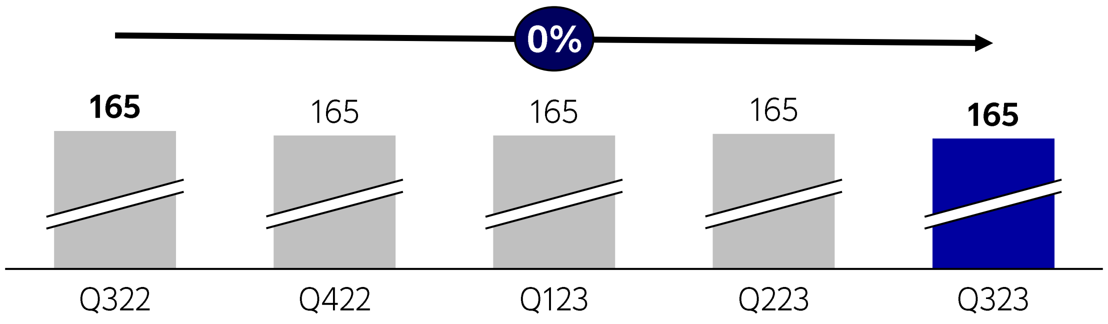
Income growing, driven by higher net interest income

Total income, EURm

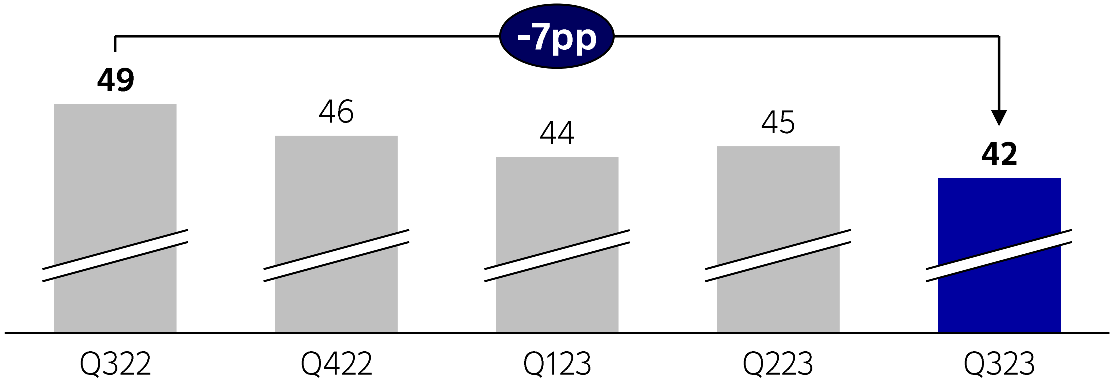


- Total income up 24%
- Net interest income up 37%, driven by improved deposit margins
- Deposit volumes stable
- Mortgage volumes stable – margin pressure continues
- Improved cost-to-income ratio: 42%

Lending*, EURbn



Cost-to-income ratio**, %



* Excluding FX effects
** With amortised resolution fees

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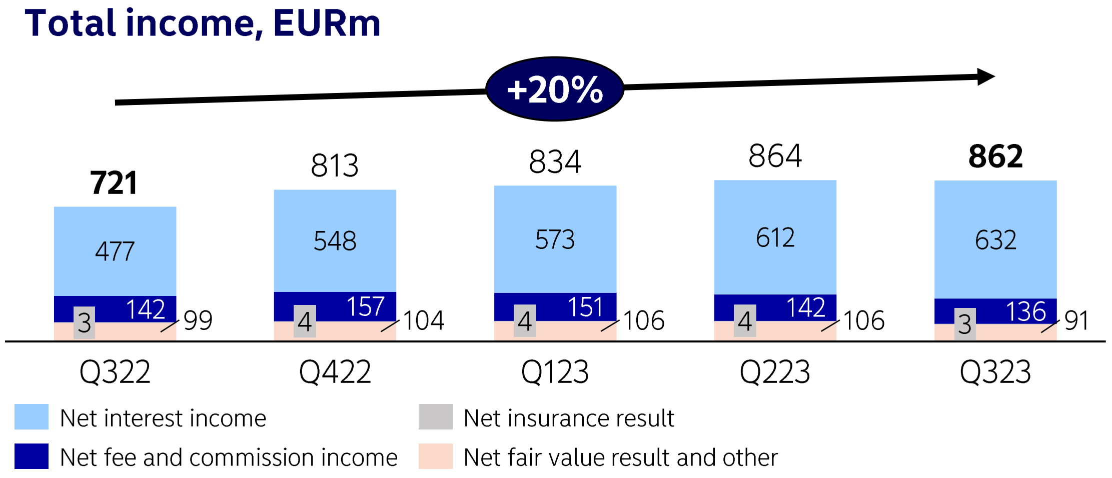
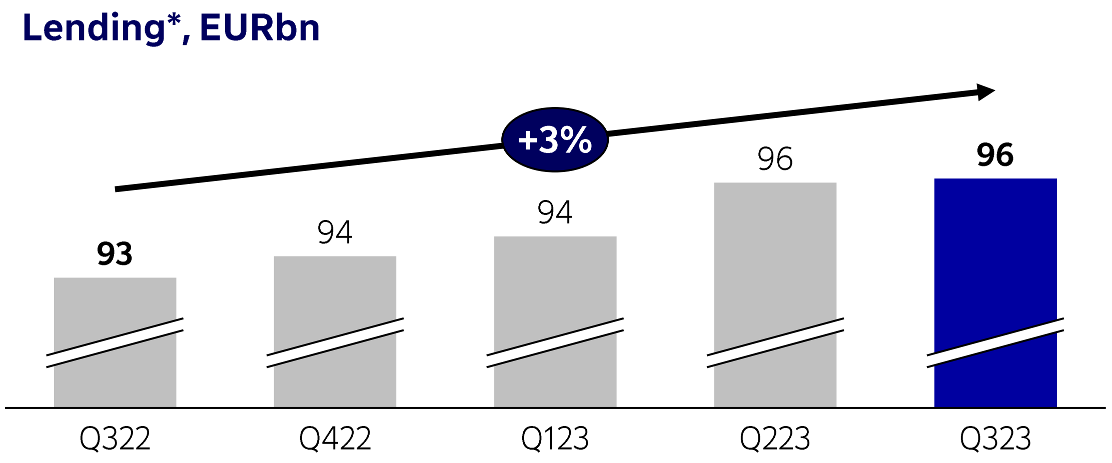
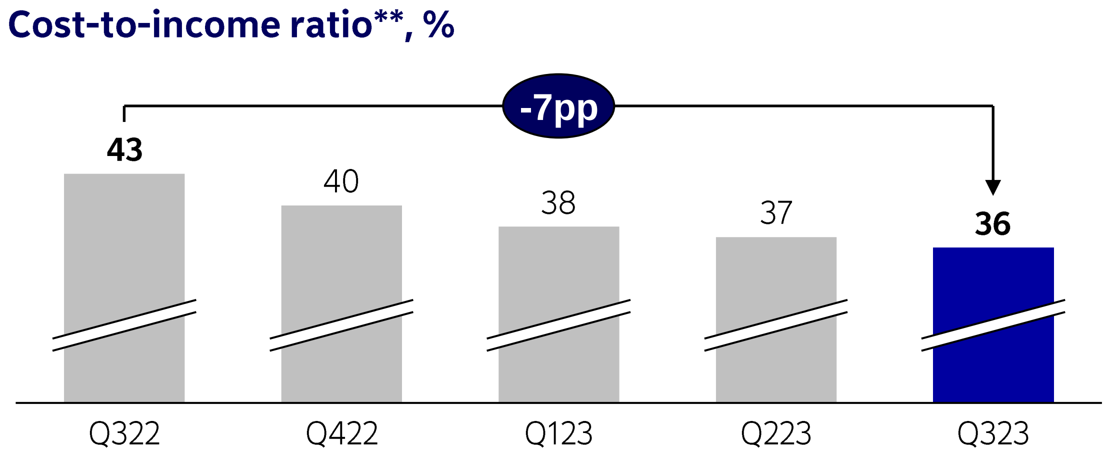
Business Banking

Continued income growth and low net loan losses



- Total income up 20%
- Net interest income up 32%, supported by lending volume growth and improved deposit margins
- Lending volumes up 3%, led by Sweden and Norway
- Low net loan losses: 5bp
- Improved cost-to-income ratio: 36%





* Excluding FX effects
** With amortised resolution fees

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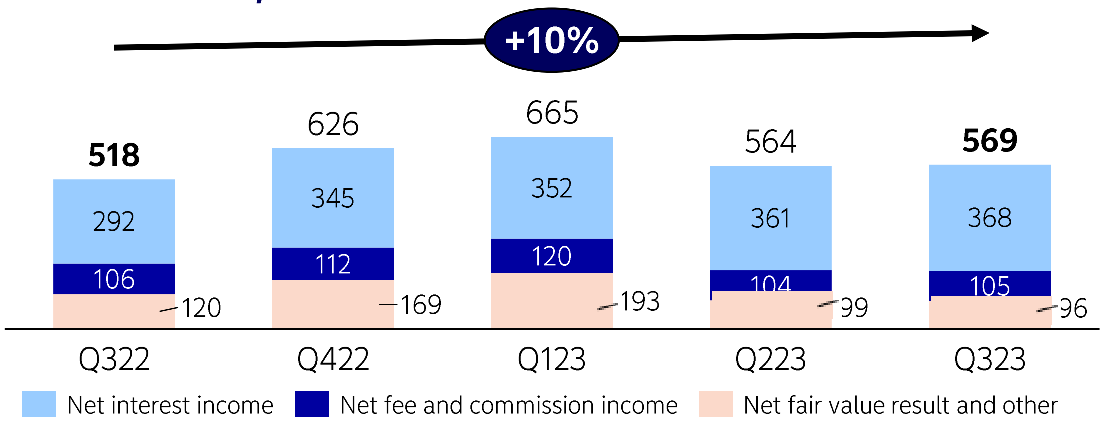
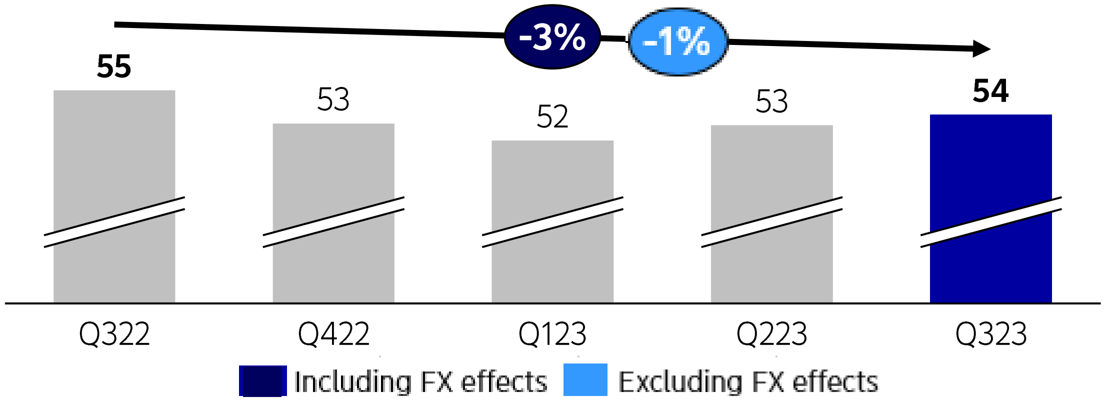
Continued business momentum and strong net interest income growth

Total income, EURm

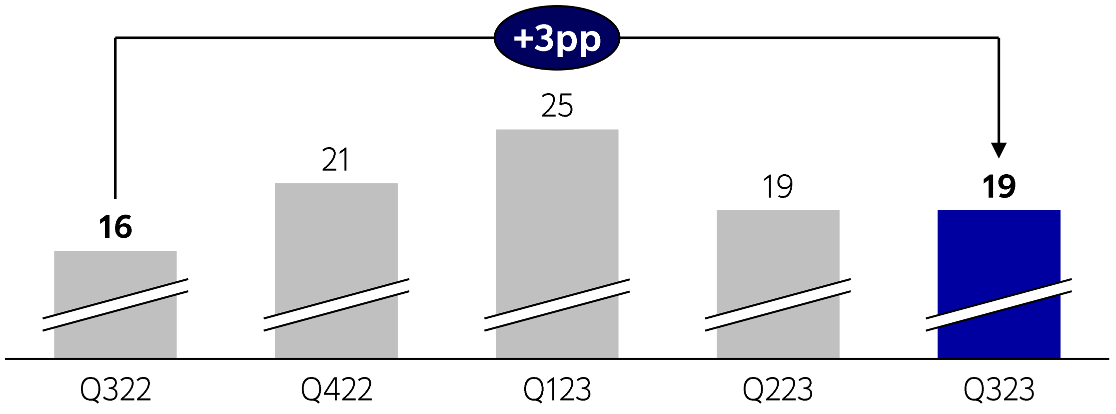


- Total income up 10%
- Net interest income up 26%, driven by positive margin development and higher treasury-related income
- Lending and deposit volumes down 1% and 16%, respectively (excluding FX effects). Up 1% and 6% q/q
- Return on capital at risk 19% and cost-to-income ratio down to 37%

Lending*, EURbn



Return on capital at risk**, %



* Excluding repos
** With amortised resolution fees

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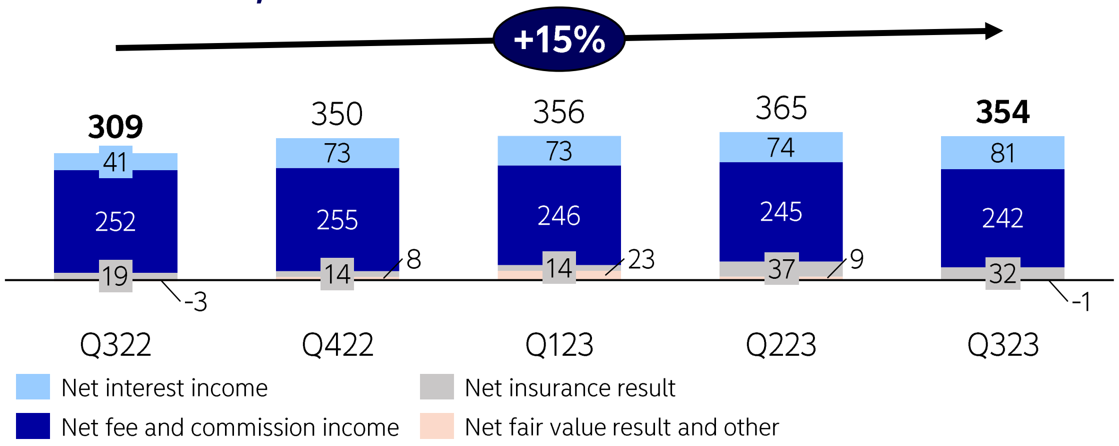
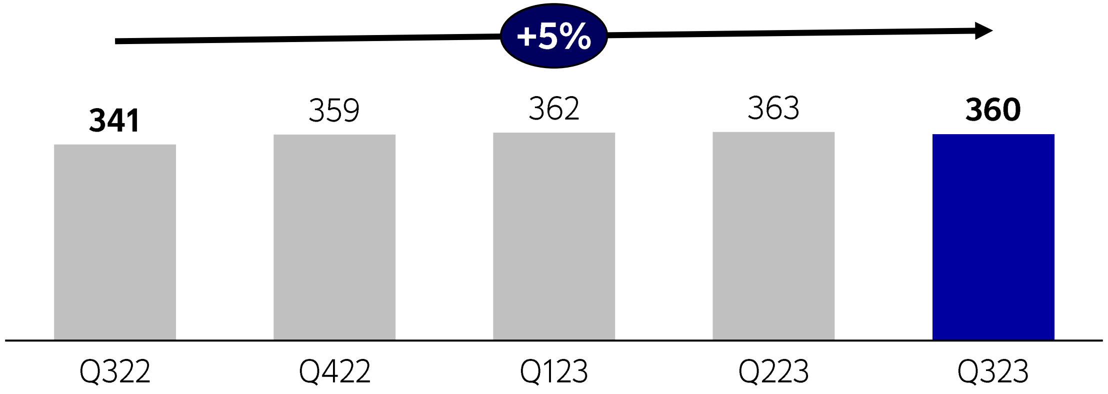
Continued positive net flows from internal channels

Total income, EURm

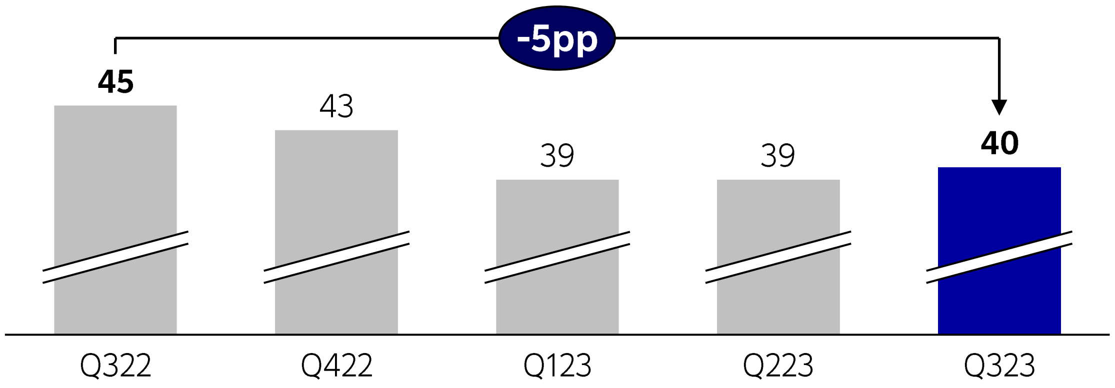


- Total income up 15%, driven by higher net interest income from improved deposit margins
- Assets under management up 5% to EUR 360bn
  - Continued positive net flows from internal channels, EUR 0.6bn for quarter
  - Net outflows of EUR 1.5bn from external channels, although positive net flows in institutional distribution at EUR 0.9bn (excluding outflow of EUR 0.6bn related to NLP divestment in 2018)
- Improved cost-to-income ratio: 40%

Assets under management, EURbn



Cost-to-income ratio*, %



* With amortised resolution fees

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2025: The preferred financial partner in the Nordics

Unchanged outlook for 2023

Financial target for 2025 – update in conjunction with fourth-quarter report


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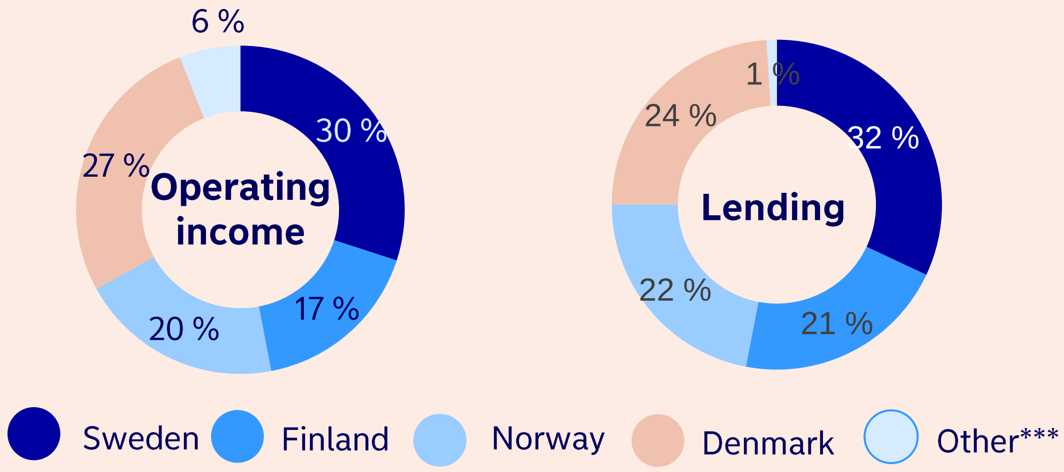
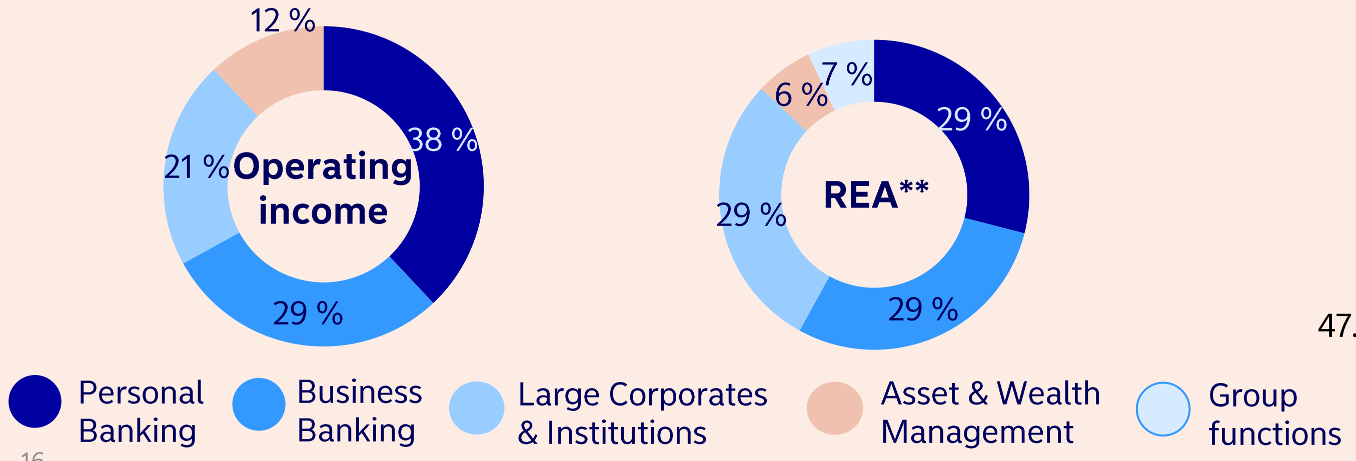
Nordea today

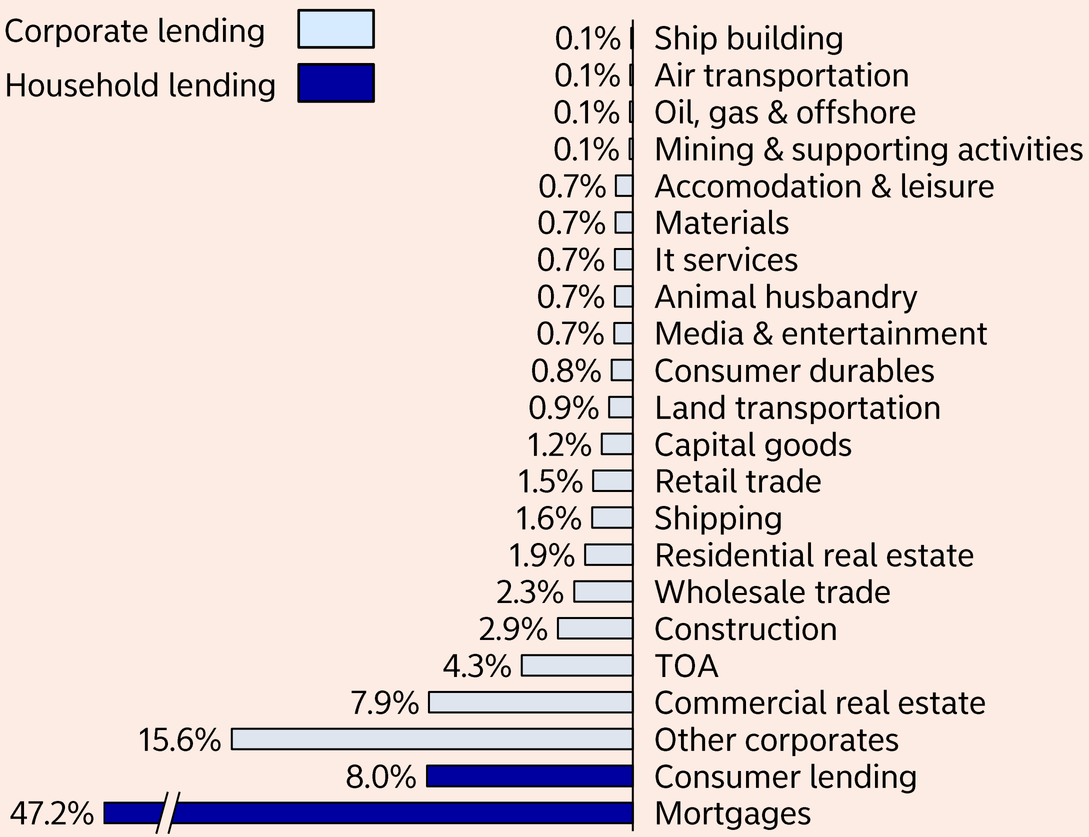
Very well diversified pan-Nordic financial service provider with stable and sustainable returns

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





Very well diversified portfolio – no significant industry sector concentration****



* FY 2022
** REA: risk exposure amount
*** Other income mainly Luxembourg, Poland, United States, United Kingdom and Estonia, **** Q3 2023

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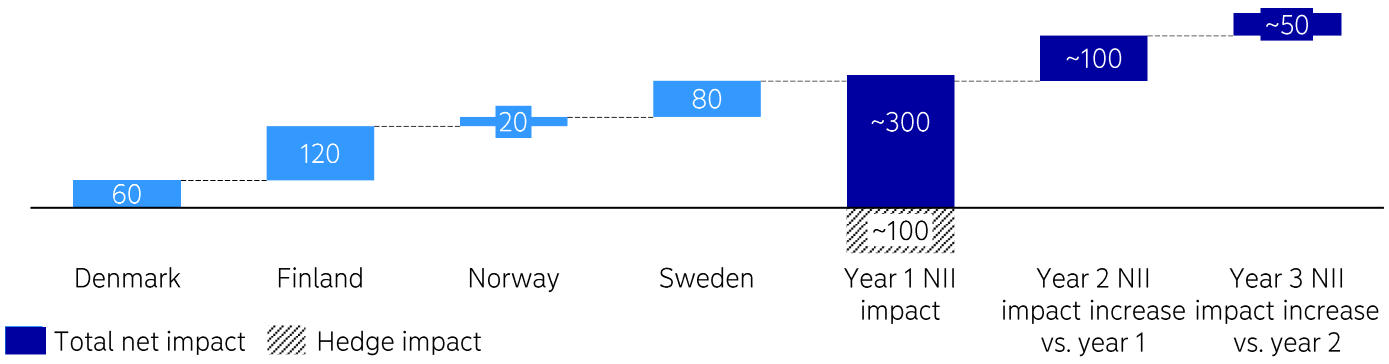
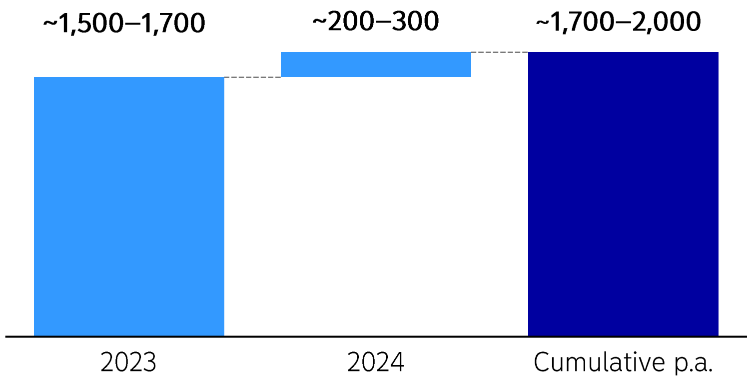
Net interest income

Net interest income sensitivity to policy rate increases

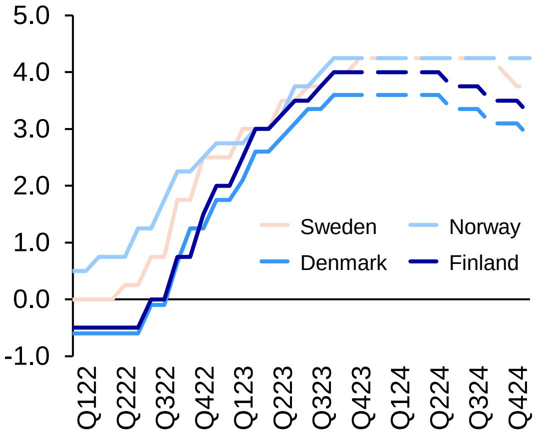
Sensitivity to +50bp parallel rate shift in policy rates



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



Policy rate path expectations



- **NII impact largely driven by policy rates and pass-through**
  - Expected higher policy rates alone estimated to contribute EUR ~1.5–1.7bn 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

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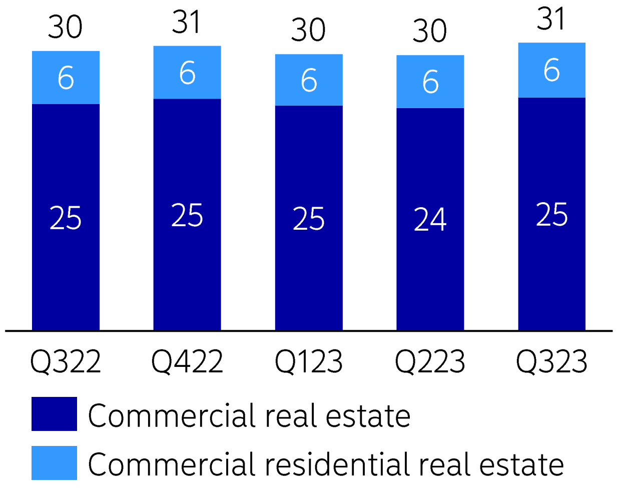
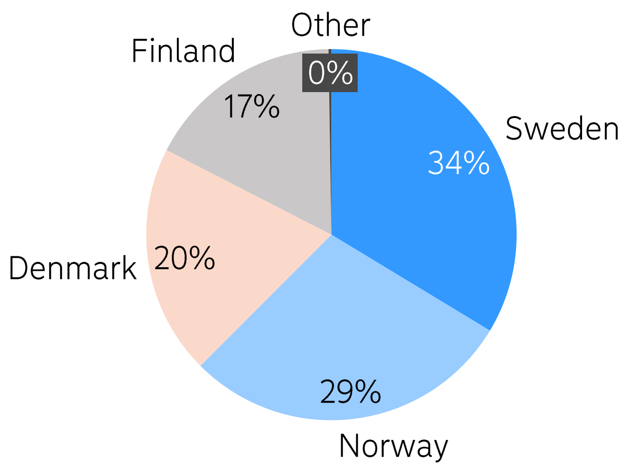
Real estate management industry (REMI)*

Well-diversified portfolio, high-quality lending

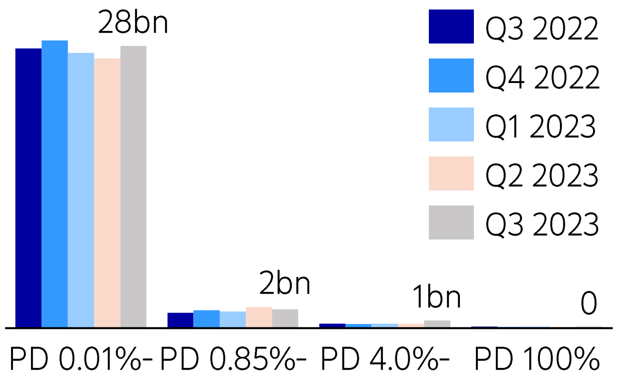
Lending volumes stable



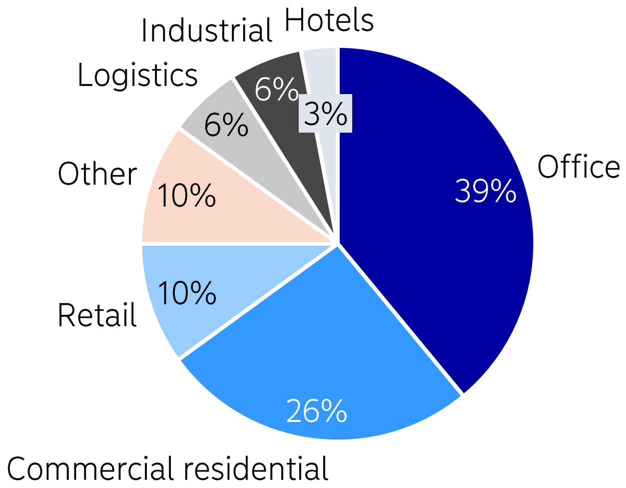
Diversified across countries



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



Diversified across types



- Well-diversified portfolio across Nordic markets
- 91% of exposure towards low-risk customers, with only 3% 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

* Excluding tenant-owner associations (TOAs)

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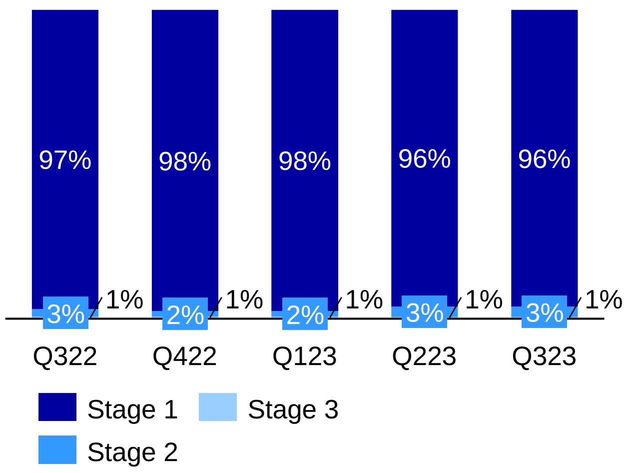
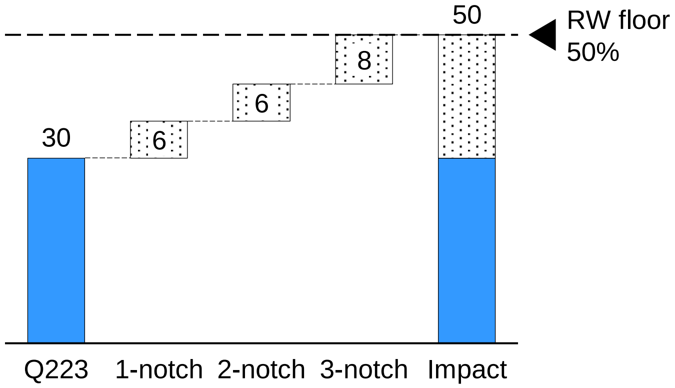
Real estate management industry (REMI)*

Low levels of risk exposure

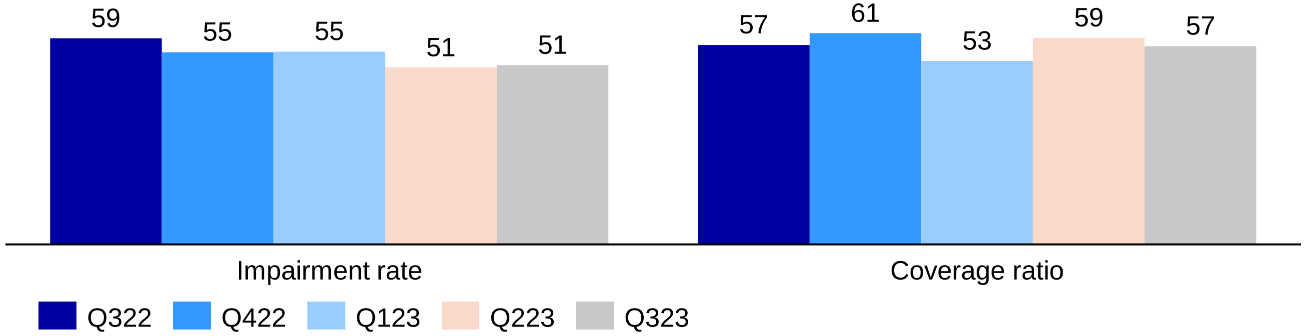
Strong credit quality, with 96% of IFRS 9 portfolio in stage 1



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



Low impairment rate and high coverage for impaired portfolio



- **Only 3% of portfolio in stage 2**
  - No further increase in stage 2 in Q3
- **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**

* Excluding TOAs

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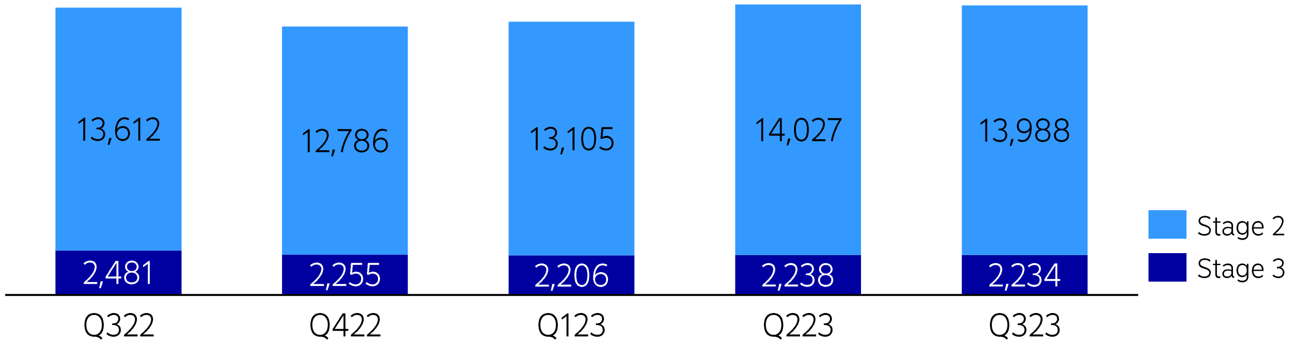
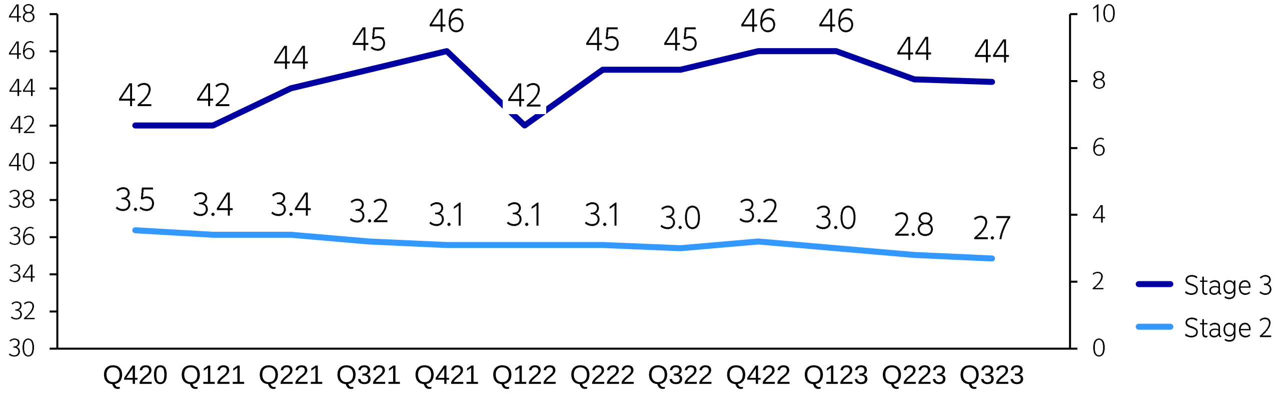
Impairments and provisioning coverage

Strong and stable portfolio credit quality

Stage 2 and 3 loans at amortised cost, EURm



Coverage ratio, %



- **Stage 3 (impaired) loans slightly down at 0.82% (0.83% in Q2 2023)**
- **Stage 2 loans unchanged**
- **Coverage ratio for stage 3 portfolio 44%**
- **Continued strong portfolio credit quality**

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