Nordea

Third-quarter 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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Third-quarter highlights 2024

Executive summary

Continued income growth

- Total income up 2%. Net interest income down 1%, net fee and commission income up 4% and net fair value result up 26%
- Operating profit amounted to EUR 1.6bn

Return on equity* 16.7% – 17.1% excluding US settlement – and earnings per share EUR 0.36

Deposit volumes and assets under management up, mortgage lending volumes stable

- Retail deposits up 2% and corporate deposits up 9% y/y. AuM up 15% y/y. Mortgage lending stable and corporate lending down slightly

Cost-to-income ratio with amortised resolution fees excluding US settlement: 43.4%

Solid credit quality – net loan losses mainly driven by specific provisions on smaller corporate exposures

- Net loan losses and similar net result EUR 51m or 6bp
- Management judgement buffer at EUR 435m – EUR 30m released, reflecting lower provisioning needs

Continued strong capital generation, resuming share buy-backs

- CET1 ratio 15.8% – 2.3pp above current regulatory requirement. EUR 250m buy-back programme to launch in October

2024 outlook updated: return on equity above 16%

* With amortised resolution fees

Key financials

Third-quarter results 2024

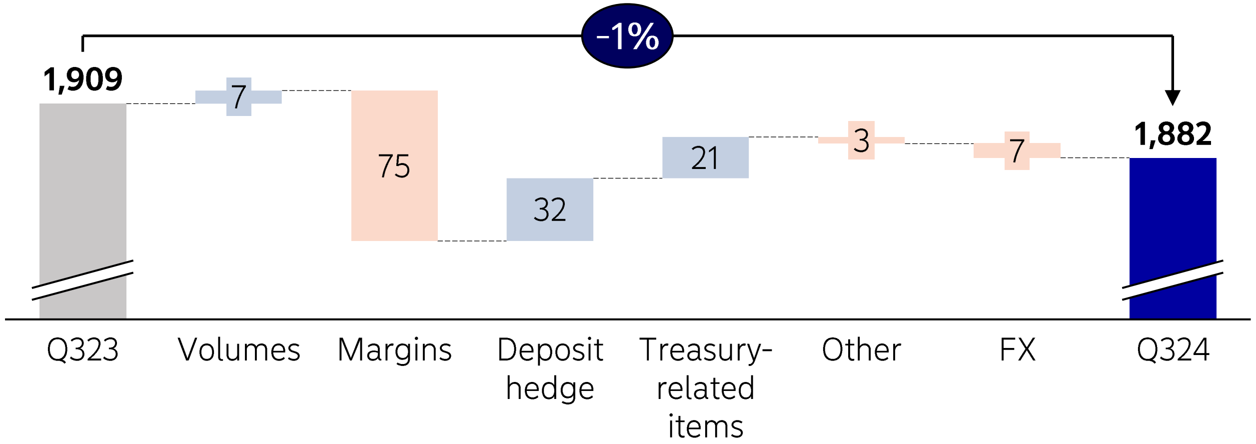
Income statement and key ratios EURm	Q324	Q323	Q3/Q3	Q224	Q3/Q2
Net interest income	1,882	1,909	-1%	1,904	-1%
Net fee and commission income	774	742	4%	795	-3%
Net insurance result	60	63	-5%	63	-5%
Net fair value result	284	225	26%	247	15%
Other income	14	13	8%	21	-33%
Total operating income	**3,014**	**2,952**	**2%**	**3,030**	**-1%**
Total operating expenses excl. reg. fees and US settlement	-1,279	-1,174	9%	-1,260	1%
Total operating expenses	-1,329	-1,194	11%	-1,278	4%
Profit before loan losses	**1,685**	**1,758**	**-4%**	**1,752**	**-4%**
Net loan losses and similar net result	-51	-33		-68	
Operating profit	**1,634**	**1,725**	**-5%**	**1,684**	**-3%**
Cost-to-income ratio excl. reg. fees and US settlement, %	42.4	39.8		41.6	
Cost-to-income ratio*, %	44.5	42.4		42.6	
Return on equity*, %	16.7	17.9		17.9	
Diluted earnings per share, EUR	0.36	0.38	-5%	0.37	-3%

* With amortised resolution fees

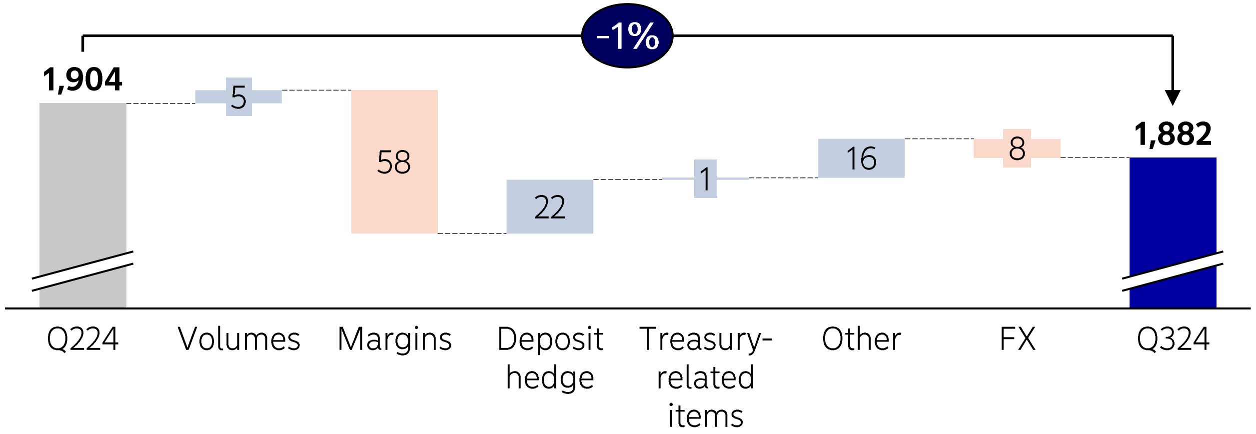
Net interest income

Stable volumes, lower deposit margins as expected

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Net interest income down 1%**
- **Deposits up and mortgage lending stable**
  - Retail deposits up 2%
  - Corporate deposits up 9%
  - Mortgage volumes stable
  - Corporate lending down 1%
- **Net interest margin at 1.77%**
  - Lower deposit margins and improved lending margins

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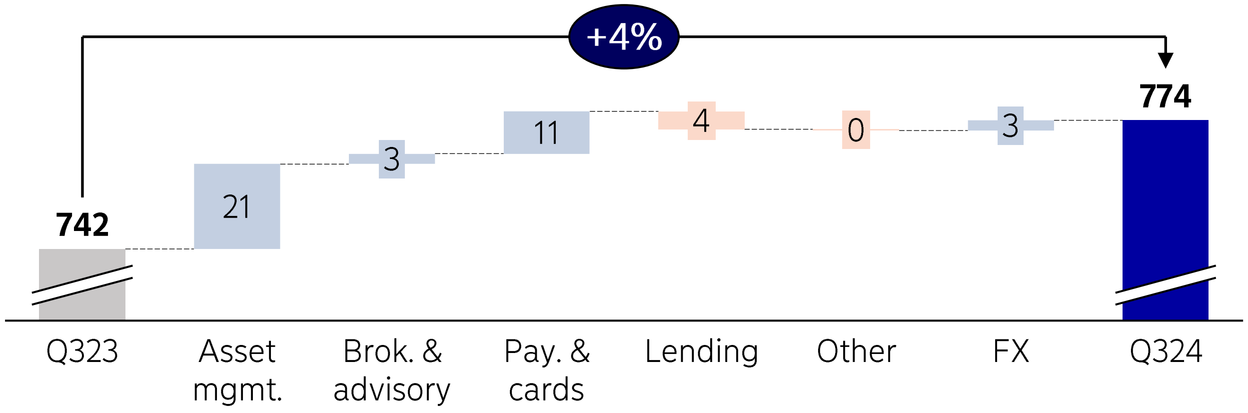
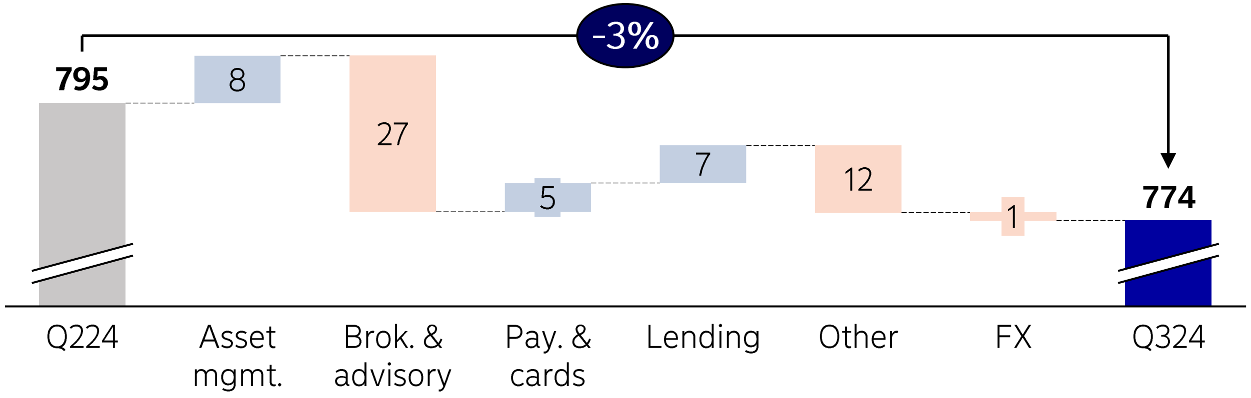
Net fee and commission income

Continued growth driven by higher savings and payment & card income

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Net fee and commission income up 4%**
- **Savings fee income up due to higher assets under management**
  - AuM up 15% to EUR 412bn
  - Net flows from Nordic channels (87% of AuM) EUR 4.2bn
  - International channels (13% of AuM) net outflows EUR 1.8bn
- **Brokerage & advisory fee income up in stronger market**
- **Payment & card fee income up due to higher activity**

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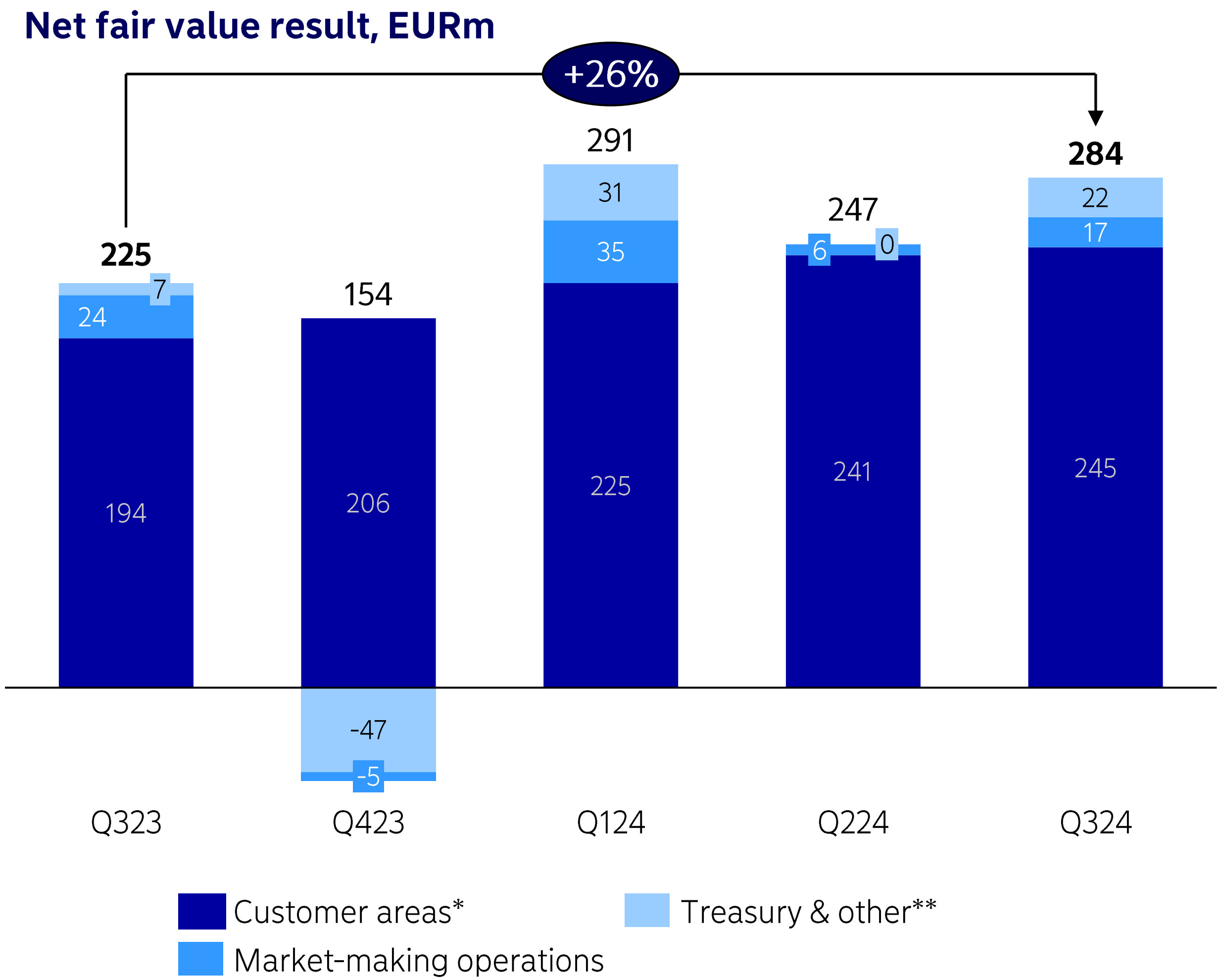
Net fair value result

Higher business activity in customer areas



- **Higher customer risk management activity, mainly in FX and rates products**
- **Market-making supported by strong contribution from Danish mortgages**
- **Treasury & other up, driven by higher valuations and hedging result**

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

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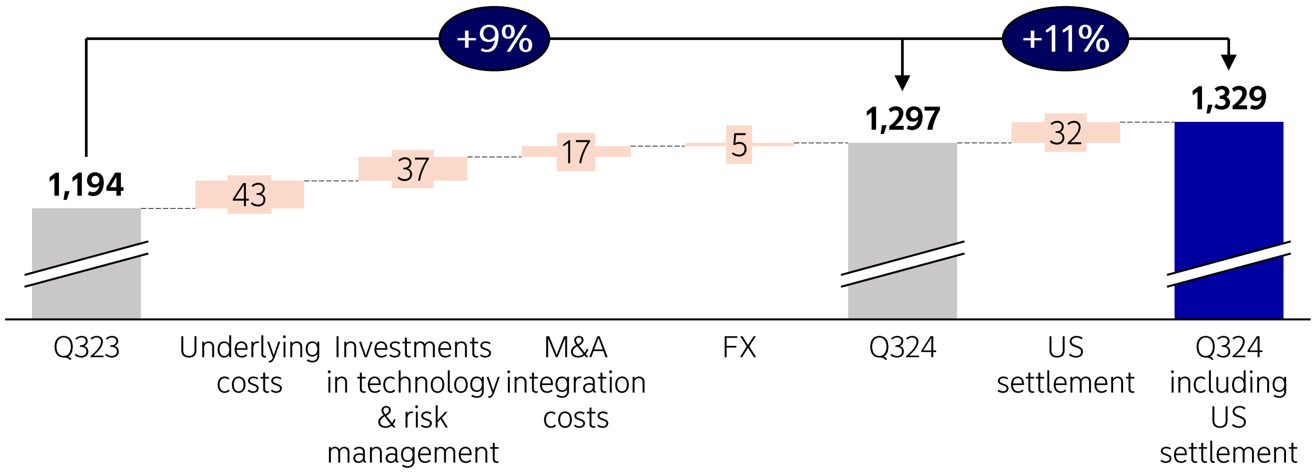
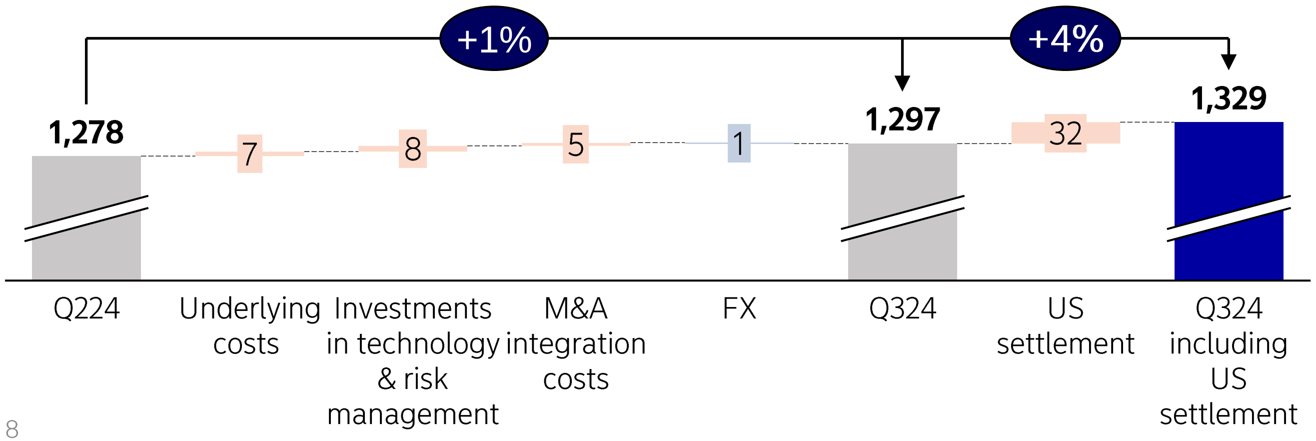
Costs in line with plan

Year-over-year bridge, EURm



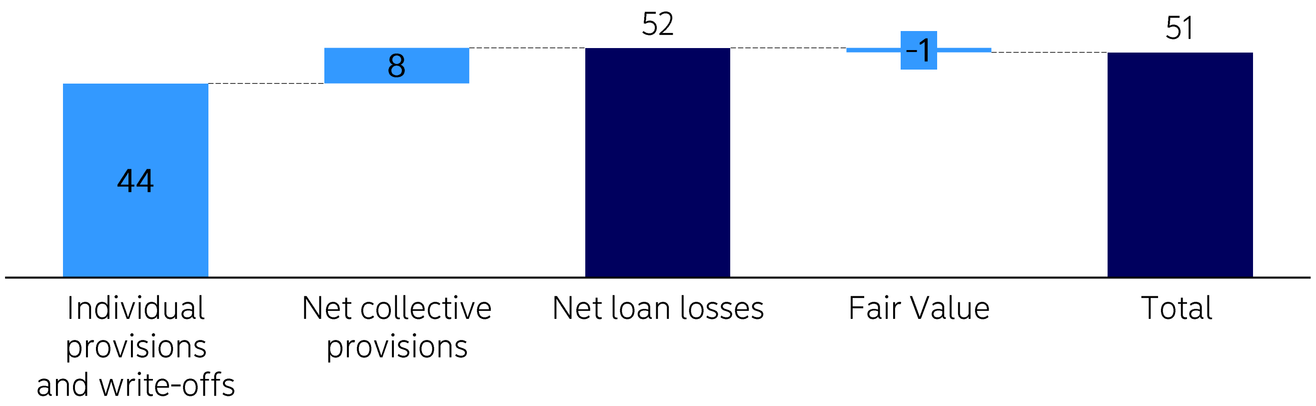
Quarter-over-quarter bridge, EURm



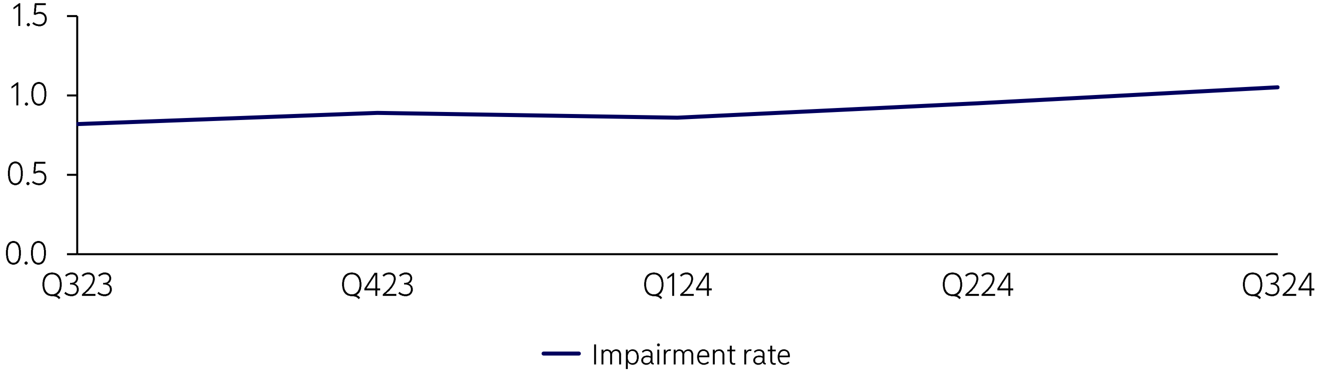
- **Costs excluding US settlement up 9%, driven by investments and inflation**
  - Underlying costs up, driven by salary inflation and higher business activity
  - Continued investments in technology infrastructure, data and AI, digital offering and financial crime prevention
  - M&A integration costs related to acquisition of Danske Bank's personal customer and private banking business in Norway

Continued strong credit quality

Net loan losses and similar net result, EURm



Impaired (Stage 3) loans %

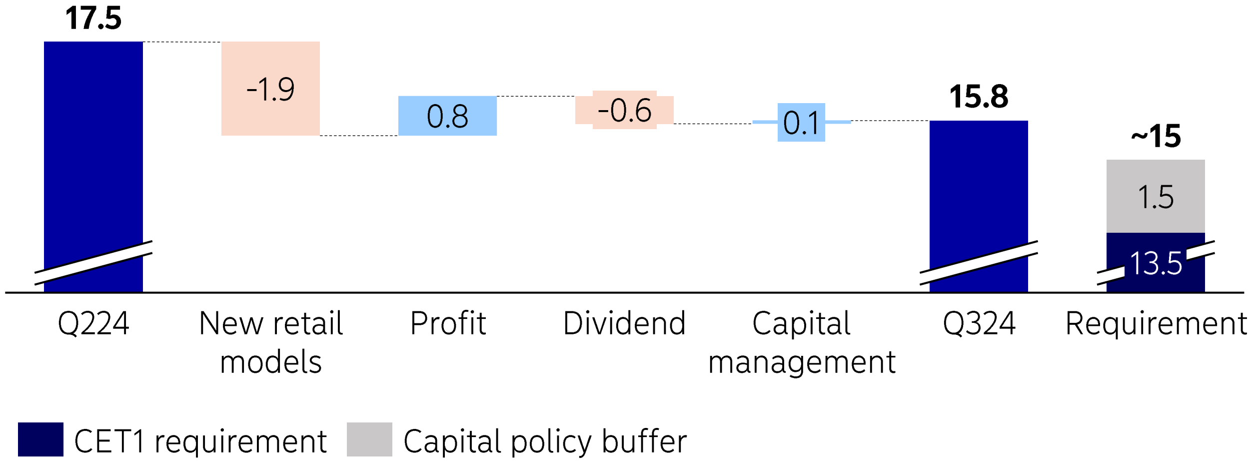


- **Total net loan losses and similar net result at EUR 51m (6bp)**
  - Continued strong credit quality
  - Individual provisions concentrated in small and medium-sized corporate customers affected by special circumstances
  - Moderate collective provisions reflecting improved macroeconomic outlook
- **Overall levels of provisions and coverage unchanged – held at EUR 1.8bn**
  - Management judgement buffer reduced to EUR 435m from EUR 464m due to improved forward-looking risk assessment
- **Continued low level of non-performing loans**
  - Stage 3 loans at 1.05% (0.95% in Q2)

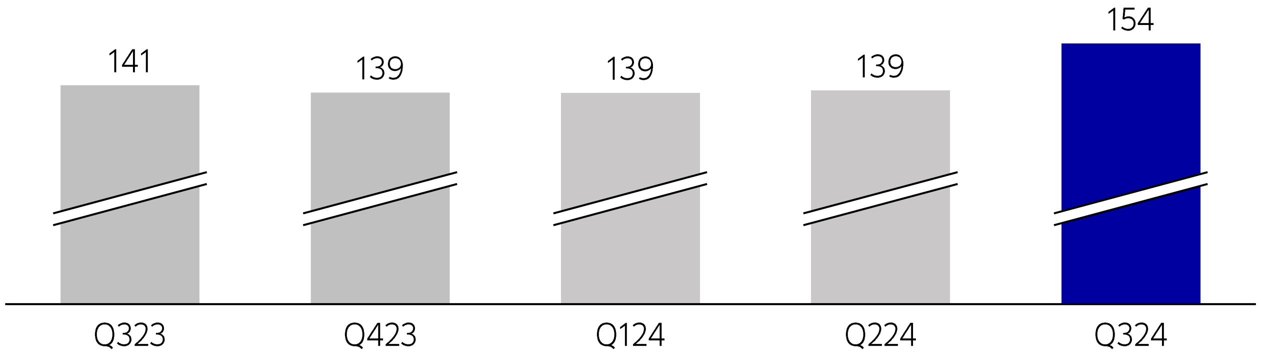
Capital

Lower CET1 ratio following retail models go-live

CET1 capital ratio development, %



REA development, EURbn



- **CET1 capital ratio at 15.8%**
  - 2.3 percentage points above regulatory requirement
  - CET1 capital ratio decreased by ~165bp in line with expectations mainly due to go-live of new retail models, partly offset by profit net of dividend
  - Risk exposure amount increased by EUR ~14bn due to new retail models, partly offset by continued capital management activities and FX effects
  - Norwegian LGD floor removed earlier than expected
- **CET1 requirement expected to increase by 10bp from Q125**
  - Finnish FSA's reciprocation of sector specific Danish SyRB to increase CET1 requirement by ~10bp from 1 Jan 2025
- **Launching EUR 250m share buy-back programme in October**

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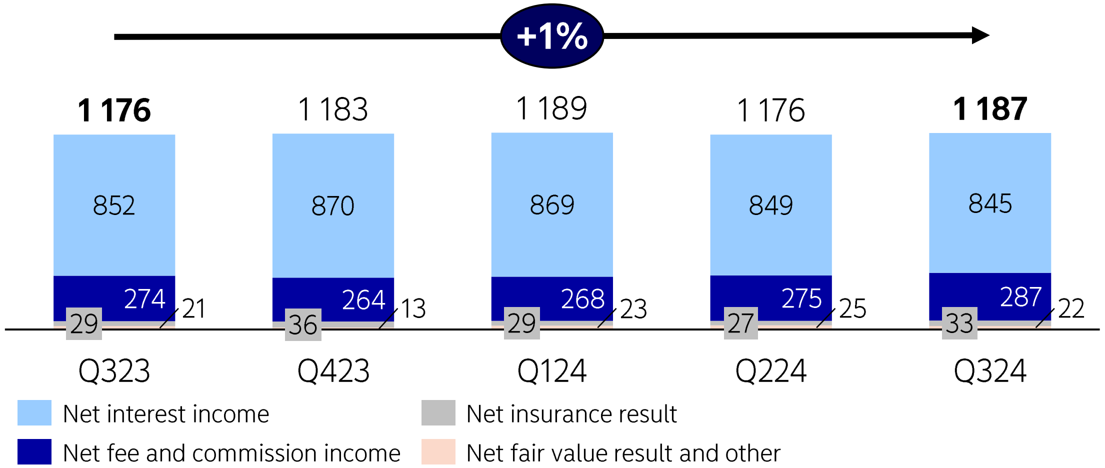
Personal Banking

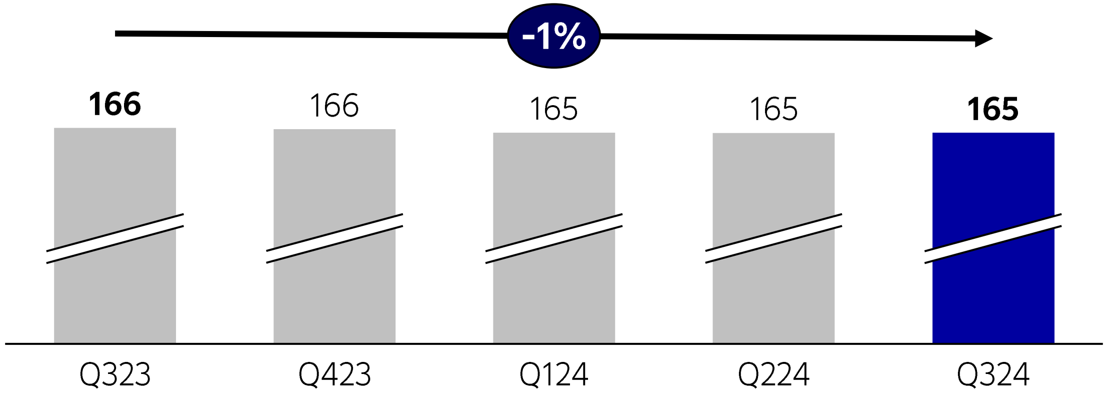
Stable income supported by continued increase in deposit volumes and savings growth

Total income, EURm

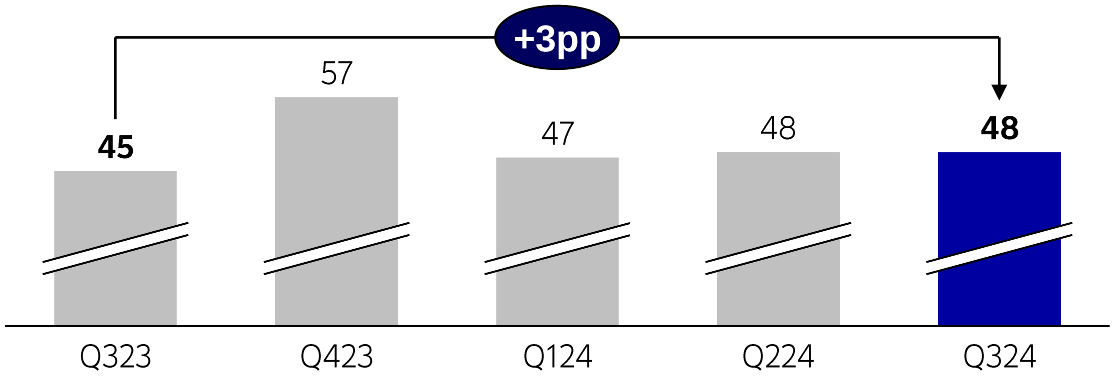


- Total income up 1%
- Net interest income down 1%, lower deposit margins
- Net fee and commission income up 5%, driven by savings
- Deposit volumes up 2%
- Mortgage volumes stable
- Cost-to-income ratio 48%

Lending*, EURbn



Cost-to-income ratio**, %



* Excluding FX effects
** With amortised resolution fees

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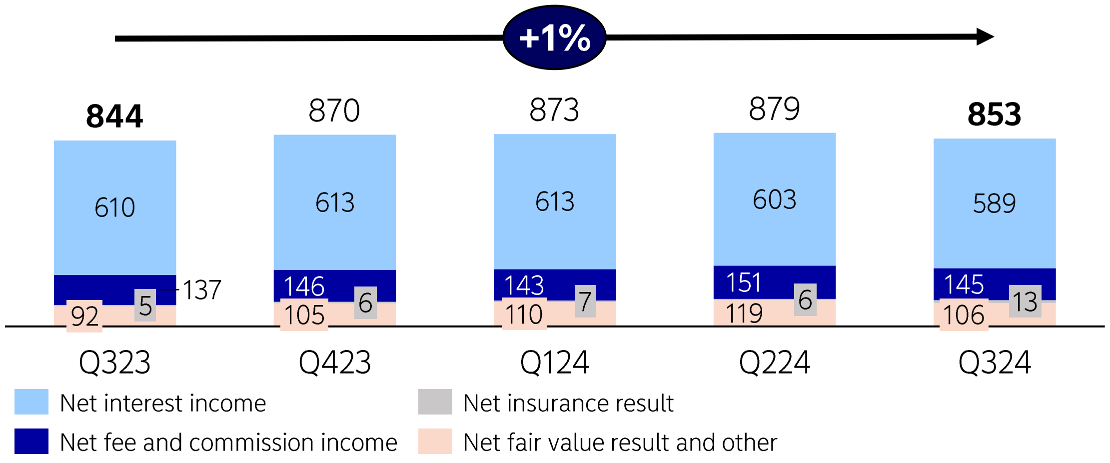
Business Banking

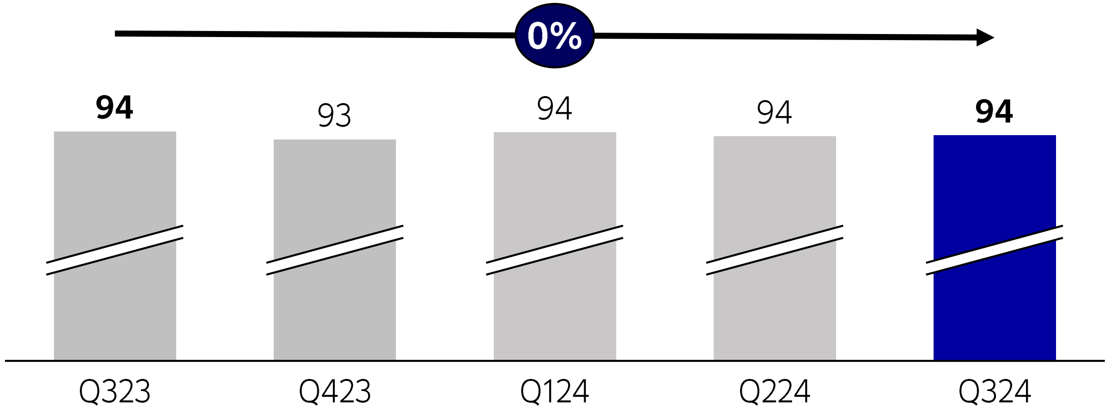
Solid income growth in slower markets

Total income, EURm

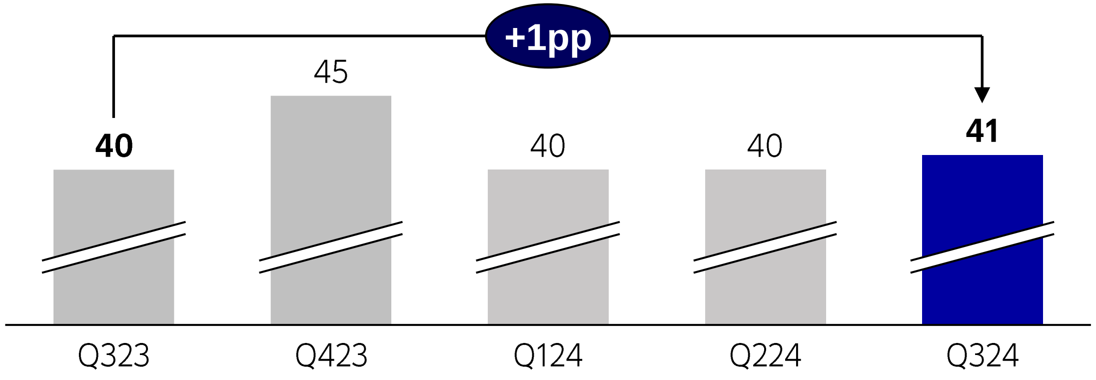


- Total income up 1%
- Net interest income down 3%, mainly from lower deposit margins
- Deposit volumes up 3%
- Net fee and commission income up 6%, driven by higher payment and savings fees
- Net fair value up 17%; high demand for rates hedging
- Cost-to-income ratio 41%

Lending*, EURbn



Cost-to-income ratio**, %

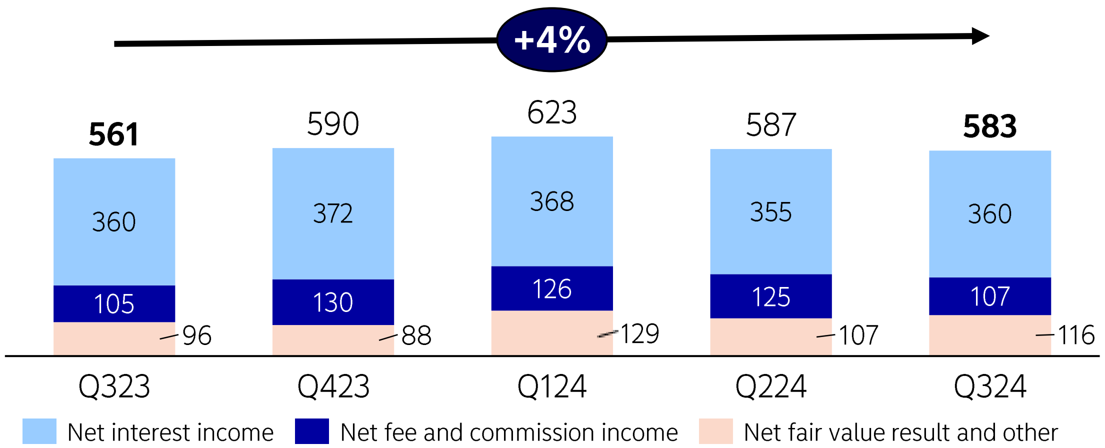


* Excluding FX effects
** With amortised resolution fees

Large Corporates & Institutions

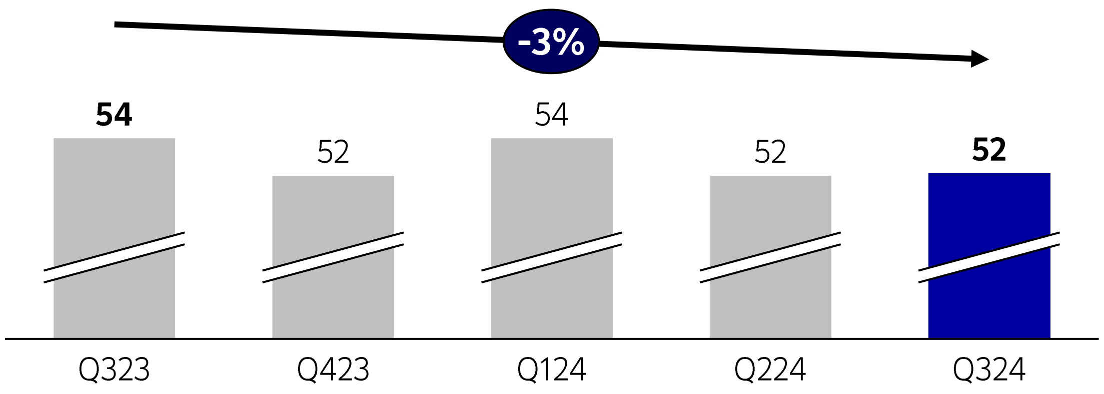
Solid customer activity and income growth

Total income, EURm

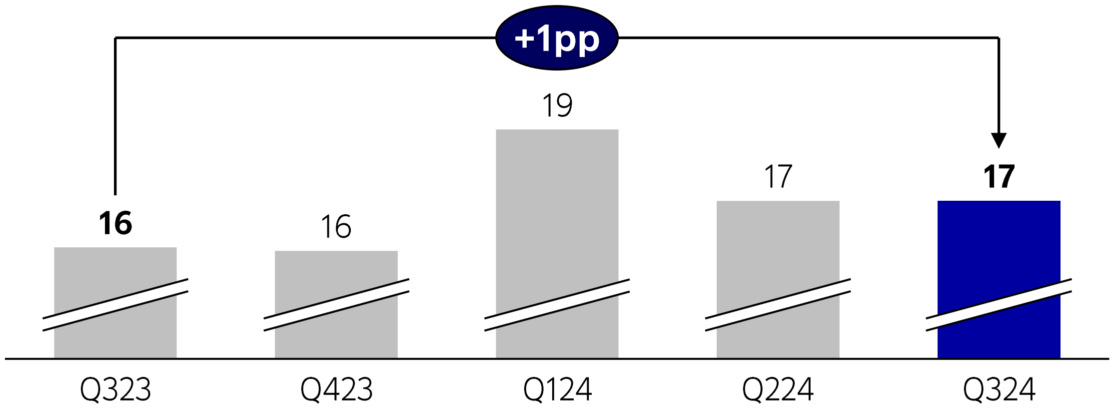


- Total income up 4%
- Net interest income stable with positive volume development
- Deposit volumes up 14%
- Net fee and commission income up 2%, mainly driven by debt capital markets activity
- Net fair value income up 20%; solid customer activity
- Return on allocated equity 17% and cost-to-income ratio 37%

Lending*, EURbn



Return on allocated equity**, %



* Excluding repos
** With amortised resolution fees

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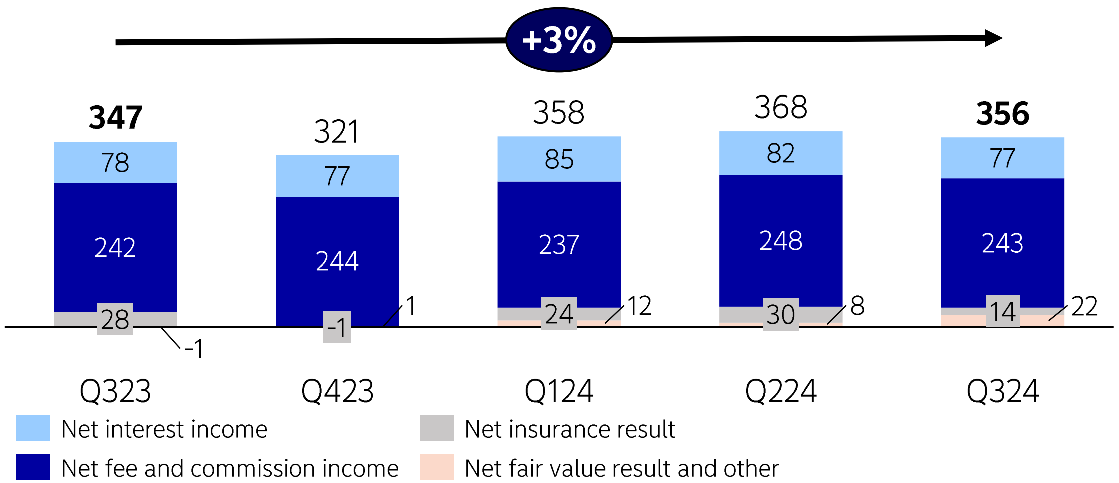
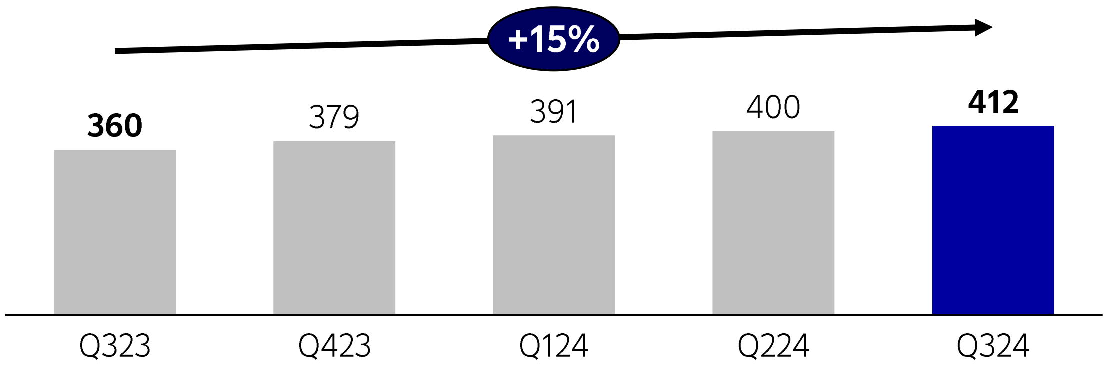
Strong momentum in private banking and continued positive net flow in Nordic channels

Total income, EURm

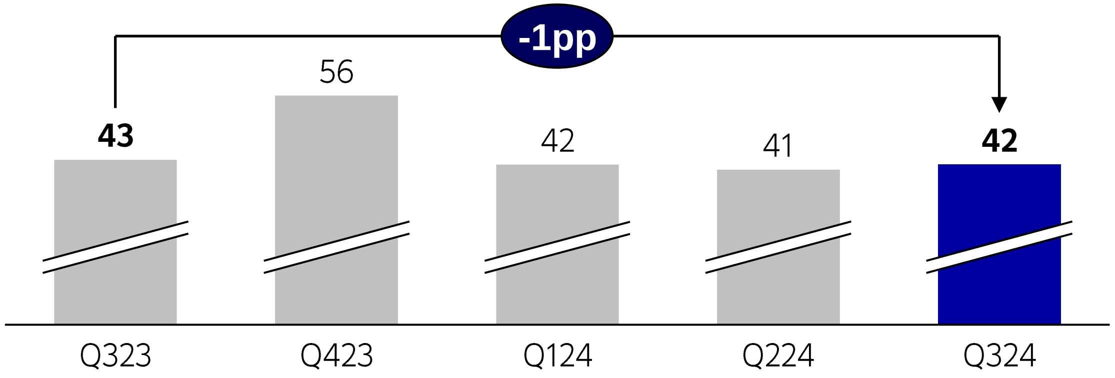


- Total income up 3%, driven by higher assets under management coupled with higher net fair value result
- Assets under management up 15%, to all-time high of EUR 412bn
  - Nordic channels inflows of EUR 4.2bn during quarter
  - International channels outflows of EUR 1.8bn
- Improved cost-to-income ratio: 42%

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

Updated outlook for 2024: return on equity above 16%

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

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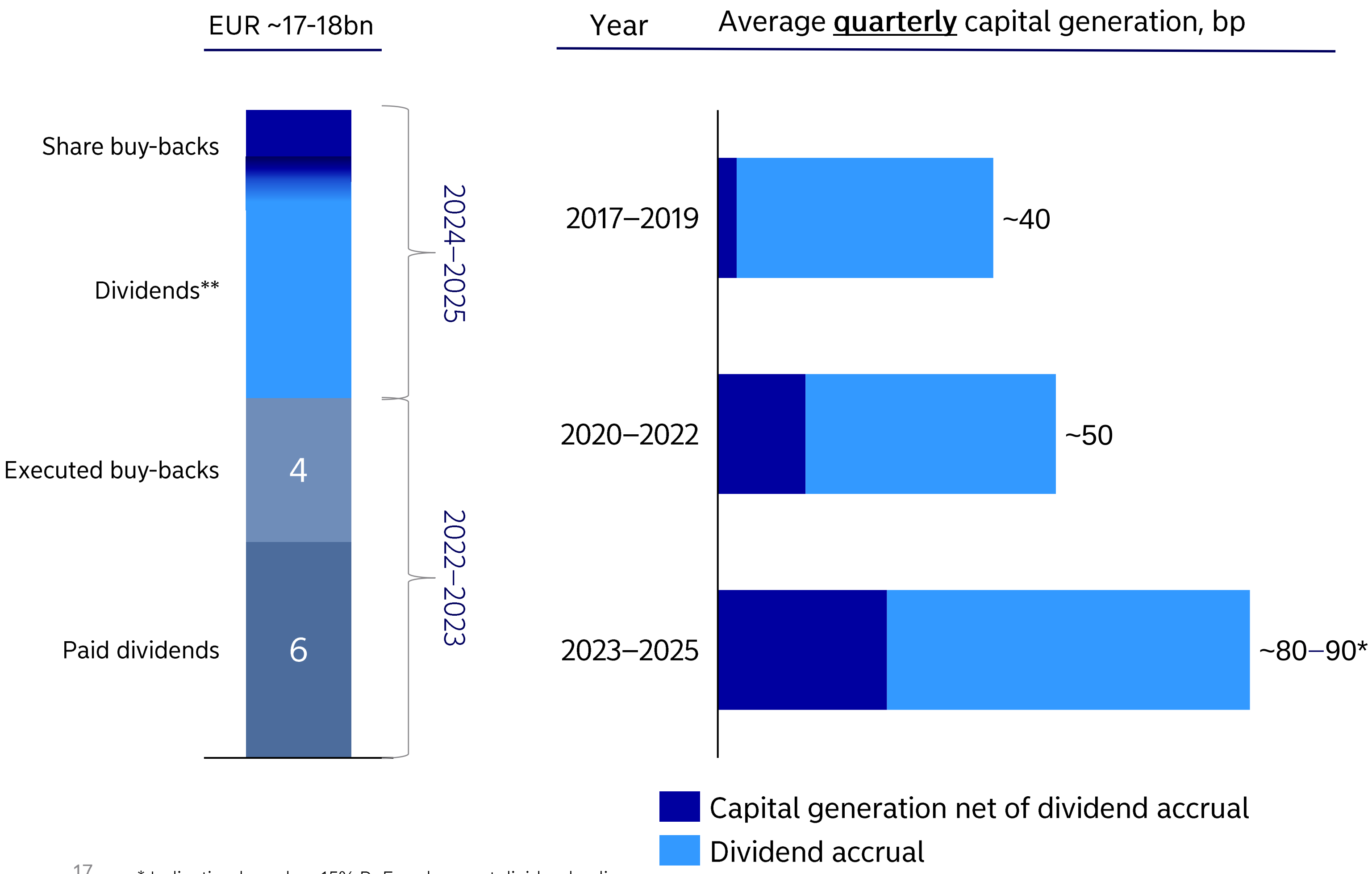
Capital excellence
Strong capital generation supporting returns

Reiterating shareholder returns supported by strong capital generation



- **Reiterating capital return commitment**
  - Strong capital generation
  - Unchanged dividend policy
  - Share buy-backs to distribute excess capital
- **Received ECB approval for EUR 250m share buy-back programme, to launch in October**

* Indicative, based on 15% RoE and current dividend policy
** EUR 3.2bn paid in dividends in 2024

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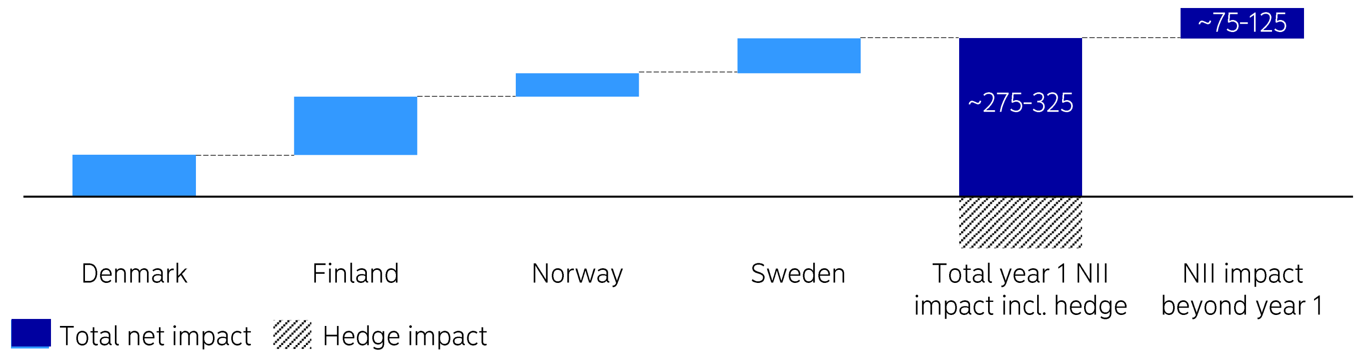
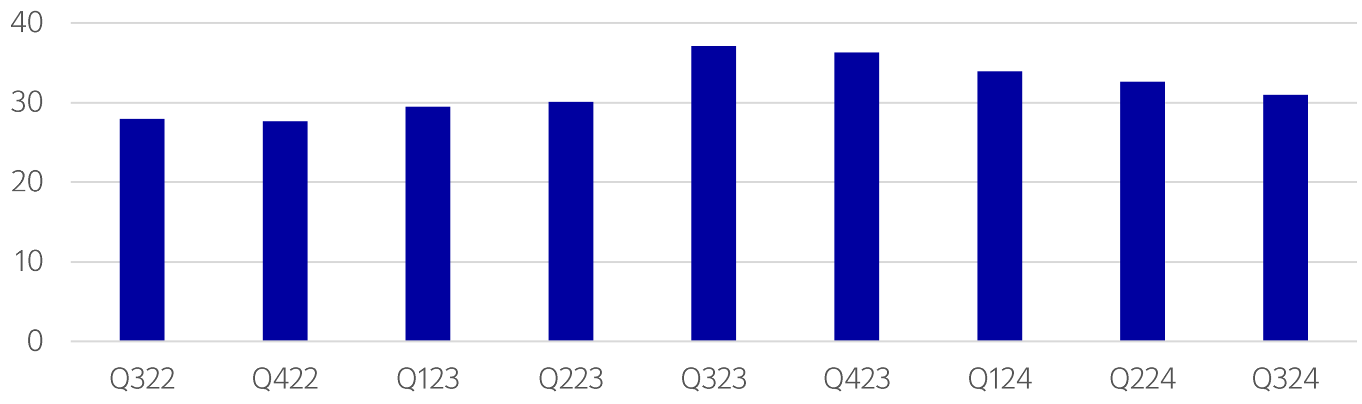
Net interest income sensitivity

Net interest income sensitivity to policy rate changes

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



Structural hedge – nominal volume, EURbn



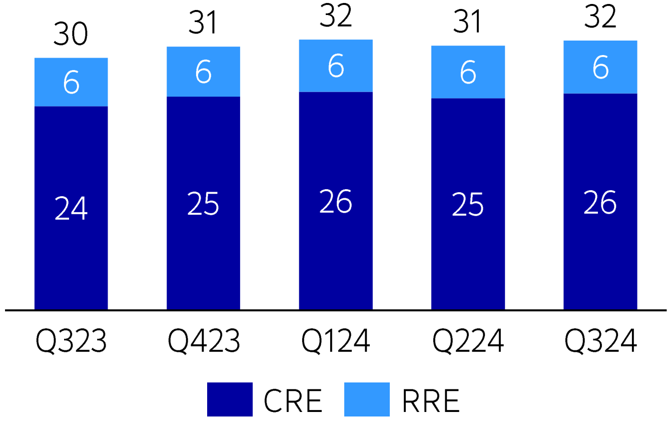
- **NII impact largely driven by policy rates and pass-through**
  - Actual pass-through to vary between account types and countries, and throughout rate cycles
  - Sensitivity reflecting modelled risk over cycle – actual NII impact lower following initial rate cuts and higher thereafter
- **Group NII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

* Symmetrical for -50bp parallel shift

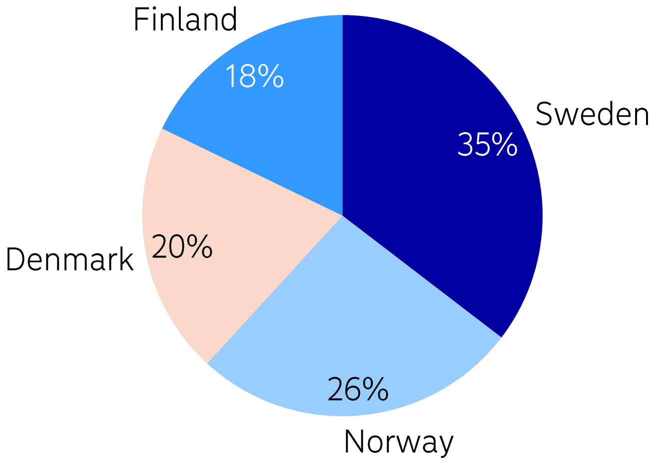
Credit portfolio – real estate management industry (REMI)*

Well-diversified portfolio, high-quality lending

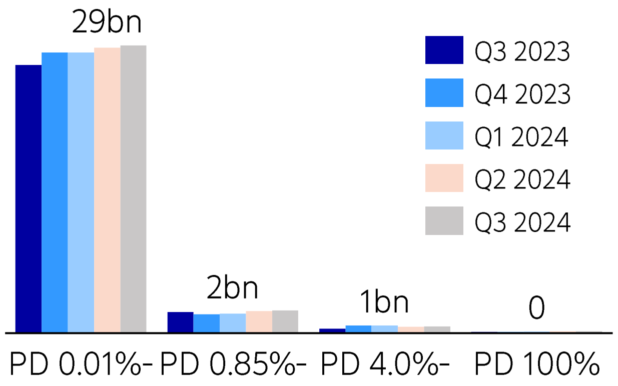
Lending volumes stable



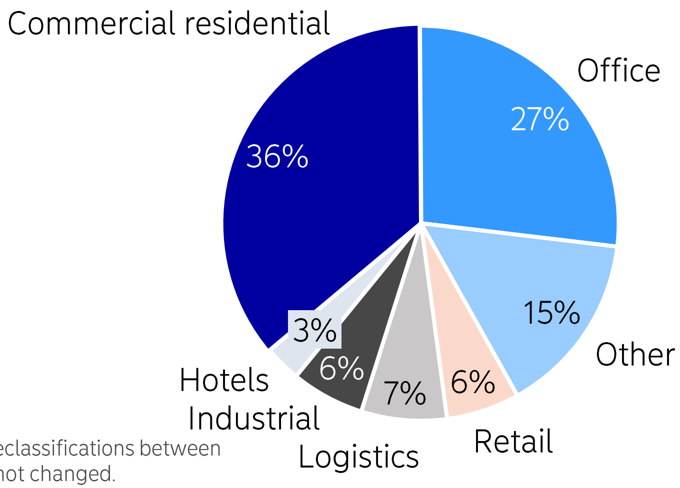
Diversified across countries



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



Diversified across types**



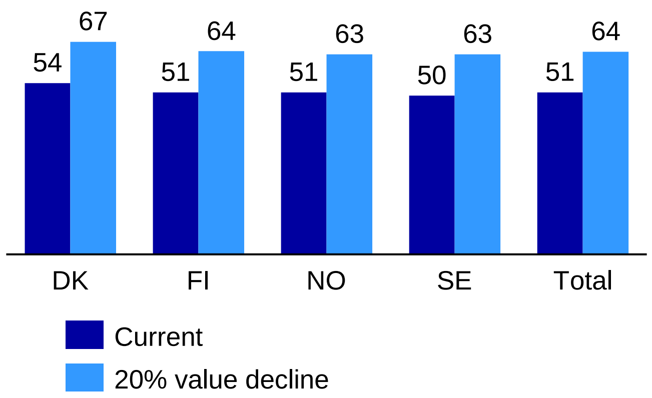
- **Well-diversified portfolio across Nordic markets**
- **90% of exposure towards low-risk customers, 7% towards increased risk, only 2% towards high risk and less than 1% impaired**
- **Portfolio mainly comprising central, modern office and residential properties**
- **Strict underwriting standards: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

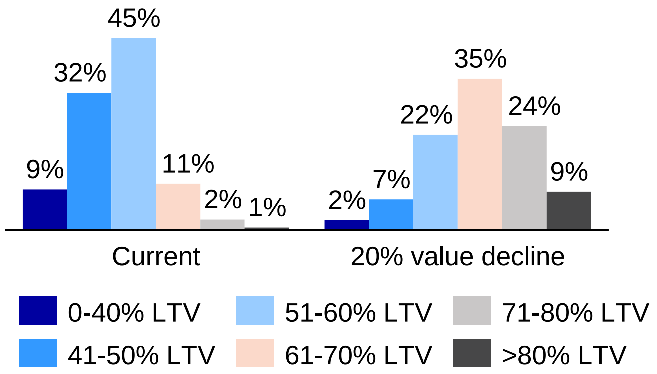
Credit portfolio – real estate management industry (REMI)*

Solid LTVs, resilient interest coverage, high occupancy

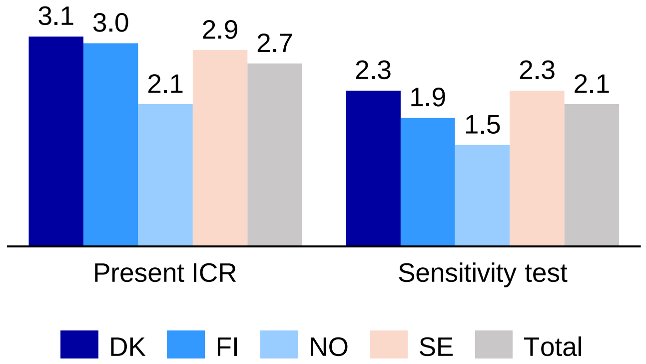
Solid LTV levels for all countries



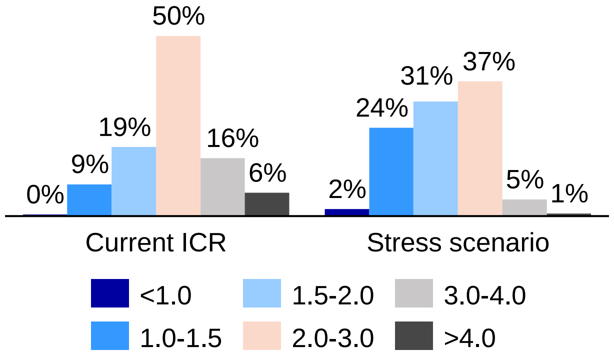
Majority of portfolio with low LTV



High ICR in all countries



ICR above 1.0 in stress scenario for 98% of portfolio



- **86% of exposures with LTV below 60%**
  - In event of 20% decline in market value, 67% of portfolio still with LTV below 70%
- **Average interest coverage ratio (ICR) at 2.7x**
  - Average ICR 2.1x in stress scenario
  - Stress scenario: all debt refinanced day one at 5Y swap rates plus margins (4.0–5.0%); no hedging
- **Strict interest rate hedging requirements**
  - 64% of customer debt hedged with average maturity of 4.3 years
- **Low vacancy rates, with average letting ratio 95%**

*Based on analysis of largest customers in portfolio in Q3 2024 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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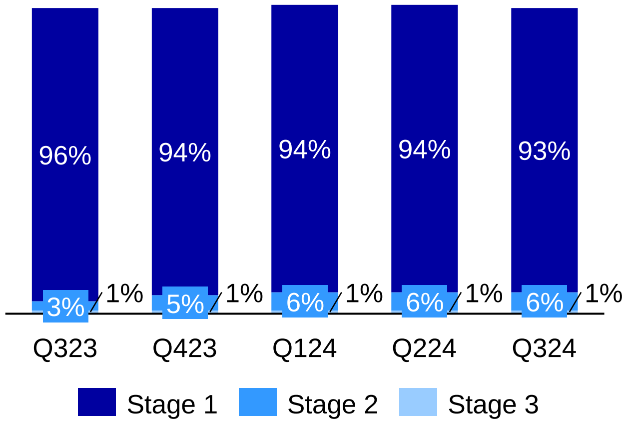
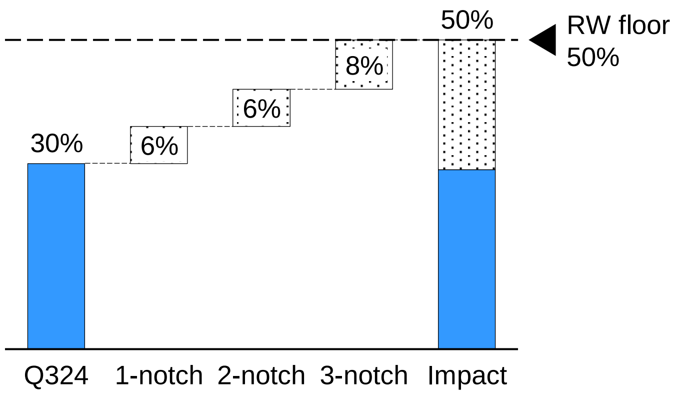
Credit portfolio – real estate management industry (REMI)*

Low levels of risk exposure

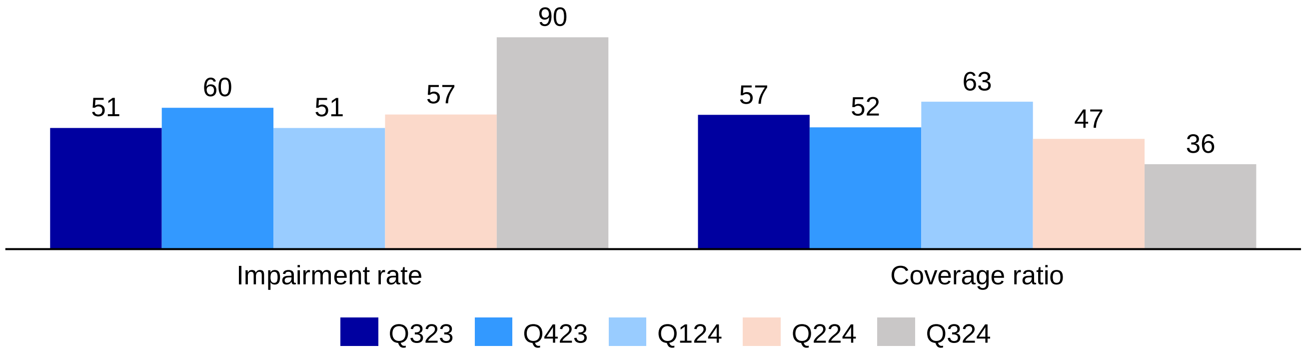
Strong credit quality, with 93% of IFRS 9 portfolio in stage 1



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



Low impairment rate and strong coverage for impaired portfolio



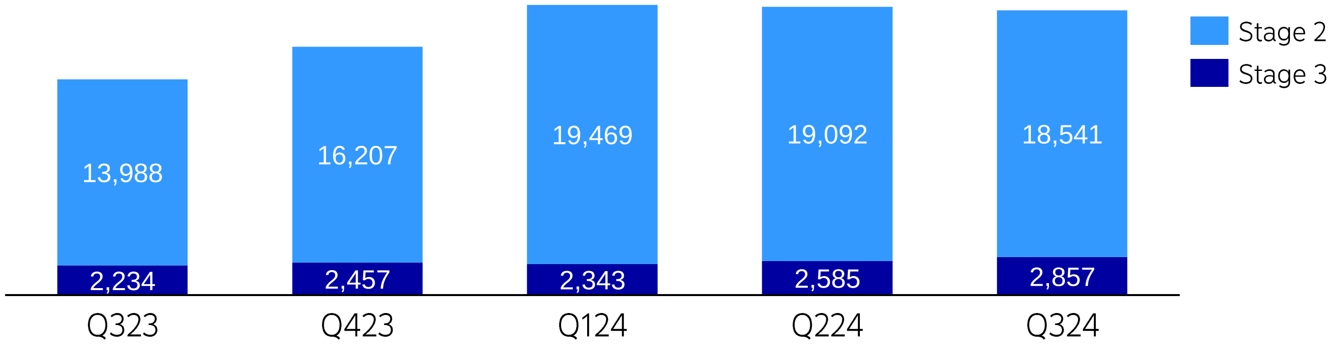
- Continued strong credit quality, with slight deterioration as expected
- Only 6% of portfolio in stage 2
- 0.9% of portfolio impaired with slight increase relating to few individual customers
- Provision coverage 36% – reflecting high collateralisation
- REA protected by risk weight floors

* Excluding TOAs

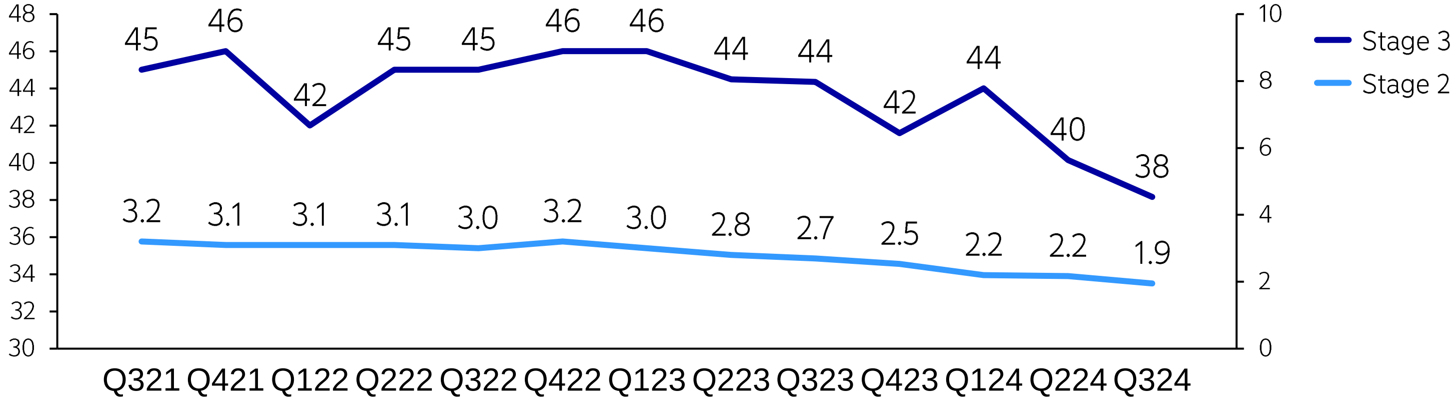
Impairments and provisioning coverage

Strong credit quality; stage 2 stable, stage 3 increased slightly

Stage 2 and 3 loans at amortised cost, EURm



Coverage ratio, %



- **Continued strong portfolio credit quality**
- **Stage 2 loans down EUR 0.6bn, remaining at 7%**
- **Stage 3 loans up EUR 272m to 1.05% from 0.95% in Q2**
- **Coverage ratio for stage 3 portfolio down to 38% due to reduced provisioning need**

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