Nordea

First-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.

This presentation does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

Executive summary

Continued high-quality income growth

- Net interest income up 11%, net fee and commission income stable and net fair value result down 16%. Total income up 6%
- Operating profit up 19% to EUR 1,763m

Return on equity* 18.1% and earnings per share up 23% to EUR 0.38

Volumes stable in slow markets

- Mortgage lending stable and corporate lending up 2% y/y. Retail deposits up 1% y/y and corporate deposits down 6%. AuM up 8% y/y

Stable cost-to-income ratio excluding regulatory fees: 40%

Strong credit quality, continued low net loan losses – overall provisioning levels and coverage maintained

- Net loan losses and similar net result EUR 33m or 4bp
- Management judgement buffer at EUR 505m (unchanged in local currencies)

Continued strong capital position

- CET1 ratio 17.2% – 5.1pp above current regulatory requirement. Dividend of EUR 0.92 per share for 2023

2024 outlook unchanged: return on equity above 15%

* With amortised resolution fees

Key financials

First-quarter results 2024

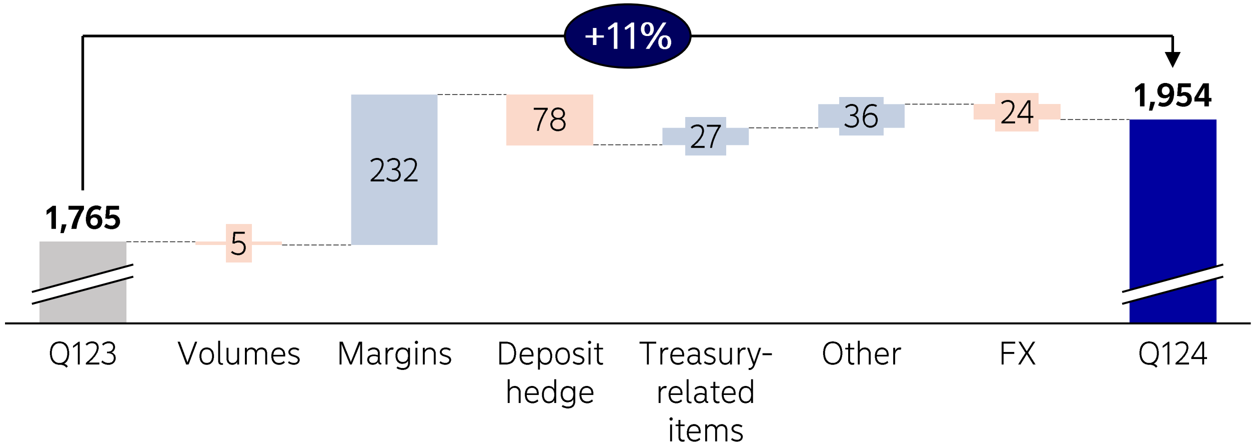
Income statement and key ratios EURm	Q124	Q123	Q1/Q1	Q423	Q1/Q4
Net interest income	1,954	1,765	11%	1,946	0%
Net fee and commission income	763	765	0%	763	0%
Net insurance result	61	46	33%	40	53%
Net fair value result	291	345	-16%	154	89%
Other income	16	0		12	33%
Total operating income	**3,085**	**2,921**	**6%**	**2,915**	**6%**
Total operating expenses excl. reg. fees and write-offs**	-1,226	-1,167	5%	-1,220	0%
Total operating expenses	-1,289	-1,422	-9%	-1,417	-9%
Profit before loan losses	**1,796**	**1,499**	**20%**	**1,498**	**20%**
Net loan losses and similar net result	-33	-19		-83	
Operating profit	**1,763**	**1,480**	**19%**	**1,415**	**25%**
Cost-to-income ratio excl. regulatory fees, %	39.7	39.9		47.9	
Cost-to-income ratio*, %	40.7	42.7		50.6	
Return on equity*, %	18.1	17.1		14.1	
Diluted earnings per share, EUR	0.38	0.31	23%	0.31	23%

* With amortised resolution fees
** EUR 177m in intangible asset write-offs in Q4 2023, primarily due to change in treatment of development costs related to digital services

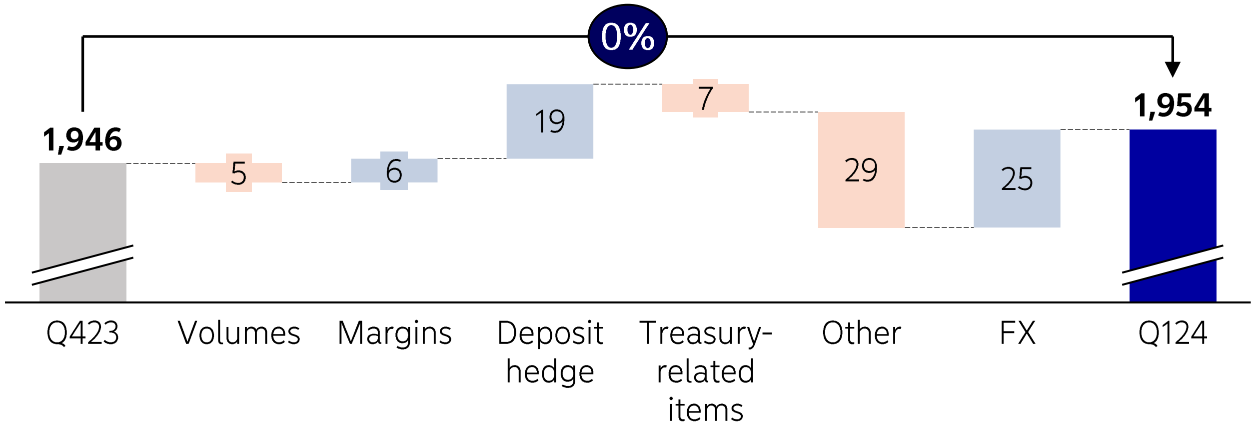
Net interest income

Stable volumes, improved margins

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm

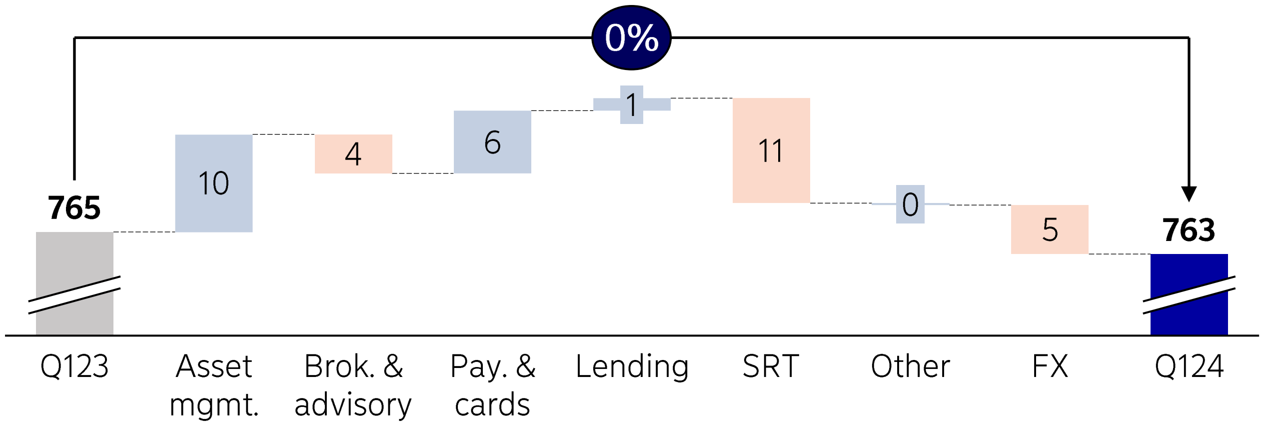


- **Net interest income up 11%**
- **Lending growth**
  - Mortgage volumes stable
  - Corporate lending up 2%
  - Retail deposits up 1%
  - Corporate deposits down 6%
- **Net interest margin 1.83%, up 25bp**
  - Household lending margins down
  - Further increases in deposit margins across business areas

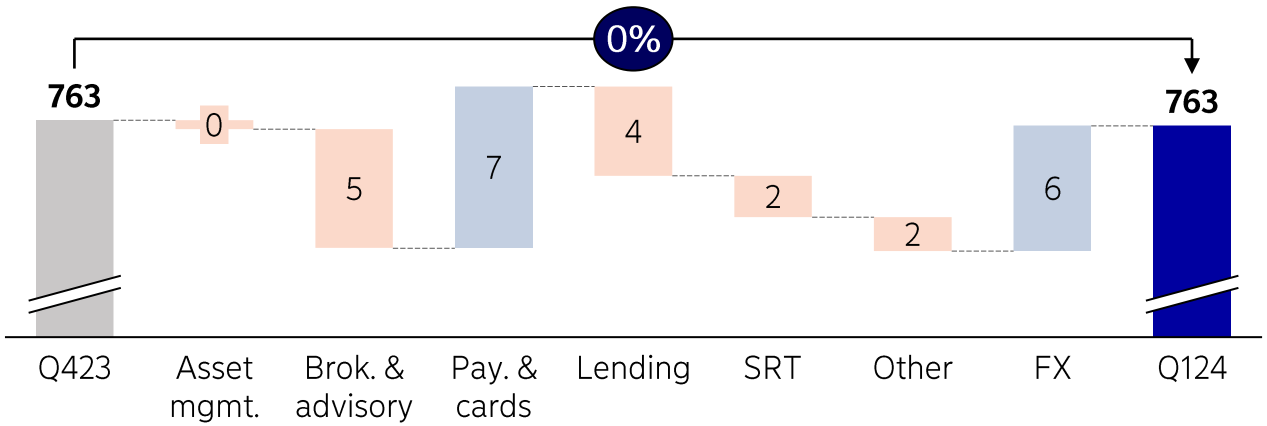
Net fee and commission income

Solid and stable income

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Net fee and commission income stable**
- **Savings fee income up due to higher assets under management**
  - AuM up 8% to EUR 391bn
  - Net flows from Nordic channels (86% of AuM) EUR 1.1bn
  - International channels (14% of AuM) net outflows EUR 2.1bn, mainly Wholesale Distribution, in line with market
- **Brokerage and advisory fee income down due to lower activity**
- **Higher significant risk transfer (SRT) impact, driven by new transactions**

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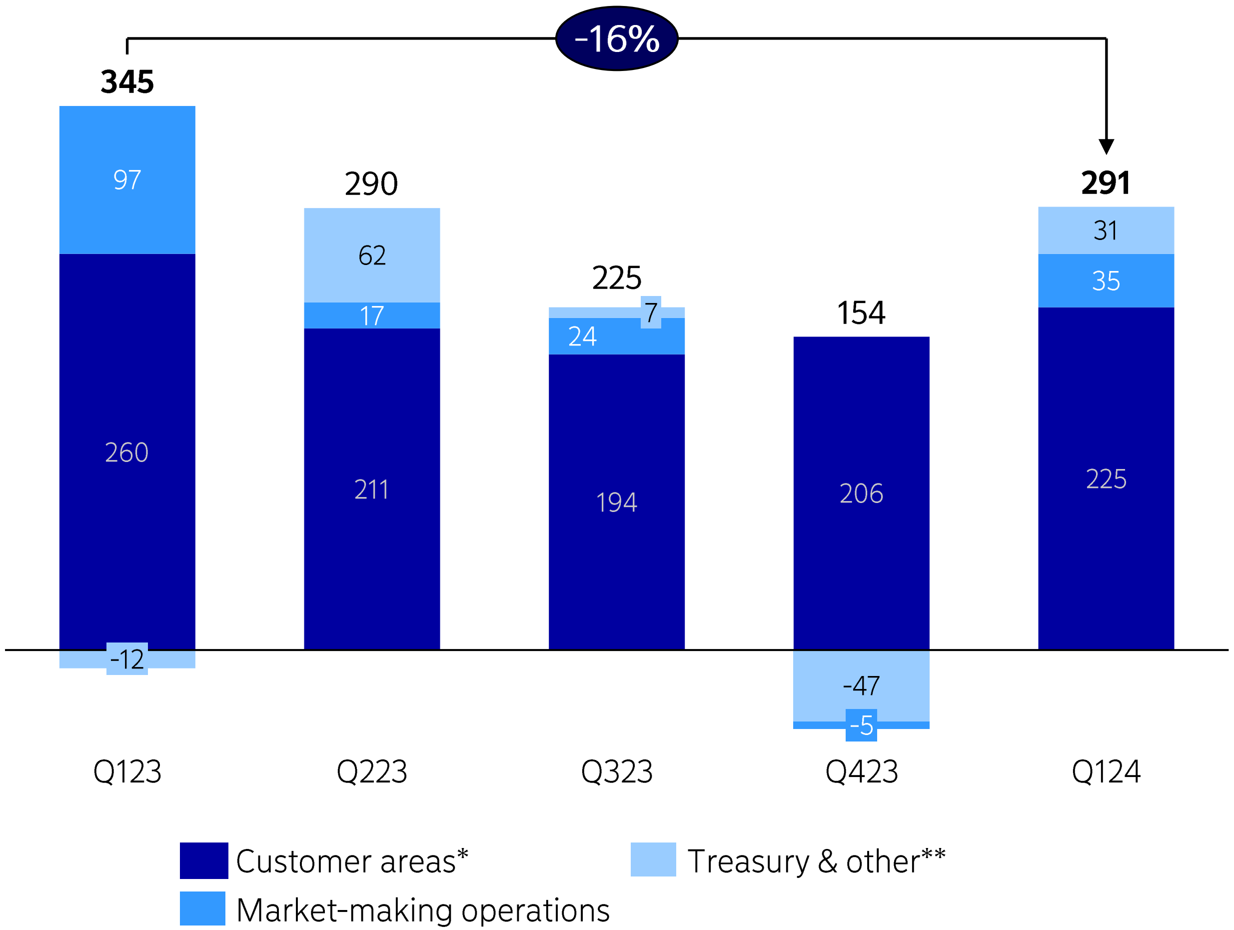
Net fair value result

High business activity in customer areas

Net fair value result, EURm



- **High customer risk management activity, mainly in FX and rates products**
- **Market-making at more normal levels versus extraordinarily strong Q1 2023 that saw high activity in interest rate swaps**

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

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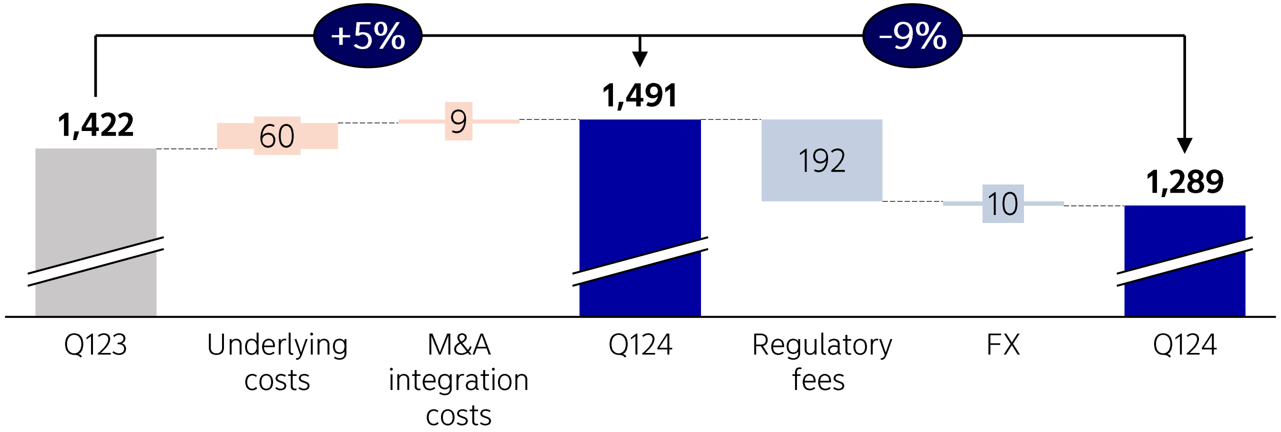
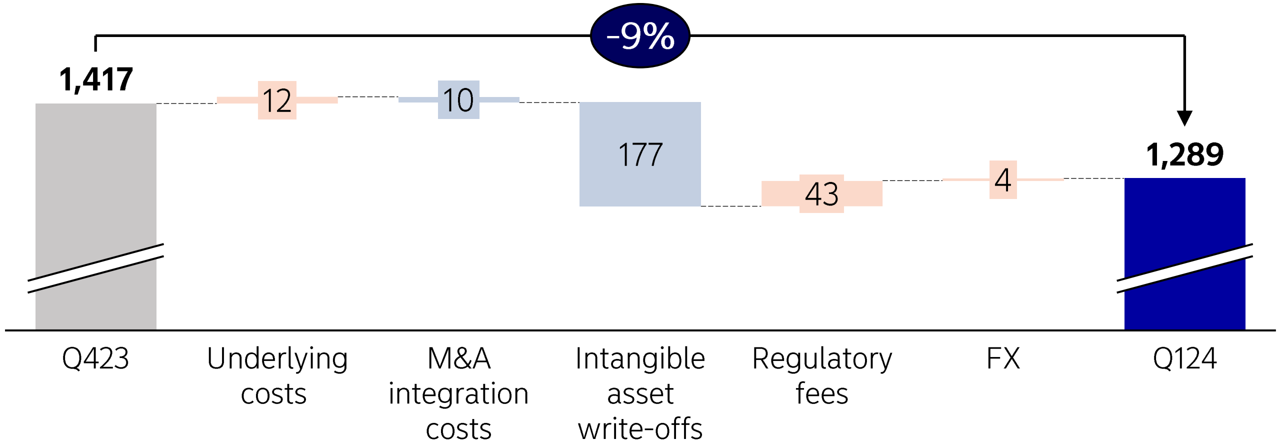
Costs

Costs in line with plan

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Costs up 5%, excluding regulatory fees, in line with plan**
  - Costs driven by salary inflation, higher business activity and continued investments in technology and risk management
  - M&A integration costs related to acquisition of Danske Bank's personal customer business in Norway
- **Costs down 9% due to significantly lower resolution fees**

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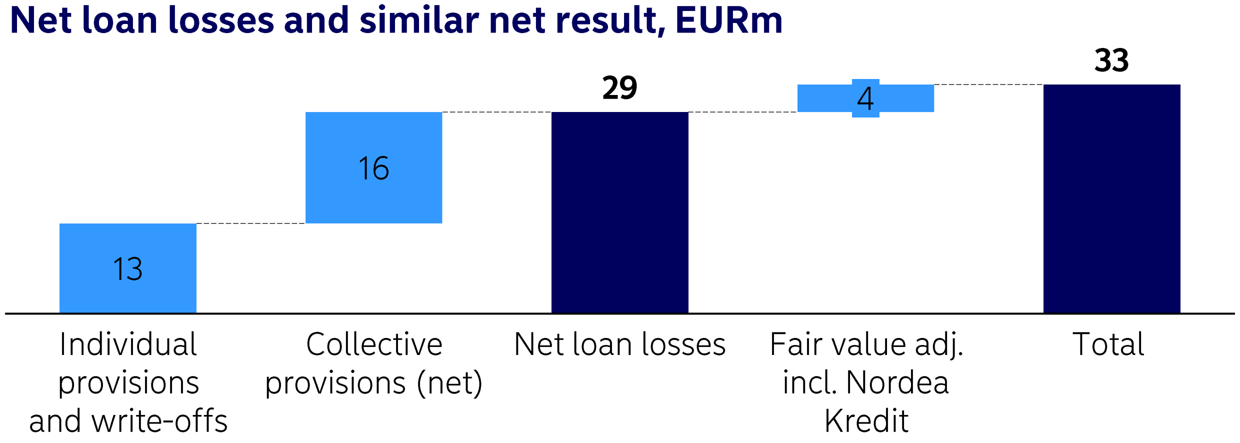
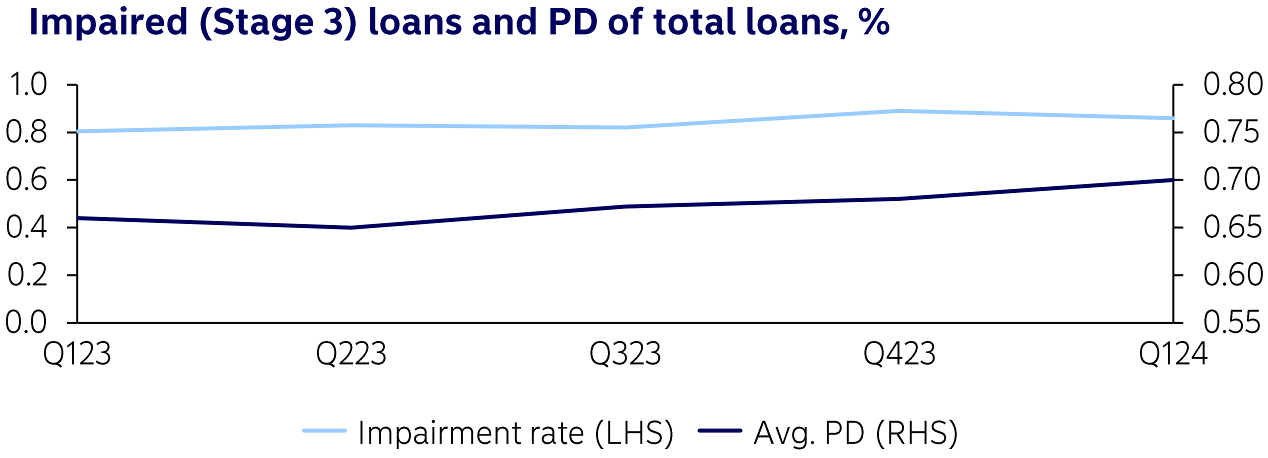
Net loan losses and similar net result

Continued strong credit quality

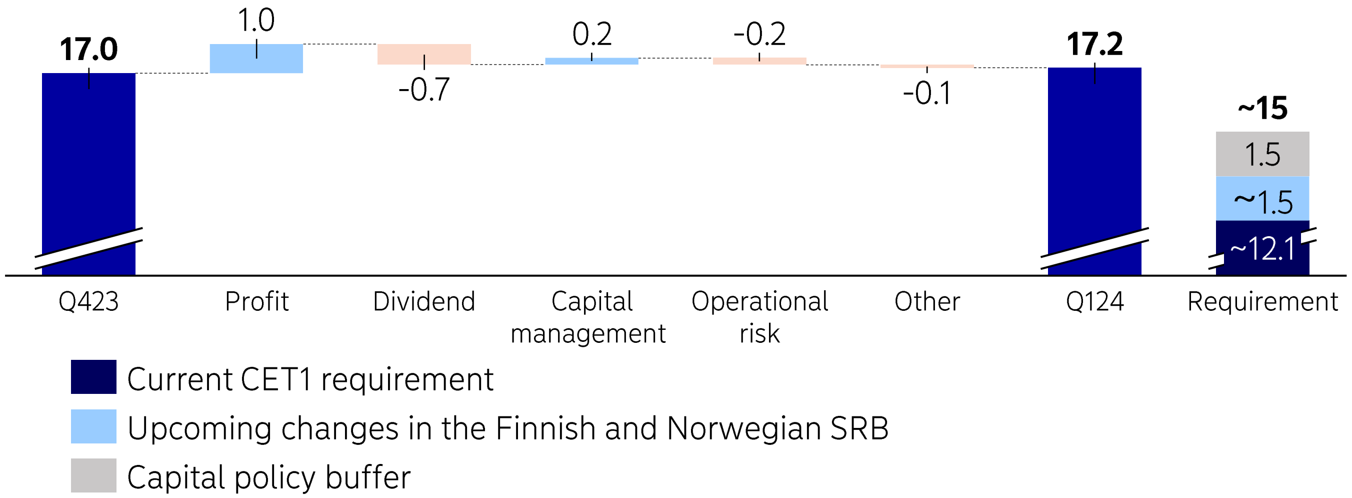




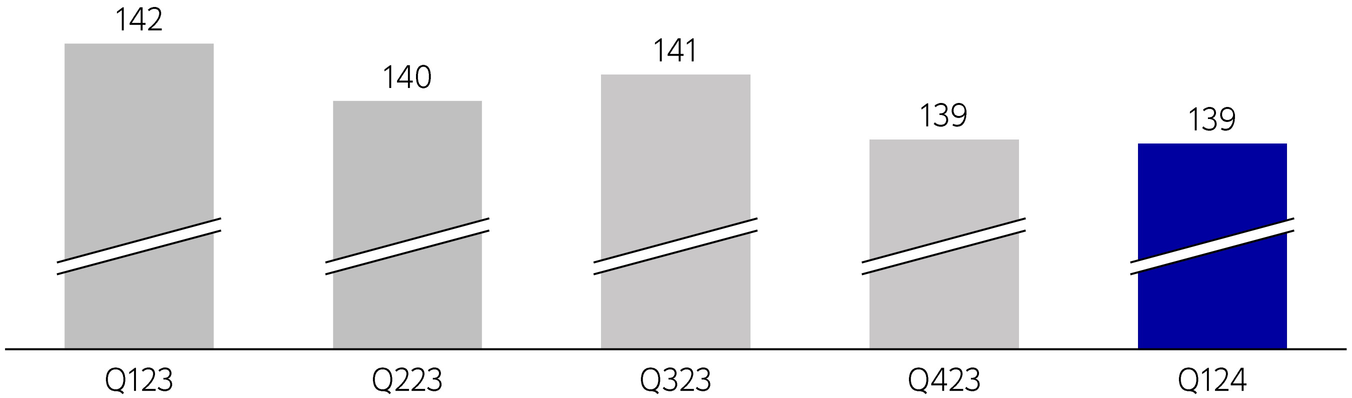
- **Total net loan losses and similar net result EUR 33m (4bp)**
  - Continued strong credit quality while some migration to stage 2 observed as expected given higher interest rates and macroeconomic slowdown
  - Low level of new individual provisions
  - Collective provisions increased, reflecting credit quality
  - EUR 13m reduction from SRT
- **Overall levels of provisions and coverage unchanged**
  - Management judgement buffer at EUR 505m (unchanged in local currencies)
- **Continued low level of defaulted loans**
  - Stage 3 loans at 0.86% (0.89% in Q4)
  - Average PD increased 2bp to 0.70

Strong position; continued focus on capital management

CET1 capital ratio development, %



REA development, EURbn



- **CET1 capital ratio up at 17.2%**
  - 5.1 percentage points above regulatory requirement
  - CET1 capital increased EUR 0.2bn due to profit accumulation net of dividend accrual partly offset by foreign exchange effects
  - Risk exposure amount stable, mainly due to active capital management offset by annual update of operational risk
- **Capital well above requirement**
  - Management buffer of 150bp above CET1 requirement
  - Implied target CET1 ratio of ~15%

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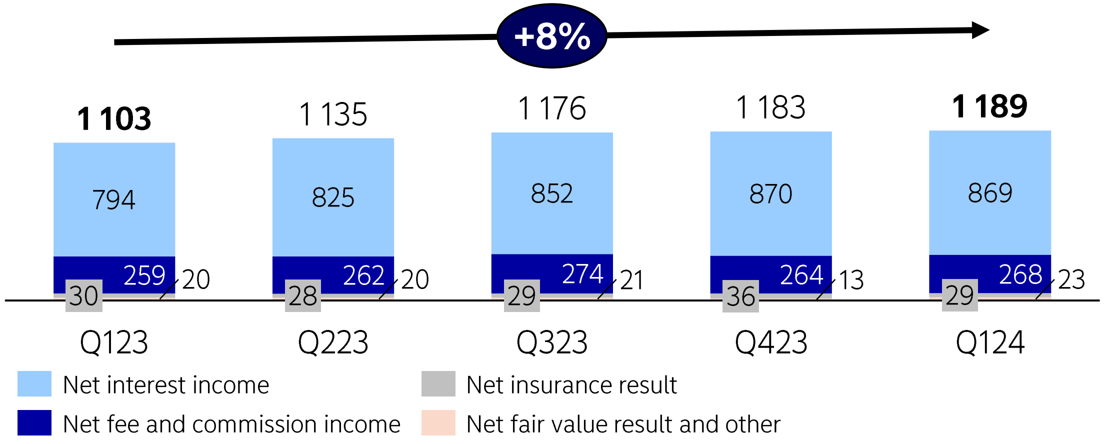
Personal Banking

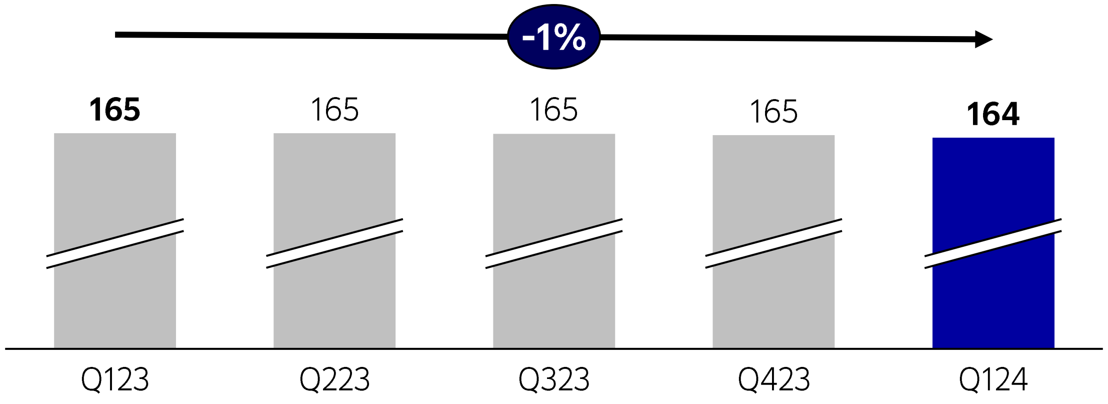
Strong customer demand for competitive deposit and savings products

Total income, EURm

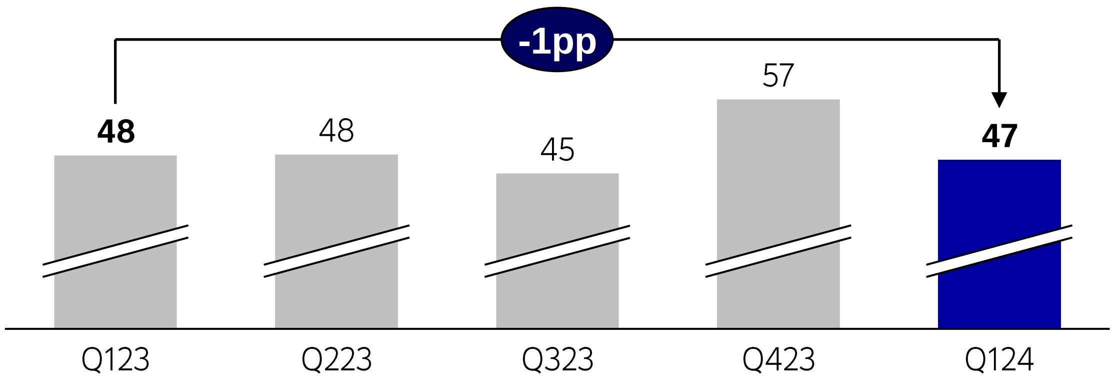


- Total income up 8%
- Net interest income up 9%, driven by deposit margins
- Deposit volumes up 2%
- Mortgage volumes stable
- Net fee and commission income up 3%, driven by savings
- Improved cost-to-income ratio: 47%

Lending*, EURbn



Cost-to-income ratio**, %



* Excluding FX effects
** With amortised resolution fees

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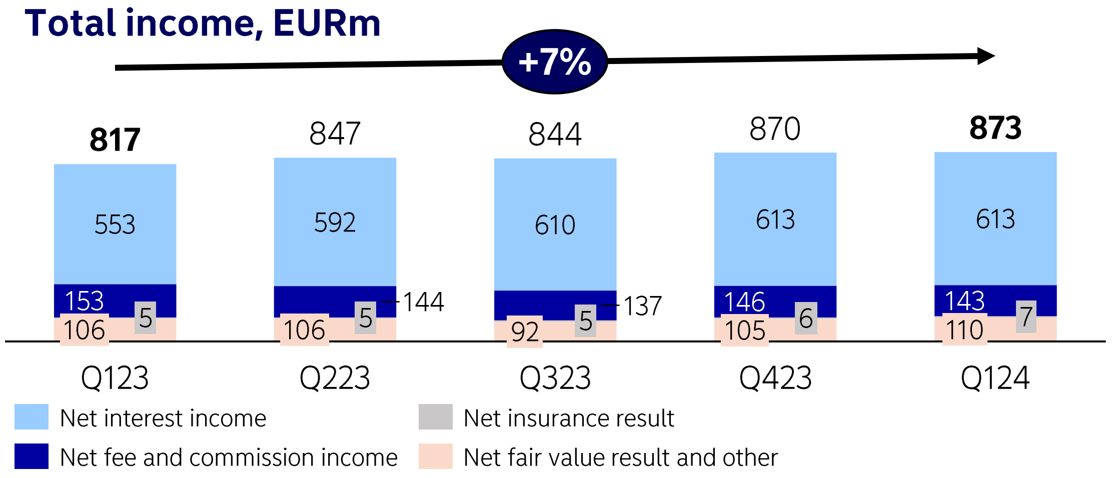
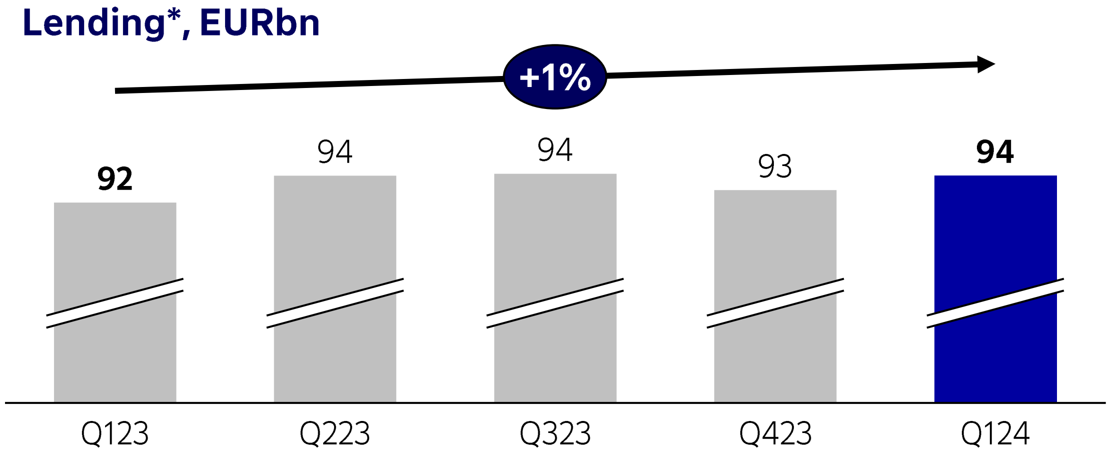
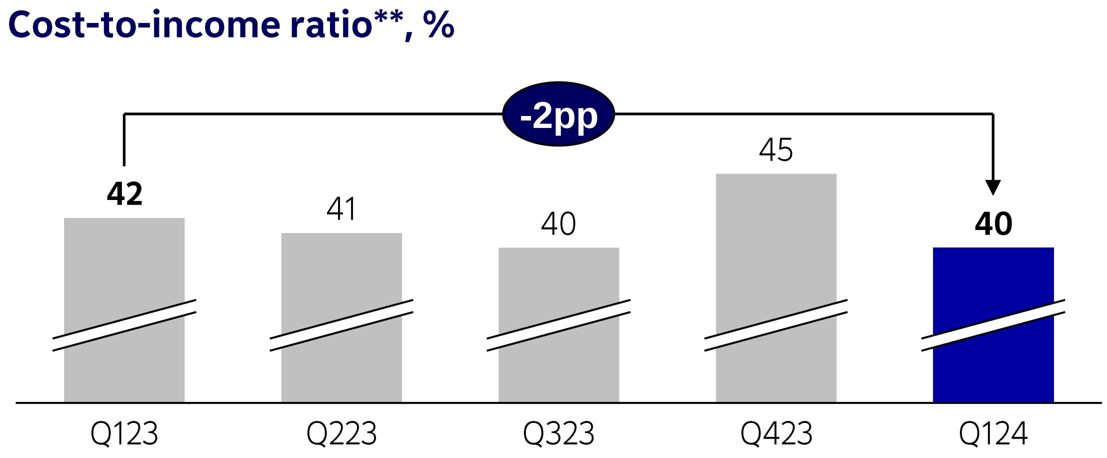
Solid business growth in slower markets



- Total income up 7%
- Net interest income up 11%, supported by improved deposit margins and lending volume growth
- Lending volumes up 1% despite slowing corporate market
- Continued strong credit quality; net loan losses at 9bp
- Improved cost-to-income ratio: 40%

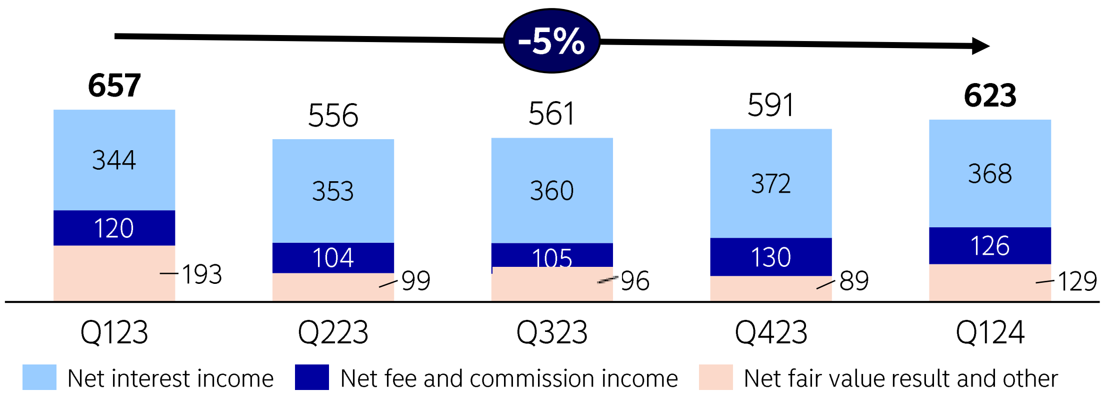




* Excluding FX effects
** With amortised resolution fees

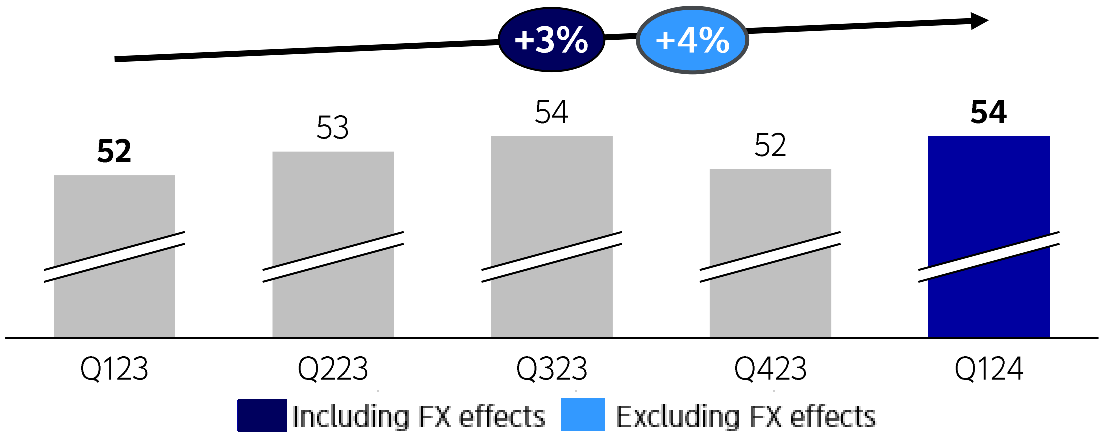
High advisory activity combined with lending growth

Total income, EURm

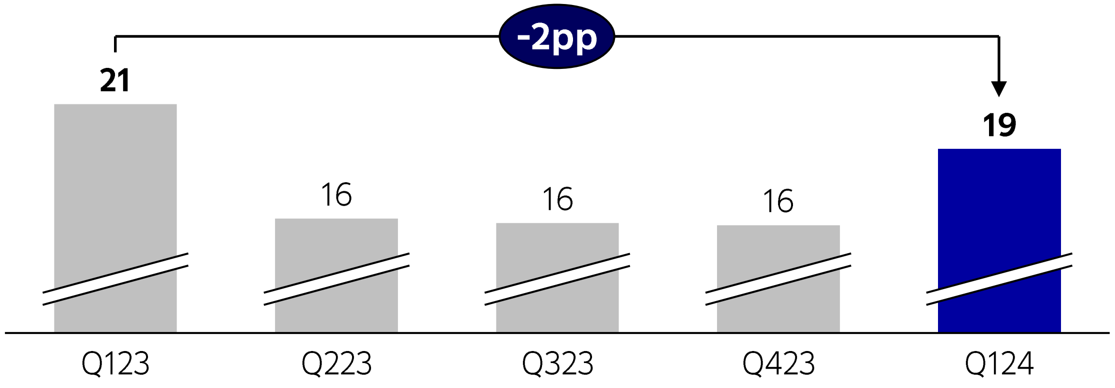


- Total income down 5%
- Net interest income up 7%, driven by positive margin development and higher lending volumes
- Net fee and commission income up 5%, driven by strong performance in debt and equity capital markets
- Net fair value income down 32% due to extraordinarily high levels in Q123; customer activity solid
- Return on allocated equity 19% and cost-to-income ratio 35%

Lending*, EURbn



Return on allocated equity**, %



* Excluding repos
** With amortised resolution fees

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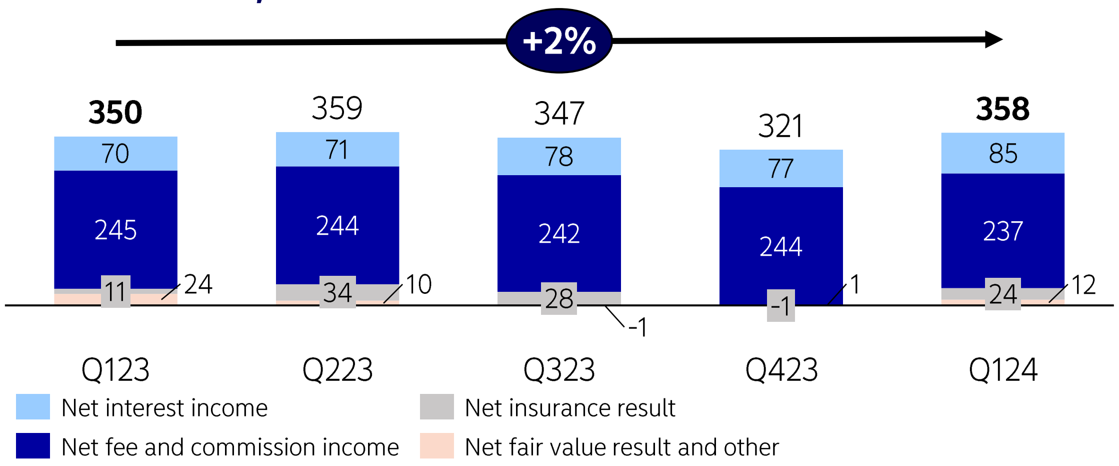
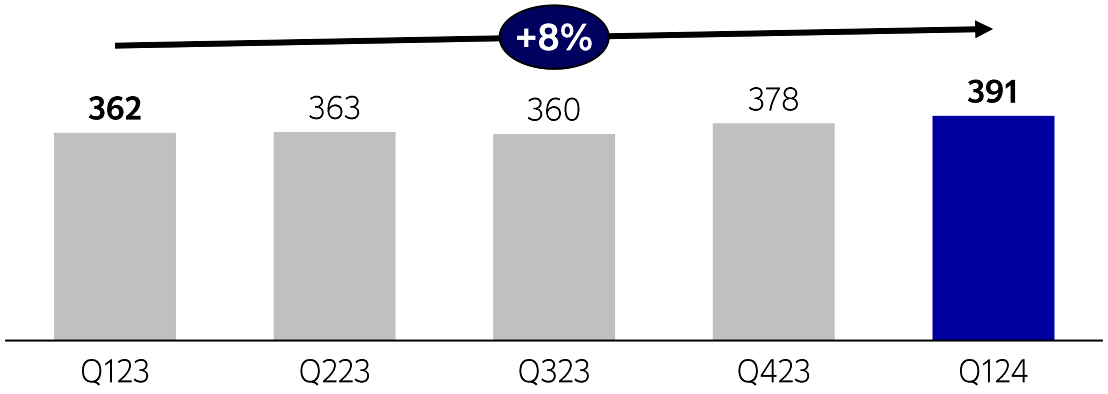
Strong momentum in private banking and continued positive net flow in Nordic channels

Total income, EURm

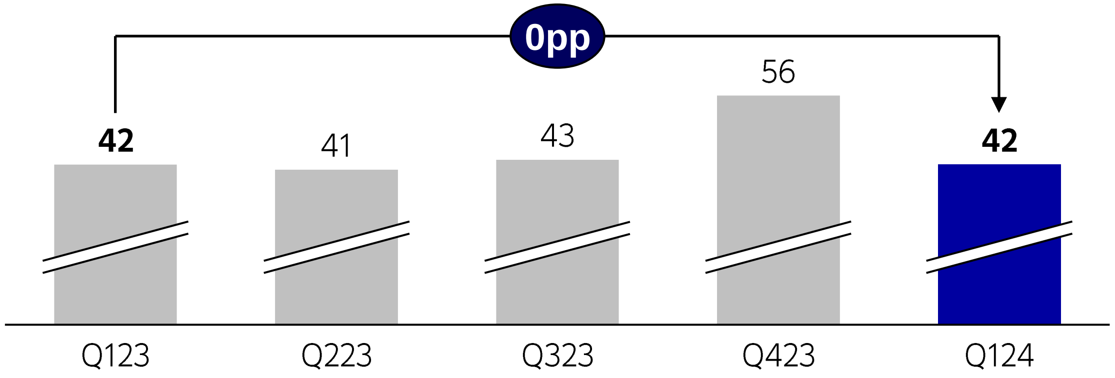


- Total income up 2%, driven by higher net insurance result from improved result from insurance products in Life & Pension coupled with higher net interest income from improved deposit margins
- Assets under management up 8%, to EUR 391bn
  - Nordic channels inflows of EUR 1.1bn during quarter
  - International channels outflows of EUR 2.1bn
- Cost-to-income ratio stable at 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

- **Creating the best omnichannel customer experience**
- **Driving focused and profitable growth**
- **Increasing operational and capital efficiency**
- **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

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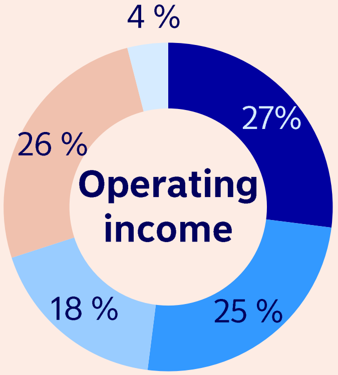
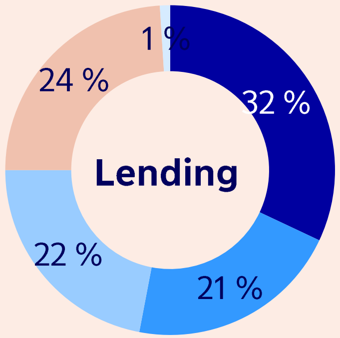
Nordea today

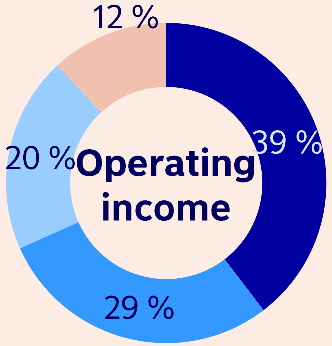
Very well diversified pan-Nordic financial service provider with stable and sustainable returns

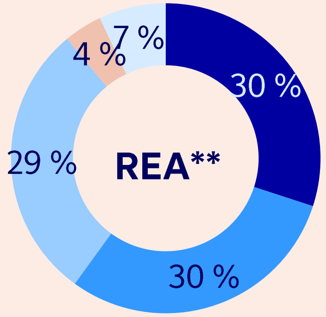
Income and loan portfolio very well spread across Nordic countries, currencies, business areas and industries*





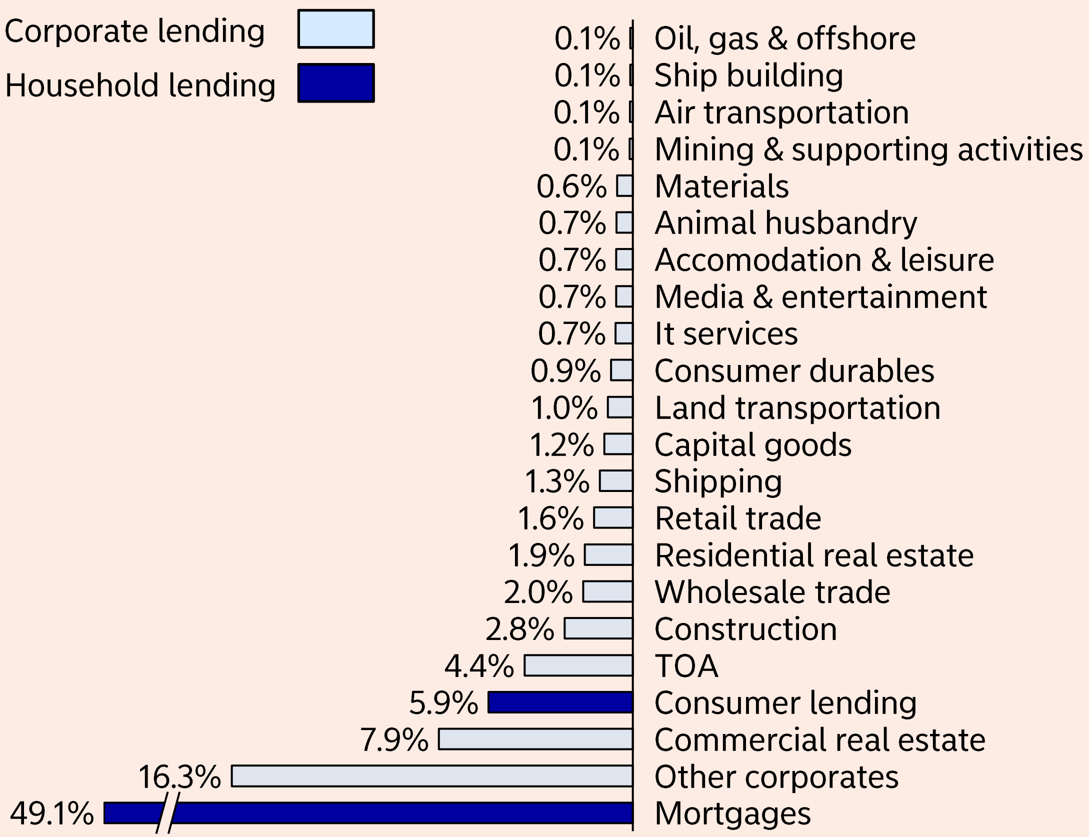
Sweden Finland Norway Denmark Other***





Personal Banking Business Banking Large Corporates & Institutions Asset & Wealth Management Group functions

Very well diversified portfolio – no significant industry sector concentration



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

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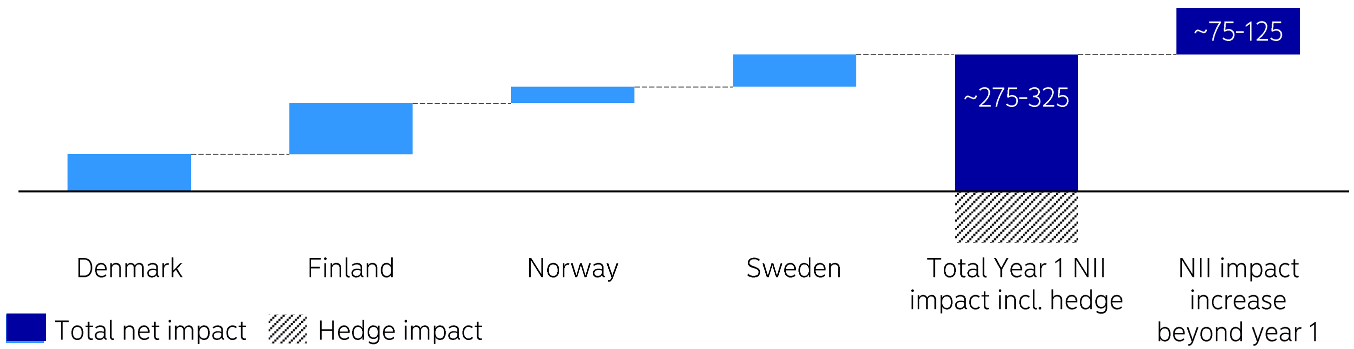
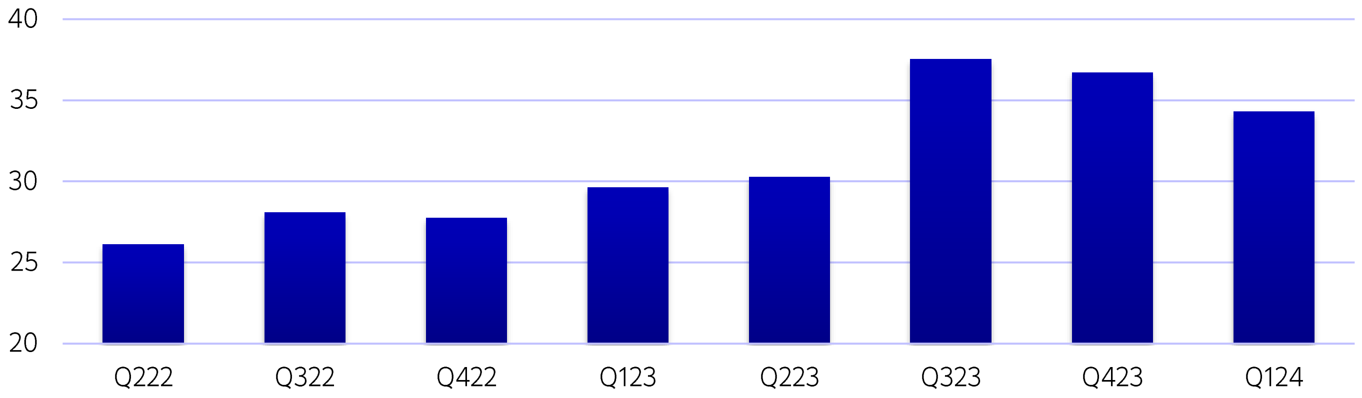
Net interest income sensitivity

Net interest income sensitivity to policy rate changes

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



Structural hedge – nominal volume, EURbn



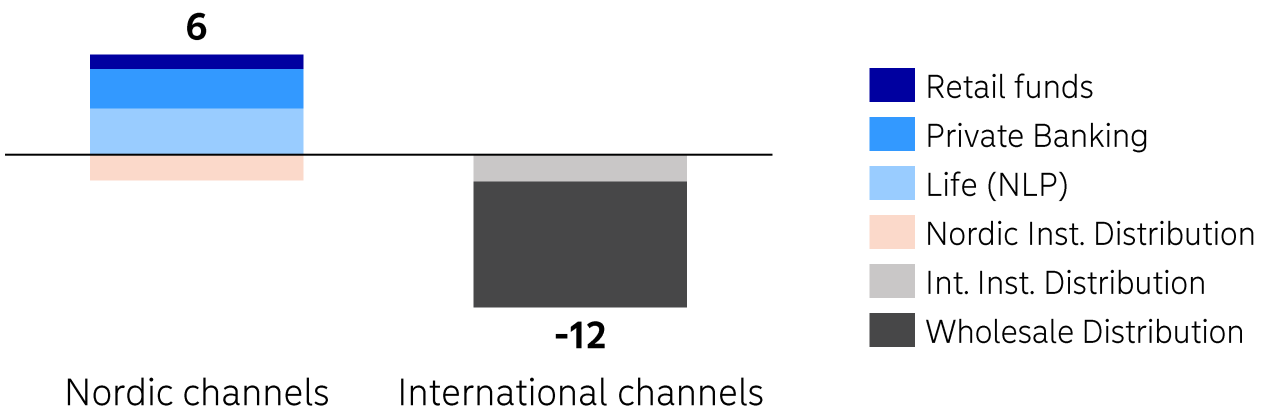
- **NII impact largely driven by policy rates and pass-through**
  - Actual pass-through to vary between account types and countries, and throughout rate hike cycle
  - Sensitivity reflecting modelled risk over cycle – NII impact higher following initial rate increases and lower thereafter
- **Group NII also impacted by other drivers**
  - Volumes and asset pricing
  - Wholesale funding costs
  - Deposit hedges
- **Increased deposit hedging reducing sensitivity to interest rate changes**
  - Hedge volume up ~15% YoY
  - Average hedge maturity ~3 years
  - Additional NII impact in Y2–Y3 as assets repriced and hedges rolled over

* Symmetrical for -50bp parallel shift

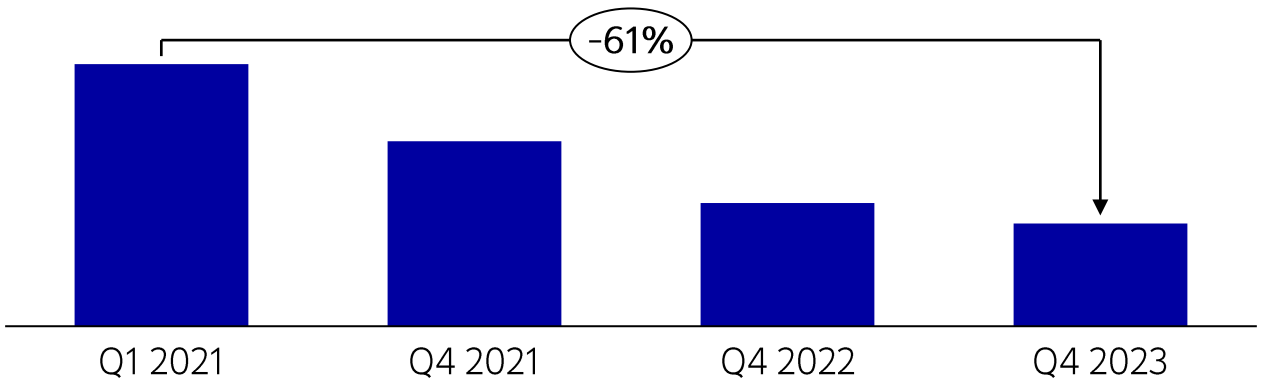
Net fee and commission income

Strong performance in Nordic channels; outflows in International channels in line with market

Nordea cumulative net flows Q123 to Q124



European wholesale distribution market inflow*



- **Nordic channels (86% of AuM)**
  - Continued positive net flows
  - Some mix shift into lower fee passive funds
  - ~1/3 of income related to NLP AuM recognised in net insurance result (NIR)
- **International channels (14% of AuM)**
  - Outflows mainly in Wholesale Distribution, mostly driven by market developments
  - Reduced international market demand for low-rate environment and ESG products
  - Actions underway to attract new assets in fixed income

*Proprietary survey of European sales (gross inflow) of third-party investment funds by leading asset managers

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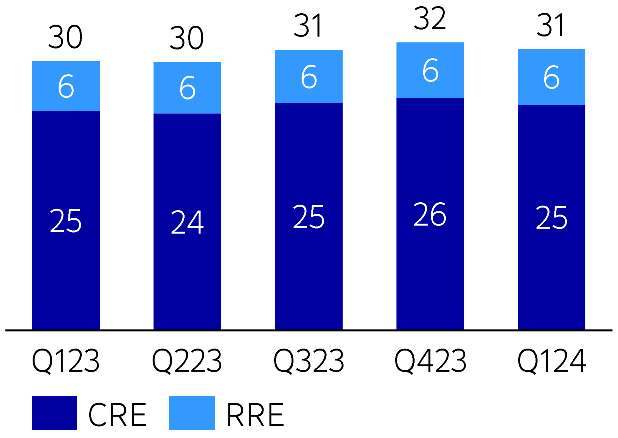
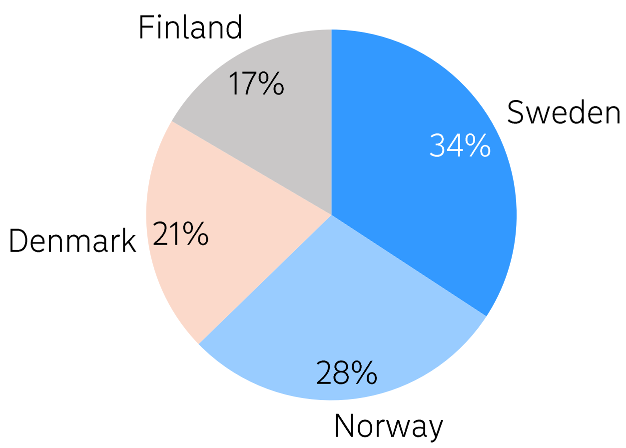
Credit portfolio – real estate management industry (REMI)*

Well-diversified portfolio, high-quality lending

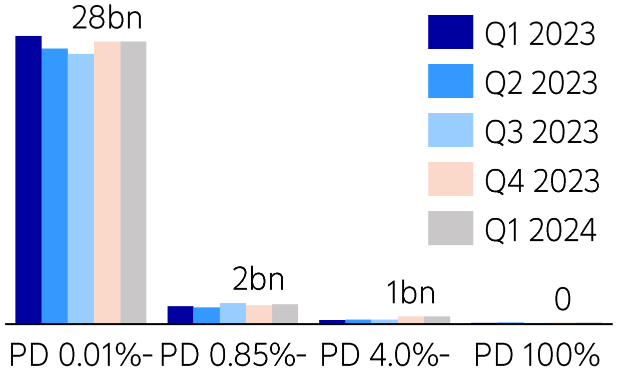
Lending volumes stable



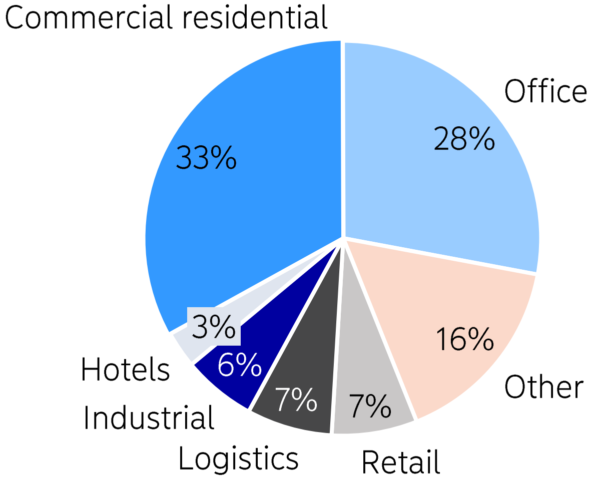
Diversified across countries



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



Diversified across types**



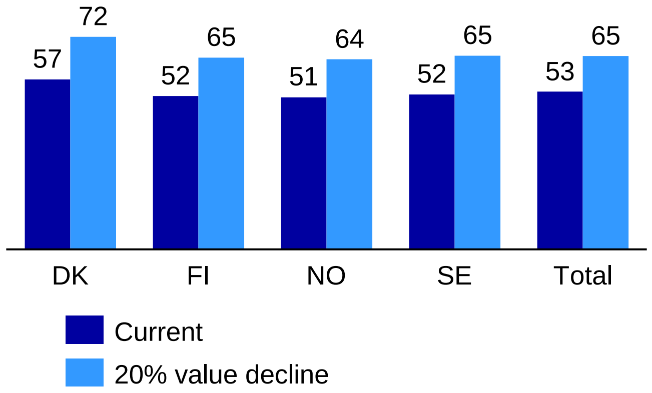
- **Well-diversified portfolio across Nordic markets**
- **91% of exposure towards low-risk customers, 6% towards increased risk, only 2% towards high risk and less than 1% in default**
- **Portfolio mainly comprising central, modern office and residential properties**
- **Strict underwriting standards: conservative credit policy with focus on cash flow and current customers. All new lending fully collateralised**

* Excluding tenant-owner associations (TOAs)
** Improved consolidation data quality as of Q1 2024 resulted in reclassifications between property types. Portfolio composition and credit risk profile has not changed.

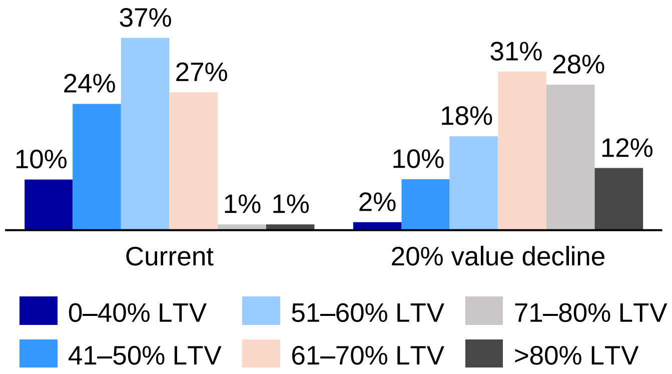
Credit portfolio – real estate management industry (REMI)*

Solid LTVs, resilient interest coverage, high occupancy

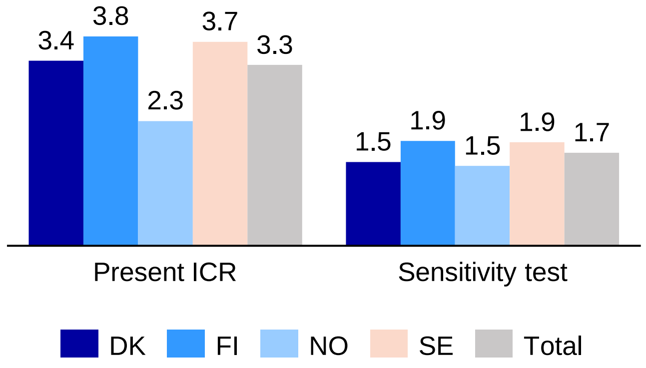
Solid LTV levels for all countries



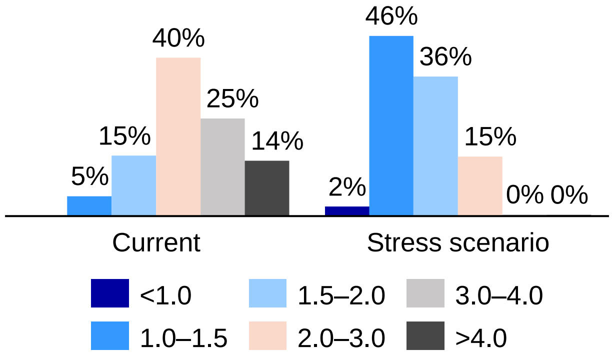
Majority of portfolio with low LTV



ICR high for all countries



ICR above 1.0 for 98% of portfolio in stress scenario



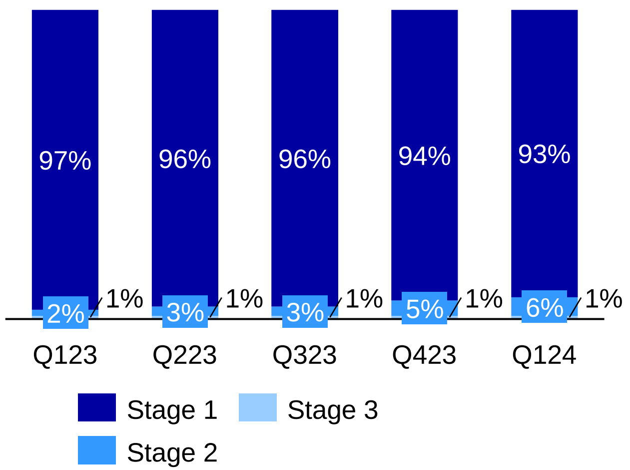
- **71% of exposures with LTV below 60%**
  - In event of 20% decline in market value, 61% of portfolio still with LTV below 70%
- **Average interest coverage ratio (ICR) at 3.3x**
  - Average ICR at 1.7x in stress scenario
  - Stress scenario: all debt refinanced day one at 5Y swap rates plus margins (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

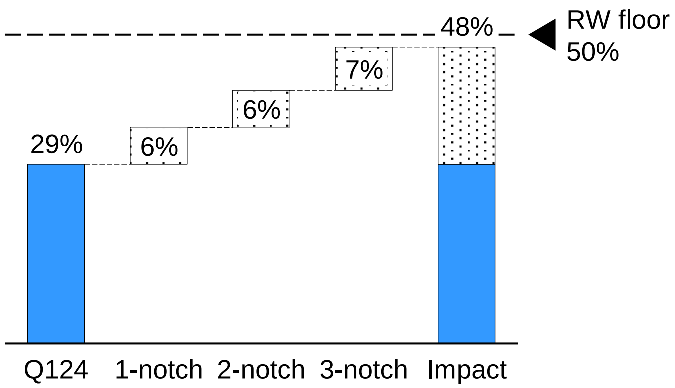
Credit portfolio – real estate management industry (REMI)*

Low levels of risk exposure

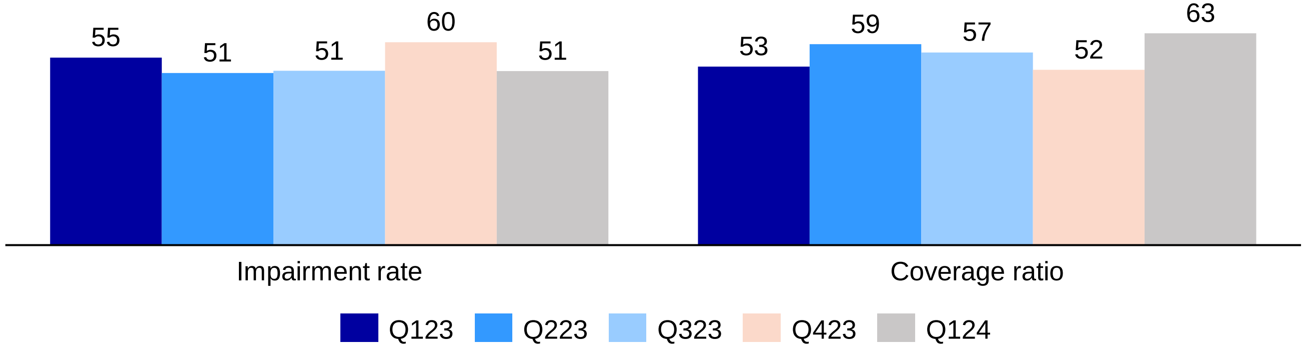
Strong credit quality, with 93% of IFRS 9 portfolio in stage 1



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**
- **Only 6% of portfolio in stage 2**
- **0.5% of portfolio impaired in Q1, with decrease related to lower level of impaired loans**
- **Provision coverage above 60% – high for collateralised assets**
- **REA protected by risk weight floors**

* Excluding TOAs

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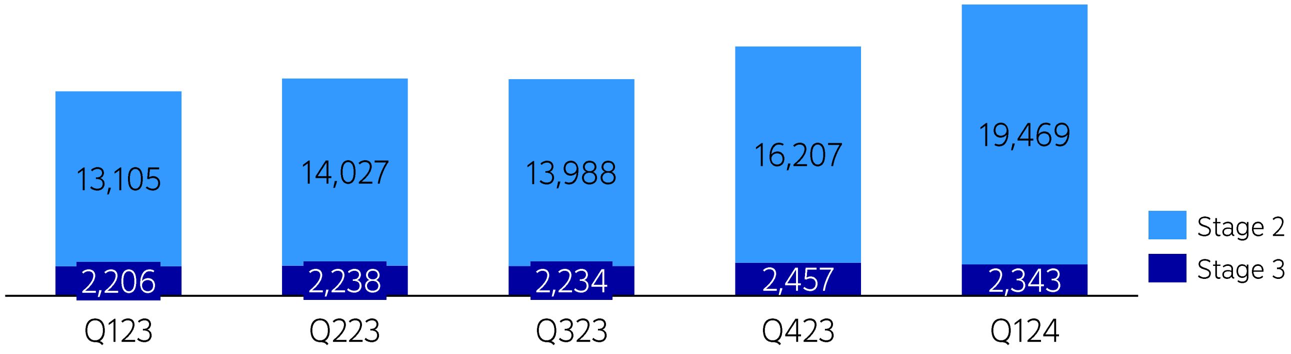
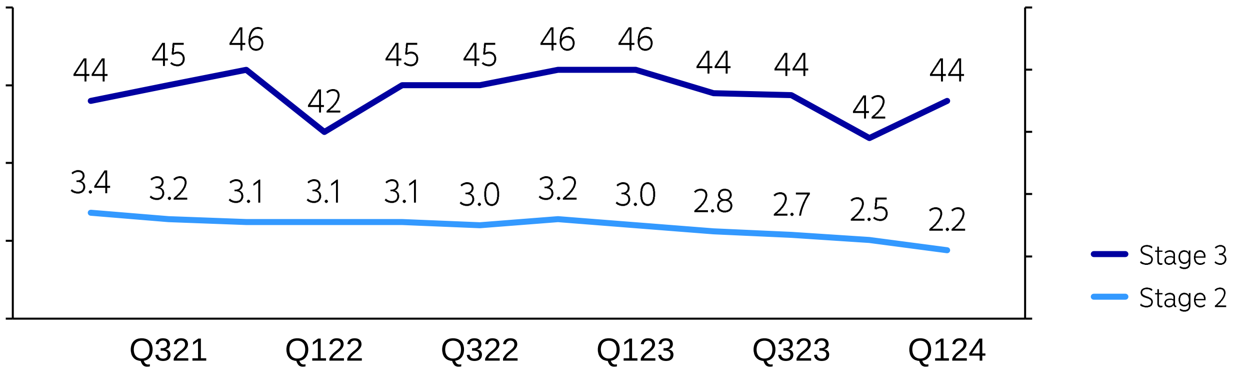
Impairments and provisioning coverage

Stage 2 increased, as expected; strong credit quality

Stage 2 and 3 loans at amortised cost, EURm



Coverage ratio, %



- **Continued strong portfolio credit quality**
- **Coverage ratio for stage 3 portfolio up to 44%**
- **Stage 2 loans up EUR 3.3bn to 7% from 6% in Q4, mostly driven by credit downgrades**
- **Stage 3 (impaired) loans down EUR 113m to 0.86% from 0.89% in Q4 due to reduced exposure**

Nordea