

Nordea

# Half-year 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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Second-quarter highlights 2023

## **Executive summary**

### **High income growth and strong operating profit**

- Net interest income up 40%, net fee and commission income down 6% and net fair value result up 14%
- Operating profit up 26% to EUR 1,718m

### **Return on equity\* 18.4% and earnings per share up 32% to EUR 0.37**

### **Strong profitability and stable business volumes**

- Mortgage lending stable y/y and corporate lending up 4%. Retail deposits up 1% y/y and corporate deposits down 7%. AuM up 2% y/y

### **Improved cost-to-income ratio\*: 43% (40% excluding regulatory fees)**

### **Solid credit quality with low net loan losses – management judgement buffer EUR 572m, unchanged in local currencies**

- Net loan losses and similar net result EUR 32m or 4bp during quarter – low individual net loan losses

### **Strong capital position – fourth share buy-back programme in progress**

- CET1 ratio at 16.0% – 4.0pp above current regulatory requirement

### **2023 outlook upgraded: return on equity above 15%**

Key financials

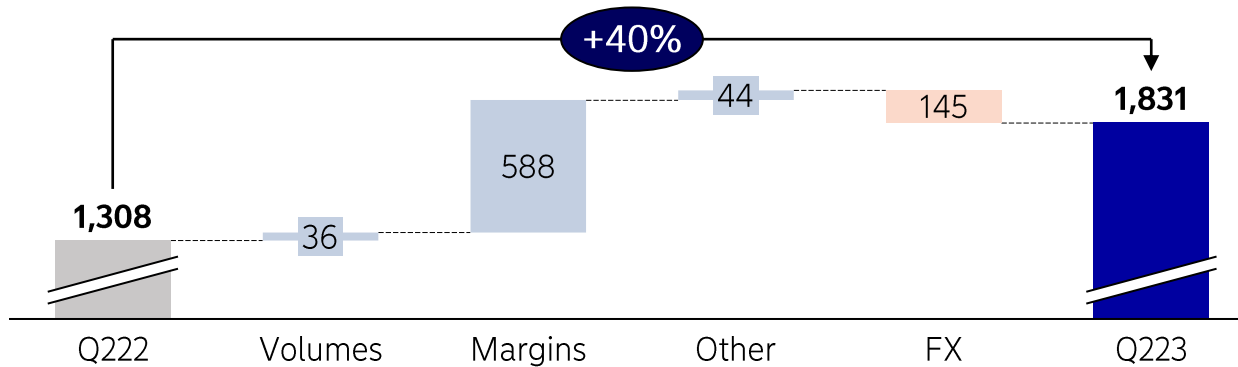
## Second-quarter results 2023

Income statement and key ratios EURm	Q223	Q222	Q2/Q2	Q123	Q2/Q1
Net interest income	1,831	1,308	40%	1,765	4%
Net fee and commission income	751	797	-6%	765	-2%
Net insurance result	68	53	28%	46	48%
Net fair value result	290	254	14%	345	-16%
Other income	15	16		0	
<b>Total operating income</b>	<b>2,955</b>	<b>2,428</b>	<b>22%</b>	<b>2,921</b>	<b>1%</b>
Total operating expenses excl. regulatory fees	-1,184	-1,105	7%	-1,167	1%
Total operating expenses	-1,205	-1,122	7%	-1,422	-15%
<b>Profit before loan losses</b>	<b>1,750</b>	<b>1,306</b>	<b>34%</b>	<b>1,499</b>	<b>17%</b>
Net loan losses and similar net result	-32	56		-19	
<b>Operating profit</b>	<b>1,718</b>	<b>1,362</b>	<b>26%</b>	<b>1,480</b>	<b>16%</b>
Cost-to-income ratio excl. regulatory fees, %	40.1	45.5		39.9	
Cost-to-income ratio*, %	42.8	48.8		42.7	
Return on equity*, %	18.4	13.6		17.1	
Diluted earnings per share, EUR	0.37	0.28	32%	0.31	19%

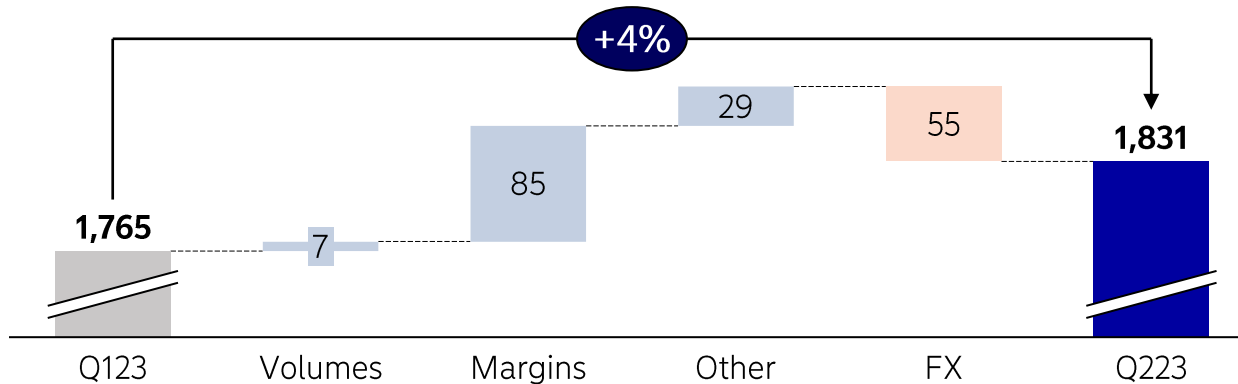
Net interest income

## Stable volumes, higher deposit margins

### Year-over-year bridge, EURm



### Quarter-over-quarter bridge, EURm



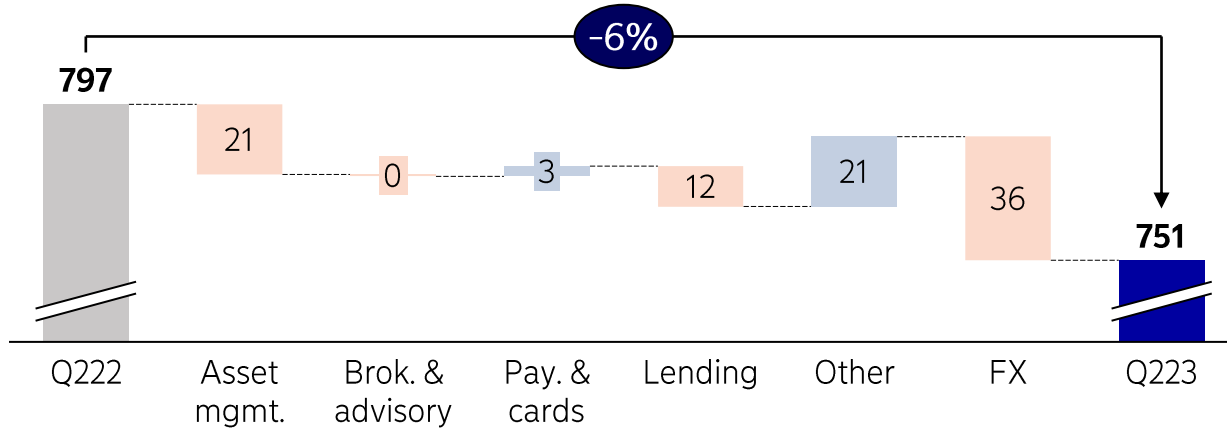
- **Net interest income up 40%**
- **Continued growth in corporate lending**
  - Corporate lending up 4%
  - Mortgages stable
- **Net interest margin up 55bp to 1.69%**
  - Lending margins down, especially in households
  - Further increases in deposit margins across business areas and countries



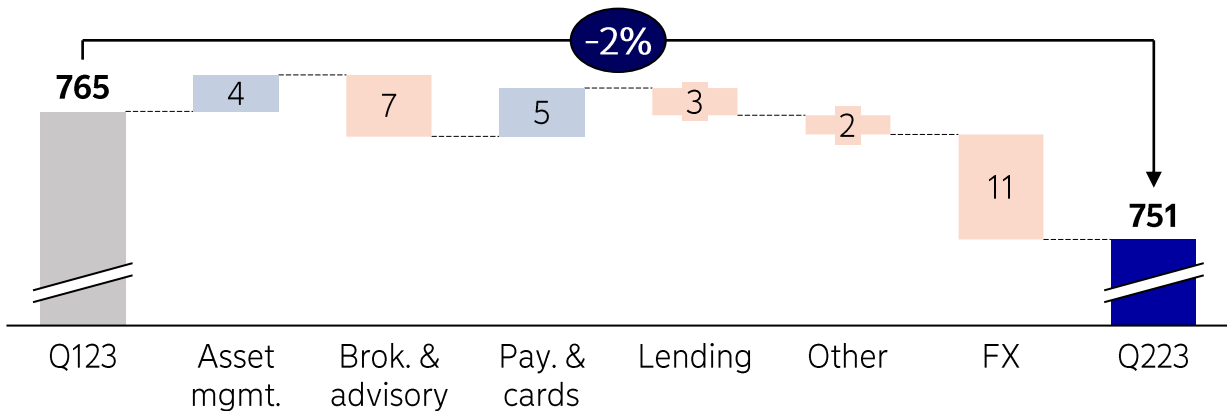
Net fee and commission income

## Lower asset management and lending income

### Year-over-year bridge, EURm



### Quarter-over-quarter bridge, EURm

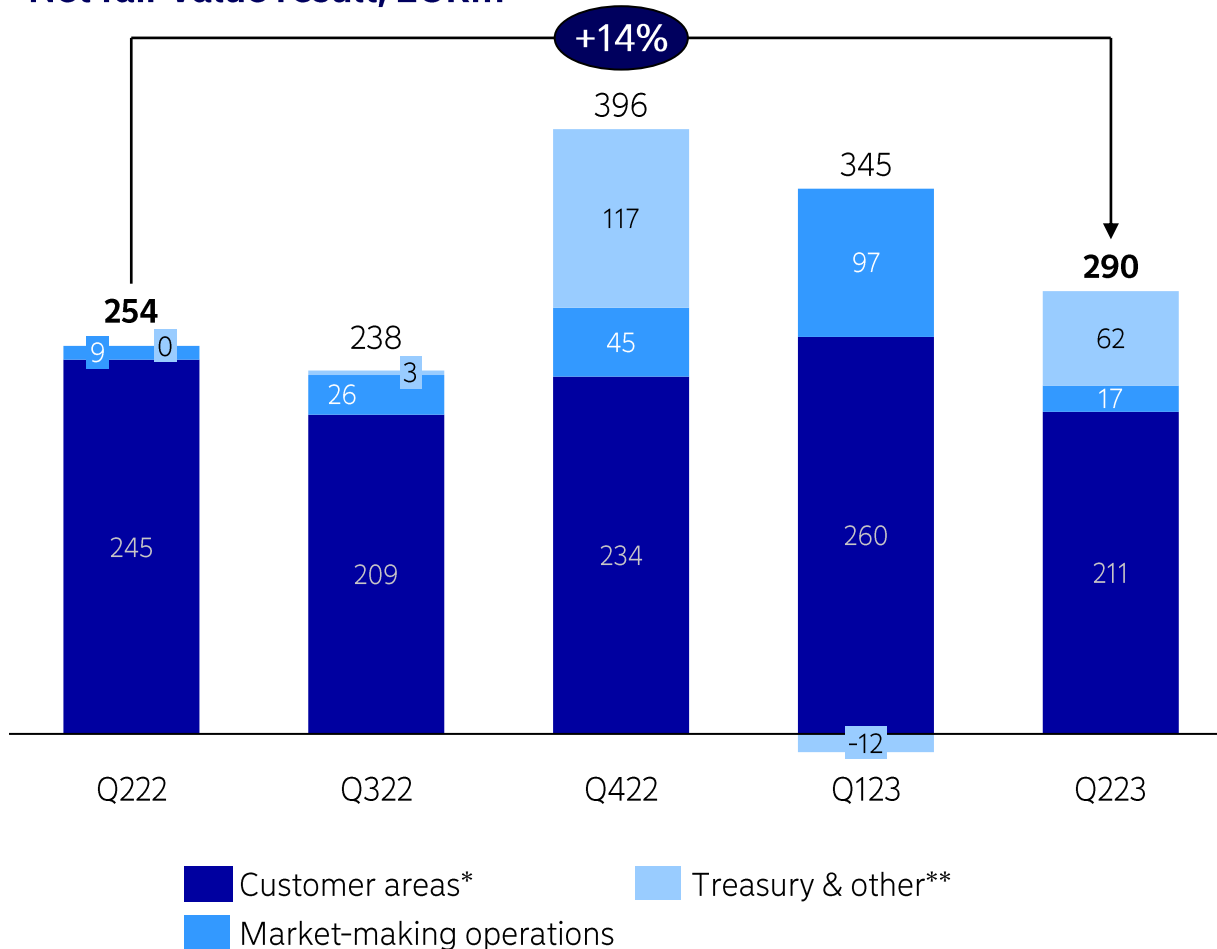


- Net fee and commission income down 6%
- Savings fee income down due to lower average assets under management
  - Net flows from internal channels strong at EUR 2.6bn
- Brokerage and advisory fee income stable in weaker market
- Payment and card fee income up due to higher volumes

Net fair value result

## Sustained high levels of customer activity

Net fair value result, EURm

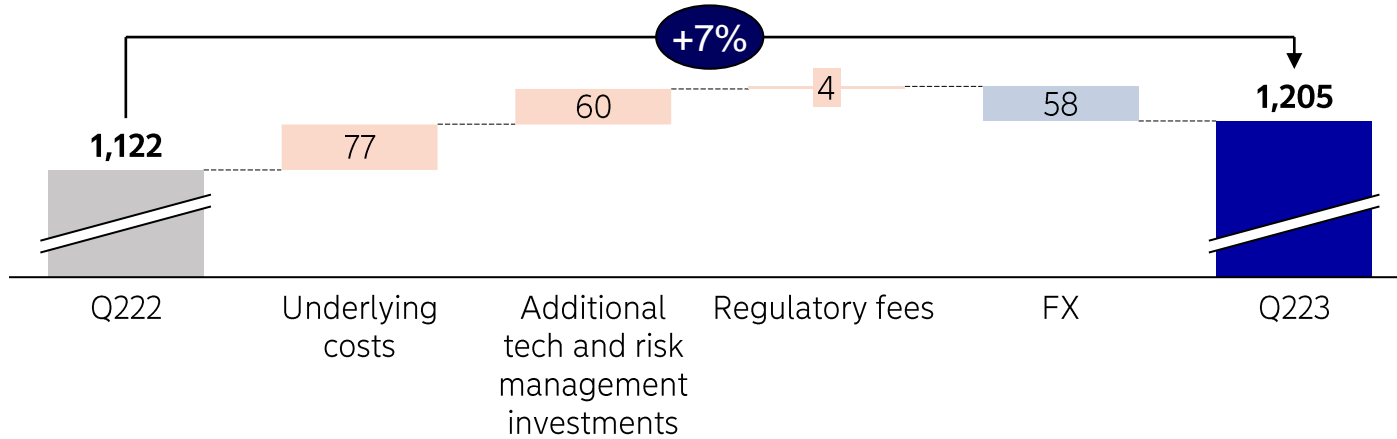


- **Continued high levels of customer risk management activity**
  - Solid demand for FX and rate hedging products
- **Market-making up, driven by rates and FX trading**
- **Treasury up, driven by positive revaluations**

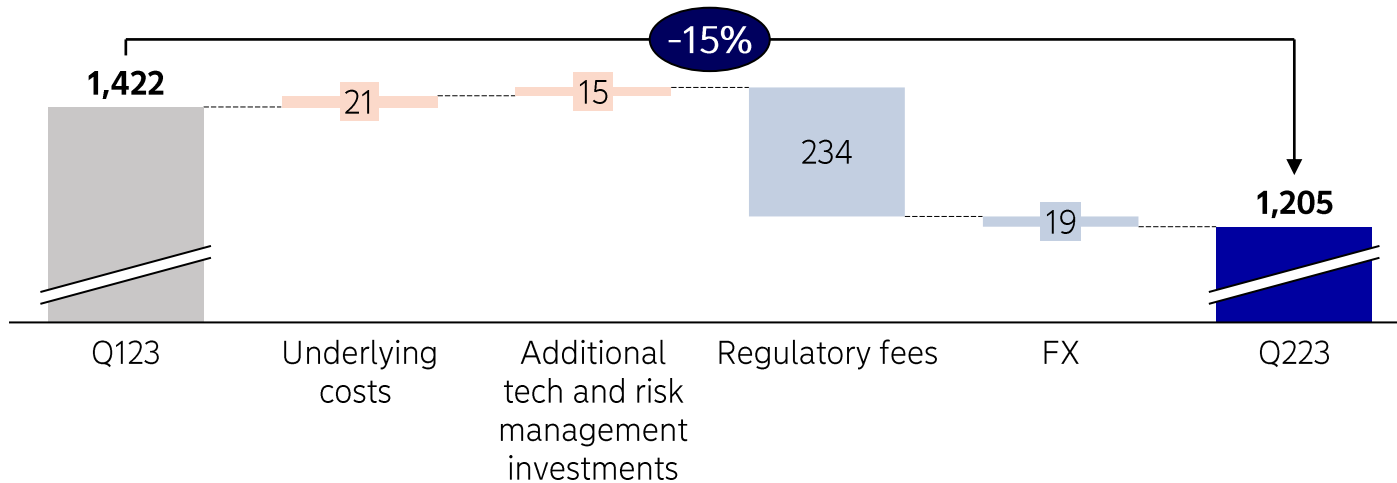
Costs

# Continued additional investments

## Year-over-year bridge, EURm



## Quarter-over-quarter bridge, EURm



- **Costs up 7%, driven by investments and inflation**

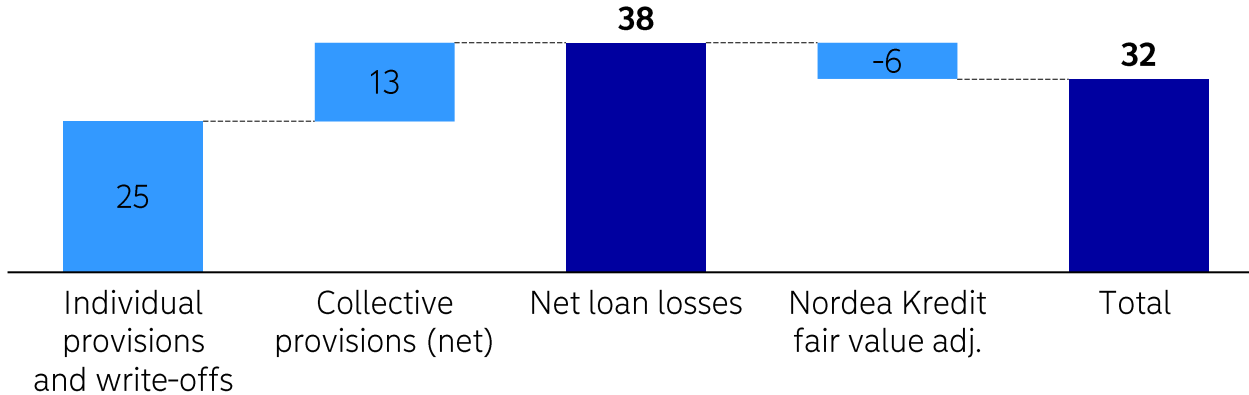
- Continued additional investments to protect against financial crime, strengthen cyber security and enhance technological capabilities even further, in line with plan
- Underlying costs mainly driven by inflation and business activity



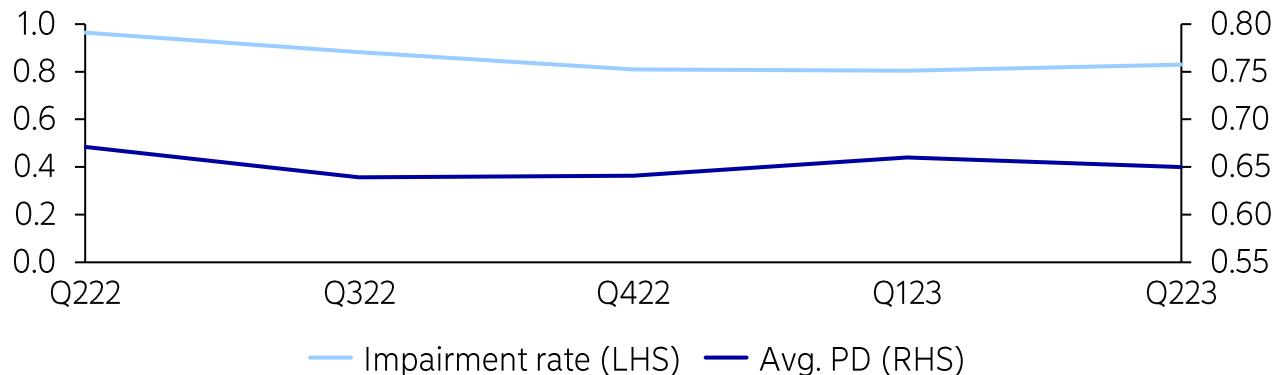
Net loan losses and similar net result

## Continued strong credit quality

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



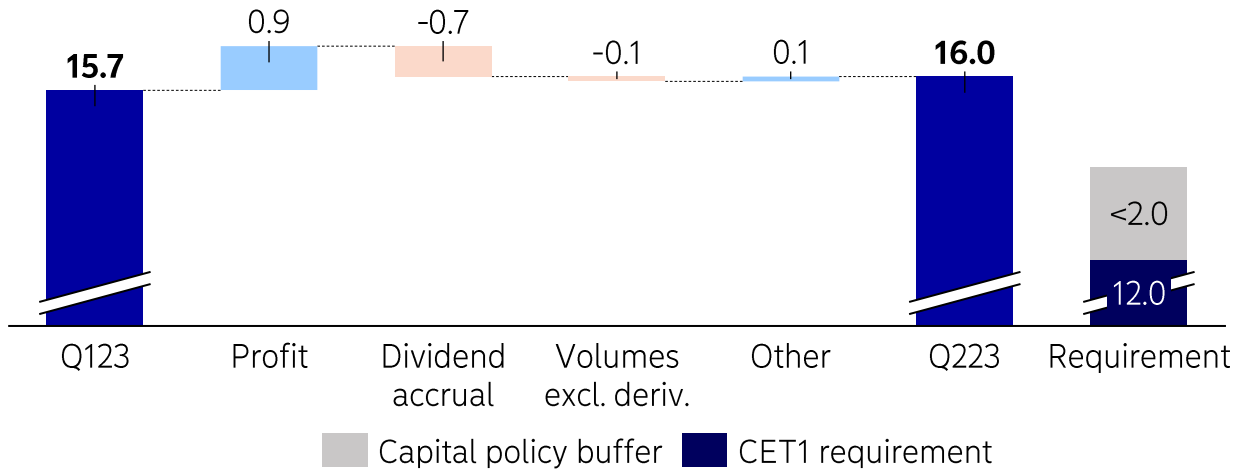
### Impaired (Stage 3) loans and PD of total loans, %



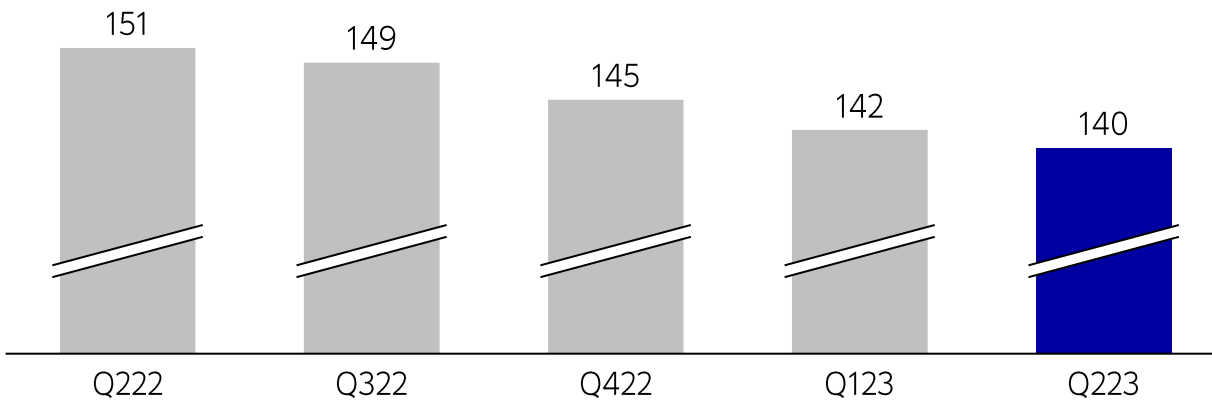
- **Total net loan result low at EUR 32m (4bp)**
  - Low levels of both individual and collective provisions
  - EUR 6m FV gain from Danish mortgages
- **Management judgement buffer EUR 572m – unchanged in local currencies**
- **Continued strong credit quality; risks carefully monitored**
- **Low impairment ratio: 0.83%**

## Strong position; additional share buy-back launched

CET1 capital ratio development, %



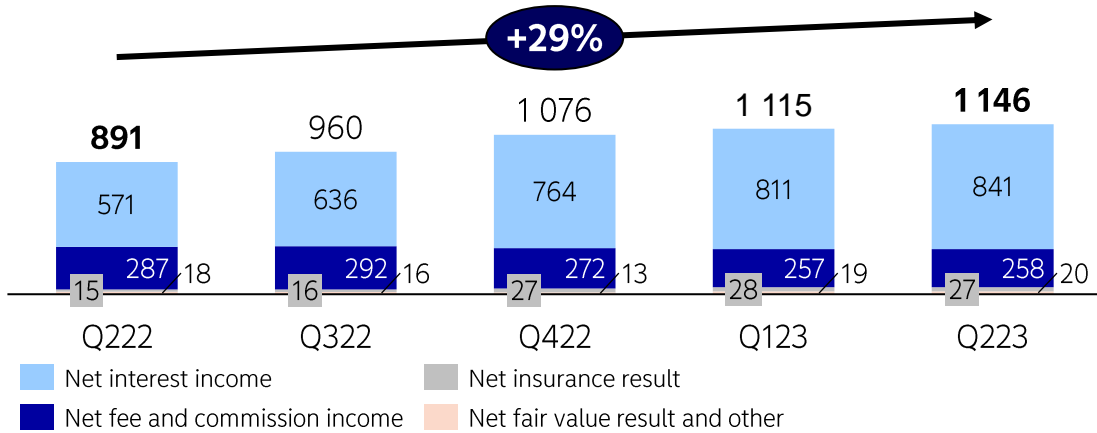
REA development, EURbn



- **CET1 capital ratio up at 16.0%**
  - 4.0 percentage points above regulatory requirement
  - CET1 capital up EUR 0.1bn due to profit accumulation net of dividend, partly offset by FX effects
  - Risk exposure amount down EUR 2.0bn, mainly driven by FX effects, partly offset by increased corporate lending volumes
- **Good progress on capital distributions**
  - EUR 2.9bn distributed to shareholders via dividends in April
  - Total of EUR 4.7bn returned to shareholders via buy-backs
  - Fourth buy-back programme (EUR 1bn) in progress

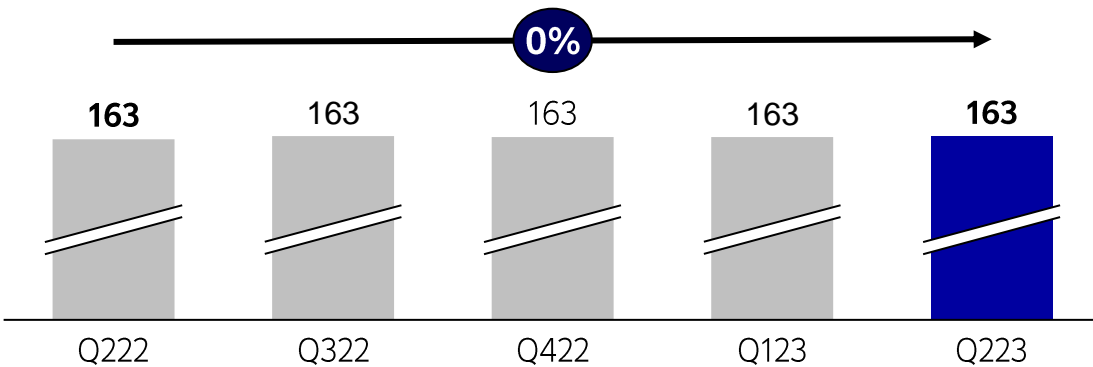
# Stable business volumes and higher net interest income

Total income, EURm

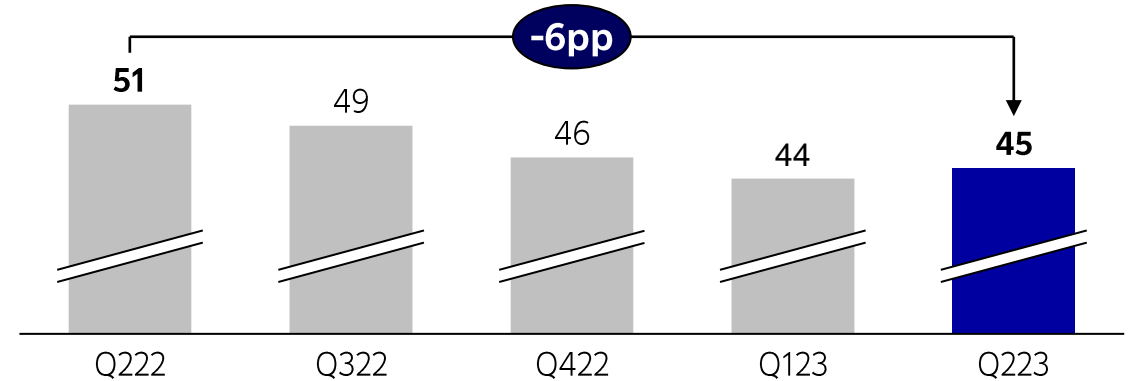


- Total income up 29%
- Net interest income up 47%, driven by higher deposit volumes and improved deposit margins
- Deposit volumes up 1%
- Mortgage volumes stable – margin pressure continuing
- Improved cost-to-income ratio: 45%

Lending\*, EURbn

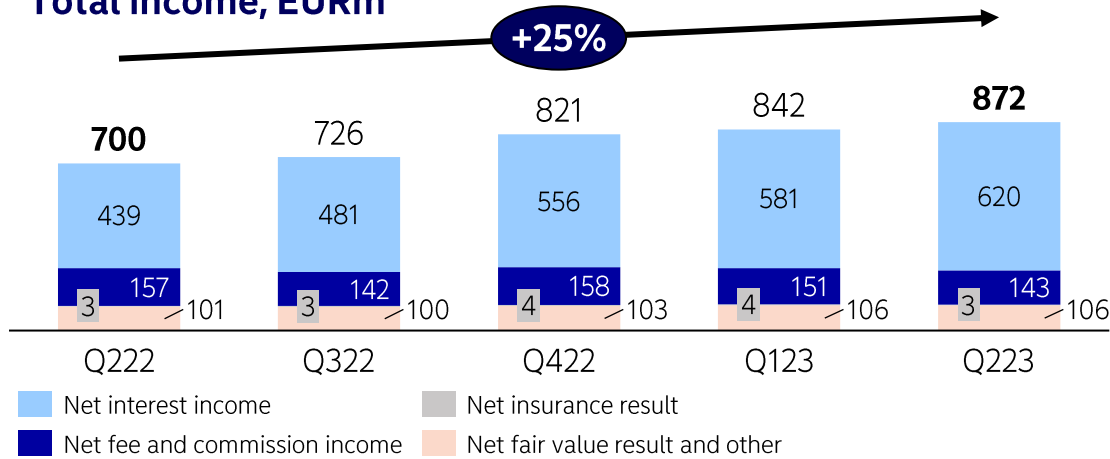


Cost-to-income ratio\*\*, %



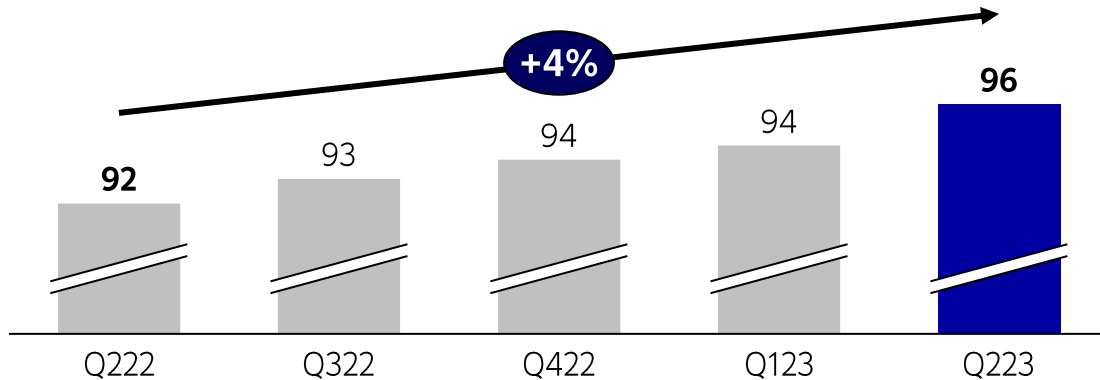
## Good business momentum with continued volume growth

### Total income, EURm

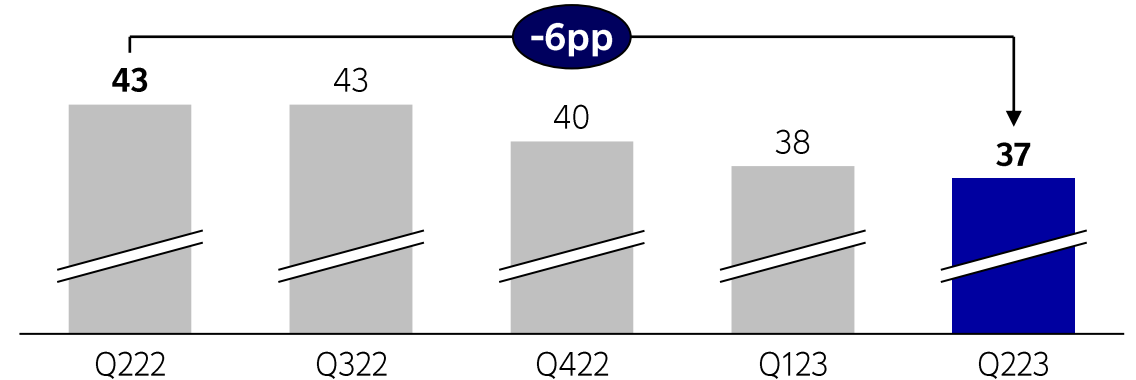


- Total income up 25%
- Net interest income up 41%, driven by higher lending volumes and improved deposit margins
- Lending volumes up 4%, led by Sweden and Norway
- Improved cost-to-income ratio: 37%

### Lending\*, EURbn

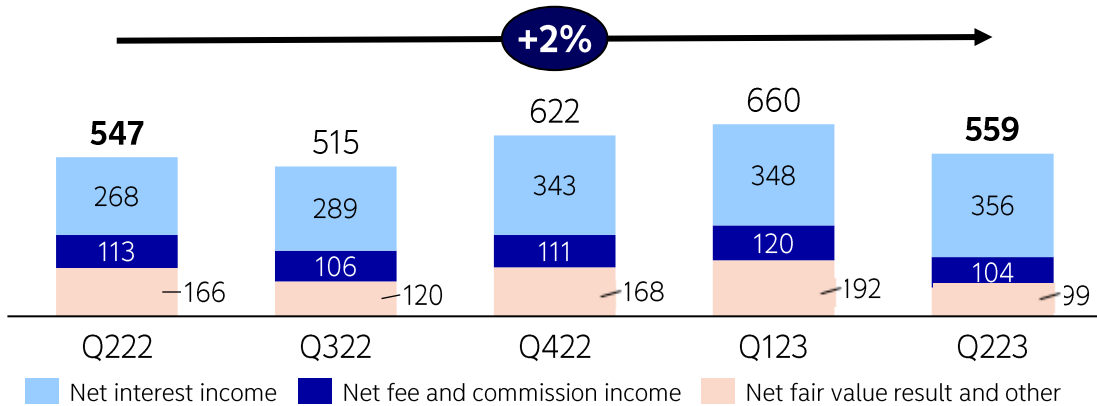


### Cost-to-income ratio\*\*, %



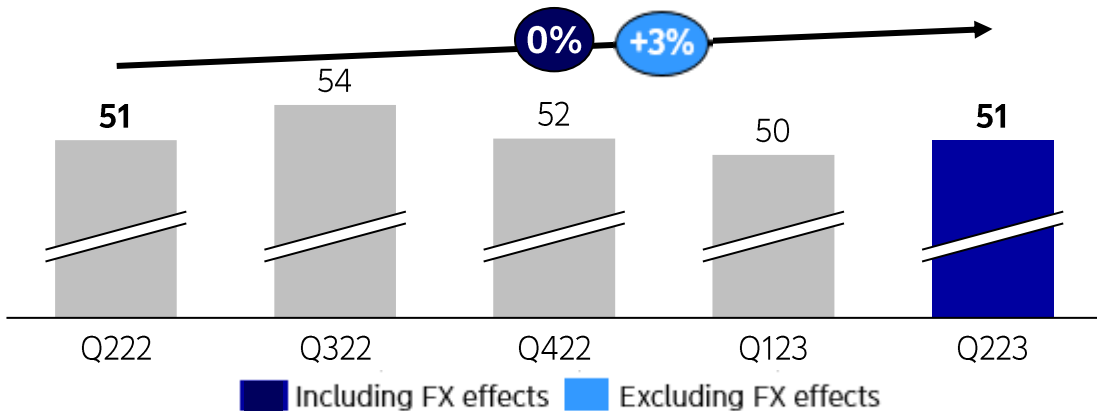
## Significant net interest income growth and high levels of customer activity

### Total income, EURm

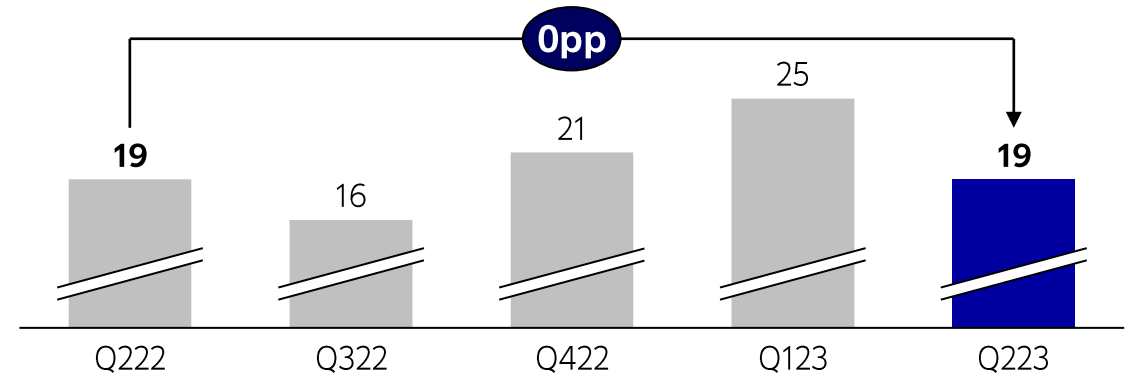


- Total income up 2%
- Net interest income up 33%, driven by higher deposit margins and higher average lending volumes
- Deposit volumes down 15%, driven by FX and normalisation of energy sector deposits
- Net fair value income down, driven by lower trading; high levels of customer activity sustained
- Return on capital at risk 19%

### Lending\*, EURbn

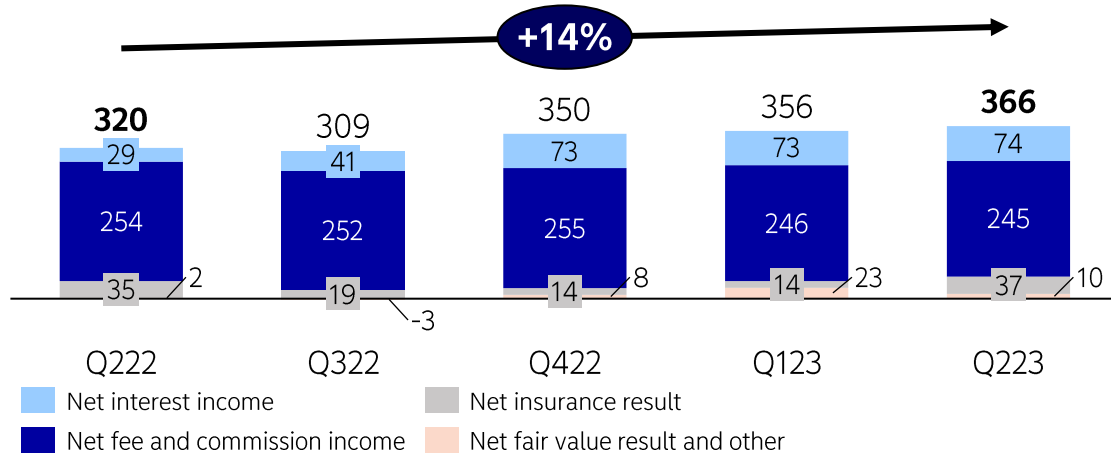


### Return on capital at risk\*\*, %

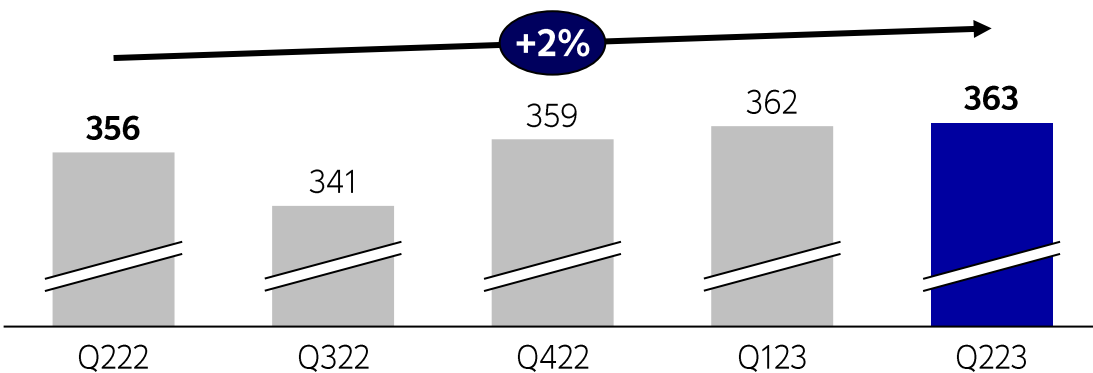


## Solid net flows from internal channels

### Total income, EURm

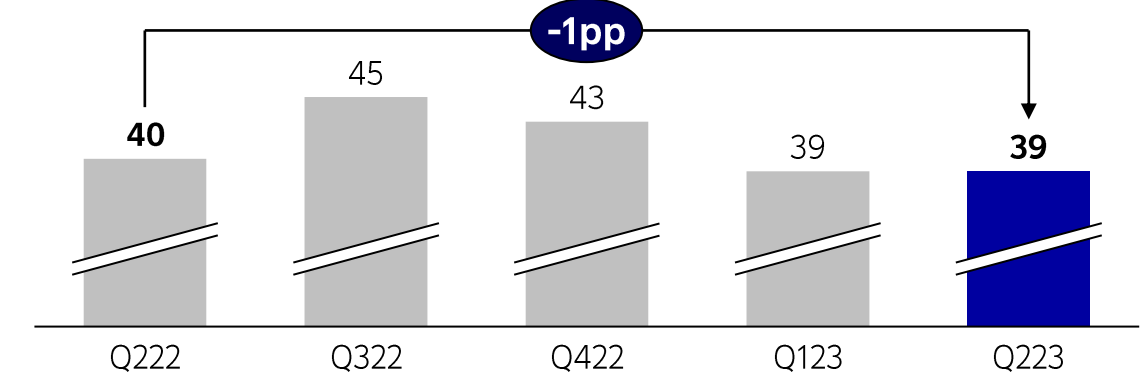


### Assets under management, EURbn



- Total income up 14%, driven by higher net interest income from improved deposit margins
- Continued strong momentum in Private Banking; net flows of EUR 1.8bn
- Assets under management up 2% to EUR 363bn
  - Positive net flows of EUR 2.6bn from internal channels, driven by Private Banking and Life & Pension
  - Group net inflow of EUR 0.1bn during quarter
- Improved cost-to-income ratio: 39%

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





# Nordea

2025: The preferred financial partner in the Nordics

**| Updated outlook for 2023: return on equity comfortably above 15%**

**| Reassessing long-term financial target for 2025 – update in conjunction with fourth-quarter report**



Nordea

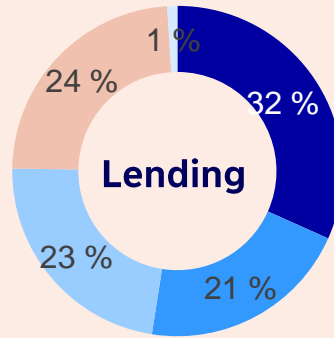
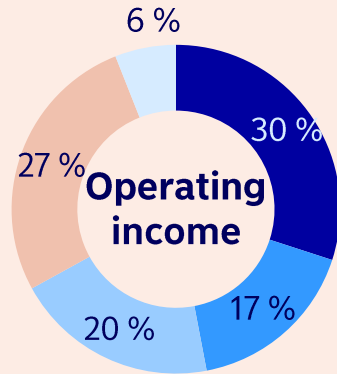


Nordea today

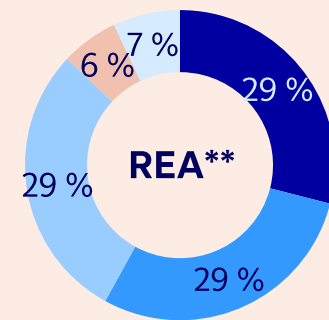
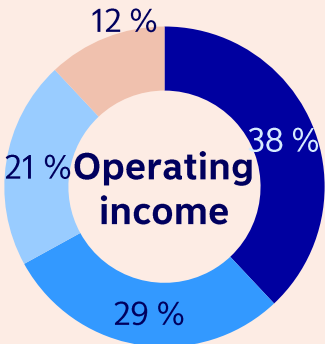
# Very well-diversified pan-Nordic financial service provider with stable and sustainable returns

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

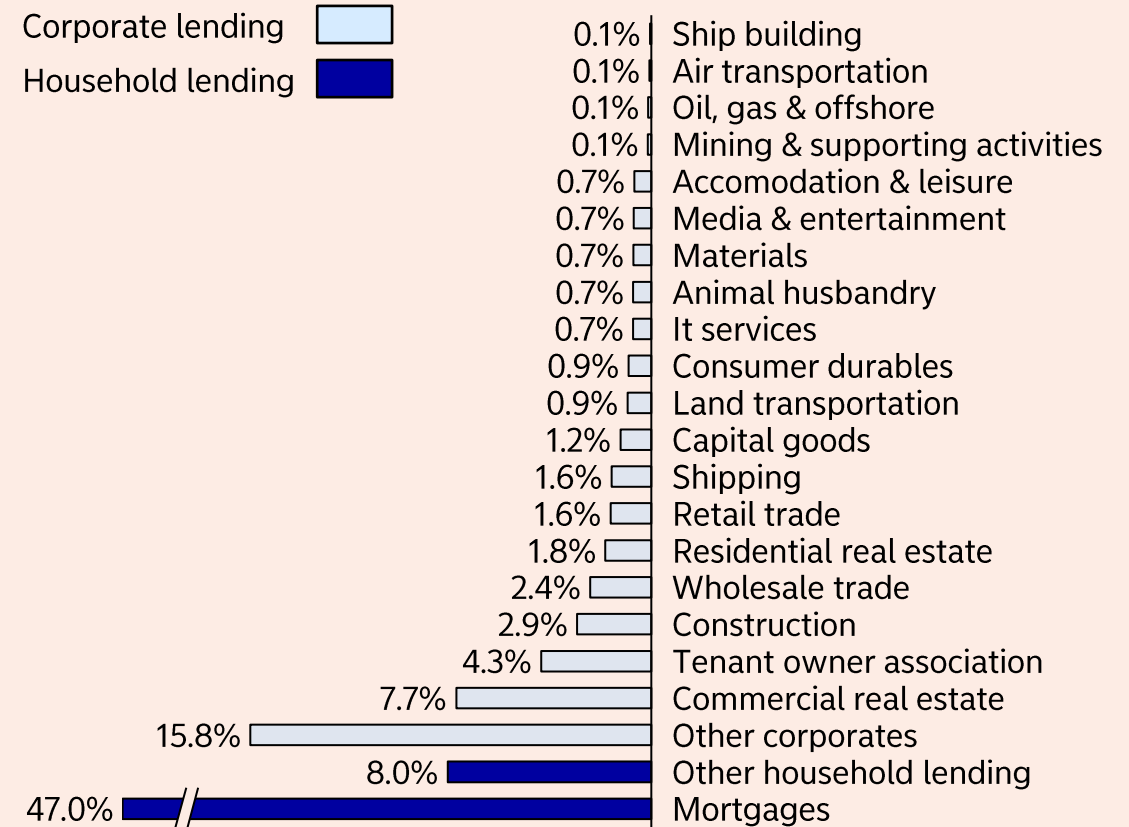
Very well diversified portfolio – no significant industry sector concentration



● Sweden 
 ● Finland 
 ● Norway 
 ● Denmark 
 ● Other\*\*\*



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

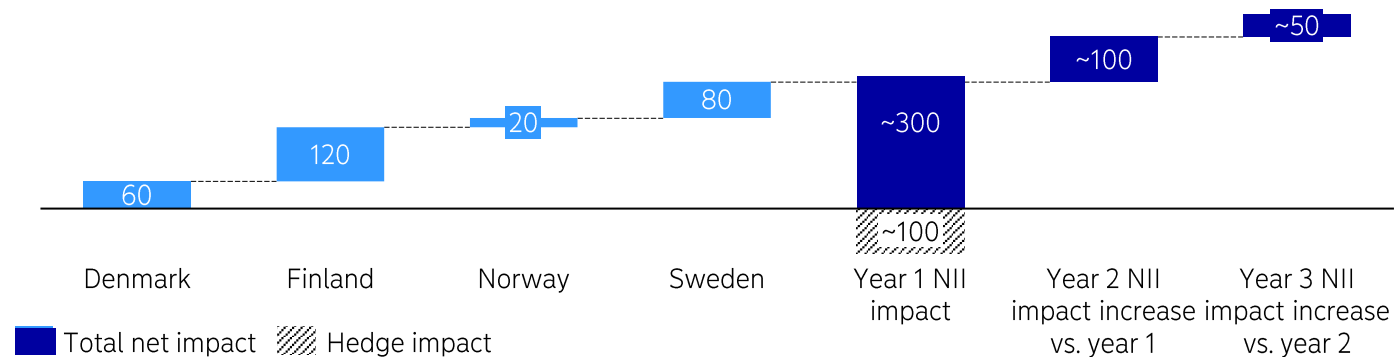




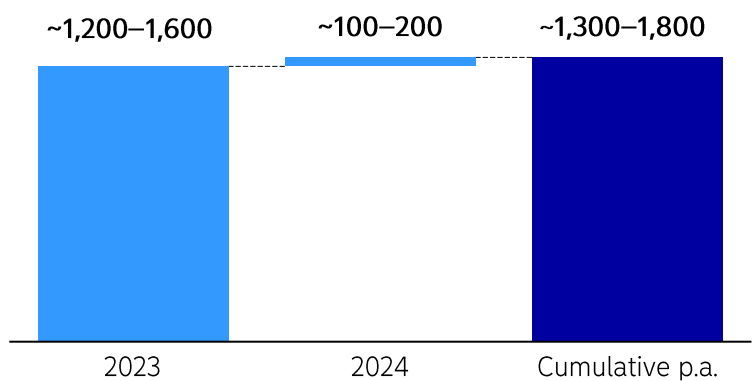
Net interest income

# Net interest income sensitivity to policy rate increases

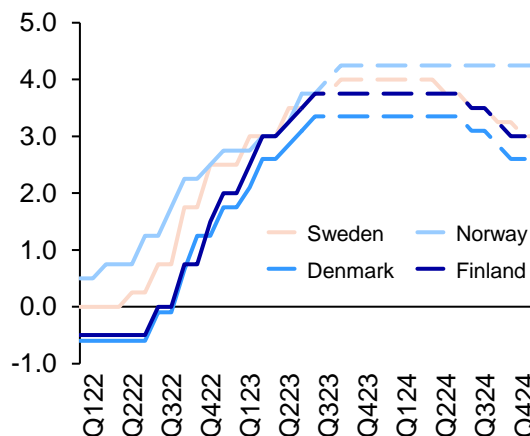
## Sensitivity to +50bp parallel rate shift in policy rates



## 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 ~1.2–1.6bn 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 ↔

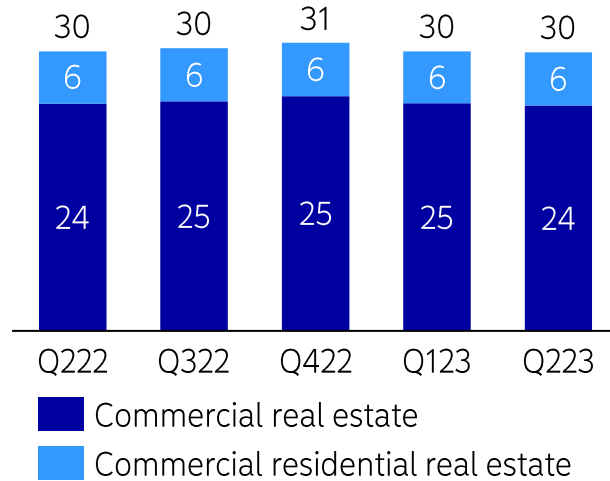
- **Deposit hedging reducing sensitivity to interest rate changes**

- Average hedge maturity ~3 years
- Additional NII impact in Y2–Y3 as assets repriced and hedges rolled over

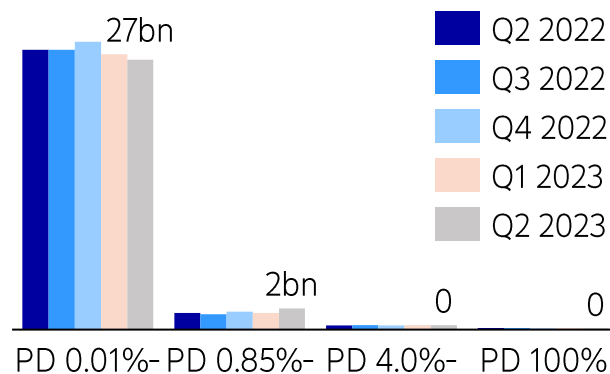
Real estate management industry (REMI)\*

## Well-diversified portfolio, high-quality lending

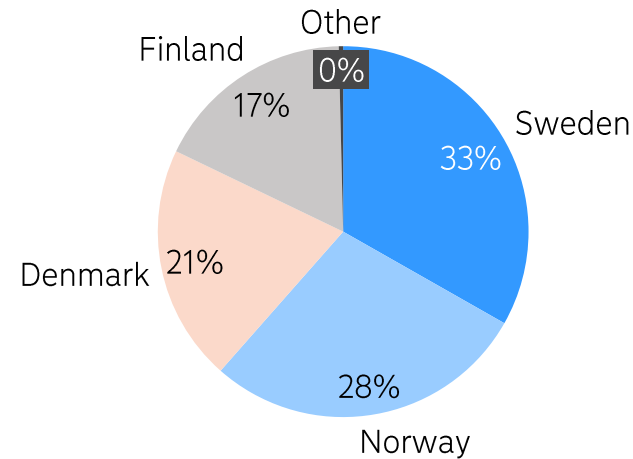
### Lending volumes stable



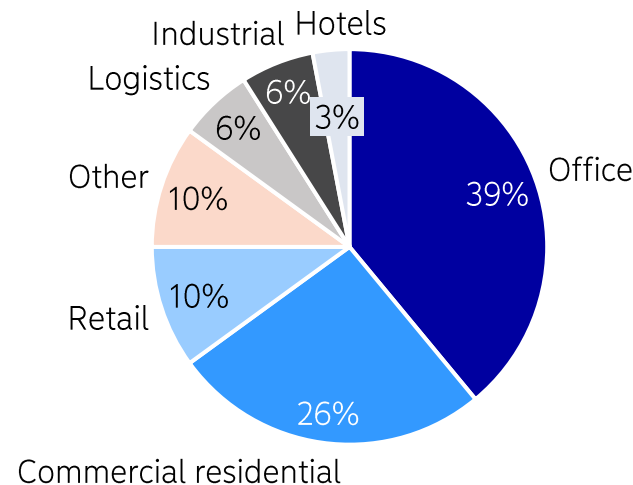
### 91% of portfolio with low probability of default (PD)



### Diversified across countries



### Diversified across types

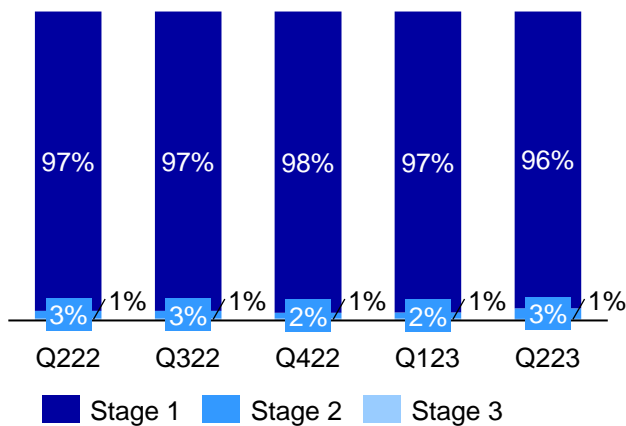


- **Well-diversified portfolio across Nordic markets**
- **91% of exposure towards low-risk customers, with only 2% towards high risk**
- **Portfolio mainly comprising central and modern office and residential properties**
- **Strict underwriting standards: conservative credit policy with focus on cash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

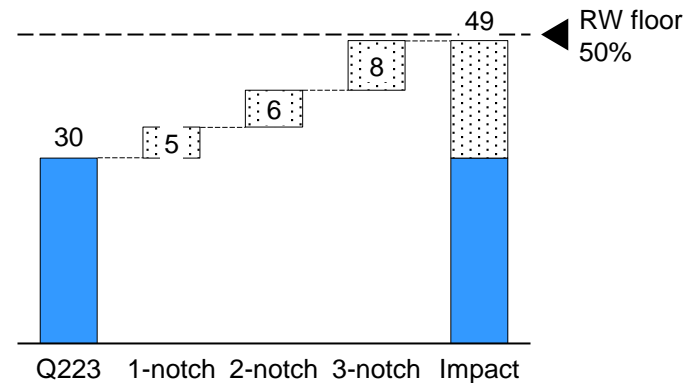
Real estate management industry (REMI)\*

## Low levels of risk exposure

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

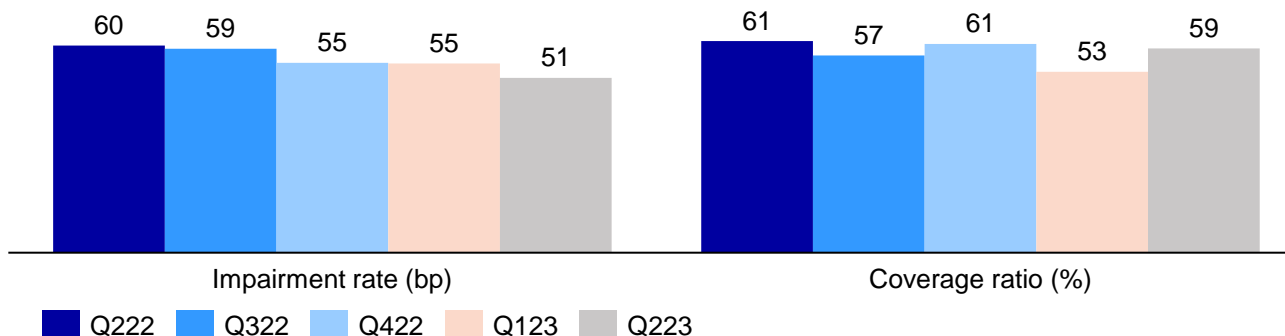


**No REA impact even from 3-notch downgrade due to risk weight floors**



- **Only 3% of portfolio in stage 2**
  - Few customers moved from stage 1 to stage 2 during Q2
- **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**

**Low impairment rate and high coverage for impaired portfolio**

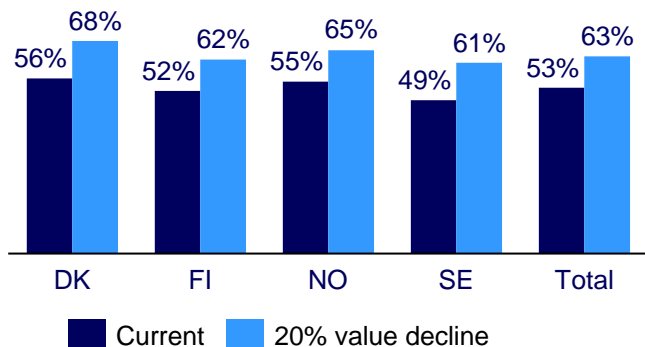




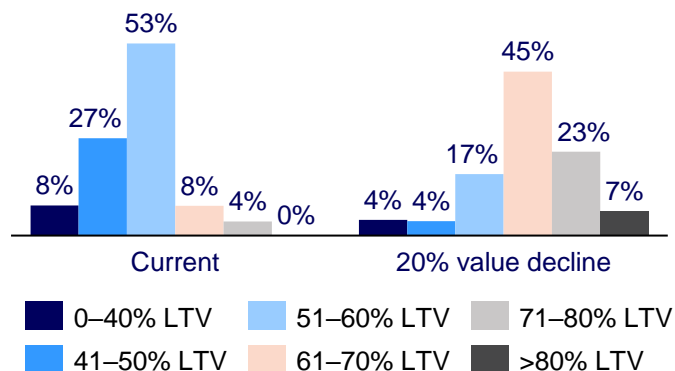
Real estate management industry (REMI) for largest customers\*

## Solid LTVs, resilient interest coverage, high occupancy

### Solid LTV levels for all countries



### Majority of portfolio with low LTV



- **88% of exposures with LTV below 60%**

- In event of 20% decline in market value, 70% of portfolio still with LTV below 70%

- **Average Interest Coverage Ratio (ICR) at 4.0x**

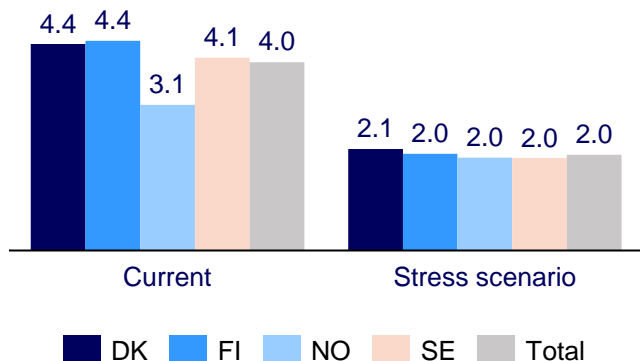
- Average ICR above 2x in stress scenario
- Strict stress scenario: all debt refinanced day one at current 5Y swap rates plus margins, no hedging

- **Strict hedging requirements**

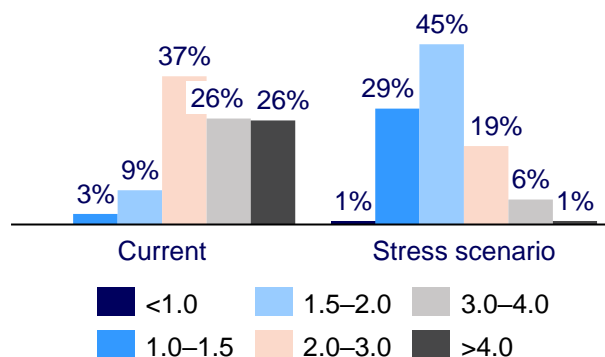
- 56% of customer debt hedged with average maturity of 4.4 years

- **Low vacancy rates with average letting ratio 95%**

### ICR high for all countries



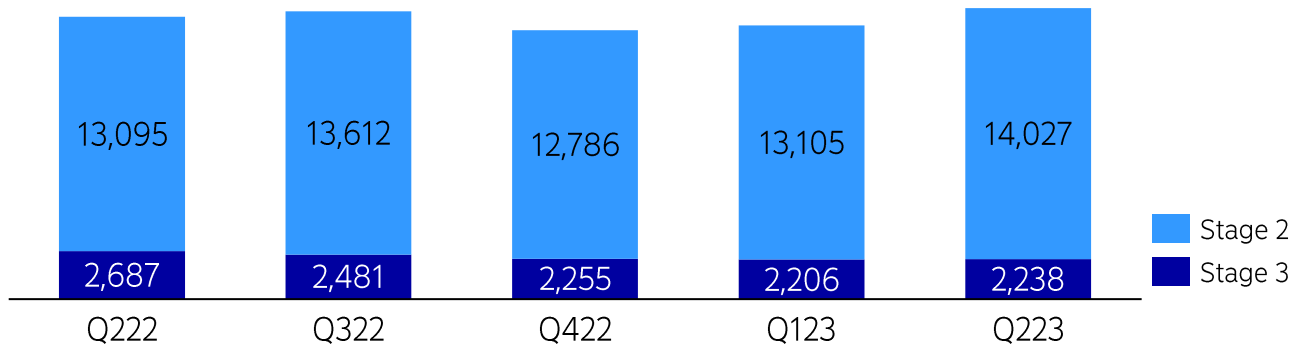
### ICR above 1.0 for 99% of portfolio in stress scenario



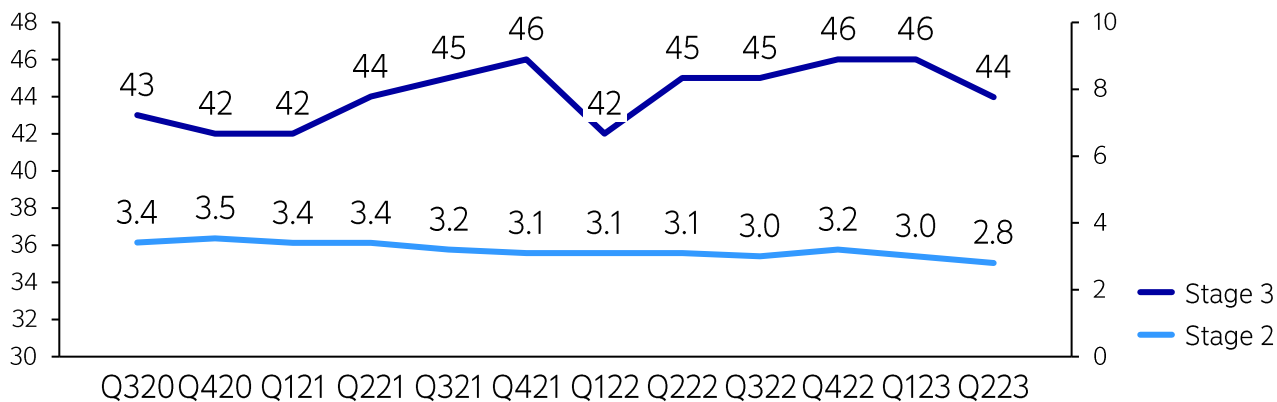
Impairments and provisioning coverage

**Strong and stable portfolio credit quality**

**Stage 2 and 3 loans at amortised cost, EURm**



**Coverage ratio, %**



- **Stage 3 (impaired) loans slightly up at 0.83% (0.80% in Q1 2023)**
- **Stage 2 loans up 7% q/q, related to few portfolios**
- **Coverage ratio for stage 3 portfolio 44%**
- **Continued strong portfolio credit quality**