Nordea

Fourth-quarter and full-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.

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 19%, net fee and commission income down 3% and net fair value result down 61%. Total income up 1%

Return on equity* 15.9% excluding write-offs; earnings per share EUR 0.31

Volumes stable in slow market

- Mortgage lending stable and corporate lending up 1% y/y. Retail deposits stable y/y and corporate deposits down 3%. AuM up 5% y/y

Cost-to-income ratio excluding regulatory fees and write-offs: 42%

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

- Net loan losses and similar net result EUR 83m or 10bp – lower reversals at this stage of cycle
- Management judgment buffer EUR 495m after EUR 74m transferred from structural buffer to collective provisions, as planned

Strong capital generation and dividend increase

- CET1 ratio 17% – 4.9pp above current regulatory requirement. Dividend of EUR 0.92 per share proposed for 2023 – increase of 15%

2025 target updated: return on equity above 15%

- 2024 outlook: return on equity above 15%

* With amortised resolution fees

Key financials

Fourth-quarter results 2023

Income statement and key ratios EURm	Q423	Q422	Q4/Q4	Q323	Q4/Q3
Net interest income	1,946	1,641	19%	1,909	2%
Net fee and commission income	763	785	-3%	742	3%
Net insurance result	40	47	-15%	63	-37%
Net fair value result	154	396	-61%	225	-32%
Other income	12	28	-57%	13	-8%
Total operating income	**2,915**	**2,897**	**1%**	**2,952**	**-1%**
Total operating expenses excl. reg. fees and write-offs**	-1,220	-1,196	2%	-1,174	4%
Total operating expenses	-1,417	-1,212	17%	-1,194	19%
Profit before loan losses	**1,498**	**1,685**	**-11%**	**1,758**	**-15%**
Net loan losses and similar net result	-83	-59		-33	
Operating profit	**1,415**	**1,626**	**-13%**	**1,725**	**-18%**
Cost-to-income ratio excl. regulatory fees and write-offs**, %	41.9	41.3		39.8	
Cost-to-income ratio*, %	50.6	44.0		42.4	
Return on equity* excl. write-offs**, %	15.9				
Return on equity*, %	14.1	16.3		17.9	
Diluted earnings per share, EUR	0.31	0.35	-11%	0.38	-18%

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

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Key financials

Full-year results 2023

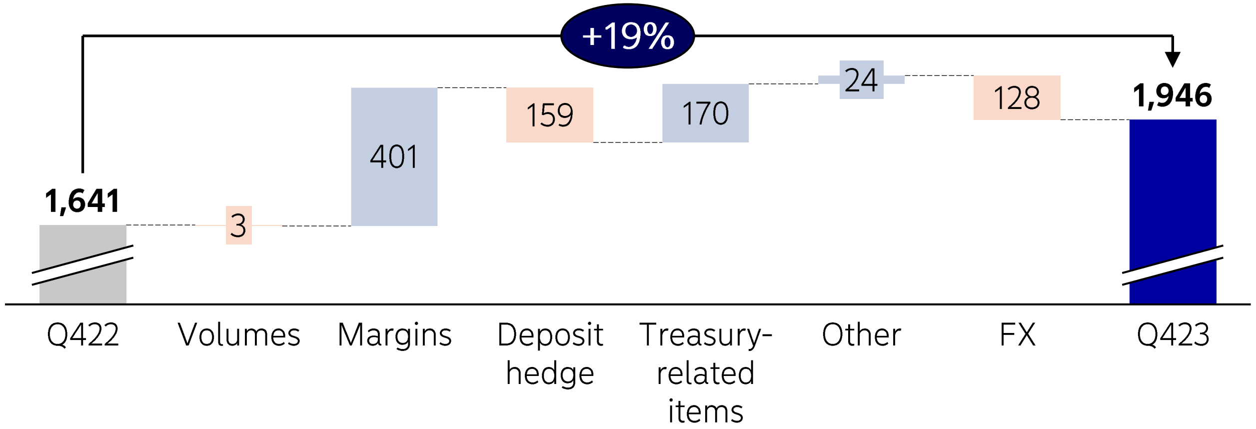
Income statement and key ratios EURm	FY23	FY22*	FY/FY
Net interest income	7,451	5,664	32%
Net fee and commission income	3,021	3,186	-5%
Net insurance result	217	173	25%
Net fair value result	1014	1,160	-13%
Other income	40	75	-47%
Total operating income	**11,743**	**10,258**	**14%**
Total operating expenses excl. reg. fees and write-offs**	-4,745	-4,512	5%
Total operating expenses	-5,238	-4,834	8%
Profit before loan losses	**6,505**	**5,424**	**20%**
Net loan losses and similar net result	-167	-49	
Operating profit	**6,338**	**5,375**	**18%**
Cost-to-income ratio excl. regulatory fees and write-offs**, %	40.4	44.0	
Cost-to-income ratio, %	44.6	47.1	
Return on equity excl. write-offs**, %	17.4	13.8	
Return on equity, %	16.9	13.8	
Diluted earnings per share, EUR	1.37	1.10	25%

* Excluding IAC; see page 5 in Q4 interim report for details
** EUR 177m in intangible asset write-offs, primarily due to change in treatment of development costs related to digital services

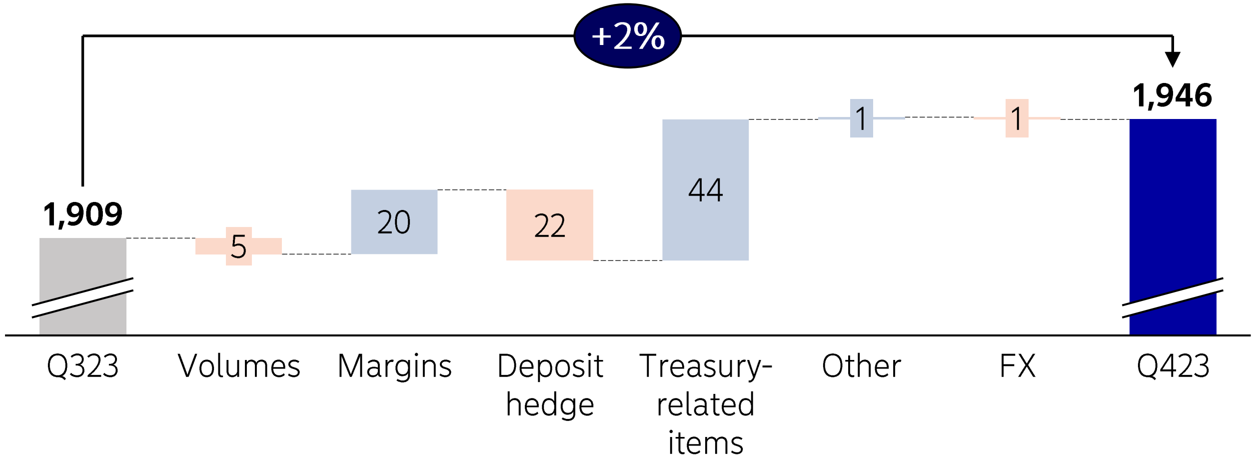
Net interest income

Stable volumes, improved margins

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Net interest income up 19%**
- **Continued growth in corporate lending**
  - Corporate lending up 1%
  - Mortgage volumes stable
- **Net interest margin 1.83%, up 38bp**
  - Lending margins down, especially in households
  - Further increases in deposit margins across business areas

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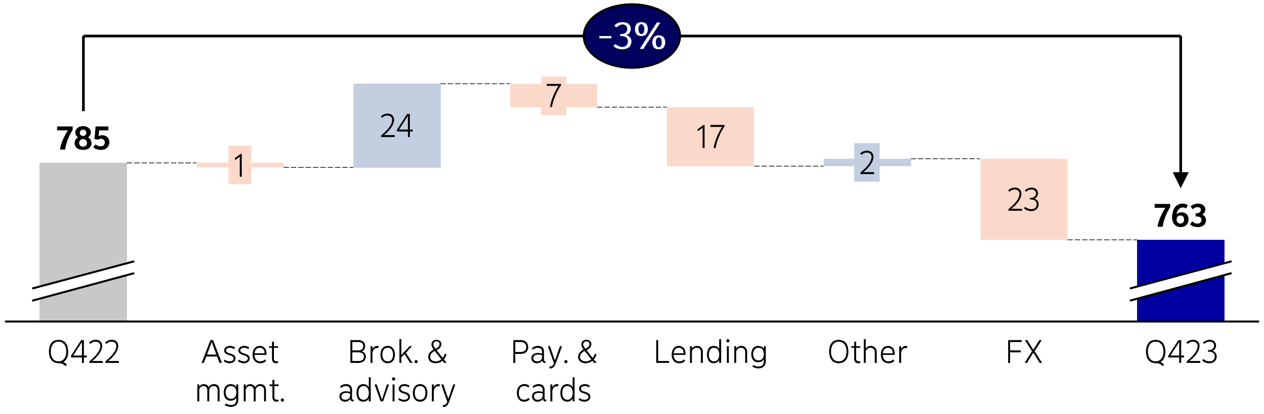
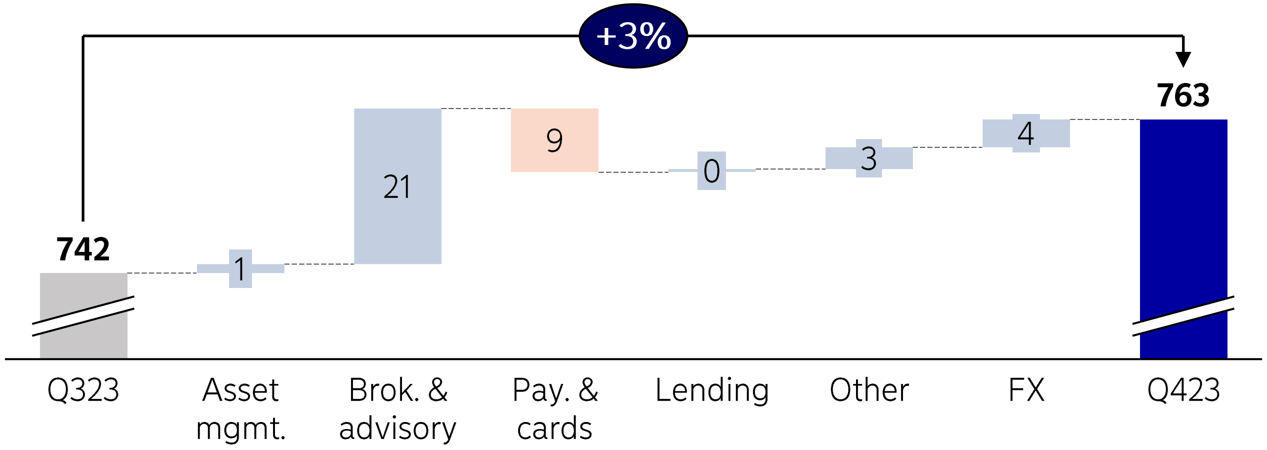
Net fee and commission income

Stable underlying income, negative FX effects

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Net fee and commission income down 3%**
- **Savings fee income impacted by lower average assets under management**
  - Net flows from internal channels EUR 1.9bn
- **Brokerage and advisory fee income up due to higher customer activity**
- **Lower lending fee income in subdued market**

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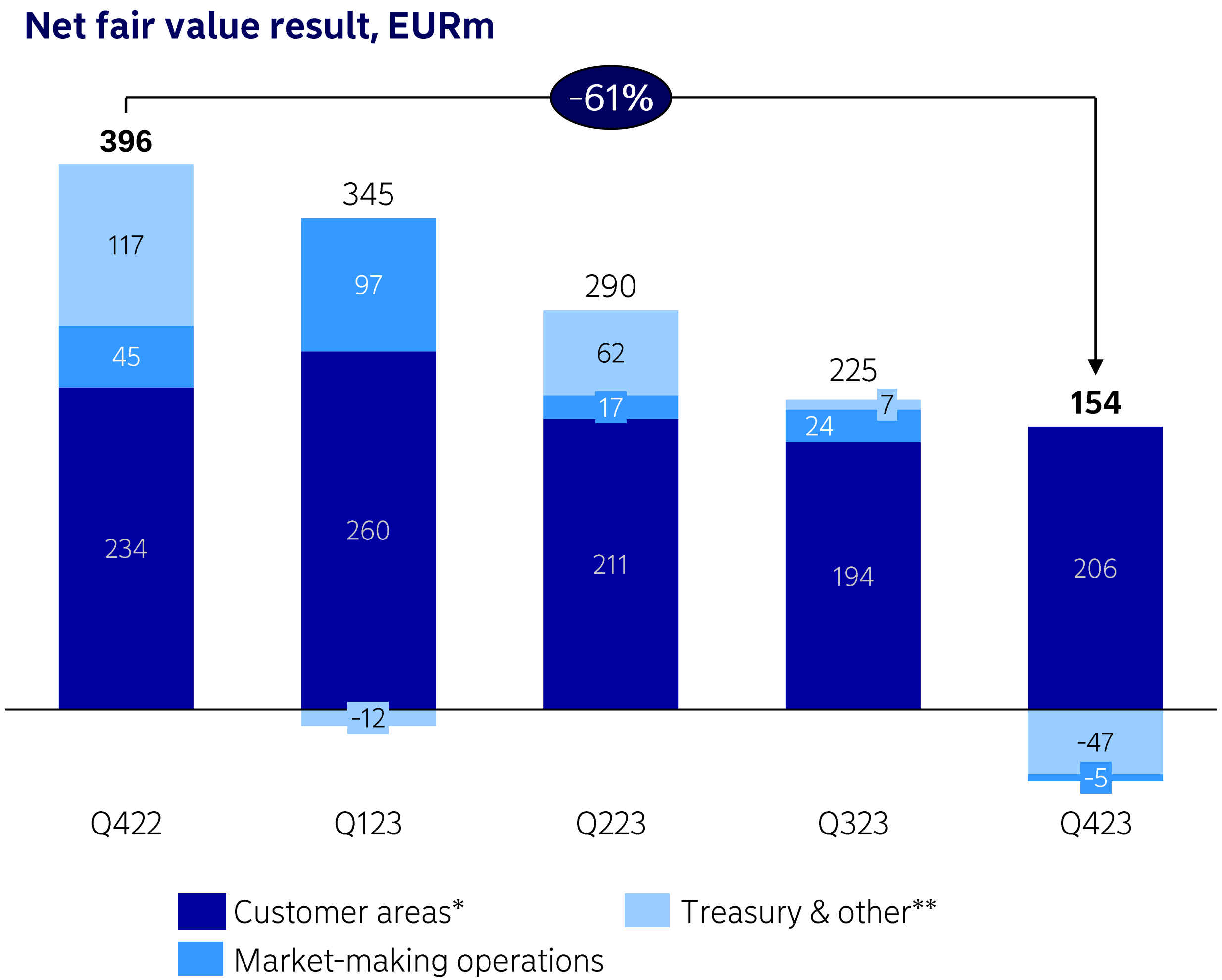
Net fair value result

Market-making and treasury down after very strong Q422



- **Continued solid customer risk management activity, driven by FX and rates products**
- **Market-making down, driven by falling market rates**
- **Treasury negatively affected by lower valuations of bond portfolios and hedge inefficiencies, driven by rate volatility**

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

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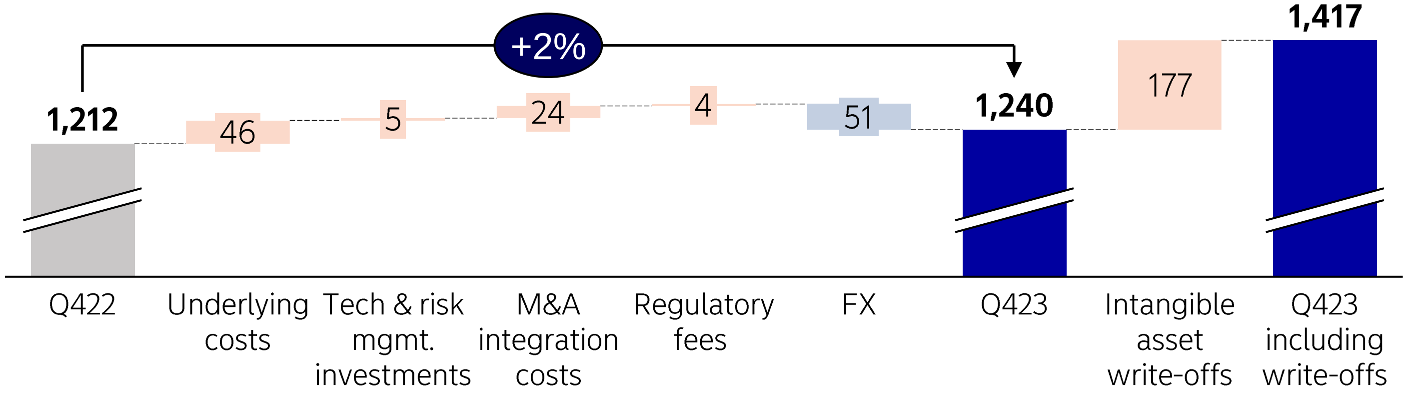
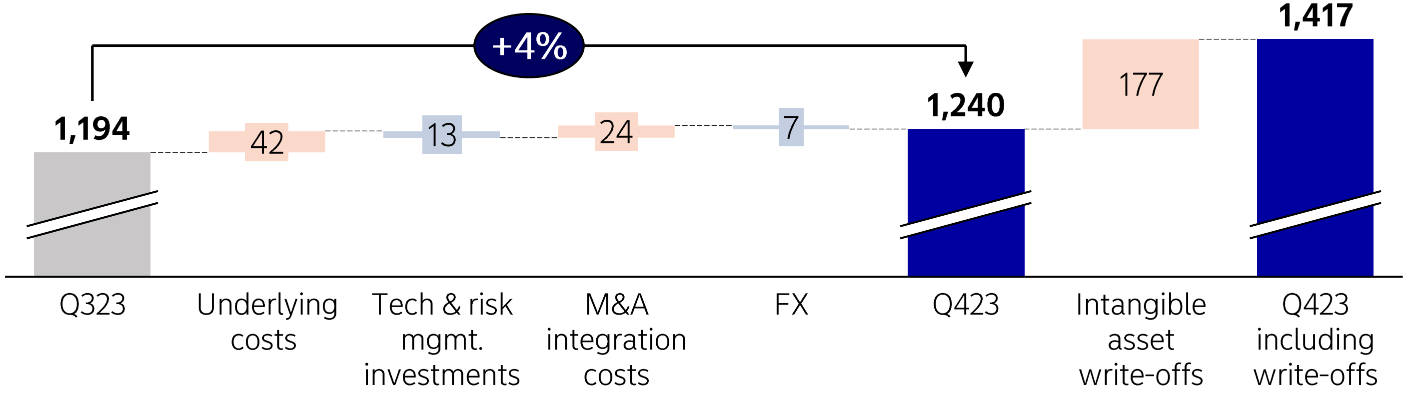
Costs

Costs in line with plan: up 2% excluding write-offs

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



- **Costs excluding write-offs up 2%, driven by integration costs and inflation**
  - Underlying costs driven by salary inflation and higher business activity
  - Continued additional investments in technology and risk management in line with plan
  - M&A integration costs related to proposed acquisition of Danske Bank's personal customer business in Norway
  - Intangible asset write-offs primarily due to change in treatment of development costs related to digital services

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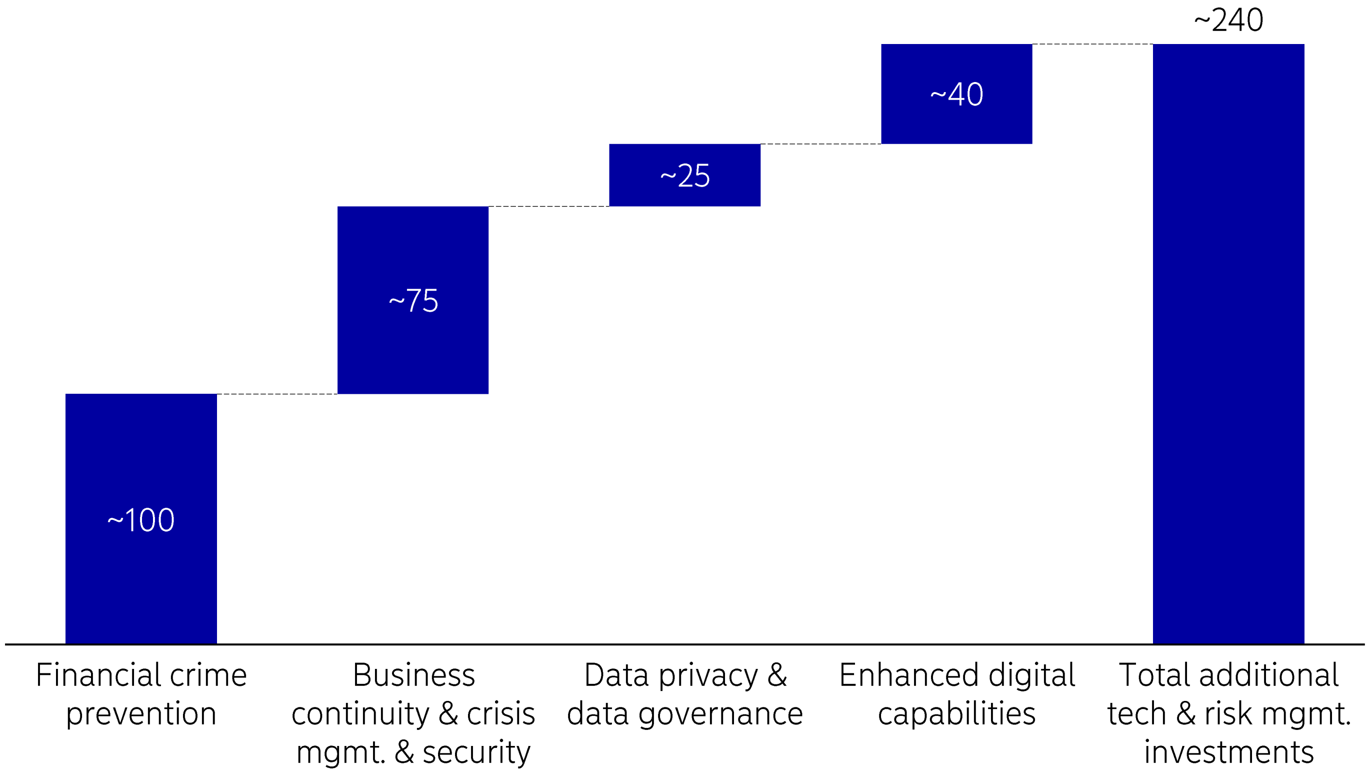
Technology and risk management investments

Continued additional investments

Full-year 2023 additional investments, EURm

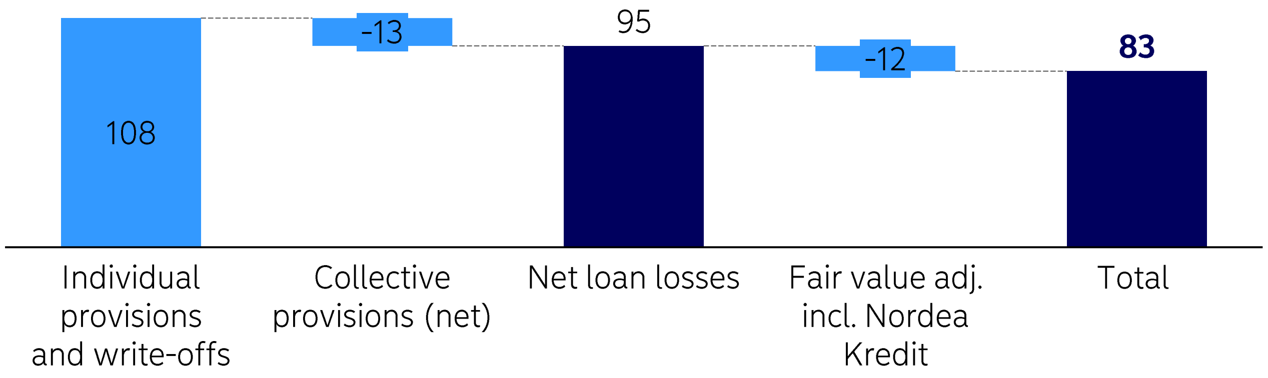


- **Financial crime prevention**
  - Transaction monitoring, sanctions screening & KYC
  - Increased efficiency through technology and automation
- **Business continuity & crisis mgmt.**
  - Cybercrime prevention
  - Increased server stability
  - Improved failover capabilities
- **Data privacy & data governance**
  - Automation of GDPR processes
- **Enhanced technology investments to further strengthen digital capabilities**

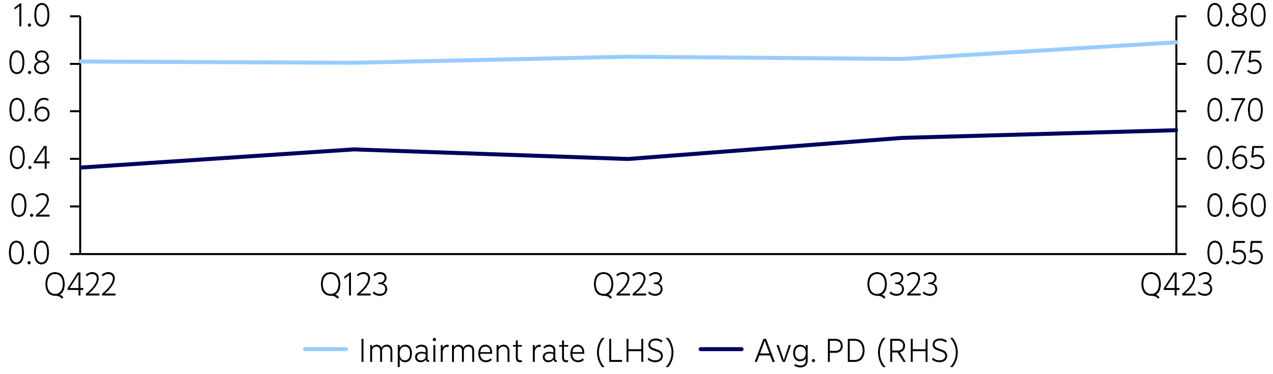
Net loan losses and similar net result

Continued strong credit quality

Net loan losses and similar net result, EURm



Impaired (stage 3) loans and PD of total loans, %



- **Total net loan losses and similar net result EUR 83m (10bp)**
  - As expected, increase in individual provisions, mainly in construction and consumer-related industries
  - New provisions in line with historical levels
- **Overall levels of provisions and coverage unchanged**
  - Management judgement buffer EUR 495m after EUR 74m transferred from structural buffer to collective provisions, as planned
- **Continued strong credit quality**
  - Stage 3 loans at 0.89% (0.82% in Q3)
  - Average PD stable at 0.68%

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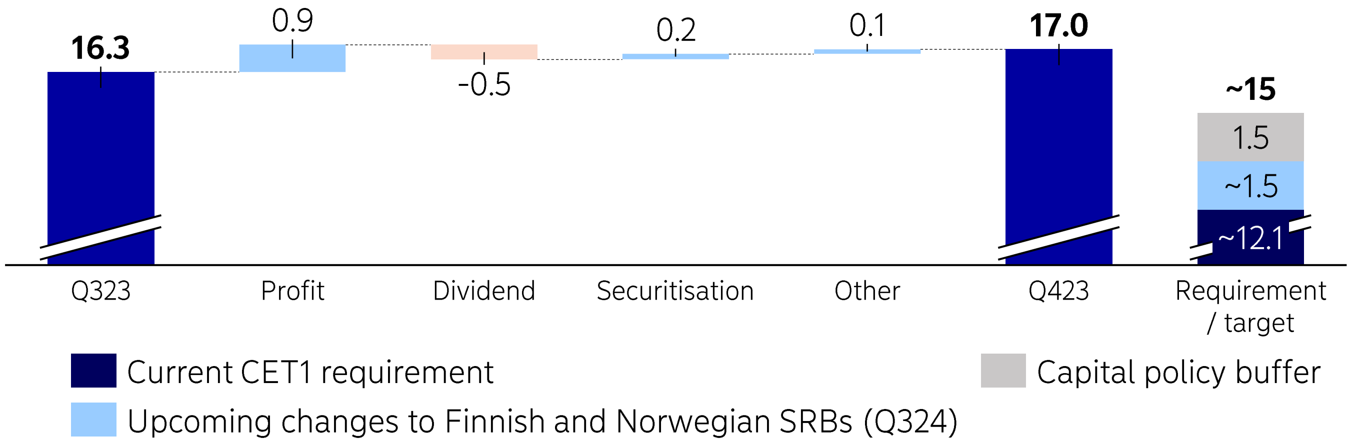
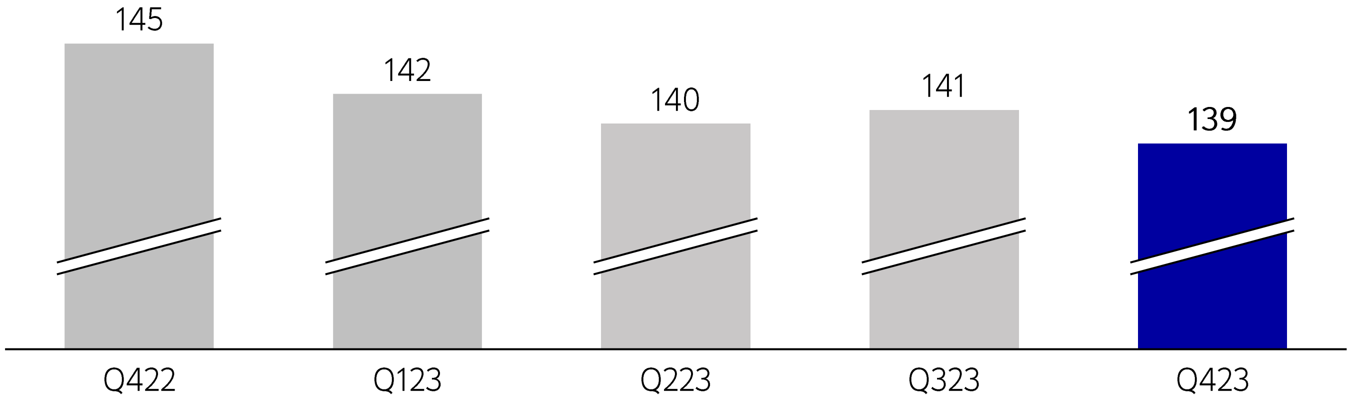
Capital

Strong position; continued focus on capital excellence

CET1 capital ratio development, %



REA development, EURbn



- **CET1 capital ratio up at 17.0%**
  - 4.9 percentage points above regulatory requirement
  - CET1 capital up EUR 0.6bn due to profit accumulation net of dividend accrual
  - Risk exposure amount (REA) down EUR 2.2bn, mainly due to capital efficiency measures
  - Fourth share buy-back programme in progress
  - New capital models for retail exposures expected in H224 – REA increase on implementation estimated at ~EUR 10bn, subject to regulatory approval
- **Updated capital policy**
  - Management buffer of 150bp above CET1 requirement
  - Implied target CET1 ratio of ~15%

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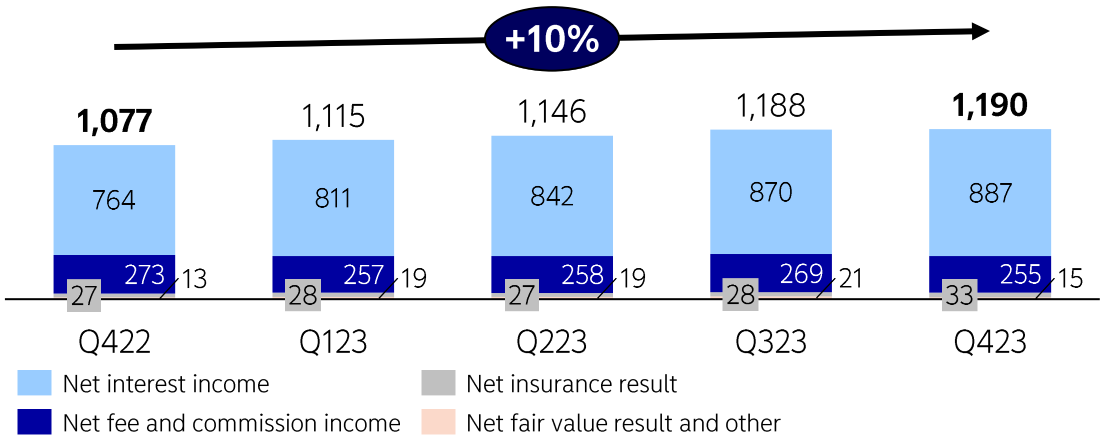
Personal Banking

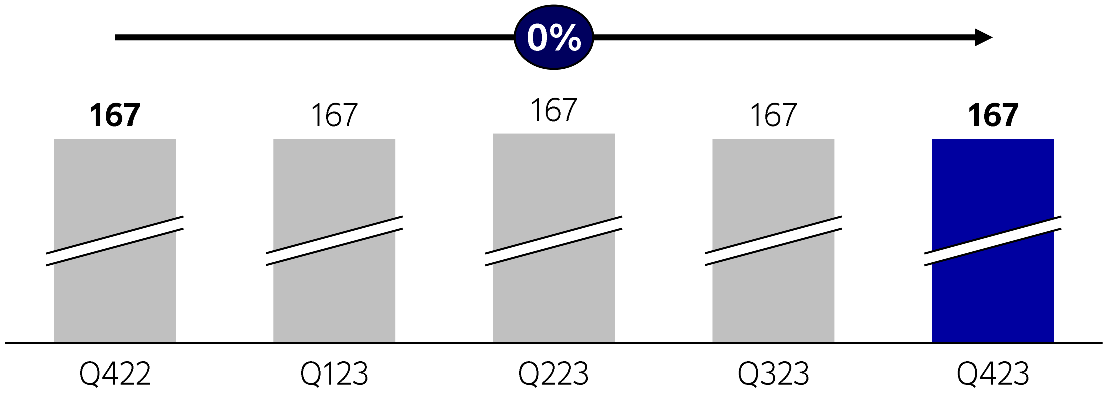
Continued income growth, driven by net interest income

Total income, EURm

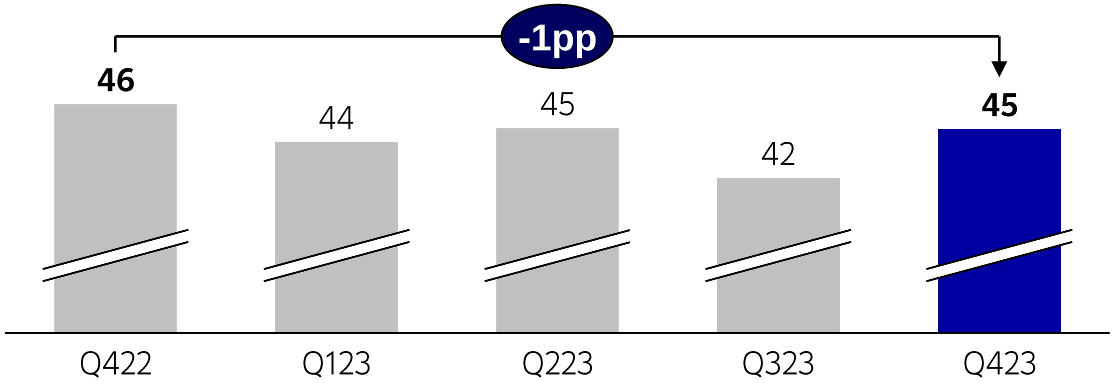


- Total income up 10%
- Net interest income up 16%, driven by deposit margins
- Deposit volumes up 1%
- Mortgage volumes stable – margin pressure continues
- Stable savings & investment income, lower lending fee income
- Improved cost-to-income ratio: 45%

Lending*, EURbn



Cost-to-income ratio**, %

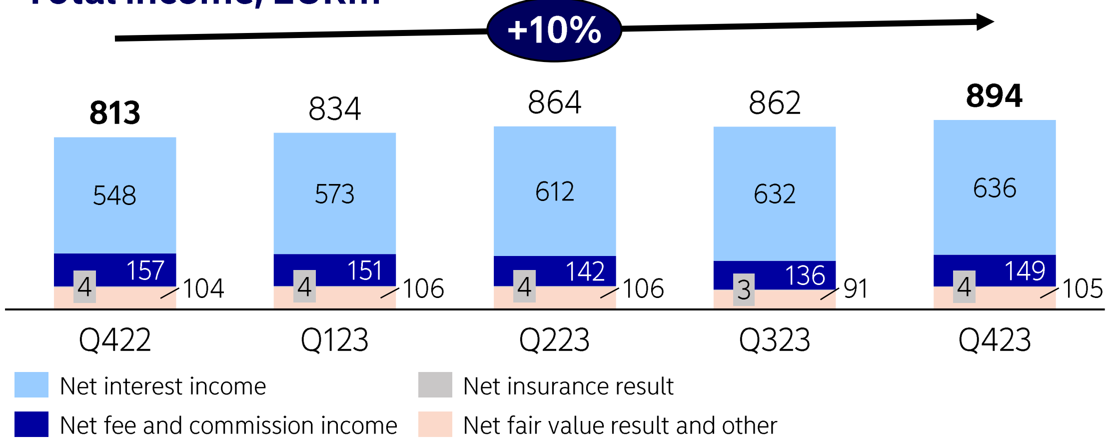


* Excluding FX effects
** With amortised resolution fees

Business Banking

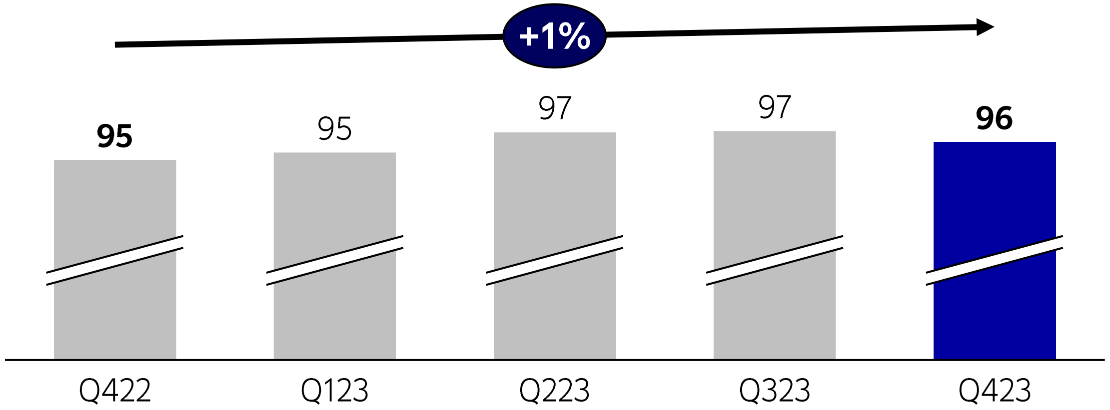
Continued income growth in slower corporate market

Total income, EURm

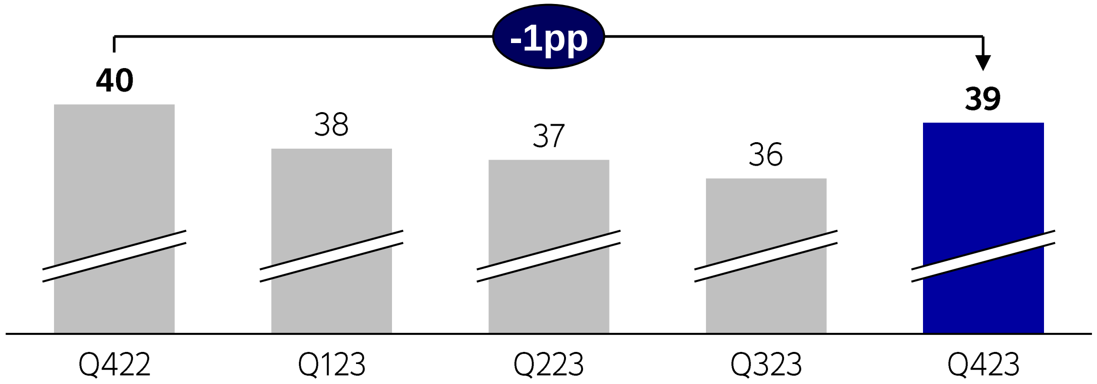


- Total income up 10%
- Lending and deposit volumes up 1%
- Net interest income up 16%, supported by volume growth and improved deposit margins
- Continued strong credit quality; net loan losses 11bp
- Improved cost-to-income ratio: 39%

Lending*, EURbn



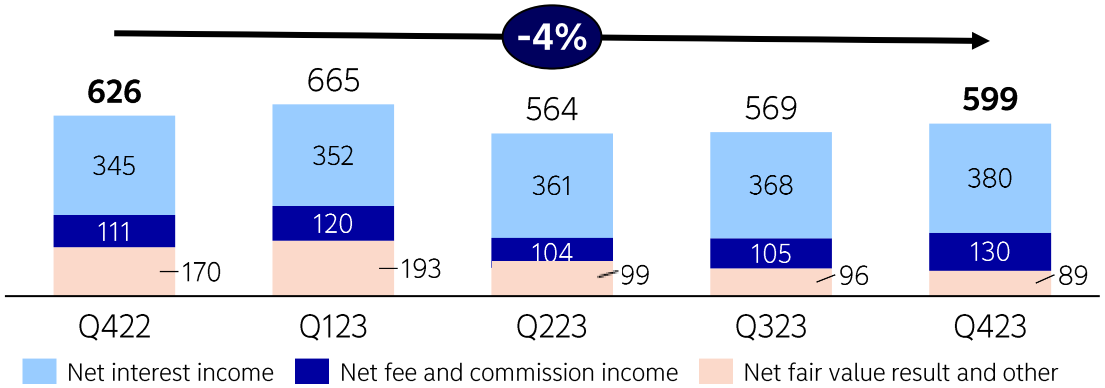
Cost-to-income ratio**, %



* Excluding FX effects
** With amortised resolution fees

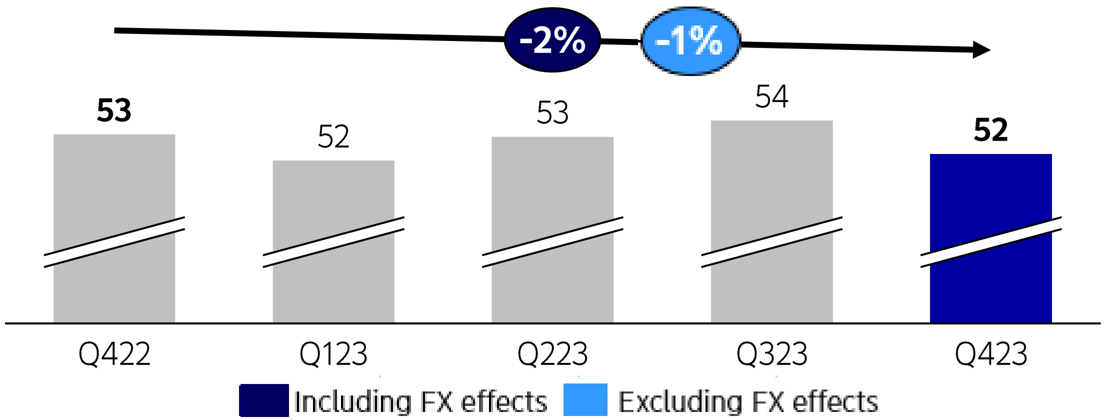
Strong net interest and net fee and commission income, lower net fair value result

Total income, EURm

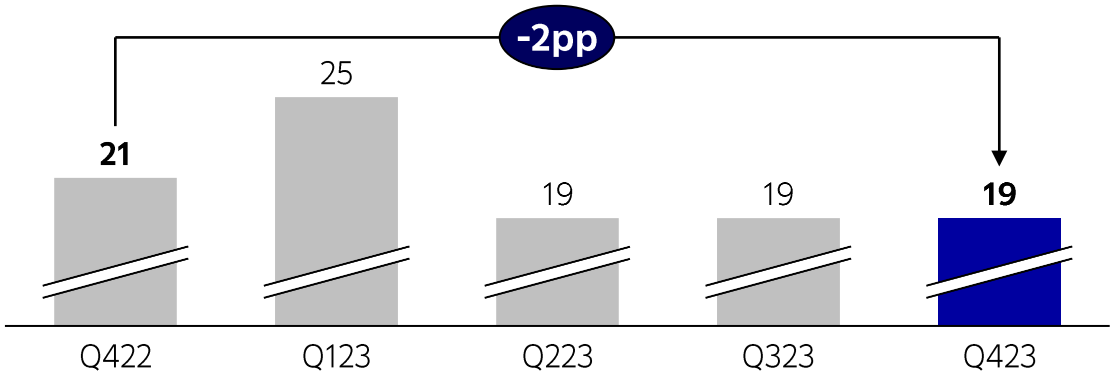


- Total income down 4%
- Net interest income up 10%, driven by positive margin development
- Net fee and commission income up 17%, driven by higher advisory fee income
- Net fair value result down 44% due to lower market-making result following high level of Q422
- Return on capital at risk 19% and cost-to-income ratio 38%

Lending*, EURbn



Return on capital at risk**, %



* Excluding repos
** With amortised resolution fees

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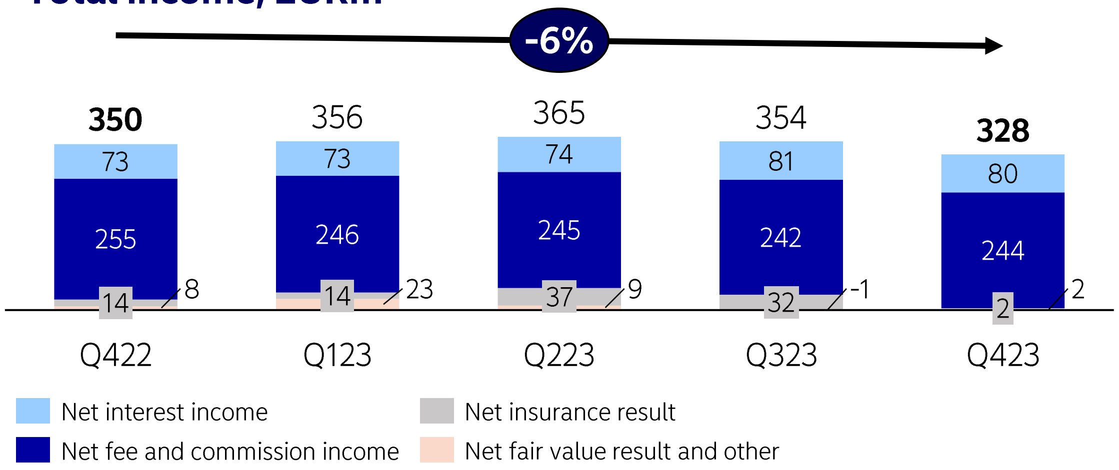
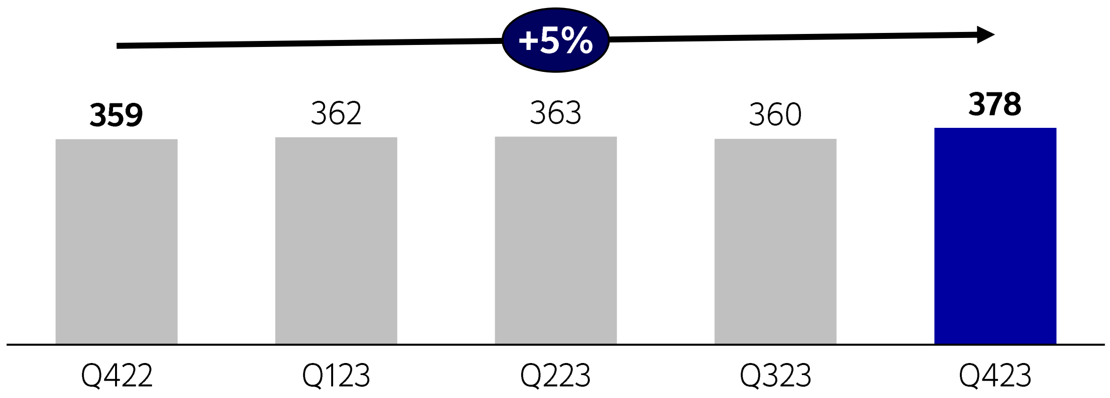
Positive net flow momentum maintained in internal channels despite market uncertainty

Total income, EURm

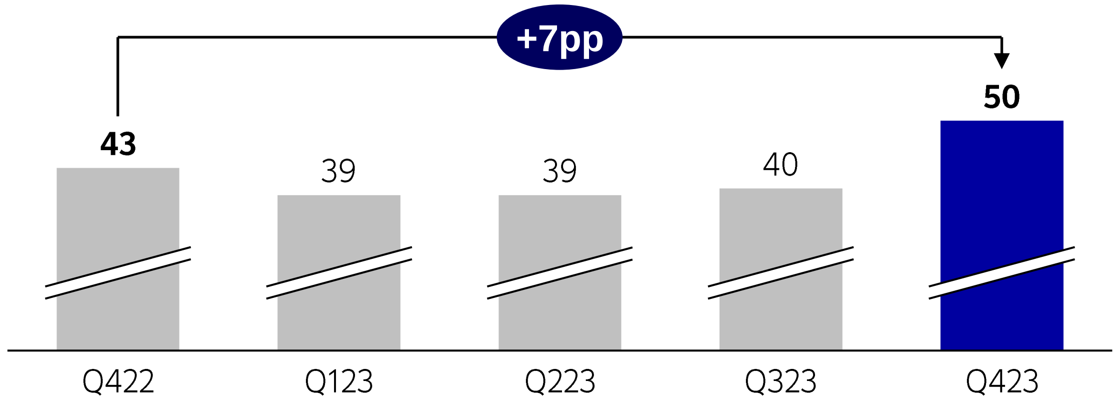


- Total income down 6%, driven by lower net insurance result due to decreasing forward interest rates and lower third-party fund distribution fee income
- Assets under management up 5%, to EUR 378bn
  - Internal channel inflows of EUR 1.9bn during quarter
  - Institutional and wholesale distribution outflows of EUR 3.9bn
- Cost-to-income ratio 50%, driven by inclusion of Nordea Pension and investments in nearshoring and risk management

Assets under management, EURbn



Cost-to-income ratio*, %



* With amortised resolution fees

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Higher target following strong performance

- **Raising the bar further**
- **Strategic agenda reaffirmed**
- **Well equipped for sustainable high performance**

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

2025 financial target update

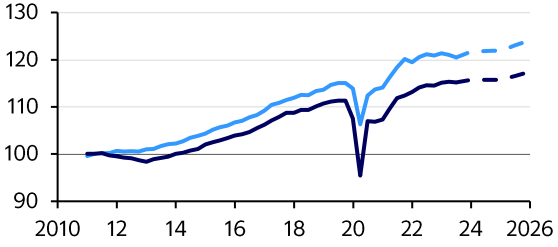
Operating environment

Structurally attractive banking environment

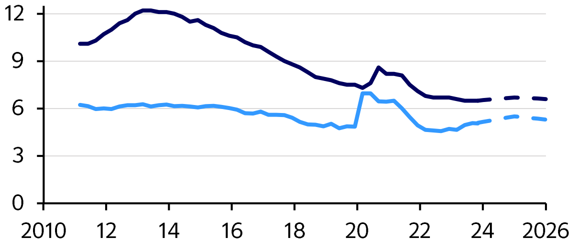
Steady growth and structurally lower unemployment rates

Nordic GDP growth steady and above European average, with lower unemployment supported by strong economies and social security nets

GDP (Index: 2011=100)



Unemployment rate, %



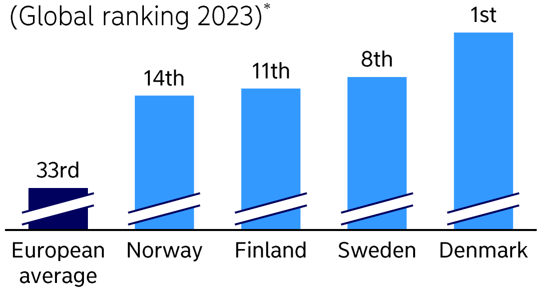
Nordics Euro area

Competitive countries with high degree of digitalisation

Nordic region: high-performing economies, stable political environments, high degree of digitalisation

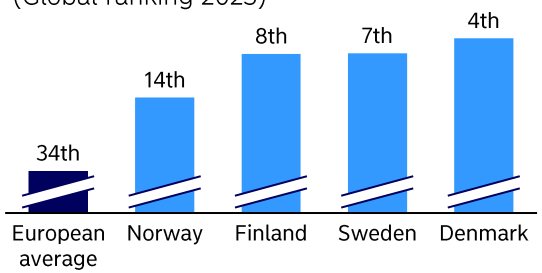
Global competitiveness

(Global ranking 2023)*



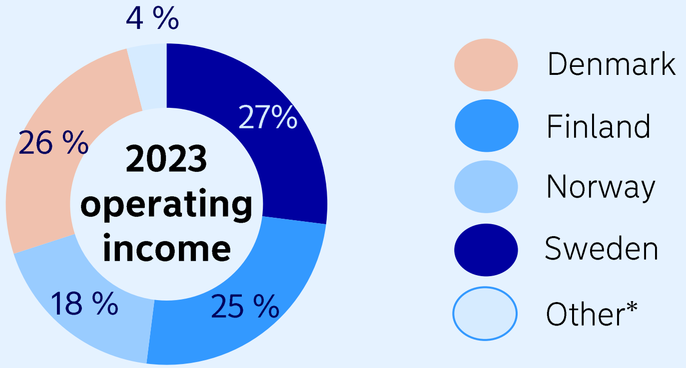
Digital transformation readiness

(Global ranking 2023)**

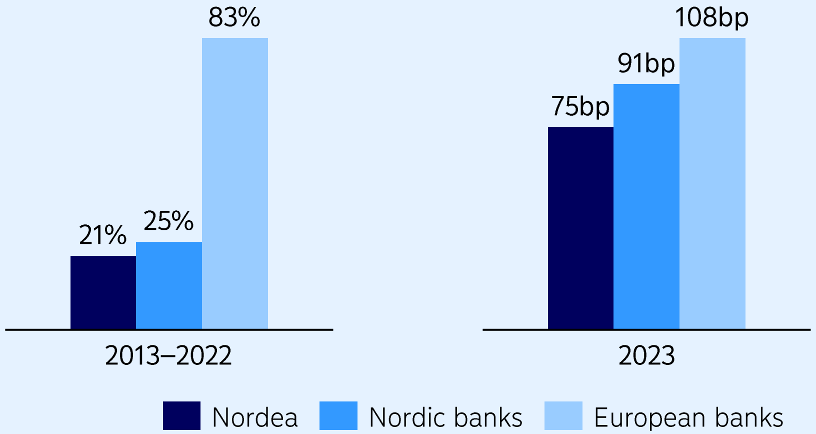


Nordea uniquely well placed

Diversification at scale within Nordics driving...



low earnings volatility**... and best-in-class funding***

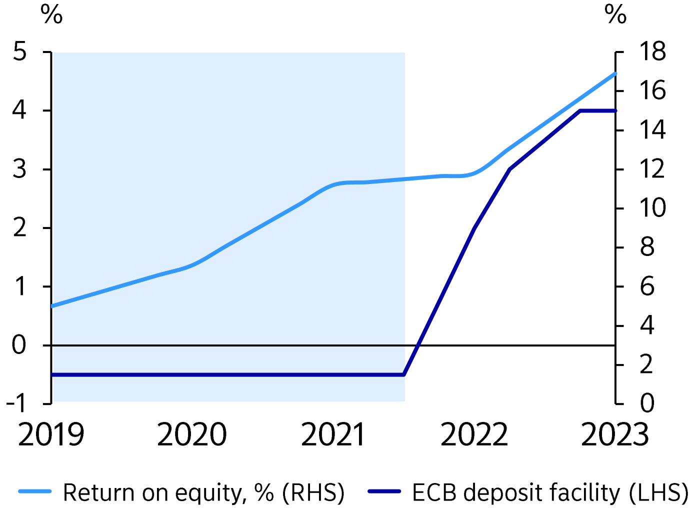


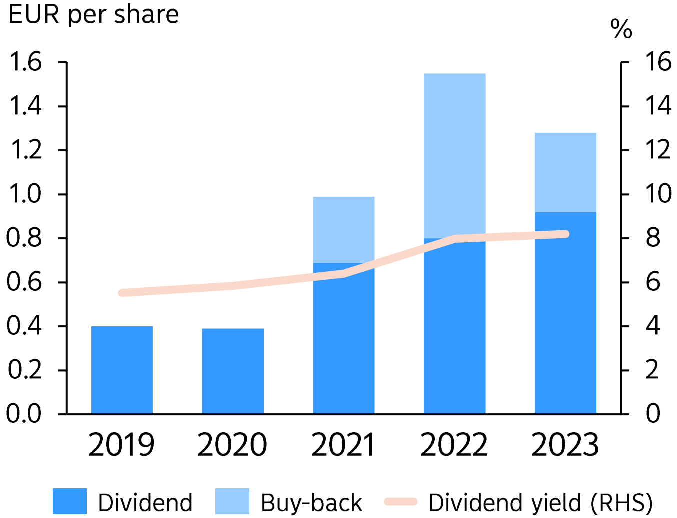
* Source: IMD World Competitiveness Ranking 2023 (analyses and ranks countries according to how they manage their competencies to achieve long-term value creation)
** Source: IMD World Digital Competitiveness Ranking 2023

* Other income mainly Luxembourg, Poland, United States, United Kingdom and Estonia
** 2013–22 annual operating profit volatility: sample of 30 European banks
*** 5y senior preferred new issue spread

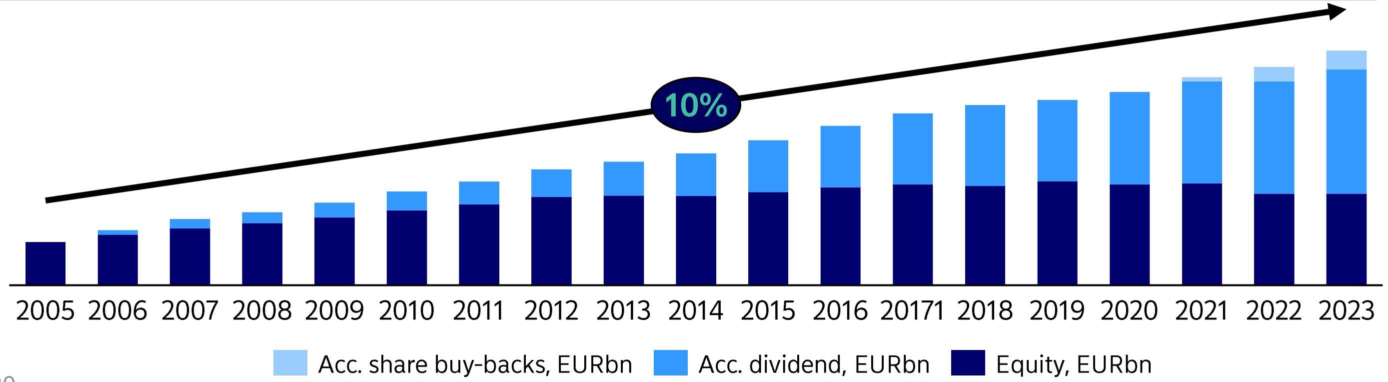
Sustainably higher profitability and capital generation

Improved performance enabling higher shareholder returns





Consistent and strong capital generation – 10% CAGR since 2005



- **Higher profitability**
  - Progress on improving return on equity before rate increases, driven by market share gains and operational and capital efficiency
  - Additional improvement from returning excess capital after lifting of COVID-19 restrictions and rate increases
- **Lower risk**
  - Increased capital generation due to portfolio de-risking and reduced capital consumption
- **Annual capital generation 10%**
  - Capital generation enabling significant shareholder returns and increased capacity to absorb shocks
- **Market-leading shareholder returns**
  - Continued focus on capital excellence

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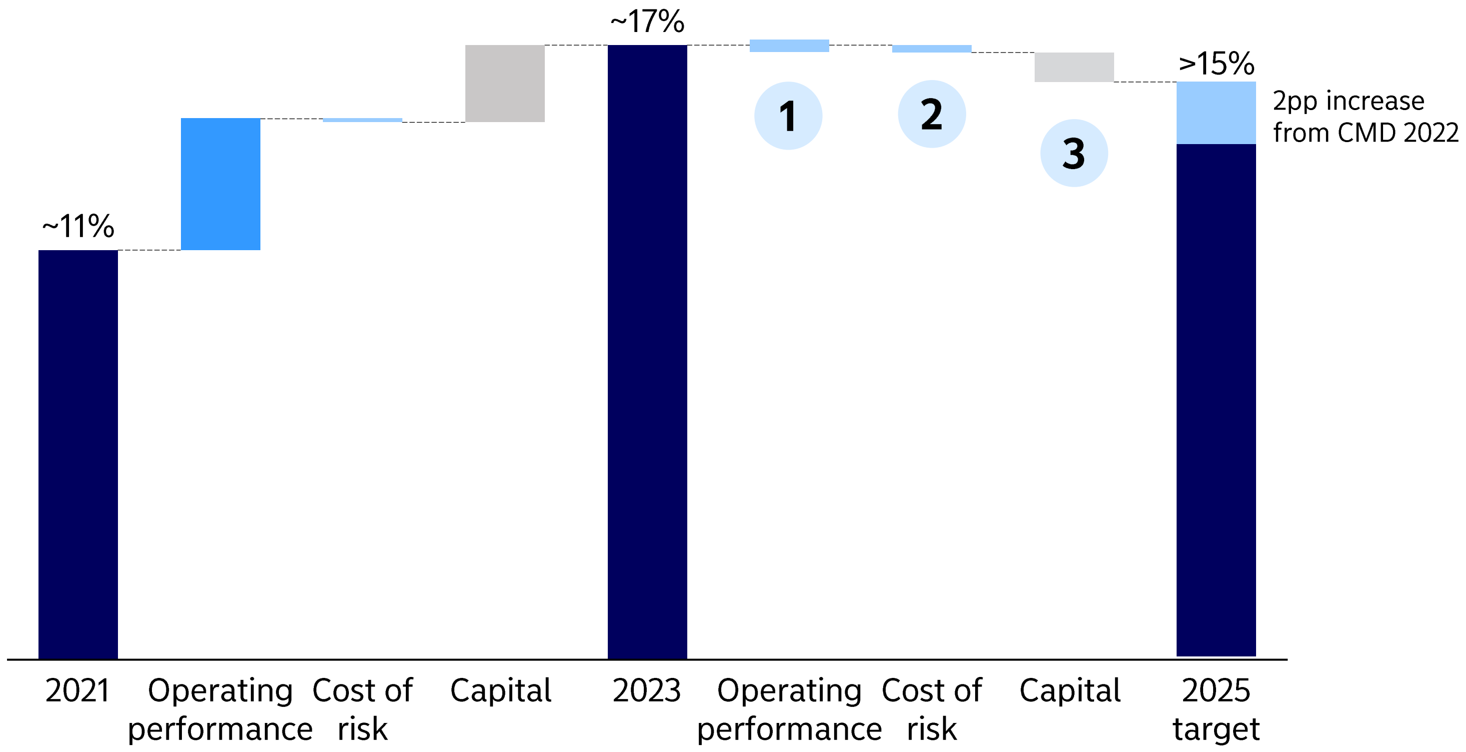
Financial target

Sustained structurally higher profitability

Return on equity, %



Drivers for improved 2025 target

1 Focused and profitable growth; operational efficiency

- Net interest income resilience
- Drive ancillary income growth
- Maintain strict cost discipline

2 Loan losses normalising

- 2021–2023 very low
- Normalised run rate ~10bp

3 Capital excellence

- Normalisation of regulatory requirements and REA increase from retail models and Basel IV
- Equity build to remain at target level
- Continued capital returns, supported by high capital generation

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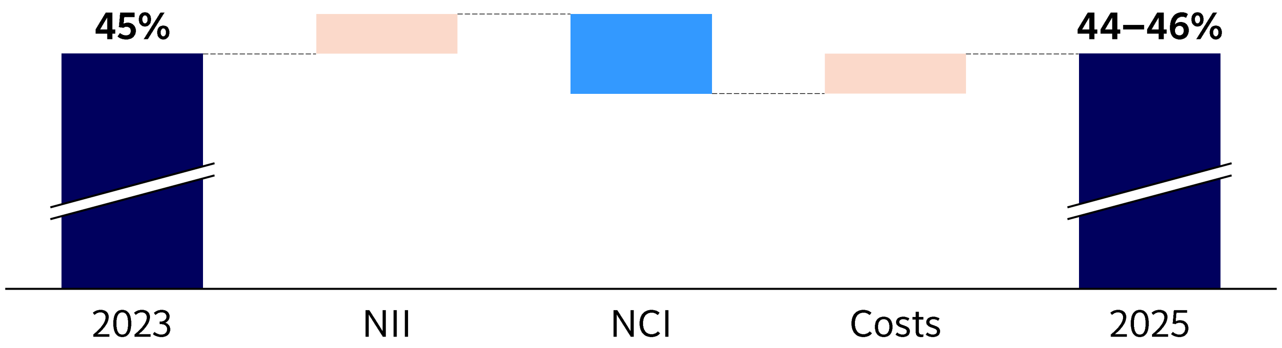
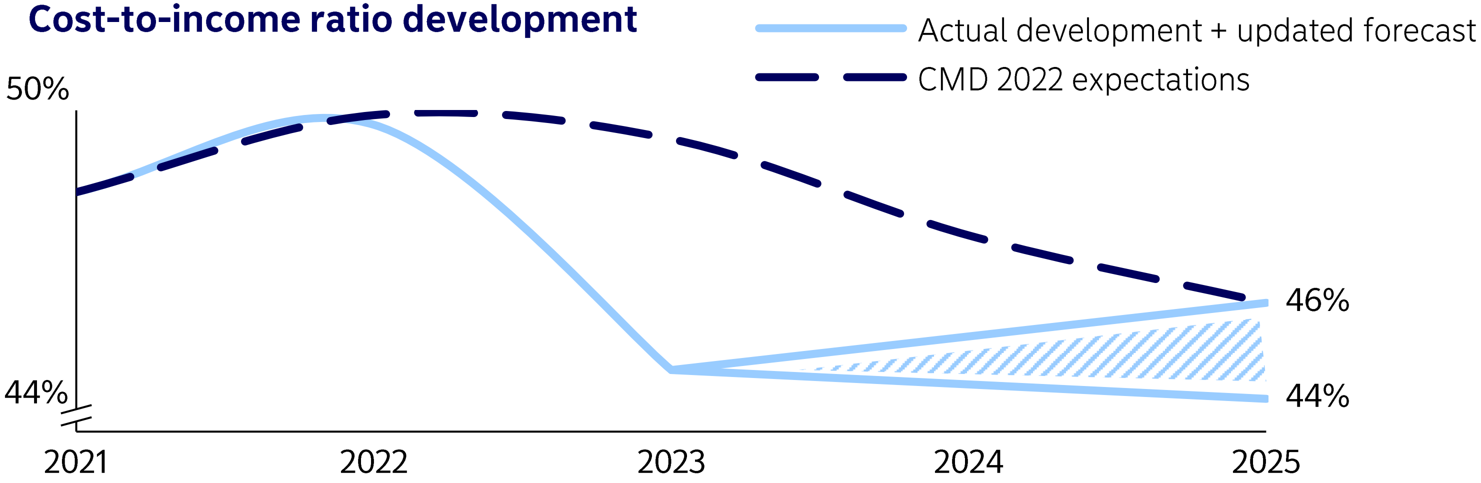
Focus on income growth and operational efficiency – continued investments in tech & risk capabilities

Cost-to-income ratio drivers, %



Cost-to-income ratio development



- **Drive focused profitable growth**
  - Volume growth & market share gains
  - NII to remain fairly resilient*
    - Lower impact from first rate cuts
    - Benefit from deposit hedge
    - Norwegian acquisition
  - Lower rates driving increased activity and savings growth, especially in 2025
- **Investment in key enablers**
  - Strengthening of technology, risk management & other strategic areas
  - Integration of Norwegian retail assets
- **Focus on operational efficiency**
  - Continuous improvement to offset inflation and reduce structural costs
  - Expected significant reduction in resolution fees
  - Cost-to-income ratio maintained

* Assumed rate path as at end December 2023 (available on slide 32)

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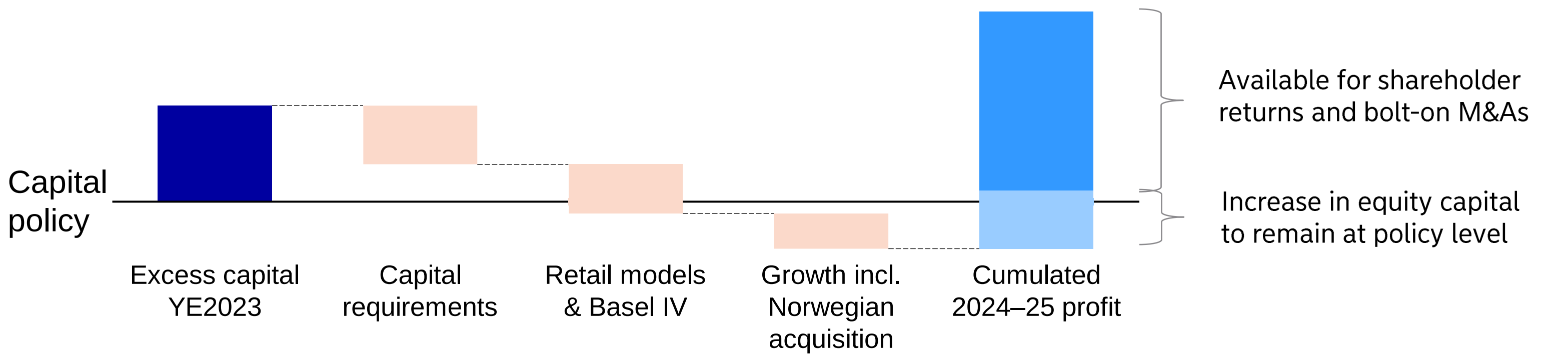
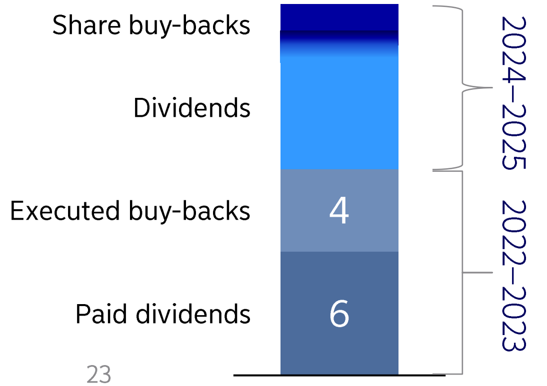
Capital excellence

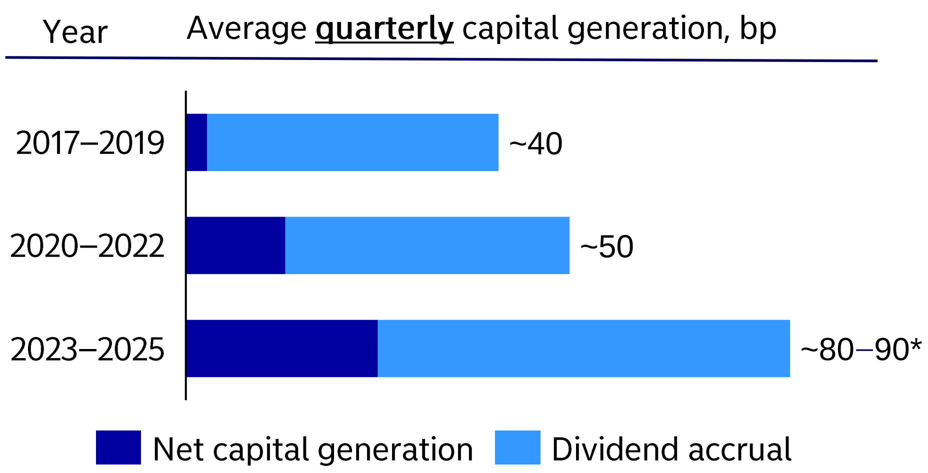
Normalised capital position – strong capital generation

Capital generation and uses of capital 2024–2025



Shareholder returns supported by strong capital generation





* Indicative, based on 15% RoE and current dividend policy

- **Implied target CET1 ratio of ~15%**
  - Management buffer adjusted to 150bp above regulatory requirement
  - Normalised CET1 requirement
  - REA inflation of EUR ~16bn from new retail models and Basel IV
- **Outperform in capital returns**
  - Strong capital generation
  - Steady progression in dividend per share – unchanged dividend policy
  - Capital level optimised 2021–2023 via share buy-backs
  - Future excess capital generation returned to shareholders via regular share buy-backs

Higher target following strong performance

Raising the bar further

Strategic agenda reaffirmed

Well equipped for sustainable high performance

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

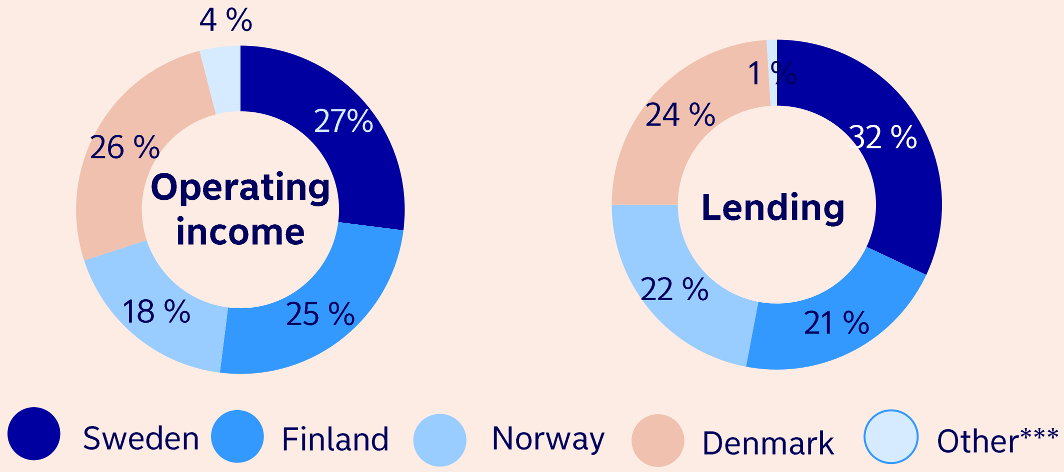
Management buffer of 150bp above regulatory CET1 requirement

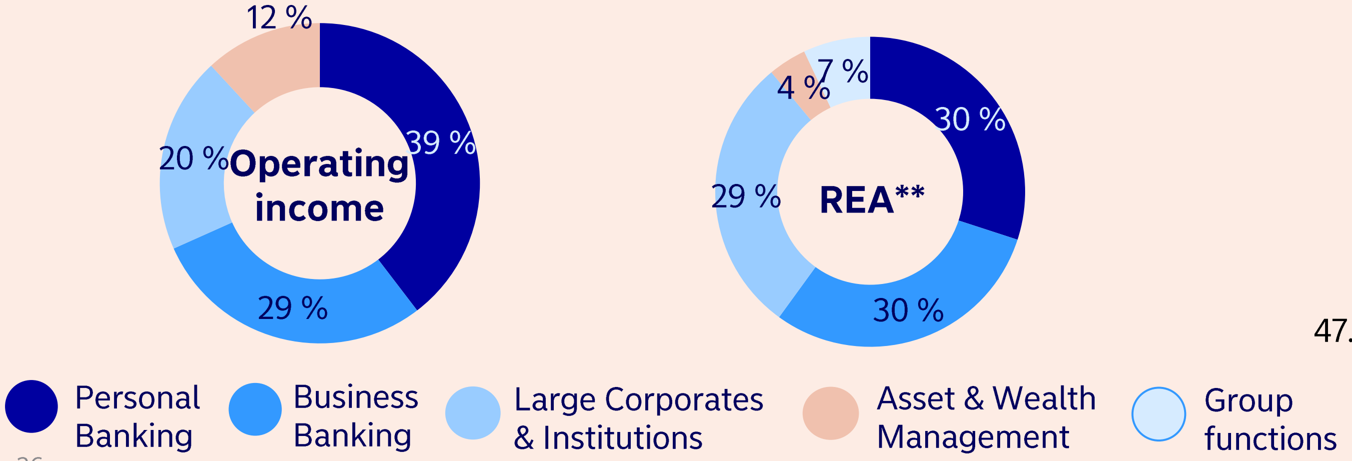

Nordea

Nordea today

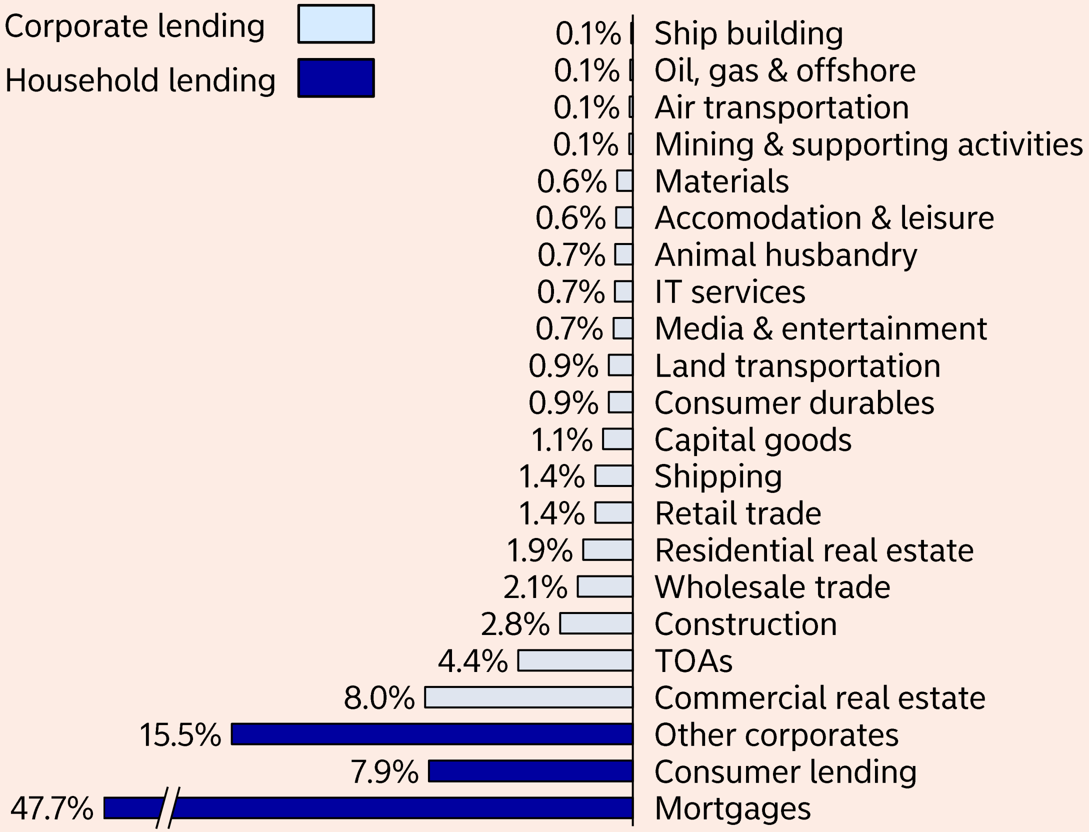
Very well diversified pan-Nordic financial service provider with stable and sustainable returns

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





Very well diversified portfolio – no significant industry sector concentration



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

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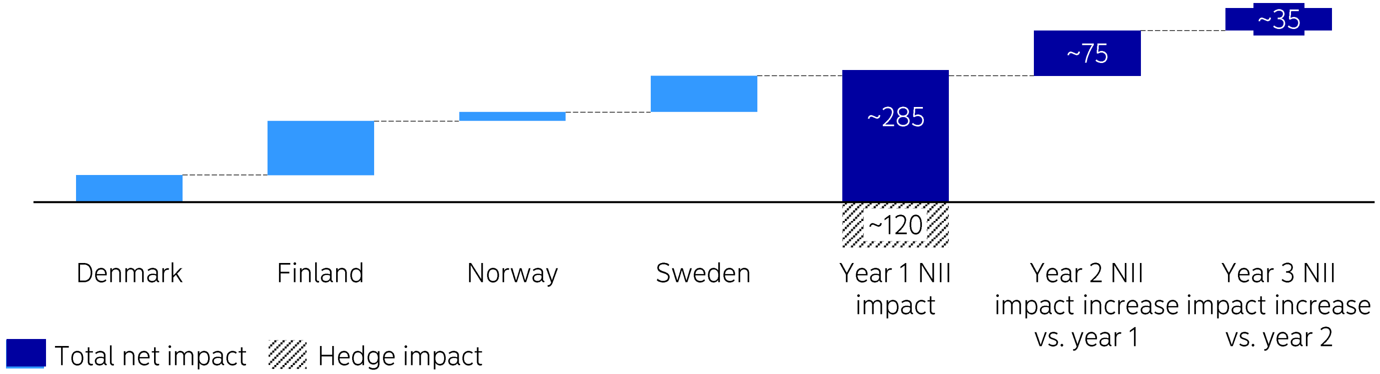
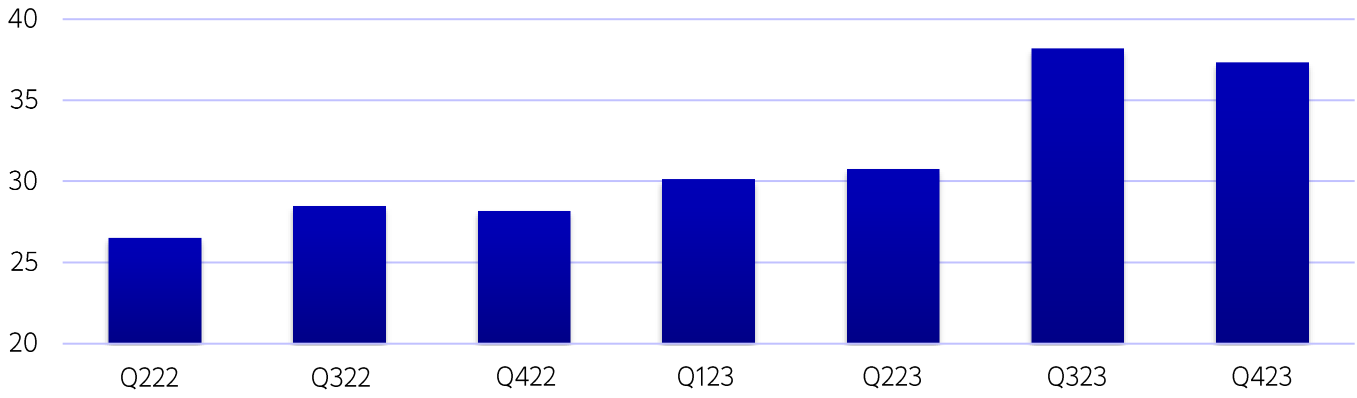
Net interest income sensitivity

Net interest income sensitivity to policy rate changes

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



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 ~20% in 2023
  - Average hedge maturity ~3 years
  - Additional NII impact in Y2–Y3 as assets repriced and hedges rolled over

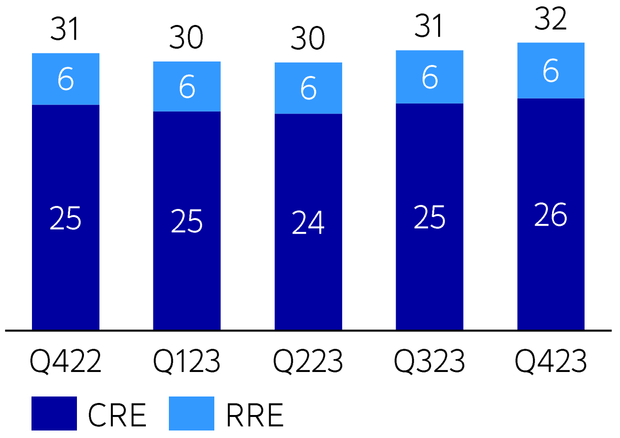
* Symmetrical for -50bp parallel shift

Nordea

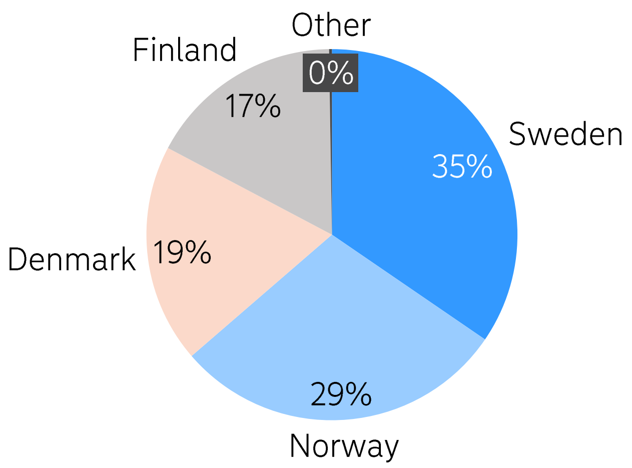
Real estate management industry (REMI)*

Strong and well-diversified portfolio, high-quality lending

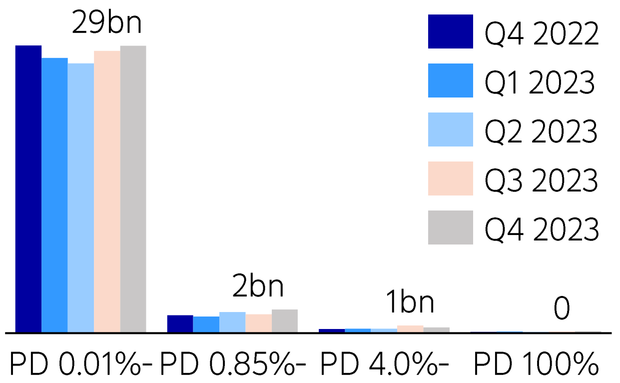
Lending volumes stable



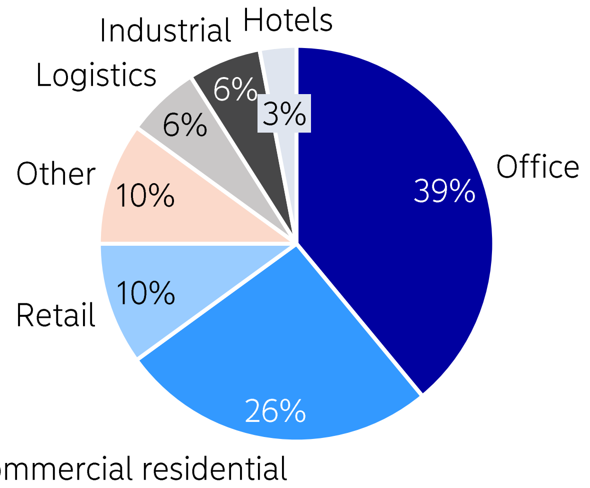
Diversified across countries



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% in default**
- **Portfolio mainly comprising central and modern office and residential properties**
- **Strict underwriting standards: conservative credit policy with focus on cash flow and existing customers**

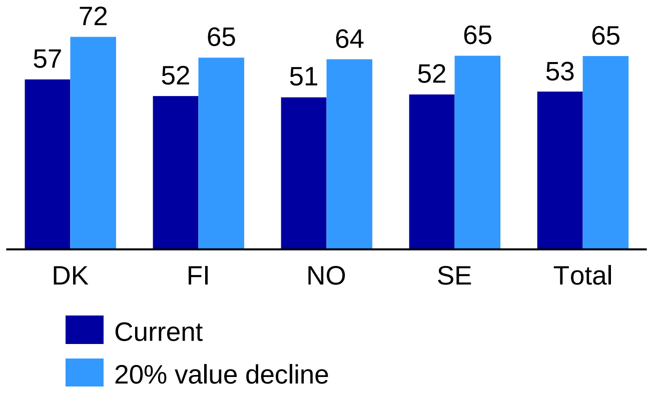
* Excluding tenant-owner associations (TOAs)

Nordea

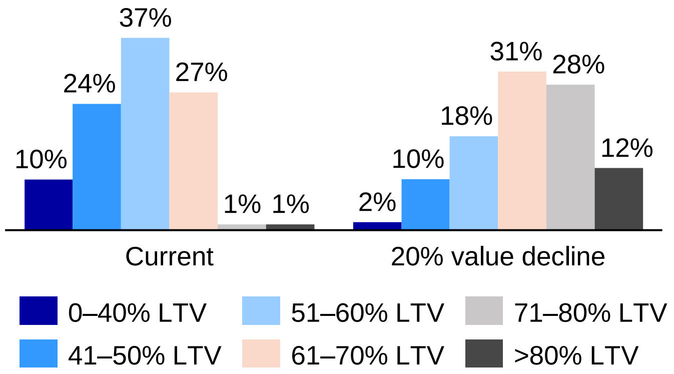
Real estate management industry (REMI) for largest customers*

Solid LTVs, resilient interest coverage, high occupancy

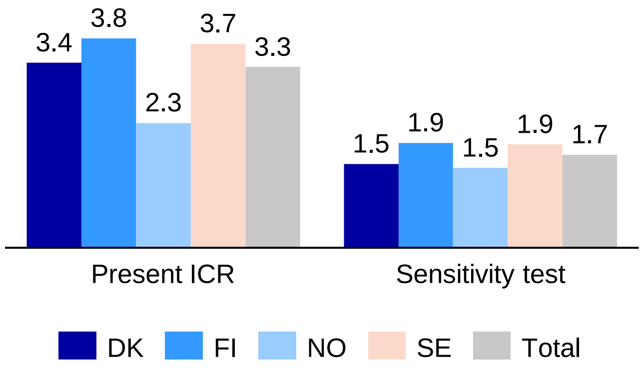
Solid LTV levels for all countries



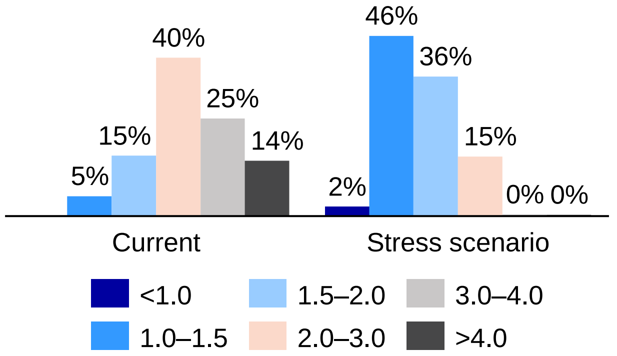
Majority of portfolio with low LTV



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 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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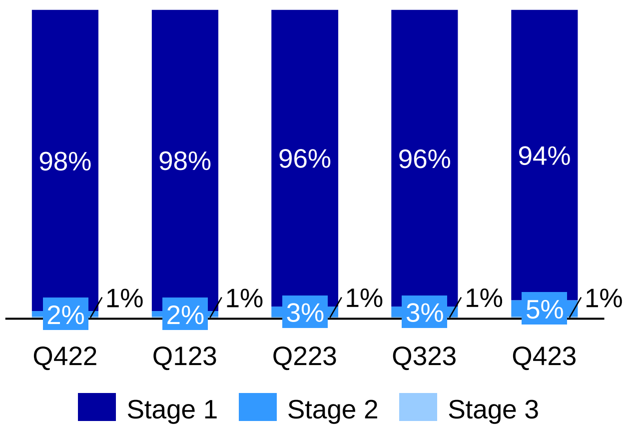
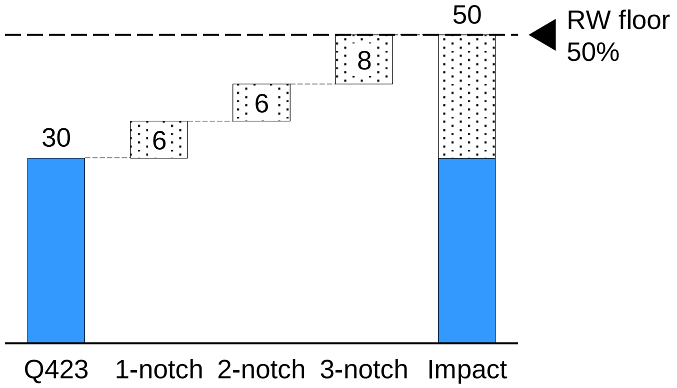
Real estate management industry (REMI)*

Low levels of risk exposure

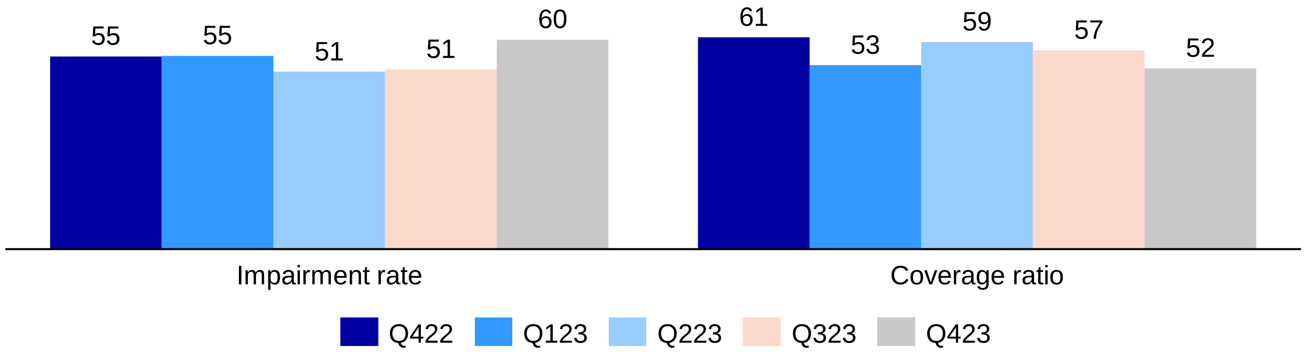
Strong credit quality, with 94% of IFRS 9 portfolio in stage 1



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 5% of portfolio in stage 2, with increase mainly related to more conservative categorisation**
- **0.6% of portfolio impaired in Q4, with increase related to small number of individual customers**
- **Provision coverage above 50% – high for collateralised assets**
- **REA protected by risk weight floors**

* Excluding TOAs

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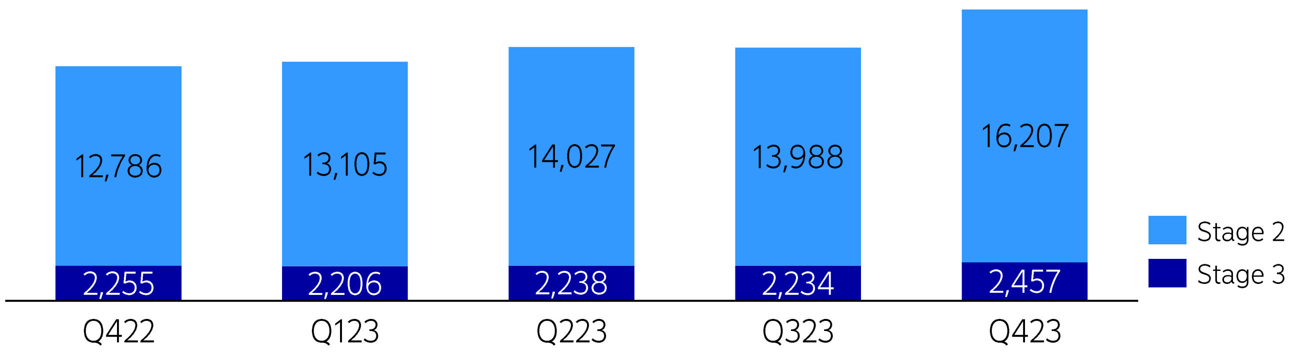
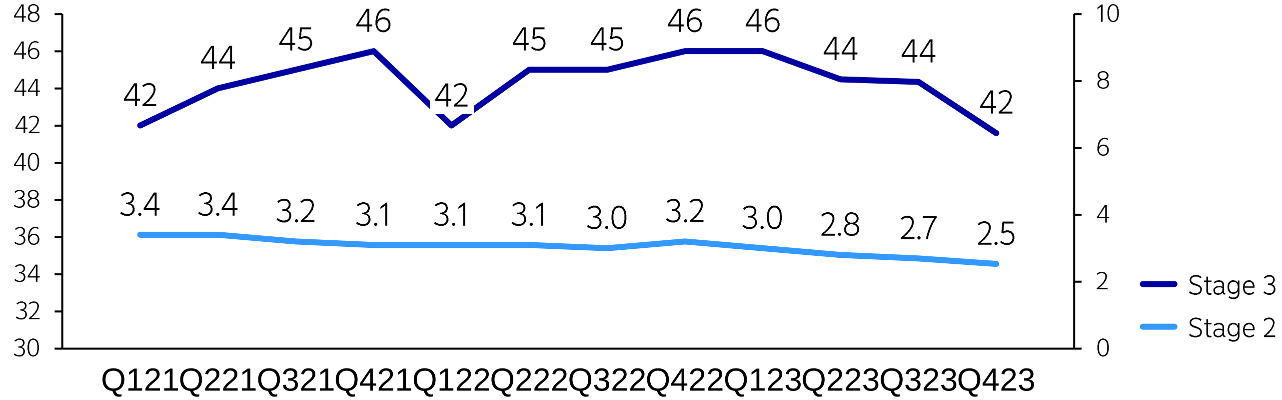
Impairments and provisioning coverage

Strong portfolio credit quality

Stage 2 and 3 loans at amortised cost, EURm



Coverage ratio, %

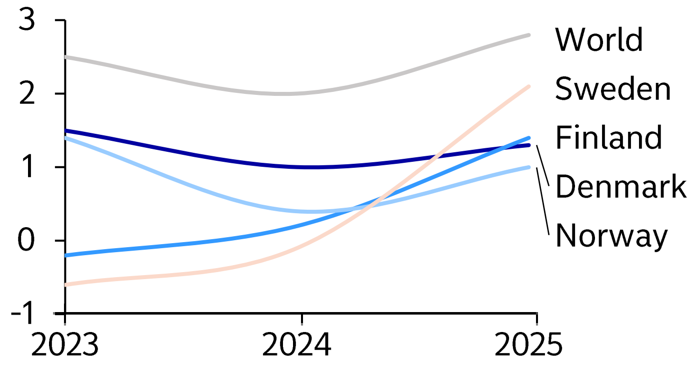


- **Stage 3 (impaired) loans up EUR 223m to 0.89% from 0.82% in Q3, driven by small number of customers**
- **Stage 2 loans up EUR 2.2bn, mostly due to more conservative categorisation rather than credit deterioration**
- **Coverage ratio for stage 3 portfolio down to 42% due to inflow with lower provisioning needs**
- **Continued strong portfolio credit quality**

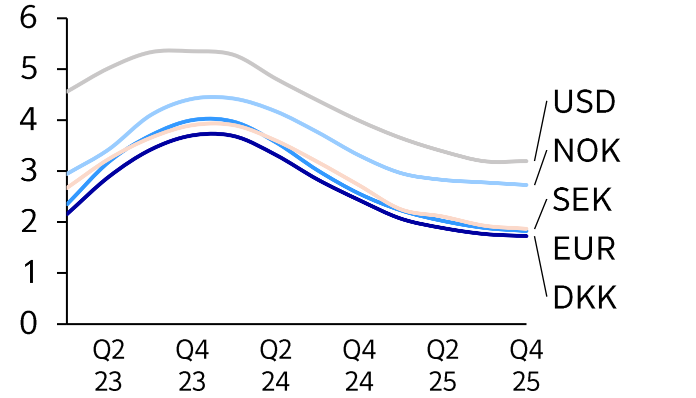
Financial target 2025

Key assumptions underpinning plans

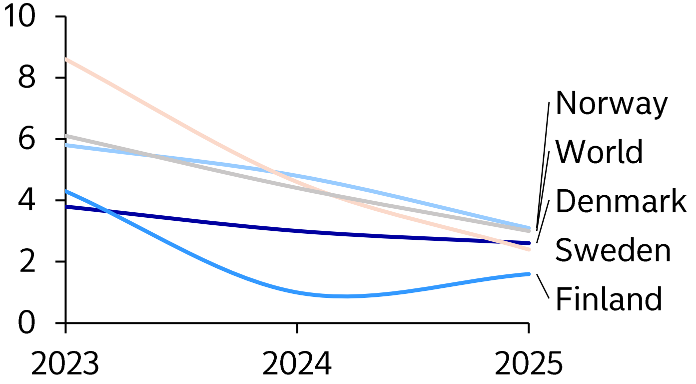
GDP growth*, %



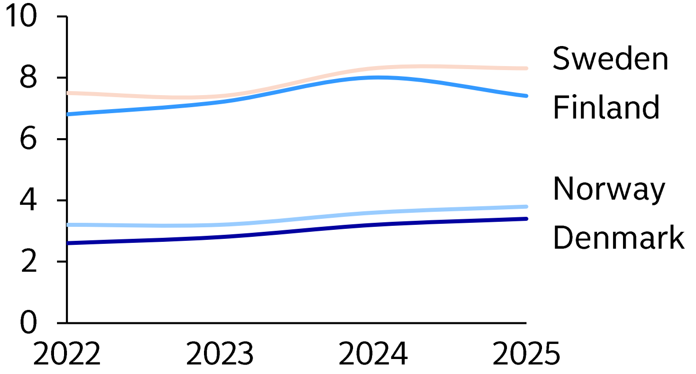
Policy rate forecast**, %



Inflation*, %



Unemployment rates*, %



- **Nordic lending market growth*****
  - ~2% CAGR 2023–25
- **Equity market return******
  - +7.5% CAGR 2023–25
- **Fixed income market return*******
  - +4% CAGR 2023–25

* Q423 economic forecasts by Nordic central banks and ECB
** YE23 market rates
*** Q423 combined Nordea and central bank projections
**** Q423 Nordea estimate vetted against independent external reports
***** Q423 3M ESTER rate

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