

Nordea

Half-year 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.

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Second-quarter highlights 2024

Executive summary

Continued high-quality income growth

- Net interest income up 4%, net fee and commission income up 6% and net fair value result down 15%. Total income up 3%
- Operating profit remained strong, 2% lower compared to Q2 2023

Return on equity* 17.9% and earnings per share EUR 0.37

Mortgage lending volumes stable, deposit volumes and assets under management up

- Mortgage lending stable and corporate lending down slightly. Retail deposits up 1% and corporate deposits up 5% y/y. AuM up 10% y/y

Stable cost-to-income ratio with amortised resolution fees: 42.6%

Solid credit quality – net loan losses increase mainly driven by provisions on few single corporate exposures

- Net loan losses and similar net result EUR 68m or 8bp
- Management judgement buffer at EUR 464m – EUR 30m released, reflecting lower provisioning needs

Continued strong capital position

- CET1 ratio 17.5% – 4.4pp above current regulatory requirement. ECB approval for new capital models for retail exposures

2024 outlook unchanged: return on equity above 15%

Key financials

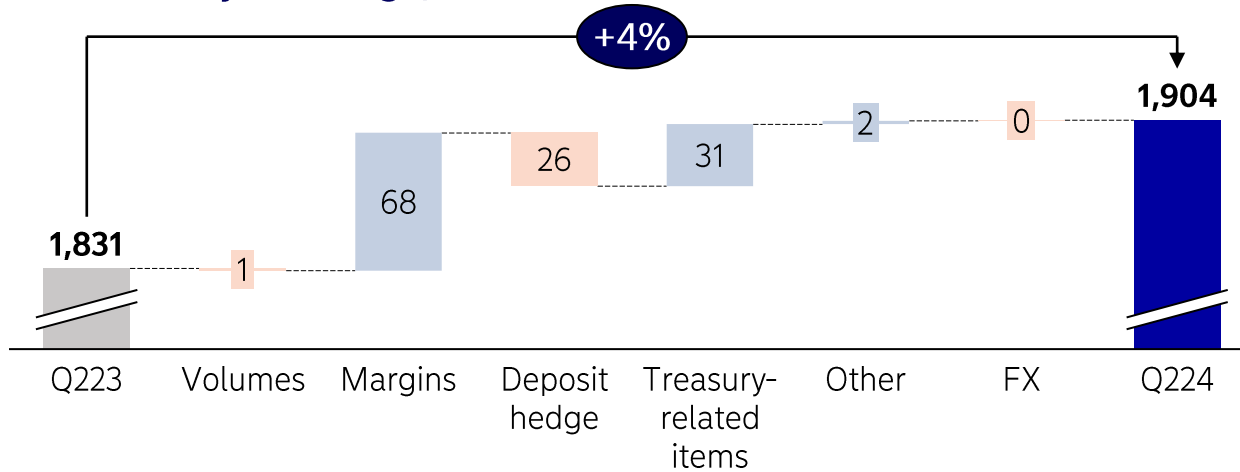
Second-quarter results 2024

Income statement and key ratios EURm	Q224	Q223	Q2/Q2	Q124	Q2/Q1
Net interest income	1,904	1,831	4%	1,954	-3%
Net fee and commission income	795	751	6%	763	4%
Net insurance result	63	68	-7%	61	3%
Net fair value result	247	290	-15%	291	-15%
Other income	21	15	40%	16	31%
Total operating income	3,030	2,955	3%	3,085	-2%
Total operating expenses excluding regulatory fees	-1,260	-1,184	6%	-1,226	3%
Total operating expenses	-1,278	-1,205	6%	-1,289	-1%
Profit before loan losses	1,752	1,750	0%	1,796	-2%
Net loan losses and similar net result	-68	-32		-33	
Operating profit	1,684	1,718	-2%	1,763	-4%
Cost-to-income ratio excl. regulatory fees, %	41.6	40.1		39.7	
Cost-to-income ratio*, %	42.6	42.8		40.7	
Return on equity*, %	17.9	18.4		18.1	
Diluted earnings per share, EUR	0.37	0.37	0%	0.38	-3%

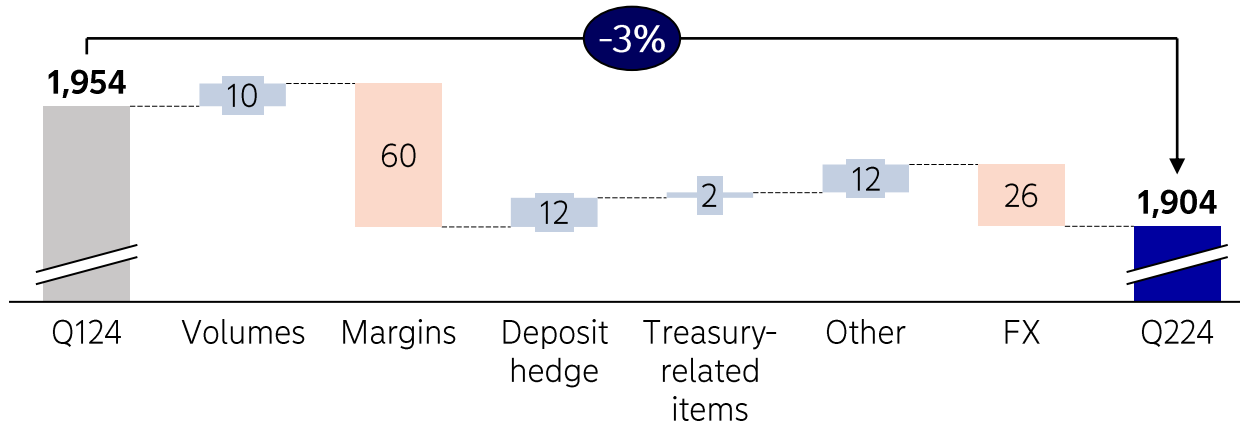
Net interest income

Stable volumes, improved margins

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm

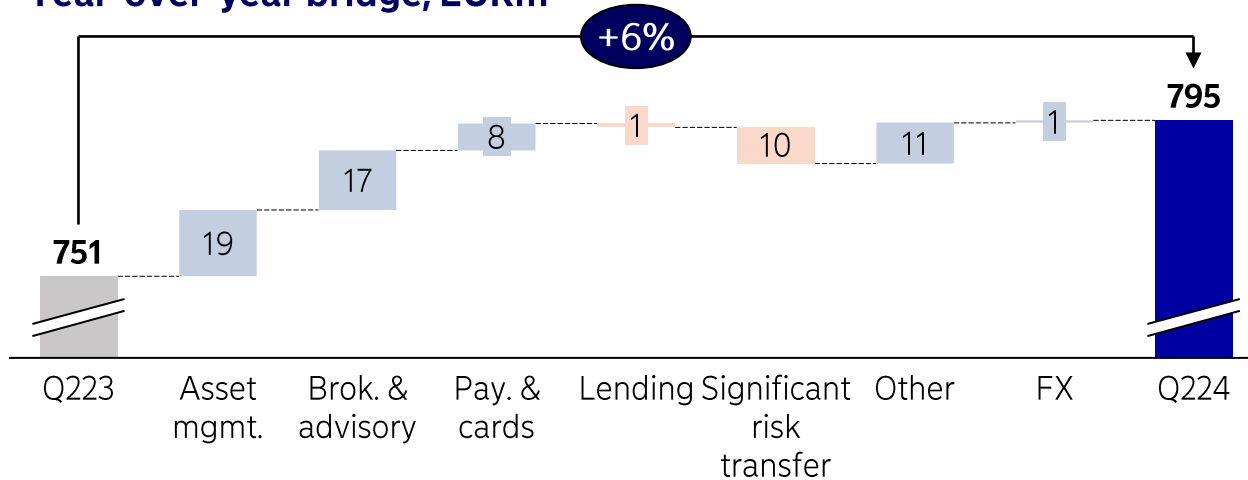


- **Net interest income up 4%**
- **Mortgage lending stable and deposits up**
 - Mortgage volumes stable
 - Corporate lending down 1%
 - Retail deposits up 1%
 - Corporate deposits up 5%
- **Net interest margin 1.83%, up 14bp**
 - Improved lending and deposit margins

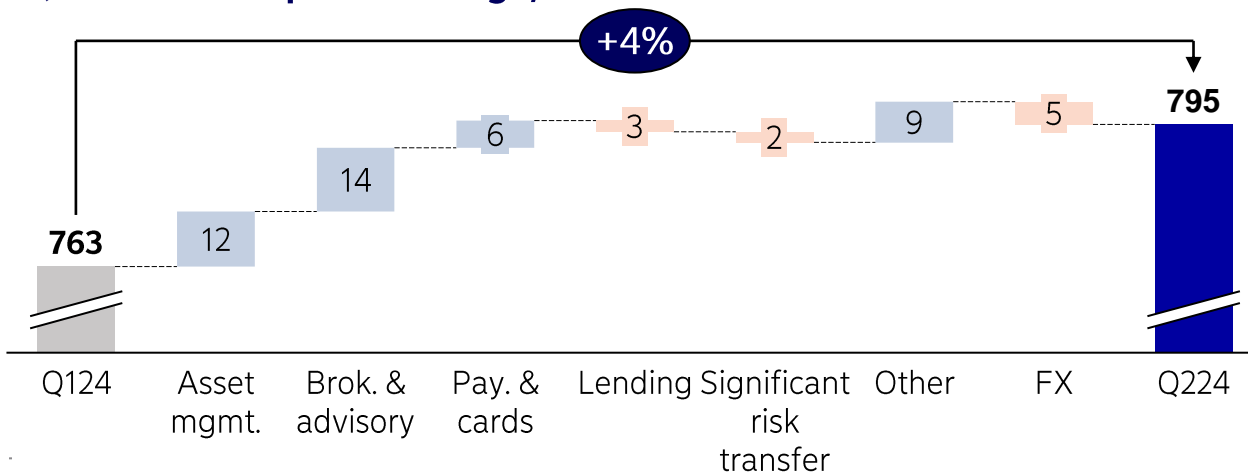
Net fee and commission income

Return to growth driven by higher savings and capital markets activity

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm

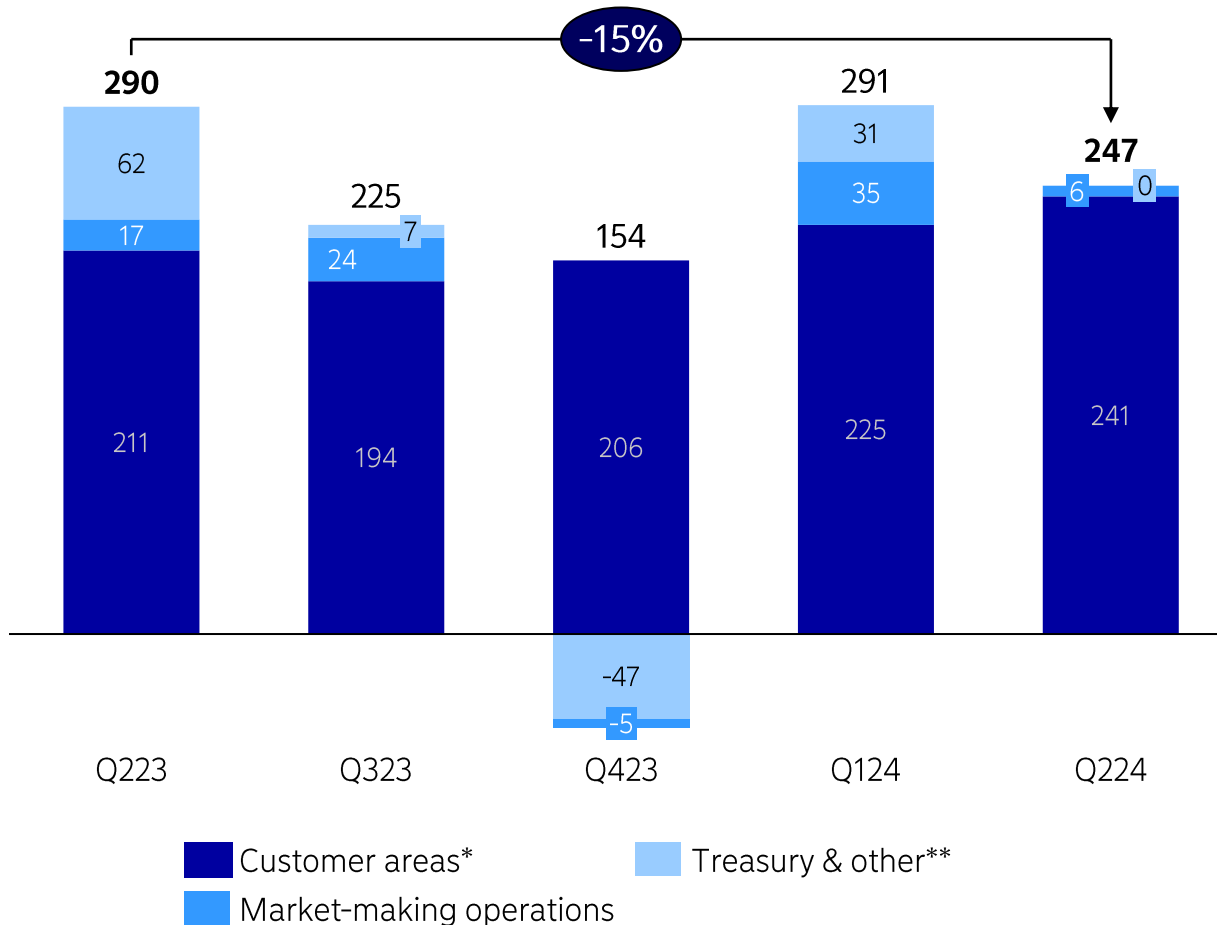


- **Net fee and commission income up 6%**
- **Savings fee income up due to higher assets under management**
 - AuM up 10% to EUR 400bn
 - Net flows from Nordic channels (86% of AuM) EUR 1.9bn
 - International channels (14% of AuM) net outflows EUR 1.4bn
- **Brokerage and advisory fee income up in stronger market**
- **Payment and card fee income up due to higher activity**

Net fair value result

Higher business activity in customer areas

Net fair value result, EURm

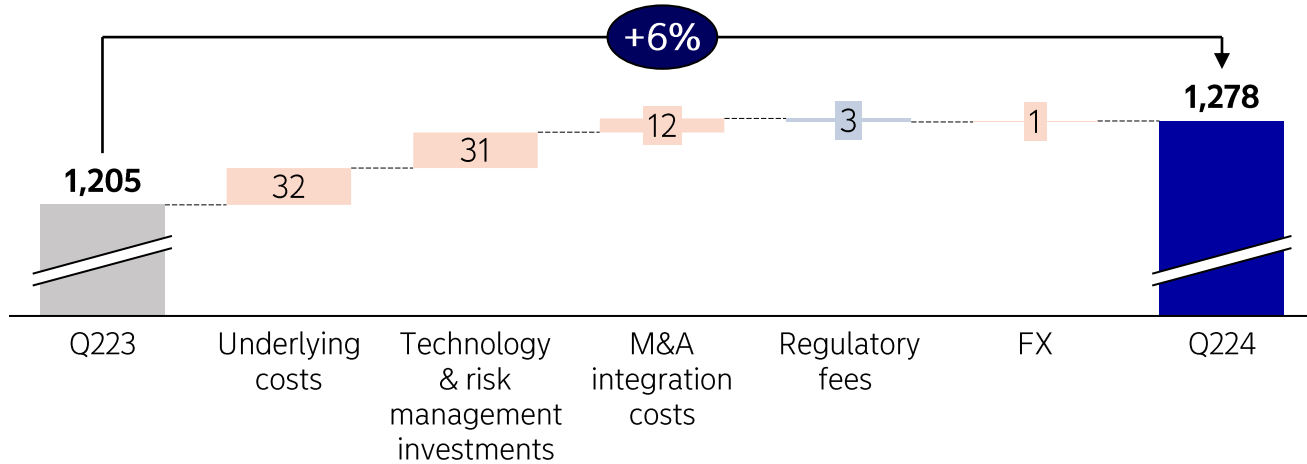


- Higher business activity in customer areas mainly in FX and rates products
- Market-making slightly down from Q223 that saw high activity in rates products
- Treasury down from high Q223 as low volatility resulted in stable valuations of hedges and holdings

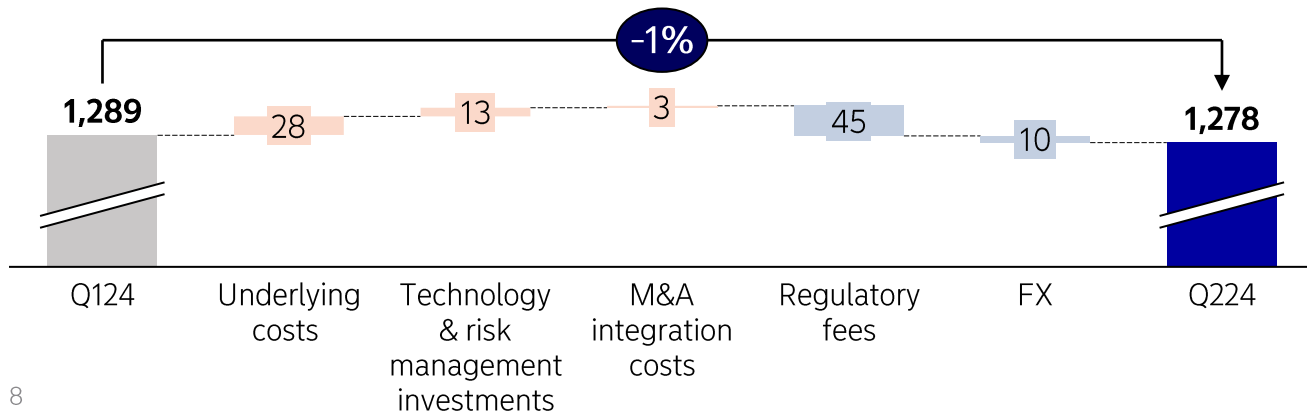
Costs

Costs in line with plan

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



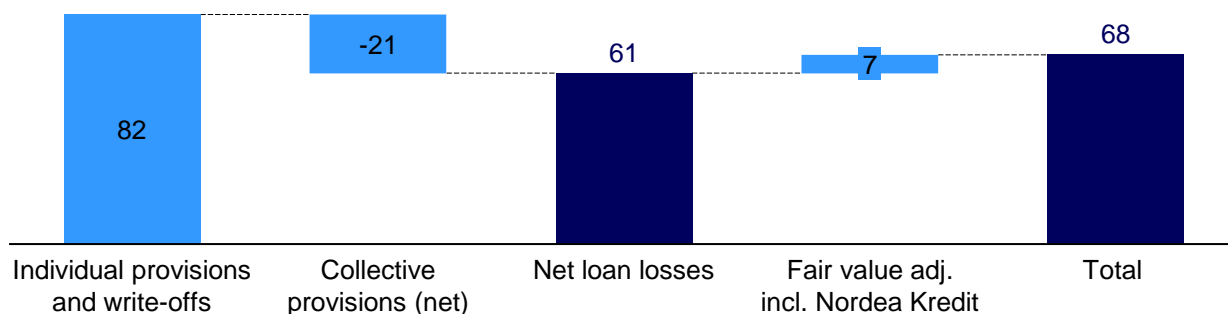
- Costs up 6% from investments and inflation, in line with plan**

- Underlying costs up, driven by salary inflation and higher business activity
- Further investments in technology infrastructure, data and AI, digital offering, financial crime prevention and other risk management capabilities
- M&A integration costs related to acquisition of Danske Bank's personal customer and private banking business in Norway

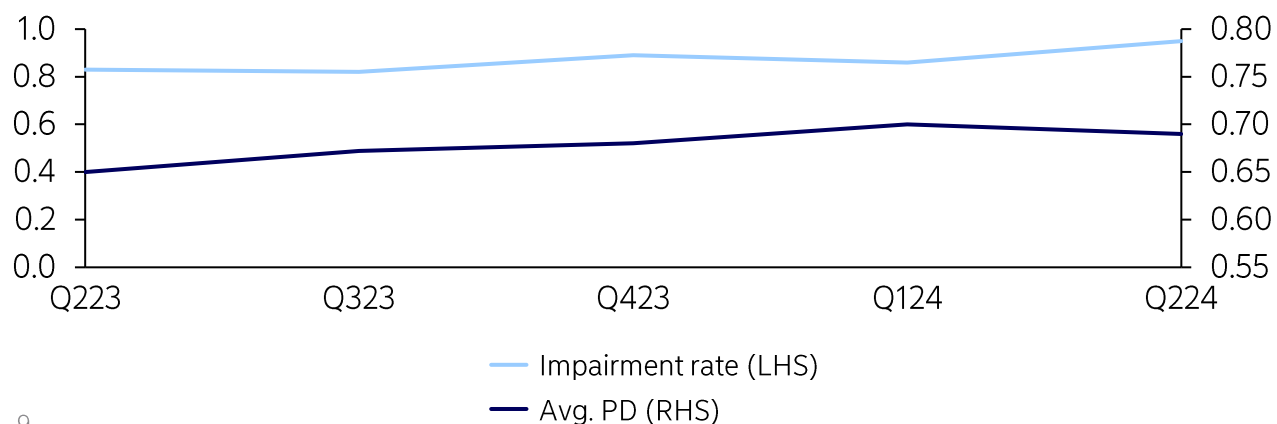
Net loan losses and similar net result

Continued solid credit quality

Net loan losses and similar net result, EURm



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

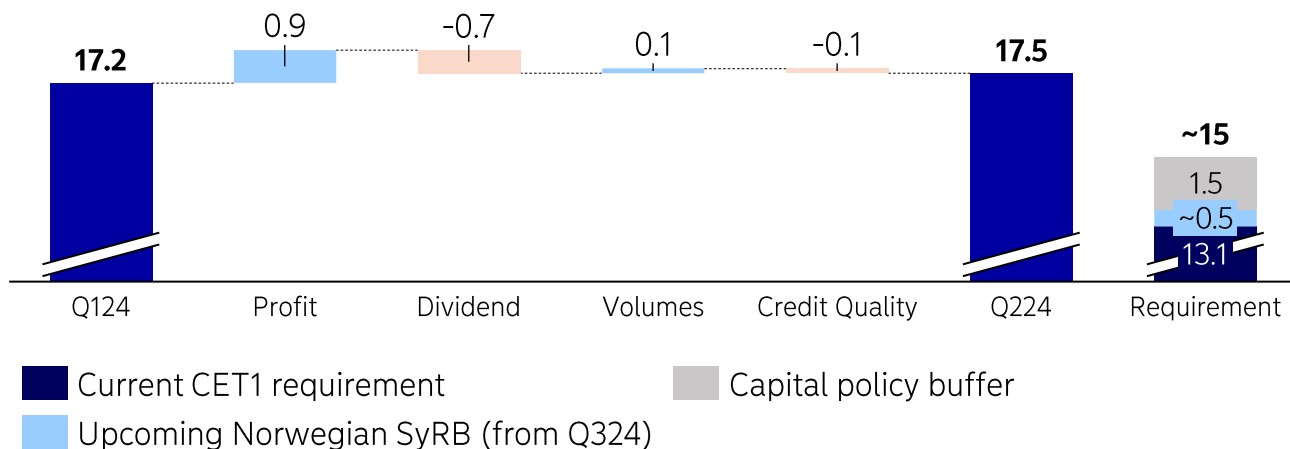


- **Total net loan losses and similar net result at EUR 68m (8bp)**
 - Continued solid credit quality
 - New individual provisions up from Q1, driven by few single corporate exposures
 - Collective provisions include EUR 30m management judgement release due to improved macroeconomic outlook and lower interest rates
- **Overall provisions held at EUR 1.8bn and coverage unchanged**
 - Management judgement buffer now at EUR 464m, after EUR 30m release reflecting lower provisioning needs
- **Continued low level of defaulted loans**
 - Stage 3 loans at 0.95% (0.86% in Q1)
 - Average PD decreased 1bp to 0.69%

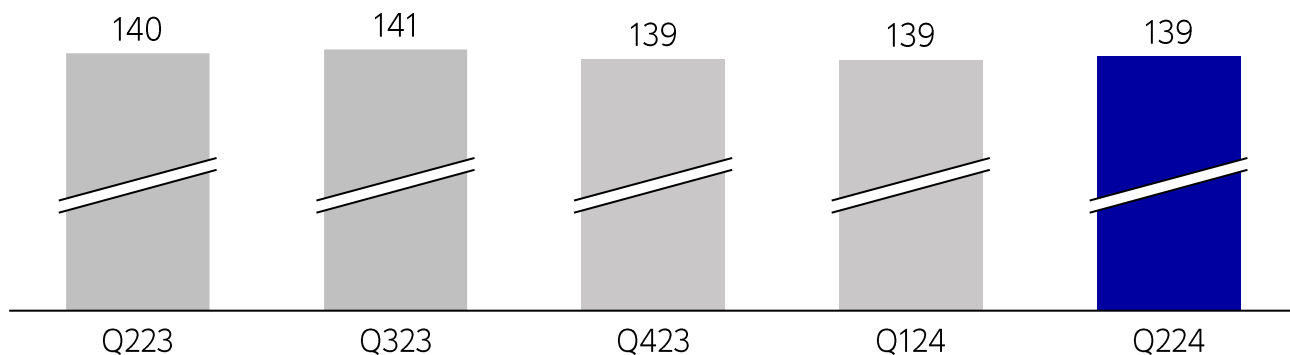
Capital

Continued strong capital generation

CET1 capital ratio development, %



REA development, EURbn



- **CET1 capital ratio increased to 17.5%**

- 4.4 percentage points above regulatory requirement
- CET1 capital increased EUR 0.5bn due to profit accumulation net of dividend accrual and FX effects
- Risk exposure amount increased by EUR 0.8bn mainly due to FX effects and credit migration, partially offset by lower corporate volumes

- **Capital well above requirement**

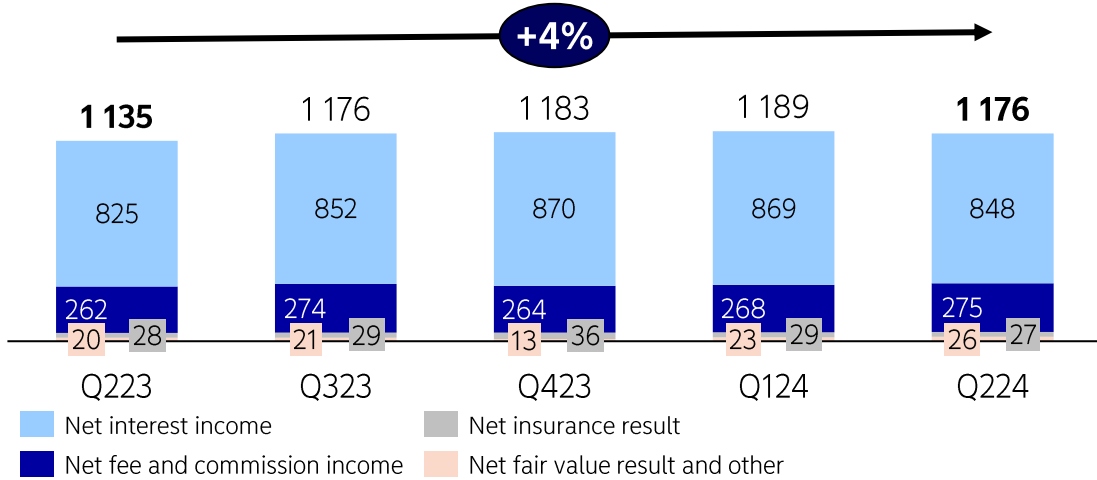
- Management buffer of 150bp above CET1 requirement
- Implied target CET1 ratio of ~15%

- **Retail models approved and Basel IV impact revised**

- REA increase as of Q125 broadly in line with estimate
- Dialogue initiated with ECB on resuming share buy-backs from early 2025

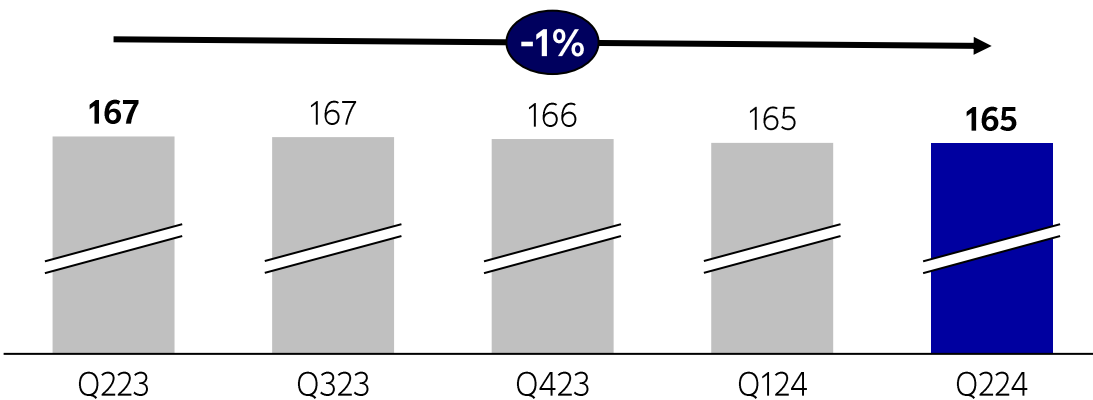
Solid income growth driven by deposit and savings products

Total income, EURm

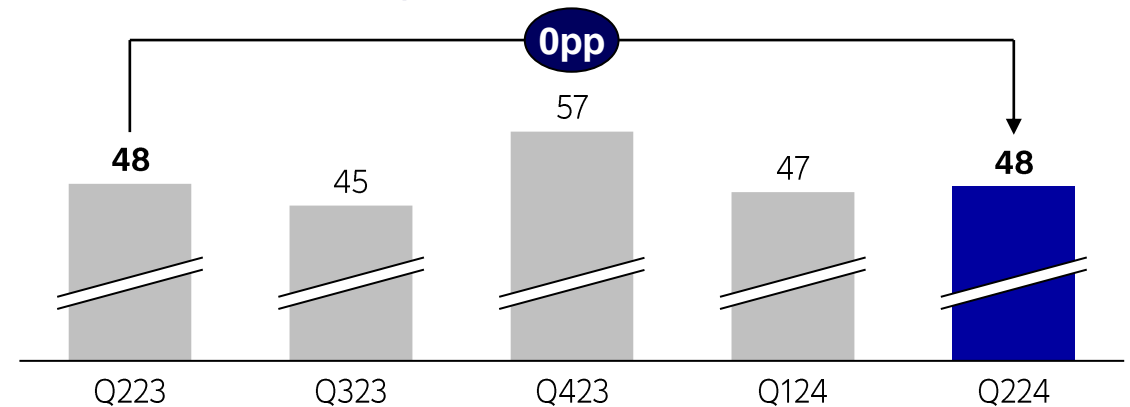


- Total income up 4%
- Net interest income up 3%, driven by deposit margins
- Deposit volumes up 2%
- Mortgage volumes stable
- Net fee and commission income up 5%, driven by savings
- Cost-to-income ratio stable at 48%

Lending*, EURbn

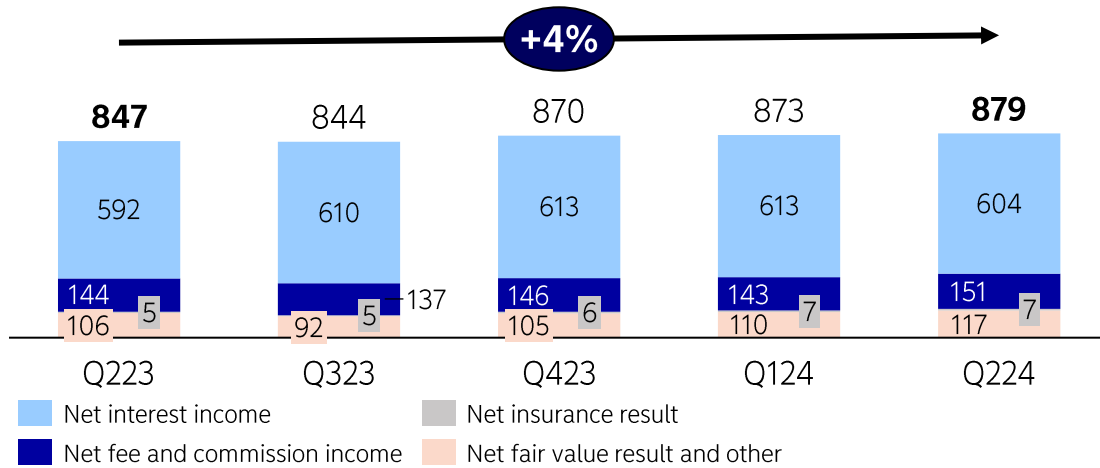


Cost-to-income ratio**, %



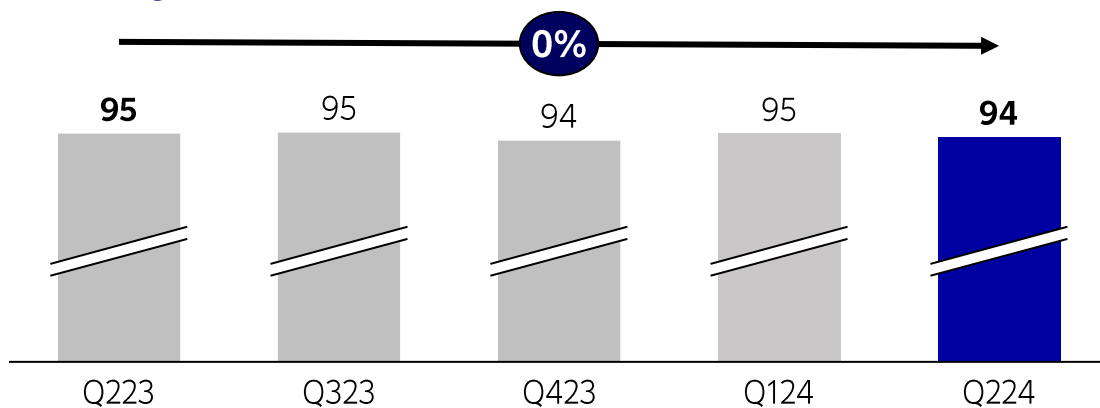
Solid income growth in slower markets

Total income, EURm

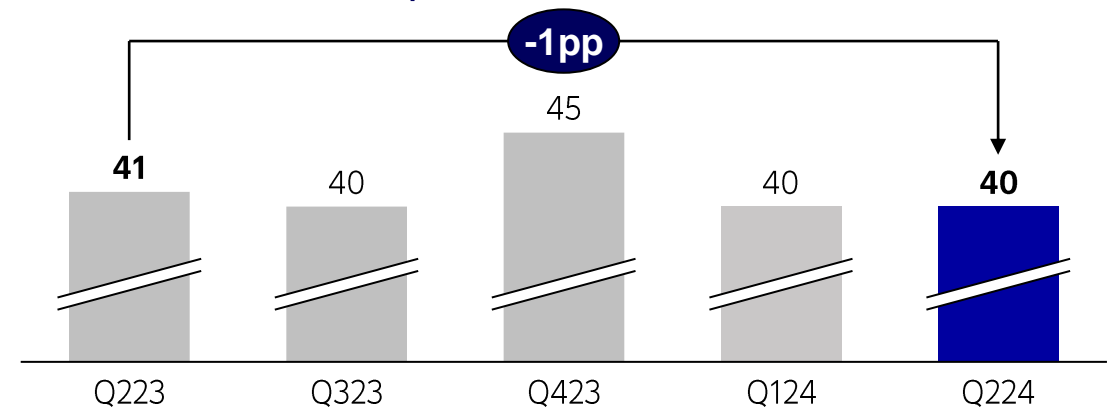


- Total income up 4%
- Net interest income up 2%, supported by improved deposit margins and deposit volume growth, up 1%
- Lending volumes stable following subdued corporate market
- Net fee and commission income up 5%, mainly driven by higher activity in debt and equity capital markets
- Improved cost-to-income ratio: 40%

Lending*, EURbn

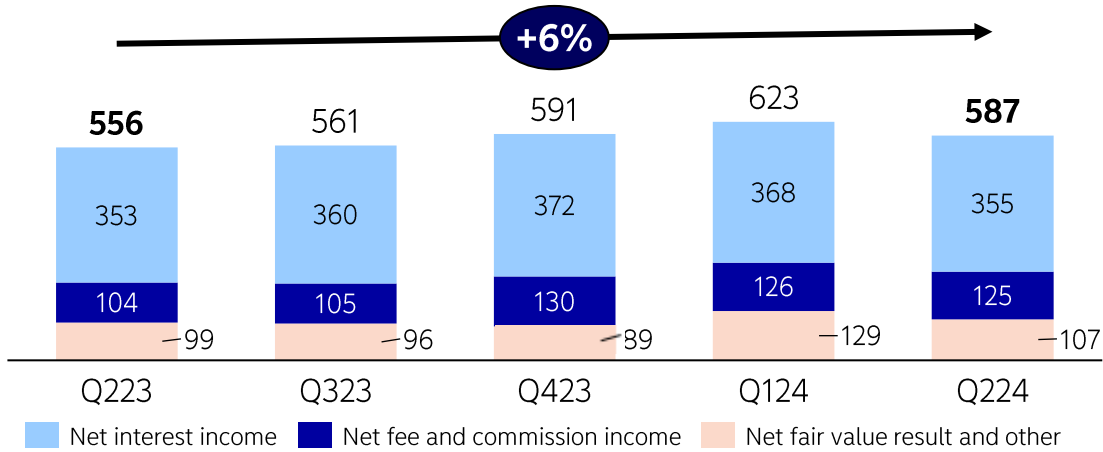


Cost-to-income ratio**, %



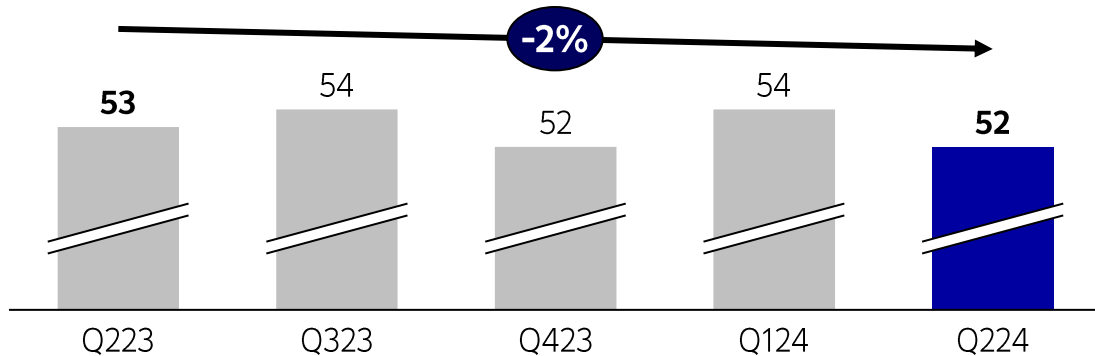
Strong net fee and commission income and solid customer activity

Total income, EURm

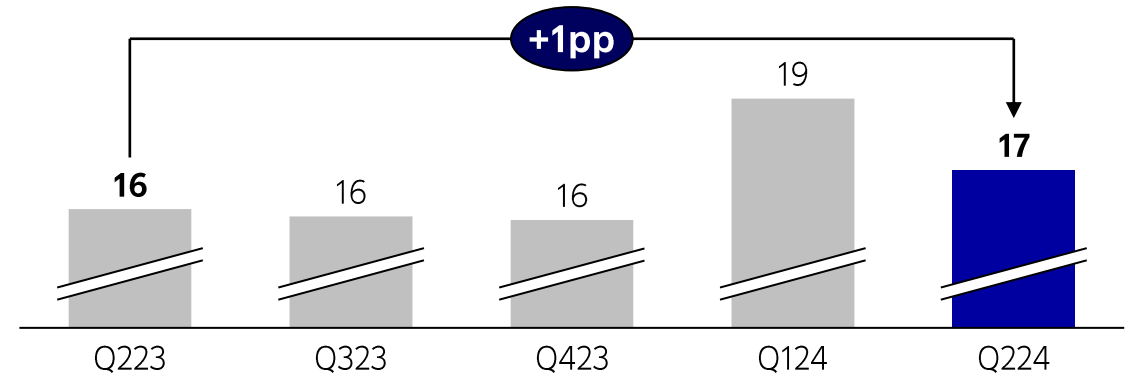


- Total income up 6%
- Net interest income up 1%, driven by positive margin development
- Deposit volumes up 12%
- Net fee and commission income up 20%, mainly driven by debt capital markets and improving corporate finance activity
- Net fair value income up 8%; solid customer activity
- Return on allocated equity 17% and cost-to-income ratio 38%

Lending*, EURbn

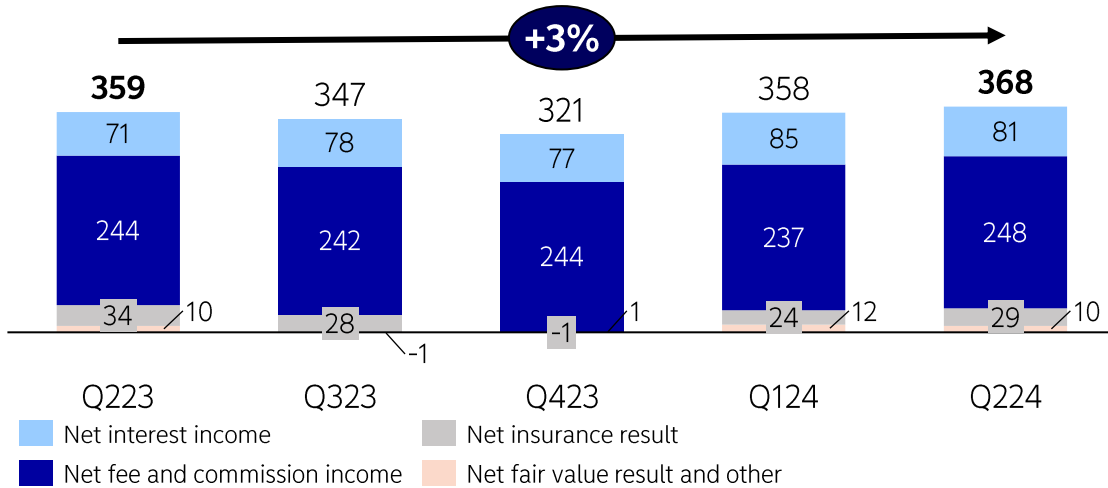


Return on allocated equity**, %



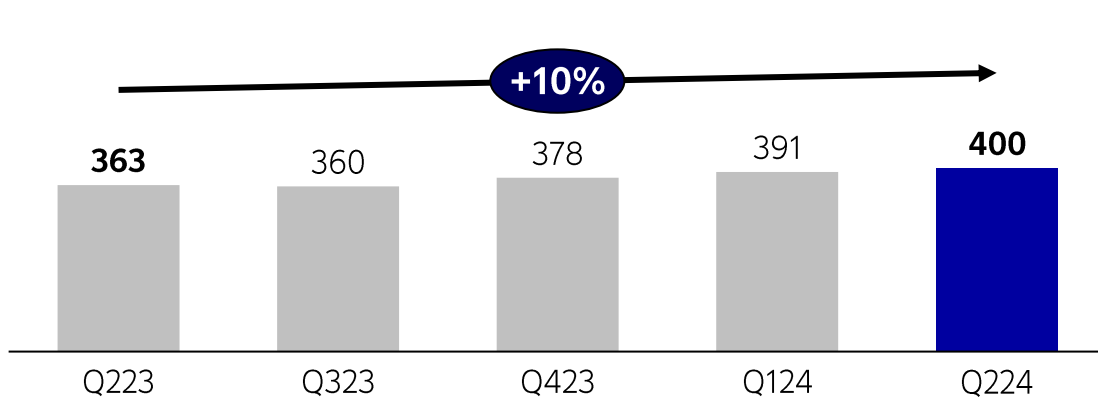
Strong momentum in private banking and continued positive net flow in Nordic channels

Total income, EURm

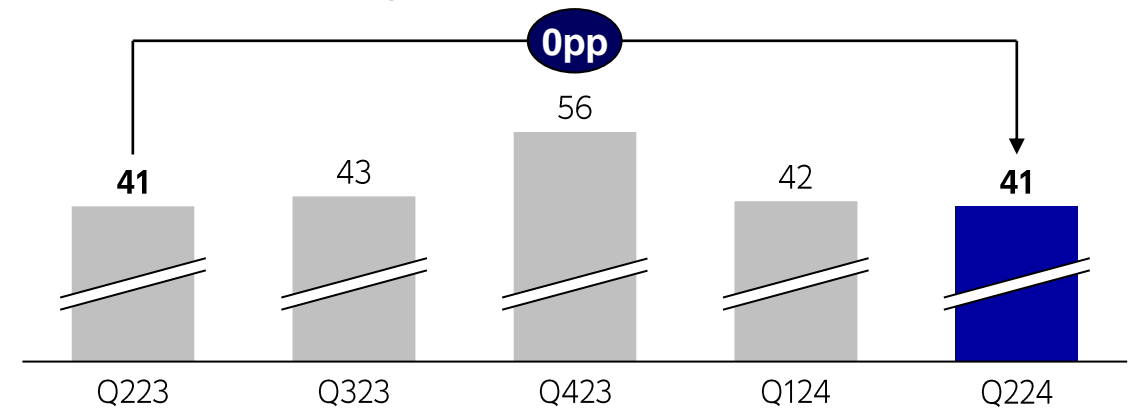


- Total income up 3%, driven by higher net interest income coupled with higher assets under management
- Assets under management up 10% to EUR 400bn
 - Nordic channels inflows of EUR 1.9bn during quarter
 - International channels outflows of EUR 1.4bn
- Cost-to-income ratio stable at 41%

Assets under management, EURbn



Cost-to-income ratio*, %



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

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

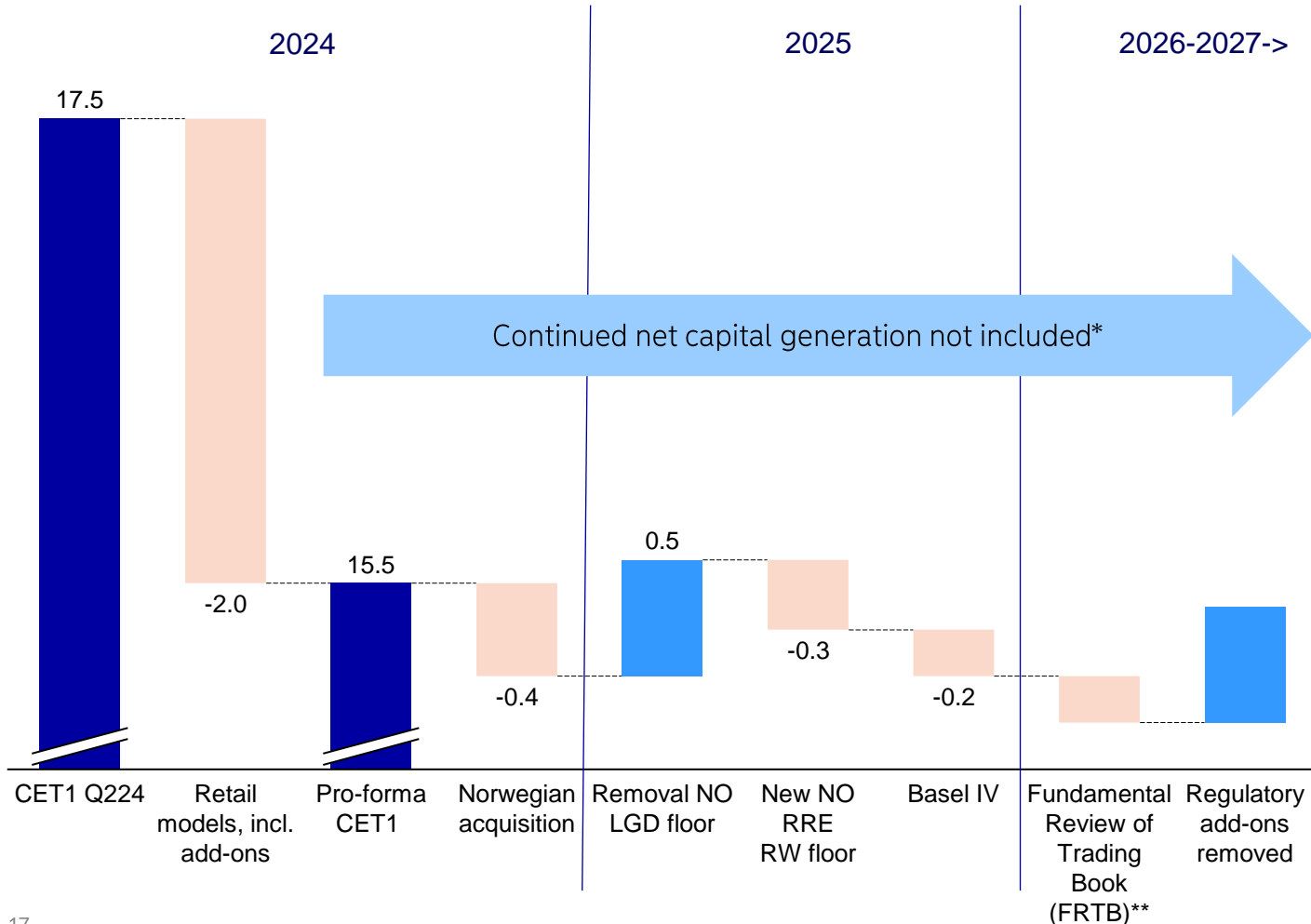
Capital and dividend policies
60–70% dividend payout ratio; excess capital distributed through buy-backs
Management buffer of 150bp above regulatory CET1 requirement

Nordea



Retail models approved; Basel IV impact updated

Main forward-looking items impacting CET 1 ratio, %



- **EUR 17bn REA increase in Q125 from retail models and Basel IV, broadly in-line with estimate**
 - Earlier estimated at EUR 16bn (EUR 10bn models, EUR 6bn Basel IV)
- **Initial model impact EUR 17bn REA increase in Q324**
 - EUR 5bn REA reduction from NO LGD floors – removed in connection with local implementation of CRR3, currently scheduled for Q125
 - EUR 3bn REA increase from proposed NO mortgage risk weight floor of 25%, expected Q125
 - EUR ~4-6bn of regulatory add-ons to be removed
- **Basel IV REA impact estimate revised to EUR 4bn**
 - EUR 2.5bn in Q125
 - EUR 1.5bn in Q126

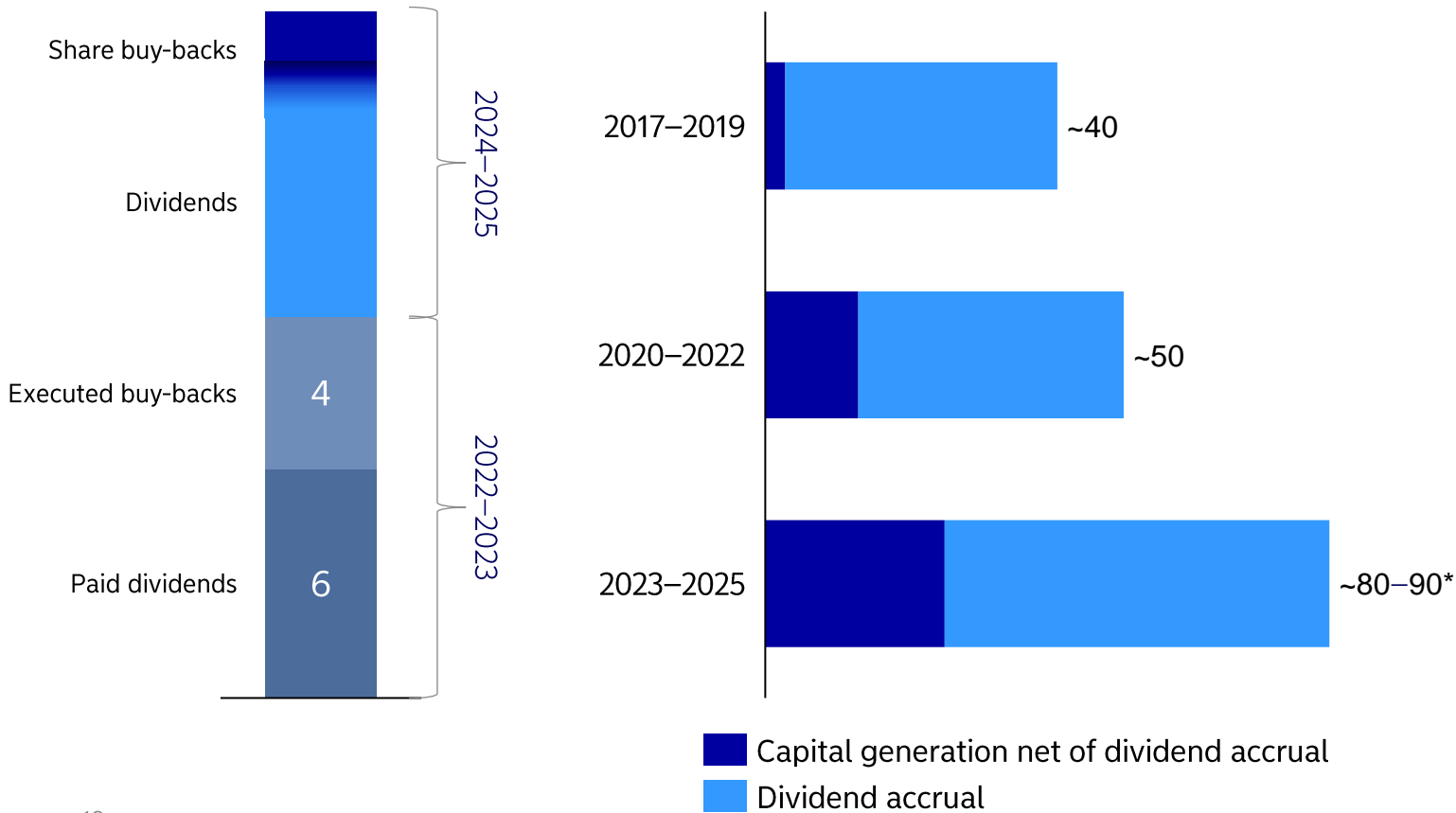
Capital excellence

Strong capital generation supporting returns

Reiterating shareholder returns supported by strong capital generation

EUR ~17-18bn

Year Average quarterly capital generation, bp

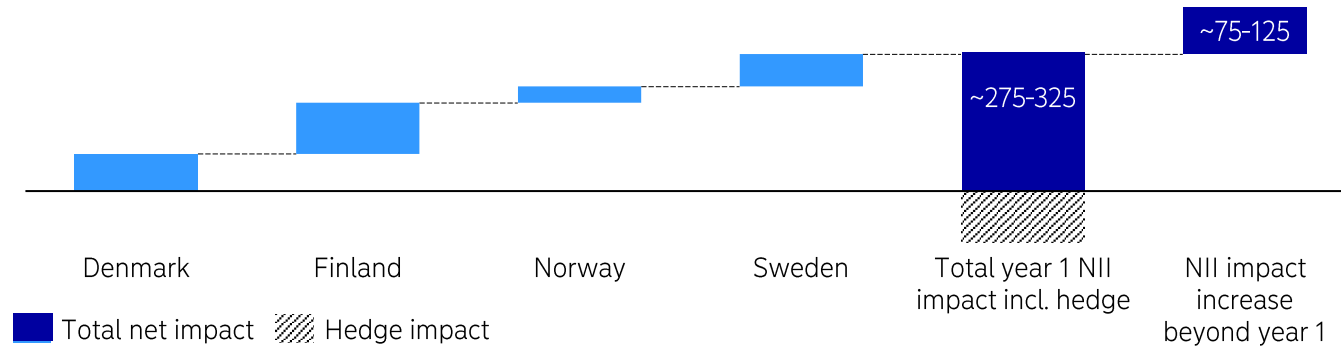


- **Reiterating capital return commitment**
 - Strong capital generation
 - Unchanged dividend policy
 - Share buy-backs to distribute excess capital
- **Dialogue initiated with ECB on resuming share buy-backs from early 2025**

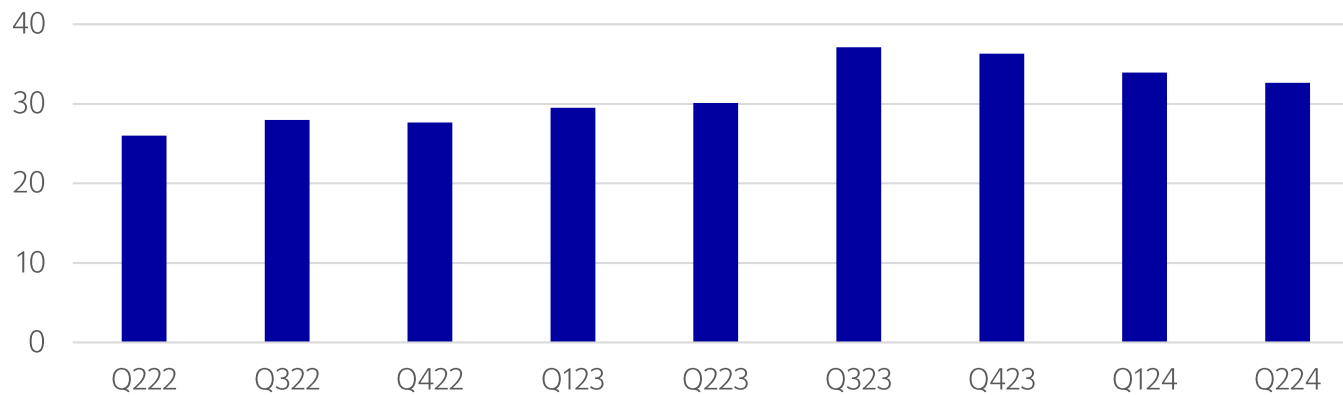
Net interest income sensitivity

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

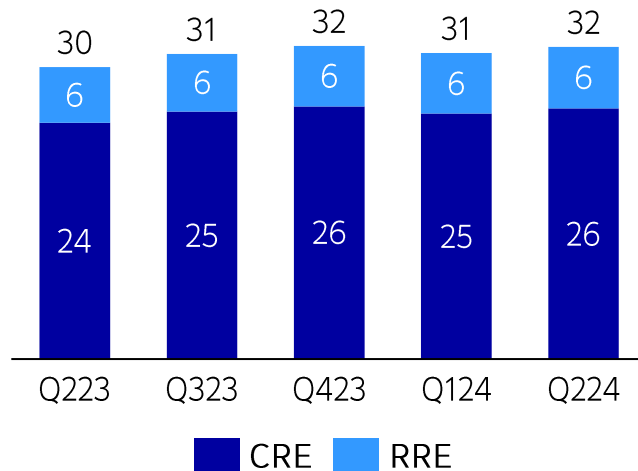
- **Deposit hedging reducing sensitivity to interest rate changes**

- Hedge volume up ~10% YoY
- Average hedge maturity ~3 years
- Additional NII impact in Y2–Y3 as assets repriced and hedges rolled over

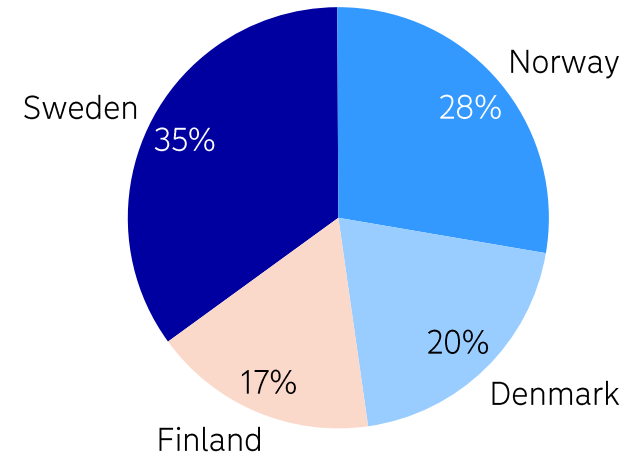
Credit portfolio – real estate management industry (REMI)*

Well-diversified portfolio, high-quality lending

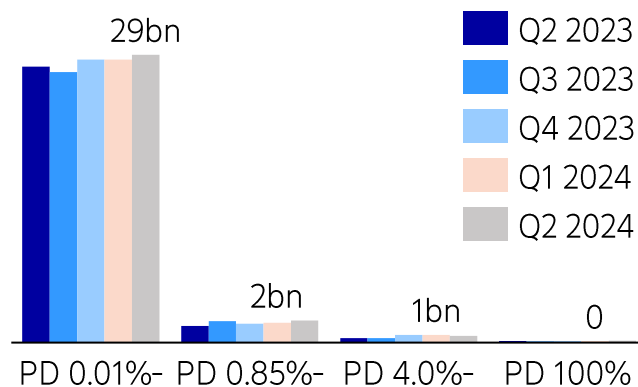
Lending volumes stable



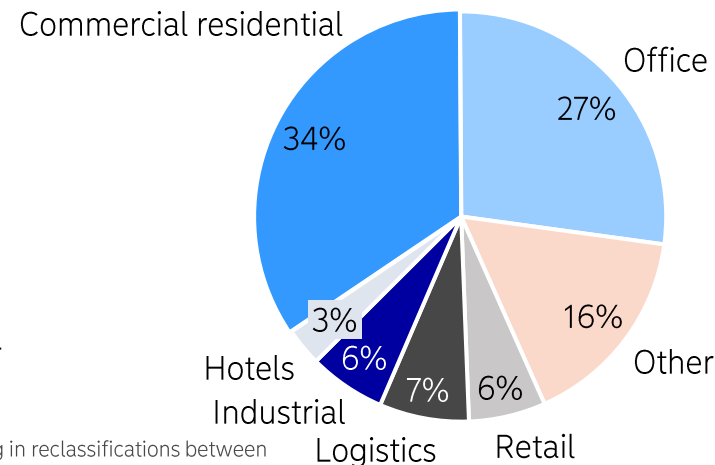
Diversified across countries



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**

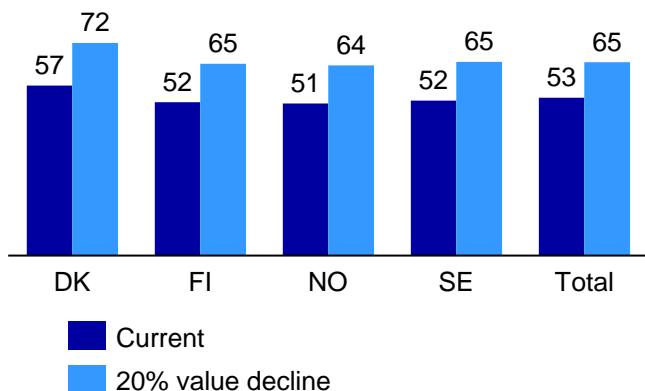
* Excluding tenant-owner associations (TOAs)

** Improved consolidation data quality as of Q1 2024 resulting in reclassifications between property types. Portfolio composition and credit risk profile has not changed.

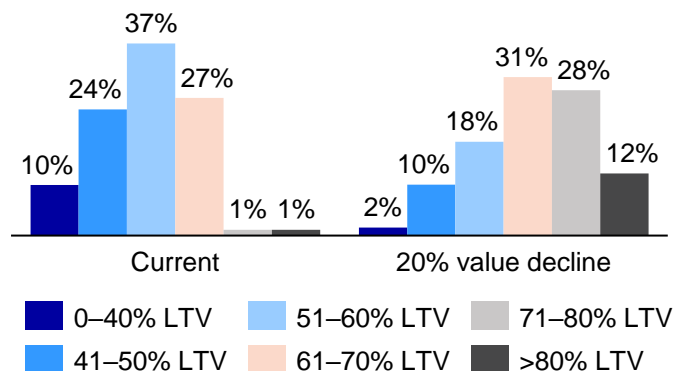
Credit portfolio – real estate management industry (REMI)*

Solid LTVs, resilient interest coverage, high occupancy

Solid LTV levels for all countries



Majority of portfolio with low LTV



- **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**

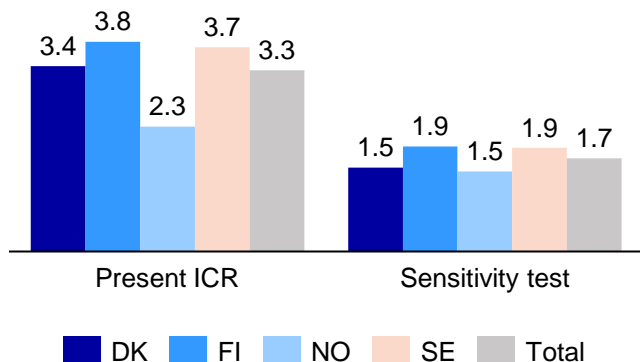
- Average ICR at 1.7x in stress scenario
- Stress scenario: all debt refinanced day one at 5Y swap rates plus margins (5.5–6.5%); no hedging

- **Strict interest rate hedging requirements**

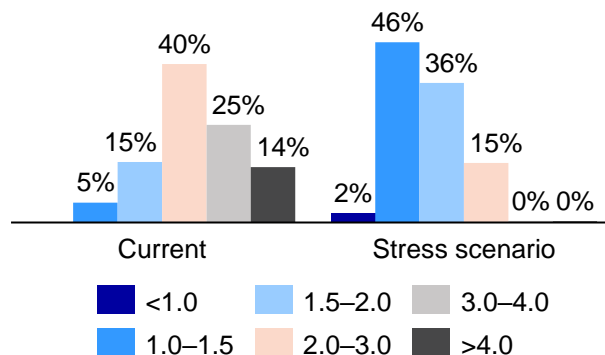
- 61% of customer debt hedged with average maturity of 4.1 years

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

ICR high for all countries



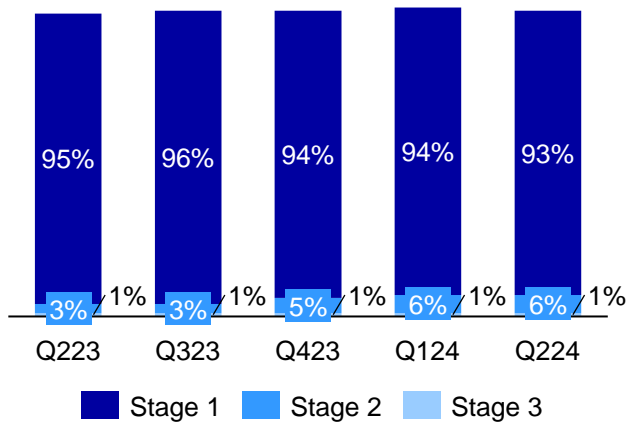
ICR above 1.0 for 98% of portfolio in stress scenario



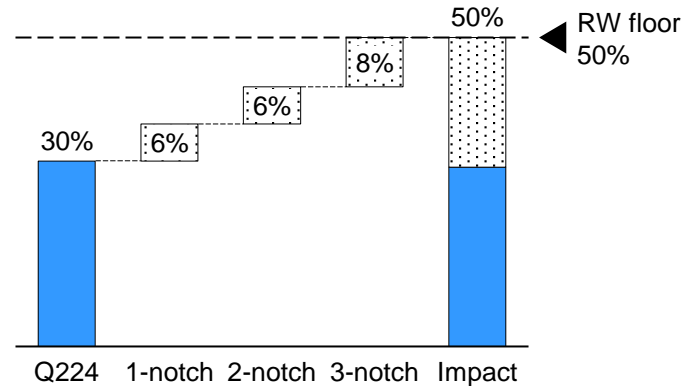
Credit portfolio – real estate management industry (REMI)*

Low levels of risk exposure

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

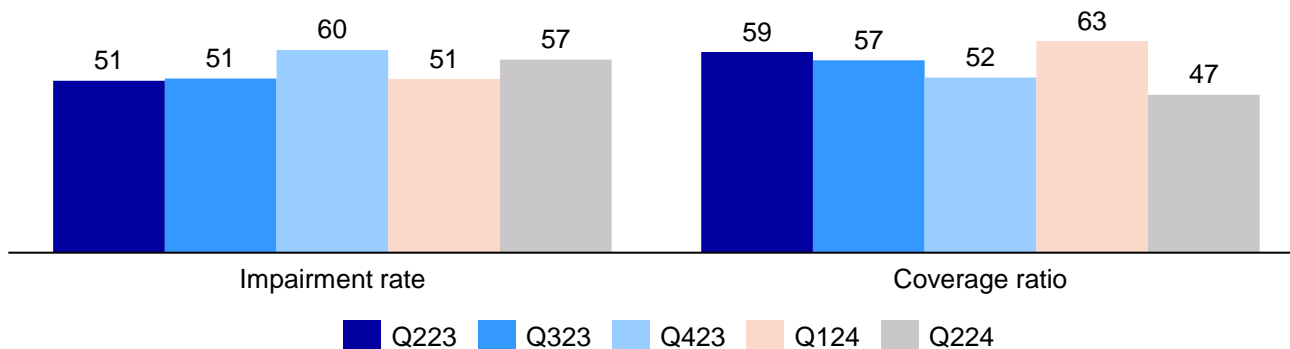


No REA impact even from 3-notch downgrade due to risk weight floors



- Continued strong credit quality, with slight deterioration as expected
- 93% of portfolio in stage 1
- 0.6% of portfolio impaired in Q2, with slight increase related to higher level of impaired loans
- Provision coverage above 47% – high for collateralised assets
- REA protected by risk weight floors

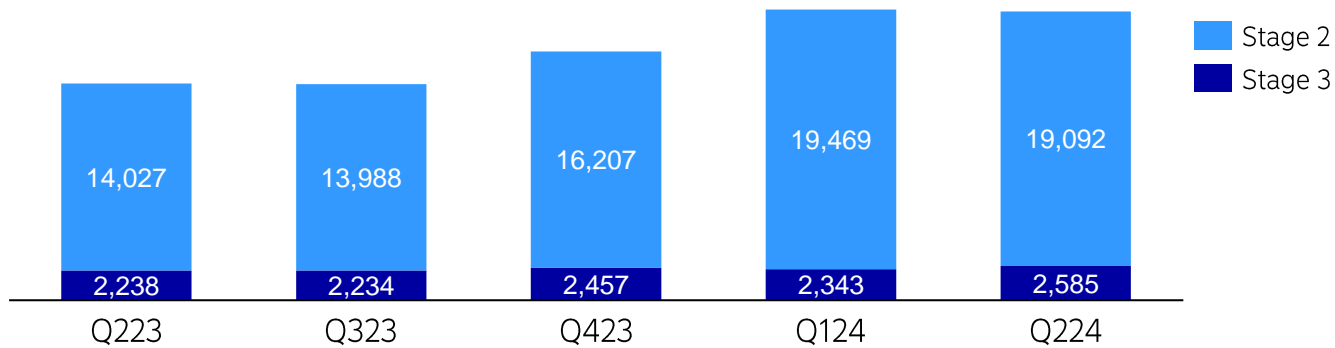
Low impairment rate and high coverage for impaired portfolio



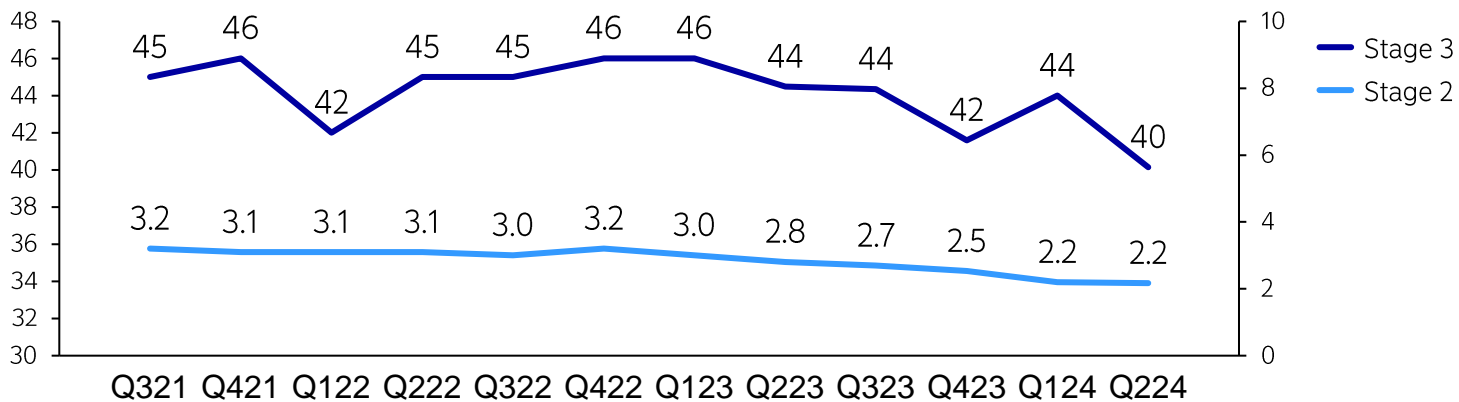
Impairments and provisioning coverage

Stage 3 increased, stage 2 stable; strong credit quality

Stage 2 and 3 loans at amortised cost, EURm



Coverage ratio, %



- Continued strong portfolio credit quality
- Stage 2 loans down EUR 0.4bn, remaining at 7%
- Stage 3 loans up EUR 242m to 0.95% from 0.86% in Q1, mainly due to few specific default events
- Coverage ratio for stage 3 portfolio down to 40% due to reduced provisioning need