Third quarter results 2020

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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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Executive summary

- Strong result – continued positive trends across business areas and countries
  - Total income up 4% y/y, driven by strong growth in net interest income and net fair value result
  - Growth in mortgage lending volumes and assets under management at record high of EUR 326bn
- Good progress towards 2022 financial targets
  - Costs down 6% y/y, cost-to-income ratio at 52%* and return on equity at 10.1*%
- Strong financial position to support customers and maintain dividend capacity
  - CET1 ratio at 16.4%, 6.2%-points above requirement
- Credit quality still strong – net loan loss reversals of EUR 2m
  - Management judgement buffer kept at EUR 650m, as economic uncertainty remains
  - Full-year 2020 net loan losses projected to be below EUR 1bn (less than 41bp)
- Continued commitment to delivering on business plan and financial targets

* Cost-to-income (C/I) ratio and return on equity (ROE) with amortised resolution fees and excluding items affecting comparability

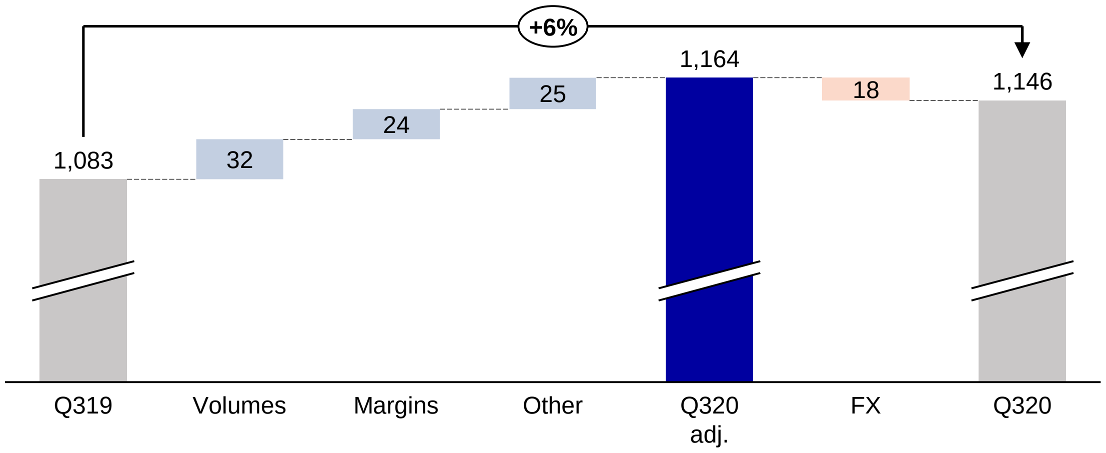
Group quarterly results Q3 2020

Income statement and key ratios EURm, excluding items affecting comparability*	Q320	Q319	Q3/Q3	Q220	Q3/Q2
Net interest income	1,146	1,083	6%	1,091	5%
Net fee and commission income	729	756	-4%	673	8%
Net fair value result	274	211	30%	318	-14%
Other income	23	35	-33%	10	134%
Total operating income	**2,172**	**2,085**	**4%**	**2,092**	**4%**
Total operating expenses	-1,089	-1,161	-6%	-1,088	0%
Profit before loan losses	**1,083**	**924**	**17%**	**1,004**	**8%**
Net loan losses	2	-49		-698	
Operating profit	**1,085**	**875**	**24%**	**306**	**255%**
Cost-to-income ratio**	52	58		52	
Return on equity**	10.1	8.4		3.0	

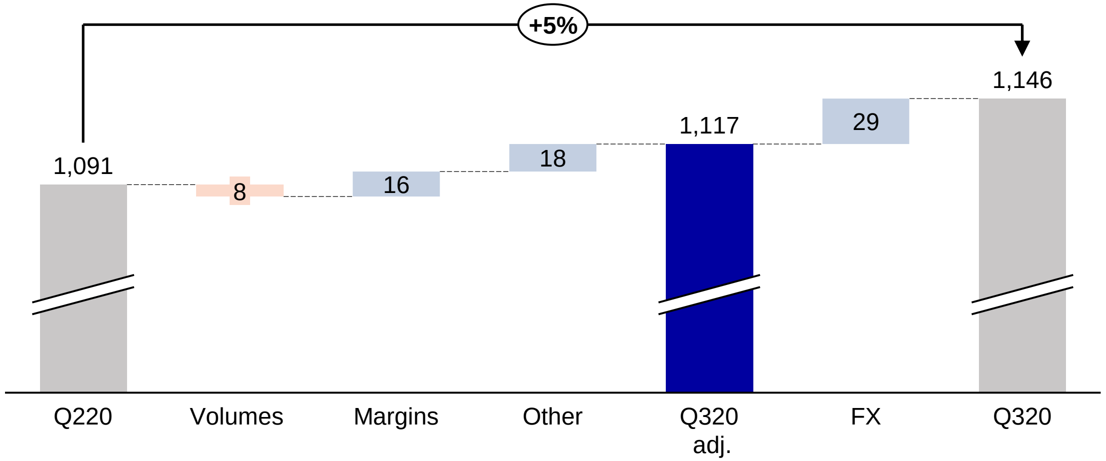
* Costs: Q319: staff restructuring provision EUR 204m, Luminor EUR 75m, IT impairment EUR 735m, loan loss provisions EUR 282m
** With amortised resolution fees

Net interest income – strong growth driven by higher mortgage lending volumes

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



Comments

- Net interest income up 6%, highest growth rate since 2012
- Increased mortgage market shares
- Increase in both household and corporate deposits
- Higher lending margins in all countries for large corporates

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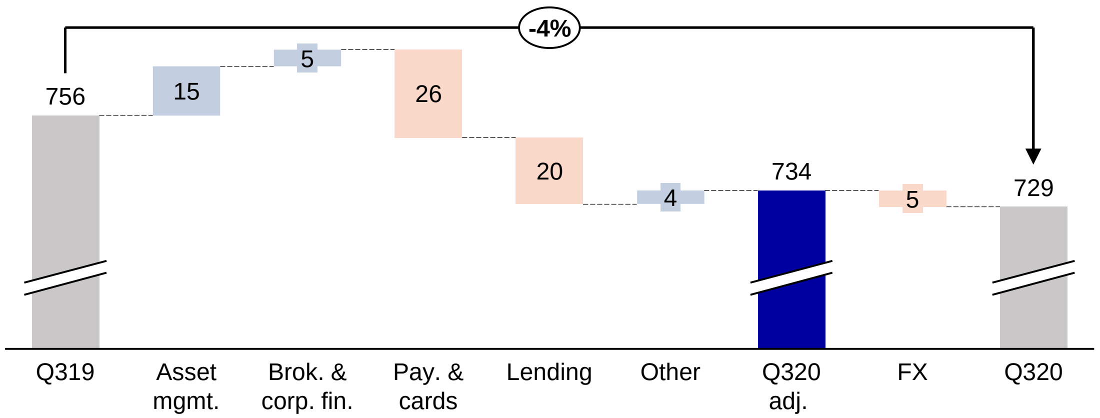
Net fee and commission income – improved from Q2, but still below pre-COVID-19 levels

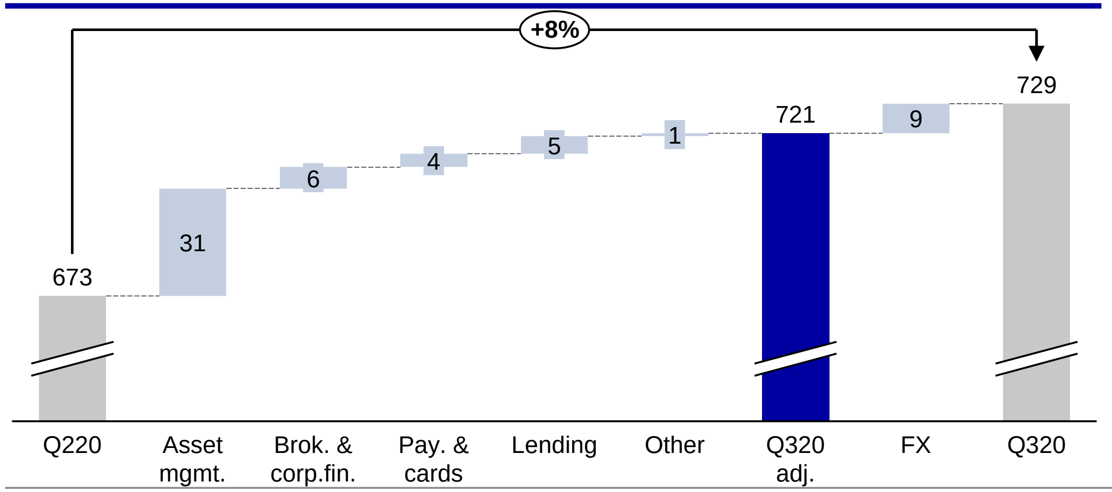
Year-over-year bridge, EURm



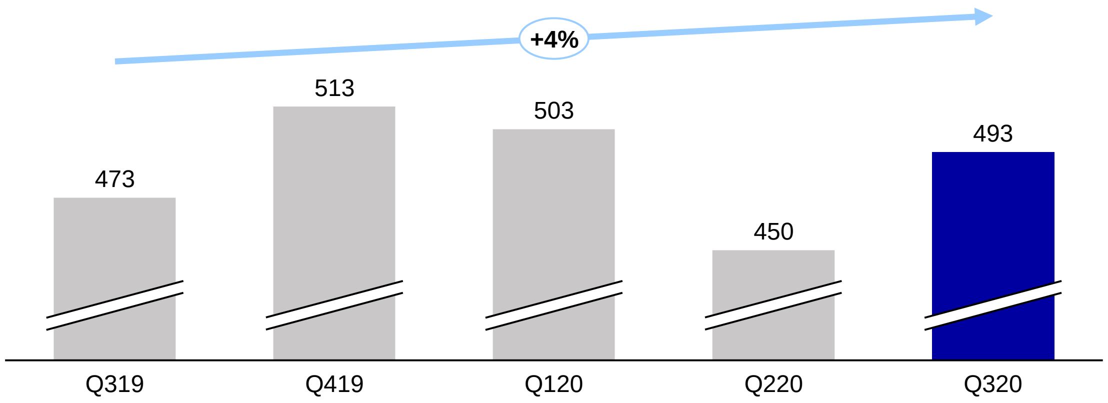
Comments

- Net fee and commission income down 4%
- Savings income up 4%, driven by strong asset management net inflows and market performance
- Card and payment fee income improved from previous quarter, but still below normal levels

Quarter-over-quarter bridge, EURm



Savings and investment commission income, EURm



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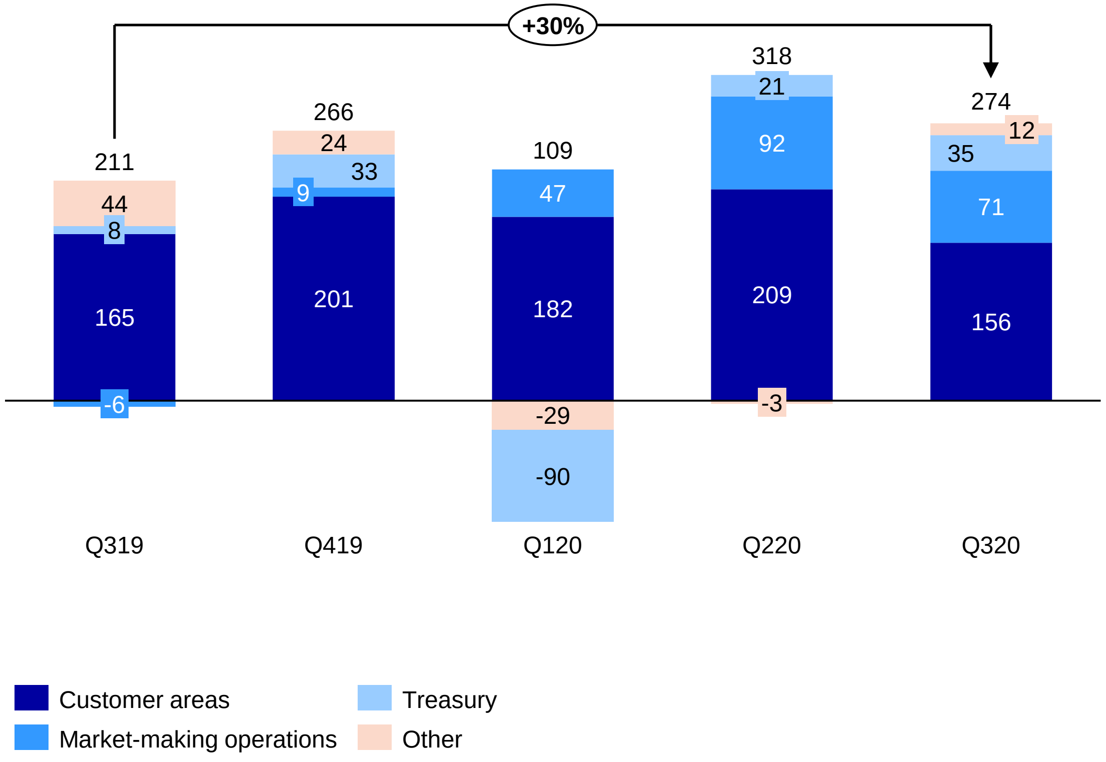
Net fair value result – improved result in Markets

Net fair value result, EURm



Comments

- Net fair value result up 30%
- Customer areas broadly in line with previous year
- Markets result improved due to high level of market activity

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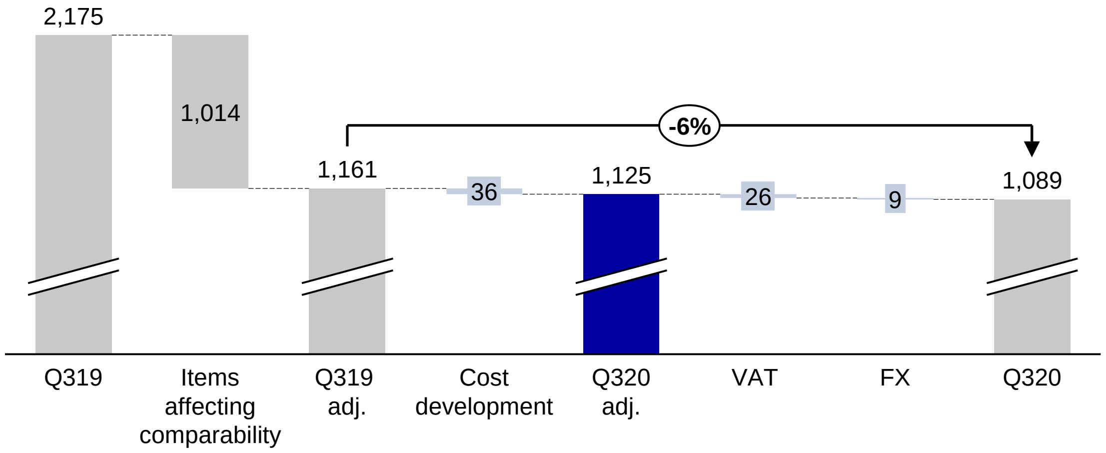
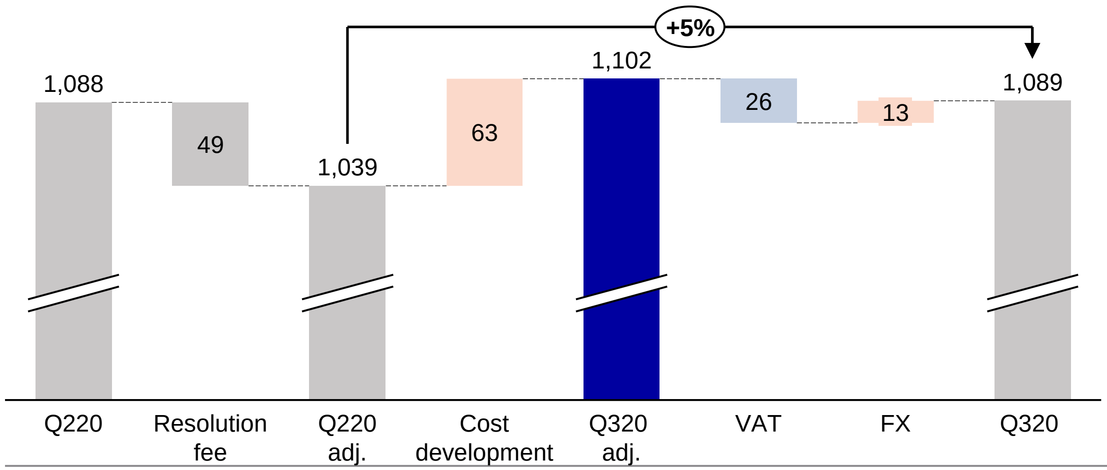
Costs – continued development of strong cost culture and progress on cost plan

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



Comments

- Costs down 6%, delivering on cost plan
- Staff costs down 5%
- Increase in IT costs and restructuring-related premises costs in quarter
- VAT refund of EUR 26m

Outlook

- Costs for 2020 expected to be below EUR 4.7bn, including SG Finans

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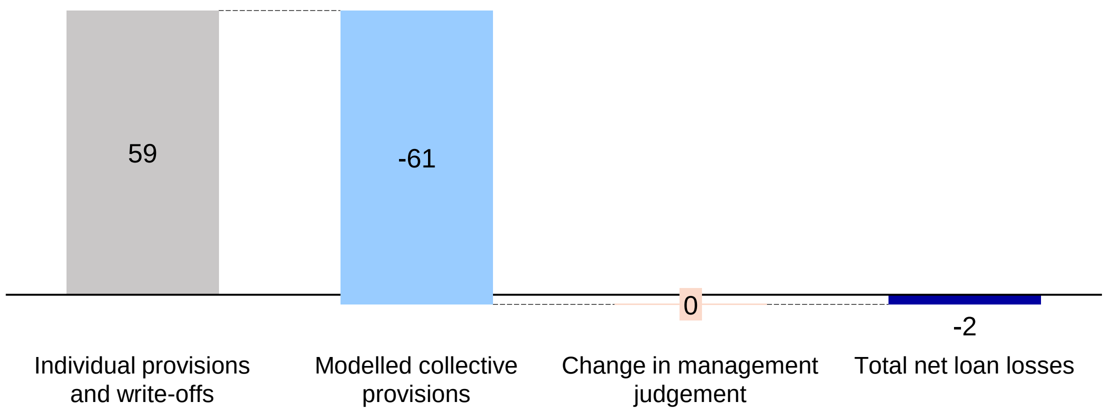
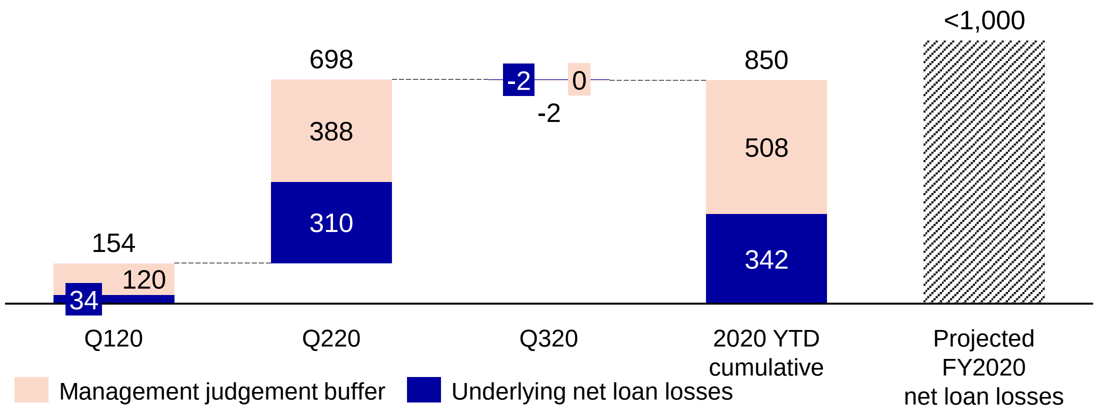
Net loan losses – credit quality still strong

Drivers of net loan losses Q320, EURm



Net loan losses, quarters and projection, EURm

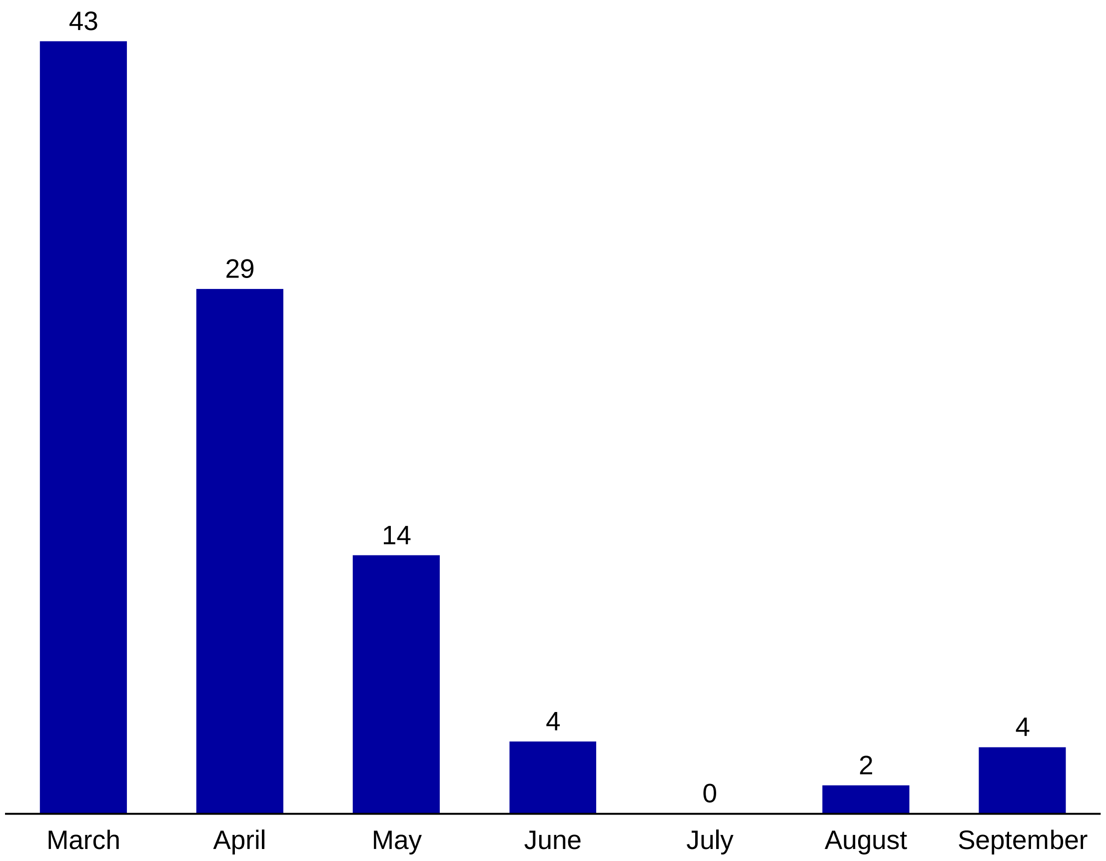


Comments

- Net reversal of EUR 2m in Q3 – net loan losses close to zero for all business areas
- Total management buffer of EUR 650m maintained
- Credit outlook unchanged: full-year 2020 net loan losses expected to be below EUR 1bn

First instalment-free periods expiring – almost all customers resuming normal servicing

Customers granted instalment-free periods, ‘000s



Comments

- Approximately 95,000 customers, including 9,000 corporates, granted COVID-19 instalment-free period
  - Corresponds to loan amount of around EUR 19bn
- Interest payments by customers maintained during instalment-free periods
- Around 50% of COVID-19-related instalment-free periods will have expired by end of October
- So far, less than 5% of customers classified as forborne (or in default) following expiry of their instalment-free period

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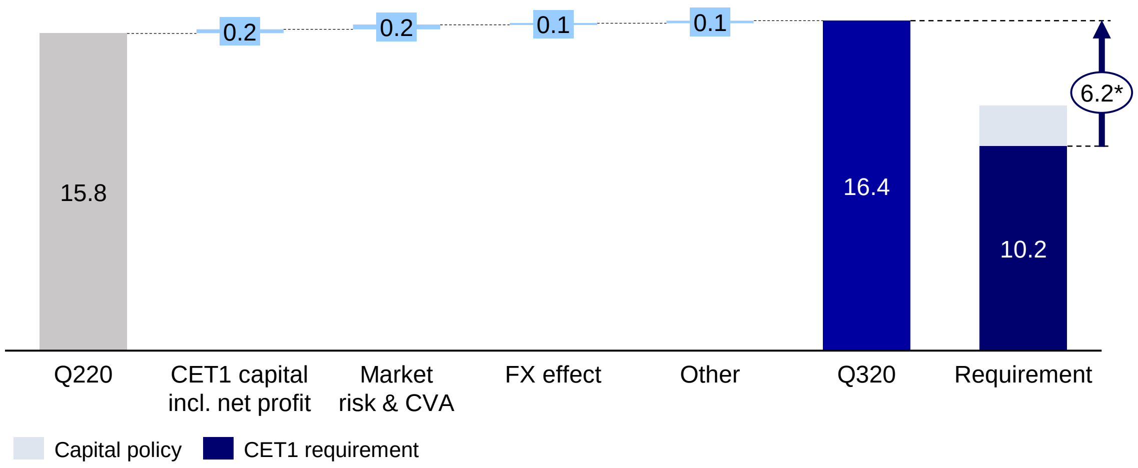
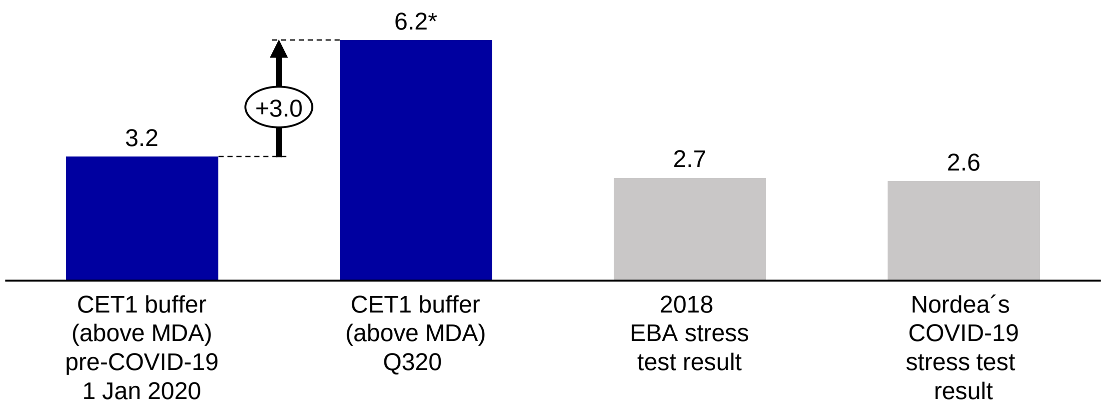
Capital – strong capital position to support customers while maintaining dividend capacity

CET1 capital ratio development, %



CET1 capital buffer, %



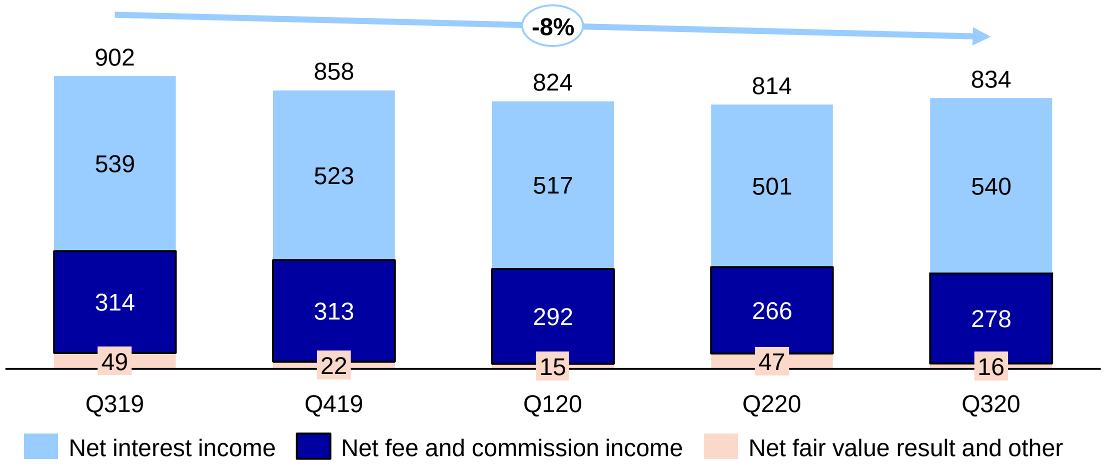
Comments

- CET1 capital ratio at 16.4%
  - Risk exposure amount (REA) down EUR 4bn to EUR 151bn – limited credit REA migration during Q3
- Capital buffer of 6.2%-points*
- Dividends accrued for 2019 and 2020
- Capacity to both support customers and distribute capital

* As of Q320, 0.8%-points of the CET1 buffer has been used to fulfil the AT1/Tier 2 capital requirement

Personal Banking – strong mortgage lending volume growth

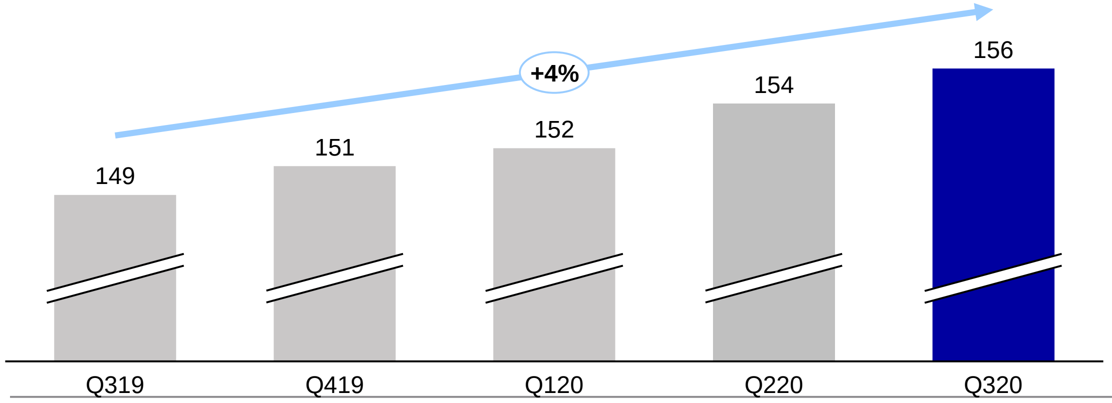
Total income, EURm



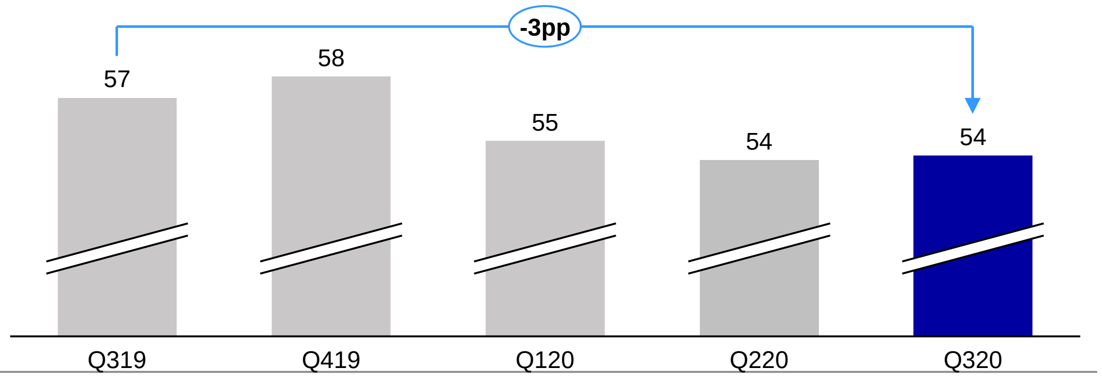
Comments

- Strong mortgage lending volume growth of 6%*, and high levels of customer activity
  - Higher market shares and improving customer satisfaction
- Total income down 8% due to extraordinary income in 2019 and COVID-19 impact on payments and cards income
- Improved cost efficiency: cost-to-income down to 54%

Lending*, EURbn



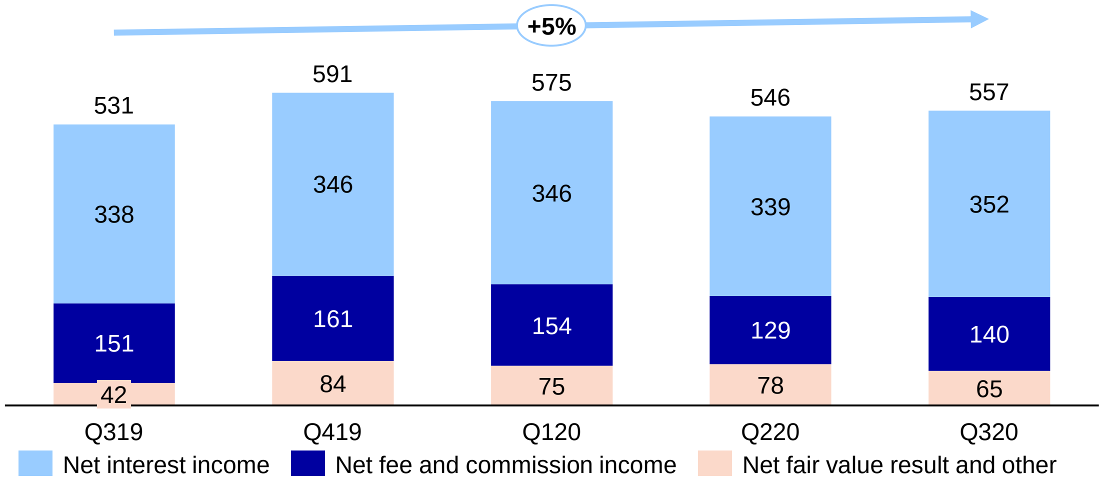
Cost-to-income ratio**, %



* Excluding FX effects (adjusted to current exchange rate)
** With amortised resolution fees

Business Banking – strong lending volume growth in Sweden and Norway

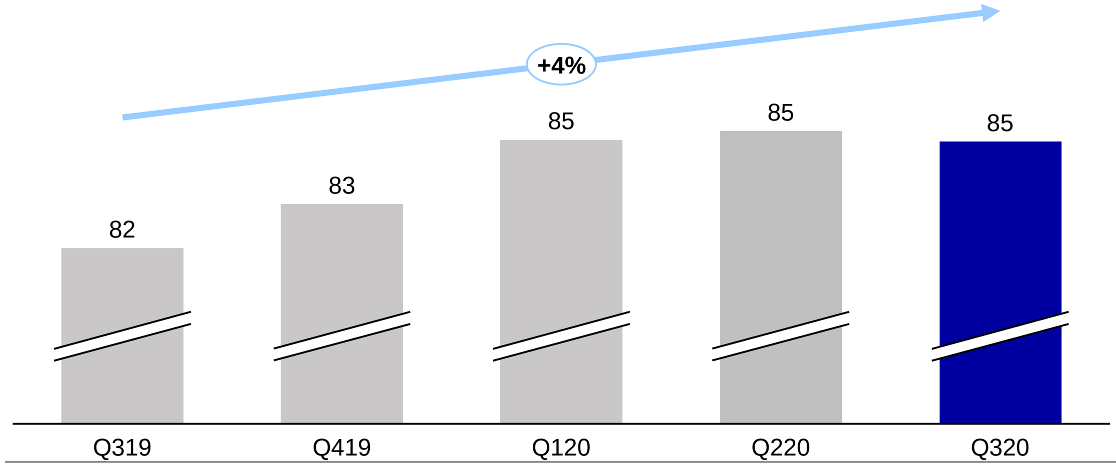
Total income, EURm



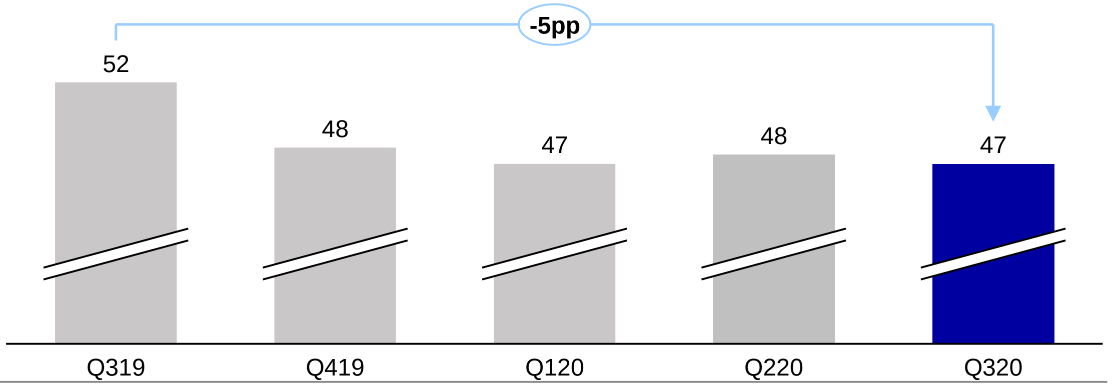
Comments

- Total income up 5%, increased business activity and increasing number of bond issues in quarter
  - Total lending volumes up 4%*, with strongest growth in Sweden and Norway
  - Deposit volumes up 20%*, with growth in all countries
- Savings and payment fee income recovering
- Improved cost efficiency: cost-to-income down to 47%

Lending*, EURbn



Cost-to-income ratio**, %



* Excluding FX effects (adjusted to current exchange rate)
** With amortised resolution fees

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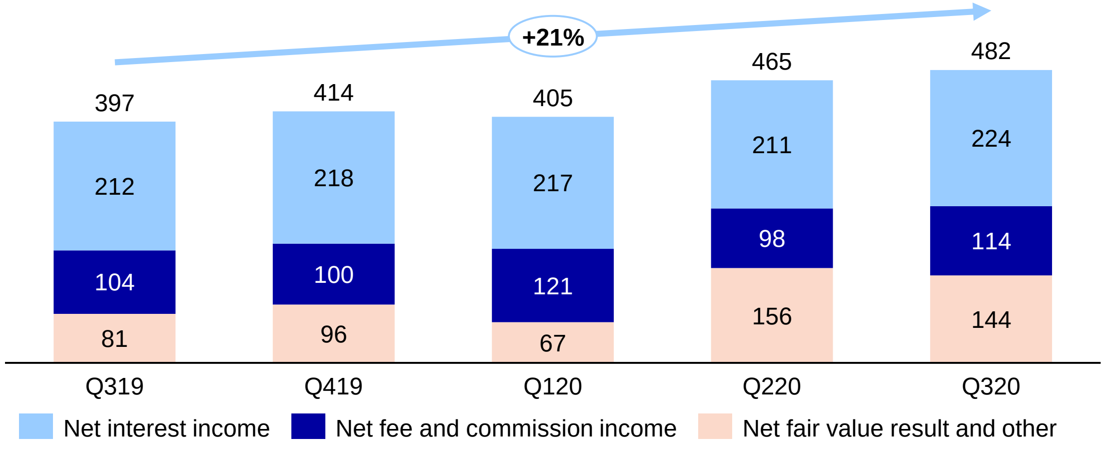
Large Corporates & Institutions – tangible progress with repositioning plan

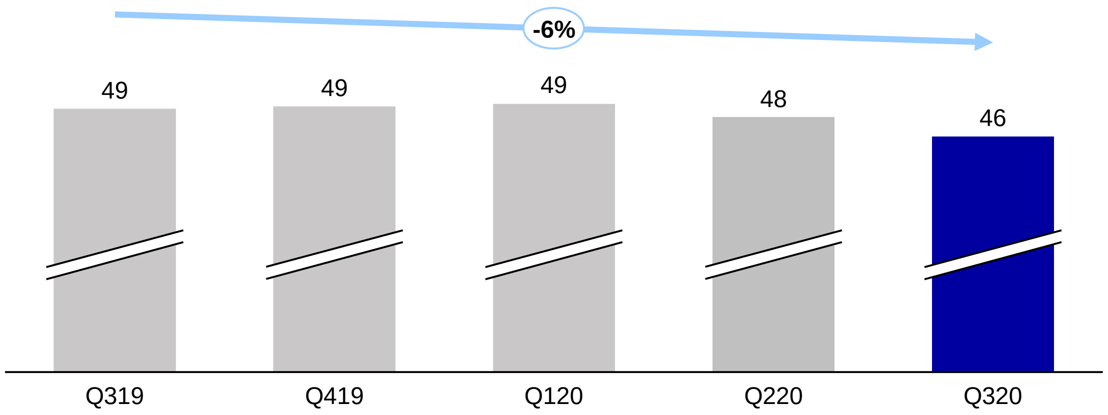
Total income, EURm



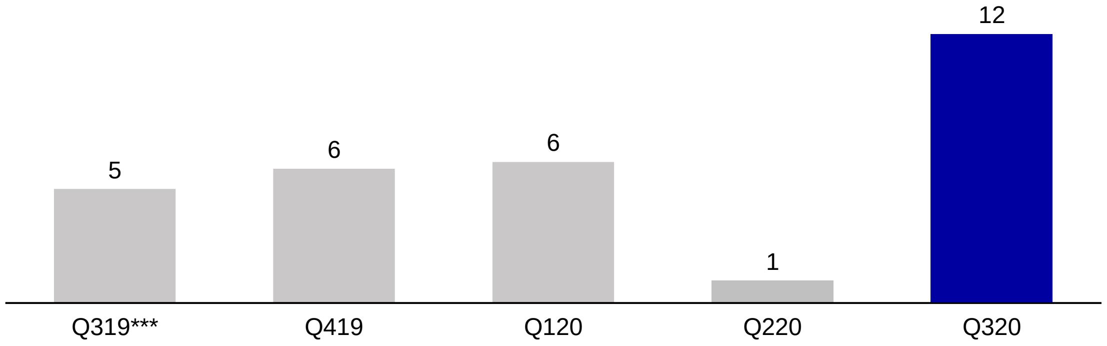
Comments

- Strong capital markets and continued volatility
  - Several major corporate transactions but lower credit demand
  - Strong results in all product segments in Markets
- Costs down 11%, mainly driven by lower staff costs and reduced travel
- Return on capital at risk higher at 12% – economic capital reduced by EUR 1.0bn
- Improved cost efficiency: cost-to-income down to 42%

Lending*, EURbn



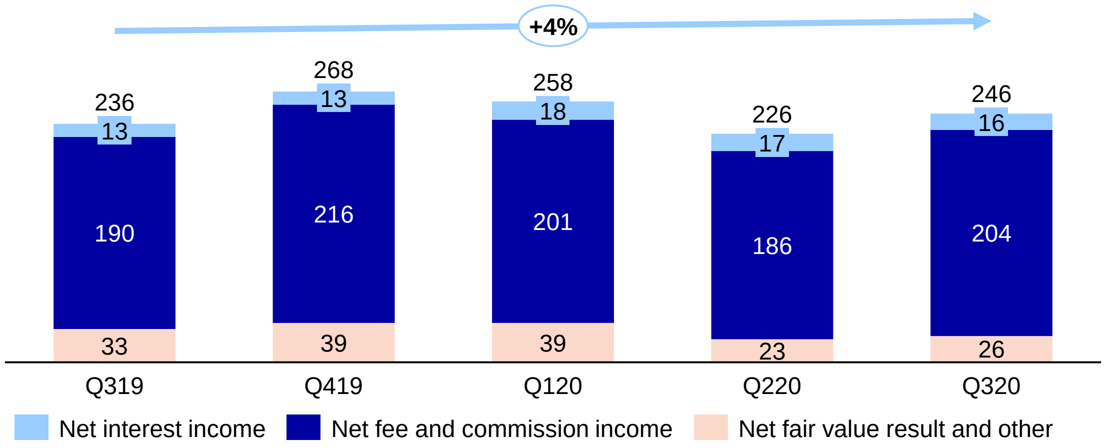
Return on capital at risk**, %



* Excluding repos
** With amortised resolution fees
*** Excluding additional provisions in Q319

Asset & Wealth Management – very strong net inflow

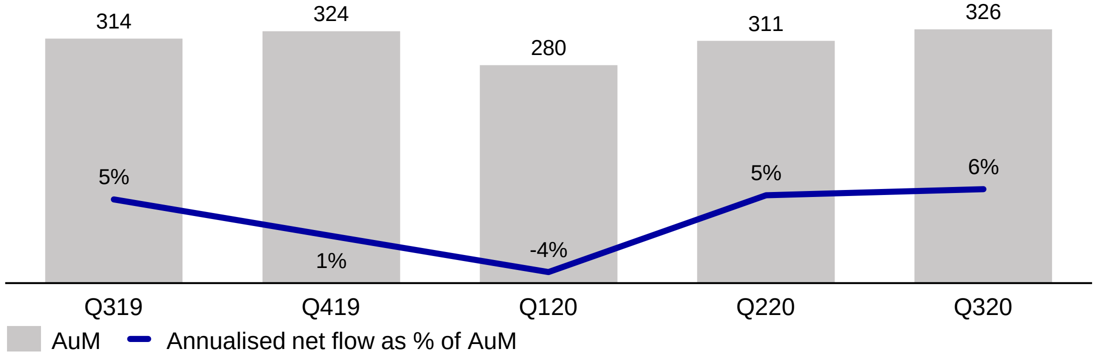
Total income, EURm



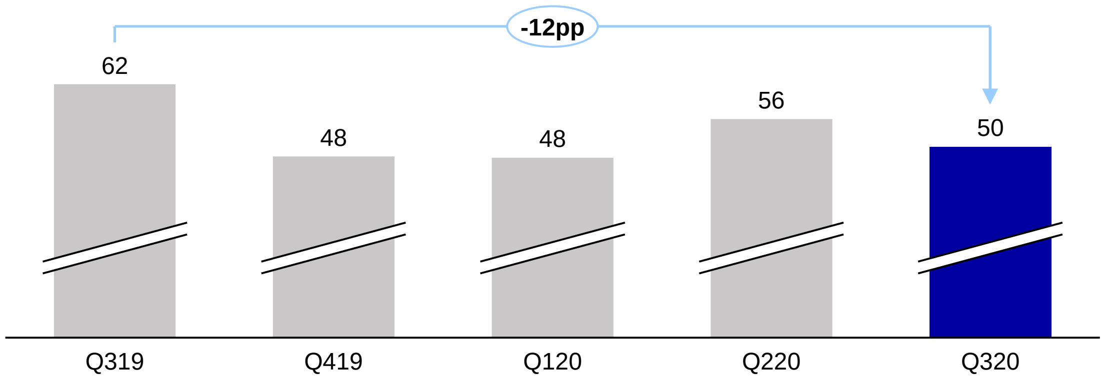
Comments

- Total income up 4% due to strong net inflows in all segments
  - Assets under management (AuM) up 4% to EUR 326bn – highest quarterly net inflow (EUR 4.6bn) since Q316
- Increased ESG product net flow, amounting to 12% of ESG AuM
- Improved cost efficiency: cost-to-income down to 50%

Assets under management, EURbn, and net flows, %



Cost-to-income ratio*, %



* With amortised resolution fees

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Progress on 2022 business plan – one year after Capital Markets Day 2019

On track towards 2022 financial targets

Group
C/I* 50%, ROE* >10%

Personal Banking
C/I* ~50%

Business Banking
C/I* ~45%

Large Corporates & Institutions
ROCAR* ~10%

Asset & Wealth Management
C/I* <50%

Selected key performance indicators

Create great customer experiences	
Customer satisfaction, household	+3% points since Q319
Customer satisfaction, corporate	+6% points since Q319
Enhanced corporate Netbank	+240,000 customers

Drive income growth	
Mortgage lending growth* **	+6% since Q319
SME lending growth* **	+4% since Q319
Assets under management net flows	+2.2% annualised flow Jan-Sep 20
Asset Management internal distribution	-0.2% annualised flow Jan-Sep 20

Optimise operational efficiency	
Employees	≈ -1,600 FTEs since Q319
Consultants	≈ -500 FTEs since Q319
Cost level 2020	<4.7bn
Streamlining of processes	Slightly behind plan
Economic capital reduction in LC&I**	1.3bn economic capital since Q219

* Cost-to-income ratio (C/I) ,Return on equity (ROE), Return on capital at risk (ROCAR)
** Large Corporates and Institutions (LC&I)
*** Excluding FX effects (adjusted to current exchange rate)

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Nordea is committed to delivering on financial targets

Cost-to-income ratio in FY22

50%

Return on equity in FY22

>10%

Capital policy

150-200 bp
management buffer
above the regulatory CET1 requirement

Dividend policy

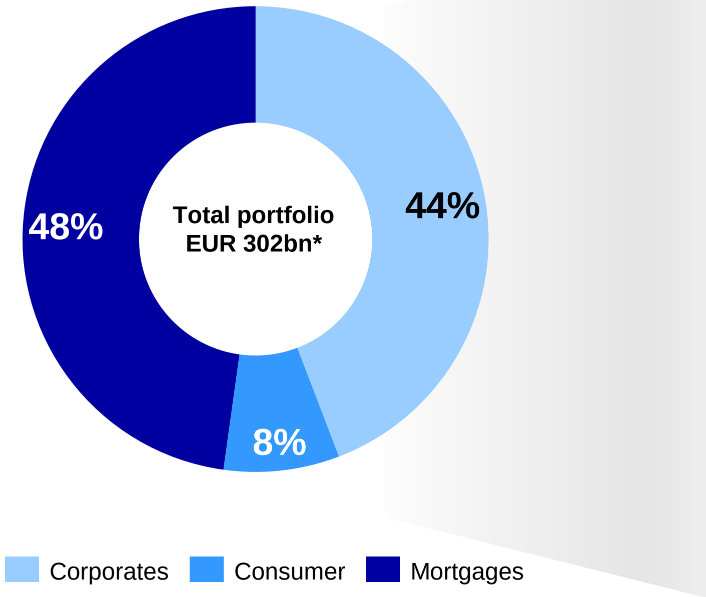
60-70% payout of distributable profits to shareholders
Excess capital intended to be distributed to shareholders through buy-backs

Q&A

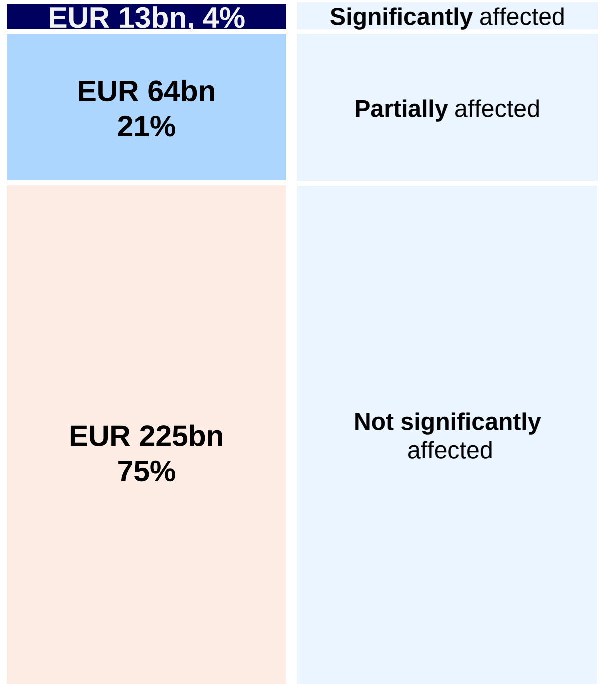
Appendix

Loan book – still well-diversified with strong underlying credit quality in Q320

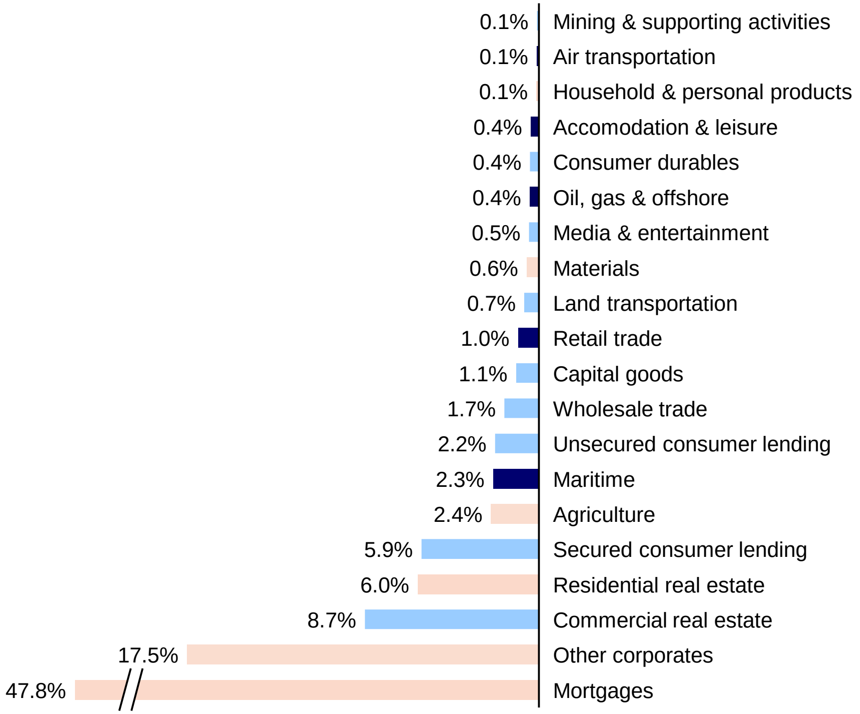
Well-diversified portfolio across countries and segments



Updated analysis of COVID-19 impact by segment



Five segments with 4% of total exposures significantly affected

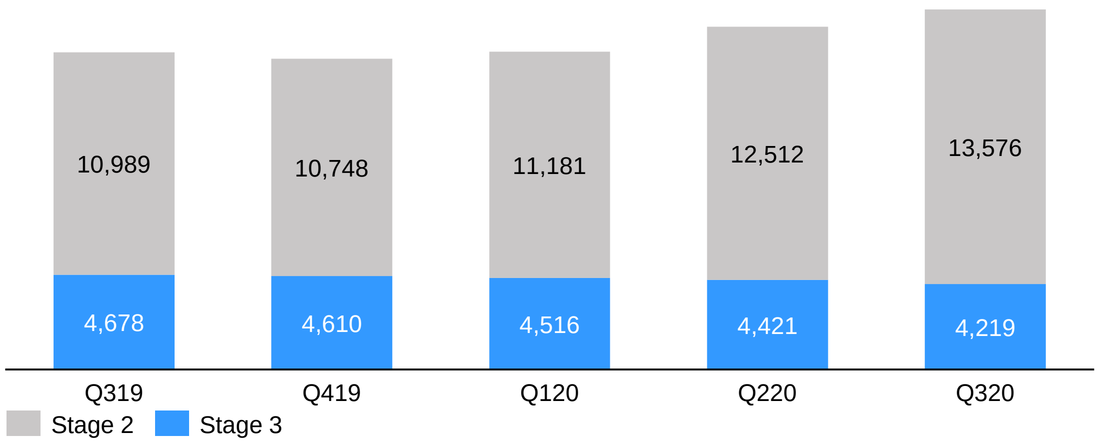


Nordic societies have well-structured social safety nets, strong fiscal positions and effective legal systems

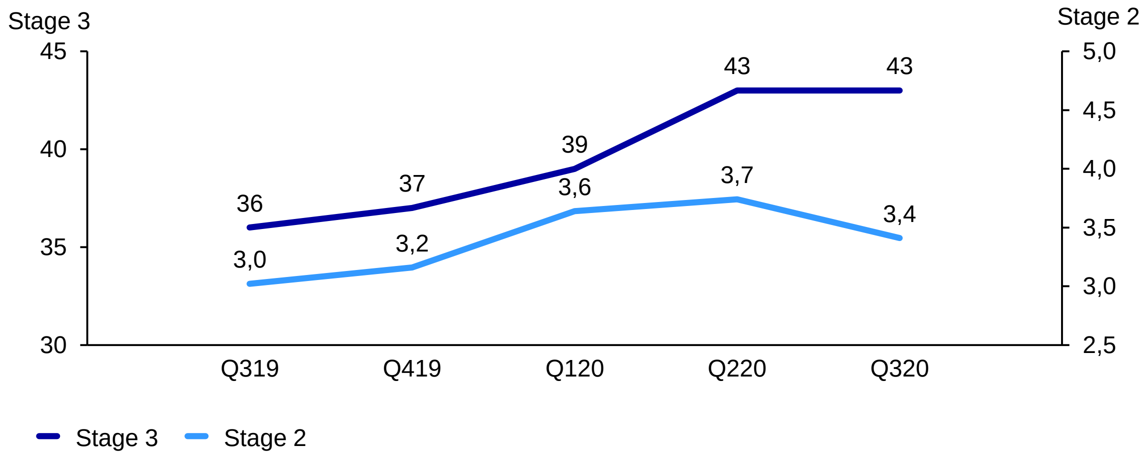
* Excluding repos

Credit quality – impaired loans further reduced

Stage 2 and 3 loans at amortised cost, EURm



Coverage ratio, %

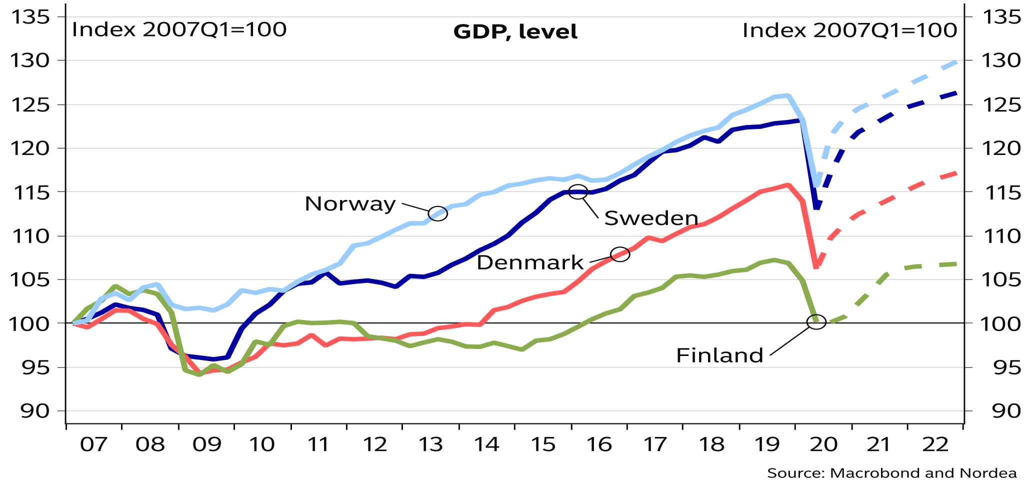


Comments

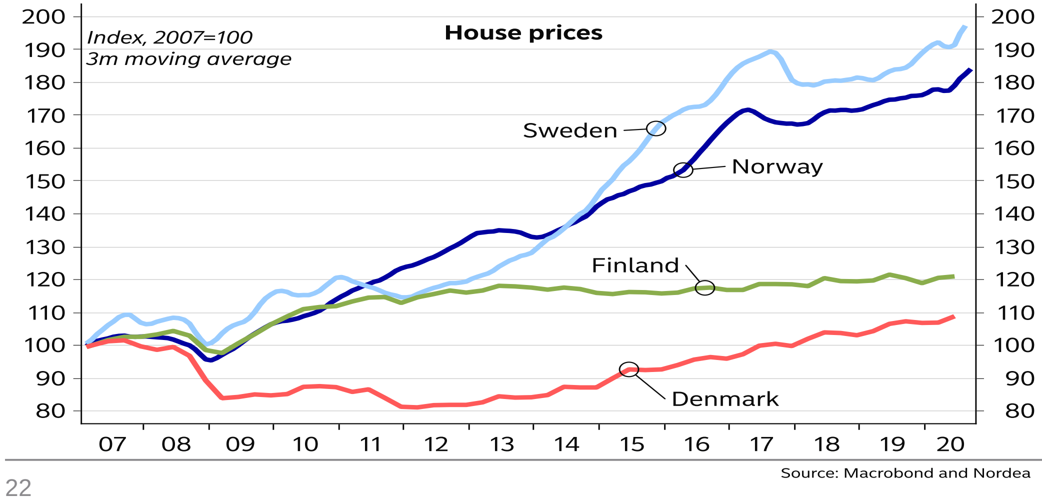
- Provision coverage for potential losses in stage 3 unchanged from high level of Q2 at 43%
- Slight deterioration in credit quality observed for significantly affected sectors, as expected
- Stage 3 impaired loans down 5% in quarter
- Increase in Stage 2 lending related to model adjustment; level unchanged from Q2 when excluding this

Nordic economic development – resilient economies rebounding

GDP development



House prices



Comments

- Danish GDP down 6.8% in Q2, reflecting exports and domestic demand; house prices at all-time high in Q3
- Finnish GDP down 4.5% in Q2; house prices unchanged compared with last year
- Norwegian mainland GDP down 6.3% in Q2; house prices notably increased during summer
- Swedish GDP down 8.3% in Q2; house prices 8.9% higher in September 2020 compared with last year

GDP, %, baseline scenarios (Nordea Markets)

Country	2020E	2021E	2022E
Denmark	-4.5	3.0	2.5
Finland	-5.0	3.0	2.0
Norway	-3.5	4.0	2.5
Sweden	-3.5	4.0	2.0

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