Nordea

First quarter results 2020

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

- COVID-19 has affected all of us
  - immediate priorities; our customers, staff safety and business continuity
  - several ongoing initiatives aimed at supporting our customers
  - early signs of Nordic societies opening up, but high uncertainty remains
- Solid first quarter result despite the economic challenges
  - net interest income up 5%, net commission income up 4%
  - costs according to plan, down 8% YoY
  - cost to income ratio unchanged at 57%
- Strong capital and liquidity position to support our customers
  - CET1 ratio 16%, 5.8%-points total CET1 buffer above current requirements
  - liquidity coverage ratio at 182%, liquidity buffer of over EUR 100bn
- Well diversified credit portfolio – higher provisions due to uncertain economic outlook
  - net loan losses of EUR 34m
  - management judgement of EUR 120m in the quarter
  - total management judgement allowances of EUR 327m
- We remain committed to delivering on our FY2022 targets

Nordea's response to the COVID-19

Household customers

- Total customer activity level and accessibility remain high despite the limitations in the branch openings
- Share of remote meetings increased from 40% to 80%
- More than 60,000 instalment-free period applications received, 97% approval rate in granted applications
- Six times higher participation rate for Private Banking webinars

Corporate customers

- Intensity in customer interactions at record-high level – during the first weeks of the crisis +30% more meetings than average, mostly virtual meetings
- Over 30,000 corporate customers contacted proactively and close to 8,000 instalment-free period applications granted
- EUR 13bn of credit requests in March with swift handling times

Our employees

- +70% of staff working remotely – fully operational during the crisis
- Trading operations and other critical banking operations in multiple sites
- Business continuity plans in place – group crisis management team installed late-February with daily meetings
- Increased cyber security efforts
- Support to and training of leaders in how to lead through crisis

The actions we are taking are focused on doing all we can to support our customers, keeping our employees safe and ensuring business continuity

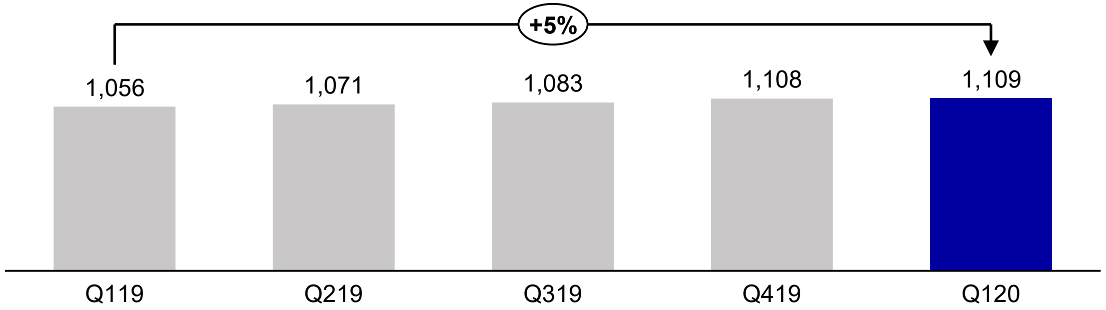
Group quarterly results Q1 2020
excluding one-offs*

Income statement, EURm	Q120	Q119	Q1/Q1	Q419	Q1/Q4
Net interest income	1,109	1,056	5%	1,108	0%
Net fee and commission income	765	737	4%	775	-1%
Net fair value result	109	264	-59%	266	-59%
Other income	18	59		7	
Total operating income	**2,001**	**2,115**	**-5%**	**2,156**	**-7%**
Total operating expenses	**-1,248**	**-1,357**	**-8%**	**-1,179**	**6%**
Profit before loan losses	**753**	**758**	**-1%**	**977**	**-23%**
Net loan losses	-154	-42		-102	
Operating profit	**599**	**716**	**-16%**	**875**	**-31%**
Cost/income ratio with amortised resolution fees**, %**	**57**	**57**	**0**	**57**	**0**
Return on equity with amortised resolution fees**, %**	**7.1**	**8.1**	**-1.0**	**7.6**	**-0.5**

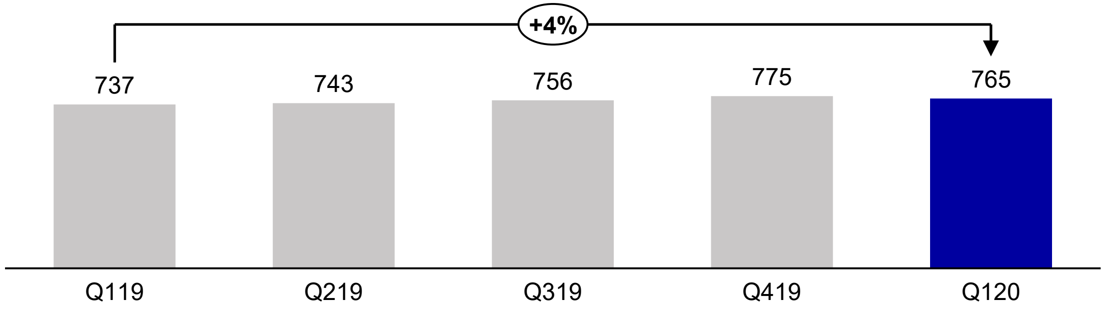
*Income: Q419: LR Realkredit (138m)
Costs: Q119: AML provision (95m)

Revenues – improvement in net interest and commission income

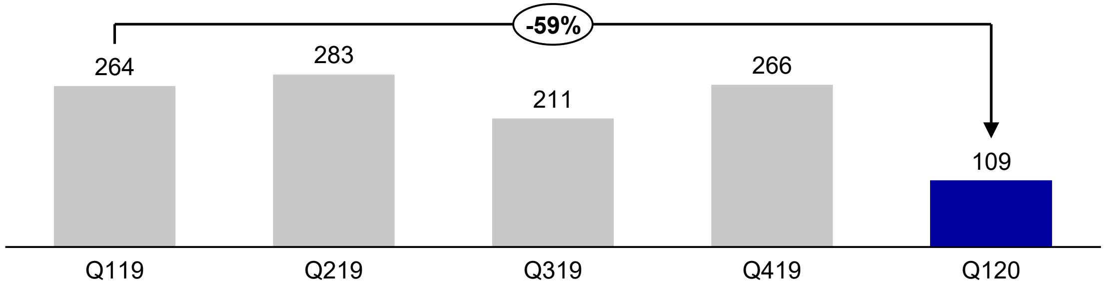
Net interest income, EURm



Net commission income, EURm



Net fair value, EURm



Comments year over year

- Net interest income up 5%
  - lending volumes up 4%
  - margins overall stable YoY, improving in the quarter
  - increased corporate loan demand in March
- Net commission income up 4%
  - growth in both lending and savings fees
  - strong commission income from equities and advisory
  - higher asset management and Life & Pension fees
    - down in March due to lower assets under management (AuM) affected by lower asset prices
- Net fair value down 59%
  - valuations significantly affected by falling asset prices, lower interest rates and widening credit spreads
  - revenues from customer business unchanged

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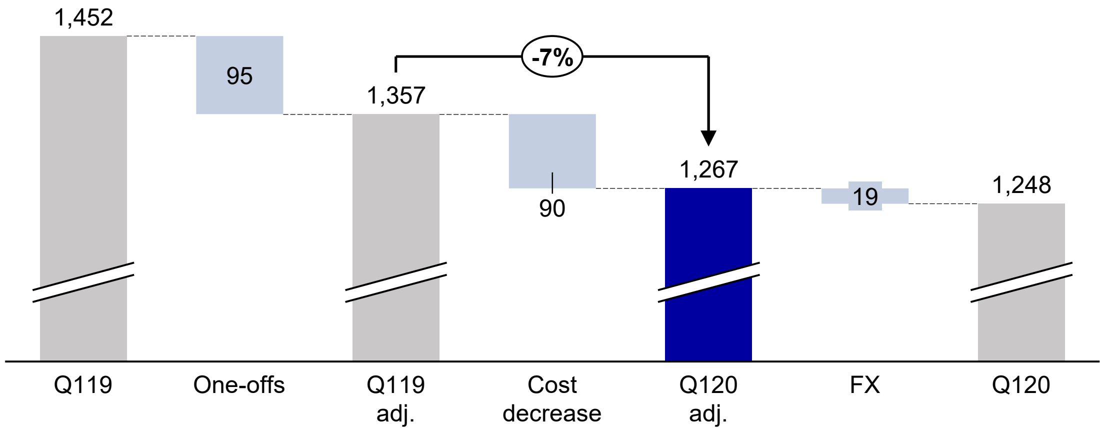
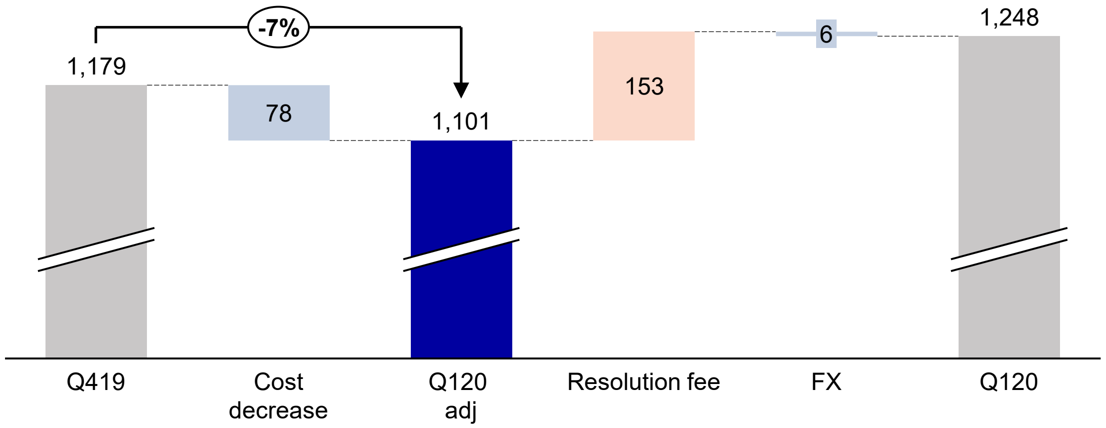
Costs – progressing according to plan

Year over year bridge, EURm



Quarter over quarter bridge, EURm



Comments

- Tangible effects from cost focus
  - all main cost items are lower
  - continued decline of full-time employees, -3%
  - staff expenses down 3%
  - depreciation & amortisation slightly down
- Total cost 3% lower excl. resolution fees

Outlook

- Cost target for 2020 to be below EUR 4.7bn

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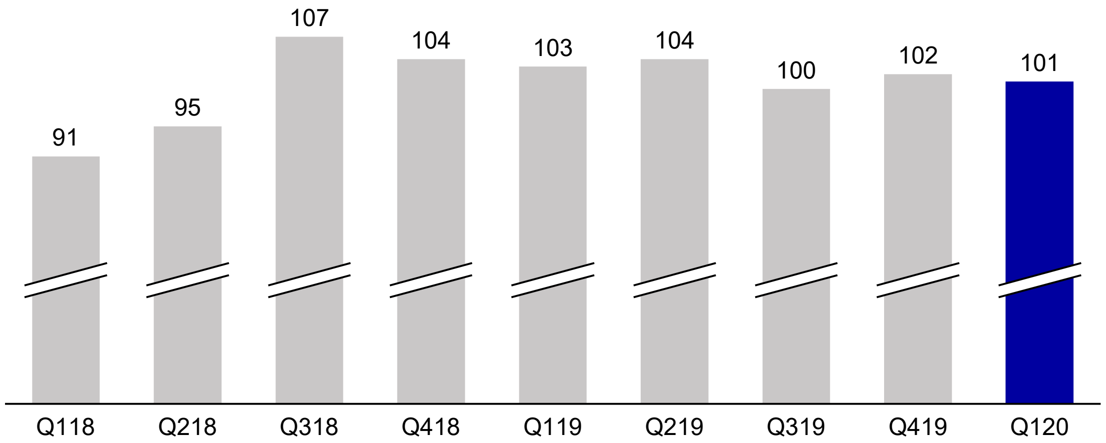
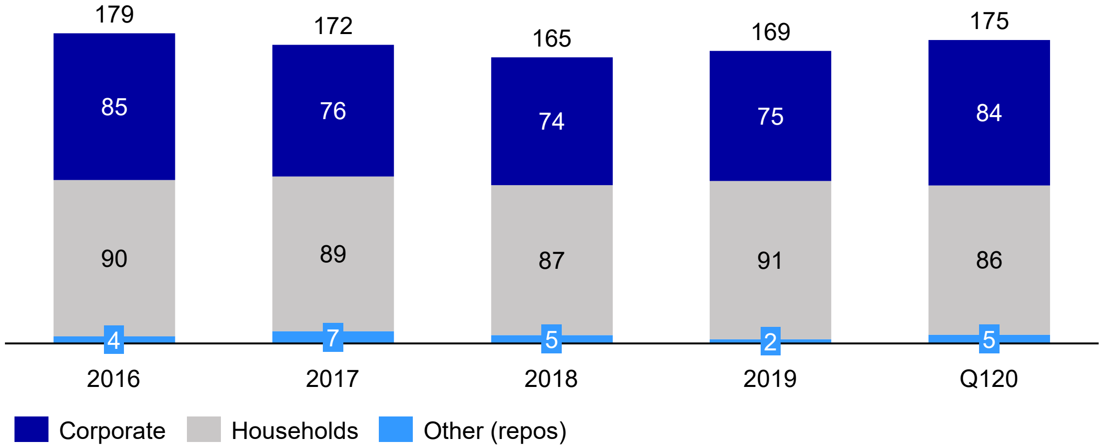
Liquidity – solid position to help fund our customers

Liquidity buffer development, EURbn



Deposits, EURbn



Comments

- Robust liquidity position
  - stable liquidity buffer of over EUR 100bn
  - liquidity coverage ratio (LCR) improved to 182% from 166% in Q419
  - EU net stable funding ratio (NSFR) improved to 109.7% from 108.6% in Q419
- Corporate clients drew down EUR 2.4bn committed facilities in March
- Deposits* increased 6% in local currencies
- EUR 5.7bn long term debt issued during Q1
  - domestic covered bond markets functioning well
  - improving international funding markets
- Central bank facilities used in all Nordic countries

* Excluding repos

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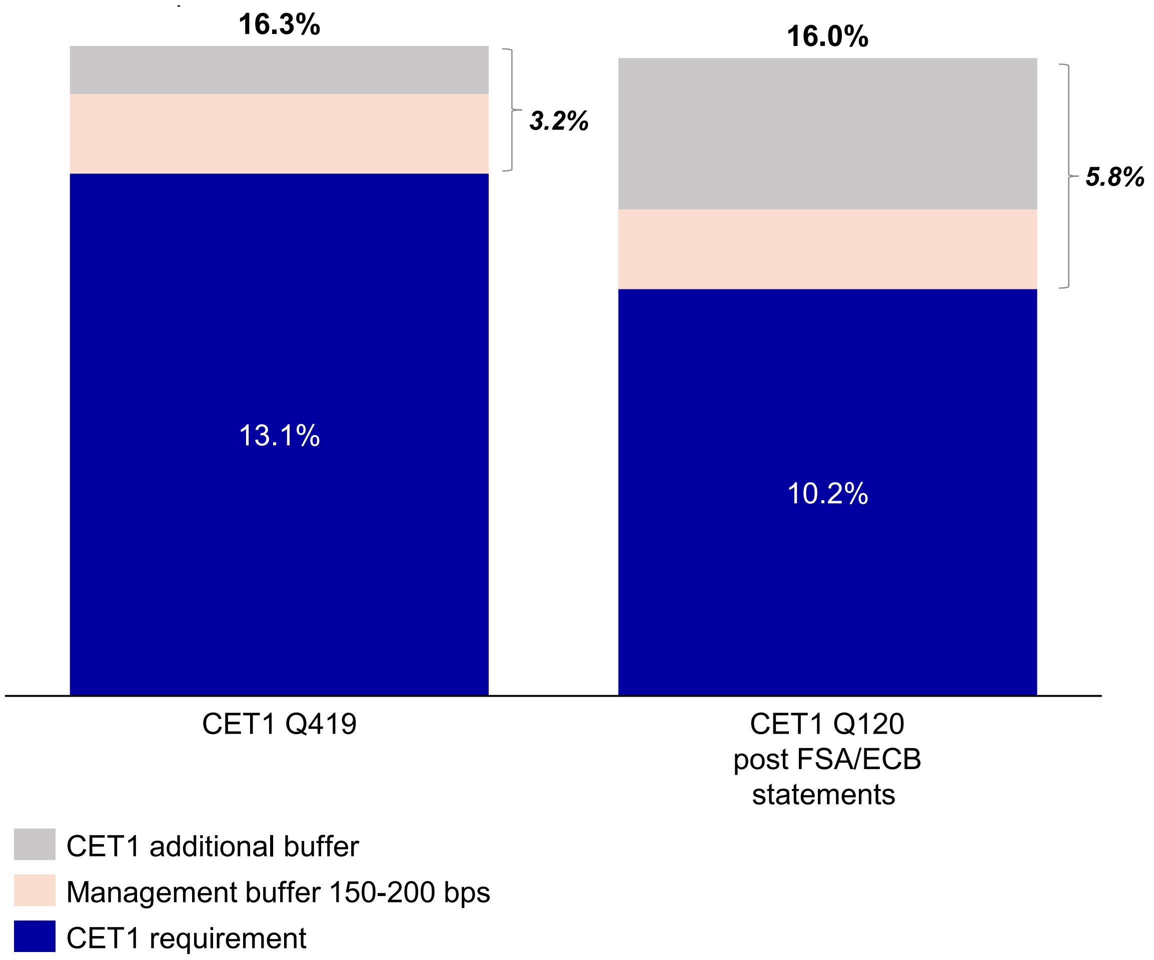
Capital – strong position enabling long-term sustainable growth

CET1 capital position and requirement



Comments

- Q1 CET1 ratio 16.0%
  - compared to the current requirement of 10.2%
- CET1 requirements lowered by ~2.9%-points
- CET1 buffer above requirement of ~5.8%-points
  - corresponding to ~EUR 8.8bn
- Dividend decision postponed

Recent updates to capital requirements

CCyB	Q419	Q120
Denmark	1.0%	0.0%
Norway	2.5%	1.0%
Sweden	2.5%	0.0%
Group CCyB	1.4%	0.2%
Finnish SRB/O-SII*	3.0%	2.0%
P2R (CET1)**	1.75%	1.0%
		-2.9%

* Formally decided 6 April by Finnish FSA
** P2R of 1.75% valid from 1 January 2020

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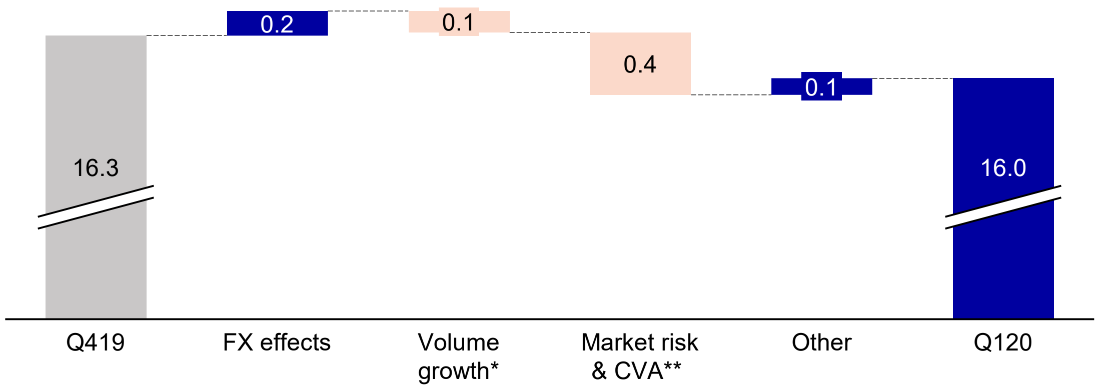
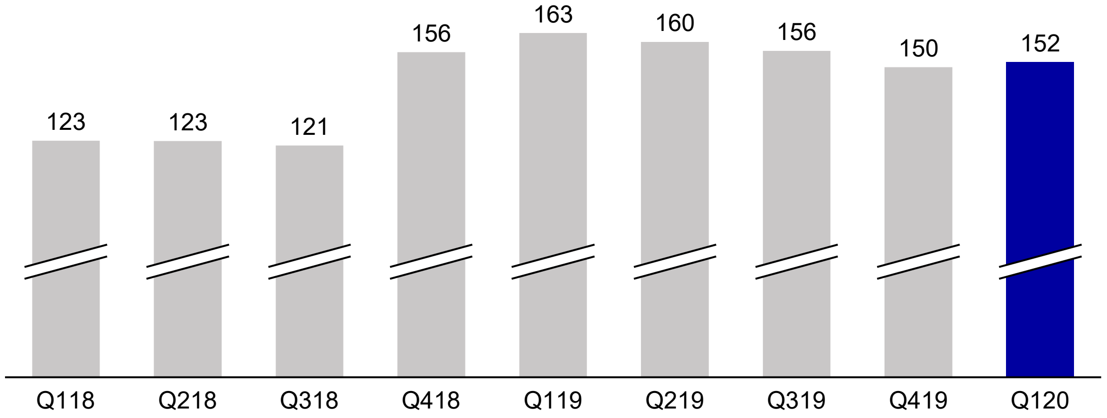
Capital – stable REA and capital development

CET1 capital ratio development, %



REA development, EURbn



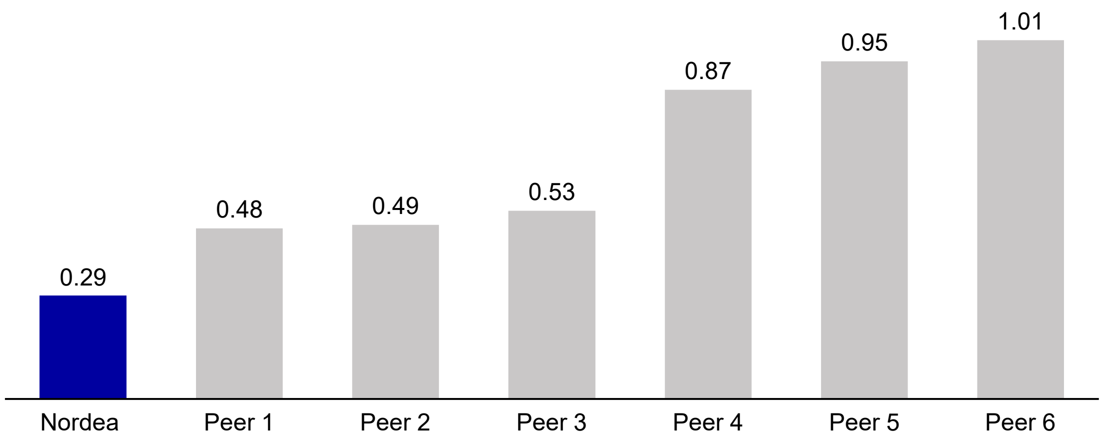
Comments

- Balance sheet increased 8% in Q1
  - lending in local currencies increased EUR 5.5bn
  - central bank deposits increased EUR 19bn following participation in central bank facilities in all countries
  - fair value of derivatives and normalised repo activities increased the balance sheet by EUR 32bn
- CET1 capital ratio at 16%
  - risk exposure amount (REA) increased EUR 1.9bn
  - limited credit REA migration in Q1
  - weaker NOK and SEK partly offset the effect of increased lending volumes

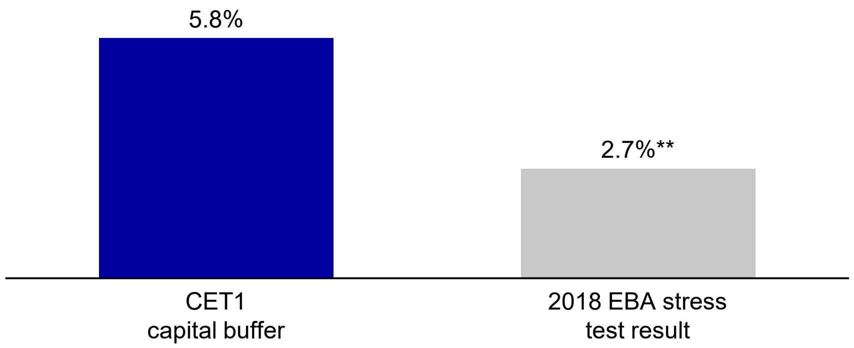
* Increase in risk exposure amount stemming from growth in credit risk exposure
** Credit valuation adjustments

Capital – low historic volatility and significant buffer to regulatory requirements

Low CET1 volatility, 2006-19*, %



Capital buffer substantial



Comments

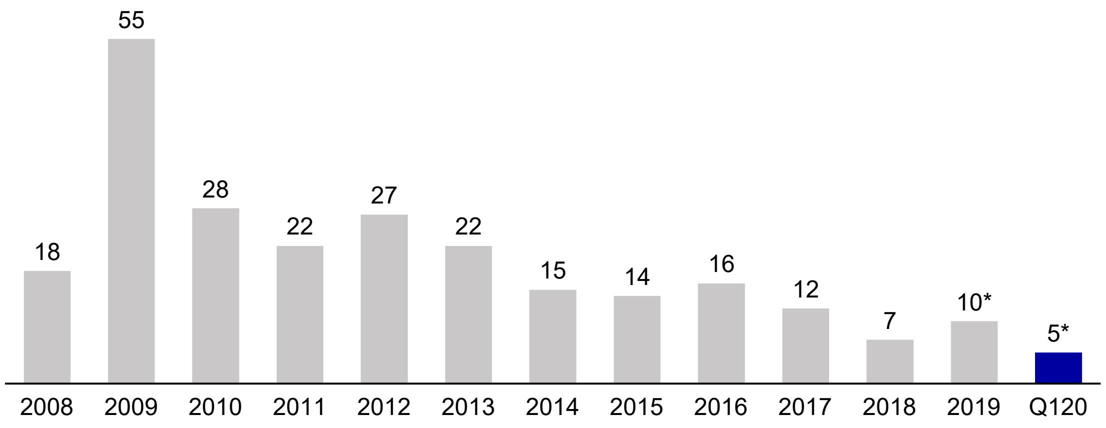
- A stable capital base
- Low CET1 volatility
- Robust capital position
- Current capital buffer is double 2018 EBA stress test CET1 impact

* 2006-2019 calculated as quarter-on-quarter volatility in CET1 ratio, adjusted so that the volatility effect of those instances in which the CET1 ratio increases between quarters is excluded. Excl. Q418 for all the banks (due to Nordea move into the Single Supervisory Mechanism (SSM) and for Swedish peers' move of Pillar 2 mortgage risk weight add-ons into Pillar 1

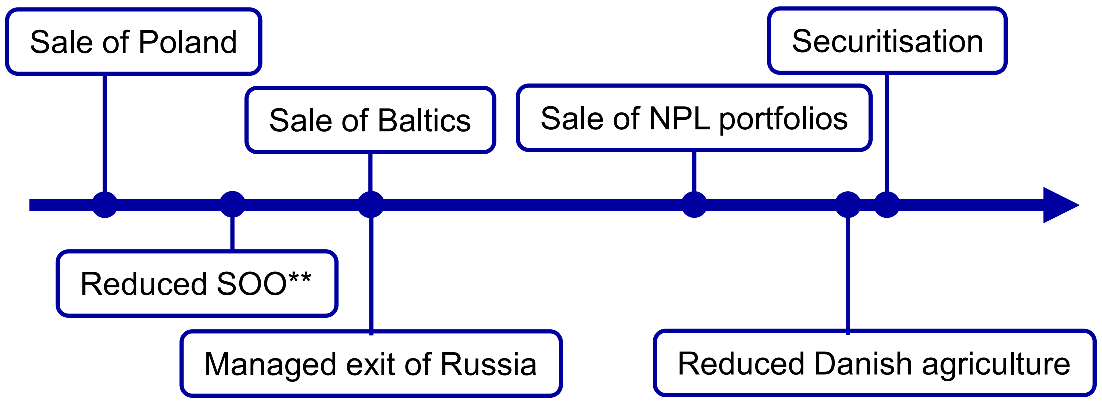
** Based on risk exposure amount of EUR 126bn versus current risk exposure amount of EUR 152bn

Credit - long history of low loan losses, enhanced by portfolio de-risking

Stable underlying loan loss ratios at a low level



Significant de-risking



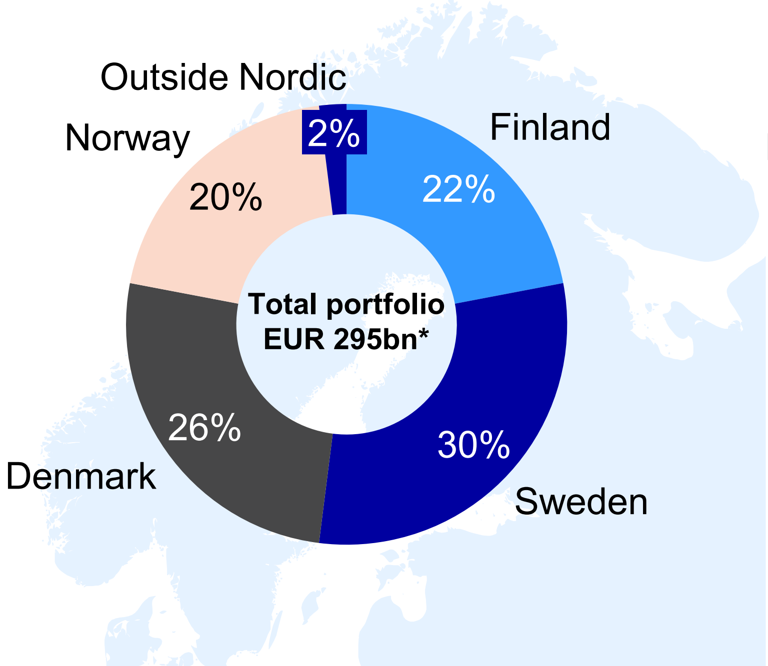
Comments

- Low and stable loan loss ratios
- Low risk appetite and prudent management of risk
- Average loan losses 19 bps since 2008
- Average loan losses during 2008-2010 amounted to 33 bps compared to average of Nordic peers of 57 bps
- Risk profile further reduced by divestments and reductions in high risk exposures

* Excluding items affecting comparability (IAC) of EUR 282m in Q319 as well as the management judgement of EUR 120m in Q120
** Shipping, oil and offshore

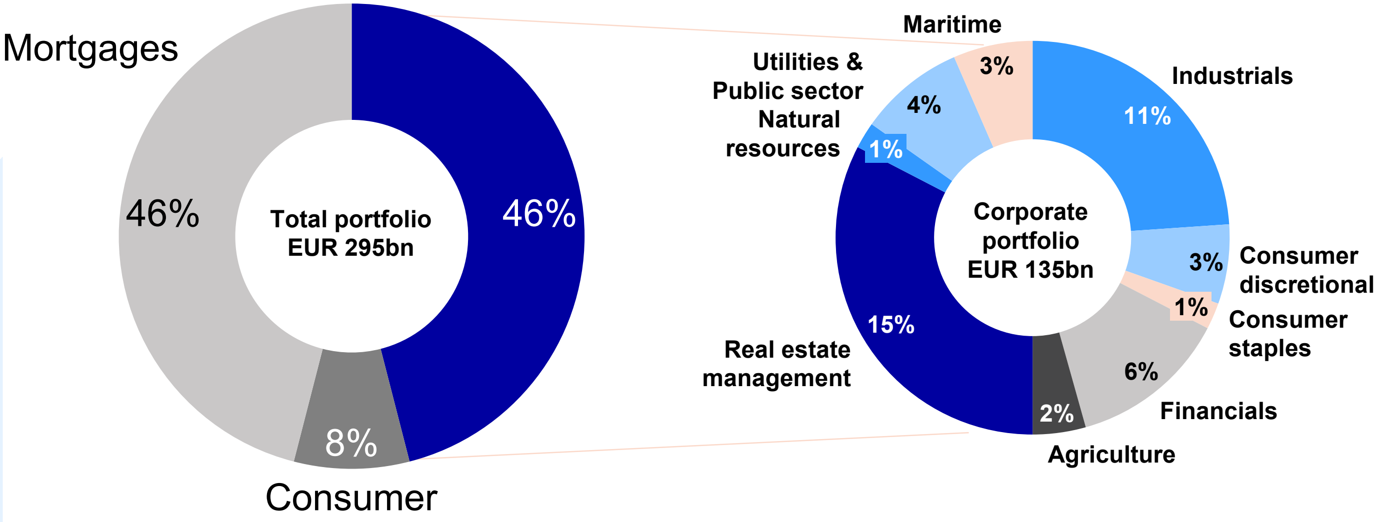
Loan portfolio – well diversified across stable Nordic markets

Well diversified across stable Nordic markets



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

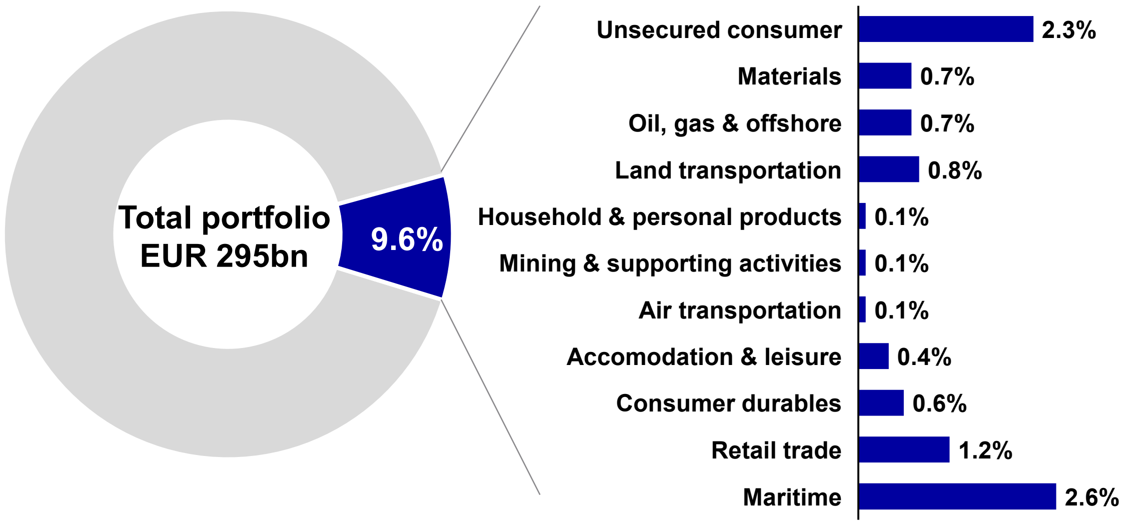
Corporate portfolio well diversified across sectors



* Excluding repos

Loan portfolio – well diversified across segments

Exposure to immediately affected segments limited



Close contact with customers and bottom-up review of credit risk

Acting prudently while awaiting clarity on developments in Q2

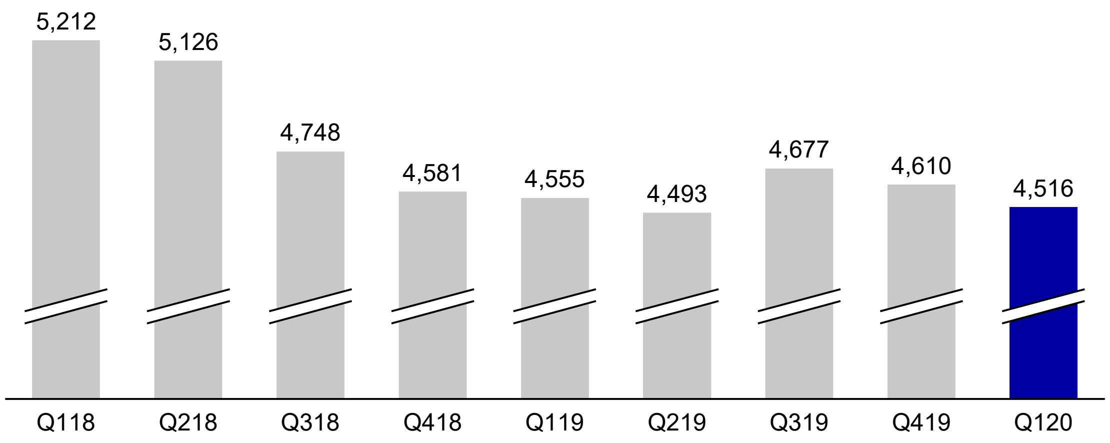
Nordic social safety nets and government support provide additional protection against future losses

Comments

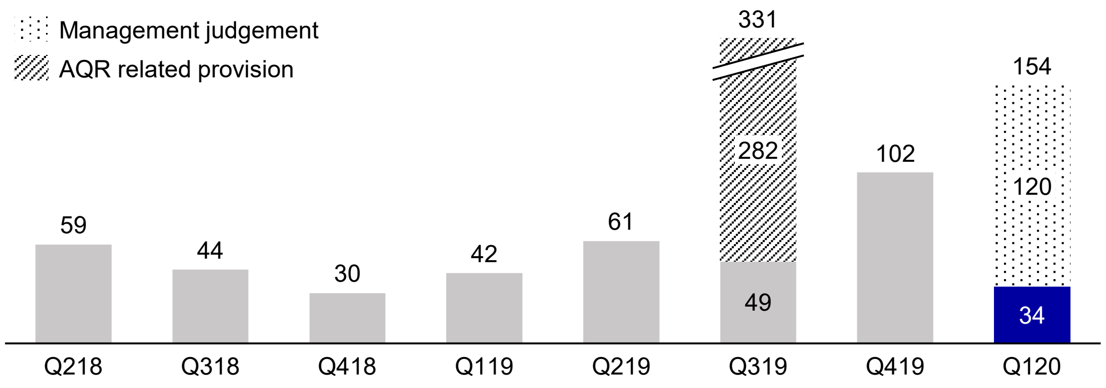
- Well-positioned entering into the COVID-19 shock
    - total allowance EUR 2.4bn
- Immediately affected segments amount to 9.6% of total loan portfolio
- Q1 provisioning based on factual evidence and identified near term likely losses
- Allowances include management judgement of EUR 327m of which EUR 120m in Q1
- It is too early to give an outlook for loan losses, as the economic impact of the COVID-19 is still very uncertain

Asset quality – higher provisions due to uncertain economic outlook

Stage 3 impaired loans at amortised cost, EURm



Total net loan losses, EURm

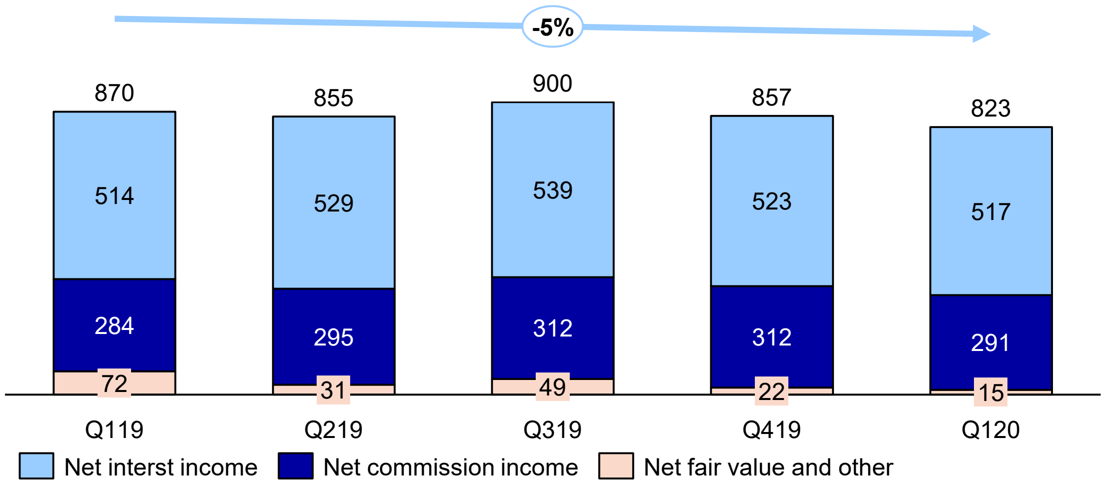


Comments

- Stable level of impaired loans
- Allowance ratio for impaired loans increased to 39%
- Non performing loan ratio amounts to 1.7%
  - below European average of 2.4%
- Underlying loan losses of EUR 34m
- Total net loan loss of EUR 154m including management judgement
- Rating changes have not been imposed on customers due to temporary COVID-19 related liquidity challenges
- Continued close monitoring with update of macro-economic scenarios for IFRS9 models in Q2

Personal Banking – continued mortgage volume growth

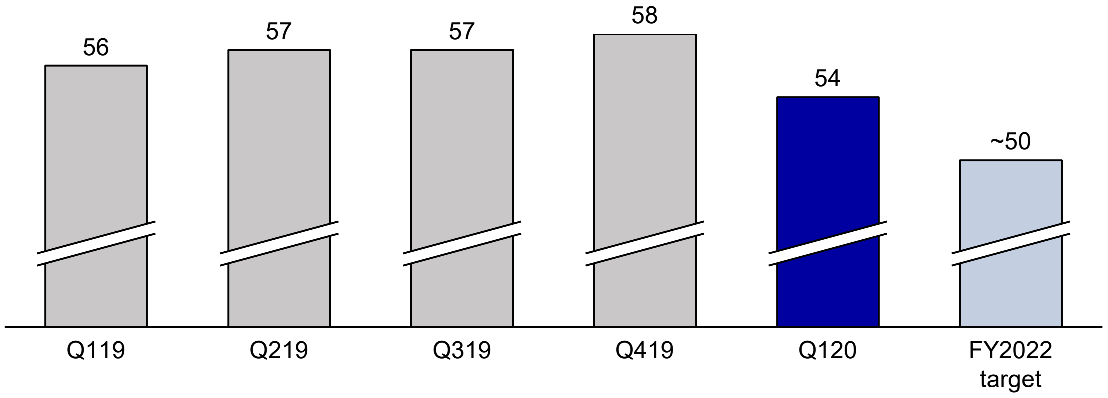
Total income*, EURm



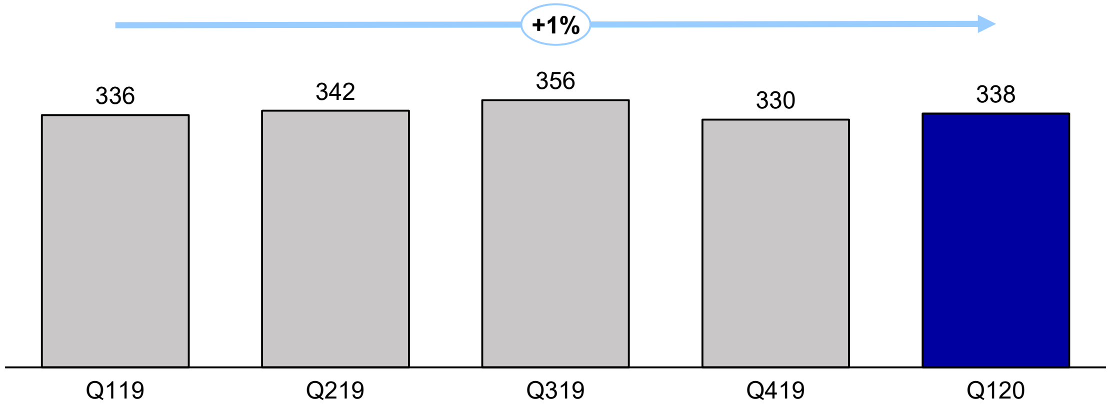
Comments

- Net interest income up 1% driven by mortgage volume growth which continued in all markets
- Net commission income up 2% on improved savings fees
- Total revenues down due to asset sales in Q119
- Lending margin improved in Norway, stable in Denmark and Finland
- Challenging fee development in March mainly due lower card and savings fees
- Cost decreased 11% improving cost to income ratio to 54%

Cost to income ratio*, %



Operating profit*, EURm



* Excluding distribution agreement and with amortised resolution fees

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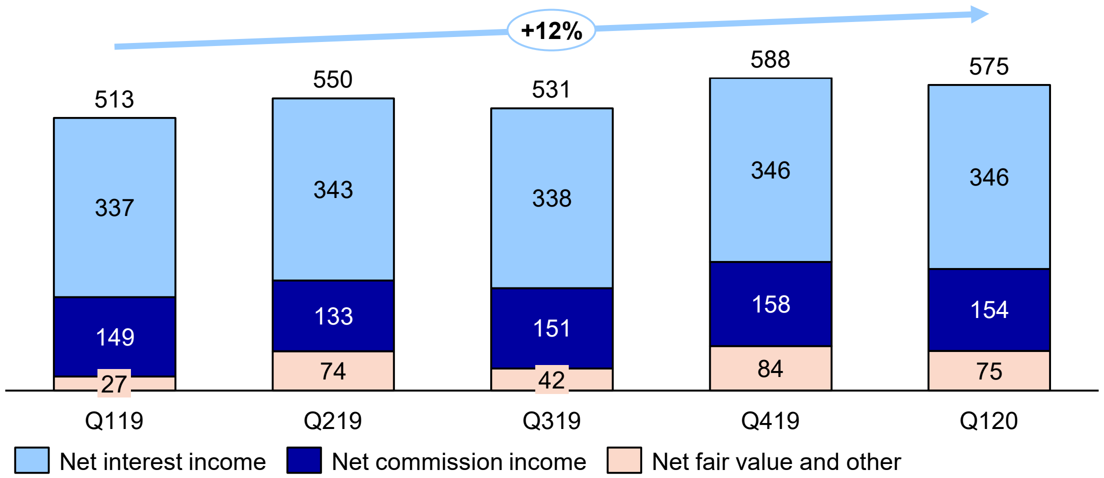
Business Banking – good business trend continues

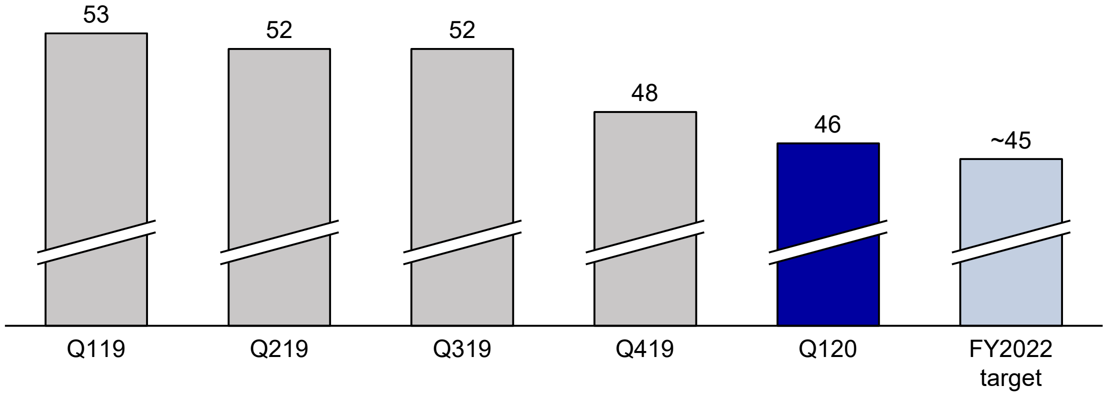
Total income*, EURm



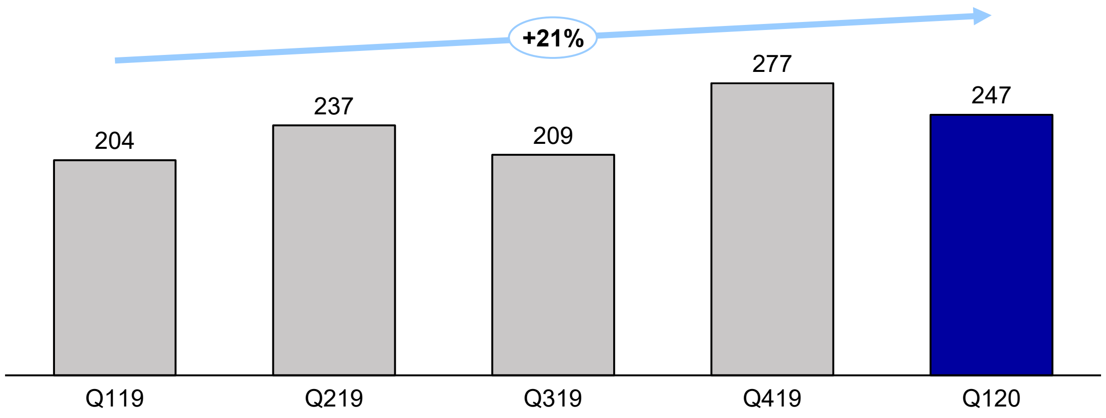
Comments

- Strong trend on all income lines
- Lending volumes increased 5% in local currency and deposit margins improved
- Double-digit revenue growth in Norway and Sweden
- Good customer activity in Markets products
- Strong demand on FX and interest rate products in March

Cost to income ratio*, %



Operating profit*, EURm



* Excluding distribution agreement and with amortised resolution fees

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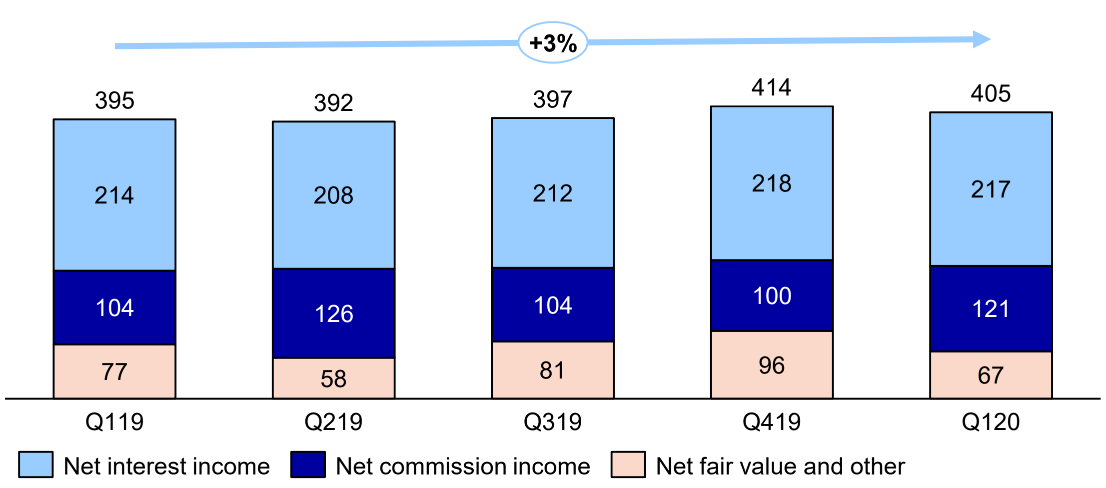
Large Corporates & Institutions – re-positioning progressing

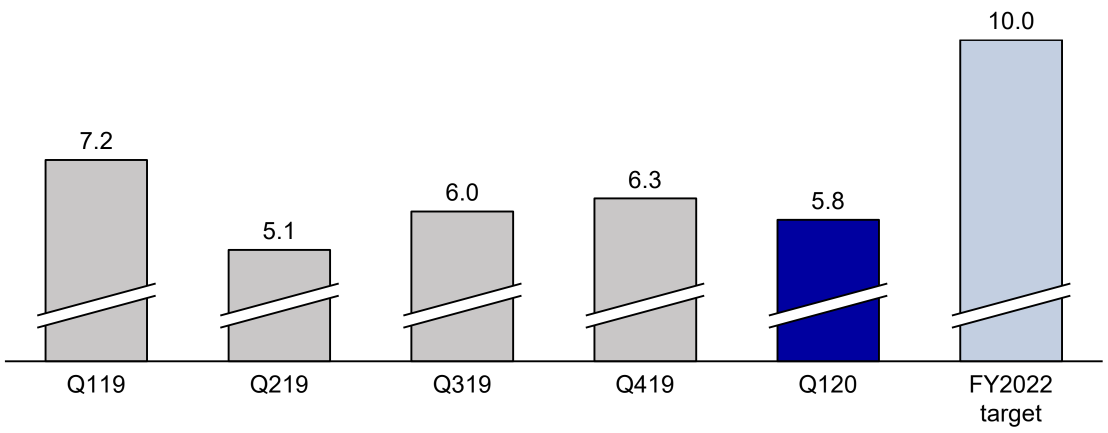
Total income, EURm



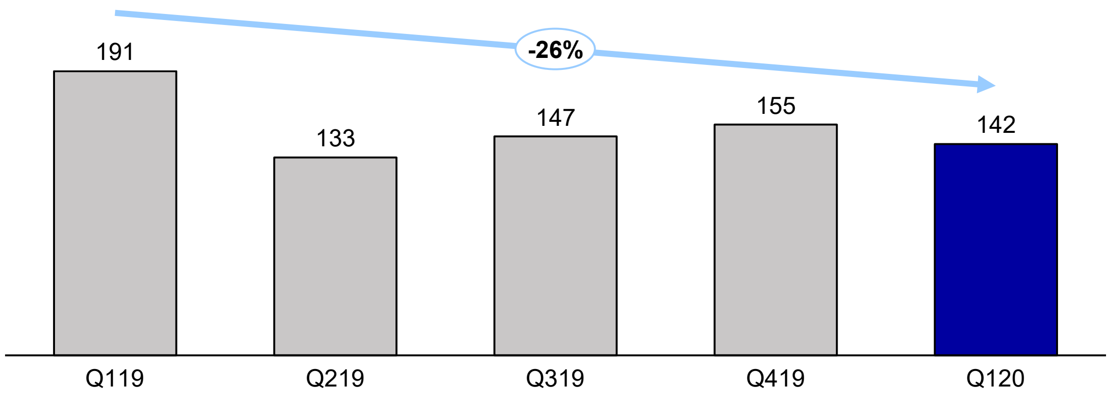
Comments

- Increasing lending volumes, high demand in March
- Strong commissions from equities and advisory
  - slower DCM activity in March due to difficult credit markets
- Net fair value adversely affected by valuation adjustments EUR 46m
- Net loan losses EUR 52m vs net reversals in Q119
- Costs down 11%, improving cost to income ratio to 52%

RoCAR*%



Operating profit*, EURm



* With amortised resolution fees and excluding additional provisions in Q319

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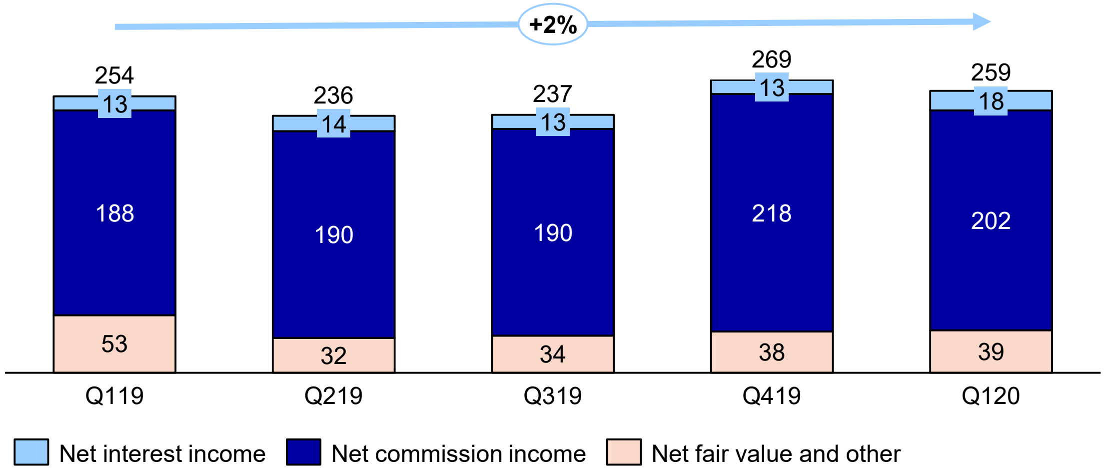
Asset & Wealth Management – decreased AuM due to lower asset prices

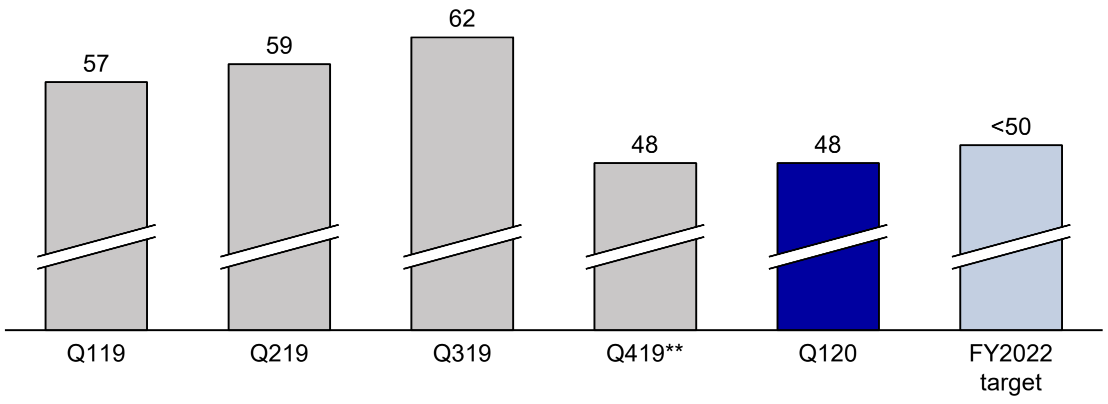
Total income, EURm



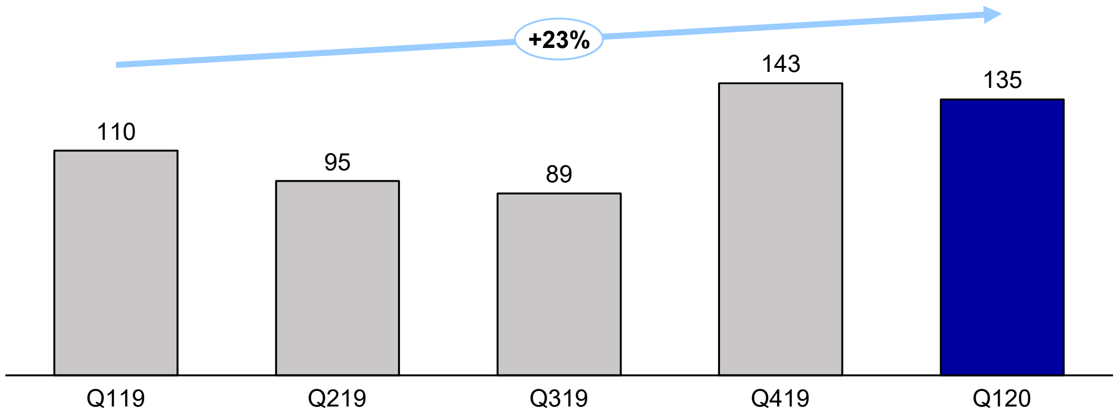
Comments

- Net commission income up 7% YoY, but down 7% in the quarter due to Q4 performance fees and lower AuM
- AuM decreased 14% in Q1 to EUR 280bn driven mainly by lower asset prices
- Net outflows limited to 3bn in significant market turbulence, and offset by increasing deposits
- Total expenses flat from previous quarter

Cost to income ratio*, %



Operating profit*, EURm



* With amortised resolution fees
** From Q419 excluding Private Banking International

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 bps management buffer

above the regulatory CET1 requirement

Dividend policy

60-70% pay-out of distributable profits to shareholders

Excess capital intended to be distributed to shareholders through buybacks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