



Nordea



## 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.

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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# 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

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\* 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

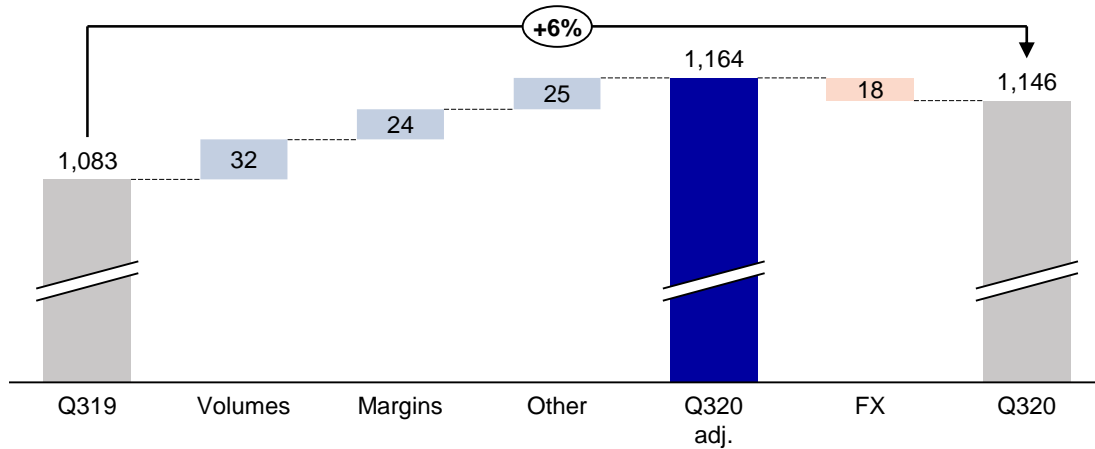
<b>Income statement and key ratios</b> EURm, excluding items affecting comparability*	<b>Q320</b>	<b>Q319</b>	<b>Q3/Q3</b>	<b>Q220</b>	<b>Q3/Q2</b>
Net interest income	1,146	1,083	6%	1,091	5%
Net fee and commission income	729	756	-4%	673	8%
Net fair value result	274	211	30%	318	-14%
Other income	23	35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

4 \* Costs: Q319: staff restructuring provision EUR 204m, Luminor EUR 75m, IT impairment EUR 735m, loan loss provisions EUR 282m

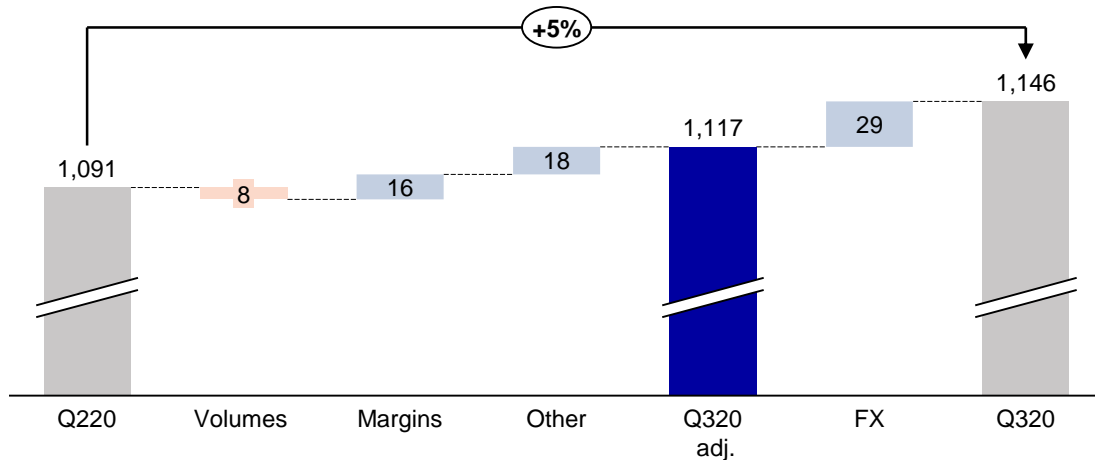
\*\* With amortised resolution fees

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

## Year-over-year bridge, EURm



## Quarter-over-quarter bridge, EURm

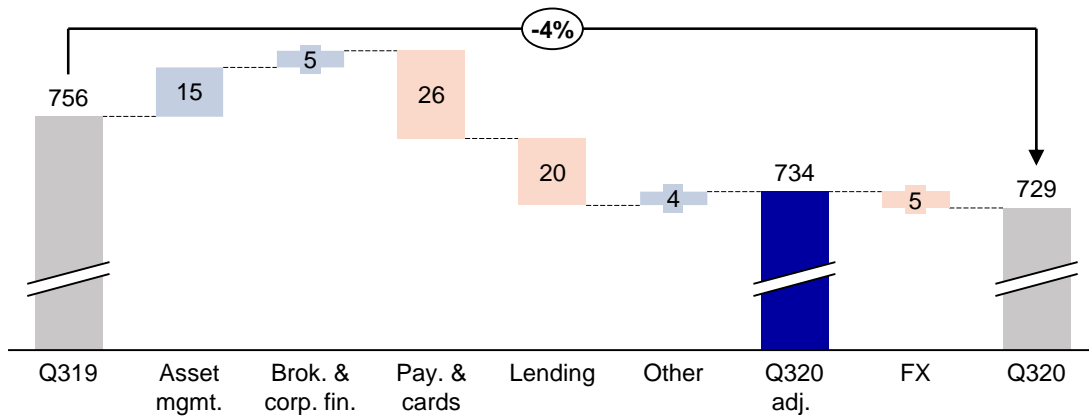


## Comments

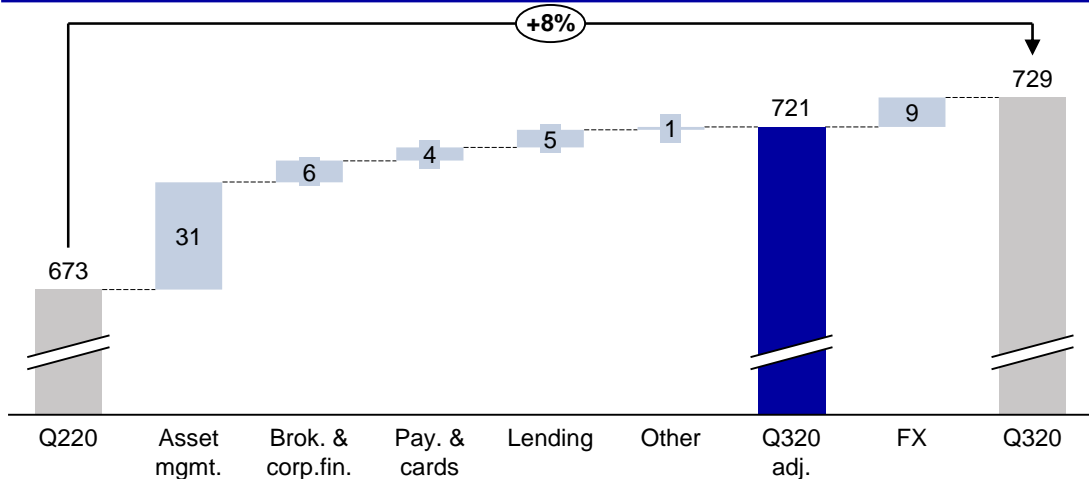
- Net interest income up 6%, highest growth rate since 2012
- Increased mortgage market shares
- Increase in both household and corporate deposits
- Higher lending margins in all countries for large corporates

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

## Year-over-year bridge, EURm



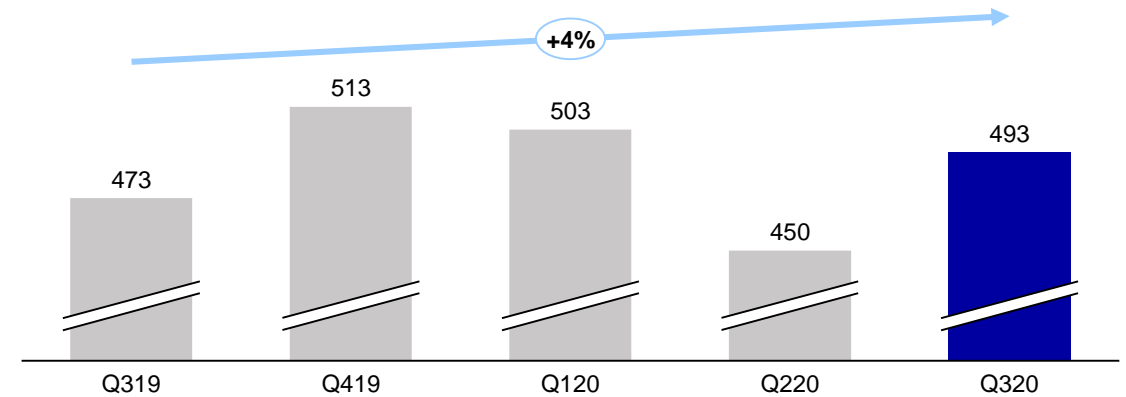
## Quarter-over-quarter bridge, EURm



## Comments

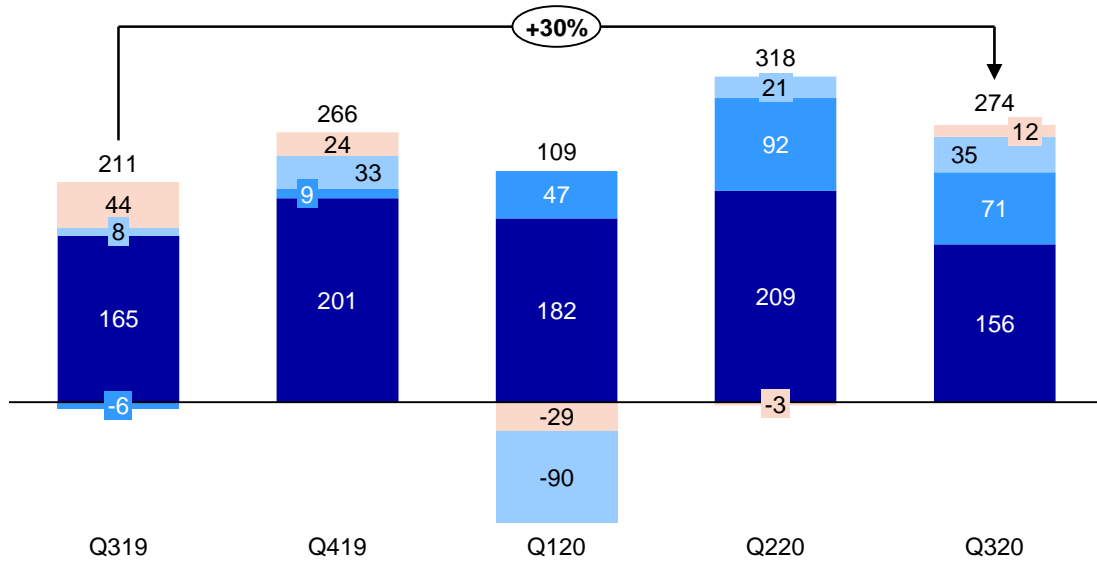
- Net fee and commission income down 4%
- Savings income up 4%, driven by strong asset management net inflows and market performance
- Card and payment fee income improved from previous quarter, but still below normal levels

## Savings and investment commission income, EURm



# Net fair value result – improved result in Markets

## Net fair value result, EURm



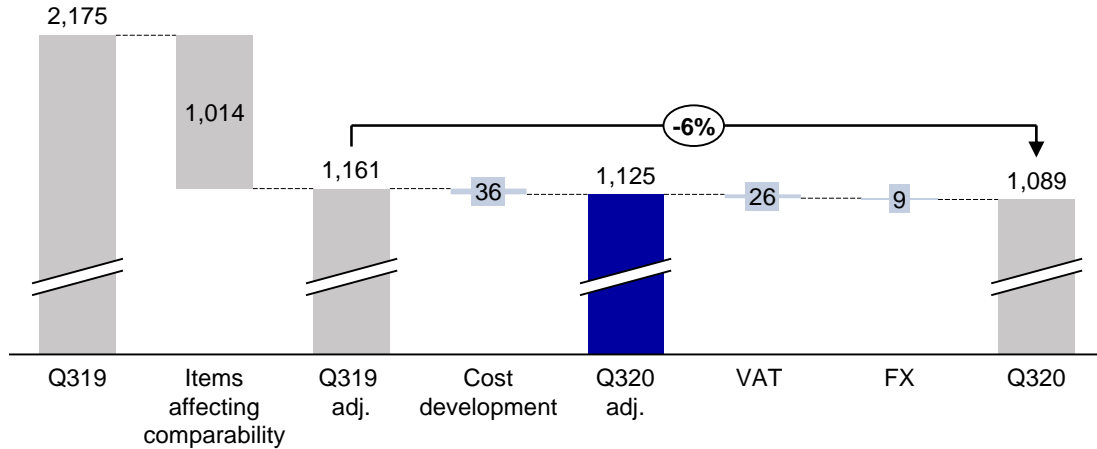
■ Customer areas      ■ Treasury  
■ Market-making operations      ■ Other

## Comments

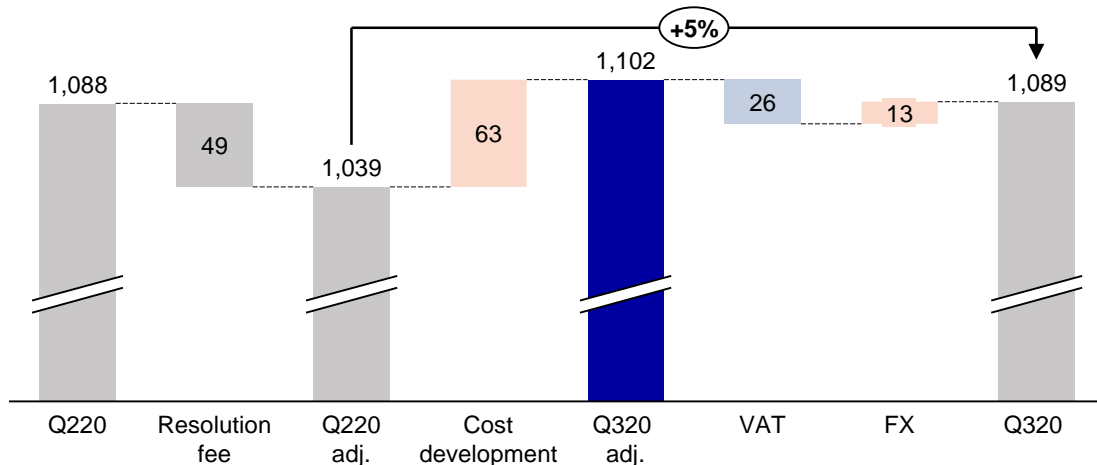
- Net fair value result up 30%
- Customer areas broadly in line with previous year
- Markets result improved due to high level of market activity

# 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

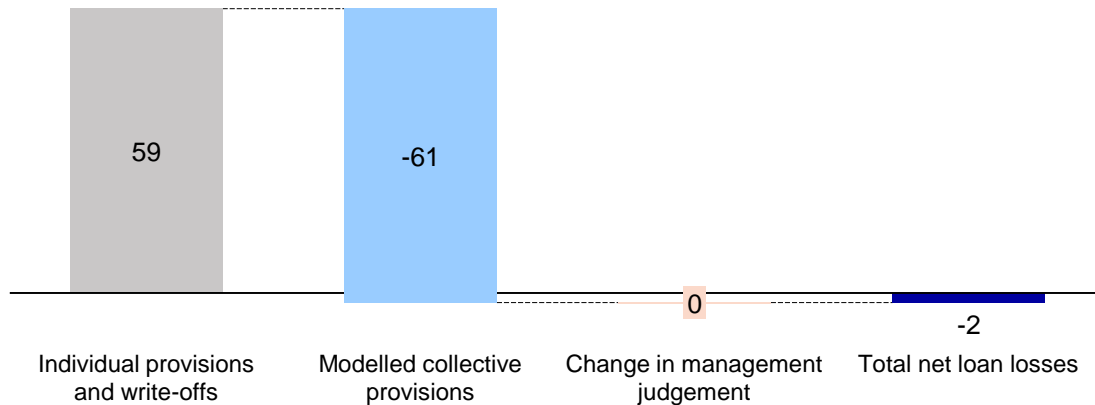
## Outlook

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



# Net loan losses – credit quality still strong

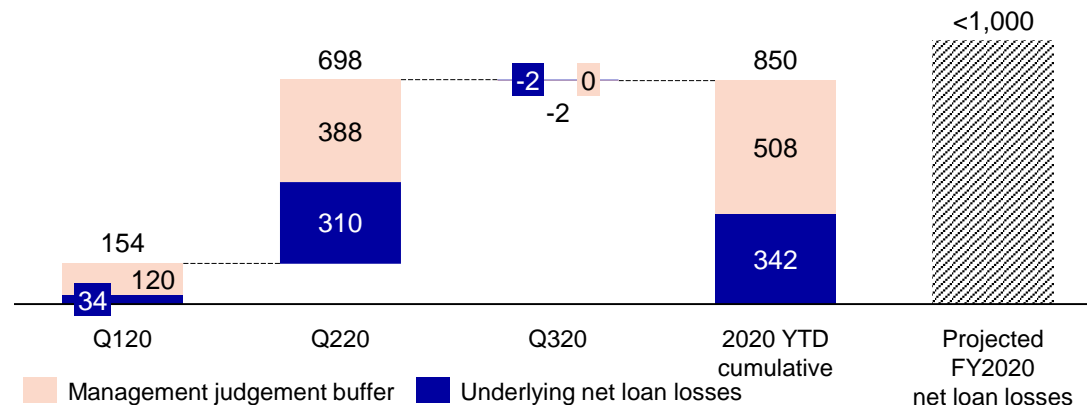
## Drivers of net loan losses Q320, EURm



## Comments

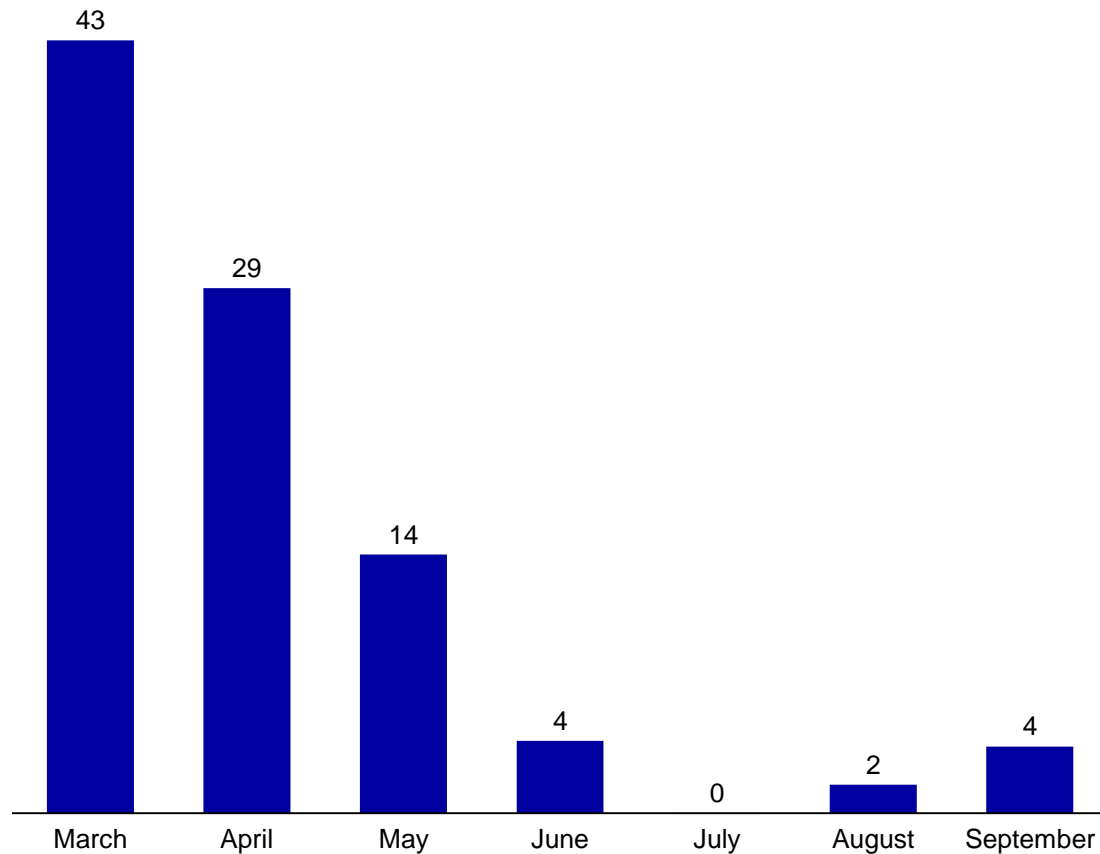
- Net reversal of EUR 2m in Q3 – net loan losses close to zero for all business areas
- Total management buffer of EUR 650m maintained
- Credit outlook unchanged: full-year 2020 net loan losses expected to be below EUR 1bn

## Net loan losses, quarters and projection, EURm



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

## Customers granted instalment-free periods, '000s

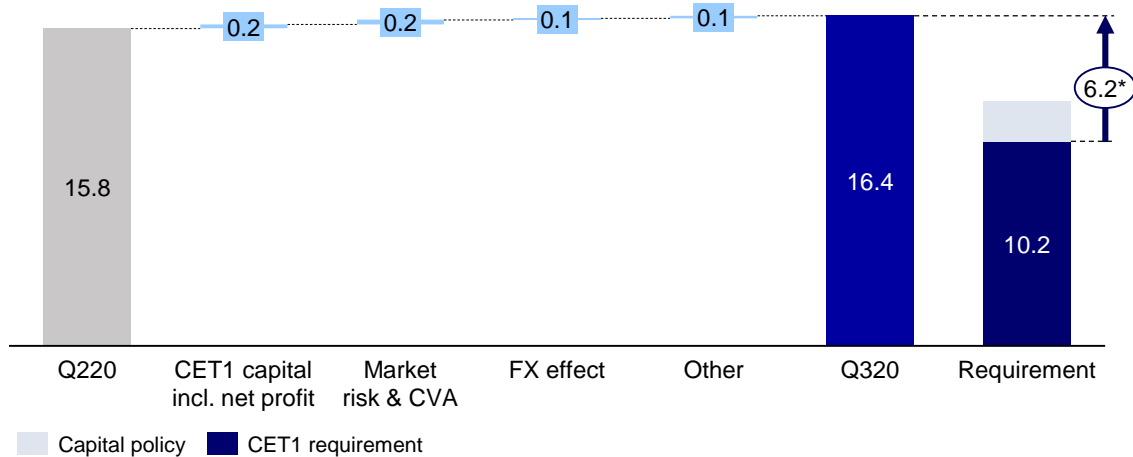


## Comments

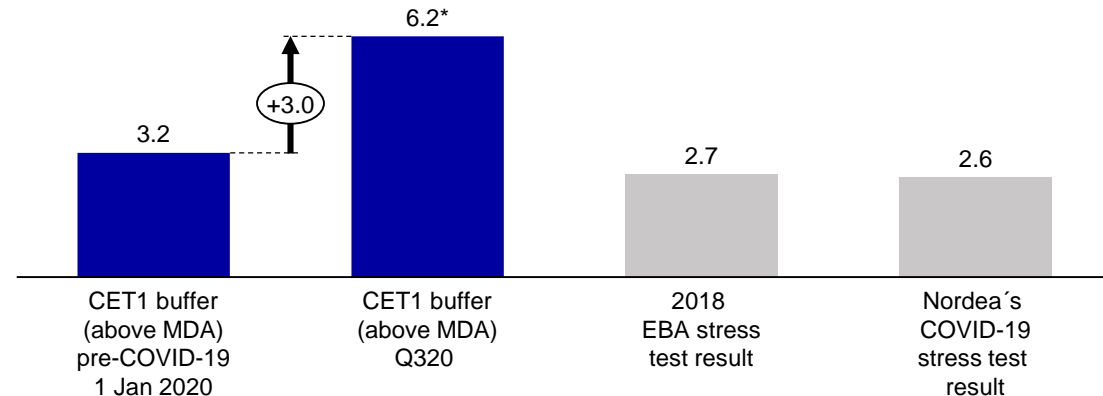
- Approximately 95,000 customers, including 9,000 corporates, granted COVID-19 instalment-free period
  - Corresponds to loan amount of around EUR 19bn
- Interest payments by customers maintained during instalment-free periods
- Around 50% of COVID-19-related instalment-free periods will have expired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

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

## CET1 capital ratio development, %



## CET1 capital buffer, %

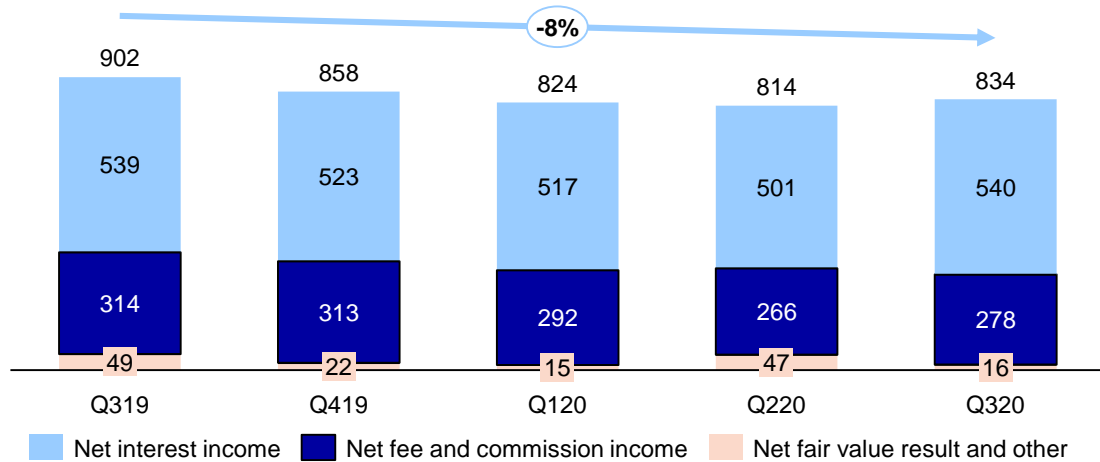


## Comments

- 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

# Personal Banking – strong mortgage lending volume growth

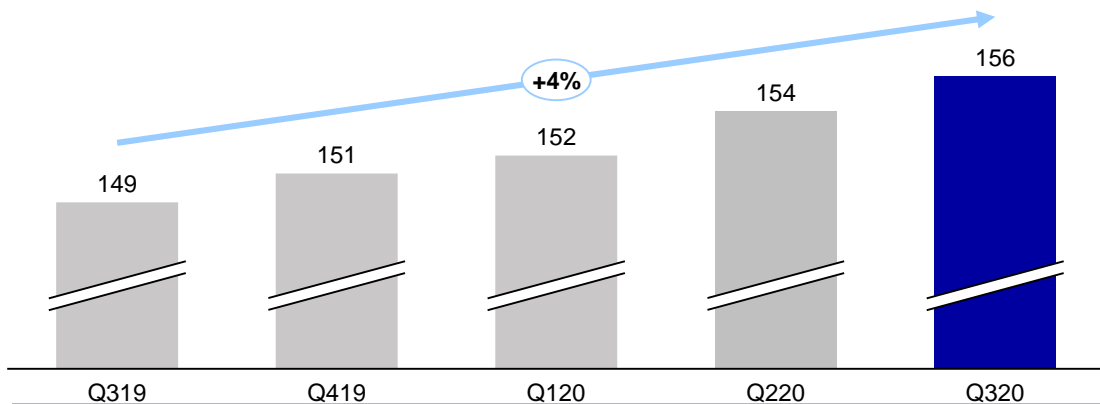
## Total income, EURm



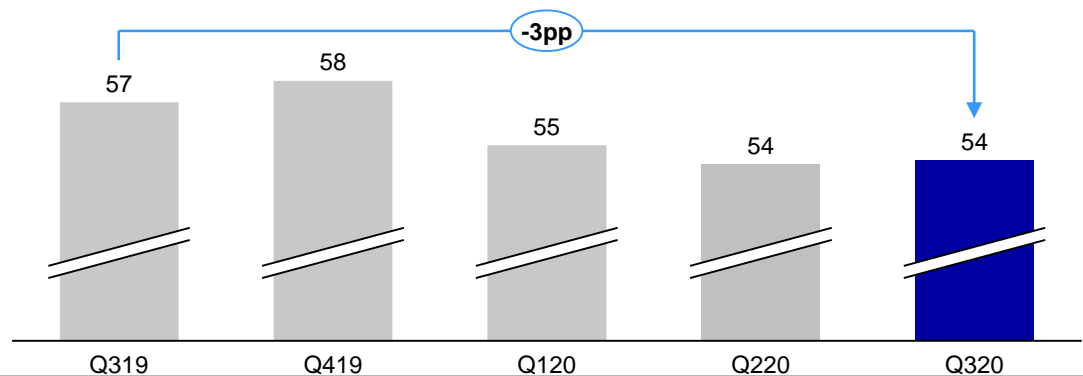
## Comments

- 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

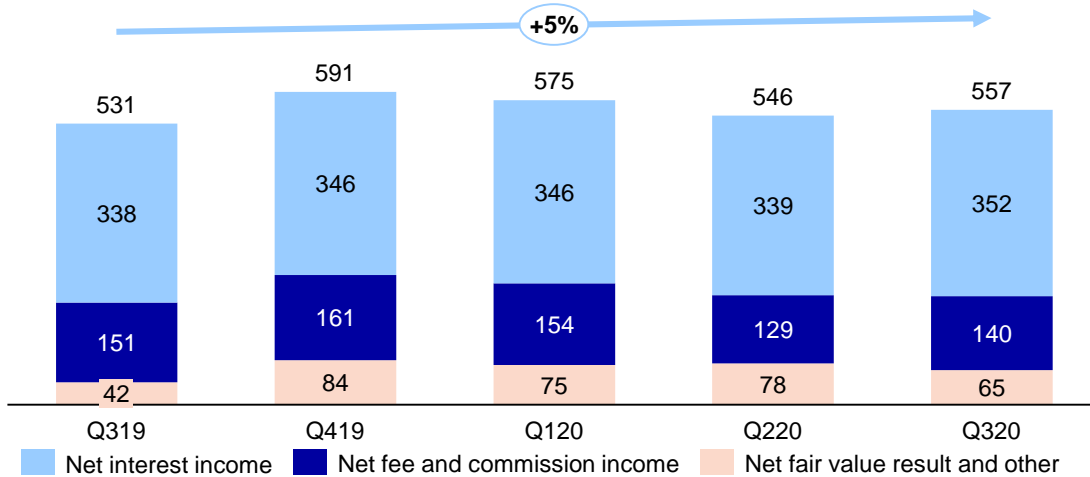


## Cost-to-income ratio\*\*, %

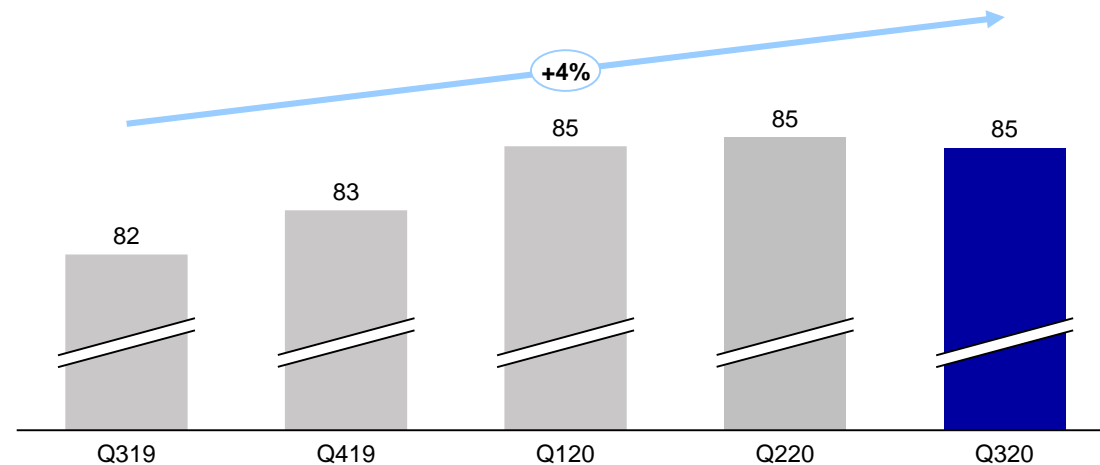


# Business Banking – strong lending volume growth in Sweden and Norway

## Total income, EURm



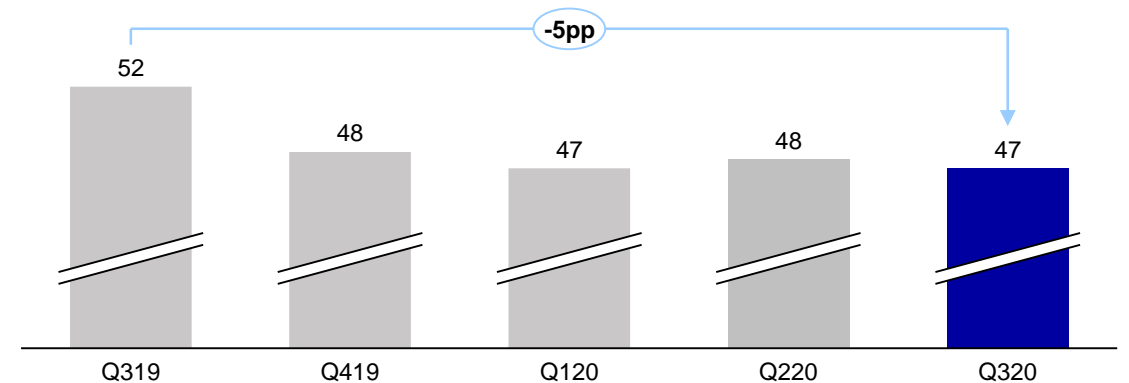
## Lending\*, EURbn



## Comments

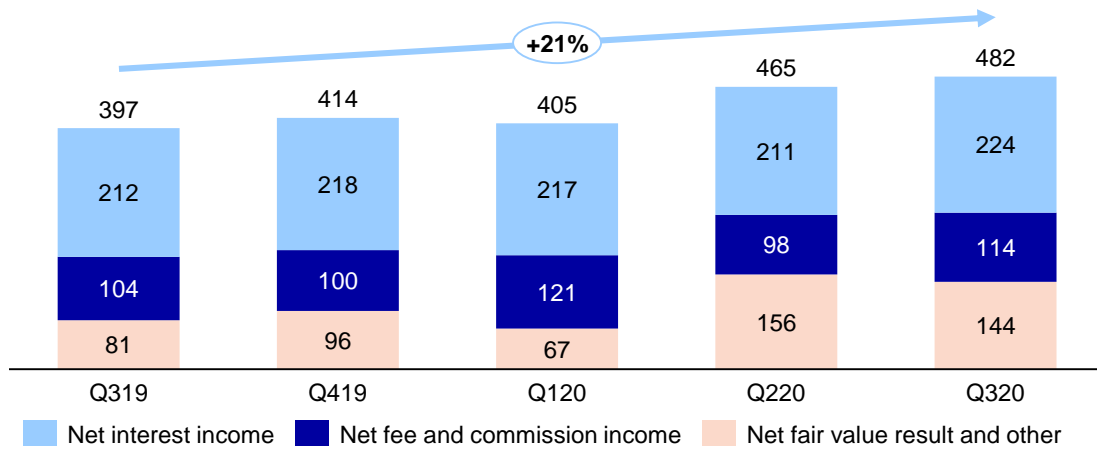
- Total income up 5%, increased business activity and increasing number of bond issues in quarter
  - Total lending volumes up 4%\*, with strongest growth in Sweden and Norway
  - Deposit volumes up 20%\*, with growth in all countries
- Savings and payment fee income recovering
- Improved cost efficiency: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

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

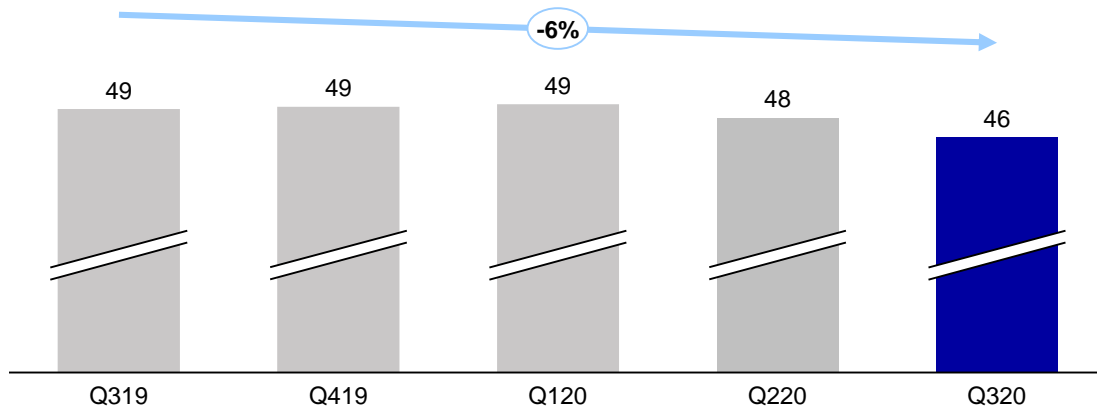


# Large Corporates & Institutions – tangible progress with repositioning plan

## Total income, EURm



## Lending\*, EURbn

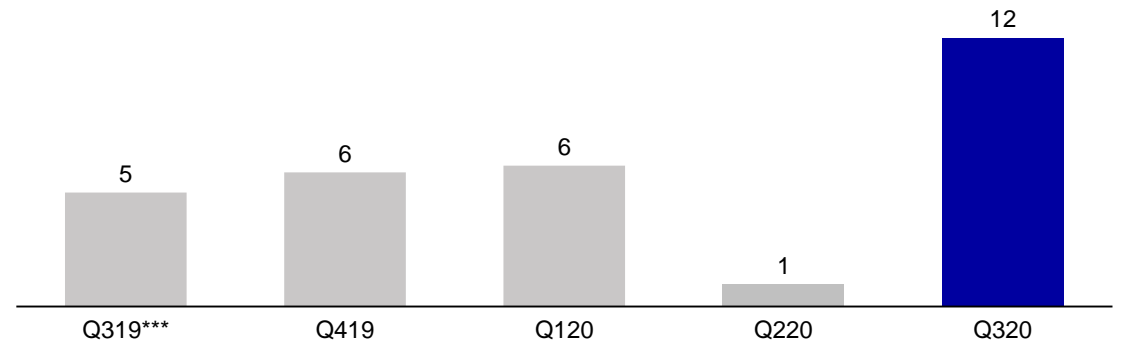


14 \* Excluding repos  
 \*\* With amortised resolution fees  
 \*\*\* Excluding additional provisions in Q319

## Comments

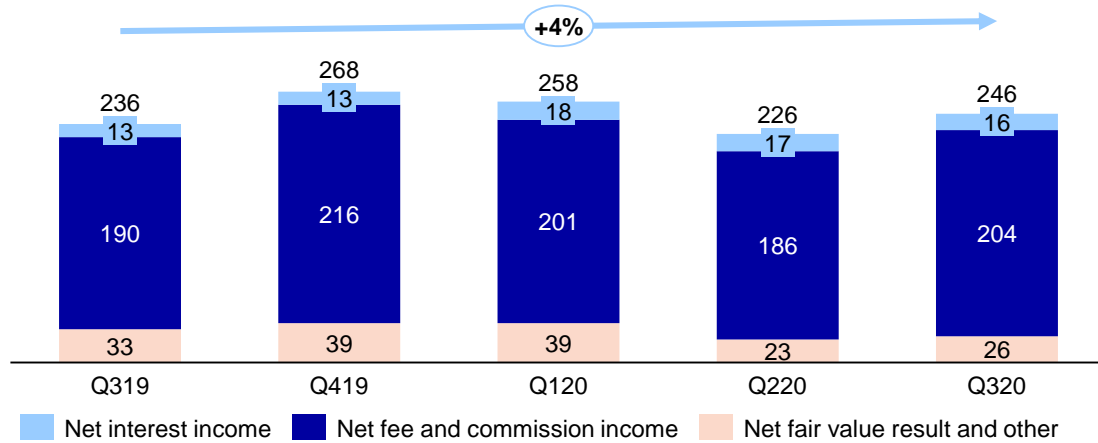
- Strong capital markets and continued volatility
  - Several major corporate transactions but lower credit demand
  - Strong results in all product segments in Markets
- Costs down 11%, mainly driven by lower staff costs and reduced travel
- Return on capital at risk higher at 12% – economic capital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

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



# Asset & Wealth Management – very strong net inflow

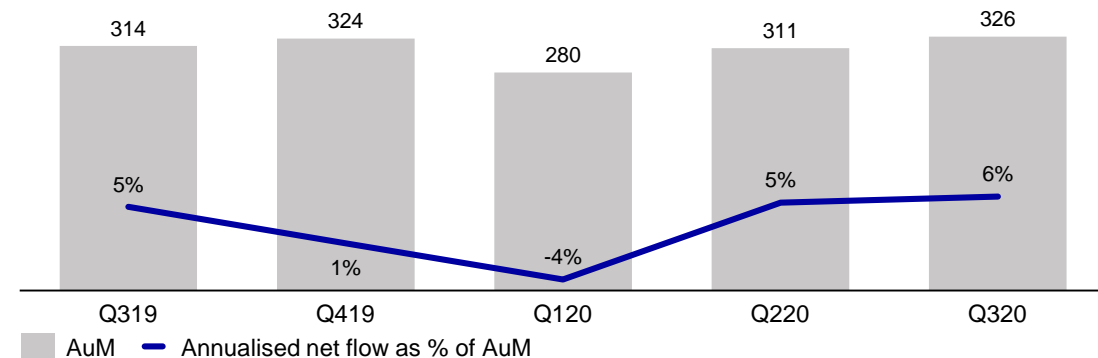
## Total income, EURm



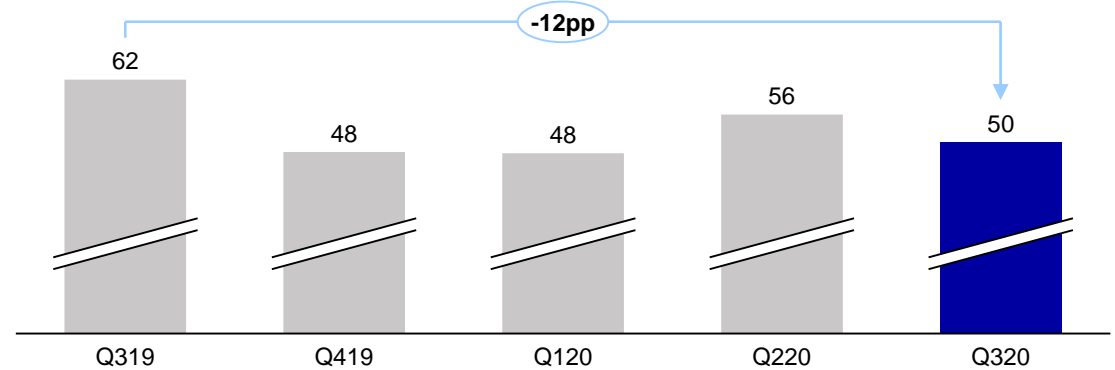
## Comments

- 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\*, %



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

## On track towards 2022 financial targets

●	<b>Group</b> C/I* 50%, ROE* >10%
●	<b>Personal Banking</b> C/I* ~50%
●	<b>Business Banking</b> C/I* ~45%
●	<b>Large Corporates &amp; Institutions</b> ROCAR* ~10%
●	<b>Asset &amp; Wealth Management</b> C/I* <50%

## Selected key performance indicators

### Create great customer experiences

●	<b>Customer satisfaction, household</b>	+3% points since Q319
●	<b>Customer satisfaction, corporate</b>	+6% points since Q319
●	<b>Enhanced corporate Netbank</b>	+240,000 customers

### Drive income growth

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

### Optimise operational efficiency

●	<b>Employees</b>	≈ -1,600 FTEs since Q319
●	<b>Consultants</b>	≈ -500 FTEs since Q319
●	<b>Cost level 2020</b>	<4.7bn
●	<b>Streamlining of processes</b>	Slightly behind plan
●	<b>Economic capital reduction in LC&amp;I**</b>	1.3bn economic capital since Q219



## 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

Nordea



Q&A

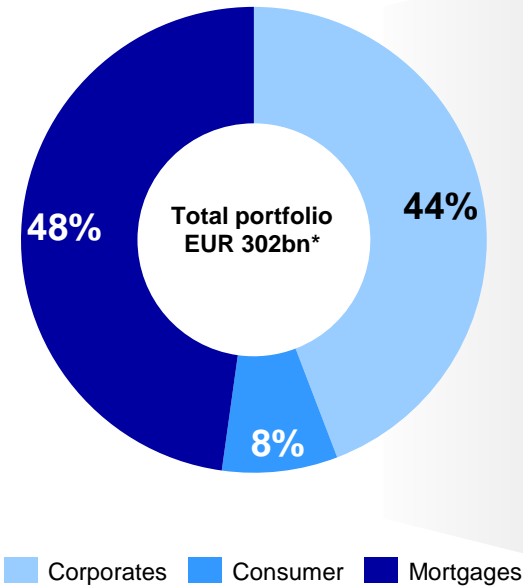
**Nordea**

## **Appendix**

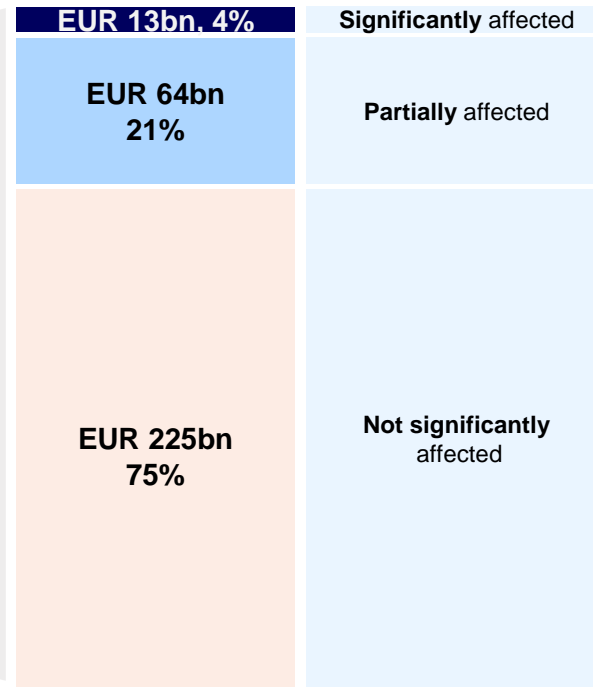


# Loan book – still well-diversified with strong underlying credit quality in Q320

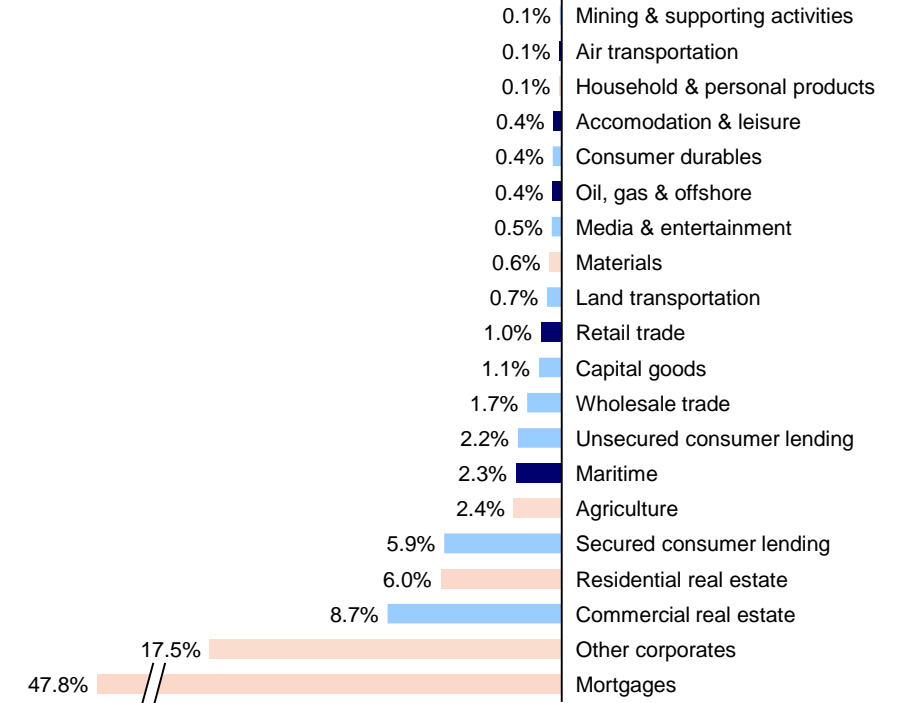
Well-diversified portfolio across countries and segments



Updated analysis of COVID-19 impact by segment



Five segments with 4% of total exposures significantly affected

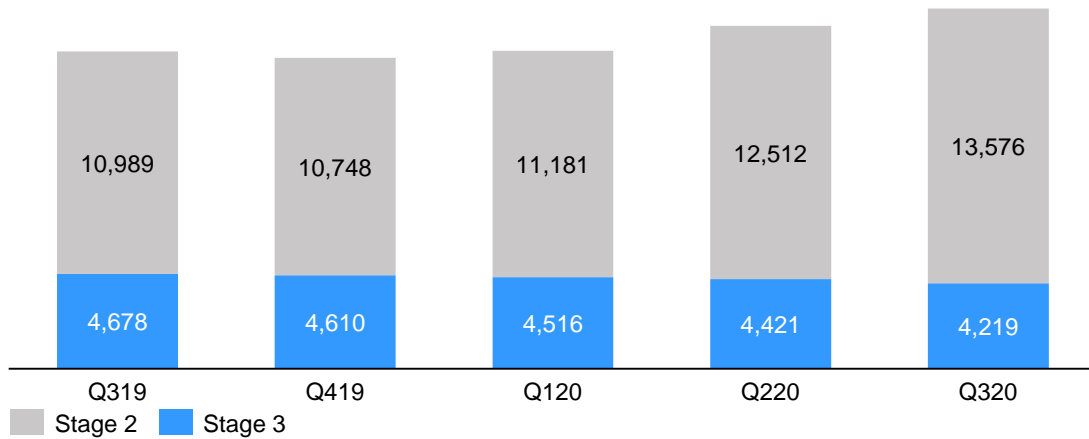


## Nordic societies have well-structured social safety nets, strong fiscal positions and effective legal systems

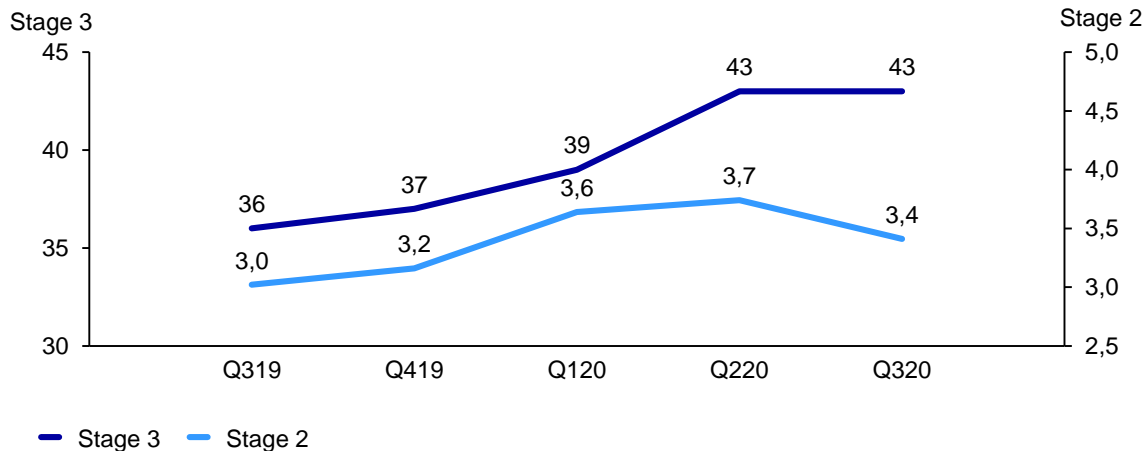


# Credit quality – impaired loans further reduced

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



## Coverage ratio, %

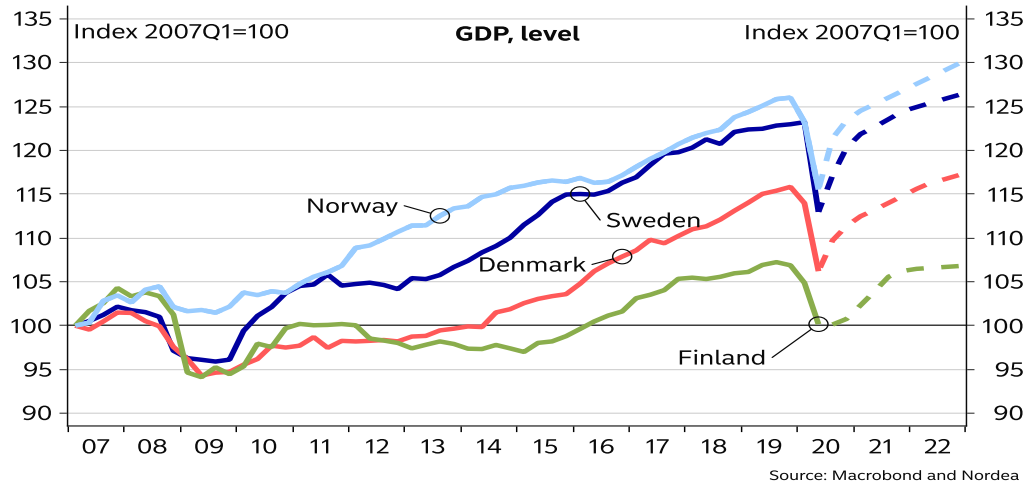


## Comments

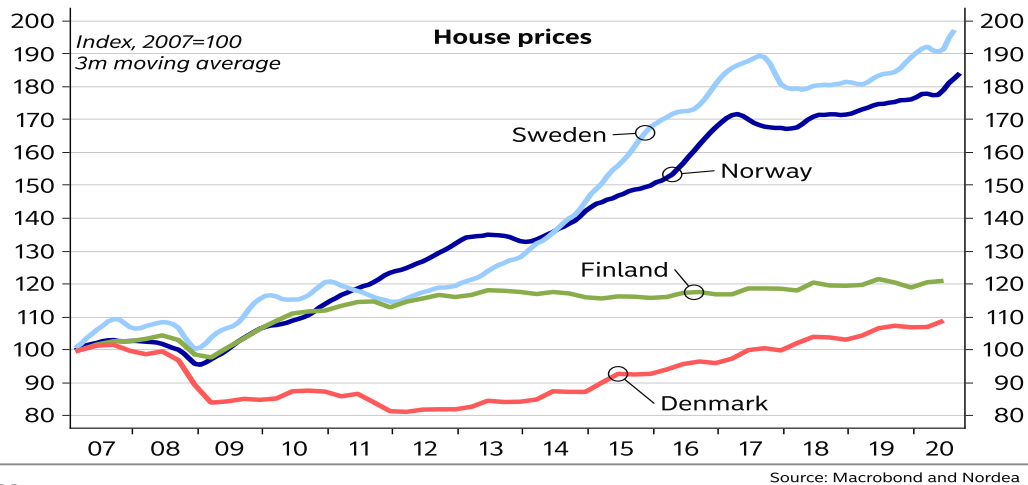
- Provision coverage for potential losses in stage 3 unchanged from high level of Q2 at 43%
- Slight deterioration in credit quality observed for significantly affected sectors, as expected
- Stage 3 impaired loans down 5% in quarter
- Increase in Stage 2 lending related to model adjustment; level unchanged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