Video debt investor presentation Q2 2020

Disclaimer

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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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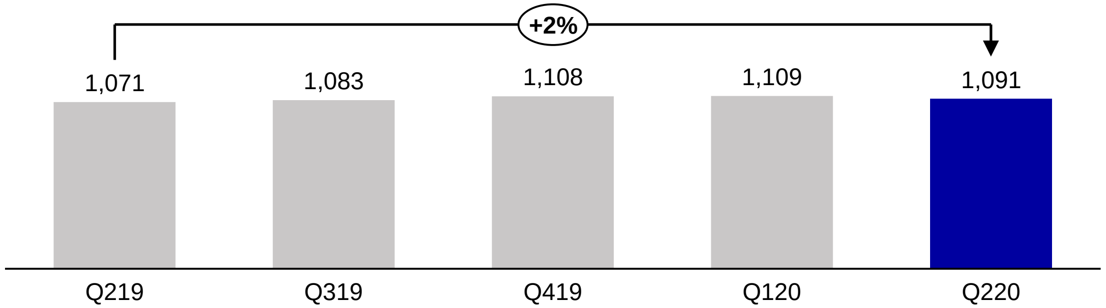
Executive summary

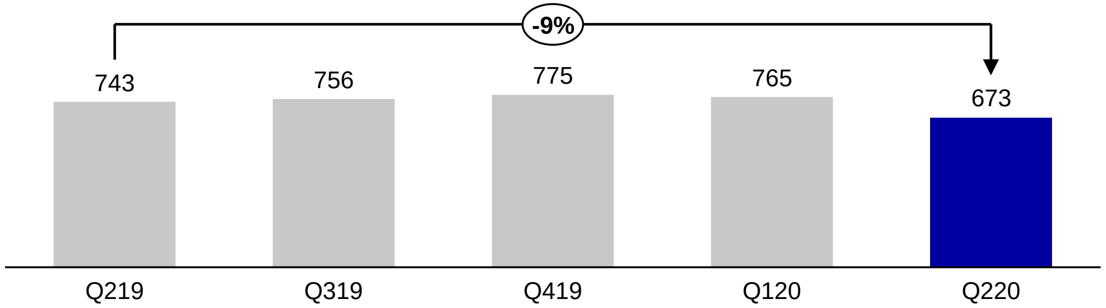
- Solid result – continued strong momentum across business areas and countries
  - High activity level kept revenues largely unchanged
  - Increasing volumes in lending and deposits, net commission income impacted by the lockdowns
  - Challenging times have proven the resilience of our business model
- We are progressing according to our plan towards 2022 financial targets
  - Cost to income ratio decreased to 52% - with increasing customer satisfaction
  - Return on equity impacted by loan loss provisions
  - We remain committed to delivering on our business plan and financial targets
- Strong financial position to support our customers and maintain dividend capacity
  - CET1 ratio at 15.8%, 5.6%-points above requirement
- Strong credit quality remains – significant buffer built up in the quarter
  - Full-year 2020 net loan losses projected below EUR 1bn (less than 41bps)
  - Underlying Q2 net loan losses EUR 310m including IFRS 9 model updates
  - New management judgement allowances of EUR 388m in the quarter building up the buffer to EUR 650m – to cover future loan losses

Revenues – continued volume growth but impact from COVID-19

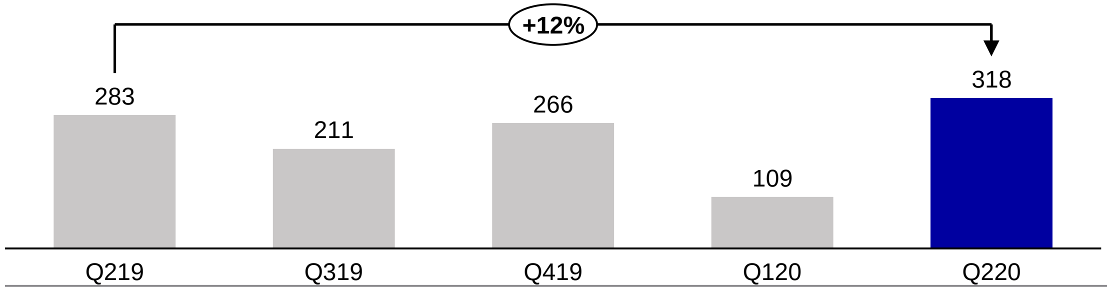
Net interest income, EURm



Net commission income, EURm



Net fair value, EURm

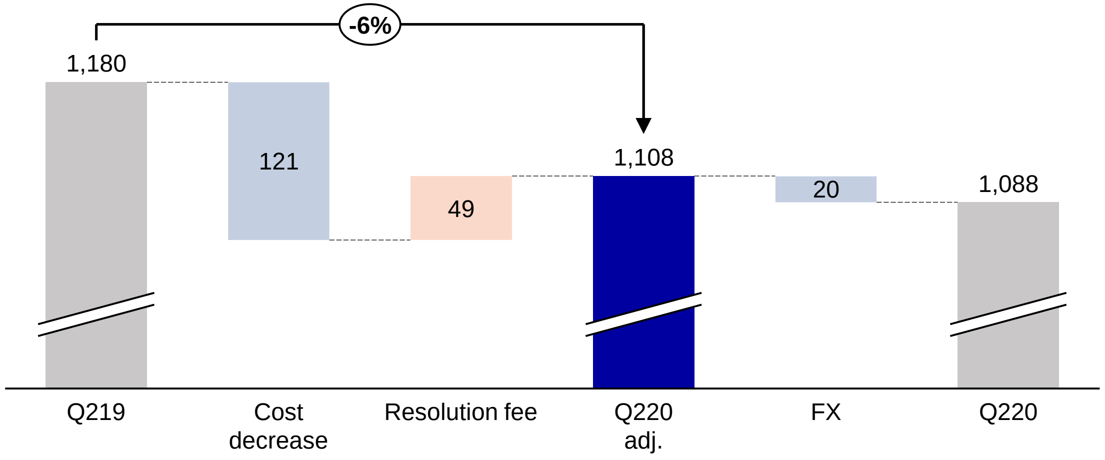


Comments year over year

- Net interest income up 2%
  - Strong mortgage growth in all countries
  - Strong growth in both household and corporate deposits
  - Slightly improving margins compared to previous year
  - Negative impact from significant FX movements
- Net commission income down 9%
  - Asset management fees down due to market turmoil, but strong recovery in AuM
  - Highest quarterly inflow since Q316
  - Corporate advisory income recovering in June
  - Payment and card activity down due to lockdowns
- Net fair value up 12%
  - Solid development in customer areas
  - Higher market making and trading income in Markets supported by improved valuations of inventory after a turbulent Q1
  - Treasury income improving due to revaluations

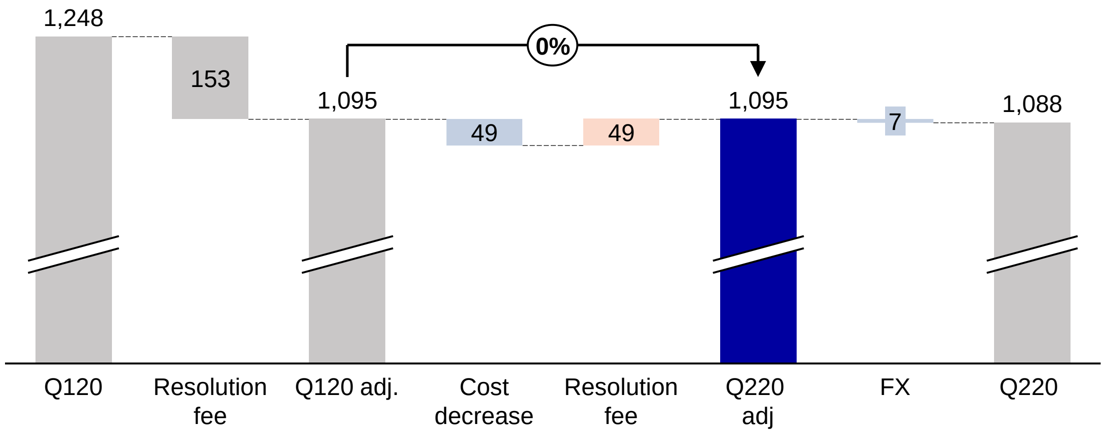
Costs – continue to deliver on cost plan and building a strong cost culture

Year over year bridge, EURm



Comments

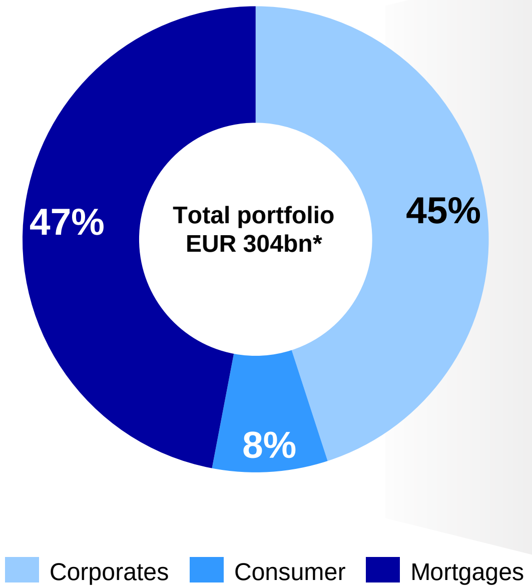
Quarter over quarter bridge, EURm



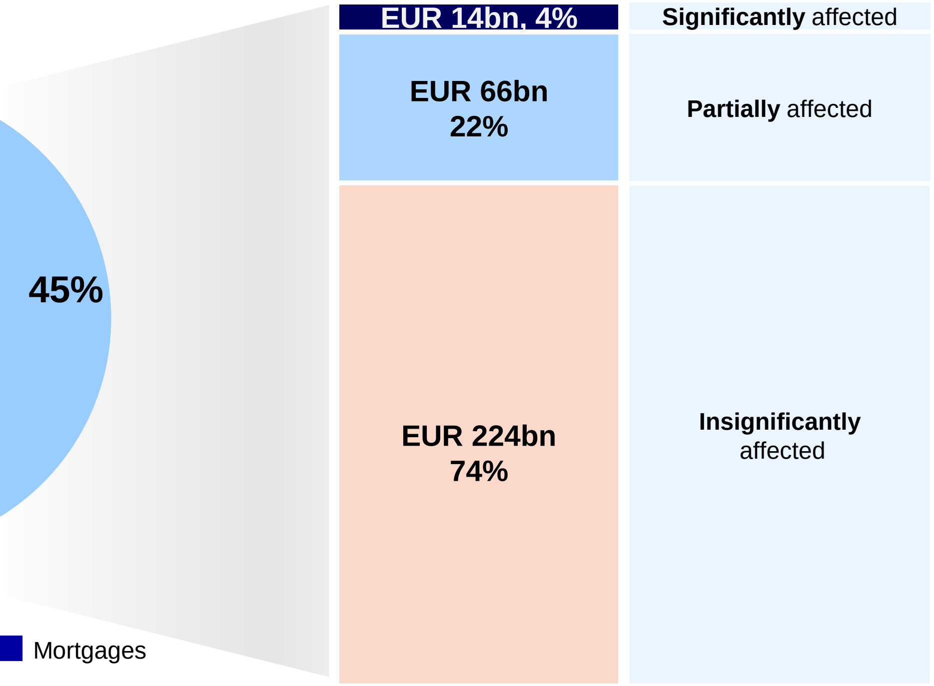
Outlook

Loan book – well-diversified with strong underlying credit quality

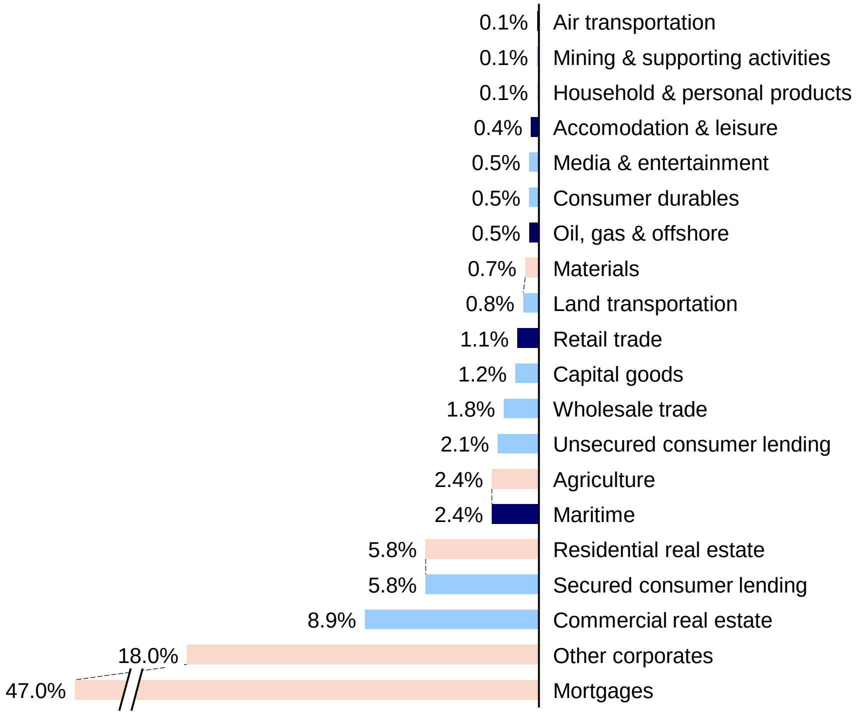
Well diversified portfolio across countries and segments



Updated analysis of COVID-19 impact by segment



Five segments with 4% of total exposure significantly affected

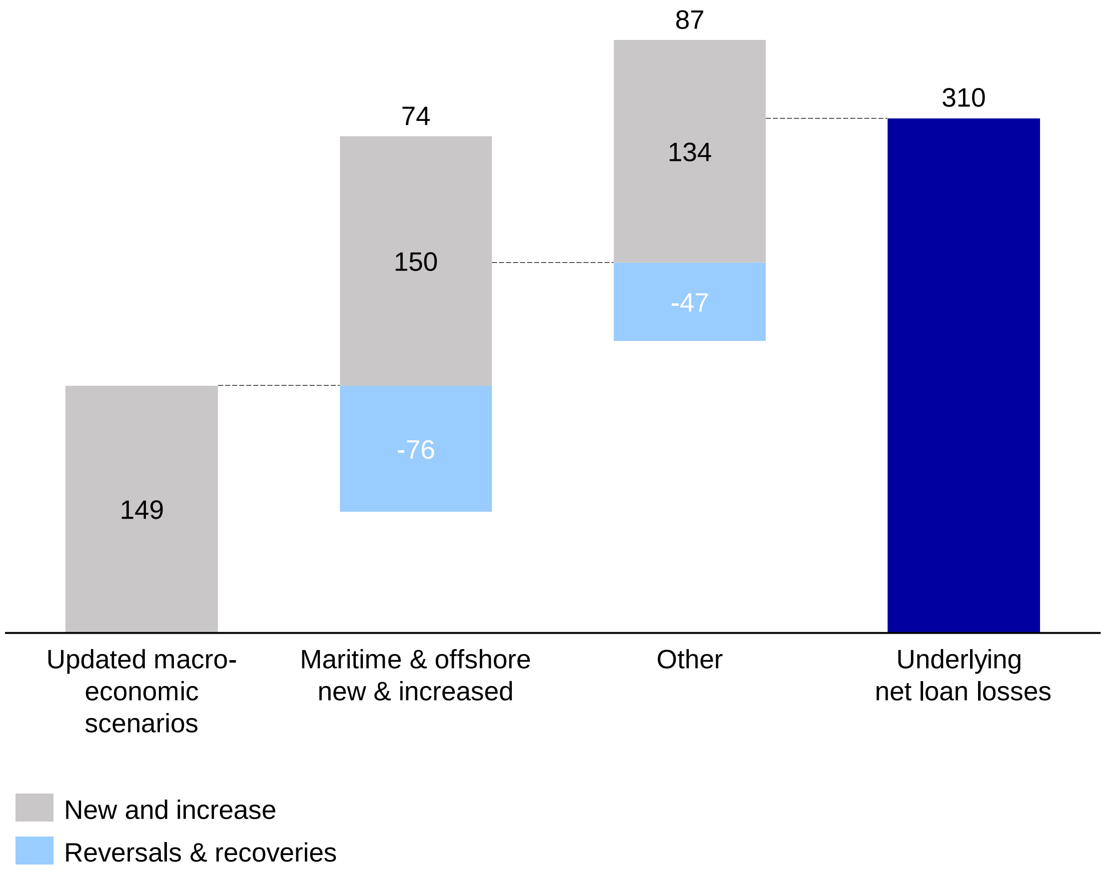


Nordic societies have well structured social safety nets, strong fiscal positions and effective legal systems

* Excluding repos

Underlying net loan losses – at EUR 310m while overall stable credit quality

Drivers of underlying net loan losses, EURm

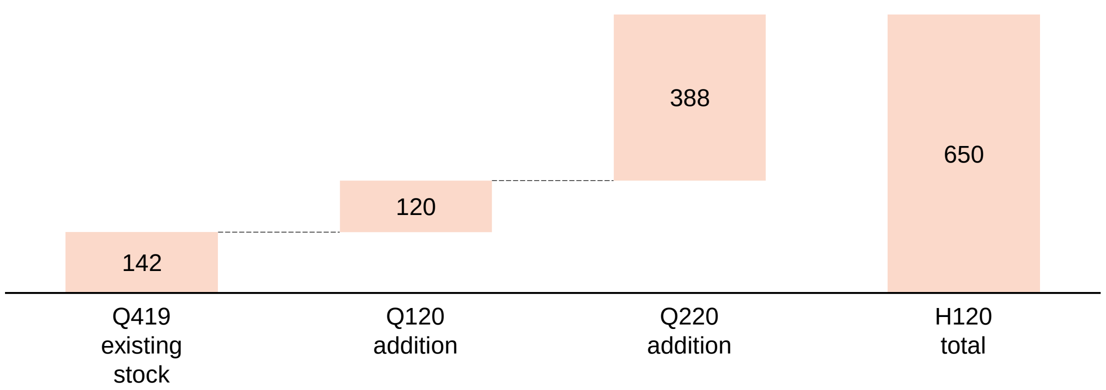


Comments

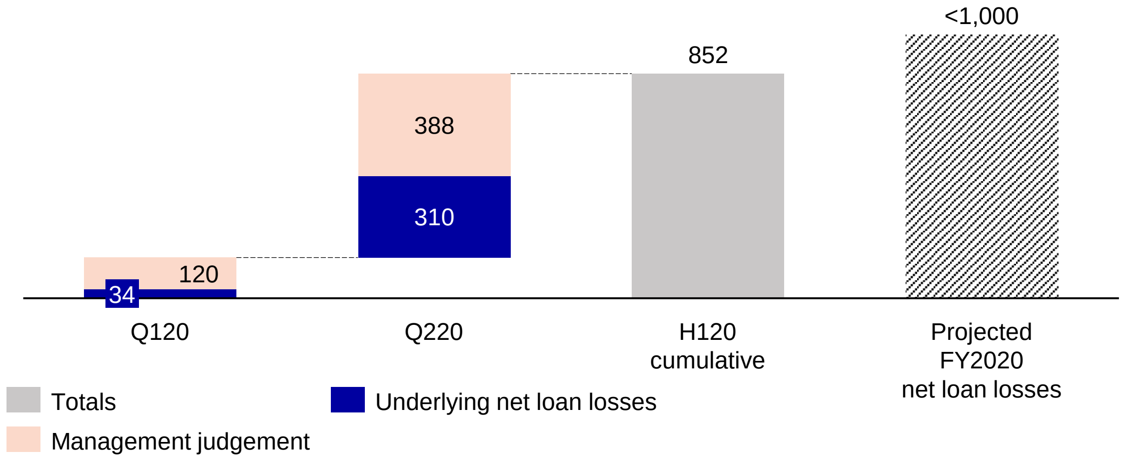
- Total underlying net loan losses in Q2 at EUR 310m
- Three drivers of increased losses:
  - Collective provisions based on updated macro scenarios
  - Additional provisions in maritime and offshore due to decreased collateral valuations and oil price volatility
  - Some increased provisions on commercial real estate and unsecured consumer lending
- Otherwise loan losses stable vs. previous quarters
  - Reflects generally stable credit portfolio quality development (staging distribution)

Management judgement added – full-year 2020 loan losses already mostly covered

Management judgement developments, EURm



Net loan losses, EURm



Comments

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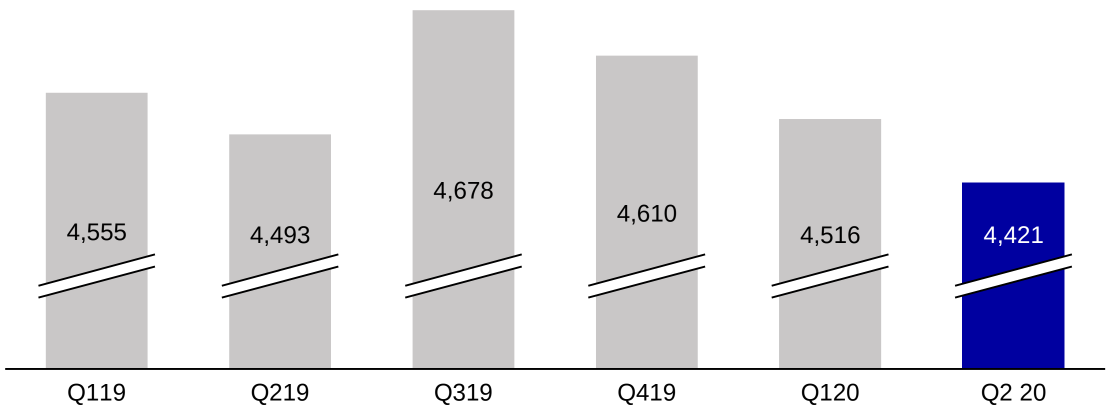
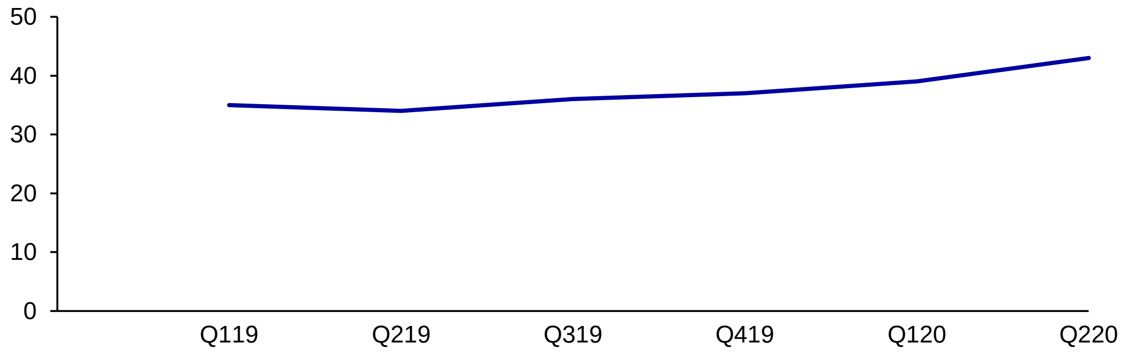
Asset quality – stage 3 loans

Stage 3 impaired loans at amortised cost, EURm



Comments

Stage 3 allowances, %



Coverage ratio

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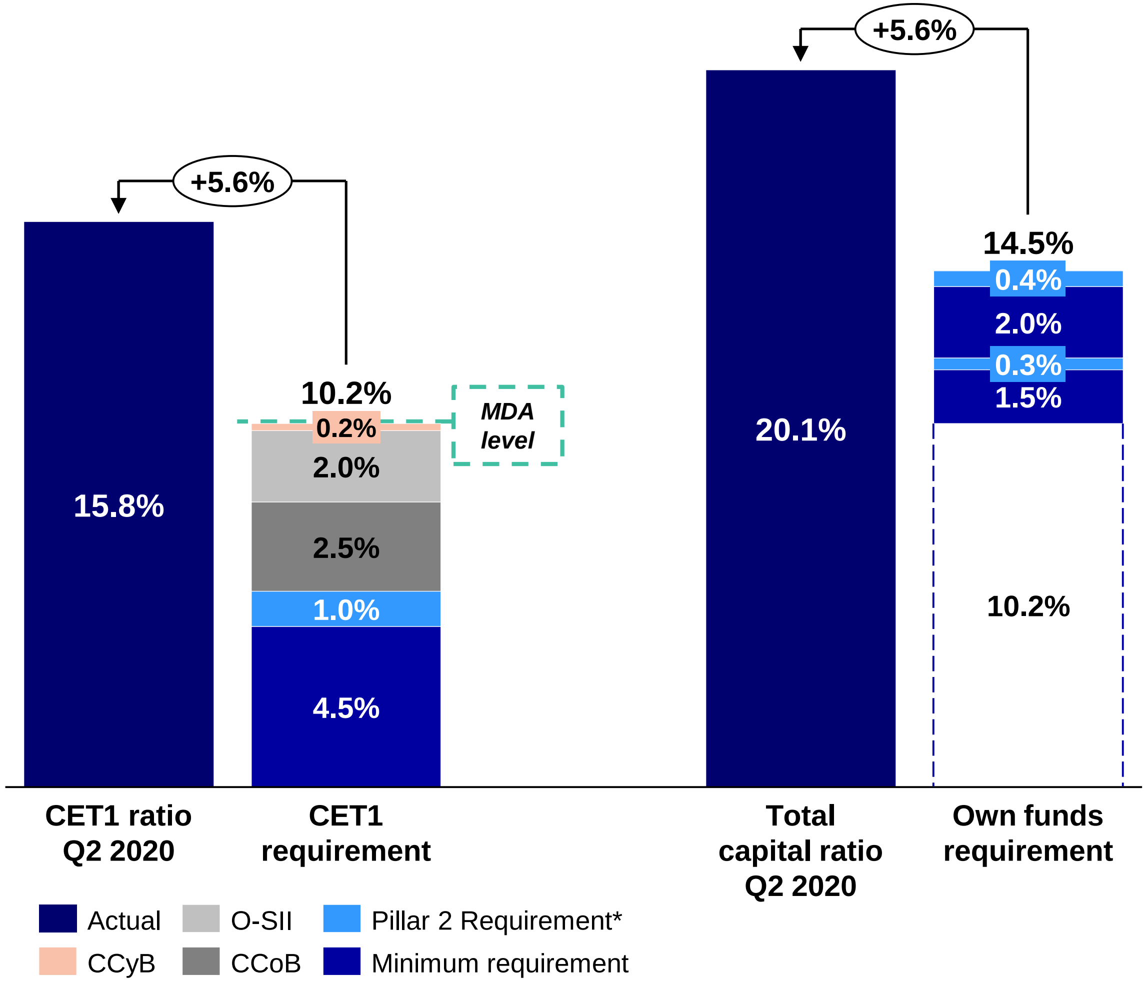
Capital – significant buffer to capital requirements

CET1 capital position and requirement



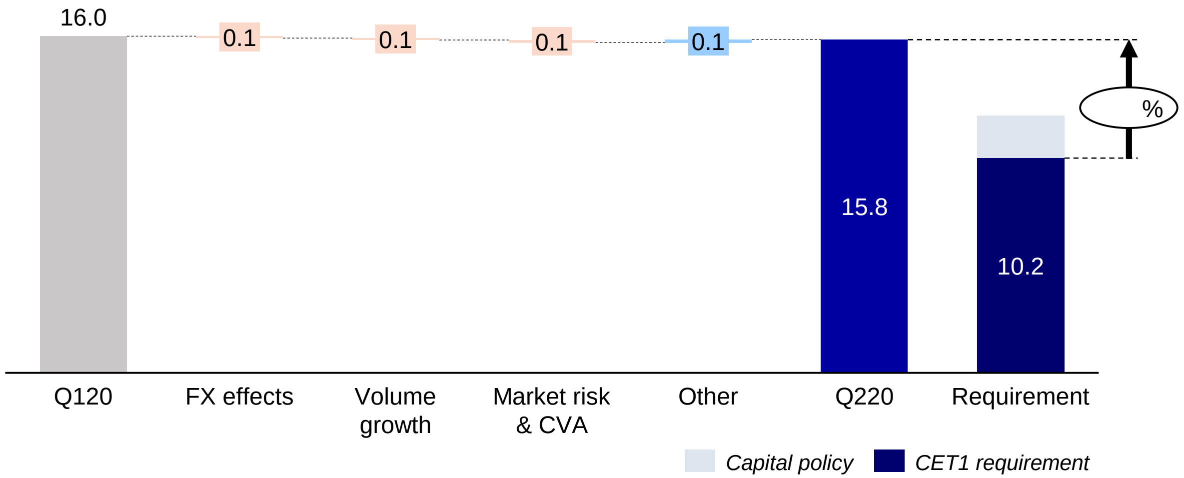
Comments

- Q2 CET1 ratio 15.8% compared to the current requirement of 10.2%
  - Capital policy of 150-200bps above regulatory requirement (MDA level)
- CET1 requirement lowered by ~2.9 %-points since 1 January 2020
- CET1 buffer above requirement of ~5.6 %-points corresponding to ~EUR 8.7bn
- Nordea has postponed the 2019 dividend decision
  - Authorisation for the Board of Directors to decide on 2019 dividend. The amount is still deducted from the CET1 capital ratio (~1 %-point)
  - Dividend accrual for 2020 based on dividend policy of 60-70% pay-out ratio

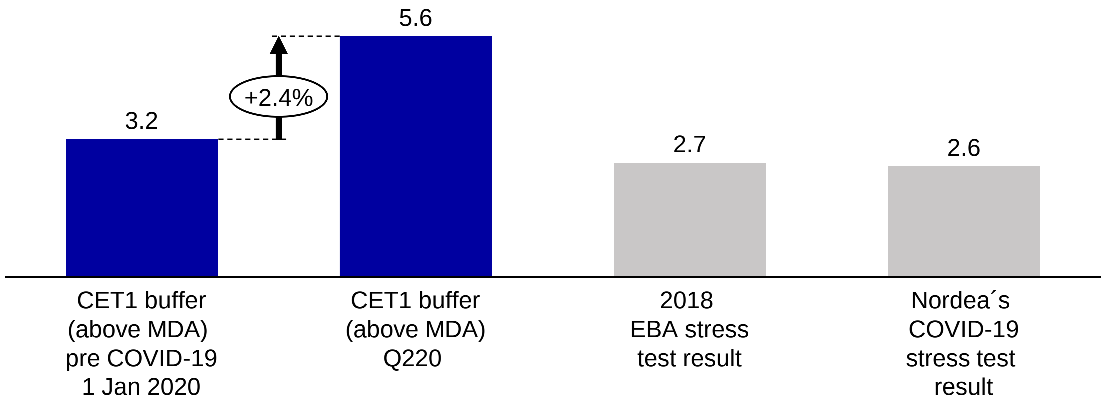
*Total Pillar 2 Requirement of 1.75% of which 0.98% in CET1, 0.33% in AT1 and 0.44% in Tier 2 capital

Capital – strong position to support customers while maintaining dividend capacity

CET1 capital ratio development, %



CET1 capital buffer, %



Comments

- CET1 capital ratio at 15.8%
  - Risk exposure amount (REA) increased by EUR 2.5bn to EUR 155bn
  - Limited credit REA migration in Q2
- Capital buffer of 5.6 %-points
  - Continued dividend accruals for 2019 and 2020
  - Current capital buffer is twice the amount consumed in a stress scenario
- Dividend capacity remains intact

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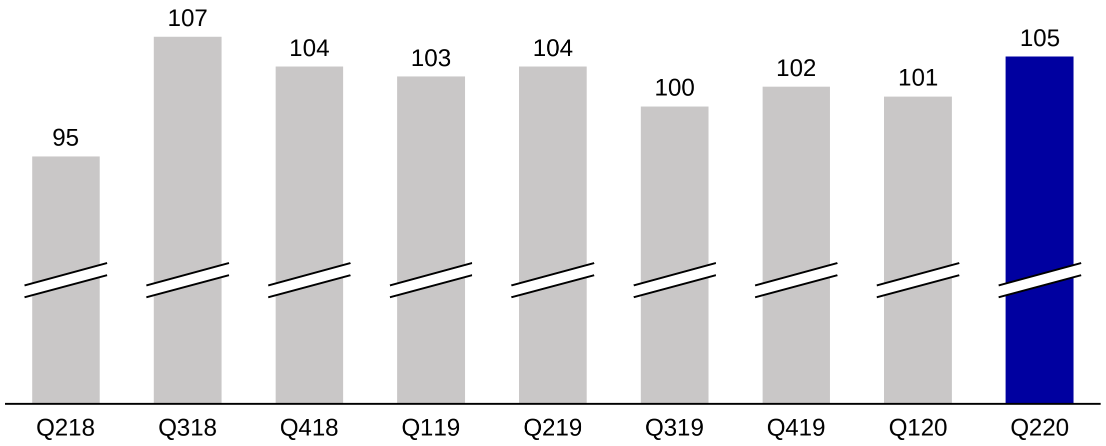
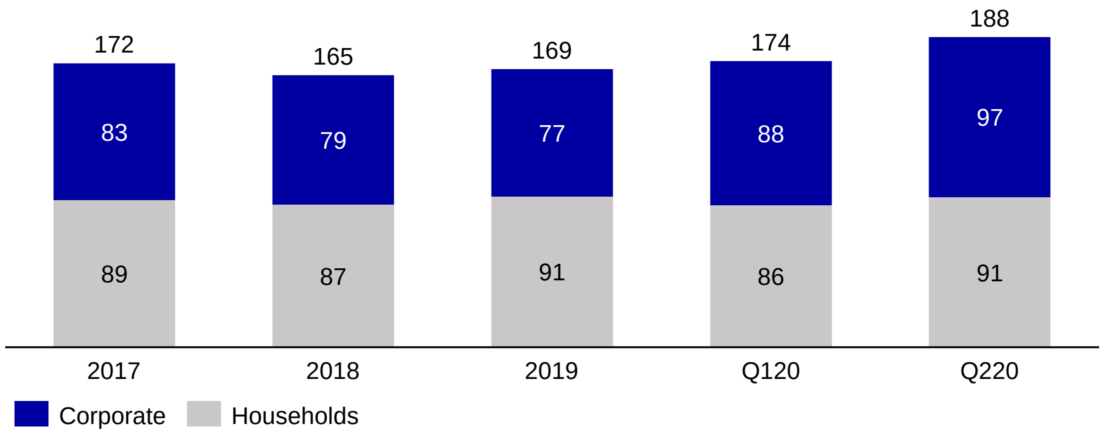
Liquidity – solid position and normalising funding markets

Liquidity buffer development, EURbn



Deposits*, EURbn



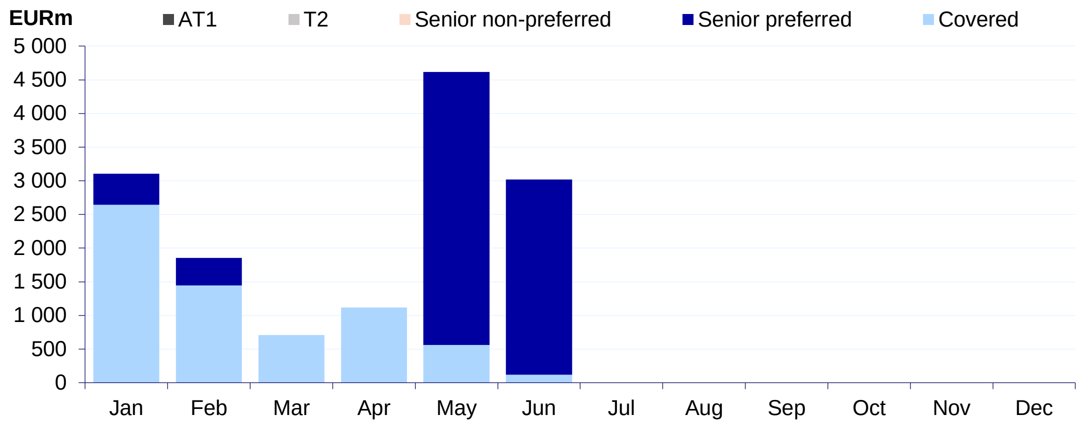
Comments

- Robust liquidity position
  - Liquidity buffer over EUR 100bn
  - Liquidity coverage ratio (LCR) of 160%
  - EU net stable funding ratio (NSFR) of 113%
- Deposits increased 4% in the quarter in local currencies
- Approx. EUR 9bn long-term debt issued during Q2
  - All key funding markets are functioning well at tighter spread levels
- During Q2, Nordea participated in selected central bank liquidity facilities including ECB's TLTRO facility

* Including repos

Solid funding operations

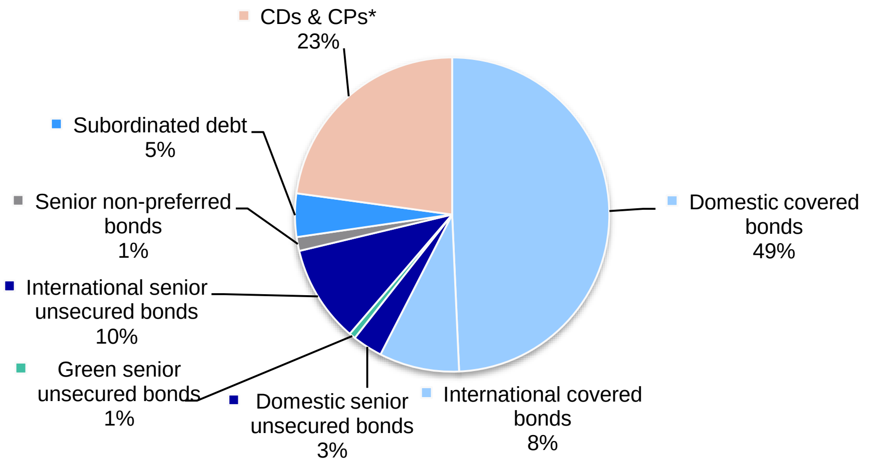
Long-term issuance volumes YTD Q2 2020, EUR 14.4bn



Strong funding position further improved

- EUR 14.4bn long term debt issued in H1 2020 whereof EUR 8.8bn during Q2
- NSFR 113.2% end Q2 2020 (109.7% Q1)
- 77% of total funding is long-term end Q2
- Selective participation in central bank facilities in home countries incl. TLTRO as a supplement to ordinary funding

Long-term and short-term funding outstanding, EUR 191bn



High-level issuance plan for 2020

- Full year 2020 issuance estimated in the lower end of EUR 20-25bn
- To be issued via covered bonds and senior unsecured debt of which approximately 50% expected to be issued in the domestic markets
- Total estimated need of senior non-preferred debt for forthcoming MREL requirements approximately EUR 10bn until 2023
    - EUR 2.7bn has already been issued

* Including CDs with original maturity over 1 year, excluding Nordea Kredit

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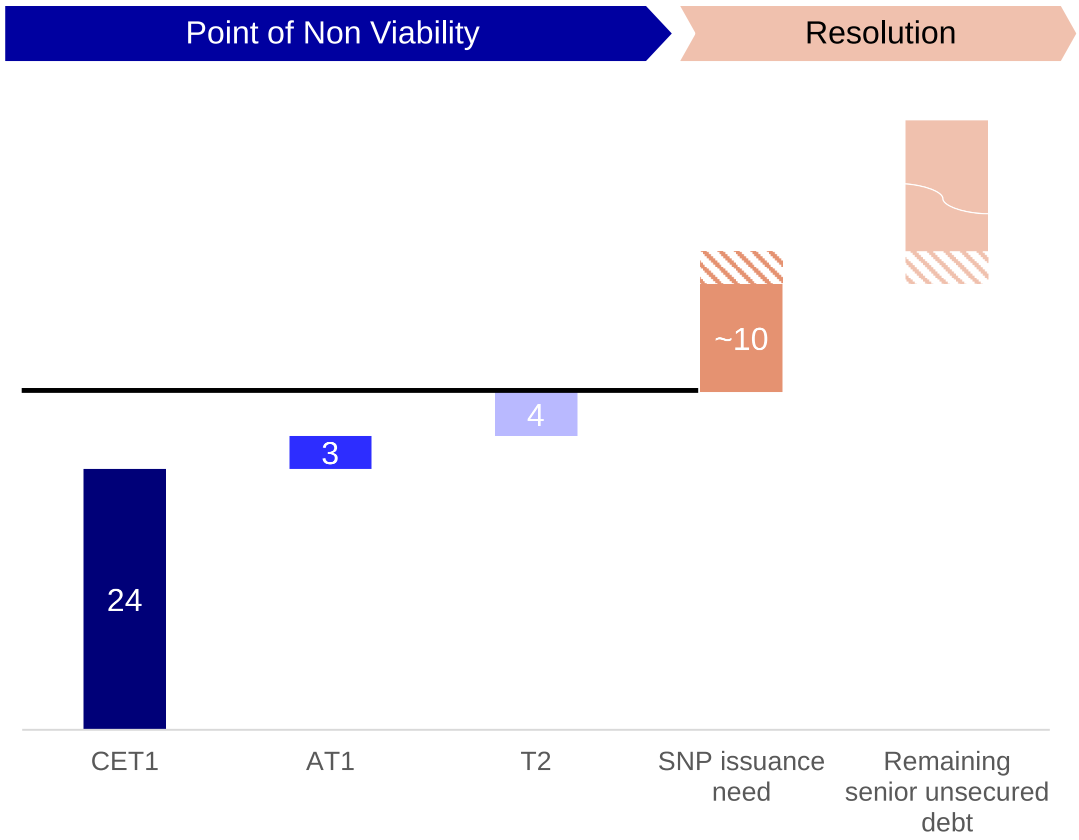
Senior non-preferred issuance plan

Own funds and bail-in-able debt, EURbn



Comments

- Total estimated SNP need for future MREL requirement remains unchanged at EUR 10bn* by end of 2023
- EUR 2.7bn has been issued
- SNP issuance plan to be reviewed during Q3 2020 and in Q1 2021 in connection with the SRB decision on Nordea MREL subordination requirement
- Nordea’s own funds of ~EUR 31bn** will rank junior to SNP investors

Senior bonds available for potential refinancing in SNP format, EURbn

* EUR 10bn does not include potential refinancing amount
** Excluding amortised Tier 2

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