Nordea

Fourth quarter and full-year results 2020

Frank Vang-Jensen, President, Group CEO

Executive summary

- Continued strong growth in customer business volumes in all countries
  - Mortgage lending volumes up 6% y/y and assets under management up 9% y/y to record high of EUR 354bn
  - SME lending up 8% y/y, supported by acquisition of SG Finans, now Nordea Finance Equipment (NFE)
- Operating profit up 11% y/y, driven by income growth, and return on equity at 8.4%*
  - Total income up 4% y/y, driven by highest net interest income growth (6%) since 2008 – net fee and commission income up 2%
- Costs in line with guidance – new cost outlook for 2021
  - Costs up 3% y/y, but underlying costs down 3% y/y, with full-year cost-to-income ratio of 54.8%*
  - Full-year 2021 operating costs expected to be below EUR 4.6bn
- Strong credit quality – total net loan losses and similar net result EUR 28m**; 2020 net loan losses in line with guidance
- Capital position among strongest in Europe with CET1 ratio of 17.1%, 6.9 percentage points above requirement
  - 2020 dividend proposal of EUR 0.39 per share; 2019 dividend of EUR 0.40 to be paid in two instalments during 2021
- On track to reach 2022 financial targets

* With amortised resolution fees and excluding items affecting comparability
** Includes fair value adjustments to loans held at fair value in Nordea Kredit. From Q4 2020 onwards, these are being presented separately on a new row in the income statement entitled “Net result on loans in hold portfolios mandatorily held at fair value”

Group quarterly results Q4 2020

Income statement and key ratios EURm, excluding items affecting comparability*	Q420	Q419	Q4/Q4	Q320	Q4/Q3
Net interest income	1,169	1,108	6%	1,146	2%
Net fee and commission income	792	775	2%	729	9%
Net fair value result	217	250	-13%	257	-16%
Other income	41	7		23	78%
Total operating income	**2,219**	**2,140**	**4%**	**2,155**	**3%**
Total operating expenses	-1,218	-1,179	3%	-1,089	12%
Profit before loan losses	**1,001**	**961**	**4%**	**1,066**	**-6%**
Net loan losses and similar net result**	-28	-86		19	
Operating profit	**973**	**875**	**11%**	**1,085**	**-10%**
Cost-to-income ratio***, %	57.2	57.5		52.9	
Return on equity***, %	8.4	7.6		10.1	

* Q4 2019: EUR 138m tax free gain related to the sale of LR Realkredit
** Includes fair value adjustments to loans held at fair value in Nordea Kredit. From Q4 2020 onwards, these are being presented separately on a new row in the income statement entitled "Net result on loans in hold portfolios mandatorily held at fair value"
*** With amortised resolution fees

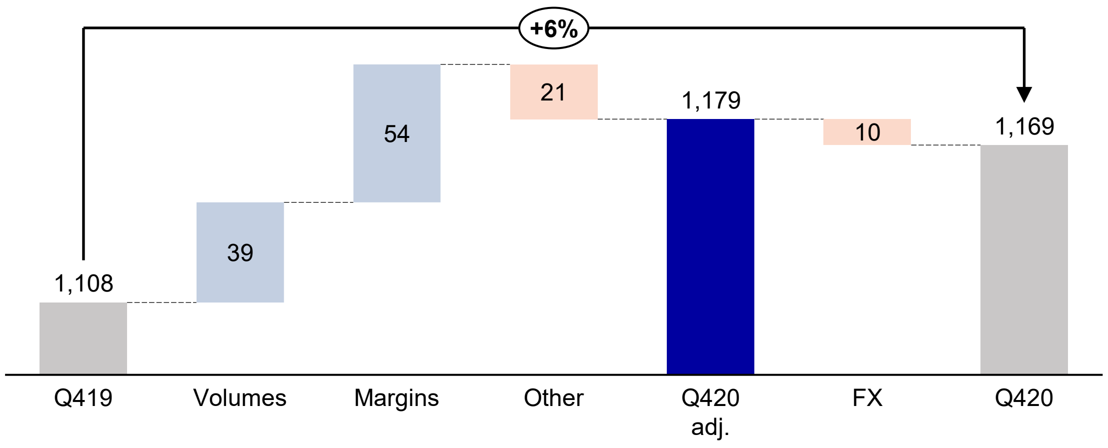
Group full-year results 2020

Income statement and key ratios EURm, excluding items affecting comparability*	**FY20**	**FY19**	**FY/FY**
Net interest income	4,515	4,318	5%
Net fee and commission income	2,959	3,011	-2%
Net fair value result	900	1,012	-11%
Other income	92	144	-36%
Total operating income	**8,466**	**8,485**	**0%**
Total operating expenses	-4,643	-4,877	-5%
Profit before loan losses	**3,823**	**3,608**	**6%**
Net loan losses and similar net result**	-860	-242	
Operating profit	**2,963**	**3,366**	**-12%**
Cost-to-income ratio, %	54.8	57.5	
Return on equity, %	7.1	8.2	
Diluted EPS, EUR	0.55	0.61	

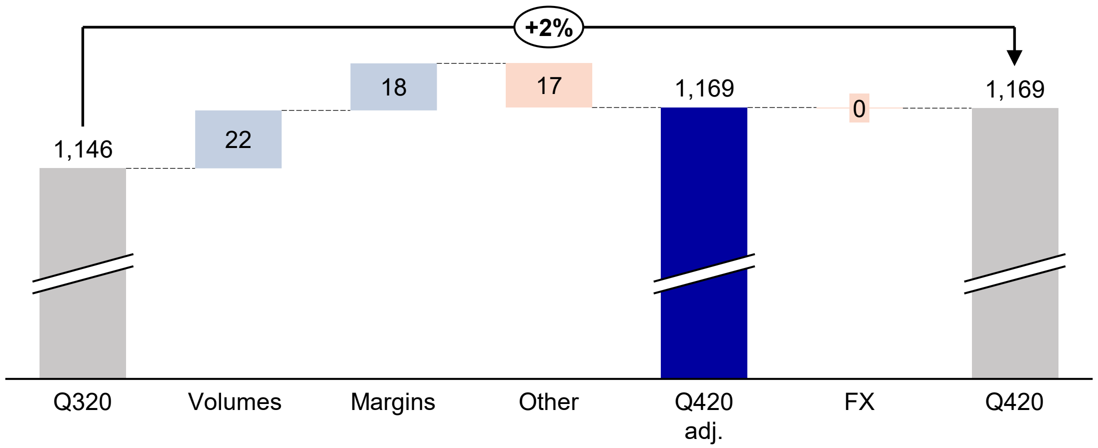
* Q4 2019: EUR 138m tax free gain related to the sale of LR Realkredit; Q3 2019: EUR 204m staff restructuring provision, EUR 75m Luminor, EUR 735m IT impairment, EUR 282m loan loss provisions
** Includes fair value adjustments to loans held at fair value in Nordea Kredit. From Q4 2020 onwards, these are being presented separately on a new row in the income statement entitled "Net result on loans in hold portfolios mandatorily held at fair value"

Net interest income – increase driven by growth in mortgage and SME lending

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



Comments

- Net interest income up 6%, highest growth rate since 2008
- Volume growth and higher market shares in mortgages in all countries. Positive SME lending development, particularly in Sweden and Norway
- Continued improvement in lending margins for large corporates
- Mortgage margins in Norway down in quarter, mainly due to higher NIBOR

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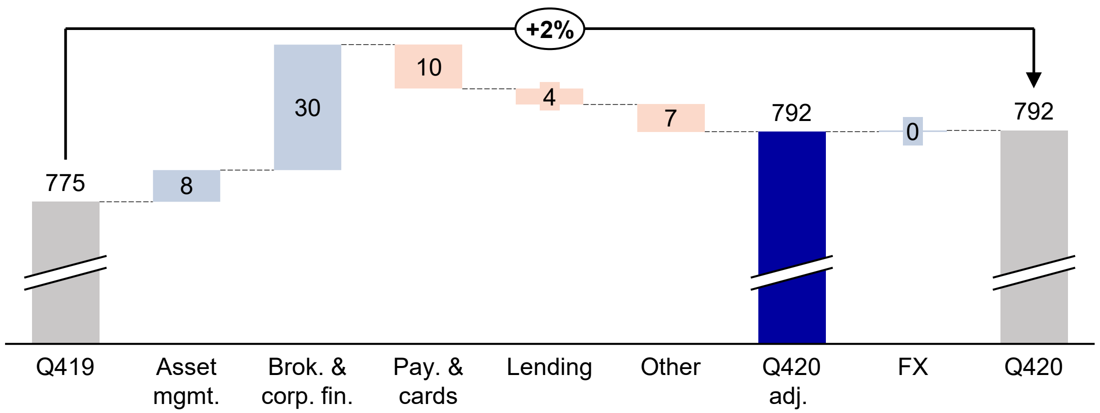
Net fee and commission income – good customer activity and asset management inflows

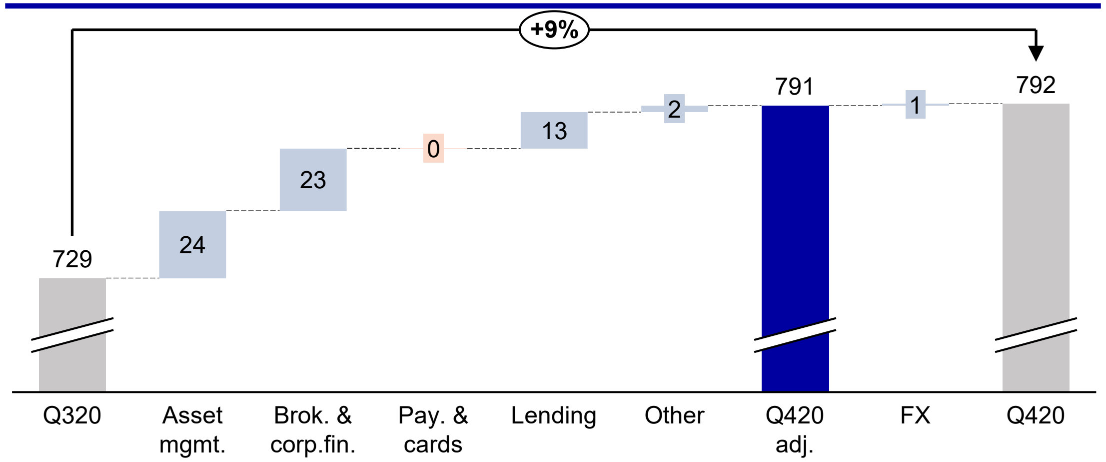
Year-over-year bridge, EURm



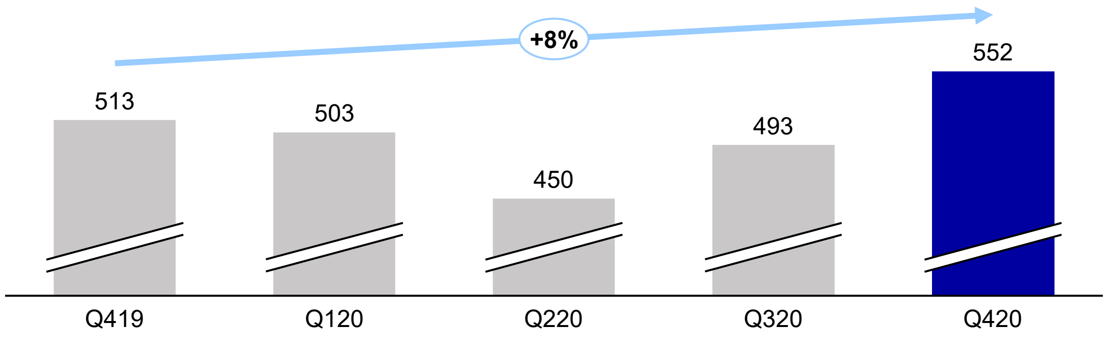
Comments

- Net fee and commission income up 2%, mainly driven by higher advisory income
- Savings income up 8% due to higher asset management fee income and high levels of customer activity
- Card-related fee income still affected by reduced travel, but improved in quarter

Quarter-over-quarter bridge, EURm



Savings and investment commission income, EURm



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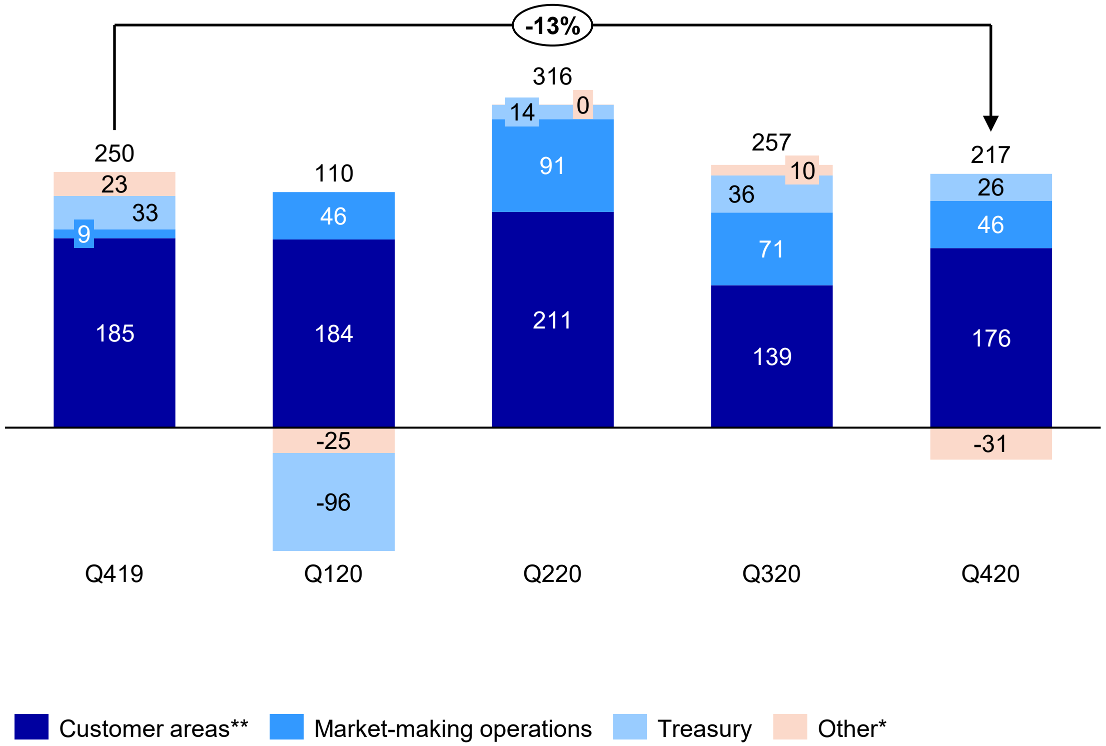
Net fair value result – underlying positive development in Markets

Net fair value result, EURm



Comments

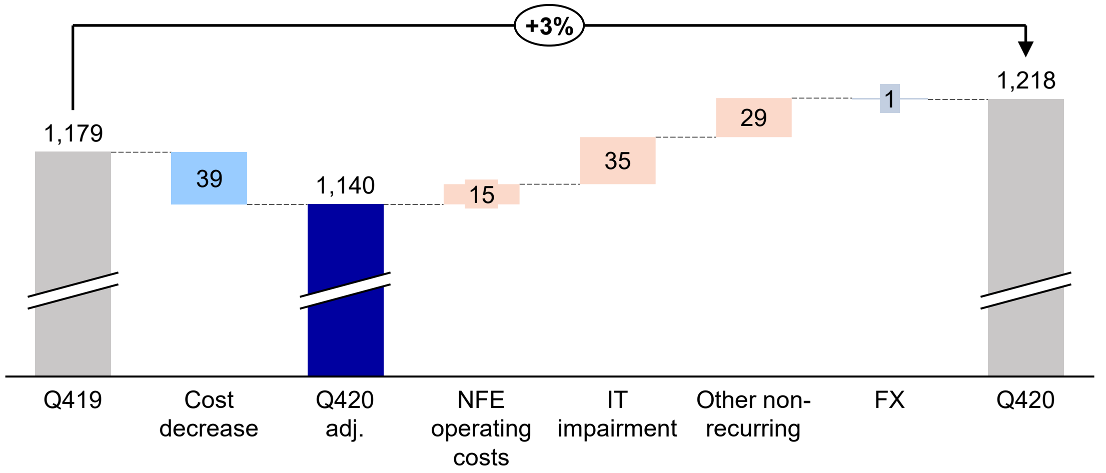
- Net fair value result down 13%
- Net fair value result excluding valuation adjustments up 4%, driven by strong income from market-making operations
- Customer areas slightly lower than last year, but customer activity improved from previous quarter
- Valuation adjustments and FX impacts of EUR -31m

* Includes valuation adjustments and FX

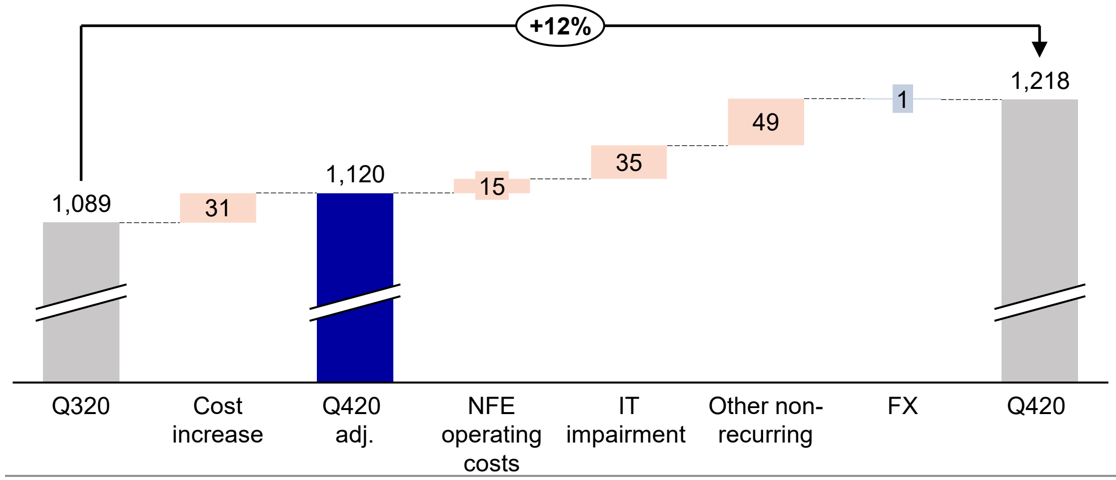
** Excludes fair value adjustments to loans held at fair value in Nordea Kredit. From Q4 2020 onwards, these are being presented separately on a new row in the income statement entitled “Net result on loans in hold portfolios mandatorily held at fair value”

Costs – underlying costs down according to plan; additional items in Q4

Year-over-year bridge, EURm



Quarter-over-quarter bridge, EURm



Comments

- Costs up 3% y/y; underlying costs down 3%, excluding FX
- Costs higher in quarter due to integration of Nordea Finance Equipment (NFE), one-off IT impairments and other non-recurring items
- Underlying cost trend continuing according to plan

Outlook

- Work to increase operational efficiency to continue
- 2021 costs expected to be below EUR 4.6bn
- Efficiency gains to be offset by pay inflation, higher depreciation and amortisation, and higher costs from integration of NFE in 2021

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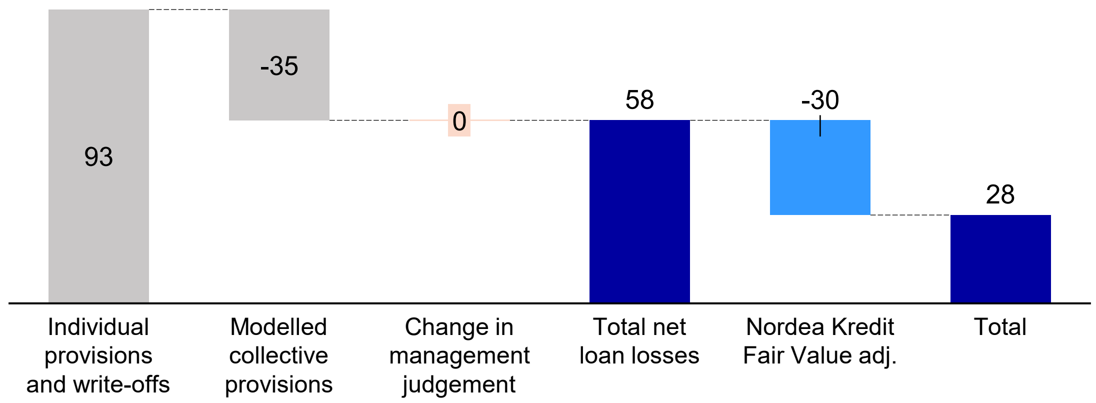
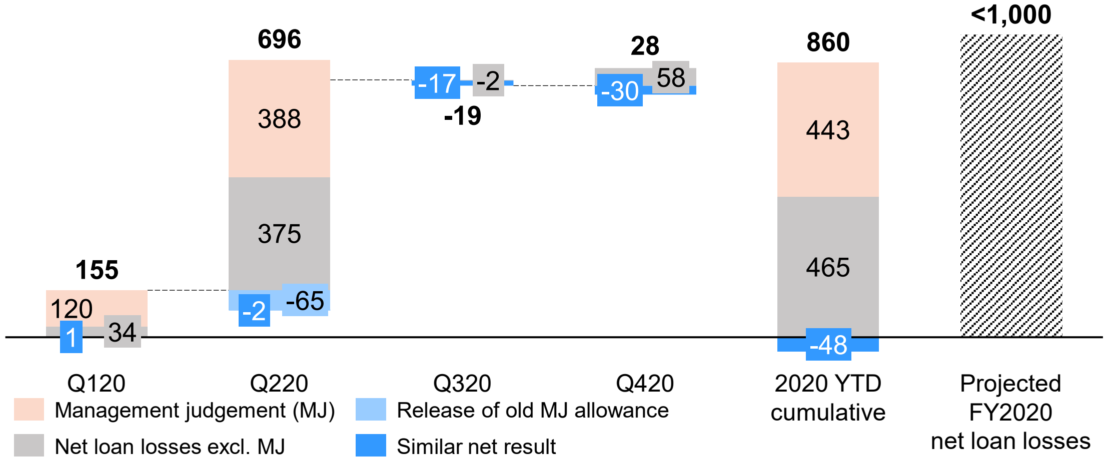
Net loan losses and similar net result – full-year losses in line with guidance

Net loan losses and similar net result Q420, EURm



Net loan losses and similar net result, EURm



Comments

- Net loan losses and similar net result EUR 28m*
- Total net losses for 2020 in line with guidance of below EUR 1bn
- Projected impact of COVID-19 unchanged, based on new customer-level and portfolio assessments in fourth quarter
- Substantial management judgement buffer of EUR 650m kept on balance sheet to protect against potential losses

* "Net loan losses and similar net result" includes fair value adjustments to loans held at fair value in Nordea Kredit. From Q4 2020 onwards, these are being presented separately on a new row in the income statement entitled "Net result on loans in hold portfolios mandatorily held at fair value".

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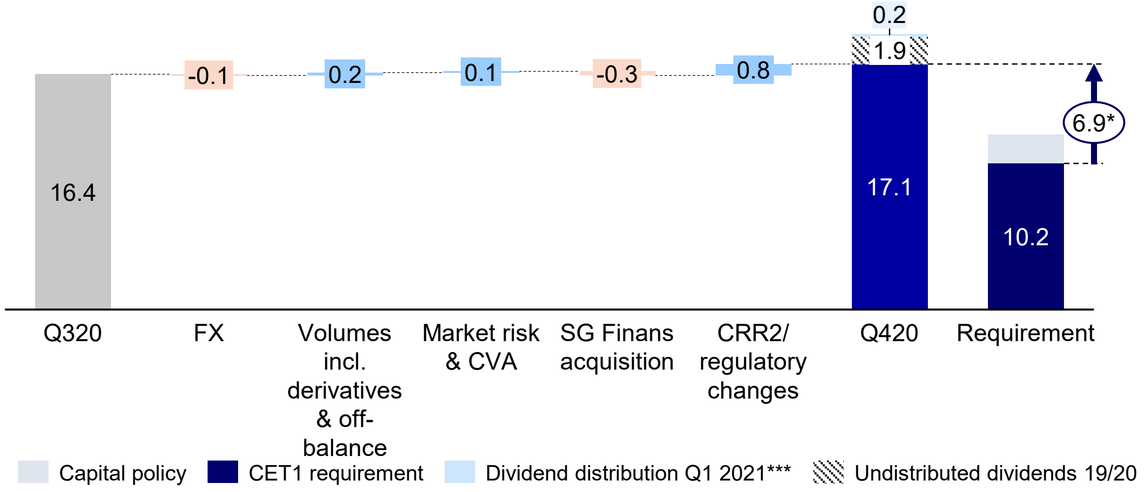
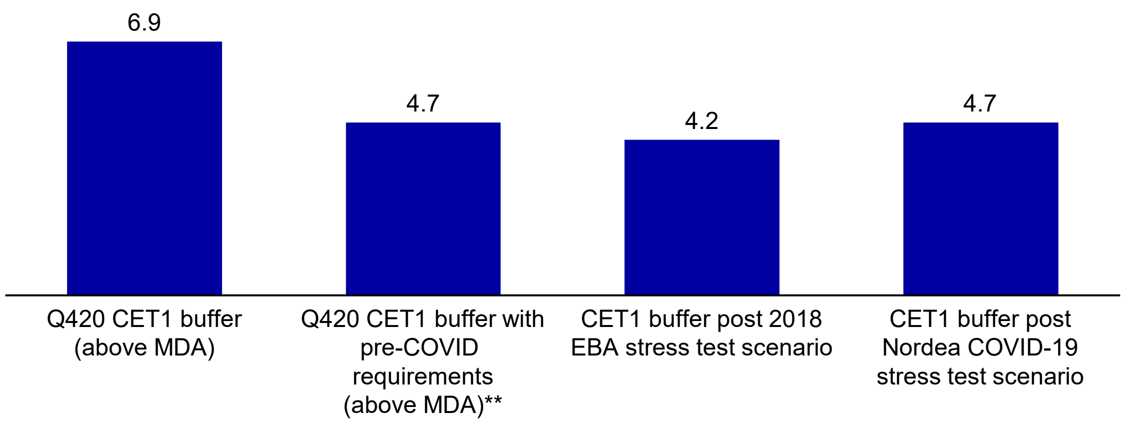
Capital – very strong capital position to support customers and pay dividends

CET1 capital ratio development, %



CET1 capital buffer, %



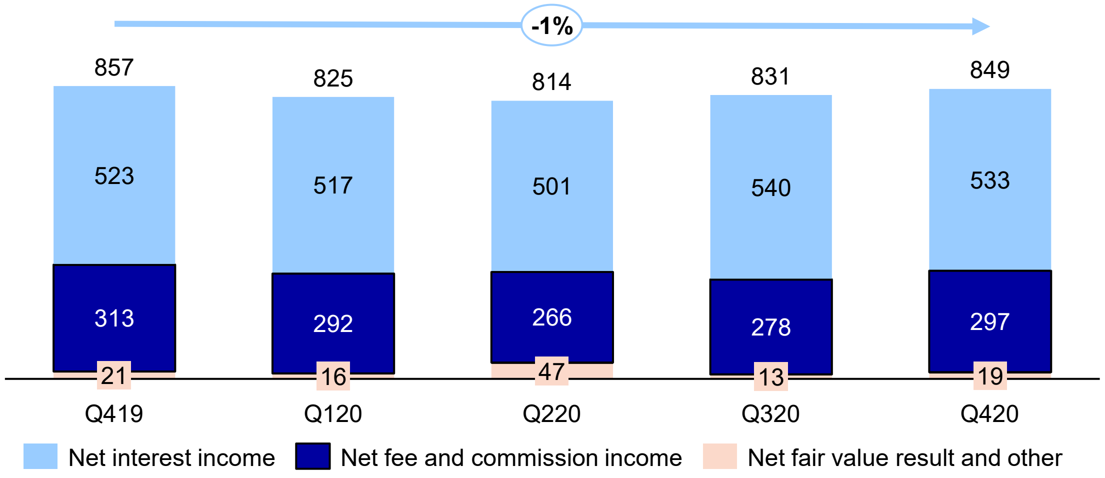
Comments

- CET1 capital ratio 17.1%, 6.9 percentage points above regulatory requirement*
  - Risk exposure amount up EUR 5bn to EUR 155bn, driven by acquisition of Nordea Finance Equipment
  - CET1 ratio up mainly due to regulatory changes to treatment of software assets and consolidation of Nordea Life & Pensions
- Capacity to support customers and distribute capital
- Capital and dividend policies unchanged
- Board of Directors' 2020 dividend proposal EUR 0.39 per share
  - Dividend of EUR 0.07 to be distributed in Q1 2021
  - AGM to decide on dividend payments of EUR 0.72 per share, covering 2020 and remaining 2019 dividend

*As of Q4 2020, 0.9 percentage points of the CET1 buffer has been used to fulfil the AT1/Tier 2 capital requirement
** Assuming pre-COVID buffer levels as applicable in Q4 2019, i.e. CCyB at 1.4% and SyRB at 3%
*** Dividend to be distributed Q1 2021, corresponding to 0.2 percentage points of REA

Personal Banking – strong momentum in mortgages in all countries

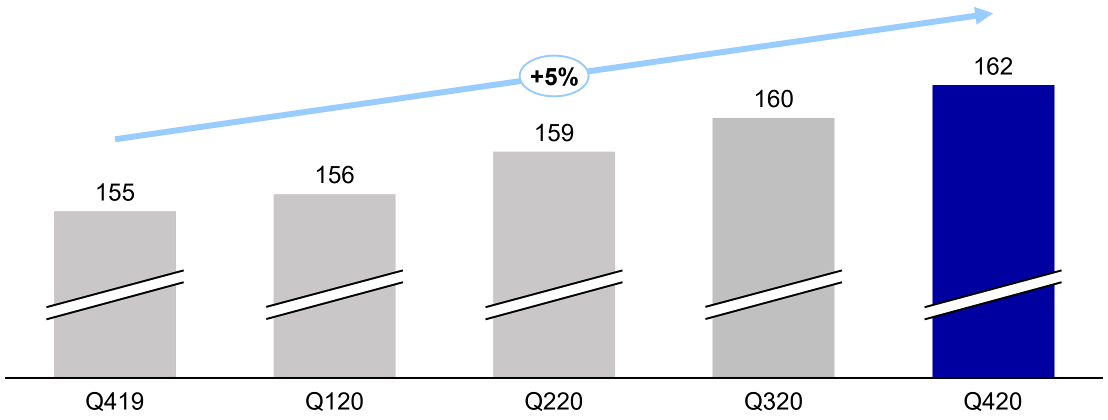
Total income, EURm



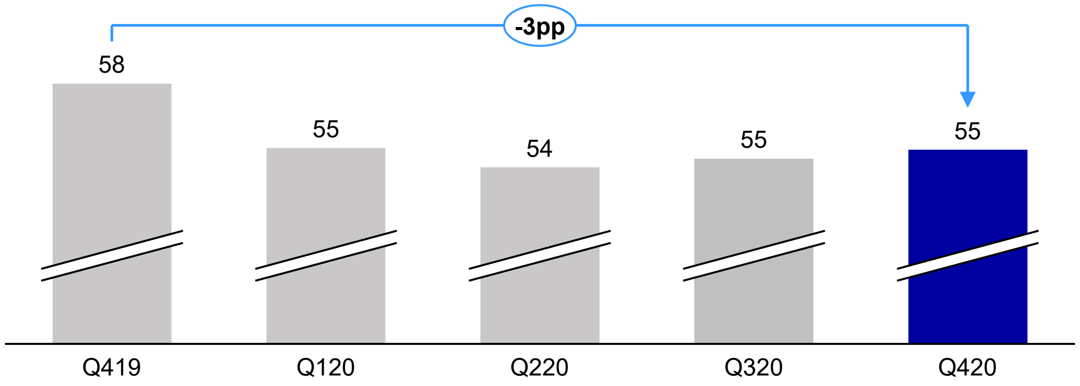
Comments

- Strong mortgage volume growth: up 6%* or EUR 8bn
  - Increase in market shares across countries
- Total income down 1% due to reduced payments activity
  - Net interest income negatively affected by high deposit inflows and lower consumer lending volumes and margins
- Improved cost efficiency: cost-to-income ratio down to 55%

Lending*, EURbn



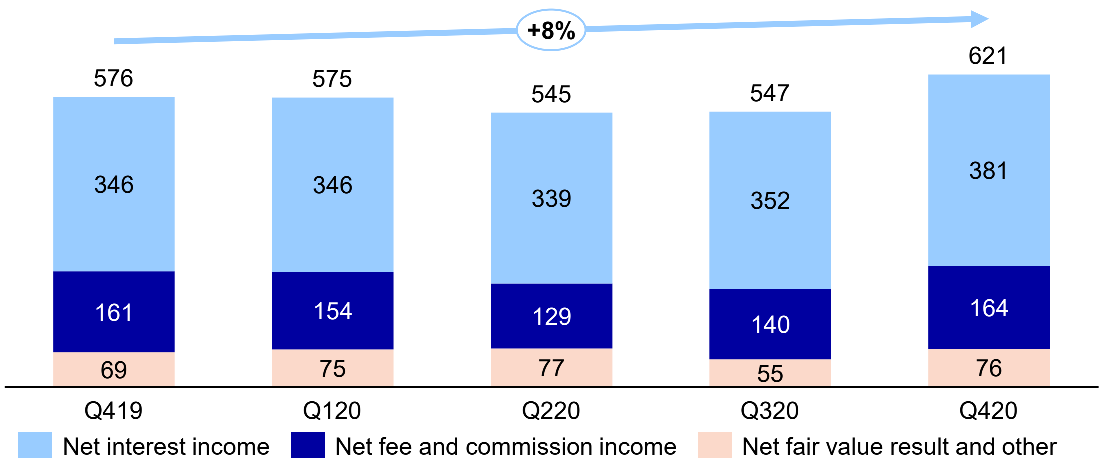
Cost-to-income ratio**, %



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

Business Banking – increased lending volumes and higher levels of business activity

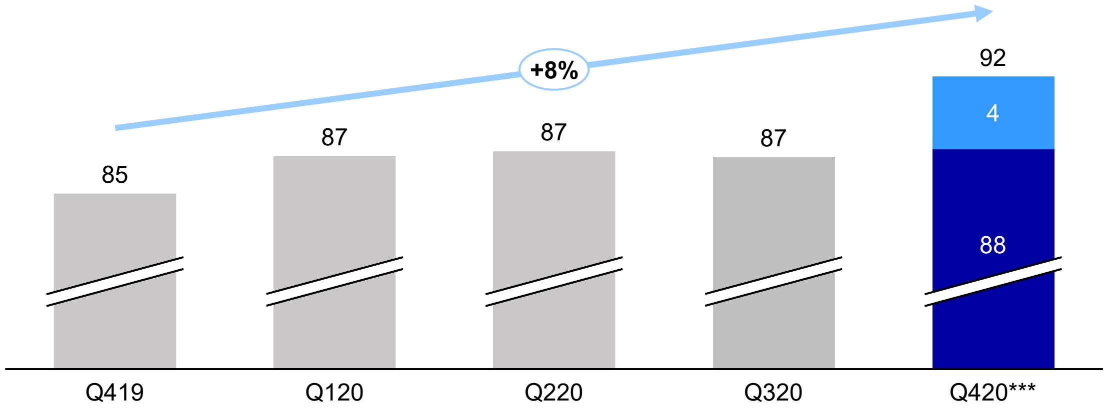
Total income, EURm



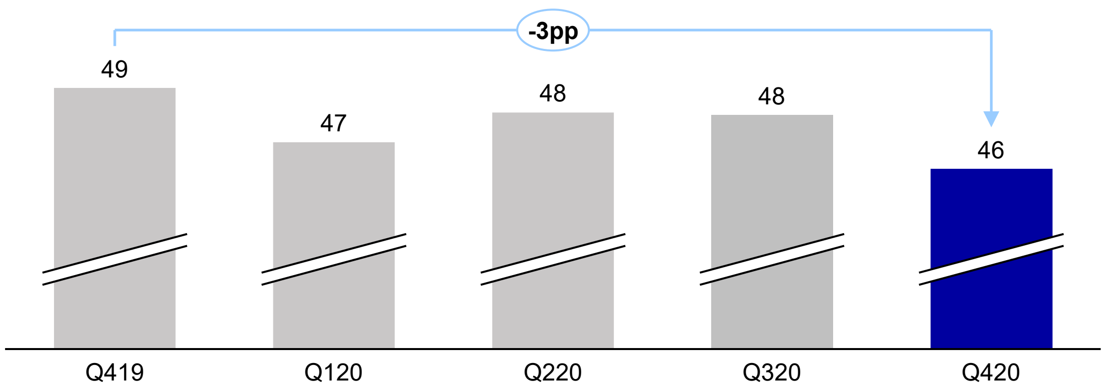
Comments

- Total income up 8% due to increased business activity and equity capital market transactions
  - Total income up 2% excluding impact of Nordea Finance Equipment (NFE) integration
  - Total lending volumes up 8%* (3% excluding NFE), with strongest growth in Norway and Sweden
- Savings and payment fee income further recovering in the quarter
- Improved cost efficiency: cost-to-income ratio down to 46%

Lending*, EURbn



Cost-to-income ratio**, %



* Excluding FX effects (adjusted to current exchange rate)
** With amortised resolution fees
*** Acquisition of SG Finans (now Nordea Finance Equipment) contributed EUR 4bn

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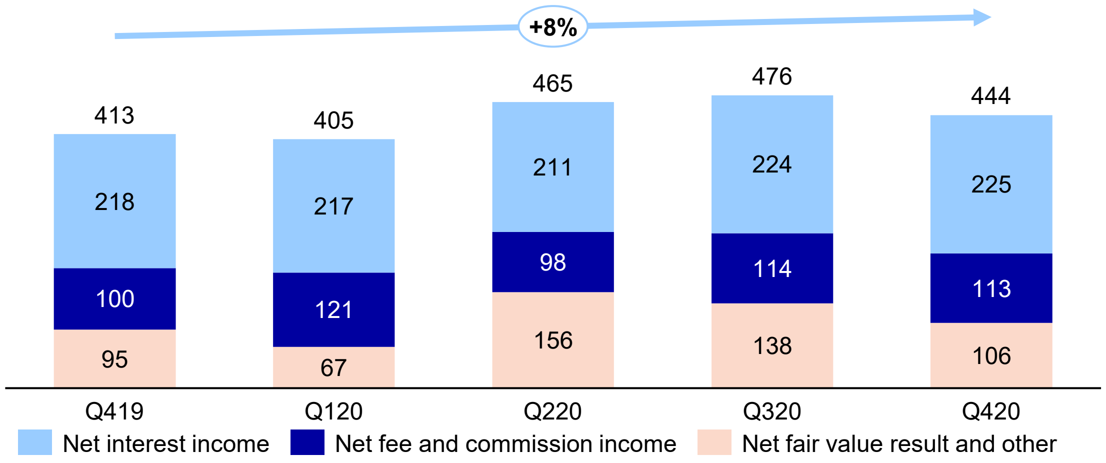
Large Corporates & Institutions – strong business activity, lower capital consumption

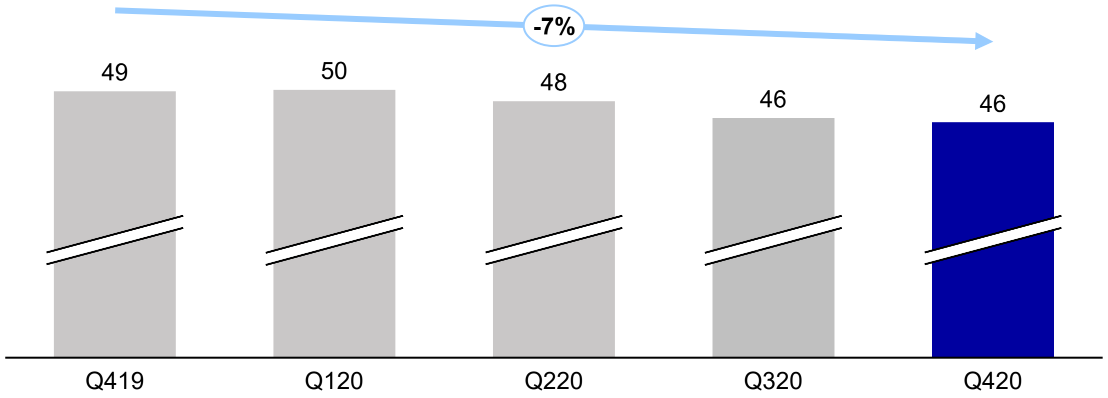
Total income, EURm



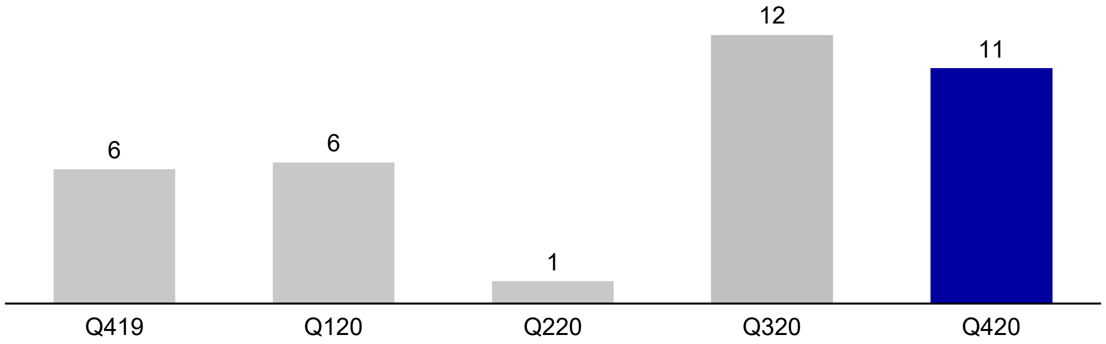
Comments

- Total income up 8%, with improvements across all income lines
  - Increased lending margins and high levels of customer activity
  - Strong result in investment banking-related products
- Good progress with strategic repositioning plan
- Improved return on capital at risk of 11% – EUR 1.1bn reduction in economic capital
- Improved cost efficiency: cost-to-income ratio down to 49%

Lending*, EURbn



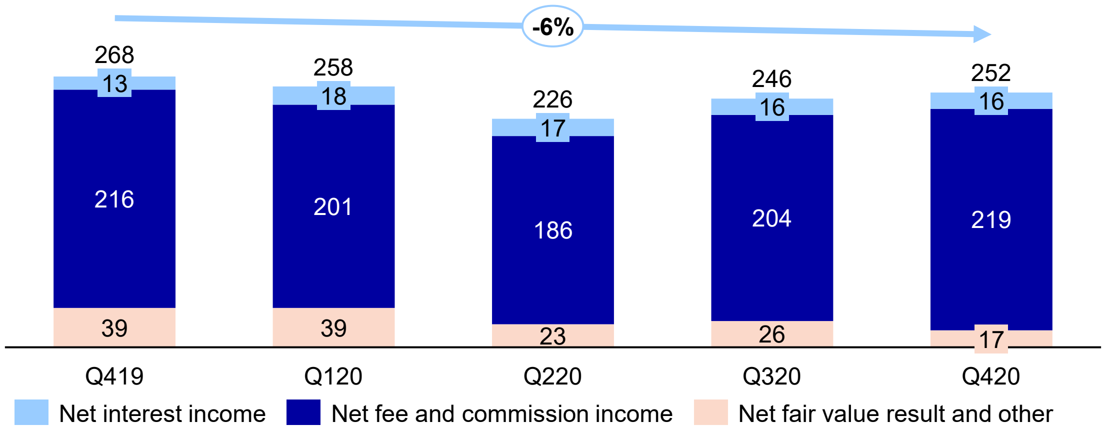
Return on capital at risk**, %



* Excluding repurchase agreements
** With amortised resolution fees

Asset & Wealth Management – record volumes and strong net inflow via all channels

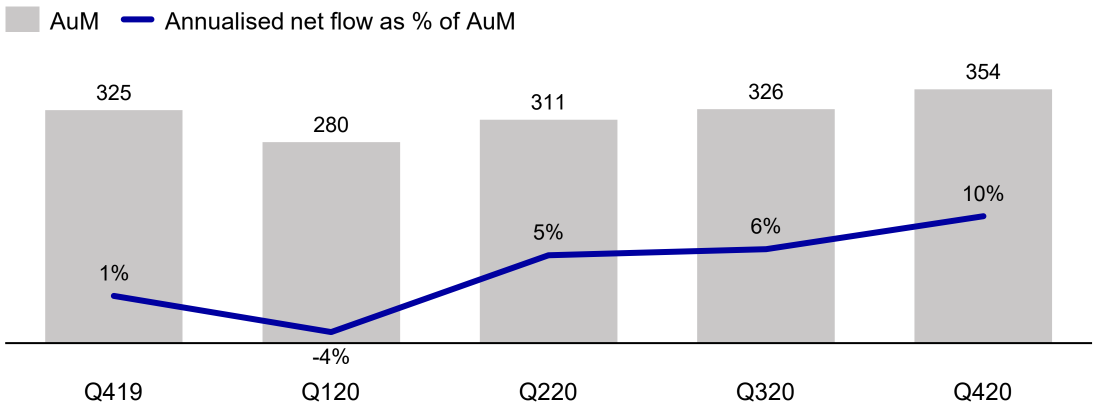
Total income, EURm



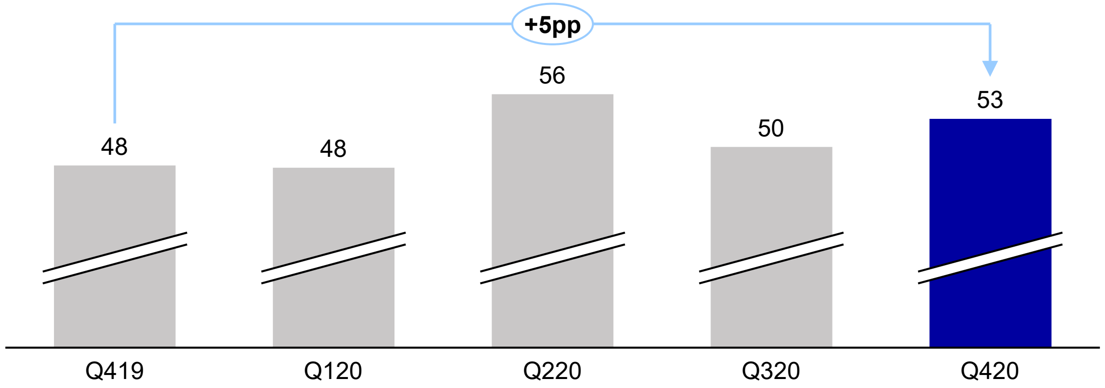
Comments

- Assets under management (AuM) up 9% to all-time high of EUR 354bn
  - Highest quarterly net inflow (EUR 8.2bn) since Q3 2016 and second highest ever
  - Strong demand for ESG products, contributing 70% of Q4 net inflow
- Total income supported by higher AuM and growth in lending volumes, but down 6% due to one off-items in Nordea Life & Pensions
- Cost-to-income ratio 53%

Assets under management, EURbn, and net flows, %



Cost-to-income ratio*, %



* With amortised resolution fees

Nordea

Next step in our sustainability journey: elevated ambition level and enhanced customer support

Our purpose is the starting point

**Together, we lead the way,
enabling dreams and everyday aspirations
for a greater good**

As a leading bank we are well positioned to drive change

Sustainability integrated into business plans across Group

- Savings and lending offerings
- Culture and people processes
- Procurement
- Risk management
- Funding

Targets for all ESG pillars – including customer activities and our own direct impact

- Medium-term (2023) targets for all units, covering ESG funds, green mortgages, green bonds, sector policies, etc
- Focus on incentivising customers to make choices which have a positive impact and supporting their transition to more sustainable banking
- Targets for our activities, including climate, social and governance areas, and financial strength

Our long-term climate objectives

- By 2030 reduce carbon emissions from our lending and investment portfolios by 40-50%* and achieve net zero emissions by 2050 at the latest
- By 2030 reduce carbon emissions from our internal operations by >50%* and deliver net positive carbon contribution (through off-setting)

* Baseline year 2019

Nordea is committed to delivering on its financial targets

Cost-to-income ratio in FY22

50%

Return on equity in FY22

>10%

Capital policy

150-200bp management buffer

above regulatory CET1 requirement

Dividend policy

60-70% payout of distributable profits to shareholders

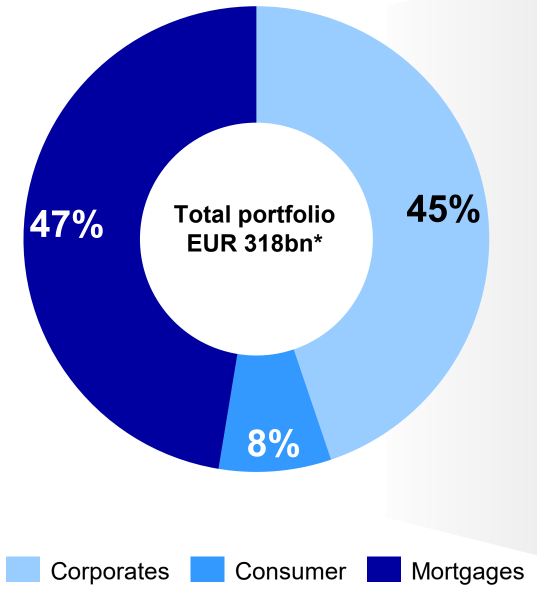
Excess capital intended to be distributed to shareholders through buy-backs

Q&A

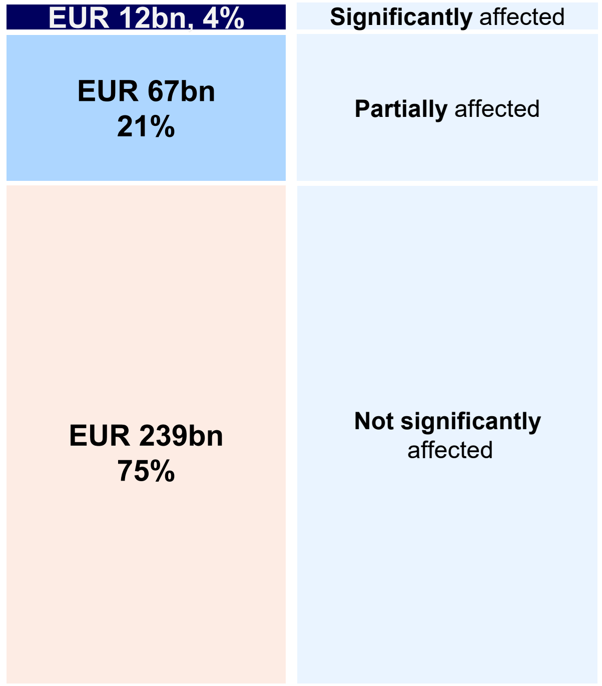
Appendix

Loan book – well diversified with strong credit quality during 2020

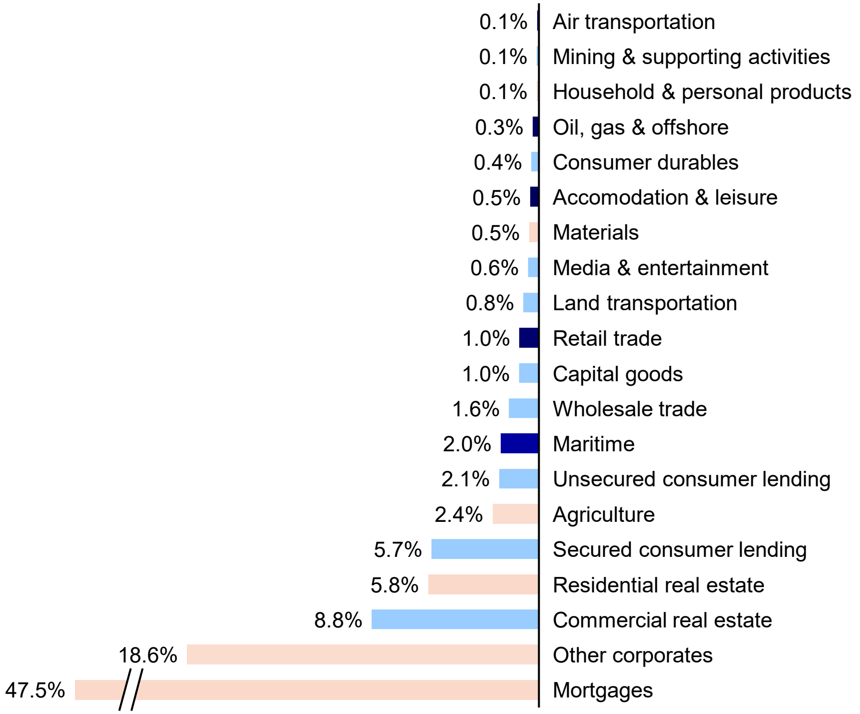
Portfolio well diversified across countries and segments



Updated analysis of COVID-19 impact by segment



Five segments with 4% of total exposures significantly affected



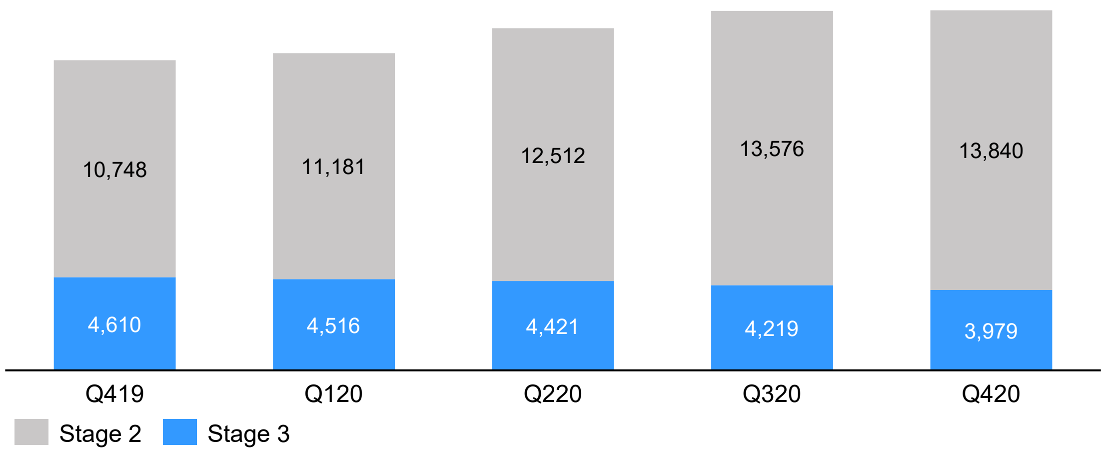
Nordic societies have well-structured social safety nets, strong fiscal positions and effective legal systems

Lending by country

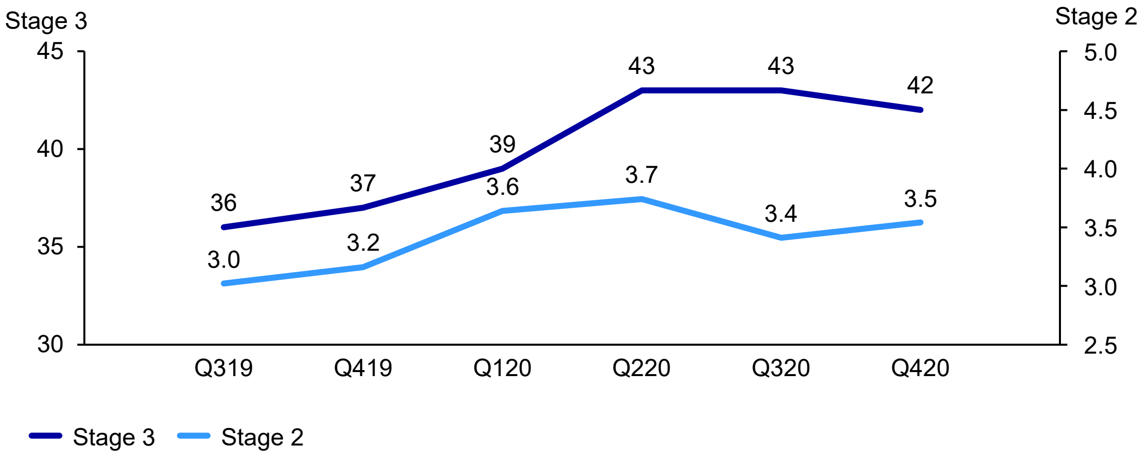
* Excluding repos

Strong and stable credit quality – continued reduction in impaired loans

Stage 2 and 3 loans at amortised cost, EURm



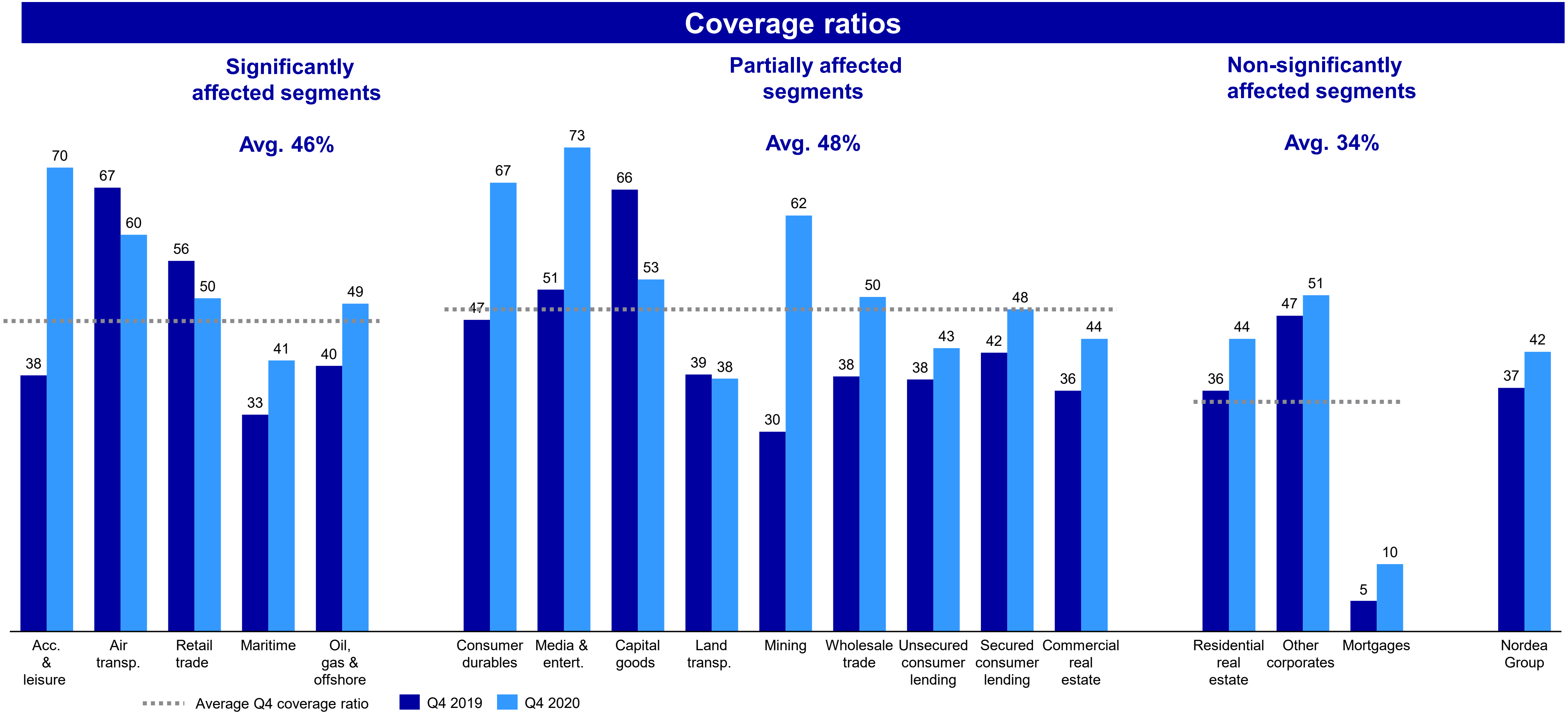
Coverage ratio, %



Comments

- Decrease in impaired loans ratio, from 1.69% to 1.51% q/q, due to write-offs of non-performing loans
- Stage 2 loans up 2% q/q due to COVID-19-affected customers
- Slight decrease in provision coverage for potential losses in stage 3, to 42% from 43%
- Slight deterioration in credit quality observed for significantly affected segments, as expected

Coverage ratios – well provisioned for potential losses



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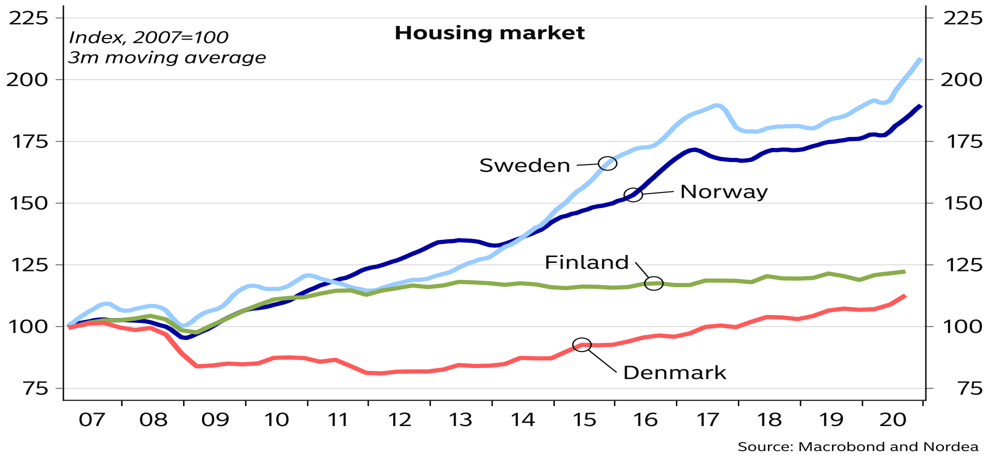
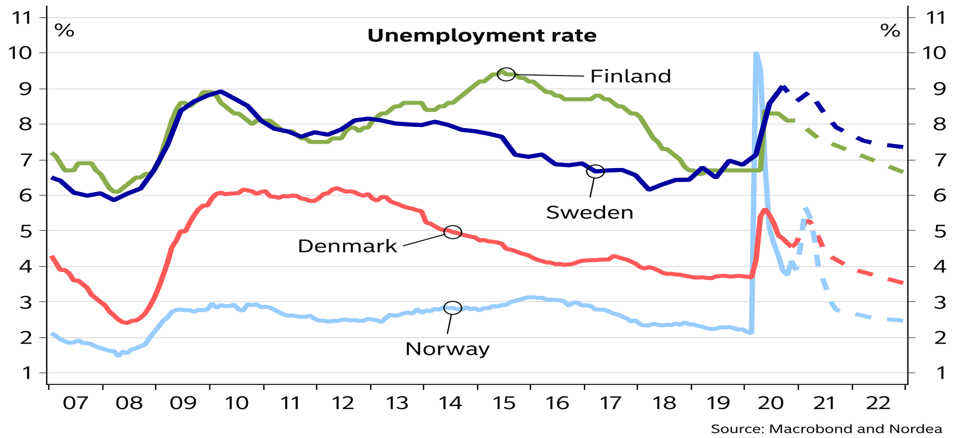
Nordic economic development – resilient economies rebounding

House prices



Unemployment rate



Nordics – among best performing countries during COVID-19

- Danish GDP up 5.2% q/q in Q3. Unemployment down to 4.5% in November and house prices up 5% y/y in the third quarter
- Finnish GDP up 3.3% q/q in Q3. Unemployment up to 8.1% in November and house prices were up 3% y/y in November
- Norwegian mainland GDP up 5.2% q/q in Q3. Unemployment down to 3.9% at end of 2020, and house prices up 8% y/y in December
- Swedish GDP up 4.9% q/q in Q3. Unemployment down to 8.3% in November and house prices up 11% y/y in December

GDP forecasts, %, y/y, (Nordea Markets)

Country	2020E	2021E	2022E
Denmark	-3.7	2.5	3.5
Finland	-3.0	3.0	2.0
Norway	-3.4	2.7	4.3
Sweden	-2.9	4.0	3.0

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