## Nordea

# The preferred financial partner in the Nordics

**Capital Markets Day** 

17 February 2022

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- Nordea and its businesses are exposed to various risks and uncertainties.
- This presentation contain certain statements which are not historical facts, including, without limitation, statements
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  prospects, growth and strategies; and statements preceded by "believes", "expects", "anticipates", "foresees" or similar
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# Agenda

			EET
Opening remarks		Frank Vang-Jensen, Matti Ahokas	12.00 – 12.05
٠	Nordea – The preferred financial partner in the Nordics	Frank Vang-Jensen	12.05 – 12.40
٠	Financial target and key focus areas	Ian Smith	12.40 – 13.10
٠	Q&A – CEO and CFO	Frank Vang-Jensen, Ian Smith	13.10 – 13.40
Break			13.40 – 14.00
٠	Personal Banking	Sara Mella	14.00 – 14.20
٠	Business Banking	Nina Arkilahti	14.20 – 14.40
٠	Large Corporates & Institutions	Martin A Persson	14.40 – 15.00
٠	Asset & Wealth Management	Snorre Storset	15.00 – 15.20
	Q&A – CEO, CFO and business areas	All	15.20 – 16.00

## Nordea

# The preferred financial partner in the Nordics

## **Capital Markets Day**

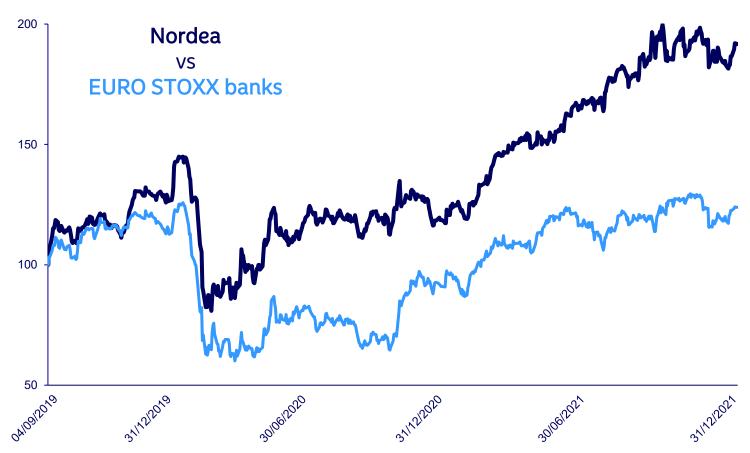
Frank Vang-Jensen, President & Group CEO 17 February 2022



#### Nordea's turnaround

## Strong share performance, significant capital payouts

## **Share price performance**



Source: Thomson Reuters DataStream

## +107% total shareholder return

since 4 September 2019

## Significant dividend payments

- Total dividends of EUR 1.48 per share in 2019-21, amounting to ~EUR 6bn
- Proposed FY2021 dividend of approximately EUR 0.69\* per share in 2022, totalling ~EUR 2.7bn

## **Share buy-backs started**

- EUR 2bn share buy-back programme initiated in October 2021; EUR 1.7bn deployed by 16 February 2022
- EUR 1bn follow-on programme approved in February 2022, enabling seamless reduction of excess capital

<sup>\*</sup>Approximate amount based on the estimated number of shares that will be in issue at the estimated dividend decision date



## Targets surpassed ahead of schedule

2022 financial targets	FY 2021	
Cost-to-income ratio 50% Return on equity >10%	48% 11.2%	<b>/</b>
Personal Banking C/I <sup>1</sup> ~50%	51%	<b>/</b>
Business Banking C/I <sup>1</sup> ~45%	45%	<b>/</b>
Large Corporates & Institutions Return on capital at risk ~10%	15%	<b>/</b>
Asset & Wealth Management	43%	



Selected key performance indicators (CMD 2019 vs FY2021)

#### **Create great customer experiences**

Customer satisfaction, household	+4pp since Q319
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Customer satisfaction, corporate +6pp since Q319

**Enhanced corporate netbank** +276,000 customers

(since launch Q318)

## **Drive income growth initiatives**

Mortgage lending growth <sup>2</sup> +14% since Q3
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SME lending growth<sup>2</sup> +15% since Q319

Assets under management net flows +4.1% annualised flow FY21

Asset Management internal distribution +7.8% annualised flow FY21

#### **Optimise operational efficiency**

Cost level 2021 ~EUR 4.6bn

**Employees** ~ -2,570 FTEs since Q319

**Consultants** Regulatory work

Streamlining of processes Slightly behind plan

**Economic capital reduction in LC&I** EUR 1.4bn EC since Q219

 $C/I^1 < 50\%$ 



<sup>2.</sup> Excluding FX effects (adjusted to current exchange rate)

<sup>3.</sup> Gross reduction of economic capital, LC&I = Large Corporates & Institutions

#### Nordea's turnaround

## **Driving cultural change**

Full year 2019 vs full year 2021

Mortgage lending<sup>1</sup>
+14%

SME lending<sup>1</sup> +15%

+26%

Costs reduced by EUR 230 m

Return on equity %

+3<sub>pp</sub>

Cost-to-income ratio

pp

improvement

## **Clear targets and priorities**

Financial performance significantly improved through focus on three key priorities: create great customer experiences, drive income growth initiatives, optimise operational efficiency

## Leadership and accountability

Business areas given greater accountability; incentive structure now closely aligned with business and financial performance

## Simplified organisational structure

De-layered organisation and more efficient way of working

#### **Tactical bolt-on M&A transactions**

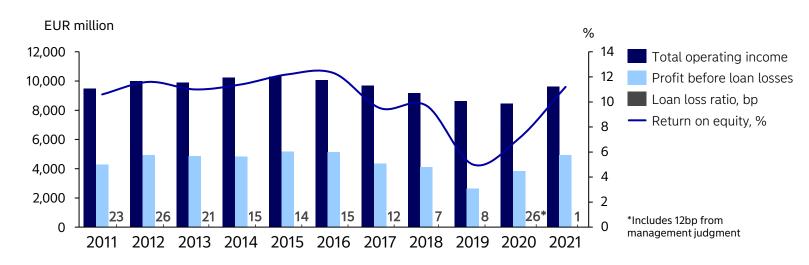
Investment in core segments – Nordea Finance Equipment

## Strong cost and performance culture

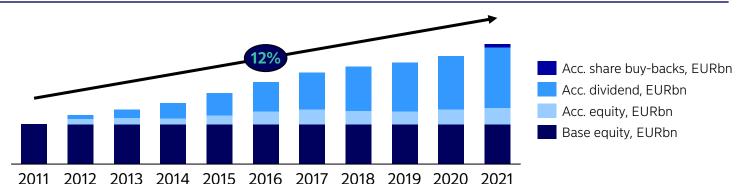
Net costs reduced while income increased

# Focus on Nordic growth, lower risk and stable capital generation

#### Back to growth with improving profitability and lower risk



## **Consistent and strong capital generation**



#### **Nordic focus**

Enhanced focus on home markets; Poland, Luxembourg and Baltics divested (2013, 2018 and 2018, respectively) and Russia exit under way (2021-)

#### Lower risk

Overall credit risk reduced and loan losses at low levels; 2021 an exceptional year

## Income back to growth

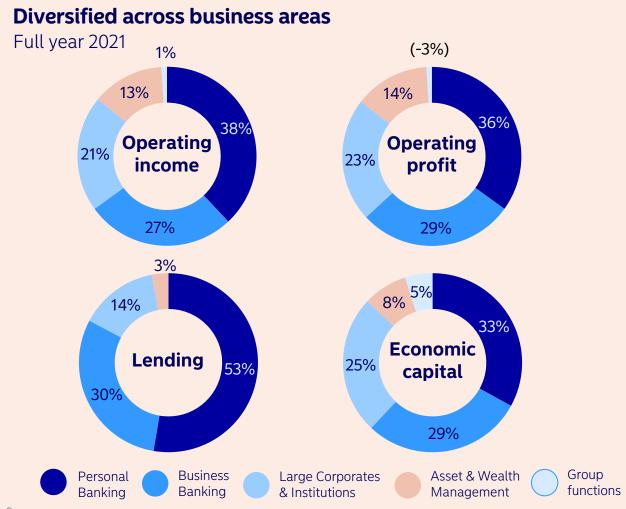
2021 year of growth following five years of decline after de-risking

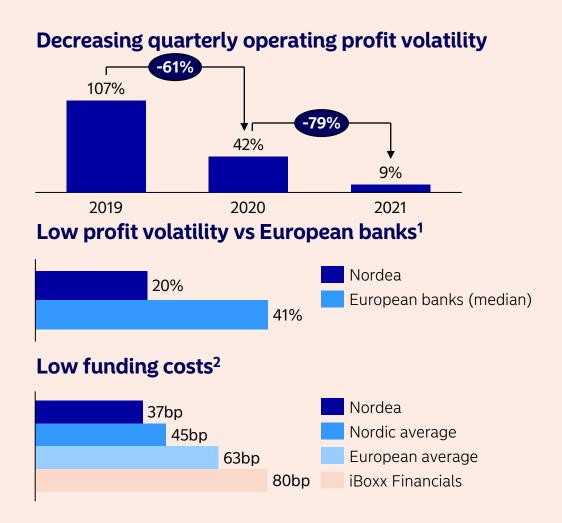
## +12% annual capital generation

Capital generation enabling significant shareholder returns



## Well diversified across strong Nordic countries; business mix with low earnings volatility



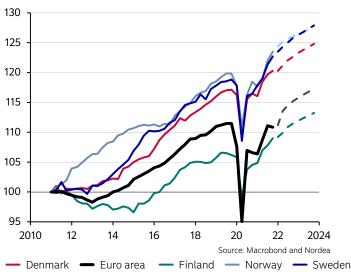


<sup>1. 2012–21</sup> annual operating profit volatility, sample of 30 European banks. 2. 5y senior preferred new issue spread

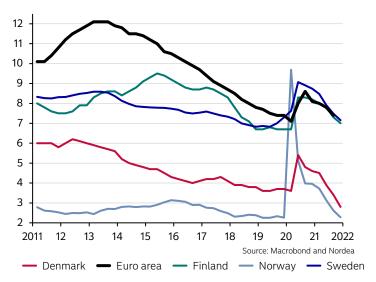
Nordea

## Structurally attractive banking environment





#### **Unemployment rate (%)**



## Global top 10: Social safety nets

- 1. Denmark
- 2. Finland
- Norway
- Austria

- 6 Switzerland
- **Netherlands**
- Spain
- 9. Sweden
- Luxemboura

Source: WEF Global Competitiveness Report special edition 2020

#### Global top 10: Digital transformation readiness

1. USA

- 6. Sweden
- Denmark
- Taiwan, China
- Switzerland
- Norway
- **Netherlands**
- 9. Finland
- Korea Rep.
- 10. Hong Kong SAR

Source: IMD digital competitiveness ranking 2021, based on adaptive attitudes, business agilitand IT integration

## Operating environment

## Nordic GDP growth steady

and above euro area average

## Nordic unemployment rates lower

than euro area average, with significant social safety nets

## Nordic countries highly digitalised

in global context

## Nordic banking market stable, safe and profitable

with high returns, driven by cost efficiency and low loan losses



## Largest financial services group in Nordics – unique platform for growth



Market cap., EUR<sup>2</sup>

43bn

Total assets, EUR<sup>2</sup>

570bn

Loans to the public, EUR<sup>2</sup>

345bn

**411bn** 



## Updated business plan with higher target



2022-25

# The preferred financial partner in the Nordics

## Raising the bar

Firm financial target bringing us to best-in-class in the Nordic and European markets

# Best-in-class omnichannel customer experiences and further value creation for shareholders

Meet and exceed customers' expectations and deliver competitive shareholder returns with firm focus on capital excellence

## Well equipped for the future

Accelerate development of focus areas and ensure stable and well-diversified credit portfolio

2025 financial target

Return on equity

>13%

Assumes CET1 requirement of 15–16%, including management buffer

Supported in 2025 by

**Cost-to-income ratio** 45–47%

**Loan losses**Normalised ~10bp

## Capital and dividend policy

60–70% dividend payout ratio; excess capital distributed through buy-backs

Management buffer of 150–200bp above regulatory CET1 requirement

2019-21

# A strong and personal financial partner

New strategic direction and targets

Grow credibility and retake lost ground in business



## **CREATE**

the best omnichannel customer experience

## DRIVE

focused and profitable growth

## **INCREASE**

operational and capital efficiency

## **24/7/365** availability

We have >1 billion digital engagements per year and ~4 million digitally active customers. We will double digital products and services by 2025 and continue to be the #1 rated mobile bank in the Nordics

## Personalised experience

We are modernising relationship banking by investing in data & AI to create personalised customer experiences with a human-like touch. Our digital capabilities, combined with ~800,000 advisory sessions and ~4,000 advisers, provide a seamless customer experience for all banking needs

## **Banking on your terms**

By 2025, private customers will be able to carry out daily banking needs 100% digitally and SMEs will have a full-breadth digital service offering

## CREATE

the best omnichannel customer experience

## **DRIVE**

focused and profitable growth

## **INCREASE**

operational and capital efficiency

## **Grow savings**

The Nordic savings market is structurally attractive and supported by a growing need for retirement savings and overall wealth management. We are well positioned to grow ahead of the market

## Selectively gain market shares that drive profitability

We have identified opportunities in Sweden, Norway and Denmark in particular

## **Portfolio optimisation**

We are optimising our portfolio through focused capital allocation across our four business areas and four countries, targeting profitable growth

## **M&A bolt-ons**

Our strong balance sheet and capital generation will enable selected bolt-on acquisitions to support our portfolio and growth

## CREATE

the best omnichannel customer experience

## DRIVE

focused and profitable growth

## **INCREASE**

operational and capital efficiency

## Building a strong cost culture as part of our lifestyle

We are shifting our focus from an absolute cost target to a competitive cost-to-income ratio. Continual operational improvements will deliver a cost-to-income ratio of 45–47% in 2025

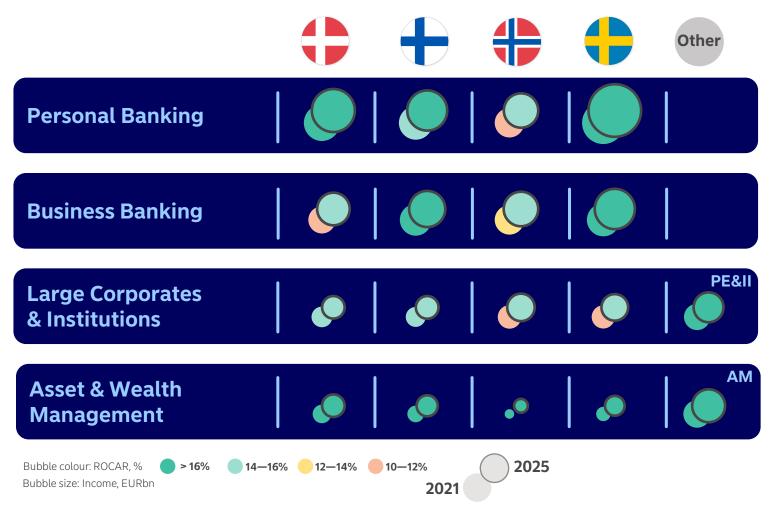
## **Ensure sufficient investment capacity**

We will continue to pursue structural cost reductions by employing automation and digitisation. We have sufficient capacity to invest in digital, data, ESG and regulatory areas – to make the bank even better and well equipped for the future

## Capital excellence

We will achieve an optimised and efficient capital position by further reducing low-yielding exposures and deploying capital for profitable growth. Our capital base will be managed sustainably to drive market-leading shareholder returns

## **Driving profitability improvements across Nordic segments**



Primary levers to drive profitability improvements

Accelerate savings growth

Allocate more capital to profitable lending growth

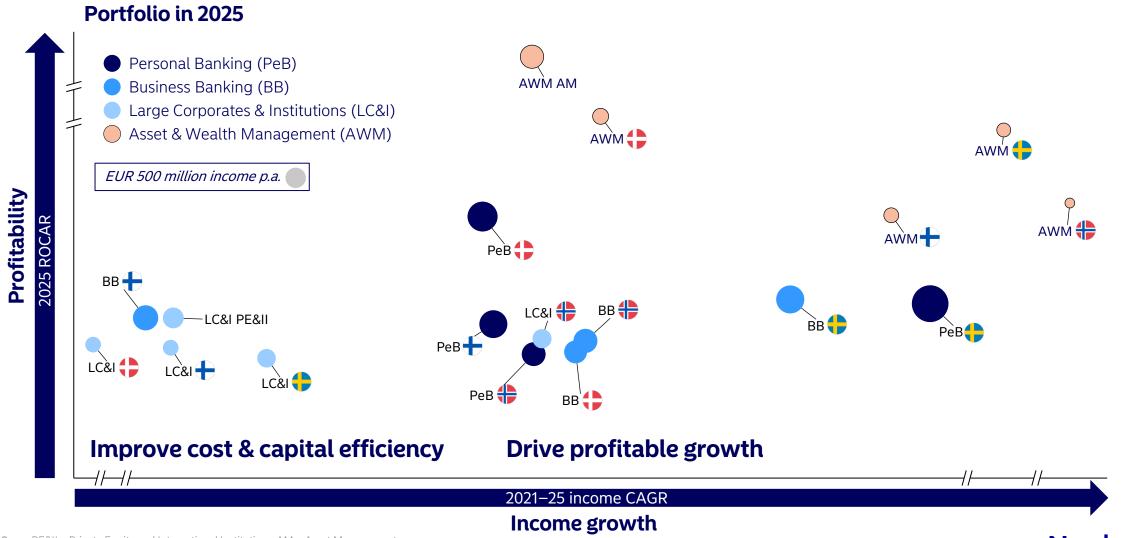
Increase operational efficiency

Reduce low-yielding economic capital

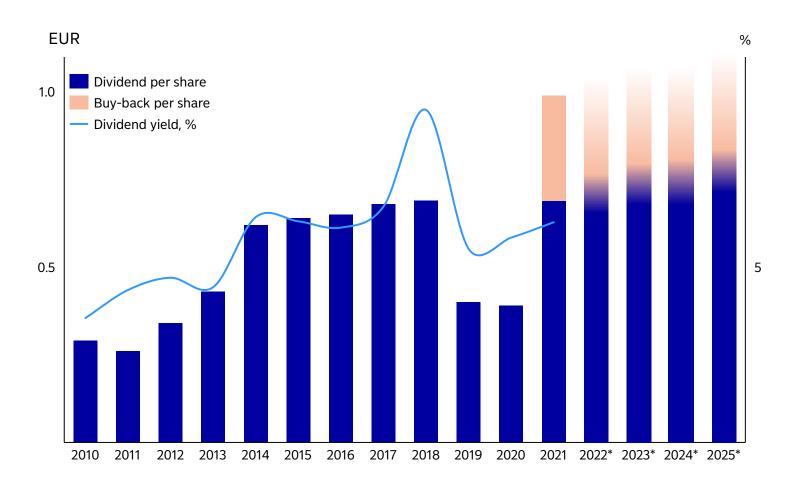




## Portfolio optimisation based on profitable growth and capital efficiency



## Market-leading shareholder returns



71%
average dividend payout ratio since 2010 – now complemented with share buy-backs



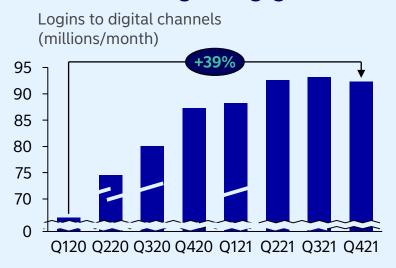
## Making banking easy – investing in digital leadership and omnichannel customer experiences

## Competitive digital experience

## **Best performer**

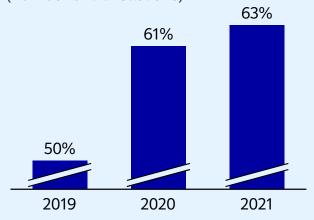
D-Rating – 2021 Digital Proposition among following Nordic banks: Danske Bank, Handelsbanken, SEB, Swedbank

## Growth in digital engagement



#### **Increased business**

Share of all fund sales through digital channels (number of transactions)



## 2025 targets

**~1 million more** digitally active customers (+25% vs 2021e)

Full self-service for daily banking (vs ~50% of features available in 2021)

All relevant products available in "one shop" (vs ~50% of retail and SME products available in 2021) #1 mobile bank in the Nordics (maintain 2021e)



# Sustainability at the core

We have built up strong competence and capacity within the area of sustainability. With an enhanced product and service offering, we are well positioned to play a leading role in supporting our customers in the transition to net zero.

We see great opportunities and strong demand for investing in and financing new green technologies and the transition of carbon-intensive industries – and aim to accelerate our positive impact.

## Our climate action objectives

**Net-zero** 

emissions by 2050 at latest

40-50%

reduction in emissions across investment and lending portfolios by 2030 50%

reduction in emissions from internal operations by 2030

## Clear targets and decisive action to meet climate objectives

#### Our climate actions in 2021



## **Increase positive impact**

Channelling capital towards sustainable solutions

## #1 ranking for sustainable finance

- Nordic sustainable bonds, overall and corporate
- Nordic sustainability-linked syndicated loans, overall and corporate

EUR 9.7bn in on-balance sheet green lending

**Article 8&9 investment funds** – AuM up 21%



## **Decrease negative impact**

Engaging to support green transition

Tangible plans in place to reduce emissions

in climate-vulnerable sectors

Consolidated sector-specific customer emissions data

and sector-specific pathways under preparation

**Active ownership** – voted at 4,200 AGMs/EGMs and joined 45 nomination committees



2025 sustainability targets

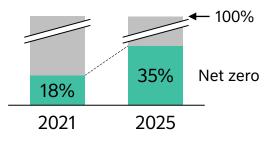
# Facilitate sustainable financing

2022-25



# Double share of net-zero committed AuM

Asset Management



# Transition plans for large corporates

Exposure in climate-vulnerable sectors

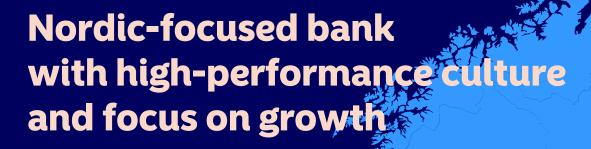


# Alignment with Paris Agreement for top 200 emitters

Portfolios in Asset Management









The preferred partner for customers in need of a broad range of financial services

Organisational structure streamlined, with clear accountability

Incentive structure aligned with growth and financial success

Nordea brand elevated to support even better business performance

# Nordea

2025: The preferred financial partner in the Nordics

Raising the bar on financial performance

Driving best-in-class omnichannel customer experiences and further value creation for shareholders

Well equipped for the future

## 2025 financial target

## Return on equity

>13%

Assumes CET1 requirement of 15–16%, including management buffer

Supported in 2025 by

**Cost-to-income ratio** 45–47%

**Loan losses** 

Normalised ~10bp

## **Capital and dividend policy**

60–70% dividend payout ratio; excess capital distributed through buy-backs

Management buffer of 150–200bp above regulatory CET1 requirement



## Business momentum supported by strong financial foundation

Full year 2021 (compared with 2019)

#### **GROWTH**

**Business momentum** 

+15% +14%

**SME** mortgage lending lending

+26% +12% AuM income

#### **EFFICIENCY**

Significant positive jaws

+12% -5%

income costs

Cost-to-income ratio

9pp

improvement

#### **CAPITAL**

**Net capital generation** 

~200bp

capital excess before M&A and buy-backs1

Shareholder returns

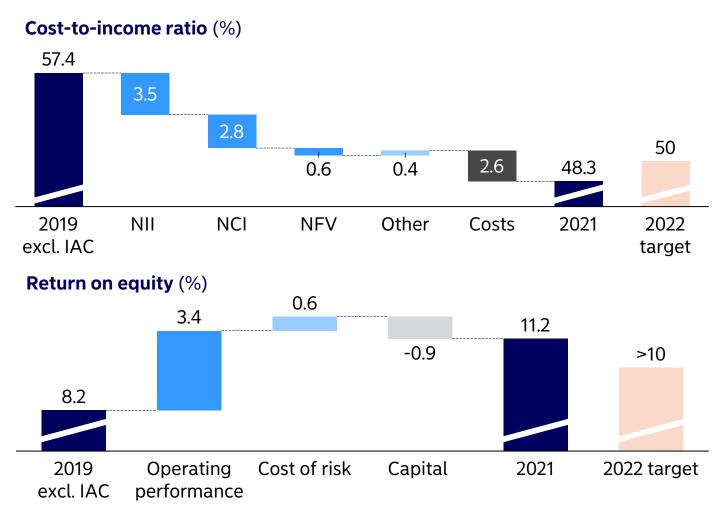
**EUR 4.4bn** 

in dividends and buy-backs1

STRONG CAPITAL POSITION **CET1 ratio 17.0%** 



## Targets surpassed ahead of schedule





Delivering on our strategy 2019–21

## **Drive income growth initiatives**

- Relentless business execution
- Strong lending and deposit growth
- Stable lending and deposit margins
- Lower funding costs
- Strong net inflows in all channels

## Optimise operational efficiency

- Clear accountability
- Simplified processes and organisation
- Fewer people: -7% FTEs
- FUR 230m net cost reduction
- Capital efficiency gains; LC&I EC down 23%

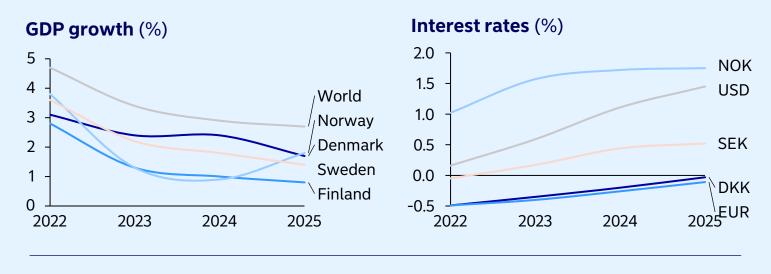
#### Favourable market conditions in 2021

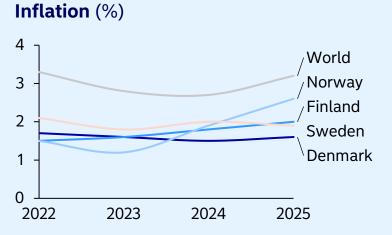
- Strong advisory income
- Exceptional net fair value result
- Loan losses 14bp lower than historical average



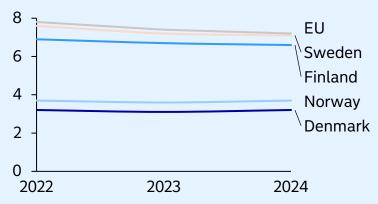
## Financial target

## Key assumptions underpinning our plans









Nordic lending market growth ~3% CAGR 2021–25

**Equity market return** +6% CAGR 2021–25

Fixed income market return -0.5% CAGR 2021-25

Foreign exchange rates
EUR/SEK 10.24
EUR/NOK 10.64
EUR/DKK 7.44



## Raising the bar - higher financial target for 2025

2025 financial target

**Return on equity** 

>13%

Assumes CET1 requirement of 15–16%, including management buffer

Supported in 2025 by

Cost-to-income ratio 45–47%

**Loan losses** 

Normalised ~10bp

**Capital and dividend policy** 

60–70% dividend payout ratio; excess capital distributed through buy-backs

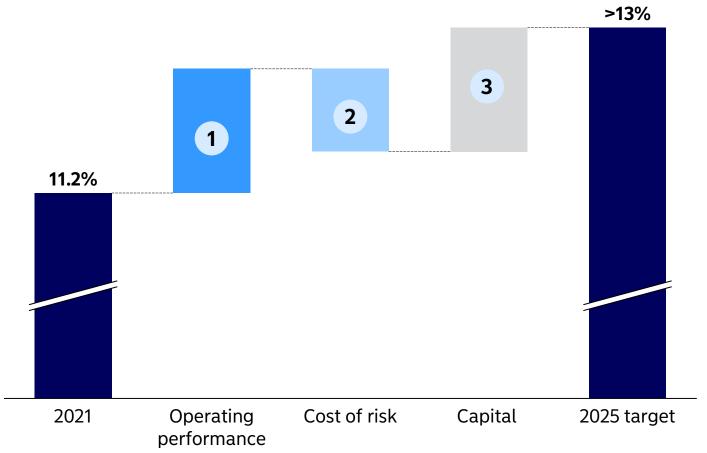
Management buffer of 150–200bp above regulatory CET1 requirement



## Financial target

## Delivering a step change in profitability

#### **Return on equity (%)**





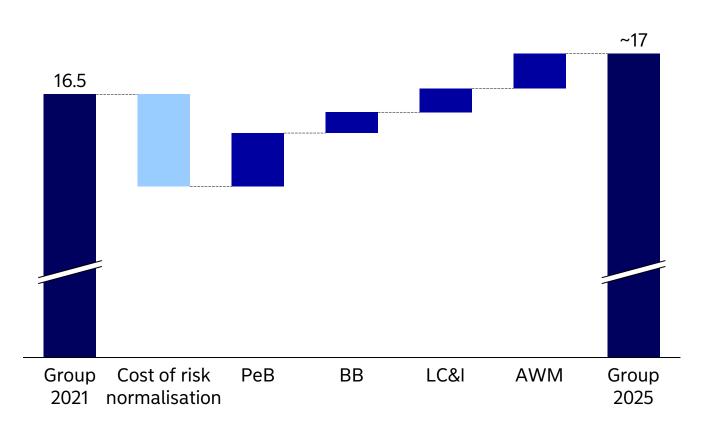
## Drivers for 2025 target

- 1 Focused and profitable growth and operational efficiency
  - All business areas to contribute
- 2 Loan losses settling below historical average
  - 2021 very low
  - Expected to normalise by 2025
- 3 Capital excellence
  - Further reduce capital intensity
  - Allocate capital for profitable growth
  - Potential for bolt-on M&As
  - Dividends and buy-backs
  - Very competitive funding

## Financial target

## All business areas to contribute; lean corporate costs

## **Return on capital at risk** (%)



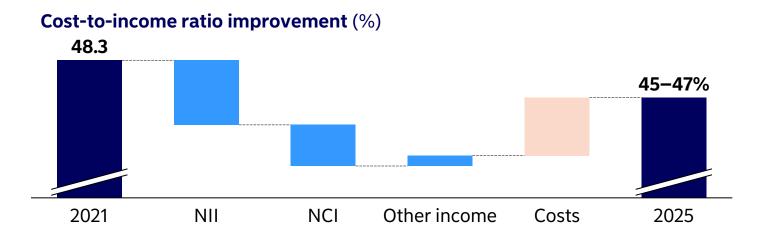


## Business area 2025 targets

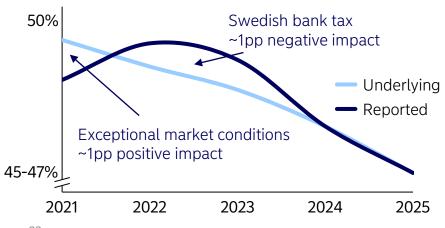
	ROCAR	Cost-to- income ratio
Personal Banking	~18%	~45%
Business Banking	~16%	~40%
Large Corporates & Institutions	~16%	~40%
Asset & Wealth Management	~38%	~40%
Other		
Group total	~17%	45–47%
Items affecting RoE <sup>1</sup>	~-4%	
Return on equity	>13%	

#### Operating performance

## Focused on income growth and operational efficiency



#### **Cost-to-income ratio development**



~+2% jaws CAGR 2021-25

Continuous improvement in underlying cost-to-income ratio



## Operating performance

## Drive focused profitable growth

- Drive market share gains
- ~4% lending volume CAGR 2021–25
- 4-6% savings AuM CAGR 2021-25

## Invest in key levers

- Enhance digital proposition
- More effective savings process
- Strengthen private banking advisory offering
- Continue to increase speed and availability in mortgage process
- Broaden product offering

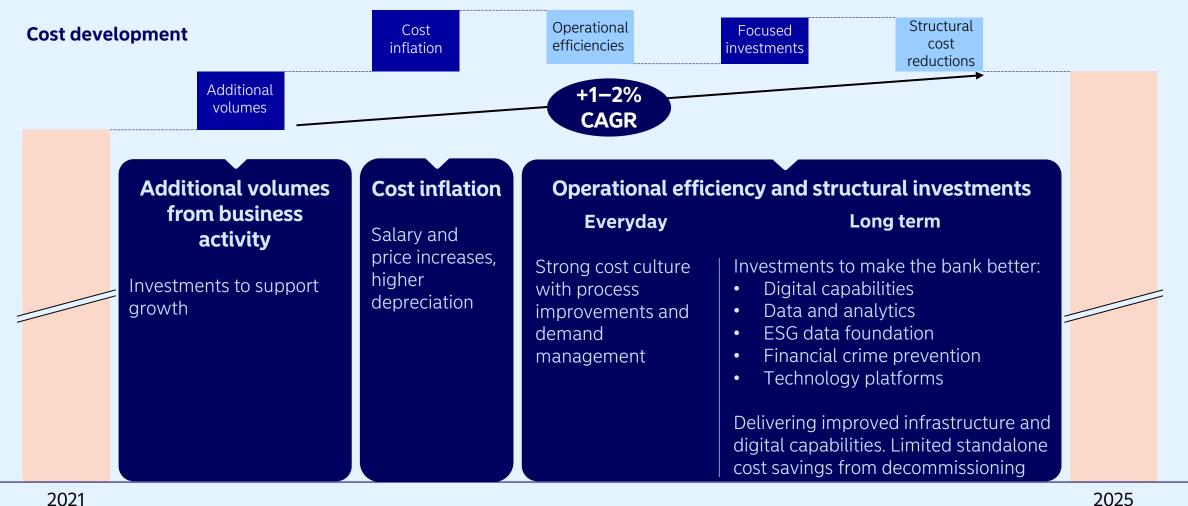
## Rigorous cost efficiency

- Continuous improvement to offset cost inflation and reduce structural costs
- Nominal cost increase driven by higher business activity, investments and regulatory demands



#### Operating performance

## Smart investments and rigorous cost control

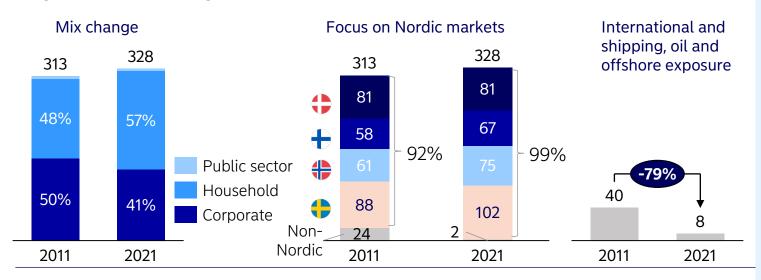


Nordea

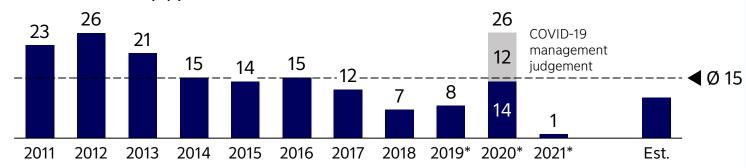
#### Cost of risk

## Loan losses settling below historical average

#### Significant de-risking (EURbn)



#### Loan loss ratios (bp)



## Significant portfolio de-risking

- Increased share of household lending
- Focus on our four Nordic home markets
- Reduced international exposure
  - Divested business in Poland, Luxembourg and Baltics
  - Exit from Russia ongoing
- Reduced shipping, oil and offshore portfolio by half; further actions ongoing

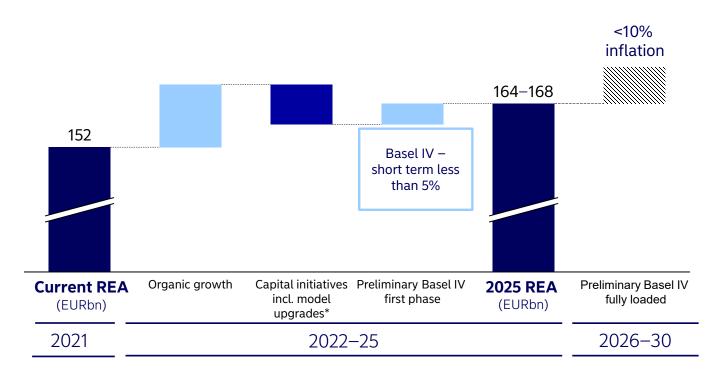
#### Future loan loss levels rebased

- 2020–21 resilient credit quality
- 2022–23 unwinding the COVID-19 buffer
- 2024–25 new normal, de-risked portfolio
- Normalised run rate from 2025 ~10bp



#### Capital excellence

## Risk exposure amount development



## **Capital initiatives:**

- Refined capital deployment in BB and LC&I
- Hedging
- Model upgrades

#### **Business initiatives:**

- Product shaping
- Repricing

## **Planned REA growth**

- Ambitious lending growth plan
- Sustained focus on capital initiatives
- Continued reduction in capital intensity
- Modest net impact from regulatory changes

## 2025 preliminary Basel IV phase 1

- <5% REA inflation
- Credit risk negligible
- Market risk & CVA: FRTB
- Operational risk: new methodology

## 2030 preliminary Basel IV fully loaded

- <10% REA inflation from output floors

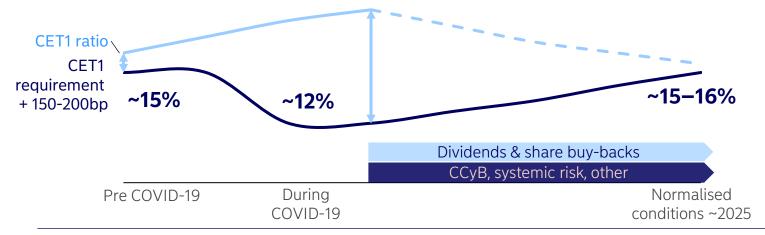
# Business initiatives developed to further mitigate impact



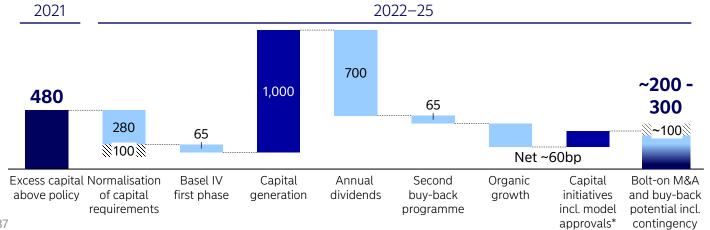
#### Capital excellence

#### Reducing capital excess - path to normalisation

#### **CET1** capital ratio and requirement



#### **Capital generation and uses of capital (bp)**



#### Normalised CET1 requirement

- Continued reactivation of countercyclical capital buffers and buffers for systemic risk
- Regulatory requirement expected to settle around 13%; up to additional 1% allowance for prudence
- Management buffer of 150–200bp above regulatory requirement
- Implied CET1 ratio of 15–16%

#### Focus on capital excellence

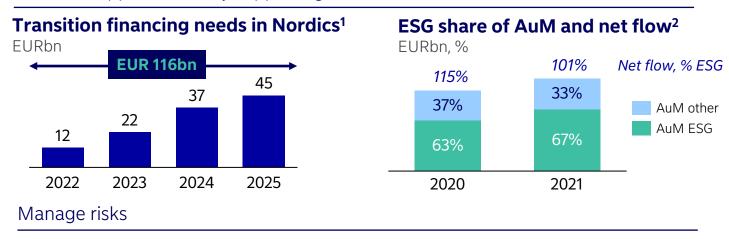
- Capital deployment for profitable growth
- Capital efficiency initiatives
- Excess capital returned to shareholders



#### Sustainability at the core

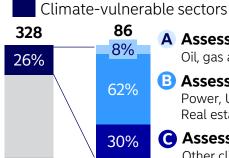
#### Green transition - balancing opportunities and risks

#### Maximise opportunities by supporting customers



#### Climate-vulnerable exposure

**Sector assessment** (total lending, EURbn)



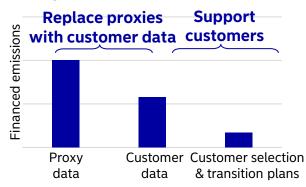
2021

A Assessment completed
Oil, gas and offshore, Shipping, Mining

- B Assessment under way
  Power, Utilities,
  Real estate management
- **C** Assessment planned Other climate-vulnerable sectors

#### **Example of learnings**

Oil, gas and offshore



#### **Transition financing**

Commitment, capability, balance sheet capacity, and depth and breadth of customer relationships will make Nordea winner among fierce competition

#### Sustainable savings

Globally well positioned for high-growth, high-margin and capital-light business

#### Sector deep dive assessments

#### **Engage to support customers**

in establishing credible green transition paths (e.g. investments in green vessels)

#### **Transition to reduce emissions**

and de-risk operations (e.g. offshore)



#### Raising the bar:

#### Ready to deliver on higher target



The preferred financial partner in the Nordics

**Creating value for shareholders** 

Well equipped for the future

#### **2025: Return on equity >13%**

#### Revenue growth

- Lending growth ~4% CAGR capturing further market share
- Net interest margin largely stable
- Savings growth of 4–6% CAGR

#### Cost-to-income ratio to 45-47%

Continuous improvement in underlying cost-to-income ratio

#### Cost of risk normalised at ~10bp

Settling below historical average following portfolio de-risking

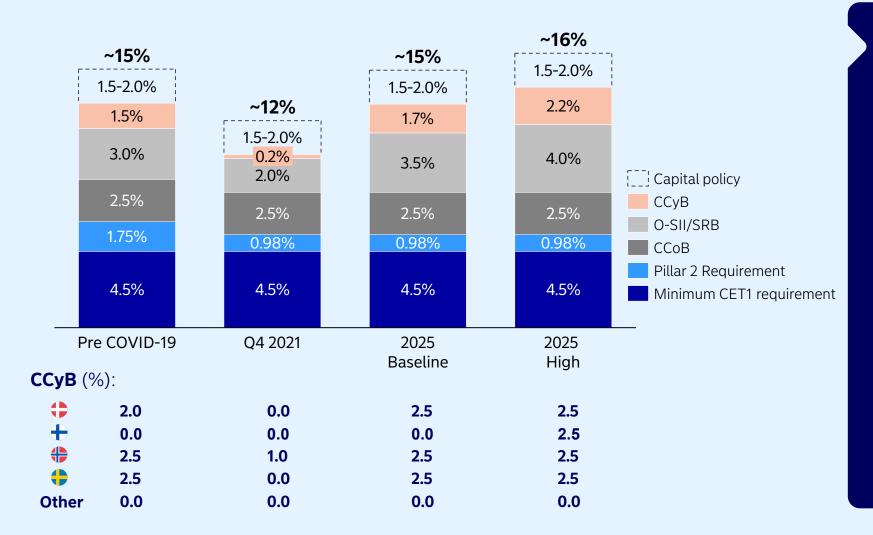
#### **CET1 ratio ~15–16%**

Normalisation of capital requirements; active capital management

**60–70% dividend payout ratio p.a. complemented by buy-backs** Planned total shareholder distributions of EUR 15–17bn 2022-25

#### **Appendix**

#### Key assumptions underpinning our plans - capital requirements



#### **Current requirements**

~3% reduction vs Pre COVID-19

#### 2025 'Baseline'

- Systemic risk 1.5% increase (from 2% today to 3.5%)
- CCyB increase 1.5% increase (from 0.2% today to 1.7%)

#### 2025 'High'

- Systemic risk 2% (from 2% today to 4%)
- CCyB 2% increase



# Nordea Break

# Agenda

		EET
<ul> <li>Personal Banking</li> </ul>	Sara Mella	14.00 – 14.20
<ul> <li>Business Banking</li> </ul>	Nina Arkilahti	14.20 - 14.40
<ul> <li>Large Corporates &amp; Institutions</li> </ul>	Martin A Persson	14.40 – 15.00
<ul> <li>Asset &amp; Wealth Management</li> </ul>	Snorre Storset	15.00 – 15.20
<ul> <li>Q&amp;A – CEO, CFO and business areas</li> </ul>	All	15.20 – 16.00



#### Personal Banking today

#### Strong market positions with potential for growth



**Serving Nordic household customers** 



Nordic scale delivered with local relevance



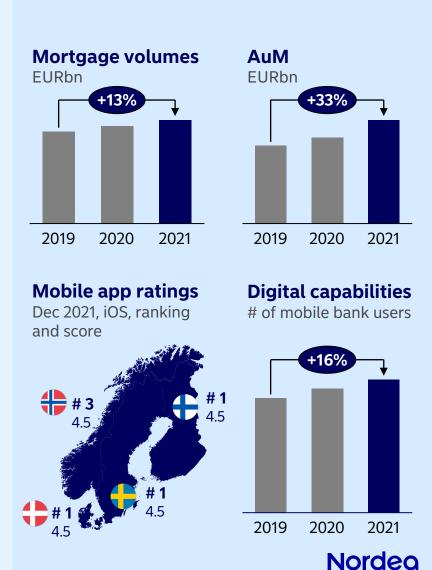
Strong advisory competences – both digital and physical



Full range of **financial services** 

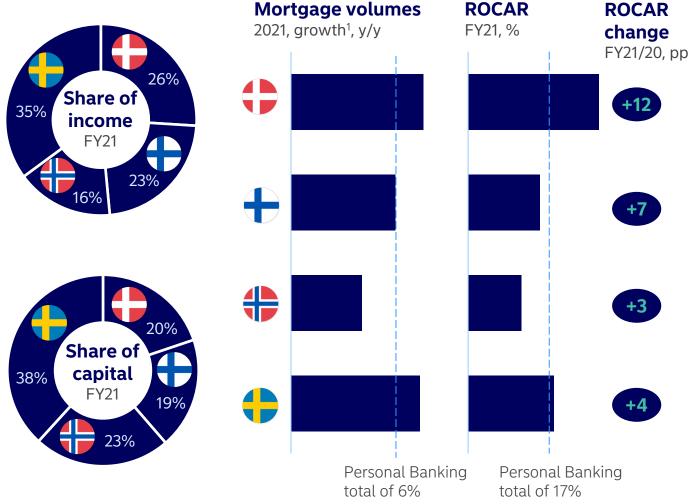


Leading digital platforms



#### Personal Banking today

#### All countries have improved profitability



Strong market positions in all four countries

Profitable business with strong growth

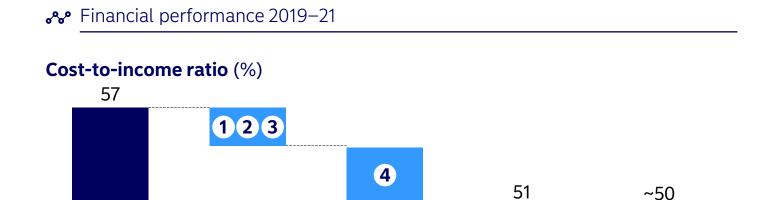
**Risk diversification across Nordic** countries



#### Personal Banking 2019-21

2019

#### Strong business momentum and improved cost efficiency

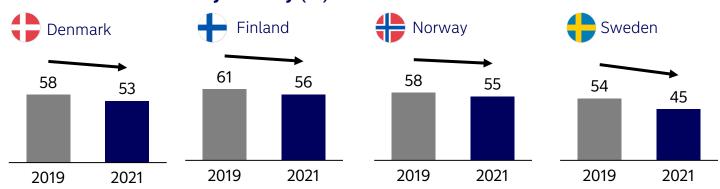


Costs

2021

#### **Cost-to-income ratio by country (%)**

Income



2022 target

- 2022 targets met ahead of schedule
- 1 Improved customer experience and deepened customer relationships
- 2 Grew mortgage lending profitably through availability, omnichannel experience and margin management
- **Grew savings**within existing customer base by activating new savers
- 4 Leveraged digital capabilities for efficiencies in daily banking services and key advisory processes

Nordea

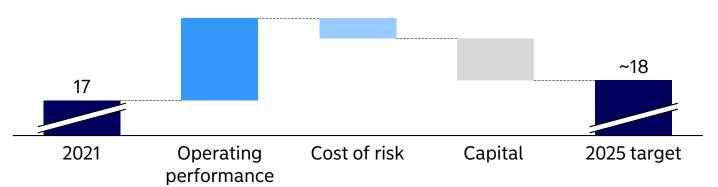
#### Personal Banking 2022–25

#### Continue business momentum with focused investment

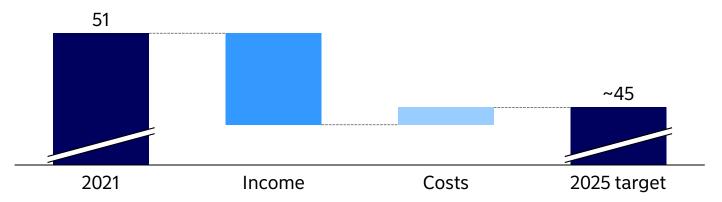


2025 targets

#### Return on capital at risk (%)



#### **Cost-to-income ratio** (%)





Main drivers for 2025 targets

#### Continue existing business momentum

from current strong customer portfolio

#### **Drive growth**

through savings and particular focus on Sweden

#### Increase operational efficiency

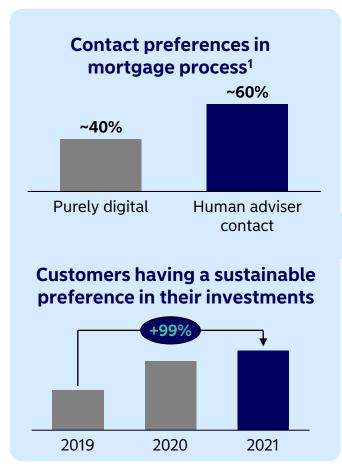
in the distribution model and key customer journey processes

# Normalisation of cost of risk and capital requirements



#### Deepening customer relationships by combining digital ease with competent advisory

#### **Customer preferences evolve**



#### The core of our relationship strategy

Strong **customer relationships** through all life events by being proactive and relevant

**Personalised advisory** as a differentiator for increasingly commoditised products

Seamless flow between digital and our people in our **omnichannel customer experience** 

Leverage relationship with our mortgage customers to increase savings business

**Nordic scale** to increase efficiency

#### Personal Banking 2022-25

#### Focus on profitable growth in selected areas

#### Our focus areas and key activities



#### Accelerate savings growth

- Leverage our mortgage relationships to activate new savings customers
- Increase digital proactivity with existing savings customers
- Improve digital experience with insights and advice



#### Strengthen position in Sweden

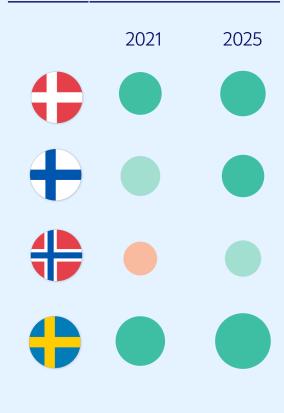
- Invest in advisory capacity and brand-driven marketing
- Enhance digital sales capabilities and competences
- Provide new digital services



#### Offer sustainable choices and advice

- Leverage our ESG savings offering
- Expand sustainable offerings such as green lending
- Utilise partnerships to support customers

#### **Profitable growth**



Bubble colour: ROCAR > 16% 14-16% 12-14% 10-12% Bubble size: Income, EURbn

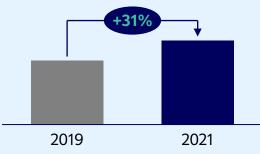
Normalised loan losses used for 2021 numbers



#### Digital is a key enabler in our relationship model

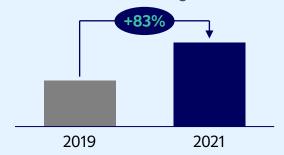
#### Increase in digital customer interactions ...

# of mobile bank log-ons



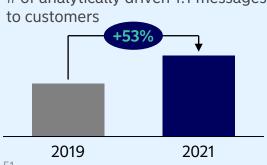
#### ... and the majority of our human advisory is virtual

Share of online meetings



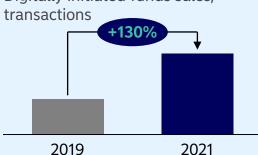
#### Significant increase in number of personalised digital messages ...

# of analytically driven 1:1 messages



#### ... as well as in digital initiated sales

Digitally initiated funds sales,



#### Making banking easy through

Fast and engaging digital onboarding

**Personalised experience** in digital channels

**Actionable insights** to improve financial well-being



# Personal Banking

2025: Leading relationship bank in the Nordics

Create best-in-class omnichannel customer experiences through personalised digital experience and competent advice

Increase profitability through savings growth, strengthening the position in Sweden and offering sustainable choices and advice

Increase operational efficiency through digital capabilities and Nordic scale

2025 targets

Return on capital at risk ~18%

Cost-to-income ratio  $\sim 45\%$ 



#### Business Banking today

#### Leading SME bank and business partner in the Nordics



Nordic scale leveraged to service SMEs' local needs



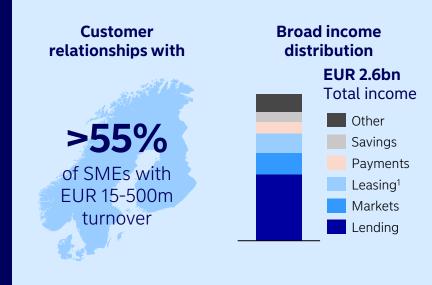
Wide customer reach and strong deal inflow

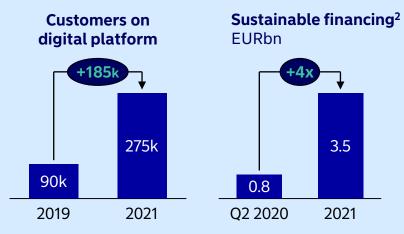


Extensive product offering and sector specialists

- **(4)**
- Easy to deal with via one Nordic digital platform
- (K)

Strong sustainable offering and products

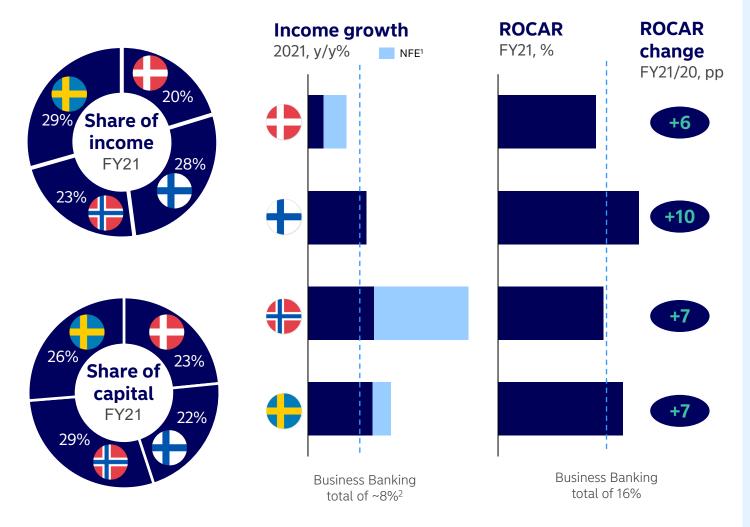






#### Business Banking today

#### Delivered good income growth and improved profitability



Strong position across all markets with highest growth in Sweden and Norway

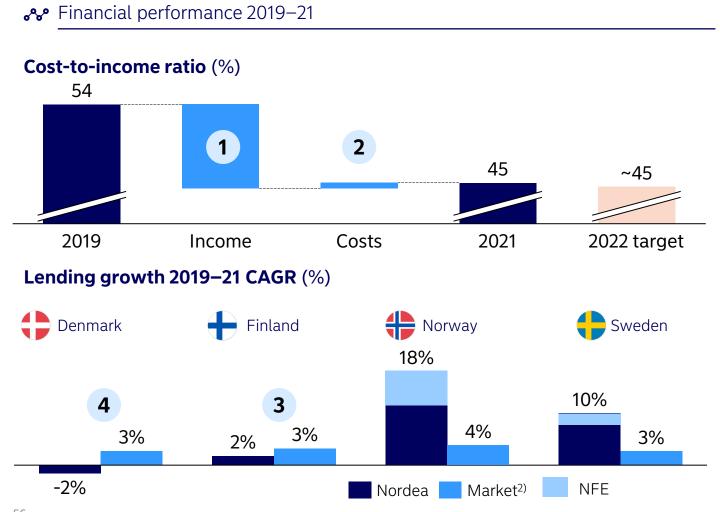
Good income growth supported by NFE<sup>1</sup> acquisition

Solid credit portfolio and strict capital discipline



#### Business Banking 2019-21

#### Strong growth and performance in Sweden and Norway



- 2022 target met ahead of time
- 1 Income growth CAGR of +7%<sup>1</sup>
  via high customer inflow and activity in
  Sweden and Norway
- 2 Costs reduced by 4%<sup>1</sup>
  through headcount reductions and strict cost focus
- 3 Strong position in Finland via profitability steering and focused customer selection
- 4 Profitability turnaround in Denmark through disciplined customer selection and pricing

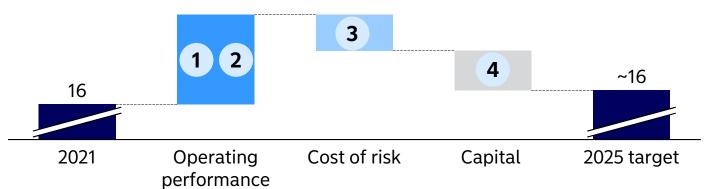
#### Business Banking 2022–25

#### Continued growth, cost at risk & capital headwinds

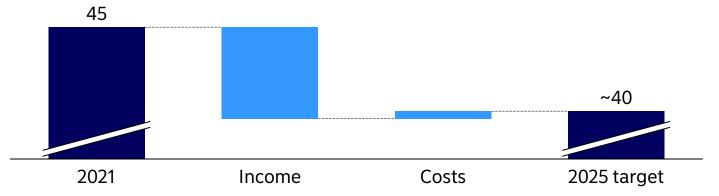


2025 targets

#### Return on capital at risk (%)



#### **Cost-to-income ratio** (%)





Main drivers for 2025 targets

- 1 Drive income growth CAGR of +3% by increasing market share in Sweden and Norway
- 2 Improve cost efficiency via streamlined processes and elimination of manual activities
- 3 Loan losses normalising after unusually low levels in 2021
- 4 Reinstatement of regulatory capital buffers

#### Well-positioned to deliver on our growth plan

#### SME customer preferences<sup>1</sup>

**~60%** Mid enterprises value personal service & expertise

>50% Require external ESG support

**~80%** Expect efficient daily services

**+75%** Increase in mobile users for small enterprises

#### Our response to deliver on the growth plan

#### **Leading advisory services**

Strengthen specialist & industry advisory to build deep relationships

#### **Capture customers across the Group**

Cooperate across business areas to leverage the full franchise

#### **Best-in-class digital banking**

Deliver effortless digital services for everyday business

#### **Preferred sustainability partner**

Drive sustainable transition via broad ESG product offering & expertise

#### Highly efficient distribution model

Improve key customer processes via front-to-back automation

#### Focused and efficient product offering

Simplified product portfolio aligned to core customer needs

#### Selective growth and customer acquisition in all markets with profitability as the core focus

Our focus areas		How we are doing it	Profitable growth	
			2021	2025
		> Focus resources on <b>key locations and sectors</b>		
	Accelerate growth	Use product expertise as competitive edge		
		> Increase scalability of specialist advisory		
4		> Invest in acquisition & specialist advisory teams		
#	<b>Continue growth</b>	> Target growth companies & industries		
		> Focus cross-sales efforts via data usage		
	Transform to	> Apply systematic <b>customer right-pricing</b>		
	profitable growth	> Grow in mid-enterprise & key niches		
	Maintain	> Selective <b>customer acquisition</b>		
	strong position	> <b>Profitability steering</b> on existing portfolio		
59		Bubble colour: ROCAR, % > 16% 14—16%	12—14% 10—	Nordea Nordea



#### Leading SME digital bank: Building on strong foundation to deliver effortless banking

**2019–21: Significant progress** 

#### **SME** digital foundation

Implemented a modern & scalable digital platform

Supported **SME digital uptake** 

Significant uplift in digital functionality

**Delivering advice** via remote capabilities

7 of 9

legacy channels replaced since 2019

+75%

y/y increase in # of users of Nordea Business mobile app

+25

more features than on legacy platforms

85%

of meetings with small enterprises are remote

2022-25: Accelerating the journey

#### **Effortless banking for SMEs**



Full breadth SME digital offering with leading functionality



Simple and quick SME lending via automation and digital delivery

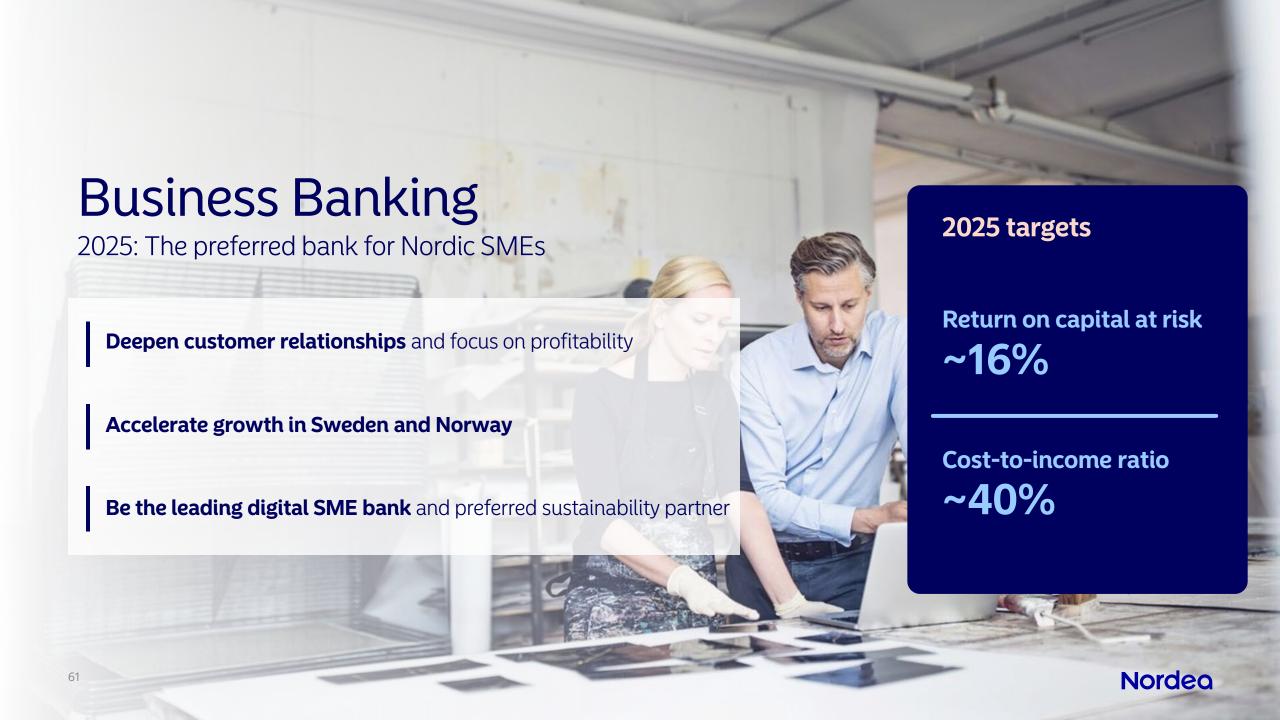


Wider API proposition to support deeper customer integration



Data-enabled relationship managers to improve customer interactions





#### Nordea

# Large Corporates & Institutions

#### **Capital Markets Day**

Martin Persson, Head of Large Corporates & Institutions 17 February 2022

Large Corporates & Institutions today

#### The leading Nordic LC&I business



Strong customer relationships with a proven service model



True Nordic coverage for customers with multi-product needs



Talented people delivering superior advice

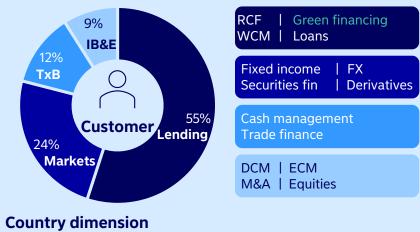


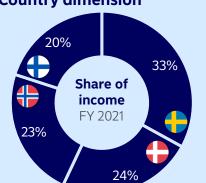
Leading risk capacity supported by fast decision-making



Nordic leader in sustainable products and services

#### Market-leading offering and well-diversified income FY 2021, %





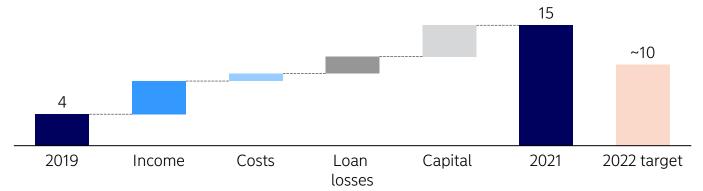




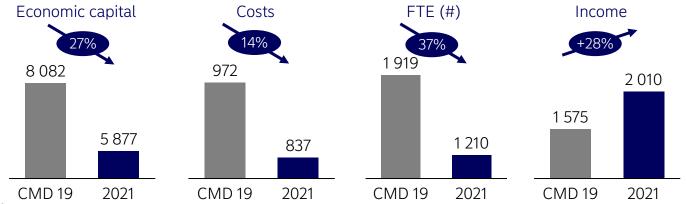
#### We have created a more focused and profitable business



#### **Return on capital at risk** (%)



#### **Economic capital and operating performance** (EURm)



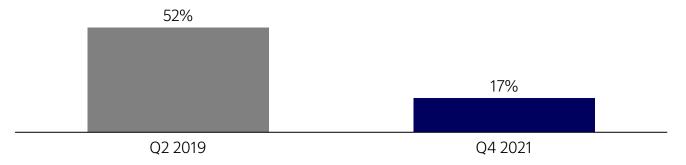
- 2022 target surpassed in 2021
- 1 Reduced low-return assets
  lower balance sheet utilisation and
  capital intensity and higher margins
- 2 Streamlined Markets business through reduced complexity and costs
- 3 Invested in ESG capabilities and attained #1 position in Nordic sustainable financing
- 4 Optimised international footprint
  New York, London and Shanghai
  prioritised while Frankfurt, Singapore
  and Russia exited



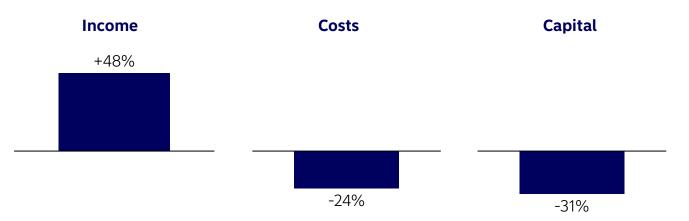
#### We are in a stronger position to increase our ambition level

> Focus on business performance and capital efficiency

Increased customer profitability (share of low-returning capital, %)



Successful Markets streamlining (Q2 2019 to Q4 2021)



C Enhanced business selection

**Grow ancillary income** including capital-light products

**Higher margins** through continued focus on pricing and **business selection** 

**Lower balance sheet utilisation** through decreased inventories and lower risk

**Reduced costs** from trimming of product portfolio and **new country-based organisation** 

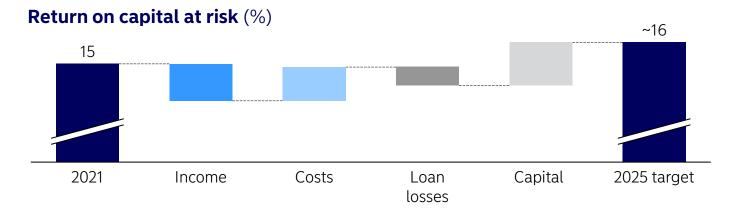


#### Large Corporates & Institutions 2022–25

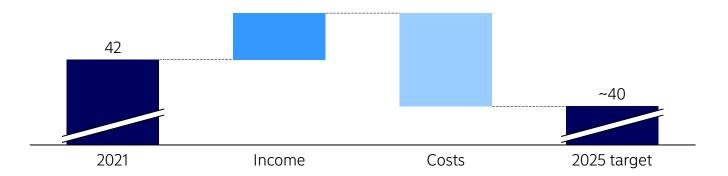
#### We will deliver best-in-class return in 2025



2025 targets



#### **Cost-to-income ratio** (%)



- Main drivers for 2025 targets
- 1 Sales excellence to increase income per customer through higher intensity
- Selective growth and investments in capital-light growth and profitable lending
- 3 Increase operational efficiency front-to-back including outsourcing and partnerships
- 4 Accelerate capital excellence through improved IRB models, risk-sharing transactions and repricing
- 5 Become #1 ESG corporate bank in the Nordics by leveraging our strong position

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#### Focus on selective growth and investments

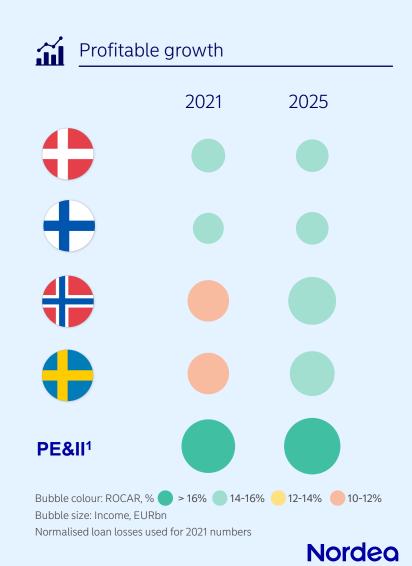
> Focus areas and key activities



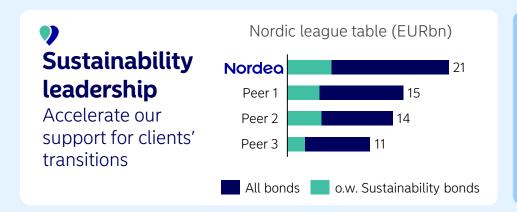
Invest in capital-light growth in Investment Banking & Equities
Selectively grow profitable corporate lending and fund financing
Invest in ESG clean tech sector and transition advice

#### **‡** Accelerate capital excellence

Improved IRB models and continued repricing
Risk-sharing transactions and originate-to-distribute
Full implementation towards Basel IV and FRTB

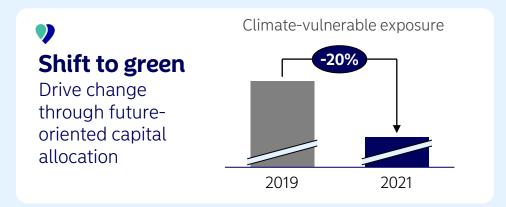


#### Significant opportunity to support clients in their transition to a sustainable economy

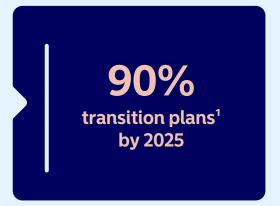


- **Leverage #1 position** in Nordic sustainable finance
- **Invest** in ESG sector advisory capabilities
- Strengthen ESG steering and data





- **Expand** portfolio and services
- Reduce financed emissions by 40-50% by 2030
- Exit offshore sector with EUR ~1bn lending portfolio





# Large Corporates & Institutions

2025: Preferred financial partner for our selected core Nordic corporates and institutions

**Drive core income** and strive for continued growth in capital-light services

**Be the preferred ESG partner** together with our selected core Nordic corporates and institutions

**Accelerate capital excellence** through efficient balance sheet utilisation, new capital models and risk-sharing transactions

2025 targets

Return on capital at risk ~16%

Cost-to-income ratio
~40%



Asset & Wealth Management today

#### Leading Nordic wealth adviser and asset manager

#### Leading Nordic private bank

offering wealth advice to customers in all four countries

The leading Nordic-based asset manager with global reach

and a globally competitive sustainability offering

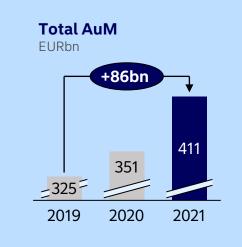
#### Strong Group internal distribution network

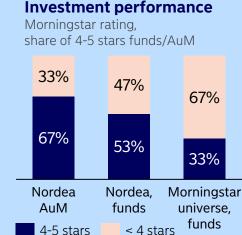
and the largest international presence among Nordic peers

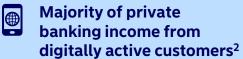
#### Leading life and pensions business in the Nordics

#### Nordea Group's investment centre of excellence

through advice, products, digital savings experience, processes and customer tools











Share of net flow (%)1



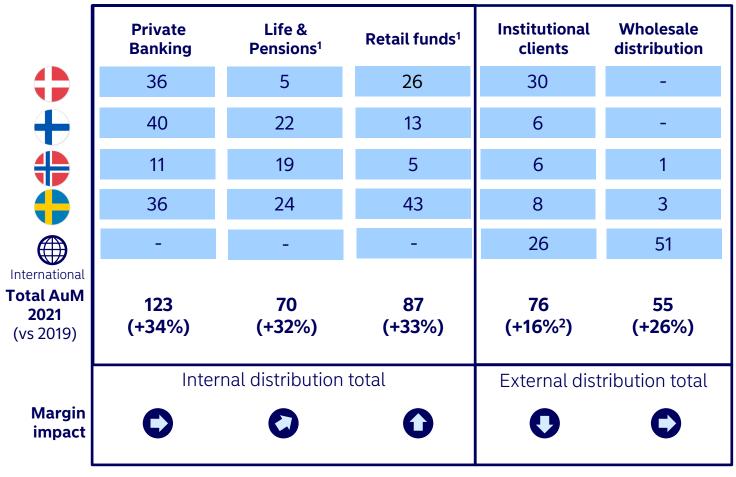


71 1. Net flow of assets managed by Asset Management, ESG categorised as article 8 and 9 funds 2. Source: Nordea, H2 2021. Graph shows data from a data source with certain limitations; however it is assumed to be representative of the target group

#### Asset & Wealth Management today

#### Internal and external channels

#### Assets under management (EURbn)



#### Well diversified

across countries and segments, with significant further upside potential

#### **World-class multi-asset solutions**

supporting broad internal customer segments

#### International distribution

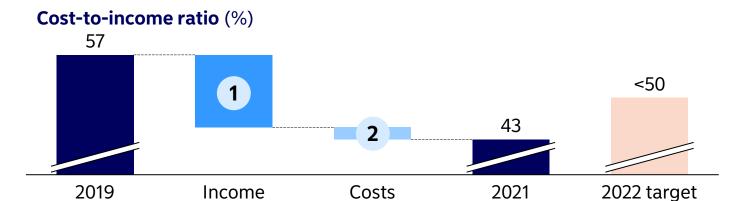
focused on actively managed products with distinct characteristics and good fit with professional buyers' model portfolios





#### Higher AuM and contained costs drove increased efficiency

♣ Financial performance 2019–21



Assets under management volumes 2019–21 (EURbn)



- 2022 target surpassed ahead of time
- 1 Income growth
  delivered by accelerating savings in
  both internal and external channels
  with focus on profitability, supported by
  positive market development
- 2 Costs well managed
  through simplified and de-layered
  organisation supported by scale
  and improved cost culture

#### Positive net flows in all channels

- Internal channels +EUR 26bn
- External channels +EUR 10bn

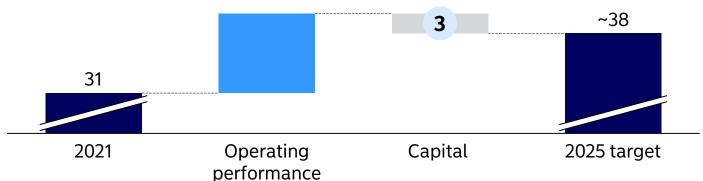
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#### Profitability focus and scalable growth

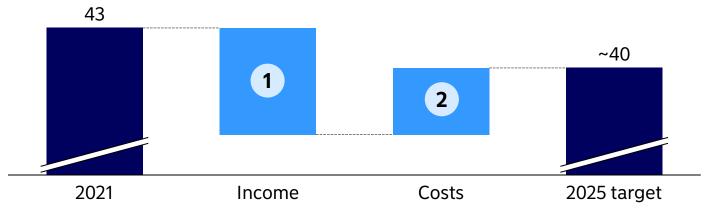


2025 targets

#### Return on capital at risk (%)



#### **Cost-to-income ratio** (%)





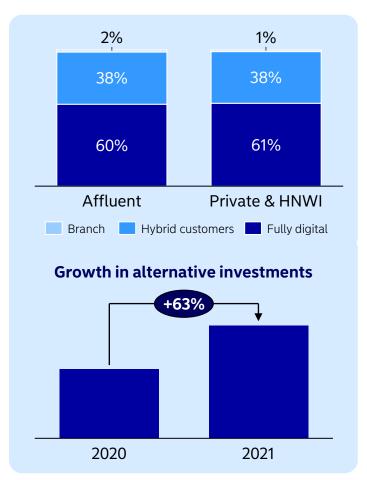
Main drivers for 2025 targets

- 1 Drive focused and profitable growth
  New customer acquisition and cross-sales
  in Private Banking, expanded international
  presence, improved product mix and
  average margins. Expected equity market
  return +6%<sup>1</sup> p.a.
- 2 Increase operational efficiency
  through investments in digital channels,
  ESG capabilities and broaden product
  development within private assets and
  discretionary
- 3 Increased lending volumes contribute to increase in capital deployed



#### Active positioning to benefit from customer trends

#### **Customer preferences**<sup>1</sup>



#### **Our response**

#### Become the leading private bank in each Nordic market

Digitally advanced service model with ongoing advice through a seamless omnichannel experience

The leading and globally competitive Nordic-based asset manager

Investment excellence, size, scale and distribution capabilities

#### World-class ESG offering

Active ownership, excellent investment performance and continued investment in global ESG leadership

Leverage demand for tailor-made solutions with improved scalability

Utilise Nordic scale to efficiently develop the leading and tailor-made customer offering to meet increasing demand

#### Grow Private Banking – leading omnichannel advisory model and holistic offering

#### Our focus areas to increase income growth



#### **High-growth focus**

- Serve the whole family including affiliated companies
- Cover both sides of the customers' balance sheet
- Leverage relationships elsewhere in the bank



#### **Profitability optimisation**

- Leverage new inducement-free business model
- Optimised new service model



#### Maintain leadership position

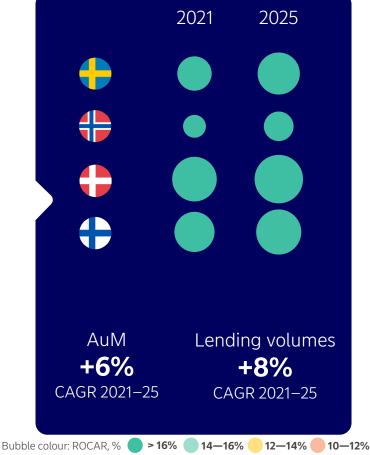
- Increase proactivity to support high customer satisfaction
- Focused customer acquisition



#### Enabled by improved digital savings experience

with personalised and engaging content, intuitive digital savings journey, utilise data-driven insights for customised offering

#### **Profitable growth**



Bubble size: Income, EURbn



#### Globally competitive asset manager with attractive international growth opportunities

#### **Our focus areas**



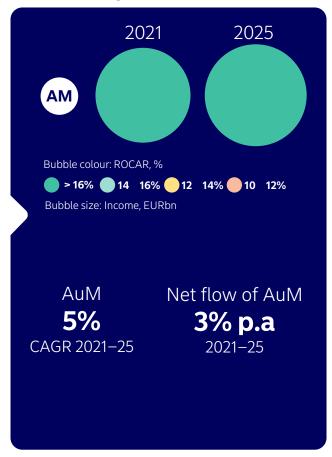
#### Increase institutional and wholesale distribution

- Deepen long-lasting relationships in distribution network
- Expand distribution in European core markets, America and Asia to establish new low C/I growth opportunities

#### Strengthen product development

- Invest in development of alternative investment products
- Expand discretionary offering
- Deepen sustainable investments across asset classes

#### Profitable growth<sup>1</sup>



#### Leading and transparent ESG provider

#### **Strong foundation to build on**

#### Long-term commitment to ESG

- ✓ Signed the UN's Principles for Responsible Investment in 2007
- ✓ Active ownership through engagement since 2008
- ✓ ESG integrated in investment processes since 2010

#### **Delivering excellent performance**



#### **Key activities**

# Further improve and integrate ESG product offering

- Improve methodology for bonds
- Single fund level compliance
- Full integration of ESG across customer segments

#### **Engage with top emitters**

During 2022, initiate engagement with all 200 top contributor companies classified as not aligning with the Paris Agreement, either on our own or via partnerships such as the Climate Action 100+ investor engagement initiative

ESG strategies60%of the asset base in AM

2025 sustainability targets

### Double share of net-zero committed AuM



## Alignment with Paris Agreement for top 200 emitters

Portfolios in Asset Management





# Asset & Wealth Management

2025: Best wealth manager in the Nordics

Become the leading private bank in each Nordic market

Be a globally competitive asset manager with attractive international growth opportunities

**Leverage demand for ESG and tailor-made solutions** with improved scalability

2025 targets

Return on capital at risk ~38%

Cost-to-income ratio
~40%



# Nordea 2025 – raising the bar

The preferred financial partner in the Nordics

**The Nordics** – globally one of the most attractive markets for banks

**Nordea** – strong franchise, streamlined business, market-leading returns

**Growth** – opportunities in all countries

Culture – high-performance culture with relentless focus on execution

2025 financial target

Return on equity >13%



