Nordea

Financial target and key focus areas

Capital Markets Day

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Business momentum supported by strong financial foundation

Full year 2021 (compared with 2019)

GROWTH

Business momentum

+14% mortgage lending

+15% SME lending

+26% AuM

+12% income

EFFICIENCY

Significant positive jaws

+12% income

-5% costs

Cost-to-income ratio

9pp improvement

CAPITAL

Net capital generation

~200bp capital excess before M&A and buy-backs[1]

Shareholder returns

EUR 4.4bn in dividends and buy-backs[1]

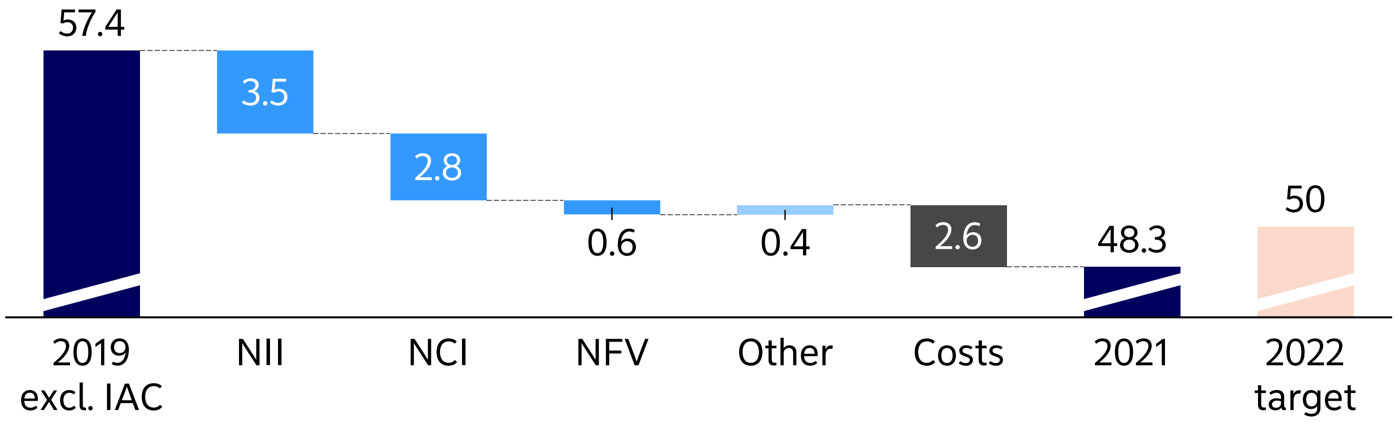
STRONG CAPITAL POSITION
CET1 ratio 17.0%

1. Net capital generation for 2020 and 2021 combined. Shareholder returns include dividends for both 2020 and 2021, paid out during 2021, and actual amount returned via buy-backs in 2021

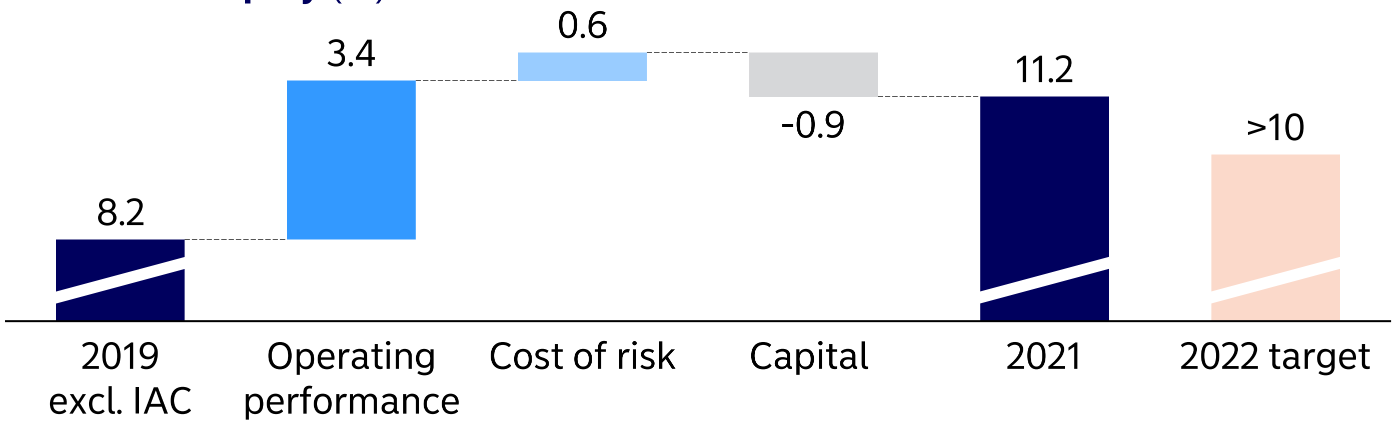
Nordea today

Targets surpassed ahead of schedule

Cost-to-income ratio (%)



Return on equity (%)



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
- EUR 230m net cost reduction
- Capital efficiency gains; LC&I EC down 23%

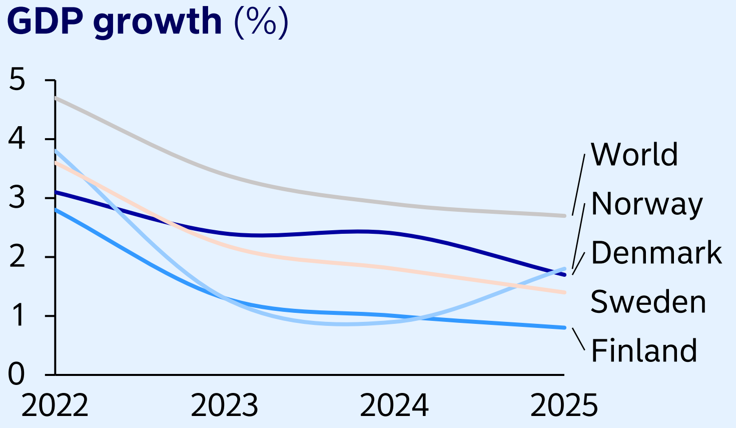
Favourable market conditions in 2021

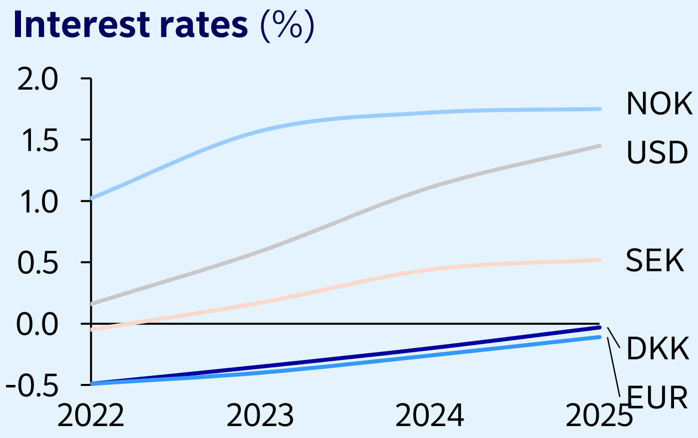
- Strong advisory income
- Exceptional net fair value result
- Loan losses 14bp lower than historical average

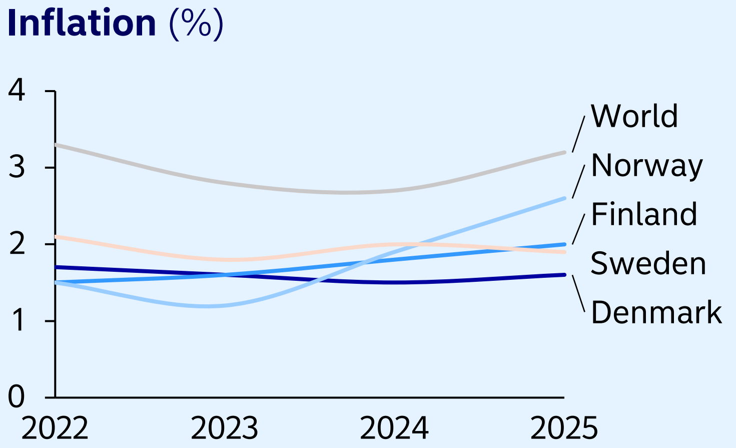
IAC = items affecting comparability; NII = net interest income; NCI = net fee and commission income; NFV = net result from items at fair value

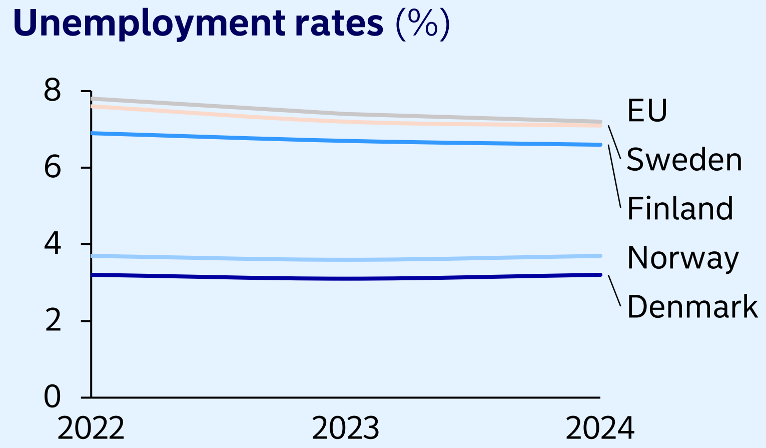
Financial target

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

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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

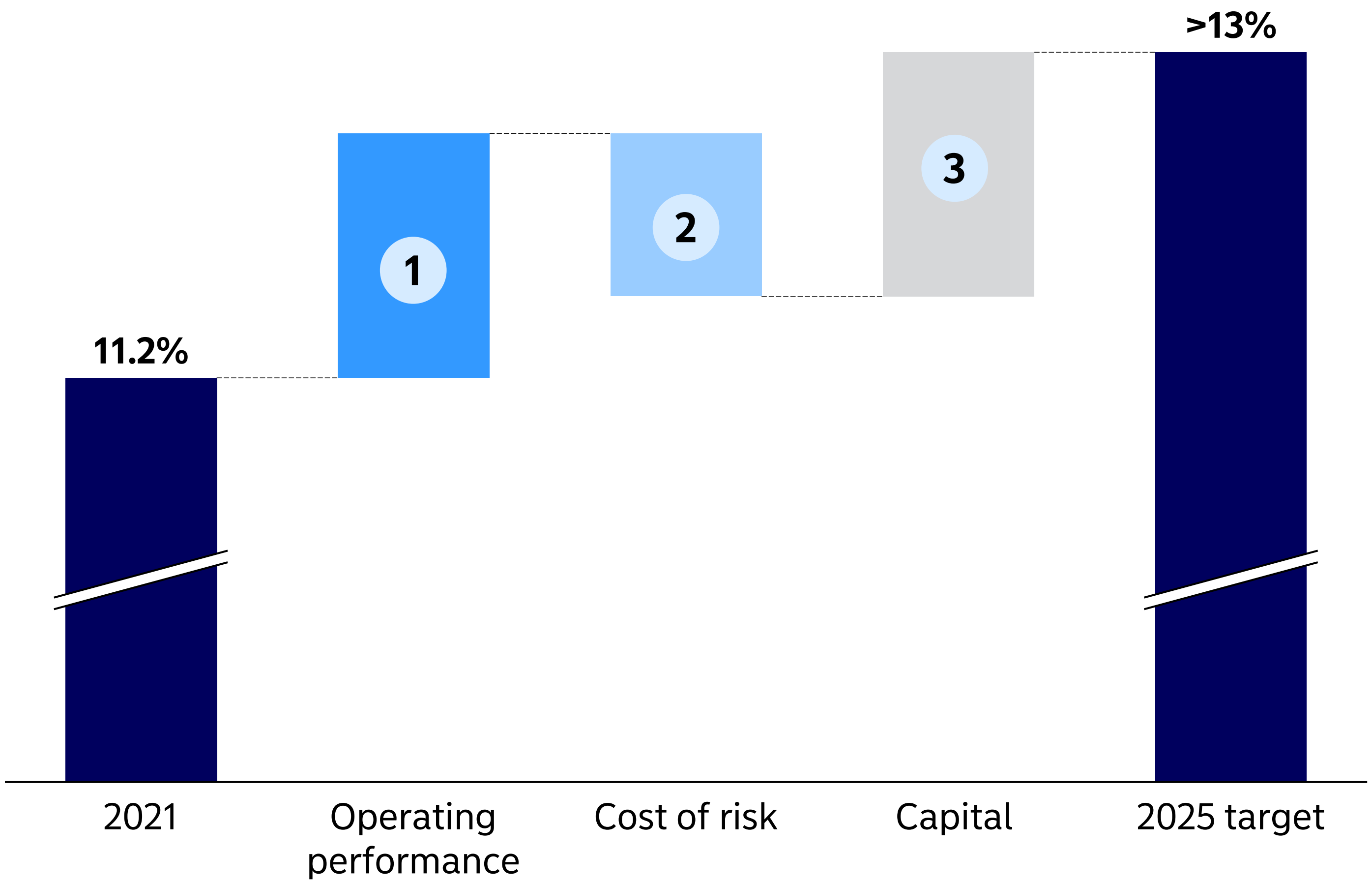
60–70% dividend payout ratio; excess capital distributed through buy-backs

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

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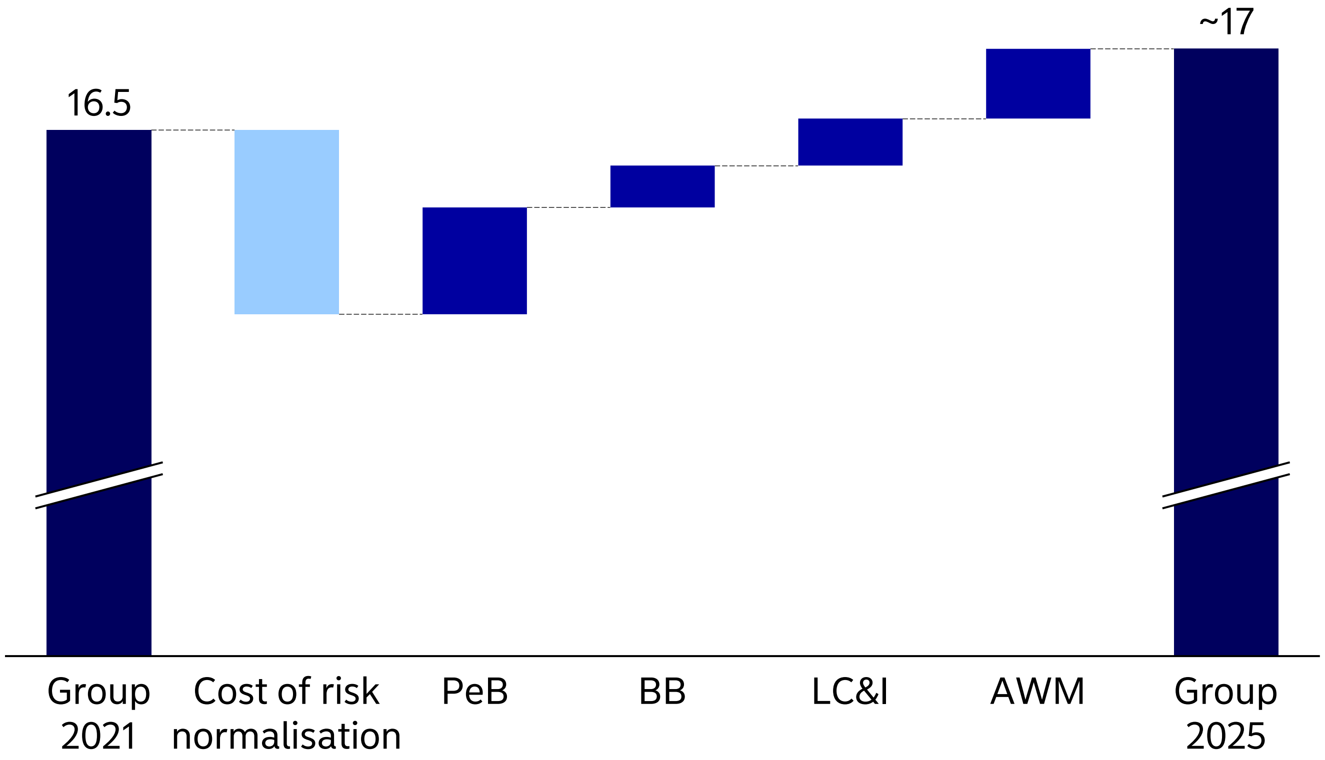
Financial target

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[1]	~-4%	
Return on equity	**>13%**	

1. Capital buffers, goodwill and other group items

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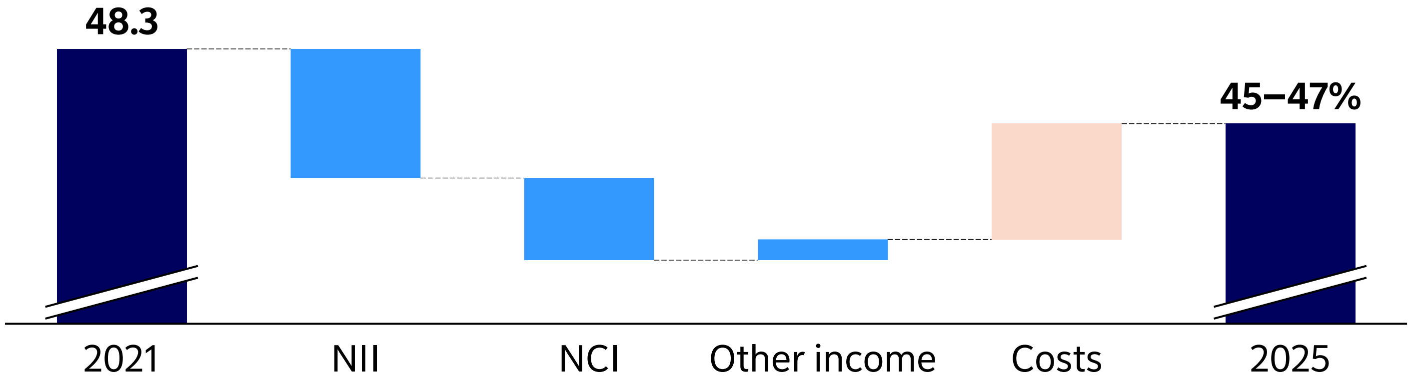
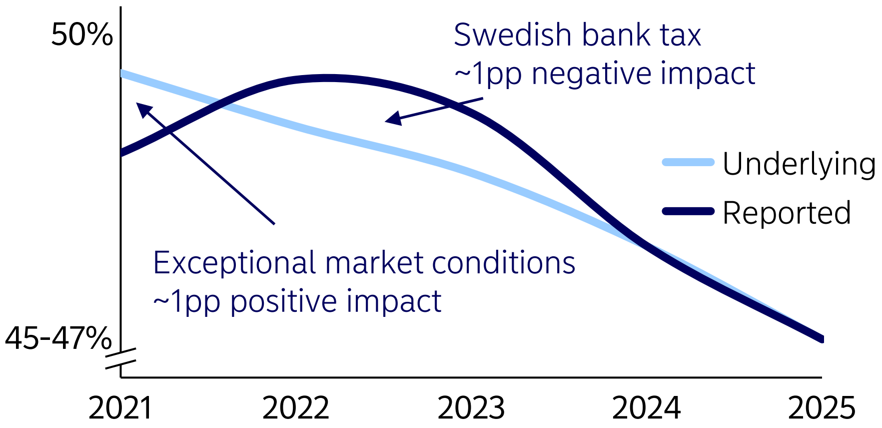
Operating performance

Focused on income growth and operational efficiency

Cost-to-income ratio improvement (%)



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

Cost development

Additional volumes

Cost inflation

Operational efficiencies

Focused investments

Structural cost reductions

+1–2% CAGR

2021

2025

Additional volumes from business activity

Investments to support growth

Cost inflation

Salary and price increases, higher depreciation

Operational efficiency and structural investments

Everyday

Strong cost culture with process improvements and demand management

Long term

Investments to make the bank better:

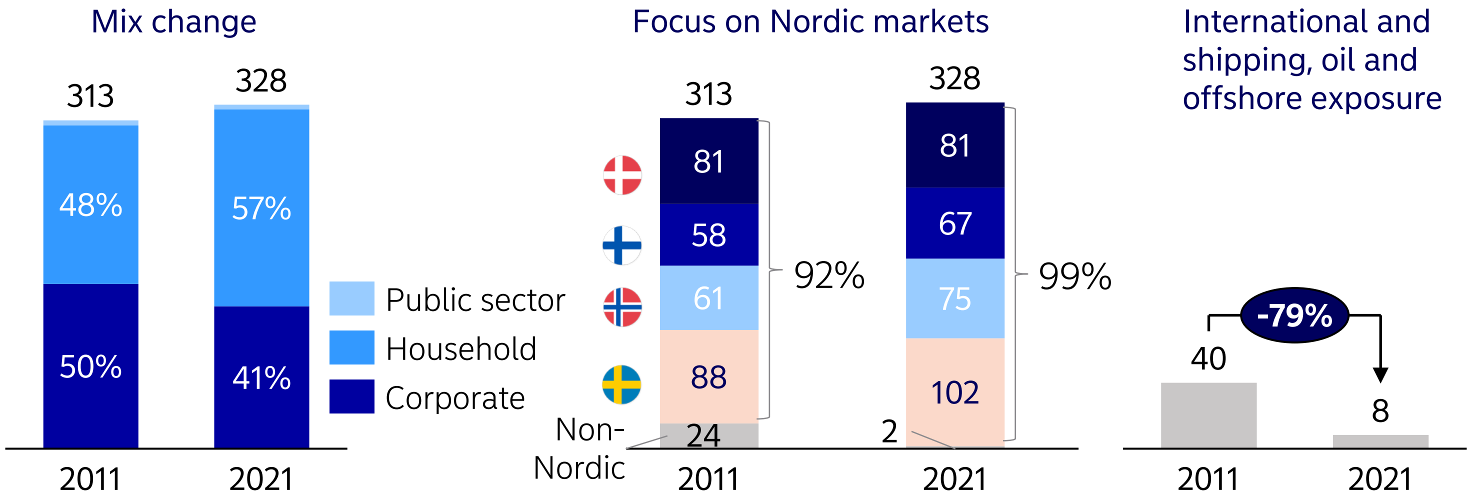
- Digital capabilities
- Data and analytics
- ESG data foundation
- Financial crime prevention
- Technology platforms

Delivering improved infrastructure and digital capabilities. Limited standalone cost savings from decommissioning

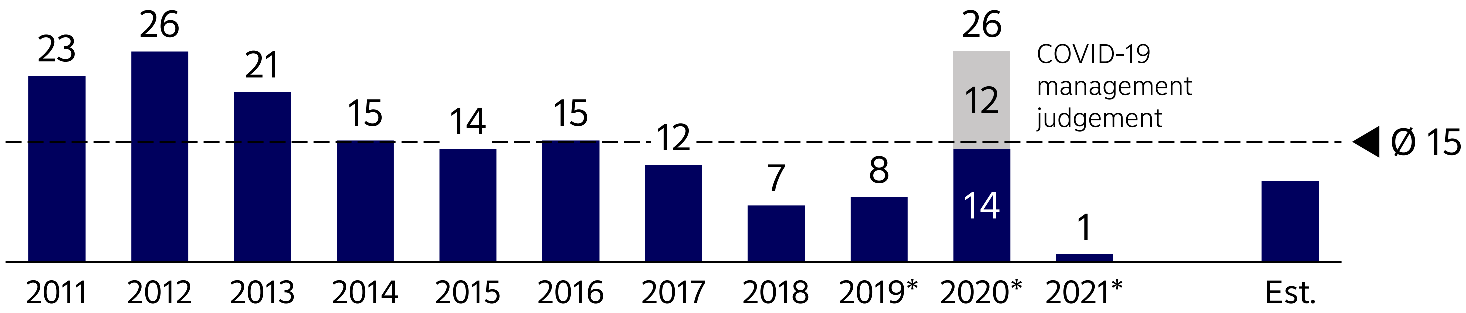
Cost of risk

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

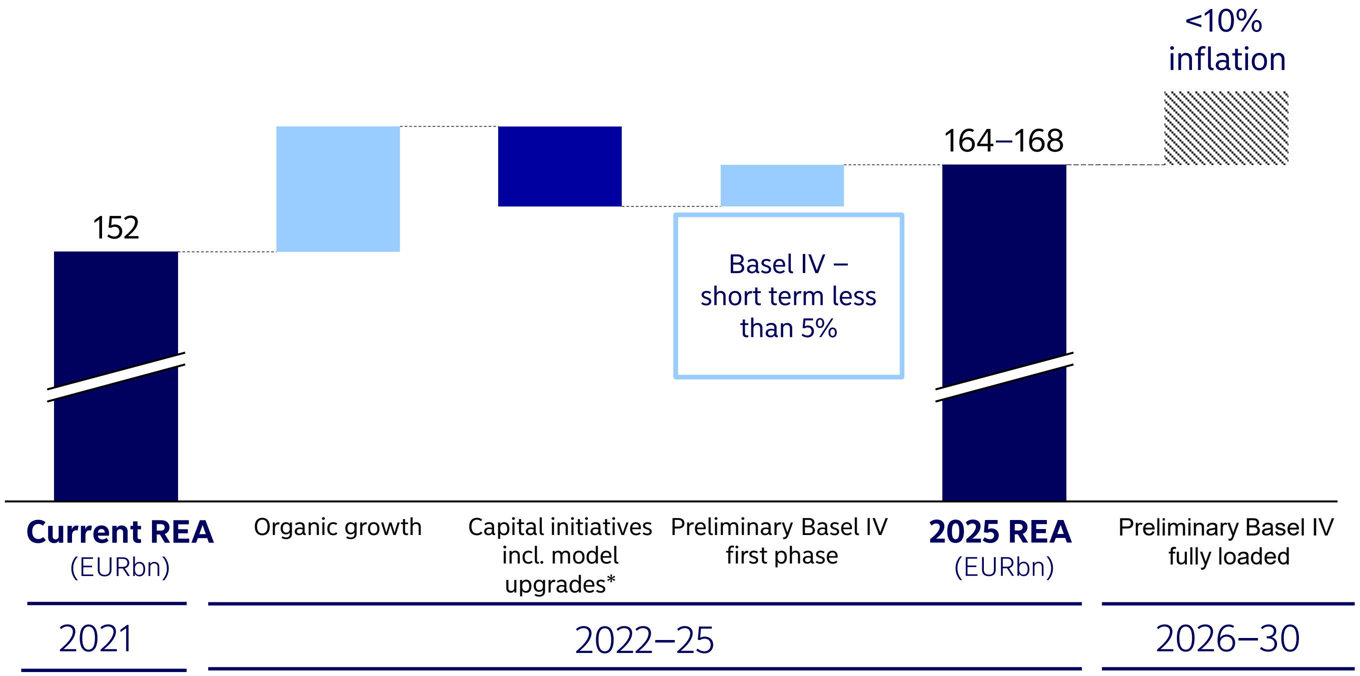
Future loan loss levels rebased

- 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

*Including fair value adjustments to loans held at fair value in Nordea Kredit; 2019 also excludes items affecting comparability

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

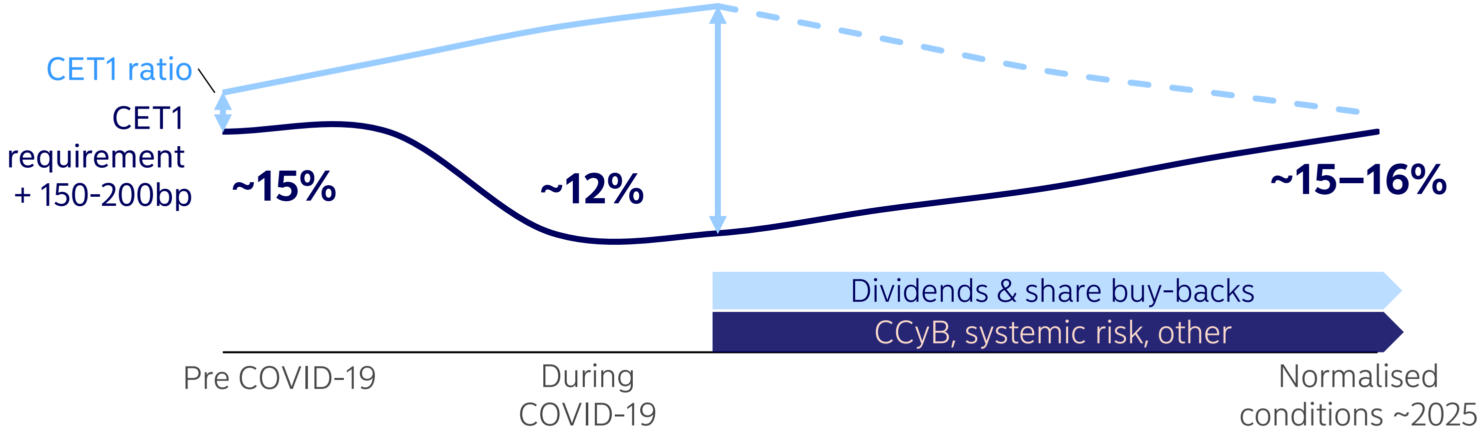
Business initiatives developed to further mitigate impact

REA = risk exposure amount; CVA = credit valuation adjustment; FRTB = fundamental review of the trading book
* Pending regulatory approval

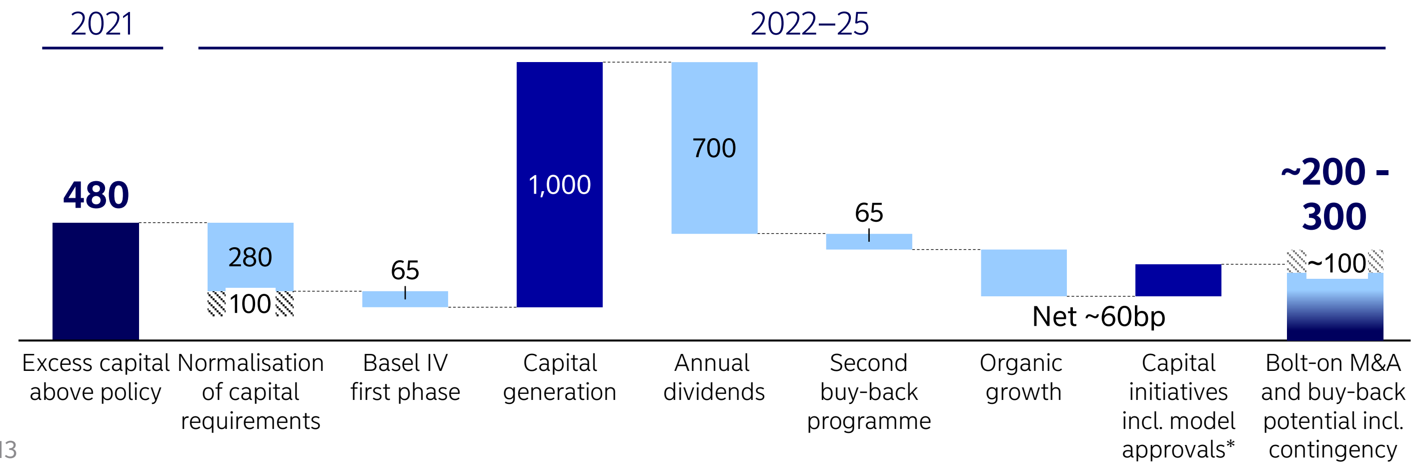
Capital excellence

Reducing capital excess – path to normalisation

CET1 capital ratio and requirement



Capital generation and uses of capital (bp)



* Pending regulatory approval

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

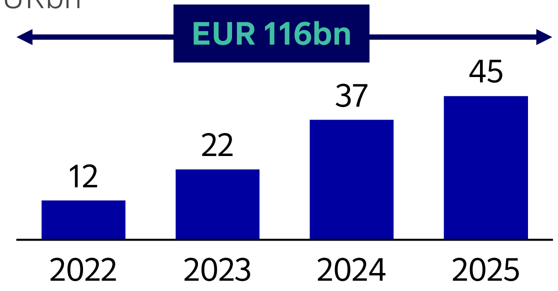
Sustainability at the core

Green transition – balancing opportunities and risks

Maximise opportunities by supporting customers

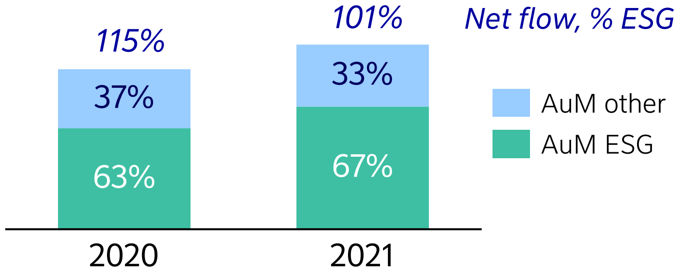
Transition financing needs in Nordics[1]

EURbn



ESG share of AuM and net flow[2]

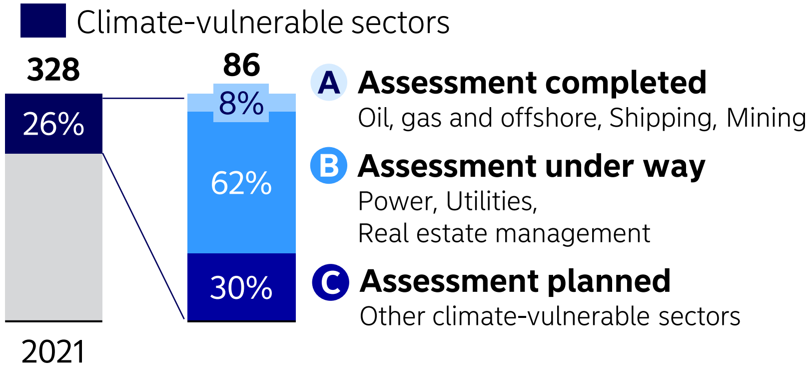
EURbn, %



Manage risks

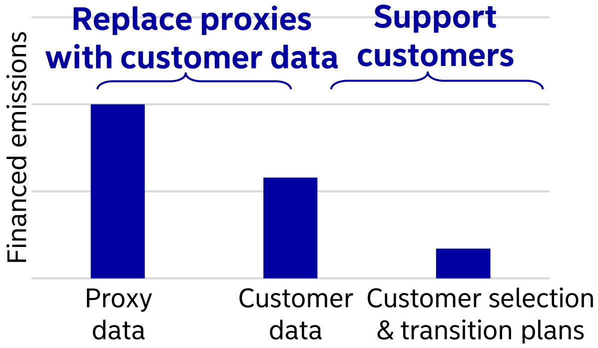
Climate-vulnerable exposure

Sector assessment (total lending, EURbn)



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)

1. Sources: Boston Consulting Group (BCG) and Global Financial Markets Association (GFMA)
2. ESG = article 8 and 9 funds, prior years not shown as Sustainable Finance Disclosure Regulation (SFDR) classification not available prior to 2020

Nordea

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

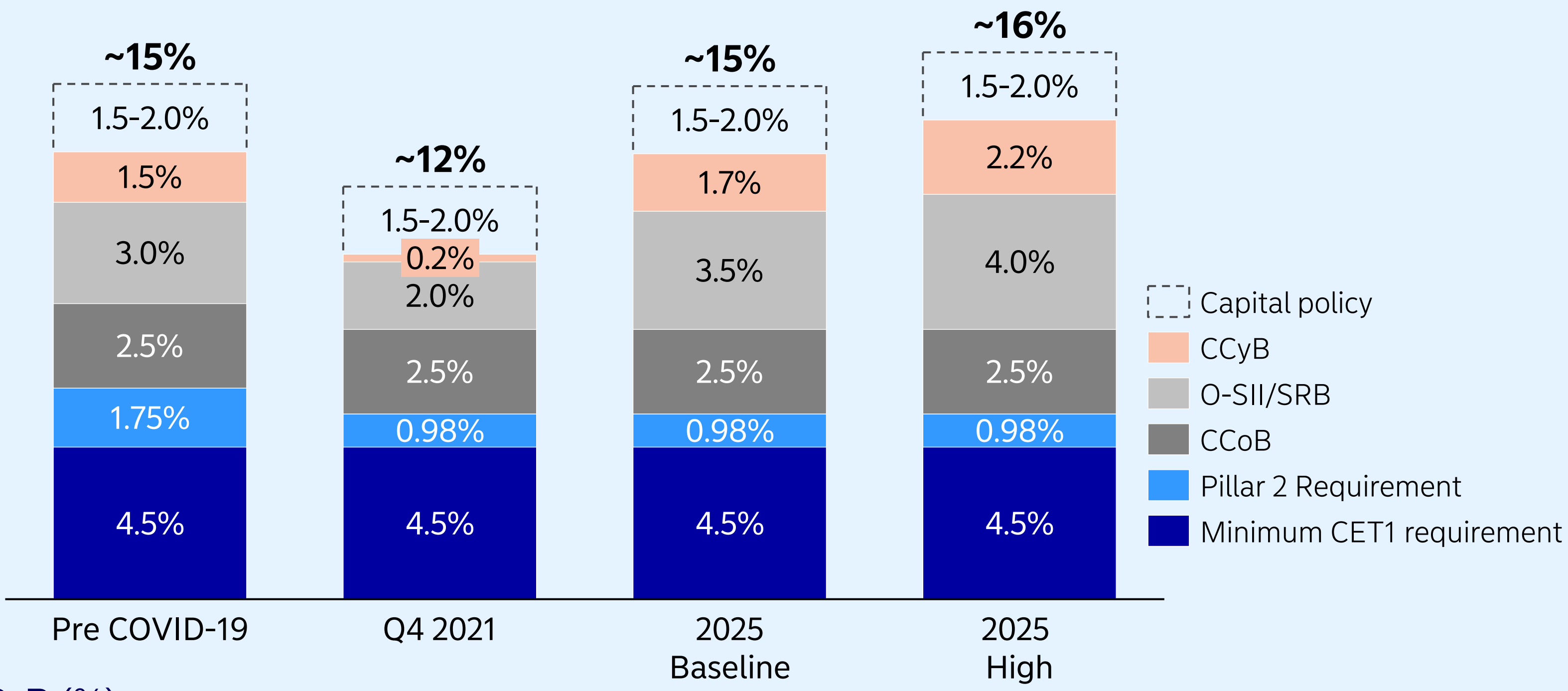
Cost of risk normalised at ~10bp
Settling below historical average following portfolio de-risking

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



CCyB (%):

	Pre COVID-19	Q4 2021	2025 Baseline	2025 High
	2.0	0.0	2.5	2.5
	0.0	0.0	0.0	2.5
	2.5	1.0	2.5	2.5
	2.5	0.0	2.5	2.5
Other	0.0	0.0	0.0	0.0

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

CCyB = countercyclical capital buffer