The preferred financial partner in the Nordics

Capital Markets Day
Frank Vang-Jensen, President & Group CEO
17 February 2022
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Nordea’s turnaround

**Strong share performance, significant capital payouts**

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**Share price performance**

Nordea vs EURO STOXX banks

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+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

*Approximate amount based on the estimated number of shares that will be in issue at the estimated dividend decision date
Nordea’s turnaround

**Targets surpassed ahead of schedule**

### 2022 financial targets vs FY 2021

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2021</th>
<th>Achieved?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost-to-income ratio</td>
<td>50%</td>
<td>✓</td>
</tr>
<tr>
<td>Return on equity</td>
<td>&gt;10%</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Personal Banking</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C/I(^1) ~50%</td>
<td>51%</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Business Banking</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C/I(^1) ~45%</td>
<td>45%</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Large Corporates &amp; Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on capital at risk ~10%</td>
<td>15%</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Asset &amp; Wealth Management</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C/I(^1) &lt;50%</td>
<td>43%</td>
<td>✓</td>
</tr>
</tbody>
</table>

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1. Cost-to-income ratio
2. Excluding FX effects (adjusted to current exchange rate)
3. Gross reduction of economic capital, LC&I = Large Corporates & Institutions

### Selected key performance indicators (CMD 2019 vs FY2021)

#### Create great customer experiences
- Customer satisfaction, household +4pp since Q319
- Customer satisfaction, corporate +6pp since Q319
- Enhanced corporate netbank +276,000 customers (since launch Q318)

#### Drive income growth initiatives
- Mortgage lending growth\(^2\) +14% since Q319
- SME lending growth\(^2\) +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\(^3\) EUR 1.4bn EC since Q219
Nordea’s turnaround

Driving cultural change

Full year 2019 vs full year 2021

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019</th>
<th>2021</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage lending</td>
<td>14%</td>
<td>15%</td>
<td>+1%</td>
</tr>
<tr>
<td>AuM2</td>
<td>26%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs reduced by</td>
<td>EUR 230 m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity %</td>
<td>3 pp</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost-to-income ratio</td>
<td>9 pp improvement</td>
<td></td>
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</tbody>
</table>

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

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1. In reporting currency (EUR)
2. Assets under management in reporting currency (EUR)
Nordea today

Focus on Nordic growth, lower risk and stable capital generation

Norwegian 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
Nordea today

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

Diversified across business areas
Full year 2021

Operating income
- Personal Banking: 13%
- Business Banking: 38%
- Large Corporates & Institutions: 27%
- Asset & Wealth Management: 21%
- Group functions: 1%

Operating profit
- Personal Banking: 14%
- Business Banking: 36%
- Large Corporates & Institutions: 29%
- Asset & Wealth Management: 23%
- Group functions: (-3%)

Lending
- Personal Banking: 14%
- Business Banking: 53%
- Large Corporates & Institutions: 30%
- Asset & Wealth Management: 8%
- Group functions: 5%

Economic capital
- Personal Banking: 25%
- Business Banking: 29%
- Large Corporates & Institutions: 29%
- Asset & Wealth Management: 5%
- Group functions: 8%

Decreasing quarterly operating profit volatility

Low profit volatility vs European banks¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Nordea</th>
<th>European banks (median)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>107%</td>
<td>20%</td>
</tr>
<tr>
<td>2020</td>
<td>42%</td>
<td>41%</td>
</tr>
<tr>
<td>2021</td>
<td>9%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Low funding costs²

<table>
<thead>
<tr>
<th></th>
<th>Nordea</th>
<th>Nordic average</th>
<th>European average</th>
<th>iBoxx Financials</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>37bp</td>
<td>45bp</td>
<td>63bp</td>
<td>80bp</td>
</tr>
</tbody>
</table>

¹ 2012–21 annual operating profit volatility, sample of 30 European banks.
² 5y senior preferred new issue spread
Nordea today

Structurally attractive banking environment

**GDP (Index: 2011=100)**

**Unemployment rate (%)**

### 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

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Global top 10:
Social safety nets

1. Denmark  
2. Finland  
3. Norway  
4. Austria  
5. Luxembourg
6. Switzerland  
7. Netherlands  
8. Spain  
9. Sweden
10. France

Source: WEF Global Competitiveness Report special edition 2020

Global top 10:
Digital transformation readiness

1. USA  
2. Denmark  
3. Switzerland  
4. Netherlands  
6. Sweden  
7. Taiwan, China  
8. Norway  
9. Finland  
10. Hong Kong SAR

Source: IMD digital competitiveness ranking 2021, based on adaptive attitudes, business agility and IT integration
Nordea today

Largest financial services group in Nordics – unique platform for growth

Market cap., EUR\(^2\) 43bn
Total assets, EUR\(^2\) 570bn
Loans to the public, EUR\(^2\) 345bn
AuM, EUR\(^2\) 411bn

Market growth
CAGR 2021-25:
1: Mortgage lending
2: Corporate lending
3: Savings\(^3\)

1. Aggregated scale across the Nordics, 2. 31 Dec 2021, 3. Overall Nordic estimate
AuM = assets under management; CAGR = compound annual growth rate
Updated business plan with higher target

2019–21
A strong and personal financial partner
New strategic direction and targets
Grow credibility and retake lost ground in business

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
Nordea 2022–25

Our key priorities

CREATE
the best omnichannel customer experience

DRIVE
focused and profitable growth

INCREASE
operational and capital efficiency

Digital leader

Sustainability at the core

The preferred partner for customers in need of a broad range of financial services
CREATE
the best omnichannel customer experience

DRIVE
focused and profitable growth

INCREASE
operational and capital efficiency

Nordea 2022–25
Our key priorities

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
Nordea 2022–25
Our key priorities

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.
Our key priorities

**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.
Nordea 2022–25

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

**Personal Banking**

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**Business Banking**

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**Large Corporates & Institutions**

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**Asset & Wealth Management**

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Bubble size: Income, EURbn

Bubble colour: ROCAR, %

> 16%
14—16%
12—14%
10—12%

Normalised 10bp loan losses used for 2021 numbers
Nordea 2022–25

Portfolio optimisation based on profitable growth and capital efficiency

**Portfolio in 2025**

- Personal Banking (PeB)
- Business Banking (BB)
- Large Corporates & Institutions (LC&I)
- Asset & Wealth Management (AWM)

**EUR 500 million income p.a.**

**Improve cost & capital efficiency**

**Drive profitable growth**

2021–25 income CAGR

Income growth

Nordea
Nordea 2022–25

Market-leading shareholder returns

71%

average dividend payout ratio since 2010 – now complemented with share buy-backs
Digital leader
Nordea 2022–25
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

~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)

2025 targets

Growth in digital engagement

Logins to digital channels (millions/month)

Increased business

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

Nordea
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
Nordea 2022–25

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

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**2025 sustainability targets**

<table>
<thead>
<tr>
<th>Facilitate sustainable financing 2022–25</th>
<th>Double share of net-zero committed AuM Asset Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EUR</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>&gt;200bn</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Transition plans for large corporates</th>
<th>Alignment with Paris Agreement for top 200 emitters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exposure in climate-vulnerable sectors</td>
<td>Portfolios in Asset Management</td>
</tr>
</tbody>
</table>

- **90%** covered by transition plans
- **80%** aligned/subject to active engagement

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Sources: Dealogic, Bloomberg and banks’ own websites and green bond reports
Nordic-focused bank with high-performance culture and focus on growth

- Organisational structure streamlined, with clear accountability
- Incentive structure aligned with growth and financial success
- Nordea brand elevated to support even better business performance

The preferred partner for customers in need of a broad range of financial services
Raising the bar on financial performance

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

Well equipped for the future

Nordea
2025: The preferred financial partner in the Nordics

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