Business Banking

Capital Markets Day
Nina Arkilahti, Head of Business Banking
17 February 2022
• Nordea and its businesses are exposed to various risks and uncertainties.

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• Important factors that may cause such a difference for Nordea include but are not limited to: (i) the macroeconomic development, (ii) change in the competitive environment, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels.

• This presentation does not imply that Nordea and its directors have undertaken to publicly update or revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that lead to changes compared with the date when these statements were provided.
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**
- **Easy to deal with via one Nordic digital platform**
- **Strong sustainable offering and products**

**Broad income distribution**
- **EUR 2.6bn** Total income
- >55% of SMEs with EUR 15-500m turnover

**Customer relationships with**
- **>185k** Customers on digital platform
- **90k** 2019
- **275k** 2021

**Sustainable financing**
- **+4x**
- **0.8** Q2 2020
- **3.5** 2021

1. Asset-based lending and receivables finance
2. Aligned to Nordea Green Bond Framework
Business Banking today

Delivered good income growth and improved profitability

Income growth 2021, y/y%

- Share of income FY21:
  - Denmark: 29%
  - Sweden: 20%
  - Norway: 23%
  - Finland: 28%
  - Share of income FY21: 23%

- Share of capital FY21:
  - Denmark: 26%
  - Sweden: 23%
  - Norway: 22%
  - Finland: 29%
  - Share of capital FY21: 22%

Income growth:
- Business Banking total of ~8% ²
- NFE¹ acquisition

ROCAR FY21, %

- ROCAR change FY21/20, pp:
  - +6
  - +10
  - +7
  - +7

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

Good income growth supported by NFE¹ acquisition

Solid credit portfolio and strict capital discipline

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¹ Nordea Finance Equipment
² Average income growth excluding Nordea Finance Equipment
Business Banking 2019–21

**Strong growth and performance in Sweden and Norway**

### Financial performance 2019–21

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
<th>Costs</th>
<th>2021</th>
<th>2022 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
<td>45</td>
<td>~45</td>
</tr>
</tbody>
</table>

**Lending growth 2019–21 CAGR (%)**

- **Denmark**: 3%
- **Finland**: 2%
- **Norway**: 18%
- **Sweden**: 10%

#### 2022 target met ahead of time

1. **Income growth CAGR of +7%¹**
   via high customer inflow and activity in Sweden and Norway

2. **Costs reduced by 4%¹**
   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

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¹ Excluding Nordea Finance Equipment acquisition
² Corporate lending including all corporates
Business Banking 2022–25

Continued growth, cost at risk & capital headwinds

2025 targets

Return on capital at risk (%)

- 2021: 16
- Operating performance: 3
- Cost of risk: 2
- Capital: 4
- 2025 target: ~16

Cost-to-income ratio (%)

- 2021: 45
- Income: 1
- Costs: 3
- 2025 target: ~40

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
Business Banking 2022–25

Well-positioned to deliver on our growth plan

SME customer preferences¹

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>~60%</td>
<td>Mid enterprises value personal service &amp; expertise</td>
</tr>
<tr>
<td>&gt;50%</td>
<td>Require external ESG support</td>
</tr>
<tr>
<td>~80%</td>
<td>Expect efficient daily services</td>
</tr>
<tr>
<td>+75%</td>
<td>Increase in mobile users for small enterprises</td>
</tr>
</tbody>
</table>

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

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¹ Nordea internal research
### Business Banking 2022–25

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

<table>
<thead>
<tr>
<th>Our focus areas</th>
<th>How we are doing it</th>
<th>Profitable growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accelerate growth</strong></td>
<td>› Focus resources on <strong>key locations and sectors</strong></td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td></td>
<td>› Use <strong>product expertise</strong> as <strong>competitive edge</strong></td>
<td><img src="#" alt="Green" /></td>
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<tr>
<td></td>
<td>› Increase <strong>scalability of specialist advisory</strong></td>
<td><img src="#" alt="Green" /></td>
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<tr>
<td><strong>Continue growth</strong></td>
<td>› <strong>Invest in acquisition &amp; specialist advisory</strong> teams</td>
<td><img src="#" alt="Yellow" /></td>
</tr>
<tr>
<td></td>
<td>› <strong>Target growth companies &amp; industries</strong></td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td></td>
<td>› <strong>Focus cross-sales</strong> efforts via data usage**</td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td><strong>Transform to profitable growth</strong></td>
<td>› <strong>Apply systematic customer right-pricing</strong></td>
<td><img src="#" alt="Orange" /></td>
</tr>
<tr>
<td></td>
<td>› <strong>Grow in mid-enterprise &amp; key niches</strong></td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td><strong>Maintain strong position</strong></td>
<td>› <strong>Selective customer acquisition</strong></td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td></td>
<td>› <strong>Profitability steering</strong> on existing portfolio**</td>
<td><img src="#" alt="Green" /></td>
</tr>
</tbody>
</table>

**Bubble size:** Income, EURbn  
**Bubble colour:** ROCAR, %  
Normalised loan losses used for 2021 numbers
Business Banking 2022–25

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
Business Banking

2025: The preferred bank for Nordic SMEs

- **Deepen customer relationships** and focus on profitability
- **Accelerate growth in Sweden and Norway**
- **Be the leading digital SME bank** and preferred sustainability partner

**2025 targets**

- Return on capital at risk: ~16%
- Cost-to-income ratio: ~40%