

# Nordea



**Half-year results 2021**

## Disclaimer

This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

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 climate, (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 has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

## Executive summary

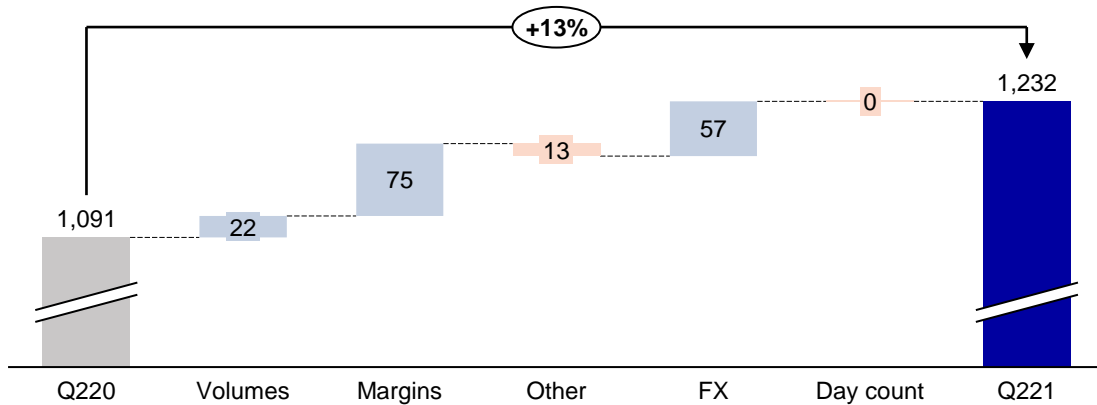
- Strong result, driven by high income growth, firm cost control and low loan losses
  - Net interest income up 13%, net fee and commission income up 30% and solid net fair value result
  - Net loan loss reversals of EUR 51m
- High levels of business activity and strong growth across Nordics
  - Mortgage volumes up 6% y/y, SME lending up 8% y/y and assets under management up 24% y/y
- Cost-to-income ratio\* improving at 49% and underlying cost development in line with plan
  - Significantly higher business activity driving slightly updated cost outlook
  - FY2021 costs now expected to be around EUR 4.6bn
- Continued strong credit quality – management buffer largely unchanged
- Profitability improving: return on equity\* at 11.4% and earnings per share EUR 0.25
- Capital position among best in Europe with CET1 ratio of 18.0%
  - Ready to distribute unpaid dividends and start buy-backs in Q4

## Group quarterly results Q2 2021

Income statement and key ratios EURm	Q221	Q220	Q2/Q2	Q121	Q2/Q1
Net interest income	1,232	1,091	13 %	1,212	2 %
Net fee and commission income	878	673	30 %	827	6 %
Net fair value result	278	316	-12 %	370	-25 %
Other income	30	10		11	
<b>Total operating income</b>	<b>2,418</b>	<b>2,090</b>	<b>16 %</b>	<b>2,420</b>	<b>0 %</b>
Total operating expenses excl. res. fee	-1,131	-1,039	9 %	-1,095	3 %
Total operating expenses	-1,131	-1,088	4 %	-1,319	-14 %
<b>Profit before loan losses</b>	<b>1,287</b>	<b>1,002</b>	<b>28 %</b>	<b>1,101</b>	<b>17 %</b>
Net loan losses and similar net result*	51	-696		-52	
<b>Operating profit</b>	<b>1,338</b>	<b>306</b>		<b>1,049</b>	<b>28 %</b>
Cost-to-income ratio**, %	49	52		48	
Return on equity**, %	11.4	3.0		11.0	
Diluted earnings per share, EUR	0.25	0.06		0.19	

# Net interest income – highest growth rate in ten years

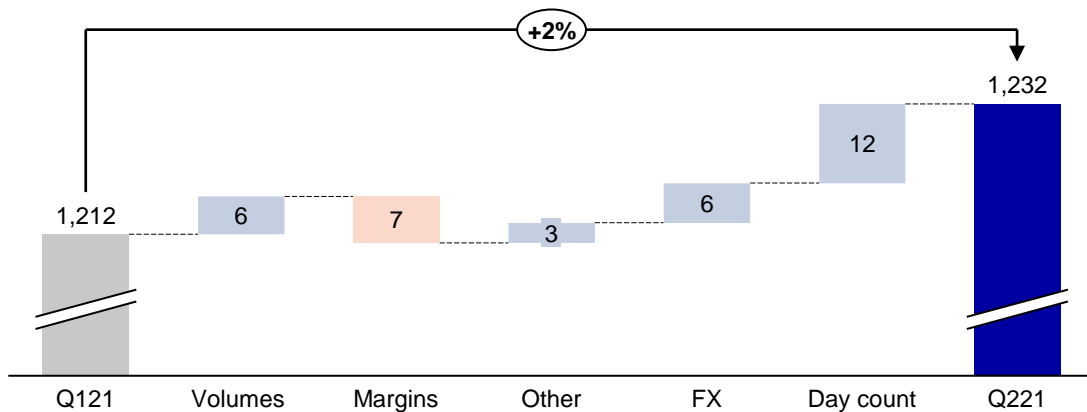
## Year-over-year bridge, EURm



## Comments

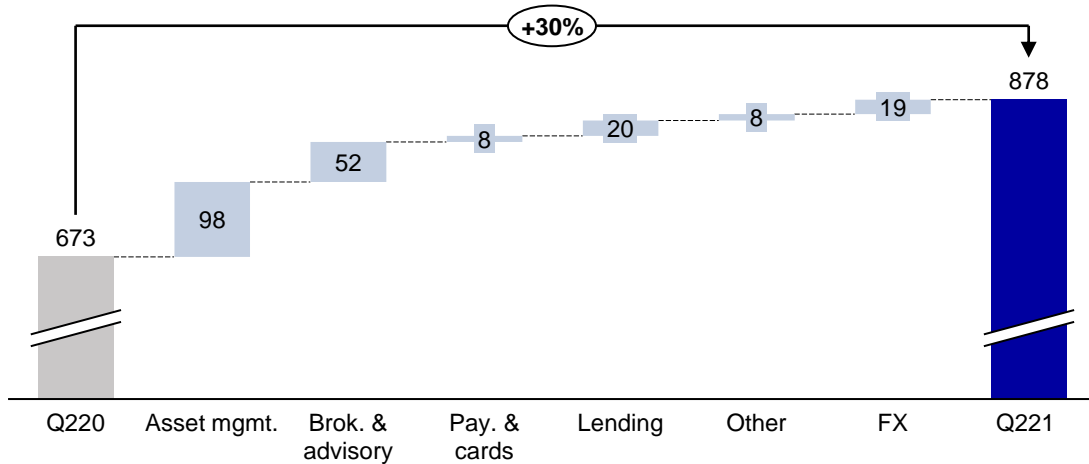
- Net interest income up 13% (up 10% excl. Nordea Finance Equipment)
- High levels of business activity and market share gains across Nordics
  - Mortgage volumes up 6% and lending to SMEs up 8% (up 4% excl. NFE)
- Margins largely unchanged from previous quarter

## Quarter-over-quarter bridge, EURm

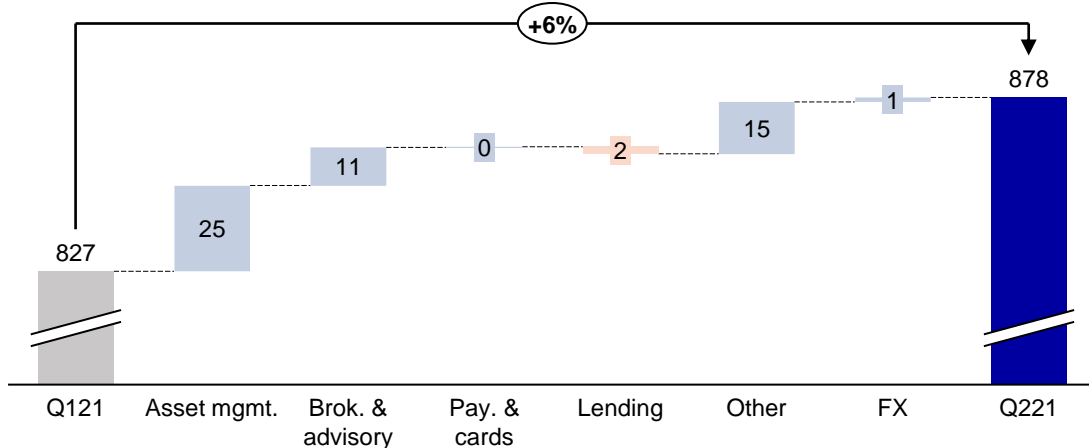


# Net fee and commission income – significant growth in savings and advisory fee income

## Year-over-year bridge, EURm



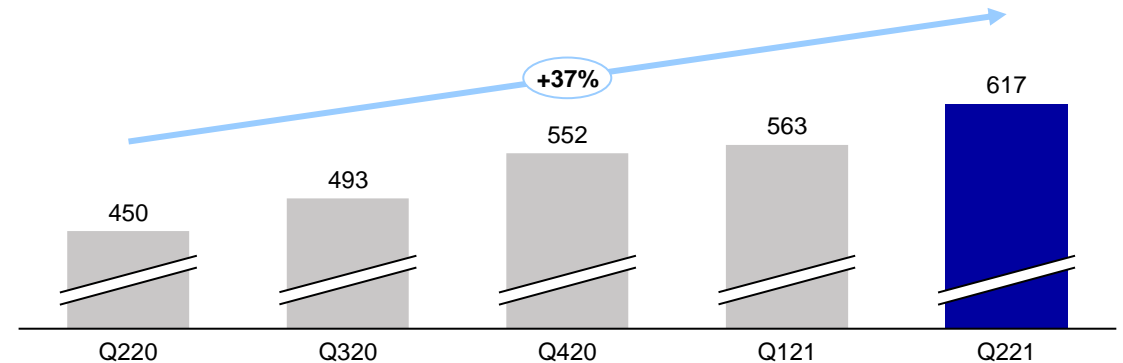
## Quarter-over-quarter bridge, EURm



## Comments

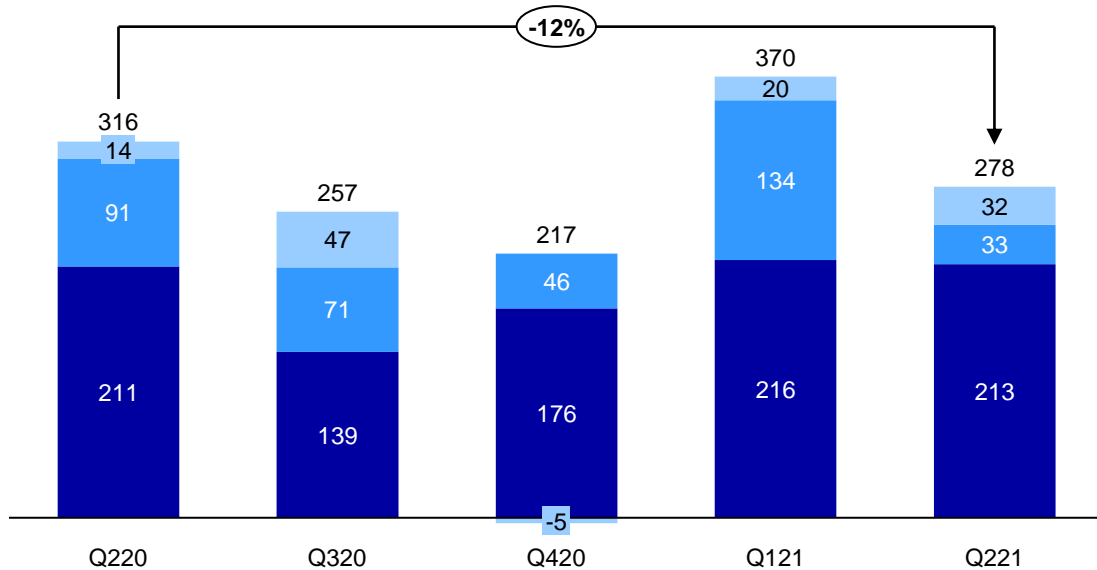
- Net fee and commission up 30%, highest level ever
- Savings fee income up 27%, driven by continued AuM growth
  - Solid net inflow: EUR 2.6bn
- High business activity in brokerage and corporate finance business
- Cards income recovering

## Savings and investment commission income, EURm



# Net fair value result – continued high activity in customer areas

## Net fair value result, EURm



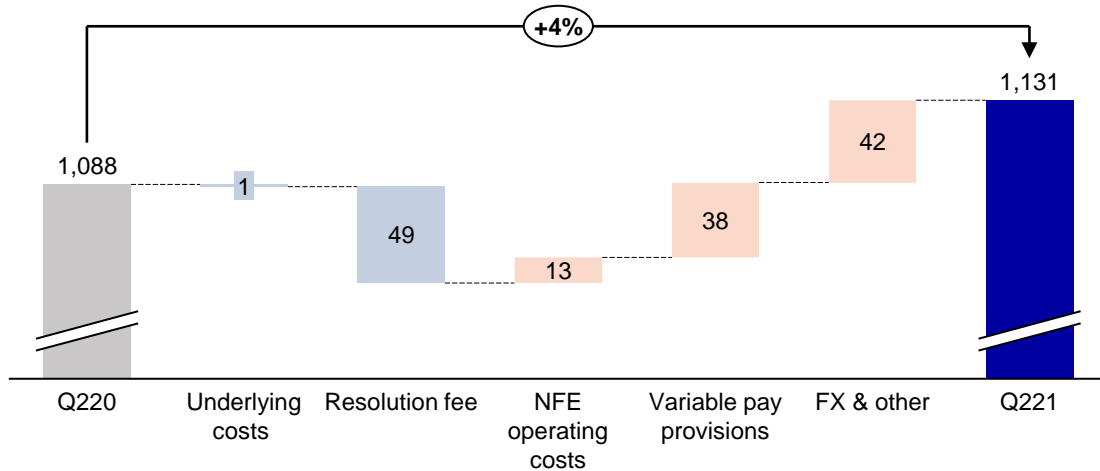
■ Customer areas\*    ■ Treasury & other\*\*  
■ Market-making operations

## Comments

- Solid net fair value result, at more normalised level
- Continued high activity in customer areas, mainly driven by FX and equity trading
- Weaker markets drove lower trading result

# Costs – underlying cost development in line with plan

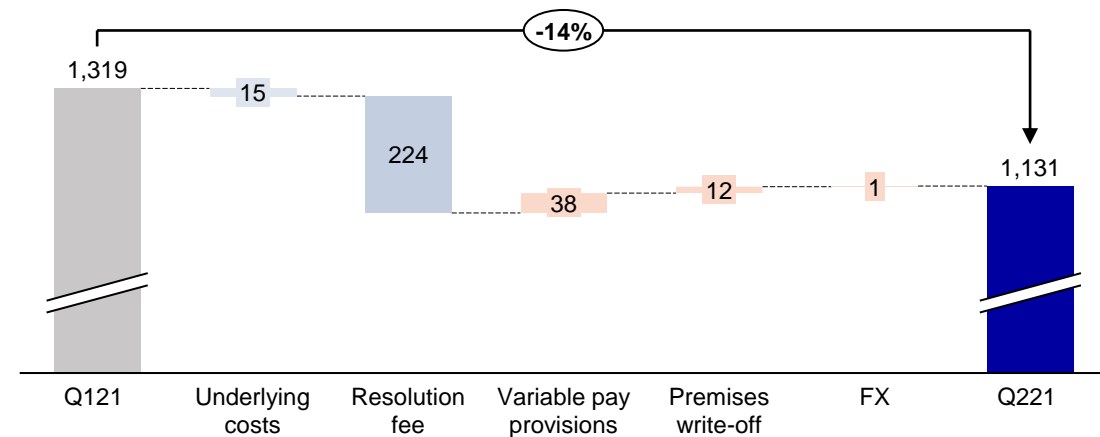
## Year-over-year bridge, EURm



## Comments

- Underlying costs unchanged
- Staff costs lower, adjusted for inclusion of NFE, variable pay provisions and exchange rate effects

## Quarter-over-quarter bridge, EURm



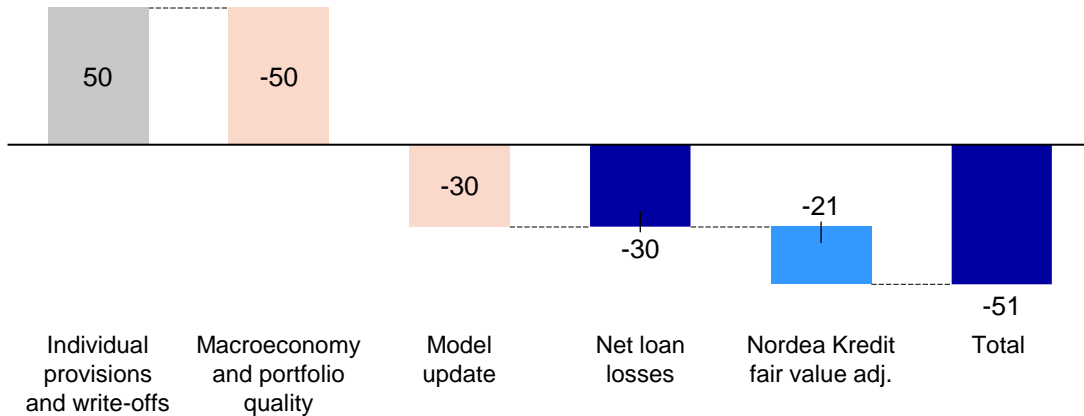
## Outlook

- Updated cost outlook due to significantly higher income and profits: full-year 2021 costs now expected to be around, rather than below, EUR 4.6bn
- Prime focus is, and will remain, on costs relative to income

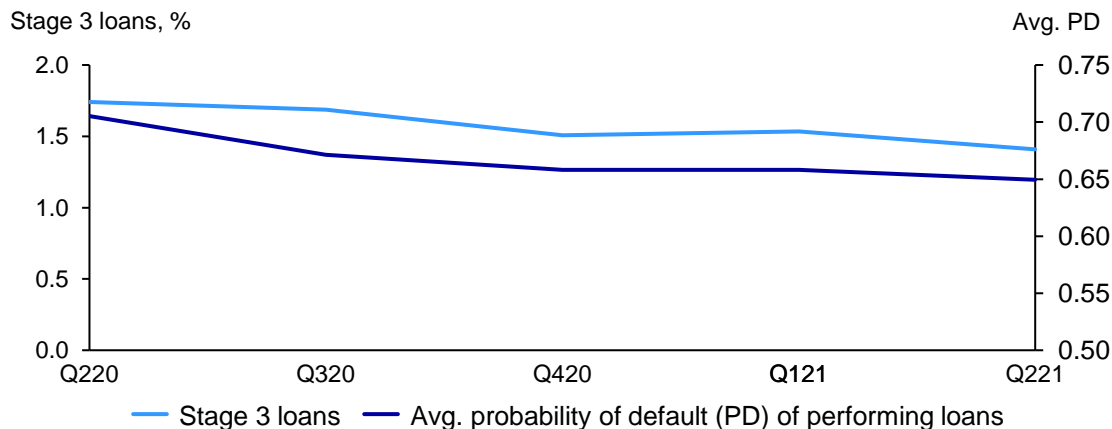


# Net loan losses and similar net result – credit quality remains strong

## Net loan losses and similar net result Q221, EURm



## Stage 3 loans and PD of total loans, %

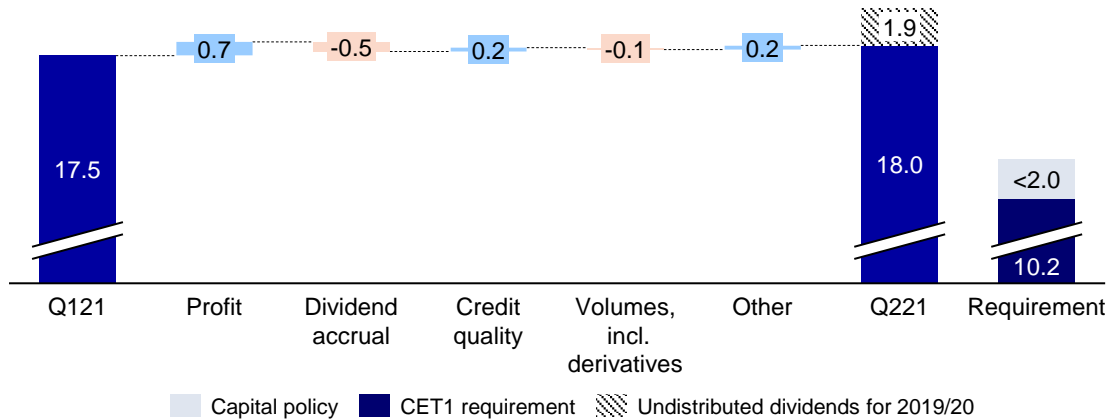


## Comments

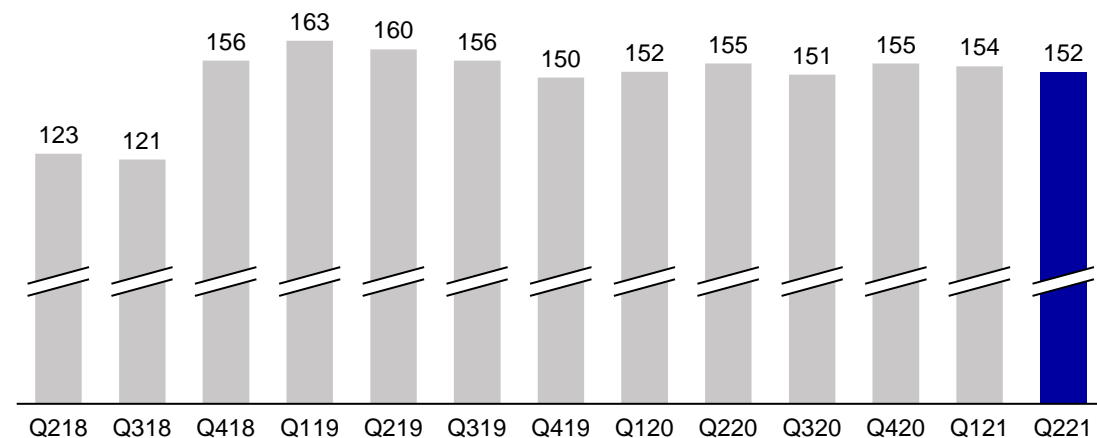
- Strong credit performance – net reversals of EUR 51m
- New provisions still at low levels; stage 3 loans down to 1.41% from 1.53% in Q1
- EUR 80m release of collective provisions
  - EUR 50m related to improved macro outlook and portfolio quality
  - EUR 30m driven by model updates
- Management buffer largely unchanged at EUR 610m
  - EUR 40m utilised to cover additional provisions for new NPL requirements
  - Substantial buffer retained for potential future credit losses
- Net loan losses in 2021 expected to be significantly below 2020 level

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

## CET1 capital ratio development, %



## REA development, EURbn



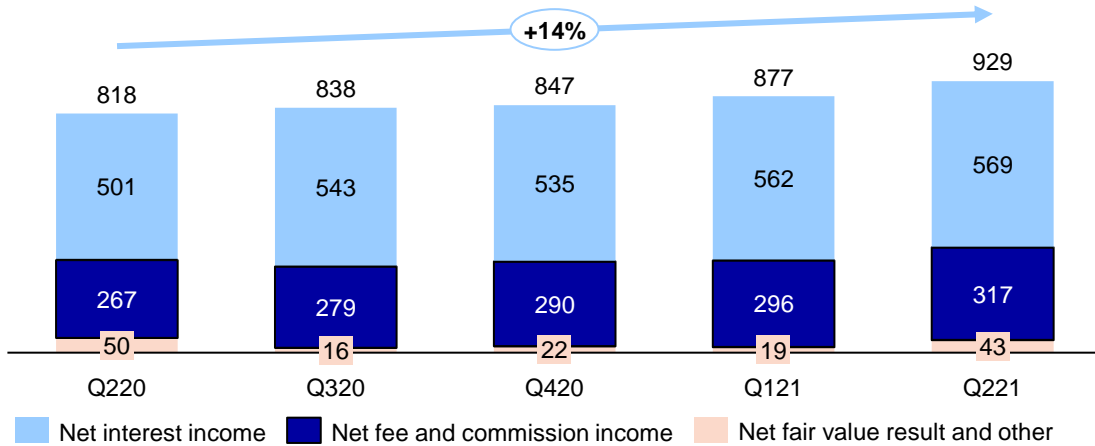
10 \*As of Q2 2021, 1.0 percentage points of the CET1 buffer has been used to fulfil the AT1/Tier 2 capital requirement

## Comments

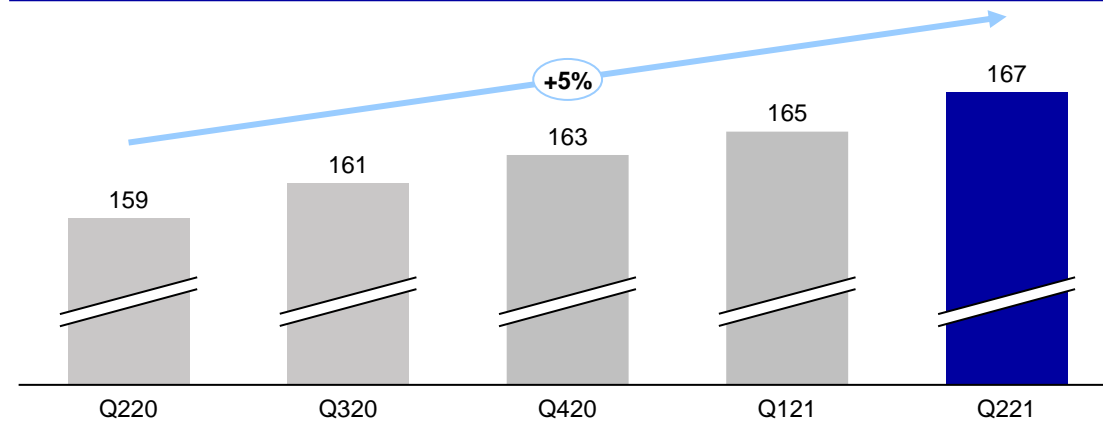
- CET1 capital ratio 18.0%, 7.8 percentage points above regulatory requirement\*
- CET1 capital up EUR 0.5bn, mainly driven by profit net of dividend
- Risk exposure amount down EUR 2bn to EUR 152bn, mainly driven by improved credit quality
- Capacity to support customers and distribute capital
- Dividends – plan to resume distribution of capital to shareholders when restrictions lifted
  - Board of Directors authorised by AGM to decide on dividend payment of maximum EUR 0.72 per share, covering remaining dividend for 2019 and 2020 dividend
  - Board of Directors ready to decide on dividend payment after current restrictions repealed
  - Intention to start share buy-back programme in Q4

# Personal Banking – high levels of business activity and volume growth

## Total income, EURm



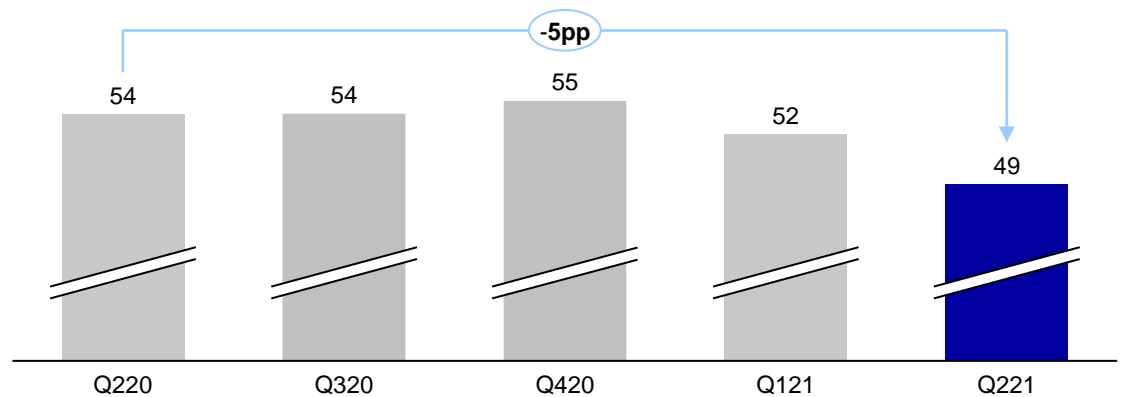
## Lending\*, EURbn



## Comments

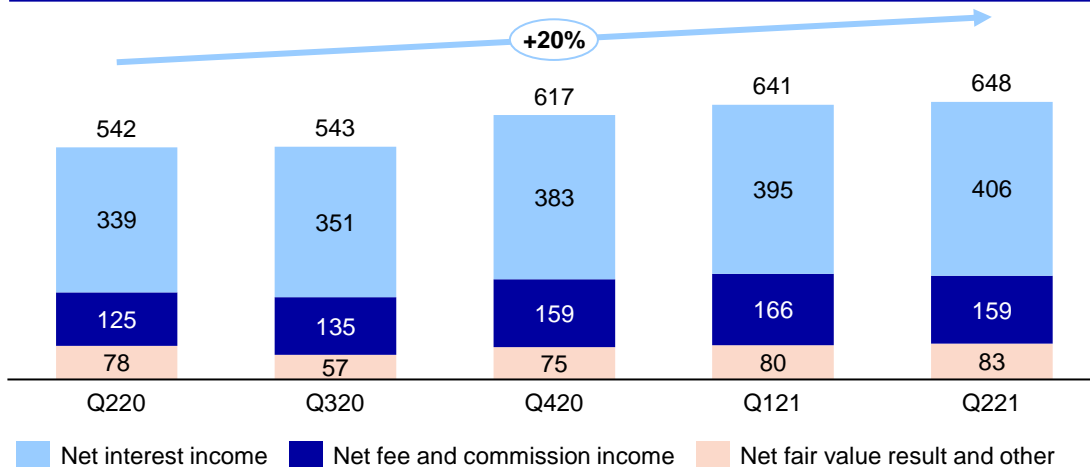
- Total income up 14%
- Continued strong mortgage activity: volumes up 6%
  - Further increases in mortgage market shares across Nordics
  - Improved mortgage and deposit margins
- Strong savings and investment activity; 65% of fund sales now done digitally
- Improvement in cost-to-income ratio, now 49%

## Cost-to-income ratio\*\*, %

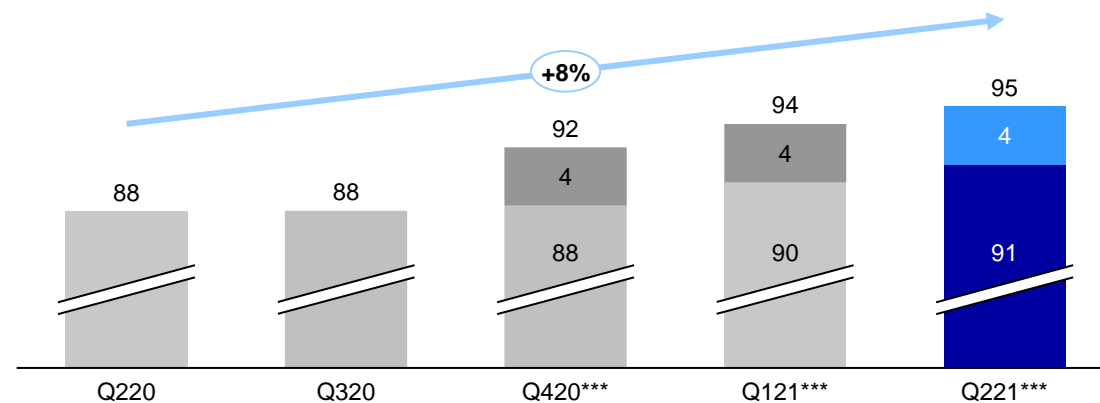


# Business Banking – high levels of business activity

## Total income, EURm



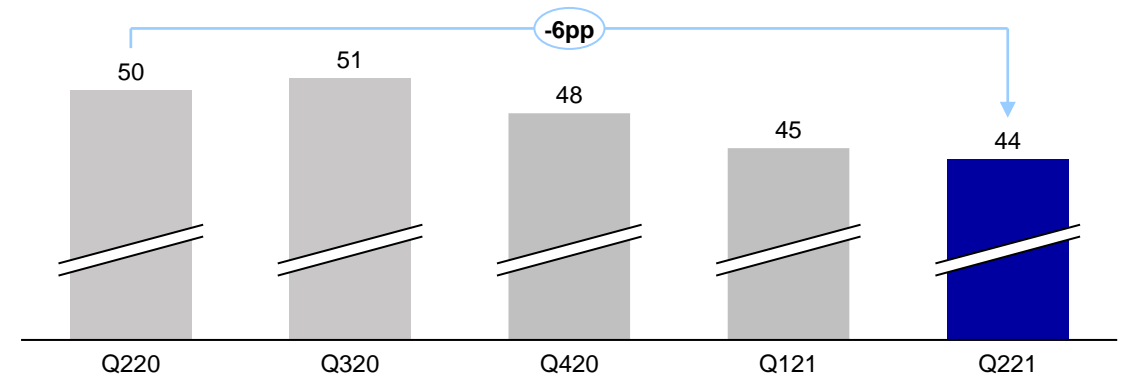
## Lending\*, EURbn



## Comments

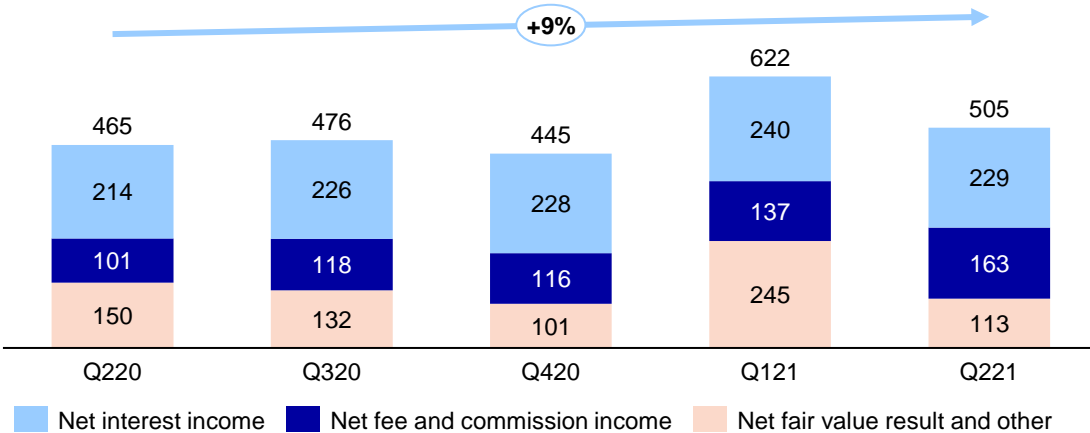
- Strong quarter – high levels of business activity
- Lending volumes up 8% (4% excl. Nordea Finance Equipment) – strong growth in Norway and Sweden
- High investment banking activity and improved savings and payments income
- More than 275,000 customers now onboarded to new netbank and over 80% of loan products available for digital signing
- Improvement in cost-to-income ratio, now 44%

## Cost-to-income ratio\*\*, %

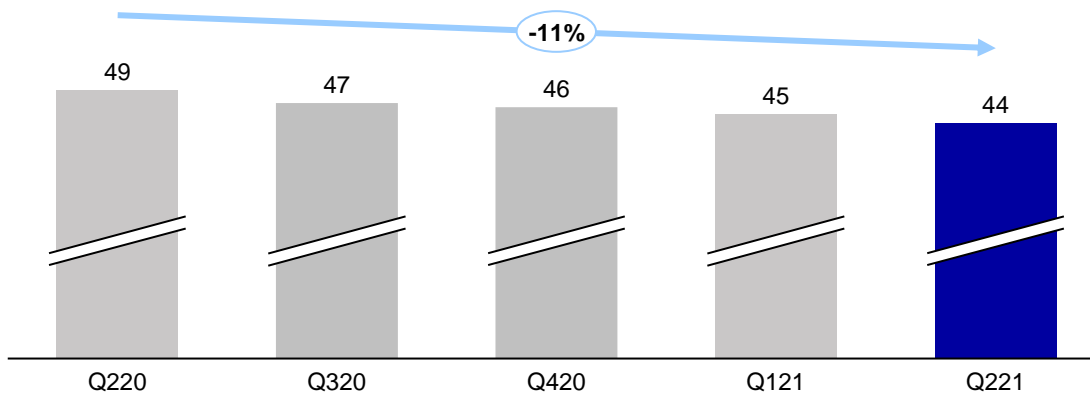


# Large Corporates & Institutions – clear progress on strategic repositioning plan

## Total income, EURm



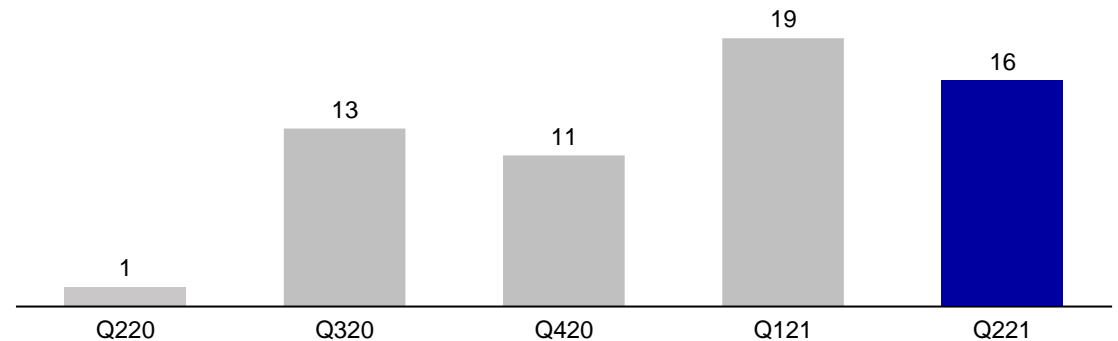
## Lending\*, EURbn



## Comments

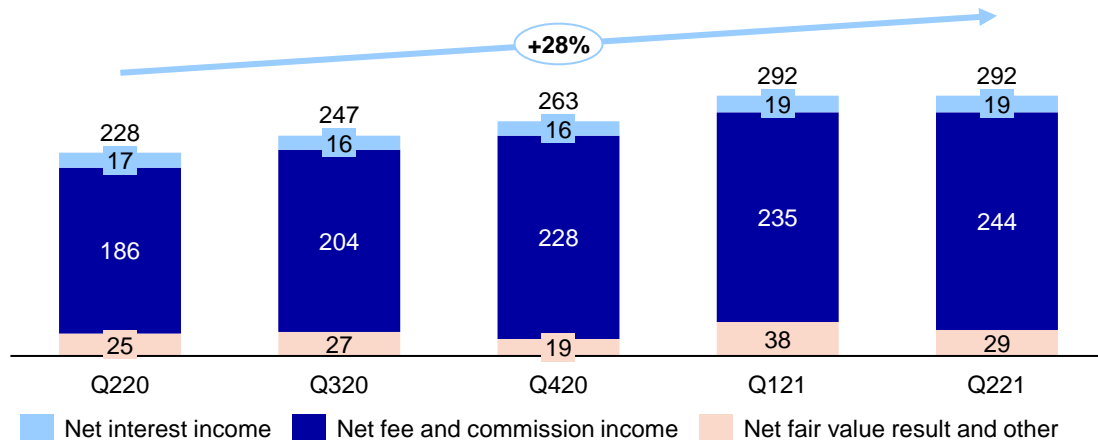
- Total income up 9%, driven by strong commission income
  - Highest level of net fee and commission income in 17 quarters
  - Very high customer activity in capital markets areas
  - Steady NII from higher lending margins while lending volumes lower
- Continued capital efficiency in line with repositioning plan
  - Economic capital down 17%
- Cost-to-income ratio 41%
- Return on capital at risk 16%

## Return on capital at risk\*\*, %



# Asset & Wealth Management – very high customer activity, especially in internal channels

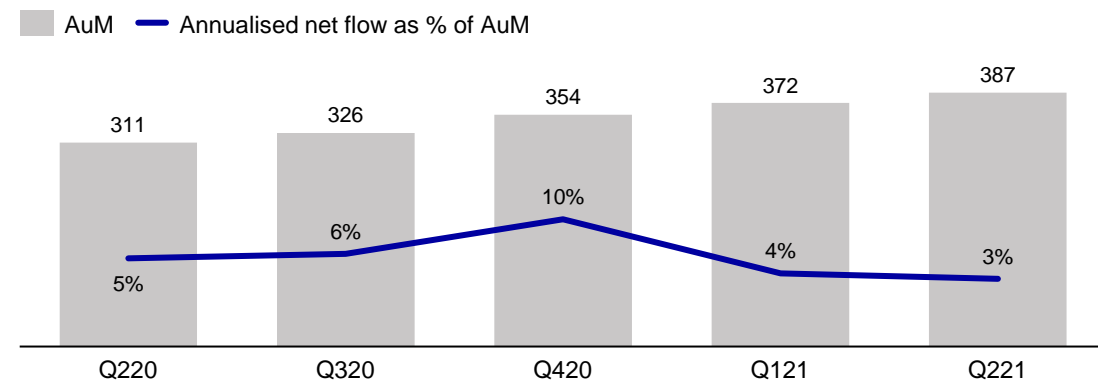
## Total income, EURm



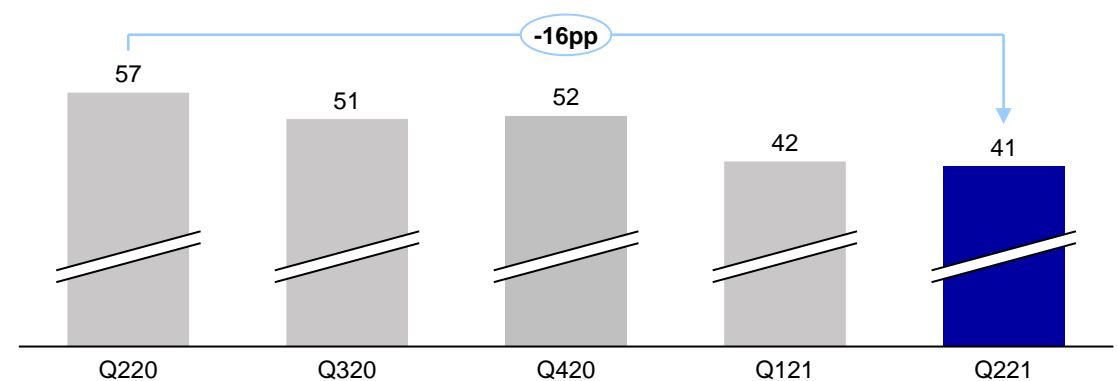
## Comments

- Total income up 28%, mainly driven by increase in AuM
- AuM up 24% to all-time high of EUR 387bn
  - Net inflow of EUR 2.6bn (annualised 3%), subdued by EUR 3.7bn outflow related to a divested business in Denmark
  - Solid Private Banking net inflow: EUR 2.0bn
  - Continued high demand for ESG products: over 90% of net flow
- Improvement in cost-to-income ratio, now 41%
- Return on capital at risk 31%

## Assets under management, EURbn, and net flows, %



## Cost-to-income ratio\*, %



# Sustainability at the core of our strategy

## Our actions



Strategy and climate targets launched in February 2021 – clear progress in implementation across Group



Engagement with customers to facilitate and enable their transition



Assessment of climate impact of corporate lending portfolio – work ongoing to set specific targets for sectors most vulnerable to climate-related risks



Sustainability-linked lending to SMEs up 20% in Q2



Development of sustainability competencies through training activities and enhanced governance



Bloomberg league table #1 positions for Nordic sustainable bonds overall and Nordic corporate sustainable bonds

## Our targets



**Net-zero**

emissions by 2050  
at latest



**40-50%** \*

reduction in  
emissions across  
lending and  
investment  
portfolios by 2030



**50%**

reduction  
in emissions from  
**internal  
operations** by  
2030

## Good progress in developing our digital omnichannel banking model

Mobile bank ranked **no 1** in Nordics with 4.5-4.6 app store rating

**71% y/y** growth in digital savings advisory sessions with robotic adviser

**44%** of online loan promise applications\* approved within minutes

Active mobile users\*\* up **9% y/y** with **>1bn** logins annually

**65%** of private customer fund sales through digital channels

**71** self-service features in mobile bank – leading position in Nordics



# We are committed to delivering on our 2022 financial targets

Cost-to-income ratio

**50%**

Capital policy

150-200bp  
management buffer  
above regulatory CET1 requirement

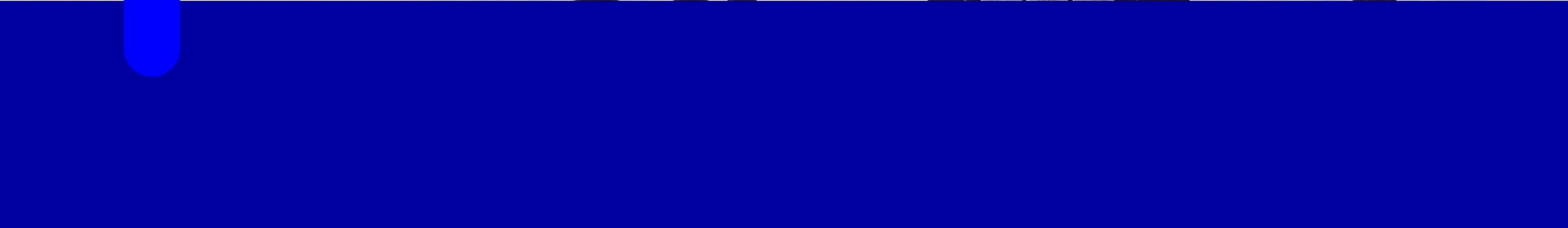
Return on equity

**>10%**

Dividend policy

60-70% payout of distributable  
profits to shareholders  
Excess capital intended to be distributed  
to shareholders through buy-backs

Nordea



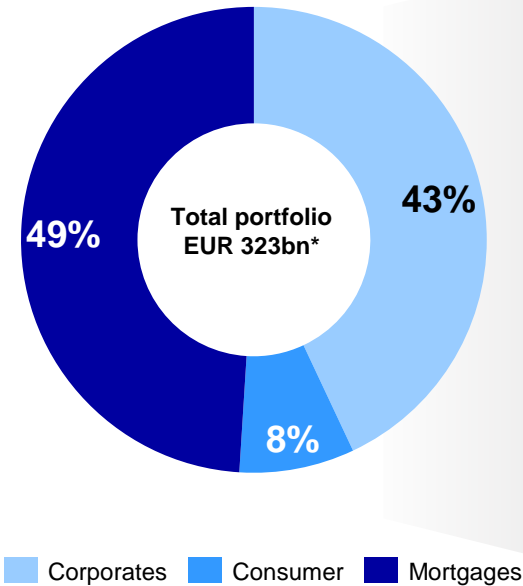
**Nordea**

## **Appendix**

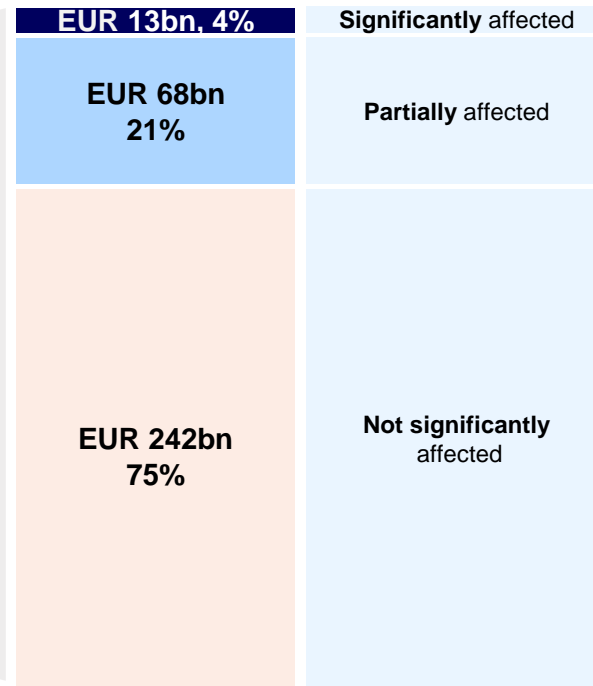


# Loan book – well diversified with strong credit quality

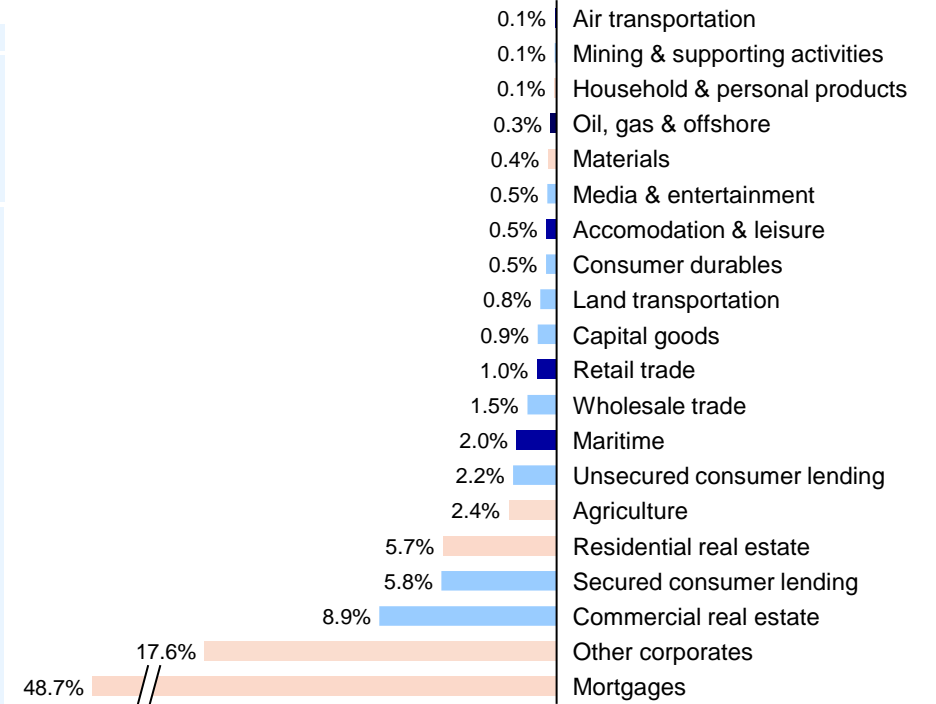
Portfolio well diversified across countries and segments



Updated analysis of COVID-19 impact by segment



Five segments with 4% of total exposures significantly affected



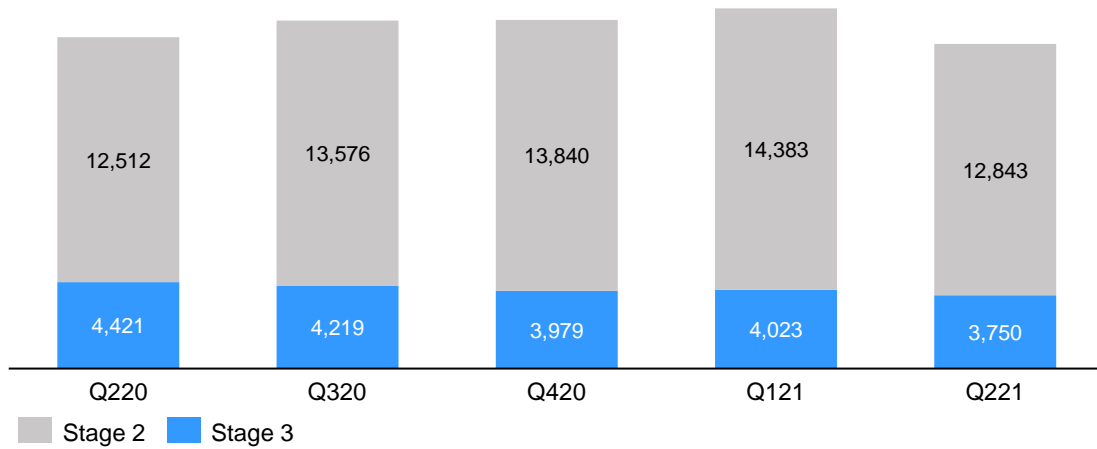
Nordic societies have well-structured social safety nets, strong fiscal positions and effective legal systems

Lending by country

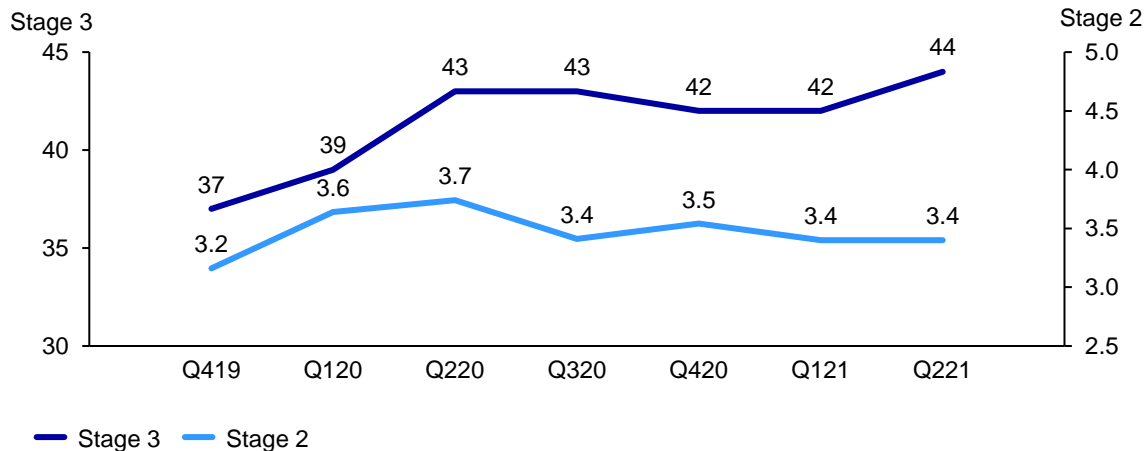


# Strong and stable credit quality

## Stage 2 and 3 loans at amortised cost, EURm



## Coverage ratio, %

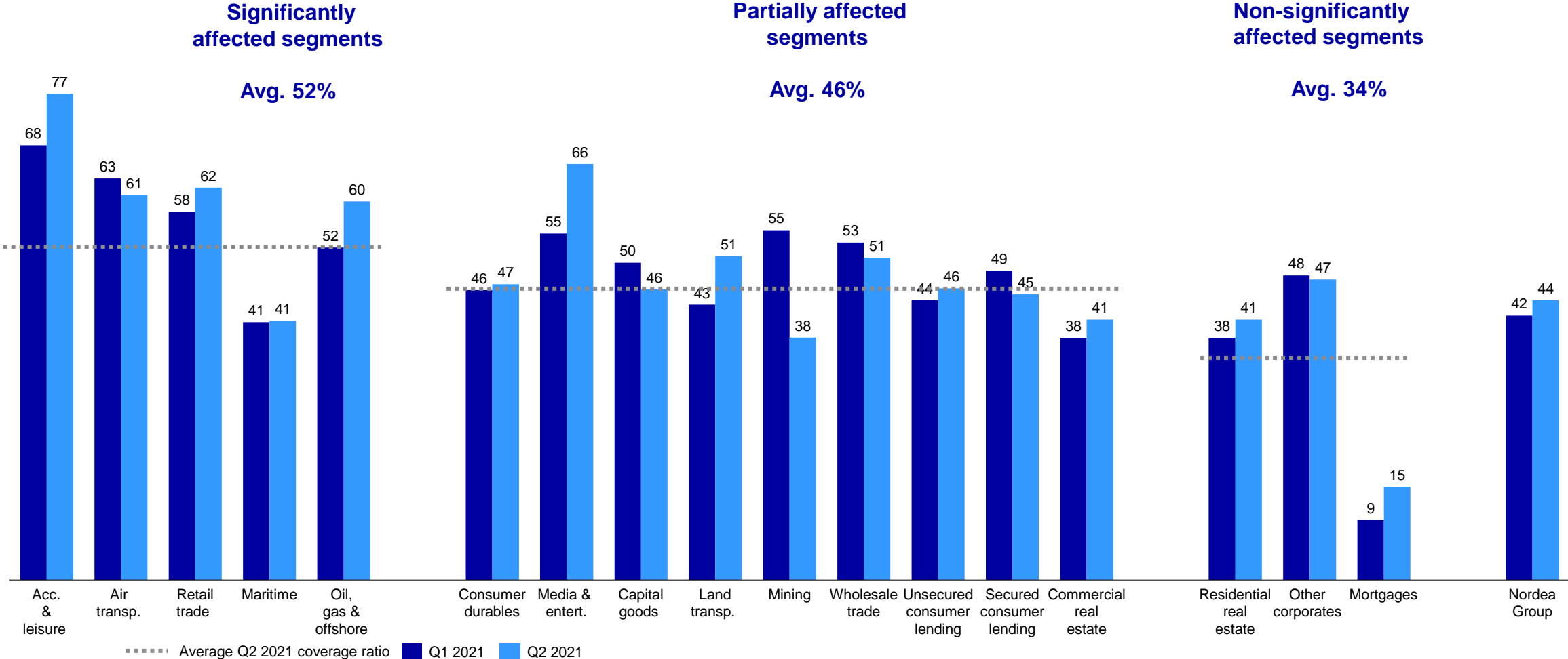


## Comments

- Decrease in stage 2 loans (11% q/q), partly related to enhanced data and model methodology
- Stage 3 loans at low levels; decrease due to active credit risk management
- Coverage ratio for potential losses in stage 3 up at 44%

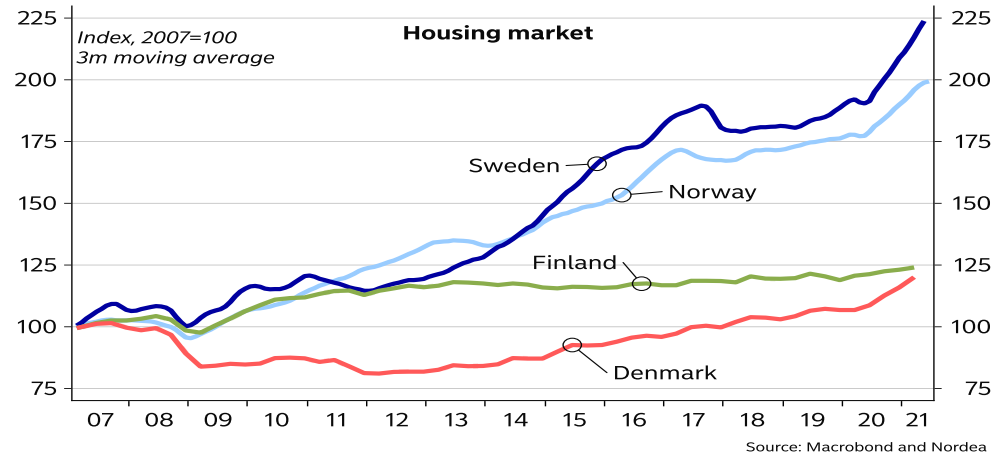
# Coverage ratios – well provisioned for potential losses

## Coverage ratios

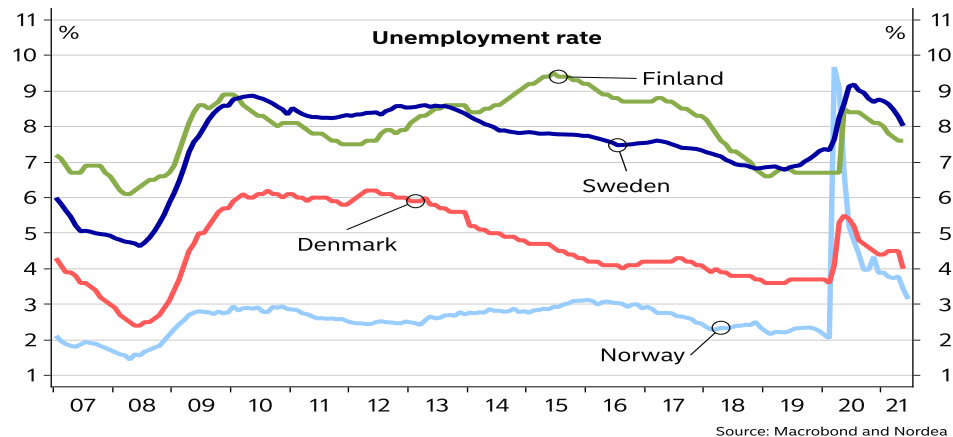


# Nordic economic development – resilient economies back on track

## Housing prices



## Unemployment rate



## Nordic countries among the best performing during COVID

- Danish GDP down 1.0% q/q in Q1. Unemployment down to 4.0% in May; house prices up 14.9% y/y and apartment prices up 17.3% y/y in June.
- Finnish GDP down 0.1% q/q in Q1. Unemployment down to 7.6% in May and apartment prices up 3.9% y/y in May.
- Norwegian mainland GDP down 1.0% q/q in Q1. Unemployment down to 3.0% in June and housing prices up 10% y/y in June.
- Swedish GDP up 0.8% q/q in Q1. Unemployment down to 7.9% in June and housing prices up 18% y/y in May.

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

Country	2020	2021E	2022E
Denmark	-2.7	3.0	2.8
Finland	-2.8	3.0	3.0
Norway	-2.5	3.5	4.0
Sweden	-3.1	4.5	3.0