

Copenhagen, Helsinki, Oslo, Stockholm, 6 February 2019

## Fourth Quarter and Full Year Results 2018

Nordea Bank Abp – Stock exchange release – Financial Statement Release

### CEO Casper von Koskull's comments on the results:

"2018 has been characterised by key deliveries in our transformation journey: Nordea is now a more focused, simpler and resilient bank – operating in the banking union – with a much improved risk and compliance platform following considerable investments. We are also delivering on the cost efficiency plans; credit quality remains strong and the balance sheet is robust. Thus, we are prepared to manage the bank successfully through the cycle.

At the same time, the results for 2018 are not where we want them to be, featuring a challenging revenue development; driven by margin pressure in household lending, muted volume growth, and pressure on savings and market making revenues. Towards the end of the year, margins stabilised, but the difficult market conditions in the fourth quarter further impacted our asset management and net fair value revenues negatively.

For 2019, our priorities are very clear. We are now well placed to intensify our client efforts and increase business momentum while at the same time continuing to drive structural cost efficiency. It is now all about execution."

The Nordea Bank Board is going to propose a dividend per share of EUR 0.69.

### Full year 2018 vs. Full year 2017 (Fourth quarter 2018 vs. Fourth quarter 2017)

- Net interest income EUR 4,324m, -7%; -5% in local currencies (2%, 3% in local currencies)
- Total operating income EUR 9,005m, -5%; -3% in local currencies (-6%, -4% in local currencies)
- Total expenses EUR 4,879m, -4%; -2% in local currencies (2%, 3% in local currencies)
- Profit before loan losses EUR 4,126m, -6%; -4% in local currencies (-17%, -16% in local currencies)
- Net loan losses EUR 173m, -53%; -51% in local currencies (-58%, -57% in local currencies)
- Operating profit EUR 3,953m, -1%; 1% in local currencies (-13%, -13% in local currencies)
- Common Equity Tier 1 capital ratio 15.5% vs. 19.5% (15.5% vs. 19.5%)
- Cost/income ratio 54% vs. 54% (66% vs. 61%)
- Loan loss ratio of 7bps vs. 12bps (5bps vs. 9bps)
- Return on equity 9.7% vs 9.5% (6.1% vs. 7.7%)
- Diluted EPS EUR 0.76 vs. EUR 0.75 (EUR 0.12 vs. EUR 0.15)

Exchange rates used for Q4 2018 for income statement items are for DKK 7.4533, NOK 9.6033 and SEK 10.2608.



## Income statement

	Q4 2018	Q3 2018	Chg %	Local curr. %	Q4 2017	Chg %	Local curr. %	Jan-Dec 2018	Jan-Dec 2017	Chg %	Local curr. %
<b>EURm</b>											
Net interest income	1,126	1,072	5	6	1,109	2	3	4,324	4,666	-7	-5
Net fee and commission income	720	703	2	2	839	-14	-13	2,993	3,369	-11	-9
Net result from items at fair value	182	205	-11	-13	235	-23	-21	1,088	1,328	-18	-16
Profit from associated undertakings and joint ventures accounted for under the equity method	15	48			16			124	23		
Other operating income	60	18			29			476	83		
<b>Total operating income</b>	<b>2,103</b>	<b>2,046</b>	<b>3</b>	<b>3</b>	<b>2,228</b>	<b>-6</b>	<b>-4</b>	<b>9,005</b>	<b>9,469</b>	<b>-5</b>	<b>-3</b>
Staff costs	-744	-726	2	2	-861	-14	-12	-2,998	-3,212	-7	-5
Other expenses	-390	-323	21	20	-425	-8	-7	-1,399	-1,622	-14	-11
Depreciation, amortisation and impairment charges of tangible and intangible assets	-250	-87	187	185	-75	233	235	-482	-268	80	84
<b>Total operating expenses</b>	<b>-1,384</b>	<b>-1,136</b>	<b>22</b>	<b>21</b>	<b>-1,361</b>	<b>2</b>	<b>3</b>	<b>-4,879</b>	<b>-5,102</b>	<b>-4</b>	<b>-2</b>
<b>Profit before loan losses</b>	<b>719</b>	<b>910</b>	<b>-21</b>	<b>-21</b>	<b>867</b>	<b>-17</b>	<b>-16</b>	<b>4,126</b>	<b>4,367</b>	<b>-6</b>	<b>-4</b>
Net loan losses	-30	-44	-32	-32	-71	-58	-57	-173	-369	-53	-51
<b>Operating profit</b>	<b>689</b>	<b>866</b>	<b>-20</b>	<b>-20</b>	<b>796</b>	<b>-13</b>	<b>-13</b>	<b>3,953</b>	<b>3,998</b>	<b>-1</b>	<b>1</b>
Income tax expense	-197	-182	8	9	-167	18	28	-872	-950	-8	-5
<b>Net profit for the period</b>	<b>492</b>	<b>684</b>	<b>-28</b>	<b>-28</b>	<b>629</b>	<b>-22</b>	<b>-23</b>	<b>3,081</b>	<b>3,048</b>	<b>1</b>	<b>2</b>

## Business volumes, key items<sup>1</sup>

	31 Dec 2018	30 Sep 2018	Chg %	Local curr. %	31 Dec 2017	Chg %	Local curr. %
<b>EURbn</b>							
Loans to the public	308.3	316.5	-3	-2	310.2	-1	1
Loans to the public, excl. repos	291.6	291.7	0	1	293.9	-1	1
Deposits and borrowings from the public	165.0	174.2	-5	-5	172.4	-4	-3
Deposits from the public, excl. repos	160.2	160.5	0	0	165.4	-3	-2
Total assets	551.4	572.8	-4		581.6	-5	
Assets under management	282.6	311.5	-9		330.4	-14	
Equity	32.9	32.6	1		33.3	-1	

## Ratios and key figures<sup>2</sup>

	Q4 2018	Q3 2018	Chg %	Q4 2017	Chg %	Jan-Dec 2018	Jan-Dec 2017	Chg %
Diluted earnings per share, EUR	0.12	0.17	-29	0.15	-20	0.76	0.75	1
EPS, rolling 12 months up to period end, EUR	0.76	0.79	-4	0.75	1	0.76	0.75	1
Share price <sup>1</sup> , EUR	7.30	9.40	-22	10.09	-28	7.30	10.09	-28
Total shareholders' return, %	-17.5	20.2		-5.0		-19.5	3.6	
Equity per share <sup>1</sup> , EUR	8.15	8.08	1	8.21	-1	8.15	8.21	-1
Potential shares outstanding <sup>1</sup> , million	4,050	4,050	0	4,050	0	4,050	4,050	0
Weighted average number of diluted shares, mn	4,037	4,037	0	4,039	0	4,037	4,039	0
Return on equity, %	6.1	8.7		7.7		9.7	9.5	
Cost/income ratio, %	66	56		61		54	54	
Loan loss ratio, basis points <sup>3</sup>	5	8		9		7	12	
Common Equity Tier 1 capital ratio <sup>1,4,5</sup> , %	15.5	20.3		19.5		15.5	19.5	
Tier 1 capital ratio <sup>1,4,5</sup> , %	17.3	22.6		22.3		17.3	22.3	
Total capital ratio <sup>1,4,5</sup> , %	19.9	26.3		25.2		19.9	25.2	
Tier 1 capital <sup>1,4</sup> , EURbn	27.0	27.3	-1	28.0	-4	27.0	28.0	-4
Risk exposure amount <sup>4</sup> , EURbn	156	121	29	126	24	156	126	24
Number of employees (FTEs) <sup>1</sup>	28,990	29,056	0	30,399	-5	28,990	30,399	-5
Economic capital <sup>1</sup> , EURbn	26.6	26.3	1	26.7	0	26.6	26.7	0

<sup>1</sup> End of period.

<sup>2</sup> For more detailed information regarding ratios and key figures defined as Alternative performance measures, see [www.nordea.com/en/investor-relations/](http://www.nordea.com/en/investor-relations/).

<sup>3</sup> Including Loans to the public reported in Assets held for sale in Q1 2018.

<sup>4</sup> Including the result for the period.

<sup>5</sup> Changes to the applicable capital requirements regime (for more details, please see chapter Other information in the Q4 and FY 2018 Report).



## Outlook

### Key drivers of the outlook

Throughout Nordea we are intensifying our efforts to increase business momentum and each business area has identified a number of initiatives to drive client value and revenue growth. Examples include investments in Private Banking in Norway and Sweden, acquisition of Gjensidige Bank, new distribution channels within Asset management and Wholesale banking and clear plans to regain momentum on mortgages where we already start to see results.

The key drivers behind the structural cost efficiency are increased usage of automation and robotics, ongoing ramp-up in Poland and Estonia and outsourcing of Group Technology mainframe to IBM. We are also simplifying through harmonizing products and services and leveraging scale by further consolidating common units, for instance global operations and services. At the end of the day, it is now all about execution.

### Cost

For 2021, we expect the cost base in constant currencies to be approximately 3% below the 2018 cost base excluding items affecting comparability in 2018\* and cash costs are expected to be down 5-10% in constant currencies over the same period.

Costs for 2019 are expected to be lower in constant currencies compared to 2018 excluding items affecting comparability in 2018 and 2019\*\* and total cash cost expected to be lower in constant currencies over the same period.

\*EUR141m in goodwill impairment in 2018 related to Russia

\*\*EUR141m in goodwill impairment related to Russia and approximately EUR 90m in 2019 related to divestment of Luminor-shares and acquisition of Gjensidige Bank

### Credit quality

Our expectation for the coming quarters is that net losses will remain low and around the average level for 2018.

### Capital policy

Given the implementation of transitional arrangements agreed with the ECB following Nordea's transfer to the Banking Union and with the aim to maintain the same nominal management buffer, Nordea Board of Directors decided to adjust the Groups capital policy to reflect the transitional capital regime on the meeting on 5 February 2019. The management buffer has been adjusted from 50-150bps to a range of 40 – 120 bps. This is mainly a technical adjustment therefore the management buffer remains largely unchanged in nominal EUR amounts. The current level of the management buffer is approximately EUR 2.5bn (160bps). The ambition is to achieve a yearly increase in the dividend per share, while maintaining a strong capital position in line with the capital policy.

The entire report can be found on the below link on our website.

[Nordea Group Q4 and FY 2018 Report](#)

The Annual report 2018, including the report by the Board of Directors and the audited annual accounts, will be published in week 9. The annual report will be available at [www.nordea.com/ir](http://www.nordea.com/ir)

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We build strong and close relationships through our engagement with customers and society. Whenever people strive to reach their goals and realise their dreams, we are there to provide relevant financial solutions. We are the largest bank in the Nordic region and among the ten largest financial groups in Europe in terms of total market capitalisation with around 11 million customers. The Nordea share is listed on the Nasdaq Helsinki, Nasdaq Copenhagen and Nasdaq Stockholm exchanges. Read more about us on [nordea.com](http://nordea.com).