



# Nordea

**Debt investor presentation Q4 and full year 2019**

## 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.

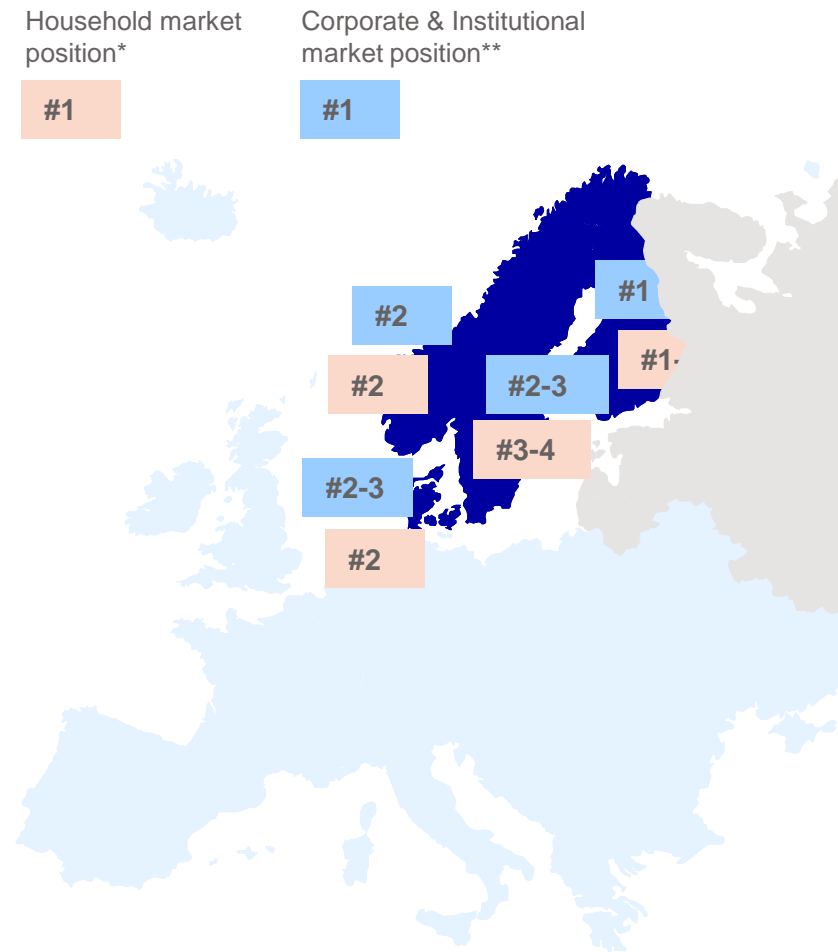
# Table of contents

1. Nordea quarterly update	4
2. Capital, AML and Sustainability	15
3. Funding	21
4. Macro	33
5. Business areas – update	37

# 1. Nordea quarterly update



# The largest financial services group in the Nordics



## Business position

- Leading market position in all four Nordic countries
- Universal bank with strong position in household, corporate and institutions, and asset and wealth management
- Well-diversified business mix between net interest income, net commission income and capital markets income

## 10 million customers and strong distribution power

- 9.3 million household customers
- 530,000 small and medium-sized companies
- 2,650 large corporates and institutions, including Nordic Top 500
- Approx. 340 branch office locations
- Enhanced digitalisation of the business for customers
- Income evenly distributed between the business areas

## Financial strength

- EUR 8.5bn in full year income, EUR 3.4bn in operating profit (2019)\*\*\*
- EUR 555bn of assets (Q4 2019)
- EUR 31.5bn in equity capital (Q4 2019)
- CET1 ratio 16.3% (Q4 2019)
- Leverage ratio 5.3% (Q4 2019)

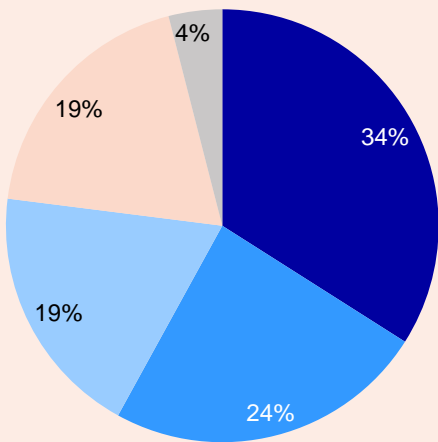
## AA level credit ratings

- Moody's Aa3 (stable outlook)
- S&P AA- (stable outlook)
- Fitch AA- (negative outlook)

## EUR ~29bn in market cap (Q4 2019)

- One of the largest Nordic corporations
- A top-15 universal bank in Europe

Operating income per business area 2019

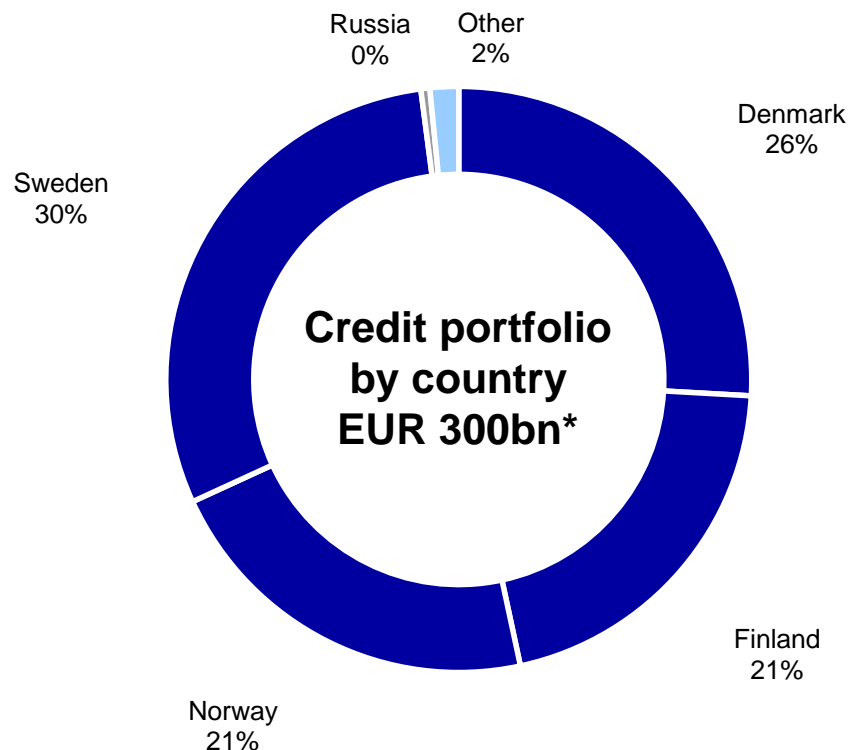


- Personal Banking
- Business Banking
- Large Corporates & Institutions

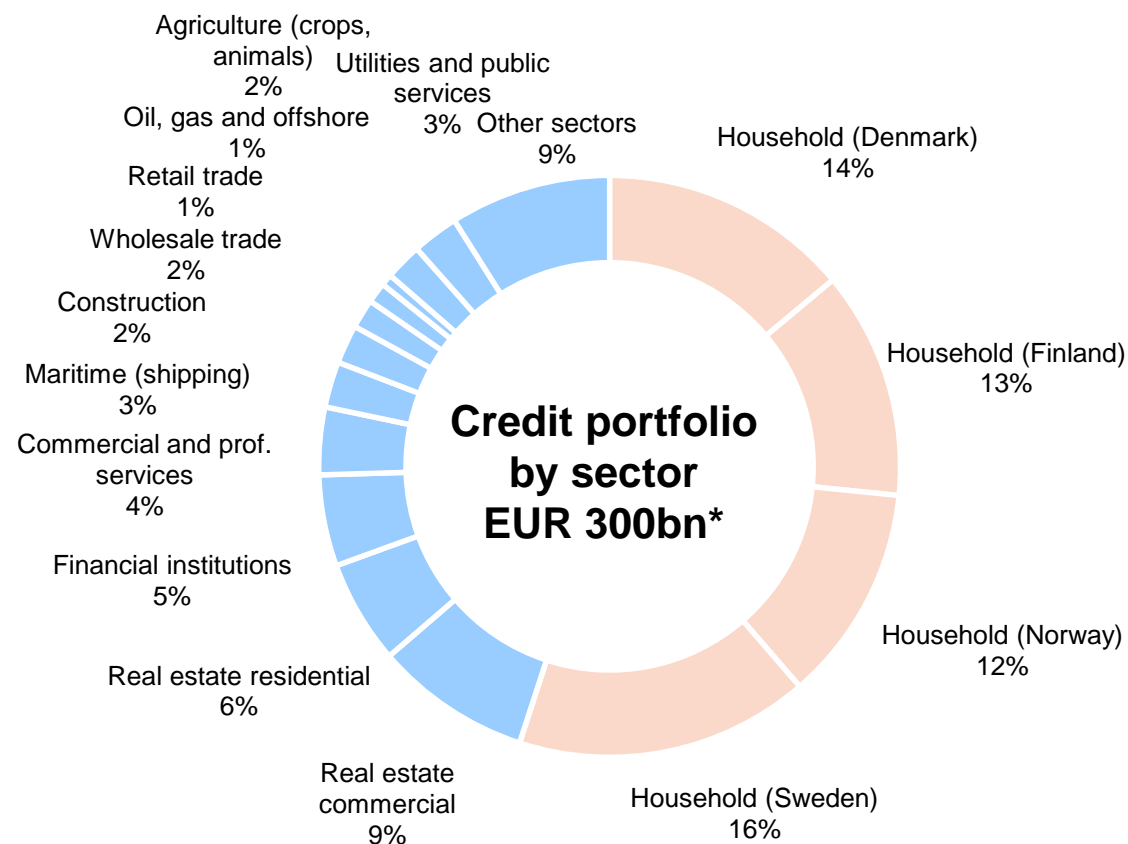
- Asset & Wealth Management
- Group Functions and Other

# Nordea is the most diversified bank in the Nordics

## A Nordic-centric portfolio (98%)



## Lending: 45% Corporate and 55% Household



# Executive summary, fourth quarter 2019

Started to execute on our new business plan

- New simplified organisation and leadership appointments in place
- Higher market shares in mortgages – growth in all markets
- Solid lending growth of 4% YoY in the SME segment
- Acquisition of SG Finans AS announced in December

Cost to income ratio improved to 57% in Q4 – work continues to deliver on target of 50% in 2022

- Income +6% YoY
- Cost -5% YoY

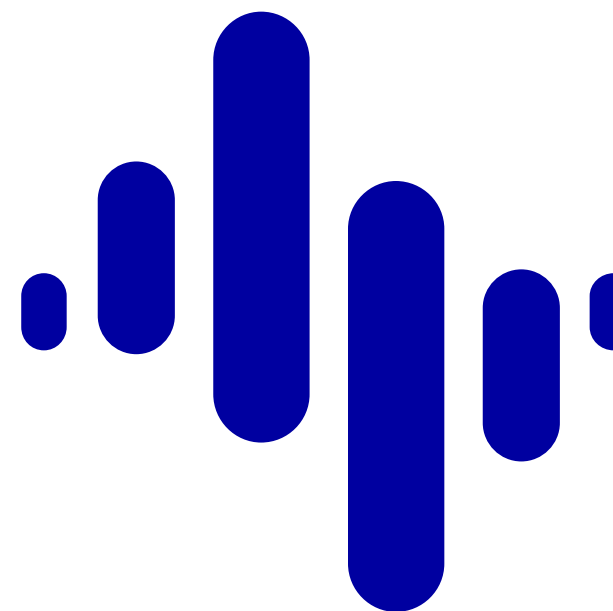
Credit quality is solid

- Somewhat higher loan loss provisions in Q4 related to a couple of specific corporate exposures

Common equity tier 1 ratio of 16.3%

Return on equity of 7.6% – work continues to deliver on target of >10% in 2022

Board proposes a dividend of EUR 0.40 per share



## Group quarterly result Q4 2019

excluding one-offs\*

Income statement, EURm	Q419	Q418	Q4/Q4	Q319	Q4/Q3
Net interest income (NII)	1,108	1,142	-3%	1,083	2%
Net fee and commission income (NCI)	775	720	8%	756	3%
Net fair value result (NFV)	266	132	102%	211	26%
Other income	7	39	-82%	35	-80%
<b>Total operating income</b>	<b>2,156</b>	<b>2,033</b>	<b>6%</b>	<b>2,085</b>	<b>2%</b>
<b>Total operating expenses</b>	<b>-1,179</b>	<b>-1,243</b>	<b>-5%</b>	<b>-1,161</b>	<b>2%</b>
<b>Profit before loan losses</b>	<b>977</b>	<b>790</b>	<b>24%</b>	<b>924</b>	<b>6%</b>
Net loan losses	-102	-30	NM	-49	NM
<b>Operating profit</b>	<b>875</b>	<b>760</b>	<b>15%</b>	<b>875</b>	<b>0%</b>
<b>Cost/income ratio</b> with amortised resolution fees, %	<b>57</b>	<b>63</b>		<b>58</b>	
<b>Return on equity</b> with amortised resolution fees, %	<b>7.6</b>	<b>6.7</b>		<b>8.4</b>	



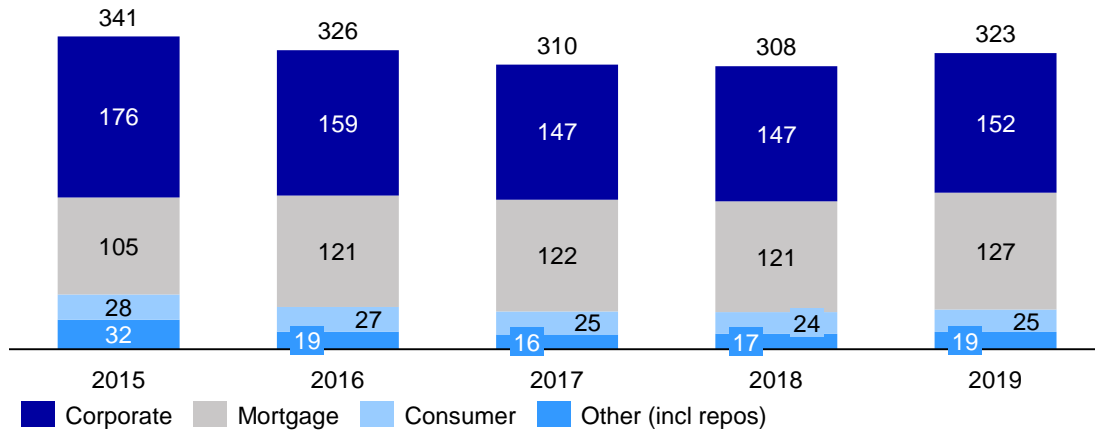
## Group full year result 2019

excluding one-offs\*

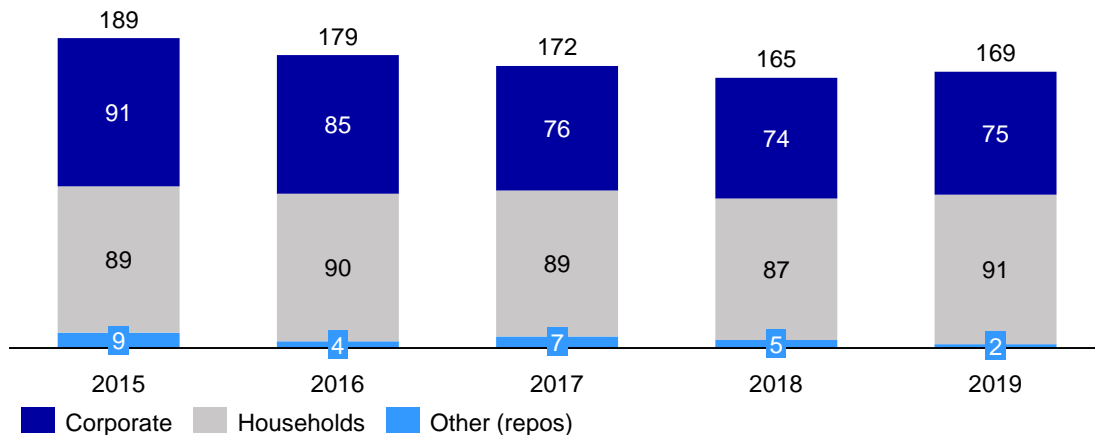
Income statement, EURm	FY2019	FY2018	FY/FY
Net interest income (NII)	4,318	4,491	-4%
Net fee and commission income (NCI)	3,011	2,993	1%
Net fair value result (NFV)	1,024	903	13%
Other income	144	215	-33%
<b>Total operating income</b>	<b>8,497</b>	<b>8,602</b>	<b>-1%</b>
<b>Total operating expenses</b>	<b>-4,877</b>	<b>-4,905</b>	<b>-1%</b>
<b>Profit before loan losses</b>	<b>3,620</b>	<b>3,697</b>	<b>-2%</b>
Net loan losses	-254	-173	47%
<b>Operating profit</b>	<b>3,366</b>	<b>3,524</b>	<b>-4%</b>
<b>Cost to income ratio, %</b>	<b>57</b>	<b>57</b>	
<b>Return on equity, %</b>	<b>8.1</b>	<b>8.5</b>	

# Business volumes – regaining market shares

## Lending, EURbn



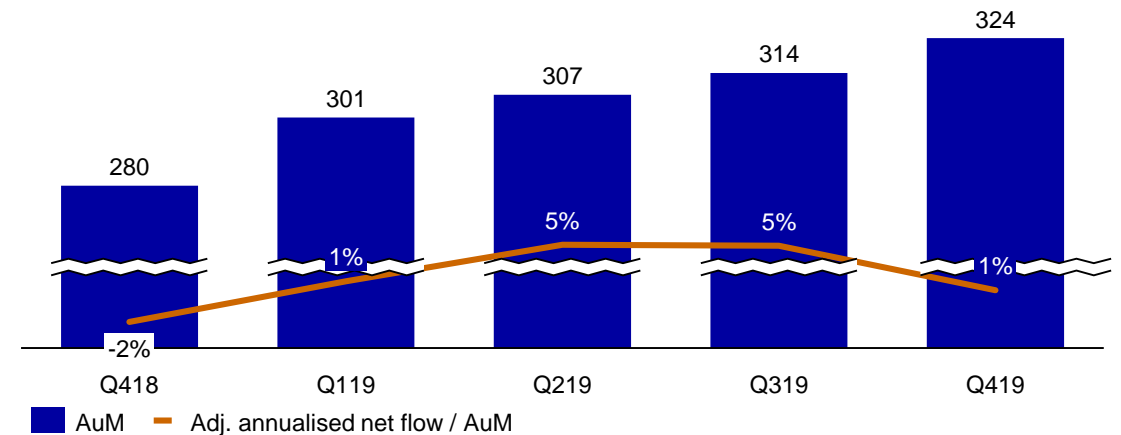
## Deposits, EURbn



## Comments

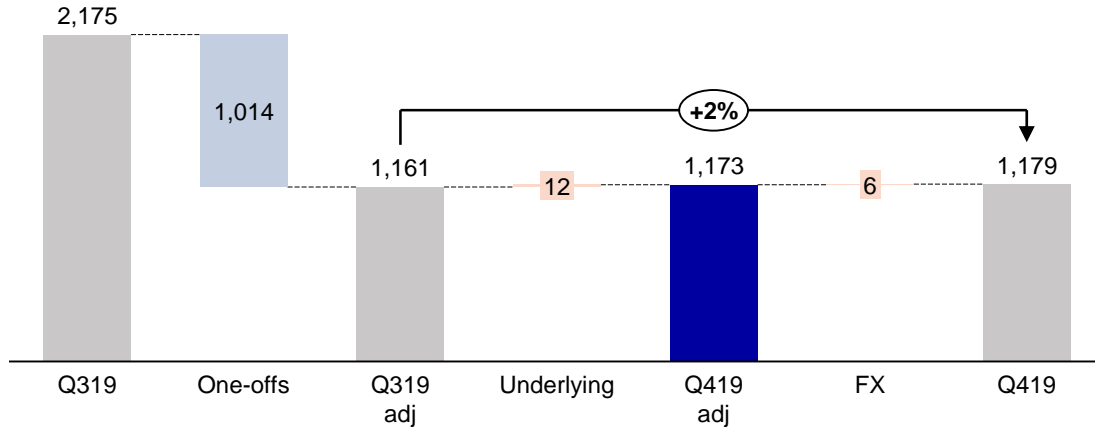
- Growth in 2019 after several years of decline
  - Lending +5% YoY
  - Deposits +4% YoY
- Regaining market share in mortgages
- AuM at all-time high, up 16% YoY
  - EUR 9bn total net inflow during 2019

## Assets under management, EURbn

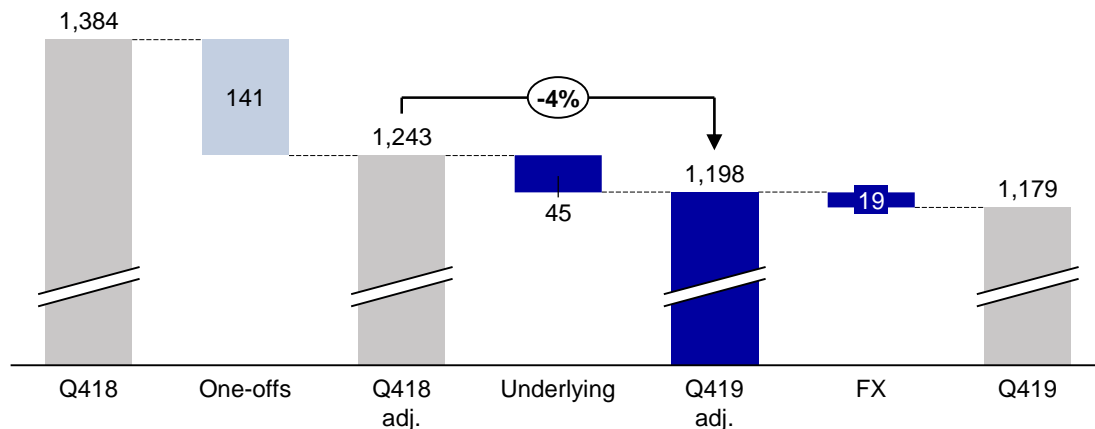


# Costs – initiatives having impact in Q4

## Quarterly bridge, EURm



## Yearly bridge, EURm



## Comments

- Full year 2019 costs\* at EUR 4.88bn
  - Costs reduced by 1% compared to 2018
  - 2019 cost target delivered
- Number of staff down -2% in Q4, consultants -9%
- Cost to income ratio\*\* improved to 57% in Q4

## Outlook

- For 2020 we expect to reach a cost base of below EUR 4.7bn
- Planned continued net cost reductions beyond 2020

# Plans to reduce EUR 700-800m gross cost



## People

### Fewer people by the end of 2022

- Majority of the planned reductions in head office and central functions
- Reduction in number of external consultants
- Nearshoring



## IT

### Reduced IT spend

- Outsourcing
- Continued decommissioning, automation and cloud solutions
- Pan-Nordic platforms



## Processes

### Streamlining of processes

- 40% fewer products
- From 48 to 5 payment platforms
- Automated and robotised processes freeing up time (FTEs)

EUR 700-800m

Staff

IT

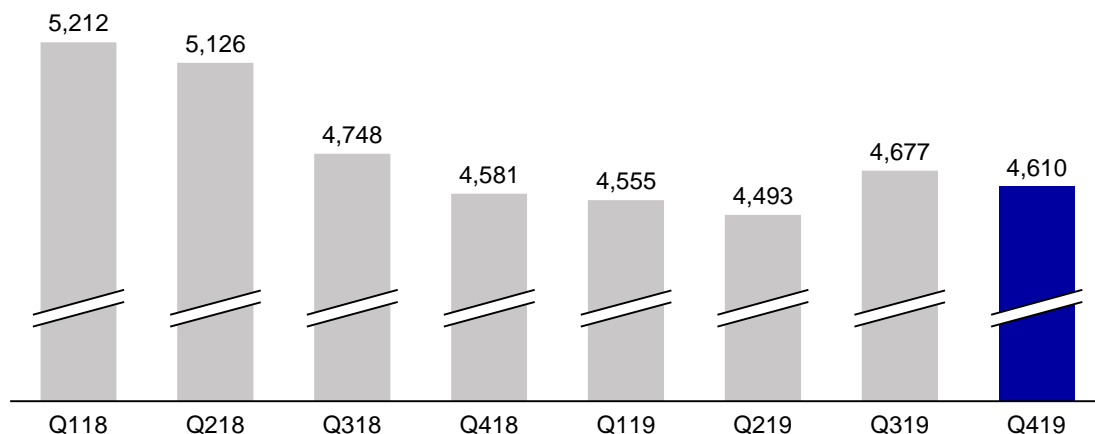
Consulting

Nearshoring

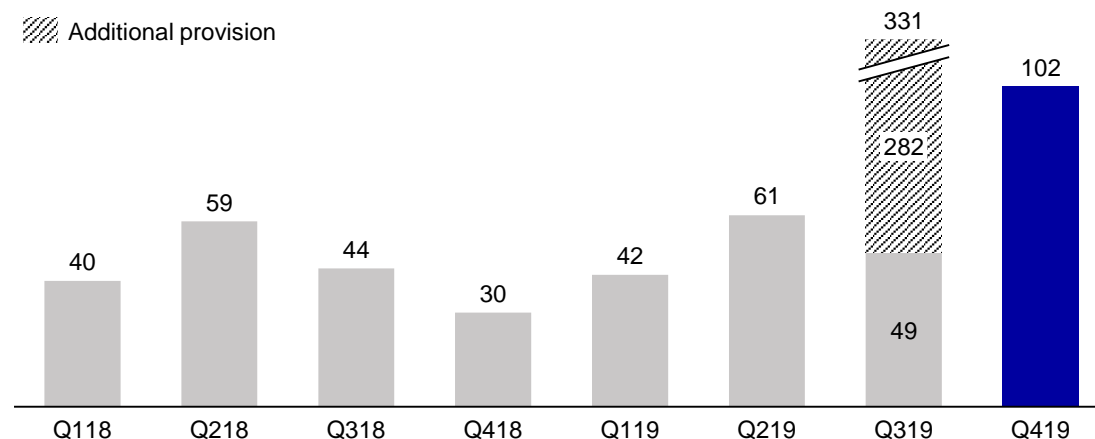
Gross savings by 2022

# Asset quality – solid credit quality

## Stage 3 impaired loans at amortised cost, EURm



## Total net loan loss provisions, EURm



## Comments

- Stage 3 impaired loans -1.4% in Q4
- Net loan loss provisions level at 17 bps in Q4
  - Somewhat higher loan loss provisions in Q4 related to a couple of specific corporate exposures
- Based on the current macroeconomic environment, Nordea's expectations for the coming quarters is that the credit quality will remain largely unchanged

## Financial targets

**Cost to income ratio in FY22**

**50%**

**Return on equity in FY22**

**>10%**

**Capital policy**

**150-200 bps  
management buffer**  
above the regulatory CET1 requirement

**Dividend policy**

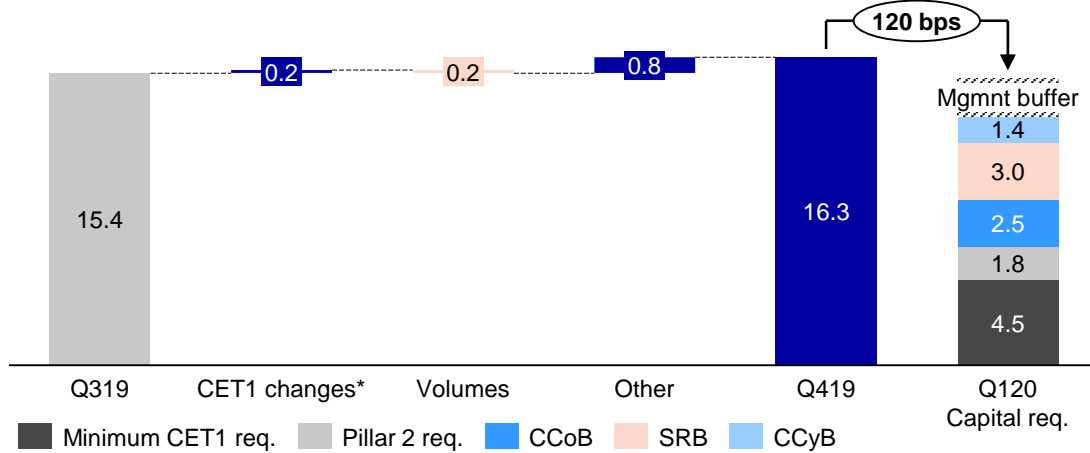
**60-70% pay-out of distributable  
profits to shareholders**  
**Excess capital intended to be distributed  
to shareholders through buybacks**



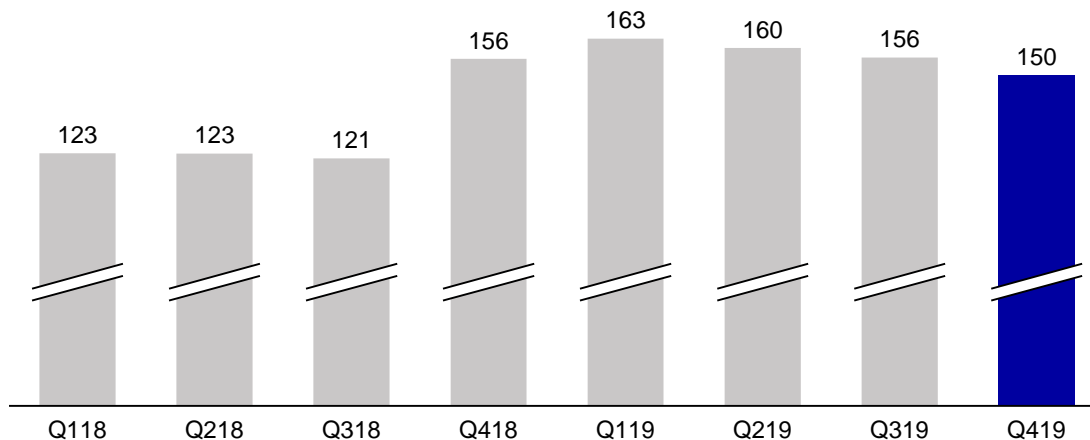
## 2. Capital, AML and Sustainability

# Balance sheet – creating flexibility and enabling growth

## CET1 ratio development, %



## REA development, EURbn

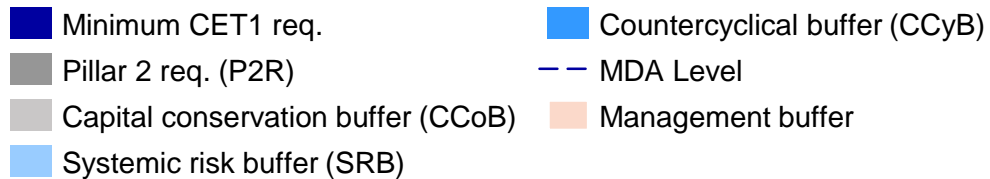
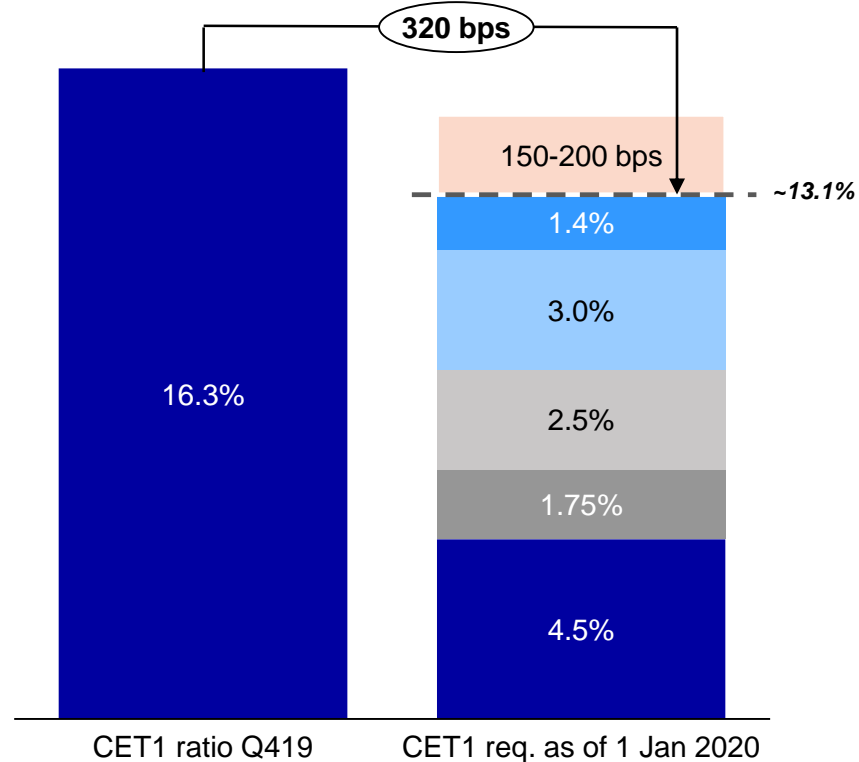


## Comments

- Common equity tier 1 (CET1) capital ratio increased by 84 bps to 16.3%
  - Risk weights on commercial real estate in Sweden and Norway decreased from 100% to 50%
- Approx. 120 bps above the management buffer
  - SG Finans acquisition to consume ~40 bps
  - Potential increase to local capital requirements in 2020
  - Balance sheet enabling growth
- Strong liquidity position
  - Liquidity coverage ratio at 166%
  - EU net stable funding ratio at 109%

# Capital position and requirement

## Capital position and requirement



## Comments

- CET1 ratio of 16.3% and total capital ratio of 20.8% in Q419
- Regulatory CET1 requirement including pillar 2 requirement from ECB is 13.1% as of 1 January 2020
- Current CET1 requirement and MDA level of 13.1% will increase slightly due to adjustments in the countercyclical buffers during 2020

## Capital and dividend policy from 2020

- Management buffer 150-200 bps above regulatory CET1 requirement
- Dividend pay-out ratio 60-70%
- Excess capital intended to be distributed to shareholders through buybacks
- The Board of Directors proposes a dividend for 2019 of EUR 0.40

# AML topics

## AML topics for Nordea

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- The Danish FSA inspected our processes in 2015 and handed it over to the Danish Public Prosecutor in 2016. Investigation not yet concluded
  - The 'troika laundromat' is a complex of allegations which has been covered by media on several occasions and is included in the Danish investigation
- In Q1 2019, Nordea made a provision of EUR 95m related to past weak AML processes
  - Given uncertainty around the outcome of possible fines, this level of provision for ongoing AML related matters will be maintained, while also continuing the dialogue with the Danish Authorities regarding their allegations for historical AML weaknesses
- In October 2018, Hermitage Capital filed money laundering allegations with all Nordic regulators. Swedish, Finnish and Norwegian authorities have stated that no formal investigations would be opened
- Nordea was fined by the Swedish FSA in 2013 (SEK 30m) and 2015 (SEK 50m) for insufficient AML processes in the past. In 2018, the Swedish FSA concluded a review of Nordea AML prevention, which led to feedback but no further action

### Nordea in the Baltics

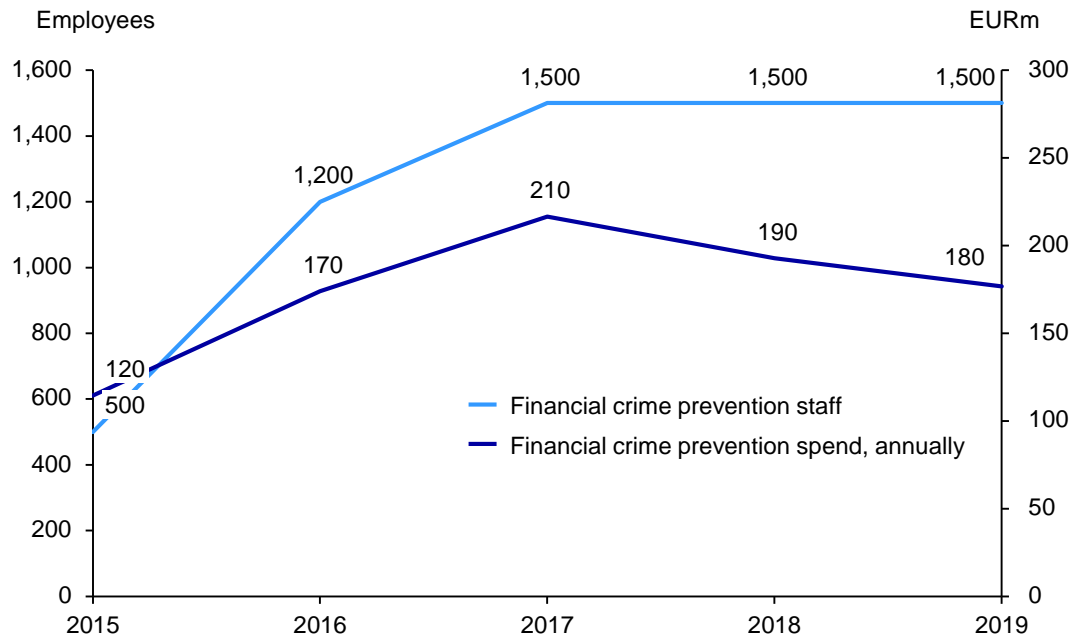
- Nordea has never had a business focus on mirror trading and non-resident deposits, etc
- Nordea's Baltic operation and Luminor have not been subject to any AML/Sanctions regulatory fines
- In September 2018, Nordea and DNB agreed to jointly sell 60% of Luminor to Blackstone. Nordea and Blackstone have entered a separate forward sale agreement of Nordea's remaining 20% holding in Luminor
- Due diligences were conducted by Nordea and DNB when Luminor was created in 2017, and by Blackstone in the acquisition process
- The transaction was closed 30 September 2019

# Significant investments to combat financial crime

## Actions against money laundering

- We collaborate closely with all relevant authorities including law enforcement and regulators and encourage to even closer collaboration on multiple levels as financial crime knows no borders
- Significantly strengthened financial crime defence, more than EUR 850m spent between 2015 and 2019
- Approx. 2 billion transactions on annual basis subject to hundreds of different monitoring scenarios, resulting in hundreds of thousands of alerts which lead to thousands of Suspicious Activity Reports (SARs) filed with the relevant authorities
- More than 1,500 employees dedicated to working on prevention of financial crime
- 12,000 employees in direct contact with our customers are trained regularly to identify signs of financial crime

## Significant build-up



## Strong governance model



# Sustainability matters in all Nordea's business

## Nordea plays an active role in the sector to lead sustainable change

- UNEP FI Principles for Responsible Banking (PRB), only Nordic bank among the founders
- Collective Commitment to Climate Action (CCCA)
- Net-Zero Alliance
- Task Force on Climate-related Financial Disclosures (TCFD)
- Poseidon Principles

### Financing

ESG risk evaluation  
process in lending

Green corporate loans  
Sustainability linked loans  
Green mortgages  
Green car financing  
Green bonds

### Investments

Responsible investment  
policy

Sustainable selection AuM  
ESG funds  
Sustainable balanced funds

### Advice

Leading position in  
sustainable finance

Green bond issuance  
Winner of Prospera rankings  
Advice on ESG to issuers  
and investors  
Leading green finance  
framework advisory

## Business Ethics and Values Committee

- Established 2015, committee at Group CEO level
- Ethical and values aspects on all Nordea's business and operations

## Nordea's ambition and commitments

Nordea has set the mission to enable the transition to a sustainable future in our capacity of a major bank and through the choices we make.

- The ambition is to be acknowledged as a leading European bank in the transition to a sustainable future by 2021.
- Nordea is committed to:  
good corporate citizenship, human rights, labour rights and freedom, equal opportunities and diversity, caring for the wellbeing of our employees, ethics, honesty and sincerity, and caring for the environment
- We reject bribery and corruption

## International commitments

- UN Global Compact – UNEP Finance Initiative
- Equator Principles
- Carbon Disclosure Project reporting
- UNEP Finance Initiative Principles for Responsible Banking

## Acknowledgements for our sustainability work

- Best ESG process (CFI.co)
- UN Principles for Responsible Investments score A+
- Hirschel & Kramer Brand index ranks Nordea as one of the top 10 fund houses out of 220 who is 'truly committed' to ESG in 2019
- Misum – walking the talk
- Best reporting

## Sustainability ratings



Company Rating: C (A+ to D-)\*



ESG Score: 17.9 (0 to 100)\*\*



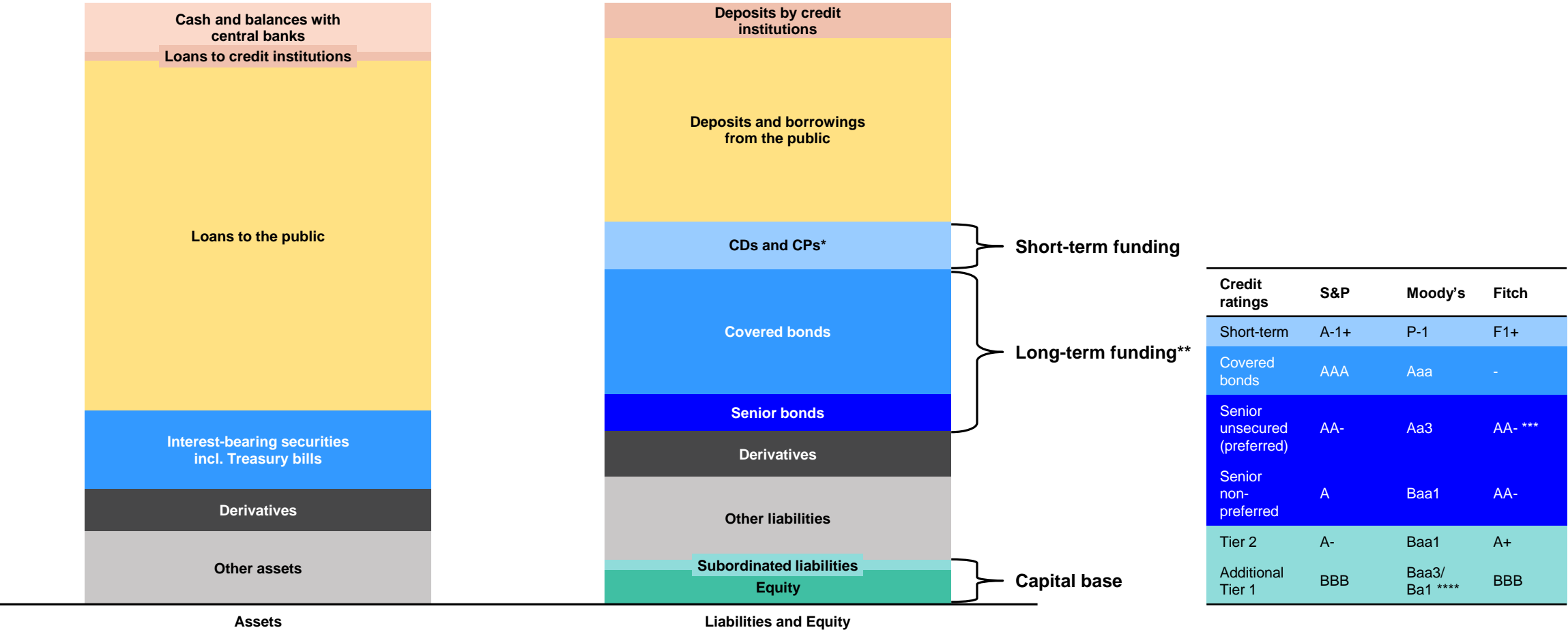
ESG Rating: BBB (AAA to CCC)



### 3. Funding

# Diversified balance sheet

Total assets EUR 555bn

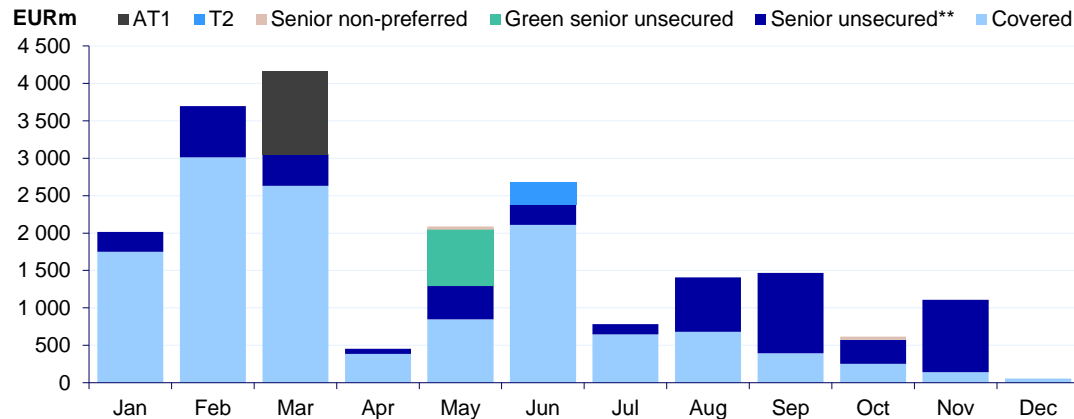


\* Including CDs with original maturity over 1 year  
\*\* Excluding subordinated liabilities

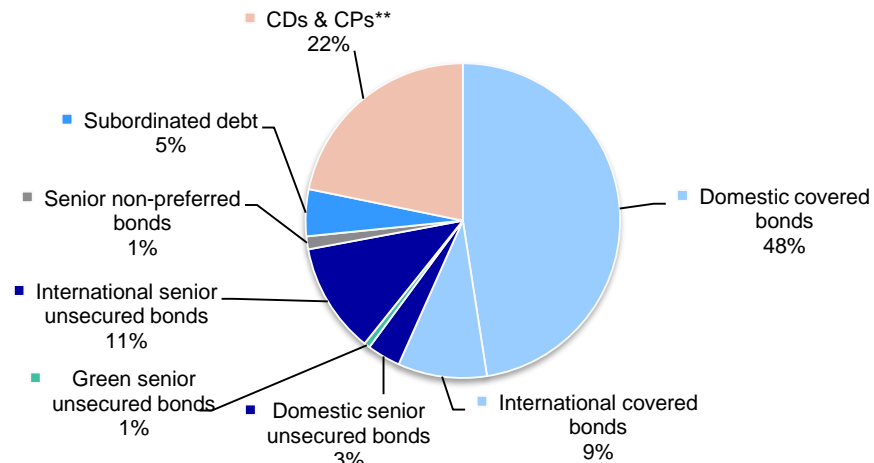
\*\*\* Negative outlook  
\*\*\*\* Unsolicited ratings

# Solid funding operations

## Long-term issuance FY 2019, gross volumes, EUR 20.5bn\* incl. AT1



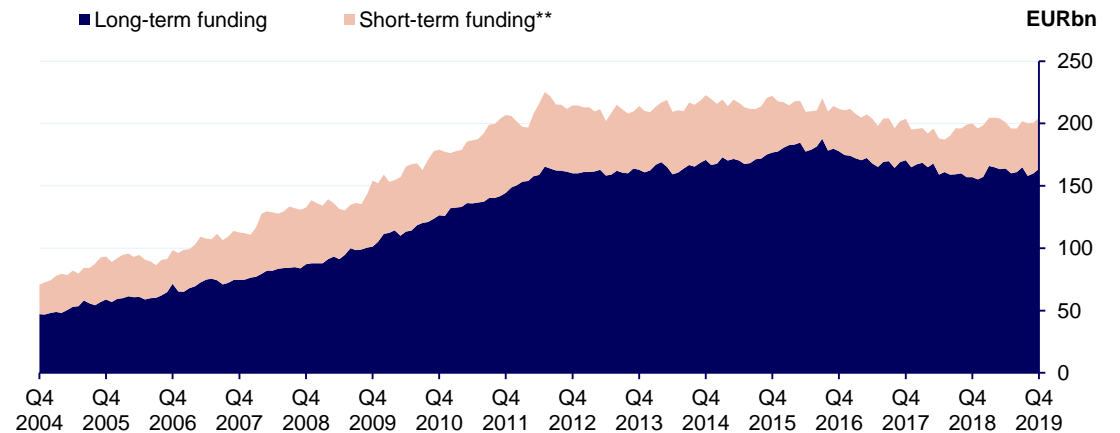
## Long-term and short-term funding outstanding, EUR 204bn



## High-level issuance plan for 2020

- Full year 2020 long-term funding issuance expected to be around EUR 20-25bn (excl. capital instruments and Nordea Kredit), to be issued via covered bonds and senior unsecured bonds, around 50% to be issued in domestic markets
- Planned senior non-preferred issuance of EUR ~10bn to be issued until the end of 2022, of which around EUR 2.7bn have been issued
  - To be reviewed in Q1 2020 and Q1 2021
- In 2019, long-term issuance amounted to EUR 20.5bn, including covered bonds, senior preferred, senior non-preferred bonds, T2 and AT1\*

## Distribution of long vs. short-term funding, gross volumes\*\*\*

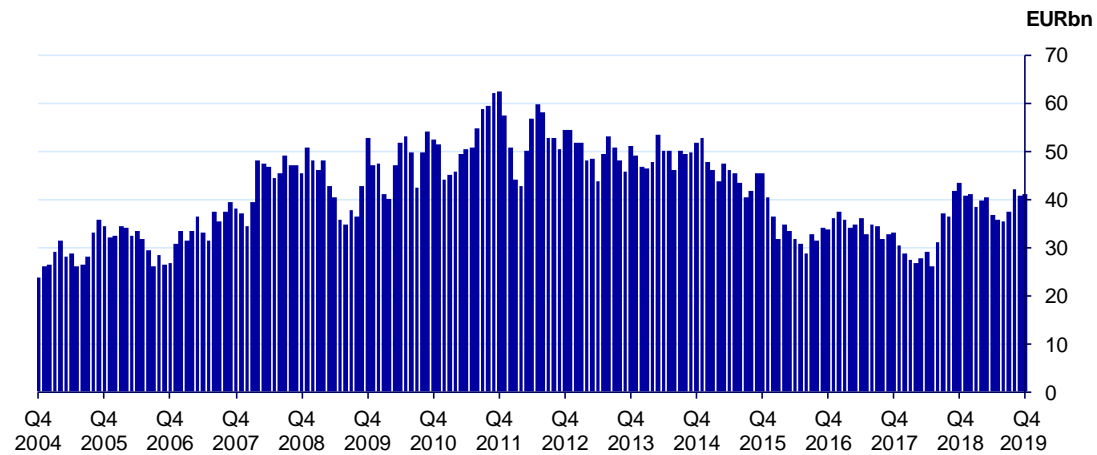


# Short-term funding – prudent and active management

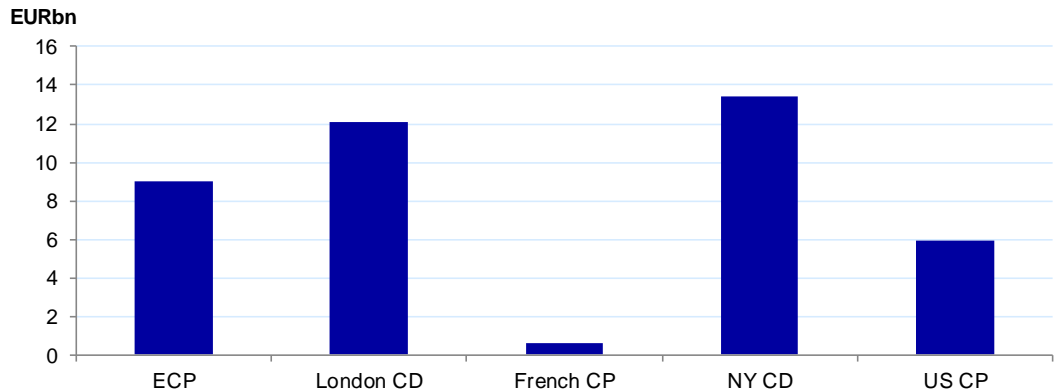
## Comments

- Q4 2019 was focused on preparations surrounding the year end in light of the repo turmoil in the US at the end of Q3
- Outstanding volumes increased slightly towards the year end as securing the holiday season
- All programs have been working very well, except French CP, due to pricing
- Total outstanding short-term funding has ranged between EUR 41-42bn during Q4 2019
- Short-dated issuance remains an attractive funding component for the Group at the current levels
- Outstanding very stable between USD, EUR and GBP

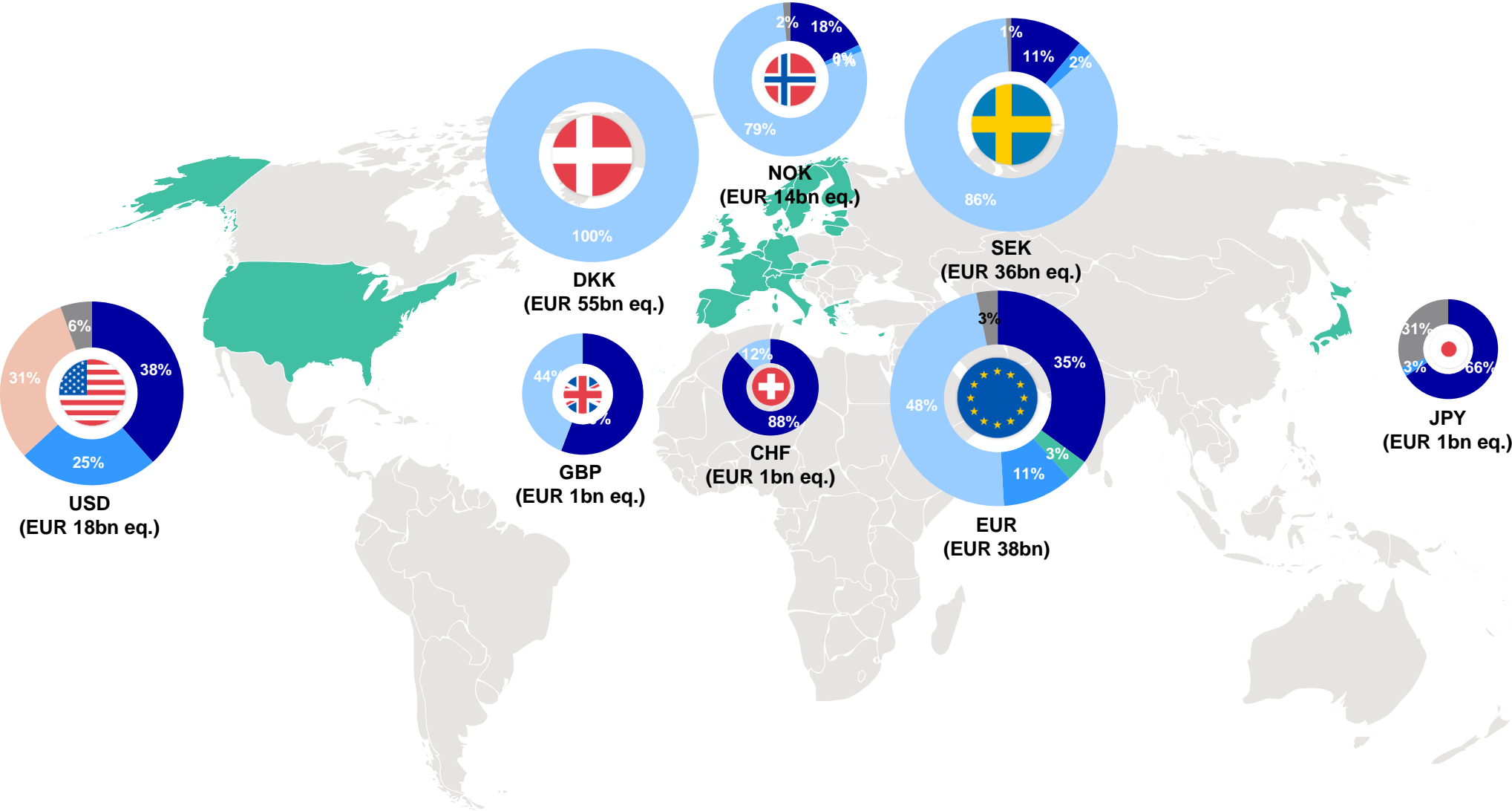
## Short-term issuance



## Split between programs

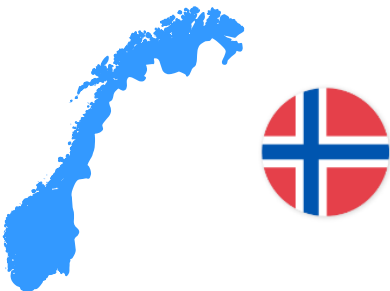
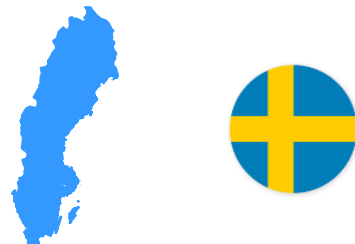

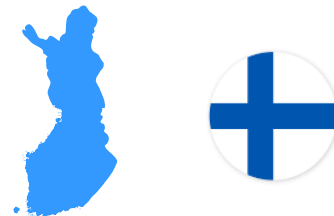


# Long-term funding – Nordea’s global issuance platform



■ Covered bond ■ Senior unsecured ■ Green senior unsecured ■ Senior non-preferred ■ CDs > 1 year ■ Capital instruments

# Nordea covered bond operations
















Four aligned covered bond issuers with complementary roles	Nordea Eiendomskreditt	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank	
					
	Legislation	Norwegian	Swedish	Danish	Finnish
	Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
	Cover pool size*	EUR 16.9bn (eq.)	EUR 53.5bn (eq.)	Balance principle	EUR 21.9bn
	Covered bonds outstanding	EUR 9.9bn (eq.)	EUR 31.8bn (eq.)	EUR 58.6bn (eq.)*	EUR 16.1bn
	OC	71%	68%	8%*	37%
	Issuance currencies	NOK, GBP, USD, CHF	SEK	DKK, EUR	EUR
Rating (Moody's / S&P)	Aaa / -	Aaa / AAA	Aaa / AAA	Aaa / -	

- Covered bonds are an integral part of Nordea's long term funding operations
- Issuance in Scandinavian and international currencies
- ECBC Covered Bond Label on all Nordea covered bond issuance



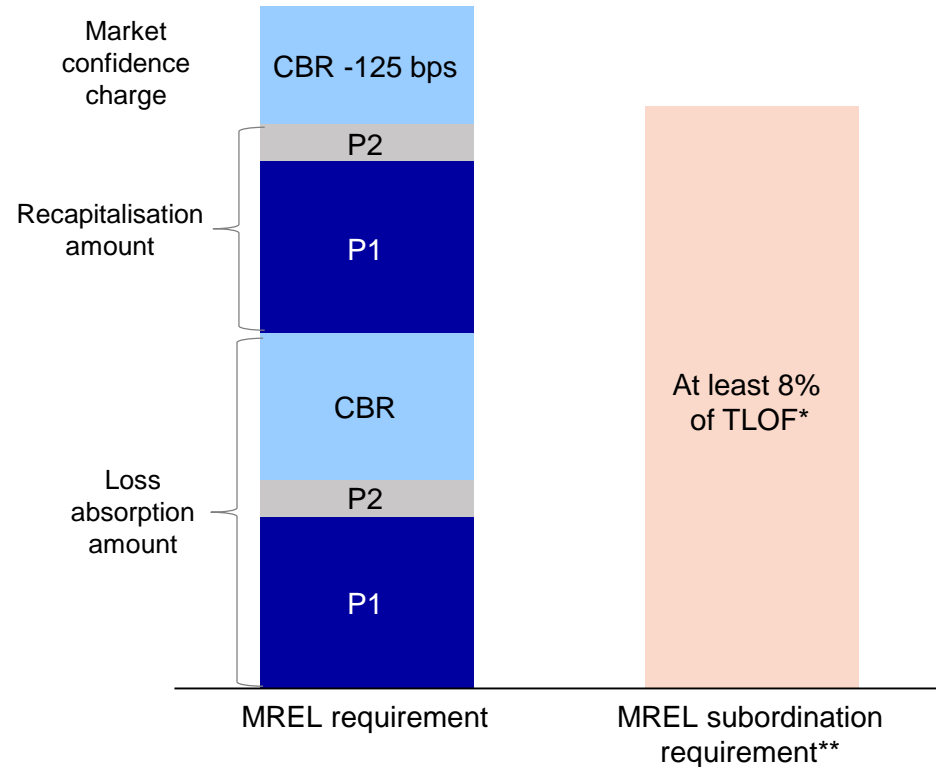


## Nordea recent benchmark transactions

Issuer	Type	Currency	Amount (m)	FRN / Fixed	Issue date	Maturity date	Callable
Nordea Bank	Senior non-preferred	 EUR	1,000	Fixed	Jun-18	Jun-23	
Nordea Bank	Senior non-preferred	 SEK	2,250 750	Fixed FRN	Jun-18	Jun-23	
Nordea Bank	Senior non-preferred	 USD	750 250	Fixed FRN	Aug-18	Aug-23	
Nordea Bank	Tier 2	 USD	500	Fixed	Sep-18	Sep-33	15NC10
Nordea Bank	Senior non-preferred	 NOK	2,000	FRN	Sep-18	Sep-23	
Nordea Bank	Tier 2	 SEK  NOK	1,750 500	FRN FRN	Sep-18	Sep-28	10NC5
Nordea Hypotek*	Covered	 SEK	5,000	Fixed	Jan-19	Sep-24	
Nordea Eiendomskreditt*	Covered	 NOK	10,000	FRN	Feb-19	Jun-24	
Nordea Mortgage Bank	Covered	 EUR	1,500	Fixed	Mar-19	Mar-26	
Nordea Bank	Additional Tier 1	 USD	1,250	Fixed	Mar-19	Mar-26	PerpNC7
Nordea Eiendomskreditt*	Covered	 NOK	1,500	Fixed	May-19	May-26	
Nordea Mortgage Bank	Covered	 EUR	1,000	Fixed	May-19	May-27	
Nordea Bank	Senior preferred, Green bond	 EUR	750	Fixed	Jun-19	Jun-26	
Nordea Eiendomskreditt*	Covered	 NOK	7,500	FRN	Jan-20	Mar-25	

# MREL requirements

## Single Resolution Board (SRB) methodology



## Nordea MREL requirement

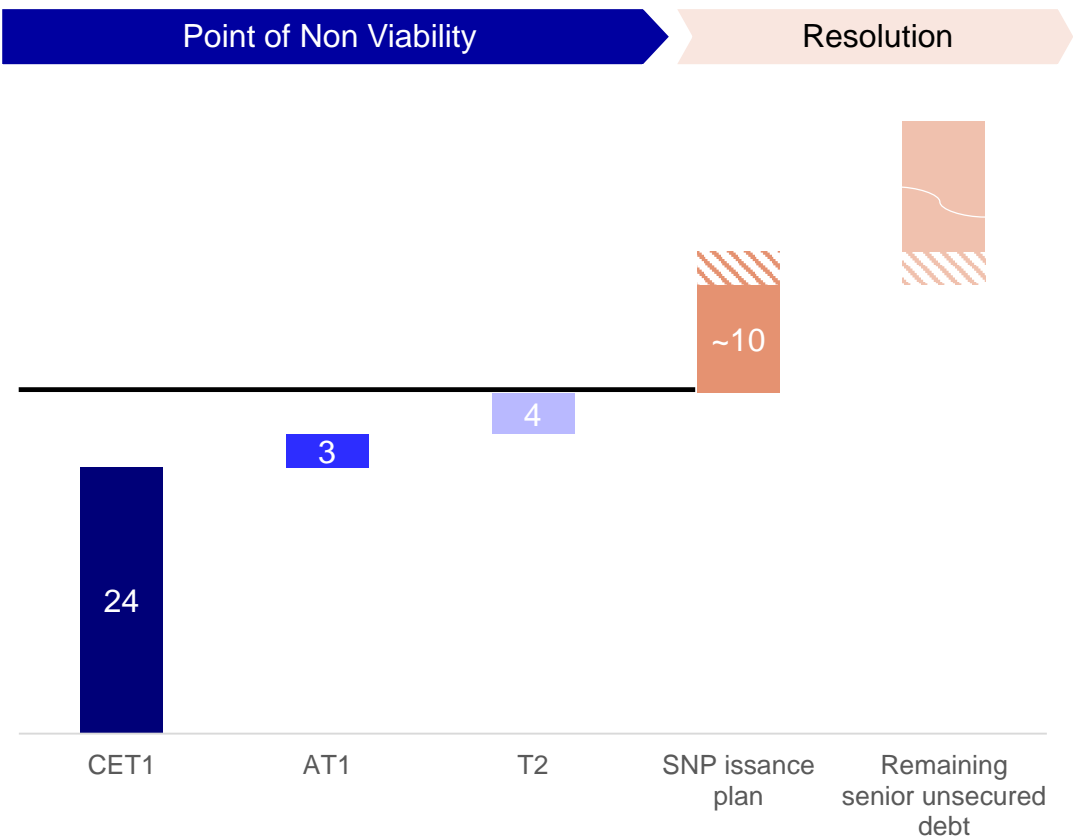
- Transitional MREL requirement expected to be 8% of TLOF in Q1 2020
- MREL requirement based on SRB methodology expected to be decided during Q1 2021
- Eligible instruments: own funds, senior non-preferred (SNP) and senior unsecured debt

## Nordea MREL subordination requirement

- MREL subordination requirement based on the SRB public MREL policy on Banking Package (SRMR2/BRRD2) expected to be decided during Q1 2021
- Eligible instruments: own funds and SNP, unless senior allowance granted
- MREL subordination requirement will drive SNP issuance need

# Senior non-preferred issuance plan

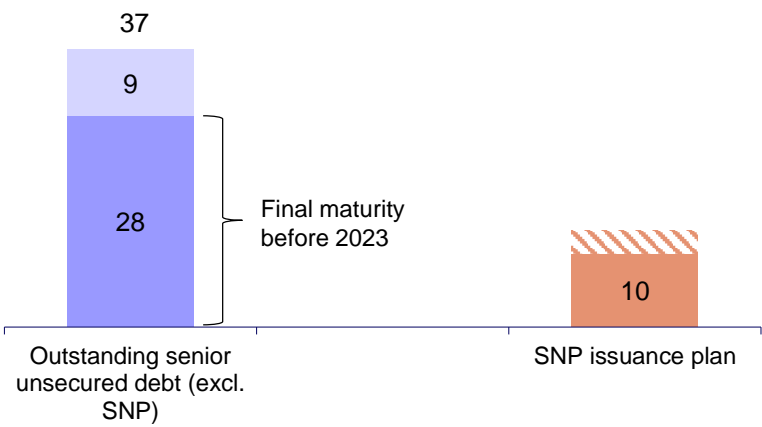
## Own funds and bail-in-able debt, EURbn



## Comments

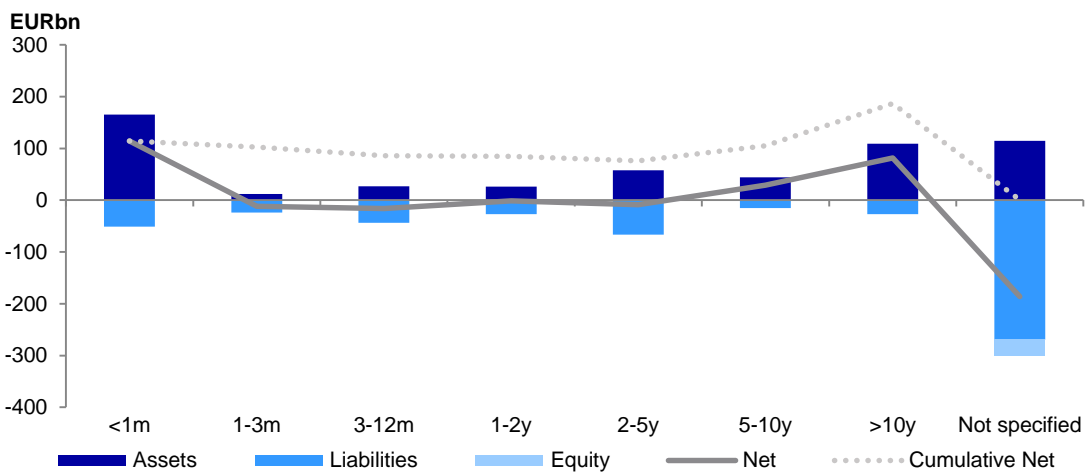
- Planned total SNP issuance of EUR ~10bn to be issued before end of 2022\*
- SNP issuance plan to be reviewed in Q1 2020 in connection with the publication of SRB MREL policy on Banking Package (SRMR2/BRRD2)
- SNP issuance plan to be reviewed again in Q1 2021 in connection with the SRB decision for Nordea on MREL subordination requirement
- Nordea’s own funds of EUR 31bn\*\* will rank junior to SNP investors
- Nordea has issued SNP of EUR 2.7bn since June 2018

## Senior bonds available for potential refinancing in SNP format, EURbn

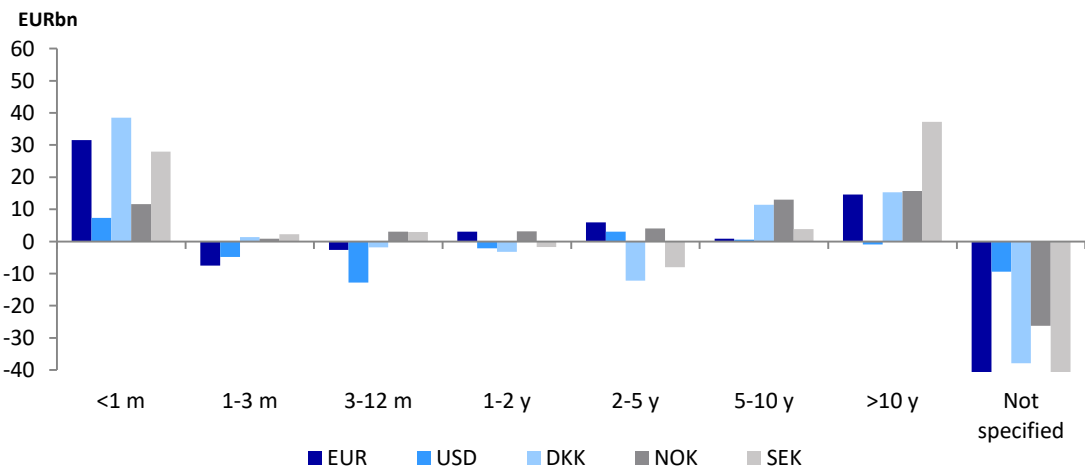


# Maturity profile

Maturity profile



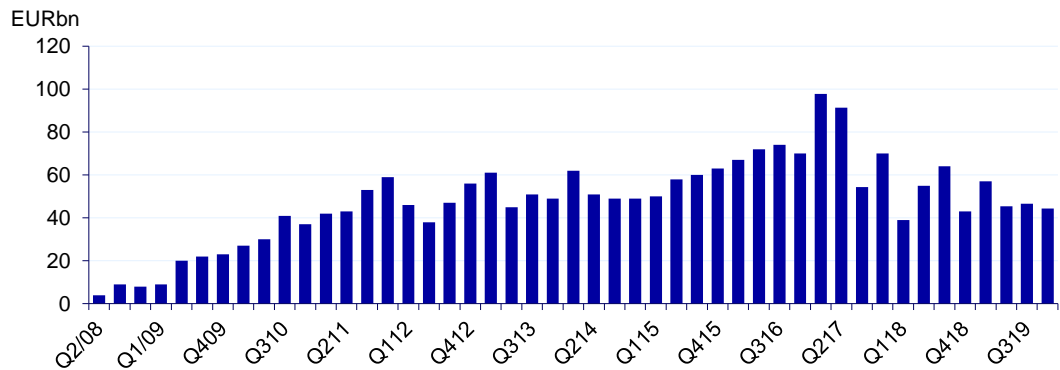
Maturity gap by currency



Comments

- The balance sheet maturity profile has during the last couple of years become more balanced by
  - Lengthening of issuance and focusing on asset maturities
- Resulting in a well balanced structure in assets and liabilities in general, as well as by currency
  - The structural liquidity risk is similar across all currencies
- Balance sheet considered to be well balanced also in foreign currencies
- Long-term liquidity risk is managed through own metric, Net Balance of Stable Funding (NBSF)

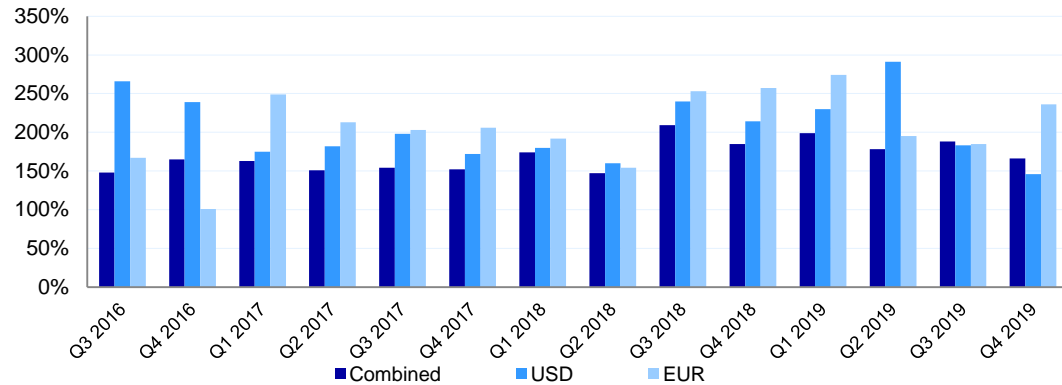
Net Balance of Stable Funding



NBSF is an internal metric, which measures the excess of stable liabilities against stable assets. The stability period was changed into 12 month (from 6 months) from the beginning of 2012. In Q3 2017 the data sourcing was updated and classifications now in line with the CRR.

# Liquidity Coverage Ratio

## Liquidity Coverage Ratio



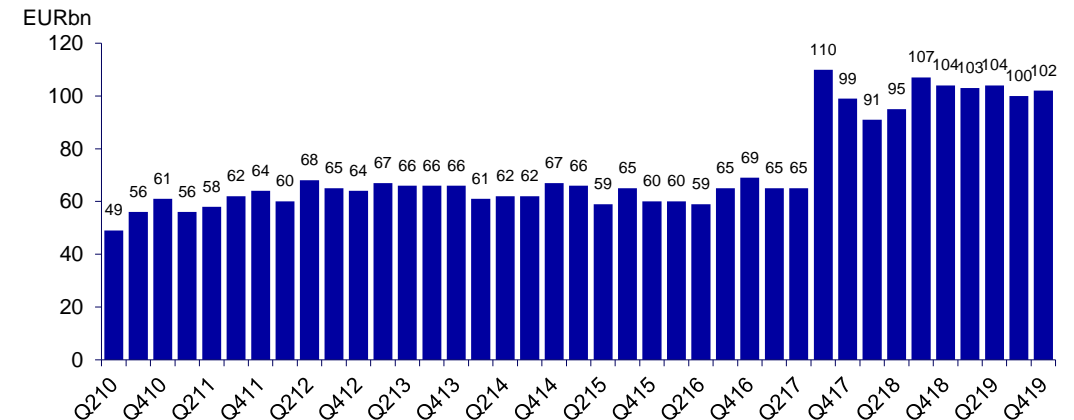
## LCR subcomponents, EURbn

EURm	Combined		USD		EUR	
	Unweighted value	Weighted value	Unweighted value	Weighted value	Unweighted value	Weighted value
<b>Total high-quality liquid assets (HQLA)</b>	<b>101,915</b>	<b>99,328</b>	<b>17,534</b>	<b>17,522</b>	<b>30,387</b>	<b>30,241</b>
Liquid assets level 1	99,180	97,006	17,534	17,522	29,798	29,741
Liquid assets level 2	2,735	2,322	0	0	588	500
Cap on level 2	0	0	0	0	0	0
<b>Total cash outflows</b>	<b>320,644</b>	<b>75,627</b>	<b>66,739</b>	<b>47,911</b>	<b>132,518</b>	<b>51,363</b>
Retail deposits & deposits from small business customers	91,312	6,075	317	47	28,326	1,948
Unsecured wholesale funding	98,904	50,409	17,634	12,058	30,841	14,787
Secured wholesale funding	20,004	3,483	4,494	1,504	8,948	606
Additional requirements	68,718	12,394	38,351	33,844	52,249	32,872
Other funding obligations	41,705	3,267	5,943	458	12,155	1,151
<b>Total cash inflows</b>	<b>52,074</b>	<b>15,714</b>	<b>49,267</b>	<b>35,933</b>	<b>50,632</b>	<b>38,522</b>
Secured lending (e.g. reverse repos)	34,209	5,400	5,385	2,371	7,172	587
Inflows from fully performing exposures	9,587	4,700	770	446	3,452	1,568
Other cash inflows	8,278	5,615	43,112	43,038	40,008	39,812
Limit on inflows		0		-9,922		-3,444
<b>Liquidity coverage ratio (%)</b>		<b>166%</b>		<b>146%</b>		<b>236%</b>

## Comments

- EBA Delegated Act LCR in force starting from October 2016
  - LCR of 166%
  - LCR compliant in USD and EUR
- Compliance is reached by high quality liquidity buffer and management of short-term cash flows
- Nordea Liquidity Buffer EUR 102bn, which includes the cash and central bank balances
  - New liquidity buffer method introduced in July 2017

## Time series – liquidity buffer

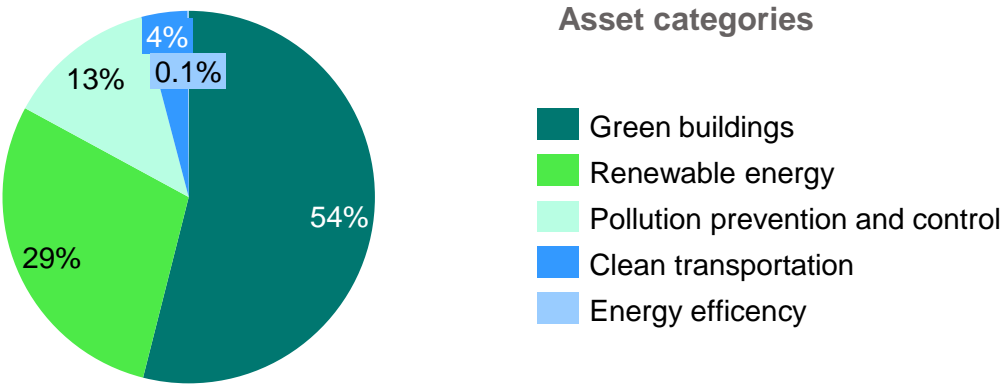


# Green bonds

## Deepened green bond focus

- Green bond framework and Inaugural Green bond issuance (2017)
- Second green bond issued in May 2019, as a 7-year EUR 750m senior unsecured bond
- Recent Green bond framework update includes also the Danish matched funding principle and specific process for Danish green bond issuances
- Nordea aims at continuing to be a relevant issuer of green bonds, and has set a target of being the leading arranger of sustainability bonds and the leading bank on green lending in the Nordics by 2021
- The externally reviewed green bond asset portfolio has grown to EUR 2.6bn in Q3 2019. The updated composition of the portfolio and the most recent Second Party Opinion is available on Nordea's website

## Green bond asset portfolio



## Sustainability ratings



Company Rating: **C** (A+ to D-)\*



ESG Score: **17.9** (0 to 100)\*\*



ESG Rating: **BBB** (AAA to CCC)

32

\* Highest rating within sector is C+

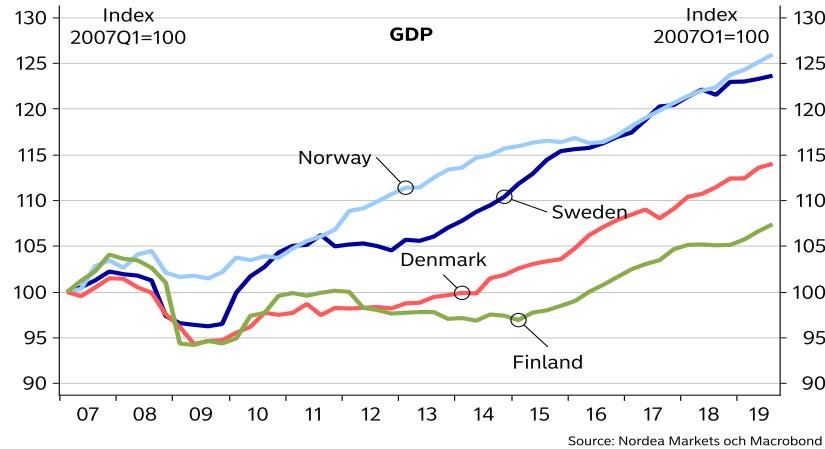
\*\* Lower score represents lower ESG risk (scale has changed, previously the other way around). Nordea currently ranked in the top 6<sup>th</sup> percentile among banks



## 4. Macro

# Nordic economies – solid

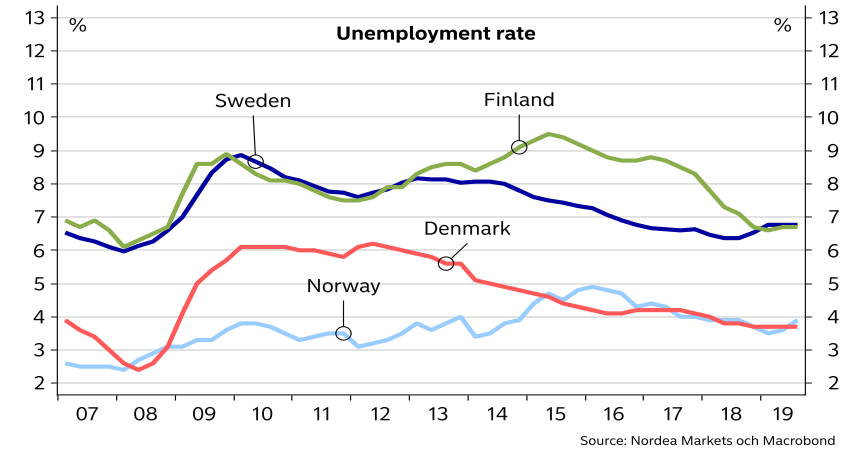
## GDP development



## Comments

- The Nordic economies are well equipped to handle the global slowdown. Sweden is set to recover in the end of 2020, and Denmark is headed for a soft landing after a six-year upswing. Norway will continue to show strength after a solid 2019, while growth is stalling in Finland
- Norway has seen three rate hikes in 2019 and, more surprisingly, the Riksbank hiked the repo rate in Sweden to 0% in December. Monetary policy in the Nordics will however be more cautious in 2020
- Swedish unemployment is set to increase further due to weakening domestic demand. The Danish labour market is expected to remain balanced as well as in Norway. Finnish unemployment is expected to hover at current levels if no structural reforms are implemented

## Unemployment rate



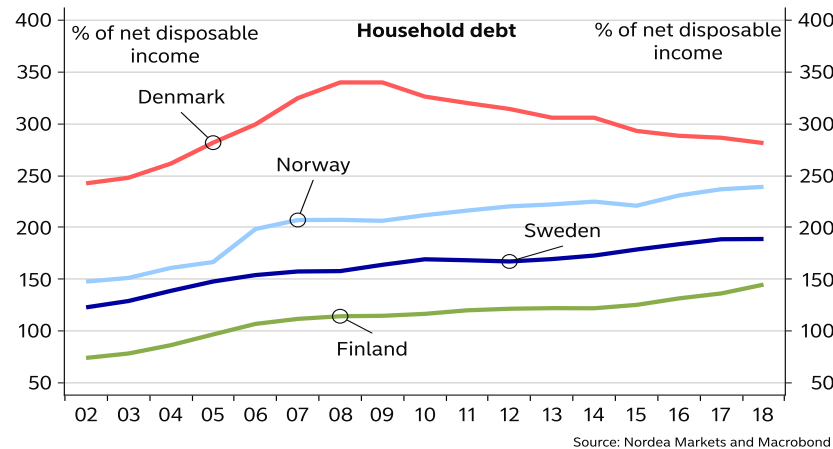
## GDP forecast, %

Country	2017	2018	2019E	2020E	2021E
Denmark	2.0	2.4	2.1	1.5	1.5
Finland	3.1	1.7	1.5	1.0	0.5
Norway	2.0	2.2	2.5	1.8	1.6
Sweden	2.7	2.3	1.1	0.8	1.8

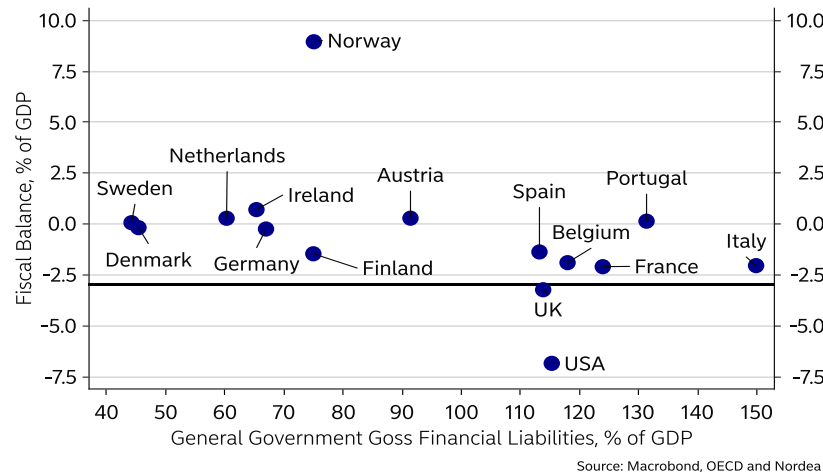
Source: Nordea Markets Economic Outlook January 2020, Macrobond and OECD.

# Household debt remains high, but so do private and public savings

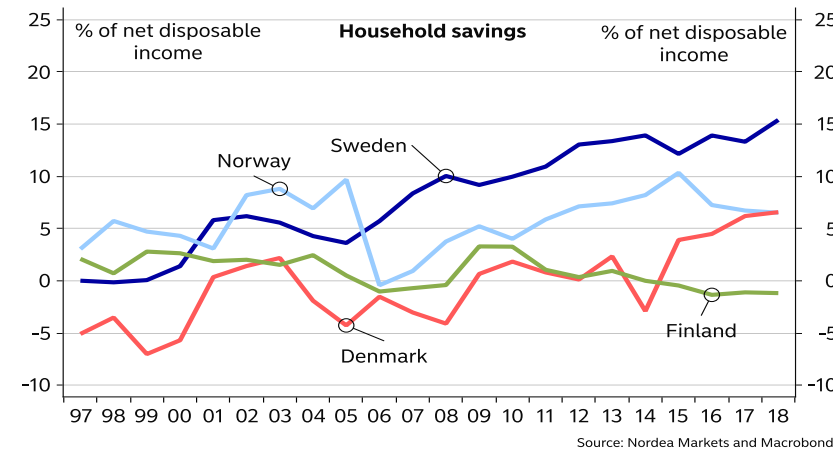
## Household debt



## Public balance/debt, % of GDP, 2020E



## Household savings

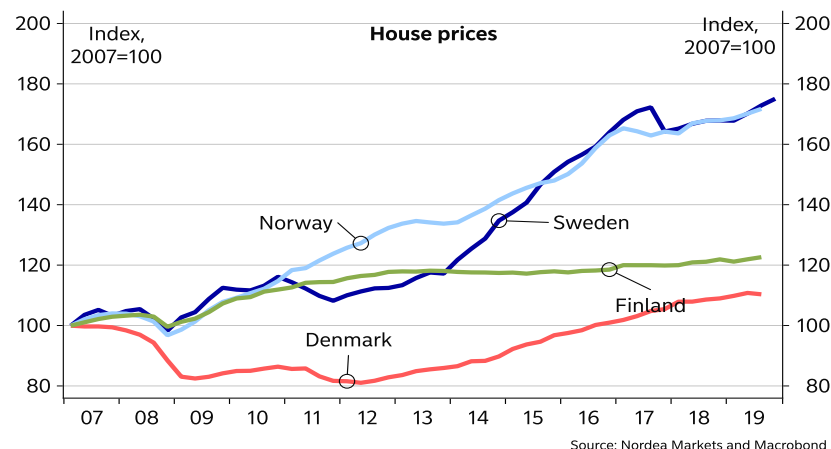


## Comments

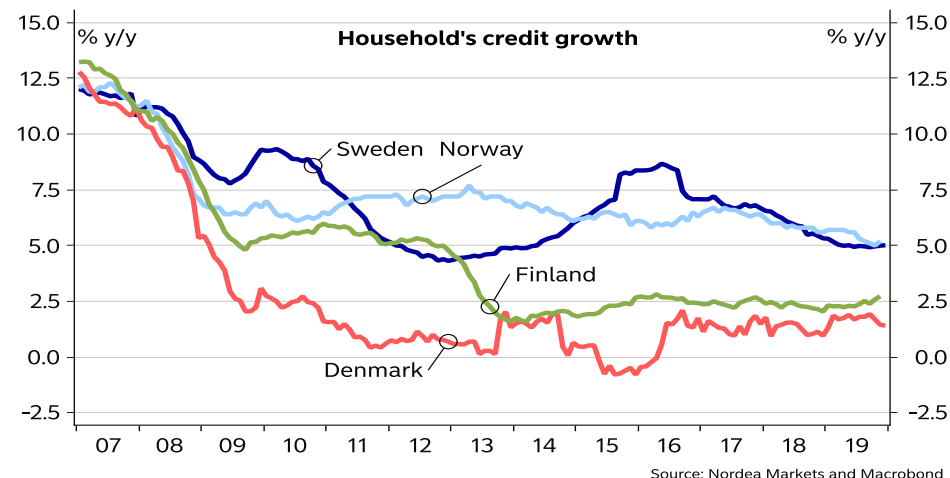
- Household debt continues to rise somewhat faster than income in Norway, Finland and Sweden. Denmark continues to move in the opposite trend
- Meanwhile, households' savings rates remain at high levels, and are increasing in Sweden and Denmark. Finnish savings have stabilised in recent years and are finally showing signs of picking up
- Nordic public finances are robust due to the overall economic recovery and firm fiscal policies. Norway is in a class of its own due to oil revenues

# House price development in the Nordics

## House prices



## Households' credit growth



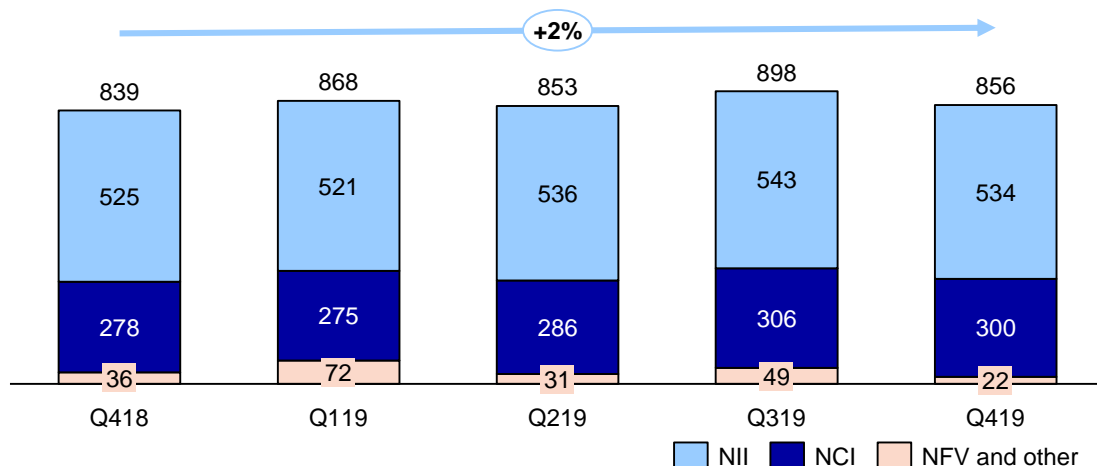
## Comments

- Low interest rates continue to keep Nordic housing markets afloat and modest price increases are expected in the coming years. Prices continue to rise in Sweden and Norway. Danish home prices are still at a low level. The Finnish housing market was unusually active in 2019. However, uncertainty will remain while low interest rates will support prices in growing cities. Credit growth in the Nordics is moving sideways except for in Denmark
- Swedish house prices have exceeded the previous top in 2017. The Riksbank's rate hike in late 2019 may temporarily dampen the pick-up, but the prospect of low interest rates in the foreseeable future will likely be more important for housing prices than rising unemployment and the Riksbank's isolated rate hike
- Last year's increase in interest rates in Norway and good supply of new housing have contributed to keeping a lid on housing prices in Norway. The total rate hike was nonetheless modest, and interest rates are still very low. The housing market is this well balanced and the risk of a significant turnaround in the market is considered to be very low
- 2019 was a good year for the Danish housing market and prices rose across most of the country. Housing prices are expected to continue to rise by around 3% annually – driven by persistently low interest rates and the expected stronger purchasing power of households

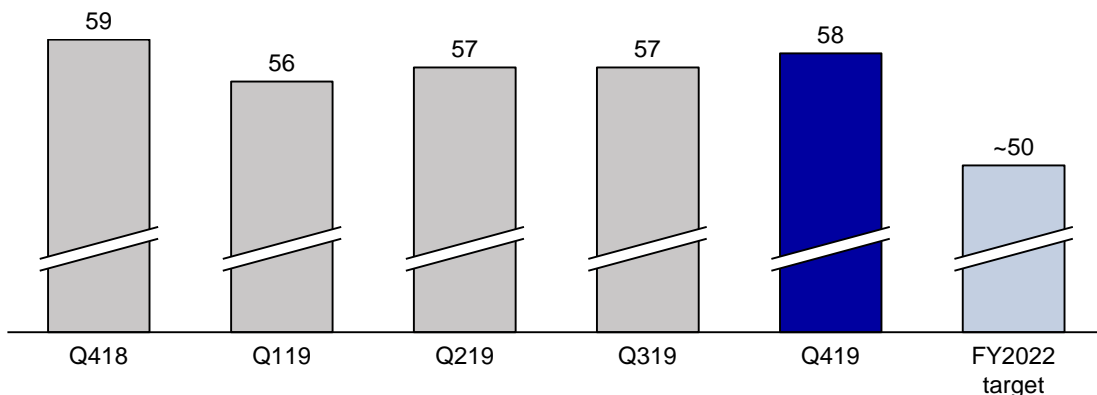
## 5. Business areas – update

# Personal Banking – strong business activity

## Total income\*, EURm



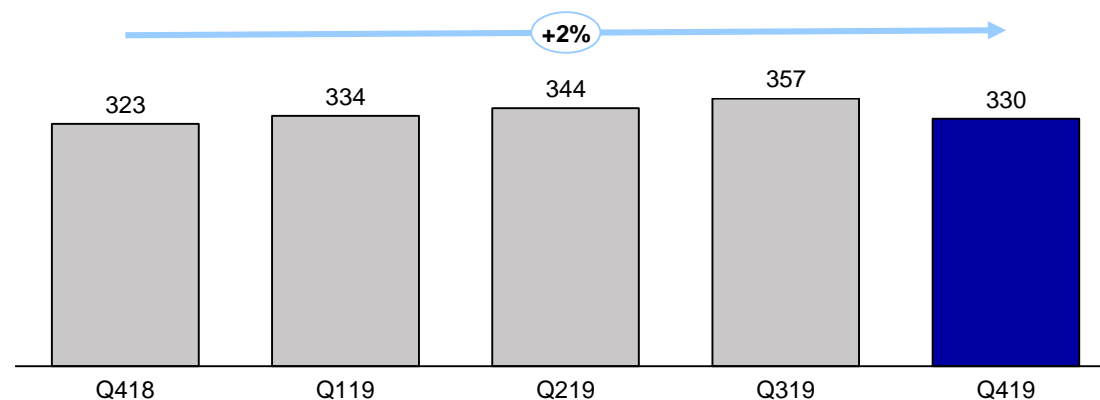
## Cost to income ratio\*, %



## Comments

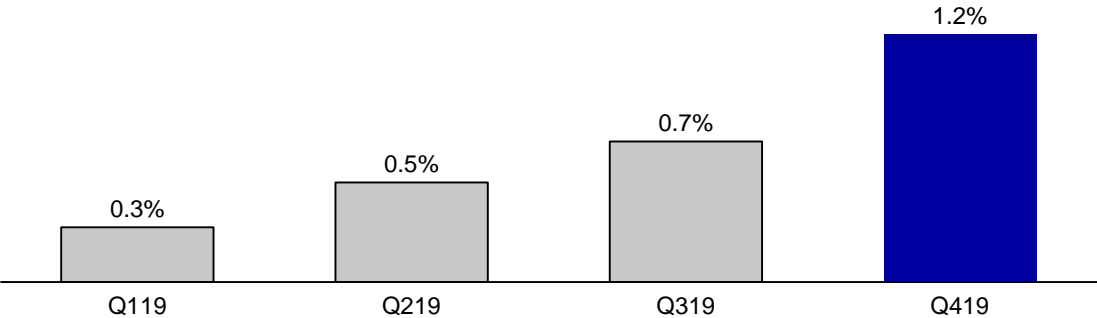
- Total income 2% higher compared to a year ago
- Strong mortgage volume growth
  - Margin pressure during the year easing off in Q4
- Good development in both lending and savings fees
- Increasing availability through digital and local presence resulting in better customer satisfaction

## Operating profit\*, EURm

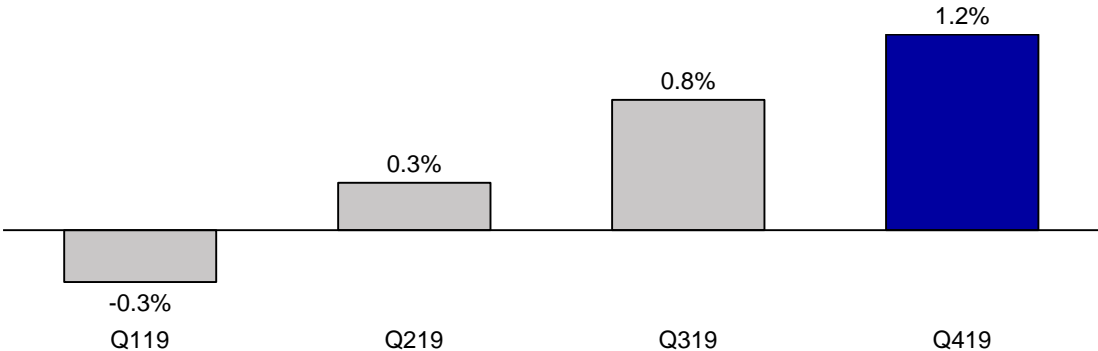


# Volume trends in mortgages – growth in all countries

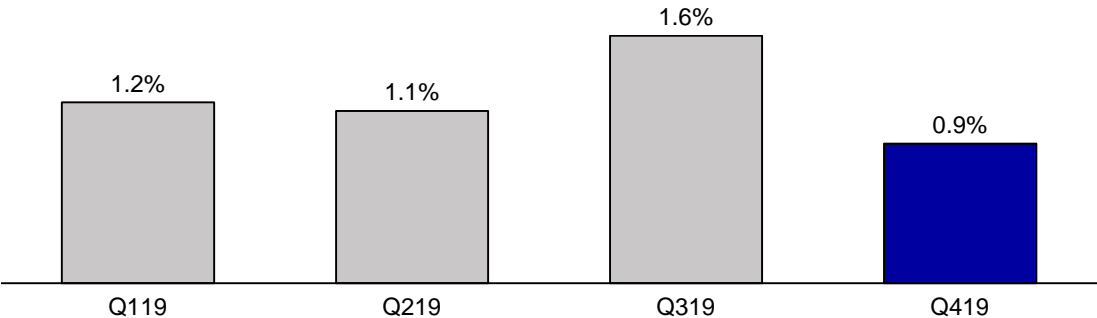
Volume trend in mortgage lending - Denmark



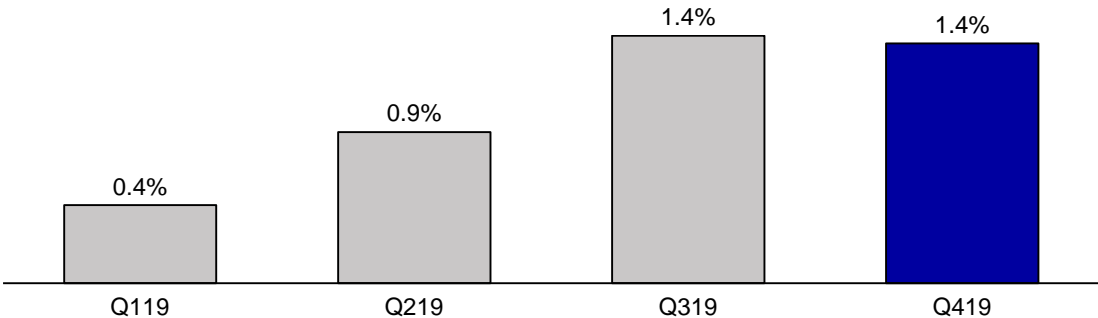
Volume trend in mortgage lending - Finland



Volume trend in mortgage lending - Norway\*

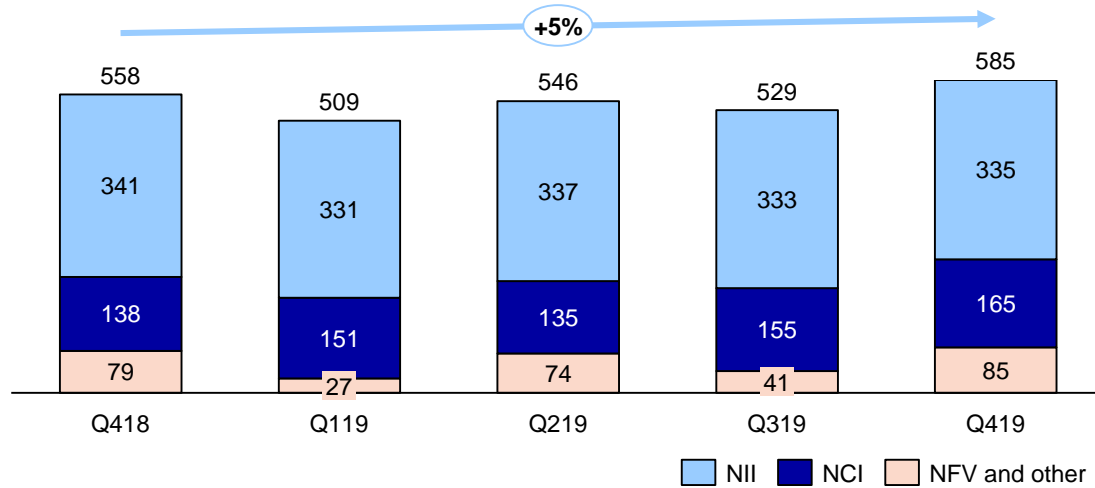


Volume trend in mortgage lending - Sweden

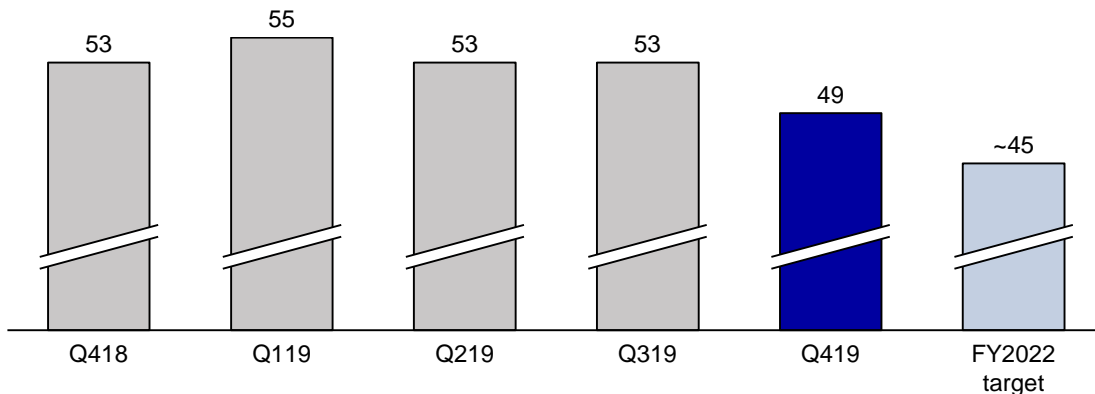


# Business Banking - steady financial improvement

## Total income\*, EURm



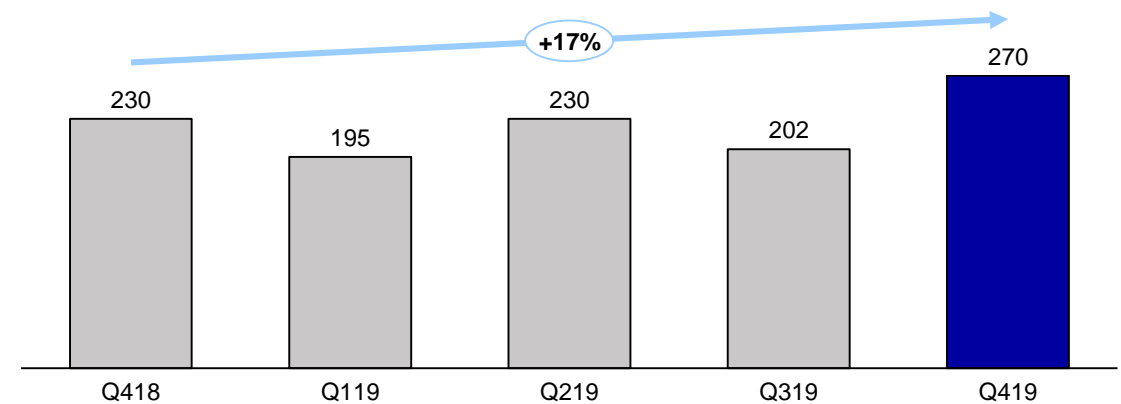
## Cost to income ratio\*, %



## Comments

- NII benefitting from volume growth but impact partly offset by pressure on deposit margins
- Improving income momentum
  - Double-digit revenue growth in Sweden
  - Acquisition of SG Finans AS
- High corporate activity driving NFV
- Cost to income improved by 4-percentage points

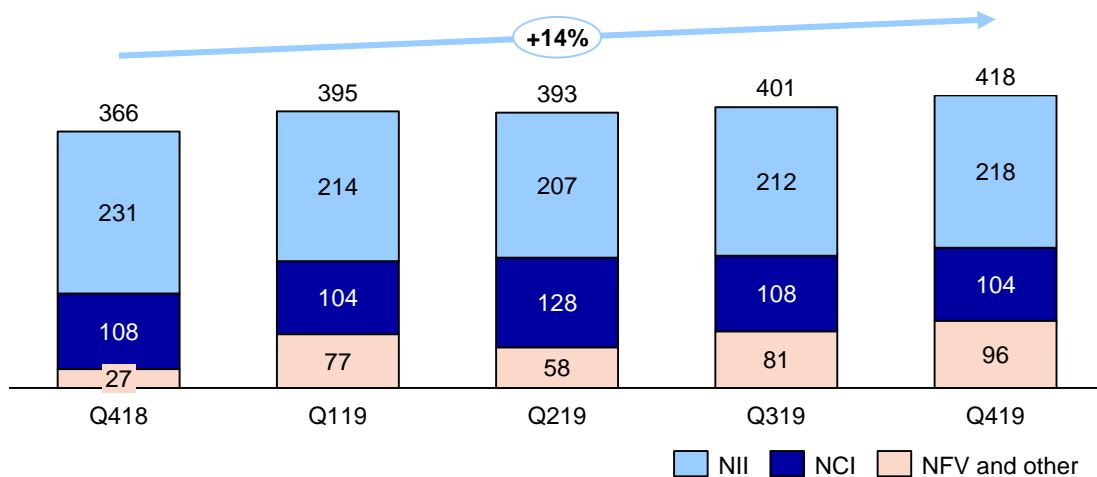
## Operating profit\*, EURm



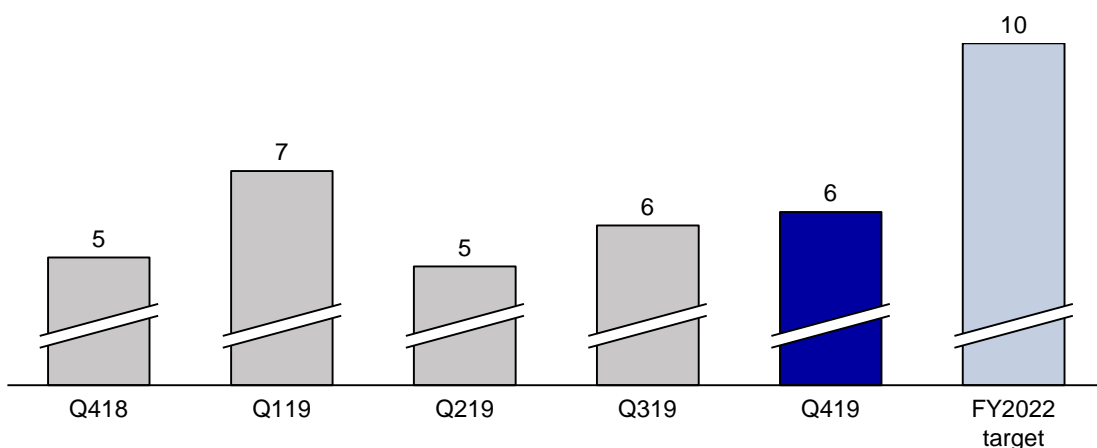


# Large Corporates & Institutions – repositioning started

## Total income, EURm



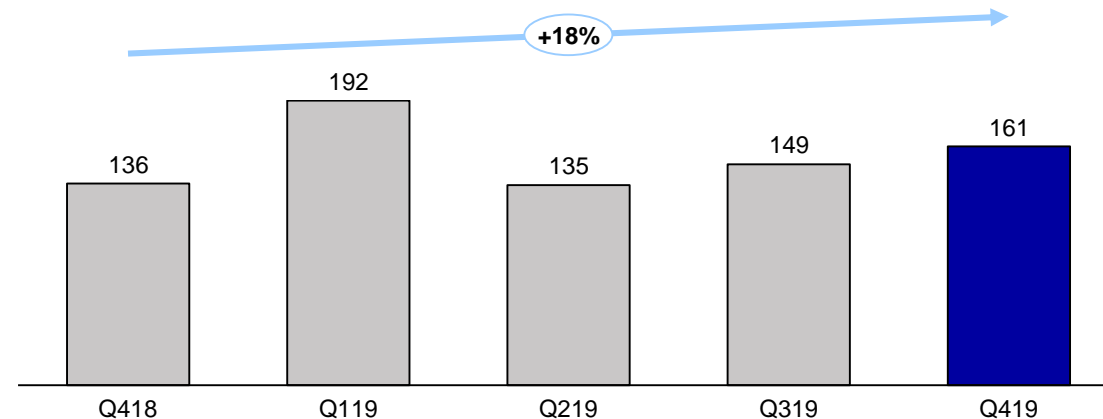
## RoCAR\*%



## Comments

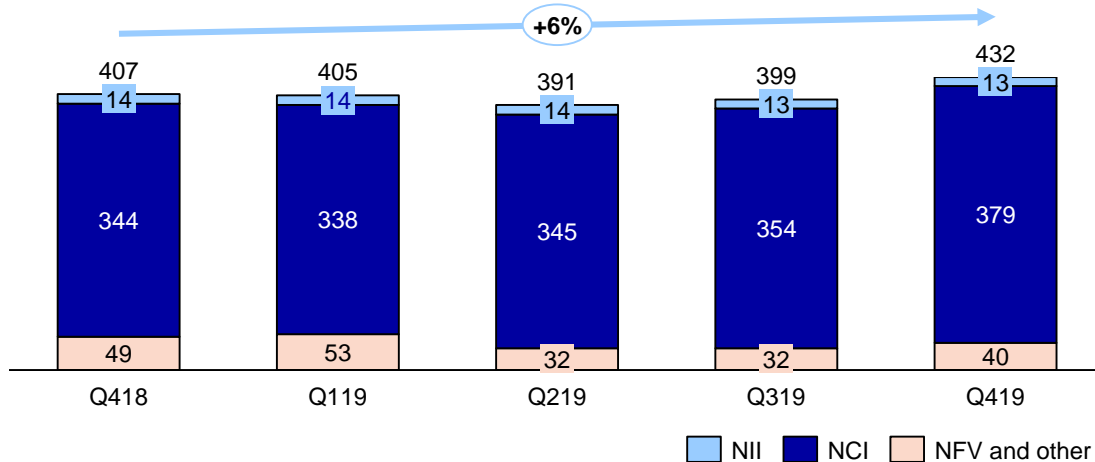
- Re-positioning started to take effect in Q4:
  - Total cost -4%
  - Number of staff -6%
  - Economic capital reduced by EUR 400m
- NII increased with improving lending volumes and stable margins
- Somewhat higher loan loss provisions related to a couple of specific corporate exposures

## Operating profit\*, EURm

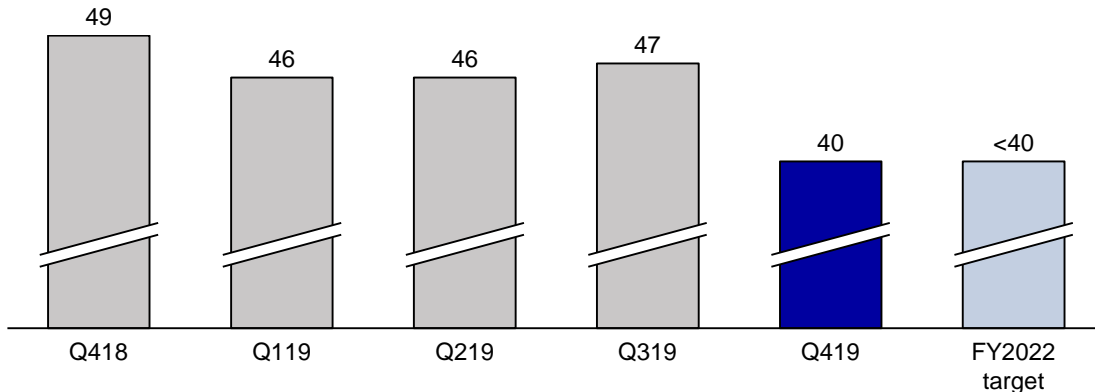


# Asset & Wealth Management – increased revenues and profit

## Total income, EURm



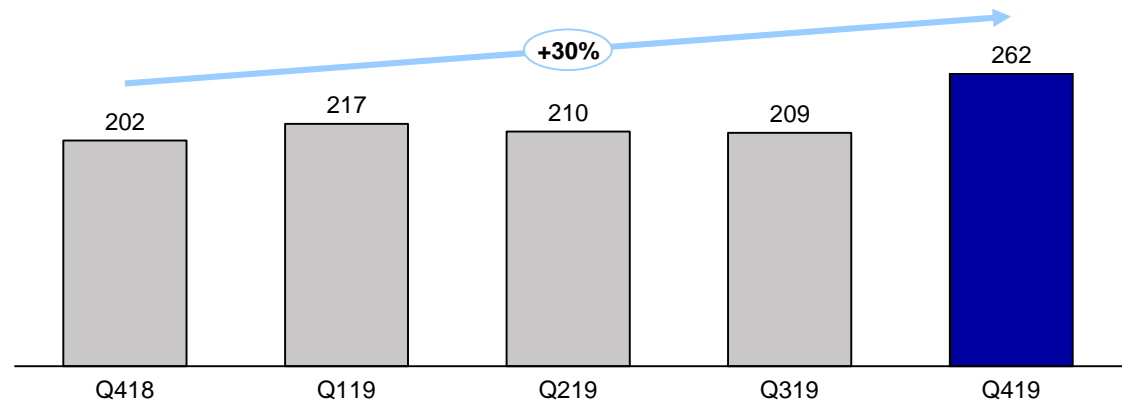
## Cost to income ratio\*, %



## Comments

- Income increased 6% supported by 16% AuM growth and annual performance fees
  - Total net inflow in 2019 EUR 9bn
  - 85% of funds outperforming indices over 3 years
- AuM in ESG funds up 140% from last year
  - ~40% of net inflow in 2019

## Operating profit\*, EURm



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