Fourth quarter and full year results 2019

Investor presentation

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, 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%
Total operating income	**2,156**	**2,033**	**6%**	**2,085**	**2%**
Total operating expenses	**-1,179**	**-1,243**	**-5%**	**-1,161**	**2%**
Profit before loan losses	**977**	**790**	**24%**	**924**	**6%**
Net loan losses	-102	-30	NM	-49	NM
Operating profit	**875**	**760**	**15%**	**875**	**0%**
Cost/income ratio with amortised resolution fees**, %**	**57**	**63**		**58**	
Return on equity with amortised resolution fees**, %**	**7.6**	**6.7**		**8.4**	

*Income: Q118: FVA Nordea Kredit (135m) Q218: Divestment NLP DK (+262m), UC (87m) Q418: Ejendomme gain (36m), Revaluation shares in Euroclear (50m) Q419: LR Realkredit (138m)
Costs: Q418: Goodwill impairment Russia Q119: AML provision (95m) Q319: Restructuring provision (204m), Impairment (735m), Luminor sale (75m)
Loan losses: Q319: Extraordinary loan loss provisions (282m)

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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%
Total operating income	**8,497**	**8,602**	**-1%**
Total operating expenses	**-4,877**	**-4,905**	**-1%**
Profit before loan losses	**3,620**	**3,697**	**-2%**
Net loan losses	-254	-173	47%
Operating profit	**3,366**	**3,524**	**-4%**
Cost to income ratio, %	**57**	**57**	
Return on equity, %	**8.1**	**8.5**	

*Income: Q118: FVA Nordea Kredit (135m) Q218: Divestment NLP DK (+262m), UC (87m) Q418: Ejendomme gain (36m), Revaluation shares in Euroclear (50m) Q419: LR Realkredit (138m)
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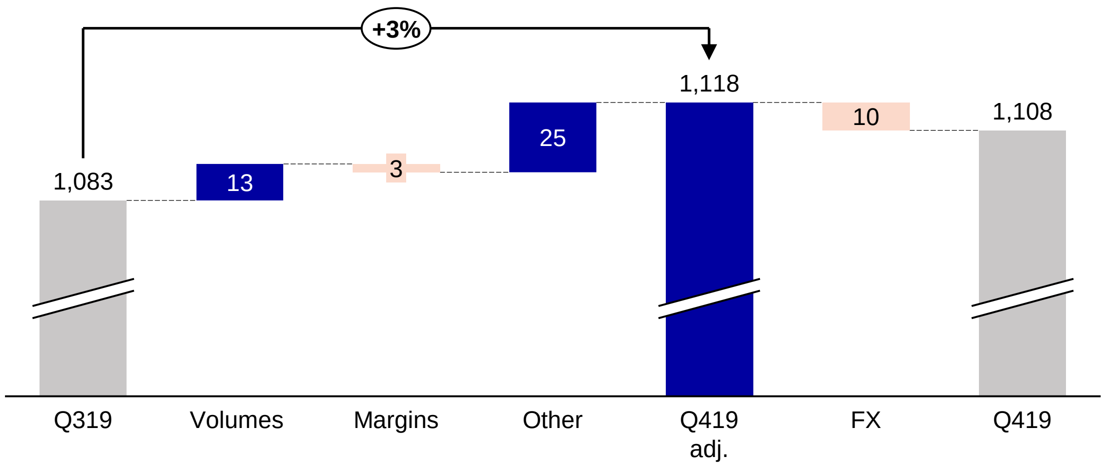
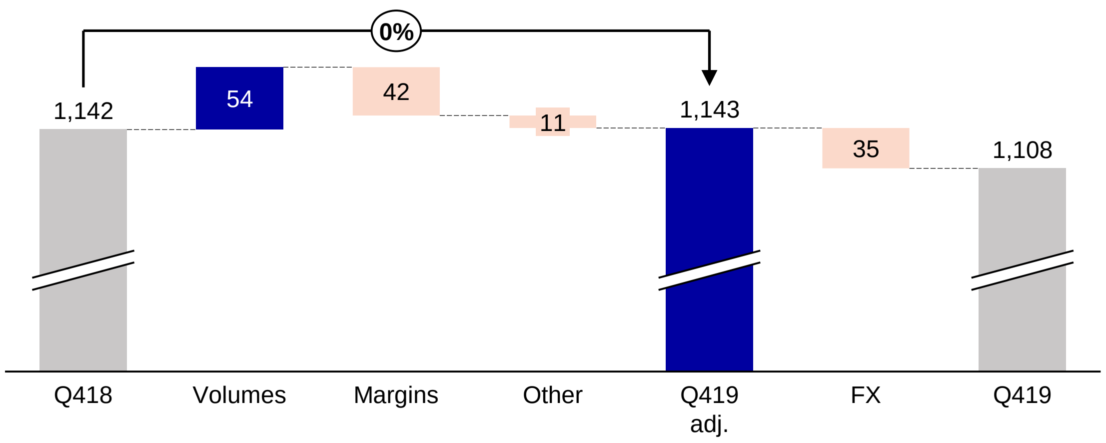
Net interest income – increased volumes in all business areas

Quarterly bridge, EURm



Yearly bridge, EURm



Comments

- Higher business volumes both YoY and QoQ
- Largely stable average margins in the quarter
  - Margin pressure easing in Personal Banking
  - Deposit margins down in Denmark & Finland following interest rate movements
  - Lower funding cost
- NII also supported by interest rate and balance sheet hedging in the quarter but stable over the year

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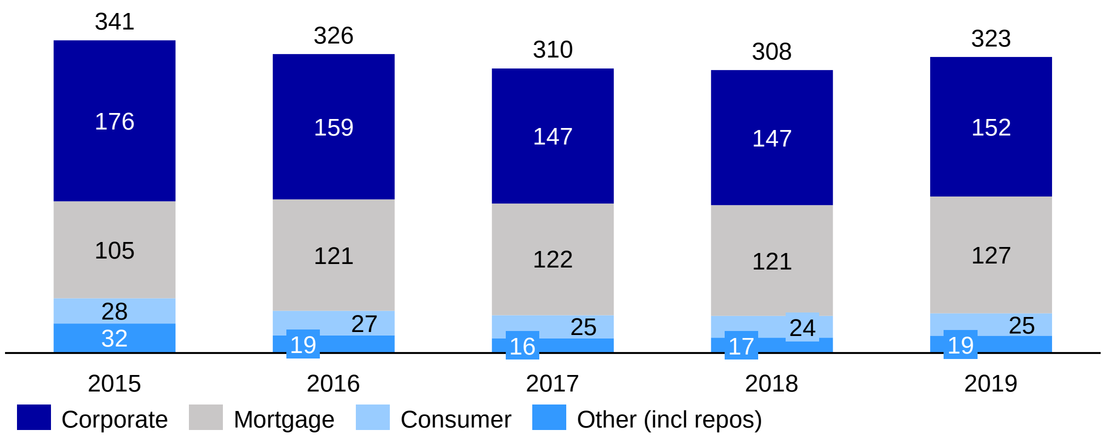
Business volumes – regaining market shares

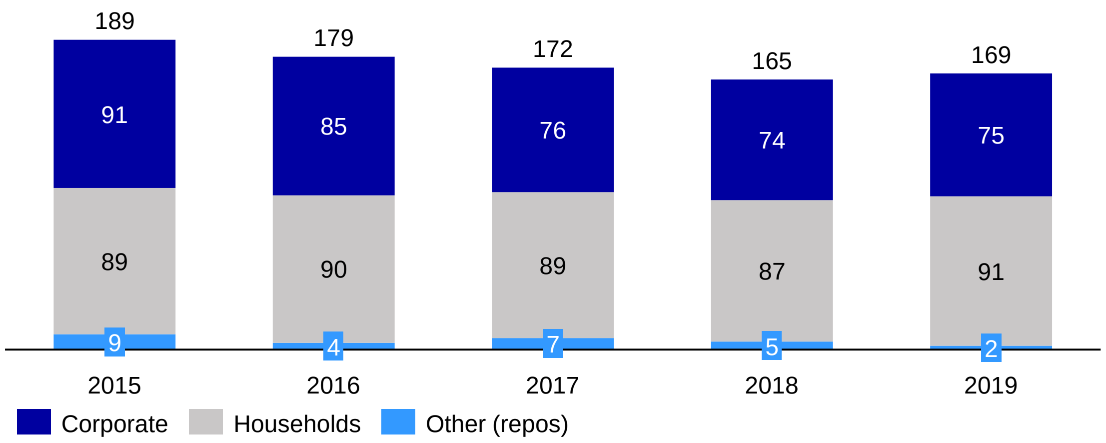
Lending, EURbn



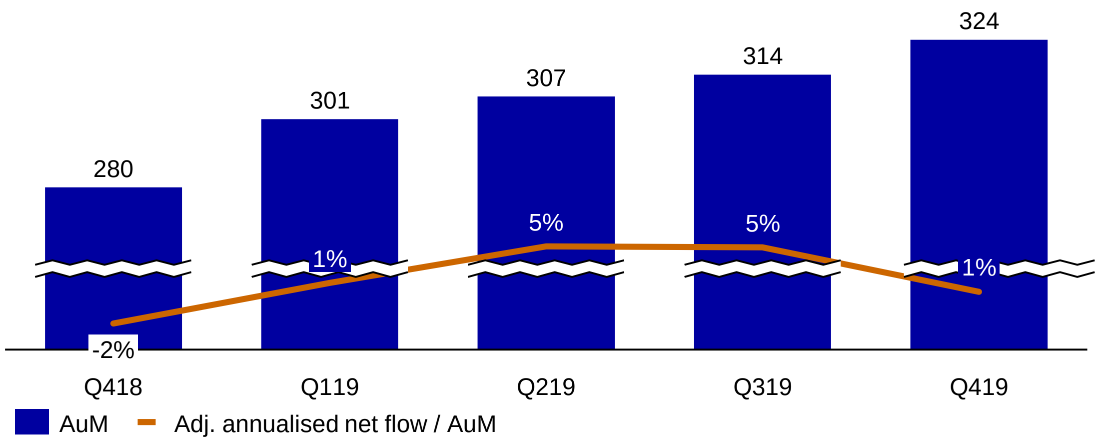
Comments

- 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

Deposits, EURbn



Assets under management, EURbn



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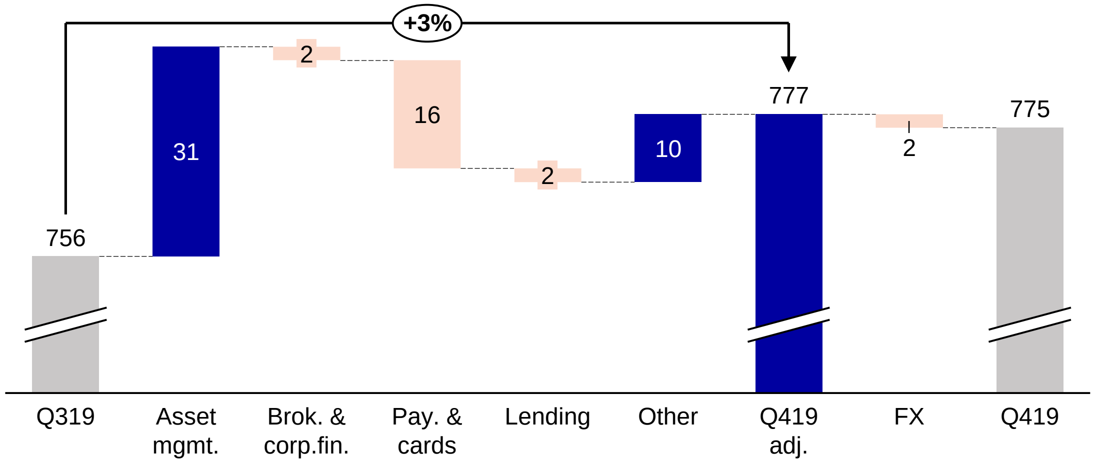
Net fee and commission income – Assets under management driving growth in Q4

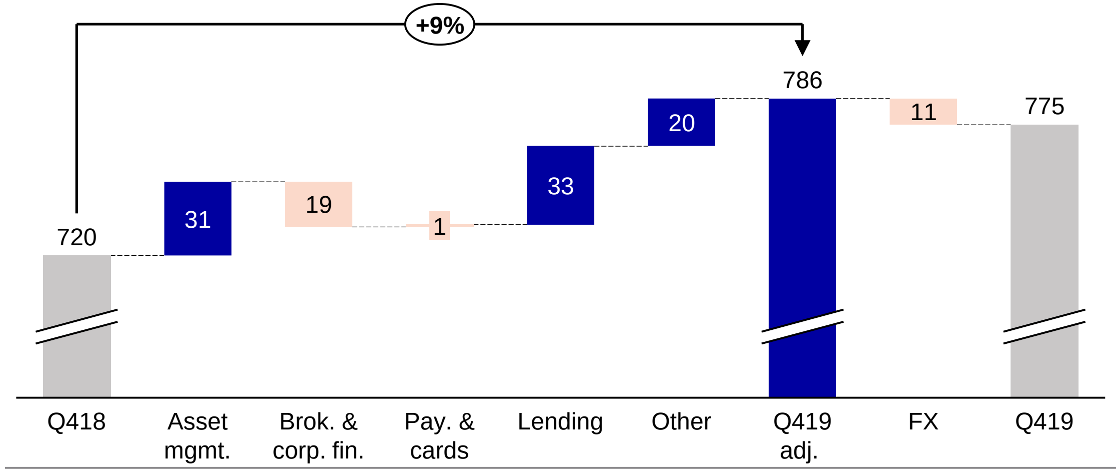
Quarterly bridge, EURm



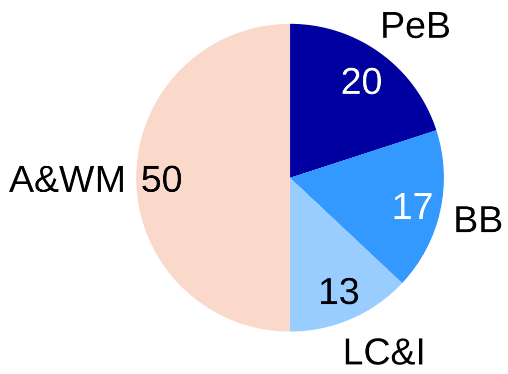
Comments

- AuM increased by 3% in Q4
- Seasonally lower card fees in Q4
- High lending activity YoY driven by Danish re-mortgaging and debt capital markets

Yearly bridge, EURm



Business area contribution, %



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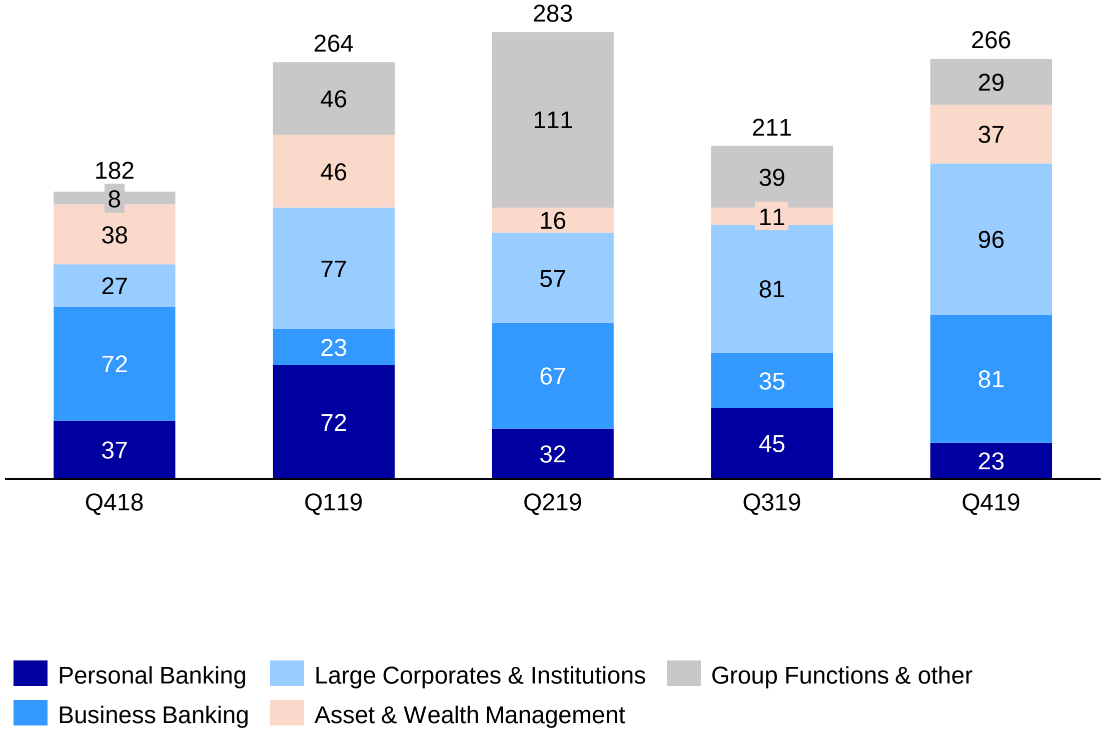
Net fair value – improved customer activity

NFV development, EURm



Comments

- Personal Banking had fewer portfolio sales in Q4
- Strong corporate customer activity in Business Banking
    - Increases in both FX and interest rate business
- Large Corporates & Institutions
    - Customer activity remains strong
    - Market making revenues increased, but still at subdued levels
- Asset & Wealth Management
    - Seasonally strong due to Life & Pensions

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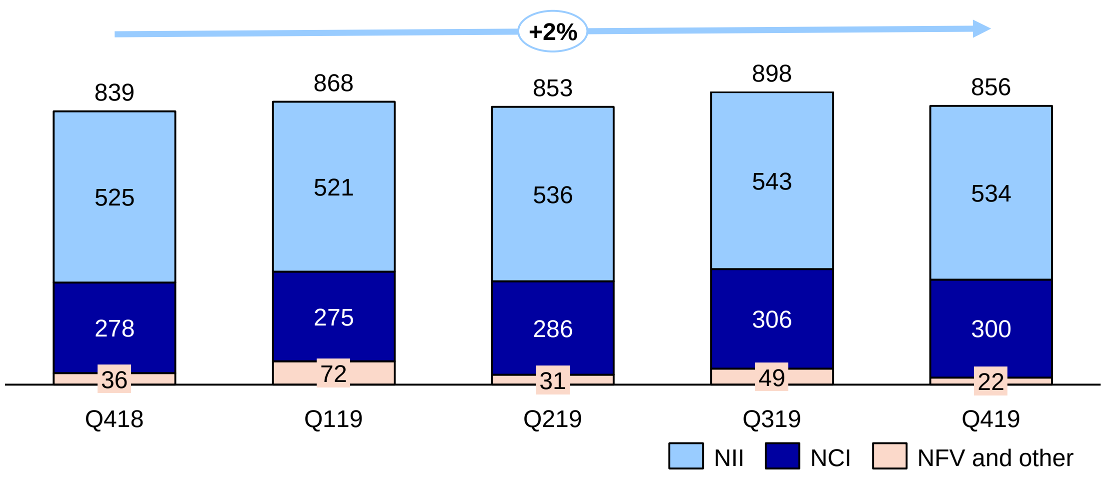
Personal Banking – strong business activity

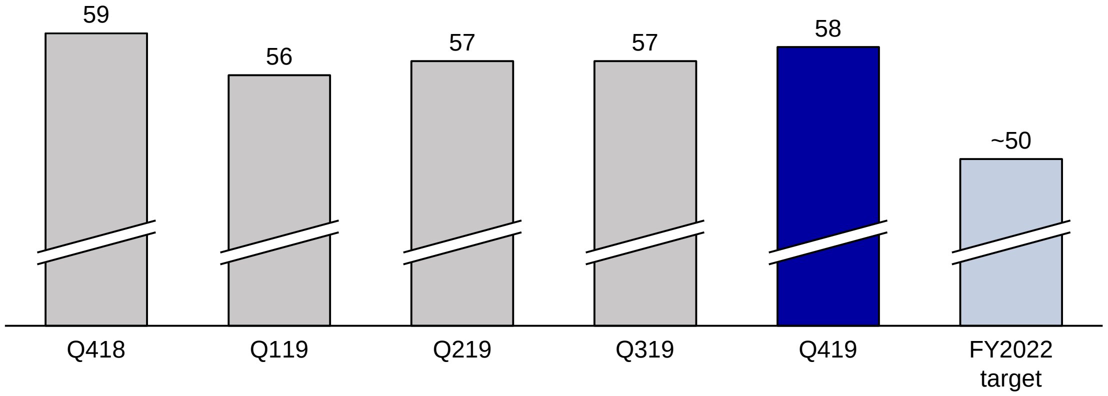
Total income*, EURm



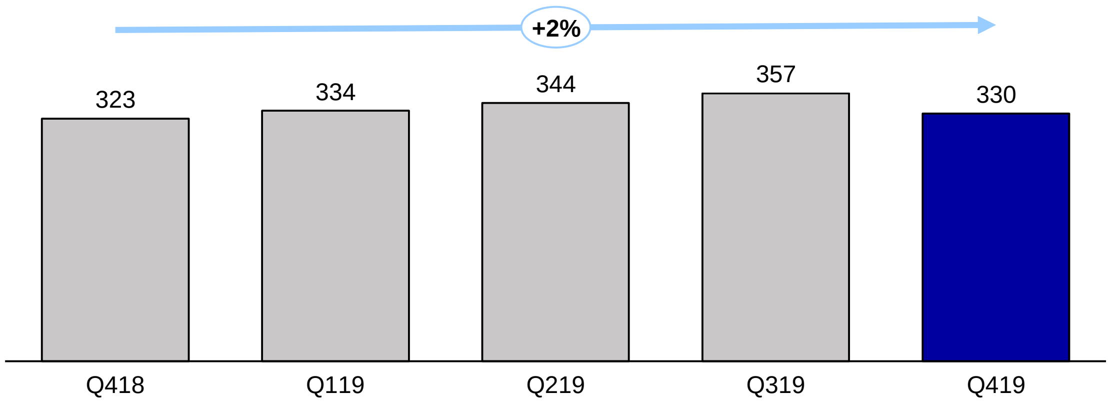
Comments

- 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

Cost to income ratio*, %



Operating profit*, EURm



* Excluding distribution agreement and with amortised resolution fees

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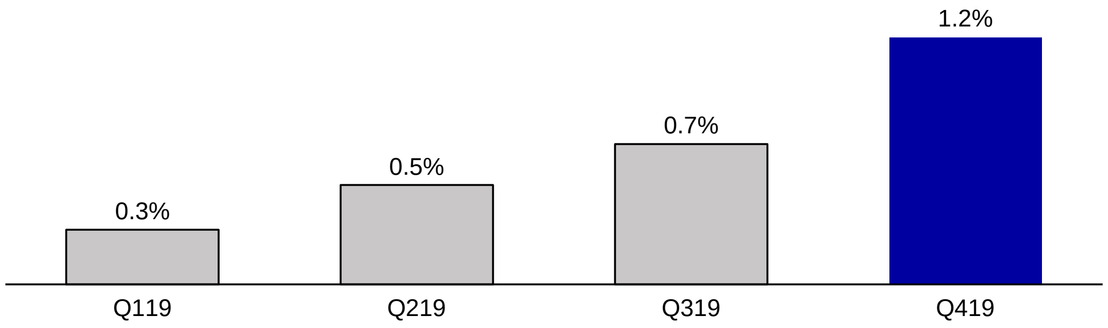
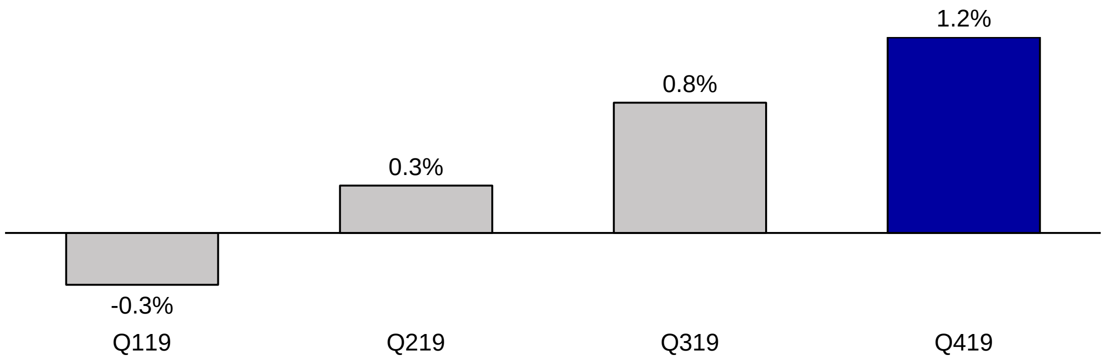
Volume trends in mortgages – growth in all countries

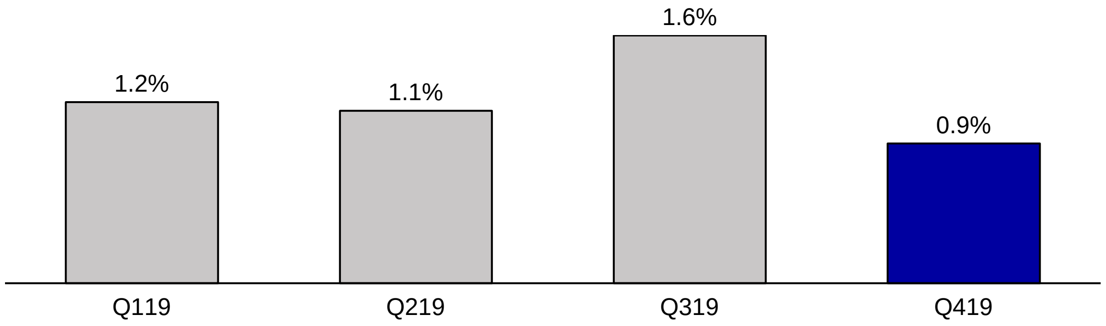
Volume trend in mortgage lending - Denmark



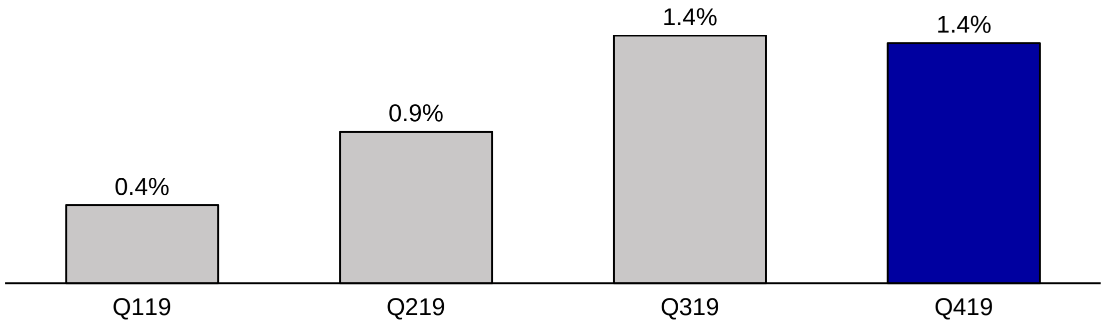
Volume trend in mortgage lending - Finland



Volume trend in mortgage lending - Norway*



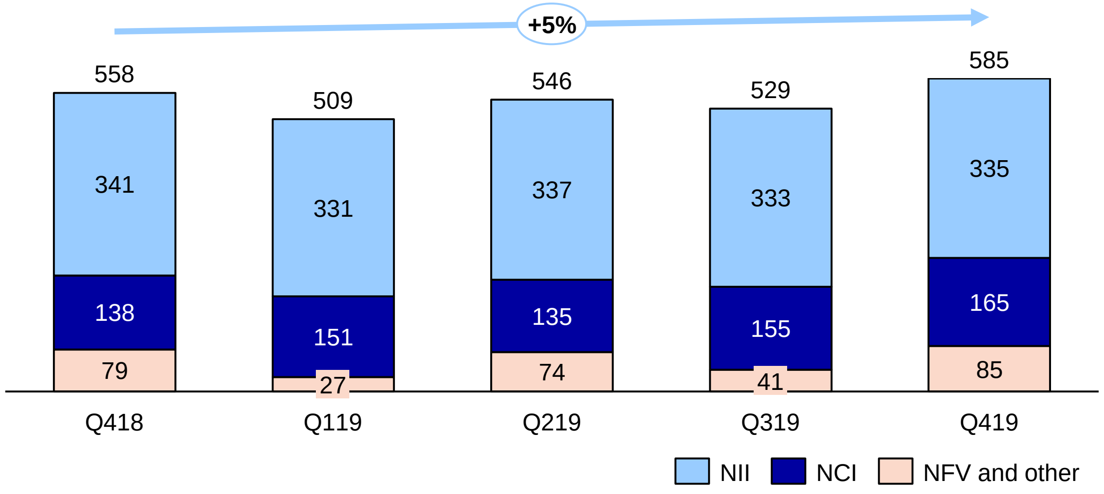
Volume trend in mortgage lending - Sweden



* Adjusted for Gjensidige

Business Banking - steady financial improvement

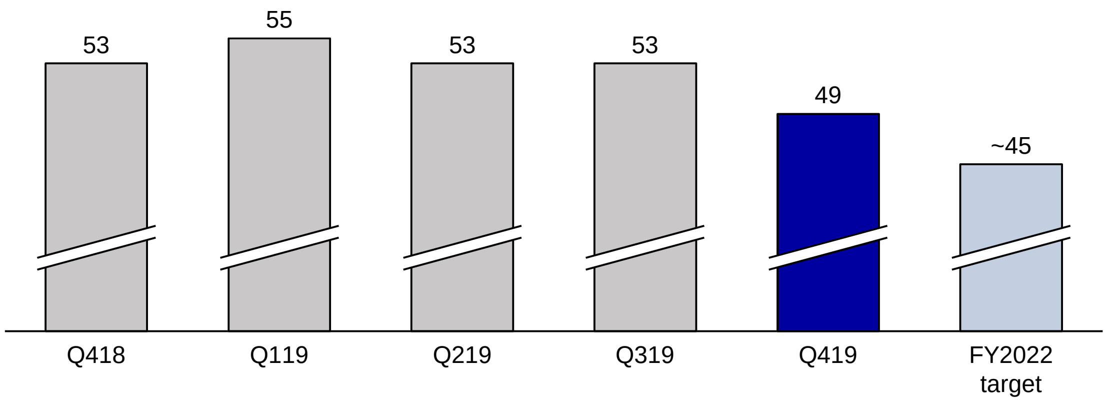
Total income*, EURm



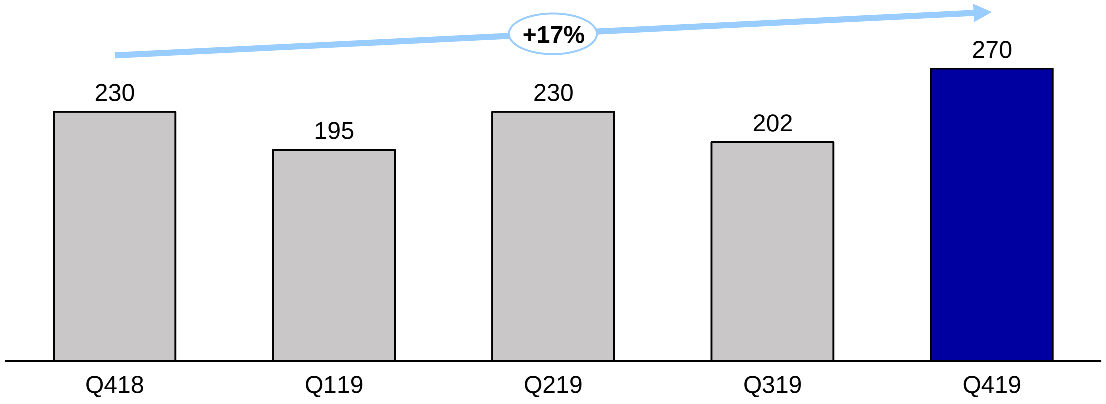
Comments

- 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

Cost to income ratio*, %



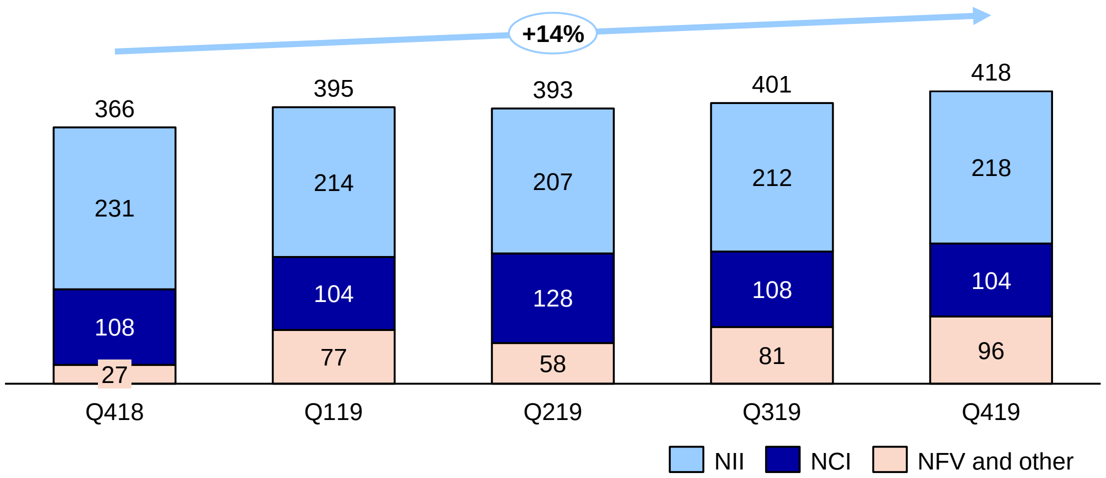
Operating profit*, EURm



* Excluding distribution agreement and with amortised resolution fees

Large Corporates & Institutions – repositioning started

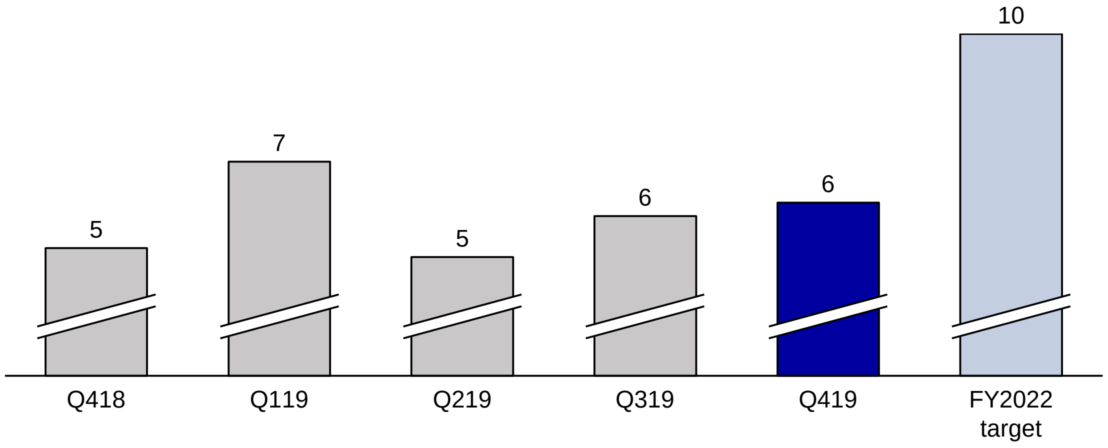
Total income, EURm



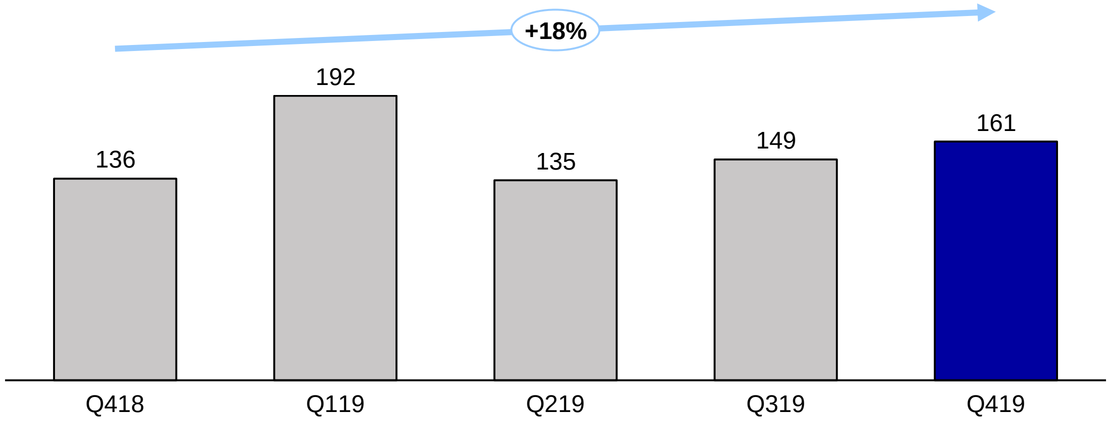
Comments

- 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

RoCAR*%



Operating profit*, EURm



* With amortised resolution fees and excluding additional provisions in Q319

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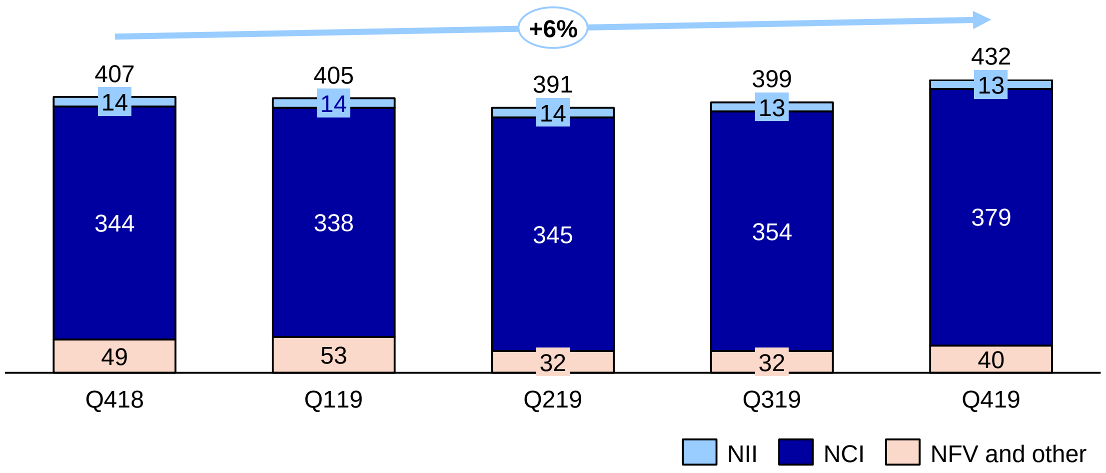
Asset & Wealth Management – increased revenues and profit

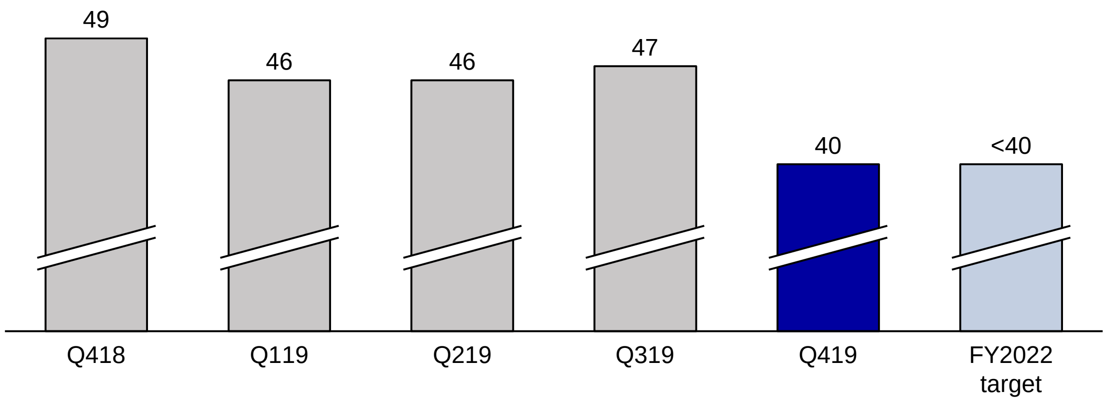
Total income, EURm



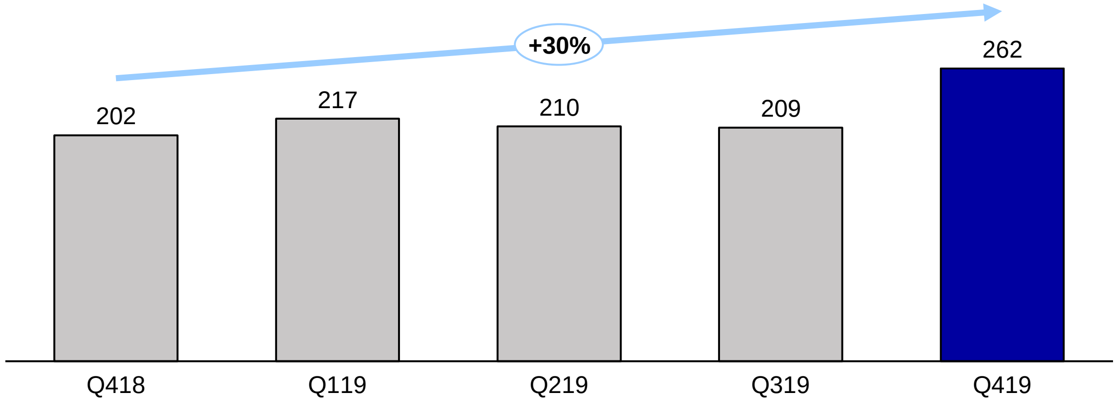
Comments

- 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

Cost to income ratio*, %



Operating profit*, EURm



* With amortised resolution fees

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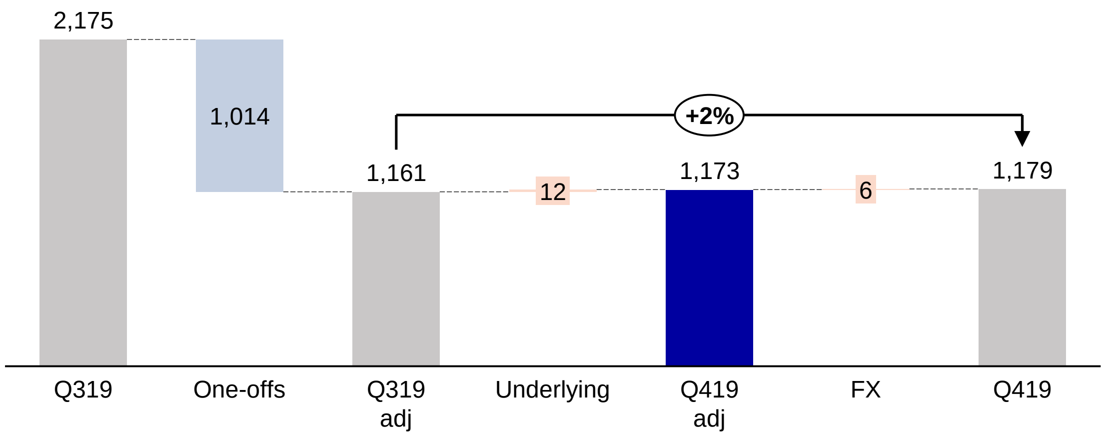
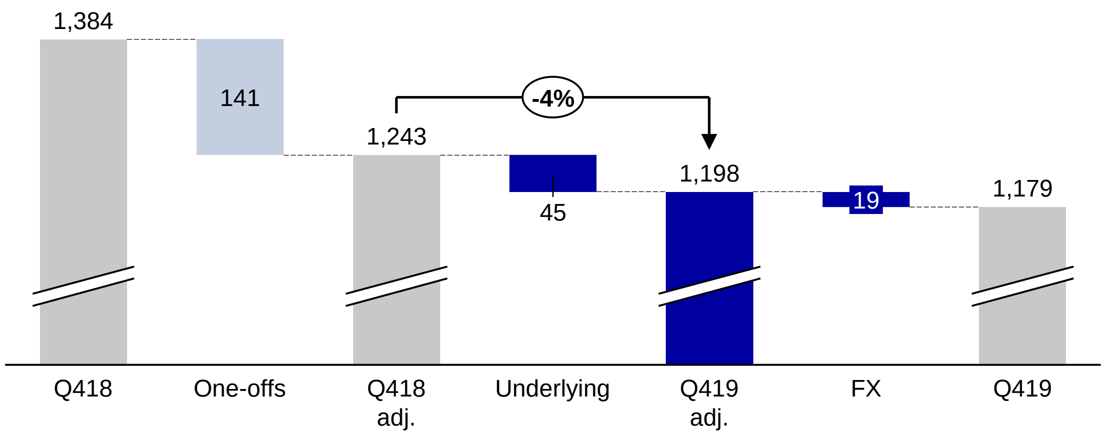
Costs – initiatives having impact in Q4

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

* Excluding one-offs
** Excluding one-offs and with amortised resolution fees

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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)

Gross savings by 2022

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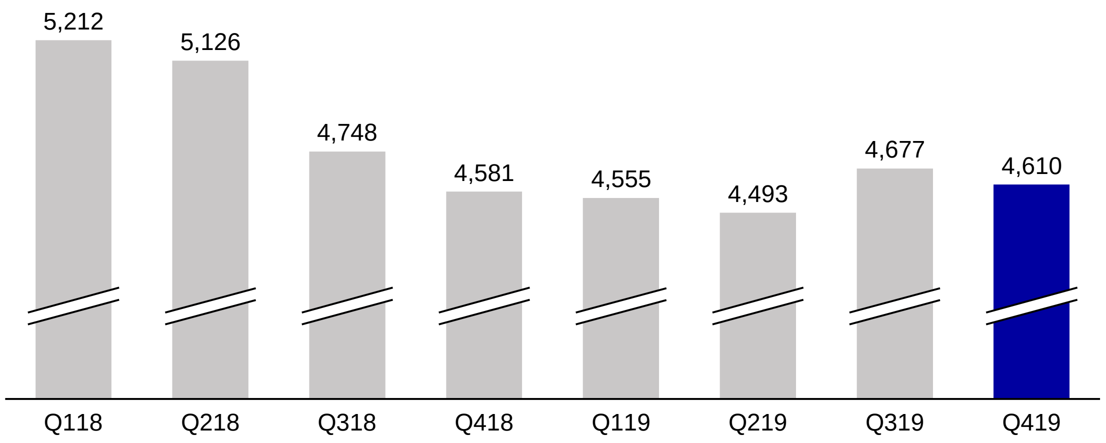
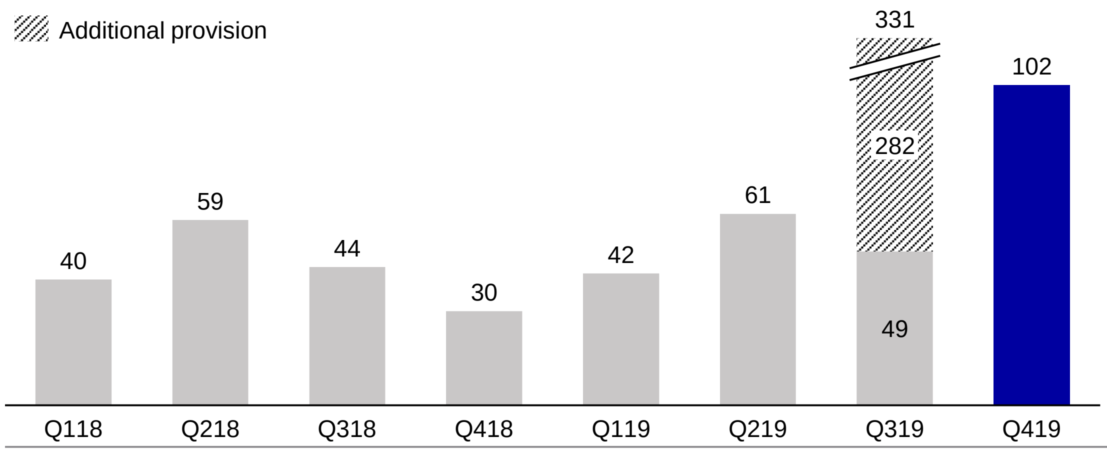
Asset quality – solid credit quality

Stage 3 impaired loans at amortised cost, EURm



Total net loan loss provisions, EURm

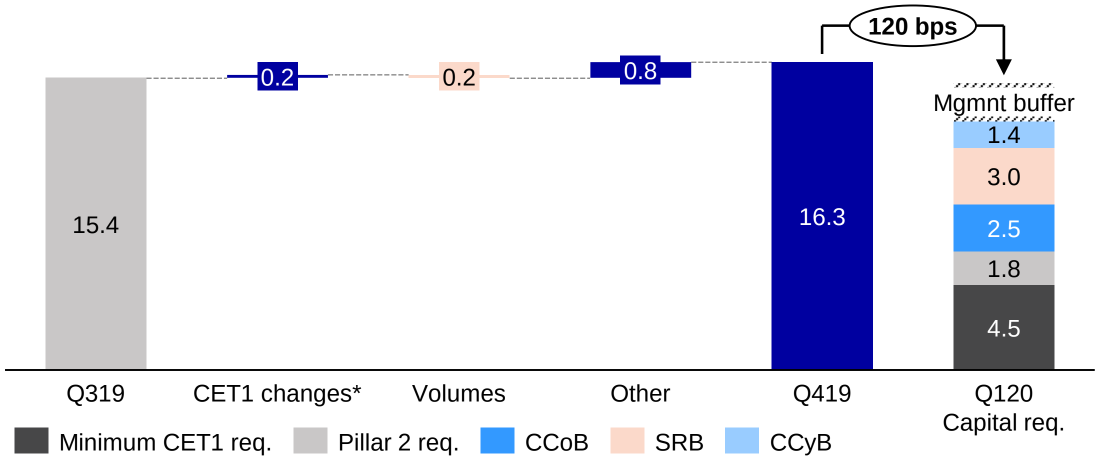


Comments

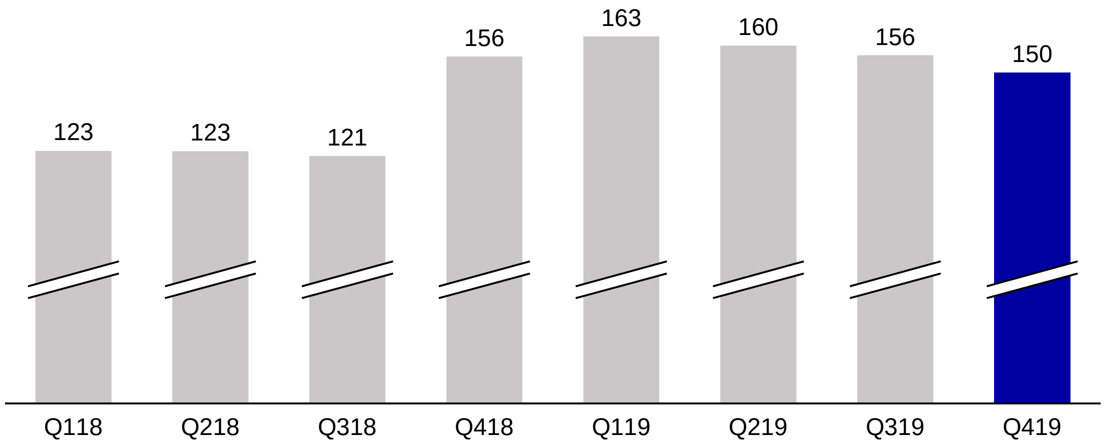
- Stage 3 impaired loans -1.4% in Q4
- Net loan loss provisions level at 17 bps in Q4
  - Somewhat higher loan loss provisions in Q4 related to a couple of specific corporate exposures
- Based on the current macroeconomic environment, Nordea's expectations for the coming quarters is that the credit quality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

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%

* Including profit and other comprehensive income (OCI)

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Everything we do, starts and ends with our customers

- **We are improving our service quality**
  - The number of complaints from our personal customers has decreased by 20% through better processes and availability
  - Waiting times in contact centres significantly reduced
  - 24/7 service availability – extended opening hours for advisory including weekends e.g. on mortgages
- **Our customer experience is continuing to improve through our new mobile banking platform**
  - Top-rated Nordic digital platform approaching 1 bn customer touchpoints per year
- **We are accelerating our sustainability efforts**
  - 11 new ESG funds – sustainability integrated into advisory sessions
  - Expanding green corporate loans and mortgages as well as offering green car loans
  - New CO_2 mobile tracker helps customers follow their carbon footprint

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

Nordea in the new phase

Optimise operational efficiency

Drive income growth initiatives

Create great customer experiences

Execution & accountability

A strong and personal financial partner


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