



Nordea



Fourth quarter and full year results 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.

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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*

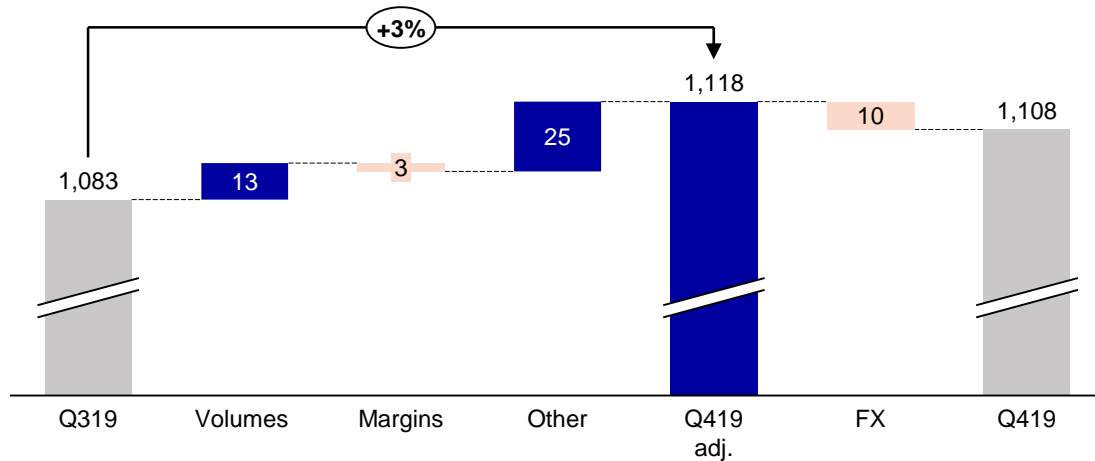
Income statement, EURm	Q419	Q418	Q4/Q4	Q319	Q4/Q3
Net interest income (NII)	1,108	1,142	-3%	1,083	2%
Net fee and commission income (NCI)	775	720	8%	756	3%
Net fair value result (NFV)	266	132	102%	211	26%
Other income	7	39	-82%	35	-80%
Total operating income	2,156	2,033	6%	2,085	2%
Total operating expenses	-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	

Group full year result 2019 excluding one-offs*

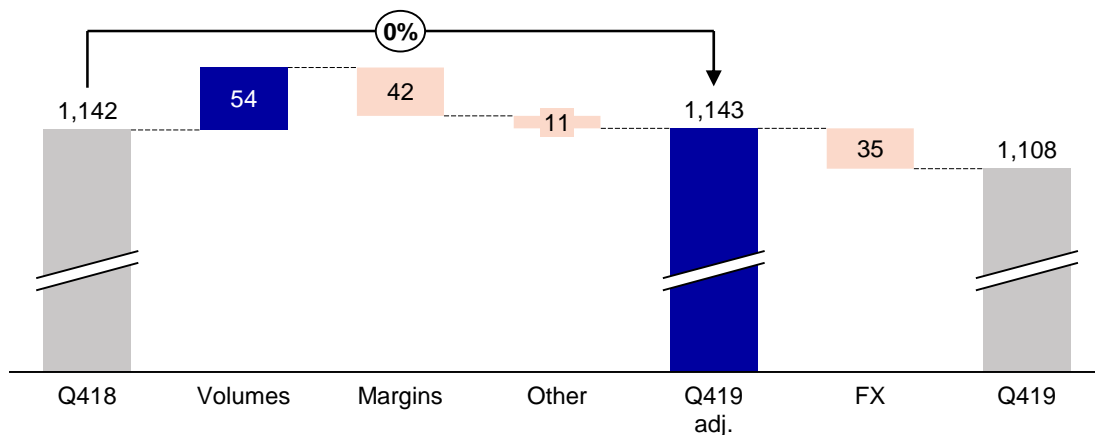
Income statement, EURm	FY2019	FY2018	FY/FY
Net interest income (NII)	4,318	4,491	-4%
Net fee and commission income (NCI)	3,011	2,993	1%
Net fair value result (NFV)	1,024	903	13%
Other income	144	215	-33%
Total operating income	8,497	8,602	-1%
Total operating expenses	-4,877	-4,905	-1%
Profit before loan 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	

Net interest income – increased volumes in all business areas

Quarterly bridge, EURm



Yearly bridge, EURm

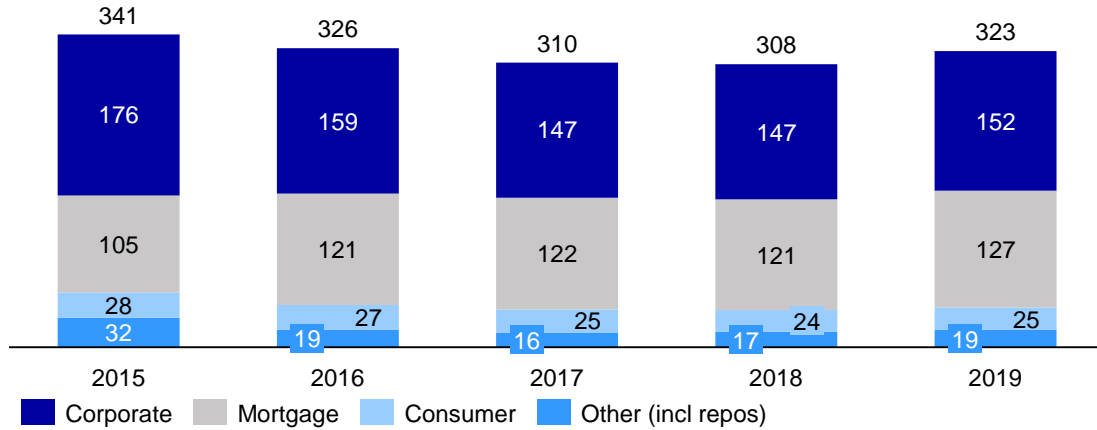


Comments

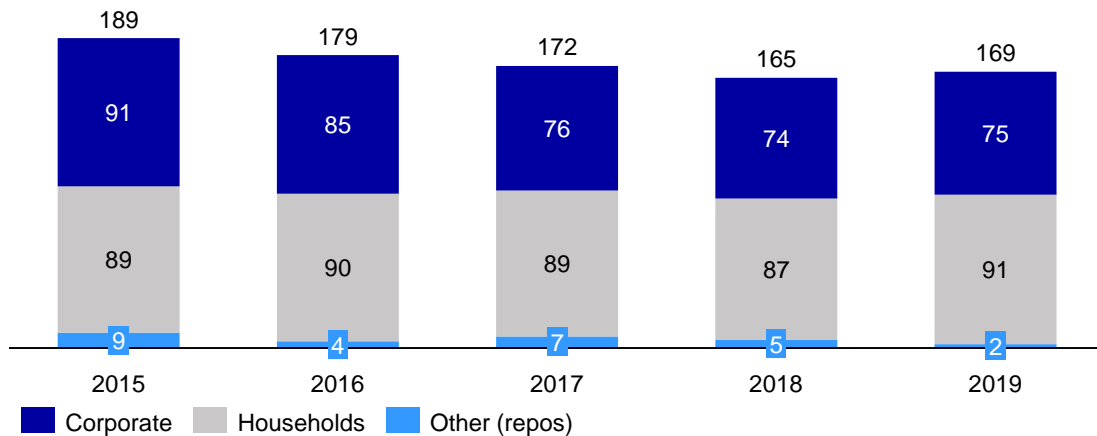
- Higher business volumes both YoY and QoQ
- Largely stable average margins in the quarter
 - Margin pressure easing in Personal Banking
 - Deposit margins down in Denmark & Finland following interest rate movements
 - Lower funding cost
- NII also supported by interest rate and balance sheet hedging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

Business volumes – regaining market shares

Lending, EURbn



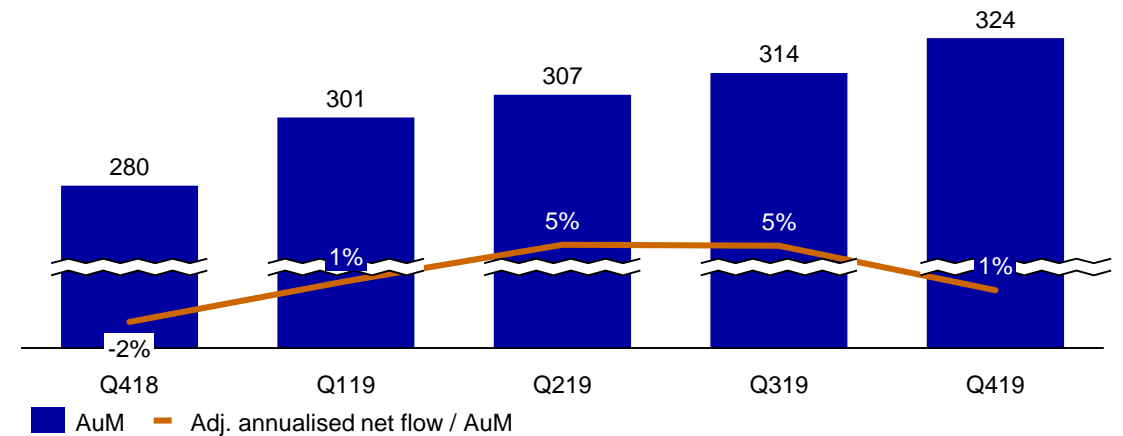
Deposits, EURbn



Comments

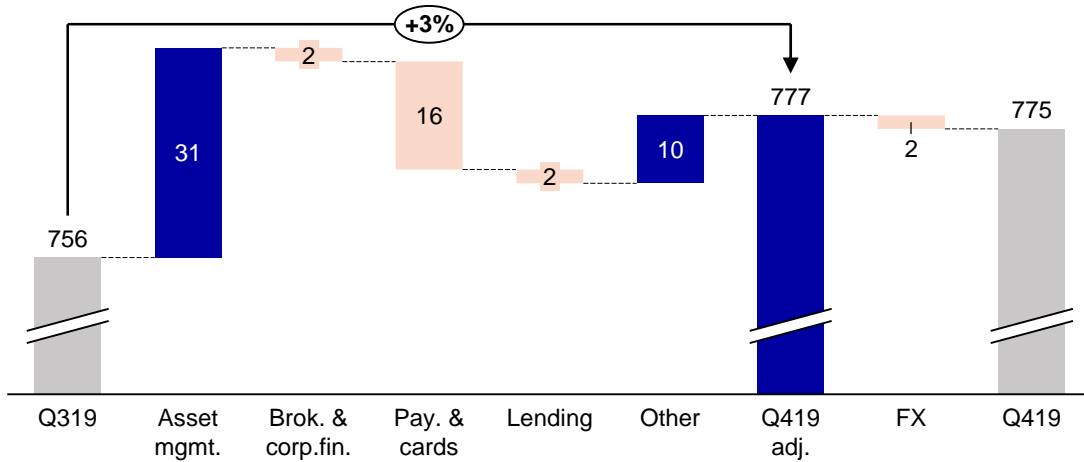
- Growth in 2019 after several years of decline
 - Lending +5% YoY
 - Deposits +4% YoY
- Regaining market share in mortgages
- AuM at all-time high, up 16% YoY
 - EUR 9bn total net inflow during 2019

Assets under management, EURbn

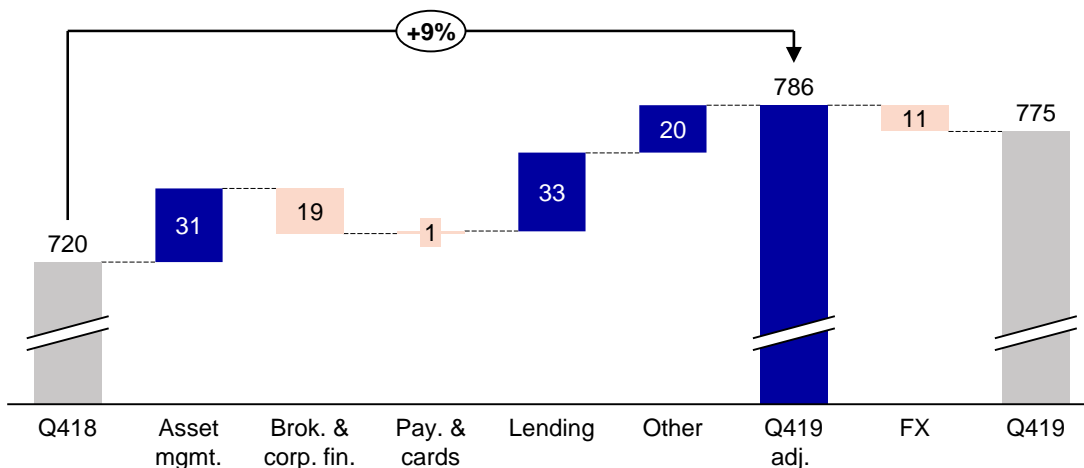


Net fee and commission income – Assets under management driving growth in Q4

Quarterly bridge, EURm



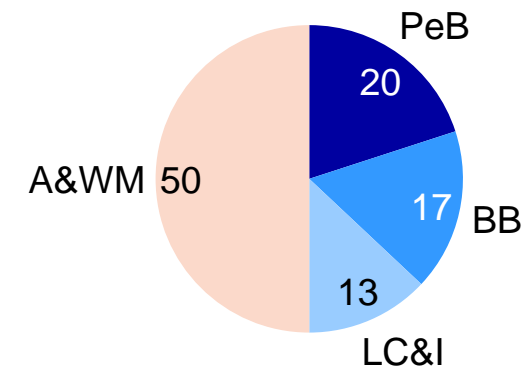
Yearly bridge, EURm



Comments

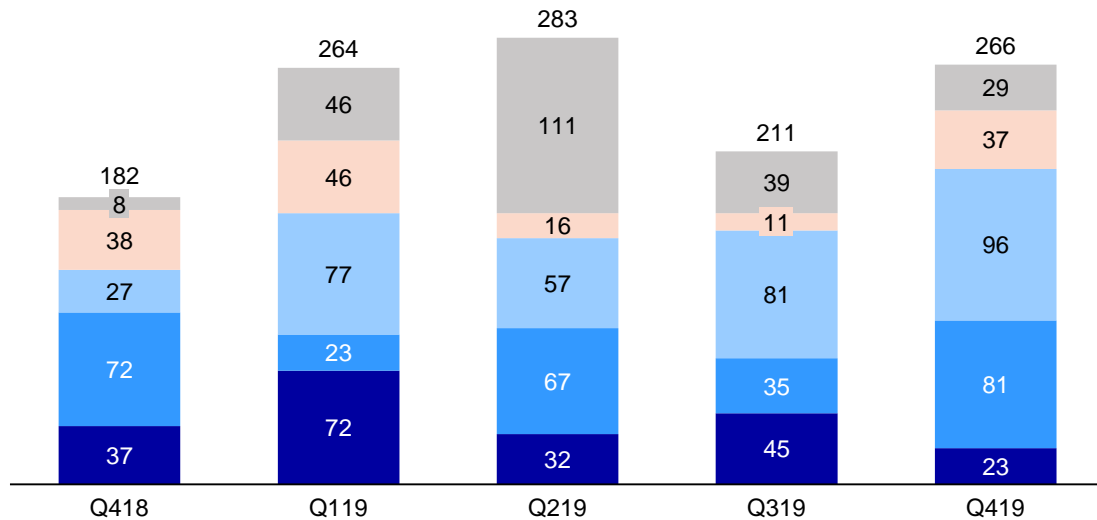
- AuM increased by 3% in Q4
- Seasonally lower card fees in Q4
- High lending activity YoY driven by Danish re-mortgaging and debt capital markets

Business area contribution, %



Net fair value – improved customer activity

NFV development, EURm



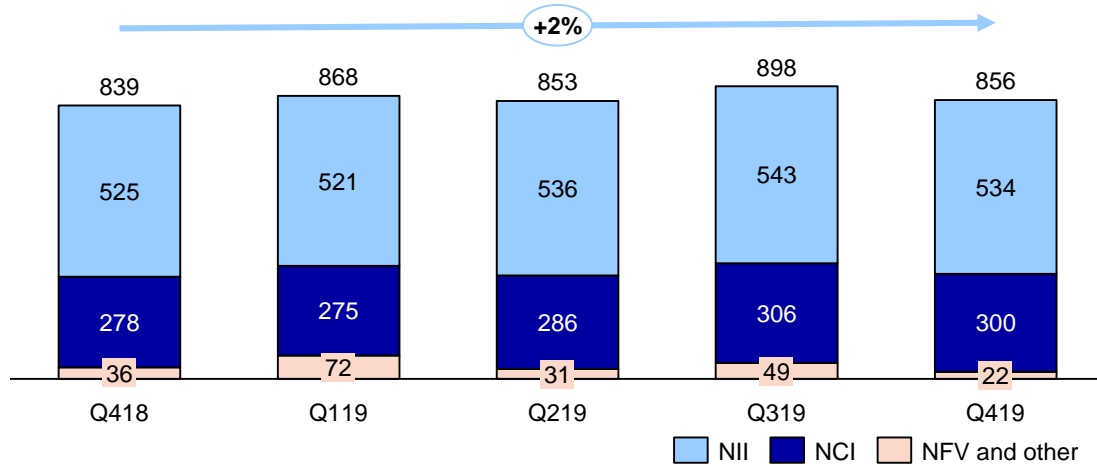
■ Personal Banking
 ■ Business Banking
 ■ Large Corporates & Institutions
 ■ Asset & Wealth Management
 ■ Group Functions & other

Comments

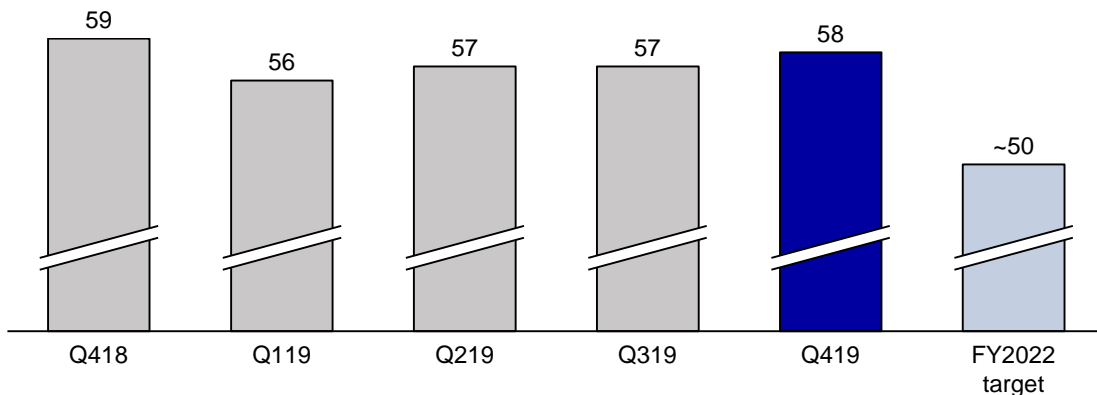
- Personal Banking had fewer portfolio sales in Q4
- Strong corporate customer activity in Business Banking
 - Increases in both FX and interest rate business
- Large Corporates & Institutions
 - Customer activity remains strong
 - Market making revenues increased, but still at subdued levels
- Asset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

Personal Banking – strong business activity

Total income*, EURm



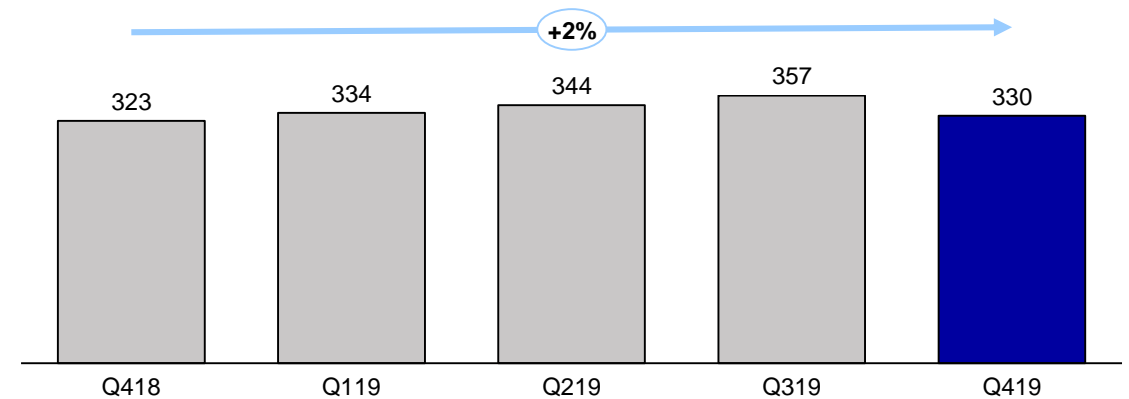
Cost to income ratio*, %



Comments

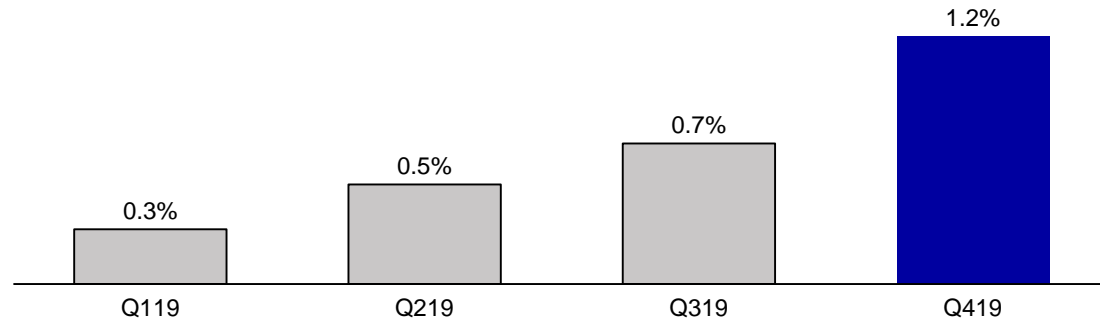
- Total income 2% higher compared to a year ago
- Strong mortgage volume growth
 - Margin pressure during the year easing off in Q4
- Good development in both lending and savings fees
- Increasing availability through digital and local presence resulting in better customer satisfaction

Operating profit*, EURm

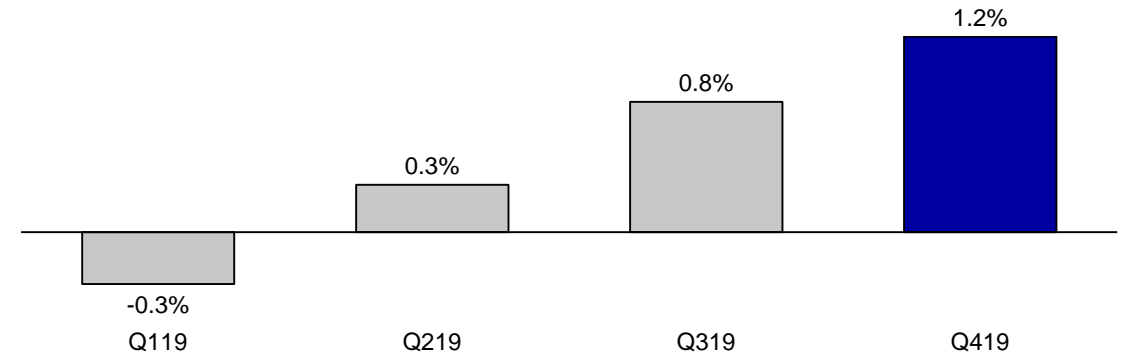


Volume trends in mortgages – growth in all countries

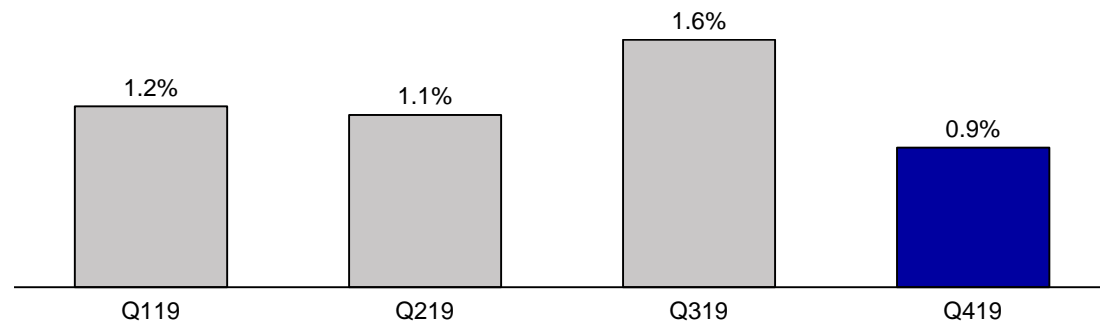
Volume trend in mortgage lending - Denmark



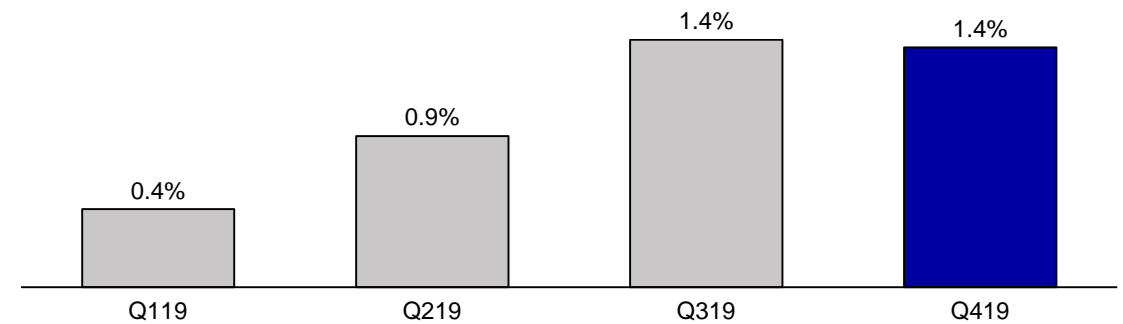
Volume trend in mortgage lending - Finland



Volume trend in mortgage lending - Norway*

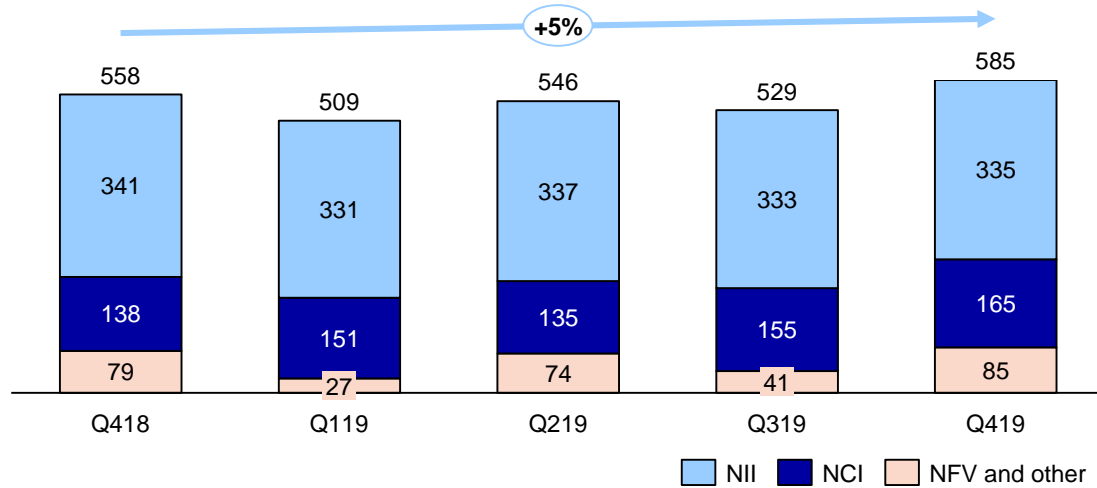


Volume trend in mortgage lending - Sweden

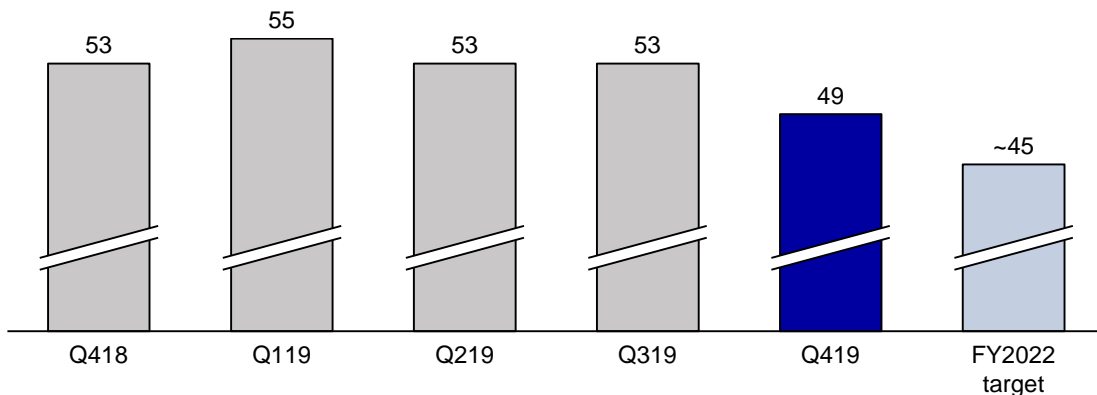


Business Banking - steady financial improvement

Total income*, EURm



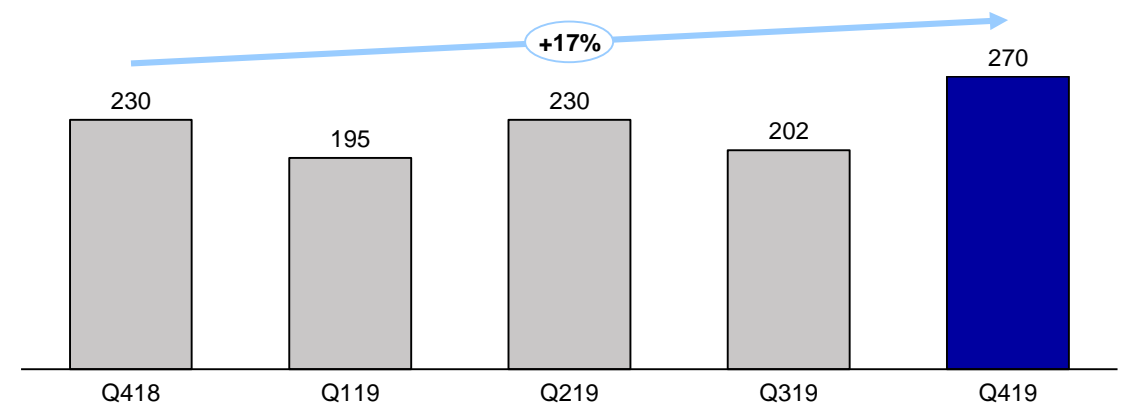
Cost to income ratio*, %



Comments

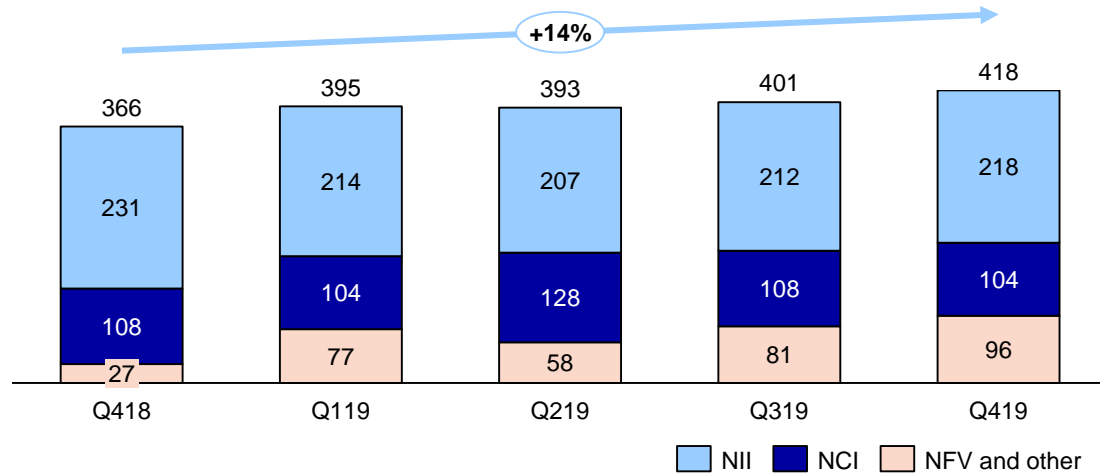
- NII benefitting from volume growth but impact partly offset by pressure on deposit margins
- Improving income momentum
 - Double-digit revenue growth in Sweden
 - Acquisition of SG Finans AS
- High corporate activity driving NFV
- Cost to income improved by 4-percentage points

Operating profit*, EURm

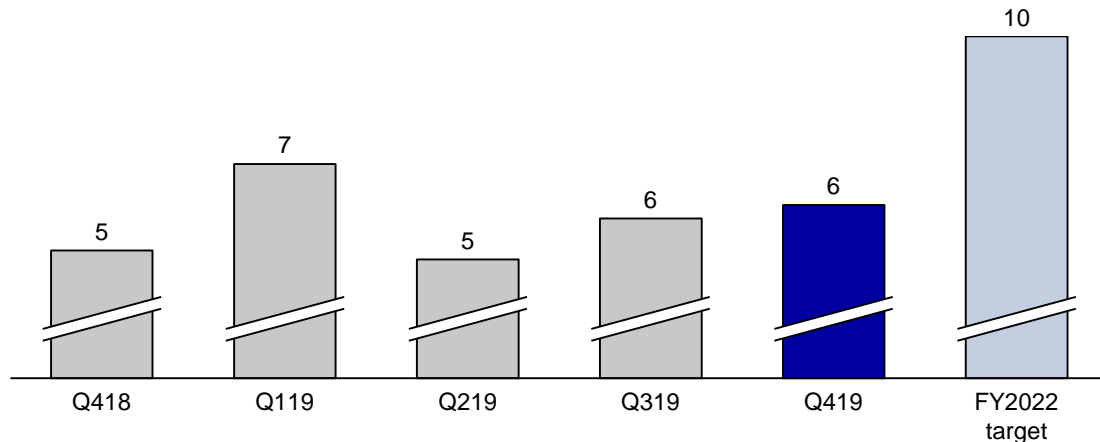


Large Corporates & Institutions – repositioning started

Total income, EURm



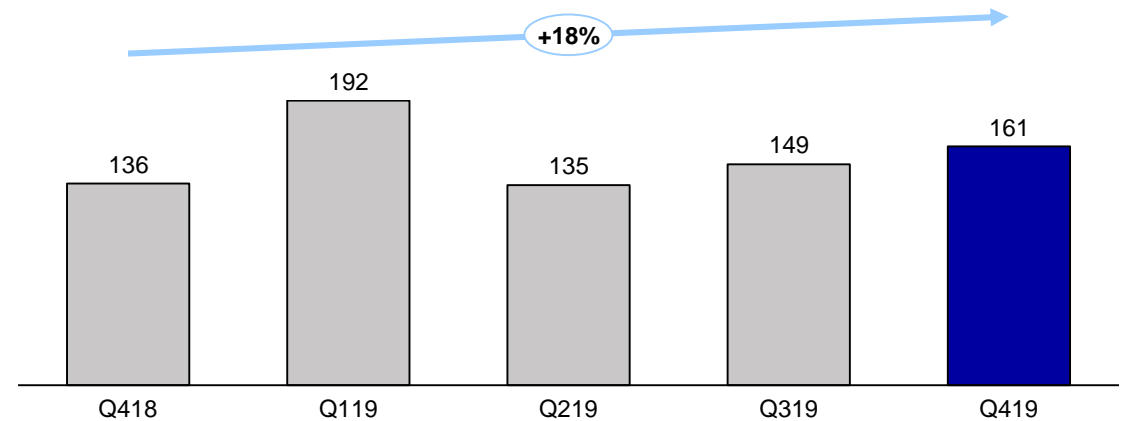
RoCAR*%



Comments

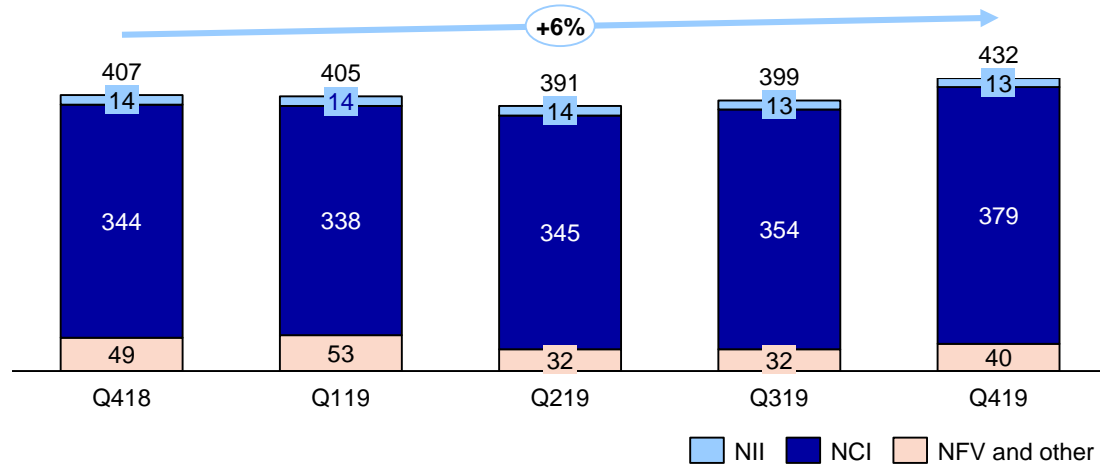
- Re-positioning started to take effect in Q4:
 - Total cost -4%
 - Number of staff -6%
 - Economic capital reduced by EUR 400m
- NII increased with improving lending volumes and stable margins
- Somewhat higher loan loss provisions related to a couple of specific corporate exposures

Operating profit*, EURm



Asset & Wealth Management – increased revenues and profit

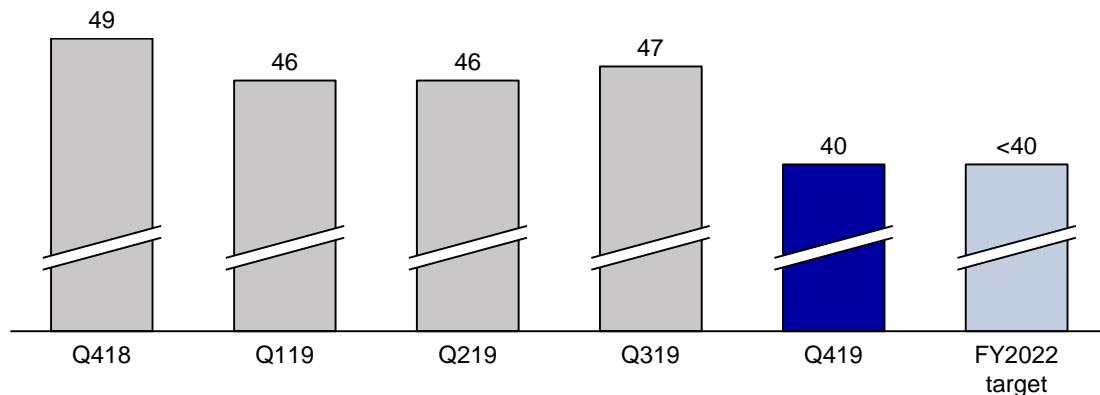
Total income, EURm



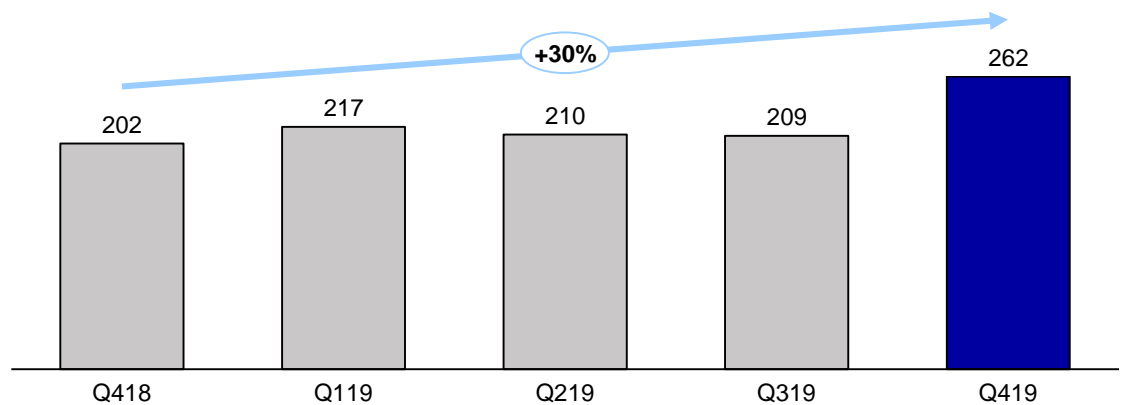
Comments

- 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*, %

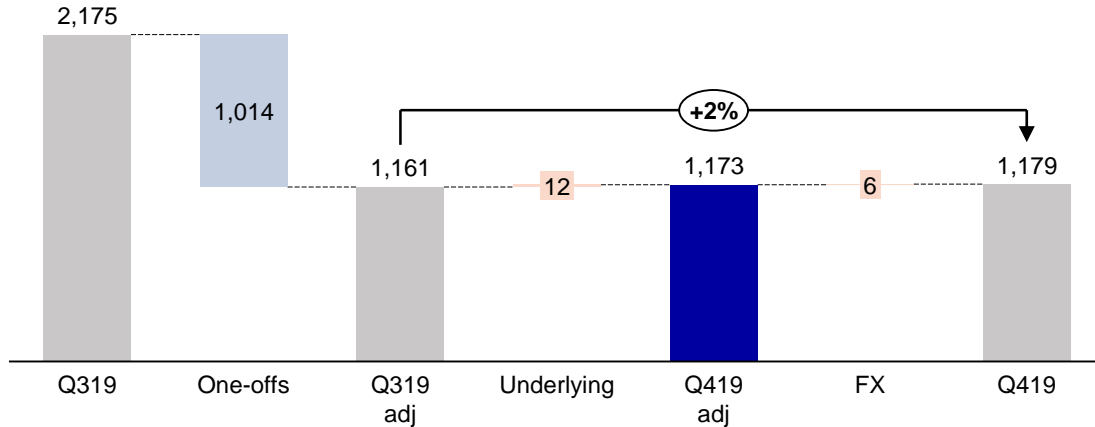


Operating profit*, EURm

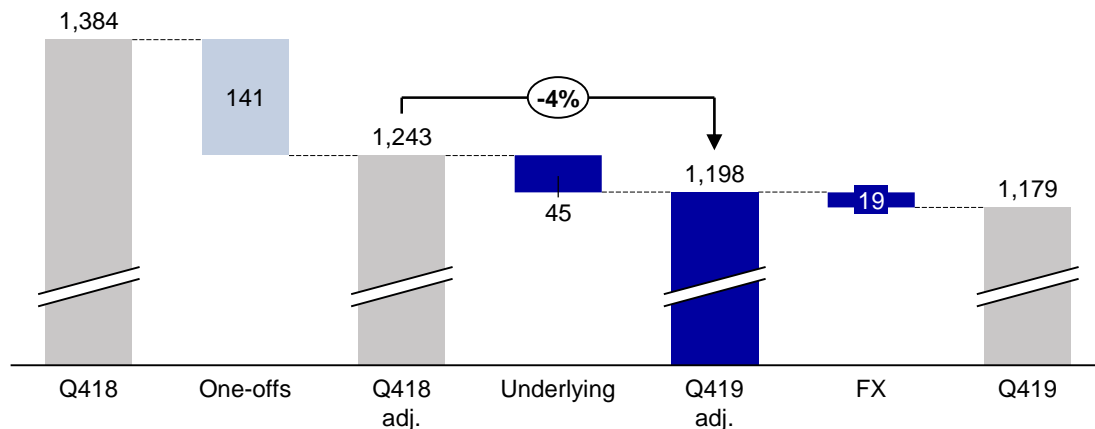


Costs – initiatives having impact in Q4

Quarterly bridge, EURm



Yearly bridge, EURm



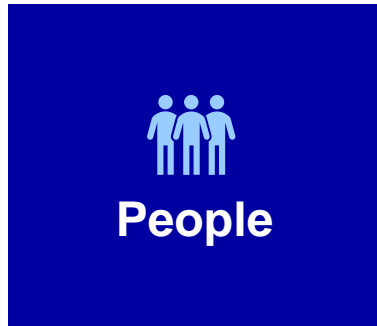
Comments

- 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



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



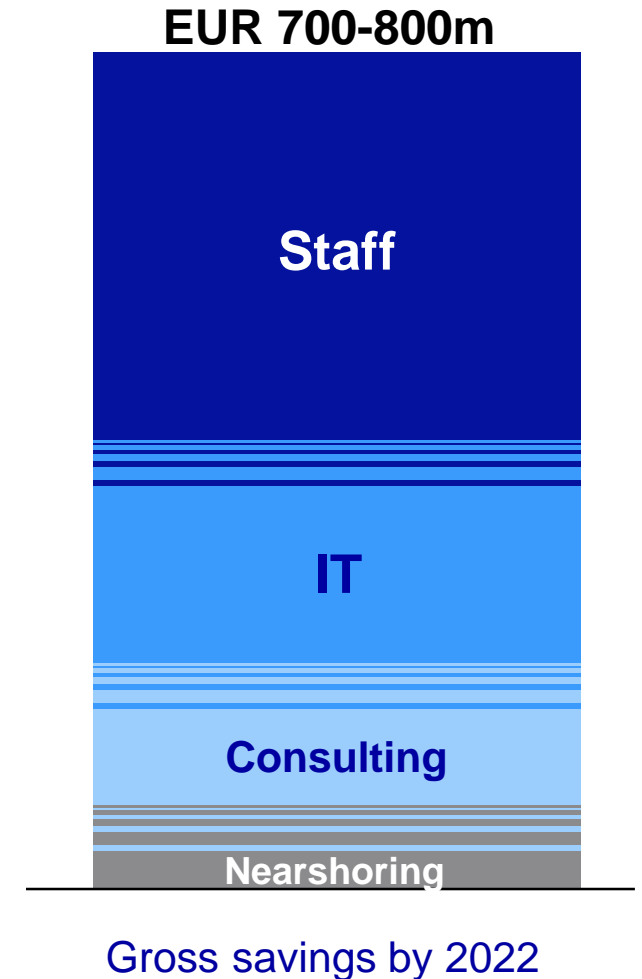
Reduced IT spend

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



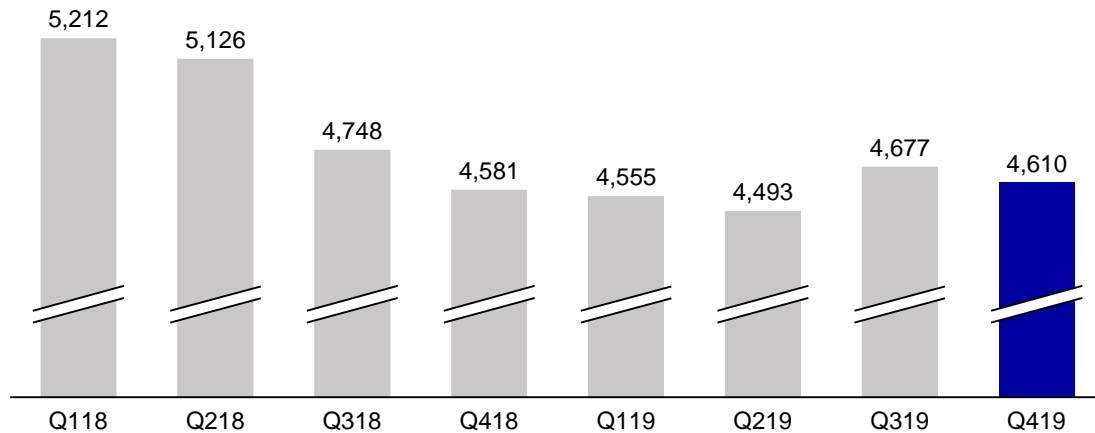
Streamlining of processes

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

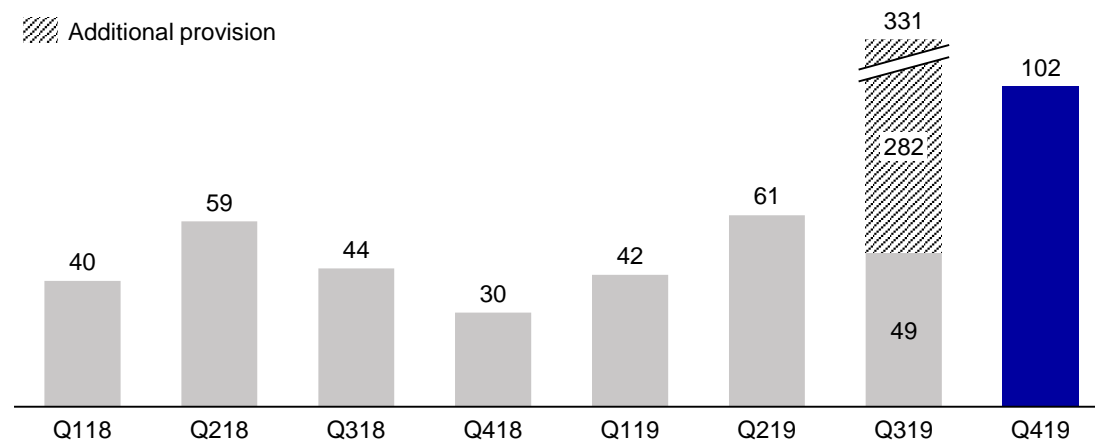


Asset quality – solid credit quality

Stage 3 impaired loans at amortised cost, EURm



Total net loan loss provisions, EURm

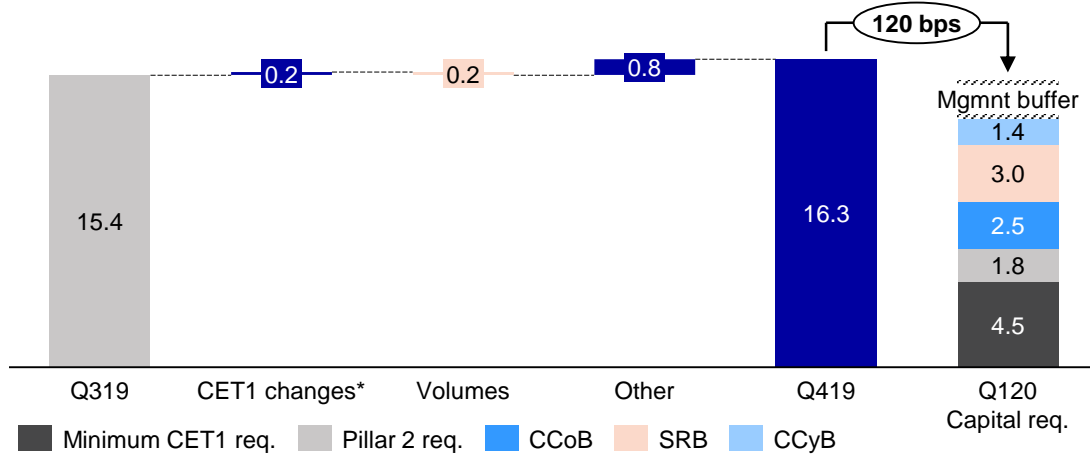


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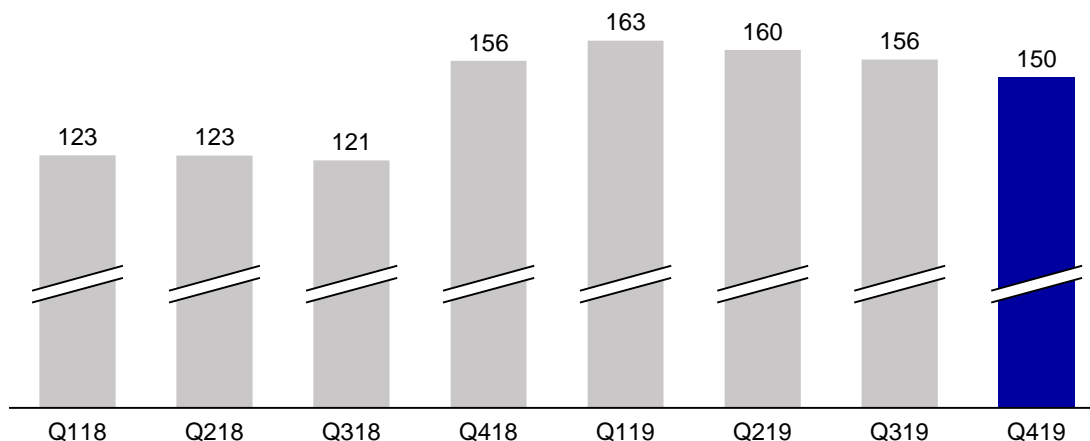
- Stage 3 impaired loans -1.4% in Q4
- Net loan loss provisions level at 17 bps in Q4
 - Somewhat higher loan loss provisions in Q4 related to a couple of specific corporate exposures
- Based on the current macroeconomic environment, Nordea’s expectations for the coming quarters is that the credit quality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

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 CO2 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

Nordea

