

Copenhagen, Helsinki, Oslo, Stockholm, 24 October 2019

# One-off items with significant negative impact to the Q3 results and new outlook announced

Nordea Bank Abp – Inside information

## **Impairment of capitalised IT systems, restructuring provision and loan loss provision**

The Board of Directors has today, in connection with the approval of the third quarter 2019 interim report, approved several one-off items having a significant negative impact on the Group's Q3 results. The Q3 operating loss of EUR 421m includes one-off items amounting to EUR 1.3bn, comprising of an impairment charge for IT intangibles of EUR 735m, a restructuring provision of EUR 204m, an additional loan loss provision of EUR 282m and an expense related to the sale of Luminor shares of EUR 75m.

Nordea has developed a new business plan, including new financial targets, updated business plans for each business area and the further consolidation to a global IT platform, which triggered a full impairment test of Nordea's capitalised IT systems and an assessment of future restructuring needs. As a result of the impairment test, an impairment of EUR 735m of IT systems was recognised. Further, it is expected that the new business plan will lead to continued redundancies with related redundancy packages, which has triggered the recognition of a restructuring provision amounting to EUR 204m in Q3 2019.

As stated in the second quarter 2019 interim report, Nordea assesses its reported loan loss provisions to reflect adequately its actual credit risk in the loan book and the outlook of future credit risks is stable. After the continued dialogue with the ECB, reflecting a more subdued outlook in certain sectors in the third quarter, Nordea has decided to increase its loan loss provision by a total of EUR 229m. In addition, Nordea has reviewed its collective provisioning models and the model update in the third quarter 2019 generates a EUR 53m increase in collective provisions.

The expense regarding the sale of Luminor shares of EUR 75m relates to the closing of the transaction as announced in a press release on 30 September 2019.

The Q3 2019 report will be published on 24 October 2019 at approximately 07.30 EET (06.30 CET).

## **Outlook**

### **Key priorities to success and meeting the financial targets**

Nordea's new plan will significantly improve operating performance through strengthened customer focus and improved operational efficiency as well as cost reductions and income growth initiatives.

#### **Nordea's new financial targets for 2022 are**

- A return on equity above 10%
- A cost to income ratio of 50%

## **Costs**

**New:** For 2020, Nordea expects to reach a cost base of below EUR 4.7bn with planned continued net cost reductions beyond 2020.

Costs for 2019 are expected to be lower in constant currencies compared to 2018 excluding items affecting comparability in 2018 and 2019<sup>2</sup> and changes in resolution fees. The total cash cost is expected to be lower in constant currencies over the same period.

**Previous:** 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<sup>1</sup> and cash costs are expected to be down by up to 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<sup>2</sup> and the total cash cost is expected to be lower in constant currencies over the same period.



<sup>1</sup> Goodwill write-down of EUR 141m in Q4 2018

<sup>2</sup> Adjusted for the goodwill write-down of EUR 141m in 2018, transaction costs of EUR 90m in 2019, provision of EUR 95m in Q1 2019, IT impairment of EUR 735m and restructuring charge of EUR 204m.

### **Capital policy**

**New:** 150-200 bps management buffer above the regulatory CET1 requirement, valid from 1 January 2020.

**Previous:** 40–120 bps management buffer above the regulatory CET1 requirement.

### **Dividend policy**

**New:** A dividend pay-out ratio, starting from 2020, of 60-70%. Nordea will continuously assess the opportunity to use share buy-backs as a tool to distribute excess capital. For 2019, Nordea targets a dividend of EUR 0.4 per share.

**Previous:** Nordea aims to achieve a yearly increase in the dividend per share, while maintaining a strong capital position in line with the capital policy.

### **Credit quality**

**New:** Nordea's expectation for the coming quarters is that net losses will be low and around the average level for 2018. However, the macroeconomic outlook is somewhat more uncertain.

**Previous:** Nordea's expectation for the coming quarters is that net losses will remain low and around the average level for 2018.

### **For further information:**

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*The information provided in this stock exchange release is such that Nordea Bank Abp is required to disclose pursuant to the EU Market Abuse Regulation and was submitted for publication, through the agency of the contact person set out above, at 07.20 EET (6.20 CET) on 24 October 2019.*