



Nordea

Fourth quarter and full year results 2018

Casper von Koskull, President, Group CEO

Summary

2018 has been characterised by key deliveries in our transformation

Challenging year in terms of revenues – the results are not where we want them to be

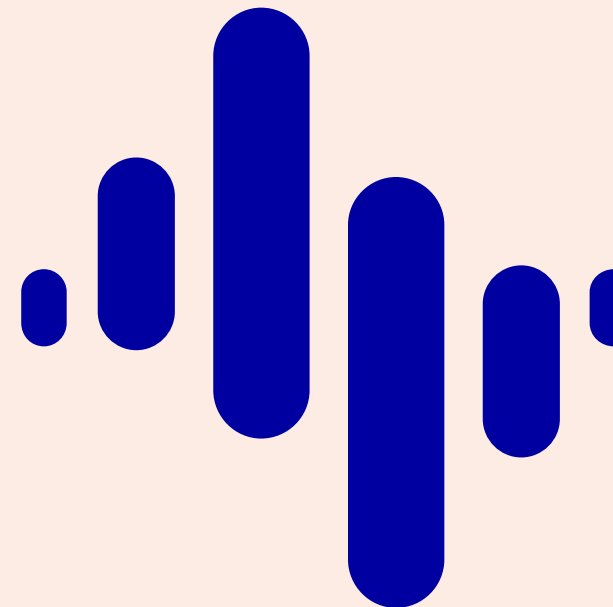
Costs and cash spending are reduced according to plan

Strong credit quality

Solid CET1 ratio at 15.5% in line with expectation

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

Key priorities for 2019 to increase business momentum and drive structural cost efficiency



Group financial highlights fourth quarter 2018

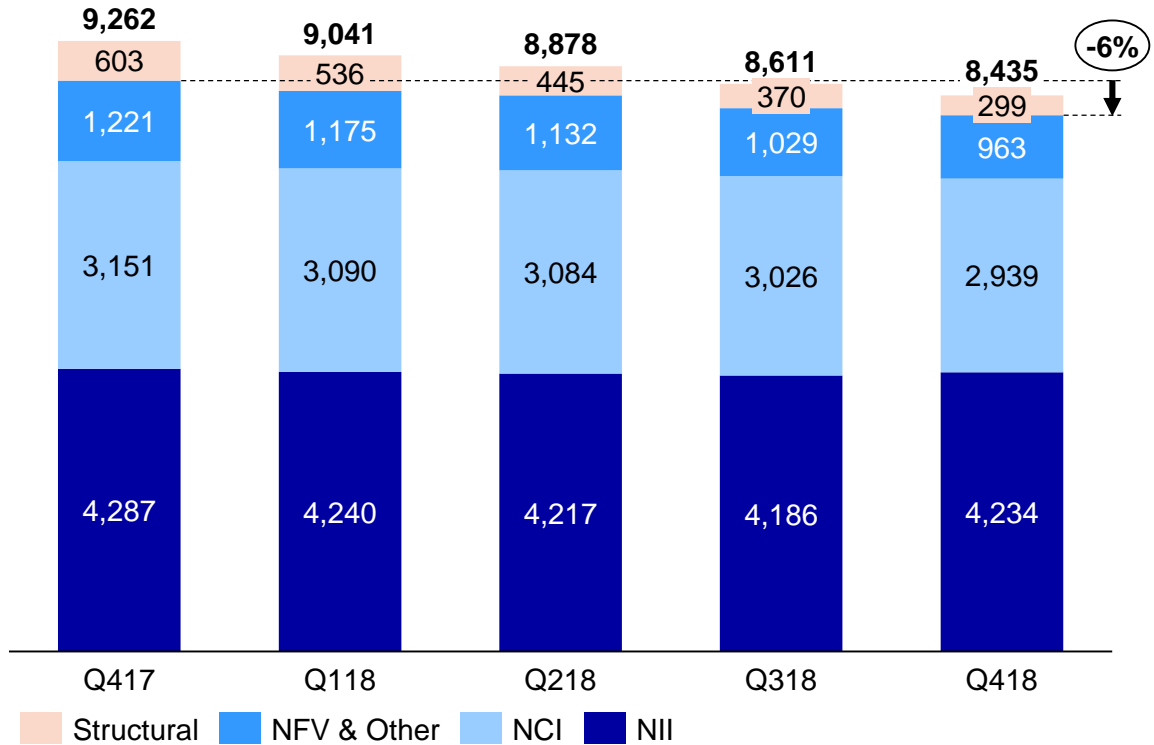
Income statement, EURm	Q4 2018	Q3 2018	Q4/Q3 change	Q4 2017	Q4/Q4 change
Net interest income	1,126	1,072	5%	1,109	2%
Net fee and commission income	720	703	2%	839	-14%
Net fair value result	182	205	-11%	235	-23%
Other Income	75	66		45	
Total operating income	2,103	2,046	3%	2,228	-6%
Total operating expenses	-1,384	-1,136	22%	-1,361	2%
Profit before loan losses	719	910	-21%	867	-17%
Net loan losses	-30	-44	-32%	-71	-58%
Operating profit	689	866	-20%	796	-13%
Net profit	492	684	-28%	629	-22%

Group financial highlights full year 2018

Income statement, EURm	2018	2017	18/17 change
Net interest income	4,324	4,666	-7%
Net fee and commission income	2,993	3,369	-11%
Net fair value result	1,088	1,328	-18%
Other Income	600	106	
Total operating income	9,005	9,469	-5%
Total operating expenses	-4,879	-5,102	-4%
Excl. goodwill write-down	-4,738	-5,102	-7%
Profit before loan losses	4,126	4,367	-6%
Net loan losses	-173	-369	-53%
Operating profit	3,953	3,998	-1%
Net profit	3,081	3,048	1%
Excl. goodwill write-down	3,222	3,048	6%
Ratios, %			
Return on equity	9.7	9.5	
Excl. goodwill write-down	10.2	9.5	
CET1 capital ratio	15.5	19.5	
Cost/income ratio	54	54	
Excl. goodwill write-down	53	54	

Revenues are down due to structural deals and pressure in three areas

Total income rolling 4 quarters*, EURm

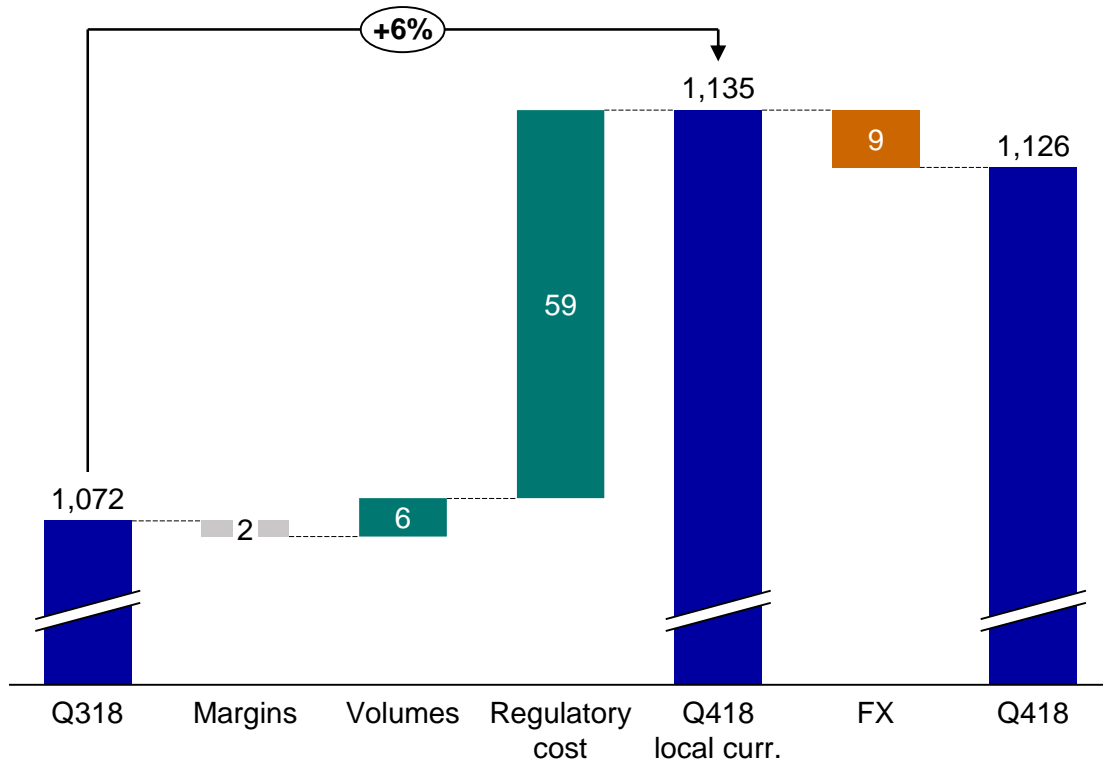


Comments

- Revenues are down 6%* in continued operations
- Pressure in three areas
 - Savings and investments
 - Market making activities
 - Lower household lending margins

Net interest income

Q418 vs Q318, EURm

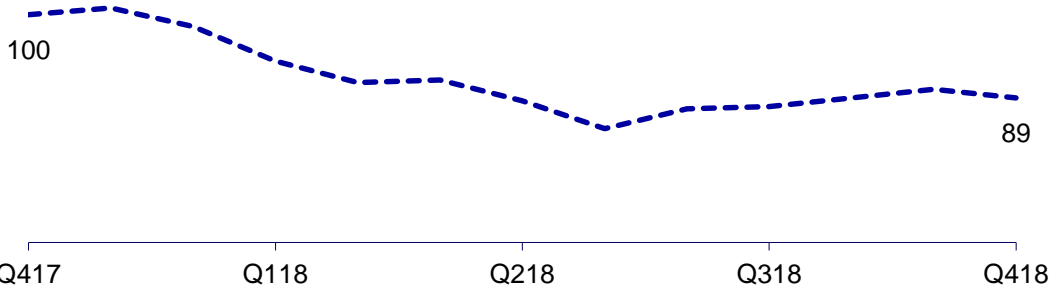


Comments

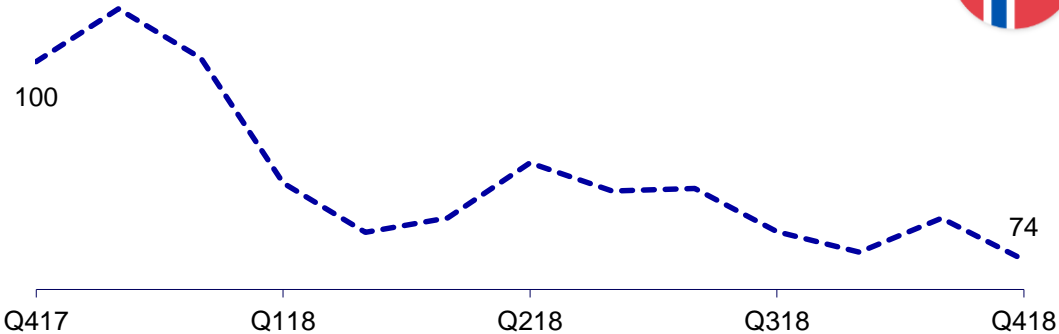
- Continued lending volume growth in both household and corporate
- Stabilising blended margins
 - Lending margins in household down
 - Deposit margins contribute positively
- Lower regulatory cost
 - Lower resolution and deposit guarantee fees
- Net interest income up 1% in the underlying business

Strong pressure on lending margins in household segment

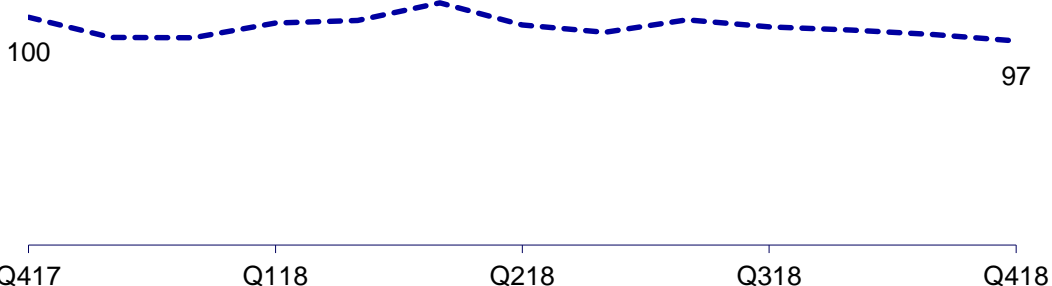
Household lending margin Sweden*



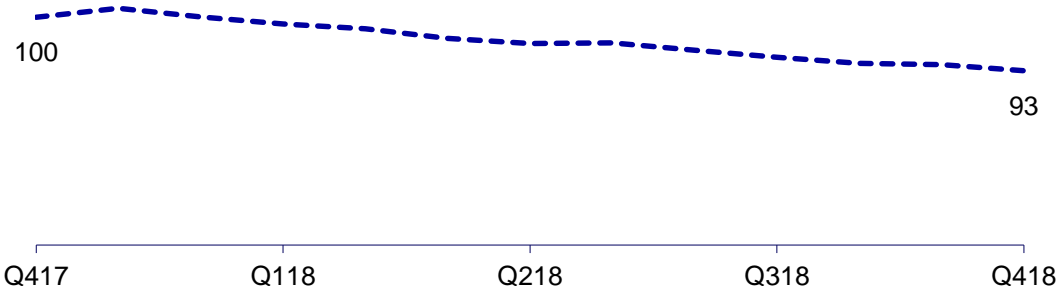
Household lending margin Norway*



Household lending margin Finland*

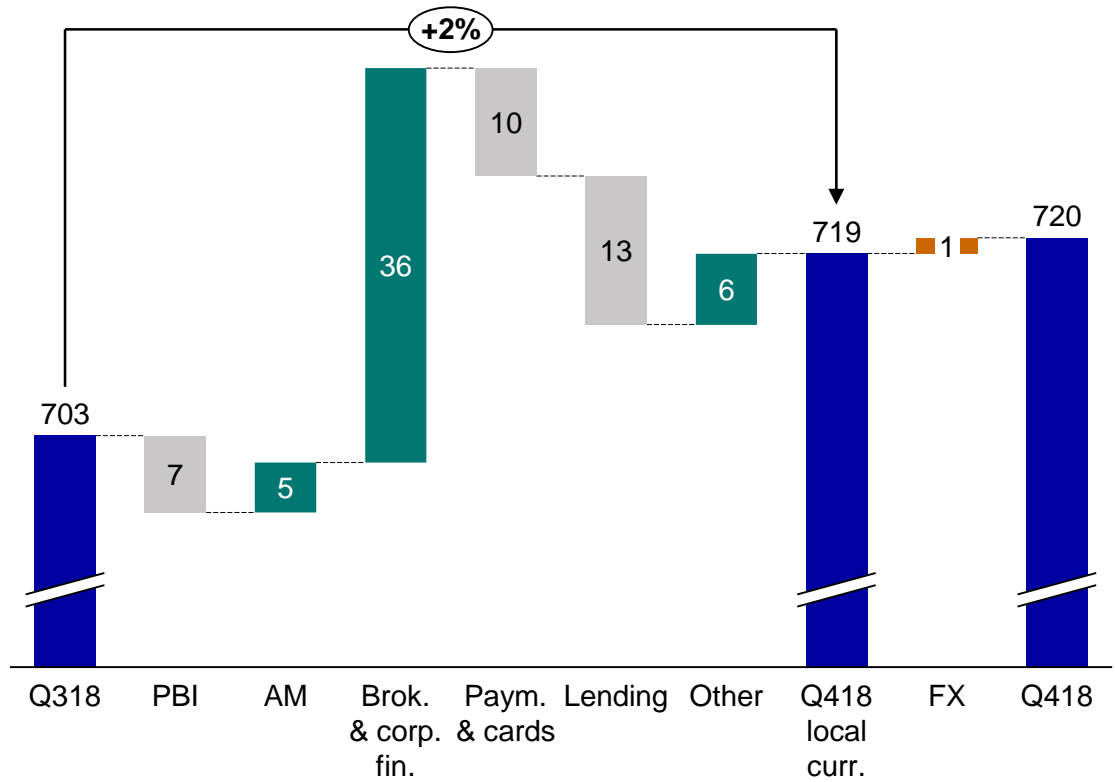


Household lending margin Denmark*



Net fee and commission income

Q418 vs Q318, EURm

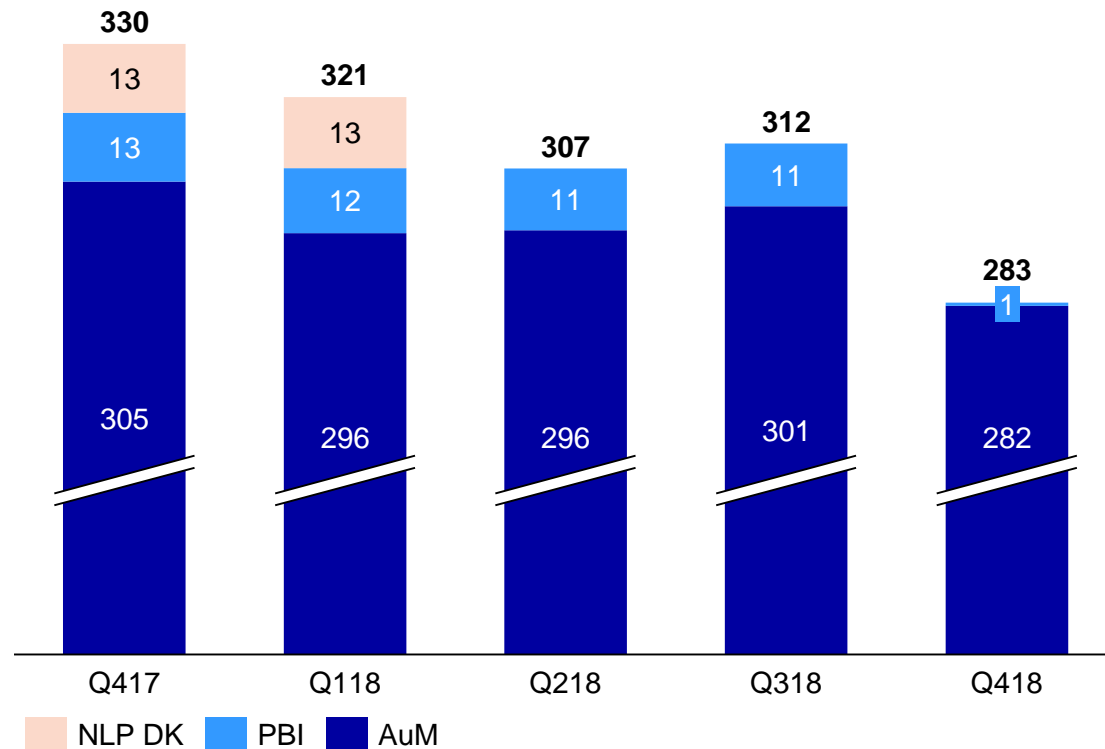


Comments

- Corporate advisory fees picked up from a low Q3 level
- Asset management fees up mainly due to higher volumes in the beginning of the quarter
- Divestment of Private Banking International (PBI) impacted fees
- Payment fees lower due to seasonality

Asset and Wealth Management

AuM development, EURbn

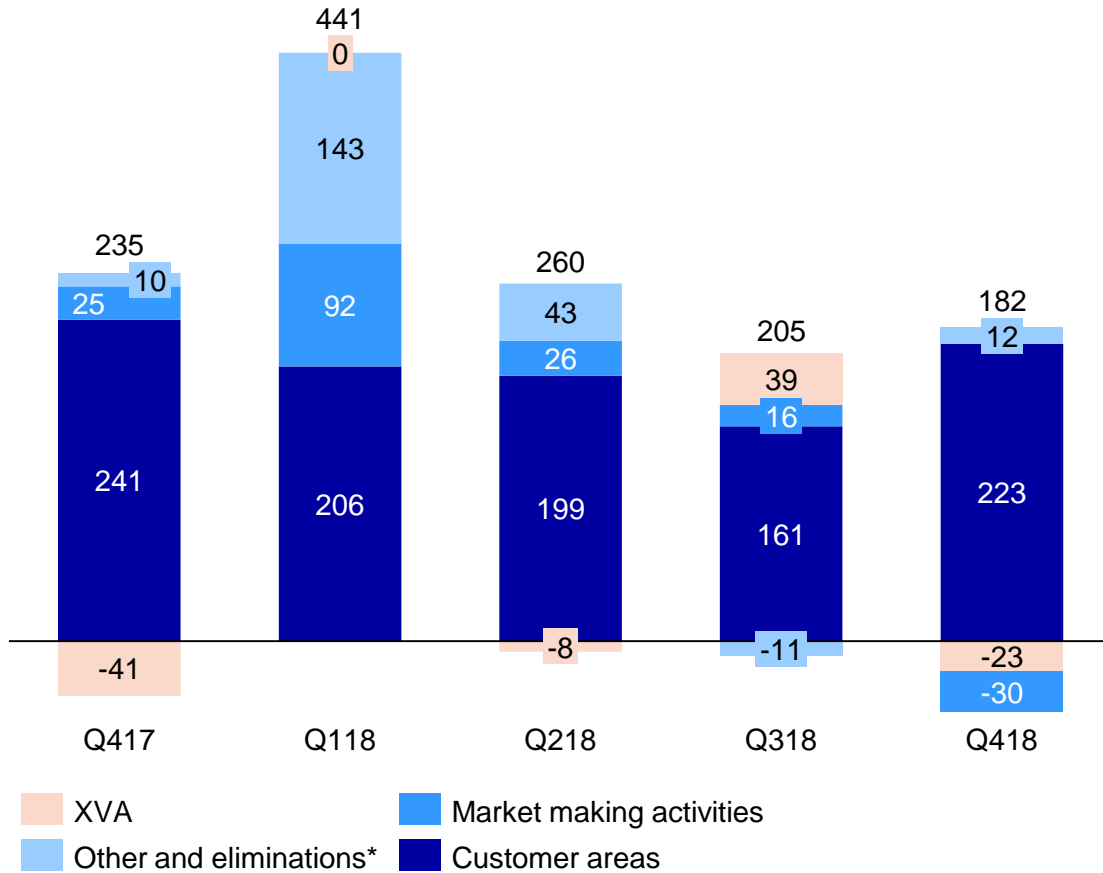


Comments

- Assets under management down mainly due to divestment of Private Banking International and challenging market conditions
 - Decrease accelerated towards the end of the quarter due to financial turmoil
- Several initiatives to grow the business

Net fair value

Quarterly development, EURm

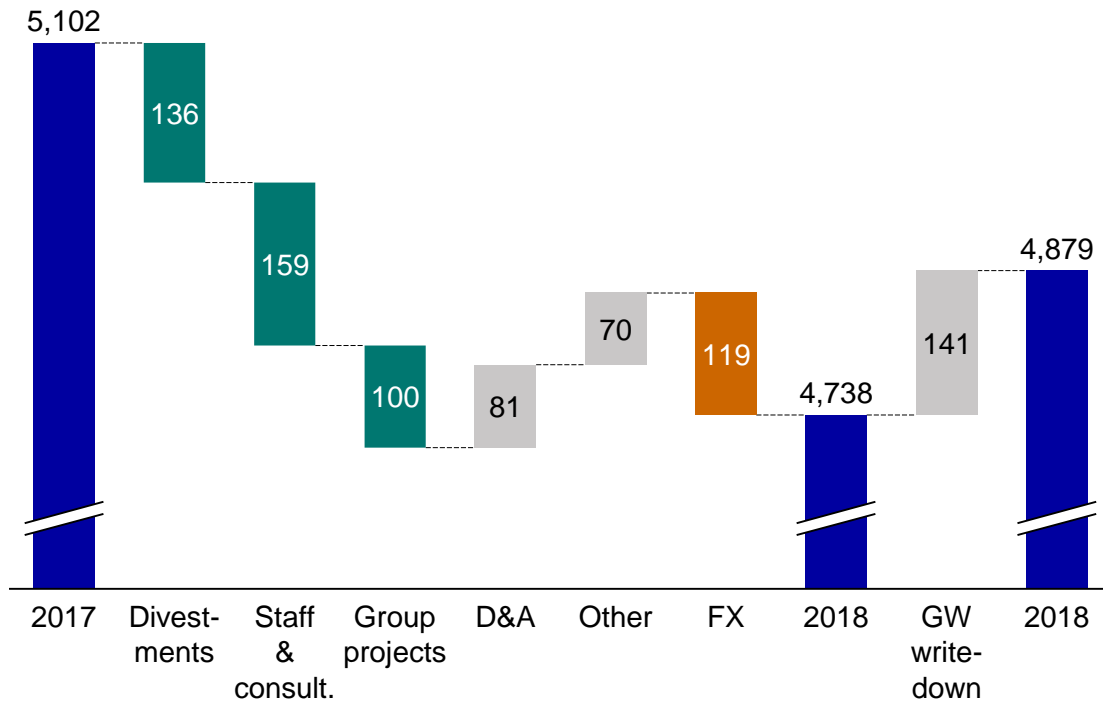


Comments

- Customer areas stronger and improved underlying business
- Worsened market conditions pressured market making activities further
 - Higher funding cost and widening credit spreads impacted fixed income

Costs

2018 vs. 2017, EURm

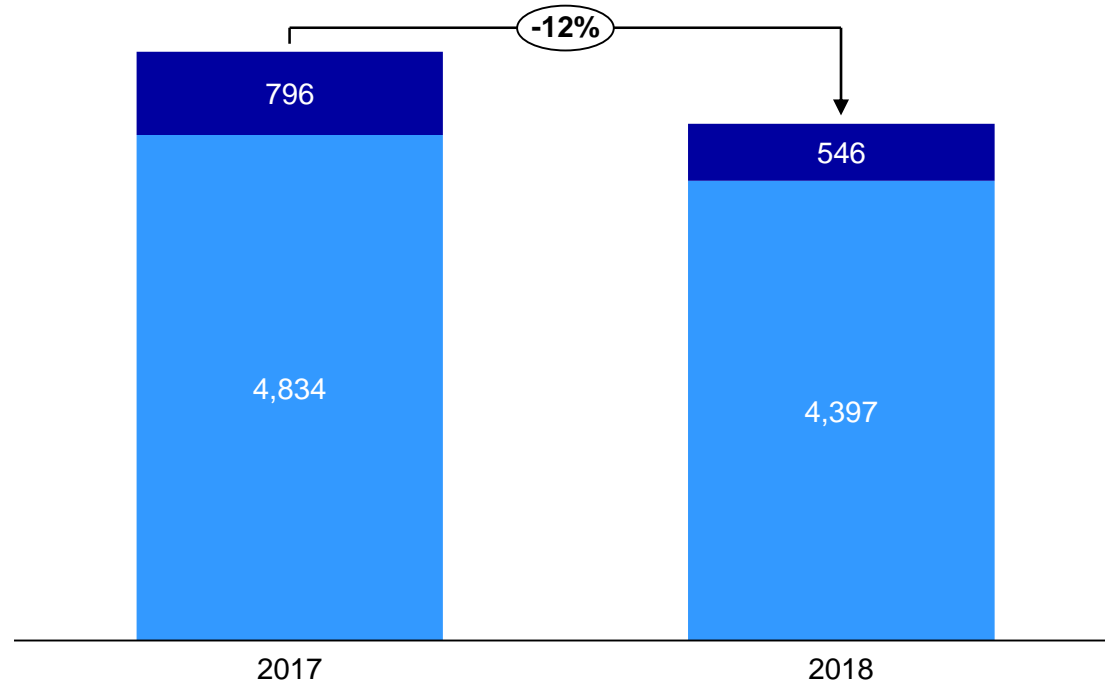


Comments

- Costs excluding goodwill write-down at EUR 4.74bn in line with communicated target
- Number of staff down 5%*
- Deprecations and amortisations are going up according to plan
- Costs expected to be 3% lower in 2021 vs 2018** and costs expected to be lower in 2019 vs 2018***
- Total cash cost expected to be 5-10% lower in 2021 vs 2018 and total cash cost expected to be lower in 2019 vs 2018 (in constant currencies)

Major reduction in cash spending*

2018 vs. 2017, EURm**



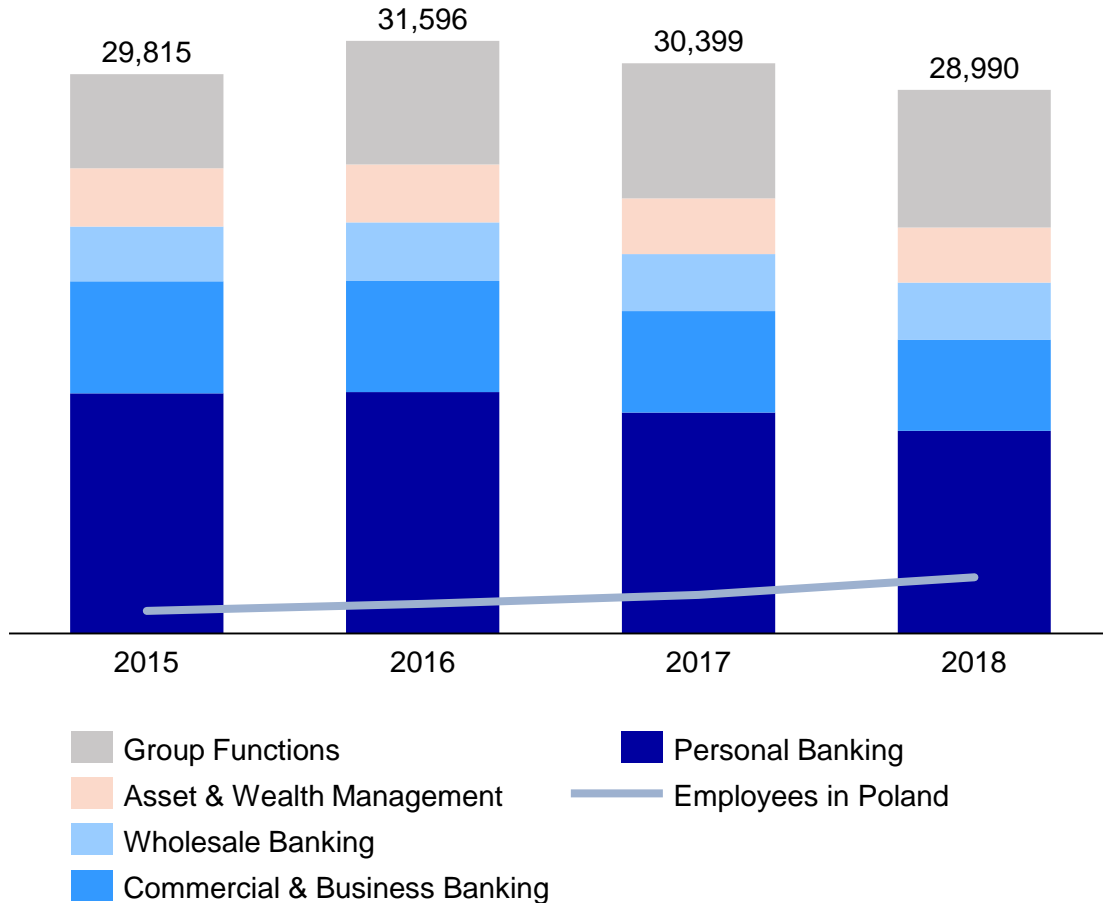
Comments

- Broad-based reduction in cash spending
- Lower run-rate in group projects behind lower capitalisation on the balance sheet

■ Capitalisations on the balance sheet
■ Operating expenses excl. depreciations and amortisations

Significant shift in workforce over the last years

FTE development per business area*, % of total

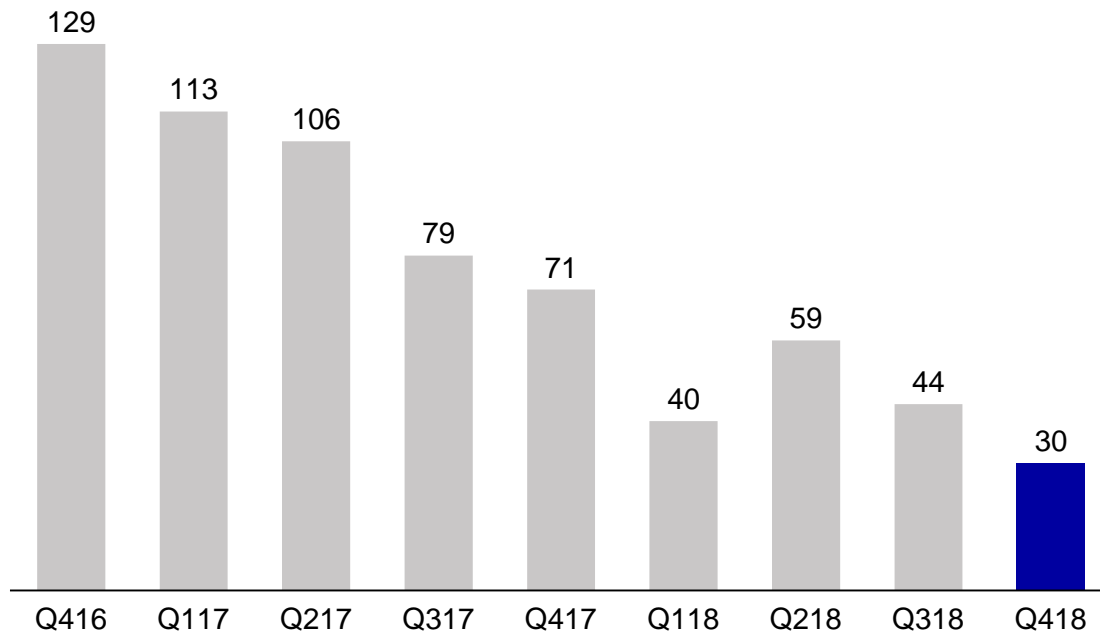


Comments

- Reduction in Personal Banking due to digitalisation
- Increase in Group Functions mainly driven by
 - Further strengthening of risk and compliance units
 - Increased focus on technology
- The number of employees in Poland has more than doubled from 1,200 to over 3,000 between 2015 and 2018

Strong asset quality

Total net loan losses*, EURm

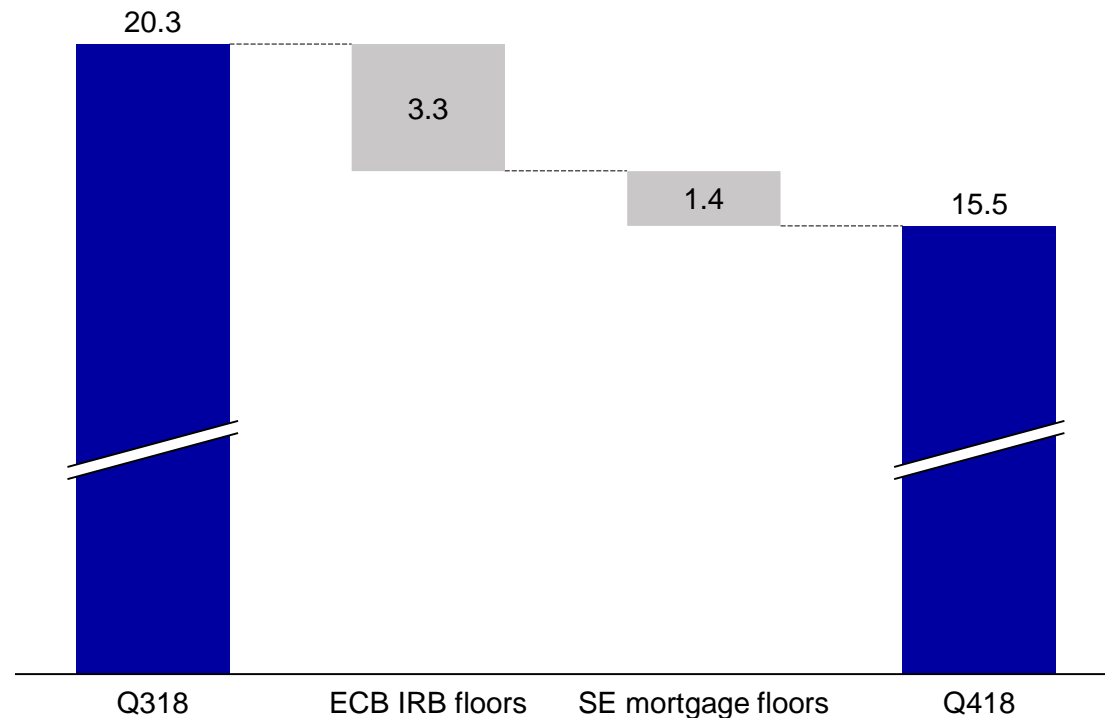


Comments

- Trend with low loan losses continued in Q4
- Loan loss level of 5 bps
- Gross impairment rate (Stage 3) down 6 bps from previous quarter to 182 bps
- Our expectation for the coming quarters is that net losses will remain low and around the average level for 2018

Common Equity Tier 1 ratio development

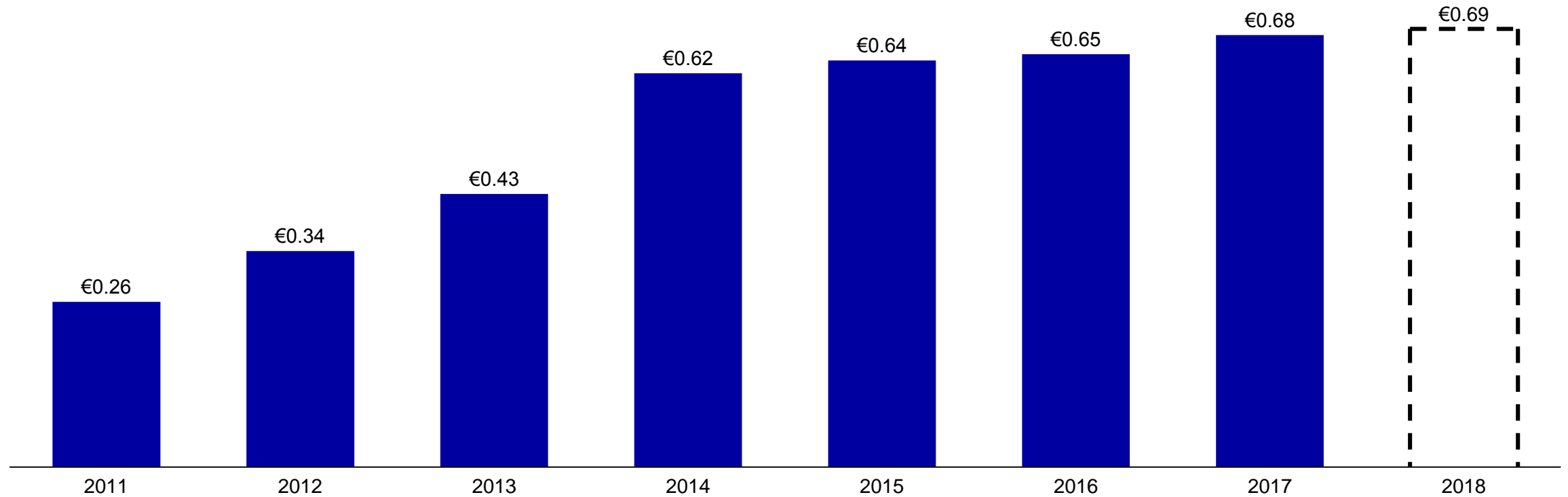
Q418 vs Q318



Comments

- Common Equity Tier 1 ratio in line with expectation at 15.5%
- CET1 ratio requirement at 13.9%*
- Management buffer at EUR 2.5bn
- Risk Exposure Amount up EUR 35bn to EUR 156bn
 - ECB IRB floors EUR 25.2bn
 - Swedish mortgage risk weight floors EUR 10.6bn

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



“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”

Significant changes over the past three years to make Nordea fit for purpose

- 1 De-risking of the bank with a clear focus on universal banking in the Nordic region
- 2 Simplification of corporate structure
- 3 Re-domiciliation to ensure level playing field over time under ECB supervision
- 4 Fundamentally changed our technological and digital capabilities
- 5 Replacing core banking platform
- 6 Considerable investment in risk & compliance, conduct and culture

Measures to position Nordea for a more challenging economic cycle and competitive environment

Where are we today?



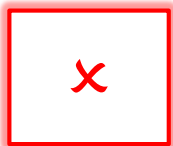
Strong cost control



Strong risk management and attractive risk profile



Very robust capital and funding position







Satisfactory revenue development



Key priorities to increase business momentum, further improve cost efficiencies and drive scale

Foundational capabilities for digital transformation established

1. DIGITAL RELATIONSHIP BANK

-  Digital front-ends
-  Remote Advisory
-  Digital sales and service
-  E2E customer journeys and digital propositions

2. DIGITAL BACKBONE

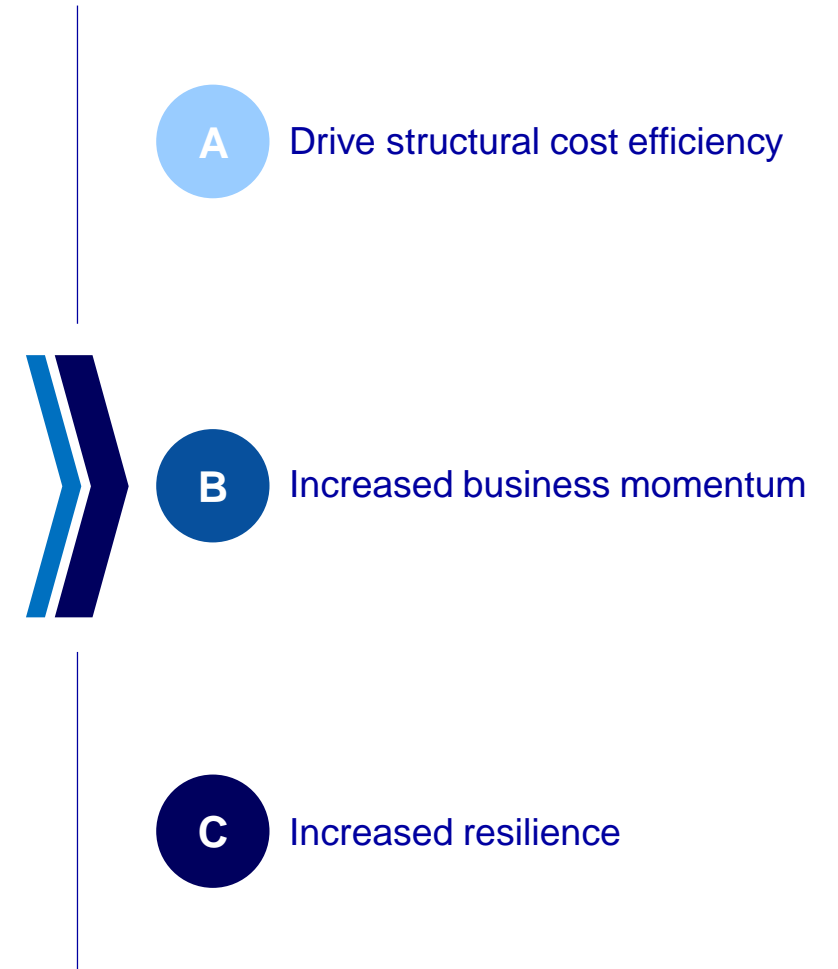
-  Future-proof technology
-  Data backbone

3. AGILE

-  Business-led agile delivery model

Example of achievements, last 6 months

- New mobile front-end launched in Sweden
- Savings and Investments in Nordea mobile
- Nova Chatbot has reached ~25% instant resolution rate in Finland
- Group-wide advanced analytics roll-out
- Continued agile delivery of new Nora functionality



Key initiatives to drive structural cost efficiency

Key priorities



Drive structural cost efficiency



Increase business momentum

Increased usage of AI and robotics

Workforce shift with ramp-up in Poland and Estonia

Simplification of products and services

Efficiency by consolidating common units

Infrastructure partnerships and outsourcing

Key initiatives to increase business momentum

Key priorities



Drive structural cost efficiency



Increase business momentum

Investments in Private Banking in Norway and Sweden

Gjensidige Bank acquisition

New distribution channels within Asset Management and Wholesale Banking

Regain momentum on mortgages

Nordea priorities 2019

Key priorities



Drive structural cost efficiency



Increase business momentum

Key Enablers



Leverage ONE Nordea



Embrace Data, Technology & Digitalisation



Embed the Nordea Culture

A winter landscape featuring snow-covered trees and a bright sun in the background. The scene is dominated by bare, snow-laden branches and a soft, golden light from the sun on the right. The ground is covered in a layer of snow, and the overall atmosphere is serene and cold.

Nordea

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Q&A