

# First quarter results 2020

Nordea Bank Abp - Interim report (Q1 and Q3)

## CEO Frank Vang-Jensen comments on the results:

"In the first quarter of 2020, we have witnessed the global outbreak of COVID-19, which is affecting all of us. This pandemic has turned into a societal and economic crisis, which will have severe economic consequences and could lead to long-term structural changes in our societies. We are encouraged that Nordic governments and authorities embraced the seriousness of this pandemic early through a variety of actions to limit the effects on society. Although we see early signs of some countries opening up, the duration and extent of the economic impact of COVID-19 remain highly uncertain, and it is too early to predict the shape of the recovery.

The actions we are taking are focused on doing all we can to support our customers, keeping our employees safe, and ensuring business continuity. For example, we are providing instalment-free periods for which we have received more than 60,000 requests from our customers. In March alone, we had new credit requests for more than EUR 13bn from our corporate customers. Over 70% of our employees are currently working remotely, which is enabling us to be fully operational during this crisis and maintain a high activity level, even with the temporary closure of branch offices in some of our home markets. I am proud of all the excellent work and extraordinary efforts by our employees to support our customers and societies in these difficult times.

Despite the challenging market conditions, we are following our plans to deliver our financial targets, and I am satisfied with the result this quarter. We posted a solid result with net interest income up 5% and net commission income up 4%, compared to the first quarter of 2019.

Overall revenues decreased by 5% due to net fair value being adversely affected by the recent turmoil in the financial markets. We are delivering on our cost plans, with costs declining 8%, leading to an unchanged cost to income ratio of 57%.

During the past few years, we have significantly de-risked our balance sheet, and we remain focused on the credit quality of our existing loan book and new business opportunities. Our portfolio is well diversified with low exposures to industries expected to be immediately affected by COVID-19. Net loan loss provisions amounted to EUR 154m in the quarter, of which EUR 120m was an additional management judgement to provide coverage for the likely near-term increase in loan losses. Nordea now has a total management judgement of EUR 327m taking the total amount of allowances to EUR 2.4bn.

Our liquidity coverage ratio improved to 182% and common equity tier 1 ratio remains strong at 16%, 5.8% above current regulatory requirements.

We remain committed to delivering on our financial targets in 2022. It is too early to conclude on the economic consequences of COVID-19, but we are ready to take mitigating steps over time. Our immediate priorities are clear; the continued support of our customers, the safety of our employees and ensuring business continuity during these extraordinary times."

## First quarter 2020 vs. first quarter 2019 results

Net interest income	EUR 1,109m, 5%
Total operating income	EUR 2,001m, -5%
Total operating expense	EUR -1,248m, -14% (-8%) <sup>1</sup>
Net loan losses	EUR -154m, 267%
Operating profit	EUR 599m, -4% (-16%) <sup>1</sup>
Common Equity Tier 1 capital ratio <sup>2,3,4</sup>	16.0% vs. 14.6%

Cost/income ratio 62% vs. 69% (62% vs. 64%)<sup>1</sup>  
Cost/income ratio<sup>5</sup> 57% vs. 57%  
Net loan loss ratio, amortised cost 26 bps vs. 7 bps  
Return on equity 5.9% vs 5.5%  
Return on equity<sup>5</sup> 7.1% vs 8.1%

## First quarter 2020 vs. fourth quarter 2019 results

Net interest income EUR 1,109m, 0%  
Total operating income EUR 2,001m, -13% (-7%)<sup>1</sup>  
Total operating expense EUR -1,248m, 6%  
Net loan losses EUR -154m, 51%  
Operating profit EUR 599m, -41% (-32%)<sup>1</sup>  
Common Equity Tier 1 capital ratio<sup>2,3,4</sup> 16.0% vs. 16.3%  
Cost/income ratio 62% vs. 51% (62% vs. 55%)<sup>1</sup>  
Cost/income ratio<sup>5</sup> 57% vs. 57%  
Net loan loss ratio, amortised cost 26 bps vs. 17 bps  
Return on equity 5.9% vs 9.9%  
Return on equity<sup>5</sup> 7.1% vs 7.6%

Exchange rates used for Q1 2020 for income statement items are for DKK 7.4714, NOK 10.4678 and SEK 10.6603.

1 Excluding items affecting comparability (see page 6 in Q1 2020 report for further details).

2 End of period.

3 Changes to the applicable capital requirements regime (for more details, please see chapter Other information in Q1 2020 Report).

4 Including profit for the period adjusted by accrued dividend.

5 Excluding items affecting comparability (see page 6 in Q1 2020 report for further details) and with amortised resolutions fees.

# Income statement

	Q1 2020	Q1 2019	Chg %	Q4 2019	Chg %
<b>EURm</b>					
Net interest income	1,109	1,056	5	1,108	0
Net fee and commission income	765	737	4	775	-1
Net result from items at fair value	109	264	-59	266	-59
Profit from associated undertakings and joint ventures accounted for under the equity method	-2	14		-1	
Other operating income	20	44	-55	146	-86
<b>Total operating income</b>	<b>2,001</b>	<b>2,115</b>	<b>-5</b>	<b>2,294</b>	<b>-13</b>
Staff costs	-699	-718	-3	-648	8
Other expenses	-419	-594	-29	-375	12
Depreciation, amortisation and impairment charges of tangible and intangible assets	-130	-140	-7	-156	-17
<b>Total operating expenses</b>	<b>-1,248</b>	<b>-1,452</b>	<b>-14</b>	<b>-1,179</b>	<b>6</b>
<b>Profit before loan losses</b>	<b>753</b>	<b>663</b>	<b>14</b>	<b>1,115</b>	<b>-32</b>
Net loan losses	-154	-42		-102	51
<b>Operating profit</b>	<b>599</b>	<b>621</b>	<b>-4</b>	<b>1,013</b>	<b>-41</b>
Income tax expense	-139	-178	-22	-263	-47
<b>Net profit for the period</b>	<b>460</b>	<b>443</b>	<b>4</b>	<b>750</b>	<b>-39</b>

# Business volumes, key items<sup>1</sup>

	31 Mar 2020	31 Mar 2019	Chg %	31 Dec 2019	Chg %
<b>EURbn</b>					
Loans to the public	324.0	325.6	0	322.7	0
Loans to the public, excl. repos	295.1	300.6	-2	303.9	-3
Deposits and borrowings from the public	174.0	176.3	-1	168.7	3
Deposits from the public, excl. repos	169.2	166.6	2	166.4	2
Total assets	600.4	590.2	2	554.8	8
Assets under management	280.4	300.5	-7	324.7	-14
Equity	31.5	30.5	3	31.5	0

# Ratios and key figures<sup>2</sup>

	Q1 2020	Q1 2019	Chg %	Q4 2019	Chg %
Diluted earnings per share, EUR	0.11	0.10	10	0.19	-42
EPS, rolling 12 months up to period end, EUR	0.38	0.68	-44	0.38	0
Share price <sup>1</sup> , EUR	5.13	6.80	-25	7.24	-29
Total shareholders' return, %	-25.6	3.3		18.7	
Equity per share <sup>1</sup> , EUR	7.79	7.55	3	7.80	0
Potential shares outstanding <sup>1</sup> , million	4,050	4,050	0	4,050	0
Weighted average number of diluted shares, million	4,038	4,033	0	4,039	0
Return on Equity, %	5.9	5.5		9.9	
Return on tangible Equity, %	6.7	6.4		11.3	
Return on Risk Exposure Amount, %	1.2	1.1		2.0	
Return on Equity with amortised resolution fees, %	7.1	7.0		9.4	
Cost/income ratio, %	62	69		51	
Cost/income ratio with amortised resolution fees, %	57	61		54	
Net loan loss ratio, basis points	26	7	271	17	53
Common Equity Tier 1 capital ratio <sup>1,4,5</sup> , %	16.0	14.6		16.3	
Tier 1 capital ratio <sup>1,3,4</sup> , %	17.8	17.1		18.3	
Total capital ratio <sup>1,3,4</sup> , %	20.2	19.5		20.8	
Tier 1 capital <sup>1,3</sup> , EURbn	27.1	27.8	-2	27.5	-1
Risk exposure amount <sup>3</sup> , EURbn	152	163	-7	150	1
Number of employees (FTEs) <sup>1</sup>	28,292	29,284	-3	29,000	-2
Economic capital <sup>1</sup> , EURbn	25.8	28.2	-9	25.7	0

<sup>1</sup> End of period.

<sup>2</sup> For more detailed information regarding ratios and key figures defined as alternative performance measures, see <https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports>.

<sup>3</sup> Including the result for the period.

<sup>4</sup> Changes to the applicable capital requirements regime (for more details, please see chapter Other information in the Q1 2020 Report).

<sup>5</sup> Including profit for the period adjusted by accrued dividend.

## Outlook

### Key priorities to succeed and meet the financial targets

Nordea's business plan focusses on three key priorities to deliver on our 2022 financial targets: 1) to optimise operational efficiency, 2) to drive income growth initiatives, and 3) to create great customer experiences.

### Financial targets 2022

Nordea's financial targets for 2022 are -

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

### Costs

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

#### **Capital policy**

A management buffer of 150-200 bps above the regulatory CET1 requirement, from 1 January 2020.

#### **Dividend policy**

Our dividend policy stipulates a dividend payout ratio of 60-70%, applicable to profit generated from 1 January 2020. Nordea will continuously assess the opportunity to use share buy-backs as a tool to distribute excess capital.

#### **Credit quality**

**New:** It is too early to give an outlook for loan losses, as the economic impact of the COVID-19 is still very uncertain.

**Previous:** Based on the current macroeconomic environment, Nordea's expectations for the coming quarters is that credit quality will remain largely unchanged.

The entire report can be found on the below link on our website.

[Nordea Group Q1 2020 Report](#)

[http://www.rns-pdf.londonstockexchange.com/rns/2820L\\_1-2020-4-29.pdf](http://www.rns-pdf.londonstockexchange.com/rns/2820L_1-2020-4-29.pdf)

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*The information provided in this stock exchange release was submitted for publication, through the agency of the contact persons set out above, at 07.30 EET (06.30 CET) on 29 April 2020.*