

# Nordea



**Third quarter results 2019**

# Disclaimer

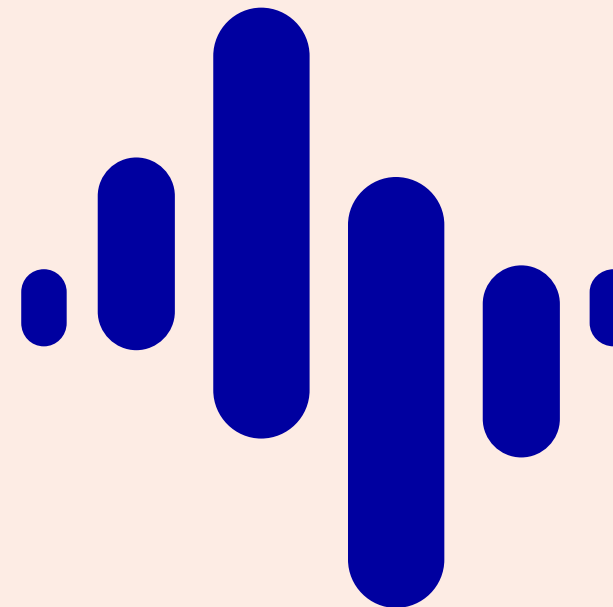
This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given 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.

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

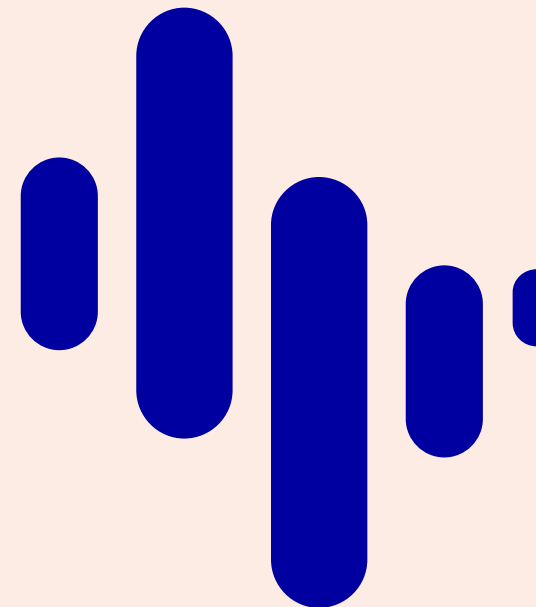
- Improving Net interest income and Net commission income compared to previous quarter coming from higher business volumes
  - Increasing market share on mortgages in all countries
  - EUR 3.7bn inflow in Assets under Management (5% annualised)
- Net fair value under pressure due to significant interest rate movements
- Underlying cost down 1% in local currencies
- Negative one-offs of a total of EUR 1.3bn
  - expense related to divestment of shares EUR 75m
  - impairment charge EUR 735m
  - restructuring provision EUR 204m
  - additional loan loss provisions EUR 282m
- Cost to Income\* 58% and Return on Equity\* 8.4%



\* Excluding Items Affecting Comparability and with periodised Resolution Fees

## Executive summary

- New plan to significantly improve operating performance
- New financial targets
  - Return on Equity above 10% in 2022
  - Cost to Income ratio of 50% in 2022
  - Expect to reach a cost base of below EUR 4.7bn in 2020
  - Management buffer of 150-200 bps above capital requirement in 2020
  - Dividend pay-out ratio of 60-70% from 2020
  - Excess capital intended to be distributed to shareholders through buybacks
  - For 2019 the targeted dividend is 40 cents per share

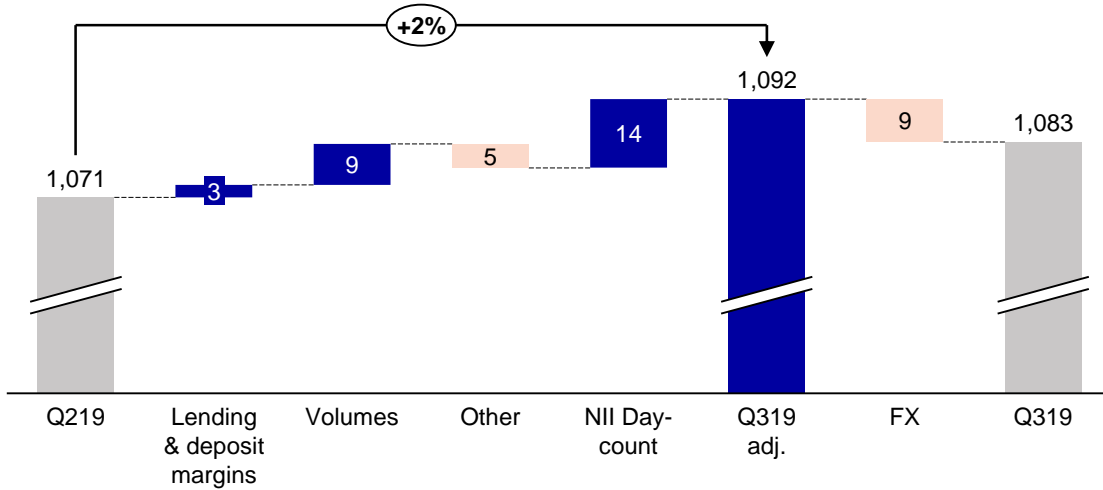


## Group financial highlights third quarter 2019

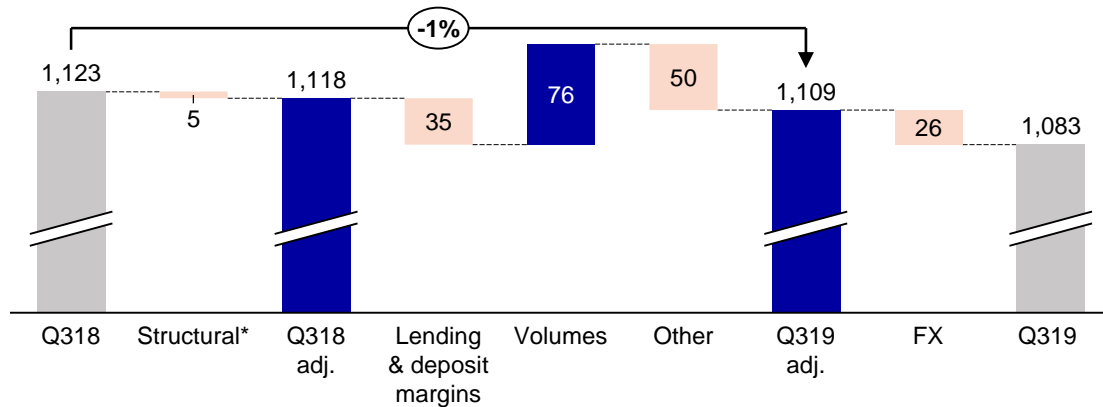
Income statement, EURm	Q3 2019	Q3 2019 excluding IAC*	Q2 2019	Q3/Q2 change local curr. excl. IAC	Q3 2018	Q3/Q3 change local curr. excl. IAC
Net interest income	1,083	1,083	1,071	2%	1,123	-1%
Net fee and commission income	756	756	743	2%	703	9%
Net fair value result	211	211	283	-27%	205	-4%
Other Income	35	35	44	-21%	66	-44%
<b>Total operating income</b>	<b>2,085</b>	<b>2,085</b>	<b>2,141</b>	<b>-2%</b>	<b>2,097</b>	<b>1%</b>
<b>Total operating expenses</b>	<b>-2,175</b>	<b>-1,161</b>	<b>-1,180</b>	<b>-1%</b>	<b>-1,136</b>	<b>3%</b>
<b>Profit before loan losses</b>	<b>-90</b>	<b>924</b>	<b>961</b>	<b>-3%</b>	<b>961</b>	<b>-3%</b>
Net loan losses	-331	-49	-61	-19%	-44	11%
<b>Operating profit</b>	<b>-421</b>	<b>875</b>	<b>900</b>	<b>-2%</b>	<b>917</b>	<b>-3%</b>
<b>Net profit</b>	<b>-332</b>	<b>671</b>	<b>681</b>	<b>-1%</b>	<b>724</b>	<b>-6%</b>

# Net interest income – volume growth improving

## Quarterly bridge, EURm



## Yearly bridge, EURm

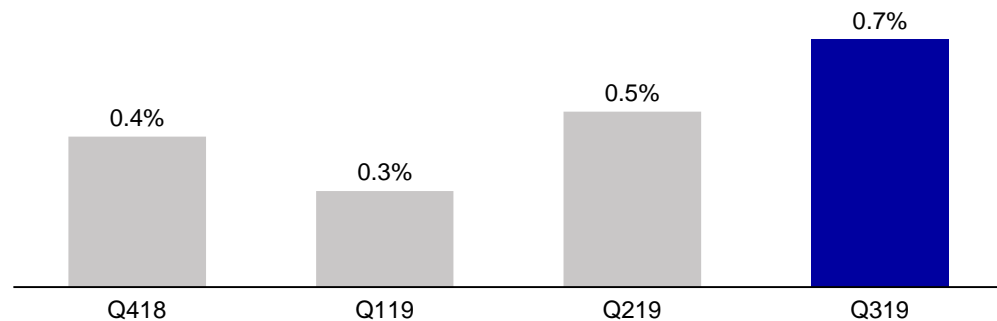


## Comments

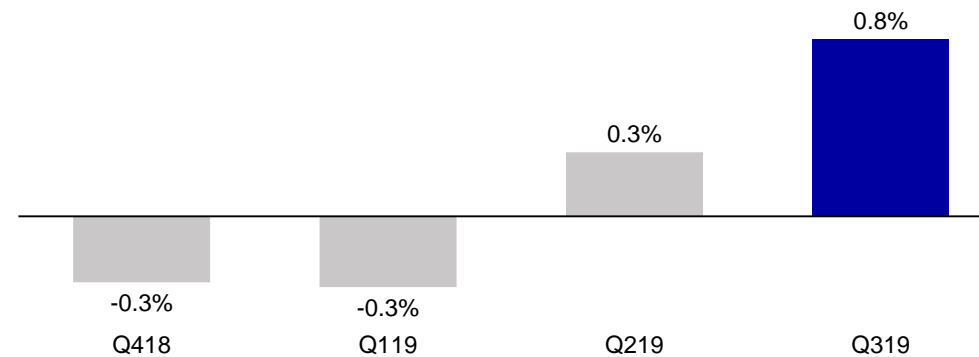
- Higher activities supported NII volume growth
- Largely stable lending and deposit margins
- Solid contribution from volume growth

# Mortgage lending - growth rates picking up

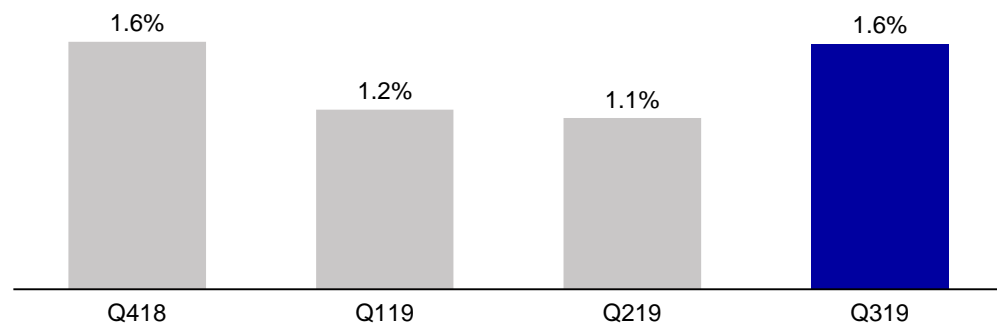
Mortgage lending Denmark – QoQ growth rate



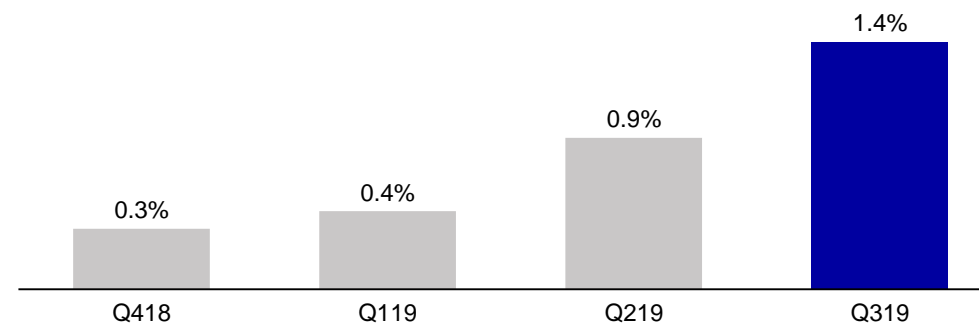
Mortgage lending Finland – QoQ growth rate



Mortgage lending Norway\* – QoQ growth rate

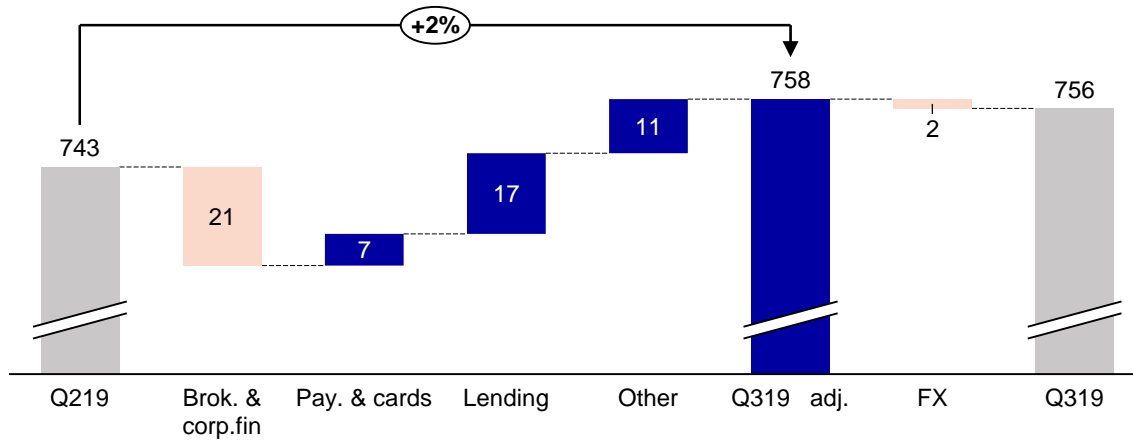


Mortgage lending Sweden – QoQ growth rate



# Net fee and commission income – improvement compared to Q2

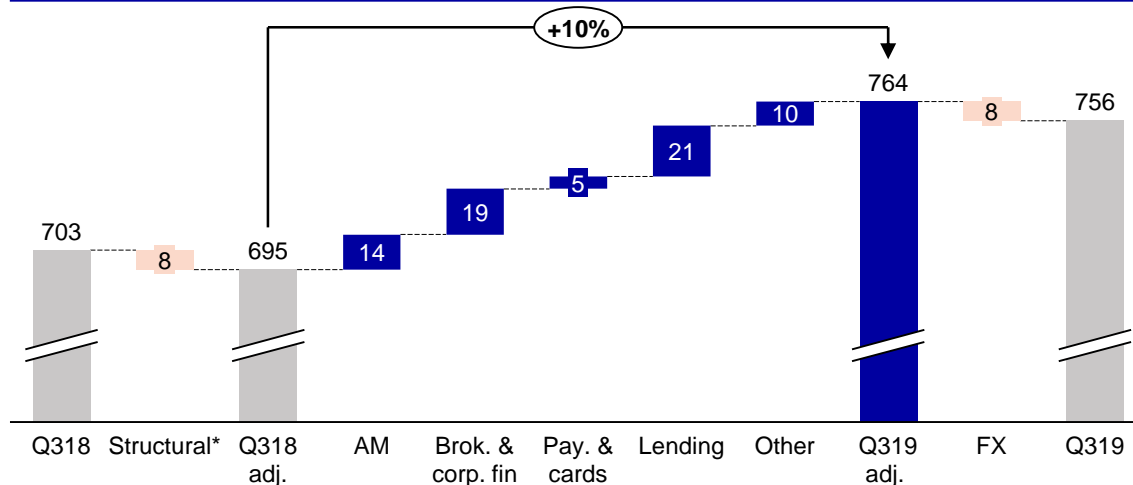
## Quarterly bridge, EURm



## Comments

- Strong lending fees mainly supported by mortgage refinancing activities in Denmark
- Largely unchanged asset management fees
- Brokerage & corporate finance seasonally low but higher than Q3 last year

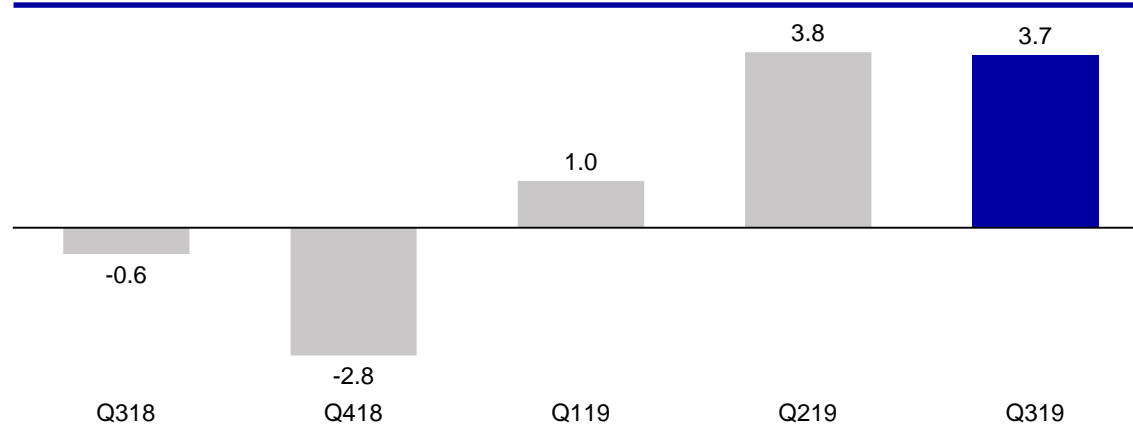
## Yearly bridge, EURm





# Assets under Management – net inflow continues

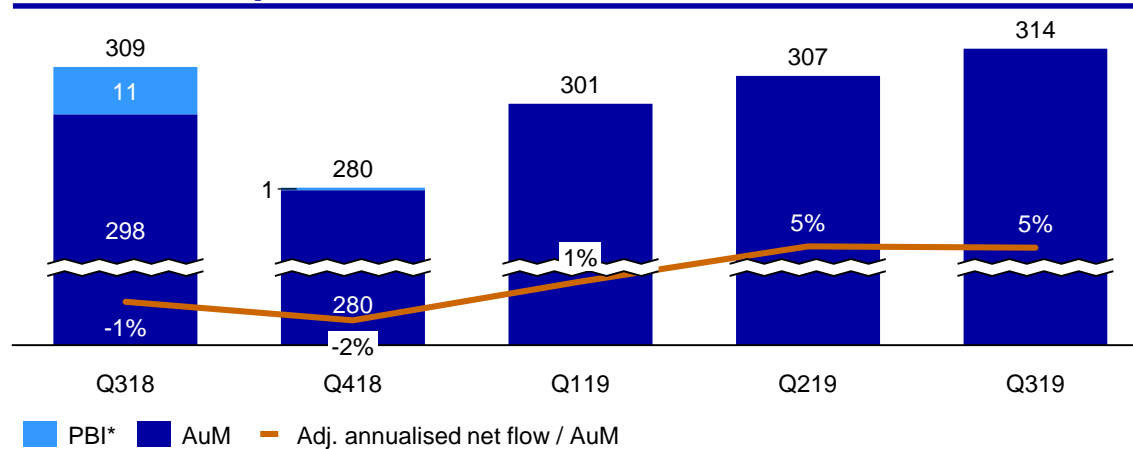
## Flow, EURbn



## Comments

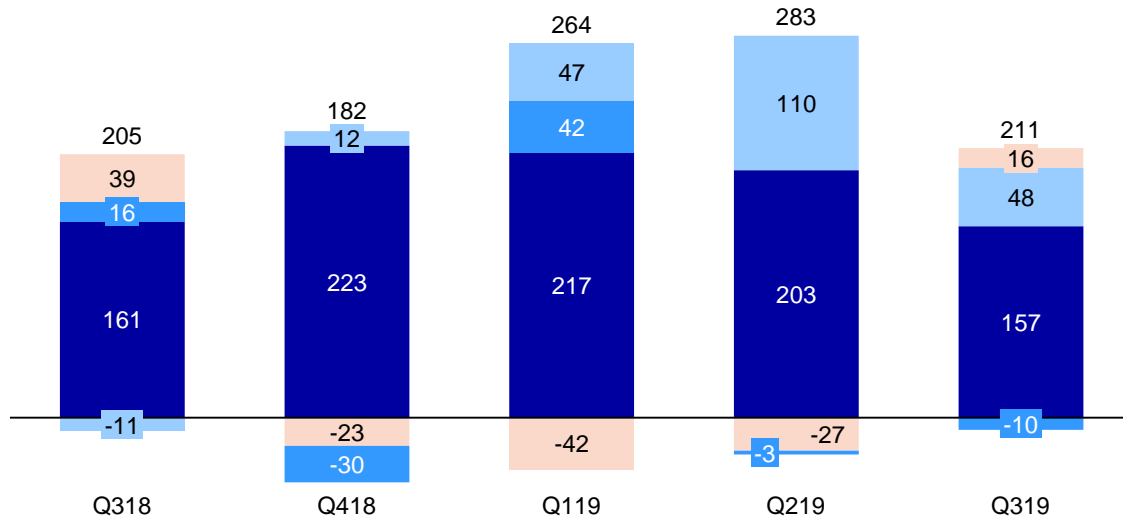
- Net inflow of EUR 3.7bn, corresponding to 5% of AuM annualised
- AuM is underlying at all-time-high level
- Strong investment performance, 88% of composites outperforming benchmarks YTD

## AuM development, EURbn



# Net fair value – market conditions remain challenging

## NFV development, EURm



■ Customer activity     ■ Treasury & Other\*  
■ Market making activities     ■ Derivative valuations (XVA\*\*)

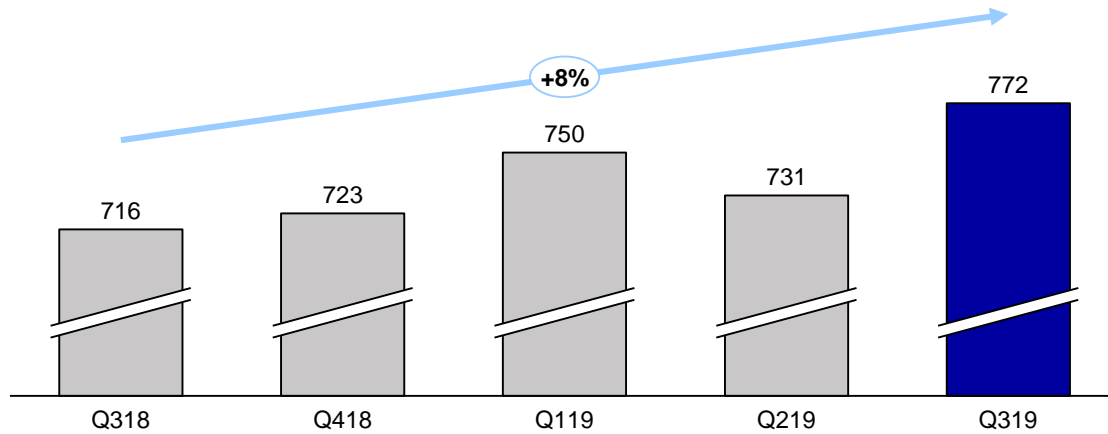
## Comments

- Customer areas impacted by seasonality, in line with Q3 last year
- Treasury down from a strong Q2
- Market conditions remain challenging

# Personal Banking

## Key ratios

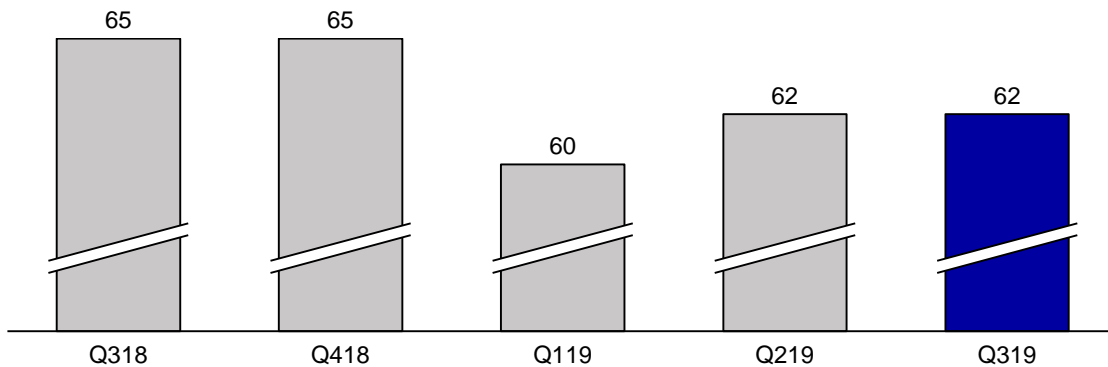
### Total income, EURm



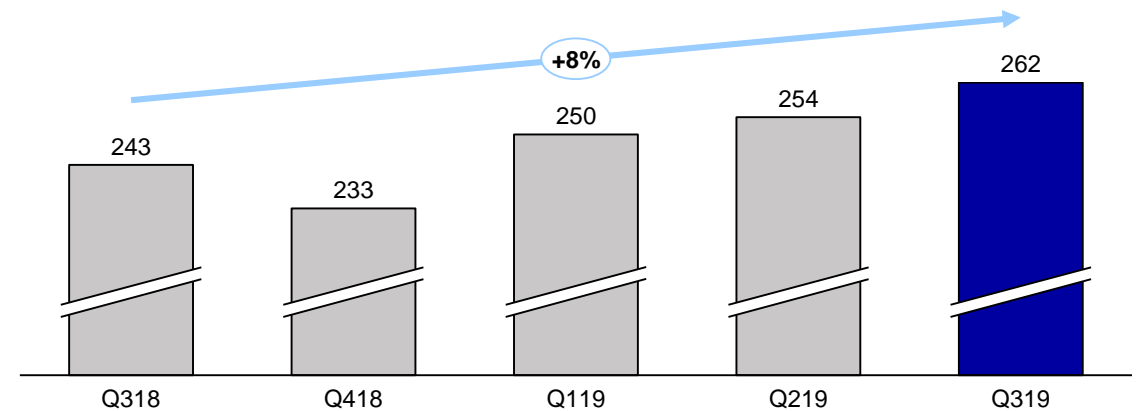
### Comments

- Highest quarterly profit since Q1 2018
- Lending growth of 4% YoY
- Strong trend in customer-driven activity continued in Q3
- Lending volume growth across all countries
- Market share within new mortgage lending increased in all markets
- Average margins largely stable

### Cost/Income ratio\*, %



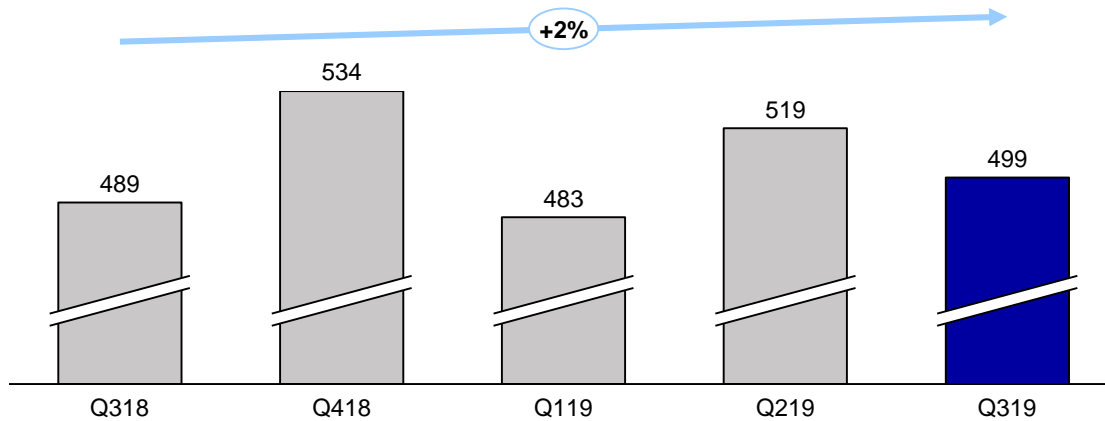
### Operating profit\*, EURm



# Commercial and Business Banking

## Key ratios

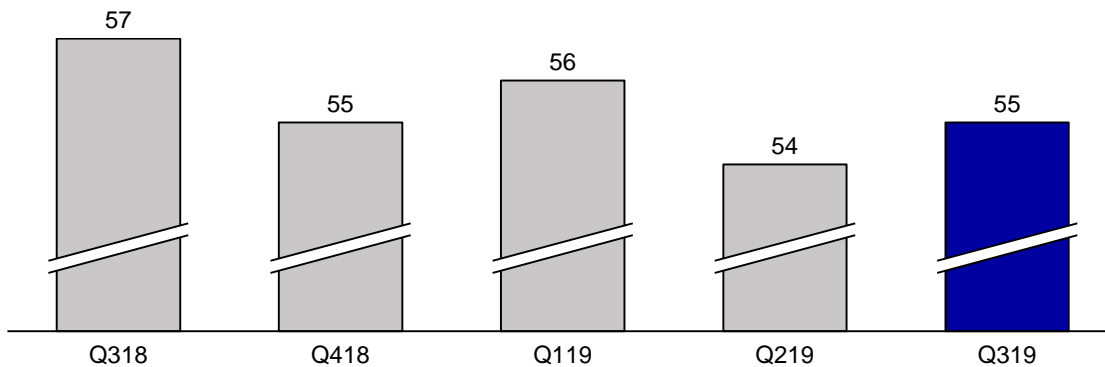
### Total income, EURm



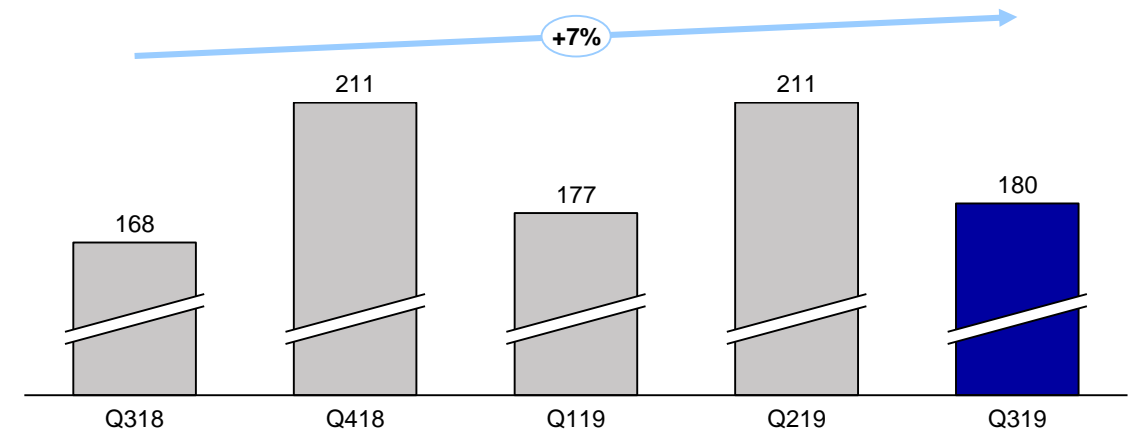
### Comments

- Underlying positive income trend maintained
- Norway and Sweden continue to be the main growth areas
- Somewhat lower margins in the quarter and negative valuation adjustment in Q3

### Cost/Income ratio\*, %



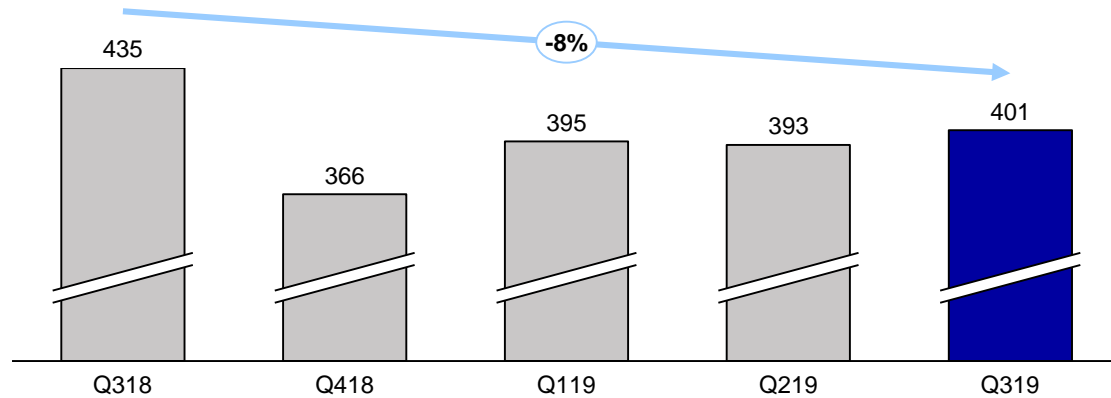
### Operating profit\*, EURm



# Wholesale Banking

## Key ratios

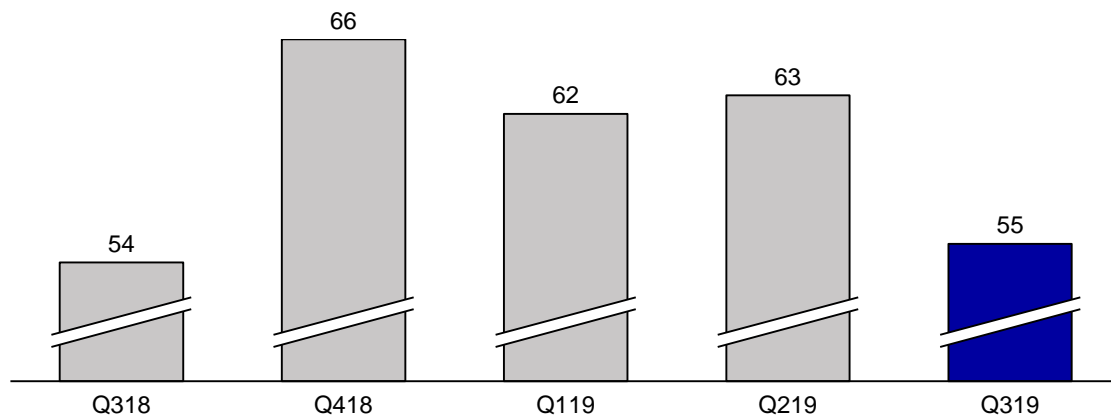
### Total income, EURm



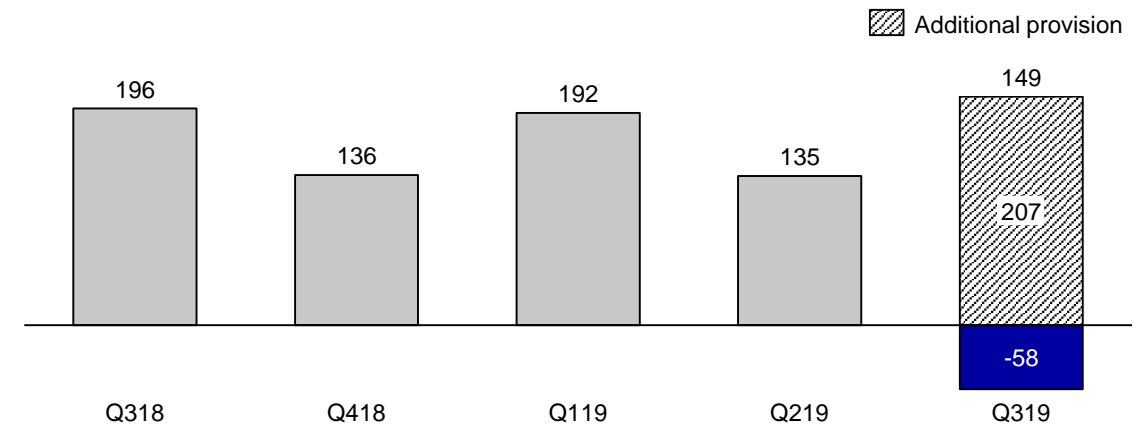
### Comments

- Lending volume +4% YoY with stabilising margins
- Strong momentum in both ECM and DCM
- Challenging trading environment continued
- Total cost -11% from previous quarter
- Increased loan loss provisions following ECB dialogue

### Cost/Income ratio\*, %



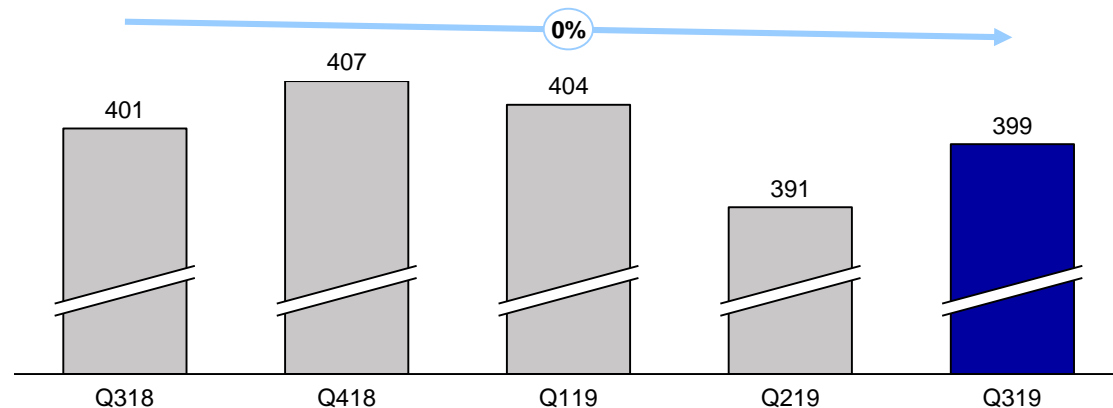
### Operating profit\*, EURm



# Asset & Wealth Management

## Key ratios

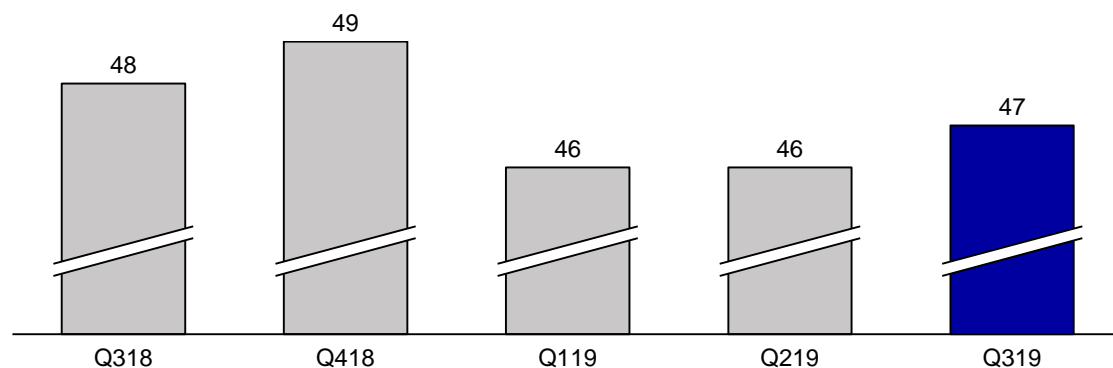
### Total income, EURm



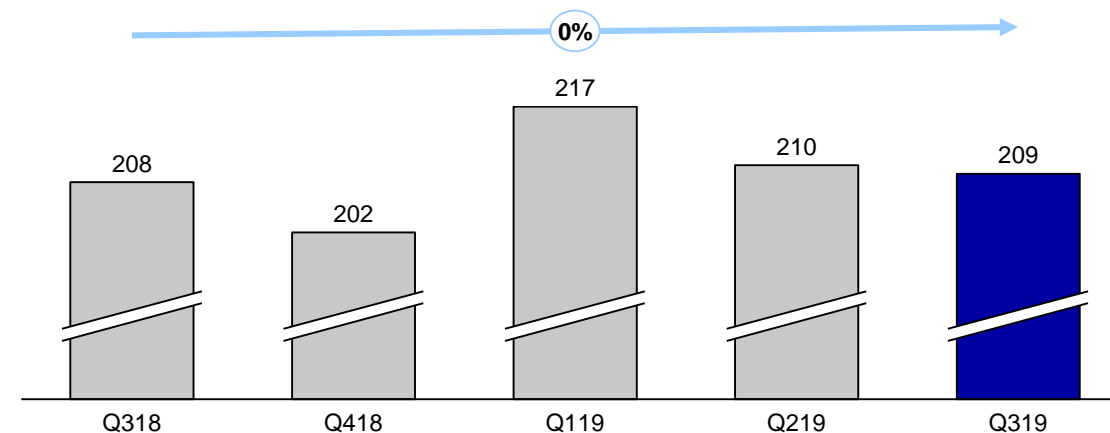
### Comments

- Underlying AuM at all-time-high with flow of 3.7bn in Q3
- Third consecutive quarter of positive flows
- All channels contributing

### Cost/Income ratio\*, %

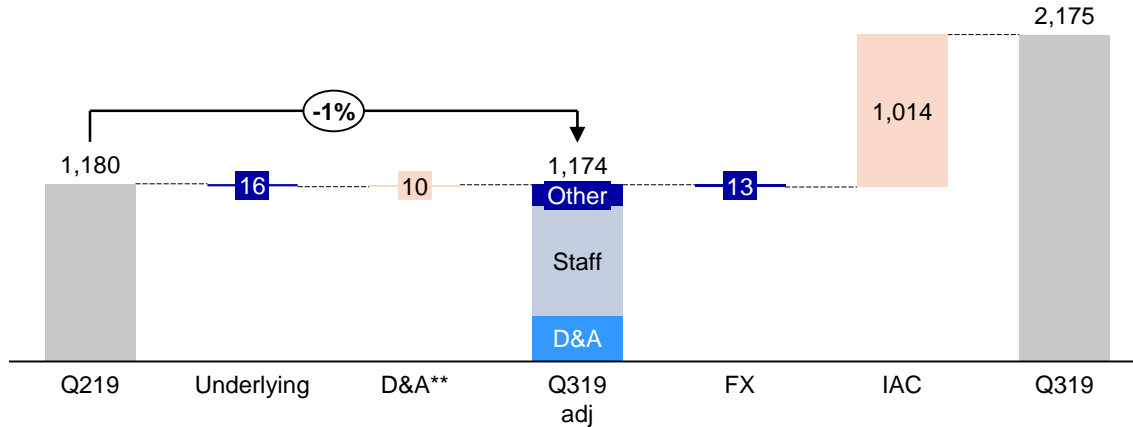


### Operating profit\*, EURm

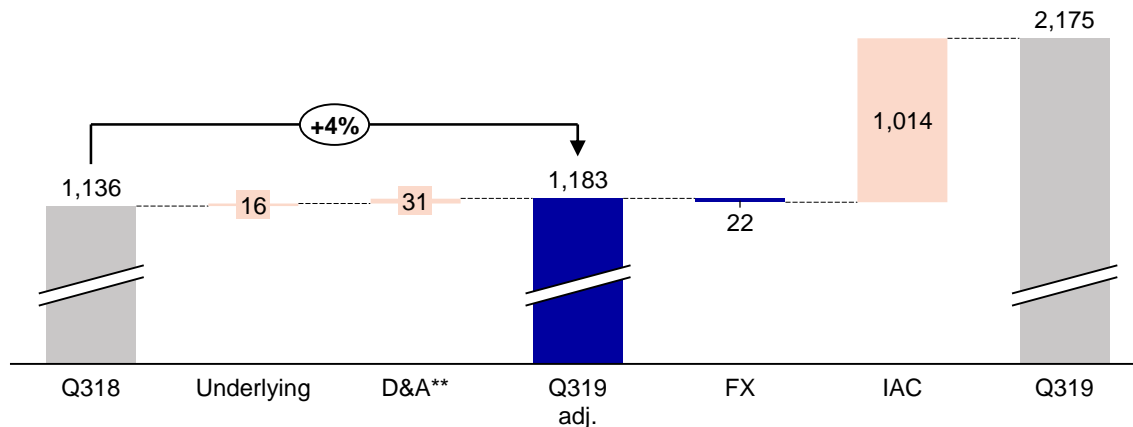


# Costs – underlying costs continued down

## Quarterly bridge, EURm



## Yearly bridge, EURm\*



## Comments

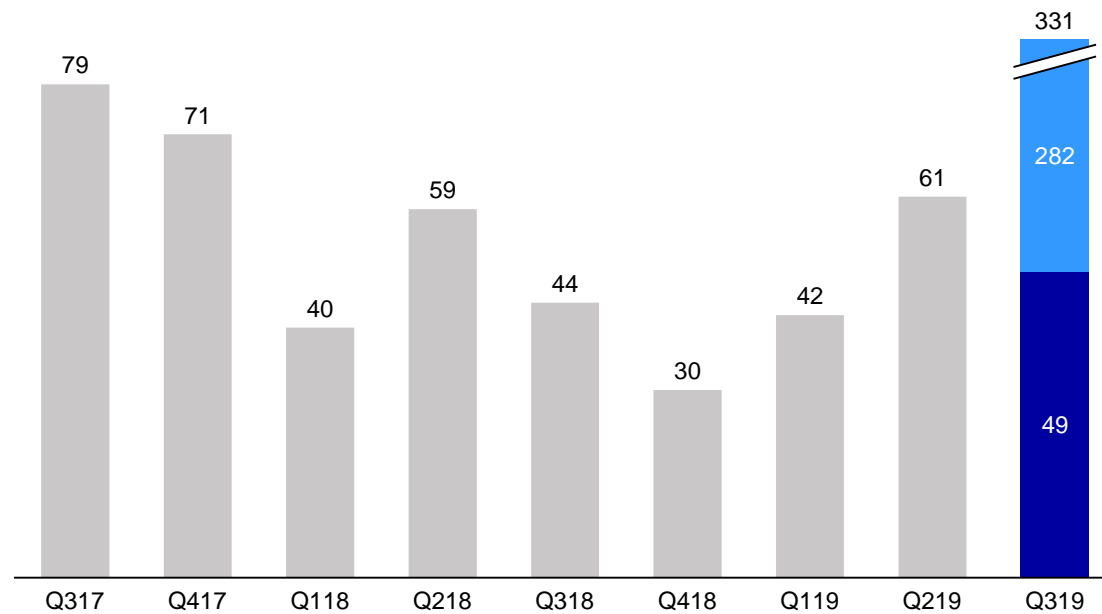
- Underlying costs continue downwards
- Cost to Income ratio\* unchanged at 58%
- Negative one-offs of EUR 1bn;
  - Expense relates to sale of Luminor shares of EUR 75m
  - Impairment charge of EUR 735m
  - Restructuring provision EUR 204m

## Outlook

- For 2020 we expect to reach a cost base of below EUR 4.7bn
- Planned continued net cost reductions beyond 2020

# Solid underlying asset quality

## Total net loan losses\*, EURm



## Comments

- Underlying net loan losses EUR 49m
- Additional provisions;
  - EUR 229m following ECB dialogue
  - Collective model upgrade EUR 53m

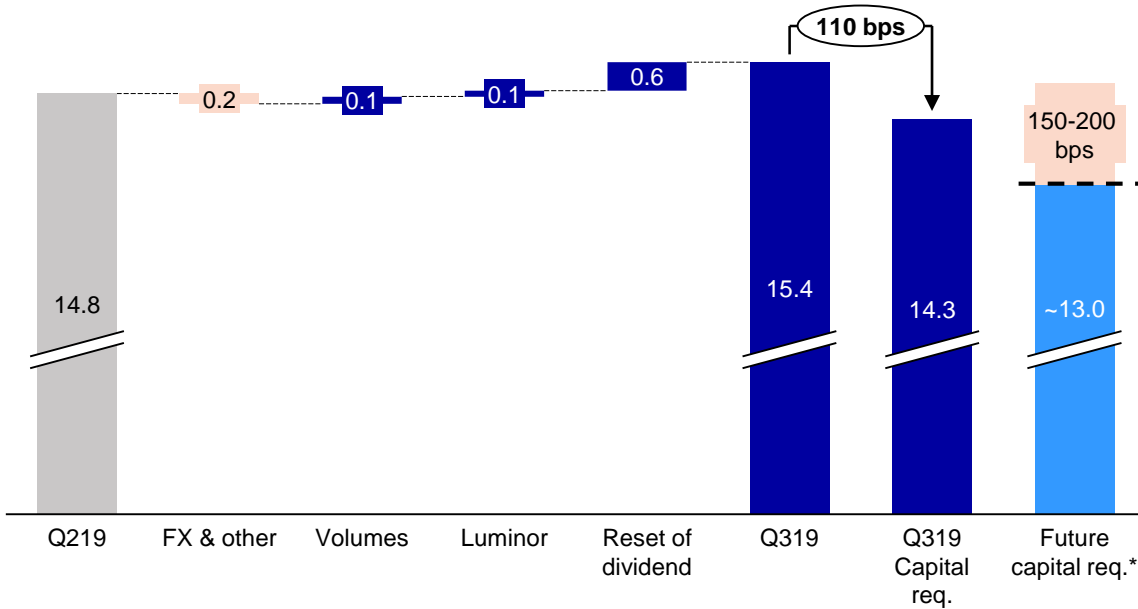
## Outlook

- Our expectation for the coming quarters is that net losses will be low and around the average level for 2018
- Somewhat more uncertain macroeconomic outlook



# Common Equity Tier 1 ratio development

## Q319 vs Q219



## Comments

- CET1 capital ratio increased by 60 bps
- Management buffer 110 bps

## Capital and dividend policy from 2020

- Management buffer 150-200 bps above regulatory CET1 requirement
- Dividend pay-out ratio 60-70%
- Excess capital intended to be distributed to shareholders through buybacks
- 2019 target dividend 40 cents per share

## Financial targets

**Cost/income ratio in FY22**

**50%**

**Return on equity in FY22**

**>10%**

**Capital policy from 2020**

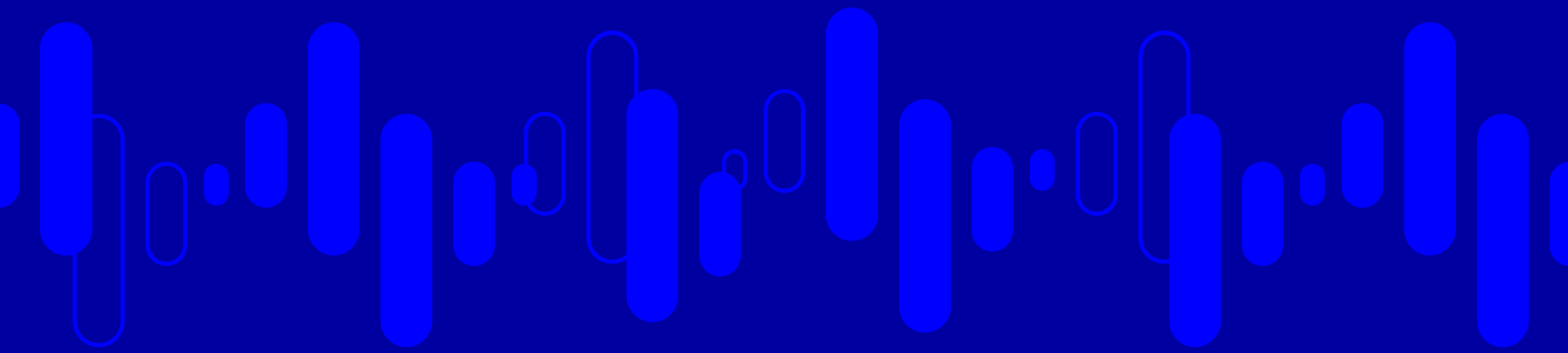
**150-200 bps  
management buffer**  
above the regulatory CET1 requirement

**Dividend policy from 2020**

**60-70% pay-out of distributable  
profits to shareholders\***  
Excess capital intended to be distributed  
to shareholders through buybacks

Nordea enters **A New Phase**

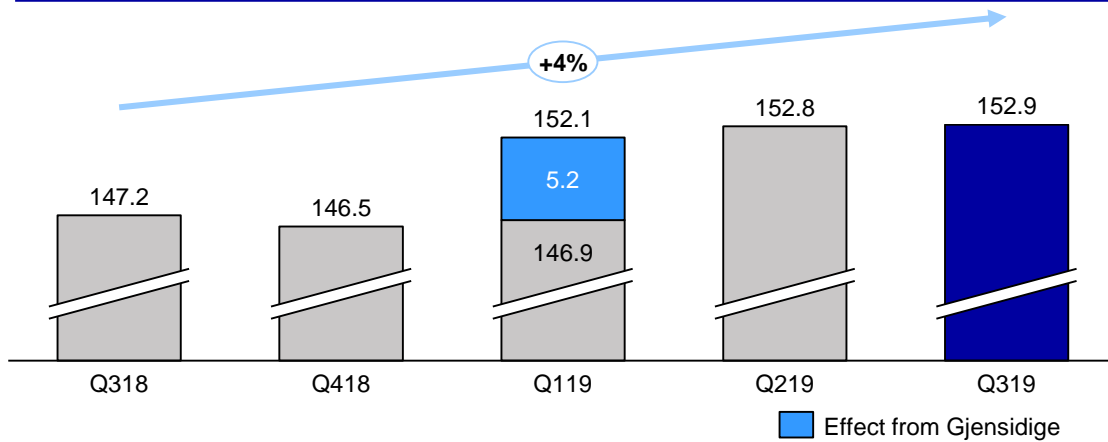
# Appendix



# Personal Banking

## Leading indicators

### Lending volume, EURbn



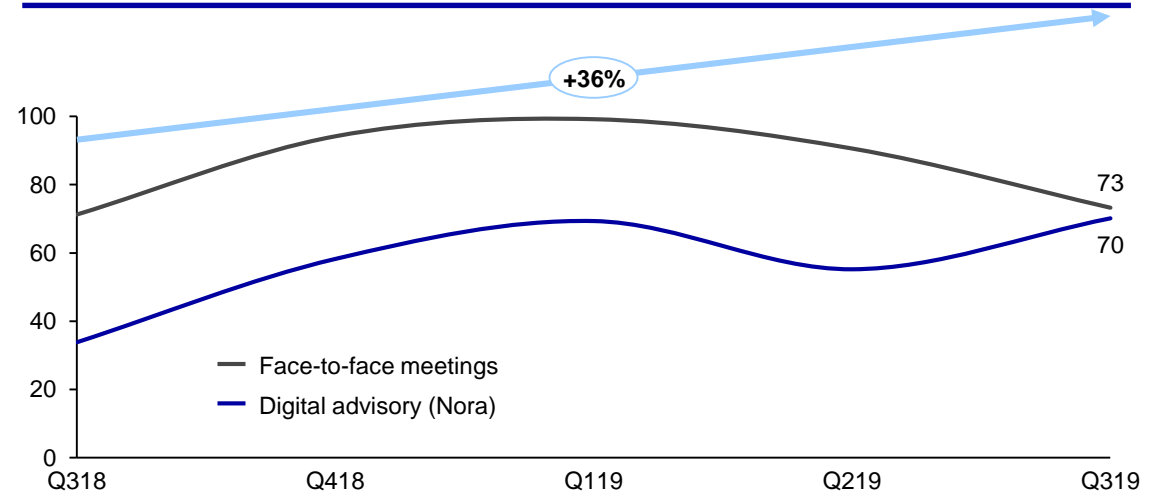
### Customer satisfaction (Customer Engagement Index)

	Q318	Q418	Q119	Q219	Q319	Trend
	70	69	67	69	70	▲
	72	72	71	73	72	▶
	73	74	72	71	71	▼
	65	63	66	69	68	▲

### Share of online meetings

	Q318	Q418	Q119	Q219	Q319	Trend
	17	17	18	19	21	▲
	29	27	28	29	29	▶
	32	36	37	38	40	▲
	31	30	33	31	31	▶

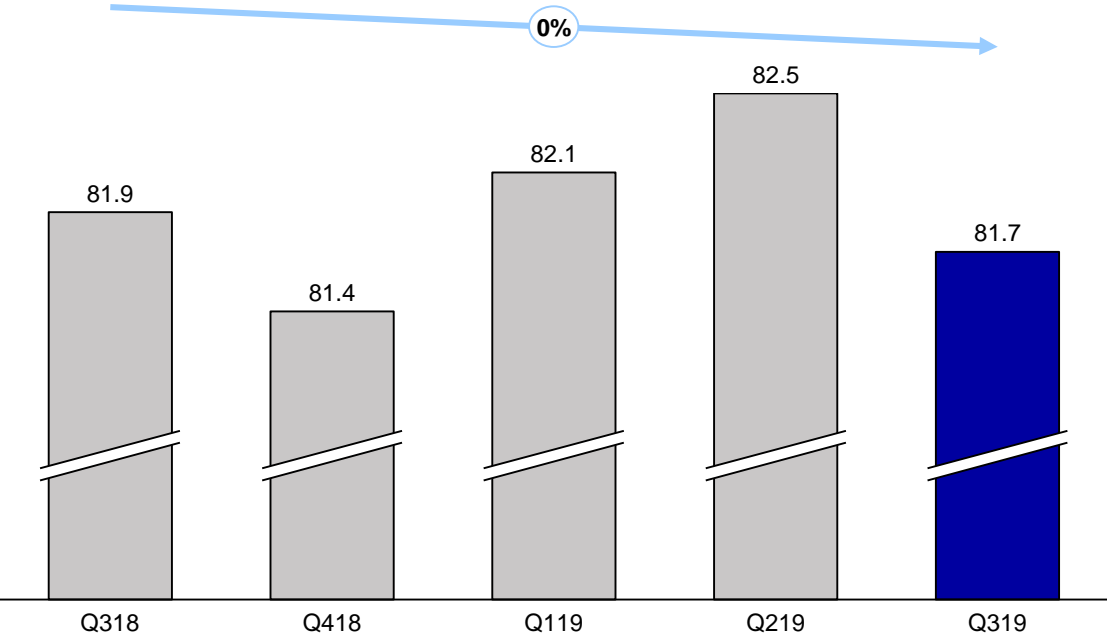
### Savings advisory sessions, '000



# Commercial and Business Banking

## Leading indicators

### Lending volume, EURbn



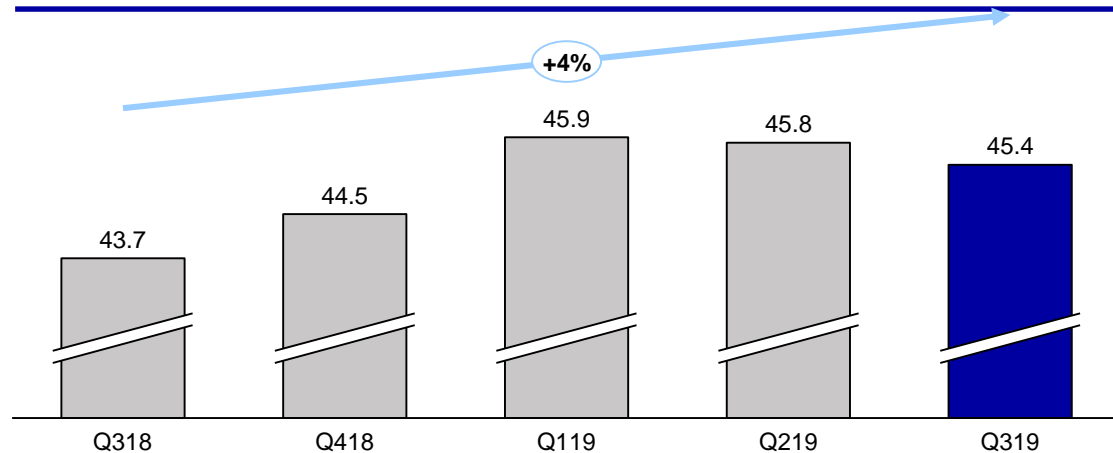
### Customer satisfaction (Customer Engagement Index)

Relationship Customers (BB)	2018	Q219	Q319	Trend
	71	77	70	▶
	80	76	79	▶
	74	78	78	▲
	71	81	75	▲

# Wholesale Banking

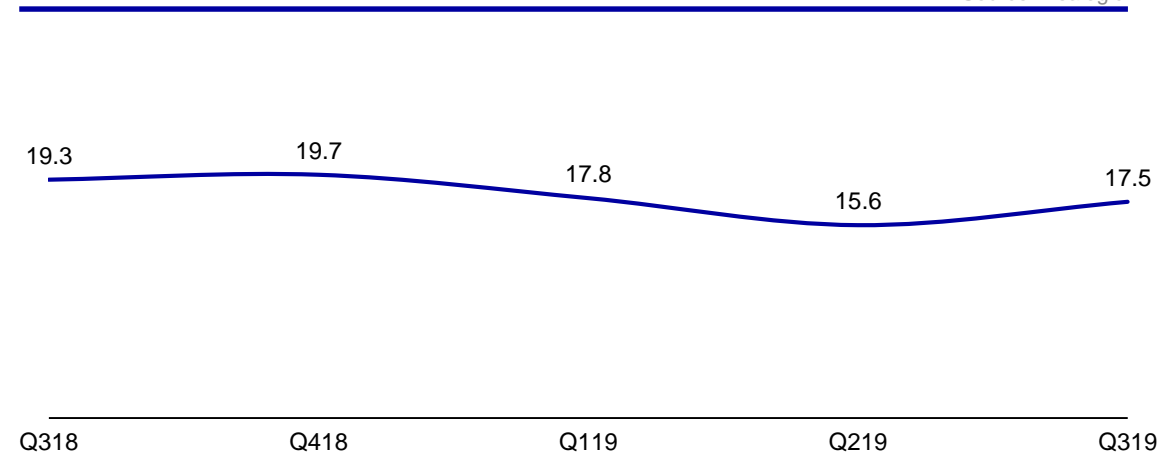
## Leading indicators

### Lending volume\*, EURbn



### Nordic corporate bonds, % of market share

Source: Dealogic



### Nordic syndicated loans, ranking

Source: Dealogic

	Q318	Q418	Q119	Q219	Q319
Ranking	1	1	3	1	1

### Nordic ECM and M&A, ranking

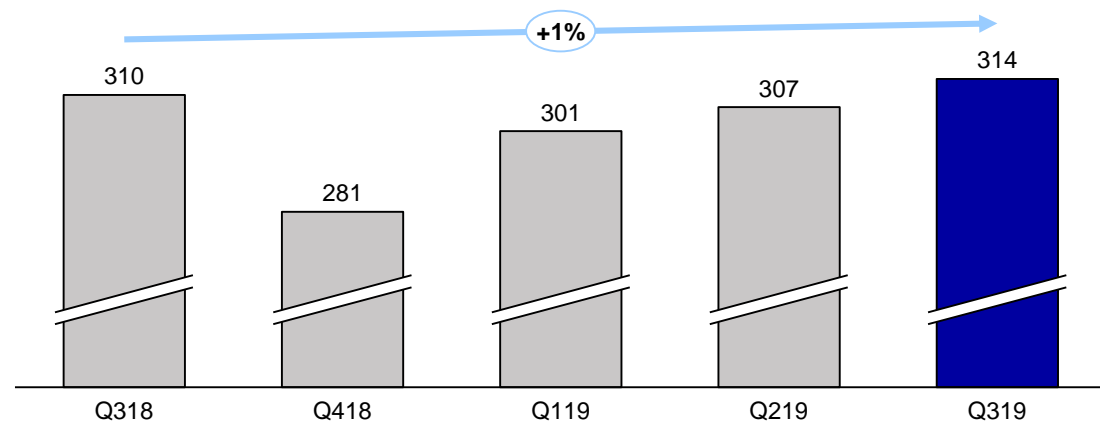
Source: Dealogic (ECM), MergerMarket (M&A)

	Q318	Q418	Q119	Q219	Q319
ECM	4	>5	5	>5	1
M&A	3	5	>5	>5	>5

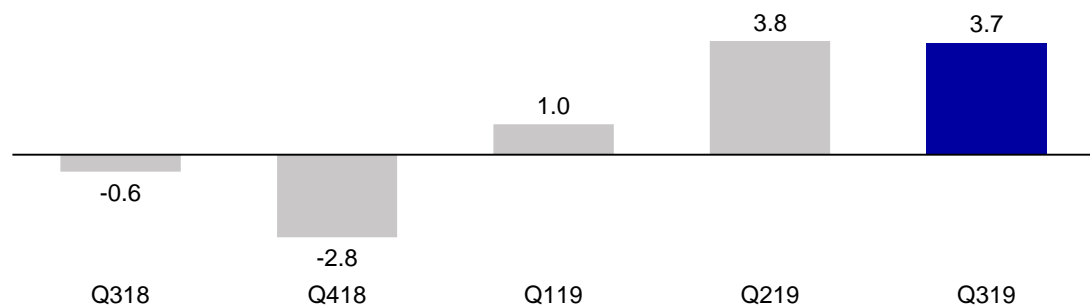
# Asset & Wealth Management

## Leading indicators

### Assets under Management, EURbn



### Total net flows, EURbn



### Customer satisfaction (Customer Engagement Index)

	Q318	Q418	Q219	Q319
	77	76	80	77
	78	76	78	80
	77	77	81	80
	81	83	84	78

*n.b. CEI Q1 numbers not available*

### Investment performance

*(% Composites above benchmark, YtD)*

Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
46	42	88	96	88



# Nordea

