



Nordea



**First 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

## Improved business momentum while challenges remain

- Volume growth in household improving
- Increased corporate volumes
- Net inflows in Asset & Wealth Management
- Increased number of customer meetings

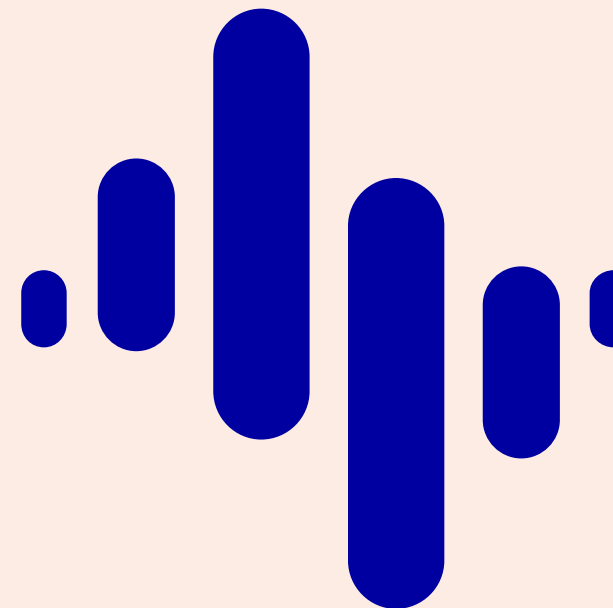
## Improved operating leverage in the quarter

Adjusted operating profit +21% and reported operating profit -12% QoQ

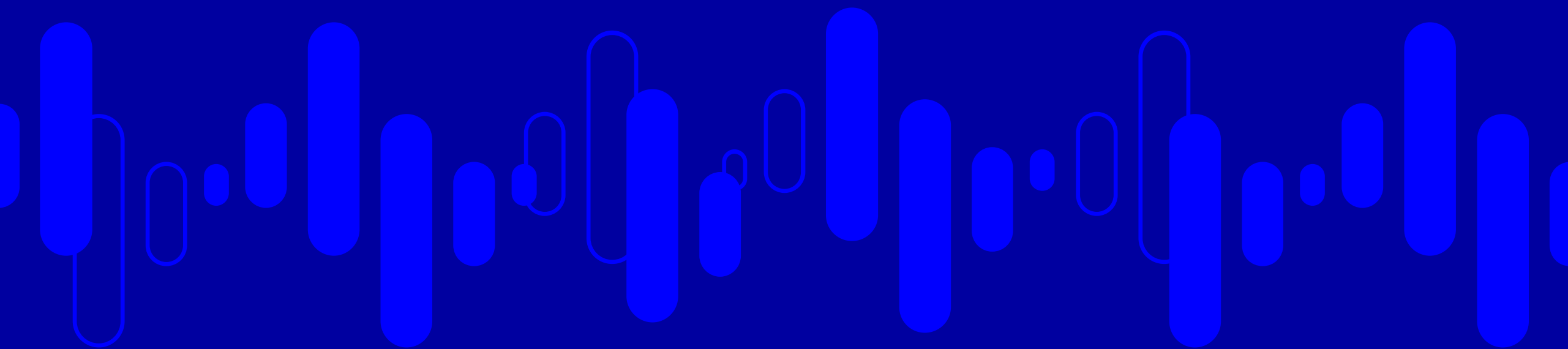
Credit quality remains solid at 7 bps loan loss ratio

Common Equity Tier 1 (CET1) ratio at 14.6%, 130bps management buffer

Nordea makes a provision of EUR 95m related to past weak AML processes



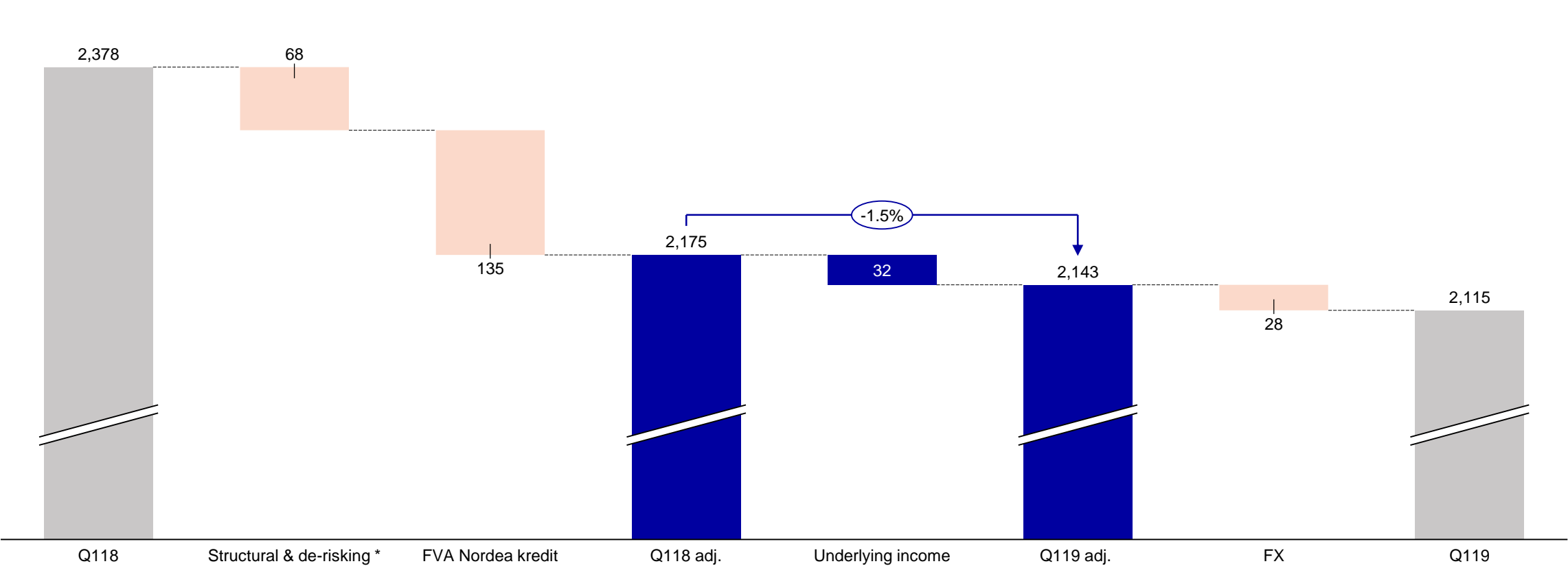
# Revenues



# Group financial highlights first quarter 2019

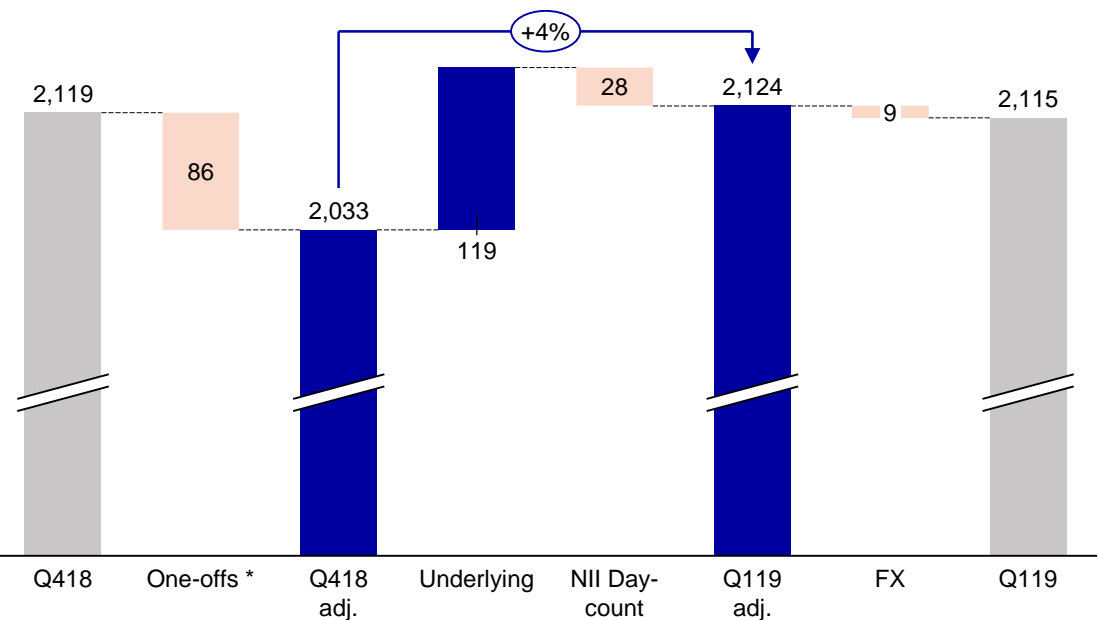
| Income statement, EURm                      | Q1 2019       | Q4 2018       | Q1/Q4 change | Q1 2018       | Q1/Q1 change |
|---|---------------|---------------|--------------|---------------|--------------|
| Net interest income                         | 1,056         | 1,142         | -8%          | 1,116         | -5%          |
| Net fee and commission income               | 737           | 720           | 2%           | 770           | -4%          |
| Net fair value result                       | 264           | 182           | 45%          | 441           | -40%         |
| Other Income                                | 59            | 75            | -21%         | 51            | 15%          |
| <b>Total operating income</b>               | <b>2,115</b>  | <b>2,119</b>  | <b>0%</b>    | <b>2,378</b>  | <b>-11%</b>  |
| <b>Total operating income excl. IAC*</b>    | <b>2,115</b>  | <b>2,033</b>  | <b>4%</b>    | <b>2,243</b>  | <b>-6%</b>   |
| <b>Total operating expenses</b>             | <b>-1,452</b> | <b>-1,384</b> | <b>5%</b>    | <b>-1,372</b> | <b>6%</b>    |
| <b>Adj.** operating expenses excl. IAC*</b> | <b>-1,151</b> | <b>-1,243</b> | <b>-7%</b>   | <b>-1,205</b> | <b>-5%</b>   |
| <b>Profit before loan losses</b>            | <b>663</b>    | <b>735</b>    | <b>-10%</b>  | <b>1,006</b>  | <b>-34%</b>  |
| Net loan losses                             | -42           | -30           | 40%          | -40           | 5%           |
| <b>Operating profit</b>                     | <b>621</b>    | <b>705</b>    | <b>-12%</b>  | <b>966</b>    | <b>-36%</b>  |
| <b>Adj.** operating profit excl. IAC*</b>   | <b>871</b>    | <b>718</b>    | <b>21%</b>   | <b>956</b>    | <b>-9%</b>   |
| <b>Net profit</b>                           | <b>443</b>    | <b>505</b>    | <b>-12%</b>  | <b>737</b>    | <b>-40%</b>  |

Group income down 1.5% YoY adjusted for structural measures...

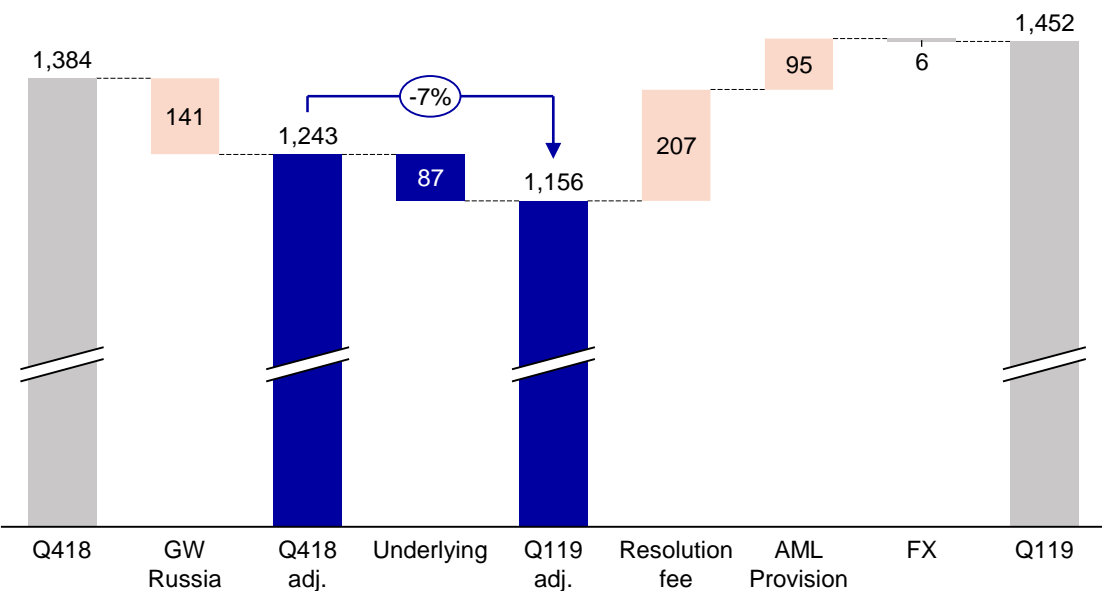


...but improved operating leverage QoQ

Income Q119 vs Q418, EURm

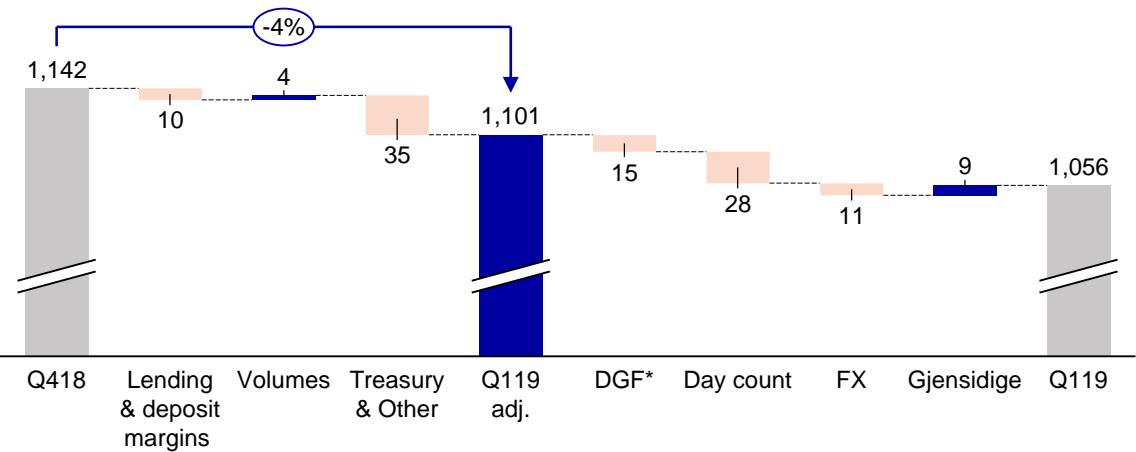


Costs Q119 vs Q418, EURm

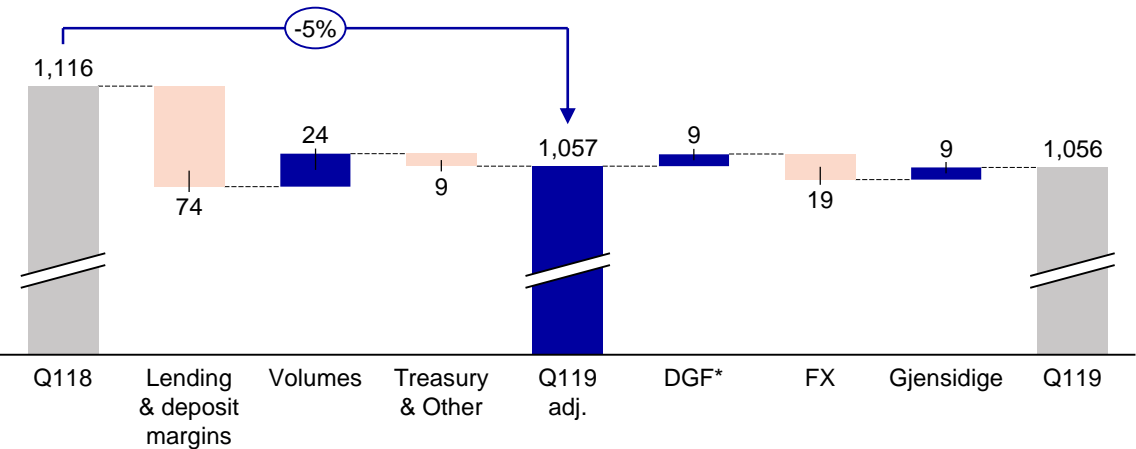


# Net interest income

## Quarterly bridge, EURm



## Yearly bridge, EURm



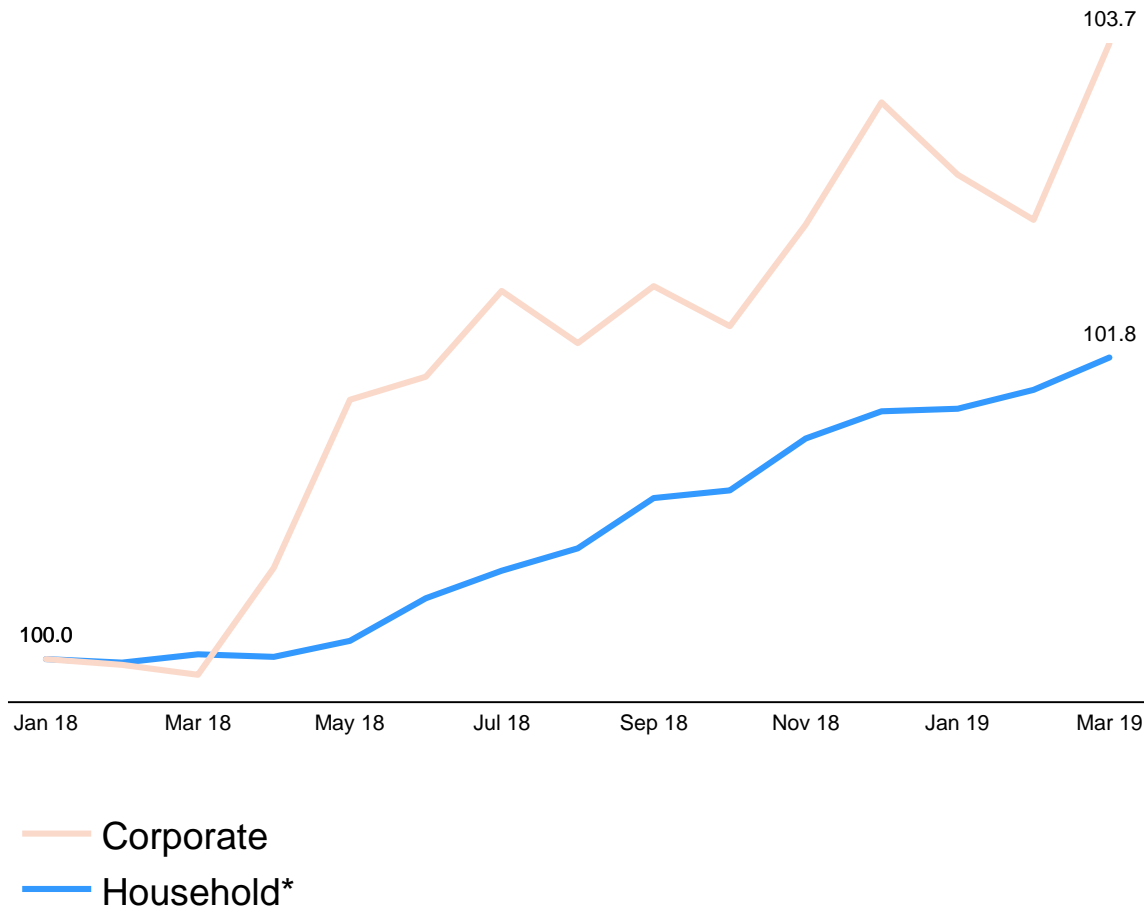
## Comments

- Continued pressure on lending margins
- Partly offset by volume growth and deposit margins
- Higher Deposit Guarantee Fees and fewer interest days



# Improved lending volumes

## Lending volumes (Jan 18 = Index 100)

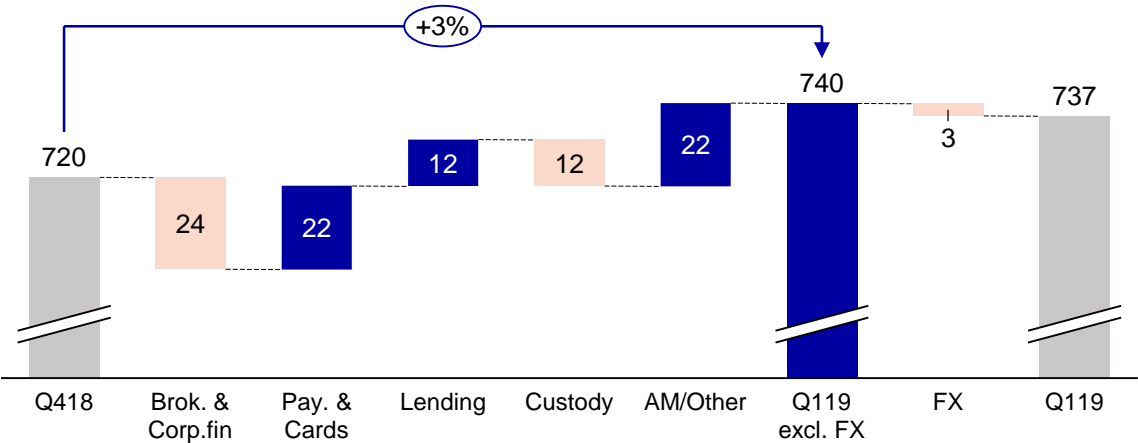


## Comments

- Higher corporate lending volumes
- Steady improvement in household volumes
  - Improvement in new market shares in Sweden and Denmark
  - Finnish new market shares lagging
  - Norway growing with market

# Net fee and commission income

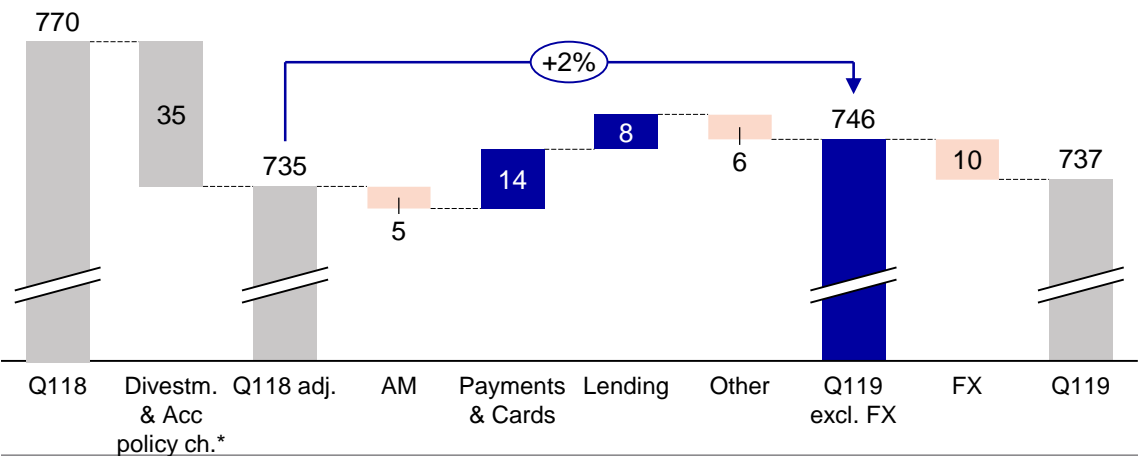
Quarterly bridge, EURm



Comments

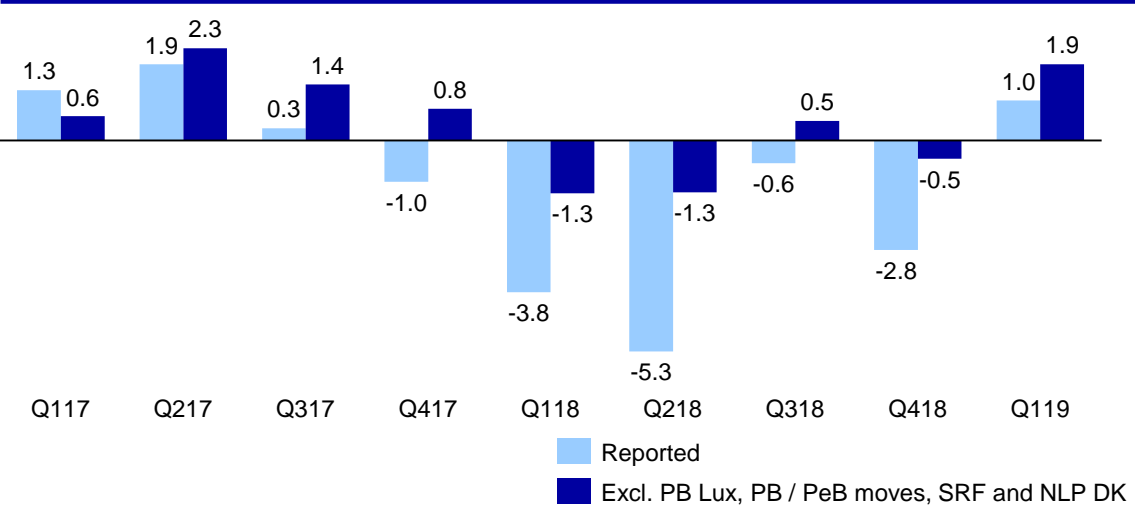
- Significantly improved AuM levels
- Strong corporate finance, but fewer large deals than expected
- Payments fees higher both QoQ and YoY

Yearly bridge, EURm

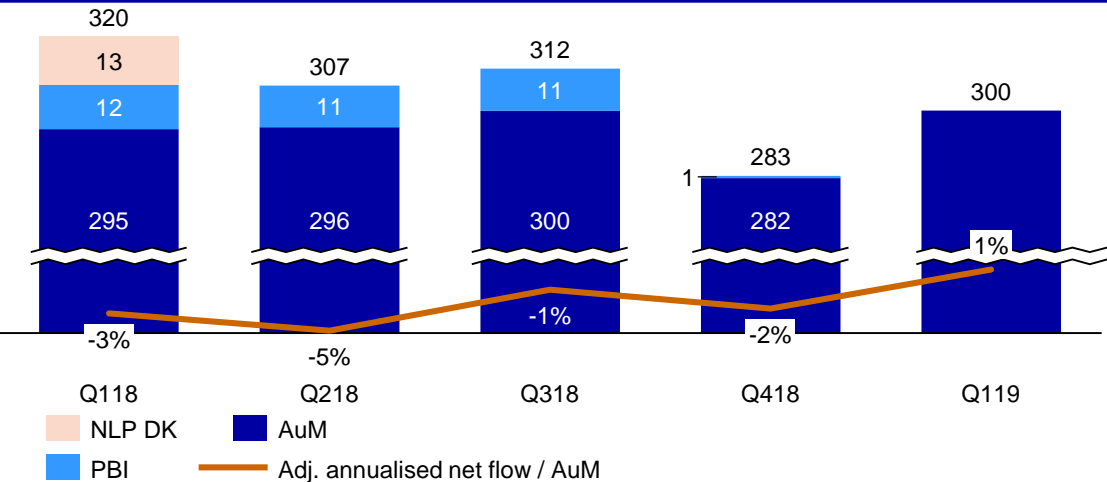


# Assets under Management

Flow, EURbn



AuM development, EURbn

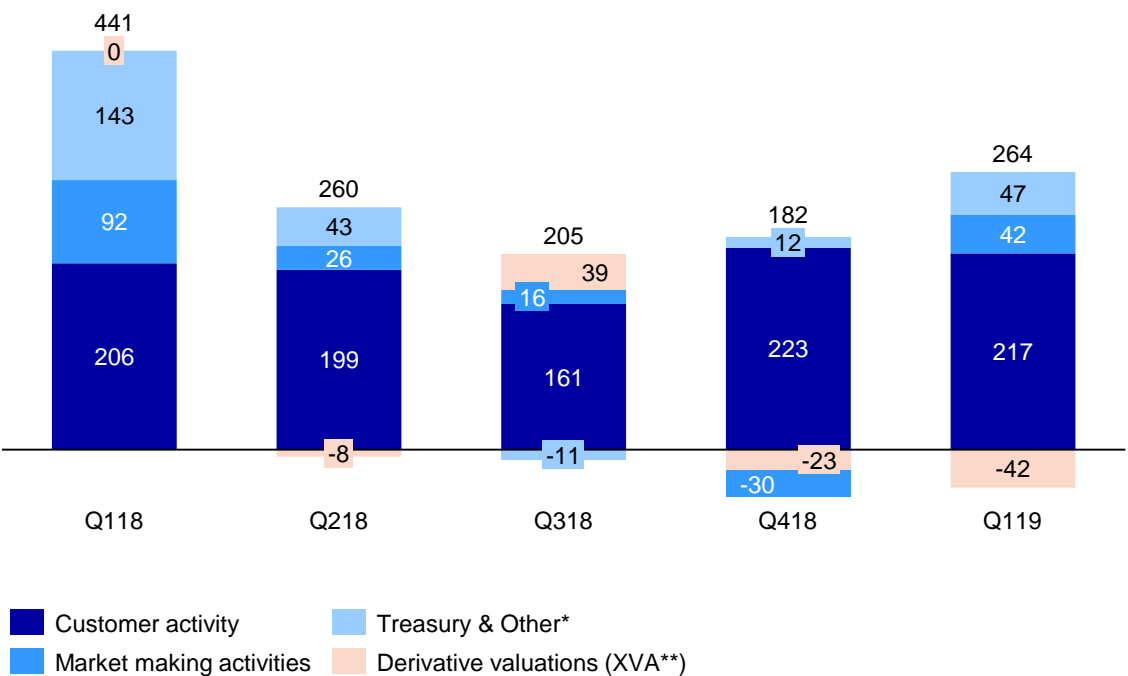


Comments

- Positive inflow in the quarter
- Strong financial markets and good investment performance in Q1 increased AuM
- AuM up 7% QoQ to above EUR 300bn

# Net fair value

## NFV development, EURm



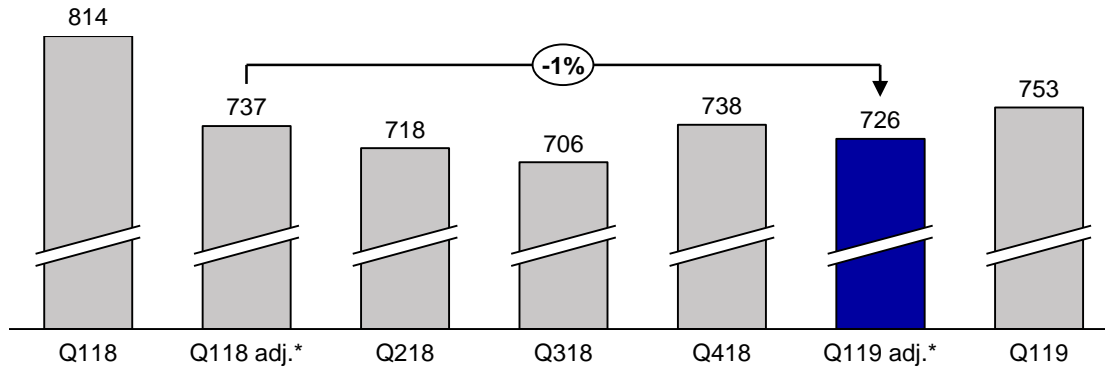
## Comments

- Customer activity relatively stable
- Improvement in market making activities from low Q4
  - Significant improvement in Fixed Income products

## Business areas

# Personal Banking 1(2)

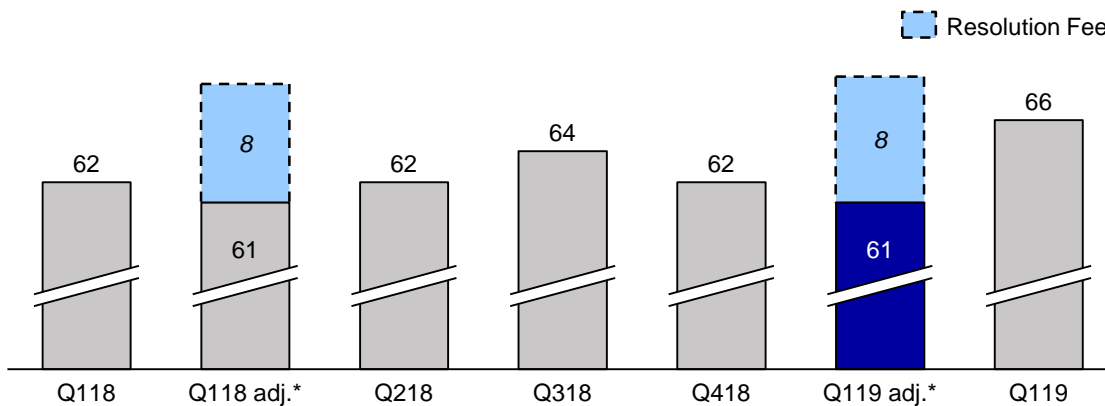
## Total income, EURm



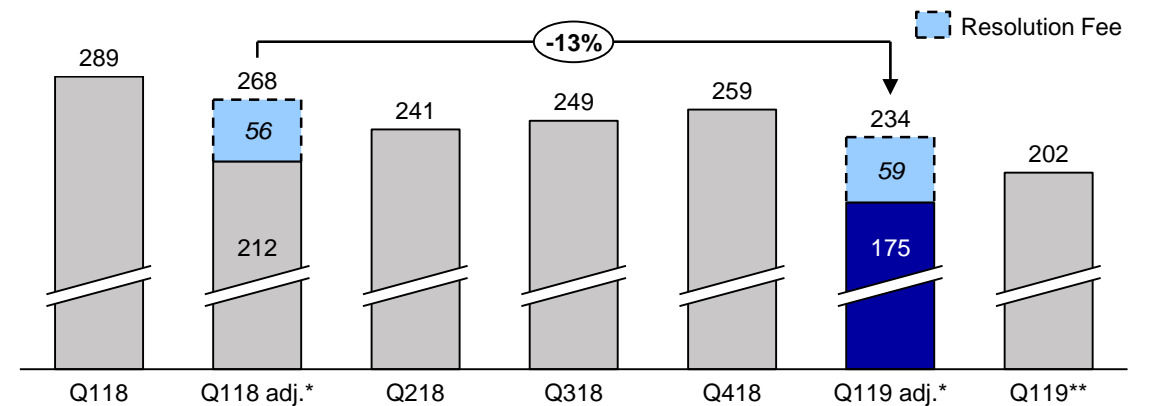
## Comments

- Good underlying trend in customer-driven activity
- Larger share of new mortgage sales
- Positive lending volume development, driven by Norway
- Negative impact from margin pressure
- Focus to gain market share in mortgages, savings and to improve customer satisfaction

## Cost/Income ratio, %

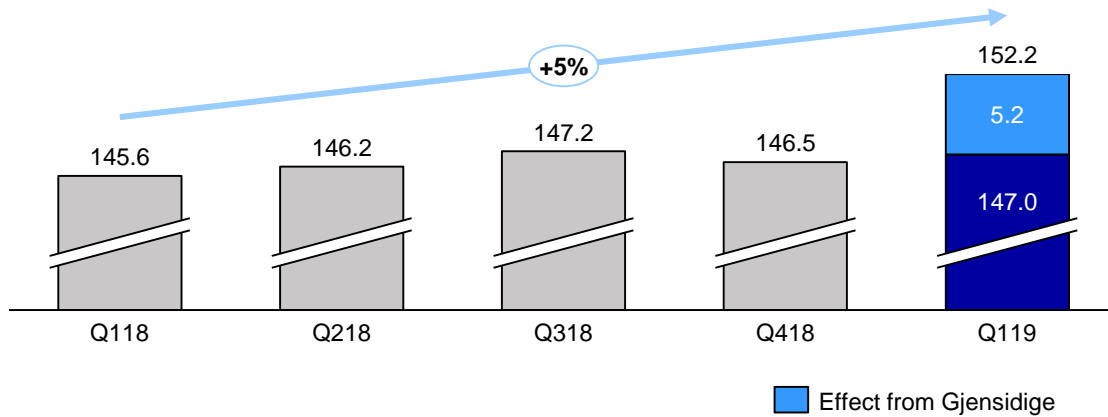


## Operating profit, EURm



## Personal Banking 2(2)

### Lending volume, EURbn



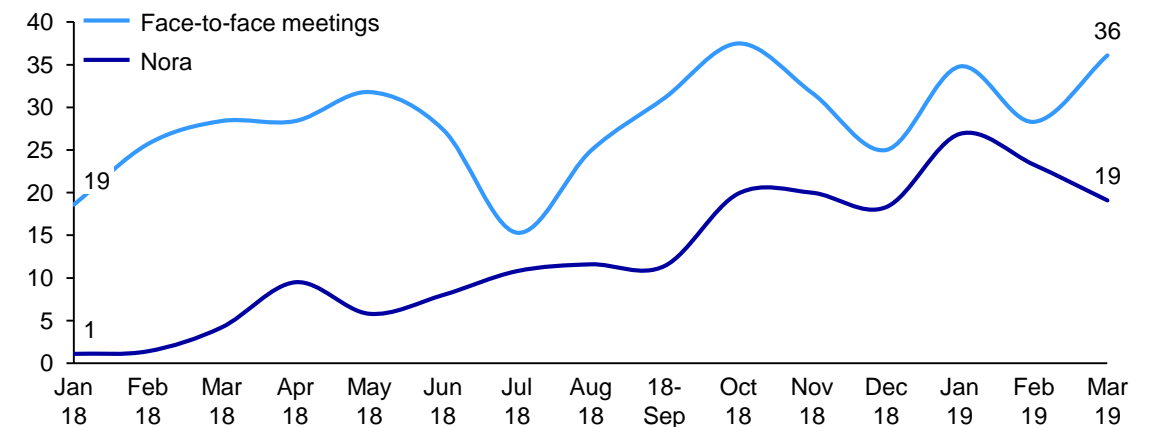
### Share of online meetings

|  | 2018 Mar | 2018 Jun | 2018 Sep | 2018 Dec | 2019 Mar | Trend |
|--|----------|----------|----------|----------|----------|-------|
|  | 15       | 16       | 16       | 17       | 18       | ▲     |
|  | 25       | 27       | 27       | 26       | 29       | ▲     |
|  | 37       | 36       | 32       | 37       | 40       | ▲     |
|  | 35       | 34       | 29       | 32       | 33       | ▶     |

### Customer satisfaction (Customer Engagement Index)

|  | Q118 | Q218 | Q318 | Q418 | Q119 | Trend |
|--|------|------|------|------|------|-------|
|  | 69   | 71   | 70   | 69   | 67   | ▼     |
|  | 72   | 70   | 72   | 72   | 71   | ▶     |
|  | 72   | 71   | 73   | 74   | 72   | ▶     |
|  | 58   | 62   | 65   | 63   | 66   | ▲     |

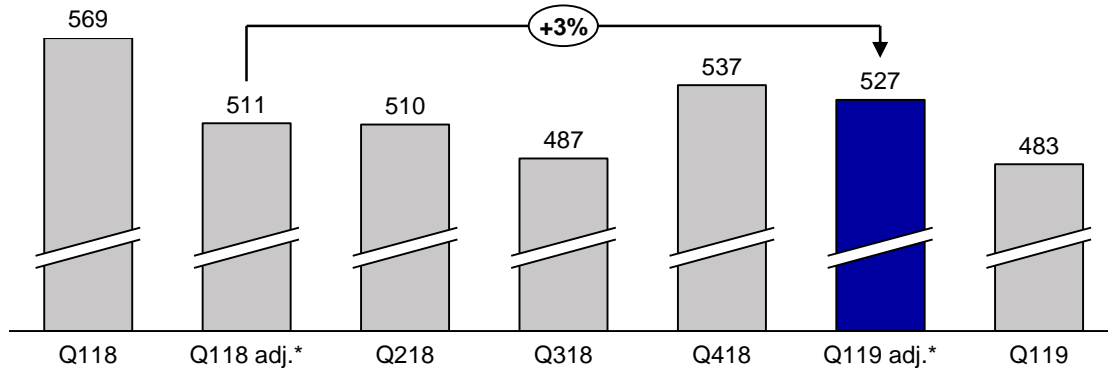
### Savings advisory sessions, '000



# Commercial and Business Banking 1(2)

## Key ratios

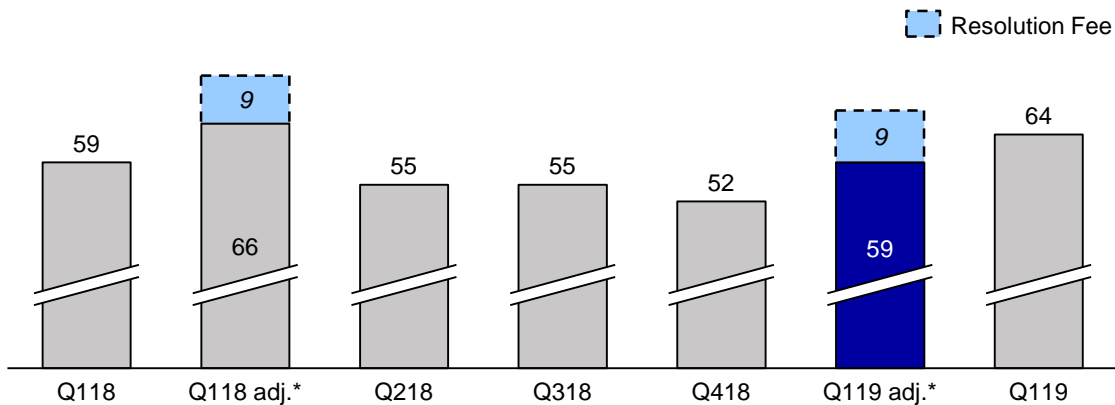
### Total income, EURm



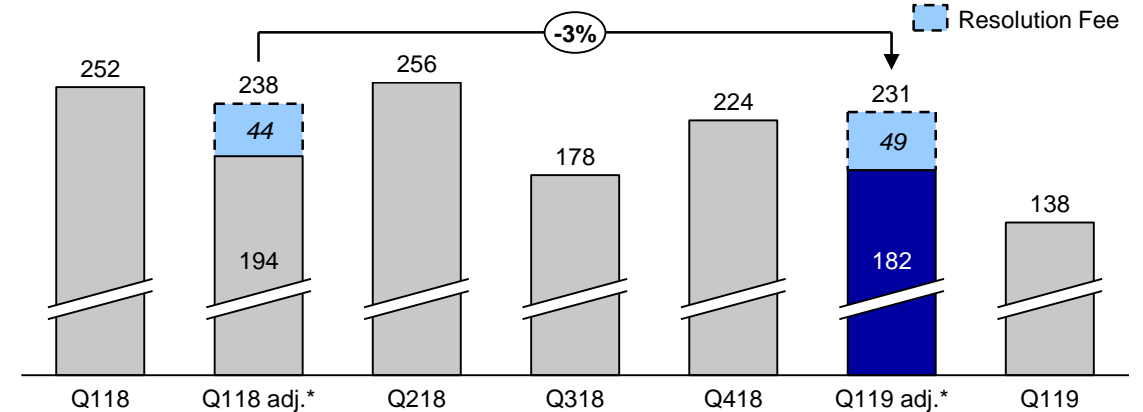
### Comments

- Underlying income momentum carries into 2019
- High customer activity in the Swedish market
- Continued margin pressure in Denmark
- Continuous focus on improving customer intensity

### Cost/Income ratio, %



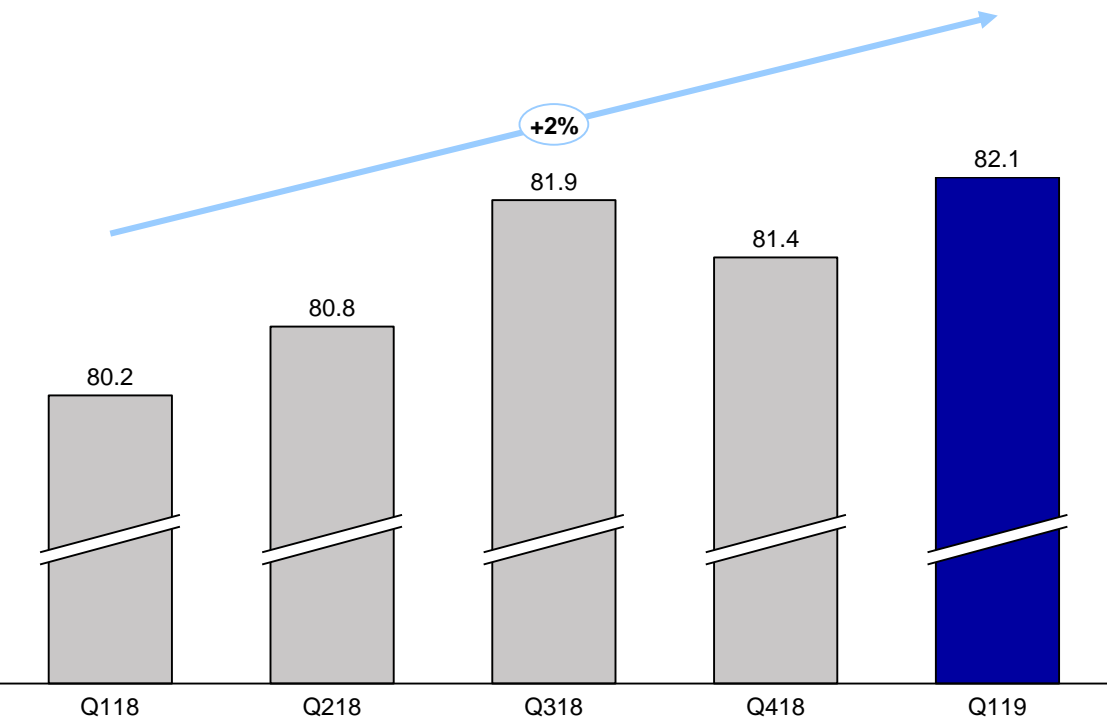
### Operating profit, EURm





# Commercial and Business Banking 2(2)

Lending volume, EURbn



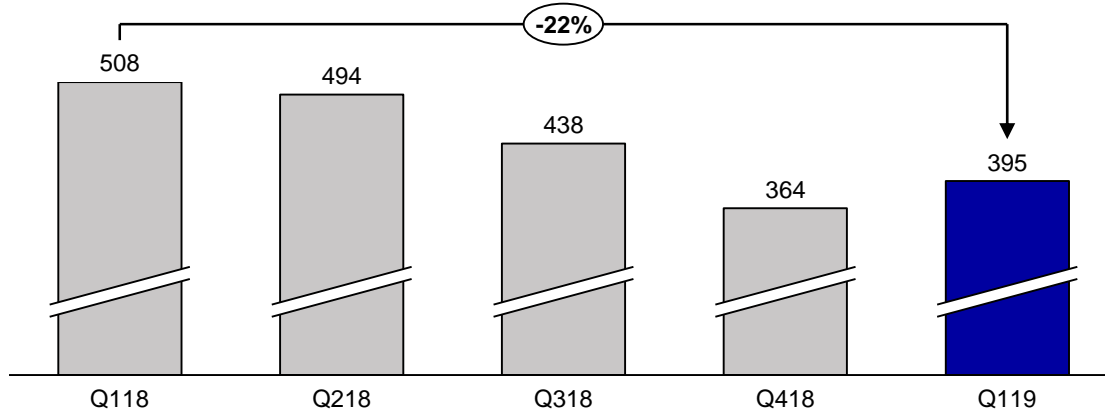
Customer satisfaction (Customer Engagement Index)

| Relationship Customers (BB)   | 2017 | 2018 |   |
|---|------|------|---|
|  | 70   | 71   | ▲ |
|  | 79   | 80   | ▲ |
|  | 70   | 74   | ▲ |
|  | 67   | 71   | ▲ |

# Wholesale Banking 1(2)

## Key ratios

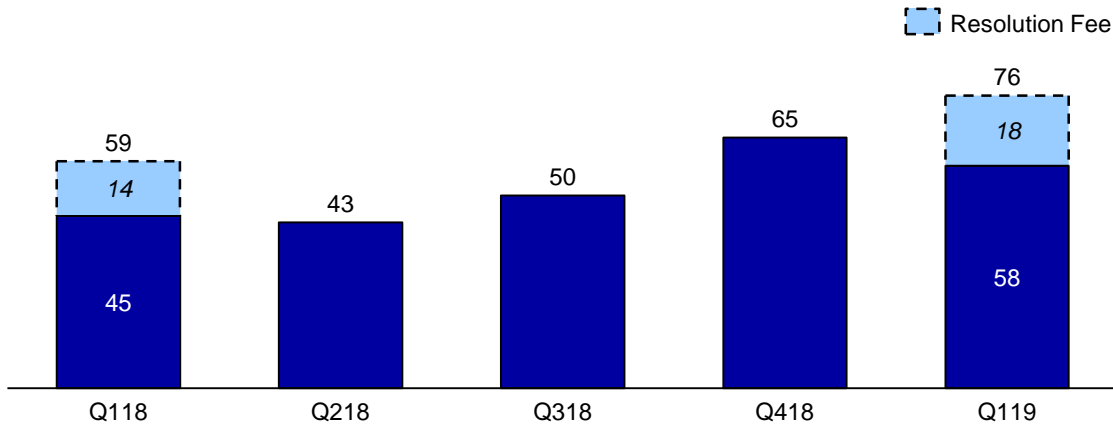
### Total income, EURm



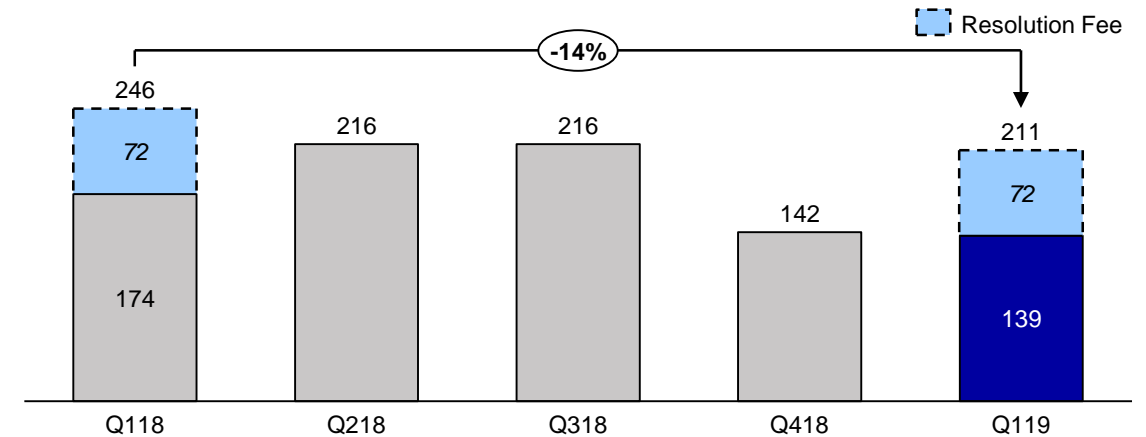
### Comments

- Improvement compared to weak Q418
- 8% large corporate lending growth YoY
- Leading DCM market share supports momentum
- Continued net loan loss reversals in Q119
- Advisory income negatively affected by fewer large deals
- Continued focus on capital efficiency and driving fee income

### Cost/Income ratio, %



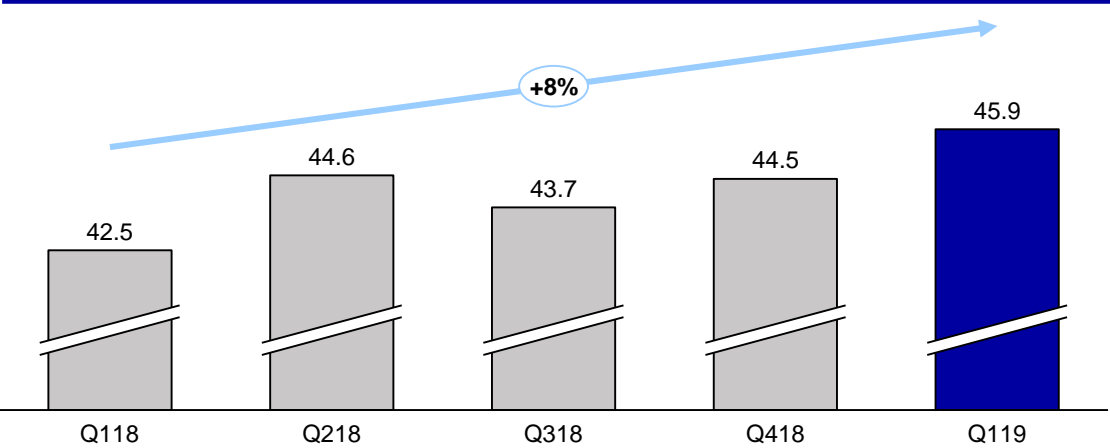
### Operating profit, EURm



# Wholesale Banking 2(2)

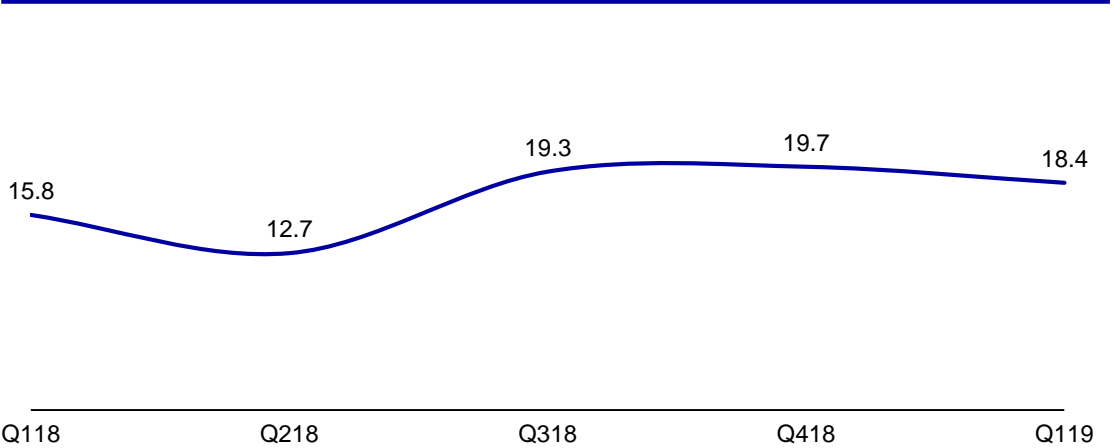
## Leading indicators

Lending volume, EURbn



Nordic corporate bonds, % of market share

Source: Dealogic



Nordic syndicated loans, ranking

| Q118            | Q218            | Q318            | Q418            | Q119            |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| 2 <sup>nd</sup> | 1 <sup>st</sup> | 1 <sup>st</sup> | 1 <sup>st</sup> | 1 <sup>st</sup> |

Nordic ECM and M&A, ranking

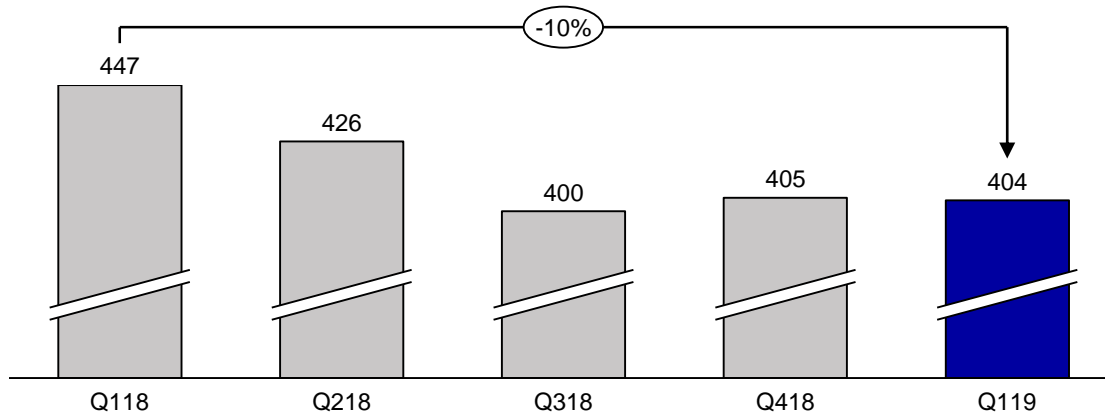
Source: Dealogic

|     | Q118            | Q218            | Q318            | Q418             | Q119            |
|-----|-----------------|-----------------|-----------------|------------------|-----------------|
| ECM | 1 <sup>st</sup> | 1 <sup>st</sup> | 4 <sup>th</sup> | >5 <sup>th</sup> | 5 <sup>th</sup> |

# Asset & Wealth Management 1(2)

## Key ratios

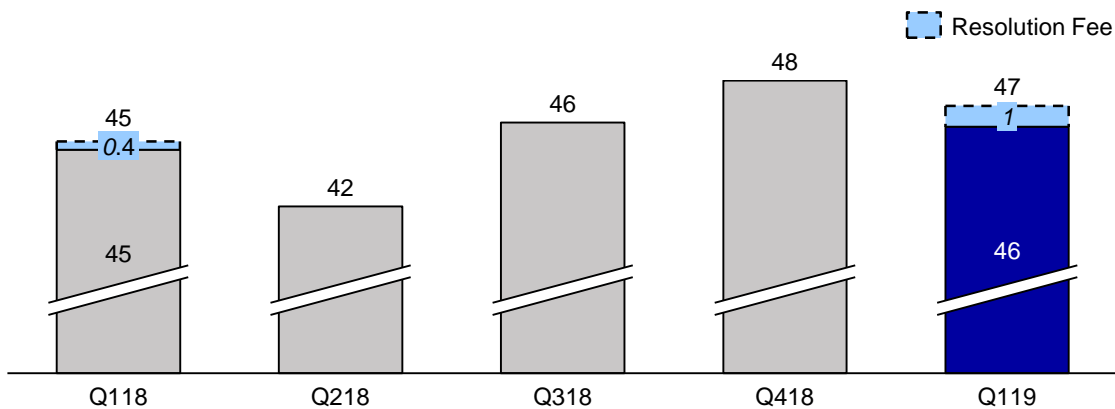
### Total income, EURm



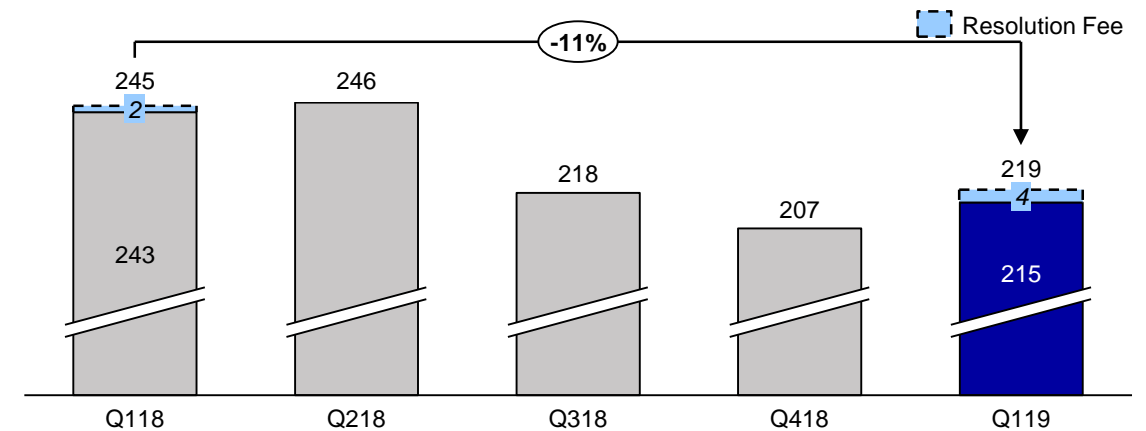
### Comments

- AuM back above EUR 300bn with net flows of EUR 1bn
- 88% of composites outperforming YtD.
- European covered bonds inflow of EUR 3bn in the last year
- Improved inflows in Sweden and Norway across Private Banking, Life and Retail funds
- Whilst Private Banking/Retail flows in Denmark still subdued
  - New centralised SME savings team in Denmark and focus on High-Net-Worth segment

### Cost/Income ratio, %

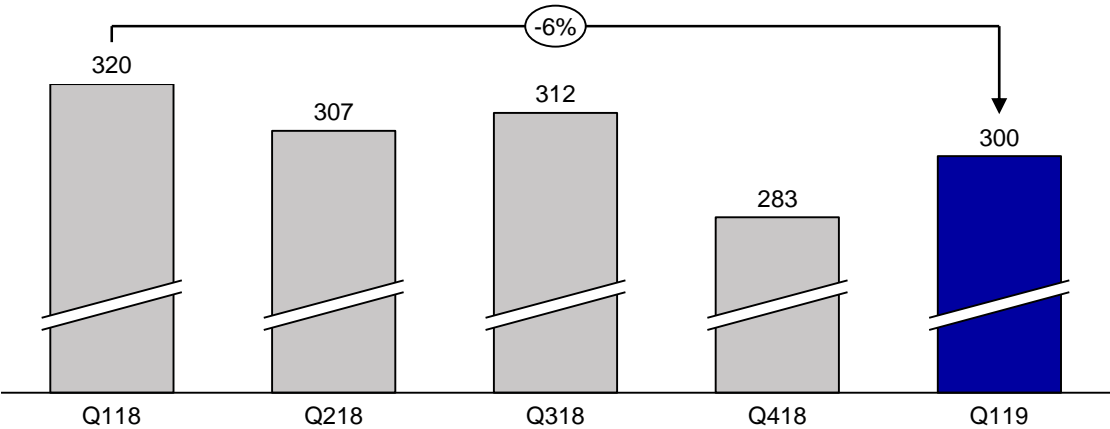


### Operating profit, EURm



# Asset & Wealth Management 2(2)

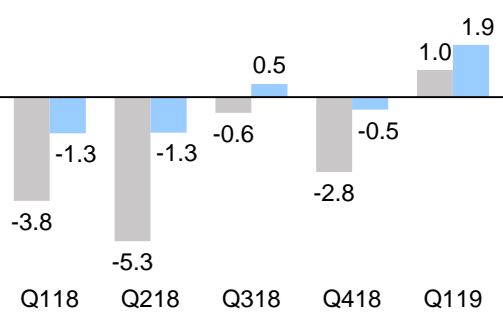
Assets under Management, EURbn



Customer satisfaction (Customer Engagement Index)

|  | Q118 | Q218 | Q318 | Q418 |
|--|------|------|------|------|
|  | 77   | 76   | 77   | 76   |
|  | 76   | 73   | 78   | 76   |
|  | 77   | 73   | 77   | 77   |
|  | 75   | 77   | 81   | 83   |

Total net flows, EURbn

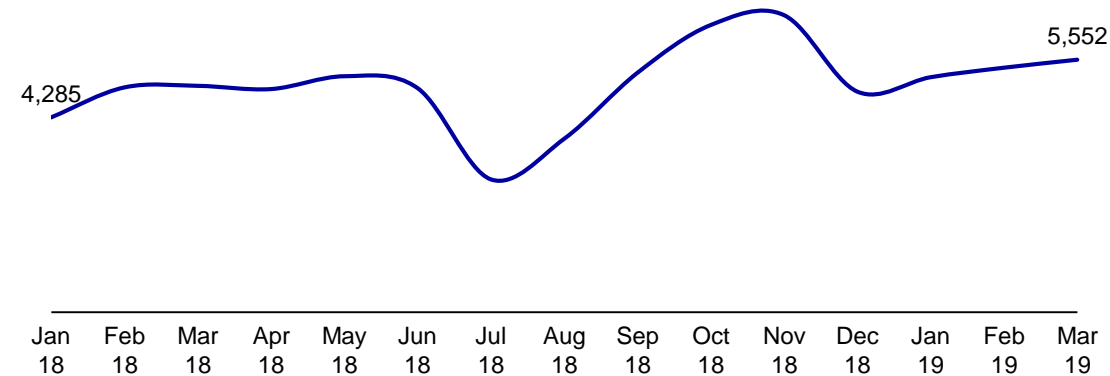


Investment performance

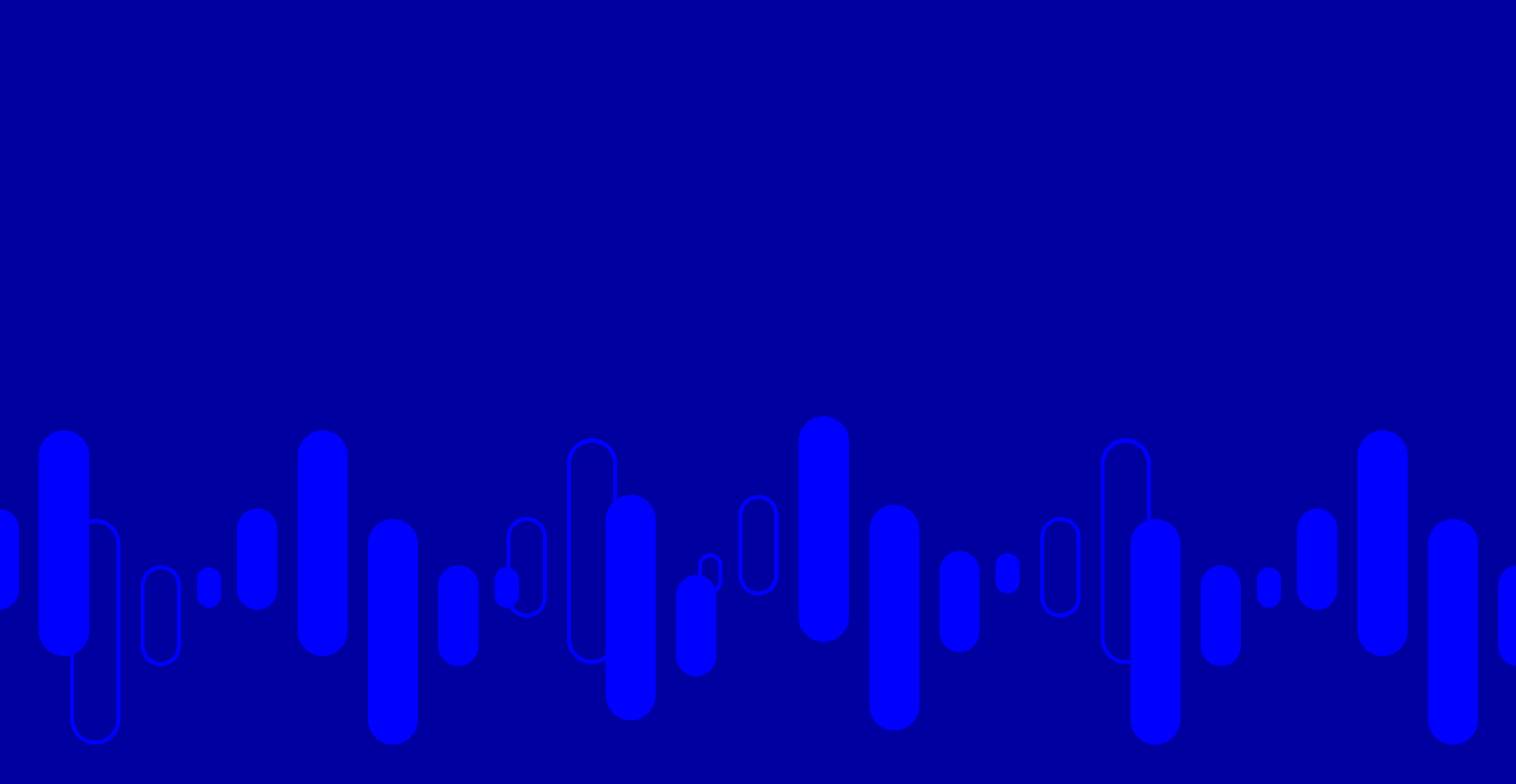
(% above benchmark, YtD)

| Q1   | Q2   | Q3   | Q4   | Q1   |
|------|------|------|------|------|
| 2018 | 2018 | 2018 | 2018 | 2019 |
| 46   | 35   | 46   | 42   | 88   |

Investment advisory sessions, Face-to-face

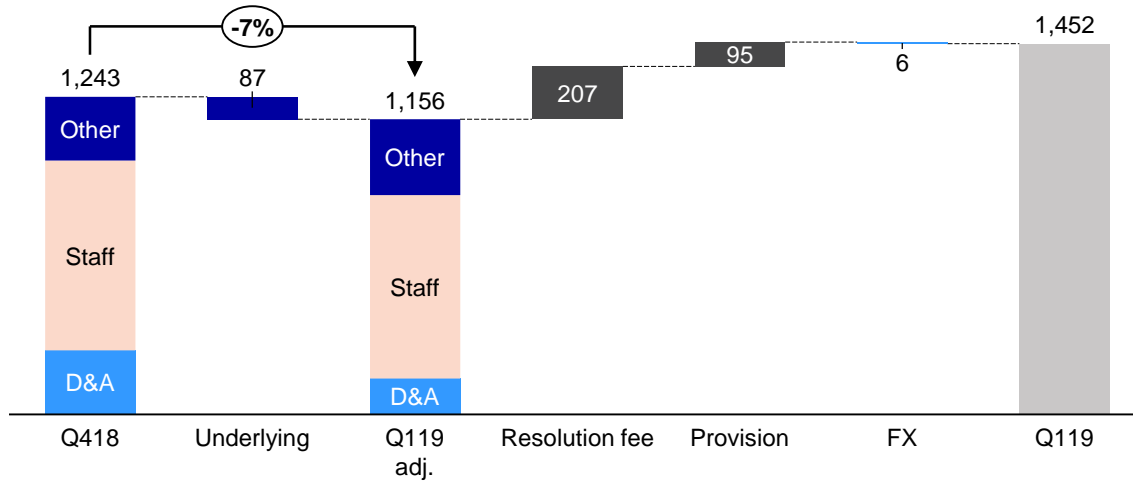


Reported  
Excl. PB Lux, PB / PeB moves, SRF and NLP DK

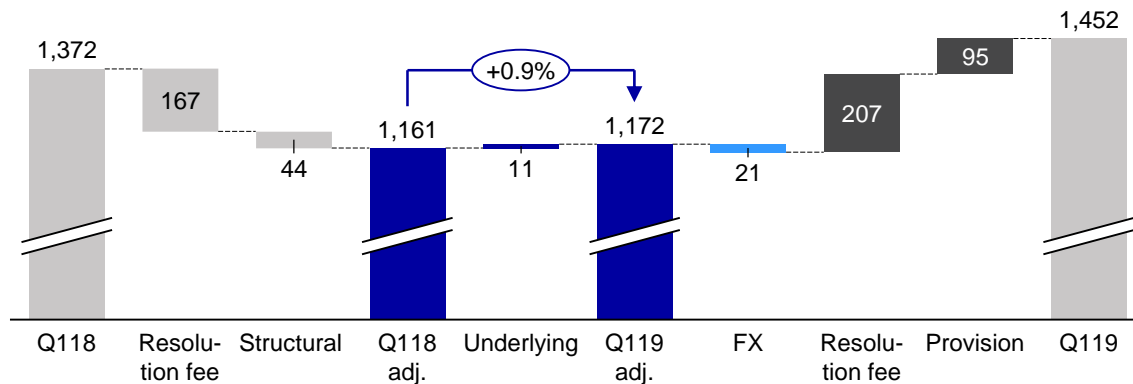


# Costs

## Quarterly bridge, EURm\*



## Yearly bridge, EURm\*



## Comments

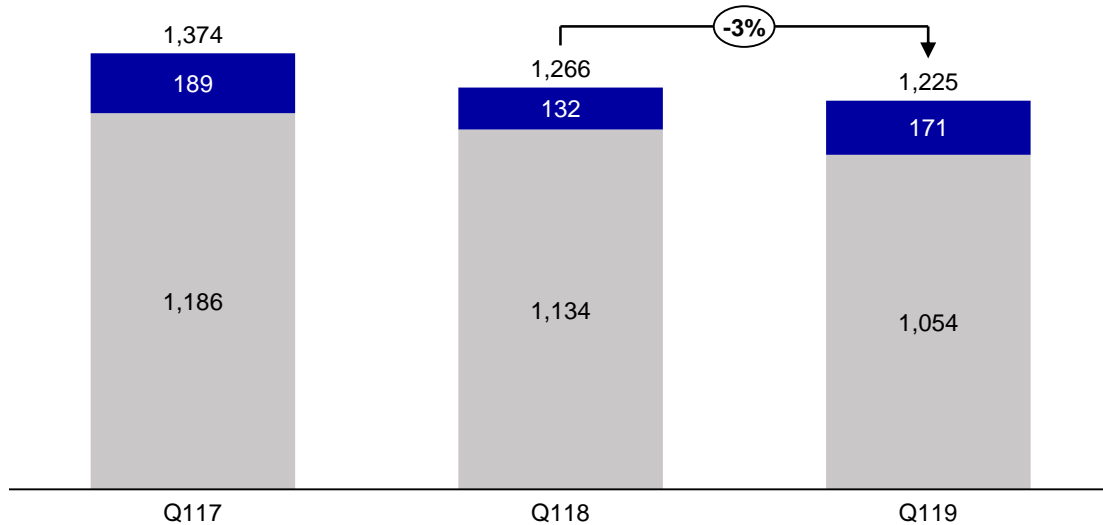
- Underlying cost down by 7%
  - Staff costs down by 3% QoQ
  - Depreciations 44% lower QoQ at EUR 140m
- On track to meet our cost targets in 2019 and 2021
- Costs impacted by provisions and full year resolution fee

## Outlook

- 2021 cost expected 3% below 2018\*
- 2019 cost expected to be lower than 2018\*

# Further reduction in cash cost\*

Yearly, EURm\*\*



## Comments

- Cash cost down by 3% YoY driven by lower underlying costs

## Outlook

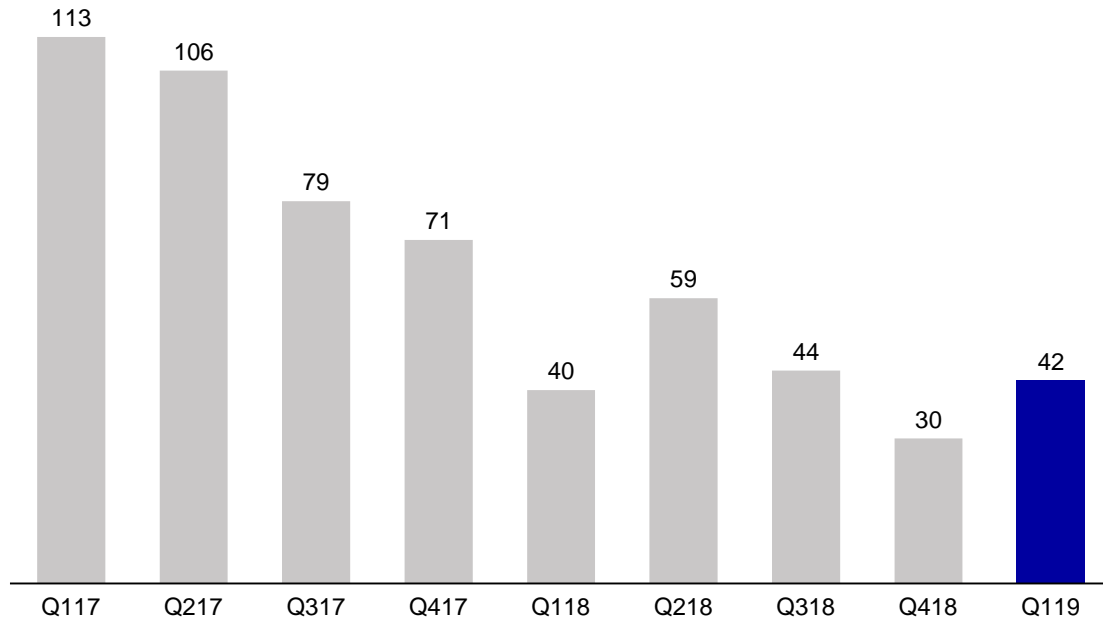
- Cash cost to be down by up to 10% 2021 vs 2018
- Cash cost to be lower in 2019 vs 2018

■ Capitalisations  
■ Underlying cost



# Strong asset quality

## Total net loan losses\*, EURm



## Comments

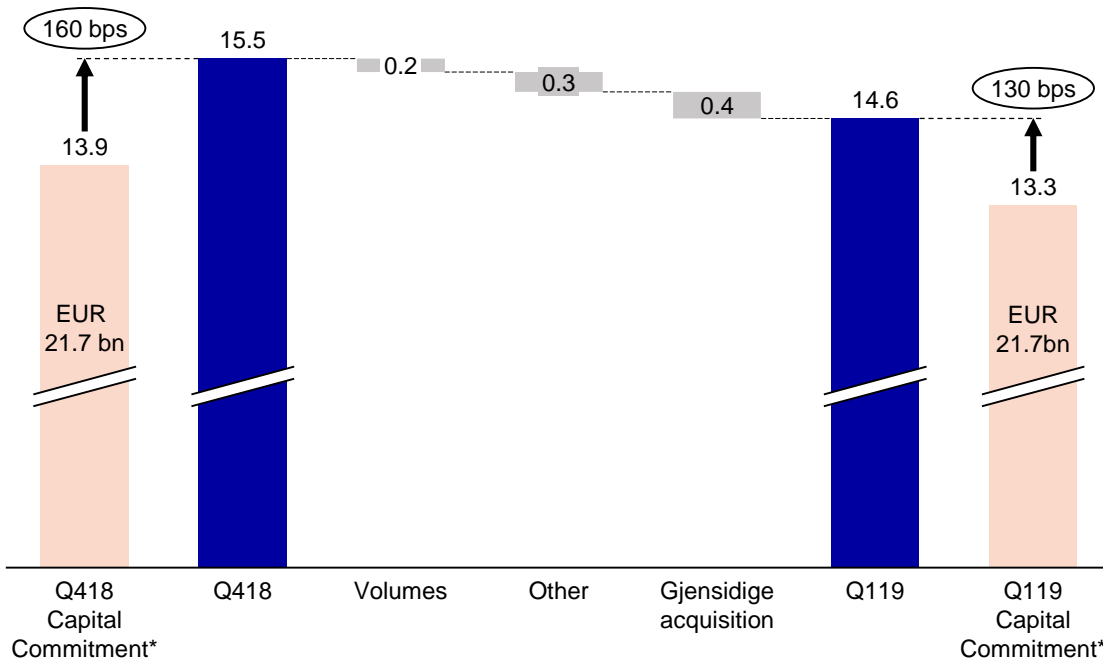
- Net loan losses in Q1 42m vs 30m in Q4
- Q1 loan loss ratio 7 bps vs 5 bps in Q4
- Net loan loss ratio in Stage 3 improved to 5 bps vs 12 bps in the previous quarter

## Outlook

- 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

## Q119 vs Q418



## Comments

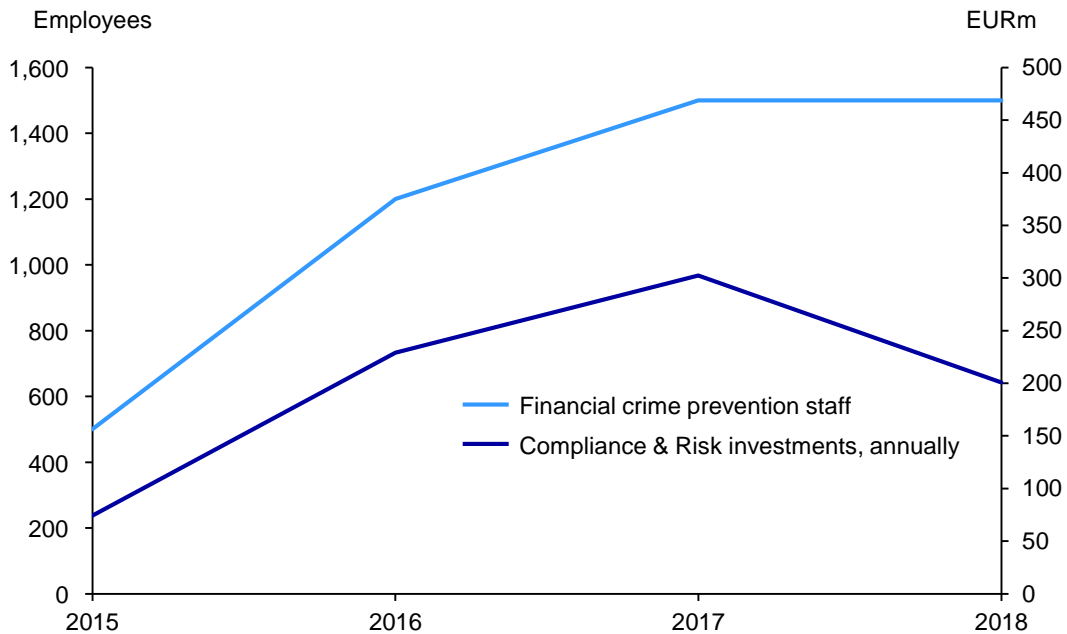
- CET1 capital ratio 14.6% at end of the first quarter
- Management buffer of 130 bps
- REA increased by EUR 7.1bn to EUR 163bn
  - mainly driven by the acquisition of Gjensidige, lending growth and IFRS 16

# Significant investments to combat financial crime

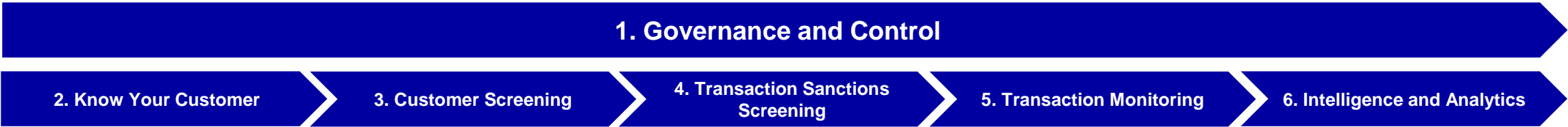
## Actions against money-laundering

- We collaborate closely with the authorities and encourage to even closer collaboration on multiple levels as AML is a complex issue
- Significantly strengthened transaction monitoring and investigation capabilities, more than EUR 700m invested over 3 years
- App. 2bn transactions on annual basis subject to hundreds of different monitoring scenarios, resulting in hundreds of thousands of alerts which lead to thousands of Suspicious Activity Reports (SARs) filed with the relevant authorities
- More than 1,500 employees working within prevention of financial crime, and 12,000 employees in direct contact with our customers who are trained regularly to identify signs of financial crime
- In the last 12 months, 110,000 hours of financial crime training to employees


## Significant investments

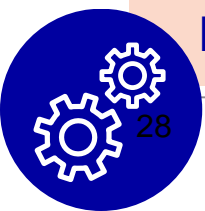


## Strong governance model



# Key initiatives to drive structural cost efficiency

| Key priorities   |  |
|--|--|
|  Increase business momentum | Drive structural cost efficiency                 |
| Increased usage of AI and robotics   | 38 more processes robotised                      |
| Workforce shift  | 355 FTE's added in Poland & Baltics, +9.5% QoQ   |
| Simplification of products and services  | 60 out of 370 products in DK and NO discontinued |
| Efficiency by consolidating common units   | Consolidation of operations finalised            |
| Infrastructure partnerships and outsourcing  | Mainframe operations outsourced to IBM           |



## Key initiatives to increase business momentum

### Key priorities

**Increase business momentum**



**Drive structural cost efficiency**

**Investments in Private Banking**

EUR 700m net inflow in Private Banking

**Gjensidige Bank acquisition**

Gjensidige Bank consolidated 1 March

**New distribution channels**

AMG partnership and US Broker-dealer agreement

**Regain momentum on mortgages**

Increased market share in net new lending in Sweden

**Engaged employees**

Employee engagement on positive trend QoQ



Nordea

