

**Nordea**



## **Second Quarter Results 2017**

Casper von Koskull, President and Group CEO

# 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

## Stable revenues and high activity in our transformation programme

- Overall economic situation remains solid
  - Although increasingly unstable geopolitical environment
- Stable operating environment in our home markets
  - Margins improved from very low levels in recent quarters
  - Stabilising trend which we expect to continue
- Very high activity level in this quarter in our transformation and simplification projects impacting the cost development
- Strong credit quality at 13bps loan loss level
- Capital position continued to be build up and strengthen with CET1 ratio at 19.2% in Q2
- Nordea strives to secure a fair, stable and predictable regulatory environment
- Banking union is the single most important factor when making a final decision in September on domicile

# Q2 2017 Group financial highlights

Stable environment and low growth

		Q2/17 vs. Q2/16*	Q2/17 vs. Q1/17*
<b>Income</b>	<ul style="list-style-type: none"> <li>Total revenues</li> <li>Net Interest Income</li> <li>Fee and commission income</li> </ul>	<ul style="list-style-type: none"> <li>+1%</li> <li>+1%</li> <li>+7%</li> </ul>	<ul style="list-style-type: none"> <li>-1%</li> <li>Flat</li> <li>-1%</li> </ul>
<b>Costs</b>	<ul style="list-style-type: none"> <li>Total costs</li> <li>2017 vs. 2016</li> <li>2018 vs. 2016</li> </ul>	<ul style="list-style-type: none"> <li>+8%</li> <li>+ 3 to 5%</li> <li>Unchanged</li> </ul>	<ul style="list-style-type: none"> <li>+5%</li> </ul>
<b>Credit quality</b>	<ul style="list-style-type: none"> <li>Loan loss level</li> <li>Impaired loans</li> <li>Credit quality outlook</li> </ul>	<ul style="list-style-type: none"> <li>13 (15) bps</li> <li>172 bps (+10 bps)</li> <li>&lt; long-term aver. of 16 bps in H2</li> </ul>	<ul style="list-style-type: none"> <li>13 (14) bps</li> <li>Unchanged</li> </ul>
<b>Capital</b>	<ul style="list-style-type: none"> <li>CET 1 ratio</li> </ul>	<ul style="list-style-type: none"> <li>19.2% (16.8%)</li> </ul>	<ul style="list-style-type: none"> <li>19.2% (18.8%)</li> </ul>

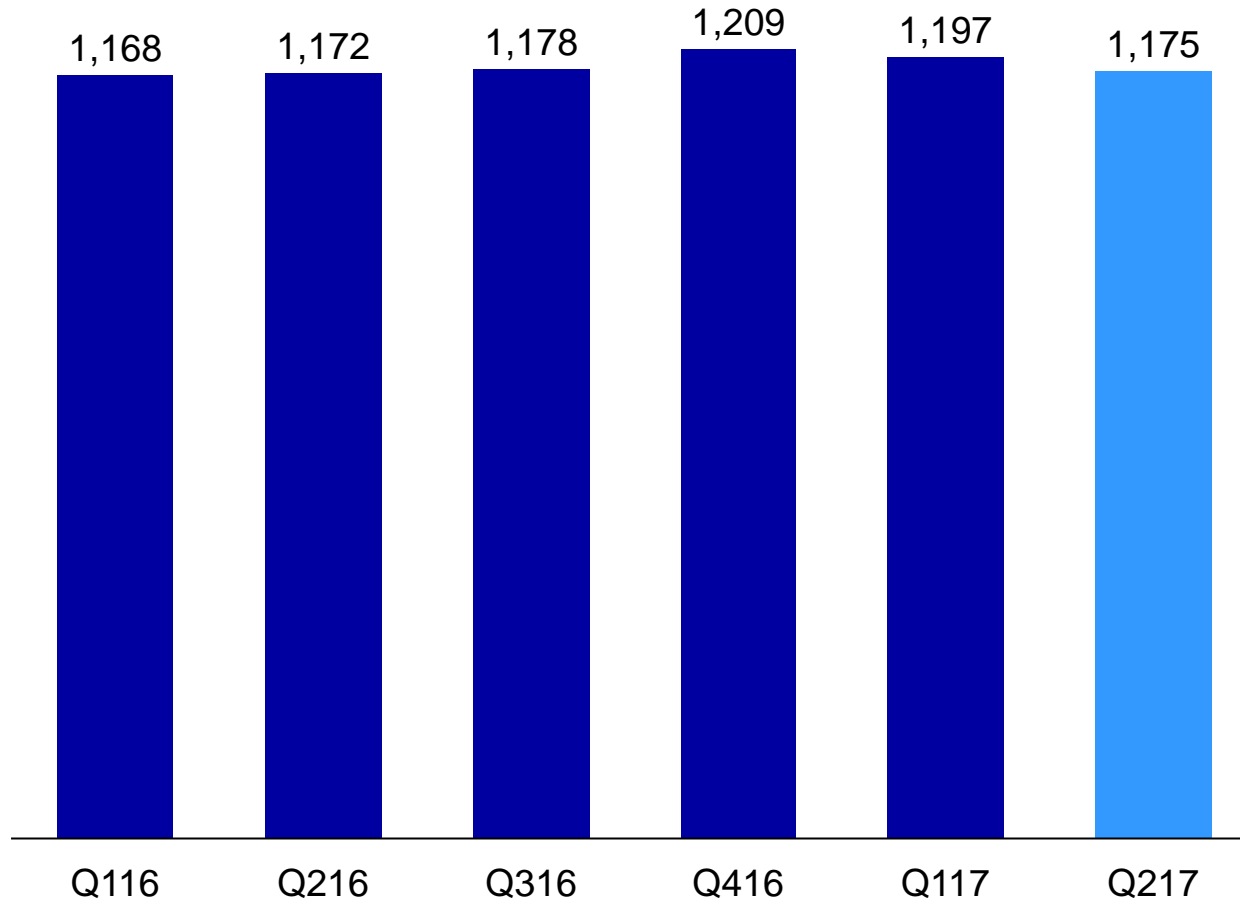
# Nordea Group

## Financial result

EURm	Q217	Q216	Chg Q217 vs. Q216	Loc. curr. Chg YoY	Q117	Chg Q217 vs. Q117	Loc. curr. Chg QoQ
Net interest income	1,175	1,172	0%	1%	1,197	-2%	0%
Net fee & commission income	850	804	6%	7%	866	-2%	-1%
Net fair value result	361	405	-11%	-10%	375	-4%	-5%
<b>Total income</b>	2,407	2,405	0%	1%	2,461	-2%	-1%
<b>Total expenses</b>	-1,291	-1,206	7%	8%	-1,246	4%	5%
Net loan losses	-106	-127	-17%	-15%	-113	-6%	-4%
<b>Operating profit</b>	1,010	1,072	-6%	-6%	1,102	-8%	-8%
<b>Net profit</b>	743	845	-12%	-12%	844	-12%	-11%
Return on equity (%)	9.5	11.4	-1.9 %-points	n/a	10.3	-0.8 %-points	n/a
CET1 capital ratio (%)	19.2	16.8	+2.4 %-points	-	18.8	+0.4 %-points	-
Cost/income ratio (%)	54	50	+4%-points	n/a	51	+3%-points	n/a

# Net Interest Income

6 Quarters Development

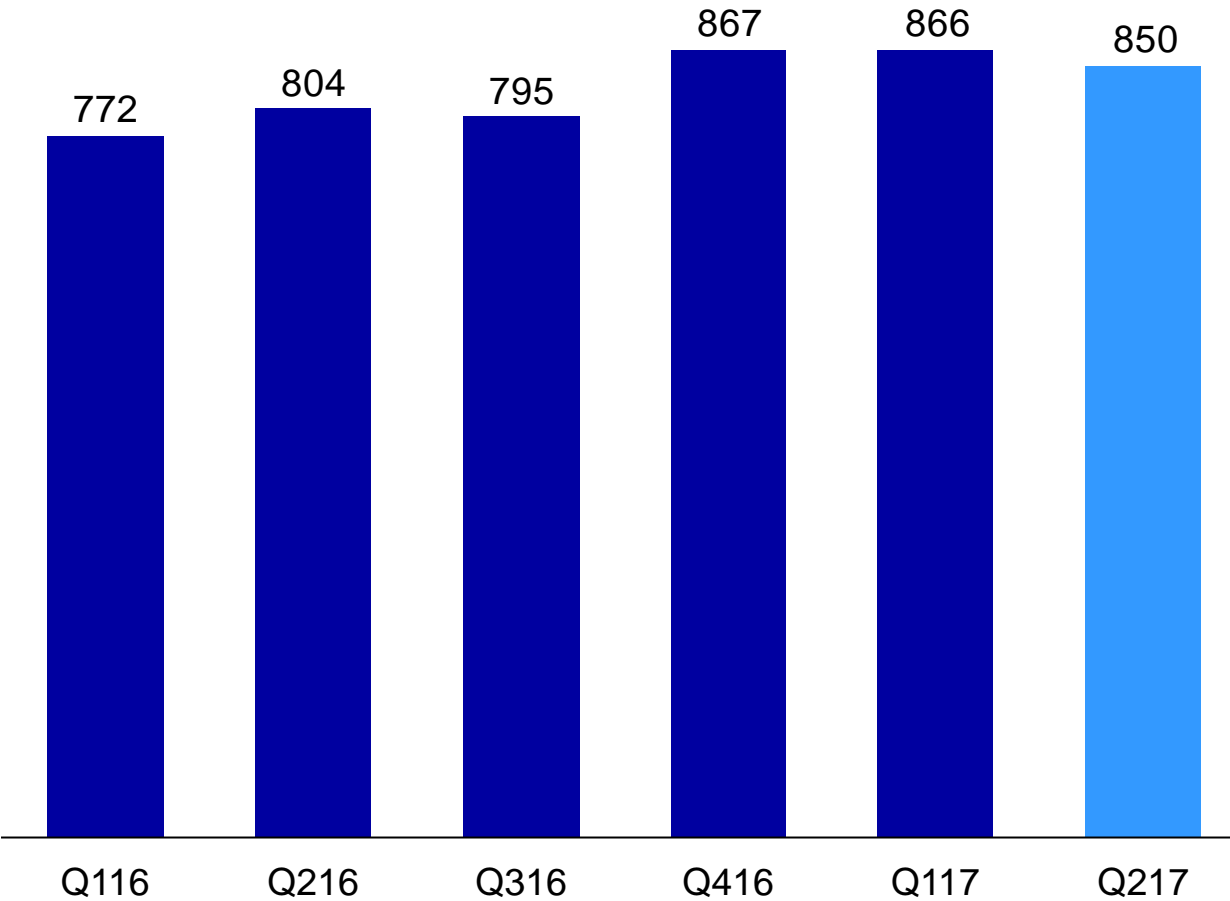


QoQ Trend

- Largely unchanged margins
- Largely unchanged NII in Business Areas
- Low volume growth
- Negative impact of FX (EUR 20m)
- Negative impact in Treasury from basis spread development

# Net Fee and Commission Income

6 Quarters Development

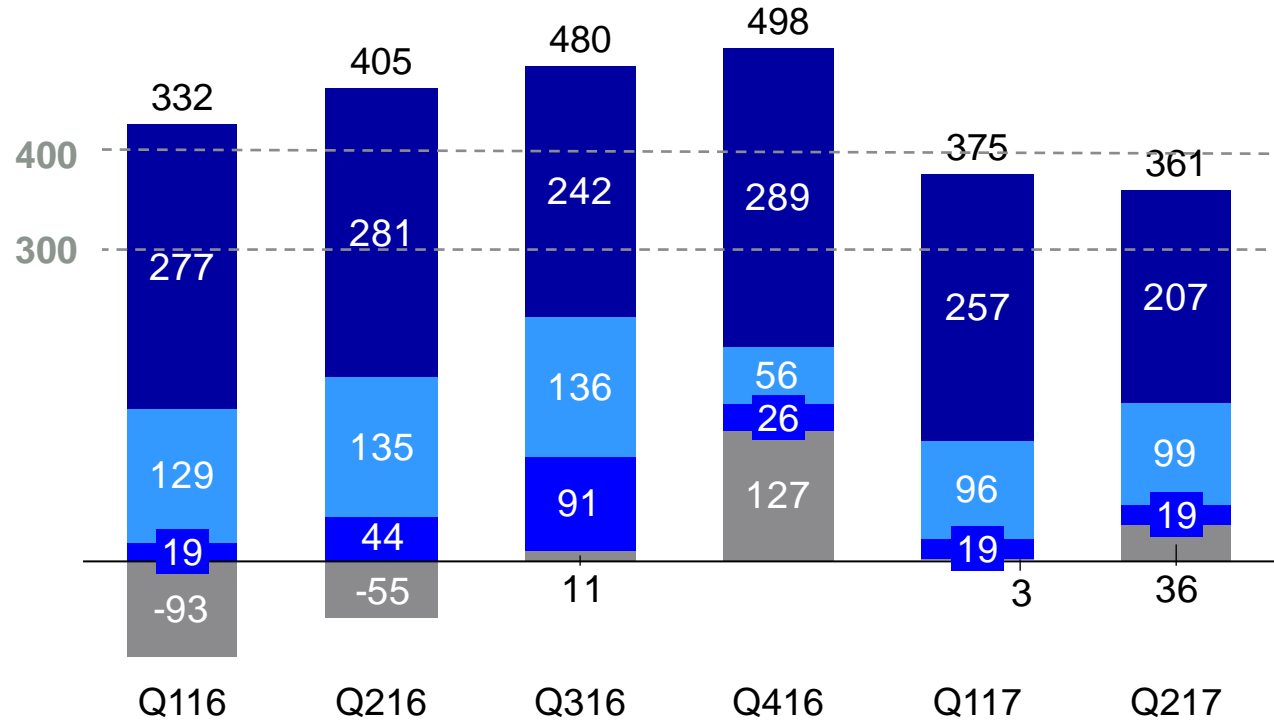


QoQ Trend

- Continued strong trend in Asset Management
- Lower fees from corporate advisory services but still high activity

# Net Fair Value

## 6 Quarters Development



■ Customer areas    ■ Other and eliminations  
■ WB Other ex FVA    ■ FVA

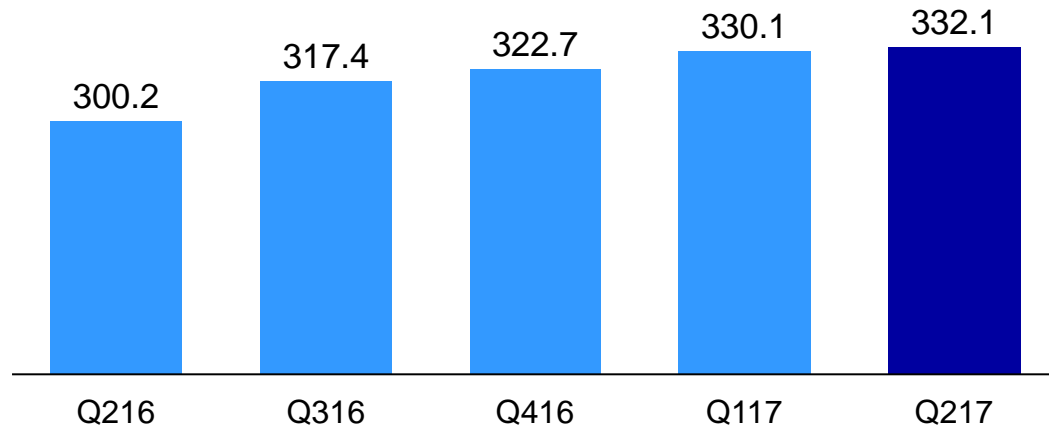
## QoQ Trend

- Positive impact of Fair Value adjustment of EUR 36m
- Lower income in customer-driven capital markets activities due to lower volatility
- Lower revenues in Shipping, Oil and Offshore related to debt restructuring



# Wealth Management reaches all-time high AuM

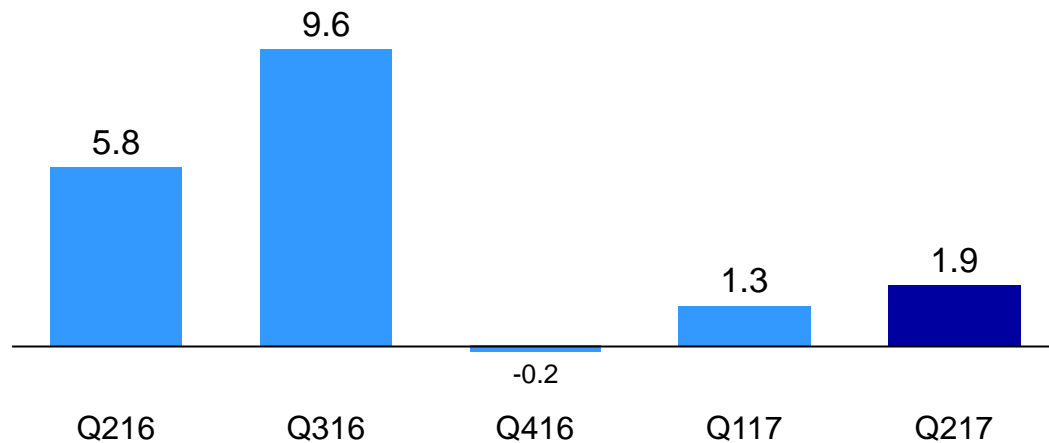
AuM development, EURbn



QoQ Trend

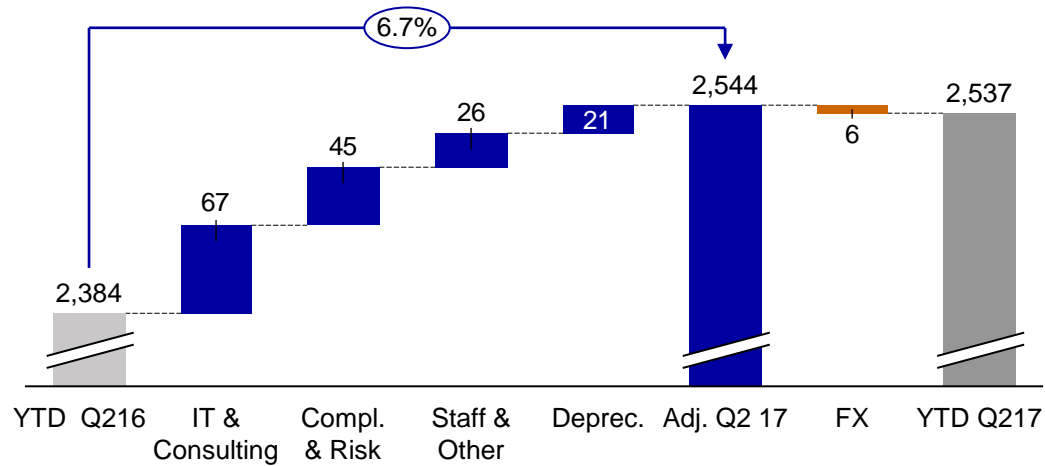
- Increase in AuM (+0.6%) in Q2, reaching a new all-time-high
  - largely due to positive net flow
- Continued strong flows from international institutional clients (+39% vs. Q1)
  - due to a favourable product offering
- Despite soft closure of the Stable Return fund solid flows in Q2 with inflows in most areas
- 88% of composites outperformed benchmark over a 3-year period

Net flow, EURbn



# Costs

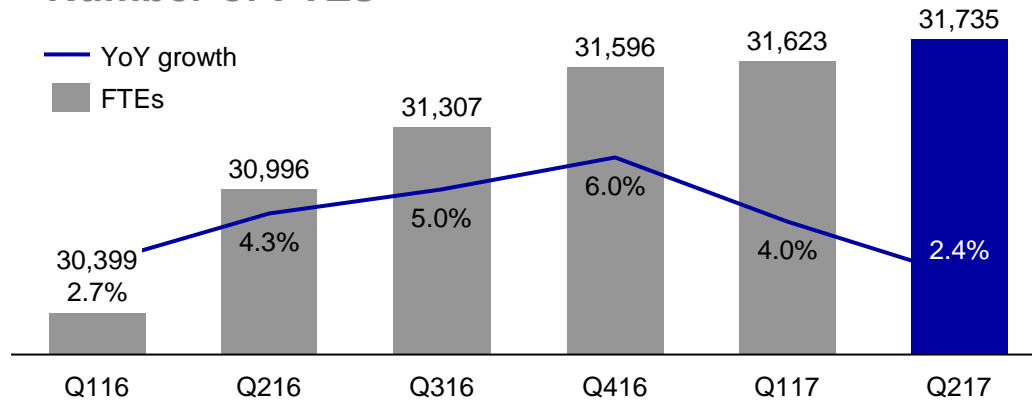
## Total expenses, EURm



## Comments

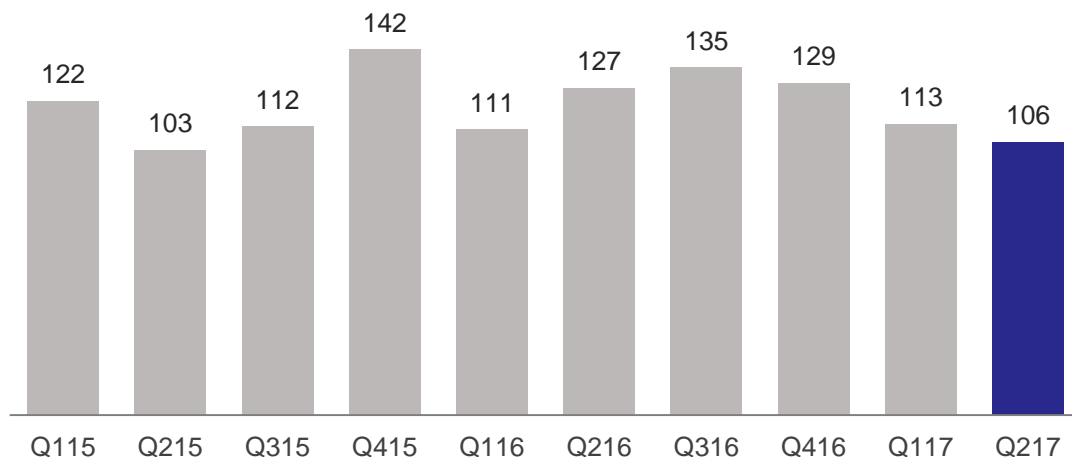
- YtD Q2 +6.7% in local currencies
- High activity in our simplification and transformation projects
- Number of employees up by 2%, mainly driven by IT and compliance
- Cost growth of 3-5% 2017 compared to 2016
- Unchanged costs 2018 compared to 2016

## Number of FTEs



# Improved asset quality

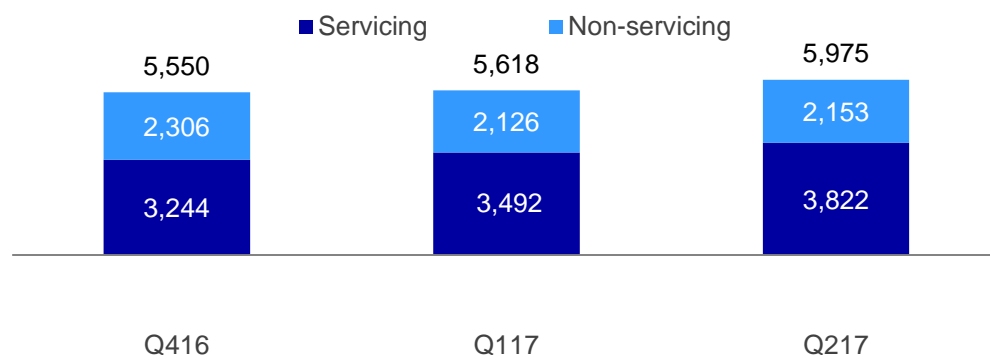
Total net loan losses, EURm



## Comments

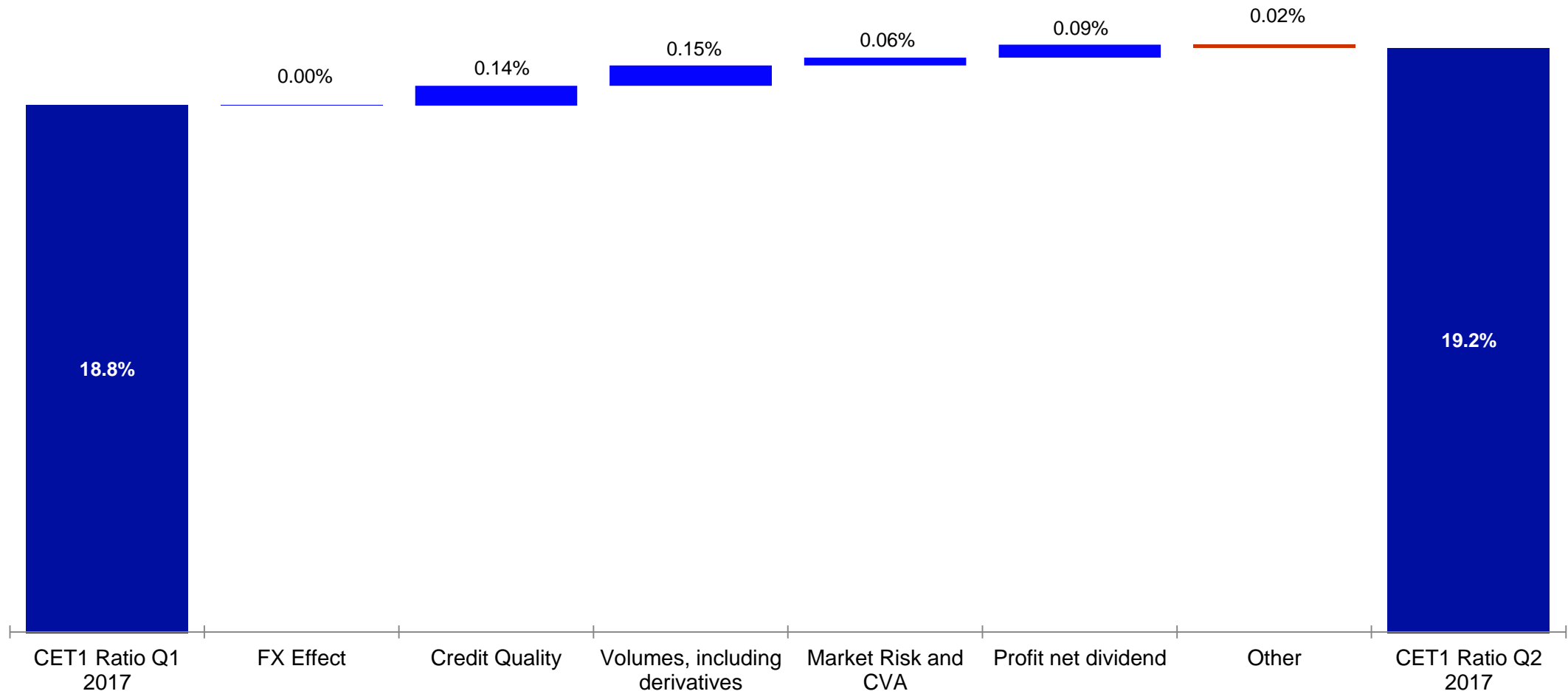
- Loan loss ratio Q2 at 13 bps (Q1 14 bps)
  - Loan losses in Q2 are diversified between business areas
  - Largest individual loan loss related to offshore portfolio
- Loan losses outlook
  - Below long-term average of 16 bps in H2
- Impaired loans gross increased by 6%
  - Related to few new impaired customers in Oil and Offshore and Consumer Durables which are covered with collaterals

Impaired loans, EURm



11 • Total net loan losses: Includes Baltics  
 • Impaired Loans: Excludes Baltics. Only on-balance part (including credit institutions)

# Common Equity Tier 1 ratio development Q217 vs. Q117



# Key Milestone in the Core Banking Programme

A common, Nordic Core Banking Platform supporting the core functions of banking

**Completed the upload of  
Finnish household customers  
(approx 3.8 million)**

**Key software release to the  
product environment**



**Will enable Nordea to launch  
the new deposits and savings  
product portfolio in Finland**



# Ensuring a thorough risk and compliance culture

## Ongoing work and investments

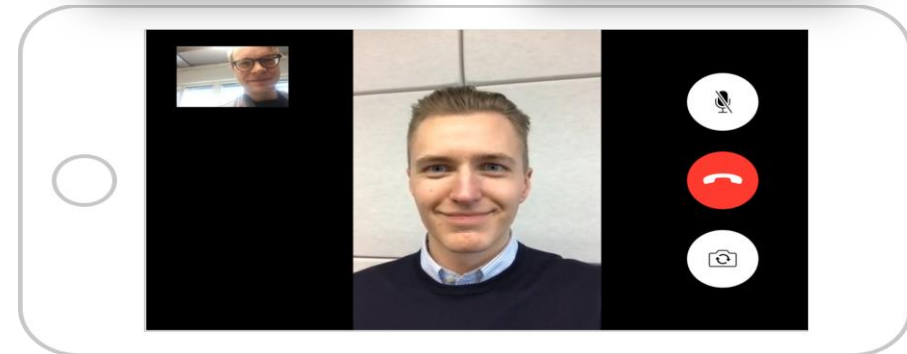
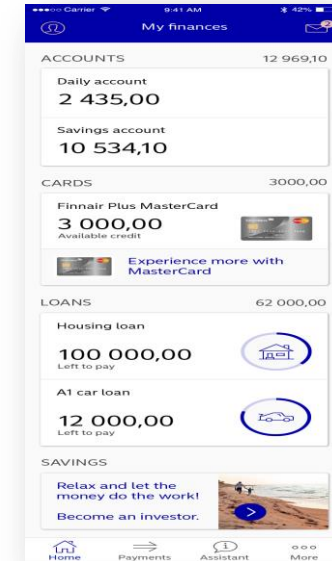
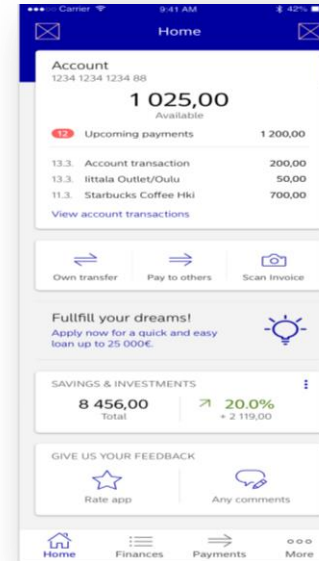
- New Compliance Risk Policy in place
- Competence training for 13,000 customer facing people
- More personal accountability in ensuring compliance
- Continued development in processes and capabilities to prevent financial crime
- Our 2020 target is to fully implement end-to-end solutions for sustainable financial crime fighting



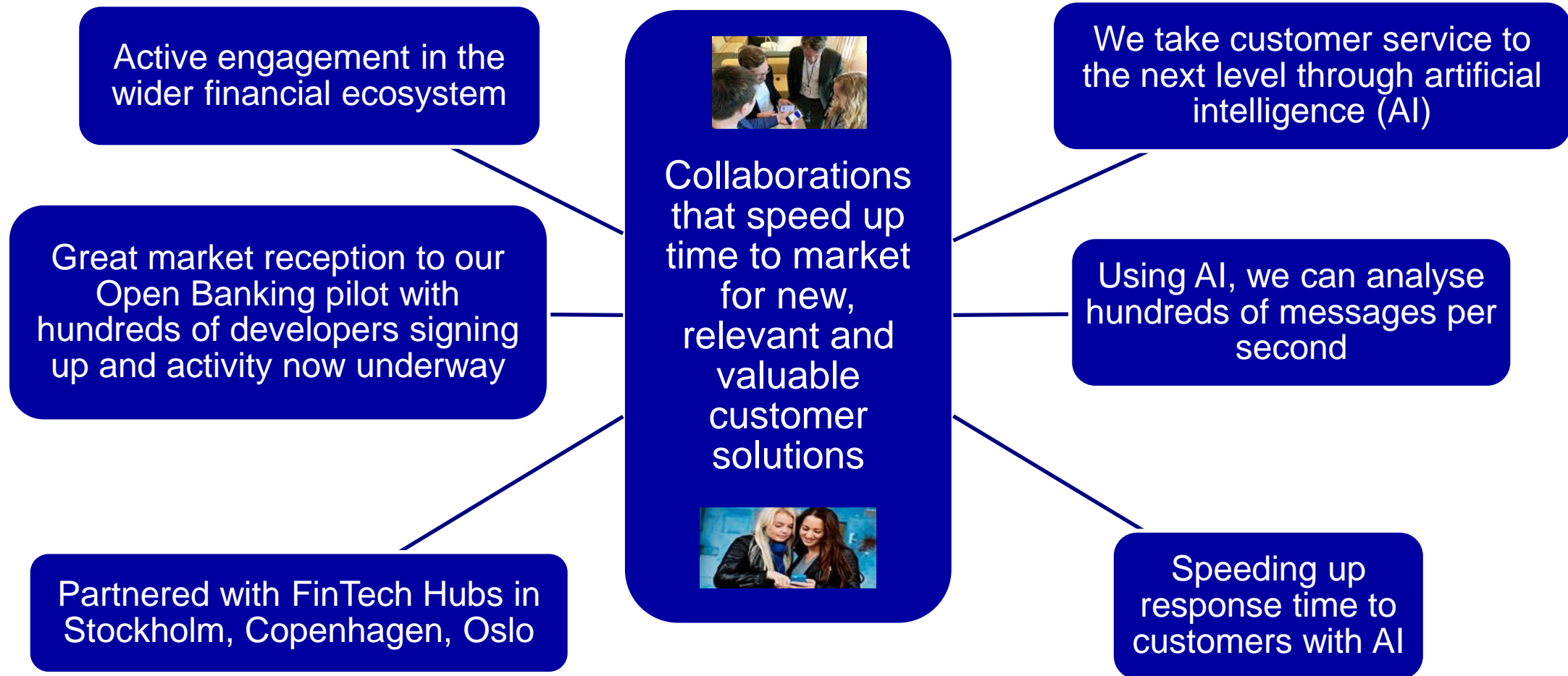
# Launch of a new mobile bank

Daily banking – anywhere, anytime

- Making personal relationships easier and more efficient
- Instant advisor meetings
- Direct loan applications
- Finland in 2017, other countries 2018



# Strategic partnerships with FinTech incubators





# Issuing Nordea's first Green Bond

Manifests Nordea's increased ambition level in the sustainability area

- On the back of solid demand, Nordea issued a EUR 500m 5-year bond at an attractive price
- An important step in Nordea's enhanced sustainability focus based on our purpose to work for a greater good
- Promoting businesses and innovations with sustainable solutions is a priority in our investment and lending
- Enables our customers to demonstrate their sustainability approach also in financing



**Nordea**



**Second Quarter Results 2017**  
**Q&A**