

# Nordea



**Third quarter results 2018**

# 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.

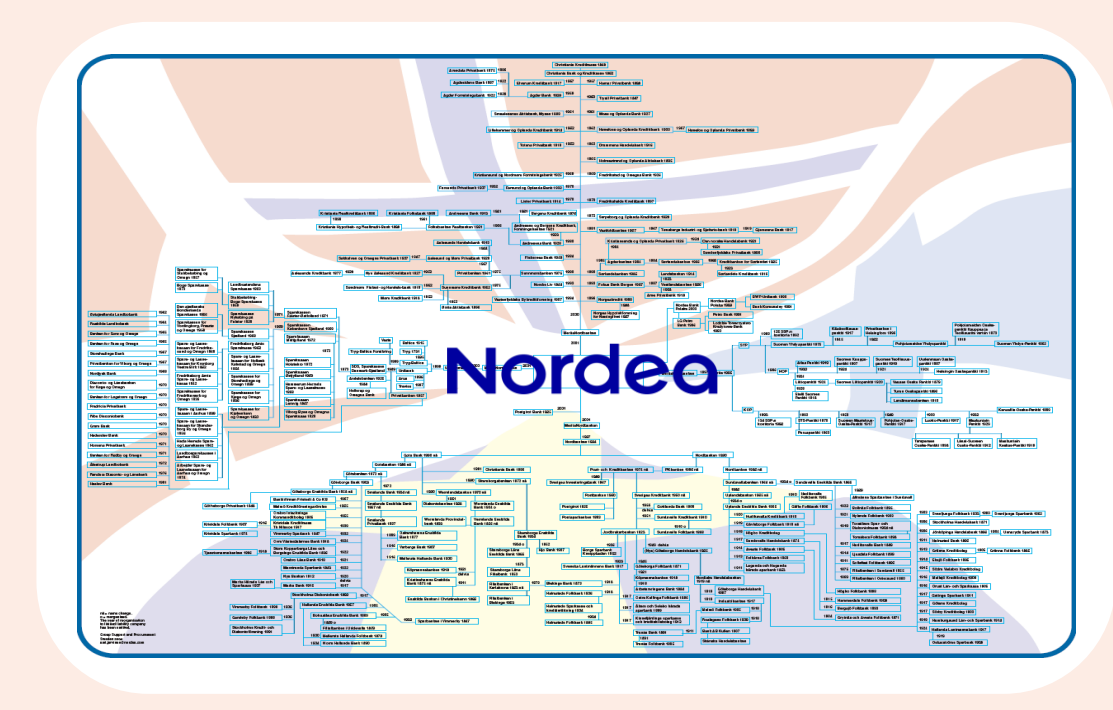




NASDAQ HELSINKI  
WELCOMES  
NORDEA BANK  
DOMICILE TO FINLAND  
**Nordea**



# Roots back to 1820 and inherits the strength from over 300 banks



## Nordea formation

- Merita Nordbanken merger 1998
- Merger with Unibank 2000
- Acquisition of Kreditkassen 2000



**Pre-70s**  
300 banks

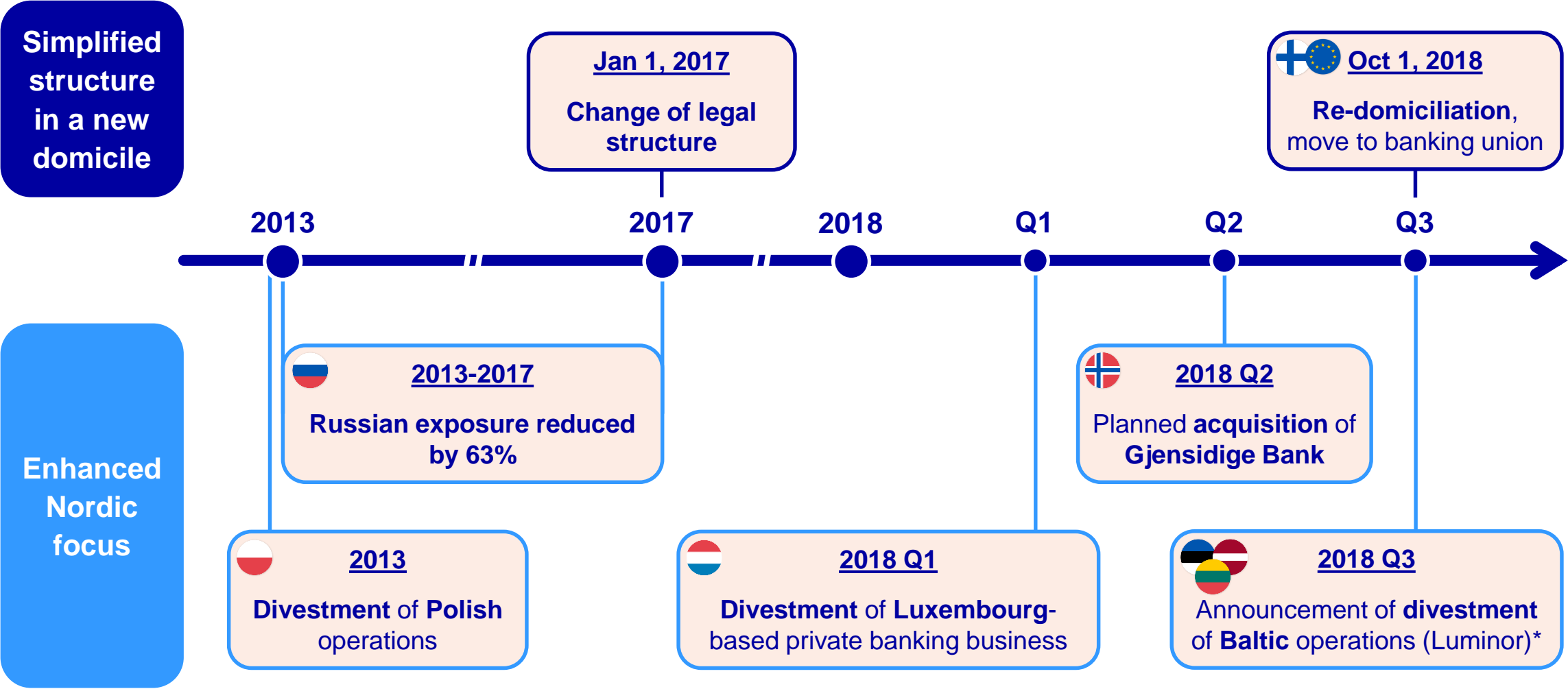
**1970's**  
80 banks

**1980's**  
30 banks

**1990's**  
4 banks

**2000's**  
1 Nordea

# Nordea has further enhanced its Nordic focus with a simplified structure in a new domicile



**Nordea a truly Nordic focused bank in the heart of the banking union**



## Nordea's stand on anti-money laundering (AML)

- Combatting financial crime is part of our daily operations
- We don't accept to be used as a platform for money laundering
- We collaborate closely with the authorities
- Banks may earlier have underestimated the complexity of preventing money laundering
- Significantly strengthened our transaction monitoring and investigation capabilities
- 1.8bn 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
- AML is a societal issue. Increased cooperation between banks and authorities is needed





## Nordea in the Baltics

- Nordea owns 56% of the capital in Luminor, DNB other key shareholder
- When Luminor was created in 2017 it was a mutual due diligence process between DNB and Nordea
- Blackstone will acquire 80% of the shares in Luminor, transaction was announced 13 September
  - Blackstone has finalised the due diligence
- Luminor has 0.6-1.6% of non-resident deposit volumes from Russia, Latvia, Estonia, Ukraine and Cyprus
- Nordea is not aware of any whistleblowing cases
- Nordea's Baltic operation and Luminor have not been subject to any AML/Sanctions regulatory fines
- As far as we are aware, Luminor is not currently the subject of an AML/Sanctions regulatory investigation



# Nordea

## Improved customer satisfaction and business volumes

- Disappointing revenues in the quarter
- Seasonally lower activities impacting ancillary income
- Challenging market environment

## Costs and cash spending are reduced according to plan

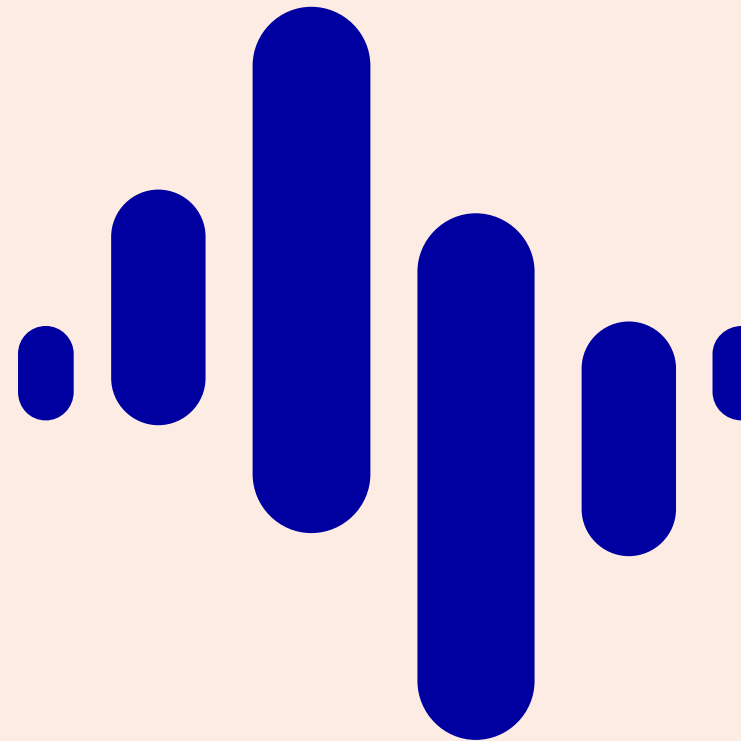
## Strong credit quality

## CET1 ratio above 20% for the first time ever

- Largely unchanged capital requirement in nominal terms following the move

## Updated outlook

- Reiterated outlook for revenues and net profit in 2018 and loan losses in the coming quarters
- Cost base below EUR 4.8bn in 2018 and further reduction in constant currencies in 2019
- Costs in 2021 approximately 3% lower than 2018 in constant currencies

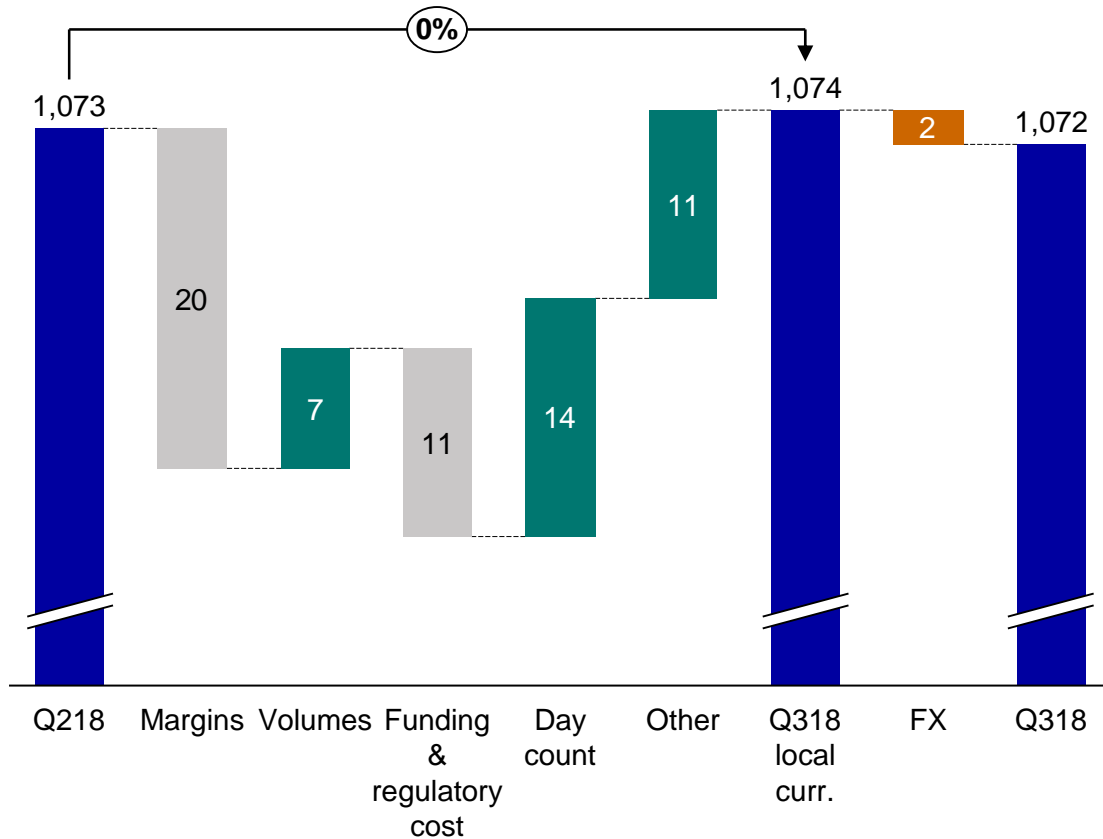


## Q3 2018 Group financial highlights

		Q318 vs. Q218*	Q318 vs. Q317*
Income	Net interest income	0%	-8%
	Total operating income	-7%	-12%
Costs	Total operating expenses	-1%	-3%
Profit	Net profit	-7%	-17%
Credit quality	Loan loss level	8bps (10bps)	8bps (10bps)
Capital	CET1 ratio	20.3% (19.9%)	20.3% (19.3%)

# Net interest income

## Q318 vs Q218, EURm

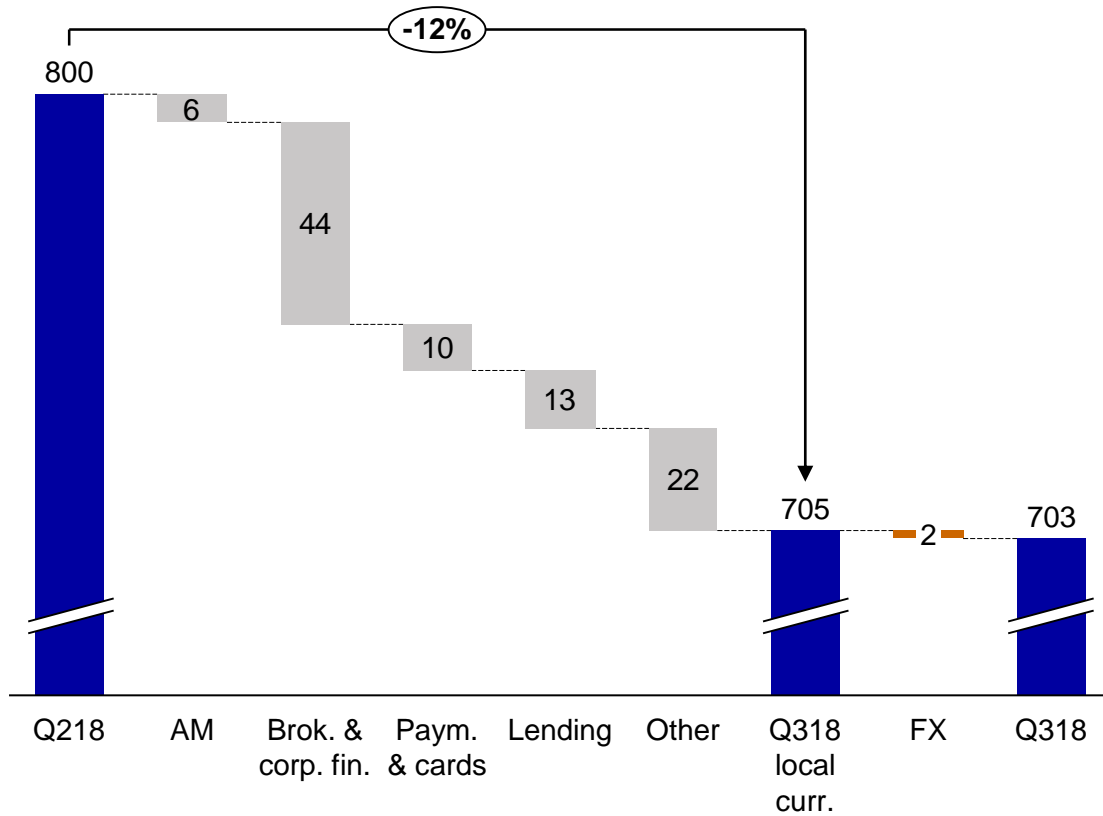


## Comments

- Continued stabilisation in net interest income
- Lending volume growth in both household and corporate
- Pressure on lending margins mainly in the household segment
- Higher regulatory cost due to periodisation
- Higher net interest income in Group Treasury

# Net fee and commission income

## Q318 vs Q218, EURm



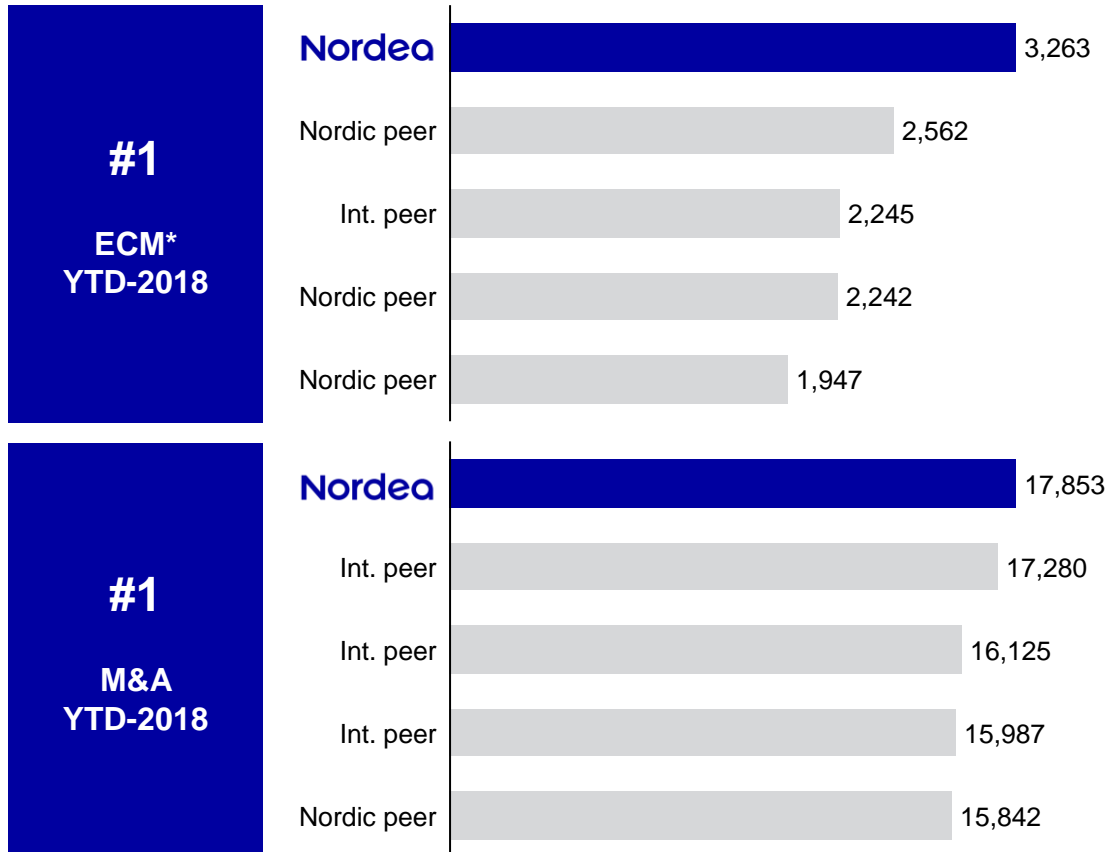
## Comments

- Seasonally lower corporate advisory fees from an extraordinary Q2 level
- No semi-annual custody fees in Q3
- Assets under management increased in the quarter by EUR 4.5bn driven by performance

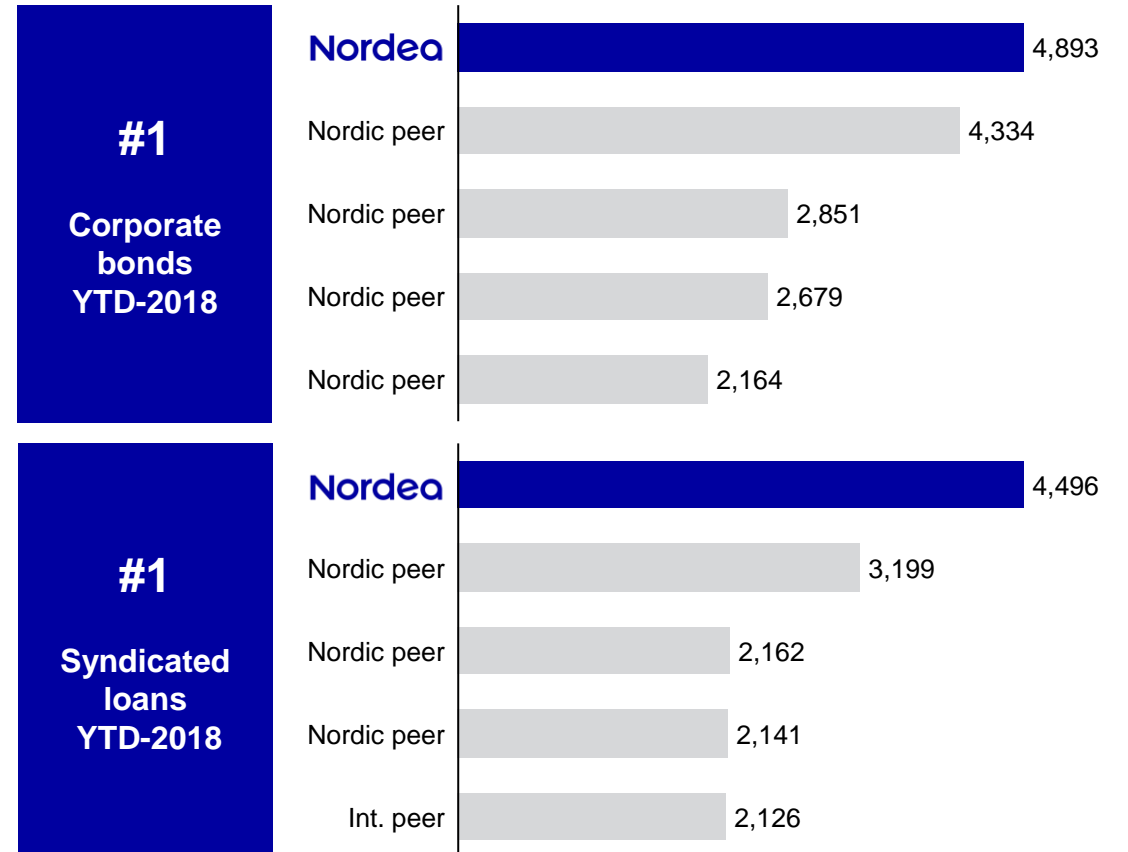


# Nordea's number 1 position in the Nordic corporate advisory segment is confirmed

## Advisory league tables, EURm

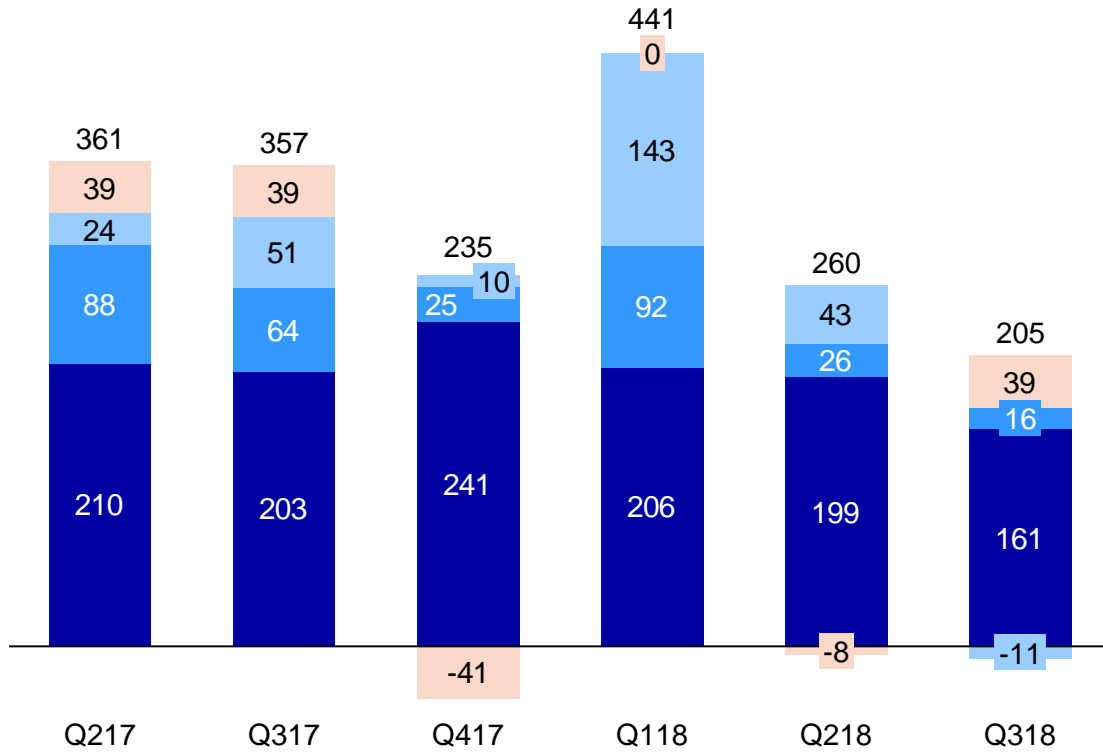


## DCM league tables, EURm



# Net fair value

## 6 quarters development, EURm



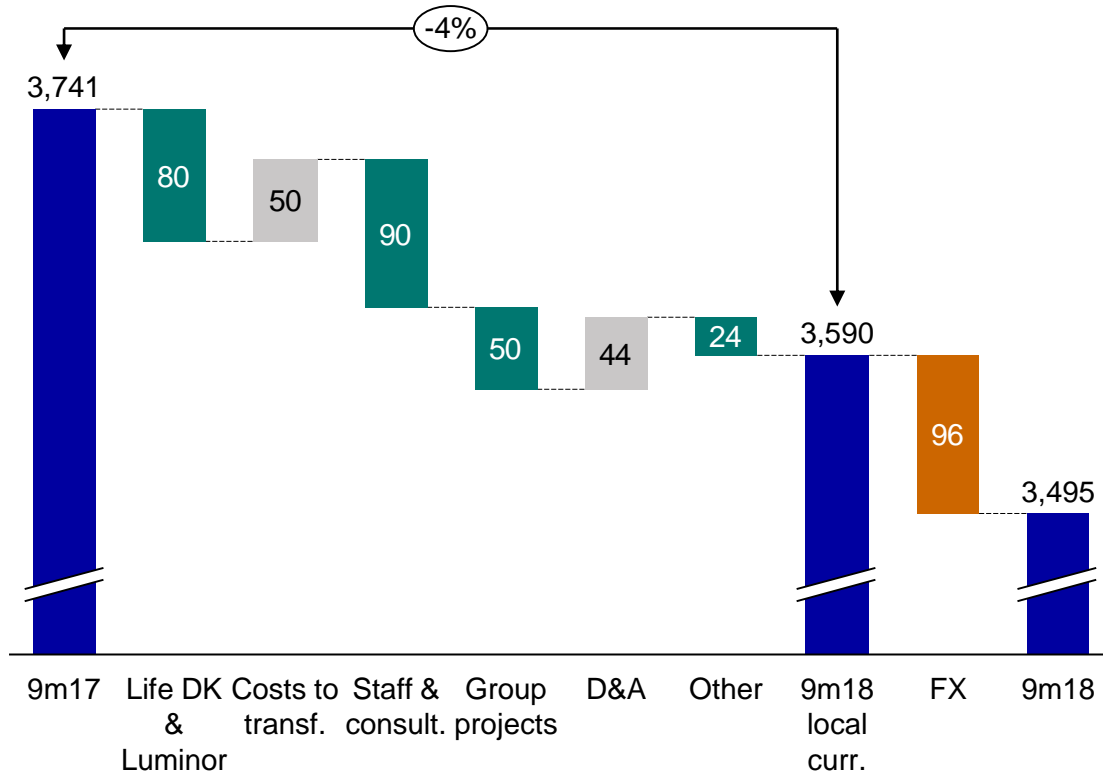
■ XVA 
 ■ Other and eliminations\* 
 ■ WB Other ex XVA 
 ■ Customer areas

## Comments

- Seasonally lower activity in the customer operations
- Challenging environment in the capital markets
  - Low spreads, interest rates and volatility

# Costs

## 9m18 vs 9m17, EURm

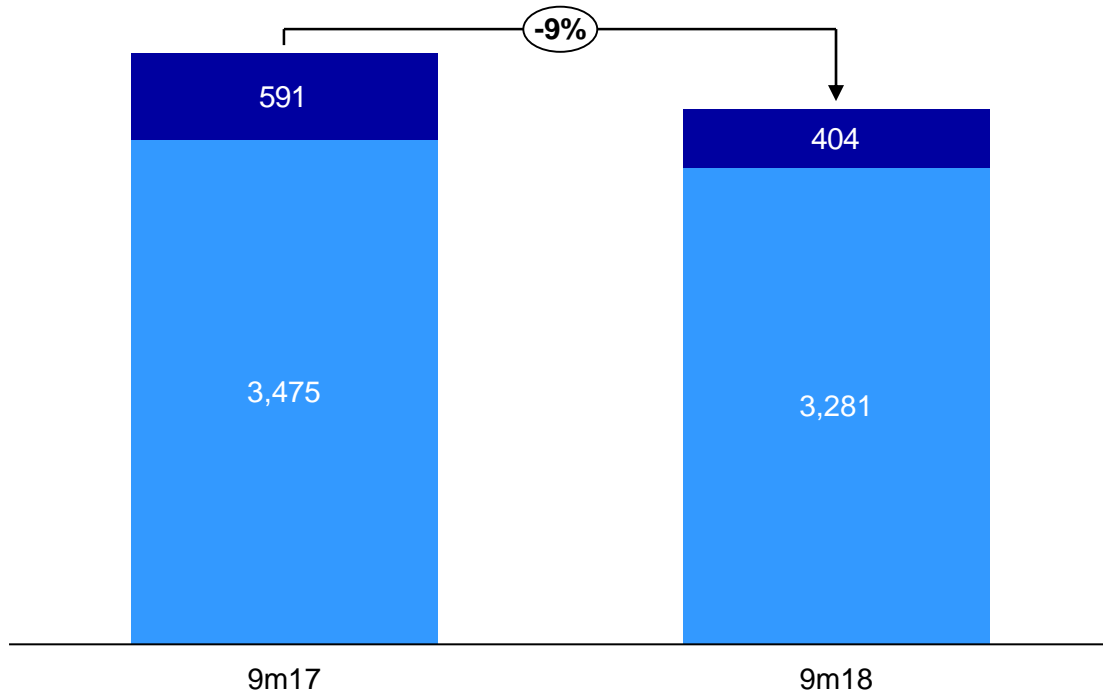


## Comments

- Costs are coming down across the board
- Number of staff is down 3%\*
- Depreciations and amortisations go up according to plan
- Lower transformation costs than expected, but we are delivering according to plan
- Tailwind from weaker SEK vs EUR

# Major reduction in cash spending\*

9m18 vs 9m17, EURm\*\*



## Comments

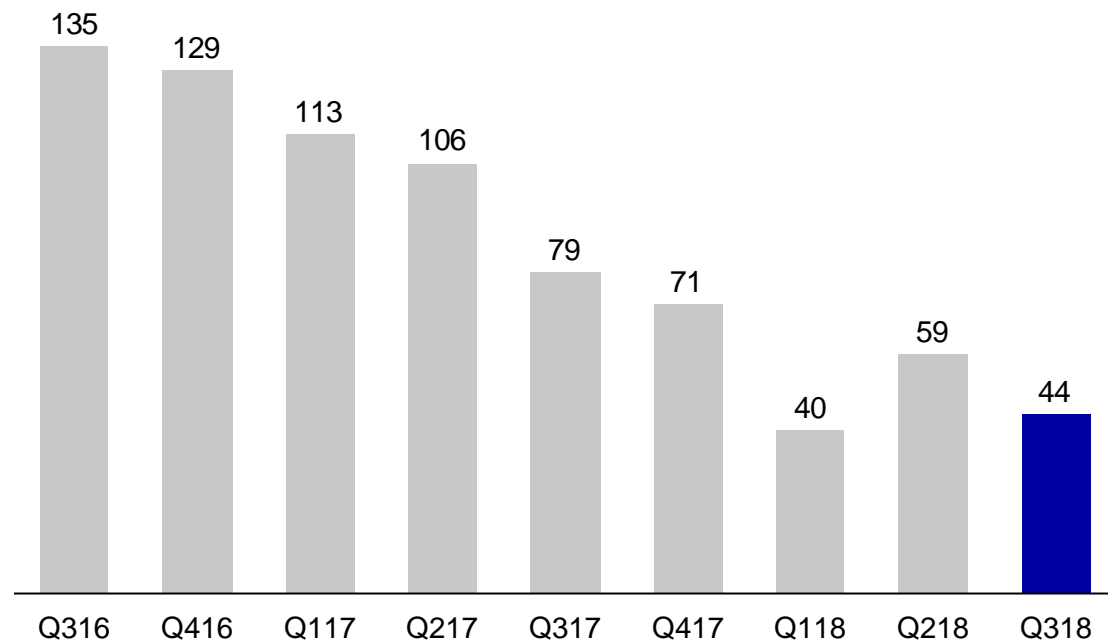
- Total cash spending in the income statement and on the balance sheet is down 9%
- On track for 2018 cash spending target

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



# Strong asset quality

## Total net loan losses\*, EURm

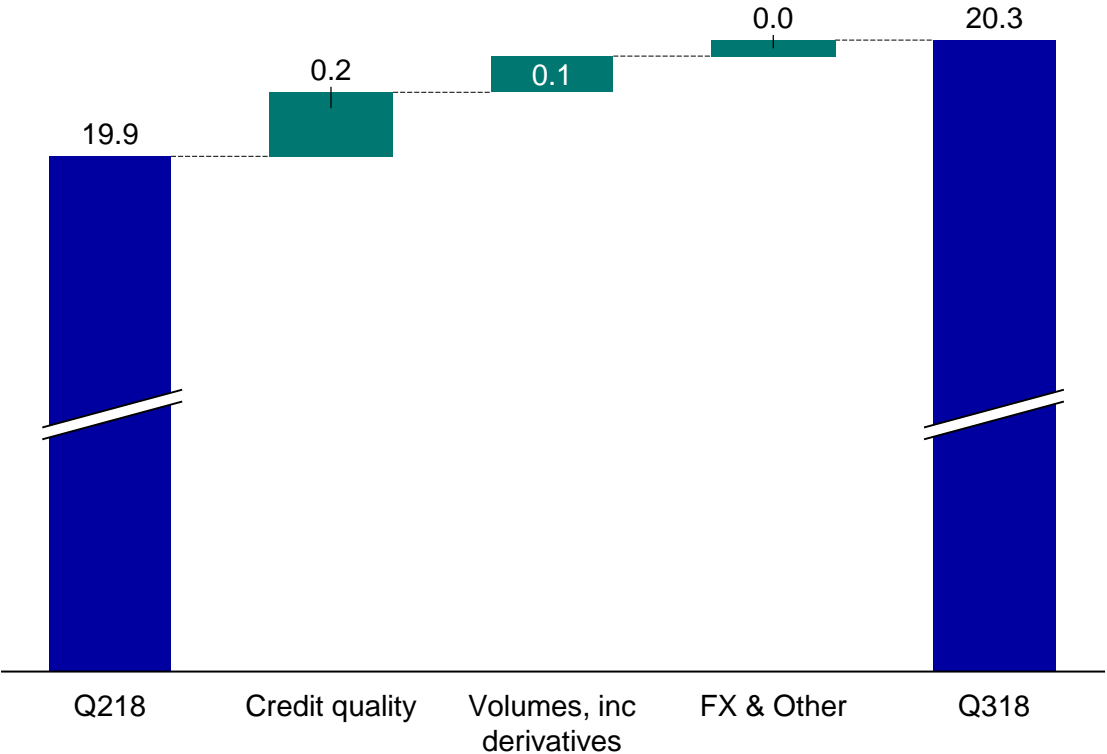


## Comments

- Loan loss level of 8 bps
- A collective provision related to potential impact of dry summer on the Danish agriculture portfolio
- Loan losses in the coming quarters expected to be below long-term average
- Gross impairment rate (Stage 3) down 7%
  - Mainly related to decreases for Oil & Offshore related exposures

# Common Equity Tier 1 ratio development Q318 vs Q218

## Quarterly development



## Comments

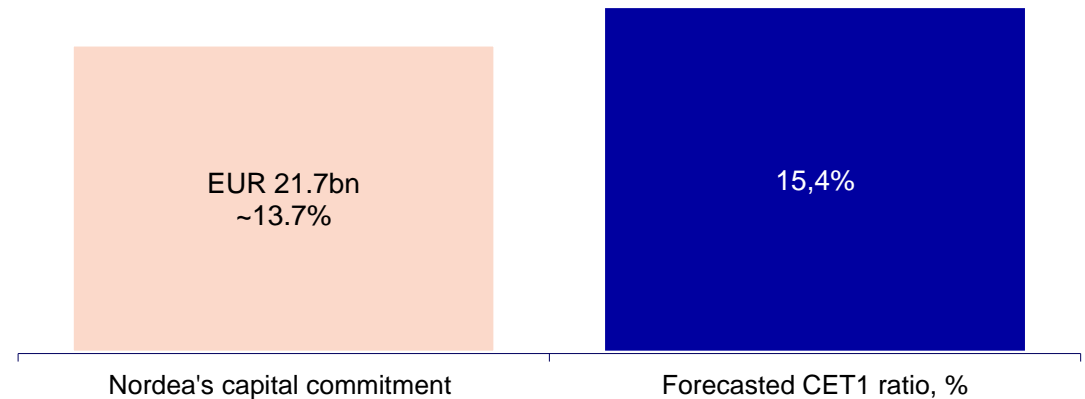
- Lower Risk Exposure Amount of EUR 1.7bn
  - From lower risk weights on corporate portfolio and lower counterparty credit risk
- CET1 capital increased by EUR 0.1bn

# Estimated CET1 requirement during the transition period into the ECB capital framework

## Comments

- Nordea will migrate from the Swedish FSA framework to the harmonised ECB capital requirement framework
  - Full migration is expected by end of 2019 when Nordea has received the outcome of the 2019 SREP from ECB
- During the transition period Nordea has committed to maintain a nominal CET1 capital level based on the 2018 SREP outcome
  - This level equals EUR 21.7bn and is approximately 13.7% of forecasted REA Q4 2018
  - The estimated REA increase in Q4 2018 is EUR 36bn, of which EUR 10.5bn stems from the Swedish residential real estate risk-weight floor

## Estimated CET1 requirement



# Our efforts on customer satisfaction continue to bear fruit

Continued improvement in customer satisfaction in household segment



For three consecutive quarters, Nordea has seen customer satisfaction improve in Sweden, considerably in the two latest

We have the clear ambition to close the gap to our competitors





# Nordea aims to take a leadership position within sustainable finance

Nordea Life & Pensions has **cut the carbon footprint** of its traditionally managed equity portfolio **by 70 percent**



Nordea Life Finland has been awarded as the **Most Sustainable Assurance** in the **Nordics** by Capital Finance International



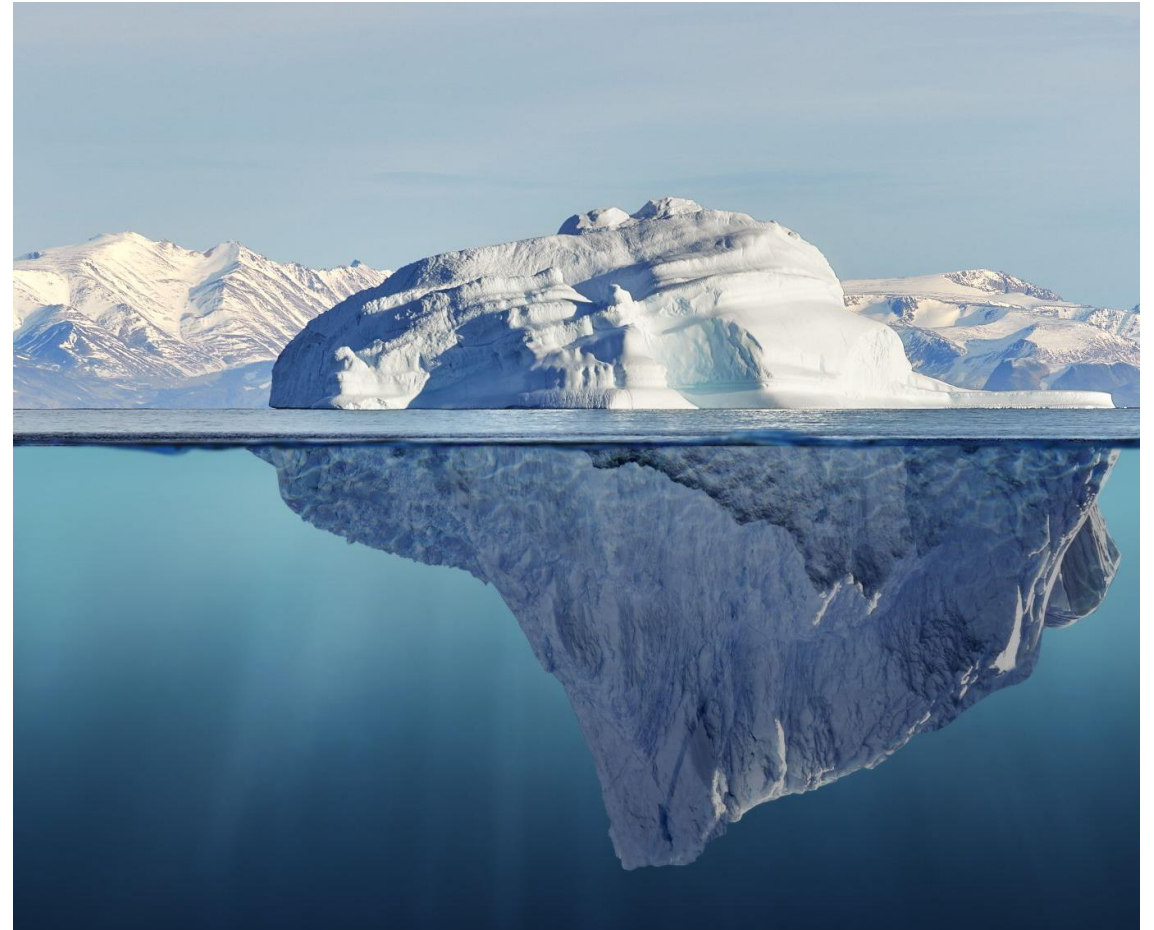
**Green mortgage** launched to our private customers in Sweden



Nordea is together with 28 leading banks and the UNEP FI part of **developing new Principles for Responsible Banking**



Nordea is selected in the European Commission's technical **expert group on sustainable finance**



# Nordea



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