

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

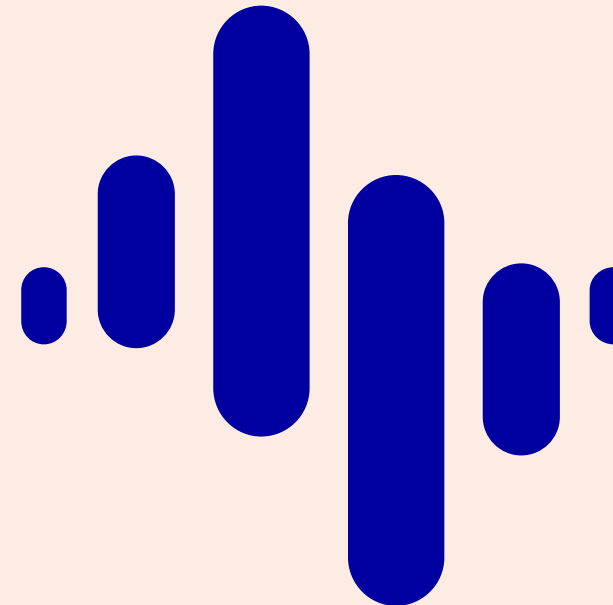
Improved operating leverage in the quarter

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

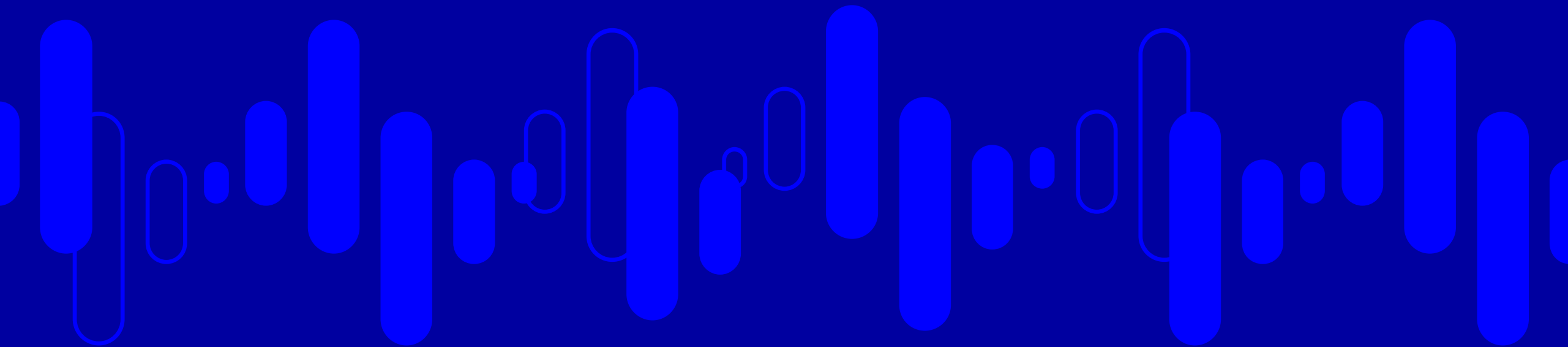
Credit quality remains solid at 7 bps loan loss ratio

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



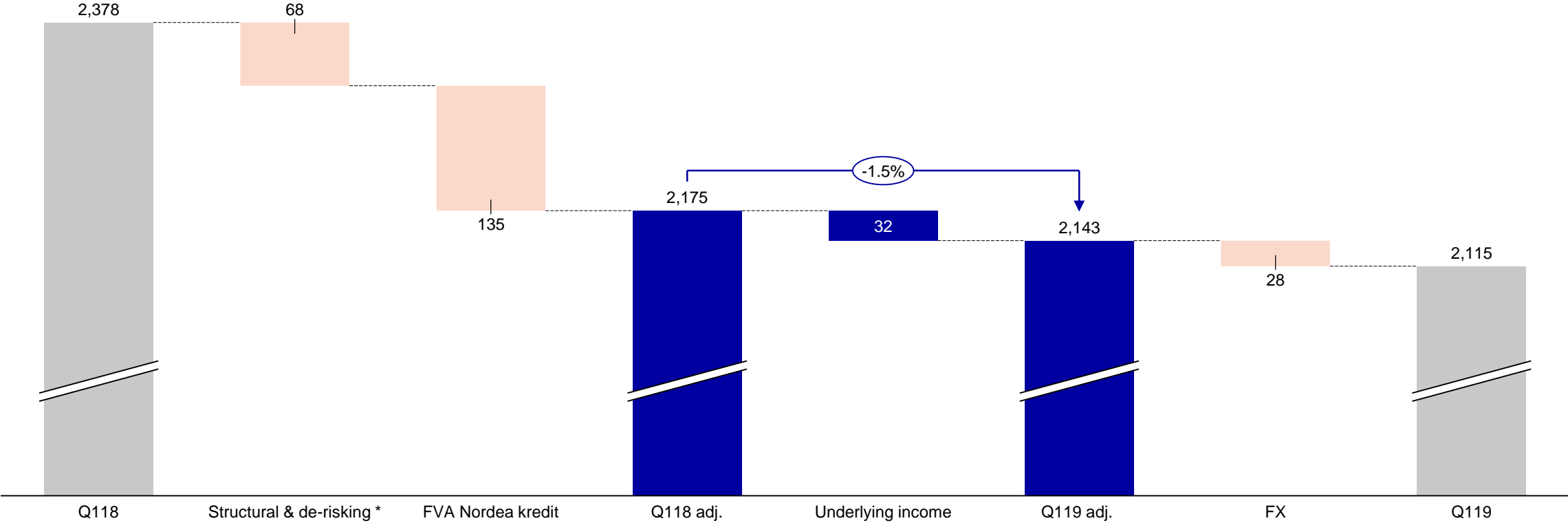
Revenues



Group financial highlights first quarter 2019

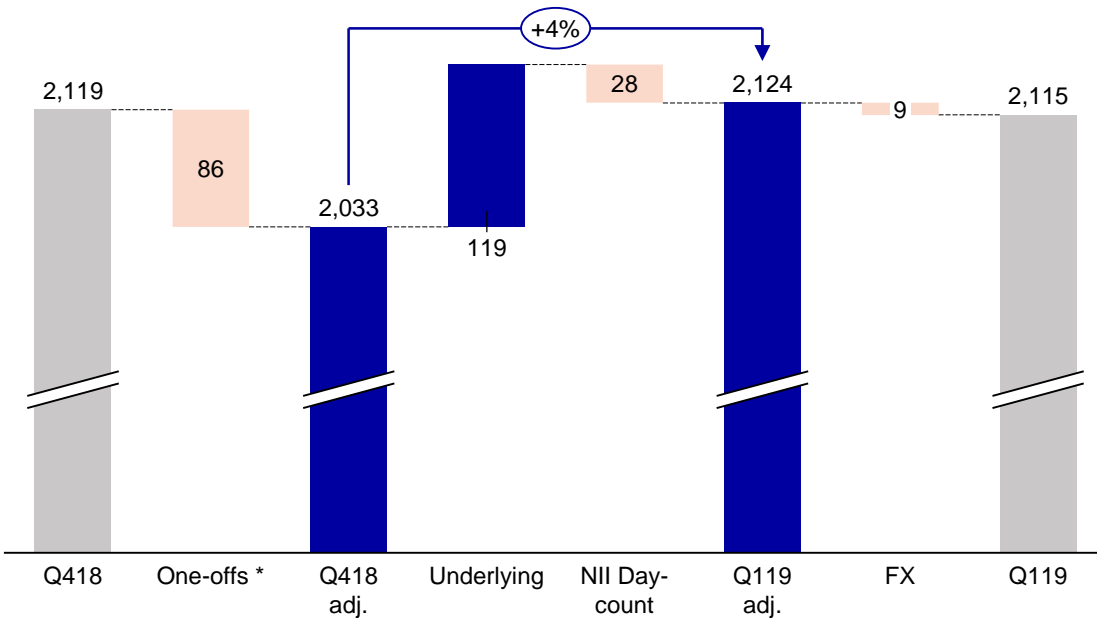
Income statement, EURm	Q1 2019	Q4 2018	Q1/Q4 change	Q1 2018	Q1/Q1 change
Net interest income	1,056	1,142	-8%	1,116	-5%
Net fee and commission income	737	720	2%	770	-4%
Net fair value result	264	182	45%	441	-40%
Other Income	59	75	-21%	51	15%
Total operating income	2,115	2,119	0%	2,378	-11%
Total operating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

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

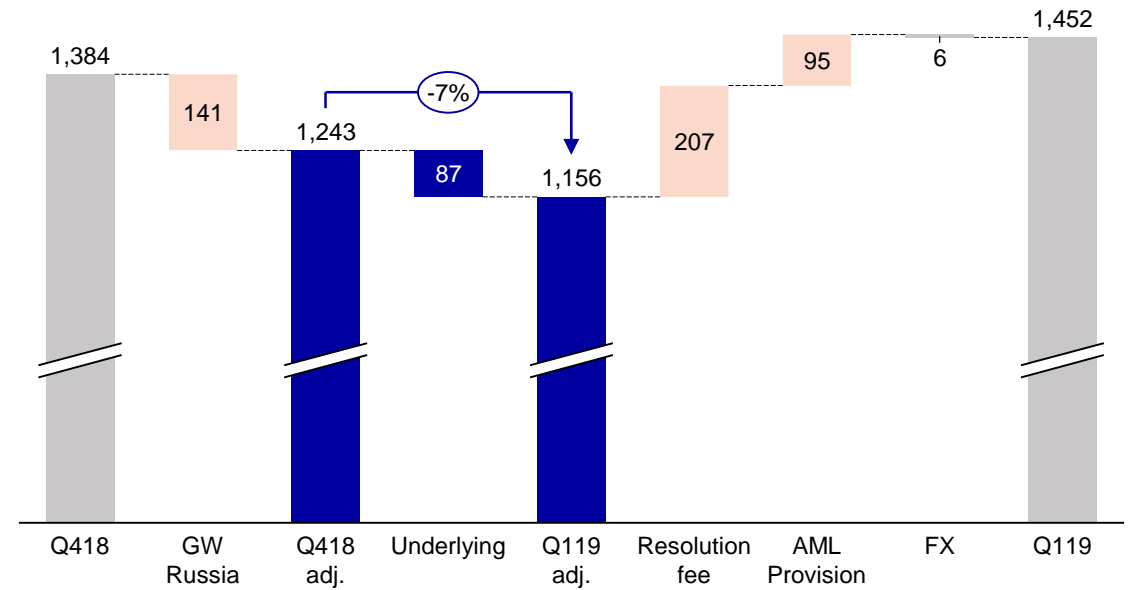


...but improved operating leverage QoQ

Income Q119 vs Q418, EURm

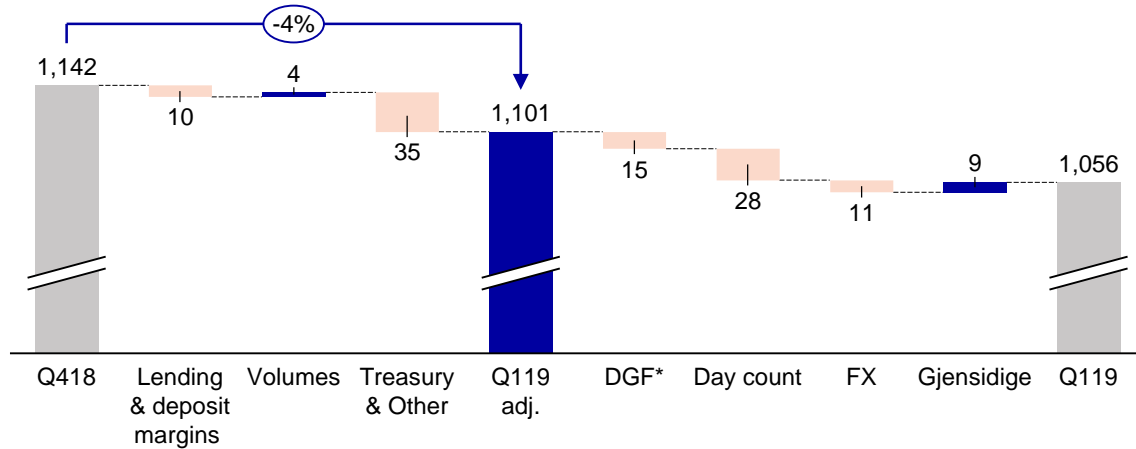


Costs Q119 vs Q418, EURm

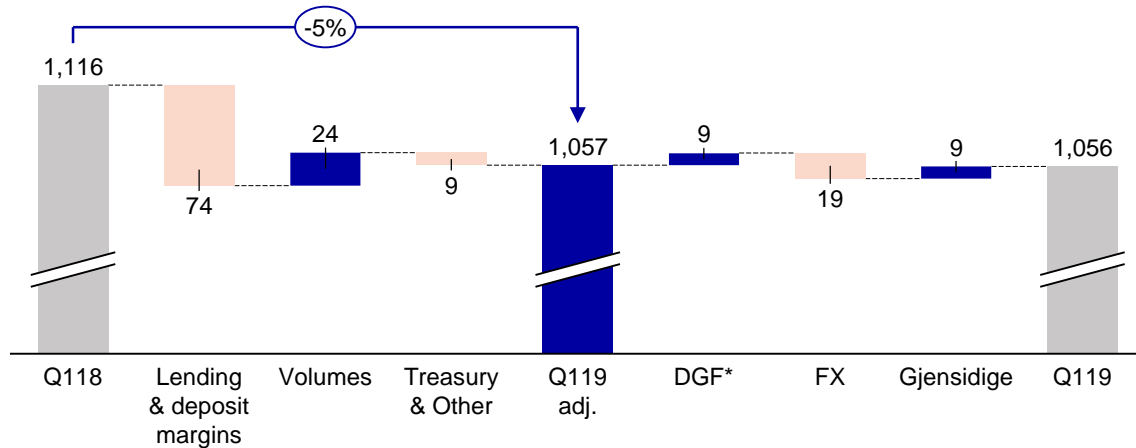


Net interest income

Quarterly bridge, EURm



Yearly bridge, EURm

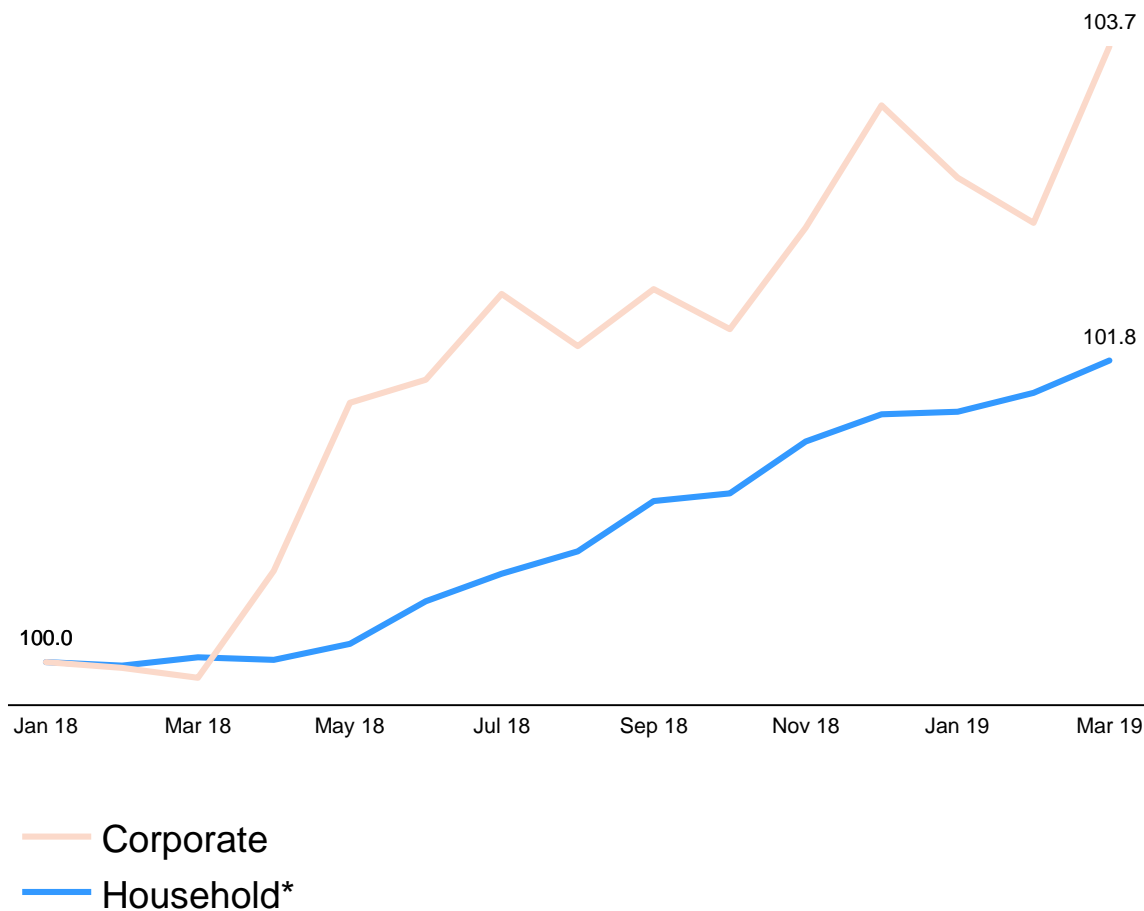


Comments

- 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)

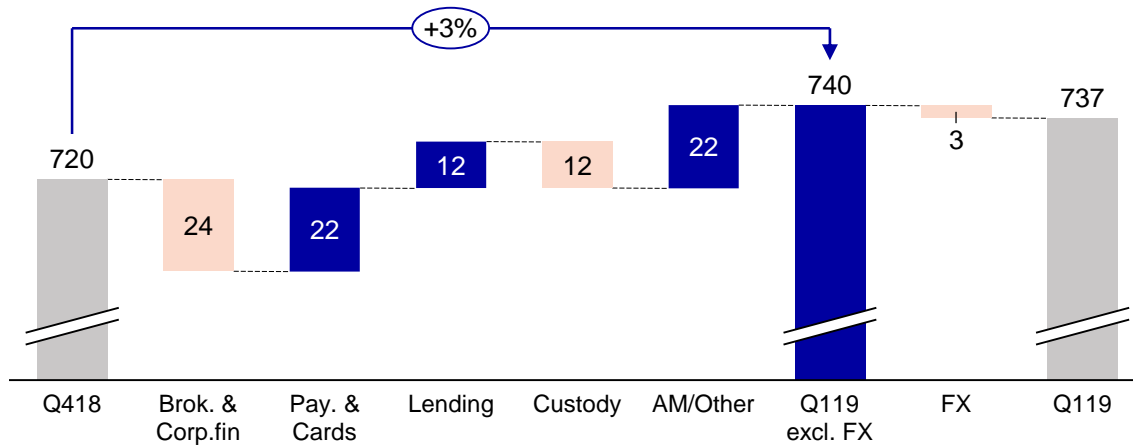


Comments

- 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

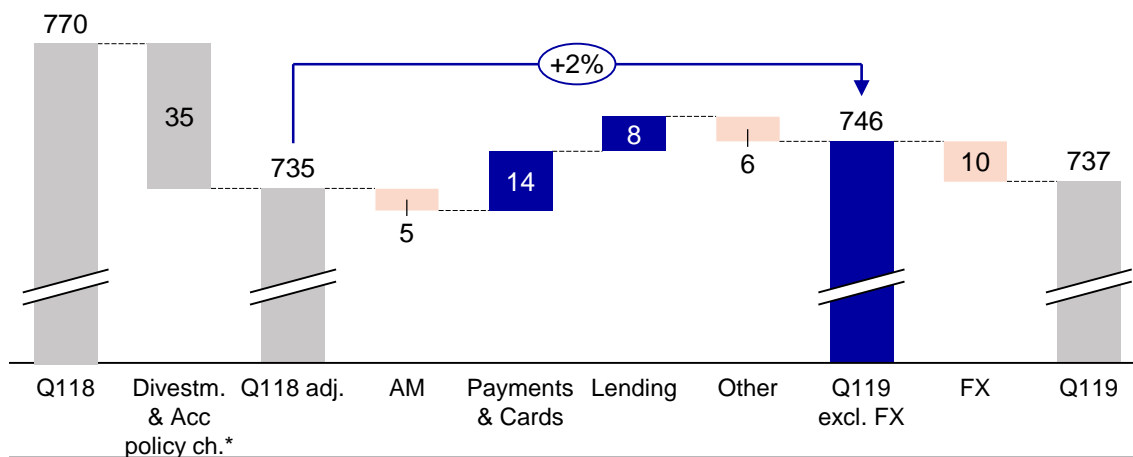
Quarterly bridge, EURm



Comments

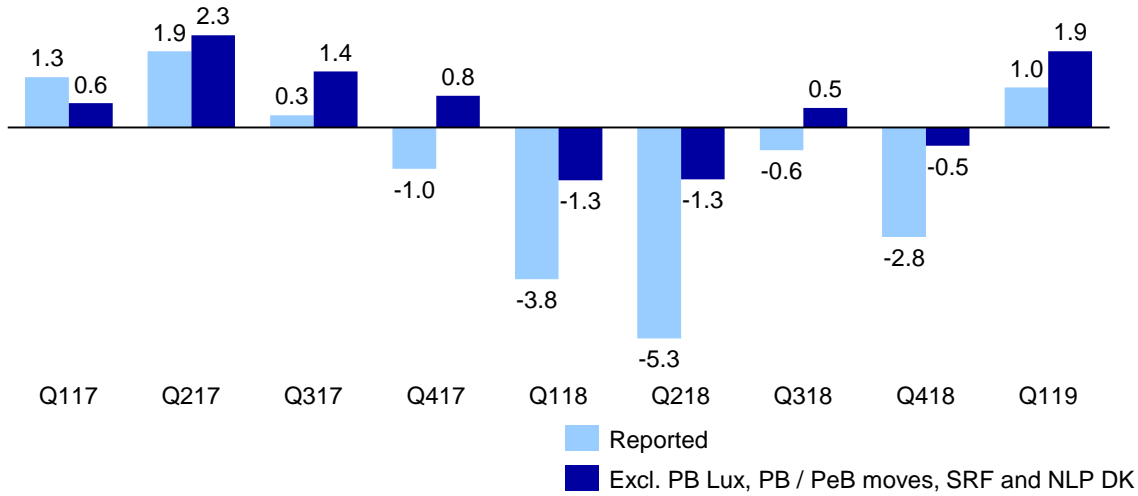
- Significantly improved AuM levels
- Strong corporate finance, but fewer large deals than expected
- Payments fees higher both QoQ and YoY

Yearly bridge, EURm



Assets under Management

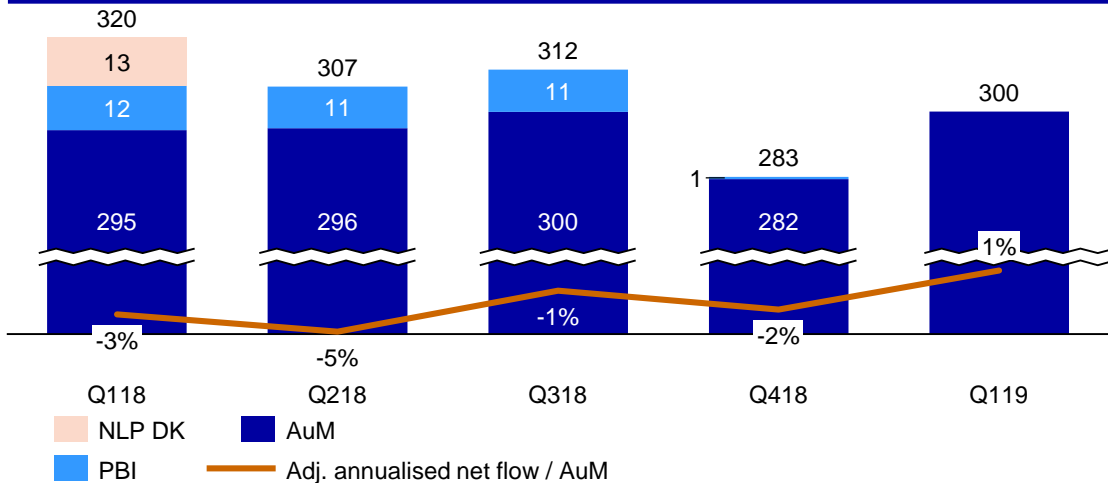
Flow, EURbn



Comments

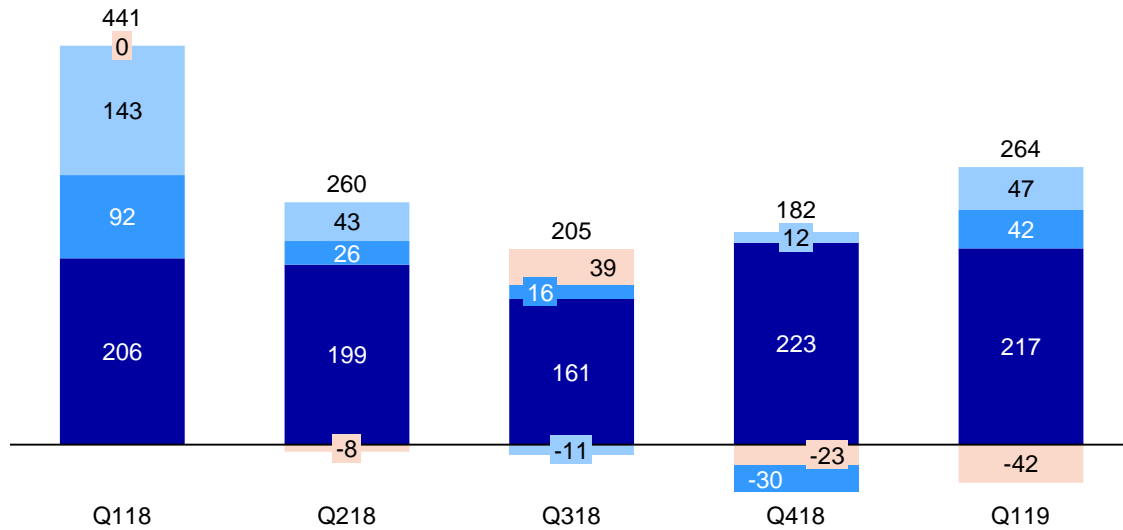
- Positive inflow in the quarter
- Strong financial markets and good investment performance in Q1 increased AuM
- AuM up 7% QoQ to above EUR 300bn

AuM development, EURbn



Net fair value

NFV development, EURm

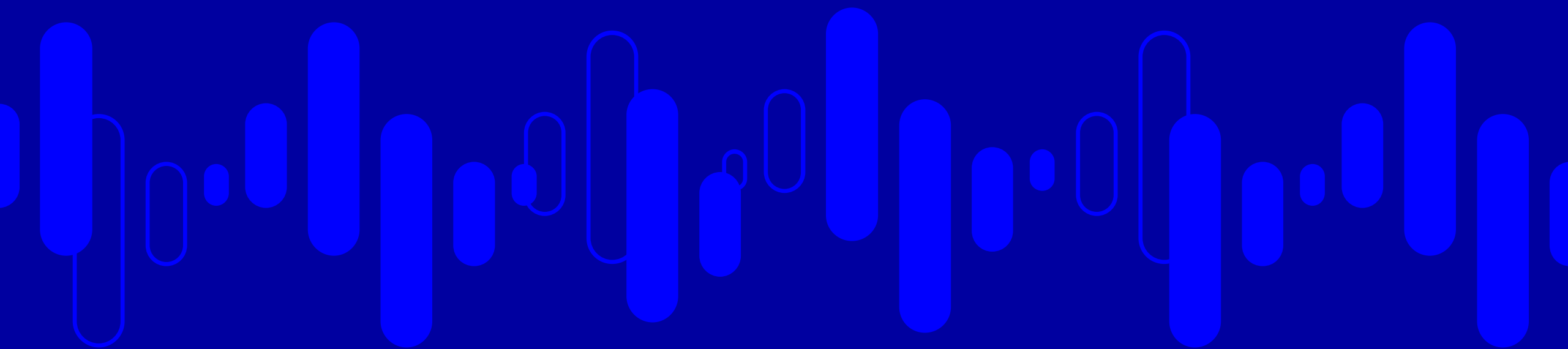


■ Customer activity ■ Treasury & Other*
■ Market making activities ■ Derivative valuations (XVA**)

Comments

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

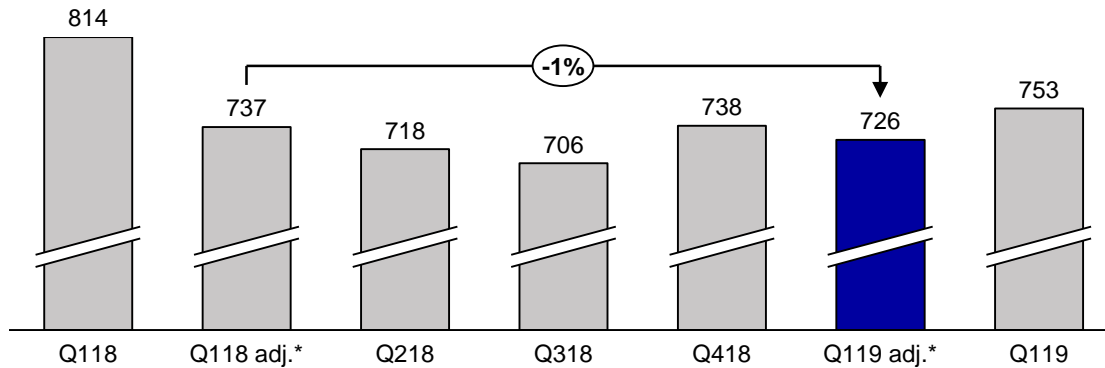
Business areas



Personal Banking 1(2)

Key ratios

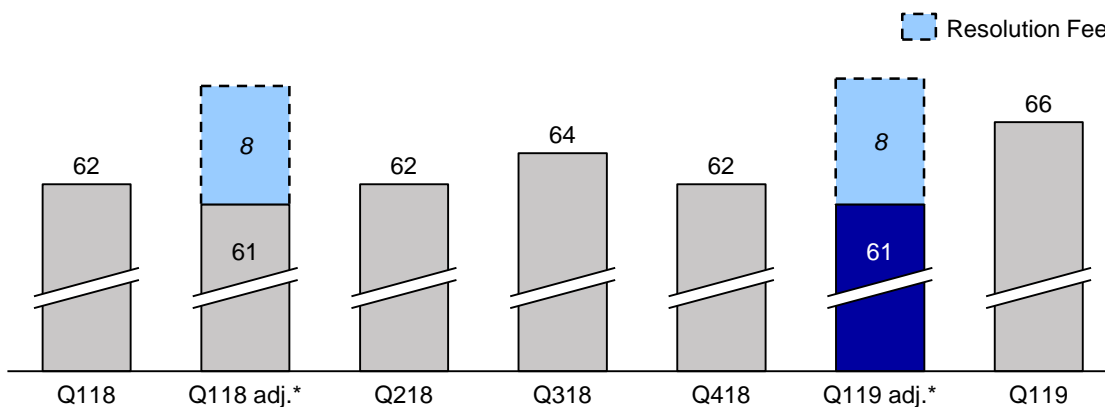
Total income, EURm



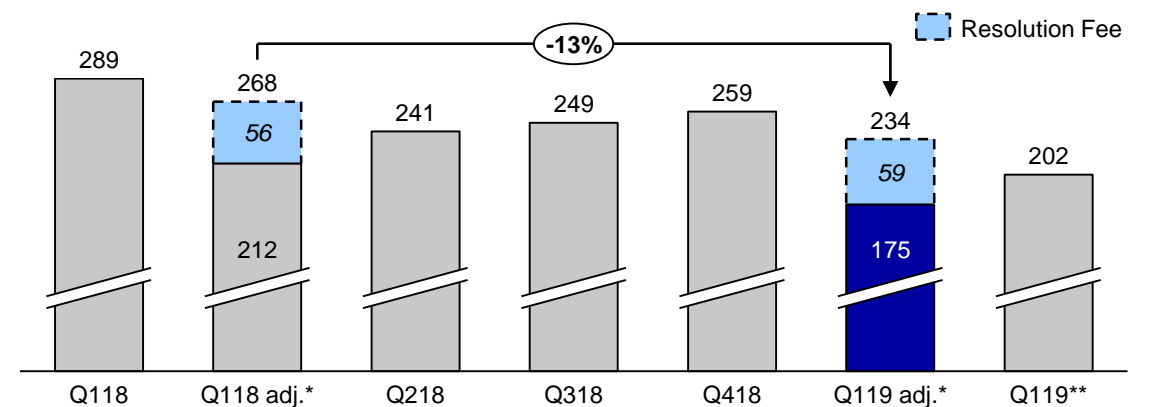
Comments

- 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, %



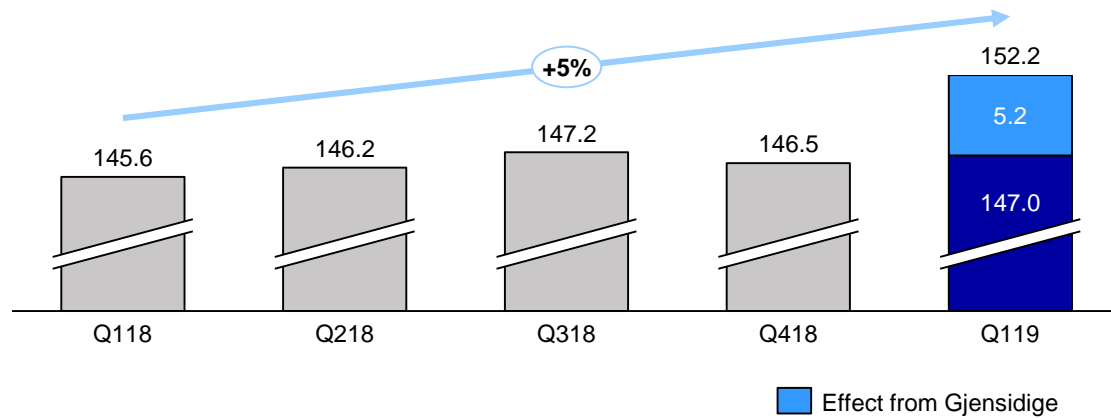
Operating profit, EURm



Personal Banking 2(2)

Leading indicators

Lending volume, EURbn



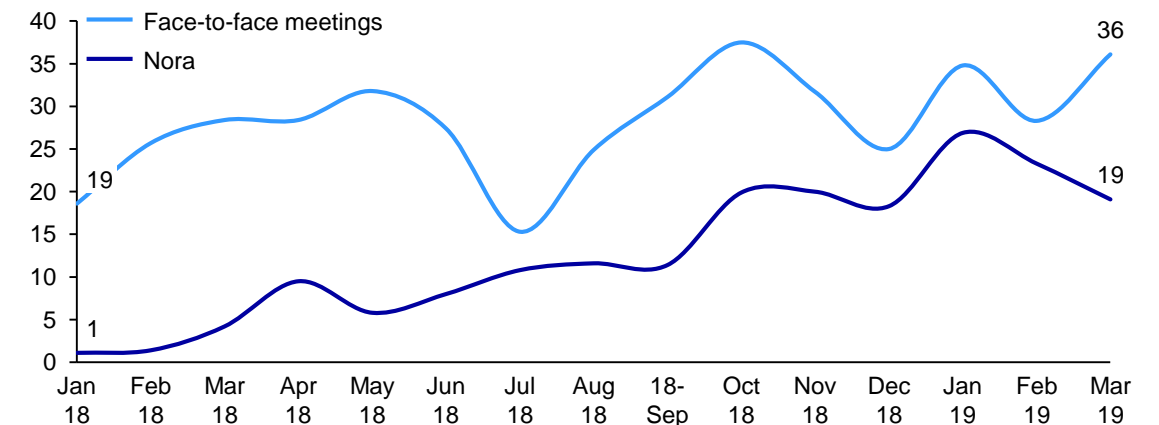
Customer satisfaction (Customer Engagement Index)

	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	▲

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	▶

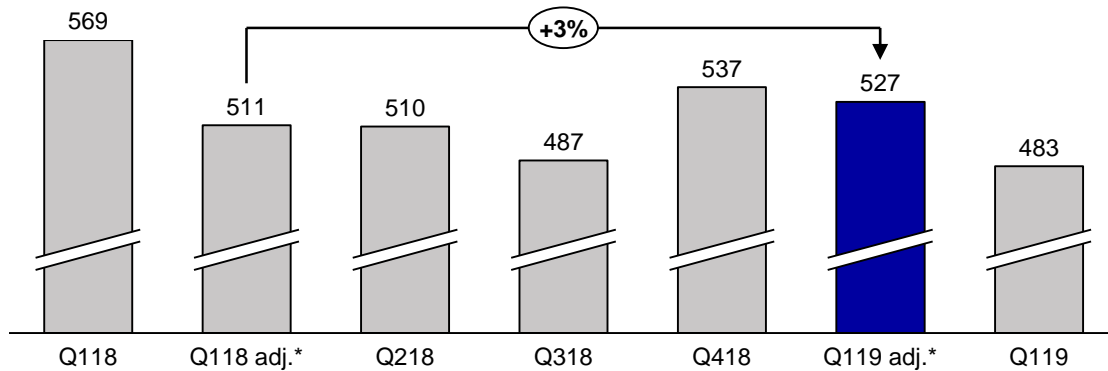
Savings advisory sessions, '000



Commercial and Business Banking 1(2)

Key ratios

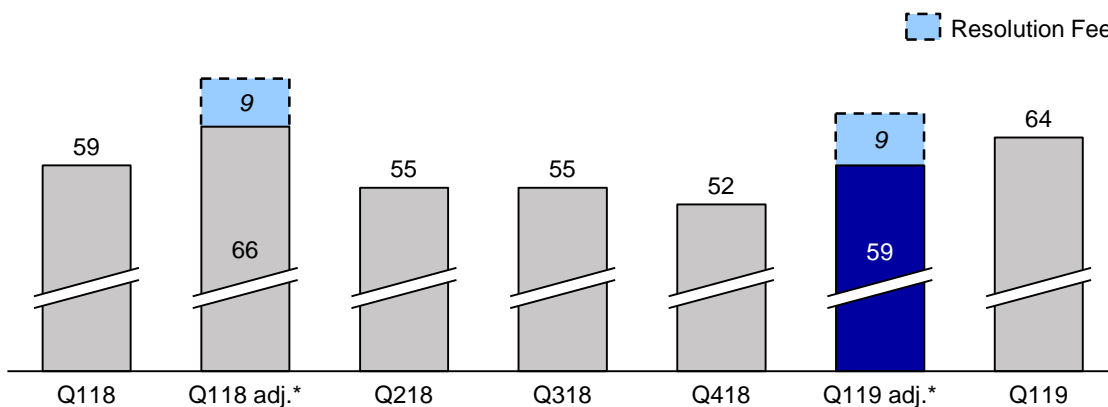
Total income, EURm



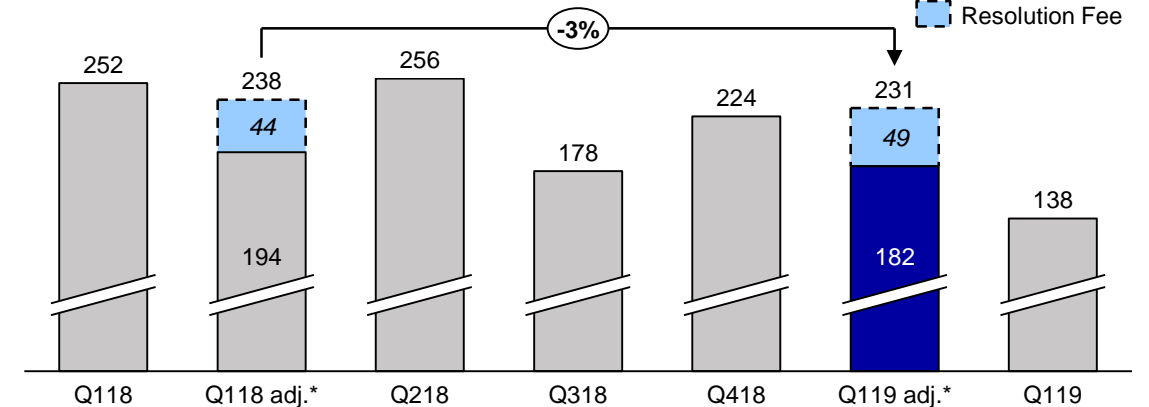
Comments

- 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, %



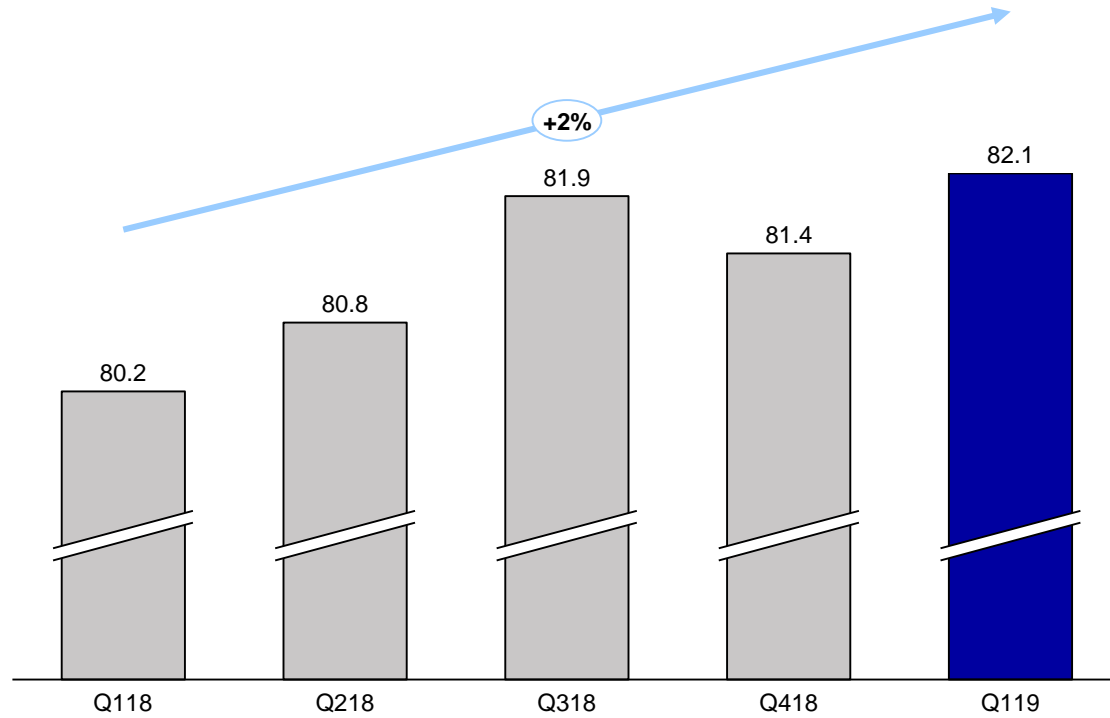
Operating profit, EURm



Commercial and Business Banking 2(2)

Leading indicators

Lending volume, EURbn



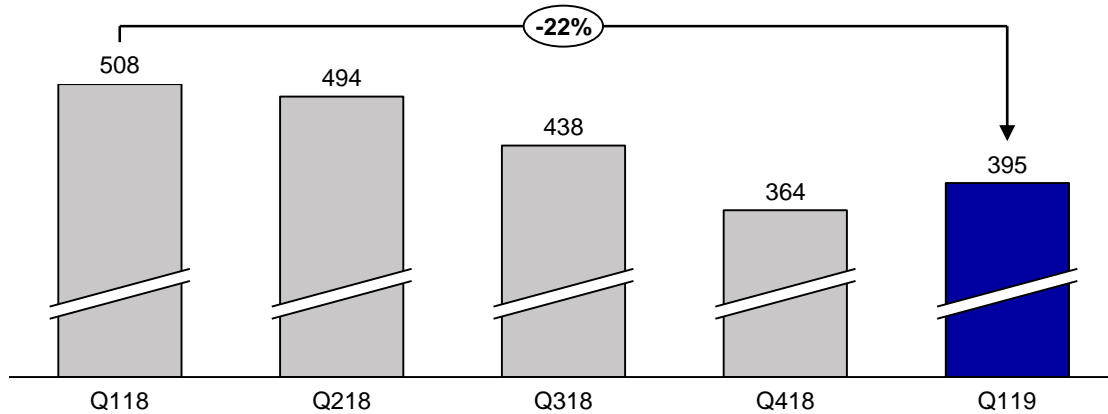
Customer satisfaction (Customer Engagement Index)

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

Wholesale Banking 1(2)

Key ratios

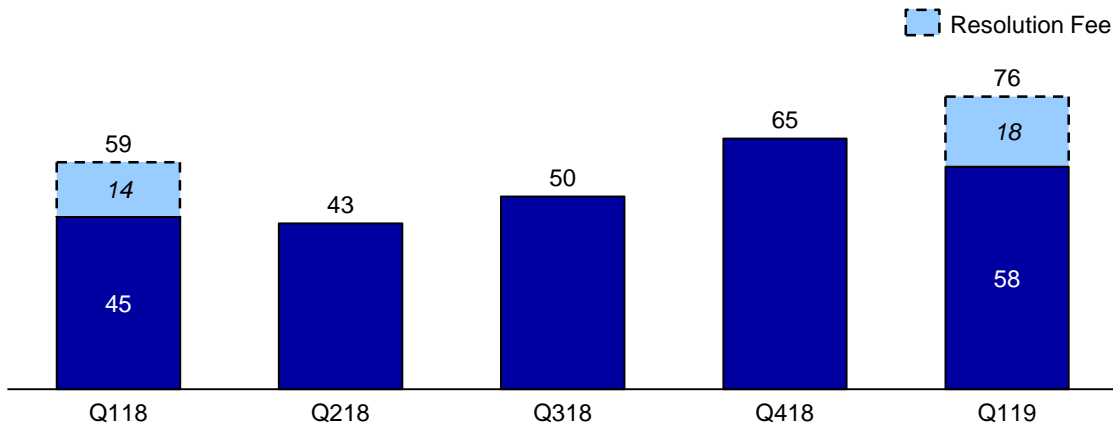
Total income, EURm



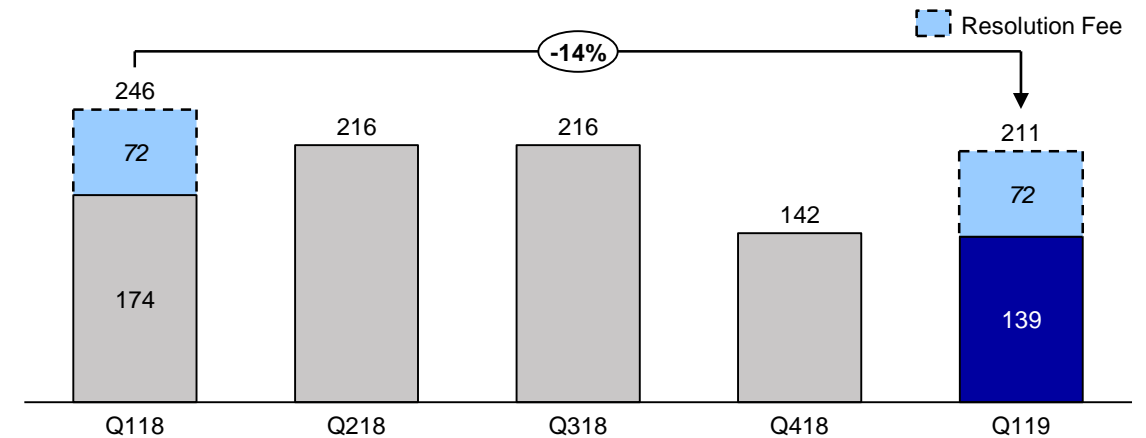
Comments

- 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, %



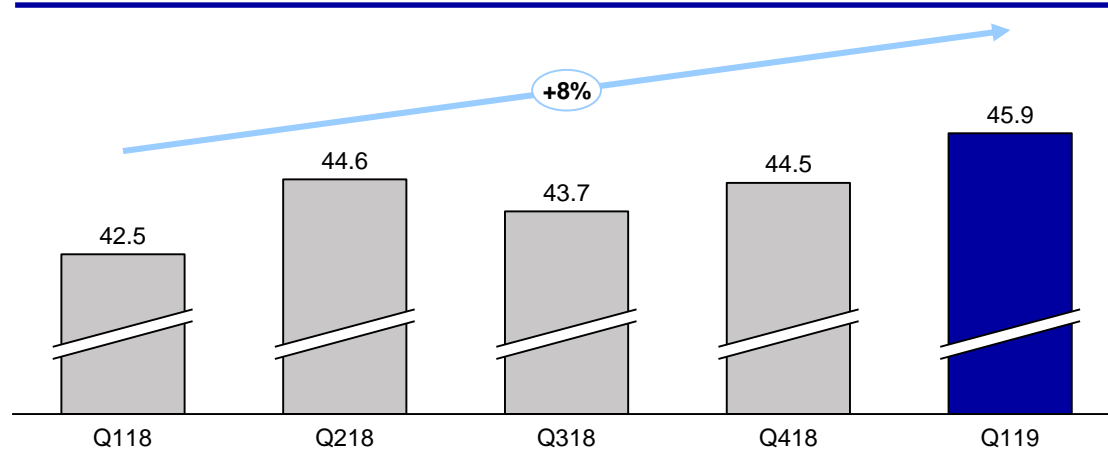
Operating profit, EURm



Wholesale Banking 2(2)

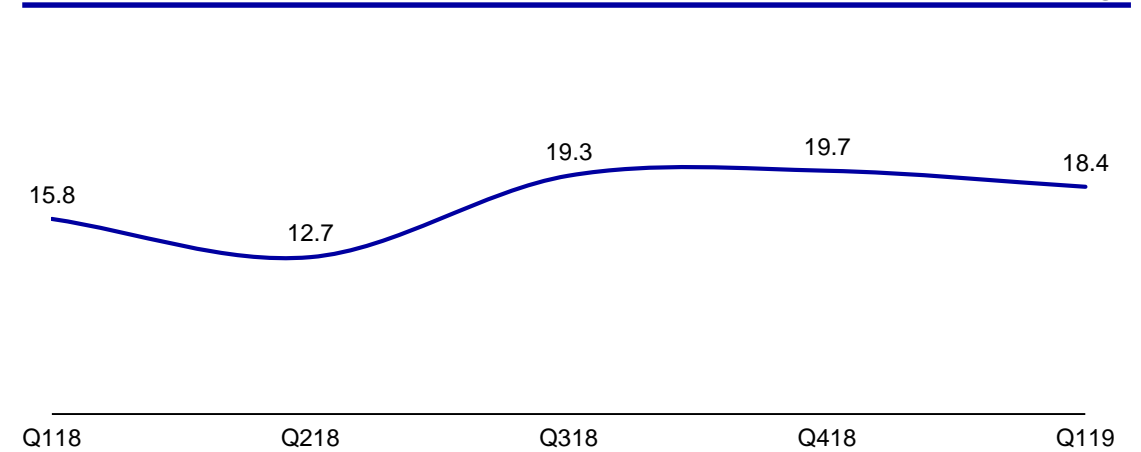
Leading indicators

Lending volume, EURbn



Nordic corporate bonds, % of market share

Source: Dealogic



Nordic syndicated loans, ranking

Q118	Q218	Q318	Q418	Q119
2 nd	1 st	1 st	1 st	1 st

Nordic ECM and M&A, ranking

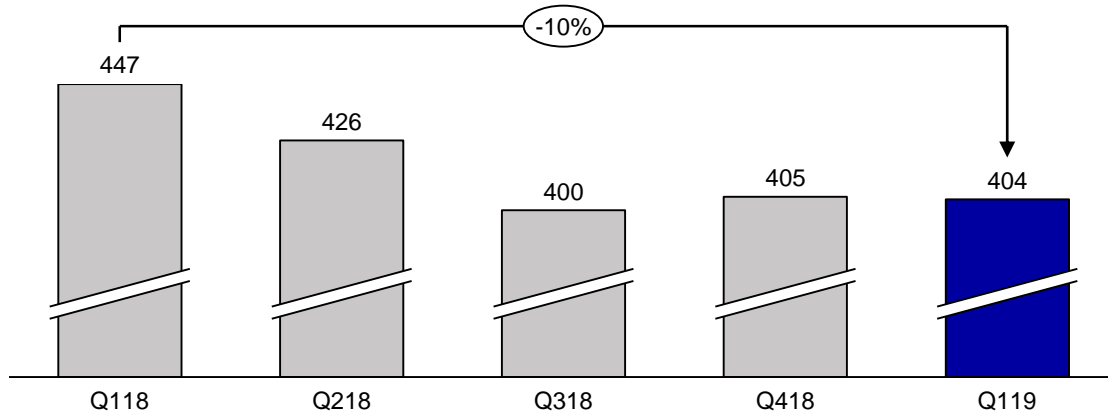
Source: Dealogic

	Q118	Q218	Q318	Q418	Q119
ECM	1 st	1 st	4 th	6 th	5 th
M&A	2 nd	6 th	3 rd	5 th	6 th

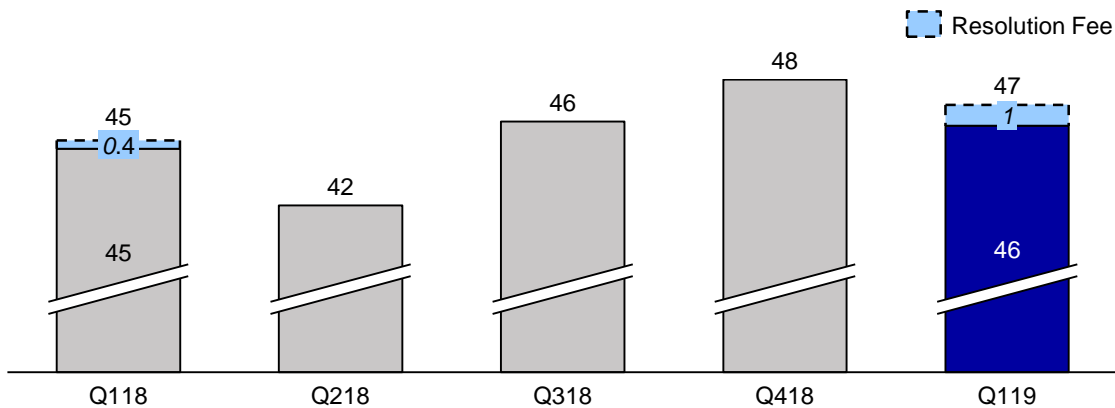
Asset & Wealth Management 1(2)

Key ratios

Total income, EURm



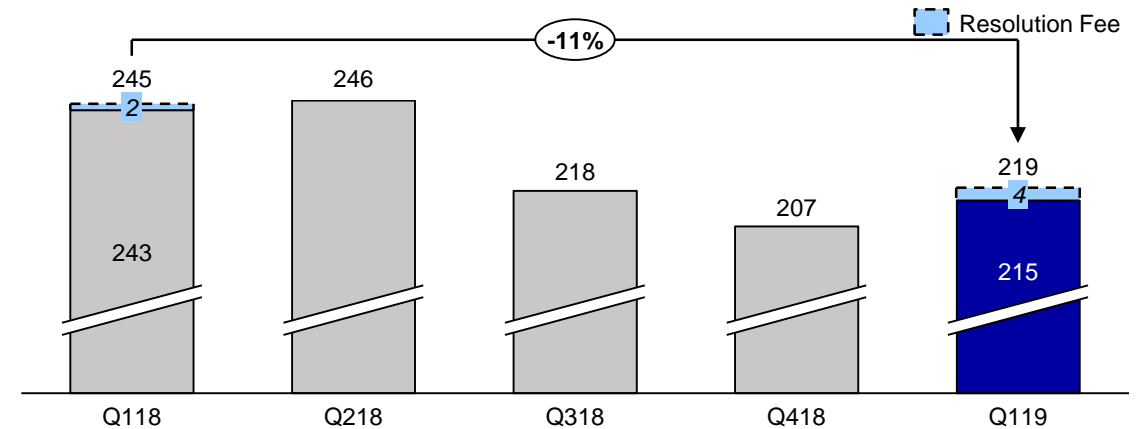
Cost/Income ratio, %



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

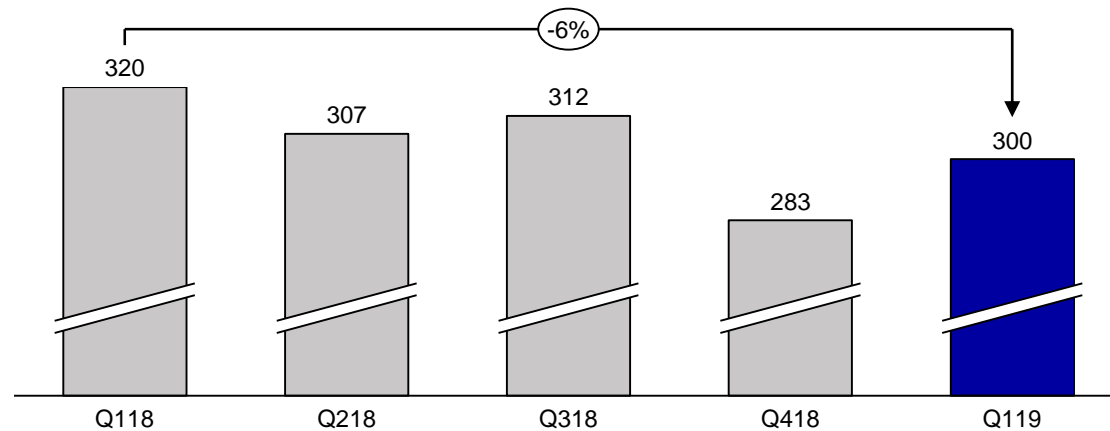
Operating profit, EURm



Asset & Wealth Management 2(2)

Leading indicators

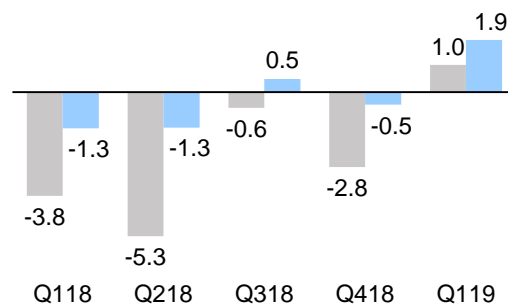
Assets under Management, EURbn



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

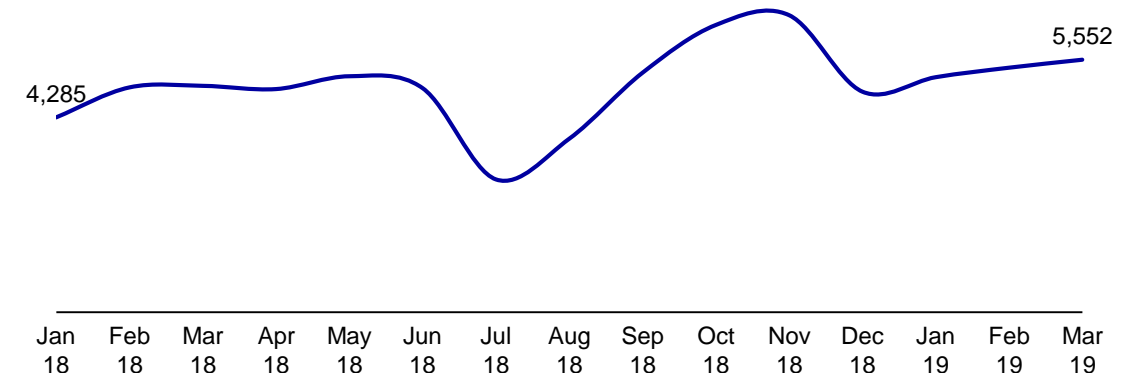


Investment performance

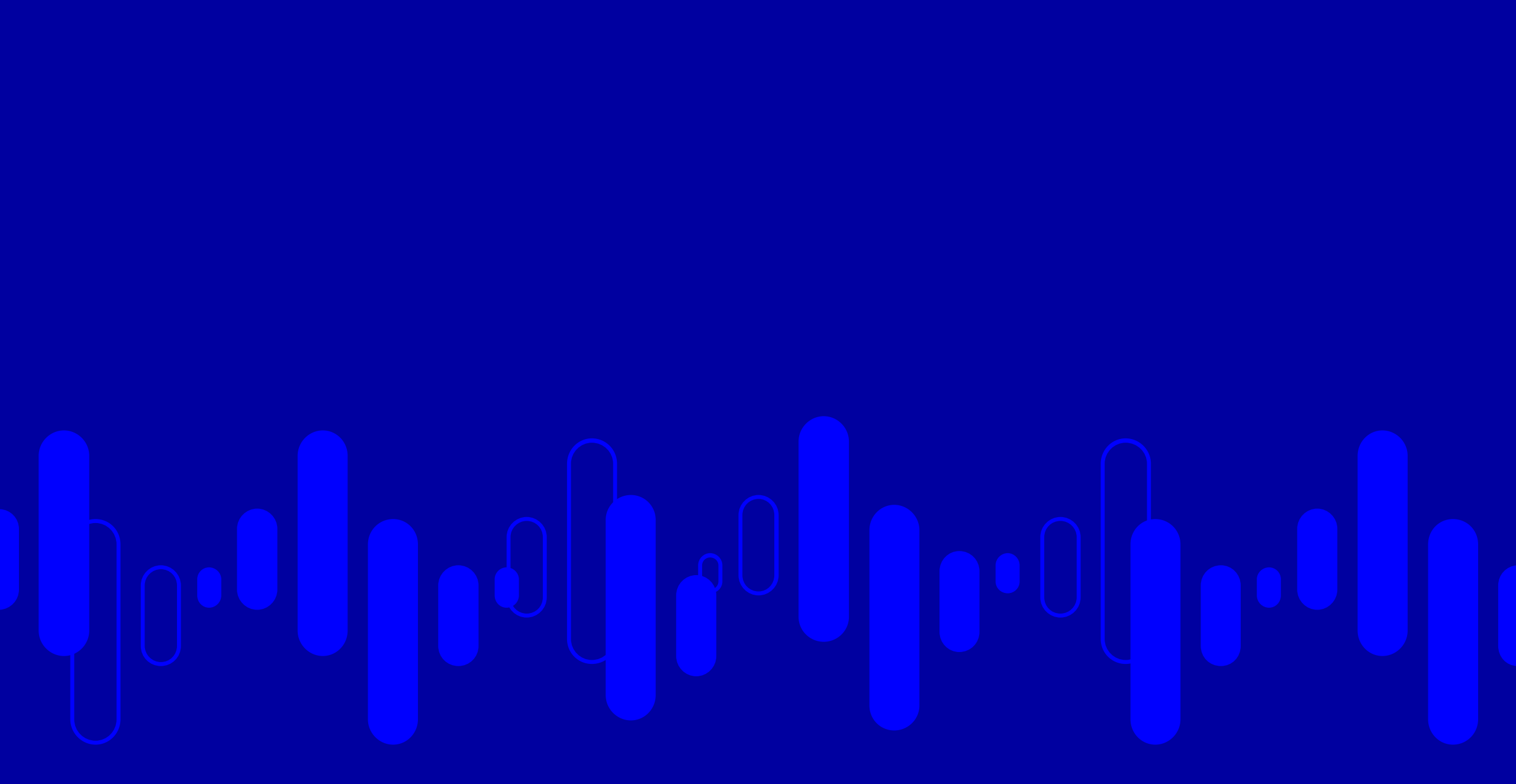
(% above benchmark, YtD)

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

Investment advisory sessions, Face-to-face

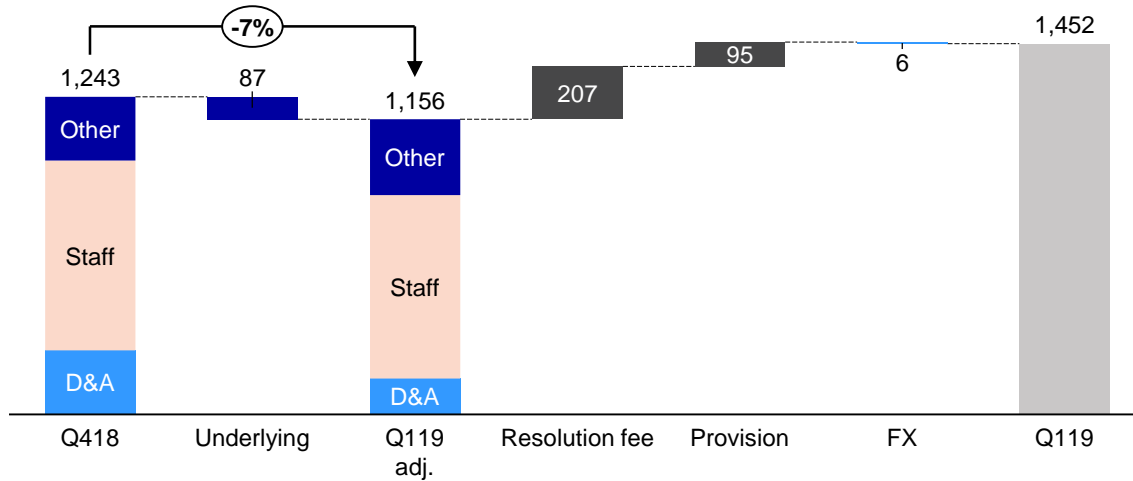


■ Reported
■ Excl. PB Lux, PB / PeB moves, SRF and NLP DK

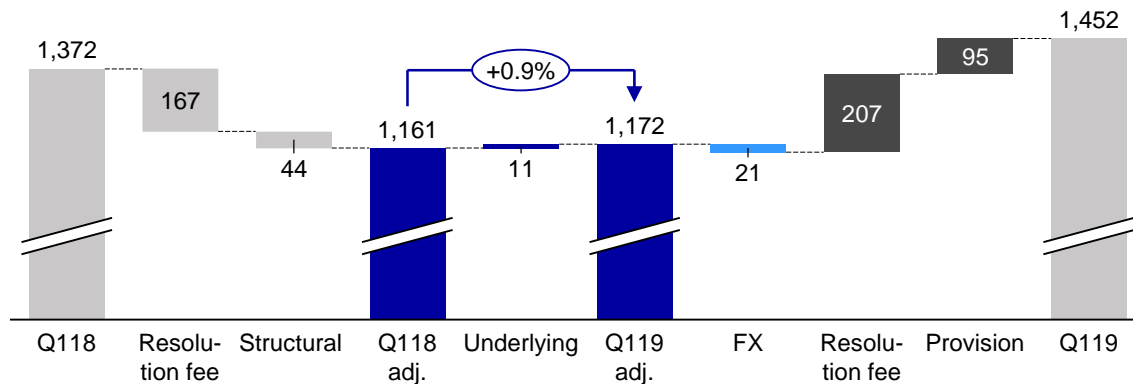


Costs

Quarterly bridge, EURm*



Yearly bridge, EURm*



Comments

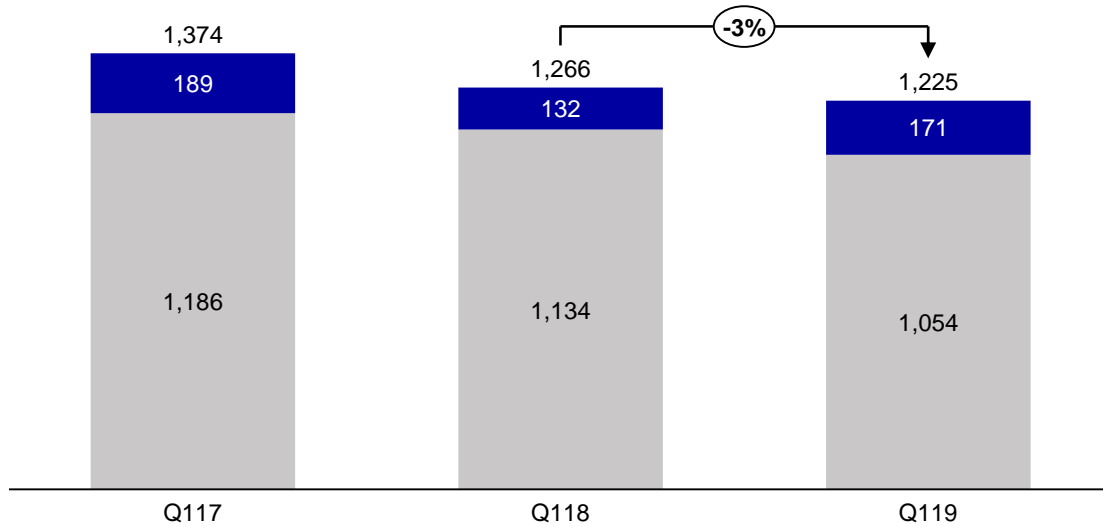
- Underlying cost down by 7%
 - Staff costs down by 3% QoQ
 - Depreciations 44% lower QoQ at EUR 140m
- On track to meet our cost targets in 2019 and 2021
- Costs impacted by provisions and full year resolution fee

Outlook

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

Further reduction in cash cost*

Yearly, EURm**



■ Capitalisations
■ Underlying cost

Comments

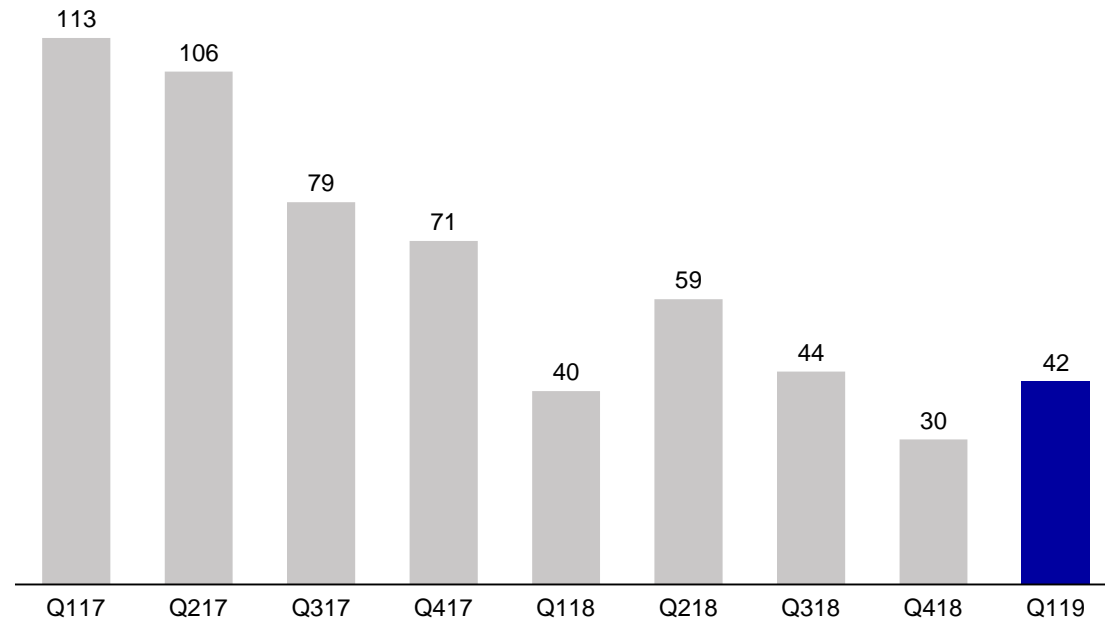
- Cash cost down by 3% YoY driven by lower underlying costs

Outlook

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

Strong asset quality

Total net loan losses*, EURm



Comments

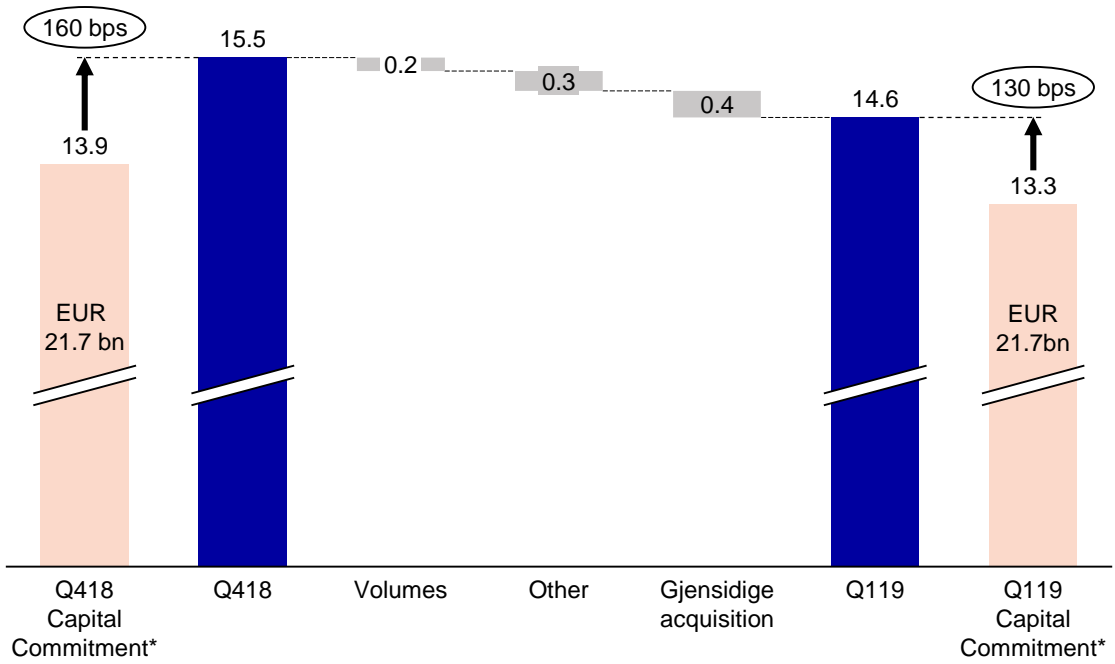
- Net loan losses in Q1 42m vs 30m in Q4
- Q1 loan loss ratio 7 bps vs 5 bps in Q4
- Net loan loss ratio in Stage 3 improved to 5 bps vs 12 bps in the previous quarter

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

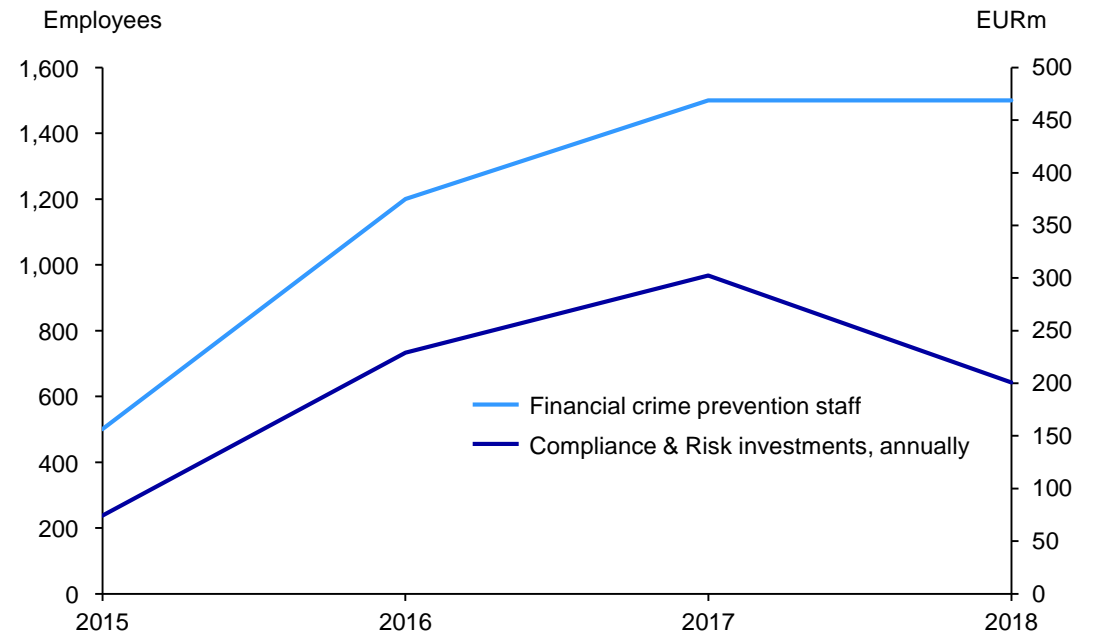
- CET1 capital ratio 14.6% at end of the first quarter
- Management buffer of 130 bps
- REA increased by EUR 7.1bn to EUR 163bn
 - mainly driven by the acquisition of Gjensidige, lending growth and IFRS 16

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

1. Governance and Control

2. Know Your Customer

3. Customer Screening

4. Transaction Sanctions Screening

5. Transaction Monitoring

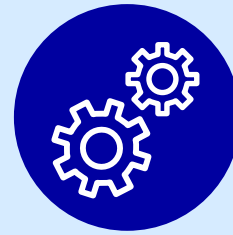
6. Intelligence and Analytics

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

