

A scenic view of a rocky coastline under a bright blue sky with scattered white clouds. The sun is high in the sky, creating a lens flare effect. The water is a deep blue, and a small boat is visible in the distance, leaving a white wake. The foreground consists of dark, jagged rocks.

# Nordea

A blue bar chart with five bars of varying heights, positioned on the left side of the image. The bars are rounded at the top and bottom. The heights of the bars from left to right are approximately: 1.5, 2.5, 4.5, 2.5, and 1.5 units.

**Second 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 despite tough environment

- Regaining market share in mortgages
- Strong inflow in Asset & Wealth Management
- Improved customer satisfaction

Volumes not offsetting for margin pressure

Costs increased 3% in the quarter due to depreciations and seasonality

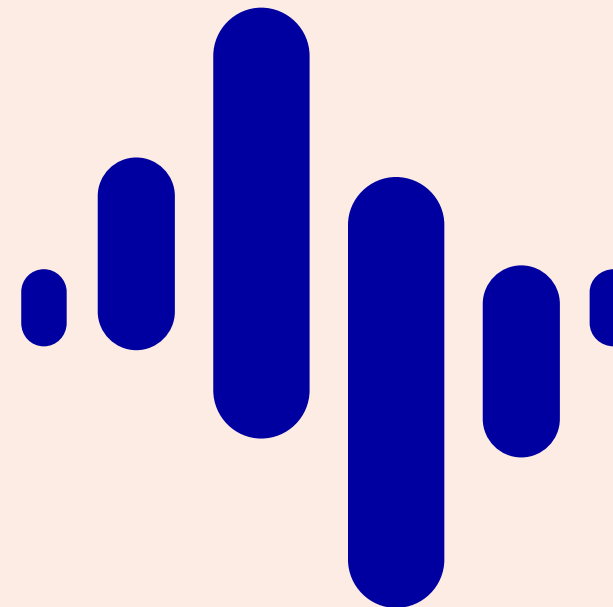
Loan loss ratio at 10 bps

- We expect largely unchanged credit quality in the coming quarters

Common Equity Tier 1 (CET1) ratio improved by 20 bps to 14.8%

Results remain unsatisfactory and further actions are needed

Financial targets including capital and dividend policy will be reviewed – expected communication after publication of third quarter results



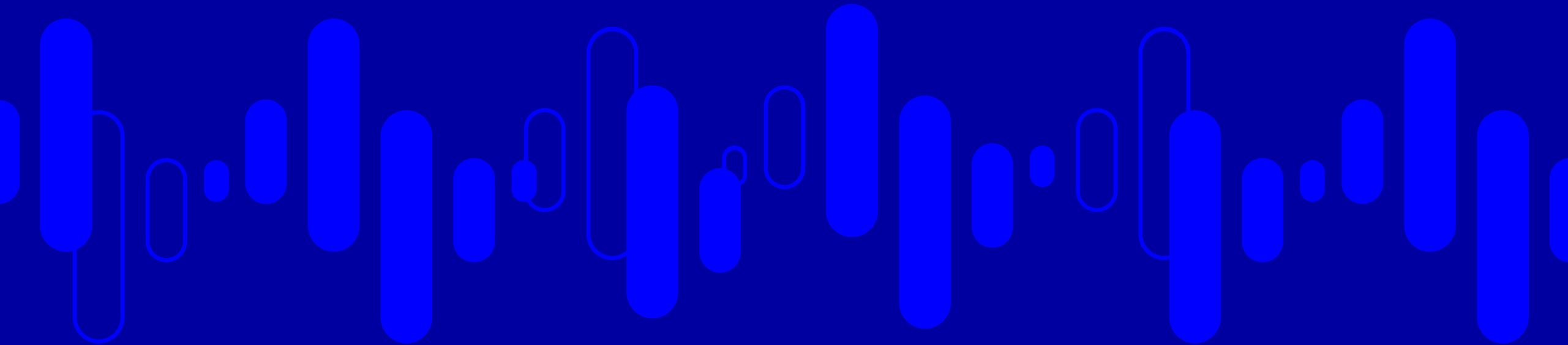
## Group financial highlights second quarter 2019

Income statement, EURm	Q2 2019	Q1 2019	Q2/Q1 change local currencies	Q2 2018	Q2/Q2 change local currencies
Net interest income	1,071	1,056	2%	1,110	-1%
Net fee and commission income	743	737	1%	800	-6%
Net fair value result	283	264	7%	260	8%
Other Income	44	59		408	
<b>Total operating income</b>	<b>2,141</b>	<b>2,115</b>	<b>2%</b>	<b>2,578</b>	<b>-16%</b>
<b>Total operating income excl. IAC**</b>	<b>2,141</b>	<b>2,115</b>	<b>2%</b>	<b>2,229</b>	<b>-4%</b>
<b>Total operating expenses</b>	<b>-1,180</b>	<b>-1,452</b>	<b>-18%</b>	<b>-1,154</b>	<b>3%</b>
<b>Adj.** operating expenses excl. IAC*</b>	<b>-1,180</b>	<b>-1,150</b>	<b>3%</b>	<b>-1,154</b>	<b>3%</b>
<b>Profit before loan losses</b>	<b>961</b>	<b>663</b>	<b>45%</b>	<b>1,424</b>	<b>-32%</b>
Net loan losses	-61	-42	48%	-59	5%
<b>Operating profit</b>	<b>900</b>	<b>621</b>	<b>45%</b>	<b>1,365</b>	<b>-33%</b>
<b>Adj.** operating profit excl. IAC*</b>	<b>900</b>	<b>923</b>	<b>-2%</b>	<b>1,016</b>	<b>-11%</b>
<b>Net profit</b>	<b>681</b>	<b>443</b>	<b>53%</b>	<b>1,115</b>	<b>-38%</b>

4 \* IAC = Items affecting comparability: Includes Q218: Divestment Nordea Liv & Pension Denmark 262m and UC 87m. Q119: Provision -95m

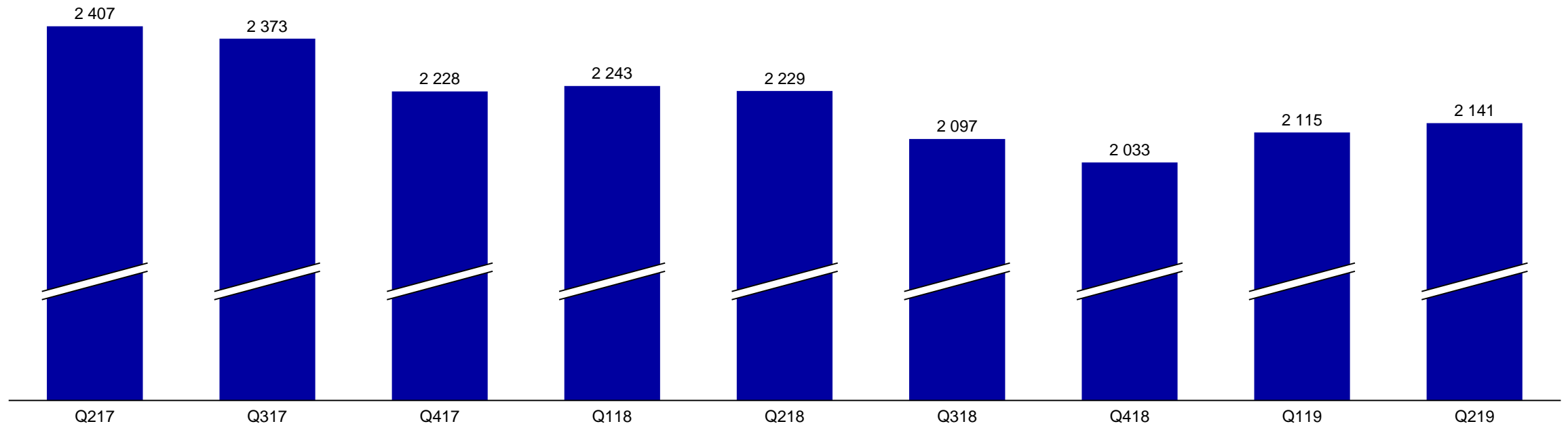
\*\* Adjusted for Resolution Fees: Q119: 207m

# Revenues



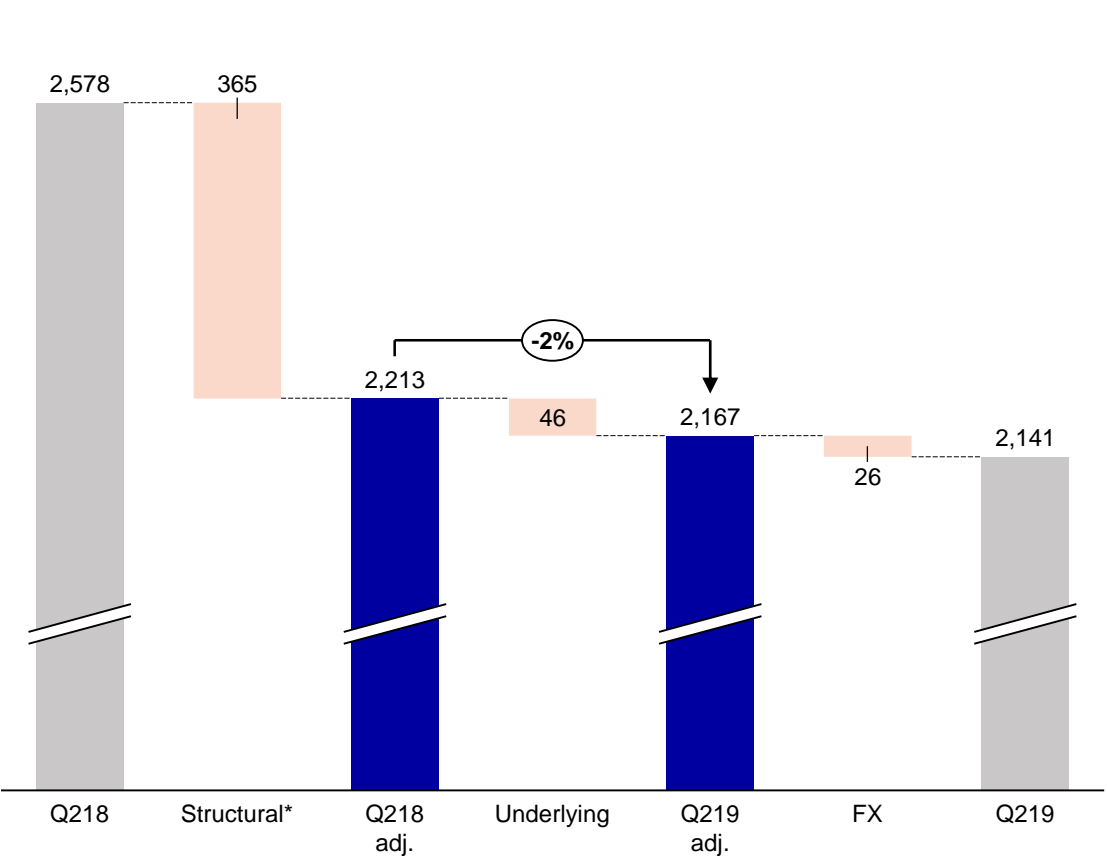
# Underlying income development

## Total operating income\*, EURm

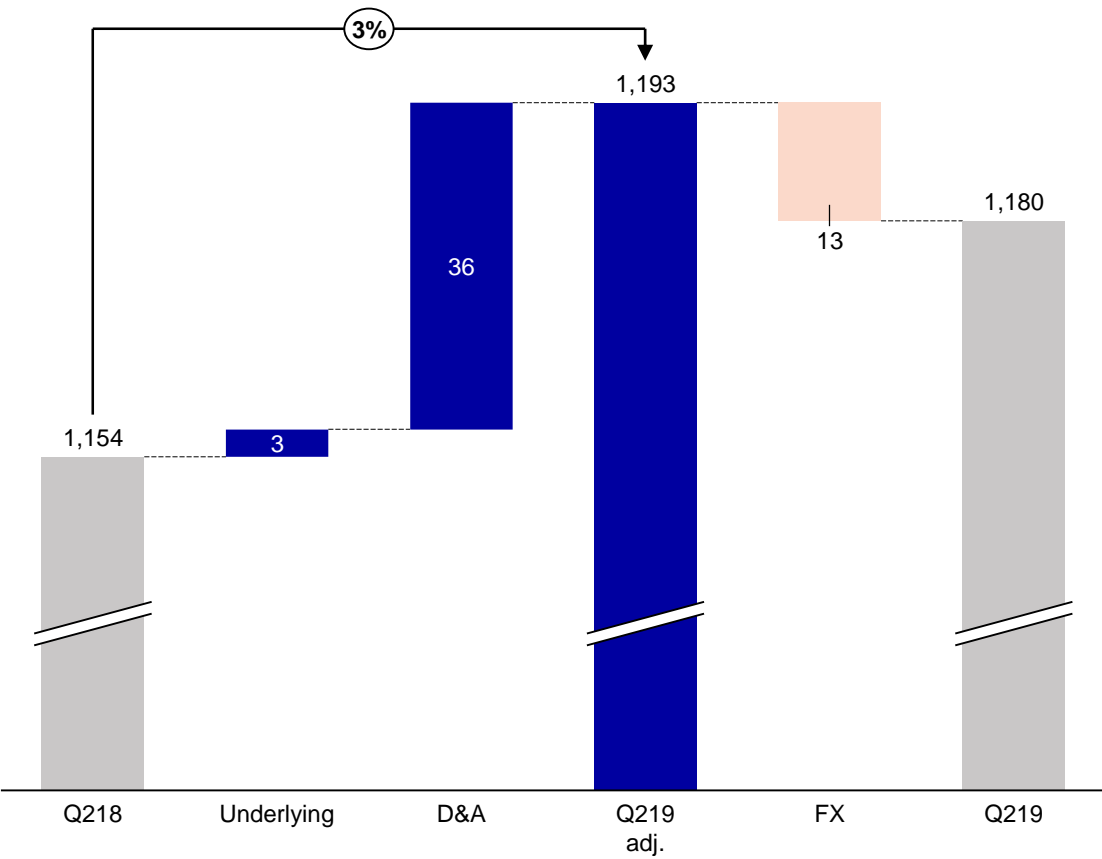


# Underlying income down 2% and costs up 3% YoY

**Income Q219 vs Q218, EURm**



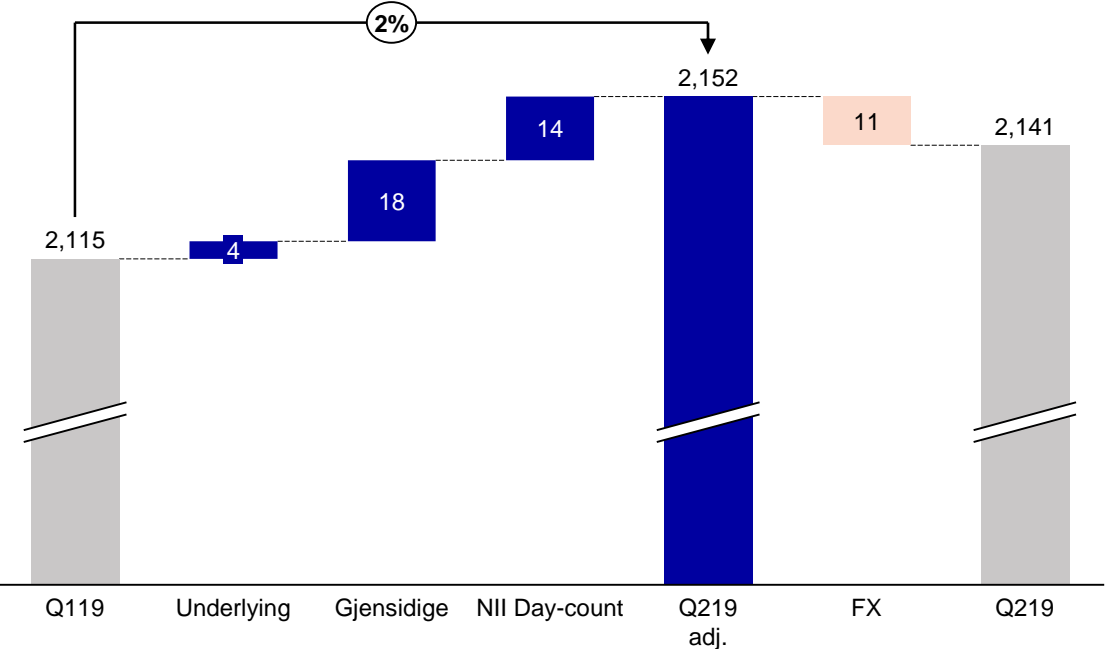
**Costs Q219 vs Q218, EURm**



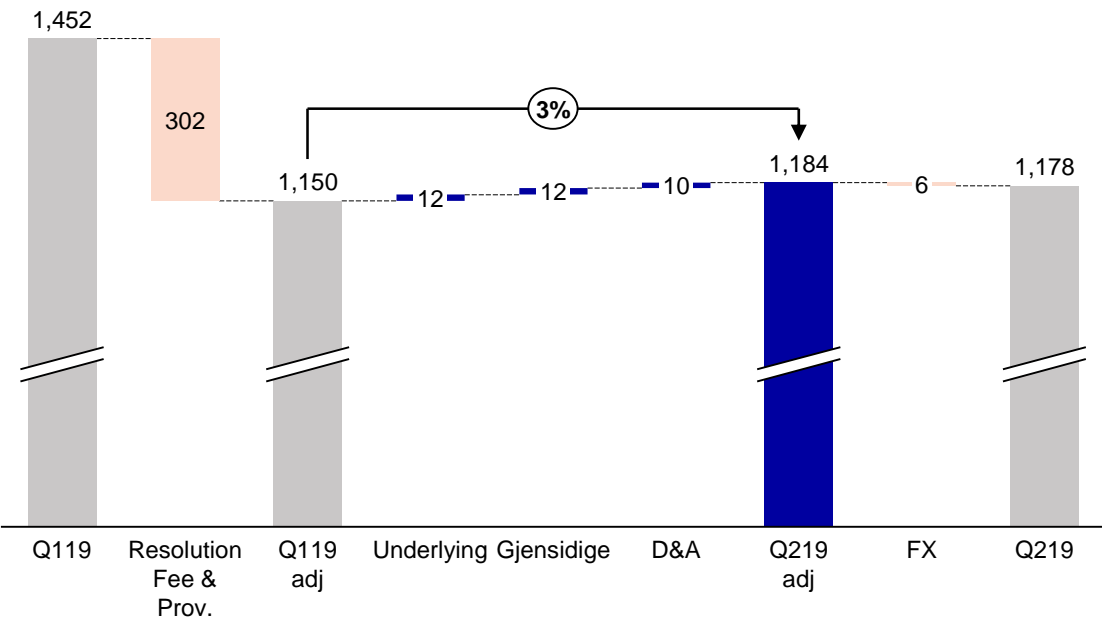
\* Gains related to Nordea Liv & Pension Denmark and UC, and adjusted for income in Luminor, Nordea Liv & Pension Denmark, Private Banking International, Nordea Ejendomme and Gjensidige.

# Revenues up 2% and costs up 3% QoQ

**Income Q219 vs Q119, EURm**



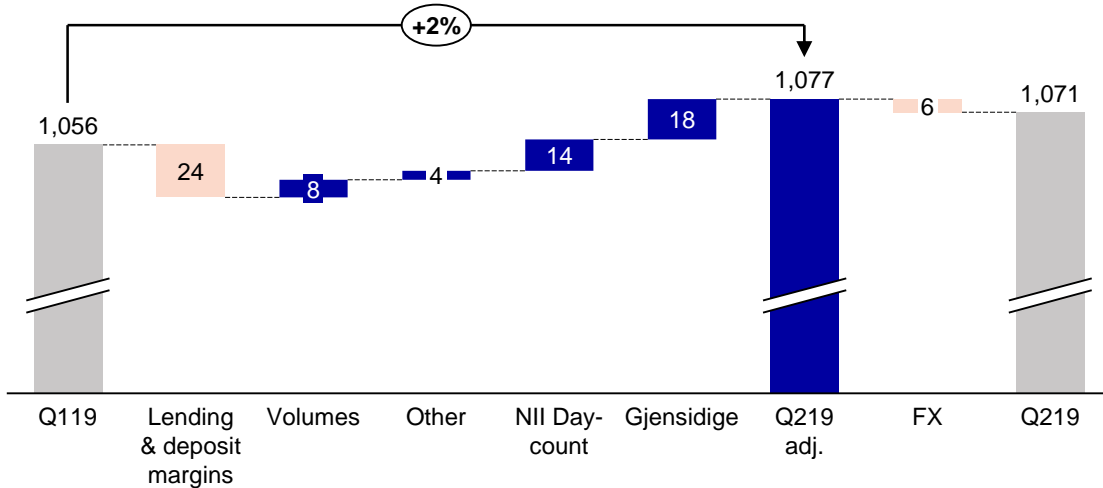
**Costs Q219 vs Q119, EURm**



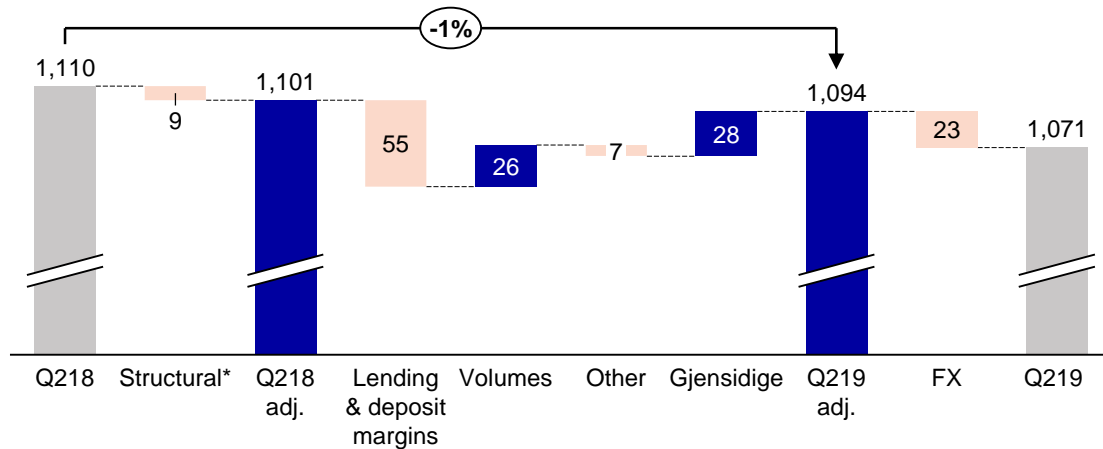


# Net interest income

## Quarterly bridge, EURm



## Yearly bridge, EURm

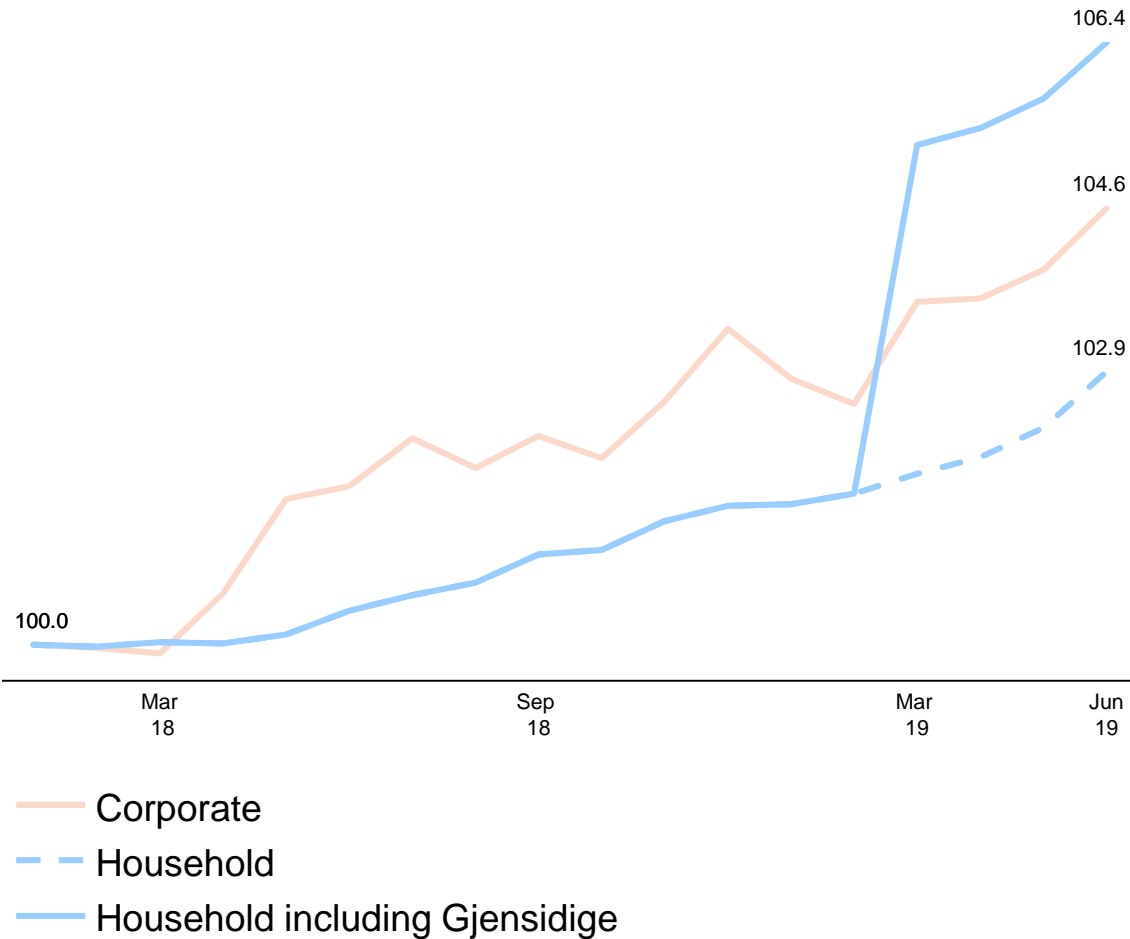


## Comments

- Impact from volume growth accelerating
- Good momentum in mortgages
  - Highest monthly market share growth since 2016 in Sweden
- Similar lending margin trend as in Q1
  - Increasing volumes only partly offsetting margin pressure
  - Deposit margins largely unchanged

# Continued improvement in lending volumes

## Lending volumes (Jan 18 = Index 100)

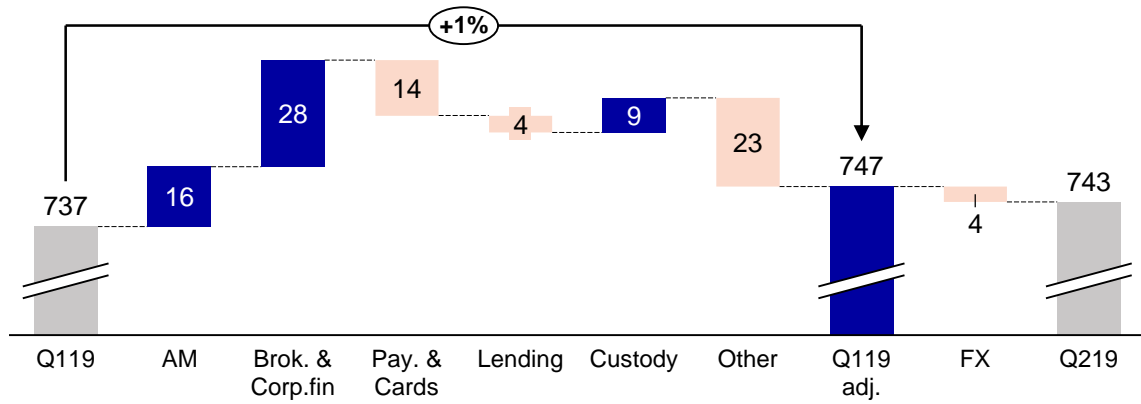


## Comments

- Strong growth in the corporate segment
- Household lending volumes accelerating

# Net fee and commission income

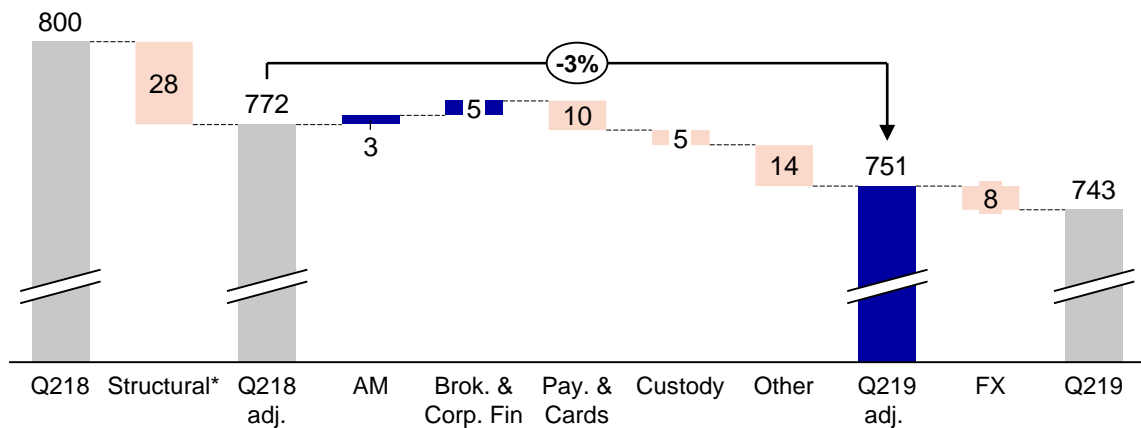
## Quarterly bridge, EURm



## Comments

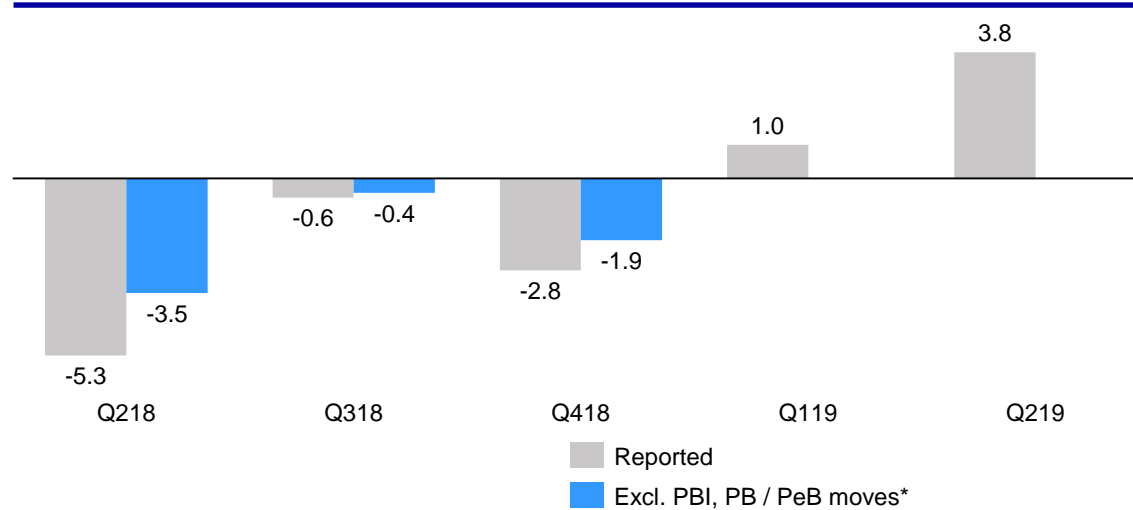
- Higher Asset Management volumes support fees
- A few larger deals increased brokerage and corporate finance fees
- Custody higher due to semi-annual fees

## Yearly bridge, EURm

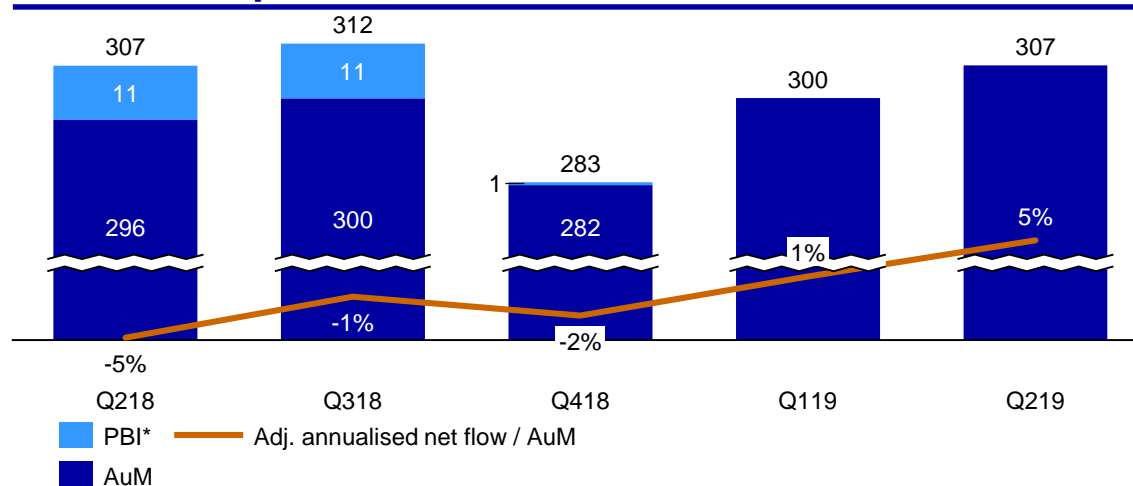


# Assets under Management

## Flow, EURbn



## AuM development, EURbn

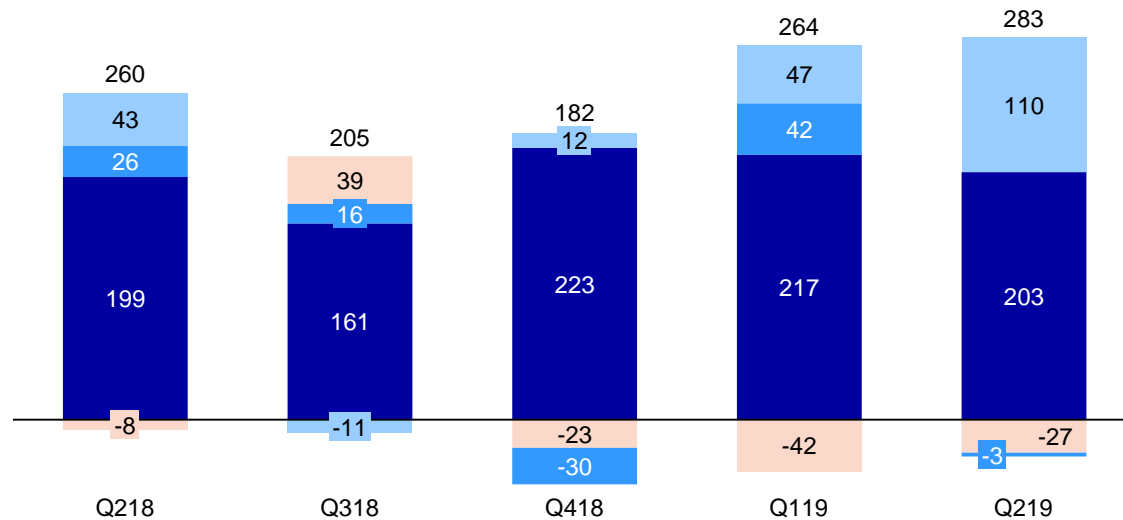


## Comments

- Highest inflow since Q316, all areas contributing
- EUR 1.4bn Private Banking inflow in the quarter
- Increased sales activity and new products in Institutional Sales supports momentum

# Net fair value

## NFV development, EURm

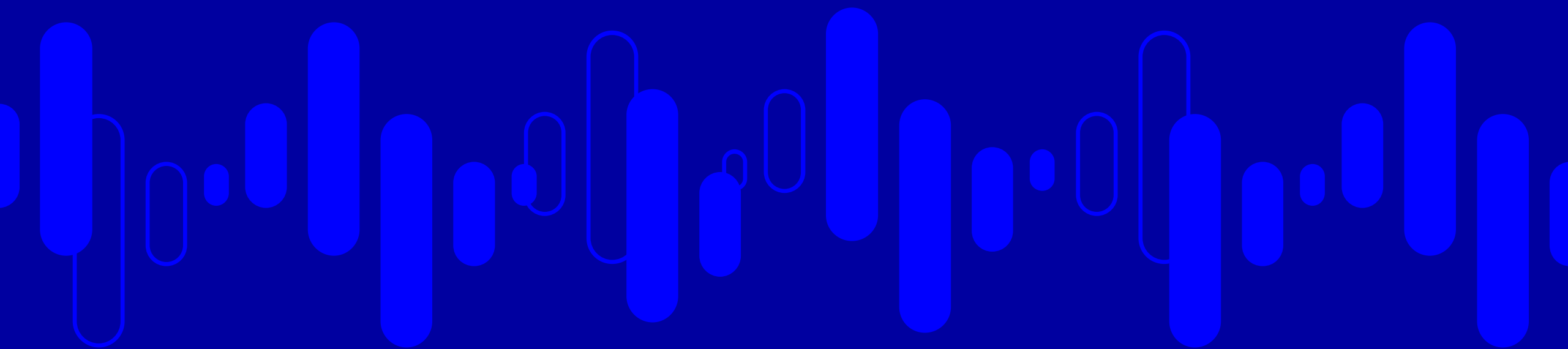


■ Customer activity      ■ Treasury & Other\*  
■ Market making activities      ■ Derivative valuations (XVA\*\*)

## Comments

- Stable customer business
  - Underlying customer activity remains strong
- Strong result in Treasury
- Market making income continued weak due to lower rates, low volatility and lower margins

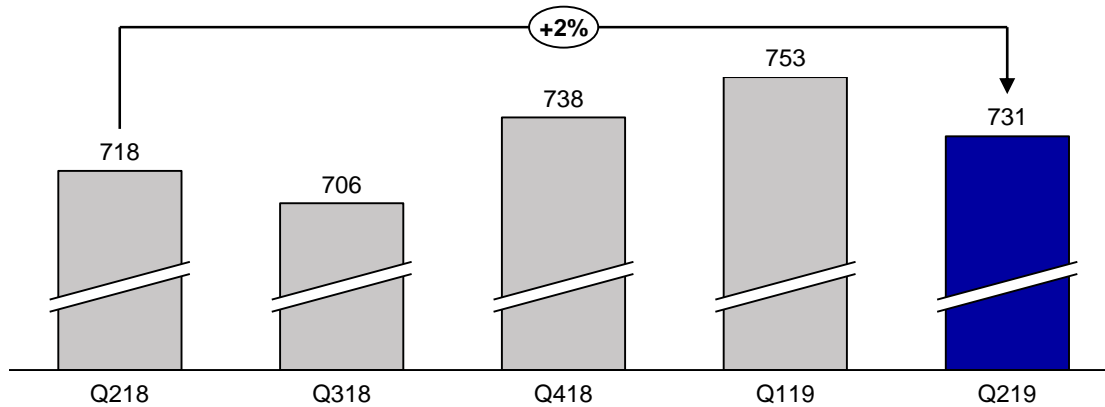
# Business areas



# Personal Banking 1(2)

## Key ratios

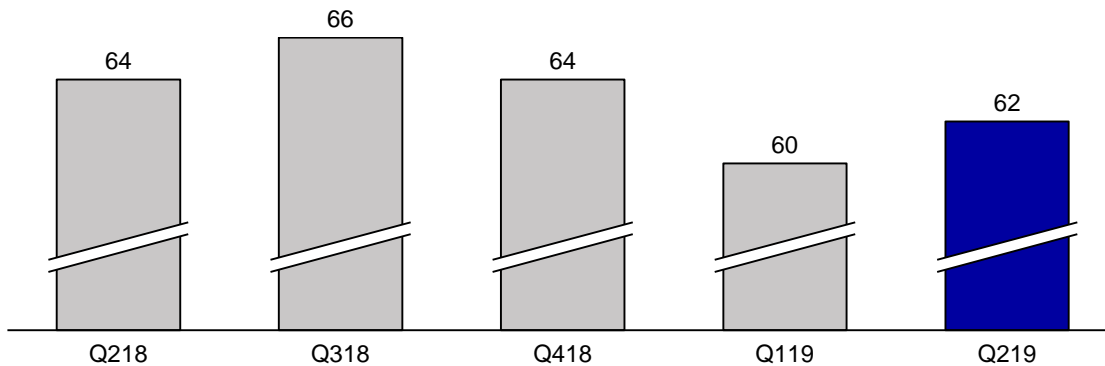
### Total income, EURm



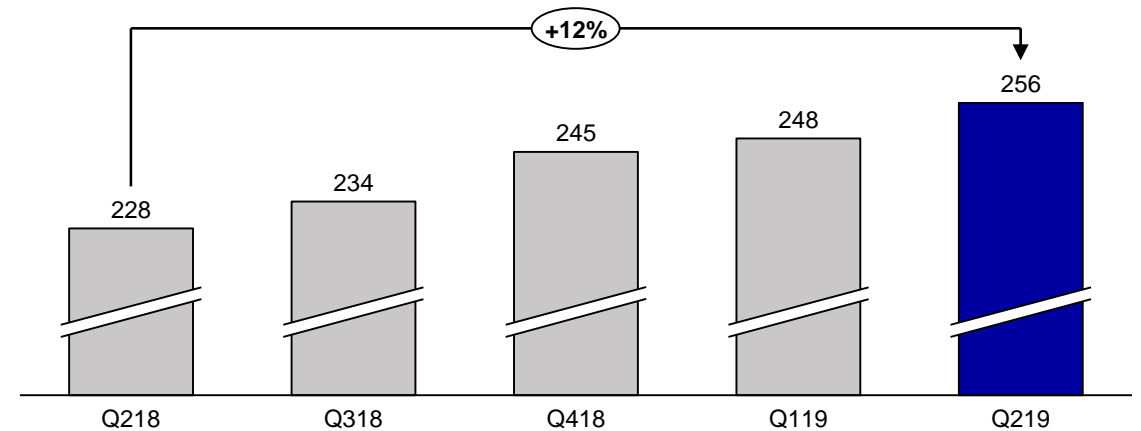
### Comments

- Good trend in customer-driven activity
- Increased market share of new mortgage lending in all countries, increase in total market share in Sweden
- Growth in lending volume in all four countries
- Adverse trend from margin pressure

### Cost/Income ratio\*, %



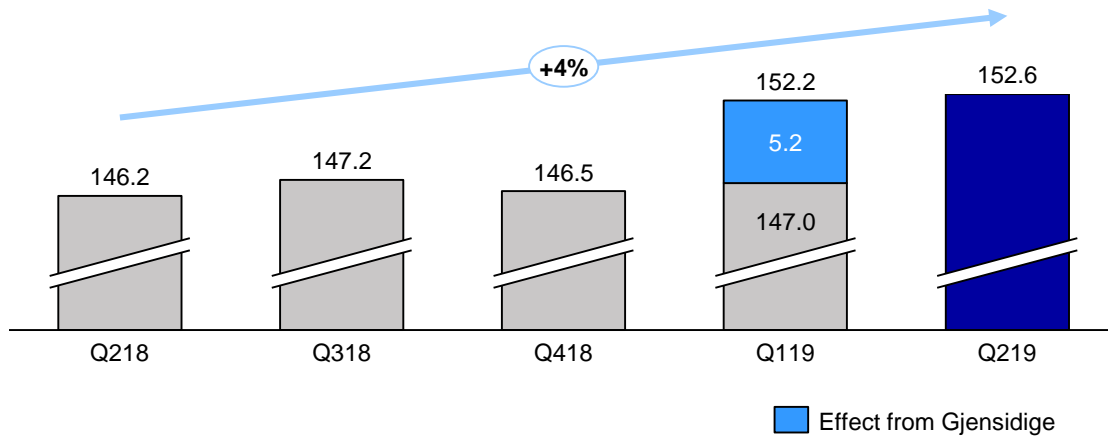
### Operating profit\*, EURm



# Personal Banking 2(2)

## Leading indicators

### Lending volume, EURbn



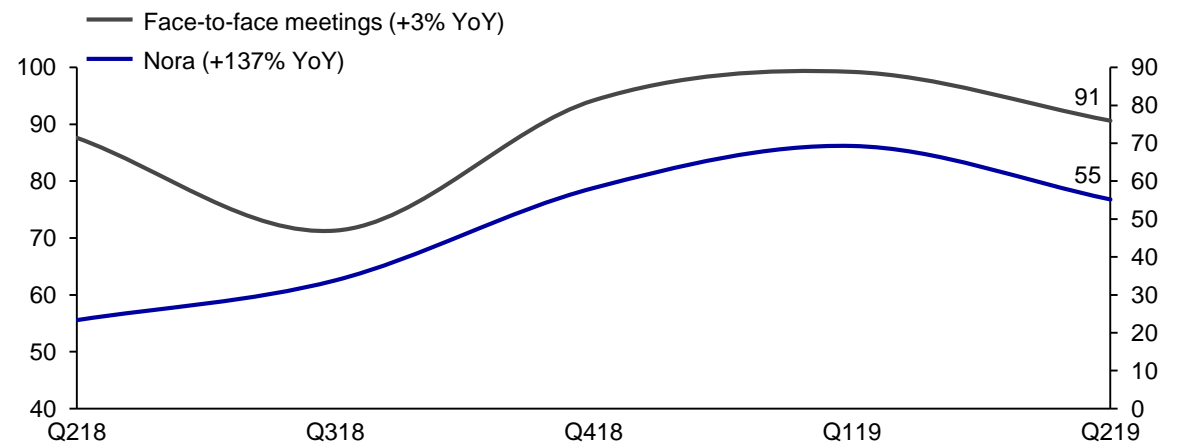
### Customer satisfaction (Customer Engagement Index)

	Q218	Q318	Q418	Q119	Q219	Trend
	71	70	69	67	69	▶
	70	72	72	71	73	▲
	71	73	74	72	71	▶
	62	65	63	66	69	▲

### Share of online meetings

	Q218	Q318	Q418	Q119	Q219	Trend
	16	17	17	18	19	▲
	26	29	27	28	29	▲
	35	32	36	37	38	▲
	33	31	30	33	31	▶

### Savings advisory sessions, '000

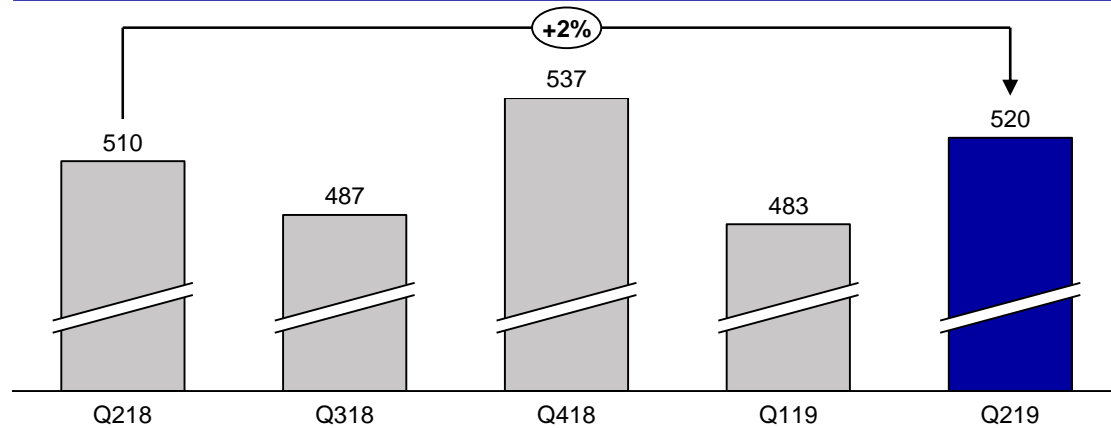




# Commercial and Business Banking 1(2)

## Key ratios

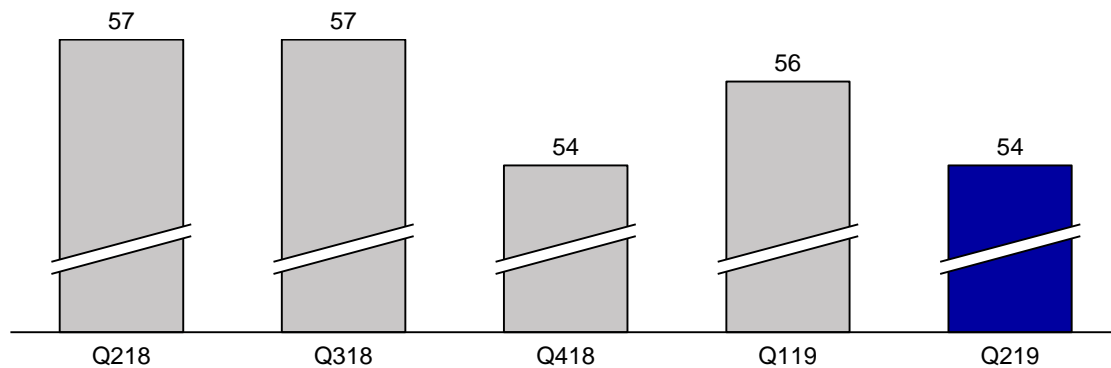
### Total income, EURm



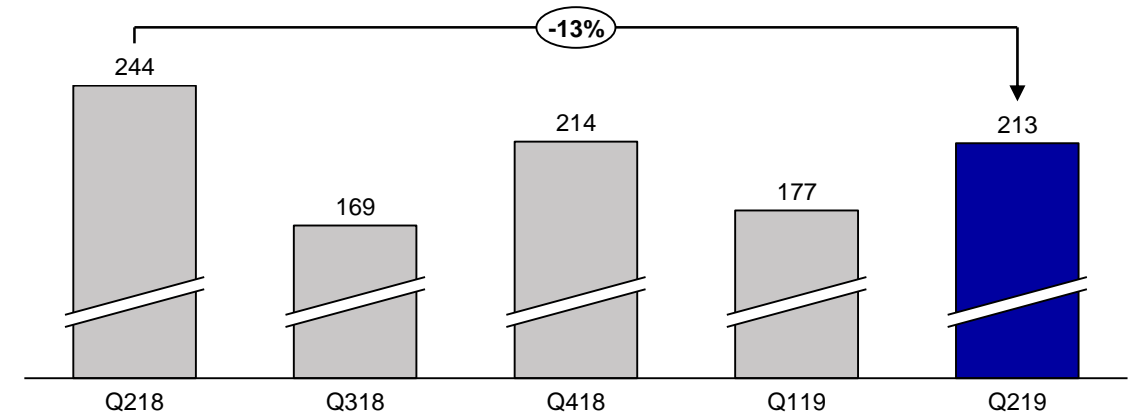
### Comments

- Underlying income momentum continues
- High customer activity in the Norwegian and Swedish market
- Increased lending margin pressure
- Continuous focus on improving customer intensity

### Cost/Income ratio\*, %



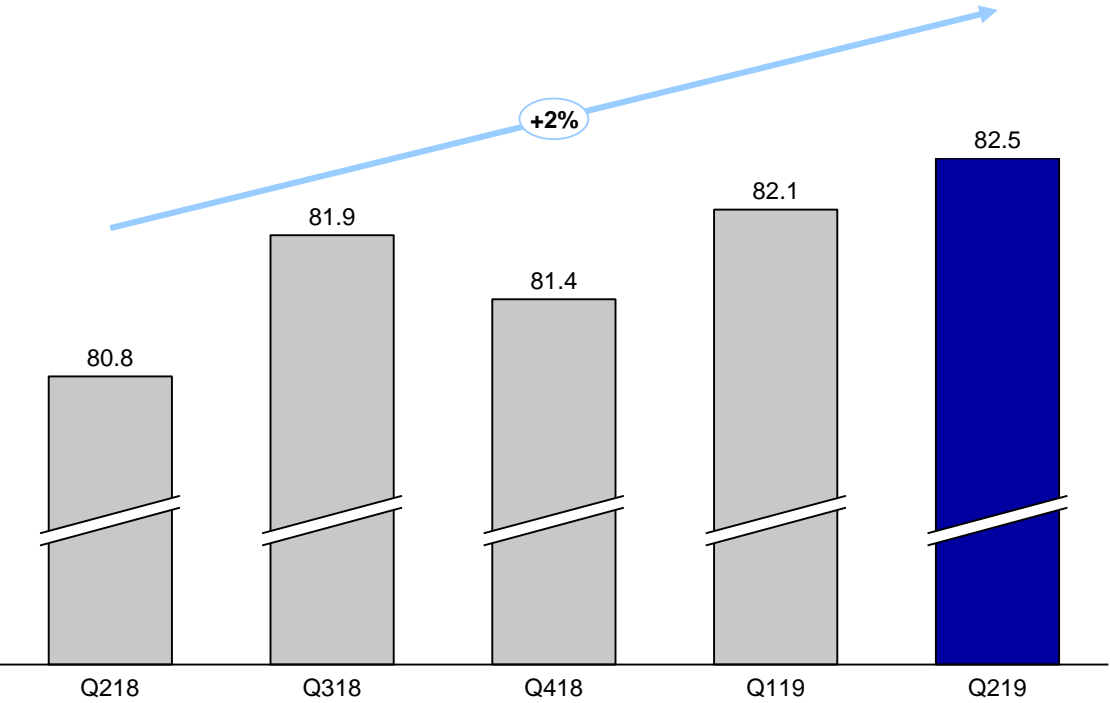
### Operating profit\*, EURm



# Commercial and Business Banking 2(2)

## Leading indicators

Lending volume, EURbn



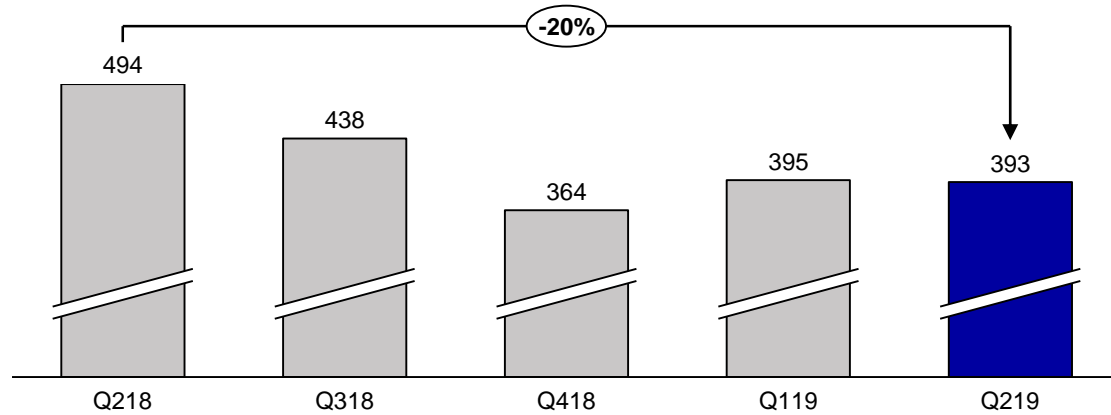
Customer satisfaction (Customer Engagement Index)

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

# Wholesale Banking 1(2)

## Key ratios

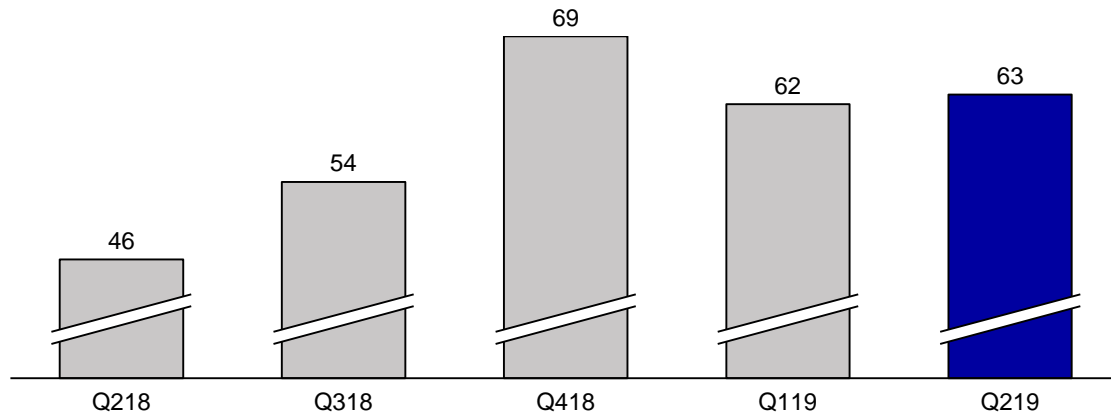
### Total income, EURm



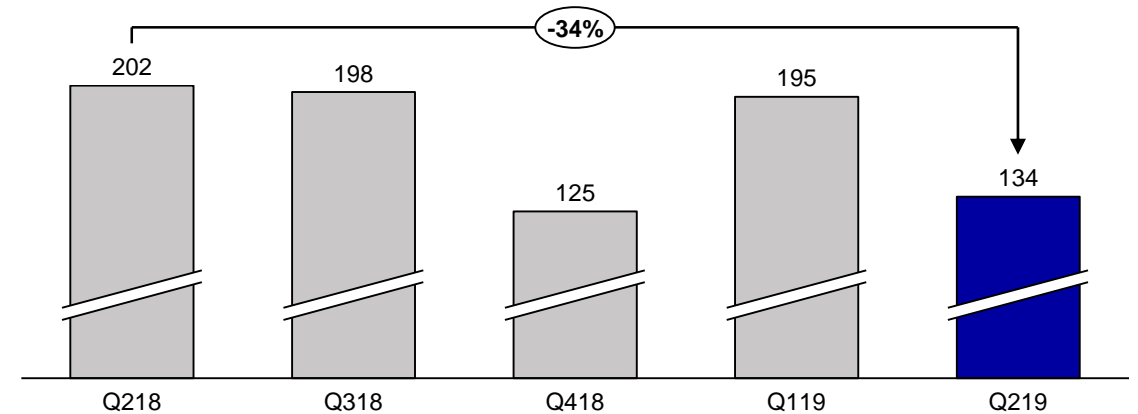
### Comments

- Strong customer activity and high satisfaction
- Lending volumes +3% YoY but slightly lower margins
- Leading bond franchise in active primary market
- Challenged market making activities
- Net loan losses Q219 following recoveries Q418 and Q119
- Accelerated ambition for capital efficiency

### Cost/Income ratio\*, %



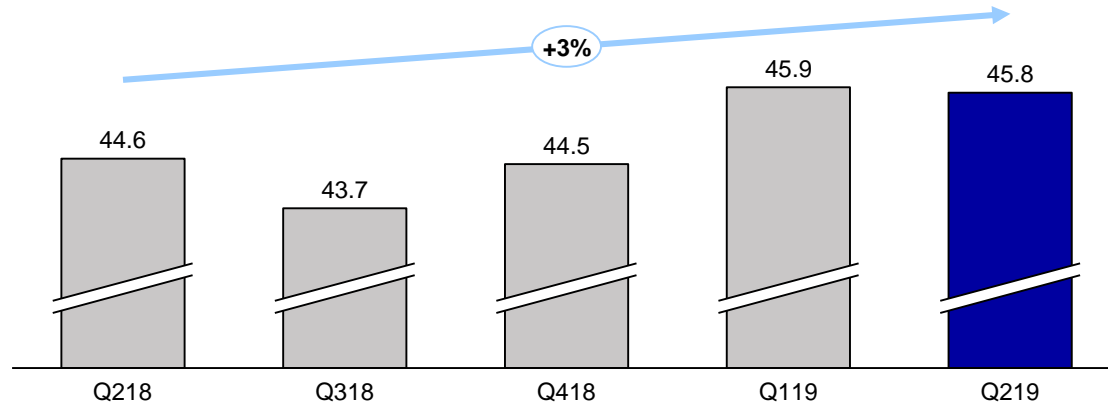
### Operating profit\*, EURm



# Wholesale Banking 2(2)

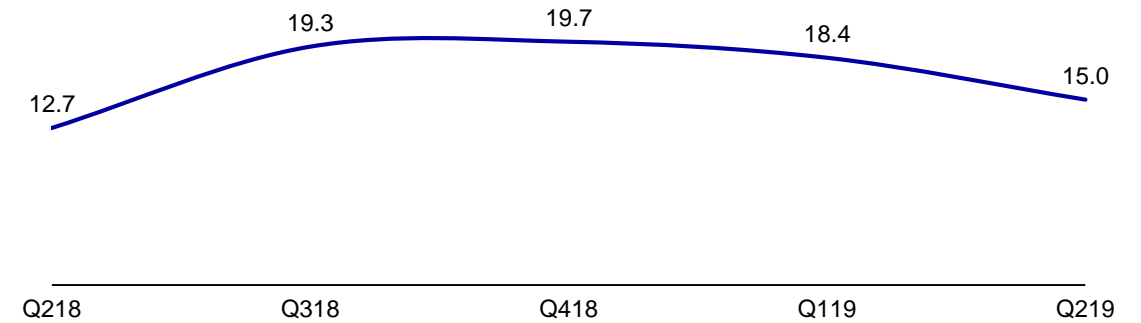
## Leading indicators

### Lending volume, EURbn



### Nordic corporate bonds, % of market share

Source: Dealogic



### Nordic syndicated loans, ranking

Source: Dealogic

Q218	Q318	Q418	Q119	Q219
1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	3 <sup>rd</sup>	1 <sup>st</sup>

### Nordic ECM and M&A, ranking

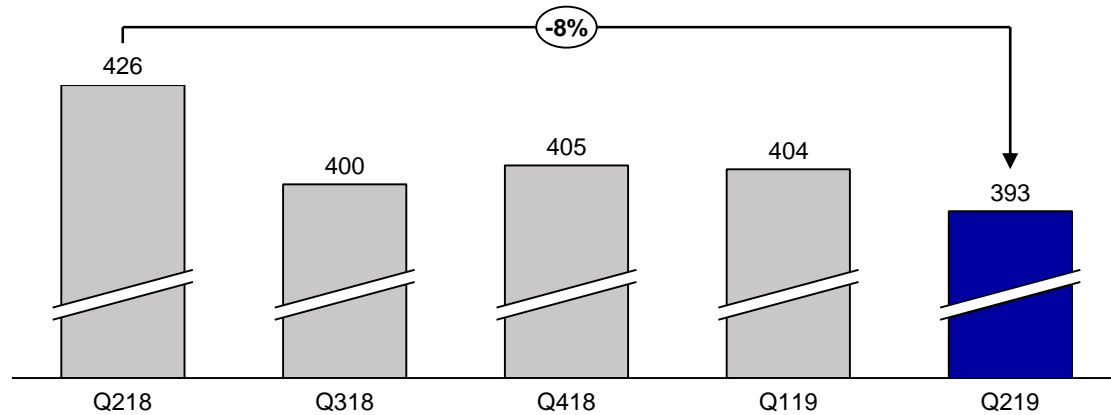
Source: Dealogic (ECM), MergerMarket (M&A)

	Q218	Q318	Q418	Q119	Q219
ECM	1 <sup>st</sup>	4 <sup>th</sup>	>5 <sup>th</sup>	5 <sup>th</sup>	>5 <sup>th</sup>
M&A	>5 <sup>th</sup>	3 <sup>rd</sup>	5 <sup>th</sup>	>5 <sup>th</sup>	>5 <sup>th</sup>

# Asset & Wealth Management 1(2)

## Key ratios

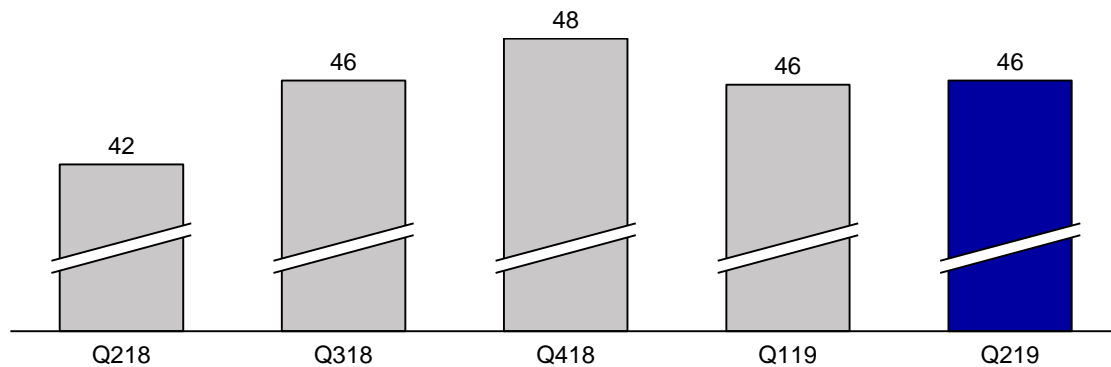
### Total income, EURm



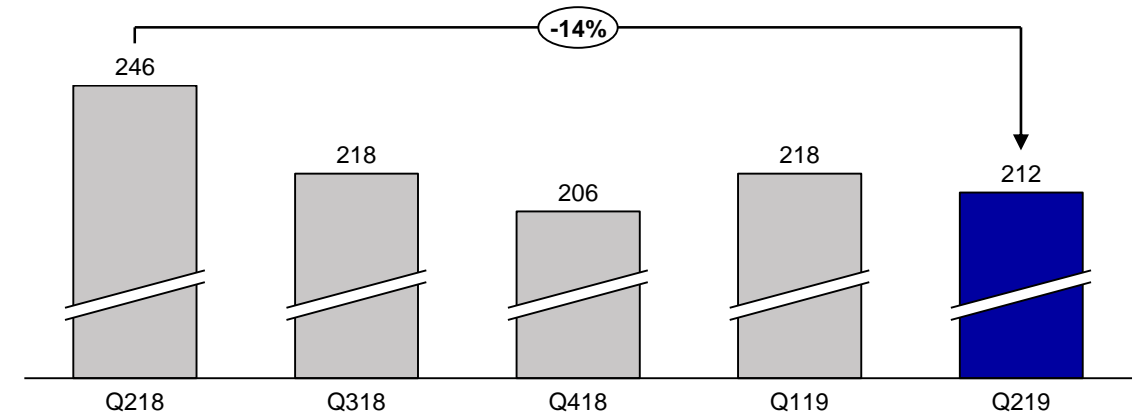
### Comments

- AuM back at same level as Q2 last year with flow of EUR 4bn
- 96% of composites outperforming their benchmarks
- Strong flows in Private Banking continues, all countries contributing
- Private Banking has increasing customer satisfaction
- Life and Pension in Sweden and Norway continue to deliver solid inflow

### Cost/Income ratio\*, %



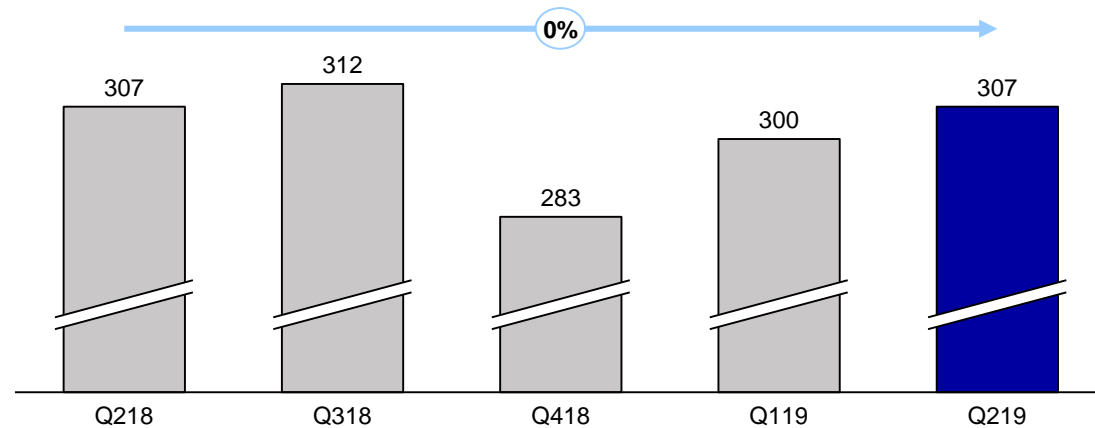
### Operating profit\*, EURm



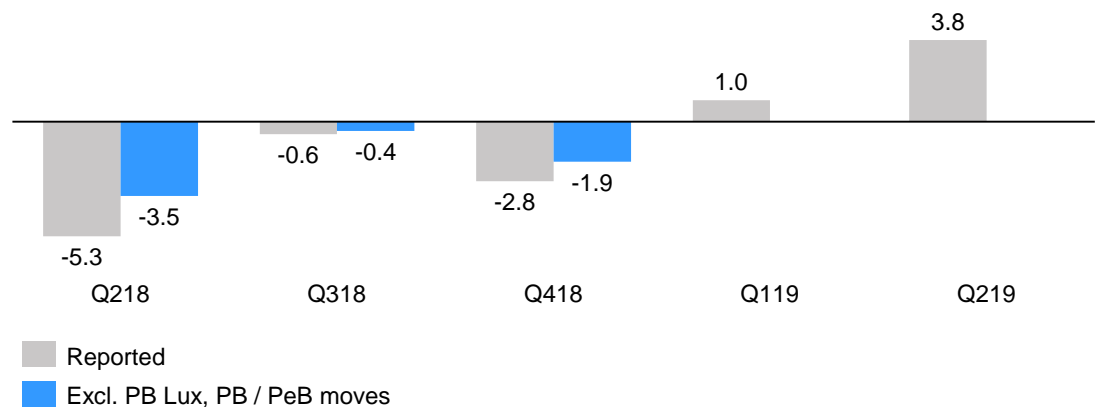
# Asset & Wealth Management 2(2)

## Leading indicators

### Assets under Management, EURbn



### Total net flows, EURbn



### Customer satisfaction (Customer Engagement Index)

	Q218	Q318	Q418	Q219
	76	77	76	80 ▲
	73	78	76	78 ▲
	73	77	77	81 ▲
	77	81	83	84 ▲

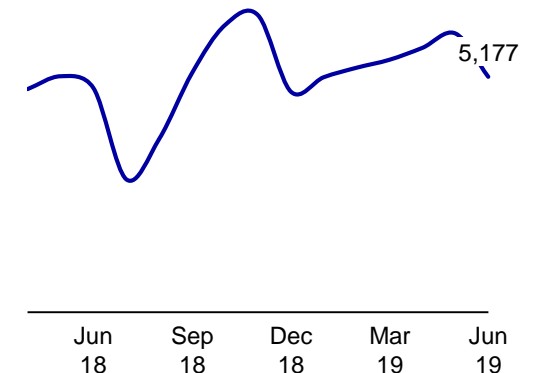
### Investment performance

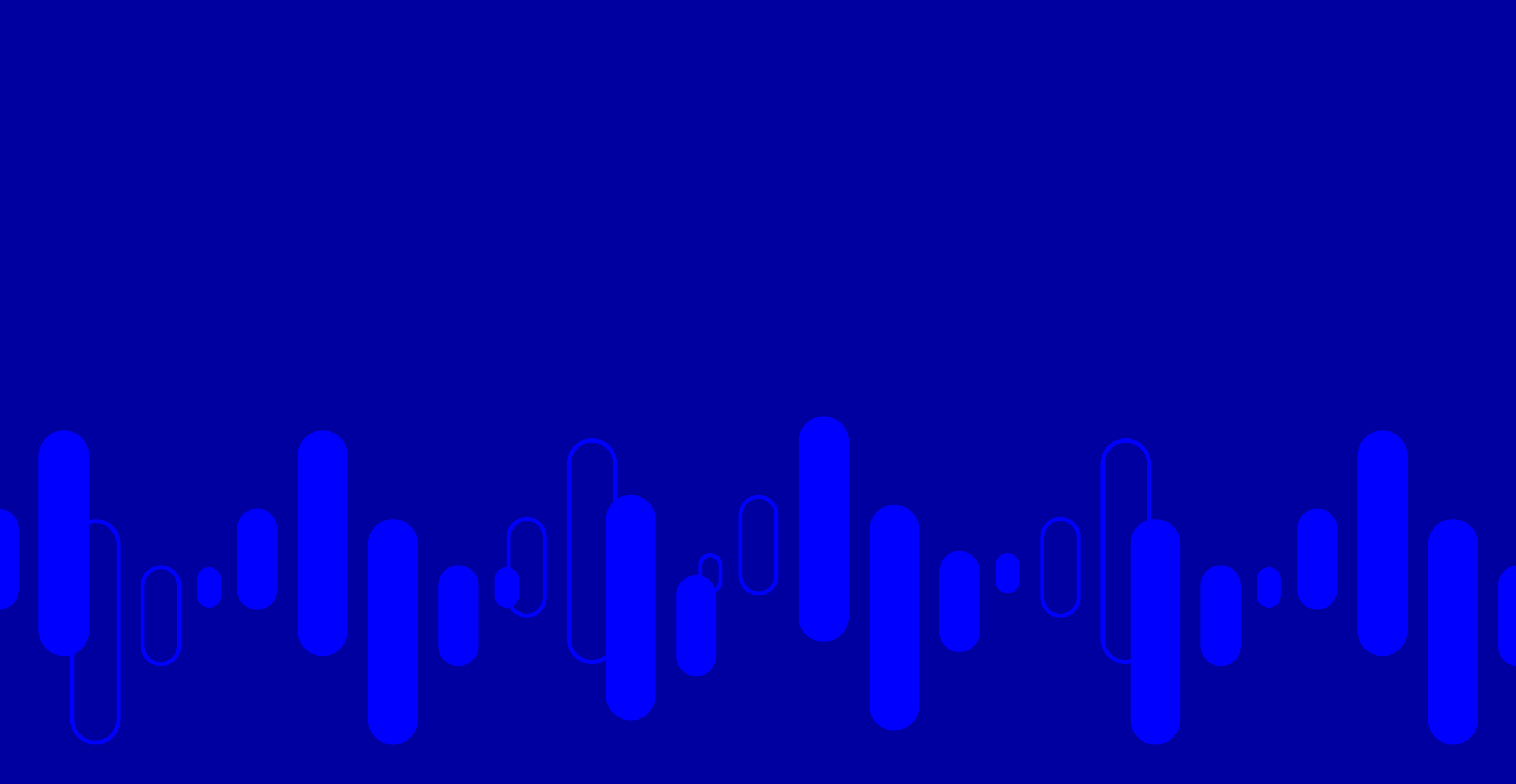
(% Composites above benchmark, YtD)

Q2	Q3	Q4	Q1	Q2
2018	2018	2018	2019	2019
35	46	42	88	96

### Investment advisory sessions

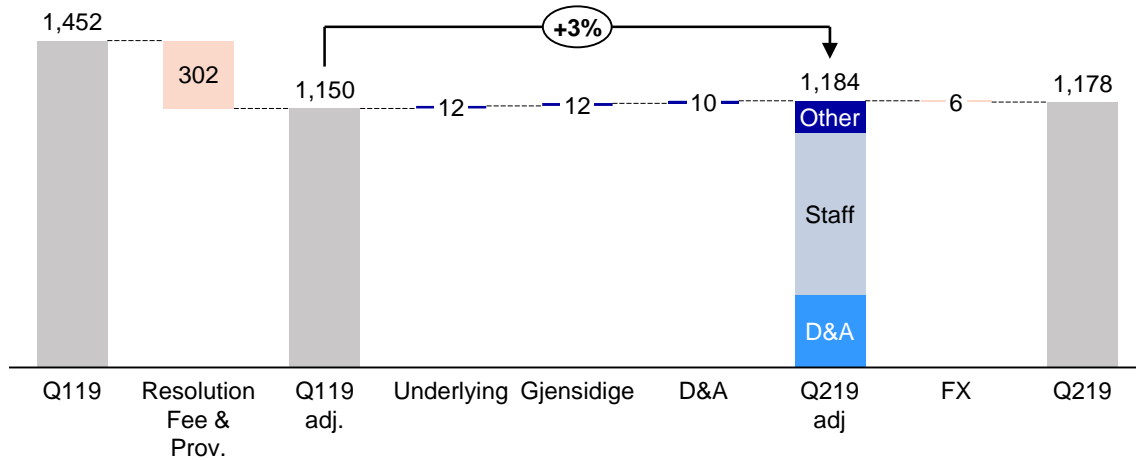
(Face-to face)



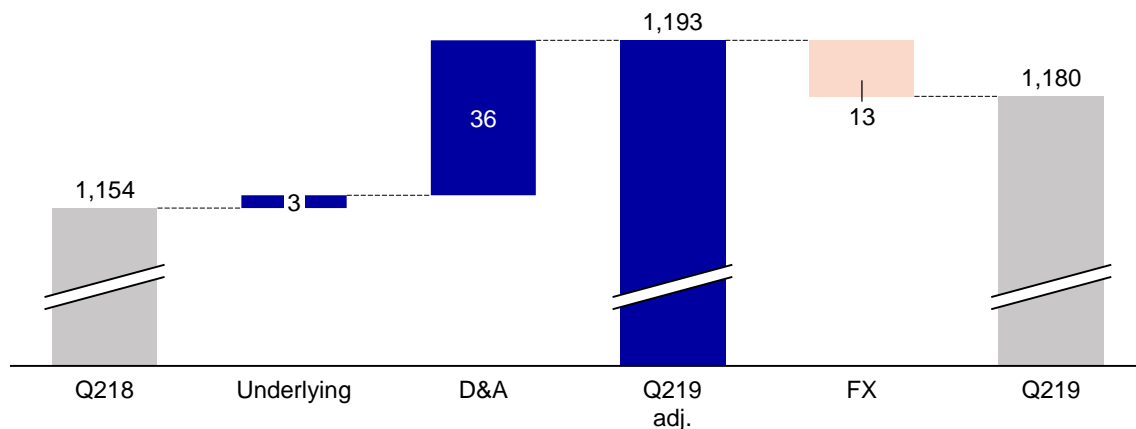


# Costs

## Quarterly bridge, EURm



## Yearly bridge, EURm\*



## Comments

- Higher costs due to depreciations and seasonal effect
- Adjusted\*\* cost to income ratio up from 57 to 58%

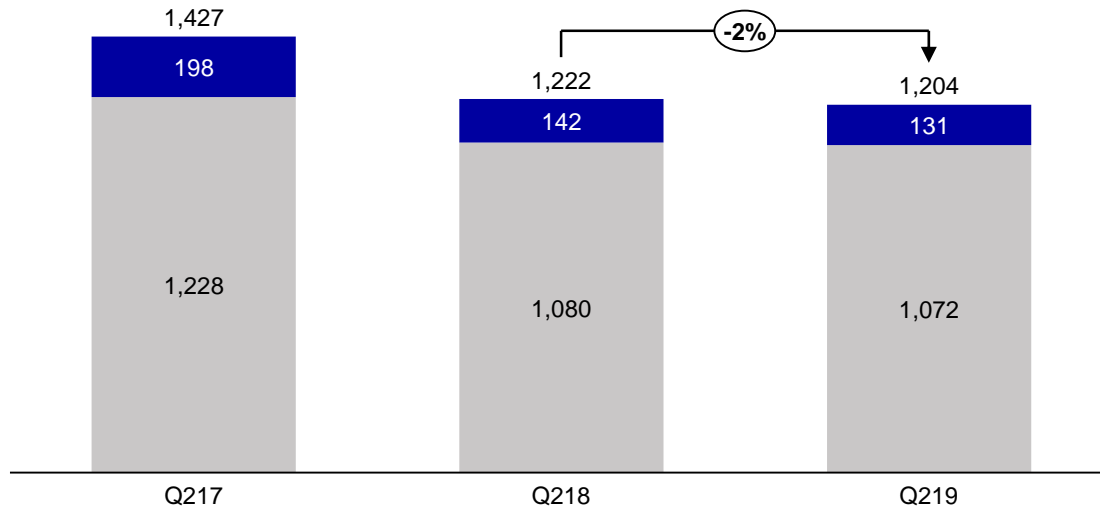
## Outlook

- 2019 cost expected to be lower than 2018\*
- 2021 cost expected 3% below 2018\*
- Financial targets will be reviewed



# Further reduction in cash cost\*

## Yearly, EURm\*\*



■ Capitalisations  
■ Underlying cost

## Comments

- Cash cost down 2% YoY due to less capitalisations

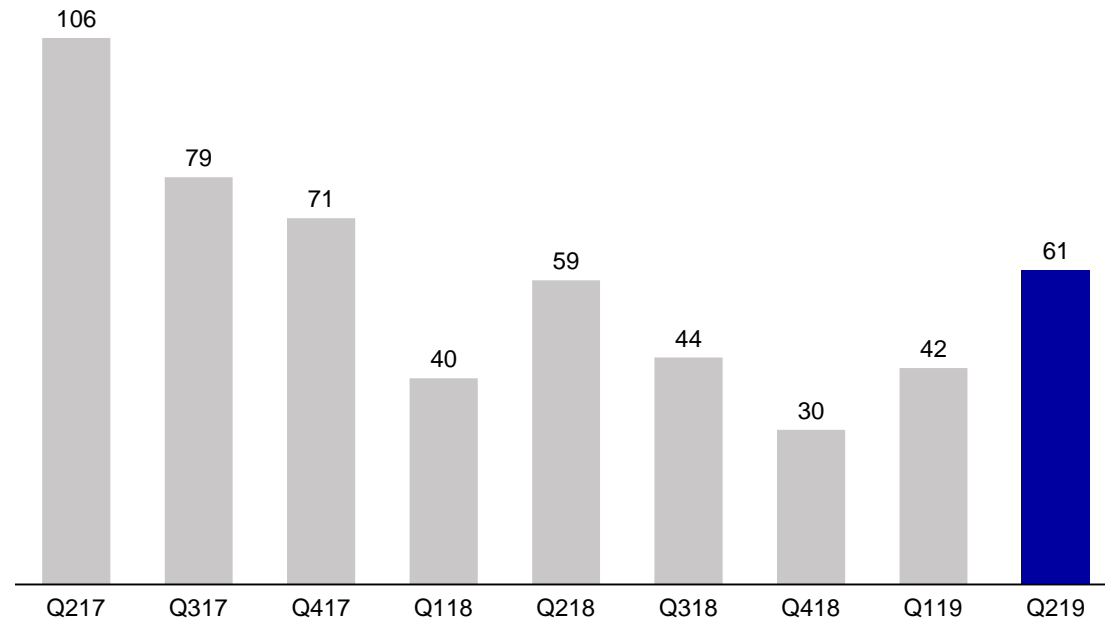
## Outlook

- Cash cost\*\* to be lower in 2019 vs 2018
- Cash cost\*\* to be down by up to 10% 2021 vs 2018
- Financial targets will be reviewed

# Strong asset quality

## Total net loan losses\*, EURm

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## Comments

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- Net loan losses EUR 61m in Q2 vs EUR 42m in Q1
- Q2 loan loss ratio 10 bps vs 7 bps in Q1

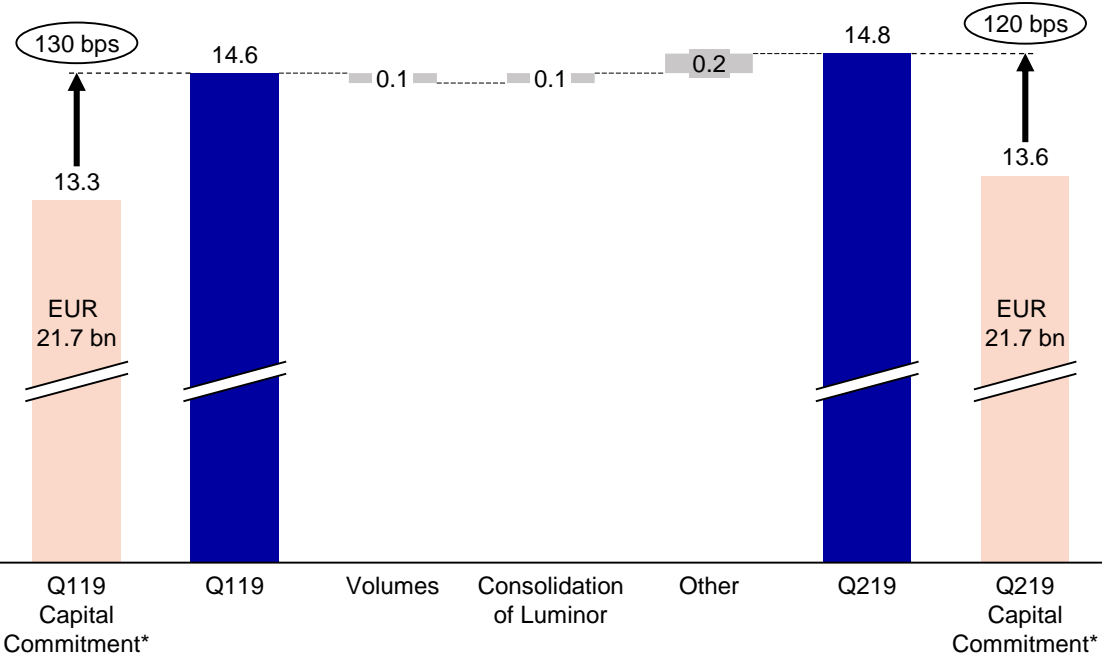
## Outlook

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- We expect largely unchanged credit quality in the coming quarters

# Common Equity Tier 1 ratio development

## Q219 vs Q119



## Comments

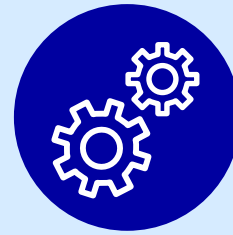
- Common Equity Tier 1 ratio increased by 20 bps to 14.8%
- Risk Exposure Amount EUR 160bn in Q2 vs EUR 163bn in Q1
- Management buffer 120 bps

# Key initiatives to drive cost efficiency

## Key priorities



Increase business momentum



**Drive cost efficiency**

**Increased usage of AI and robotics**

18 more processes robotised

**Workforce shift**

300 FTE's added in Poland & Baltics, +7.2% QoQ

**Simplification of products and services**

64 out of 370 products in DK and NO discontinued

**Efficiency by consolidating common units**

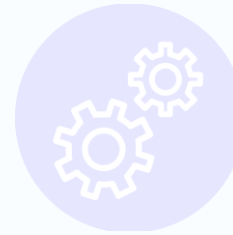
Continued consolidation of capabilities +100 FTE's

# Key initiatives to increase business momentum

## Key priorities



**Increase business momentum**



**Drive cost efficiency**

**Investments in Private Banking**

EUR 1.4bn net inflow in Private Banking

**New distribution channels**

Stable return strategy to be distributed in the US retail market through John Hancock

**Regain momentum on mortgages**

Increased market share of new sales across all countries

**Engaged employees**

Continuous positive trend on employee engagement QoQ

A scenic view of a rocky coastline under a bright blue sky with scattered white clouds. The sun is high in the sky, creating a lens flare effect. The water is a deep blue, and a small boat is visible in the distance, leaving a white wake. The foreground consists of dark, jagged rocks. On the left side, there are several vertical blue bars of varying heights, resembling a bar chart.

# Nordea

**Thank you**