

# Nordea



## Third Quarter Results 2016

Presentation

Casper von Koskuli, President, 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.

# Highlights Q3/16 vs. Q3/15\*

Stable environment and low growth

Income up 10 %

- ✓ NII down 4% YoY but up 1% vs Q2 2016
- ✓ Strong trend in the corporate advisory services – a leading European bank in 2016
- ✓ All-time high inflow to asset management of EUR 9.6bn

Costs are following the plan, up 8%

- ✓ Cost to income ratio improved 1%-points to 48.1%
- ✓ Full-year cost guidance of 3% growth in 2016 vs 2015 reiterated
- ✓ Flat costs 2018 vs. 2016

Loan loss at 16 bps o/w 9 bps are collective

- ✓ Impaired loan loss level down 9%, of which 6% relates to the Baltic

CET 1 ratio up 110 bps QoQ to 17.9%

- ✓ Final SREP requirement is 17.3%
- ✓ CET1 ratio in line with Nordea's capital policy

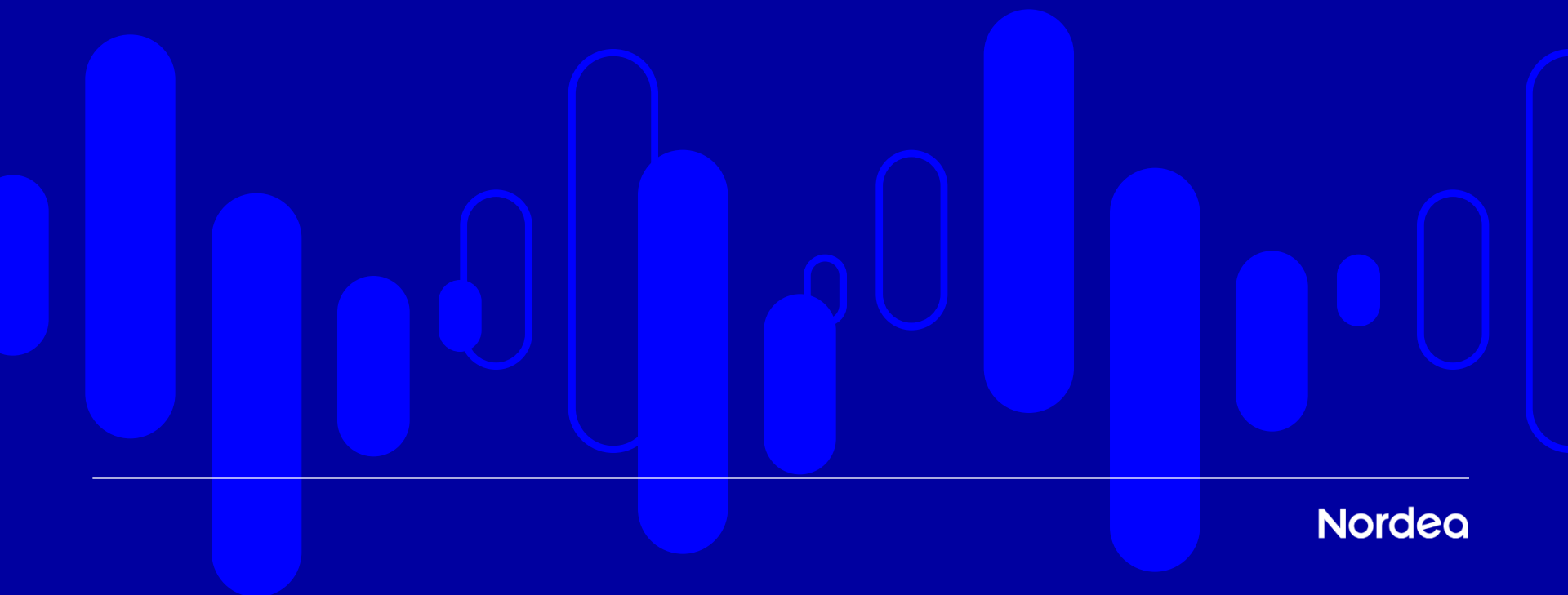
Business and culture transformation journey

- ✓ Bringing in world-class experts in several key strategic positions

\*In local currencies

**Nordea**

# Q3 2016 financial results highlights



# Nordea Group

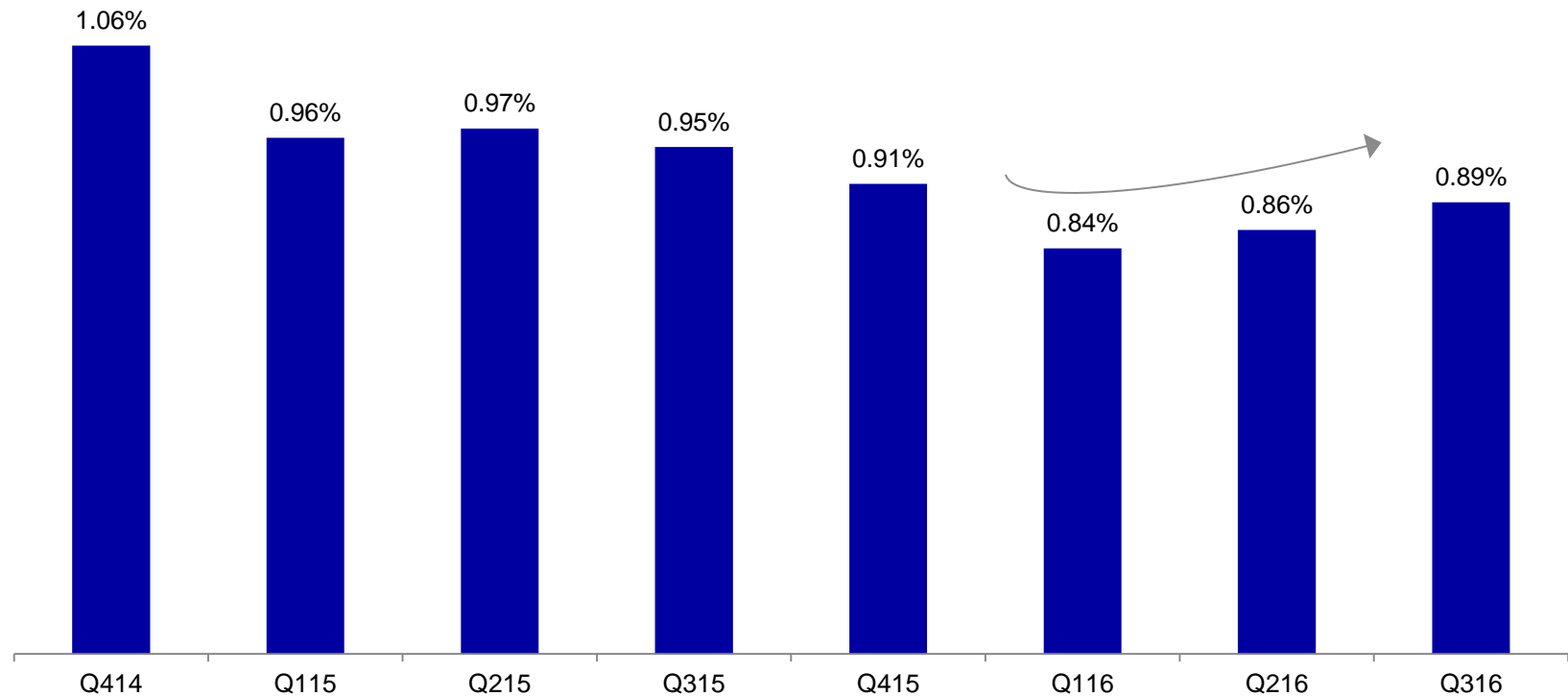
## FINANCIAL RESULT

| EURm                        | Q3/16  | Q2/16  | Chg<br>Q3/Q2<br>% | Chg<br>Q3/Q3<br>% | Loc.<br>curr.<br>Chg<br>Q3/Q3<br>% | Jan-Sep<br>2016 | Loc.<br>curr.<br>Chg<br>YoY<br>% |
|-----------------------------|--------|--------|-------------------|-------------------|------------------------------------|-----------------|----------------------------------|
| Net interest income         | 1,178  | 1,172  | 1                 | -4                | -4                                 | 3,518           | -4                               |
| Net fee & commission income | 795    | 804    | -1                | 4                 | 4                                  | 2,371           | -1                               |
| Net fair value result       | 480    | 405    | 19                | 127               | 123                                | 1,217           | -2                               |
| <b>Total income</b>         | 2,466  | 2,556  | -4                | 9                 | 10                                 | 7,317           | -1                               |
| <b>Total income*</b>        | 2,466  | 2,405  | 3                 | 9                 | 10                                 | 7,166           | -3                               |
| <b>Total expenses</b>       | -1,183 | -1,206 | -2                | 7                 | 8                                  | -3,567          | 4                                |
| <b>Total expenses*</b>      | -1,183 | -1,206 | -2                | 7                 | 8                                  | -3,567          | 4                                |
| Net loan losses             | -135   | -127   | 6                 | 21                | 23                                 | -373            | 15                               |
| <b>Operating profit</b>     | 1,148  | 1,223  | -6                | 11                | 11                                 | 3,377           | -7                               |
| <b>Operating profit*</b>    | 1,148  | 1,072  | 7                 | 11                | 11                                 | 3,226           | -11                              |
| <b>Net profit</b>           | 888    | 996    | -11               | 14                | 14                                 | 2,666           | -4                               |
| Return on equity* (%)       | 11.6   | 11.4   | +20 bps           | +110 bps          | n/a                                | 11.1            | +50 bps                          |
| CET1 capital ratio (%)      | 17.9   | 16.8   | + 110 bps         | +150 bps          | n/a                                | 17.9            | +150 bps                         |
| Cost/income ratio* (%)      | 48     | 50     | -200 bps          | -100 bps          | n/a                                | 50              | -200 bps                         |

\*Excluding non-recurring items

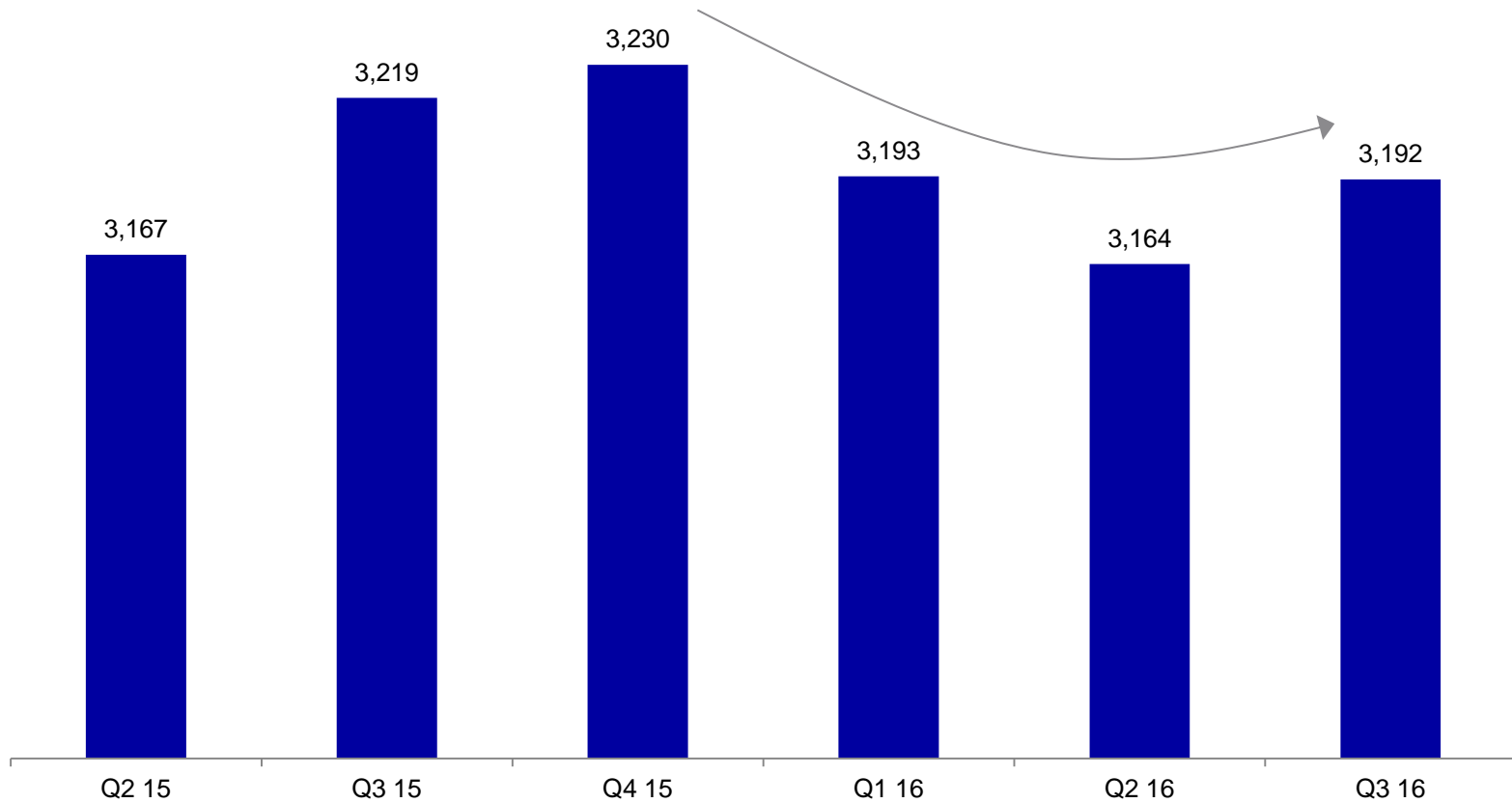
# Net Interest Margin

Severe pressure from negatives rates – finally levelling off



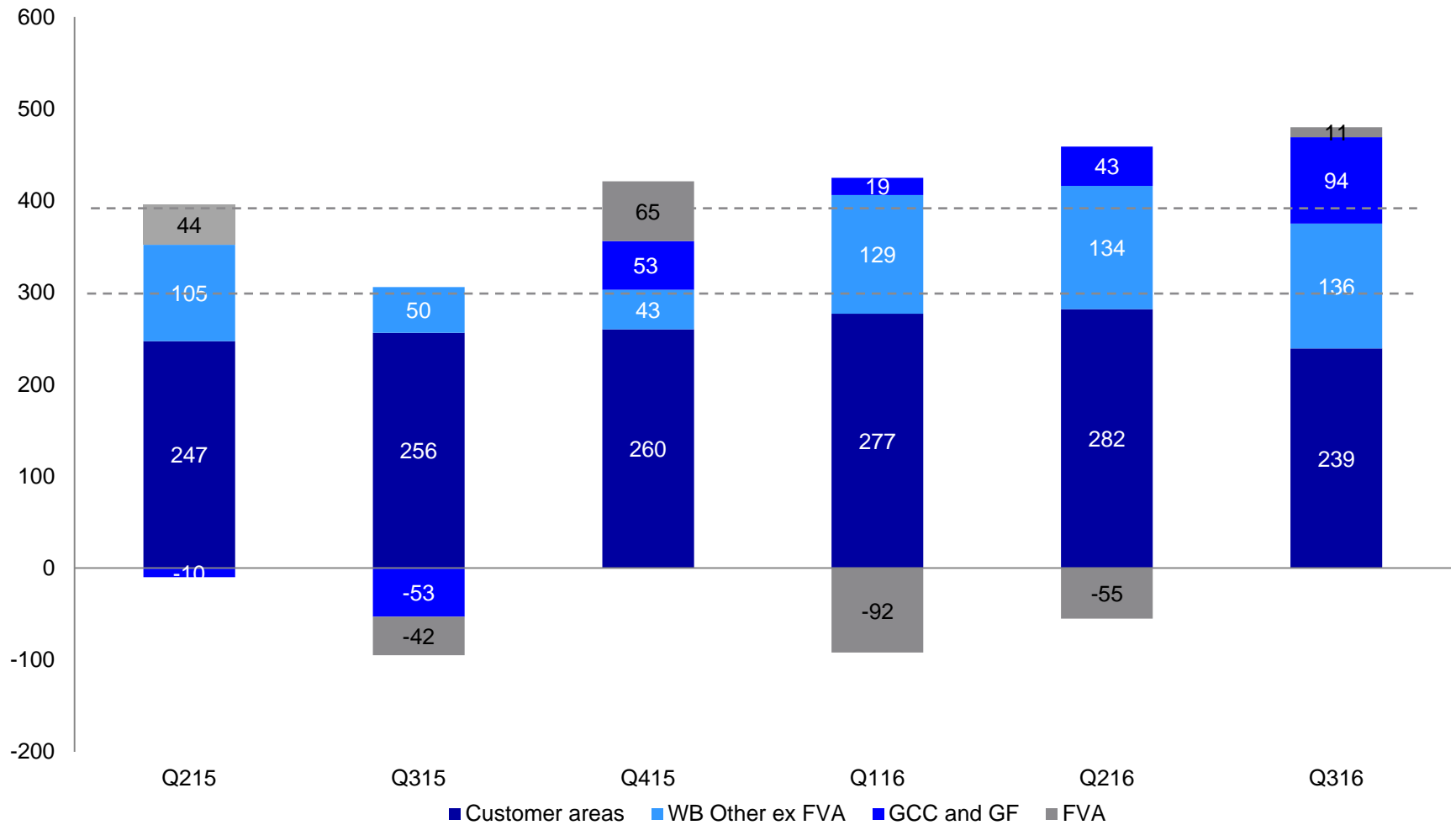
# Net Fee and Commission Income, 6Q rolling

Improved trend, driven by Asset Management



# NFV, 6Q overview

Solid underlying trend of EUR 300-400m per quarter





# Retail Banking

## FINANCIAL RESULT

| EURm                    | Q3/16        | Q2/16        | Chg<br>Q3/Q2<br>% | Chg<br>Q3/Q3<br>% | Loc.<br>curr.<br>Chg<br>Q3/Q3<br>% |
|-------------------------|--------------|--------------|-------------------|-------------------|------------------------------------|
| Net interest income     | 812          | 800          | 2                 | -3                | -2                                 |
| <b>Total income</b>     | <b>1,188</b> | <b>1,195</b> | <b>-1</b>         | <b>-5</b>         | <b>-4</b>                          |
| <b>Total expenses</b>   | <b>-676</b>  | <b>-680</b>  | <b>-1</b>         | <b>0</b>          | <b>0</b>                           |
| Net loan losses         | -63          | -71          | -11%              | -6%               | -4%                                |
| <b>Operating profit</b> | <b>449</b>   | <b>444</b>   | <b>1</b>          | <b>-11</b>        | <b>-11</b>                         |
| ROCAR (%)               | 10%          | 10%          | -                 | -                 | -                                  |
| Economic Capital        | 13,329       | 13,543       | -2%               | +10%              | +10%                               |

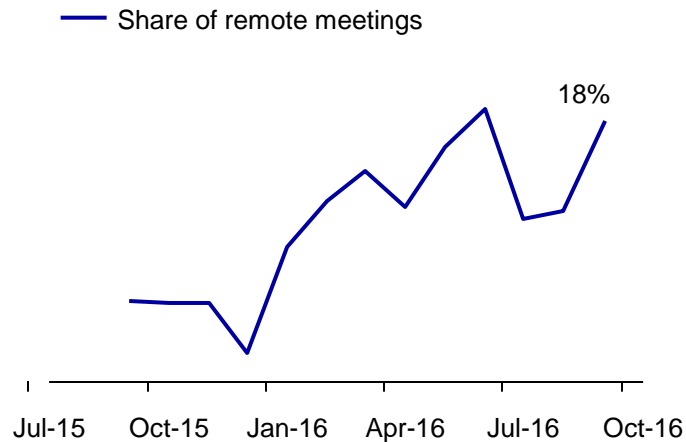
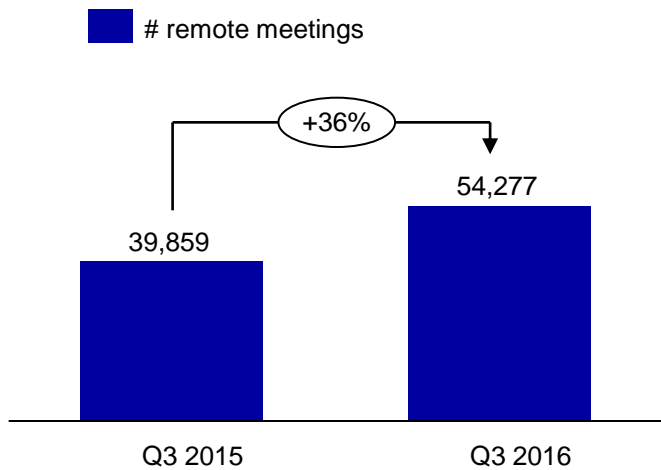
## COMMENTS

- Positive trend in NII
  - Strong performance in Sweden
  - Higher NIBOR pressured Norwegian margins
- Lending:
  - Some growth in corporates and household in Sweden - low elsewhere
- Risk management products
  - Seasonally lower activity levels
- Expenses
  - Down 1%, more than mitigating inflation and compliance investments

# Making the bank more accessible for our customers

## BUSINESS UPDATE

- Every sixth customer meeting is done online, +36 percent YoY
- New partnership on MobilePay in Denmark and Norway
- Winner of The Banker's "Transaction Banking Award for the Nordic region 2016"



# Wholesale Banking

## FINANCIAL RESULT

| EURm                    | Q3/16       | Q2/16       | Chg<br>Q3/Q2<br>% | Chg<br>Q3/Q3<br>% | Loc.<br>curr.<br>Chg<br>Q3/Q3<br>% |
|-------------------------|-------------|-------------|-------------------|-------------------|------------------------------------|
| Net interest income     | 204         | 209         | -2                | -21               | -19                                |
| <b>Total income</b>     | <b>576</b>  | <b>542</b>  | <b>6</b>          | <b>17</b>         | <b>18</b>                          |
| <b>Total expenses</b>   | <b>-221</b> | <b>-229</b> | <b>-3</b>         | <b>6</b>          | <b>7</b>                           |
| Net loan losses         | -71         | -56         | 27                | 51                | 59                                 |
| <b>Operating profit</b> | <b>284</b>  | <b>257</b>  | <b>11</b>         | <b>19</b>         | <b>19</b>                          |
| ROCAR (%)               | 10          | 9           | -                 | -                 | -                                  |
| Economic Capital        | 8,607       | 9,109       | -6%               | +9%               | -                                  |

## COMMENTS

- Stable business trend in Corporate and Institutional Banking
- Strong trend within corporate advisory services
- Limited impact from Fair Value Adjustments, EUR +11m, vs. EUR -50m in Q2 16
- Volumes in Russia are down 18% QoQ in local lending currencies

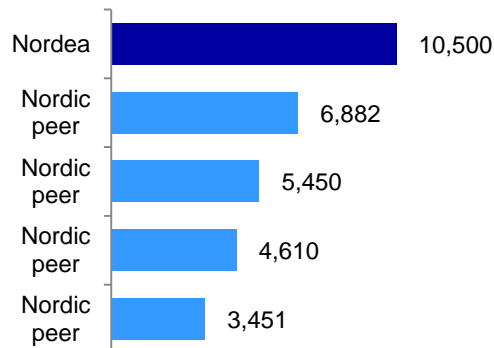
# Top ranked both in Nordics and EMEA\*

Nordea is a local champion

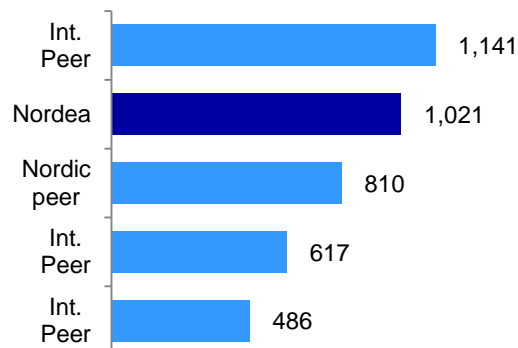
| IPOs January - September (Q1-Q3) 2016 |                               |                  |             |        |
|---------------------------------------|-------------------------------|------------------|-------------|--------|
| Rank                                  | Global Coordinator            | Deal Value, EURm | No. Of IPOs | %share |
| 1                                     | Morgan Stanley                | 7,315            | 8           | 39.60  |
| 2                                     | Nordea                        | 5,405            | 4           | 29.26  |
| 3                                     | JP Morgan                     | 5,132            | 7           | 27.78  |
| 4                                     | Deutsche Bank                 | 4,924            | 7           | 26.55  |
| 5                                     | Goldman Sachs                 | 2,690            | 7           | 14.56  |
| 6                                     | Citi                          | 1,912            | 4           | 10.35  |
| 7                                     | Bank of America Merrill Lynch | 1,789            | 4           | 9.68   |
| 8                                     | ABN AMRO Bank                 | 1,580            | 3           | 8.55   |
| 9                                     | Credit Suisse                 | 1,566            | 3           | 8.48   |
| 10                                    | Mediobanca                    | 1,286            | 4           | 6.96   |

- Nordea among the top on the EMEA\* list of joint global coordinators
- Selective #1 league table positions again confirm our market leading position in the Nordics

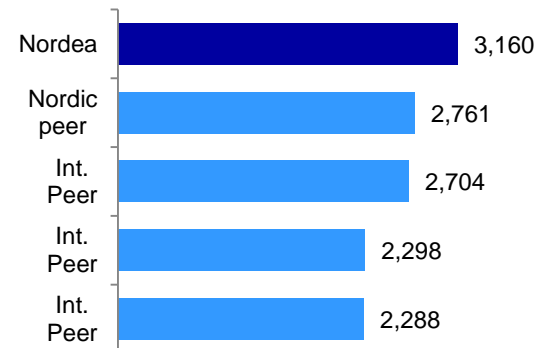
**Q3 Nordic #1 on Syndicated loans (EURm)**



**Q3 Nordic #2 and #1 YTD on Bonds (EURm)**



**Q3 Nordic #1 on ECM (EURm)**



\*Emerging Markets, Europe and Africa

# Wealth Management

## FINANCIAL RESULT

| EURm                    | Q3/16       | Q2/16       | Chg<br>Q3/Q2<br>% | Chg<br>Q3/Q3<br>% | Loc.<br>curr.<br>Chg<br>Q3/Q3<br>% |
|-------------------------|-------------|-------------|-------------------|-------------------|------------------------------------|
| Net interest income     | 28          | 28          | 0                 | -15               | -18                                |
| <b>Total income</b>     | <b>489</b>  | <b>499</b>  | <b>-2</b>         | <b>11</b>         | <b>10</b>                          |
| <b>Total expenses</b>   | <b>-201</b> | <b>-202</b> | <b>0</b>          | <b>2</b>          | <b>4</b>                           |
| Net loan losses         | 0           | 0           | -                 | -                 | -                                  |
| <b>Operating profit</b> | <b>288</b>  | <b>297</b>  | <b>-3</b>         | <b>18</b>         | <b>14</b>                          |
| ROCAR (%)               | 35          | 38          | -                 | -                 | -                                  |
| Economic Capital        | 2,578       | 2,459       | +5%               | +9%               | +9%                                |

## COMMENTS

- All-time-high inflow to Asset management
  - EUR 9.6bn or 13% of AuM annualised
- Assets under management at all-time high of EUR 317.4bn
- Strong fee and commission trend in Life and Pensions
- Normal seasonality in activity levels in Private Banking

# Top ranked by Morningstar on European fund net flows

Overall rating 2016 (End Q3, EURbn)

| Nordea                    | 16.3 |
|---------------------------|------|
| Union Investment          | 10.2 |
| Aviva                     | 8.7  |
| PIMCO                     | 6.3  |
| Eurizon Capital           | 6.1  |
| Credit Suisse             | 6.0  |
| Amundi                    | 5.5  |
| Mercer Global Investments | 5.3  |
| Vanguard                  | 5.1  |
| UBI                       | 4.8  |

#1

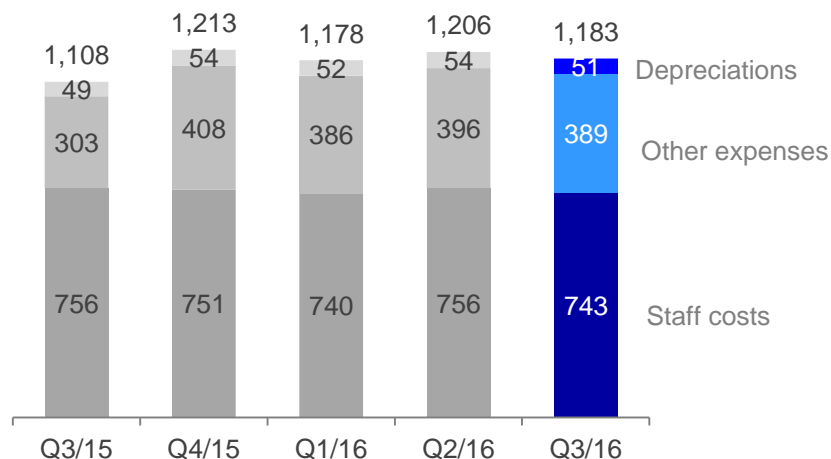
Source: Morningstars' estimated 2016 net flow in OE mutual funds (excl. money market, funds of funds & ETF's) data extracted 26.09.2016.

- Highest net inflow ever; EUR 9.6 bn in Q3 16
- Highest net inflow per end of September
- Awarded "Multi Asset Manager of the year" by Financial News



# Costs

TOTAL EXPENSES\*, EURm



COMMENTS

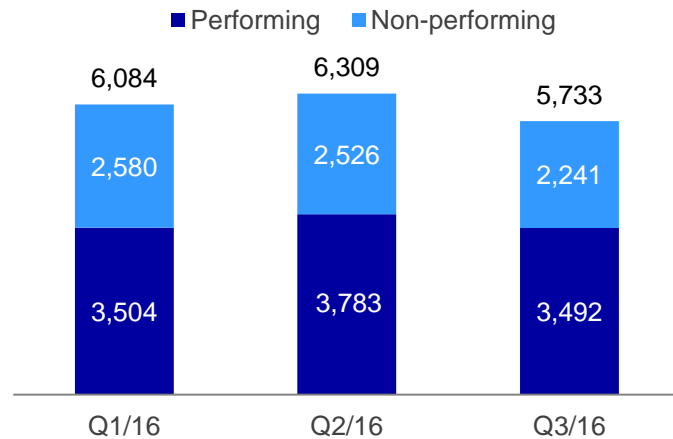
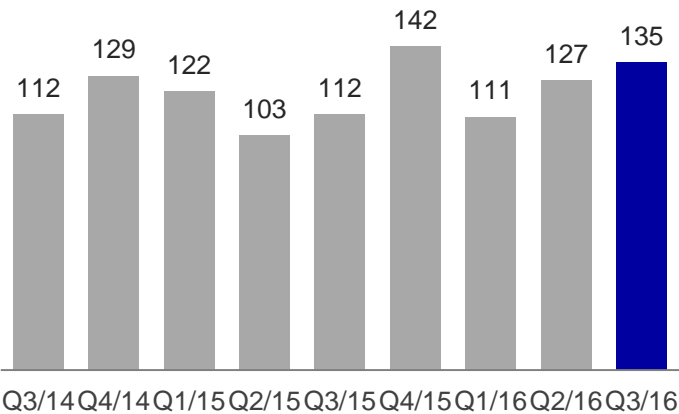
- **Cost to income ratio:**
  - Improved 100bps YoY and 200bps QoQ
- **Costs in local currencies:**
  - Down 1% QoQ and up 8% YoY
- **Number of staff:**
  - Up 1% QoQ and 5% YoY
  - Mainly relates to compliance and insourcing of IT
- **Cost growth of approximately 3% in local currencies for 2016 compared to 2015\*\***
- **Largely unchanged cost base 2018 vs. 2016**
- **Continued high activity level in 2017**

\*Excluding restructuring charge of EUR 263m in Q4/15

\*\* Including a gain of EUR 80-85m from a changed pension agreement in Norway

# Solid asset quality

TOTAL NET LOAN LOSSES, EURm



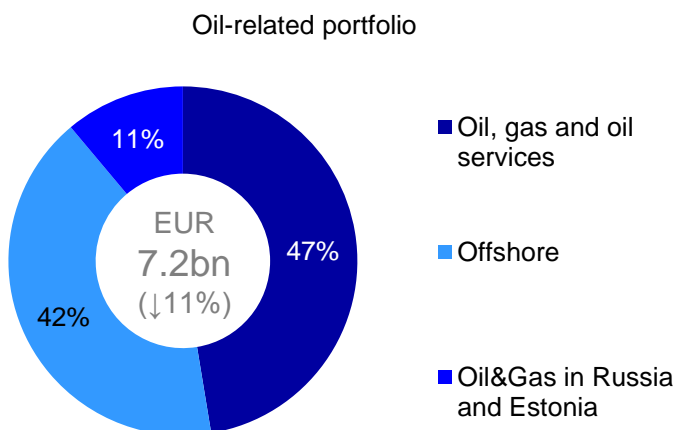
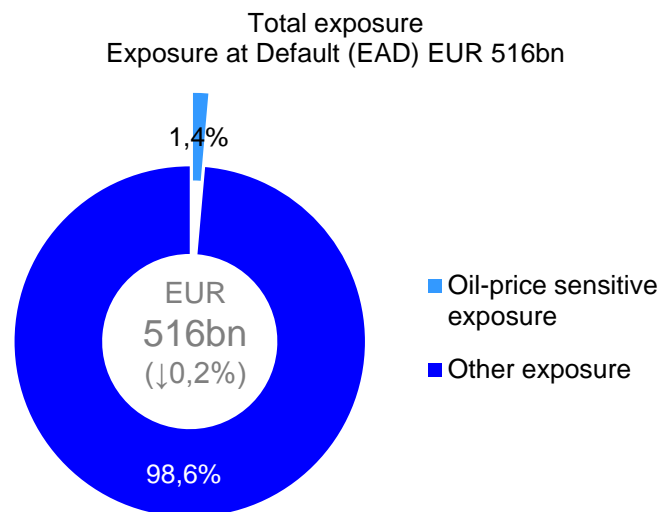
COMMENTS

- Loan losses at 16 bps for Q3 (Q2: 15 bps)
  - 53% from increased collective provisions related to the oil and offshore related portfolios
  - Individual losses were at low level of 7 bps
- Impaired loans ratio down 9 bps to 163 bps and provisioning ratio increased to 44% (Q2:42%)
- The full year loan losses are expected to be at around 16bps

\*EUR 6122m, including operations in Baltics, expected finalised Q2 2017

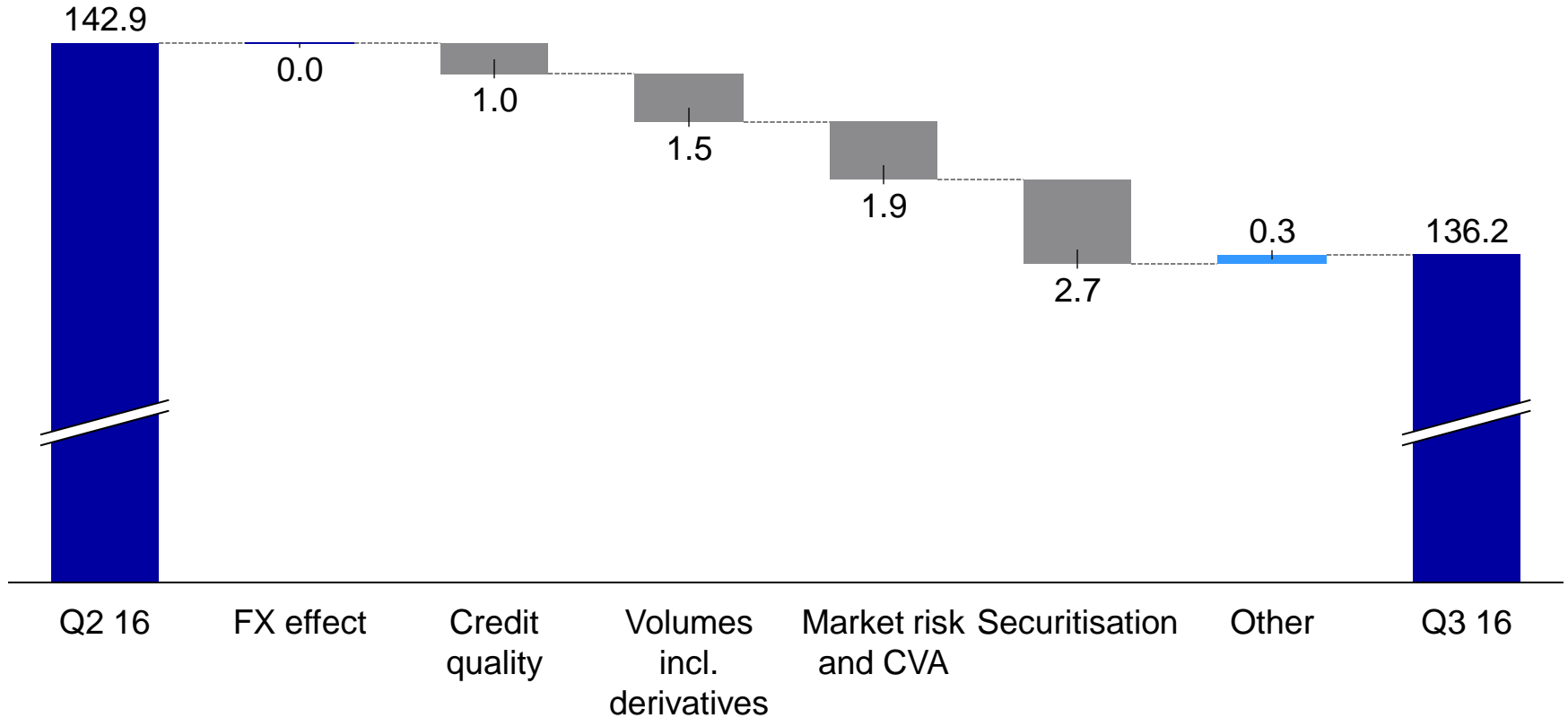


## Oil & gas, oil services and offshore is 1.4% of Nordea's EAD

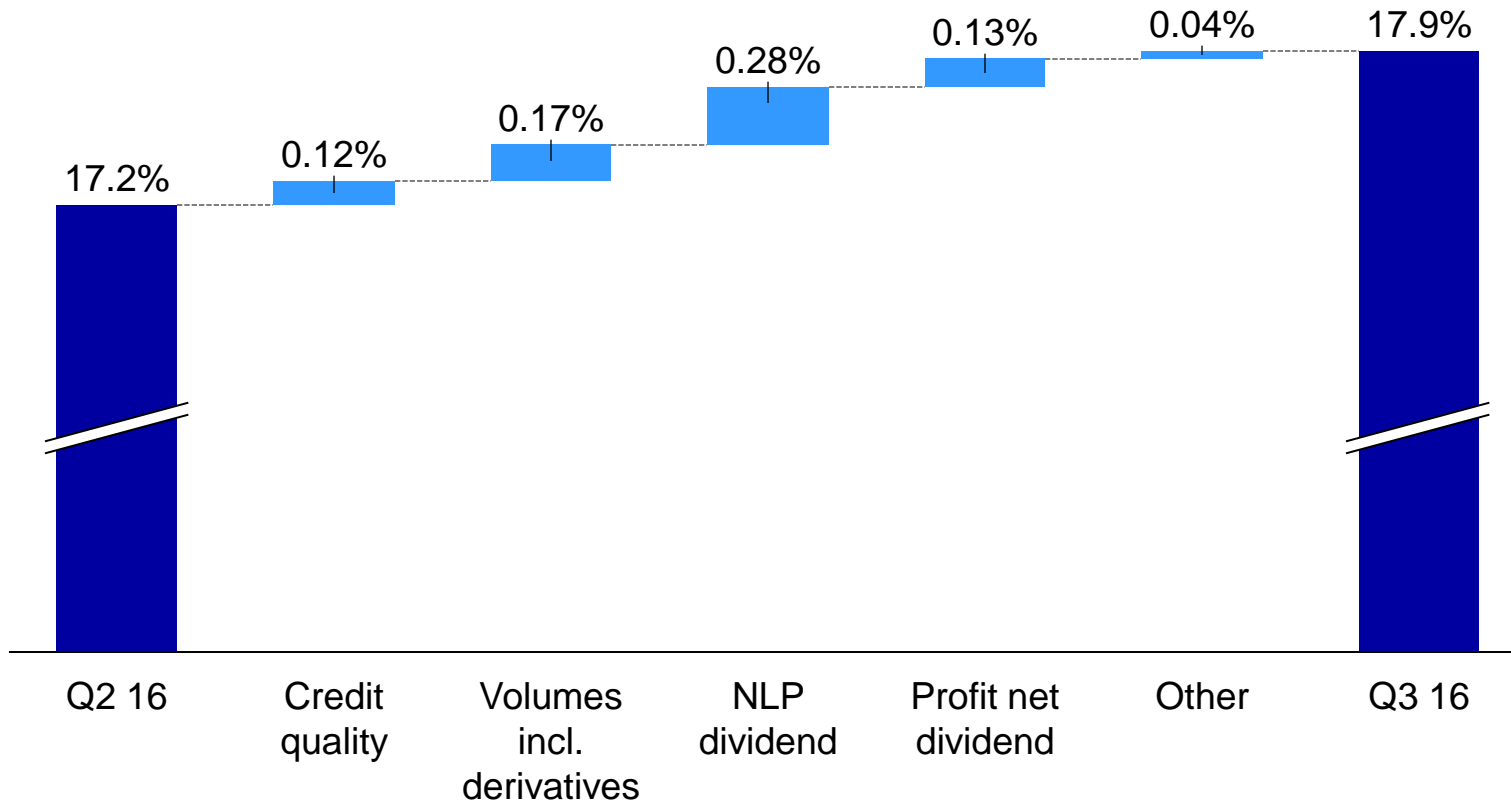


- Credit quality in the oil and offshore related portfolios is still deteriorating
- Exploration & production spending in the oil & gas industry is expected to fall more than 20% in 2016
- Collective provisions related to oil and offshore increased in Q3 with EUR 53m. Total collective provision for oil and offshore is now EUR 157m
- In Q3, EUR 58m of the loan loss provisions related to Offshore
- During Q3 a handful of large restructurings have been successfully completed in the offshore portfolio

# REA development Q3 16



# Common Equity Tier 1 ratio development Q316 vs. Q2 proforma



# Experienced and international professionals recruited on key strategic senior positions

| Strategic area | Position                                 | Country of origin | Strategic area                    | Position                        | Country of origin |
|----------------|--|-------------------|-----------------------------------|---------------------------------|-------------------|
| Compliance     | Head of Group Compliance                 | UK                | Simplification and Digitalization | Head of Digital Banking         | Spain             |
|                | Head of WB Compliance                    | Russia            |                                   | Chief Digital Officer           | UK                |
|                | Head of Group Financial Crime Compliance | UK                |                                   | Head of Core Banking Platform   | India             |
|                | Head of Financial Crime Change Programme | UK                |                                   | Head of Group IT                | Spain             |
|                |  |                   |                                   | Head of Group Functions COO     | Spain             |
|                |  |                   | Other key functions               | Group CFO                       | Finland           |
|                |  |                   |                                   | Head of Group HR                | Denmark           |
|                |  |                   |                                   | Head of Group Treasury & ALM    | Norway            |
|                |  |                   |                                   | Head of Marketing and Group Com | Sweden            |
|                |  |                   |                                   | Head of Internal Audit          | UK                |

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Casper von Koskuli, President, Group CEO