

Nordea

Our Transformation

Casper von Koskull, President and Group CEO

Torsten Hagen Jørgensen, Group COO and Deputy CEO

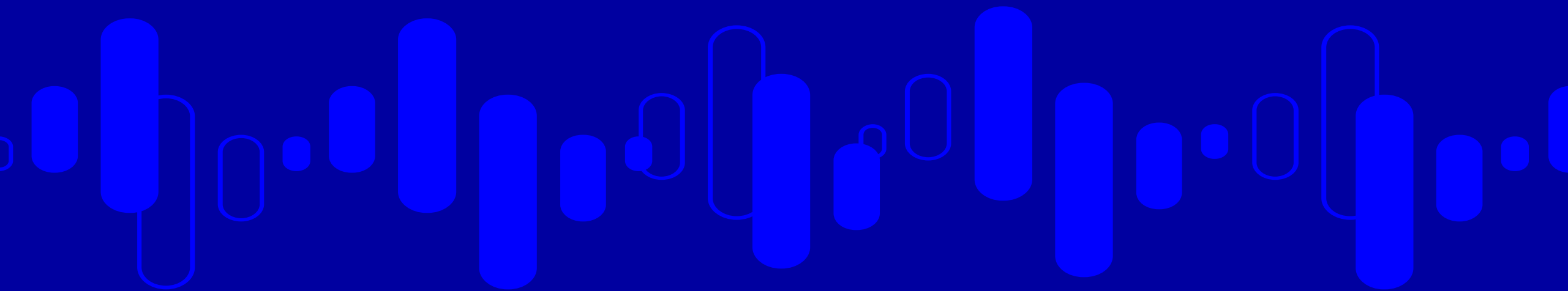
London, 27th October, 2017



Q3 2017 Group financial highlights

		Q3/17 vs. Q3/16*	Q3/17 vs. Q2/17*
Income	• Total revenues	• -4%	• -1%
	• Net Interest Income	• +1%	• +1%
	• Fee and Commission Income	• +3%	• -4%
	• Net Fair Value	• -26%	• -1%
Costs	• Total expenses	• +2%	• -7%
	• Staff costs	• +2%	• -5%
Credit quality	• Loan loss level	• 10 (16) bps	• 10 (13) bps
	• Impaired loans	• 174 bps (163 bps)	• 174 bps (172 bps)
Key ratios	• CET1 ratio	• 19.2% (17.9%)	• 19.2% (19.2%)
	• ROE	• 10.5% (11.6%)	• 10.5% (9.5%)
	• C/I	• 51% (48%)	• 51% (54%)

Our Transformation



Transformation summary

Significant progress has been made over the last two years

- Material improvement in overall Resilience, including measurably strengthened 2nd & 3rd line and Core Systems
- Digital platform strengthened to remain relevant towards Customers
- Successful Legal Structure Project and stronger balance sheet, improved credit quality and further strengthening of ancillary income

Embarking on a full fledged transformation journey

- We are re-inventing banking from a position of strength; large customer base, strong balance sheet with ability to invest in the future
- Nordea's operating model will be Scalable, Agile and Resilient and will provide the foundation for winning in the marketplace

The Transformation also delivers significant improvement in efficiency, profitability and capital generation

- Target of total costs incl. transformation costs < EUR 4.8bn in 2021
- Continued significant CET1 accumulation and robust outlook for delivering on our dividend policy
- Continued improvement of RoE

Nordea has the largest financial services platform in the Nordics

Nordea at a glance

11 million customers

- 10 million household customers
- 540,000 corporate & institutional customers
- Operating in the 10th largest economy in the world
- Distribution power through 600 locations and 7 million Netbank customers

Strong financial position

- EUR 10bn in full year income (2016)
- EUR 615,3bn of assets (Q3 2017)
- EUR 32,3n in equity capital (Q3 2017)
- Common Equity Tier 1 Capital ratio of 19.2% (Q3 2017)

~ EUR 46,3bn in market cap

- One of the largest Nordic corporations
- A top-10 universal bank in Europe

Nordic region

Nordea Group

Market position

Corporate & Institutions

#1

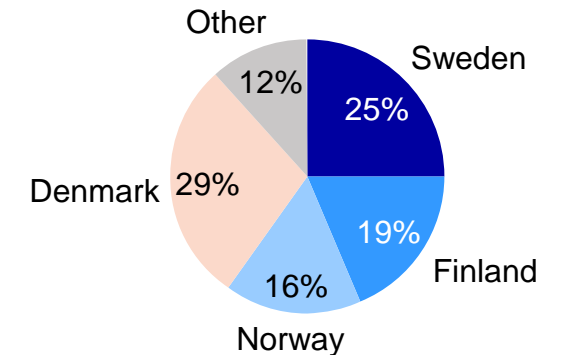
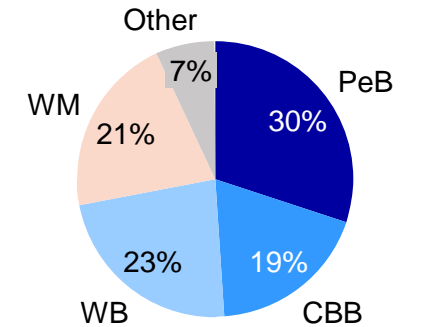
Households

#1

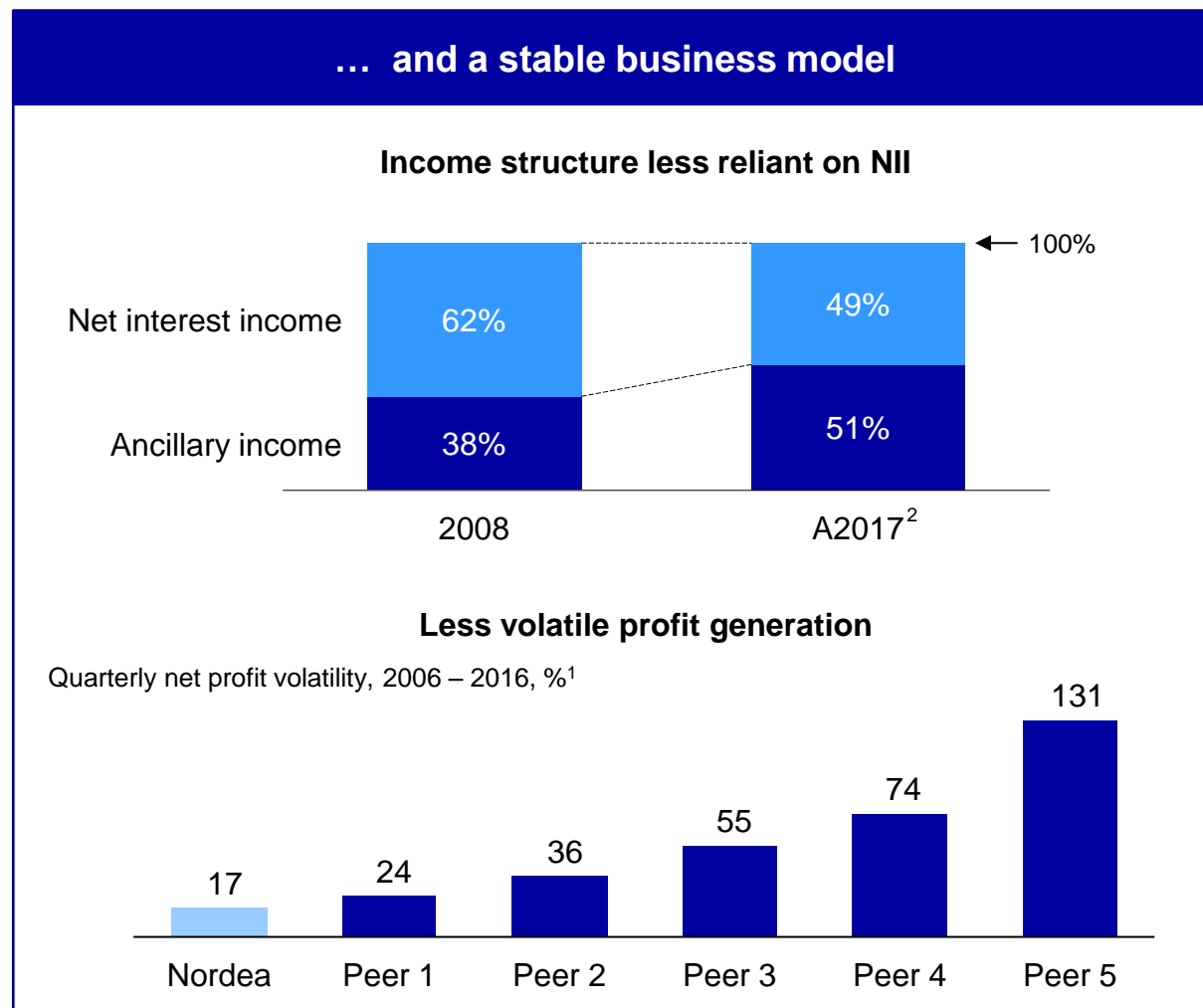
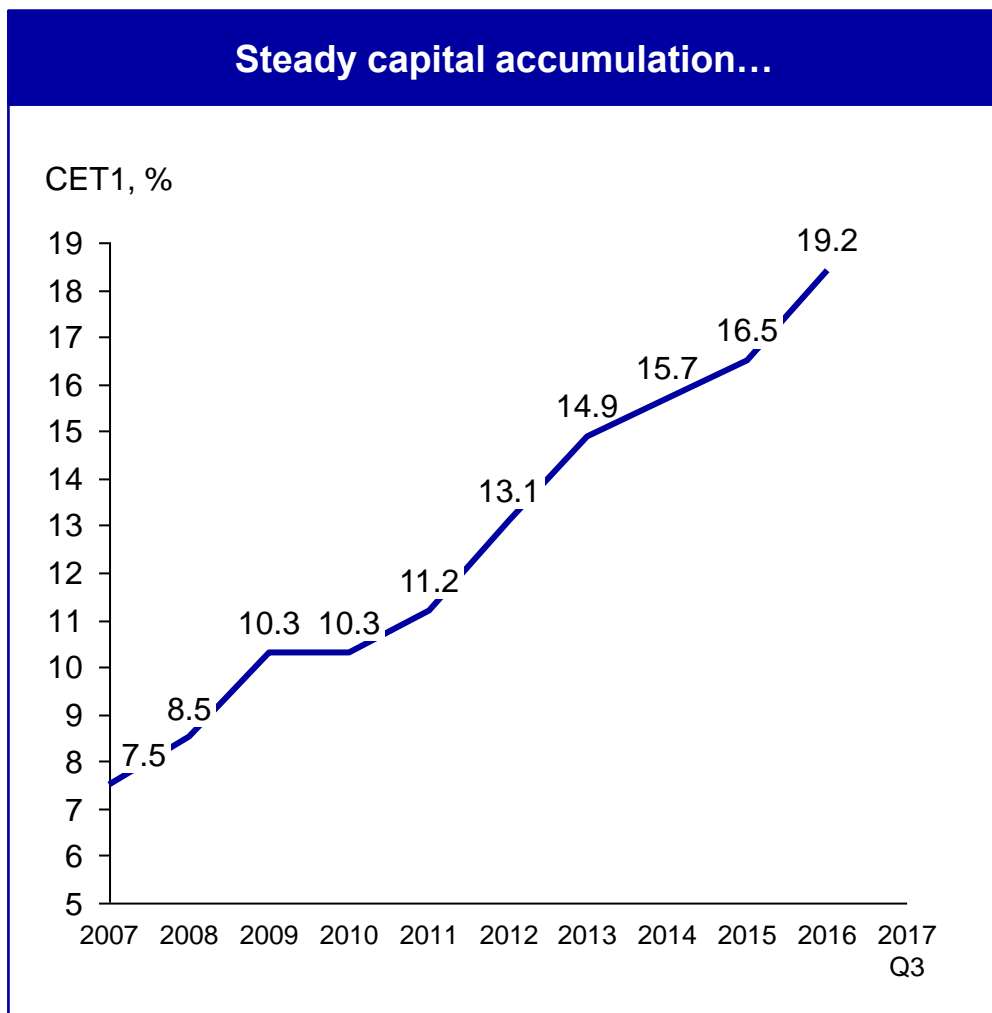


Well diversified

Income distribution FY'16

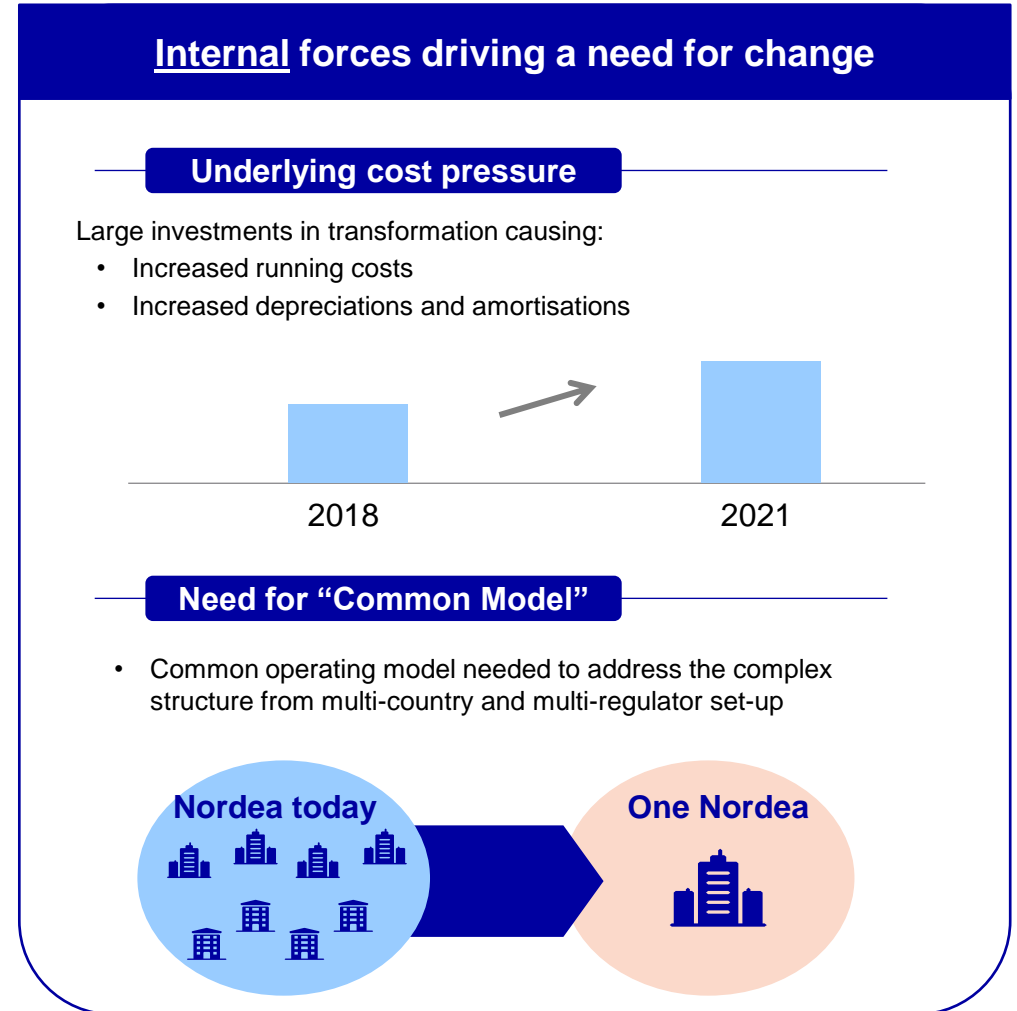
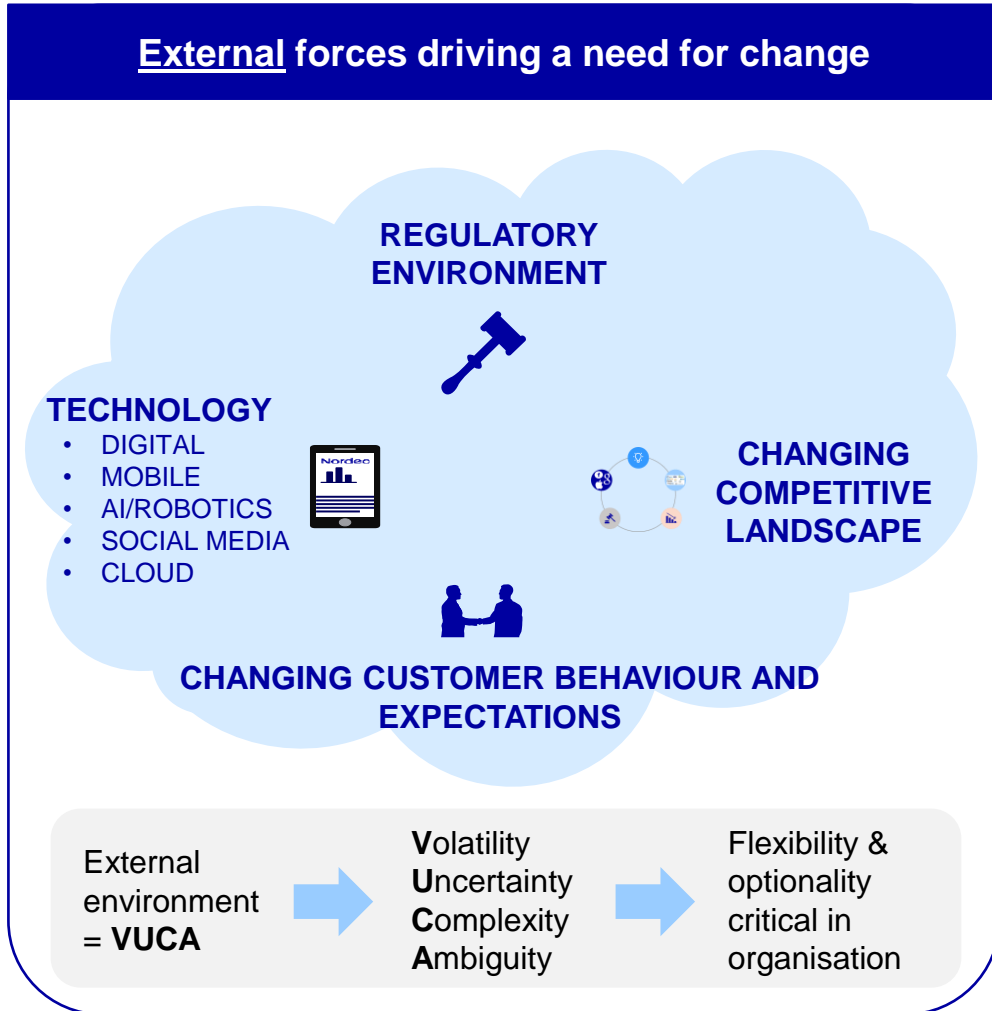


A robust balance sheet and stable profit generation

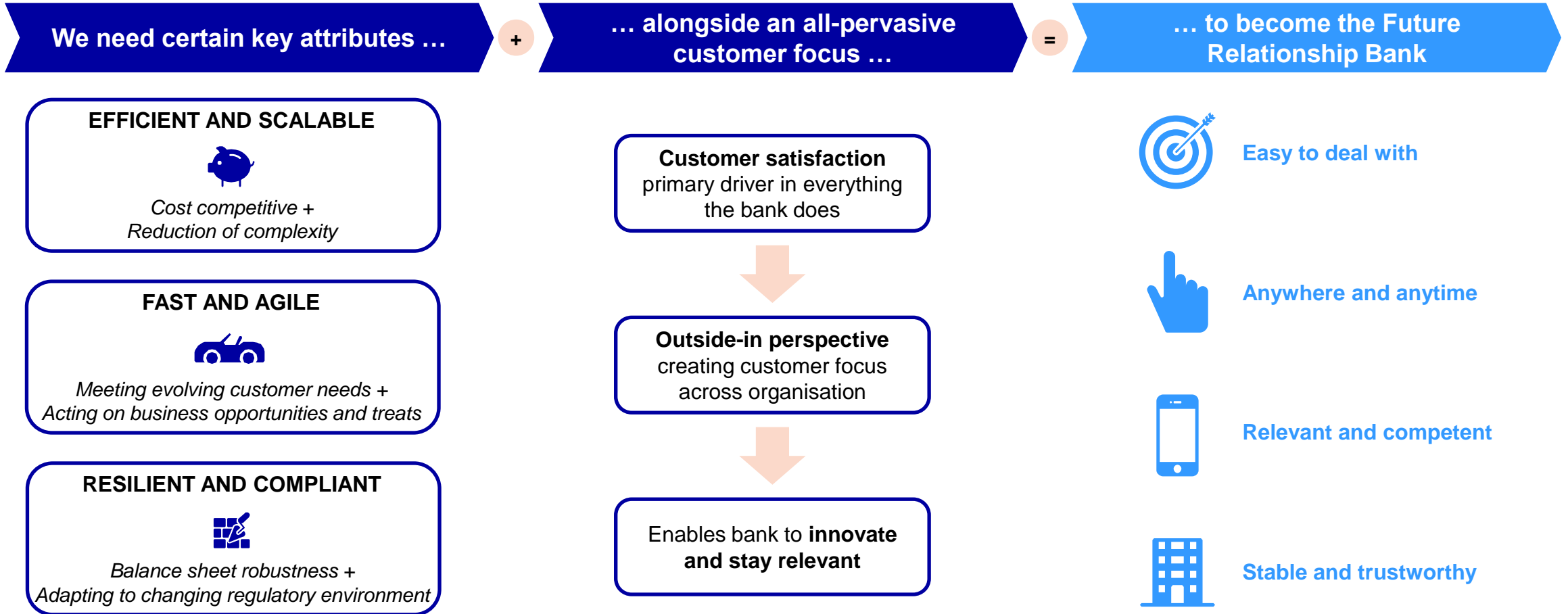


6 1) Calculated as quarter on quarter volatility in CET1 ratio, adjusted so that the volatility effect of those instances where the CET1 ratio increases between quarters are excluded
 2) 9 months annualised

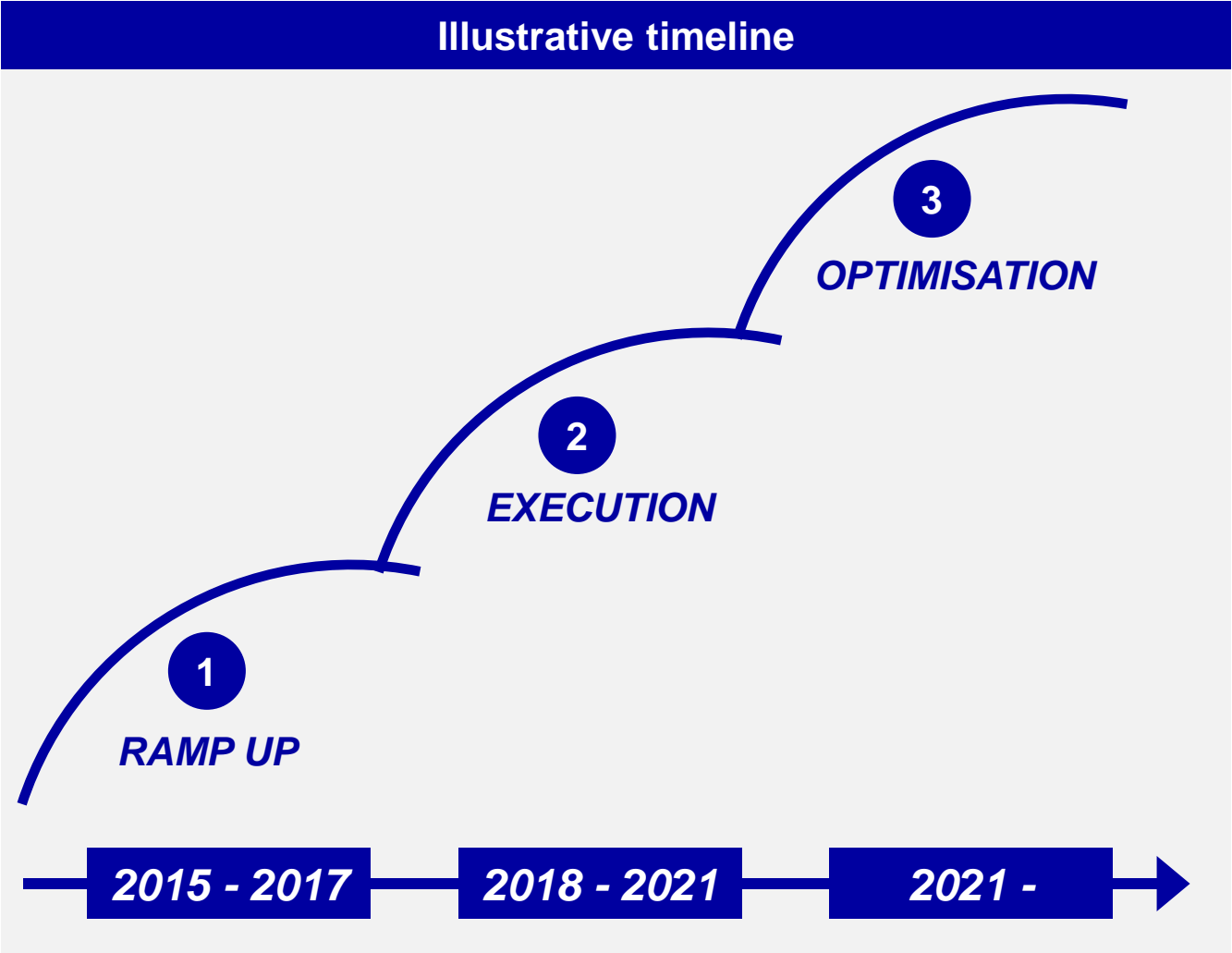
We face strong external and internal forces – change is underway



Our ambition is to be the Future Relationship Bank



We are ready to take the next step in our transformational journey



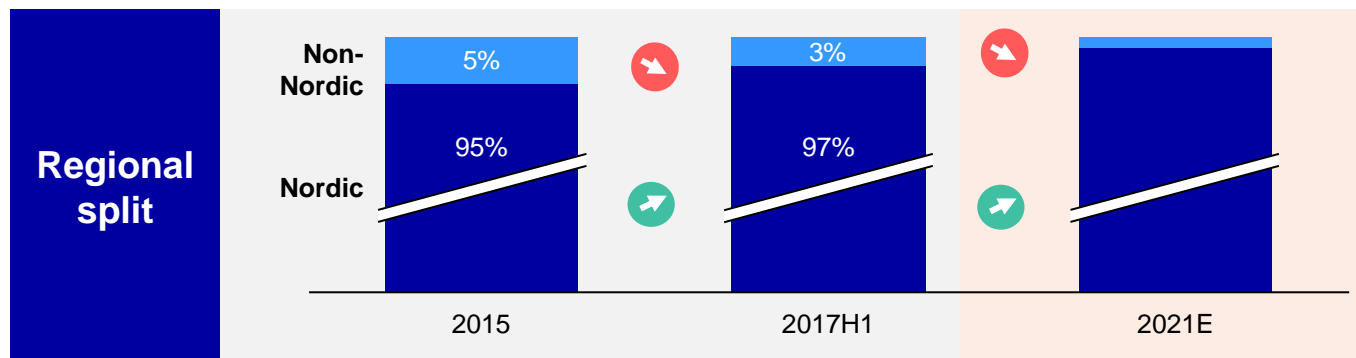
The success factors are organized into three numbered sections, each with a blue circle containing the stage number. Section 1 is linked to 'RAMP UP (2015 - 2017)', section 2 to 'EXECUTION (2018 - 2021)', and section 3 to 'OPTIMISATION (2021 -)'. Section 3 includes icons for a target, a hand pointing, a smartphone, and a building, with the text 'Future relationship bank' below them.

- 1** **RAMP UP (2015 - 2017)**
 - Ambitious investments to build the foundation
 - Fast & agile
 - Efficient and Scalable
 - Resilient and compliant
- 2** **EXECUTION (2018 - 2021)**
 - Distribution/Channels/Service model
 - Credit Processes & Products
 - IT & Ops
 - Key support functions
- 3** **OPTIMISATION (2021 -)**
 - Future relationship bank

Financial outlook

INCOME	<ul style="list-style-type: none">▪ <i>Expected to grow with nominal Nordic GDP</i>	
COSTS	<ul style="list-style-type: none">▪ <i>Costs up 3-5% in 2017 vs 2016 excl. transformation costs of EUR 100-150m</i>▪ <i>Cost base of approx. EUR 4.9bn in 2018</i>▪ <i>Target of total costs incl. transformation costs < EUR 4.8bn in 2021</i>	
CAPITAL	<ul style="list-style-type: none">▪ <i>Continued significant CET1 accumulation</i>▪ <i>Robust outlook for delivering on our dividend policy</i>	
RoE	<ul style="list-style-type: none">▪ <i>Continued improvement of RoE</i>▪ <i>Target to be above the Nordic peer average</i>	

The lending portfolio is being focused towards the core Nordic market with reduced risk



More focused lending portfolio while at the same time reduced complexity

Non-Nordic regions down by ~40%

Baltics

- Joint venture with DNB in the Baltics
- Create a competitive and bank with scale
- Nordea remain as shareholder

Russia

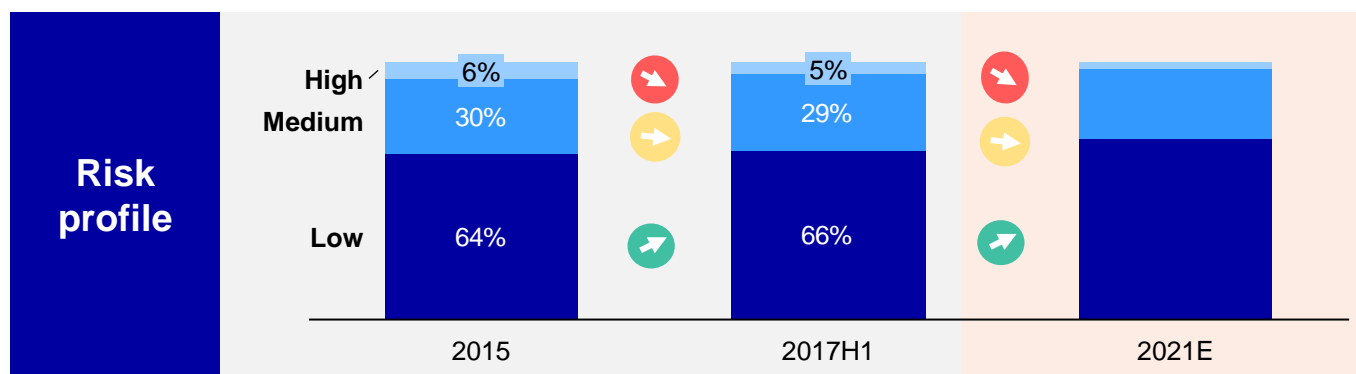
- Scale down of the business in favour for Nordic corporate focus
- Divestment of Retail portfolio

Poland (divested in '13)

- Not in line with the relationship strategy
- Regulatory risks

Risky segments down by 10%

- Exposure toward segments such as shipping, oil and agriculture expected to be further reduced over coming years

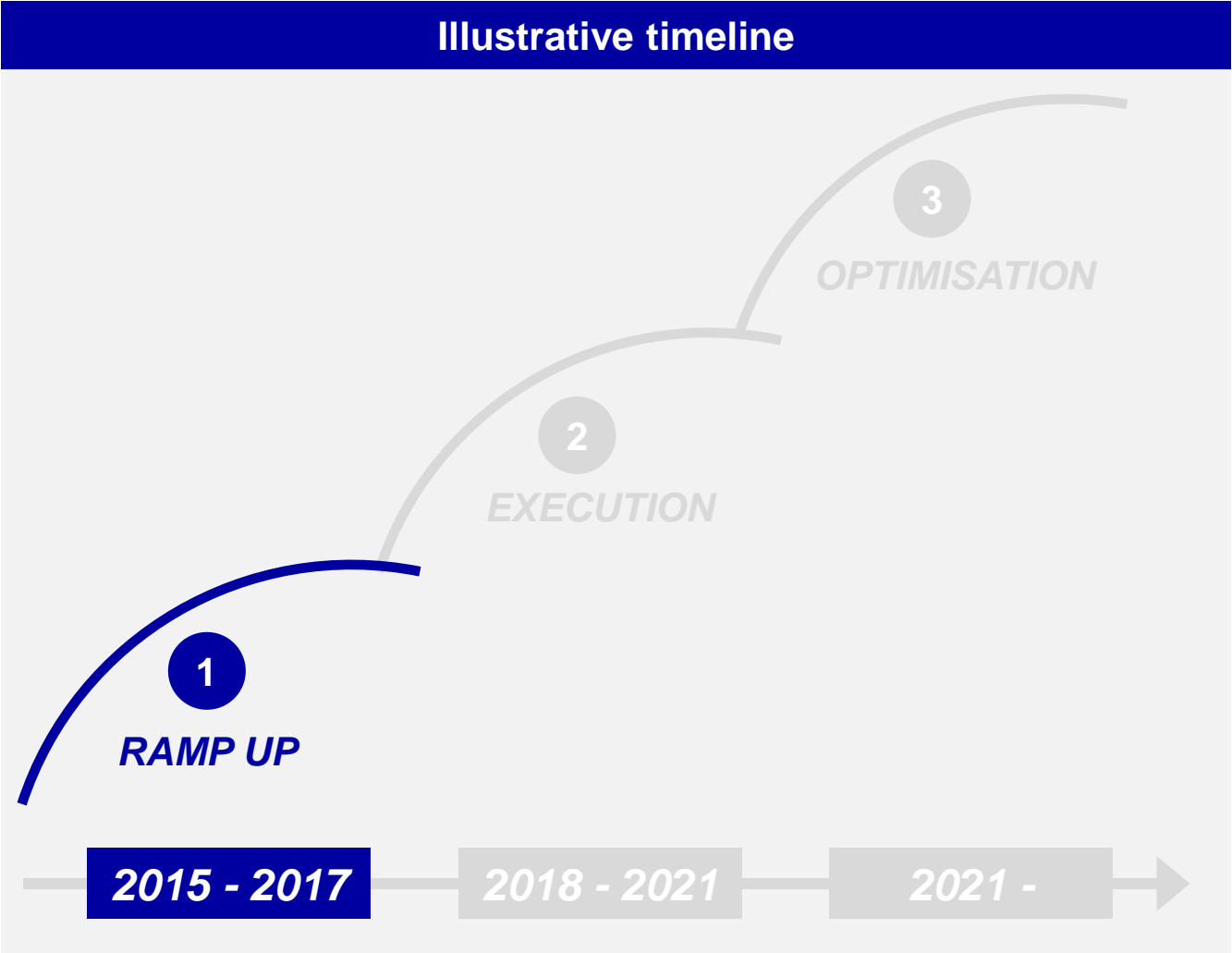


Notes: High Risk: Rating/scoring 0- to 2+/E+, Medium Risk: Rating/scoring 3-/D- to 4+/C+ and unrated, Low Risk: Rating/scoring 5-/B- to 6+/A+. Sovereign exposures, lending to central banks and repos excluded. Non-nordic consist of Baltics (carve-out) and Russia

We are significantly reducing the risks

<i>Risk</i>	<i>Trends</i>	<i>Mitigating actions</i>
Business	<ul style="list-style-type: none">• Digitalisation• Regulatory pressure	<ul style="list-style-type: none">• Build up of Digital capabilities and renovation of digital engine• Streamlined organisation and reshaping distribution model• Centre of Excellence for managing, protect and usage of Data
Operational	<ul style="list-style-type: none">• Compliance• Cyber risks and IT stability• Execution (change portfolio)	<ul style="list-style-type: none">• Competence upgrade in 1st, 2nd and 3rd line• IT Governance and Operational risk framework• CoE and road map for managing Cyber risks• Future IT: Cloud, Digital Workspace, Devops and Agile• Standardization of components and solutions• Group wide prioritisation process of development portfolio

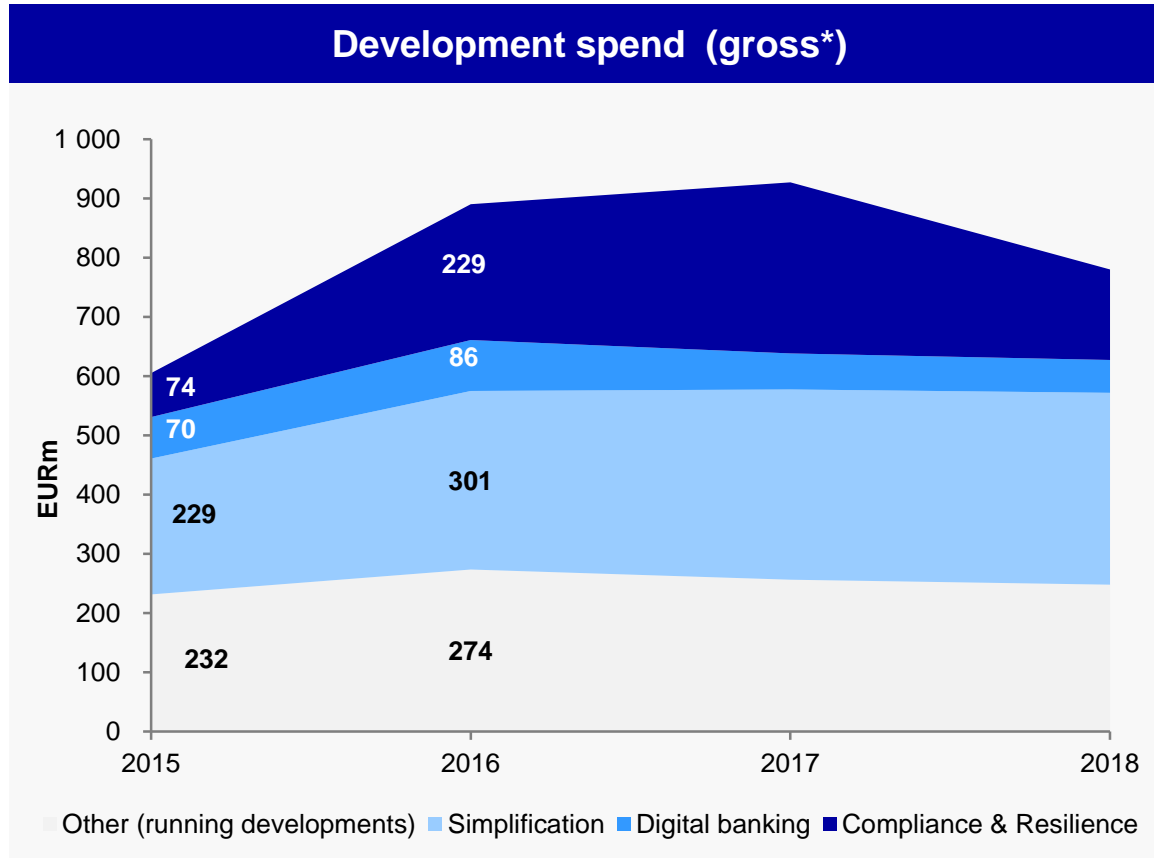
Ambitious investments in building key attributes have been done



Success factors

- 1** **RAMP UP (2015 – 2017)**
 - Ambitious investments to build the foundation
 - Fast & agile
 - Efficient and Scalable
 - Resilient and compliant
- 2** **EXECUTION (2018 – 2021)**
 - Distribution/Channels/Service model
 - Credit Processes & Products
 - IT & Operations
 - Key support functions
- 3** **OPTIMISATION (2021 -)**
 - Future relationship bank

Ambitious ramp-up with large investments to build key attributes






Comments

- **Development spend and Capitalisation** expected to peak in 2017
- **IT related intangible assets** expected to peak in 2020 (at approx. 2.5EURbn) and **depreciation & amortisations** in 2021

<i>We invest in ...</i>		<i>... to build our key attributes</i>
Digital	➔	Fast and Agile
Simplification	➔	Efficient and Scalable
Compliance & Resilience	➔	Resilient and compliant

14 • Note "Other" includes initiatives related to cost efficiency, income growth and other BA/function priorities
 • *Gross spend, financial effects both on P&L and capitalisation

Fast and agile – positioning the mobile in the center

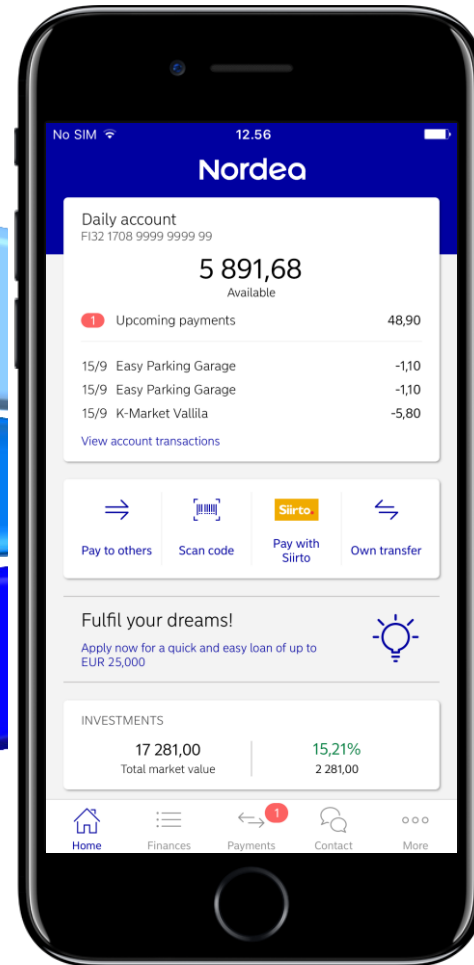
-  Fast and Agile
-  Efficient and Scalable
-  Resilient and compliant

Online and face-to-face meetings



Chat, chatbots, calls – 24/7

Mobile as entry point to all services



Aggregated open banking services






Global wallets



Local providers



Fast & Agile

-  Fast and Agile
-  Efficient and Scalable
-  Resilient and compliant

Digital Sales	<ul style="list-style-type: none">• Opened totally renewed and modern open pages e-commerce shop (Nordea.xxx)• Personalised online messages generating sales
Nordea Digital Web (Corporate)	<ul style="list-style-type: none">• Delivered first version of Nordea Digital Corporate• Easy day-to-day banking together with integrated remote support and advice
Nordea Digital Foundation Platform	<ul style="list-style-type: none">• Modern Java microservices based platform powering new mobile/web applications, live in Sweden and Finland
Nordea Digital Markets	<ul style="list-style-type: none">• Upgraded next generation FX e-Commerce platform, e-Markets (mobile FX trading for corporate segment)• Auto FX solution - awarded for Product Innovation in Global Finance's The Innovators awards for 2017
Open Banking	<ul style="list-style-type: none">• Invited >800 companies to collaborate in a sand box environment• First in the Nordic market with Open Banking




The future of banking APIs within the Nordics

The banking landscape is changing. Join us and help define the future of Banking in the Nordics and beyond.



Efficient and Scalable

Core Banking Platform

- Progressing according to plan and on the brink of first major customer release
- T24 Model Bank configured for Nordea and installed on infrastructure
- Finnish staff pilot for a fixed term deposit product launched

Cloud

- Elastic backend infrastructure and development of business solutions
- Software as a Service
- Agile development by combining Platform as a Service with cloud development
- Employee productivity by implementing Office 365



Robotics

- Building capabilities and automating processes across the Group
- Number of robots in production approaching 200. First chatbot (AI) live in Norway
- Deployments is expected reach full potential by mid 2019.
- Exploration of first automation capacity to on-board cognitive technologies.

Other Simplification

- Integrated Global Payment Engine and migrated all SEPA Interbank payments
- Centralised data mgmt. and development of common data infrastructure
- Core system upgrades in Nordea Finance and Nordea Life & Pension DK
- Reducing complexity (Trading & Risk area and Safekeeping)

Resilient and Compliant

Compliance & Operational risk

- Capacity upgrade in 1st, 2nd and 3rd line
- Implementation of new code of conduct and business continuity framework
- Enforcing the Crisis management governance and capabilities
- Comprehensive training and certifications of key staff

Technology & Infrastructure

- Enhanced Information and Cyber security strategy and response capabilities
- Insourcing of IT operations
- Full data-centre fail over test
- Integrated end-2-end Technology Operations and Support organisation



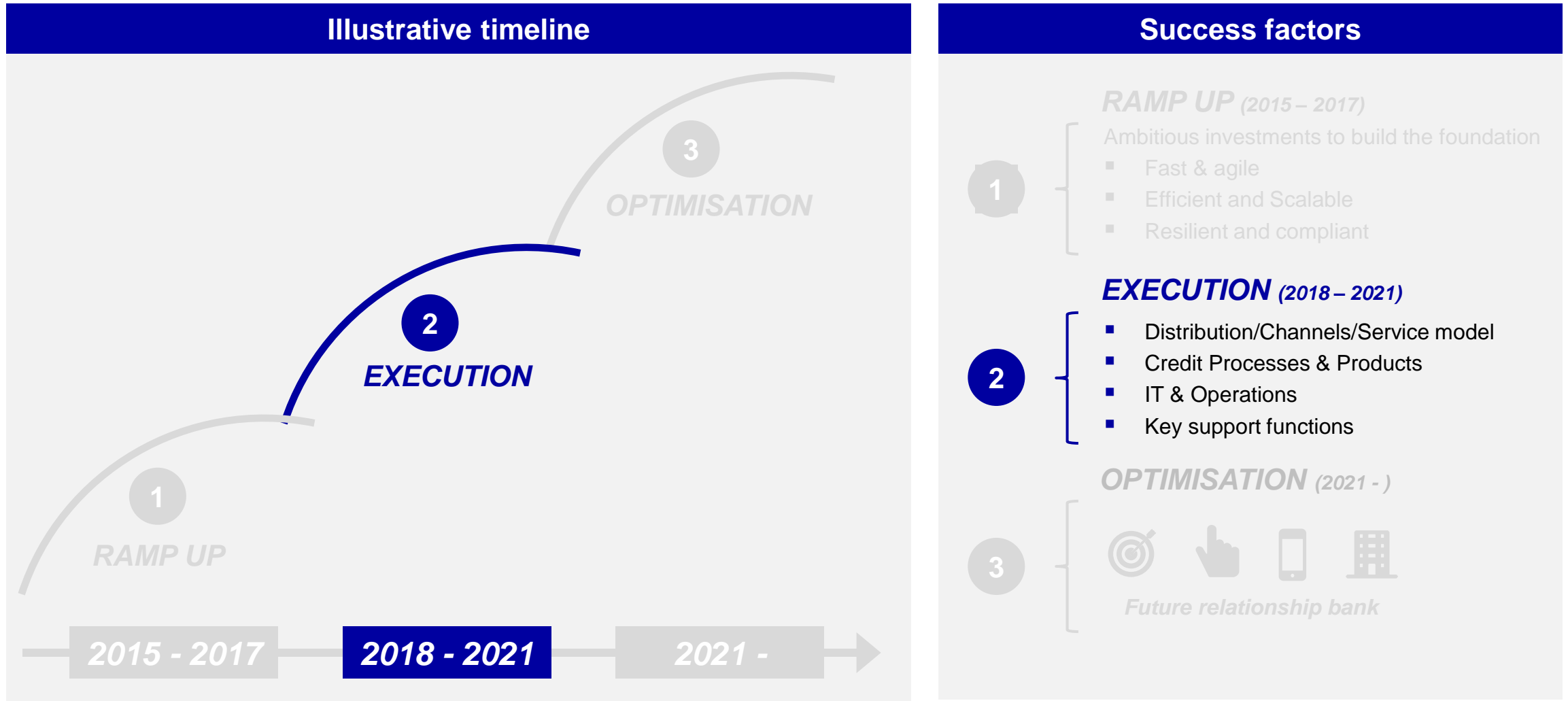
Financial Crime

- Significant build up of group wide financial crime organization
- Global KYC and Sanctions standards implemented
- Centralizing and optimizing KYC & AML operations
- Enterprise Risk Assessment framework delivered, full implementation 2018

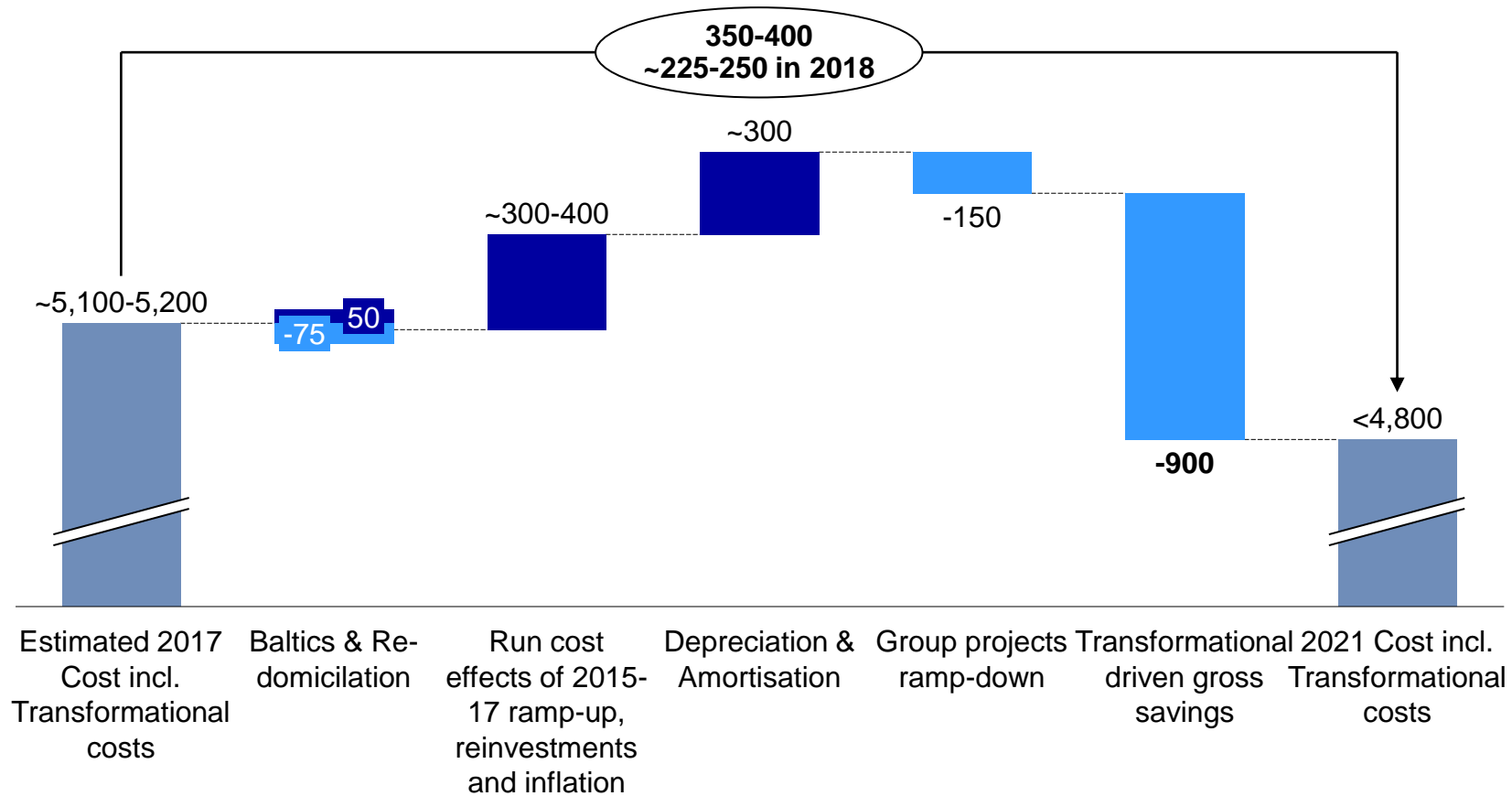
IT remediation

- One PreProduction site in Finland established
- Global Enterprise Identity & Access Rights Management control system
- Roll-out of Malware Detection & Global Fraud Monitoring across Nordic
- IT Control Assurance Framework rolled out

Execution is about enhancing core competitiveness through very specific initiatives



Expected cost development 2017-2021

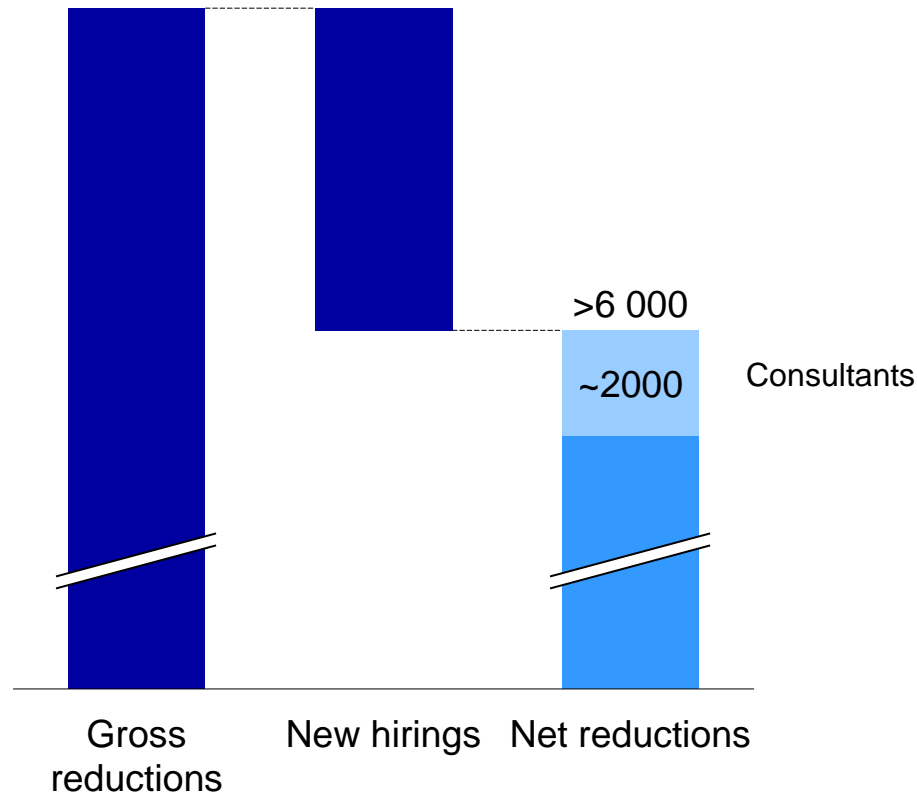


- ### Comments
- Significant underlying cost pressure of 600-700m driven by:
 - Increasing running expenses for IT systems following the substantial development agenda/digital transformation and compliance
 - Annual underlying salary increases and inflation on non-staff expenses
 - Increasing depreciations & amortisations following substantial product/investments in IT infrastructure / solution platforms
 - Gross savings driven by transformation, as well as lower project costs, more than counteracting the upward pressure

Gross cost savings of around 900 EURm expected through transformation

		Estimated savings effects*
Distribution/ Channels/ Service model	<ul style="list-style-type: none"> Ramp up speed of migration to digital (mobile), remote meetings, and closing down branches Segmentation and stronger Nordic coordination of client coverage and build up of global competence center 	<p>~ 30%</p> <p>(~250 EURm)</p>
Credit processes & Products	<ul style="list-style-type: none"> Implementation of pre-approved credit limits and automated credit decisions Functional centralisation to achieve' scale and enhanced capacity Implementation of common standards for risk assessments Strict product prioritisation, production location (in-house, outsourced or white labelled) and centralise workforce/processes to improve efficiency 	<p>~ 15%</p> <p>(~150 EURm)</p>
Information Technology & Operations	<ul style="list-style-type: none"> Higher degree of centralisation and nearshoring/outsourcing and shared platforms Automatization and Robotics Reduce complexity and establish future technological platform 	<p>~ 45%</p> <p>(~400 EURm)</p>
Key support functions	<ul style="list-style-type: none"> Optimised service model for People (i.e. Learning), Finance and consolidation of support staff Higher degree of nearshoring in relevant areas Streamlining sourcing strategy 	<p>~ 10%</p> <p>(~100 EURm)</p>
Total		100% (~900 EURm)

FTE and consultants effects (incl cost to transform)



Comments

- The transformation will include a reduction of FTEs of >4.000
- New hirings to support competence shift and centralisation
- Number of consultants to be reduced by ~2.000 over the 2017-2021 period
- The transformation is expected to generate a total cost to transform of ~5-600m over the 2017-2021 period
- Absolute majority of cost to transform consists of redundancy costs
- The costs are mainly related to:
 - Transformation of Personal Banking and CBB including the migration to Digital
 - IT & Operations (nearshoring and automation & process optimisation)

Expected financial performance development towards 2021

	RoCaR/RoE		Cost / Income	
	Est. FY 2017	Est. chg. 21/17	Est. FY 2017	Est. chg. 21/17
PeB	~16%		~52%	
CBB	~8%		~58%	
WB	~9%		~43%	
WM	~32%		~45%	
Nordea Group	~10%		~53%	

Gradually improved Group return and cost efficiency as areas address and close their relative performance gaps

23 * Note: WM interim perspective. 2017 numbers based on annualised figures per ytd annualized

Personal Banking



Key transformation initiatives

Improved customer value through evolving mobile offering and partnerships

- Establish the mobile as the main tool for interaction
- Encourage digital sales and distribution by using analytics based digital cross selling and onboarding
- Customers are increasingly requesting online meetings on behalf of face-2-face meetings

Optimization of distribution network

- Serve all customers through a digital (mobile)-first, lean core offering, which caters to the needs of most customers and delivers scalability
- Focus on high-value customers (Homeowners and Affluents) with tailored value propositions added on top of the lean core offering

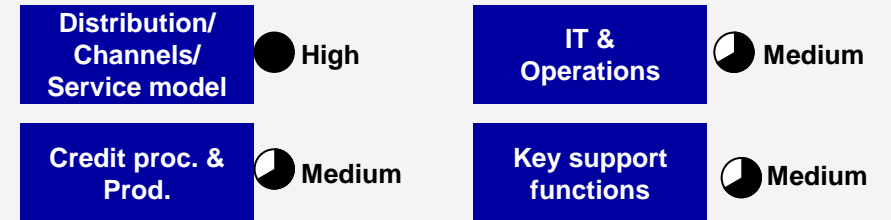
Streamline the service processes

- Reduce costs in processing e.g., through automation of product processing, nearshoring, robotics and lean, including automating front-office processes to allow reduction of Customer Service Officers
- Implement agile way of working at scale across the value chain improving time-to-market and productivity



Cost efficiencies and quality gains

Where do the cost efficiencies come from?



Increased efficiency

- Material reduction of costly f2f meetings by increasing remote meeting proportion from ~20% to >60%
- Reduction in advisor FTEs and Customer Service Officers aligned with branch reduction, enabled by digitalization and centralization

Increased customer satisfaction

- Streamlined and efficient service provision to mass market
- Freeing up time for more dedicated service to high-value customers allowing time for tailored solutions

Commercial & Business Banking



Key transformation initiatives

Digital disruption and future capabilities

- Payment Strategy is critical for Nordea's ability to compete in a disrupted banking market
- Partnerships and co-creation models in a new market environment

Executing the Target Operating Model

- A more streamlined and efficient organisation
- Optimised portfolio size per advisor in order to serve customers more cost efficiently

Process efficiency gains

- Robotics (initial focus on KYC and Operations)
- Automation of processes and credit decisions
- Pre-approved limits
- "Nordea Free" (freeing up time for advisors)

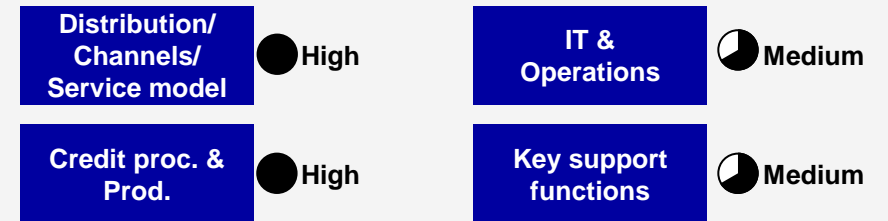
Digital efficiency gains

- The ambition is to make the smallest customers (~500k) almost fully self-serviced
- Will be implemented through:
 - New Nordea Digital Corporate platform
 - Online on-boarding and online meetings
 - Online credit information gathering and digital signature



Cost efficiencies and quality gains

Where do the cost efficiencies come from?



Increased efficiency

- Freeing up time with frontline staff by eliminating or automating time consuming / less value adding process steps
- Reduced operational risk through improved consistency in credit assessment and decision making

Increased customer satisfaction

- Through faster response time of credit decisions and increased quality in advisory since larger part of preparation is automated
- Through introduction of new digital solutions and value added services

Wholesale Banking



Key transformation initiatives

Business strategy unchanged, #1 relationship bank in the Nordics

- Streamlined customer service
- Further explore digital channels and services

Re-positioning of Markets

- Implement new cross-Nordic operating model for Markets business with stronger customer ownership and clearly defined service and value offerings
- Cross-sell and capital markets financing

Operational excellence,

- Simplified IT infrastructure, robotics and near-shoring to Poland

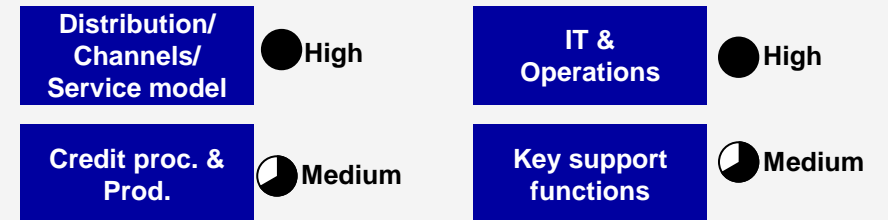
Strengthened capital governance and risk management

- Increase capital velocity
- Consolidate SOO franchise and normalised loan losses



Cost efficiencies and quality gains

Where do the cost efficiencies come from?



Operational excellence,

- Simplified IT infrastructure, robotics and near-shoring to Poland

Improved customer satisfaction

- Client coverage: A more coordinated, dedicated and holistic approach to customer interaction
- Research: High uniform quality, easier and more transparent to deal with and utilise pan-Nordic capacity

Wealth Management



Key transformation initiatives

Value proposition design and segmentation

- More focused service provision to private banking customers (provide right services to the right customers)
- Increased thresholds for different service levels
- Increased use of outsourcing services
- Ensure strong Nordic alignment and scale in service offerings

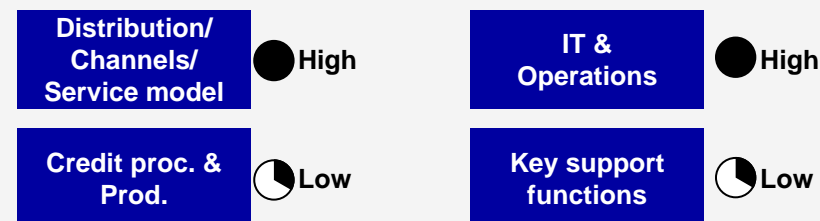
Optimised operations

- Global competence centre creations to increase cost efficiency but also improve quality
- Optimise the work between back-office, mid-office and front office support in Private Banking by centralising client on-boarding, reporting and routine services
- Accelerate implementation of robot process automatisation and cognitive robotics
- Productivity gains from rolling out Agile@scale in private banking



Cost efficiencies and quality gains

Where do the cost efficiencies come from?



Increased efficiency

- Improved cost to serve levels through more structured customer focus

Improved customer satisfaction

- More structured customer focus and optimised ways of working will support higher service levels for customers willing to pay

Group Functions



Key transformation initiatives

Streamlining Operations

- Increased automation of operations across all business (e.g. by increased use of robotics)
- Improve sourcing competencies including more demand/supply capabilities

Streamlining IT setup

- Align future workforce competences and locations to future needs (e.g. higher presence in Poland)
- Consolidate and reduce technology infrastructure complexity and applications
- Implement and integrate higher use of cloud

Streamlining Business Risk Management

- Implement optimised KYC operating model
- Streamline and optimise risk reporting and risk assessments

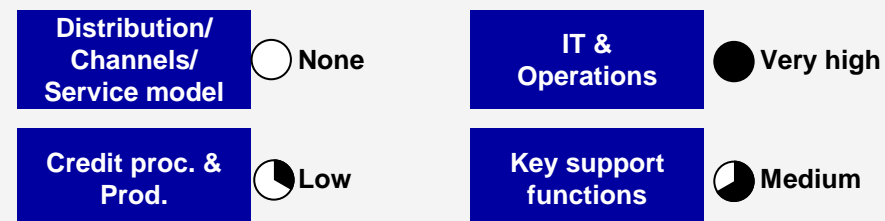
Consolidation key support functions on BA level

- Create globally consolidated support model per BA mainly driven by design to cost (move away from country/team focus and focus on shared pool of services)



Cost efficiencies and quality gains

Where do the cost efficiencies come from?



Increased efficiency

- Insourcing of consultants
- Use of cloud services
- Decommissions

Improved service provision

- Faster and smarter end-to-end processes
- Less operational risk
- One way of working
- Freeing up time for more value-adding activities (also in customer facing units)

Executing on our transformational agenda will lead to a position of strength

