

# Nordea



Financial  
Issuer of  
the year

**IFR**  
AWARDS  
2018

Most  
impressive  
Financial  
Institution  
Borrower

2018  
GlobalCapital  
Awards

## Debt investor presentation Q3 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.

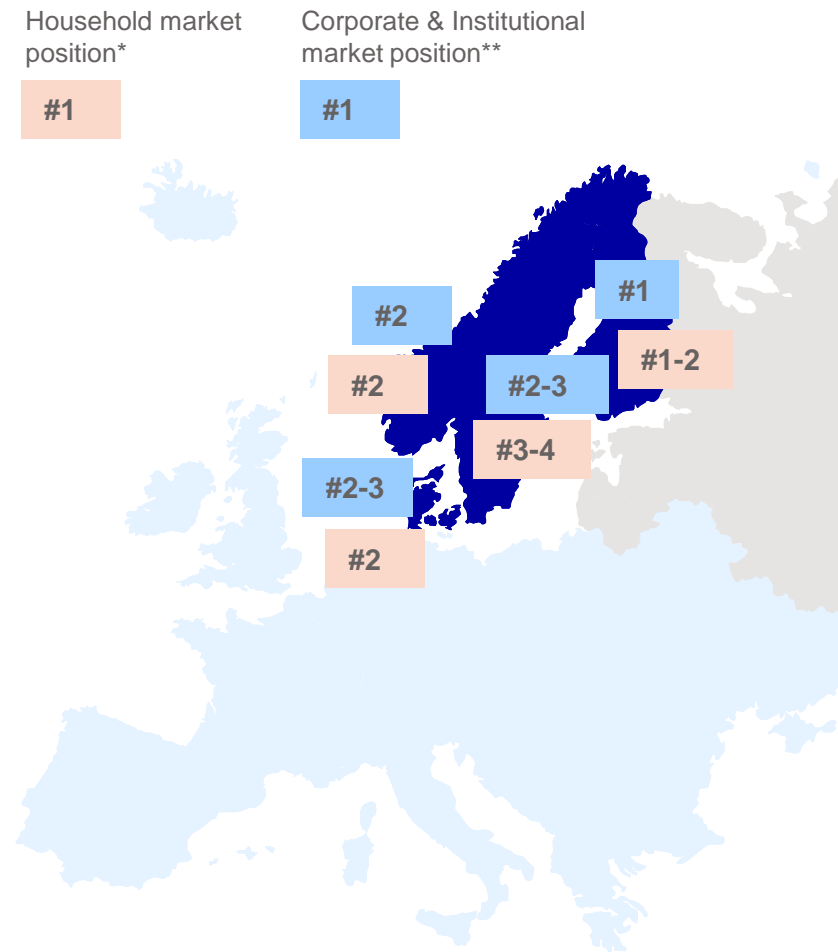


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# 1. Nordea quarterly update

# The largest financial services group in the Nordics



## Business position

- Leading market position in all four Nordic countries
- Universal bank with strong position in household, corporate and wealth management
- Well-diversified business mix between net interest income, net commission income and capital markets income

## 10 million customers and strong distribution power

- Approx. 9 million household customers
- 550,000 corporate customers, including Nordic Top 500
- Approx. 340 branch office locations
- Enhanced digitalisation of the business for customers
- Income evenly distributed between net interest income and ancillary business

## Financial strength

- EUR 9bn in full year income (2018)
- EUR 586bn of assets (Q3 2019)
- EUR 30.5bn in equity capital (Q3 2019)
- CET1 ratio 15.4% (Q3 2019)
- Leverage ratio 5.0% (Q3 2019)

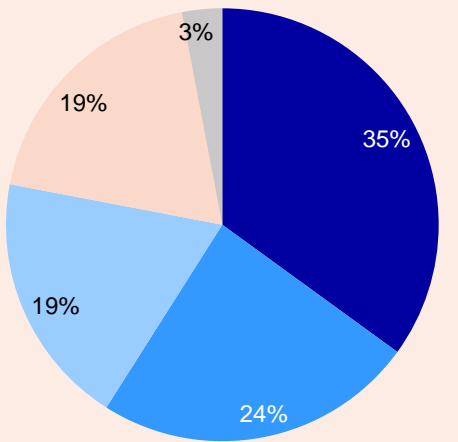
## AA level credit ratings

- Moody's Aa3 (stable outlook)
- S&P AA- (stable outlook)
- Fitch AA- (stable outlook)

## EUR ~26bn in market cap (Q3 2019)

- One of the largest Nordic corporations
- A top-15 universal bank in Europe

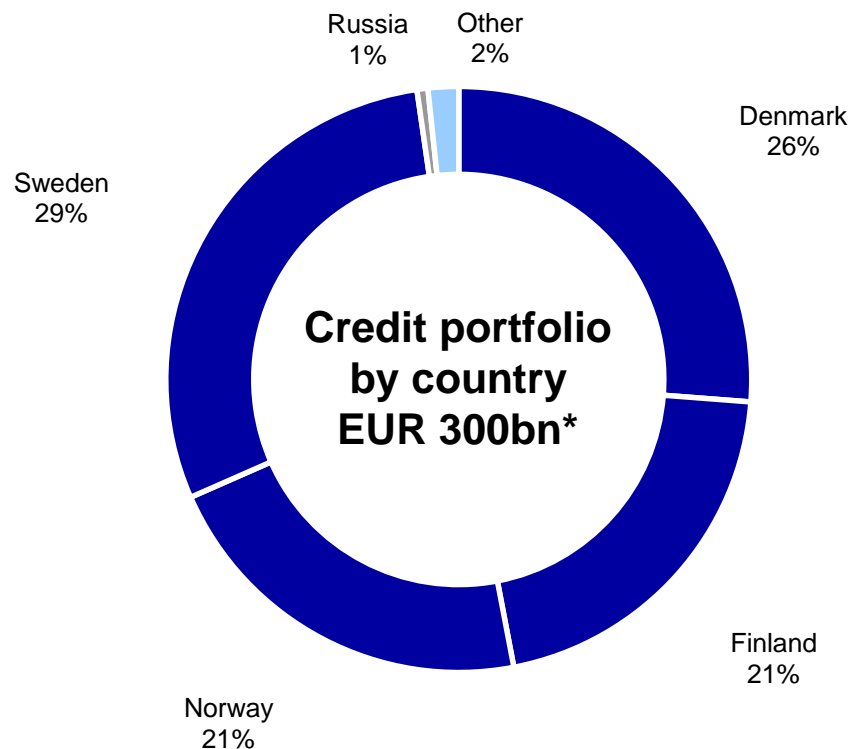
Operating income (Jan-Sep 2019)



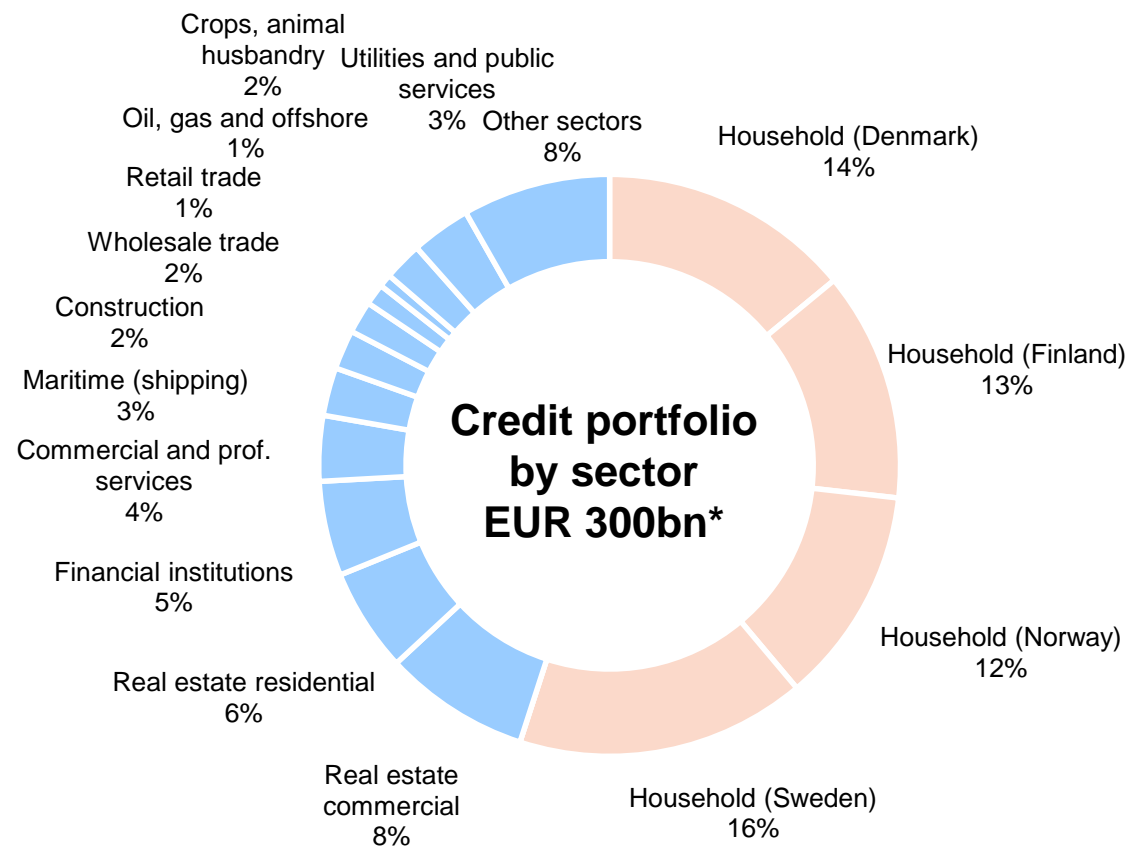
- Personal Banking
- Commercial & Business Banking
- Wholesale Banking
- Asset & Wealth Management
- Group Corporate Center & Other

# Nordea is the most diversified bank in the Nordics

## A Nordic-centric portfolio (97%)

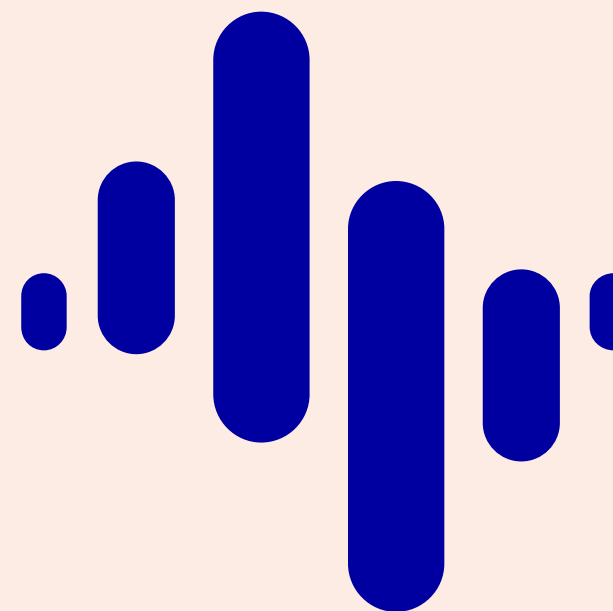


## Lending: 45% Corporate and 55% Household



## Q3 2019 results summary

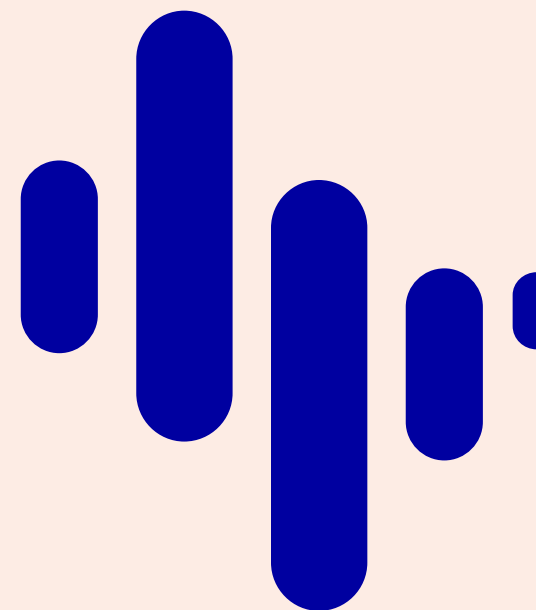
- Improving Net interest income and Net commission income compared to previous quarter, coming from higher business volumes
  - Increasing market share on mortgages in all countries
  - EUR 3.7bn inflow in Assets under Management (5% annualised)
- Net fair value under pressure due to significant interest rate movements
- Underlying cost down 1% in local currencies
- Negative one-offs of a total of EUR 1.3bn
  - expense related to divestment of shares EUR 75m
  - impairment charge EUR 735m
  - restructuring provision EUR 204m
  - additional loan loss provisions EUR 282m
- Cost to Income\* 58% and Return on Equity\* 8.4%



\* Excluding Items Affecting Comparability and with periodised Resolution Fees

## Nordea enters a new phase

- New plan to significantly improve operating performance
- New financial targets
  - Return on Equity above 10% in 2022
  - Cost to Income ratio of 50% in 2022
  - Expect to reach a cost base of below EUR 4.7bn in 2020
  - Management buffer of 150-200 bps above capital requirement in 2020
  - Dividend pay-out ratio of 60-70% from 2020
  - Excess capital intended to be distributed to shareholders through buybacks
  - For 2019 the targeted dividend is EUR 0.40 cents per share



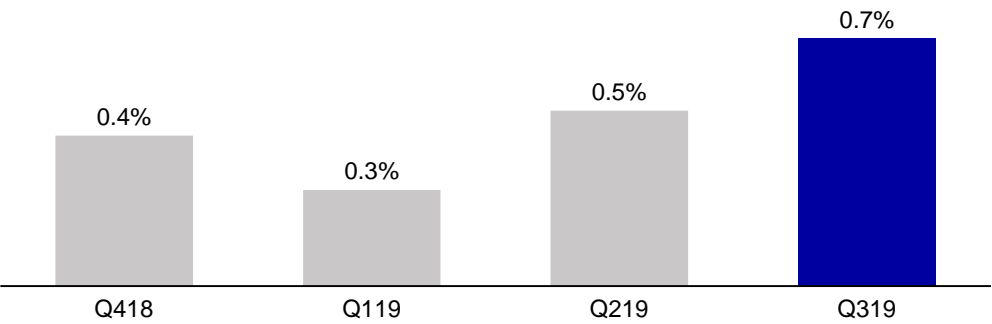


# Group financial highlights third quarter 2019

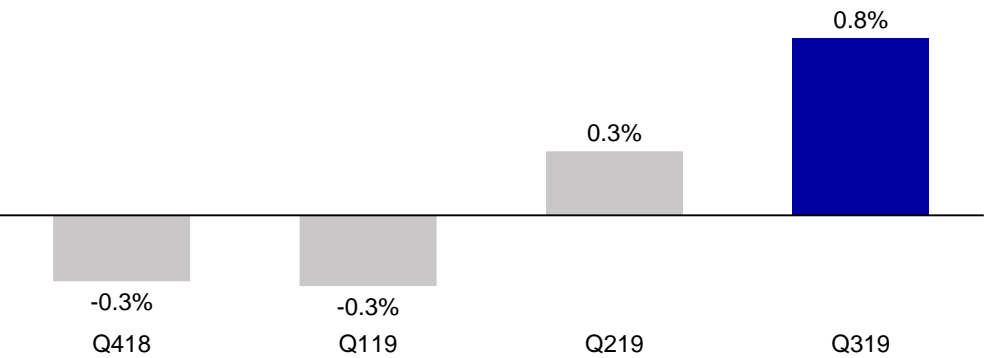
Income statement, EURm	Q3 2019	Q3 2019 excluding IAC*	Q2 2019	Q3/Q2 change local curr. excl. IAC	Q3 2018	Q3/Q3 change local curr. excl. IAC
Net interest income	1,083	1,083	1,071	2%	1,123	-1%
Net fee and commission income	756	756	743	2%	703	9%
Net fair value result	211	211	283	-27%	205	-4%
Other Income	35	35	44	-21%	66	-44%
<b>Total operating income</b>	<b>2,085</b>	<b>2,085</b>	<b>2,141</b>	<b>-2%</b>	<b>2,097</b>	<b>1%</b>
<b>Total operating expenses</b>	<b>-2,175</b>	<b>-1,161</b>	<b>-1,180</b>	<b>-1%</b>	<b>-1,136</b>	<b>3%</b>
<b>Profit before loan losses</b>	<b>-90</b>	<b>924</b>	<b>961</b>	<b>-3%</b>	<b>961</b>	<b>-3%</b>
Net loan losses	-331	-49	-61	-19%	-44	11%
<b>Operating profit</b>	<b>-421</b>	<b>875</b>	<b>900</b>	<b>-2%</b>	<b>917</b>	<b>-3%</b>
<b>Net profit</b>	<b>-332</b>	<b>671</b>	<b>681</b>	<b>-1%</b>	<b>724</b>	<b>-6%</b>

# Mortgage lending - growth rates picking up

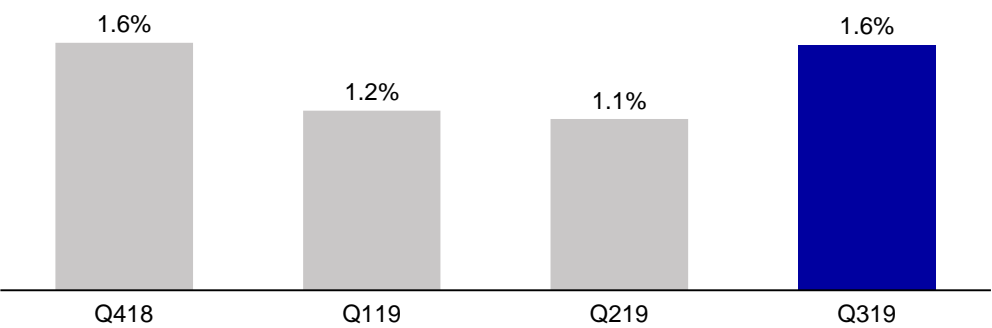
Mortgage lending Denmark – QoQ growth rate



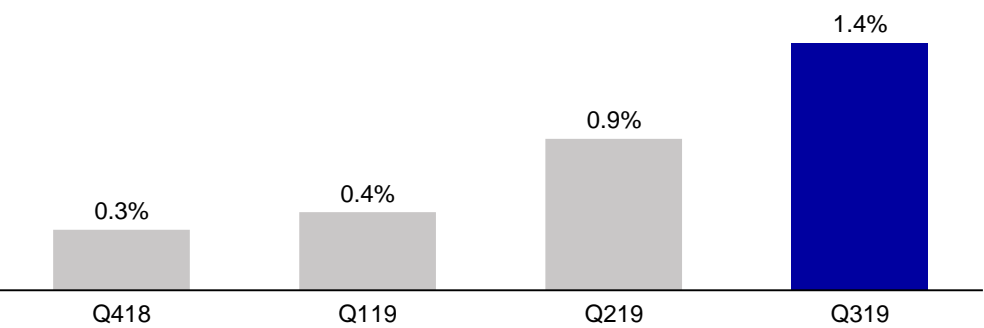
Mortgage lending Finland – QoQ growth rate



Mortgage lending Norway\* – QoQ growth rate

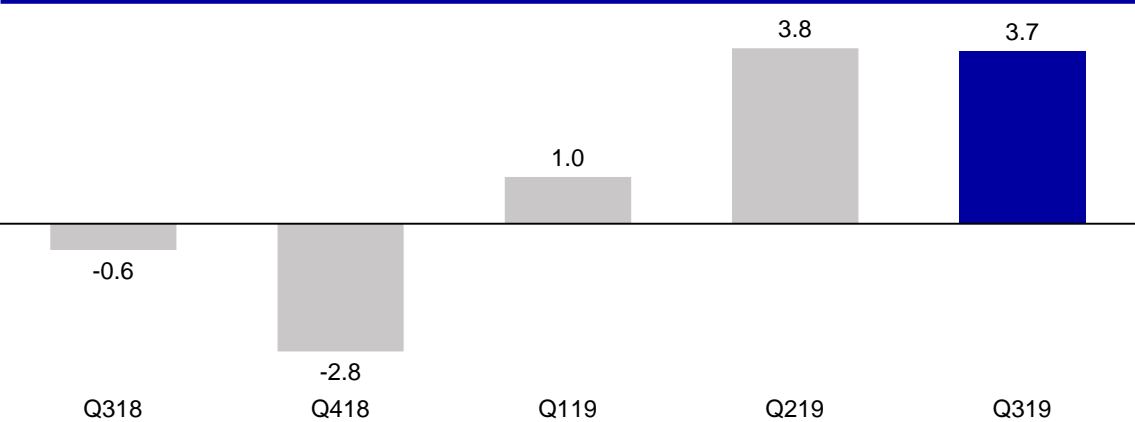


Mortgage lending Sweden – QoQ growth rate



# Assets under Management – net inflow continues

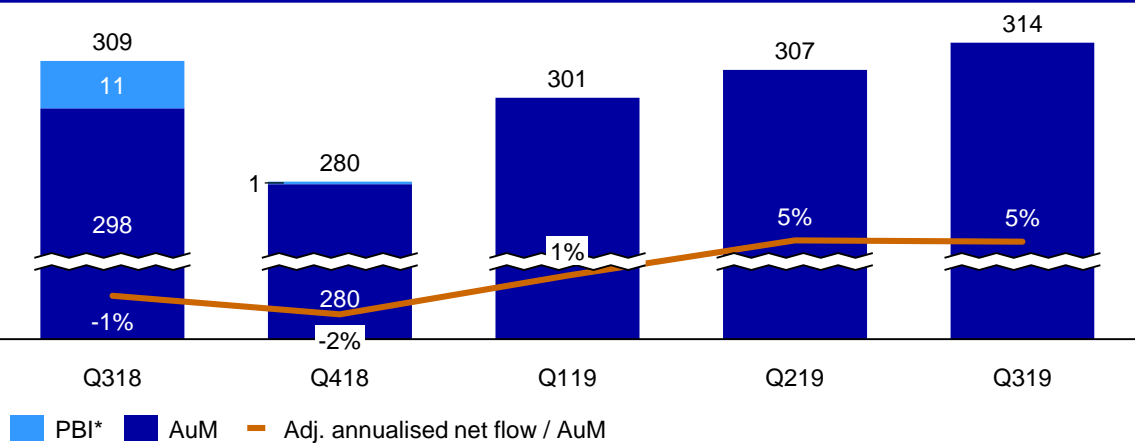
## Flow, EURbn



## Comments

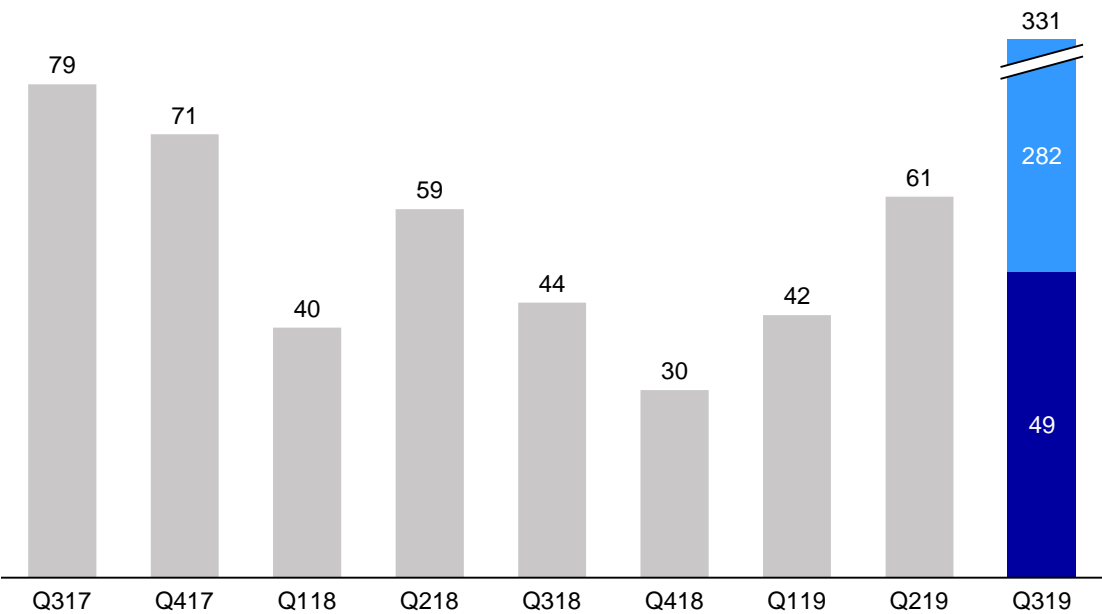
- Net inflow of EUR 3.7bn, corresponding to 5% of AuM annualised
- AuM is underlying at all-time-high level
- Strong investment performance, 88% of composites outperforming benchmarks YTD

## AuM development, EURbn



# Solid underlying asset quality

## Total net loan losses\*, EURm



## Comments

- Underlying net loan losses EUR 49m
- Additional provisions;
  - EUR 229m following ECB dialogue
  - Collective model upgrade EUR 53m

## Outlook

- Our expectation for the coming quarters is that net loan losses will be low and around the average level for 2018
- Somewhat more uncertain macroeconomic outlook

# AML topics

## AML topics for Nordea

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- The Danish FSA started looking into our processes in 2015 and handed it over to the Danish Public Prosecutor in 2016. Investigation not yet concluded
  - The 'troika laundromat' is a complex of allegations which has been covered by media on several occasions and is included in the Danish investigation
- In October 2018, Hermitage Capital filed money laundering allegations with all Nordic regulators. Swedish and Finnish authorities have stated no formal investigations would be opened
- In 2015, Nordea was fined by the Swedish FSA in 2013 (SEK 30m) and 2015 (SEK 50m) for insufficient AML processes in the past. In 2018, the Swedish FSA concluded a review of Nordea AML prevention, resulting in satisfactory feedback
- In Q1 2019, Nordea made a provision of EUR 95m related to past weak AML processes

### Nordea in the Baltics

- Nordea has never had a business focus on mirror trading and non-resident deposits, etc
- Nordea's Baltic operation and Luminor have not been subject to any AML/Sanctions regulatory fines
- In September 2018, Nordea and DNB agreed to jointly sell 60% of Luminor to Blackstone. Nordea and Blackstone have entered a separate forward sale agreement of Nordea's remaining 20% holding in Luminor
- Due diligences were conducted by Nordea and DNB when Luminor was created in 2017, and by Blackstone in the acquisition process
- The transaction was closed 30 September 2019

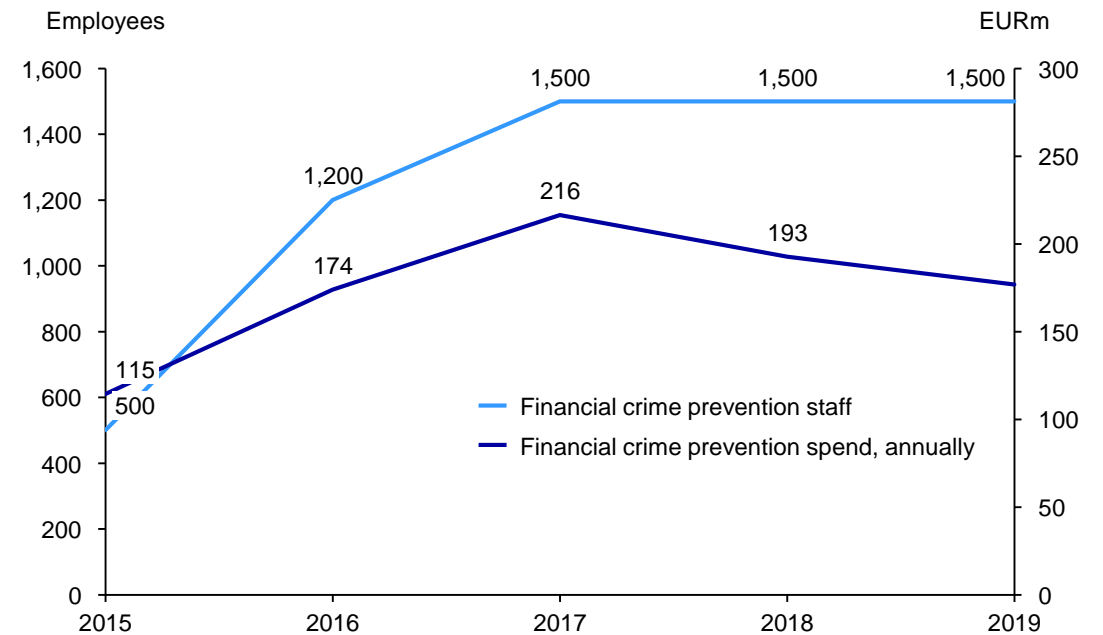


# Significant investments to combat financial crime

## Actions against money laundering

- We collaborate closely with all relevant authorities including law enforcement and regulators and encourage to even closer collaboration on multiple levels as financial crime knows no borders
- Significantly strengthened financial crime defense, more than EUR 700m spent between 2015 and 2018
- Approx. 2 billion 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 dedicated to working on prevention of financial crime
- 12,000 employees in direct contact with our customers are trained regularly to identify signs of financial crime

## Significant build-up



## Strong governance model

### 1. Governance and control

2. Know Your Customer

3. Customer screening

4. Transaction sanctions screening

5. Transaction monitoring

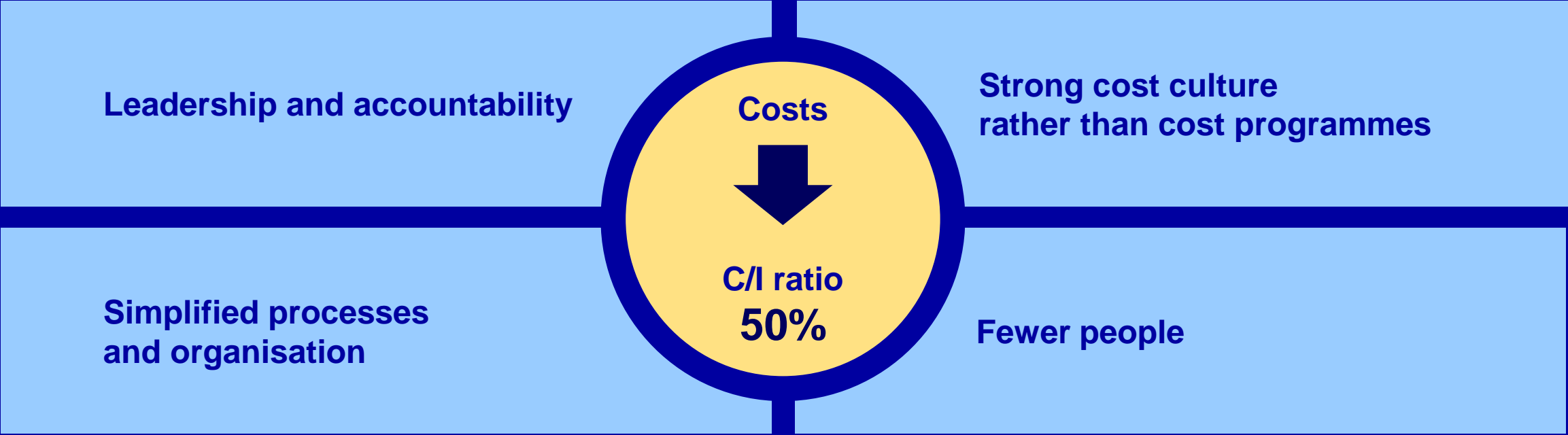
6. Intelligence and analytics

## 2. A new phase – Strategic direction and financial targets

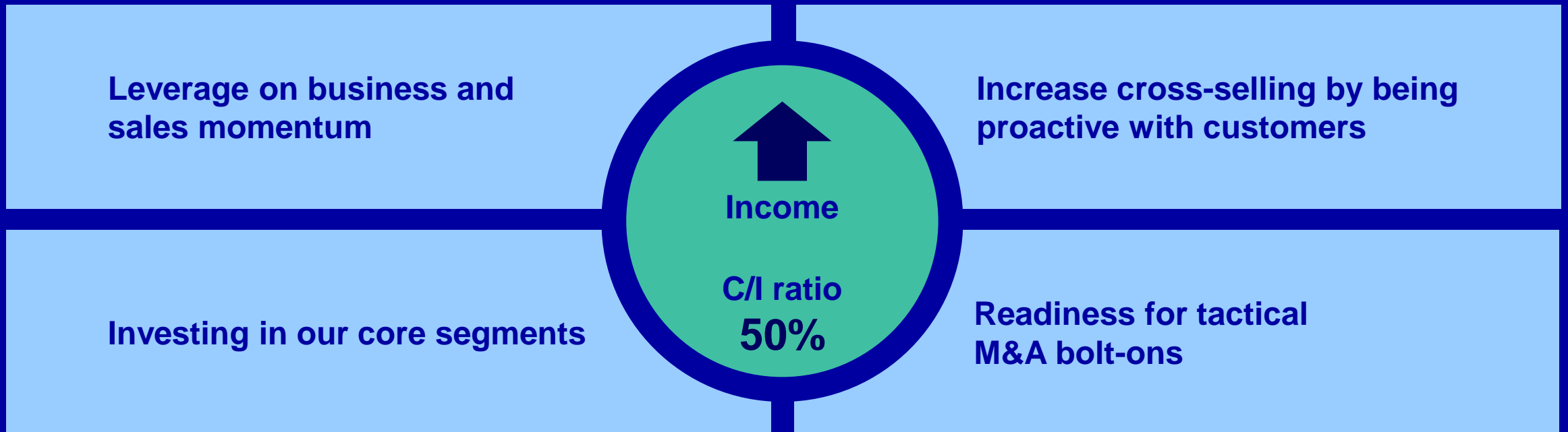
## Nordea enters a New Phase



**All levers to be used to optimise operational efficiency**



## Drive income growth initiatives – time to take back lost ground

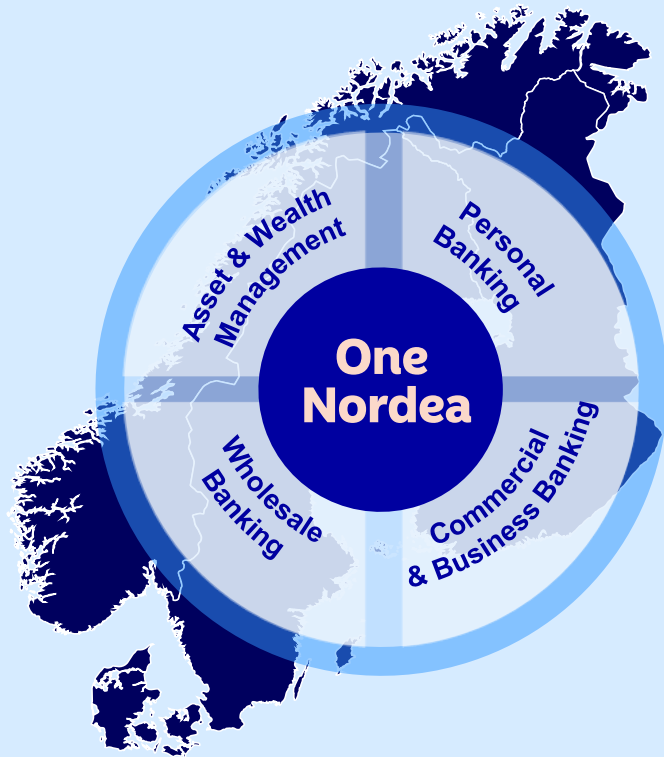




## Long-term success by creating great customer experiences



## The New Phase is about execution

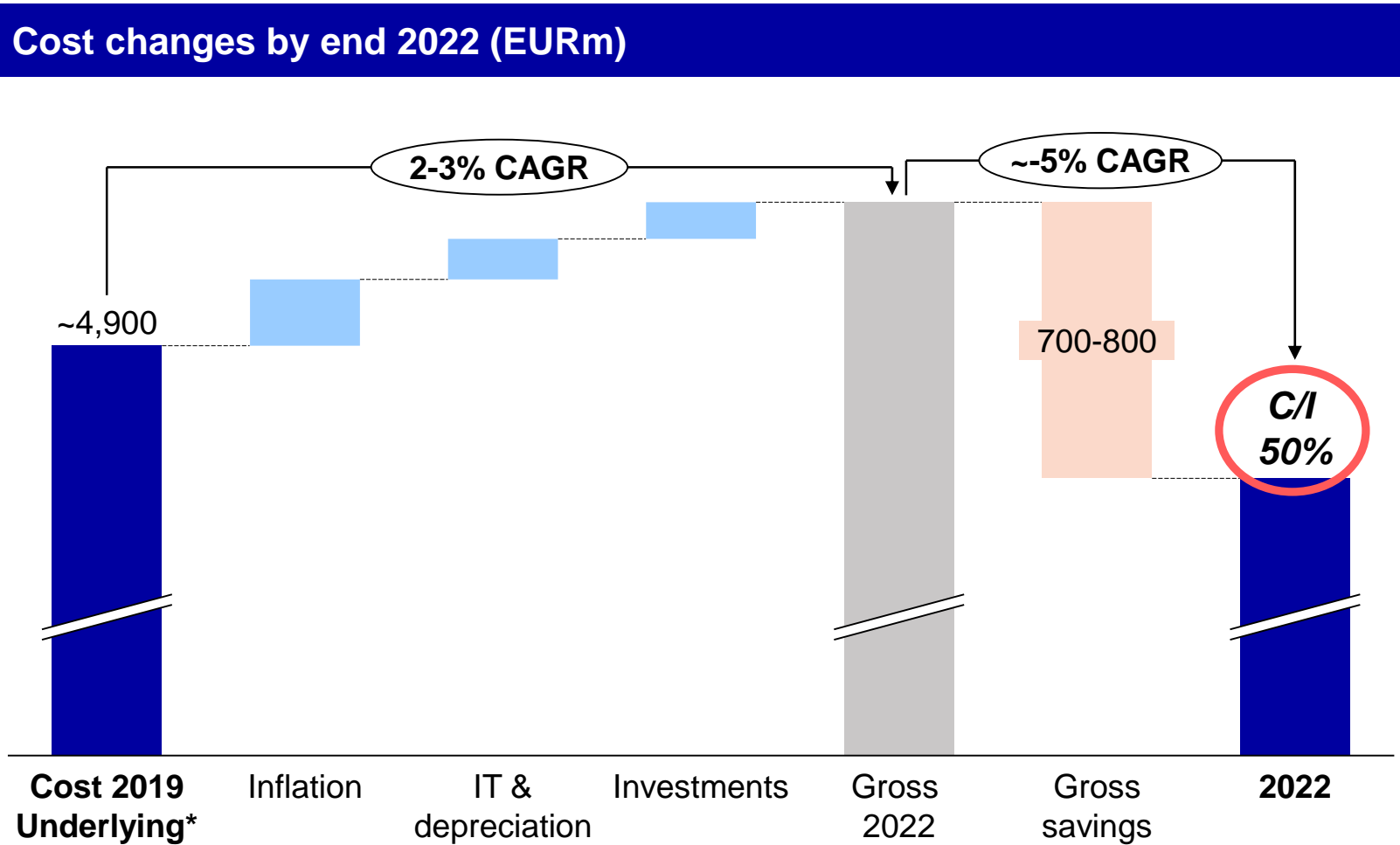


**Clear  
targets and  
priorities**

**Full  
accountability  
to the business  
areas**

**Simplified  
governance  
structure**

# Gross cost reductions exceed investments and inflation



For 2020, we expect to reach a cost base below EUR 4.7bn

We plan to continue delivering annual net cost reductions beyond 2020

# Delivery of EUR 700-800m gross cost reduction



## People

### Fewer people until 2022

- Majority of the planned reductions in head office and central functions
- Reduction in number of external consultants
- Nearshoring



## IT

### Reduced IT spend

- Outsourcing
- Continued decommissioning, automation and cloud solutions
- Pan-Nordic platforms



## Processes

### Streamlining of processes

- 40% fewer products
- From 48 to 5 payment platforms
- Automated and robotised processes freeing up time (FTEs)

EUR 700-800m

Staff

IT

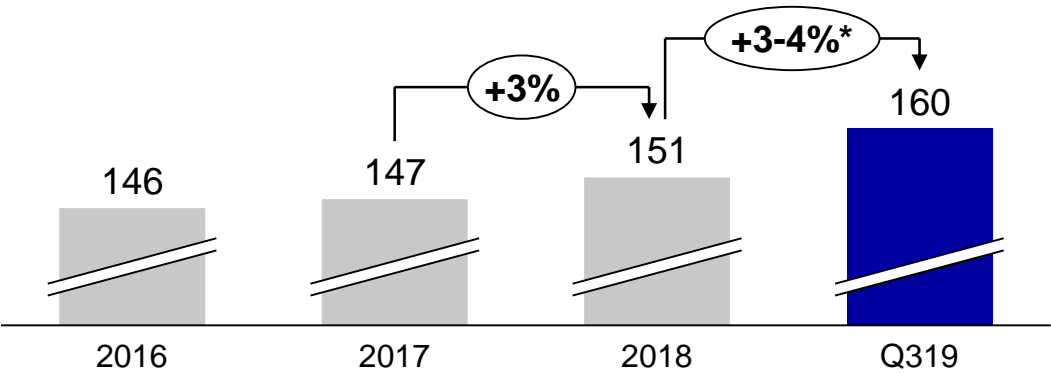
Consulting

Nearshoring

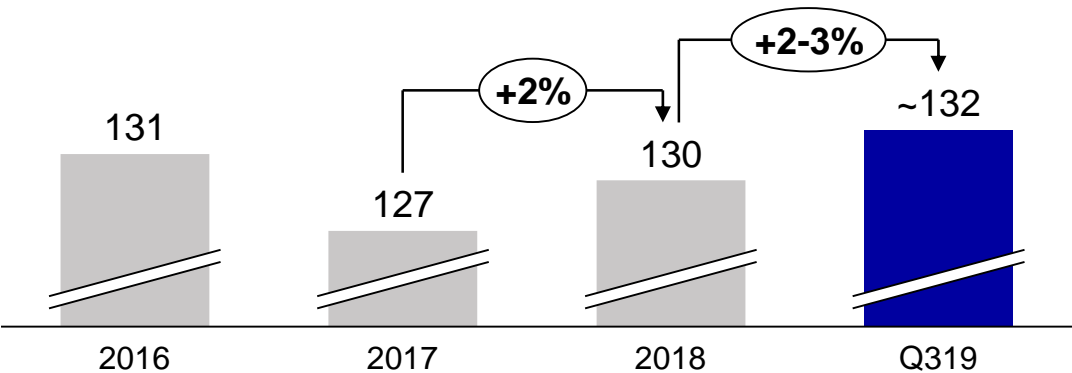
Gross savings by 2022

# Intensified business activity and customer focus start to show results

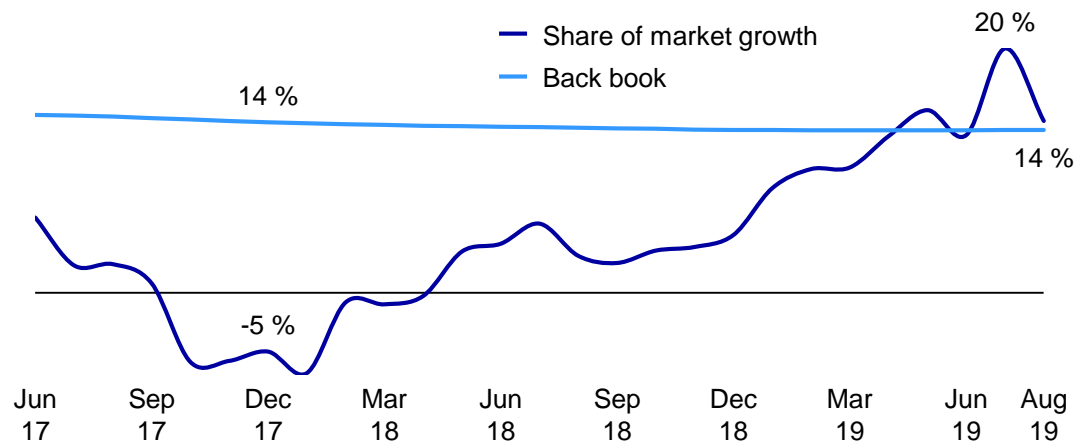
Household lending (EURbn)



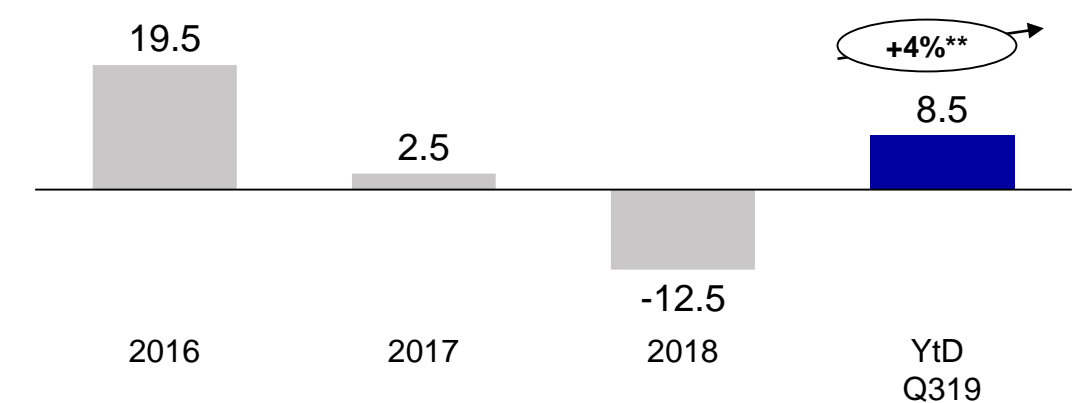
Corporate lending (EURbn)



Market share Swedish mortgages



AuM net flow (EURbn)

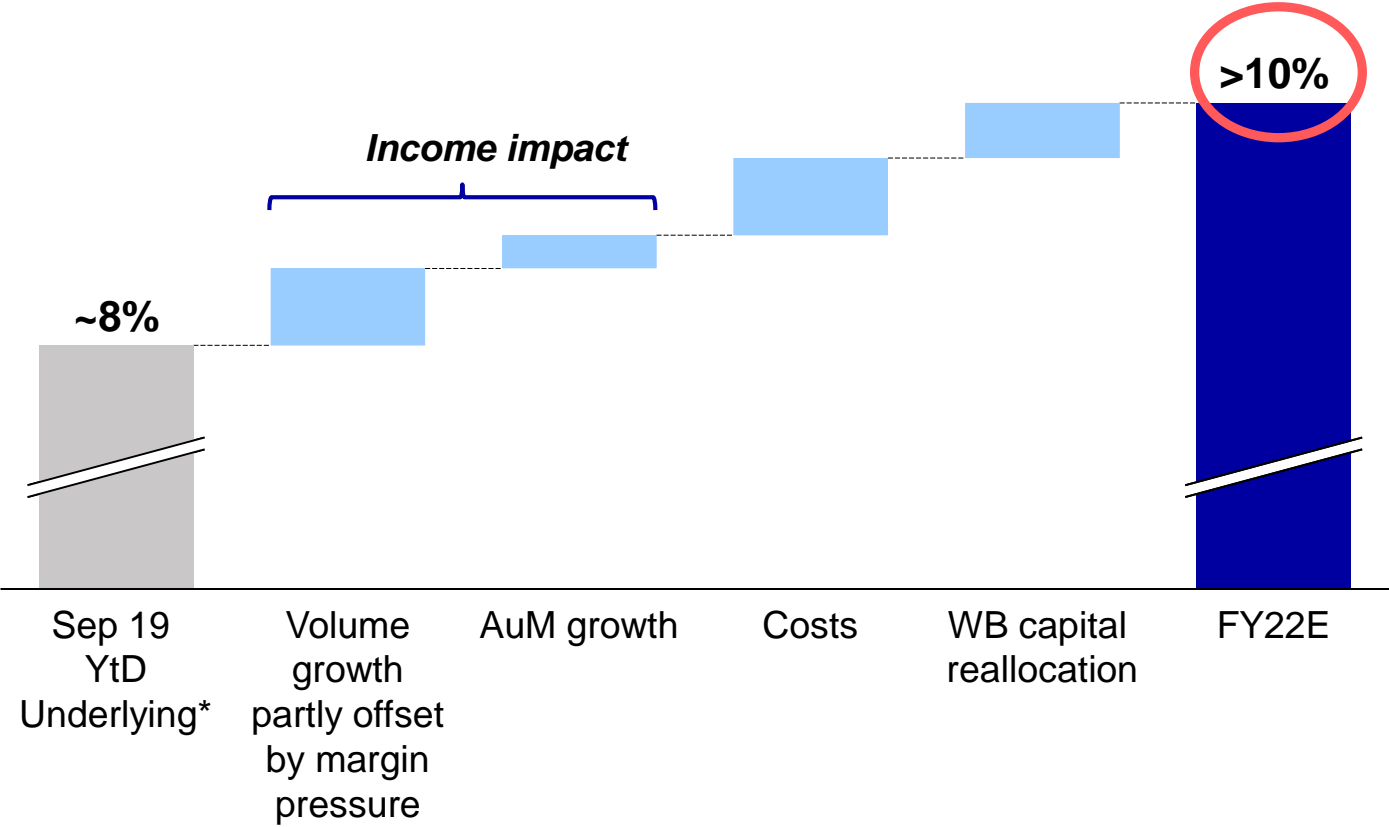


23 \* Growth excl Gjensidige Bank  
\*\* Annualised net flow  
Note: Historical periods adjusted for divestments and items affecting comparability



# The path to exceed 10% return on equity in 2022

## Expected return on equity development 2019 to 2022

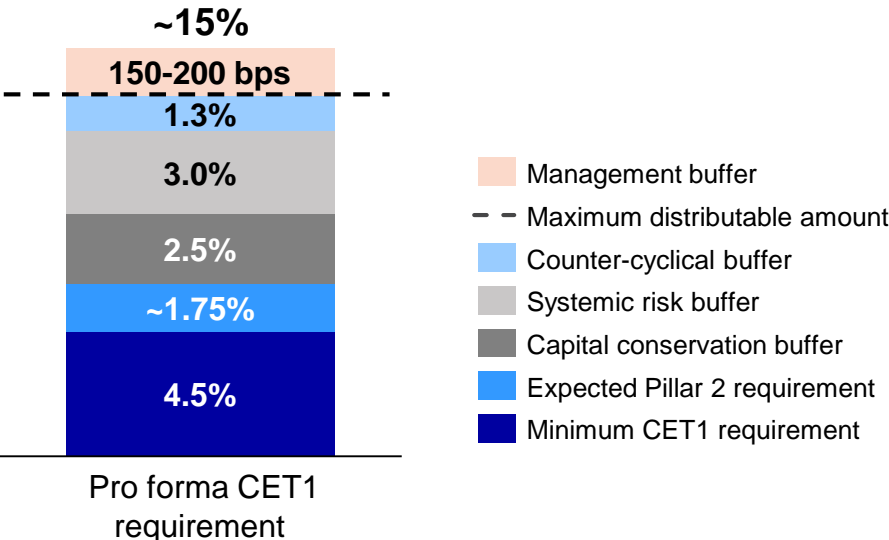


## Drivers of profitability

- Positive momentum on lending volumes
- Net flow in AuM
- Net cost reduction
- WB repositioning helping on both profit and capital
- ➡ Stable credit quality
- ⬇ Pressure on margins

# New capital policy and uses of capital

**Capital policy from 2020**  
**150-200 bps management buffer**  
**above the regulatory CET1 requirement**



## Uses of capital

**Organic growth**

**60-70% dividend pay-out ratio**

For 2019 Nordea targets a dividend of EUR 0.40 per share

**M&A bolt-ons**

**Share buybacks**

# Business area targets 2022

## Wholesale Banking

- All-time-high customer satisfaction
- Reduce capital consumption
- New strategic direction

ROCAR  
~10%

## Commercial & Business Banking

- Stable business and good momentum
  - With potential to improve
- We know what works – thanks to our customers
  - Free up time to increase customer intensity
- Improve operational efficiency
  - Develop digital-intense customer service model

C/I ratio\*  
~45%

## Asset & Wealth Management

- Leverage strong platform for continued growth
  - turnaround in net flows 2019
- Profitable and globally competitive asset manager
- Integrated wealth manager with clear strategy for growth and improved sales productivity

C/I ratio\*\*  
>40%

## Personal Banking

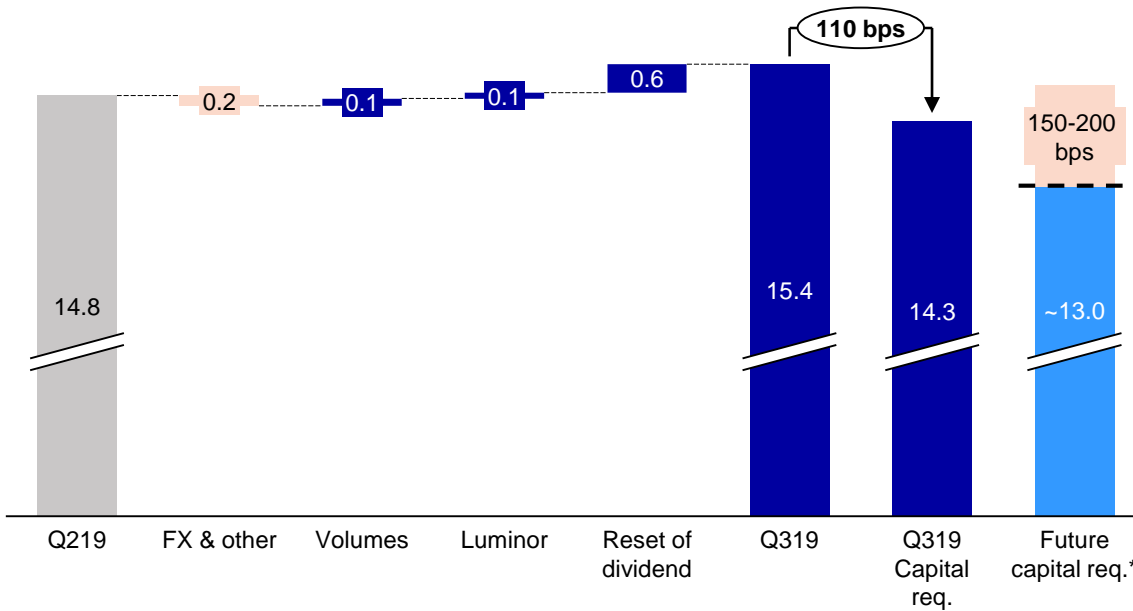
- Relationship business built on an omni-channel model
- Improved cost efficiency and scale benefits
- Profitable growth targeted within all key business lines

C/I ratio\*  
~50%

### 3. Capital

# Common Equity Tier 1 ratio development

## Q319 vs Q219



## Comments

- CET1 capital ratio increased by 60 bps
- Management buffer 110 bps

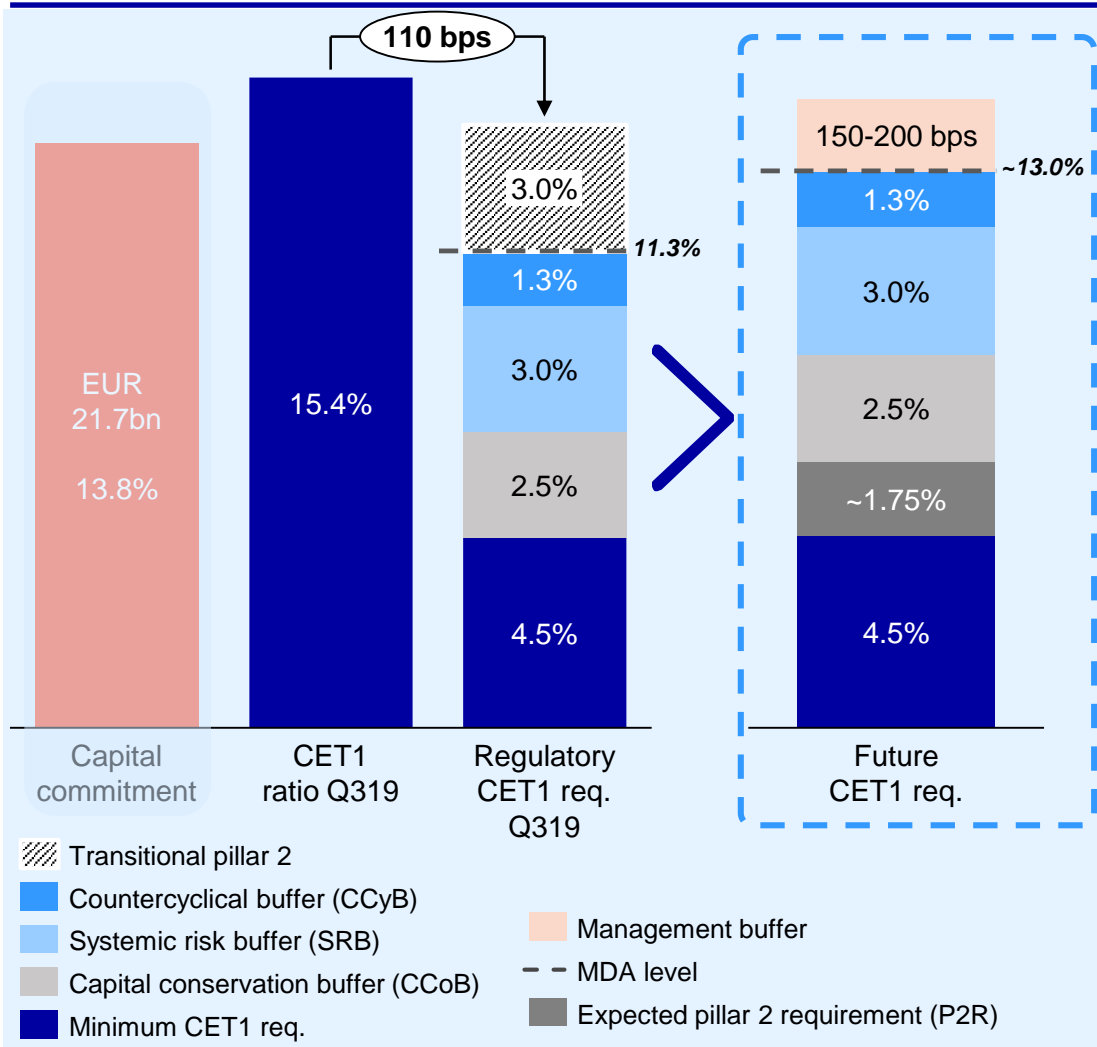
## Capital and dividend policy from 2020

- Management buffer 150-200 bps above regulatory CET1 requirement
- Dividend pay-out ratio 60-70%
- Excess capital intended to be distributed to shareholders through buybacks
- Target dividend for 2019 EUR 0.4 per share



# Capital position and requirement

## Capital position and requirement



## Comments

- CET1 ratio of 15.4% and total capital ratio of 20.0% in Q319
- Regulatory CET1 requirement including transitional Pillar 2 estimated at 14.3% in Q319
- From Q319 the systemic risk buffer of 3% is applicable
- Current MDA level of 11.3% in Q319 is expected to increase by ~1.75% following the introduction of the pillar 2 requirement (P2R) from 1 January 2020 and with additional adjustments due to changes in the countercyclical buffer

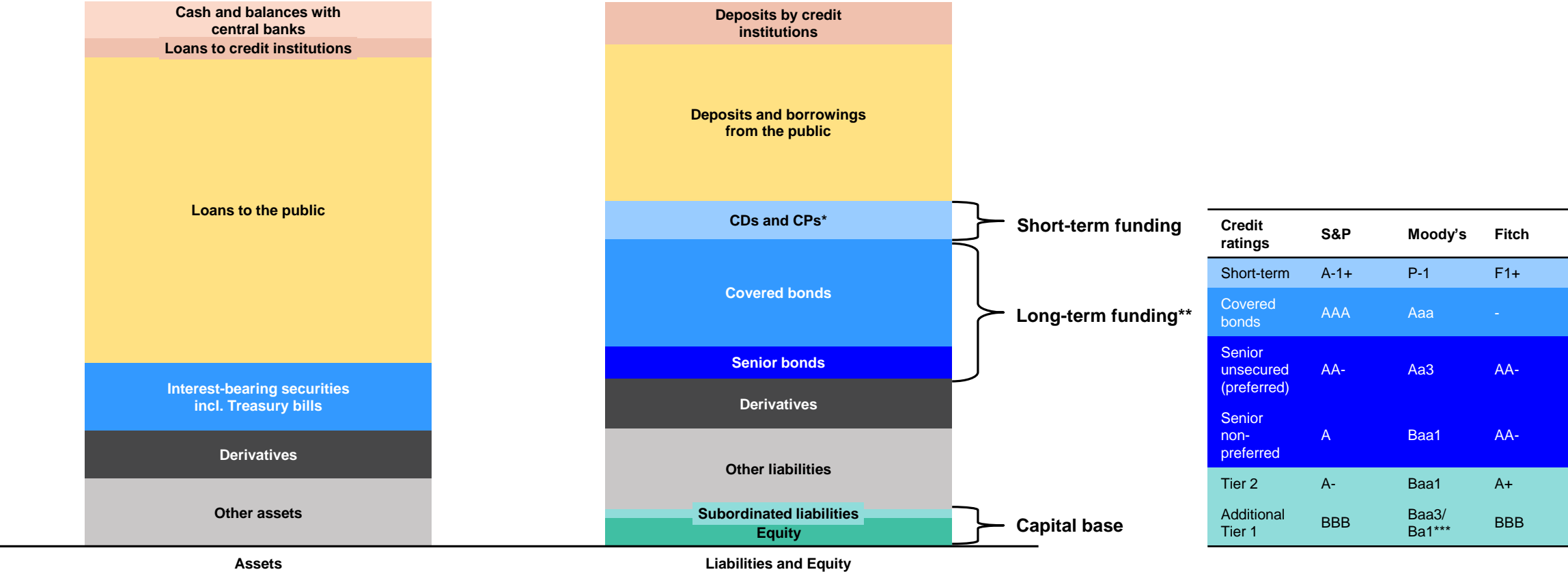
## Capital and dividend policy from 2020

- Management buffer 150-200 bps above regulatory CET1 requirement
- Dividend pay-out ratio 60-70%
- Excess capital intended to be distributed to shareholders through buybacks
- Target dividend for 2019 EUR 0.40 per share

## 4. Funding

# Diversified balance sheet

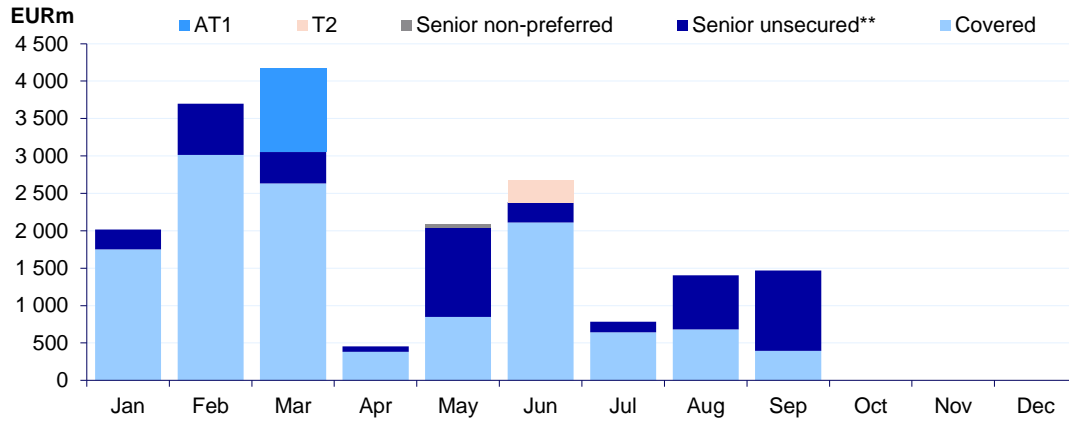
Total assets EUR 586bn



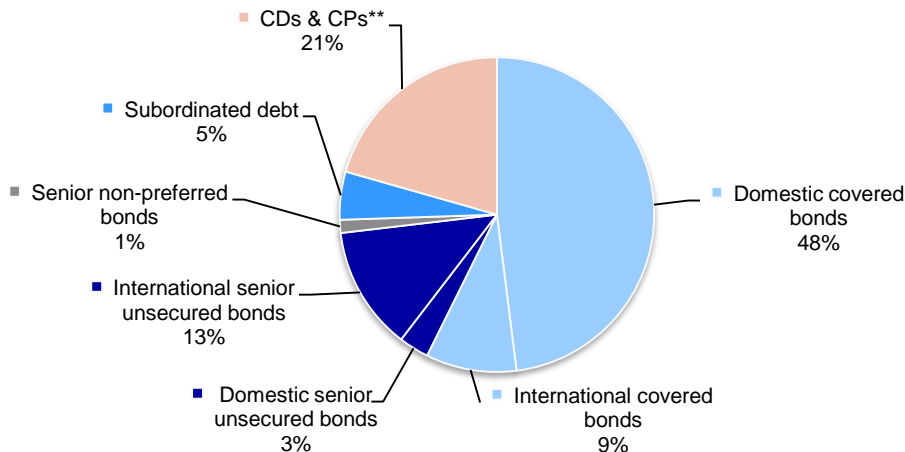
\* Including CDs with original maturity over 1 year  
\*\* Excluding subordinated liabilities  
\*\*\* Unsolicited ratings

# Solid funding operations

## Long-term issuance YTD Q319, gross volumes, EUR 18.8bn\* incl. AT1



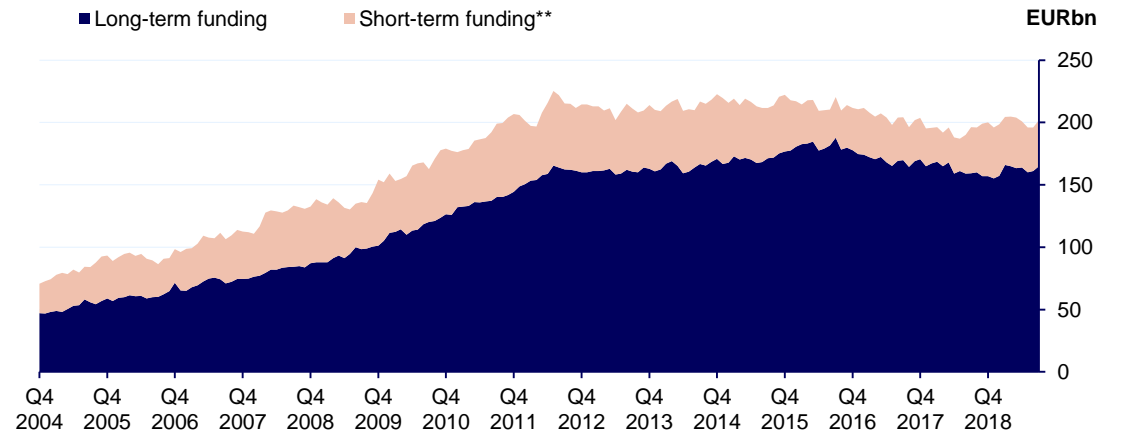
## Long-term and short-term funding outstanding, EUR 201bn



## High-level issuance plan for 2019

- Full year 2019 long-term funding issuance expected around EUR 20bn (excl. capital instruments and Nordea Kredit), to be issued via covered bonds and senior unsecured bonds, of which EUR 3.8bn was issued in Q319\*, around 50% to be issued in domestic markets
- Planned senior non-preferred issuance of EUR ~10bn to be issued until the end of 2022, of which around EUR 2.7bn have been issued
  - Issuance plan to be reviewed in Q1 2020 and Q1 2021
  - For more information, see pages 37-39
- In 2018, long-term issuance amounted to EUR 22.6bn, including covered bonds, senior preferred and senior non-preferred bonds\*

## Distribution of long vs. short-term funding, gross volumes\*\*\*

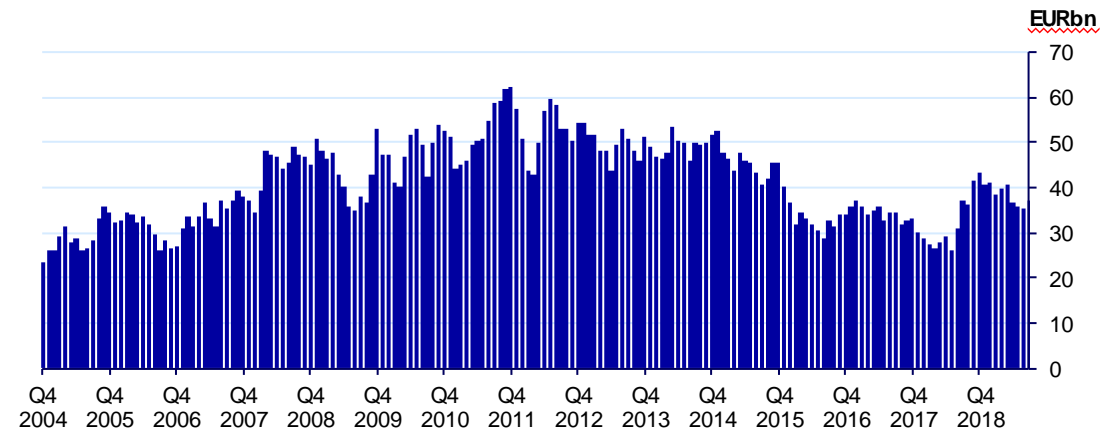


# Short-term funding – prudent and active management

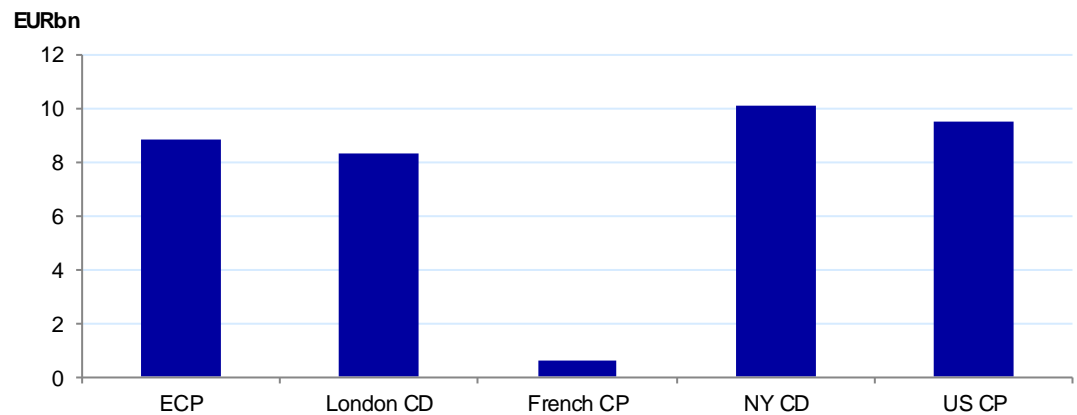
## Comments

- Short-dated issuance remains an attractive funding component
- A well-diversified investor base from Asia to USA
- Each program has its niche contribution
- Total outstanding short-term funding EUR 35-37bn during Q319
- Focus in Q319 on maintaining a good presence in the short-dated market both in the US and Europe
- Continued issuance of long-dated (18m to 2y) short-term issuance out of the US market

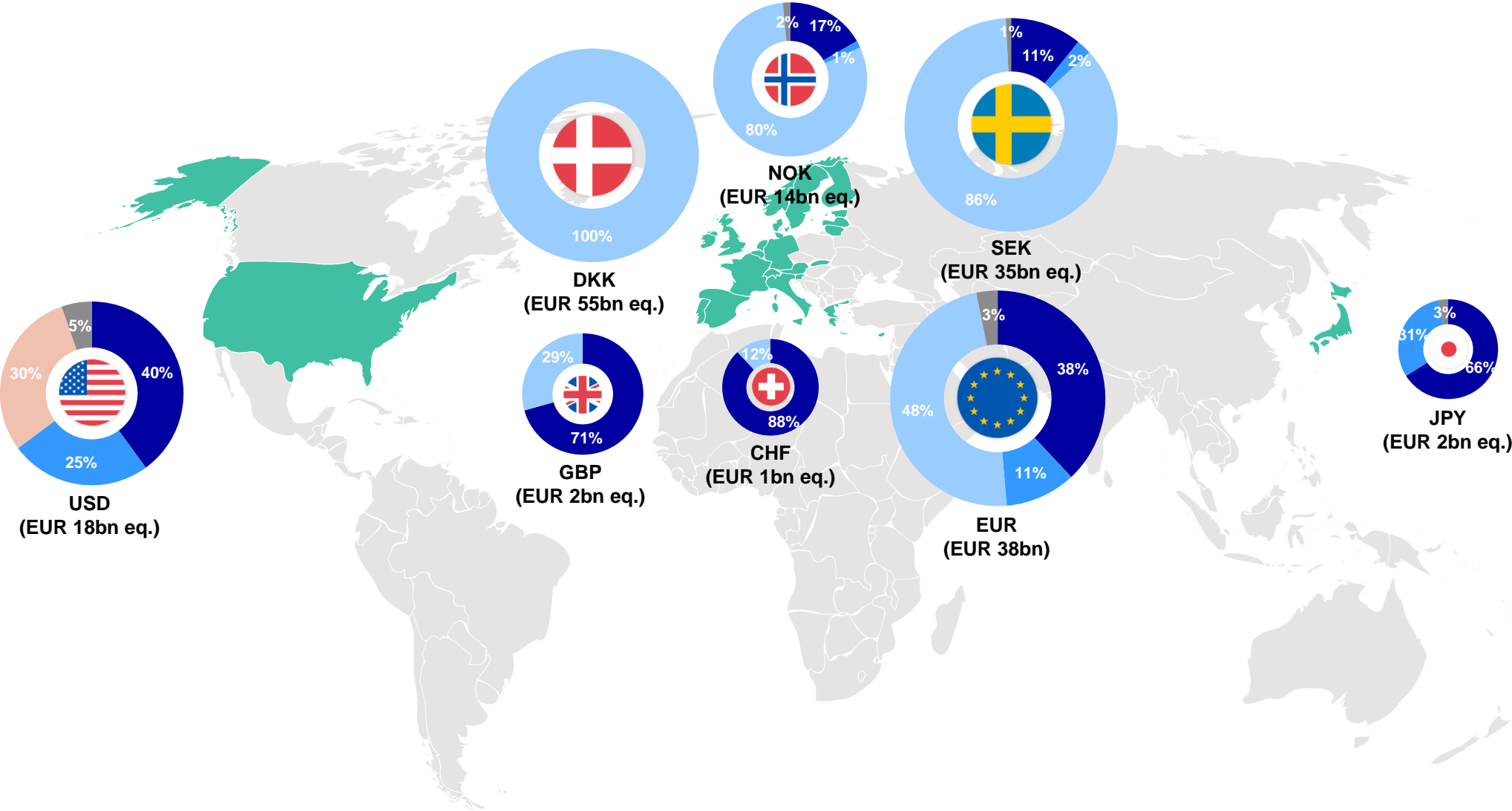
## Short-term issuance



## Split between programs

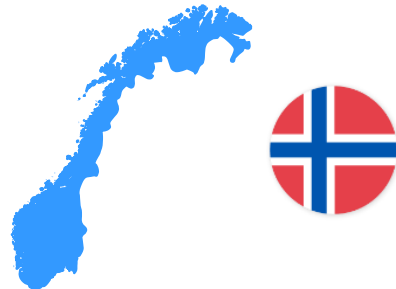
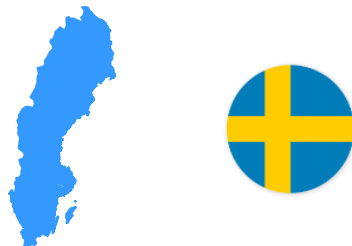




# Long-term funding – Nordea’s global issuance platform



■ Covered bond   ■ Senior unsecured   ■ Senior non-preferred   ■ CDs > 1 year   ■ Capital instruments

# Nordea covered bond operations

Four aligned covered bond issuers with complementary roles	Nordea Eiendomskreditt	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank	
					
	Legislation	Norwegian	Swedish	Danish/SDRO	Finnish
	Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
	Cover pool size*	EUR 16.4bn (eq.)	EUR 51.4bn (eq.)	Balance principle	EUR 21.8bn
	Covered bonds outstanding*	EUR 9.5bn (eq.)	EUR 31.4bn (eq.)	EUR 57.7bn (eq.)	EUR 16.2bn
	OC*	71%	63%	CC1/CC2 40%/10%	35%
	Issuance currencies	NOK, GBP, USD, CHF	SEK	DKK, EUR	EUR
Rating (Moody's / S&P)	Aaa / -	Aaa / AAA	Aaa / AAA	Aaa / -	

- Covered bonds are an integral part of Nordea's long term funding operations
- Issuance in Scandinavian and international currencies
- ECBC Covered Bond Label on all Nordea covered bond issuance



# Nordea recent benchmark transactions

Financial  
Issuer of  
the year



Most  
impressive  
Financial  
Institution  
Borrower

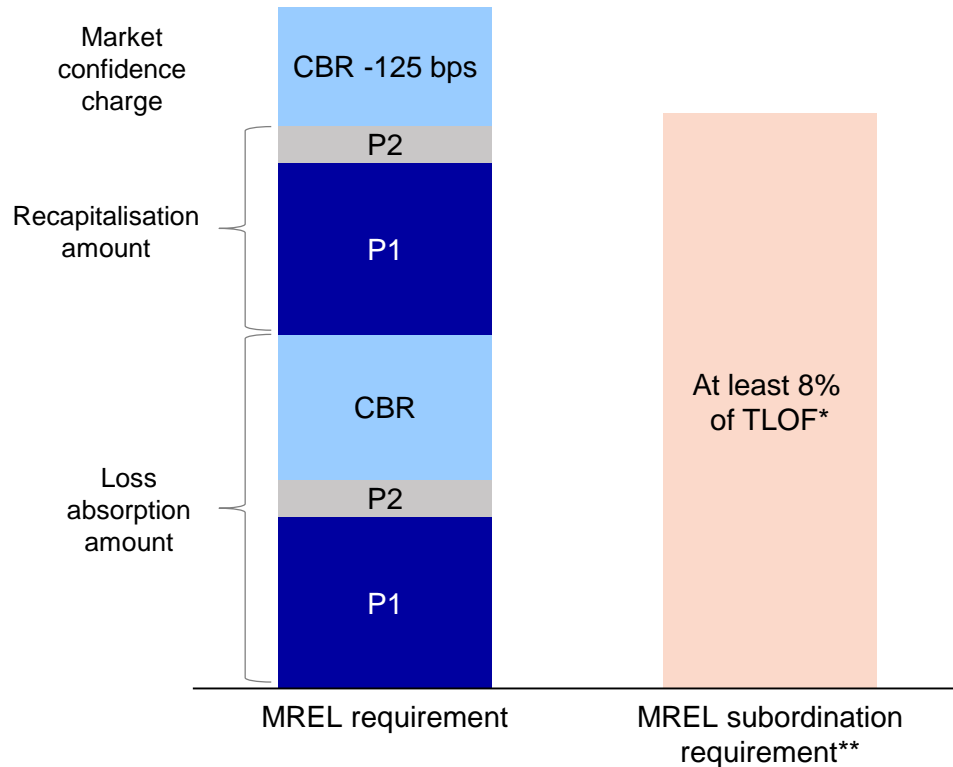


Issuer	Type	Currency	Amount (m)	FRN / Fixed	Issue date	Maturity date	Callable
Nordea Bank	Senior non-preferred	EUR	1,000	Fixed	Jun-18	Jun-23	
Nordea Bank	Senior non-preferred	SEK	2,250 750	Fixed FRN	Jun-18	Jun-23	
Nordea Bank	Senior non-preferred	USD	750 250	Fixed FRN	Aug-18	Aug-23	
Nordea Bank	Tier 2	USD	500	Fixed	Sep-18	Sep-33	15NC10
Nordea Bank	Senior non-preferred	NOK	2,000	FRN	Sep-18	Sep-23	
Nordea Bank	Tier 2	SEK NOK	1,750 500	FRN FRN	Sep-18	Sep-28	10NC5
Nordea Hypotek*	Covered	SEK	5,000	Fixed	Jan-19	Sep-24	
Nordea Eiendomskreditt*	Covered	NOK	10,000	FRN	Feb-19	Jun-24	
Nordea Mortgage Bank	Covered	EUR	1,500	Fixed	Mar-19	Mar-26	
Nordea Bank	Additional Tier 1	USD	1,250	Fixed	Mar-19	Mar-26	PerpNC7
Nordea Eiendomskreditt*	Covered	NOK	1,500	Fixed	May-19	May-26	
Nordea Mortgage Bank	Covered	EUR	1,000	Fixed	May-19	May-27	
Nordea Bank	Senior preferred, Green bond	EUR	750	Fixed	Jun-19	Jun-26	



# MREL requirements

## Single Resolution Board (SRB) methodology



## Nordea MREL requirement

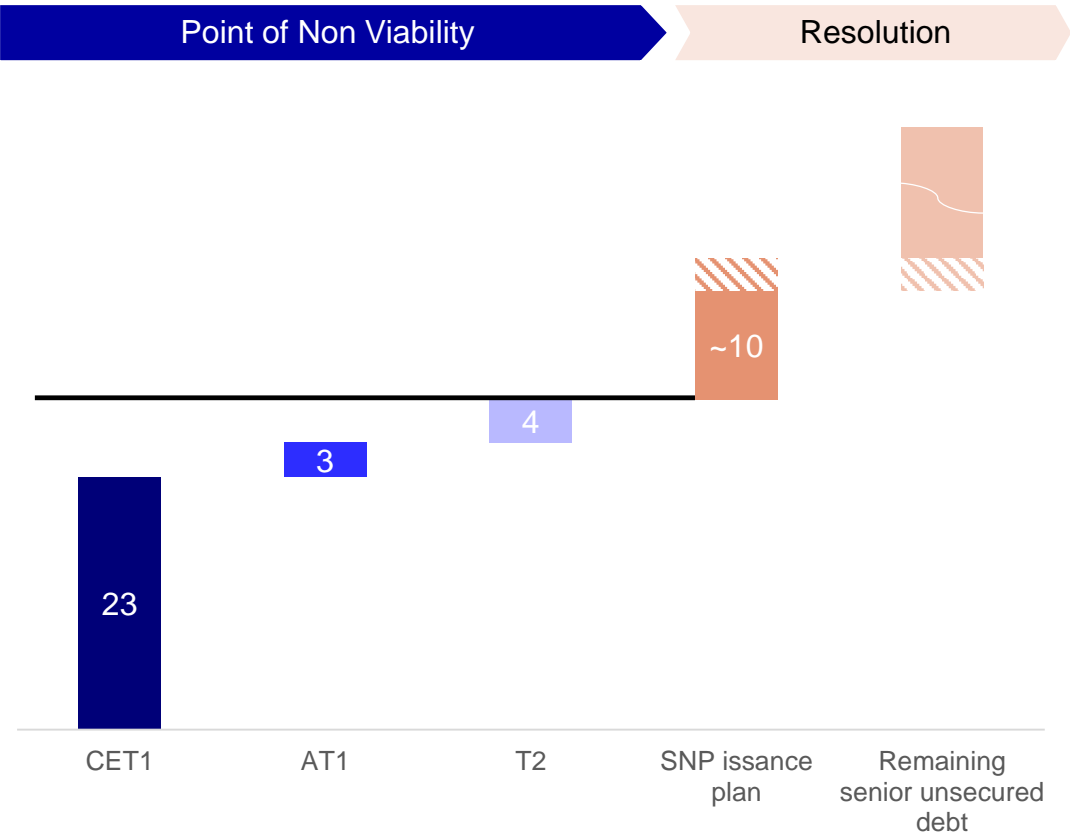
- Transitional MREL requirement of 7.1% of TLOF to be updated in Q1 2020
- MREL requirement based on SRB methodology expected to be decided during Q1 2021
- Eligible instruments: own funds, senior non-preferred (SNP) and senior unsecured debt

## Nordea MREL subordination requirement

- MREL subordination requirement based on the SRB public MREL policy on Banking Package (SRMR2/BRRD2) expected to be decided during Q1 2021
- Eligible instruments: own funds and SNP, unless senior allowance granted
- MREL subordination requirement will drive SNP issuance need

# Senior non-preferred issuance plan

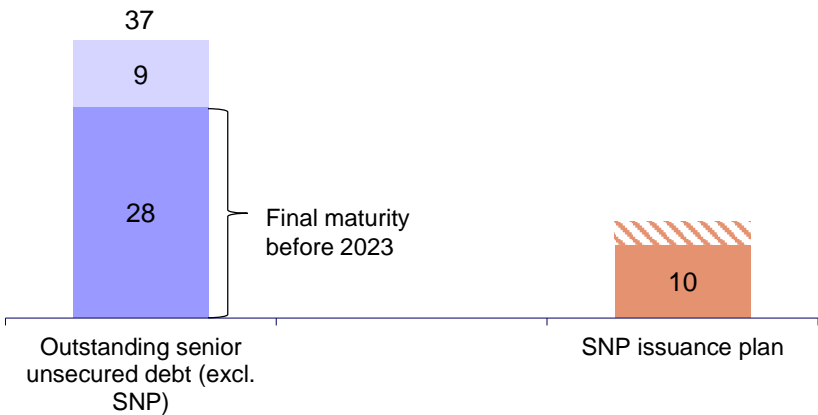
## Own funds and bail-in-able debt, EURbn



## Comments

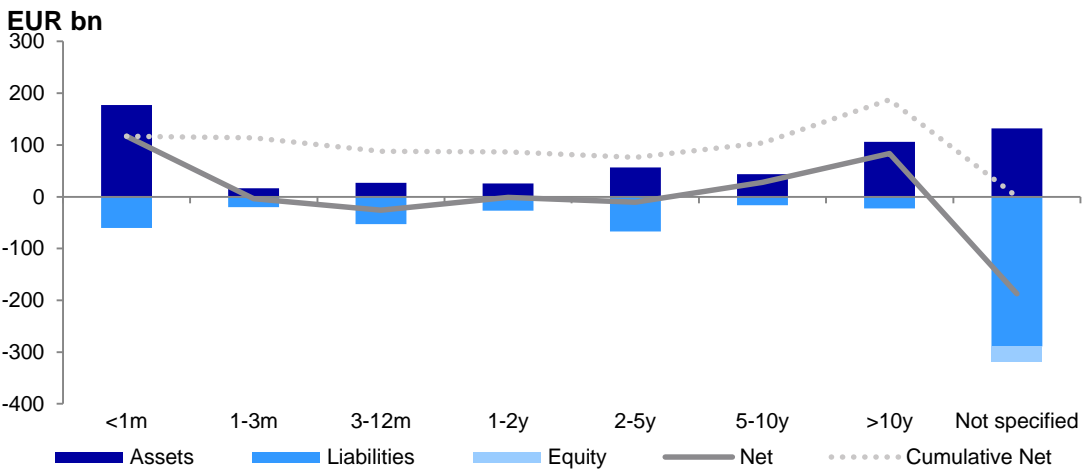
- Planned total SNP issuance of EUR ~10bn to be issued before end of 2022\*
- SNP issuance plan to be reviewed in Q1 2020 in connection with the publication of SRB MREL policy on Banking Package (SRMR2/BRRD2)
- SNP issuance plan to be reviewed again in Q1 2021 in connection with the SRB decision for Nordea on MREL subordination requirement
- Nordea’s own funds of EUR 30bn\*\* will rank junior to SNP investors
- Nordea has issued SNP of EUR 2.7bn since June 2018

## Senior bonds available for potential refinancing in SNP format, EURbn

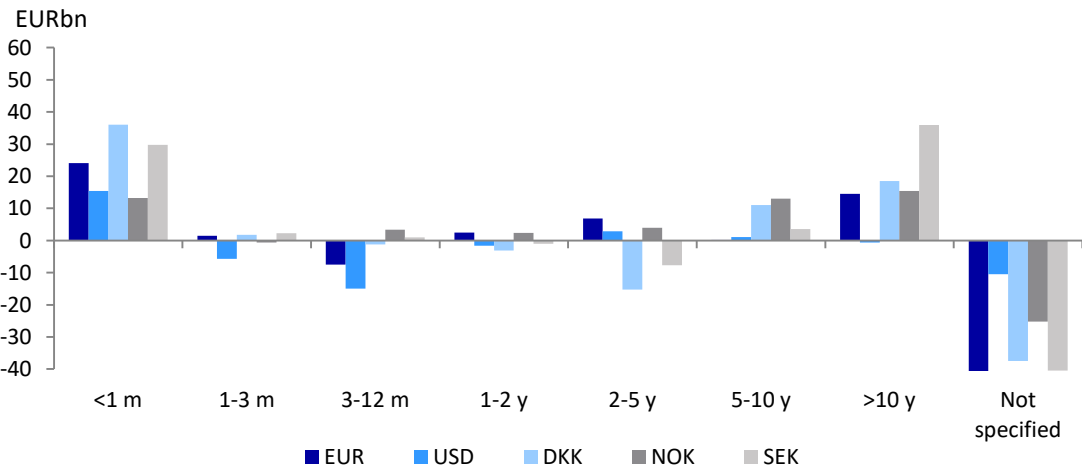


# Maturity profile

Maturity profile



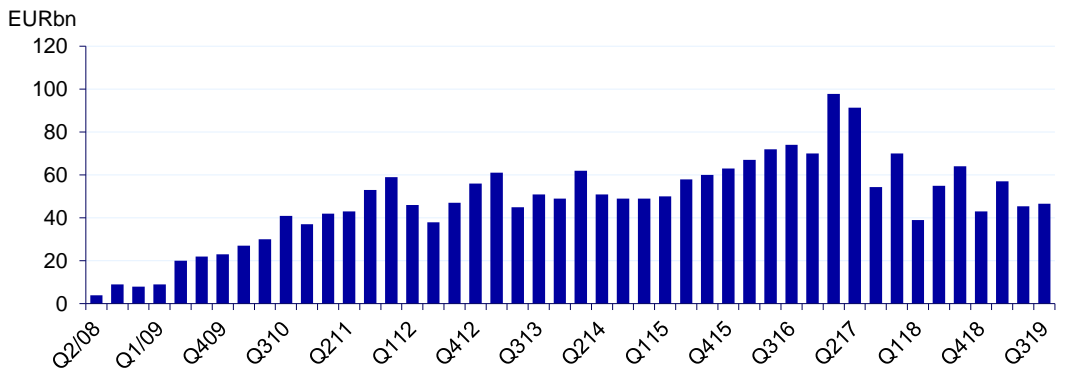
Maturity gap by currency



Comments

- The balance sheet maturity profile has during the last couple of years become more balanced by
  - Lengthening of issuance and focusing on asset maturities
- Resulting in a well balanced structure in assets and liabilities in general, as well as by currency
  - The structural liquidity risk is similar across all currencies
- Balance sheet considered to be well balanced also in foreign currencies
- Long-term liquidity risk is managed through own metric, Net Balance of Stable Funding (NBSF)

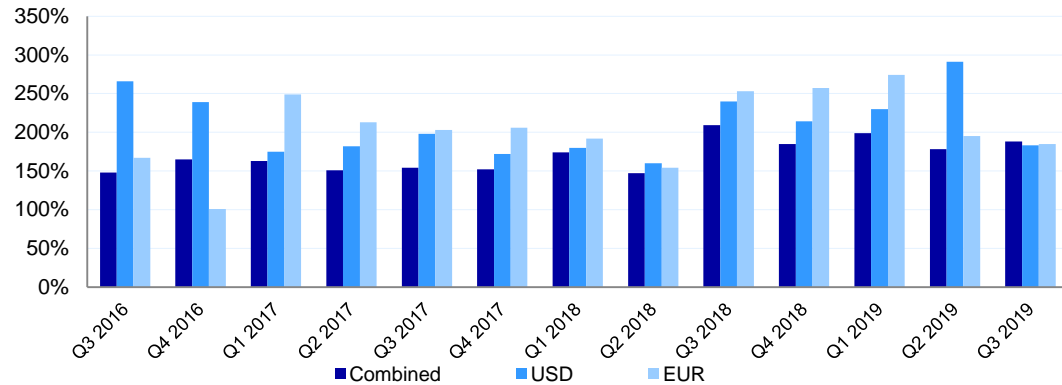
Net Balance of Stable Funding



NBSF is an internal metric, which measures the excess of stable liabilities against stable assets. The stability period was changed into 12 month (from 6 months) from the beginning of 2012. In Q3 2017 the data sourcing was updated and classifications now in line with the CRR.

# Liquidity Coverage Ratio

## Liquidity Coverage Ratio



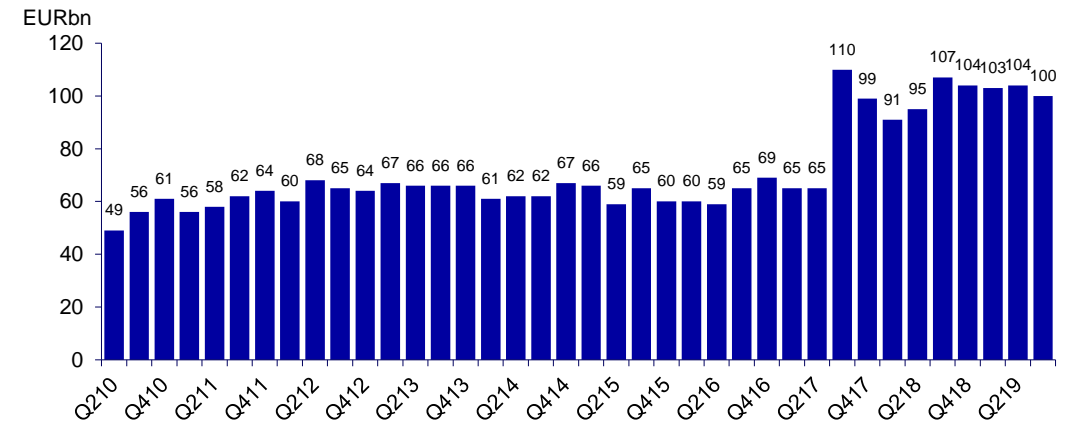
## LCR subcomponents, EURbn

EURm	Combined		USD		EUR	
	Unweighted value	Weighted value	Unweighted value	Weighted value	Unweighted value	Weighted value
<b>Total high-quality liquid assets (HQLA)</b>	<b>100,023</b>	<b>97,658</b>	<b>21,471</b>	<b>21,453</b>	<b>24,436</b>	<b>24,294</b>
Liquid assets level 1	97,131	95,202	21,471	21,453	23,806	23,759
Liquid assets level 2	2,893	2,456	0	0	629	535
Cap on level 2	0	0	0	0	0	0
<b>Total cash outflows</b>	<b>327,269</b>	<b>70,414</b>	<b>65,196</b>	<b>47,009</b>	<b>147,532</b>	<b>52,665</b>
Retail deposits & deposits from small business customers	90,353	5,996	331	49	28,238	1,922
Unsecured wholesale funding	90,438	43,239	13,809	9,367	29,788	12,598
Secured wholesale funding	34,953	4,898	5,330	1,348	20,737	1,871
Additional requirements	59,022	11,822	40,354	35,880	50,897	34,956
Other funding obligations	52,502	4,459	5,372	365	17,872	1,318
<b>Total cash inflows</b>	<b>70,553</b>	<b>18,434</b>	<b>48,868</b>	<b>35,257</b>	<b>64,837</b>	<b>39,499</b>
Secured lending (e.g. reverse repos)	50,263	5,578	4,990	2,021	19,610	1,360
Inflows from fully performing exposures	9,288	4,679	1,276	683	2,790	1,309
Other cash inflows	11,001	8,178	42,601	42,515	42,437	42,181
Limit on inflows		0		-9,963		-5,352
<b>Liquidity coverage ratio (%)</b>		<b>188%</b>		<b>183%</b>		<b>185%</b>

## Comments

- EBA Delegated Act LCR in force starting from October 2016
  - LCR of 188%
  - LCR compliant in USD and EUR
- Compliance is reached by high quality liquidity buffer and management of short-term cash flows
- Nordea Liquidity Buffer EUR 100bn, which includes the cash and central bank balances
  - New liquidity buffer method introduced in July 2017

## Time series – liquidity buffer



# Nordea's sustainability work further enhanced from 2015 – deepened green focus

## Enhanced ESG focus from 2015

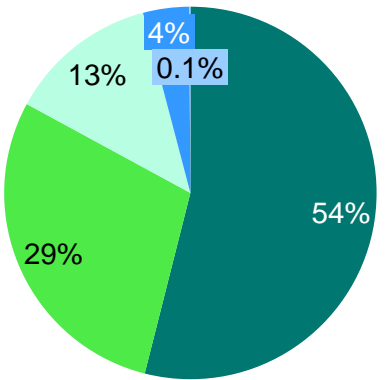
- Business Ethics & Values Committee established (2015)
- New Corporate Values Framework (2017)
- Climate Change Position Paper (2017)
- New Sustainability Policy (2017)
- First Sustainable Finance Conference (2017)
- New Sustainability governance structure (2017) and Group Sustainable Finance organisation (2018)
- Further development of the ESG evaluation process in relation to lending, including specific green lending products:

**The Nordea ESG evaluation process includes an assessment of large corporate borrowers with respect to:**

- Governance
- Environmental, health and safety management processes
- Social aspects including human and labour rights
- Potential controversies

## Deepened green bond focus

- Green Bond Framework and Inaugural Green Bond issuance (2017)
- Second green bond issued in May 2019, as a 7-year EUR 750m senior unsecured bond
- Nordea aims at continuing to be a relevant issuer of green bonds, and has set a target of being the leading arranger of sustainability bonds and the leading bank on green lending in the Nordics by 2021
- The externally reviewed green bond asset portfolio has grown to EUR 2.6bn in Q3 2019. The updated composition of the portfolio and the most recent Second Party Opinion will be available on Nordea's website starting 25 October



**Green asset categories**

- Green buildings
- Renewable energy
- Pollution prevention and control
- Clean transportation
- Energy efficiency

## Sustainability acknowledgements

**ISS - oekom**



**Company Rating: C** (A+ to D-)\*

**ESG Score: 17.9** (0 to 100)\*\*

**MSCI**

**Corporate Knights**

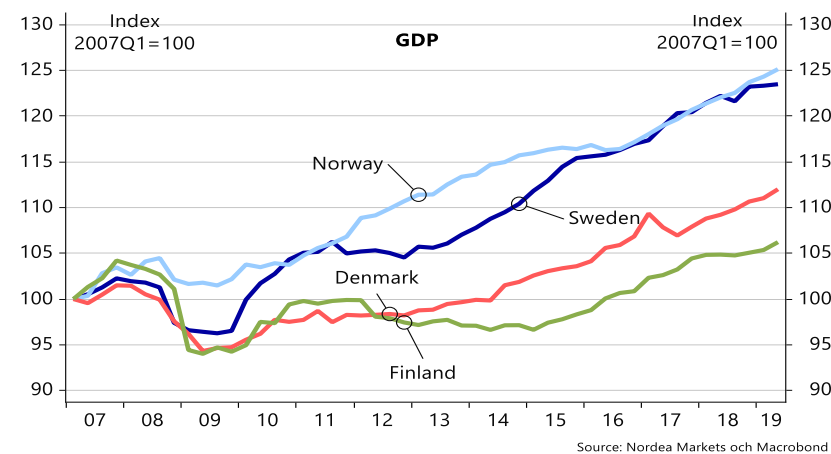
**ESG Rating: BBB** (AAA to CCC)

**Rank 47** (in the 2019 Global 100 ranking)\*\*\*

## 5. Macro

# Diverging Nordic economies

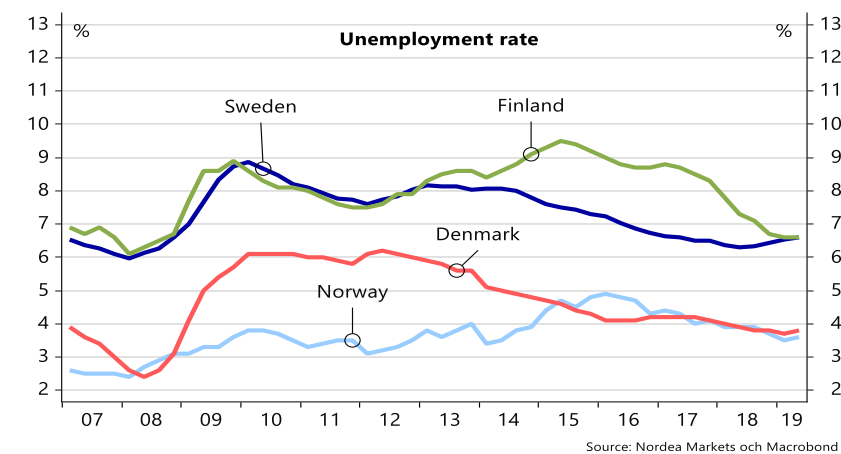
## GDP development



## Comments

- Increased global uncertainty is playing out to different degrees in the Nordic economies. Sweden and Finland have already taken a hit from the slowdown. Conditions in Denmark are much more benign while Norway looks set to prosper from recent years' oil sector investments.
- Monetary policy in the Nordics has shifted to a more cautious stance as the inflation outlook remains subdued. Norway is however a global outlier and hiked interest rates in September.
- In Sweden, unemployment is set to increase further due to weakening domestic demand and an unfavourable demographic outlook. The Danish labour market is expected to remain balanced while Finland and Norway can expect lower unemployment rates ahead.

## Unemployment rate



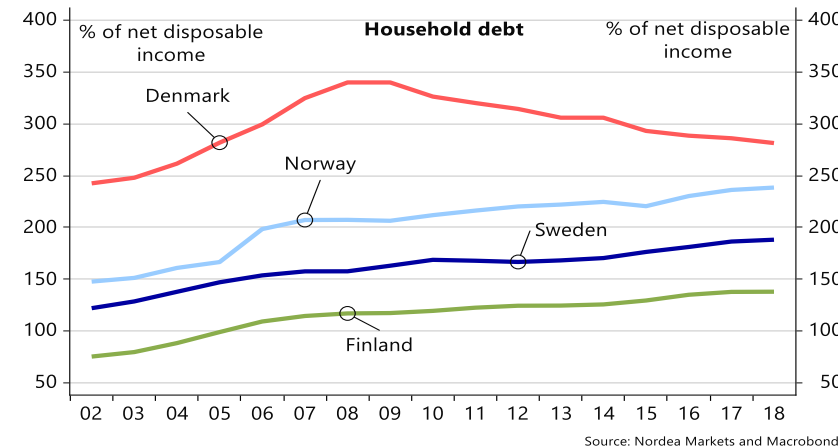
## GDP forecast, %

Country	2017	2018	2019E	2020E	2021E
Denmark	2.3	1.5	1.8	1.5	1.5
Finland	3.0	1.7	1.2	1.0	0.5
Norway	2.0	2.2	2.5	2.3	2.1
Sweden	2.1	2.4	1.3	1.2	1.7

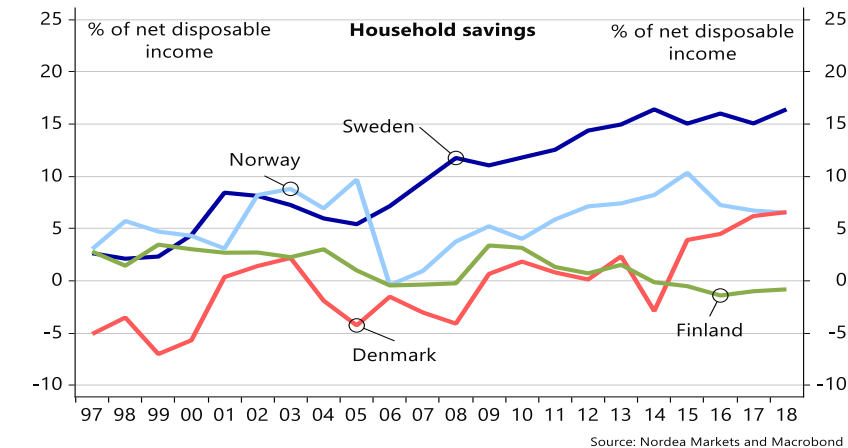
Source: Nordea Markets Economic Outlook September 2019, Macrobond and OECD.

# Household debt remains high, but so is private and public savings

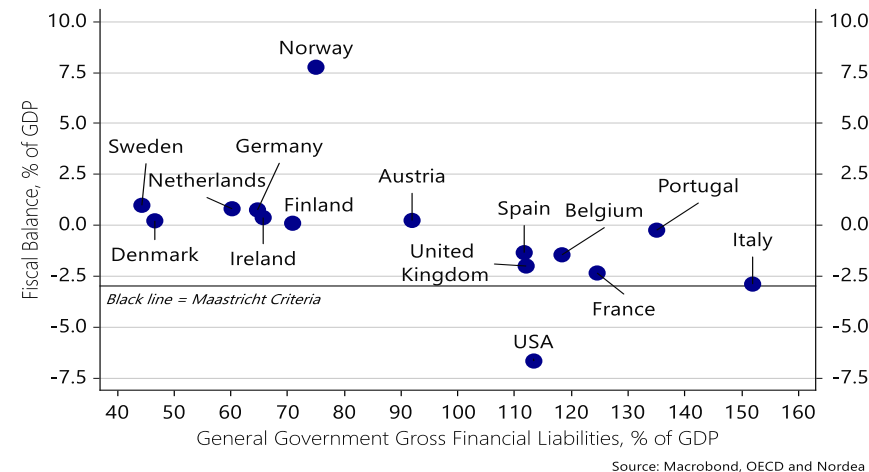
## Household debt



## Household savings



## Public balance/debt, % of GDP, 2020E



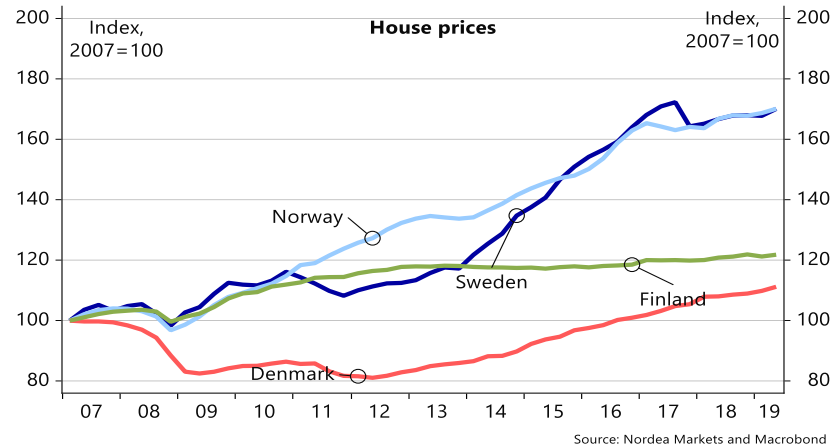
## Comments

- Household debt continues to rise somewhat faster than income in Norway, Finland and Sweden. Denmark continues to move in the opposite trend, though from very high levels.
- Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined in recent years
- The Nordic public finances are robust due to the overall economic recovery and firm fiscal policies. Norway is in a class of its own due to oil revenues

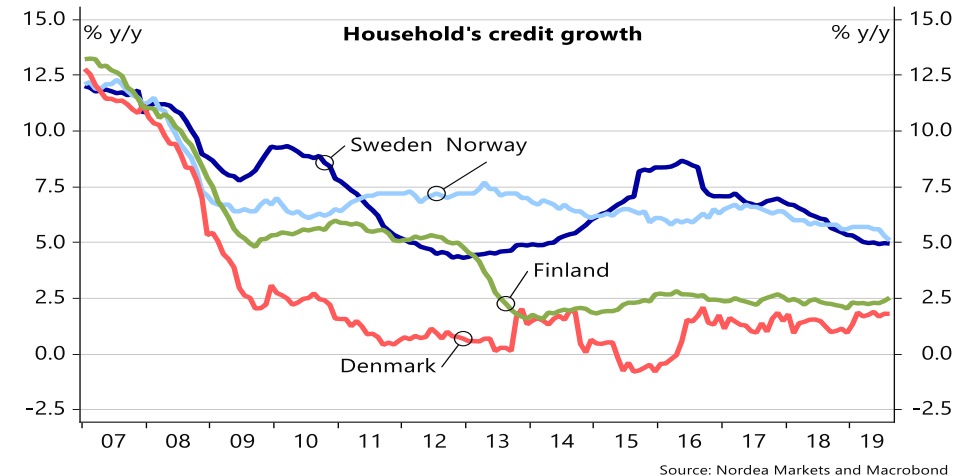


# House price development in the Nordics

## House prices



## Household's credit growth

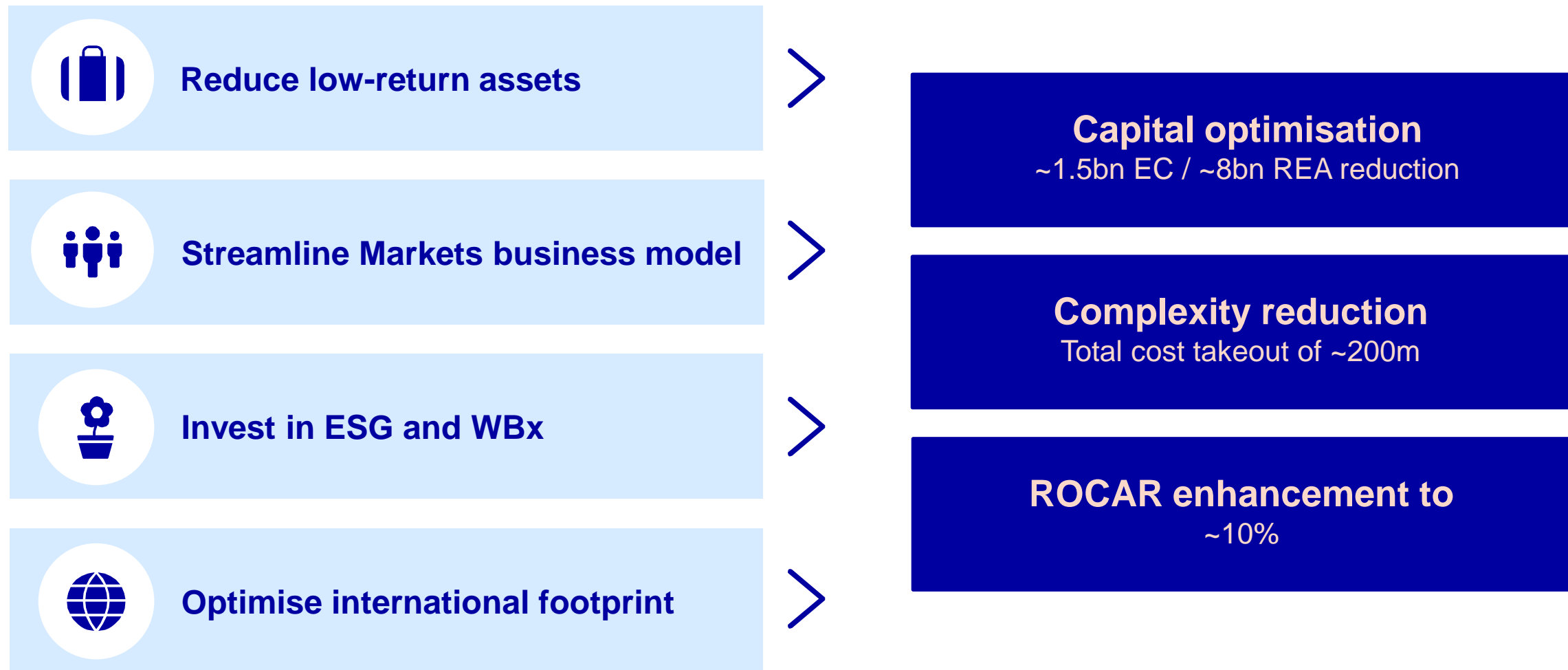


## Comments

- Swedish and Norwegian house prices are picking up after a period of stabilization. Prices continue to rise in Denmark, but are still at a low level. The Finnish housing market remains stable and is expected to remain steady in the coming years. Credit growth in the Nordics is moving sideways except for Norway.
- Swedish house prices are close to the level before the decline in H2 2017. Interest rates are most likely to remain low for very long and residential construction will level out, which should further support price increases in the housing market.
- Slightly higher interest rates in Norway are likely to contribute to dampening the rate of increase in housing prices. At the same time, the strong Norwegian economy and labor market provides a positive environment for housing demand. All in all, very modest price increases are expected in the coming years.
- The recent pick-up in Danish house prices does not mark the onset of a new period of sharply rising prices. Extremely low interest rates coupled with tighter regulations should lead to housing prices increasing only slightly faster than inflation in the coming years.

## Appendix: Business Areas – Strategic direction

## New strategic direction for Wholesale Banking



## Zooming in on the new strategic direction



### Reduce low-return assets



- Reduce low-returning on-balance sheet commitments
- Review of sub-segments
- Increase active capital reallocation



### Streamline Markets business model



- Targeting 25% EC reduction
- Product review, reducing complexity and cost
- Increase digital distribution and leverage partnerships



### Invest in ESG and WBx



- ESG advisory-driven fee income
- Strengthen our leading position for ESG/sustainable financing
- WBx new unit leveraging data and digitalisation for growth

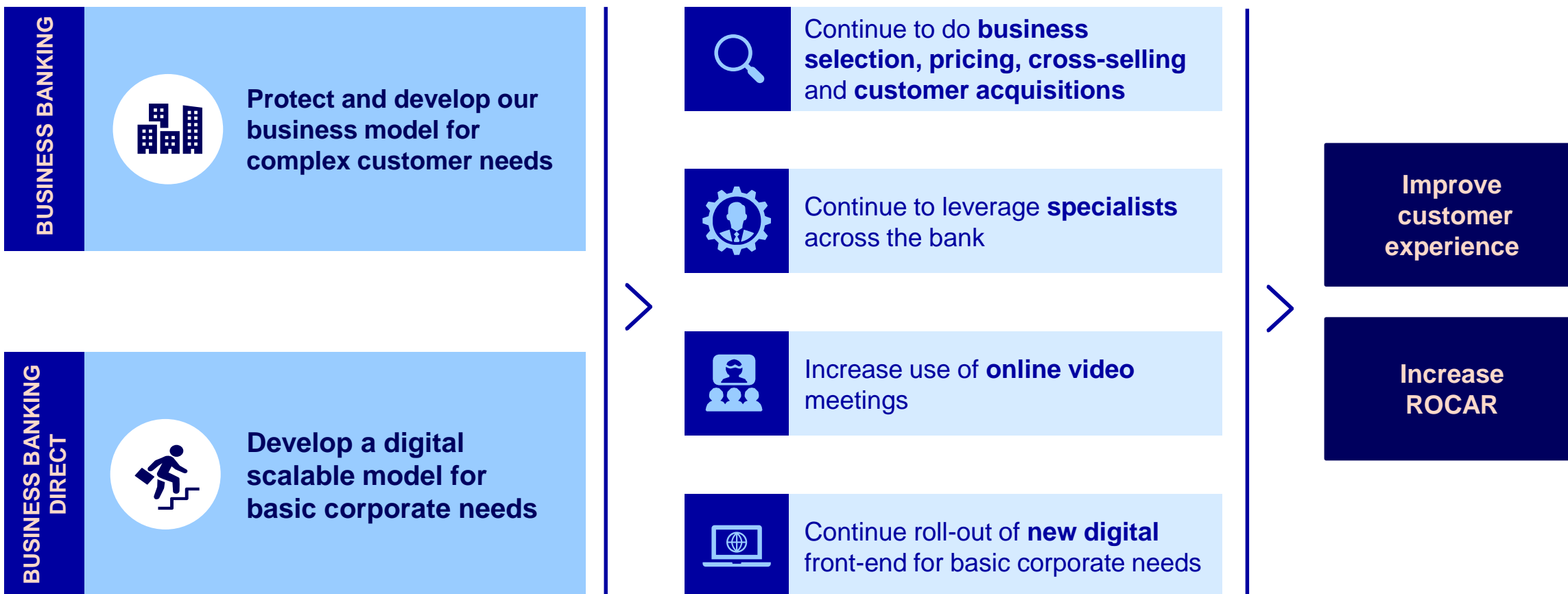


### Optimise international footprint

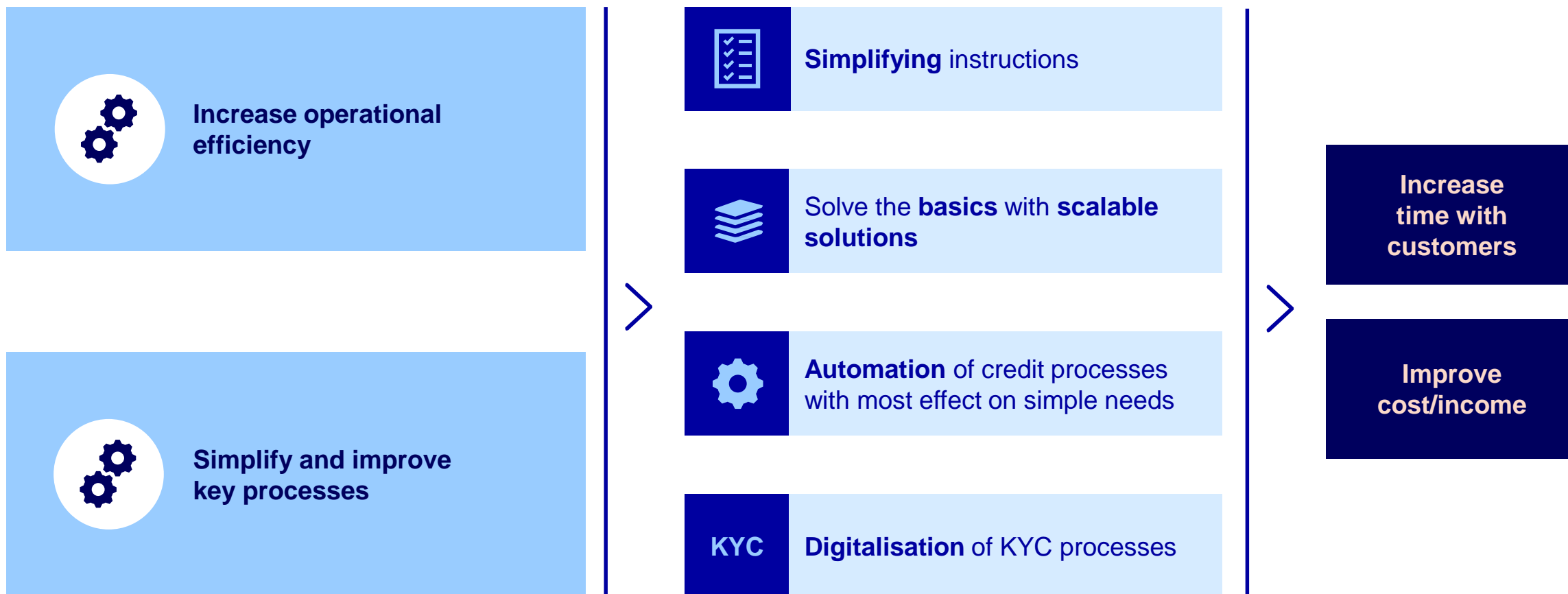


- Leverage our US branch stronghold
- Efficiencies through new global customer support unit
- Partnerships for continued service coverage

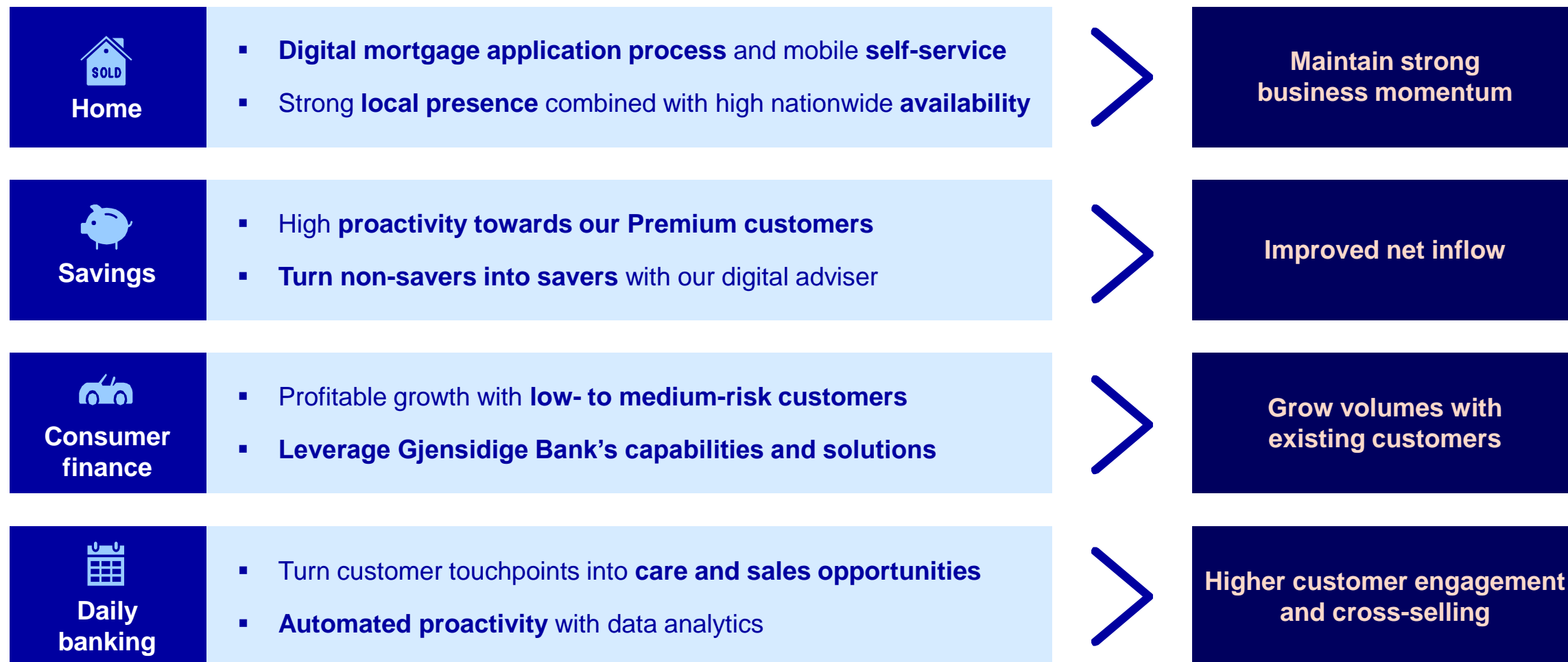
## Leverage our franchise to strengthen market position



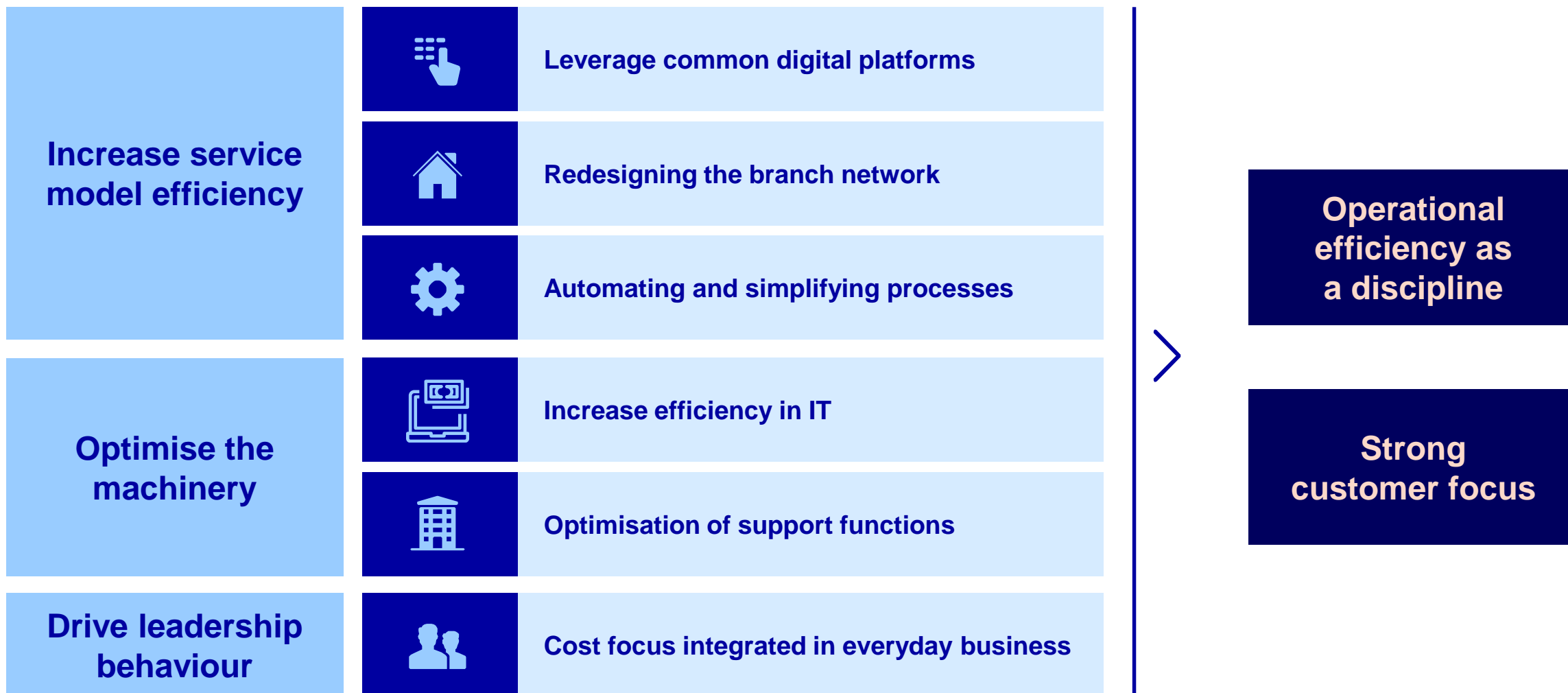
## Key drivers to make it easier to do it right in a resource-effective way



## Examples of actions within key areas to generate profitable growth in 2020



## Key drivers to improve cost efficiency, while protecting business momentum





## Strategic focus to diversify product range and client base to cater for growth



### Continue strong investment performance

- Continuity, trading platform upgrade, alpha reviews and product lifecycling



### Increase distribution reach

- Expand in Americas through partnerships, pension funds and family offices



### Reinvigorate Nordea distribution

- Next generation discretionary offering and new robo-advisory offering



### Expand and diversify product range

- Liquid and illiquid alternatives, e.g. Trill, a new sustainable development goals private equity fund



### Leading ESG provider

- Offer full range of ESG funds and refine the award-winning ESG process further

**Ensures stability from the strong, broad-based internal distribution while capturing the upside from our strong international growth areas**

## Strategic focus to grow and build an efficient franchise



**Increase Private Banking market share**

- Growth in Norway and Sweden



**Grow within occupational pensions**

- Expand value proposition for corporate segment



**Grow digital savings and strengthen sales in Nordea channel**

- Savings area in mobile banking app
- Extend robo-advice for retail and corporate customers



**Leading ESG provider**

- Sustainable selection integrated in advisory



**Improve operational efficiency**

- Simplify product offering, infrastructure and back-end technologies



**Leverages unique growth opportunities in Norway and Sweden, while reaching more savings customers and increasing efficiency through digital and simplification**

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