Nordea

Nordea – A Strong and Personal Financial Partner

Capital Markets Day

London, 25 October 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.

Agenda

Opening remarks	Torbjörn Magnusson	09.00 – 09.15
▪ **Nordea – A Strong and Personal Financial Partner**	Frank Vang-Jensen	09.15 – 09.55
▪ **Financial plan and targets**	Christopher Rees	09.55 – 10.15
Break		10.15 – 10.30
▪ **Wholesale Banking**	Martin A Persson	10.30 – 10.50
▪ **Commercial & Business Banking**	Erik Ekman	10.50 – 11.10
▪ **Personal Banking**	Sara Mella	11.10 – 11.30
▪ **Asset & Wealth Management**	Snorre Storset	11.30 – 11.50
▪ **Q&A**	Frank Vang-Jensen/All	11.50 – 12.30
Lunch		12.30 –

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Nordea – A Strong and Personal Financial Partner

Capital Markets Day

Frank Vang-Jensen, President & Group CEO

25 October 2019

Nordea enters a New Phase

Nordic-focused bank – a strong foundation to build on

Group financial performance must improve

Nordea in the **New Phase**

Three key priorities to succeed and meet the financial targets

Optimise Operational Efficiency

Drive Income Growth Initiatives

Create Great Customer Experiences

All levers to be used to optimise operational efficiency

Leadership and accountability

Strong cost culture
rather than cost programmes

Costs

C/I ratio
50%

Simplified processes
and organisation

Fewer people

Drive income growth initiatives – time to take back lost ground

Leverage on business and sales momentum

Increase cross-selling by being proactive with customers

Income

C/I ratio
50%

Investing in our core segments

Readiness for tactical M&A bolt-ons

Long-term success by creating great customer experiences

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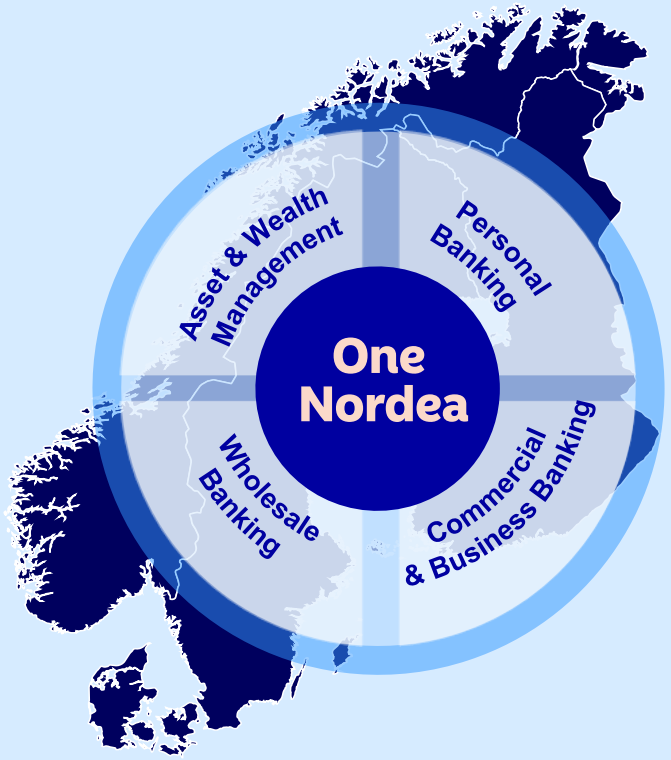
The New Phase is about execution



Clear targets and priorities

Full accountability to the business areas

Simplified governance structure

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Financial targets

Cost/income ratio in FY22

50%

Return on equity in FY22

>10%

Capital policy from 2020

150-200 bps management buffer

above the regulatory CET1 requirement

Dividend policy from 2020

60-70% pay-out of distributable profits to shareholders.[1]
Excess capital intended to be distributed to shareholders through buybacks

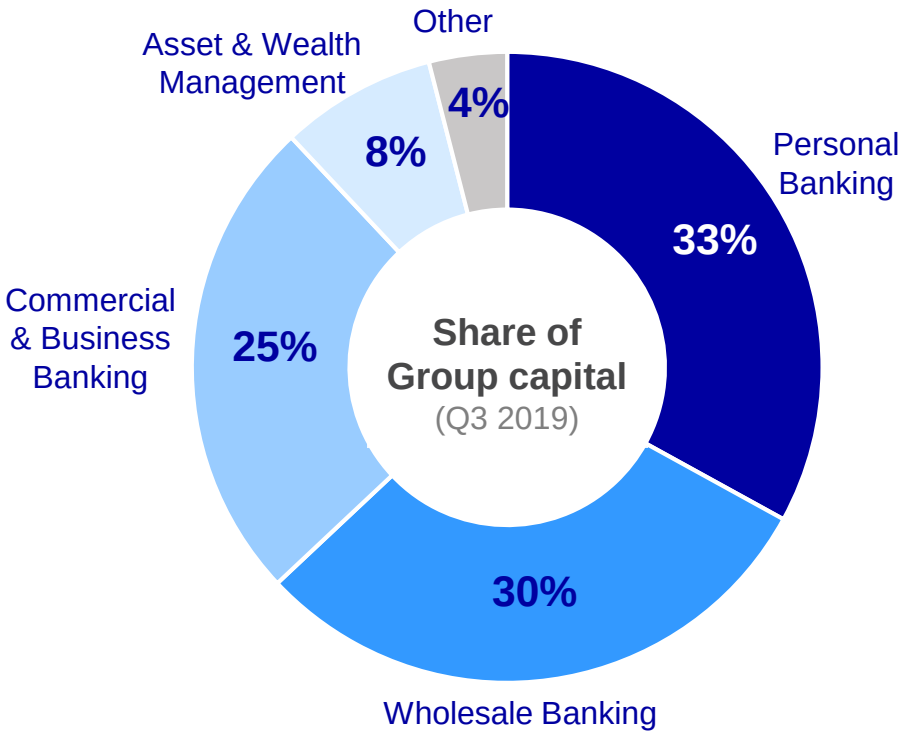
1. For 2019 Nordea targets a dividend of EUR 0.40 per share

A new business plan for improved performance

Wholesale Banking	New strategic direction with considerable capital and cost reductions	ROCAR[1]
Commercial & Business Banking	Improve customer experience, cost and capital efficiency in focus	C/I
Personal Banking	Improve customer experience and firm cost management	C/I
Asset & Wealth Management	Full focus on income growth with more scalable service distribution and lower cost to serve	Income growth

1. Return on Capital at Risk

Optimising capital allocation and investments to drive higher Group return by 2022



Capital allocation governed by ROCAR outlook and growth prospects

Business development and investments, including IT

M&A bolt-ons

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Nordea in the New Phase

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Financial plan and targets

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Christopher Rees, Group CFO

25 October 2019

We have a strong financial foundation to build on

Solid capital position
(CET1 Ratio 15.4% Q319 and RAC[1] ratio 11.6% Q219)

Solid credit quality

Proven capital generation capacity

AA rating
(AA- by all 3 rating agencies)

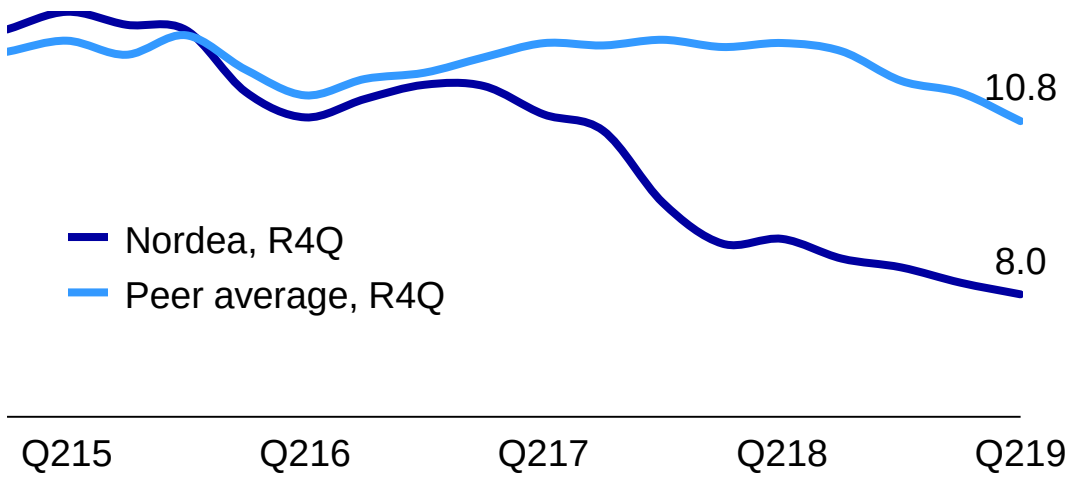
Strong liquidity position
(NSFR 110%[2] and LCR 188% Q319)

Diversified business and funding base

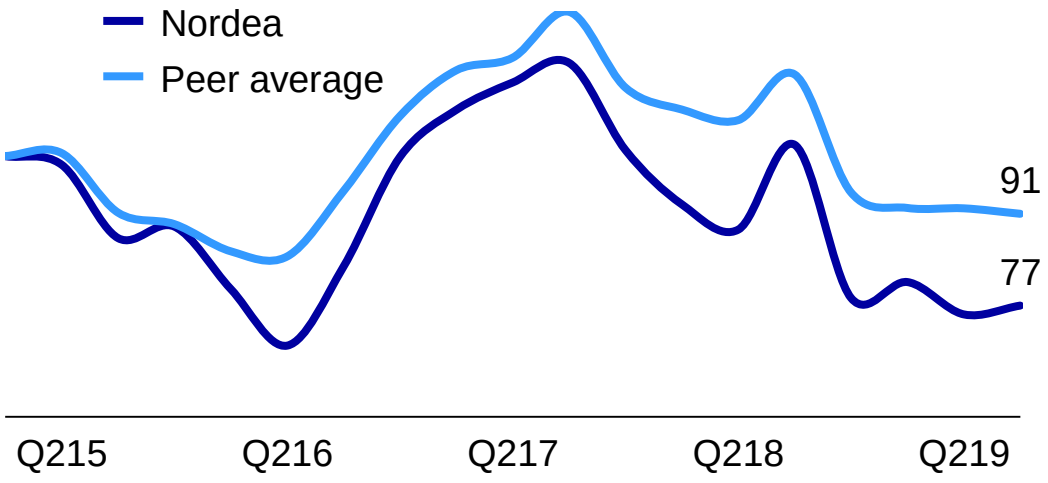
1. Standard & Poor's
2. Based on EU methodology

Weak financial performance in recent years calls for an accelerated financial plan

Return on equity vs peers



Indexed total shareholder return



Relative RoE Peers (weighting): DB (30%), DNB (20%), OP (10%), SEB (15%), SHB (15%), SWB (10%)

TSR Peers: Equal weighting DB, DNB, SEB, SHB, SWB, Total shareholder return in euros

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Financial targets

Cost/income ratio in FY22

50%

Return on equity in FY22

>10%

Capital policy from 2020

150-200 bps management buffer

above the regulatory CET1 requirement

Dividend policy from 2020

60-70% pay-out of distributable profits to shareholders.[1]
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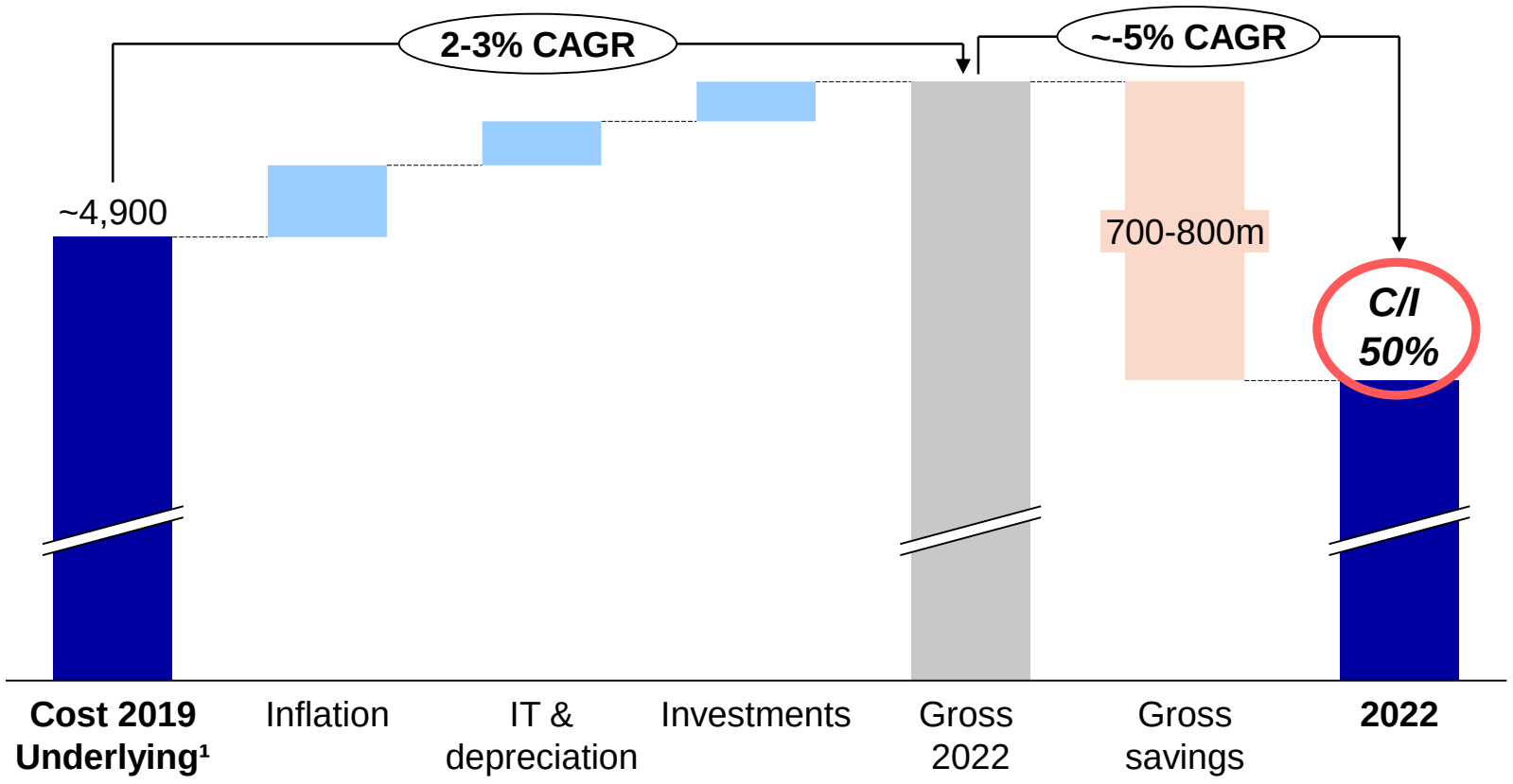
1. For 2019 Nordea targets a dividend of EUR 0.40 per share

Gross cost reductions exceed investments and inflation

Cost changes by end 2022



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

We plan to continue delivering annual net cost reductions beyond 2020

1. Adjusted for impact of structural transactions, AML provision, intangibles write-down and restructuring

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Delivery of 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)

Gross savings by 2022

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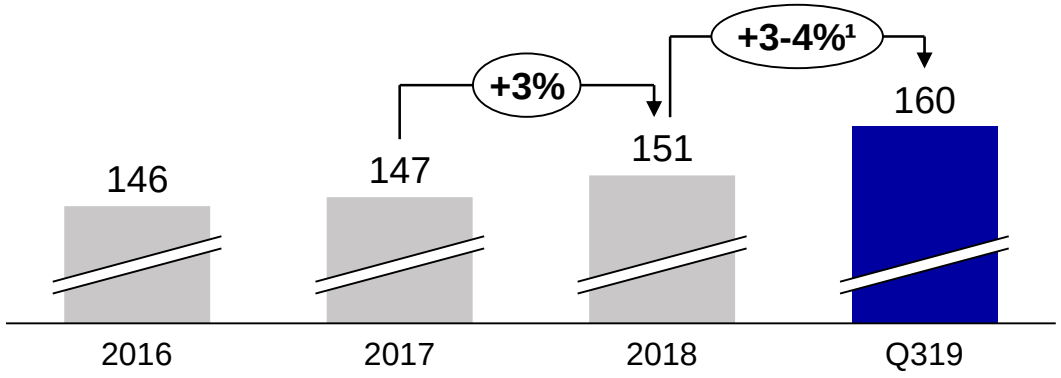
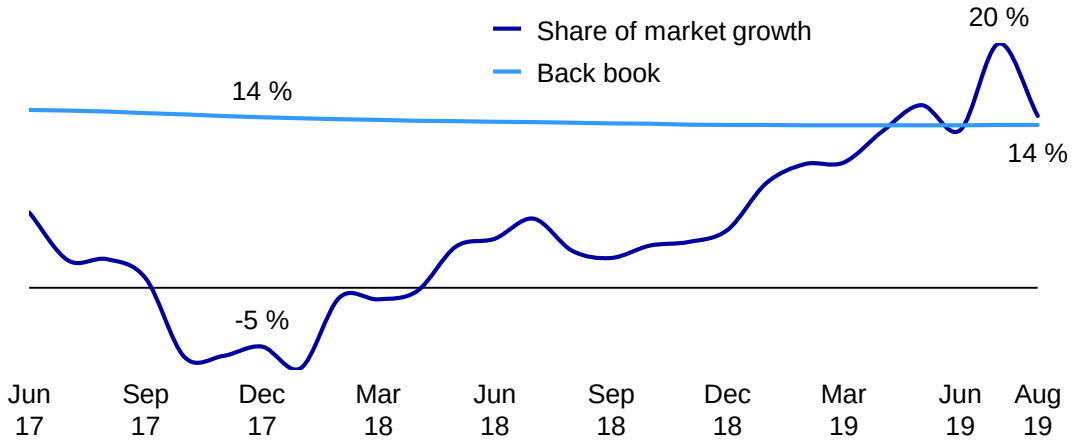
Intensified business activity and customer focus start to show results

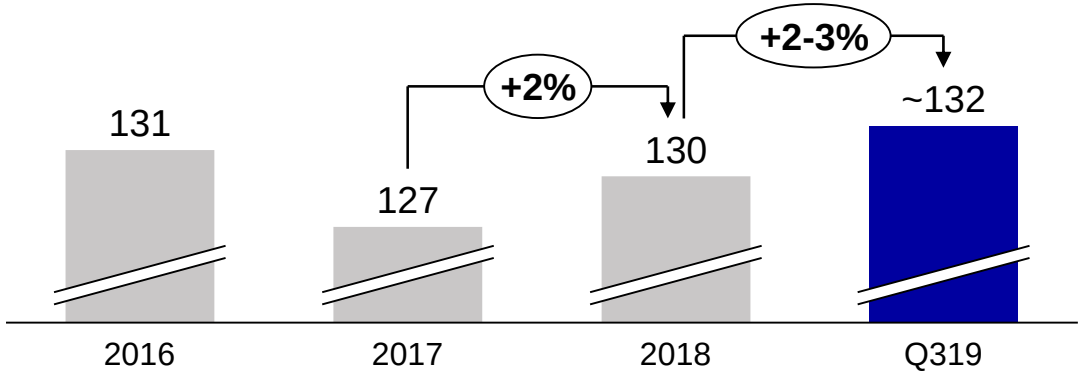
Household lending (EURbn)



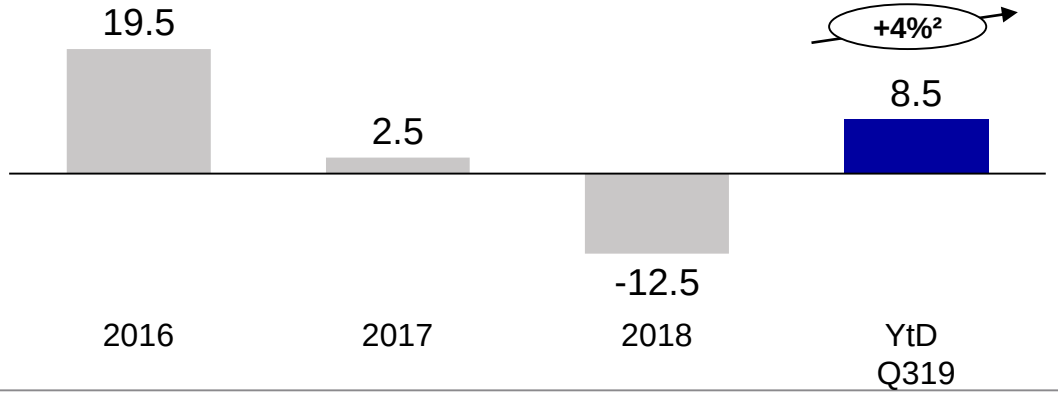
Market share Swedish mortgages



Corporate lending (EURbn)



AuM net flow (EURbn)



1. Growth excl Gjensidige Bank
2. Annualised net flow

Note: Historical periods adjusted for divestments and items affecting comparability

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Increased clarity under the SSM

October 2018:
Single Supervisory Mechanism (SSM) entry

- Stable foundation, predictability and level playing field

Today:
Further clarity attained

- Permission for continued use of internal models
- Comprehensive assessment
- Finnish systemic risk buffer and local countercyclical buffers

1 January 2020:
SREP[1] enters into force

1. Supervisory review and evaluation process

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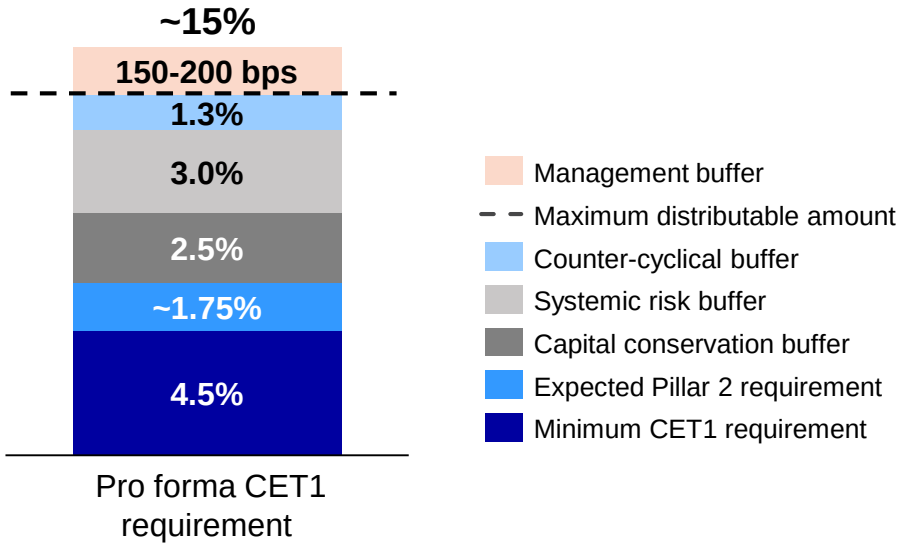
New capital policy and uses of capital

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

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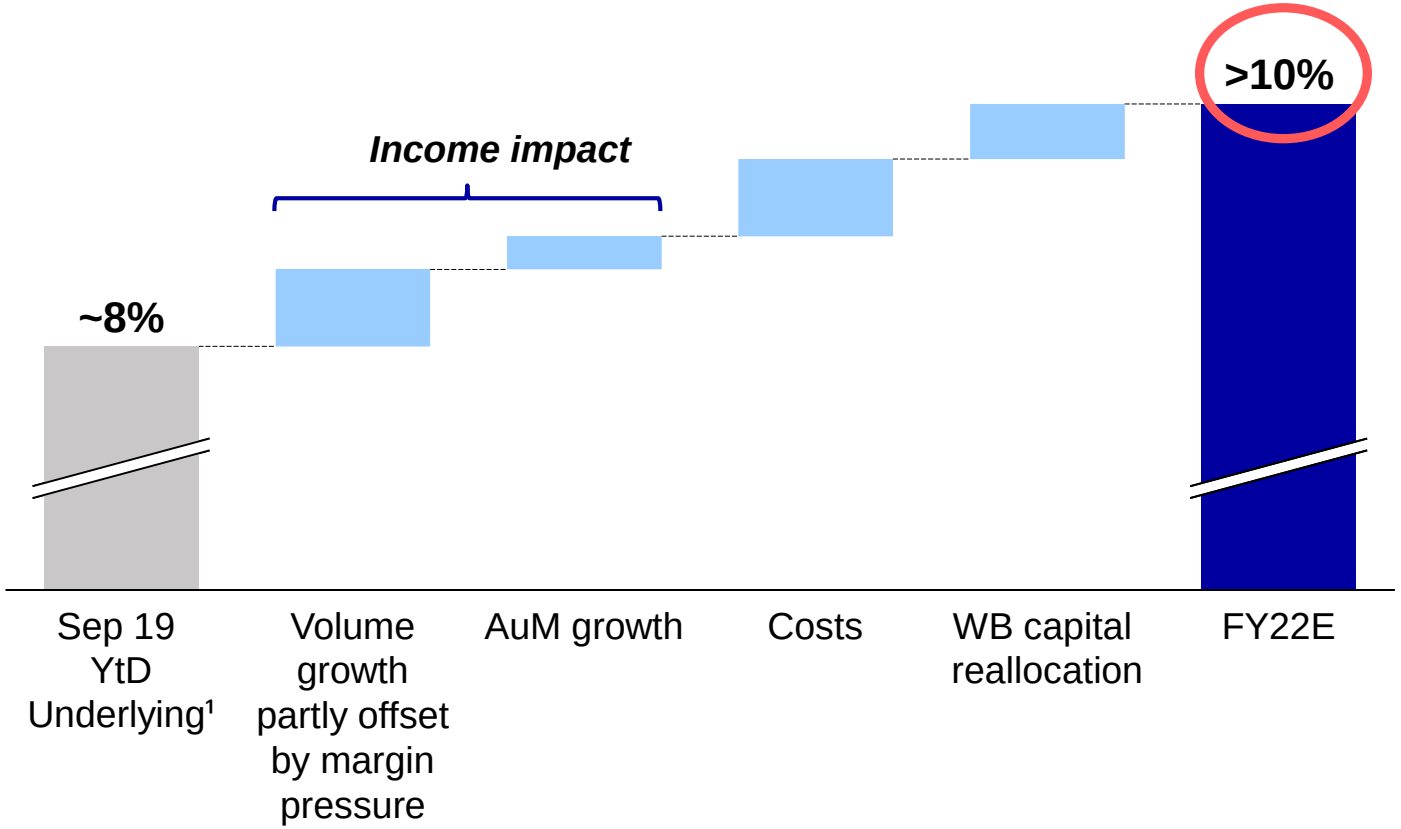
The path to exceed 10% return on equity in 2022

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

1. Adjusted for items affecting comparability

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Financial targets

Cost/income ratio in FY22

50%

Return on equity in FY22

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Break

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Wholesale Banking

Capital Markets Day

Martin A Persson, Head of Wholesale Banking

25 October 2019

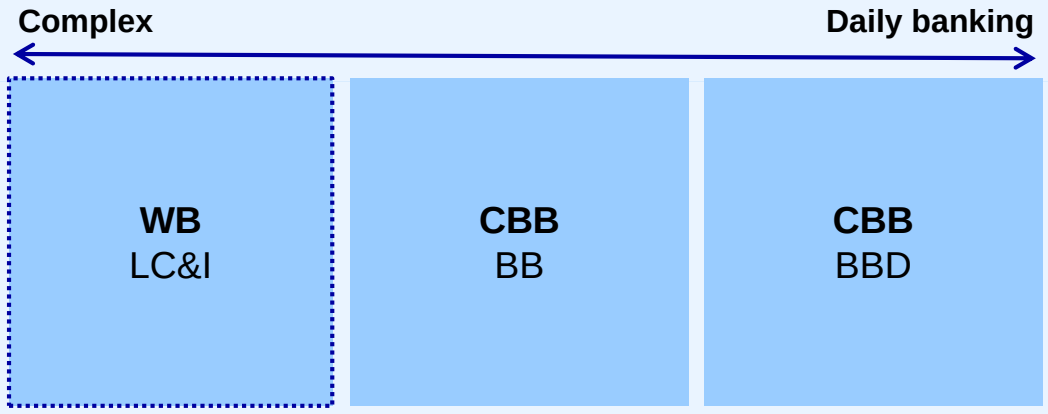
Wholesale Banking

KEY MESSAGES

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

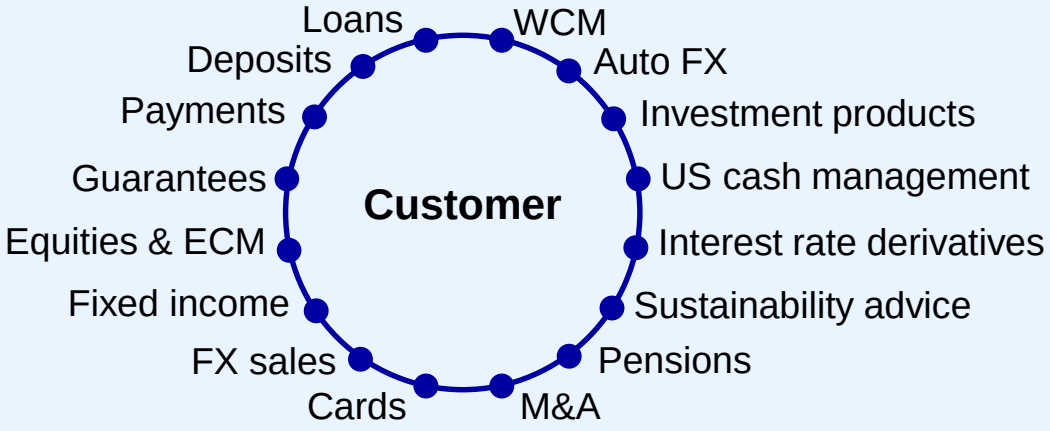
Wholesale Banking overview

Large corporate and institutional customer segments

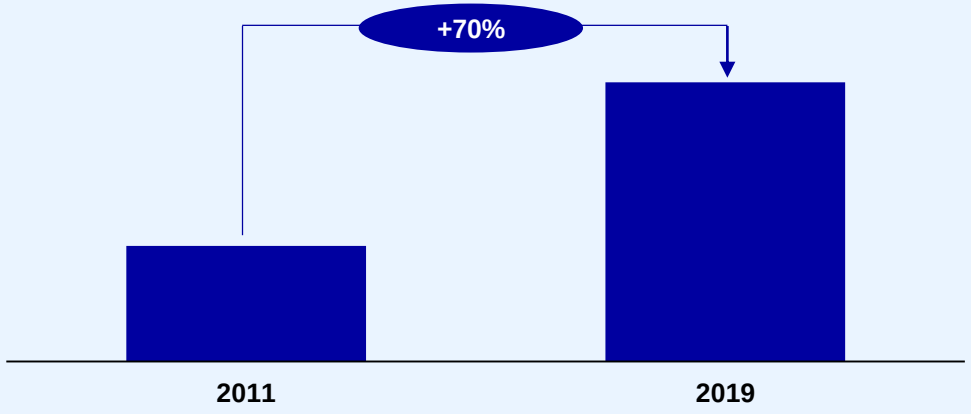


10Y EUR interest rate

Selected capabilities



Wholesale Banking capital requirement



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All-time-high customer satisfaction with leading advisory and product services

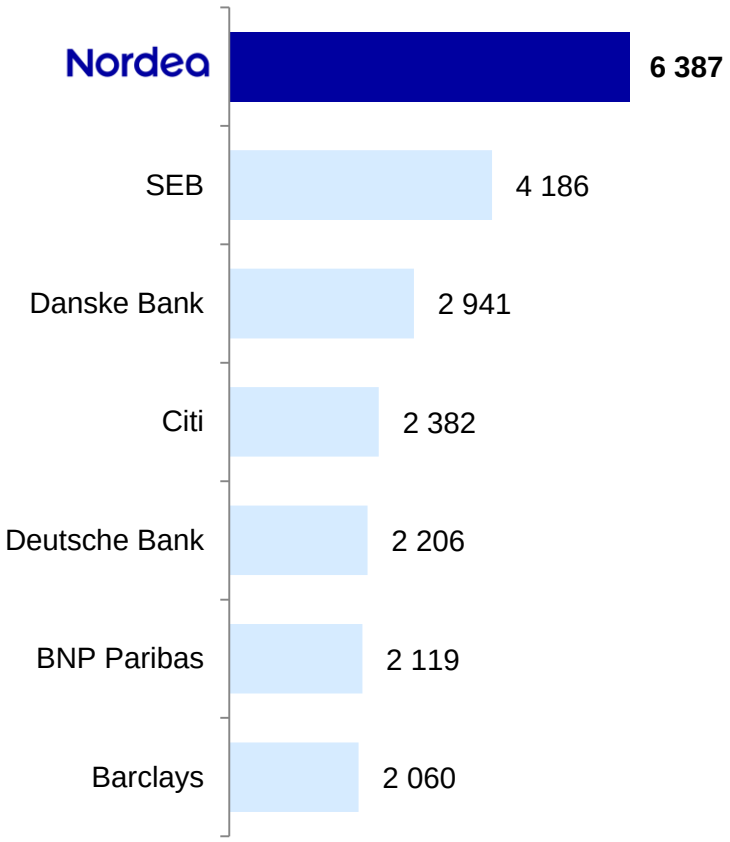
Prospera overall performance[1]

Rank 2018	Rank 2017	
1	**1**	**Nordea**
2	3	SEB
3	1	Danske Bank
4	4	DNB
4	5	Swedbank

Prospera overall penetration[1]

Rank 2018	Rank 2017	% 2018	
1	**1**	**86**	**Nordea**
2	2	67	Danske Bank
2	3	67	SEB
4	4	42	Handelsbanken
5	5	40	DNB

#1 Nordic DCM franchise



Source: Dealogic, Corporate bonds, 2019 YtD Q3 (EURm)

Award-winning Transaction Banking

Best Bank for Cash Management in the Nordics

Global Finance Awards

Best Trade Finance Bank in the Nordic Region

Global Trade Review

Best Transaction Bank in the Nordics

The Banker

Most Innovative use of Blockchain

we.trade

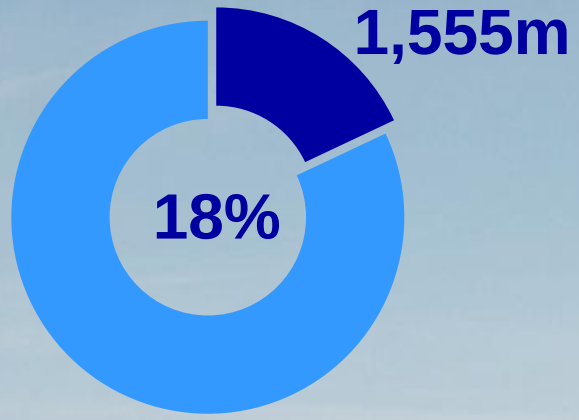
The Blocks

1. Source: Kantar Sifo, Prospera Corporate Banking 2018 Nordics

Wholesale Banking in the Nordea Group

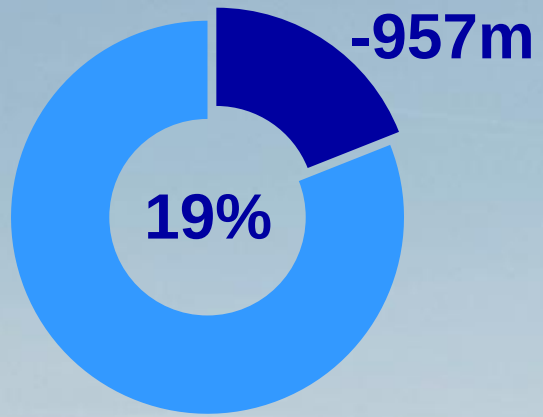
Return improvement needed

Income



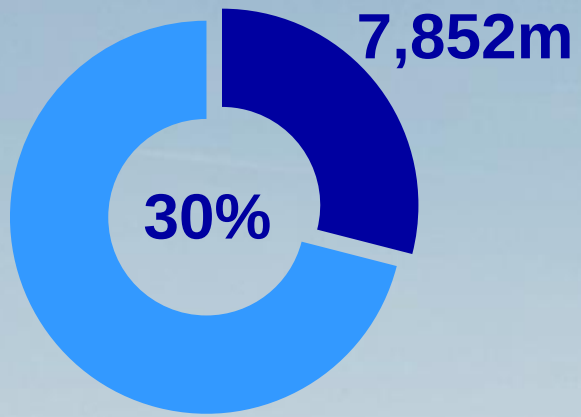
Share of Group income
(Last 12 months)

Cost



Share of Group cost
(Last 12 months)

Capital



Share of Group capital
(Q3 2019)

ROCAR
6%

Cost/income ratio
62%

Note: WB ROCAR excl items affecting comparability. C/I ratio and ROCAR on rolling 12 months basis

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New strategic direction for Wholesale Banking

- **Reduce low-return assets**
- **Streamline Markets business model**
- **Invest in ESG and WBx**
- **Optimise international footprint**

Capital optimisation
~1.5bn EC / ~8bn REA reduction

Complexity reduction
Total cost takeout of ~200m

ROCAR enhancement to
~10%

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

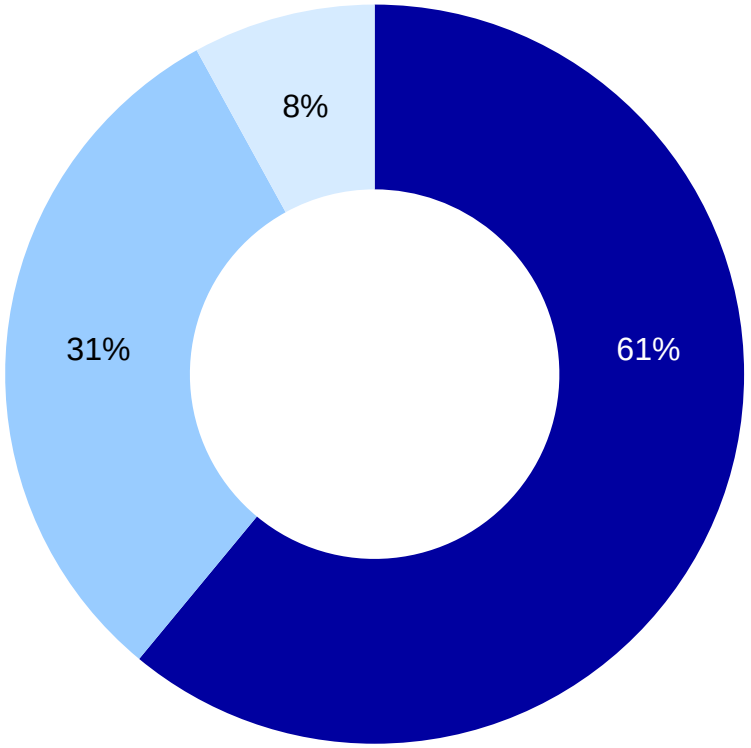
- ESG advisory-driven fee income
- Strengthen our leading position for ESG/sustainable financing
- WBx new unit leveraging data and digitalisation for growth

Optimise international footprint

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

Reality check

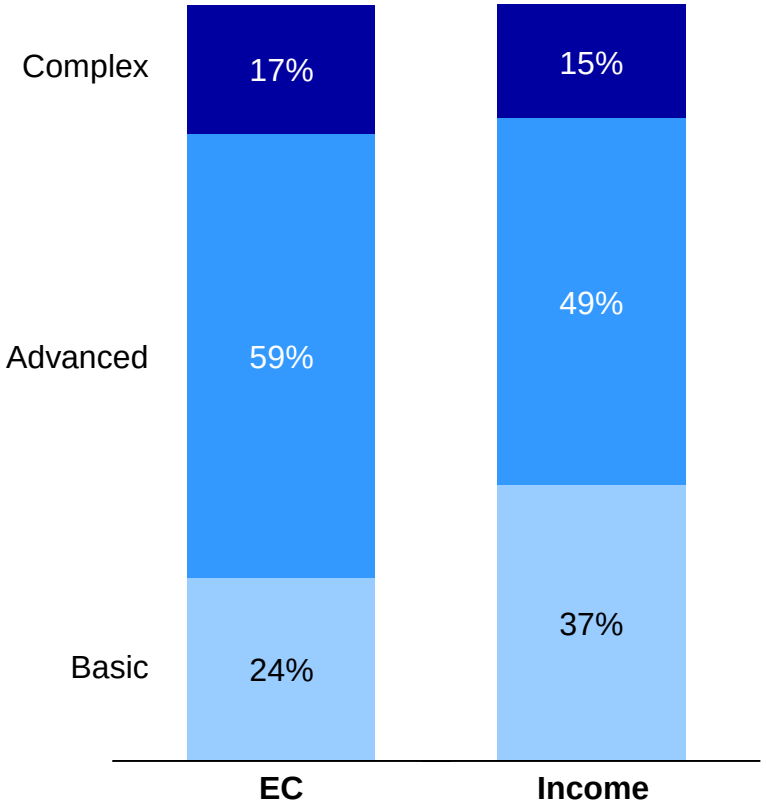
Corporate economic income



Customer turnover:

< 1 bnEUR **1-5 bnEUR** **> 5bn EUR**

Markets capital and income dynamics



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Wholesale Banking

TARGET 2022

ROCAR

~10%

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

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Commercial & Business Banking

Capital Markets Day

Erik Ekman, Head of Commercial & Business Banking

25 October 2019

Commercial & Business Banking

KEY MESSAGES

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

Stable business with well-diversified portfolio and further potential

Good franchise serving our ~550k corporate customers…

Complex
People-intense model
Digitally supported

Customer needs

Basic corporate needs
Digital scalable model complemented with people

BUSINESS BANKING[1]

People-intense being geographically close and/or via online

- NII: ~EUR 1,115m
- Lending volume: ~EUR 70bn
- Deposit volume: ~EUR 30bn

Nordic plus

Domestic plus

BUSINESS BANKING DIRECT[1]

Digital-intense complemented with people

- NII: ~EUR 215m
- Lending volume: ~EUR 12bn
- Deposit volume: ~EUR 11bn

Entrepreneur

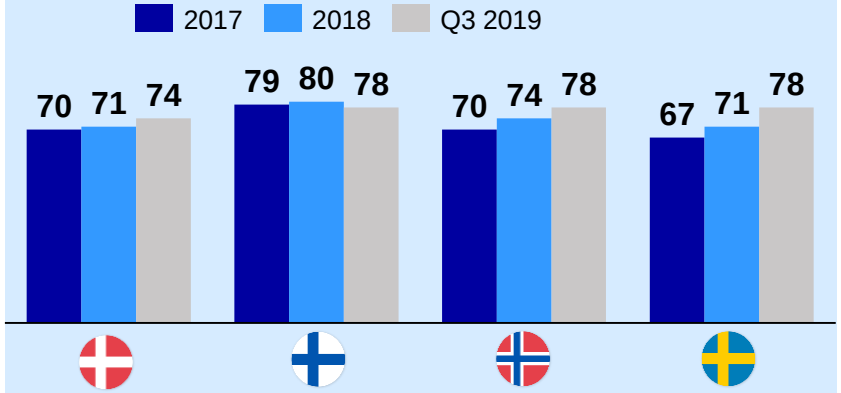
Online

…with potential for more

Market position[2]

#2	#1-2
#2	#2-3

Customer satisfaction[3]



1. NII is rolling 12 months, lending and deposit volumes are Q3 2019
2. Based on corporate lending and share of corporate customers
3. Customer Engagement Index (CEI) is for Business Banking

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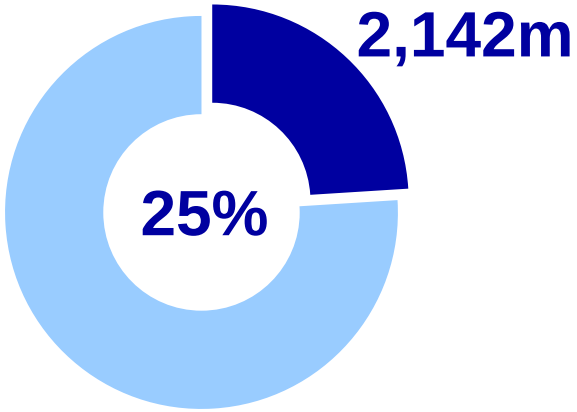
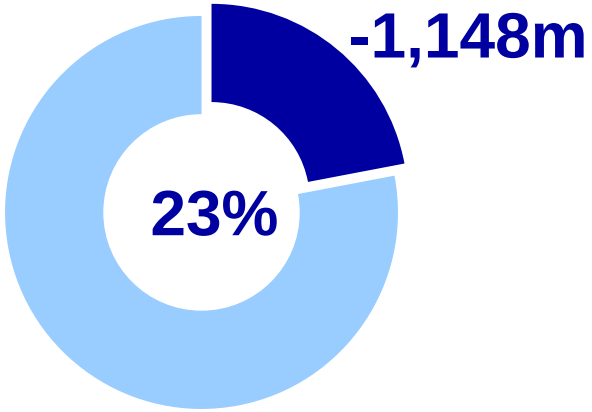
Our starting point

Income



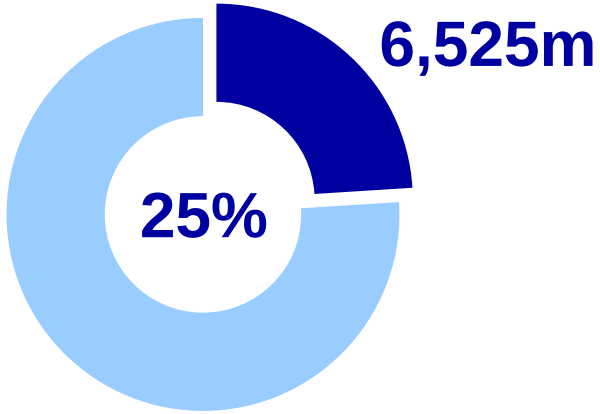
Share of Group income
(Last 12 months)

Cost



Share of Group cost
(Last 12 months)

Capital



Share of Group capital
(Q3 2019)

Income per FTE[1] increase 2016-2018	Cost/income ratio	ROCAR	Underlying ROCAR change 2016-2018
+20%	54%	10%	+0.5-1.0% per year

1. Income per FTE based on frontline FTEs
Note: All financial figures are excl. distribution agreement. C/I ratio and ROCAR on rolling 12 months basis

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Leverage our franchise to strengthen market position

BUSINESS BANKING

Protect and develop our business model for complex customer needs

BUSINESS BANKING DIRECT

Develop a digital scalable model for basic corporate needs

Continue to do **business selection, pricing, cross-selling** and **customer acquisitions**

Continue to leverage **specialists** across the bank

Increase use of **online video** meetings

Continue roll-out of **new digital** front-end for basic corporate needs

Improve customer experience

Increase ROCAR

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

Increase operational efficiency

Simplify and improve key processes

Simplifying instructions

Solve the **basics** with **scalable solutions**

Automation of credit processes with most effect on simple needs

KYC **Digitalisation** of KYC processes

Increase time with customers

Improve cost/income

Commercial & Business Banking

TARGET 2022

Cost/income ratio[1]

~45%

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

1. Excl distribution agreement

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Personal Banking

Capital Markets Day

Sara Mella, Acting Head of Personal Banking

25 October 2019

Personal Banking

KEY MESSAGES

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

Strong foundation, but need to improve customer satisfaction and profitability

Strong foundation…

- **~340 branches**
- **Contact centres** available 24/7
- **Mobile and netbank** platforms

Customer base

~ 9 million

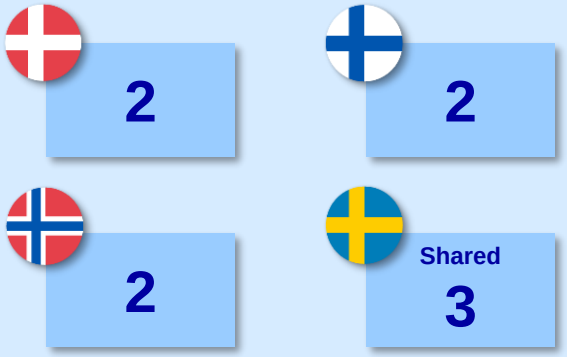
Omni-channel

Cross-sell culture

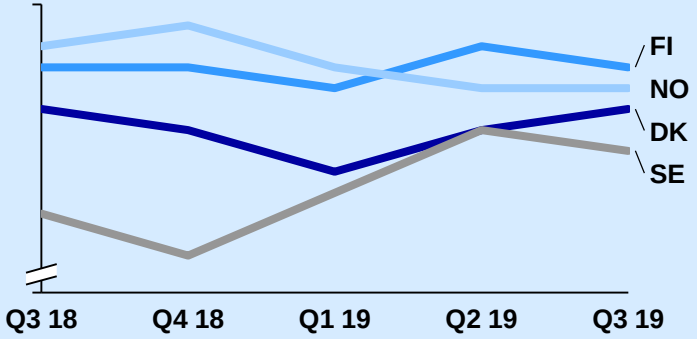
4.3 *Product categories per home customer*

…with potential for more…

Market position[1]



Customer satisfaction

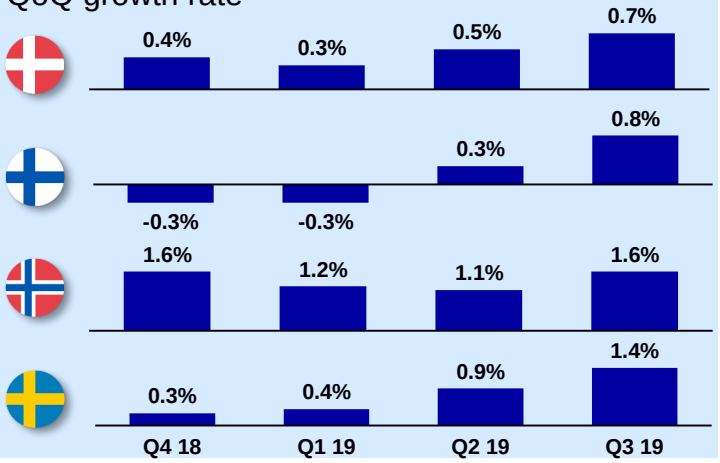


…showing good traction already

Organic growth in market share in Sweden

Growth in mortgage lending

QoQ growth rate[3]



1. Based on household lending market share. Source: DK: Annual reports 2018, FI: Finnish central bank statistics, NO: Annual reports 2018, SE: Statistics Sweden
2. Share of market growth
3. Norwegian numbers are excluding Gjensidige Bank

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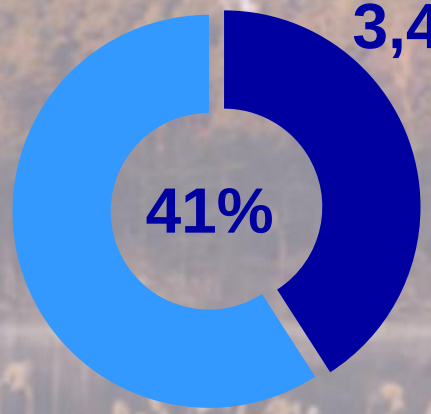
Focus to improve cost efficiency

Income



3,458m

28%

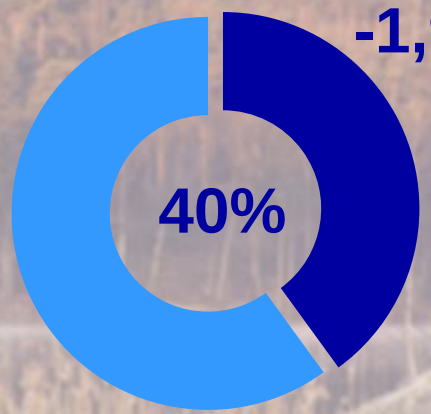
23%

17%

32%

Share of Group income
(Last 12 months)

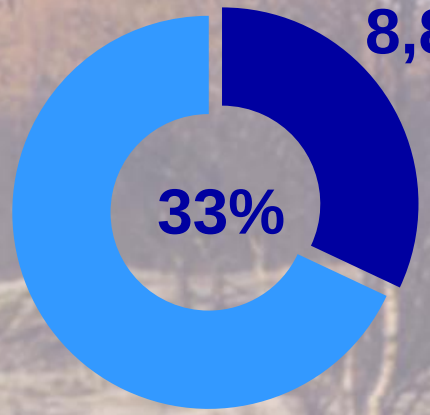
Cost



-1,976m

Share of Group cost
(Last 12 months)

Capital



8,831m

Share of Group capital
(Q3 2019)

ROCAR
12%

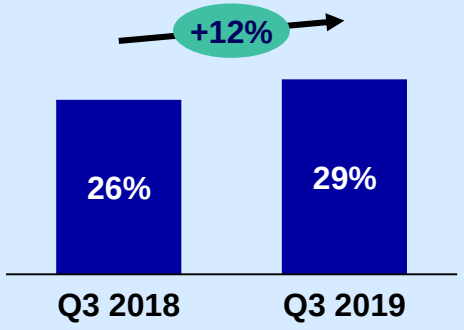
Cost/income ratio
57%

Note: All financial figures are excl. distribution agreement. C/I ratio and ROCAR on rolling 12 months basis

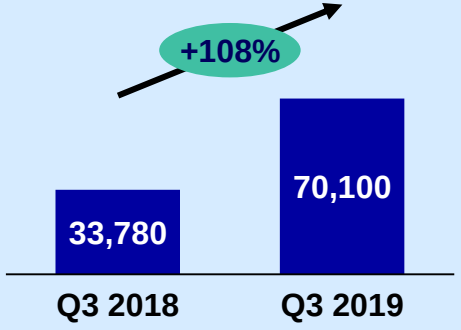
Highly appreciated mobile bank being rolled out – increased sales and service in focus

Increase in digital usage

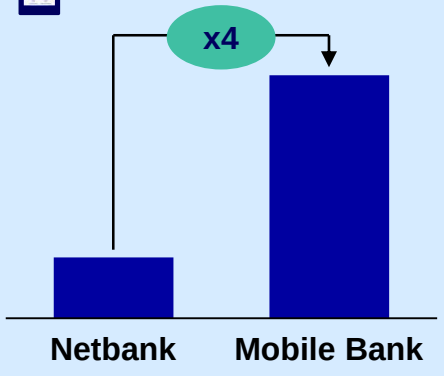
Share of online meetings



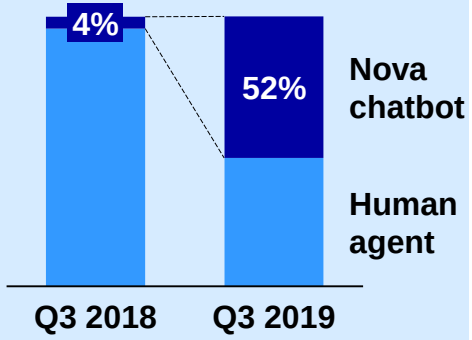
Digital savings advisory sessions



Log-ins per user



Nova chatbot[1]



Great customer experiences

High ratings in App stores for new mobile bank[2]

iOS

Finland	
Nordea Mobile	4.4
OP Mobile	3.2
Danske Bank	1.9

Sweden	
Nordea Mobile	4.7
SEB Bank	3.8
Handelsbanken	3.6
Swedbank	2.6

Android

Finland	
Nordea Mobile	4.4
OP Mobile	3.6
Danske Bank	2.1

Sweden	
Nordea Mobile	4.4
SEB Bank	4.1
Handelsbanken	3.9
Swedbank	3.5

Enablers are in place – benefits of scale will follow

- Approaching **1,000,000,000 mobile bank touchpoints**/year
- **Digital customers** are more **satisfied** and **profitable**
- **Fast roll-out cycle** through a **common Nordic back-end**

1. Number of chats in Sweden and Finland
2. Rating values are application lifetime average ratings taken from Apple App Store for iOS and Google Play Store for Android applications (3 October 2019)

Leveraging our relationship business model to achieve profitable growth

Deliver great customer experience for key life events

Highly competent advice – in person and digital

Easy and convenient access to lending

Relationship business model driving **cross-selling, great customer satisfaction** and high **cost efficiency**

Nordea

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

Home	▪ **Digital mortgage application process** and mobile **self-service** ▪ Strong **local presence** combined with high nationwide **availability**	**Maintain strong business momentum**
Savings	▪ High **proactivity towards our Premium customers** ▪ **Turn non-savers into savers** with our digital adviser	**Improved net inflow**
Consumer finance	▪ Profitable growth with **low- to medium-risk customers** ▪ **Leverage Gjensidige Bank's capabilities and solutions**	**Grow volumes with existing customers**
Daily banking	▪ Turn customer touchpoints into **care and sales opportunities** ▪ **Automated proactivity** with data analytics	**Higher customer engagement and cross-selling**

Key drivers to improve cost efficiency, while protecting business momentum

Increase service model efficiency	Leverage common digital platforms
	Redesigning the branch network
	Automating and simplifying processes
Optimise the machinery	Increase efficiency in IT
	Optimisation of support functions
Drive leadership behaviour	Cost focus integrated in everyday business

Operational efficiency as a discipline

Strong customer focus

Personal Banking

TARGET 2022

Cost/income ratio[1]

~50%

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

1. Excl distribution agreement

Nordea

Asset & Wealth Management

Capital Markets Day

Snorre Storset, Head of Asset & Wealth Management

25 October 2019

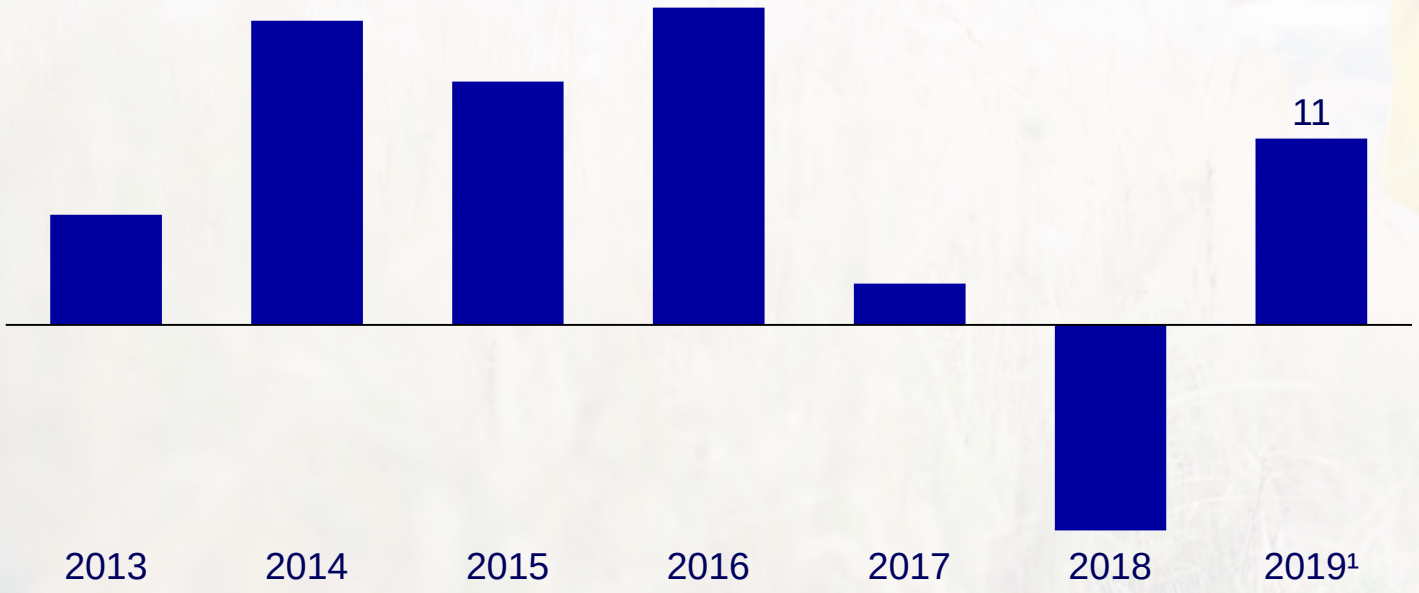
Asset & Wealth Management

KEY MESSAGES

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

Net flow turnaround in 2019 driven by growth in international Asset Management and Private Banking…

Net flow
EURbn, 2013-2019[1]



Key drivers

- Blockbuster products in institutional and wholesale distribution
- New markets – Americas
- Deeper relationships with existing third-party distributors
- Strong Private Banking flows
- Corporate growth in Life & Pensions Sweden and Norway
- Increased digital distribution towards households

1. 2019 Q3 annualised

…where we serve customers through own distribution and Group channels

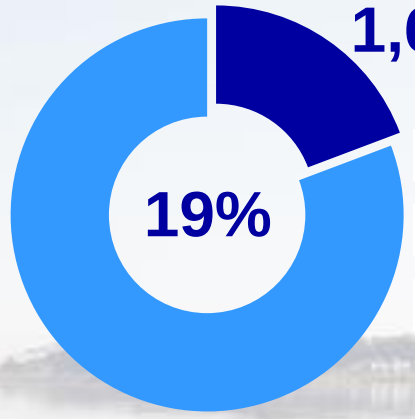
	External distribution		Internal distribution	
	Asset Management		Wealth Management	Rest of Group[1]
AuM Q3 2019, EURbn	**Institutional distribution**	**Wholesale distribution**	**Private Banking**	**Life & Pensions and retail funds**
Denmark	32		28	22
Finland	5		30	27
Norway	5		7	17
Sweden	7		22	47
International	23	42		
AuM growth 2016/2019	**44%**	**65%**	**9%**	**16%**
Net flow / AuM (annualised)	**5%**	**12%**	**4%**	**1%**

1. Asset Management and Life & Pension products distributed through Personal Banking, Commercial and Business Banking and Wholesale Banking

Asset & Wealth Management in the Nordea Group

Strong performance with potential to improve further

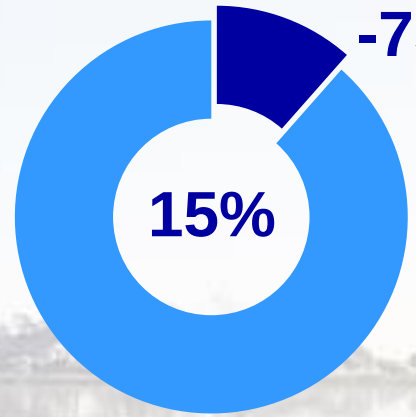
Income



Asset Management	**55%**
Life & Pensions	**26%**
Private Banking	**18%**

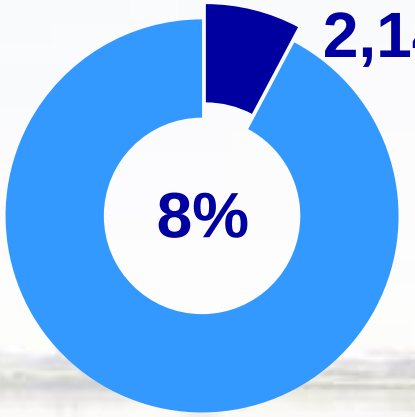
Share of Group income
(Last 12 months)

Cost



Share of Group cost
(Last 12 months)

Capital



Share of Group capital
(Q3 2019)

ROCAR
29%

Cost/income ratio
47%

Note: Definition in line with quarterly interim reports, i.e. including distribution agreement. C/I ratio and ROCAR on rolling 12 months basis

Nordea

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

Asset & Wealth Management

TARGET 2022

Cost/income ratio[1]

<40%

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

1. Incl distribution agreement

Three key priorities to succeed and meet the financial targets

Optimise Operational Efficiency

Drive Income Growth Initiatives

Create Great Customer Experiences