



# 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

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



# Nordea



## **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

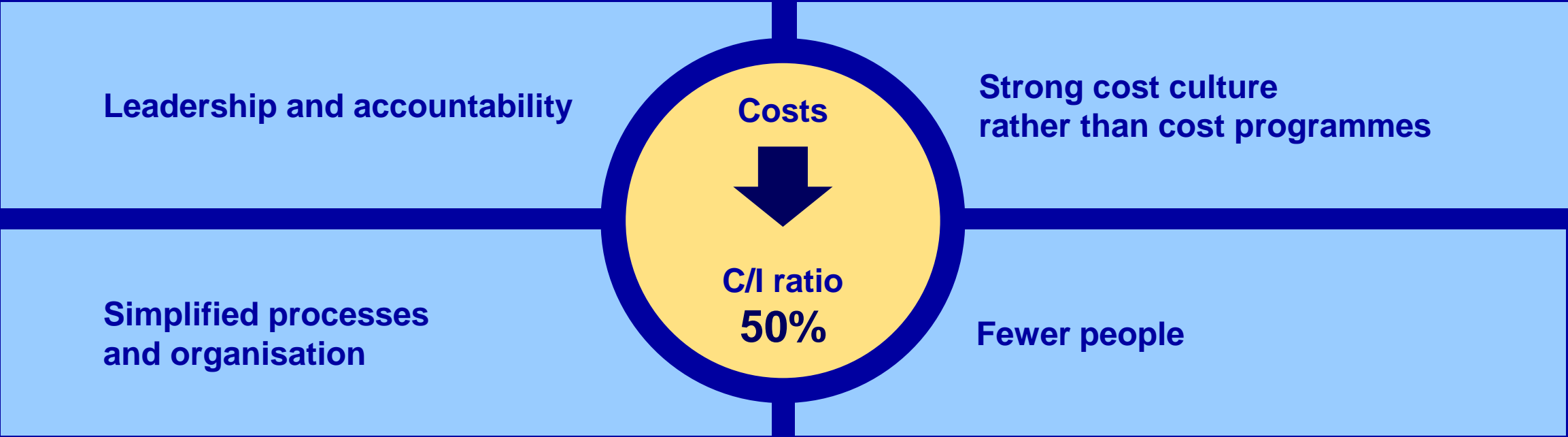
**Optimise  
Operational  
Efficiency**

**Drive  
Income Growth  
Initiatives**

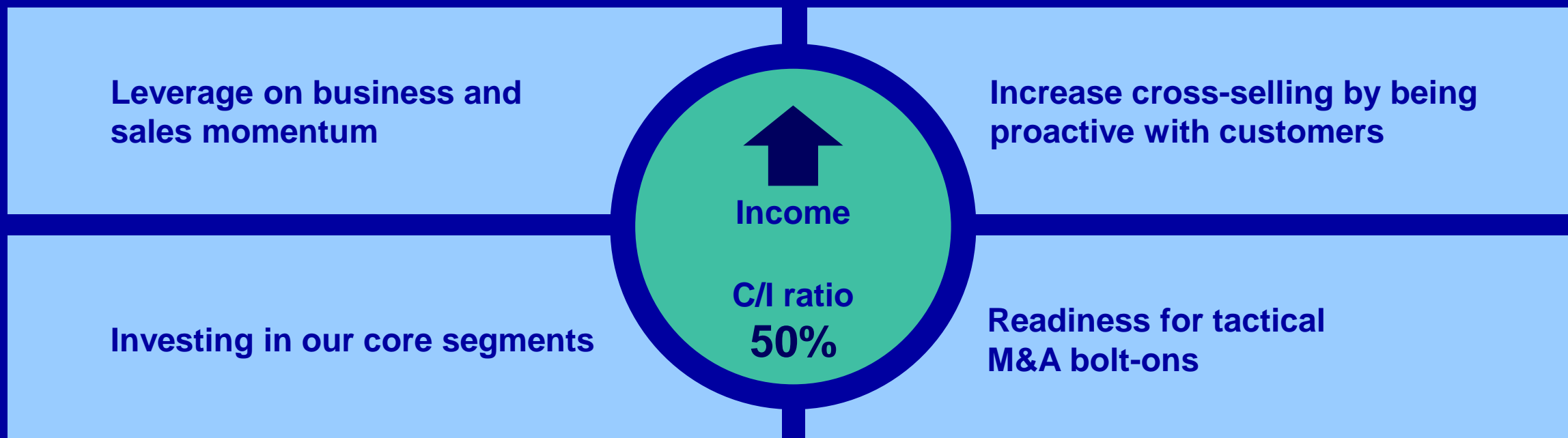
**Create Great  
Customer  
Experiences**



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



## 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**

## 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**

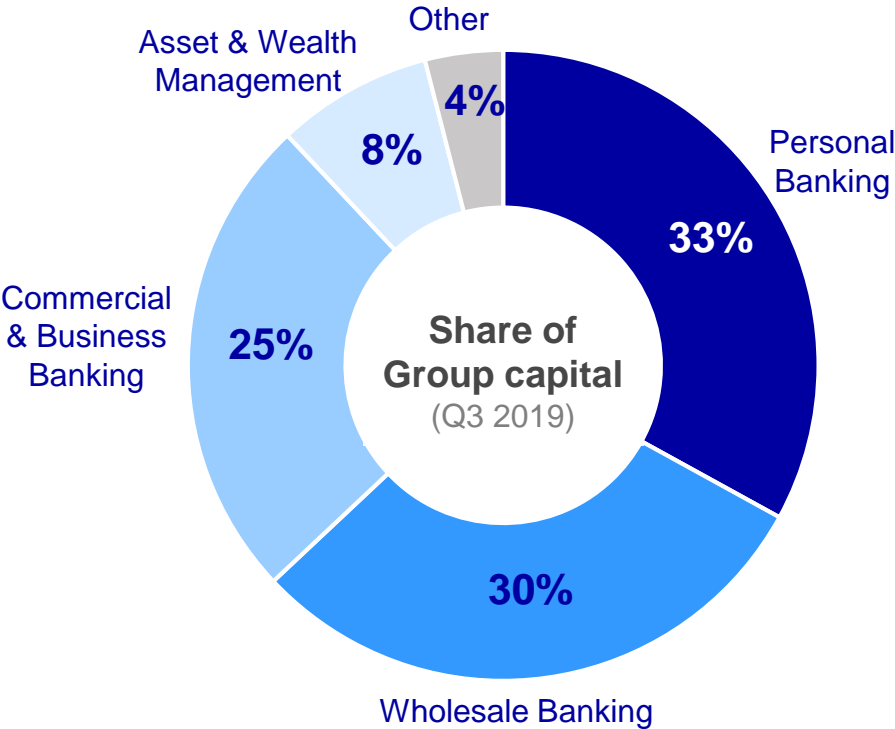
**60-70% pay-out of distributable  
profits to shareholders.<sup>1</sup>**  
Excess capital intended to be distributed  
to shareholders through buybacks



# A new business plan for improved performance

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

# 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

# Nordea in the New Phase





## Financial plan and targets

### Capital Markets Day

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<sup>1</sup> ratio 11.6% Q219)



**Solid credit quality**



**Proven capital  
generation capacity**

**AA**

**AA rating**  
(AA- by all 3 rating agencies)



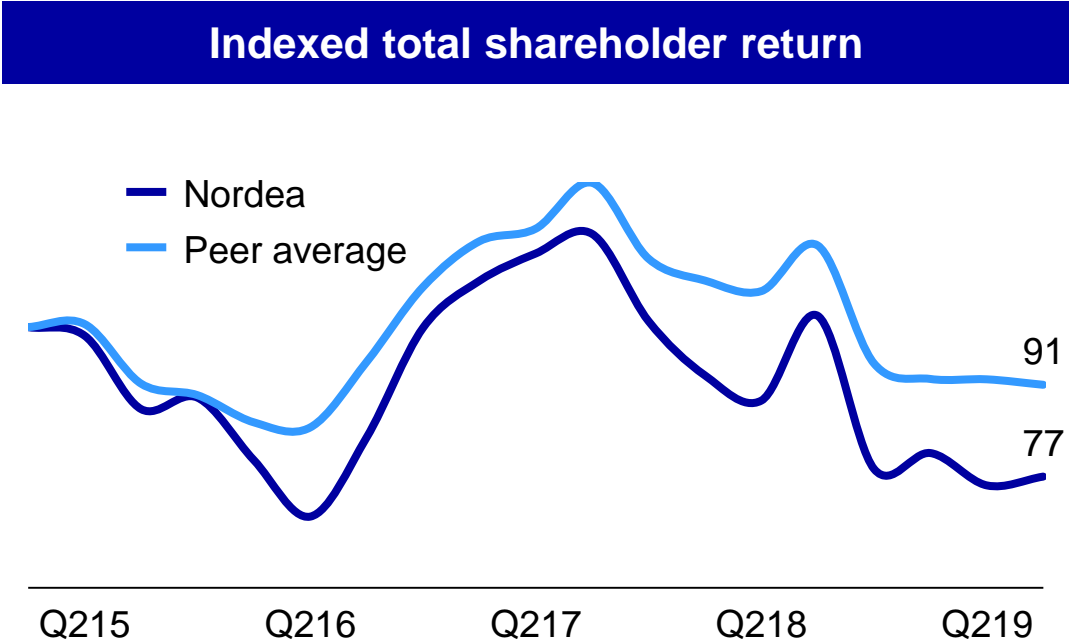
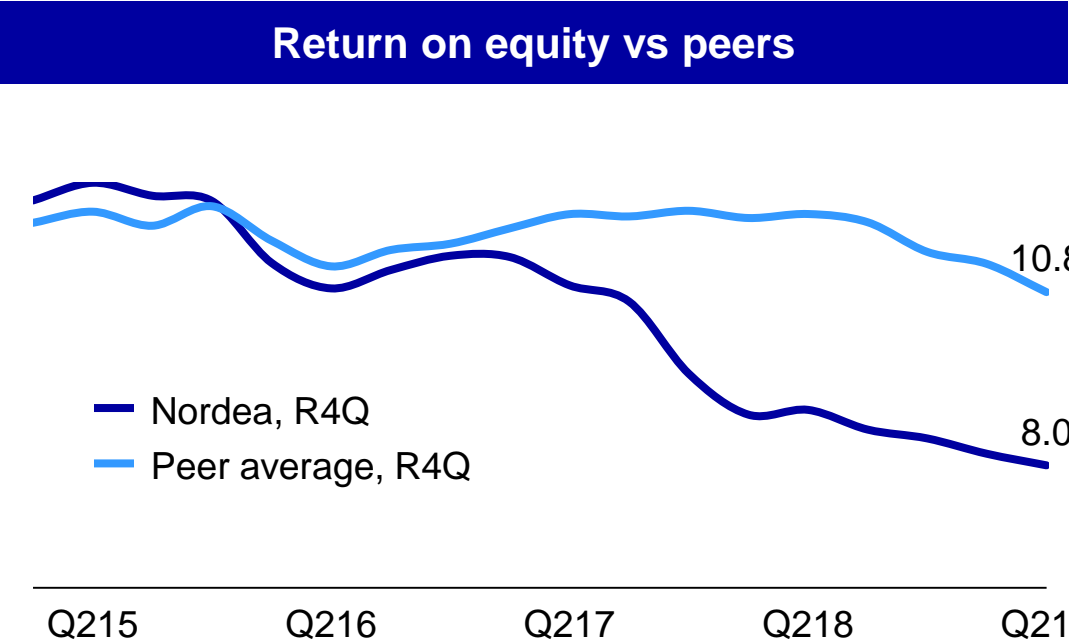
**Strong liquidity position**  
(NSFR 110%<sup>2</sup> and LCR 188% Q319)



**Diversified business and  
funding base**



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



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

## Financial targets

**Cost/income ratio in FY22**

**50%**

**Return on equity in FY22**

**>10%**

**Capital policy from 2020**

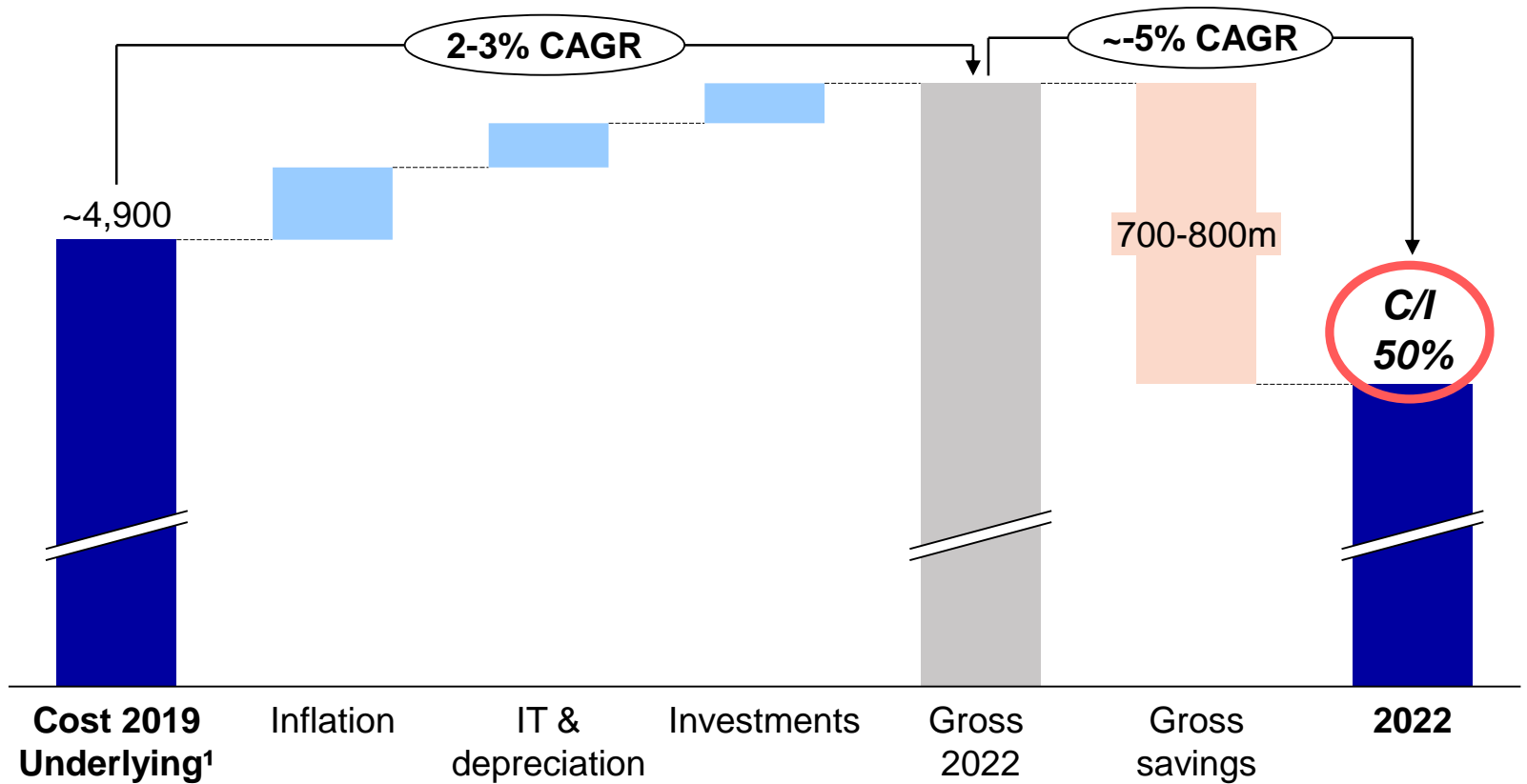
**150-200 bps  
management buffer**  
above the regulatory CET1 requirement

**Dividend policy from 2020**

**60-70% pay-out of distributable  
profits to shareholders.<sup>1</sup>**  
Excess capital intended to be distributed  
to shareholders through buybacks

# 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

## 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)

700-800m

Staff

IT

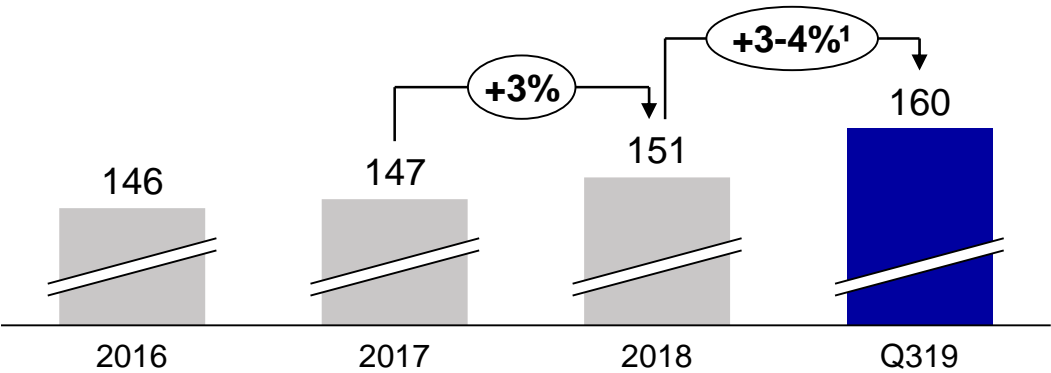
Consulting

Nearshoring

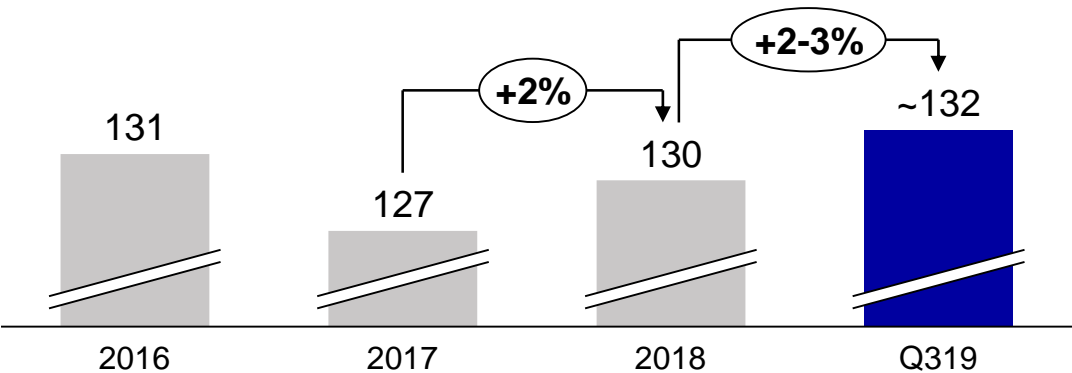
Gross savings by 2022

# Intensified business activity and customer focus start to show results

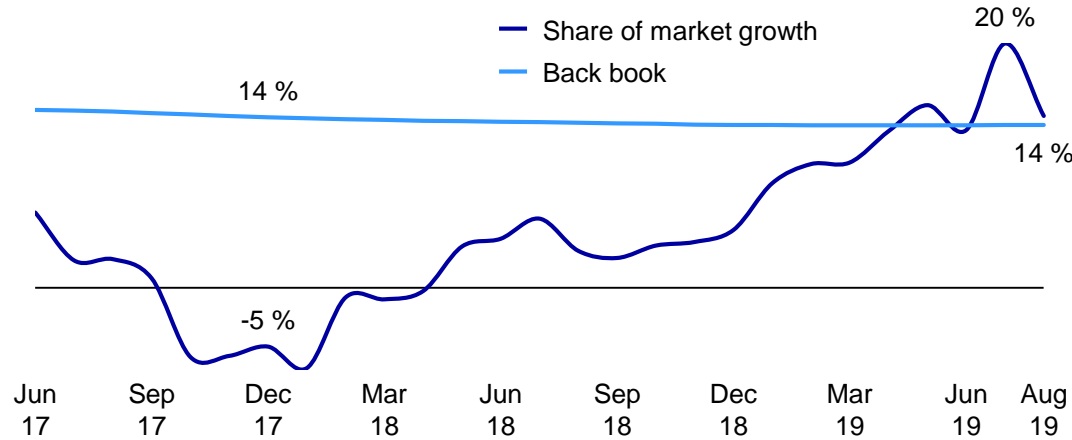
Household lending (EURbn)



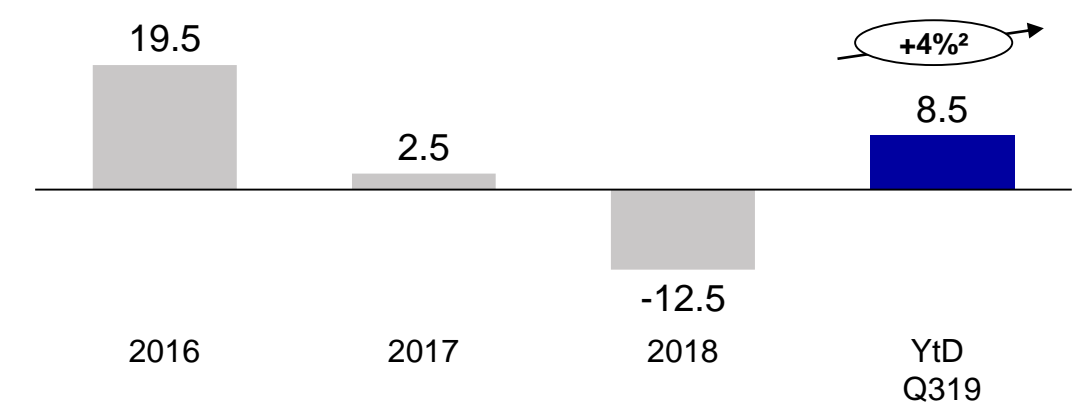
Corporate lending (EURbn)



Market share Swedish mortgages



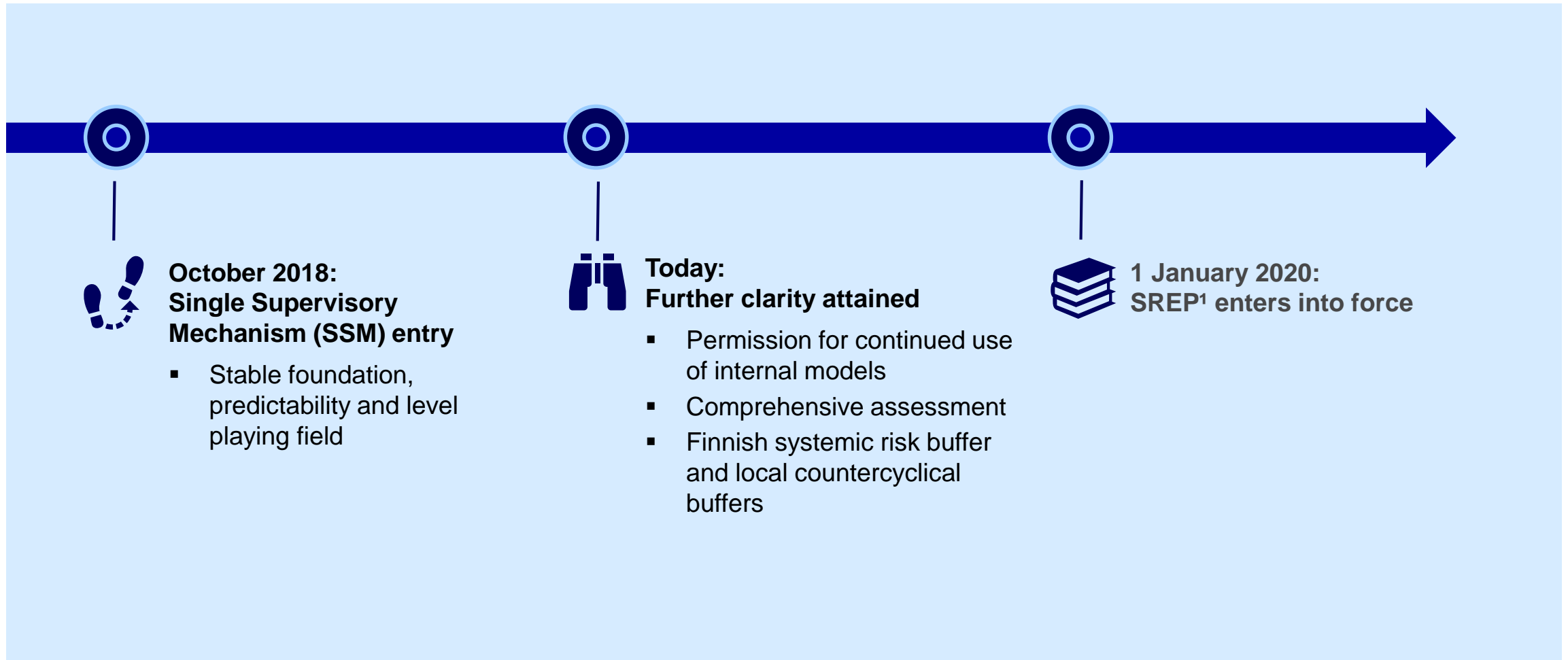
AuM net flow (EURbn)



23 1. Growth excl Gjensidige Bank  
2. Annualised net flow  
Note: Historical periods adjusted for divestments and items affecting comparability

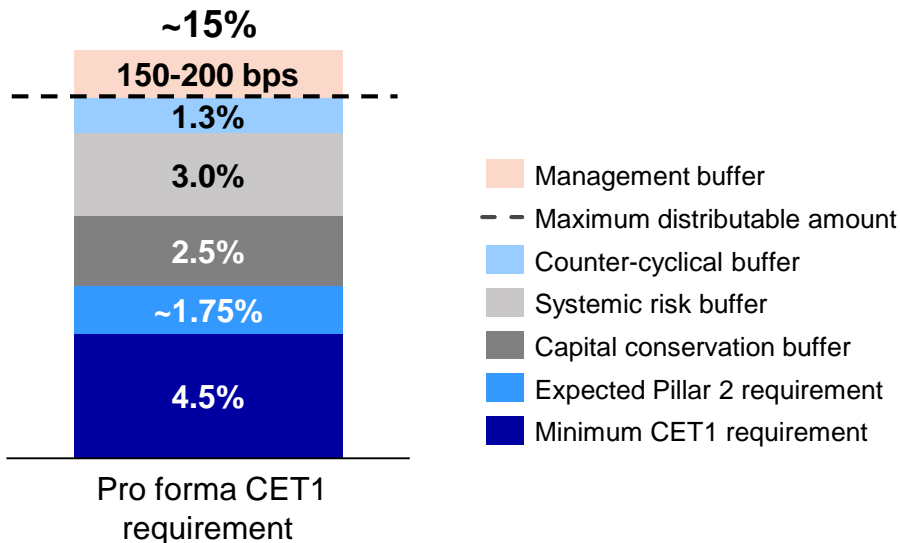


## Increased clarity under the SSM



# 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**

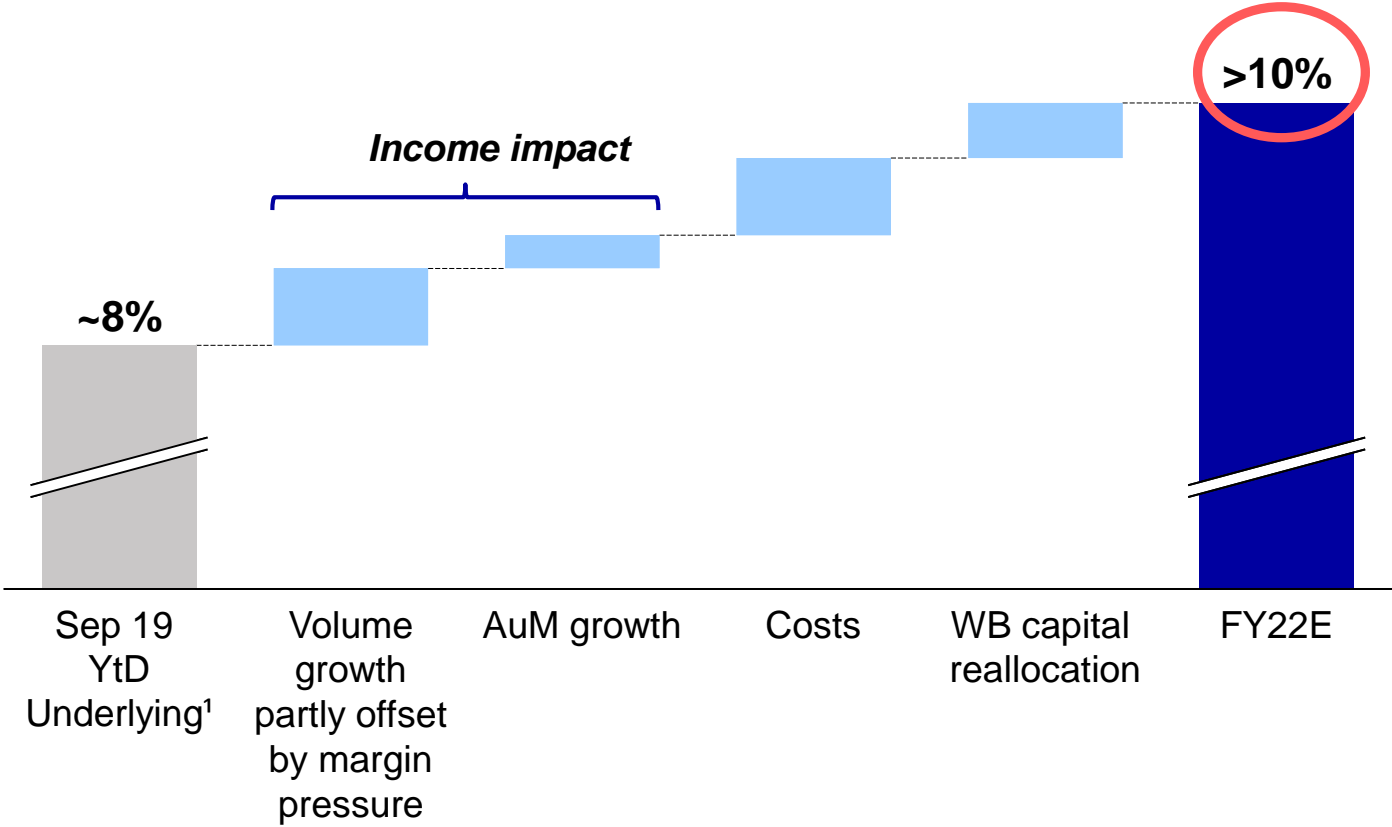
For 2019 Nordea targets a dividend of EUR 0.40 per share

**M&A bolt-ons**

**Share buybacks**

# 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

## Financial targets

**Cost/income ratio in FY22**

**50%**

**Return on equity in FY22**

**>10%**

**Capital policy from 2020**

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management buffer**  
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**Dividend policy from 2020**

**60-70% pay-out of distributable  
profits to shareholders.<sup>1</sup>**  
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Nordea

Break





# Nordea



## **Wholesale Banking**

### **Capital Markets Day**

Martin A Persson, Head of Wholesale Banking  
25 October 2019

# Wholesale Banking

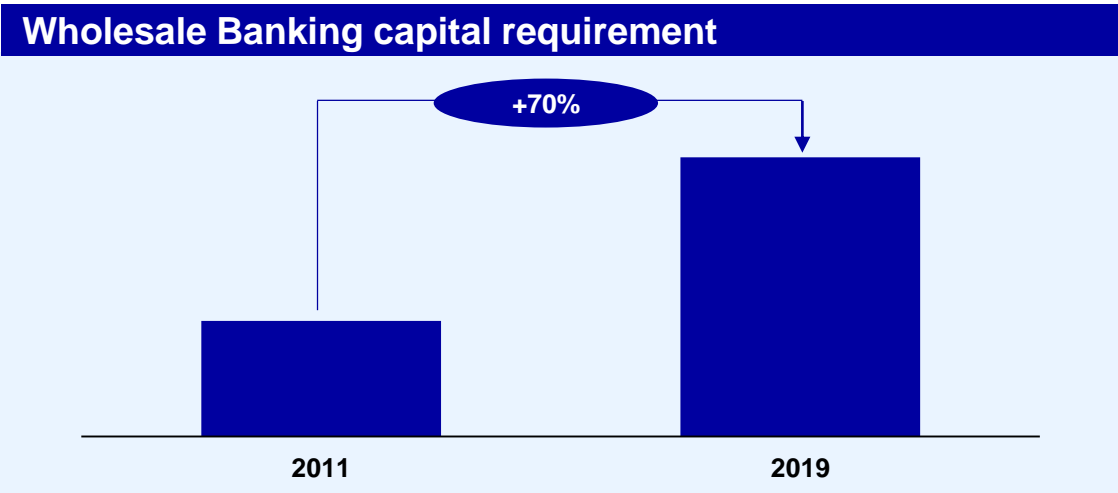
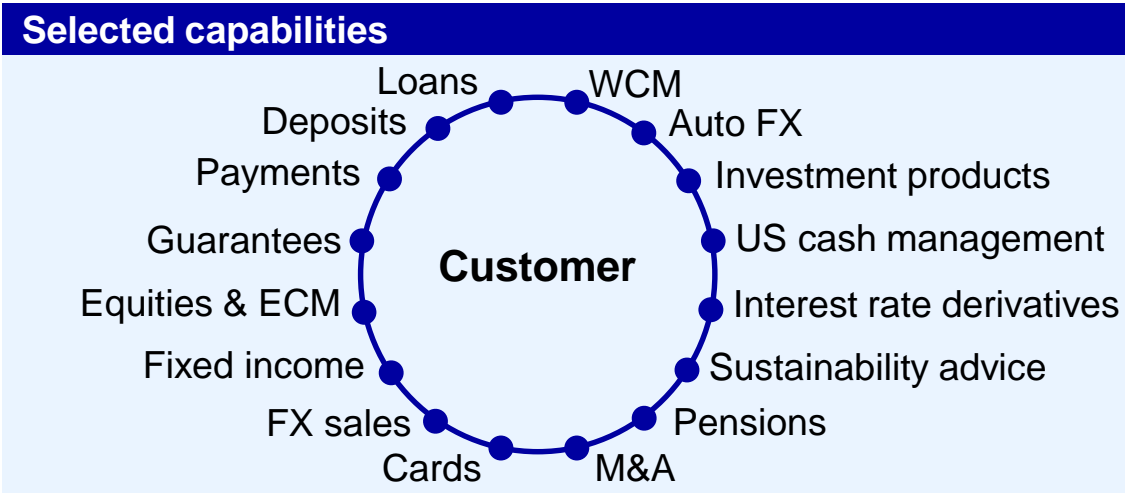
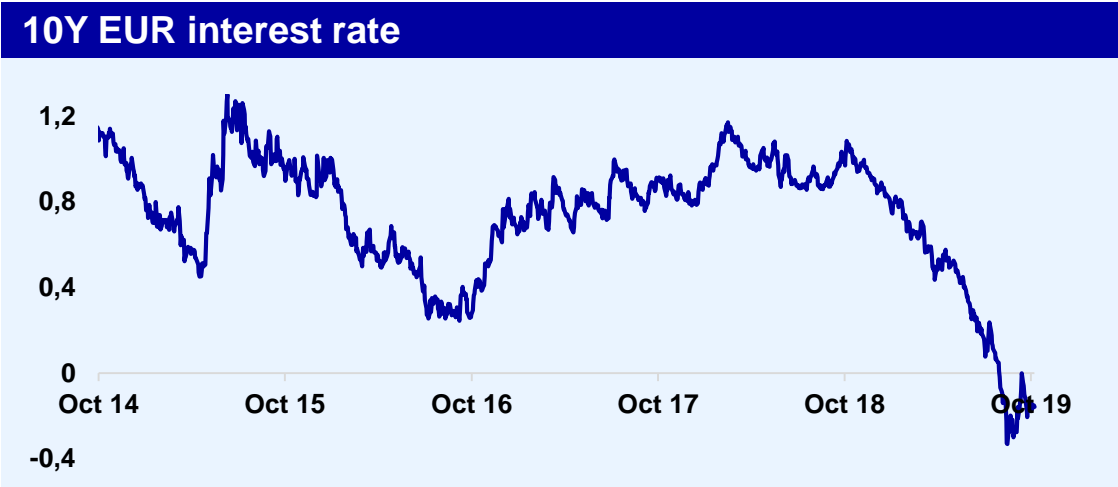
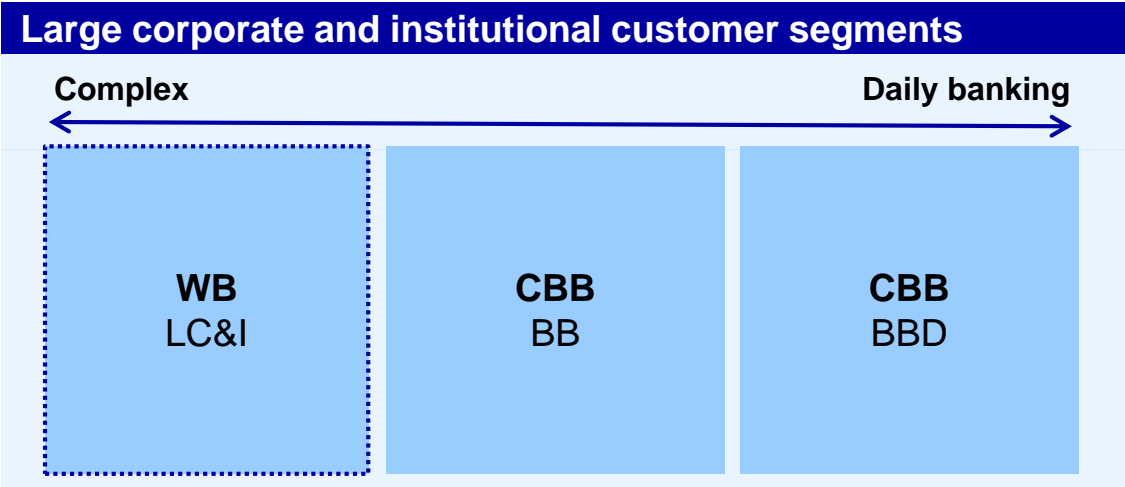
## KEY MESSAGES

- All-time-high customer satisfaction


- Reduce capital consumption


- New strategic direction

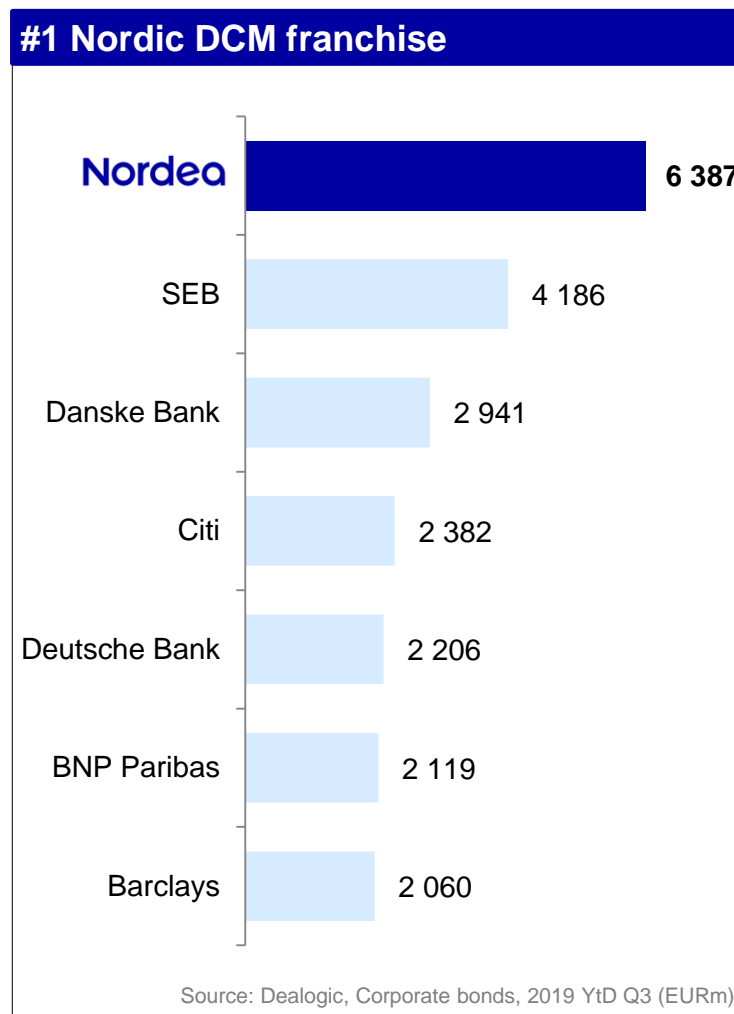
# Wholesale Banking overview



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


Prospera overall performance <sup>1</sup>		
Rank		
2018	2017	
		
1	1	Nordea
2	3	SEB
3	1	Danske Bank
4	4	DNB
4	5	Swedbank

Prospera overall penetration <sup>1</sup>		
Rank		%
2018	2017	2018
		
1	1	86 Nordea
2	2	67 Danske Bank
2	3	67 SEB
4	4	42 Handelsbanken
5	5	40 DNB




### 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

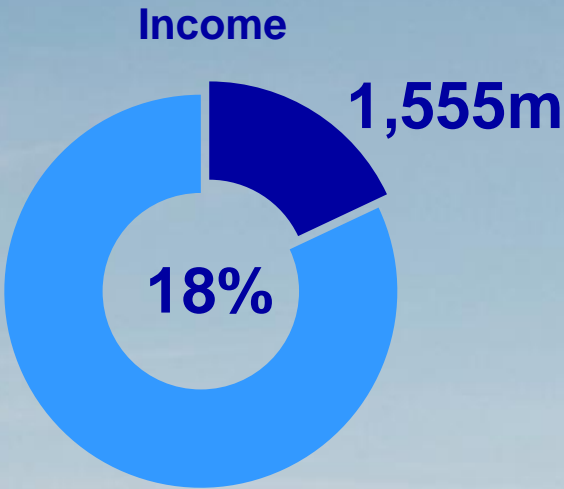
we.trade



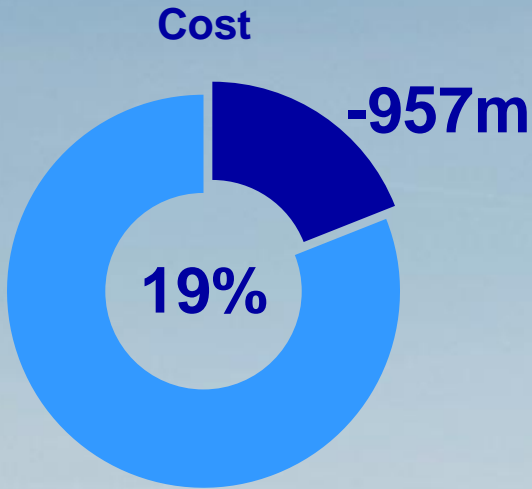
The Blocks

Wholesale Banking in the Nordea Group

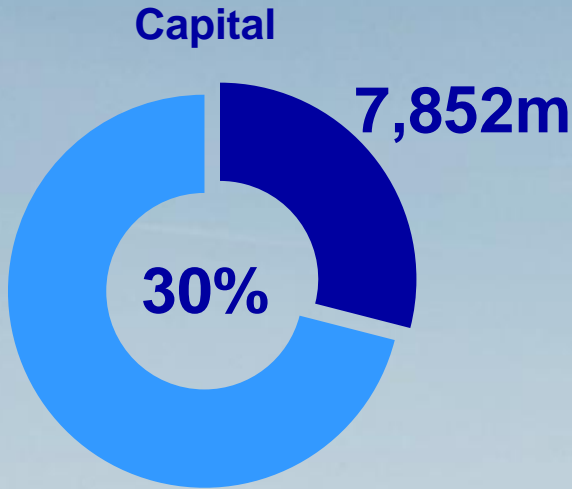
**Return improvement needed**



Share of Group income  
(Last 12 months)



Share of Group cost  
(Last 12 months)



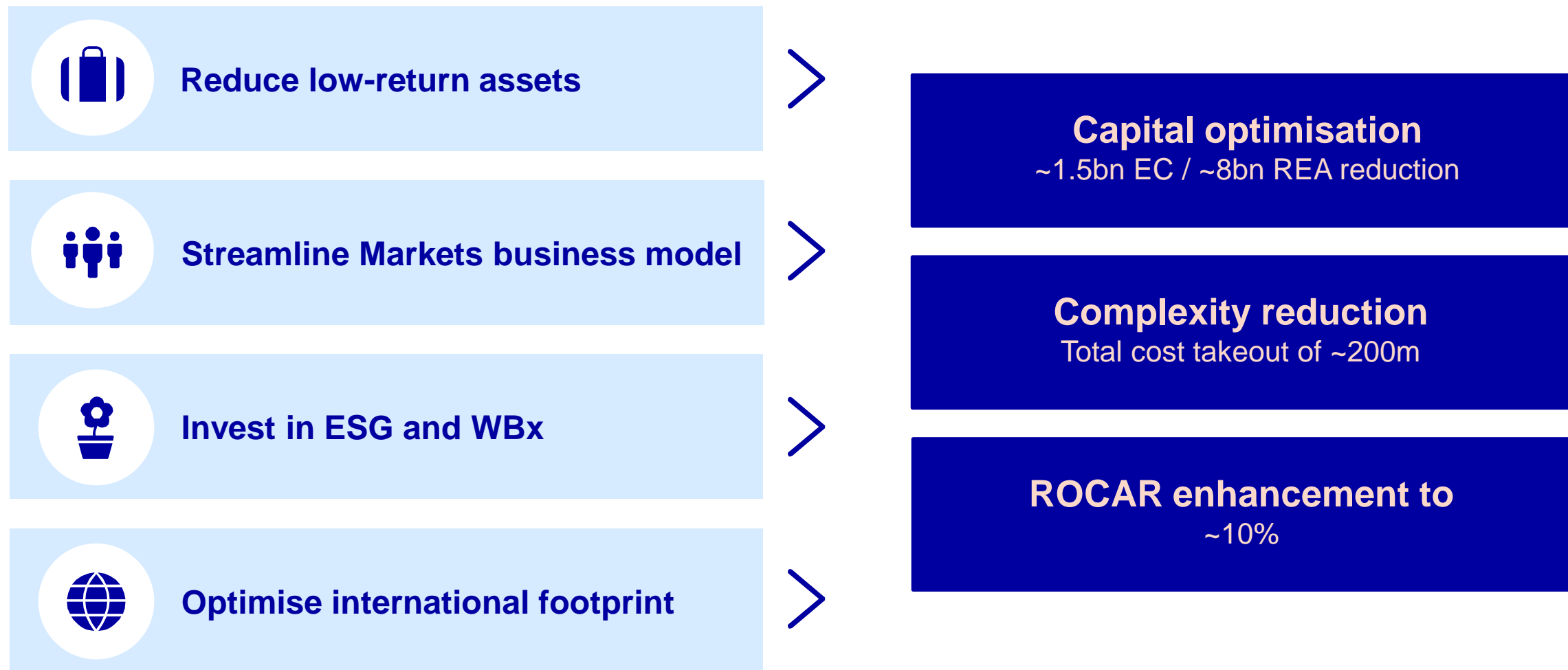
Share of Group capital  
(Q3 2019)

**ROCAR**  
**6%**

**Cost/income ratio**  
**62%**

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

## 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



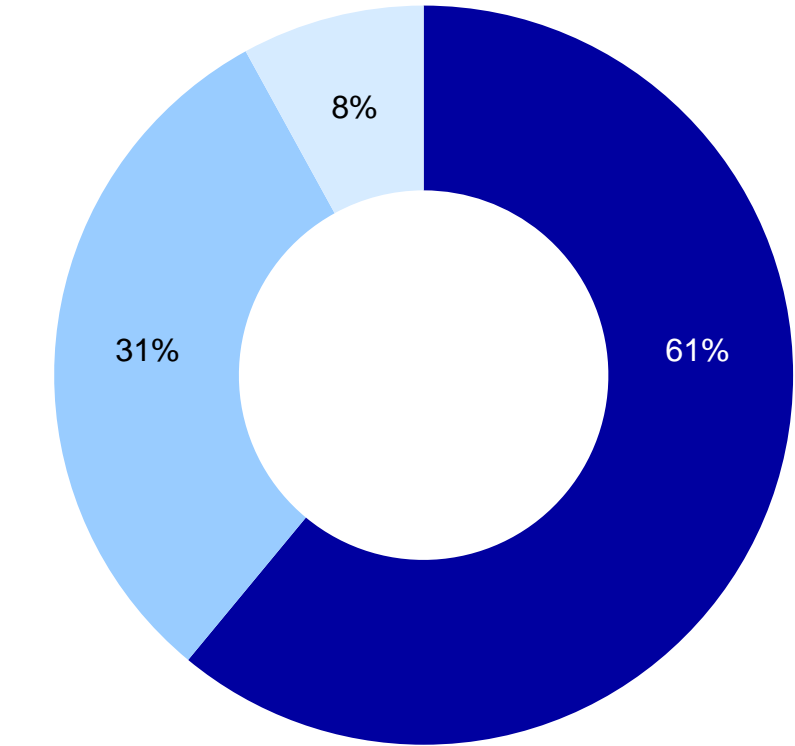
### Optimise international footprint



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

Reality check

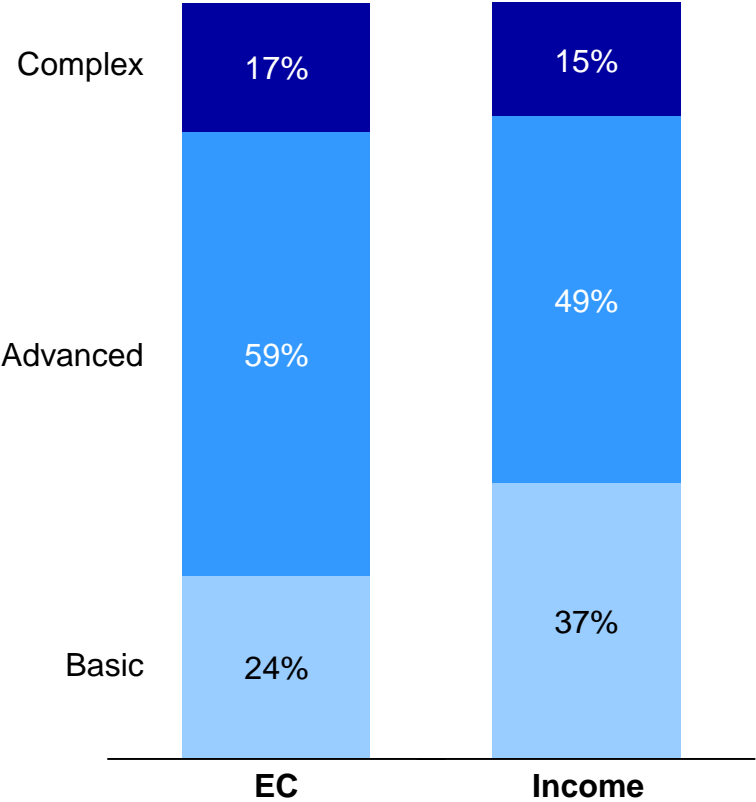
Corporate economic income



Customer turnover:

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

Markets capital and income dynamics





# Wholesale Banking

TARGET 2022

ROCAR

~10%

All-time-high customer satisfaction

Reduce capital consumption

New strategic direction



## **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

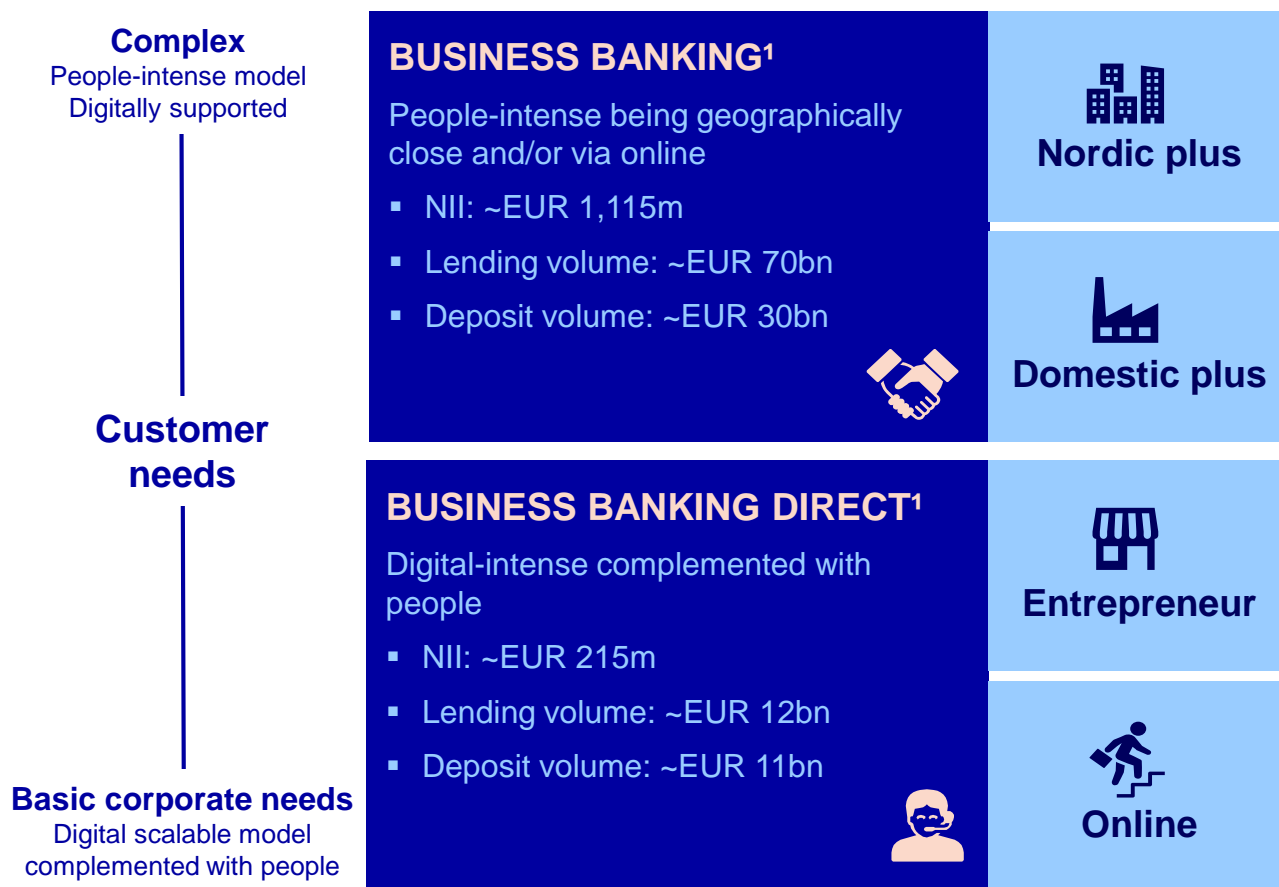
### **Improve operational efficiency**

- Develop digital-intense customer service model

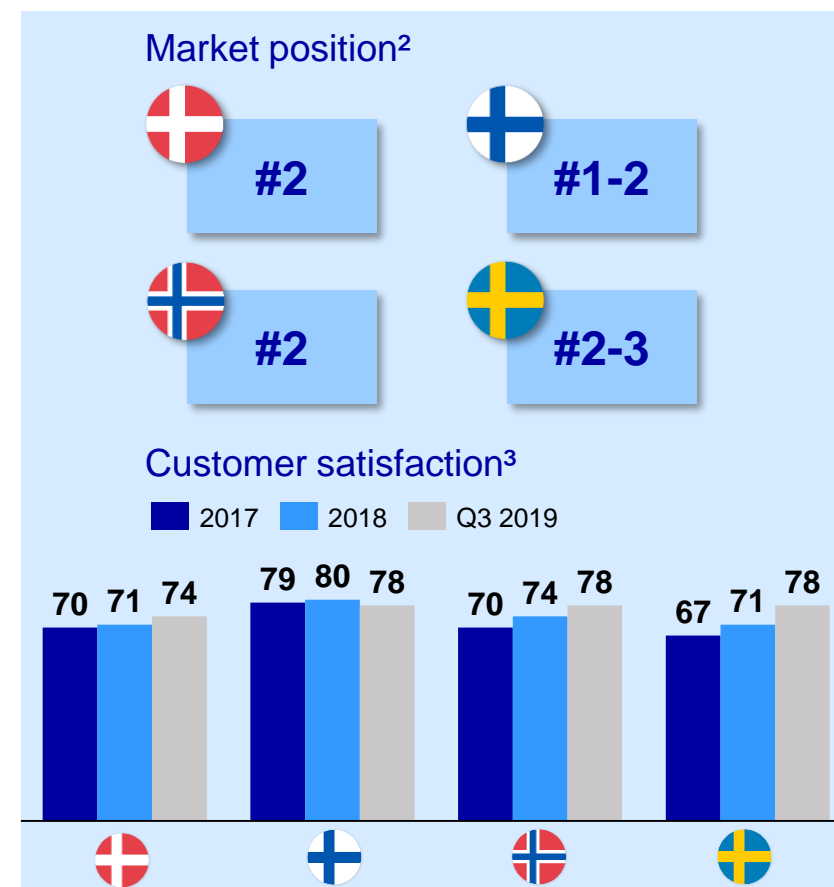


## Stable business with well-diversified portfolio and further potential

### Good franchise serving our ~550k corporate customers...



### ...with potential for more

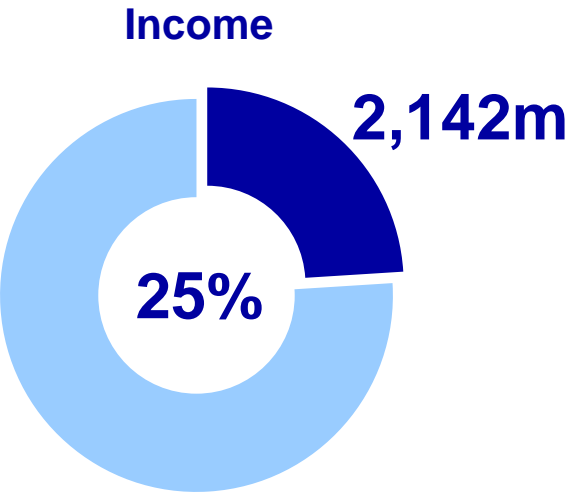


40 1. NII is rolling 12 months, lending and deposit volumes are Q3 2019

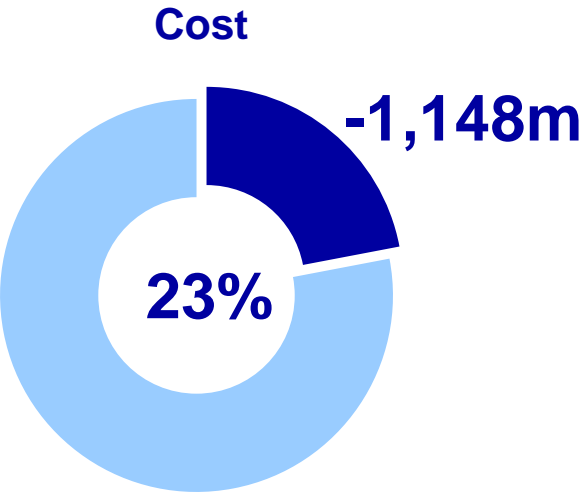
2. Based on corporate lending and share of corporate customers

3. Customer Engagement Index (CEI) is for Business Banking

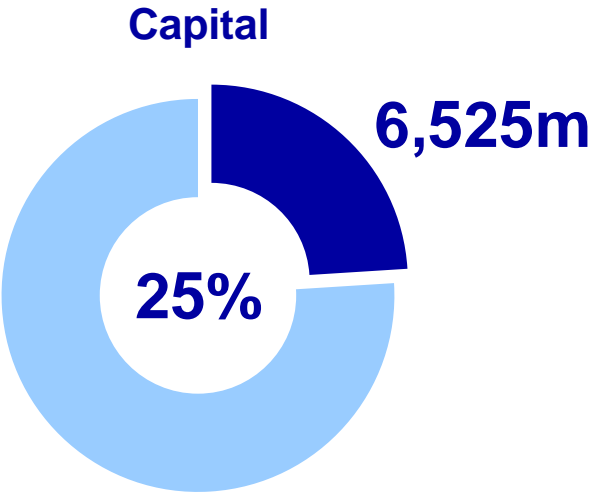
Our starting point



Share of Group income  
(Last 12 months)



Share of Group cost  
(Last 12 months)



Share of Group capital  
(Q3 2019)

**Income per FTE<sup>1</sup>  
increase 2016-2018**

**+20%**

**Cost/income ratio**

**54%**

**ROCAR**

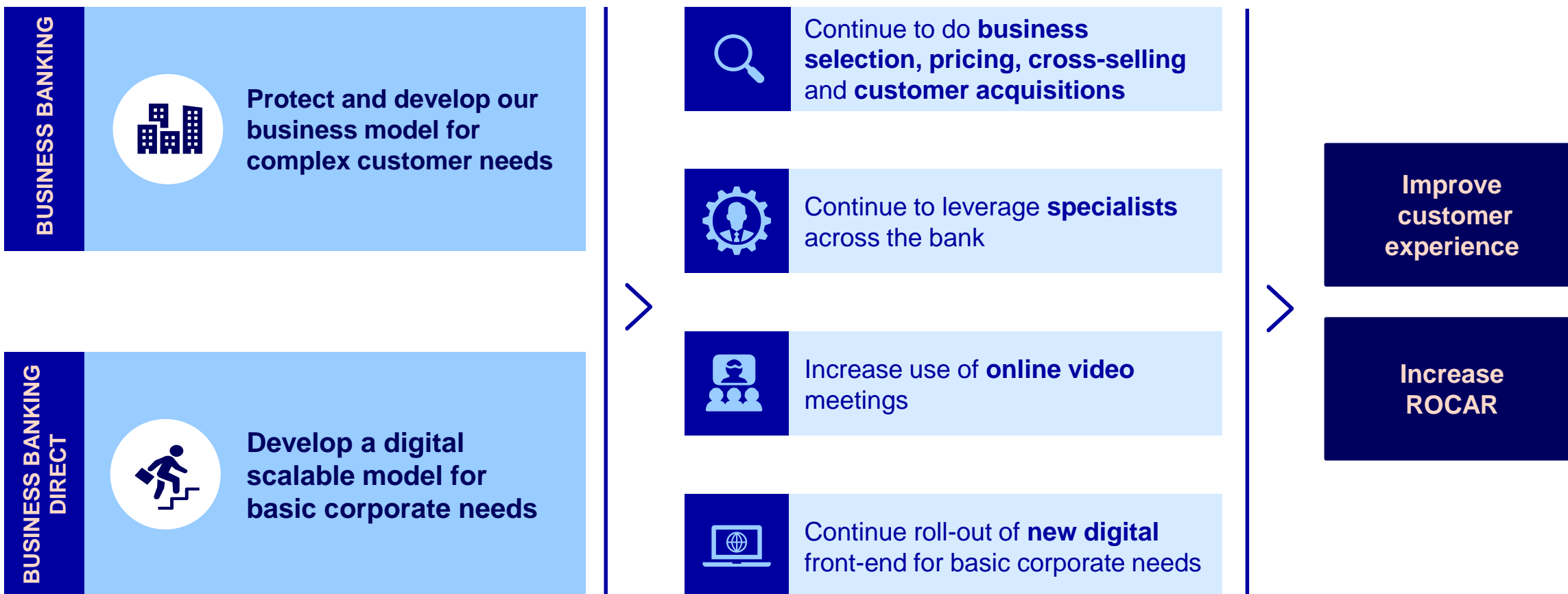
**10%**

**Underlying ROCAR  
change 2016-2018**

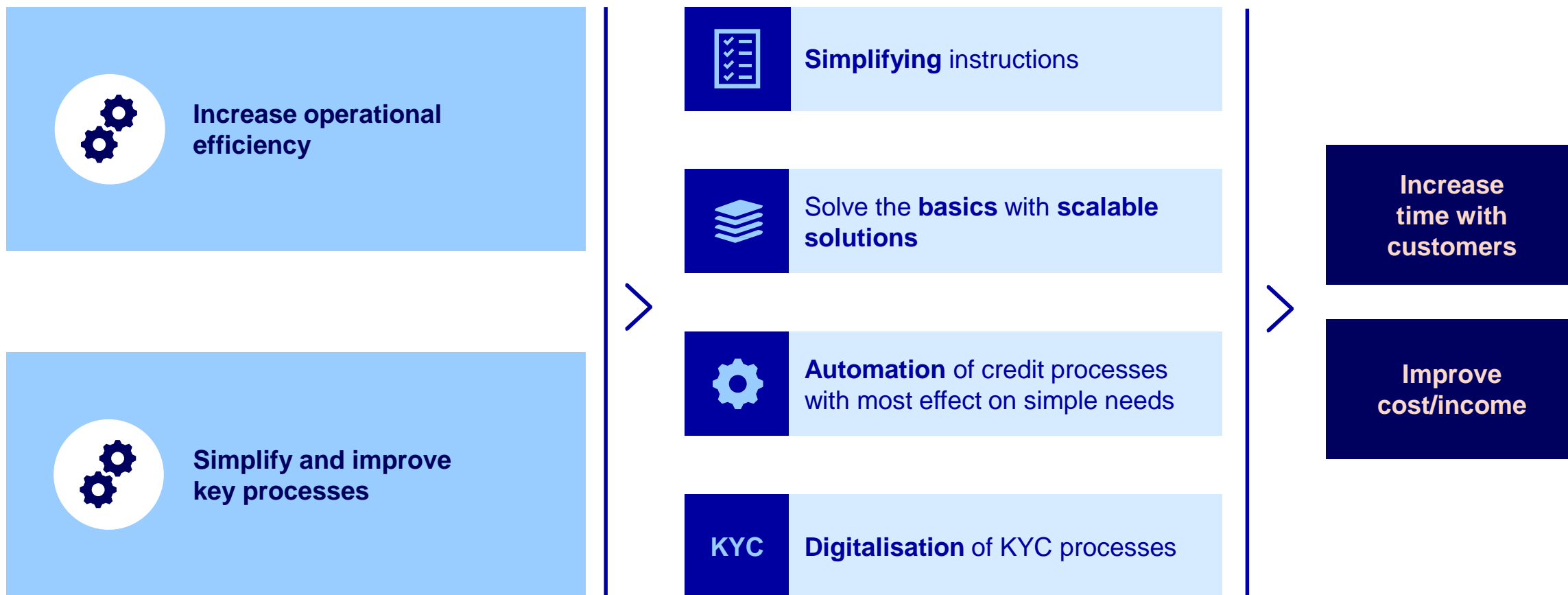
**+0.5-1.0% per year**

41 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

## Leverage our franchise to strengthen market position



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





# Commercial & Business Banking

TARGET 2022

Cost/income ratio<sup>1</sup>

~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





## 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

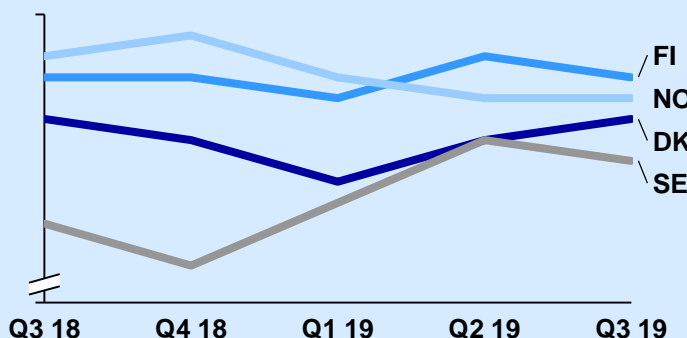
**4.3** Product categories per home customer

## ...with potential for more...

### Market position<sup>1</sup>



### Customer satisfaction

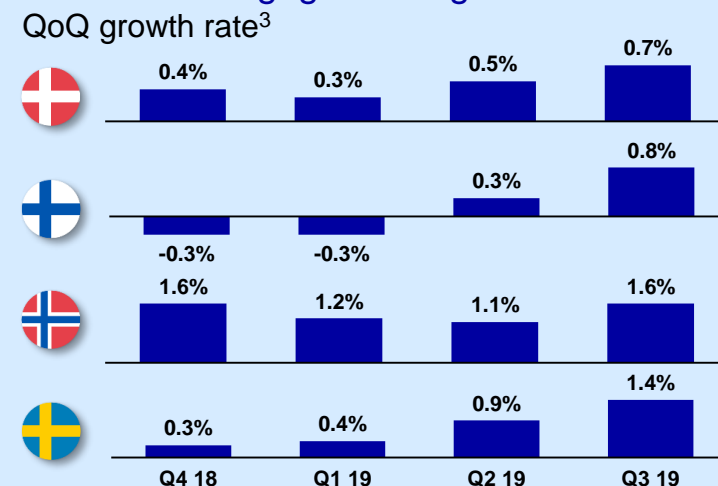


## ...showing good traction already

### Organic growth in market share in Sweden



### Growth in mortgage lending



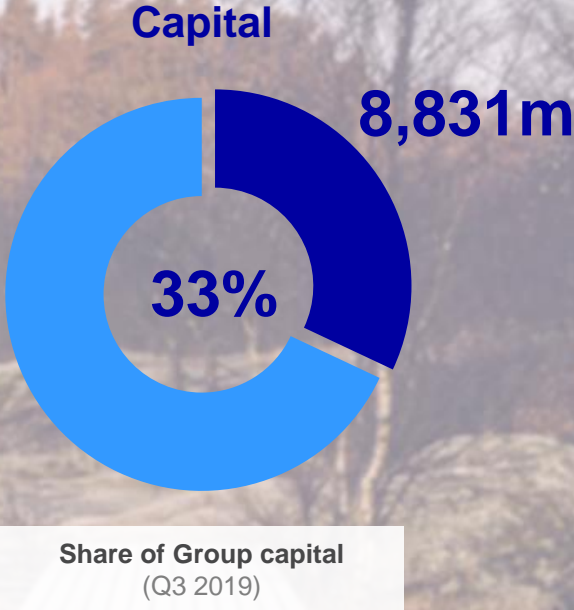
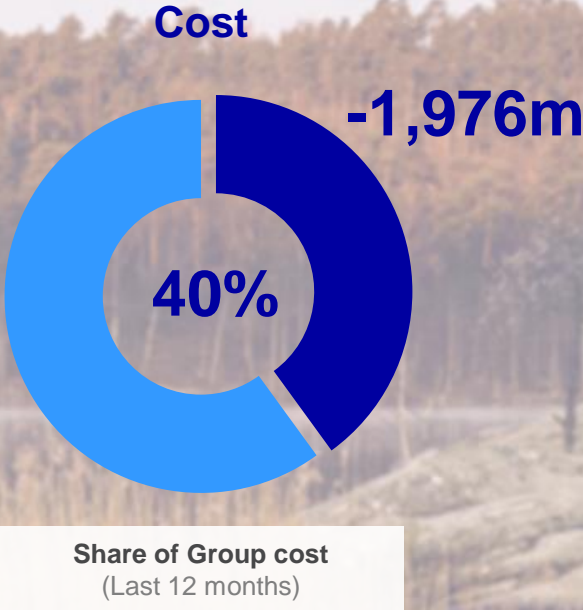
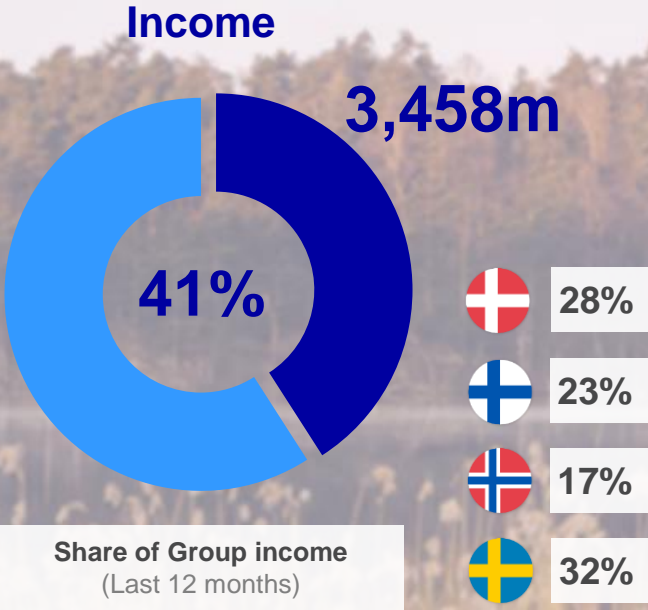
47 1. Based on household lending market share. Source: DK: Annual reports 2018, FI: Finnish central bank statistics, NO: Annual reports 2018, SE: Statistics Sweden

2. Share of market growth

3. Norwegian numbers are excluding Gjensidige Bank



Focus to improve cost efficiency

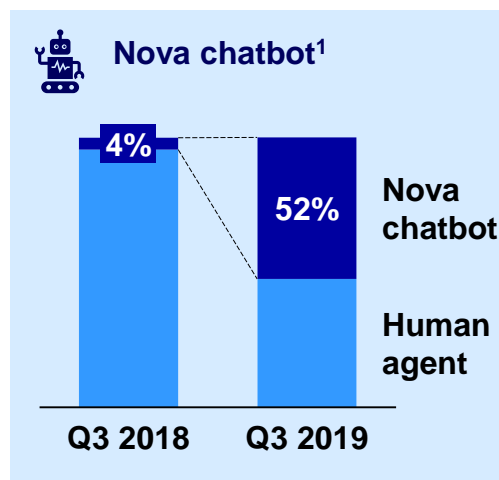
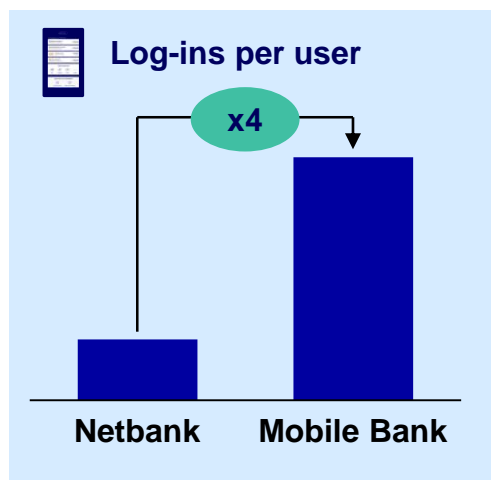
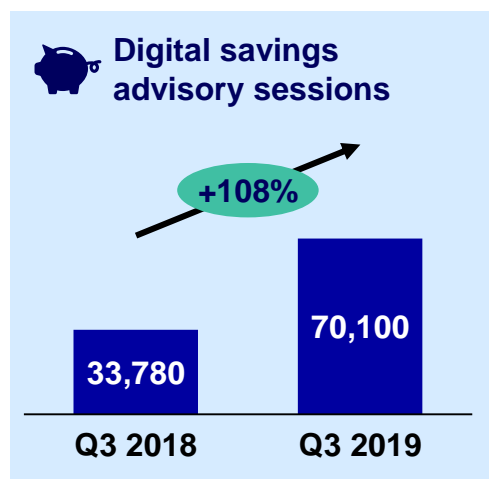
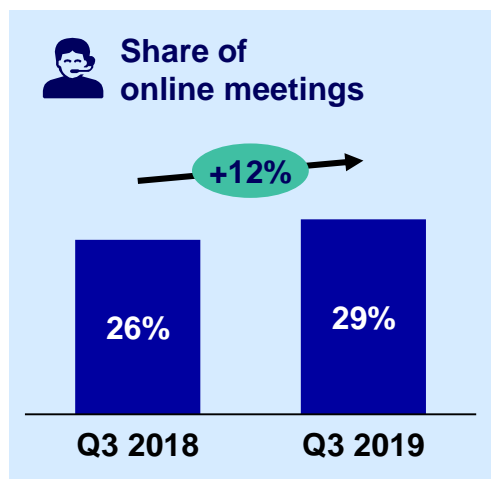


**ROCAR**  
**12%**

**Cost/income ratio**  
**57%**








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

### Increase in digital usage



### Great customer experiences

#### High ratings in App stores for new mobile bank<sup>2</sup>

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

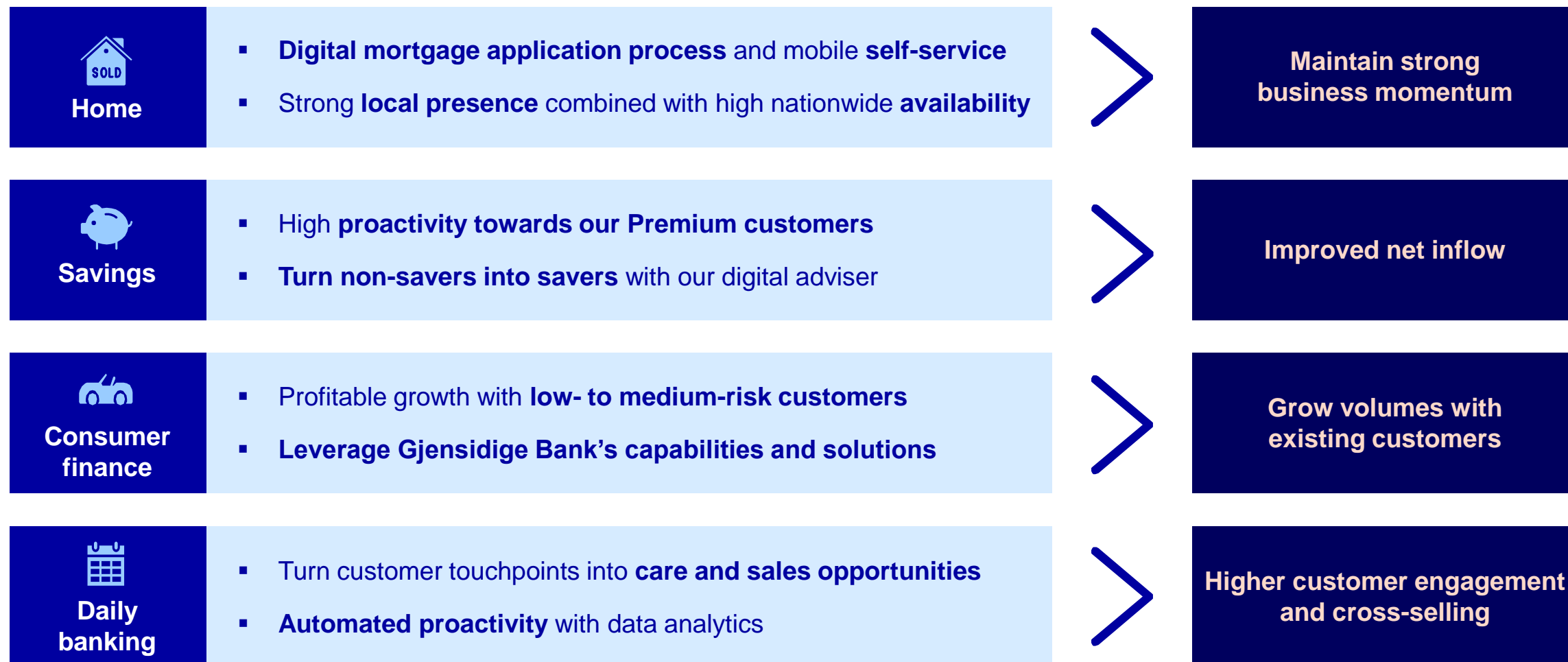
49 1. Number of chats in Sweden and Finland

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)

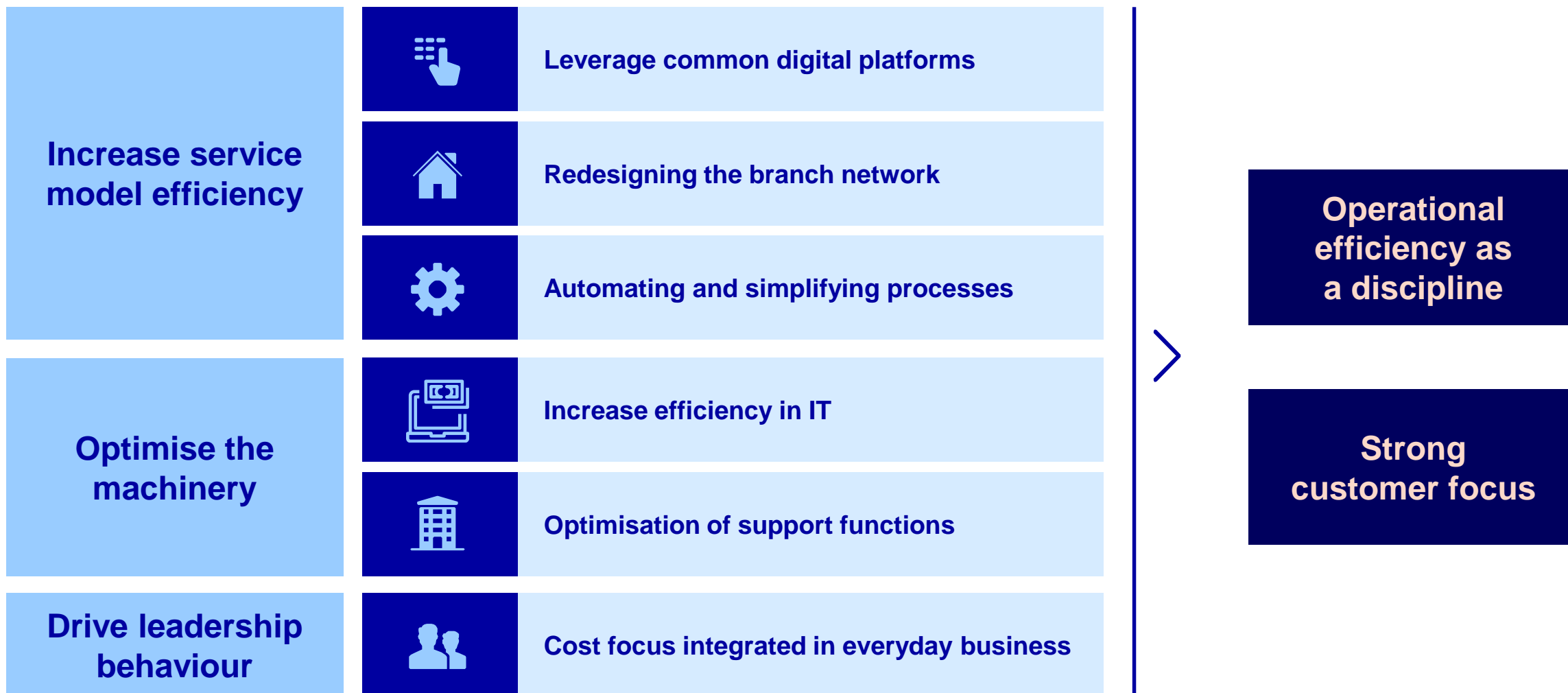
## Leveraging our relationship business model to achieve profitable growth



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



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





# Personal Banking

TARGET 2022

Cost/income ratio<sup>1</sup>

**~50%**

Relationship business built on an omni-channel model

Improved cost efficiency and scale benefits

Profitable growth targeted within all key business lines



## **Asset & Wealth Management**

### **Capital Markets Day**

Snorre Storset, Head of Asset & Wealth Management  
25 October 2019

# Asset & Wealth Management

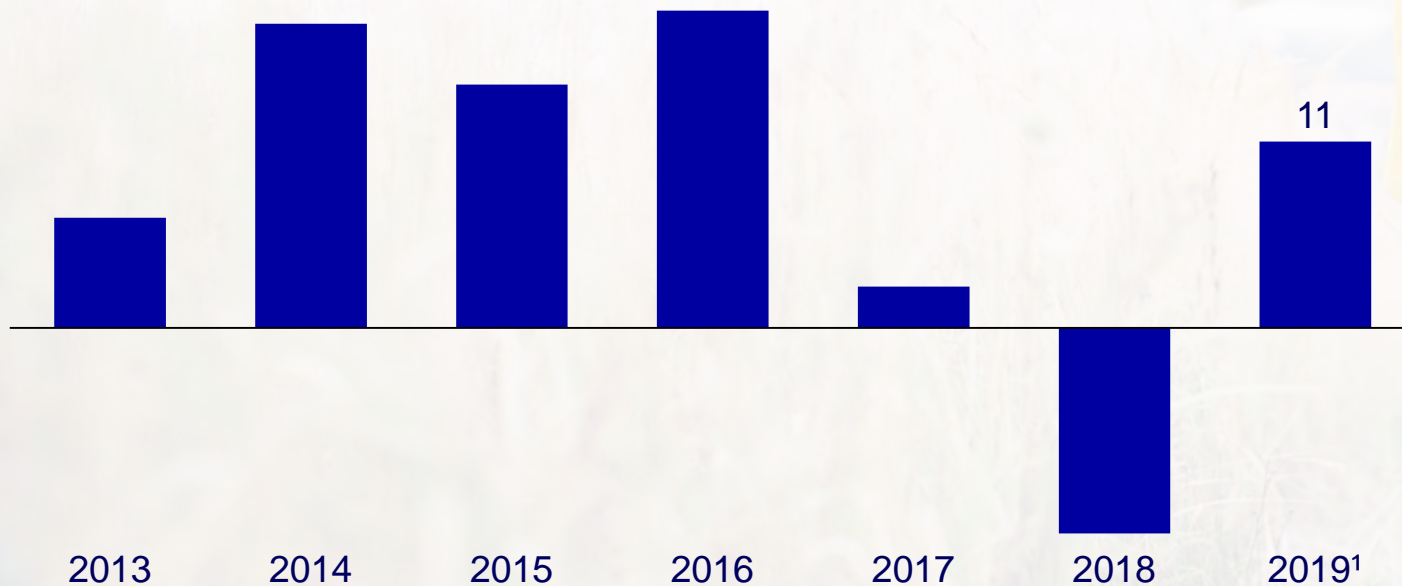
## KEY MESSAGES

- 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<sup>1</sup>



### Key drivers

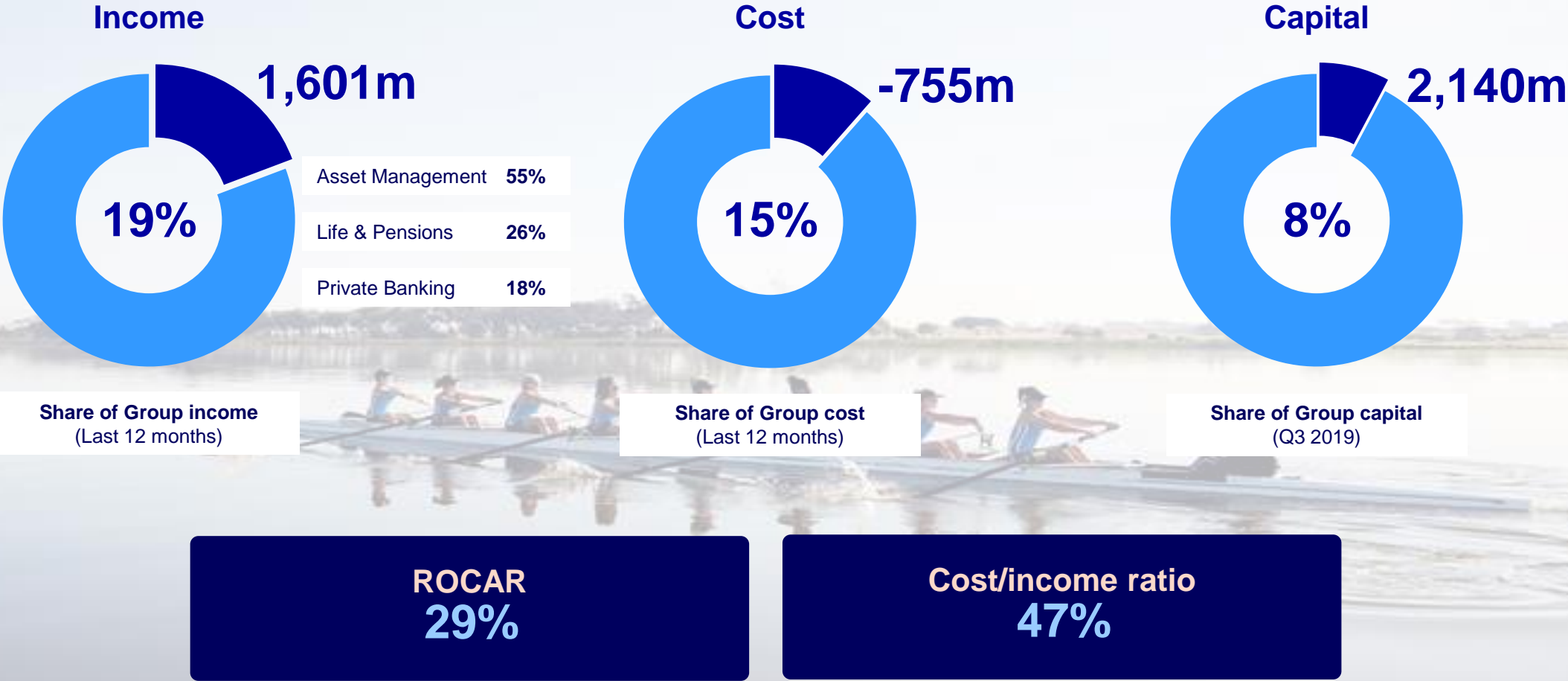
- Blockbuster products in institutional and wholesale distribution
- New markets – Americas
- Deeper relationships with existing third-party distributors
- Strong Private Banking flows
- Corporate growth in Life & Pensions Sweden and Norway
- Increased digital distribution towards households

## ...where we serve customers through own distribution and Group channels

	External distribution		Internal distribution	
	Asset Management		Wealth Management	Rest of Group <sup>1</sup>
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%

Asset & Wealth Management in the Nordea Group

**Strong performance with potential to improve further**



## 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<sup>1</sup>

**<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

## Three key priorities to succeed and meet the financial targets

**Optimise  
Operational  
Efficiency**

**Drive  
Income Growth  
Initiatives**

**Create Great  
Customer  
Experiences**