

The Rise of Business Risk in Banking: Implications for Nordea

A Scenario Analysis for the Board of Directors

Introduction to Business Risk



- DEFINITION OF BUSINESS RISK
IN BANKING



- SHIFT FROM TRADITIONAL
BANKING RISKS TO NEW
BUSINESS RISKS



- IMPORTANCE OF ADDRESSING
THESE RISKS FOR NORDEA'S
FUTURE

Scenario: Apple's Financial Super App

- Hypothetical scenario: Apple launches a comprehensive financial services app

- Features: Payments, investments, loans, and banking services

- Leverages Apple's brand, user base, and technological prowess

Threat to Nordea's Business Model

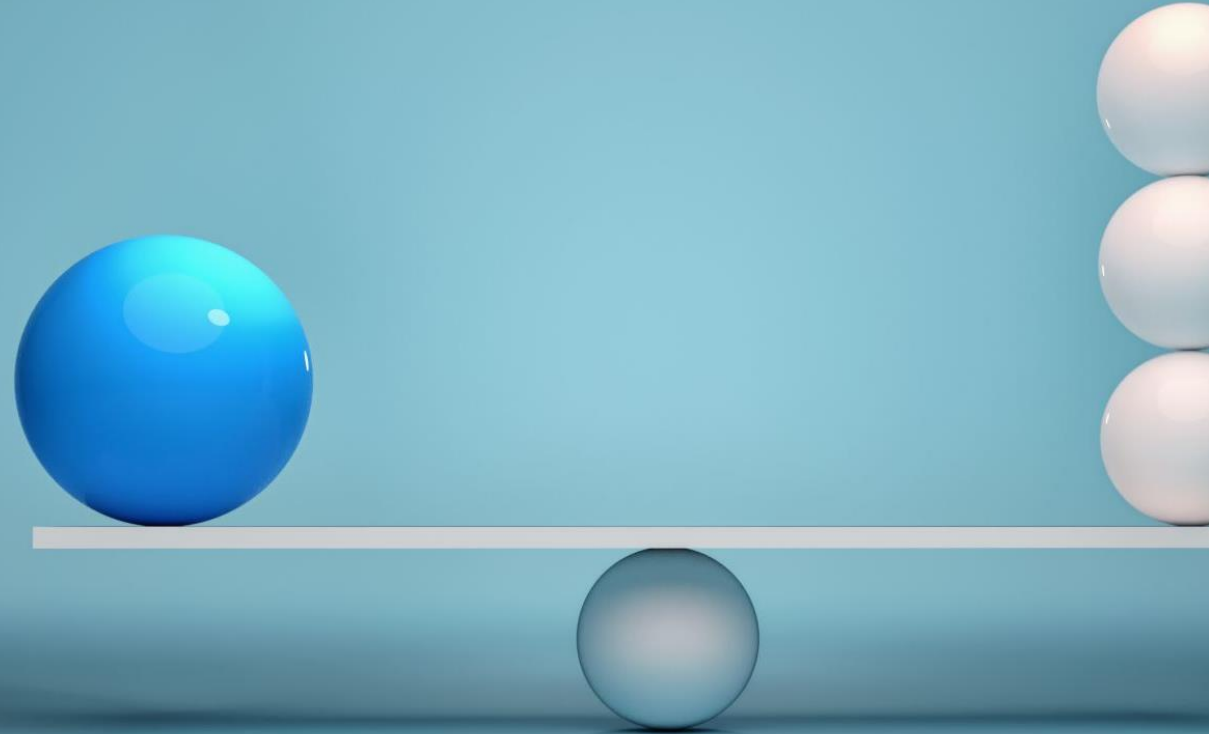
- Potential loss of market share in Nordic countries

- Erosion of customer base, especially younger demographics

- Challenge to Nordea's digital banking initiatives

Impact on Nordea's Efficiency Ratios

- Potential increase in cost-to-income ratio
- Comparison: Nordea's current ratio vs. Apple's projected ratio
- Need for significant cost-cutting or revenue growth to remain competitive



Effect on Credit Risk

- Potential loss of prime customers to Apple's offering

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- Increase in non-performing loans ratio

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- Impact on Nordea's credit risk models and provisioning



Liquidity Risk Considerations

- Possible outflow of deposits to Apple's platform

- Stress on Nordea's liquidity coverage ratio (LCR)

- Need for more expensive funding sources

Regulatory Capital Implications

- Potential decrease in return on equity (ROE)

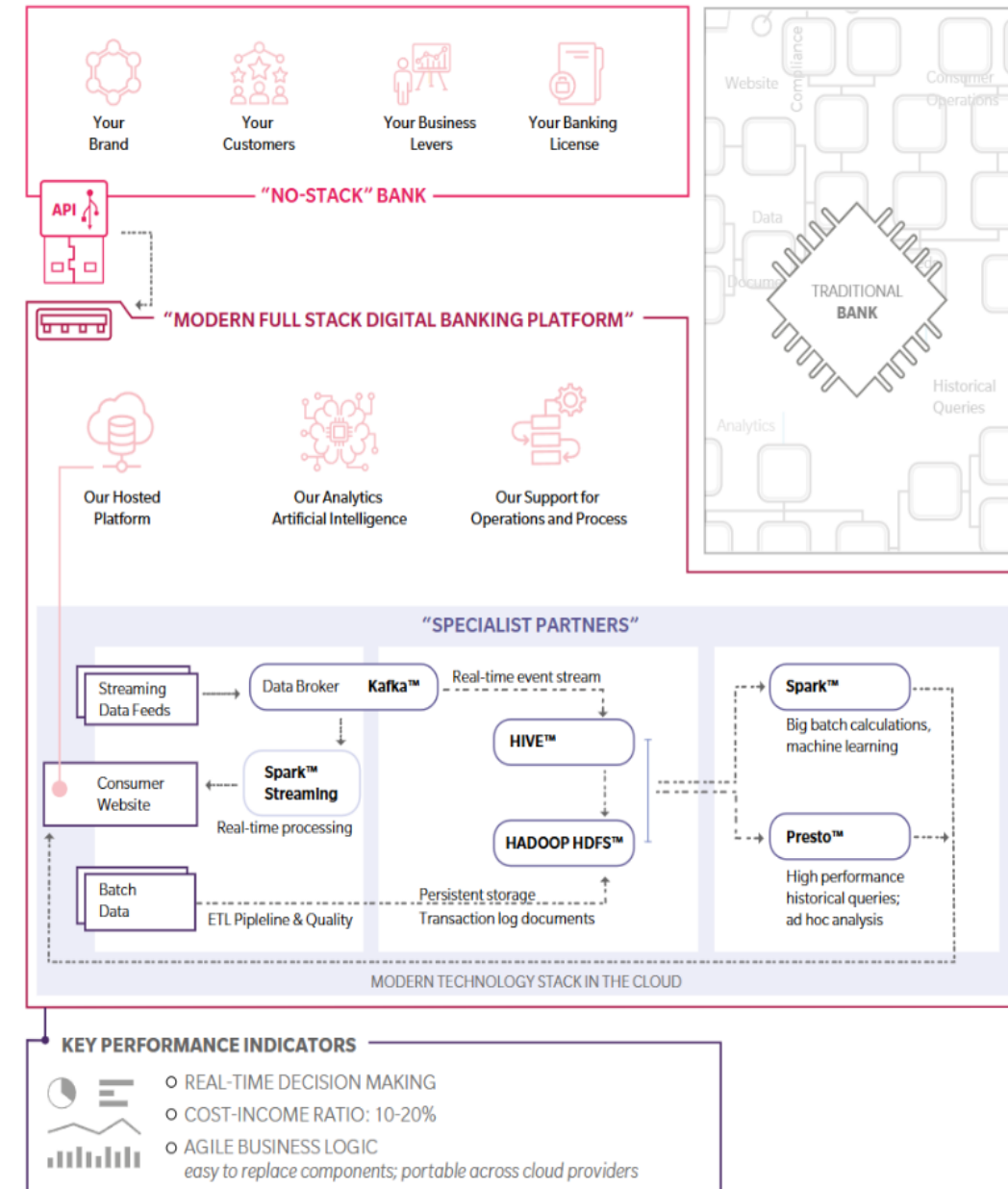
- Pressure on capital adequacy ratios

- Need for balance sheet optimization or capital raising

Strategic Responses

- Invest in advanced data analytics and AI for personalized services
- Explore partnerships with fintech companies
- Consider a "no-stack banking" model to reduce costs and increase agility

EXHIBIT 1: NO-STACK BANKING



Source: Oliver Wyman analysis

Barrie Wilkinson is a London-based partner in Oliver Wyman's Digital practice.

Conclusion and Next Steps



- Summary of key risks and potential impacts



- Proposed action plan for the board to consider



- Emphasis on the need for proactive measures to address business risk