Wholesale Banking presentation

Casper von Koskull, Head of Wholesale Banking
• Wholesale Banking: Overview

• Strategic direction
Wholesale Banking overview

Overview of Wholesale Banking

• Wholesale Banking provides financial solutions to large Nordic and international corporates, institutional customers and public companies

• A diversified range of services are provided within corporate banking, investment banking, capital markets products and transaction products

• Wholesale Banking combines all wholesale activity (customers and products) in one area – enables sharper execution

Footprint: Nordic base with selected locations outside the Nordic region
Wholesale Banking in Nordea

- Significant share of Nordea total operating profit
- Strong development in customer activities
- Quarterly result heavily affected by turmoil in the financial markets
<table>
<thead>
<tr>
<th>EURm</th>
<th>Jan - Sept 2011</th>
<th>Jan - Sept 2010</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>981</td>
<td>935</td>
<td>5</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>418</td>
<td>336</td>
<td>24</td>
</tr>
<tr>
<td>Net result items at fair value</td>
<td>533</td>
<td>708</td>
<td>-25</td>
</tr>
<tr>
<td>Other income</td>
<td>3</td>
<td>31</td>
<td>-90</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td><strong>1,935</strong></td>
<td><strong>2,010</strong></td>
<td><strong>-4</strong></td>
</tr>
<tr>
<td>Staff costs</td>
<td>-544</td>
<td>-507</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>-650</strong></td>
<td><strong>-614</strong></td>
<td><strong>6</strong></td>
</tr>
<tr>
<td>Profit before loan losses</td>
<td><strong>1,285</strong></td>
<td><strong>1,396</strong></td>
<td><strong>-8</strong></td>
</tr>
<tr>
<td>Net loan losses</td>
<td>-98</td>
<td>-142</td>
<td>-31</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>1,187</strong></td>
<td><strong>1,254</strong></td>
<td><strong>-5</strong></td>
</tr>
<tr>
<td>Risk-adjusted profit</td>
<td>858</td>
<td>919</td>
<td>-7</td>
</tr>
<tr>
<td>RaRoCar %</td>
<td>19</td>
<td>19</td>
<td>0</td>
</tr>
</tbody>
</table>

* Including Nordea Bank Russia
Solid customer business despite challenging market conditions

* Predominantly capital markets trading and execution activities
Wholesale Banking organisation

Wholesale Banking
Casper von Koskull
Peter Nyegaard (COO)

- Financial and Risk Control
- Strategy and Planning
- Compliance
- HR

Corporate Merchant Banking
- Sweden
- Norway
- Finland
- Denmark

Markets Investment Banking
- Corporate Finance
- Debt Capital Markets
- Equities
- Markets - FICC

Transaction Products

International Units

IT-Wholesale Banking

Shipping, Offshore & Oil Services

Financial Institutions
Corporate Merchant Banking overview

Overview of Corporate Merchant Banking

• Customer unit serving the largest and most complex corporate customers

• Customer teams offer tailor made solutions to suit customer needs

• Solid customer footprint
  – Leading positions in Finland and Denmark
  – Tied market leading position in Sweden and Norway

• Income growth of 32% over last three years

Footprint

Key facts

• Approximately 1,000 customers

• Approximately 400 employees
Significantly strengthened the market position in Sweden

The growth plan Sweden was initiated in 2007 and completed in 2011

- Established leading position among corporate customers
  - Supporting Swedish corporates through the turbulent period
  - Further strengthened specialist competences
  - Significantly strengthened Cash Management lead relationships
- Maintaining leading position within Private Equity segment

Impact

- #1 Mandated Lead Arranger for syndicated loans
- Significant increase in market shares for capital markets products

FX SWAP*

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2011 YtD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16%</td>
<td>27%</td>
</tr>
</tbody>
</table>

FX spot*

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2011 YtD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12%</td>
<td>17%</td>
</tr>
</tbody>
</table>

• #2 in 2010 Prospera Large Corporates & Institutions Survey

* Sveriges Riksbank
Shipping, Offshore & Oil Services overview...

Overview of Shipping, Offshore & Oil Services Footprint

- Responsible for customers within the Shipping, Offshore and Oil services industry
- Present in the Nordics as well as in major shipping markets
- Industry coverage
  - Shipping
  - Offshore
  - Oil Services
  - Cruise, Ferries
- 4th largest lender and a leading arranger of syndicated loans to the shipping industry worldwide
- Income growth of 49% over last three years

Key facts

- Approximately 2,000 customers
- Approximately 100 employees
...with a diversified and balanced business portfolio

Exposure and credit risk are monitored and actively managed to ensure diversification

- High degree of sector diversification
  - All business towards already diversified companies
  - Focus on large customers

- Continuous monitoring of sector exposure

- Counter-cyclical credit policy

- Regular stress tests of sectors

### Share of committed amounts

<table>
<thead>
<tr>
<th>Sector</th>
<th>Pct.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ferries</td>
<td>6%</td>
</tr>
<tr>
<td>Cruise</td>
<td>3%</td>
</tr>
<tr>
<td>Offshore</td>
<td>26%</td>
</tr>
<tr>
<td>Other</td>
<td>12%</td>
</tr>
<tr>
<td>Dry Cargo</td>
<td>53%</td>
</tr>
<tr>
<td>Crude Tankers</td>
<td>11%</td>
</tr>
<tr>
<td>Product Tankers</td>
<td>10%</td>
</tr>
<tr>
<td>Car / Truck Carriers</td>
<td>9%</td>
</tr>
<tr>
<td>Gas, LNG</td>
<td>6%</td>
</tr>
<tr>
<td>Chemical Tankers</td>
<td>6%</td>
</tr>
<tr>
<td>Roll-on, Roll-off</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>
Financial Institutions Division overview

Overview of Financial Institutions Division

• Customer unit for Nordea's financial institutions customers
• International client base
• Industry coverage
  – Life & Pension
  – Insurance
  – Asset managers
  – Banks
• Stable income level over last three years despite decreasing total market size

Footprint

Key facts

• Approximately 1,800 customers (550 Nordic and 1,250 non-Nordic)
• Approximately 400 employees (hereof ~300 in Nordea Securities Services)
Markets activities

Overview of Markets

• Markets serves Nordic and international corporates and institutional customers as well as governments and public companies

• Markets FICC provides services within sales and trading of
  – Fixed income
  – Foreign exchange
  – Commodities

• Markets Investment Banking provides services within
  – Corporate Finance
  – Debt Capital Markets,
  – Equities
  – Structured products

• The result is allocated to the customer areas and the residual is stated under Markets Unallocated

• Approximately 2,000 employees

Footprint
**Strong customer income and prudent risk management in Markets**

- Customer activity driving growth
- Trading and execution activities to support customer activities
- No quarters with negative result
- Significant reduction of positions as financial market turmoil increased

**Income allocations to customer units and Markets Unallocated**

<table>
<thead>
<tr>
<th>Year</th>
<th>Unallocated</th>
<th>Allocated to customer units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>2006</td>
<td>600</td>
<td>400</td>
</tr>
<tr>
<td>2007</td>
<td>700</td>
<td>300</td>
</tr>
<tr>
<td>2008</td>
<td>800</td>
<td>200</td>
</tr>
<tr>
<td>2009</td>
<td>900</td>
<td>100</td>
</tr>
<tr>
<td>2010</td>
<td>1,000</td>
<td>0</td>
</tr>
</tbody>
</table>

**Value at Risk limit utilization in Markets**

Percent vs. 2011 week number
Markets is a customer franchise

Markets strategy

- Strategy focus is on a customer-driven business fulfilling customers needs and supporting all customer segments in Nordea
  - Nordea as the structuring specialist
  - Leverage the Nordea customer base
- The strategy has been maintained throughout the financial crises
- Nordea has continued to actively support customers through the turmoil – further strengthening our strong customer franchise

Main dynamics of Markets strategy

<table>
<thead>
<tr>
<th>Products</th>
<th>Standard</th>
<th>Non-standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>“Secure presence”</td>
<td>“Structuring specialist” “Capital Markets”</td>
</tr>
<tr>
<td>Medium &amp; small</td>
<td>“Leverage the Nordea customer base”</td>
<td></td>
</tr>
</tbody>
</table>

Nordea
• Wholesale Banking: Overview

• Strategic direction
Short term initiatives allowing delivery in the New Normal

<table>
<thead>
<tr>
<th>Income</th>
<th>Cost</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing customer intensity</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Sharpening product focus</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>New pricing policy</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Streamlining value chain</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Optimizing capital in banking book</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Optimizing capital in trading book</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Reallocation of capital consumption</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>New cost regime</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
**Income – Cost – Capital**  
Focus on customer and product profitability

<table>
<thead>
<tr>
<th>Product A</th>
<th>Product B</th>
<th>...</th>
<th>Product X</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client A</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Client B</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>...</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Client Y</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>RaRoCar &gt; x%</td>
<td>RaRoCar &gt; x%</td>
<td>RaRoCar &gt; x%</td>
<td>RaRoCar &gt; x%</td>
</tr>
</tbody>
</table>

*Note: The table represents the RaRoCar by client and product for various clients and products.*
Income momentum: client focus and cross selling

- Strengthen Nordea as a customer orientated relationship bank
  - Intensity and relevance
  - Lead relationships are key
- Focus on cross selling and increased ancillary business
  - Focus on non-interest income
- Business selection is key

![Graph showing revenue increase with number of products/services]
Income momentum: sharper product focus and leverage of platform

Prospera Large Corporates & Institutions Survey 2010; Nordic region

<table>
<thead>
<tr>
<th>Rank</th>
<th>Points</th>
<th>Bank</th>
<th>#1</th>
<th>#2</th>
<th>#3</th>
<th>#4</th>
<th>#5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2068</td>
<td>Nordea</td>
<td>21</td>
<td>13</td>
<td>8</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>*2</td>
<td>1749</td>
<td></td>
<td>21</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>*2</td>
<td>1749</td>
<td></td>
<td>14</td>
<td>12</td>
<td>10</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>649</td>
<td></td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>5</td>
<td>539</td>
<td></td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>308</td>
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<td>4</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>7</td>
<td>297</td>
<td></td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>242</td>
<td></td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>9</td>
<td>220</td>
<td></td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>143</td>
<td></td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

Nordea is already the #1 Nordic wholesale bank

* Tied position

Source: Prospera
Income momentum: Fair and consistent pricing reflecting funding and capital cost

**Pricing strategy**

- Focus on consistent pricing reflecting credit quality, customer rating, incurred risk, maturity, etc.

- Review of customer portfolio to identify improvement areas

- Stronger focus on customer, sector and product profitability

**Pricing grid**
Capital efficiency

Optimization of capital utilization in banking and trading books
Moving from ex-post monitoring to ex-ante management

Activities reviewed

- Portfolio review
- Optimization and management of portfolio
- Active business selection
- Implementation of more advanced models for regulatory capital calculations
- Increased use of Central Counterparties
- Intensified use of collateral
- Securitisation
- ...

Nordea
Key messages

✓ Very strong customer and product platform which we can leverage further
✓ Streamlining and integration of value chain
✓ Further increase of product leadership
✓ Maintaining strict cost control
✓ Optimization of capital
Wholesale Banking presentation

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