

## Strategic direction

CEO Christian Clausen



- **Paradigm shift in European banking**
- Strengths of Nordea's platform
- Focused relationship strategy

# Objective to avoid bubbles resulting in recession

Tulip mania  
1630s

Japanese  
asset  
price  
bubble  
1980s

Sub-prime  
crises  
2008

Bardi bank  
crisis  
1344

Great  
depression  
1929

IT  
bubble  
2000

Sovereign  
debt crisis  
2011

# Regulation - “never again”



## Capital requirements

EUR 1 trillion in equity shortfall in Europe

## Funding requirements

EUR 2 trillion in additional wholesale funding in Europe

## Liquidity requirements

EUR 1 trillion increase in additional liquidity buffers in Europe

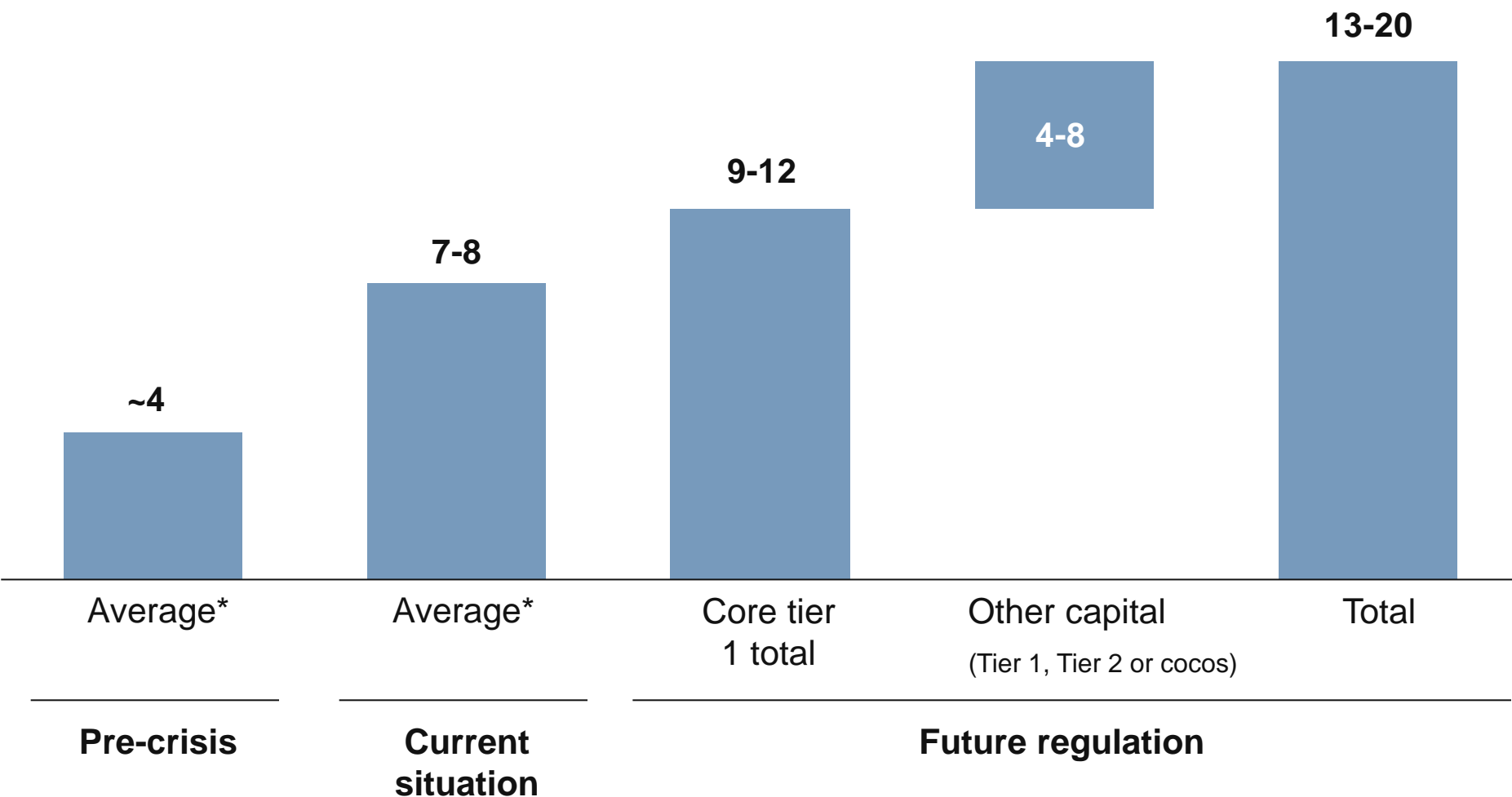
## Recovery and resolution regimes

Ongoing debate on solution

Banks' accumulated requirements from Q2 2010-Q4 2018

# Expected future capital requirements

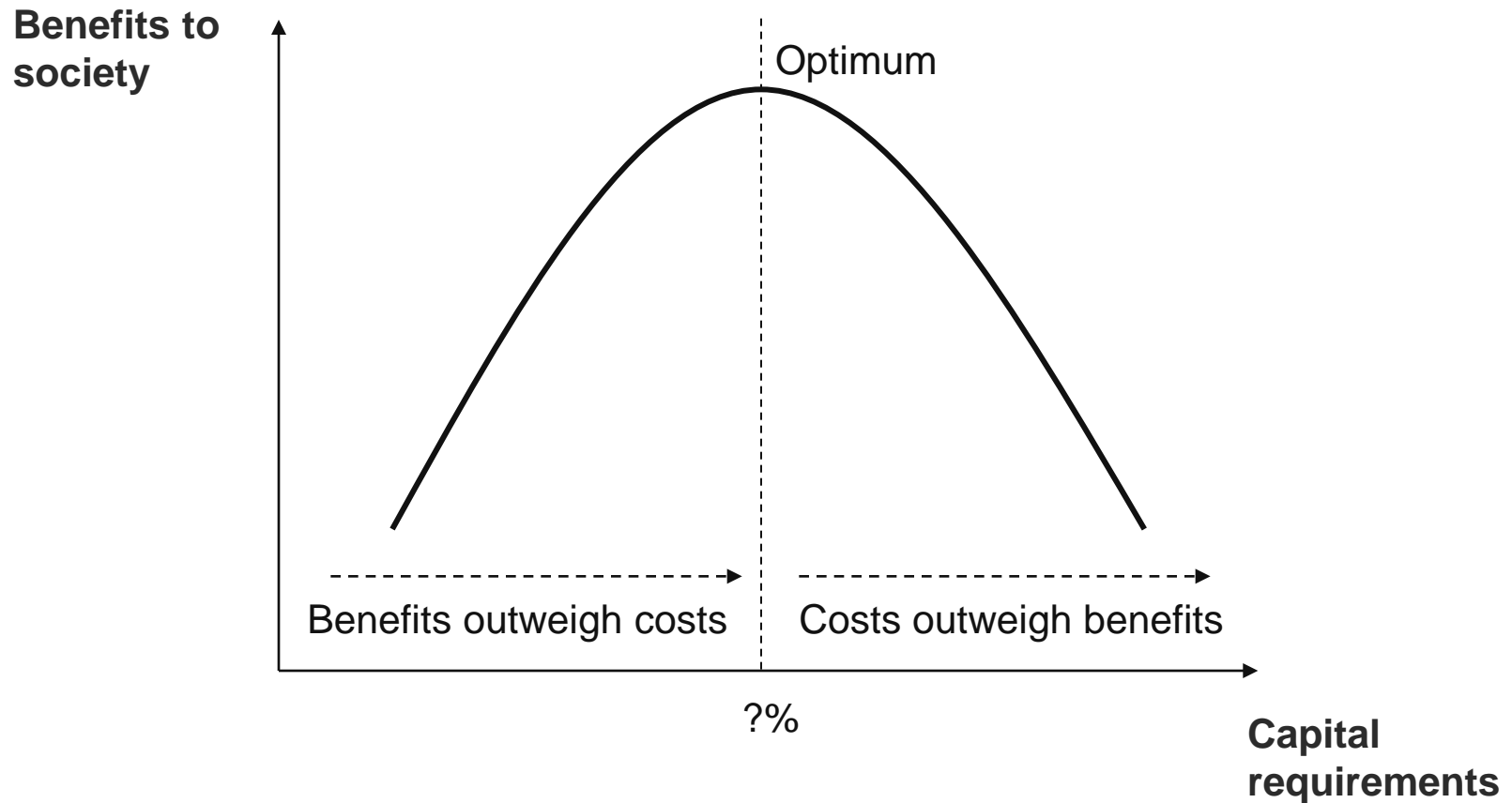
European banks; per cent












\*Estimates Goldman Sachs; Basel III capital definitions

# Calibration needed to find optimal capital level

## Illustration

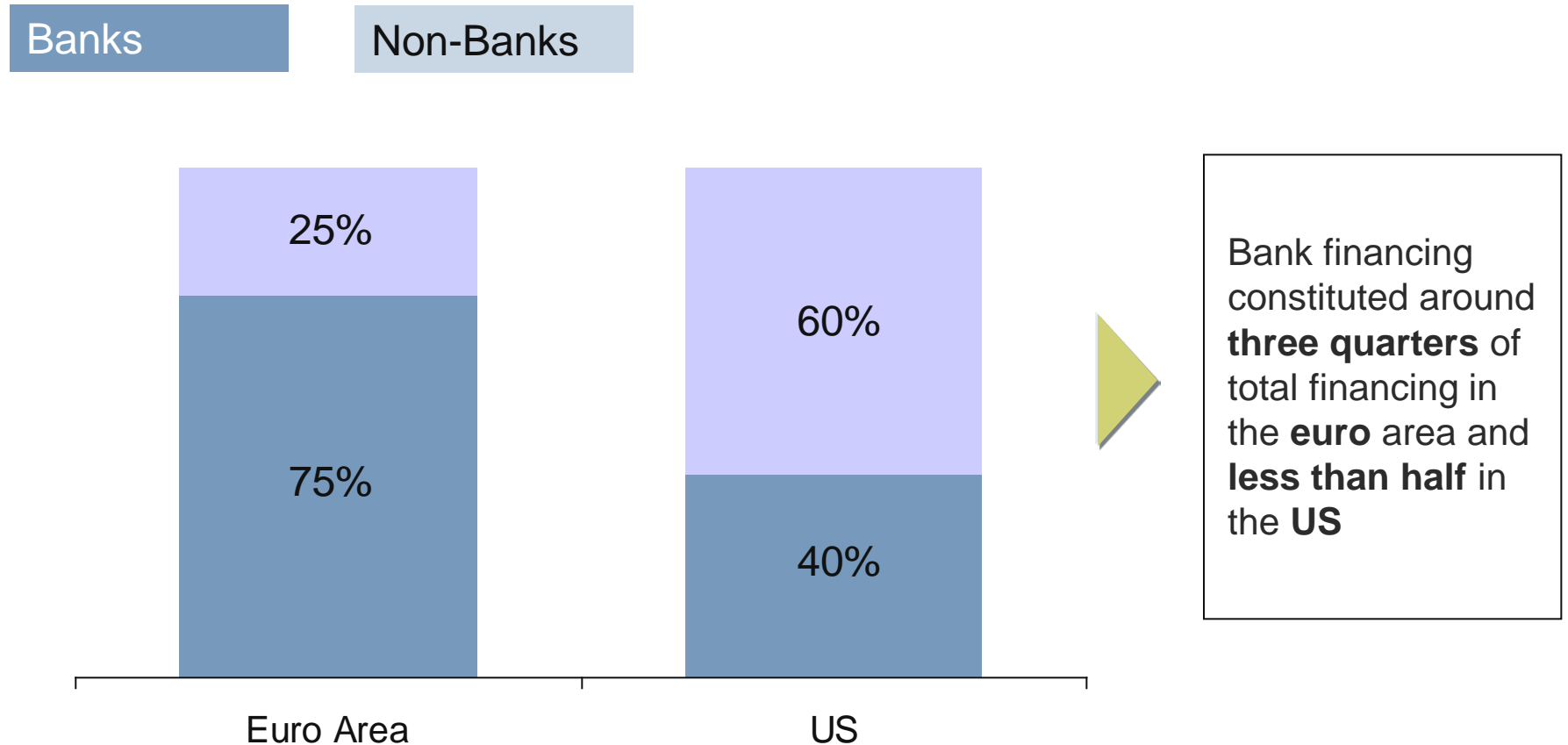


# Funding & Liquidity rules: “One size fits all” does not work

	Assets		Liabilities	
Corporate book		On balance		Smaller share of savings as on-balance deposits than in EU/US
		Partly off-balance		
		Large share off-balance		
Mortgage book		On balance		Mortgage book financed via covered bonds
		Partly off-balance		Mostly wholesale funding of gap
		Off-balance (government)		

# Structure of the banking sector (1/2)

Sources of financing for non-financial corporations; 2004-2008; percent



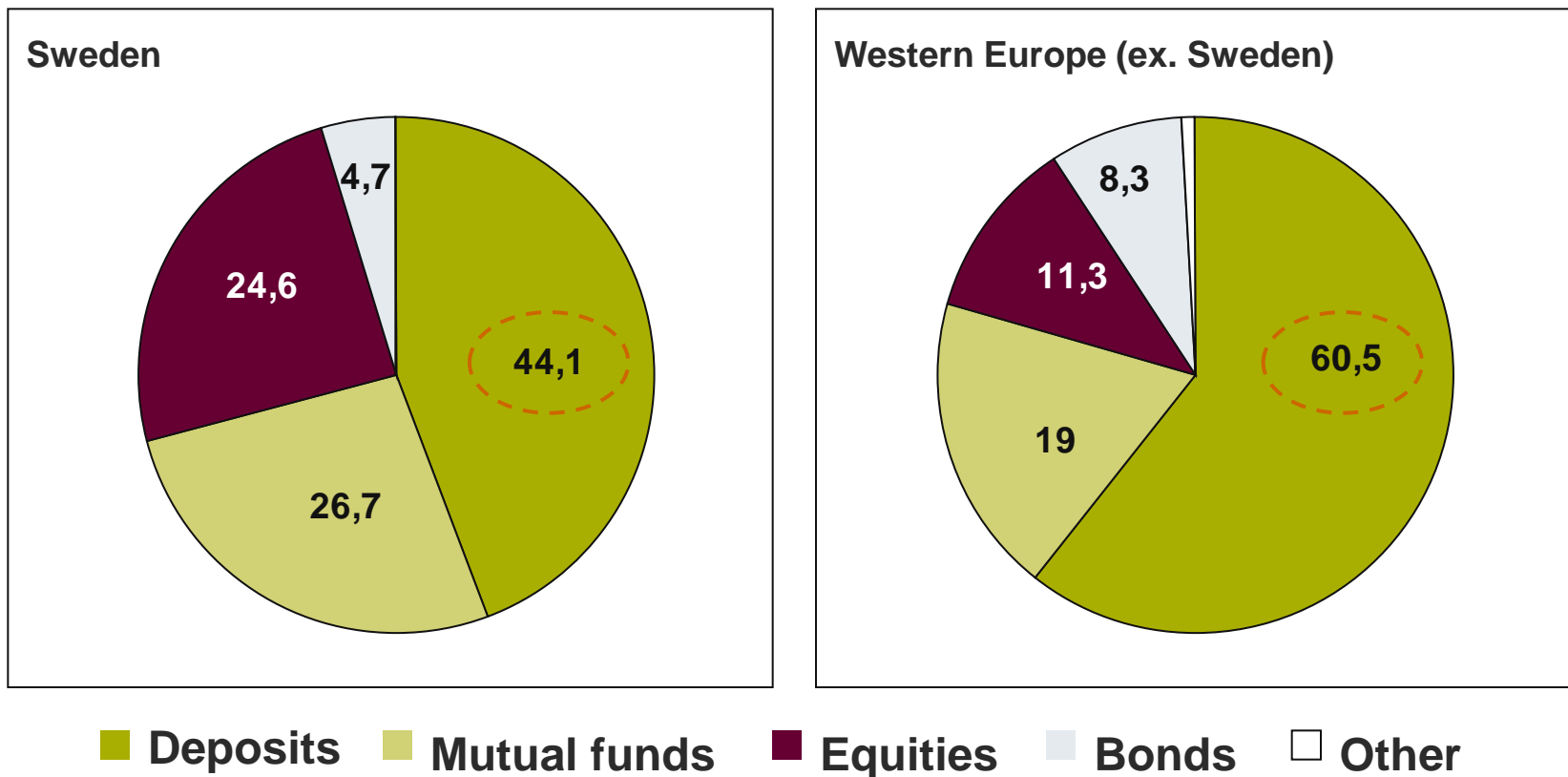
Sources: ECB monthly bulletin October 2010



# Structure of the banking sector (2/2)

Split of retail savings & investments

2005-2009 average split of retail savings & investment portfolios (excl. L&P); per cent



Source: IMF World Economic Outlook Database (October 2010), Datamonitor, Swedish Investment Fund Association

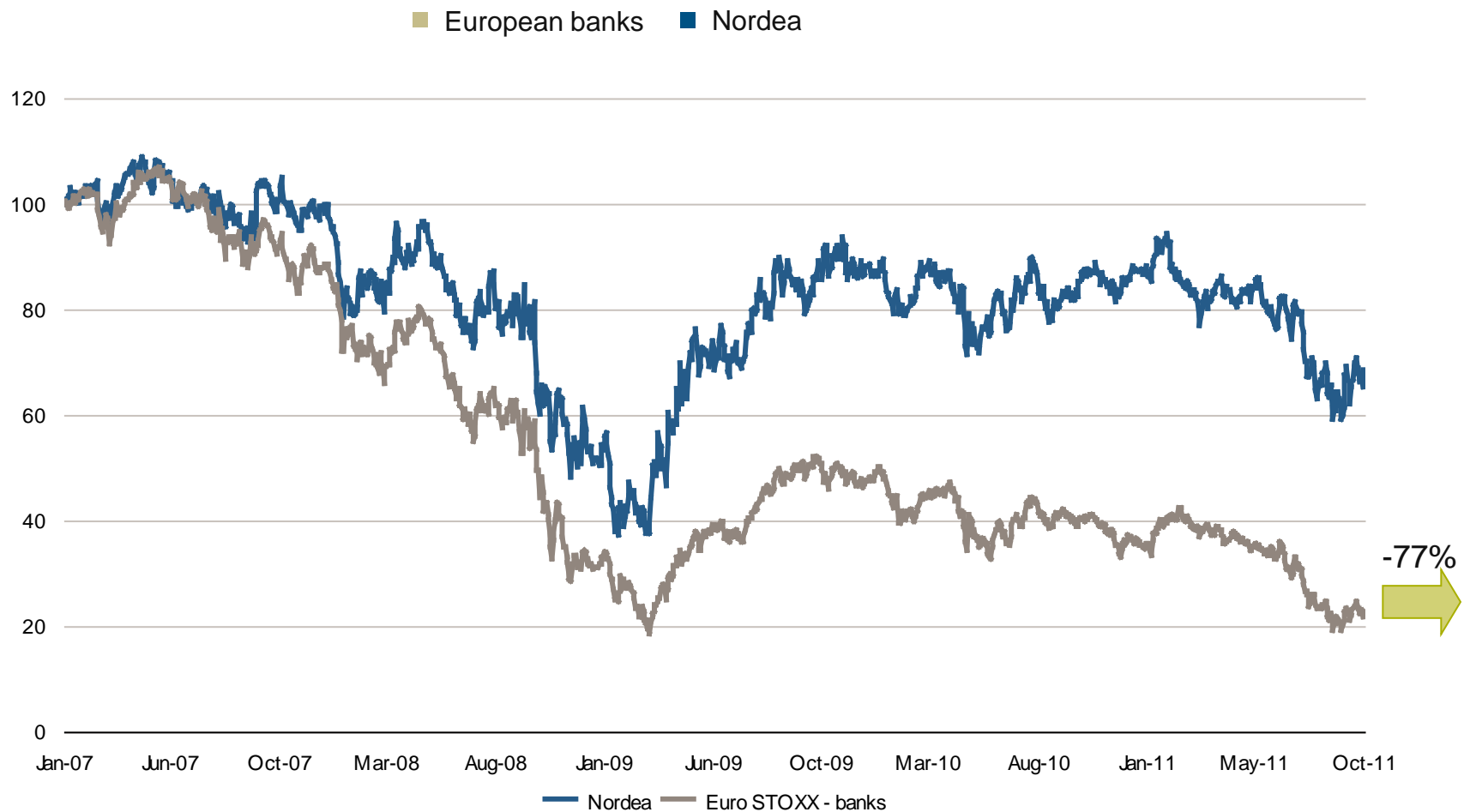
## Overall support to the regulatory initiatives but further measures needed

- Reconsider **design** of new requirements
- Reconsider **definition** of new requirements
- Reconsider the **cumulative cost impact** of new requirements

Calibrate the levels (find the balance)  
&  
Ensure a level playing field with harmonized requirements

# The impact of the 2008 crisis

## Relative share price performance since 2007





- Paradigm shift in European banking
- **Strengths of Nordea's platform**
- Focused relationship strategy

# Diversified geographical reach

## Sweden



Branches: 333  
Household customers: 3.68m  
Corporate customers: 252 920  
Employees\*: FTE's 3 590  
Total lending: EUR 77.0bn  
Market rank: 2-3

## Norway



Branches: 118  
Household customers: 838 000  
Corporate customers: 77 160  
Employees\*: FTE's 1 519  
Total lending: EUR 48.6bn  
Market rank: 2

## Denmark



Branches: 236  
Household customers: 1.72m  
Corporate customers: 47 108  
Employees\*: FTE's 4 365  
Total lending: EUR 74.4bn  
Market rank: 2

## Finland



Branches: 392  
Household customers: 3.08m  
Corporate customers: 118 700  
Employees\*: FTE's 4 304  
Total lending: EUR 54.5bn  
Market rank: 1

## Russia



Branches: 48  
Customers: 64 100  
Employees: FTE's 1 615  
Total lending: EUR 5.6bn  
Market rank: 22

## Estonia

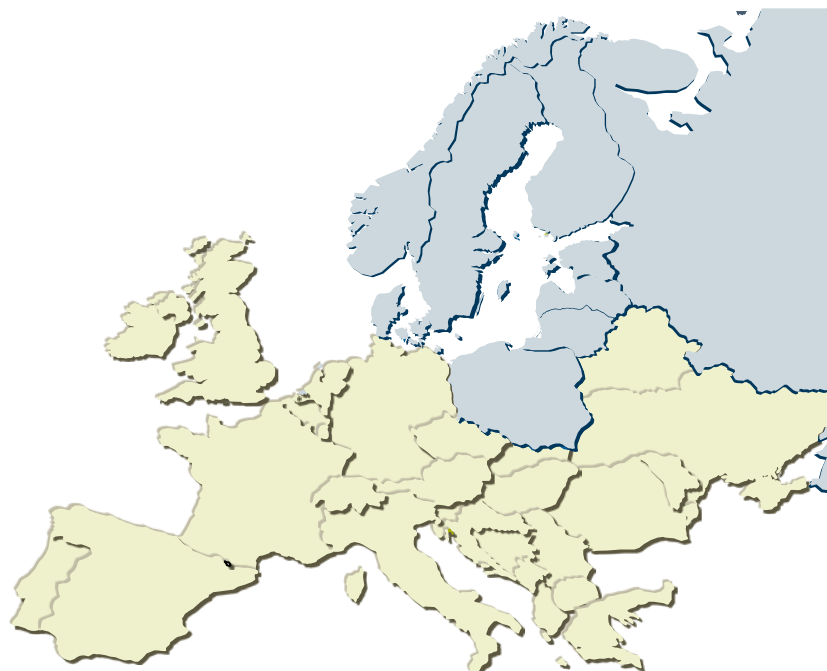


Branches: 21  
Customers: 129 569  
Employees: FTE's 390  
Total lending: EUR 2.9bn  
Market rank: 3

## Latvia



Branches: 22  
Customers: 109 046  
Employees: FTE's 442  
Total lending: EUR 2.8bn  
Market rank: 3



## Poland



Branches: 208  
Customers: 715 200  
Employees: FTE's 2 037  
Total lending: EUR 6.1bn  
Market rank: 14

## Lithuania



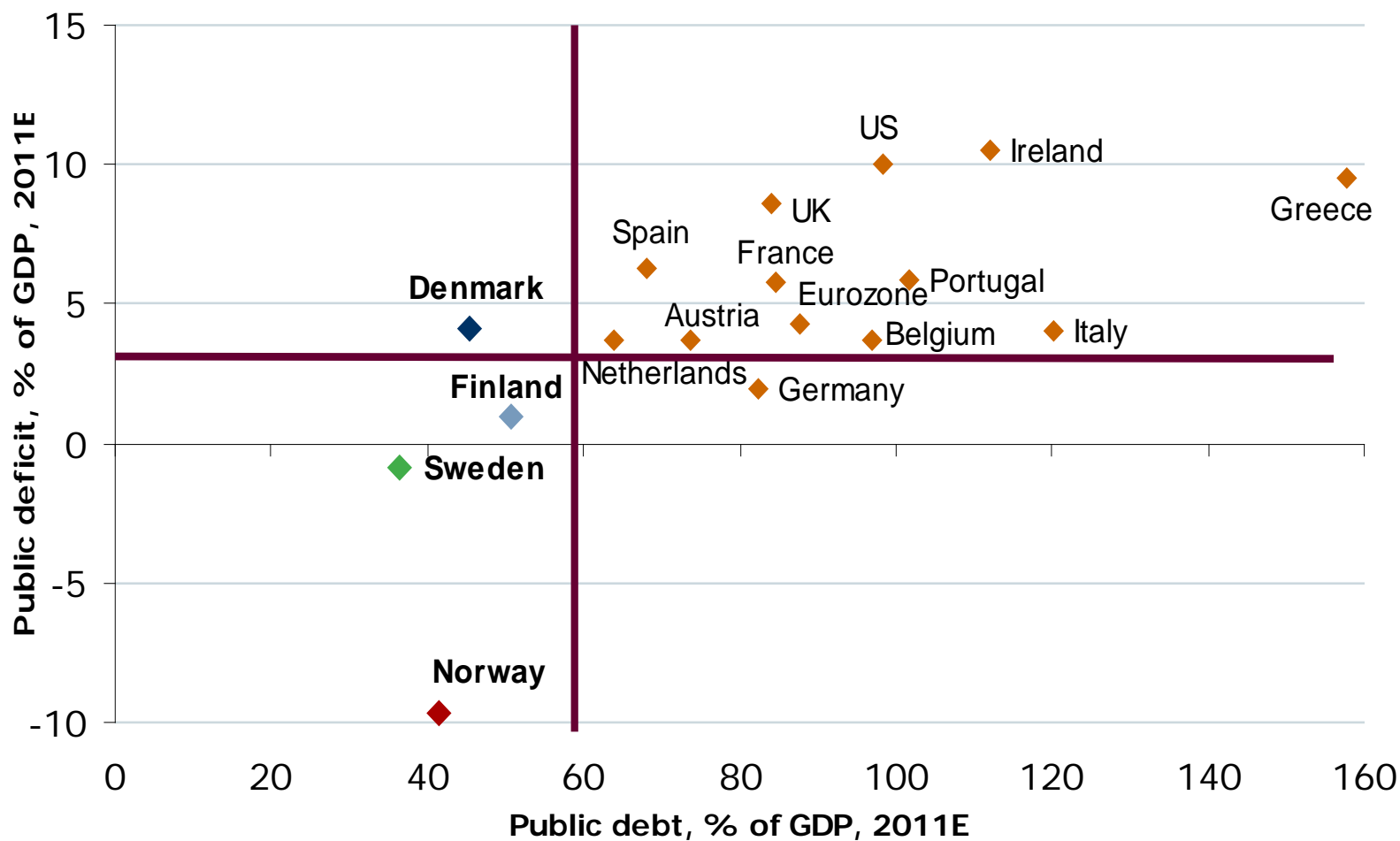
Branches: 21  
Customers: 144 366  
Employees: FTE's 343  
Total lending: EUR 2.5bn  
Market rank: 4

## International Private Banking



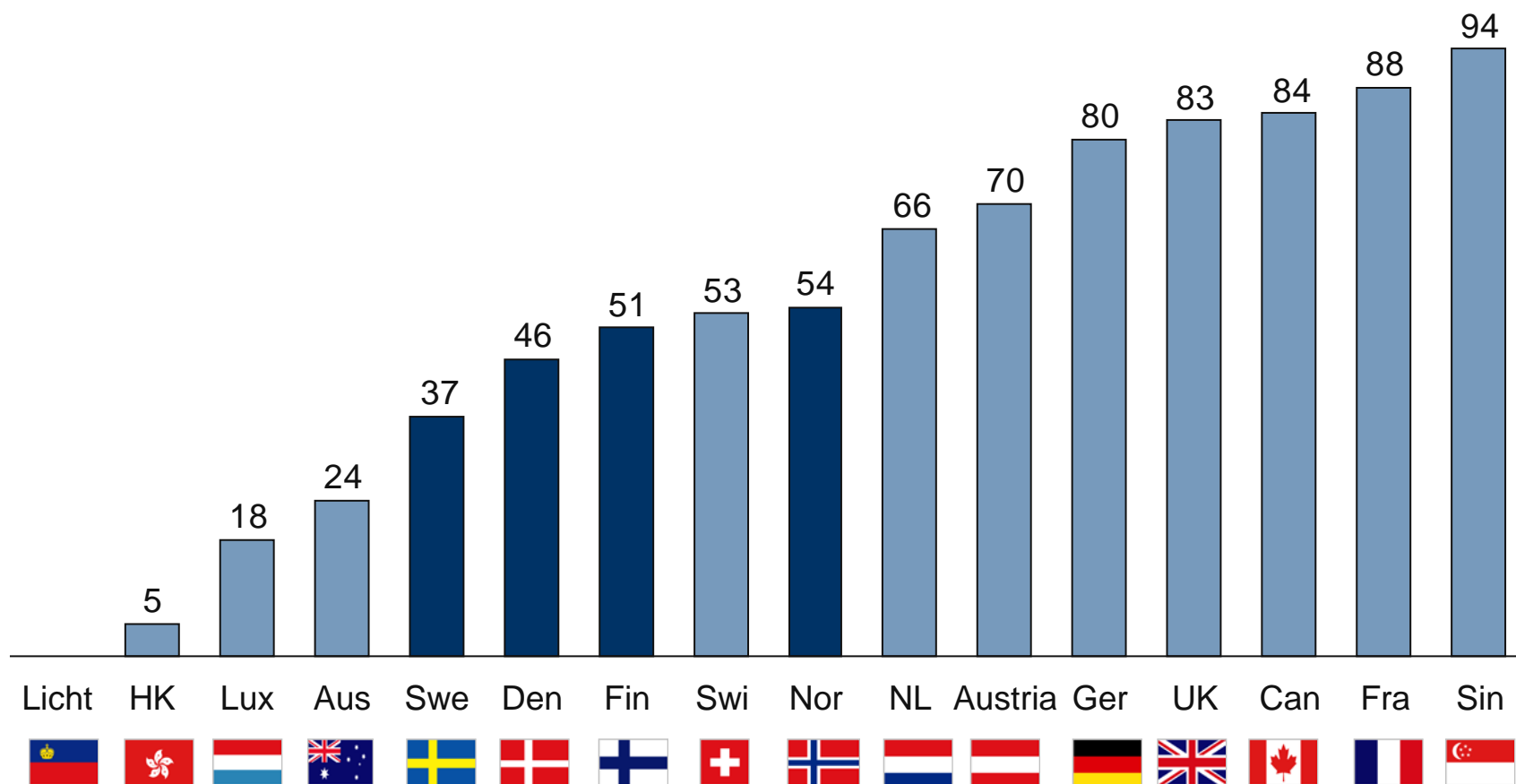
Customers: 12 000  
Total AuM: EUR 48.9bn  
Market rank: 1 Nordic in Luxembourg

# Nordea's markets macroeconomic sound



# All Nordic countries in AAA debt position

Gross debt/GDP (%) for AAA rated countries globally



Note: Number of AAA countries refers to S&P's credit ratings.

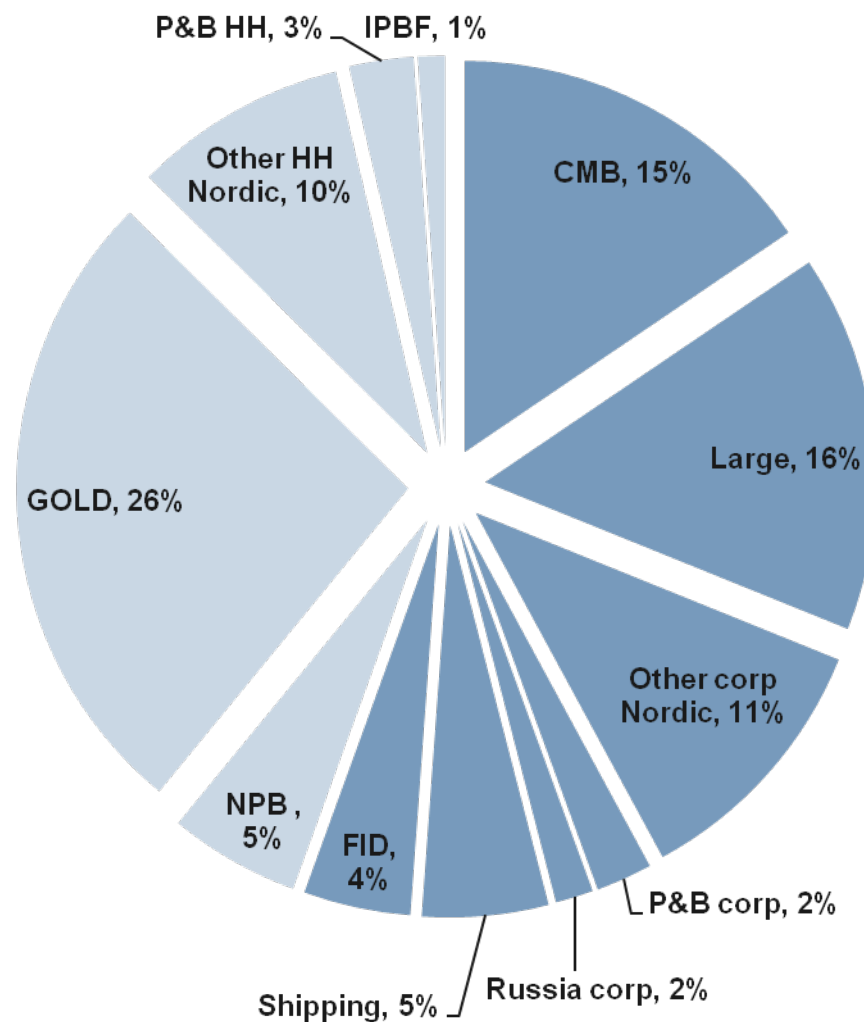
Source: Deutsche Bank, IMF and Swedish National Debt Office.

# Large, diversified customer base

Income split per customer segment, Q3 2011

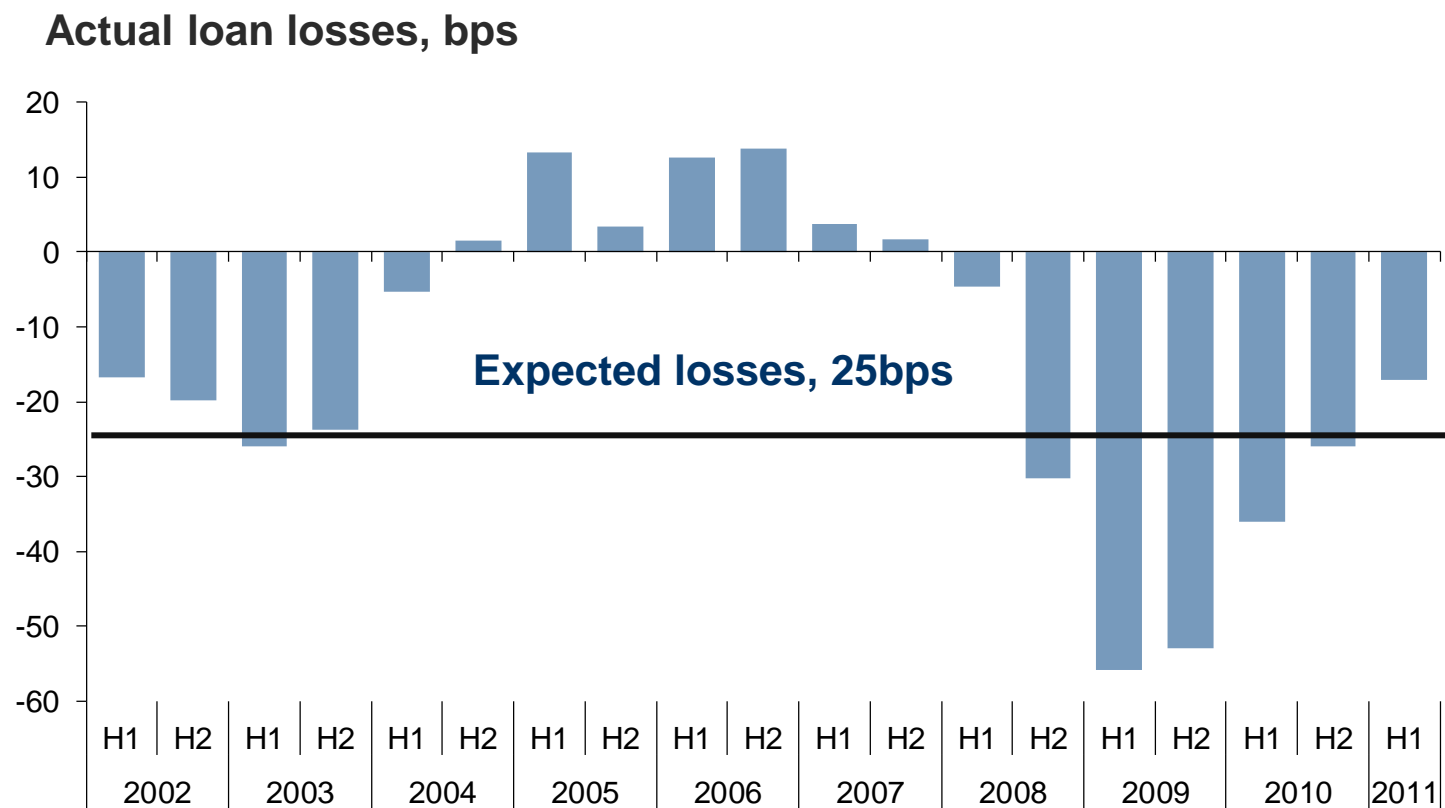
**Household  
segments = 45%**

**Corporate  
segments = 55%**



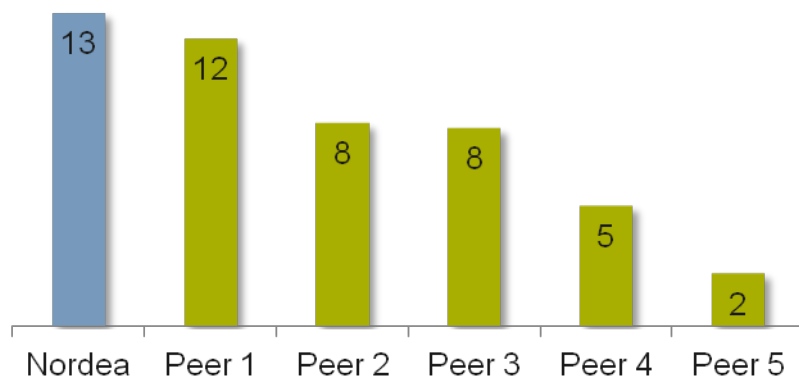


# Sound risk profile

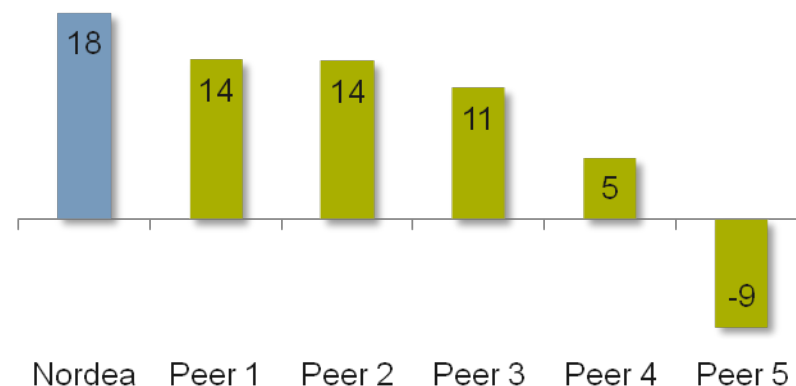


# Attractive savings platform

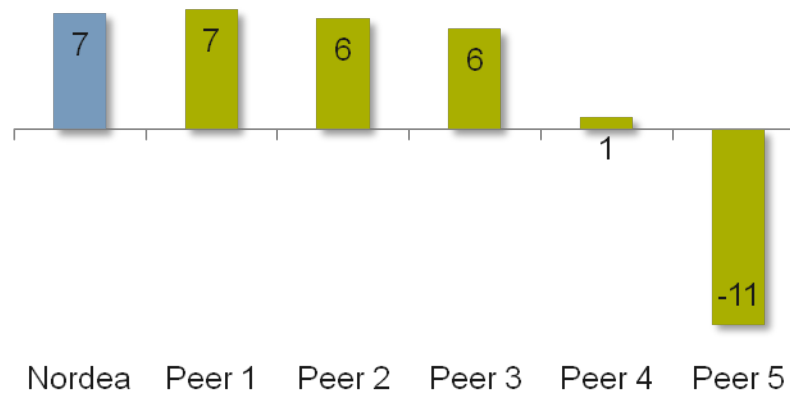
AuM growth, Q210 - Q211, %



Gross written premium growth 12 month rolling, Q210-Q211, %



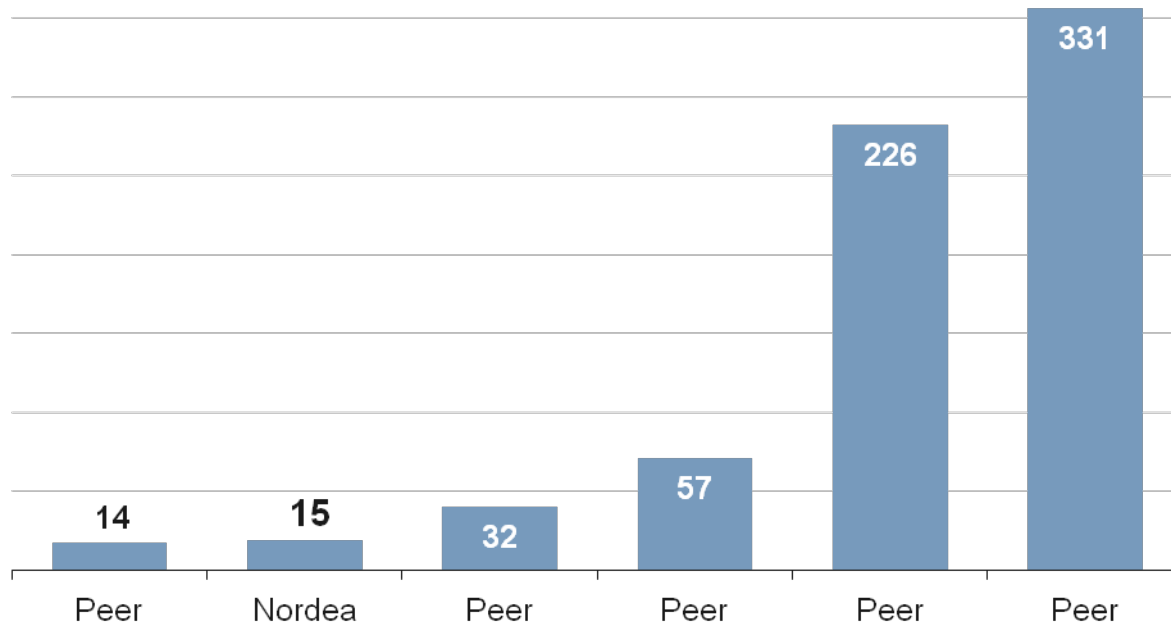
Household deposits growth, Q210 - Q211, %



Source: Interim report; National statistics for gross written premiums.  
Note: Growth rates in local currency

# Low volatility in operating profit

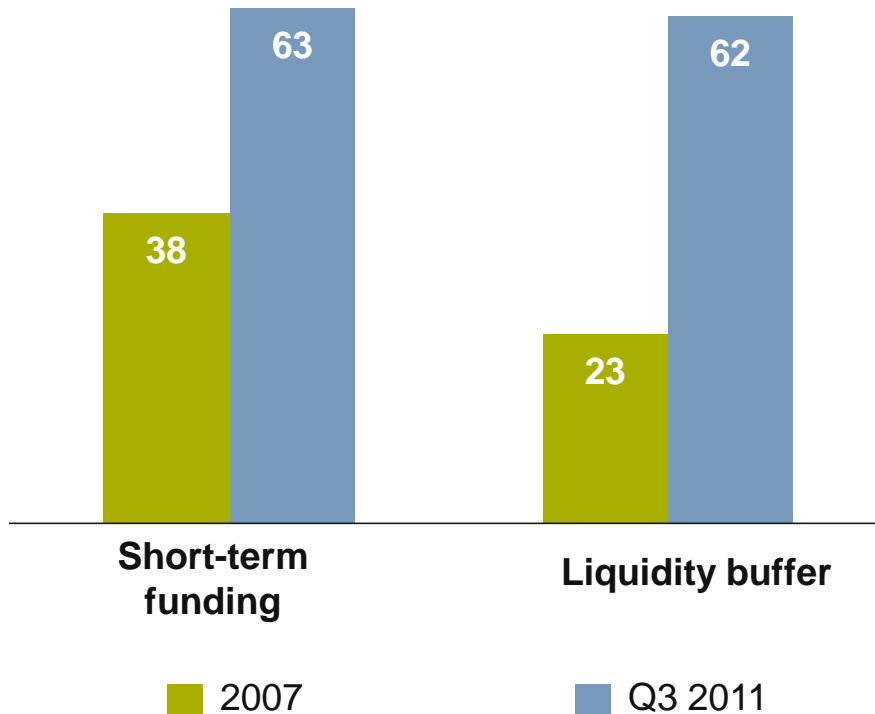
**Nordic peers, operating profit coefficient variation, %  
12 quarters up to Q2 2011**



Source: Company reports

# Sound funding and liquidity position

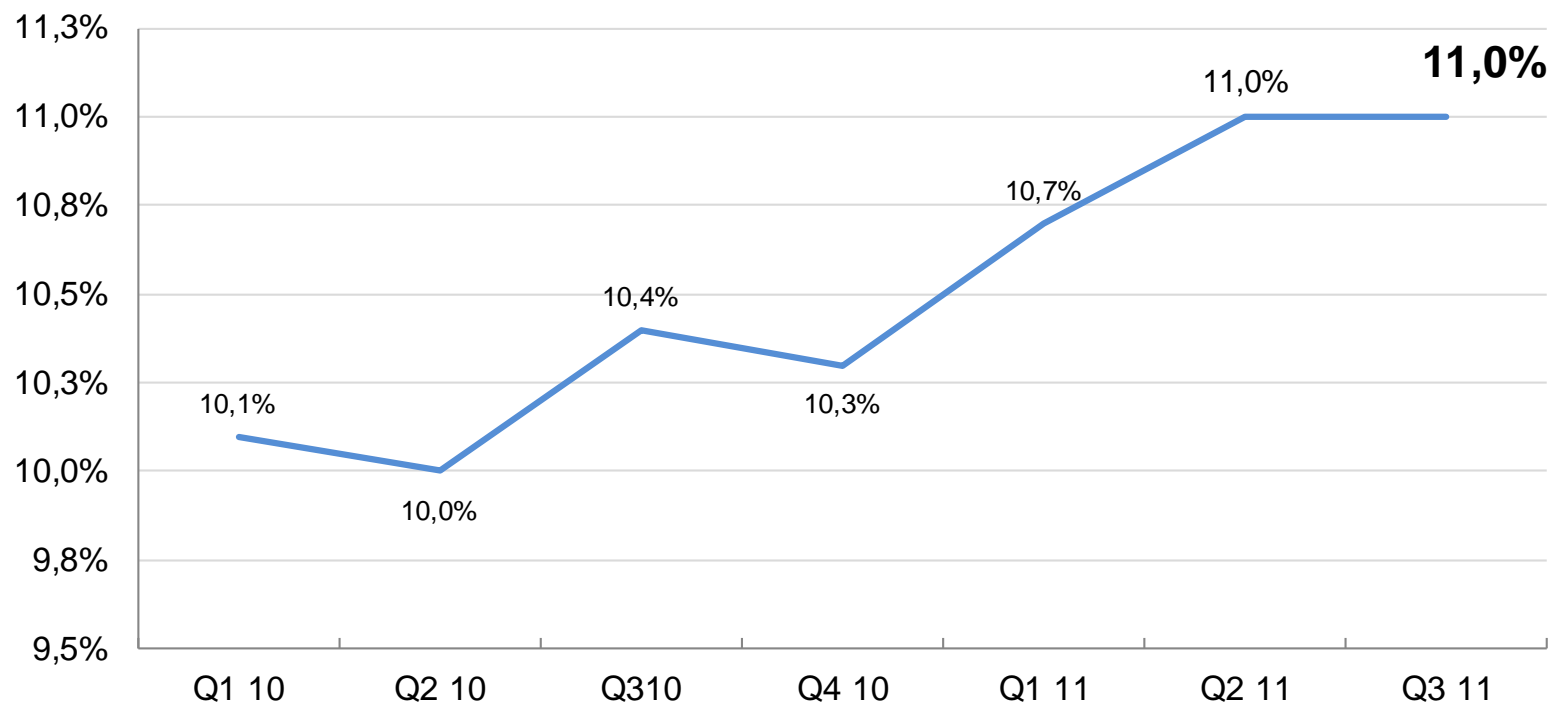
**Increased Liquidity buffer covers  
short-term issuance**  
EUR bn



- Liquidity buffer increased since 2007
- 30-days survival horizon in line with Nordea risk appetite
- Size of liquidity buffer > short term funding
- Small changes to composition required to reach LCR compliance

# A solid capital position

Development of Core Tier 1-ratio



# Relative market cap development

Nordea peer group\*; market cap, year end; EURbn

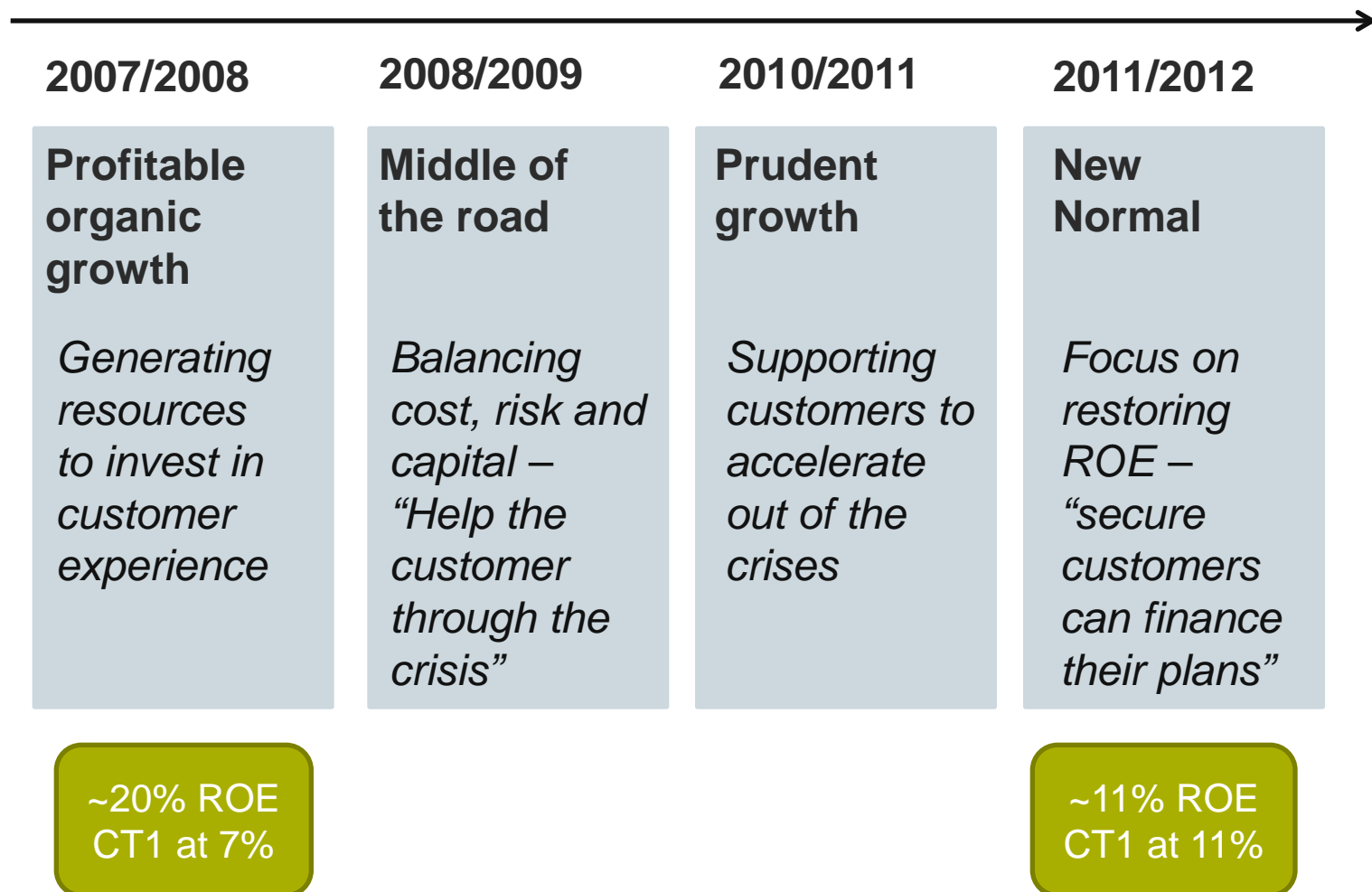
2007		2008		2009		2010		2011 (Oct. 24)	
1. Santander	92,5	1. Santander	54,0	1. Santander	95,2	1. Santander	66,0	1. Santander	53,5
2. Unicredit	75,9	2. BBVA	32,4	2. BNP Paribas	66,2	2. BNP Paribas	57,0	2. BNP Paribas	38,1
3. Intesa	68,8	3. Intesa	31,8	3. BBVA	47,7	3. Lloyds	52,2	3. BBVA	31,7
4. BNP Paribas	67,2	4. BNP Paribas	27,6	4. Intesa	39,5	4. Barclays	37,2	4. Lloyds	27,6
5. BBVA	62,8	5. Unicredit	23,3	5. Unicredit	39,3	5. Deutsche	36,3	<b>5. Nordea</b>	<b>25,0</b>
6. RBS	60,5	6. SocGen	20,9	6. Lloyds	36,3	6. BBVA	34,0	6. Deutsche	24,2
7. Deutsche	47,0	7. RBS	20,1	7. SocGen	36,2	<b>7. Nordea</b>	<b>32,8</b>	7. Barclays	23,2
8. SocGen	46,1	8. Credit Agricole	17,8	8. Barclays	35,4	8. SocGen	30,0	8. Intesa	20,8
9. Barclays	45,3	9. Deutsche	16,0	9. Deutsche	30,8	9. Unicredit	29,9	9. Unicredit	16,6
10. Credit Agricole	38,5	10. Barclays	13,2	<b>10. Nordea</b>	<b>28,7</b>	10. RBS	26,7	10. RBS	16,5
11. Lloyds	36,3	<b>11. Nordea</b>	<b>13,0</b>	11. Credit Agricole	28,6	11. Intesa	25,7	11. SocGen	15,9
12. KBC	34,1	12. Lloyds	11,1	12. RBS	18,5	12. Credit Agricole	22,8	12. Credit Agricole	13,4
<b>13. Nordea</b>	<b>29,7</b>	13. KBC	7,6	13. SHB	12,4	13. DnB NOR	17,1	13. DnB NOR	12,1
14. Danske	18,7	14. SHB	7,1	14. DnB NOR	12,3	14. SHB	14,9	14. SHB	11,9
15. Commerzbank	17,6	15. Erste	5,1	15. Danske	11,0	15. SEB	13,6	15. Swedbank	10,2
16. Erste	15,3	16. Commerzbank	5,1	16. KBC	10,9	16. Danske	13,4	16. Danske	9,6
17. DnB NOR	13,9	17. Danske	4,9	17. Erste	9,8	17. Erste	13,3	17. SEB	9,2
18. SHB	13,8	18. SEB	3,8	18. SEB	9,5	18. Swedbank	12,1	18. Commerzbank	9,0
19. SEB	12,0	19. DnB NOR	3,7	19. Swedbank	8,0	19. KBC	9,1	19. Erste	7,8
20. Swedbank	10,0	20. Swedbank	3,1	20. Commerzbank	7,2	20. Commerzbank	7,0	20. KBC	6,8



- Paradigm shift in European banking
- Strengths of Nordea's platform
- **Focused relationship strategy**

# The journey continues

## *Execution of the relationship strategy*





## Benefits of the relationship strategy

**Satisfying customer needs**

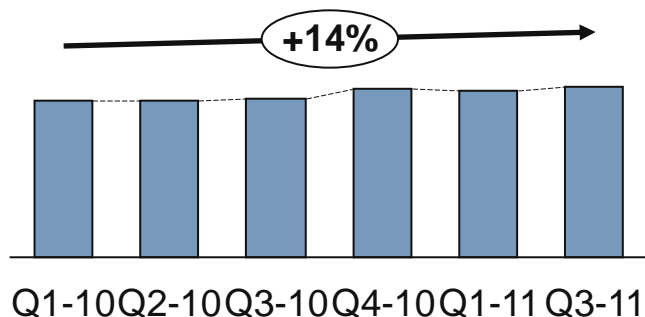
**Focus on most attractive customers**

**Capital & funding efficiency  
– mirror of economy**

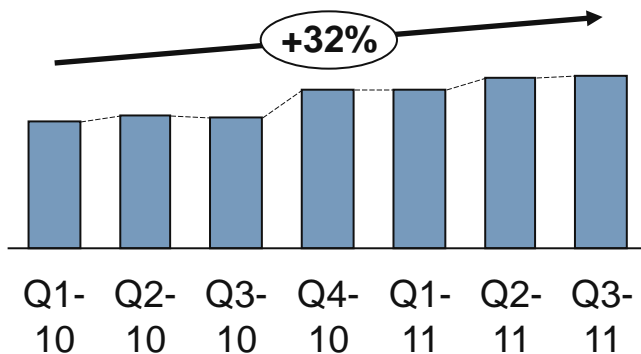
**Low risk and diversification**

# Delivery on the strategy in Retail Banking

Average income per Gold customer



Non lending income per Gold customer

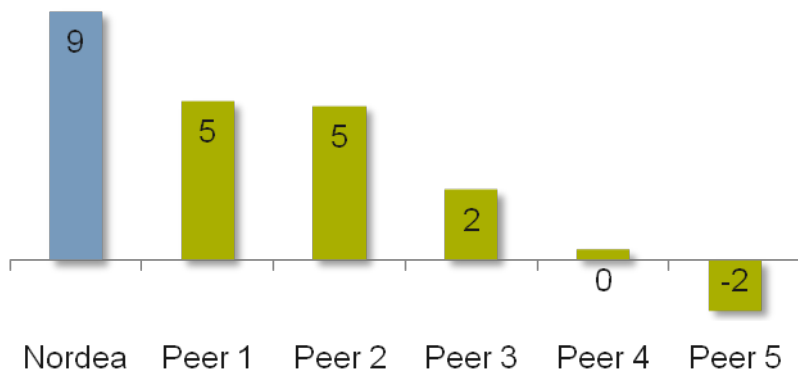


## Q3 2010 vs Q3 2011

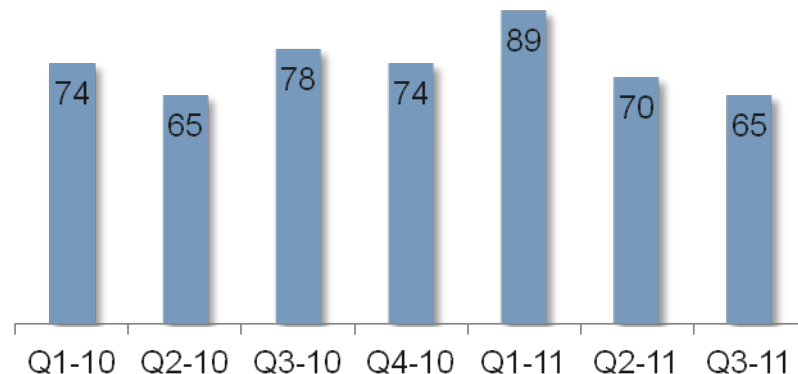
- Gold customers up >5%
- HH Private banking customers up 4%
- Number of products per Gold customer stable at a high level >6
- Households savings net sales of EUR 4.5bn
- Corporate asset productivity up 19 basis points

# Delivery on the strategy in Wealth Management

Net inflow, Q210 - Q211\*, EURbn



Share of investments composites outperforming their benchmarks, Three years performance, %



## Deliveries the past year

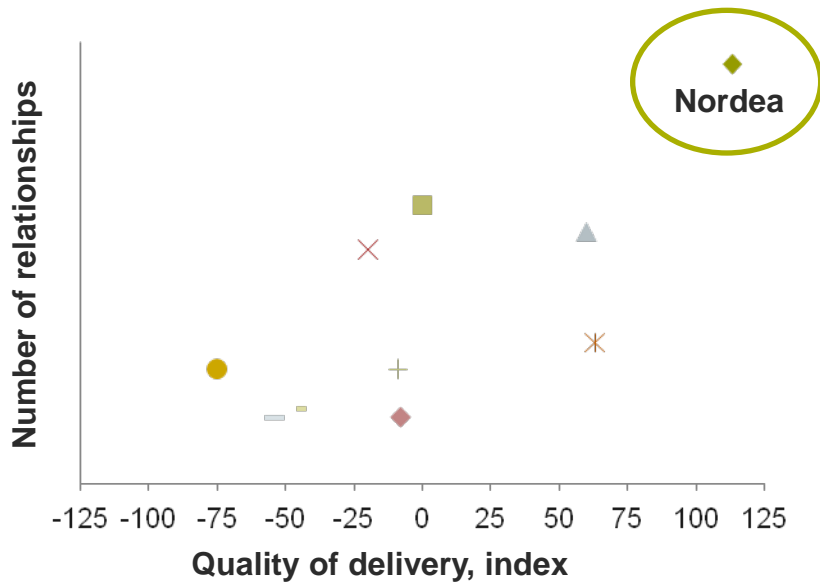
- ✓ Leading Nordic asset manager – highest net inflow and AuM growth among Nordic peers\*
- ✓ Awarded best Private Bank in the Nordic region
- ✓ Income per Private Banking customer increased
- ✓ Highest gross written premium growth rate among Nordic peers – 60% of premiums in unit linked products
- ✓ Strengthen international presence – EUR 2.7bn in international net inflow

\* Only Q2 figures available

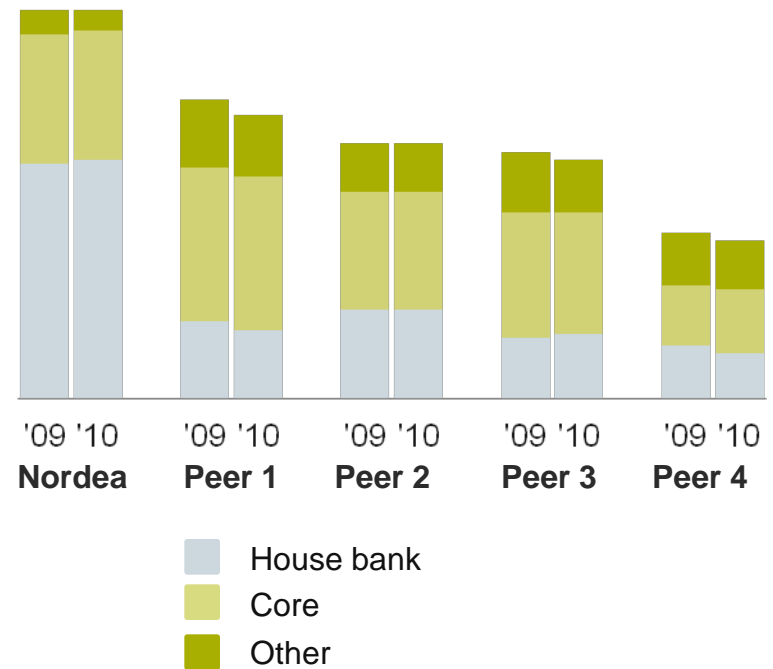
Source: Company interim reports and national statistics

# Delivery in Wholesale Banking

Nordic leader in quality and volume



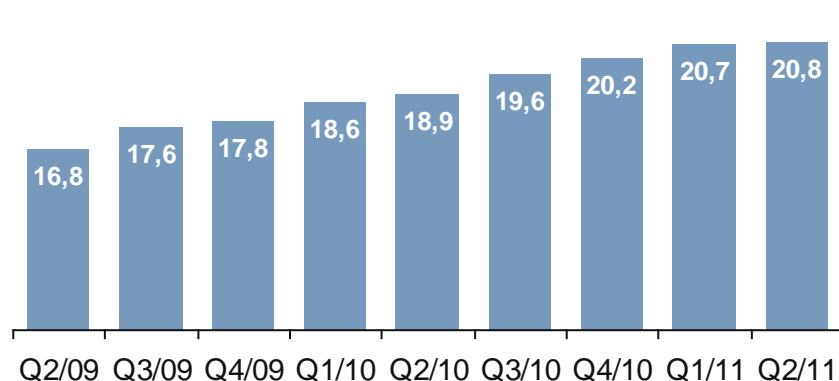
Nordic leader in customer relationships, Percent



Source: Own analyses

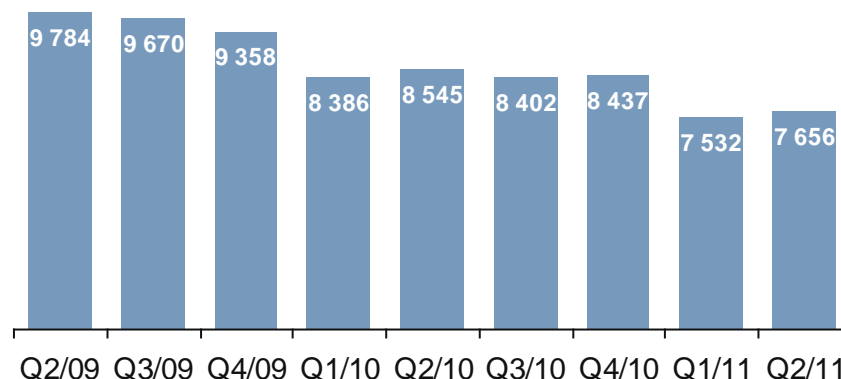
# Improved Group productivity ratios

Business volumes<sup>1</sup>/FTE, EURm

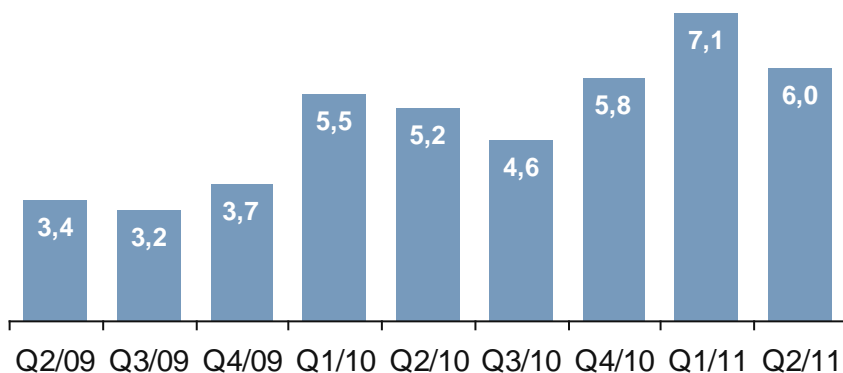


<sup>1</sup>Lending, deposits & AuM

Manual transactions in branch network, '000

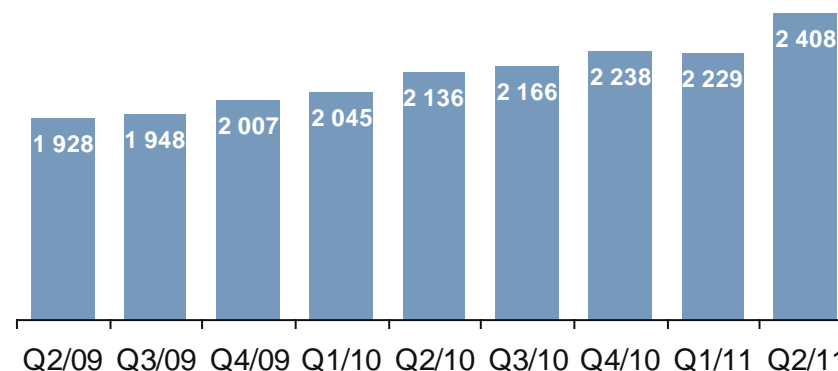


360° meetings and new customers/ week/PBA

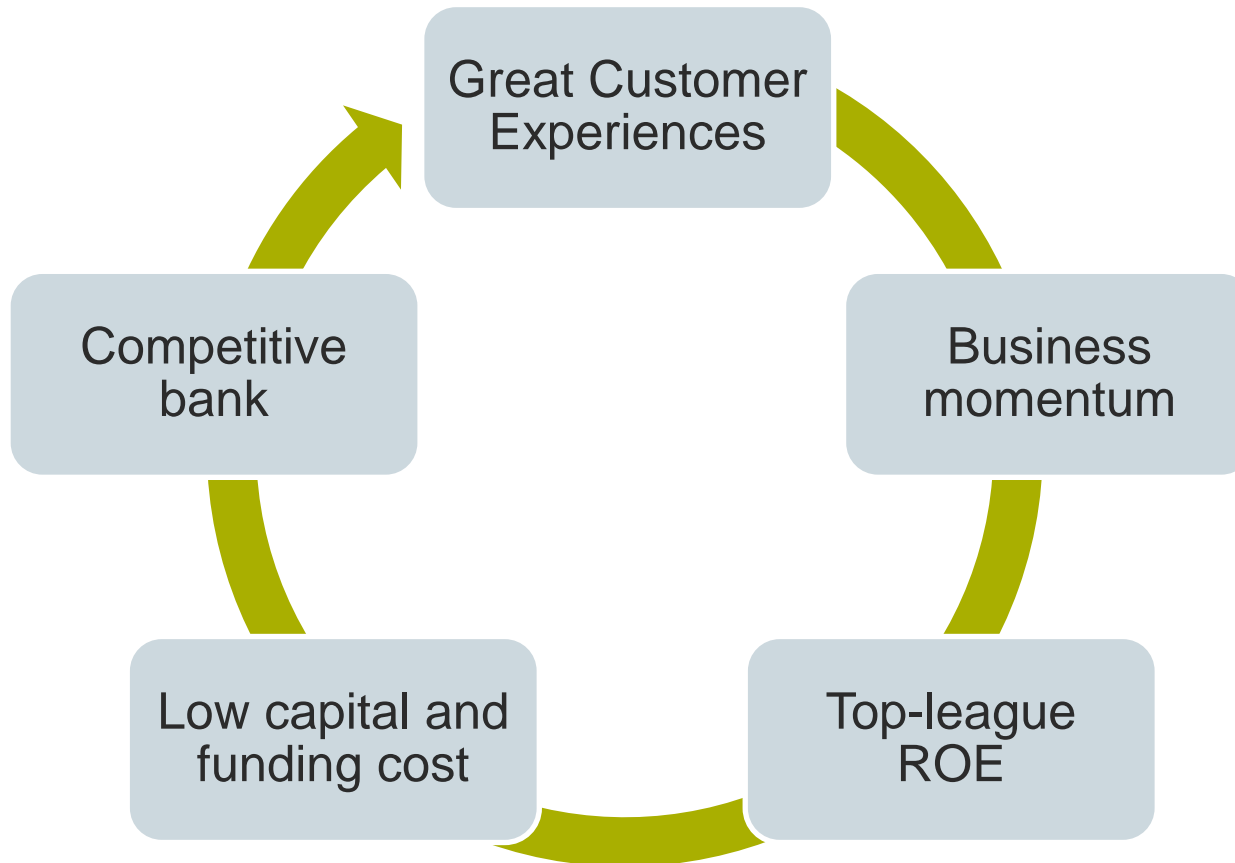


Contracts/loans/cards/invoices per FTE

Nordea Finance



## Banks will need to reach a competitive ROE level



# What New Normal is for Nordea



Execution of a focused relationship strategy



Further develop a sustainable business model



Generating top league ROE

Target: 15% ROE in a normalised macro-economic environment

# New Normal is execution of a “Focused relationship strategy”

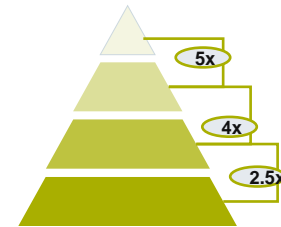
## Themes

1. Disciplined ROE focus
2. Cost efficiency
3. Capital efficiency

## Units



## Segments

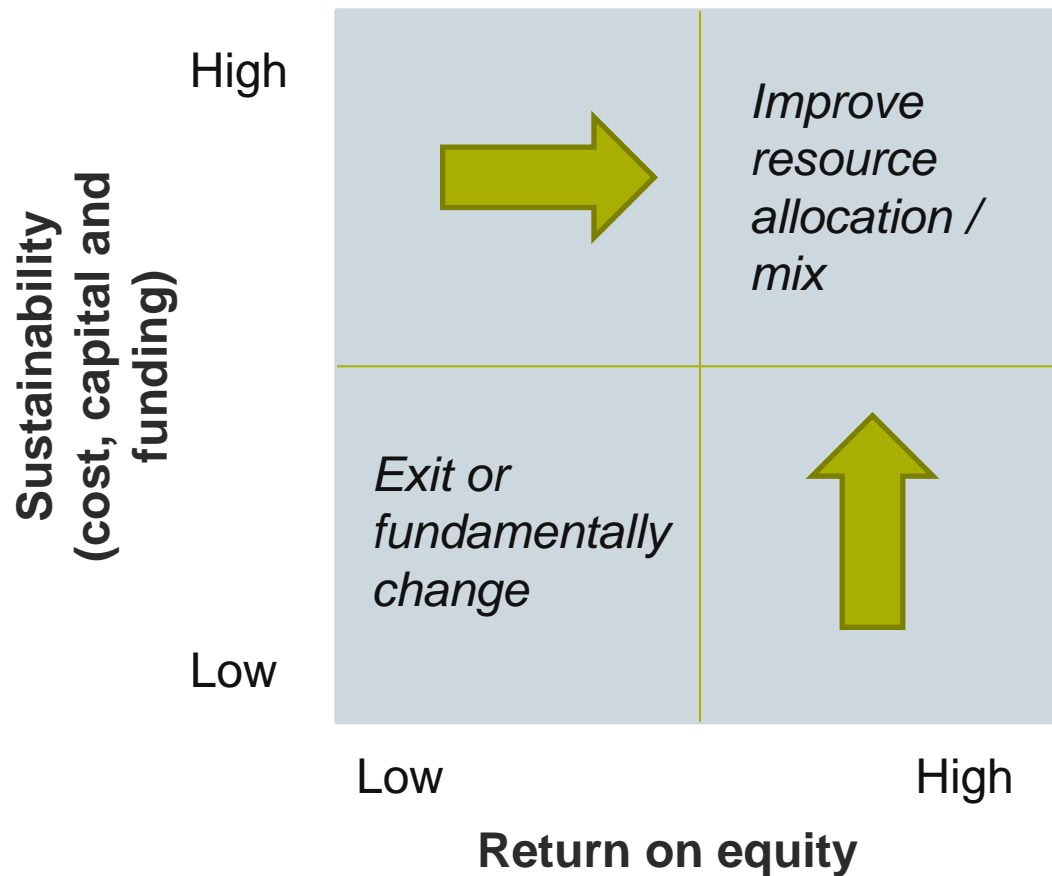


## Customers





# 1. Disciplined ROE focus in adapting the business model



## **Sustainability**

- Support of relationship strategy
- Attractive long term trends
- Balanced in funding and capital consumption
- Prudent risk level
- Opportunities for profitable growth
- Can as part of the Group stand alone in the New Normal

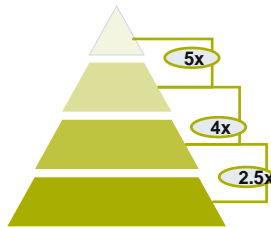
# 1. Implications on different levels

## Units



- Group targets and caps cascaded to Business Units
- Business and portfolio reviews
- RaRoCar key measure per Business Unit

## Segments



- Segment strategies revisited and calibrated
- Reallocation of resources between segments
- More capital and funding efficient concepts and products

## Customers



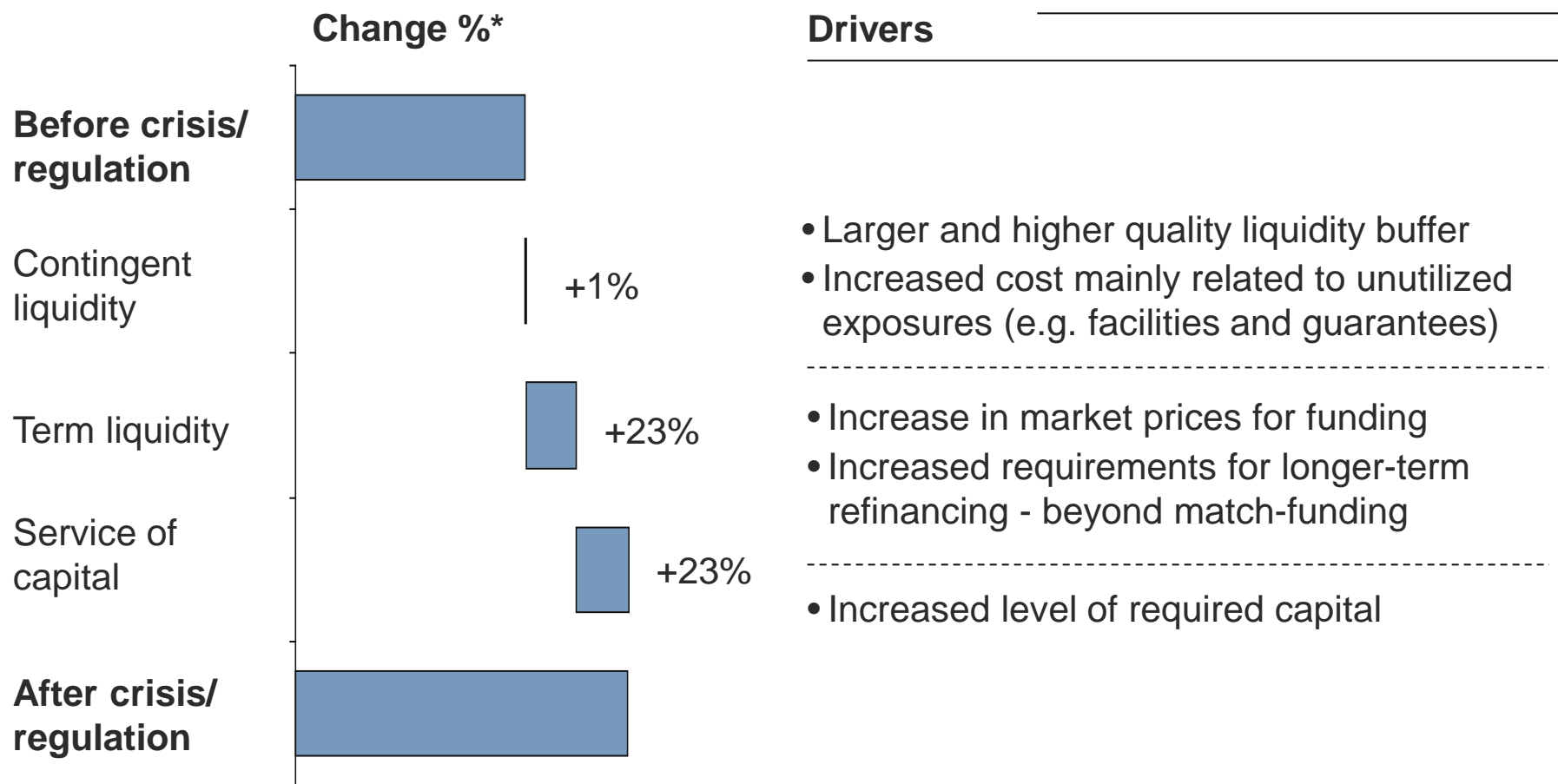
- New behavior and advice
- Fair pricing (true cost of capital, liquidity and funding)
- New frontline Customer profitability tools
- Low RaRoCar customers: changed concepts or re-priced

# 1. Products will have to be re-priced to reflect “true” cost

Example of consequences on margins (ceteris paribus); illustration

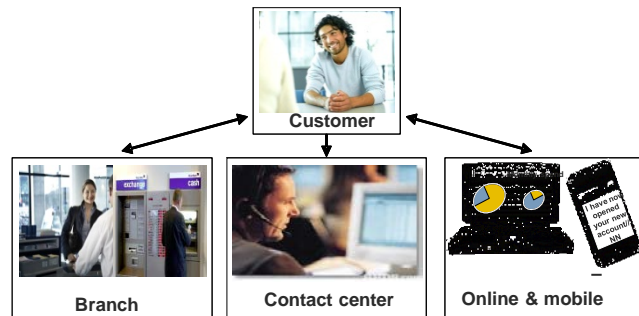
EXAMPLE: 5Y LOAN, 90% UTILIZED

LARGE CORPORATE WITH BBB RATING



\*Regulatory requirements still uncertain  
Source: Nordea estimates

## 2. Move to more cost efficient distribution



### Key initiatives in Retail Banking

- **Focus resources on key segments**
  - Reallocation of resources between Gold and Premium segments
  - Adjusted contact policy/number of meetings per advisor
- **Reduced number of branch locations** in Nordic countries
- **Reduced cash handling** in Nordic branches – migration to self-service channels
- **Improved proportion of advisory branches** targeting key relationship customers (40%)
- Continued **development of mobile banking** service

## 2. Cost efficiency in staff, support and IT & operations

### Staff & support

- Lowered use of resources in all units especially in staff and central functions
- Improved efficiency in central processes, e.g., Finance process, HR, etc.
- Outsourcing to external service providers

### IT & operations

- Administrative tasks moved to Nordea Operations Center in Lodz
- Premises – reduced sqm and review of locations
- IT cost reduction
- IT service company
- Savings in sourcing and supply

***...supporting a flat cost development for a prolonged period of time***

## 2. Cost efficiency – staff reductions

- A 6% reduction of employees by the end of 2012:
  - Denmark            500 - 650 employees
  - Finland             500 - 650 employees
  - Norway             200 - 300 employees
  - Sweden             500 - 650 employees
- Parts of staff reduction natural turn-over and voluntary agreements

### 3. Significant potential from all levers on capital efficiency

#### Credit portfolio management

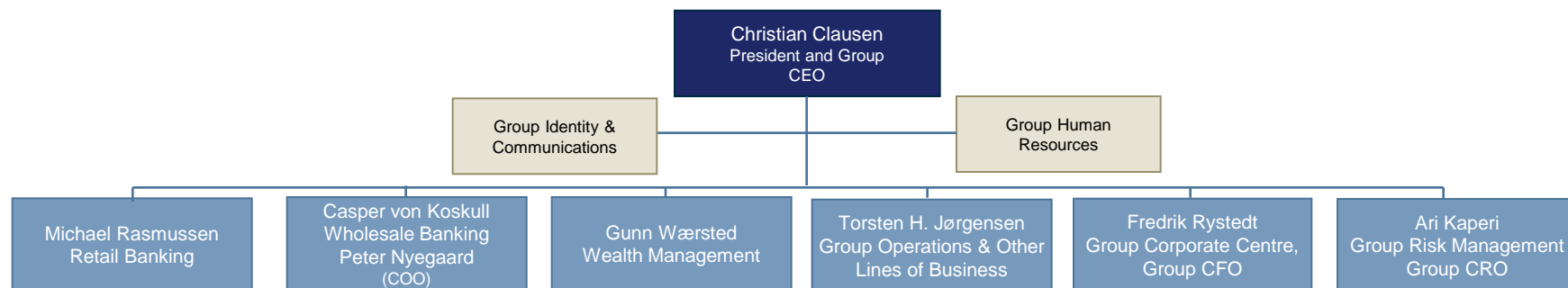
- New front office Customer profitability tools improving transparency on capital use and funding cost
- Move to capital light products and solutions
- Portfolio composition review

#### Models and process refinement

- Advanced IRB for Corporate portfolio
- Internal model for Counterparty credit risk
- In some markets, move from standardised to IRB
- Collateral agreements
- Registration
- Data sourcing

***...supporting a modest increase of RWA***

# New Group organisation as of June 1st

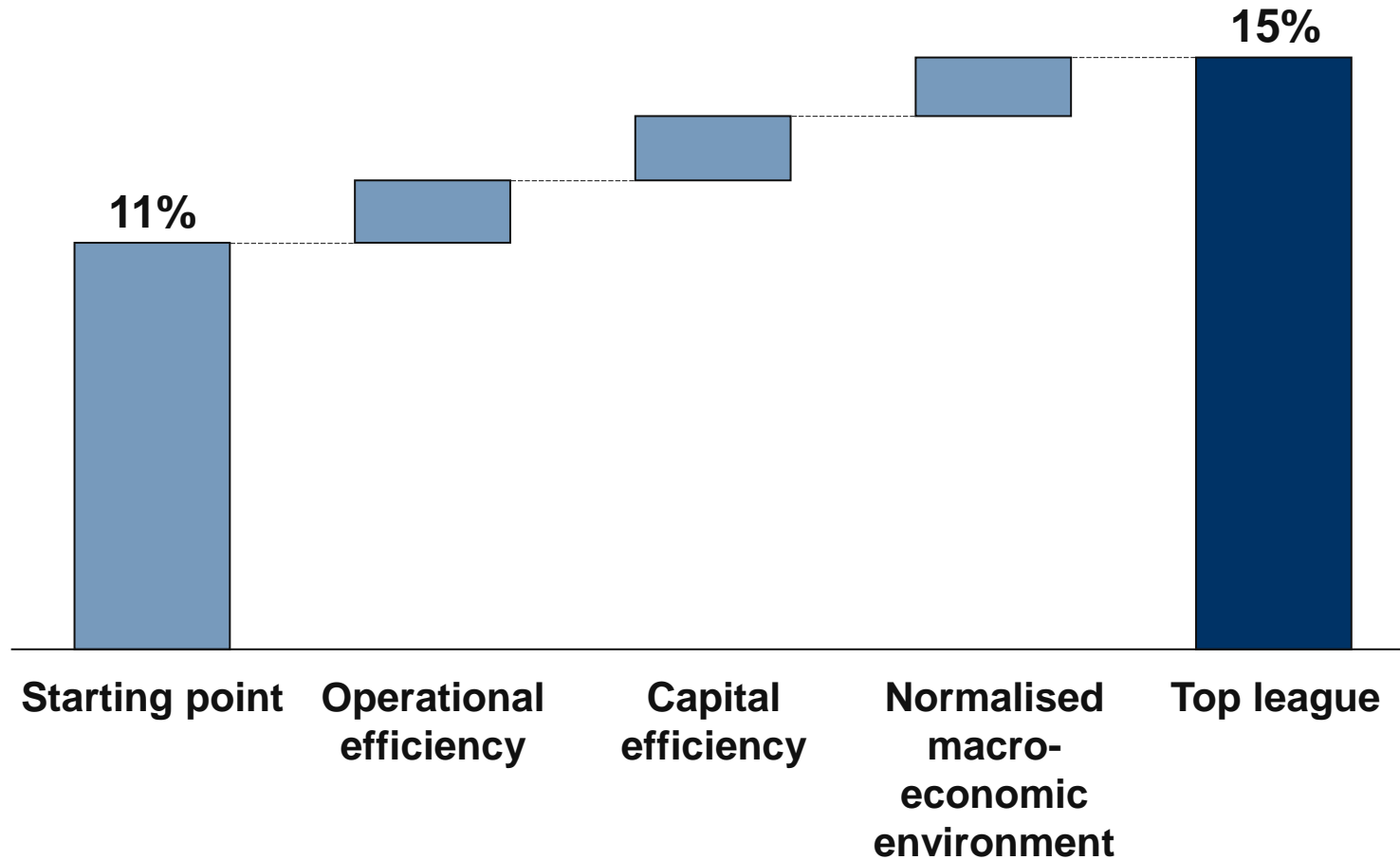


- Three main Business Areas: Retail Banking, Wholesale Banking and Wealth Management
- Organised in the value chain
- Objective to deepen customer relationships and improve efficiency
- Financial reporting was in accordance with the new organization from Q3 2011



# Roadmap to 15% ROE target

Illustrative



# Nordea committed to maintain top position

## **The best banks will be the strongest banks**

- Lower cost of capital and funding...
- ....thereby the ability to support customers
- Strategic flexibility

## **Top league returns to be one of the best banks**

- 15% RoE required
- Prudent risk level

## Strategic direction

Christian Clausen, President and Group CEO

