



# Third quarter report 2011

## Telephone conference

# 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.

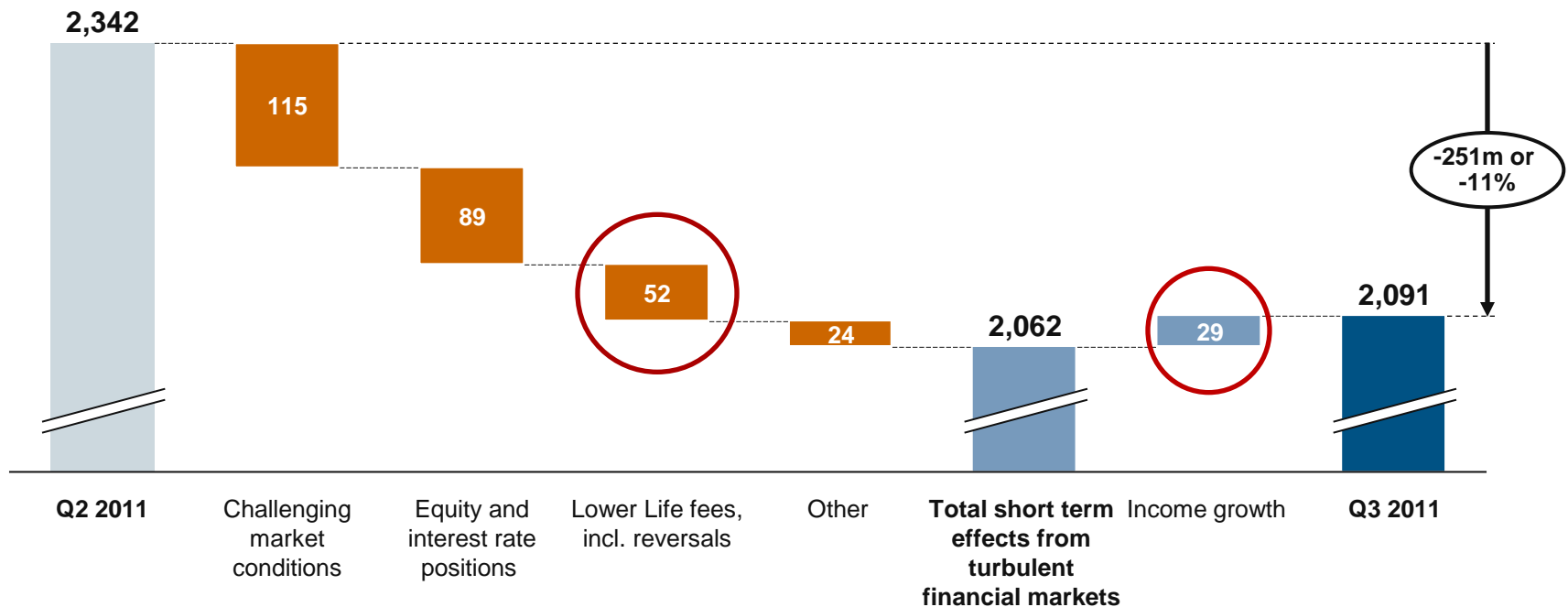
# Key messages

- **Robust customer business...**
  - Customer driven revenues up q-o-q
  - Stable increase in lending volumes – healthy margin development
  - Underlying costs are down 3% q-o-q
- **...but financial turmoil affects Q3 result**
  - Increased volatility and increased spreads in the interest markets
  - Lower interest rates and weak equity markets affecting our holdings
  - Accrual of fee income to a fee reservation account in Danish Life operation
- **Well prepared to reach an RoE of 15%**
  - Previous financial targets replaced by a 15% target
  - In line with our ambition to be in a top European league
  - Even more focused relationship strategy

# Financial result – Q3 2011

EURm	Q3/11	Q2/11	Chg.	Jan - Sep 11	Jan - Sep 10	Chg.
Net interest income	1 379	1 326	4%	4 029	3 794	6%
Net fee and commission income	582	623	-7%	1 807	1 538	17%
Net fair value result	111	356	-69%	1 011	1 333	-24%
Other income	19	37	-49%	96	162	-41%
<b>Total income</b>	<b>2 091</b>	<b>2 342</b>	<b>-11%</b>	<b>6 943</b>	<b>6 827</b>	<b>2%</b>
Staff costs	-887	-744	19%	-2 399	-2 109	14%
<b>Total expenses</b>	<b>-1 413</b>	<b>-1 275</b>	<b>11%</b>	<b>-3 953</b>	<b>-3 546</b>	<b>11%</b>
<b>Total expenses (excl. restructuring charges)</b>	<b>-1 242</b>	<b>-1 275</b>	<b>-3%</b>	<b>-3 782</b>	<b>-3 546</b>	<b>7%</b>
Profit before loan losses	678	1 067	-36%	2 990	3 281	-9%
<b>Net loan losses</b>	<b>-112</b>	<b>-118</b>	<b>-5%</b>	<b>-472</b>	<b>-713</b>	<b>-34%</b>
<b>Operating profit</b>	<b>566</b>	<b>949</b>	<b>-40%</b>	<b>2 518</b>	<b>2 568</b>	<b>-2%</b>
<b>Net profit</b>	<b>406</b>	<b>700</b>	<b>-42%</b>	<b>1 848</b>	<b>1 893</b>	<b>-2%</b>
Risk-adjusted profit	485	643	25%	1 899	1 901	0%

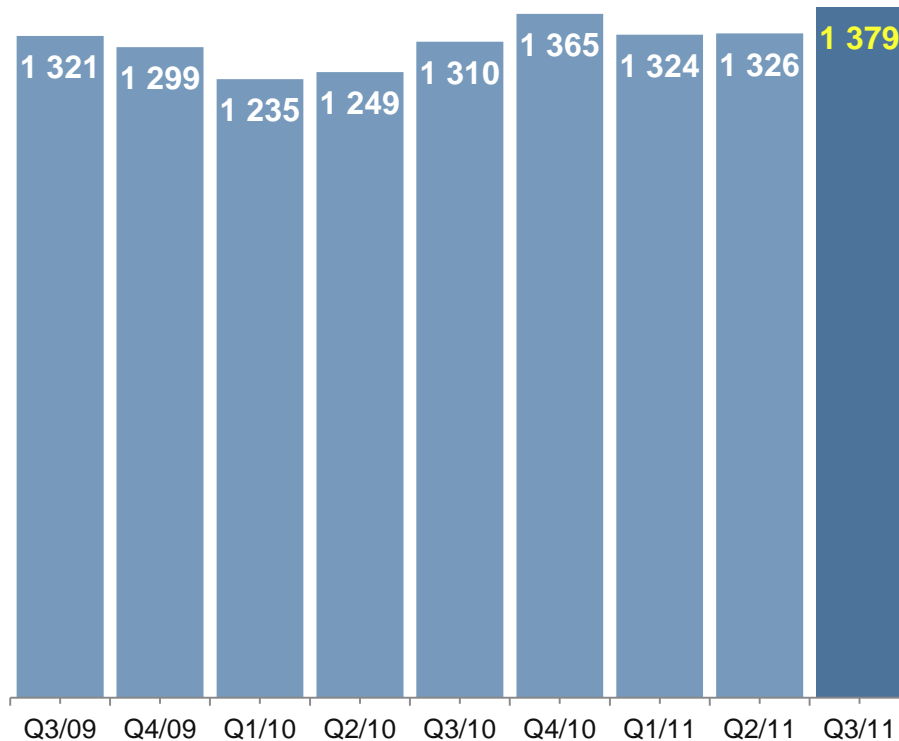
# Total income dropping from turbulent financial markets - underlying customer income stable



- **Financial highlights**
- Business areas
- Adapting to the New Normal

# Positive trend in net interest income

Total net interest income, EURm



- Modest increase in corporate and mortgage lending volumes
- Somewhat improved lending and deposit margins
- Positive contribution from Group Treasury

# Change in net interest income

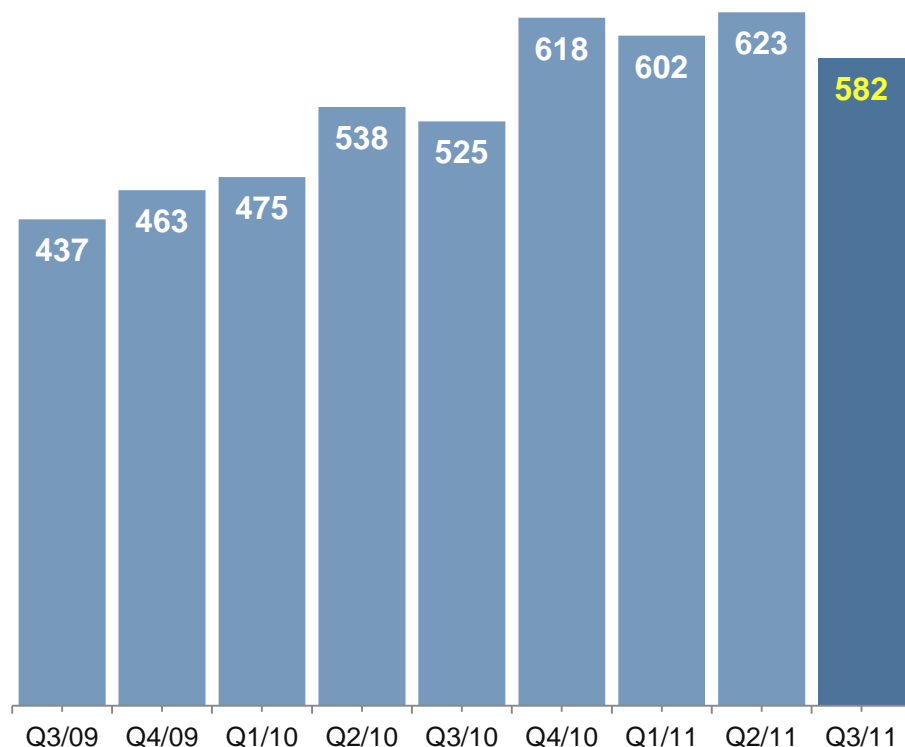
Change, EURm	Q-o-Q	Y-o-Y
<b>Volume-driven NII</b>	<b>15</b>	<b>154</b>
Lending	13	123
Deposits	2	31
<b>Margin-driven NII</b>	<b>25</b>	<b>239</b>
Lending	14	19
Deposits	11	220
<b>GCC, including Treasury</b>	<b>29</b>	<b>-100</b>
<b>Group Functions</b>	<b>-16</b>	<b>-58</b>
<b>Total</b>	<b>53</b>	<b>235</b>

- Positive contributions from both volumes and margins
- Positive trend in Group Treasury partly offset by lower NII in Group Functions



# Assets under Management affected by turmoil

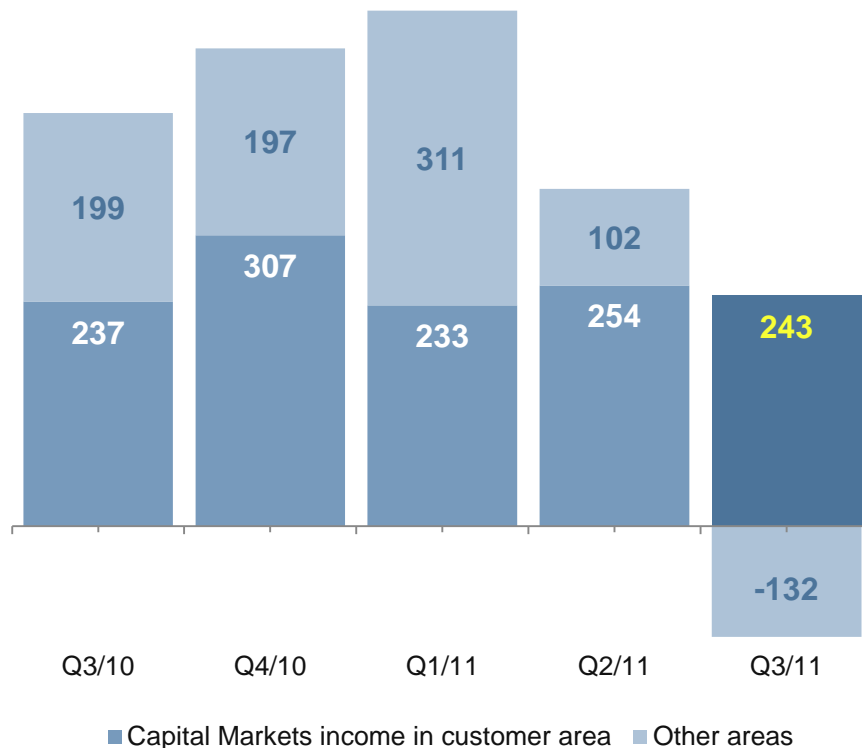
Net fee and commission income, EURm



- Lower savings commission due to lower assets under management and weak equity markets
- Seasonal effects on transaction related commission income

# Good customer driven flow, whilst short term negative effects from financial turmoil

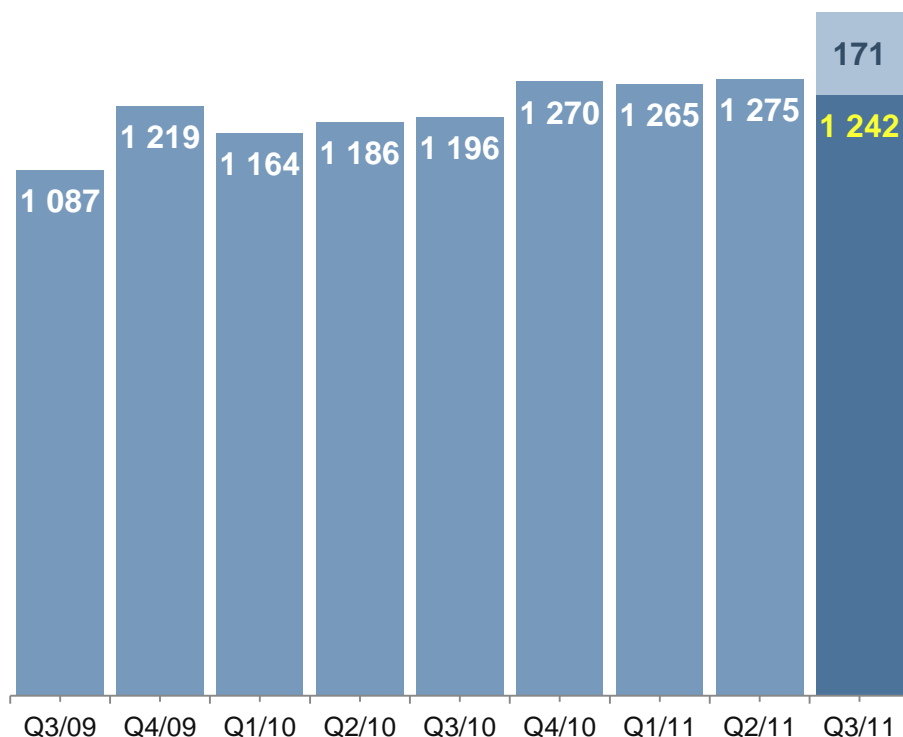
Net result from items at fair value, EURm



- Good demand in customer driven activities
- Increased volatility and credit spreads
- Negative valuation effects in our holdings
- Accrual of fee income to fee reservation account in Danish traditional life insurance operations

# Expenses under good control

Total expenses, EURm



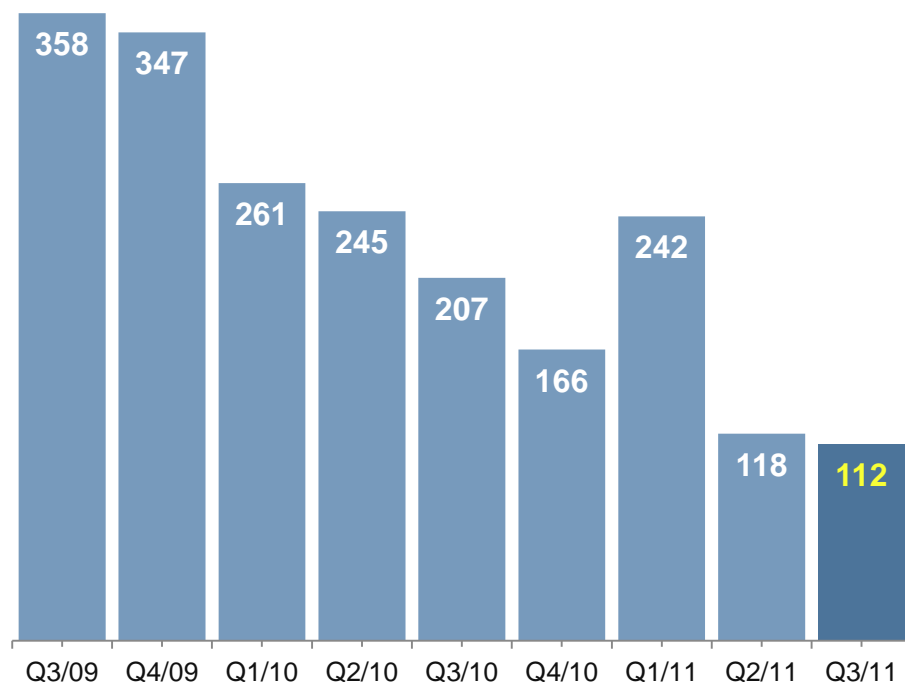
- Expenses decreased 3% q-o-q
- Restructuring costs of EUR 171m
- Reduction of staff will enable Nordea to keep costs unchanged for a prolonged period of time

# Restructuring charges

- Total restructuring charges EUR 171m
- Related to the reduction of employees in the Nordic countries
  - To be able to reach anticipated cost efficiency and profitability in the New Normal plan
- Close to 80% of the restructuring charges relates to employees expected to leave the Group
  - Employees made redundant will receive compensation based on market conditions
  - Negotiations with unions ongoing according to plan
- Other costs mainly related to redundant premises in branch network

# Continued good credit quality

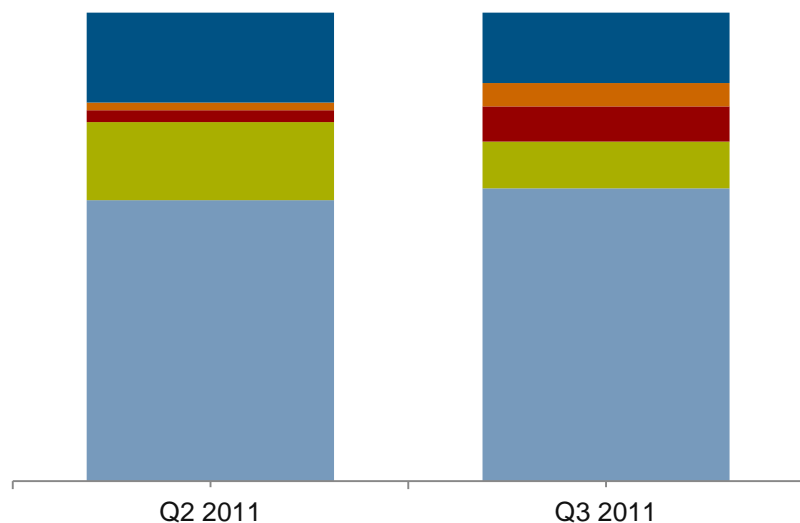
Total net loan losses, EURm



- Loan losses 14bps of lending, 16bps excluding Danish Deposit Guarantee Fund
- Increase in Denmark – continued elevated levels in Shipping
- Improving levels in Norway and Finland

# Loan losses

Net loan losses per area, EURm



**Shipping, Offshore and Oil Services: 76bps (71bps)**

**Wholesale Banking: 9bps (7bps)**

**Baltics and Poland: 18bps (6bps)**

**Banking Sweden: 6bps (2bps)**

**Banking Norway: Reversal (Rev)**

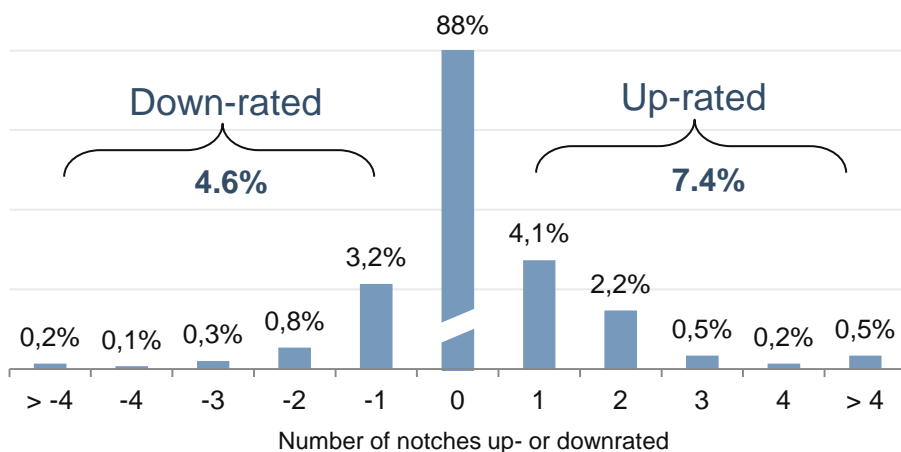
**Banking Finland: 11bps (19bps)**

**Banking Denmark: 57bps<sup>1</sup> (35bps<sup>1</sup>)**

1 Excluding provisions for the Danish Deposit Guarantee Fund

## ... and improved rating migration

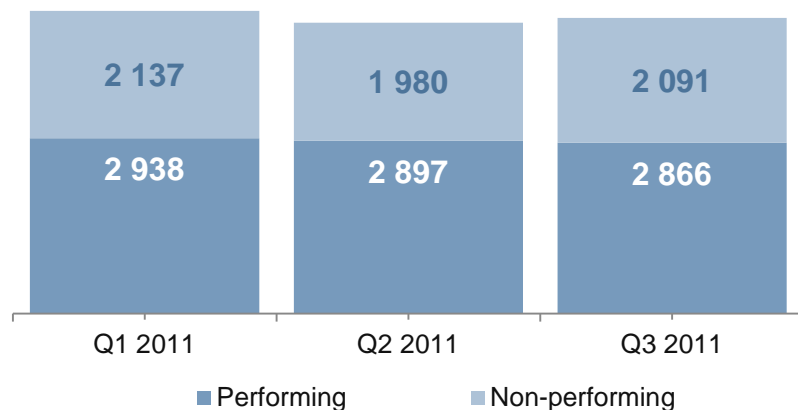
### Corporate re-rated Exposure at Default (%)



- Rating migration continued positive in corporate portfolio (1,0% vs 2,4% in Q2)
- Average risk weight down from 55,5% to 54,5%
- 7.4% of the exposure was up-rated while only 4.6% was down-rated

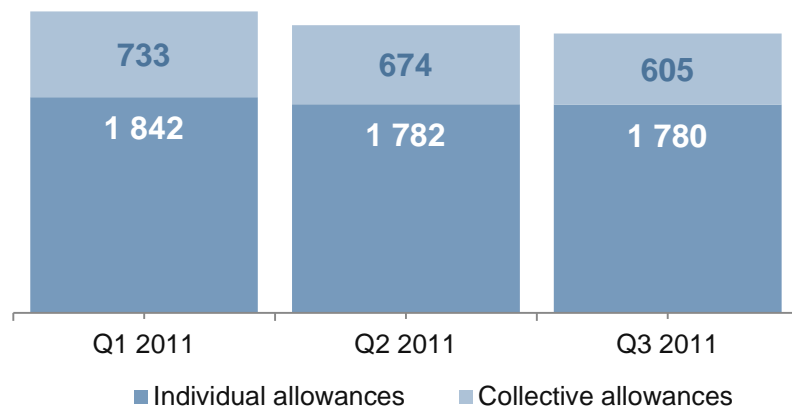
# Impaired loans

## Impaired loans, EURm



- Impaired loans largely unchanged at 135bp (140bps) of loans
- Performing impaired loans represents 58% (59%) of total
- Collective allowances continues to decline

## Total allowances, EURm

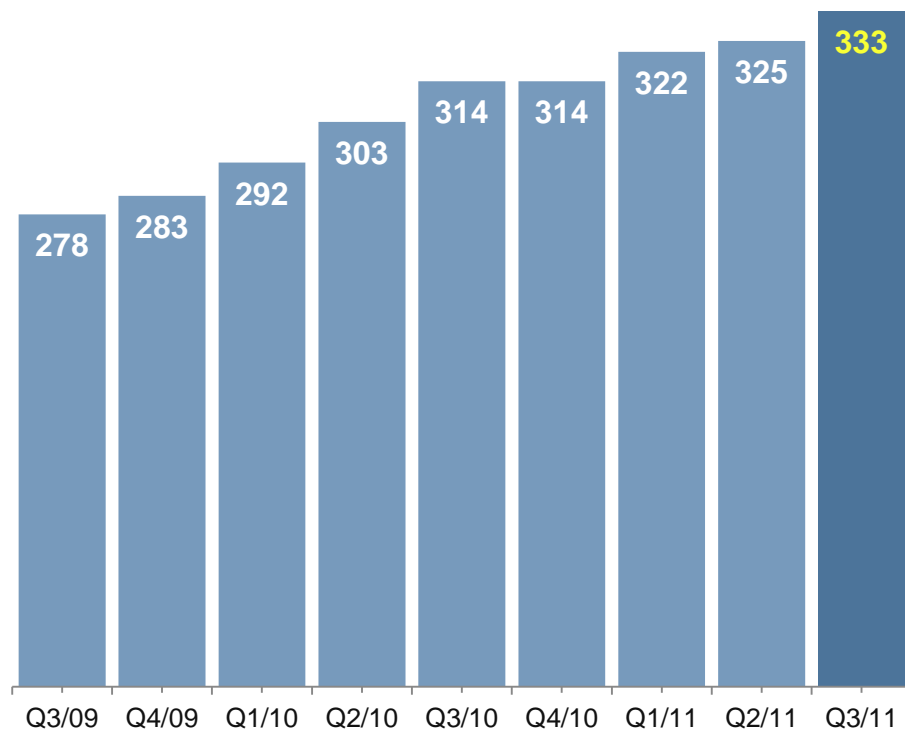


Performing: Allowance established, payments made  
Non-performing: Allowance established, full payments not made on due date



# Lending portfolio at stable levels

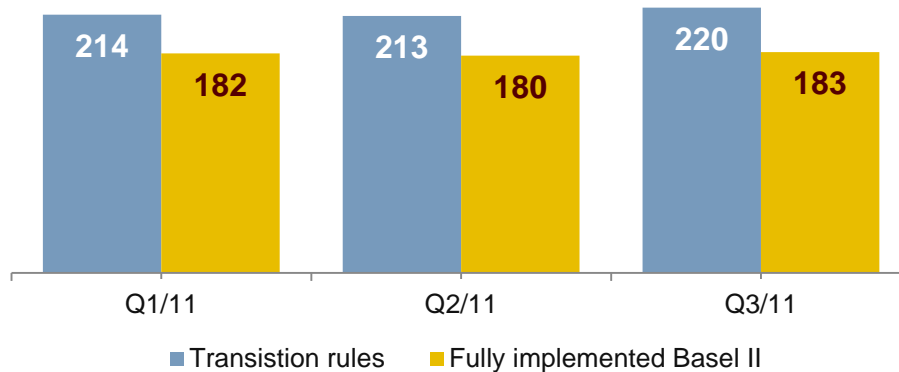
Total lending, EURm



- Mortgages are up 2% q-o-q
- Corporate lending volumes are up 1% q-o-q

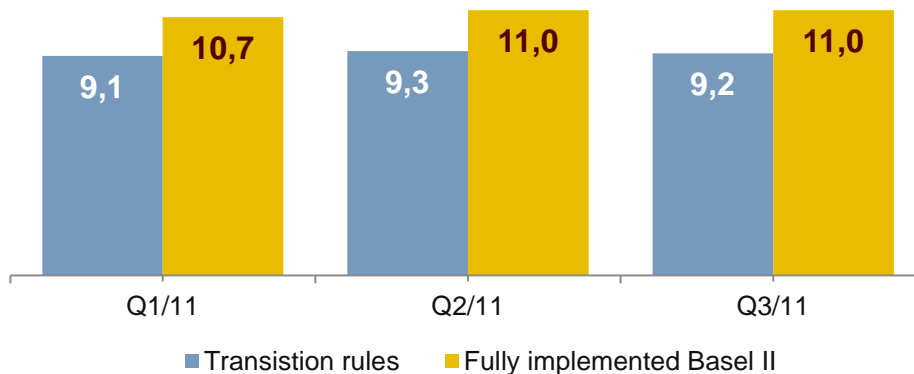
# Capital position

## Risk-weighted assets (RWA), EURbn



- Increase in Risk-weighted assets following volume growth
- Continue positive rating migration in corporate portfolio (1.0% vs. 2.4% in Q2)
- Improved RWA efficiency

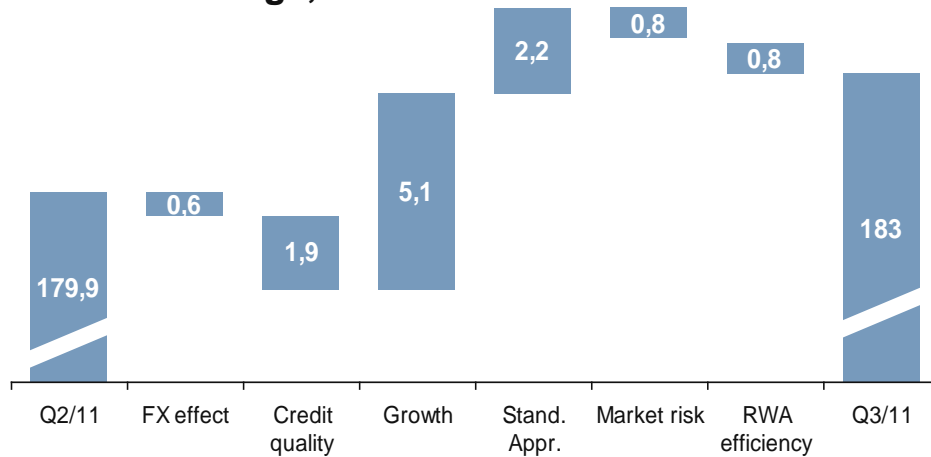
## Core Tier 1 capital % ratio (excl. Hybrids)



- Stable Core Tier 1 ratio

# Risk-weighted assets

RWA Q3 change, EURbn



- Volume growth in lending, driven largely by increased value of derivatives (counter-party credit risk)
- Improved credit quality, increased market risk and RWA optimisation reduces RWAs



- Financial highlights
- **Business areas**
- Adapting to the New Normal

# Retail Banking result

EURm	Q3/11	Q2/11	Chg
Total income	1 410	1 388	2%
Total expenses	-769	-832	-8%
Net loan losses	-99	-98	1%
Operating profit	542	458	18%

- Lending volumes up 1%
- 153 branches transformed into new format. Total of 403 branches
- Expenses down 8% driven by strict cost control – substantial improved efficiency in branch network
- Loan losses largely unchanged

# Wholesale Banking result

EURm	Q3/11	Q2/11	Chg
Total income	520	657	-21%
Total expenses	-202	-227	-11%
Net loan losses	-16	-14	14%
Operating profit	302	416	-27%

- Solid customer trend
- Short term affects from turbulent financial markets
- Stable loan loss situation

# Wealth Management result

EURm	Q3/11	Q2/11	Chg
Total income	268	331	-19%
Total expenses	-182	-185	-2%
Net loan losses	0	-3	
Operating profit	86	143	-40%

- Assets under Management -7% due to turbulent markets
- 65% of investment composites outperformed its benchmarks last 36 months
- Positive financial buffers in life at 4.4% of technical reserves

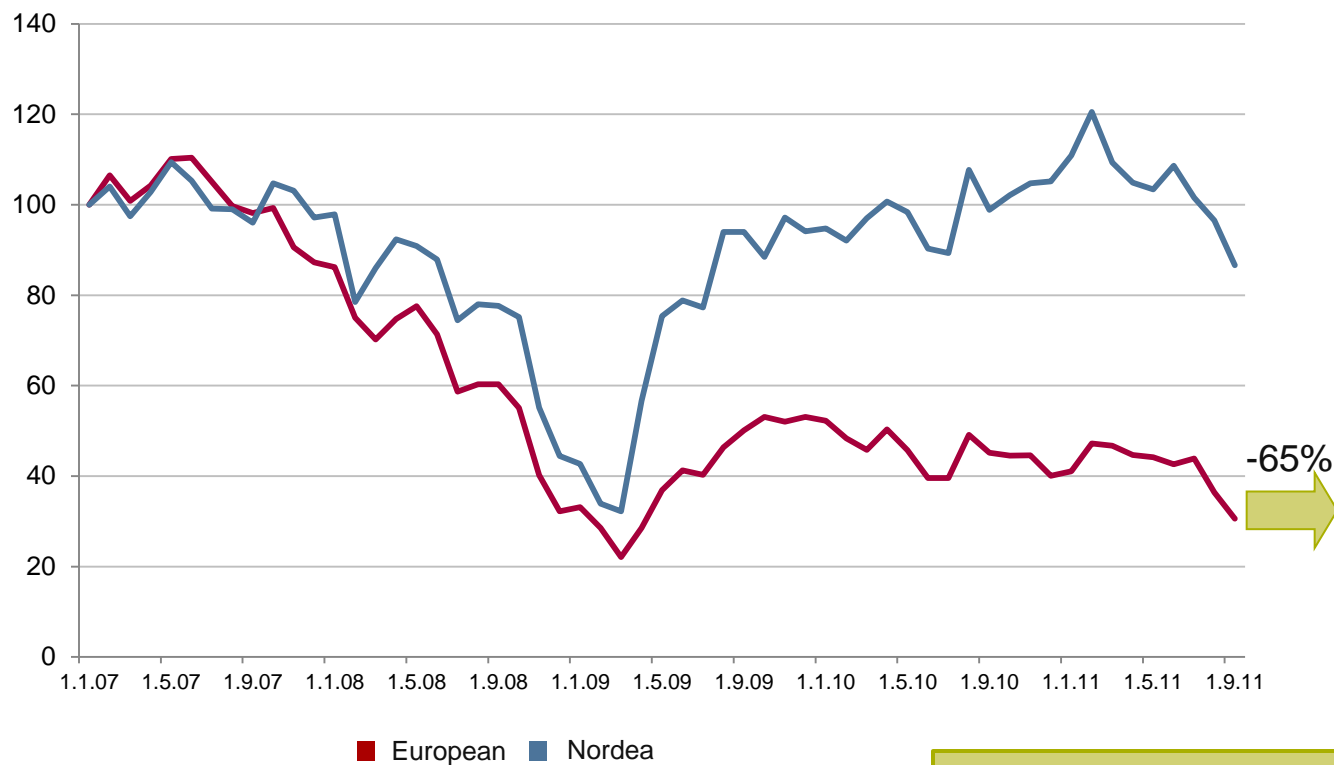


- Financial highlights
- Business areas
- **Adapting to the New Normal**



# The financial crisis destroyed massive value and raised a big question

Nordea vs. EURO Stoxx Bank index; market cap development (2007 – Sept 2011)



## Big question:

How can we avoid this from ever happening again?

EUR ~170 billion have been raised in capital since 2007 – equivalent to about a third of the current market cap

Source : Thomson Reuters Datastream  
Note: Eurozone only

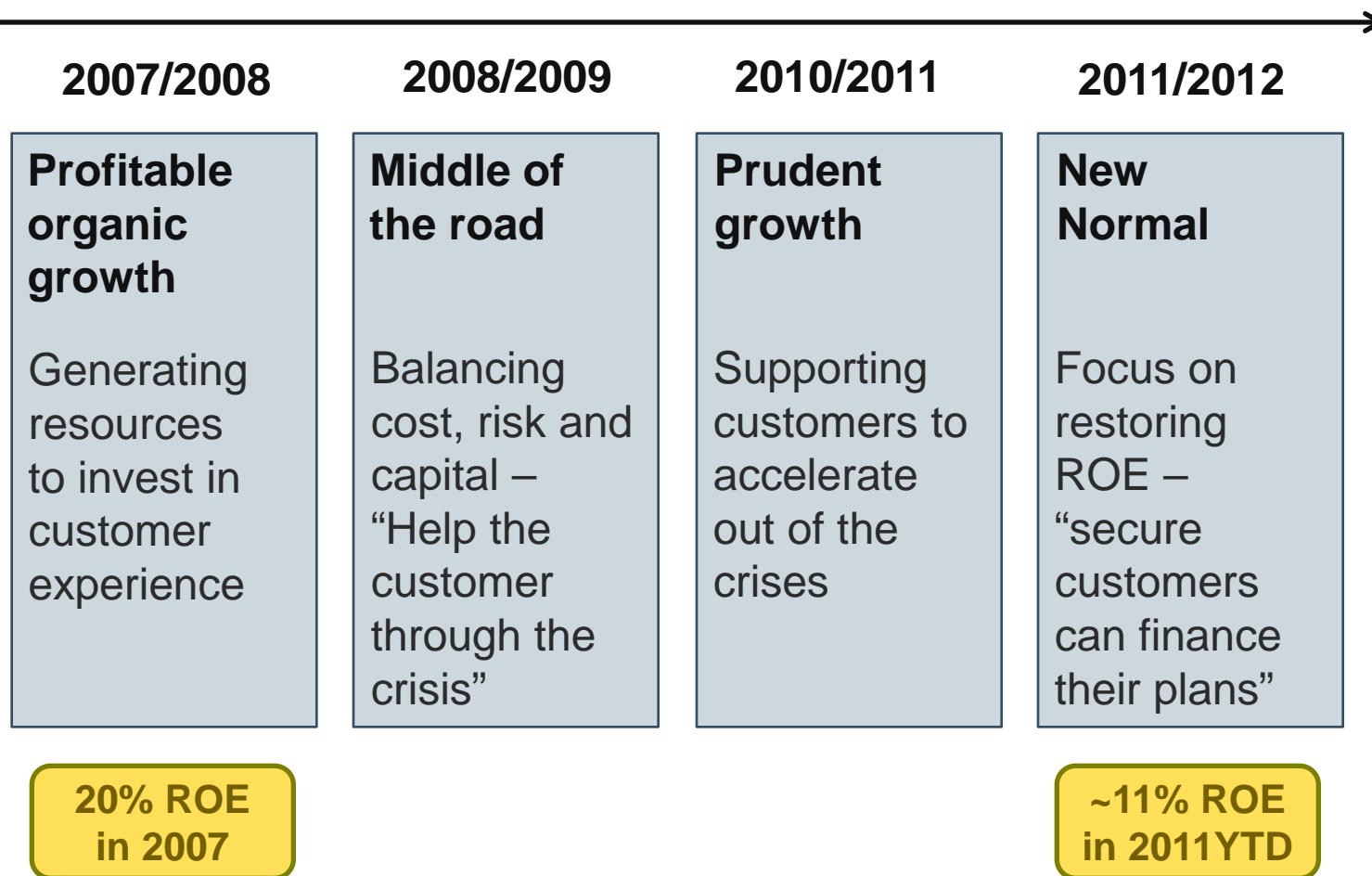
# Business models were tested - some failed, some were robust

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

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

# The journey continues...

## Execution of the relationship strategy



# Benefits of the relationship strategy

## **Satisfying customer needs**

- Safety and stability
- “Someone who cares”
- Full range of advice
- Customer needs driven innovation

## **Focus on most attractive customers**

- Most profitable
- Highest potential
- Most satisfied and loyal
- High efficiency in service

## **Capital & funding efficiency through full wallet**

- Balanced in capital and funding
- Mirror of the economy
- Resilience of business model

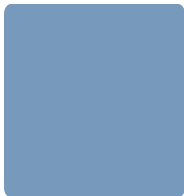
## **Low risk**

- Low loan losses, e.g., Gold customers with automated credit scoring
- Knowing and being close to Corporate customers
- Diversification

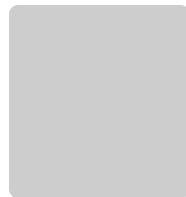
# What New Normal is



Execution of a focused relationship strategy



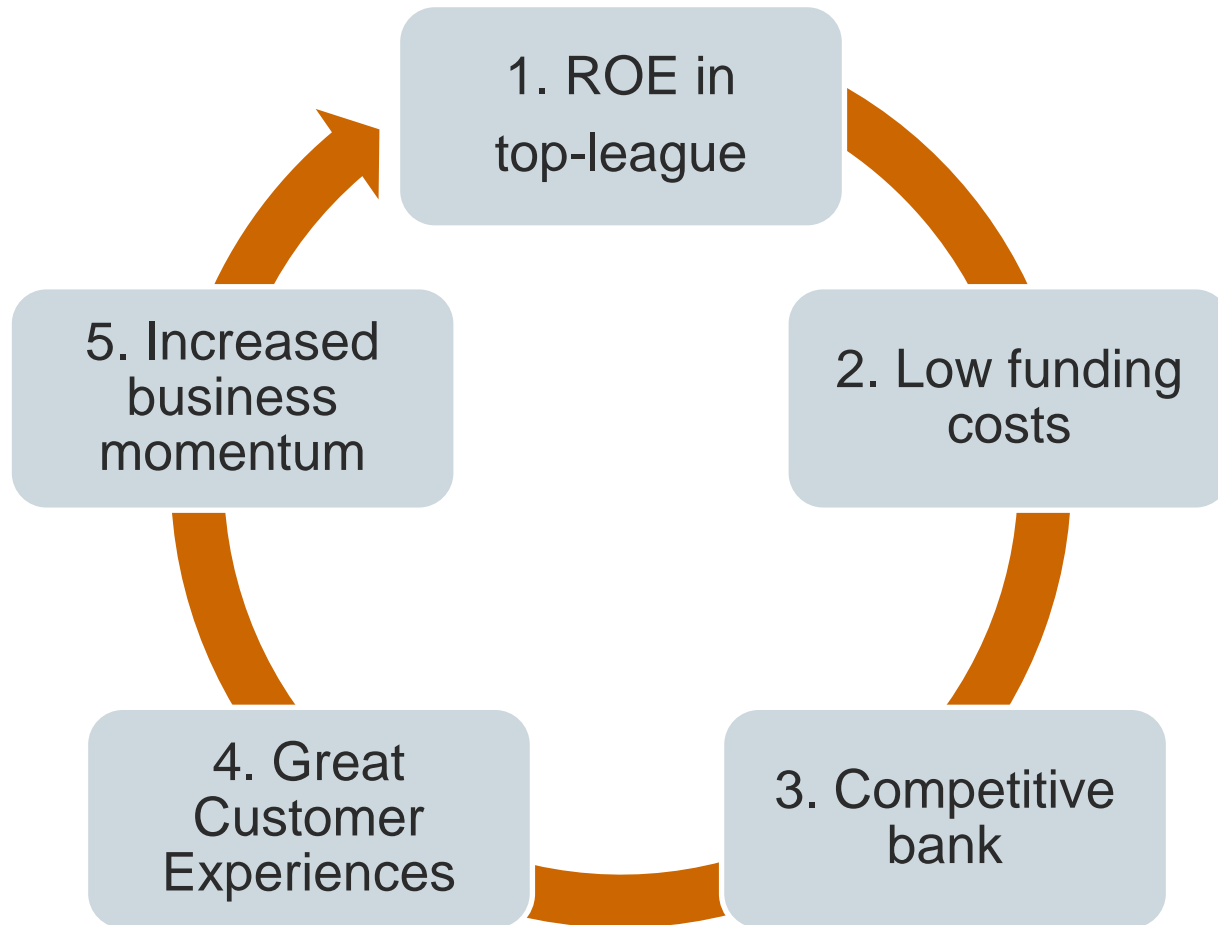
Creating a sustainable business model



Generating top league ROE

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

# Banks have no choice but to focus on increasing ROE's



# Welcome to Capital Markets Day 2011



Nordea's strategy and financial targets from Group Executive Management



**Christian Clausen**  
President and Group CEO



**Fredrik Rystedt**  
Group CFO



**Michael Rasmussen**  
Head of Retail Banking



**Casper von Koskull**  
Head of Wholesale Banking



**Gunn Wærsted**  
Head of Wealth Management

**Venue:** Sofitel St. James Hotel, Trafalgar Square, London

**Date:** Wednesday 26th October 2011

**Time:** 12.00 – 17.00 (UK time)

**Contact:** Anna Harg: [aharg@cheuvreux.com](mailto:aharg@cheuvreux.com) or +46 8 723 5143

The event also streamed live via webcast on [Nordea.com/IR](http://Nordea.com/IR)

# Key messages

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  - Customer driven revenues up q-o-q
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