



# Fourth Quarter and Year-end report 2011

## Press and analyst conference

Christian Clausen, President and Group CEO

*Making it possible*

# 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.

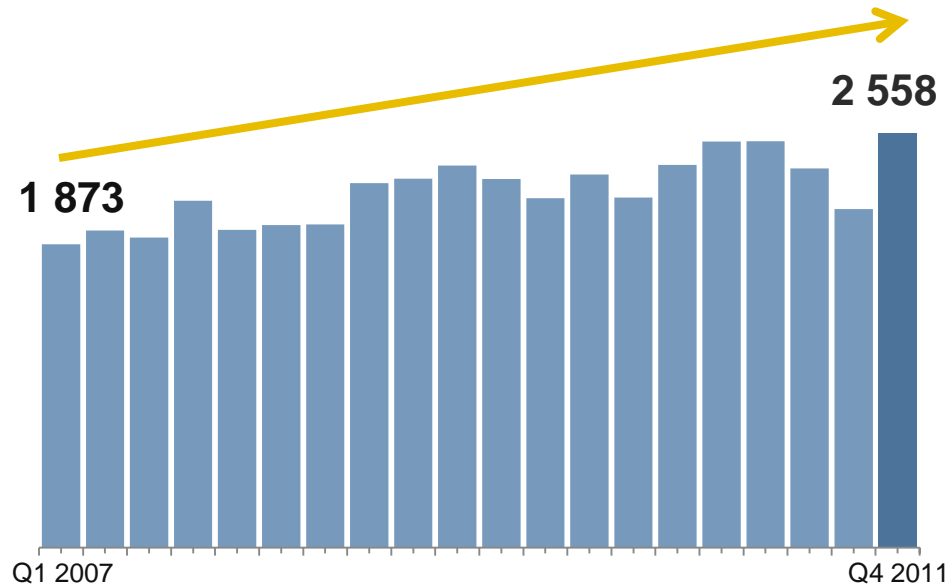
# Key messages

- **Nordea delivers on its New Normal plan**
  - Focused relationship strategy has delivered
    - Increased efficiency in cost, capital, liquidity and funding
    - Good business momentum
    - Solid profit development
  - Strengthened capital position to 11.2%
- **All-time high customer activity**
  - Number of Gold and Private Banking customers up 22,000
  - Corporate and household lending was up 6% to EUR 299bn
- **Ambition to mitigate the regulatory effects for the customers**
  - New regulations increases the cost for running a bank
  - Nordea develops our products, services and advice even further
  - Realise efficiency gains

- **Financial highlights**
- Business areas
- New Normal update

# All-time high total income, despite lower central bank rates

Total income 2007-2011, EURm



- Total income up 37% since 2007
- Strengthened customer relationships
- Household relationship customers increased by ca 30%
- Clear #1 Nordic corporate bank in Prospera Large Corporates and Institutions Survey

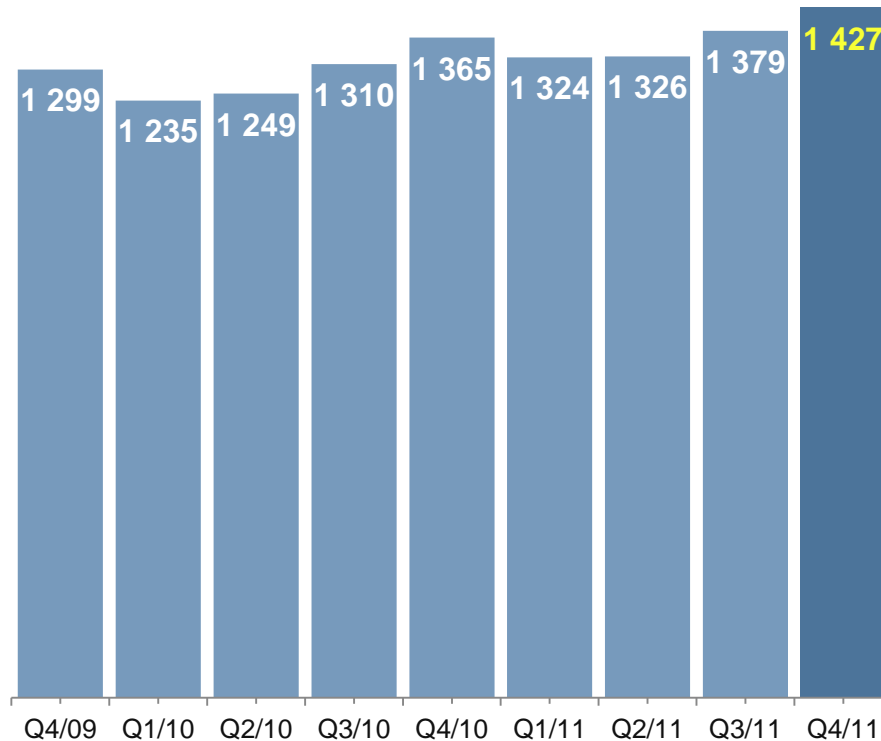
# Financial result – Q4 2011

EURm	Q4/11	Q3/11	Change %
Net interest income	1 427	1 379	3
Net fee and commission income	588	582	1
Net fair value result	506	111	357
Other income	37	19	95
<b>Total income</b>	<b>2 558</b>	<b>2 091</b>	<b>22</b>
Staff costs	-714	-887	-20
<b>Total expenses</b>	<b>-1 266</b>	<b>-1 413</b>	<b>-10</b>
<b>Total expenses (ex. restructuring costs)</b>	<b>-1 266</b>	<b>-1 242</b>	<b>2</b>
Profit before loan losses	1 292	678	91
<b>Net loan losses</b>	<b>-263</b>	<b>-112</b>	<b>135</b>
<b>Operating profit</b>	<b>1 029</b>	<b>566</b>	<b>82</b>
<b>Net profit</b>	<b>786</b>	<b>406</b>	<b>94</b>
Risk-adjusted profit	815	485	68

FY 2011	FY 2010	Change %
5 456	5 159	6
2 395	2 156	11
1 517	1 837	-17
133	182	-27
<b>9 501</b>	<b>9 334</b>	<b>2</b>
-3 113	-2 784	12
<b>-5 219</b>	<b>-4 816</b>	<b>8</b>
<b>-5 048</b>	<b>-4 816</b>	<b>4</b>
4 282	4 518	-5
<b>-735</b>	<b>-879</b>	<b>-16</b>
<b>3 547</b>	<b>3 639</b>	<b>-3</b>
<b>2 634</b>	<b>2 663</b>	<b>-1</b>
<b>2 714</b>	<b>2 622</b>	<b>4</b>

# Record-level net interest income

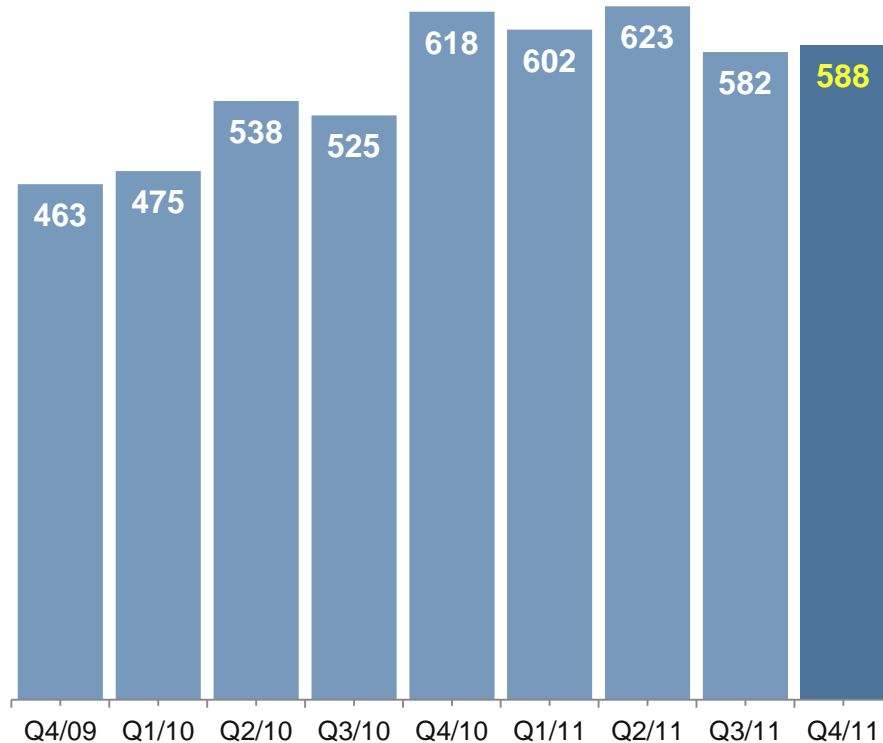
Total net interest income, EURm



- NII increased 3% q-o-q
- Lending volumes are up by 2%
- Lending spreads are up
- Deposit spreads are down
- Largely unchanged level at Treasury

# Stable net fee and commission income

Net fee and commission income, EURm

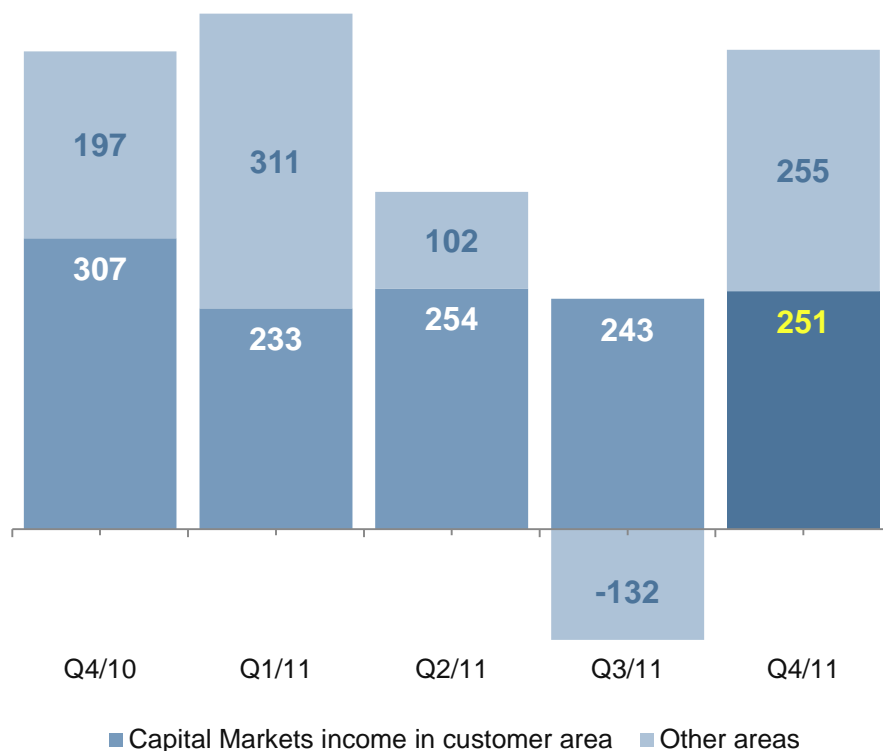


- Net fee and commission income largely unchanged
- Assets under Management increased by 5% q-o-q (EUR 187.4bn)
- Lending commission up 4% versus Q3/11
- Higher state guarantee fees



# Strong recovery for net fair value

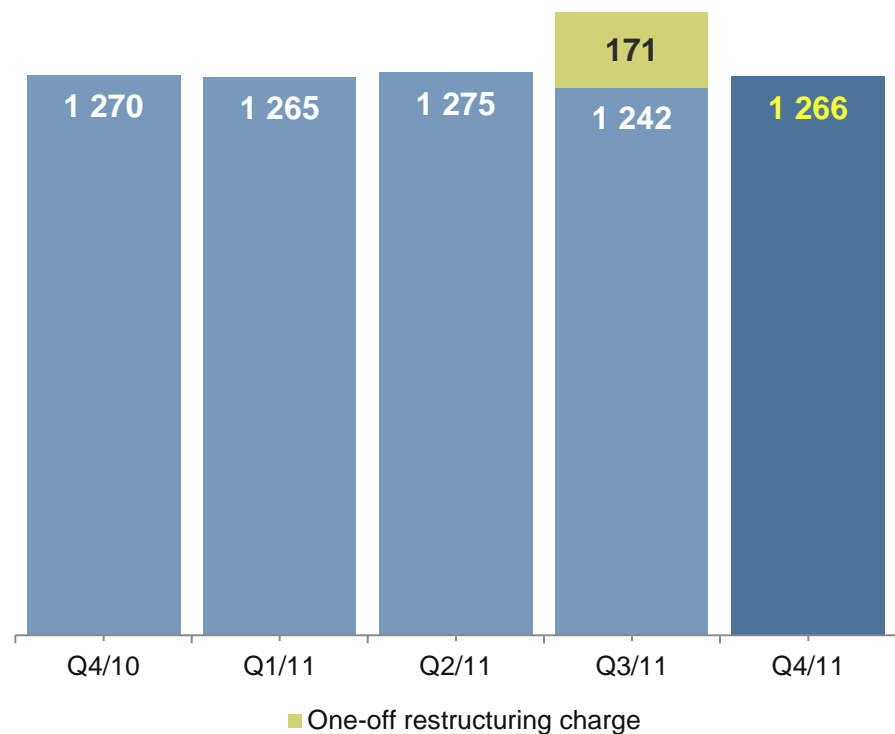
Net result from items at fair value, EURm



- Fair value improved by EUR 395m, after a difficult Q3/11
- Continued good customer demand
- Markets unallocated up EUR 221m reflecting improved trading conditions
- Fee recognition and profit-sharing in Life

# Expenses under strict control

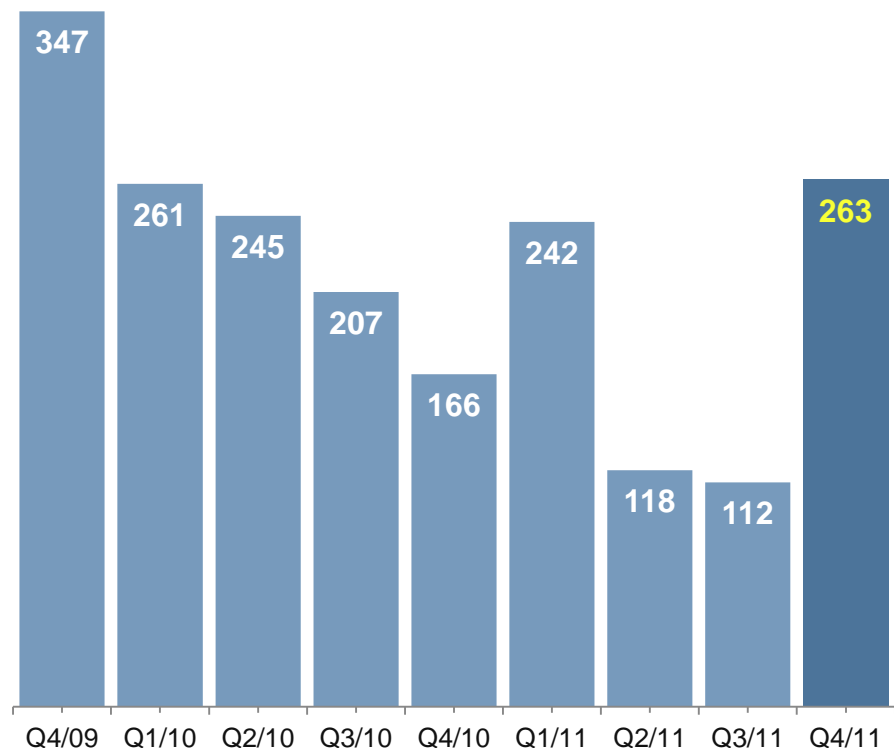
Total expenses, EURm



- Flat cost development
- Underlying expenses up 3% q-o-q due to seasonal effects
- Underlying staff expenses down 3% q-o-q
- FTE's down 776 on prior quarter (-2.3%)
- Improved C/I ratio to 49% (55% in Q3/11)

# Credit quality

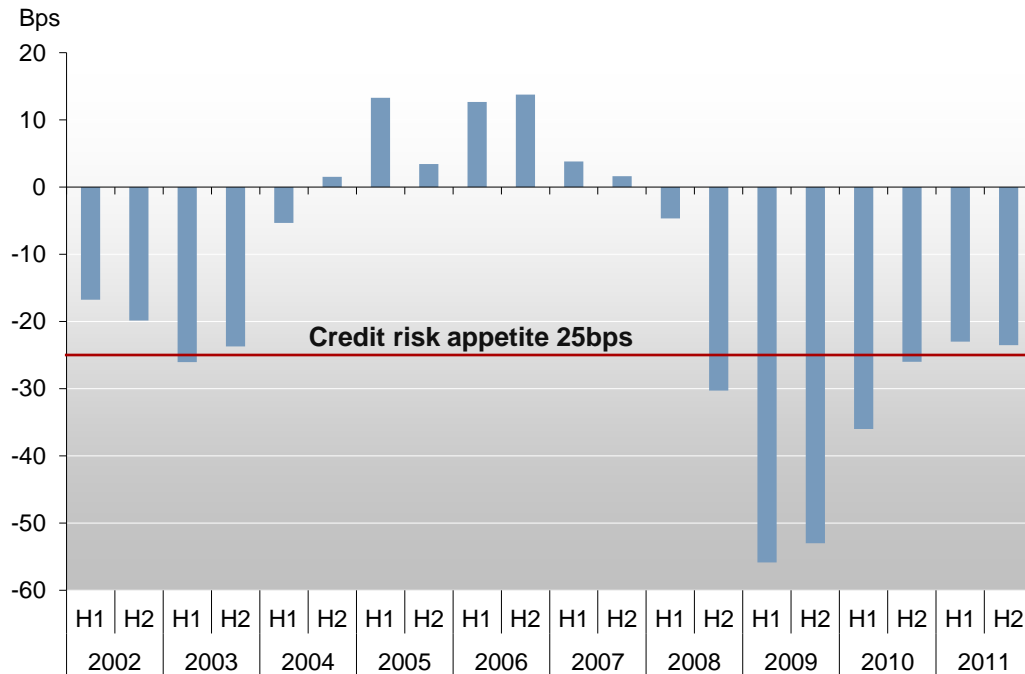
## Total net loan losses, EURm



- Loan losses 33bp – slightly higher than expected level over the cycle
- Increase in Denmark and Shipping
- Problem areas well identified
  - We know how to deal with these
- Overall credit quality solid

# General solid credit situation

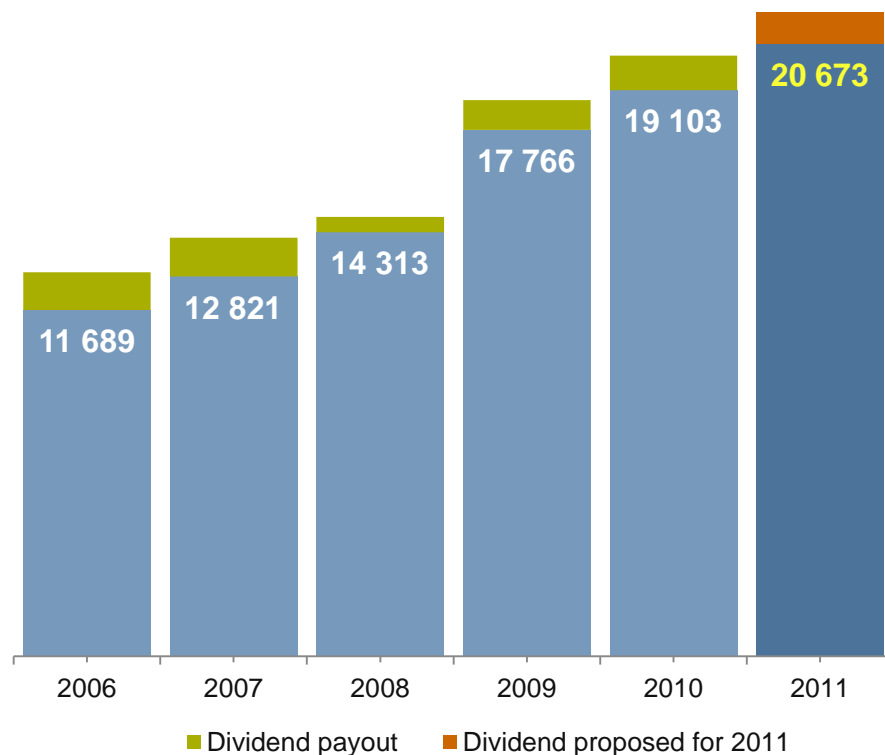
## Loan loss ratios, 2002-2011



- Stable situation H2/H1
- Loan losses are well in line with Nordea's risk appetite over the cycle

# Strong capital generation

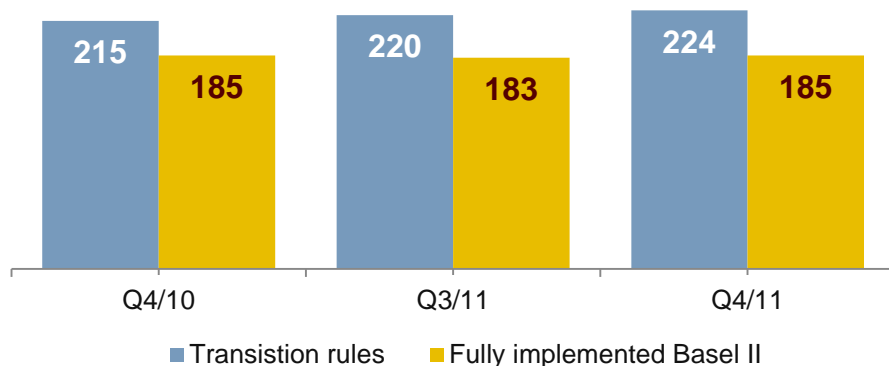
## Core Tier 1 capital, EURm



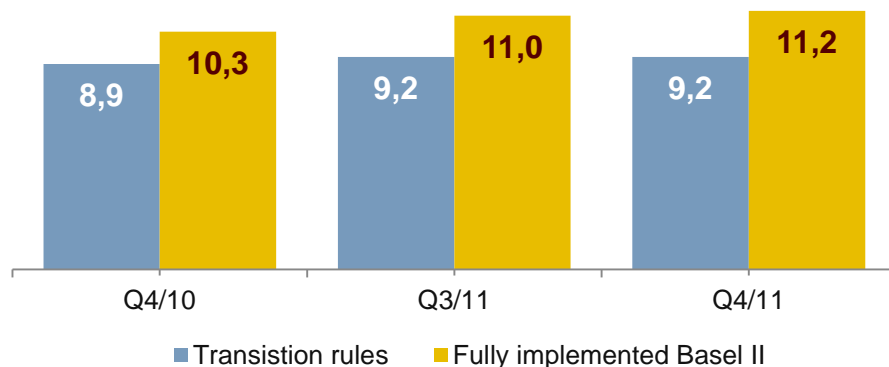
- Growth of 9.2% annually since 2006
  - Adjusted for rights issue and after dividend
- Will enable us to increase our Core Tier 1

# Strengthened capital position

Risk-weighted assets (RWA), EURbn



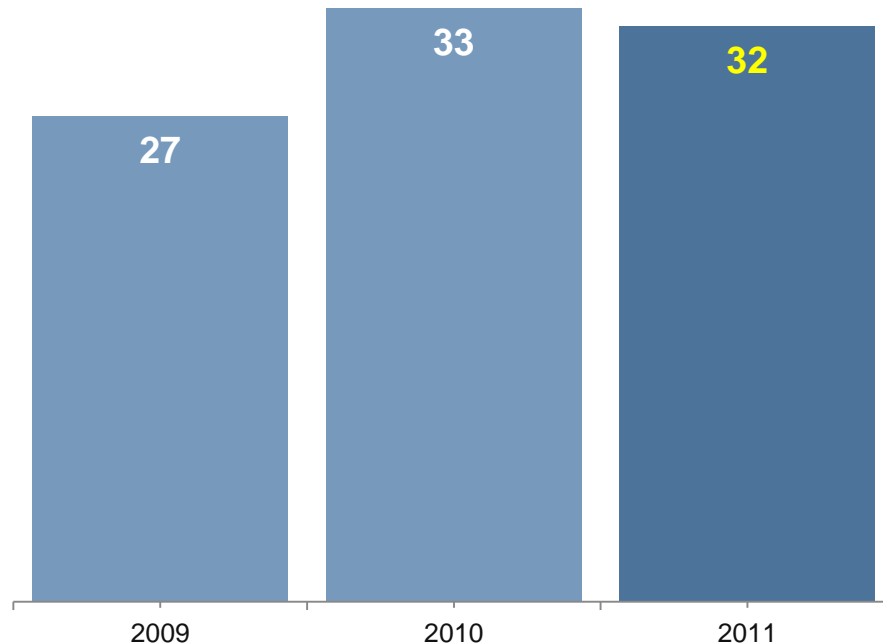
Core Tier 1 capital ratio, % (excl. Hybrids)



- Core Tier 1 ratio has increased by 90 bps over the last year
- Stable level of RWA despite adoption to Basel 2.5 and growth
- Continued positive rating migration in corporate portfolio in Q4/11
- Reduced RWA from high focus on capital efficiencies
- Basel 2.5 increased RWA by EUR 3.9bn in Q4/11

# Strong access to funding

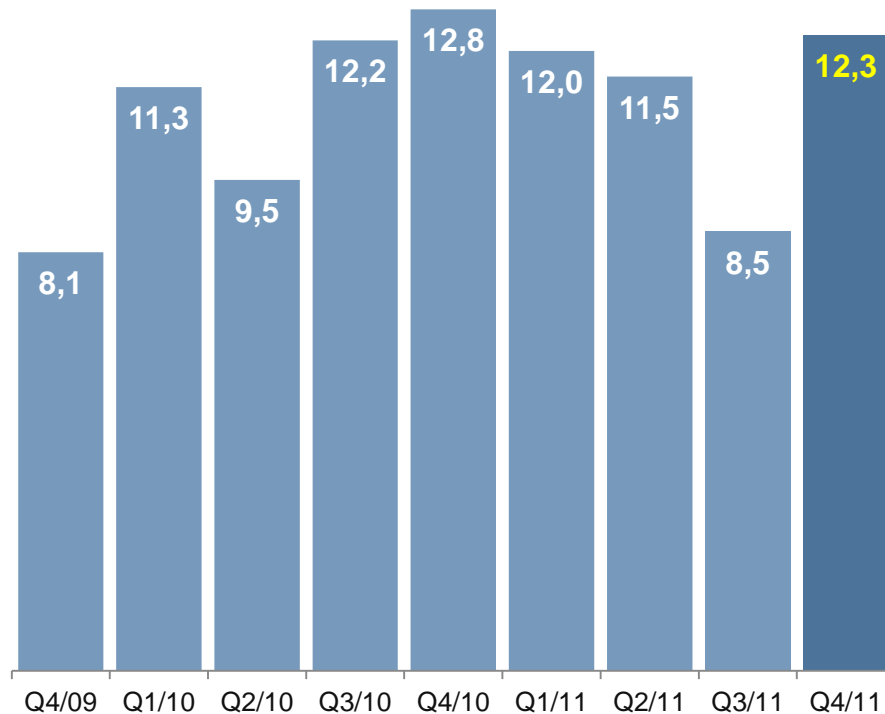
Funding, EURbn



- EUR 32bn has been issued of long term funding in 2011
  - Of which EUR 4bn in Q4/11
- Good access to all funding instruments
- One of the lowest funding costs among European banks

# High focus on Return on Equity

Quarterly ROE, %



- Strong focus on ROE
- 15% ROE target remains under normalised conditions and a Core Tier 1 ratio of 11%



## Dividend in line with policy

EUR	2007	2008	2009	2010	2011
<b>Dividends per share</b>	0.50	0.20	0.25	0.29	0.26*
<b>Earnings per share</b>	0.93	0.79	0.60	0.66	0.65
<b>Payout ratio</b>	54%	25%	42%	44%	40%*

\* as proposed by the Board of Directors



- Financial highlights
- **Business areas**
- New Normal update

# Retail Banking – continued solid business momentum

EURm	Q4/11	Q3/11	Chg %	FY 2011	FY 2010	Chg %
<b>Total income</b>	1 446	1 409	3	5 550	4 879	14
<b>Total expenses</b>	-811	-769	5	3 237	3 140	3
<b>Net loan losses</b>	-185	-99	87	-588	-683	-14
<b>Operating profit</b>	450	541	-17	1 725	1 056	63

- Gold and Private Banking customers are up by 22,000
- Distribution initiatives to support relationship strategy
- 40% of all branches transformed to new format
- Quadrupled number of mobile phone visits
- Increased lending volumes by 2%
- Lending spreads are up and deposit spreads are down
- Costs are down 1.3% y-o-y

# Wholesale Banking – solid corporate customer activity

EURm	Q4/11	Q3/11	Chg %	FY 2011	FY 2010	Chg %
<b>Total income</b>	745	520	43	2 680	2 758	-3
<b>Total expenses</b>	-223	-202	10	-873	-854	2
<b>Net loan losses</b>	-75	-16	n.a	-173	-220	-21
<b>Operating profit</b>	447	302	48	1 634	1 685	-3

- Focus on operational efficiency and managing capital
- Solid corporate customer activity
- Weak market conditions in parts of Shipping segment
- Stable lending volume development
- Deposit volume increase in CIB with stable development in Shipping
- High customer activity in Foreign Exchange and fixed income area
- Further enhancements with customer relationships

# Wealth Management – strong growth during Q4

EURm	Q4/11	Q3/11	Chg %	FY 2011	FY 2010	Chg %
<b>Total income</b>	357	286	33	1 277	1 326	-4
<b>Total expenses</b>	-187	-182	3	-741	-706	5
<b>Net loan losses</b>	-2	0	0	-10	-1	n.a
<b>Operating profit</b>	168	86	95	526	619	-15

- Assets under Management up 5% due to stabilised market conditions, inflow and improved investment performance
- 77% of composites outperformed its benchmark in Q4/11
- Income growth driven by Life & Pension
- Full fee recognition in two Danish portfolios and profit-sharing in Sweden



- Financial highlights
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- **New Normal update**

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

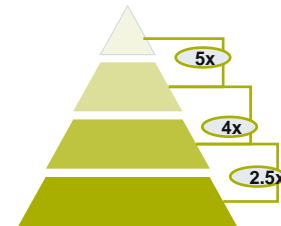
## Themes

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

## Units



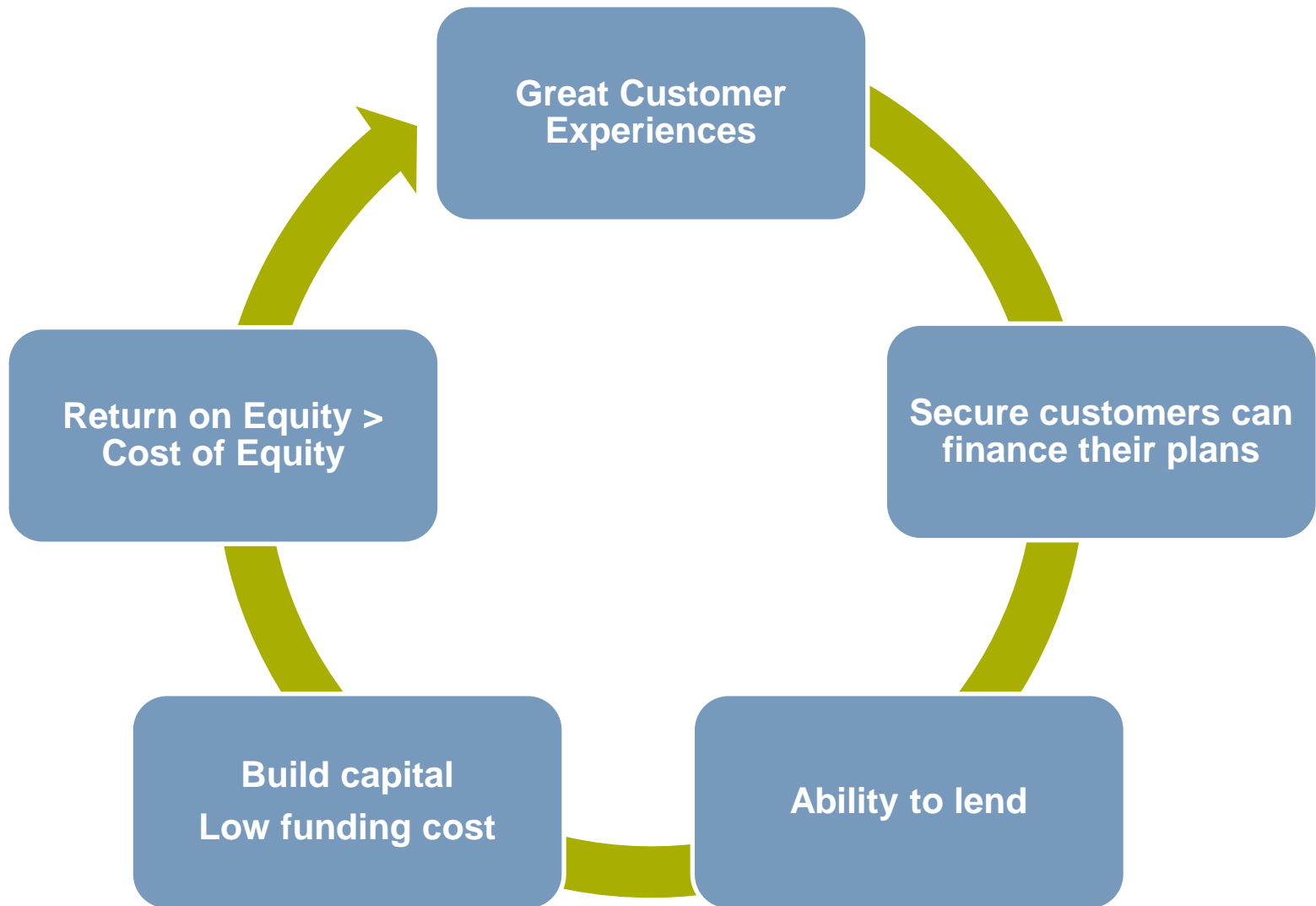
## Segments



## Customers



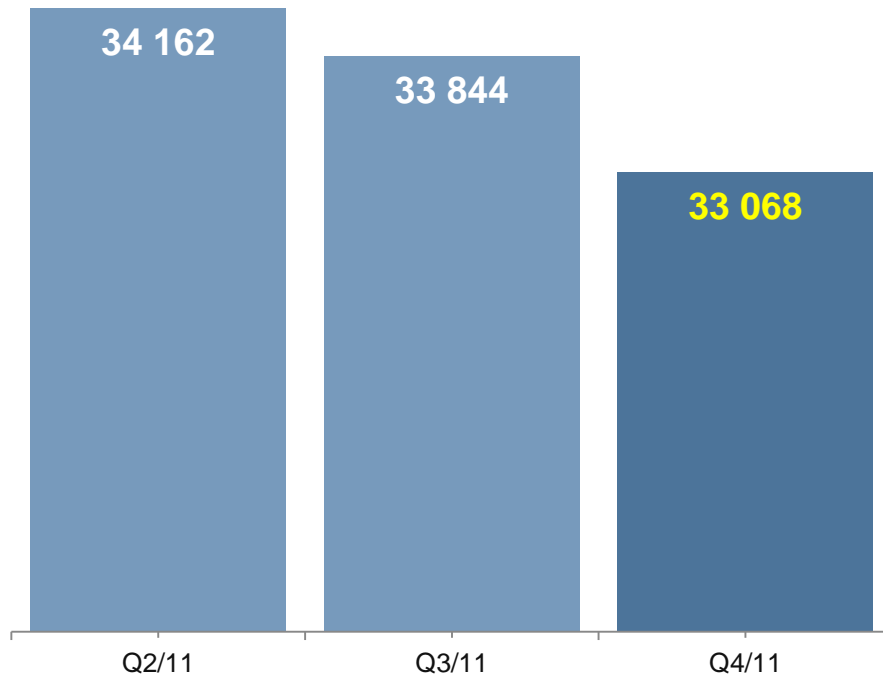
# Positive spiral for customers, investors and society





# New Normal has delivered on cost efficiency

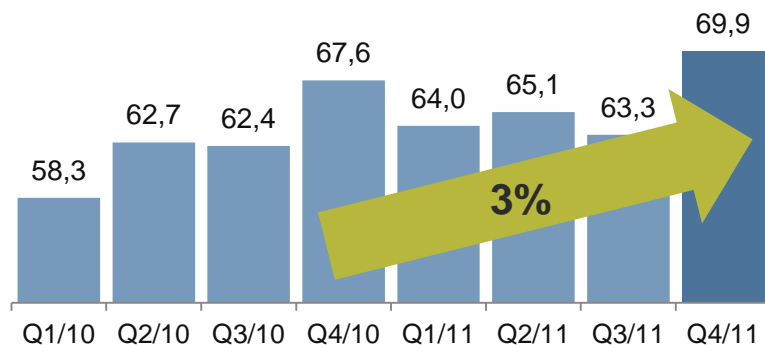
## Total Group FTE's



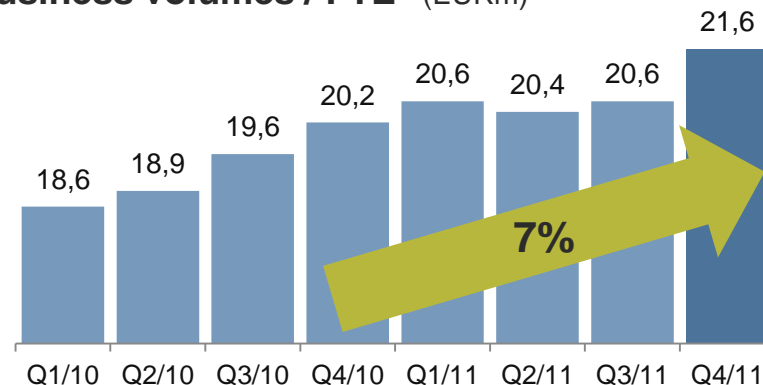
- Number of staff down by ca 1,100 since Q2/11
- Total reduction of ca 2,000 by 2012 – we are ahead of plan
- Staff cost down by ca EUR 80m annualised
- In addition, IT costs are down by ca EUR 20m
- Flat costs for a prolonged period of time

# New Normal has improved our productivity

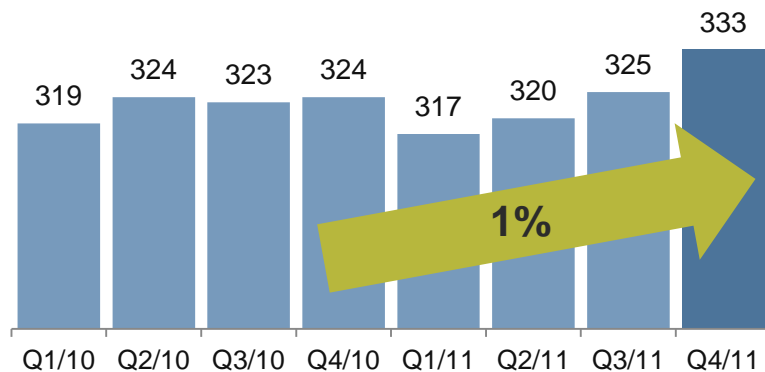
**Total income / FTE** (EURt)



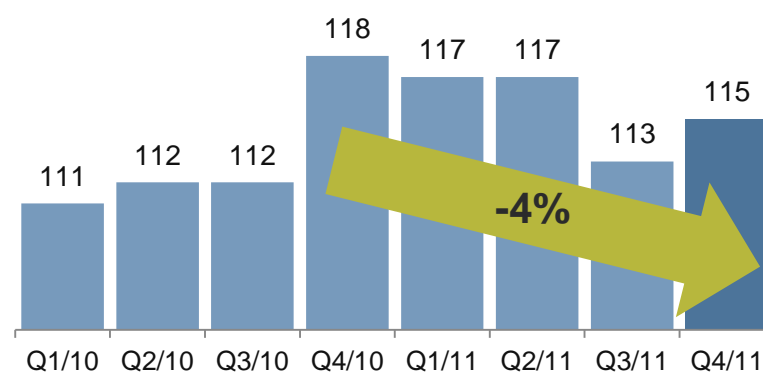
**Business volumes / FTE** (EURm)



**# customers per FTE** (Nordea Group)

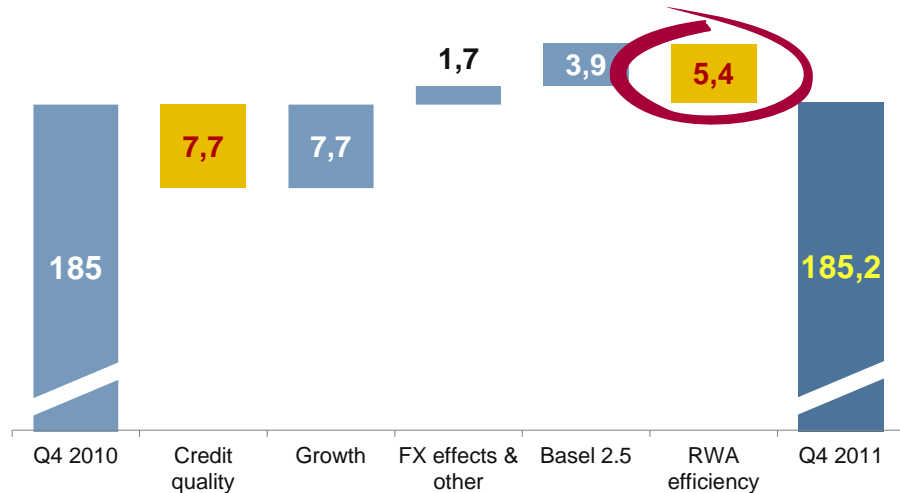


**Cost to serve a customer (cost / customer)** (EUR)



# New Normal has delivered on capital efficiency

## RWA development during 2011



- Review of asset class and product segmentation leading to improved data quality
- Collateral agreements
- Registration
- Data sourcing
- Developed capital light products

# What we do for households



- Providing a total of EUR 145 bn of lending (up 6%)
- Provided financing to home buyers by granting 300,000 new mortgage loans
- Issued 900,000 new credit and debit cards
- Executed close to 400 million payment transactions and 1.2 billion card transactions
- Quadrupled number of mobile phone visits and significantly enhanced availability

# What we do for corporates and institutions



- Providing a total of EUR 154bn of lending (up 6%) whereof:
  - EUR 45bn to Corporate Merchant and Institutional customers (up 4%)
  - EUR 56bn to Large Nordic corporates (up 6%)
  - EUR 33bn to Medium, Small and Baltic customers (up 4%)
- Participated in raising EUR 37bn of capital to corporates on capital markets
- Handled more than 800 million payments for corporate clients

# Key messages

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