

## Summary 2012



# Shaping the future

Nordea continues to deliver on its relationship strategy. Not only were we named Best Bank in Western Europe by *The Banker*: more importantly, we served a record number of relationship customers, leading to the highest capital and highest operating profit ever. We increased income and reduced costs and risk-weighted assets in an environment of eurozone turmoil, low interest rates, increased regulatory costs and fierce competition. In 2012, Nordea laid the foundation for shaping its future relationship model by enhancing efficiency while helping customers to navigate the uncertainty and challenges of the recession in Europe.



## Dear Shareholder,

2012 was a challenging year in many respects – for society, companies, households and banks. The political actions necessary to resolve the sovereign debt crisis were taken and had stabilising effects on public deficits and debt in Europe. However, fiscal austerity and weak consumer confidence led Europe to lean into a recession, with increasing unemployment, low interest rates and volatile markets. Several European banks adapted to new regulations by reducing credits and loans, which constrained growth further.

Nordea chose a different path. On the base of our stability, scale and diversified business model, we were able to increase efficiency while supporting a growing number of customers and ensuring a sustained contribution to the development and growth of the societies in which we operate.

## Our 'Relationship Strategy' has continued to deliver

Our values, *Great Customer Experiences, It's All About People and One*

*Nordea Team*, continue to be our guiding lights. In 2012, we took further steps to empower our staff and develop tools to add value in each piece of advice provided. We are proud that these efforts contributed to an increase in household relationship customers with 85,000 new customers to the bank and growth in corporate business volumes of EUR 2bn.

- We held close to 2 million advisory meetings with customers and enabled 300,000 families to buy a new home through new mortgage loans. The total increase in loans and credits to households was 6%.
- We held advisory sessions with 300,000 small and medium-sized enterprises, supporting our clients through the financial turmoil and economic uncertainty.
- We enabled EUR 120bn in corporate bonds and syndicated loans to companies in addition to bilateral loans, making investments and new jobs possible. We have maintained our market-leading position among the largest Nordic corporate customers,

with significantly more lead customer relationships than any other Nordic bank.

- We were entrusted with more of our customers' savings and investments than ever. In 2012, assets under management surpassed the EUR 200bn milestone.

In total, the Nordea Group's income grew by 8% in 2012 with a reduced number of employees while costs and risk-weighted assets were reduced. The hard work and complete dedication of Nordea's 32,000 employees clearly paid off, providing Nordea with a strong foundation as we now look ahead to the post-crisis European banking market.

## Efficiency for the benefit of customers

Nordea's relationship strategy rests on its leading value – to create great customer experiences. This can only be achieved if everybody at Nordea always does their utmost for each customer. Equally important is ensuring Nordea's stability and reliability.



# ” Our financial stability is more important than ever to help people and companies with the financial tools they need to shape their own future

Each customer must know that they can trust our advice and that we will be there for them when they need us the most – not least in periods of financial turmoil and economic decline. Efficiency is fundamental in our customer-based strategy. Only by achieving a return on equity clearly above the market's cost of capital can we ensure low funding costs and our long-term ability to support our customers and finance their plans and projects.

In 2011, we therefore initiated action to ensure cost efficiency by executing on the flat cost target for the Group and cost ceilings for each unit of the bank. The number of employees was reduced, mainly by voluntary agreements, and a broad range of initiatives were taken to reduce costs in the bank's operations. In parallel, a broad efficiency enhancement programme for risk-weighted assets was initiated, comprising measures to create capital-efficient products and solutions and improved collateral, thus reducing the risk of default and loss given default.

Throughout the year, we have developed our products and services in many ways to improve customer experiences and ensure efficient and competitive offers. We have taken significant steps in redesigning our distribution model by improving advice capacity at branches and increasing the service range of contact centres, the internet bank and mobile bank.

Our mobile apps' new features have been well received and the number of active mobile bank users has increased by more than 100%. This is a customer-friendly and cost-efficient way of delivering banking services while at the same time enabling our customers to do their banking business wherever and whenever they desire. And they do. On average, a mobile bank customer visits his or her bank once every two days. In 2012, we surpassed 100,000 likes on our Facebook pages, enabling us to obtain rapid feedback and deeper understanding of the customers' desires and wishes.

Unfortunately, instability in the IT systems caused problems for many

customers in the spring. Full focus on finding solutions led to a clear improvement in the autumn. However, continued hard work will be necessary in 2013 to ensure customers' ability to use their netbanks and mobile banks at all times.

In 2012, we reduced the number of funds and developed management and pricing models to sharpen our offerings and improve performance. Life products were rendered more capital-efficient. The initiatives have contributed to strong investment returns, increased levels of service and all-time high assets under management.

Our service for the largest companies was reorganised to enable us to help resolve any financial issue faced by our clients even faster. Our teams work across borders and business units to bring the best expertise the bank can offer to resolving any specific issue. We developed capital-light products which meet our clients' needs under the new banking regulations and continued to attract a growing share of ancillary business among our corporate clients.

Our achievements in 2012 gained widespread recognition at the end of the year. We were named the safest bank in the Nordics by Global Finance, and Bank of the Year in Western Europe by The Banker, thanks to our combination of efficiency measures and maintained focus on customer relationships.

## Shaping the future customer relationships

We are proud of our achievements and the awards we received in 2012. More than this, however, we are humble. To continue to attract even more customers and grow income, we will need to increase efficiency further, ensure a healthy profitability and strong capital generation. In 2013, we will take further action to stay at a core tier 1 capital ratio above 13%, in line with our new capital policy. We have set an ambitious financial target of a return on equity of 15% in a normalised interest rate environment and with a core tier 1 capital ratio of above 13%.

The 2012 results confirm our solid foundation. The scale and diversification of the Group has given one of the most stable performances in terms of return on equity of any large bank globally in the last five years. In each market, we have achieved absolute top-league results among banks, confirming our efficiency and the attractiveness of our customer relationships and offerings.

Our flat cost policy for 2012 will continue in 2013 as a key lever for increased operational efficiency and competitive customer offerings. Further measures to reduce risk-weighted assets will be taken, enabling a build-up of capital while continuing to grow our customer base and income. Our prudent approach to risk, which has led to relatively small loan losses through the financial crisis will be maintained and guide us throughout the prevailing economic uncertainty.

Nordea can only ensure great customer experiences, sustained stability and a positive contribution to financing growth through high operational efficiency and a strong customer focus. In uncertain and challenging times for many customers, our financial stability is more important than ever to help people and companies with the financial tools they need to shape their own future.

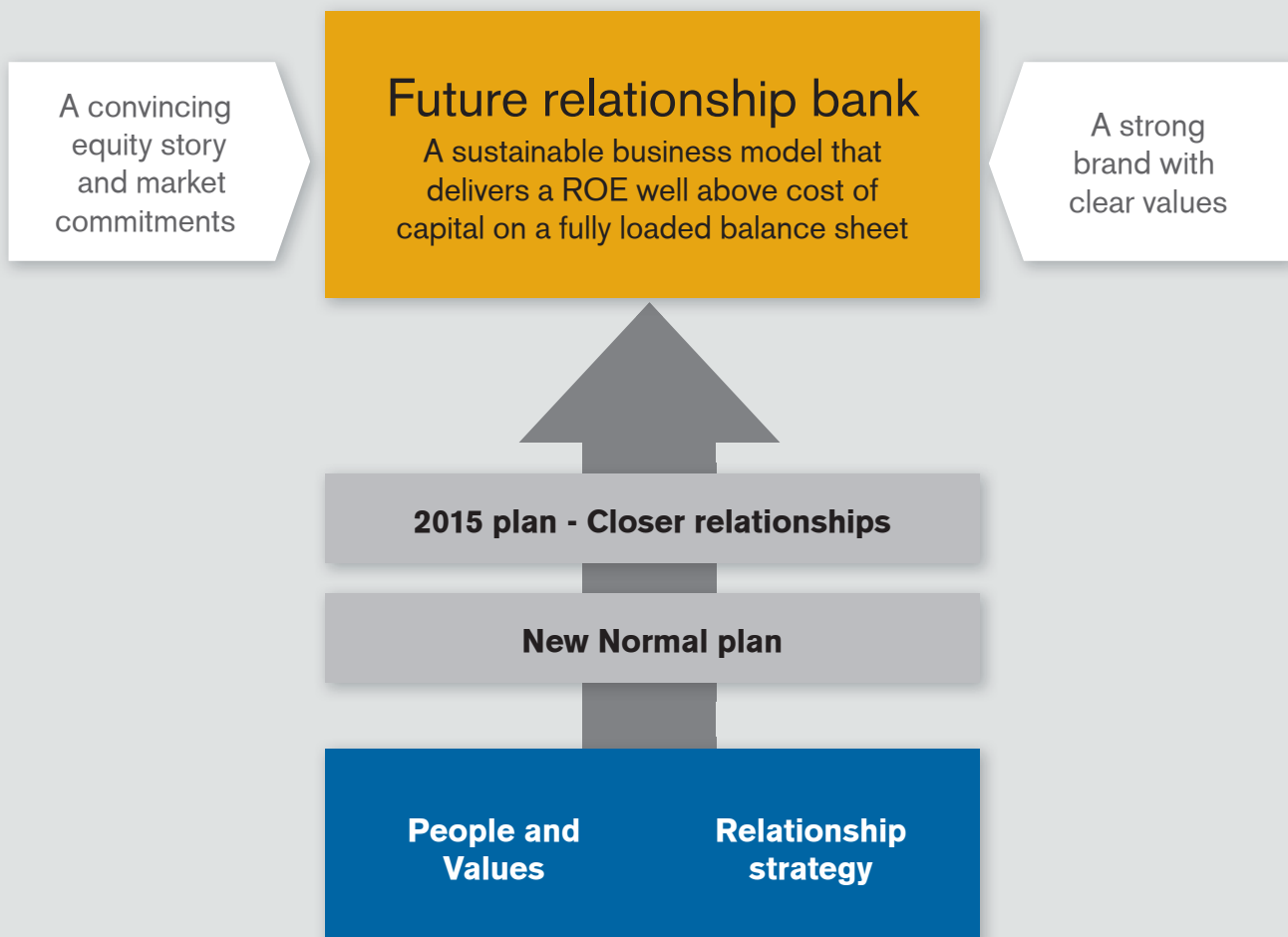
This is how we fulfil our mission  
– Making it possible!

Best regards



Christian Clausen

# Shaping the future relationship bank



” Our vision is to be a Great European bank, acknowledged for our people, creating superior value for our customers and shareholders.

” Our size, position and strong focus on operational excellence, innovation and relationship banking enable our customers to be as brilliant as they need to be.

” Our aim is to create great customer experiences. That is what our relationship banking strategy is all about. Enhanced relationships lead to deep insight that lower our risk and cost of capital and in turn add value for the customer.

” Nordea is one of the largest financial services groups in Northern Europe with a market capitalisation of approx. EUR 30bn, total assets of EUR 677bn and a core tier 1 capital ratio of 13.1%. Nordea is the region's largest asset manager with EUR 218bn in assets under management.

Nordea – large customer base and well-diversified operations

11 mill total number of customers

3.2 mill Gold and Private Banking customers. 5% annual growth rate

625 th corporate customers, 9% annual income growth since 2007

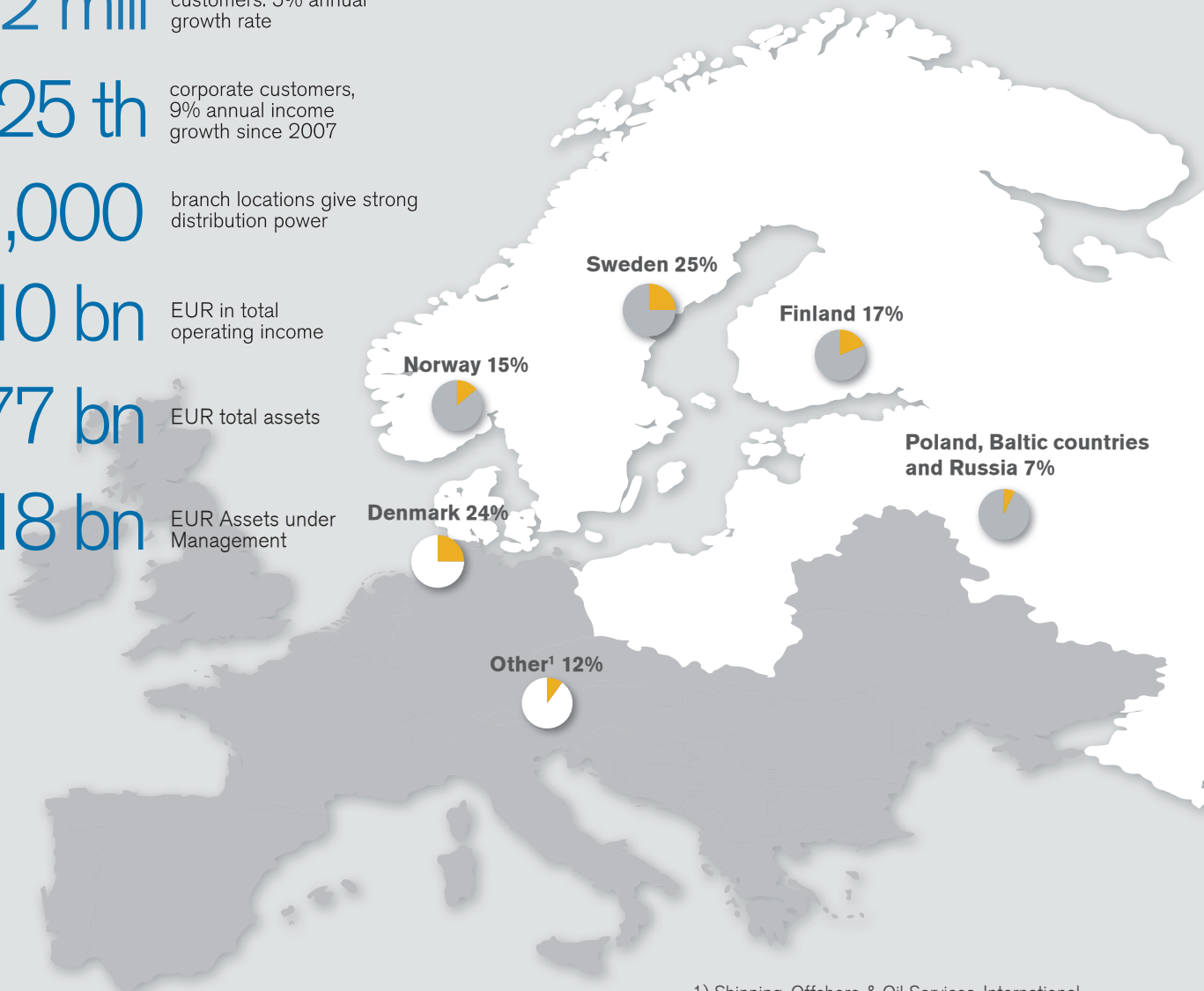
1,000 branch locations give strong distribution power

10 bn EUR in total operating income

677 bn EUR total assets

218 bn EUR Assets under Management

Total operating income distribution, %



1) Shipping, Offshore & Oil Services, International Private Banking and Group functions.

# Macroeconomic, financial market and regulatory environment

The environment in which Nordea operates is characterised by a challenging macroeconomic development, volatile financial markets, a low-interest-rate environment and an ongoing and increased focus on the new regulations.

## Macroeconomic development

Global economic growth outlook weakened further during the year. The Nordic economies continued to perform relatively well compared to the rest of Europe, benefitting from overall sound public finances, but still with differences within the region. Denmark, which is still the most affected country, followed the euro-zone into recession. Finland experienced slightly negative growth, while Norway maintained stronger growth. Although Swedish growth has decreased, it remained positive.

Unemployment has been unchanged

in the region, while consumption growth slowed down, with Denmark remaining weak. A positive development has been the stabilisation of house prices in Denmark, while the other Nordic housing markets remain solid.

## Developments on financial markets

Developments on financial markets were primarily driven by additional central bank initiatives. Market interest rates fell further and remain low. Equity markets rose substantially, but concerns over the implementation of proposed solutions for Europe persist. Strong investor demand for Nordic sovereign debt persisted throughout the year.

## New regulations

The CRDIV and CRR in the EU, with higher capital and liquidity requirements, are expected to be finalised

and implemented during 2013. Banks will be required to hold more core tier 1 capital, although uncertainty remains. Both higher capital requirements and higher demands on liquidity imply considerably increased costs for banks, the financial sector and for the business environment.

Furthermore, intense discussions are under way globally and in the EU concerning recovery and resolution regimes, including the possible introduction of bail-in capital, as well as ringfencing of specific activities and regarding a single supervisory mechanism, the EU Banking union.

Nordea is in a strong starting position, but the challenging low-growth, low-interest-rate and macroeconomic environment as well as new regulatory environment are being addressed through the 2015 plan, which follows on from the New Normal plan, shaping the future relationship bank.

## Key financial figures

### Total operating income

**+8%**

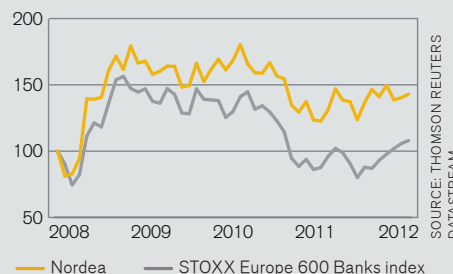
(+2% last year)

### Operating profit

**+11%**

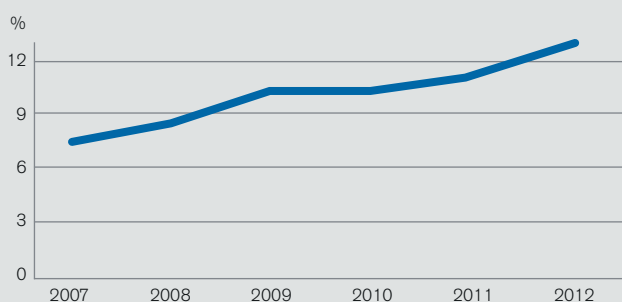
(excluding restructuring provision 2011, otherwise +16%)

### Nordea share performance compared to European banks, 2008–2012



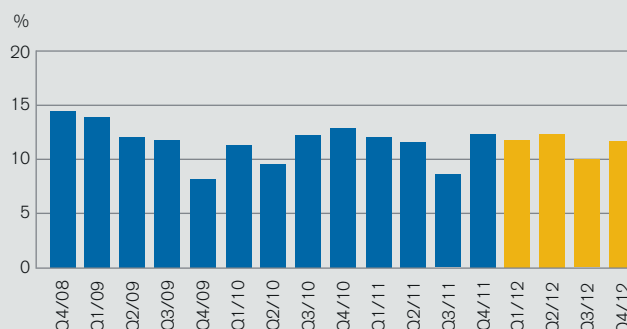
### Capital position, core tier 1 capital ratio

excluding transition rules



### Return on equity (ROE)

for the third quarter 2011, excluding restructuring provision



### Total equity, Group

**EUR 28,216,000,000**

(+8% compared to last year)

# Awards and results 2012



*Nordea received the award Bank of the Year in Western Europe 2012 from FT's The Banker – and also Bank of the Year in Denmark and in Finland.*

## Awards 2012

- Best banking group in Denmark, Norway and Sweden, second year in a row – the UK magazine World Finance.
- Best private banking service provider in the Nordic and Baltic region, for the fourth year in a row – Euromoney.
- The best bank and the best investment bank in Finland – Euromoney.
- Best Regional Cash Manager: Nordic and Baltic region – Euromoney.
- Best Trade Finance Bank 2012 in Denmark, Finland and Norway – Global Finance Magazine
- Most Innovative New Solution: Nordea's Global Cash Pool – Global Finance magazine
- Best Bank for Risk Management in Nordic region – Global Finance
- Best Debt Bank in the Nordic region – Global Finance
- Best Provider of Money Market Funds in the Nordic region – Global Finance magazine
- Nordea again named the safest bank in the Nordic region by Global Finance and as 24th safest globally.
- Best Nordic equity team – Starmine
- Nordea is named by the magazine The Banker as Bank of the Year 2012 in Western Europe.
- Nordea in Denmark and in Finland also named Bank of the Year 2012 by The Banker.

## Results 2012 – strong capital position, flat costs and growing income

2012 showed continued high total income, up 8% compared to 2011 to a record level. Total expenses were down somewhat in local currencies excluding restructuring costs in 2011 and excluding performance-related salaries and profit-sharing and staff costs decreased 2%. Net loan losses increased 27% to a loan loss ratio of 28 basis points.

Operating profit increased 11% from last year and the core tier 1 capital ratio excluding transition rules increased to 13.1%, up 1.9 %-points.

## Customer activity in 2012

- We held close to 2 million advisory meetings with customers.
- During the year, we welcomed 85,000 new Gold, Premium and Private Banking customers from outside the bank.
- Each working day, more than 8,000 people visited a Nordea branch and received a comprehensive overview of their personal finances and a clear view on how to make their ambitions possible.
- We met with 300,000 small and medium-sized corporate customers and were able to help many entrepreneurs adjust to both sluggish demand and effects of new banking regulation.
- We supported large and multinational companies in finding financing on the financing markets and conducted issues of EUR 120bn of corporate bonds and syndicated loans.
- We maintained our market-leading position among the largest Nordic corporate customers, with significantly more lead customer relationships than any other Nordic bank, and assisted corporate and institutional customers in hedging of their financial risks and cash flow exposures.
- Our assets under management (AuM) have never been larger and now exceed EUR 218bn.
- The number of frequent mobile bank customers more than doubled from the start of the year to almost 800,000.



# Strategic direction – shaping the future relationship bank

Our relationship strategy and leading market positions have created significant value for all our stakeholders throughout the financial crisis. This has been achieved by focusing efforts on customers' needs in a cost-efficient manner, managing our capital base and maintaining our low risk profile and low earnings volatility. The needs of customers and our relationship strategy are also the starting point for our ambitious financial plan of 15% return on equity in a normalised interest rate environment and with a core tier 1 capital ratio of above 13%.

Nordea is a universal bank guided by its established customer-centric and advisory-led relationship strategy. The main pillar supporting this strategy is our awareness that our success and the purpose of our operations start with meeting the needs of our customers. Moreover, our long-term strategic objectives reflect our conviction that we are an integral part of the societies we serve. We aim to be an enabling, positive force for customers, society and investors by focusing on creating a sustainable business system for all our stakeholders.

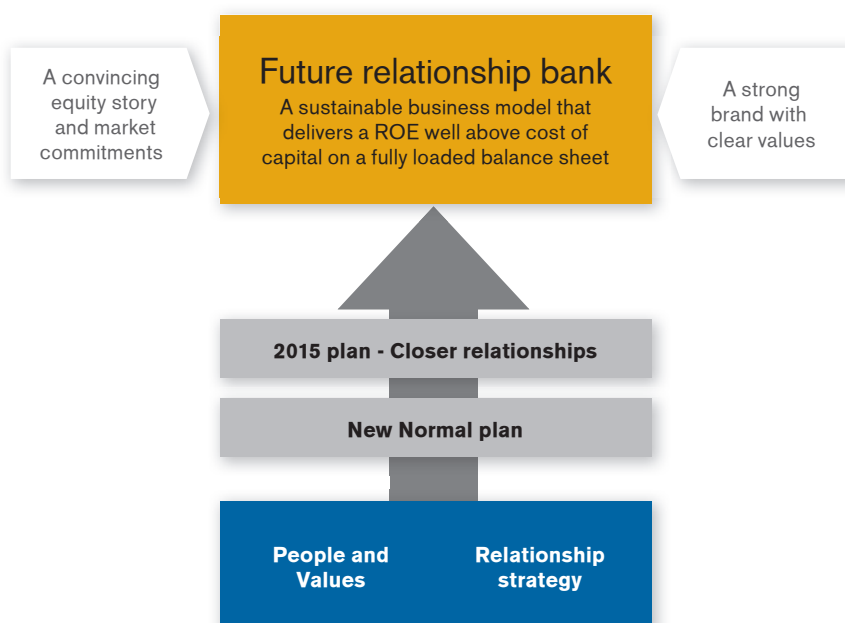
Our vision is to become a Great European bank which is acknowledged for its people and creates superior value for customers and shareholders. Our vision and strategic targets are firmly supported by our culture and values – Great customer experiences, It's all about people and One Nordea team.

Our roadmap towards the future is a result and reflection primarily of the needs of our customers and the challenging macroeconomic and regulatory environment in which we operate. Our work begins with the customer by providing Great customer experiences and holistic financial solutions

in a low-risk, efficient and diversified manner. In operational terms, we constantly improve our cost and capital efficiency in order to maintain a sustainable operating model and remain a solid banking institution. By servicing our customers and fine-tuning our business system, we are convinced that we can continue to access funding at competitive price levels, lend to the real economy and shape the future of Nordea's relationship business model to deliver an attractive return on equity and top-tier total shareholder return. Customers' needs and our relationship strategy are also the starting point for our ambitious financial plan to earn 15% return on equity in a normalised interest rate environment and with a core tier 1 capital ratio of above 13%.

In order for our banking model to evolve going forward, we are continuing to work with three main focus areas to reach our objectives and create a sustainable business system:

- **Balanced customer focus.** We strive to provide a balanced customer focus, building on a customer-centric organisational design, in which we deliver the right advice-driven products in the right manner, fairly





# ” Relationship banking and financial advice are key to the strategy and to create great customer experiences

priced and based on the real cost of providing them.

- People focus. We aim to nurture clear values and principles, reflected in the objectives and incentives we set, how we lead and listen and how we develop and support our people. Our economic profit framework remains at the heart of how we manage and support our people.
- Optimised value chain integration. We aspire to adopt and develop best practice and remain loyal to simplicity, transparency and reducing complexity. Our three value chains and business areas are designed to support the focused relationship strategy and having business area ownership of the end-to-end value chain.

## Household strategy

Household customers are divided into four segments based on their business with us. For each segment, a value proposition has been developed including contact policy, service level, pricing and product solutions. The

core philosophy of this strategy is to provide the best service, advice and product solutions to customers, thus ensuring loyalty, brand value and increasing business and income.

Prices are transparent and generally non-negotiable. We have a broad and high-performing product range, a highly skilled product organisation and strong distribution power. Product development is geared to reducing complexity and developing products with a low capital requirement.

We pursue a multichannel distribution strategy. The aim is to improve customer satisfaction while reducing the cost of serving. Proactive contact with our customers is conducted by local branches and supplemented by contact centres, online services and the mobile bank. We aim at having recurring advisory meetings with all existing and potential relationship customers.

## Corporate strategy

Corporate customers comprise four

segments based on their business potential and banking needs complexity. For each segment, we have developed a value proposition including contact policy, service level and product solutions to provide comprehensive financial solutions and ensure “house bank” relationships. Relationship managers take a holistic view of the customer’s situation and targets and organise the relationship accordingly. Our strength and size as a banking group enable us to offer unparalleled solutions to the benefit of our corporate customers.

The strategy for our largest corporate customers has proven robust with the local sales organisations combined with a global production platform. We are committed to becoming the leading bank in the wholesale segment in all our Nordic markets. For customers in the Large and Medium segments, we are continuing to integrate corporate risk management products and capital market transactions into the basic product offering.

## Strong customer-oriented values and culture

**A Great European bank,  
acknowledged for its people, creating superior value  
for customers and shareholders**

### Great customer experiences

- We think and act with the customer in mind
- We understand individual customer needs and exceed expectations
- We deliver professionally
- We create long-term relationships

### It’s all about people

- We acknowledge that people make the difference
- We enable people to perform and grow
- We foster initiative taking and timely execution
- We assess performance in an honest and fair way

### One Nordea team

- We team up to create value
- We work together across the organisation
- We show trust and assume accountability
- We make rules and instructions clear and applicable

## Foundation: Profit orientation and prudent cost, risk and capital management

- We focus on generating sufficient return on capital
- We focus on strict cost management, prudent risk control and efficient capital management



*Kjell Larsson, Segeltorp, Sweden:*

### “A friendly attitude and high expertise are most important for a bank”

**Kjell Larsson from Segeltorp has had many positive customer experiences with Nordea. He feels that the bank really helped him and his partner to make a dream come true. Nordea was there for them when others were not.**

Kjell's contacts with Nordea started when he and his partner saw the chance of a lifetime to buy a shop. He was a customer of a different bank, and naturally turned to them, but to no avail.

“So, we turned to Nordea. My partner, Birgitta, was a customer there. They had a completely different attitude. Even though I hadn't been a customer for long, they were very helpful indeed and sorted out the papers and signatures that

very day,” says Kjell.

Kjell and Birgitta met the branch manager, and after a thorough review and discussion, the entire deal was done that very day.

“This was a natural deal. Both were working so both had an income besides the shop. Also, only a small proportion of their home was mortgaged,” says Kent-Ove Hjärtström, now branch manager of the Solna branch.

That was ten years ago. Now, the shop has been sold, and Kjell is a pensioner and no longer works. He is still a Gold customer of Nordea, where he has gathered all of his banking business.

Kjell has regular meetings with branch manager Kent-Ove Hjärtström, and when something needs doing, they are in closer contact.

**Always given a friendly service by Nordea's people**

Kjell feels that he is always given a friendly service by Nordea's warm and welcoming people.

“Even when you're not completely up to speed with everything, you're always given a friendly service by warm and caring people. I always feel welcome, which is great. It is



*“It's all about ensuring that the customer feels important and attended to”*

very positive”, says Kjell. He also emphasises the importance of obtaining expert advice and having everything properly explained.

“When I leave a meeting, it's important to me to feel I've been given help.”



Retail Banking serves close to 10 million household and corporate customers in eight markets. Household and corporate customers are served on all financial needs and the ambition is to be a full service provider to our customers. The business area incorporates the whole value chain including sales force, channels, product units, back office and IT.

Retail Banking operates under one strategy, one operating model and one governance system in all markets. Our focus is based on a common superior banking approach to be delivering the best customer experiences in each of our markets.

## Strategy

Retail Banking's ambition is to create a leading retail banking franchise in Europe – in terms of profitability, efficiency and customer experience. The plan builds on a strong commitment to relationship banking and a controlled approach to developing this strategy from the current branch-centric model to a true multichannel relationship retail bank.

For our relationship customers, we further develop our sales model with named advisers proactively contacting customers with further business potential, while we expand the opportunities for 24/7 banking with access to competent advice and self-guided advice and service in our online channels: mobile and Internet.

Our plan is to keep up business momentum and continue to support our good customers' good projects while focusing on controlling and optimising scarce resources. Nordea is open for all customers. Clear segmentation, differentiated business models, emphasis on servicing the full customer wallet and fair pricing are the tools to make all customer relations profitable.

Operationally, we will measure our business momentum in terms of asset productivity rather than top-line, directing attention to the share of wallet and optimal pricing.

In the household business, we will continue to focus on acquiring new Gold and Premium customers. In the corporate business, focus is on profitability at customer level by securing full wallet share at the right price reflecting the risk in the individual customer relationship.

Through a number of cost, capital

and funding efficiency measures, moderate business growth will be possible, keeping cost, RWA and funding gap flat for at least two years.

The core sales staff and branch network have been adjusted to the future need with reduced branch locations, sharply reduced locations offering manual cash handling and reformatting the branch network allocation resources to advising relationship customers.

Increased capabilities in Internet and mobile banking and digitalising customer processes using digital archiving and signatures will enhance the customer experience, increase sales force efficiency and decrease the cost of paper handling in front and back office.

The RWA efficiencies are concentrated on three headlines:

- Business selection on customer level to allocate capital to most profitable business
- Capital-optimize individual customer relationships securing less capital-intensive solutions
- RWA efficiency in models and internal processes.

## Business development

The transformation of the branch network in the Nordic countries was finalised during 2012. Nordea has moved from traditional "mixed" branch formats to formats that focus on either advice or service. This implies a strong customer focus, new ways of working and a larger proportion of advisory branches. 65% of the 770 branches are in "focused" formats. The corresponding transformation of the branch networks in the Baltic countries and Poland is ongoing, to be finalised by the end of 2013.

The number of Gold and Premium customers amounted to 3.12 million, an increase of 56,000 during 2012. Close to 2 million household and corporate advisory meetings were held, an increase of 4% compared to the year before.

The number of manual transactions continues to decrease and was down by 21% in 2012 compared to 2011. Nordea accommodates this by reducing the number of manual cash outlets. 55% of the Nordic branch office locations offer manual cash services.



"Our success is founded on a strong commitment to relationship banking"

*Michael Rasmussen is Head of Retail Banking.*

"The success of Nordea's retail business is founded on a strong commitment to relationship banking. We take customer needs as our starting point, have a holistic approach to serving all customer needs and act proactively in the customers' best interest. We will continue to build on our strong relationship banking and develop this from a branch-centric to a multichannel relationship model.

Despite the economic environment, we come out of 2012 as a stronger bank. We have attracted many new good customers and we have managed to meet still more of our customers, leading to increased income per customer. At the same time, we have significantly increased our cost and capital efficiency," says Michael Rasmussen, Head of Retail Banking.



*Henrik Andersen, CFO of ISS A/S:*

**“It is imperative that Nordea doesn’t change its approach but remains loyal to the relationship model”**

**The relationship between a bank and its customer can develop into a true partnership based on mutual trust and commitment. The global facility service giant ISS A/S has such a relationship with Nordea and both parties put high value to it.**

The relationship has developed over many years, covering several phases with changing ownership and management teams for ISS. Nordea has also changed significantly, but both parties have remained committed to the relationship during good as well as challenging times. As Henrik Andersen, CFO of ISS puts it: “Metaphorically speaking, the best part of the relationship is that Nordea is so close to us that they might as

well have a part of our building.”

The main driver in such a close relationship is a deep mutual trust. The connection between ISS and Nordea is a clear example of what Nordea aims to achieve with its relationship strategy and how it creates value to the customers. ISS has remained a significant customer to Nordea even if ISS obviously also has business relations and opportunities with many other banks and financial partners. This is the true commitment of relationship banking.

However, a close relationship is not only about being there for each other. “My expectation as the customer of a bank is that they understand the business cycle we go through” says Henrik Andersen and continues “Nordea should keep hav-

ing people who know what goes on at corporate customers so they can remain a bank which stays close to the customers. We are very satisfied with Nordea so it is imperative that they don’t change their approach but remain loyal to their own values and the profile they have today.”

Jan de Haas is Nordea’s Senior Relationship Manager for ISS and



*“Being the Senior Relationship Manager to ISS is a highly enjoyable job”*

sums it up by saying: “We can always count on ISS. This means that we feel confident with them and we are always involved in strategic discussions whether they ask or we present new ideas and ways forward.”



Wholesale Banking provides services and financial solutions to the largest corporate and institutional customers in Nordea. The business area incorporates the whole value chain including customer and product units as well as the supporting IT and infrastructure. This allows for an integrated service offering, including tailor-made solutions to fit the needs of individual customers.

As the leading wholesale banking provider in the Nordic region, Nordea has the strength to provide its customers with the best financial tools to optimise their business and manage their risks. The operating model built on a Nordic scale and strong local presence enables full alignment between the customer units and product experts, thus ensuring intensity and relevance in all customer dialogue.

## Strategy

The business model of Wholesale Banking has proven robust during the on-going industry transformation. The local sales organisations combined with a global production platform allow Nordea to harvest the benefits of relationship banking as well as the economies of scale. The relationship strategy ensures deep knowledge about customers and their industries which strengthens Wholesale Banking's customer offering. The broad, high-quality product delivery increases the number of core/lead relationships and reduces earnings volatility.

Building on its strong position, Wholesale Banking continued its incremental strategy in 2012 with focus on daily business selection, resource management and further alignment of the organisational value chain. This was supported by initiatives to adapt pricing, increase cross-selling and strengthen the product offering. It also included the discontinuation of marginal product lines and streamlining of processes.

In addition to this, Wholesale Banking continued to leverage its balance sheet and its strong access to the capital and loan markets to ensure attractive financing solutions for its customers.



*Casper von Koskull is Head of Wholesale Banking.*

"The core of our relationship strategy is to put global resources and expertise at the disposal of our customers in the most effective way", says Casper von Koskull, Head of Wholesale Banking.

"In 2012, we managed to leverage and develop our strong customer relationships and retained our solid business activity in the challenging business environment. This enabled Wholesale Bank-

ing to adapt to the increasing regulatory requirements while remaining the preferred financial partner to large Nordic corporates.

In addition, we retained our strict focus on resource management and cost efficiency to further increase our financial strength and serve our customers even during challenging times."

## Business development

The Wholesale Banking result was strong and income increased significantly over 2011. The year was characterised by subdued economic growth which affected the activity level and investment appetite of Nordea's customers. However, a strengthened political determination to address the European sovereign debt crisis led to a general reduction of the volatility in the financial markets.

Wholesale Banking benefited from its proven relationship strategy and remained a preferred financial partner to large Nordic corporates. This resulted in solid customer activity despite the external challenges.

The business area retained a strict focus on business selection, resource management and cost efficiency. This led to a further reduction in RWA and in the number of employees (FTEs).

### Banking

The activity from corporate customers was solid with steady day-to-day business. The event-driven business

increased, primarily driven by bond issuance.

Financial institution customer activity remained subdued due to the impact of the sovereign debt crisis.

The activity with shipping customers was subdued due to challenging conditions within the tanker, dry cargo and containership markets. Within the offshore and oil service sectors, customer activity was high.

### Capital markets

Nordea Markets delivered strong results during the year with significantly increased income compared to the previous year.

Customer activity was primarily driven by the Foreign Exchange and Fixed Income product areas and supported by strong risk management income.

Primary bond issuance increased, driven by improved investor interest. Loan syndication activity decreased due to lower demand from corporate customers.

In the secondary equity and corporate finance areas, customer activity increased but remained moderate due to low market activity.



*Heikki Kyöstiä, President of Planmeca Group and Private Banking customer in Helsinki:*

### **“A strong bank with international business is very important”**

**Heikki Kyöstiä is a true entrepreneur. He started his company Planmeca 40 years ago and today it is a rapidly growing international business employing some 2,400 people. He has been a Private Banking customer with Nordea for 20 years.**

Nordea is the market leader in Finland with a long tradition in Private Banking. The organisational structure of one contact point for the client and the broad spectra of financial services are very attractive to large clients as Heikki Kyöstiä. He established his business Planmeca in 1971, which produces high-tech dental equipment, 3D digital imaging devices and software. When he started he had practically no capital

and now, 40 years later he is a wealthy man. The personal service that Nordea can provide is very important to Heikki. He works very closely with his Private Banker, Petri Salmi.

#### **“The level of service and one contact point is very valuable”**

“I work hard and need a lot of support since my time is scarce. To me, the level of service and one contact point is very valuable” Heikki Kyöstiä tells.

Nordea has a strong focus on entrepreneurs in Private Banking.

Private Banking works closely together with Retail Banking and Wholesale Banking to find synergies and new innovative ways to serve their clients. This also increases the competence and aware-

ness among Nordea employees.

“As I want to work with one main bank both for my private investments and my corporate business it is very important to have a strong bank with international business”, Heikki Kyöstiä points out.

“We are known as a safe and stable bank and the high competence among our people make customers



“We are reliable and safe and can offer the client a broad variety of products”

satisfied even when the markets are turbulent” says Petri Salmi, Chief Investment Manager and Senior Private Banker in Nordea.



Wealth Management provides high quality investment, savings and risk management products. We manage Nordea customers' assets, provide wealth planning and give investment advice to affluent and high-net-worth individuals as well as institutional investors. The business area consists of the business units Asset Management, Private Banking and Life & Pensions as well as the service unit Savings & Wealth Offerings. Nordea is the largest wealth manager in the Nordics with EUR 218bn in assets under management (AuM). The business area has approximately 3,600 employees, of which approximately 600 are employed outside the Nordic region, primarily in Europe.

## Strategy

Being the leading wealth manager in all Nordic markets with global reach and global capabilities – that is the ambition of Wealth Management. This requires a business model providing customers high-quality advice, a high standard of service and a full

offering of high-quality products through a cost and capital-efficient delivery model. To consolidate this position, Wealth Management has three strategic priorities:

1. Develop the next generation value propositions to existing and new customers
2. Deliver growth at a low marginal cost
3. Improve cost and capital efficiency

These strategic priorities are supported by a substantial number of projects across the business units.

It is at the core of Wealth Management's strategy to provide advice based on deep understanding of customers' needs and to always act in the customer's interest. High-quality value propositions are tailored to the specific customer segments' needs, and specific customer's needs where appropriate. The delivery model has proven to be cost-efficient and scalable. The diversified business model has demonstrated its strength in different market climates.

## Business development

The Assets under Management (AuM) in Nordea increased to EUR 218bn, up 16% from one year ago. The increase is explained by a positive investment return and a strong net inflow of EUR 9bn.

2012 was characterised by the positive momentum in the financial markets, despite periods of high volatility due to continued structural problems caused by indebtedness in Southern Europe. Nordea managed the investment performance well in 2012 as 84% of the investment composites outperformed their benchmarks in 2012. All of our fixed-income composites and balanced products delivered value-adding performance. Equity composites' performance was good, although a few failed to deliver value added. On a long-term horizon (36 months), Nordea's relative investment performance continues to be strong. 72% of the investment composites have outperformed their benchmarks.

The sale of retail funds to customers was strong with a net inflow of EUR 4.2bn. Nordea's institutional asset management continued the positive development from previous years and ended 2012 with a net inflow of EUR 1.1bn.

We saw a positive momentum in Private Banking customers' risk appetite in the second half year due to strong developments in financial markets around the world. During the year, the number of Nordea Private Banking customers increased to 106,000, up 3% compared to the previous year and more than 100,000 wealth planning meetings were executed. AuM increased by 14% to EUR 69.4bn in 2012.

In Life & Pensions, the primary focus during the year has been on profitability rather than volume. Nordea Life & Pensions was still able to maintain its position as the largest life and pension insurer in the region measured in gross written premiums. The AuM increased by 13% to the all-time high level of 51.3bn. The strengthening of the financial buffers continued, ending at 7.5% of technical provisions due to strong asset/liability management focused on decreasing the financial risk borne by the owner.

"...a new milestone in assets under management...outperformance of benchmarks...and strong inflow"



*Gunn Wærsted is Head of Wealth Management.*

"Our organisation achieved a new milestone of EUR 218bn in Asset under Management and 84% of our composites outperformed their benchmarks followed by strong inflow from our customers in 2012. This shows that our active management philosophy is acknowledged. The strategy of shifting to capital-efficient products continued, which in combination with the well-proven relationship strategy contributed further to our already robust and well diversified operating model.

Our ambition is to become the leading wealth manager in all Nordic markets, with global reach and global capabilities. To achieve and maintain that, we need to ensure that we provide high-quality advice and products to customers, that our business model is cost efficient, capital efficient and scalable and that we make investments to meet the future customer needs, so that we continue to earn current and new customers' trust."

# We grow together

**Relationships count. This is why at Nordea, we believe in putting people first – especially our employees. When they grow, we grow – their skill and dedication keep us ahead and make Nordea great.**

## **People strategy**

Our people strategy is defined by our business vision, strategy and values. According to our people strategy, Nordea can reach its goals only if our employees reach theirs, and we therefore provide opportunities for our people to flourish and live well-balanced lives. Teamwork is an integral part of working at Nordea. In line with our “one Nordea team” value, employees can fulfil both their own and Nordea’s ambitions while enjoying being part of a high-performing team.

## **Focus on values and leadership**

Nordea’s values and leadership are the strongest drivers for performance and building corporate culture. Building a great European bank requires great leaders. Nordea defines great leadership as the ability to engage and motivate people to reach out for Nordea’s vision, and to create the right team to make it happen. Successful leaders at Nordea are committed, engaged and seek to enable those around them to flourish and develop – not just themselves. Developing the capabilities of others, unlocking their potential and providing constructive feedback are inherent leadership qualities.

In 2012, Nordea introduced a Leadership Pipeline Framework to take our leaders to the next level. New leaders are quickly initiated in their new roles through a special introduction programme providing them with the requisite information and understanding of tools and processes for their managerial roles.

## **Feedback culture – a two-way street**

Nordea prioritises open dialogues in employee relationships. We know that people feel valued when they feel heard. Regular feedback is also key to their ongoing development. This culture of responsiveness is enabled by our Employee Satisfaction Index (ESI) and our Performance & Development Dialogue (PDD) process. We assess performance, plan a short- and long-term career path and decide on development initiatives/activities.

## **Opportunities to flourish and grow**

Nordea aims to offer many opportunities for employees to develop within the Group. Development is the joint responsibility of the manager and employee. Nordea provides group-wide leadership and employee development. The business areas provide training in specific skills and knowledge developed to secure common expertise within a market area. Much of our training occurs on the ‘production floor’. Such on-the-job learning has proved to be a highly effective way of keeping training relevant. We supplement this with classroom teaching, e-learning and virtual workshops. Helping our employees achieve their full potential is crucial, because their skills and dedication keep us ahead and make Nordea great. The Talent Management process ensures that we have strong leaders, competent specialists and high-quality succession.

## **A company with many possibilities**

Mobility is key to developing skills. We advertise our vacancies internally and endeavour to find candidates

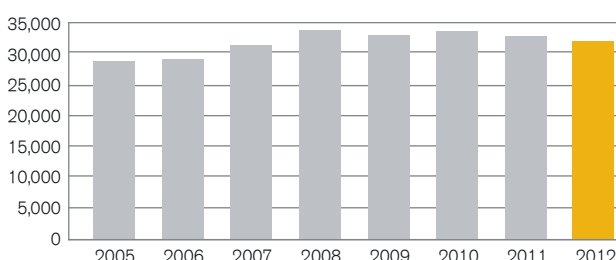
among our colleagues. One way of learning about jobs and competence needs in the Group is by joining our career days, run on a country basis. Most career mobility takes place within the same country, although the opportunity to work across borders and in different value chains is also greatly valued by our staff – particularly graduate programme participants.

## **Responsible restructuring**

The financial turbulence and new global requirements regarding capital, liquidity and costs have resulted in a need for sustained cost and capital efficiency measures throughout the entire financial industry. In 2011, Nordea announced a restructuring programme in the Nordic countries.

While it was not a step we took lightly, it was crucial to the bank’s future. It has led to a reduction of around 2,700 employees at group level since the second quarter of 2011. Reductions thus far have mainly occurred through natural attrition and internal mobility, combined with highly cautious external recruitment and refraining from extending temporary employment contracts. In the Nordics, over 300 people made career moves within the bank in the context of our internal People Matching Process. People also chose to leave Nordea with mutually agreed redundancy packages with the possibility of outplacement support.

**Number of employees (full time equivalents, FTEs)**





# Nordea continued to integrate sustainability in the core business

**In 2012, our CSR work focused on further integrating CSR with our core business in line with our strategy and long term goal. We focused on strengthening compliance, further developing our lending practices, introducing a new Sustainability Policy and continuing to reduce our ecological footprint.**

The financial crisis has shown the importance of stable banks for societies to prosper. Nordea's primary responsibility is to remain strong so that we can help our customers be it individuals, families, companies or corporations to realise their aspirations. All our stakeholders have to be able to depend on us for the long term. CSR plays an important part in this.

## **Strengthening compliance by combating criminal networks**

Financial services represents one of the key pillars of a healthy, stable society. Banks facilitate trade, saving and investment – the basic engines of a modern economy – but can also be the target of criminal individuals and networks. Global anti-crime authorities are today investing considerable energy and resources in combatting money laundering and many of the new regulations in our sector relate to these endeavours. Nordea welcomes this. As a responsible international bank, we are committed to supporting all efforts to combat organised crime and terrorism.

In 2012, Nordea set up dedicated Anti-Money Laundering teams in all the markets where we operate. This year our Board of Directors agreed a company-wide standard for our internal compliance processes for country-based risks associated with money laundering and terrorist financing. We introduced a mandatory course

for all new employees in Anti-Money Laundering.

As a Nordic company, Nordea's culture is marked by a tradition of openness and trust. While this is an essential foundation for any compliance system, we need standardised processes and for this reason, we introduced a formal whistle blowing system in 2012. The decision reflects our status as a Global Systemically Important Bank and ensures our compliance with the standards set out in the UK Bribery Act and European Banking Authority Guidelines. Nordea's whistle blowing system offers employees a range of different avenues for reporting ethical concerns.

## **Responsible lending**

In 2012, in Nordea's corporate lending we continued to renew the environmental, social, political and governance (ESG) analyses in the credit process. Going forward we will focus our ESG analyses on credits with higher probability of ESG risks. Certain industries and countries are more prone to ESG risks than others which our procedures take into account. We will also integrate ESG aspects with the know-your-customer process.

## **Investing by positive screening**

In 2012, Nordea's Responsible Investment Team continued its active approach to investments holding bian-

nual dialogues with companies invested in and participating in Annual General Meetings. The Responsible Investment fund, Emerging Stars, which was launched in 2011, grew in popularity in 2012. The funds focus on companies with a positive trend and with sustainability as their platform for growth. Emerging Stars have shown solid outperformance.

In 2012, the Responsible Investment Committee decided to sell all holdings in companies that produce or develop nuclear weapon systems or technology.

## **Stakeholder dialogues**

Nordea's CSR Secretariat's stakeholder dialogues were dominated by socially responsible investors (SRI). The interest from the SRIs has increased and at year end 31% of Nordea's shares were owned by institutions that have publicly stated overall responsible investments policy and/or signatories to the UN's Principles for Responsible Investment.

## **CSR is owned by business**

CSR is owned by the business in Nordea. The CSR Secretariat drives and coordinates the CSR work while the CSR Stakeholder Board, which consists of representatives from business areas and group functions, provides strategic oversight and direction to the CSR Secretariat.



Nordea's CSR Report 2012, available on [www.nordea.com/csr](http://www.nordea.com/csr)

# The Nordea share and shareholders

**Nordea's financial target is to reach 15% return on equity (ROE) in a normalised interest rate environment and with a core tier 1 capital ratio of above 13%.**

The market capitalisation of Nordea at the end of 2012 was EUR 29.3bn. Ranked by market capitalisation Nordea was the fourth largest company in the Nordic region and among the ten largest European financial groups.

The Nordea share is listed on the NASDAQ OMX Nordic, the stock exchanges in Stockholm (SEK), Helsinki (EUR) and Copenhagen (DKK).

## Share price development

The international equity markets recovered in 2012 and the Nordea share price appreciated 17% on the NASDAQ OMX Stockholm Stock Exchange from SEK 53.25 to SEK

62.10. The daily closing prices listed for the Nordea share in 2012 ranged between SEK 66.90 and SEK 51.55. In 2012, the NASDAQ OMX OMXS30 Index appreciated by 12% and the STOXX Europe 600 Banks index by 23%. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated 74% and clearly outperformed the STOXX Europe 600 Banks index (-51%) and the NASDAQ OMX OMXS30 Index (-28%).

## Total shareholder return 2012

Total shareholder return (TSR) is the market value growth per share and reinvested dividends. Total shareholder return in 2012 was 21.0% (-24.4% in 2011).

## Turnover – the most liquid Nordic financial share

The Nordea share was the most liquid Nordic financial share in 2012, with an average daily trading volume of approx. EUR 73m, corresponding to approx. 11 million shares. Turnover on all stock exchanges combined totalled EUR 18.2bn in 2012, corresponding to over 2.6 billion shares.

A large part of the total trading takes place on new alternative trading and reporting venues. 13% of the total volume traded in Nordea shares takes place over other exchanges such as BATS Chi-X Europe, Burgundy and Turquoise. Out of the total number of Nordea shares traded in 2012, approx. 83% were SEK denominated, 9% EUR denominated, 8% DKK denominated.

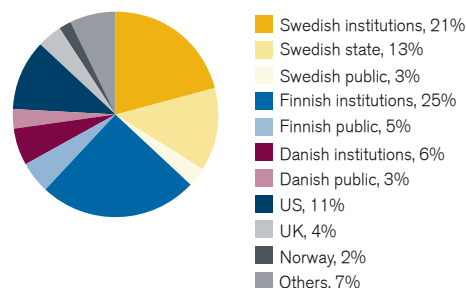
## New capital policy

Nordea has established a new capital policy for the new regulatory environment, which states that, no later than 1 January 2015, the target for the core tier 1 capital ratio is to be above 13% and for the total capital ratio to be above 17%. The dividend policy remains unchanged. Excess capital is expected to be distributed to shareholders.

## Dividend policy, proposed dividend

Nordea pursues a policy of high dividends. The policy is that the total dividend payment will exceed 40% of net

## Shareholder structure, 31 Dec 2012



profit for the year.

The Board of Directors proposes a dividend of EUR 0.34 per share for 2012. The total dividend payment for 2012 would then be EUR 1,370m, corresponding to a payout ratio of 44% of the net profit after tax, which is in line with the dividend policy. The dividend yield calculated on the share price at 28 December 2012 is 4.7%.

The dividend is denominated in EUR, Nordea's accounting currency. The payment currency depends on the country in which the shares are registered. Owners of shares registered in Sweden can choose between dividend in SEK or EUR. An official exchange rate is published. In Denmark, dividends are paid in EUR. If the shareholder does not have a EUR account the dividend is converted into local currency. Each custody institute decides its own conversion rate. In Finland, the dividend is paid in EUR.

## Shareholders

With approx. 450,000 registered shareholders at the end of 2012, Nordea has one of the largest shareholder bases of all Nordic companies. The number of shareholders in Sweden is approx. 90,000, in Finland approx. 187,000 and in Denmark approx. 169,000 – all largely unchanged from last year.

The largest shareholder category is Finnish institutions (including Sampo plc), with a 25% holding of Nordea shares at year-end. Swedish institutional shareholders held 21% while non-Nordic shareholders held 22% of the capital at the end of 2012. The largest individual shareholder is Sampo plc with a holding of 21.4%. The Swedish state held 13.5% at the end of 2012.

## Largest registered\* shareholders in Nordea, 31 Dec 2012

Shareholder	No of shares, million	Holdings %
Sampo plc	860.4	21.4
Swedish state	544.2	13.5
Nordea-fonden	158.2	3.9
Swedbank Robur Funds	135.9	3.4
AMF Insurance & Funds	74.1	1.8
Norwegian Petroleum Fund	71.5	1.8
SHB Funds	59.2	1.5
SEB Funds	47.4	1.2
Fourth Swedish National Pension Fund	44.7	1.1
AFA Insurance	41.1	1.0
Nordea Funds	39.0	1.0
Varma Mutual Pension Fund	30.4	0.8
<b>Total, 12 largest shareholders</b>	<b>2,106.1</b>	<b>52.4</b>

Source: SIS ägarservice, Nordic Central Securities Depository, VP Online.

\* Excluding nominee accounts.

# Financial Review 2012

## **Strong capital position, flat costs and growing income**

- Total operating income increased 8%
- Total operating expenses decreased 1%
- Net loan losses 28 basis points (23 basis points)
- Operating profit increased 11% (excluding the restructuring costs in the previous year)
- Return on equity (ROE) 11.6% (last year 11.1%)
- Risk-adjusted profit increased 20%
- Core tier 1 capital ratio 13.1%, excluding transition rules (last year 11.2%)
- Overall credit quality remained solid
- 85,000 relationship customers were new to Nordea
- Assets under Management up 16% to EUR 218bn
- Ambitious financial target and new capital policy

## **Result summary for 2012**

### *Income*

Total income increased by 8% in 2012 compared to 2011. Net interest income increased 5% compared to 2011. Lending volumes increased 3%, mainly household mortgage lending, and corporate lending spreads were higher, while deposit margins have decreased from 2011. Net interest margin, the average net interest income on lending and deposits, was 1.06%, down somewhat from last year.

Net fee and commission income increased 5% due to strong commission income from savings and investments as well as higher payments and lending commissions.

Net result from items at fair value increased by 18% compared to last year, following stable customer-driven capital markets activities, high results from the life insurance operations as well as good results from management of the risks inherent in the customer transactions.

Income under the equity method was EUR 93m (EUR 42m) and other income was EUR 103m (EUR 91m).

### *Expenses*

Total expenses increased 3% compared to last year and staff costs increased 3%, when excluding the restructuring costs last year. Total expenses decreased by 0.5% and staff costs by 2% compared to 2011 in local currencies when excluding the restructuring costs last year and excluding performance-related salaries and profit-sharing, ie with the cost definition for the cost target in the New Normal plan.

### *Net loan losses*

Net loan loss provisions increased to EUR 933m, corresponding to a loan loss ratio of 28 basis points (23 basis points last year). As expected, provisions for future loan losses in Denmark and shipping remained at elevated levels. In other areas, the losses were low. The loan loss ratio was broadly in line with the credit risk appetite.

### *Taxes*

The effective tax rate in 2012 was 24.1%, compared to 25.7% last year. The effective tax rate 2012 was affected by a reduction in income tax expenses due to a one-off effect of recal-

culation of mainly deferred tax liabilities, following the lowering of the tax rate in Sweden.

### *Net profit and Return on equity (ROE)*

Net profit increased 19% to EUR 3,126m, due to the record-high income and somewhat lower costs than last year.

Return on equity (ROE) was 11.6% (last year 11.1%, when excluding the restructuring costs in last year).

### *Risk-adjusted profit*

Risk-adjusted profit increased 20% compared to last year to EUR 3,245m.

## **Financial structure**

Total assets decreased by 5% or EUR 39bn to EUR 677bn during 2012. Total liabilities decreased by 6% or EUR 41bn to EUR 649bn. The decrease in total assets was driven by a 6% decrease in total loans, amounting to EUR 24bn, to EUR 365bn compared with one year ago and calculated in local currencies the decrease amounted to 8%, mainly in loans to central banks, largely explained by a similar increase in cash and balances with central banks.

Deposits and borrowings increased by EUR 11bn or 4% to EUR 256bn. Total debt securities in issue as per the end of 2012 amounted to EUR 184bn. During 2012, long-term issuance under Nordea funding programmes amounted to EUR 29bn, excluding Danish covered bonds.

## **Financial target**

Nordea has established the financial target to increase return on equity (ROE) to reach a ROE of 15% in a normalised interest rate environment and with a core tier 1 capital ratio of above 13%.

## **Capital position and new capital policy**

The Group's core tier 1 capital ratio, excluding transition rules, increased to 13.1% at the end of 2012, a strengthening by 1.9 %-points from the end of last year. The total capital ratio excluding transition rules increased 2.8 %-points to 16.2%. Improved capital ratios have been achieved by strong profit generation and a decrease in risk-weighted assets (RWA).

Nordea has established a new capital policy, which states that, no later than 1 January 2015, the target for the core tier 1 capital ratio is to be above 13% and for the total capital ratio to be above 17%. The dividend policy remains unchanged. Excess capital is expected to be distributed to shareholders.

The capital policy is based on management's current best view on capitalisation although there is still uncertainty regarding the final outcome of the CRD IV/CRR. The targets are considered minimum targets under normal business conditions, as the regulatory framework is dynamic through the cycle.

## **Credit portfolio**

Total loans to the public, lending, increased to EUR 346bn, up 3% from one year ago. The share of lending to corporate

customers was 53%. Lending to the shipping industry constituted 3.3% of the Group's total lending.

Migration continued to be slightly positive in 2012, mainly in the retail and institutions credit portfolios. The total effect of improved credit quality on RWA was a decrease by approx. 1.3% in 2012.

Impaired loans gross increased 35% to EUR 6,905m at the end of the year compared to last year. 58% of impaired loans gross are performing loans and 42% are non-performing loans. This development has been expected, since at this point of the business cycle, it is easier to identify specific customers, with a need for a loan loss provision.

### Dividend

The Board of Directors and CEO propose to the AGM a dividend of EUR 0.34 per share (EUR 0.26), corresponding to a payout ratio of 44% of net profit, in line with the dividend policy. Total proposed dividend amounts to EUR 1,370m.

The ex-dividend date for the Nordea share is 15 March 2013. The proposed record date for the dividend is 19 March, and dividend payments will be made on 26 March.

### Mandate to repurchase and convey own shares

In order to be able to adjust the company's capital structure to the capital requirement existing at any time and to use own shares as payment in connection with acquisitions or in order to finance such acquisitions, the Board of Directors proposes

to the AGM 2013 an authorisation to decide on repurchase of own shares on a regulated market where the company's shares are listed, or by means of an acquisition offer directed to all shareholders. The authorisation is limited so that Nordea's holdings of own shares is a maximum of 10% of all shares. The Board of Directors further proposes an authorisation to decide on conveyance of own shares, to be used as payment for or financing of acquisitions of companies or businesses. Conveyance may be made in another way than on a regulated market and with deviation from shareholders' pre-emptive rights.

During 2012, an authorisation to repurchase newly issued C-shares in connection with the LTIP 2012 has been in place.

### Mandate to issue of convertible instruments

The Board of Directors proposes that the AGM 2013 should authorise the Board of Directors to decide on issuing of convertible instruments, with or without preferential rights for existing shareholders. The authorisation means that the share capital may be increased by a maximum 10% of the Company's share capital. The authorisation may be used on one or several occasions up until the next AGM. An issue of convertible instruments should be done on market conditions.

The purpose of the authorisation is to facilitate a flexible and cost-effective adjustment of the Company's capital structure to meet new capital requirements rules and attaching to new capital instruments.

### Retail Banking, operating profit per market

EURm	Total		Banking Denmark		Banking Finland		Banking Norway		Banking Sweden		Banking Poland & Baltic countries		Retail Banking other	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	3,967	3,673	1,220	1,166	622	683	904	670	1,218	1,076	315	288	-312	-210
Net fee and commission income	1,153	1,129	175	205	330	310	192	168	405	397	80	78	-29	-29
Net result on items at fair value	364	431	85	97	77	78	77	80	112	119	26	56	-13	1
Equity method	21	14	21	14	0	0	0	0	0	0	0	0	0	0
Other operating income	48	25	5	2	20	10	3	1	6	0	4	4	10	8
<b>Total operating income</b>	<b>5,553</b>	<b>5,272</b>	<b>1,506</b>	<b>1,484</b>	<b>1,049</b>	<b>1,081</b>	<b>1,176</b>	<b>919</b>	<b>1,741</b>	<b>1,592</b>	<b>425</b>	<b>426</b>	<b>-344</b>	<b>-230</b>
Staff costs	-1,330	-1,336	-338	-351	-223	-235	-159	-149	-289	-287	-69	-74	-252	-240
Other expenses and depr.	-1,779	-1,834	-499	-532	-423	-445	-335	-337	-593	-596	-125	-123	196	199
<b>Total operating expenses</b>	<b>-3,109</b>	<b>-3,170</b>	<b>-837</b>	<b>-883</b>	<b>-646</b>	<b>-680</b>	<b>-494</b>	<b>-486</b>	<b>-882</b>	<b>-883</b>	<b>-194</b>	<b>-197</b>	<b>-56</b>	<b>-41</b>
<b>Profit before loan losses</b>	<b>2,444</b>	<b>2,102</b>	<b>669</b>	<b>601</b>	<b>403</b>	<b>401</b>	<b>682</b>	<b>433</b>	<b>859</b>	<b>709</b>	<b>231</b>	<b>229</b>	<b>-400</b>	<b>-271</b>
Net loan losses	-610	-556	-443	-400	-46	-57	-43	-39	-38	-34	-40	-25	0	-1
<b>Operating profit</b>	<b>1,834</b>	<b>1,546</b>	<b>226</b>	<b>201</b>	<b>357</b>	<b>344</b>	<b>639</b>	<b>394</b>	<b>821</b>	<b>675</b>	<b>191</b>	<b>204</b>	<b>-400</b>	<b>-272</b>
Cost/income ratio, %	56	60	56	60	62	63	42	53	51	56	46	46		
RAROCAR, %	16	13	17	13	16	14	20	11	30	26	12	13		
<b>Other information, EURbn</b>														
Lending to corporates	90.7	90.3	23.7	23.6	14.7	14.9	21.3	20.2	22.7	23.8	8.2	7.8		
Household mortgage lending	126.8	119.9	30.1	28.9	25.2	24.6	27.3	25.2	37.2	34.3	7.1	7.1		
Consumer lending	24.2	24.7	12.4	12.7	5.2	5.2	0.7	0.7	5.9	5.9				
Corporate deposits	47.4	45.5	7.8	7.4	10.6	10.0	11.9	12.2	13.1	12.7	4.1	3.2		
Household deposits	76.6	72.6	23.0	21.6	22.2	22.3	8.5	7.7	20.9	19.1	2.0	1.8		



## Wholesale Banking, operating profit per unit

EURm	Total		Corporate & Institutional Banking (CIB)		Shipping, Offshore & Oil Services		Banking Russia		Wholesale Banking other (including Capital Markets unallocated)	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	1,177	1,212	820	784	331	324	231	188	-205	-84
Net fee and commission income	541	545	555	540	64	81	17	14	-95	-90
Net result on items at fair value	1,066	821	402	413	27	28	9	14	628	366
Equity method	0	0	0	0	0	0	0	0	0	0
Other operating income	11	5	0	0	0	0	2	1	9	4
<b>Total operating income</b>	<b>2,795</b>	<b>2,583</b>	<b>1,777</b>	<b>1,737</b>	<b>422</b>	<b>433</b>	<b>259</b>	<b>217</b>	<b>337</b>	<b>196</b>
Staff costs	-789	-718	-39	-39	-26	-24	-69	-58	-655	-597
Other expenses and depr.	-145	-125	-448	-436	-42	-41	-39	-40	384	392
<b>Total operating expenses</b>	<b>-934</b>	<b>-843</b>	<b>-487</b>	<b>-475</b>	<b>-68</b>	<b>-65</b>	<b>-108</b>	<b>-98</b>	<b>-271</b>	<b>-205</b>
<b>Profit before loan losses</b>	<b>1,861</b>	<b>1,740</b>	<b>1,290</b>	<b>1,262</b>	<b>354</b>	<b>368</b>	<b>151</b>	<b>119</b>	<b>66</b>	<b>-9</b>
Net loan losses	-314	-173	-68	-31	-240	-135	-6	-8	0	1
<b>Operating profit</b>	<b>1,547</b>	<b>1,567</b>	<b>1,222</b>	<b>1,231</b>	<b>114</b>	<b>233</b>	<b>145</b>	<b>111</b>	<b>66</b>	<b>-8</b>
Cost/income ratio, %	33	33	27	27	16	15	42	46		
RAROCAR, %	21	19	23	21	26	28	32	22		

### Other information, EURbn

Lending to corporates	88.8	91.8	42.9	45.5	13.0	13.6	6.2	6.1	26.7	26.6
Lending to households	0.4	0.4					0.4	0.4		
Corporate deposits	63.7	59.1	39.8	37.0	4.8	4.7	2.2	2.4	16.9	15.0
Household deposits	0.2	0.2					0.2	0.2		

## Wealth Management, operating profit per unit

EURm	Total		Asset Management		Private Banking		Life & Pensions		Wealth Management other	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	127	130	1	4	113	116	0	0	13	10
Net fee and commission income	918	839	427	381	286	263	205	194	0	1
Net result on items at fair value	408	308	4	-5	85	92	319	221	0	0
Equity method	0	0	0	0	0	0	0	0	0	0
Other operating income	39	16	6	4	11	7	22	1	0	4
<b>Total operating income</b>	<b>1,492</b>	<b>1,293</b>	<b>438</b>	<b>384</b>	<b>495</b>	<b>478</b>	<b>546</b>	<b>416</b>	<b>13</b>	<b>15</b>
Staff costs	-475	-451	-117	-109	-163	-149	-122	-125	-73	-68
Other expenses and depr.	-307	-290	-100	-103	-179	-170	-89	-84	61	67
<b>Total operating expenses</b>	<b>-782</b>	<b>-741</b>	<b>-217</b>	<b>-212</b>	<b>-342</b>	<b>-319</b>	<b>-211</b>	<b>-209</b>	<b>-12</b>	<b>-1</b>
<b>Profit before loan losses</b>	<b>710</b>	<b>552</b>	<b>221</b>	<b>172</b>	<b>153</b>	<b>159</b>	<b>335</b>	<b>207</b>	<b>1</b>	<b>14</b>
Net loan losses	-2	0	0	0	-2	0	0	0	0	0
<b>Operating profit</b>	<b>708</b>	<b>552</b>	<b>221</b>	<b>172</b>	<b>151</b>	<b>159</b>	<b>335</b>	<b>207</b>	<b>1</b>	<b>14</b>
Cost/income ratio, %	52	57	50	55	69	67	39	50		
RAROCAR, %	20	25			32	30	13	13		

### Other information, EURbn

Lending to households	9.0	8.0			9.0	8.0				
Deposits from the public	10.5	10.7			10.5	10.7				

# Income statement

EURm	2012	2011
<b>Operating income</b>		
Net interest income	5,752	5,456
Net fee and commission income	2,504	2,395
Net result from items at fair value	1,784	1,517
Profit from associated undertakings accounted for under the equity method	93	42
Other operating income	103	91
<b>Total operating income</b>	<b>10,236</b>	<b>9,501</b>
<b>Operating expenses</b>		
General administrative expenses:		
Staff costs	-3,048	-3,113
Other expenses	-1,860	-1,914
Depreciation, amortisation and impairment charges of tangible and intangible assets	-278	-192
<b>Total operating expenses</b>	<b>-5,186</b>	<b>-5,219</b>
<b>Profit before loan losses</b>	<b>5,050</b>	<b>4,282</b>
Net loan losses	-933	-735
<b>Operating profit</b>	<b>4,117</b>	<b>3,547</b>
Income tax expense	-991	-913
<b>Net profit for the year</b>	<b>3,126</b>	<b>2,634</b>
Diluted earnings per share, EUR	0.78	0.65

## Ratios and key figures, Nordea Group

	2012	2011	2010	2009	2008
Diluted earnings per share, EUR	0.78	0.65	0.66	0.60	0.79
Share price <sup>1</sup> , EUR	7.24	5.98	8.16	7.10	3.90
Total shareholders' return, %	21.0	-24.4	3.7	78.6	-46.9
Proposed/actual dividend per share, EUR	0.34	0.26	0.29	0.25	0.20
Equity per share <sup>1</sup> , EUR	7.01	6.47	6.07	5.56	5.29
Weighted average number of diluted shares <sup>2</sup> , million	4,022	4,028	4,022	3,846	3,355
Return on equity, %	11.6	10.6	11.5	11.3	15.3
Cost/income ratio, %	51	55	52	50	53
Loan loss ratio, basis points	28	23	31	56	19
Core tier 1 capital ratio, excluding transition rules <sup>1</sup> , %	13.1	11.2	10.3	10.3	8.5
Tier 1 capital ratio, excluding transition rules <sup>1</sup> , %	14.3	12.2	11.4	11.4	9.3
Total capital ratio, excluding transition rules <sup>1</sup> , %	16.2	13.4	13.4	13.4	12.1
Core tier 1 capital ratio <sup>1</sup> , %	10.2	9.2	8.9	9.3	6.7
Tier 1 capital ratio <sup>1</sup> , %	11.2	10.1	9.8	10.2	7.4
Total capital ratio <sup>1</sup> , %	12.7	11.1	11.5	11.9	9.5
Tier 1 capital <sup>1</sup> , EURm	23,953	22,641	21,049	19,577	15,760
Risk-weighted assets, incl transition rules <sup>1</sup> , EURbn	215	224	215	192	213
Number of employees (full-time equivalents) <sup>1</sup>	31,466	33,068	33,809	33,347	34,008
Risk-adjusted profit, EURm	3,245	2,714	2,622	2,786	2,279
Economic capital <sup>1</sup> , EURbn	17.9	17.7	17.5	16.7	15.8
EPS, risk-adjusted, EUR	0.81	0.67	0.65	0.72	0.68
RAROCAR, %	17.6	15.5	15.0	17.3	15.6
MCEV, EURm	3,762	2,714	3,655	3,244	2,624

1) End of the year.

2) 2008–2009 restated due to the rights issue.

# Balance sheet

EURm	31 Dec 2012	31 Dec 2011
<b>Assets</b>		
Cash and balances with central banks	36,060	3,765
Loans to central banks	8,005	40,615
Loans to credit institutions	10,569	11,250
Loans to the public	346,251	337,203
Interest-bearing securities	94,939	92,373
Financial instruments pledged as collateral	7,970	8,373
Shares	28,128	20,167
Derivatives	118,789	171,943
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-711	-215
Investments in associated undertakings	585	591
Intangible assets	3,425	3,321
Property and equipment	474	469
Investment property	3,408	3,644
Deferred tax assets	218	169
Current tax assets	78	185
Retirement benefit assets	301	223
Other assets	16,372	19,425
Prepaid expenses and accrued income	2,559	2,703
<b>Total assets</b>	<b>677,420</b>	<b>716,204</b>
<b>Liabilities</b>		
Deposits by credit institutions	55,426	55,316
Deposits and borrowings from the public	200,678	190,092
Liabilities to policyholders	45,320	40,715
Debt securities in issue	184,340	179,950
Derivatives	114,203	167,390
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,940	1,274
Current tax liabilities	391	154
Other liabilities	33,472	43,368
Accrued expenses and prepaid income	3,903	3,496
Deferred tax liabilities	997	1,018
Provisions	389	483
Retirement benefit obligations	348	325
Subordinated liabilities	7,797	6,503
<b>Total liabilities</b>	<b>649,204</b>	<b>690,084</b>
<b>Equity</b>		
Non-controlling interests	5	86
Share capital	4,050	4,047
Share premium reserve	1,080	1,080
Other reserves	76	-47
Retained earnings	23,005	20,954
<b>Total equity</b>	<b>28,216</b>	<b>26,120</b>
<b>Total liabilities and equity</b>	<b>677,420</b>	<b>716,204</b>
Assets pledged as security for own liabilities	164,902	146,894
Other assets pledged	4,367	6,090
Contingent liabilities	21,157	24,468
Credit commitments	84,914	85,319
Other commitments	1,294	1,651

# Annual General Meeting 14 March 2013

Nordea's Annual General Meeting (AGM) 2013 will be held on Thursday 14 March at 13.00 CET at Aula Magna, at Stockholm University, Frescativägen 6, Stockholm.

## Notification of participation etc

Shareholders who wish to participate in the AGM shall be entered in the share register maintained by the Swedish Securities Register Center (Euroclear Sweden AB) not later than 8 March 2013 and notify Nordea. Shareholders whose shares are held in custody therefore must temporarily re-register their shares in their own names with Euroclear Sweden AB in order to be able to participate. This applies for example to holders of Finnish Depositary Receipts in Finland and holders of shares registered in VP Securities in Denmark. Such re-registration must be effected in Euroclear Sweden AB in Sweden on 8 March 2013. This means that the shareholder in good time prior to this date must inform the trustee about this.

## Shareholders registered in Euroclear Sweden AB in Sweden

Notification of participation in the AGM must be made to Nordea Bank AB (publ) at the latest on 8 March 2013 preferably before 13.00 Swedish time at the following address: Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's web page [www.nordea.com](http://www.nordea.com).

## Holders of Finnish Depositary Receipts (FDR) in Finland

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 7 March 2013 at 12.00 noon Finnish time to Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's web page [www.nordea.com](http://www.nordea.com).

## Shareholders registered in VP Securities in Denmark

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 7 March 2013 at 12.00 noon Danish time to Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's web page [www.nordea.com](http://www.nordea.com).

# Financial calendar

## Financial calendar 2013

Capital Markets Day, London (and webcast)	6 March
Annual General Meeting	14 March
Ex-dividend date	15 March
Record date	19 March
Dividend payments	26 March
1st quarter report	24 April
2nd quarter report	17 July
3rd quarter report	23 October

## Website

All reports and press releases are available on the Internet at: [www.nordea.com](http://www.nordea.com). Financial reports published by the Nordea Group may be ordered on the website and via Investor Relations.

The annual reports of Nordea Bank Danmark A/S, Nordea Bank Norge ASA and Nordea Bank Finland Plc can be downloaded at [www.nordea.com](http://www.nordea.com)

Nordea's report on Capital and risk management, in accordance with the Pillar III disclosure requirements according to the EU Capital Requirements Directive, is presented on [www.nordea.com](http://www.nordea.com).

This Summary 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 level and foreign exchange rate levels. This report 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.