



# Second Quarter Report 2012

## International telephone conference

# Disclaimer

This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

Important factors that may cause such a difference for Nordea include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels.

This presentation does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

# Key messages

- **Strong income and solid cost control**

- Revenues are up 6% YTD
- Costs are up 1%, unchanged in local currencies
- Solid credit quality
- Improved RoE to 12.1% (12.5% in Q2/12)
- Cost/income ratio at 50%
- Core Tier 1 ratio improved 20 bps to 11.8%

- **Progress in building the future bank**

- Execution of New Normal Plan growing income and improving efficiency
- Retail Banking: Redesigning distribution model, improving capital efficiency
- Wholesale Banking: Developing relations, business selection and pricing
- Wealth Management: Increasing efficiency and sharpening the offering

- **Financial highlights**
- Building the future bank business model

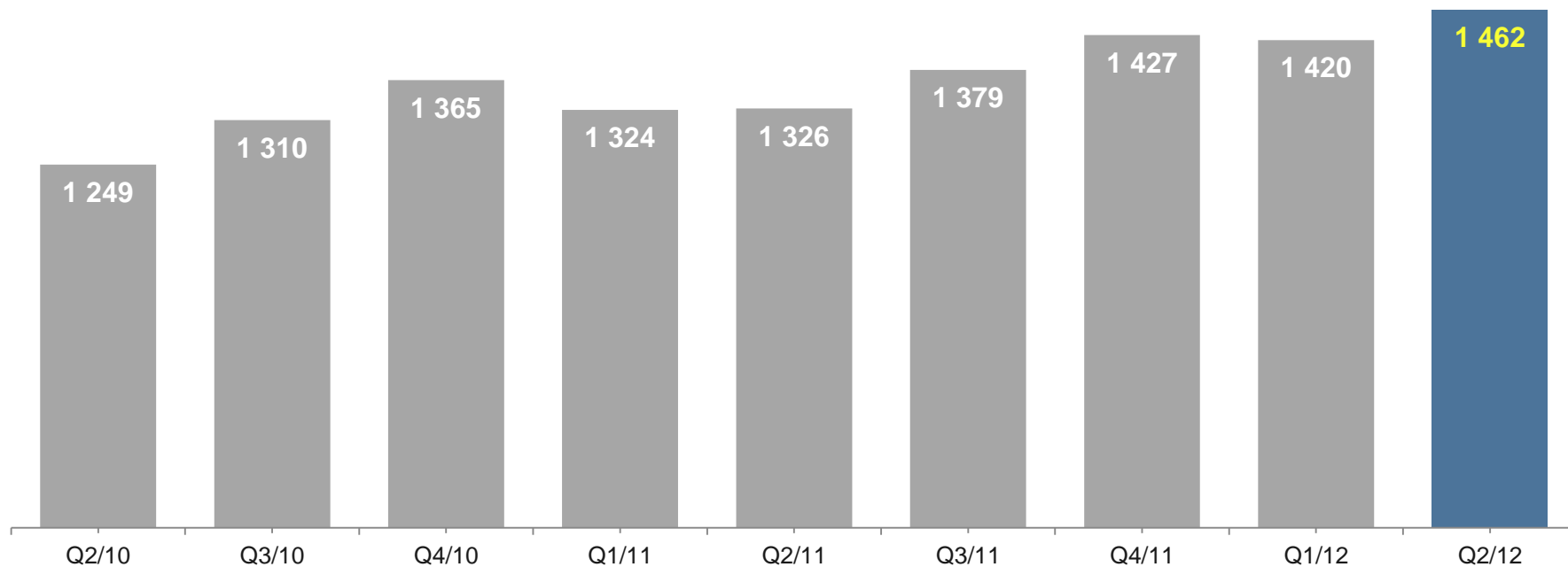
# Financial result – Q2/12

EURm	Q2/12	Q1/12	Change %
Net interest income	1,462	1,420	3
Net fee and commission income	611	596	3
Net fair value result	494	469	5
Other income	39	46	-15
<b>Total income</b>	<b>2,606</b>	<b>2,531</b>	<b>3</b>
Staff costs	-761	-771	-1
<b>Total expenses</b>	<b>-1,290</b>	<b>-1,276</b>	<b>1</b>
Profit before loan losses	1,316	1,255	5
<b>Net loan losses</b>	<b>-217</b>	<b>-218</b>	<b>0</b>
<b>Operating profit</b>	<b>1,099</b>	<b>1,037</b>	<b>6</b>
<b>Net profit</b>	<b>821</b>	<b>775</b>	<b>6</b>
Risk-adjusted profit	851	799	6

H1/12	H1/11	Change %
2,882	2,650	9
1,207	1,225	-1
963	900	7
85	77	10
<b>5,137</b>	<b>4,852</b>	<b>6</b>
-1,532	-1,512	1
<b>-2,566</b>	<b>-2,540</b>	<b>1</b>
2,571	2,312	11
<b>-435</b>	<b>-360</b>	<b>21</b>
<b>2,136</b>	<b>1,952</b>	<b>9</b>
<b>1,596</b>	<b>1,442</b>	<b>11</b>
1,650	1,414	16

# Increased net interest income

Total net interest income, EURm

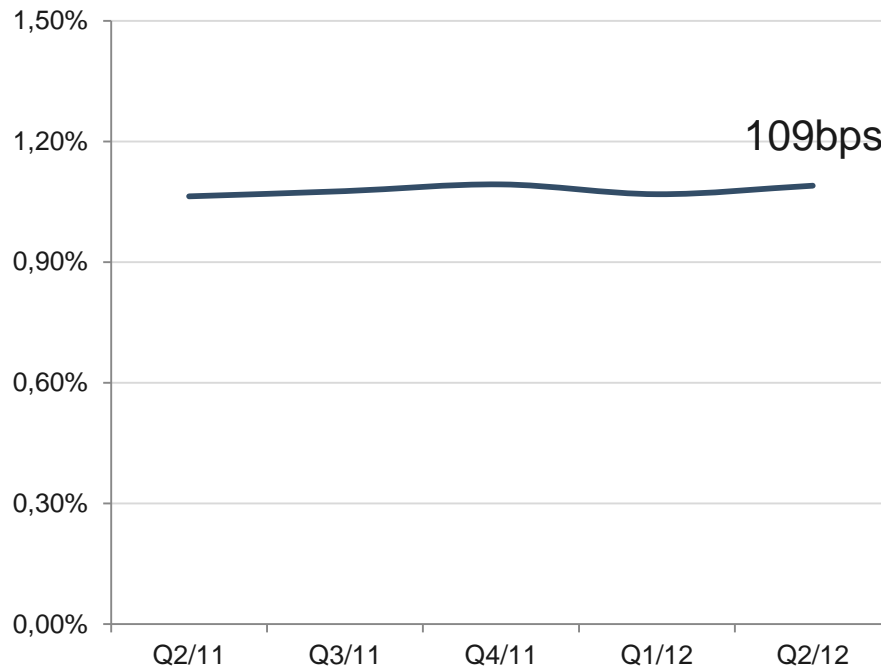


# Change in net interest income

Change, EURm	Q-o-Q	Y-o-Y
<b>Volume-driven NII</b>	<b>11</b>	<b>128</b>
Lending	11	108
Deposits	0	20
<b>Spread-driven NII</b>	<b>20</b>	<b>190</b>
Lending	47	310
Deposits	-27	-120
<b>Spread costs</b>	<b>-13</b>	<b>-81</b>
<b>GCC, including Treasury</b>	<b>-1</b>	<b>51</b>
<b>Other</b>	<b>25</b>	<b>-56</b>
<b>Total</b>	<b>42</b>	<b>232</b>

# Largely unchanged net interest margin

Net interest margin (excl. liquidity buffer and repo rates)

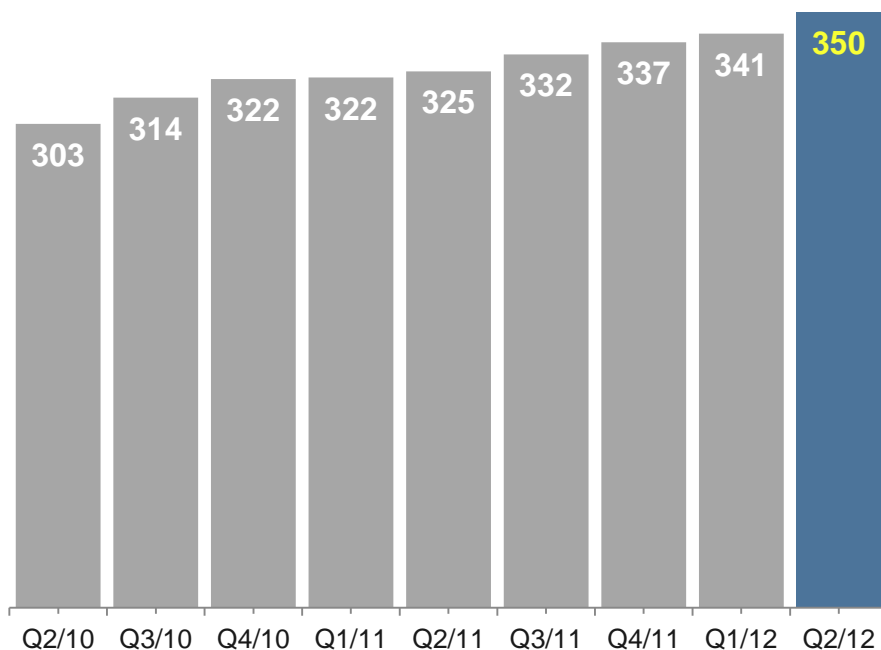


- Increased lending margins
- Lower deposit margins



# Increased lending volumes

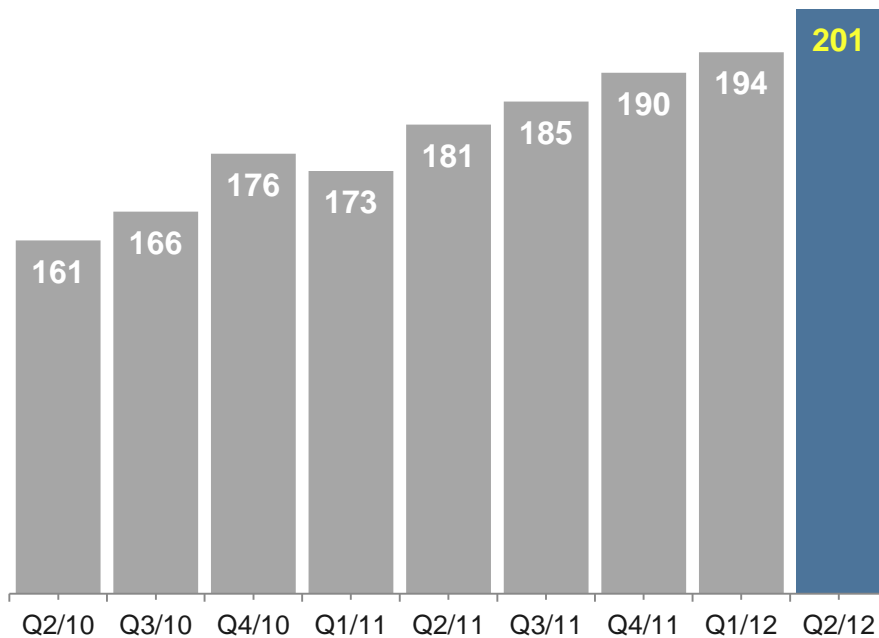
Total lending, EURbn



- Up 1.5% in local currencies
  - Increase by 5% since H1/11
- Improved demand from Nordic corporates
  - +6% since H1/11
- Household lending is up 1%
  - +5% since H1/11

# Increased deposit volumes

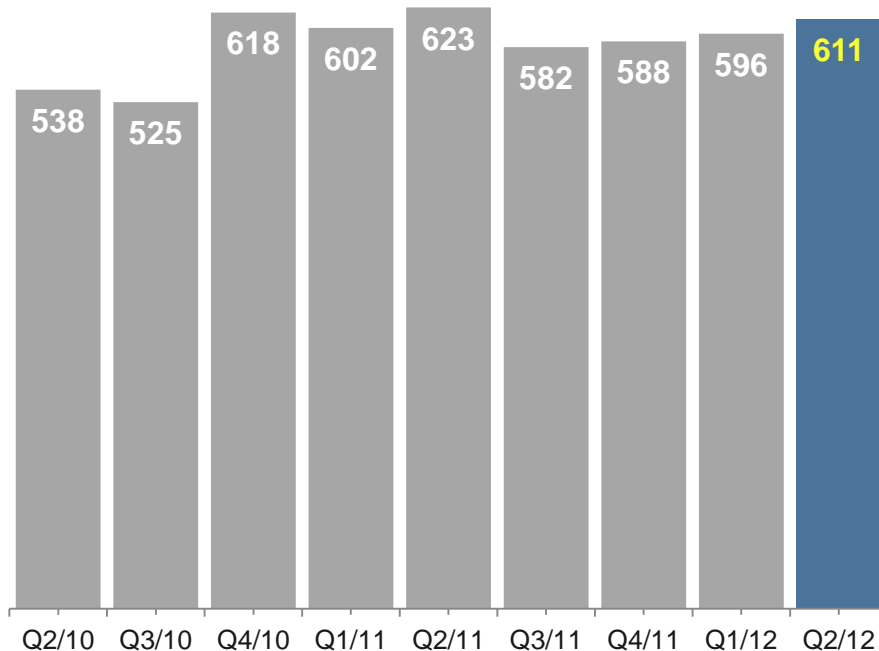
Total deposits, EURbn



- +2% q-o-q in local currencies
- Up by 6% y-o-y in local currencies
- Growth of 14% y-o-y in Corporate & Institutional Banking
  - Flight to quality

# Net commission income is up despite market headwinds

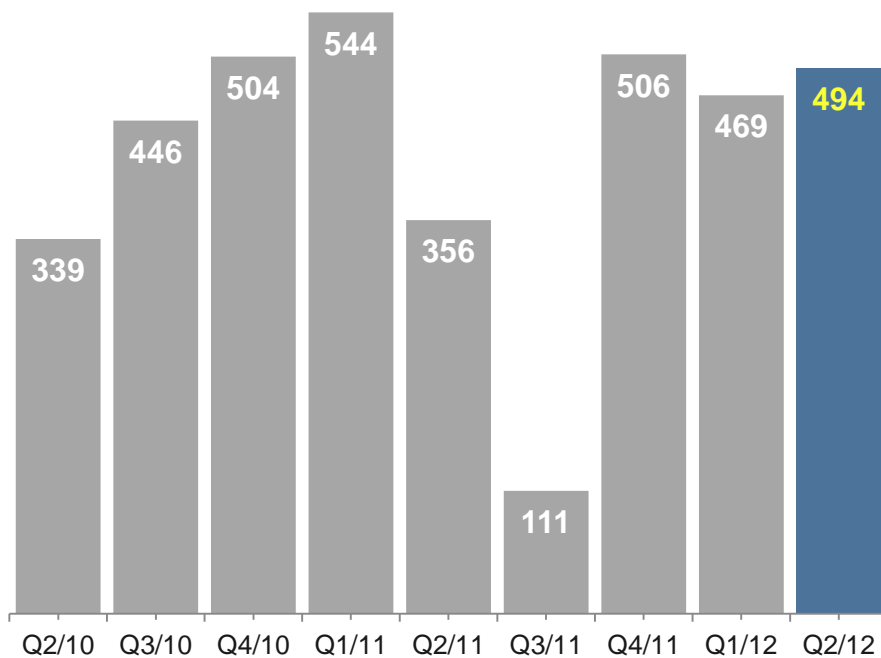
Total net fee and commission income, EURm



- Increased lending, cards and custody fees
- Stable asset management fees
- Assets under Management at record level of EUR 199.8bn
- Inflow of EUR 2.1bn in asset management

# Net fair value at continued good levels

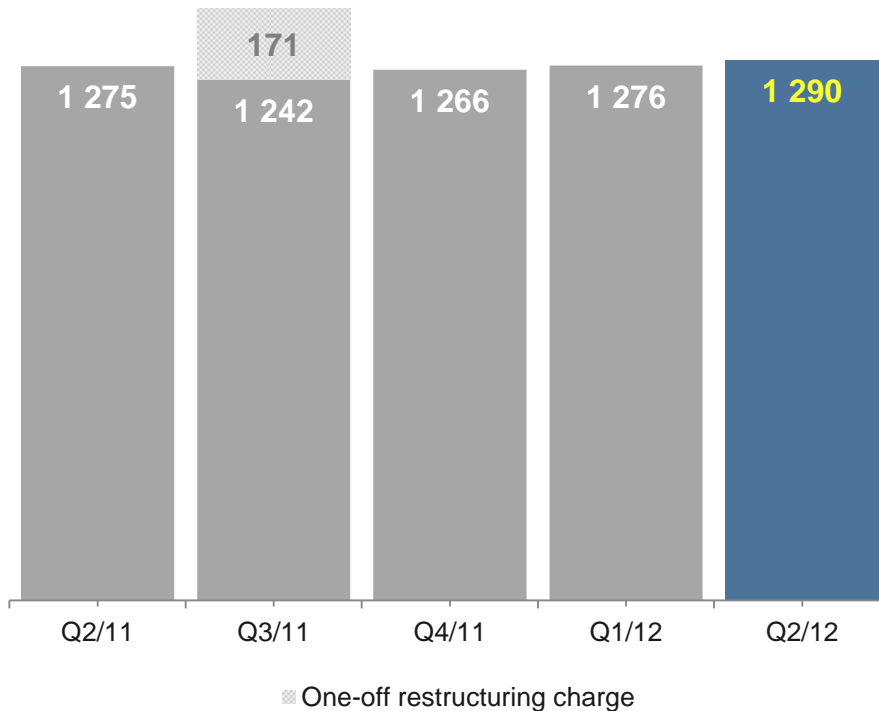
Total net result from items at fair value, EURm



- Continued good demand from customers

# Expenses under solid control

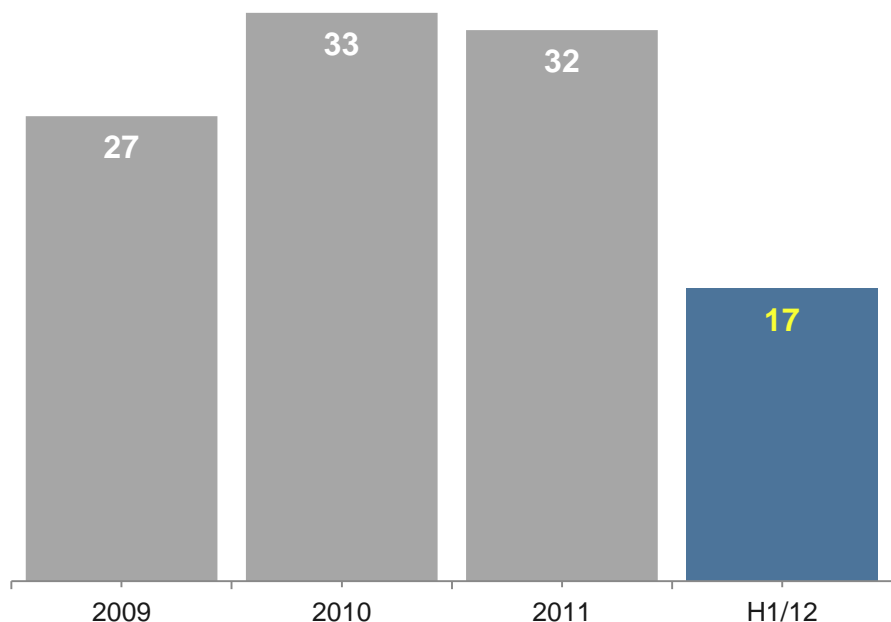
Total expenses, EURm



- Largely unchanged costs YTD in local currencies
- Adjusted also for variable salaries costs are down 0.4%

# Strong access to funding

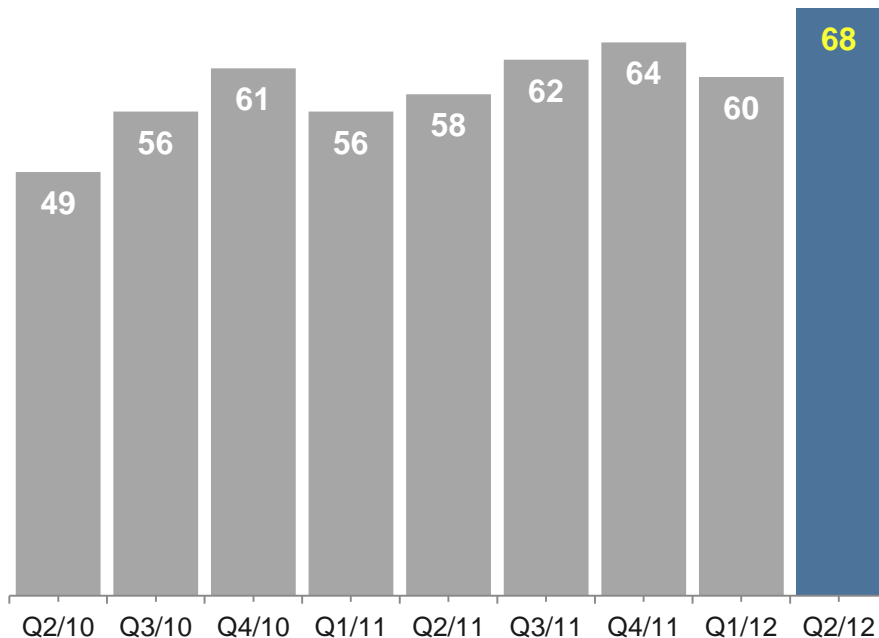
Long-term funding, EURbn



- Total issuance of EUR 17bn in long-term funding
  - Exceeds full year redemptions
- First issuance of Samurai bonds – further broadening of the funding platform
- Maintained AA rating

# Nordea Group is LCR-compliant

Liquidity buffer, EURbn

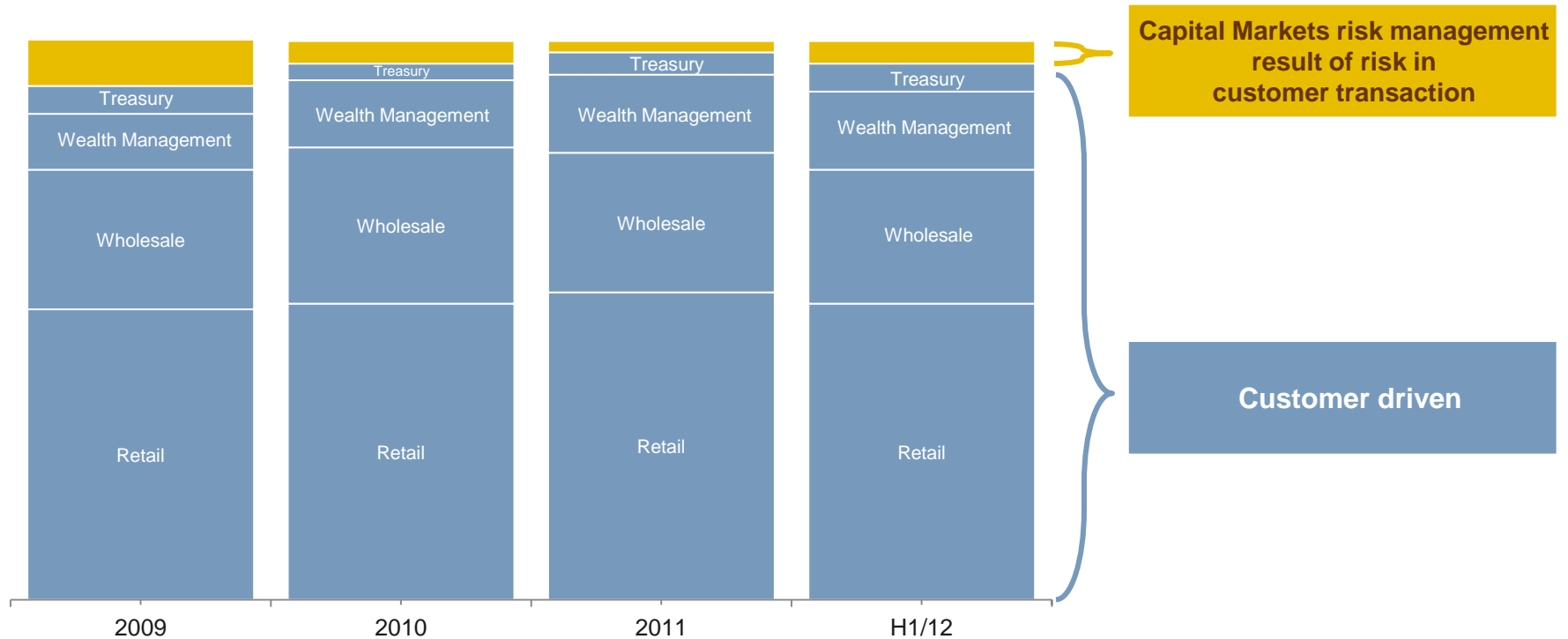


- Nordea is LCR compliant on a Group level
  - LCR of 144%
  - LCR compliant in all currencies
- Nordea has increased cash and balances with central banks by EUR 13bn to be well prepared for turbulent markets

# Customer driven business model

96% customer-related, only 4% from Risk Management

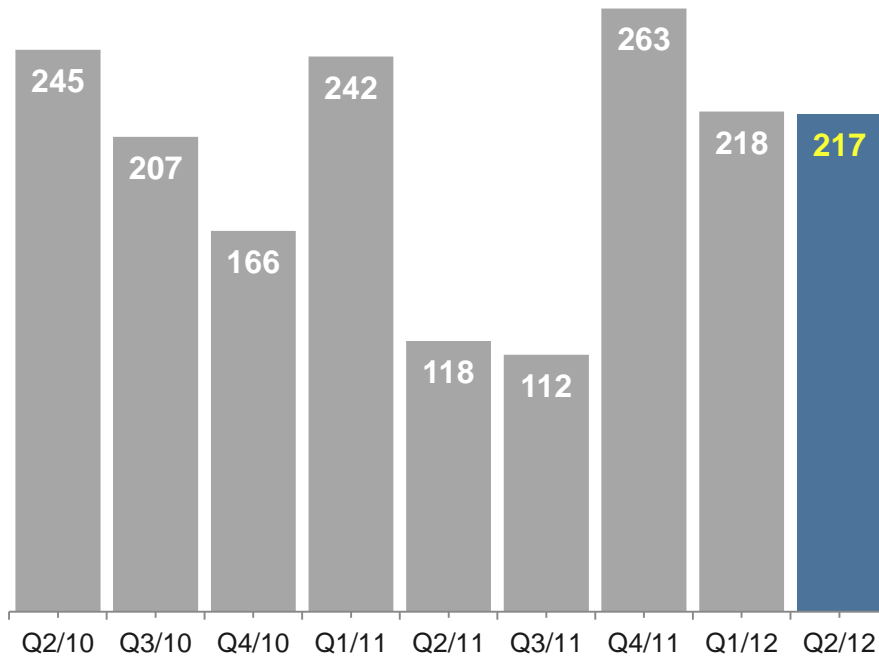
Total income per area, %





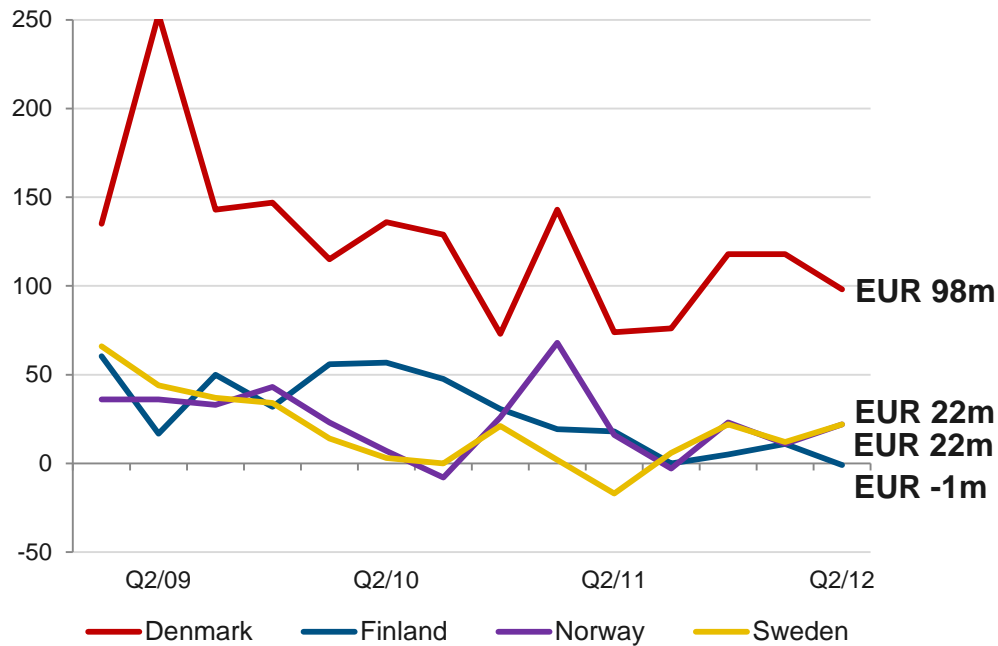
# Unchanged loan losses

Total net loan losses, EURm



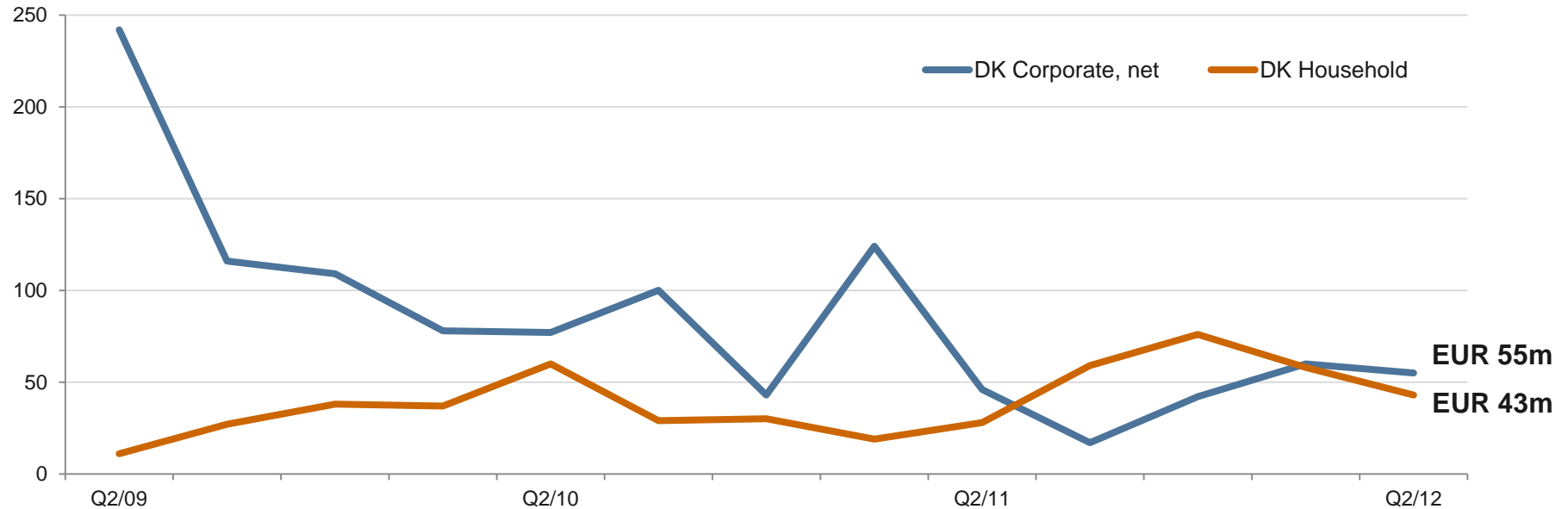
- Continued low loan losses in Norway, Sweden and Finland
- Elevated levels in Denmark and Shipping

# Net loan losses quarterly by country – excluding Shipping



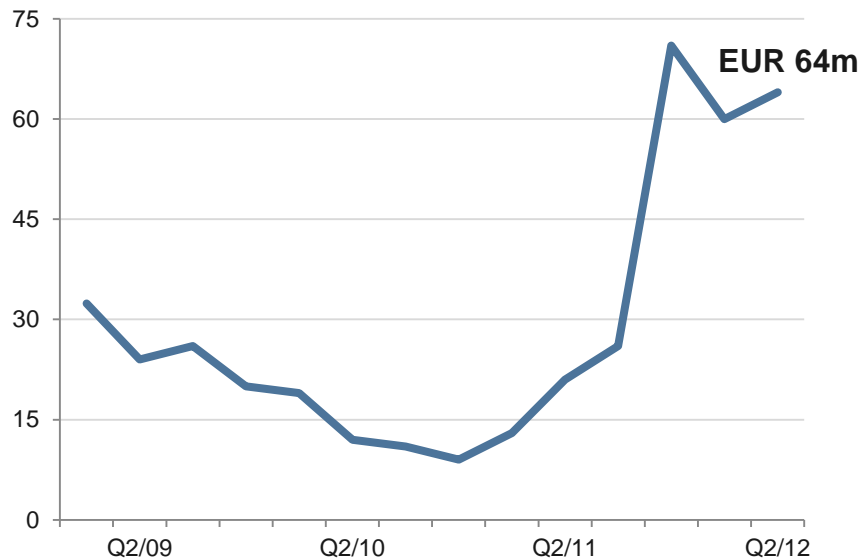
- Still certain overleveraged Danish household, agriculture and SME customers behind the provisions.
- A limited number of individual provisions in the other countries.

# Net loan losses Denmark – excluding Shipping

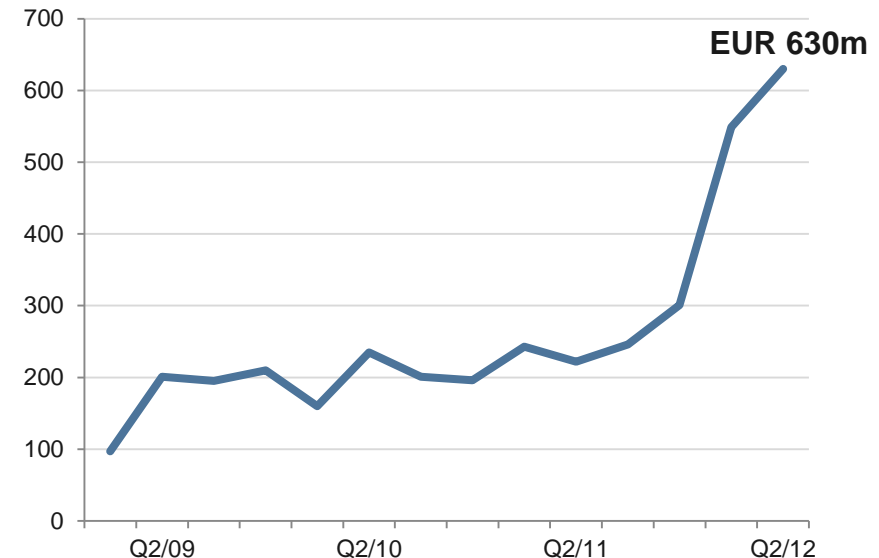


# Shipping loan losses and impaired loans

Shipping Net loan losses, EURm



Shipping Net impaired loans, EURm

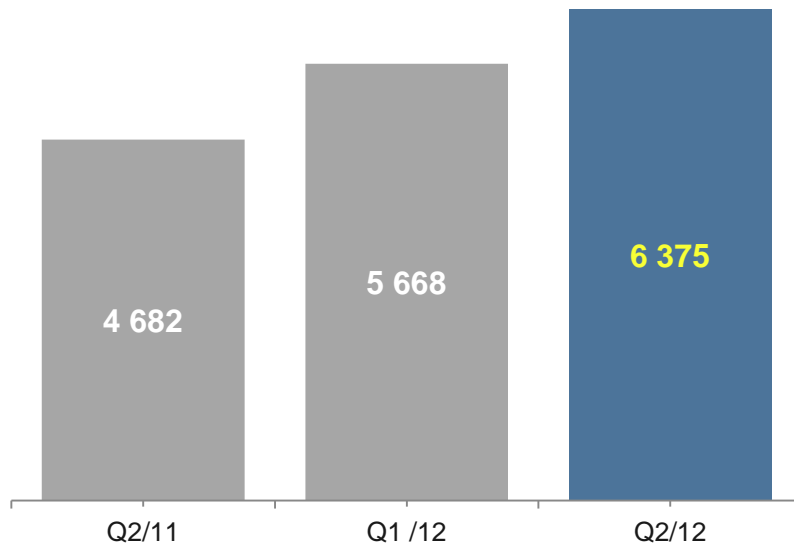


- Further deteriorated collateral values in tanker and dry bulk market, and difficulties to find ways for successful restructurings, increased the need for additional provisions.
- In other shipping segments the situation is more stable.

- A limited number of new exposures were assessed as impaired.
- Nordea has necessary work-out resources to handle problem customers and early identification of new potential risk customers.

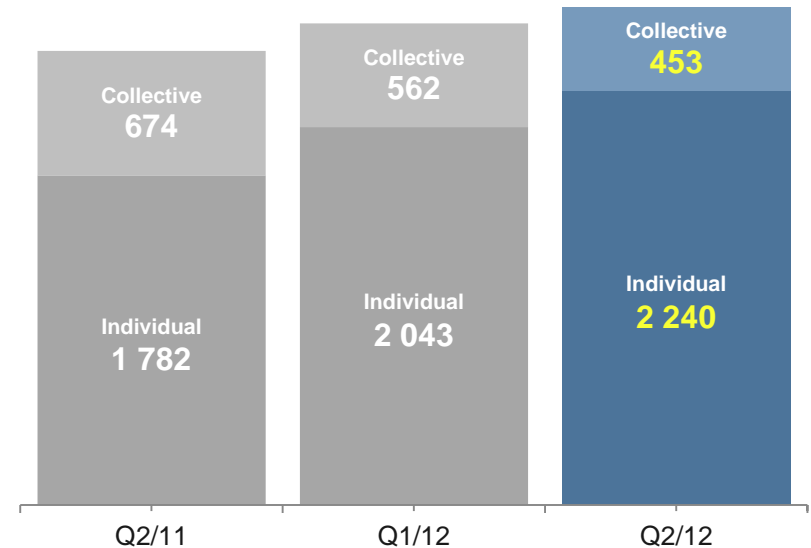
# Impaired loans

Impaired loans, EURm



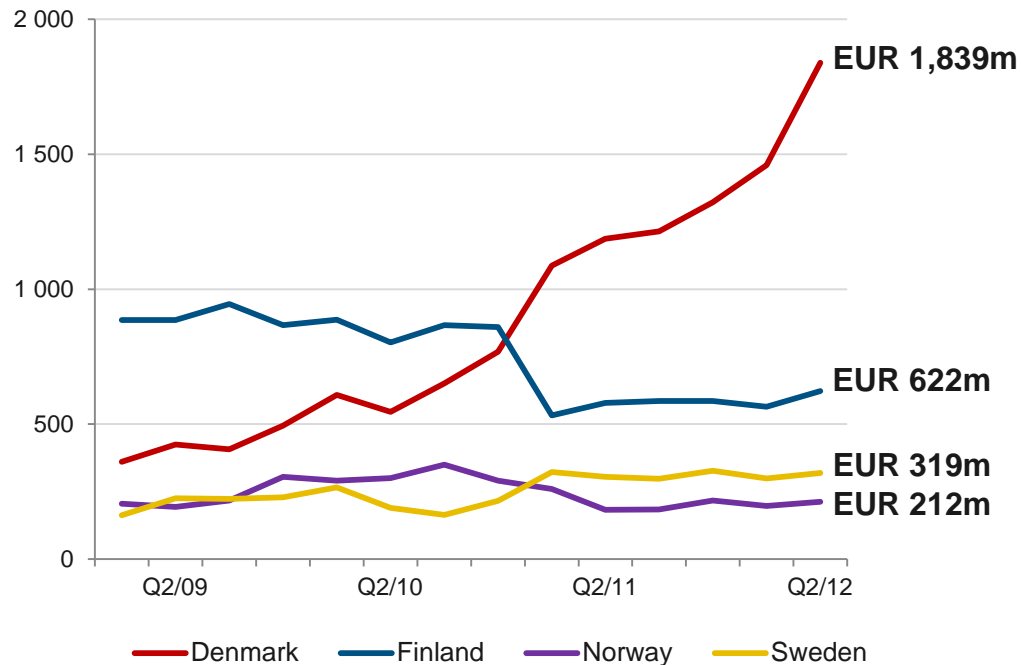
- Impaired loans increased to 164bps (147bps) of loans
- Performing impaired loans represents 59% (61%) of total

Total allowances, EURm



- Total allowances in relation to impaired loans decreased to 42% (46%)
- Individual allowances has been stable at a level of 35%

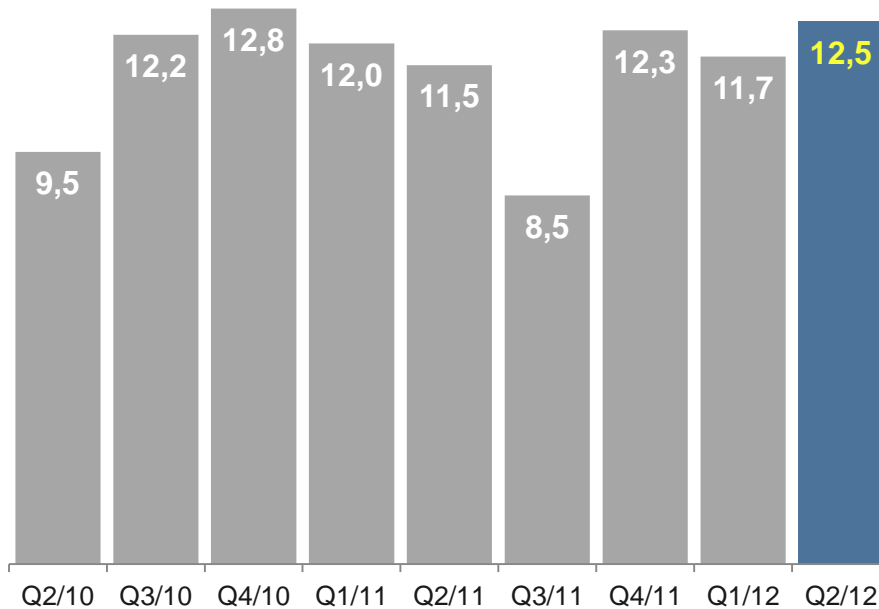
# Net impaired loans by country – excluding Shipping



- Increase in impaired loans is to a large extent explained by clarified and stricter rules in Denmark introduced by Danish FSA.
- Stable development in the other countries.

# High and stable Return on Equity...

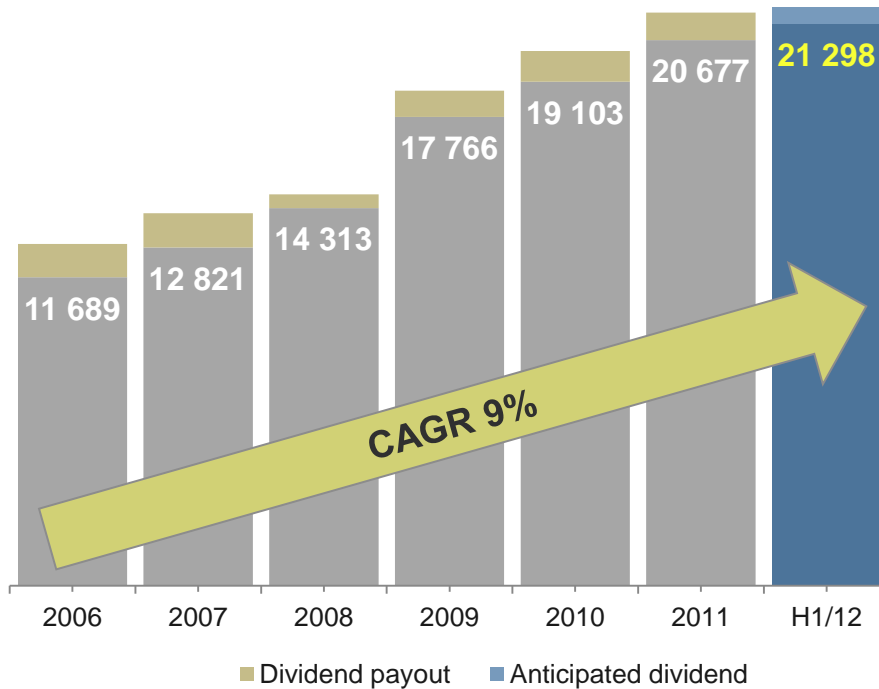
RoE development\*, %



- Improved RoE due to increased income and stable costs
- In line with our ambition to stay on par with the strongest banks in Europe

## ...gives strong capital generation

Core Tier 1 capital, EURm

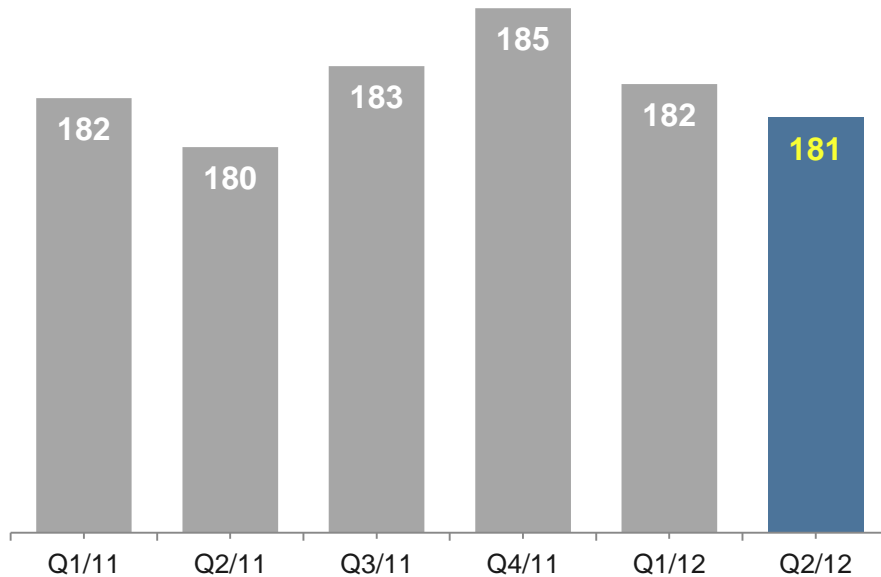


- Continued strong profit generation



# Largely unchanged RWA

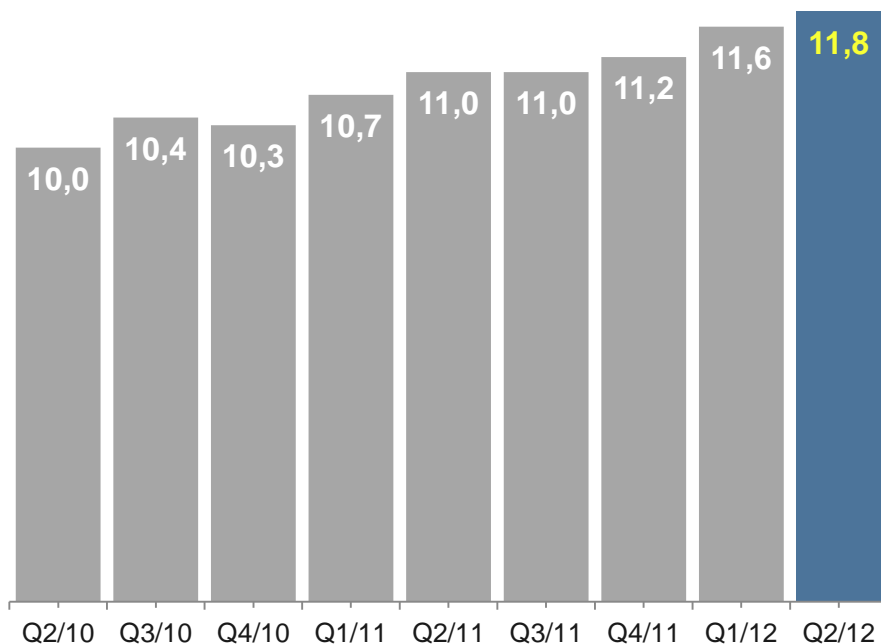
Risk-weighted assets (RWA), EURbn\*



- RWA decreases due to:
  - Improved credit quality
  - Decrease in market risk
- FX increases RWA

# Improved ratio by 1.8% in two years

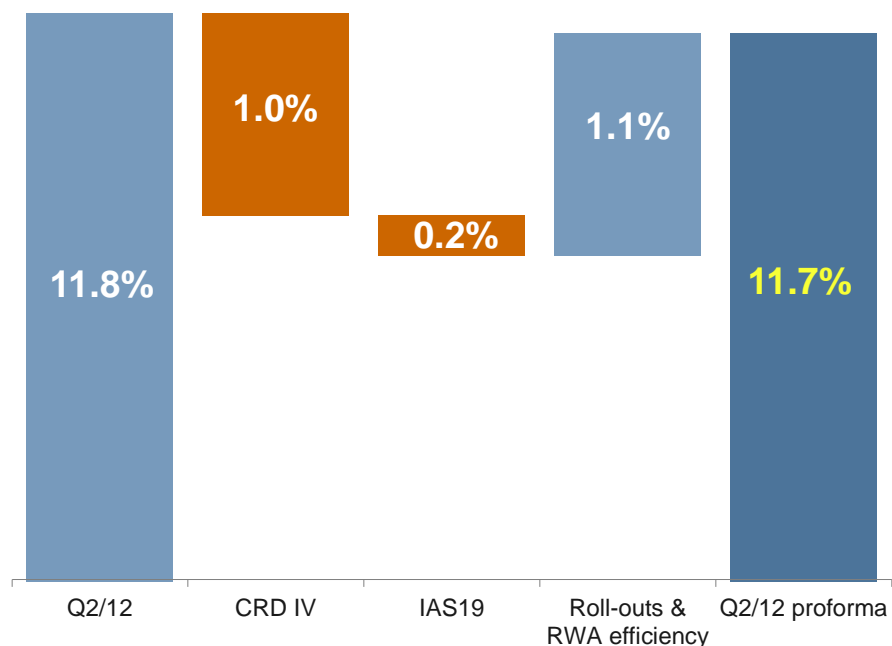
Core Tier 1 capital ratio, % (excl. Hybrids)\*



- Increase despite continued business growth
  - Lending growth of 16%
  - RWA reduction of 2%
- Focus on capital efficiency gives result

# CRD IV and IAS 19 impact offset by RWA efficiency and roll-outs

## Core Tier 1 ratio impact



- CRD IV impact on RWA by EUR 14bn
  - CVA
  - Asset value correlation
- IAS19 calculated at end 2011
- Roll-outs and efficiency effects RWA by EUR 19bn

- Financial highlights
- **Building the future bank business model**

# Nordea – a leading European bank

Nordea's market cap vs European peer group, EURbn

2007		2008		2009		2010		2011		July 11 <sup>th</sup> 2012	
1. Santander	92,5	1. Santander	54,0	1. Santander	95,2	1. Santander	66,0	1. Santander	50,3	1. Santander	46,9
2. Unicredit	75,9	2. BBVA	32,4	2. BNP Paribas	66,2	2. BNP Paribas	57,0	2. BNP Paribas	36,7	2. BNP Paribas	37,5
3. Intesa	68,8	3. Intesa	31,8	3. BBVA	47,7	3. Lloyds	52,2	3. BBVA	32,8	<b>3. Nordea</b>	<b>28,5</b>
4. BNP Paribas	67,2	4. BNP Paribas	27,6	4. Intesa	39,5	4. Barclays	37,2	4. Deutsche	27,3	4. BBVA	27,8
5. BBVA	62,8	5. Unicredit	23,3	5. Unicredit	39,3	5. Deutsche	36,3	5. Barclays	25,7	5. Lloyds	27,2
6. RBS	60,5	6. SocGen	20,9	6. Lloyds	36,3	6. BBVA	34,0	<b>6. Nordea</b>	<b>24,2</b>	6. Barclays	25,6
7. Deutsche	47,0	7. RBS	20,1	7. SocGen	36,2	<b>7. Nordea</b>	<b>32,8</b>	7. Lloyds	21,3	7. Deutsche	24,9
8. SocGen	46,1	8. Credit Agricole	17,8	8. Barclays	35,4	8. SocGen	30,0	8. Intesa	21,0	8. SHB	16,6
9. Barclays	45,3	9. Deutsche	16,0	9. Deutsche	30,8	9. Unicredit	29,9	9. RBS	14,3	9. Intesa	16,2
10. Credit Agricole	38,5	10. Barclays	13,2	<b>10. Nordea</b>	<b>28,7</b>	10. RBS	26,7	10. SocGen	13,4	10. Unicredit	16,1
11. Lloyds	36,3	<b>11. Nordea</b>	<b>13,0</b>	11. Credit Agricole	28,6	11. Intesa	25,7	11. SHB	12,7	11. RBS	15,9
12. KBC	34,1	12. Lloyds	11,1	12. RBS	18,5	12. Credit Agricole	22,8	12. Unicredit	12,4	12. SocGen	13,7
<b>13. Nordea</b>	<b>29,7</b>	13. KBC	7,6	13. SHB	12,4	13. DnB NOR	17,1	13. DNB	12,3	13. DNB	13,2
14. Danske	18,7	14. SHB	7,1	14. DnB NOR	12,3	14. SHB	14,9	14. Swedbank	11,6	14. Swedbank	12,4
15. Commerzbank	17,6	15. Erste	5,1	15. Danske	11,0	15. SEB	13,6	15. Credit Agricole	10,9	15. SEB	11,4
16. Erste	15,3	16. Commerzbank	5,1	16. KBC	10,9	16. Danske	13,4	16. SEB	9,9	16. Danske	10,8
17. DnB NOR	13,9	17. Danske	4,9	17. Erste	9,8	17. Erste	13,3	17. Danske	9,1	17. Credit Agricole	8,8
18. SHB	13,8	18. SEB	3,8	18. SEB	9,5	18. Swedbank	12,1	18. Commerzbank	6,7	18. Commerzbank	7,4
19. SEB	12,0	19. DnB NOR	3,7	19. Swedbank	8,0	19. KBC	9,1	19. Erste	5,3	19. KBC	6,1
20. Swedbank	10,0	20. Swedbank	3,1	20. Commerzbank	7,2	20. Commerzbank	7,0	20. KBC	3,5	20. Erste	5,9

## Nordea's focused and prudent business model

Relationship banking is key

Resources efficiently used on core business

Well diversified and balanced model

Fully integrated model across countries and business units

Very risk focused

The Nordics and its structure as the home market

*Making it possible*

# Highlights in the past quarter

## Household customers

- Provided a total of EUR 157bn of lending (up 1%)
- Close to 23,000 new, externally acquired, Gold, Premium, and Private Banking customers
- 402,000 household advisory meetings carried out
- Active mobile banking users reached 600,000, up 30% during the quarter
- Issued 78,000 new mortgages
- Issued 190,000 new credit cards
- Processed 320 million card transactions (purchases and ATM)

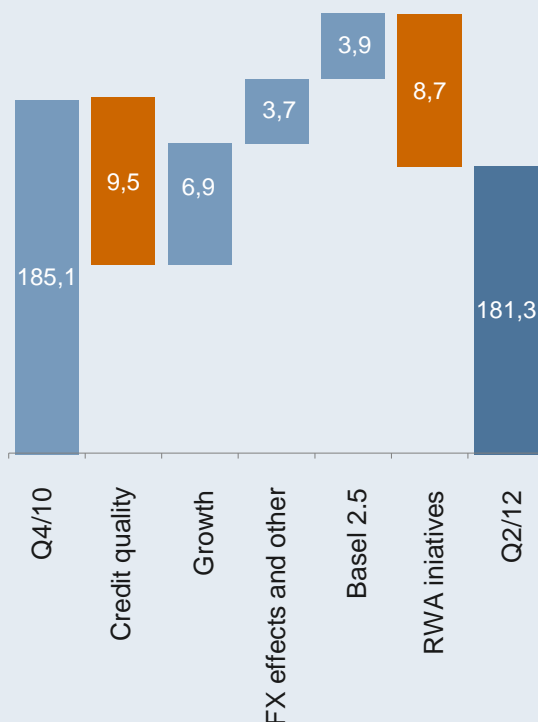
## Corporate customers

- Provided a total of EUR 193bn of lending (up 4%)
- Leading banking relationships with 60% of Nordic large corporates
- 78,000 advisory meetings carried out with small and medium sized corporate customers
- Deepening of our relationships led to increasing asset productivity (total income/total lending)
- Participated in raising EUR 5bn of capital to clients in bond markets (as bookrunner, Nordea share)
- Raised EUR 1.4bn in syndicated loans for corporate customers (as bookrunner, Nordea share)
- Handled ~100 million outgoing payments for corporate clients

# The New Normal plan continues to deliver in terms of efficiency

## Capital efficiency

### RWA development, EUR billion



## Funding / liquidity efficiency

### Liquidity premia – status update

#### Purpose

- Align internal pricing with true cost/value of funding and liquidity
- Enhance understanding of product and customer profitability

#### Principles

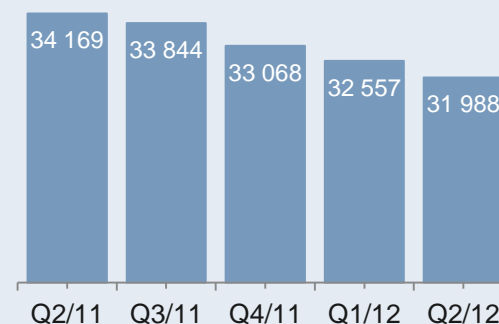
- Calculated at contract level
- Reflect the characteristics of the contract, e.g. maturity
- Based on Nordea's cost of funding curve

#### Status

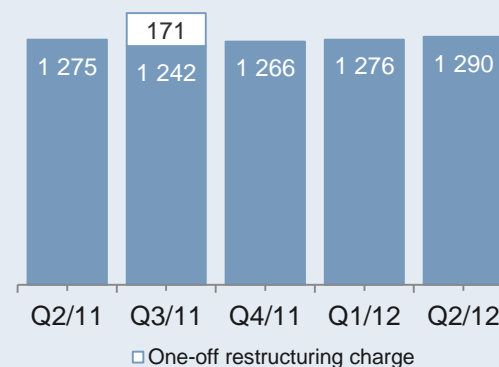
- “Granular liquidity premia” allocated to business areas, but not below
- Pilots are carried out in a number of areas to assess impact
- Roll-out across most business units planned for Q1 2013

## Cost efficiency

### Group FTE development



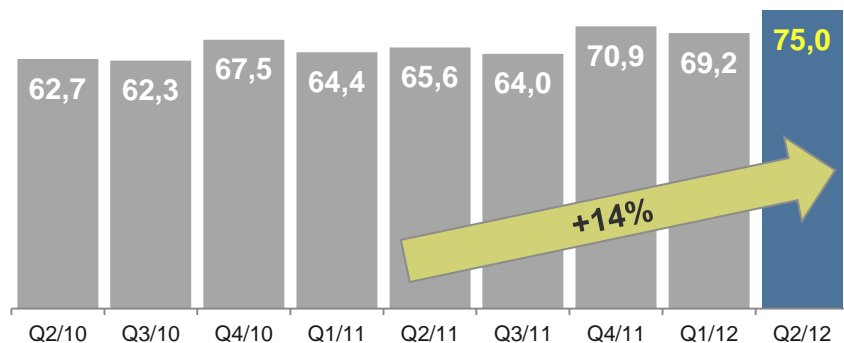
### Total expenses, EUR million



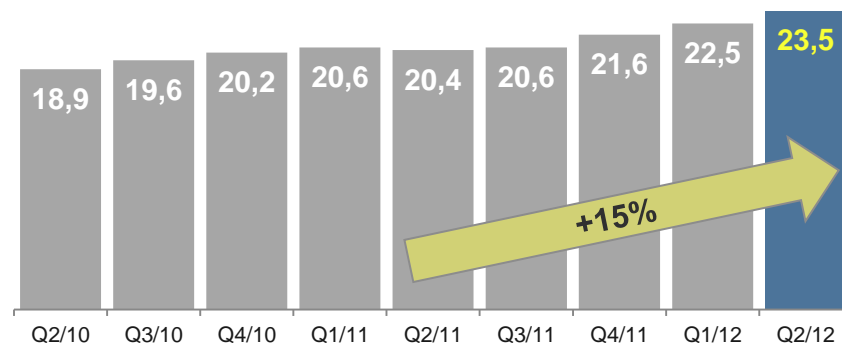


# Continued focus on improved efficiency

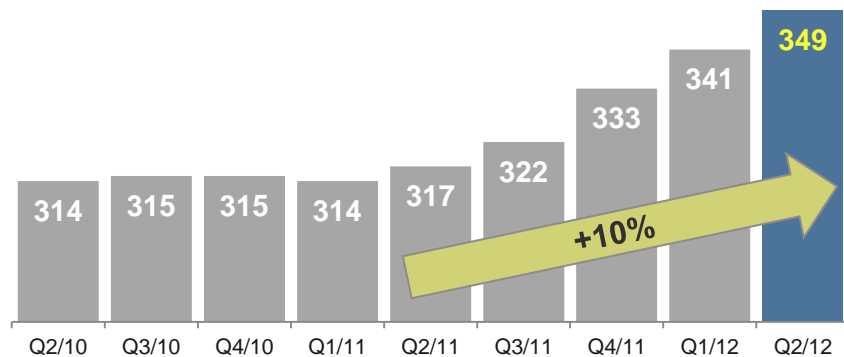
Total income / FTE (EURt)



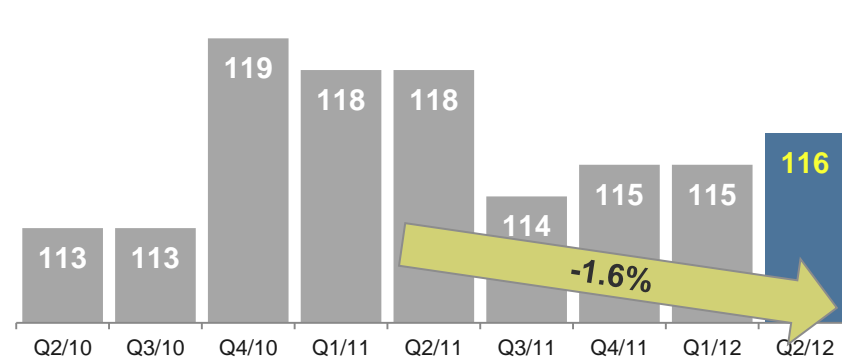
Business volumes / FTE (EURm)



Number of customers per FTE (Nordea Group)



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



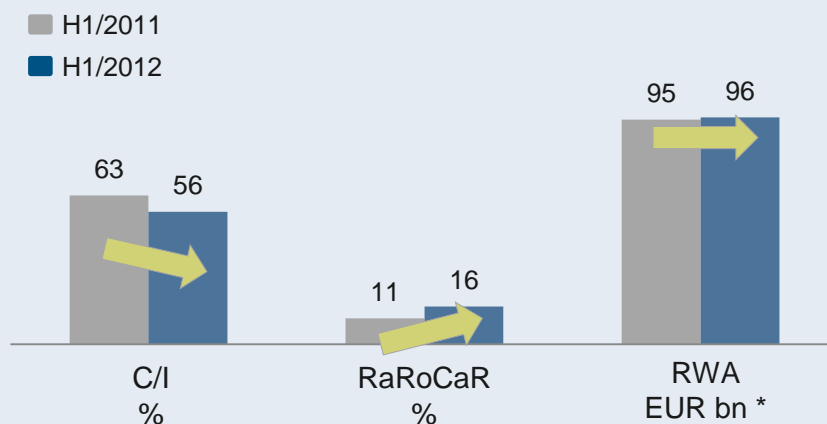
# Retail Banking: Execution of New Normal

## Retail Banking – Key activities

- Execution of the New Normal plan with increasing focus on the most profitable customer relationships and segments
- Sharper business selection and pricing
- Capital discipline through RWA efficiency initiative
- Continued development of the efficient distribution strategy
- Firm cost containment, by strong focus on centralisation, digitalisation and process automation
- Constant attention on maintaining a high customer satisfaction

## Retail Banking – Key results

EURm	H1/12	H1/11	Growth
Total operating income	2,746	2,565	7%
Total operating expenses	-1,526	-1,617	-6%
Operating profit	949	678	40%



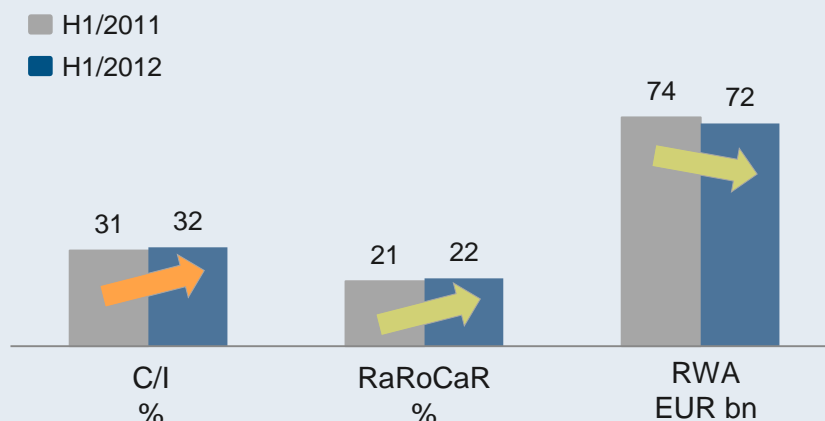
# Wholesale Banking: Execution of New Normal

## Wholesale Banking – Key activities

- Increased intensity and relevance in all interactions with customers
- Focus on core customer relationships, wallet share and fee-based income
- Alignment of the Wholesale Banking value chain to improve customer service experience and drive efficiency
- Adapting to the new regulatory framework – what and how we do business with our customers
- Strict internal resource management

## Wholesale Banking – Key results

EURm	H1/12	H1/11	Growth
Total operating income	1,455	1,379	6%
Total operating expenses	-468	-431	9%
Operating profit	820	866	-5%



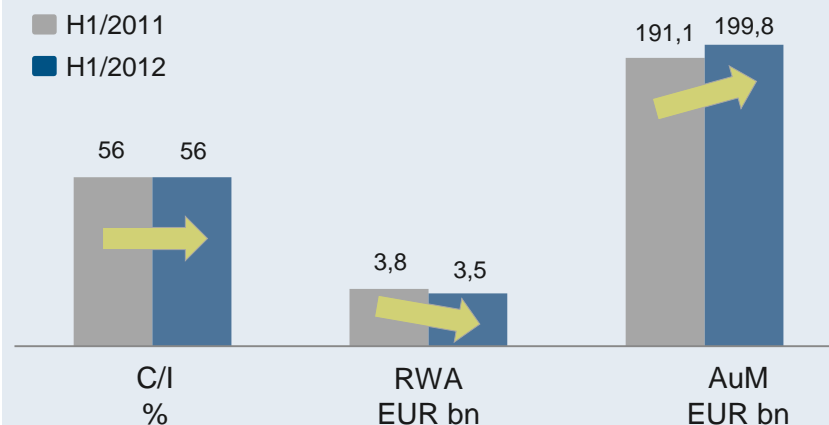
# Wealth Management: Execution of New Normal

## Wealth Management – Key activities

- On-going business model efficiency initiatives in Private Banking
  - Migration of lower net value customers to Retail
  - Continued front-line lean program
  - Launch of new support organisation, aiming to increase # customers/FTE
  - Implementation of new, comprehensive capital model to further improve RWA efficiency
- Continued focus on cost reduction and efficiency in Asset Management
  - 3 funds closed and several funds reengineered H1
- Migration of Life & Pensions customers to more capital light products
  - 75% of GWP in capital light products in Q2, 69% in Q1 and 59% 2011

## Wealth Management – Key results

EURm	H1/12	H1/11	Growth
Total operating income	697	661	5%
Total operating expenses	-385	-369	4%
Operating profit	311	292	7%



# Key messages

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- Improved RoE to 12.1% (12.5% in Q2/12)
- Cost/income ratio at 50%
- Core Tier 1 ratio improved 20 bps to 11.8%

- **Progress in building the future bank**

- Execution of New Normal Plan growing income and improving efficiency
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- Wealth Management: Increasing efficiency and sharpening the offering



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*Making it possible*