



# Third Quarter Report 2012

## Press and analyst conference

Christian Clausen, President and Group CEO



*Making it possible*

# Disclaimer

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

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

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

# Key messages

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## **New Normal plan delivers on cost, capital and income**

- Unchanged costs through 2012, excluding FX effects
- Cost/income ratio 51% YTD (54% 9m 2011\*)
- Improved RoE to 11.4% YTD (10.6% 9m 2011\*)
- Core Tier 1 ratio improved to 12.2%
- Loan losses at 27 bps YTD (20bps 9m 2011)
- Income in Q3 highest ever in a third quarter
- Operating profit exceeded EUR 3bn YTD, up 14%\*
- Continued strong business momentum, 65 000 new relationship customers in 2012 YTD

\* Adjusted for restructuring charge in Q3 2011

# Key messages

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## **Progress in building the future bank business model**

- New Normal plan delivers on cost, capital and income
- Retail Banking: Advice based distribution model, improved capital efficiency
- Wholesale Banking: Developed relations, focus on adding high value at right price
- Wealth Management: Increased efficiency and sharper offerings



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

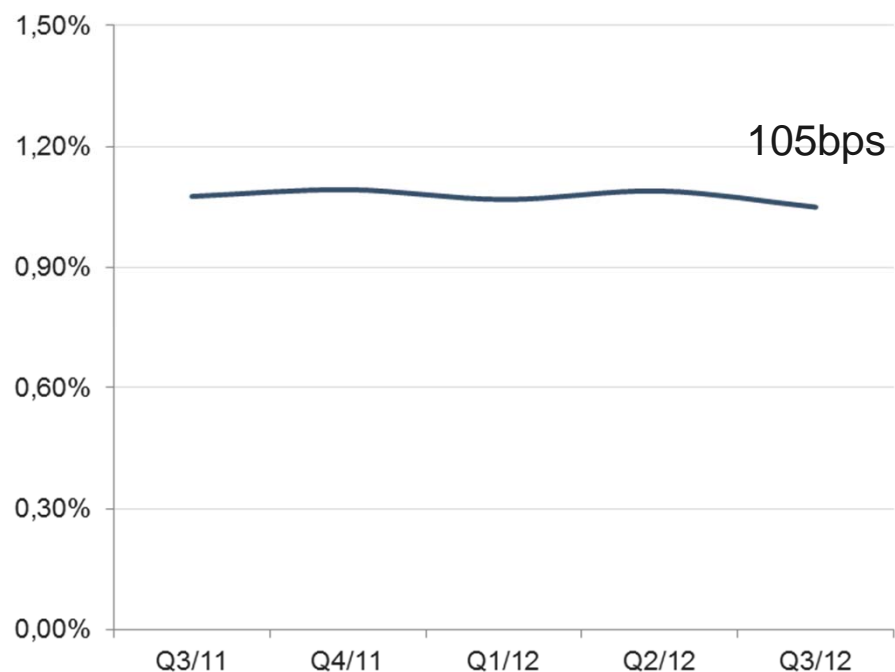
## Financial result – Q3/12

EURm	Q3/12	Q2/12	Change %
Net interest income	1,441	1,462	-1
Net fee and commission income	605	611	-1
Net fair value result	377	494	-24
Other income	46	39	18
<b>Total income</b>	<b>2,469</b>	<b>2,606</b>	<b>-5</b>
Staff costs	-752	-761	-1
<b>Total expenses</b>	<b>-1,293</b>	<b>-1,290</b>	<b>0</b>
Profit before loan losses	1,176	1,316	-11
<b>Net loan losses</b>	<b>-254</b>	<b>-217</b>	<b>17</b>
<b>Operating profit</b>	<b>922</b>	<b>1,099</b>	<b>-16</b>
<b>Net profit</b>	<b>688</b>	<b>821</b>	<b>-16</b>
Risk-adjusted profit	749	851	-12

Q3 YTD 12	Q3 YTD 11	Change %
4,323	4,029	7
1,812	1,807	0
1,340	1,011	33
131	96	36
<b>7,606</b>	<b>6,943</b>	<b>10</b>
-2,284	-2,399	-5
<b>-3,859</b>	<b>-3,953</b>	<b>-2</b>
3,747	2,990	25
<b>-689</b>	<b>-472</b>	<b>46</b>
<b>3,058</b>	<b>2,518</b>	<b>21</b>
<b>2,284</b>	<b>1,848</b>	<b>24</b>
2,399	1,899	26

# Net interest margin under pressure

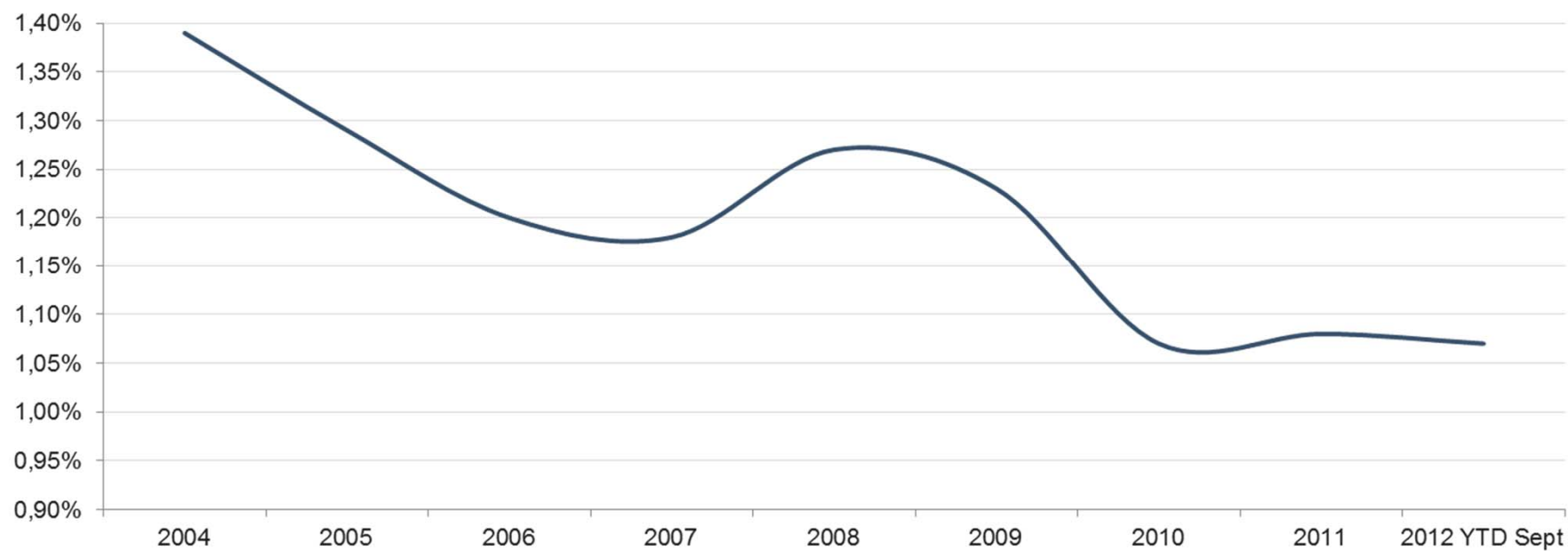
Net interest margin (excl. liquidity buffer and repo rates)



- Net interest margin is down 4bps to 105bps in Q3, (107bps YTD)
- Strong pressure on deposit margins
  - Lower interest rates
  - Fierce competition
- Slight increase in asset margins in Q3
  - Unchanged in household lending
  - Slightly up in large corporate

# Net interest margin under pressure since 2004

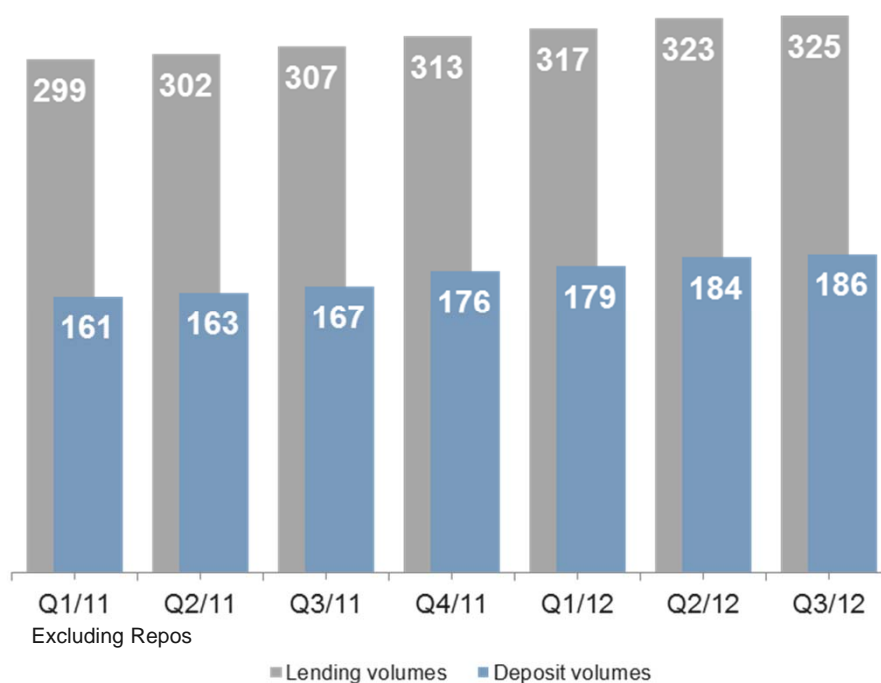
Average lending and deposit margin





# Increased lending and deposit volumes

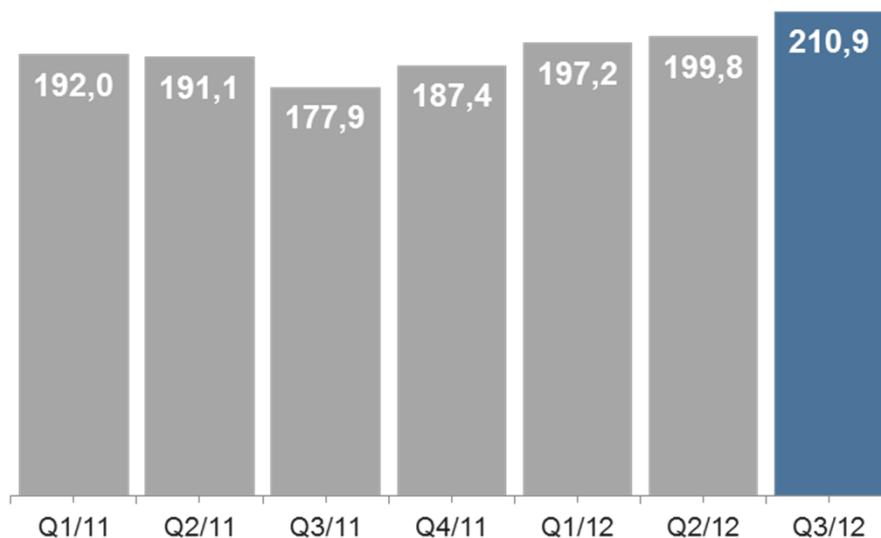
Total lending vs Total deposits, EURbn



- Low demand for corporate credit
  - Strong demand for corporate bonds
  - Still relatively high demand for mortgages
  - High inflow of deposits from corporate and institutions – flight to quality
- Funding gap under strict control

# Assets under Management at all time high

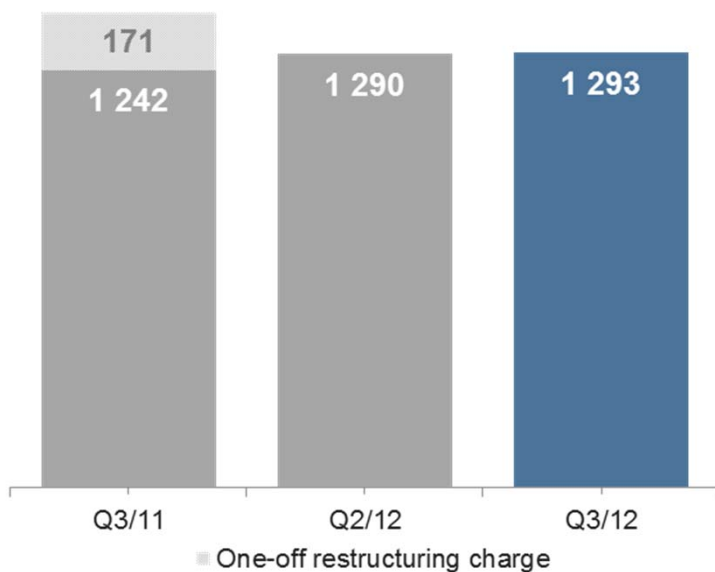
Wealth Management AuM, EURbn



- Assets under Management at all-time-high of EUR 210.9bn
- Inflow of 2.7bn in Q3
  - Strong inflow in Retail funds and Institutional Clients
- Strong investment performance gives added value to our customers
  - 80% of all composites outperforms their benchmark in the quarter
  - Generated added value of EUR 0.8bn

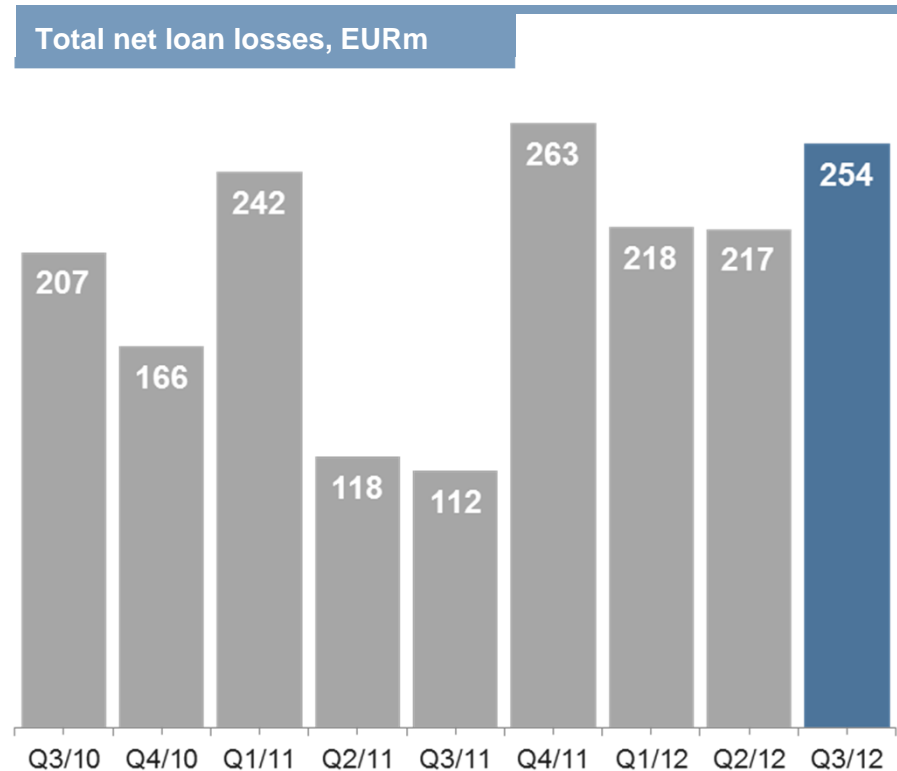
## Expenses under solid control

Total expenses, EURm



- Decrease by 2% in local currencies q-o-q
- Number of FTEs down 1% q-o-q

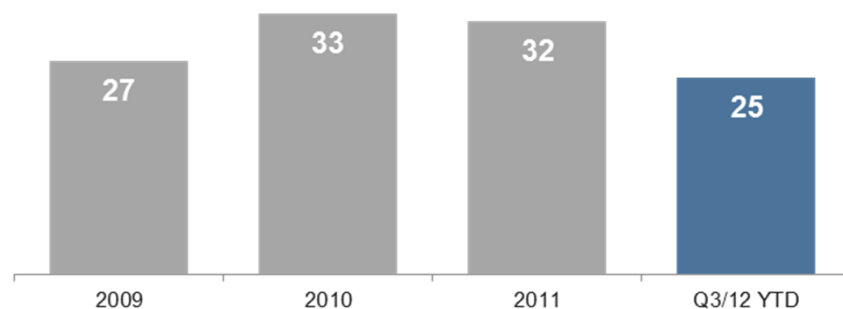
# Credit quality



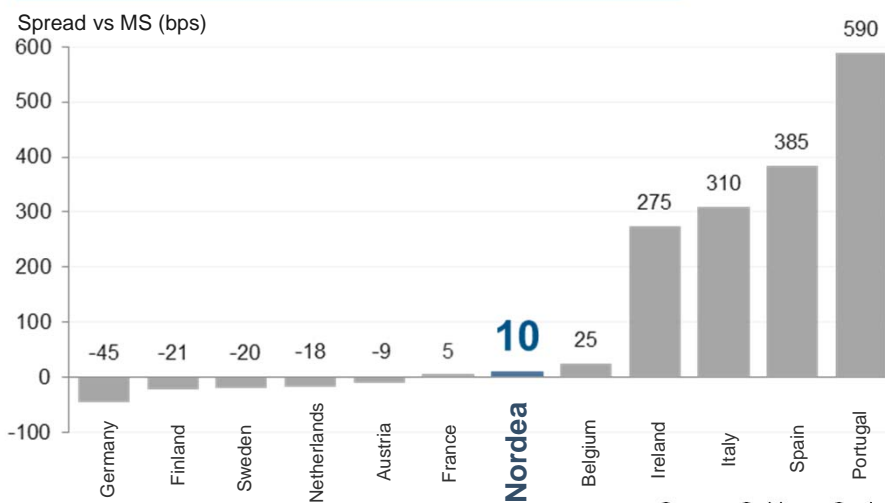
- Broadly in line with long-term risk appetite
- Low loan losses in Norway, Sweden and Finland
- Continued elevated levels in Denmark and Shipping
  - Effects from stricter rules in Denmark
- Lower individual provisions
- Increase in collective provisions

# Strong access to funding

## Long-term funding, EURbn



## Nordea covered bonds spreads vs European governments

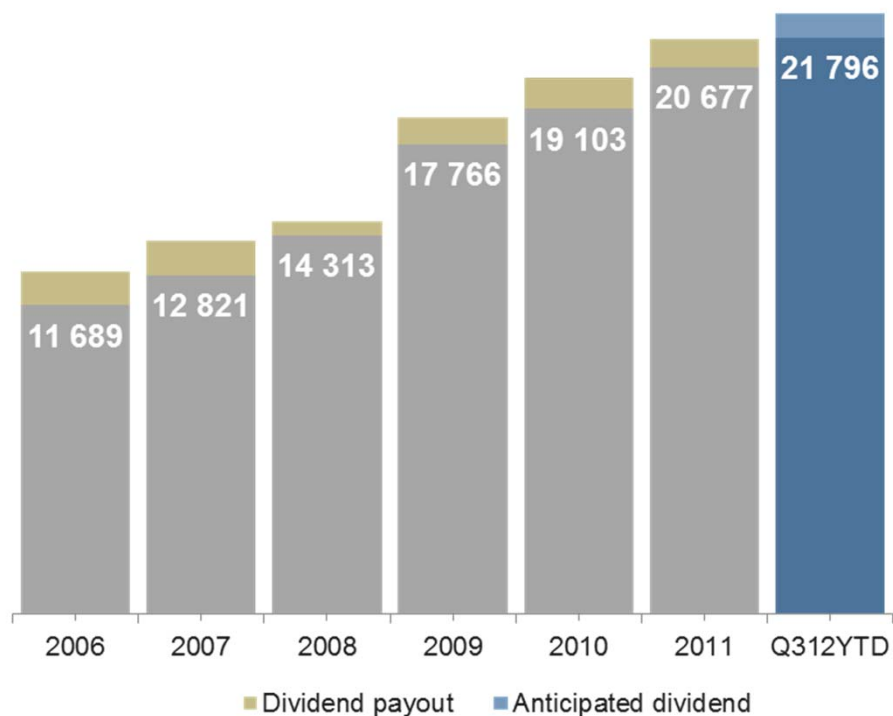


Source: Goldman Sachs

- EUR 25bn issued in long-term funding
  - Of which 54% senior, 40% covered and 6% Tier two
  - Redemptions for 2012 are EUR 15bn
- Improved spreads
- Nordic covered bonds benefiting from being perceived as one of safest jurisdictions in Europe
- Nordea Aa3/AA-/AA-

# Strong capital generation

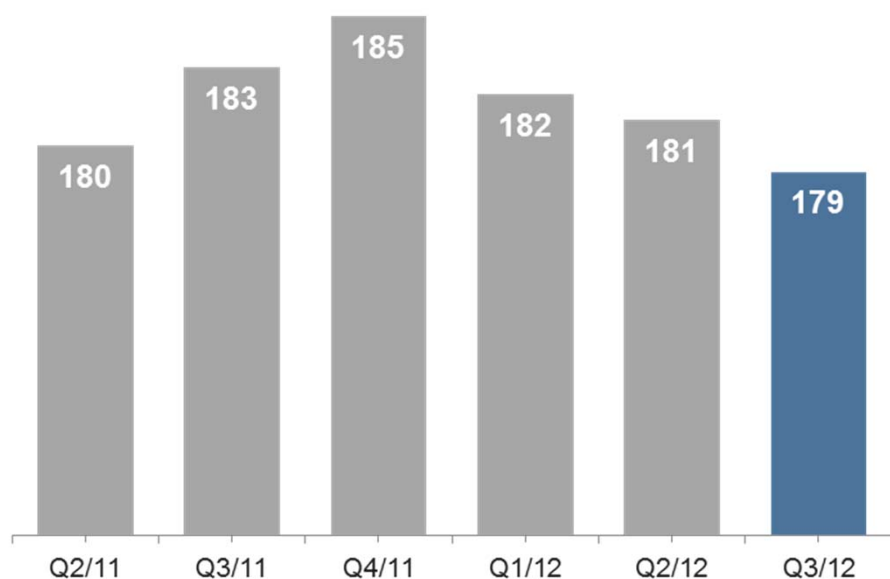
Core Tier 1 capital, EURm



- Tier 1 capital is up by 86% since 2006
- CAGR of 9% after dividend and adjusted for rights issue

# Risk Weighted Assets under strict control

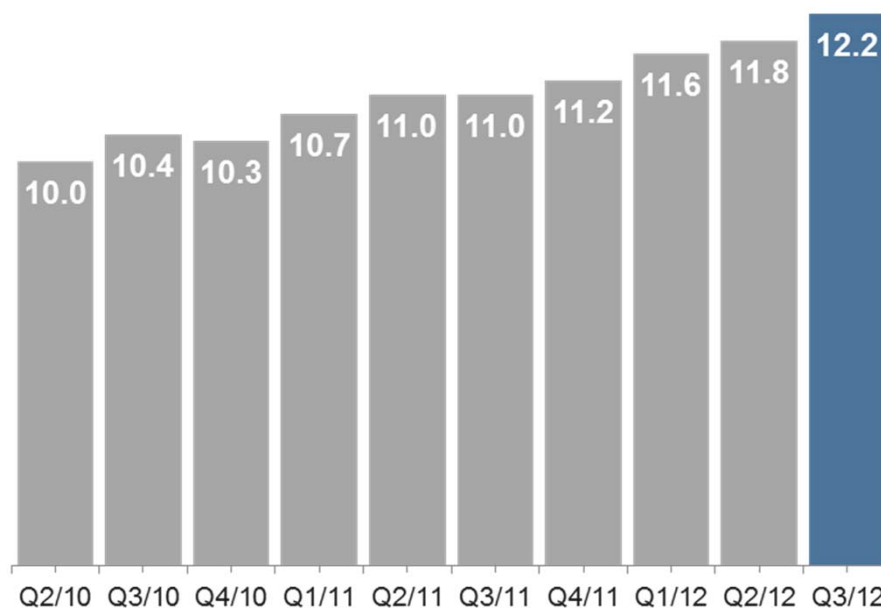
Risk-weighted assets (RWA), EURbn\*



- RWA decreases EUR 2bn due to decreased credit risk and market risk
- Further improved quality in liquidity buffer
- RWA optimisation reduces RWA by EUR 0.5bn
- In total limited effect from rating migration

# Improved Core Tier 1 ratio

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



- Improved ratio by 40 bps since Q2 2012 due to
  - Strong profit generation
  - Decreased RWA
- Improved CT1 ratio by 220 bps since Q2 2010
  - Lending growth of 17%
  - Full dividend to shareholders

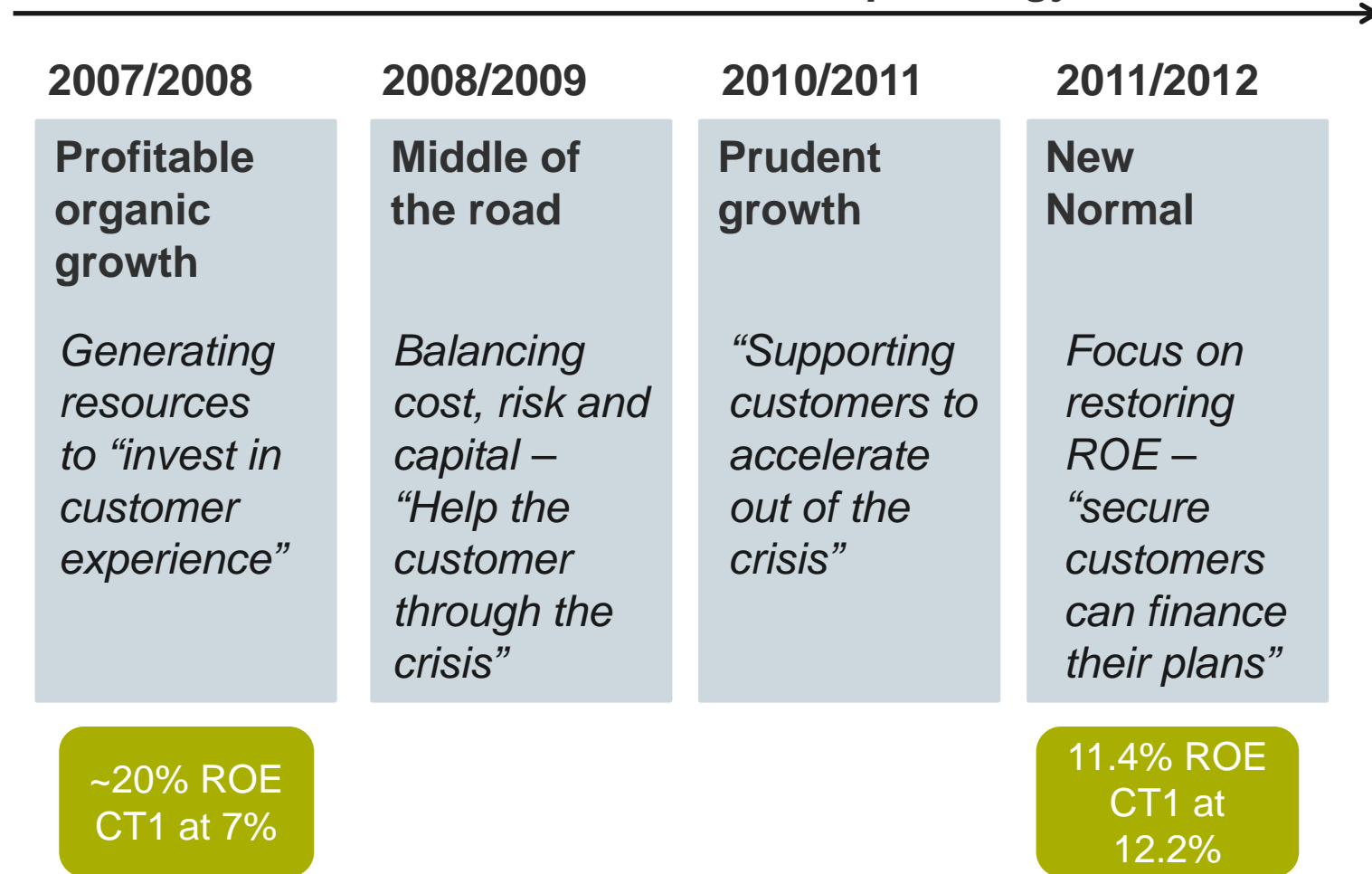




- Financial highlights
- **Building the future bank business model**

# The relationship strategy has been instrumental to Nordea

## *Execution of the relationship strategy*



... and it continues to drive performance ...

### Relationship strategy

Close and lifelong  
relationships with  
customers  
  
=  
  
Focus on right  
customers/projects  
Capital efficient solutions  
Many products per customer  
Diversification/lower risk  
Loyalty and retention  
High ROE



### Performance in New Normal

Capital efficiency

Funding  
efficiency

Liquidity  
efficiency

Cost efficiency

## ... and Nordea's position continues to be one of strength

**2011/2012**

**New  
Normal  
plan**

*Focus on  
restoring  
ROE –  
“Secure  
customers  
can finance  
their plans”*

Continued to grow the number of  
core customer relationships

Continued to deliver  
top league ROE

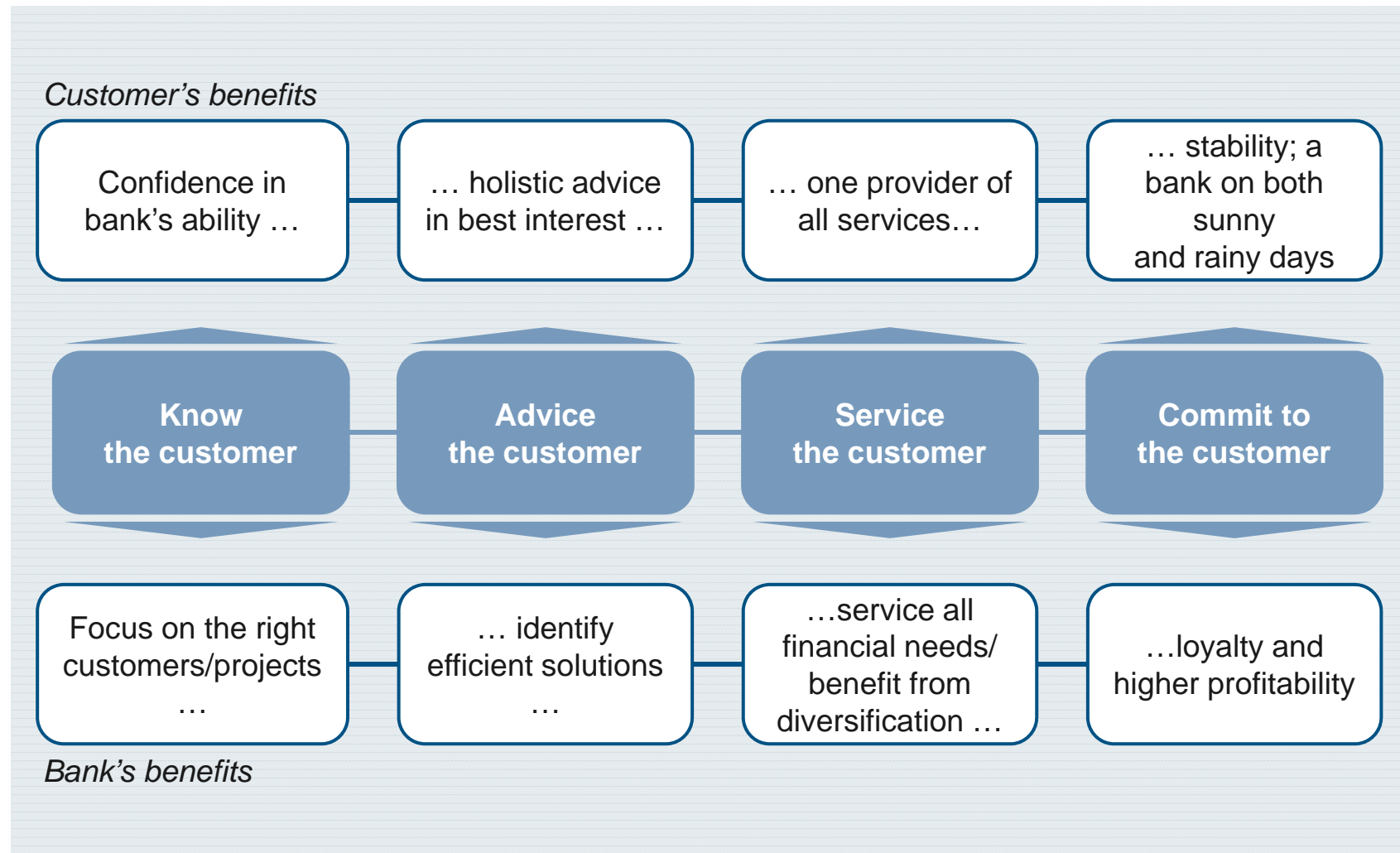
One of the strongest ratings  
in the sector

One of the best funding positions  
in the sector

One of the largest banks in Europe  
measured by market cap

**As we are  
executing the New  
Normal plan,  
Nordea's position  
continues to be  
one of strength**

# The relationship strategy; a superior model for working together with customers in the new environment



# Customer driven business model

94% customer-related, only 6% from risk handling of customer transactions

Total income, Q3 2012, %



Risk handling of customer transactions

- Customer driven business model ideally suited for the New Normal

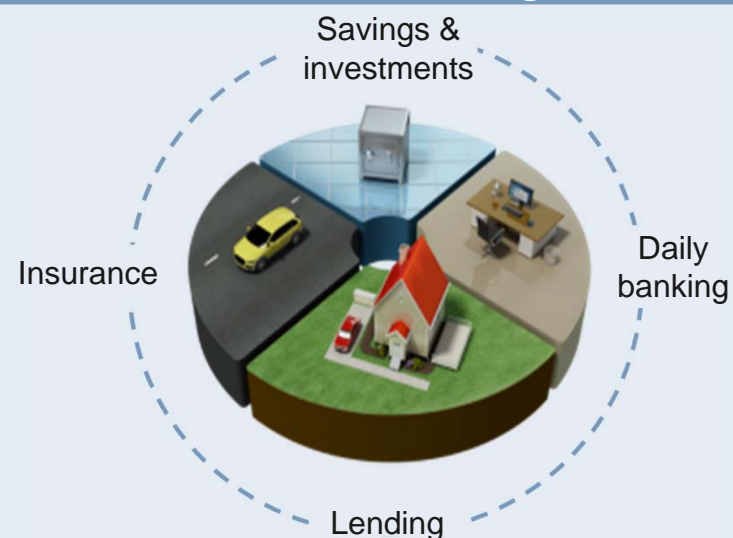
# Customer relationship activities in quarter

## Household customers

- Close to 21,000 new, externally acquired, Gold, Premium, and Private Banking customers in the quarter; 65,000 YTD
- Provided a total of 77,000 mortgage loans
- 362,000 individual advisory meetings carried out
- Issued 215,000 new credit cards
- Processed close to 330 million card transactions (purchases and ATM)
- Close to 700,000 active users of our mobile app
- To date, 80,000 Facebook likes received

“ Each working day, more than 5,000 people visited a Nordea branch and received a comprehensive overview of their personal finances. ”

## The 360° meeting



## Customer relationship activities in quarter

### Corporate customers

- Provided a total of EUR 190bn of lending
- Participated in raising EUR 6.7bn of capital to clients in bond markets (as bookrunner)
- Arranged two of the largest corporate bonds in the Swedish history for unlisted corporates
- Raised EUR 10.8bn in syndicated loans (as Mandated Lead Arranger)
- Handled ~100 million outgoing payments for corporate clients

“Our customers want the most suitable funding in the current climate - we make it possible”

**#1 Bookrunner**  
Euro bonds - Q3 2012

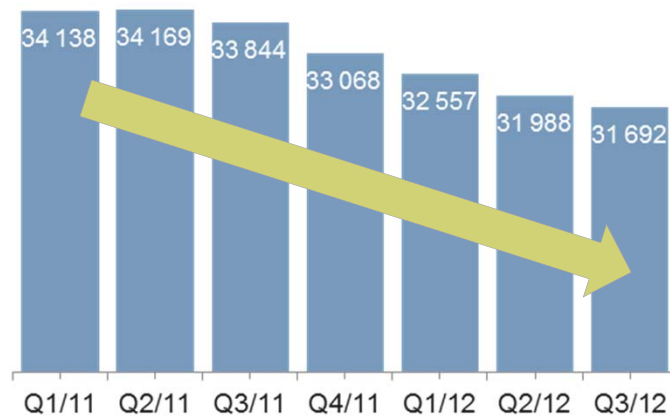
**#1 Bookrunner**  
Nordic loans – Q3 2012



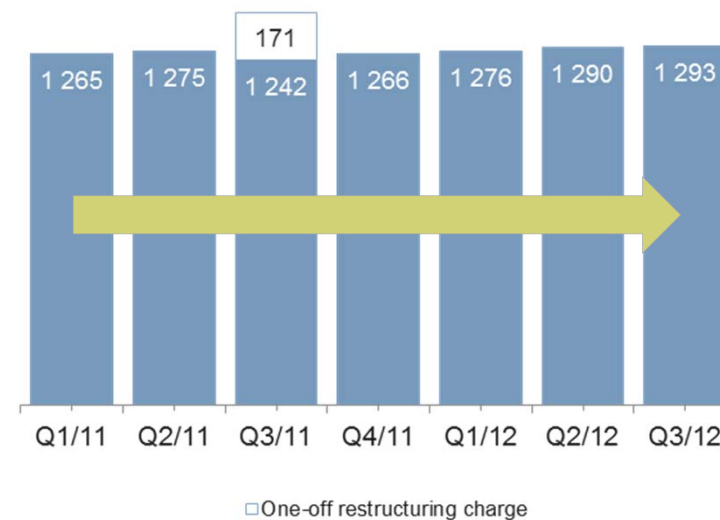
# The New Normal plan continues to deliver

## In terms of cost efficiency

Group FTE development

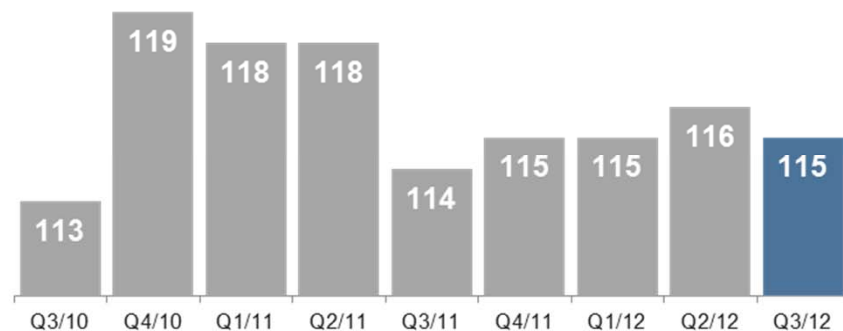


Total expenses, EUR million

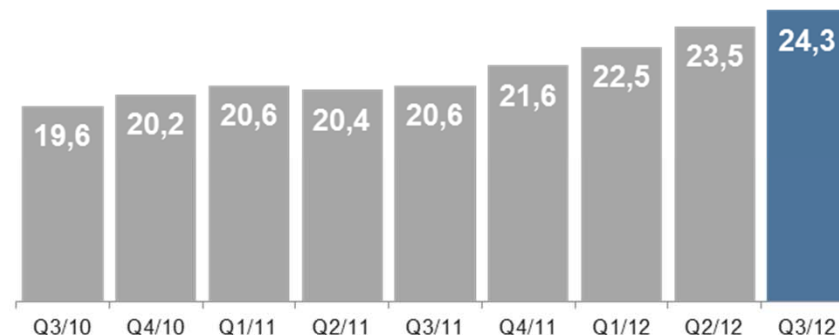


# Delivering on cost efficiency

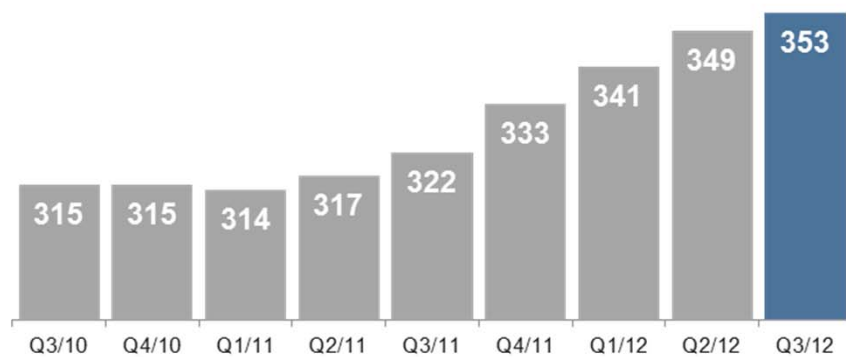
Cost to serve a customer (cost / customer) (EUR)



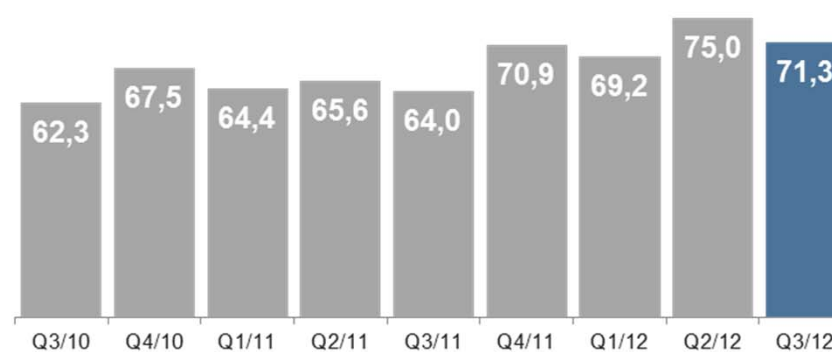
Business volumes / FTE (EURm)



Number of customers per FTE (Nordea Group)



Total income / FTE (EURt)



# The New Normal plan continues to deliver

## In terms of capital efficiency

Risk Weighted Assets development, EURbn\*



- Reduced RWA by more than EUR 9bn since beginning of 2011 due to improved efficiency

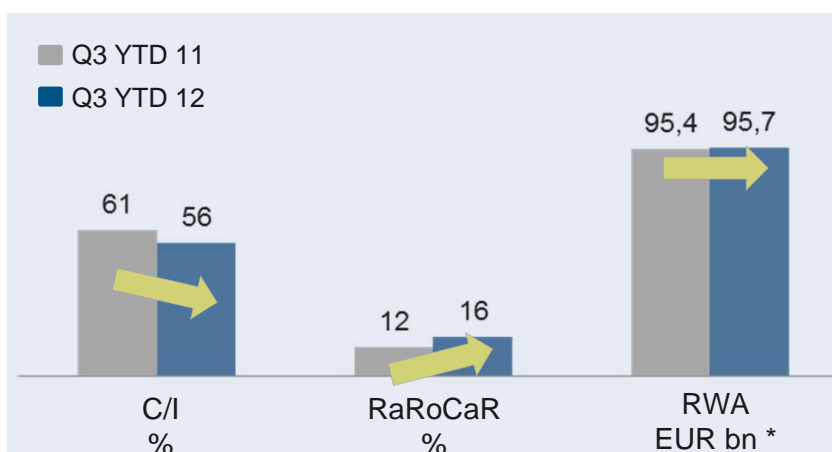
# Retail Banking: Core customer relationships

## Key achievements in quarter

- Implementing Banking Operating Model
  - E.g. Advice and service-focused branch network
- Focus on profitability and capital management
- Continued focus on operational efficiency with streamlining of processes etc.

## Retail Banking – Key results

EURm	YTD 12	YTD 11	Growth
Total operating income	4,134	3,899	6%
Operating profit	1,365	1,142	20%



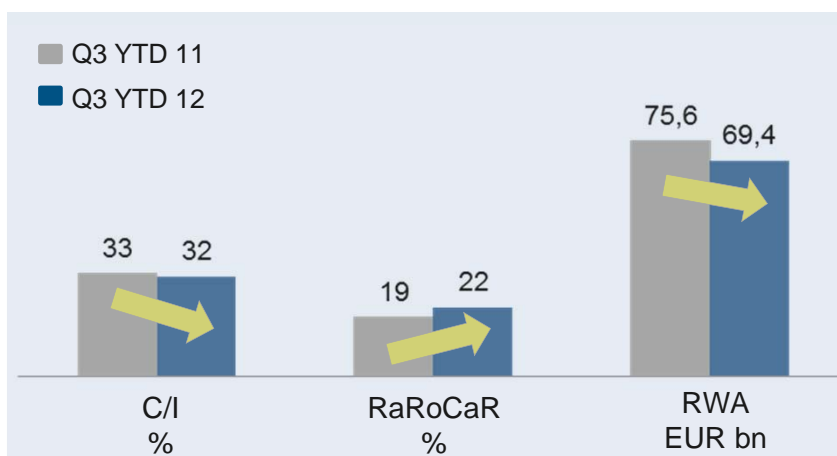
# Wholesale Banking: Advice in focus

## Key achievements in quarter

- Focus on core customer relationships, share of business and fee-based income
- Alignment of the Wholesale Banking value chain to improve customer service experience and drive efficiency
- Strict internal resource management

## Wholesale Banking – Key results

EURm	YTD 12	YTD 11	Growth
Total operating income	2,132	1,876	14%
Operating profit	1,227	1,165	5%



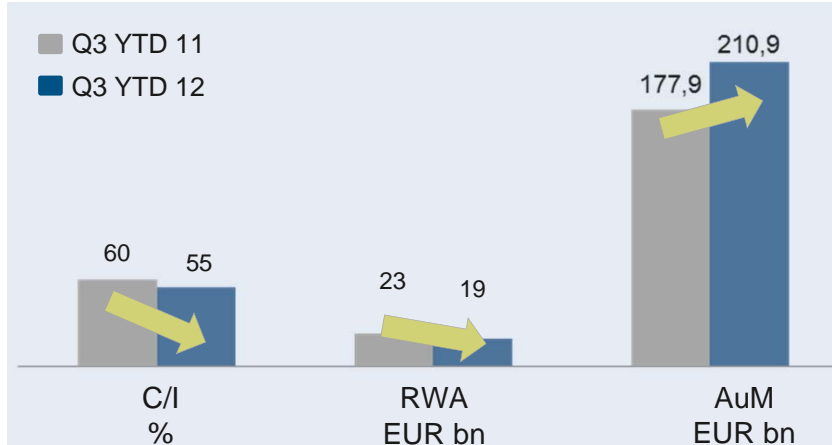
# Wealth Management: Capital efficient solutions

## Key achievements in quarter

- Life & Pensions customers move to more capital-light products
  - 75% of GWP in capital light products in Q3 to be compared with 55% in Q3 2011
- Efficiency in product offering
- Asset under Management inflow of EUR 2.7bn
- Strong investment performance give added value to our customers
- 80% of all composites in AuM outperformed their benchmark, generating added value of EUR 0.8bn

## Wealth Management – Key results

EURm	YTD 12	YTD 11	Growth
Total operating income	1,036	927	12%
Operating profit	462	375	23%



# Key messages

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- Cost/income ratio 51% YTD (54% 9m 2011\*)
- Improved RoE to 11.4% YTD (10.6% 9m 2011\*)
- Core Tier 1 ratio improved to 12.2%
- Loan losses at 27 bps YTD (20bps 9m 2011)
- Income in Q3 highest ever in a third quarter
- Operating profit exceeded EUR 3bn YTD, up 14%\*
- Continued strong business momentum, 65 000 new relationship customers in 2012 YTD

\* Adjusted for restructuring charge in Q3 2011



# Third Quarter Report 2012

## Press and analyst conference

Christian Clausen, President and Group CEO



*Making it possible*





# Third Quarter Report 2012

## Analyst conference

Fredrik Rystedt Group CFO and Ari Kaperi Group CRO



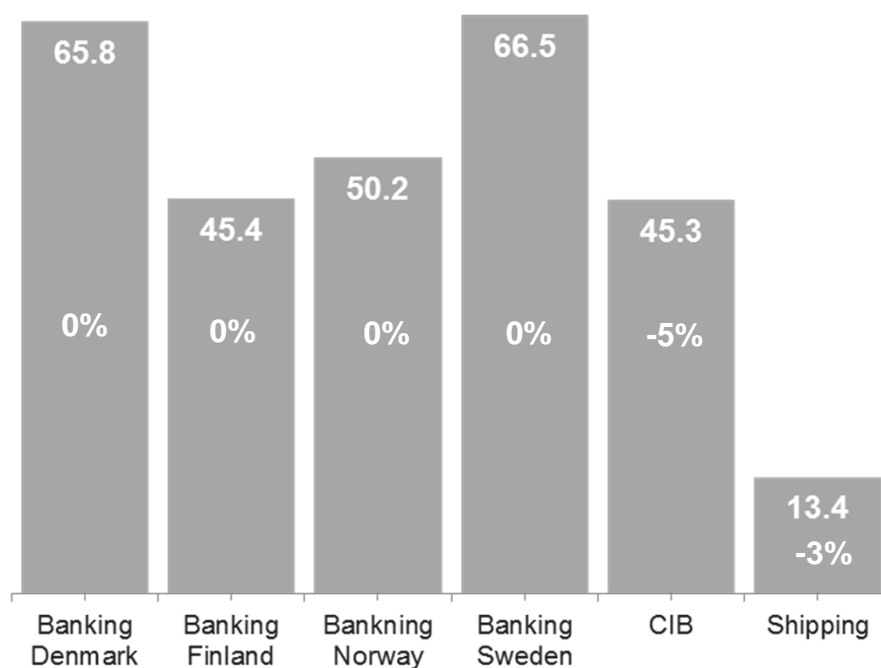
*Making it possible*

## Change in net interest income

Change, EURm	Q-o-Q	Y-o-Y
<b>Volume-driven NII</b>	<b>0</b>	<b>172</b>
Lending	-2	146
Deposits	2	26
<b>Spread-driven NII</b>	<b>-14</b>	<b>233</b>
Lending	17	492
Deposits	-31	-259
<b>Spread costs</b>	<b>-12</b>	<b>-130</b>
<b>GCC, including Treasury</b>	<b>-5</b>	<b>47</b>
<b>Other</b>	<b>10</b>	<b>-28</b>
<b>Total</b>	<b>-21</b>	<b>294</b>

# Lending, volumes and margins

Lending volumes EURbn Q3/12 and development q-o-q



Change in local currencies

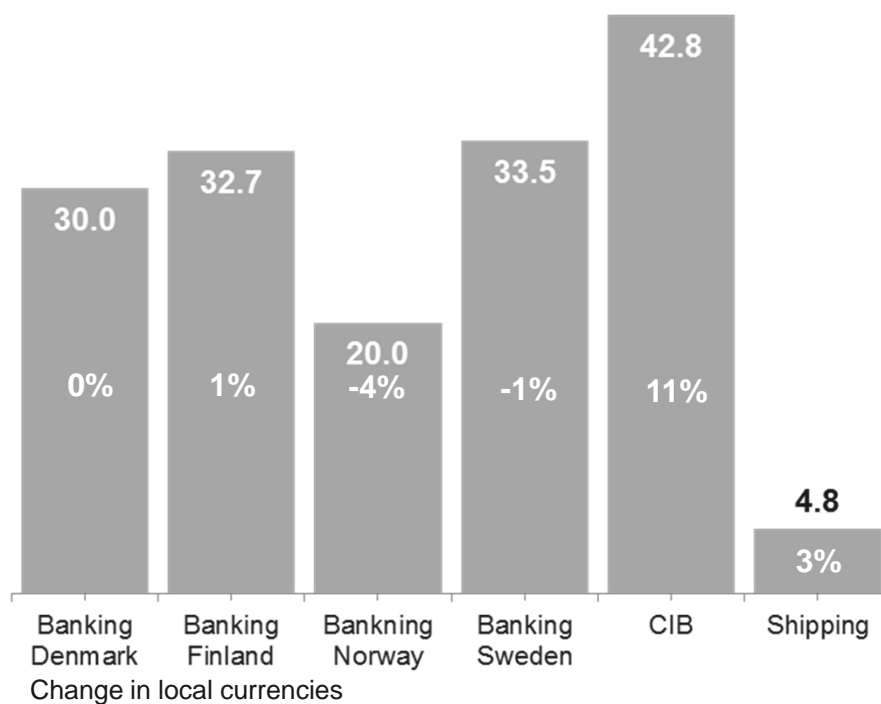
Margin\* development q-o-q

	Household	Corporate
Banking Denmark	→	→
Banking Finland	→	→
Banking Norway	→	→
Banking Sweden	→	→
Corp & Inst Banking		→
Shipping		→

\*Excluding full liquidity premia

# Deposits, volumes and margins

Deposit volumes EURbn Q3/12 and development q-o-q



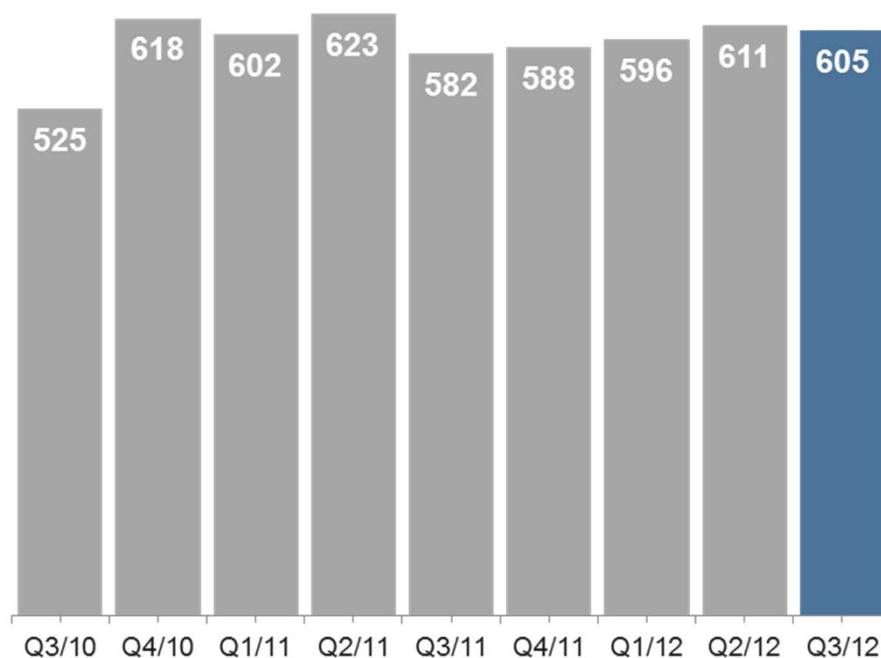
Margin\* development q-o-q

	Household	Corporate
Banking Denmark	→	→
Banking Finland	→	→
Banking Norway	→	→
Banking Sweden	→	→
Corp & Inst Banking		→
Shipping		→

\*Excluding full liquidity premia

## Net commission income remains at high levels

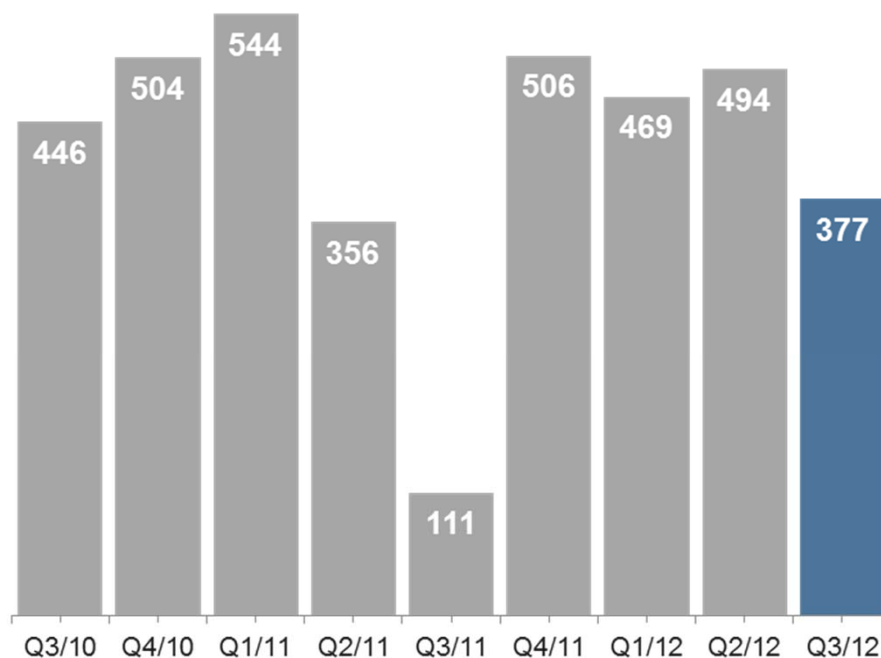
Total net fee and commission income, EURm



- Down 1%
- Increased lending commission
- Decreased commissions on payments, cards, savings and investments

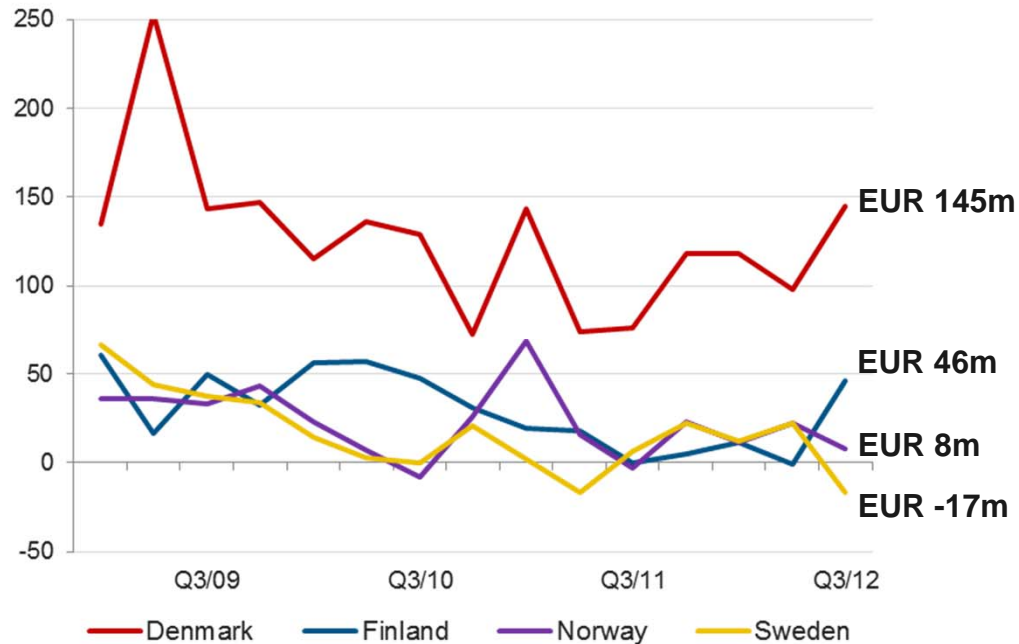
# Net fair value

Total net result from items at fair value, EURm



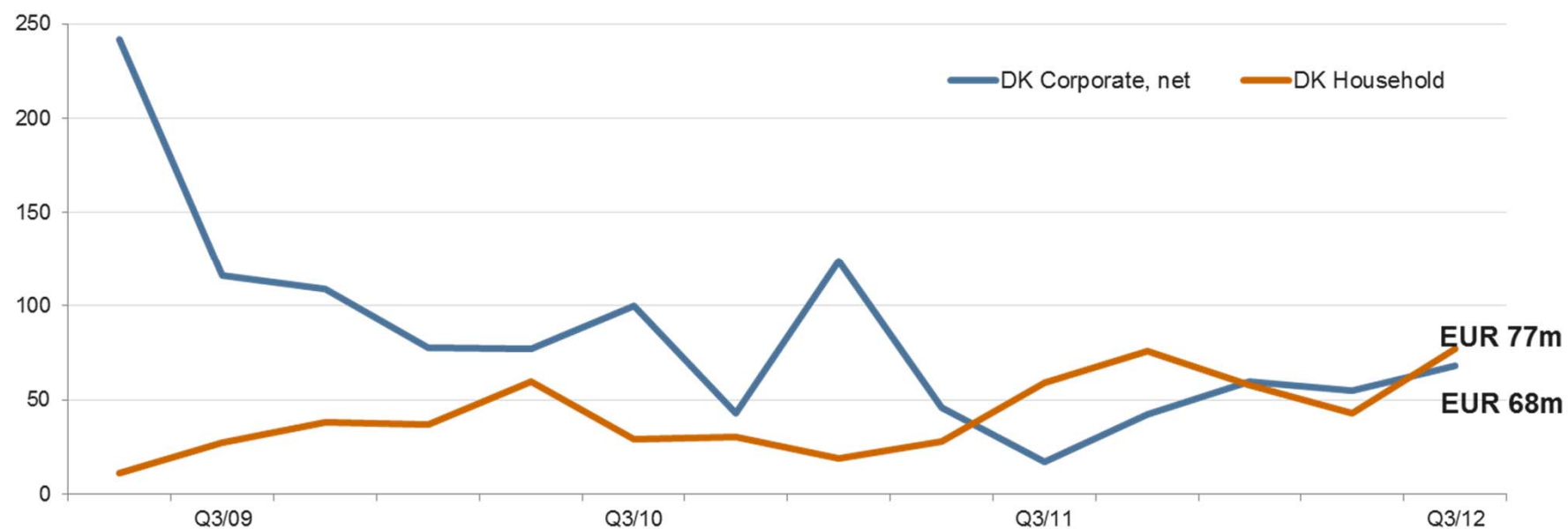
- Continued high demand in customer areas
- Negative valuation changes in liabilities accounted for at fair value

## Net loan losses quarterly by country – excluding Shipping



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

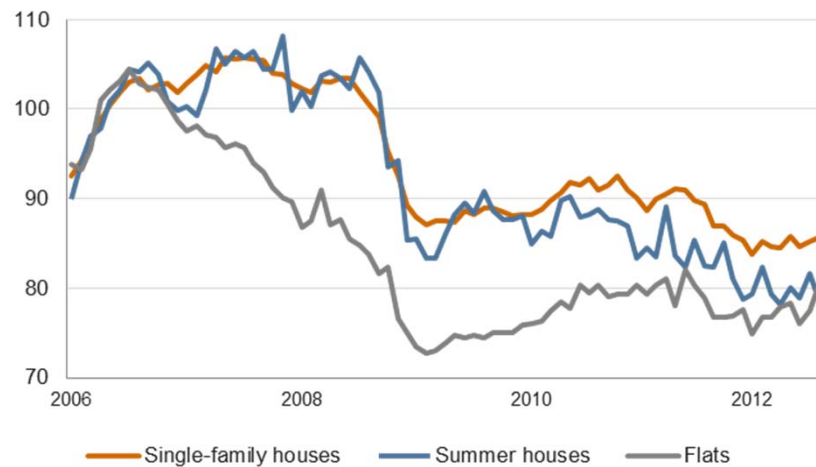
## Net loan losses Denmark – excluding Shipping



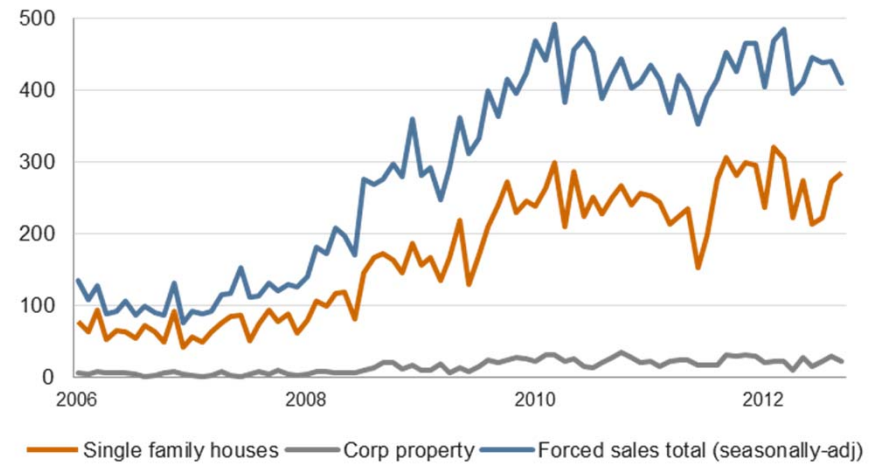


# Underlying stabilisation in Denmark

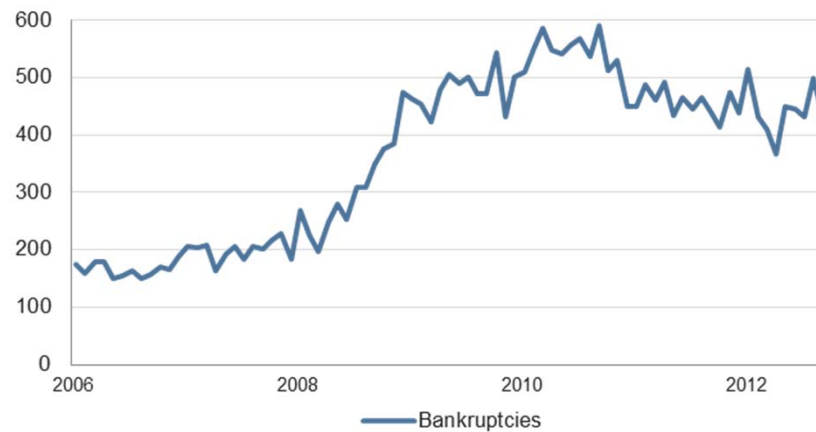
House prices, index = 2006\*



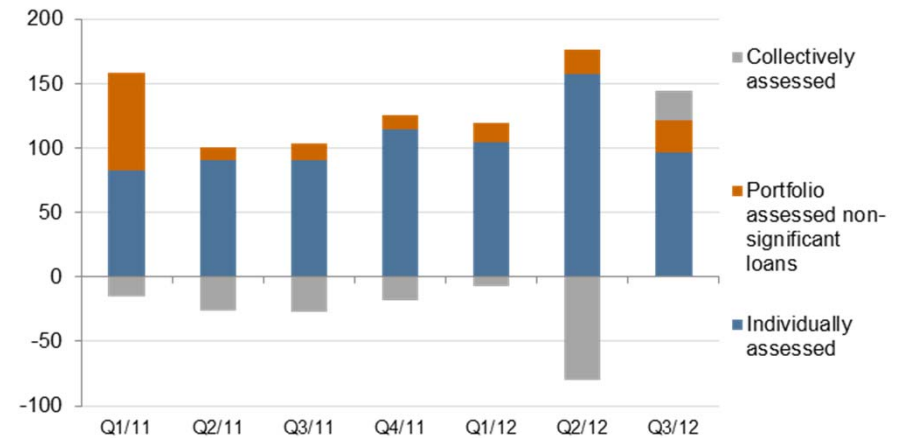
Forced sales\*



Number of bankruptcies\*



Loan losses net, Retail Banking Denmark



\* Source: Danmarks Statistik

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# Shipping loan losses and impaired loans

Shipping Net loan losses, EURm



- Further deterioration of collateral values
- Need for additional loan loss provisions

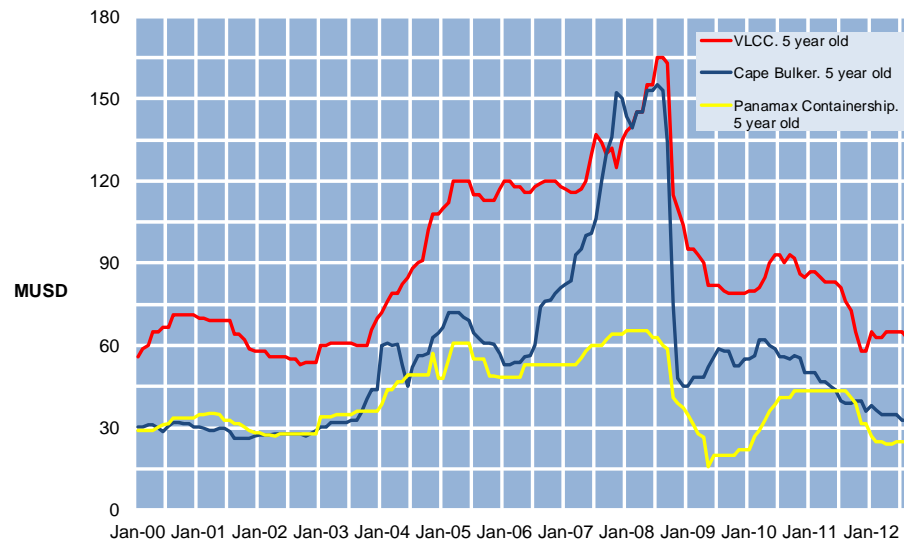
Shipping Net impaired loans, EURm



- Gross impaired loans down 4% q-o-q

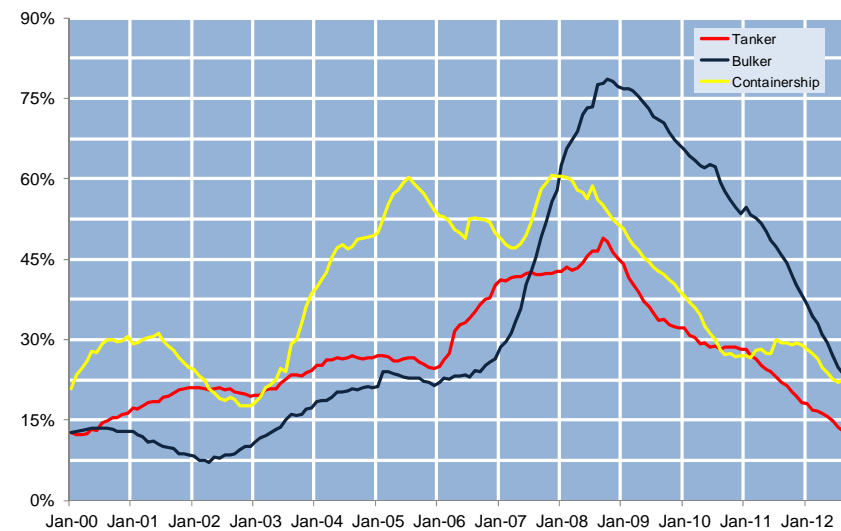
# Challenges remained within Shipping

Ship values



- Ship values has continued to fall throughout the year

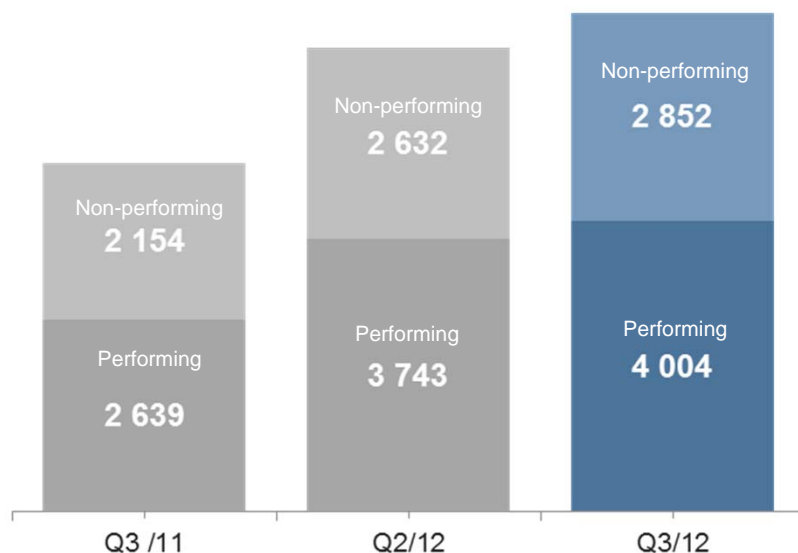
Shipping orderbook as % of existing fleet



- Supply is coming down rapidly

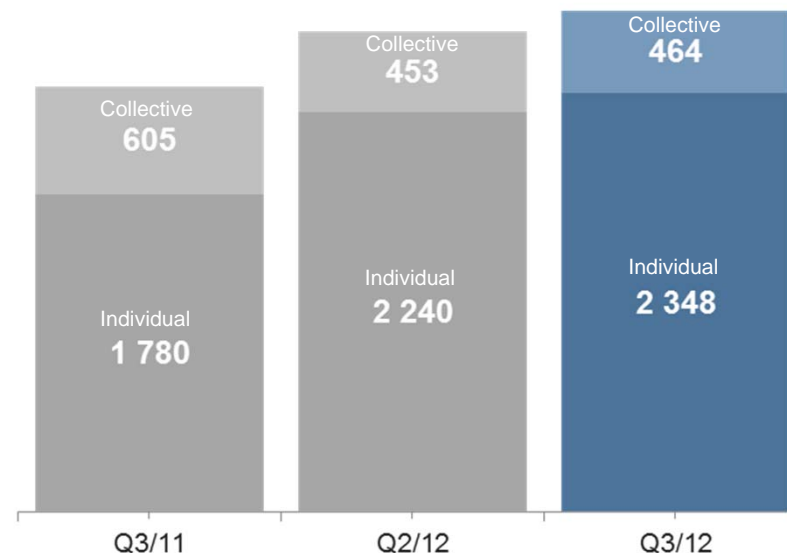
# Impaired loans and allowances

Impaired loans, EURm



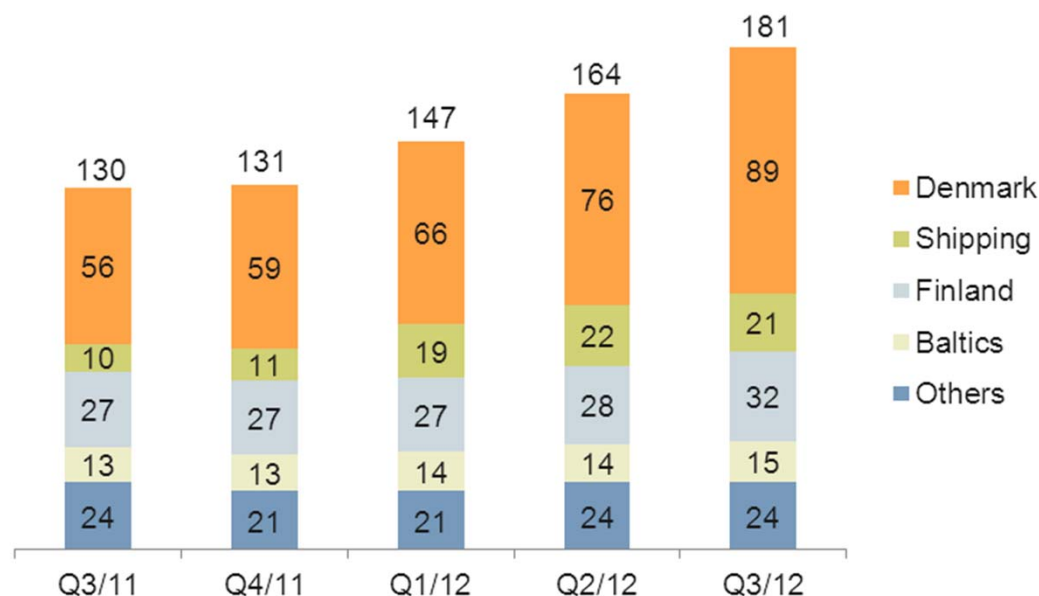
- 58% of impaired loans are performing

Total allowances, EURm



- Collective provisions increased in Denmark and Shipping, reduced in Sweden and the Baltics

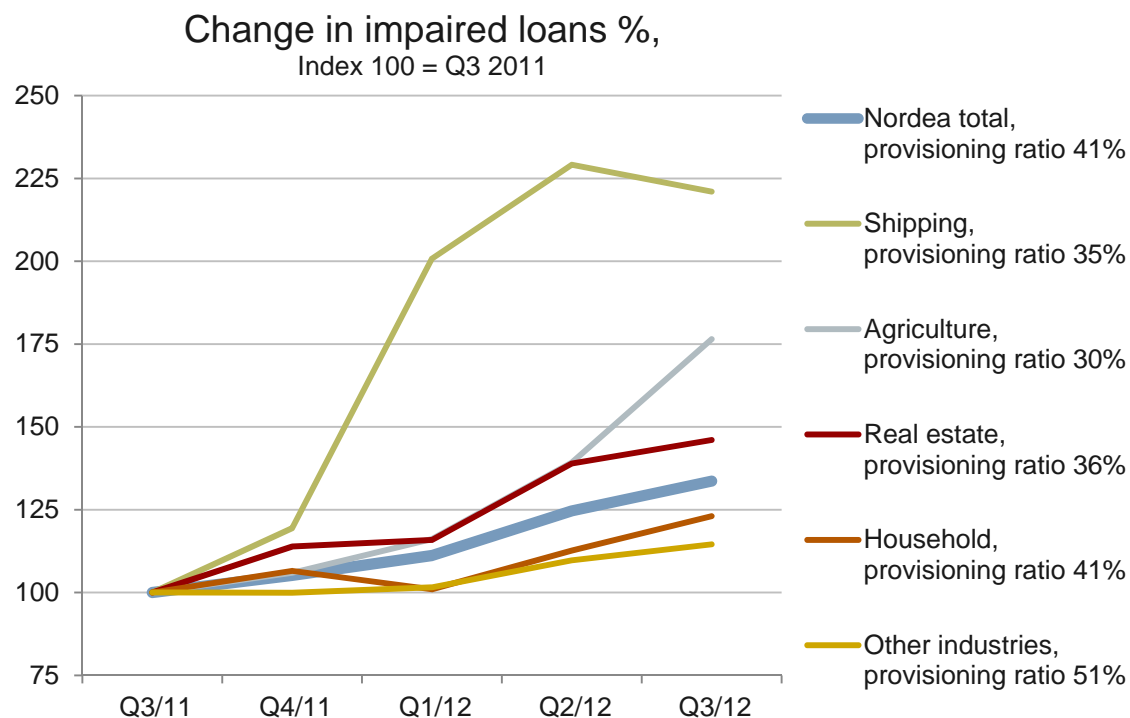
# Impairment rate gross<sup>1</sup>, basis points



- Impairment rate gross increased to 181bps.
- Still Danish household and agriculture customers behind the increases (new impaired volume approx. EUR 410m), to a large extent explained by the clarified and stricter impairment rules introduced by the Danish FSA.
- A couple of larger Finnish corporates were reported as impaired this quarter (new impaired volume approx. EUR 100m).
- The development in shipping was slightly positive, as the exposure to already impaired customers decreased.

<sup>1</sup> Impairment rate gross:  
Individually assessed impaired loans before allowances divided by total loans before allowances

# Highest increase of impaired loans in "collateralised" loan books





# Third Quarter Report 2012

## Analyst conference

Fredrik Rystedt Group CFO and Ari Kaperi Group CRO



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