



Nordea 

Fourth Quarter and Full Year Results 2013

International telephone conference
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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.

Highlights

1 2013 characterised by stable but low growth and low interest rates

- Nordea delivers a stable income and cost level
- Loan losses are down by 17% (in local currencies)
- Operating profit is up 3% (in local currencies)
- Core Tier 1 ratio is up by 180 bps to 14.9% (Total capital ratio of 18.1%)
- Proposed dividend of EUR 0.43 per share

2 Lower lending demand, customer transaction levels and interest rates than previously anticipated

- Existing cost efficiency programme delivering better than expected
- Accelerate and expand the existing cost efficiency programme from EUR 450m towards EUR 900m during 2013 to 2015
- Approximately 5% lower cost base 2015 vs. 2013
- Will maintain our position as a strong bank

Q4 2013 financial results highlights

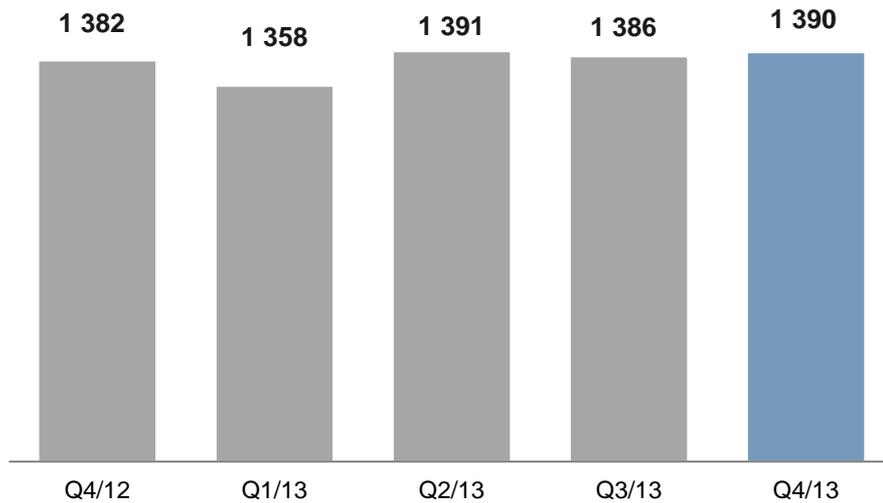
2015 plan – an update

Financial results Q4/13

EURm	Q4/13	Q3/13	Chg %	In local currencies Chg %	2013	2012	Chg %	In local currencies Chg %
Net interest income	1 390	1 386	0	3	5 525	5 563	(1)	1
Net fee and commission income	703	652	8	10	2 642	2 468	7	8
Net fair value result	333	346	(4)	(3)	1 539	1 774	(13)	(14)
Total income*	2 469	2 426	2	4	9 891	9 998	(1)	0
Staff costs	(739)	(732)	1	3	(2 978)	(2 989)	0	0
Total expenses	(1 283)	(1 234)	4	6	(5 040)	(5 064)	0	0
Profit before loan losses	1 186	1 192	(1)	2	4 851	4 934	(2)	(1)
Net loan losses	(180)	(171)	5	8	(735)	(895)	(18)	(17)
Operating profit	1 006	1 021	(1)	1	4 116	4 039	2	3
Net profit from continuing operations	760	764	(1)	1	3 107	3 069	1	2
Return on equity (%)	10.5	10.8	-	-	11.0	11.6	-	-
Core Tier 1 capital ratio (%)	14.9	14.4	+0.5 p.p	-	14.9	13.1	+1.8 p.p	-

Net interest income

Net interest income development, EURm



Comments

- NII increased by 3 % in local currencies q-o-q
- Subdued loan demand
- Largely unchanged margin

Net interest margin and volumes

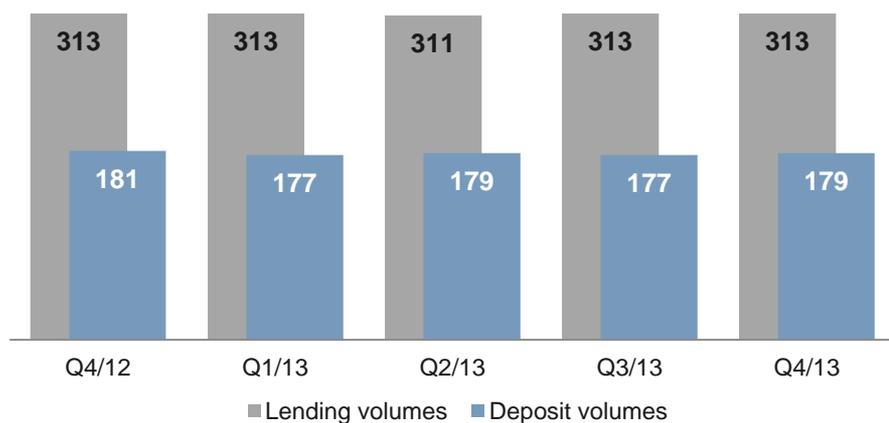
Blended net interest margin development, %



Comments

- Lending margins up
- Deposit margins down
- Household lending volumes up 1% (up 3% y-o-y)*
- Corporate lending volumes down 1% (down 3% y-o-y)*
- Deposit volumes up 1% (down 1% y-o-y)*

Lending and deposit volumes, EURbn**

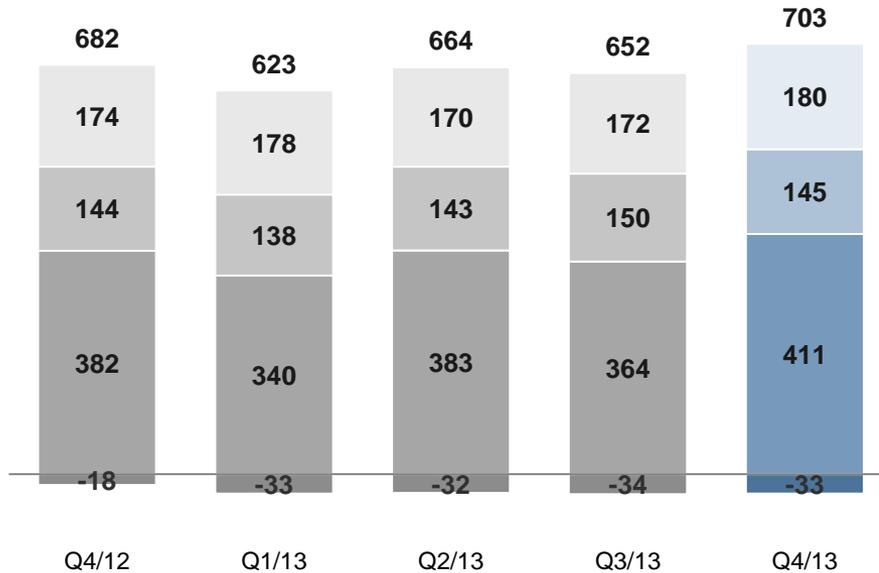


* In local currencies

** All quarters in local currencies, excluding Repos and divested Polish operations. Based on FX rates in Q4/12.

Net fee and commission income

Net fee and commission income development, EURm



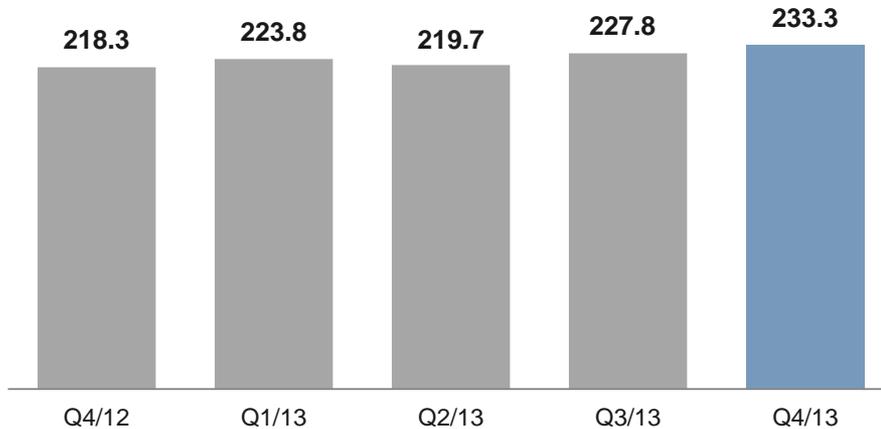
- Lending commissions
- Payments and cards
- Savings and investments
- State guarantee fees

Comments

- Continued good trend in savings and investments
 - Increase by 13% q-o-q and 8% y-o-y
 - Assets under Management at record high
- Lending related commissions up 5%
- Seasonally lower in payment and cards

Assets under Management

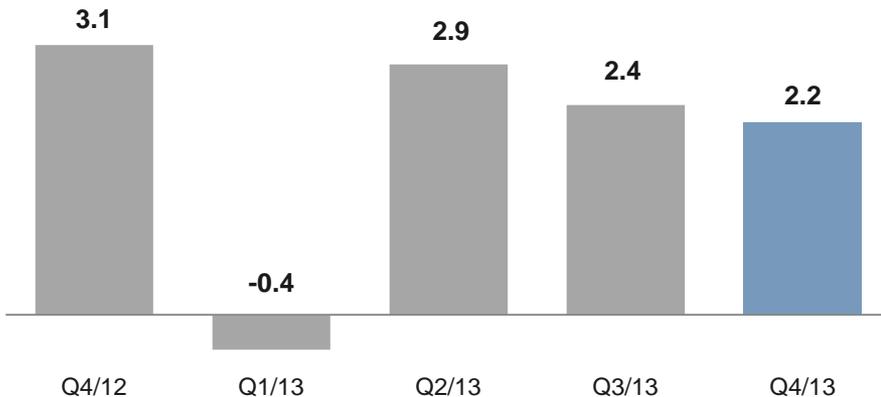
Assets under Management development*, EURbn



Comments

- All time high level of EUR 233bn
- Strong net inflow of EUR 2.2bn
 - All businesses contributing with net inflow
- Return generates EUR 3.3bn vs. Q3/13
- 75% of composites outperformed its benchmarks
- All time high inflow from Global fund distribution
- Number 4 in Europe in net inflow to funds according to Morningstar

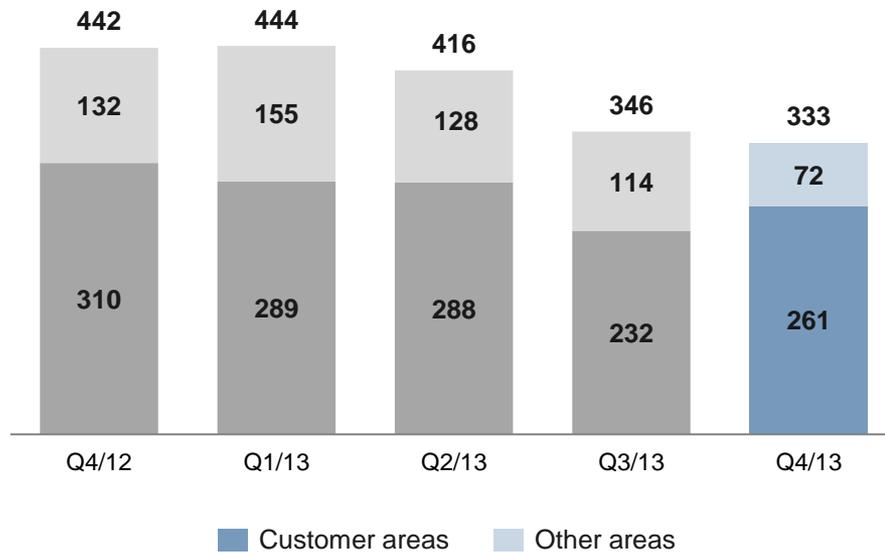
Net inflow*, EURbn



*AuM and Net inflow for Q2/13 and onwards regard continuing operations. Older quarters are not restated

Net fair value

Net fair value development, EURm

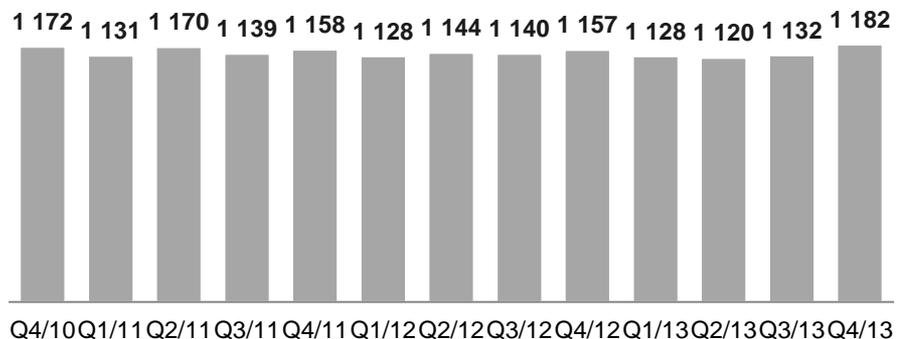


Comments

- Low customer demand
- Low volatility
- Buy backs of Hypotek bonds in Treasury

Flat costs for thirteen consecutive quarters

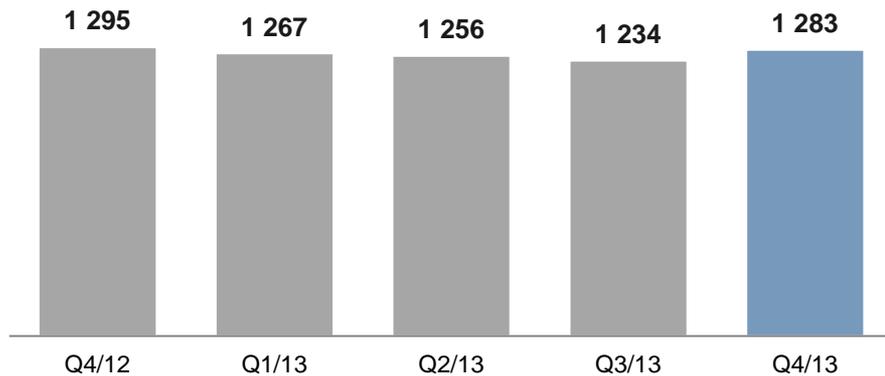
Total expenses (excl. FX and variable pay)*, EURm



Comments

- Expenses under solid control
- Seasonal increase in Q4/13

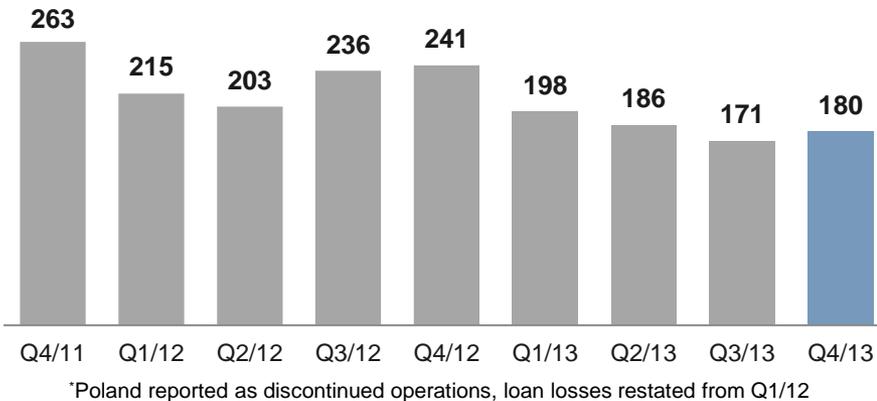
Total expenses, EURm



* All quarters excluding divested Polish operations

Stable credit quality

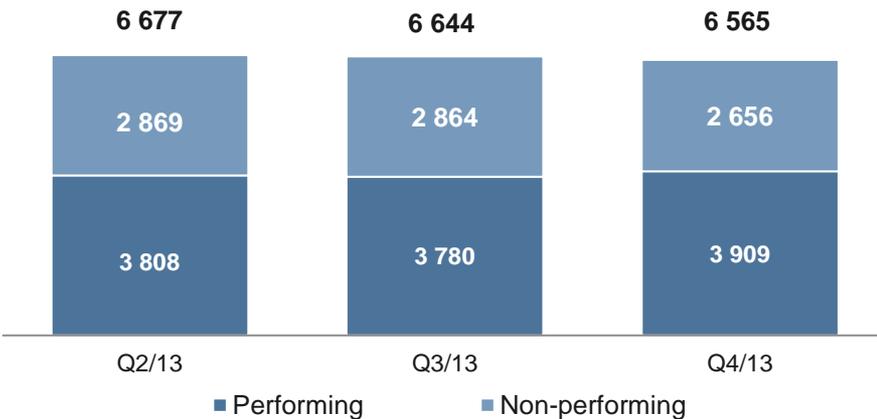
Total net loan losses*, EURm



Comments

- Largely unchanged level q-o-q at 21bps
- Largely unchanged level at 45bps in Denmark
- Net loan losses in Shipping down to 4 bps (EUR 1m)
- Somewhat higher levels in Baltic's due to revaluation of collaterals and lower reversals
- Low levels in other business units

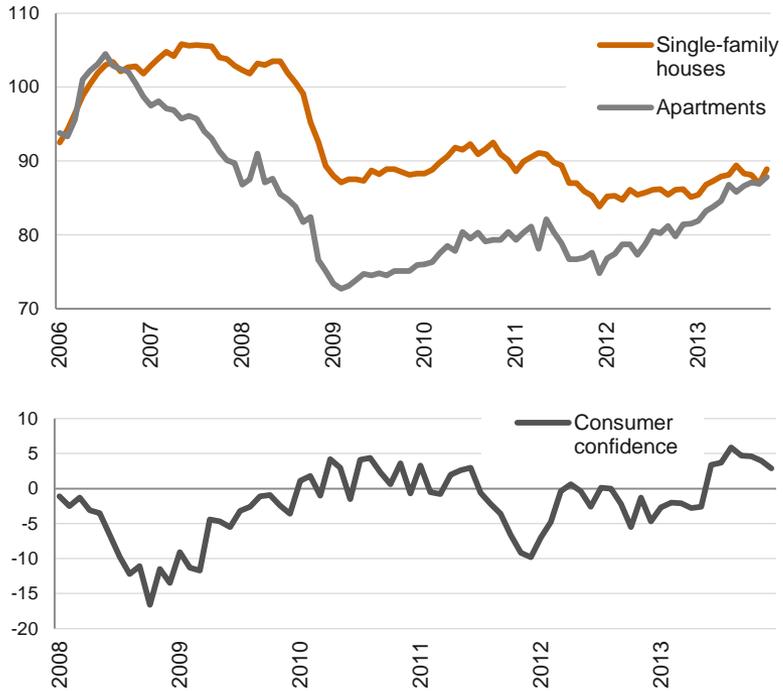
Impaired loans**, EURm



** Impaired loans not restated for Poland

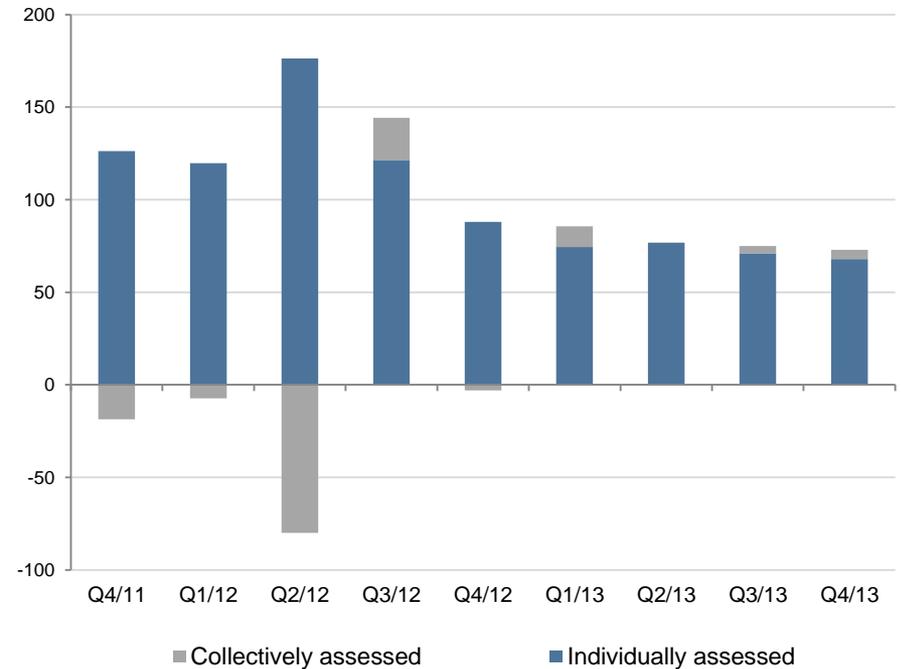
Stable situation in Denmark

House price index and Consumer confidence*



*Source: Danmarks Statistik

Loan losses net, EURm, Retail Banking Denmark



Comments

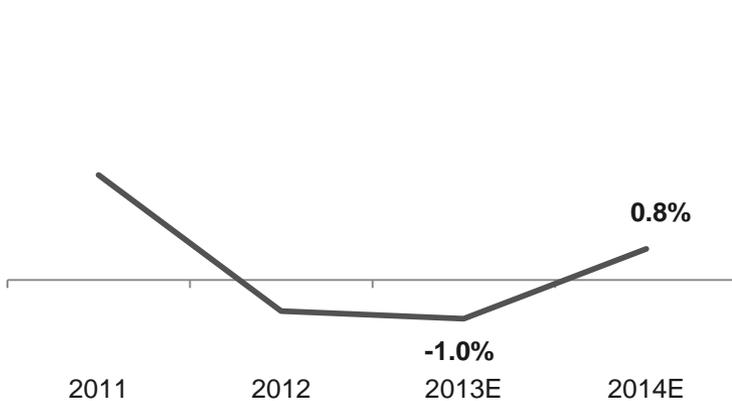
- House prices in Denmark show improvement
- Positive trend in consumer confidence

Comments

- Loan loss ratio in Banking Denmark remained stable

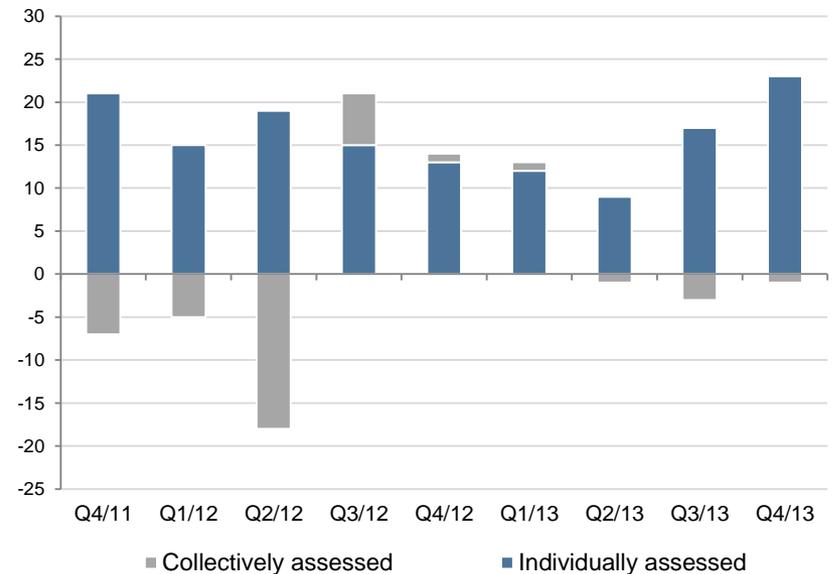
Macroeconomic challenges in Finland

GDP development, %*



*Source: Nordea Economic Outlook

Loan losses net, EURm, Retail Banking Finland



Comments

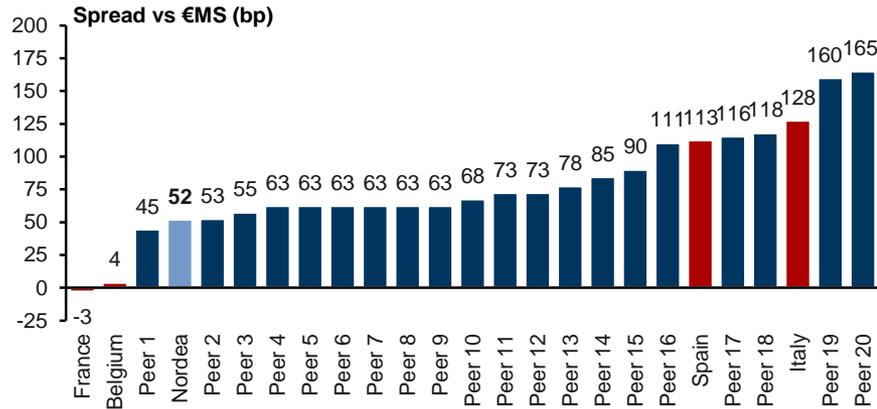
- Economic recovery depends mainly on exports
 - The latest monthly information signals a slight increase in exports – outlook uncertainty remains
- Employment will continue to weaken beyond the summer of 2014

Comments

- Normal volatility of loan losses
- Low levels of losses in Household segment
- Careful monitoring of the development

Strong access to funding

EUR senior issuance mid swap spreads, 5 years, bps

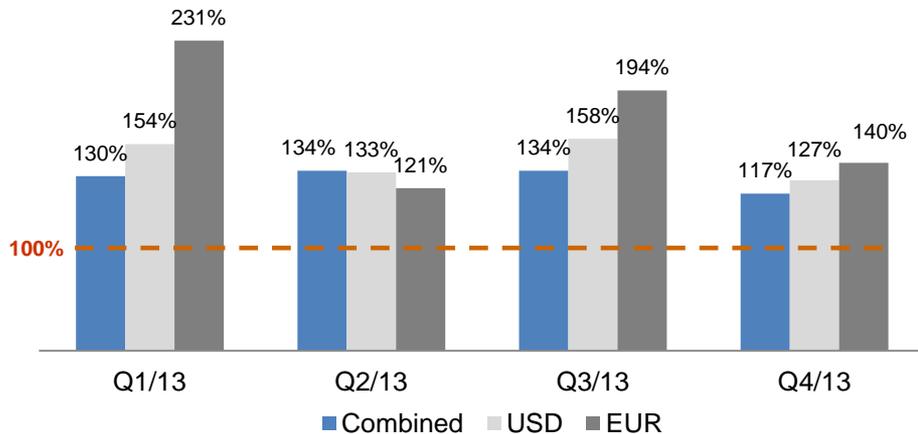


Comments

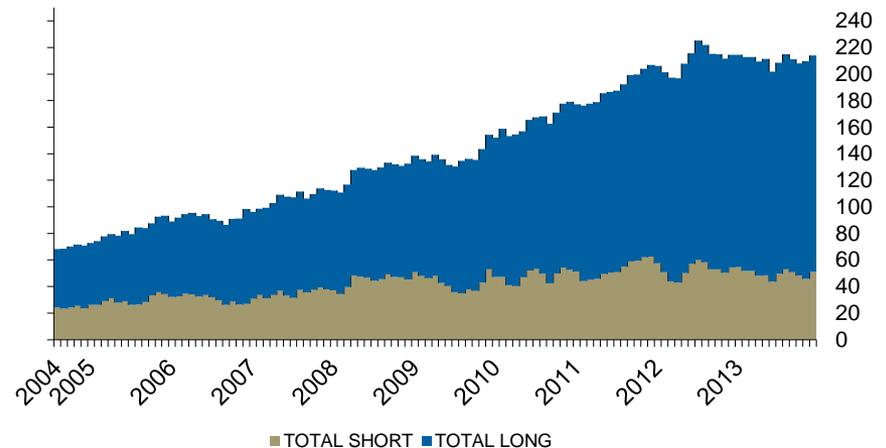
- Attractive funding spreads compared to peers
- Issuance of EUR 23bn which is more than the redemptions for 2013
- Conservative liquidity management
 - LCR compliant
 - Liquidity buffer EUR 66bn
- 73%* of the wholesale funding is long-term funded

*Based on net figure

LCR developments

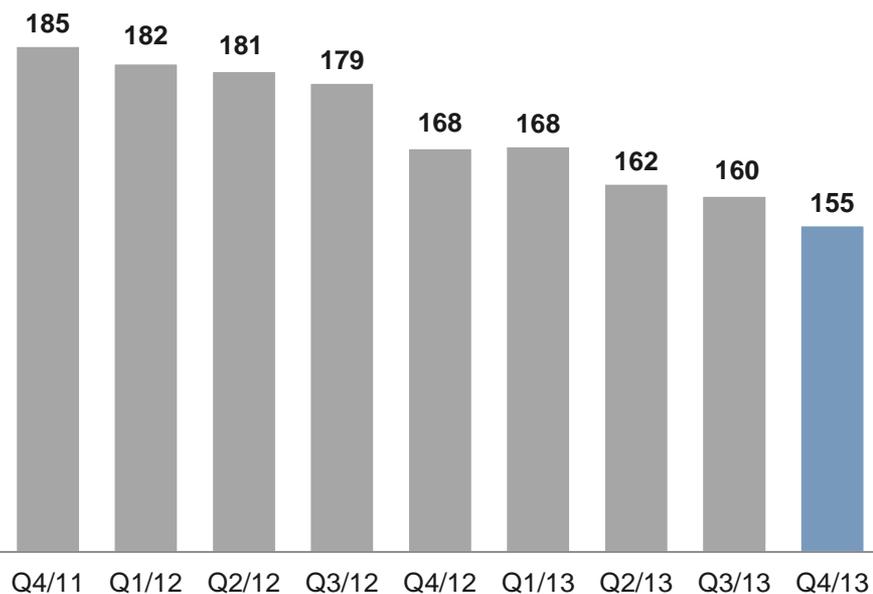


Distribution of long vs. short funding, EURbn



Risk weighted assets

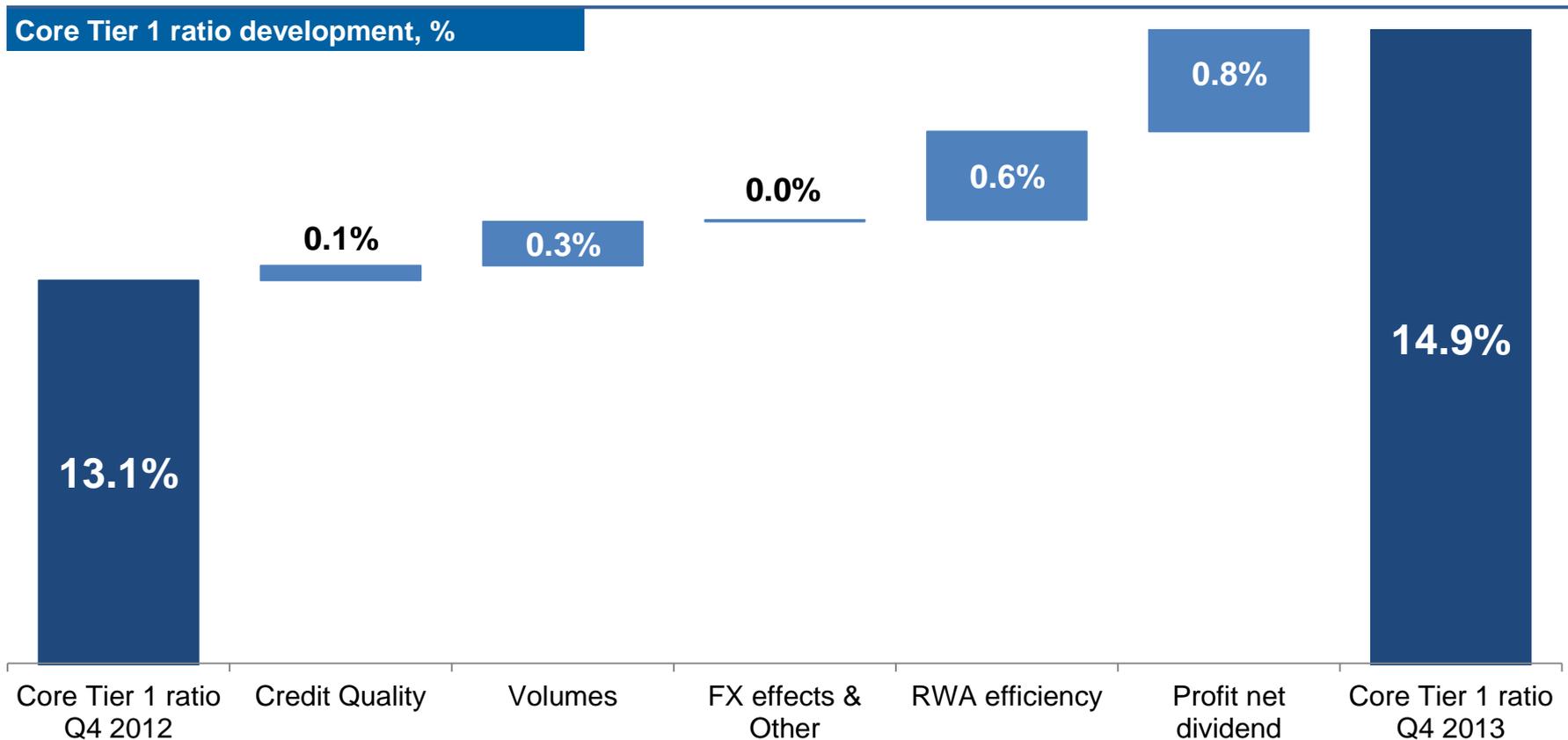
Risk-weighted assets , EURbn*



Comments

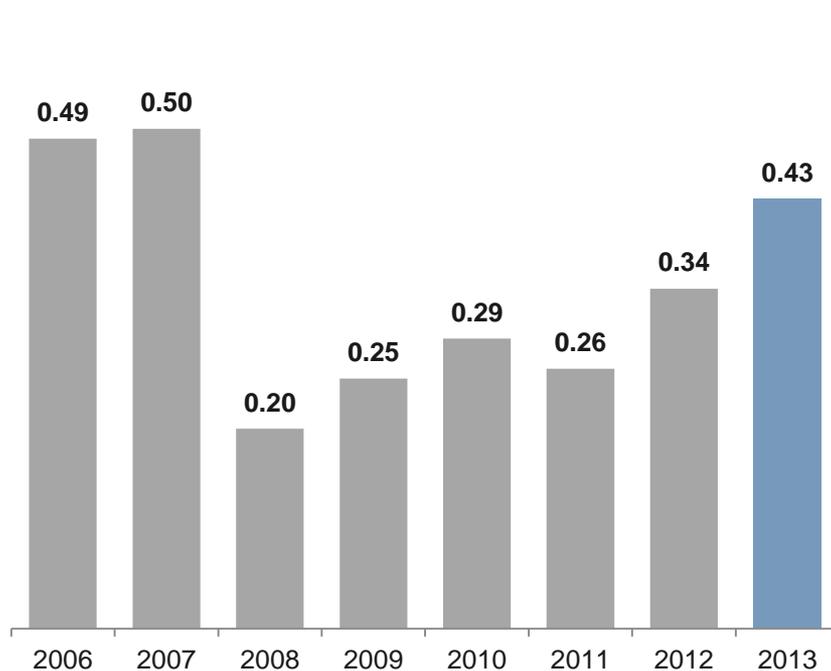
- Low loan demand
- Approval to use foundation IRB in Russia
- Effect from Advanced IRB for Nordic corporate will impact Q1/14
- FX effect

Core Tier 1 ratio + 180bps following profit generation, efficiencies and low demand



Proposed dividend of 0.43 EUR/share

Dividends, EUR/share



Comments

- Proposed dividend per share of EUR 0.43
 - Representing a payout ratio of 56%
- Proposal reflects low loan demand resulting in lower capital need
- Ambition to increase dividend payout ratio in 2014 and 2015
 - Maintaining a strong capital base
 - Long term target to be decided once the regulatory regime is clarified

Q4 2013 financial results highlights

2015 plan – an update



The 2015 plan - an update

Nordea market commitments

Strong capital generation and increased payout ratio in 2014 and 2015 while maintaining a strong capital base

Medium term ROE ambition of 13% at a CT1 ratio >13%* taking prevailing low interest rates into account

Delivering low-volatility results based on a well diversified and resilient business model

Key initiatives and levers

Capital initiatives to maintain CT1 ratio >13%*

Initiatives for income generation

Efficiency initiatives of ~EUR 900m
5% lower cost base 2015 vs. 2013

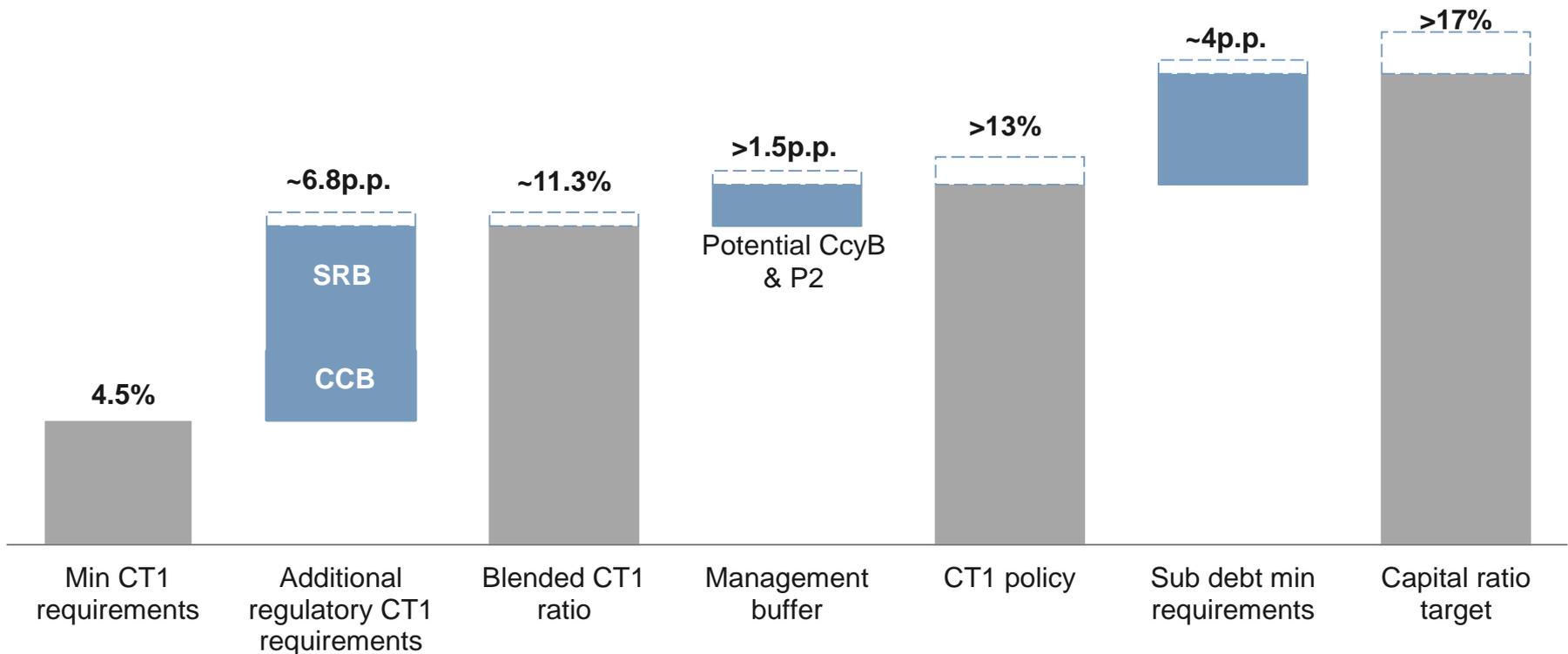
Low-risk profile and low volatility

* Nordea is currently steering the bank towards a CT1 of 14-14.5%

CT1 requirements/Capital policy building blocks

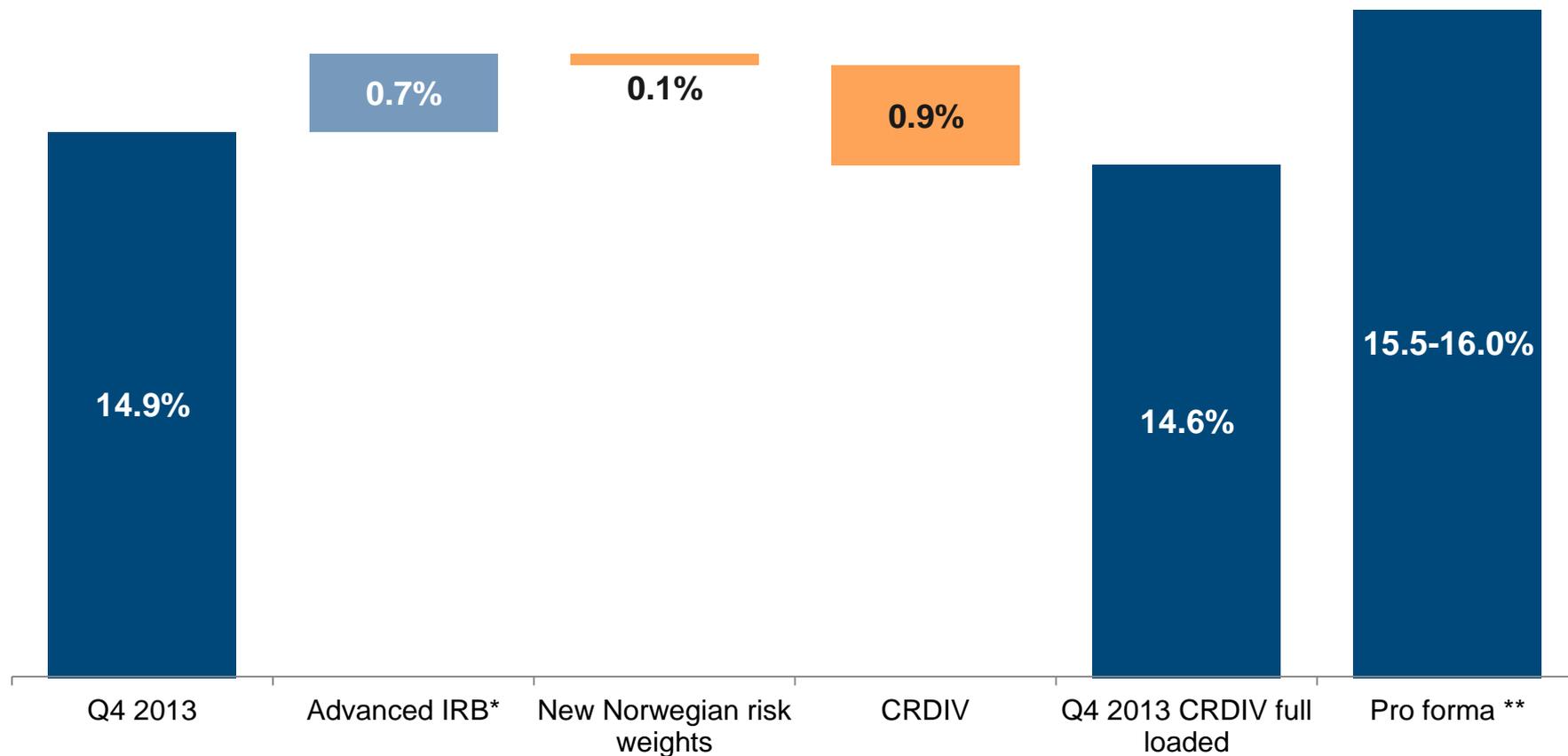
Basel III Capital Ratio Targets

- Remaining uncertainties mainly relates to Pillar 2
- Steering the bank towards a CT1 level of 14-14.5% in the current environment



Pro forma CT1 ratio of 15.5-16.0% as of Q4 2013

Assuming a 56% pay-out ratio

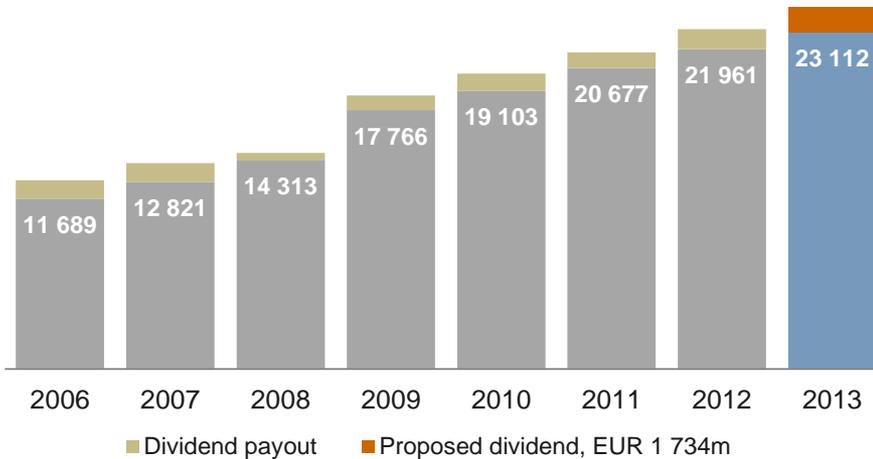


* During January, Nordea was approved to use Advanced IRB model for Nordic corporate counterparties

** Does not include future earnings and growth. Including efficiencies in 2014 and 2015

Strong capability to generate capital

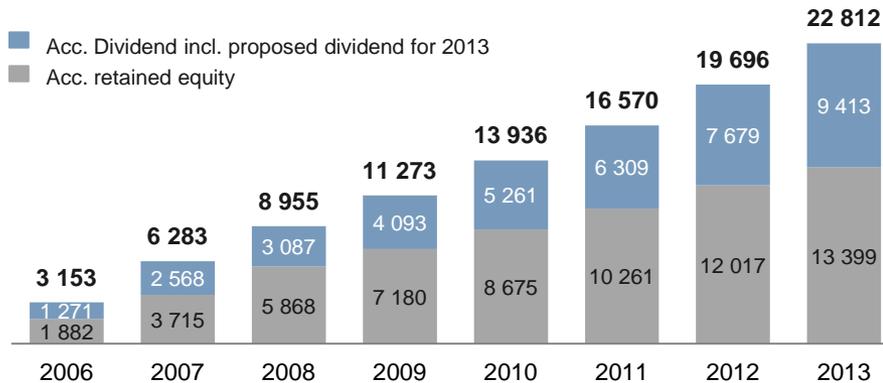
Core Tier 1 capital , EURm



Comments

- Doubled the capital base in 7 years
- Increased core tier 1 ratio from 6.8% to 14.9%

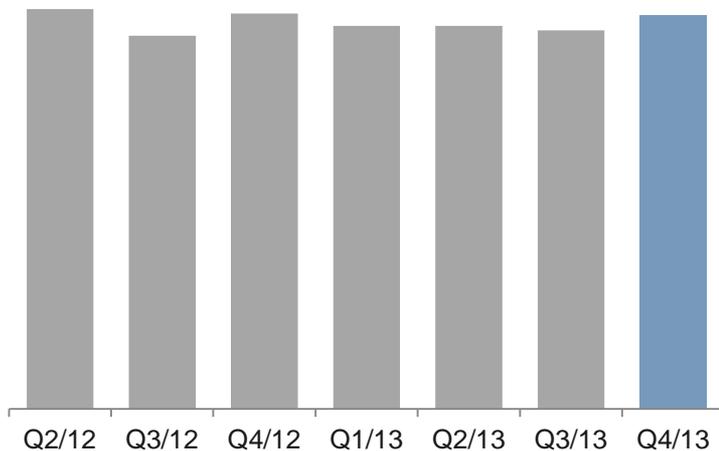
Capital generation*, EURm



* Dividend included in the year profit was generated. Excluding rights issue (EUR 2 495m in 2009)

Income holding up

Total income (excl. FX), EURm



Comments to key income related activities in Q4

- Re-pricing
 - Total lending margins +13 bps y/y (RB)
 - CIB/SOO/NBR lending margins up approx. 20 bps y/y (WB)
- New customers
 - Continued strong inflow of household customers – over 22,000 new (externally recruited) Gold and Premium customers, total >90,000 in 2013 (RB)
 - Approx. 1% increase in Private Banking’s customer base (WM)
- Ancillary income
 - Cross-selling activities on track, particular strong in the savings area (RB+WM)
 - Investment Banking organisation strengthened – executed a number of large transactions within ECM/IPOs and DCM (WB)
 - Continued strong sales of capital-light products – 87% of Q4 premiums in L&P

Acceleration of the cost efficiency programme

Background

Low economic growth leads to lower lending demand and customer activity than expected

Interest rates have continued downwards and will remain low for a prolonged period of time

Ensure we can maintain our position as a strong bank

Accelerated cost efficiency programme

Existing cost efficiency programme delivering better than expected

Accelerating and expanding existing cost efficiency programme

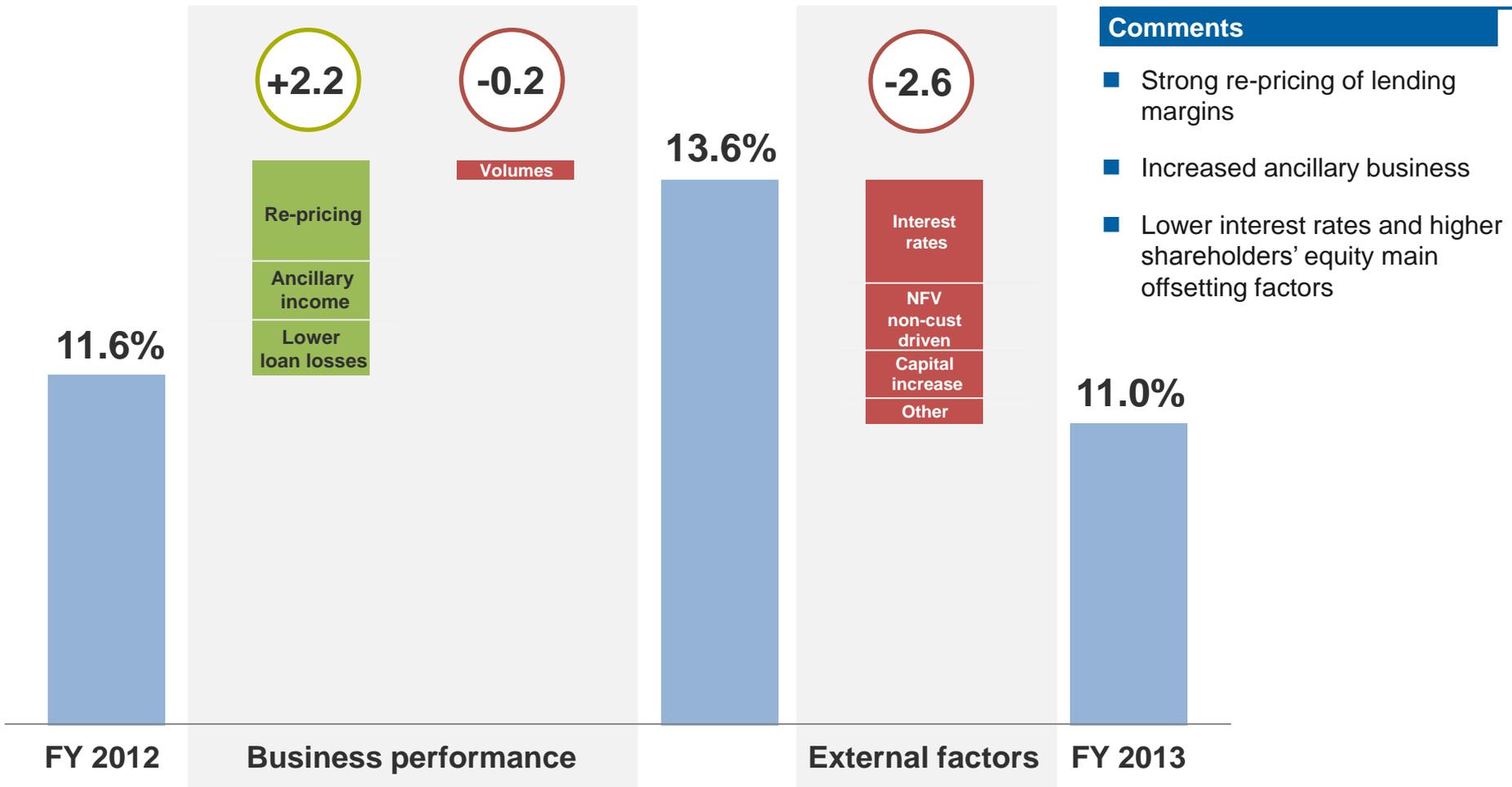
Initiatives for cost efficiencies:
EUR 450m to EUR 900m

Approximately 5% lower cost base in 2015 vs. 2013

The Accelerated Cost Efficiency Programme builds on existing programmes

Initiatives	Key Elements
<i>Reduction of activity related expenses</i>	<ul style="list-style-type: none">• Lower marketing related costs• Less travelling expenses• Downscaling use of consultants
<i>Adjusting the distribution to meet changed customer behavior</i>	<ul style="list-style-type: none">• Optimise multichannel customer relationship model<ul style="list-style-type: none">• Further develop online and mobile banking services• Continued adjustment of the branch network• Continued reduced manual cash handling• Streamline product offerings and product consolidation
<i>Increase Product and IT platform efficiency and optimise processes</i>	<ul style="list-style-type: none">• Reviews of IT development portfolios• Simplification of product and system platforms• Optimising and offshoring of processes
<i>Reduce cost in central functions, including downscaling of internal service levels</i>	<ul style="list-style-type: none">• Lower space utilization and rent spend• Simplify the reporting process, including data sourcing• Common data infrastructure• Reduced internal service levels and reduced Group Functions costs

RoE – strong underlying business performance not fully compensating for challenging macro environment and regulation



Progress in summary

Progress on Nordea financial plan 2013-2015, in 2013

CT1 ratio	■ Core Tier 1 ratio up 180 bps to 14.9%	✓
RWA	■ RWA down EUR 13bn	✓
Income growth	■ Income holding up	(✓)
Costs	■ Flat costs	✓
Loan losses	■ Loan losses down 17%	✓
RoE	■ RoE 11.0% but on track towards the target	(✓)



Nordea 

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