



 Capital Markets Day

# Retail Banking presentation

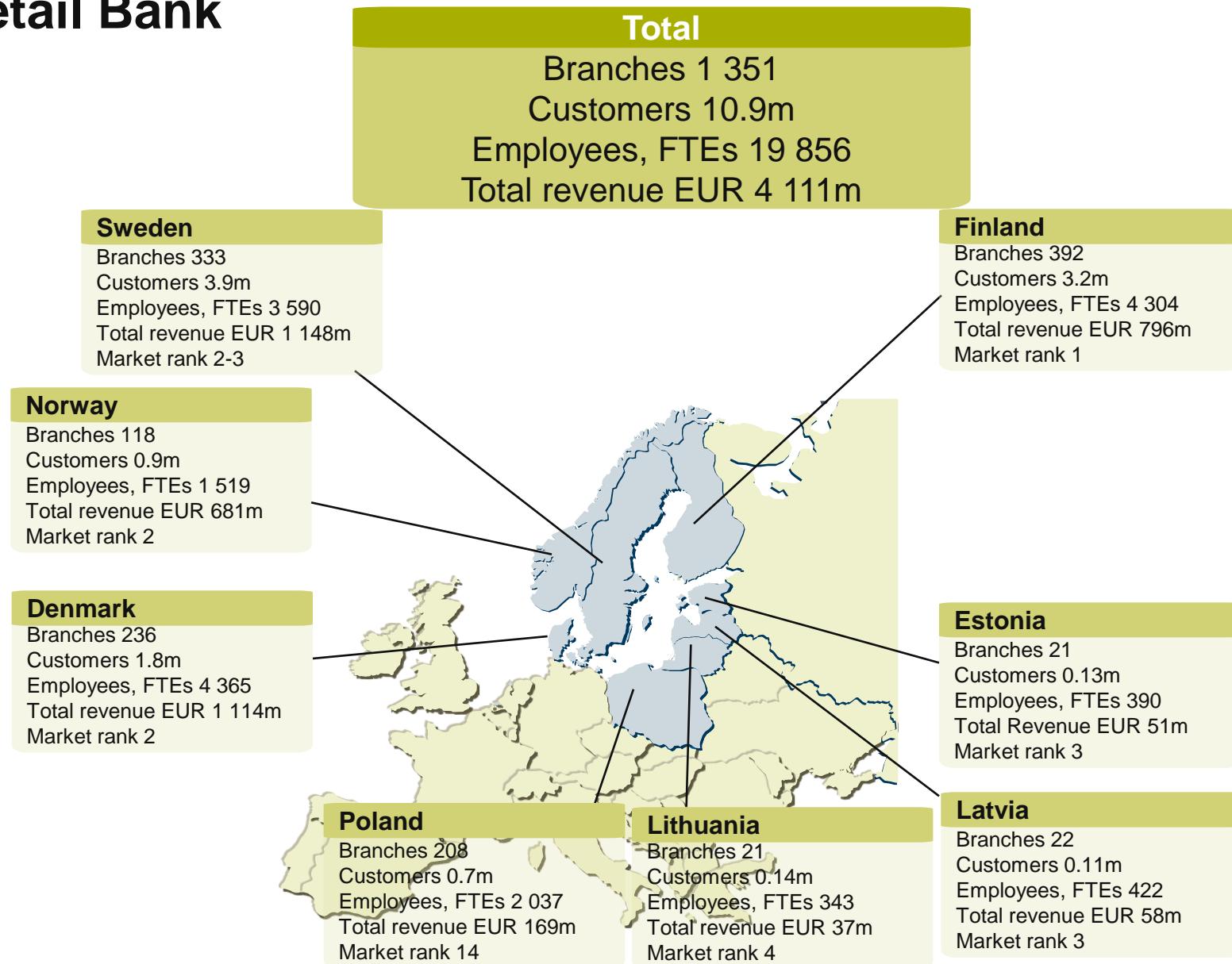
Michael Rasmussen, Head of Retail Banking



*Making it possible*

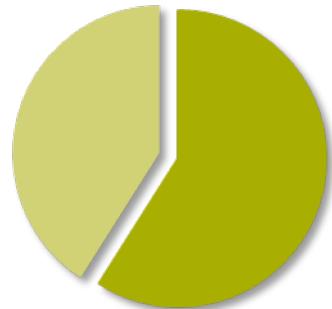
- **Retail Banking: Overview**
- The foundation for steady growth
- Strategic direction

# The starting point for Retail Banking – a fully diversified Retail Bank

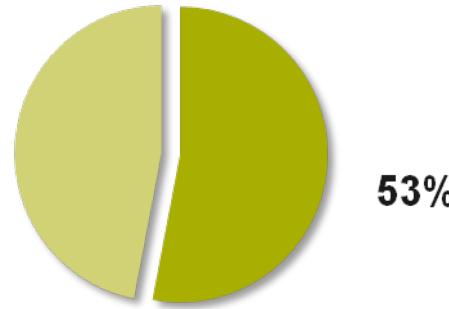


# Retail Banking in Nordea

Share of Group total operating income, YTD



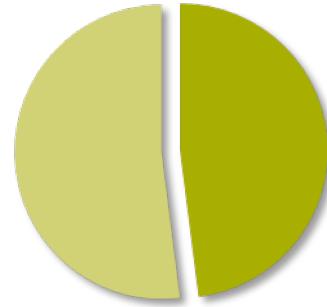
Share of Group total operating profit, YTD



Share of total FTEs



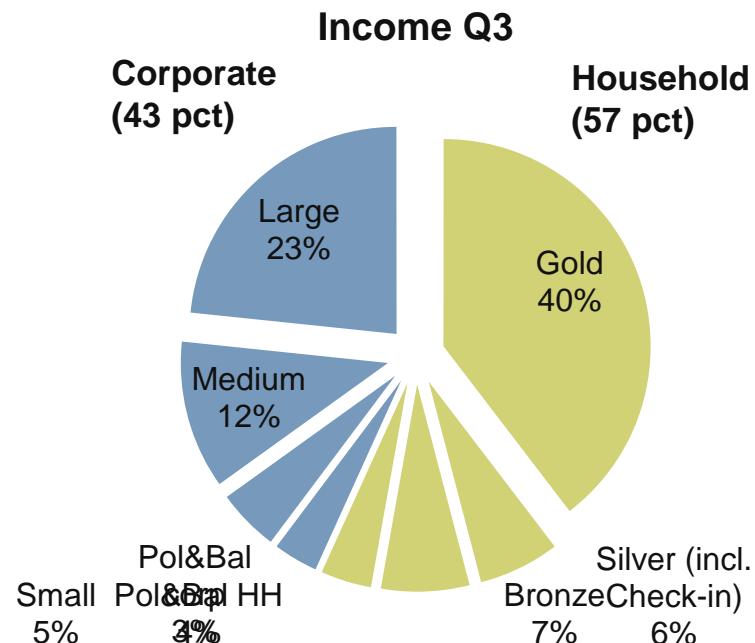
Share of economic capital



- ✓ The majority of Nordea's income comes from Retail Banking
- ✓ Low risk and capital usage

# Retail Banking – strong performance before entering into the New Normal

EURm	Jan – Sept 2011	Jan – Sept 2010	Change %
Net interest income	2,878	2,476	16
Net fee and commission income	867	742	17
Net result items at fair value	322	315	2
Other income	44	56	-21
<b>Total income</b>	<b>4,111</b>	<b>3,589</b>	<b>15</b>
Staff costs	-1,043	-999	4
<b>Total expenses</b>	<b>-2,426</b>	<b>-2,304</b>	<b>5</b>
<b>Profit before loan losses</b>	<b>1,685</b>	<b>1,285</b>	<b>31</b>
Net loan losses	-360	-574	-37
<b>Operating profit</b>	<b>1,325</b>	<b>711</b>	<b>86</b>
<b>Risk-adjusted profit after tax</b>	<b>953</b>	<b>639</b>	<b>49</b>
Cost/income ratio, %	59	64	
RAROCAR, %	15	10	



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# The Relationship Banking Strategy – a strong foundation

A resilient business model

## Satisfying customer needs...

- Safety and stability
- "Someone who cares"
- Full range of advice
- Customer needs driven innovation



## ...while focusing on the most attractive customers

- Most profitable
- Highest potential
- Most satisfied and loyal



## Capital efficiency through full customer wallet...

- Balanced and diversified business mix e.g. lending and deposits
- Complemented by e.g. capital efficient AM products

## ...at a low risk

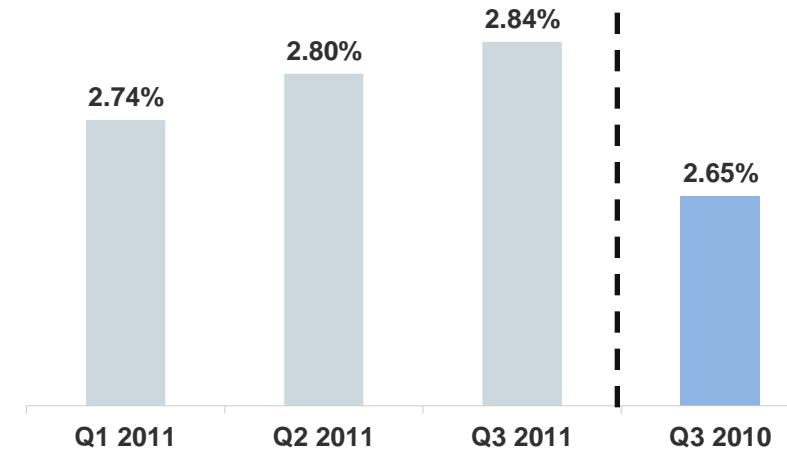
- Low loan losses e.g. Gold customers
- Knowing and being close to our core retail customers
- Diversification from Corporate, Household and markets

# Optimizing corporate customer relationships to ensure income growth and capital efficiency

- Increasing the size and share of the wallet of corporate customers
- Targeted effort to increase share of non lending products and income to improve Asset Productivity
- Lower capital usage and prudent credit risk management

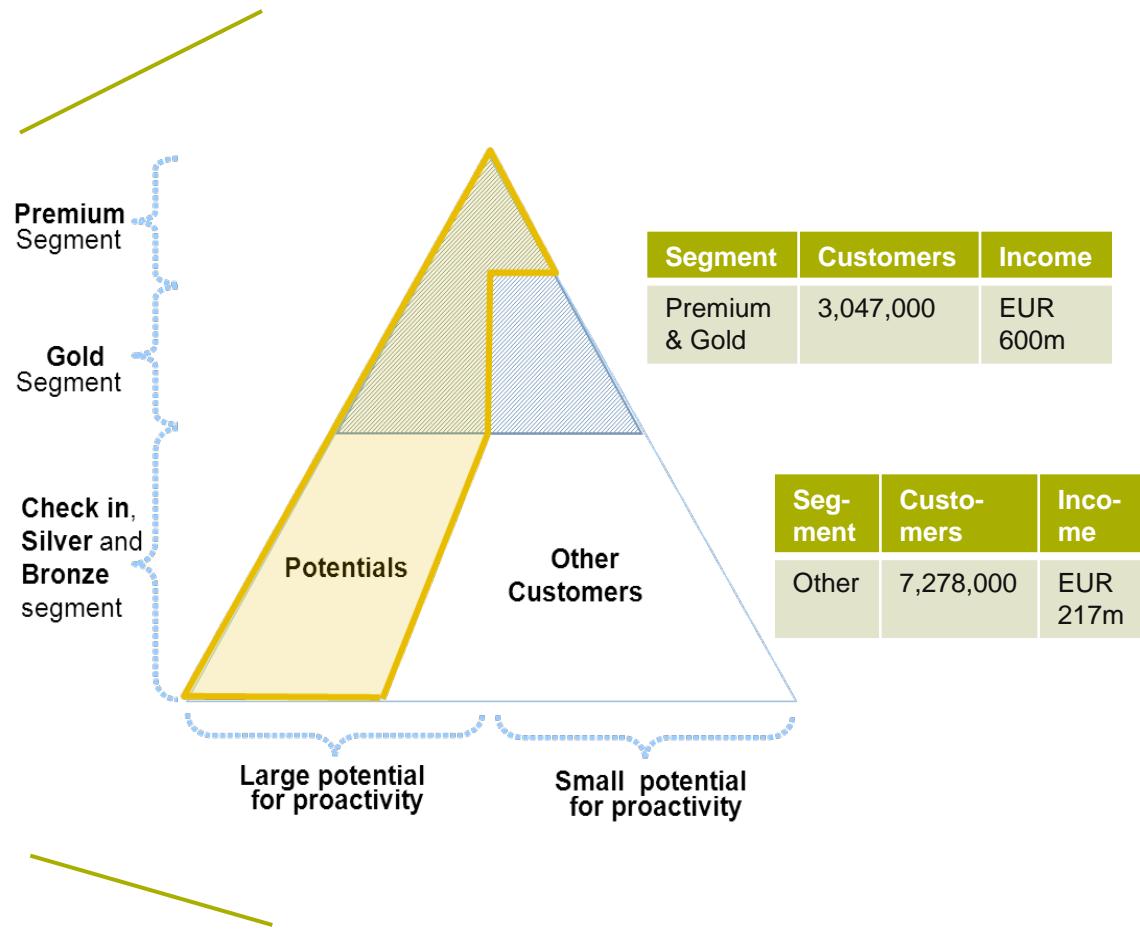
Segment	Customers	Income EUR
Large	28,000	336m
Medium	76,000	167m
Small	387,000	69m

## Asset Productivity Corporate



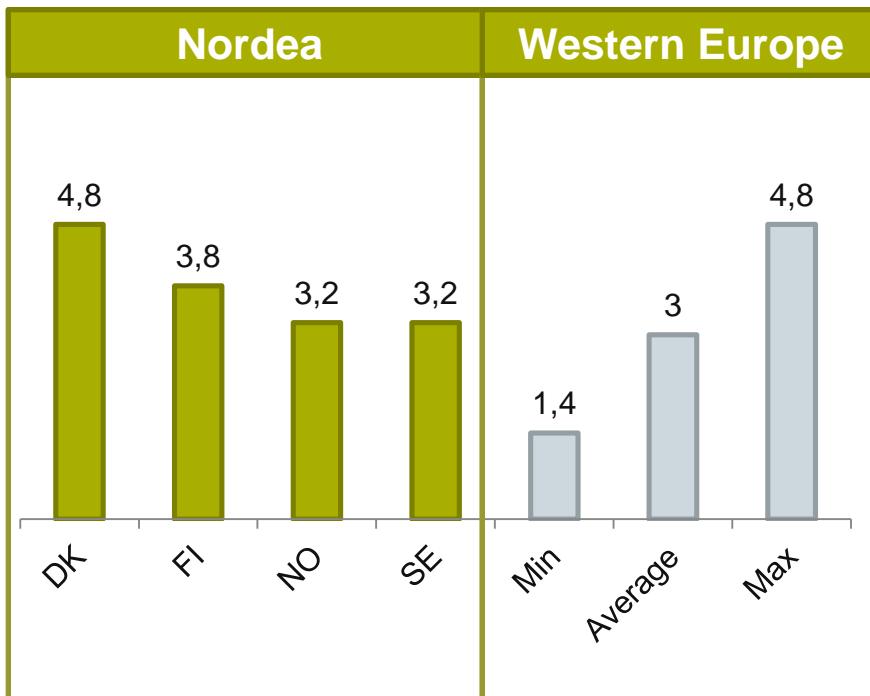
# Harvesting all business potential in our customer base through differentiated household relationship banking...

- Relationship banking for Gold and Premium including named adviser
- Customer program to drive cross selling, customer elevation and loyalty
- Contact policy to drive pro-activity and allocate resources towards most profitable segments

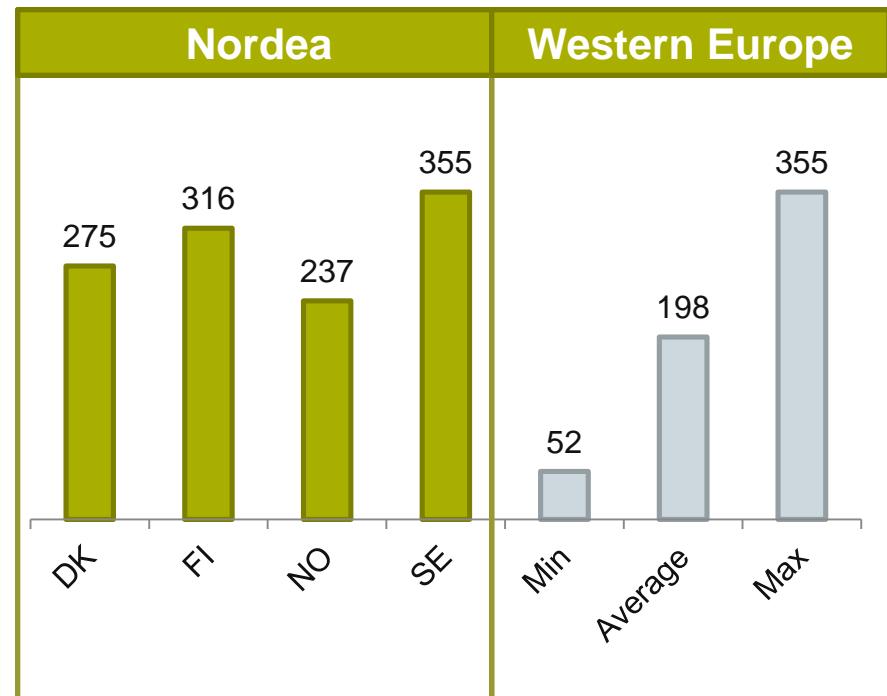


# ... applying a proven sales model...

Number of products per customer (all)



Number of products per FTE

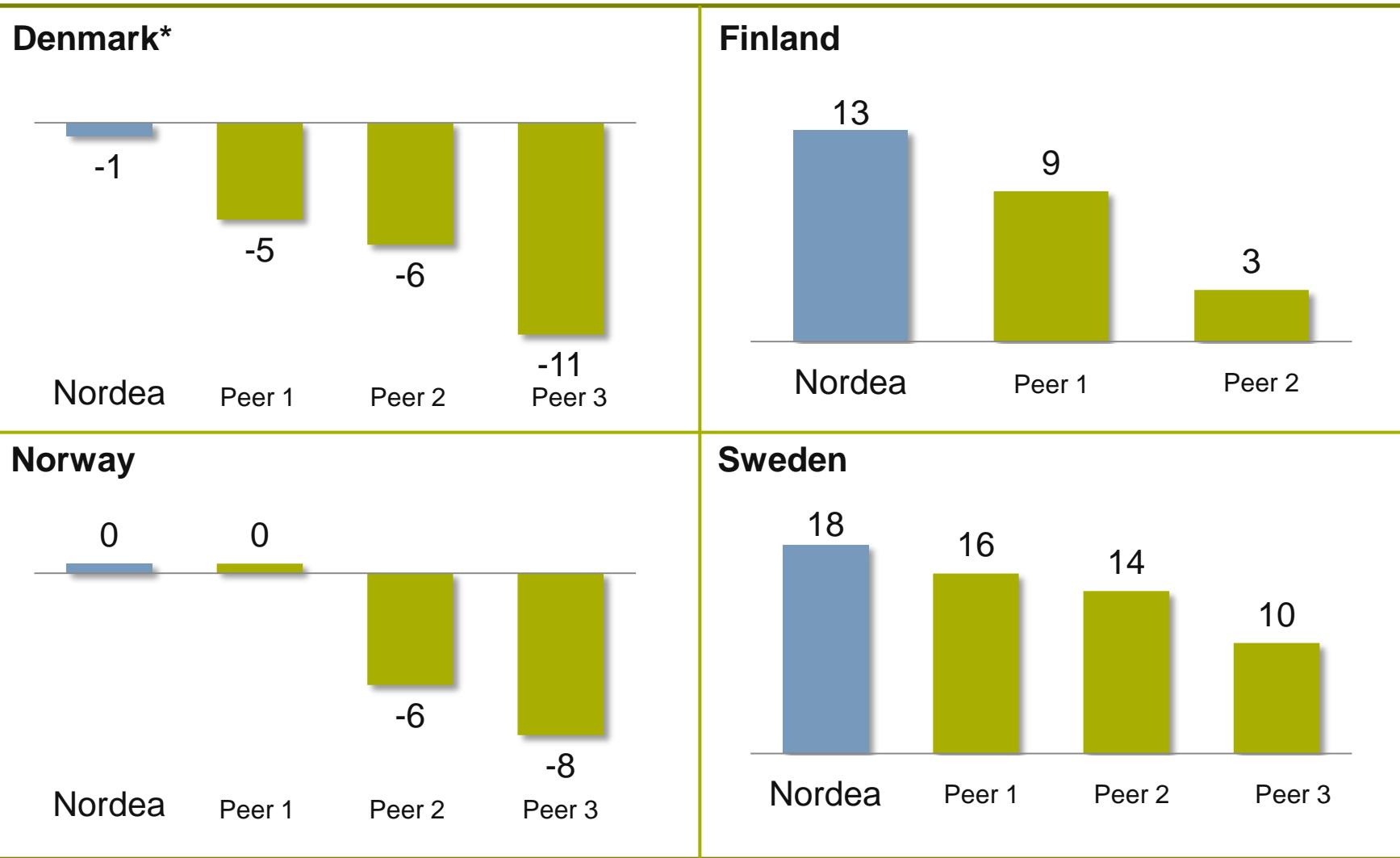


Number of products per gold customer is >6

Nordea average is 296

# ...resulting in the strongest income performance among local peers in all four Nordic countries

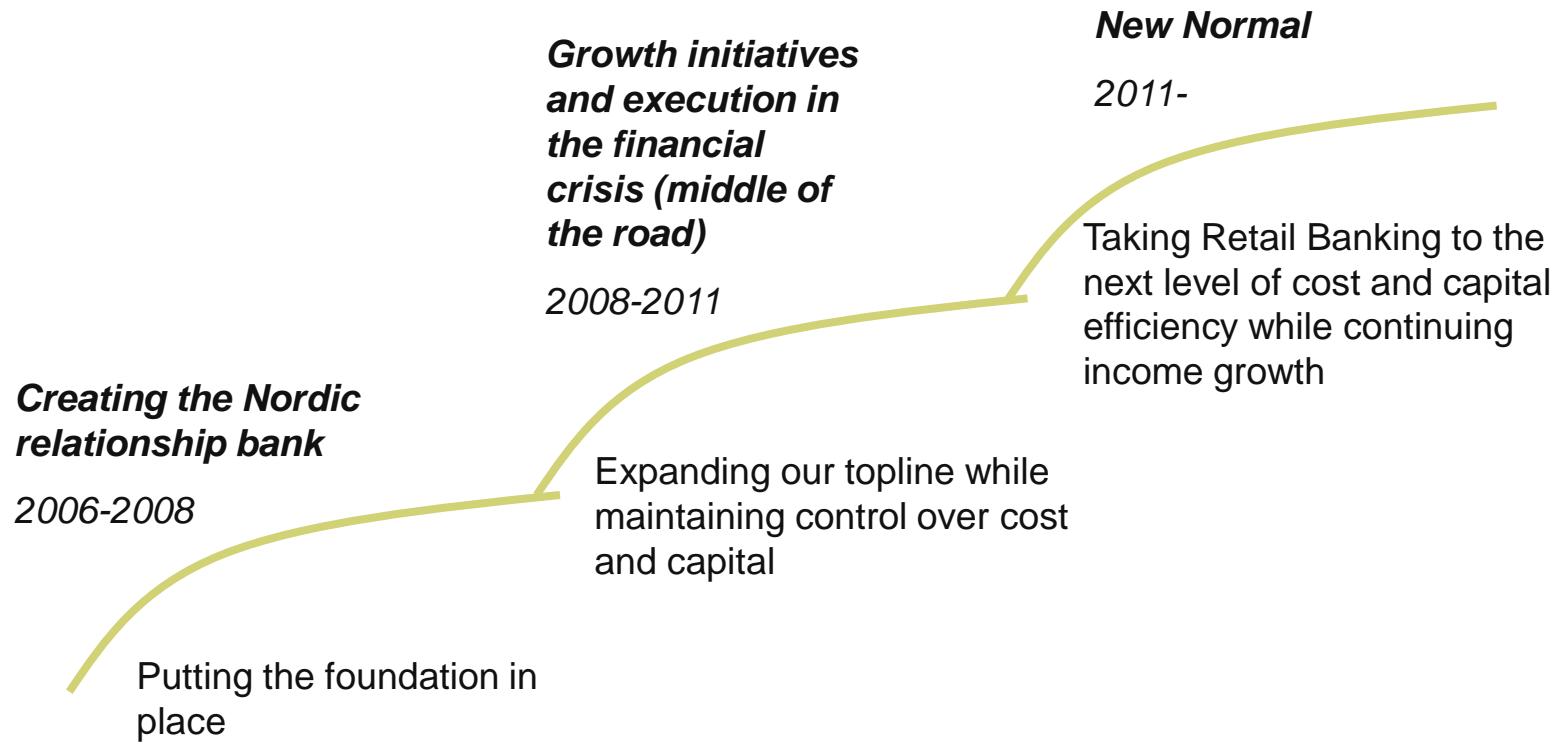
Benchmark towards peers (HH and corporate); H1 2011 vs. H1 2010 income growth; %



\* Adjusted for bankpakke II  
Source: interim report, FX adjusted

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- **Strategic direction**

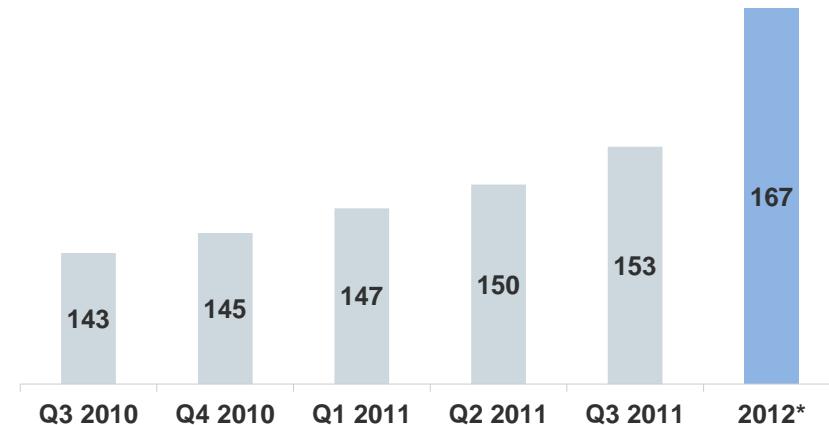
# Retail Banking in the New Normal is leveraging on strong deliveries



# Increasing sales efficiency and enforcing a radical approach for cost containment...

- Next version of Banking Operation Model (BOM) fully aligned towards most profitable segments
- Service and customer initiated sales will gradually move from branches to online channels
- Significantly limited cash offering in branches and streamline back-office processes including mortgage processes
- Continue current productivity gains with sales meetings increasing 20 pct and manual transactions decreasing 11 pct\*\*

**Gold customers per FTE**

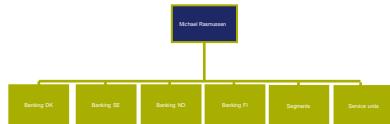


**No of FTEs (excl. Poland & Baltics)**

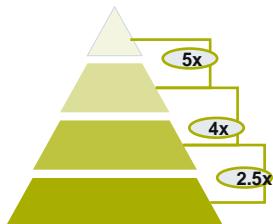


# ... delivering upon our economic capital will impact all levels of our retail franchise...

## Units



## Segments



## Customers

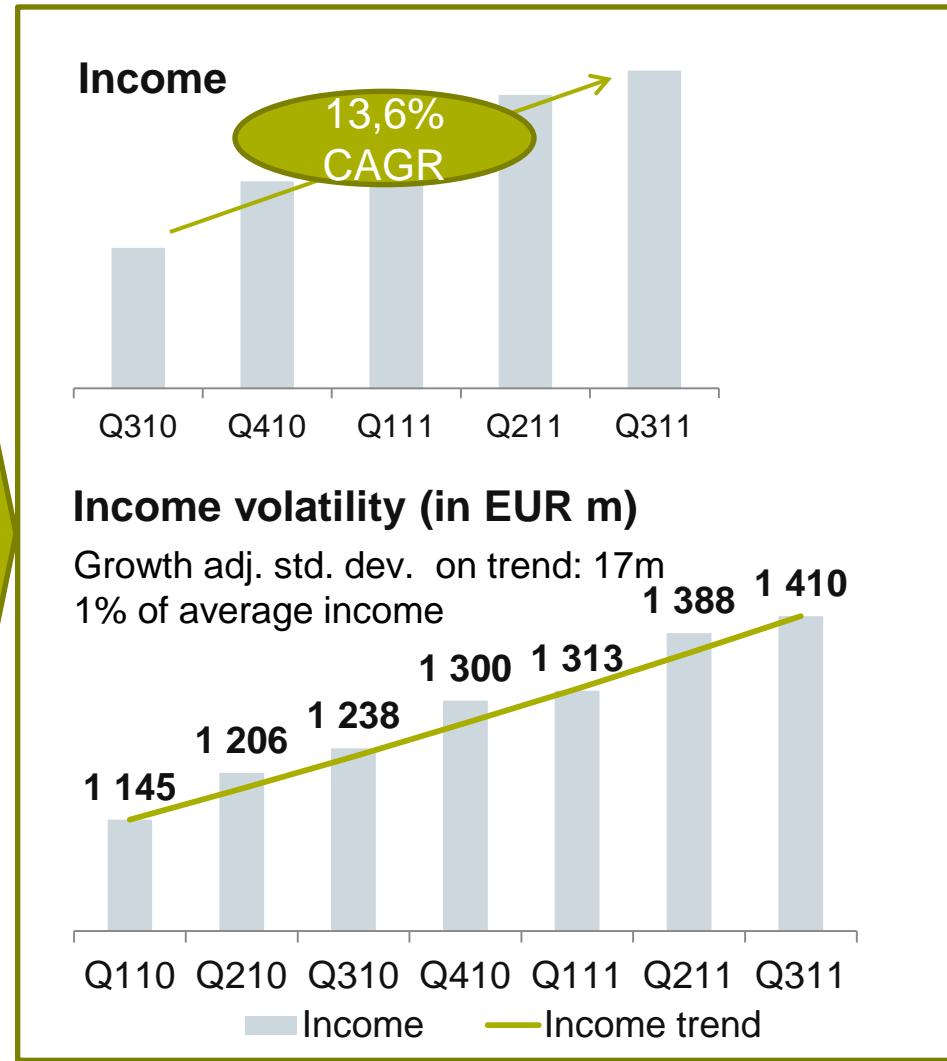


### Ensuring capital efficiency by:

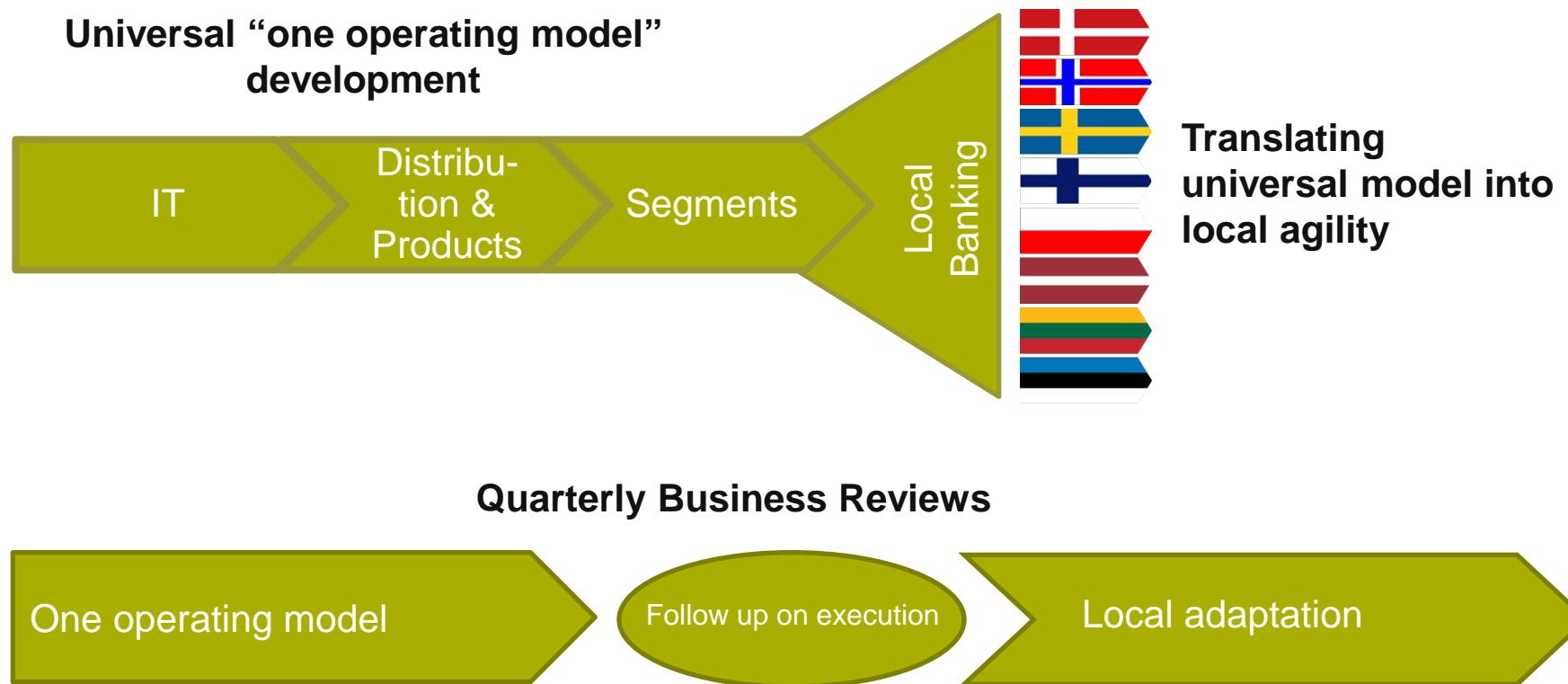
- Implementing transparent management tools and supporting guidelines
- Creating a stronger management focus on capital efficiency including caps
- Housecleaning our product portfolio
- Adjusting our product configuration
- Pricing customers to reflect capital usage and funding cost

# ...and continuing income growth with low volatility

- Continued strong focus on high business momentum and customer relationships
- More focused, quality and precision in sales meetings to capture organic growth
- Continued targeting the most profitable segments
- Adjusted margins



# We will deliver upon our strategy via a unique operating model



# A set of short term initiatives that will allow Retail Banking to deliver in the New Normal and beyond

	Cost	Capital	Income
Streamlining product service deliveries	✓		
Profitability in mortgage business	✓	✓	✓
Branch network efficiency	✓		
Risk weighted asset efficiency		✓	
Poland & Baltic's transformation	✓	✓	✓
Mobile banking	[✓]	[✓]	[✓]

# A set of short term initiatives that will allow Retail Banking to deliver in the New Normal and beyond

	Cost	Capital	Income
<b>Streamlining product service deliveries</b>	<ul style="list-style-type: none"><li>• Cost containment in Cards, Cash and Deposits</li><li>• Centralising in Poland</li></ul>		
<b>Profitability in mortgage business</b>	<ul style="list-style-type: none"><li>• Streamline end-to-end process</li></ul>	<ul style="list-style-type: none"><li>• Secure RWA and liquidity efficiency</li></ul>	<ul style="list-style-type: none"><li>• Adjusting margins</li><li>• Reconfigure products</li></ul>
<b>Branch network efficiency</b>	<ul style="list-style-type: none"><li>• Reducing manual cash</li><li>• Eliminating non sales processes in branches</li><li>• Consolidating branches</li></ul>		
<b>Risk weighted asset efficiency</b>		<ul style="list-style-type: none"><li>• Housecleaning</li><li>• Adjusting product configuration</li><li>• Stronger mgmt focus incl. caps &amp; tools</li></ul>	
<b>Poland &amp; Baltic's transformation</b>	<ul style="list-style-type: none"><li>• Slightly reduce the number of branches</li></ul>	<ul style="list-style-type: none"><li>• Transform Polish mortgage business</li></ul>	<ul style="list-style-type: none"><li>• Generating sustainable HH income</li><li>• More balanced product portfolio</li></ul>
<b>Mobile banking</b>	<ul style="list-style-type: none"><li>• Support customer journey away from branches</li><li>• Low cost platform</li></ul>	<ul style="list-style-type: none"><li>• Less capital intensive products</li></ul>	<ul style="list-style-type: none"><li>• Generate income via mobile payments</li><li>• Support customer experience</li></ul>

# **Key messages - Building on our solid platform the Retail Bank will deliver an ambitious ROE in a low interest environment**

- ✓ Generating full cost containment and increasing sales efficiency
- ✓ Increasing capital efficiency
- ✓ Capturing organic growth potential by more quality and precision in our sales meetings and customer interactions
- ✓ A superior operating model; *more universal, more local, more efficient and stronger follow up*



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# Retail Banking presentation

Michael Rasmussen, Head of Retail Banking



*Making it possible*