

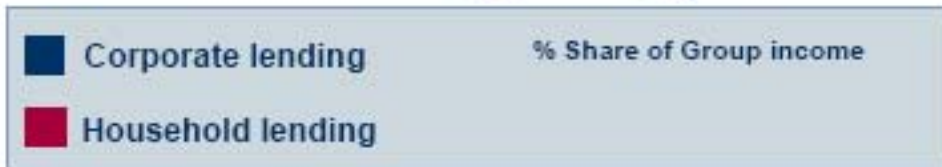
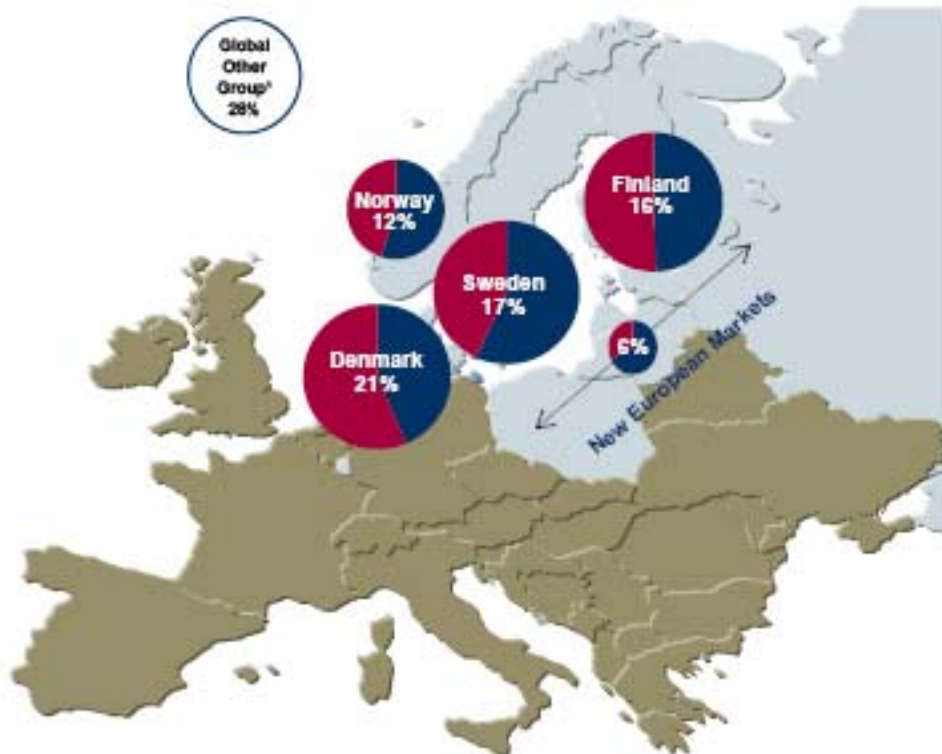


Performance management - from P&L to activity based follow-up

Nordea
Nordic Banking Planning & Control
Lars Soelberg
Eurobanking May 2010, Utrecht



- 1. Nordea**
- 2. Purpose and background**
- 3. Profit & Loss**
- 4. Balanced Scorecard**
- 5. Activity based follow-up**
- 6. Conclusion and perspective**



A unique customer base
 Approx. 7.7 million HH customers in programmes and 0.7 million active corporate customers

Strong distribution power
 Approx 1,400 branches plus contact centres and netbank

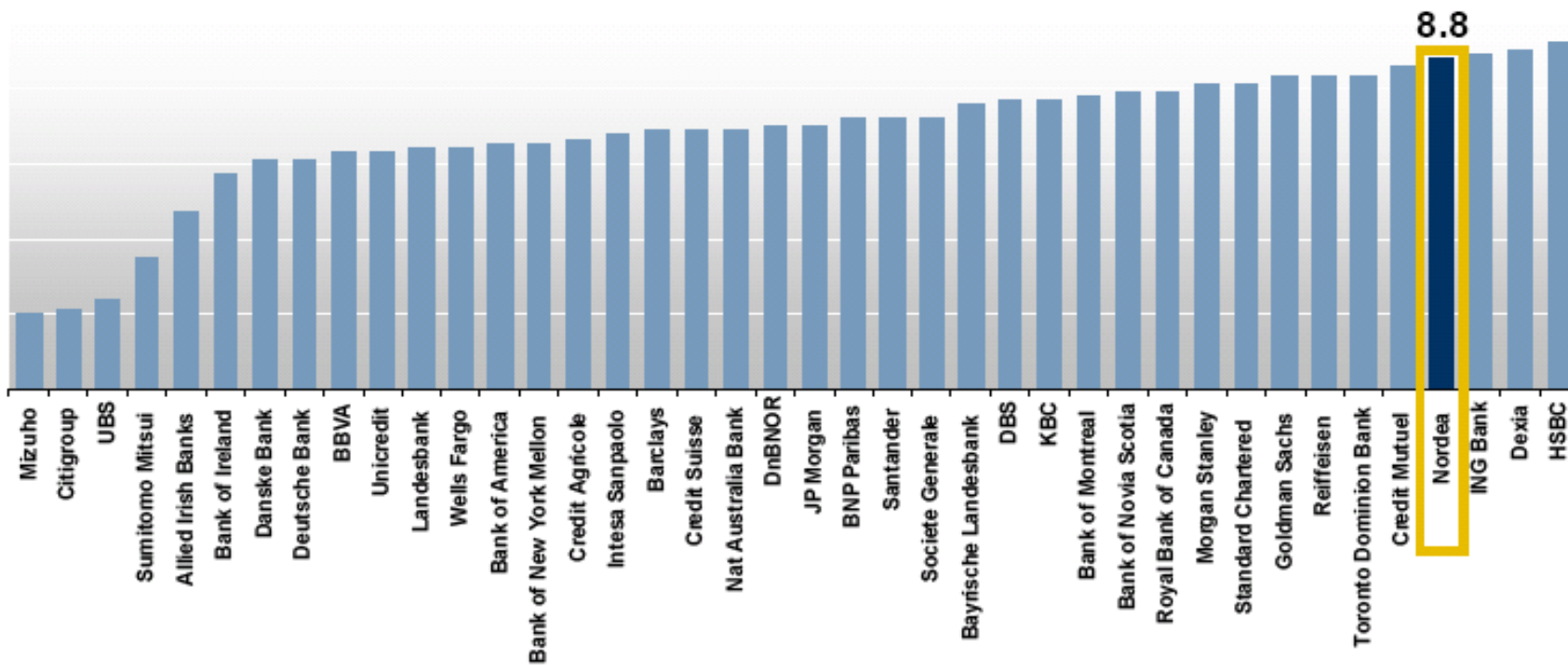
Financial strength
 EUR 20.2bn in tier 1 capital
 Tier 1 ratio 12.0% excl. transition rules

Economies of scale
 Cost base/RWA ratio 2.3%

Diversification
 No single market accounts for more than one quarter of Nordea's income

- 1) Shipping, Oil Services & International, Financial Institutions, International Private Banking and Group Functions

Nordea # 4 out of 45 large global banks in Standard&Poor's Risk-adjusted capital (RAC) analysis



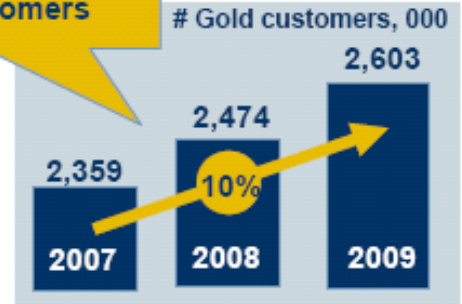
Strengthening of our leading position in the Nordics

10,000 new Gold customers a month – main part new Nordea customers

Household



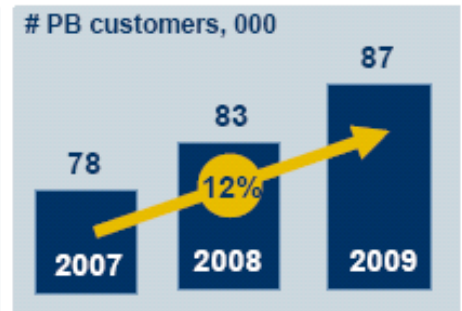
Capture potential in existing customers base
 Acquisition of new customers in Gold segment
 Sales activities and customer contacts at record levels - 100% more 360 degree meetings in the branch network




Private Banking



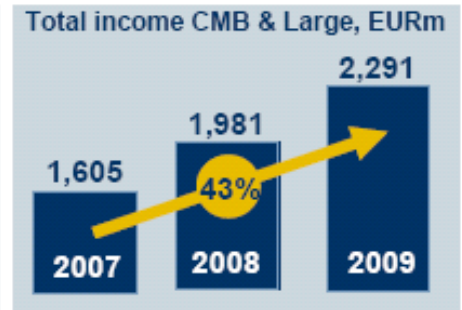
Strong inflow of customers in PB segment
 Savings strategy successful – strong net inflow in 2009



Corporate

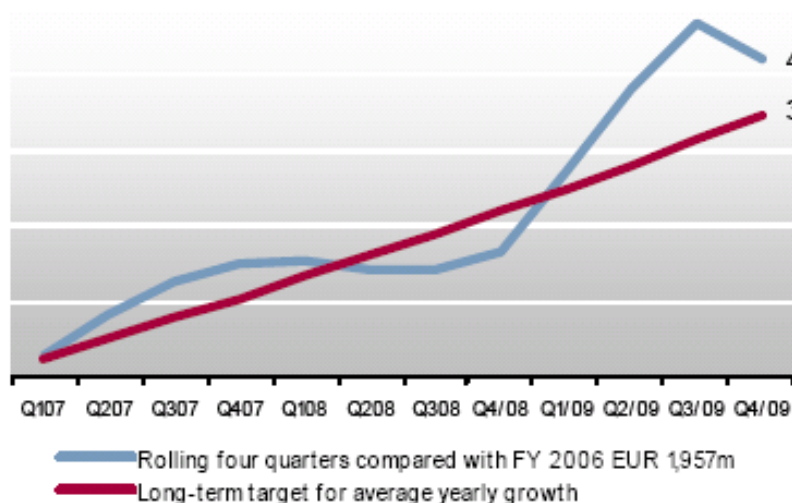


House-bank relationship strategy successful - increased market shares through increased share of wallets
 Increase penetration of risk management products and capital market transactions – natural parts of the basic product offering

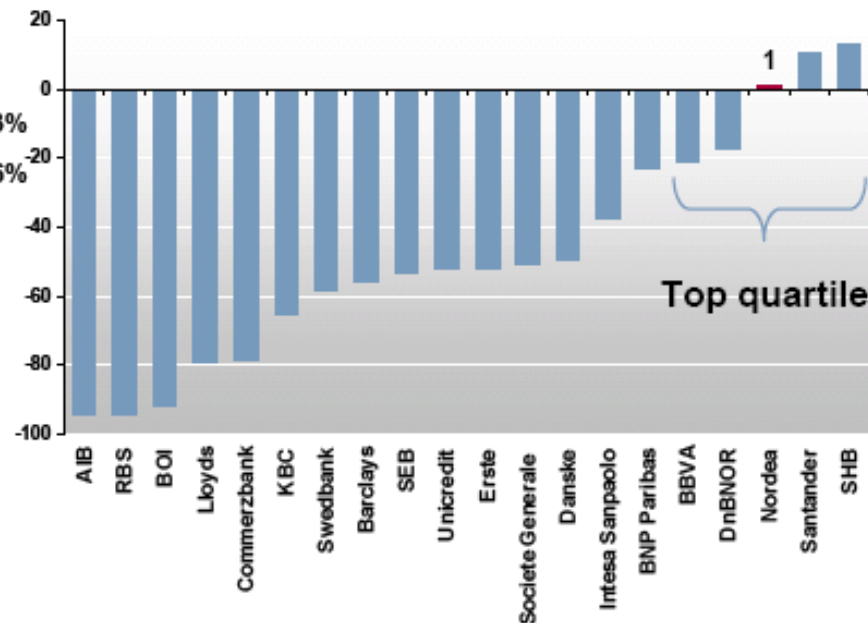


Resulting in delivery on long-term targets

RAP – clearly on track to reach 2013 target



TSR 2007-2009



Best in class RoE 2007-2009

Nordea has reported the highest average return on equity (RoE) of Nordic peers¹, 15.1%

¹Nordic peers: Danske Bank, DnB NOR, SEB, SHB, Swedbank

1. **Nordea**
2. **Purpose and background**
3. **Profit & Loss**
4. **Balanced Scorecard**
5. **Activity based follow-up**
6. **Conclusion and perspective**

- **Illustrate the movement in management reporting in Nordea, Nordic Banking and relate to the next steps in this development**
- **Search of real drivers behind growth in the Household segment**
- **From reactive to proactive**
- **Exploiting the customer segmentation**
- **Best praxis from 4 countries**
- **Consequences of relationship banking**

1. **Nordea**
2. **Purpose and background**
3. **Profit & Loss**
4. **Balanced Scorecard**
5. **Activity based follow-up**
6. **Conclusion and perspective**

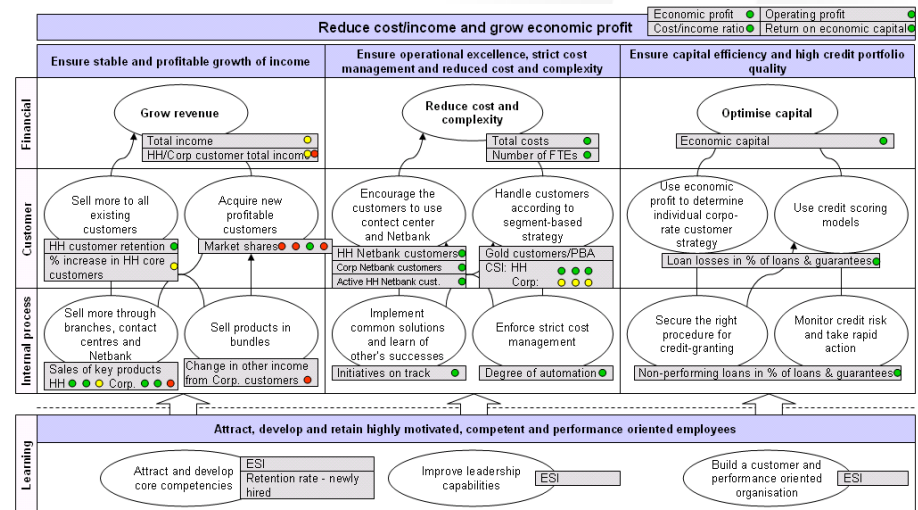
PROFIT & LOSS thousands
Net interest income
Net commission income
Trading income
Other operating income
Total income
Staff cost
Rents, premises and real estate expenses
Office expenses
Marketing and representation expenses
Other expenses
Direct Expenses
Allocated expenses
Total expenses
Profit before loan losses
Loan losses (actual)
Operating profit

- **2008 full profit & loss and volumes & margins target setting**
- **2009 branches only setting targets on the P&L elements also being KPIs (Income/Costs/Loan losses)**
- **2010 branches have no financial KPIs => no P&L target setting**
- **In order to support the movement from P&L follow-up to increased focus sales and activities**

1. **Nordea**
2. **Purpose and background**
3. **Profit & Loss**
4. **Balanced Scorecard**
5. **Activity based follow-up**
6. **Conclusion and perspective**

- Primarily based on the Kaplan and Norton method

- Strategy maps
- Strategic themes
- Focus areas
- KPIs
- Initiatives



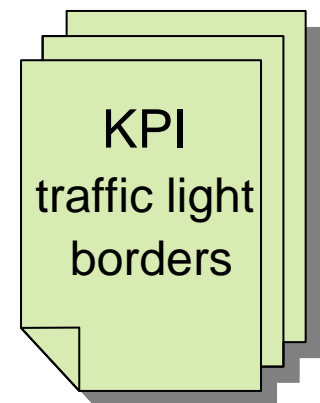
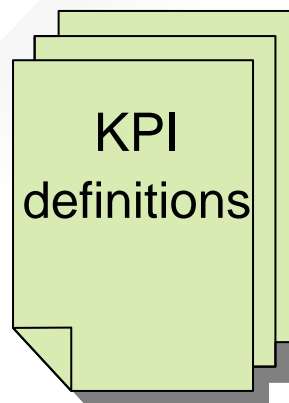
- Adapted to Nordea, Nordic Banking

- Distinguishing between line organisation and central units

- SAP – mass production (more than 1,000 scorecards)
- MS Power Point – top management and central units

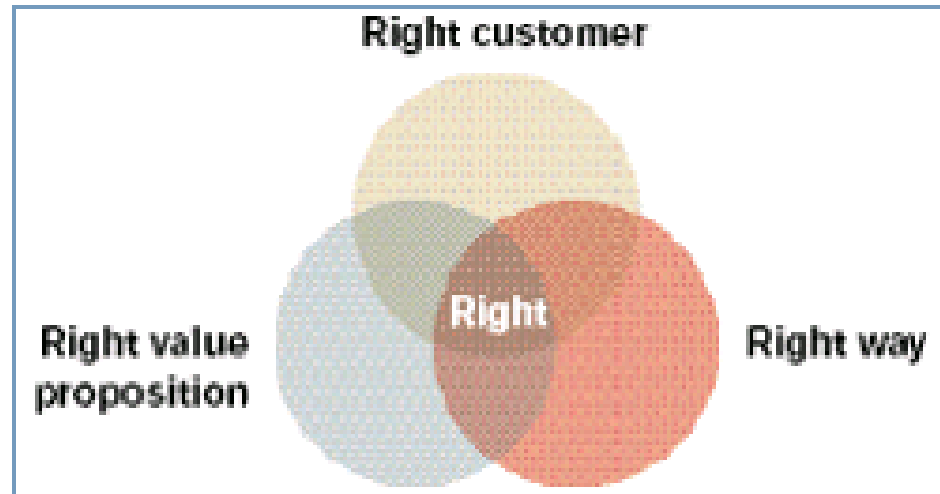
Theme / KPI	Q4/2008	Q2/2009	Q3/2009	Act Q	Targ Q	Act YTD
Financials						
Total Income	15.952 TDKK	17.077 TDKK	16.738 TDKK	16.572 TDKK	17.387 TDKK	66.273 TDKK
🔴🔴 % Increase in Total Income	13,2 %	6,9 %	0,9 %	3,9 %	9,0 %	5,9 %
🟢🟢 Direct Expenses	-2.907 TDKK	-2.949 TDKK	-2.769 TDKK	-2.932 TDKK	-3.023 TDKK	-11.777 TDKK
% Increase in Direct Expenses	4,2 %	1,0 %	-5,4 %	0,9 %	4,0 %	-1,0 %
🔴🟢 GAP %	87,9 %	5,9 %	6,3 %	3,0 %	5,0 %	6,9 %
🔴🔴 Return on Equity	19,0 %	21,3 %	18,0 %	18,9 %	23,0 %	18,7 %
⚠️⚠️ No of Full Time Employees	18,6 PC	17,7 PC	17,7 PC	18,7 PC	18,6 PC	18,7 PC
🔴🔴 Loan Losses in % of Loans and Guarantees	0,32 %	0,28 %	0,73 %	0,39 %	0,25 %	0,49 %
Great customer experience Household						
🟢🟢 % Increase in Gold & HH, PB customers	1,3 %	1,9 %	0,1 %	1,0 %	0,8 %	3,2 %
⚠️⚠️ Retention Rate Household	95,4 %	97,9 %	96,5 %	95,5 %	96,0 %	95,5 %
🔴🔴 Fulfilment of Contact Policy Household	-	37,9 %	49,9 %	69,4 %	100,0 %	69,4 %
⊗⊗ Change in number of CSO and Tellers	-	0,1 PC	0,1 PC	1,1 PC	-	-
🔴🔴 Sales of Non-coll. Lend. HH Bank Channel	-0,6 %	-7,3 %	-7,6 %	-4,3 %	0,3 %	-17,0 %
🟢🟢 Sales of Investment Products Household	1,6 %	0,1 %	-0,2 %	6,2 %	1,0 %	8,5 %
🔴🟢 Sales of Deposit Products Household	-	6,6 %	6,1 %	-0,3 %	1,0 %	16,6 %
🟢🟢 CSI Gold customers	83 5C	-	-	88 5C	83 5C	88 5C
⊗⊗ CSI Private Banking Customers	-	-	-	-	-	-
Great customer experience Corporate						
🔴🔴 Number of Customer Meetings /RMs/Week	-	2,8 PC	2,9 PC	2,0 PC	5,0 PC	2,5 PC
🟢🟢 Share of RMs	25,8 %	27,2 %	27,2 %	25,8 %	25,8 %	25,8 %
Net Change of Total Loans Corporate	1,6 %	1,5 %	1,9 %	3,1 %	-	8,5 %
🔴🔴 Sales of Total Savings Corporate	5,5 %	-9,6 %	-4,6 %	-5,5 %	1,3 %	-14,5 %
🟢🟢 CSI Medium Customers - Corporate	80 5C	-	-	81 5C	80 5C	81 5C
🔴🔴 CSI Small Customers - Corporate	78 5C	-	-	74 5C	78 5C	74 5C
It's all about people - One Nordea team						
⊗⊗ ESI - Immediate Manager	76 5C	-	-	78 5C	-	78 5C
⊗⊗ ESI - Satisfaction and Motivation	68 5C	-	-	74 5C	-	74 5C
⊗⊗ ESI - Living the Values	-	-	-	78 5C	-	78 5C

- Branches & branch regions set-up
- Branches increasing focus on sales and activities
 - 2010 no financial KPIs on branch level



1. **Nordea**
2. **Purpose and background**
3. **Profit & Loss**
4. **Balanced Scorecard**
5. **Activity based follow-up**
6. **Conclusion and perspective**

Activity based follow-up supporting and monitoring the customer centric services



- Identifying “right customers”
- Choosing the “right way”
- Selecting the “right value proposition”
- Need to get all three elements right

- **On the learning curve in regards of activity based reporting**
- **Activity based measures:**
 - **Contact policy – customer oriented**
 - **Meetings – employee oriented**
 - **360 degree meeting inside Contact Policy**
 - **Meetings with non Nordea customers**
 - **360 degree meetings outside Contact Policy**
 - **Sales meetings**
- **Other activity based measures**
 - **Usage of Financial Planning Tool**
 - **Customer referrals**

- **Fulfilment of contact policy Household**

- Number of 360 degree meetings held with customers in the contact groups in percent of the total number of customers in the contact groups. Customers with negative response to a meeting proposal counts as a 360 degree meeting.
- The contact groups consist of customers which are Balance builders, Silver with potential or Bronze with potential.
- The specific customers in the Contact groups are to be defined by segment household 1st of January with relevant updates during the year. The number of customers in the contact groups is to be calculated as X number of meetings pr. PBA pr week Y number of working weeks.
- Only meetings held by PBAs with customers in the contact groups count in fulfillment of the contact policy.
- The KPI will be green when fulfillment is 80 % or higher.
- The full year Target is communicated to be 100%.
- Source CMS system

Number of 360 degree meetings with contact group and new customers/PBAs/week

- A Customer meeting is defined as a physical meeting taking place either in the bank or by the Customer. Only meetings conducted with the contact group or new customers count in. Telephone meetings, events or likewise are not counted.
- PBAs under educations are excluded for this measure.
- The KPI is measured as average weekly performance – not taking into account the actual number of working days in the relevant weeks.
- Number of working weeks for each country:
 - Denmark: 41 weeks
 - Finland: 42 weeks
 - Norway: 40 weeks
 - Sweden: 41 weeks

360 degree meetings

2 hours meeting

-1 hour for the meeting itself

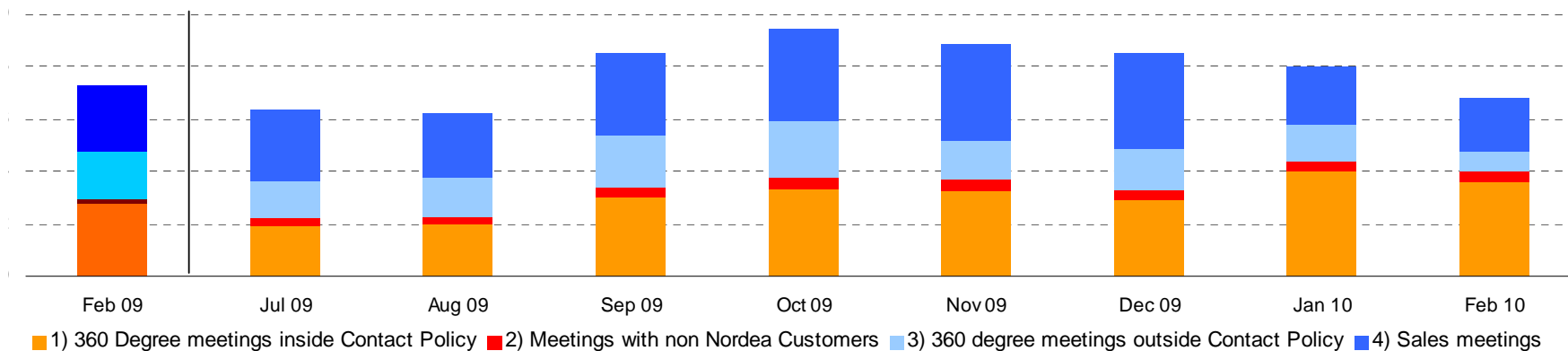
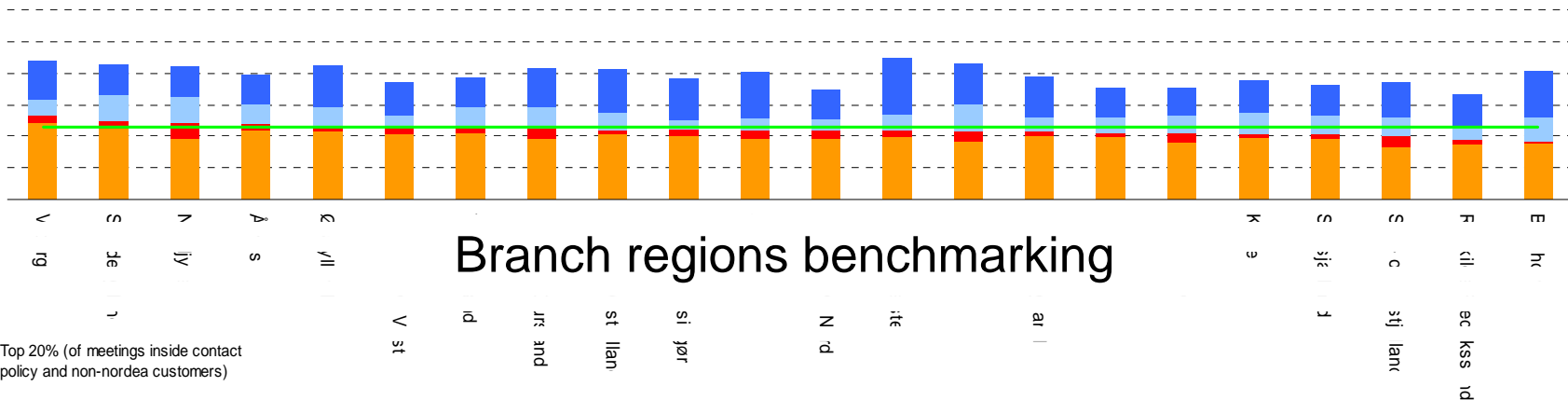
- ½ hour preparation

- ½ hour for follow-up

The meeting deals with all aspects of the customers financial needs.

- The working weeks will be used in the so-called conversation factor: e.g. for DK=12/41
- Source CMS system

No of meetings per week per PBA - YTD

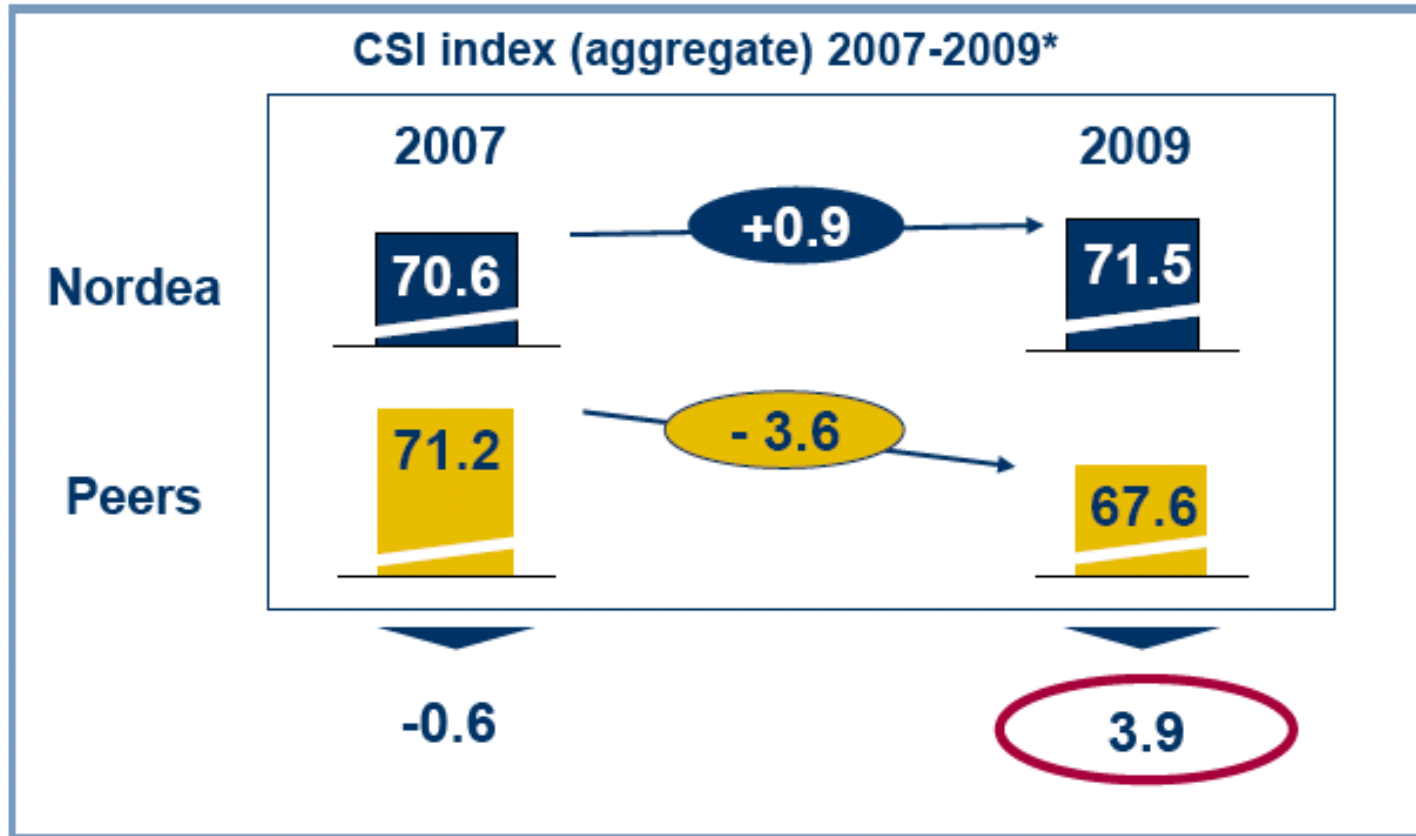


	Feb 09	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	Jan 10	Feb 10	YTD
1) 360 Degree meetings inside Contact Policy										
2) Meetings with non Nordea Customers										
KPI 2010 (1+2)										
3) 360 degree meetings outside Contact Policy										
4) Sales meetings										
Total Meetings (1+2+3+4)										

1. **Nordea**
2. **Purpose and background**
3. **Profit & Loss**
4. **Balanced Scorecard**
5. **Activity based follow-up**
6. **Conclusion and perspective**

- **In search of real drivers behind growth in P&L**
- **Being more proactive**
- **Exploiting multi channel banking – serving the right customers**
- **Customer programs**
 - Exploiting segmentation via wider gap in service levels
- **Customer centric services being the cornerstone**
- **Next steps**
 - Profit centre development
 - More specialized branches
 - Customised P&L
 - Referrals of potential customers

Customer Satisfaction Index



*Corporate and high involvement customers, corresponding to Gold and Silver segment customers