



## Overview & Investment Thesis:

- Headquartered in Stockholm, Sweden, Nordea Bank is the successful result of many mergers and is now the largest financial services group in the Nordic markets (Denmark, Finland, Norway, Sweden and Baltic Sea region) measured by total income with additional operations in Poland, Russia, Estonia, Latvia and Lithuania which Nordea refers to as its 'New European Markets.' Ultimate goal is to become a 'Great European Bank'.
- The Nordea Group has the largest customer base in the Nordic market with approximately 11 million customers; and almost 8 million credit and debit cards outstanding.
- Nordea has about 34,000 employees and approximately 1,400 bank branches throughout Denmark, Finland, Norway, Sweden, Poland and the Baltic countries.
- Present in 19 countries, operating an international network of branches in New York, London, Frankfurt, Shanghai and Singapore (i.e. 39 years of business in Asia).

### Retail Banking:

- Resources are prioritized to customers providing the best opportunities. Household customers are divided into 4 segments (Private Banking, Gold, Silver and Bronze) based upon the amount and type of business with Nordea. For each segment, a value proposition has been developed including contact and service level, pricing and product solutions. Prices are transparent and in general non-negotiable.
- Aim of relationship banking is to identify potential Private and Gold customers. Average income per Gold customer is twice the average from Silver customers. The decrease in margins from elevating customers to Gold is more than compensated for by increased product penetration.

### Corporate and Institutional Banking:

- Corporate customers are divided into 4 segments based upon income and relationship potential: Corporate Merchant Banking, Large, Medium and Small. For each segment a value proposition has been developed with a strategy of becoming the corporate customer's "house bank" including as much of a corporate's daily and event driven banking business as possible.
- Nordea is one of the leading providers of financial services to the shipping and oil services industries and the tenth largest leasing company in Europe.

### Asset Management and Life:

- It is the largest Nordic-based asset manager with €192 bn in assets under management; and won 28 new international mandates last year.
- One of the largest Nordic private banking operations in Luxembourg and Switzerland. Its market rank is #1 Nordic in Luxembourg.
- Nordea International Private Banking has approximately 12,000 customers based in more than 125 countries with assets under management of €10.0 billion. Nordea funds are licensed for sale in 17 European countries.
- Life and Pensions: Leading provider of life and pension products with 10.9% Nordic market share, measured as 12 months gross written premiums. Assets under management of €44 billion.

### Nordic markets - approximate 2010 market share % (+/- 2009)

	Denmark	Finland	Norway	Sweden
Market rank	2	1	2	2 - 3
Branches	319	312	118	325
Corporate lending	22 (+2)	33 (-1)	14 (-1)	17 (0)
Corporate deposits	26 (+1)	38 (-2)	17 (-1)	19 (+1)
Institutional investment funds	11 (0)	26 (+1)	8 (0)	10 (0)
Household investment funds	16 (0)	23 (-1)	12 (0)	14 (+1)
Life and pensions	16 (-2)	23 (0)	11 (-1)	6 (0)
Household mortgage	16 (0)	31 (0)	12 (0)	15 (0)
Consumer lending	20 (+2)	31 (0)	7 (-1)	9 (0)
Household deposits	23 (+1)	32 (+1)	9 (0)	17 (-1)

### New European markets - approximate market share %

	Estonia	Latvia	Lithuania	Poland	Russia
Market rank	3	3	4	14	22
Branches/sales points	21	22	21	202	48
Lending	17 (+4)	14 (+1)	11 (+1)	3 (0)	0.8
Housing loans	14	18	11	5	0.7
Deposits	7 (0)	5 (0)	4 (0)	1 (0)	0.2

## Business Description:

Nordea Bank's principal activities are to provide banking products and services. The Group operates through three segments: Retail Banking, Corporate and Institutional Banking and Asset Management and Life. Retail Banking includes development and marketing of financial products and services to personal and corporate customers. Corporate and Institutional Banking serves corporate and institutional customers. Asset Management and Life is responsible for activities within institutional investment management, life insurance and pensions, investment funds, private banking and the savings market. Nordea mainly operates in Northern Europe.

## Industry Growth Drivers/Trends:

- Pan-Nordic and Baltic reach offers attractive growth dimensions to improve mix, margin and share of wallet.
- Ongoing consolidation and flight to quality in financial services sector strongly positions this leading Pan-Nordic bank.
- Cross border investing, aging societies, outsourcing management of pension assets, under funded government pension plans - all increase demand for wealth management and wholesale (payments, cash management, custody) services.
- Successful track record within the international shipping and oil services sector may be a clear advantage as global trade recovers.
- However, Swedish house prices rose through the recession and are now among the most expensive in the developed world prompting the Swedish Government to limit new mortgages to 85% of property value.

## Competitive Advantages:

- The only truly Pan-Nordic bank with leading market positions in each Nordic market and the Baltic region.
- Nordea has maintained its orientation towards core retail and corporate banking services thereby enabling it to avoid any material losses resulting from structured credit instruments.
- Nordea's successful €2.5 billion rights issue in 2009, and resultant capital strength positions the Group to build profitable market share and exploit high credit quality business opportunities arising from the market dislocation.
- One of the leading financial institutions providing services to the global shipping and oil services industries.
- Integrated operating platform across Nordic region enables uniformity of pricing and service and it is scalable as it is being rolled out across the Group's New European Markets.
- Prudent risk management, solid funding position and strong credit rating - the credit default swap spread for Nordea's debt is among the lowest among European banks.

## Competitors:

- Finland:** Pohjola Bank, Sampo Bank (part of Danske Bank).
- Denmark:** Danske Bank, Jyske Bank, Sydbank, Nykredit Bank.
- Sweden:** Swedbank, SEB, Handelsbanken
- Norway:** DnB Nor, Danske Bank, Sparebank1.

## Barriers to Entry:

- Governance and regulatory compliance costs include European competition law, information technology and capital.
- Extensive branch network distribution capability - prohibitively expensive to replicate.

## Customers:

- Diversified customer base.
- No single customer contributes significant amount to total revenue.
- Diversified business.
- Denmark accounts for about 35% of Nordea's profit and the business mix is balanced between the corporate and household sectors. In our view, Nordea's high degree of diversification combined with its scale and market leadership, provides a strong platform for stability and sustained profitability through the cycle.



## Officers and Directors:

**Leadership team:** Chairman, Björn Wahroos (ex CEO Sampo of Danske Bank); CEO, Christian Clausen; CFO, Fredrik Rystedt; Chief Risk Officer, Ari Kaperi; Head of Wholesale Banking, Casper von Koskull; Head of Retail Banking (new European markets), Michael Rasmussen; Head of Nordic Banking, Peter Schutze; Head of Wealth Management, Gunn Waersted.

## Board of Directors:

- **13 member board** – 11 of the 13 are non-executive and independent except for Lars G. Nordstrom and Stine Bosse and 4 are employee representatives.
- The Board's standing committees are comprised of independent directors including the Audit Committee (Chairman, Svein Jacobsen); Remuneration Committee and Credit Committee (Chairman, Björn Wahroos).

## Ownership:

Sampo Group 21.4%, Swedish State 13.5% of the shares, Nordea Danmark fonden 3.9%, Swedbank Robur Funds 3.3%, AMF Insurance 2%, Norwegian Petroleum Fund 1.5% and SHB/SPP Funds 1.4%. Non-Nordic shareholders total approximately 19%.

## Capital Allocation/Uses:

Nordea pursues an organic growth strategy with a scalable business and operating model across three components namely: increase business with existing Nordic customers and attract new customers; supplement Nordic growth through investments in the New European Markets; and exploit global and European business lines.

Organic growth strategy in the Nordic region is supplemented by very selective bolt-on acquisitions supporting retail banking activities - i.e. the acquisition of 68 branches from Svensk Kassaservice summer 2008 and 9 branches from Roskilde Bank in Denmark autumn 2008. Relocation or refurbishing branches to better serve customers now has priority.

As a result of extreme financial and macroeconomic conditions, Nordea undertook a rights issue in 2009 and adopted its 'prudent growth strategy' - an organic centric growth strategy via one operating model to free up resources, increase customer activity and profit; increased activity already evidenced in Nordic markets. In the New European Markets, the speed of expansion was reduced. The branch network expansion in Russia and the Baltic countries was discontinued although continued successful organic growth continues in Poland with 45 new branches opened in 2010. Integration of group risk management and product offerings is ongoing with a new IT platform being implemented in Russia.

Testimony to Nordea's organic generation of capital and management of risk assets, the Group's core tier 1 ratio as at March 31, 2011 strengthened to 9.1%, the tier 1 ratio to 10.0% and the capital adequacy ratio to 11.4%. Nordea pursues a progressive dividend policy with total dividend payout to exceed 40% of net profit per annum. It is targeting a return on equity of around 15%.

## Key Products:

- One of the world's leading providers of financial services to shipping and oil services industries, based on broad industry knowledge, extensive restructuring capabilities and sizeable syndicated loan underwriting capacity and a strong syndication franchise.
- Ranked first by *EuroMoney* in Nordic markets as 'best Nordic Private Bank.'
- Ranked 'Bank of the Year' by *The Banker* in Denmark, Norway and Sweden for 2nd consecutive year.

This research and information, including any opinion, is based on various sources believed to be reliable but it cannot be guaranteed to be current accurate or complete. It is for information only, and is subject to change without notice. The financial highlights reflect the different assumptions, views and analytical methods of the analysts who prepared them. This Business Brief is not an offer to sell or a solicitation of an offer to buy the security. The security discussed in the Business Brief may not be eligible for sale in some jurisdictions. If you are not a Canadian resident, this material should not have been delivered to you. The information presented in the Business Brief should not be considered personal investment advice. As each individual's situation is different, you should consult with your own professional investment, accounting, legal and/or tax advisers prior to acting on the basis of the material in the Business Brief. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. PORTLAND INVESTMENT COUNSEL and the Clock Tower Design are trademarks of Portland Holdings Inc.

Certain statements included in this document constitute forward-looking statements, including those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions to the extent they relate to the Fund. The forward-looking statements are not historical facts, but reflect the Portfolio Management team's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The Portfolio Management team has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.

## Portfolio Composition:

Group Operating Profit Mix	2007	2008	2009	2010
Nordic Banking	78%	84%	55%	64%
New European Markets	n/a	6%	3%	8%
Financial Institutions	n/a	6%	9%	6%
Shipping, Oil Services & International	12%	7%	7%	9%
Other	10%	(3)%	26%	13%

Geographic Mix - Total Operating Income	2007	2008	2009	2010
Sweden	22%	19%	19%	21%
Finland	34%	27%	19%	15%
Norway	14%	19%	17%	19%
Denmark	25%	24%	35%	35%
Baltic Countries	2%	2%	2%	2%
Poland	1%	2%	2%	2%
Russia	1%	2%	2%	2%
Others	1%	5%	4%	4%

Loan Portfolio	2007	2008	2009	2010
Mortgage Financing	31%	29%	34%	35%
Consumer Financing	9%	9%	9%	9%
Energy, Metals & Mining	1%	2%	1%	1%
Paper & Forest Materials	1%	1%	1%	1%
Industrial Goods & Services	7%	6%	6%	6%
Construction & Building Materials	2%	3%	4%	3%
Shipping & Offshore	3%	4%	4%	4%
Transportation	1%	1%	2%	1%
Media & Leisure	1%	1%	1%	1%
Retail	4%	4%	4%	4%
Consumer Staples/Durables	5%	5%	6%	5%
Healthcare	1%	1%	1%	1%
Financial Institutions	14%	14%	6%	7%
Real Estate	15%	14%	13%	14%
IT, Telecommunications & Utilities	2%	3%	3%	4%
Other	3%	3%	5%	4%

Interest Earning Assets	2007	2008	2009	2010
Treasury/Acceptances Bills	3%	3%	6%	6%
Loans to Banks	8%	7%	5%	4%
Loans to Customers	77%	77%	74%	74%
Financial Investments	12%	13%	15%	16%
Customers: Loans/Deposits	172%	178%	184%	178%

## Financial Statement Summary: (€ millions, years ended December 31)

Income Statement	2007	2008	2009	2010
Net Interest Income	4,282	5,093	5,281	5,159
Other Income	3,604	3,107	3,792	4,175
Provisions for Credit Losses	60	(466)	(1,486)	(879)
Non-Interest Expenses	(4,066)	(4,338)	(4,512)	(4,816)
Taxes	(753)	(724)	(757)	(976)
Net Income	3,121	2,671	2,314	2,657
EPS	1.20	1.03	0.60	0.66
Diluted EPS	1.20	1.03	0.60	0.66
Dividend per Share	0.49	0.50	0.25	0.29
Balance Sheet				
Common Equity	17,082	17,725	22,340	24,454
Book Value per Share	6.59	6.84	5.55	6.07

## Key Profitability Ratios and Figures:

Y/E December 31	2007	2008	2009	2010
Tier 1 Capital Ratio	7.0%	7.4%	10.2%	9.8%
Total Capital Ratio	9.1%	9.5%	11.9%	11.5%
Efficiency Ratio (Costs/Income)	51.6%	52.9%	49.7%	51.6%
PCLs % of Average Loans	(0.02)%	0.16%	0.49%	0.27%
Loan Loss Reserve of Loans	0.38%	0.44%	0.82%	0.87%
Loan Loss Reserve Impaired Assets	71%	57%	58%	59%
Return on Average Equity	19.7%	15.3%	11.3%	11.5%
S&P Senior Rating of Debt	AA-	AA-	AA-	AA-

Sourced from 2010 Annual Report and April 2011 Company compiled "Facts & Figures"