Sampo Group's **Annual Report 2013**

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Associated Company Nordea Bank AB Associated Company Nordea Bank AB

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Nordea, the largest bank in the Nordic region, has around 11 million customers and is among the ten largest universal banks in Europe in terms of total market capitalization. In Sampo Group’s reporting Nordea is treated as an associated company and is included in the segment Holding.

On 31 December 2013 Sampo plc held 860,440,497 Nordea shares corresponding to a holding of 21.2 per cent. The average price paid per share amounted to EUR 6.46 and the book value in the Group accounts was EUR 8.03 per share. The closing price as at 30 December 2013 was EUR 9.78.

Nordea’s Board of Directors proposes to the AGM 2014 a dividend of EUR 0.43 per share (0.34). The ambition is to increase the dividend payout ratio in 2014 and 2015, while maintaining a strong capital base. If the AGM approves the Board’s dividend proposal, Sampo plc will receive a dividend of EUR 370 million from Nordea in April 2014.

Results
Nordea Bank AB, 2013

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EURm	2013	2012	Change, %
Net interest income	5,525	5,563	-1
Total operating income	9,891	9,998	-1
Profit before loan losses	4,851	4,934	-2
Net loan losses	-735	-895	-18
Loan los ratio (ann.), bps	21	26	-
Operating profit	4,116	4,039	2
Risk-adjusted profit	3,351	3,313	1
Diluted EPS (cont.oper.), EUR	0.77	0.77	-
Return on equity, %	11.0	11.6	-

The following text is based on Nordea’s full-year 2013 result release published on 29 January 2014.

The fourth quarter was characterized by some improvements in global economic data and a positive development in financial markets. In the Nordic economies, the latest developments have been weaker, although the overall picture still appears relatively robust.

Total income was down 1 per cent compared to last year and operating profit was up 2 per cent compared to the last year. Risk-adjusted profit increased by 1 per cent compared to the preceding year. The effect from currency fluctuations was a reducing effect of 1 percentage point on income and on expenses and approximately -3 percentage points on loan and deposit volumes compared to one year ago.

Net interest income decreased 1 per cent compared to last year. Lending volumes were unchanged excluding reversed repurchase agreements in local currencies. Corporate and household lending margins were higher, while deposit margins overall were down from 2012.

Net fee and commission income increased 7 per cent and the net result from items at fair value decreased by 13 per cent compared to last year.

Total expenses were largely unchanged compared to 2012 in local currencies when excluding performance-related salaries and profit sharing. For the 13th consecutive quarter, costs have been kept flat. Staff costs were also largely unchanged in local currencies when excluding performance-related salaries and profit sharing.

Net loan loss provisions decreased to EUR 735 million for the continuing operations, corresponding to a loan loss ratio of 21 basis points (26 basis points in 2012).

Net profit for the continuing operations increased 1 per cent to EUR 3,107 million. Net profit for the total operations was largely unchanged at EUR 3,116 million. Risk-adjusted profit increased 1 per cent from last year.

The core tier 1 ratio, excluding transition rules, has improved by 1.8 percentage point to 14.9 per cent ratio. Excluding the increased dividend payout ratio, the strengthening of the core tier 1 capital ratio would have been 0.8 percentage points. The tier 1 capital ratio excluding transition rules increased 0.4 percentage point to 15.7 per cent. The total capital ratio excluding transition rules increased 0.6 percentage point to 18.1 per cent. The increase in core tier 1 capital ratio has been achieved by RWA efficiency initiatives and strong profit generation during the quarter.

RWA were EUR 155.3 billion excluding transition rules, a decrease of EUR 4.3 billion, or 2.7 per cent, compared to the previous quarter. RWA reduction of EUR 3.2 billion has been realised in the quarter, driven by the IRB approval in Russia as well as other RWA initiatives. Currency fluctuation effects also contributed to a lower RWA.

Since Nordea foresees in the coming years a lower loan demand, lower customer activity and lower interest rates than previously expected it will increase the focus on cost efficiency. In the fourth quarter 2012 report Nordea launched efficiency initiatives with an effect of EUR 450 million during 2013 to 2015. Nordea sees many of these initiatives delivering better than expected and in addition it will also accelerate the efficiency programme. Thus, the ambition has been raised from EUR 450 million towards a level of EUR 900 million during 2013 to 2015, of which EUR 210 million has already been achieved. Part of this will be offset by reinvestments, but net Nordea expects to have a 5 per cent lower cost base in 2015 compared to 2013. This will be possible by reducing activity related expenses, adjusting distribution to meet changed customer behaviour, increasing the Product and IT platform efficiency, optimising processes and reducing cost in central functions, including downscaling the internal service levels.

For more information on Nordea Bank AB and its results for 2013, see [www.nordea.com.](http://www.nordea.com)