

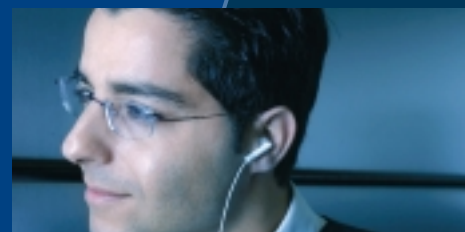
## **Annual Review 2003**





## Contents

Highlights	4
Key financial figures	5
CEO letter	6
The Nordea share	9
Vision and strategy	15
Financial targets	18
Managing for value	21
Efficiency in processes	24
Group result and comments	26
Business areas result table	29
Group organisation	31
Retail banking	32
Corporate and Institutional Banking	40
Asset Management and Life	46
Group Treasury	52
Corporate Social Responsibility	54
Human Resources	57
Board of Directors	60
Group Executive Management	62
Nordea Management	63
Notice of the AGM	64



Nordea Annual Report 2003 is the formal report audited by the Nordea auditors including the full sets of financial accounts and notes, the Board of Directors report and the cash flow statement. Nordea Annual Review 2003 is a review of the business development in the Nordea Group in 2003 including an overview of its strategy and business areas.

The parent company, Nordea AB (publ), has been granted a bank charter and changed its name to Nordea Bank AB (publ) as of 30 January 2004.



Nordea is the leading financial services group in the Nordic and Baltic Sea region and operates through three business areas: Retail Banking, Corporate and Institutional Banking and Asset Management & Life. The Nordea Group has almost 11 million customers and 1,240 branch offices. The Nordea Group is a world leader in Internet banking, with 3.7 million e-customers. The Nordea share is listed in Stockholm, Helsinki and Copenhagen.

## **Nordea in short**

### *Solid improvements in 2003*

- *Net profit up 68% to EUR 1,490m (EUR 887m in 2002)*
- *Operating profit up 17% to EUR 1,812m (EUR 1,547m)*
- *Total income largely unchanged at EUR 5,639m (EUR 5,670m)*
- *Total costs down 2%*
- *Earnings per share EUR 0.51 (EUR 0.30)*
- *Return on equity (excluding goodwill) 16.7% (11.3%)*
- *Proposed dividend EUR 0.25 per share, an increase by 9%*



## **Highlights of 2003**

### **Delivering on promises**

- Short-term top priorities have been addressed
  - Volatility has been reduced and income maintained at a stable level
  - Costs are kept well within the flat cost target – costs in 2004 expected to be unchanged compared to 2003
  - Capital efficiency has improved
  - Credit losses decreased slightly throughout the year – Credit portfolio in general in healthy shape
  - Special attention on income development going forward

## Key financial figures

### Operational income statement

EURm	2003	2002	Change %
Net interest income	3,366	3,451	-2
Net commission income	1,486	1,535	-3
Trading income	567	530	7
Other income	220	154	43
<b>Total income</b>	<b>5,639</b>	<b>5,670</b>	<b>-1</b>
Personnel expenses	-2,101	-2,086	1
Profit sharing	-46	-	-
Other expenses	-1,526	-1,659	-8
<b>Total expenses</b>	<b>-3,673</b>	<b>-3,745</b>	<b>-2</b>
<b>Profit before loan losses</b>	<b>1,966</b>	<b>1,925</b>	<b>2</b>
Loan losses, net	-363	-261	39
Equity method	57	52	10
<b>Profit before investment earnings and insurance</b>	<b>1,660</b>	<b>1,716</b>	<b>-3</b>
Investment earnings, banking	170	122	39
Operating profit, life insurance	149	2	-
Operating profit, general insurance	-	-122	-
Goodwill amortisation and write-downs	-167	-171	-2
<b>Operating profit</b>	<b>1,812</b>	<b>1,547</b>	<b>17</b>
Real estate write-downs	-115	-	-
Allocation to pension foundation	-	-255	-
Taxes	-205	-405	-
Minority interests	-2	0	-
<b>Net profit</b>	<b>1,490</b>	<b>887</b>	<b>68</b>

### Ratios and key figures (see Business definitions page 20)

Earnings per share, EUR	0.51	0.30
Share price, EUR, end of period	5.95	4.20
Shareholders' equity per share <sup>1</sup> , EUR	4.28	4.06
Shares outstanding <sup>1</sup> , million	2,846	2,928
Return on equity excluding goodwill <sup>2</sup> , %	16.7	11.3
Return on equity, %	12.3	7.5
Lending, EURbn	146	146
Deposits and borrowings from the public, EURbn	96	94
Shareholders' equity <sup>1</sup> , EURbn	12	12
Total assets, EURbn	262	250
Assets under management, EURbn	113	96
Cost/income ratio, banking <sup>3</sup> , %	63	64
Cost/income ratio, excluding investment earnings, %	64	65
Tier 1 capital ratio, %	7.3	7.1
Total capital ratio, %	9.3	9.9
Risk-weighted assets, EURbn	134	135

<sup>1</sup> End of period. Total shares registered was 2,928 (2,985) million. Number of own holdings of shares in Nordea Bank AB (publ) was 82 (57) million. Average number of own shares was 50 (30) million. Average number of shares Jan-Dec 2003 was 2,921 million (Jan-Dec 2002 2,955 million). Dilution is not applicable.

<sup>2</sup> Net profit before minority interests and goodwill amortisation/write-down as a percentage of average shareholders' equity (per quarter). Average shareholders' equity includes minority interests but with all outstanding goodwill deducted.

<sup>3</sup> Total expenses divided by the sum of total income, equity method and investment earnings, banking.

*In November 2002 we identified a number of short-term top priorities and a plan to improve our performance was developed. When comparing Nordea today with Nordea a year ago I see a bank that has undergone significant changes. Today we are more focused, changes are made at a more rapid speed and the concept of continuous improvement is internalised throughout the organisation.*

## **Increased focus and speed led to improved performance**

### **2003 results: Solid improvements**

Operating profit was up by 17% in 2003 compared to 2002 reflecting stable income, reduced total expenses, increased loan losses, a sharply improved operating profit from insurance activities as well as stronger investment earnings, banking.

Net profit increased by 68% to EUR 1,490m reflecting the improvement in operating profit, the positive tax contribution in the third quarter, last year's allocation to pension foundations and General Insurance losses as well as the impact of the real estate write-downs in the fourth quarter 2003.

Earnings per share were EUR 0.51 compared to EUR 0.30 in 2002 and return on equity (excluding goodwill) was 16.7% compared to 11.3% in 2002.

During the year the share price of Nordea appreciated by 40.6% on the Stockholm Stock Exchange. Total shareholder return (TSR) for 2003 was 47.9%, which places Nordea as number 3 in terms of TSR within a defined peer group of 20 European banks.





### **Short-term top priorities addressed – delivering on promises**

In the autumn of 2002 there was a general feeling of disappointment with Nordea among shareholders, other investors and analysts, which was reflected in a poor share price performance. To start the “turn-around” that was needed, I introduced the key words focus, speed and performance, and we identified a number of short-term top priority areas:

- Reduce volatility and ensure growth of income
- Improve cost control
- Ensure capital efficiency
- Maintain credit portfolio quality

And we created a “sense of urgency” throughout the entire organisation.

Today I feel confident that we not only have succeeded to improve our performance, but also that we have done so in a manner that has institutionalised a continuous improvement process driving the increased competitiveness of the Group forward as part of the Nordea culture.

In some areas, structural measures have been taken in order to adjust our cost level to stagnating or declining income triggered by the macro-economic environment and financial market developments.

Let me recapitulate our achievements in relation to the short-term top priorities.

Volatility has been reduced primarily through divestment of General Insurance and a changed business model for Life & Pensions.

Income has been maintained at a stable level despite all time low post war short-term interest rates, a drop in equity market activities and subdued macroeconomics.

A culture of strict cost management has grown, and costs in 2003 were well within our target of unchanged costs compared to 2002.

Our capital efficiency has been strengthened through divestments of real estate and other non-core assets, changed business models, growth of off-balance sheet business and implementation of economic capital and economic profit framework. This has enabled us to start a share buy back programme and to propose increased dividend per share.

Credit losses have been slightly decreasing throughout the year and are concentrated to a single industry. Our credit portfolio in general is in a healthy shape.

The income development in the current macro-economic environment is still an area of concern, and we will pay special attention to this issue going forward.

Strict cost management will remain high on our agenda, and we have raised the cost ambition for 2004. This is not a simple cost cutting exercise. This is a question of a genuine transformation into one bank - focusing, keeping speed and not being sentimental when it comes to implementation of changes or even day-to-day management.

Emerging from four major banks in four different countries Nordea's point of departure was characterised by inherent complexity. During 2003 reduction of complexity has been addressed throughout the organisation.

Group Processing and Technology, which was established in the autumn of 2002, has been an important driver and facilitator for consolidation and integration of processes, production and technology. Major initiatives include a substantial reduction of IT development costs and the consolidation of IT production in a joint venture with IBM, Nordic Processor, which is now fully operational.

The management of the integration project portfolio has been centralised, and future additional targets for reduction of complexity have been identified and will be achieved.

The first steps in the simplification and transformation of the Group legal structure into a European Company have been taken.

The unification of the business organisation within Retail Banking is under completion, and service and support functions have been transformed from being mainly policy-making functions into central service and support units for the whole Group contributing to the development of the Nordea corporate culture.

#### **Key words becoming corporate values**

The key words of focus, speed and performance have had a very high impact in the entire Group. We are all familiar with the words, and we apply them to our work – therefore we have now turned them formally into our corporate values as well.

It is important that our values reflect what we really stand for, how we work, and what we do. As such focus, speed and performance complete our mission and vision, which reflect the aim of our operations, what we want to achieve and how we wish to be perceived.

#### **Focus**

- We concentrate on creating value for our customers and shareholders
- We concentrate on our strengths and core activities, and we discontinue activities when needed

#### **Speed**

- We provide a broad set of easily accessible and competitive financial services and solutions
- We are quick, adjust to market conditions and do not hesitate to execute decisions made

#### **Performance**

- We aim to deliver better solutions and results than our competitors
- We continuously improve in everything we do, and we deliver on our promises

#### **Continuous improvement**

Our performance is significantly improved and we have the prerequisites to stay on the winning course:

- A large customer base
- Strong distribution power
- Advantage of size, scale and scope
- Strong capital base and high market capitalisation

We are increasingly becoming one bank with a common culture centred around performance orientation and with a strong local presence and customer contact.

We have reduced complexity and will continue to do so.

Indeed, we have achieved a lot since last year. Therefore, I would like to take the opportunity to thank all employees for their dedicated efforts and for bringing about the 2003 results.

Still, although our performance has been improved, there is – as always – room for further continuous improvement.

Best regards



Lars G Nordström

*Nordea ranks among the largest companies in the Nordic region in terms of market capitalisation and is one of the most liquid shares in the region. Total shareholder return in 2003 was 47.9%.*

## The Nordea share



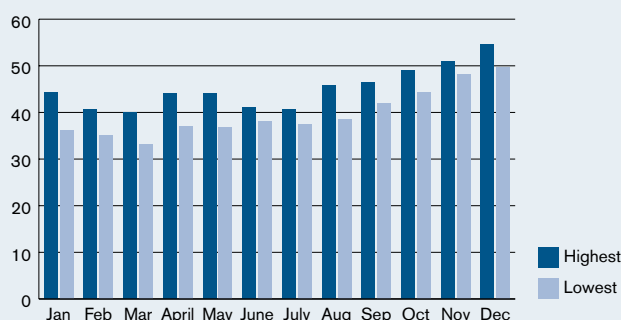
### **Shareholder and dividend policy**

Nordea's overall financial target is to create value for shareholders in the top five of a peer group of 20 Nordic and European financial services companies. Total shareholder return (TSR), is realised through market value growth per share and dividends. Value shall be enhanced through continuous focus on stable and profitable growth of income, operational excellence as well as capital efficiency.

Nordea pursues a policy of high dividends. The total dividend payment will normally exceed 40% of the net profit for the year. The annual level of dividends depends on market return requirements and the capital needed for developing the business activities. The dividend pay-out ratio for 2003 is proposed to be 48%.

### Monthly share price 2003

SEK



### Share price performance 2003

%  
Index 100 = 30 Dec 2002



### Total shareholder return

Total shareholder return in 2003 was 47.9%.

Nordea ranked as number 3 among peer group banks in terms of TSR in 2003 compared to number 15 in 2002. The average TSR in the peer group was 32.9% in 2003.

### Share price development in 2003

The market capitalisation of Nordea at the end of 2003 was approximately EUR 17.5bn compared to EUR 12.6bn at the end of 2002. Ranked by market capitalisation Nordea was the 7th largest company in the Nordic area. During the year the share price of Nordea appreciated by 40.6% on the

Stockholm Stock Exchange from SEK 38.40 on 30 December 2002 to SEK 54.00 on 30 December 2003. The daily prices listed for the Nordea share during 2003 (closing prices at Stockholm Stock Exchange) ranged between SEK 33.20 and SEK 54.50.

The SX40 Financials Index of the Stockholm Stock Exchange appreciated by 28.3%, the Dow Jones STOXX European banks index appreciated by 21.3%.

The Nordea share is listed on the stock exchanges in Stockholm (in SEK and EUR), Helsinki (EUR) and Copenhagen (DKK). One trading unit is equivalent to 500 shares.

Nordea's share price can be monitored at [www.nordea.com](http://www.nordea.com), where it is also possible to compare the performance of the Nordea share with competitors and general indexes as well as finding historical share prices of the Nordea share.

### Liquidity

The Nordea share was the most liquid Nordic financial share in 2003, with an average daily trading volume of approximately EUR 61m corresponding to approximately 13.1 million shares. Turnover on the three stock exchanges combined totalled approximately EUR 15.3bn which corresponds to almost 3.3 billion shares. Of the total number of Nordea shares traded in 2003 approximately 86.4% was traded on the Stockholm Stock Exchange, 7.4% on the Copenhagen Stock Exchange and 6.2% on the Helsinki Stock Exchange. In Stockholm Nordea ranked as the 3rd most traded share compared to the 4th in 2002.

The Nordea share is represented in a number of national indexes and is also included in European and global indexes in MSCI, DJ STOXX, FTSE and S&P. With a weight of 9.39% Nordea was the third largest company in the Swedish OMX index at the end of 2003.

### Trading in derivatives

Nordea's shares can also be traded in the form of put and call options, futures contracts, and lending with securities at the Stockholm Stock Exchange and Equity Derivatives Exchange London (EDX). Various brokers also issue long-term warrants in Nordea that are traded on the Stockholm Stock Exchange. Trading in derivatives supports the liquidity of the Nordea share.

### Repurchase of own shares

Following the authorisation from the Annual General Meeting on 24 April 2003, the Board of Directors of Nordea Bank AB (publ) on 29 October 2003 decided to repurchase a maximum of 145 million of its own shares (equivalent to approximately 5% of the total number of shares in the company).

The purpose of the acquisition is to redistribute funds to the Company's shareholders and in this way contribute to more efficient utilisation of Nordea's resources. The impact of the repurchase on the Company's earnings per share and return on equity is expected to be positive.

By the end of 2003 Nordea had repurchased 81,608,500 of its own shares or 2.8% of total shares. The shares were purchased at an average price of SEK 50.40.

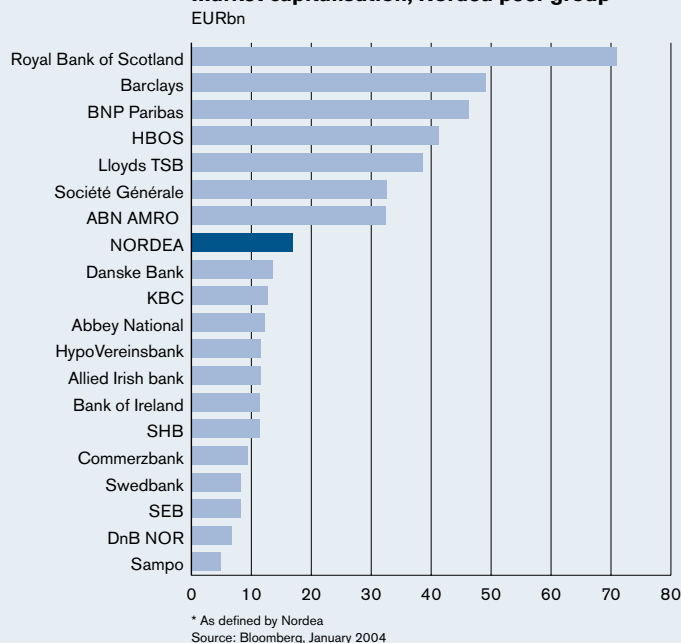
### Earnings and shareholders' equity per share

Net profit for the year amounted to EUR 1,490m corresponding to EUR 0.51 per share. Shareholders' equity per share amounted to EUR 4.28 at the end of 2003.

### Proposed dividend

The Board of Directors of Nordea proposes a dividend of EUR 0.25 per share. The total dividend payment for 2003 would then be EUR 712m corresponding to 48% of the net profit after tax. The dividend yield calculated on the share price 30 December 2003 is 4.2%. The proposed record date for the dividend is 5 April 2004 and dividend payments are scheduled to be made on 14 April 2004.

### Market capitalisation, Nordea peer group\*



The dividend is denominated in EUR, though payments are made in the local currency of the country where the shares are registered. Dividend payments can be made in EUR if the shareholder has a EUR account registered with the relevant securities register.

### Share capital

The General Meeting in 2003 decided to reduce the share capital by EUR 22,593,410.56. After the reduction the share capital amounted to EUR 1,160,460,823.12. The reduction was implemented through retirement, without repayment, of the 57,008,000 shares that were repurchased and held by Nordea.

All shares in Nordea carry voting rights, with each share entitled to one vote at General Meetings. Nordea Bank AB (publ) is not entitled to vote for own shares at General Meetings.

There are no outstanding convertible bond loans or staff/management options in Nordea.

## Distribution of shares, end of 2003

Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Number of shares, %
1–1,000	418,780	83.21%	133,440,956	4.69%
1,001–10,000	79,446	15.78%	192,815,613	6.77%
10,001–100,000	4,203	0.84%	105,303,233	3.70%
100,001–1,000,000	627	0.12%	208,109,580	7.31%
1,000,001–	234	0.05%	2,206,830,345	77.53%
<b>Total</b>	<b>503,290</b>	<b>100.00%</b>	<b>2,846,499,727</b>	<b>100.00%</b>

## Change in share capital

Date		Nominal value per share SEK	Number of shares shares issued	Nominal change SEKm	Total number of shares	Share capital SEKm
17 Dec 97	New issue	7.00	1,275,267,441	8,926.9	1,275,267,441	8,927
28 Jan 00	Reduction			–3,188.2		
	New issue	4.50	815,800,287	3,671.1	2,091,067,728	9,410 <sup>1</sup>
25 Apr 00	Reduction			–2,091.1		
	New issue	3.50	869,776,488	3,044.2	2,960,844,216	10,363
9 Jun 00	New issue	3.50	18,348,501	64.2	2,979,192,717	10,427
29 Aug 00	New issue <sup>2</sup>	3.50	3,006,359	10.5	2,982,199,076	10,438
11 Dec 00	New issue <sup>2</sup>	3.50	59,764	0.2	2,982,258,840	10,438
		EUR <sup>4</sup>		EUR		EURm
10 Jan 01	Conversion <sup>3</sup>	0.40			2,982,258,840	1,182
20 Feb 01	New issue <sup>2</sup>	0.40	8,408	3,332.26	2,982,267,248	1,182
15 May 01	New issue <sup>2</sup>	0.40	2,401	951.56	2,982,269,649	1,182
14 Dec 01	New issue <sup>2</sup>	0.40	396,441	157,117.49	2,982,666,090	1,182
31 May 02	New issue <sup>2</sup>	0.40	2,405,087	953,184.08	2,985,071,177	1,183
25 Sep 02 <sup>5</sup>	New issue <sup>2</sup>	0.40	45,050	17,854.22	2,985,116,227 <sup>6</sup>	1,183
7 Oct 03	Reduction <sup>7</sup>	0.40		22,593,410.56	2,928,108,227 <sup>8</sup>	1,160

<sup>1</sup> Anticipated in Balance Sheet 31 Dec, registration 28 January 2000

<sup>2</sup> Conversion of bonds

<sup>3</sup> From SEK to EUR

<sup>4</sup> 0.39632 EURO

<sup>5</sup> On 1 September 2002 Nordea redeemed the outstanding loan amount of EUR 96,928,426.28 early.

Subsequently, the company has no outstanding convertible bond loans

<sup>6</sup> Number of own shares owned by Nordea Bank AB (publ) 57,008,000

<sup>7</sup> Retirement of shares repurchased and held by Nordea Bank AB (publ) (57,008,000)

<sup>8</sup> Number of shares owned by Nordea Bank AB (publ) 81,608,500



## Shareholders

With approximately 503,000 registered shareholders at 31 December 2003, Nordea has one of largest shareholder bases of all Nordic companies. The number of Nordea shareholders registered in Denmark is approximately 211,000, in Finland 207,000 and in Sweden 85,000.

The largest among the various categories of shareholders is Swedish institutional investors, holding 30.2% of the shares in Nordea. The largest individual shareholder is the Swedish state with a holding of 19.0%. The Swedish state has declared that it will dispose of its holdings in Nordea.

The 20 largest registered shareholders at the end of 2003 are listed in the table.

## Investor communication

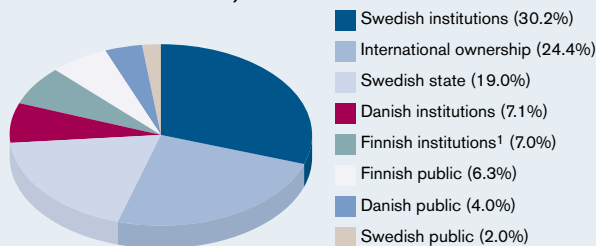
Nordea aims at being one of the leading European companies in terms of open, clear and relevant information to shareholders and other interested parties. Nordea has during 2003 further upgraded the Group's financial reports and presentations.

Nordea relies increasingly on the Internet in communication with shareholders and investors.

All significant financial information about Nordea Group can be found in the Group's homepages.

The financial homepages of Nordea ([www.nordea.com](http://www.nordea.com)) ranked as number 6 in the web-ranking of the 150 largest companies on the FT500 list of Europe's largest companies made by Hallvarsson & Halvarsson published by Financial Times in November 2003.

## Shareholder structure, end of 2003



<sup>1</sup> Finnish state included

## Largest registered\* shareholders in Nordea, end of 2003

	No of shares	Share capital and votes, %
Svenska staten	542,015,102	19.0
Nordea Danmark fonden	102,529,423	3.6
Alecta	92,424,426	3.2
Robur fonder	75,524,857	2.7
Nordea fonder	69,568,403	2.4
AMF Pension	61,000,000	2.1
Tryk i Danmark smba	52,194,912	1.8
Fjärde AP-fonden	50,106,590	1.8
SEB fonder	49,727,562	1.7
Skandia	39,507,653	1.4
Första AP-fonden	32,876,923	1.2
Tredje AP-fonden	32,336,009	1.1
SHB/SPP fonder	31,333,618	1.1
Andra AP-fonden	28,148,866	1.0
Nordea Bank Sverige vinstandelsstiftelse	15,928,300	0.6
Länsförsäkringar fonder	10,872,861	0.4
Solidium Oy	10,674,666	0.4
Länsförsäkringar	10,610,807	0.4
AMF Pension fonder	9,742,000	0.3
Öms. Penionsförsäkrings- bolaget Varmo-Sampo	8,700,000	0.3
Other	1,520,676,749	53.5
<b>Total number of outstanding shares</b>	<b>2,846,499,727</b>	<b>100.0</b>

Source: Sweden's and Finland's securities centres, SIS Ägarservice and Nordea Bank Denmark's register of shareholders

\* Excl nominee accounts.

During 2003 over 1.3 million visitors have entered [www.nordea.com](http://www.nordea.com) and downloaded almost 350,000 financial reports and press releases.

### Annual report

The annual report and the annual review are available in English. Nordea distributes the annual report and the annual review automatically to all shareholders holding more than 10,000

shares. A summary of the annual report is available in English as well as the four Nordic languages. The full annual report and the summary will be distributed to shareholders on request. A Swedish version of Annual report is available on request.

The reports can be downloaded and ordered by accessing [www.nordea.com](http://www.nordea.com).

### Share data

	2003	2002	2001	2000	1999
Share price	SEK 54.00	SEK 38.40	SEK 55.50	SEK 71.50	SEK 50.00
High/Low	54.50 / 33.20	63.50 / 30.20	79.00 / 45.80	76.00 / 41.80	61.00 / 42.30
Market capitalisation	EUR 17.5bn	EUR 12.6bn	EUR 17.7bn	EUR 24.1bn	EUR 12.2bn
Dividend	EUR 0.25 <sup>1</sup>	EUR 0.23	EUR 0.23	SEK 2.00	SEK 1.75
Dividend yield <sup>2</sup>	4.2%	4.8%	3.8%	3.1%	3.2%
TSR	47.9%	-28.1%	-19.8%	46.5%	-0.5%
DJ STOXX European banks index	21.3%	-26.7%	-10.0%	10.2%	17.2%
P/E (actual)	11.7	14	11	14	11
Price-to-book	1.39	1.03	1.49	2.16	1.70
Equity per share	EUR 4.28	EUR 4.06	EUR 4.00	EUR 3.74	EUR 2.68
Earnings per share	EUR 0.51	EUR 0.30	EUR 0.53	EUR 0.58	EUR 0.55
Outstanding shares <sup>3</sup>	2,846,499,727	2,928,108,227	2,965,666,090	2,982,258,840	2,091,067,728

<sup>1</sup> Proposed

<sup>2</sup> Yield calculated at starting price on payment day, for 2003 per 30 December.

<sup>3</sup> Excluding shares owned by Nordea Bank AB (publ)



*Nordea is the leading financial services group in the Nordic and Baltic Sea region.*

## Vision and strategy



Nordea operates through three business areas, Retail Banking, Corporate and Institutional Banking and Asset Management & Life, and holds top league positions in most product and market areas in the Nordic countries. In Nordea's emerging home markets in Poland and the Baltic countries, the Group aims at controlled and profitable growth – organically or through acquisitions.

### **Characteristics**

Nordea is characterised by:

- Large customer base
- Strong distribution power
- Advantage of size, scale and scope
- Strong capital base and high market capitalisation

Nordea today serves close to 10 million personal customers and almost one million corporate customers – a customer base that is unmatched by any other bank in the Nordic region. Nordea maintains business relationships of one kind or another with almost half the population of the Nordic countries, and 3.7 million of the customers have also signed up for Nordea's net banking services.

Nordea has an efficient and skilled customer organisation with strong distribution capacity and capability, including specialised product and customer units, branch offices, contact centres and net banking. These units operate through cross-border organisations and business models and provide a full range of services, ranging from sophisticated financial advice to automated self-service facilities.

Nordea's size and structure offer significant business opportunities and realisation of economies of scale and scope in product units and mid and back office as well as support processes through unification, centralisation and sourcing.

The large capital base enables Nordea to service large corporate customers in the Nordic home market.

### **Nordea's mission – Making it possible**

By providing easily accessible and competitive financial services and solutions, Nordea helps customers to reach their objectives.

### **Nordea's vision**

- We will be valued as the leading financial services group in the Nordic and Baltic markets with substantial growth potential
- We will be in the top league or show superior and profitable growth in every market and product area in which we choose to be present
- We will have the leading multichannel distribution with a top world ranking in e-based financial solutions and a high level of usage of our e-services
- We will be a good corporate citizen ensuring confidence and trust

Nordea has defined a set of shared corporate values and key words that identify, drive and guide all activities internally and externally.

### **Corporate values and key words**

- Focus
  - We concentrate on creating value for our customers and shareholders
  - We concentrate on our strengths and core activities, and we discontinue activities when needed
- Speed
  - We provide a broad set of easily accessible and competitive financial services and solutions
  - We are quick, adjust to market conditions and do not hesitate to execute decisions made

#### **Denmark**

Personal customers, 1,000	1,620
Corporate customers, 1,000	80
Net banking customers, 1,000	523
Branches	345
Market shares	
– Personal customers, %	23
– Corporate customers, %	25
– Investment funds, %	26
– Life & pensions, %	13
Employees	8,657

#### **Finland**

Personal customers, 1,000	2,960
Corporate customers, 1,000	320
Net banking customers, 1,000	1,218
Branches	416
Market shares	
– Personal customers, %	35
– Corporate customers, %	46
– Investment funds, %	24
– Life & pensions, %	32
Employees	9,118

#### **Norway**

Personal customers, 1,000	630
Corporate customers, 1,000	65
Net banking customers, 1,000	220
Branches	127
Market shares	
– Personal customers, %	9
– Corporate customers, %	17
– Investment funds, %	9
– Life & pensions, %	9
Employees	4,041

#### **Sweden**

Personal customers, 1,000	4,100
Corporate customers, 1,000	440
Net banking customers, 1,000	1,580
Branches	260
Market shares	
– Personal customers, %	20
– Corporate customers, %	16
– Investment funds, %	17
– Life & pensions, %	2
Employees	7,659

#### **Poland and Baltic**

Personal customers, 1,000	280
Corporate customers, 1,000	30
Net banking customers, 1,000	43
Branches	73
Employees	1,491

- Performance
  - We aim to deliver better solutions and results than our competitors
  - We continuously improve in everything we do, and we deliver on our promises

### Strategic themes

Nordea has coherent business strategies supporting the Group's vision and financial targets and based on common strategic themes.

#### Stable and profitable growth of income

Nordea's geographic reach and core business mix contribute to a stable income development.

Nordea aims to attract and expand its high value customer base and to increase the share of wallet with existing customers.

#### Operational excellence

Ensuring operational excellence and strict cost management is a top priority all through the Group.

Continuous improvements drive cost management in the large customer organisation, while transformation and changes aiming at unification, standardisation and centralisation characterise the cost control efforts in service and support functions and processes. These efforts also contribute to undo the inherent complexities following a history of mergers and acquisitions.

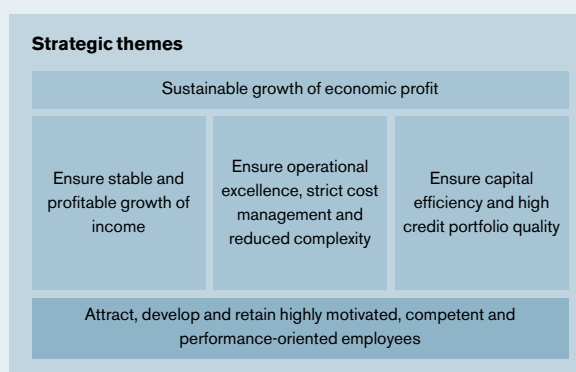
#### Capital efficiency

Active capital management, use of economic profit framework in customer relationships and performance measurement, and efficient business models are important tools in achieving capital efficiency.

Nordea in addition focuses its business activities and operations through divestment of non-core assets and outsourcing of non-core activities.

#### Employees

Nordea aims to attract, develop and retain core competencies, to improve leadership capabilities and to build a customer and performance-oriented organisation.



*Nordea in 2003 ranked as number 3 among peer group banks in terms of total shareholder return compared to number 15 in 2002.*



## Financial targets

### **Total shareholder return**

Nordea's overall financial target is to create value for shareholders in the top five of a peer group of 20 Nordic and European financial services companies as measured by total shareholder return.

Internally, economic profit has been selected as the best single measure for shareholder value creation. Nordea believes that managing for sustainable growth of economic profit will drive and support the continuous focus on stable and profitable growth of income, operational excellence as well as capital efficiency.

### **Return on equity**

High return on equity is an important indicator of value creation. Nordea prioritises profitability before growth and aims at achieving a sustainable return on equity, excluding goodwill, of more than 15% from 2004.

Return on equity reached 14.5% in 2003, adjusted for the positive tax contribution in the third quarter, using standard tax rate, and the negative impact of real estate write-downs at year-end, compared to 11.3% in 2002.

### Costs

Nordea gave improvement of cost efficiency top priority in the autumn of 2002. A target of unchanged total costs through 2003 and 2004 compared to 2002 was set.

The target was reached in 2003 with total costs 2% lower than 2002. Cost management and reduction of complexity still have top priority, and the cost ambition has been raised. Nordea now aims to keep total costs unchanged through 2004 compared to 2003.

### Risk exposure

Nordea aims at a limited and controlled risk exposure while consistently availing itself of opportunities to increase profits and return on capital within acceptable risk limits. The average loan losses over a business cycle should not exceed 0.40% of the loan and guarantee portfolio.

The loan loss ratio, which amounted to 0.25% in 2003, over the past four years has varied between 0.08% and 0.29%, well below the target of maximum 0.40%.

Market risks related to investment activities should not lead to an accumulated loss in investment earnings exceeding one quarter's normalised earnings at any time in a calendar year. Operational risks should be kept within manageable limits at reasonable costs.

### Dividend pay-out ratio

Nordea is pursuing a policy of high dividends. The annual level depends on market return requirements and the amount of capital needed for development of activities. Dividend payment will normally exceed 40 percent of the net profit for the year.

The dividend pay-ratio ratio for 2003 is proposed to be 48% compared to 76% for 2002.

### Capital ratio

Efficient use of capital will contribute to achieving the profitability target and shareholder value creation. Nordea aims at a tier 1 capital ratio above 6.5% and a total capital ratio not lower than 9%. Distribution of dividends and repurchase of own shares are used in the management of capital.

At the end of 2003 Nordea's tier 1 capital ratio was 7.3%, slightly higher than at the end of 2002.

Internally, economic capital is used as a measure of the amount of capital required to cover unexpected losses thereby reflecting the actual risks taken. Economic capital is allocated to business areas and activities reflecting all categories of risk, such as credit, market, real estate, insurance, operational and business risks.

### Cost/income ratio

Nordea views the cost/income ratio as a supporting performance indicator mainly used for management of internal continuous improvement processes. At Group level Nordea is aiming at a cost/income ratio level below 55% from 2005, assuming unchanged business mix. In 2003 the cost/income ratio was 63%.

### Peer group comparison

Peer group, as defined by Nordea	Total shareholder return, %	
	2003	2002
Commerzbank	110.9	-56.4
SEB	54.0	-21.0
<b>Nordea</b>	<b>47.9</b>	<b>-28.1</b>
DnB NOR	47.2	-10.7
HypoVereinsbank	45.4	-54.7
Swedbank	44.7	-17.2
Barclays	38.0	-29.7
BNP Paribas	34.5	-20.8
Société Générale	34.1	-8.8
SHB	31.4	-22.4
KBC	28.5	-16.4
Danske Bank	23.4	-9.4
ABN AMRO	29.4	-9.6
Sampo	19.5	-10.7
HBOS	18.0	-14.1
Royal Bank of Scotland	16.2	-8.7
Bank of Ireland	14.9	-3.7
Lloyds TSB	11.0	-36.7
Abbey National	8.7	-43.8
Allied Irish Bank	1.2	2.4

Source: Bloomberg

## Key performance indicator

	2003	2002	Target
Total shareholder return, position in peer group	3	15	In the top five of the peer group of 20 banks
Return on equity excluding goodwill, %	14.5 <sup>1</sup>	11.3	RoE >15% from 2004
Costs, EURm	3,673	3,745	Unchanged cost level in 2004 compared to 2003
Loan loss ratio, %	0.25	0.18	< 0.40% of loans and guarantees on average over a business cycle
Dividend pay-out ratio, %	48 <sup>2</sup>	76	> 40% of net profit
Tier 1 capital ratio, %	7.3	7.1	> 6.5%
Supporting performance indicator			
Cost/income ratio, %	63	64	< 55% from 2005

<sup>1</sup> With standard tax rate in Q3 2003 and excluding the negative impact of real-estate write-downs at year-end.

<sup>2</sup> Proposed

## Business definitions

### TSR

Total shareholder return measured as growth in the value of a shareholding over a specified period, assuming that dividends are re-invested at the time of payment to purchase additional shares.

### Return on equity

Net profit before minority interest and goodwill depreciation as a percentage of average shareholders' equity (per quarter). Average shareholders' equity includes minority interests and excludes remaining goodwill.

### Costs

Operating expenses before loan losses and goodwill depreciation.

### Loan losses/loan loss ratio

Loan losses as a percentage of average loans and guarantees (per quarter).

### Dividend pay-out ratio

Dividend payment as a percentage of net profit for the year.

### Tier 1 capital ratio

Tier 1 capital as a percentage of riskweighted assets end of period.

### Cost/income ratio

Operating expenses before loan losses and goodwill depreciation as a percentage of operating income and share of profit/loss from companies accounted for under the equity method as well as investment earnings (banking), as reported in the operational income statement. Operating profit from insurance activities is excluded.

*The overall purpose of Nordea's Planning and Performance Management Model (PPMM) is to increase groupwide focus on the creation of shareholder value, ensure aligned and focused strategy implementation and support the development of a common Nordea corporate culture and the creation of one bank.*

## Managing for value

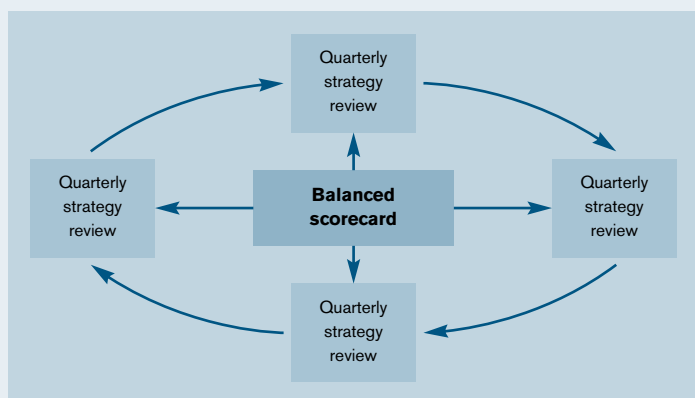


### **Nordea's Planning and Performance Management Model**

The three core elements in PPMM are Balanced Scorecard (BSC) to drive strategy into actions, Rolling Financial Forecasts (RFF) to maintain an updated view on future financial performance and Service Level Agreements (SLA) to focus on cost control and enhanced quality in internal service deliveries.

### **Balanced Scorecard**

The purpose of the BSC framework is to make strategy operational. The idea is to identify strategic areas where change is required. These areas are referred to as strategic focus areas. For each of the focus areas, a key performance indicator (KPI) including targets is defined, and strategic initiatives identified in order to close the gap between actual and target performance. Examples of KPIs are economic profit, cost/income ratio, market position, customer satisfaction and employee satisfaction. When business strategy, target for each KPI and initiatives are aligned, the strategy becomes operational.



BSC is implemented for the Group as whole and in each business area. BSC for the business areas and their subordinate units are aligned to the Group's BSC. Each business area is responsible for the implementation process in its own area and BSC is implemented on three levels in each business area. The implementation in Group functions such as Group Staffs, Group Corporate Centre, Group Processing and Technology and Internal Audit Activity has been finalised during 2003.

### Rolling Financial Forecasts

In order to secure a continuously updated view on future financial performance, RFF is implemented in each business area and Group Processing and Technology. RFF has a five quarters horizon and it is updated on a quarterly basis. There is no element of target-setting in RFF. The latest available inputs regarding major drivers of financial results are considered in order to provide the best possible estimate of future earnings. Management focuses on deviations between RFF and the targets for KPIs within the financial perspective in each BSC. This ensures focus on the future and potential need for corrective actions, rather than on historical performance.

### Service Level Agreements

SLAs have been implemented to promote a common understanding regarding services, priorities and responsibilities between internal service providers, eg IT, Production and Productivity, Finance, and service receivers, which are mainly the business areas. SLA is an internal business contract between providers and receivers specifying the services that will be delivered according to agreed service levels, volumes and prices. The main purpose is to prioritise cost control and enhanced quality in internal service deliveries. During 2003 a common service structure has been achieved and responsibilities clarified with focus on improving service delivery performance and strict cost management.

### Management process aligned to PPMM

The CEO holds quarterly review meetings with all business areas and group functions in order to follow up strategy implementation and performance.

The management process aligned to PPMM supports a team-oriented executive management culture, increases executive accountability with clearly defined targets to ensure that appropriate action is taken, and sharpens the focus on strategic direction. The quarterly review meetings improve the understanding of the strategic drivers that deliver customer value and achieve financial performance, and ensure use of the BSC framework to communicate priorities and report on performance all over Nordea. The management process aligned to PPMM is an ongoing process that makes strategy implementation a continuous responsibility and not a yearly event. Continuous tactical performance monitoring is also part of PPMM.

### Economic profit

Economic profit was introduced in 2002 as the overall key performance indicator. Economic profit will further strengthen the link between Nordea's internal financial objectives and shareholder value creation.



Economic profit measures value creation from a shareholder perspective. Positive economic profit means that the shareholders' value is growing, while a negative value reflects a business where value is destroyed. Economic profit may be calculated along several dimensions, eg different organisational levels, products or customers. Economic profit supports alignment with shareholders' interest by providing incentives for profitable growth, focus on cost efficiency as well as related risks throughout the organisation.

The roll-out of economic profit started in 2002 at business areas level. Economic profit is now used as a target in the BSC. To further drive the value from economic profit, business areas started in 2002 to roll out economic profit to lower levels of the organisation.

Corporate and Institutional Banking has implemented economic profit as an active management tool. Economic profit is the key performance indicator at profit centre level. Additionally, customer relationship and single transactions are evaluated through economic profit analyses. Economic Profit is implemented as part of the Customer Profitability System as well as in the performance measurement of business units.

Retail has organised a project with different work streams to deal with credit rating issues, measurement methodology, and management information systems. During 2003, focus shifted towards incorporation of the framework into daily operations. Economic Profit results can now be tested at both customer and branch level.

Asset Management and Life has implemented economic profit as an active management tool. Economic profit is now used in management reporting when measuring the performance of the business units within AM&L.

In all business areas a change in customer dialogue, customer relationship and pricing is expected and seen as a natural extension of the economic profit framework. The implementation in each business area is coordinated at Group level and a full implementation in all business areas is to be expected before end 2004, when economic profit shall be embedded in all business decisions.

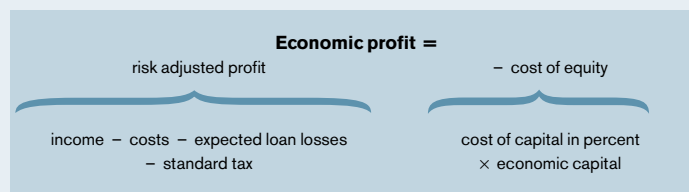
### Calculation of economic profit

Economic profit is arrived at by calculating a risk adjusted profit and subtracting the cost of equity. Risk-Adjusted profit is based on the actual income and costs, expected loan losses, and standard tax. Expected loan losses are the assumed long-term average loan losses. In addition a standard tax rate is used in order to normalise the profit to ensure an adequate comparability.

Cost of equity is the estimated yield shareholders require to invest in Nordea shares multiplied by economic capital. The long-term risk-free rate, the premium to invest in shares and the Nordea share's volatility compared to shares in general are used to set the percentage.

### Economic capital

Economic capital is based on a compilation of the various risks into a total need for capital. Losses are unpreventable in the business performed by Nordea, and thus require a cushion of capital. The economic capital is the capital that is estimated to be required to cover unexpected losses.



*Nordea aims at reducing complexity in processes, thereby improving efficiency. Focus is placed on centralising process functions and consolidating support systems. This will result in harmonised groupwide processes that have been re-engineered for maximum efficiency. The operating model includes an active use of sourcing solutions for non-core activities that are performed more efficiently outside the bank.*



## Efficiency in processes

### **Centralisation and consolidation of production processes**

Progress has been made within the area of back-office processing and continuous rationalisation on a cross-Nordic basis. A wide range of processing tasks have been centralised under one management within Group Processing and Technology (GPT) with a high degree of automation. Remaining production processes in the branch network will gradually be centralised to GPT to enable the branches to focus more on customers and sales activities.

During 2003 the centralisation and consolidation of back office processing and systems has continued in GPT to increase efficiency and secure one way of working. Consolidation with respect to production processes supporting trade finance, FX, money market and derivatives products will be completed in 2004.

### **Centralisation and consolidation of administrative processes**

Groupwide initiatives regarding financial reporting as well as procurement are examples of initiatives to streamline administrative processes within Nordea.

A Finance Shared Service (FSS) Centre has been established in Stockholm. The mission of FSS is to gain the benefits of common Nordic systems, competencies, data and finance processes to reduce costs and ensure the quality and consistency of delivery of accounting and financial information within the Nordea Group.

The new Finance Shared Service Centre is built with focus on the following major activities.

- Moving from having four finance operations located in four countries to having one consolidated finance operation in Stockholm with minor local support
- Going from multiple local finance processes to having harmonised centralised finance processes based on best practice and use of new common finance systems
- Going from multiple local finance systems with several manual tasks to having a few Nordic systems with automated processes. SAP has been chosen as the preferred finance system provider for this purpose.

The next step in the Finance Shared Service Centre will be to study and analyse the potential for services and/or units to be included in the centralised processes and to further reduce the costs of transaction processing and reporting.

A Group Support and Procurement function has been established, focusing on optimising Nordea's spending on goods and services by deploying a consolidated Group approach to a total procurement spending. In 2003 spending amounted to approximately EUR 1,200m. The focus is on consolidating spending across countries and by reducing complexity through unification of product/service specifications, processes and policies. In 2003, Nordea's spending on office supplies and travel has been reduced and this has generated realised savings of more than EUR 5m. New spending categories have been launched and savings of EUR 15–20m are expected in 2004. This will contribute towards achieving the flat cost target.

Within Group Support and Procurement a centralised Premises Management function has been established for the main office buildings in the Nordic region. Total office space has been reduced by more than 1,850 work places corresponding to a yearly rent costs of EUR 15m.

### **Selective use of sourcing alternatives**

To achieve further cost efficiency, Nordea is continuously considering outsourcing solutions for non-core activities.

On September 30th Nordea signed a 10-year IT service agreement with IBM to transform and consolidate the Nordea Group IT production services into an on-demand infrastructure. As part of the solution, Nordea together with IBM formed a single-purpose joint venture, Nordic Processor AB, which employs about 900 employees transferred from Nordea. Nordic Processor was effective from 1 November 2003. Through this partnership Nordea will speed up the consolidation of IT production and thereby improve cost efficiency. The existing five data centres will be consolidated into one location with two fully mirroring production centres. Technological platforms, networks and desktops will be consolidated and standardised. An environment with key IT functions, such as resource provisioning, asset tracking, workflow scheduling, and real-time infrastructure monitoring will be deployed.

### **Focus on portfolio of integration projects**

During 2003, Nordea decreased the IT development costs by approximately 20% and lowered the number of activities in this field in order to reduce costs as well as the operational risk in the IT development.

The management of the portfolio of integration projects has been centrally organised in Nordea and there has been strong focus on securing the success of large integration initiatives. A common framework for managing and controlling projects has also been implemented.

During 2003 the overall status of the project portfolio has improved and most initiatives are considered to be "on track".

# Group result

## Key financial figures

### Operational income statement

EURm	2003	2002	2001	2000 <sup>1,2</sup>	Pro forma 1999 <sup>1</sup>
Net interest income	3,366	3,451	3,465	2,838	2,755
Net commission income	1,486	1,535	1,432	1,454	1,164
Trading income	567	530	543	415	243
Other income	220	154	165	134	378
<b>Total income</b>	<b>5,639</b>	<b>5,670</b>	<b>5,605</b>	<b>4,841</b>	<b>4,540</b>
Personnel expenses	-2,101	-2,086	-1,848	-1,534	-1,421
Profit sharing	-46	-	-30	-45	-35
Other expenses	-1,526	-1,659	-1,511	-1,274	-1,278
<b>Total expenses</b>	<b>-3,673</b>	<b>-3,745</b>	<b>-3,389</b>	<b>-2,853</b>	<b>-2,734</b>
<b>Profit before loan losses</b>	<b>1,966</b>	<b>1,925</b>	<b>2,216</b>	<b>1,988</b>	<b>1,806</b>
Loan losses, net	-363	-261	-373	-79	-91
Equity method	57	52	95	62	117
<b>Profit before investment earnings and insurance</b>	<b>1,660</b>	<b>1,716</b>	<b>1,938</b>	<b>1,971</b>	<b>1,832</b>
Investment earnings, banking	170	122	172	431	
Operating profit, life insurance	149	2	-17	73	124
Operating profit, general insurance	-	-122	-18	53	172
Goodwill amortisation and write-downs	-167	-171	-147	-93	-39
<b>Operating profit</b>	<b>1,812</b>	<b>1,547</b>	<b>1,928</b>	<b>2,435</b>	<b>2,089</b>
Real estate write-downs	-115	-	-	-40	-145
Allocation to/from pension foundation	-	-255	-	32	65
Taxes	-205	-405	-360	-691	-346
Minority interests	-2	0	0	-3	-2
<b>Net profit</b>	<b>1,490</b>	<b>887</b>	<b>1,568</b>	<b>1,733</b>	<b>1,661</b>

### Ratios and key figures (see Business definitions page 20)

Earnings per share, EUR	0.51	0.30	0.53	0.58
Share price <sup>3</sup> , EUR	5.95	4.20	5.97	8.10
Shareholders' equity per share <sup>3</sup> , EUR	4.28	4.06	4.00	3.74
Shares outstanding <sup>4</sup> , million	2,846	2,928	2,965	2,982
Return on equity excluding goodwill <sup>5</sup> , %	16.7	11.3	19.2	19.4
Return on equity, %	12.3	7.5	13.8	16.1
Lending <sup>3</sup> , EURbn	146	146	138	129
Deposits and borrowings from the public <sup>3</sup> , EURbn	96	94	91	81
Shareholders' equity <sup>3,4</sup> , EURbn	12	12	12	11
Total assets <sup>3</sup> , EURbn	262	250	242	224
Assets under management <sup>3</sup> , EURbn	113	96	105	105
Cost/income ratio, banking <sup>6</sup> , %	63	64	58	54
Cost/income ratio, excluding investment earnings, %	64	65	59	58
Tier 1 capital ratio <sup>3</sup> , %	7.3	7.1	7.3	6.8
Total capital ratio <sup>3</sup> , %	9.3	9.9	9.1	9.4
Risk-weighted assets <sup>3</sup> , EURbn	134	135	136	132

<sup>1</sup> Incl Nordea Bank Danmark (former Unidanmark) 1999 and Q1 2000 pro forma.

<sup>2</sup> Profit 2000 excl Nordea Bank Norway (formerly Christiania Bank og Kreditkasse).

<sup>3</sup> End of period, incl Nordea Bank Norway from Q4 2000.

<sup>4</sup> End of period. Total shares registered was 2,928 (2,985) million. The number of own holdings of shares in Nordea Bank AB (publ) was 82 (57) million. The average number of own shares was 50 (30) million. Average number of shares Jan-Dec 2003 was 2,921 million (Jan-Dec 2002 2,955). Dilution is not applicable.

<sup>5</sup> Net profit before minority interests and goodwill amortisation/write-downs as a percentage of average shareholders' equity (per quarter). Average shareholders' equity includes minority interests but with all outstanding goodwill deducted.

<sup>6</sup> Total expenses divided by the sum of total income, equity method and investment earnings, banking.

## Comments to the operational income statement

### Result summary 2003

In 2003, Nordea's financial performance improved and tangible results were delivered on the four short-term top priorities identified in the autumn of 2002. Earnings volatility was reduced and income was maintained at a stable level despite all-time low post-war short-term interest rates. A culture of strict cost management has grown in the organisation and costs in 2003 were well within the stated target of unchanged costs compared to 2002. Capital efficiency was strengthened and loan losses occurred mainly in one single industry. The credit portfolio is considered to have a good overall quality.

Operating profit was up by 17% in 2003 compared to 2002 reflecting stable income, reduced total expenses, increased loan losses, a sharply improved operating profit from insurance activities as well as stronger investment earnings, banking.

Earnings per share were EUR 0.51 compared to EUR 0.30 in 2002 and return on equity (excluding goodwill) was 16.7% compared to 11.3% in 2002. Adjusted for the positive tax contribution in the third quarter, using standard tax rate, and the negative impact of real estate write-downs at year-end, earnings per share were EUR 0.43 and return on equity 14.5% (excluding goodwill).

### Income

Strong sales efforts contributed to increased business volumes and maintained income level despite difficult markets in 2003. Total income was EUR 5,639m, 1% lower than in 2002. Adjusted for currency fluctuations, total income increased marginally.

Net interest income was EUR 3,366m in 2003, down by 2% compared to 2002. Total lending was unchanged at EUR 145bn. The underlying volume growth was 2% when adjusting for currency fluctuations. Lending to personal customers increased by 12% reflecting strong demand for mortgages. On-balance sheet lending to corporate customers decreased, but margins improved. Deposits were EUR 96bn, an increase of 1% compared to the end of 2002.

Falling interest rates had a negative impact especially on deposit margins in the retail sector throughout the year. Active management of the interest rate exposure did, however, reduce the

negative effect on net interest income in the second half of the year, by EUR 10m - 15m per quarter. The effect is expected to be reduced from and including the second quarter.

Net commission income was down slightly at EUR 1,486m compared to EUR 1,535m in 2002. Brokerage was down by EUR 67m as a result of reduced stock market turnover, particularly in Finland, and restructuring of the brokerage business leading to reduced revenues, but improved profitability. The reduction was partly compensated for by improved commissions from asset management, which grew by EUR 17m to EUR 467m as a result of strong net sales and gradually improving equity markets during the year. Commissions from payments also continued to grow, increasing by EUR 40m to EUR 764m. Household payment transactions increased by 10% in 2003 reflecting a strong growth in the number of card and internet transactions, as well as a reduced number of manual transactions.

Trading income increased from EUR 530m in 2002 to EUR 567m in 2003, reflecting the further strengthening of Nordea's position as a leading provider of derivatives and debt-capital market services.

Other income increased by EUR 66m to EUR 220m. In 2003, Nordea undertook a number of divestments in line with its strategy to focus on core business. This resulted in several non-recurring gains, which increased other income.

### Expenses

Expenses were EUR 3,673m, a decrease by EUR 72m, or 2% in 2003. Total costs were well within the target of flat costs compared to 2002, even when including EUR 46m reservation for profit-sharing schemes. The process of reducing complexity, including centralisation and consolidation of back-office processes, and rationalisation on a cross-Nordic basis has contributed to the decrease.

Underlying expenses decreased by approx. 6%. Total costs in 2003 included acquired business in Poland and reservation for profit-sharing, which were not included in 2002, as well as higher restructuring costs and higher variable salaries than in 2002. The effect of currency fluctuations has also been taken into account when determining the underlying cost development.

Personnel expenses were EUR 2,101m in 2003, an increase by 1%. Underlying personnel expenses decreased by 2% when adjusting for acquired business in Poland, increased variable salaries and restructuring costs.

The number of employees was reduced by 3,510 to 30,761 of which approx. 900 as a result of the joint venture with IBM and approx. 500 as a result of the sale of the Finnish real estate brokerage business.

Reservation for profit-sharing amounted to EUR 46m. In 2002, no cost under Nordea's profit-sharing schemes arose.

Other expenses were EUR 1,526m, a decrease by 8% compared to 2002, reflecting a generally strengthened cost management culture in the Group. IT development costs were reduced by approx. 20%.

The cost/income ratio was 63% (64%). Excluding reservations for profit-sharing, the cost/income ratio was 62%.

#### **Loan losses**

The Group's continuous concentration on Nordic customers has helped to maintain the credit quality at a satisfactory level and the overall quality of the portfolio is good. Loan losses were EUR 102m higher than last year, primarily reflecting the weakness in parts of the Norwegian Retail Banking portfolio. Loan losses corresponded to 0.25% of total loans and guarantees.

#### **Investment earnings, banking**

Investment earnings increased by EUR 48m to EUR 170m in 2003 following gains on the fixed income portfolio in the first half of the year and on the equity portfolios in the second half of 2003.

#### **Life insurance**

Profit from Life insurance improved to EUR 149m from EUR 2m in 2002 mainly reflecting the gradual implementation of the changed business model in Life. This model has been a key element in reducing the overall volatility in Nordea's earnings in 2003.

#### **General insurance**

In 2002, a loss of EUR 122m was generated in the general insurance activities that were sold in that year.

#### **Real estate write-downs**

Nordea has previously been one of the largest real estate owners in the Nordic region. In accordance with the strategy to focus on core business and increase capital efficiency it was decided to reduce the Group's real estate exposure and initiate a real estate disposal programme. This has resulted in the divestment of Nordea's residential property and owner-occupied properties in Denmark, the sale of the shares in Nordisk Renting and Citycon, and the agreement in December last year whereby Nordea sold 97 properties in Finland, Norway and Sweden comprising primarily larger regional offices and traditional branch offices.

A write-down of EUR 115m related to this ongoing process materialised in the year-end accounts. The net financial effect of recent and ongoing real estate disposals is expected to be a gain of approx. EUR 200m as a result of the write-down of EUR 115m and an expected gain of approx. EUR 300m in 2004.

#### **Net profit**

Net profit increased by 68% to EUR 1,490m reflecting the improvement in operating profit, the positive tax contribution in the third quarter, last year's allocation to pension foundations as well as the impact of the real estate write-downs in the fourth quarter 2003.



## Business area result

EURm	Business areas					Group Functions and Eliminations	Total
	Retail Banking	Corporate and Institutional Banking	Asset Management & Life		Group Treasury		
			Asset Mgmt	Life			
Customer responsible units:							
Net interest income	2,993	412	30		132	-201	3,366
Other income	1,360	577	224		-17	129	2,273
<b>Total income incl. allocations</b>	<b>4,353</b>	<b>989</b>	<b>254</b>		<b>115</b>	<b>-72</b>	<b>5,639</b>
of which allocations	528	-294	-201		10	-43	0
Expenses incl. allocations	-2,488	-523	-159		-33	-470	-3,673
of which allocations	-1,440	-163	15			1,588	0
Loan losses	-311	-39				-13	-363
Equity method	19	17				21	57
<b>Profit before investment earnings and insurance</b>	<b>1,573</b>	<b>444</b>	<b>95</b>		<b>82</b>	<b>-534</b>	<b>1,660</b>
Investment earnings, banking					164	6	170
Operating profit, life insurance				114		35	149
Goodwill amortisation and write-down	-29	-14				-124	-167
<b>Operating profit 2003:</b>	<b>1,544</b>	<b>430</b>	<b>95</b>	<b>114</b>	<b>246</b>	<b>-617</b>	<b>1,812</b>
Operating profit 2002:	1,618	518	80	-78	114	-705	1,547
Return on equity, %	24%	14%					16,7%
Cost/income ratio, banking, %	57%	53%	63%		12%		63%
<b>Other information, EURbn</b>							
Total assets	151	82	4	25	15	-15	262
Lending	119	20	2		5		146
Deposits	70	15	3		7		96
Capital expenditure, EURm	67	0	3	1	0	26	97
Depreciations, EURm	-28	0	-7	-4	0	-76	-115
<b>Product result 2003:</b>			<b>180</b>	<b>161</b>			
Product result 2002:			180	11			

Nordea's operations are organised into three business areas: Retail Banking, Corporate and Institutional Banking and Asset Management & Life. The business areas operate as profit centres. Group Treasury conducts the Group's financial management operations. Group Functions and Eliminations includes the unallocated results of the three group functions, Group Processing and Technology, Group Corporate Centre (excluding Group Treasury) and Group Staffs. This segment also includes items needed to reconcile with the Nordea Group.

The principles used in the segment reporting are described below. Figures are disclosed and consolidated using end of period and average currency rates in conformity with the statutory reporting. Previously, fixed planning rates were

used. Historical information has been restated accordingly.

Within Nordea, customer responsibility is fundamental. The Group's total business relations with customers are reported in the customer responsible unit's income statement and balance sheet.

Capital allocation is based on the internal framework for calculating economic capital, which reflects each business unit's actual risk exposure considering credit and market risk, insurance risk as well as operational and business risk. This framework optimises utilisation and distribution of capital between the different business areas. When calculating return on allocated capital standard tax is applied.

Economic profit constitutes the internal basis for evaluating strategic alternatives as well as for the evaluation of financial performance.

Asset Management & Life has customer responsibility within investment management and in private banking outside a joint unit with Retail Banking. In addition, the business area commands product responsibility for investment funds and life insurance. The operating profit shown in the accompanying table includes the customer responsible units. The product result for Asset Management and Life respectively represent the Group's total earnings on these products, including sales and distribution costs within Retail Banking. The product result for Asset Management includes, in addition to the operating profit, revenues and expenses related to investment funds allocated to Retail Banking respectively. In addition estimated sales and distribution costs within Retail Banking is included in the product result.

When allocating income and cost between business areas and group functions a gross principle is applied, with the implication that cost is allocated separately from income. Cost is allocated according to calculated unit prices and the individual business areas' consumption. Income is allocated following the underlying business transactions combined with the identification of the customer responsible unit.

Internal allocations of income and expenses are performed in such a way that allocated expenses from a business unit is subtracted from the expenses and added to the expenses in the receiving business unit, with the result that all allocations adds to zero on Group level. The same principle is applied for income allocations.

The assets allocated to the business areas include trading assets, loans and advances to credit institutions and lending. The liabilities allocated to the business areas include deposits from the public as well as by credit institutions.

Included in business areas' assets and liabilities are also other assets and liabilities directly related to the specific business area or group function, such as accrued interest, fixed assets and good-

will. All other assets and liabilities, and certain items required to reconcile balances to the Nordea Group are placed in the segment Group Functions and Eliminations.

Funds transfer pricing is based on current market interest rates and used against all assets and liabilities allocated or booked in the business areas or group functions, resulting in a remaining net interest income in business areas driven in essence from margin on lending and deposits.

Goodwill generated as part of business areas' strategic decisions is included in business areas' balances. This also applies to the corresponding result effect derived from amortisation and write-downs and funding costs. Goodwill arising from the creation of Nordea is not allocated, but is placed as part of Group Functions and Eliminations, together with the result effects.

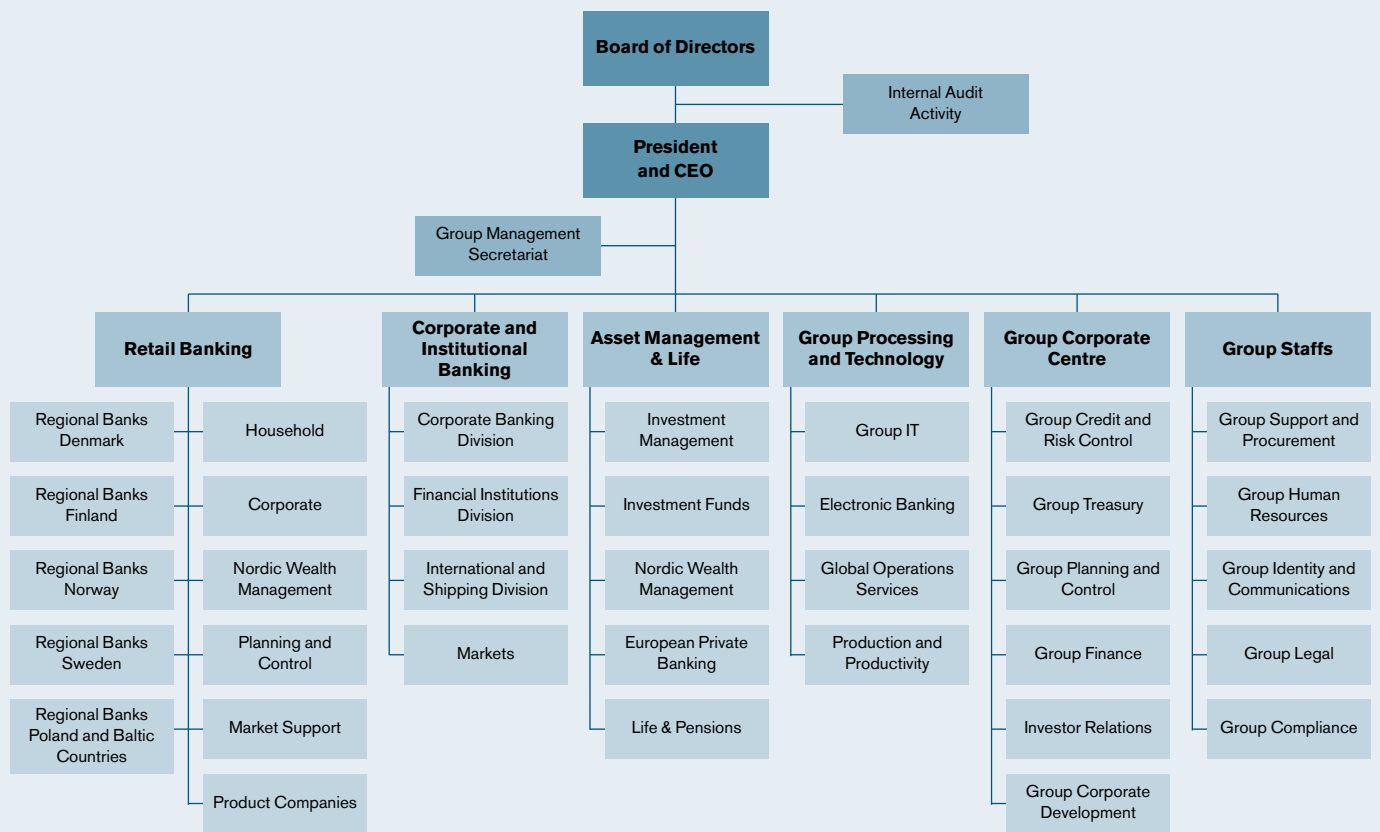
Economic Capital is allocated to the business areas according to risks taken. As part of net interest income business units receive a capital benefit corresponding to the expected average long-term risk-free return of comparable equity. The cost above Libor from issued subordinated debt is also included in the business areas net interest income according to the use of Economic Capital.

Group internal transactions between countries and legal entities are performed according to arms length principles in conformity with OECD requirements on transfer pricing. The financial result of such transactions is fully consolidated into the relevant business areas based on assigned product and customer responsibilities. As previously mentioned, the total result related to investment funds is included in Retail Banking, as well as sales commissions and margins from the life insurance business.

The segment Group Functions and Eliminations contains, in addition to goodwill related to the creation of Nordea, expenses in Group Functions not defined as services to business areas, results from real estate holdings, central provisions for loan losses and profits from companies accounted for under the equity method which are not included in the customer responsible units.



# Group organisation



*Retail Banking has customer responsibility for personal and corporate customers and develops, markets and distributes a broad range of financial products and services. Retail Banking is a strongly decentralised profit-centre-based organisation where the branch offices and the regions are the profit centres with the responsibility for all business their customers have with the bank, including risks related to such business, the quality of the services offered as well as profitability.*



## Retail Banking

### **Strategic direction**

#### **Establish a stable and broadly based growth of income**

- Increase sales to all existing customers
- Acquire new profitable customers
- Sell more through all channels: Branches, Netbank and Contact Centres
- Sell products in bundles

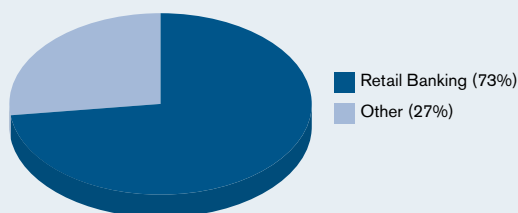
#### **Ensure operational excellence and cost efficiency in all processes**

- Implement common solutions
- Encourage the customers to use Netbank and Contact Centres
- Handle customers according to segment-based strategy
- Enforce strict cost management

#### **Optimise risk taking and use of capital**

- Use economic profit to determine individual corporate customer strategy
- Secure the right procedure for credit-granting
- Monitor credit risk and take rapid action
- Use credit-scoring models

**Retail banking in the Nordea Group, % of income 2003**



## Establish a stable and broadly based growth of income

Retail Banking comprises 11 regional banks in the Nordic countries. The operations in Estonia, Latvia, Lithuania and Poland are organised into one separate region.

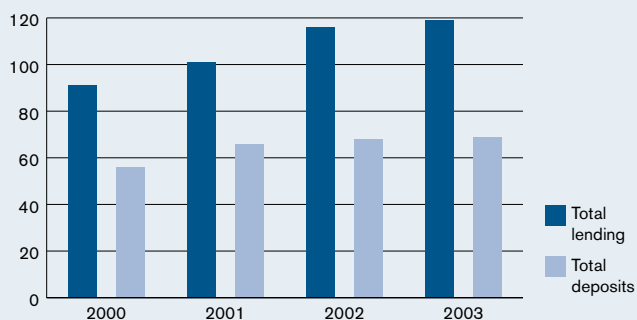
### Achievements in 2003

#### *Personal customers*

Lending to personal customers continued to grow strongly. The loan volume increased by 13%, or EUR 7.0bn during 2003 to EUR 63bn at year-end. Growth in lending has been strongest in Finland and Denmark. Deposits from personal customers increased by 3%, or EUR 1.2bn during 2003 to EUR 41.0bn at year-end. Growth in deposits has been strongest in Denmark and Sweden. The net sale of investment funds to personal and corporate customers was EUR 4.1bn, which is higher than in 2002.

**Volumes 2000–2003**

EURbn



Lending margins were unchanged at 1.6% compared to 2002, while deposit margins decreased by approx. 0.4% points to 1.7% as a result of interest rate decreases. Efforts to compensate the earnings shortfall have been made in widening individual product margins and together with the strong growth in household lending this has significantly softened the negative impact on interest earnings.

In an effort to demonstrate the value of bringing more business to Nordea, the bank provides a transparent customer concept differentiated by service and pricing levels. Superior levels of pricing and service are offered as customers increase their business volume and product holdings.

To support the customer-centric approach a number of product package and advisory initiatives have been campaigned during 2003 including a Nordic multi-channel campaign with offers of MasterCard/MasterCard Gold and Visa Electron, and new instalment free mortgage products in Denmark.

In 2003, a centralised customer-segment-responsible unit has been established with overarching responsibility for managing marketing tools, including direct marketing, and up-tiering customers in the customer programme pyramid.

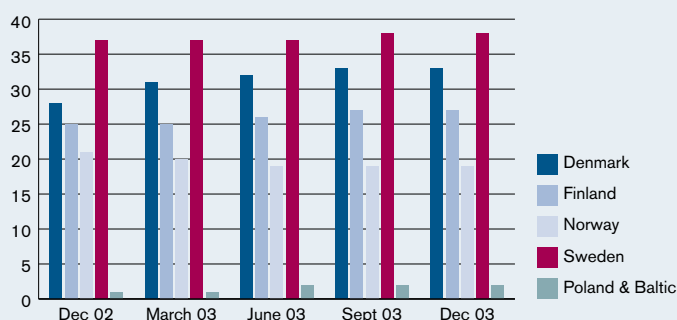
**Operating profit per country 2003**

EURm



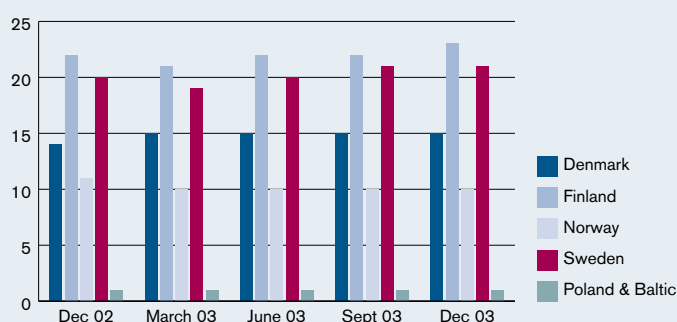
### Lending by country

EURbn



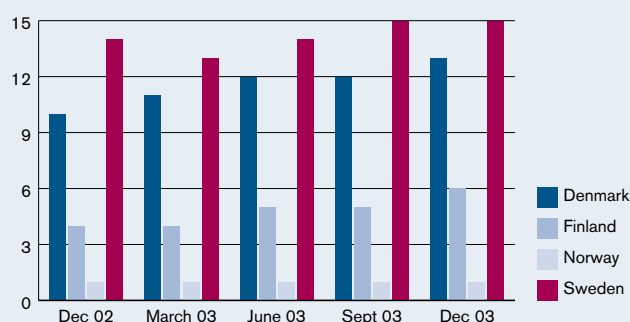
### Deposits by country

EURbn



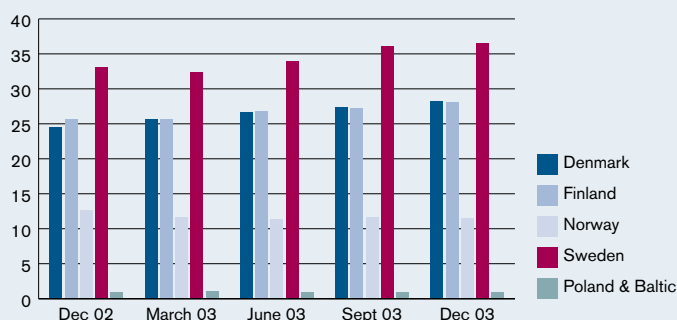
### Mutual funds by country

EURbn



### Total savings by country

EURbn



A new Nordic customer service concept within Private Banking was launched in Denmark, and pilot projects have been established in Finland, Sweden and Norway. The concept is standardised cross Nordic and ensures added value for customers as well as cost-efficient and profitable handling of customers.

A financial planning tool has been launched in Denmark, Sweden and Norway supporting bank advisers. The tool supports a balanced advisory process ensuring compliance with current and upcoming legislation demanding documentation of advice. The tool will be further developed during 2004 to fully support the new securities regulations that will be in force in Sweden in 2004.

### Corporate customers

Lending to corporate customers decreased by EUR 0.4bn to EUR 56.0bn at the end of December 2003. This followed an increase in the loan book in Finland and Denmark while loan volume to corporate customers decreased in Sweden and Norway. Deposits from corporate customers increased by 2.2%, or EUR 0.6bn during 2003 to EUR 29.0bn at year-end.

Lending margins for corporate customers were 1.2% in 2003 which is unchanged compared to 2002, and deposit margins decreased from 1.3% in 2002 to 1.1% in 2003. Widening individual product margins and adjusted pricing of corporate Netbank services and payments softened the negative impact on interest earnings.

In 2003, a segment-based corporate customer strategy was established with a view to ensure that customer needs are met with the right competencies through a multichannel distribution concept.

Large customers are serviced by senior relationship managers in special competence centres, which have been established in all Nordic countries. Medium-sized customers are served by relationship managers ensuring both high competence in the customer approach as well as good usage of the unique Nordea branch network, and the service for small customers is broadened through extensive usage of e-banking and telephone solutions, which at the same time raises efficiency. The implementation of the revised strategy for corporate customers is in progress in all countries where Nordea operates.

Several new products and services were offered to the customers during 2003, including financial risk management tools, cash management solutions, and corporate e-services.

### Focus in 2004

The customer-centric business models for personal and corporate customers outlines how all products and services are developed, bundled in packages, and sold to customers through all distribution channels in a way that is convenient for the customers and profitable for Nordea.

For personal customers, the focus in 2004 will be on the launch of customer concepts in Norway, Poland and the Baltic countries, the implementation of the Nordic CRM-system, and a sharpening of Nordea's advisory market profile in the public.

Within Private Banking, the focus will be on implementing the new standardised customer service concept throughout Nordea.

For corporate customers, the focus in 2004 will be on finetuning the customer offering through the implementation of best practice, the introduction of an enhanced solution for credit process support, and on acquiring new profitable customers.

### Ensure operational excellence and cost efficiency in all processes

#### Achievements in 2003

Ensuring cost control has top priority in Retail Banking, and a number of cost control initiatives were taken in 2003. The realisation of cost reductions enabled by automation and centralisation of production as well as the multichannel development, remained in focus. The total number of employees was 18,407 at year end which is a reduction of 1,776 of which approx. 550 pertain to the Finnish real-estate agency Houneistokeskus which was sold in 2003.

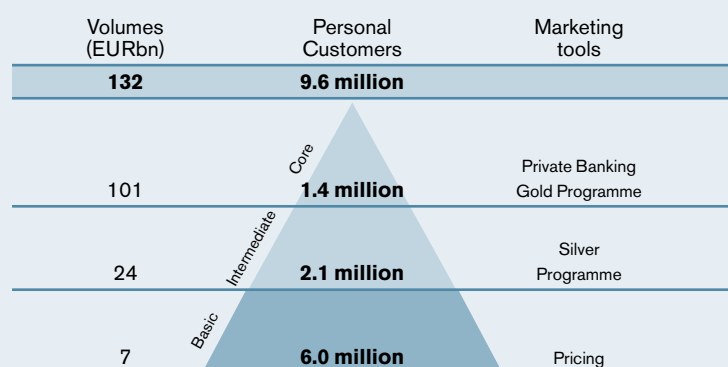
### Market shares

%	Denmark		Finland		Norway		Sweden	
	2003	2002	2003	2002	2003	2002	2003	2002
Household, deposits	22	22	34	34	9	9	19	20
Household, bank lending	18	19	32	31	11	10	10	11
Corporate, deposits	22	22	41 <sup>1</sup>	48 <sup>1</sup>	16	16	25	26
Corporate, bank lending	23 <sup>1</sup>	26 <sup>1</sup>	37	46	17	18	15	16
Mortgage & housing loans	13	12	33	33	11	10	16	16
Funds	25	27	25	24	9	9	17	18

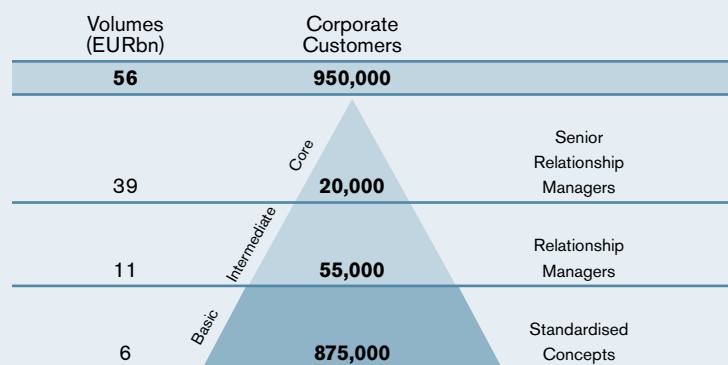
<sup>1</sup> Reduction mainly due to a change in public statistics.

### Margins

	Margins, %	
	2003	2002
Lending to corporates	1.2	1.2
Lending to personal customers	1.6	1.6
<b>Total lending</b>	<b>1.4</b>	<b>1.4</b>
Deposits from corporate	1.1	1.3
Deposits from personal customers	1.7	2.1
<b>Total deposits</b>	<b>1.4</b>	<b>1.7</b>

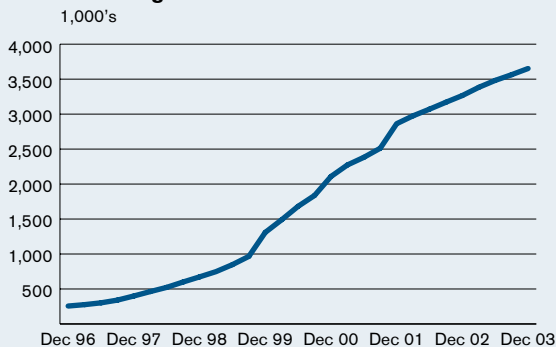


Nordea aims at delivering a full product-range through a multi-channel distribution network, thus ensuring that the customer is experiencing one bank and chooses the appropriate channel, whether it be the local branch office, the telephone or the Internet. In this respect, one of Nordea's major strengths lies in the number of customers who already are accustomed to using conventional banking services through the Internet.

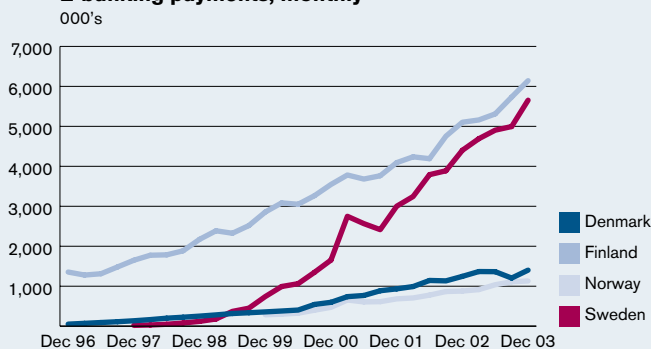


Corporate customers are segmented according to service needs and profitability. A strategic initiative defining and implementing common segmentation and segment-related service concepts has been launched with the objective of increasing customer satisfaction and as a result increase profitability.

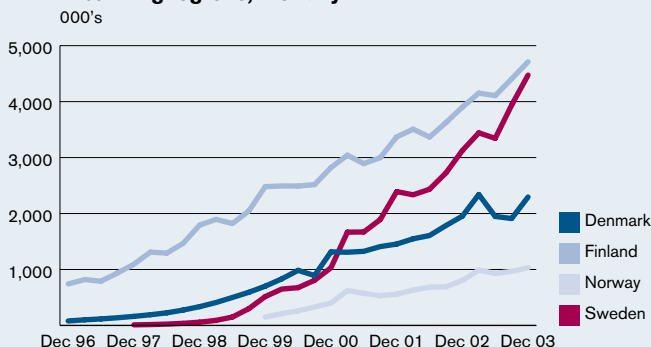
### E-banking customers



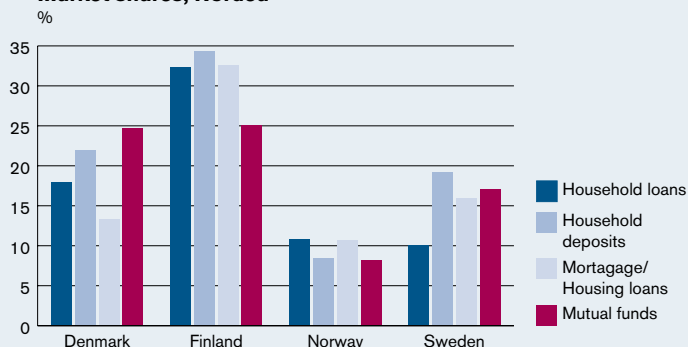
### E-banking payments, monthly



### E-banking log-ons, monthly



### Market shares, Nordea



The total number of transactions show continuous growth and the transaction pattern has changed dramatically from 1999 to 2003 with a 39% reduction in manual transactions and a 49% increase in automated and self-service transactions.

Nordea continued to see strong sales and increasing usage in the growing range of e-banking services. During 2003 the number of Netbank users increased by 0.4 million to 3.6 million. 336,000 customers had signed up for equity trading on-line. The number of customer logons was 130 million in 2003, which represented an increase of 26 million, or 25%, compared to 2002, and the number of e-banking payments was 146 million during 2003, an increase of 25 million, or 20%, compared to 2002.

Nordea had 2,060 contracts with merchants using direct e-payments. 730 of them were present at the electronic market place Solo Market. Nordea's e-commerce services also include e-invoicing, e-identification and signature and e-salary.

With the strong growth in Netbank usage Nordea strengthened its position as the world's most widely used Internet bank.

### Cost control measures in regional banks and branches

In Norway, a comprehensive reorganisation programme was launched in 2003 with the aim of making customer service more efficient, and reduce costs. This completed the implementation of a uniform customer organisation in the four Nordic countries.

Regions were reorganised in Finland, bringing the number of regions down from 31 to 21 with the aim to enhance customer and profit orientation, and reduce costs. In Sweden, regional bank management and support was centralised in 2003, and in Denmark finetuning of the branch network continued, reducing the number of branches that offer services to corporate customers.

LG Petro Bank in Poland that was acquired in 2002 was integrated into Nordea Bank Polska during 2003.

Continuous improvement of branch efficiency is supported by internal benchmarking. Branch productivity and financial results differ within and across countries. Through internal competition and individual target setting, branch managers are constantly urged to improve performance.

#### *Cost control measures in Nordic support functions*

The Nordic product/market and service units have been further downscaled during 2003, marketing resources have been centralised, and market research was changed into one Nordic organisation.

With a view to enhance cost efficiency and sales performance, a new organisational unit, Nordic Wealth Management was established comprising Nordic Private Banking and Savings and Investment Services.

#### *Central processing costs*

Approximately one third of Retail Banking's cost base is central processing costs that are governed through service level agreements with Group Processing and Technology. Such costs have been monitored closely during 2003, and cost-control measures have been taken on an ongoing basis.

#### *Divestment of non core business*

During 2003, the leading real estate broker in Finland, Huoneistokeskus, and the Norwegian debt collection company Inkassosentralen were sold. Nordea maintains cooperation with the companies. Also portfolio of unsecured receivables was sold in Finland.

### **Customer Satisfaction Index (CSI)**

A comprehensive customer survey is conducted each year with the purpose of providing the whole organisation with a tool to improve customer satisfaction, and thereby overall profitability.

In 2003, the CSI results for personal Gold and Silver customers showed an increase in Denmark, a decrease in Norway, and largely unchanged levels in Finland and Sweden. For large and medium sized corporate customers, the CSI results improved in all countries.

The CSI results are used by Retail Banking executives to adjust the customer-centric business models, and in regions and branch offices to set targets for customer satisfaction for subsegments, and to identify and carry out initiatives with a view to reach such targets.

### **Focus in 2004**

#### *Regional banks and branches*

The reorganisation programme in Norway which was almost completed in 2003, will be finalised in 2004, and in Finland it has been decided to further reduce the staff in 2004 on the backdrop of a declining workload because of for example increased use of electronic services.

Focus will also be on carrying out a number of projects for further centralisation and automation of manual processing activities in the branches. The ambition of these projects is to remove all major back-office responsibilities from the branch network, enabling the branch personnel to spend their time on sales and customer advice.

#### *IT projects*

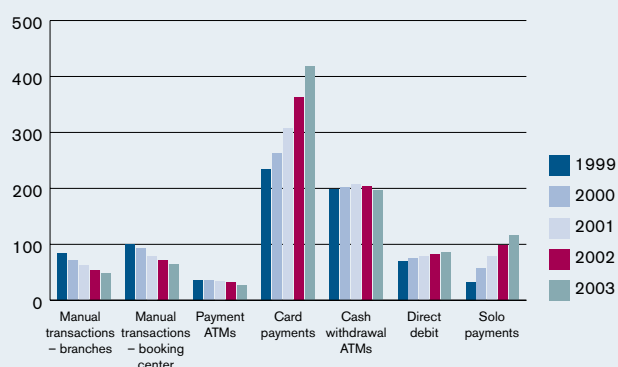
Development resources are focused on future-oriented projects with a Nordic scope.

In 2004, such projects include the development and implementation of systems to support the deployment of the Nordic strategies for personal and corporate customers, and systems to improve the efficiency of credit processes.

#### *Central processing costs*

In cooperation with Group Processing and Technology, Retail Banking will aim at further reduction of central processing costs.

**Transactions, household customers 1999–2003**  
millions





### Optimise risk-taking and use of capital

Optimal allocation of capital in Retail Banking is ensured by the finetuning and rollout of the economic profit concept that supports profitable pricing and service standards.

### Achievements in 2003

The economic profit programme was introduced in 2003 with reporting of economic profit on individual corporate customer level, which supports the relationship manager when determining the strategy for the individual customer.

For small corporate customers, the credit processing was simplified during 2003 through wide use of credit scoring.

In Norway, a number of credit control initiatives were launched on the backdrop of the large loan losses.

### Focus in 2004

The size and quality of assets will be carefully monitored and proactive risk management procedures will be enforced.

The continuing deployment of the economic profit concept will encompass a learning process through which the relationship managers will be better able to price according to risk in all considerations pertaining to Nordea's business relation with corporate customers.

### Result 2003

Profit before loan losses for 2003 showed a slight increase from 2002. Total income decreased by 3% compared to last year, following income growth in Denmark, Norway, Poland & Baltic and decline in Finland and Sweden.

Net interest income decreased by 5%. Volume growth has been strong, offsetting some of the negative impact on net interest income stemming from the continued decline in rates, which has lowered the interest margin on deposits. Net commission increased by 1% reflecting an increase in all countries except Norway.

Strict cost control ensured a decline in costs by 5%. The cost/income ratio decreased markedly in Denmark, Norway, Sweden and Poland & Baltic, while the ratio increased in Finland. The cost/income ratio was 57% in 2003 compared to 59% in 2002.

Loan losses in Retail Banking were EUR 311m in 2003, compared to EUR 219m in 2002. 90% of the losses related to Retail Norway and were to a high degree related to exposures to the fish-farming industry. Loan losses in the other countries were very low.

Operating profit before loan losses was EUR 1,865m, a slight increase compared to 2002, while operating profit at EUR 1,544m represented a slight decrease from 2002. Return on equity remained at a high level of 24%.

	Full year 2003	Full year 2002
Operating profit, EURm	1,544	1,618
Return on equity	24%	22%
Cost/income ratio	57%	59%
Customer base: personal customers, million	9.6	9.7
corporate customers, million	0.9	1.0
Number of employees (full-time equivalents)	18,407	20,300



**Retail Banking by market** EURm

	Total		Retail Denmark		Retail Finland		Retail Norway		Retail Sweden		Poland & Baltic	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Net interest income	2,993	3,136	811	839	778	873	469	431	888	936	41	29
Net commission & other income	1,360	1,345	347	306	368	339	160	196	443	440	33	21
<b>Total income</b>	<b>4,353</b>	<b>4,481</b>	<b>1,158</b>	<b>1,145</b>	<b>1,146</b>	<b>1,212</b>	<b>629</b>	<b>627</b>	<b>1,331</b>	<b>1,376</b>	<b>74</b>	<b>50</b>
Total expenses	-2,488	-2,630	-631	-662	-607	-607	-393	-428	-774	-859	-62	-49
<b>Profit before loan losses</b>	<b>1,865</b>	<b>1,851</b>	<b>527</b>	<b>483</b>	<b>539</b>	<b>605</b>	<b>236</b>	<b>199</b>	<b>557</b>	<b>517</b>	<b>12</b>	<b>1</b>
Loan losses	-311	-219	-51	-46	30	-1	-279	-156	-8	-9	1	-5
Equity method	19	11	19	11	0	0	0	0	0	0	0	0
Goodwill amortisation	-29	-25	0	0	0	0	0	0	-17	-17	-9	-4
<b>Operating profit</b>	<b>1,544</b>	<b>1,618</b>	<b>495</b>	<b>448</b>	<b>569</b>	<b>604</b>	<b>-43</b>	<b>43</b>	<b>532</b>	<b>491</b>	<b>4</b>	<b>-8</b>
Cost/income ratio, %	57	59	54	57	53	50	62	68	58	62	84	98
Return on equity, %	24	22	26	24	38	38	-4	4	29	21	3	-13
<b>Other information, EUR bn</b>												
Lending	119.0	112.3	33.1	28.1	26.9	24.7	18.9	20.8	38.3	37.4	1.8	1.4
Deposits	70.0	68.1	15.3	14.3	22.6	22.0	10.0	11.3	21.2	19.5	0.9	1.0
Economic capital	4.7	5.3	1.4	1.4	1.1	1.2	0.9	0.8	1.3	1.7	0.1	0.0

*Corporate and Institutional Banking delivers a wide range of products and services to large corporate and institutional customers. The business area comprises four divisions: Corporate Banking, Financial Institutions, International and Shipping, and Markets, and has customer responsibility for large corporates, financial institutions, shipping, off-shore and oil services companies. Nordea Markets is offering capital markets, money market, fixed income, foreign exchange and equity market products and services to Nordea Group customers.*



## Corporate and Institutional Banking

### **Strategic direction**

The overall CIB strategy will be unchanged for 2004 and the main goal is to contribute to improved shareholder return. This implies income growth, maintained solid credit control and speedy execution of profitable initiatives, more efficient use of capital and further cost efficiency improvements.

### **Establish a stable and broadly based growth of income**

- Increase share of wallet
- Further enhance position among large corporates in Sweden
- Increase focus on financial institutions

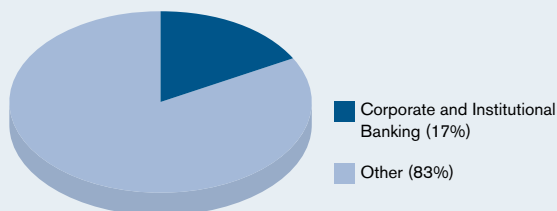
### **Ensure operational excellence and cost efficiency in all processes**

- Realise full potential of the existing cost-saving initiatives and harvest full benefits
- Increase organisational efficiency

### **Optimise risk-taking and use of capital**

- Active management of capital and risk
- Price according to risk
- Proactive handling of credit risk

### Corporate and Institutional Banking in the Nordea Group, % of income 2003



### Establish a stable and broadly based growth of income

Nordea holds a strong position in the Nordic corporate and institutional banking market including:

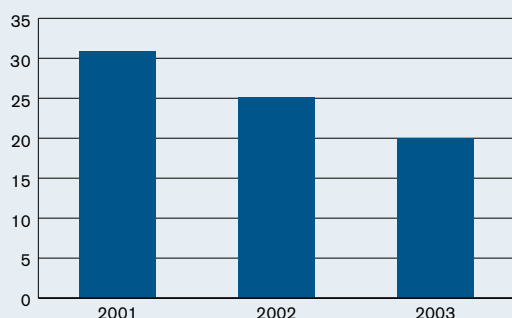
- A leading corporate banking franchise with a broad relationship with corporates and institutions in the Nordic market
- A major international shipping business
- A leading Nordic position in debt capital markets and derivatives

The primary customer base consists of some

- 450 large Nordic corporates
- 150 Nordic financial institutions
- 100 international financial institutions
- 750 banks, and
- 100 Nordic and international shipping companies

### Lending volumes 2001–2003

EURbn



### Achievements in 2003

The business activity and income generation in Corporate and Institutional Banking was high during the first part of the year despite a challenging market environment. The deal flow was high partly due to a large number of refinancings and partly due to new transactions. In the last part of the year the business activity declined within most areas except for Shipping, where good profitability within many segments of the shipping industry resulted in a number of transactions throughout the year. In investment banking and custody business income was reduced due to the continued weak demand in equity-related markets. The Group's brokerage business was restructured which reduced income but improved profitability.

### Operating profit by main area 2003

EURm



<sup>1</sup> Markets has a product responsibility for trading products such as FX, fixed income and related derivatives and is evaluated by monitoring the product result. The product result includes all revenues and expenses related to the respective products, which is allocated to the customer responsible units within Corporate and Institutional Banking and Retail Banking.

Nordea's position among large Swedish corporate customers has clearly improved during 2003 as a result of a long-term plan to enhance the position in Sweden. A new Financial Institutions Division was established in July 2003 as a consequence of the special focus on servicing financial institutions. The aim is to strengthen the service offered towards this attractive customer segment and improve the existing market position.

Cash management services were further developed during 2003 and Nordea successfully won a very large proportion of the cash management mandates including the overall majority of the Pan-Nordic deals. New versions of the Corporate Netbank were launched and product upgrades on the Cash Pool system were delivered during the year.

## Stock market development

	Market volume		Market index 2003 %
	2003 EUR bn	2003/2002 %	
Denmark	55.9	7.2	22.5
Finland	146.0	-22.8	4.4
Norway	68.0	27.4	48.4
Sweden	266.7	-8.2	30.1

## Syndicated loans

### - mandated lead arranger in the Nordic region 2003

Pos.	Bank name	EURm	No.	% Share
1	Nordea	6,688	43	17.0
2	SEB	3,075	23	7.8
3	Handelsbanken	2,921	19	7.4
4	Citigroup	2,725	14	6.9
5	Barclays	2,591	6	6.6
6	HSBC	2,216	6	5.6
7	Den Norske Bank	2,133	17	5.4
8	Deutsche Bank	1,961	8	5.0
9	BNP Paribas	1,889	10	4.8
10	ABN AMRO	1,843	8	4.7

Source: Dealogic

In foreign exchange, money market and fixed income, activity levels remained high with strong customer demand, especially in the first half of the year. Customer trading on TradeWeb - the world's leading on-line trading network for fixed income securities - was successfully launched.

In derivatives, risk management solutions for corporates with exposures in currencies, interest rates and commodities brought continued strong demand for simple as well as complex derivatives. Institutional customers' demand for structured solutions were increasingly met through advisory services comprising individualised asset/liability management and modelling.

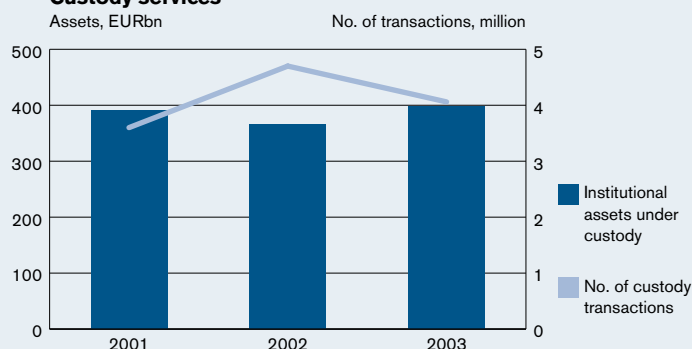
Debt capital market activities remained at high levels and Nordea kept the position as the number one mandated arranger and book-runner in syndicated loans for Nordic corporate borrowers. Significant progress was made in corporate bond issuance where Nordea's leading position among Nordic financial institutions was maintained and consolidated.

In the trade and project finance area, Nordea improved its capabilities within structured finance transactions and closed the first domestic public-private-partnership transaction in the Nordic region. Within acquisition finance, Nordea further strengthened the market position during the year by providing financing for more than half of the large and mid-sized leveraged buy-outs in the Nordic countries.

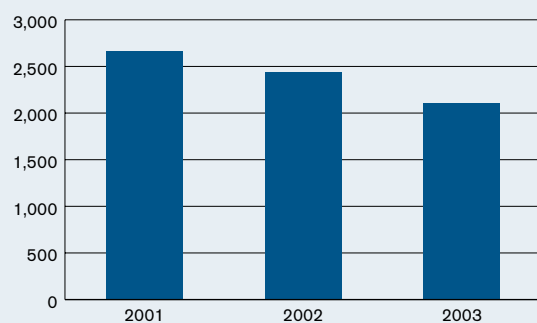
Within Investment Banking, Nordea strengthened the secondary trading market position during 2003 and the combined Nordic market share placed the bank on a third position in terms of turnover. In corporate finance Nordea acted as advisor to customers in transactions valued at more than EUR 4.6 bn including the acquisition of Instrumentarium by GE and the acquisition of Perbio Science by Fisher Scientific.

During 2003 the transaction volume in Custody Services fell by 13% compared to 2002, due to falling market volumes. Assets under custody increased from EUR 365 bn to EUR 397 bn during the year. A series of new pan-Nordic mandates was won during the year and assets under custody were almost twice as high as for the closest Nordic competitor.

## Custody services



## Number of employees (full-time equivalents)



Within Settlement Services, Nordea achieved a notable success with its CLS Nostro Agent Services in the three Scandinavian currencies (CLS™). Nordea more than doubled its number of clearing mandates, several of which were Pan-Scandinavian, thereby gaining substantial market ground.

In the international shipping industry, 2003 was a year with higher than expected returns in all segments. The high liquidity in the banking market resulted in increased competition, and a number of large transactions were executed during the year. Nordea played a major role as a mandated lead arranger and arranged or co-arranged new transaction for more than USD 10 bn in 2003.

#### **Focus in 2004**

The competition for key customer business is expected to increase and the Bank's ability to act as a full fledge financial partner with a broad product range and underwriting capability will continue to be important.

In order to grow income despite the increasing competition, focus will continue to be on increased share of wallet of core customers. Divisions specialising in specific customer segments and the customer team approach are key elements in enabling the relationship managers and specialists to have full focus on the customer needs with tailored offerings. Attention will be on further improving capabilities and position in value added services including debt capital markets, derivatives, structured products and cash management.

In Sweden the aim is to further enhance the position among large corporates and institutions. The prime brokerage concept, which is a one-point of entry service concept, has been established to improve services towards Nordic financial institutions.

#### **Ensure operational excellence and cost efficiency in all processes**

##### **Achievements in 2003**

Corporate and Institutional Banking successfully achieved increased cost efficiency throughout the year, reflecting the implementation of planned cost saving initiatives. During the year, the number of full-time employees within the business area decreased from 2,444 to 2,102.

Within Investment Banking, the changed business model announced in the second quarter was almost fully implemented by the end of the year. Equities and Corporate Finance will be separated and integrated into Markets and Corporate Banking, respectively. In Sweden, Denmark and Finland the two investment banking activities have already been separated. The new business model should enable further streamlining and sharing of fixed costs.

The streamlining of the organisation and operations in the international branches continued during the year and the cost reductions were implemented as planned. The number of employees was reduced and the streamlining of IT platforms continued.

The portfolio of development projects has been reduced during 2003, and the development activity has been concentrated on a few development projects.

The Trading Infrastructure Programme, the centralised, cross-border platform for processing and settlement of foreign exchange, money market products, and derivatives, was launched in Finland, Norway and Denmark. The Swedish part of the programme will be included in 2004.

The Trade Finance programme, aiming to increase efficiency in the processing of trade finance transactions, has proceeded during the year. Operational processes and IT support systems are being streamlined on a Pan-Nordic level.

The annual customer survey reconfirmed Nordea's unchallenged position as the clear number one in the Nordic corporate banking market. Nordea won the Euromoney price for best Cash Management in the Nordic Region and Custody Services Sweden was rated as the most improved sub-custodian in the world in Global Custodian Annual Survey 2003.

#### **Focus in 2004**

The focus for 2004 will be on fully implementing existing cost savings initiatives and secure that full benefits are harvested as quickly as possible. Selected new initiatives and IT development projects, will be implemented. A further reduction in the number of employees is expected. The Nordic cooperation and knowledge sharing will be further strengthened within selected areas.

## Optimise risk-taking and use of capital

### Achievements in 2003

The Corporate and Institutional Banking strategy includes efficient use of capital and proactive handling of credit risk. Economic capital and economic profit is fully implemented in the business areas as a tool to realise the strategy and price according to risk is on the top of the agenda.

An active use of syndication and capital markets instruments is important to increase balance sheet liquidity and improve the capital efficiency. During 2003 an Active Credit Portfolio Management set-up has been implemented in the Corporate Banking Division, establishing a tool for managing assets and risk distribution in general.

The use of economic capital in Corporate and Institutional Banking has decreased from EUR 2.2bn to EUR 1.8bn during 2003. The decrease is mainly due to volume reduction reflecting the strengthening of the Euro, a subdued loan demand in some segments and the success in refinancing loans with capital market transactions.

Attention and focus is given to credit quality. Workout procedures are in place, exploiting the full industry and cross-border workout competence. The proactive stand on credits is an important factor behind the low loan losses.

### Focus in 2004

Efforts to employ capital more efficiently will continue, with emphasis on using debt capital market products, syndications and asset distribution in general. Continuous monitoring of the profitability of the different businesses will be in focus. Furthermore, tools and methods securing an optimal relationship between risk and price will continuously be developed. Increased attention will also be paid to the operational risk management area.

### Results

Income totalled EUR 988m, down by EUR 174m, or 15%, from the previous year. A major factor behind the decline was the strengthening of the Euro, reducing total income by approximately 7%. In addition, during 2003 a central reserve of EUR 39m was transferred to the business area in

## Operating profit by main area

EURm	Corporate and Institutional Banking		Corporate Banking		Financial Institutions		International and Shipping		Investment Banking		Other		Markets <sup>1</sup>	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Net interest income	412	456	239	254	46	55	119	147	1	2	6	0	46	52
Other income	577	706	243	321	199	240	56	56	55	93	23	-5	474	441
<b>Total income</b>	<b>988</b>	<b>1,162</b>	<b>482</b>	<b>575</b>	<b>246</b>	<b>295</b>	<b>175</b>	<b>203</b>	<b>56</b>	<b>95</b>	<b>29</b>	<b>-5</b>	<b>520</b>	<b>493</b>
Total expenses	-523	-624	-145	-236	-101	-159	-48	-73	-64	-124	-164	-32	-233	-217
<b>Profit before loan losses</b>	<b>466</b>	<b>539</b>	<b>338</b>	<b>339</b>	<b>144</b>	<b>136</b>	<b>127</b>	<b>130</b>	<b>-8</b>	<b>-29</b>	<b>-135</b>	<b>-37</b>	<b>287</b>	<b>276</b>
Loan losses	-54	-34	-45	-54	2	4	-11	-20	0	0	0	36	0	0
Transfer risk	15	10	15	10	0	0	0	0	0	0	0	0	0	0
Equity method	17	12	0	0	0	0	0	0	0	0	17	12	0	0
<b>Operating profit before goodwill</b>	<b>444</b>	<b>526</b>	<b>307</b>	<b>295</b>	<b>147</b>	<b>139</b>	<b>116</b>	<b>110</b>	<b>-8</b>	<b>-29</b>	<b>-118</b>	<b>11</b>	<b>287</b>	<b>276</b>
Goodwill depreciation	-14	-9	-2	-2	-3	-3	0	0	-7	-2	-2	-2	0	0
<b>Operating profit</b>	<b>430</b>	<b>518</b>	<b>305</b>	<b>293</b>	<b>144</b>	<b>136</b>	<b>116</b>	<b>110</b>	<b>-15</b>	<b>-30</b>	<b>-119</b>	<b>9</b>	<b>287</b>	<b>276</b>
Return on equity, %	14	16												
Cost/income ratio, %	53	54												

### Other information EUR bn

Lending	20.0	25.1	11.9	16.8	1.7	1.9	6.4	6.5	0.0	0.0	0.0	0.0	0.0	0.0
Deposits	15.2	14.2	7.4	8.8	5.7	3.9	2.1	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Economic capital	1.8	2.2	1.1	1.4	0.2	0.2	0.3	0.4	0.0	0.1	0.2	0.2	0.2	0.2

<sup>1</sup> Markets has a product responsibility for trading products such as FX, fixed income and related derivatives and is evaluated by monitoring the product result. The product result includes all revenues and expenses to the respective products, which is allocated to the customer responsible units within Corporate and Institutional Banking and Retail Banking.

connection with introducing fair value for derivatives in Markets. The transfer reduced the income in Markets and in the business area, but did not affect the Group's result.

Net interest income was EUR 412m, a decrease of EUR 44m from 2002. This reflects a reduction of the lending volume of EUR 5.1bn, to EUR 20bn. Apart from the currency effect, the decrease in lending as well as interest income was subject to the strategic aim of arranging customer financing from capital markets rather than from long-term balance sheet lending. The volume was also reduced as a consequence of running off the non-core lending portfolios in international branches. Seen over the full year, and especially during the second half, corporate customers' investment activities were at a lower level than in the previous year. Credits margins increased throughout the year.

The income in Investment Banking suffered from continued weak customer demand and declined by EUR 39m from 2002. The income from custody

services for corporate and institutional customers was EUR 29m lower than in the previous year, reflecting the lower number of custody transactions and increased price pressure on services.

Markets Division performed strongly and generated a substantial growth in all product areas and especially in debt capital markets, derivatives, fixed income and structured products.

Total costs for the business area amounted to EUR 523m, down by 101m or 16% from the previous year. The stronger Euro had a favourable impact, explaining approximately 6% of the reduction. Total personnel expenses decreased by EUR 15m. Other cost were reduced by EUR 61m, reflecting lower IT costs, a reduction of restructuring expenses and other cost savings.

The good overall credit quality was maintained during the year. Loan losses continued to be low and amounted to EUR 54m. Operating profit was EUR 430m compared to EUR 518m in 2002. Return on equity was 14%.



*Asset Management & Life is responsible for Nordea's activities within institutional investment management, life insurance and pensions, investment funds and private banking. In cooperation with Retail Banking, Asset Management & Life manages Nordea's activities in the savings market in general. Nordea is the leading asset manager in the Nordic region with unrivalled Nordic distribution as well as important and profitable sales channels in the rest of Europe and North America. Assets under management reached EUR 113bn during 2003, the highest level ever.*



## Asset Management & Life

### **Strategic direction**

#### **Grow revenue**

- Capture share of growth in the long-term savings and life area
- Grow economic profit in Life at low volatility

#### **Ensure operational excellence**

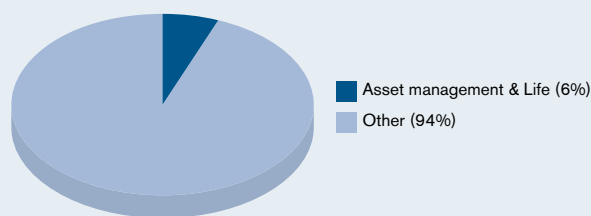
- Standardise service concepts
- Streamline support functions
- Ensure continuous product range management
- Leverage on existing products/processes

#### **Optimise use of capital**

- Proactively manage compliance and operational risk
- Realise full potential of the changed business model in Life & Pensions

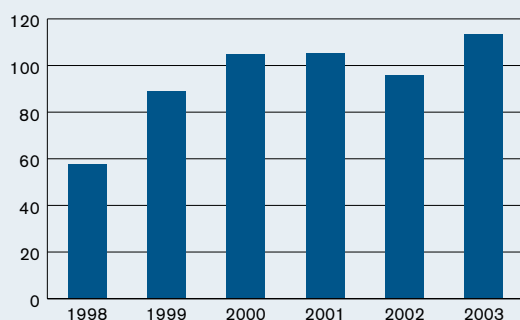


### Asset Management & Life in the Nordea Group % of income 2003<sup>1</sup>

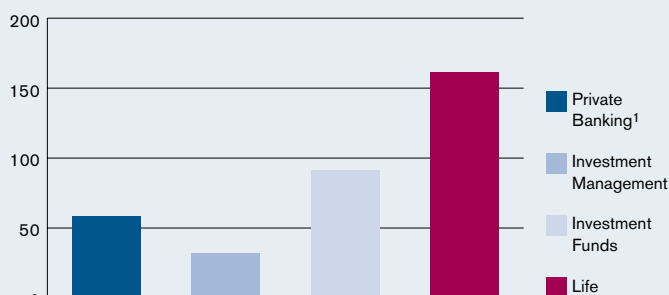


<sup>1</sup> The pie chart only includes income in Asset Management & Life customer responsible units. Income from investment funds sold to customers in Retail Banking is included under Retail Banking.

### Total assets under management EURbn



### Result by activity 2003 EURm



<sup>1</sup> Excluding the majority of Nordic Private Banking which is included in Retail Banking.

### Grow revenue

Nordea is the leading asset manager in the Nordic region with unrivalled Nordic distribution as well as important and profitable sales channels in the rest of Europe and North America.

### Performance in 2003

Assets under management reached EUR 113bn, reflecting improved equity markets as well as sustained high net inflows. Net inflows for the year were EUR 12bn or 13% of end-2002 assets under management. With this, assets under management reached their highest level to date, confirming Nordea's position as the leading Nordic fund manager.

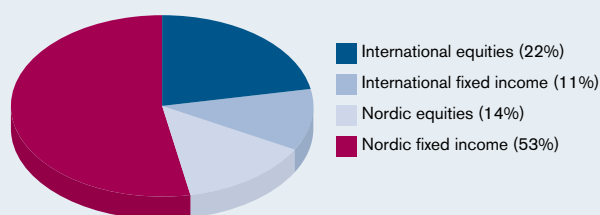
Nordea is the market leader within retail funds in the Nordic area. Inflows in 2003 amounted to EUR 4bn, and Nordic retail fund asset at year-end were EUR 31.8bn. Within the Nordic markets, Finland and Denmark showed the strongest sales performance, with Nordea's share of funds reaching 30% in Finland and surpassing 25% in Denmark. Nordea also improved its share of funds sales by 1.5 percentage points in a growing Swedish market. The Group increased its share of total Nordic fund sales from 15.3% in 2002 to 18.7% in 2003.

Nordic private banking registered good inflows. Inflow in 2003 was EUR 3.1bn and Nordea's Nordic private banking assets amounted to EUR 24bn at the end of 2003. Inflow was particularly strong in Finland. In a Euromoney survey of wealth management covering 2003, Nordea Private Banking was rated no. 8 among private banks in Western Europe and no. 18 in the World.

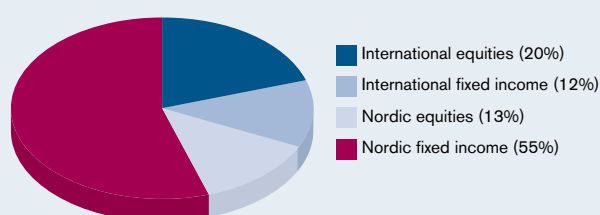
Nordea's European sales of retail funds through third parties continued at a high level, bringing the year's total inflow for European private banking and fund distribution to EUR 2.5bn. In European private banking and fund distribution, assets amounted to EUR 10.7bn at the end of 2003. Based on the performance during 2003, Nordea was ranked as the 5th largest cross-border fund manager in Europe by FERI, the German consultancy company (based on data for the year to November).

Total net inflow in the institutional clients segment was EUR 2.1bn in 2003. Of this, new international equity mandates from non-Nordic clients - mainly in the UK and North America - con-

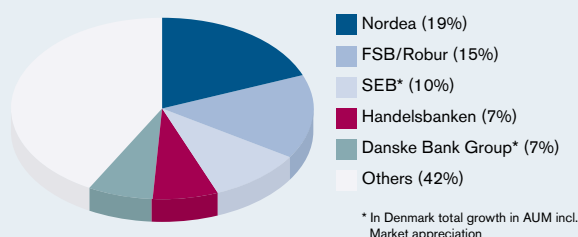
#### Approximate distribution of assets end of 2003



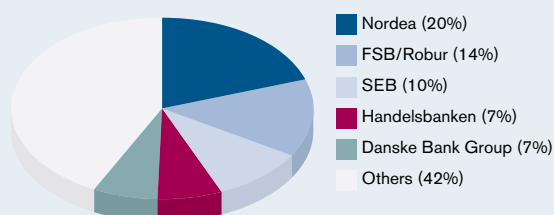
#### Approximate distribution of assets end of 2002



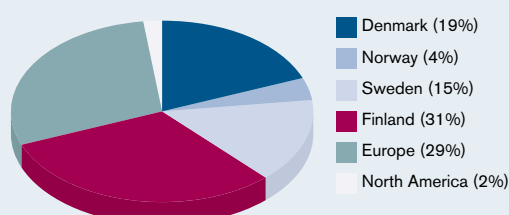
#### Market shares of Nordic Investment Fund sales 2003



#### Market shares of Nordic Investment Fund assets 2003



#### Geographical split of Full year 2003 inflow



tributed EUR 1.2bn. Assets in the institutional client segment amounted to EUR 22.9bn at the end of 2003. In Life & Pensions, assets were EUR 23.9 at year-end following inflow of EUR 0.8bn in 2003.

For the full year of 2003, net inflows amounted to EUR 12.5bn or 13% of assets under management at year-end 2002.

#### Focus in 2004

The strength of the underlying growth trend in savings is illustrated by the fact that market net inflows into investment funds in general remained positive over the last three years, even at the height of investor pessimism.

Nordea's commitment to Asset Management & Life and the power of the chosen distribution strategy is demonstrated by an ability to sustain net inflows above the market level in every quarter since the creation of Nordea. Focus in 2004 will be on maintaining adequate margins and on further consolidating Nordea's Nordic position with special focus on Sweden and Norway, while further leveraging the Group's investment processes and private banking concept internationally. European private banking, European fund distribution and the international sales activities of Nordea Investment Management are all expected to continue to grow.

For Life & Pensions, 2004 will be characterised by increased focus on sales to all segments of bank customers (bancassurance), including corporate clients. This represents a shift compared to 2003 where risk management and the transformation of the underlying economics of the business was the main focus.

Nordea's product strategy for Life is to cover customers' demand for security, transparency, simplicity and competitive returns at a price that is justifiable even in the long term. In consequence, Nordea's bancassurance will be built mainly around the Group's "new traditional" products which is an important element in the changed business model for life. The changed business model is described in detail on page 51. These new products combine a capital guarantee (security and transparency) with discretionary asset management (simplicity) and age-specific allocation of the underlying assets to achieve competitive returns. Customers buy a product that

exposes them to equity market growth while they are young and they automatically move to security (but lower expected returns) of fixed income as they get closer to their retirement age. The final advantage of the “new traditional” product range is a cost structure which compares favourably to e.g. unit-linked products. Unit-linked will remain an important part of Nordea’s offering, but will be targeted at customers for whom choice is an important part of the value proposition.

## Ensure operational excellence

### Performance in 2003

During 2003, the consolidation of Nordea’s asset management and life activities continued, increasing focus on core activities and competencies and reducing cost.

In Norway, Nordea Pensions Services, a unit under Nordea Investment Management (NIM) offering accountancy and other services for pension funds, was sold in the fourth quarter in order to concentrate on NIM’s core portfolio management and asset allocation competencies. The Norwegian organisation of NIM was strengthened by a change in management, attracting senior new resources. In Sweden, Trevis Private Banking was fully integrated into Nordea, resulting in strengthening the Nordea brand in the private banking market in addition to cost savings from redundancies.

Nordea also merged its Nordic Private Banking organisation with the unit responsible for strategies, policies and advisory tools for the broader retail market. The new unit is called Nordic Wealth Management and it is run in cooperation with Retail Banking. This has created substantial cost savings, reduced complexity and facilitated more accurate adaptation of service concepts to customer needs. In addition, over 50 redundant investment funds have been retired since 2002, reducing complexity and saving costs in the process. Portfolio management processes were also integrated and centralised as planned.

2003 saw improved investment performance compared to 2002 and Nordea delivered returns in line with or above those of the main competitors in most markets. Nonetheless, investment performance remains in focus as it is the most important source of value creation for customers. One consequence of this focus in 2003 was new

### Key figures – Asset Management activities

EURm	2003	2002
Revenues	472	485
Expenses	–184	–200
Distribution expenses	–108	–105
<b>Product result</b>	<b>180</b>	<b>180</b>
<b>of which profit within Retail Banking</b>	<b>81</b>	<b>86</b>
Cost/income ratio, % – AM activities	62	63
Economic capital	133	129
Assets under Management, EURbn	113	96
Number of employees (full time equivalents)	784	853

### Key figures – Life activities

EURm	2003	2002
<b>Traditional life insurance</b>		
Premiums written, net of reinsurance	1,863	2,021
Normalised investment return	975	1,051
Benefits paid and change in provisions	–2,480	–2,628
Insurance operating expenses	–106	–110
Fluctuations compared to normalised investment return	18	–1,020
Change in discount rate for life provisions	64	–243
<b>Actual operating margin</b>	<b>334</b>	<b>–929</b>
of which allocated to policyholders	–40	–28
of which to/from financial buffers	–136	988
Net profit from other business	–1	–10
<b>Product result before distribution expenses</b>	<b>157</b>	<b>21</b>
<b>Unit-linked business</b>		
Premiums written, net of reinsurance	442	469
<b>Product result before distribution expenses</b>	<b>16</b>	<b>1</b>
<b>Total</b>		
Premium written, net of reinsurance	2,305	2,490
<b>Product result before distribution expenses</b>	<b>173</b>	<b>22</b>
Distribution expenses within Retail Banking	–12	–11
<b>Product result <sup>1</sup></b>	<b>161</b>	<b>11</b>
<b>of which profit within Retail Banking</b>	<b>47</b>	<b>90</b>
Bonds	14,862	14,551
Equities	3,361	2,524
Property	2,186	2,041
Unit-linked	3,497	2,974
Total investment assets (AUM)	23,906	22,090
Investment return, % <sup>2</sup>	5.8	0.2
Technical provisions	22,859	21,370
of which financial buffers	878	551
Economic capital	967	1,324
Number of employees (full time equivalents)	1,012	1,013

<sup>1</sup> Reported life result in the Group’s income statement includes the costs related to commissions paid to Retail Banking. In the presented product result these commissions are not deducted since they contribute to the Group’s earning on life products.

<sup>2</sup> Exclusive of unit-linked business.

## Volumes, inflows and margins

EURbn	Assets under management 2003	Inflow 2003	Assets under management 2002
Nordic retail funds	31.8	4.0	25.7
Nordic private banking	24.0	3.1	19.5
European private banking & fund distribution	10.7	2.5	8.4
Institutional clients	22.9	2.1	20.5
Life & pensions	23.9	0.8	21.8
<b>Total</b>	<b>113.3</b>	<b>12.5</b>	<b>95.9</b>
Investment Funds <sup>1</sup>	41.2		31.9
Investment Management <sup>2</sup>	73.7		63.8

	Margin 2003	Margin 2002
Investment Funds % <sup>3</sup>	0.98	1.05
Investment Management % <sup>2</sup>	0.18	0.19

<sup>1</sup> Including EUR 3bn and EUR 5.5bn outside the Nordic countries for 2002 and 2003, respectively.

<sup>2</sup> Includes management of Nordea Investment Funds and Group Life & Pension assets

<sup>3</sup> For Denmark net margins are used, whereas in the other markets gross margin (before cost of fund management) are used

recruitments of senior portfolio management resources for Nordea's core investment teams.

Customer satisfaction in AM&L is measured directly for NIM and Nordic Private Banking. In the Prospera survey of local and international investment managers, Nordea improved its rating by institutional clients in Sweden and Finland substantially, placing 3rd in Sweden and moving up from 3rd place to 1st in Finland. In Norway, Nordea did not achieve a top 5 position in 2003, while in Denmark, last year's No. 1 position was maintained.

Customer satisfaction in Nordic Private Banking remained high and improved in Sweden. Nordea did not experience any major compliance or reputational events connected to either its asset management or life activities and has also taken proactive steps to ensure that this will not happen in the future.

### Focus in 2004

The main emphasis will be on continuously improving the focus and efficiency of Nordea's platform for growth in Asset Management & Life.

With the closedown or merger of redundant legacy funds, the rationalisation of Nordea's savings product range has progressed well. Nonetheless, substantial potential still remains in rigorous management of the total range of savings and investment products across business units and

customer segments. This will be prioritised in 2004 in order to ensure that all potential economies of scale are realised.

### Optimise use of capital Performance in 2003

Besides efforts to map and control operational and compliance risk which apply to the entire business area, the main focus with regard to capital is on Life.

Economic capital allocations to Life have been reduced substantially as risk has been reduced through implementation of the changed business model. This model centers on Nordea's traditional fully managed life product offering, for which the profit-sharing rules have been changed from sharing in investment returns to taking a flat fee for managing customers' savings. Profit to shareholders from 80% of Nordea's total life business – measured by AuM – is now effectively independent of short-term market fluctuations. The exception is the traditional business in Norway, where implementation of the changed business model awaits enabling legislation expected in 2005 and Nordea Liv 1, the small legacy mutual company in Sweden. This makes the proposition to shareholders more similar to that of the overall asset management business, than to a conventional life company.

### Focus in 2004

The planned focus on sales will not compromise the risk reduction already achieved. In fact, it is expected that future growth in AuM in Life can be achieved while maintaining Economic Capital at the current level. This is due both to the characteristics of the new products being introduced and to some remaining potential for risk reduction on existing portfolios without losing exposure to market returns.

### Result 2003

Revenues from asset management activities in 2003 reached EUR 472m, 3% below 2002. Expenses were EUR 184m, a decrease of 8% compared to 2002. The cost/income ratio in asset management activities improved from 63% to 62%. The product result in asset management was EUR 180m. In Life, which is consolidated in one line, results were stable throughout the year. Product result increased to EUR 161m compared to EUR 11m in 2002. In total, product result for Asset management & Life was EUR 341 compared to EUR 191 in 2002.

## Changed business model for Life: Enhanced return and reduced volatility

Since mid-2002, Nordea's life operations have been gradually turned towards a business model focusing clearly on the creation of stable economic profit (i.e. profit adjusted for risk) rather than embedded value or other value measures based on fixed assumptions about future returns. This reorientation has been achieved by working on several parameters: By using enhanced risk management techniques (a stochastic economic capital model that takes into account the structure of liabilities), by taking advantage of positive regulatory changes, and by introducing new products with lower risk for the company and better expected returns for customers. While the scope for capitalising on each parameter still differs from country to country, the work to maximize economic profit across products and markets has advanced significantly. Thus, the profit available for distribution to shareholders from around 80% of Nordea's life assets is now stable and effectively independent of short-term market fluctuations.

Since the fourth quarter 2002 (i.e. 2 quarters before the current market recovery took hold), Nordea's Life business has delivered high returns to shareholders at a significantly lower levels of risk than before, having focused closely on active risk management to reduce volatility and on ensuring a profitable product range. The profit potential going forward in using Nordea's unique distribution capability to sell a range of life products which are profitable quarter by quarter – even in risk-adjusted terms – is considered to be substantial.

Below, the main features of Nordea's business model are set out:

**Product reengineering.** "New traditional" life products are being introduced where guarantees apply to the principal capital of a policy, as opposed to old products which in addition offered guaranteed returns. These new products represent a reduced risk to the life company and – compared to e.g. unit-linked products – have the advantage to policyholders of simplicity, transparency and a favourable cost structure. At the same time, they offer policyholders better long-run returns, as the amount of reserves that needs to be set aside to cover the guarantee is smaller and consequently more can be invested in equities and other asset classes providing a higher expected long-term return. Nordea has now been selling pure capital-guaranteed products for 6 months in Sweden. In Denmark, return guarantees on existing products have been reduced to 1.5% and capital-guaranteed products are under development, while Norway awaits new legislation expected in 2005. In Finland return to policyholders is traditionally decided on an annual basis. Migration of existing policies to the new products will take place gradually.

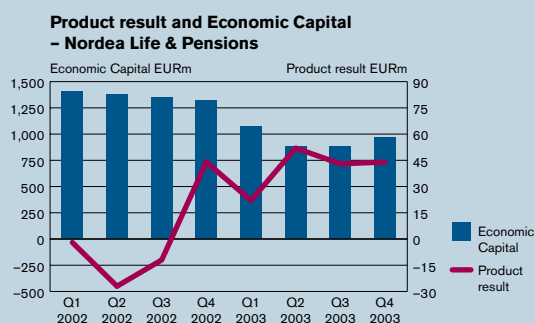
**Fee-based profit-sharing model.** The profit-sharing model applied determines the split of the result between a life company and the policyholders. A fee-based model entails moving away from the situation where the life company's profits are generated by sharing in the investment result realised on the assets held by the company for its poli-

cyholders. Instead, under the new model, the company receives a fee in relation to life provisions. Nordea's Danish Life operation (accounting for approximately 40% of total Nordea Life assets) is now fully on a fee-based model and thus independent of short-term market fluctuations. The same model is being applied for the new line of capital-guarantee products in Sweden and will be introduced in Norway as soon as the relevant legislation is passed. In Finland, a model has been defined which also de-links result from short-term market returns while complying with local regulations.

**Segregation of shareholders' equity from policyholders' reserves.** Traditionally, shareholders' equity in Nordic life companies was invested alongside policyholders' reserves. With segregation, shareholders' equity is split out and invested only in low risk assets of short duration, further reducing the impact of market volatility on the life company's solvency situation and bottom line. At the same time, the flexibility to allocate policyholders' reserves to higher-yielding assets is maintained. Full segregation has been achieved in Denmark and is expected in Norway from 2005. In Sweden, only capital backing new products can be segregated while segregation is not applied in Finland.

**Active risk management.** Nordea Life continuously monitors and reallocates investment assets to maximise the risk/return relationship across product groups and regulatory frameworks. This is done using a model for economic capital that takes into account also the structure of liabilities. One market view and one set of investment guidelines are applied to optimise asset allocation within each jurisdiction and hedging techniques are used to ensure that guarantees are sufficiently covered.

**Full-scale bancassurance.** Nordea is well positioned to benefit from its unique customer base and distribution network. A major part of Nordea's existing stock of policies was originally sold directly by the life companies that are now part of Nordea and non-bank distribution still plays an important role. Going forward, the focus will be on effectively using the bank distribution channels to save resources and increase sales of profitable products to both personal and corporate customers. In addition, significant potential remains in the cross-selling opportunities that exist given Nordea's position as a Nordic full-service bank in both retail and corporate markets.





*Group Treasury is responsible for the Group's own investment portfolio and market risk taking in financial instruments (excluding investments within insurance), as well as Group funding and asset and liability management.*



## Group Treasury

### **Funding**

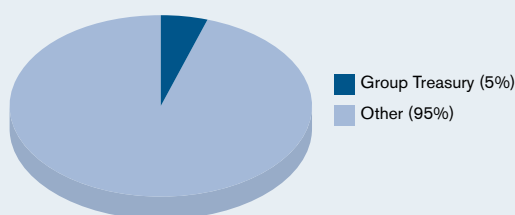
Nordea aims at a broad and well diversified non-rating sensitive funding base. The funding programmes should meet the following objectives: Cost-effective, multi-market, multi-issuer and multi-currency access. The programmes should support the Nordea strategy, be attractive to investors and have low running cost and be operationally flexible.

Issuing activity was high in 2003 following strong demand and increased volumes within mortgage lending. The Danish market is one of the most secure and efficient mortgage bond markets in the world, and in total, Nordea issued DKK 88bn in mortgage bonds. On 1 August, Nordea Kredit was upgraded to Aaa long term by Moody's Investors' Service. In Sweden, almost SEK 60bn was issued in the domestic market – the highest ever volume in a calendar year.

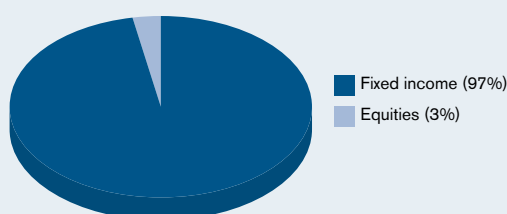
### **Investments**

Group Treasury's active investment strategy is based on an analysis of global economic developments, policy-makers' actions and capital flow developments in the key fixed income, equity and foreign exchange markets. Group Treasury uses

#### Group Treasury in The Nordea Group, % of income 2003

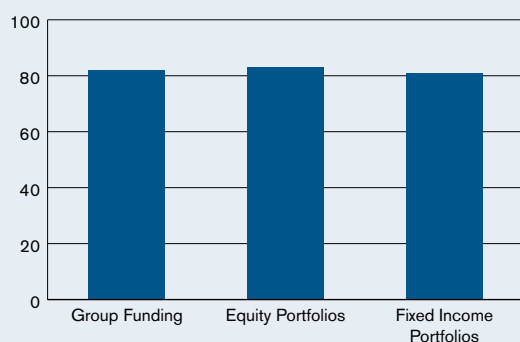


#### Investments 2003, end of period



#### Operating profit by main area 2003

EURm



#### Operating profit by main area

EURm	Total		Group Investments				Group Funding	
	2003	2002	Fixed-income		Equity		2003	2002
Income			92	115	86	-63	115	106
Expenses			-11	-9	-3	-5	-33	-30
<b>Profit excluding investment earnings</b>	<b>82</b>	<b>76</b>					<b>82</b>	<b>76</b>
Investment earnings	164	38	81	106	83	-68		
<b>Operating profit</b>	<b>246</b>	<b>114</b>						

liquid instruments in taking positions in order to keep a high degree of flexibility. Group Treasury is also active in less liquid Nordic instruments.

The active investment activities in 2003 were initially focused on expected weakness in global equities markets after the strong development in late 2002. Group Treasury was well positioned for the bond market rally in the second quarter. In the second half of the year, the effect from the monetary and fiscal stimulus in the USA was stronger than anticipated.

Holdings in long-term equity investments were actively reduced in 2003. However, the value at the end of the year was approximately at the same level as at the beginning of the year following increase in asset prices.

Group Treasury developed a new framework for the management of the Group's own financial investments based on an absolute return mandate given to Group Treasury based on the level of economic capital in Nordea. The new framework implies that investment earnings in Nordea will be measured against a fixed investment return target from 2004.

Group Treasury is responsible for the overall management of the investment risks in the different pension foundations in Nordea covering a number of defined benefit pension plans. In 2003, the process of integrating the management of the financial risks involved continued, and the framework for measurement of the pension liability risk was further developed.

#### Result

Operating profit in Group Treasury consists of earnings from Group Funding and investment earnings. Group Treasury's operating profit was EUR 246m with EUR 82m in earnings before investments. Investment earnings showed a result of EUR 164m. Investment earnings are measured after expenses and funding cost.

*Nordea's corporate values are based on the Nordic heritage of freedom, equal opportunities, care for the environment and good citizenship including ethics, honesty and a high standard of integrity.*



## Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the concept whereby a company maintains and enhances its relations with internal and external stakeholders. Stakeholders are parties who hold an interest in the company and its activities that reach beyond the purely financial performance of the business.

### **Business ethics**

A primary focus within Nordea's Corporate Social Responsibility (CSR) programme is on business ethics. There is a two-fold reason for this.

One reason is that a common set of values and behavioural guidelines is a core element in building a common corporate culture, the very glue that makes one bank out of previously separate entities.

The other main element in this CSR strategic prioritisation is that stringent business ethics is an important security measure in order to manage business risks. Operational risks stem from human behaviour, procedures and systems.



Human behaviour is at the core of the matter because it is people who make decisions, define procedures and make systems.

Nordea has developed a groupwide set of business ethics, the Nordea Code of Conduct. This code applies to all employees of the Nordea Group and non-permanent staff working on behalf of Nordea. Underneath this level, supplementary specifications of this code apply within business areas and Group Functions, thus producing a business ethics structure that covers the entire group and all activities.

### Compliance

CSR is an element in the Group's compliance activities. The Compliance function monitors and follows up that the organisation acts in accordance with internal and external rules and regulations and reports on its findings to the management. An important element of undertaking compliance and CSR activities on a daily basis is the network of Compliance Officers throughout the Group.

### Environmental issues

A common Nordea Environmental Policy has been established, defining how the Group shall manage its environmental responsibilities in its operations. The actual environmental impact of the operations is measured and reported on an annual basis through the Nordea Environmental Footprint report.

There are various business specific policies and guidelines within business functions and business areas. For example, the Environmental Risk Assessment Tool (ERAT) has been developed and applied to the credit evaluation process.

### CSR in the Nordea business model

CSR is an integrated perspective of Nordea's business. The CSR strategy, focus areas, policies and procedures, have all been developed as reflections of the Group's business strategy and actively designed to support our business objectives. Managing business ethics, environmental and societal risks, as well as maintaining a common community social impact are important elements of protecting and enhancing shareholder value and performing the role as a leading provider of financial services to the Nordic business and civil communities.

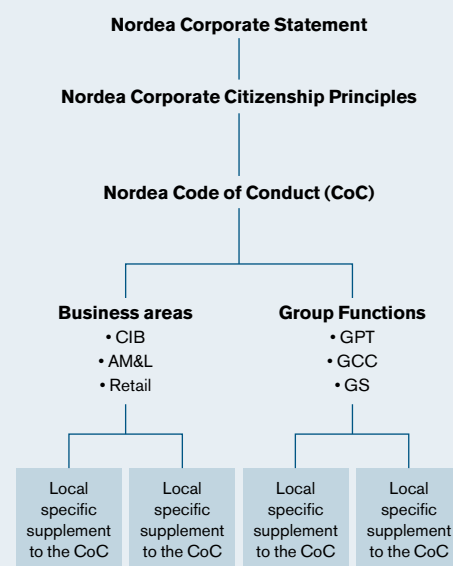
#### Value statement

#### Value definitions

#### Policy level 1

#### Policy level 2

#### Policy level 3



### Corporate Citizenship Principles

**Nordea is committed to sustainable development by combining financial performance with environmental and social responsibility.**

- **We are committed to freedom.** We stand for democracy and a responsible market economy. We support the UN Global Compact and follow the UN declaration of Human Rights, ILO-conventions and the OECD Guidelines for Multinational Enterprises. We do not discriminate based on gender, ethnic background, religion or any other ground.
- **We are committed to equal opportunities.** We seek high professionalism and make it possible for our employees to develop and assume responsibility. We support diversity and a fair representation of women and men as well as ethnic minorities in our organisation.
- **We are committed to caring for the environment.** We work to reduce negative and increase positive environmental impact from our business activities. We have signed the UNEP Banking Principles.
- **We are committed to good citizenship.** We respect the laws, regulations and norms of the countries where we operate while also adhering to our Group policies. We work with others for a prosperous and sustainable development in the communities where our customers and employees do business and live.
- **We are committed to ethics, honesty and sincerity.** We do not offer, request or accept unwarranted gifts and payment nor limit free and fair competition. By adhering to Group policies so that our integrity can not be questioned, we enable shareholders, customers, employees and other concerned parties to make balanced and well-founded decisions.

**To ensure performance according to these principles, we adopt relevant policies, set targets in our management system, ensure that these principles are known throughout the organisation and encourage reports on non-compliance, carry out systematic follow up and deliver open and reliable reporting.**

## The Nordea Code of Conduct

### High standards of integrity and fair business

- Nordea shall be characterized by a high degree of integrity, professionalism and ethics.
- Nordea is only involved in business that is in accordance with law, regulations, signed commitments and our own standards of business ethics.
- Nordea employees are qualified, trained and have management structures to provide the relevant services.
- When providing services, Nordea has terms and conditions for the services that set out the rights and obligations of the parties.
- Nordea has organisational structures, procedures and internal control (i.e. Chinese walls) so that sensitive market information is not spread beyond the areas in which it should be handled.
- Nordea is diligent when providing advice.
- Nordea's marketing and advertising material is not misleading and provides accurate information on the services offered.

### Proper handling of customers

- Within the appropriate business context, Nordea familiarises itself with the customer's financial standing, experience and objectives.
- Nordea provides understandable information (if relevant including potential risks) on the services provided.
- Our ambition is to always ensure that the customer knows what he is deciding and understands the potential consequences.
- Conflicts of interest between Nordea and its customers are identified and prevented or managed so that customers are justly treated.
- Nordea has procedures for the processing of complaints, and provides instructions on how to file a complaint and responds to them within a reasonable time.

### Ethical employee behaviour

- Employees do not offer, request or accept inappropriate gifts, payments or travel.
- Except when using the services provided to ordinary customers through electronic media (e.g. internet banking), employees do not execute their own financial transactions.

- Employees do not participate in business transactions where conflict of interest can arise with their own economic standing or with a third-party where a close relationship exists.
- Employees do not conduct transactions that even can give the impression of using insider information and dishonesty or will undermine the trust and confidence in Nordea.
- Employees do not conduct private transactions or provide economic guarantees that can seriously undermine their own private financial standing.
- Employee external engagements do not interfere with their ability to perform their duties and functions as an employee or undermine trust and confidence in Nordea. In cases of uncertainty external engagements are declared.

### Scope and application

- All employees of Nordea Group and non-permanent staff working on behalf of Nordea, are subject to this Code of Conduct.
- It is the responsibility of each manager to ensure that this code is known and conformed to within his/her respective area of responsibility and to act in a manner that sets a proper example.
- It is the responsibility of Business Area and Unit Managers to determine the necessity of more detailed codes.
- Infringement by employees of this code and subsequent policies, guidelines, and instructions could result in disciplinary action.
- The Compliance Organisation provides support and advice to business areas regarding compliance to this Code of Conduct and regularly verifies the adequacy of policies, guidelines and instructions to ensure compliance with the code.
- The Group Compliance Officer leads the Group Compliance Organisation and reports major findings and issues related to this code directly to the Group Executive Management.

Some of the many positive effects CSR has on business performance are:

- Common behavioural guidelines promote operational efficiency and reduce complexity
- Environmental protective measures means more effective and reduced consumption of resources, thereby cutting operational costs
- High standards of business ethics, environmental awareness and community involvement build and protect reputation and brand value.

- Consistent and stringent business ethics reduces operational business risks stemming from human behaviour.
- Managing environmental and societal risks reduce credit and investment risk profiles.

For further information on CSR in the Nordea Group, please refer to [www.nordea.com](http://www.nordea.com).

*In Nordea the aim is to attract, develop and retain highly motivated, competent and performance-oriented employees. The employees form the basis for the successful development of Nordea. To be an attractive employer for the generations to come and to retain an adequate mix of young potentials and experience in the organisation are challenging tasks for the line organisation and the HR function.*

## Human Resources

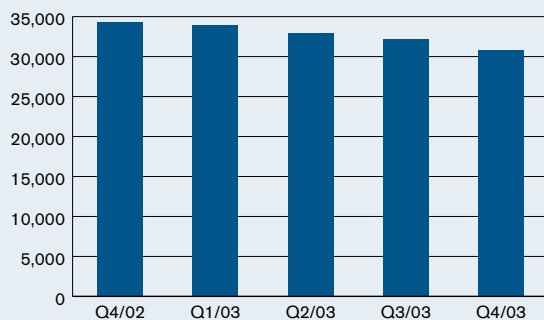


In 2003, the decline in the number of employees continued, mainly as a consequence of Nordea's focus on integration and efficient processes. The number of personnel was reduced by 3,510 or approximately 10% in 2003 compared to 2002. Part of the reduction, approximately 1,300 employees, is the result of an outsourcing of units from the Group including the outsourcing of IT Production to Nordic Processor as well as divestment of non-core activities.

### **Reinvestment in human capital**

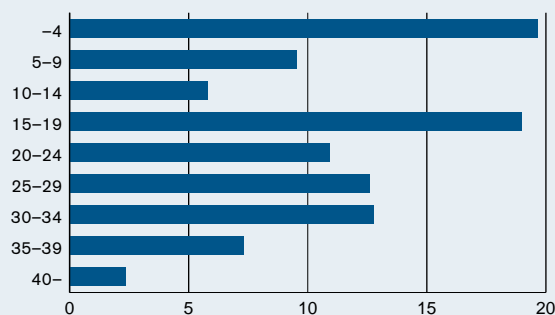
Structural changes such as consolidation of staff functions in one location have resulted in organisational changes and movements of functions between countries as well as reductions in the number of positions.

**Overall number of employees**



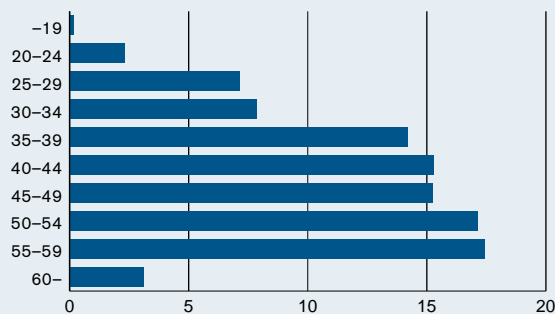
**Employees distributed by seniority**

% of employees



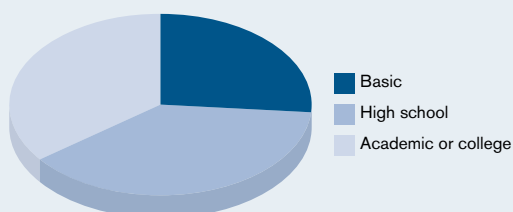
**Employees distributed by age**

% of employees



**Employees distributed by educational level**

% of employees



To support the reinvestment in human capital, the HR organisation has focused on providing new job opportunities for employees identified as redundant in their present positions. The new opportunities have been found by systematically "matching" the redundant employees against open positions elsewhere in the Group. This effort has made it possible to redeploy existing competencies within Nordea and it has been an important factor to support the change processes. Less external recruitment has likewise contributed to increased reinvestment in the human capital in the Group.

Individual performance and the need for competence up-grades are reviewed in the Personnel Development Dialogue between employee and manager. High level managers are further assessed on performance and promotability in the Executive Audit, used as a guide to set up individual development plans and objectives.

On average 60% of Nordea employees are women. Out of managers from branch-level and higher women constitute roughly 30%. To support women to take on managerial positions to a greater extent, successful mentor programmes were conducted in Denmark and Sweden.

### Employee satisfaction

An important part of Nordea's overall strategy is to attract, develop and retain highly motivated, competent and performance oriented employees. To measure the actual level of employee satisfaction, a yearly survey is carried out.

Results from the survey are available to all units in the Group. The result forms the basis for an open dialogue between managers and employees on how to improve performance, satisfaction and motivation in the unit and subsequently to develop an action plan for improvements.

The overall satisfaction and motivation among the staff remains reasonably stable compared to the survey conducted in 2002. However, there are variations in the results between business areas and Group Functions.

#### **Satisfaction and Motivation Index<sup>1</sup>**

	2003	2002
Nordea	69	70
Asset Management & Life	66	68
Corporate and Institutional Banking	64	66
Retail Banking	72	71
Group Audit	68	66
Group Staffs	68	70
Group Corporate Centre	62	65
Group Processing and Technology	64	68

<sup>1</sup> Definition has been changed compared to 2002 but comparability has been ensured.

Benchmarking shows that the overall Satisfaction and Motivation index in Nordea is on the same level as for the Nordic Financial Labour Market.

To a certain degree the development in the figures reflects structural changes implemented in Nordea.

A description of the incentive schemes in Nordea can be found in the Annual Report 2003, page 17.

#### **HR Service Excellence**

A programme to implement unified HR processes in combination with modern IT support systems is under implementation in Nordea. The first step in the implementation of the unified processes is the development of common job descriptions for the majority of positions in Nordea, based on generic success criteria and competencies, providing clarity, consistency and focus for employees.

## Board of Directors



### **Hans Dalborg**

#### *Chairman*

Board member since 1998.  
Born 1941. Board chairman of the Royal Swedish Opera, Uppsala University, Young Enterprise Sweden and the Norwegian-Swedish Chamber of Commerce. Board member of Axel Johnson AB and the Swedish Touring Club. Member of EFR – European Financial Services Round Table and IVA – Royal Swedish Academy of Engineering Sciences. Shareholding: 40,760 Nordea



### **Timo Peltola**

#### *Vice Chairman*

Board member since 1998.  
Born 1946. Chief Executive Officer of Huhtamäki Oyj. Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. Member of the Supervisory Boards of the Finnish Cultural Foundation and the Finnish Fair Corporation. Shareholding: 5,187 Nordea



### **Kjell Aamot**

Board member since 2001.  
Born 1950. Chief Executive Officer of Schibsted ASA. Board chairman of Aftenposten AS, Verdens Gang AS, Schibsted TV & Film AS, Schibsted Print Media AS, Schibsted Multimedia AS. Shareholding: 2,000 Nordea



### **Harald Arnkvaern**

Board member since 2001.  
Born 1939. Law practice in cooperation with Advokatfirmaet Haavind Vislie AS. Board chairman of AS Vinmonopolet and Schøyen Gruppen AS. Board member of Concordia BV, Concordia Bus AB (publ) and GIEK Kreditforsikring AS. Chairman of Board of representatives Orkla ASA. Shareholding: 1,000 Nordea



### **Gunnel Duveblad**

Board member since 2003.  
Born 1955. President EDS Europe Norther Region. Appointed member 2003. Shareholding: 5,700 Nordea



### **Bertel Finskas**

Board member since 2000.  
Born 1948. Employee representative. Shareholding: 1,400 Nordea



### **Liv Haug**

Board member since 2001.  
Born 1954. Employee representative. Shareholding: 0 Nordea



### **Birgitta Kantola**

Board member since 2003.  
Born 1948. Board member Fortum Plc, Varma Mutual Pension Insurance Company, Vasakronan AB and Akademiska Hus AB. Appointed member 2003. Shareholding: 1,000 Nordea

Shareholdings also include shares held by family members.





**Claus Høeg Madsen**

Board member since 2000.  
Born 1945. Partner at Jonas Bruun Advokatfirma. Board member of Genpack A/S, ISS A/S, Singer Danmark A/S and Scanbox Entertainment A/S.  
Shareholding: 1,803 Nordea



**Bernt Magnusson**

Board member since 1998.  
Born 1941. Board chairman of Swedish Match AB and Dyno Nobel ASA. Board member of Net Insight AB, Volvo Car Corporation, Höganas AB and Emtunga International AB. Adviser to the European Bank for Reconstruction and Development.  
Shareholding: 27,174 Nordea



**Lars G Nordström**

*Group CEO*  
Board member since 2003.  
Born 1943. Board chairman of the Finnish-Swedish Chamber of Commerce and board member of the Swedish-American Chamber of Commerce.  
Shareholding: 15,000 Nordea



**Jørgen Høeg Pedersen**

Board member since 2000.  
Born 1938. Managing Director of Nordea Danmark Fonden and Fonden Tietgen Kollegiet. Board member of Ejendomsselskabet Axelborg I/S and World Union of wholesale markets.  
Shareholding: 7,943 Nordea



**Kent Petersen**

Board member since 2003.  
Born 1967.  
Employee representative.  
Shareholding: 1,162 Nordea



**Rauni Söderlund**

Board member since 2003.  
Born 1960.  
Employee representative.  
Shareholding: 0 Nordea



**Maija Torkko**

Board member since 2002.  
Born 1946.  
Senior VP and Corporate Controller, Nokia Corp.  
Shareholding: 12,000 Nordea

Shareholdings also include shares held by family members.



## Group Executive Management



**Lars G Nordström**  
*Group CEO.*  
Born 1943.  
Appointed member 2000.  
Shareholding: 15,000 Nordea.



**Christian Clausen**  
*Head of Asset Management & Life.*  
Born 1955.  
Appointed member 2001.  
Shareholding: 8,267 Nordea.



**Carl-Johan Granvik**  
*Head of Group Credit and Risk Control, CRO.*  
Born 1949.  
Appointed member 2000.  
Shareholding: 4,175 Nordea.



**Kari Jordan**  
*Head of Retail Banking.*  
Born 1956.  
Appointed member 2002.  
Shareholding: 1,356 Nordea.



**Arne Liljedahl**<sup>1</sup>  
*Head of Group Corporate Centre, CFO.*  
Born 1950.  
Appointed member 2000.  
Shareholding: 11,100 Nordea.



**Markku Pohjola**<sup>1</sup>  
*Head of Group Processing and Technology, Deputy CEO.*  
Born 1948.  
Appointed member 2000.  
Shareholding: 9,080 Nordea.



**Tom Ruud**<sup>1</sup>  
*Head of Corporate and Institutional Banking.*  
Born 1950.  
Appointed member 2001.  
Shareholding: 0 Nordea.



**Peter Schütze**<sup>1</sup>  
*Head of Group Staffs.*  
Born 1948.  
Appointed member 2002.  
Shareholding: 7,660 Nordea.

<sup>1</sup> Country Senior Executive

Shareholdings also include shares held by family members.

# Nordea Management

## President and Group CEO

Lars G Nordström

### Retail Banking

Kari Jordan

### Regional Banks Denmark

Peter Lybecker

#### West Denmark

Jørn Kr. Jensen

#### East Denmark

Michael Rasmussen

### Regional Banks Finland

Harri Sailas

#### Helsinki & Uusimaa

Pekka Nuuttila

#### Central & Western Finland

Pekka Ojala

#### East & North Finland

Jukka Perttula

### Regional Banks Norway

Baard Syrrist

#### East Norway

Alex Madsen

#### Coast Norway

Egil Valderhaug

### Regional Banks Sweden

Hans Jacobson

#### Northern & Central Sweden

Siv Svensson

#### Stockholm

Johan Sylvén

#### Western Sweden

Torsten Allqvist

#### Southern Sweden

Arne Bernroth

### Regional Banks Poland and Baltic Countries

Thomas Neckmar

### Household

Kurt Gustafsson

### Corporate

Håkan Nordblad

### Nordic Wealth Management<sup>1</sup>

Eira Palin-Lehtinen

### Planning and Control

Claus K. Møller

### Market Support

Maj Stjernfeldt

### Nordea Finance

Stefan Källström

### Corporate and Institutional Banking

Tom Ruud

### Corporate Banking Division

Henrik Mogensen

#### Denmark

Jørgen Høholt

#### Finland

Olli-Petteri Lehtinen

#### Norway

Øivind Solvang

#### Sweden

Peter Carlsson

### International and Shipping Division

Carl E. Steen

### Financial Institutions Division

Birger Gezelius

### Markets

Peter Nyegaard

### Planning and Control

Ari Kaperi

### Asset Management & Life

Christian Clausen

### Investment Management

Henrik Priergaard

### Investment Funds

Jan Petter Borvik

### Nordic Wealth Management<sup>1</sup>

Eira Palin-Lehtinen

### European Private Banking

Jhon Mortensen

### Life & Pensions

Allan Polack

### Business Area Controller

Magnus Erkander

### Business Support

Ove Hygum

### Group Processing and Technology

Markku Pohjola, Deputy Group CEO

### Group IT

Jarle Haug

### Electronic Banking

Bo Harald

### Global Operations Services

Tapio Saarelainen

### Production and Productivity

Per E. Berg

### Group Integration Office

Timo Jalamo

### Group Corporate Centre

Arne Liljedahl, CFO

### Group Credit and Risk Control

Carl-Johan Granvik, CRO

### Group Treasury

Jakob Grinbaum

### Group Planning and Control

Erik Öhman

### Group Finance

Jarmo Laiho

### Investor Relations

Sigurd Carlsen

### Group Corporate Development

Jakob Grinbaum

### Group Staffs

Peter Schütze

### Group Support and Procurement

Gert Aage Nielsen

### Group Human Resources

Peter Forsblad

### Group Identity and Communications

Torben Laustsen

### Group Legal

Lena Eriksson

### Group Compliance

Sonja Lohse

### Planning and Strategy

Ellen Pløger

### Group Management Secretariat

Flemming Dalby Jensen

### Internal Audit Activity

Dag Andresen

### Company Secretary

Kari Suominen

<sup>1</sup> Joint Unit between Retail Banking and Asset Management & Life.

# Notice of the Annual General Meeting

## **The shareholders of Nordea Bank AB (publ) are hereby summoned to the Annual General Meeting of Shareholders on Wednesday 31 March 2004**

The annual general meeting will be held at 2.00 p.m. Swedish time in the Aula Magna, Stockholm University, Frescativägen 10, Stockholm.

The shareholders may also participate in the annual general meeting through telecommunication

- at 3.00 p.m. Finnish time in the Dipoli, Otakaari 24, Otaniemi, Espoo
- at 2.00 p.m. Danish time in the Bella Center, Center Boulevard 5, Copenhagen.

Registration of participation at the annual general meeting will be broken off at the opening of the annual general meeting.

The premises will open at 12.15 p.m. local time in Copenhagen, at 12.30 p.m. local time in Stockholm and at 1.00 p.m. local time in Espoo. At 1.00 p.m. in Copenhagen and Stockholm and 2.00 p.m. in Espoo respectively the executive management will hold an information meeting and will then answer questions from the shareholders.

### **Common instructions to all shareholders**

Shareholders who wish to participate in the annual general meeting shall be entered in the share register maintained by the Swedish Securities Register Center (VPC AB) not later than 19 March 2004. The following shareholders therefore have to temporarily re-register their shares in their own names in VPC AB in Sweden in order to be entitled to participate in the annual general meeting.

- Shareholders whose shares are held in trust in Sweden
- Shareholders who are holders of Finnish Depositary Receipts in Finland
- Shareholders who are holders of shares registered in Værdipapircentralen in Denmark

Such re-registration shall be completed at VPC AB in Sweden by 19 March 2004. This means that the shareholder shall, in good time prior to this date, inform the trustee about this.

## **Instructions to holders of shares registered in VPC AB in Sweden**

Notification of participation in the annual general meeting shall be made to Nordea Bank AB (publ) (the Bank) at the latest on 25 March 2004 at 1.00 p.m. Swedish time to the following address: Nordea Bank AB (publ), Custody Operations, C 02, SE-105 71 Stockholm, or by telephone +46 8 614 97 10, or by fax: +46 8 791 76 45, or on the Internet at the following address: [www.nordea.com](http://www.nordea.com).

## **Instructions to holders of Finnish Depositary Receipts (FDR) in Finland**

Request for re-registration in one's own name and notification of participation in the annual general meeting shall be made at the latest on 18 March 2004 at 4.00 p.m. Finnish time to Nordea Bank Finland Plc, 2698 Corporate Actions, 00020 Nordea, or by telephone +358 9 165 51398 or +358 9 165 51406 or fax +358 9 637 256, or on the Internet at the following address: [www.nordea.com](http://www.nordea.com).

Shareholders, whose shares are registered in the shareholders' own names in VPC AB in Sweden, may also notify their participation in the annual general meeting later, however not later than 25 March 2004 at 2.00 p.m. Finnish time in the above-mentioned manner.

## **Instructions to holders of shares registered in Værdipapircentralen in Denmark**

Request for re-registration in one's own name and notification of participation in the annual general meeting shall be made at the latest on 18 March 2004 at 12.00 noon Danish time to one of Nordea Bank Danmark's branch offices, or to Nordea Bank Danmark A/S, Issuer Services, H.H., Box 850, 0900 Copenhagen C, or by telephone +45 33 33 33 01 or fax +45 33 33 10 31, or on the Internet at the following address: [www.nordea.com](http://www.nordea.com).

At the re-registration, each shareholder should state in which financial institute the shares are registered and the account number.

Shareholders, whose shares are registered in the shareholders' own names in VPC AB in Sweden, may also notify their participation in the annual general meeting later, however not later than 25 March 2004 at 1.00 p.m. Danish time in the above-mentioned manner.

The parent company, Nordea AB (publ), has been granted a bank charter and changed its name to Nordea Bank AB (publ) as of 30 January 2004.

Nordea Bank AB (publ) Corporate registration no. 516406-0120  
(Previously Nordea AB (publ) Corporate registration no. 556547-0977)  
Hamngatan 10  
SE-105 71 Stockholm

Tel +46 8 614 78 00  
Fax +46 8 10 50 69  
[www.nordea.com](http://www.nordea.com)

Lay-out: Market Support  
Production: n3prenör  
Photo: Brummer Fotografi, Östen Matsson  
Printing: Trosa Tryckeri AB

95930

