Nordea

Press release

Copenhagen, Helsinki, Oslo, Stockholm, 29 October 2003

# Interim Report Third Quarter 2003

## Stable underlying development in Q3

- **Operating profit EUR 470m (EUR 579m in Q2)**
- **Net profit up 55% to EUR 628m (EUR 405m in Q2 and EUR 193m in Q3/02)**
- **Total income EUR 1,403m (EUR 1,463m in Q2 and EUR 1,406m in Q3/02)**
- **Total expenses down 2% to EUR 881m (EUR 902m in Q2)**
- **Earnings per share EUR 0.21 (EUR 0.14 in Q2 and EUR 0.07 in Q3/02)**
- **Return on equity, excl. goodwill, 26.6%, 14.0% when using standard tax rate (18.1% in Q2)**

## Significantly improved performance in the first nine months of 2003

- **Operating profit up 30% to EUR 1,429m (EUR 1,101m Jan-Sep 02)**
- **Total income EUR 4,240m (EUR 4,213m)**
- **Total expenses down 2% to EUR 2,700m (EUR 2,752m)**
- **Earnings per share, rolling 12 months, EUR 0.55**
- **Return on equity, excl. goodwill, 19.0%, 14.8% when using standard tax rate**

## Continued focus

- **Partnership agreement with IBM for IT production services**
- **Sale of Norwegian debt collection company Inkassosentralen**
- **Change process of legal structure on track**
- **Repurchase of own shares**

**"***We now for the third consecutive quarter report financial results and activities on the right track. Adjusted for non-recurring gains the level of income was maintained. Costs continue to decline. Loan losses are concentrated to isolated areas and our credit quality is maintained. Our efforts to reduce complexity start giving results paving the way for further increased efficiency and simplification of our operations", says Lars G Nordström, President and Group CEO of Nordea*

# Operational income statement

| EURm | **Q3 2003** | Q2 2003 | Change % | Jan-Sep 2003 | Jan-Sep 2002 | Change % | Full year 2002 |
|---|---|---|---|---|---|---|---|
| Net interest income | **838** | 843 | -1 | 2,516 | 2,566 | -2 | 3,451 |
| Net commission income | **379** | 366 | 4 | 1,098 | 1,147 | -4 | 1,535 |
| Trading | **130** | 155 | -16 | 442 | 400 | 11 | 530 |
| Other | **56** | 99 | -43 | 184 | 100 | 84 | 154 |
| **Total income** | **1,403** | **1,463** | **-4** | **4,240** | **4,213** | **1** | **5,670** |
| Personnel expenses | **-531** | -539 | -1 | -1,590 | -1,541 | 3 | -2,086 |
| Other expenses | **-350** | -363 | -4 | -1,110 | -1,211 | -8 | -1,659 |
| **Total expenses** | **-881** | **-902** | **-2** | **-2,700** | **-2,752** | **-2** | **-3,745** |
| **Profit before loan losses** | **522** | **561** | **-7** | **1,540** | **1,461** | **5** | **1,925** |
| Loan losses, net | **-89** | -92 | -3 | -279 | -185 | 51 | -261 |
| Equity method | **10** | 19 | -47 | 43 | 36 | 19 | 52 |
| **Profit before investment earnings and insurance** | **443** | **488** | **-9** | **1,304** | **1,312** | **-1** | **1,716** |
| Investment earnings, banking | **27** | 81 | | 137 | 81 | | 122 |
| Operating profit, life insurance | **40** | 50 | | 109 | -42 | | 2 |
| Operating profit, general insurance | **-** | - | | - | -122 | | -122 |
| Goodwill depreciation | **-40** | -40 | 0 | -121 | -128 | -5 | -171 |
| **Operating profit** | **470** | **579** | **-19** | **1,429** | **1,101** | **30** | **1,547** |
| Allocation to pension foundation | **-** | - | | - | -272 | | -255 |
| Taxes | **159** | -174 | | -139 | -265 | -48 | -405 |
| Minority interests | **-1** | 0 | | -2 | 0 | | 0 |
| **Net profit** | **628** | **405** | **55** | **1,288** | **564** | **128** | **887** |

# Ratios and key figures

| | **Q3 2003** | Q2 2003 | Jan-Sep 2003 | Jan-Sep 2002 | Full year 2002 |
|---|---|---|---|---|---|
| Earnings per share, EUR | **0.21** | 0.14 | 0.44 | 0.19 | 0.30 |
| Share price, EUR, end of period | **4.92** | 4.17 | 4.92 | 4.05 | 4.20 |
| Shareholders' equity per share[1], EUR | **4.28** | 4.03 | 4.28 | 3.91 | 4.06 |
| Shares outstanding[1], million | **2,928** | 2,928 | 2,928 | 2,928 | 2,928 |
| Return on equity (excluding goodwill)[2], % | **26.6** | 18.1 | 19.0 | 10.0 | 11.3 |
| Return on equity, % | **20.6** | 13.5 | 14.2 | 6.4 | 7.5 |
| Lending, EURbn | **149** | 147 | 149 | 147 | 146 |
| Deposits, EURbn | **93** | 91 | 93 | 93 | 94 |
| Shareholders' equity[1], EURbn | **13** | 12 | 13 | 12 | 12 |
| Total assets, EURbn | **261** | 270 | 261 | 252 | 250 |
| Assets under management, EURbn | **107** | 102 | 107 | 93 | 96 |
| Cost/income ratio, banking[3], % | **61** | 58 | 61 | 64 | 64 |
| Cost/income ratio excluding investment earnings, % | **62** | 61 | 63 | 65 | 65 |
| Tier 1 capital ratio, % | **7.5** | 7.5 | 7.5 | 7.0 | 7.1 |
| Total capital ratio, % | **9.8** | 9.8 | 9.8 | 9.0 | 9.9 |
| Risk-weighted assets, EURbn | **135** | 135 | 135 | 137 | 135 |

[1] End of period. Average number of shares Jan-Sept 2003 was 2,928 million (Jan-Dec 2002 2,955 million). Dilution not applicable.

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

[3] Total expenses divided with total income, equity method and investment earnings, banking.

# Quarterly development

| EURm | Note | Q3 2003 | Q2 2003 | Q1 2003 | Q4 2002 | Q3 2002 |
|---|---|---|---|---|---|---|
| Net interest income | | **838** | 843 | 835 | 885 | 874 |
| Net commission income | 1 | **379** | 366 | 353 | 388 | 371 |
| Trading | | **130** | 155 | 157 | 130 | 127 |
| Other | | **56** | 99 | 29 | 54 | 34 |
| **Total income** | | **1,403** | **1,463** | **1,374** | **1,457** | **1,406** |
| Personnel expenses | | **-531** | -539 | -520 | -545 | -521 |
| Other expenses | | **-350** | -363 | -397 | -448 | -404 |
| **Total expenses** | 2 | **-881** | **-902** | **-917** | **-993** | **-925** |
| **Profit before loan losses** | | **522** | **561** | **457** | **464** | **481** |
| Loan losses, net | | **-89** | -92 | -98 | -76 | -66 |
| Equity method | | **10** | 19 | 14 | 16 | 4 |
| **Profit before investment earnings and insurance** | | **443** | **488** | **373** | **404** | **419** |
| | | | | | | |
| Investment earnings, banking | | **27** | 81 | 29 | 41 | 39 |
| Operating profit, life insurance | | **40** | 50 | 19 | 44 | -13 |
| Operating profit, general insurance | | **-** | - | - | - | -4 |
| Goodwill depreciation | | **-40** | -40 | -41 | -43 | -42 |
| **Operating profit** | | **470** | **579** | **380** | **446** | **399** |
| | | | | | | |
| Allocation to pension foundation | | **-** | **-** | - | 17 | -120 |
| Taxes | | **159** | -174 | -124 | -140 | -86 |
| Minority interests | | **-1** | 0 | -1 | 0 | 0 |
| **Net profit** | | **628** | **405** | **255** | **323** | **193** |
| EPS | | **0.21** | 0.14 | 0.09 | 0.10 | 0.07 |
| EPS, rolling 12 months up to period end | | **0.55** | 0.40 | 0.30 | 0.30 | 0.38 |

Note 1 **Net commission income,** EURm

| | Q3 2003 | Q2 2003 | Q1 2003 | Q4 2002 | Q3 2002 |
|---|---|---|---|---|---|
| Brokerage | **28** | 20 | 24 | 35 | 38 |
| Asset management/Investment funds | **120** | 114 | 104 | 108 | 101 |
| Issue of securities | **2** | 6 | 5 | 7 | 6 |
| Lending | **88** | 87 | 88 | 95 | 86 |
| Deposits and payments | **194** | 191 | 179 | 195 | 189 |
| Foreign exchange | **10** | 9 | 7 | 15 | 11 |
| Other | **35** | 25 | 32 | 39 | 33 |
| Commission expenses | **-84** | -80 | -76 | -88 | -85 |
| Commission income | **393** | **372** | **363** | **406** | **379** |
| Of which investment activities | **-14** | -6 | -10 | -18 | -8 |
| **Commission income** | **379** | **366** | **353** | **388** | **371** |

Note 2 **Expenses,** EURm

| | Q3 2003 | Q2 2003 | Q1 2003 | Q4 2002 | Q3 2002 |
|---|---|---|---|---|---|
| Personnel[1] | **532** | 541 | 521 | 547 | 523 |
| Information technology[2] | **88** | 85 | 99 | 136 | 111 |
| Marketing | **14** | 23 | 18 | 34 | 21 |
| Postage, telephone and office expenses | **53** | 49 | 58 | 62 | 50 |
| Rents, premises and real estate expenses | **74** | 81 | 82 | 89 | 79 |
| Other | **123** | 128 | 142 | 130 | 146 |
| Expenses | **884** | **907** | **920** | **998** | **930** |
| Of which investment activities[3] | **-3** | -5 | -3 | -5 | -5 |
| **Expenses** | **881** | **902** | **917** | **993** | **925** |

[1] Variable salaries were EUR 22m in Q3 2003 (Q2 2003: EUR 27m).

[2] Refers to IT operations, service expenses and consultant fees. Total IT-related costs in Q3 2003, including personnel etc, but excluding IT expenses in insurance operations, were EUR 166m (Q2 2003: EUR 174m).

[3] Including personnel expenses (Q3: EUR 1m).

# The Group

## Result summary third quarter

The third quarter result was characterised by a slightly lower income level, continued reduction of costs and maintained quality of the credit portfolio.

Operating profit was EUR 470m, compared to EUR 579m the previous quarter, a decrease of 19% reflecting lower investment earnings and reduced non-recurring gains, as well as somewhat reduced trading income, and lower costs and loan losses.

Total income decreased somewhat. Adjusted for non-recurring items in both quarters total income was largely unchanged. Total expenses were reduced by 2% to EUR 881m.

Taxes showed a positive contribution of EUR 159m and net profit amounted to EUR 628m, corresponding to EUR 0.21 per share. Return on equity was 26.6% (excluding goodwill). The rolling 12 months' earnings per share were EUR 0.55.

## Development in the third quarter

The global economy improved slightly in the third quarter. Nordic stock exchange indices increased between 1% and 11%, while trading volumes on average increased by 24%. Short-term interest rates on average were somewhat lower following rate cuts in all Nordic currencies in June and for Norwegian Kroner and Swedish Kronor in the third quarter.

Total lending increased 1% to EUR 149bn, mainly as a result of growth in household mortgages. Deposits increased by 2% to EUR 93bn. Retail deposits increased, while deposits from large corporates decreased.

Assets under management increased by 5% to EUR 107bn, evenly supported by new net inflows and value increases.

During the last 12 months lending increased by 1% and deposits were unchanged. Adjusted for currency fluctuations, lending and deposits increased by 2%.

***Income***

Net interest income was largely unchanged at EUR 838m (EUR 843m). Short-term interest rates were on average 40 to 50 basis points lower than in the second quarter, leading to continued pressure on interest income. This was compensated by hedges against falling short-term rates.

Lending margins overall remained stable. Household lending volumes continued to grow, in the third quarter by EUR 3bn, or 6%. Volumes for small, medium-sized as well as large corporates were largely unchanged.

Net commission income increased by 4% to EUR 379m (EUR 366m). Commissions from asset management increased by 5% supported by strong sales and the strengthening of equity markets. Commissions from payments improved slightly, while brokerage increased by EUR 8m to EUR 28m.

Trading income decreased to EUR 130m from the high level of EUR 155m, mainly reflecting lower activity in the market. Nordea maintains its position as a leading provider of derivatives and debt-capital-market services.

Other income decreased to EUR 56m (EUR 99m). Other income included an unrealised gain following the offer from OM on shares in the Finnish stock exchange, HEX, and the gain on the sale of the Norwegian debt collecting company Inkassosentralen, in total amounting to approximately EUR 35m. In the previous quarter non-recurring gains amounted to approximately EUR 75m. Apart from these gains, other income primarily consists of property-related income.

***Expenses***

Expenses decreased by 2% to EUR 881m (EUR 902m), reflecting somewhat lower seasonal activity and continued strict cost management. Restructuring charges and variable salaries taken together were somewhat lower than in the previous quarter. Personnel expenses declined by 1% and other expenses by 4%.

***Loan losses***

Loan losses amounted to EUR 89m (EUR 92m). Loan losses in the third quarter corresponded to 0.24% of total loans and guarantees, annualised. The majority of loan losses is concentrated to provisions on the Norwegian Retail Banking portfolio, and relates almost exclusively to fish farming.

Nordea has exposure to the Norwegian fish farming company Pan Fish ASA. At the end of September Nordea owned approximately 43% of the company. In the refinancing plan of the company approved on 10 October, Nordea committed to convert loans amounting to approximately NOK 500m to shares and a convertible loan. As part of the total refinancing other shareholders of Pan Fish have an option to buy a maximum of 3.7bn shares from Nordea. Nordea's ownership share of the company following the refinancing depends on the extent to which other shareholders utilise their option to buy shares from Nordea.

Based on the refinancing, a further provision of EUR 67m was made on Pan Fish in the third quarter. The new shares and the convertible loan will be charged off against this provision when the refinancing is completed in the fourth quarter. All Nordea's shares in Pan Fish will subsequently be valued at zero.

Following the provision made in the third quarter, Nordea's net exposure to Pan Fish at 30 September was approximately EUR 175m.

***Investment earnings, banking***
Investment earnings, banking, decreased to EUR 27m from EUR 81m reflecting higher market interest rates in the third quarter, resulting in a small loss on the fixed-income portfolio. Equities performed well.

***Life insurance***
Profit from Life was EUR 40m (EUR 50m). The profit reflects increased stability resulting from the gradual implementation of the changed business model for Nordea's life operations. Lower investment return, however, also influenced profit for the quarter.

***Equity method***
Profit from companies accounted for under the equity method amounted to EUR 10m (EUR 19m).

***Tax***
Taxes showed a positive contribution of EUR 159m, following the inclusion of a deferred tax asset of EUR 300m.

The deferred tax asset is a result of the change process of the Group's legal structure, whereby a loss has materialised in the taxation of Nordea Bank Finland in connection with the sale of Nordea Bank Denmark, Nordea Bank Norway and Nordea Bank Sweden to Nordea AB.

***Net profit***
Net profit amounted to EUR 628m (EUR 405m), corresponding to EUR 0.21 per share and a return on equity of 26.6% (excluding goodwill).

## Result in the first nine months in comparison with same period in 2002

Operating profit was 30% higher than the corresponding period last year, following a slight increase in income, lower costs and increased loan loss provisions as well as increased investment earnings and profit from insurance.

***Income***
Falling short-term interest rates put pressure on deposit margins. Net interest income fell only slightly, mainly as a result of increasing lending and deposit volumes and improved corporate lending margins in certain segments.

Net commission income declined by 4% reflecting lower brokerage income as a result of weak equity markets partly compensated by increased payments commissions. Trading income increased by 11%.

Other income increased as a result of several minor non-recurring items.

***Expenses***
Expenses decreased by EUR 52m, or 2%. When adjusting for acquired business in Poland, higher restructuring costs, and variable salaries, as well as currency fluctuations and use of previous restructuring reserves, underlying expenses are estimated to have decreased by 5%.

Taking into account organic growth in business volumes and general wage and price increases, a considerable rationalisation has been achieved.

The reduction of approximately 1,500 employees this year is the main contributing factor to keeping underlying personnel expenses flat on a comparable basis.

The cost/income ratio was 61% (64%).

***Loan losses***
Loan losses were EUR 94m higher this year, primarily reflecting the weakness in parts of the Norwegian Retail Banking portfolio. Loan losses corresponded to 0.25% of total loans and guarantees, annualised.

***Investment earnings, banking***
Investment earnings increased by EUR 56m to EUR 137m in the first three quarters following gains on both fixed income and equity portfolios.

***Life insurance***
Profit from Life improved to EUR 109m from a deficit of EUR 42m in the previous year, reflecting the gradual implementation of the changed business model in Life, and improved investment return.

***Net profit***
Net profit increased by 128% to EUR 1,288m compared to the same period last year, reflecting the improvement in operating profit as well as the positive tax contribution in the third quarter and last year's allocation to pension foundations.

Earnings per share were EUR 0.44 (EUR 0.19) and return on equity (excl. goodwill) was 19.0% (10.0%).

Using standard tax rate, earnings per share would have been EUR 0.33 and return on equity would have been 14.8% (excluding goodwill).

## Credit quality – losses in isolated areas

The Group's continuous concentration on Nordic customers has helped maintain the credit quality at a satisfactory level.

At the end of the quarter, impaired loans, net, amounted to EUR 844m (EUR 836m in the second quarter), representing 0.57% (0.57%) of total lending.

Following the continuous strong growth in mortgage lending the composition of the lending portfolio changed slightly in the third quarter with respect to exposure to customer groups. The share of corporate lending decreased from 57% to 55% of the portfolio while lending to personal customers increased from 41% to 43% of total lending. Loans to the public sector represented 2%.

Within the personal customer sector, mortgage loans account for 76%. Other lending to personal customers includes consumer loans, overdraft facilities, car financing, credit card financing etc.

There was no major change in the composition of the corporate loan portfolio in the third quarter.

Real estate management remains the largest industry exposure in the credit portfolio and amounts to EUR 22.0bn, representing 15% of the total portfolio. Relatively large and financially strong companies dominate the portfolio, which has a high level of collateral coverage. Despite the increase in vacancy rates in commercial properties experienced in the Nordic capitals, the credit quality is stable.

Exposure to the fisheries industry amounted to EUR 2.2bn of which EUR 1.9bn is outstanding. Approximately 44% of the exposure is related to fish farming, 35%, is related to fishing vessels, and 21% to fish processing industry. The weakness in the fisheries portfolio has been related to the fish-farming industry, representing 0.6% of the bank's loan book. A weaker Norwegian currency was not sufficient to compensate for depressed salmon prices in the first half of the year. In the third quarter salmon prices have increased, and the outlook for the industry has improved. However, the current price level is not sufficient for most producers to achieve an acceptable level of profitability, and there is still reason for caution for the industry going forward.

## Cost level – well within target

Nordea aims through 2003 and 2004 not to exceed the cost level of 2002. Total expenses in 2002 were EUR 3,745m.

During the last 12 months Nordea has increased the focus on rationalisation and general cost control, including restructuring of several business activities. In addition integration projects such as centralisation of back office and Group functions, as well as outsourcing, have been prioritised to realise further cost savings. Such initiatives will be given high priority also going forward.

On 30 September Nordea signed an agreement with IBM to form a partnership for IT production services following earlier announced ambitions to consolidate the bank's IT operations. As part of the agreement 900 employees from Nordea will be transferred to IBM as from 1 November 2003. The part of Nordea's IT production covered by the agreement represents an annual cost base of EUR 330-340m, including investment-related expenses of EUR 30m during the fourth quarter of 2003. The nominal IT production costs are expected to decrease slightly over the next three years despite considerable transformation investments, and growing volumes. The partnership aims at improving Nordea's efficiency, decreasing comparable costs and reducing risks in its extensive IT transformation programme by transferring the role as change agent to IBM.

Based on performance in the first three quarters of the year, it is possible that one or more of the thresholds for payment under Nordea's incentive schemes may be reached which could lead to a payout of around half the EUR 100m maximum amount. No potential payout under these schemes is reflected in the third quarter accounts.

## Capital position – strong

Shareholders' equity amounted to EUR 13bn at the end of the third quarter and the Tier 1 capital ratio was 7.5%. The total capital ratio was 9.8%.

Nordea is thus in a strong capital position, even including the entry into force of the IAS mentioned below. Nordea aims at optimising its capital position in relation to risks assumed.

The Annual General Meeting authorised Nordea to repurchase shares up to 10% of the outstanding shares. The Board of Directors decided today to repurchase Nordea's own shares up to a maximum of 145 million shares, or 5%, of outstanding shares.

The capital position of Nordea will also be affected by the gradual introduction of International Financial Reporting Standards (IFRS), giving specific rules in the form of the International Accounting Standards (IAS), and later on by the implementation of the Basel II Capital Accord.

The EU requires all listed companies to apply the IFRS in their financial reporting from 2005. IFRS represents changes for all listed companies, including Nordea.

Nordea will implement IFRS in line with recommendations of the Swedish Financial Standards Council. Certain changes are already in effect, but most changes take effect from 1 January 2005. The new accounting standard for pension commitments (IAS 19), however, take effect from the beginning of 2004.

IAS 19 will entail changes in how certain pension obligations are calculated and reported. The impact on the

Group's net result will be more or less unchanged compared to the current situation. Assuming unchanged market values, it is estimated that there will be a non-recurring reduction of shareholders' equity of approximately EUR 250m.

The New Basel Capital Accord (Basel II) is a more risk-oriented framework for setting regulatory capital requirements than the current Basel I framework. The Accord is planned to be implemented end 2006. Nordea is already using the concept of "Economic Capital" for internal performance measurement purposes, and Nordea´s current internal measurement and risk management methods are in line with the main principles in the new Accord.

Nordea has the ambition as regards credit risk to move towards the IRB (Internal Rating Based) approach.

In sum, the new Accord is expected to increase the Group's flexibility to manage its regulatory capital in a more efficient way. The total effect on Nordea's required regulatory capital is expected to be positive.

The Annual General Meeting (AGM) of Nordea on 24 April decided to reduce the share capital by cancelling the 57 million shares that Nordea repurchased in 2001 and 2002. The cancellation was registered in early October and the share capital was reduced by EUR 22.6m.

### Legal structure

The earlier announced change of the legal structure of Nordea is progressing.

The transformation of Nordea AB into a banking company proceeded further, when the Extraordinary General Meeting on 22 October approved certain amendments to the articles of association, ia to change the name to Nordea Bank AB (publ). The amendments will enter into effect in connection with Nordea Bank Sweden being merged into Nordea AB, scheduled to take place in the first quarter of 2004.

The sale of Nordea Bank Norway to Nordea AB has been approved by the Norwegian authorities, and the transaction whereby Nordea Bank Finland sells Nordea Bank Denmark, Nordea Bank Norway and Nordea Bank Sweden to Nordea AB has been completed.

### Real estate holdings

The ongoing process of reducing Nordea's real estate assets is progressing according to plan.

Assets with a book value of approximately EUR 1bn are intended to be divested.

### Nomination Committee

The 2003 Annual General Meeting of Nordea resolved to establish a Nomination Committee for the period up to the next Annual General Meeting. The Chairman of the Board of Directors of Nordea is a member of the committee and, the three shareholders with the largest holdings in the company are entitled to appoint one member each. The Chairman and the three other members are entitled to appoint one or two members for the purpose of promoting a composition of the committee that as far as possible reflects the overall distribution of shares in Nordea.

The Nomination Committee will consist of:
Eva Halvarsson, Staffan Grefbäck, Povl Høier, Juha Rantanen, in addition to Hans Dalborg.

### The Nordea share

During the third quarter the share price of Nordea appreciated by 14.2% on the Stockholm Stock Exchange from SEK 38.60 on 30 June to SEK 44.10 on 30 September. Total shareholder return for the third quarter was 14.2%. During the first three quarters of the year the share appreciated by 14.8%, and total shareholder return was 20.8%.

### Outlook

The general economic outlook improved slightly during the third quarter, and there is an expectation of growth in the global as well as the Nordic economies going forward, leaving scope for revenue growth to be materialised in 2004.

The sharp attention on cost control will be maintained, and expenses for the full year are expected to be well within the previously stated cost target for 2003.

The target for average loan losses over a business cycle, maximum 0.40% of loans and guarantees, remains unchanged. There is still some caution regarding the fish farming portfolio, but based on the quality of the Group's total loan portfolio, as well as the present economic outlook for the Nordic countries, Nordea expects that loan losses in the fourth quarter will not exceed the average quarterly level in the first three quarters of 2003.

# Results by business area third quarter 2003

| EURm | Business areas: Retail Banking | Business areas: Corporate and Institutional Banking | Business areas: Asset Management & Life – Asset Mgmt | Business areas: Asset Management & Life – Life | Group Treasury | General Insurance | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Customer responsible units: | | | | | | | | |
| Income | 1,125 | 218 | 67 | | 17 | | -24 | 1,403 |
| Expenses | -626 | -122 | -41 | | -9 | | -83 | -881 |
| Loan losses | -89 | 0 | | | | | 0 | -89 |
| Equity method | | 0 | | | | | 10 | 10 |
| **Profit before investment earnings and insurance** | **410** | **96** | **26** | | **8** | | **-97** | **443** |
| Investment earnings, banking | | | | | 27 | | 0 | 27 |
| Operating profit, life insurance | | | | 40 | | | 0 | 40 |
| Operating profit, general insurance | | | | | | - | | - |
| Goodwill | -7 | -2 | | | | | -31 | -40 |
| **Operating profit 2003: Q3** | **403** | **94** | **26** | **40** | **35** | **-** | **-128** | **470** |
| 2003: Q2 | 381 | 135 | 20 | 37 | 91 | - | -85 | 579 |
| 2003: Q1 | 347 | 109 | 14 | 13 | 58 | - | -161 | 380 |
| 2002: Q4 | 341 | 138 | 17 | 7 | 27 | - | -84 | 446 |
| 2002: Q3 | 415 | 123 | 15 | -27 | 31 | -4 | -154 | 399 |
| Return on equity, % | 24% | 13% | | | | | | 26.6% |
| Cost/income ratio, banking, % | 56% | 56% | 61% | | 20% | | | 61% |
| **Product result 2003: Q3** | | | **48** | **43** | | | | |
| 2003: Q2 | | | 42 | 52 | | | | |
| 2003: Q1 | | | 31 | 22 | | | | |
| 2002: Q4 | | | 38 | 48 | | | | |
| 2002: Q3 | | | 35 | -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. The Group’s financial management operations are conducted by Group Treasury.

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 each business unit’s actual risk exposure considering credit and insurance risk, market risk as well as operational and business risk. This framework optimises utilisation and distribution of capital between the different business areas. Economic profit constitutes the basis for evaluating strategic alternatives as well as for the evaluation of financial performance. Allocated capital and standard tax are used for calculating Return on equity in business areas.

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 of EUR 26m, revenues and expenses related to investment funds allocated to Retail Banking of EUR 53m and EUR 4m respectively. In addition estimated sales and distribution costs within Retail Banking of EUR 27m is included in the product result of EUR 48m in the third quarter 2003.

The product result of EUR 43m for Life includes the legal result of EUR 40m, adding back commissions paid to Retail Banking of EUR 6m and estimated sales and distribution costs within Retail banking of EUR 3m.

In addition to the three business areas, Group Treasury, with responsibility for managing the Group’s own positions in securities portfolios and group funding activities, is also included in the table. The column “Other” includes income and expenses not allocated to business areas, ie funding costs for the cash acquisition of Nordea Bank Norway, results from real estate holdings, expenses in Group functions not defined as services offered to business areas, goodwill depreciation related to the creation of Nordea, central provisioning for loan losses and profits from companies accounted for under the equity method which are not included in customer responsible units.

# Retail Banking

- **Strong sales**
- **Decrease in cost/income ratio to 56%**
- **Sale of Inkassosentralen**
- **Loan losses in Retail Banking Norway**
- **Return on equity of 24%**

Retail Banking has customer responsibility for personal and small and medium-sized corporate customers and develops, markets and distributes a broad range of financial products and services.

### Market conditions

Customer demand remained firm for most services in the third quarter. Central bank rates were lowered further in Sweden and Norway. Equity prices on the Nordic and global markets rose during the quarter and demand for mutual funds picked up.

### Business development

Lending to personal customers continued to grow strongly. The loan volume increased by EUR 2.3bn to EUR 61.5bn during the third quarter, an increase of 4%. Deposits from personal customers grew EUR 0.6bn to EUR 41.8bn, an increase of 1%.

Lending margins for personal customers were largely unchanged in the third quarter for mortgage loans as well as other loans.

The volume development for corporate customers was more subdued in the third quarter with a decline of 1% to EUR 58.3bn in lending and unchanged EUR 28.6bn in deposits.

Lending margins for corporate customers were unchanged in the third quarter compared to the second quarter.

The total loan volume in the third quarter increased to EUR 119.8bn. This represents an increase of 7% compared to the end of the third quarter 2002. Around half of the total loan volume comprised mortgage lending to personal and corporate customers. The deposit volume increased to EUR 70.4bn in the third quarter. Compared to the end of the third quarter 2002 this represents an increase of 6%.

Overall deposit margins remained relatively stable despite reduced interest rates in the market. This followed as a result of a positive effect from hedging activities against falling short-term rates.

The selling of mutual funds picked up in the third quarter and savings products for household customers increased by EUR 1.4bn. Also cards with issuer fees contributed to the good sales performance with an additional 80,000 cards being sold, bringing the outstanding number of cards up to 3.6 million.

Retail Denmark saw in the third quarter a continued strong activity in remortgaging unleashed by the low interest rates.

Retail Finland merged its regions, bringing the number of regions down from 33 to 21. The aim is to enhance customer and profit orientation, and to reduce costs.

Retail Norway sold the debt collection company Inkassosentralen. The sale gave rise to a non-recurring gain of EUR 8m in the third quarter.

Retail Norway continued the implementation of a new organisation to strengthen its position through stronger focus on customers. Measures to improve efficiency are undertaken in both staff functions and the branch network leading to an expected decrease in number of employees of approximately 350.

***Electronic banking***

The number of netbank customers increased by 0.1 million during the third quarter and reached approximately 3.6 million, of which 3.2 million are personal customers. The growth in online equity trading customers was also rapid during the quarter and at the end of the third quarter 328,000 customers had signed up for equity trading on-line.

Nordea had at the end of the third quarter almost 2,500 e-business customers.

Netbank activity continued to grow at a rapid pace during the third quarter. The number of log-ons was 32.0 million, corresponding to an increase of 6.6 million, or 26%, compared to the third quarter 2002. The number of payments increased by 5.5 million, or 18.5%, to 35.3 million compared to the third quarter 2002.

### Result

Total income was unchanged in the third quarter compared to the second quarter. Net interest income increased by 1% compared to the second quarter, mainly as a result of the strong volume development.

Net commissions and other income showed an increase of 7% from the second to the third quarter when excluding the gain from of the sales of Inkassosentralen in the third quarter and Huoneistokeskus in the second quarter. Commission income was positively impacted by the increased demand for mutual funds and higher payments fees.

Costs were strictly controlled, and declined by 3% compared to the second quarter. The third quarter saw an additional reduction of headcount by approximately 425 employees in addition to the employees of Inkassosentralen.

Profit before loan losses amounted to EUR 499m, an increase of 3% compared to the second quarter. The cost/income ratio for the third quarter was 56%, down from 57% in the second quarter.

Loan losses in the third quarter were EUR 89m, of which EUR 74m stemmed from Retail Norway. The unfavourable development in loan losses in the last four quarters has been strongly concentrated to isolated areas of the portfolio in Retail Norway, and loan losses in the other countries have been negligible in the same period.

Operating profit in the third quarter of EUR 403m represents an increase of 6% compared to the second quarter, and the return on equity increased from 23% in the second quarter to 24% in the third quarter.

## Operating profit

| EURm | Total Q3 2003 | Total Q2 2003 | Retail Denmark Q3 2003 | Retail Denmark Q2 2003 | Retail Finland Q3 2003 | Retail Finland Q2 2003 | Retail Norway Q3 2003 | Retail Norway Q2 2003 | Retail Sweden Q3 2003 | Retail Sweden Q2 2003 | Poland & Baltic Q3 2003 | Poland & Baltic Q2 2003 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | **768** | 758 | 202 | 202 | 191 | 193 | 133 | 120 | 228 | 231 | 10 | 10 |
| Net commissions & other income | **357** | 368 | 96 | 89 | 84 | 122 | 50 | 39 | 119 | 108 | 7 | 8 |
| **Total income** | **1,125** | **1,126** | **298** | **291** | **275** | **315** | **183** | **159** | **347** | **339** | **17** | **18** |
| Total expenses | **-626** | -644 | -155 | -156 | -151 | -156 | -104 | -105 | -196 | -205 | -14 | -17 |
| **Profit before loan losses** | **499** | **482** | **143** | **135** | **124** | **159** | **79** | **54** | **151** | **134** | **3** | **1** |
| Loan losses | **-89** | -94 | -13 | -12 | -3 | 1 | -74 | -81 | 2 | -3 | -1 | 3 |
| Goodwill depreciation | **-7** | -7 | 0 | 0 | 0 | 0 | 0 | 0 | -4 | -5 | -3 | -2 |
| **Operating profit** | **403** | **381** | **130** | **123** | **121** | **160** | **5** | **-27** | **149** | **126** | **-1** | **2** |
| Cost/income ratio, % | **56** | 57 | 52 | 54 | 55 | 50 | 57 | 66 | 57 | 61 | 84 | 91 |
| Return on equity, % | **24** | 23 | 28 | 27 | 32 | 45 | 2 | -9 | 31 | 27 | -1 | 6 |

## Volumes and margins[1,2]

| Volumes, EURbn | Total Q3 2003 | Total Q2 2003 | Retail Denmark Q3 2003 | Retail Denmark Q2 2003 | Retail Finland Q3 2003 | Retail Finland Q2 2003 | Retail Norway Q3 2003 | Retail Norway Q2 2003 | Retail Sweden Q3 2003 | Retail Sweden Q2 2003 | Poland & Baltic Q3 2003 | Poland & Baltic Q2 2003 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Lending | **119.8** | 118.1 | 32.6 | 32.0 | 26.6 | 25.8 | 21.1 | 20.8 | 37.8 | 38.0 | 1.6 | 1.5 |
| Deposits | **70.4** | 69.8 | 15.4 | 15.6 | 21.9 | 21.9 | 11.2 | 11.0 | 20.8 | 20.2 | 1.0 | 1.0 |

| Lending margins, % | | |
|---|---|---|
| To corporates | **1.2** | 1.2 |
| To personal customers | **1.7** | 1.6 |
| Total lending | **1.5** | 1.4 |

| Deposit margins, % | | |
|---|---|---|
| From corporates | **0.9** | 1.0 |
| From personal customers | **1.6** | 1.6 |
| Total deposits | **1.3** | 1.3 |

[1] Volumes are end of period.
[2] Margins are excluding Poland & Baltic.

## Key figures per quarter

| | **Q3 2003** | Q2 2003 | Q1 2003 | Q4 2002 | Q3 2002 |
|---|---|---|---|---|---|
| Operating profit, EURm | **403** | 381 | 347 | 341 | 415 |
| Return on equity, % | **24** | 23 | 22 | 18 | 23 |
| Cost/income ratio, % | **56** | 57 | 60 | 58 | 57 |
| Customer base: personal customers, million | **9.7** | 9.7 | 9.7 | 9.7 | 9.5 |
| corporate customers, million | **1.0** | 1.0 | 1.0 | 1.0 | 0.9 |
| Number of employees (full-time equivalents) | **18,771** | 19,246 | 19,992 | 20,300 [1] | 19,500 |

[1] Including LG Petro Bank.

# Corporate and Institutional Banking

- **Seasonal decline in customer demand**
- **Reduced Markets income, but still at a high level**
- **Continued cost savings**
- **Low loan losses**

Corporate and Institutional Banking delivers a range of products and services to corporate and institutional customers, and has customer responsibility for large corporates, shipping, offshore and oil services companies, and financial institutions.

### Market conditions

Market conditions continued the slightly positive trend during the third quarter. Development in equity market turnover showed an increase in all four Nordic countries and indices increased in all countries.

*Stock market development*

| | Market volume | | Market index |
|---|---|---|---|
| | Q3 2003 Eurbn | Q3 vs. Q2 % | Q3 % |
| Denmark | 17.6 | 31.6 | 10.8 |
| Finland | 38.8 | 25.4 | 0.9 |
| Norway | 19.5 | 14.3 | 6.3 |
| Sweden | 75.2 | 24.5 | 7.3 |
| Average | | 24.0 | |

### Business development

In Corporate Banking the deal flow came back at a satisfactory level with notable business deals, after a very quiet period in the beginning of the quarter. The deals included a joint lead mandate on a EUR 850m Euro Bond Transaction for ISS Global A/S.

Financial Institutions Division was operational as of 1 August 2003. The Division has customer responsibility for financial institutions and was created in order to strengthen Corporate and Institutional Banking's services towards this important customer segment.

In International and Shipping Division the activity level continued to be high, although slightly below the levels seen in the second quarter. The good underlying profitability in many shipping segments has spurred a number of transactions, and this trend is expected to continue throughout the year. In the international branches the positive trend continued.

In Markets Division, activity was affected by a lower level of customer activity mainly due to the holiday season. By end-August, activity levels returned to normal, with continued good customer demand for derivatives and structured solutions.

In Investment Banking, equity sales showed a small increase due to increased market activity. The primary market revenue remained at a low level. Nordea Securities maintained its third position in terms of Nordic market share with a year-to-date market share of 6.3 %.

In Custody Services, the number of transactions increased by 7% compared to the second quarter. Assets under custody increased by 2% to EUR 400bn. The income from Custody Services dropped somewhat due to continuous pressure on prices.

In Cash Management a number of important pan-Nordic deals have been won.

### Result

Total income in the third quarter was EUR 218m, a reduction of EUR 55m from the second quarter. Net interest income was EUR 99m, down by EUR 10m from the previous quarter reflecting the reduced on-balance sheet lending and deposit volume. Credit margins remained at a stable level. Other income was EUR 128m, down by EUR 45m from the second quarter mainly due to decreased income from Markets explained by lower customer demand caused by Swedish EMU referendum and holiday season. The decrease was effecting mostly the income in Financial Institutions Division. Commission income from financial institutions and corporate customers fell as well as a consequence of seasonal decline in customer demand.

Total expenses in the third quarter were EUR 122m, down by EUR 21m from the second quarter. Personnel expenses were EUR 7m lower than in the previous quarter, attributable to decreasing headcount as well as lower provision for performance-related salaries. Restructuring cost in the third quarter were EUR 10m lower compared to high level in the second quarter. Other costs continued the declining trend.

Loan losses remained at a very low level of EUR 3m, down by EUR 10m from the previous quarter. Transfer risk reserve was reduced by EUR 3m explained by certain country upgradings in emerging markets.

Operating profit was EUR 94m, representing a return on equity of 13%. The cost/income ratio was 56%.

## Operating profit by main area

| EURm | Total Q3 2003 | Total Q2 2003 | Corporate Banking Division[1, 2] Q3 2003 | Corporate Banking Division[1, 2] Q2 2003 | Financial Institutions Division[1, 2] Q3 2003 | Financial Institutions Division[1, 2] Q2 2003 | International and Shipping Division[2] Q3 2003 | International and Shipping Division[2] Q2 2003 | Investment Banking[2] Q3 2003 | Investment Banking[2] Q2 2003 | Other Q3 2003 | Other Q2 2003 | Markets[3,4] Q3 2003 | Markets[3,4] Q2 2003 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | **90** | 100 | 52 | 60 | 9 | 12 | 27 | 27 | 0 | 0 | 2 | 1 | | |
| Other income | **128** | 173 | 69 | 75 | 38 | 62 | 20 | 23 | 14 | 17 | -13 | -4 | 107 | 132 |
| **Total income** | **218** | **273** | **121** | **135** | **47** | **74** | **47** | **50** | **14** | **17** | **-11** | **-3** | **107** | **132** |
| Total expenses | **-122** | -143 | -35 | -39 | -26 | -21 | -12 | -13 | -12 | -30 | -37 | -40 | -55 | -57 |
| **Profit before loan losses** | **96** | **130** | **86** | **96** | **21** | **53** | **35** | **37** | **2** | **-13** | **-48** | **-43** | **52** | **75** |
| Loan losses | **-3** | -13 | 0 | -14 | 0 | 0 | -2 | 1 | 0 | 0 | -1 | 0 | | |
| Transfer risk | **3** | 10 | 2 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | | |
| Equity method | **0** | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 | | |
| Goodwill depreciation | **-2** | -2 | 0 | 0 | -1 | -1 | 0 | 0 | 0 | -1 | -1 | 0 | | |
| **Operating profit** | **94** | **135** | **88** | **92** | **20** | **52** | **33** | **38** | **2** | **-14** | **-49** | **-33** | **52** | **75** |
| Lending, EURbn | **24.2** | 25.3 | 14.8 | 15.8 | 2.3 | 2.7 | 7.1 | 6.8 | | | | | | |

[1] Figures have been restated following the new organisation

[2] Figures include income and costs related to the division's activities as a customer responsible unit. In addition, the division has income and costs related to its service and product responsibility that are allocated to other customer responsible units within the Group.

[3] Markets has product responsibility for trading products such as FX, fixed-income and related derivatives and is evaluated by the product result. The product result includes all income and expenses related to the respective products, which is allocated to the customer responsible units within Corporate and Institutional Banking and Retail Banking.

[4] In connection with introducing fair valuation for derivatives within Markets (mainly taking counterparty risk into account), a previously held central reserve of EUR 17m was transferred to Markets in the third quarter. This transfer reduced income in Markets, but did not affect the Group's result. In the second quarter a corresponding amount of EUR 22m was transferred to Markets.

## Key figures per quarter

| | **Q3 2003** | Q2 2003 | Q1 2003 | Q4 2002 | Q3 2002 |
|---|---|---|---|---|---|
| Operating profit, EURm | **94** | 135 | 109 | 138 | 123 |
| Return on equity, % | **13** | 19 | 15 | 18 | 15 |
| Cost/income ratio, % | **56** | 52 | 50 | 55 | 54 |
| Number of employees (full-time equivalents) | **2,172** | 2,316 | 2,363 | 2,444 | 2,550 |

# Asset Management & Life

- **Asset Management product result up 14% against Q2 on revenue growth of 6%.**
- **Life product result at EUR 43m for Q3**
- **Net inflow (sales) in Q3 of EUR 2.4bn**
- **AuM at EUR 107 bn at quarter-end**

Asset Management & Life is responsible for the Group's activities within institutional investment management, life insurance and pensions, investment funds, private banking and the retail savings market in general.

### Market conditions

During the quarter, the MSCI World index grew by 3.4% with the MSCI Nordic slightly better at 5.2%. The MSCI Finland actually fell by 2.2%. While the development in equity markets was not as positive as in the second quarter, sentiment began to improve in most markets. Healthy sales brought year-to-date inflows to EUR 6.7 bn or 7% of end-2002 AuM. AuM rose 5% from the second quarter.

The Swedish market saw intense discussion of corporate governance issues relating to the prevalent mutual business model in the Life sector. Among other things, it was suggested that free movement between providers should be legally guaranteed. Nordea, which has the smallest legacy life operation among major banks operating in Sweden, is positioned to benefit from this through its new transparent, non-mutual and fee-based range of Life products. These products – featuring the right to free movement at marked-to-market rates for private customers – have attracted strong interest since their introduction in June.

### Structural measures reduce complexity

Nordea Investment Management (NIM) divested its pensions services business in Norway to focus exclusively on active portfolio management. In addition, while total staff numbers continued to be reduced, Nordea strengthened its core competencies by attracting a number of senior portfolio management staff for its Norwegian equities, European equities and Strategic Asset Allocation teams.

The business units Long-Term Savings & Life and Nordic Private Banking were merged to form Nordic Wealth Management. This brings together Nordea's distribution and customer service activities in the Nordic retail savings and investment market in one organisation.

### Business development

Net inflow to Nordic retail funds was EUR 1.1bn and total AuM in this category increased by 7.6% to EUR 30.4bn. Average margins increased during the quarter due to an improved asset mix.

***Nordic Funds market shares in third quarter 2003***

| | Nordic | Denmark | Finland | Norway | Sweden |
|---|---|---|---|---|---|
| Net sales | 26.4% | 38.4% | 53.8% | 12.4% | 15.4% |
| AuM | 19,8% [1] | 26.6% | 24.9% | 8.5% | 16,9% [1] |

*Market share as of second quarter 2003

Nordic private banking activities saw continued improvement in inflows and customer activity. Total assets under management increased by 5.0% to EUR 21.5bn.

Net written premiums in Life declined to EUR 457m (EUR 548m). Buffers in Life were largely unchanged, with Nordea as the best consolidated Life company in the Danish market.

Total assets under management in Nordea´s European private banking and fund distribution activities increased by 9.6% to EUR 10.3bn. Two new funds, Global Value and Japanese Value, were launched through the European fund distribution channel.

In the institutional segment, new international and Nordic equity mandates were won during the quarter but were not funded before quarter-end. AuM for non-affiliated institutional clients grew by 3.4% to EUR 21.4bn.

### Result

Third quarter revenues from asset management activities were EUR 120m, up EUR 7m. Costs rose marginally as activity-related items increased their share. The product result from asset management improved further, reaching EUR 48m for the quarter.

Product result for life was down 17% from the previous quarter's high level but still healthy at EUR 43m, reflecting the stability introduced with the new business model. Financial buffers decreased slightly from 4.8% to 4.6% of life provisions.

## Volumes, inflow and margins

| EURbn | Total Q3 2003 | Total Q3 Inflow | Total Q2 2003 | Denmark Q3 2003 | Denmark Q2 2003 | Finland Q3 2003 | Finland Q2 2003 | Norway Q3 2003 | Norway Q2 2003 | Sweden Q3 2003 | Sweden Q2 2003 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Customer/Market dimension** | | | | | | | | | | | |
| Nordic retail funds | **30.4** | **1.1** | 28.2 | | | | | | | | |
| Nordic private banking | **21.5** | **0.7** | 20.5 | | | | | | | | |
| European private banking and fund distribution | **10.3** | **0.7** | 9.4 | | | | | | | | |
| Institutional clients | **21.4** | **-0.1** | 20.7 | | | | | | | | |
| Life & Pensions | **23.4** | **0.0** | 23.1 | | | | | | | | |
| Total | **107.0** | **2.4** | 101.9 | | | | | | | | |
| **Organisational dimension** | | | | | | | | | | | |
| Investment Funds, volumes[1] | **38.4** | | 35.6 | 12.1 | 11.6 | 5.1 | 4.8 | 1.3 | 1.2 | 15.3 | 14.3 |
| Investment Management, volumes[2] | **70.4** | | 67.4 | | | | | | | | |
| Investment Funds margins, %[3] | **0.98** | | 0.97 | 0.57 | 0.62 | 1.16 | 1.16 | 0.85 | 0.75 | 1.10 | 1.06 |
| Investment Management margins, %[2] | **0.17** | | 0.18 | | | | | | | | |

[1] Including EUR 3.7bn and EUR 4.5bn outside the Nordic countries for the second and third quarter, respectively.
[2] Includes management of Nordea investment funds and Group Life & Pensions assets.
[3] For Denmark net margins are included, whereas in the other markets, gross margins (before costs of fund management) are included.

## Key figures per quarter – Asset Management activities

| EURm | **Q3 2003** | Q2 2003 | Q1 2003 | Q4 2002 | Q3 2002 |
|---|---|---|---|---|---|
| Revenues | **120** | 113 | 106 | 113 | 109 |
| Expenses | **-45** | -44 | -48 | -51 | -49 |
| Distribution expenses | **-27** | -27 | -27 | -24 | -25 |
| **Product result** | **48** | **42** | **31** | **38** | **35** |
| *of which profit within Retail Banking* | ***22*** | *19* | *15* | *19* | *15* |
| Cost/income ratio, % | **60** | 63 | 70 | 67 | 68 |
| Assets under management, EURbn | **107** | 102 | 95 | 96 | 93 |
| Number of employees (full-time equivalents) | **804** | 829 | 838 | 853 | 856 |

## Key figures per quarter – Life activities

| EURm | **Q3 2003** | Q2 2003 | Q1 2003 | Q4 2002 | Q3 2002 |
|---|---|---|---|---|---|
| *Traditional life insurance* | | | | | |
| Premiums written, net of reinsurance | **370** | 461 | 499 | 595 | 381 |
| Normalised investment return[1] | **236** | 247 | 250 | 284 | 285 |
| Benefits paid and change in provisions | **-532** | -626 | -636 | -770 | -511 |
| Insurance operating expenses | **-24** | -28 | -27 | -30 | -26 |
| **Normalised operating margin[1]** | **50** | **54** | **86** | **79** | **129** |
| Fluctuations compared to normalised investment return | **-151** | 297 | -14 | 117 | -435 |
| Change in discount rate for life provisions | **126** | -126 | -48 | -83 | -277 |
| **Actual operating margin** | **25** | **225** | **24** | **113** | **-583** |
| of which allocated to policyholders | **-13** | -13 | -8 | 0 | -6 |
| of which to/from financial buffers | **28** | -165 | 11 | -51 | 579 |
| Net profit from other business | **-1** | 4 | -1 | -4 | -1 |
| **Product result before distribution expenses** | **39** | **51** | **26** | **58** | **-11** |
| | | | | | |
| *Unit-linked business* | | | | | |
| Premiums written, net of reinsurance | **87** | 87 | 100 | 127 | 84 |
| **Product result before distribution expenses** | **7** | **4** | **-1** | **-7** | **2** |
| | | | | | |
| *Total* | | | | | |
| Premiums written, net of reinsurance | **457** | 548 | 599 | 722 | 465 |
| **Product result before distribution expenses** | **46** | **55** | **25** | **51** | **-9** |
| Distribution expenses in Retail Banking | **-3** | -3 | -3 | -3 | -2 |
| **Product result [2]** | **43** | **52** | **22** | **48** | **-11** |
| of which profit within Retail Banking | **3** | 15 | 9 | 41 | 16 |
| | | | | | |
| Bonds | **15,125** | 15,004 | 14,837 | 14,551 | 12,945 |
| Equities | **2,953** | 2,921 | 2,391 | 2,524 | 3,543 |
| Property | **2,021** | 2,007 | 1,999 | 2,041 | 1,908 |
| Unit-linked | **3,275** | 3,147 | 2,890 | 2,974 | 2,827 |
| Total investments | **23,374** | 23,079 | 22,117 | 22,090 | 21,223 |
| Investment return, % [3] | **0.4** | 3.3 | 1.4 | 2.7 | -0.8 |
| | | | | | |
| Technical provisions | **22,474** | 22,140 | 21,302 | 21,370 | 20,585 |
| of which financial buffers | **842** | 869 | 535 | 551 | 508 |
| | | | | | |
| Number of employees (full-time equivalents)[4] | **1,014** | 1,008 | 1,011 | 1,013 | 966 |

[1] In the statutory reporting investments are valued at market price. As a consequence, short-term fluctuations in financial markets affect the operating profit. The normalised investment return reflects the expected long-term return on investments based on the applicable asset mix within Life & Pensions operations.

[2] 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 earnings on life products.

[3] Exclusive of unit-linked business.

[4] The increase in number of employees from third quarter 2002 is a consequence of the split of shared functions previously included in General Insurance.

## Group Treasury

- **Financial markets focused on economic recovery**
- **Loss on bond portfolio following increased medium- and long-term interest rates**
- **Gain on equities**

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.

### Market conditions

The main theme for global financial markets in the third quarter was economic recovery.

Interest rates rose globally and equity markets showed positive performance during most of the quarter. This development was partly reversed late in the quarter, following disappointing employment numbers in the US and a G7 statement on global economic imbalances.

### Business development

The establishment of the Scandinavian cash pool by the Nordic central banks, allowing banks located in one of the Nordic countries to flexible use of collateral for intra-day purposes without actual cross-border transfer, is an important new tool for Nordea in its liquidity management.

London Branch funding activities have been discontinued.

At the end of September, the price risk involved in Group Treasury’s interest-rate positions, calculated as a parallel shift assuming a change in market interest rates of 100 basis points, was EUR 122m compared to EUR 96m at the end of the second quarter.

The risk related to equities, calculated as VaR, was EUR 55m compared to EUR 43m at the end of June. The VaR figure comprises all equities including listed, unlisted and private equity.

### Result

Operating profit was EUR 35m in the third quarter compared to EUR 91m in the second quarter.

Investment earnings showed a gain of EUR 27m in the quarter compared to a gain of EUR 75m in the previous quarter.

The fixed-income portfolio showed a loss of EUR 6m in the third quarter compared to a gain of EUR 57m in the second quarter. The deterioration was a result of increasing medium- and long-term interest rates. The positive performance in equity markets resulted in an improvement of income from equity investments to a gain of EUR 33m compared to a gain of EUR 18m in the second quarter.

Operating profit in Group Funding totalled EUR 8m (EUR 16m).

## Operating profit by main area

| | Total | | Group Investment | | | | Group Funding | |
|---|---|---|---|---|---|---|---|---|
| | | | Fixed-income | | Equity | | | |
| EURm | **Q3 2003** | Q2 2003 | Q3 2003 | Q2 2003 | Q3 2003 | Q2 2003 | Q3 2003 | Q2 2003 |
| Income | | | -3 | 60 | 33 | 19 | 17 | 24 |
| Expenses | | | -3 | -3 | 0 | -1 | -9 | -8 |
| **Profit excluding investment earnings** | **8** | **16** | | | | | **8** | **16** |
| Investment earnings | **27** | 75 | -6 | 57 | 33 | 18 | | |
| **Operating profit** | **35** | **91** | | | | | | |

## Key figures per quarter

| | **Q3 2003** | Q2 2003 | Q1 2003 | Q4 2002 | Q3 2002 |
|---|---|---|---|---|---|
| Operating profit, EURm | **35** | 91 | 58 | 27 | 31 |
| Cost/income ratio, % | **20** | 8 | 12 | 23 | 22 |
| | | | | | |
| Bonds, EURm | **15,409** | 15,560 | 16,778 | 12,061 | 14,154 |
| Equities, EURm | **441** | 404 | 464 | 476 | 499 |
| Investments, EURm | **15,850** | 15,964 | 17,242 | 12,537 | 14,653 |
| Number of employees (full-time equivalents) | **98** | 98 | 100 | 96 | 98 |

Wednesday 29 October 2003

Lars G Nordström
President and Group CEO

- A conference call with management will be arranged on 29 October 2003 at 6.00 pm, CET. (Please dial +44 (0) 20 7162 0183, password Nordea, 10 minutes in advance.)
- This interim report is available on the Internet (www.nordea.com).
- A slide presentation is available on the Internet.

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**Financial calendar:**
The year-end report 2003 will be published on 18 February.
The Annual General Meeting will be held on 31 March.
The interim report first quarter 2004 will be published on 28 April.
The interim report second quarter 2004 will be published on 18 August.
The interim report third quarter 2004 will be published on 27 October.

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This interim report has not been subject to review by auditors.

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# Statutory income statement

| EURm | Note | Q3 2003 | Q3 2002 | Jan-Sep 2003 | Jan-Sep 2002 |
|---|---|---|---|---|---|
| Interest income | | 2,361 | 2,674 | 7,252 | 7,781 |
| Interest expenses | | -1,462 | -1,703 | -4,477 | -4,985 |
| **Net interest income** | | **899** | **971** | **2,775** | **2,796** |
| Dividends received | | 6 | 6 | 42 | 33 |
| Net commission income | | 393 | 379 | 1,128 | 1,170 |
| Net result from financial operations | 1 | 101 | 34 | 283 | 177 |
| Other operating income | | 33 | 58 | 160 | 127 |
| **Total operating income** | | **1,432** | **1,448** | **4,388** | **4,303** |
| | | | | | |
| General administrative expenses | | | | | |
| Personnel expenses | | -520 | -521 | -1,577 | -1,534 |
| Other administrative expenses | | -319 | -358 | -1,007 | -1,082 |
| Depreciation and write-down of tangible and intangible fixed assets | | -68 | -83 | -215 | -240 |
| **Total operating expenses** | | **-907** | **-962** | **-2,799** | **-2,856** |
| **Profit before loan losses** | | **525** | **486** | **1,589** | **1,447** |
| | | | | | |
| Loan losses, net | 2 | -101 | -54 | -249 | -172 |
| Change in value of assets taken over for protection of claims | 2 | 12 | -12 | -30 | -13 |
| Profit from companies accounted for under the equity method | | 10 | 4 | 43 | 36 |
| **Operating profit, banking** | | **446** | **424** | **1,353** | **1,298** |
| **Operating profit, insurance** | 3 | **35** | **-22** | **92** | **-186** |
| **Operating profit** | | **481** | **402** | **1,445** | **1,112** |
| | | | | | |
| Pension adjustments | | -11 | -123 | -16 | -283 |
| Taxes | | 159 | -86 | -139 | -265 |
| Minority interests | | -1 | 0 | -2 | 0 |
| **Net profit for the period** | | **628** | **193** | **1,288** | **564** |
| | | | | | |
| Earnings per share, EUR | | 0.21 | 0.07 | 0.44 | 0.19 |
| Earnings per share, after full dilution, EUR | | 0.21 | 0.07 | 0.44 | 0.19 |

# Statutory balance sheet, end of period

| **Assets**, EURm | Note | 30 Sep 2003 | 31 Dec 2002 | 30 Sep 2002 |
|---|---|---|---|---|
| Loans and advances to credit institutions | | 24,900 | 23,496 | 21,064 |
| Lending | 4 | 148,688 | 145,740 | 147,252 |
| Bonds and other interest-bearing securities | | 30,185 | 28,166 | 30,350 |
| Shares and participations | | 658 | 596 | 687 |
| Shares in associated and group undertakings | | 443 | 538 | 528 |
| Assets, insurance[1] | | 22,597 | 21,534 | 21,358 |
| Intangible fixed assets | | 2,154 | 2,427 | 2,392 |
| Tangible assets | | 1,309 | 1,874 | 1,894 |
| Other assets, banking[1] | | 29,746 | 25,248 | 26,251 |
| **Total assets** | | **260,680** | **249,619** | **251,776** |
| [1]Of which investments, customers and policyholders bear the whole risk. | | 6,144 | 5,872 | 5,624 |

| **Liabilities, provisions and shareholders' equity**, EURm | 30 Sep 2003 | 31 Dec 2002 | 30 Sep 2002 |
|---|---|---|---|
| Liabilities to credit institutions | 25,151 | 25,962 | 31,112 |
| Deposits and other borrowings from the public | 92,928 | 94,177 | 92,556 |
| Debt securities in issue | 66,818 | 61,858 | 64,558 |
| Liabilities, insurance | 21,583 | 20,218 | 20,108 |
| Provisions and other liabilities, banking | 36,252 | 29,369 | 26,286 |
| Subordinated liabilities | 5,400 | 6,128 | 5,593 |
| Minority interests | 9 | 10 | 18 |
| Shareholders’ equity | 12,539 | 11,897 | 11,545 |
| **Total liabilities, provisions and shareholders' equity** | **260,680** | **249,619** | **251,776** |
| | | | |
| Assets pledged for own liabilities | 9,220 | 9,942 | 10,750 |
| Contingent liabilities | 14,314 | 15,576 | 15,316 |
| Commitments | 1,292,681 | 1,136,142 | 1,214,085 |

# Movements in shareholders' equity

| EURm | 2003 | | | 2002 | | |
|---|---|---|---|---|---|---|
| | Restricted equity | Unrestricted equity | Total equity | Restricted equity | Unrestricted equity | Total equity |
| Shareholders’ equity at 1 January | 6,056 | 5,841 | 11,897 | 6,051 | 5,768 | 11,819 |
| Dividend | | -673 | -673 | | -682 | -682 |
| Conversion of convertible loans | | | - | 14 | | 14 |
| Own shares [1, 2] | | -2 | -2 | | -184 | -184 |
| Currency translation adjustment | 44 | -15 | 29 | 18 | -4 | 14 |
| Net profit for the period | | 1,288 | 1,288 | | 564 | 564 |
| **Shareholders’ equity at 30 September** | **6,100** | **6,439** | **12,539** | **6,083** | **5,462** | **11,545** |

[1]Refers to the change in the trading portfolio and Nordea shares within the portfolio schemes in Denmark. Number of own shares in the trading portfolio and within the portfolio schemes at the end of September 2003 3.1m (end of Dec 2002: 2.7m).

[2]Number of own shares referring to Nordea's repurchase of own shares at the end of September 2003 57.0 million (end of December 2002 57.0 million). The Annual General Meeting (AGM) decided on 24th of April to reduce the share capital by EUR 22,593,410.56. The cancellation was registrated in early October 2003. The reduction has been made through retirement without payment. Average number of own shares Jan-Sept 2003 59.4 million (Jan-Dec 2002 33.0 million).

## Cash flow statement

| EURm | Jan-Sep 2003 | Jan-Sep 2002 |
|---|---|---|
| Net cash inflow/(outflow) from operating activities before changes in ordinary business assets and liabilities | 1,761 | 1,774 |
| Changes in ordinary business assets and liabilities | -9,958 | -3,412 |
| Net cash inflow/(outflow) from operating activities | -8,197 | -1,638 |
| Net cash inflow/(outflow) from capital expenditure and financial investments | 779 | 1,202 |
| Net cash inflow/(outflow) from financing | 3,552 | 2,192 |
| **Increase/(decrease) in cash** | **-3,866** | **1,756** |
| | | |
| **Cash and cash equivalents at beginning of period** | **8,484** | **8,323** |
| **Cash and cash equivalents at end of period** | **4,618** | **10,079** |

## Accounting principles

This interim report has been prepared in accordance with the recommendation on interim reporting (RR20) issued by the Swedish Financial Standards Council, the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies and the regulations issued by the Swedish Financial Supervisory Authority.

In all material respects the accounting principles and the basis for calculations are unchanged in comparison to the Annual Report for 2002.

## Exchange rates

| EUR 1 = SEK | Jan-Sep 2003 | Jan-Sep 2002 |
|---|---|---|
| Income statement (average) | 9.1808 | 9.1522 |
| Balance sheet (at end of period) | 8.9625 | 9.1516 |
| | | |
| EUR 1 = DKK | | |
| Income statement (average) | 7.4283 | 7.4306 |
| Balance sheet (at end of period) | 7.4256 | 7.4274 |
| | | |
| EUR 1 = NOK | | |
| Income statement (average) | 7.9138 | 7.5769 |
| Balance sheet (at end of period) | 8.1840 | 7.3415 |
| | | |
| EUR 1 = PLN | | |
| Income statement (average) | 4.3306 | 3.8041 |
| Balance sheet (at end of period) | 4.6227 | 4.0926 |

# Notes

Note 1 **Net result from financial operations,** EURm

| | Q3 2003 | Q3 2002 | Jan-Sep 2003 | Jan-Sep 2002 |
|---|---|---|---|---|
| **Realised gains/losses** | | | | |
| Shares/participations and other share-related instruments | 51 | 12 | 55 | 44 |
| Interest-bearing securities and other interest-related instruments | -75 | -74 | 4 | -30 |
| Other financial instruments | 39 | 19 | 32 | 9 |
| | 15 | -43 | 91 | 23 |
| **Unrealised gains/losses** | | | | |
| Shares/participations and other share-related instruments | 23 | -47 | 28 | -75 |
| Interest-bearing securities and other interest-related instruments | 18 | 59 | 186 | 34 |
| Other financial instruments | -7 | 0 | -9 | 0 |
| | 34 | 12 | 205 | -41 |
| Foreign exchange gains/losses | 52 | 65 | -13 | 195 |
| Debt redemption | 0 | 0 | 0 | 0 |
| **Total** | **101** | **34** | **283** | **177** |

Note 2 **Loan losses, net,** EURm

| | Q3 2003 | Q3 2002 | Jan-Sep 2003 | Jan-Sep 2002 |
|---|---|---|---|---|
| *Individually appraised receivables* | | | | |
| Losses incurred during the period | -137 | -120 | -450 | -241 |
| Amount of previous provisions used during the period | 95 | 108 | 325 | 199 |
| Provisions for probable loan losses during the period | -175 | -166 | -525 | -458 |
| Recovery of previously incurred losses | 41 | 21 | 96 | 69 |
| Reversal of previous provisions | 82 | 85 | 291 | 246 |
| The period's costs for individually appraised receivables, net | -94 | -72 | -263 | -185 |
| *General reserve* | | | | |
| Allocation to/withdrawal from general reserve | -11 | 16 | -4 | 5 |
| *Receivables appraised by category* | | | | |
| Write-downs on losses incurred | 0 | -3 | 0 | -12 |
| Recovery of previously incurred losses | 0 | 5 | 0 | 12 |
| Allocation to/ withdrawal from reserves for probable loan losses | 1 | 0 | 2 | 3 |
| The period's costs for receivables appraised by category, net | 1 | 2 | 2 | 3 |
| *Transfer risk* | | | | |
| Allocation to/ withdrawal from reserve for transfer risk | 2 | 1 | 13 | 6 |
| *Contingent liabilities* | | | | |
| Net cost for redemption of guarantees and other contingent liabilities during the period | 1 | -1 | 3 | -1 |
| **Loan losses, net (Statutory income statement)** | **-101** | **-54** | **-249** | **-172** |
| Change in value of assets taken over for protection of claims | 12 | -12 | -30 | -13 |
| **Loan losses, net (Operational income statement)** | **-89** | **-66** | **-279** | **-185** |

| Note 3 | **Operating profit, insurance,** EURm | Q3 2003 | Q3 2002 | Jan-Sep 2003 | Jan-Sep 2002 |
|---|---|---|---|---|---|
| | **General insurance** | | | | |
| | Earned premiums, net of reinsurance | - | - | - | 841 |
| | Technical interest | - | - | - | 64 |
| | Claims incurred, net of reinsurance | - | - | - | -698 |
| | Insurance operating expenses, net of reinsurance | - | - | - | -249 |
| | Technical result | - | - | - | -42 |
| | Investment activities | | | | |
| | Interest etc | - | - | - | 70 |
| | Realised and unrealised investment gains | - | - | - | -35 |
| | Investment expenses | - | - | - | -4 |
| | Technical interest transferred to insurance activities | - | - | - | -67 |
| | Total profit on investment activities | - | - | - | -36 |
| | **Profit before tax, general insurance** | **-** | **-** | **-** | **-78** |
| | **Life insurance and pensions** | | | | |
| | Premiums written, net of reinsurance | 434 | 439 | 1,522 | 1,675 |
| | Claims incurred and benefits paid and change in provisions | -549 | -523 | -2,207 | -1,447 |
| | Change in bonus equalisation provisions | 18 | 548 | -103 | 825 |
| | Insurance operating expenses, net of reinsurance | -34 | -36 | -109 | -115 |
| | Net profit from health and personal accident insurance | -3 | -2 | -2 | -6 |
| | Investment activities | | | | |
| | Income from land and buildings | 29 | 26 | 91 | 95 |
| | Interest etc | 204 | 81 | 616 | 404 |
| | Realised and unrealised investment gains | -55 | -585 | 386 | -1,547 |
| | Investment expenses | -3 | -6 | -12 | -16 |
| | Pension yield tax etc | -1 | 46 | -73 | 90 |
| | **Profit before tax, life insurance and pensions** | **40** | **-12** | **109** | **-42** |
| | **Operating profit before group adjustments** | **40** | **-12** | **109** | **-120** |
| | Sale of General Insurance | - | -4 | - | -44 |
| | Group adjustments (goodwill depreciation) | -5 | -6 | -17 | -22 |
| | **Operating profit, insurance** | **35** | **-22** | **92** | **-186** |

Note 4 **Lending**

| **Loan portfolio,** EURm | 30 September 2003 | | | 31 December 2002 | | |
|---|---|---|---|---|---|---|
| | Total lending | Impaired loans, net | Provisions | Total lending | Impaired loans, net | Provisions |
| Companies | 82,075 | 630 | 1,697 | 85,089 | 890 | 1,764 |
| Personal customers | 63,544 | 210 | 374 | 57,929 | 213 | 383 |
| Public sector | 3,069 | 4 | 1 | 2,722 | 4 | 6 |
| **Total** | **148,688** | **844** | **2,072** | **145,740** | **1,107** | **2,153** |

| **Impaired loans,** EURm | 30 Sep 2003 | 31 Dec 2002 | 30 Sep 2002 |
|---|---|---|---|
| Impaired loans, gross | 2,916 | 3,260 | 3,136 |
| Provisions for impaired loans | -2,072 | -2,153 | -2,290 |
| of which | | | |
| specific | -1,624 | -1,698 | -1,834 |
| appraised by category | -64 | -64 | -79 |
| general | -384 | -391 | -377 |
| **Impaired loans, net** | **844** | **1,107** | **846** |
| | | | |
| Provisions/impaired loans, gross, % | 71 | 66 | 73 |
| Impaired loans, net/lending, % | 0.6 | 0.8 | 0.6 |
| | | | |
| **Assets taken over for protection of claims,** EURm | | | |
| Shares and participations | 38 | 26 | 22 |
| Land and buildings | 2 | 2 | 3 |
| Other | 1 | 1 | 1 |
| **Total** | **41** | **29** | **26** |

Note 5 **Capital adequacy**

| **Capital adequacy** | 30 Sep 2003 | 31 Dec 2002 | 30 Sep 2002 |
|---|---|---|---|
| Tier 1 capital, EURm | 10,198 | 9,612 | 9,526 |
| Capital base, EURm | 13,244 | 13,364 | 12,367 |
| Risk-weighted assets, EURbn | 135 | 135 | 137 |
| Tier 1 capital ratio, % | 7.5 | 7.1 | 7.0 |
| Total capital ratio, % | 9.8 | 9.9 | 9.0 |

Note 6 **Derivatives**

| **Derivatives** | Interest rate derivatives | | Equity derivatives | | Foreign exchange derivatives | | Other derivatives | |
|---|---|---|---|---|---|---|---|---|
| EURm<br>30 September 2003 | Market value | Book value | Market value | Book value | Market value | Book value | Market value | Book value |
| Positive values | 13,954 | 13,726 | 353 | 220 | 5,698 | 5,591 | 56 | 32 |
| Negative values | 13,351 | 13,155 | 293 | 197 | 7,142 | 6,894 | 95 | 58 |