Nordea Press release

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# Year-end Report 2004

## Strong result in 2004

- **Net profit 2004 up 28% to all-time high EUR 1,914m (EUR 1,490m in 2003)**
- **Operating profit up 26% to EUR 2,284m (EUR 1,812m)**
- **Total income up 1% to EUR 5,720m (EUR 5,639m), up 3% on a comparable basis**
- **Volume growth in all business areas**
- **Total costs down 5%**
- **Earnings per share at all-time high EUR 0.69 (EUR 0.51)**
- **Return on equity (excluding goodwill) 20.2% (16.7%)**

## Strong income growth in the fourth quarter

- **Total income up 8% to EUR 1,504m (EUR 1,391m in third quarter)**
- **Operating profit up 16% to EUR 636m (EUR 548m in third quarter)**
- **Retail Banking increased operating profit for seventh quarter in a row**
- **Corporate and Institutional Banking's operating profit up 7%**
- **Assets under management up to all-time-high EUR 131bn; Asset Management result up 12%**
- **Positive net loan losses**

## Strong capital position

- **Proposed dividend increased by 12% to EUR 0.28 (EUR 0.25), corresponding to a payout ratio of 40%**
- **Proposal to the AGM for new mandate to repurchase 10% of own shares**

## Well positioned to capture growth

- **Increasing ambitions – new financial targets released in November**
- **Uniform customer programmes in all markets to further increase business with Nordea's large customer base**
- **Increased focus on customers and products**

*"It is very encouraging that we continue to deliver strong results quarter after quarter. The 2004 result is a consequence of the efforts to focus on revenue growth, manage costs and leverage the advantages of size, scale and scope. For two consecutive years we have delivered total shareholder return ranking among the top three in our European peer group. The 8% increase in total income in the fourth quarter indicates that we are well positioned to capture growth opportunities and deliver on our increased ambition level ", says Lars G Nordström, President and Group CEO of Nordea.*

# Operational income statement

| EURm | 2004 | 2003 | Change % | Q4 2004 | Q3 2004 | Change % |
|---|---|---|---|---|---|---|
| Net interest income | **3,510** | 3,366 | 4 | **912** | 884 | 3 |
| Net commission income | **1,639** | 1,486 | 10 | **434** | 403 | 8 |
| Trading income | **481** | 567 | -15 | **135** | 86 | 57 |
| Other income | **90** | 220 | -59 | **23** | 18 | 28 |
| **Total income** | **5,720** | **5,639** | **1** | **1,504** | **1,391** | **8** |
| Staff costs | **-1,892** | -2,101 | -10 | **-485** | -463 | 5 |
| Profit sharing | **-60** | -46 | 30 | **-15** | -15 | 0 |
| Other expenses | **-1,532** | -1,526 | 0 | **-425** | -359 | 18 |
| **Total expenses** | **-3,484** | **-3,673** | **-5** | **-925** | **-837** | **11** |
| **Profit before loan losses** | **2,236** | **1,966** | **14** | **579** | **554** | **5** |
| Loan losses, net | **-27** | -363 | -93 | **10** | 2 | |
| Equity method | **48** | 57 | -16 | **15** | 15 | 0 |
| **Profit before investment earnings and insurance** | **2,257** | **1,660** | **36** | **604** | **571** | **6** |
| Investment earnings, banking | **8** | 170 | | **33** | -26 | |
| Operating profit, life insurance | **180** | 149 | 21 | **40** | 42 | -5 |
| Goodwill amortisation and write-downs | **-161** | -167 | -4 | **-41** | -39 | 5 |
| **Operating profit** | **2,284** | **1,812** | **26** | **636** | **548** | **16** |
| Real estate sales and write-downs, net | **300** | -115 | | **-** | - | |
| Taxes | **-667** | -205 | | **-201** | -149 | |
| Minority interests | **-3** | -2 | | **-1** | -1 | |
| **Net profit** | **1,914** | **1,490** | **28** | **434** | **398** | **9** |

# Ratios and key figures

| | 2004 | 2003 | Q4 2004 | Q3 2004 |
|---|---|---|---|---|
| Earnings per share, EUR | **0.69** | 0.51 | **0.16** | 0.14 |
| Share price[1], EUR | **7.43** | 5.95 | **7.43** | 6.57 |
| Shareholders' equity per share[1,2], EUR | **4.59** | 4.28 | **4.59** | 4.47 |
| Shares outstanding[1,2], million | **2,735** | 2,846 | **2,735** | 2,783 |
| Return on equity excluding goodwill[3], % | **20.2** | 16.7 | **18.0** | 17.0 |
| Return on equity, % | **15.7** | 12.3 | **13.9** | 13.0 |
| Loans and advances to the public[1], EURbn | **161** | 146 | **161** | 154 |
| Deposits and borrowings from the public[1], EURbn | **104** | 96 | **104** | 97 |
| Shareholders' equity[1,2], EURbn | **13** | 12 | **13** | 12 |
| Total assets[1], EURbn | **276** | 262 | **276** | 262 |
| Assets under management[1], EURbn | **131** | 113 | **131** | 126 |
| Cost/income ratio, banking[4], % | **60** | 63 | **60** | 61 |
| Cost/income ratio, excl investment earnings, % | **60** | 64 | **61** | 60 |
| Tier 1 capital ratio[1], % | **7.3** | 7.3 | **7.3** | 7.6 |
| Total capital ratio[1], % | **9.5** | 9.3 | **9.5** | 10.1 |
| Risk-weighted assets[1], EURbn | **145** | 134 | **145** | 140 |
| Number of employees (full-time equivalents)[1] | **28,929** | 30,674 | **28,929** | 29,140 |

[1] End of period.

[2] Total shares registered was 2,847 million (31 Dec 2003: 2,928 million). Number of repurchased shares in Nordea Bank AB (publ) was 111.7 million (31 Dec 2003: 81.6 million). A reduction of share capital through cancellation of repurchased shares was registered on 26 October 2004. The reduction has been made through retirement without payment of 81.6 million shares repurchased in 2003. Average number of own shares Jan-Dec 2004 was 129 million (Jan-Dec 2003: 53 million). Average number of outstanding shares Jan-Dec 2004 was 2,789 million (Jan-Dec 2003: 2,921 million). Dilution is not applicable.

[3] 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.

[4] Total expenses divided by the sum of total income, equity method and investment earnings, banking.

# Quarterly development

| EURm | Note | Q4 2004 | Q3 2004 | Q2 2004 | Q1 2004 | Q4 2003 |
|---|---|---|---|---|---|---|
| Net interest income | | **912** | 884 | 868 | 846 | 850 |
| Net commission income | 1 | **434** | 403 | 405 | 397 | 388 |
| Trading income | | **135** | 86 | 104 | 156 | 125 |
| Other income | | **23** | 18 | 27 | 22 | 36 |
| **Total income** | | **1,504** | **1,391** | **1,404** | **1,421** | **1,399** |
| Staff costs | | **-485** | -463 | -456 | -488 | -511 |
| Profit sharing | | **-15** | -15 | -15 | -15 | -46 |
| Other expenses | | **-425** | -359 | -378 | -370 | -416 |
| **Total expenses** | 2 | **-925** | **-837** | **-849** | **-873** | **-973** |
| **Profit before loan losses** | | **579** | **554** | **555** | **548** | **426** |
| Loan losses, net | | **10** | 2 | 3 | -42 | -84 |
| Equity method | | **15** | 15 | 9 | 9 | 14 |
| **Profit before investment earnings and insurance** | | **604** | **571** | **567** | **515** | **356** |
| Investment earnings, banking | | **33** | -26 | -61 | 62 | 33 |
| Operating profit, life insurance | | **40** | 42 | 51 | 47 | 40 |
| Goodwill amortisation and write-downs | | **-41** | -39 | -41 | -40 | -46 |
| **Operating profit** | | **636** | **548** | **516** | **584** | **383** |
| Real estate sales and write-downs, net | | **-** | - | 300 | - | -115 |
| Taxes | | **-201** | -149 | -152 | -165 | -66 |
| Minority interests | | **-1** | -1 | 0 | -1 | 0 |
| **Net profit** | | **434** | **398** | **664** | **418** | **202** |
| Earnings per share (EPS) | | **0.16** | 0.14 | 0.24 | 0.15 | 0.07 |
| EPS, rolling 12 months up to period end | | **0.69** | 0.60 | 0.67 | 0.57 | 0.51 |

**Note 1 Net commission income,** EURm

| | | | | | |
|---|---|---|---|---|---|
| Brokerage | **42** | 35 | 40 | 44 | 35 |
| Asset management/investment funds | **142** | 123 | 124 | 127 | 129 |
| Issue of securities | **10** | 11 | 6 | 7 | 5 |
| Loans and advances | **87** | 93 | 90 | 90 | 88 |
| Deposits and payments | **210** | 199 | 199 | 192 | 200 |
| Foreign exchange | **12** | 11 | 11 | 11 | 13 |
| Other | **37** | 36 | 43 | 31 | 29 |
| Commission expenses | **-98** | -93 | -91 | -95 | -94 |
| **Net commission income incl commission reported as trading income** | **442** | **415** | **422** | **407** | **405** |
| Of which reported as trading income | **-8** | -12 | -17 | -10 | -17 |
| **Net commission income** | **434** | **403** | **405** | **397** | **388** |

**Note 2 Expenses,** EURm

| | | | | | |
|---|---|---|---|---|---|
| Staff[1] | **485** | 463 | 457 | 489 | 512 |
| Profit sharing | **15** | 15 | 15 | 15 | 46 |
| Information technology[2] | **115** | 105 | 108 | 112 | 136 |
| Marketing | **39** | 18 | 23 | 14 | 27 |
| Postage, telephone and office expenses | **53** | 46 | 50 | 52 | 56 |
| Rents, premises and real estate expenses | **93** | 83 | 89 | 75 | 87 |
| Other | **129** | 111 | 110 | 120 | 112 |
| **Expenses** | **929** | **841** | **852** | **877** | **976** |
| Of which investment activities[3] | **-4** | -4 | -3 | -4 | -3 |
| **Expenses** | **925** | **837** | **849** | **873** | **973** |

[1] Variable salaries were EUR 33m in Q4 2004 (Q3 2004: EUR 26m).

[2] Refers to IT operations, service expenses and consultant fees. Total IT-related costs in Q4 2004, including staff etc, but excluding IT expenses in insurance operations, were EUR 182m (Q3 2004: EUR 161m). Full year 2004 EUR 674m (2003: EUR 688m).

[3] Including staff costs.

# The Group

## Result summary 2004

Operating profit increased by 26% compared to 2003 and reached EUR 2,284m. Net profit increased by 28% to EUR 1,914m, a record result for Nordea.

Strong sales within the personal as well as corporate segment influenced revenues positively. Total revenues increased by 1%. Increased business volumes and active asset-liability management more than outweighed the negative effects of lower short-term interest rates on deposit margins and the competitive market environment. Excluding the non-recurring revenues in 2003, total revenues in 2004 increased by 3%.

Further efficiency gains were realised and costs were reduced by 5%. Loan losses were sharply reduced and the credit portfolio is considered to be of a good overall quality.

***Income***

Net interest income increased by 4% to EUR 3,510m supported by increasing volumes in most segments. Mortgage lending to personal customers expanded significantly and volumes increased by 15% to EUR 56bn. Nordea has increased its market shares within mortgage lending in all Nordic markets except Finland. Consumer lending to personal customers increased by 8% to EUR 17bn.

Lending to small and medium-sized corporates increased by 8% to EUR 59bn. In the large corporate sector, on-balance sheet lending was stable. In total, loans and advances to the public increased by 11% to EUR 161bn.

Increased price competition and customers' improved creditworthiness had a negative effect on lending margins in all segments even though margins were stable in the fourth quarter.

Deposits increased by 9% to EUR 104bn. Falling short-term interest rates had a negative impact on deposit margins compared to last year. The effect was mitigated by the active asset-liability management related to retail deposits. By the end of the year, approx. EUR 19bn had been hedged, representing approx. 2/3 of the targeted deposit volumes. The total positive net effect on net interest income in 2004 is approx. EUR 50m compared to 2003.

Net commission income increased by 10% to EUR 1,639m. Deposit and payments commissions increased by 5% to EUR 800m reflecting growth in the number of payment transactions, in particular card payments. Commissions from brokerage increased by 50% to EUR 161m following improved equity markets. Asset-management-related commissions increased by 10% to EUR 516m. Assets under management (AuM) increased by 16% to EUR 130.6bn.

Trading income decreased by 15% to EUR 481m. A very strong first quarter supported by volume growth in all segments was followed by declining trading income in the second and third quarter as a result of reduced customer activity and low volatility in the financial markets. In the fourth quarter, customer activity increased in all product areas and trading income improved.

Other income decreased by 59% to EUR 90m. In 2003, Nordea undertook a number of divestments in line with its strategy to focus on core business. This resulted in non-recurring gains of EUR 110m, increasing other income in that year.

***Expenses***

Total expenses continued to decrease and were reduced by 5% to EUR 3,484m which was clearly below the stated target of unchanged costs compared to 2003.

Staff costs decreased by 10% to EUR 1,892m. Underlying staff costs, adjusted for restructuring charges, variable salaries, currency fluctuations and outsourcing, were reduced by 6%. In 2004, the number of employees, measured by full-time equivalents, was reduced by 1,745 of which 220 as a result of outsourcing.

Other expenses were stable at EUR 1,532m. Underlying other costs were reduced by 2%.

The outsourcing of certain non-core activities has resulted in falling staff costs and an increase in other expenses. Information technology costs thus increased by 8% to EUR 440m. Total IT-related cost decreased by 2% in 2004. Marketing expenses increased by 15% during 2004 to EUR 94m as a result of intensified marketing activities mainly to personal customers. Expenses for rents and premises increased by 5% to EUR 340m. This includes provisions for future rents of vacant premises following the reduction of employees and more efficient use of office space. Other expenses, including travel, consultants etc decreased by 7% to EUR 470m.

The provision for profit-sharing amounted to EUR 60m in 2004 compared to EUR 46m in 2003 following the improved performance.

***Loan losses***

Loan losses amounted to EUR 27m compared to EUR 363m in 2003. Loan losses corresponded to 0.02% of total loans and guarantees. The credit portfolio is considered to have a good overall quality.

***Investment earnings, banking***
Investment earnings, banking, were EUR 8m compared to EUR 170m in 2003. The investment risk framework outlined on page 20 has a significant impact on the comparison year-on-year.

***Life insurance***
Operating profit from Life Insurance increased by 21% to EUR 180m reflecting the positive effects of the changed business model in the life business. The Life result has been stable on a high level throughout the year. Premiums written increased by 10% compared to 2003.

***Equity method***
Profit from companies accounted for under the equity method decreased by 16% to EUR 48m.

***Real estate holdings***
Nordea completed its real estate divestment process by the sale of central business district properties in Finland, Norway and Sweden in the second quarter. A gain of EUR 300m was reflected in the second quarter accounts 2004. In the fourth quarter 2003, a write-down of EUR 115m was reported. Nordea now owns no major properties.

***Taxes***
The effective tax rate amounted to 25.8% compared to 12.1% in 2003. In 2003, the tax rate was lowered by the deferred tax asset of EUR 300m as a result of the change in the Group's legal structure whereby a tax loss materialised in Nordea Bank Finland.

***Net profit***
Net profit amounted to EUR 1,914m corresponding to EUR 0.69 per share and a return on equity of 20.2% (excluding goodwill). Adjusted for the impact of the real estate gain in the second quarter, earnings per share were EUR 0.58 and return on equity was 17.4% (excluding goodwill). The corresponding numbers in 2003 were EUR 0.43 per share and a return on equity of 15.0%.

## Result summary fourth quarter

The fourth quarter result was strong with growth in net interest income, net commissions, trading income as well as a significant recovery in investment earnings. The increase in expenses in the fourth quarter is mainly explained by restructuring costs and seasonal factors. Operating profit increased by 16 % compared to the third quarter to EUR 636m.

***Income***
Net interest income increased by 3% to EUR 912m in the fourth quarter supported by volume growth in mortgage lending and lending to SMEs. In addition, a reduced fee to the Bank Guarantee fund in Norway had a positive impact of EUR 6m. Lending margins were relatively stable in all segments.

Deposits increased by 8% to EUR 104bn. Deposit margins improved slightly supported by the active asset-liability management.

Net commission income increased by 8% to EUR 434m. Commissions from deposits and payments increased by 5% to EUR 210m. After a number of quarters with unchanged level of income, it is encouraging to see commissions from asset management increasing by 15% to EUR 142m as both transaction fees and management fees increased. Commissions from brokerage increased by 20% to EUR 42m supported by improving equity markets and strong growth in trading volumes on the Nordic stock exchanges.

After a fairly weak third quarter, trading income registered a significant improvement, up 57% to a high level of EUR 135m. FX-trading, fixed-income and structured products all contributed to the strong result.

Other income increased by 28% to EUR 23m reflecting several small capital gains.

***Expenses***
Total expenses increased by 11% to EUR 925m. The increase is explained by higher variable salaries, restructuring charges, provisions for future rents on vacant premises as well as a seasonal increase in expenses such as marketing, information technology, travelling and consultants. Costs in the fourth quarter were 5% below the same period last year.

Staff costs increased by 5% in the fourth quarter reflecting higher variable salaries and restructuring charges. The changes in the disability pension schemes under the Finnish Statutory Employment Pension Scheme ("TEL") had a positive impact on staff costs in the quarter. This effect was however, largely off-set by increased provisions for pensions and planned early retirement. The strong performance within Markets and Asset Management explains the increase in variable salaries. Underlying staff costs were unchanged in the fourth quarter.

***Loan losses***
Loan losses were positive at EUR 10m as reversals exceeded new provisions.

***Investment earnings, banking***
Investment earnings improved significantly to EUR 33m compared to a loss of EUR 26m in the third quarter. Investment return was 4.6% (annualised) following gains on both fixed-ncome and non-listed equity investments.

***Life insurance***
Profit from life insurance was stable at EUR 40m.

*Net profit*
Net profit was EUR 434m corresponding to EUR 0.16 per share, and a return on equity of 18% (excluding goodwill).

### Credit portfolio
At the end of the year, impaired loans, net, amounted to EUR 543m representing 0.3% of total loans and advances to the public, compared to 0.5% one year ago.

Over the last 12 months, the share of household lending increased to 46% from 44%, representing a marked shift towards low risk and high quality assets. Within household lending, mortgage loans account for 77%.

There was no major change in the composition of the corporate loan portfolio during the year. Real estate management remains the largest industry exposure in the credit portfolio and amounts to EUR 23.4bn, representing 15% of the total portfolio.

### Nordea share and shareholder's equity
During the year the share price of Nordea appreciated by 24.1% on the Stockholm Stock Exchange from SEK 54.00 on 30 December 2003 to SEK 67.00 on 30 December 2004. Total shareholder return in 2004 was 29.8%. Shareholders' equity amounted to EUR 12.5bn at the end of the year. Nordea has a strong capital position, reflected in the Tier 1 capital ratio of 7.3% and the total capital ratio of 9.5%, including the result for 2004.

The Board of Directors decided on 27 October 2004, within the framework of the authorisation by the Annual General Meeting, that the company would reactivate the repurchase programme to buy back up to a maximum of 139 million of its own shares (equivalent to approx. 5 per cent of the total number of shares).

Under the ongoing repurchase programme, Nordea Bank AB (publ) had repurchased 48.3 million shares by 31 December 2004. In addition, Nordea repurchased 28.5 million shares from 1 January 2005 to date, i.e. a total of 76.8 million out of the 139 million.

On 31 December 2004, Nordea Bank AB (publ) total holding of repurchased shares amounted to 111.7 of which 63.4 million bought under the Board decision in 2003. The Group's total holding of own shares amounted to 118.4 million including shares in the securities business operations.

### New mandate to repurchase own shares
In order to increase the earnings per share in the long term by redistributing funds to the shareholders, the Board of Directors proposes to the AGM to renew the ten per cent authorisation to repurchase own shares on a stock exchange where the bank's shares are listed, or by means of an acquisition offer directed to all the bank's shareholders.

### Dividend
The Board of Directors has proposed to the AGM a dividend of EUR 0.28 per share, corresponding to a payout ratio of 40% of net profit. This represents an increase of 12%, or EUR 0.03 per share.

The proposed record date for the dividend is 13 April 2005, and dividend payments are scheduled to be made on 20 April. The ex-dividend date for the Nordea share is 11 April.

### Legal Structure
In 2004, Nordea took further steps to simplify its legal structure. The parent company, Nordea AB (publ), was granted a bank charter and thus changed its name to Nordea Bank AB (publ) on 30 January 2004. Nordea Bank Sweden was subsequently merged into Nordea Bank. The Swedish Financial Supervisory Authority approved the merger, which took effect on 1 March 2004.

The aim is that Nordea Bank AB (publ) will be converted into a European company, a "Societas Europaea", ("SE"), in accordance with the European Company Statute. The SE will be legally domiciled in Sweden and the conversion will be accomplished through mergers with the other banks in the Group. The conversion is conditional on, among other things, Nordea obtaining necessary approvals from the relevant authorities and is expected to lead to improved operational efficiency, reduced operational risk and complexity as well as enhanced capital efficiency.

Nordea is continuing the preparation for this conversion hence awaiting that the regulatory and legislative framework in Europe will come in place, particularly the EU Commission's review of issues relating to the operation of deposit guarantee schemes in the EU and EEA countries. Following a satisfactory solution to these challenges the final conversion process in itself is estimated to take up to one year from start to execution. Even though significant progress has been made, it is not realistic to expect the transformation to be completed at the end of 2005.

### New financial targets and capital structure policy
In November 2004, the Board of Directors decided on revised financial targets for Nordea in the period 2005 through 2007.

***Total shareholder return, %***
In the top quartile of European peer group.

***Return on equity (RoE), %***
Above 15% in 2005 and above 17% or in line with level of top Nordic peers from 2007.

New accounting principles will apply as of 1 January 2005. The target of 15% from 2005 equals approx. 18%

with Nordea's previous way of calculating return on equity (excluding goodwill also in the equity base).

***Costs***
Same cost level through 2007 as in 2004.

***Supporting target - Cost/income ratio, %***
Continuous improvement.
The Board of Directors also decided the following capital structure policy:

***Dividend payout ratio, %***
Dividend payment will normally exceed 40 per cent of the net profit for the year. Nordea will ensure competitive and predictable dividends.

***Tier 1 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%. Recurring repurchase programmes and an increasing use of hybrid capital will contribute to the efficient use of capital.

## Profit sharing and management incentive

In 2004, a total of EUR 60m was provided for under Nordea's profit-sharing schemes. Of this, EUR 56m was provided for under the ordinary profit-sharing scheme for all employees, corresponding to a payout of 65% of the maximum amount. EUR 4m was provided under the executive incentive programme comprising some 350 managers.

In 2005, Nordea's Board of Directors has decided to adjust the success criteria of the existing profit-sharing programmes in order to support Nordea's new financial targets. The performance criteria still reflect internal goals as well as benchmarking with competitors. Both programmes are cash-based and capped.

Employees can receive a maximum of EUR 2,800, of which EUR 2,000 is based on a pre-determined level of return on equity, and an additional EUR 800 based on Nordea's relative performance compared to a Nordic peer group as measured by return on equity. The return on equity calculation is adjusted for new accounting rules from 1 January 2005. If all performance criteria are met, the cost of the programme will amount to a maximum of EUR 82m.

The executive incentive programme comprises some 350 managers in Nordea. The performance criteria include Economic Profit, change in total income and total expenses. Managers can receive up to a maximum of 12% of one year's basic salary if performance criteria are met. The maximum cost of the programme will amount to EUR 8m.

## IFRS implementation

Nordea's financial reporting is based on Swedish GAAP. Swedish accounting standards have been gradually aligned to IFRS since 2000. At the end of 2004, 29 standards had already been implemented.
The introduction of new accounting standards according to International Financial Reporting Standards (IFRS) for companies with publicly traded securities in 2005, published by the International Accounting Standards Board (IASB), will still affect the consolidated financial statements for the Nordea Group.

The new accounting standards are, or will be, endorsed by the EU Commission, and become effective upon such endorsement.

In line with IFRS 1 on first time adoption, companies must present comparable figures for at least one year, except for IFRS 4 and IAS 39.

In November 2004 the Stockholm Stock Exchange recommended listed companies to present the main effects of implementing IFRS in the year-end reports.

The main changes in accounting principles relevant for the Nordea Group include:

- changes in measurement of assets and liabilities,
- timing of recognition and derecognition of assets and liabilities, and
- changes in presentation and classification of the balance sheet items.

More specifically, these changes are mainly related to implementation of the following standards:

- IAS 1 Presentation of Financial Statements
- IFRS 3/IAS27 Business combinations, incl. goodwill
- IFRS 4 Insurance contracts
- IAS 36 Impairment of assets
- IAS 39 Financial instruments

Nordea will present comparative figures for one year, with the exception of insurance contracts and financial instruments (IFRS 4 and IAS 39). As Nordea has not based its relevant business operations on the principles of IFRS 4 and IAS 39 during 2004, remeasured figures would not provide meaningful information.

Below the main effects on the opening balance 2005 and the reported earnings are presented. The effects are based on preliminary calculations and will be subject to revisions and updates during 2005.

In addition to the effects of the new standards, the presentation format of Nordea's accounts will be changed, including reclassifications of the balance sheet as well as certain income and expenses. Implementation of IFRS 3 and IAS 27 regarding business combinations and consolidation means that the consolidation principles for previously non fully consolidated holdings will be changed, which will include a line-by-line consolidation of the life insurance business in the Nordea Group financial statements.

Such reclassifications will, however, not affect the reported profits or Nordea's overall financial position.

***IFRS - Opening balance 2005***

Implementation of IFRS 3 regarding goodwill acquired in business combinations means that no amortisation of goodwill will be made. When presenting comparative figures for 2004, the goodwill amortisation of EUR 161m will be reversed, which will lead to an increase in equity of the same amount in the opening balance 1 January 2005 compared to the reported equity end 2004.

Implementation of the impairment rules in IAS 39 on loans and advances will affect the opening balance as per 1 January 2005 with approx. EUR 100m, with a corresponding increase in equity of approx. EUR 70m after tax. This follows as a result of general loan loss provisions not being allowed under IAS 39. IAS 39 instead requires impairment to be identified in groups of loans with similar risk characteristics. Nordea has consequently partly reclassified general provisions to group-wide provisions (collective impairment). At 31 December 2004 general provisions amounted to EUR 303m, of which approx. EUR 200m have been reclassified. Remaining general provisions after reclassification have been dissolved, which results in the positive non-recurring effect on equity.

Implementation of IAS 39 on hedge accounting will affect the opening balance as per 1 January 2005. Nordea will use hedge accounting for financial assets and liabilities where relevant. All derivatives will be measured at fair value. The net effect of the conversion to hedge accounting applied under IFRS on the equity in the opening balance 1 January 2005 is estimated to have a limited effect, only. The effect is a result of applying fair value on certain assets and related derivatives, as opposed to previously applying deferral hedge accounting (amortised cost principle). In addition, initial recognition of income related to on- and off-balance sheet items, as well as other IAS 39-related elements, are reflected by an opening balance effect of approx. EUR -40m.

The Danish mortgage loans and closely related issued mortgage bonds in the fully owned subsidiary Nordea Kredit Realkreditaktieselskab will be measured at fair value, in line with the principles applied in the subsidiary. These items will not affect equity in the opening balance 1 January 2005. Uncertainty remains with respect to whether the annual accounts for 2005 can reflect fair value measurement of issued bonds.

Implementation of IFRS 4 and IAS 39 will affect the measurement and classification of assets and liabilities in the life insurance business. The remeasurement is expected to have a limited effect on the reported financials, as fair value is already the main valuation principle in Nordea's life business.

Nordea will not restate business combinations that occurred before the transition date of 1 January 2004. Implementation of IFRS 3 on business combinations will consequently not affect Nordea's accumulated goodwill.

Implementation of IAS 36 regarding impairment of assets means that certain assets previously measured at historic cost less amortisation, will be measured at the recoverable amount. The net effect on equity in the opening balance 1 January 2005 is EUR -29m.

In accordance with IAS 1 on presentation of financial statements, minority interests are no longer deducted from equity. This will lead to a positive effect on equity in the opening balance of EUR 13m.

Other items identified are estimated in aggregate to have an effect on the equity in the opening balance 1 January 2005 of EUR -13m.

***IFRS - Net effect on equity and capital position***

In total, these changes add up to a positive net effect on the equity in the opening balance of approx. EUR 160m, net, when including the tax effect.

The effect on Tier 1 capital at 1 January 2005 is negligible when including IFRS changes. The difference between the effect on equity and the effect on Tier 1 capital is the reversal of goodwill. Goodwill is deducted from equity when calculating Tier 1 capital, hence the change in the goodwill does not affect Tier 1 capital.

***IFRS - Profit and loss***

Implementation of IFRS 3 regarding goodwill acquired in business combinations means that no amortisation of goodwill will be made, but impairment test will, as previously, be performed. If the standard had been implemented in 2004, the net effect on Nordea's operating profit would have been an increase of EUR 161m.

Implementation of IAS 39 regarding impairment means that calculated interest income related to impaired loans will be recognised as interest income, calculated at original effective interest rate, while the value of a loan at the time of impairment will be calculated based on net present value of future cash flows. This means that interest income and impairment losses will show increases of the same magnitude, amounting to approx. EUR 15m, and the net effect on reported profits, if any, is expected to be marginal.

The implementation of IAS 39 is expected to lead to some increased volatility in reported profits, due to valuation of certain financial instruments, but is not expected to have a material impact on the reported earnings going forward. There is continued uncertainty attached to the scope of IAS 39. Adjusted recommendations are expected during 2005.

Nordea's current asset-liability strategy, regarding its non-trading interest rate risk will be continued in 2005. The asset liability management has been adapted to ensure fulfilment of relevant requirements for hedge accounting.

Initial recognition regarding certain derivatives, including remeasurement of up-front gains/losses is expected to lead to some reduction of reported income in Nordea's Markets operations.

Due to certain reclassifications in the income statement, including the effect of consolidating the life insurance business line-by-line, both reported total income and expenses will increase.

***IFRS - Net effect on profit and loss***

Based on the current standards, the changes are expected to have a positive effect on Nordea's pre-tax profit when disregarding potentially increased volatility resulting from the implementation of IAS 39. In total the effect is expected to be in the area of EUR 160m, on an annual basis.

***IFRS - Key figures***

Reported Return on Equity (RoE) up to and including year-end 2004 has excluded goodwill amortisation in net profit, and goodwill in equity. At the end of 2004 goodwill amounted to approx. EUR 1.9bn, and equity amounted to EUR 12.5bn.

Going forward, goodwill will be included in equity when calculating RoE, and there will be no goodwill amortisation. The difference in methodology means that reported RoE will decrease by approx. 3%-points, all other factors being equal. No other factors than goodwill have been included in this calculation.

## Demutualisation of Nordea Liv I in Sweden

95.2 per cent of the voting policyholders of Nordea Liv I have voted in favour of a demutualisation of the company. In all, 181,908 persons voted, 64 per cent of the total number of those entitled to vote. Demutualisation entails transformation to a profit-distributing company, which is scheduled to take effect on 1 January 2006. The Swedish Financial Supervisory Authority's will verify the demutualisation proposal to safeguard the rights of the policyholders.

In the transformation of Nordea Liv I, capital will be injected to increase the solvency ratio. To arrive at a solvency ratio of 2, the capital required, based on current scenarios, would be approximately SEK 800m. Capital is to be injected as a combination of share capital and subordinated loan capital.

## Nordea to start selling funds in Poland

Nordea has been granted permission by the Polish financial supervisory authorities to market and sell funds in Poland, thus becoming one of the first banks to sell international funds in Poland. Nordea is now authorised to sell its Luxembourg-based SICAV funds. Initially, three of a total of 32 SICAV funds are on offer via some 40 Nordea branch offices across Poland.

## AGM

The Annual General Meeting of shareholders will be held on Friday 8 April 2005 in Aula Magna, Stockholm University at 10.00 am (CET) with the possibility to participate through telecommunication, in Helsinki at 11.00 am Finnish time at Messukeskus and in Copenhagen at 10.00 am (CET) in Bella Center.

## Outlook

Markets remain competitive and the challenging margin trend is expected to continue in 2005. However, Nordea's performance in 2004 supports the overall increased ambition level communicated at the Capital Markets Day on 30 November 2004. Nordea is well positioned to deliver results in accordance with the revised financial targets.

Based on the overall quality of the credit portfolio and the present economic outlook for the Nordic countries the loan loss ratio is expected to continue to be low. However, loan losses cannot reasonably be expected to be at the very low level experienced in 2004.

# Results by business area fourth quarter 2004[1]

| 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 | Group Functions and Eliminations | Total |
|---|---|---|---|---|---|---|---|
| Customer responsible units: | | | | | | | |
| Net interest income | 762 | 119 | 9 | | 37 | -15 | 912 |
| Other income | 353 | 149 | 83 | | 0 | 7 | 592 |
| **Total income incl. allocations** | **1,115** | **268** | **92** | | **37** | **-8** | **1,504** |
| *of which allocations*[2] | *145* | *-87* | *-58* | | *2* | -2 | *0* |
| **Expenses incl. allocations** | **-649** | **-150** | **-55** | | **-10** | **-61** | **-925** |
| *of which allocations*[2] | *-320* | *-43* | *6* | | *-2* | 359 | *0* |
| Loan losses | 23 | 17 | | | | -30 | 10 |
| Equity method | 16 | 5 | | | | -6 | 15 |
| **Profit before investment earnings and insurance** | **505** | **140** | **37** | **0** | **27** | **-105** | **604** |
| Investment earnings, banking | | | | | 33 | 0 | 33 |
| Operating profit, life insurance[3] | 20 | | | 20 | | 0 | 40 |
| Goodwill amortisation and write-down | -5 | -3 | | | | -33 | -41 |
| **Operating profit 2004: Q4** | **520** | **137** | **37** | **20** | **60** | **-138** | **636** |
| 2004: Q3 | 473 | 128 | 28 | 28 | 6 | -115 | 548 |
| 2004: Q2 | 452 | 87 | 31 | 40 | -27 | -67 | 516 |
| 2004: Q1 | 438 | 157 | 33 | 40 | 55 | -139 | 584 |
| 2003: Q4 | 423 | 103 | 35 | 26 | 62 | -266 | 383 |
| Return on equity, % | 31% | 22% | | | | | 15.7% |
| Cost/income ratio, banking, % | 56% | 55% | 60% | | 14% | | 60% |
| **Other information, EURbn** | | | | | | | |
| Total assets | 157 | 89 | 5 | 25 | 16 | -16 | 276 |
| Lending | 131 | 28 | 2 | | 0 | | 161 |
| Deposits | 73 | 25 | 4 | | 2 | | 104 |
| Capital expenditure, EURm | 2 | 1 | 1 | 0 | 0 | 39 | 43 |
| Depreciations, EURm | -2 | -2 | -1 | -1 | 0 | -28 | -34 |
| **Product result 2004: Q4** | | | **64** | **49** | | | |
| 2004: Q3 | | | 57 | 47 | | | |
| 2004: Q2 | | | 58 | 57 | | | |
| 2004: Q1 | | | 60 | 53 | | | |
| 2003: Q4 | | | 60 | 44 | | | |

[1] According to the new organisation effective as from 1 October, 2004, including moving Poland and Baltic from Retail Banking to CIB. Historical information has been restated accordingly.

[2] Allocations show the redistribution of cost and income between business areas. Income within CIB and Asset Management has been reduced by EUR 87m and EUR 58m, respectively, while EUR 145m and EUR 2m is included in total income within Retail Banking and Group Treasury, respectively.

[3] In the Retail section, profit from Life Insurance is included in other income.

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 include the unallocated results of the four group functions, Group Processing and Technology, Group Corporate Centre (excluding Group Treasury), Group Credit and Risk Control and Group Legal and Compliance. This segment also includes items needed to reconcile 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. 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, Asset Management & Life commands product responsibility for investment funds and life insurance products. 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 including income allocated to Retail Banking on these products, as well as sales and distribution costs within Retail Banking. The product result of EUR 64m in the fourth quarter 2004 for Asset Management includes, in addition to the operating profit of EUR 37m, revenues and expenses related to investment funds allocated to Retail Banking as well as estimated sales and distribution costs.

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 are subtracted from the expenses and added to the expenses in the receiving business unit, with the result that all allocations add 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 the public as well as to credit institutions. 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 goodwill. 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 margins 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 rate corresponding to the expected average medium-term risk-free return. 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. However, 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.

## Retail Banking

- **Growth in income**
- **Strong increase in volumes**
- **Stable lending margins**
- **Operating profit increased for 7th consecutive quarter**

Retail Banking has customer responsibility for personal as well as most corporate customers in Nordea and develops, markets and distributes a broad range of financial products and services.

### Market conditions

Customer demand remained firm in the fourth quarter in particular for mortgages and savings products. Customer interest in new payment solutions such as e-invoicing continued.

### Business development

Lending to households continued to grow, mainly in mortgage financing. The loan volume increased by EUR 2.5bn to EUR 71.8bn during the fourth quarter, an increase of 4%. The average lending margin for households was unchanged at 1.47% in the fourth quarter.

Loan demand from corporate customers within Retail increased by 3.1%, or EUR 1.8bn, to EUR 59.0bn.

Lending margin for corporate customers was unchanged at 1.13% in the fourth quarter compared to the third quarter.

The total loan volume increased from EUR 126.5bn at the end of the third quarter to EUR 130.8bn, an increase of 3.4%. Well over half of the total loan volume is mortgage lending to households and corporate customers. Total lending margins were unchanged at 1.32%.

The total deposit volume increased by 3.8% to EUR 72.8bn mainly reflecting both increased deposits from households and seasonal increases in corporate deposits. Overall deposit margins increased to 1.31% from 1.27% supported by the active asset-liability management.

An additional 50,000 international cards were sold bringing the total number of international cards to 4.1 million at the end of the quarter. Only 25% of these cards are credit cards. To increase this share is a priority going forward.

The sale of Nordea Prioritet, the housing loan against a first charge collateral, the proceeds of which is placed on a demand deposit account at the same interest rate as the housing loan, is very successful. Volumes increased by EUR 400m in the fourth quarter.

During the fourth quarter, a marketing campaign targeting consumer lending was carried out in all markets with the aim of capturing market share in particular from non-bank credit companies.

A new account with a revolving credit facility for core customers was launched in the Swedish market.

Uniform customer programmes with differentiated service and pricing levels for the three main segments have been introduced in all markets.

The total number of personal core customers increased by 3% during the fourth quarter 2004. In the Norwegian market where the programmes were introduced in the third quarter 2004, a total of 49,000 customers had signed up by the end of the fourth quarter 2004.

The Check-in-programme for young customers was introduced in Finland. At the end of 2004, more than 10,000, including several new customers, had signed up for the programme.

***Electronic banking***

The number of netbank customers increased by 0.1 million in the fourth quarter and reached 4.0 million, of which 3.6 million are households. The growth in online equity trading customers continued during the quarter. At the end of the fourth quarter 356,000 customers had signed up for online equity trading.

Netbank activity continued to grow at a rapid pace. The number of log-ons was 44.5 million in the fourth quarter, corresponding to an increase of 23% year-on-year. The number of netbank payments increased by 14% year-on-year.

### Result

Total income was EUR 1,135m in the fourth quarter, an increase of 7% from the third quarter, which reflected strong volume growth, seasonal items and the reduced fee to the Bank Guarantee fund in Norway of EUR 6m. Net interest income increased by 6% to EUR 762m. Non-interest income increased by 9% to EUR 373m.

Costs increased by 9% to EUR 649m explained by higher marketing expenses, staff costs (including redundancy payments) and increasing IT costs. In the fourth quarter the number of employees was reduced by approx. 50 to 17,550 full-time equivalents.

The operating profit in the fourth quarter was EUR 520m. This means that operating profit increased for the seventh consecutive quarter and reached a level 50% above the level in 2002. Return on equity was 31% in the fourth quarter and the cost/income ratio was 56%.

## Retail Banking operating profit by main area

| EURm | Total Q4 2004 | Total Q3 2004 | Regional banks in Denmark Q4 2004 | Regional banks in Denmark Q3 2004 | Regional banks in Finland Q4 2004 | Regional banks in Finland Q3 2004 | Regional banks in Norway Q4 2004 | Regional banks in Norway Q3 2004 | Regional banks in Sweden Q4 2004 | Regional banks in Sweden Q3 2004 | Other Q4 2004 | Other Q3 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 762 | 719 | 214 | 207 | 203 | 192 | 123 | 109 | 214 | 208 | 8 | 3 |
| Net commissions & other income | 373 | 343 | 96 | 92 | 93 | 80 | 42 | 41 | 140 | 127 | 2 | 3 |
| **Total income** | **1,135** | **1,062** | **310** | **299** | **296** | **272** | **165** | **150** | **354** | **335** | **10** | **6** |
| Total expenses | -649 | -593 | -164 | -159 | -156 | -146 | -95 | -84 | -225 | -196 | -9 | -8 |
| **Profit before loan losses** | **486** | **469** | **146** | **140** | **140** | **126** | **70** | **66** | **129** | **139** | **1** | **-2** |
| Loan losses | 23 | 6 | 17 | -3 | 1 | 2 | -2 | 0 | 8 | 7 | -1 | 0 |
| Equity method | 16 | 3 | 4 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 12 | 0 |
| Goodwill amortisation | -5 | -5 | 0 | 0 | 0 | 0 | 0 | 0 | -4 | -4 | -1 | -1 |
| **Operating profit** | **520** | **473** | **167** | **140** | **141** | **128** | **68** | **66** | **133** | **142** | **11** | **-3** |
| Cost/income ratio, % | 56 | 56 | 52 | 53 | 53 | 54 | 57 | 56 | 64 | 59 | | |
| Return on equity, % | 31 | 29 | 31 | 27 | 35 | 33 | 24 | 23 | 28 | 31 | | |
| **Other information, EURbn** | | | | | | | | | | | | |
| Lending | 130.8 | 126.5 | 36.8 | 36.0 | 31.0 | 29.8 | 20.9 | 20.3 | 42.1 | 40.3 | | |
| Deposits | 72.8 | 70.1 | 16.4 | 16.2 | 23.7 | 22.7 | 10.9 | 10.5 | 21.8 | 20.8 | | |
| Economic capital | 4.9 | 4.7 | 1.5 | 1.5 | 1.1 | 1.1 | 0.8 | 0.8 | 1.4 | 1.3 | | |

## Retail Banking margins

| Lending margins, % | Q4 2004 | Q3 2004 |
|---|---|---|
| To corporates | 1.13% | 1.13% |
| To households | 1.47% | 1.47% |
| -household mortgages | 0.90% | 0.90% |
| Total lending | 1.32% | 1.32% |

| Deposit margins, % | | |
|---|---|---|
| From corporates | 0.91% | 0.93% |
| From households | 1.58% | 1.50% |
| Total deposits | 1.31% | 1.27% |

## Retail Banking key figures per quarter

| | **Full year 2004** | **Q4 2004** | Q3 2004 | Q2 2004 | Q1 2004 | Q4 2003 |
|---|---|---|---|---|---|---|
| Operating profit, EURm | **1,883** | **520** | 473 | 452 | 438 | 423 |
| Return on equity, % | **28** | **31** | 29 | 27 | 28 | 26 |
| Cost/income ratio, % | **57** | **56** | 56 | 58 | 57 | 55 |
| Customer base: households, million | **9.3** | **9.3** | 9.3 | 9.3 | 9.3 | 9.3 |
| corporate customers, million | **0.9** | **0.9** | 0.9 | 0.9 | 0.9 | 0.9 |
| Number of employees (full-time equivalents) | **17,550** | **17,550** | 17,597 | 17,709 | 17,941 | 18,407 |

## Corporate and Institutional Banking

- **Good income growth**
- **High business activity in all areas**
- **Positive loan losses**

Corporate and Institutional Banking delivers a wide range of products and services to Nordea's largest corporate customers as well as to institutional customers. Corporate and Institutional Banking has customer responsibility for corporate customers which are listed on the key stock exchanges and e.g. customers with an external credit rating as well as shipping, offshore and oil services companies, and financial institutions. Nordea's activities in Poland and the Baltic countries are part of Corporate and Institutional Banking.

### Market conditions

In the fourth quarter markets were characterised by increased volatility and customer activity primarily driven by the weakening USD.

*Stock market development*

| | Market volume | | Market index |
|---|---|---|---|
| | Q4 2004 EUR bn | Q4 vs. Q3 % | Q4 vs. Q3 % |
| Denmark | 23.1 | 26% | 2% |
| Finland | 43.7 | 20% | 8% |
| Norway | 33.2 | 22% | 8% |
| Sweden | 92.7 | 11% | 7% |

### Business development

The business activity in Corporate Banking Division picked up during the fourth quarter and was at a good level at the end of the year. Price competition is still fierce, reflecting the high liquidity and good credit quality in the Nordic lending market in general. For Corporate Finance, the fourth quarter was another good quarter where both merger and acquisition advisory and equity issues contributed to the result.

In the Financial Institutions Division, increased market activity and volatility generated more business opportunities for institutional clients. The improvement benefited virtually all products and customer segments.

In Custody Services, the number of transactions increased by 18% compared to the third quarter while assets under custody increased by 6% to EUR 462bn. The Swedish operations received a top rating in Global Investor's annual customer survey.

The business activity in International and Shipping Division continued to be at a high level in the fourth quarter of 2004. The previously indicated pressure on prices from increased competition is still present.

In Markets Division, customer activity in the fourth quarter was at a high level in all product areas. Nordea was joint bookrunner for ISS Global A/S EUR 500m 10 year benchmark bond issue.

In Poland and the Baltic countries, business volumes grew fast during the fourth quarter. Nordea's market share increased to 3.4% in corporate loans and 2.2% in corporate deposits compared to 2.3% and 1.5 % at the end of 2003. The introduction of Cash Management services further strengthened Nordea's position among Nordic and large local corporate customers. Nordea continued launching new payment solutions, and Nordea is among the first to offer foreign mutual funds in Poland.

### Result

Total income in the fourth quarter amounted to EUR 268m, up by EUR 16m or 6% from the third quarter. Net interest income was EUR 119m, up by EUR 13m from the previous quarter supported by completion of many large credit transactions in Corporate Banking and Shipping. Other income increased by EUR 3m to EUR 149m reflecting the high income mainly from Markets products in the fourth quarter. Total income in Markets was EUR 158m, up by EUR 45m or 40% from the third quarter, as a result of increased customer activity in all product areas. Commission income declined from the extraordinary high levels in the third quarter, but was higher than in the first and second quarter.

Total expenses in the fourth quarter were EUR 150m, up by EUR 6m, or 4%, compared to the previous quarter. The increase is explained by a higher provision for performance-related salaries and increased IT costs. Other costs were down. The number of employees continued to decrease and has been reduced by 147, or 4%, from the beginning of the year.

Loan losses amounted to a positive figure of EUR 17m including transfer risk, as the reversals of earlier provisions for loan losses exceeded the amount of new provisions. Loan losses have been positive in each quarter in 2004.

Operating profit was EUR 137m, up by EUR 9m from the third quarter, corresponding to a return on equity of 22%. The cost/income ratio was 56%.

## CIB operating profit by main area

| EURm | Total Q4 2004 | Total Q3 2004 | Corporate Banking Division[1] Q4 2004 | Corporate Banking Division[1] Q3 2004 | Financial Institutions Division[1] Q4 2004 | Financial Institutions Division[1] Q3 2004 | International and Shipping Division[1] Q4 2004 | International and Shipping Division[1] Q3 2004 | Poland and Baltic[1] Q4 2004 | Poland and Baltic[1] Q3 2004 | Other Q4 2004 | Other Q3 2004 | Markets[2] Q4 2004 | Markets[2] Q3 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 119 | 106 | 58 | 53 | 9 | 9 | 33 | 29 | 17 | 14 | 2 | 2 | 13 | 14 |
| Other income | 149 | 146 | 63 | 56 | 50 | 19 | 13 | 18 | 9 | 8 | 14 | 45 | 145 | 99 |
| **Total income** | **268** | **252** | **121** | **109** | **59** | **28** | **46** | **47** | **26** | **22** | **16** | **47** | **158** | **113** |
| Total expenses | -150 | -144 | -37 | -38 | -28 | -29 | -10 | -11 | -18 | -16 | -57 | -51 | -77 | -64 |
| **Profit before loan losses** | **118** | **108** | **84** | **71** | **31** | **-1** | **36** | **36** | **8** | **6** | **-41** | **-4** | **81** | **49** |
| Loan losses | 16 | 14 | 11 | 12 | 0 | 0 | 5 | 3 | 0 | -1 | 0 | 0 | 0 | 0 |
| Transfer risk | 1 | 4 | 1 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity method | 5 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 5 | 0 | 0 |
| Goodwill amortisation | -3 | -4 | -1 | -1 | -1 | -1 | 0 | 0 | -2 | -2 | 0 | 0 | 0 | 0 |
| **Operating profit** | **137** | **128** | **95** | **86** | **30** | **-2** | **41** | **39** | **6** | **3** | **-36** | **1** | **81** | **49** |
| **Other information, EURbn** | | | | | | | | | | | | | | |
| Lending | 28.2 | 26.1 | 12.2 | 12.6 | 1.2 | 1.4 | 6.2 | 6.5 | 2.4 | 2.0 | 6.1 | 3.5 | | |
| Deposits | 24.9 | 20.8 | 9.0 | 7.3 | 9.0 | 7.5 | 3.0 | 3.1 | 1.3 | 1.2 | 2.6 | 1.6 | | |
| Lending margins, %[3] | 0.98 | 0.97 | | | | | | | | | | | | |
| Deposit margins, %[3] | 0.38 | 0.41 | | | | | | | | | | | | |
| Economic capital | 1.7 | 1.8 | 0.9 | 1.0 | 0.2 | 0.2 | 0.2 | 0.3 | 0.1 | 0.1 | 0.2 | 0.2 | 0.6 | 0.6 |

[1] 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.

[2] 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.

[3] Margins are excluding Markets and Poland and Baltic

## CIB key figures per quarter

| | **Full year 2004** | **Q4 2004** | Q3 2004 | Q2 2004 | Q1 2004 | Q4 2003 |
|---|---|---|---|---|---|---|
| Operating profit, EURm | **509** | **137** | 128 | 87 | 157 | 103 |
| Return on equity, % | **19** | **22** | 20 | 13 | 24 | 15 |
| Cost/income ratio, % | **56** | **56** | 57 | 65 | 50 | 56 |
| Number of employees (full-time equivalents) | **3,261** | **3,261** | 3,271 | 3,221 | 3,290 | 3,408 |

## Asset Management & Life

- **Assets under Management at EUR 130.6bn – new all-time-high**
- **Asset Management result up 12% in fourth quarter on high client activity**
- **Strong sales and result in Life**
- **Strong Nordic Private Banking inflow**
- **Continued robust growth in European Fund Distribution**

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

### Market conditions

Investor activity picked up in the fourth quarter after a period of low activity. Transaction volumes rose as investors became more confident in light of the improved market sentiment. The rise in asset prices increased assets under management (AuM).

### Business development

AuM increased for the seventh consecutive quarter to a new all-time-high of EUR 130.6bn, an increase of EUR 4.9bn compared to the third quarter. Net inflows accounted for EUR 1.2bn. By the end of the fourth quarter the asset mix of AuM was 34% in equity products and 66% in fixed income and money market products.

According to national fund association statistics, Nordea's market share in the Nordic fund market declined from 19.3% to 18.7% during the quarter. The main reason for the decline was a large administrative mandate placed in the Danish market. In Sweden, weak inflows are explained by the low market share in the pension-related channels.

In Retail funds, AuM rose to EUR 40.4bn, up from EUR 38.7bn last quarter. Net inflows were EUR 0.6bn. Five new retail fund products were launched in the Nordic region during the quarter.

Nordic Private Banking attracted net inflows of EUR 1.1bn during the fourth quarter. AuM at the end of the quarter was EUR 27.8bn. The Swedish and the Finnish franchises registered strong inflows. In January 2005 Nordea was awarded the "Best Private Bank in the Nordic region" by Euromoney. Nordea received good grades in all four Nordic markets. In particular the Swedish position was improved with Nordea ranking No 3; up from No 8 last year.

In International Wealth Management & Funds – comprising European Private Banking and European Fund Distribution – net inflow amounted to EUR 0.8bn. AuM was EUR 14.1bn at the end of the quarter.

A focused strategy is being pursued to deepen the penetration of existing markets, and to broaden the geographical scope of distribution. In the fourth quarter this resulted in Nordea obtaining an approval for its Nordea 1 SICAV fund in the Netherlands and in Poland in addition to the other 8 major non-Nordic markets in which Nordea distributes its cross-border funds. In 2004 Nordea ranked number 5 in cross-border funds sales in Europe according to the German consultancy firm FERI.

In Institutional asset management, industry consolidation resulted in clients withdrawing mandates of EUR 0.9bn. Total net outflow was EUR 1.3bn. By the end of the fourth quarter AuM were EUR 21.8bn.

More resources have been dedicated to product development and several new products have been launched recently, including a new "Dynamic Fixed Income Fund" in Finland. Since launch in mid-2004 the fund has received more than EUR 400m in inflows, and is now in the process of being launched in other Nordic markets. Nordea was awarded the "Asset Management Firm of the year" for the Nordic area by the journal Financial News. The award was won in competition with major international asset managers active in Nordic markets.

After changing its business model, the life business is now focused on a growth-oriented strategy. This has started to yield results. In the fourth quarter net written premiums were EUR 784m. Compared to the fourth quarter 2003 the increase was 12%. AuM increased by EUR 1bn to EUR 26.4bn during the quarter. Premium growth was strong especially in Finland and Denmark. Poland also registered solid premium growth, albeit from a low base. It is encouraging that the Polish operations are now yielding results both in form of lower costs and higher premium growth.

Continued product innovation is key to realising the growth ambitions in the Life business. This includes an increasing focus on the unit-link product. Unit link sales grew strongly in 2004, partly as a result of the improved market sentiment, but also helped by the stronger sales focus.

The Swedish life company Nordea Liv carried out a vote in December 2004 to demutualise the company, and the proposal was accepted by a large majority of policyholders. The demutualisation will take effect as of January 1, 2006 after which the changed business model will be introduced in the company.

### Result

Income from Asset Management activities increased by 14% in the fourth quarter to EUR 151m. Revenues in the fourth quarter was by supported management fees and transaction-related income, which picked up strongly. Margins were effectively unchanged.

Asset management expenses increased by 16% to EUR 87m including distribution expenses. The underlying cost trend remained moderate, but IT costs and variable salaries increase lifted expenses in the fourth quarter. The product result in Asset Management reached EUR 64m, up 12% compared to the third quarter.

In Life & Pensions, the product result after distribution expenses was EUR 49m, up from the EUR 47m reached in the previous quarter. The full-year result at EUR 206m was the best ever – up 28% on 2003.

Supported by a strong investment return of 3.6% during the fourth quarter, financial buffers in Life & Pensions rose to 5.9% life provisions, up from 4.4% by the end of the third quarter. For the full year the investment return was 8.4%. The cost/premium ratio decreased during the course of the year from 6.9% to 6.3%.

## Asset Management & Life volumes, inflow and margins

| EURbn | | Total Q4 2004 | Total Q4 Inflow | Total Q3 2004 | Denmark Q4 2004 | Denmark Q3 2004 | Finland Q4 2004 | Finland Q3 2004 | Norway Q4 2004 | Norway Q3 2004 | Sweden Q4 2004 | Sweden Q3 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Customer/Market dimension** | | | | | | | | | | | | |
| Nordic retail funds | | 40.4 | 0.6 | 38.7 | | | | | | | | |
| Nordic private banking | | 27.8 | 1.1 | 26.3 | | | | | | | | |
| International Wealth Management and funds | | 14.1 | 0.8 | 12.8 | | | | | | | | |
| Institutional clients | | 21.8 | -1.3 | 22.5 | | | | | | | | |
| Life & Pensions | | 26.4 | 0.1 | 25.4 | | | | | | | | |
| Total | | 130.6 | 1.2 | 125.7 | | | | | | | | |
| **Organisational dimension** | | | | | | | | | | | | |
| Investment Funds, volumes[1] | | 50.8 | | 48.2 | 15.9 | 15.0 | 7.7 | 7.4 | 1.9 | 1.9 | 17.2 | 16.9 |
| Market shares, Investment Funds,% | AuM | 18.7 | | 19.3 | 22.8 | 24.4 | 27.6 | 27.9 | 8.4 | 8.8 | 15.5 | 15.9 |
| | Net inflow | 7.0 | | 31,1[2] | 6.9 | 37.6 | 28.6 | 40.4 | neg. | 17.3 | neg. | 12,4[2] |
| Investment Management, volumes[3] | | 81.0 | | 79.8 | | | | | | | | |
| Investment Funds margins, %[4] | | 0.97 | | 0.95 | 0.46 | 0.45 | 1.12 | 1.08 | 0.73 | 0.73 | 1.08 | 1.06 |
| Investment Management margins, %[3] | | 0.20 | | 0.15 | | | | | | | | |

[1] Including EUR 7.0bn and EUR 8.1bn outside the Nordic countries for the third and fourth quarter, respectively.
[2] Revised from 31.6% in total Nordic and 14.8% in Swedish market share reported in third quarter 2004.
[3] Includes management of Nordea investment funds and Group Life & Pensions assets.
[4] 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 | **Full year 2004** | **Q4 2004** | Q3 2004 | Q2 2004 | Q1 2004 | Q4 2003 |
|---|---|---|---|---|---|---|
| Revenues | **554** | **151** | 132 | 134 | 137 | 137 |
| Expenses | **-201** | **-58** | -47 | -48 | -48 | -48 |
| Distribution expenses | **-114** | **-29** | -28 | -28 | -29 | -29 |
| **Product result** | **239** | **64** | **57** | **58** | **60** | **60** |
| *of which profit within Retail Banking* | ***111*** | *27* | *30* | *27* | *27* | *25* |
| Cost/income ratio, % | **57** | **58** | 57 | 57 | 56 | 56 |
| Economic capital | **156** | **156** | 130 | 133 | 136 | 133 |
| Assets under management, EURbn | **131** | **131** | 126 | 123 | 122 | 113 |
| Number of employees (full-time equivalents) | **831** | **831** | 829 | 793 | 786 | 784 |

## Key figures per quarter – Life activities

| EURm | Full year 2004 | Q4 2004 | Q3 2004 | Q2 2004 | Q1 2004 | Q4 2003 |
|---|---|---|---|---|---|---|
| *Traditional life insurance* | | | | | | |
| Premiums written, net of reinsurance | **1,890** | **586** | 391 | 422 | 491 | 533 |
| Normalised investment return[1] | **936** | **231** | 235 | 236 | 234 | 244 |
| Benefits paid and change in provisions | **-2,523** | **-761** | -547 | -560 | -655 | -687 |
| Insurance operating expenses | **-109** | **-35** | -23 | -26 | -25 | -28 |
| **Normalised operating margin[1]** | **194** | **21** | **56** | **72** | **45** | **62** |
| Fluctuations compared to normalised investment return | **608** | **445** | 96 | -280 | 347 | -114 |
| Change in discount rate for life provisions | **-221** | **-110** | -172 | 159 | -98 | 111 |
| **Actual operating margin** | **581** | **356** | **-20** | **-49** | **294** | **59** |
| of which allocated to policyholders | **-82** | **-9** | -17 | -26 | -30 | -6 |
| of which to/from financial buffers | **-324** | **-303** | 73 | 124 | -218 | -10 |
| Net profit from other business | **9** | **0** | 3 | 3 | 3 | -2 |
| **Product result before distribution expenses** | **184** | **44** | **39** | **52** | **49** | **41** |
| | | | | | | |
| *Unit-linked business* | | | | | | |
| Premiums written, net of reinsurance | **639** | **198** | 99 | 190 | 152 | 168 |
| **Product result before distribution expenses** | **34** | **9** | **10** | **8** | **7** | **6** |
| | | | | | | |
| *Total* | | | | | | |
| Premiums written, net of reinsurance | **2,529** | **784** | 490 | 612 | 643 | 701 |
| **Product result before distribution expenses** | **218** | **53** | **49** | **60** | **56** | **47** |
| Distribution expenses in Retail Banking | **-12** | **-4** | -2 | -3 | -3 | -3 |
| **Product result [2]** | **206** | **49** | **47** | **57** | **53** | **44** |
| of which profit within Retail Banking | **78** | **29** | 19 | 17 | 13 | 18 |
| | | | | | | |
| Bonds | **15,667** | **15,667** | 15,429 | 14,933 | 15,065 | 14,862 |
| Equities | **4,276** | **4,276** | 3,823 | 3,762 | 3,792 | 3,361 |
| Property | **2,408** | **2,408** | 2,250 | 2,218 | 2,200 | 2,186 |
| Unit-linked | **4,095** | **4,095** | 3,896 | 3,844 | 3,721 | 3,497 |
| **Total investments** | **26,446** | **26,446** | **25,398** | **24,757** | **24,778** | **23,906** |
| Investment return, % [3] | **8.4** | **3.6** | 1.9 | -0.4 | 3.2 | 0.7 |
| | | | | | | |
| Technical provisions | **25,236** | **25,236** | 24,116 | 22,891 | 23,642 | 22,859 |
| of which financial buffers | **1,177** | **1,177** | 856 | 933 | 1,058 | 878 |
| | | | | | | |
| Economic capital | **791** | **791** | 848 | 803 | 837 | 967 |
| Number of employees (full-time equivalents) | **984** | **984** | 987 | 1,003 | 1,011 | 1,012 |

[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.

## Group Treasury

- **Strong investment return**
- **Income in Group Funding maintained at high level**

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

Improved macroeconomic data in the US and falling oil prices supported equities during the fourth quarter. The rising EUR/USD and the somewhat weaker European macroeconomic data supported lower European interest rates during the quarter. The US central bank continued the measured increase in short-term rates with an increase of 50 basis point to 2.25%.

### Business development

The funding situation of Nordea continues to be strong. In liability management Nordea focuses on diversification of funding.

At the end of December, the price risk involved in Group Treasury's interest rate positions, calculated as VaR, was EUR 42m compared to EUR 35m at the end of the third quarter.

The structural interest income risk (SIIR) which shows the effect on net interest income in the next 12 months was EUR 192m assuming increasing market rates by 100 basis points and EUR -200m assuming decreasing market rates by 100 basis points. At the end of the third quarter the corresponding figures were EUR 245m and EUR -204m.

The risk related to equities, calculated as VaR, was EUR 37m compared to EUR 39m at the end of September. The VaR figure comprises all equities including listed, unlisted and private equity.

### Investment Risk Framework

As outlined in the interim reports for the first and second quarter, a new framework for management of the Group's investment risk was implemented at the beginning of 2004. The new framework more directly links the investment return to the interest paid to business areas on allocated economic capital.

The basis for investments in Group Treasury is the Group's equity of approx. EUR 12bn. Investment earnings are defined as the net of return on investment and a funding cost, defined as the expected average medium-term risk-free return over time. The funding cost is directly correlated to the interest paid to business areas on their allocated economic capital. The rate is set annually and it is adjusted based on the prevailing market rate.
In 2004 the funding cost is approx 3.2%. In 2003, a shorter-term rate was used.

### Result

Operating profit was EUR 60m in the fourth quarter compared to EUR 6m in the third quarter.

Investment earnings were EUR 33m in the quarter compared to EUR -26m in the previous quarter following favourable positioning.

The annualised investment return in the fourth quarter was 4.6% excluding funding cost. For the year as a whole the investment return was 3.4%.

Operating profit in Group Funding was EUR 27m, compared to EUR 32m in the third quarter. As a result of favourable positioning, Group Funding managed to largely uphold the high level of income achieved in the third quarter.

## Group Treasury operating profit by main area

| | Total | | Group Investment | | | | Group Funding | |
|---|---|---|---|---|---|---|---|---|
| | | | Fixed-income | | Equity | | | |
| | Q4 | Q3 | Q4 | Q3 | Q4 | Q3 | Q4 | Q3 |
| EURm | 2004 | 2004 | 2004 | 2004 | 2004 | 2004 | 2004 | 2004 |
| Income | | | 25 | -16 | 12 | -6 | 37 | 40 |
| Expenses | | | -3 | -3 | -1 | -1 | -10 | -8 |
| **Profit excluding investment earnings** | **27** | **32** | | | | | **27** | **32** |
| Investment earnings | 33 | -26 | 22 | -19 | 11 | -7 | | |
| **Operating profit** | **60** | **6** | | | | | | |

## Group Treasury key figures per quarter

| | **Full year** | **Q4** | Q3 | Q2 | Q1 | Q4 |
|---|---|---|---|---|---|---|
| | **2004** | **2004** | 2004 | 2004 | 2004 | 2003 |
| Operating profit, EURm | **94** | **60** | 6 | -27 | 55 | 62 |
| Cost/income ratio, % | **27** | **14** | 57 | neg. | 13 | 11 |
| | | | | | | |
| Bonds, EURm | **16,261** | **16,261** | 16,481 | 15,656 | 15,811 | 14,352 |
| Equities, EURm | **367** | **367** | 321 | 384 | 399 | 430 |
| Investments, EURm | **16,628** | **16,628** | 16,802 | 16,040 | 16,210 | 14,782 |
| Number of employees (full-time equivalents) | **98** | **98** | 99 | 100 | 101 | 100 |

# Statutory income statement

| EURm | Note | Q4 2004 | Q4 2003 | 2004 | 2003 |
|---|---|---|---|---|---|
| Interest income | | 2,083 | 1,906 | 8,011 | 9,158 |
| Interest expenses | | -1,151 | -1,023 | -4,468 | -5,500 |
| **Net interest income** | | **932** | **883** | **3,543** | **3,658** |
| Dividend income | | 2 | 1 | 17 | 43 |
| Net commission income | | 440 | 405 | 1,683 | 1,533 |
| Net result from financial operations | 3 | 151 | 86 | 435 | 369 |
| Other operating income | 9 | 24 | 60 | 396 | 220 |
| **Total operating income** | | **1,549** | **1,435** | **6,074** | **5,823** |
| | | | | | |
| General administrative expenses: | | | | | |
| Staff costs | | -502 | -559 | -1,956 | -2,135 |
| Other administrative expenses | | -395 | -373 | -1,417 | -1,381 |
| Depreciation, amortisation and write-down of tangible and intangible fixed assets | | -75 | -84 | -301 | -299 |
| Real estate sales and write-downs, net | | - | -115 | - | -115 |
| **Total operating expenses** | | **-972** | **-1,131** | **-3,674** | **-3,930** |
| **Profit before loan losses** | | **577** | **304** | **2,400** | **1,893** |
| | | | | | |
| Loan losses, net | 4 | 10 | -90 | -27 | -383 |
| Change in value of assets taken over for protection of claims | 4 | 0 | 6 | 0 | 20 |
| Profit from companies accounted for under the equity method | | 15 | 14 | 55 | 57 |
| **Operating profit, banking** | | **602** | **234** | **2,428** | **1,587** |
| **Operating profit, life insurance** | 5 | **34** | **34** | **156** | **126** |
| **Operating profit** | | **636** | **268** | **2,584** | **1,713** |
| | | | | | |
| Pension adjustments | | - | 0 | - | -16 |
| Tax on profit for the period | | -201 | -66 | -667 | -205 |
| Minority interests | | -1 | 0 | -3 | -2 |
| **Net profit for the period** | | **434** | **202** | **1,914** | **1,490** |
| | | | | | |
| Earnings per share, EUR | | 0.16 | 0.07 | 0.69 | 0.51 |
| Earnings per share, after full dilution, EUR | | 0.16 | 0.07 | 0.69 | 0.51 |

# Statutory balance sheet, end of period

| **Assets**, EURm | Note | 31 Dec 2004 | 31 Dec 2003 |
|---|---|---|---|
| Loans and advances to credit institutions | 6 | 20,614 | 29,037 |
| Loans and advances to the public | 6 | 161,148 | 145,644 |
| Bonds and other interest-bearing securities | | 27,185 | 32,017 |
| Shares and participations | | 967 | 648 |
| Shares in associated and group undertakings | | 353 | 421 |
| Assets, insurance[1] | | 24,232 | 22,880 |
| Intangible fixed assets | | 1,946 | 2,090 |
| Tangible assets | | 587 | 826 |
| Other assets, banking[1] | | 39,008 | 28,627 |
| **Total assets** | | **276,040** | **262,190** |
| [1] Of which certain investments, for which customers and policyholders bear the whole risk. | | 7,420 | 6,673 |

| **Liabilities, provisions and shareholders' equity**, EURm | 31 Dec 2004 | 31 Dec 2003 |
|---|---|---|
| Deposits by credit institutions | 30,153 | 28,753 |
| Deposits and borrowings from the public | 104,424 | 95,556 |
| Debt securities in issue etc | 59,296 | 64,380 |
| Liabilities, insurance | 23,842 | 21,824 |
| Provisions and other liabilities, banking | 39,954 | 34,377 |
| Subordinated liabilities | 5,818 | 5,115 |
| Minority interests | 4 | 8 |
| Shareholders' equity | 12,549 | 12,177 |
| **Total liabilities, provisions and shareholders' equity** | **276,040** | **262,190** |
| | | |
| Assets pledged for own liabilities | 23,003 | 32,378 |
| Other assets pledged | 3,369 | 5,782 |
| Contingent liabilities | 13,946 | 13,612 |
| Commitments | 1,587,512 | 1,392,415 |

# Movements in shareholders' equity

| EURm | 2004 | | | 2003 | | |
|---|---|---|---|---|---|---|
| | Restricted equity | Unrestricted equity | Total equity | Restricted equity | Unrestricted equity | Total equity |
| Balance at beginning of period | 6,055 | 6,122 | 12,177 | 6,056 | 5,841 | 11,897 |
| Change in accounting policy (RR 29) | | -183 | -183 | | | - |
| Balance at beginning of period, restated | 6,055 | 5,939 | 11,994 | 6,056 | 5,841 | 11,897 |
| Dividend | | -696 | -696 | | -673 | -673 |
| Reduction of share capital | -32 | 32 | - | -23 | 23 | - |
| Own shares[1, 2] | | -730 | -730 | | -460 | -460 |
| Change in reserve for unrealised gains for the year | -18 | 18 | - | -9 | 9 | - |
| Transfers between restricted and unrestriced reserves[3] | 309 | -309 | - | -1 | 1 | - |
| Currency translation adjustment | 20 | 47 | 67 | 32 | -109 | -77 |
| Net profit for the year | | 1,914 | 1,914 | | 1,490 | 1,490 |
| **Balance at end of year** | **6,334** | **6,215** | **12,549** | **6,055** | **6,122** | **12,177** |

[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 31 Dec 2004 was 6.7 million (31 Dec 2003: 3.0 million).

[2] The number of own shares referring to Nordea Bank AB (publ)'s repurchase of own shares was as at 31 Dec 2004 111.7 million (31 Dec 2003: 81.6 million). The Annual General Meeting (AGM) decided on 31 March 2004 to reduce the share capital by EUR 32,343,080.72. The cancellation was registered on 26 October 2004. The reduction has been made through retirement without payment. The average number of own shares Jan-Dec 2004 was 129 million (Jan-Dec 2003: 53 million).

[3] Due to the merger of Nordea Bank AB (publ) and Nordea Bank Sweden AB (publ) and change in untaxed reserves.

# Cash flow statement

| EURm | 2004 | 2003 |
|---|---|---|
| *Operating activities* | | |
| Operating profit | 2 584 | 1 713 |
| Pension adjustment | - | -16 |
| Adjustments for items not included in cash flow | 600 | 365 |
| Income taxes paid | -463 | -428 |
| Cash flow from operating activities before changes in operating assets and liabilities | 2 721 | 1 634 |
| *Changes in operating assets and liabilities* | | |
| Change in bonds and other interest-bearing securities | 4 534 | -3 596 |
| Change in loans and advances to credit institutions | 4 878 | -3 425 |
| Change in loans and advances to the public | -15 964 | -267 |
| Change in shares and participations | -467 | -32 |
| Change in assets, insurance | -1 352 | -1 350 |
| Change in derivatives, net | -666 | -115 |
| Change in other assets, excluding derivatives | -1 277 | -529 |
| Change in deposits by credit institutions | 1 408 | 2 742 |
| Change in deposits and borrowings from the public | 8 868 | 1 378 |
| Change in debt securities in issue etc | -5 084 | 2 522 |
| Change in liabilities, insurance | 2 018 | 1 606 |
| Change in other liabilities, excluding derivatives | -1 196 | -105 |
| Cash flow from operating activities | -1 579 | 463 |
| *Investing activities* | | |
| Acquisition of shares in group undertakings | - | -45 |
| Sale of shares in group undertakings | 4 | 13 |
| Acquisition of shares in associated companies | -11 | -7 |
| Sale of shares in associated companies | 70 | 109 |
| Acquisition of tangible assets | -108 | -137 |
| Sale of tangible assets | 886 | 808 |
| Acquisition of intangible fixed assets | -15 | -34 |
| Sale of intangible fixed assets | 1 | 5 |
| Purchase/sale of other financial fixed assets | 355 | 102 |
| Cash flow from investing activities | 1 182 | 814 |
| *Financing activities* | | |
| Issued/amortised subordinated liabilities | 703 | -1 013 |
| Repurchase of own shares incl change in trading portfolio | -730 | -460 |
| Dividend paid | -696 | -673 |
| Cash flow from financing activities | -723 | -2 146 |
| **Cash flow for the period** | **-1 120** | **-869** |
| **Cash and cash equivalents at beginning of period** | **7 629** | **8 484** |
| Exchange rate difference | 43 | 14 |
| **Cash and cash equivalents at end of period** | **6 552** | **7 629** |
| **Change** | **-1 120** | **-869** |

**Liquid assets**

| The following items are included in liquid assets (EURm): | 2004 | 2003 |
|---|---|---|
| Cash and balances at central banks | 4 216 | 1 748 |
| Loans and advances to credit institutions, payable on demand | 2 336 | 5 881 |

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled:

- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available at any time.

Loans and advances to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

# Notes to the financial statements

**Note 1 Accounting policies**

The accounts are prepared in accordance with the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies (ÅRKL), the regulations of the Swedish Financial Supervisory Authority (FFFS), the recommendations of the Swedish Financial Accounting Standards Council (RR) and the interpretations by the RR's Standing Interpretations Committee.

The application of FFFS in certain cases takes precedence over the recommendations and interpretations of the Swedish Financial Accounting Standards Council. RR 27 Financial Instruments: Disclosure and Presentation, is not applicable to credit institutions. Other departures have not had any significant effect on the financial statements. In accordance with FFFS the consolidation is prepared line-by-line in respect of the banking subgroups and in a more simplified manner in respect of the insurance subgroup.

In preparing the interim report FFFS 2002:22 has been applied. On 1 January 2004 FFFS 2003:11 came into force. The full application of this regulation is however optional, and is mandatory only for those institutes which are applying the new rules of recognition and measurement of financial instruments found in ÅRKL. Nordea has chosen to await the endorsement of IAS 32 and 39 by IASB, before applying the new rules.

The Swedish Financial Accounting Standards Council´s recommendation RR 29 Employee Benefits came into force on 1 January 2004. The implementation of RR 29 has lead to changes in the way pension obligations and pension costs are calculated. Calculations in accordance with RR 29 differ substantially from those applied earlier based on national GAAP. The change of accounting principle has created a transitional value, amounting to EUR 183m after deferred tax, which has been recognised as a one-off reduction of the Group's equity.

In all other material respects the accounting policies and the basis for calculations are unchanged in comparison to the 2003 Annual Report.

**Exchange rates**

| EUR 1 = SEK | 2004 | 2003 |
|---|---|---|
| Income statement (average) | 9.1276 | 9.1453 |
| Balance sheet (at end of period) | 9.0153 | 9.0800 |
| EUR 1 = DKK | | |
| Income statement (average) | 7.4385 | 7.4303 |
| Balance sheet (at end of period) | 7.4390 | 7.4450 |
| EUR 1 = NOK | | |
| Income statement (average) | 8.3725 | 7.9914 |
| Balance sheet (at end of period) | 8.2484 | 8.4141 |
| EUR 1 = PLN | | |
| Income statement (average) | 4.5297 | 4.4202 |
| Balance sheet (at end of period) | 4.0746 | 4.7019 |

## Note 2 Reconciliation of operational income statement with statutory income statement

| EURm | Statutory income statement Jan-Dec 2004 | Reclassifications: Trading income | Investment earnings, banking | Life insurance | Real estate sales and write-downs | Goodwill amorti-sation | Leasing depreciation | Operational income statement Jan-Dec 2004 |
|---|---|---|---|---|---|---|---|---|
| Net interest income | 3,543 | -40 | 44 | | | | -37 | 3,510 |
| Other income | 2,531 | 40 | -61 | | -300 | | | 2,210 |
| **Total income** | **6,074** | **0** | **-17** | | **-300** | | **-37** | **5,720** |
| **Total expenses** | **-3,674** | | **16** | | | **137** | **37** | **-3,484** |
| Loan losses (incl change in value of property taken over) | -27 | | | | | | | -27 |
| Profit from companies accounted for under the equity method | 55 | | -7 | | | | | 48 |
| Investment earnings, banking | | | 8 | | | | | 8 |
| Operating profit, life insurance | 156 | | | 24 | | | | 180 |
| Goodwill amortisation | | | | -24 | | -137 | | -161 |
| **Operating profit** | **2,584** | **0** | **0** | **0** | **-300** | **0** | **0** | **2,284** |
| Real estate sales and write-downs, net | | | | | 300 | | | 300 |
| Tax on profit for the period | -667 | | | | | | | -667 |
| Minority interests | -3 | | | | | | | -3 |
| **Net profit** | **1,914** | **0** | **0** | **0** | **0** | **0** | **0** | **1,914** |

Trading income

Net interest income from trading transactions in Markets is reported as other income (Trading income) in the operational income statement.

Investment earnings, banking

Net interest income, gains/losses on investment portfolios (fixed income and equity holdings), dividends received on these portfolios as well as total expenses related to investment activities are all reported in one line on net basis in the operational income statement.

Life insurance

Goodwill amortisation related to Life activities is included in one line consolidation of Life insurance in statutory reporting, but is included in the separate line item "Goodwill amortisation and write-downs" in the operational income statement.

Real estate sales and write-downs

The net effect of sales and write-downs of real estate is included in other income in statutory reporting, but is reported on a separate line below operating profit in the operational income statement.

Goodwill amortisation

Goodwill amortisation (excluding Life activities) is included in total expenses in statutory reporting, but is reported on separate line in the operational income statement.

Leasing depreciation

Operational leasing depreciation is reported as expenses in the statutory income statement, but is reported as a reduction of net interest income in the operational income statement.

| **Note 3 Net result from financial operations,** EURm | Q4 2004 | Q4 2003 | 2004 | 2003 |
|---|---|---|---|---|
| **Realised gains/losses** | | | | |
| Shares/participations and other share-related instruments | -34 | 18 | 25 | 73 |
| Interest-bearing securities and other interest-related instruments | -65 | -195 | 12 | -191 |
| Other financial instruments | 189 | 20 | 173 | 52 |
| Total realised gains/losses | 90 | -157 | 210 | -66 |
| **Unrealised gains/losses** | | | | |
| Shares/participations and other share-related instruments | 60 | -3 | 50 | 25 |
| Interest-bearing securities and other interest-related instruments | -99 | 135 | -41 | 321 |
| Other financial instruments | 50 | -14 | 67 | -23 |
| Total unrealised gains/losses | 11 | 118 | 76 | 323 |
| Foreign exchange gains/losses | 50 | 125 | 149 | 112 |
| **Total** | **151** | **86** | **435** | **369** |

| **Note 4 Loan losses, net,** EURm | Q4 2004 | Q4 2003 | 2004 | 2003 |
|---|---|---|---|---|
| Write-downs and provisions for loans and advances to the public | -107 | -227 | -491 | -930 |
| Reversals and recoveries for loans and advances to the public | 117 | 143 | 464 | 567 |
| **Total** | **10** | **-84** | **-27** | **-363** |
| **Specifications** | | | | |
| *Specific provisions for individually assessed loans* | | | | |
| Realised loan losses during the period | -125 | -164 | -369 | -659 |
| Reversed amount of previous provisions made for realised losses during the period | 122 | 73 | 293 | 398 |
| This period's provisions for probable loan losses | -72 | -109 | -334 | -631 |
| Recoveries of previous periods' realised loan losses | 21 | 42 | 74 | 138 |
| Reversals of provisions for probable loan loss no longer required | 63 | 72 | 296 | 360 |
| This period's costs for individually assessed loans, net | 9 | -86 | -40 | -394 |
| *Aggregate provisions for individually assessed loans* | | | | |
| Allocation to reserve | -25 | -11 | -51 | -17 |
| Withdrawal from reserve | 17 | -2 | 17 | - |
| This period's change of aggregate provisions for individually assessed loans | -8 | -13 | -34 | -17 |
| *Assessment of homogenous clusters of loans with low value and similar credit risk* | | | | |
| Realised loan losses during the period | -4 | -14 | -14 | -14 |
| Recoveries of previous periods' realised loan losses | 12 | 21 | 42 | 21 |
| Allocation to reserve | 0 | 0 | 0 | 0 |
| Withdrawal from reserve | 1 | 1 | 9 | 4 |
| This period's net costs for clusters of loans with homogenous credit risk | 9 | 8 | 37 | 11 |
| *Transfer risks* | | | | |
| Allocation to reserve for transfer risks | -3 | -2 | -16 | -7 |
| Withdrawal from reserve for transfer risks | 3 | 3 | 25 | 21 |
| This period´s change for transfer risks | 0 | 1 | 9 | 14 |
| *Contingent liabilities* | | | | |
| This period's net cost for redemption of guarantees and other contingent liabilities | 0 | 0 | 1 | 3 |
| **This period's loan losses, net (statutory income statement)** | **10** | **-90** | **-27** | **-383** |
| Change in value of assets taken over for protection of claims | 0 | 6 | 0 | 20 |
| **This period's loan losses, net (operational income statement)** | **10** | **-84** | **-27** | **-363** |

| **Note 5 Operating profit, life insurance,** EURm | Q4 2004 | Q4 2003 | 2004 | 2003 |
|---|---|---|---|---|
| **Life insurance and pensions** | | | | |
| Premiums written, net of reinsurance | 761 | 672 | 2,435 | 2,194 |
| Investment, income | 369 | 285 | 1,083 | 961 |
| Unrealised investments gains/losses | 457 | -28 | 803 | 396 |
| Claims incurred and benefits paid | -410 | -351 | -1,616 | -1,305 |
| Change in life insurance provisions | -705 | -475 | -1,887 | -1,728 |
| Change in collective bonus potential | -282 | -11 | -275 | -114 |
| Operating expenses | -47 | -39 | -150 | -148 |
| Investment, expenses | -24 | -11 | -50 | -31 |
| Yield tax | -74 | 1 | -153 | -71 |
| Transferred return on investments | -14 | -15 | -45 | -56 |
| **Technical result** | **31** | **28** | **145** | **98** |
| Net profit from health and personal accident insurance | -3 | -3 | -8 | -5 |
| Transferred return on investments | 14 | 15 | 45 | 56 |
| **Operating profit before group adjustments** | **42** | **40** | **182** | **149** |
| Group adjustments (goodwill amortisation and own shares) | -8 | -6 | -26 | -23 |
| **Operating profit, life insurance** | **34** | **34** | **156** | **126** |

**Note 6 Loan portfolio and its impairment[1]**

| EURm | 31 Dec 2004 | 31 Dec 2003 |
|---|---|---|
| Loans and advances to credit institutions | 20,614 | 29,037 |
| Loans and advances to the public | 161,148 | 145,644 |
| **Total** | **181,762** | **174,681** |

[1] Loan portfolio is defined as Loans and advances to credit institutions and Loans and advances to the public.

**Loan portfolio by categories of borrowers**

| 31 December 2004, EURm | Credit institutions | Corpo-rates | House-holds | Public sector | Total |
|---|---|---|---|---|---|
| **Loans at amortised cost before reserves** | **20,614** | **85,394** | **73,769** | **3,691** | **183,468** |
| - of which impaired loans[2] | - | 1,738 | 509 | 2 | 2,249 |
| - of which non-performing loans, which are impaired[2] | - | 781 | 309 | 1 | 1,091 |
| - of which performing loans, which are impaired[2] | - | 957 | 200 | 1 | 1,158 |
| **Reserves** | **-** | **-1,376** | **-329** | **-1** | **-1,706** |
| - of which reserves for impaired loans[2] | - | -1,376 | -329 | -1 | -1,706 |
| - of which reserves for non-performing loans, which are impaired[2] | - | -419 | -129 | 0 | -548 |
| - of which reserves for performing loans, which are impaired[2] | - | -957 | -200 | -1 | -1,158 |
| **Loans at amortised cost after reserves (book value)** | **20,614** | **84,018** | **73,440** | **3,690** | **181,762** |
| - of which impaired loans[2] | - | 362 | 180 | 1 | 543 |
| - of which non-performing loans, which are impaired[2] | - | 362 | 180 | 1 | 543 |
| - of which performing loans, which are impaired[2] | - | - | - | - | - |

[2] Impaired loans can be non-performing as well as performing loans.

| **Specification of reserves** | | | | | |
|---|---|---|---|---|---|
| Specific reserves for individually assessed loans | - | -1,035 | -276 | -1 | -1,312 |
| Aggregate reserves for individually assessed loans | - | -341 | - | - | -341 |
| Assessment of homogenous clusters of loans with low value and similar credit risk | - | - | -53 | - | -53 |
| **Total reserves** | **-** | **-1,376** | **-329** | **-1** | **-1,706** |

Note 6, continued

| 31 December 2003, EURm | Credit institutions | Corpo-rates | House-holds | Public sector | Total |
|---|---|---|---|---|---|
| **Loans at amortised cost before reserves** | **29,037** | **79,457** | **65,091** | **3,032** | **176,617** |
| - of which impaired loans[2] | - | 2,090 | 558 | 1 | 2,649 |
| - of which non-performing loans, which are impaired[2] | - | 871 | 252 | 0 | 1,123 |
| - of which performing loans, which are impaired[2] | - | 1,219 | 306 | 1 | 1,526 |
| **Reserves** | **-** | **-1,582** | **-353** | **-1** | **-1,936** |
| - of which reserves for impaired loans[2] | - | -1,582 | -353 | -1 | -1,936 |
| - of which reserves for non-performing loans, which are impaired[2] | - | -363 | -47 | 0 | -410 |
| - of which reserves for performing loans, which are impaired[2] | - | -1,219 | -306 | -1 | -1,526 |
| **Loans at amortised cost after reserves (book value)** | **29,037** | **77,875** | **64,738** | **3,031** | **174,681** |
| - of which impaired loans[2] | - | 508 | 205 | 0 | 713 |
| - of which non-performing loans, which are impaired[2] | - | 508 | 205 | 0 | 713 |
| - of which performing loans, which are impaired[2] | - | - | - | - | - |

[2] Impaired loans can be non-performing as well as performing loans.

| Specification of reserves | | | | | |
|---|---|---|---|---|---|
| Specific reserves for individually assessed loans | - | -1,176 | -291 | -1 | -1,468 |
| Aggregate reserves for individually assessed loans | - | -406 | - | - | -406 |
| Assessment of homogenous clusters of loans with low value and similar credit risk | - | - | -62 | - | -62 |
| **Total reserves** | **-** | **-1,582** | **-353** | **-1** | **-1,936** |

| | 31 Dec 2004 | 31 Dec 2003 |
|---|---|---|
| Reserves/impaired loans, gross, % | 76 | 73 |
| Impaired loans[2], gross/loans and advances to the public, gross,% | 1.4 | 1.8 |

[2] Impaired loans can be non-performing as well as performing loans.

| **Assets taken over for protection of claims,** EURm | 31 Dec 2004 | 31 Dec 2003 |
|---|---|---|
| **Current assets** | | |
| Land and buildings | 1 | 1 |
| Shares and other participations | 3 | 1 |
| Other assets | 0 | 1 |
| **Total** | **4** | **3** |

| **Note 7 Capital adequacy** | 31 Dec 2004 | 31 Dec 2003 |
|---|---|---|
| Tier 1 capital, EURm | 10,596 | 9,754 |
| Capital base, EURm | 13,743 | 12,529 |
| Risk-weighted assets, EURbn | 145 | 134 |
| Tier 1 capital ratio, % | 7.3 | 7.3 |
| Total capital ratio, % | 9.5 | 9.3 |

**Note 8 Derivatives,** EURm

| | Postive values | | Negative values | |
|---|---|---|---|---|
| 31 Dec 2004 | Fair value | Book value | Fair value | Book value |
| Interest rate derivatives | 17,971 | 17,718 | 17,628 | 17,399 |
| Equity derivatives | 407 | 242 | 415 | 243 |
| Foreign exchange derivatives | 8,223 | 8,209 | 9,006 | 8,816 |
| Other derivatives | 198 | 198 | 219 | 219 |
| **Total** | **26,799** | **26,367** | **27,268** | **26,677** |

**Note 9 Other operating income**

The net result of sale and write-down of real estate during the second quarter 2004 amounting to EUR 300m is included.

- A conference call with management will be arranged on 23 February 2005 at 17.30, CET.
  (Please dial + 44 (0) 207 769 6433, access code Nordea, ten minutes in advance.) The telephone conference can be monitored live on www.nordea.com. An indexed on-demand version will also be available on www.nordea.com.
- 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:**

Nordea will publish financial reports on the following dates:

27 April - interim report for the first quarter
24 August - interim report for the second quarter
26 October - interim report for the third quarter

The Nordea Bank AB Annual report is expected to be published on the Internet in week 10 of 2005 at www.nordea.com. The annual report will be available in print in week 12 of 2005.

The Annual General Meeting will be held on 8 April 2005.

Wednesday 23 February 2005

Lars G Nordström
President and Group CEO

This report is published in four additional language versions; Danish, Finnish, Norwegian and Swedish. In the event of any inconsistencies between those language versions and this English version, the English version shall prevail.

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