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Interim Report Second Quarter 2004

Strong results in first half of 2004

- Operating profit up 15% to EUR 1,100m (EUR 959m in first half year 2003)
- Net profit up 64% to EUR 1,082m (EUR 660m) including gain related to the completed real estate divestment process
- Total income maintained at EUR 2,825m (EUR 2,837m), net interest and commission income up
- Total expenses down 5% to EUR 1,722m (EUR 1,819m)
- Loan losses down 79% to EUR 39m (EUR 190m)
- Earnings per share EUR 0.39 (EUR 0.23)
- Return on equity (excl. goodwill) 23.1% (15.2%)

Solid underlying development in Q2

- Operating profit EUR 516m (EUR 584m in first quarter 2004)
- Net profit up 59% to EUR 664m (EUR 418m)
- Total income maintained and costs down 3%, net interest and commission income up
- Trading income and investment earnings influenced by difficult market conditions
- Life insurance result further improved
- Positive net loan losses

Growth in business volumes and increased focus

- Continued growth in lending to households, up 15% year-on-year
- Lending to small and medium-sized corporate customers up 1%
- Deposits up 7%
- Assets under Management increased by 21% to EUR 123bn
- Number of netbank customers up 9% to more than 3.8 million
- Number of netbank payments up 17% to 42.4 million per quarter
- Pioneering new model for equity research

"We deliver consistent progress as we continue in accordance with our plan to improve performance and increase the focus on our core business. We have maintained our total income despite challenging market conditions, and both net interest and commission income are increasing. Costs continue down and positive net loan losses in the second quarter underline the healthy shape of our credit portfolio", says Lars G Nordström, President and Group CEO of Nordea.

Nordea is the leading financial services group in the Nordic and Baltic Sea region and operates through three business areas: Retail Banking, Corporate and Institutional Banking and Asset Management & Life. The Nordea Group has almost 11 million customers and 1,205 branch offices. The Nordea Group is a world leader in Internet banking, with 3.8 million e-customers. The Nordea share is listed in Stockholm, Helsinki and Copenhagen.

Operational income statement

EURm	Q2 2004	Q1 2004	Change %	Jan-June 2004	Jan-June 2003	Change %	Full year 2003
Net interest income	868	846	3	1,714	1,678	2	3,366
Net commission income	405	397	2	802	719	12	1,486
Trading income	104	156	-33	260	312	-17	567
Other income	27	22	23	49	128	-62	220
Total income	1,404	1,421	-1	2,825	2,837	0	5,639
Staff costs	-456	-488	-7	-944	-1,059	-11	-2,101
Profit sharing	-15	-15	0	-30	-	-	-46
Other expenses	-378	-370	2	-748	-760	-2	-1,526
Total expenses	-849	-873	-3	-1,722	-1,819	-5	-3,673
Profit before loan losses	555	548	1	1,103	1,018	8	1,966
Loan losses, net	3	-42	-107	-39	-190	-79	-363
Equity method	9	9	0	18	33	-45	57
Profit before investment earnings and insurance	567	515	10	1,082	861	26	1,660
Investment earnings, banking	-61	62	-198	1	110	-99	170
Operating profit, life insurance	51	47	9	98	69	42	149
Goodwill amortisation and write-downs	-41	-40	2	-81	-81	0	-167
Operating profit	516	584	-12	1,100	959	15	1,812
Real estate sales and write-downs, net	300	-	-	300	-	-	-115
Taxes	-152	-165	-	-317	-298	-	-205
Minority interests	0	-1	-	-1	-1	-	-2
Net profit	664	418	59	1,082	660	64	1,490

Ratios and key figures

Earnings per share, EUR	0.24	0.15	0.39	0.23	0.51
Share price ¹ , EUR	5.93	5.56	5.93	4.17	5.95
Shareholders' equity per share ^{1,2} , EUR	4.33	4.30	4.33	4.03	4.28
Shares outstanding ^{1,2} , million	2,783	2,783	2,783	2,928	2,846
Return on equity excluding goodwill ³ , %	28.1	18.2	23.1	15.2	16.7
Return on equity, %	22.1	13.9	18.0	11.0	12.3
Loans and advances to the public ¹ , EURbn	156	148	156	147	146
Deposits and borrowings from the public ¹ , EURbn	98	92	98	91	96
Shareholders' equity ^{1,2} , EURbn	12	11	12	12	12
Total assets ¹ , EURbn	262	258	262	270	262
Assets under management ¹ , EURbn	123	122	123	102	113
Cost/income ratio, banking ⁴ , %	63	59	61	61	63
Cost/income ratio, excl investment earnings, %	60	61	61	63	64
Tier 1 capital ratio ¹ , %	7.0	6.7	7.0	7.5	7.3
Total capital ratio ¹ , %	9.3	9.1	9.3	9.8	9.3
Risk-weighted assets ¹ , EURbn	140	135	140	135	134

¹ End of period.

² Total shares registered was 2,928 million (31 Dec 2003: 2,928 million). Number of own holdings of shares in Nordea Bank AB (publ) was 145 million (31 Dec 2003: 82 million). Average number of own shares Jan-June 2004 was 125 million (Jan-Dec 2003: 50 million). Average number of outstanding shares Jan-June 2004 was 2,806 million (Jan-Dec 2003: 2,921 million, Jan-June 2003: 2,928 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	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Net interest income		868	846	850	838	843
Net commission income	1	405	397	388	379	366
Trading income		104	156	125	130	155
Other income		27	22	36	56	99
Total income		1,404	1,421	1,399	1,403	1,463
Staff costs		-456	-488	-511	-531	-539
Profit sharing		-15	-15	-46	-	-
Other expenses		-378	-370	-416	-350	-363
Total expenses	2	-849	-873	-973	-881	-902
Profit before loan losses		555	548	426	522	561
Loan losses, net		3	-42	-84	-89	-92
Equity method		9	9	14	10	19
Profit before investment earnings and insurance		567	515	356	443	488
Investment earnings, banking		-61	62	33	27	81
Operating profit, life insurance		51	47	40	40	50
Goodwill amortisation and write-downs		-41	-40	-46	-40	-40
Operating profit		516	584	383	470	579
Real estate sales and write-downs, net		300	-	-115	-	-
Taxes		-152	-165	-66	159	-174
Minority interests		0	-1	0	-1	0
Net profit		664	418	202	628	405
EPS		0.24	0.15	0.07	0.21	0.14
EPS, rolling 12 months up to period end		0.67	0.57	0.51	0.55	0.40

Note 1 Net commission income, EURm

Brokerage	40	44	35	28	20
Asset management/investment funds	124	127	129	120	114
Issue of securities	6	7	5	2	6
Loans and advances	90	90	88	88	87
Deposits and payments	199	192	200	194	191
Foreign exchange	11	11	13	10	9
Other	43	31	29	35	25
Commission expenses	-91	-95	-94	-84	-80
Net commission income incl commission reported as trading income	422	407	405	393	372
Of which reported as trading income	-17	-10	-17	-14	-6
Net commission income	405	397	388	379	366

Note 2 Expenses, EURm

Staff ¹	457	489	512	532	541
Profit sharing	15	15	46	-	-
Information technology ²	108	112	136	88	85
Marketing	23	14	27	14	23
Postage, telephone and office expenses	50	52	56	53	49
Rents, premises and real estate expenses	89	75	87	74	81
Other	110	120	112	123	128
Expenses	852	877	976	884	907
Of which investment activities ³	-3	-4	-3	-3	-5
Expenses	849	873	973	881	902

¹ Variable salaries were EUR 28m in Q2 2004 (Q1 2004: EUR 37m).

² Refers to IT operations, service expenses and consultant fees. Total IT-related costs in Q2 2004, including staff etc, but excluding IT expenses in insurance operations, were EUR 166m (Q1 2004: EUR 165m).

³ Including staff costs (Q2 2004: EUR 1m).

The Group

Result summary first half year 2004

Operating profit increased by 15% in the first six months of 2004 to EUR 1,100m. Net profit was up by 64% to EUR 1,082m and earnings per share were EUR 0.39 including the gain of EUR 300m related to the sale of Nordea's real-estate portfolio.

The strong result reflects increasing business volumes which has resulted in growth in net interest income and commission income. Total expenses continued to decrease. Loan losses were substantially reduced. Difficult market conditions, especially in the second quarter, had a negative impact on trading income and investment earnings.

Development in the second quarter 2004

The outlook for economic growth in the Nordic region has improved somewhat and the loan demand, especially from households, remained firm. The central bank in Sweden lowered interest rates further in April. Long-term interest rates increased in the Nordic countries and globally. Nordic equity markets had a mixed performance and turnover volumes fell significantly compared to the first quarter.

Income

Net interest income increased by 3% to EUR 868m reflecting continued volume growth. In addition, Nordea has actively managed its non-trading interest-rate risk by extending the duration on certain balance-sheet items and thereby taking advantage of higher long-term interest rates.

Loans and advances to the public increased by 5% to EUR 156bn. Lending to households continued to grow, in the second quarter by 5%, mainly in mortgage financing. Loan growth in the small and medium-sized corporate segment was confirmed with a volume increase of 2%. In addition, lending volumes to large corporates increased for the first time in four quarters.

Deposits increased by 6% to EUR 98bn. Household and corporate deposits increased. Corporate deposits, which are fairly volatile, represented the largest increase.

Lending margins to households as well as to large corporate customers declined somewhat, whereas margins to small and medium-sized corporates remained stable. Deposit margins in Retail Banking declined following lower short-term interest rates in Sweden.

Net commission income increased by 2% to EUR 405m.

Commission from brokerage remained relatively stable at EUR 40m, despite falling turnover volumes in equity markets.

Asset-management-related commissions were down slightly to EUR 124m. Management fees remained stable whereas transaction-related income declined following lower turnover volumes in financial markets than in the first quarter. Assets under management increased by 1% to EUR 123bn. Nordea confirmed its leading position within retail funds in the Nordic region and the Group holds 19% of all Nordic investment fund assets. Total net inflow reached EUR 1.4bn in the second quarter whereas investment return was flat.

Deposit and payments commissions increased by 4% to EUR 199m reflecting continued growth in household payment transactions and Nordea's leading position in this area. Card payments increased substantially and the total number of transactions increased by 5% in the quarter.

Trading income decreased by 33% to EUR 104m from the high level in the first quarter. Lower customer activity and challenging market conditions resulted in reduced income.

Expenses

Total expenses decreased by 3% to EUR 849m. Underlying expenses decreased by approx. 2% adjusted for restructuring charges, variable salaries and currency fluctuations.

Staff costs decreased by 7% to EUR 456m. The reduction in staff numbers continued throughout the second quarter with a decrease of approx. 600 measured by full-time equivalents. Transfer of approx. 170 full-time employees following the outsourcing of paper-based payments services in Sweden had full effect in the second quarter. Variable salaries decreased by EUR 9m compared to the first quarter following the lower result in Markets.

EUR 15m was reserved for profit sharing in 2004 based on the good performance in the quarter as well as an estimate of the expected outcome for the full year 2004. Since only two quarters have passed, and some of the performance criteria are relative to peers, there is uncertainty attached to the reservation for profit sharing.

Other expenses increased by 2% to EUR 378m. Marketing expenditures were somewhat higher in the period following generally higher activity in the second quarter.

Loan losses

Net loan losses for the quarter were positive at EUR 3m. Reversals exceeded new provisions in the business areas as no major problem area was identified. The need for centrally booked provisions was also very limited.

Investment earnings, banking

Investment earnings, banking, were EUR -61m compared to the high level of EUR 62m in the first quarter. The

result was influenced by difficult market conditions and losses on the equity holding in OMHEX AB.

Life insurance

Profit from Life was EUR 51m, an increase by 9% confirming the stabilisation at a high level of the profit contribution from the life business.

Real estate holdings

Nordea has completed its real estate divestment process by the sale of central business district properties in Finland, Norway and Sweden. The transaction includes lease agreements with durations of up to 25 years. A gain of EUR 300m, reported on a separate line below operating profit, is reflected in the second quarter accounts 2004. In the fourth quarter 2003, a write-down of EUR 115m was reflected in the same manner. From the second quarter 2004, Nordea owns no major properties.

Net profit

Net profit amounted to EUR 664m corresponding to EUR 0.24 per share and a return on equity of 28.1% (excluding goodwill). The rolling 12-month earnings per share were EUR 0.67.

Adjusted for the impact of the real estate gain, earnings per share in the second quarter were EUR 0.14 and return on equity was 16.4% (excluding goodwill).

Development in the first half year 2004

Income

Net interest income increased by 2% to EUR 1,714m in the first half year 2004.

Household's share of total lending increased to 45% compared to 41% one year ago. Mortgage lending to household customers has expanded significantly and volumes increased by EUR 8bn, or 17%, year-on-year. Nordea has increased its market shares within mortgage lending in all Nordic countries except for Finland where the market share has been stable. Lending to small and medium-sized corporates increased by 1% to EUR 58bn while on-balance-sheet lending to large corporate customers was reduced. In total, loans and advances to the public increased by 6% year-on-year to EUR 156bn.

Overall lending margins within Retail Banking were stable and lending margins to large corporates strengthened compared to last year.

Deposits increased by 7% to EUR 98bn. Falling short-term interest rates had a negative impact on deposit margins compared to last year.

Net commission income increased by 12% to EUR 802m. Commissions from brokerage increased by 90% to EUR 84m as equity market indices and volumes improved.

Commissions from asset management increased by 15% to EUR 251m as a result of strong net inflow and improving equity markets. Commissions from deposits and payments increased by 6% to EUR 391m reflecting an increase in total number of transactions as well as a continued move away from manual transactions towards cards and internet transactions.

Trading income fell by 17% to EUR 260m from the high level in the first half of 2003. In addition, difficult market conditions in the latter part of the period had a negative impact.

Expenses

Total expenses fell by 5% to EUR 1,722m. Underlying expenses decreased by approx. 6% adjusted for restructuring charges, variable salaries and currency fluctuations.

Staff costs were reduced by 11% in the first six months compared to the same period last year. Underlying staff costs were reduced by 6%. The reduction in the number of employees, mainly within Retail Banking and Group Processing and Technology, continued in the first half of 2004. Compared to one year ago, the number of employees has been reduced by approx. 2,500 as a result of rationalisations and an additional 1,100 as a result of outsourced services.

The reservation for profit-sharing amounted to EUR 30m in the six months of 2004. In 2003, no reservation for profit sharing was made in the first six months.

Other expenses were down by 2% to EUR 748m. Information technology expenses increased by EUR 36m to EUR 220m. This includes expenses related to outsourced staff in the IBM joint-venture. Underlying other expenses were reduced by 6%. This development reflects a generally strengthened cost management culture in the Group.

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

Loan losses

Loan losses were 0.05%, annualised, of total loans and guarantees compared to 0.26% last year. The improvement reflects an overall stable credit quality as well as no new loan loss provisions in the fish-farming industry in the first half of 2004.

Investment earnings, banking

Investment earnings were EUR 1m, a decline by EUR 109m from the high level achieved in the same period last year. The increase in long-term interest rates this year had a negative impact.

Life insurance

Profit from Life insurance improved to EUR 98m from EUR 69m in the first half of 2003 mainly reflecting the gradual implementation of the changed business model in Life.

Net profit

Net profit was EUR 1,082m corresponding to EUR 0.39 per share and return on equity of 23.1% (excluding goodwill). Adjusted for the impact of the real estate gain in the second quarter, earnings per share for the first half year were EUR 0.28 and return on equity 17.3% (excluding goodwill).

Credit portfolio

At the end of the second quarter, impaired loans, net, amounted to EUR 665m representing 0.43% of total lending, compared to 0.57% of total lending one year ago.

The share of corporate lending was 53% of the portfolio while lending to households was 45% of total lending. Loans to the public sector represented 2%. Over the last 12 months, the share of household lending increased to 45% from 41%, representing a marked shift towards low risk and high quality assets.

Within household lending, mortgage loans account for 76%.

There was no major change in the composition of the corporate loan portfolio in the second quarter. Real estate management remains the largest industry exposure in the credit portfolio and amounts to EUR 22.4bn, representing 14% of the total portfolio.

New model for equity research

Nordea and Standard & Poor's have signed an exclusive agreement whereby Nordea's customers will gain access to Standard & Poor's independent equity research on 200 Nordic stocks and 1,500 international companies. Nordea will close its present Nordic company research department within Markets. The agreement with Standard & Poor's will significantly improve the equity research offering and ensure independency without increasing the cost base.

Capital adequacy

Risk weighted assets increased by EUR 5bn to EUR 140bn following increased business volumes. Shareholders' equity amounted to EUR 12bn including the profit for the first six months of the year. The tier 1 capital ratio increased from 6.7% in the first quarter to 7.0% and the total capital ratio from 9.1% to 9.3%.

IFRS implementation

The introduction of certain IFRS principles for publicly traded companies in 2005 will affect Nordea. Preparations are proceeding according to plan.

Three changes are expected to be relevant for Nordea. The life insurance contracts will be marked to market, which will affect the assets and liabilities of the life insurance business, but is expected to have limited effect on the reported financials. The consolidation principles for previously non-fully consolidated holdings will be changed, which will mainly affect the consolidation of the life insurance business into Nordea Group. Furthermore goodwill will no longer be amortised but impairment tests will, as previously, be regularly performed.

There is uncertainty attached to the timing and scope of the implication of new valuation principles on financial instruments (IAS 32 and 39) due to delays in the endorsement process. Should IAS 39 be implemented based on the current IASB proposal, it might lead to accounting volatility. Nordea monitors the development on a continuous basis.

The implementation of the IFRS principles is not expected to have a negative net impact on Nordea's reported earnings or financial position.

The Nordea share

During the second quarter the share price of Nordea appreciated by 5% on the Stockholm Stock Exchange from SEK 51.50 on 31 March to SEK 54.25 on 30 June. Total shareholder return (TSR) for the second quarter was 10.2%.

Outlook

The outlook for economic growth in the Nordic region has improved somewhat, and growth estimates have been adjusted somewhat upwards. Short-term interest rates have been lowered slightly also in the second quarter, and are likely to have bottomed out.

Based on the improved growth outlook and a more stable interest rate environment, total income in 2004 is expected to increase compared to 2003, despite the relatively high non-recurring revenues in 2003. An increase in overall business volumes is expected, primarily stemming from the household sector. Increased activity by small and medium-sized companies may add to this in the second half of the year.

The sharp attention on cost management will be maintained. Based on the progress in cost management in recent quarters, costs for the full year 2004 are expected to remain clearly below costs in 2003.

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 be substantially lower than the level experienced in 2003.

Results by business area second quarter 2004

	Business areas						
	Retail Banking	Corporate and Institutional Banking	Asset Management & Life		Group Treasury	Group Functions and Eliminations	Total
EURm			Asset Mgmt	Life			
Customer responsible units:							
Net interest income	721	98	9		42	-2	868
Other income	374	110	66		0	-14	536
Total income incl. allocations	1,095	208	75		42	-16	1,404
<i>of which allocations¹</i>	<i>154</i>	<i>-80</i>	<i>-56</i>	<i>-20</i>	<i>1</i>	<i>1</i>	<i>0</i>
Expenses incl. allocations	-637	-134	-44		-8	-26	-849
<i>of which allocations¹</i>	<i>-314</i>	<i>-54</i>	<i>2</i>		<i>-1</i>	<i>367</i>	<i>0</i>
Loan losses	1	10				-8	3
Equity method	4	3				2	9
Profit before investment earnings and insurance	463	87	31		34	-48	567
Investment earnings, banking					-61	0	-61
Operating profit, life insurance				40		11	51
Goodwill amortisation and write-down	-7	-2				-32	-41
Operating profit 2004: Q2	456	85	31	40	-27	-69	516
2004: Q1	433	154	33	40	55	-131	584
2003: Q4	428	100	35	26	62	-268	383
2003: Q3	395	92	26	33	35	-111	470
2003: Q2	376	131	20	42	91	-81	579
Return on equity, %	27%	14%					22.1%
Cost/income ratio, banking, %	58%	64%	59%				63%
Other information, EURbn							
Total assets	154	80	4	25	16	-17	262
Lending	126	26	2		2		156
Deposits	71	21	3		3		98
Capital expenditure, EURm	6	0	1	0	0	24	31
Depreciations, EURm	-5	0	0	-1	0	-29	-35
Product result 2004: Q2			58	57			
2004: Q1			60	53			
2003: Q4			60	44			
2003: Q3			48	43			
2003: Q2			41	52			

¹ Allocations show the redistribution of cost and income between business areas. Income within CIB and Asset Management has been reduced by EUR 80m and EUR 56m, respectively, while EUR 154m and EUR 1m is included in total income within Retail Banking and Group Treasury, respectively.

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

The principles used in the segment reporting are described below. Figures are disclosed and consolidated using end of period and average currency rates in conformity with the statutory reporting. 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 on these products, including sales and distribution costs within Retail Banking. The product result for Asset Management includes, in addition to the operating profit of EUR 31m, revenues and expenses related to investment funds allocated to Retail Banking of EUR 59m and EUR 8m respectively. In addition estimated sales and distribution costs within Retail Banking of EUR 28m is included in the product result of EUR 58m in the second quarter 2004.

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 credit institutions and lending. The liabilities allocated to the business areas include deposits from the public as well as by credit institutions.

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

- **Increased lending volumes**
- **SME loan growth continued**
- **Strong increase in non-interest income**
- **Positive net loan losses**

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

Market conditions

Customer demand remained firm in the second quarter. The demand for mortgages and savings products was strong and client interest in new payment solutions continued.

Business development

Lending to households continued to grow, mainly in mortgage financing. The loan volume increased by EUR 3.2bn to EUR 67.5bn during the second quarter, an increase of 5%. Lending margins for households declined to 1.5% in the second quarter from 1.6% in the first quarter.

Loan demand from corporate customers within Retail picked up further during the second quarter with an increase of 2.3% or EUR 1.3bn to EUR 58.1bn.

Lending margins for corporate customers were unchanged at 1.2% in the second quarter.

The total loan volume grew from EUR 121.1bn at the end of the first quarter to EUR 125.6bn, an increase of 3.7%. Well over half of the total loan volume is mortgage lending to household and corporate customers. Total lending margins were unchanged at 1.4%.

The total deposit volume increased by 1.5% to EUR 70.6bn reflecting increased deposits from households.

Overall deposit margins declined to 1.2% from 1.3% in the first quarter due to lower short-term interest rates in Sweden.

International cards contributed to increased payment commissions, with an additional 109,000 cards sold. The total number of international cards was 3.9 million at the end of the quarter.

The focus on income development resulted in the following initiatives launched in relation to customer concepts in the second quarter:

A new concept for managing the customer relationship with Retail corporate customers with subsidiaries in one or

more of the Nordic countries was introduced. The concept has been developed with a view to further enhance Nordea's competitive edge in serving corporate customers with cross-border operations in the Nordic region. The solution offers the customers a single point of entry through a dedicated pan-Nordic senior relation manager team that supports the customer's business in all countries.

Retail Denmark has introduced a new housing loan product. The product consists of a 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. The product offers a more flexible way of lending using real estate as collateral.

An initiative to promote the sales of Cash Management products was launched in Finland with a focus on increasing the income generated by the product line.

Retail Banking Sweden has entered into an agreement with the supermarket chain ICA making it possible for customers to make cash withdrawals not connected to purchases in supermarkets using Nordea bank cards.

Electronic banking

The number of netbank customers increased by 0.1 million in the second quarter and reached 3.8 million, of which 3.4 million are households. The growth in online equity trading customers continued during the quarter. At the end of the second quarter 350,000 customers had signed up for online equity trading.

Netbank activity continued to grow at a rapid pace. The number of log-ons was 40.7 million in the second quarter, corresponding to an increase of 32% year-on-year. The number of netbank payments increased by 17% year-on-year, to 42.4 million.

Customer satisfaction index

The yearly customer survey conducted in the second quarter showed overall good results. Customer satisfaction for loyal customers increased in Sweden, Norway and Denmark and was unchanged in Finland, and customer satisfaction for Retail corporate customers increased in Denmark and Finland, was unchanged in Sweden and decreased in Norway.

Result

Total income increased by EUR 23m or 2% to EUR 1,095m in the second quarter.

Net interest income was affected by lower margins on deposits and declined by EUR 6m compared to the first quarter.

Non-interest income was EUR 374m, a healthy 8% increase compared to the first quarter mainly due to increased payment fees.

Costs were strictly controlled and remained in line with the first quarter. The second quarter saw an additional reduction of headcount by approx. 250 employees to 17,600 full-time employees.

Loan losses in the second quarter showed a net income of EUR 1m due to reversals and an overall good credit quality.

Operating profit increased for the fifth consecutive quarter to EUR 456m. The return on allocated equity increased from 26% in the first quarter to 27% in the second quarter.

The cost/income ratio for the second quarter was 58%, which is unchanged from the first quarter.

Operating profit by main area

EURm	Total		Retail Denmark		Retail Finland		Retail Norway		Retail Sweden		Poland & Baltic	
	Q2 2004	Q1 2004	Q2 2004	Q1 2004	Q2 2004	Q1 2004	Q2 2004	Q1 2004	Q2 2004	Q1 2004	Q2 2004	Q1 2004
Net interest income	721	727	205	200	188	187	112	113	196	211	16	12
Net commissions & other income	374	345	90	88	103	91	35	36	134	120	9	8
Total income	1,095	1,072	295	288	291	278	147	149	330	331	25	20
Total expenses	-637	-621	-166	-163	-163	-159	-89	-85	-193	-189	-19	-15
Profit before loan losses	458	451	129	125	128	119	58	64	137	142	6	5
Loan losses	1	-16	-5	-9	-3	-2	7	-4	5	1	-2	-1
Equity method	4	5	4	5	0	0	0	0	0	0	0	0
Goodwill amortisation	-7	-7	0	0	0	0	0	0	-4	-4	-2	-2
Operating profit	456	433	128	121	125	117	65	60	138	139	2	2
Cost/income ratio, %	58	58	55	56	56	57	60	57	59	57	76	76
Return on equity, %	27	26	25	25	32	31	23	21	30	30	5	5
Other information, EURbn												
Lending	125.6	121.1	35.0	34.4	28.9	27.7	20.2	19.3	39.5	37.8	1.9	1.8
Deposits	70.6	69.6	16.1	15.7	22.7	22.6	10.4	10.3	20.1	19.9	1.2	1.0
Economic capital	4.9	4.8	1.5	1.4	1.2	1.1	0.8	0.8	1.3	1.4	0.1	0.1

Margins¹

	Q2 2004	Q1 2004
<u>Lending margins, %</u>		
To corporates	1.2%	1.2%
To households	1.5%	1.6%
-household mortgages	0.9%	1.0%
Total lending	1.4%	1.4%
<u>Deposit margins, %</u>		
From corporates	0.9%	1.0%
From households	1.4%	1.6%
Total deposits	1.2%	1.3%

¹ Margins are excluding Poland & Baltic.

Key figures per quarter

	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Operating profit, EURm	456	433	428	395	376
Return on equity, %	27	26	26	24	23
Cost/income ratio, %	58	58	55	56	57
Customer base: households, million	9.6	9.6	9.6	9.7	9.7
corporate customers, million	0.9	0.9	0.9	1.0	1.0
Number of employees (full-time equivalents)	17,638	17,882	18,320	18,684	19,159

Corporate and Institutional Banking

- **Increased lending volumes**
- **Markets' income down from high level in first quarter**
- **Stable development in other areas**
- **Positive net loan losses**

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

Market conditions

The demand for corporate credits strengthened somewhat compared to the previous quarter, albeit from a low level. Activity in the IPO market improved. In the Nordic equity markets, indices were volatile and turnover fell as investors became more cautious. Both the Nordic and the Euro bond markets experienced increased volatility.

Stock market development

	Market volume		Market index
	Q2 2004 EUR bn	Q2 vs. Q1 %	Q2 %
Denmark	20.1	-14	3
Finland	44.7	-21	-13
Norway	19.9	-27	6
Sweden	88.6	-23	1

Business development

In Corporate Banking Division the deal flow was positively influenced by a number of corporate finance and debt capital market transactions resulting in an increased loan book compared to the first quarter. A drop in customer trading income adversely impacted the overall result for the division.

In Cash Management, several important mandates were won, including the Norwegian Post.

The recovery for Corporate Finance continued in the second quarter, one important reason being good M&A market. Adding to this, the IPO market improved and Nordea acted as adviser in several large transactions during the quarter.

In the Financial Institutions Division income deteriorated due to a lower level of customer activity, especially in fixed-income products. Custody commissions were on a similar level as in the previous quarter, despite a relatively weak equity market. The number of transactions in Custody Services decreased by 5% compared to the first

quarter of 2004 and assets under custody decreased by 2% to EUR 419bn.

Customer interest in Nordea's integrated institutional custody offering remains strong. Additionally, Custody Services won Euromoney's award for "Best at investor services" in the Nordic & Baltic region, further confirming Nordea's leading position in this segment.

Business activity within International and Shipping division continued to be firm in the quarter, following a sustained strong shipping market. The division has been successful in utilising the strength of the bank's balance sheet and underwriting capacity in obtaining several large and profitable mandates in a lead position.

In Markets division customer activity in fixed income and equity products was negatively influenced by the shifting market sentiment. Difficult market-making conditions in fixed-income markets also had a negative impact.

Nordea participated as joint book runner in the Finnish EUR 5bn 11 years Euro government bond issue.

Result

Total income in the second quarter amounted to EUR 208m, down by EUR 68m from the first quarter. Net interest income was EUR 98m, about the same level as in the previous quarter. The lending volume increased towards the end of the quarter albeit with slightly lower margins. Other income decreased by EUR 67m to EUR 110m. Income in Markets was lower than in the previous quarter reflecting the high income level in the first quarter of this year as well as the challenging market conditions in the second quarter. Income in other areas was stable compared to the first quarter.

Total expenses in the second quarter were EUR 134m, unchanged compared to the previous quarter. The personnel expenses came down by EUR 4m. The number of employees continued to decline in the quarter and has been reduced by approx. 160, or 8%, from the beginning of the year. Other costs went up by EUR 4m due to higher IT expenses in the second quarter.

Loan losses amounted to a positive figure of EUR 6m, as the reversals of earlier provisions for loan losses exceeded the amount of new provisions.

Operating profit was EUR 85m, down by EUR 69m from the first quarter, corresponding to a return on allocated equity of 14%. The allocated equity totalled EUR 1.7bn in the quarter, unchanged compared to the first quarter. The cost/income ratio was 64%.

Operating profit by main area

	Total		Corporate Banking Division ¹		Financial Institutions Division ¹		International and Shipping Division ¹		Other		Markets ²	
	Q2 2004	Q1 2004	Q2 2004	Q1 2004	Q2 2004	Q1 2004	Q2 2004	Q1 2004	Q2 2004	Q1 2004	Q2 2004	Q1 2004
EURm												
Net interest income	98	99	56	57	9	10	29	32	4	0	16	15
Other income	110	177	48	70	31	78	11	11	19	18	108	165
Total income	208	276	104	127	40	88	40	43	23	18	124	180
Total expenses	-134	-134	-39	-39	-31	-28	-12	-10	-52	-57	-73	-75
Profit before loan losses	74	142	65	88	9	60	28	33	-29	-39	51	105
Loan losses	6	9	4	5	0	0	2	4	0	0	0	0
Transfer risk	4	0	4	0	0	0	0	0	0	0	0	0
Equity method	3	5	0	0	0	0	0	0	3	5	0	0
Goodwill amortisation	-2	-2	-1	-1	-1	-1	0	0	0	0	0	0
Operating profit	85	154	72	92	8	59	30	37	-26	-34	51	105
Other information, EURbn												
Lending ³	26.1	23.6	13.3	11.9	1.9	1.2	6.6	6.5	4.3	4.0	4.3	4.0
Deposits ³	20.9	16.8	6.9	6.4	8.1	5.9	3.0	2.5	3.0	2.0	3.0	2.0
Economic capital	1.7	1.7	1.0	1.0	0.2	0.2	0.3	0.3	0.2	0.3	0.5	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 First quarter restated to include lending and deposit volumes in Markets, previously reported under Group Treasury.

Key figures per quarter

	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Operating profit, EURm	85	154	100	92	131
Return on equity, %	14	25	15	13	19
Cost/income ratio, %	64	48	54	56	52
Number of employees (full-time equivalents)	1,941	1,974	2,102	2,172	2,316

Asset Management & Life

- **Assets under Management at EUR 123.3bn on net inflow of EUR 1.4bn in the second quarter**
- **Strong sales through European Fund Distribution**
- **Written premiums in Life up 12% year-on-year**
- **Life result shows further improvement**

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

Market conditions

The tightening of US monetary policy, weak Asian equity markets and the unrest in the Middle East all affected global financial markets in the second quarter. The MSCI World index increased by 1.9% while the index for Europe increased 3%. The MSCI Nordic fell by 2.5% due to sharply negative performance in the Finnish market.

Business development

Assets under Management (AuM) increased by EUR 1.4 bn to EUR 123.3bn. The rise was entirely due to inflow as the overall investment return was zero in the second quarter. By the end of the second quarter, equity products represented 36% of total AuM. Transaction volumes declined in the second quarter as a result of the volatile development in financial markets.

AuM in Retail funds increased by EUR 2.2bn to EUR 38.0bn which includes EUR 1bn that was reclassified from institutional clients. Inflows accounted for EUR 0.8bn of the increase.

Nordea's market share in the Nordic fund market was 19% in the second quarter. The small decline was caused by weak net inflows in Sweden and Denmark. The underlying trend in the Danish retail fund flows remained strong, whereas the Swedish market was characterised by weak flows especially in the pension-related channels. Finland continued to show high net inflows, and Norway also performed well in the second quarter.

Nordea market shares in the Nordic fund market¹

Percent	Nordic ²	Denmark	Finland	Norway	Sweden ²
Net inflow Q2	14.3	-5.6	41.0	24.0	-2.0
AuM end Q2, 2004	19.0	24.3	27.4	8.7	16.1

¹ Market shares are based on official statistics and include all funds, also institutional.

² Swedish AuM market share is based on first quarter 2004 data.

In Nordic Private Banking, net inflows were EUR 0.6bn, an increase by 50% compared to the first quarter. Transaction activity was somewhat lower due to market conditions. AuM were EUR 25.8bn at the end of the quarter.

International Wealth Management & Funds – comprising European Private Banking and European Fund Distribution – experienced net flows of EUR 0.6bn bringing assets under management to EUR 12.5bn at the end of the quarter.

The equity value funds distributed through European Fund Distribution continue to be among the best selling funds in Europe. In May, Nordea achieved a no 4 ranking in the German consultancy FERI statistics on European cross border sales. Continuous effort is being put into widening the geographical scope of the distribution, and in the second quarter a marketing approval from the Italian financial supervision authority was obtained, allowing Nordea to market its funds in Italy.

Assets managed for Institutional clients declined by EUR 0.6bn as some clients, predominantly Danish chose to diversify their portfolio of managers. In addition EUR 1bn of assets was reclassified from Institutional clients to Retail funds and AuM at the end of the quarter was EUR 22.3bn.

Nordea continues to hold a strong position in the institutional segment in Denmark, and the development in Finland and Norway has been satisfactory this year.

In Life & Pensions, total net written premiums were EUR 612m in second quarter, somewhat lower than in the previous quarter. However, year-on-year, net written premiums increased by 12% reflecting a stronger sales effort. The unit-linked product was an important contributor to the positive development. AuM in Life & Pensions remained unchanged at EUR 24.8bn.

Result

Asset Management revenues declined by 2% from the first quarter to EUR 134m. While management fees developed well, lower business activity reduced transaction income. Expenses remained flat on the first quarter. The product result was down 3% on the first quarter but remains up by 41% year-on-year.

The product result in Life & Pensions rose 8% on the first quarter despite negative investment return of 0.4% reflecting the fact that short-term profits are now largely unaffected by market movements. Financial buffers declined slightly quarter-on-quarter, from 5.6% to 4.9% of life provisions. Compared with second quarter 2003, buffers are up 7%.

Volumes, inflow and margins

EURbn	Total			Denmark		Finland		Norway		Sweden	
	Q2 2004	Q2 Inflow	Q1 2004	Q2 2004	Q1 2004	Q2 2004	Q1 2004	Q2 2004	Q1 2004	Q2 2004	Q1 2004
Customer/Market dimension											
Nordic retail funds ¹	38.0	0.8	35.8								
Nordic private banking	25.8	0.6	25.5								
International Wealth Management and funds	12.5	0.6	11.9								
Institutional clients ¹	22.3	-0.6	23.9								
Life & Pensions	24.8	0.0	24.8								
Total	123.3	1.4	121.9								
Organisational dimension											
Investment Funds, volumes ²	46.9		45.5	14.4	14.5	6.9	6.2	1.8	1.6	16.8	16.6
Investment Management, volumes ³	78.1		77.2								
Investment Funds margins, % ⁴	0.98		1.00	0.48	0.53	1.15	1.22	0.82	0.87 ⁵	1.08	1.07
Investment Management margins, % ³	0.16		0.18								

¹ EUR 1.0bn have been reclassified from Institutional clients to Retail Funds as of end of second quarter 2004

² Including EUR 6.6bn and EUR 7.1bn outside the Nordic countries for the first and second quarter, respectively.

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.

⁵ Net margin for Norway first quarter have been corrected from 0.81 published previous quarter.

Key figures per quarter – Asset Management activities

EURm	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Revenues	134	137	137	119	111
Expenses	-48	-48	-48	-44	-44
Distribution expenses	-28	-29	-29	-27	-26
Product result	58	60	60	48	41
<i>of which profit within Retail Banking</i>	<i>27</i>	<i>27</i>	<i>25</i>	<i>22</i>	<i>19</i>
Cost/income ratio, %	57	56	56	60	63
Economic capital	133	136	133	122	119
Assets under management, EURbn	123	122	113	107	102
Number of employees (full-time equivalents)	793	786	784	804	829

Key figures per quarter – Life activities

EURm	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
<i>Traditional life insurance</i>					
Premiums written, net of reinsurance	422	491	533	370	461
Normalised investment return ¹	236	234	244	236	247
Benefits paid and change in provisions	-560	-655	-687	-532	-626
Insurance operating expenses	-26	-25	-28	-24	-28
Normalised operating margin¹	72	45	62	50	54
Fluctuations compared to normalised investment return	-280	347	-114	-151	297
Change in discount rate for life provisions	159	-98	111	126	-126
Actual operating margin	-49	294	59	25	225
of which allocated to policyholders	-26	-30	-6	-13	-13
of which to/from financial buffers	124	-218	-10	28	-165
Net profit from other business	3	3	-2	-1	4
Product result before distribution expenses	52	49	41	39	51
<i>Unit-linked business</i>					
Premiums written, net of reinsurance	190	152	168	87	87
Product result before distribution expenses	8	7	6	7	4
<i>Total</i>					
Premiums written, net of reinsurance	612	643	701	457	548
Product result before distribution expenses	60	56	47	46	55
Distribution expenses in Retail Banking	-3	-3	-3	-3	-3
Product result²	57	53	44	43	52
of which profit within Retail Banking	17	13	18	10	10
Bonds	14,933	15,065	14,862	15,125	15,004
Equities	3,762	3,792	3,361	2,953	2,921
Property	2,218	2,200	2,186	2,021	2,007
Unit-linked	3,844	3,721	3,497	3,275	3,147
Total investments	24,757	24,778	23,906	23,374	23,079
Investment return, % ³	-0.4	3.2	0.7	0.4	3.3
Technical provisions	23,824	23,642	22,859	22,474	22,140
of which financial buffers	933	1,058	878	842	869
Economic capital	803	837	967	879	879
Number of employees (full-time equivalents)	1,003	1,011	1,012	1,014	1,008

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

- **Investment earnings down from high level**
- **Continued benign funding conditions**

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

Financial markets were influenced by the improvement in the US labour market and the global economy in general resulting in rising global interest rates by 50-100 bp. In Europe, this was the steepest rise in 5 years.

Equity markets were positively influenced by the economic development, but rising interest rates and higher oil prices had a negative impact and markets were almost unchanged during the quarter.

Business development

Market demand for Nordea debt instruments continued to be strong which positively affected the bank's short and long term funding through tight credit spreads.

The Group's US Commercial Paper Program, Nordea North America, Inc. was updated and changed to the effect that notes issued after June 30, 2004 are guaranteed by Nordea Bank AB (publ) replacing Nordea Bank Finland Plc as the guarantor for notes issued prior to that date. A new ECP program for Nordea Bank AB (publ) was also established.

At the end of June, the price risk involved in Group Treasury's interest rate positions, calculated as VaR was EUR 28m compared to EUR 46m at the end of the first quarter. Interest rate risk was reduced early in the quarter.

The structural interest income risk (SIIR) which shows the effect on net interest income in the next 12 months was EUR 294m assuming increasing market rates by 100 basis points and EUR -248m assuming decreasing market rates by 100 basis points. At the end of the first quarter the corresponding number was EUR 298m and EUR -263m.

The risk related to equities, calculated as VaR, was EUR 45m compared to EUR 53m at the end of March. The VaR figure comprises all equities including listed, unlisted and private equity.

Investment Risk Framework

In 2004 a new framework for management of the Group's investment risk was implemented. The new framework is directly linking investment risk to hedging of the interest paid to business areas on allocated equity.

The management of investment risks in Nordea is now focused on achieving an absolute return. The benefits arising from the new set-up are that business areas achieve a stable net interest income on their allocated equity. Furthermore, it assures a more dynamic hedging of any development in short-term interest rates and a more dynamic investment strategy in general focusing on an absolute return rather than performing against a benchmark.

Result

Operating profit was EUR -27m in the second quarter compared to EUR 55m in the first quarter.

Investment earnings were EUR -61m in the quarter compared to a gain of EUR 62m in the previous quarter. The result was influenced by difficult market conditions and losses on the equity holding in OMHEX AB.

Operating profit in Group Funding was EUR 34m compared to EUR -7m in the first quarter.

Operating profit by main area

EURm	Total		Group Investment				Group Funding	
	Q2	Q1	Fixed-income		Equity		Q2	Q1
	2004	2004	Q2	Q1	Q2	Q1	2004	2004
Income			-43	48	-15	18	42	1
Expenses			-3	-3	0	-1	-8	-8
Profit excluding investment earnings	34	-7					34	-7
Investment earnings	-61	62	-46	45	-15	17		
Operating profit	-27	55						

Key figures per quarter

	Q2	Q1	Q4	Q3	Q2
	2004	2004	2003	2003	2003
Operating profit, EURm	-27	55	62	35	91
Cost/income ratio, %	neg.	13	11	20	8
Bonds, EURm	15,656	15,811	14,352	15,409	15,560
Equities, EURm	384	399	430	441	404
Investments, EURm	16,040	16,210	14,782	15,850	15,964
Number of employees (full-time equivalents)	100	101	100	98	98

Statutory income statement

EURm	Note	Q2 2004	Q2 2003	Jan- June 2004	Jan-June 2003
Interest income		1,995	2,352	3,975	4,891
Interest expenses		-1,136	-1,395	-2,252	-3,015
Net interest income		859	957	1,723	1,876
Dividend income		11	26	15	36
Net commission income		421	372	828	735
Net result from financial operations	3	41	97	236	182
Other operating income	9	328	98	345	126
Total operating income		1,660	1,550	3,147	2,955
General administrative expenses:					
Staff costs		-472	-539	-976	-1,056
Other administrative expenses		-360	-329	-689	-689
Depreciation, amortisation and write-down of tangible and intangible fixed assets		-76	-72	-154	-146
Total operating expenses		-908	-940	-1,819	-1,891
Profit before loan losses		752	610	1,328	1,064
Loan losses, net	4	3	-46	-40	-148
Change in value of assets taken over for protection of claims	4	0	-46	1	-42
Write-downs on securities held as financial fixed assets		0	-	0	-
Profit from companies accounted for under the equity method		16	19	25	33
Operating profit, banking		771	537	1,314	907
Operating profit, life insurance	5	45	44	86	57
Operating profit		816	581	1,400	964
Pension adjustments		-	-2	-	-5
Tax on profit for the period		-152	-174	-317	-298
Minority interests		0	0	-1	-1
Net profit for the period		664	405	1,082	660
Earnings per share, EUR		0.24	0.14	0.39	0.23
Earnings per share, after full dilution, EUR		0.24	0.14	0.39	0.23

Statutory balance sheet, end of period

Assets, EURm	Note	30 June 2004	31 Dec 2003	30 June 2003
Loans and advances to credit institutions	6	23,250	29,037	27,731
Loans and advances to the public	6	155,519	145,644	146,950
Bonds and other interest-bearing securities		30,484	32,017	32,065
Shares and participations		554	648	582
Shares in associated and group undertakings		418	421	436
Assets, insurance ¹		22,875	22,880	22,328
Intangible fixed assets		2,022	2,090	2,189
Tangible assets		597	826	1,338
Other assets, banking ¹		26,471	28,627	36,064
Total assets		262,190	262,190	269,683
¹ Of which certain investments, for which customers and policyholders bear the whole risk.		6,825	6,673	5,942
Liabilities, provisions and shareholders' equity, EURm				
Deposits by credit institutions		30,694	28,753	37,594
Deposits and borrowings from the public		97,738	95,556	91,094
Debt securities in issue etc		64,388	64,380	64,376
Liabilities, insurance		22,550	21,824	21,348
Provisions and other liabilities, banking		29,246	34,377	38,009
Subordinated liabilities		5,530	5,115	5,439
Minority interests		3	8	13
Shareholders' equity		12,041	12,177	11,810
Total liabilities, provisions and shareholders' equity		262,190	262,190	269,683
Assets pledged for own liabilities		26,330	32,378	27,279
Other assets pledged		3,229	5,782	2,745
Contingent liabilities		14,058	13,612	14,540
Commitments		1,530,625	1,392,415	1,285,689

Movements in shareholders' equity

EURm	Jan - June 2004			Jan - June 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
Own shares ^{1, 2}		-354	-354		-5	-5
Transfers between restricted and unrestricted reserves ³	323	-323	0			-
Currency translation adjustment	-16	31	15	-11	-58	-69
Net profit for the period		1,082	1,082		660	660
Balance at end of period	6,362	5,679	12,041	6,045	5,765	11,810

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 30 June 2004 was 2.4 million. (31 Dec 2003: 3.0 million, 30 June 2003: 3.7 million).

² The number of own shares referring to Nordea Bank AB (publ)'s repurchase of own shares was as at 30 June 2004 145 million (31 Dec 2003: 82 million, 30 June 2003: 57.0 million). The average number of own shares Jan-June 2004 was 125 million (Jan-June 2003: 59.6 million).

³ Due to the merger of Nordea Bank AB (publ) and Nordea Bank Sweden AB (publ).

Cash flow statement

EURm	Jan-June 2004	Jan-June 2003
<i>Operating activities</i>		
Operating profit	1,400	964
Pension adjustments	-	-5
Adjustments for items not included in cash flow	646	483
Income taxes paid	-374	-396
Cash flow from operating activities before changes in operating assets and liabilities	1,672	1,046
<i>Changes in operating assets and liabilities</i>		
Change in bonds and other interest-bearing securities	1,404	-3,949
Change in loans and advances to credit institutions	4,123	-4,959
Change in loans and advances to the public	-10,307	-1,465
Change in shares and participations	66	19
Change in assets, insurance	5	-798
Change in derivatives, net	-988	-1,839
Change in other assets, excluding derivatives	-642	-1,157
Change in deposits by credit institutions	1,941	11,601
Change in deposits and borrowings from the public	2,182	-3,083
Change in debt securities in issue etc	8	2,518
Change in liabilities, insurance	726	1,130
Change in other liabilities, excluding derivatives	-809	2,899
Cash flow from operating activities	-619	1,963
<i>Investing activities</i>		
Acquisition of shares in group undertakings	-	-38
Acquisition of tangible assets	-62	-
Sale of tangible assets	854	455
Acquisition of intangible fixed assets	-6	-
Sale of intangible fixed assets	2	173
Purchase/sale of other financial fixed assets	4	119
Cash flow from investing activities	792	709
<i>Financing activities</i>		
Issued/amortised subordinated liabilities	415	-689
Repurchase of own shares incl change in trading portfolio	-354	-5
Dividend paid	-696	-673
Cash flow from financing activities	-635	-1,367
Cash flow for the period	-462	1,305
Cash and cash equivalents at beginning of period	7,629	8,484
Exchange rate difference	13	-4
Cash and cash equivalents at end of period	7,180	9,785
Change	-462	1,305
Liquid assets	Jan-June	Jan-June
The following items are included in liquid assets (EURm):	<u>2004</u>	<u>2003</u>
Cash and balances at central banks	2,963	6,716
Loans and advances to credit institutions, payable on demand	4,217	3,069

Cash comprises legal tender and bank notes in foreign currencies. Balances at central banks consist of deposits in accounts at 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 also 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

	Jan-June 2004	Jan-Dec 2003	Jan-June 2003
EUR 1 = SEK			
Income statement (average)	9.1733	9.1453	9.1839
Balance sheet (at end of period)	9.1536	9.0800	9.2488
EUR 1 = DKK			
Income statement (average)	7.4441	7.4303	7.4282
Balance sheet (at end of period)	7.4330	7.4450	7.4299
EUR 1 = NOK			
Income statement (average)	8.4493	7.9914	7.7629
Balance sheet (at end of period)	8.2585	8.4141	8.2935
EUR 1 = PLN			
Income statement (average)	4.7420	4.4202	4.2823
Balance sheet (at end of period)	4.5129	4.7019	4.4775

Note 2 Reconciliation of operational income statement with statutory income statement

	Statutory income statement Jan-June 2004	Reclassifications						Operational income statement Jan-June 2004
		Trading income	Investment earnings, banking	Life insurance	Real estate sales and write-downs	Goodwill amorti- sation	Leasing depreciation	
EURm								
Net interest income	1,723	-7	19				-21	1,714
Other income	1,424	7	-20		-300			1,111
Total income	3,147	0	-1		-300		-21	2,825
Total expenses	-1,819		7			69	21	-1,722
Loan losses (incl change in value of property taken over)	-39							-39
Profit from companies accounted for under the equity method	25		-7					18
Investment earnings, banking	0		1					1
Operating profit, life insurance	86			12				98
Goodwill amortisation	0			-12		-69		-81
Operating profit	1,400	0	0	0	-300	0	0	1,100
Real estate write-downs					300			300
Tax on profit for the period	-317							-317
Minority interests	-1							-1
Net profit	1,082	0	0	0	0	0	0	1,082

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	Q2 2004	Q2 2003	Jan-June 2004	Jan-June 2003
Realised gains/losses				
Shares/participations and other share-related instruments	-13	-4	57	5
Interest-bearing securities and other interest-related instruments	32	-15	-16	79
Other financial instruments	-12	-12	-26	-7
Total realised gains/losses	7	-31	15	77
Unrealised gains/losses				
Shares/participations and other share-related instruments	7	16	-16	5
Interest-bearing securities and other interest-related instruments	-64	174	149	168
Other financial instruments	8	-4	20	-3
Total unrealised gains/losses	-49	186	153	170
Foreign exchange gains/losses	83	-58	68	-65
Total	41	97	236	182

Note 4 Loan losses, net, EURm	Q2 2004	Q2 2003	Jan-June 2004	Jan-June 2003
Write-downs and provisions for loans and advances to the public	-130	-199	-258	-438
Reversals and recoveries for loans and advances to the public	133	153	218	290
Total	3	-46	-40	-148

Specifications

Specific provisions for individually assessed loans

Realised loan losses during the period	-80	-150	-150	-313
Reversed amount of previous provisions made for realised losses during the period	62	100	116	230
This period's provisions for probable loan losses	-93	-148	-179	-350
Recoveries of previous periods' realised loan losses	14	18	30	55
Reversals of provisions for probable loan loss no longer required	78	122	133	209
This period's costs for individually assessed loans, net	-19	-58	-50	-169

Aggregate provisions for individually assessed loans

Allocation to reserve	-10	0	-26	0
Withdrawal from reserve	-	3	-	7
This period's change of aggregate provisions for individually assessed loans	-10	3	-26	7

Assessment of homogenous clusters of loans with low value and similar credit risk

Realised loan losses during the period	-3	-	-6	-
Recoveries on previous periods' realised loan losses	26	-	31	-
Allocation to reserve	0	0	0	0
Withdrawal from reserve	6	-1	7	1
This period's net costs for clusters of loans with homogenous credit risk	29	-1	32	1

Transfer risks

Allocation to reserve for transfer risks	-6	0	-13	-4
Withdrawal from reserve for transfer risks	9	10	17	15
This period's change for transfer risks	3	10	4	11

Contingent liabilities

This period's net cost for redemption of guarantees and other contingent liabilities	0	0	0	2
This period's loan losses, net (statutory income statement)	3	-46	-40	-148
Change in value of assets taken over for protection of claims	0	-46	1	-42
This period's loan losses, net (operational income statement)	3	-92	-39	-190

	Q2	Q2	Jan-June	Jan-June
Note 5 Operating profit, life insurance, EURm	2004	2003	2004	2003
Life insurance and pensions				
Premiums written, net of reinsurance	590	523	1,202	1,088
Investment, income	175	353	522	478
Unrealised investments gains	-200	456	188	487
Claims incurred and benefits paid	-397	-325	-821	-651
Change in life insurance provisions	-185	-702	-783	-1,007
Change in collective bonus potential	101	-139	-77	-121
Operating expenses	-35	-38	-70	-75
Investment, expenses	-7	-27	-15	-59
Unrealised investments losses	0	0	0	0
Yield tax	11	-54	-44	-72
Transferred return on investments	-5	-22	-21	-31
Technical result	48	25	81	37
Net profit from health and personal accident insurance	-2	3	-4	1
Transferred return on investments	5	22	21	31
Operating profit before group adjustments	51	50	98	69
Group adjustments (goodwill amortisation)	-6	-6	-12	-12
Operating profit, life insurance	45	44	86	57

Note 6 Loan portfolio and its impairment¹

	30 June	31 Dec	30 June
EURm	2004	2003	2003
Loans and advances to credit institutions	23,250	29,037	27,731
Loans and advances to the public	155,519	145,644	146,950
Total	178,769	174,681	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

30 June 2004, EURm	Credit institutions	Corpo-rates	House-holds	Public sector	Total
Loans at amortised cost before reserves	23,251	84,461	69,847	3,108	180,667
- of which impaired loans ²	1	2,031	530	1	2,563
- of which non-performing loans, which are impaired ²	-	1,023	321	0	1,344
- of which performing loans, which are impaired ²	1	1,008	209	1	1,219
Reserves	-1	-1,555	-341	-1	-1,898
- of which reserves for impaired loans ²	-1	-1,555	-341	-1	-1,898
- of which reserves for non-performing loans, which are impaired ²	-	-547	-132	0	-679
- of which reserves for performing loans, which are impaired ²	-1	-1,008	-209	-1	-1,219
Loans at amortised cost after reserves (book value)	23,250	82,906	69,506	3,107	178,769
- of which impaired loans ²	-	476	189	0	665
- of which non-performing loans, which are impaired ²	-	476	189	0	665
- 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	-1,119	-286	-1	-1,407
Aggregate reserves for individually assessed loans	-	-436	-	-	-436
Assessment of homogenous clusters of loans with low value and similar credit risk	-	-	-55	-	-55
Total reserves	-1	-1,555	-341	-1	-1,898

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	253	1	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

30 June 2003, EURm	Credit institutions	Corpo-rates	House-holds	Public sector	Total
Loans at amortised cost before reserves	27,731	85,194	60,476	3,295	176,696
- of which impaired loans ²	-	2,329	510	12	2,851
- of which non-performing loans, which are impaired ²	-	970	230	12	1,212
- of which performing loans, which are impaired ²	-	1,359	280	-	1,639
Reserves	-	-1,709	-300	-6	-2,015
- of which reserves for impaired loans ²	-	-1,709	-300	-6	-2,015
- of which reserves for non-performing loans, which are impaired ²	-	-350	-20	-6	-376
- of which reserves for performing loans, which are impaired ²	-	-1,359	-280	-	-1,639
Loans at amortised cost after reserves (book value)	27,731	83,485	60,176	3,289	174,681
- of which impaired loans ²	-	620	210	6	836
- of which non-performing loans, which are impaired ²	-	620	210	6	836
- 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	-	-1,330	-235	-6	-1,571
Aggregate reserves for individually assessed loans	-	-379	-	-	-379
Assessment of homogenous clusters of loans with low value and similar credit risk	-	-	-65	-	-65
Total reserves	-	-1,709	-300	-6	-2,015

Note 6, continued

	30 June 2004	31 Dec 2003	30 June 2003
Reserves/impaired loans, gross, %	74	73	71
Impaired loans ² , gross/loans and advances to the public, %	1.6	1.8	1.9

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

	30 June 2004	31 Dec 2003	30 June 2003
Assets taken over for protection of claims, EURm			
Current assets			
Land and buildings	2	1	2
Tenant-occupied rights	-	-	-
Shares and other participations	1	1	31
Other assets	-	1	1
Total	3	3	34

	30 June 2004	31 Dec 2003	30 June 2003
Note 7 Capital adequacy			
Tier 1 capital, EURm	9,907	9,754	10,080
Capital base, EURm	13,048	12,529	13,193
Risk-weighted assets, EURbn	140	134	135
Tier 1 capital ratio, %	7.0	7.3	7.5
Total capital ratio, %	9.3	9.3	9.8

Note 8 Derivatives, EURm

	Positive values		Negative values	
30 June 2004	Fair value	Book value	Fair value	Book value
Interest rate derivatives	12,058	11,700	11,882	11,504
Equity derivatives	404	277	338	273
Foreign exchange derivatives	3,572	3,542	3,744	3,714
Other derivatives	87	87	105	104
Total	16,121	15,606	16,069	15,595

Note 9 Other income

Other income includes the net result of sale and write-down of real estate during the second quarter 2004 amounting to EUR 300m.

Nordea Bank AB (publ)

(Reg. no. 516406-0120)

Nordea Bank AB (publ) is the parent company of the Nordea Group. During the first half-year several mergers with the parent company have taken place, which has not been adjusted for in the comparable figures as at 30 June 2003 shown below.

As at 30 June the total income amounted to EUR 750m (EUR 3m). Operating profit/(loss) amounted to EUR 103m (EUR -39m).

Investments during the first half-year amounted to EUR 12m (EUR 6,938m), of which group undertakings EUR 0m (EUR 6,938 m). The liquidity increased during the first half-year with EUR 1,785m to EUR 1,880m. Deposits increased during the same period with EUR 34,550m (EUR 0m) and lending increased with EUR 37,156m (EUR 0m).

- A conference call with management will be arranged on 18 August 2004 at 18.00, 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:

The interim report third quarter 2004 will be published on 27 October.

Wednesday 18 August 2004

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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Review report of the auditors

We have reviewed this interim report in accordance with the standard issued by FAR, the institute for the accountancy profession in Sweden. A review is substantially less in scope than an audit. During our review nothing came to our attention to indicate that the interim report does not comply with the requirements of the Exchange and Clearing Operations Act and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 18 August 2004
KPMG

Appointed by the
Financial Supervisory Authority

Caj Nackstad
Authorised Public Accountant

Lars Bonnevier
Authorised Public Accountant