

# Summary 2009



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We meet the  
future together  
with our customers.

Last year, millions  
of existing and new  
customers received  
advice and services  
by Nordea

# Strong results 2009 – Nordea positioned for prudent growth with careful navigation

Nordea is the largest financial services group in the Nordic and Baltic Sea region with a market capitalisation of approx. EUR 29bn, total assets of EUR 508bn and tier 1 capital ratio of 11.4%. Nordea is the region's largest asset manager with EUR 158bn in assets under management.

## Nordea – with a solid starting point

Nordea is a universal bank with leading positions within corporate merchant banking as well as retail banking and private banking. It is also the leading supplier of life and pensions products in the Nordic countries. With approx. 1,400 branches, call centres in all Nordic countries and a highly competitive e-bank, Nordea also has the largest distribution network for customers in the Nordic and Baltic Sea region, including more than 270 branches in five new European markets, Russia, Poland, Lithuania, Latvia and Estonia.

Nordea has the largest customer base of any financial services group in the Nordic region with approx. 10 million customers including new European markets, of which 7.5 million are household customers in customer programme and 0.7 million are active corporate customers.

## Prudent growth strategy and initiatives 2010 to 2012

Nordea will pursue a prudent growth strategy for 2010 and beyond to capitalise on the strong momentum in customer business and to leverage on the bank's strong position. Nordea will carefully navigate in what is an improving but still uncertain macroeconomic environment, with full focus on credit risks and handling the changes in regulation on capital and liquidity. The prudent growth strategy is a natural continuation of the journey Nordea embarked on in 2007, with the launch of the Great Nordea vision and nine Group initiatives to support profitable organic growth.

A number of new Group initiatives will be launched focusing on growth as well as efficiency and foundation improvement initiatives. Both operational and financial experiences



## Nordea - with a solid starting point

19.6bn EUR in tier 1 capital  
Tier 1 ratio 11.4%  
excl. transition rules

10.3% Core tier 1 capital  
ratio, excluding  
transition rules

1,400 branches give  
strong distribution  
power

10 mill. household customers  
and 700,000 active  
corporate customers

1) Shipping, Oil Services & International, International Private Banking and Group functions.

from the 2007 initiatives have enabled a more detailed approach in terms of priorities, scope and execution for the new Group initiatives. The growth initiatives cover most of Nordea's operations both in the Nordic region as well as in Poland. The efficiency and foundation improvement programmes focus on lean production, mainly within IT, lowering of production costs as well as reducing operational and compliance risks. They also target more cost-efficient product platforms within the cards, payment and cash management area as well as within Capital Markets where changes to the industry infrastructure and regulation put new demands on the technology platform.

Nordea's strategic target picture is to pursue a prudent growth strategy, to be the best relationship bank in the markets where it operates and to have a foundation with one operating model.

#### Over-delivery on financial targets

Nordea's total shareholder return (TSR) was 78.6% in 2009, number seven among the banks in the European peer group. Since end of 2000, Nordea's accumulated TSR is 178%, number three of the peer banks. Return on equity was 11.3% in 2009. Starting from 2006, Nordea's long-term target is to double the risk-adjusted profit in seven years. In 2009, the risk-adjusted profit increased by 22%.

#### Strong business development 2009 with increased number of customers

Nordea's business continued to develop strongly in 2009, with the focus on further enhancing business relations with core customers and also on acquiring new customers. The number of Gold customers increased by 154,000 in 2009 and the number of Private Banking customers increased by 4,000.

#### Capital position and revised capital policy

Nordea has a strong capital position, with EUR 19.6bn in tier 1 capital, of which EUR 17.8bn was core tier 1 capital. The tier 1 capital ratio excluding transition rules was 11.4% and the core tier 1 capital ratio 10.3% (excluding hybrid capital) at the end of 2009.

The capital policy states that over a business cycle, the target for the tier 1 ratio is 9% and the target for the total capital ratio is 11.5%.

In February 2009, a rights issue of EUR 2.5bn was announced, which together with a reduced dividend for 2008 strengthened the Group's core tier 1 capital by EUR 3bn.

#### Solid liquidity and funding position

The short-term liquidity risk was held at moderate levels throughout 2009. The portion of long-term funding increased to 66% of wholesale funding. Nordea's

liquidity buffer has been in the range EUR 35–59bn throughout 2009, which reflects the Group's conservative attitude towards liquidity risk.

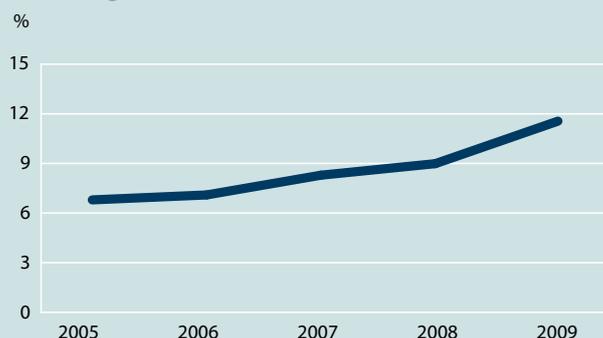
Even in the very difficult environment that the financial industry has faced, Nordea in 2009 continued to show funding strength and was able to raise funding at good prices on a relative basis. Nordea draws benefit from being a well recognised AA-rated bank, practising a prudent liquidity management, with a conservative business profile. This combined with the well-diversified and strong funding base, including stable household deposits and the access to two large domestic covered bond markets, have all contributed positively.

#### Well-diversified credit portfolio

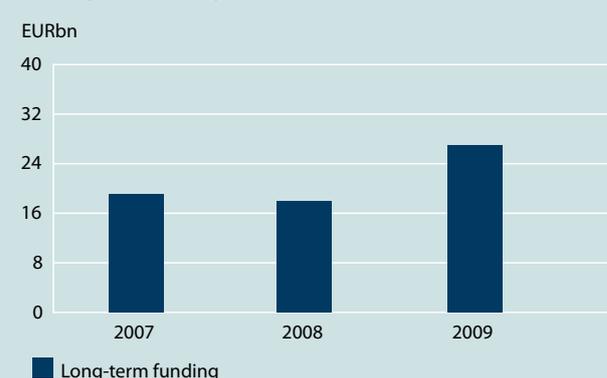
Nordea has long operated with a consistent and prudent credit risk management. Nordea has defined its credit risk appetite as an expected loss level of 25 basis points over the cycle. Net loan losses over the past years show an average not exceeding this level. The Group-wide credit policy and decision-making structure ensures that credit risk limits for customers and customer groups are set at relevant credit decision authority level within the Group.

Some weakening was seen in credit quality in 2009, mainly in the corporate

Capital position, tier 1 capital ratio excluding transition rules



Funding strength, new and extended long-term funding (excluding Danish covered bonds)



credit portfolio. The total effect from rating migration on risk-weighted assets (RWA) was an increase by approx. 6.9% in 2009. Net loan losses amounted to EUR 1,486m, giving a loan loss ratio of 54 basis points. Impaired loans gross increased to EUR 4,102m or 135 basis points of total loans, of which 54% were performing impaired loans. The total provisioning ratio was 53%.

#### Result summary 2009

Total income increased 11% to EUR 9,073m and profit before loan losses increased by 18% to EUR 4,561m. Despite the financial crisis and global recession, Nordea again showed strong performance.

Growth in net interest income continued, driven by volume growth in combination with increased lending margins, reflecting re-pricing of credit risk. Due to its strong position, Nordea was able to conduct business with core customers as usual and respond to customer demand despite the financial crisis.

The increase in total expenses was maintained at an expected growth rate, 4%, compared to 2008.

Profit before loan losses increased 18% and operating profit decreased 9% to EUR 3,075m, due to higher net loan losses. Risk-adjusted profit was EUR 2,786m, up 22%.

#### New regulations on capital and liquidity

In December 2009, the Basel Committee on Banking Supervision (BCBS)

22% Increase in risk-adjusted profit

published a proposal of a new regulatory regime ("Basel III") to strengthen global capital and liquidity regulations.

Nordea is well prepared for new capital and liquidity regulations, with one of the strongest core tier 1 capital ratios in the European group and with a high portion of core equity in the capital base as well as high-quality liquidity buffers, well diversified funding base, strong funding name and high proportion of long-term debt issuance.

#### Outlook 2010

Nordea expects the macroeconomic recovery to continue in 2010, but the development is still fragile and hence uncertainty remains. Based on this as well as a strong starting point and strong customer business development, Nordea will pursue a prudent growth strategy, balancing opportunities and risks, and will invest in the future through several growth and efficiency initiatives. The effect on the results from Group initiatives is expected to be neutral in 2010.

Nordea expects cost growth for 2010 to be largely in line with the growth rate in 2009, including the effects from growth and efficiency initiatives.

Nordea expects risk-adjusted profit to be lower 2010 compared to 2009, due to lower income in Treasury and Markets.

Credit quality continues to stabilise, in line with the macroeconomic recovery. However, loan losses could remain at a high level also in 2010, as it is difficult to forecast when loan losses will start to decline.

Nordea expects the effective tax rate to be around 26%.



” We dedicate our time to your business so you can focus on running it. The demand for risk-management products has continued to increase.

# Events 2009



Each year Nordea helps thousands of our customers realise their dreams.

## First quarter

Nordea Trade Finance receives Global Finance magazine's awards for the Best Trade Finance Providers in Finland and Denmark.

Euromoney awards Nordea the prize for best private banking service provider in the Nordics and also for Denmark and Finland. In Sweden, Nordea is ranked second (up from fourth) and in Norway fourth (up from fifth).

At an extraordinary general meeting, Nordea's rights issue is approved, which strengthens the core tier 1 capital by up to approx. EUR 2.5bn.

Nordea's first sustainability report, Corporate Social Responsibility Report 2008, is published on [nordea.com](http://nordea.com). Nordea participates in Earth Hour, WWF's worldwide climate change initiative.

Nordea Bank Polska was awarded the title of the Leader of Polish Business, with the bank's high profitability, modern product range and investments creating new jobs.

## Second quarter

A report by Greenwich Associates shows that large Nordic corporate corporates rate Nordea highest on service quality and that Nordea has the highest market share in Nordic foreign exchange and interest rate derivatives markets.

Nordea offers ePiggy in Finland, a new form of saving service which is offered in the other Nordic countries.

In a new study on customer services among 20 of the most important players within private banking in Europe,

Nordea is regarded as the best at creating great customer experiences for customers in Europe.

## Third quarter

Nordea wins four awards in Euromoney's annual competition for the world's best banks: Best regional bank in the Nordic and Baltic regions



(for the third consecutive year), Best equity house in the Nordic and Baltic regions, Best bank in Finland and Best investment bank in Denmark

Nordea signs an agreement to acquire Fionia Bank, excluding the 'bad bank' part, and strengthens the market position Denmark.

Nordea's Russian subsidiary, JSB Orgresbank, changes its name to OJSC Nordea Bank and incorporates Nordea's brand fully, to be visible in the around 50 branches.

## Fourth quarter

Nordea launches Nordea Stock Price

service, the fastest and easiest access to Nordic stock market information with modern mobile devices.

The Euromoney magazine awards two prizes to Nordea in their annual Cash Management Poll: Best Cash Manager in Nordic & Baltic and in Sweden.

The magazine The Banker, which is part of the Financial Times group, awards Nordea Bank of the Year 2009 in Finland, Denmark and Norway.

Every second, every day, during 2009 on average 10 private customers logged in to Nordea's netbank.

# CEO letter

Nordea's robust business model, strong customer oriented values and committed people generate strong results in the midst of a severe financial crisis and economic recession.

## Dear Shareholder

The year 2009 has been a challenging year for the financial industry as a whole and for many customers.

The financial crisis continued to affect credit spreads and equity markets negatively until spring 2009 and has contributed to the worst global recession since World War II. The sharp decrease in production and global trade has caused bankruptcies and cash flow problems for many corporate customers and increased unemployment and cautiousness among household customers. Unprecedented fiscal and monetary policy measures have contributed to restoring financial stability and brought some confidence into the real economy. However, the strength and profile of the economic recovery is uncertain.

Nordea was affected by the financial crisis, but less than many other banks. We were well prepared and organised, acted proactively and effectively capped the potential losses. Based on our strong customer oriented values we moved closer to customers and helped them to find solutions under difficult market conditions and thereby strengthening our reputation and brand.

## "Middle-of-the-road"

Due to the extremely uncertain financial and economic development, Nordea decided in late 2008 to take a "middle-of-the-road" approach to the execution of our successful organic growth strategy.

Going into 2009 we thus scaled back capacity and initiated a right-sizing of the organisation. We accelerated existing efficiency initiatives to free up resources. As a result, our cost income ratio decreased by 3 %-points to 50% – the lowest level ever – and the number of employees decreased by 3% net during the year, excluding Fionia Bank. At the same time, 1,675 new employees joined Nordea supporting customer activities and combining efficiency gains with new competencies and perspectives in our organisation.

To counteract the impact of the financial turmoil and economic recession, we carefully planned our use of capital and tightened the control of the growth of risk weighted amounts throughout the year. We reduced or stopped investments in markets and business lines with especially high risk, including New European Markets, and reinforced our credit processes. The hard work and commitment throughout Nordea in implementing the strategy, together with our well diversified credit portfolio, solid credit culture and long experience, has kept down loan losses at 54 bps in 2009 – well in line with our expectations of 25 bps over a business cycle.

The foundation for our stability during 2009 was a strong capital base. We proactively strengthened our capital base by a successful rights issue of EUR 2.5bn on market conditions and reduced the dividend payment corresponding to EUR 0.5bn. As a result of these initiatives and including retained earnings our core tier 1 capital ratio

has increased to 10.3% – well above regulatory capital requirements and our 9% target and in line with the best capitalised European peer banks.

Our stability and relationship focus has attracted new customers throughout the year. The number of Private Banking and Gold customers has increased by 4% and 6% respectively in 2009. The number of 360-degree advisory meetings, where we take a holistic perspective on each customer's financial and economic situation, has been at record levels. We have increased our market share of household lending in the Nordic countries and resumed a strong net inflow into investment funds.

The corporate customer strategy for building housebank relations has been appreciated by customers and rewarding for the bank. Income from products and services to corporate customers is up 8%. Especially risk management products and capital market transactions have contributed strongly to our results. We have reached a leading position for eurobonds and equity capital market transactions for Nordic corporate customers.

We have significantly increased our combined household and corporate customer satisfaction lead to competitors in the Nordic markets by 4.5 points since 2007.

I am proud that Nordea has managed to strengthen its market position and stay in line with its longterm financial targets during this challenging period. Total income increased by 11% in 2009, and riskadjusted profit went up by 22% crossing the line compared to our longterm target. Measured since the launch of our growth strategy three years ago we are in the top quartile of our European peer group in terms of total shareholder return and in the year of 2009 just below the top quartile.

Our results 2009 were strong in spite of the financial crisis, with record income and record risk-adjusted profit. Nordea has strengthened its position and stands strong with the vision of being a Great European bank.



#### **Regulation and reassessment of business models**

Looking back at the financial crisis it seems clear that the greatest weakness of the troubled banks was the level of capital and liquidity and the structure of funding.

International and national regulators are currently developing new regulations in order to avoid financial crises in future. The new regulations will most likely include liquidity risk measures, capital adequacy levels and capital quality as well as remuneration principles.

The new regulations are expected to lead to higher capital requirements and funding costs, which will be reflected in banks' pricing towards customers.

Many banks will have to change their business model in order to stay robust and profitable over a business cycle under the new funding and capital requirement rules. The key characteristics for future successful banks will be diversification, transparency, strong customer relationships and strong management of risk, funding and capital.

Nordea is well prepared for the expected regulatory changes of liquidity risk measures and capital requirements and has a robust business model, which is illustrated by the stable trend of our operating profit throughout the financial crisis.

#### **“Careful navigation” and prudent growth**

In 2010, Nordea will continue its journey towards Great. Coming from a position of strength in terms of income growth, funding and capital we have raised our ambition from a vision of a leading Nordic bank to a Great European bank.

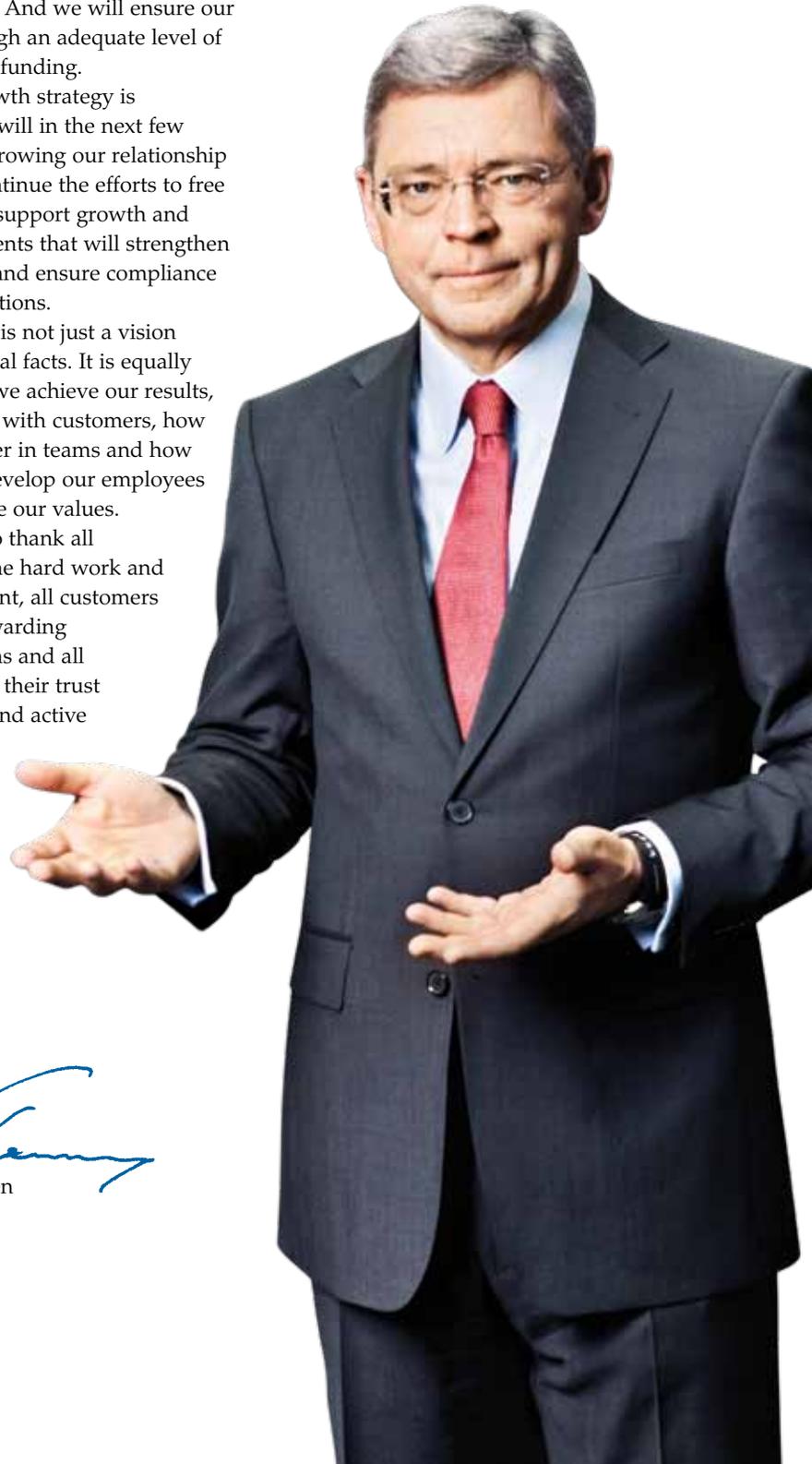
Our road towards Great will be characterised by prudent growth, where we carefully balance risks and

opportunities. We will not pursue our vision and targets at any cost or risk. We will free up resources to serve our customers better and at a low cost. We will maintain a risk level that will enable us to absorb all losses so that we always keep our strong customer brand and market position. And we will ensure our AA rating through an adequate level of risk, capital and funding.

Our basic growth strategy is unchanged and will in the next few years focus on growing our relationship banking and continue the efforts to free up resources to support growth and finance investments that will strengthen our foundation and ensure compliance with new regulations.

Great Nordea is not just a vision and hard financial facts. It is equally important how we achieve our results, how we interact with customers, how we work together in teams and how we coach and develop our employees - the way we live our values.

I would like to thank all employees for the hard work and great commitment, all customers for mutually rewarding business relations and all shareholders for their trust in our strategy and active participation in our rights issue in the spring.



Best regards,

Christian Clausen

# Prudent growth – the way forward

Nordea will pursue a prudent growth strategy for 2010 and beyond to capitalise on the strong momentum in customer business and to leverage on the bank's strong position.

## Prudent growth strategy and initiatives 2010 to 2012

Nordea will carefully navigate in what is an improving but still uncertain macroeconomic environment, with full focus on credit risks and handling the changes in regulation on capital and liquidity. The prudent growth strategy is a natural continuation of the journey Nordea embarked on in 2007, with the launch of the Great Nordea vision and nine Group initiatives to support profitable organic growth.

The Board of Directors has decided on the next generation of initiatives to support the prudent growth strategy. A number of new Group initiatives will be launched focusing on growth as well as efficiency and foundation improvement initiatives. Both operational and financial experiences from the 2007 initiatives have enabled a more detailed approach in terms of priorities, scope

and execution for the new Group initiatives. The growth initiatives cover most of Nordea's operations both in the Nordic region as well as in Poland. The efficiency and foundation improvement programmes focus on lean production, mainly within IT, lowering of production costs as well as reducing operational and compliance risks. They also target more cost-efficient product platforms within the cards, payment and cash management area as well as within Capital Markets where changes to the industry infrastructure and regulation put new demands on the technology platform.

## Growth initiatives

Nordea has since the financial crisis experienced a very strong response from both household and corporate customers in all home markets. Both the number of customers and business

volumes with existing customers have increased. Customer satisfaction has improved considerably compared to peers.

Nordea sees a unique opportunity to further strengthen its position as the leading bank in the Nordic region, complemented by growth in New European Markets. A number of initiatives are launched to enhance Nordea's position in relationship segments, through increased focus on advisory capacity, the distribution across channels and strengthening of the customer acquisition platform in the Nordic countries. In addition, branch openings in Poland will accelerate.

## Increase business with existing and new Nordic banking customers

In an initiative to strengthen the future distribution, Nordea will invest to optimise the branch network, including alignment of capacity to customer potential, new formats and increased advisory capacity in the branches. As a result, there will be a relative reduction of other branch staff. The offering in non-branch channels will at the same time be upgraded to handle the further migration of transactions and sales from branches to non-branch channels.

A specific investment plan has been launched in Finland, where approx. 50-60 branches will be either relocated to areas with higher growth or be re-built to better cater for an increased number of advisory meetings in branches. In the other Nordic markets similar investments will be done to increase sales and advisory capacity.

To continue new customer acquisition, advisory capacity in Nordic Banking and Private Banking will be added, giving a continued focus on Gold customer acquisition and on Private Banking.

## Strengthening the relationship with Nordea's corporate customer base

During the financial crisis, the bank has

## Vision, strategic target picture and financial targets

Vision	A Great European bank, acknowledged for its people, creating superior value for customers and shareholders			
Strategic target picture	Growth strategy	Best relationship bank	One operating model	
	To pursue a growth strategy that ensures sufficient income generation to create great customer experiences and long-term value	To be the best relationship bank in the markets where we operate, retaining existing and attracting new customers	To have a foundation with one operating model for everything we do in order to free up resources to serve customers	
Long term financial targets	Long-term financial targets	Target	Outcome 2008	2009
	Total Shareholder Return, TSR (%)	In the top of quartile of European peer group	no. 2 of 20	no. 7 of 20
	Risk-adjusted profit (EURm) <sup>1</sup>	Double in 2006–2013 <sup>2</sup>	16%	42%
	Return on equity, RoE (%)	In line with top Nordic peers	15.3%	11.3%

1) Risk-adjusted profit is defined as total income less total expenses, less expected losses and standard tax. In addition, risk-adjusted profit excludes major non-recurring items.

2) Compared to baseline 2006 of EUR 1,957m.

Relationship banking, advisory services and great customer experiences are key to Nordea.



significantly improved its reputation and brand name among Nordic corporate customers, not only the very largest but also small and medium-sized corporates. This is evident from Customer surveys. The track-record during 2008 and 2009 is particularly strong within the Capital Markets area.

Initiatives within Capital Markets Products will both aim at further increased business with the corporate customers and continue the building of a top position in Nordic Corporate Finance and Equities. New recruitment will be done in both areas.

One initiative specifically aims at strengthening the position in Corporate Merchant Banking in Sweden, an area where Nordea has made significant headway in recent years and continues to see a large business potential within. Upgraded service platforms within areas like cash management, and corporate netbank as well as a strengthened execution of the relationship management process are instrumental in this initiative.

#### **Growth plan Poland**

Nordea has a strong track record in Poland from opening up 114 new branches in 2007 to 2009, which on average have reached break-even within one year. The total number of branches has thus reached a total of 158. Branch investments were slowed down in 2009, and the timing is now right to continue the expansion with a target of up to 50 new branches for 2010.

Furthermore, the corporate merchant banking capabilities in Poland will be strengthened and local top-tier corporates will, on a selective basis, be actively targeted aiming to build long-term house bank relations.

#### **Efficiency and foundation improvement initiatives**

##### **IT performance initiatives**

Within the IT area, initiatives have been

launched to improve IT efficiency, decrease operational risks and reduce development and production costs over time. Some of the IT development capacity will be sourced from India and manual back-office tasks will be transferred to an operations centre in Poland. Together with a lean transformation of IT, these initiatives will free up resources to be deployed in the front line.

#### **Product platforms**

Investments in product areas are planned, to enable more efficient cards and payments platforms that will strengthen economies of scale and service capacity as the number of transactions grow.

#### **Infrastructure upgrade**

Nordea will invest in a more advanced technology platform in Markets to meet new infrastructure requirements, new regulation and increasing customer demand. A programme will be initiated to make the finance and reporting processes more efficient. Furthermore, IT resilience will be strengthened in the Group.

#### **Time plan and investments**

The initiatives and the investments will start in early 2010 and will run until 2012. For 2010, total one-off investments are expected to amount to EUR 240m, of which EUR 140m are accounted for as expenses in the income statement. The effect on running costs is expected to be



neutral net of efficiency gains of EUR 60m. The total effect on the result 2010 from the initiatives is expected to be neutral when taking efficiency gains and positive income effects into account.

If market conditions and customer demand remain favourable, total investments 2011 and 2012 are expected to be at approx. the same level as in 2010. Efficiency gains as well as income growth are expected to gradually increase and the result effect for 2011-12 is therefore expected to be clearly positive and contribute to fulfilment of Nordea's long-term target to double the risk adjusted profit in 7 years.

# Customer areas and customer segments

Business development continued to be strong in customer areas and product areas in 2009 with increased number of customers and increased customer satisfaction.

## **Banking Denmark**

### **Strong customer development in 2009**

Nordea's customer development was strong in 2009. The number of Gold customers increased 5.4% or 32,600 from last year, thus reflecting Nordea's strong brand and a competitive offering through the loyalty programme and advisory services. This led to a growth in volume and an increasing market share in lending to household customers. Volume and market share for household deposits have increased and to some extent compensate for decreasing deposit margins due to fierce competition and the low interest level. The housing market is slowly picking up from a historic low turnover.

Nordea continued to gain market share and increase margins on corporate lending in a stagnating Danish market. The nine branches acquired from Roskilde Bank were successfully integrated into Nordea during the first half of 2009.

In line with the growth strategy, the acquisition of Fionia Bank A/S was successfully closed. Nordea thereby has acquired a customer portfolio comprising 75,000 household customers and 9,500 corporate customers.

## **Banking Finland**

### **Leading position maintained in corporate segment**

Business activities developed according to expectations during 2009 in all customer segments, with sales activities and customer contacts continuing at a high level. However, the continued effect from the pressure on deposit margins affected income negatively.

Nordea maintained its leading position in the corporate segment

including being a true partner for the corporate customers suffering from the economic downturn. Corporate lending volumes decreased during 2009, due to lower demand, whereas Nordea assisted many high-rated customers to tap the capital markets. Margins increased reflecting the ongoing re-pricing of risk.

Household lending volumes increased in 2009. Competition for savings deposits was fierce. The number of Gold customers increased 3.4% or 29,900 compared to one year ago.

The Growth Plan Finland has been launched aiming at repositioning Nordea as the number 1 bank in the Finnish market.

## **Banking Norway**

### **Increased customer activity in both the household and corporate segment**

Nordea has continued to increase the customer activities in both the household and corporate segment during 2009. Demand in the household segment has developed positively during the year.

Demand for corporate loans weakened in 2009 following the large demand increase in 2008. At the same time, Nordea was very active in increasing its wallet shares with its corporate customers, especially as an arranger of corporate bond issues and continued to have strong growth in risk management products.

Growth in household lending was maintained with a positive development in market share for mortgage lending.

Deposit margins continued to decrease, due to lower market interest rates. Competition for savings deposits was fierce.

Household customers started to move

their savings from bank accounts to investment funds and Nordea had a positive development in sales of new funds resulting in increased market share. The number of Gold customers continued to grow strongly and increased by 17,100 or 9% from last year.

## **Banking Sweden**

### **Growth strategy continued, 6% more Gold customers**

The execution of the growth strategy in Sweden continued in 2009 with a further intensified proactiveness in our customer relationships. In the household segment, this resulted in an increase in number of Gold customers of 6.4% or 49,800 customers. Along with the strong growth of the customer base, a solid growth was maintained in mortgage lending, which grew 13% in local currency. Further, total household savings volumes grew 17% and Nordea capture a significantly higher share of net inflow to investment funds than the share of AuM.

For many corporate customers, 2009 represented a year of challenges and high uncertainty. This drove, in the first half of the year, a very high business activity which materialised in a large number of corporate finance and restructuring driven lending deals. Within capital markets, demand for products such as derivatives and foreign exchange services remained high during the entire year. Nordea focused on core relationships, high proactivity and continuing re-pricing of credit risk.

## **New European Markets**

New European Markets comprise Nordea's operations in Poland, Russia



We grow with our customers. Last year, Nordea granted financing to many both existing and new corporates.

and the Baltic countries. In all markets, Nordea has a full-service offering to household as well as corporate customers.

#### **Baltic countries**

The Baltic countries experienced severe recession in 2009 and all three economies contracted sharply.

The recession has affected credit quality and collateral values, resulting in increasing provisions for loan losses.

Nordea has a strong position in selected segments, such as Nordic-related corporates. Due to the recession, the focus has been on supporting existing strong customers and acquiring new customers only on a selective basis. By the end of 2009, Nordea has approx. 21,500 corporate customers.

Nordea offers a full range of products through its branch network, comprising 65 branches. Nordea is serving some 300,000 customers, whereof 51,500 Gold customers.

#### **Poland**

In contrast to the rest of Central and Eastern Europe with contracting economies, Poland is less affected by the global recession.

Nordea's lending portfolio is well diversified and the credit quality is strong as the level of impaired loans has remained stable compared to 2008.

Nordic-related corporates and medium to large-sized local corporates have been the corporate segments in focus for Nordea in Poland. Also municipalities are an important customer group. Nordea is among the leading banks within some of these target segments. Nordea had approx. 51,600 corporate customers at year-end. Nordea continued to move forward in the corporate segment during the year, winning several important mandates and establishing broad relationships with important new customers. Following the 100 branch openings in 2007–2008, 14 new branches were opened in 2009. In total, Nordea now has 158 branches in Poland, serving approx. 530,000 household customers and also corporate customers. The branch network expansion is also to continue with increased speed, with up to 50 new branches in 2010.

#### **Russia**

The financial crisis and the fall in commodity prices had a large impact on the Russian economy in 2009, resulting in a large fall in GDP. The financial crisis affected consumers as well as corporates.

Nordea's Russian business developed favourably during the year and many important activities that are basis for

further development of the business have been executed. Since October, the bank is also operating under the Nordea brand name.

The main customer segment in Nordea Russia today is large Russian corporates and Nordea has relationships with a number of strong companies, world-leading in their respective field. So far, the main focus of Nordea's banking operations in Russia has been the corporate customers, even if the long-term aim is to build a broad based full-service business. Key products include mortgage loans and cards.

#### **Shipping, Oil Services & International**

The Nordea brand has a strong standing in the market. Solid syndication franchise, placing power and the consistent strategy to serve strong customers – quality operators driving growth and industry consolidation – has placed Nordea in a pole position globally in the shipping industry as well as in the offshore and oil service industries.

Throughout the financial crisis,



Nordea has supported its core customers to execute their strategy. Benefitting from its strong balance sheet and placing power, Nordea managed to underwrite and successfully place all syndicated loan transactions despite prevailing challenging market conditions.

Market outlook remains uncertain in the short to medium term. Most shipping segments are characterised by soft demand and substantial overcapacity. Yet, the dry bulk segment has rebounded following increased import of bulk commodities. Tanker – product, chemical and crude – and container segments face falling demand alongside over-supply of ships. Overcapacity is one of the main challenges for the shipping industry with additional large new capacity ordered for delivery in 2010. Nordea's exposure to the shipping industry is well diversified.

#### **International Network**

Through its international network with offices in New York, London, Frankfurt, Singapore, and Shanghai Nordea support its Nordic customers' business. In addition, representative offices are operated in Beijing and Sao Paulo.

#### **Financial Institutions**

Nordea is the leading partner for financial institutions in the Nordic market. Customers are served by dedicated teams providing tailored solutions. Customers include approx. 400 Nordic and 100 international financial institutions and 700 banking groups.

Nordea has strengthened its franchise and gained further market shares in the aftermath of the financial crisis, being one of the few active players in the market throughout the most turbulent times. Nevertheless, it is clear that international players are selectively returning to the Nordic region and competition in capital markets products

is increasing again.

Nordea's strategy to strengthen the equity offering has paid off with improved equity rankings as well as an increased appreciation amongst the customers.

Capital markets-related services are the main vehicle for growth and Nordea has an excellent platform to leverage from when market growth resumes. Nevertheless, the timing of the recovery in business activity is uncertain.

#### **Private Banking**

##### **Nordic Private Banking**

In 2009, Nordic Private Banking continued to capitalise on Nordea's strong market position and strong reputation. In 2009, Nordea was thus awarded "the best Nordic Private Banking service provider" by Euromoney. Upon the general market depreciation in 2008, a rapid recovery of customer activities took place during 2009.

Accordingly, the 2009 business development was positive, with a net inflow of EUR 2.9bn and an increase in AuM of 27% to EUR 45.8bn from 2008.

The number of customers increased 6% as new customers continued to enter Nordic Private Banking both from outside Nordea, and from other customer segments inside Nordea, and customer satisfaction was upheld at a high level.

##### **International Private Banking**

Private Banking reported an increase in customer activity and number of new customers and strong performance in 2009. Consequently, a net inflow of EUR 0.6bn was captured in 2009, and AuM increased to EUR 8.7bn, up 28% from end 2008.

During 2009, International Private Banking strengthened its competitive position considerably by taking over customers and advisors from other banks.

#### **Corporate segments – relationship banking**

During 2009, Nordea's business and strategy proved strong under continued difficult market conditions. Diversification in terms of markets, segments and products combined with proactive contact policies provided high income growth and modest cost growth, despite market turbulence. Relationship banking, through designated relationship managers in charge of developing and organising the customer relationship has proven successful in giving a total view of the customer's business and financial affairs, which is beneficial both in terms of business opportunities, business development and risk overview.

The aim is to establish partnerships for the largest customers, in the segments Corporate Merchant Banking and Large corporate customers. Successful partnerships develop into house bank relationships, comprising the full spectrum of financial services. The aim for the Medium and Small customer segments is also to develop relationships and become the house bank.

In the financial crisis, the aim has been to support our house-bank corporate customers through difficult market conditions by meeting them with a fair price reflecting increasing risk. Nordea stood firm on aiming for increased wallet share in customer relationship.

#### **Business development**

Demand for corporate lending has slowed down, while customers in the high end used opportunities for capital markets funding provided by Nordea. Furthermore, Nordea provided continued assistance in hedging of market risk.

Furthermore, Nordea improved its position in the corporate market by selective customer acquisition of creditworthy and high-rated corporate customers.

# Nordic customer segments

## **Strengthened position in Corporate Merchant Banking**

2009 was characterised by continued high business activity leading to a growth in total financing to the upper corporate segments. Income in Corporate Merchant Banking was up 17% compared to 2008.

## **Large corporate customers**

Income from Large corporate customers was up 14% compared to 2008. Lending and deposit volumes were down somewhat in 2009.

## **Medium-sized and Small corporate customers**

Income from Medium-sized and Small corporate customers was down 16% compared to 2008, due to lower interest margins on deposits.

## **Household segments – leveraging the customer base**

With a clear emphasis on relationship banking and the aim of servicing 100% of the customer's wallet as the customer's lifetime financial partner, the potential in the segment is to be capitalised on.

The aim is also to identify potential

Private Banking and Gold customers in the lower segments – Silver and Bronze – and develop these into the upper segments using a structured approach to increase business volumes. Nordea will also focus on acquiring new Private Banking and Gold customers from outside its existing customer base.

Nordea will expand its multi-channel capabilities including online sales to enhance customer satisfaction and drive further income growth. In the branch network, focus will be on increased sales pro-activity.

## **Strong value proposition in customer programme**

The customer programme is a value proposition comprising brand promise, pricing, service level and product solutions combined into a transparent and competitive offer.

Nordea operates with non-negotiable and transparent pricing on most products, differentiated in three levels – one for each segment.

The designated personal banker plays a proactive role in maximising growth potential from customers, who have reached the highest level in the programme (Gold).

To attract younger customers in the 18–28 age group – young adults, a very attractive offer is specially designed as a fast track.

## **Gold customers – the household income engine**

The income potential from developing the customer base is significant.

Nordea's pro-active approach and customer centric 360-degree advisory have been appreciated by our customers. Also the credibility and stability of Nordea during the financial crises have boosted customer loyalty and acquisition of new Gold household customers. Customers elevated to Gold segment are offered our best services and prices.

## **Business development: increasing Gold customer base**

The focus on developing the potential in the customer base and acquiring of new customers continued to be successful with a 5% increase in the number of Gold customers, compared to last year. Approx. 60% of new Gold customers were new customers of Nordea.

Lending growth to household customers, in particular mortgage lending, was a driver for income in 2009.



We offer you strong product solutions in the customer programme. Gold customers are offered our best services and prices. The number of Gold customers increased 6% in 2009.

# Product areas and product groups

## Account Products

Total income grew by 32% to EUR 3.7bn. Income from corporate lending developed especially well following re-pricing of credit risk, although the demand for new loans in general was lower. Household lending, both housing loans and consumer lending developed well supported by both volume and margin growth.

Deposit income decreased by 66% to EUR 550m mainly affected by decreasing margins as an effect of the lower market interest rates. Deposit volume increased. Markets started to stabilise and deposits have transferred to stocks and investment funds.

Competition was fierce on savings products.

Cards income developed positively in 2009, up 3% to EUR 246m, supported by higher net interest income development following the higher usage of credits. Nordea is a full range provider of credit and debit cards in both issuing and acquiring, with a stronger coverage in the Nordic countries than any of the competitors.

On a Nordic level, the usage of Private Netbank increased steadily. The number of net bank customers increased by more than half a million and number of logons increased by 9%. The Nordea Private Netbank was awarded "Best Web" in Sweden by the magazine "Internet World" in December 2009.

## Transaction Products

Cash Management income decreased by 18% to EUR 353m, mainly due to lower net interest income.

Focused product development efforts have led to major improvements in our customer offering. Corporate Netbank, Nordea's key offering to complex corporate customers, is now perceived as a gateway to effective corporate financial management on a Nordic scale – and wider. Euromoney magazine awarded Nordea as "the Best Cash Manager in Nordic and Baltic countries" for the second year in a row.

## Nordea Finance

The investment level dropped in 2009 in all Nordea Finance segments, thus the demand for asset-based financing, like leasing, hire purchase and factoring, has declined. The drop in the market was offset by a stronger market position and by better margins.

## Capital Markets Products

Market conditions improved significantly during 2009 compared to the very turbulent market situation in 2008. Equity markets have risen steadily since spring and short term interest rates have generally shown a downward trend over the year. Volatility across all markets has decreased and liquidity improved in most markets.

Demand for risk management products, in particular within the foreign exchange and fixed income areas, was very strong in the first half of 2009 as corporate customers sought to hedge market volatility. This led to very strong full-year product result.

The strategy for the Group to further increase business in risk management products with Nordea's corporate customers will continue in 2010. The starting point is strong, as Nordea was ranked first on foreign exchange and interest rate derivatives in the Greenwich customer ranking survey for Nordic customers published in 2009.

## Savings Products & Asset Management

Nordea's Assets under Management (AuM) increased by 26% during 2009

to EUR 158.1bn. A strong net inflow of EUR 9.8bn, positive market development as well as strong investment performance contributed.

Nordea's investment performance grew stronger over the year. Accordingly, 86% of total composites, representing 90% of the assets, outperformed their benchmarks during 2009. Nordea's average Morningstar rating increased in all four Nordic countries.

The product offering was strengthened with the launch of new products and concepts in 2009 such as a discretionary portfolio management concept for Private Banking customers, emerging markets – and theme funds as well as several products capturing the opportunities in the credit markets.

## Life & Pensions

Nordea Life & Pensions reported once again record-high gross written premiums of EUR 4,391m up 4% from 2008. Accordingly, Nordea remained the leading Nordic provider of Life & Pensions products with a Nordic market share of 11%. Overall, the achievement was a result of Life & Pensions delivering on its 2009 strategic ambition to capture the transfer market of "ITP" in Sweden, refocusing of the Finnish business with sales of the product "Selekta Capital", and in general increasing business from the bancassurance channel hand in hand with strong profit orientation and solid risk management.

## Assets under Management (AuM)

EURbn	2009	2008	Net inflow	
			2009	2008
Nordic Retail funds	30.7	21.9	3.3	-4.5
European fund distribution	2.7	1.6	0.5	-0.8
Nordic Private Banking	45.8	36.1	2.9	2.1
International Private Banking	8.7	6.8	0.6	-0.6
Institutional asset management	28.1	23.1	1.4	1.1
Life & Pensions	42.2	36.1	1.2	0.6
<b>Total</b>	<b>158.1</b>	<b>125.6</b>	<b>9.8</b>	<b>-2.0</b>



” We assist you with full financial advice in the 360-degree meeting. The number of advisory meetings with Gold customers continued to increase strongly in 2009.

## Group Operations

Group Operations consists of all Information Technology (IT) functions and Group Shared Services (GSS). The actual product and service delivery resources are fully integrated in the product areas in order to create efficient value chains.

The effort to enhance the value chain

mindset continued in 2009 as a further step was taken to extend the value chain to also include the IT area. All IT units are going through their methods and work processes, and a significant savings potential has been identified. Nordea has come a long way in consolidating product and service delivery operations

in each of the Nordic countries. A natural next step is to consolidate cross-border in the home markets. One such centre is set up in Poland, to benefit from a highly educated work force which provides stability and lower labour costs.

### Market positions

	Denmark	Finland	Norway	Sweden	Estonia	Latvia	Lithuania	Poland	Russia	Shipping, fin.inst, international	Total
<b>Number of customers, 000's</b>											
Corporate customers	47	123	84	330	13	5	4	52	6	2	666
Household customers					98	82	118	531	43		
Household customers in customer programme	1,113	2,493	391	2,962	98	71	55	176	n.a.		7,360
Gold customers	640	923	217	823	18	19	14	46	n.a.		2,700
Private Banking	36	27	7	18	0.1	0.5	0.1	1.5	n.a.	12	102
Net banking	1,291	1,530	441	2,179	70	74	114	242	n.a.		5,943
<b>Number of branches</b>	323	313	124	325	22	22	21	158	49		1,357
<b>Market shares,%</b>											
Corporate lending	20	34	15	17	17	13	11	2	1		
Corporate deposits	23	40	18	18	8	4	9	2	<1		
Institutional investment funds	11	25	8	10							
Household investment funds	16	24	12	13							
Life & Pensions	18	23	12	6				4			
Household mortgage lending	16	31	12	15	13	16	10	4	1		
Consumer lending	18	31	8	9	7	2	7	<1	<1		
Household deposits	22	31	9	18	7	7	2	1	<1		

# People forming Great Nordea

Nordea's 33,000 employees continue to create great customer experiences as ONE team living our mission – making it possible.

## **It's all about people**

Creating the best team in the industry is not an easy task. Not least in the area of people, the focus area for the desired accomplishments as well as the strategy and activities are of essence for achieving the goal. In Nordea, we refer to this as our People Strategy, a strategy that is an integral part of our business strategy. The areas of priority in our People Strategy are:

- Building the foundation
- Being the employer of choice for those that will move us from Good to Great
- Staffing making sure we have the right person in the right place at the right time
- Mobilising, differentiating & rewarding thereby securing outstanding organisational performance
- Providing opportunities for our people to develop and grow
- Practising the leadership required to enable us to go from Good to Great

These priorities are guided by and shall serve to reinforce our values; Great Customer Experience, ONE Nordea Team and It's all about People.

## **Building the foundation**

Having a good understanding of our people resources and putting solid people processes in place is an integral part of our People Strategy. In 2009 we have improved in this area through a number of actions related to developing

and making better use of our HR Information System.

## **Being the employer of choice for those who will move us from Good to Great**

Making Nordea Great requires us to be able to attract and retain the very best. To do this we early decided to stay with our high activity level also in 2009, a year when many companies decided to do less in the area of Employer Branding. This coupled with an exercise aimed at further targeting what categories of students we think have the right skills to move us from Good to Great and a more thorough analysis of what activities actually works to make the students understand, appreciate and eager to join Nordea have led to an improvement in ranking among those we decided to target in all markets in which this is being measured.

## **Staffing ensuring we have the right person in the right place at the right time**

Being successful in positioning ourselves as the employer of choice has limited value unless we are able to actually hire the right ones. Our prediction for 2009 was that it would be a year of growth and hence that it would be critical to make sure we hire many of the very best. We have done some recruiting also in 2009. However, great emphasis has been placed on making sure we adjust the organisation down by 2 percent in FTEs, which we have managed to do. This has been done without lay-offs but rather by being restrictive with replacing those leaving Nordea, and equally if such a decision is still being made that we try to hire from within.

## **Mobilising, differentiating and rewarding, thereby securing outstanding organisational performance**

Having the best team in place does not by default bring "...Great Results". We

must make sure everyone in Nordea is aligned to our vision and targets and enabled to actually contribute. Hence we have worked to improve Performance Management (PM) at Nordea in 2009. This work will continue also in 2010 by further simplifying the process and tools for PM as well as by continuing to build a culture where all leaders understand that performance is dependent on what and how results are being accomplished.

## **Providing opportunities for our people to develop and grow**

No organisation can grow unless the people develop and grow. At Nordea we know this and have made improvements in 2009 aimed at strengthening the tie in-between business needs and competency areas we must develop. We are proud of the improvements made but do realise that we can and have to do a lot more. In 2010 we will seek to improve the People Planning Process and related tools.

## **Practising the leadership required to enable us to go from Good to Great**

Knowing that leadership drives performance and is the strongest individual driver for building a company's culture it has been one of the greatest priorities within the People Strategy in 2009, and will continue to be the case also in 2010. This has been proven by work done to further clarify what leadership is required to make Nordea Great, through the reinforcement of the importance of leadership by our CEO at many occasions and not least through the development and launch of a new way of doing Talent Management (TM) at Nordea, focusing on leadership.

*Making it possible*

# Corporate Social Responsibility

Nordea strives to make Corporate Social Responsibility (CSR) an integrated part of our business and our identity – a part of our DNA. We strongly believe that responsible business leads to sustainable business results. Nordea's increased focus on CSR was manifested in the formation of a CSR Secretariat at the end of 2008 and a new CSR strategy was approved by Group Executive Management early 2009. The first deliveries, mainly focused on in-house operations, have been met.

During 2009, the financial crisis tested us and our main promise of staying close to our customers in good times as well as bad. Finding solutions to our customers' problems have been top on the agenda during this challenging year. Our customers were more concerned than ever over their finances and needed more advice and more attention. Throughout the bank we emphasized that in Nordea we stand by our customers in good times as well as in bad. To succeed, we had to work as one Nordea team and the crisis has helped us live this value. Conducting business in a responsible way is not only the right thing to do – it's good for business.

## Values and responsibility

CSR and our values are closely connected as the above illustrates. Living our values, Great Customer Experiences, One Nordea Team and It's All About People, is key to responsible business. Having our values in focus helps us do the right thing. During 2009 Nordea's CSR work took several steps forward. The CSR secretariat, formed in November 2008, began its work in earnest, Nordea published its first CSR Report according to Global Reporting Initiative standards in March, a new CSR strategy was adopted and the first steps were taken towards its realization.

## Responsibility at work

Nordea's CSR work is owned by business, albeit led or coached by the

CSR Secretariat. CSR in Nordea is not cosmetics, it is integrated in business. It is a never ending process with continuous improvements.

## Corporate credits and project finance

Nordea has clear processes when working with corporate credits. Nordea currently has two tools for analysing environmental, social and political risks as part of corporate credit process. Both tools are mandatory and part of our regular credit routines beyond a threshold limit.

Nordea has addressed risks in project finance for years. In order to govern these even more closely, we have adopted the Equator Principles, which are based on the World Bank's guidelines. We apply the principles by developing evaluation and compliance routines for deal managers and credit analysts as well as establishing network and workflow for reference and advice on social and environmental risks.

## Socially Responsible Investments

Nordea uses active ownership to influence companies that are in violation of international environmental social or governance issues.

We believe that active ownership is a more responsible behaviour than exclusion and also better for customers' earnings. If dialogue is fruitless we are ready to exclude companies from the investment portfolios. We define a company's responsibility as being observant of existing laws, regulations, relevant rules and international conventions. In 2009 we divested all shares in companies that produce cluster ammunition following fruitless dialogue.

Our principles are based on the United Nation Principles for Responsible



The right person in the right place. Nordea's advisers assist you in your financial matters.

Investments (UNPRI).

- Nordea Investment Funds (NIF) has defined a structured process and guidelines for socially responsible investment (SRI).

## Reducing own emissions

In 2009, Nordea further reduced its CO2 emissions. Nordea bought green certificates, through the European standard RECS, to neutralise all Nordea's energy consumption in the Nordic countries and reduced CO2 emissions 40%. Nordea has also reduced paper consumption by 30 million sheets, installed automatic shut downs of all computers and run several internal projects to heighten employees awareness and to promote environmentally sound habits in daily work.

Further information on CSR is presented on [www.nordea.com/csr](http://www.nordea.com/csr).

# The Nordea share and shareholders

Nordea's overall financial target is to create value for shareholders in the top quartile of the European peer group.

The market capitalisation of Nordea at the end of 2009 was EUR 29bn. Ranked by market capitalisation Nordea was the fourth largest company in the Nordic area and the ninth largest among European financial groups.

The Nordea share is listed on the NASDAQ OMX Nordic, the stock exchanges in Stockholm (in SEK), Helsinki (EUR) and Copenhagen (DKK).

## Share price development

2009 was characterised by a rebound in international equity markets from the major corrections in 2008 and the continued pressure on financial shares in the beginning of 2009. Since lows in March, the optimism and the risk appetite have increased and most financial shares have been able to more than make up for their initial losses.

During the year, the share price of Nordea appreciated by 70% on the Stockholm Stock Exchange from SEK 42.94 to SEK 72.90. The daily closing prices listed for the Nordea share during 2009 ranged between SEK 79.10 and SEK 30.50. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated 108% and clearly outperformed the Dow Jones STOXX European banks index (-34%).

## Total shareholder return 78.6% in 2009

Total shareholder return (TSR) is realised through market value growth per share and reinvested dividends. Total shareholder return in 2009 was 78.6% (-46.9% in 2008). Nordea ranked

number seven among the European peer group banks in terms of TSR in 2009 (number two in 2008 and number three in 2007 and 2006.) The average TSR in the peer group was 55.4%.

## Turnover – the most liquid Nordic financial share

The Nordea share was the most liquid Nordic financial share in 2009, with an average daily trading volume of approx. EUR 90m, corresponding to 17 million shares. This is an increase compared to 2008 (13 million shares). Turnover on the three stock exchanges combined totalled EUR 23bn in 2009, which corresponds to more than 4 billion shares.

## Rights issue of approx. EUR 2.5bn oversubscribed

On 10 February 2009, Nordea announced a rights issue of approx. EUR 2.5bn. 49% of the rights offering were subscribed for and guaranteed by core shareholders of Nordea, Swedish Government, Sampo plc and Nordea-fonden, the remainder by underwriters. According to the terms of the rights offering shareholders in Nordea had the right to subscribe for 11 new ordinary shares per 20 existing ordinary shares, subscription price was EUR 1.81.

## Dividend policy and proposed dividend

Nordea pursues a policy of high dividends. The policy is that the total dividend payment will exceed 40% of the net profit for the year.

The Board of Directors proposes a dividend of EUR 0.25 per share for 2009. The total dividend payment for 2009 would then be EUR 1,006m, corresponding to a payout ratio of 43% of the net profit after tax. The dividend yield calculated on the share price 30 December 2009 is 3.5%.

The dividend is denominated in EUR, Nordea's accounting currency. The currency of payment depends on in

which country the share are registered. Owners of shares registered in Sweden can choose between dividend in SEK or in EUR. An official exchange rate is published. In Denmark, dividend is paid out in EUR. If the shareholder does not have a EUR account the dividend is converted into local currency. Each custody institute decides its own conversion rate. In Finland, the dividend is paid in EUR.

## Shareholders

With approx. 481,000 registered shareholders at the end of 2009, Nordea has one of the largest shareholder bases of all Nordic companies. The number of shareholders in Sweden is approx. 94,000, slightly down from 2008. In Finland and Denmark, the number of shareholders increased by approx 1,000 each, to 196,000 and 191,000 end 2009.

## Largest registered\* shareholders in Nordea, 31 Dec 2009

Shareholder	No of shares, million	Holdings %
Sampo plc	809.4	20.1
Swedish state	799.2	19.9
Nordea-fonden	158.2	3.9
Swedbank Robur Funds	135.2	3.4
AMF Insurance & Funds	67.2	1.7
Norwegian Petroleum Fund	54.6	1.4
SHB Funds	49.6	1.2
SEB Funds	49.5	1.2
Nordea Funds	47.1	1.2
Fourth Swedish National Pension Fund	43.7	1.1
Second Swedish National Pension Fund	38.3	1.0
Skandia Life Insurance	38.1	0.9
First Swedish National Pension Fund	36.3	0.9
Varma Mutual Pension Insurance	27.9	0.7
Nordea Profit-sharing Foundation	21.2	0.5
Government of Singapore Inv Corp	20.1	0.5
Alecta	18.5	0.5
Seventh Swedish National Pension Fund	18.4	0.5
SPP Funds	18.2	0.5
Folksam LO Funds	15.8	0.4
Total	2,467	61.3

Source: SIS ägarservice, Nordic Central Securities Depository, VP Online.

\* Excluding nominee accounts

# Financial Review 2009

## Strong performance

- Total operating income increased 11%
- Risk-adjusted profit increased 22%
- Stabilisation of credit quality in the end of the year
- Net loan losses at expected levels, 54 basis points (excluding contested legal claim)
- Strong development in the customer business
- The number of Gold and Private Banking customers increased 158,000
- Increase in lending, deposits and Assets under Management

## Result summary for 2009

During 2009, total income increased to EUR 9,073m, up 11% compared to last year, with a strong development in net interest income and net gains/losses. Profit before loan losses increased 18% while operating profit decreased 9%, due to the high increase in loan losses. Risk-adjusted profit increased 22% compared to last year.

Currency fluctuations had negative effects on income and result items and positive effect on balance sheet items compared to last year.

## Income

Net interest income increased 4% to EUR 5,281m compared to last year. Lending and deposit volumes as well as lending margins were higher, while deposit margins were considerably lower than last year, following lower market interest rates. Lower deposit margins led to a decrease in income of approx. EUR 1.1bn, mainly in the first half of the year. Total lending to the public, excluding reversed repurchase agreements, increased 5% compared to one year ago.

Net fee and commission income decreased 10%, compared to last year, to EUR 1,693m, including expenses for state guarantee fees of EUR 201m. Excluding these fees, net fee and

commission income was up 1%. Total lending-related commissions increased 5% to EUR 466m, while total savings-related commissions decreased 7% to EUR 1,071m, due to lower average Assets under Management and income margin, primarily as a result of a lower level of equities on average in the asset mix. Total payment commission income decreased 5% to EUR 729m.

Net gains/losses increased 89% to EUR 1,946m compared to last year, due to both strong development in the customer-driven capital markets operations and strong result in the treasury operations.

Income under the Equity method increased to EUR 48m from EUR 24m last year. Of the income, EUR 7m relates to the minority holding in Eksportfinans (last year EUR -15m).

Other income was EUR 105m compared to EUR 172m in the same period last year, which included the income of EUR 85m from the divestment of NCS Holding AB.

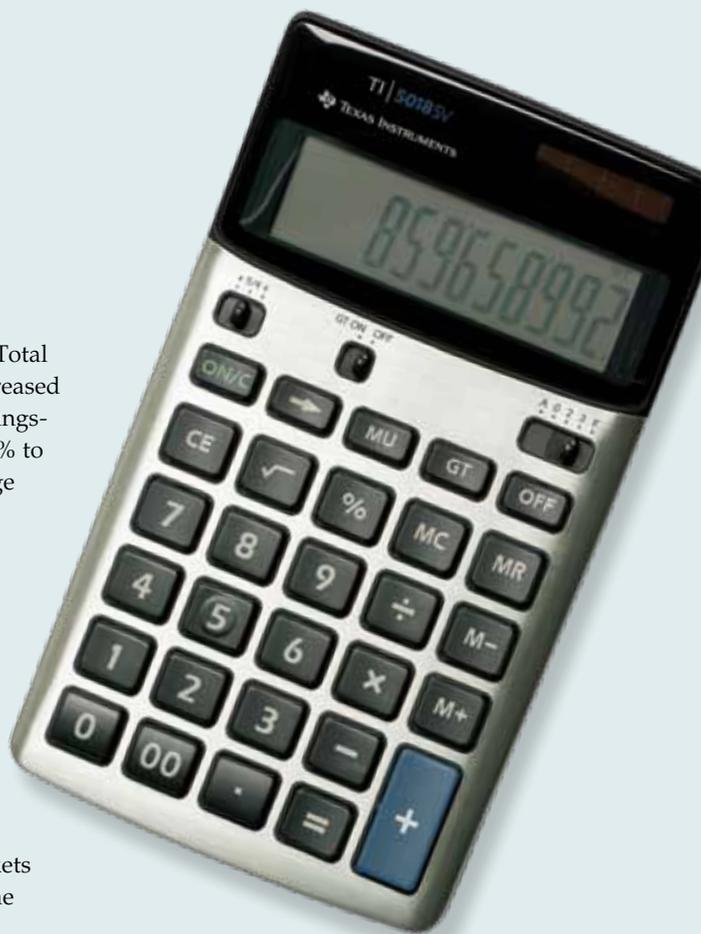
## Expenses

Total expenses increased 4% to EUR 4,512m, compared to last year. Staff costs increased by 6% to EUR 2,724m. Other expenses were down somewhat to EUR 1,639m.

The cost/income ratio was down to 50% from 53% last year.

## Net loan losses

Loan losses were EUR 1,486m in 2009 compared to EUR 466m last year. This corresponded to a loan loss ratio, excluding the provision concerning the contested legal claim related to the debt/restructuring liquidation of Swiss Air Group, of 54 basis points. These included 4 basis points of provisions related to the Danish guarantee scheme.



## Taxes

The effective tax rate was 25%, compared to 21% last year.

## Net profit

Compared to last year, net profit decreased by 13% to EUR 2,318m, following the higher loan losses and higher tax expenses.

## Risk-adjusted profit

Risk-adjusted profit increased by 22% compared to last year to EUR 2,786m.

## Market Consistent Embedded Value (MCEV)

The market consistent embedded value, MCEV, was at the end of 2009 EUR 3,244m, up 24% from 2008. 43% of the increase in MCEV comes from the unit-linked business. Both strong sales – up 34% from last year – as well as a growth in assets of 48% contributed to this. In addition, the strengthening of financial buffers within the traditional business was an important driver for the positive development in MCEV.

## Credit portfolio

Total lending increased to EUR 282bn, up 7% compared to one year ago. The



share of lending to corporate customers was 56%. Lending in the Baltic countries constitutes 3% and to the shipping industry 4% of the Group's total lending. Lending to companies owned by private equity funds constitutes 3% of lending, of which 99% are senior loans.

Some weakening has been seen in credit quality in 2009, mainly in the corporate credit portfolio. The total effect from rating migration on RWA was an increase by approx. 6.9% in 2009.

Impaired loans gross in the Group increased 84% to EUR 4,102m at the end of the year compared to EUR 2,224m at the end of 2008. 54% of impaired loans gross are performing loans and 46% are non-performing loans.

#### **Acquisition of Fionia Bank**

In line with the growth strategy and to further strengthen the market position in the Funen region in Denmark, Nordea has acquired Fionia Bank, excluding the "bad bank" part, from Finansiel Stabilitet A/S. Fionia has a customer portfolio comprising 75,000 household customers and 9,500 corporate customers and 29 branches.

#### **Nordea's Russian subsidiary**

Effective from 6 May 2009 Nordea owns 100% of JSB Orgresbank, of which Nordea has been a majority owner since 29 March 2007. In the third quarter, the Nordea brand was launched in Russia and JSB Orgresbank was rebranded to OJSC Nordea Bank.

#### **Dividend**

The Board of Directors proposes to the AGM a dividend of EUR 0.25 per share (EUR 0.20), corresponding to a payout ratio of 43% of net profit, in line with the dividend policy. Total proposed dividend amounts to EUR 1,006m.

The ex-dividend date for the Nordea share is 26 March 2010. The proposed record date for the dividend is 30 March, and dividend payments will be made on 8 April.

#### **Mandate to repurchase and convey of own shares**

In order to be able to adjust the Company's capital structure to the capital need existing at any time and to use own shares as payment in connection with acquisitions or in order to finance such acquisitions, the Board of Directors proposes to the AGM on 25 March 2010 an authorisation to decide on repurchase of own shares on a regulated market where the Company's shares are listed, or by means of an acquisition offer directed to all shareholders. The authorisation is limited so that Nordea's holdings of own shares is maximum 10% of all shares.

The Board of Directors further proposes to the AGM an authorisation to decide on conveyance of own shares as payment for or financing of acquisitions of companies or businesses. Conveyance may be made in another way than on a regulated market and with deviation from shareholders' pre-emptive rights.

During the recent year, no mandate to repurchase own shares has been in place, mainly due to the financial crisis.

#### **Government guarantee schemes**

The Nordic governments have established a number of measures in response to the global financial crisis. The measures were presented during the autumn 2008 and the beginning of 2009. Similar to many stability packages within EU, the measures include the following elements: implementation of a general framework for giving state support to ailing credit institutions, the creation of a stabilisation fund, a temporary guarantee program and a recapitalisation scheme. Nordea welcomes the actions taken by the Nordic governments to stabilise the markets.

#### **Denmark**

Nordea decided for commercial reasons that Nordea Bank Danmark A/S

would participate in the Danish guarantee scheme launched in early October 2008. The scheme is valid for two years until end of September 2010 and guarantees the claims of unsecured senior creditors against losses in participating banks. The cost for the Danish guarantee scheme for Nordea during 2009 has been EUR 181m in annual commission expenses and an additional EUR 116m reported as loan losses. Approx. the same commission expense is expected for 2010, however only for the first three quarters. Following the successful rights offering in April, Nordea has chosen not to apply for hybrid loans from the Danish state under the Act on State-Funded Capital Injections, ie Nordea does not participate in the second Danish scheme.

#### **Finland**

Nordea has to date not participated in the Finnish scheme.

#### **Norway**

During the fourth quarter 2008, Nordea participated in swap facilities under the Norwegian scheme.

#### **Sweden**

Nordea has not participated in the Swedish government's stability measures. However, in order to facilitate the Swedish State's subscription in Nordea's rights offering through the Recapitalisation scheme, Nordea has signed an agreement with the Swedish National Debt Office. The funding for the State's participation thus came from the Stabilisation Fund. The fund is to be built up with fees from banks and other credit institutions. The total stability fee for Nordea was EUR 20m during 2009.

## Nordic Banking, operating profit by market

EURm	Total		Banking Denmark		Banking Finland		Banking Norway		Banking Sweden	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net interest income	3,938	4,275	1,349	1,214	788	1,161	814	699	926	1,140
Net fee and commission income	1,517	1,531	364	413	466	415	168	161	521	540
Net gains/losses on items at fair value	552	517	179	173	147	128	94	95	133	121
Equity method	33	10	33	20	0	-9	0	0	0	0
Other operating income	22	24	9	6	4	7	6	8	0	1
<b>Total operating income</b>	<b>6,062</b>	<b>6,358</b>	<b>1,934</b>	<b>1,826</b>	<b>1,405</b>	<b>1,702</b>	<b>1,082</b>	<b>963</b>	<b>1,580</b>	<b>1,802</b>
Staff costs	-1,223	-1,161	-408	-375	-316	-289	-178	-170	-317	-321
Other expenses	-1,880	-1,904	-535	-514	-497	-479	-295	-310	-534	-587
Depreciations etc	-57	-46	-4	-5	-2	-4	-6	-7	-13	-9
Total operating expenses	-3,160	-3,111	-947	-894	-815	-772	-479	-487	-864	-917
<b>Profit before loan losses</b>	<b>2,902</b>	<b>3,247</b>	<b>987</b>	<b>932</b>	<b>590</b>	<b>930</b>	<b>603</b>	<b>476</b>	<b>716</b>	<b>885</b>
Net loan losses	-1,151	-402	-645	-192	-186	-65	-147	-66	-166	-76
<b>Operating profit</b>	<b>1,751</b>	<b>2,845</b>	<b>342</b>	<b>740</b>	<b>404</b>	<b>865</b>	<b>456</b>	<b>410</b>	<b>550</b>	<b>809</b>
Cost/income ratio, %	52	49	49	49	58	45	44	51	55	51
RAROCAR, %	16	20	20	17	14	25	14	17	17	22
<b>Volumes, EURbn</b>										
Lending corporate	107.1	108.2	30.5	30.1	22.6	26.1	21.7	19.4	32.4	32.6
Lending household	119.5	105.9	40.3	37.9	27.4	26.0	20.8	15.6	30.9	26.4
Deposits corporate	57.3	53.9	13.9	14.1	13.6	13.3	14.0	11.1	16.0	15.4
Deposits household	68.3	63.2	22.4	19.5	22.1	22.4	7.6	6.1	16.1	15.2
Economic capital	10.5	9.8	2.9	3.2	2.5	2.4	2.4	1.6	2.7	2.6

## Institutional & International Banking, operating profit by area

EURm	Total		Baltic countries		Poland		Russia		Total New European Markets		Financial Institutions		Shipping, Oil Services & International		Other	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net interest income	753	660	101	106	92	96	217	153	410	347	50	73	281	231	12	9
Net fee and commission income	246	274	35	38	18	17	10	21	62	76	134	146	49	51	1	1
Net gains/losses on items at fair value	290	271	20	14	36	34	11	6	64	54	178	181	48	32	0	4
Equity method	3	-12	0	0	0	0	0	0	0	0	0	0	0	0	3	-12
Other operating income	57	15	0	1	3	2	1	2	6	5	50	9	1	1	0	0
<b>Total operating income</b>	<b>1,349</b>	<b>1,208</b>	<b>156</b>	<b>159</b>	<b>149</b>	<b>149</b>	<b>239</b>	<b>182</b>	<b>542</b>	<b>482</b>	<b>412</b>	<b>409</b>	<b>379</b>	<b>315</b>	<b>16</b>	<b>2</b>
Staff costs	-192	-190	-27	-28	-36	-34	-46	-52	-114	-118	-30	-32	-41	-40	-7	0
Other expenses	-278	-266	-37	-28	-43	-40	-26	-24	-109	-95	-152	-152	-9	-11	-8	-8
Depreciations etc	-16	-10	-3	-2	-10	-6	-2	-2	-15	-9	0	0	-1	-1	0	0
Total operating expenses	-486	-466	-67	-58	-89	-80	-74	-78	-238	-222	-182	-184	-51	-52	-15	-8
<b>Profit before loan losses</b>	<b>863</b>	<b>742</b>	<b>89</b>	<b>101</b>	<b>60</b>	<b>69</b>	<b>165</b>	<b>104</b>	<b>304</b>	<b>260</b>	<b>230</b>	<b>225</b>	<b>328</b>	<b>263</b>	<b>1</b>	<b>-6</b>
Net loan losses	-321	-99	-148	-32	-2	-1	-13	-18	-163	-51	-13	-14	-96	-10	-49	-24
<b>Operating profit</b>	<b>542</b>	<b>643</b>	<b>-59</b>	<b>69</b>	<b>58</b>	<b>68</b>	<b>152</b>	<b>86</b>	<b>141</b>	<b>209</b>	<b>217</b>	<b>211</b>	<b>232</b>	<b>253</b>	<b>-48</b>	<b>-30</b>
Cost/income ratio, %	36	39	43	36	60	54	31	43	44	46	44	45	13	17		
RAROCAR, %	27	33	12	18	18	28	42	28	21	22	49	63	26	38		
<b>Volumes, EURbn</b>																
Lending corporate	25.5	27.0	4.5	5.0	2.3	2.2	3.2	3.5	10.0	10.7	2.2	2.0	12.9	13.8	0.4	0.5
Lending household	5.3	4.6	2.8	2.7	2.3	1.6	0.2	0.3	5.3	4.6						
Deposits corporate	18.6	24.0	1.3	1.1	1.3	1.1	0.9	0.9	3.5	3.1	10.7	14.5	4.4	6.4		
Deposits household	1.6	1.6	0.7	0.7	0.8	0.9	0.1	0.0	1.6	1.6						
Economic capital	2.1	1.6	0.5	0.4	0.2	0.2	0.3	0.2	1.0	0.8	0.3	0.3	0.8	0.5		

# Income statement

Group EURm	2009	2008	Change, %
Net interest income	5,281	5,093	4
Net fee and commission income	1,693	1,883	-10
Net gains/losses on items at fair value	1,946	1,028	89
Equity method	48	24	100
Other operating income	105	172	-39
<b>Total operating income</b>	<b>9,073</b>	<b>8,200</b>	<b>11</b>
Staff costs	-2,724	-2,568	6
Other expenses	-1,639	-1,646	0
Depreciation, amortisation and impairment charges of tangible and intangible assets	-149	-124	20
Total operating expenses	-4,512	-4,338	4
<b>Profit before loan losses</b>	<b>4,561</b>	<b>3,862</b>	<b>18</b>
Net loan losses	-1,486	-466	
<b>Operating profit</b>	<b>3,075</b>	<b>3,396</b>	<b>-9</b>
Income tax expense	-757	-724	5
<b>Net profit for the year</b>	<b>2,318</b>	<b>2,672</b>	<b>-13</b>

## Business volumes, key items

EURbn	2009	2008	Change, %
Loans to the public	282.4	265.1	7
Deposits and borrowings from the public	153.6	148.6	3
of which savings deposits	47.8	45.5	5
Assets under management	158.1	125.6	26
Technical provisions, Life	32.2	28.3	14
Equity	22.4	17.8	26
Total assets	507.5	474.1	7

## Ratios and key figures

Diluted earnings per share, EUR	0.60	0.79	
Share price,, EUR	7.10	3.90	
Total shareholders return, %	78.6	-46.9	
Proposed/actual dividend per share, EUR	0.25	0.20	
Equity per share,, EUR	5.56	5.29	
Potential shares outstanding, million	4,037	2,600	
Return on equity, %	11.3	15.3	
Cost/income ratio, %	50	53	
Core tier 1 capital ratio, excluding transition rules, %	10.3	8.5	
Tier 1 capital ratio, excluding transition rules, %	11.4	9.3	
Total capital ratio, excluding transition rules, %	13.4	12.1	
Core tier 1 capital ratio, %	9.3	6.7	
Tier 1 capital ratio, %	10.2	7.4	
Total capital ratio, %	11.9	9.5	
Tier 1 capital, EURm	19,577	15,760	
Risk-weighted assets,, EURbn	192	213	
Number of employees (full-time equivalents, FTEs)	33,347	34,008	
Risk-adjusted profit, EURm	2,786	2,279	
Economic capital, EURbn	13.5	11.8	
EPS, risk-adjusted,, EUR	0.72	0.68	
RAROCAR, %	20.6	19.3	
MCEV, EURm	3,244	2,624	

# Balance sheet



Group EURm	31 Dec 2009	31 Dec 2008
<b>Assets</b>		
Cash and balances with central banks	11,500	3,157
Treasury bills	12,944	6,545
Loans to credit institutions	18,555	23,903
Loans to the public	282,411	265,100
Interest-bearing securities	56,155	44,830
Financial instruments pledged as collateral	11,240	7,937
Shares	13,703	10,669
Derivatives	75,422	86,838
Fair value changes of the hedged items in portfolio hedge of interest rate risk	763	413
Investments in associated undertakings	470	431
Intangible assets	2,947	2,535
Property and equipment	452	375
Investment property	3,505	3,334
Deferred tax assets	125	64
Current tax assets	329	344
Retirement benefit assets	134	168
Other assets	14,397	14,604
Prepaid expenses and accrued income	2,492	2,827
<b>Total assets</b>	<b>507,544</b>	<b>474,074</b>
<b>Liabilities</b>		
Deposits by credit institutions	52,190	51,932
Deposits and borrowings from the public	153,577	148,591
Liabilities to policyholders	33,831	29,238
Debt securities in issue	130,519	108,989
Derivatives	73,043	85,538
Fair value changes of the hedged items in portfolio hedge of interest rate risk	874	532
Current tax liabilities	565	458
Other liabilities	28,589	17,970
Accrued expenses and prepaid income	3,178	3,278
Deferred tax liabilities	870	1,053
Provisions	309	143
Retirement benefit obligations	394	340
Subordinated liabilities	7,185	8,209
<b>Total liabilities</b>	<b>485,124</b>	<b>456,271</b>
<b>Equity</b>		
Non-controlling interests	80	78
Share capital	4,037	2,600
Share premium reserve	1,065	—
Other reserves	-518	-888
Retained earnings	17,756	16,013
<b>Total equity</b>	<b>22,420</b>	<b>17,803</b>
<b>Total liabilities and equity</b>	<b>507,544</b>	<b>474,074</b>
Assets pledged as security for own liabilities	121,052	95,507
Other assets pledged	6,635	10,807
Contingent liabilities	22,267	26,287
Commitments	79,797	88,434

# Annual General Meeting

Nordea's Annual General Meeting (AGM) 2010 will be held on Thursday 25 March at 13.00 CET at Aula Magna, at Stockholm University, Frescativägen 6, Stockholm.

#### **Notification of participation etc**

Shareholders who wish to participate in the AGM shall be entered in the share register maintained by the Swedish Securities Register Center (Euroclear Sweden AB) not later than 19 March 2010 and notify Nordea. Shareholders whose shares are held in custody therefore must temporarily re-register their shares in their own names with Euroclear Sweden AB in order to be able to participate. This applies for example to holders of Finnish Depositary Receipts in Finland and holders of shares registered in Værdipapircentralen in Denmark.

Such re-registration must be effected in Euroclear Sweden AB in Sweden on 19 March 2010. This means that the shareholder in good time prior to this date must inform the trustee about this.

#### **Shareholders registered in Euroclear Sweden AB in Sweden**

Notification of participation in the AGM must be made to Nordea Bank AB (publ) at the latest on 19 March 2010 at 13.00 Swedish time at the following address: Nordea Bank AB (publ), c/o Computershare AB, Box 610, SE-182 16 Danderyd, Sweden, or by telephone +46 8 518 01 551, or by fax +46 8 588 04 201, or on Nordea's web page [www.nordea.com](http://www.nordea.com).

#### **Holders of Finnish Depositary Receipts (FDR) in Finland**

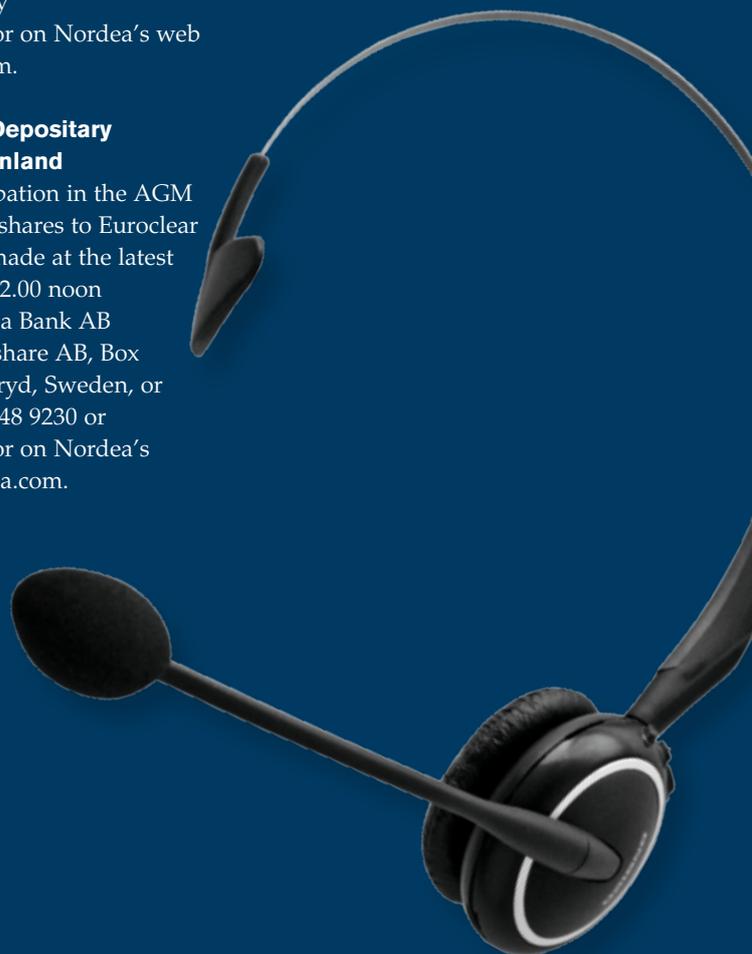
Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 18 March 2010 at 12.00 noon Finnish time to Nordea Bank AB (publ), c/o Computershare AB, Box 610, SE-182 16 Danderyd, Sweden, or by telephone +358 9 348 9230 or fax +46 8 588 04 201, or on Nordea's web page [www.nordea.com](http://www.nordea.com).

#### **Shareholders registered in Værdipapircentralen in Denmark**

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 18 March 2010 at 12.00 noon Danish time to Nordea Bank AB (publ), c/o Computershare AB, Kongevejen 418, DK-2480 Holte, Denmark, or by telephone +45 4546 0997 or fax +45 4546 0998, or on Nordea's web page [www.nordea.com](http://www.nordea.com).



Visit [nordea.com](http://nordea.com) for further information about the Annual General Meeting 2010.



This Summary contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors. Important factors that may cause such a difference for Nordea include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate and (iii) change in interest rate level. This report does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.