



Summary 2010

# CEO letter

In the aftermath of the financial crisis, we were one of the first large banks to introduce a comprehensive programme to accelerate out of the crisis – the Prudent growth strategy. It already shows results: Customer satisfaction has increased; customer activity is high; income and profit increased significantly in the end of the year.

## Dear shareholder,

2010 has been an important milestone on the journey towards Great Nordea.

We came out of the financial crisis in a strong position and used that advantage to be one of the first large banks to introduce a comprehensive programme to accelerate out of the crisis – the Prudent growth strategy. It already shows results: Customer satisfaction increases; customer activity is high; income and profit reached record levels in the end of the year.

We implemented the strategy in parallel with strengthening our balance sheet. Our position on capital, liquidity and funding has improved in order to meet demands of the coming new regulation. And we took an important step towards our vision: to become a Great European bank.

## Prudent growth strategy delivers

In the beginning of 2010, we launched nine strategic initiatives to deliver on our ambitious financial targets, despite the low interest rates, high competition and stricter regulation. The goal was to free up resources to increase customer activity, income and profit. The initial effects of the strategy can now be evaluated.

The relations with corporate customers have strengthened, business volumes have increased and our customer satisfaction has never been higher among our relationship customers. During the year, we have welcomed more than 200,000 new Gold and Private Banking customers. The results declined in the beginning

of 2010, due to a normalisation of the capital markets and low general interest rates. However, in the last two quarters, income reverted to the highest levels ever. Loan losses have been significantly reduced. Total expenses increased, which to a large extent is due to currency effects and the implementation of the Group initiatives. Efficiency gains are still taken out every year. In total, operating profit is 18% higher in 2010 than in 2009. The risk-adjusted profit decreased in the first half of 2010, but recovered in the latter part of the year. In the fourth quarter, it was 35% higher than in the same period in 2009.

We have laid a strong foundation for continued growth. Our risk-weighted capital position is viewed as one of the strongest of the world's large banks. The increasing customer activity within the Nordic countries will lead to further increases in income. Expected interest rate hikes will have a positive effect on income from deposits. In 2010, we established 45 new branches in Poland, ensuring the infrastructure required to continue to grow in this important market. Our experience is that a new branch in Poland has a positive return within less than a year.

We continuously increase efficiency and an important part of our growth strategy is to improve our foundation and make processes more efficient.

## The journey towards Great Nordea

Our long-term vision is to become a great European bank. Next to the Prudent growth strategy, there are three cornerstones in that vision:

## 1. Profit orientation & prudence.

Through the financial crisis, Nordea's financial results have been very stable compared to other banks. Nordea's loan losses have been limited and normalised during 2010 to levels around our risk appetite, 25 basis points. Over the cycle, we have an average clearly below 25 basis points, even though it peaked just above 50 basis points in 2009. We have maintained our AA rating, which has been a corner stone in our operating model and is the most important factor affecting funding costs, which will grow even further in importance with the new regulatory framework for the financial industry.

## 2. Everything everyone does in Nordea has one key purpose:

to deliver great customer experiences. Our other values – One Nordea Team and It's All About People – are strong drivers in bringing great experiences to every customer – from individual households to some of the largest companies in the world. In 2010, Nordea's customer satisfaction reached its all-time-high among our relationship customers. In a time when mistrust has spread with the entire financial industry, Nordea's customers are more satisfied than ever. Nothing makes me more proud, and nothing is more important for the long-term development of Nordea.

## 3. Ambitious vision and targets.

In 2007, we formulated ambitious targets for risk-adjusted profit



2010 has been an important milestone on the journey towards Great Nordea.



(RAP), total shareholder return (TSR) and return on equity (ROE). The extraordinary low interest rates and higher funding costs have led to a RAP that is somewhat below the track towards a doubling between 2007 and 2013. However, in the latter part of 2010, income grew significantly and the gap decreased. This long-term target is still within reach. Since 2007, Nordea is one of few European banks that have delivered a positive TSR. But in 2010, the share price increase was low compared to banks that recovered from large share price declines in earlier years. ROE has developed in line with top-performing European banks. It was 11.5% in 2010.

As a consequence of the stable financial development and successful execution of the Prudent growth strategy, Nordea was appointed Bank of the Year by The Banker in three out of four Nordic countries for the second consecutive year. We also entered Forbes Top 100 list of important global companies as one of only two Nordic companies, and maintained our position on Fortune's top 500 companies in the world.

### The New Normal

The new regulation will affect the fundament of global financial industry. Banks will not go back to the old normal situation after the financial crisis, but will face a radically changed business environment, that is often referred to as the "New Normal". The work with new regulations is not yet finished, but the details of the new framework are

gradually becoming clearer.

Before the crisis, the average core tier 1 ratio in the financial industry was around 4%. With the new regulation, banks will most likely be required to have above 10% core tier 1 capital. Estimates show that the total additional capital required in the European financial sector will be between EUR 600bn and 1,050bn. With the increase in capital, ROE will by definition be put under pressure – and the banks that cannot deliver sufficient ROE will face problems attracting the capital required.

The stricter rules on liquidity are estimated to increase the demand for short liquidity. A large share will have to be invested in government bonds. The exact levels are under discussion, but there is no doubt that also the liquidity regulation will affect ROE.

In the new normal, stronger demands on match-funding are likely to be imposed, which would also affect ROE since funding maturity will become significantly longer. Maturity transformation has been one key part of modern banking operating models, and with the discussed regulation, it will diminish substantially.

It is of large interest for both societies and banks to reduce risks of new financial crises. Nordea will be engaged in the analysis of the coming regulation in order to try to ensure that the regulation becomes efficient without undue effects on customers and the economic recovery.

Nordea has taken action to meet the new regulation. Our capital ratios are already meeting the new requirements,

our ROE is high relative to the market average, we have a sound liquidity and we have increased maturities in our funding. These adjustments affect the results 2010 compared to the situation 2007. As regulatory details are set in 2011, we will develop and adjust our Prudent growth strategy to the New Normal.

To conclude, 2010 was an important year for Nordea. We initiated a comprehensive set of growth initiatives that has started to deliver; we increased the number of customers; we strengthened our existing customer relations; and we started to adjust our balance sheet to the New Normal. These milestones would not have been possible to reach without the devotion and hard work of the employees and managers in Nordea. It had neither been possible without the mutual dialogues and active involvement from both household and corporate customers. Finally, the trust in our strategy and direction shown by shareholders has been instrumental to create the stability needed to take Nordea one step closer to becoming a Great European bank.

Best regards

Christian Clausen

# Nordea 10 years - steady progress into a solid position in nine markets

## **Nordea – the bank for the future with a long history**

Nordea was formed in 2000, when large domestic banks in Denmark, Finland, Norway and Sweden were brought together under the new name Nordea.

Now, ten years after the formation of the Group, Nordea is a well unified universal financial services group, with a solid position in nine markets, within corporate merchant banking and retail banking as well as in capital markets, asset management and life insurance.

## **10 years of progress – well diversified and strong income growth**

During Nordea's first 10 years, a steady and well-diversified income growth has been seen in all corporate and household segments, especially in the Nordic relationship segments – Corporate Merchant Banking, Large corporate, Gold and Private Banking – which play a key role to Nordea's prudent growth strategy.

Progress has been good in all areas – customer propositions and customer satisfaction, the focus of our dedicated people, the operating model as well as income generation and cost efficiency. This is important for achieving prudent growth with balanced risks and capital utilisation, producing income growth also in commission income and fair

value result, and not exclusively in income from balance-sheet volumes.

## **Customer orientation and corporate social responsibility**

Nordea has a clear customer orientation, as embodied in one of the core values – Great customer experiences.

Delivery of great customer experiences through advanced and dedicated advice, services and products within the full range of financial services has over recent years grown natural and essential to Nordea and its employees.

Relationship banking – in the corporate segments – through designated relationship managers in charge of developing and organising the customer relationship has proven successful in providing 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.

Personal banking advice – in the household segments – aims to gather all the customer's business and serve as the customer's lifetime financial partner, providing assistance in all financial matters. The 360-degree-meeting for Gold customers has been developed as a very useful tool for the customer and the personal banking adviser in grasping the financial situation and identifying possibilities.

## **It's people who make Nordea Great**

As a relationship bank, Nordea is committed to people, not least our employees. It is our skilled and dedicated employees and their ability to deliver on great customer experiences that distinguish us from our competitors. Driven by customer focus and a desire to make it possible, employees are Nordea's best asset.

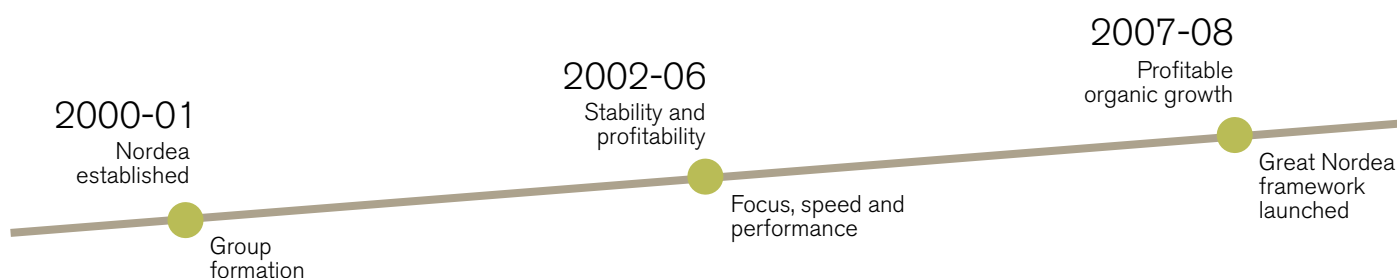
As a relationship bank, it is also Nordea's people who reflect the quality of the services offered to customers. The advisers are organised in customer teams, in order to be able to present a full range of specialists to serve the corporate customers' various financial needs. And in the household side, the personal banking adviser and the supporting functions join forces and form teams to ensure that each household receives efficient service.

## **Strong financial result**

Nordea and its predecessors have over many decades developed from more than 300 regional and local banks into a single universal financial services group, with a unique diversification, robust business model, one operating model and a strong financial track record.

The formation has created both a solid development in terms of cost efficiency and also a strong trend in income and

## **The Great Nordea journey continues ...**





Nordea is the largest financial services group in Northern Europe with a market capitalisation of approx. EUR 33bn, total assets of EUR 581bn and a core tier 1 capital ratio of 10.3%.

business volumes in terms of lending, deposits and asset management.

### **Strong business development 2010 following up on the progress made in Nordea's first 10 years**

Nordea's business continued to develop strongly in 2010, with the focus on further enhancing business relations with core customers and also on acquiring new customers.

The number of Gold and Private Banking customers increased by more than 200,000 in 2010.

The strong business development and financial results in 2010 derive from the organic growth strategy and the journey towards Great Nordea launched four years ago as well as on the consistent business model and the focus on efficiency, risk and capital, which have contributed to the progress during Nordea's first 10 years.

### **Consistent focus on stability and profitability**

Following the formation of Nordea in 2000, the harmonisation of the operations was conducted with a strong focus on efficiency and performance. To enhance stability and profitability, several initiatives under the banner of focus, speed and performance were conducted during the years 2002–2006.

### **Prudent growth strategy and Group initiatives**

In 2007, Nordea embarked on a journey from a Good to a Great bank and initiated a clear organic growth strategy in the Nordic and New European Markets. Today's growth strategy is essentially unchanged, although its execution has been adjusted in order to allow to a greater extent to balance the growth with an attractive return.

The road towards Great will be characterised by prudent growth carefully assessing risks and opportunities. The focus of the organic growth strategy will be to grow the relationship customer segments, to free up resources to support growth and finance investments for improvement of efficiency and the foundation of the bank and ensure alignment with new regulatory requirements.

### **The prudent growth supported by the Group initiatives delivers result**

Given the strong funding name and the capital strength, Nordea continues to focus on the successful execution of the ongoing organic growth strategy among the Nordic relationship customers, attract new relationship customers and increase Nordea's share of their business.

With nine Group initiatives launched

in early 2010, related to both growth and efficiency, the prudent growth strategy delivers good results, which contribute to growth in income, cost efficiency and profit increase.

Activities related to the Group initiatives are on track in all areas. The programme has generated more than EUR 300m in additional income in 2010. The efficiency gains amount to approx. EUR 70m, in line with earlier expectations. Total investments amounted to approx. EUR 200m, of which approx. EUR 70m were accounted for as expenses in the income statement. The investments are expected to be somewhat higher in 2011.

New customer acquisition continued strongly with 130,000 Gold and Private Banking customers, who were new customers to Nordea. Growth Plan Finland proceeds according to plan and close to 170 new advisers and specialists have been recruited this year in high-growth areas. In line with Growth Plan Poland, 45 new branches were opened in 2010.

The growth was achieved with low increase of the risk level and was mainly related to household customers in the Gold segment and to strong corporate customers. The impact of the growth has meant an improvement in the average rating in the Group.

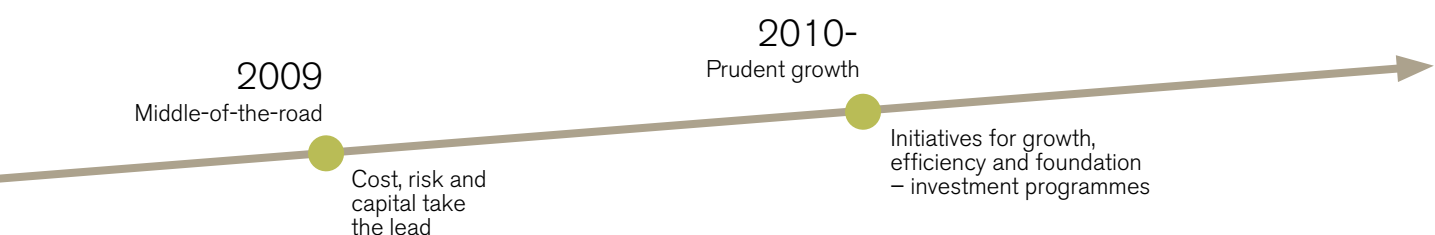






Photo: NASDAQ

## Large customer base and advisory capacity

**11 mill** total number of customers

**3.0 mill** Gold and Private Banking customers. 7% annual growth rate

**700 th** corporate customers, 12% annual income growth since 2007

**1,400** branches give strong distribution power

### Nordea – with a solid position in nine markets

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 provider 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 has the largest distribution network in the Nordic and Baltic Sea region.

Nordea has the largest customer base of any financial services group in the Nordic region with approx. 11 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.

### Bank of the Year 2010

Nordea was awarded Bank of the Year 2010 prizes in three countries: Denmark, Norway and Sweden, by the magazine The Banker, which is part of the Financial Times group.

The Nordea brand has also been further strengthened in the Nordic countries and in Poland, Russia and the Baltic countries.

Nordea has continued to strengthen the delivery of advisory services and financial products to corporate customers, households and financial institutions to give great customer experiences.

### Record-high income 2010

In 2010, total income increased 3% to a record-high level of EUR 9,334m and operating profit increased by 18% to EUR 3,639m. Nordea again showed strong performance with delivery on the Group initiatives and strong business development.

Income is well diversified between segments and income growth occurred in all customer segments. In the Nordic relationship segments – Corporate Merchant Banking and Large corporate as well as Gold and Private Banking customers – income growth was strong in 2010, 12%. Income in Treasury and Markets decreased from the exceptionally strong levels last year.

The increase in total expenses was maintained at an expected growth rate of 3%, excluding currency effects. Profit before loan losses decreased 1% and operating profit increased 18%, due to lower net loan losses. Risk-adjusted profit was EUR 2,622m, down 6%.

### Delivery on financial targets

Nordea's total shareholder return (TSR) was 3.7% in 2010, ranking nine among the banks in our European peer group. From the beginning of 2000, Nordea's accumulated TSR is 183%, ranking four among our peer banks. Return on equity was 11.5% in 2010. Nordea's long-term target set in 2006 is to double the risk-adjusted profit in seven years. Over these four years, risk-adjusted profit has increased 34%.

### Strong capital and liquidity positions

During 2010, the Basel III framework has been finalised and more clarity has evolved on the main elements of the new regulatory requirements for capital and risk. In Nordea, there is a strong focus on capital, liquidity and risk management within the organisation in order to meet new regulatory demands. We are well prepared to meet new regulatory requirements.

Nordea has a strong capital position, with EUR 21.0bn in tier 1 capital and a core tier 1 capital ratio excluding transition rules of 10.3% at the end of 2010. Short-term liquidity risk was held at moderate levels throughout 2010 with a liquidity buffer of EUR 61bn by year-end. The amount of new and extended long-term funding issued in 2010 increased to EUR 33bn, excluding Danish covered bonds. The portion of long-term funding was 65% of wholesale funding. Also in the very turbulent funding markets in 2010, Nordea continued to show funding strength and was able to raise funding at attractive prices. Nordea draws benefit from being a well recognised AA-rated bank, practising prudent liquidity management, with a conservative business profile. During 2010, Nordea issued its first covered bonds in Norway and Finland.

# Events 2010



Nordea assists you  
in getting a grip of your full  
financial situation - helping you  
in realising your dreams.

## First quarter

Nordea was named Mergers & Acquisitions Adviser 2009 in the Nordic region by the magazine Acquisitions Monthly, published by Thomson Reuters.

Nordea won the title "World's Best Trade Finance Providers 2010" in both Finland and Denmark, by the magazine Global Finance.

Nordea was appointed Best Internet bank in Sweden by the newspaper Internetworld.

Nordea was awarded Best Nordic Private Bank in 2010 by the international magazine Euromoney.

Nordea was awarded Best Providers of Money Market Funds in the Nordic Region in a Global Finance survey. In addition, Nordea was awarded Best CLS-Linked Bank offering in the Nordic Region.

Nordea in Norway launched an iPhone application, as the first Norwegian bank to offer a broad-based mobile tool for iPhone. The application has since then also been launched in Sweden and Denmark.

Nordea presented a new vision, to be a Great European bank, as well as the prudent growth strategy and new Group initiatives at a capital markets event in London.

## Second quarter

Nordea in Singapore celebrated its 30th anniversary.

More than 2,500 marketing screens, a new marketing channel, had been installed in branches all over the Nordic countries.

Nordea was awarded the prize for the Best Bank in Finland by the magazine Global Finance.

The Financial Times included Nordea Funds in the top 10 European league of investment funds. Nordea was the only North-European bank in the ranking.

In Sweden, the weekly magazine Affärsvärlden named Nordea the best larger Private Bank, based on a mystery shopping survey.

## Third quarter

Nordea was appointed Best Investment Bank in Denmark by Euromoney.

Nordea was named the safest bank in the Nordic region by the American magazine Global Finance, in its yearly comparison of the 500 largest banks in the world.

## Fourth quarter

Nordea arranged the IPO for the company Pandora, which was the largest transaction in Denmark in 16 years and the third largest in Europe 2010.

In a Nordic marketing campaign, on TV, in print and online, Nordea introduced a new portal on local Nordea web pages, encouraging potential Gold customers to test out and start a dialogue with Nordea.

The industry magazine Leasing Life nominated Nordea Finance the most innovative European finance company in 2010.

The Swedish magazine mobil.se named Nordea Best Mobile Bank of the Year.

In Poland, Nordea won third place in Newsweek's "Friendly Bank 2010" ranking, as well as second place in Forbes "Best Bank for Companies".

Nordea opened a new operations centre in Poland, to handle manual back-office work and employ up to 500 employees in coming years.

Group CEO Christian Clausen was elected president of the European Banking Federation, EBF. He was also named business leader of the year in Denmark by The Danish Association of Managers and Executives.

Nordea was appointed "Rocket of the Year" in Universum's ranking of attractive employers in Sweden.

The magazine The Banker, which is part of the Financial Times group, awarded Nordea prizes for Bank of the Year 2010 in three countries: Denmark, Norway and Sweden.

# Reflections from the Chairman

At the AGM 2011, Hans Dalborg will resign as chairman of Nordea. Since 1991, he has held leading positions in what is now Nordea. As CEO of Nordbanken, his task was to clear out the effects of the 1990s crisis and create the Nordic vision. As CEO of MeritaNordbanken, it was to complete the mergers between Merita, Nordbanken, Unidanmark and Kreditkassen. As chairman of Nordea, the mission has been to shape one of Europe's leading banks.

## Thank you for 20 exciting years

During my years in the service of the bank, I have enjoyed rewarding cooperation with dedicated employees, skilled management, committed board colleagues and demanding owners. As chairman of the Board, I have had the privilege of working together with two extraordinarily competent CEOs.

During the latest financial crisis, Nordea was one of the few European banks that maintained the confidence of the market. We increased lending to small businesses, captured market shares among the Nordic large companies and retained our earning capacity. Nordea was not a part of the problem, rather a part of the solution.

The memories of all of us who dealt with the Nordic crises of the 1990s had become an integral part of the behaviour, systems and processes, which made Nordea a stabilising factor in the global crisis.

Here are some further reflections from my 20 years with the bank.

## Change is the normal state of affairs

When I entered the world of banking, very few had heard of Internet. We had clumsy mobile phones which were just about good enough to make calls on, and we saw telex and fax machines as powerful tools. Banks in the Nordic countries were national and customers did their business at branches or possibly by post or phone.

Banks today probably account for the

countries' most extensive IT operations. The financial system is global. Customers need only visit a branch a few times a year. Regular transactions are done via internet. Nordea has more than six million net customers.

Though much has changed in 20 years, the one thing that is certain is that even greater changes will occur over the coming two decades. I may believe we have accomplished a great deal in past years, but more remains to be achieved.

Technology continues to develop. "The sky is the limit" has taken on a new meaning when ever more things are done via satellite and computers soon will have their memories in "the cloud".

Globalisation progresses. There are no longer any national boundaries for capital, knowledge and talent. The majority of goods and services now face - or will face - global competition.

The rules of the game change. The financial crisis swung the pendulum from deregulation to re-regulation. It will swing again if the burdens imposed by regulation - in particular the lack of harmonisation - threaten the financial sector as an engine of growth. Customer demands also continue to change. Demands increase.

The industry structure is affected. The banks that will take the lead in Europe and the world will need to be big in terms of capital, liquidity, customer bases, IT systems and competence. What will make the difference is the ability to see new business opportunities in accelerating change.

Yesterday's triumphs don't count.

## The mission of a company is to create value

Value creation is the driving force in a company's development.

The owners risk their capital in the company and are ultimately responsible

for its operations. It is from them the board of directors, management and employees get their mandates. Unless it creates value for the shareholders, a company can neither grow nor even survive.

Shareholder value derives from customer value. Income comes from the customers. Customer value is created by qualified and committed employees, with good support systems that can offer attractive products.

Customers who meet dedicated employees get good service. A company must create value for its employees.

Companies that create value are the foundation of a market economy and for the welfare state, which is built on taxes on capital and labour and much more. Value for society underpins the company's legitimacy.

It is essential to have clearly defined measures of success. As regards shareholder value, we in Nordea focus on risk-adjusted profit/share, return on equity (ROE) and total shareholder return (TSR). In 2006 we announced that our profits would double in seven years. This target stands firm despite the recent global financial crisis.

Value creation as a main mission also applies to banks. This necessitates high quality in regulation and supervision of banking operations and in their management.

Clear rules and close supervision from society must determine the framework. The owners of the company shall bear the risk and, together with the board and management, have full responsibility for running the company.

One should not confuse the role of the regulators with the role of the owners.

## The Board sets the direction on behalf of the owners

Corporate governance aims to ensure





that companies are run with the owners' interests regarding profit in the foreground. Good corporate governance fosters confidence in the stock market.

Good corporate governance is mainly about having decision-making systems, that stimulate people to take responsibility and to the extent possible to limit the scope for poor decisions. The Board of Directors has the mandate from the shareholders meeting to manage and run the company. Its most essential task is to ensure that there is a first class operative management in the company, ie a competent CEO.

The Board's responsibility for the strategic development of a company is increasingly recognised. The Board shall define the business and the vision and decide on main strategies for the operation, make strategically vital decisions and set the limits for risk-taking. In Nordea, the Board decides on all compensation issues relating to the management.

The Board must monitor the company's development and intervene when necessary. However, it is important that the Board allows the management to lead; dual commands in any form create uncertainty.

A well-functioning board of directors comprises independent and bold individuals with varying backgrounds and skills, who can establish a common view of the company and develop thorough knowledge of the company and its markets.

Effective work of the Board of Directors is characterised by a relevant agenda in which the essential matters are thoroughly dealt with and unessential matters are cleared away, solid preparations by all, and meeting management which ensures that all points of view come to the surface.

The chairman's role and responsi-

lities have become more explicit, as the chairman is now being appointed at the annual general meeting. The chairman, along with the CEO, is the company's main spokesperson and ambassador.

A chairman must be able to listen, but should also have the ability to summarise views into clear and effective decisions.

The chairman is also the CEO's sounding board. His job is not to make the decisions, but to encourage decision-making. A good relationship between chairman and CEO means a frank dialogue containing both support and criticism.

Good corporate governance contributes to strong in-house management.

### **Strong leadership creates hope and energy**

A company's leadership is crucial to its development.

There is a fundamental difference between being a manager and being a leader. A manager is appointed; you have to follow him or her. A leader gets the mandate from the confidence of others. He or she is a person you want to follow.

Management is drawing on the energy contained in an organisation. "Leadership" means being a catalyst with the ability to increase the quantity of energy in an organisation.

Integrity is an important quality of leadership. This means that actions and

thoughts are neither corrupt nor based on tactical reasons. This leader can be relied on.

Another such quality is courage. Civil courage is a particularly respected and admirable quality; perhaps because it is such a scarce resource.

The ability to have visions and being able to pedagogically translate them into actions is a third quality of a natural leader. When I look for managers/leaders I look for individuals with the ability to "look around the corner". A firm belief in the vision builds confidence and strength.

A good leader has high demands on himself and on others. He or she takes the blame for mistakes and celebrates the team for successes.

A successful leader is also distinct, consistent and practices what he/she preaches. It's not what you say but what you do that sets the example.

Unfortunately, many people fail to achieve their inherent potential. Constricted organisations and mediocre managers may stand in the way. The leader's most essential task is to find other leaders and shore up self-esteem and sense of responsibility of the employees, ie contribute to their growth.

People are driven forward by ambitions, dreams, longing, hope. A large part of leadership is the ability to communicate hope.

The future is something we create.



### **A winning culture originates in customer needs**

Culture is the glue that holds different societies and organisations together. It provides guidance as to what is right and what is wrong, what is beautiful or ugly, what is important or unimportant. Instead of detailed instructions and decisions, companies are run largely on the basis of values, codes and generally applicable concepts - a culture, frameworks within which individual decision-makers take positions. It is vital that the board and the management set the tone. "Stairs are cleaned from the top."

When Merita and Nordbanken merged, many wondered how would it be possible to combine Finnish culture and Swedish culture under the same corporate roof. It has worked very well indeed. But it didn't happen by itself. When two companies from two different nations meet it is essential for this to be a meeting of cultures rather than a clash of cultures.

It is highly fortunate that we are different. We said when we established Nordea that we are similar enough to be able to cooperate, different enough to have a lot to learn from each other and many enough to constitute a good home market.

The task of the management was on the one hand to create the fundamental values which provide guidance, and on the other to accept as well as support national differences.

We defined at an early stage Nordea's mission: we help households and companies to realise their dreams, life projects and business concepts by providing customised financial solutions. In brief "Making it possible".

For a newly merged company about to break new ground to make it possible for the customers, "creating value", "being innovative" and "empowering" became the values.

When benefits from the merger for the customers and owners were to be realised in full, the management's message was "focus, speed and performance" and "from too many to just one". New common operational methods were created.

Today, Nordea stands for "great customer experiences" in order to exceed expectations and build partnership, "it's all about people" as it is the employees who make the difference and "one Nordea team" to utilise the aggregate resources of Nordea for each customer.

In a strong culture the rules are fewer and better.

### **Vigorous companies hold both businessmen and entrepreneurs**

A businesslike approach is key to successful financial operations. It must be imbued in all we do. In a bank, everyone needs to know math.

Successful strategies are based on an appraisal of future market logic, not just past experience. Timing is always crucial. Strategic focus creates perspective; the Board and management will recognise an opportunity when they see it.

Nordea was formed through structural mergers. A cross-border large European bank with the four great Nordic countries as the foundation was the vision.

The bank has gained strength through organic growth with strategic focus and a professional approach to business. Only through continuous improvement, including cost cuts, the financial scope for future ventures is created.

Every well-run company has dynamic balance sheet management. It requires optimal capital structure and funding and effective use of capital. Capital requirements are determined by strategy and market and, as in Nordea's case, by regulations.

Entrepreneurship is just as necessary

in a large company as in a small one. The will to create new business is an important attitude at all levels in a large company, which always has to fight to maintain its vitality.

There are no unprofitable customers; only poor business concepts and inefficiency.

### **Order facilitates bold decisions**

A prerequisite for successful banking operations is to always know what you are doing and to only do things you understand.

A decisive cause of the latest global financial crisis starting in the USA was pure ignorance. Finance and credit policy created a property bubble of gigantic proportions. The financial sector believed that the highly explosive mortgage loan products they worked with were harmless.

A bank must keep its risks in order, know what the probabilities are, know how extensive the damage can be in the event of a negative outcome. This requires effective administrative processes, reliable accounting and powerful IT systems. In other words, a functioning infrastructure, or if you wish, a good bureaucracy.

When I came to Nordbanken in 1991, one major task was to create reliable, predictable procedures and instil order-promoting attitudes. If these attitudes are in place, if the accounting is reliable, if the documentation is correct, if areas of responsibility are clear – then there is a platform for bold business decisions. Then risk is not unknown but something that can be quantified.

A strong infrastructure is a prerequisite for well calculated risk-taking.

### **The essence of banking is to assess and manage risk**

Risk assessment occurs in many



Successful mergers are realised  
in the line organisation. “Nordic  
Ideas” became Nordea.

areas. It requires understanding of macroeconomic risks, market risks, liquidity risks, operational risks, counterparty risks, environmental risks and not least credit risks.

Nordea has developed systems for identifying, quantifying and pricing risk. The methods are becoming ever more sophisticated and this process must continue.

Credit granting has always been core to a bank. Banks play a crucial role in society: no credits – no welfare. Credits are also a vital part of a bank’s earnings. But bad credits can bring a bank down. Loan losses arise not only through inadequate internal processes, but also due to inadequate understanding of external circumstances.

It is therefore vital for a bank to develop a consistent and stable credit culture. Fundamental to this are a serious attitude to granting of credits, knowing what is important and utilisation of all experiences in the organisation.

Being able to read financial statements is one type of knowledge; assessing people is another. Experience has taught us to value collateral, but this is outweighed by the ability and willingness to repay.

In over 20 years in various credit committees I have seen how loan officials develop an ability to focus on the essentials. It is always the easiest thing to say no to credit risk. But one should bear in mind that regardless of whether the bank says yes or no, the bank takes responsibility.

Credit granting is about assessing both people and figures.

#### **Good ethics is good business**

Banks are part of the financial infrastructure, and they must understand their responsibility and practice high ethical standards.

Nordea is founded on shared Nordic Ideas comprising freedom, equal opportunity, care for the environment, good citizenship, ethics, honesty and sincerity. Our social responsibility and ethics must be manifested in clear policies providing guidance and system to our actions. We must always maintain a clear distance to grey areas and doubtful financial arrangements.

In its own operations, the bank must ensure sustainability. This is based on us having such financial strength and such a business that we add value in the societies and market places where we operate.

We should not consume more resources than absolutely necessary. This is good business and a priority for the environment and the climate.

We must take responsibility in customer relations. It is both good ethics and good business to refrain from credit granting to environmentally dubious projects.

We bear responsibility for our own employees but also for employees in operations we “make possible”. Here too, ethical and financial concerns coincide.

A bank must earn its “licence to operate” every day.

#### **Successful mergers are realised in the line organisation**

Mergers often spring from the need to be big. We who created Nordea, saw that our large corporate customers demanded services, that required size from us to deliver – large-scale financings, complex payment systems and an international network.

Size provided resources for investments, especially in IT systems and benefits within asset management. We were able to increase efficiency. Major foreign banks prefer to do business with

other large banks. With size we become visible.

Nordea is a successful result of many mergers. But most mergers fail. Indeed, two out of three become disappointments. “Friendly mergers” cannot be based on stereotypical estimates of cost synergies. It is vital to have a “strategic fit” as starting point with shared focus, vision and goals. Only then, resources, restructuring and results can be calculated. If consensus is achieved, one has to act fast.

A transaction has to be sensible for most shareholders. Capital structure and a preliminary organisation structure must be in place.

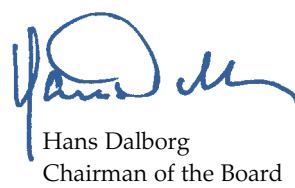
Strong and clear leadership is key to success. Mergers must be realised in the line organisation, with personal accountability for managers. Leadership of the new organisation must be visible. Delegating a merger process to a project outside of line management does not work.

To create commitment to the vision and minimise uncertainty, one has to communicate, communicate, communicate. No party may behave “imperialistically”; all participants must be treated with respect.

A new company needs management, an economic structure, a culture. A common financial language and system has to be set early. We coined “one will, one wallet”.

In a successful merger, one succeeds in identifying a set of values that provides clarity and direction.

“Nordic Ideas” became Nordea.



Hans Dalborg  
Chairman of the Board

# Prudent growth – balancing growth and return

## Nordea's strategic target picture

- Growth strategy
- Best relationship bank
- One operating model

### Ambitious vision and targets

Nordea has an ambitious vision of becoming a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. The vision is reflected in Nordea's financial targets and supported by Nordea's values.

The vision for Nordea's business in the medium-term is stated in an operational strategic target picture comprising three components: firstly, Nordea wants to pursue a growth strategy that will generate sufficient income and resources to create great customer experiences and thereby long-term value. Secondly, Nordea wants to be the best relationship bank in the markets, where it operates. Thirdly, Nordea wants to have a foundation based on one operating model for all activities in order to free up resources to be deployed in better service to customers. The goals are to increase

Nordic market shares and to have the highest level of customer satisfaction among peer banks in relationship segments.

Nordea's customer-oriented values were introduced in 2007 and are now a profound part of all activities in the bank: Great customer experiences is the core value that guides the behaviour and decisions of all employees; It's all about people underlines that people make the difference; One Nordea team for working together to find the best solutions for customers.

### Prudent growth and best relationship bank

Nordea four years ago embarked on a journey from a good to a great bank and initiated a clear organic growth strategy in the Nordic and New European Markets. The basic growth strategy today is essentially unchanged, although the execution has been adjusted in

order to allow to a greater extent to balance the growth with an attractive return on equity. The road towards great will be characterised by prudent growth carefully assessing risks and opportunities. The focus of the organic growth strategy will be to grow the relationship customer segments, to free up resources to support growth and finance investments for improvement of efficiency and the foundation of the bank and ensure alignment with new regulatory requirements.

### The prudent growth supported by the Group Investment Programme is delivering encouraging results

The prudent growth strategy remains in place. Given the stable funding base and the well capitalised platform, Nordea continues to focus on the successful execution of the ongoing organic efforts to proactively elevate relationship customers in the Nordic markets to higher segments, attract new relationship customers and increase Nordea's share of wallet. Close to 75% of Nordea's income in the Nordic markets stems from the four highest household and corporate customer segments.

In early 2010, Nordea launched its Group Investment Programme with nine strategic initiatives to enable the bank to reach its long-term financial targets. The Programme already delivers increased efficiency, customer satisfaction and a positive return on investment. The investments will continue with further expected benefits.

## Vision and financial targets

Vision	A Great European bank, acknowledged for its people, creating superior value for customers and shareholders			
	Long-term financial targets		Outcome	
Long term financial targets		Target	2009	2010
	Total Shareholder Return, TSR (%)	In the top quartile of European peer group	no. 7 of 20	no. 9 of 20
	Risk-adjusted profit (EURm) <sup>1</sup>	Double in 2006–2013 <sup>2</sup>	42%	34%
	Return on equity, RoE (%)	In line with top Nordic peers	11.3%	11.5%

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 nonrecurring items.

2) Compared to baseline 2006 of EUR 1,957m. Outcome shows growth from 2006.





” Relationship banking and financial advice are key to the prudent growth strategy.

### Household strategy

Household customers are divided into four segments based on their business with Nordea. For each segment, a value proposition has been developed including contact and service level, pricing and product solutions. The core philosophy of this strategy is to provide the best service and advice and the best product solutions and prices to the customers generating most business and income to Nordea. Prices are transparent and in general non-negotiable. This is normally seen as a win-win situation for customers as well as for Nordea.

The personal relationship banking strategy is supported by a focused product strategy. Nordea in general has a broad and well performing range of products, a highly skilled product organisation and a strong distribution power. Nordea pursues a multichannel distribution strategy that includes branches, contact centres and online or mobile banking. The aim is to improve customer satisfaction and sales and to reduce costs to serve the customers. Nordea sales are initiated from branches, where existing and potential relationship customers are invited to “360 degrees” meetings, and to go online from Nordea’s open pages.

### Corporate strategy

Corporate customers comprise four segments based upon their potential with Nordea and complexity of banking needs. For each segment a value proposition has been developed

including contact and service level and product solutions. The corporate relationship strategy aims at building house-bank relations including as much of the customer’s daily and event-driven banking business as possible. Relationship managers take a holistic view of the customer’s business and financials organise the relationship.

The creation of the Corporate Merchant Banking and Capital Markets business unit is reflecting Nordea’s commitment to become the leading bank among the largest corporate customers in all Nordic markets. Overall, Nordea strengthened its market position considerably in the segment as a relationship and cash management bank.

In the corporate customer product strategy, Nordea aims to make corporate risk management products and capital market transactions a natural part of the basic product offering to customers in the Large and Medium segments.

### Investments in New European Markets, growth and full-scale banking model

New European Markets include Russia, Poland and the Baltic countries, Estonia, Latvia and Lithuania. Nordea entered this fast growing region almost 20 years ago, in each country at the beginning primarily to service Nordic corporate customers with business in these countries. The original strategy has gradually been developed to include local customers, and today Nordea also targets the upper segments among

personal customers and solid corporate customers – in Russia only very large corporate customers. This has been a successful strategy that has led to gradual increases in income and result, while risks have been well contained. This strategy has been based on a network expansion that was initiated in late 2006 in the Baltic countries and especially in Poland.

The long-term strategic direction for New European Markets is to continue the profitable growth strategy, although reflecting the macroeconomic situation, the speed of the development of Nordea’s business in the New European Markets has been slowed down. The branch network expansion in Russia and the Baltic countries has been halted. Poland has been less affected by the financial and economic crisis than the other New European Markets, and 45 new branches were opened in Poland in 2010. The growth plan for Poland is continuing with 10 new branches planned in 2011 and local top-tier corporates are selectively but actively targeted aiming for building long-term house-bank relations.

### One operating model

Nordea’s operating model is designed to support the organic growth strategy. It ensures operational efficiency by improving the quality of customer relations, increasing the time spent with customers and reducing the time required to bring new products and services to market.



# Customer areas

Focus on great customer experiences has led to continued strong income growth in customer areas and customer segments in 2010, in particular in the relationship segments, with increased number of customers and increased customer satisfaction.

## **Banking Denmark** **Continued positive business momentum in 2010**

The positive business momentum continued in 2010 and number of Gold and Private Banking customers increased by 59,000, a growth rate of 9%, thus reflecting Nordea's strong brand and a competitive offering. This led to a growth in volume and an increasing market share of lending and deposits to household customers.

The strategy implementation continued, with even more proactive customer meetings, and strong focus was maintained on additional competence-building for all managers. The corporate market saw modest investment activity. The focus was instead on working capital, which resulted in limited demand for lending products. The margin level remained largely unchanged, despite strong competitive pressure. Both market shares for household and corporate deposits showed an increasing trend in 2010. Strong price competition for deposits is expected in the light of future regulations.

Loan losses decreased compared to previous year, supported by a decent macroeconomic development.

## **Banking Finland** **Growth Plan Finland contributes positive results**

Activities related to Growth Plan Finland continued to contribute positively to the results. The number of Gold and Private Banking customers increased by 44,000, or 5%. The number of proactive customer meetings remained high. Nordea's efforts to improve customer service were rewarded as several signals of clear improvements in customer satisfaction became evident during 2010.

Market shares for household deposits and lending increased. Several new branch offices were opened in the greater Helsinki area.

Measures have been taken to secure Nordea's strong market position among corporate customers. The recovery in the economy continued, leading to a somewhat increasing demand in corporate lending. Besides new lending, the re-pricing of the existing lending stock continues to shift the margins upwards. Nordea continued as the leading bank for the Single European Payment Area (SEPA) introduction, with 65% market share of SEPA payments.

## **Banking Norway** **Strong increase in number of Gold and Private Banking customers** The number of Gold and Private

Banking customers increased by 24,000, or 11%. Acquisition of new customers continued to contribute strongly to growth. The strong business momentum was also illustrated when Nordea was chosen best Norwegian household bank 2010 by a leading personal economy publication.

Household lending market share increased, while household deposit market share was stable. Growth in household lending was maintained. Household customers started to move their savings from bank accounts to investment funds and Nordea had a positive development in sales of new investment funds resulting in increased market share.

Compared to last year, corporate lending and deposits volumes increased with largely unchanged margins. Additional activities, aiming at further improvement in risk-pricing, had positive effect on corporate lending margins. Business activity increased and the sale of capital markets products also improved.

## **Banking Sweden** **High business activity in corporate and 6% more Gold customers**

Intense business activity continued throughout the year, resulting in strong growth in business volumes and in the number of Gold and Private Banking, with a total of 53,000 new customers, or 6%.



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



The high activity targeting household customers led to an upward trend in savings volumes and a continued high growth rate in mortgage lending and investment products. Growth in savings commissions continued consequently, supported by the strong sales within unit-linked life insurance, investment funds and brokerage.

Business activity was also high in the corporate sector, materialising in a continued solid volume growth in branch regions (large and medium corporate segments). Within the CMB segment, lending demand slowed down somewhat from high levels, reflecting an improved liquidity situation among customers, a pick-up in bond markets as well as intensified competition, not least from international banks.

#### **New European Markets**

New European Markets comprise Nordea's operations in Poland, Russia and the Baltic countries. In all markets, Nordea has a full-service offering to household as well as corporate customers. The business within New European Markets developed favourably in 2010. Lending as well as deposit volumes continued to grow at healthy rates and Nordea strengthened its market positions. The economies in the countries where New European Markets is active made good progress during the year. The inflow of new impaired loans were substantially lower than in 2009.

#### **Baltic countries**

Following the severe recession in 2009, the economies of the Baltic countries stabilised gradually in 2010 and started to recover in the latter part of the year, mainly driven by increasing exports. The recession continued to affect credit quality, but the effect was gradually declining over the year. Gross impaired loans amounted to EUR 572m or 712

basis points of total loans. Provisions for loan losses amounted to EUR 76m for 2010, down from EUR 201m in 2009.

Nordea has a strong position in selected corporate segments in the Baltic countries, such as Nordic-related corporates. This position has further strengthened during the recession. Nordea also offers a full range of household products through its branch network, comprising over 60 branches in the region. Nordea serves some 334,000 customers, of whom 60,000 are Gold customers.

#### **Poland**

The Polish economy showed strong resistance to the global crisis in 2009, and picked up further speed in 2010, driven by increasing exports. Government spending and private consumption increased at solid rates. The long-term outlook for the Polish economy remains solid. Nordea's lending portfolio is well diversified and the credit quality continues to be strong.

Nordea continued to move forward in the corporate segments during the year, establishing broad relationships with important new customers and also having executed the largest single transaction so far in Poland.

The share of the household market is rising, supported by larger branch network. 45 new branches were opened in 2010. In total, Nordea now has over 200 branches in Poland, serving some 590,000 household customers and small corporate customers. The brand recognition is increasing and Nordea continued to receive acknowledgment for its service and product offering.

#### **Russia**

The Russian economy experienced a strong rebound in 2010. Increased exports as a result of the global macroeconomic recovery and higher

prices on commodities, such as oil and metals, were the main driver. Private consumption also recovered. Nordea's Russian business continued to develop well during the year. The lending portfolio is of high quality and the level of impaired loans is stable at some 1% of total lending.

The customer base of large corporate customers was enlarged. Large Russian corporates make up the main customer segment for Nordea Russia and is the main focus, but the long-term aim is to build a diversified full-service business. The household business developed well during the year and business volumes increased.

#### **Shipping, Offshore & Oil Services Confidence returning to the loan market**

The Nordea brand has a solid recognition in the maritime sector. In 2010, confidence started to return to the loan market and transaction volumes increased substantially. Benefiting from its strong placing power, Nordea successfully underwrote and syndicated several large syndicated loan transactions during the year. The loan volume lead arranged by Nordea in 2010 was significantly higher than in 2009. Nordea's syndication franchise was recognised as one of the top arrangers and bookrunners of syndicated shipping loans.

The major shipping segments were supported during the first half of 2010 by private sector stock rebuilding and public sector fiscal stimulus. As these temporary effects phased out, shipping markets weakened during the second half of the year, and also as a result of large deliveries of new vessels.

The increase in oil prices during 2010 has resulted in higher exploration and production spending, which has had a positive impact on the demand for oil services.

# Nordic customer segments

## Financial Institutions

### Strong result in volatile market

Nordea is the leading partner for financial institutions in the Nordic market. Customers include approx. 400 Nordic and 100 international financial institutions as well as approx. 1,700 banking groups.

Uncertainty was a common theme in 2010, as exemplified by PIIGS country finances and FX and interest rate volatility. Continued structural growth in savings is seen and assets under management are increasing. The competitive situation intensified compared to last year. Global players also took a renewed interest in the Nordic region.

Nordea successfully defended its position and increased market shares by virtue of its financial strength, standing in the market and service delivery. The bank's strong relative performance throughout the crisis and a high preparedness for new regulatory initiatives support a professional service delivery and attracts business from domestic as well as international customers.

## International Private Banking

In International Private Banking, new customer acquisition was high on the agenda in 2010 and led to a significant number of new customers. To support customer acquisition, the advisory team servicing customers of non-Nordic origin was further enhanced and the value proposition for the ultra-high-net-worth segment was strengthened. Competencies within wealth planning and tax reporting were further developed and are now an integrated part of the offering in various countries.

## Corporate Merchant Banking

### – driver of corporate income growth

The large corporate market has stabilised after the financial crisis with competition increasing, in particular from international players. 2010 was characterised by continued high business activity, leading to growth in total financing to the upper corporate segments.

Nordea continued to be a leading Nordic arranger of Eurobonds for Nordic corporate issuers, having conducted several benchmark issues. Drivers for income growth shifted from volumes to the broad spectrum of financial services and Nordea's focus is to increase wallet share with its customer base. Nordea conducted a number of major customer transactions, including several IPOs, rights issues and M&A transactions. Nordea has also continued to be the leading bank in syndicated loan transactions.

## Corporate segments

### – relationship banking

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

Nordea provided continued assistance in hedging of market risk, resulting in strong income growth on risk management products. Nordea improved its position in the corporate market by selective customer acquisition of high-rated corporate customers.

## 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 to identify potential Private Banking and Gold customers in the lower segments and also to focus on acquiring new Private Banking and Gold customers from outside the existing customer base.

### 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. The designated personal banker plays a proactive role. 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 - 7% increase

The number of Gold customers increased 7% with around 130,000 being new customers of Nordea.

## Nordic Private Banking

In 2010, Nordic Private Banking continued its focus on increasing the number of customers and improving the value proposition to existing customers. Customer growth is generated both from transferring internal customers who qualify for the Private Banking offering and from attracting new external customers. Overall, the number of customers increased by 6% or 5,600.

One of the most significant enhancements was the roll-out of a discretionary mandate offering in Sweden and Denmark, which has gained very strong momentum.

# Product areas and product groups



## Account products

High business activity in lending supports strong income growth. Robust momentum on the back of more intense business activity supported by market recovery resulted in higher volumes.

Development was particularly strong in household lending, supported by higher volumes and gained market share in mortgage and consumer lending, with lending volumes up 9% to EUR 126bn. Corporate lending reached almost EUR 130bn, up 6%. Fierce competition for deposit products continued in 2010. Nordea's strong credit rating, competitive offerings and its brand name played a central role in attracting deposits.

In cards, a strong increase in number of cards payments, supported by increased number of cards issued. Almost 8 million credit and debit cards were outstanding by end of 2010, up 7%. To handle volume growth, large investments are being undertaken in a uniform product platform that will further lift the cards product offering.

In 2010, there has been a steady increase in the use of Private Netbank. The number of customers increased by some 5%, resulting in rapid growth in number of log-ons, payments and other transactions. This means constantly higher business activity run on the Private Netbank platform. Downtime experienced during the autumn has been addressed to minimise disruptions going forward.

The Swedish magazine "Mobil" awarded Nordea as "mobile bank of the year".

## Cash Management and other transaction products

The number of Corporate Netbank users passed 100,000 in 2010. Over the past few years, there has been a

steady increase in the e-banking activity among Nordea's corporate customers. The progress underlines Nordea's active efforts to attract new corporate customers and higher business volumes, supported by the competitive e-banking solutions provided.

Cash management is a cornerstone in the corporate relationship banking concept, thus large efforts are made to lift the offering to the next level. Investments in a uniform product platform will allow for new functionality to be added as well as scalability as volumes grow. It will also allow stability and cost-efficient operations.

Trade and Project finance had a strong growth in 2010. Throughout the year, higher business volumes have been noted as the market recovered. Competition though is increasing both from Nordic and international banks. Nordea was awarded for best trade bank in the Nordic/Baltic region in the Trade Finance Magazine 2010 Awards for Excellence.

## Nordea Finance

Nordea Finance benefit from its position as the leading player in Nordic and Baltic market and being the 10th largest leasing company in Europe. For instance the increased trend with number of new cars sold supports the volume growth in car financing, increased need for floor plan solutions at car retailers and equipment financing for manufacturers and vendors of industrial equipment. These are areas where Nordea provide leading solutions with high value added. The leading leasing industry magazine, Leasing Life, awarded Nordea Finance as the most innovative European finance company in 2010. The award recognises Nordea Finance good growth plan and resistance to recession in a European context.

## Capital Markets Products

There was continued strong demand for risk management products, despite normalised market conditions. Financial markets continued their gradual recovery from the financial crisis with solid increases in the Nordic equity indices and interest rates below 2009 levels. Despite the difficult conditions, Nordea stayed in the market throughout the turbulence and hence, reiterated our commitment as a reliable partner to our customers. Many international and regional competitors returned to the Nordic markets.

Corporate Finance activity was subdued due to difficult market conditions. However, Nordea was well represented in the completed transactions, including several IPOs. Nordea maintained its position as a leading Nordic primary equity issuer.

The primary bond market saw strong activity in 2010 with many large transactions. Nordea maintained the position as one of the leading Nordic bond issuers and executed a number of important Euro benchmark issues.

The Nordic syndicated loan market was characterised by high activity with particular interest for loans for leveraged buy-outs in addition to corporate customers. Nordea executed syndicated loan transactions for a large number of Nordic companies and maintained its leading position as Mandated Lead Arranger and Bookrunner of Nordic syndicated loans.



## Savings Products & Asset Management

### Strong investment performance and record high AuM

Nordea's Assets under Management (AuM) increased 21% during 2010 to all-time high EUR 191bn. A strong net inflow of EUR 9.5bn, positive market development as well as strong investment performance contributed to the increase in AuM. Nordea furthermore widened the gap to the closest Nordic Asset Managers over the year.

The equity market was during some periods of the year rather volatile but overall developed positively in 2010, while interest rates although on the rise remained low. In total, Nordea delivered a strong absolute return to customers of almost 15% in 2010, proving the strength of Nordea's advisory concepts and diverse product portfolio. The relative performance grew stronger over the year and 78% of investment composites outperformed their benchmarks. Evaluating investment performance over a longer time horizon, 74% of

Nordea's investment composites have outperformed benchmark over the past 36 month.

The product offering was strengthened with the launch of new products within Social Responsible Investment Funds, alternative asset classes and credit products. Net inflow into retail funds was EUR 4.3bn during 2010 stemming from strong sales in Sweden, where Nordea reported one of the largest fund sales on the market, and from European Fund Distribution.

### Life & Pensions

2010 was the year when Life & Pensions for the first time reached the EUR 5bn mark in Gross Written Premiums. Intensified focus on bancassurance started to pay off and contributed, together with favourable financial market, to the record high premiums sale, record high AuM and a strong profit growth.

Nordea remained the leading Nordic provider of Life & Pensions products with a Nordic market share of 11%. Moreover, Nordea Life & Pensions widened the gap to the closest peers.

## Group Operations play an important role in the daily running of the bank

Group Operations consist of IT and Group Shared Services, both of which play key roles in the daily running of the bank. The services provided are important building blocks for the product and customer areas' operations, altogether creating an efficient value chain. Group Shared Services responsibility spans premises, office tools, procurement, travel management, catering to other support services.

In 2010, additional steps have been taken to further enhance the value chain mindset and to create a platform to realise cost efficiency gains. In IT, this has been paired with significant investments in upgrading the IT platform.

The upgrade of IT infrastructure, processes and back-office operations will increase the stability of the IT platform and at the same time lower the operational risk and ensure cost-efficient operations. Furthermore, it will enable the handling of higher volumes and growth as well as create scope for efficient value chain deliveries to the customer segments.

The Nordea Operations Centre in Poland was opened in 2010. The aim is to consolidate product and service deliveries thereby realising scale benefits and operational excellence.

### International Branches

Through its international network with branches in New York, London, Frankfurt, Singapore and Shanghai, Nordea supports its Nordic customers' business. The strong performance was repeated in 2010.

The New York Branch had a strong 2010. Nordea's funding unit continued to play an important role in the bank's overall sourcing of US Dollar deposits.

### Assets under Management (AuM)

EURbn	2010	2009	Net inflow	
			2010	2009
Nordic retail funds	36.4	30.7	0.6	3.2
European fund distribution	5.8	2.7	1.9	0.5
Nordic Private Banking	57.3	45.8	2.8	2.9
International Private Banking	10.0	8.7	0.2	0.6
Institutional asset management	32.8	28.1	2.1	1.4
Life & Pensions products	48.7	42.2	1.9	1.2
<b>Total</b>	<b>191.0</b>	<b>158.1</b>	<b>9.5</b>	<b>9.8</b>



# Group Operations and International branches



The London Branch had a higher activity level in shipping, as a result of the rebound of the maritime industry. Nordic banking has delivered another strong year with a growth in total income. Due to increased focus, as well as Nordea's strong name and rating, deposits has showed strong growth.

For the Frankfurt Branch, 2010 was another good year. There has been strong momentum in business development in all business segments, and the energy clearing has grown to place Nordea as a leading clearing bank in Europe. The Singapore Branch celebrated 30 years of business in Asia in 2010. That is an important and remarkable track record in Asia, where long-term commitment is the main

driver for business.

During 2010, the Shanghai Branch has significantly grown its foreign currency lending portfolio – mainly towards Nordic subsidiaries operating in China – in addition to the number of opened capital- and settlement accounts, from where payments and exchange activities are soaring.

The strong growth in Gold customers comes both from outside the bank and from existing customers.

”

## Market positions 2010

	Denmark	Finland	Norway	Sweden	Estonia	Latvia	Lithuania	Poland	Russia	Shipping, fin.inst, internat. Luxem- bourg	Total
<b>Number of customers, 000's</b>											
Corporate customers	47	123	82	320	15	7	5	57	6	4	666
(change 2010/2009, %)	0%	0%	-2%	-3%	15%	40%	25%	10%	0%		-1%
Household customers					107	96	131	590	52		
Household customers in customer programme	1,201	2,491	426	2,947	51	79	63	214	n.a.		7,472
– of which Gold customers	695	967	240	876	21	21	17	62	n.a.		2,899
(change 2010/2009, %)	9%	5%	11%	6%	17%	11%	21%	35%			7%
Private Banking	39	26	8	19	0.3	0.7	0.1	1.6	n.a.	12	107
(change 2010/2009, %)	10%	-2%	16%	7%	–	40%	–	7%		0%	5%
Net banking	1,380	1,584	475	2,232	80	91	128	290	n.a.		6,260
(change 2010/2009, %)	7%	4%	8%	2%	14%	23%	12%	20%			5%
<b>Number of branches</b>	295	329	118	326	21	22	21	203	50		1,385
<b>Market shares, % (change 2010/2009, %-points)</b>											
Corporate lending	22 (+2)	33 (-1)	14 (-1)	17 (0)	20 (+3)	13 (0)	11 (0)	2 (0)	1 (0)		
Corporate deposits	27 (+4)	39 (-1)	17 (-1)	19 (+1)	7 (-1)	5 (+1)	7 (-2)	2 (0)	<1		
Institutional investment funds	11 (0)	26 (+1)	8 (0)	10 (0)							
Household investment funds	16 (0)	23 (-1)	12 (0)	14 (+1)							
Life & Pensions	16 (-2)	22 (-1)	10 (-2)	7 (+1)				5 (+1)			
Household mortgage lending	16 (0)	31 (0)	12 (0)	15 (0)	14 (+1)	17 (+1)	11 (+1)	5 (+1)	1 (0)		
Consumer lending	20 (+2)	31 (0)	7 (-1)	9 (0)	8 (+1)	2 (0)	9 (+2)	<1	<1		
Household deposits	22 (0)	32 (+1)	9 (0)	16 (-2)	6 (-1)	6 (-1)	1 (-1)	1 (0)	<1		

# It's people who make Nordea Great

As a relationship bank, Nordea is committed to People, not least our employees. It is our skilled and dedicated employees and their ability to deliver great customer experiences that distinguish us from our competitors and make Nordea Great.

## People Strategy

Nordea's People Strategy - emphasises that Nordea can reach its goals only if our employees reach theirs. This means that Nordea aims at providing opportunities for our people to grow professionally by high ambitions and continuous development and at the same time live well-balanced lives. This mindset is ensured among all managers through leadership training and management programmes.

There are two main annual tools for follow up. The Employee Satisfaction Survey (ESI) is designed to give an overview of how our employees evaluate Nordea, and as a result identify and prioritise actions how to make Nordea Great. The response rate is high, 93% in the 2010 survey, which shows the importance employees assign to this survey. The overall sentiment is increasingly positive. Close to all drivers and results in the ESI survey 2010 on Group level show improvement compared to 2009 and none show a negative trend.

The other tool is the mandatory Performance and Development Dialogue that takes place between immediate manager and employee, requiring preparation on both parts as well as follow-up throughout the year.

## Focus on values and leadership

Our values and leadership are the strongest drivers for both performance and for building our corporate culture. It takes Great leaders to build a Great European bank. Great leadership in Nordea is the ability to engage and motivate people to reach out for our vision and the ability to create the right team to make it happen.

We have continued to focus on leadership and coaching to support the development of employees' skills and increase the Group's aggregate performance. New leaders are quickly initiated in their new roles via a special introduction programme giving them access to information and understanding of tools and processes related to their managerial roles.

One Nordea Team and It's all about people are two of our key values and the coaching culture plays a vital role in identifying and releasing the potential of all employees as well as discovering people with high abilities as specialists or potential as future leaders. Talent Management at Nordea ensures that we have strong leaders and key employees in all required positions and a solid succession structure.

## Opportunities to develop and grow

Nordea aims at being a company with many possibilities for employees

to develop within the Group.

Development is a joint responsibility of the manager and the employee. Employee motivation, commitment to business goals and targets are addressed through the yearly Performance and Development Dialogues. These dialogues also form the basis for personal development plans and short and long-term career plans.

Nordea facilitates internal mobility. It is a strategic and necessary precondition for our business. The pace of change within the financial industry is rapid. Changing demands create changing competencies and staffing needs. We continuously need flexibility to find the right person for the right place to meet these external changes. Concrete actions are often local.

As an international company, Nordea offers job opportunities in all locations where we operate. Cross-border mobility and international assignments in Nordea serve to enhance business opportunities and to establish and develop operations.

Nordea is a company with many possibilities to offer and we want our employees to feel that their professional growth and the growth of the Group go hand in hand.



# Corporate Social Responsibility

In Nordea, we strive to integrate Corporate Social Responsibility (CSR) in our business and our identity. We want to be great when it comes to CSR as well and we are more convinced than ever that responsible business leads to sustainable business results.

As a business we need to be aware of customers' changing demands, which of course are affected by the world at large. It is clear that concern for the environment is growing in the public debate and in many people's minds.

It is also clear that the global community has challenges that need to be addressed. Nordea can introduce alternative services, such as internet banking instead of over-the-counter banking, cards instead of cash, e-invoicing rather than paper invoices, but in the end it is the customer who decides. We strive to be in step with the changing needs of the societies in which we operate.

## Corporate credits

As responsible granting of credits is important to many stakeholders we are glad that corporate credits are granted in line with CSR. This is an area where a bank really can show its corporate citizenship. As the largest bank in the Nordic region some of the leading Nordic companies are our customers and they have many large projects both on their home turf and elsewhere. Many of these transactions are complex and being able to evaluate risk also from a CSR perspective benefits our clients, society at large and Nordea as well.

We have a consistent and group-wide credit policy with tools such as the

Environmental Risk Assessment Tool (ERAT) and the Social and Political Risk Assessment Tool (SPRAT). Project Finance has addressed CSR risks in project finance for many years. To improve control even further, Nordea has adopted the Equator Principles, which are based on World Bank guidelines.

## Responsible investments within Nordea Investment Funds

In 2007 we signed the United Nations Principles for Responsible Investments (UNPRI), made a commitment to incorporate environmental, social and governance (ESG) issues into our investment analysis, decision-making process as well as our ownership policy and practices.

In February 2010, we went a step further by adopting a new strategy on responsible investments. The strategy places increased focus on in-depth ESG analysis and committed ownership as well as the development of a new, modern range of funds where ESG aspects are fully integrated into the investment process. Another part of the new strategy is to upgrade communication regarding results achieved.

Since Nordea's responsible investment policy was launched in 2007, all our funds and portfolios have been

screened semi-annually for companies that verifiably violate international norms regarding environmental protection, human rights, labour standards and business ethics. Nordea does not invest in companies that are involved in the production of cluster munitions. Exclusion of companies is used as a last resort when violations are severe and when companies are unwilling to change or improve their behaviour.

## Reducing own emissions

Stakeholder dialogues made clear that we are expected to conduct our own operations in an environmentally friendly way. In 2009, we set four targets to reduce our CO<sub>2</sub> emissions by the year 2016. We are aiming at reducing energy consumption by 15% (MWh/FTE), internal travelling by 30% (trips/FTE), customer paper consumption by 50% (tons/customer) and internal paper consumption by 50% (tons/FTE). We have eight teams working on these issues and good progress was made in 2010.

Nordea has Renewable Energy Certificates (RECS) for its energy consumption in the Nordic countries.

More in-depth information about Nordea's CSR is presented at [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 2010 was EUR 33bn. Ranked by market capitalisation Nordea was the fourth largest company in the Nordic area and among the twelve largest 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

After the rebound in 2009, the international equity markets was once again challenged by increased uncertainty, especially in the periphery parts of the euro area. The Nordic countries were to a much lesser extent affected by the turbulence. The Nordea share price appreciated somewhat on the Stockholm Stock Exchange from SEK 72.90 to SEK 73.15. The daily closing prices listed for the Nordea share during 2010 ranged between SEK 60.30 and SEK 76.00. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated 105% and clearly outperformed the Dow Jones STOXX European banks index (-49%).

## Total shareholder return 3.7% 2010

Total shareholder return (TSR) is realised through market value growth per share and reinvested dividends. Total shareholder return in 2010 was 3.7% (78.6% in 2009). Nordea ranked number nine among the European peer group banks in terms of TSR in 2010 (number seven 2009, number two in 2008 and number three in 2007 and 2006.) The average TSR in the peer group was -4.1%.

## Turnover – the most liquid Nordic financial share

The Nordea share was the most liquid Nordic financial share in 2010, with an average daily trading volume of

approx. EUR 132m, corresponding to 18 million shares. On back of the deregulation of European capital markets (MiFID), a clear trend among European blue-chip listed companies is that a large part of the total trading is made on new alternative trading and reporting venues. 41% of the total volume traded in Nordea shares is conducted over other exchanges such as BATS Europe, Burgundy and Chi-X. Of the total number of Nordea shares traded in 2010, approx. 88% was SEK denominated, 8% EUR denominated and 4% DKK denominated.

## 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 0.29 per share for 2010, up 16% compared to last year. The total dividend payment for 2010 would then be EUR 1,168m, corresponding to a payout ratio of 44% of the net profit after tax. The dividend yield calculated on the share price 30 December 2010 is 3.6%.

The dividend is denominated in EUR, Nordea's accounting currency. The currency of payment depends on in which country the shares 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, dividends are paid 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. 465,000 registered shareholders at the end of 2010, Nordea

has one of the largest shareholder bases of all Nordic companies. The number of shareholders in Sweden is approx. 95,000, slightly up from 2009. In Finland and Denmark, the number of shareholders decreased by approx 10,000 each, to 189,000 and 181,000.

The largest individual shareholder is Sampo plc with a holding of 20.6%, the Swedish state held 19.9% at the end of 2010. After Nordea's year-end report, the Swedish state has decreased its holding to 13.6%.

To further increase and diversify the US ownership and increase Nordea's visibility in the US market place, a sponsored level 1 ADR programme was launched mid January 2011.

## Largest registered\* shareholders in Nordea, 31 Dec 2010

Shareholder	No of shares, million	Holdings %
Sampo plc	830.4	20.6**
Swedish state	799.2	19.9**
Nordea-fonden	158.2	3.9
Swedbank Robur Funds	122.2	3.0
AMF Insurance & Funds	75.6	1.9
Norwegian Petroleum Fund	57.7	1.4
SHB Funds	56.2	1.4
Nordea Funds	53.7	1.3
SEB Funds	46.5	1.2
Fourth Swedish National Pension Fund	38.5	1.0
First Swedish National Pension Fund	37.3	0.9
Skandia Life Insurance	35.9	0.9
Second Swedish National Pension Fund	34.2	0.8
Varma Mutual Pension Insurance	27.9	0.7
Third Swedish National Pension Fund	23.8	0.6
Nordea Profit-sharing Foundation	21.2	0.5
Länsförsäkringar Funds	17.7	0.4
Government of Singapore Inv Corp	16.6	0.4
iShares Funds	15.9	0.4
Folksam LO Funds	15.2	0.4
<b>Total</b>	<b>2,484.1</b>	<b>61.7</b>

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

\* Excluding nominee accounts.

\*\* After Nordea's year-end report, the Swedish state has decreased its holding to 13.6% or 544 mill. shares. Sampo plc has acquired shares up to 21.3% or 860 mill. shares.



# Financial Review 2010

## Strong performance

- Total operating income increased 3%
- Operating profit increased 18%
- Risk-adjusted profit decreased 6%
- Improved credit quality
- Net loan losses down to 31 basis points (56 basis points)
- Strong development in the customer business
- The number of Gold and Private Banking customers increased 7% or by more than 200,000
- Increase in lending, deposits and all-time-high Assets under Management

## Result summary for 2010

2010 showed record-high total income, up 3% compared to last year. Operating profit increased 18%, due to higher income and lower net loan losses. Risk-adjusted profit decreased by 6% compared to last year.

## Income

Net interest income decreased 2% compared to last year as a result of lower deposit income and higher funding costs. The combined negative effect is more than EUR 400m. This income drop was successfully compensated for through strong growth in both lending, up 11%, and deposits, up 15%, as well as higher lending

margins. Corporate lending margins were higher, while deposit margins were largely unchanged compared to last year.

Net fee and commission income has recovered strongly and increased 27%. Asset management commission income is up 42% driven by assets under management which are up 21% in the last 12 months and a more attractive product mix.

Net result from items at fair value decreased by 6% compared to very high levels last year. The customer-driven capital markets operations continued to be strong with increasing volumes. The income drop in Group Treasury and Capital Markets unallocated income was approx. EUR 450m and almost compensated by higher income in the customer areas. Premium income in Life & Pensions was at an all-time-high.

Income under equity method was EUR 66m and other income was EUR 116m.

## Expenses

Total expenses increased 7% compared to last year. Staff costs increased 2%. In local currencies, total expenses increased 2% and staff costs decreased 2%. Excluding the adjustment of pension plans in Norway, total expenses

increased 3% and staff costs decreased 1% in local currencies.

## Net loan losses

Net loan losses decreased 41% to EUR 879m, compared to 2009, corresponding to a loan loss ratio of 31 basis points (56 basis points). This included provisions related to the Danish guarantee scheme of 4 basis points (4 basis points).

## Taxes

The effective tax rate was 26.8%, compared to 24.6% last year.

## Net profit

Net profit increased 15% to EUR 2,663m, due to lower net loan losses.

## Risk-adjusted profit

Risk-adjusted profit decreased 6% compared to last year to EUR 2,622m, mainly due to the exceptionally strong results in Treasury and Markets in 2009.

For 2010, the Expected Loss (EL) ratio used for calculating risk-adjusted profit was on average 25 basis points. For 2011, the EL ratio is expected to be on average 23 basis points. The EL ratio is multiplied with Exposure at Default (EAD) for calculation of expected losses in risk-adjusted profit.





### **Market Consistent Embedded Value (MCEV)**

The MCEV increased 13% to EUR 3,655m, supported by EUR 253m worth of new business and improved financial buffers.

### **Credit portfolio**

Total lending increased to EUR 314bn, up 11% from one year ago. The share of lending to corporate customers was 55%. Lending in the Baltic countries constitutes 2.5% 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.

Credit quality has improved in 2010, mainly in the corporate credit portfolio. The total effect from positive migration on RWA was a decrease by approx. 1.3% in 2010.

Impaired loans gross in the Group increased 14% to EUR 4,849m at the end of the year compared to last year. 59% of impaired loans gross are performing loans and 41% are non-performing loans. This development has been expected, since at this point of the business cycle, it has been easier to identify specific customers, where there is a need for a loan loss provision.

Further information about the credit portfolio is presented in the Capital and risk management report 2010 (Pillar 3 Report) published at the web pages.

### **Dividend**

The Board of Directors proposes to the AGM a dividend of EUR 0.29 per share (EUR 0.25), corresponding to a payout ratio of 44% of net profit, in line with the dividend policy. Total proposed dividend amounts to EUR 1,168m. The ex-dividend date for the Nordea share is 25 March 2011. The proposed record date for the dividend is 29 March, and dividend payments will be made on 5 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 2011 a 10% authorisation to repurchase 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 Board of Directors further proposes to the AGM 2011 an authorisation to decide on conveyance of own shares, to be used 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, a mandate to repurchase own shares has been in place.

### **Government guarantee schemes**

The Nordic governments established a number of measures in response to the global financial crisis during the autumn 2008 and the beginning of 2009. Similarly 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 programme and a recapitalisation scheme.

### **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 was valid for two years until end of September 2010 and guaranteed the claims of unsecured senior creditors against losses in participating banks. The cost for the Danish guarantee scheme for Nordea during 2010 has been EUR 136m in annual commission expense and an additional EUR 101m reported as loan losses. The total cost for Nordea for the scheme has been commission expenses of EUR 367m and loan loss provisions of

EUR 243m.

In October 2010, "Bankpakke III" was launched. This enables the Danish state-owned company Finansiel Stabilitet A/S to instantly take over ailing banks in an adapted bankruptcy procedure. The scheme is backed financially by a new loss guarantee of approx. EUR 400m provided proportionally by the banking sector in accordance with the contributions to the Deposit Guarantee Scheme.

### **Finland**

Nordea did not participate in the Finnish scheme.

### **Norway**

The Norwegian stabilisation scheme includes a swap facility for banks whereby government bonds can be exchanged for covered bonds. Due to the stabilisation of the credit markets, it was decided in the end of 2009 that no more auctions regarding the swap facility would be held until further notice. In addition to the swap facility, a scheme to provide core capital and subordinated loans was established by the Norwegian government. Nordea has not participated as a borrower under the latter 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 in 2009 signed an agreement with the Swedish National Debt Office. The funding for the State's participation thus came from the Stabilisation Fund. The agreement expired by the end of 2010.

The Stabilisation Fund is to be built up with fees from banks and other credit institutions. The total stability fee for Nordea was EUR 20m during 2010 and approximately the double amount is expected for 2011 since the fee was halved for 2010.

## Nordic Banking, operating profit per market

EURm	Total		Denmark		Finland		Norway		Sweden	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net interest income	3,922	3,958	1,325	1,403	777	811	756	777	1,011	906
Net fee and commission income	1,913	1,491	429	310	534	443	255	199	698	541
Net result on items at fair value	720	561	286	179	146	147	103	103	186	133
Equity method	28	33	28	33	0	0	0	0	0	0
Other operating income	21	19	13	9	3	4	2	3	0	0
<b>Total operating income</b>	<b>6,604</b>	<b>6,062</b>	<b>2,081</b>	<b>1,934</b>	<b>1,460</b>	<b>1,405</b>	<b>1,116</b>	<b>1,082</b>	<b>1,895</b>	<b>1,580</b>
Staff costs	-1,244	-1,233	-425	-405	-291	-319	-185	-178	-341	-327
Other expenses	-2,239	-1,927	-632	-556	-549	-490	-359	-310	-682	-555
Depreciations etc.	-54	-56	-11	-4	-2	-2	-6	-6	-16	-12
<b>Total operating expenses</b>	<b>-3,537</b>	<b>-3,216</b>	<b>-1,068</b>	<b>-965</b>	<b>-842</b>	<b>-811</b>	<b>-550</b>	<b>-494</b>	<b>-1,039</b>	<b>-894</b>
<b>Profit before loan losses</b>	<b>3,067</b>	<b>2,846</b>	<b>1,013</b>	<b>969</b>	<b>618</b>	<b>594</b>	<b>566</b>	<b>588</b>	<b>856</b>	<b>686</b>
Net loan losses	-752	-1,151	-460	-645	-191	-186	-62	-147	-33	-166
<b>Operating profit</b>	<b>2,315</b>	<b>1,695</b>	<b>553</b>	<b>324</b>	<b>427</b>	<b>408</b>	<b>504</b>	<b>441</b>	<b>823</b>	<b>520</b>
Cost/income ratio, %	54	53	51	50	58	58	49	46	55	57
RAROCAR, %	12	10	18	21	14	14	12	14	15	15

### Other information, EURbn

Lending corporate	116.2	107.1	32.0	30.5	23.3	22.6	23.1	21.7	37.8	32.4
Lending household	136.7	119.5	43.4	40.3	29.4	27.4	24.8	20.8	39.1	30.9
Deposits corporate	62.0	57.3	13.2	13.9	15.8	13.6	15.9	14.0	17.0	16.0
Deposits household	74.5	68.3	23.7	22.4	23.7	22.1	8.3	7.6	18.9	16.1

## Other customer areas

EURm	Baltic countries		Poland		Russia		Total New European Markets		Financial Institutions		Shipping, Oil Services & International	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net interest income	147	112	128	94	229	217	502	420	64	69	325	281
Net fee and commission income	47	35	27	18	12	11	85	64	164	148	63	49
Net result on items at fair value	2	19	50	35	16	10	68	64	163	178	31	48
Equity method	0	0	0	0	0	0	0	0	0	0	0	0
Other operating income	2	1	6	3	1	1	9	5	31	51	0	1
<b>Total operating income</b>	<b>198</b>	<b>167</b>	<b>211</b>	<b>150</b>	<b>258</b>	<b>239</b>	<b>664</b>	<b>553</b>	<b>422</b>	<b>446</b>	<b>419</b>	<b>379</b>
Staff costs	-29	-27	-43	-36	-60	-47	-139	-118	-34	-32	-43	-40
Other expenses	-47	-43	-59	-50	-34	-24	-143	-121	-156	-160	-15	-11
Depreciations	-3	-3	-9	-5	-2	-2	-14	-10	0	0	-1	-1
<b>Total operating expenses</b>	<b>-79</b>	<b>-73</b>	<b>-111</b>	<b>-91</b>	<b>-96</b>	<b>-73</b>	<b>-296</b>	<b>-249</b>	<b>-190</b>	<b>-192</b>	<b>-59</b>	<b>-52</b>
<b>Profit before loan losses</b>	<b>119</b>	<b>94</b>	<b>100</b>	<b>59</b>	<b>162</b>	<b>166</b>	<b>368</b>	<b>304</b>	<b>232</b>	<b>254</b>	<b>360</b>	<b>327</b>
Net loan losses	-76	-201	-5	-2	-4	-13	-85	-216	3	15	-44	-96
<b>Operating profit</b>	<b>43</b>	<b>-107</b>	<b>95</b>	<b>57</b>	<b>158</b>	<b>153</b>	<b>283</b>	<b>88</b>	<b>235</b>	<b>269</b>	<b>316</b>	<b>231</b>
Cost/income ratio, %	40	44	53	61	37	31	45	45	45	43	14	14
RAROCAR, %	13	13	24	20	35	48	21	23	32	41	23	22

### Other information, EURbn

Lending corporate	4.9	4.9	2.3	2.4	4.6	3.2	11.8	10.5	3.4	4.0	13.6	12.9
Lending household	2.9	2.8	3.3	2.2	0.3	0.2	6.5	5.2				
Deposits corporate	1.3	1.3	1.5	1.3	0.9	0.9	3.7	3.5	11.7	9.0	5.9	4.4
Deposits household	0.6	0.7	1.0	0.8	0.1	0.1	1.7	1.6				

# Income statement

Group EURm	2010	2009	Change, %
Net interest income	5,159	5,281	-2
Net fee and commission income	2,156	1,693	27
Net result from items at fair value	1,837	1,946	-6
Equity method	66	48	38
Other operating income	116	105	10
<b>Total operating income</b>	<b>9,334</b>	<b>9,073</b>	<b>3</b>
Staff costs	-2,784	-2,724	2
Other expenses	-1,862	-1,639	14
Depreciation, amortisation and impairment charges of tangible and intangible assets	-170	-149	14
<b>Total operating expenses</b>	<b>-4,816</b>	<b>-4,512</b>	<b>7</b>
<b>Profit before loan losses</b>	<b>4,518</b>	<b>4,561</b>	<b>-1</b>
Net loan losses	-879	-1,486	-41
<b>Operating profit</b>	<b>3,639</b>	<b>3,075</b>	<b>18</b>
Income tax expense	-976	-757	29
<b>Net profit for the year</b>	<b>2,663</b>	<b>2,318</b>	<b>15</b>

## Business volumes, key items

EURbn	2010	2009	Change, %
Loans to the public	314.2	282.4	11
Deposits and borrowings from the public	176.4	153.6	15
of which savings deposits	51.3	47.8	7
Assets under management	191.0	158.1	21
Technical provisions, Life	36.8	32.2	14
Equity	24.5	22.4	9
Total assets	580.8	507.5	14

## Ratios and key figures

Diluted earnings per share, EUR	0.66	0.60	
Share price, EUR	8.16	7.10	
Total shareholders' return, %	3.7	78.6	
Proposed / actual dividend per share, EUR	0.29	0.25	
Equity per share, EUR	6.07	5.56	
Weighted average number of diluted shares, million	4,022	3,846	
Return on equity, %	11.5	11.3	
Cost/income ratio, %	52	50	
Loan loss ratio, basis points of total loans	31	56	
Core tier 1 capital ratio, excluding transition rules, %	10.3	10.3	
Tier 1 capital ratio, excluding transition rules, %	11.4	11.4	
Total capital ratio, excluding transition rules, %	13.4	13.4	
Core tier 1 capital ratio, %	8.9	9.3	
Tier 1 capital ratio, %	9.8	10.2	
Total capital ratio, %	11.5	11.9	
Risk-weighted assets, incl transition rules, EURbn	215	192	
Number of employees (full-time equivalents)	33,809	33,347	
Risk-adjusted profit, EURm	2,622	2,786	
Economic capital, EURbn	17.5	16.7	
EPS, risk-adjusted, EUR	0.65	0.72	
RAROCAR, %	15.0	17.3	
MCEV, EURm	3,655	3,244	

# Balance sheet



Group EURm	31 Dec 2010	31 Dec 2009
<b>Assets</b>		
Cash and balances with central banks	10,023	11,500
Treasury bills	13,112	12,944
Loans to credit institutions	15,788	18,555
Loans to the public	314,211	282,411
Interest-bearing securities	69,137	56,155
Financial instruments pledged as collateral	9,494	11,240
Shares	17,293	13,703
Derivatives	96,825	75,422
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,127	763
Investments in associated undertakings	554	470
Intangible assets	3,219	2,947
Property and equipment	454	452
Investment property	3,568	3,505
Deferred tax assets	278	125
Current tax assets	262	329
Retirement benefit assets	187	134
Other assets	22,857	14,397
Prepaid expenses and accrued income	2,450	2,492
<b>Total assets</b>	<b>580,839</b>	<b>507,544</b>
<b>Liabilities</b>		
Deposits by credit institutions	40,736	52,190
Deposits and borrowings from the public	176,390	153,577
Liabilities to policyholders	38,766	33,831
Debt securities in issue	151,578	130,519
Derivatives	95,887	73,043
Fair value changes of the hedged items in portfolio hedge of interest rate risk	898	874
Current tax liabilities	502	565
Other liabilities	38,590	28,589
Accrued expenses and prepaid income	3,390	3,178
Deferred tax liabilities	885	870
Provisions	581	309
Retirement benefit obligations	337	394
Subordinated liabilities	7,761	7,185
<b>Total liabilities</b>	<b>556,301</b>	<b>485,124</b>
<b>Equity</b>		
Non-controlling interests	84	80
Share capital	4,043	4,037
Share premium reserve	1,065	1,065
Other reserves	-146	-518
Retained earnings	19,492	17,756
<b>Total equity</b>	<b>24,538</b>	<b>22,420</b>
<b>Total liabilities and equity</b>	<b>580,839</b>	<b>507,544</b>
Assets pledged as security for own liabilities	163,945	138,587
Other assets pledged	5,972	6,635
Contingent liabilities	23,963	22,267
Commitments	92,749	79,797

# Annual General Meeting 24 March 2011

Nordea's Annual General Meeting (AGM) 2011 will be held on Thursday 24 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 18 March 2011 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 VP Securities in Denmark.

Such re-registration must be effected in Euroclear Sweden AB in Sweden on 18 March 2011. 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 18 March 2011 preferably before 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 17 March 2011 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 VP Securities in Denmark

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 17 March 2011 at 12.00 noon Danish time to Nordea Bank AB (publ), c/o Computershare, Kongevejen 418, DK-2840 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 2011.

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, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels. 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.