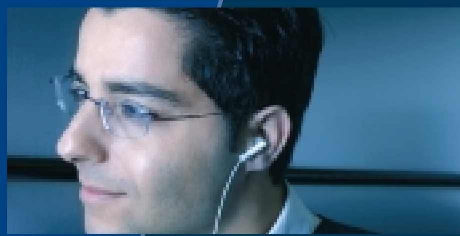
# Annual Review 2003

## Contents





Nordea Annual Report 2003 is the formal report audited by the Nordea auditors including the full sets of financial accounts and notes, the Board of Directors report and the cash flow statement. Nordea Annual Review 2003 is a review of the business development in the Nordea Group in 2003 including an overview of its strategy and business areas.

The parent company, Nordea AB (publ), has been granted a bank charter and changed its name to Nordea Bank AB (publ) as of 30 January 2004.


Nordea is the leading financial services group in the Nordic and Baltic Sea region and operates through three business areas: Retail Banking, Corporate and Institutional Banking and Asset Management & Life. The Nordea Group has almost 11 million customers and 1,240 branch offices. The Nordea Group is a world leader in Internet banking, with 3.7 million e-customers. The Nordea share is listed in Stockholm, Helsinki and Copenhagen.

# Nordea in short

***Solid improvements in 2003***

- *Net profit up 68% to EUR 1,490m (EUR 887m in 2002)*
- *Operating profit up 17% to EUR 1,812m (EUR 1,547m)*
- *Total income largely unchanged at EUR 5,639m (EUR 5,670m)*
- *Total costs down 2%*
- *Earnings per share EUR 0.51 (EUR 0.30)*
- *Return on equity (excluding goodwill) 16.7% (11.3%)*
- *Proposed dividend EUR 0.25 per share, an increase by 9%*

# Highlights of 2003

**Delivering on promises**

- Short-term top priorities have been addressed
  - Volatility has been reduced and income maintained at a stable level
  - Costs are kept well within the flat cost target – costs in 2004 expected to be unchanged compared to 2003
  - Capital efficiency has improved
  - Credit losses decreased slightly throughout the year – Credit portfolio in general in healthy shape
  - Special attention on income development going forward

# Key financial figures

## Operational income statement

| EURm | 2003 | 2002 | Change % |
|---|---|---|---|
| Net interest income | 3,366 | 3,451 | –2 |
| Net commission income | 1,486 | 1,535 | –3 |
| Trading income | 567 | 530 | 7 |
| Other income | 220 | 154 | 43 |
| **Total income** | **5,639** | **5,670** | **–1** |
| Personnel expenses | –2,101 | –2,086 | 1 |
| Profit sharing | –46 | – | |
| Other expenses | –1,526 | –1,659 | –8 |
| **Total expenses** | **–3,673** | **–3,745** | **–2** |
| **Profit before loan losses** | **1,966** | **1,925** | **2** |
| Loan losses, net | –363 | –261 | 39 |
| Equity method | 57 | 52 | 10 |
| **Profit before investment earnings and insurance** | **1,660** | **1,716** | **–3** |
| Investment earnings, banking | 170 | 122 | 39 |
| Operating profit, life insurance | 149 | 2 | |
| Operating profit, general insurance | – | –122 | |
| Goodwill amortisation and write-downs | –167 | –171 | –2 |
| **Operating profit** | **1,812** | **1,547** | **17** |
| Real estate write-downs | –115 | – | |
| Allocation to pension foundation | – | –255 | |
| Taxes | –205 | –405 | |
| Minority interests | –2 | 0 | |
| **Net profit** | **1,490** | **887** | **68** |

**Ratios and key figures** (see Business definitions page 20)

| | | |
|---|---|---|
| Earnings per share, EUR | 0.51 | 0.30 |
| Share price, EUR, end of period | 5.95 | 4.20 |
| Shareholders' equity per share [1], EUR | 4.28 | 4.06 |
| Shares outstanding [1], million | 2,846 | 2,928 |
| Return on equity excluding goodwill [2], % | 16.7 | 11.3 |
| Return on equity, % | 12.3 | 7.5 |
| Lending, EURbn | 146 | 146 |
| Deposits and borrowings from the public, EURbn | 96 | 94 |
| Shareholders' equity [1], EURbn | 12 | 12 |
| Total assets, EURbn | 262 | 250 |
| Assets under management, EURbn | 113 | 96 |
| Cost/income ratio, banking [3], % | 63 | 64 |
| Cost/income ratio, excluding investment earnings, % | 64 | 65 |
| Tier 1 capital ratio, % | 7.3 | 7.1 |
| Total capital ratio, % | 9.3 | 9.9 |
| Risk-weighted assets , EURbn | 134 | 135 |

1 End of period. Total shares registrated was 2,928 (2,985) million. Number of own holdings of shares in Nordea Bank AB (publ) was 82 (57) million. Average number of own shares was 50 (30) million. Average number of shares Jan–Dec 2003 was 2,921 million (Jan–Dec 2002 2,955 million). Dilution is not applicable.

2 Net profit before minority interests and goodwill amortisation/write-down as a percentage of average shareholders' equity (per quarter). Average shareholders' equity includes minority interests but with all outstanding goodwill deducted.

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

*In November 2002 we identified a number of short-term top priorities and a plan to improve our performance was developed. When comparing Nordea today with Nordea a year ago I see a bank that has undergone significant changes. Today we are more focused, changes are made at a more rapid speed and the concept of continuous improvement is internalised throughout the organisation.*

# Increased focus and speed led to improved performance

**2003 results: Solid improvements**

Operating profit was up by 17% in 2003 compared to 2002 reflecting stable income, reduced total expenses, increased loan losses, a sharply improved operating profit from insurance activities as well as stronger investment earnings, banking.

Net profit increased by 68% to EUR 1,490m reflecting the improvement in operating profit, the positive tax contribution in the third quarter, last year's allocation to pension foundations and General Insurance losses as well as the impact of the real estate write-downs in the fourth quarter 2003.

Earnings per share were EUR 0.51 compared to EUR 0.30 in 2002 and return on equity (excluding goodwill) was 16.7% compared to 11.3% in 2002.

During the year the share price of Nordea appreciated by 40.6% on the Stockholm Stock Exchange. Total shareholder return (TSR) for 2003 was 47.9%, which places Nordea as number 3 in terms of TSR within a defined peer group of 20 European banks.

In some areas, structural measures have been taken in order to adjust our cost level to stagnating or declining income triggered by the macroeconomic environment and financial market developments.

Let me recapitulate our achievements in relation to the short-term top priorities.

Volatility has been reduced primarily through divestment of General Insurance and a changed business model for Life & Pensions.

Income has been maintained at a stable level despite all time low post war short-term interest rates, a drop in equity market activities and subdued macroeconomics.

A culture of strict cost management has grown, and costs in 2003 were well within our target of unchanged costs compared to 2002.

Our capital efficiency has been strengthened through divestments of real estate and other non-core assets, changed business models, growth of off-balance sheet business and implementation of economic capital and economic profit framework. This has enabled us to start a share buy back programme and to propose increased dividend per share.

Credit losses have been slightly decreasing throughout the year and are concentrated to a single industry. Our credit portfolio in general is in a healthy shape.

The income development in the current macroeconomic environment is still an area of concern, and we will pay special attention to this issue going forward.

Strict cost management will remain high on our agenda, and we have raised the cost ambition for 2004. This is not a simple cost cutting exercise. This is a question of a genuine transformation into one bank - focusing, keeping speed and not being sentimental when it comes to implementation of changes or even day-to-day management.

Emerging from four major banks in four different countries Nordea's point of departure was characterised by inherent complexity. During 2003 reduction of complexity has been addressed throughout the organisation.

**Short-term top priorities addressed – delivering on promises**

In the autumn of 2002 there was a general feeling of disappointment with Nordea among shareholders, other investors and analysts, which was reflected in a poor share price performance. To start the "turn-around" that was needed, I introduced the key words focus, speed and performance, and we identified a number of short-term top priority areas:

- Reduce volatility and ensure growth of income
- Improve cost control
- Ensure capital efficiency
- Maintain credit portfolio quality

And we created a "sense of urgency" throughout the entire organisation.

Today I feel confident that we not only have succeeded to improve our performance, but also that we have done so in a manner that has institutionalised a continuous improvement process driving the increased competitiveness of the Group forward as part of the Nordea culture.

Group Processing and Technology, which was established in the autumn of 2002, has been an important driver and facilitator for consolidation and integration of processes, production and technology. Major initiatives include a substantial reduction of IT development costs and the consolidation of IT production in a joint venture with IBM, Nordic Processor, which is now fully operational.

The management of the integration project portfolio has been centralised, and future additional targets for reduction of complexity have been identified and will be achieved.

The first steps in the simplification and transformation of the Group legal structure into a European Company have been taken.

The unification of the business organisation within Retail Banking is under completion, and service and support functions have been transformed from being mainly policy-making functions into central service and support units for the whole Group contributing to the development of the Nordea corporate culture.

**Key words becoming corporate values**

The key words of focus, speed and performance have had a very high impact in the entire Group. We are all familiar with the words, and we apply them to our work – therefore we have now turned them formally into our corporate values as well.

It is important that our values reflect what we really stand for, how we work, and what we do. As such focus, speed and performance complete our mission and vision, which reflect the aim of our operations, what we want to achieve and how we wish to be perceived.

**Focus**

- We concentrate on creating value for our customers and shareholders
- We concentrate on our strengths and core activities, and we discontinue activities when needed

**Speed**

- We provide a broad set of easily accessible and competitive financial services and solutions
- We are quick, adjust to market conditions and do not hesitate to execute decisions made

**Performance**

- We aim to deliver better solutions and results than our competitors
- We continuously improve in everything we do, and we deliver on our promises

**Continuous improvement**

Our performance is significantly improved and we have the prerequisites to stay on the winning course:

- A large customer base
- Strong distribution power
- Advantage of size, scale and scope
- Strong capital base and high market capitalisation

We are increasingly becoming one bank with a common culture centred around performance orientation and with a strong local presence and customer contact.

We have reduced complexity and will continue to do so.

Indeed, we have achieved a lot since last year. Therefore, I would like to take the opportunity to thank all employees for their dedicated efforts and for bringing about the 2003 results.

Still, although our performance has been improved, there is – as always – room for further continuous improvement.

Best regards

Lars G Nordström

*Nordea ranks among the largest companies in the Nordic region in terms of market capitalisation and is one of the most liquid shares in the region. Total shareholder return in 2003 was 47.9%.*

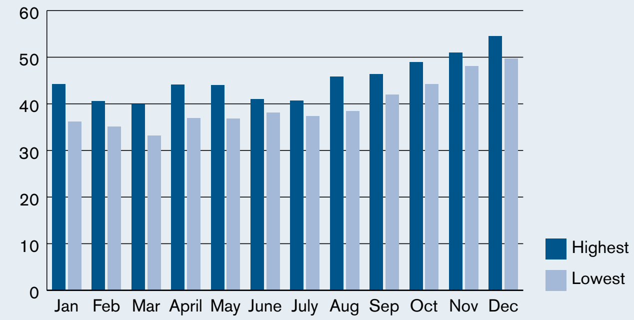
# The Nordea share

**Shareholder and dividend policy**

Nordea's overall financial target is to create value for shareholders in the top five of a peer group of 20 Nordic and European financial services companies. Total shareholder return (TSR), is realised through market value growth per share and dividends. Value shall be enhanced through continuous focus on stable and profitable growth of income, operational excellence as well as capital efficiency.

Nordea pursues a policy of high dividends. The total dividend payment will normally exceed 40% of the net profit for the year. The annual level of dividends depends on market return requirements and the capital needed for developing the business activities. The dividend pay-out ratio for 2003 is proposed to be 48%.

**Monthly share price 2003**
SEK




**Share price performance 2003**
%
Index 100 = 30 Dec 2002


## Total shareholder return

Total shareholder return in 2003 was 47.9%. Nordea ranked as number 3 among peer group banks in terms of TSR in 2003 compared to number 15 in 2002. The average TSR in the peer group was 32.9% in 2003.

## Share price development in 2003

The market capitalisation of Nordea at the end of 2003 was approximately EUR 17.5bn compared to EUR 12.6bn at the end of 2002. Ranked by market capitalisation Nordea was the 7th largest company in the Nordic area. During the year the share price of Nordea appreciated by 40.6% on the Stockholm Stock Exchange from SEK 38.40 on 30 December 2002 to SEK 54.00 on 30 December 2003. The daily prices listed for the Nordea share during 2003 (closing prices at Stockholm Stock Exchange) ranged between SEK 33.20 and SEK 54.50.

The SX40 Financials Index of the Stockholm Stock Exchange appreciated by 28.3%, the Dow Jones STOXX European banks index appreciated by 21.3%.

The Nordea share is listed on the stock exchanges in Stockholm (in SEK and EUR), Helsinki (EUR) and Copenhagen (DKK). One trading unit is equivalent to 500 shares.

Nordea's share price can be monitored at www.nordea.com, where it is also possible to compare the performance of the Nordea share with competitors and general indexes as well as finding historical share prices of the Nordea share.

## Liquidity

The Nordea share was the most liquid Nordic financial share in 2003, with an average daily trading volume of approximately EUR 61m corresponding to approximately 13.1 million shares. Turnover on the three stock exchanges combined totalled approximately EUR 15.3bn which corresponds to almost 3.3 billion shares. Of the total number of Nordea shares traded in 2003 approximately 86.4% was traded on the Stockholm Stock Exchange, 7.4% on the Copenhagen Stock Exchange and 6.2% on the Helsinki Stock Exchange. In Stockholm Nordea ranked as the 3rd most traded share compared to the 4th in 2002.

The Nordea share is represented in a number of national indexes and is also included in European and global indexes in MSCI, DJ STOXX, FTSE and S&P. With a weight of 9.39% Nordea was the third largest company in the Swedish OMX index at the end of 2003.

## Trading in derivatives

Nordea's shares can also be traded in the form of put and call options, futures contracts, and lending with securities at the Stockholm Stock Exchange and Equity Derivatives Exchange London (EDX). Various brokers also issue long-term warrants in Nordea that are traded on the Stockholm Stock Exchange. Trading in derivatives supports the liquidity of the Nordea share.

## Repurchase of own shares

Following the authorisation from the Annual General Meeting on 24 April 2003, the Board of Directors of Nordea Bank AB (publ) on 29 October 2003 decided to repurchase a maximum of 145 million of its own shares (equivalent to approximately 5% of the total number of shares in the company).

The purpose of the acquisition is to redistribute funds to the Company's shareholders and in this way contribute to more efficient utilisation of Nordea's resources. The impact of the repurchase on the Company's earnings per share and return on equity is expected to be positive.

By the end of 2003 Nordea had repurchased 81,608,500 of its own shares or 2.8% of total shares. The shares were purchased at an average price of SEK 50.40.

## Earnings and shareholders' equity per share

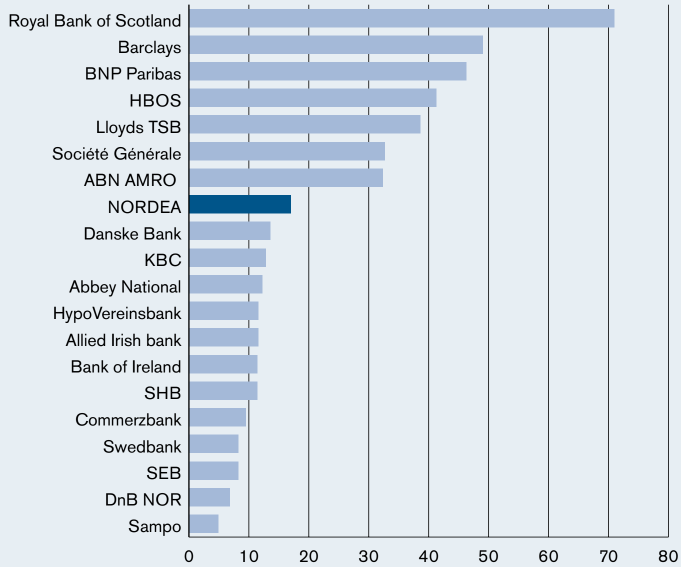
Net profit for the year amounted to EUR 1,490m corresponding to EUR 0.51 per share. Shareholders' equity per share amounted to EUR 4.28 at the end of 2003.

## Proposed dividend

The Board of Directors of Nordea proposes a dividend of EUR 0.25 per share. The total dividend payment for 2003 would then be EUR 712m corresponding to 48% of the net profit after tax. The dividend yield calculated on the share price 30 December 2003 is 4.2%. The proposed record date for the dividend is 5 April 2004 and dividend payments are scheduled to be made on 14 April 2004.

**Market capitalisation, Nordea peer group***

EURbn




* As defined by Nordea
Source: Bloomberg, January 2004

The dividend is denominated in EUR, though payments are made in the local currency of the country where the shares are registered. Dividend payments can be made in EUR if the shareholder has a EUR account registered with the relevant securities register.

## Share capital

The General Meeting in 2003 decided to reduce the share capital by EUR 22,593,410.56. After the reduction the share capital amounted to EUR 1,160,460,823.12. The reduction was implemented through retirement, without repayment, of the 57,008,000 shares that were repurchased and held by Nordea.

All shares in Nordea carry voting rights, with each share entitled to one vote at General Meetings. Nordea Bank AB (publ) is not entitled to vote for own shares at General Meetings.

There are no outstanding convertible bond loans or staff/management options in Nordea.

## Distribution of shares, end of 2003

| Distribution of shares | Number of shareholders | Share-holders, % | Number of shares | Number of shares, % |
|---|---|---|---|---|
| 1–1,000 | 418,780 | 83.21% | 133,440,956 | 4.69% |
| 1,001–10,000 | 79,446 | 15.78% | 192,815,613 | 6.77% |
| 10,001–100,000 | 4,203 | 0.84% | 105,303,233 | 3.70% |
| 100,001–1,000,000 | 627 | 0.12% | 208,109,580 | 7.31% |
| 1,000,001– | 234 | 0.05% | 2,206,830,345 | 77.53% |
| **Total** | **503,290** | **100.00%** | **2,846,499,727** | **100.00%** |

## Change in share capital

| Date | | Nominal value per share SEK | Number of shares shares issued | Nominal change SEKm | Total number of shares | Share capital SEKm |
|---|---|---|---|---|---|---|
| 17 Dec 97 | New issue | 7.00 | 1,275,267,441 | 8,926.9 | 1,275,267,441 | 8,927 |
| 28 Jan 00 | Reduction | | | –3,188.2 | | |
| | New issue | 4.50 | 815,800,287 | 3,671.1 | 2,091,067,728 | 9,410[1] |
| 25 Apr 00 | Reduction | | | –2,091.1 | | |
| | New issue | 3.50 | 869,776,488 | 3,044.2 | 2,960,844,216 | 10,363 |
| 9 Jun 00 | New issue | 3.50 | 18,348,501 | 64.2 | 2,979,192,717 | 10,427 |
| 29 Aug 00 | New issue [2] | 3.50 | 3,006,359 | 10.5 | 2,982,199,076 | 10,438 |
| 11 Dec 00 | New issue [2] | 3.50 | 59,764 | 0.2 | 2,982,258,840 | 10,438 |
| | | EUR [4] | | EUR | | EURm |
| 10 Jan 01 | Conversion [3] | 0.40 | | | 2,982,258,840 | 1,182 |
| 20 Feb 01 | New issue [2] | 0.40 | 8,408 | 3,332.26 | 2,982,267,248 | 1,182 |
| 15 May 01 | New issue [2] | 0.40 | 2,401 | 951.56 | 2,982,269,649 | 1,182 |
| 14 Dec 01 | New issue [2] | 0.40 | 396,441 | 157,117.49 | 2,982,666,090 | 1,182 |
| 31 May 02 | New issue [2] | 0.40 | 2,405,087 | 953,184.08 | 2,985,071,177 | 1,183 |
| 25 Sep 02 [5] | New issue [2] | 0.40 | 45,050 | 17,854.22 | 2,985,116,227 [6] | 1,183 |
| 7 Oct 03 | Reduction [7] | 0.40 | | 22,593,410.56 | 2,928,108,227 [8] | 1,160 |

1 Anticipated in Balance Sheet 31 Dec, registration 28 January 2000
2 Conversion of bonds
3 From SEK to EUR
4 0.39632 EURO
5 On 1 September 2002 Nordea redeemed the outstanding loan amount of EUR 96,928,426.28 early. Subsequently, the company has no outstanding convertible bond loans
6 Number of own shares owned by Nordea Bank AB (publ) 57,008,000
7 Retirement of shares repuchased and held by Nordea Bank AB (publ) (57,008,000)
8 Number of shares owned by Nordea Bank AB (publ) 81,608,500

## Shareholders

With approximately 503,000 registered shareholders at 31 December 2003, Nordea has one of largest shareholder bases of all Nordic companies. The number of Nordea shareholders registered in Denmark is approximately 211,000, in Finland 207,000 and in Sweden 85,000.

The largest among the various categories of shareholders is Swedish institutional investors, holding 30.2% of the shares in Nordea. The largest individual shareholder is the Swedish state with a holding of 19.0%. The Swedish state has declared that it will dispose of its holdings in Nordea.

The 20 largest registered shareholders at the end of 2003 are listed in the table.

## Investor communication

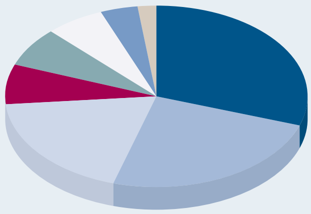
Nordea aims at being one of the leading European companies in terms of open, clear and relevant information to shareholders and other interested parties. Nordea has during 2003 further upgraded the Group's financial reports and presentations.

Nordea relies increasingly on the Internet in communication with shareholders and investors.

All significant financial information about Nordea Group can be found in the Group's homepages.

The financial homepages of Nordea (www.nordea.com) ranked as number 6 in the web-ranking of the 150 largest companies on the FT500 list of Europe's largest companies made by Hallvarsson & Halvarsson published by Financial Times in November 2003.

**Shareholder structure, end of 2003**




[1] Finnish state included

**Largest registered* shareholders in Nordea, end of 2003**

| | No of shares | Share capital and votes, % |
|---|---|---|
| Svenska staten | 542,015,102 | 19.0 |
| Nordea Danmark fonden | 102,529,423 | 3.6 |
| Alecta | 92,424,426 | 3.2 |
| Robur fonder | 75,524,857 | 2.7 |
| Nordea fonder | 69,568,403 | 2.4 |
| AMF Pension | 61,000,000 | 2.1 |
| Tryg i Danmark smba | 52,194,912 | 1.8 |
| Fjärde AP-fonden | 50,106,590 | 1.8 |
| SEB fonder | 49,727,562 | 1.7 |
| Skandia | 39,507,653 | 1.4 |
| Första AP-fonden | 32,876,923 | 1.2 |
| Tredje AP-fonden | 32,336,009 | 1.1 |
| SHB/SPP fonder | 31,333,618 | 1.1 |
| Andra AP-fonden | 28,148,866 | 1.0 |
| Nordea Bank Sverige vinstandelsstiftelse | 15,928,300 | 0.6 |
| Länsförsäkringar fonder | 10,872,861 | 0.4 |
| Solidium Oy | 10,674,666 | 0.4 |
| Länsförsäkringar | 10,610,807 | 0.4 |
| AMF Pension fonder | 9,742,000 | 0.3 |
| Öms. Penionsförsäkrings-bolaget Varmo-Sampo | 8,700,000 | 0.3 |
| Other | 1,520,676,749 | 53.5 |
| **Total number of outstanding shares** | **2,846,499,727** | **100.0** |

Source: Sweden's and Finland's securities centres, SIS Ägarservice and Nordea Bank Denmark's register of shareholders

* Excl nominee accounts.

During 2003 over 1.3 million visitors have entered www.nordea.com and downloaded almost 350,000 financial reports and press releases.

**Annual report**

The annual report and the annual review are available in English. Nordea distributes the annual report and the annual review automatically to all shareholders holding more than 10,000 shares. A summary of the annual report is available in English as well as the four Nordic languages. The full annual report and the summary will be distributed to shareholders on request. A Swedish version of Annual report is available on request.

The reports can be downloaded and ordered by accessing www.nordea.com.

**Share data**

| | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| Share price | SEK 54.00 | SEK 38.40 | SEK 55.50 | SEK 71.50 | SEK 50.00 |
| High/Low | 54.50 / 33.20 | 63.50 / 30.20 | 79.00 / 45.80 | 76.00 / 41.80 | 61.00 / 42.30 |
| Market capitalisation | EUR 17.5bn | EUR 12.6bn | EUR 17.7bn | EUR 24.1bn | EUR 12.2bn |
| Dividend | EUR 0.25 [1] | EUR 0.23 | EUR 0.23 | SEK 2.00 | SEK 1.75 |
| Dividend yield [2] | 4.2% | 4.8% | 3.8% | 3.1% | 3.2% |
| TSR | 47.9% | –28.1% | –19.8% | 46.5% | –0.5% |
| DJ STOXX European banks index | 21.3% | –26.7% | –10.0% | 10.2% | 17.2% |
| P/E (actual) | 11.7 | 14 | 11 | 14 | 11 |
| Price-to-book | 1.39 | 1.03 | 1.49 | 2.16 | 1.70 |
| Equity per share | EUR 4.28 | EUR 4.06 | EUR 4.00 | EUR 3.74 | EUR 2.68 |
| Earnings per share | EUR 0.51 | EUR 0.30 | EUR 0.53 | EUR 0.58 | EUR 0.55 |
| Outstanding shares [3] | 2,846,499,727 | 2,928,108,227 | 2,965,666,090 | 2,982,258,840 | 2,091,067,728 |

1 Proposed
2 Yield calculated at starting price on payment day, for 2003 per 30 December.
3 Excluding shares owned by Nordea Bank AB (publ)

*Nordea is the leading financial services group in the Nordic and Baltic Sea region.*

# Vision and strategy

Nordea operates through three business areas, Retail Banking, Corporate and Institutional Banking and Asset Management & Life, and holds top league positions in most product and market areas in the Nordic countries. In Nordea's emerging home markets in Poland and the Baltic countries, the Group aims at controlled and profitable growth – organically or through acquisitions.

**Characteristics**
Nordea is characterised by:
- Large customer base
- Strong distribution power
- Advantage of size, scale and scope
- Strong capital base and high market capitalisation

Nordea today serves close to 10 million personal customers and almost one million corporate customers – a customer base that is unmatched by any other bank in the Nordic region. Nordea maintains business relationships of one kind or another with almost half the population of the Nordic countries, and 3.7 million of the customers have also signed up for Nordea's net banking services.

Nordea has an efficient and skilled customer organisation with strong distribution capacity and capability, including specialised product and customer units, branch offices, contact centres and net banking. These units operate through cross-border organisations and business models and provide a full range of services, ranging from sophisticated financial advice to automated self-service facilities.

Nordea's size and structure offer significant business opportunities and realisation of economies of scale and scope in product units and mid and back office as well as support processes through unification, centralisation and sourcing.

The large capital base enables Nordea to service large corporate customers in the Nordic home market.

### Nordea's mission – Making it possible

By providing easily accessible and competitive financial services and solutions, Nordea helps customers to reach their objectives.

### Nordea's vision

- We will be valued as the leading financial services group in the Nordic and Baltic markets with substantial growth potential
- We will be in the top league or show superior and profitable growth in every market and product area in which we choose to be present
- We will have the leading multichannel distribution with a top world ranking in e-based financial solutions and a high level of usage of our e-services
- We will be a good corporate citizen ensuring confidence and trust

Nordea has defined a set of shared corporate values and key words that identify, drive and guide all activities internally and externally.

### Corporate values and key words

- Focus
  - We concentrate on creating value for our customers and shareholders
  - We concentrate on our strengths and core activities, and we discontinue activities when needed
- Speed
  - We provide a broad set of easily accessible and competitive financial services and solutions
  - We are quick, adjust to market conditions and do not hesitate to execute decisions made

| Denmark | |
|---|---|
| Personal customers, 1,000 | 1,620 |
| Corporate customers, 1,000 | 80 |
| Net banking customers, 1,000 | 523 |
| Branches | 345 |
| Market shares | |
| – Personal customers, % | 23 |
| – Corporate customers, % | 25 |
| – Investment funds, % | 26 |
| – Life & pensions, % | 13 |
| Employees | 8,657 |

| Finland | |
|---|---|
| Personal customers, 1,000 | 2,960 |
| Corporate customers, 1,000 | 320 |
| Net banking customers, 1,000 | 1,218 |
| Branches | 416 |
| Market shares | |
| – Personal customers, % | 35 |
| – Corporate customers, % | 46 |
| – Investment funds, % | 24 |
| – Life & pensions, % | 32 |
| Employees | 9,118 |

| Norway | |
|---|---|
| Personal customers, 1,000 | 630 |
| Corporate customers, 1,000 | 65 |
| Net banking customers, 1,000 | 220 |
| Branches | 127 |
| Market shares | |
| – Personal customers, % | 9 |
| – Corporate customers, % | 17 |
| – Investment funds, % | 9 |
| – Life & pensions, % | 9 |
| Employees | 4,041 |

| Sweden | |
|---|---|
| Personal customers, 1,000 | 4,100 |
| Corporate customers, 1,000 | 440 |
| Net banking customers, 1,000 | 1,580 |
| Branches | 260 |
| Market shares | |
| – Personal customers, % | 20 |
| – Corporate customers, % | 16 |
| – Investment funds, % | 17 |
| – Life & pensions, % | 2 |
| Employees | 7,659 |

| Poland and Baltic | |
|---|---|
| Personal customers, 1,000 | 280 |
| Corporate customers, 1,000 | 30 |
| Net banking customers, 1,000 | 43 |
| Branches | 73 |
| Employees | 1,491 |

- Performance
  - We aim to deliver better solutions and results than our competitors
  - We continuously improve in everything we do, and we deliver on our promises

**Strategic themes**
Nordea has coherent business strategies supporting the Group's vision and financial targets and based on common strategic themes.

**Stable and profitable growth of income**
Nordea's geographic reach and core business mix contribute to a stable income development.

Nordea aims to attract and expand its high value customer base and to increase the share of wallet with existing customers.

**Operational excellence**
Ensuring operational excellence and strict cost management is a top priority all through the Group.

Continuous improvements drive cost management in the large customer organisation, while transformation and changes aiming at unification, standardisation and centralisation characterise the cost control efforts in service and support functions and processes. These efforts also contribute to undo the inherent complexities following a history of mergers and acquisitions.

**Capital efficiency**
Active capital management, use of economic profit framework in customer relationships and performance measurement, and efficient business models are important tools in achieving capital efficiency.

Nordea in addition focuses its business activities and operations through divestment of non-core assets and outsourcing of non-core activities.

**Employees**
Nordea aims to attract, develop and retain core competencies, to improve leadership capabilities and to build a customer and performance-oriented organisation.

*Nordea in 2003 ranked as number 3 among peer group banks in terms of total shareholder return compared to number 15 in 2002.*

# Financial targets

**Total shareholder return**

Nordea's overall financial target is to create value for shareholders in the top five of a peer group of 20 Nordic and European financial services companies as measured by total shareholder return.

Internally, economic profit has been selected as the best single measure for shareholder value creation. Nordea believes that managing for sustainable growth of economic profit will drive and support the continuous focus on stable and profitable growth of income, operational excellence as well as capital efficiency.

**Return on equity**

High return on equity is an important indicator of value creation. Nordea prioritises profitability before growth and aims at achieving a sustainable return on equity, excluding goodwill, of more than 15% from 2004.

Return on equity reached 14.5% in 2003, adjusted for the positive tax contribution in the third quarter, using standard tax rate, and the negative impact of real estate write-downs at year-end, compared to 11.3% in 2002.

### Costs
Nordea gave improvement of cost efficiency top priority in the autumn of 2002. A target of unchanged total costs through 2003 and 2004 compared to 2002 was set.

The target was reached in 2003 with total costs 2% lower than 2002. Cost management and reduction of complexity still have top priority, and the cost ambition has been raised. Nordea now aims to keep total costs unchanged through 2004 compared to 2003.

### Risk exposure
Nordea aims at a limited and controlled risk exposure while consistently availing itself of opportunities to increase profits and return on capital within acceptable risk limits. The average loan losses over a business cycle should not exceed 0.40% of the loan and guarantee portfolio.

The loan loss ratio, which amounted to 0.25% in 2003, over the past four years has varied between 0.08% and 0.29%, well below the target of maximum 0.40%.

Market risks related to investment activities should not lead to an accumulated loss in investment earnings exceeding one quarter's normalised earnings at any time in a calendar year. Operational risks should be kept within manageable limits at reasonable costs.

### Dividend pay-out ratio
Nordea is pursuing a policy of high dividends. The annual level depends on market return requirements and the amount of capital needed for development of activities. Dividend payment will normally exceed 40 percent of the net profit for the year.

The dividend pay-ratio ratio for 2003 is proposed to be 48% compared to 76% for 2002.

### Capital ratio
Efficient use of capital will contribute to achieving the profitability target and shareholder value creation. Nordea aims at a tier 1 capital ratio above 6.5% and a total capital ratio not lower than 9%. Distribution of dividends and repurchase of own shares are used in the management of capital.

At the end of 2003 Nordea's tier 1 capital ratio was 7.3%, slightly higher than at the end of 2002.

Internally, economic capital is used as a measure of the amount of capital required to cover unexpected losses thereby reflecting the actual risks taken. Economic capital is allocated to business areas and activities reflecting all categories of risk, such as credit, market, real estate, insurance, operational and business risks.

### Cost/income ratio
Nordea views the cost/income ratio as a supporting performance indicator mainly used for management of internal continuous improvement processes. At Group level Nordea is aiming at a cost/income ratio level below 55% from 2005, assuming unchanged business mix. In 2003 the cost/income ratio was 63%.

### Peer group comparison

| Peer group, as defined by Nordea | Total shareholder return, % 2003 | 2002 |
|---|---|---|
| Commerzbank | 110.9 | –56.4 |
| SEB | 54.0 | –21.0 |
| **Nordea** | **47.9** | **–28.1** |
| DnB NOR | 47.2 | –10.7 |
| HypoVereinsbank | 45.4 | –54.7 |
| Swedbank | 44.7 | –17.2 |
| Barclays | 38.0 | –29.7 |
| BNP Paribas | 34.5 | –20.8 |
| Société Générale | 34.1 | –8.8 |
| SHB | 31.4 | –22.4 |
| KBC | 28.5 | –16.4 |
| Danske Bank | 23.4 | –9.4 |
| ABN AMRO | 29.4 | –9.6 |
| Sampo | 19.5 | –10.7 |
| HBOS | 18.0 | –14.1 |
| Royal Bank of Scotland | 16.2 | –8.7 |
| Bank of Ireland | 14.9 | –3.7 |
| Lloyds TSB | 11.0 | –36.7 |
| Abbey National | 8.7 | –43.8 |
| Allied Irish Bank | 1.2 | 2.4 |

Source: Bloomberg

## Key performance indicator

| | 2003 | 2002 | Target |
|---|---|---|---|
| Total shareholder return, position in peer group | 3 | 15 | In the top five of the peer group of 20 banks |
| Return on equity excluding goodwill, % | 14.5 [1] | 11.3 | RoE >15% from 2004 |
| Costs, EURm | 3,673 | 3,745 | Unchanged cost level in 2004 compared to 2003 |
| Loan loss ratio, % | 0.25 | 0.18 | < 0.40% of loans and guarantees on average over a business cycle |
| Dividend pay-out ratio, % | 48 [2] | 76 | > 40% of net profit |
| Tier 1 capital ratio, % | 7.3 | 7.1 | > 6.5% |
| Supporting performance indicator | | | |
| Cost/income ratio, % | 63 | 64 | < 55% from 2005 |

1 With standard tax rate in Q3 2003 and excluding the negative impact of real-estate write-downs at year-end.
2 Proposed

## Business definitions

**TSR**
Total shareholder return measured as growth in the value of a shareholding over a specified period, assuming that dividends are re-invested at the time of payment to purchase additional shares.

**Return on equity**
Net profit before minority interest and goodwill depreciation as a percentage of average shareholders' equity (per quarter). Average shareholders' equity includes minority interests and excludes remaining goodwill.

**Costs**
Operating expenses before loan losses and goodwill depreciation.

**Loan losses/loan loss ratio**
Loan losses as a percentage of average loans and quarantees (per quarter).

**Dividend pay-out ratio**
Dividend payment as a percentage of net profit for the year.

**Tier 1 capital ratio**
Tier 1 capital as a percentage of riskweighted assets end of period.

**Cost/income ratio**
Operating expenses before loan losses and goodwill depreciation as a percentage of operating income and share of profit/loss from companies accounted for under the equity method as well as investment earnings (banking), as reported in the operational income statement. Operating profit from insurance activities is excluded.

*The overall purpose of Nordea's Planning and Performance Management Model (PPMM) is to increase groupwide focus on the creation of shareholder value, ensure aligned and focused strategy implementation and support the development of a common Nordea corporate culture and the creation of one bank.*

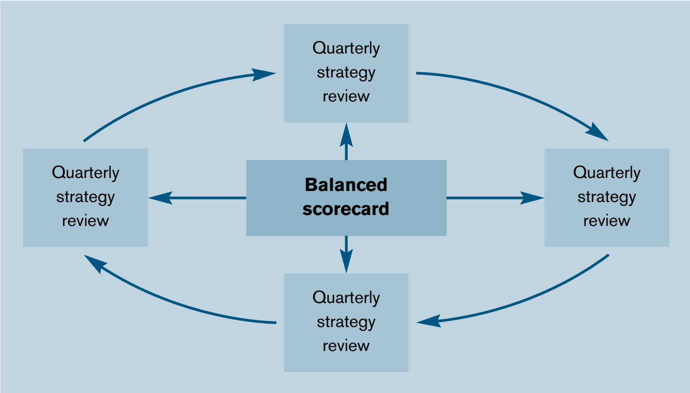
# Managing for value

### Nordea's Planning and Performance Management Model

The three core elements in PPMM are Balanced Scorecard (BSC) to drive strategy into actions, Rolling Financial Forecasts (RFF) to maintain an updated view on future financial performance and Service Level Agreements (SLA) to focus on cost control and enhanced quality in internal service deliveries.

### Balanced Scorecard

The purpose of the BSC framework is to make strategy operational. The idea is to identify strategic areas where change is required. These areas are referred to as strategic focus areas. For each of the focus areas, a key performance indicator (KPI) including targets is defined, and strategic initiatives identified in order to close the gap between actual and target performance. Examples of KPIs are economic profit, cost/income ratio, market position, customer satisfaction and employee satisfaction. When business strategy, target for each KPI and initiatives are aligned, the strategy becomes operational.




BSC is implemented for the Group as whole and in each business area. BSC for the business areas and their subordinate units are aligned to the Group's BSC. Each business area is responsible for the implementation process in its own area and BSC is implemented on three levels in each business area. The implementation in Group functions such as Group Staffs, Group Corporate Centre, Group Processing and Technology and Internal Audit Activity has been finalised during 2003.

**Rolling Financial Forecasts**
In order to secure a continuously updated view on future financial performance, RFF is implemented in each business area and Group Processing and Technology. RFF has a five quarters horizon and it is updated on a quarterly basis. There is no element of target-setting in RFF. The latest available inputs regarding major drivers of financial results are considered in order to provide the best possible estimate of future earnings. Management focuses on deviations between RFF and the targets for KPIs within the financial perspective in each BSC. This ensures focus on the future and potential need for corrective actions, rather than on historical performance.

**Service Level Agreements**
SLAs have been implemented to promote a common understanding regarding services, priorities and responsibilities between internal service providers, eg IT, Production and Productivity, Finance, and service receivers, which are mainly the business areas. SLA is an internal business contract between providers and receivers specifying the services that will be delivered according to agreed service levels, volumes and prices. The main purpose is to prioritise cost control and enhanced quality in internal service deliveries. During 2003 a common service structure has been achieved and responsibilities clarified with focus on improving service delivery performance and strict cost management.

**Management process aligned to PPMM**
The CEO holds quarterly review meetings with all business areas and group functions in order to follow up strategy implementation and performance.

The management process aligned to PPMM supports a team-oriented executive management culture, increases executive accountability with clearly defined targets to ensure that appropriate action is taken, and sharpens the focus on strategic direction. The quarterly review meetings improve the understanding of the strategic drivers that deliver customer value and achieve financial performance, and ensure use of the BSC framework to communicate priorities and report on performance all over Nordea. The management process aligned to PPMM is an ongoing process that makes strategy implementation a continuous responsibility and not a yearly event. Continuous tactical performance monitoring is also part of PPMM.

**Economic profit**
Economic profit was introduced in 2002 as the overall key performance indicator. Economic profit will further strengthen the link between Nordea's internal financial objectives and shareholder value creation.

Economic profit measures value creation from a shareholder perspective. Positive economic profit means that the shareholders' value is growing, while a negative value reflects a business where value is destroyed. Economic profit may be calculated along several dimensions, eg different organisational levels, products or customers. Economic profit supports alignment with shareholders' interest by providing incentives for profitable growth, focus on cost efficiency as well as related risks throughout the organisation.

The roll-out of economic profit started in 2002 at business areas level. Economic profit is now used as a target in the BSC. To further drive the value from economic profit, business areas started in 2002 to roll out economic profit to lower levels of the organisation.

Corporate and Institutional Banking has implemented economic profit as an active management tool. Economic profit is the key performance indicator at profit centre level. Additionally, customer relationship and single transactions are evaluated through economic profit analyses. Economic Profit is implemented as part of the Customer Profitability System as well as in the performance measurement of business units.

Retail has organised a project with different work streams to deal with credit rating issues, measurement methodology, and management information systems. During 2003, focus shifted towards incorporation of the framework into daily operations. Economic Profit results can now be tested at both customer and branch level.

Asset Management and Life has implemented economic profit as an active management tool. Economic profit is now used in management reporting when measuring the performance of the business units within AM&L.

In all business areas a change in customer dialogue, customer relationship and pricing is expected and seen as a natural extension of the economic profit framework. The implementation in each business area is coordinated at Group level and a full implementation in all business areas is to be expected before end 2004, when economic profit shall be embedded in all business decisions.

### Calculation of economic profit

Economic profit is arrived at by calculating a risk adjusted profit and subtracting the cost of equity. Risk-Adjusted profit is based on the actual income and costs, expected loan losses, and standard tax. Expected loan losses are the assumed long-term average loan losses. In addition a standard tax rate is used in order to normalise the profit to ensure an adequate comparability.

Cost of equity is the estimated yield shareholders require to invest in Nordea shares multiplied by economic capital. The long-term risk-free rate, the premium to invest in shares and the Nordea share's volatility compared to shares in general are used to set the percentage.

### Economic capital

Economic capital is based on a compilation of the various risks into a total need for capital. Losses are unpreventable in the business performed by Nordea, and thus require a cushion of capital. The economic capital is the capital that is estimated to be required to cover unexpected losses.

**Economic profit =**

$$\overbrace{\text{income} - \text{costs} - \text{expected loan losses} - \text{standard tax}}^{\text{risk adjusted profit}} \quad \overbrace{- \ \text{cost of capital in percent} \times \text{economic capital}}^{-\ \text{cost of equity}}$$

*Nordea aims at reducing complexity in processes, thereby improving efficiency. Focus is placed on centralising process functions and consolidating support systems. This will result in harmonised groupwide processes that have been re-engineered for maximum efficiency. The operating model includes an active use of sourcing solutions for non-core activities that are performed more efficiently outside the bank.*

# Efficiency in processes

**Centralisation and consolidation of production processes**

Progress has been made within the area of back-office processing and continuous rationalisation on a cross-Nordic basis. A wide range of processing tasks have been centralised under one management within Group Processing and Technology (GPT) with a high degree of automation. Remaining production processes in the branch network will gradually be centralised to GPT to enable the branches to focus more on customers and sales activities.

During 2003 the centralisation and consolidation of back office processing and systems has continued in GPT to increase efficiency and secure one way of working. Consolidation with respect to production processes supporting trade finance, FX, money market and derivatives products will be completed in 2004.

### Centralisation and consolidation of administrative processes

Groupwide intitatives regarding financial reporting as well as procurement are examples of initiatives to streamline administrative processes within Nordea.

A Finance Shared Service (FSS) Centre has been established in Stockholm. The mission of FSS is to gain the benefits of common Nordic systems, competencies, data and finance processes to reduce costs and ensure the quality and consistency of delivery of accounting and financial information within the Nordea Group.

The new Fincance Shared Service Centre is built with focus on the following major activities.

- Moving from having four finance operations located in four countries to having one consolidated finance operation in Stockholm with minor local support
- Going from multiple local finance processes to having harmonised centralised finance processes based on best practise and use of new common finance systems
- Going from multiple local finance systems with several manual tasks to having a few Nordic systems with automated processes. SAP has been chosen as the preferred finance system provider for this purpose.

The next step in the Finance Shared Service Centre will be to study and analyse the potential for services and/or units to be included in the centralised processes and to further reduce the costs of transaction processing and reporting.

A Group Support and Procurement function has been established, focusing on optimising Nordea's spending on goods and services by deploying a consolidated Group approach to a total procurement spending. In 2003 spending amounted to approximately EUR 1,200m. The focus is on consolidating spending across countries and by reducing complexity through unification of product/service specifications, processes and policies. In 2003, Nordea's spending on office supplies and travel has been reduced and this has generated realised savings of more than EUR 5m. New spending categories have been launched and savings of EUR 15–20m are expected in 2004. This will contribute towards achieving the flat cost target.

Within Group Support and Procurement a centralised Premises Management function has been established for the main office buildings in the Nordic region. Total office space has been reduced by more than 1,850 work places corresponding to a yearly rent costs of EUR 15m.

### Selective use of sourcing alternatives

To achieve further cost efficiency, Nordea is continously considering outsourcing solutions for non-core activities.

On September 30th Nordea signed a 10-year IT service agreement with IBM to transform and consolidate the Nordea Group IT production services into an on-demand infrastructure. As part of the solution, Nordea together with IBM formed a single-purpose joint venture, Nordic Processor AB, which employs about 900 employees transferred from Nordea. Nordic Processor was effective from 1 November 2003. Through this partnership Nordea will speed up the consolidation of IT production and thereby improve cost efficiency. The existing five data centres will be consolidated into one location with two fully mirroring production centres. Technological platforms, networks and desktops will be consolidated and standardised. An environment with key IT functions, such as resource provisioning, asset tracking, workflow scheduling, and realtime infrastructure monitoring will be deployed.

### Focus on portfolio of integration projects

During 2003, Nordea decreased the IT development costs by approximately 20% and lowered the number of activities in this field in order to reduce costs as well as the operational risk in the IT development.

The management of the portfolio of integration projects has been centrally organised in Nordea and there has been strong focus on securing the success of large integration initiatives. A common framework for managing and controlling projects has also been implemented.

During 2003 the overall status of the project portfolio has improved and most initiatives are considered to be "on track".

# Group result

## Key financial figures

### Operational income statement

| EURm | 2003 | 2002 | 2001 | 2000[1,2] | Pro forma 1999[1] |
|---|---|---|---|---|---|
| Net interest income | 3,366 | 3,451 | 3,465 | 2,838 | 2,755 |
| Net commission income | 1,486 | 1,535 | 1,432 | 1,454 | 1,164 |
| Trading income | 567 | 530 | 543 | 415 | 243 |
| Other income | 220 | 154 | 165 | 134 | 378 |
| **Total income** | **5,639** | **5,670** | **5,605** | **4,841** | **4,540** |
| Personnel expenses | –2,101 | –2,086 | –1,848 | –1,534 | –1,421 |
| Profit sharing | –46 | – | –30 | –45 | –35 |
| Other expenses | –1,526 | –1,659 | –1,511 | –1,274 | –1,278 |
| **Total expenses** | **–3,673** | **–3,745** | **–3,389** | **–2,853** | **–2,734** |
| **Profit before loan losses** | **1,966** | **1,925** | **2,216** | **1,988** | **1,806** |
| Loan losses, net | –363 | –261 | –373 | –79 | –91 |
| Equity method | 57 | 52 | 95 | 62 | 117 |
| **Profit before investment earnings and insurance** | **1,660** | **1,716** | **1,938** | **1,971** | **1,832** |
| Investment earnings, banking | 170 | 122 | 172 | 431 | |
| Operating profit, life insurance | 149 | 2 | –17 | 73 | 124 |
| Operating profit, general insurance | – | –122 | –18 | 53 | 172 |
| Goodwill amortisation and write-downs | –167 | –171 | –147 | –93 | –39 |
| **Operating profit** | **1,812** | **1,547** | **1,928** | **2,435** | **2,089** |
| Real estate write-downs | –115 | – | – | –40 | –145 |
| Allocation to/from pension foundation | – | –255 | – | 32 | 65 |
| Taxes | –205 | –405 | –360 | –691 | –346 |
| Minority interests | –2 | 0 | 0 | –3 | –2 |
| **Net profit** | **1,490** | **887** | **1,568** | **1,733** | **1,661** |

**Ratios and key figures** (see Business definitions page 20)

| | | | | |
|---|---|---|---|---|
| Earnings per share, EUR | 0.51 | 0.30 | 0.53 | 0.58 |
| Share price[3], EUR | 5.95 | 4.20 | 5.97 | 8.10 |
| Shareholders' equity per share[3], EUR | 4.28 | 4.06 | 4.00 | 3.74 |
| Shares outstanding[4], million | 2,846 | 2,928 | 2,965 | 2,982 |
| Return on equity excluding goodwill[5], % | 16.7 | 11.3 | 19.2 | 19.4 |
| Return on equity, % | 12.3 | 7.5 | 13.8 | 16.1 |
| Lending[3], EURbn | 146 | 146 | 138 | 129 |
| Deposits and borrowings from the public[3], EURbn | 96 | 94 | 91 | 81 |
| Shareholders' equity[3,4], EURbn | 12 | 12 | 12 | 11 |
| Total assets[3], EURbn | 262 | 250 | 242 | 224 |
| Assets under management[3], EURbn | 113 | 96 | 105 | 105 |
| Cost/income ratio, banking[6], % | 63 | 64 | 58 | 54 |
| Cost/income ratio, excluding investment earnings, % | 64 | 65 | 59 | 58 |
| Tier 1 capital ratio[3], % | 7.3 | 7.1 | 7.3 | 6.8 |
| Total capital ratio[3], % | 9.3 | 9.9 | 9.1 | 9.4 |
| Risk-weighted assets[3], EURbn | 134 | 135 | 136 | 132 |

1 Incl Nordea Bank Danmark (former Unidanmark) 1999 and Q1 2000 pro forma.
2 Profit 2000 excl Nordea Bank Norway (formerly Christiania Bank og Kreditkasse).
3 End of period, incl Nordea Bank Norway from Q4 2000.
4 End of period. Total shares registered was 2,928 (2,985) million. The number of own holdings of shares in Nordea Bank AB (publ) was 82 (57) million. The average number of own shares was 50 (30) million. Average number of shares Jan–Dec 2003 was 2,921 million (Jan–Dec 2002 2,955). Dilution is not applicable.
5 Net profit before minority interests and goodwill amortisation/write-downs as a percentage of average shareholders´equity (per quarter). Average shareholders´equity includes minority interests but with all outstanding goodwill deducted.
6 Total expenses divided by the sum of total income, equity method and investment earnings, banking.

# Comments to the operational income statement

**Result summary 2003**
In 2003, Nordea's financial performance improved and tangible results were delivered on the four short-term top priorities identified in the autumn of 2002. Earnings volatility was reduced and income was maintained at a stable level despite all-time low post-war short-term interest rates. A culture of strict cost management has grown in the organisation and costs in 2003 was well within the stated target of unchanged costs compared to 2002. Capital efficiency was strengthened and loan losses occurred mainly in one single industry. The credit portfolio is considered to have a good overall quality.

Operating profit was up by 17% in 2003 compared to 2002 reflecting stable income, reduced total expenses, increased loan losses, a sharply improved operating profit from insurance activities as well as stronger investment earnings, banking.

Earnings per share were EUR 0.51 compared to EUR 0.30 in 2002 and return on equity (excluding goodwill) was 16.7% compared to 11.3% in 2002. Adjusted for the positive tax contribution in the third quarter, using standard tax rate, and the negative impact of real estate write-downs at year-end, earnings per share were EUR 0.43 and return on equity 14.5% (excluding goodwill).

**Income**
Strong sales efforts contributed to increased business volumes and maintained income level despite difficult markets in 2003. Total income was EUR 5,639m, 1% lower than in 2002. Adjusted for currency fluctuations, total income increased marginally.

Net interest income was EUR 3,366m in 2003, down by 2% compared to 2002. Total lending was unchanged at EUR 145bn. The underlying volume growth was 2% when adjusting for currency fluctuations. Lending to personal customers increased by 12% reflecting strong demand for mortgages. On-balance sheet lending to corporate customers decreased, but margins improved. Deposits were EUR 96bn, an increase of 1% compared to the end of 2002.

Falling interest rates had a negative impact especially on deposit margins in the retail sector throughout the year. Active management of the interest rate exposure did, however, reduce the negative effect on net interest income in the second half of the year, by EUR 10m - 15m per quarter. The effect is expected to be reduced from and including the second quarter.

Net commission income was down slightly at EUR 1,486m compared to EUR 1,535m in 2002. Brokerage was down by EUR 67m as a result of reduced stock market turnover, particularly in Finland, and restructuring of the brokerage business leading to reduced revenues, but improved profitability. The reduction was partly compensated for by improved commissions from asset management, which grew by EUR 17m to EUR 467m as a result of strong net sales and gradually improving equity markets during the year. Commissions from payments also continued to grow, increasing by EUR 40m to EUR 764m. Household payment transactions increased by 10% in 2003 reflecting a strong growth in the number of card and internet transactions, as well as a reduced number of manual transactions.

Trading income increased from EUR 530m in 2002 to EUR 567m in 2003, reflecting the further strengthening of Nordea's position as a leading provider of derivatives and debt-capital market services.

Other income increased by EUR 66m to EUR 220m. In 2003, Nordea undertook a number of divestments in line with its strategy to focus on core business. This resulted in several non-recurring gains, which increased other income.

**Expenses**
Expenses were EUR 3,673m, a decrease by EUR 72m, or 2% in 2003. Total costs were well within the target of flat costs compared to 2002, even when including EUR 46m reservation for profit-sharing schemes. The process of reducing complexity, including centralisation and consolidation of back-office processes, and rationalisation on a cross-Nordic basis has contributed to the decrease.

Underlying expenses decreased by approx. 6%. Total costs in 2003 included acquired business in Poland and reservation for profit-sharing, which were not included in 2002, as well as higher restructuring costs and higher variable salaries than in 2002. The effect of currency fluctuations has also been taken into account when determining the underlying cost development.

Personnel expenses were EUR 2,101m in 2003, an increase by 1%. Underlying personnel expenses decreased by 2% when adjusting for acquired business in Poland, increased variable salaries and restructuring costs.

The number of employees was reduced by 3,510 to 30,761 of which approx. 900 as a result of the joint venture with IBM and approx. 500 as a result of the sale of the Finnish real estate brokerage business.

Reservation for profit-sharing amounted to EUR 46m. In 2002, no cost under Nordea's profit-sharing schemes arose.

Other expenses were EUR 1,526m, a decrease by 8% compared to 2002, reflecting a generally strengthened cost management culture in the Group. IT development costs were reduced by approx. 20%.

The cost/income ratio was 63% (64%). Excluding reservations for profit-sharing, the cost/income ratio was 62%.

### Loan losses

The Group's continuous concentration on Nordic customers has helped to maintain the credit quality at a satisfactory level and the overall quality of the portfolio is good. Loan losses were EUR 102m higher than last year, primarily reflecting the weakness in parts of the Norwegian Retail Banking portfolio. Loan losses corresponded to 0.25% of total loans and guarantees.

### Investment earnings, banking

Investment earnings increased by EUR 48m to EUR 170m in 2003 following gains on the fixed income portfolio in the first half of the year and on the equity portfolios in the second half of 2003.

### Life insurance

Profit from Life insurance improved to EUR 149m from EUR 2m in 2002 mainly reflecting the gradual implementation of the changed business model in Life. This model has been a key element in reducing the overall volatility in Nordea's earnings in 2003.

### General insurance

In 2002, a loss of EUR 122m was generated in the general insurance activities that were sold in that year.

### Real estate write-downs

Nordea has previously been one of the largest real estate owners in the Nordic region. In accordance with the strategy to focus on core business and increase capital efficiency it was decided to reduce the Group's real estate exposure and initiate a real estate disposal programme. This has resulted in the divestment of Nordea's residential property and owner-occupied properties in Denmark, the sale of the shares in Nordisk Renting and Citycon, and the agreement in December last year whereby Nordea sold 97 properties in Finland, Norway and Sweden comprising primarily larger regional offices and traditional branch offices.

A write-down of EUR 115m related to this ongoing process materialised in the year-end accounts. The net financial effect of recent and ongoing real estate disposals is expected to be a gain of approx. EUR 200m as a result of the write-down of EUR 115m and an expected gain of approx. EUR 300m in 2004.

### Net profit

Net profit increased by 68% to EUR 1,490m reflecting the improvement in operating profit, the positive tax contribution in the third quarter, last year's allocation to pension foundations as well as the impact of the real estate write-downs in the fourth quarter 2003.

## Business area result

| EURm | Business areas: Retail Banking | Business areas: Corporate and Institutional Banking | Business areas: Asset Management & Life: Asset Mgmt | Business areas: Asset Management & Life: Life | Group Treasury | Group Functions and Eliminations | Total |
|---|---|---|---|---|---|---|---|
| Customer responsible units: | | | | | | | |
| Net interest income | 2,993 | 412 | 30 | | 132 | –201 | 3,366 |
| Other income | 1,360 | 577 | 224 | | –17 | 129 | 2,273 |
| **Total income incl. allocations** | **4,353** | **989** | **254** | | **115** | **–72** | **5,639** |
| of which allocations | 528 | –294 | –201 | | 10 | –43 | 0 |
| Expenses incl. allocations | –2,488 | –523 | –159 | | –33 | –470 | –3,673 |
| of which allocations | –1,440 | –163 | 15 | | | 1,588 | 0 |
| Loan losses | –311 | –39 | | | | –13 | –363 |
| Equity method | 19 | 17 | | | | 21 | 57 |
| **Profit before investment earnings and insurance** | **1,573** | **444** | **95** | | **82** | **–534** | **1,660** |
| Investment earnings, banking | | | | | 164 | 6 | 170 |
| Operating profit, life insurance | | | | 114 | | 35 | 149 |
| Goodwill amortisation and write-down | –29 | –14 | | | | –124 | –167 |
| **Operating profit 2003:** | **1,544** | **430** | **95** | **114** | **246** | **–617** | **1,812** |
| Operating profit 2002: | 1,618 | 518 | 80 | –78 | 114 | –705 | 1,547 |
| Return on equity, % | 24% | 14% | | | | | 16,7% |
| Cost/income ratio, banking, % | 57% | 53% | 63% | | 12% | | 63% |
| **Other information, EURbn** | | | | | | | |
| Total assets | 151 | 82 | 4 | 25 | 15 | –15 | 262 |
| Lending | 119 | 20 | 2 | | 5 | | 146 |
| Deposits | 70 | 15 | 3 | | 7 | | 96 |
| Capital expenditure, EURm | 67 | 0 | 3 | 1 | 0 | 26 | 97 |
| Depreciations, EURm | –28 | 0 | –7 | –4 | 0 | –76 | –115 |
| **Product result 2003:** | | | **180** | **161** | | | |
| Product result 2002: | | | 180 | 11 | | | |

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

The principles used in the segment reporting are described below. Figures are disclosed and consolidated using end of period and average currency rates in conformity with the statutory reporting. Previously,fixed planning rates were used. Historical information has been restated accordingly.

Within Nordea, customer responsibility is fundamental. The Group's total business relations with customers are reported in the customer responsible unit's income statement and balance sheet.

Capital allocation is based on the internal framework for calculating economic capital, which reflects each business unit's actual risk exposure considering credit and market risk, insurance risk as well as operational and business risk. This framework optimises utilisation and distribution of capital between the different business areas. When calculating return on allocated capital standard tax is applied.

Economic profit constitutes the internal basis for evaluating strategic alternatives as well as for the evaluation of financial performance.

Asset Management & Life has customer responsibility within investment management and in private banking outside a joint unit with Retail Banking. In addition, the business area commands product responsibility for investment funds and life insurance. The operating profit shown in the accompanying table includes the customer responsible units. The product result for Asset Management and Life respectively represent the Group's total earnings on these products, including sales and distribution costs within Retail Banking. The product result for Asset Management includes, in addition to the operating profit, revenues and expenses related to investment funds allocated to Retail Banking respectively. In addition estimated sales and distribution costs within Retail Banking is included in the product result.

When allocating income and cost between business areas and group functions a gross principle is applied, with the implication that cost is allocated separately from income. Cost is allocated according to calculated unit prices and the individual business areas' consumption. Income is allocated following the underlying business transactions combined with the identification of the customer responsible unit.

Internal allocations of income and expenses are performed in such a way that allocated expenses from a business unit is subtracted from the expenses and added to the expenses in the receiving business unit, with the result that all allocations adds to zero on Group level. The same principle is applied for income allocations.

The assets allocated to the business areas include trading assets, loans and advances to credit institutions and lending. The liabilities allocated to the business areas include deposits from the public as well as by credit institutions.

Included in business areas' assets and liabilities are also other assets and liabilities directly related to the specific business area or group function, such as accrued interest, fixed assets and goodwill. All other assets and liabilities, and certain items required to reconcile balances to the Nordea Group are placed in the segment Group Functions and Eliminations.

Funds transfer pricing is based on current market interest rates and used against all assets and liabilities allocated or booked in the business areas or group functions, resulting in a remaining net interest income in business areas driven in essence from margin on lending and deposits.

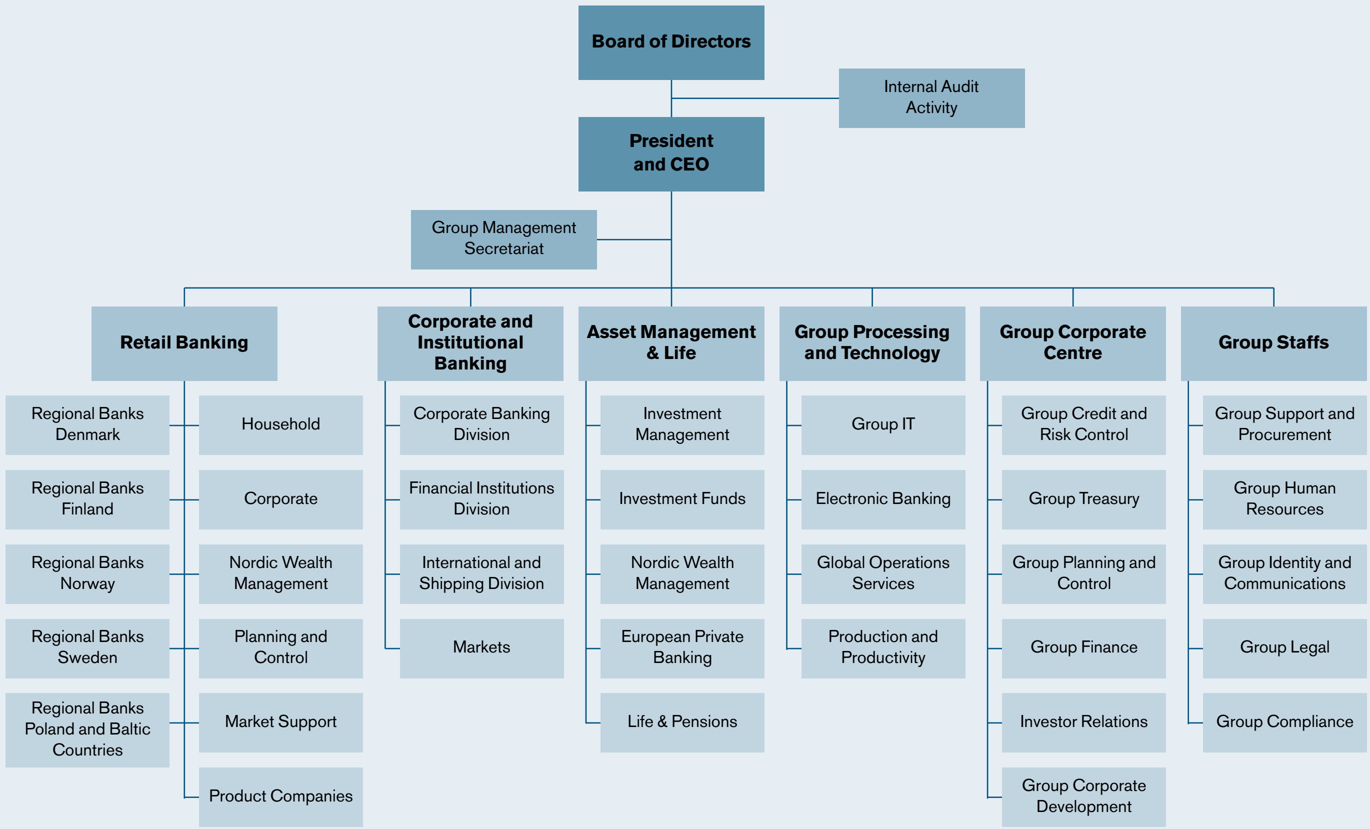
Goodwill generated as part of business areas' strategic decisions is included in business areas' balances. This also applies to the corresponding result effect derived from amortisation and write-downs and funding costs. Goodwill arising from the creation of Nordea is not allocated, but is placed as part of Group Functions and Eliminations, together with the result effects.

Economic Capital is allocated to the business areas according to risks taken. As part of net interest income business units receive a capital benefit corresponding to the expected average long-term risk-free return of comparable equity. The cost above Libor from issued subordinated debt is also included in the business areas net interest income according to the use of Economic Capital.

Group internal transactions between countries and legal entities are performed according to arms length principles in conformity with OECD requirements on transfer pricing. The financial result of such transactions is fully consolidated into the relevant business areas based on assigned product and customer responsibilities. As previously mentioned, the total result related to investment funds is included in Retail Banking, as well as sales commissions and margins from the life insurance business.

The segment Group Functions and Eliminations contains, in addition to goodwill related to the creation of Nordea, expenses in Group Functions not defined as services to business areas, results from real estate holdings, central provisions for loan losses and profits from companies accounted for under the equity method which are not included in the customer responsible units.

# Group organisation



*Retail Banking has customer responsibility for personal and corporate customers and develops, markets and distributes a broad range of financial products and services. Retail Banking is a strongly decentralised profit-centre-based organisation where the branch offices and the regions are the profit centres with the responsibility for all business their customers have with the bank, including risks related to such business, the quality of the services offered as well as profitability.*

# Retail Banking

**Strategic direction**

**Establish a stable and broadly based growth of income**

- Increase sales to all existing customers
- Acquire new profitable customers
- Sell more through all channels: Branches, Netbank and Contact Centres
- Sell products in bundles

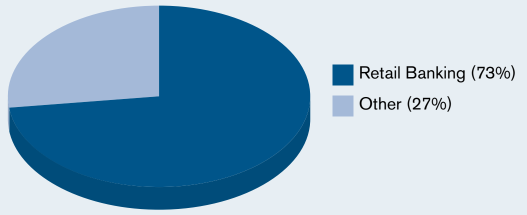
**Ensure operational excellence and cost efficiency in all processes**

- Implement common solutions
- Encourage the customers to use Netbank and Contact Centres
- Handle customers according to segment-based strategy
- Enforce strict cost management

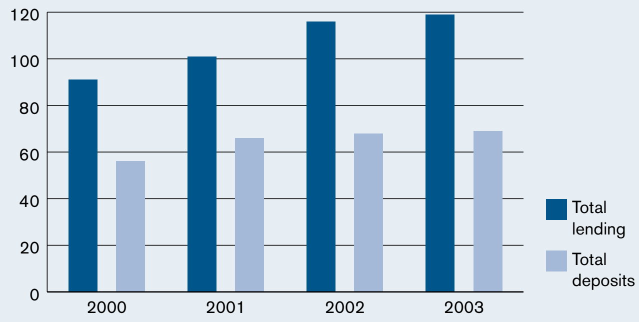
**Optimise risk taking and use of capital**

- Use economic profit to determine individual corporate customer strategy
- Secure the right procedure for credit-granting
- Monitor credit risk and take rapid action
- Use credit-scoring models

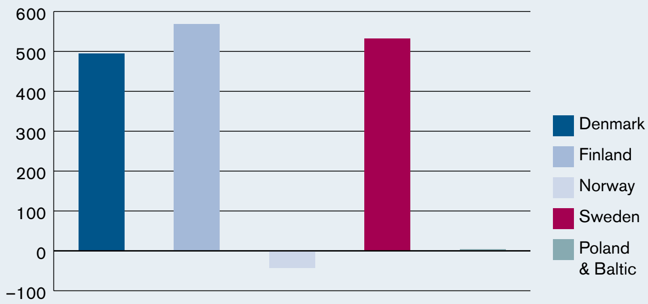
**Retail banking in the Nordea Group, % of income 2003**




**Volumes 2000–2003**
EURbn




**Operating profit per country 2003**
EURm




## Establish a stable and broadly based growth of income

Retail Banking comprises 11 regional banks in the Nordic countries. The operations in Estonia, Latvia, Lithuania and Poland are organised into one separate region.

### Achievements in 2003

*Personal customers*

Lending to personal customers continued to grow strongly. The loan volume increased by 13%, or EUR 7.0bn during 2003 to EUR 63bn at year-end. Growth in lending has been strongest in Finland and Denmark. Deposits from personal customers increased by 3%, or EUR 1.2bn during 2003 to EUR 41.0bn at year-end. Growth in deposits has been strongest in Denmark and Sweden. The net sale of investment funds to personal and corporate customers was EUR 4.1bn, which is higher than in 2002.

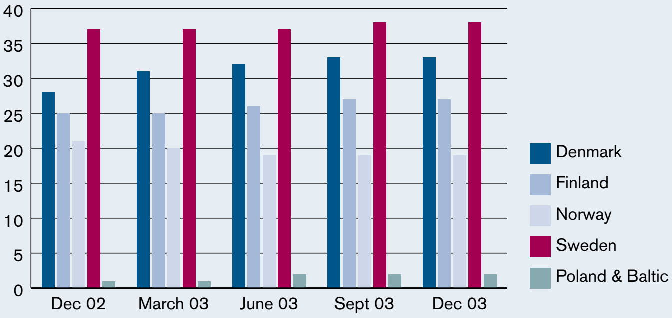
Lending margins were unchanged at 1.6% compared to 2002, while deposit margins decreased by approx. 0.4% points to 1.7% as a result of interest rate decreases. Efforts to compensate the earnings shortfall have been made in widening individual product margins and together with the strong growth in household lending this has significantly softened the negative impact on interest earnings.

In an effort to demonstrate the value of bringing more business to Nordea, the bank provides a transparent customer concept differentiated by service and pricing levels. Superior levels of pricing and service are offered as customers increase their business volume and product holdings.

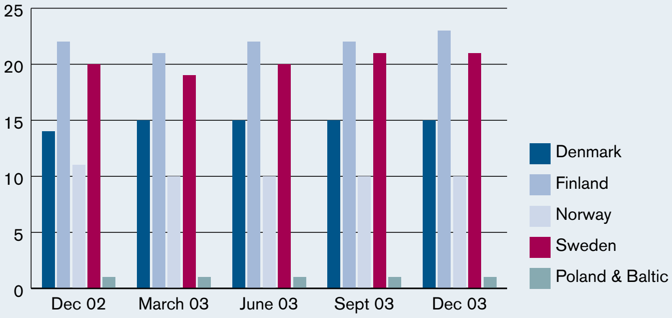
To support the customer-centric approach a number of product package and advisory initiatives have been campaigned during 2003 including a Nordic multi-channel campaign with offers of MasterCard / MasterCard Gold and Visa Electron, and new instalment free mortgage products in Denmark.

In 2003, a centralised customer-segment-responsible unit has been established with overreaching responsibility for managing marketing tools, including direct marketing, and uptiering customers in the customer programme pyramid.

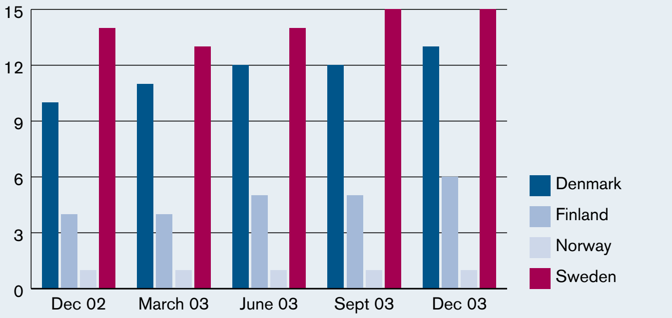
**Lending by country**
EURbn



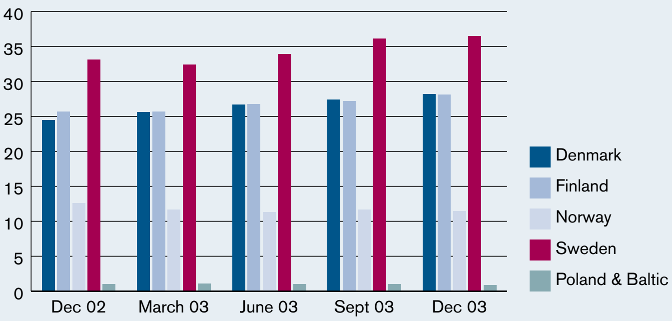

**Deposits by country**
EURbn




**Mutual funds by country**
EURbn




**Total savings by country**
EURbn




A new Nordic customer service concept within Private Banking was launched in Denmark, and pilot projects have been established in Finland, Sweden and Norway. The concept is standardised cross Nordic and ensures added value for customers as well as cost-efficient and profitable handling of customers.

A financial planning tool has been launched in Denmark, Sweden and Norway supporting bank advisers. The tool supports a balanced advisory process ensuring compliance with current and upcoming legislation demanding documentation of advice. The tool will be further developed during 2004 to fully support the new securities regulations that will be in force in Sweden in 2004.

### Corporate customers

Lending to corporate customers decreased by EUR 0.4bn to EUR 56.0bn at the end of December 2003. This followed an increase in the loan book in Finland and Denmark while loan volume to corporate customers decreased in Sweden and Norway. Deposits from corporate customers increased by 2.2%, or EUR 0.6bn during 2003 to EUR 29.0bn at year-end.

Lending margins for corporate customers were 1.2% in 2003 which is unchanged compared to 2002, and deposit margins decreased from 1.3% in 2002 to 1.1% in 2003. Widening individual product margins and adjusted pricing of corporate Netbank services and payments softened the negative impact on interest earnings.

In 2003, a segment-based corporate customer strategy was established with a view to ensure that customer needs are met with the right competencies through a multichannel distribution concept.

Large customers are serviced by senior relationship managers in special competence centres, which have been established in all Nordic countries. Medium-sized customers are served by relationship managers ensuring both high competence in the customer approach as well as good usage of the unique Nordea branch network, and the service for small customers is broadened through extensive usage of e-banking and telephone solutions, which at the same time raises efficiency. The implementation of the revised strategy for corporate customers is in progress in all countries where Nordea operates.

Several new products and services were offered to the customers during 2003, including financial risk management tools, cash management solutions, and corporate e-services.

### Focus in 2004

The customer-centric business models for personal and corporate customers outlines how all products and services are developed, bundled in packages, and sold to customers through all distribution channels in a way that is convenient for the customers and profitable for Nordea.

For personal customers, the focus in 2004 will be on the launch of customer concepts in Norway, Poland and the Baltic countries, the implementation of the Nordic CRM-system, and a sharpening of Nordea's advisory market profile in the public.

Within Private Banking, the focus will be on implementing the new standardised customer service concept throughout Nordea.

For corporate customers, the focus in 2004 will be on finetuning the customer offering through the implementation of best practice, the introduction of an enhanced solution for credit process support, and on acquiring new profitable customers.

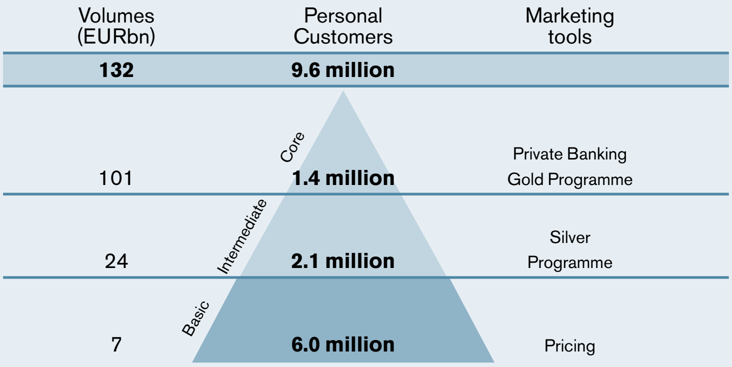
### Ensure operational excellence and cost efficiency in all processes

**Achievements in 2003**

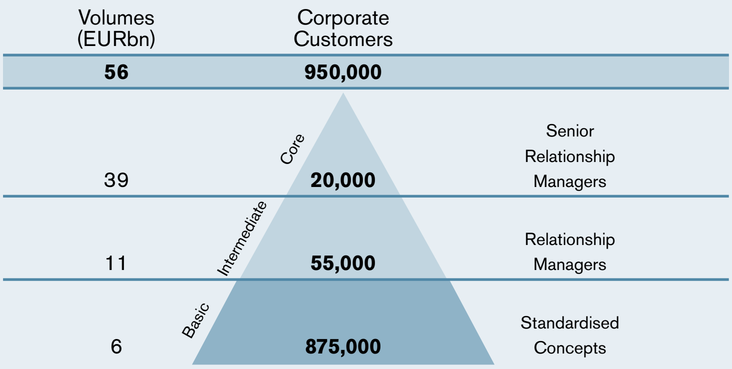
Ensuring cost control has top priority in Retail Banking, and a number of cost control initiatives were taken in 2003. The realisation of cost reductions enabled by automation and centralisation of production as well as the multichannel development, remained in focus. The total number of employees was 18,407 at year end which is a reduction of 1,776 of which approx. 550 pertain to the Finnish real-estate agency Houneistokeskus which was sold in 2003.

### Margins

| | Margins, % | |
|---|---|---|
| | 2003 | 2002 |
| Lending to corporates | 1.2 | 1.2 |
| Lending to personal customers | 1.6 | 1.6 |
| **Total lending** | **1.4** | **1.4** |
| Deposits from corporate | 1.1 | 1.3 |
| Deposits from personal customers | 1.7 | 2.1 |
| **Total deposits** | **1.4** | **1.7** |




Nordea aims at delivering a full product-range through a multi-channel distribution network, thus ensuring that the customer is experiencing one bank and chooses the appropriate channel, whether it be the local branch office, the telephone or the Internet. In this respect, one of Nordea's major strengths lies in the number of customers who already are accustomed to using conventional banking services through the Internet.



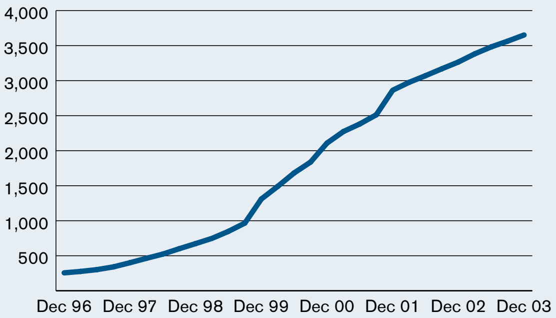

Corporate customers are segmented according to service needs and profitability. A strategic initiative defining and implementing common segmentation and segment-related service concepts has been launched with the objective of increasing customer satisfaction and as a result increase profitability.

### Market shares

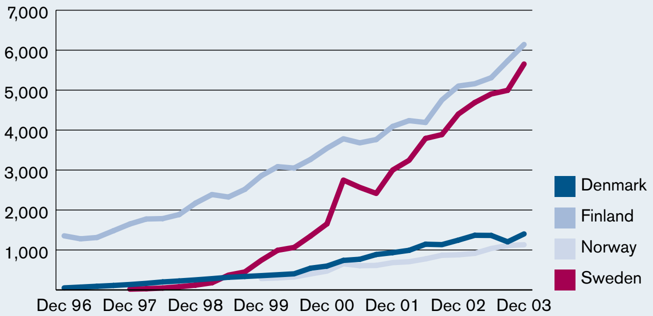
| | Denmark | | Finland | | Norway | | Sweden | |
|---|---|---|---|---|---|---|---|---|
| % | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Household, deposits | 22 | 22 | 34 | 34 | 9 | 9 | 19 | 20 |
| Household, bank lending | 18 | 19 | 32 | 31 | 11 | 10 | 10 | 11 |
| Corporate, deposits | 22 | 22 | 41[1] | 48[1] | 16 | 16 | 25 | 26 |
| Corporate, bank lending | 23[1] | 26[1] | 37 | 46 | 17 | 18 | 15 | 16 |
| Mortgage & housing loans | 13 | 12 | 33 | 33 | 11 | 10 | 16 | 16 |
| Funds | 25 | 27 | 25 | 24 | 9 | 9 | 17 | 18 |

[1] Reduction mainly due to a change in public statistics.

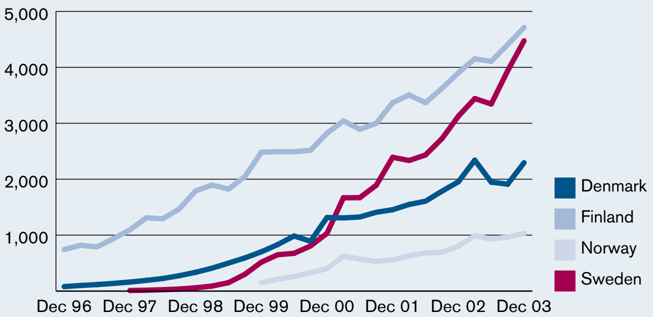
E-banking customers
1,000's



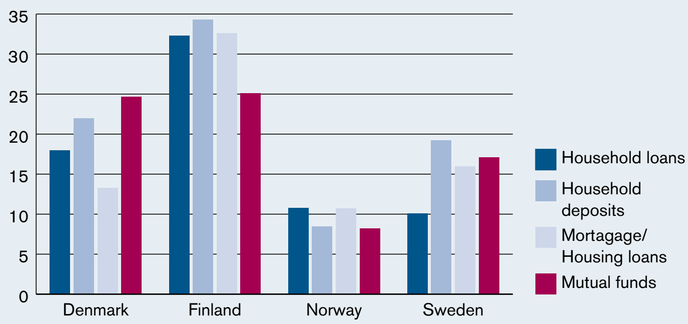

E-banking payments, monthly
000's




E-banking log-ons, monthly
000's




Market shares, Nordea
%




The total number of transactions show continuous growth and the transaction pattern has changed dramatically from 1999 to 2003 with a 39% reduction in manual transactions and a 49% increase in automated and self-service transactions.

Nordea continued to see strong sales and increasing usage in the growing range of e-banking services. During 2003 the number of Netbank users increased by 0.4 million to 3.6 million. 336,000 customers had signed up for equity trading online. The number of customer logons was 130 million in 2003, which represented an increase of 26 million, or 25%, compared to 2002, and the number of e-banking payments was 146 million during 2003, an increase of 25 million, or 20%, compared to 2002.

Nordea had 2,060 contracts with merchants using direct e-payments. 730 of them were present at the electronic market place Solo Market. Nordea's e-commerce services also include e-invoicing, e-identification and signature and e-salary.

With the strong growth in Netbank usage Nordea strengthened its position as the world's most widely used Internet bank.

*Cost control measures in regional banks and branches*
In Norway, a comprehensive reorganisation programme was launched in 2003 with the aim of making customer service more efficient, and reduce costs. This completed the implementation of a uniform customer organisation in the four Nordic countries.

Regions were reorganised in Finland, bringing the number of regions down from 31 to 21 with the aim to enhance customer and profit orientation, and reduce costs. In Sweden, regional bank management and support was centralised in 2003, and in Denmark finetuning of the branch network continued, reducing the number of branches that offer services to corporate customers.

LG Petro Bank in Poland that was acquired in 2002 was integrated into Nordea Bank Polska during 2003.

Continuous improvement of branch efficiency is supported by internal benchmarking. Branch productivity and financial results differ within and across countries. Through internal competition and individual target setting, branch managers are constantly urged to improve performance.

*Cost control measures in Nordic support functions*
The Nordic product/market and service units have been further downscaled during 2003, marketing resources have been centralised, and market research was changed into one Nordic organisation.

With a view to enhance cost efficiency and sales performance, a new organisational unit, Nordic Wealth Management was established comprising Nordic Private Banking and Savings and Investment Services.

*Central processing costs*
Approximately one third of Retail Banking's cost base is central processing costs that are governed through service level agreements with Group Processing and Technology. Such costs have been monitored closely during 2003, and cost-control measures have be taken on an ongoing basis.

*Divestment of non core business*
During 2003, the leading real estate broker in Finland, Huoneistokeskus, and the Norwegian debt collection company Inkassosentralen were sold. Nordea maintains cooperation with the companies. Also portfolio of unsecured receivables was sold in Finland

## Customer Satisfaction Index (CSI)
A comprehensive customer survey is conducted each year with the purpose of providing the whole organisation with a tool to improve customer satisfaction, and thereby overall profitability.

In 2003, the CSI results for personal Gold and Silver customers showed an increase in Denmark, a decrease in Norway, and largely unchanged levels in Finland and Sweden. For large and medium sized corporate customers, the CSI results improved in all countries.

The CSI results are used by Retail Banking executives to adjust the customer-centric business models, and in regions and branch offices to set targets for customer satisfaction for subsegments, and to identify and carry out initiatives with a view to reach such targets.

## Focus in 2004
*Regional banks and branches*
The reorganisation programme in Norway which was almost completed in 2003, will be finalised in 2004, and in Finland it has been decided to further reduce the staff in 2004 on the backdrop of a declining workload because of for example increased use of electronic services.

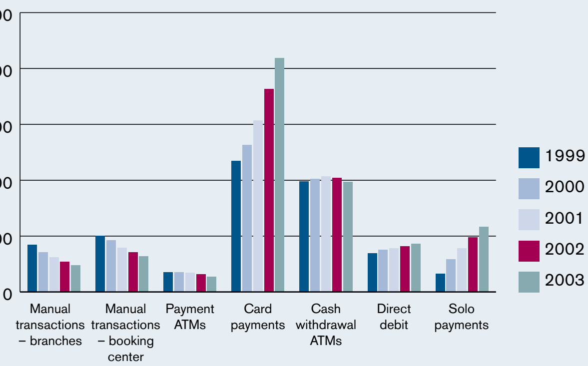
Focus will also be on carrying out a number of projects for further centralisation and automisation of manual processing activities in the branches. The ambition of these projects is to remove all major back-office responsibilities from the branch network, enabling the branch personnel to spend their time on sales and customer advice.

*IT projects*
Development resources are focused on future-oriented projects with a Nordic scope.

In 2004, such projects include the development and implementation of systems to support the deployment of the Nordic strategies for personal and corporate customers, and systems to improve the efficiency of credit processes.

*Central processing costs*
In cooperation with Group Processing and Technology, Retail Banking will aim at further reduction of central processing costs.

**Transactions, household customers 1999–2003**
millions



**Optimise risk-taking and use of capital**
Optimal allocation of capital in Retail Banking is ensured by the finetuning and rollout of the economic profit concept that supports profitable pricing and service standards.

**Achievements in 2003**
The economic profit programme was introduced in 2003 with reporting of economic profit on individual corporate customer level, which supports the relationship manager when determining the strategy for the individual customer.

For small corporate customers, the credit processing was simplified during 2003 through wide use of credit scoring.

In Norway, a number of credit control initiatives were launched on the backdrop of the large loan losses.

**Focus in 2004**
The size and quality of assets will be carefully monitored and proactive risk management procedures will be enforced.

| | | Full year 2003 | Full year 2002 |
|---|---|---|---|
| Operating profit, EURm | | 1,544 | 1,618 |
| Return on equity | | 24% | 22% |
| Cost/income ratio | | 57% | 59% |
| Customer base: | personal customers, million | 9.6 | 9.7 |
| | corporate customers, million | 0.9 | 1.0 |
| Number of employees (full-time equivalents) | | 18,407 | 20,300 |

The continuing deployment of the economic profit concept will encompass a learning process through which the relationship managers will be better able to price according to risk in all considerations pertaining to Nordea's business relation with corporate customers.

**Result 2003**
Profit before loan losses for 2003 showed a slight increase from 2002. Total income decreased by 3% compared to last year, following income growth in Denmark, Norway, Poland & Baltic and decline in Finland and Sweden.

Net interest income decreased by 5%. Volume growth has been strong, offsetting some of the negative impact on net interest income stemming from the continued decline in rates, which has lowered the interest margin on deposits. Net commision increased by 1% reflecting an increase in all countries except Norway.

Strict cost control ensured a decline in costs by 5%. The cost/income ratio decreased markedly in Denmark, Norway, Sweden and Poland & Baltic, while the ratio increased in Finland. The cost/income ratio was 57% in 2003 compared to 59% in 2002.

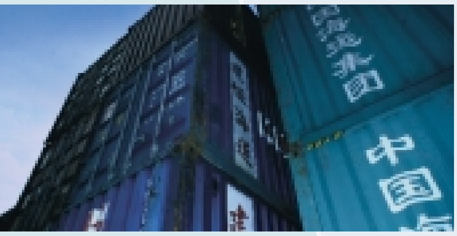
Loan losses in Retail Banking were EUR 311m in 2003, compared to EUR 219m in 2002. 90% of the losses related to Retail Norway and were to a high degree related to exposures to the fish-farming industry. Loan losses in the other countries were very low.

Operating profit before loan losses was EUR 1,865m, a slight increase compared to 2002, while operating profit at EUR 1,544m represented a slight decrease from from 2002. Return on equity remained at a high level of 24%.

**Retail Banking by market** EURm

| | Total | | Retail Denmark | | Retail Finland | | Retail Norway | | Retail Sweden | | Poland & Baltic | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Net interest income | 2,993 | 3,136 | 811 | 839 | 778 | 873 | 469 | 431 | 888 | 936 | 41 | 29 |
| Net commission & other income | 1,360 | 1,345 | 347 | 306 | 368 | 339 | 160 | 196 | 443 | 440 | 33 | 21 |
| **Total income** | **4,353** | **4,481** | **1,158** | **1,145** | **1,146** | **1,212** | **629** | **627** | **1,331** | **1,376** | **74** | **50** |
| Total expenses | –2,488 | –2,630 | –631 | –662 | –607 | –607 | –393 | –428 | –774 | –859 | –62 | –49 |
| **Profit before loan losses** | **1,865** | **1,851** | **527** | **483** | **539** | **605** | **236** | **199** | **557** | **517** | **12** | **1** |
| Loan losses | –311 | –219 | –51 | –46 | 30 | –1 | –279 | –156 | –8 | –9 | 1 | –5 |
| Equity method | 19 | 11 | 19 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Goodwill amortisation | –29 | –25 | 0 | 0 | 0 | 0 | 0 | 0 | –17 | –17 | –9 | –4 |
| **Operating profit** | **1,544** | **1,618** | **495** | **448** | **569** | **604** | **–43** | **43** | **532** | **491** | **4** | **–8** |
| Cost/income ratio, % | 57 | 59 | 54 | 57 | 53 | 50 | 62 | 68 | 58 | 62 | 84 | 98 |
| Return on equity, % | 24 | 22 | 26 | 24 | 38 | 38 | –4 | 4 | 29 | 21 | 3 | –13 |
| **Other information, EUR bn** | | | | | | | | | | | | |
| Lending | 119.0 | 112.3 | 33.1 | 28.1 | 26.9 | 24.7 | 18.9 | 20.8 | 38.3 | 37.4 | 1.8 | 1.4 |
| Deposits | 70.0 | 68.1 | 15.3 | 14.3 | 22.6 | 22.0 | 10.0 | 11.3 | 21.2 | 19.5 | 0.9 | 1.0 |
| Economic capital | 4.7 | 5.3 | 1.4 | 1.4 | 1.1 | 1.2 | 0.9 | 0.8 | 1.3 | 1.7 | 0.1 | 0.0 |

*Corporate and Institutional Banking delivers a wide range of products and services to large corporate and institutional customers. The business area comprises four divisions: Corporate Banking, Financial Institutions, International and Shipping, and Markets, and has customer responsibility for large corporates, financial institutions, shipping, offshore and oil services companies. Nordea Markets is offering capital markets, money market, fixed income, foreign exchange and equity market products and services to Nordea Group customers.*




# Corporate and Institutional Banking

### Strategic direction

The overall CIB strategy will be unchanged for 2004 and the main goal is to contribute to improved shareholder return. This implies income growth, maintained solid credit control and speedy execution of profitable initiatives, more efficient use of capital and further cost efficiency improvements.

**Establish a stable and broadly based growth of income**

- Increase share of wallet
- Further enhance position among large corporates in Sweden
- Increase focus on financial institutions

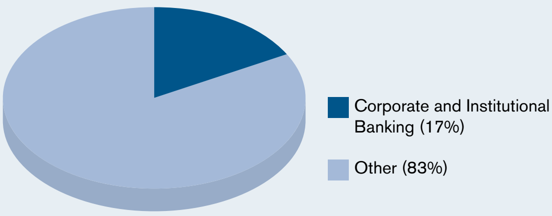
**Ensure operational excellence and cost efficiency in all processes**

- Realise full potential of the existing cost-saving initiatives and harvest full benefits
- Increase organisational efficiency

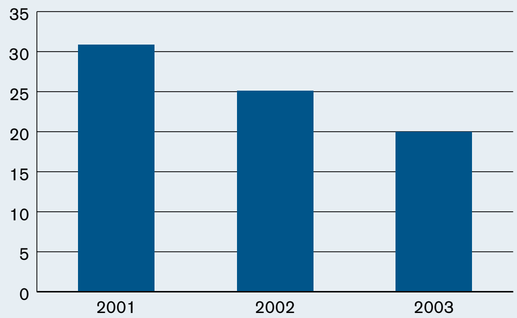
**Optimise risk-taking and use of capital**

- Active management of capital and risk
- Price according to risk
- Proactive handling of credit risk

**Corporate and Institutional Banking in the Nordea Group, % of income 2003**




**Lending volumes 2001–2003**
EURbn




**Operating profit by main area 2003**
EURm


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

## Establish a stable and broadly based growth of income

Nordea holds a strong position in the Nordic corporate and institutional banking market including:

- A leading corporate banking franchise with a broad relationship with corporates and institutions in the Nordic market
- A major international shipping business
- A leading Nordic position in debt capital markets and derivatives

The primary customer base consists of some

- 450 large Nordic corporates
- 150 Nordic financial institutions
- 100 international financial institutions
- 750 banks, and
- 100 Nordic and international shipping companies

**Achievements in 2003**

The business activity and income generation in Corporate and Institutional Banking was high during the first part of the year despite a challenging market environment. The deal flow was high partly due to a large number of refinancings and partly due to new transactions. In the last part of the year the business activity declined within most areas except for Shipping, where good profitability within many segments of the shipping industry resulted in a number of transactions throughout the year. In investment banking and custody business income was reduced due to the continued weak demand in equity-related markets. The Group's brokerage business was restructured which reduced income but improved profitability.

Nordea's position among large Swedish corporate customers has clearly improved during 2003 as a result of a long-term plan to enhance the position in Sweden. A new Financial Institutions Division was established in July 2003 as a consequence of the special focus on servicing financial institutions. The aim is to strengthen the service offered towards this attractive customer segment and improve the existing market position.

Cash management services were further developed during 2003 and Nordea successfully won a very large proportion of the cash management mandates including the overall majority of the Pan-Nordic deals. New versions of the Corporate Netbank were launched and product upgrades on the Cash Pool system were delivered during the year.

### Stock market development

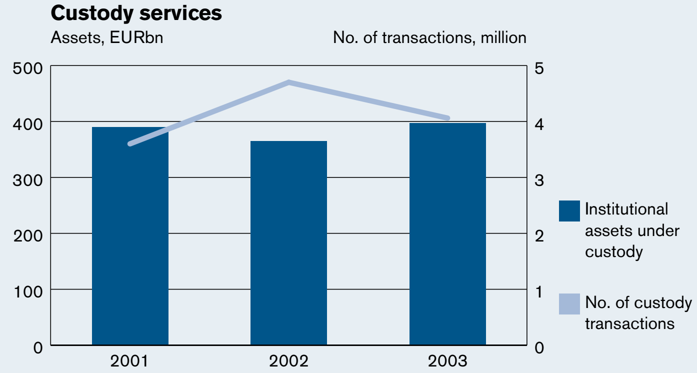
| | Market volume | | Market index |
|---|---|---|---|
| | 2003 EUR bn | 2003/2002 % | 2003 % |
| Denmark | 55.9 | 7.2 | 22.5 |
| Finland | 146.0 | –22.8 | 4.4 |
| Norway | 68.0 | 27.4 | 48.4 |
| Sweden | 266.7 | –8.2 | 30.1 |

### Syndicated loans
### – mandated lead arranger in the Nordic region 2003

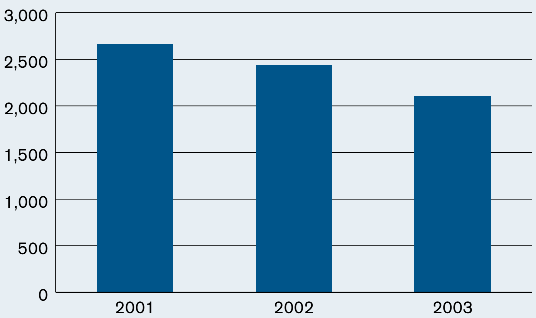
| Pos. | Bank name | EURm | No. | % Share |
|---|---|---|---|---|
| 1 | Nordea | 6,688 | 43 | 17.0 |
| 2 | SEB | 3,075 | 23 | 7.8 |
| 3 | Handelsbanken | 2,921 | 19 | 7.4 |
| 4 | Citigroup | 2,725 | 14 | 6.9 |
| 5 | Barclays | 2,591 | 6 | 6.6 |
| 6 | HSBC | 2,216 | 6 | 5.6 |
| 7 | Den Norske Bank | 2,133 | 17 | 5.4 |
| 8 | Deutsche Bank | 1,961 | 8 | 5.0 |
| 9 | BNP Paribas | 1,889 | 10 | 4.8 |
| 10 | ABN AMRO | 1,843 | 8 | 4.7 |

Source: Dealogic

### Custody services




### Number of employees (full-time equivalents)




In foreign exchange, money market and fixed income, activity levels remained high with strong customer demand, especially in the first half of the year. Customer trading on TradeWeb - the world's leading on-line trading network for fixed income securities - was successfully launched.

In derivatives, risk management solutions for corporates with exposures in currencies, interest rates and commodities brought continued strong demand for simple as well as complex derivatives. Institutional customers' demand for structured solutions were increasingly met through advisory services comprising individualised asset/liability management and modelling.

Debt capital market activities remained at high levels and Nordea kept the position as the number one mandated arranger and book-runner in syndicated loans for Nordic corporate borrowers. Significant progress was made in corporate bond issuance where Nordea's leading position among Nordic financial institutions was maintained and consolidated.

In the trade and project finance area, Nordea improved its capabilities within structured finance transactions and closed the first domestic public-private-partnership transaction in the Nordic region. Within acquisition finance, Nordea further strengthened the market position during the year by providing financing for more than half of the large and mid-sized leveraged buy-outs in the Nordic countries.

Within Investment Banking, Nordea strengthened the secondary trading market position during 2003 and the combined Nordic market share placed the bank on a third position in terms of turnover. In corporate finance Nordea acted as advisor to customers in transactions valued at more than EUR 4.6 bn including the acquisition of Instrumentarium by GE and the acquisition of Perbio Science by Fisher Scientific.

During 2003 the transaction volume in Custody Services fell by 13% compared to 2002, due to falling market volumes. Assets under custody increased from EUR 365 bn to EUR 397 bn during the year. A series of new pan-Nordic mandates was won during the year and assets under custody were almost twice as high as for the closest Nordic competitor.

Within Settlement Services, Nordea achieved a notable success with its CLS Nostro Agent Services in the three Scandinavian currencies (CLS™). Nordea more than doubled its number of clearing mandates, several of which were Pan-Scandinavian, thereby gaining substantial market ground.

In the international shipping industry, 2003 was a year with higher than expected returns in all segments. The high liquidity in the banking market resulted in increased competition, and a number of large transactions were executed during the year. Nordea played a major role as a mandated lead arranger and arranged or co-arranged new transaction for more than USD 10 bn in 2003.

**Focus in 2004**

The competition for key customer business is expected to increase and the Bank's ability to act as a full fledge financial partner with a broad product range and underwriting capability will continue to be important.

In order to grow income despite the increasing competition, focus will continue to be on increased share of wallet of core customers. Divisions specialising in specific customer segments and the customer team approach are key elements in enabling the relationship managers and specialists to have full focus on the customer needs with tailored offerings. Attention will be on further improving capabilities and position in value added services including debt capital markets, derivatives, structured products and cash management.

In Sweden the aim is to further enhance the position among large corporates and institutions. The prime brokerage concept, which is a one-point of entry service concept, has been established to improve services towards Nordic financial institutions.

## Ensure operational excellence and cost efficiency in all processes

**Achievements in 2003**

Corporate and Institutional Banking successfully achieved increased cost efficiency throughout the year, reflecting the implementation of planned cost saving initiatives. During the year, the number of full-time employees within the business area decreased from 2,444 to 2,102.

Within Investment Banking, the changed business model announced in the second quarter was almost fully implemented by the end of the year. Equities and Corporate Finance will be separated and integrated into Markets and Corporate Banking, respectively. In Sweden, Denmark and Finland the two investment banking activities have already been separated. The new business model should enable further streamlining and sharing of fixed costs.

The streamlining of the organisation and operations in the international branches continued during the year and the cost reductions were implemented as planned. The number of employees was reduced and the streamlining of IT platforms continued.

The portfolio of development projects has been reduced during 2003, and the development activity has been concentrated on a few development projects.

The Trading Infrastructure Programme, the centralised, cross-border platform for processing and settlement of foreign exchange, money market products, and derivatives, was launched in Finland, Norway and Denmark. The Swedish part of the programme will be included in 2004.

The Trade Finance programme, aiming to increase efficiency in the processing of trade finance transactions, has proceeded during the year. Operational processes and IT support systems are being streamlined on a Pan-Nordic level.

The annual customer survey reconfirmed Nordea's unchallenged position as the clear number one in the Nordic corporate banking market. Nordea won the Euromoney price for best Cash Management in the Nordic Region and Custody Services Sweden was rated as the most improved sub-custodian in the world in Global Custodian Annual Survey 2003.

**Focus in 2004**

The focus for 2004 will be on fully implementing existing cost savings initiatives and secure that full benefits are harvested as quickly as possible. Selected new initiatives and IT development projects, will be implemented. A further reduction in the number of employees is expected. The Nordic cooperation and knowledge sharing will be further strengthened within selected areas.

## Optimise risk-taking and use of capital

**Achievements in 2003**

The Corporate and Institutional Banking strategy includes efficient use of capital and proactive handling of credit risk. Economic capital and economic profit is fully implemented in the business areas as a tool to realise the strategy and price according to risk is on the top of the agenda.

An active use of syndication and capital markets instruments is important to increase balance sheet liquidity and improve the capital efficiency. During 2003 an Active Credit Portfolio Management set-up has been implemented in the Corporate Banking Division, establishing a tool for managing assets and risk distribution in general.

The use of economic capital in Corporate and Institutional Banking has decreased from EUR 2.2bn to EUR 1.8bn during 2003. The decrease is mainly due to volume reduction reflecting the strengthening of the Euro, a subdued loan demand in some segments and the success in refinancing loans with capital market transactions.

Attention and focus is given to credit quality. Workout procedures are in place, exploiting the full industry and cross-border workout competence. The proactive stand on credits is an important factor behind the low loan losses.

**Focus in 2004**

Efforts to employ capital more efficiently will continue, with emphasis on using debt capital market products, syndications and asset distribution in general. Continuous monitoring of the profitability of the different businesses will be in focus. Further more, tools and methods securing an optimal relationship between risk and price will continuously be developed. Increased attention will also be paid to the operational risk management area.

## Results

Income totalled EUR 988m, down by EUR 174m, or 15%, from the previous year. A major factor behind the decline was the strengthening of the Euro, reducing total income by approximately 7%. In addition, during 2003 a central reserve of EUR 39m was transferred to the business area in

### Operating profit by main area

| EURm | Corporate and Institutional Banking | | Corporate Banking | | Financial Institutions | | International and Shipping | | Investment Banking | | Other | | Markets[1] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Net interest income | 412 | 456 | 239 | 254 | 46 | 55 | 119 | 147 | 1 | 2 | 6 | 0 | 46 | 52 |
| Other income | 577 | 706 | 243 | 321 | 199 | 240 | 56 | 56 | 55 | 93 | 23 | –5 | 474 | 441 |
| **Total income** | **988** | **1,162** | **482** | **575** | **246** | **295** | **175** | **203** | **56** | **95** | **29** | **–5** | **520** | **493** |
| Total expenses | –523 | –624 | –145 | –236 | –101 | –159 | –48 | –73 | –64 | –124 | –164 | –32 | –233 | –217 |
| **Profit before loan losses** | **466** | **539** | **338** | **339** | **144** | **136** | **127** | **130** | **–8** | **–29** | **–135** | **–37** | **287** | **276** |
| Loan losses | –54 | –34 | –45 | –54 | 2 | 4 | –11 | –20 | 0 | 0 | 0 | 36 | 0 | 0 |
| Transfer risk | 15 | 10 | 15 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity method | 17 | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17 | 12 | 0 | 0 |
| **Operating profit before goodwill** | **444** | **526** | **307** | **295** | **147** | **139** | **116** | **110** | **–8** | **–29** | **–118** | **11** | **287** | **276** |
| Goodwill depreciation | –14 | –9 | –2 | –2 | –3 | –3 | 0 | 0 | –7 | –2 | –2 | –2 | 0 | 0 |
| **Operating profit** | **430** | **518** | **305** | **293** | **144** | **136** | **116** | **110** | **–15** | **–30** | **–119** | **9** | **287** | **276** |
| Return on equity, % | 14 | 16 | | | | | | | | | | | | |
| Cost/income ratio, % | 53 | 54 | | | | | | | | | | | | |
| **Other information EUR bn** | | | | | | | | | | | | | | |
| Lending | 20.0 | 25.1 | 11.9 | 16.8 | 1.7 | 1.9 | 6.4 | 6.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Deposits | 15.2 | 14.2 | 7.4 | 8.8 | 5.7 | 3.9 | 2.1 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Economic capital | 1.8 | 2.2 | 1.1 | 1.4 | 0.2 | 0.2 | 0.3 | 0.4 | 0.0 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |

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

connection with introducing fair value for derivatives in Markets. The transfer reduced the income in Markets and in the business area, but did not affect the Group's result.

Net interest income was EUR 412m, a decrease of EUR 44m from 2002. This reflects a reduction of the lending volume of EUR 5.1bn, to EUR 20bn. Apart from the currency effect, the decrease in lending as well as interest income was subject to the strategic aim of arranging customer financing from capital markets rather than from long-term balance sheet lending. The volume was also reduced as a consequence of running off the non-core lending portfolios in international branches. Seen over the full year, and especially during the second half, corporate customers' investment activities were at a lower level than in the previous year. Credits margins increased throughout the year.

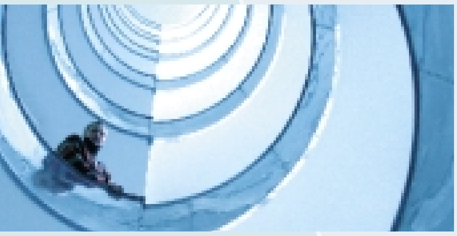
The income in Investment Banking suffered from continued weak customer demand and declined by EUR 39m from 2002. The income from custody services for corporate and institutional customers was EUR 29m lower than in the previous year, reflecting the lower number of custody transactions and increased price pressure on services.

Markets Division performed strongly and generated a substantial growth in all product areas and especially in debt capital markets, derivatives, fixed income and structured products.

Total costs for the business area amounted to EUR 523m, down by 101m or 16% from the previous year. The stronger Euro had a favourable impact, explaining approximately 6% of the reduction. Total personnel expenses decreased by EUR 15m. Other cost were reduced by EUR 61m, reflecting lower IT costs, a reduction of restructuring expenses and other cost savings.

The good overall credit quality was maintained during the year. Loan losses continued to be low and amounted to EUR 54m. Operating profit was EUR 430m compared to EUR 518m in 2002. Return on equity was 14%.

*Asset Management & Life is responsible for Nordea's activities within institutional investment management, life insurance and pensions, investment funds and private banking. In cooperation with Retail Banking, Asset Management & Life manages Nordea's activities in the savings market in general. Nordea is the leading asset manager in the Nordic region with unrivalled Nordic distribution as well as important and profitable sales channels in the rest of Europe and North America. Assets under management reached EUR 113bn during 2003, the highest level ever.*



# Asset Management & Life

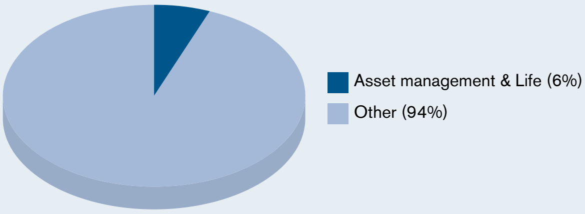
**Strategic direction**

**Grow revenue**
- Capture share of growth in the long-term savings and life area
- Grow economic profit in Life at low volatility

**Ensure operational excellence**
- Standardise service concepts
- Streamline support functions
- Ensure continuous product range management
- Leverage on existing products/processes

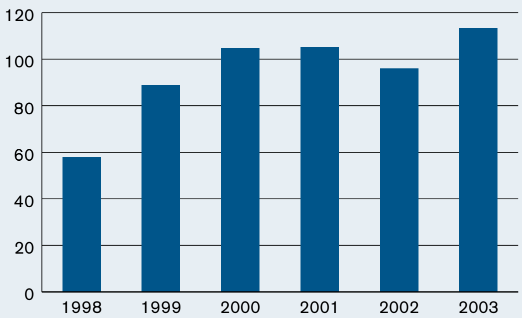
**Optimise use of capital**
- Proactively manage compliance and operational risk
- Realise full potential of the changed business model in Life & Pensions

**Asset Management & Life in the Nordea Group**
**% of income 2003**[1]

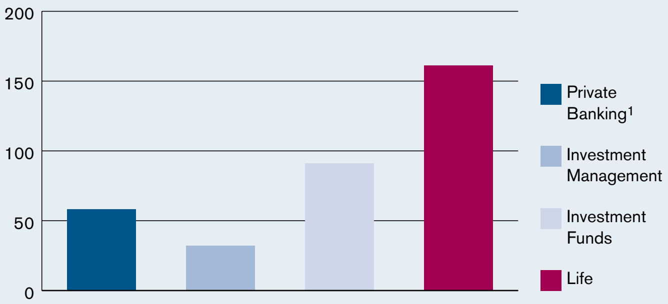



[1] The pie chart only includes income in Asset Management & Life customer responsible units. Income from investment funds sold to customers in Retail Banking is included under Retail Banking.

**Total assets under management**
EURbn




**Result by activity 2003**
EURm




[1] Excluding the majority of Nordic Private Banking which is included in Retail Banking.

## Grow revenue

Nordea is the leading asset manager in the Nordic region with unrivalled Nordic distribution as well as important and profitable sales channels in the rest of Europe and North America.

### Performance in 2003

Assets under management reached EUR 113bn, reflecting improved equity markets as well as sustained high net inflows. Net inflows for the year were EUR 12bn or 13% of end-2002 assets under management. With this, assets under management reached their highest level to date, confirming Nordea's position as the leading Nordic fund manager.

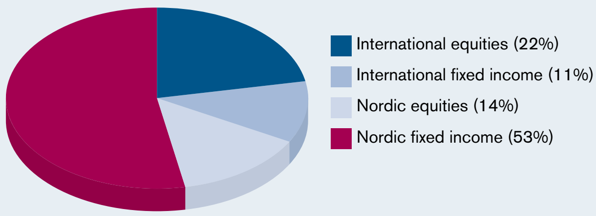
Nordea is the market leader within retail funds in the Nordic area. Inflows in 2003 amounted to EUR 4bn, and Nordic retail fund asset at year-end were EUR 31.8bn. Within the Nordic markets, Finland and Denmark showed the strongest sales performance, with Nordea's share of funds reaching 30% in Finland and surpassing 25% in Denmark. Nordea also improved its share of funds sales by 1.5 percentage points in a growing Swedish market. The Group increased its share of total Nordic fund sales from 15.3% in 2002 to 18.7% in 2003.

Nordic private banking registered good inflows. Inflow in 2003 was EUR 3.1bn and Nordea's Nordic private banking assets amounted to EUR 24bn at the end of 2003. Inflow was particularly strong in Finland. In a Euromoney survey of wealth management covering 2003, Nordea Private Banking was rated no. 8 among private banks in Western Europe and no. 18 in the World.

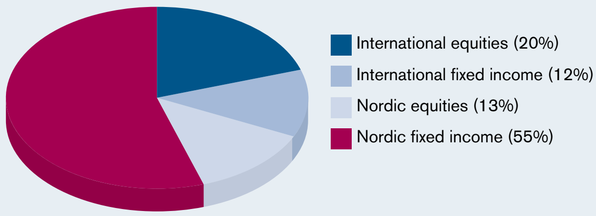
Nordea's European sales of retail funds through third parties continued at a high level, bringing the year's total inflow for European private banking and fund distribution to EUR 2.5bn. In European private banking and fund distribution, assets amounted to EUR 10.7bn at the end of 2003. Based on the performance during 2003, Nordea was ranked as the 5th largest cross-border fund manager in Europe by FERI, the German consultancy company (based on data for the year to November).

Total net inflow in the institutional clients segment was EUR 2.1bn in 2003. Of this, new international equity mandates from non-Nordic clients - mainly in the UK and North America -con-

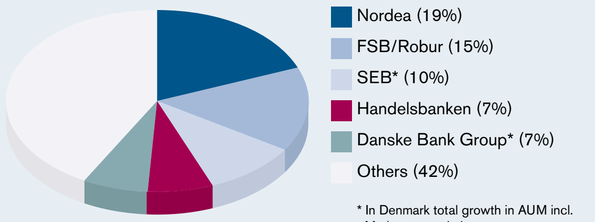
**Approximate distribution of assets end of 2003**




**Approximate distribution of assets end of 2002**

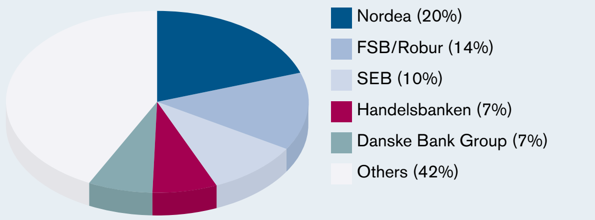



**Market shares of Nordic Investment Fund sales 2003**

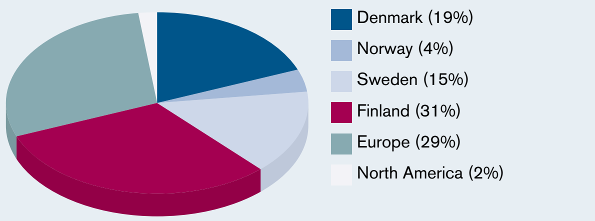



* In Denmark total growth in AUM incl. Market appreciation

**Market shares of Nordic Investment Fund assets 2003**




**Geographical split of Full year 2003 inflow**




tributed EUR 1.2bn. Assets in the institutional client segment amounted to EUR 22.9bn at the end of 2003.In Life & Pensions, assets were EUR 23.9 at year-end following inflow of EUR 0.8bn in 2003.

For the full year of 2003, net inflows amounted to EUR 12.5bn or 13% of assets under management at year-end 2002.

**Focus in 2004**

The strength of the underlying growth trend in savings is illustrated by the fact that market net inflows into investment funds in general remained positive over the last three years, even at the height of investor pessimism.

Nordea's commitment to Asset Management & Life and the power of the chosen distribution strategy is demonstrated by an ability to sustain net inflows above the market level in every quarter since the creation of Nordea. Focus in 2004 will be on maintaining adequate margins and on further consolidating Nordea's Nordic position with special focus on Sweden and Norway, while further leveraging the Group's investment processes and private banking concept internationally. European private banking, European fund distribution and the international sales activities of Nordea Investment Management are all expected to continue to grow.

For Life & Pensions, 2004 will be characterised by increased focus on sales to all segments of bank customers (bancassurance), including corporate clients. This represents a shift compared to 2003 where risk management and the transformation of the underlying economics of the business was the main focus.

Nordea's product strategy for Life is to cover customers' demand for security, transparency, simplicity and competitive returns at a price that is justifiable even in the long term. In consequence, Nordea's bancassurance will be built mainly around the Group's "new traditional" products which is an important element in the changed business model for life. The changed business model is described in detail on page 51. These new products combine a capital guarantee (security and transparency) with discretionary asset management (simplicity) and age-specific allocation of the underlying assets to achieve competitive returns. Customers buy a product that exposes them to equity market growth while they are young and they automatically move to security (but lower expected returns) of fixed income as they get closer to their retirement age. The final advantage of the "new traditional" product range is a cost structure which compares favourably to e.g. unit-linked products. Unit-linked will remain an important part of Nordea's offering, but will be targeted at customers for whom choice is an important part of the value proposition.

## Ensure operational excellence

**Performance in 2003**

During 2003, the consolidation of Nordea's asset management and life activities continued, increasing focus on core activities and competencies and reducing cost.

In Norway, Nordea Pensions Services, a unit under Nordea Investment Management (NIM) offering accountancy and other services for pension funds, was sold in the fourth quarter in order to concentrate on NIM's core portfolio management and asset allocation competencies. The Norwegian organisation of NIM was strengthened by a change in management, attracting senior new resources. In Sweden, Trevise Private Banking was fully integrated into Nordea, resulting in strengthening the Nordea brand in the private banking market in addition to cost savings from redundancies.

Nordea also merged its Nordic Private Banking organisation with the unit responsible for strategies, policies and advisory tools for the broader retail market. The new unit is called Nordic Wealth Management and it is run in cooperation with Retail Banking. This has created substantial cost savings, reduced complexity and facilitated more accurate adaptation of service concepts to customer needs. In addition, over 50 redundant investment funds have been retired since 2002, reducing complexity and saving costs in the process. Portfolio management processes were also integrated and centralised as planned.

2003 saw improved investment performance compared to 2002 and Nordea delivered returns in line with or above those of the main competitors in most markets. Nonetheless, investment performance remains in focus as it is the most important source of value creation for customers. One consequence of this focus in 2003 was new

**Key figures – Asset Management activities**

| EURm | 2003 | 2002 |
|---|---|---|
| Revenues | 472 | 485 |
| Expenses | –184 | –200 |
| Distribution expenses | –108 | –105 |
| **Product result** | **180** | **180** |
| **of which profit within Retail Banking** | **81** | **86** |
| Cost/income ratio, % – AM activities | 62 | 63 |
| Economic capital | 133 | 129 |
| Assets under Management, EURbn | 113 | 96 |
| Number of employees (full time equivalents) | 784 | 853 |

**Key figures – Life activities**

| EURm | 2003 | 2002 |
|---|---|---|
| **Traditional life insurance** | | |
| Premiums written, net of reinsurance | 1,863 | 2,021 |
| Normalised investment return | 975 | 1,051 |
| Benefits paid and change in provisions | –2,480 | –2,628 |
| Insurance operating expenses | –106 | –110 |
| Fluctuations compared to normalised investment return | 18 | –1,020 |
| Change in discount rate for life provisions | 64 | –243 |
| **Actual operating margin** | **334** | **–929** |
| of which allocated to policyholders | –40 | –28 |
| of which to/from financial buffers | –136 | 988 |
| Net profit from other business | –1 | –10 |
| **Product result before distribution expenses** | **157** | **21** |
| **Unit-linked business** | | |
| Premiums written, net of reinsurance | 442 | 469 |
| **Product result before distribution expenses** | **16** | **1** |
| **Total** | | |
| Premius written, net of reinsurance | 2,305 | 2,490 |
| **Product result before distribution expenses** | **173** | **22** |
| Distribution expenses within Retail Banking | –12 | –11 |
| **Product result** [1] | **161** | **11** |
| **of which profit within Retail Banking** | **47** | **90** |
| Bonds | 14,862 | 14,551 |
| Equities | 3,361 | 2,524 |
| Property | 2,186 | 2,041 |
| Unit-linked | 3,497 | 2,974 |
| Total investment assets (AUM) | 23,906 | 22,090 |
| Investment return, % [2] | 5.8 | 0.2 |
| Technical provisions | 22,859 | 21,370 |
| of which financial buffers | 878 | 551 |
| Economic capital | 967 | 1,324 |
| Number of employees (full time equivalents) | 1,012 | 1,013 |

[1] Reported life result in the Group's income statement includes the costs related to commissions paid to Retail Banking. In the presented product result these commissions are not deducted since they contribute to the Group's earning on life products.

[2] Exclusive of unit-linked business.

**Volumes, inflows and margins**

| EURbn | Assets under management 2003 | Inflow 2003 | Assets under management 2002 |
|---|---|---|---|
| Nordic retail funds | 31.8 | 4.0 | 25.7 |
| Nordic private banking | 24.0 | 3.1 | 19.5 |
| European private banking & fund distribution | 10.7 | 2.5 | 8.4 |
| Institutional clients | 22.9 | 2.1 | 20.5 |
| Life & pensions | 23.9 | 0.8 | 21.8 |
| **Total** | **113.3** | **12.5** | **95.9** |
| Investment Funds [1] | 41.2 | | 31.9 |
| Investment Management [2] | 73.7 | | 63.8 |

| | Margin 2003 | Margin 2002 |
|---|---|---|
| Investment Funds % [3] | 0.98 | 1.05 |
| Investment Management % [2] | 0.18 | 0.19 |

1 Including EUR 3bn and EUR 5.5bn outside the Nordic countries for 2002 and 2003, respectively.
2 Includes management of Nordea Investment Funds and Group Life & Pension assets
3 For Denmark net margins are used, whereas in the other markets gross margin (before cost of fund management) are used

recruitments of senior portfolio management resources for Nordea's core investment teams.

Customer satisfaction in AM&L is measured directly for NIM and Nordic Private Banking. In the Prospera survey of local and international investment managers, Nordea improved its rating by institutional clients in Sweden and Finland substantially, placing 3rd in Sweden an moving up from 3rd place to 1st in Finland. In Norway, Nordea did not achieve a top 5 position in 2003, while in Denmark, last year's No. 1 position was maintained.

Customer satisfaction in Nordic Private Banking remained high and improved in Sweden. Nordea did not experience any major compliance or reputational events connected to either its asset management or life activities and has also taken proactive steps to ensure that this will not happen in the future.

**Focus in 2004**

The main emphasis will be on continuously improving the focus and efficiency of Nordea's platform for growth in Asset Management & Life.

With the closedown or merger of redundant legacy funds, the rationalisation of Nordea's savings product range has progressed well. Nonetheless, substantial potential still remains in rigorous management of the total range of savings and investment products across business units and customer segments. This will be prioritised in 2004 in order to ensure that all potential economies of scale are realised.

## Optimise use of capital

**Performance in 2003**

Besides efforts to map and control operational and compliance risk which apply to the entire business area, the main focus with regard to capital is on Life.

Economic capital allocations to Life have been reduced substantially as risk has been reduced through implementation of the changed business model. This model centers on Nordea's traditional fully managed life product offering, for which the profit-sharing rules have been changed from sharing in investment returns to taking a flat fee for managing customers' savings. Profit to shareholders from 80% of Nordea's total life business – measured by AuM – is now effectively independent of short-term market fluctuations. The exception is the traditional business in Norway, where implementation of the changed business model awaits enabling legislation expected in 2005 and Nordea Liv 1, the small legacy mutual company in Sweden. This makes the proposition to shareholders more similar to that of the overall asset management business, than to a conventional life company.

**Focus in 2004**

The planned focus on sales will not compromise the risk reduction already achieved. In fact, it is expected that future growth in AuM in Life can be achieved while maintaining Economic Capital at the current level. This is due both to the characteristics of the new products being introduced and to some remaining potential for risk reduction on existing portfolios without losing exposure to market returns.

## Result 2003

Revenues from asset management activities in 2003 reached EUR 472m, 3% below 2002. Expenses were EUR 184m, a decrease of 8% compared to 2002. The cost/income ratio in asset management activities improved from 63% to 62%. The product result in asset management was EUR 180m. In Life, which is consolidated in one line, results were stable throughout the year. Product result increased to EUR 161m compared to EUR 11m in 2002. In total, product result for Asset management & Life was EUR 341 compared to EUR 191 in 2002.

## Changed business model for Life: Enhanced return and reduced volatility

Since mid-2002, Nordea's life operations have been gradually turned towards a business model focusing clearly on the creation of stable economic profit (i.e. profit adjusted for risk) rather than embedded value or other value measures based on fixed assumptions about future returns.This reorientation has been achieved by working on several parameters: By using enhanced risk management techniques (a stochastic economic capital model that takes into account the structure of liabilities), by taking advantage of positive regulatory changes, and by introducing new products with lower risk for the company and better expected returns for customers. While the scope for capitalising on each parameter still differs from country to country, the work to maximize economic profit across products and markets has advanced significantly. Thus, the profit available for distribution to shareholders from around 80% of Nordea's life assets is now stable and effectively independent of short-term market fluctuations.

Since the fourth quarter 2002 (i.e. 2 quarters before the current market recovery took hold), Nordea's Life business has delivered high returns to shareholders at a significantly lower levels of risk than before, having focused closely on active risk management to reduce volatility and on ensuring a profitable product range. The profit potential going forward in using Nordea's unique distribution capability to sell a range of life products which are profitable quarter by quarter – even in risk-adjusted terms – is considered to be substantial.

Below, the main features of Nordea's business model are set out:

**Product reengineering.** "New traditional" life products are being introduced where guarantees apply to the principal capital of a policy, as opposed to old products which in addition offered guaranteed returns. These new products represent a reduced risk to the life company and – compared to e.g. unit-linked products – have the advantage to policyholders of simplicity, transparence and a favourable cost structure. At the same time, they offer policyholders better long-run returns, as the amount of reserves that needs to be set aside to cover the guarantee is smaller and consequently more can be invested in equities and other asset classes providing a higher expected long-term return. Nordea has now been selling pure capital-guaranteed products for 6 months in Sweden. In Denmark, return guarantees on existing products have been reduced to 1.5% and capital-guaranteed products are under development, while Norway awaits new legislation expected in 2005. In Finland return to policyholders is traditionally decided on an annual basis. Migration of existing policies to the new products will take place gradually.

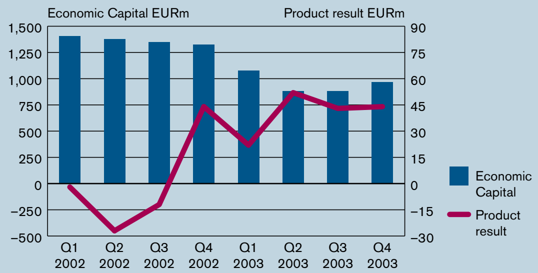
**Fee-based profit-sharing model.** The profit-sharing model applied determines the split of the result between a life company and the policyholders. A fee-based model entails moving away from the situation where the life company's profits are generated by sharing in the investment result realised on the assets held by the company for its policyholders. Instead, under the new model, the company receives a fee in relation to life provi-sions. Nordea's Danish Life operation (accounting for approximately 40% of total Nordea Life assets) is now fully on a fee-based model and thus independent of short-term market fluctuations. The same model is being applied for the new line of capital-guarantee products in Sweden and will be introduced in Norway as soon as the relevant legislation is passed. In Finland, a model has been defined which also de-links result from short-term market returns while complying with local regulations.

**Segregation of shareholders' equity from policyholders' reserves.** Traditionally, shareholders' equity in Nordic life companies was invested alongside policyholders' reserves. With segregation, shareholders´ equity is split out and invested only in low risk assets of short duration, further reducing the impact of market volatility on the life company's solvency situation and bottom line. At the same time, the flexibility to allocate policyholders' reserves to higher-yielding assets is maintained. Full segregation has been achieved in Denmark and is expected in Norway from 2005. In Sweden, only capital backing new products can be segregated while segregation is not applied in Finland.

**Active risk management.** Nordea Life continuously monitors and reallocates investment assets to maximise the risk/return relationship across product groups and regulatory frameworks. This is done using a model for economic capital that takes into account also the structure of liabilities. One market view and one set of investment guidelines are applied to optimise asset allocation within each jurisdiction and hedging techniques are used to ensure that guarantees are sufficiently covered.

**Full-scale bancassurance.** Nordea is well positioned to benefit from its unique customer base and distribution network. A major part of Nordea's existing stock of policies was originally sold directly by the life companies that are now part of Nordea and non-bank distribution still plays an important role. Going forward, the focus will be on effectively using the bank distribution channels to save resources and increase sales of profitable products to both personal and corporate customers. In addition, significant potential remains in the cross-selling opportunities that exist given Nordea's position as a Nordic full-service bank in both retail and corporate markets.

**Product result and Economic Capital – Nordea Life & Pensions**



*Group Treasury is responsible for the Group's own investment portfolio and market risk taking in financial instruments (excluding investments within insurance), as well as Group funding and asset and liability management.*

# Group Treasury

**Funding**

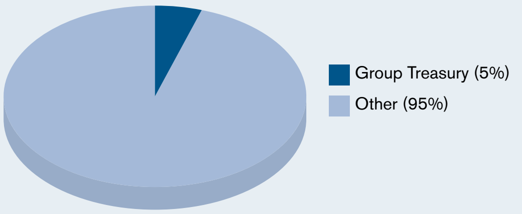
Nordea aims at a broad and well diversified non-rating sensitive funding base. The funding programmes should meet the following objectives: Cost-effective, multi-market, multi-issuer and multi-currency access. The programmes should support the Nordea strategy, be attractive to investors and have low running cost and be operationally flexible.

Issuing activity was high in 2003 following strong demand and increased volumes within mortgage lending. The Danish market is one of the most secure and efficient mortgage bond markets in the world, and in total, Nordea issued DKK 88bn in mortgage bonds. On 1 August, Nordea Kredit was upgraded to Aaa long term by Moody's Investors' Service. In Sweden, almost SEK 60bn was issued in the domestic market – the highest ever volume in a calendar year.

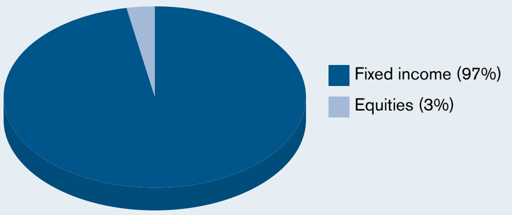
**Investments**

Group Treasury's active investment strategy is based on an analysis of global economic developments, policy-makers' actions and capital flow developments in the key fixed income, equity and foreign exchange markets. Group Treasury uses

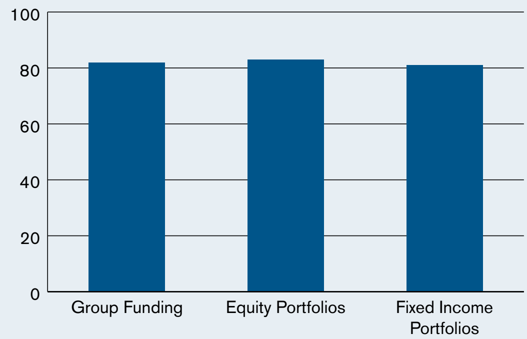
**Group Treasury in The Nordea Group, % of income 2003**




**Investments 2003, end of period**




**Operating profit by main area 2003**
EURm




liquid instruments in taking positions in order to keep a high degree of flexibility. Group Treasury is also active in less liquid Nordic instruments.

The active investment activities in 2003 were initially focused on expected weakness in global equities markets after the strong development in late 2002. Group Treasury was well positioned for the bond market rally in the second quarter. In the second half of the year, the effect from the monetary and fiscal stimulus in the USA was stronger than anticipated.

Holdings in long-term equity investments were actively reduced in 2003. However, the value at the end of the year was approximately at the same level as at the beginning of the year following increase in asset prices.

Group Treasury developed a new framework for the management of the Group's own financial investments based on an absolute return mandate given to Group Treasury based on the level of economic capital in Nordea. The new framework implies that investment earnings in Nordea will be measured against a fixed investment return target from 2004.

Group Treasury is responsible for the overall management of the investment risks in the different pension foundations in Nordea covering a number of defined benefit pension plans. In 2003, the process of integrating the management of the financial risks involved continued, and the framework for measurement of the pension liability risk was further developed.

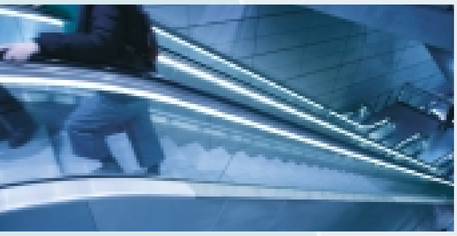
## Result

Operating profit in Group Treasury consists of earnings from Group Funding and investment earnings. Group Treasury's operating profit was EUR 246m with EUR 82m in earnings before investments. Investment earnings showed a result of EUR 164m. Investment earnings are measured after expenses and funding cost.

**Operating profit by main area**

| | | | Group Investments | | | | Group Funding | |
|---|---|---|---|---|---|---|---|---|
| | Total | | Fixed-income | | Equity | | | |
| EURm | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Income | | | 92 | 115 | 86 | –63 | 115 | 106 |
| Expenses | | | –11 | –9 | –3 | –5 | –33 | –30 |
| **Profit excluding investment earnings** | **82** | **76** | | | | | **82** | **76** |
| Investment earnings | 164 | 38 | 81 | 106 | 83 | –68 | | |
| **Operating profit** | **246** | **114** | | | | | | |

*Nordea's corporate values are based on the Nordic heritage of freedom, equal opportunities, care for the environment and good citizenship including ethics, honesty and a high standard of integrity.*



# Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the concept whereby a company maintains and enhances its relations with internal and external stakeholders. Stakeholders are parties who hold an interest in the company and its activities that reach beyond the purely financial performance of the business.

**Business ethics**
A primary focus within Nordea's Corporate Social Responsibility (CSR) programme is on business ethics. There is s a two-fold reason for this.

One reason is that a common set of values and behavioural guidelines is a core element in building a common corporate culture, the very glue that makes one bank out of previously separate entities.

The other main element in this CSR strategic prioritisation is that stringent business ethics is an important security measure in order to manage business risks. Operational risks stem from human behaviour, procedures and systems.

Human behaviour is at the core of the matter because it is people who make decisions, define procedures and make systems.

Nordea has developed a groupwide set of business ethics, the Nordea Code of Conduct. This code applies to all employees of the Nordea Group and non-permanent staff working on behalf of Nordea. Underneath this level, supplementary specifications of this code apply within business areas and Group Functions, thus producing a business ethics structure that covers the entire group and all activities.

## Compliance

CSR is an element in the Group's compliance activities. The Compliance function monitors and follows up that the organisation acts in accordance with internal and external rules and regulations and reports on its findings to the management. An important element of undertaking compliance and CSR activities on a daily basis is the network of Compliance Officers throughout the Group.

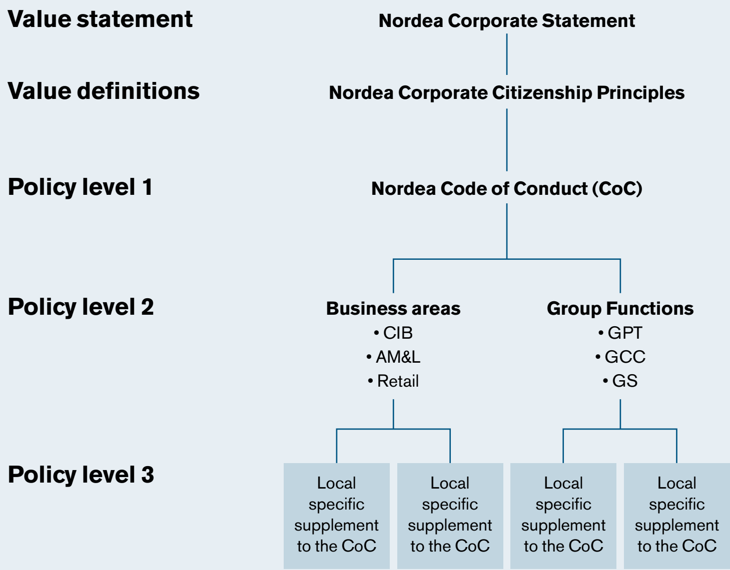
## Environmental issues

A common Nordea Environmental Policy has been established, defining how the Group shall manage its environmental responsibilities in its operations. The actual environmental impact of the operations is measured and reported on an annual basis through the Nordea Environmental Footprint report.

There are various business specific policies and guidelines within business functions and business areas. For example, the Environmental Risk Assessment Tool (ERAT) has been developed and applied to the credit evaluation process.

## CSR in the Nordea business model

CSR is an integrated perspective of Nordea's business. The CSR strategy, focus areas, policies and procedures, have all been developed as reflections of the Group's business strategy and actively designed to support our business objectives. Managing business ethics, environmental and societal risks, as well as maintaining a common community social impact are important elements of protecting and enhancing shareholder value and performing the role as a leading provider of financial services to the Nordic business and civil communities.




## Corporate Citizenship Principles

**Nordea is committed to sustainable development by combining financial performance with environmental and social responsibility.**

- **We are committed to freedom.** We stand for democracy and a responsible market economy. We support the UN Global Compact and follow the UN declaration of Human Rights, ILO-conventions and the OECD Guidelines for Multinational Enterprises. We do not discriminate based on gender, ethnic background, religion or any other ground.
- **We are committed to equal opportunities.** We seek high professionalism and make it possible for our employees to develop and assume responsibility. We support diversity and a fair representation of women and men as well as ethnic minorities in our organisation.
- **We are committed to caring for the environment.** We work to reduce negative and increase positive environmental impact from our business activities. We have signed the UNEP Banking Principles.
- **We are committed to good citizenship.** We respect the laws, regulations and norms of the countries where we operate while also adhering to our Group policies. We work with others for a prosperous and sustainable development in the communities where our customers and employees do business and live.
- **We are committed to ethics, honesty and sincerity.** We do not offer, request or accept unwarranted gifts and payment nor limit free and fair competition. By adhering to Group policies so that our integrity can not be questioned, we enable shareholders, customers, employees and other concerned parties to make balanced and well-founded decisions.

**To ensure performance according to these principles, we adopt relevant policies, set targets in our management system, ensure that these principles are known throughout the organisation and encourage reports on non-compliance, carry out systematic follow up and deliver open and reliable reporting.**

## The Nordea Code of Conduct

**High standards of integrity and fair business**

- Nordea shall be characterized by a high degree of integrity, professionalism and ethics.
- Nordea is only involved in business that is in accordance with law, regulations, signed commitments and our own standards of business ethics.
- Nordea employees are qualified, trained and have management structures to provide the relevant services.
- When providing services, Nordea has terms and conditions for the services that set out the rights and obligations of the parties.
- Nordea has organisational structures, procedures and internal control (i.e. Chinese walls) so that sensitive market information is not spread beyond the areas in which it should be handled.
- Nordea is diligent when providing advice.
- Nordea's marketing and advertising material is not misleading and provides accurate information on the services offered.

**Proper handling of customers**

- Within the appropriate business context, Nordea familiarises itself with the customer's financial standing, experience and objectives.
- Nordea provides understandable information (if relevant including potential risks) on the services provided.
- Our ambition is to always ensure that the customer knows what he is deciding and understands the potential consequences.
- Conflicts of interest between Nordea and its customers are identified and prevented or managed so that customers are justly treated.
- Nordea has procedures for the processing of complaints, and provides instructions on how to file a complaint and responds to them within a reasonable time.

**Ethical employee behaviour**

- Employees do not offer, request or accept inappropriate gifts, payments or travel.
- Except when using the services provided to ordinary customers through electronic media (e.g. internet banking), employees do not execute their own financial transactions.
- Employees do not participate in business transactions where conflict of interest can arise with their own economic standing or with a third-party where a close relationship exists.
- Employees do not conduct transactions that even can give the impression of using insider information and dishonesty or will undermine the trust and confidence in Nordea.
- Employees do not conduct private transactions or provide economic guarantees that can seriously undermine their own private financial standing.
- Employee external engagements do not interfere with their ability to perform their duties and functions as an employee or undermine trust and confidence in Nordea. In cases of uncertainty external engagements are declared.

**Scope and application**

- All employees of Nordea Group and non-permanent staff working on behalf of Nordea, are subject to this Code of Conduct.
- It is the responsibility of each manager to ensure that this code is known and conformed to within his/her respective area of responsibility and to act in a manner that sets a proper example.
- It is the responsibility of Business Area and Unit Managers to determine the necessity of more detailed codes.
- Infringement by employees of this code and subsequent policies, guidelines, and instructions could result in disciplinary action.
- The Compliance Organisation provides support and advice to business areas regarding compliance to this Code of Conduct and regularly verifies the adequacy of policies, guidelines and instructions to ensure compliance with the code.
- The Group Compliance Officer leads the Group Compliance Organisation and reports major findings and issues related to this code directly to the Group Executive Management.

Some of the many positive effects CSR has on business performance are:

- Common behavioural guidelines promote operational efficiency and reduce complexity
- Environmental protective measures means more effective and reduced consumption of resources, thereby cutting operational costs
- High standards of business ethics, environmental awareness and community involvement build and protect reputation and brand value.
- Consistent and stringent business ethics reduces operational business risks stemming from human behaviour.
- Managing environmental and societal risks reduce credit and investment risk profiles.

For further information on CSR in the Nordea Group, please refer to www.nordea.com.

*In Nordea the aim is to attract, develop and retain highly motivated, competent and performance-oriented employees. The employees form the basis for the successful development of Nordea. To be an attractive employer for the generations to come and to retain an adequate mix of young potentials and experience in the organisation are challenging tasks for the line organisation and the HR function.*

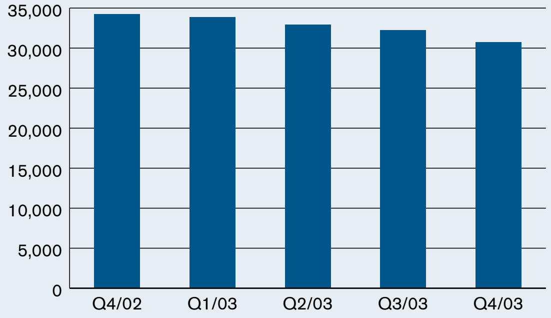
# Human Resources

In 2003, the decline in the number of employees continued, mainly as a consequence of Nordea's focus on integration and efficient processes. The number of personnel was reduced by 3,510 or approximately 10% in 2003 compared to 2002. Part of the reduction, approximately 1,300 employees, is the result of an outsourcing of units from the Group including the outsourcing of IT Production to Nordic Processor as well as divestment of non-core activities.

**Reinvestment in human capital**

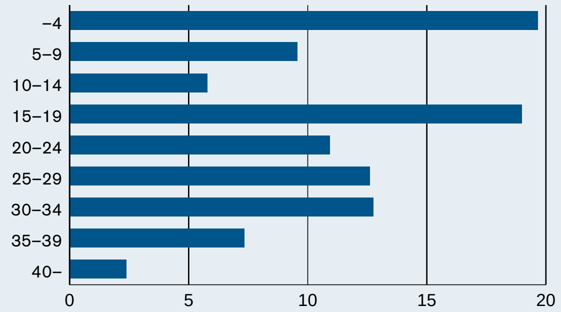
Structural changes such as consolidation of staff functions in one location have resulted in organisational changes and movements of functions between countries as well as reductions in the number of positions.

**Overall number of employees**



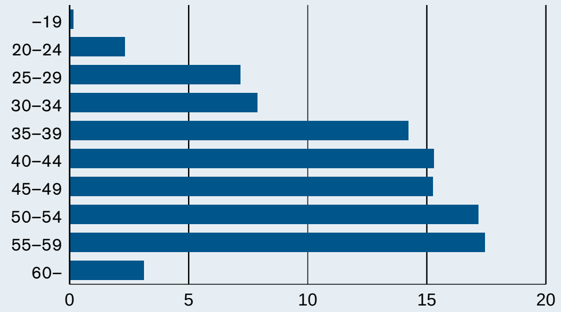

**Employees distributed by seniority**

% of employees



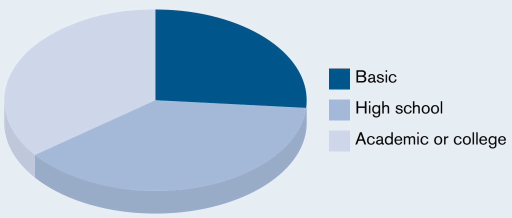

**Employees distributed by age**

% of employees




**Employees distributed by educational level**

% of employees




To support the reinvestment in human capital, the HR organisation has focused on providing new job opportunities for employees identified as redundant in their present positions. The new opportunities have been found by systematically "matching" the redundant employees against open positions elsewhere in the Group.This effort has made it possible to redeploy existing competencies within Nordea and it has been an important factor to support the change processes. Less external recruitment has likewise contributed to increased reinvestment in the human capital in the Group.

Individual performance and the need for competence up-grades are reviewed in the Personnel Development Dialogue between employee and manager. High level managers are further assessed on performance and promotability in the Executive Audit, used as a guide to set up individual development plans and objectives.

On average 60% of Nordea employees are women. Out of managers from branch-level and higher women constitute roughly 30%. To support women to take on managerial positions to a greater extent, successful mentor programmes were conducted in Denmark and Sweden.

## Employee satisfaction

An important part of Nordea's overall strategy is to attract, develop and retain highly motivated, competent and performance oriented employees. To measure the actual level of employee satisfaction, a yearly survey is carried out.

Results from the survey are available to all units in the Group. The result forms the basis for an open dialogue between managers and employees on how to improve performance, satisfaction and motivation in the unit and subsequently to develop an action plan for improvements.

The overall satisfaction and motivation among the staff remains reasonably stable compared to the survey conducted in 2002. However, there are variations in the results between business areas and Group Functions.

**Satisfaction and Motivation Index**[1]

| | 2003 | 2002 |
|---|---|---|
| Nordea | 69 | 70 |
| Asset Management & Life | 66 | 68 |
| Corporate and Institutional Banking | 64 | 66 |
| Retail Banking | 72 | 71 |
| Group Audit | 68 | 66 |
| Group Staffs | 68 | 70 |
| Group Corporate Centre | 62 | 65 |
| Group Processing and Technology | 64 | 68 |

[1] Definition has been changed compared to 2002 but comparability has been ensured.

Benchmarking shows that the overall Satisfaction and Motivation index in Nordea is on the same level as for the Nordic Financial Labour Market.

To a certain degree the development in the figures reflects structural changes implemented in Nordea.

A description of the incentive schemes in Nordea can be found in the Annual Report 2003, page 17.

### HR Service Excellence

A programme to implement unified HR processes in combination with modern IT support systems is under implementation in Nordea. The first step in the implementation of the unified processes is the development of common job descriptions for the majority of positions in Nordea, based on generic success criteria and competencies, providing clarity, consistency and focus for employees.

# Board of Directors

**Hans Dalborg**
*Chairman*
Board member since 1998.
Born 1941. Board chairman of the Royal Swedish Opera, Uppsala University, Young Enterprise Sweden and the Norwegian-Swedish Chamber of Commerce. Board member of Axel Johnson AB and the Swedish Touring Club. Member of EFR – European Financial Services Round Table and IVA – Royal Swedish Academy of Engineering Sciences.
Shareholding: 40,760 Nordea

**Timo Peltola**
*Vice Chairman*
Board member since 1998.
Born 1946. Chief Executive Officer of Huhtamäki Oyj. Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. Member of the Supervisory Boards of the Finnish Cultural Foundation and the Finnish Fair Corporation.
Shareholding: 5,187 Nordea

**Kjell Aamot**
Board member since 2001.
Born 1950. Chief Executive Officer of Schibsted ASA.
Board chairman of Aftenposten AS, Verdens Gang AS, Schibsted TV & Film AS, Schibsted Print Media AS, Schibsted Multimedia AS.
Shareholding: 2,000 Nordea

**Harald Arnkværn**
Board member since 2001.
Born 1939. Law practice in cooperation with Advokatfirmaet Haavind Vislie AS.
Board chairman of AS Vinmonopolet and Schøyen Gruppen AS. Board member of Concordia BV, Concordia Bus AB (publ) and GIEK Kreditforsikring AS. Chairman of Board of representatives Orkla ASA.
Shareholding: 1,000 Nordea

**Gunnel Duveblad**
Board member since 2003.
Born 1955. President EDS Europe Norther Region.
Appointed member 2003.
Shareholding: 5,700 Nordea

**Bertel Finskas**
Board member since 2000.
Born 1948.
Employee representative.
Shareholding: 1,400 Nordea

**Liv Haug**
Board member since 2001.
Born 1954.
Employee representative.
Shareholding: 0 Nordea

**Birgitta Kantola**
Board member since 2003.
Born 1948. Board member Fortum Plc, Varma Mutual Pension Insurance Company, Vasakronan AB and Akademiska Hus AB.
Appointed member 2003.
Shareholding: 1,000 Nordea

Shareholdings also include shares held by family members.

**Claus Høeg Madsen**
Board member since 2000.
Born 1945. Partner at Jonas Bruun Advokatfirma. Board member of Genpack A/S, ISS A/S, Singer Danmark A/S and Scanbox Entertainment A/S.
Shareholding: 1,803 Nordea

**Bernt Magnusson**
Board member since 1998.
Born 1941. Board chairman of Swedish Match AB and Dyno Nobel ASA. Board member of Net Insight AB, Volvo Car Corporation, Höganäs AB and Emtunga International AB. Adviser to the European Bank for Reconstruction and Development.
Shareholding: 27,174 Nordea

**Lars G Nordström**
*Group CEO*
Board member since 2003.
Born 1943. Board chairman of the Finnish-Swedish Chamber of Commerce and board member of the Swedish-American Chamber of Commerce.
Shareholding: 15,000 Nordea

**Jørgen Høeg Pedersen**
Board member since 2000.
Born 1938. Managing Director of Nordea Danmark Fonden and Fonden Tietgen Kollegiet. Board member of Ejendomsselskabet Axelborg I/S and World Union of wholesale markets.
Shareholding: 7,943 Nordea

**Kent Petersen**
Board member since 2003.
Born 1967.
Employee representative.
Shareholding: 1,162 Nordea

**Rauni Söderlund**
Board member since 2003.
Born 1960.
Employee representative.
Shareholding: 0 Nordea

**Maija Torkko**
Board member since 2002.
Born 1946.
Senior VP and Corporate Controller, Nokia Corp.
Shareholding: 12,000 Nordea

Shareholdings also include shares held by family members.

# Group Executive Management

**Lars G Nordström**
*Group CEO.*
Born 1943.
Appointed member 2000.
Shareholding: 15,000 Nordea.

**Christian Clausen**
*Head of Asset Management & Life.*
Born 1955.
Appointed member 2001.
Shareholding: 8,267 Nordea.

**Carl-Johan Granvik**
*Head of Group Credit and Risk Control, CRO.*
Born 1949.
Appointed member 2000.
Shareholding: 4,175 Nordea.

**Kari Jordan**
*Head of Retail Banking.*
Born 1956.
Appointed member 2002.
Shareholding: 1,356 Nordea.

**Arne Liljedahl**[1]
*Head of Group Corporate Centre, CFO.*
Born 1950.
Appointed member 2000.
Shareholding: 11,100 Nordea.

**Markku Pohjola**[1]
*Head of Group Processing and Technology, Deputy CEO.*
Born 1948.
Appointed member 2000.
Shareholding: 9,080 Nordea.

**Tom Ruud**[1]
*Head of Corporate and Institutional Banking.*
Born 1950.
Appointed member 2001.
Shareholding: 0 Nordea.

**Peter Schütze**[1]
*Head of Group Staffs.*
Born 1948.
Appointed member 2002.
Shareholding: 7,660 Nordea.

[1] Country Senior Executive

Shareholdings also include shares held by family members.

# Nordea Management

**President and Group CEO**
Lars G Nordström

**Retail Banking**
Kari Jordan

**Regional Banks Denmark**
Peter Lybecker

**West Denmark**
Jørn Kr. Jensen

**East Denmark**
Michael Rasmussen

**Regional Banks Finland**
Harri Sailas

**Helsinki & Uusimaa**
Pekka Nuuttila

**Central & Western Finland**
Pekka Ojala

**East & North Finland**
Jukka Perttula

**Regional Banks Norway**
Baard Syrrist

**East Norway**
Alex Madsen

**Coast Norway**
Egil Valderhaug

**Regional Banks Sweden**
Hans Jacobson

**Northern & Central Sweden**
Siv Svensson

**Stockholm**
Johan Sylvén

**Western Sweden**
Torsten Allqvie

**Southern Sweden**
Arne Bernroth

**Regional Banks Poland and Baltic Countries**
Thomas Neckmar

**Household**
Kurt Gustafsson

**Corporate**
Håkan Nordblad

**Nordic Wealth Management**[1]
Eira Palin-Lehtinen

**Planning and Control**
Claus K. Møller

**Market Support**
Maj Stjernfeldt

**Nordea Finance**
Stefan Källström

[1] Joint Unit between Retail Banking and Asset Management & Life.

**Corporate and Institutional Banking**
Tom Ruud

**Corporate Banking Division**
Henrik Mogensen

**Denmark**
Jørgen Høholt

**Finland**
Olli-Petteri Lehtinen

**Norway**
Øivind Solvang

**Sweden**
Peter Carlsson

**International and Shipping Division**
Carl E. Steen

**Financial Institutions Division**
Birger Gezelius

**Markets**
Peter Nyegaard

**Planning and Control**
Ari Kaperi

**Asset Management & Life**
Christian Clausen

**Investment Management**
Henrik Priergaard

**Investment Funds**
Jan Petter Borvik

**Nordic Wealth Management**[1]
Eira Palin-Lehtinen

**European Private Banking**
Jhon Mortensen

**Life & Pensions**
Allan Polack

**Business Area Controller**
Magnus Erkander

**Business Support**
Ove Hygum

**Group Processing and Technology**
Markku Pohjola, Deputy Group CEO

**Group IT**
Jarle Haug

**Electronic Banking**
Bo Harald

**Global Operations Services**
Tapio Saarelainen

**Production and Productivity**
Per E. Berg

**Group Integration Office**
Timo Jalamo

**Group Corporate Centre**
Arne Liljedahl, CFO

**Group Credit and Risk Control**
Carl-Johan Granvik, CRO

**Group Treasury**
Jakob Grinbaum

**Group Planning and Control**
Erik Öhman

**Group Finance**
Jarmo Laiho

**Investor Relations**
Sigurd Carlsen

**Group Corporate Development**
Jakob Grinbaum

**Group Staffs**
Peter Schütze

**Group Support and Procurement**
Gert Aage Nielsen

**Group Human Resources**
Peter Forsblad

**Group Identity and Communications**
Torben Laustsen

**Group Legal**
Lena Eriksson

**Group Compliance**
Sonja Lohse

**Planning and Strategy**
Ellen Pløger

**Group Management Secretariat**
Flemming Dalby Jensen

**Internal Audit Activity**
Dag Andresen

**Company Secretary**
Kari Suominen

# Notice of the Annual General Meeting

**The shareholders of Nordea Bank AB (publ) are hereby summoned to the Annual General Meeting of Shareholders on Wednesday 31 March 2004**

The annual general meeting will be held at 2.00 p.m. Swedish time in the Aula Magna, Stockholm University, Frescativägen 10, Stockholm.

The shareholders may also participate in the annual general meeting through telecommunication

- at 3.00 p.m. Finnish time in the Dipoli, Otakaari 24, Otaniemi, Espoo
- at 2.00 p.m. Danish time in the Bella Center, Center Boulevard 5, Copenhagen.

Registration of participation at the annual general meeting will be broken off at the opening of the annual general meeting.

The premises will open at 12.15 p.m. local time in Copenhagen, at 12.30 p.m. local time in Stockholm and at 1.00 p.m. local time in Espoo. At 1.00 p.m. in Copenhagen and Stockholm and 2.00 p.m. in Espoo respectively the executive management will hold an information meeting and will then answer questions from the shareholders.

**Common instructions to all shareholders**

Shareholders who wish to participate in the annual general meeting shall be entered in the share register maintained by the Swedish Securities Register Center (VPC AB) not later than 19 March 2004. The following shareholders therefore have to temporarily re-register their shares in their own names in VPC AB in Sweden in order to be entitled to participate in the annual general meeting.

- Shareholders whose shares are held in trust in Sweden
- Shareholders who are holders of Finnish Depositary Receipts in Finland
- Shareholders who are holders of shares registered in Værdipapircentralen in Denmark

Such re-registration shall be completed at VPC AB in Sweden by 19 March 2004. This means that the shareholder shall, in good time prior to this date, inform the trustee about this.

**Instructions to holders of shares registered in VPC AB in Sweden**

Notification of participation in the annual general meeting shall be made to Nordea Bank AB (publ) (the Bank) at the latest on 25 March 2004 at 1.00 p.m. Swedish time to the following address: Nordea Bank AB (publ), Custody Operations, C 02, SE-105 71 Stockholm, or by telephone +46 8 614 97 10, or by fax: +46 8 791 76 45, or on the Internet at the following address: www.nordea.com.

**Instructions to holders of Finnish Depositary Receipts (FDR) in Finland**

Request for re-registration in one's own name and notification of participation in the annual general meeting shall be made at the latest on 18 March 2004 at 4.00 p.m. Finnish time to Nordea Bank Finland Plc, 2698 Corporate Actions, 00020 Nordea, or by telephone +358 9 165 51398 or +358 9 165 51406 or fax +358 9 637 256, or on the Internet at the following address: www.nordea.com.

Shareholders, whose shares are registered in the shareholders' own names in VPC AB in Sweden, may also notify their participation in the annual general meeting later, however not later than 25 March 2004 at 2.00 p.m. Finnish time in the above-mentioned manner.

**Instructions to holders of shares registered in Værdipapircentralen in Denmark**

Request for re-registration in one's own name and notification of participation in the annual general meeting shall be made at the latest on 18 March 2004 at 12.00 noon Danish time to one of Nordea Bank Danmark's branch offices, or to Nordea Bank Danmark A/S, Issuer Services, H.H., Box 850, 0900 Copenhagen C, or by telephone +45 33 33 33 01 or fax +45 33 33 10 31, or on the Internet at the following address: www.nordea.com.

At the re-registration, each shareholder should state in which financial institute the shares are registered and the account number.

Shareholders, whose shares are registered in the shareholders' own names in VPC AB in Sweden, may also notify their participation in the annual general meeting later, however not later than 25 March 2004 at 1.00 p.m. Danish time in the above-mentioned manner.

The parent company, Nordea AB (publ), has been granted a bank charter and changed its name to Nordea Bank AB (publ) as of 30 January 2004.

Nordea Bank AB (publ) Corporate registration no. 516406-0120
*(Previously Nordea AB (publ) Corporate registration no. 556547-0977)*
Hamngatan 10
SE-105 71 Stockholm

Tel +46 8 614 78 00
Fax +46 8 10 50 69
www.nordea.com

Lay-out: Market Support
Production: n3prenör
Photo: Brummer Fotografi, Östen Matsson
Printing: Trosa Tryckeri AB

95930

# Annual Report 2003

## Contents



Nordea Annual Report 2003 is the formal report audited by the Nordea auditors including the full sets of financial accounts and notes, the Board of Directors report and the cash flow statement. Nordea Annual Review 2003 is a review of the business development in the Nordea Group in 2003 including an overview of its strategy and business areas.

The parent company, Nordea AB (publ), has been granted a bank charter and changed its name to Nordea Bank AB (publ) as of 30 January 2004.

*Solid improvements in 2003*

- *Net profit up 68% to EUR 1,490m (EUR 887m in 2002)*
- *Operating profit up 17% to EUR 1,812m (EUR 1,547m)*
- *Total income largely unchanged at EUR 5,639m (EUR 5,670m)*
- *Total costs down 2%*
- *Earnings per share EUR 0.51 (EUR 0.30)*
- *Return on equity (excluding goodwill) 16.7% (11.3%)*
- *Proposed dividend EUR 0.25 per share, an increase by 9%*

# Highlights of 2003

**Delivering on promises**

- Short-term top priorities have been addressed
  - Volatility has been reduced and income maintained at a stable level
  - Costs are kept well within the flat cost target – costs in 2004 expected to be unchanged compared to 2003
  - Capital efficiency has improved
  - Credit losses decreased slightly throughout the year – Credit portfolio in general in healthy shape
  - Special attention on income development going forward

# Key financial figures

## Operational income statement

| EURm | 2003 | 2002 | Change % |
|---|---|---|---|
| Net interest income | 3,366 | 3,451 | –2 |
| Net commission income | 1,486 | 1,535 | –3 |
| Trading income | 567 | 530 | 7 |
| Other income | 220 | 154 | 43 |
| **Total income** | **5,639** | **5,670** | **–1** |
| Personnel expenses | –2,101 | –2,086 | 1 |
| Profit sharing | –46 | – | |
| Other expenses | –1,526 | –1,659 | –8 |
| **Total expenses** | **–3,673** | **–3,745** | **–2** |
| **Profit before loan losses** | **1,966** | **1,925** | **2** |
| Loan losses, net | –363 | –261 | 39 |
| Equity method | 57 | 52 | 10 |
| **Profit before investment earnings and insurance** | **1,660** | **1,716** | **–3** |
| Investment earnings, banking | 170 | 122 | 39 |
| Operating profit, life insurance | 149 | 2 | |
| Operating profit, general insurance | – | –122 | |
| Goodwill amortisation and write-downs | –167 | –171 | –2 |
| **Operating profit** | **1,812** | **1,547** | **17** |
| Real estate write-downs | –115 | – | |
| Allocation to pension foundation | – | –255 | |
| Taxes | –205 | –405 | |
| Minority interests | –2 | 0 | |
| **Net profit** | **1,490** | **887** | **68** |

**Ratios and key figures** (see Business definitions page 86)

| | 2003 | 2002 |
|---|---|---|
| Earnings per share, EUR | 0.51 | 0.30 |
| Share price, EUR, end of period | 5.95 | 4.20 |
| Shareholders' equity per share [1], EUR | 4.28 | 4.06 |
| Shares outstanding [1], million | 2,846 | 2,928 |
| Return on equity excluding goodwill [2], % | 16.7 | 11.3 |
| Return on equity, % | 12.3 | 7.5 |
| Lending, EURbn | 146 | 146 |
| Deposits and borrowings from the public [1], EURbn | 96 | 94 |
| Shareholders' equity [1], EURbn | 12 | 12 |
| Total assets [1], EURbn | 262 | 250 |
| Assets under management [1], EURbn | 113 | 96 |
| Cost/income ratio, banking [3], % | 63 | 64 |
| Cost/income ratio, excluding investment earnings, % | 64 | 65 |
| Tier 1 capital ratio [1], % | 7.3 | 7.1 |
| Total capital ratio [1], % | 9.3 | 9.9 |
| Risk-weighted assets [1], EURbn | 134 | 135 |

[1] End of period. Total shares registrated was 2,928 (2,985) million. Number of own holdings of shares in Nordea Bank AB (publ) was 82 (57) million. Average number of own shares was 50 (30) million. Average number of shares Jan–Dec 2003 was 2,921 million (Jan–Dec 2002 2,955 million). Dilution is not applicable.

[2] Net profit before minority interests and goodwill amortisation/write-down as a percentage of average shareholders' equity (per quarter). Average shareholders' equity includes minority interests but with all outstanding goodwill deducted.

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

*In November 2002 we identified a number of short-term top priorities and a plan to improve our performance was developed. When comparing Nordea today with Nordea a year ago I see a bank that has undergone significant changes. Today we are more focused, changes are made at a more rapid speed and the concept of continuous improvement is internalised throughout the organisation.*

# Increased focus and speed led to improved performance

**2003 results: Solid improvements**
Operating profit was up by 17% in 2003 compared to 2002 reflecting stable income, reduced total expenses, increased loan losses, a sharply improved operating profit from insurance activities as well as stronger investment earnings, banking.

Net profit increased by 68% to EUR 1,490m reflecting the improvement in operating profit, the positive tax contribution in the third quarter, last year's allocation to pension foundations and General Insurance losses as well as the impact of the real estate write-downs in the fourth quarter 2003.

Earnings per share were EUR 0.51 compared to EUR 0.30 in 2002 and return on equity (excluding goodwill) was 16.7% compared to 11.3% in 2002.

During the year the share price of Nordea appreciated by 40.6% on the Stockholm Stock Exchange. Total shareholder return (TSR) for 2003 was 47.9%, which places Nordea as number 3 in terms of TSR within a defined peer group of 20 European banks.

**Short-term top priorities addressed – delivering on promises**

In the autumn of 2002 there was a general feeling of disappointment with Nordea among shareholders, other investors and analysts, which was reflected in a poor share price performance. To start the "turn-around" that was needed, I introduced the key words focus, speed and performance, and we identified a number of short-term top priority areas:

- Reduce volatility and ensure growth of income
- Improve cost control
- Ensure capital efficiency
- Maintain credit portfolio quality

And we created a "sense of urgency" throughout the entire organisation.

Today I feel confident that we not only have succeeded to improve our performance, but also that we have done so in a manner that has institutionalised a continuous improvement process driving the increased competitiveness of the Group forward as part of the Nordea culture.

In some areas, structural measures have been taken in order to adjust our cost level to stagnating or declining income triggered by the macroeconomic environment and financial market developments.

Let me recapitulate our achievements in relation to the short-term top priorities.

Volatility has been reduced primarily through divestment of General Insurance and a changed business model for Life & Pensions.

Income has been maintained at a stable level despite all time low post war short-term interest rates, a drop in equity market activities and subdued macroeconomics.

A culture of strict cost management has grown, and costs in 2003 were well within our target of unchanged costs compared to 2002.

Our capital efficiency has been strengthened through divestments of real estate and other noncore assets, changed business models, growth of off-balance sheet business and implementation of economic capital and economic profit framework. This has enabled us to start a share buy back programme and to propose increased dividend per share.

Credit losses have been slightly decreasing throughout the year and are concentrated to a single industry. Our credit portfolio in general is in a healthy shape.

The income development in the current macroeconomic environment is still an area of concern, and we will pay special attention to this issue going forward.

Strict cost management will remain high on our agenda, and we have raised the cost ambition for 2004. This is not a simple cost cutting exercise. This is a question of a genuine transformation into one bank - focusing, keeping speed and not being sentimental when it comes to implementation of changes or even day-to-day management.

Emerging from four major banks in four different countries Nordea's point of departure was characterised by inherent complexity. During 2003 reduction of complexity has been addressed throughout the organisation.

Group Processing and Technology, which was established in the autumn of 2002, has been an important driver and facilitator for consolidation and integration of processes, production and technology. Major initiatives include a substantial reduction of IT development costs and the consolidation of IT production in a joint venture with IBM, Nordic Processor, which is now fully operational.

The management of the integration project portfolio has been centralised, and future additional targets for reduction of complexity have been identified and will be achieved.

The first steps in the simplification and transformation of the Group legal structure into a European Company have been taken.

The unification of the business organisation within Retail Banking is under completion, and service and support functions have been transformed from being mainly policy-making functions into central service and support units for the whole Group contributing to the development of the Nordea corporate culture.

**Key words becoming corporate values**

The key words of focus, speed and performance have had a very high impact in the entire Group. We are all familiar with the words, and we apply them to our work – therefore we have now turned them formally into our corporate values as well.

It is important that our values reflect what we really stand for, how we work, and what we do. As such focus, speed and performance complete our mission and vision, which reflect the aim of our operations, what we want to achieve and how we wish to be perceived.

**Focus**

- We concentrate on creating value for our customers and shareholders
- We concentrate on our strengths and core activities, and we discontinue activities when needed

**Speed**

- We provide a broad set of easily accessible and competitive financial services and solutions
- We are quick, adjust to market conditions and do not hesitate to execute decisions made

**Performance**

- We aim to deliver better solutions and results than our competitors
- We continuously improve in everything we do, and we deliver on our promises

**Continuous improvement**

Our performance is significantly improved and we have the prerequisites to stay on the winning course:

- A large customer base
- Strong distribution power
- Advantage of size, scale and scope
- Strong capital base and high market capitalisation

We are increasingly becoming one bank with a common culture centred around performance orientation and with a strong local presence and customer contact.

We have reduced complexity and will continue to do so.

Indeed, we have achieved a lot since last year. Therefore, I would like to take the opportunity to thank all employees for their dedicated efforts and for bringing about the 2003 results.

Still, although our performance has been improved, there is – as always – room for further continuous improvement.

Best regards

Lars G Nordström

*Nordea is the leading financial services group in the Nordic and Baltic Sea region and operates through three business areas: Retail Banking, Corporate and Institutional Banking and Asset Management & Life. The Nordea Group has almost 11 million customers and 1,240 bank branches. The Nordea Group is a world leader in Internet banking, with 3.7 million e-customers. The Nordea share is listed in Stockholm, Helsinki and Copenhagen.*

# Board of Directors' report

**Group organisation**

The Group's business organisation includes three business areas: Retail Banking, Corporate and Institutional Banking, and Asset Management & Life.

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

Corporate and Institutional Banking delivers a range of products and services to corporate and institutional customers.

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

The support functions are Group Processing and Technology, Group Corporate Centre and Group Staffs.

Group Processing and Technology includes Group IT, Electronic Banking, Global Operations Services and Production and Productivity.

Group Corporate Centre contains Group Credit and Risk Control, Group Treasury, Group Planning and Control, Group Finance, Investor Relations and Group Corporate Development.

Group Staffs includes Group Support and Procurement, Group Human Resources, Group Identity and Communications, Group Legal and Group Compliance.

**Legal Structure**

The legal structure of the Group, being a result of the mergers of four national banking groups, has proven to be complex from an operational point of view, as it did not support the Group's business activities in an optimal manner.

On 19 June 2003 the Board of Directors of Nordea AB (publ) therefore decided to initiate a process of change in the Nordea Group's legal structure. The aim is to establish a one-bank structure, with one legal entity, Nordea Bank AB (publ), conducting business in all local markets by means of branches.

The process of change began when Nordea AB (publ) acquired Nordea Bank Sweden AB (publ), Nordea Bank Danmark A/S and Nordea Bank Norge ASA from Nordea Bank Finland Plc. The share purchase agreements were signed on 19 June 2003 and the transactions closed on 19 June, 24 June and 28 October 2003, respectively.

The next step was to transform Nordea AB (publ) into an operational banking company, which required a banking licence and a decision by an Extraordinary General Meeting. Such a meeting was held on 22 October 2003 whereby the shareholders of Nordea AB (publ) decided to make the necessary amendments to the Articles of Association of the company, inter alia to change the name to Nordea Bank AB (publ). Following that decision and subsequent approval from the Swedish FSA, the Swedish Patent- and Registration Office registered the banking licence and the amendments to the Articles of Association on 30 January 2004. From that date the parent company of the Nordea Group is a banking company by the name of Nordea Bank AB (publ).

The next step to be taken in the change process is to merge Nordea Bank Sweden AB (publ) into Nordea Bank AB (publ). The merger is scheduled to take place on 1 March 2004.

The intention is that Nordea Bank AB (publ) will later be converted into a European company, a "Societas Europaea", ("SE"), according to the European Company Statute coming into force in the second half of 2004. The bank will continue to be legally domiciled in Sweden. The conversion will be accomplished through a merger with the other banks in the Group and is conditional upon obtaining necessary approvals from the relevant authorities.

The change is expected to lead to improved operational efficiency, reduced operational risk and enhanced capital efficiency.

**Business development in 2003**

In 2003, Nordea has increased the focus on rationalisation and general cost control, including restructuring of several business activities. Integration projects such as centralisation of back office and Group functions, as well as outsourcing, have been prioritised to realise further cost savings.

Nordea has gradually reduced its risk exposure during the year. A changed business model in the Life insurance area was implemented. The new life products are based on guarantees that apply to the principal capital of a policy, as opposed to old products which in addition offered guaranteed returns. These new products represent a reduced risk to the life company. A fee-based profit sharing model with policy holders furthermore reduces Nordea's dependence on investment returns.

A further reason for the reduced earnings volatility in 2003 was the change of investment policy and portfolio management in Nordea's pension foundations.

Nordea's capital efficiency was improved in 2003 through divestments of real estate and other non-core assets including the shares in Nordisk Renting and the Finnish real estate broker Huoneistokeskus, growth of off-balance sheet business, and implementation of the economic capital and economic profit framework. This development enabled further share buy-backs.

The Group's continuous concentration on Nordic customers has helped to maintain the credit quality at a satisfactory level and the overall quality of the portfolio is good.

**Parnership with IBM**
In September Nordea signed a 10-year IT service agreement with IBM to transform and consolidate the Nordea Group IT production services into an on-demand infrastructure. As part of the solution, Nordea together with IBM formed a single-purpose joint venture, Nordic Processor AB, which employs about 900 employees transferred from Nordea. Nordic Processor was effective from 1 November 2003. By this partnership Nordea can speed up the consolidation of the IT production processes. A number of technological platforms will be consolidated into one location, and networks and desktops will be standardised. IBM will deploy an environment that automates many tasks associated with key IT functions, such as resource provisioning, asset tracking, workflow scheduling, and real-time infrastructure monitoring.

**Changed business model for investment banking**
In May, Nordea changed the business model for its investment banking activities. Equities and Corporate Finance were separated to underpin research independence and to increase cooperation within Corporate and Institutional Banking to leverage its leading Nordic market position.

Equities operations became a unit within Markets while Corporate Finance became an independent unit within the Corporate Banking Division. The integration affected Nordea Securities' operations in all four Nordic countries and the change of business model was in principle implemented by year-end.

The changed business model enabled further streamlining of operations and sharing of fixed costs.

## Comments to the operational Income statement

**Result summary 2003**
In 2003, Nordea's financial performance improved and tangible results were delivered on the four short-term top priorities identified in the autumn of 2002. Earnings volatility was reduced and income was maintained at a stable level despite alltime low post-war short-term interest rates. A culture of strict cost management has grown in the organisation and costs in 2003 were well within the stated target of unchanged costs compared to 2002. Capital efficiency was strengthened and loan losses occurred mainly in one single industry. The credit portfolio is considered to have a good overall quality.

Operating profit was up by 17% in 2003 compared to 2002 reflecting stable income, reduced total expenses, increased loan losses, a sharply improved operating profit from insurance activities as well as stronger investment earnings, banking.

Earnings per share were EUR 0.51 compared to EUR 0.30 in 2002 and return on equity (excluding goodwill) was 16.7% compared to 11.3% in 2002. Adjusted for the positive tax contribution in the third quarter and the negative impact of real estate write-downs at year-end, earnings per share were EUR 0.43 and return on equity 14.5% (excluding goodwill).

**Income**
Strong sales efforts contributed to increased business volumes and maintained income level despite difficult markets in 2003. Total income was EUR 5,639m, 1% lower than in 2002. Adjusted for currency fluctuations, total income increased marginally.

Net interest income was EUR 3,366m in 2003, down by 2% compared to 2002. Total lending was unchanged at EUR 146bn. The underlying volume growth was 3% when adjusting for currency fluctuations. Lending to personal customers increased by 12% reflecting strong demand for mortgages. On-balance sheet lending to corporate customers decreased, but margins improved. Deposits were EUR 96bn, an increase of 2% compared to the end of 2002 in 2004.

Falling interest rates had a negative impact especially on deposit margins in the retail sector throughout the year. Active management of the interest rate exposure did, however, reduce the negative effect on net interest income in the second half of the year, by EUR 10m–15m per quarter. The effect is expected to be reduced from and including the second quarter in 2004.

Net commission income was down slightly at EUR 1,486m compared to EUR 1,535m in 2002. Brokerage was down by EUR 67m as a result of reduced stock market turnover, particularly in Finland, and restructuring of the brokerage business leading to reduced revenues, but improved profitability. The reduction was partly compensated by improved commissions from asset management, which grew by EUR 17m to EUR 467m as a result of strong net sales and gradually improving equity markets during the year. Commissions from payments also continued to grow, increasing by EUR 40m to EUR 764m. Household payment transactions increased by 10% in 2003 reflecting a strong growth in the number of card and internet transactions, as well as a reduced number of manual transactions.

Trading income increased from EUR 530m in 2002 to EUR 567m in 2003, reflecting the further strengthening of Nordea's position as a leading provider of derivatives and debt-capital market services.

Other income increased by EUR 66m to EUR 220m. In 2003, Nordea undertook a number of divestments in line with its strategy to focus on core business. This resulted in several non-recurring gains, which increased other income.

**Expenses**
Expenses were EUR 3,673m, a decrease by EUR 72m, or 2% in 2003. Total costs were well within the target of flat costs compared to 2002, even when including EUR 46m reservation for profit-sharing schemes. The process of reducing complexity, including centralisation and consolidation of back-office processes, and rationalisation on a cross-Nordic basis has contributed to the decrease.

Underlying expenses decreased by approx. 6% when adjusting for acquired business in Poland, increased variable salaries and restructuring costs. Total costs in 2003 included acquired business in Poland and reservation for profit-sharing, which were not included in 2002, as well as higher restructuring costs and higher variable salaries than in 2002. The effect of currency fluctuations has also been taken into account, when determining the underlying cost development.

Personnel expenses were EUR 2,101m in 2003, an increase by 1%. Underlying personnel expenses decreased by 2% when adjusting for acquired business in Poland, increased variable salaries and restructuring costs.

The number of employees was reduced by 3,584 to 33,978 of which approx. 900 as a result of the joint venture with IBM and approx. 500 as a result of the sale of the Finnish real estate brokerage business.

Reservation for profit-sharing amounted to EUR 46m. In 2002, no cost under Nordea's profit-sharing schemes arose.

Other expenses were EUR 1,526m, a decrease by 8% compared to 2002, reflecting a generally strengthened cost management culture in the Group. IT development costs were reduced by approx. 20%.

The cost/income ratio was 63% (64%). Excluding reservations for profit-sharing, the cost/income ratio was 62%.

**Loan losses**
The Group's continuous concentration on Nordic customers has helped to maintain the credit quality at a satisfactory level and the overall quality of the portfolio is good. Loan losses were EUR 102m higher than last year, primarily reflecting the weakness in parts of the Norwegian Retail Banking portfolio. Loan losses corresponded to 0.25% of total loans and guarantees.

**Investment earnings, banking**
Investment earnings increased by EUR 48m to EUR 170m in 2003 following gains on the fixed income portfolio in the first half of the year and on the equity portfolios in the second half of 2003.

**Life insurance**
Profit from Life insurance improved to EUR 149m from EUR 2m in 2002 mainly reflecting the gradual implementation of the changed business model in Life. This model has been a key element in reducing the overall volatility in Nordea's earnings in 2003.

**General insurance**
In 2002, a loss of EUR 122m was generated in the general insurance activities that were sold in that year.

**Real estate write-downs**
Nordea has previously been one of the largest real estate owners in the Nordic region. In accordance with the strategy to focus on core business and increase capital efficiency it was decided to reduce the Group's real estate exposure and initiate a real estate disposal programme. This has resulted in the divestment of Nordea's residential property and owner-occupied properties in Denmark, the sale of the shares in Nordisk Renting and Citycon, and the agreement in December last year whereby Nordea sold 97 properties in Finland, Norway and Sweden comprising primarily larger regional offices and traditional branch offices.

A net write-down of EUR 115m related to this ongoing process materialised in the year-end accounts. The net financial effect of recent and ongoing real estate disposals is expected to be a gain of approx. EUR 200m as a result of the write-down of EUR 115m and an expected gain of approx. EUR 300m in 2004.

**Net profit**

Net profit increased by 68% to EUR 1,490m reflecting the improvement in operating profit, the positive tax contribution in the third quarter, last year's allocation to pension foundations as well as the impact of the real estate write-downs in the fourth quarter 2003.

## Financial structure

The balance sheet has during 2003 grown with EUR 12bn, or approx. 5%. All balance sheet items in foreign currencies are translated to EUR at the actual year-end currency exchange rates. See Note 1 for more information regarding accounting policies.

**Assets**

*Treasury bills and other eligible bills*

Treasury bills and other eligible bills increased by approx. EUR 4bn, reflecting an increased liquidity buffer compared to the end of 2002.

*Loans and advances to credit institutions*

Loans and advances to credit institutions increased by approx. EUR 5bn, reflecting a higher activity level in the Markets division primarily in the form of short-term loans.

*Lending*

Lending is unchanged compared to last year-end. The effect of weaker NOK and USD compared to last year-end reduced lending approx. EUR 5bn. Adjusted for this the underlying loan growth was approx. 2%.

*Other assets, banking*

Derivatives are disclosed gross in the balance sheet. A net present value is calculated on each transaction. If the value is positive the transaction is booked as an asset and vice versa, see note 1, 31, 37, 45 and 47 for more information. The net present values are directly linked to changes in interest and/or currency rates during the life of the contracts. The growth in Markets activities has led to a higher booked value on the outstanding derivatives contracts. An increase of approx. EUR 5bn compared to 2002 is related to both new transactions and changes in interest and currency rates during the year. The value of derivative contracts is disclosed within the lines "Other assets, banking" and "Other liabilities, banking".

*Tangible assets*

Tangible assets, which include properties, decreased more than EUR 1bn during the year as a result of the divestment program for real estate.

**Liabilities**

*Deposits by credit institutions*

During the year the deposits has grown with approx. EUR 3bn. The growth stems from increases in all types of relevant debt instruments.

*Deposits and borrowings from the public*

Deposits and borrowings from the public increased by approx. 2bn.

The underlying growth in deposits was approx. EUR 3bn when excluding currency effects. The growth mainly stems from increased volumes in Finland and Denmark.

*Debt securities in issue etc*

Debt securities in issue increased by approx. EUR 3bn. The issued securities mainly comprise short-term debt instruments with maturity below one year. The change is mainly reflecting the duration in the mortgage loan portfolio which resulted in an increase of bonds with a maturity of one to five years.

*Other liabilities, banking*

See text on Other assets, banking above.

## Repurchase of own shares

Following the authorisation from the Annual General Meeting on 24 April 2003, the Board of Directors of Nordea AB (publ) on 29 October 2003 decided to repurchase a maximum of 145 million of its own shares (equivalent to approximately 5% of the total number of shares in the company).

Up to 30 December 2003 Nordea Bank AB (publ) repurchased 81,608,500 of its own shares. The shares were purchased at an average price of SEK 50.40.

## Share capital

The General Meeting in 2003 decided to reduce the share capital by EUR 22,593,410.56. After the reduction the share capital amounted to EUR 1,160,460,823.12. The reduction was implemented through retirement, without repayment, of the 57,008,000 shares that were repurchased and held by Nordea.

All shares in Nordea have voting rights, with each share entitled to one vote at General Meetings. Nordea Bank AB (publ) is not entitled to vote for own shares at General Meetings.

There are no outstanding convertible bond loans or staff/management options in Nordea.

**The Nordea share**
During 2003 the share price of Nordea appreciated by 41% on the Stockholm Stock Exchange from SEK 38.40 on 30 December 2002 to SEK 54.00 on 30 December 2003. Total shareholder return (TSR) during year 2003 was 47.9%. The calculation of TSR is based on the share price development during the year, assuming the dividend of EUR 0.23 per share is reinvested in Nordea shares.

**Shareholders**
With approximately 503,000 registered shareholders at 31 December 2003, Nordea has one of the largest shareholder bases of all Nordic companies. The number of Nordea shareholders registered in Denmark is approximately 211,000, in Finland 207,000 and in Sweden 85,000. See note 51 for detailed information.

**Proposed dividend**
The Board of Directors has proposed to the AGM a dividend of EUR 0.25 per share, corresponding to a pay out ratio of 48% of net profit. This represents an increase of 9%, or EUR 0.02 per share.

The proposed record date for the dividend is 5 April 2004, and dividend payments are scheduled to be made on 14 April. The ex-dividend date for the Nordea share is 1 April.

The dividend is denominated in EUR, however payments are normally made in the local currency of the country where the shares are registered. Dividend payments can also be made in EUR if the shareholder has a EUR account registered with the securities registers.

**Rating**
See page 87 for information on the Ratings of the Nordea Group.

**Personnel**
The average number of employees in the Group was reduced by 11% or 4,221 employees to 33,101.

Personnel expenses and the division between countries and sex are disclosed in note 9.

**Incentive schemes**
A full description of the incentive schemes in Nordea can be found on page 17. In 2003, reservations for profit sharing amounted to EUR 46m.

**Legal proceedings**
Nordea Bank AB (publ) is not subject to any major legal proceedings. Within the framework of the normal business operations, the Group faces a number of claims in lawsuits and other disputes, most of which involve relatively limited amounts. None of these disputes is considered likely to have any significant adverse effect on the Group or its financial position.

In the legal proceedings between Yggdrasil AB and Nordea Bank Sverige AB (publ), described in detail in previous Annual Reports, the Stockholm District Court dismissed Yggdrasil's claim in 1998. Yggdrasil made an appeal to the Court of Appeal, which dismissed Yggdrasil's claim in 2002. The Supreme Court dismissed Yggdrasil's petition for a leave of appeal on 10 February 2003.

**Important events after 31 December 2003**
The ongoing sale of Nordea's remaining portfolio of central business district properties is progressing, and a letter of intent has been signed with a prospective buyer. In addition, Nordea has sold further properties in Finland.

The properties sold in the beginning of 2004 primarily consist of a number of single office buildings in Finland, including buildings in Espoo containing part of Nordea's IT centre, the former Finnish head office building in central Helsinki, and other owner-occupied properties as well as investment properties. The properties have been sold to Catella Investments, Varma Mutual Pension Insurance and Nordea Bank Finland's pension fund.

**IAS implementation and financial implications**
As other listed companies within the EU, Nordea will move to International Financial Reporting Standards (IFRS) as basis for the Group's accounting policies when preparing the consolidated financial statements for 2005.

For 2003 and for 2004 the Group's annual accounts are and will be prepared in accordance with the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies, the regulations of the Swedish Financial Supervision

Authority and the recommendations of the Swedish Financial Standards Council.

Except for IAS 39 and the major part of the ongoing improvements and convergences to be included into the International Financial Reporting Standards to be used in 2005, the present Swedish rules have been regularly updated to be in line with the IAS/ IFRS except for some minor issues.

In Nordea the preparation of the transition to IAS/ IFRS is organised in a project under three themes :

- guidelines, i.e. the development of Nordea accounting policies for the Group,
- education, i.e. building new competencies with accounting and controlling units.
- production, i.e. implementing the changes in the production flows of the consolidated financial statements, and

The adjustments to be included in the Nordea accounting policies in 2005, includes a unified measurement of insurance contract at market value, a line-by-line consolidation of the Life insurance Group and other non-fully consolidated holdings, and implications of the final version of IFRS 32 and 39 on financial instruments.

The International Accounting Standards Board IASB has indicated that the standards to be used in 2005 should be final at the end of the first quarter 2004. Nordea expects to participate in an ongoing alignment process of the more detailed implementation of the standards into the accounting policies of the European financial sector. This alignment process is expected to go beyond 2005.

**Financial implications**

The new accounting standard for pension commitments (IAS 19) takes effect from the beginning of 2004.

IAS 19 will entail changes in how certain pension obligations are calculated and reported. The impact on the Group's net result will be more or less unchanged compared to the current situation. A reduction of shareholders' equity of EUR 183m was effective as of 1 January 2004, reducing the Tier 1 and total capital ratio by approx. 0.15% points. See note 39 for more information.

### Outlook

Economic growth is expected to increase in the Nordic region in 2004. Continued growth is expected in private consumption. International demand is expected to increase, and will influence export industries positively. An increase in short-term interest rates is not expected until late this year, at the earliest.

Based on the expected growth, the outlook for increased revenues is positive, although at a moderate level. A moderate increase in overall business volumes is expected, primarily stemming from the household sector. Higher business volumes are expected to compensate for generally depressed margins in the current low interest rate environment. Nordea expects to benefit if short-term interest rates should increase during the year. To a certain extent, the Group's income also depends on the development in the capital markets.

A sharp attention on cost management will be maintained also going forward. Based on the progress on cost management in 2003, combined with ongoing efforts to further centralise and unify production processes and reduce complexity, total costs in 2004 are expected to be unchanged compared to reported costs in 2003, when excluding costs related to profit-sharing schemes in both years. This means that the cost ambition has been increased compared to previously communicated targets.

The credit portfolio is considered to have a good quality at a stable level. Based on the overall quality of the credit portfolio and the present economic outlook for the Nordic countries, Nordea has no reason to believe that the loan loss ratio will exceed the level experienced in 2003.

### Annual General Meeting

The Annual General Meeting of shareholders will be held on Wednesday 31 March 2004 in Aula Magna, Stockholm University at 2.00 pm (CET) with the possibility to participate through telecommunication, in Espoo at 3.00 pm Finnish time at Dipoli and in Copenhagen at 2.00 pm (CET) in Bella Center.

*Corporate governance in Nordea follows generally adopted principles and is based on effective interaction between the shareholders and the Board of Directors and between the Board and the Group Executive Management (GEM). A high degree of transparency is maintained in respect of the Group based on correct, relevant and timely information.*

# Corporate governance

### Nordea Board of Directors

According to the Articles of Association of Nordea Bank AB (publ) the Board of Directors of the company shall consist of at least six and not more than fifteen members, elected by shareholders at the Annual General Meeting (AGM). The mandate for the Board members extends over a period of two years, with half the number of Board members being elected each year. The Board of Directors is proposing that the 2004 AGM resolves to adjust the Articles of Association in this respect and that the mandate period should be one year.

### Members of the Board

The Board consists of the following members elected by the shareholders:

Hans Dalborg, chairman
Timo Peltola, vice chairman
Kjell Aamot
Harald Arnkværn
Gunnel Duveblad
Birgitta Kantola
Claus Høeg Madsen
Bernt Magnusson
Lars G Nordström
Jørgen Høeg Pedersen
Maija Torkko

The Board further comprises the following members elected by the employees, one of whom is a deputy member:

Bertel Finskas (deputy 24 April 2003 – 31 October 2003)
Liv Haug (deputy 1 November 2002 – 24 April 2003 and 1 November 2003 – 30 April 2004)
Kent Petersen (from 24 April 2003)
Rauni Söderlund (from 24 April 2003)

Hans Dalborg, Kjell Aamot, Bernt Magnusson, Jørgen Høeg Pedersen and Maija Torkko are elected Board members until the AGM 2004. At the 2003 AGM Harald Arnkværn, Claus Høeg Madsen and Timo Peltola were re-elected as Board members for a period of two years. Dan Andersson and Edward Andersson declined re-election. At the same meeting Gunnel Duveblad, Birgitta Kantola and Lars G Nordström were elected new members of the Board for a period of two years.

Lene Haulrik and Kaija Roukala-Hyvärinen were Board members appointed by the employees organisations until 24 April 2003.

Nordea complies with applicable rules regarding the composition of the Board in respect of independence, including having only one Board member, CEO Lars G Nordström, working in an operative capacity in the Company.

The work of the Board of Directors follows an annual plan. The statutory meeting following the AGM appoints the Chairman, vice Chairman as well as Board Committee members and adopts the Rules of Procedures for the Board of Directors. The Rules of Procedures contain inter alia rules pertaining to the areas of responsibility of the Board, the number of meetings, documentation and rules regarding conflicts of interest. Furthermore, the Board of Directors adopts Instructions for the Chief Executive Officer specifying the CEO responsibilities as well as other policies, instructions and guidelines for the operations.

During the year the Board reviews the strategy (including targets), the financial position and development and risks on a regular basis. The Board of Directors held 14 plenary meetings during 2003, one of which per capsulam. The average attendance at the Board meetings was 95%.

The Board of Directors annually carries out a self-assessment process, through which the performance and the work of the Board is thoroughly evaluated and discussed by the Board.

An established principle in Nordea is that the members of the Board of Directors, elected by the shareholders, in addition to working in plenary meetings, shall conduct their responsibilities through separate working committees. The duties of the Board Committees, as well as working procedures are defined in specific instructions adopted by the Board. Each Committee shall regularly report on its work to the Board.

## Board Committees

**The Audit Committee** assists the Board in fulfilling its oversight responsibilities by reviewing the external auditors comments on the Group's annual financial statement as well as the systems of internal control established by the Board, the CEO and the GEM, and the audit processes.

The Committee is further responsible for the guidance and evaluation of the Internal Audit Activity. During 2003 the Committee comprised Board members Harald Arnkværn (Chairman), Claus Høeg Madsen and Maija Torkko. Co-opted members were Lars G Nordström and Dag Andresen, Chief Audit Executive (CAE). The Audit Committee held five meetings during 2003.

**The Credit Committee** monitors adherence to the established credit policies within the Nordea Group and evaluates the overall quality of the credit portfolio. During 2003 the Committee comprised Board members Hans Dalborg (Chairman), Edward Andersson (up to AGM 2003), Harald Arnkværn, Birgitta Kantola (from AGM 2003), Bernt Magnusson, Lars G Nordström and Jørgen Høeg Pedersen. Carl-Johan Granvik, head of Group Credit and Risk Control, was a co-opted member. The Credit Committee held five meetings during 2003.

**The Remuneration Committee** (previously named Remuneration and Human Resource Committee) is responsible for remuneration issues regarding Executive Management within the Nordea Group. The Committee prepares and presents proposals to the Board of Directors regarding the CEO's and CAE's terms of employment. The CEO also consults with the Committee regarding the terms of employment of the members of the GEM. The Committee prepares alterations to salary levels for the GEM as a whole for resolution by the Board. The Committee shall also prepare questions regarding altered pension terms and conditions for GEM as a whole and amendments in principle to contract terms and conditions for resolution by the Group Board of Directors.

During 2003, the Committee comprised Board members Hans Dalborg (Chairman), Kjell Aamot, Gunnel Duveblad (from AGM 2003), Lene Haulrik (up to AGM 2003), Lars G Nordström and Timo Peltola. The CEO does not participate in deliberations on his own terms of employment. The Remuneration Committee held seven meetings during 2003.

**Nomination process**

According to the Articles of Association of Nordea Bank AB (publ) when electing Board of Directors, it is intended that the Board, as a whole, for its operations, possesses the requisite knowledge and experience of the civic, business and cultural conditions prevailing in the regions and market areas in which the Group's principal operations are conducted.

The 2003 AGM decided to establish a nomination committee for a period up to the end of the next AGM. The purpose of the nomination committee is to put forward proposals for decisions on election of Board members and/or Auditors as well as remuneration to the aforementioned to the next General Meeting where such resolutions are to be made.

The nomination committee shall, according to the AGM resolution, comprise the chairman of the Board and a minimum of three and a maximum of five additional members. The committee shall elect chairman of the committee amongst its members. The three shareholders, with the largest holdings in the Company are entitled to appoint one member each. In addition, the chairman and the three other members are entitled to appoint a further one or two members for the purpose of promoting a composition of the committee that as far as possible reflects the overall distribution of shares in Nordea. Committee members may not be employed by the Nordea Group. The committee is established based on known holdings as per 30 September 2003. In addition, the AGM resolution also includes rules pertaining to a situation in which a shareholder abstains from the right to appoint a member of the committee or if a shareholder, that has appointed a member, should no longer be entitled thereto.

According to the AGM resolution a member of the committee may be compensated for expenses for the assignment. Furthermore, the committee may pay a consideration to a member who is appointed by the committee and who does not represent his och her employer. The committee may engage an external consultant at the Company's expense.

The three shareholders with the largest holdings in the Company as per 30 September 2003 appointed the following members: the Swedish Government appointed Eva Halvarsson, Alecta pensionsförsäkring appointed Staffan Grefbäck and Nordea Danmark-fonden appointed Povl Høier. The committee elected Eva Halvarsson chairman of the committee. Furthermore, the committee in order to reflect the distribution of shares in Finland decided to appoint one additional member – Juha Rantanen. The composition of the committee was made public on the 29th of October 2003.

The proposals of the committee will be presented to the Shareholders in the notice of the 2004 AGM and a report on the work of the committee, including explanation for proposals, will be held available to the Shareholders at the Company no later than two weeks prior to the AGM.

**Voting rights**

All shares in Nordea carry voting rights, with each share entitled to one vote at General Meetings. Nordea Bank AB (publ) is not entitled to vote for own shares at General Meetings.

**Compensation system for CEO and Group Executive Management**

The remuneration for the CEO and other members of GEM consists of fixed and variable salary. Variable salary outcomes are determined by a combination of Group performance in relation to a predetermined level of return on equity and the attainment of personal objectives approved at the outset of the year. Variable salary outcomes can reach a maximum of 47% of fixed salary, including incentive schemes with respect to both 2003 and 2004.

Regarding the CEO's fixed and variable salary, as well as his retirement benefits and other contractual terms and conditions, the Remuneration

Committee presents proposals to the Board, where decisions are made. The Committee also prepares alterations in salary levels for GEM as a whole, as well as alterations in retirement benefits, contract terms and conditions, for resolution by the Board. Fixed and variable salaries, as well as retirement benefits, terms and conditions, for individual members of GEM are determined by the CEO, following consultation with the Remuneration Committee.

**Incentive schemes in Nordea**

In 2003 the CEO and other members of GEM participated in a "temporary variable salary" programme, together with some 350 other managers of the Group, decided by the Board of Directors. The performance conditions of the programme relate to the creation of "economic profit" compared to a predetermined level and to the comparison with the return on equity achievements of a predefined peer-group of financial institutions. A potential pay-out under the scheme is limited to 12% of the participant's salary.

The present profit-sharing schemes covering all employees are based on return on equity.

The Board of Directors on 19 February 2003 resolved to implement a temporary profit-sharing scheme for 2003 for all employees, in addition to ordinary profit-sharing schemes. The incentive scheme is based on fulfilment of certain performance criteria related to economic profit and return on equity.

In 2003, a total of EUR 46m was provided for under Nordea's profit-sharing schemes. Of this, EUR 19m was provided for under the ordinary profit sharing-scheme to all employees, corresponding to a pay out of 35% of the maximum amount. EUR 21m was provided for under the temporary profit-sharing scheme for all employees. In addition, EUR 6m was provided for under the temporary variable salary scheme for 350 managers.

Nordea's Board of Directors has decided to combine and replace old and temporary profit-sharing programmes for employees. At the same time an executive incentive programme for managers will replace the temporary system from 2003. The performance criteria reflect internal goals as well as benchmarking with competitors. Both programmes are cash-based and capped.

Employees can get a maximum of EUR 2,800, of which EUR 2,000 is based on a pre-determined level of return on equity and an additional EUR 800 based on Nordea's relative performance compared to a Nordic peer group as measured by return on equity (excluding goodwill). If all performance criteria are met, the cost of the programme will amount to a maximum of EUR 92m.

The executive incentive programme comprises some 350 managers in Nordea. The performance criteria include Economic Profit and Nordea's relative performance compared to the Nordic peer group as measured by return on equity (excluding goodwill). Managers could receive up to a maximum of 12% of one year's basic salary if requirements are fulfilled. The maximum cost of the programme will amount to EUR 8m.

Presently, no remuneration schemes based on the value of the Company's shares exist within Nordea.

**Auditors**

According to the Articles of Association of Nordea Bank AB (publ) one or two auditors shall be elected by the General Meeting of shareholders for a term of four years. At the AGM 1999 KPMG Bohlins AB was elected auditor for a period up to the end of the AGM 2003.

The Board of Directors during 2002 decided to carry out a tender process for Financial Audit Services. The Audit Committee was responsible for the tender process. In order to comply with best practice in this matter, the Audit Committee applied the recently issued Practice Advisory from The Institute of Internal Auditors, Inc as a model for the tender process. After due evaluation of the offers tendered the Board of Directors decided to recommend to the AGM to re-elect KPMG Bohlins AB auditor for a period of four years.

KPMG Bohlins AB were re-elected auditors at the AGM 2003 for the time period up to the end of the AGM 2007.

*Being exposed to risk is inherent in providing financial services, and Nordea assumes a variety of risks in its ordinary business activities, the most significant being credit risk related to lending. Management of risk is one of the key success factors in the financial services industry and Nordea has clearly defined policies and instructions for risk management.*

# Risk management

Nordea aims at an overall balanced risk-taking in order to enhance shareholder value. Economic Capital is allocated to the business areas and is included in the calculation of Economic Profit, which is a key performance indicator in the Group. During 2003 the measurement of Economic Capital and Expected Losses have been further refined.

## Risk management principles and control

The Board of Directors of Nordea has the ultimate responsibility for limiting and monitoring the Group's risk exposure. Risks in Nordea are measured and reported according to common principles and policies approved by the Board.

The Board has set the following operative targets:

- The average loan loss provisions over a business cycle should not exceed 0.40% of the loan and guarantee portfolio.
- Investment risk (market risk related to investment activities) should not lead to an accumulated loss in investment earnings exceeding one quarter's normalised earnings at any time in a calendar year.
- Operational risk must be kept within manageable limits at reasonable costs.

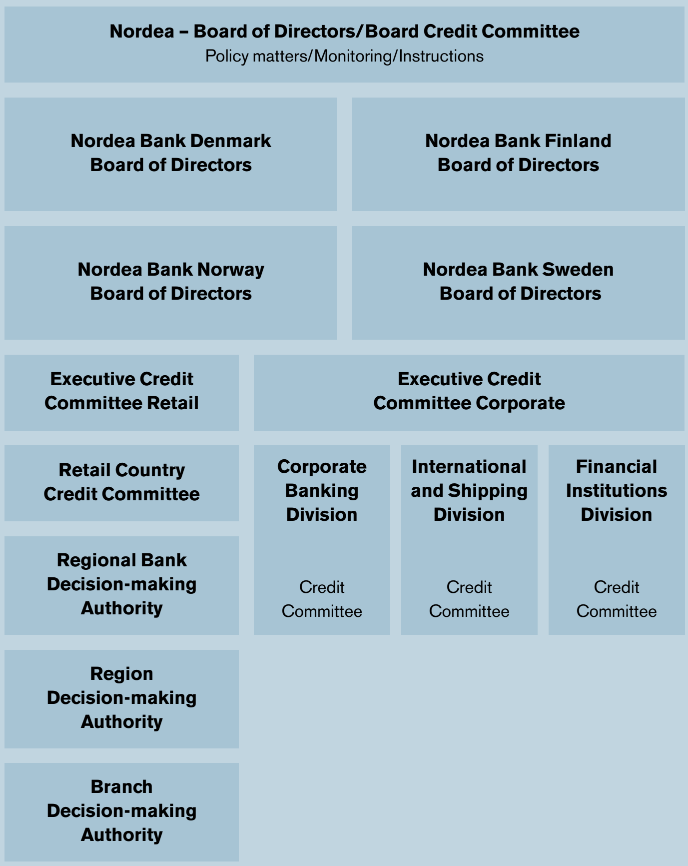
The Board of Directors decides on policies for credit, market, liquidity and operational risk management as well as the credit instruction. Furthermore, the Board of Directors decides on powers-to-act for credit committees at different levels within the business areas in Nordea. The authorisations vary for different decision-making levels mainly in terms of size of limits, and are also dependent on the internal rating of customers. The Board's Credit Committee monitors the development of the credit portfolio including industry and major customer limits.

The Board of Directors decides on the limits for the market and liquidity risk in the Group.

On behalf of the Group CEO, Group Executive Management has the responsibility for risk management and reviews regular reports on risk exposures. In addition, the following committees for risk management have been established by the Group Executive Management:

- Asset and Liability Management Committee (ALCO) has the overall responsibility for the asset and liability management in the Group. The Group's CEO is the chairman of ALCO. ALCO decides the Group limits and policy for managing the structural interest income risk (SIIR). In addition, ALCO decides the allocation of the market risk limits to business areas. The limits for the business areas are set in accordance with the business strategies and are as a minimum reviewed annually. The heads of the business areas allocate the ALCO limits within the business area and may introduce more detailed limits and other risk reducing features such as stop-loss rules.
- Executive Credit Committees (Corporate and Retail) decide on major credit limits and industry policies for the Group. Chairman of Executive Credit Committees is the Chief Risk Officer (CRO), who also is a member of Group Executive Management. Credit risk limits are decided by the use of individual limits for each customer group and by means of industry limits. Other credit limits, which are not decided by the Executive Credit Committees, are decided by decision-making authorities on different levels (see figure). The responsibility for credit exposure is assigned to a customer responsible unit. Each customer is assigned a rating in accordance with the Nordea framework for quantification of credit risk.
- The Risk Committee monitors developments of risks on aggregated level. Chairman of the Risk Committee is the CRO, who also is the head of Group Credit and Risk Control.

### Credit decision-making structure



Group Credit and Risk Control is responsible for the risk management framework. The framework consists of policies, instructions and guidelines, and is applicable for the Group. For SIIR and liquidity risk, the framework is developed in co-operation with Group Treasury, which is responsible for the asset and liability management and for the allocation of liquidity risk limits to business areas.

Each business area is primarily responsible for managing the risks in their operations, including identification, control and reporting. In addition Group Credit and Risk Control monitors the risks on Group level.

### Credit risk

Credit risk is defined as the risk that counterparties of Nordea fail to fulfil their agreed obligations and that the pledged collateral does not cover Nordea's claims.

The credit risks in Nordea arise mainly from various forms of lending, but also from guarantees and documentary credits. Furthermore, credit risk includes country risk, settlement risk and credit risk in financial instruments such as derivatives.

The credit risk in derivative contracts is the risk that Nordea's counterpart in the contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart under the contract. Settlement risk is the risk of losing the principal of a financial instrument if a counterparty defaults during the settlement process.

Country risk is a credit risk attributable to the transfer of money from a country and is affected by changes in the economic and political situation of countries.

The responsibility for credit risk lies with the customer responsible unit, which on an ongoing basis assesses the customer's ability to fulfil its commitment and identifies deviations from agreed conditions and weaknesses in customer performance. Environmental risks on corporate customers are assessed through a process called Environmental Risk Assessment Tool, which has been developed within the bank. The control of credit risk on Group level is performed by Group Credit and Risk Control.

If weaknesses are identified in a customer exposure, resulting exposure is given special attention in terms of review of the risk. In addition to the continuous monitoring, an action plan is established outlining how to minimise a potential credit loss. If necessary, a special team is set up to support the customer responsible unit.

If a loss is probable for an exposure, it is recognised as impaired and a provision is made. The size of the provision is equal to the estimated loss considering the remaining repayment capacity, value of pledged collateral and other repayment sources during a work out process. Impaired exposures could be either performing or non-performing. Impaired is equivalent to default when measuring default probability.

Weak and impaired exposures are reviewed on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions.

#### Measurement methods

Over the last few years the main focus has been to complete the Nordea framework for quantification of credit risk. The key drivers of this work have been the introduction of economic profit (EP) as a key performance indicator and the New Basel Capital Accord.

*Rating and scoring*

The very core of the Nordea framework is the internal rating and credit-scoring models. The common denominator of all the rating/scoring models is the ability to rank order and predict default.

The scale for corporate rating models consists of 18 repayment ability grades. It is a falling scale with grade 6+ representing the highest repayment ability, i.e. the lowest probability of default, and rating grade 1– representing the lowest repayment ability. Rating grade 4– and better is comparable to investment grade as defined by external rating agencies such as Moody's and S&P. Grade 2+ to 1– are considered as weak, and require special attention. In addition there are 3 rating grades for defaulted counterparts.

When rating medium sized and large corporates, Nordea uses an overall corporate rating framework, based on a combination of financial and qualitative factors. To ensure that the model predicts default correctly for customers with different characteristics, adjustments have been made for corporate size and specific industry segments (such as real estate, shipping, financial institutions etc.).

For the retail segment (household and small business) Nordea uses credit-scoring models for the main part of the portfolio. For the bank and country segments there is an expert based rating model, which takes into account financial ratios, the likelihood of support, operating environment and country risk.

In 2003, an internal validation process was initiated, with the purpose of proving that Nordea's rating models, procedures and systems are accurate, consistent and have a high predictability of default. The ongoing validation also captures the assessment of the relevant risk factors as well as the comparison of actual default frequencies with the expected probabilities of default.

*Quantification of credit risk*
The most important inputs when measuring the credit risk are the probability of default (PD), the loss given default (LGD), and the exposure at default (EAD). The inputs are used to quantify expected losses and Economic Capital for credit risk, which both are used in the calculation of Economic Profit. In Nordea default is defined in compliance with the anticipated reference definition of the New Basel Capital Accord.

**Definition of Expected Loss (EL):**
The EL is the normalised loss rate calculated based on the current portfolio. EL is measured using the formula, EL = PD x LGD x EAD, where
- PD is a measure of the probability that the counterparty will default,
- LGD is a measure of how much is expected to be lost in the event of default and
- EAD is a measure of the expected exposure in the event of default.

The PD is the most important parameter when measuring credit risk. In general historical losses are used to calibrate the PDs attached to each rating grade. For some segments the PDs are based on mapping from external rating models. LGD is measured taking into account the collateral coverage of the exposure, the counterpart's balance-sheet components, and the presence of any structural support. Also LGD is estimated using internal historical losses where applicable. Where data is missing a combination of benchmarks and expert input is used. EAD is for many products equal to the outstanding exposure but for some products, such as credit lines and derivative contracts, the EAD can be higher than the outstanding exposure. The set up for EAD estimation is similar to that for LGD.

Nordea measures Economic Capital for credit risk with a portfolio model. The EC estimated with the model take diversification effects into account.

As a complement to the ordinary credit risk quantification stress tests are performed. These tests are also a response to the New Basel Capital Accord and will be a component in the capital planning process going forward.

In order to facilitate the estimation of the credit risk parameters as well as perform portfolio analysis on various dimensions a groupwide credit database has been created over the previous years.

### Credit risk exposure

(excluding cash and balances at central banks, country risk and settlement risk exposure)

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Loans and advances to credit institutions | 29,037 | 23,496 |
| Lending | 145,644 | 145,740 |
| Unutilised credit commitments etc [1] | 56,981 | 31,001 |
| Guarantees and documentary credits | 13,612 | 15,576 |
| Derivatives [2] | 19,791 | 21,629 |
| Interest-bearing securities issued by public entities | 12,016 | 9,746 |
| Other bonds and other interest-bearing securities | 20,001 | 18,420 |
| **Total credit risk exposure** | **297,082** | **265,608** |

[1] The increase is mainly due to other accounting principles in 2002.
[2] Including current exposure as well as potential future exposure.

### Lending, structure of portfolio

| EURm | 31 Dec 2003 | % | 31 Dec 2002 | % | 31 Dec 2001 | % |
|---|---|---|---|---|---|---|
| **Customer** | | | | | | |
| Corporate customers | 77,875 | 53.5 | 85,089 | 58.4 | 84,088 | 61.1 |
| Household customers | 64,738 | 44.4 | 57,929 | 39.7 | 50,716 | 36.9 |
| Public sector | 3,031 | 2.1 | 2,722 | 1.9 | 2,766 | 2.0 |
| **Total** | **145,644** | **100.0** | **145,740** | **100.0** | **137,570** | **100.0** |
| **Lending to corporate customers by industry** | | | | | | |
| Real estate management | 21,191 | 27.2 | 22,433 | 26.4 | 19,996 | 23.8 |
| Construction | 2,643 | 3.4 | 3,041 | 3.6 | 2,883 | 3.4 |
| Agriculture and fishing | 4,252 | 5.5 | 4,295 | 5.0 | 3,682 | 4.4 |
| Transport | 4,364 | 5.6 | 3,510 | 4.1 | 3,584 | 4.3 |
| Shipping | 3,672 | 4.7 | 4,559 | 5.4 | 5,581 | 6.6 |
| Trade and services | 8,749 | 11.2 | 8,308 | 9.8 | 8,675 | 10.3 |
| Manufacturing | 12,457 | 16.0 | 13,933 | 16.4 | 16,011 | 19.0 |
| Financial operations | 8,325 | 10.7 | 9,138 | 10.7 | 6,942 | 8.3 |
| Renting, consulting and other company services | 5,739 | 7.4 | 8,265 | 9.7 | 8,845 | 10.5 |
| Other companies | 6,483 | 8.3 | 7,608 | 8.9 | 7,890 | 9.4 |
| **Total** | **77,875** | **100.0** | **85,089** | **100.0** | **84,088** | **100.0** |
| **Lending to corporate customers by size of loan** | | | | | | |
| EURm | | | | | | |
| 0–10 | 36,775 | 47.2 | 30,769 | 36.1 | | |
| 10–50 | 20,883 | 26.8 | 21,212 | 25.0 | | |
| 50–100 | 7,387 | 9.5 | 9,657 | 11.3 | | |
| 100–250 | 6,870 | 8.8 | 10,427 | 12.3 | | |
| 250–500 | 2,653 | 3.4 | 5,410 | 6.4 | | |
| 500– | 3,307 | 4.2 | 7,614 | 8.9 | | |
| **Total** | **77,875** | **100.0** | **85,089** | **100.0** | | |
| **Lending to household customers** | | | | | | |
| Mortgage loans | 48,904 | 75.5 | 43,602 | 75.3 | 38,895 | 76.7 |
| Consumer loans | 15,834 | 24.5 | 14,327 | 24.7 | 11,821 | 23.3 |
| **Total** | **64,738** | **100.0** | **57,929** | **100.0** | **50,716** | **100.0** |

### Credit risk analysis

The credit risk exposure is measured and presented as the principle amount of claims or potential claims on customers and counterparties net after reserves. It consists of the on-balance-sheet and off-balance-sheet items, which carry credit risk.

The largest item is lending, which in 2003 was almost unchanged with an underlying increase of 2%, which was neutralised by exchange rate effects. As lending to corporate customers decreased by 8% and lending to household customers increased by 12%, the portion of lending to corporate customers decreased to 54% (58%) of the total lending portfolio.

Loans to credit institutions, mainly in the form of interbank deposits, amounted to EUR 29.0bn at the end of 2003 (EUR 23.5bn). Of these loans, less than 10% was to banks outside OECD.

*Lending to corporate customers*

The main increases in the portfolio could be seen in the sectors: "Transport" and "Trade and services". Decreases were mainly seen in "Manufacturing", "Construction", "Shipping" and "Renting, consulting and other company services". In shipping the decrease was mainly due to exchange rate effects.

Real estate management remains the largest industry sector in Nordea's lending portfolio, with EUR 21.2bn. Relatively large and financially strong companies dominate the portfolio, with 64% of the lending in rating grades 4– and higher. There is a high level of collateral coverage, especially for exposures, which fall into lower rating grades (3+ or lower). In these rating grades the average collateral coverage is around 80%. EUR 10.1bn, or around half of the lending to real estate management is to companies in Sweden. Close to half of the lending is to companies managing residential real estate.

The shipping exposure of EUR 5.6bn (EUR 6.0bn), of which EUR 4.9bn is utilised consists of a diversified portfolio by type of vessel and has a focus on large industrial players. Of the total exposure, 55% is Nordic customers and 45% is non-Nordic customers. Shipping is the only industry in which Nordea has a global customer strategy. About 64% of the shipping lending is in rating grades 4– or higher.

The fisheries exposure of EUR 2.1bn (EUR 2.4bn), of which EUR 1.8bn is utilised, consists mainly of Norwegian customers. The exposure on fish farming is EUR 0.9bn (EUR 1.0bn). The Norwegian fish farming industry has experienced severe problems the last two years, with high supply and low market prices in combination with a strong Norwegian currency. Due to these problems, slightly more than half of Nordea's net loan losses came from the fisheries industry during 2003.

*Rating distribution*
The graph below, shows that the rating distribution is concentrated to grades 5 to 3. About 61% (64%) of the exposure is in rating grade 4– or higher.

*Lending to household customers*
Mortgage loans increased by 12% while consumer loans increased by 11%. The portion of mortgage loans was 76% (75%).

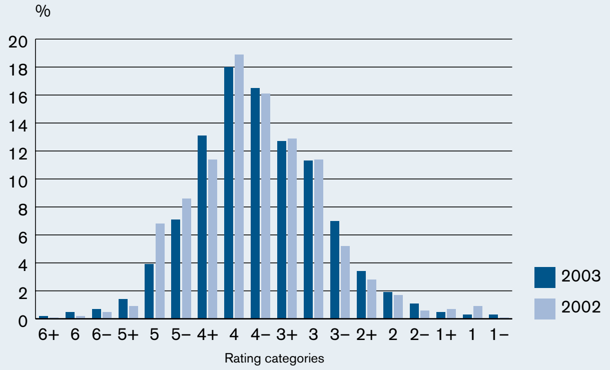
*Geographical distribution*
Lending distributed by borrower domicile shows that the Nordic market accounts for 92% (90%). Other EU countries represent the main part of the lending outside the Nordic countries. The exposure to emerging markets is limited.

*Country risk*
The country risk exposure is dominated by China and Brazil. The exposure is trade-related and primarily short-term. Both countries are of great importance for Nordea's Nordic corporate customers. The total country risk reserve at the end of 2003 was EUR 99m (EUR 130m). The reduction of the exposure and the reserve was partly due to the exchange rate effect of a weakened US Dollar.

*Impaired loans*
An impaired loan is a claim, for which it is probable that payment will not be made in accordance with the contractual terms of the claim. Impaired loans, gross, decreased to EUR 2,649m from EUR 3,260m. Reserves decreased to EUR 1,936m from EUR 2,153m. As a consequence, the ratio of reserves to cover remaining impaired loans, gross, increased to 73% (66%).

*Settlement risk*
Settlement risk is a type of credit risk that arises during the process of settling a contract or executing a payment. The risk amount is the principal of the transaction, and a loss could occur if a coun-

**Utilised exposure distributed by rating grades**




**Lending to real estate management companies by country**

| EURbn | 31 Dec 2003 | % | 31 Dec 2002 | % | 31 Dec 2001 | % |
|---|---|---|---|---|---|---|
| Denmark | 1.9 | 9 | 1.8 | 8 | 1.9 | 9 |
| Finland | 4.6 | 22 | 4.5 | 20 | 3.4 | 17 |
| Norway | 4.2 | 20 | 4.8 | 22 | 4.0 | 20 |
| Sweden | 10.2 | 48 | 11.0 | 49 | 10.5 | 53 |
| Others | 0.3 | 1 | 0.3 | 1 | 0.2 | 1 |
| **Total** | **21.2** | **100** | **22.4** | **100** | **20.0** | **100** |

**Shipping exposure**

| EURbn | 31 Dec 2003 | % | 31 Dec 2002 | % |
|---|---|---|---|---|
| Crude tankers | 0.8 | 14 | 0.8 | 13 |
| Bulk carriers | 0.7 | 12 | 0.6 | 10 |
| Product tankers | 0.5 | 9 | 0.7 | 12 |
| Chemical tankers | 0.5 | 9 | 0.5 | 9 |
| Gas tankers | 0.5 | 8 | 0.4 | 7 |
| Cruise and ferries | 0.8 | 14 | 0.8 | 14 |
| Others | 1.8 | 34 | 2.2 | 35 |
| **Total exposure** | **5.6** | **100** | **6.0** | **100** |
| Utilised exposure | 4.9 | | 5.2 | |

**Fisheries exposure**

| EURbn | 31 Dec 2003 | % | 31 Dec 2002 | % |
|---|---|---|---|---|
| Fish farming | 0.9 | 41 | 1.0 | 42 |
| Fishing vessels | 0.8 | 36 | 0.8 | 33 |
| Fish processing/export | 0.5 | 23 | 0.6 | 25 |
| **Total exposure** | **2.1** | **100** | **2.4** | **100** |
| Utilised exposure | 1.8 | | 2.0 | |

**Mortgage loans to household customers by country**[1]

| EURm | 31 Dec 2003 | % | 31 Dec 2002 | % | 31 Dec 2001 | % |
|---|---|---|---|---|---|---|
| Denmark | 13,780 | 28 | 11,737 | 27 | 11,167 | 29 |
| Finland | 12,033 | 25 | 10,509 | 24 | 9,563 | 24 |
| Norway | 7,403 | 15 | 7,471 | 17 | 5,763 | 15 |
| Sweden | 15,688 | 32 | 13,885 | 32 | 12,402 | 32 |
| **Total** | **48,904** | **100** | **43,602** | **100** | **38,895** | **100** |

[1] The Baltic countries are included in the figures for Finland.

#### Lending by geographical area

| EURm | 31 Dec 2003 | % | 31 Dec 2002 | % | 31 Dec 2001 | % |
|---|---|---|---|---|---|---|
| Nordic countries | 133,581 | 91.7 | 131,721 | 90.4 | 121,660 | 88.4 |
| of which Denmark | 38,235 | | 34,240 | | 31,410 | |
| of which Finland | 31,000 | | 29,317 | | 27,338 | |
| of which Norway | 21,983 | | 24,452 | | 21,197 | |
| of which Sweden | 42,337 | | 43,597 | | 41,509 | |
| The Baltic and Poland | 1,654 | 1.1 | 1,119 | 0.8 | 452 | 0.3 |
| EU countries other | 4,709 | 3.3 | 6,552 | 4.5 | 6,784 | 4.9 |
| USA | 1,584 | 1.1 | 2,478 | 1.7 | 3,490 | 2.5 |
| Latin America | 1,356 | 0.9 | 898 | 0.6 | 652 | 0.5 |
| Asia | 740 | 0.5 | 920 | 0.6 | 1,327 | 1.0 |
| Other OECD | 842 | 0.6 | 793 | 0.5 | 1,462 | 1.1 |
| Non-OECD other | 1,178 | 0.8 | 1,259 | 0.9 | 1,744 | 1.3 |
| **Total** | **145,644** | **100.0** | **145,740** | **100.0** | **137,570** | **100.0** |

#### Country risk exposure[1]

| EURm | 31 Dec 2003 | 31 Dec 2002 | 31 Dec 2001 |
|---|---|---|---|
| Asia | 682 | 725 | 618 |
| of which China | 352 | 349 | 278 |
| of which South Korea | 114 | 140 | 95 |
| Latin America | 262 | 390 | 535 |
| of which Brazil | 140 | 193 | 288 |
| Eastern Europe & CIS | 48 | 67 | 444 |
| Middle East | 309 | 335 | 382 |
| Africa | 47 | 66 | 48 |

[1] Base for the country risk reserve, for 2003 and 2002 defined as all countries excluding A-rated countries according to EIU and excluding Poland and the Baltic countries. Exposure net of ECA guarantees.

#### Credit risk exposure in derivatives
(after closeout netting)

| EURm | Current exposure | Potential future exposure | Total credit risk |
|---|---|---|---|
| Public entities | 441 | 1,050 | 1,147 |
| Financial institutions | 3,423 | 13,694 | 15,451 |
| Corporates | 1,122 | 3,044 | 3,194 |
| **Total** | **4,986** | **17,788** | **19,791** |

terpart should default after Nordea has given irrevocable instructions for a transfer of a principal amount or security, but before receipt of payment or security has been finally confirmed.

The settlement risk on individual counterparts is restricted by settlement risk limits. Each counterpart is assessed in the credit process and clearing agents, correspondent banks and custodians are selected with a view to minimising settlement risk.

Nordea is a shareholder of and participates in the global FX clearing system CLS (Continuous Linked Settlement). In November 2002, Nordea began settling via CLS and since the Scandinavian currencies were included in September 2003, Nordea's settlement risk exposure has been reduced considerably.

### Risk in derivatives

Derivative contracts are financial instruments, such as futures, forwards, swaps or option contracts that derive their value from an underlying asset; interest rates, currencies, equities or commodity prices. The derivative contracts are often OTC-traded, meaning the terms connected to the specific contract are agreed upon on individual terms with the counterpart.

Nordea enters into derivative contracts mainly due to customer needs, both directly and in order to hedge positions that arise through such activities. Furthermore, the Group, through Group Treasury uses interest rate swaps, currency interest rate swaps and other derivatives in its hedging activities of the assets and liabilities on the balance sheet.

The derivative contracts are marked to market on an ongoing basis and, therefore, affect the reported result and also the balance sheet, as assets or liabilities depending on the direction of the market developments. Nordea uses a valuation model for calculating the market value of OTC derivates. The market value is adjusted for the uncertainty associated with the choice of revaluation model and revaluation parameters as well as credit and liquidity risk. Derivatives used for hedging by Group Treasury are booked at acquisition value.

Derivatives affect credit risk, market risk, SIIR and liquidity risk exposures.

The credit risk in derivative contracts is the risk that Nordea's counterpart in the contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterparty under the contract. Nordea will then have to replace the contract at the current market rate, which may result in a loss.

The credit risk exposure is treated in the same way as other types of credit risk exposure and is included in customer limits.

The credit risk exposure is measured as the sum of current exposure and potential future exposure. The potential future exposure is an estimation, which reflects possible changes in market values during the remaining lifetime of the individual contract and is measured as the notional amount multiplied by a risk weight.

To reduce the exposure towards single counterparts, risk mitigation techniques are widely used in Nordea. The most common is the use of closeout netting agreements, which allow the bank to net positive and negative replacement values of contracts under the agreement in the event of default of the counterpart. Nordea only performs netting in the calculation of credit risk exposure if the closeout netting agreement is considered to be legally enforceable. In line with the market trend Nordea also mitigates the exposure towards large banks and institutional counterparts by an increasing use of bilateral collateral management arrangements, where collateral is placed or received to cover the current exposure. Another risk mitigation used technique is agreements that enable Nordea to terminate contracts at specific time periods or upon the occurrence of credit-related events.

## Market risk

Market price risk is defined as the risk of loss in market value as a result of movements in financial market variables such as interest rates, foreign exchange rates, equity prices and commodity prices. All material portfolios in Nordea are marked to market.

While the interest-rate-price risk is the risk of a loss in the present value of the future cash flows when interest rates change, SIIR is the risk of a fall in the net interest income if market rates rise or fall. The market price risk refers to products with a fixed term, whereas SIIR measures the net interest income sensitivity of the whole balance sheet over a one-year horizon. SIIR is further described in a separate section below.

Nordea is mainly exposed to market risk in its investment portfolios, in particular, in Group Treasury. This risk is managed separately from the market risk relating to customer-driven trading, and market making activities, most notably in Nordea Markets. Furthermore, market risk arises from the mismatch of the market risk exposure on assets and liabilities in Nordea Life and Pension and internally defined benefit pension plans. For all other activities, the basic principle is that market risks are eliminated by matching assets, liabilities and off-balance-sheet items. This is achieved by transactions in Group Treasury.

### Impaired loans

| EURm<br>31 Dec 2003 | Total | Corporate customers | Household customers |
|---|---|---|---|
| Impaired loans, gross | 2,649 | 2,091 | 558 |
| Reserves for impaired loans | –1,936 | –1,583 | –353 |
| Impaired loans, net | 713 | 508 | 205 |
| Reserves/impaired loans, gross (%) | 73.1 | 75.8 | 63.0 |
| Impaired loans, net/lending (%) | 0.5 | 0.7 | 0.3 |

| 31 Dec 2002 | Total | Corporate customers | Household customers |
|---|---|---|---|
| Impaired loans, gross | 3,260 | 2,664 | 596 |
| Reserves for impaired loans | –2,153 | –1,770 | –383 |
| Impaired loans, net | 1,107 | 894 | 213 |
| Reserves/impaired loans, gross (%) | 66.0 | 66.4 | 64.2 |
| Impaired loans, net/lending (%) | 0.8 | 1.0 | 0.4 |

### Impaired loans to corporate customers gross, by industry

| EURm | 31 Dec 2003 | %[1] | 31 Dec 2002 | %[1] | 31 Dec 2001 | %[1] |
|---|---|---|---|---|---|---|
| Real estate management | 211 | 1.0 | 238 | 1.2 | 290 | 1.4 |
| Construction | 73 | 2.8 | 99 | 3.2 | 100 | 3.5 |
| Agriculture and fishing | 259 | 6.1 | 430 | 10.0 | 98 | 2.7 |
| Transport | 255 | 5.8 | 159 | 4.5 | 145 | 4.0 |
| Shipping | 73 | 2.0 | 123 | 2.7 | 205 | 3.7 |
| Trade and services | 222 | 2.5 | 300 | 3.6 | 346 | 4.0 |
| Manufacturing | 242 | 1.9 | 362 | 2.6 | 412 | 2.6 |
| Financial operations | 37 | 0.4 | 97 | 0.8 | 97 | 1.4 |
| Renting, consulting and other company services | 261 | 4.5 | 297 | 3.6 | 399 | 4.5 |
| Other companies | 458 | 7.1 | 559 | 7.4 | 401 | 5.1 |
| **Total** | **2,091** | **2.7** | **2,664** | **3.1** | **2,493** | **3.0** |

[1] of lending to the industry

### Distribution of reserves to corporate customers, by industry

| EURm | 31 Dec 2003 | % | 31 Dec 2002 | % | 31 Dec 2001 | % |
|---|---|---|---|---|---|---|
| Real estate management | 143 | 9.0 | 158 | 8.9 | 190 | 10.2 |
| Construction | 63 | 4.0 | 88 | 5.0 | 85 | 4.6 |
| Agriculture and fishing | 206 | 13.1 | 161 | 9.1 | 88 | 4.7 |
| Transport | 180 | 11.4 | 136 | 7.7 | 97 | 5.2 |
| Shipping | 61 | 3.9 | 88 | 5.0 | 107 | 5.7 |
| Trade and services | 169 | 10.6 | 216 | 12.2 | 295 | 15.8 |
| Manufacturing | 206 | 13.0 | 238 | 13.4 | 365 | 19.6 |
| Financial operations | 21 | 1.3 | 84 | 4.7 | 38 | 2.1 |
| Renting, consulting and other company services | 229 | 14.5 | 263 | 14.9 | 316 | 16.9 |
| Other companies | 305 | 19.2 | 338 | 19.1 | 285 | 15.2 |
| **Total** | **1,583** | **100.0** | **1,770** | **100.0** | **1,866** | **100.0** |

In addition to foreign exchange risk stemming from trading activities and investment portfolios, structural foreign exchange risk arises from investments in subsidiaries and associated enterprises denominated in foreign currencies. The general principle is to hedge this by match funding. Furthermore, structural foreign exchange risk arises from earnings and cost streams generated in foreign exchange or from foreign branches. For the individual Nordea companies this is handled in each company's foreign exchange position. Payments coming to parent companies from subsidiaries as dividends are exchanged to the base currency of the parent company.

**Measurement methods**

As there is no single risk measure that captures all aspects of market risk, Nordea on a daily basis uses several risk measures including VaR models, stress testing, scenario simulation and other non-statistical risk measures such as basis point values, net open positions and option key figures.

*Normal market conditions*

VaR is used by Nordea to measure linear interest rate, foreign exchange and equity risks, and since 1 July also for interest rate options. A VaR measure across these risk categories is also used, allowing for diversification among the risk categories. VaR is a statistical risk measure, which in Nordea is based on the last two years' historical changes in market prices and rates, a holding period of 10 banking days and a probability of 99%. Nordea's historical simulation VaR model is based on the expected tail loss approach, which implies using the average of a number of the most adverse simulation results as an estimate of VaR.

Nordea's current VaR models do not capture the non-linear market risk inherent in equity and foreign exchange options. Instead, scenario simulations are used to capture this non-linear risk. The scenarios simulate movements in foreign exchange rates, equity prices and volatilities, which are calibrated to capture the most common market movements over a 10-day horizon.

Furthermore, the market risk on Nordea's account due to a mismatch between the market risk exposure on policy holders' assets and liabilities in Nordea Life and Pensions is measured as the loss sensitivity for two standard market scenarios, which represent normal and stress market conditions, respectively.

Backtests are performed on a regular basis in accordance with the guidelines laid down by the Basle Committee on Banking Supervision in order to test the reliability of the VaR and simulation models. The models have shown reliable statistical characteristics throughout 2003.

*Stress testing*

Stress tests are used to estimate the possible losses that may occur under extreme market conditions. Nordea performs stress tests based on the current portfolio and information about the daily financial market developments since the beginning of 1993. In addition, Nordea's portfolios are stress tested for subjective scenarios, which are most often based on selected historical events prior to 1993 or adverse scenarios relevant at the current state of the economic cycle or geopolitical situation.

**Market risk analysis**

The analysis is based on the consolidated risk stemming from both investment and trading-related activities. Overall, the risk was broadly at the same level at the end of 2003 as the end of 2002.

**Market Risk in 2003** EURm

| | Measure | 31 Dec 2003 | Average | Minimum | Maximum |
|---|---|---|---|---|---|
| Total risk | VaR | 68.2 | 60.3 | 36.8 | 86.6 |
| Equity risk | VaR | 27.0 | 25.9 | 21.4 | 35.3 |
| Non-linear risk | Simulation | 5.1 | 6.9 | 4.2 | 9.2 |
| Interest rate risk | VaR | 60.2 | 47.1 | 22.5 | 75.2 |
| Non-linear risk (First half of 2003) | Simulation | – | 21.4 | 11.9 | 37.3 |
| Foreign exchange risk | VaR | 5.7 | 4.7 | 2.0 | 10.6 |
| Non-linear risk | Simulation | 10.4 | 10.5 | 5.4 | 18.6 |

Nordea's market risk associated with the mismatch between policyholders' assets and liabilities in Nordea Life and Pension is currently analysed separately. The scenario for normal market conditions shows a risk of EUR 24m by the end of 2003. This does not comprise internally defined benefit pension plans, which are monitored separately.

*Total risk*

The total VaR was EUR 68.2m at the end of 2003 and shows that there is a noticeable diversification effect between equity, interest rate and foreign exchange risk, as the total VaR is lower than the sum of the risk in the three categories.

*Equity risk*

At the end of 2003, Nordea's total equity VaR stood at EUR 27.0m, while the sensitivity to a 10% change in all equity prices was EUR 11.1m. Measured by industry sectors, Nordea's largest equity exposure was to the financial sector at the end of 2003. The exposure to real estate equities was significantly reduced in November, but still represented the second largest exposure.

In addition to the listed shares, the book value of private equity funds and unlisted equities (excluding business-related and credit-related unlisted equities) is limited and monitored in the market risk management, but are not included in the equity VaR figures in the tables and charts in this report.

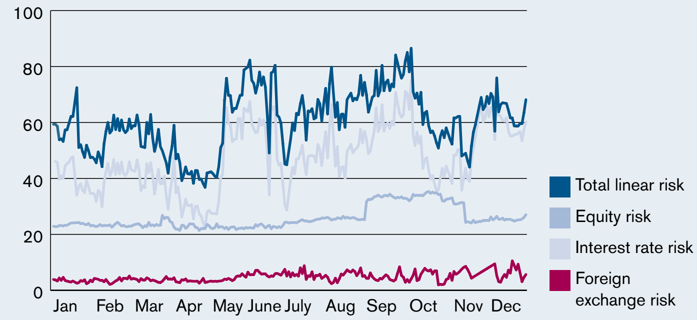
*Interest rate risk*

The total interest rate VaR was EUR 60.2m by the end of 2003. This represents an increase compared with the end of 2002 and is explained by larger interest rate sensitivities in EUR, SEK and DKK. The total gross sensitivity to a 1-percentage point parallel shift measures the development in the market value of Nordea's interest rate sensitive positions if all interest rates move adversely for Nordea. The gross interest rate sensitivity was EUR 460.1m at the end of 2003.

The interest rate VaR was extended to include options risk from 1 July. Due to a large degree of diversification between the linear and non-linear risk, the total interest rate risk remained at broadly the same level as the linear interest rate risk (in line with the use of derivatives for hedging purposes mentioned in the derivatives section above).

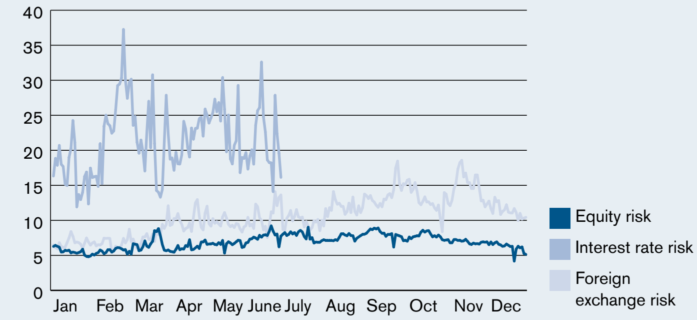
**Linear risk, VaR**

EURm



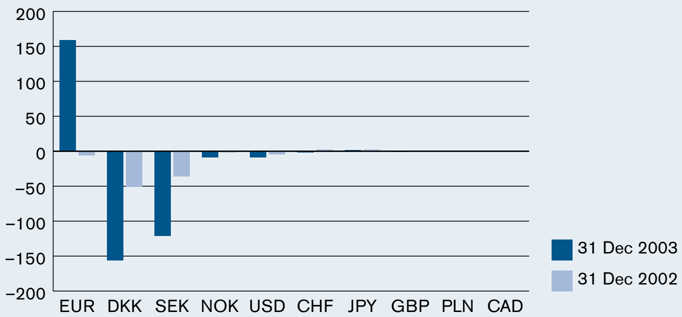

**Non-linear risk**

EURm




**Largest interest rate sensitivities, current assets**

EURm




*Foreign exchange risk*

Nordea's foreign exchange VaR of EUR 5.7m at year-end is relatively low compared to the interest rate and equity risk exposure. The gross sensitivity to a 5% change in the exchange rate of all currencies vis-à-vis the EUR was EUR 38.0m at the end of 2003.

*Commodity risk*
Nordea's exposure to commodity risk, primarily pulp and paper, is solely related to client-driven activities. The risk is insignificant.

## Structural Interest Income Risk

Structural Interest Income Risk (SIIR) is a type of interest risk and hence part of the market risk. SIIR is defined as the effect on net interest income in the next 12 months if market rates change by one percentage point.

SIIR reflects the mismatch in the balance sheet and off-balance-sheet items when the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives do not correspond exactly.

### Measurement methods

The basic measures for SIIR are the static and dynamic gaps. Static gap measures the impact of one percentage point increase and decrease in market rates to net interest income for a 12 months time period assuming that no new market transactions are made during the period. The formula for calculation of dynamic gap is the same as for static gap, but the assumptions for the repricing gap used in this measure are different compared to static gap, as the dynamic gap strives to take into account a more realistic customer behaviour and the decision process concerning Nordea's own rates. A third, but more simple way of calculating the SIIR is from the cumulative gap for the next 12 months.

### SIIR analysis

At the end of the year, the static gap SIIR for decreasing market rates was EUR –251m. A modified static SIIR for increasing rates (supplemented with the assumption that for part of the customer deposits Nordea would not increase interest rates) was EUR 275m. These figures imply that net interest income would decrease if interest rates fall and increase if interest rates rise.

As can be seen from the Gap analysis table, the cumulative gap for the next 12 months is positive. This simpler SIIR measure indicates that an increase of market rates would increase the net interest income for the next 12-month period by EUR 329m.

These figures reflect the Group's position at the end of the year. SIIR is actively managed in order to reduce the effects of the low market rate environment.

## Liquidity risk

In Nordea, liquidity risk is defined as the risk of only being able to meet liquidity commitments at increased cost or, ultimately, being unable to meet obligations as they fall due because of an inability to liquidate assets or obtain adequate funding.

### Measurement methods

The liquidity risk management focuses on short-term liquidity risk as well as long-term structural liquidity risk. Nordea's liquidity policy includes the business contingency plan and the stress test-

**GAP analysis Nordea 31 December 2003**

| Static gap EURm<br>Interest Rate Fixing Period | Group bs | Within 3 months | 3–6 months | 6–12 months | 1–2 years | 2–5 years | >5 years | Non Repricing | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Interest bearing assets | 208,446 | 163,298 | 12,434 | 12,324 | 6,521 | 7,488 | 5,975 | 405 | 208,446 |
| Off-balance sheet items | 0 | 1,364,716 | 10,980 | 11,571 | 2,906 | 2,274 | 2,579 | 0 | 1,395,026 |
| Non interest bearing assets | 53,744 | 0 | 0 | 0 | 0 | 0 | 0 | 53,744 | 53,744 |
| **Total assets** | **262,190** | **1,528,014** | **23,414** | **23,895** | **9,427** | **9,762** | **8,554** | **54,149** | **1,657,216** |
| **Liabilities** | | | | | | | | | |
| Interest bearing liabilities | 193,804 | 138,547 | 11,230 | 6,119 | 27,578 | 7,611 | 2,718 | 0 | 193,804 |
| Off-balance sheet items | 0 | 1,360,176 | 9,948 | 16,400 | 2,511 | 4,787 | 1,205 | 0 | 1,395,026 |
| Non interest bearing liabilities | 68,386 | 0 | 0 | 0 | 0 | 0 | 0 | 68,386 | 68,386 |
| **Total liabilities** | **262,190** | **1,498,724** | **21,178** | **22,519** | **30,088** | **12,398** | **3,923** | **68,386** | **1,657,216** |
| **Exposure** | | **29,291** | **2,237** | **1,376** | **–20,662** | **–2,636** | **4,631** | **–14,237** | **0** |
| **Cumulative exposure** | | | **31,528** | **32,903** | **12,242** | **9,606** | **14,237** | **0** | **0** |

ing for liquidity management. In order to measure the exposure on both horizons a number of liquidity risk measures have been developed.

In order to avoid short-term funding pressures, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Funding gap risk is measured for each currency and as a total figure for all currencies combined.

To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The liquidity buffer consists of high-grade liquid securities that can be sold or used as collateral in funding operations.

The structural liquidity risk of Nordea is measured by the net balance of stable funding, which is defined as the difference between stable liabilities and stable assets. ALCO has set a target on net balance of stable funding to be positive, which means that stable assets are funded by stable liabilities. These primarily comprise retail deposits, bank deposits and bonds with a term to maturity longer than 6 months, and shareholders equity. Stable assets primarily comprise retail loans and other loans with a term to maturity longer than 6 months.

**Liquidity risk analysis**
The short-term liquidity risk has been held on moderate levels throughout 2003. The average funding gap risk has been EUR –2.5bn, meaning that the average expected maximum accumulated need for raising liquidity in the course of the next 30 days has been EUR 2.5bn.

Nordea's liquidity buffer has been in the range EUR 14-20bn throughout 2003 with an average of EUR 16.5bn. Nordea considers this a high level and it reflects the Group's conservative attitude towards liquidity risk in general and towards unexpected liquidity events in particular.

Nordea aims to always maintain a positive net balance of stable funding, and throughout 2003 this has been comfortably achieved with the yearly average for the net balance of stable funding being EUR 5.9bn. Important elements in achieving this have been high activity in the Group's long-term bond issuance and the sale of real estate. The latter has contributed to decreasing the amount of stable assets and, hence, improved the net balance of stable funding.

**Operational risk**
In the Operational risk policy, operational risk is defined as the risk of direct or indirect loss, or damaged reputation resulting from inadequate or failed internal processes, people and systems or from external events. Legal and Compliance risks constitute sub-groups to Operational risk.

Operational risks are inherent in all activities within the organisation, in outsourced activities and in all interaction with external parties.

Solid internal control and quality management, consisting of a risk-management framework, leadership and skilled personnel, is the key to successful operational risk management.

Each business area is primarily responsible for managing its own operational risks. Group Credit and Risk Control develops and maintains a framework for identifying, measuring, monitoring and controlling operational risks and supports the line organisation to implement the framework.

Information security, physical security and crime prevention are important components when managing operational risks. To cover this broad scope, the group security function is included in Group Credit and Risk Control, and close cooperation is maintained with Group IT, Group Legal and Group Compliance.

The main processes for managing operational risks are an ongoing monitoring through self-assessment and the registering of incidents and quality deficiencies. The analysis of operational risk-related events, potential risk indicators and other early-warning signals are in focus when developing the processes.

The mitigating techniques consist of business continuity plans together with crisis management preparedness and a broad insurance cover for handling major incidents. Special emphasis is put on quality and risk analysis in change management and product development.

The techniques and processes for managing operational risks are structured around the risk sources

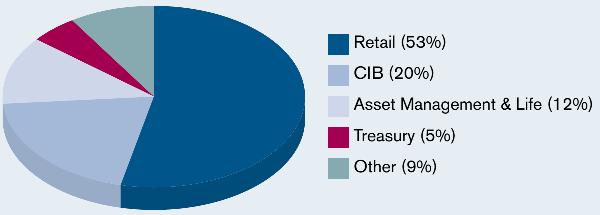
**Major improvements of models for Economic Capital during 2003**

- A new framework for measuring EC for the life insurance business has been introduced, where the focus is on the economic value of the business and EC is measured as the risk of unexpected losses in economic value. The economic value is defined as the difference between the market value of investment assets and the economic value of liabilities. The uncertainty in economic value is modelled using an asset and liability management (ALM) view. Scenarios are generated using Monte Carlo simulation and the assets and liabilities are followed over a one-year measurement period.

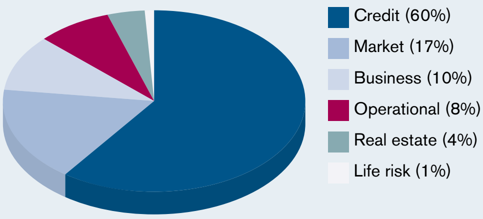
- The risk of losses related to Nordea's internal defined benefit plans have been included in the market risk EC, taking into account the co-variation with the remainder of Nordea's exposure to market risks.

- Parameters important in the estimation of capital factors used in the calculations of credit risk EC, mainly PD and LGD, have been updated and refined during 2003.

**Economic capital distributed to business areas**




**Economic capital distributed to risk types**




as described in the definition of operational risk. This approach improves the comparability of risk profiles in different business areas and globally throughout the organisation. It also supports the focus on limiting and mitigating measures to the sources rather than the symptoms.

Reliable and risk-sensitive ways to quantify the operational risks constitute another important goal when developing the techniques and processes. A convincing quantification is a prerequisite for more advanced models, with sound incentive structures, to calculate EC for operational risks.

## Life insurance risk

The main characteristic that distinguishes the risk in the insurance business, is that it stems from very long term contracts; e.g. some life insurance contracts can have a duration of more then 60 years. In mutual companies the risk is shared with the customers. The pure life insurance risk is the risk of unexpected losses due to changes in mortality rates, longevity rates, disability rates and selection effects.

The risk inherent in the insurance business is primarily controlled using traditional actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts and provisions for risks. A continuous supervision of the appropriateness of the parameters in the risk models is undertaken to ensure that changes in the underlying risk is properly taken into account.

## Economic Capital

Losses are unpreventable in the businesses Nordea performs. Nordea have for several years used an Economic Capital (EC) model to measure potential long-term variations of losses. The EC is a more sophisticated measure of the amount of capital required to cover long-term losses than the regulatory capital. It is also an important input in the EP calculations.

Nordea defines EC as the capital required to cover unexpected losses in the course of its business with a certain probability.

Nordea calculates EC for the following risk types: credit risk, market risk, life insurance risk, real-estate risk, operational risk, and business risk. The EC from the different risk types is aggregated to total Nordea EC taking diversification effects between the risk types into account.

Consistent risk measuring across the types of risk requires the use of the same statistical confidence level and measurement period. In Nordea the measurement period is set to one year and the confidence level is set to 99.97%. Nordea's total EC equals the amount needed to cover unexpected losses during one year in 99.97% of all possible cases.

Quantitative models are used to estimate the unexpected losses for each of the risk types compiled into EC:

- Credit risk is calculated using a set of capital factors. The capital factors are developed for different products, customer segments and credit quality. The factors have been estimated using a portfolio model, where PD, LGD and EAD are inputs, and have been updated and refined during 2003.
- Market risk is based on the Value-at-Risk (VaR) models and scenario simulation used in the overall risk management, with the exception of the guaranteed savings contracts in the Life insurance business. For the Life insurance business an ALM-approach is used. The market risk in Nordea's internal defined benefit plans is measured using the VaR models.
- Operational risk is calculated according to the proposed standardised approach within the New Basel Capital Accord.
- Business risk is currently calculated based on benchmarks set as a percentage of expenses.
- Real estate risk is calculated as a percentage of market values, where the percentage is set to capture volatility in real estate prices.
- The Life insurance risk is calculated as percentages of the EU minimum solvency requirement (death and disability risk) and technical provisions (longevity risk).

When all types of risk of the Group are combined, considerable diversification effects will arise, since it is highly improbable that all unexpected losses occur at the same time. However, credit risk, market risk and real estate risk are all highly correlated with the development of the general economy and thus reduce the level of diversification. The diversification effects mean that the total EC is lower than the sum of the EC for each risk type.

The pie charts show the relative distribution of EC at 31 December 2003. Total EC at 31 December 2003 is calculated to EUR 8.9bn (EUR 10.2bn).

**Basel II**

The New Basel Capital Accord, Basel II, is a more risk-sensitive framework for setting regulatory capital requirements, planned to be implemented end 2006.

Nordea participated in the Third Quantative Impact Study. The result of this study indicates that for the industry as a whole, total capital requirements will not change materially. However, there will be potentially large variations among individual banks. For Nordea , the new Accord is expected to increase the Group's flexibility to manage its regulatory capital in a more efficient way. The total effect on Nordea's required regulatory capital is expected to be positive.

Nordea has the ambition as regards credit risk to move towards the IRB (Internal Rating Based) approach, however the uncertainty surrounding the timetable and the final accord creates a moving target also for the Group's implementation plans.

For operational risk Nordea intends to implement a standardised approach, already used within the Groups EC framework.

Nonwithstanding the use of EC in Nordea there will be required substantial resources during the next couple of years in order for Nordea to become IRB compliant with respect to Basel II. During 2003 the focus has been the validation of rating models and parameters such as PD, LGD and EAD, especially for the corporate segment. In parallell, on a more overall level, the alignment of the Capital Adequacy Assessment Process (CAAP) to the future requirements has started. In 2004 resources will be allocated to further close the gaps between the Group's EC framework and risk management process and the anticipated IRB requirements of Basel II.

# Business area results

| EURm | Retail Banking | Corporate and Institutional Banking | Asset Management & Life: Asset Mgmt | Asset Management & Life: Life | Group Treasury | Group Functions and Eliminations | Total |
|---|---|---|---|---|---|---|---|
| | Business areas | | | | | | |
| Customer responsible units: | | | | | | | |
| Net interest income | 2,993 | 412 | 30 | | 132 | –201 | 3,366 |
| Other income | 1,360 | 577 | 224 | | –17 | 129 | 2,273 |
| **Total income incl. allocations** | **4,353** | **989** | **254** | | **115** | **–72** | **5,639** |
| of which allocations | 528 | –294 | –201 | | 10 | –43 | 0 |
| Expenses incl. allocations | –2,488 | –523 | –159 | | –33 | –470 | –3,673 |
| of which allocations | –1,440 | –163 | 15 | | | 1,588 | 0 |
| Loan losses | –311 | –39 | | | | –13 | –363 |
| Equity method | 19 | 17 | | | | 21 | 57 |
| **Profit before investment earnings and insurance** | **1,573** | **444** | **95** | | **82** | **–534** | **1,660** |
| Investment earnings, banking | | | | | 164 | 6 | 170 |
| Operating profit, life insurance | | | | 114 | | 35 | 149 |
| Goodwill amortisation and write-down | –29 | –14 | | | | –124 | –167 |
| **Operating profit 2003:** | **1,544** | **430** | **95** | **114** | **246** | **–617** | **1,812** |
| Operating profit 2002: | 1,618 | 518 | 80 | –78 | 114 | –705 | 1,547 |
| **Other information, EURbn** | | | | | | | |
| Total assets | 151 | 82 | 4 | 25 | 15 | –15 | 262 |
| Lending | 119 | 20 | 2 | | 5 | | 146 |
| Deposits | 70 | 15 | 3 | | 7 | | 96 |
| Capital expenditure, EURm | 67 | 0 | 3 | 1 | 0 | 26 | 97 |
| Depreciations, EURm | –28 | 0 | –7 | –4 | 0 | –76 | –115 |

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

The principles used in the segment reporting are described below. Figures are disclosed and consolidated using end of period and average currency rates in conformity with the statutory reporting. Previously,fixed planning rates were used. Historical information has been restated accordingly.

Within Nordea, customer responsibility is fundamental. The Group's total business relations with customers are reported in the customer responsible unit's income statement and balance sheet.

Capital allocation is based on the internal framework for calculating economic capital, which reflects each business unit's actual risk exposure considering credit and market risk, insurance risk as well as operational and business risk. This framework optimises utilisation and distribution of capital between the different business areas. When calculating return on allocated capital standard tax is applied.

Economic profit constitutes the internal basis for evaluating strategic alternatives as well as for the evaluation of financial performance.

Asset Management & Life has customer responsibility within investment management and in private banking outside a joint unit with Retail Banking. In addition, the business area commands product responsibility for investment funds and life insurance. The operating profit shown in the accompanying table includes the customer responsible units. The product result for Asset Management and Life respectively represent the Group's total earnings on these products, including sales and distribution costs within Retail Banking. The product result for Asset Management includes, in addition to the operating profit, revenues and expenses related to investment funds allocated to Retail Banking respectively. In addition estimated sales and distribution costs within Retail Banking is included in the product result.

When allocating income and cost between business areas and group functions a gross principle is applied, with the implication that cost is allocated separately from income. Cost is allocated according to calculated unit prices and the individual business areas' consumption. Income is allocated following the underlying business transactions combined with the identification of the customer responsible unit.

Internal allocations of income and expenses are performed in such a way that allocated expenses from a business unit is subtracted from the expenses and added to the expenses in the receiving business unit, with the result that all allocations adds to zero on Group level. The same principle is applied for income allocations.

The assets allocated to the business areas include trading assets, loans and advances to credit institutions and lending. The liabilities allocated to the business areas include deposits from the public as well as by credit institutions.

Included in business areas' assets and liabilities are also other assets and liabilities directly related to the specific business area or group function, such as accrued interest, fixed assets and goodwill. All other assets and liabilities, and certain items required to reconcile balances to the Nordea Group are placed in the segment Group Functions and Eliminations.

Funds transfer pricing is based on current market interest rates and used against all assets and liabilities allocated or booked in the business areas or group functions, resulting in a remaining net interest income in business areas driven in essence from margin on lending and deposits.

Goodwill generated as part of business areas' strategic decisions is included in business areas' balances. This also applies to the corresponding result effect derived from amortisation and write-downs and funding costs. Goodwill arising from the creation of Nordea is not allocated, but is placed as part of Group Functions and Eliminations, together with the result effects.

Economic Capital is allocated to the business areas according to risks taken. As part of net interest income business units receive a capital benefit corresponding to the expected average long-term risk-free return of comparable equity. The cost above Libor from issued subordinated debt is also included in the business areas net interest income according to the use of Economic Capital.

Group internal transactions between countries and legal entities are performed according to arms length principles in conformity with OECD requirements on transfer pricing. The financial result of such transactions is fully consolidated into the relevant business areas based on assigned product and customer responsibilities. As previously mentioned, the total result related to investment funds is included in Retail Banking, as well as sales commissions and margins from the life insurance business.

The segment Group Functions and Eliminations contains, in addition to goodwill related to the creation of Nordea, expenses in Group Functions not defined as services to business areas, results from real estate holdings, central provisions for loan losses and profits from companies accounted for under the equity method which are not included in the customer responsible units.

# 5 year overview

## Key financial figures

### Operational income statement

| EURm | 2003 | 2002 | 2001 | 2000[1,2] | Pro forma 1999[1] |
|---|---|---|---|---|---|
| Net interest income | 3,366 | 3,451 | 3,465 | 2,838 | 2,755 |
| Net commission income | 1,486 | 1,535 | 1,432 | 1,454 | 1,164 |
| Trading income | 567 | 530 | 543 | 415 | 243 |
| Other income | 220 | 154 | 165 | 134 | 378 |
| **Total income** | **5,639** | **5,670** | **5,605** | **4,841** | **4,540** |
| Personnel expenses | –2,101 | –2,086 | –1,848 | –1,534 | –1,421 |
| Profit sharing | –46 | – | –30 | –45 | –35 |
| Other expenses | –1,526 | –1,659 | –1,511 | –1,274 | –1,278 |
| **Total expenses** | **–3,673** | **–3,745** | **–3,389** | **–2,853** | **–2,734** |
| **Profit before loan losses** | **1,966** | **1,925** | **2,216** | **1,988** | **1,806** |
| Loan losses, net | –363 | –261 | –373 | –79 | –91 |
| Equity method | 57 | 52 | 95 | 62 | 117 |
| **Profit before investment earnings and insurance** | **1,660** | **1,716** | **1,938** | **1,971** | **1,832** |
| Investment earnings, banking | 170 | 122 | 172 | 431 | |
| Operating profit, life insurance | 149 | 2 | –17 | 73 | 124 |
| Operating profit, general insurance | – | –122 | –18 | 53 | 172 |
| Goodwill amortisation and write-downs | –167 | –171 | –147 | –93 | –39 |
| **Operating profit** | **1,812** | **1,547** | **1,928** | **2,435** | **2,089** |
| Real estate write-downs | –115 | – | – | –40 | –145 |
| Allocation to/from pension foundation | – | –255 | – | 32 | 65 |
| Taxes | –205 | –405 | –360 | –691 | –346 |
| Minority interests | –2 | 0 | 0 | –3 | –2 |
| **Net profit** | **1,490** | **887** | **1,568** | **1,733** | **1,661** |

### Ratios and key figures (see Business definitions page 86)

| | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|
| Earnings per share, EUR | 0.51 | 0.30 | 0.53 | 0.58 |
| Share price[3], EUR | 5.95 | 4.20 | 5.97 | 8.10 |
| Shareholders' equity per share[3], EUR | 4.28 | 4.06 | 4.00 | 3.74 |
| Shares outstanding[4], million | 2,846 | 2,928 | 2,965 | 2,982 |
| Return on equity excluding goodwill[5], % | 16.7 | 11.3 | 19.2 | 19.4 |
| Return on equity, % | 12.3 | 7.5 | 13.8 | 16.1 |
| Lending[3], EURbn | 146 | 146 | 138 | 129 |
| Deposits and borrowings from the public[3], EURbn | 96 | 94 | 91 | 81 |
| Shareholders' equity[3,4], EURbn | 12 | 12 | 12 | 11 |
| Total assets[3], EURbn | 262 | 250 | 242 | 224 |
| Assets under management[3], EURbn | 113 | 96 | 105 | 105 |
| Cost/income ratio, banking[6], % | 63 | 64 | 58 | 54 |
| Cost/income ratio, excluding investment earnings, % | 64 | 65 | 59 | 58 |
| Tier 1 capital ratio[3], % | 7.3 | 7.1 | 7.3 | 6.8 |
| Total capital ratio[3], % | 9.3 | 9.9 | 9.1 | 9.4 |
| Risk-weighted assets[3], EURbn | 134 | 135 | 136 | 132 |

1 Incl Nordea Bank Danmark (former Unidanmark) 1999 and Q1 2000 pro forma.
2 Profit 2000 excl Nordea Bank Norway (formerly Christiania Bank og Kreditkasse).
3 End of period, incl Nordea Bank Norway from Q4 2000.
4 End of period. Total shares registered was 2,928 (2,985) million. The number of own holdings of shares in Nordea Bank AB (publ) was 82 (57) million. The average number of own shares was 50 (30) million. Average number of shares Jan–Dec 2003 was 2,921 million (Jan–Dec 2002 2,955). Dilution is not applicable.
5 Net profit before minority interests and goodwill amortisation/write-downs as a percentage of average shareholders' equity (per quarter). Average shareholders' equity includes minority interests but with all outstanding goodwill deducted.
6 Total expenses divided by the sum of total income, equity method and investment earnings, banking.

# Quarterly overview

## Quarterly development

| EURm | Note | Q4 2003 | Q3 2003 | Q2 2003 | Q1 2003 | Q4 2002 | Q3 2002 | Q2 2002 | Q1 2002 |
|---|---|---|---|---|---|---|---|---|---|
| Net interest income | | 850 | 838 | 843 | 835 | 885 | 874 | 855 | 837 |
| Net commission income | 1 | 388 | 379 | 366 | 353 | 388 | 371 | 396 | 380 |
| Trading income | | 125 | 130 | 155 | 157 | 130 | 127 | 137 | 136 |
| Other income | | 36 | 56 | 99 | 29 | 54 | 34 | 37 | 29 |
| **Total income** | | **1,399** | **1,403** | **1,463** | **1,374** | **1,457** | **1,406** | **1,425** | **1,382** |
| Personnel expenses | | –511 | –531 | –539 | -520 | –545 | –521 | –514 | –506 |
| Profit sharing | | –46 | – | – | – | – | – | – | – |
| Other expenses | | –416 | –350 | –363 | -397 | –448 | –404 | –408 | –399 |
| **Total expenses** | 2 | **–973** | **–881** | **–902** | **-917** | **–993** | **–925** | **–922** | **–905** |
| **Profit before loan losses** | | **426** | **522** | **561** | **457** | **464** | **481** | **503** | **477** |
| Loan losses, net | | –84 | –89 | –92 | –98 | –76 | –66 | –56 | –63 |
| Equity method | | 14 | 10 | 19 | 14 | 16 | 4 | 17 | 15 |
| **Profit before investment earnings and insurance** | | **356** | **443** | **488** | **373** | **404** | **419** | **464** | **429** |
| Investment earnings, banking | | 33 | 27 | 81 | 29 | 41 | 39 | 31 | 11 |
| Operating profit, life insurance | | 40 | 40 | 50 | 19 | 44 | –13 | –26 | –3 |
| Operating profit, general insurance | | – | – | – | – | – | –4 | –87 | –31 |
| Goodwill amortisation and write-downs | | –46 | –40 | –40 | –41 | –43 | –42 | –44 | –42 |
| **Operating profit** | | **383** | **470** | **579** | **380** | **446** | **399** | **338** | **364** |
| Real estate write-downs | | –115 | – | – | – | – | – | – | – |
| Allocation from/to pension foundation | | – | – | – | – | 17 | –120 | –152 | – |
| Taxes | | –66 | 159 | –174 | –124 | –140 | –86 | –79 | –100 |
| Minority interests | | 0 | –1 | 0 | –1 | 0 | 0 | 0 | 0 |
| **Net profit** | | **202** | **628** | **405** | **255** | **323** | **193** | **107** | **264** |
| EPS | | 0.07 | 0.21 | 0.14 | 0.09 | 0.10 | 0.07 | 0.04 | 0.09 |
| EPS, rolling 12 months up to period end | | 0.51 | 0.55 | 0.40 | 0.30 | 0.30 | 0.38 | 0.37 | 0.49 |

### Note 1 Net commission income

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Brokerage | 35 | 28 | 20 | 24 | 35 | 38 | 46 | 55 |
| Asset Management/investment funds | 129 | 120 | 114 | 104 | 108 | 101 | 115 | 126 |
| Issue of securities | 5 | 2 | 6 | 5 | 7 | 6 | 5 | 4 |
| Lending | 88 | 88 | 87 | 88 | 95 | 86 | 91 | 87 |
| Deposits and payments | 200 | 194 | 191 | 179 | 195 | 189 | 183 | 157 |
| Foreign exchange | 13 | 10 | 9 | 7 | 15 | 11 | 10 | 8 |
| Other | 29 | 35 | 25 | 32 | 39 | 33 | 35 | 26 |
| Commission expenses | –94 | –84 | –80 | -76 | –88 | –85 | –83 | –77 |
| **Commission income** | **405** | **393** | **372** | **363** | **406** | **379** | **402** | **386** |
| Of which investment activities | –17 | –14 | –6 | –10 | –18 | –8 | –6 | –6 |
| **Net commission income** | **388** | **379** | **366** | **353** | **388** | **371** | **396** | **380** |

### Note 2 Expenses

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Personnel [1] | 512 | 532 | 541 | 521 | 547 | 523 | 515 | 507 |
| Profit sharing | 46 | – | – | – | – | – | – | – |
| Information technology [2] | 136 | 88 | 85 | 99 | 136 | 111 | 113 | 103 |
| Marketing | 27 | 14 | 23 | 18 | 34 | 21 | 36 | 23 |
| Postage, telephone and office expenses | 56 | 53 | 49 | 58 | 62 | 50 | 52 | 60 |
| Rents, premises and real estate expenses | 87 | 74 | 81 | 82 | 89 | 79 | 74 | 71 |
| Other | 112 | 123 | 128 | 142 | 130 | 146 | 134 | 144 |
| **Expenses** | **976** | **884** | **907** | **920** | **998** | **930** | **924** | **908** |
| Of which investment activities [3] | –3 | –3 | –5 | –3 | –5 | –5 | –2 | –3 |
| **Expenses** | **973** | **881** | **902** | **917** | **993** | **925** | **922** | **905** |

1 Variable salaries were EUR 106m in 2003 (2002: EUR 79m).
2 Refers to IT operation and consultant fees. Total IT-related costs, including personnel etc, but excluding IT expenses in insurance operations) were EUR 732m, in 2003 (full year 2002 EUR 758m).
3 Including personnel expenses (2003: EUR 5m) (2002: EUR 6m).

The Nordea Group

# Statutory Income Statement

| EURm | Note | 2003 | 2002 |
|---|---|---|---|
| **Operating income** | | | |
| Interest income | 3 | 9,158 | 10,382 |
| Interest expenses | 3 | –5,500 | –6,628 |
| **Net interest income** | 3, 4 | **3,658** | **3,754** |
| Dividend income | 5 | 43 | 36 |
| Commission income | 6 | 1,868 | 1,906 |
| Commission expenses | 6 | –335 | –333 |
| Net result from financial operations | 7 | 369 | 253 |
| Other operating income | 8 | 220 | 190 |
| **Total operating income** | | **5,823** | **5,806** |
| **Operating expenses** | | | |
| General administrative expenses | | | |
| Personnel expenses | 9 | –2,135 | –2,065 |
| Other administrative expenses | 10 | –1,381 | –1,481 |
| Depreciation, amortisation and write-down of tangible and intangible fixed assets | 11 | –299 | –330 |
| Real estate sales and write-downs, net | | –115 | – |
| **Total operating expenses** | | **–3,930** | **–3,876** |
| **Profit before loan losses** | | **1,893** | **1,930** |
| Loan losses, net | 12 | –383 | –250 |
| Change in value of assets taken over for protection of claims | 13 | 20 | –11 |
| Write-downs on securities held as financial fixed assets | 25 | 0 | 0 |
| Profit from companies accounted for under the equity method | 14 | 57 | 52 |
| **Operating profit, banking** | | **1,587** | **1,721** |
| **Operating profit, insurance** | **15** | **126** | **–148** |
| **Operating profit** | | **1,713** | **1,573** |
| Pension adjustments | 16 | –16 | –281 |
| Tax on the profit for the year | 17 | –205 | –405 |
| Minority interests | | –2 | 0 |
| **Net profit for the year** | | **1,490** | **887** |
| Earnings per share, EUR | | 0.51 | 0.30 |
| Earnings per share, after full dilution, EUR | | 0.51 | 0.30 |

## The Nordea Group

# Balance sheet

| EURm | Note | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | 18 | 1,748 | 4,624 |
| Treasury bills and other eligible bills | 19 | 12,016 | 7,831 |
| Loans and advances to credit institutions | 20, 22 | 29,037 | 23,496 |
| Lending | 21, 22 | 145,644 | 145,740 |
| Bonds and other interest-bearing securities | 24 | 20,001 | 20,335 |
| Shares and participations | 25 | 648 | 596 |
| Shares in associated undertakings | 26 | 410 | 527 |
| Shares in group undertakings | 27 | 11 | 11 |
| Assets, insurance | 28 | | |
| – Investments | | 18,545 | 17,469 |
| – Investments, policyholders bearing the risk | | 3,466 | 2,964 |
| – Other assets | | 869 | 1,101 |
| Intangible assets | 29 | 2,090 | 2,427 |
| Tangible assets | 30 | 826 | 1,874 |
| Deferred tax assets | 17 | 534 | 193 |
| Current tax assets | | 70 | 145 |
| Other assets, banking | 31 | 21,073 | 15,505 |
| Prepaid expenses and accrued income | 32 | 1,995 | 1,872 |
| Investments, customers bearing the risk | 33 | 3,207 | 2,909 |
| **Total assets** | | **262,190** | **249,619** |
| | | | |
| **Liabilities and shareholders' equity** | | | |
| Deposits by credit institutions | 34 | 28,753 | 25,962 |
| Deposits and borrowings from the public | 35 | 95,556 | 94,177 |
| Debt securities in issue etc | 36 | 64,380 | 61,858 |
| Liabilities, insurance | 28 | | |
| – Technical provisions | | 17,748 | 16,872 |
| – Technical provisions, policyholders bearing the investment risk | | 3,466 | 2,963 |
| – Other liabilities | | 610 | 383 |
| Current tax liabilities | | 121 | 107 |
| Other liabilities, banking | 37 | 31,169 | 26,023 |
| Accrued expenses and prepaid income | 38 | 2,085 | 2,247 |
| Deferred tax liabilities | 17 | 581 | 531 |
| Provisions | 39 | 421 | 461 |
| Subordinated liabilities | 40 | 5,115 | 6,128 |
| **Total liabilities** | | **250,005** | **237,712** |
| **Minority interests** | | **8** | **10** |
| **Shareholders' equity** | 41 | | |
| Share capital | | 1,160 | 1,183 |
| Share premium account | | 4,284 | 4,284 |
| Other restricted reserves | | 611 | 589 |
| Unrestricted reserves | | 4,632 | 4,954 |
| Net profit for the year | | 1,490 | 887 |
| **Total shareholders' equity** | | **12,177** | **11,897** |
| **Total liabilities and shareholders' equity** | | **262,190** | **249,619** |
| | | | |
| Assets pledged for own liabilities | 42 | 32,378 | 25,064 |
| Other assets pledged | 43 | 5,782 | 2,818 |
| Contingent liabilities | 44 | 13,612 | 15,576 |
| Commitments | 45 | 1,392,415 | 1,136,142 |

**Other notes**



## Movements in shareholders' equity, 2003

| | Share capital | Other restricted reserves | Unrestricted reserves | Net profit for the year | Total equtiy |
|---|---|---|---|---|---|
| Balance at beginning of year | 1,183 | 4,873 | 5,841 | | 11,897 |
| Dividend | | | –673 | | –673 |
| Reduction of share capital [2] | –23 | | 23 | | – |
| Own shares [1, 2] | | | –460 | | –460 |
| Change in reserve for unrealised gains for the year | | –9 | 9 | | – |
| Transfers between restricted and unrestricted reserves | | –1 | 1 | | – |
| Currency translation adjustment for the year [3] | | 32 | –109 | | –77 |
| Net profit for the year | | | | 1,490 | 1,490 |
| **Balance at year-end** | **1,160** | **4,895** | **4,632** | **1,490** | **12,177** |

1 Refers to the change in the trading portfolio and Nordea shares within the portfolio schemes in Denmark. Number of own shares in the trading portfolio and within the portfolio schemes at the end of December 2003 was 3.0m (end of Dec 2002: 2.7m), average number was 3 (3) million.

2 The number of own shares referring to Nordea Bank AB (publ)'s repurchase of own shares at the end of December 2003 was 81.6 million (end of December 2002 57.0 million). The Annual General Meeting (AGM) decided on 24th of April 2003 to reduce the share capital by EUR 22,593,410.56 corresponding to the repurchased own shares hold at the end of 2002. The cancellation was registered in early October 2003. The reduction has been made through retirement without repayment. The average number of own shares Jan-Dec 2003 was 50 million (Jan-Dec 2002: 30 million).

3 The accumulated amount of currency translation differences is EUR –211m (EUR –134m). The reason for the change is mainly due to the weakening of the Norwegian Crown and the change in financing of Nordea Bank Norway. The translation difference for the year has been reduced by EUR 414m through currency hedging.

## Movements in shareholders' equity, 2002

| | Share capital | Other restricted reserves | Unrestricted reserves | Net profit for the year | Total equtiy |
|---|---|---|---|---|---|
| Balance at beginning of year | 1,182 | 4,869 | 5,768 | | 11,819 |
| Dividend | | | –682 | | –682 |
| Conversion of convertible loans | 1 | 13 | | | 14 |
| Own shares | | | –177 | | –177 |
| Change in reserve for unrealised gains for the year | | –3 | 3 | | – |
| Transfers between restricted and unrestricted reserves | | –33 | 33 | | – |
| Currency translation adjustment for the year | | 27 | 9 | | 36 |
| Net profit for the year | | | | 887 | 887 |
| **Balance at year-end** | **1,183** | **4,873** | **4,954** | **887** | **11,897** |

The Nordea Group

# Cash flow statement

| EURm | 2003 | 2002 |
|---|---|---|
| **Operating activities** | | |
| Operating profit after pension adjustments | 1,697 | 1,292 |
| Adjustments for items not included in cash flow | 380 | 759 |
| Income taxes paid | –428 | –293 |
| **Cash flow from operating activities before changes in operating assets and liabilities** | **1,649** | **1,758** |
| **Change in operating assets** | | |
| Change in treasury bills and other eligible bills | –3,904 | –127 |
| Change in loans and advances to credit institutions | –3,425 | –3,550 |
| Change in lending | –267 | –8,430 |
| Change in bonds and interest-bearing securities | 308 | 3,750 |
| Change in shares and participations | –32 | 167 |
| Change in assets Insurance | –1,350 | 2,110 |
| Change in derivatives, net | –115 | 1,471 |
| Change in other assets, excl. derivatives | –529 | 863 |
| **Change in operating liabilities** | | |
| Change in deposits by credit institutions | 2,742 | –4,283 |
| Change in deposits and borrowings from the public | 1,378 | 6,333 |
| Change in debt securities in issue etc | 2,522 | 850 |
| Change in liabilities Insurance | 1,606 | –2,097 |
| Change in other liablilites, excl. derivatives | –105 | 686 |
| **Cash flow from operating activities** | **478** | **–499** |
| **Investing activities** | | |
| Acquisition of subsidiaries | –45 | – |
| Sale of subsidiaries | 13 | 15 |
| Acquisition of tangible assets | –137 | –390 |
| Sale of tangible assets | 808 | 336 |
| Acquisition of intangible assets | –34 | –113 |
| Sale of intangible assets | 5 | 150 |
| Change in other financial fixed assets | 189 | 1,468 |
| **Cash flow from investing activities** | **799** | **1,466** |
| **Financial activities** | | |
| Change in subordinated liabilities | –1,013 | 34 |
| Repurchase of own shares | –460 | –177 |
| Dividend paid | –673 | –682 |
| **Cash flow from financial activities** | **–2,146** | **–825** |
| **Cash flow for the year** [1] | **–869** | **142** |
| Cash and cash equivalents at the beginning of the year | 8,484 | 8,323 |
| Exchange rate difference | 14 | 19 |
| Cash and cash equivalents at the end of the year | 7,629 | 8,484 |
| **Change** | **–869** | **142** |
| [1] Of which Sale of General Insurance, increase in cash, net | – | 102 |

## Comments to the Cash flow statement

The cash flow statement has been prepared in accordance with RR7 and shows inflows and outflows of cash and cash equivalents during the year.

As opposed to the previous year, Debt securities in issue are classified as operating liabilities. Cash flow from operating activities for 2002 has thus increased by EUR 850m to EUR –499m, with a corresponding reduction of cash flow from financing activities. The cash flow statement contains more details compared to previous years, which has also meant restating the comparative figures for the year 2002.

Nordea´s cash flow has been prepared in accordance with the indirect method, whereby net profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified in operating, investing and financing activities.

**Operating activities**

Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for non-cash items includes:

| EURm | 2003 | 2002 |
|---|---|---|
| Depreciations and write-downs | 325 | 361 |
| Write-down real estate [1] | 162 | – |
| Loan losses | 363 | 261 |
| Unrealised gains/losses | –323 | –2 |
| Change in accruals and provisions | –302 | 225 |
| Translation differences and other | 155 | –86 |
| | **380** | **759** |

1 In the income statement included in Real estate sales and write-downs, net.

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans and advances, lending and deposits. Changes in derivatives are reported net.

Cash flow from operating activities include interest payments received amounting to EUR 7,422m (7,648) and interest expenses paid with EUR 4,124m (4,792).

**Investing activities**

Investing activities include the acquisition and disposal of fixed assets, financial as well as tangible and intangible. Aggregated cash flows arising from acquisition and sale of subsidiaries are presented separately and consist of:

| EURm | 2003 | 2002 |
|---|---|---|
| **Acquisition of subsidiaries** | | |
| Liquid assets | –1 | – |
| Loans and advances | –96 | – |
| Tangible and intangible assets | –2 | – |
| Other assets | –2 | – |
| Deposits from credit institutions | 49 | – |
| Other liabilities and provisions | 6 | – |
| **Purchase price paid** | **–46** | **–** |
| Liquid assets in acquired subsidiaries | 1 | – |
| **Net effect on cash flows** | **–45** | **–** |

| EURm | 2003 | 2002 |
|---|---|---|
| **Sale of subsidiaries** | | |
| Liquid funds | – | 13 |
| Loans and advances | 1 | – |
| Tangible and intangible assets | 6 | 2 |
| Other assets | 6 | 3 |
| Deposits from credit institutions | – | –2 |
| Other liabilities and provisions | –1 | –5 |
| Capital gain/loss on sold subsidiaries | 1 | 17 |
| **Purchase price received** | **13** | **28** |
| Liquid assets in sold subsidiaries | – | –13 |
| **Net effect on cash flows** | **13** | **15** |

**Financing activities**

Financing activities are activities that result in changes in equity, such as new issues, dividends and change in subordinated liabilities.

**Liquid assets**

The following items are included in liquid assets:

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Cash and balances at central banks | 1,748 | 4,624 |
| Loans to credit institutions, payable on demand | 5,881 | 3,860 |
| | **7,629** | **8,484** |

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

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

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

# Notes to the financial statements

## Note 1:
### Accounting policies

**Legal framework**
The accounts are prepared in accordance with the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies (1995:1559), the regulations of the Swedish Financial Supervisory Authority (FFFS), the recommendations of the Swedish Financial Accounting Standards Council (RR) and the interpretations by the RR's Standing Interpretations Committee.

The application of FFFS in certain cases takes precedence over the recommendations and interpretations of the Swedish Financial Accounting Standards Council. For example RR27 Financial instruments, disclosure and presentation, is not applicable to credit institutions. Other departures have not had any significant effect on the financial statements except for what is separately mentioned under "Principles of consolidation" and "Fund for unrealised profits".

In preparing the annual report, FFFS 2002:22 has been applied. Information about the transition to International Financial Reporting Standards (IFRS) in accordance with FFFS 2003:11 is presented in the Board of Directors´ report.

Real estate operations are not organised as a separate business area. Therefore RR 19, Discontinuing Operations, is not considered to be applicable to the divestment of the Group's property portfolio. The outcome of the decision to sell all remaining properties has, however, been reported on a separate line. In the operating income statement this separate line is disclosed below operating profit due to external analysing purposes. More information about the sale is provided in the Board of Directors´ report.

**Changed accounting policies**
In all material respects the accounting policies and the bases for calculations are unchanged in comparison with previous year´s annual report. The Swedish Financial Accounting Standards Council´s recommendations RR22 Presentation of Financial Statements, RR24 Investment Property, RR25 Segment reporting, RR26 Events after the balance sheet date and RR28 Accounting for government grants all came into force on 1 January 2003. Implementing these has mainly affected the presentation and disclosure of the financial items. The comparative figures have been adjusted accordingly.

The application of RR25 Segment reporting is described in further detail under a separate heading.

**Use of estimates**
The preparation of financial statements in accordance with generally accepted accounting principles in certain cases requires the use of estimates and assumptions by management, for instance in provisioning for loan losses, fair value adjustments and actuarial calculations of pensions. These estimates and assumptions affect the reported amounts of assets, liabilities and commitments, as well as income and expenses in the financial statements presented. Actual outcome can later to some extent differ from the estimates and the assumptions made.

**Principles of consolidation**
*Consolidated entities*
The consolidated financial statements include the accounts of the parent company Nordea Bank AB (publ) (former Nordea AB (publ)), and those companies in which the parent company owns, directly or indirectly through subsidiaries, more than 50% of the voting rights, or otherwise has power to exercise control over the operations. Companies taken over to protect claims are not included in the consolidated financial statements, as they are temporary holdings, designated to be sold within a short period of time. Subsidiaries are consolidated according to the purchase method. They are generally included in the consolidated accounts from the date on which control is transferred to the Group and are no longer consolidated from the date on which control ceases.

The consolidation is prepared line-by-line in respect of the banking subgroups. In accordance with FFFS, the insurance subgroup is consolidated in a more simplified manner. The result is disclosed in one line in the Group´s income statement and in separate lines for assets and liabilities respectively in the balance sheet.

The equity method of accounting is used for associated undertakings where the share of voting rights is between 20% and 50% and where the owning entity has significant influence.

The equity method is in general also used for holdings in subsidiaries that are not credit institutions, securities companies or insurance companies, or whose operations are not linked to a company in one of these categories, such as property and IT-related holdings.

The holding in Nordea Life Assurance I Sweden AB (publ), which operates according to mutual principles, is not consolidated in the financial statements, as profit distribution is not allowed from this company. The 40% holding in Nordic Processor AB is not regarded as a joint venture in the accounts due to the terms of the cooperation agreement with IBM. The Group accounts are only affected through direct invoicing from Nordic Processor AB.

For further information on the undertakings included in the Nordea Group see notes 26 and 27.

*Principles of elimination*
Intragroup transactions, balances and unrealised gains on transactions between the consolidated group undertakings are eliminated; unrealised losses are also eliminated unless the loss constitutes an impairment cost.

In accordance with FFFS only intragroup assets and liabilities between the insurance group and other group undertakings are eliminated, whereas income and expenses are not eliminated in the income statement.

In the consolidation process the accounting policies for subsidiaries are adjusted to ensure consistency with the policies adopted by the Group.

**Goodwill**
With the exception of Nordea Bank Finland, which has been consolidated according to the pooling method, acquisitions of companies are consolidated using the purchase method of accounting. Goodwill represents the excess of the purchase cost over the fair value of assets less liabilities of acquired companies. Goodwill is amortised using the straight-line method over its useful life. Impairment tests are performed to

defend the remaining book value of the assets. Goodwill arising from major strategic acquisitions of the Group is amortised over a period of 20 years. For all other acquisitions goodwill is amortised over 5 to 10 years. See note 29 for further details.

**Currency translation of subsidiaries**
The consolidated financial statements are prepared in the euro (EUR) currency. The current method is used when translating the financial statements of subsidiaries into euro. The balance sheets of group undertakings have been translated at the rates of exchange ruling at year-end, while items in the income statements are translated at the average exchange rate for the year. Translation differences are charged or credited directly to shareholders equity.

Goodwill and fair value adjustments arising from the acquisition of group undertakings are treated as local currency assets and liabilities and are translated at the closing rate.

**Translation of assets and liabilities denominated in foreign currencies**
Assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate, corresponding to the average of official buying and selling rates at closing. The parent company's foreign currency liabilities related to the hedging of shares in subsidiaries have been valued at the historical rate of exchange in the parent company. Forward positions in foreign currencies have been valued at the current rate for forward contracts with the equivalent remaining maturity.

When currency-related derivative instruments are used for currency hedging, the currency hedging instrument and the corresponding hedged item are translated at the year-end rates.

**Hedge accounting**
Hedge accounting is applied to hedge holdings of financial instruments which are not valued at fair value. The exposure and the hedging instrument are reported at actual currency rates without taking into account changes in interest rate yields. Changes in fair value for the exposure and the hedging instrument essentially offset each other in terms of the amounts involved.

**Revenue recognition**
Business transactions are reported when risks and rewards are transferred between the parties and when payment is probable.

Trade date accounting is in general applied to transactions in the money, bond, stock and currency markets. Deposit and lending transactions, including repurchase agreements, are reported according to the settlement date. See also "Repos and other repurchase agreements" below.

In the income statement, gross amounts are reported. Income and expense items are offset only when a statutory rule or an accounting standard requires or permits it.

Sale of real estate is recognised when an irrevocable sales contract is signed.

Receivables and payables arising from the sale and purchase of securities are reported net in those cases where the transaction is settled through a clearing house.

**Financial assets and liabilities**
*Financial fixed assets*
Loan receivables and securities holdings for which there is an intent and ability to hold until maturity constitute financial fixed assets.

All of Nordea's loans and advances belong to this category. For further details, see "Loans and advances" below.

Securities classified as financial fixed assets include shares held for strategic business purposes as well as certain interest-bearing securities that are specified from the date of acquisition and managed in a separate portfolio. These securities are carried at acquisition value/amortised cost and are impairment tested on a regular basis.

The acquisition value (amortised cost) of interest-bearing instruments is calculated as the net present value of the future payments, where the discount rate represents the effective yield at the time of acquisition. The net present value changes over time, but will at the maturity date be equal to the nominal value of the instrument plus coupon. Thus, any premium or discount is amortised or accrued into interest income over the remaining term of the instrument.

Reclassification of securities between financial fixed assets and financial current assets is permitted only under limited circumstances. If any such reclassifications are made, the effect on earnings is disclosed in the notes to the financial statements. Furthermore, the reasons for the reclassification are documented.

*Financial current assets*
Securities not meeting relevant criteria for financial fixed assets are reported as financial current assets. Securities and derivatives that are actively managed are valued at fair value, with the exception of such financial instruments that are treated as hedged items. Financial current assets include almost all interest-bearing securities as well as shareholdings within the trading operations. Unrealised capital gains are allocated to a reserve for unrealised capital gains (see "Equity" below).

*Financial liabilities*
Financial liabilities are reported at acquisition value or amortised cost. This implies that initially the amount is recognised equal to the proceeds received, net of transaction costs incurred. In subsequent periods, accrual accounting is applied to the difference between the proceeds (net) and the redemption value together with interest and any fees over the period of the borrowings. Deposits and other borrowings payable on demand are reported at nominal value.

*Combined financial instruments*
Issued index-linked bonds and other combined financial instruments are split in the balance sheet into debt instruments and derivative instruments. The costs relating to such instruments are divided into interest expenses and net result of financial operations. Holdings of index-linked bonds and similar instruments are handled in the trading portfolios and measured at fair value. Gains and losses are accounted for as net result of financial operations.

*Security loans*
Securities, which have been lent out, remain in the balance sheet and are also reported as off-balance items. These securities are measured in the same way as other securities of the

same type. If there are reasons to believe that a security, which has been lent out, will not be returned, the item is reclassified as a loan.

Borrowed securities are not reported as assets. In cases where the borrowed securities are sold, or sold securities have not yet been acquired, ie short selling, the liability is measured at fair value.

**Loans and advances**
Loans are initially reported in the balance sheet at acquisition value. Thereafter, the loan claims are reported on an ongoing basis at acquisition value (amortised cost) after deductions for write-downs and provisions for loan losses appraised individually and by category.

*Impaired loans*
An impaired loan is a claim for which it is probable that future payments will not be made in accordance with the contractual terms of the loan and the collateral does not cover the claim. Impaired loans are measured by applying the assessed recovery value and a provision is made corresponding to the amount which is not covered by the recovery value.

The recovery value is calculated in accordance with either of the following methods:

- The discounted value of the estimated future cash flow to be received from the borrower
- The estimated value of the collateral pledged for the loan and/or the real value of guarantee commitments
- The fair value identified for the loan claim.

When a claim is classified as impaired, it is transferred to cash-based interest accounting. Accrued interest income is thus no longer included in earnings, and amounts related to earlier accruals are reversed. Accrued interest carried over from the previous year is reported as a loan loss. For impaired loans, which are measured according to the discounted value of estimated future cash flows, any changes in recovery value are reported as interest, if the assessment of the future cash flow is unchanged between two dates of assessment. If, however, the estimated future cash flow is changed, the corresponding change in recovery value is reported as a loan loss or as a recovery.

Previously impaired loans are judged to be normal loans when the contractual terms of payments are likely to be fulfilled.

Loan losses are booked as realised losses when it is deemed that the loan amount will not be paid by the borrower or through other means.

*Restructured loan obligations*
A loan is restructured when the creditor has granted the borrower interest deferments because of deterioration of the borrower's financial situation. A portion of the original loan amount, which the creditor defers in connection with the restructuring, constitutes a realised loan loss.

*Transfer risk*
Transfer risk (country risk) is a credit risk attributable to the transfer of payments under contract to the payment country specified by the creditor.

Provisions for loan losses related to transfer risk are made on the basis of country risk estimates presented by EIU (The Economist Intelligence Unit, London). Transfer risk is assessed individually for each country, based on the size of the outstanding loan receivable that is exposed to transfer risk. A provision for transfer risk is reported as a reduction of the book value of the loan receivable.

*Provisions for loans and advances appraised by category*
For groups of loans and advances, where it is deemed probable that loan losses are incurred, but where the individual loan receivables within the category cannot yet be identified, a provision is made in respect of the entire category of loans.

*Evaluation of minor loans and advances with similar credit risk*
Homogenous groups of receivables with limited value and similar credit risk are evaluated on cluster basis. The evaluation is based on the experience of realised loan losses and the assessment of the probable loss trend for the group in question. The principle for the split into groups is documented considering previous loan losses, assessment of future development and the basis applied for assessment.

*Property taken over for protection of claims*
The creditor may take over pledged assets to protect claims or may receive assets as payment for claims. This property is to be divested as soon as possible.

Property taken over is specified in a note to the balance sheet. These assets are measured at the lower of cost or fair value. In the case of properties that have been taken over, the fair value is constituted by a conservatively appraised market value less sales costs. Cost at acquisition must not exceed fair value at the day the property is taken over.

**Financial commitments**
*Derivatives*
Derivative contracts that are actively managed are valued at fair value and, therefore, affect the reported result and also the balance sheet as assets or liabilities depending on the direction of the market developments. Fair value is defined as the value at which each contract can be closed out or sold over a period consistent with Nordea's trading strategy.

Fair value is calculated as the theoretical net present value of OTC derivative contracts based on independently sourced market parameters and assuming no risks and uncertainties. A portfolio adjustment is deducted for the uncertainties associated with the model assumptions and parameters as well as the derivative portfolio's counter-party credit risk and liquidity risk. Derivatives used for hedge accounting are booked at amortised cost at actual currency rate.

*Repos and other repurchase agreements*
A genuine repurchase transaction is defined as an agreement covering both the sale of an asset, usually interest-bearing securities, and the subsequent repurchase of the asset at an agreed price. Such agreements are reported as loan transactions rather than items influencing securities holdings. The assets are reported in the balance sheet of the transferring party and the purchase price received is posted as a liability (repo). The receiving party reports the payment as a receivable due from the transferring party (reverse repo). The difference between the purchase consideration in the spot market and the futures market is accrued over the term of the agreement. Assets transferred in repurchase transactions are reported under the item Assets pledged for own liabilities.

**Leasing**
The Group's leasing operations in general comprise finance leasing. In reporting leasing transactions, the leased item is reported as lending to the lessee. Lease income net of depreciation is reported as interest income.

*Leased assets*
For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term.

Operational leasing consists mainly of short term office and office equipment contracts normal to the business.

**Intangible assets**
Intangible assets are reported at their acquisition value less any accumulated amortisation according to plan and any accumulated impairment losses.

Amortisation is calculated on a straight-line basis as follows:

| | |
|---|---|
| Group goodwill arising from major strategic acquisitions | 20 years |
| Other Group goodwill | 5 or 10 years |
| Other intangible assets and capitalised IT- and development expenses | 3–5 years |

*Capitalised IT- and development expenses*
IT- and development expenses are recognised as assets if they are major investments with an expected useful life exceeding three years, expected to generate future economic benefits and not to be regarded as replacement investments or maintenance.

**Tangible assets**
Tangible assets are reported at their acquisition value less any accumulated depreciation according to plan and any accumulated impairment losses. The cost of an item of property, plant or equipment comprises its purchase price, including import duties and non-deductible VAT, and any directly attributable costs of bringing the asset to the working condition for its intended use.

Depreciation is calculated on a straight-line basis as follows:

| | |
|---|---|
| Buildings | 30–75 years |
| Equipment | 3–5 years |

**Dividends and group contributions**
Dividends paid by Group undertakings to the parent company are recorded on an anticipated basis.

Group contributions paid or received between Swedish companies for the purpose of optimising the tax cost of the Group are in the legal entity reported as a decrease/increase of unrestricted equity, after adjustment for tax. Group contributions that can be regarded as substitute for dividends are booked as income by the receiving entity.

**Equity**
In accordance with Swedish law, shareholders equity is split into funds available for distribution, unrestricted reserves, and not available for distribution, restricted reserves. Shareholders in a group can only receive distribution out of the lower of unrestricted reserves in the parent company or the group.

*Restricted reserves*
Apart from share capital restricted reserves comprise the following items:

Share premium account: The share premium account covers funds related to the issue of equity capital in the parent company, exceeding the nominal value of the shares and capital gains on sale of own shares.

Statutory reserves: In accordance with local legislation, 10% of the net profit of each Swedish company in the Nordea Group is transferred to a non-distributable statutory reserve until this reserve represents 20% of the share capital of the company in question. The reserve can only be utilised after decision by the Annual General Meeting for issue of shares or for covering of losses, not covered by unrestricted equity.

Equity share of Swedish untaxed reserves: 72% of the untaxed reserves in Swedish legal entities are recorded as equity net of deferred tax of 28%.

Reserve for unrealised gains: Capital gains arising when negotiable securities are valued at fair value are in the balance sheet transferred to a reserve for unrealised capital gains. According to local rules in Sweden, such gains are not distributable earnings and are reported net of tax as restricted equity.

Equity method reserve: Earnings in associated companies that have not been distributed are recorded as an equity method reserve in restricted reserves.

*Unrestricted reserves*
The unrestricted reserves in the Group includes only the part of the Group undertakings' unrestricted equity that can be assigned to the parent company without requiring a write-down of the value of the shares in the undertaking.

Apart from retained earnings, unrestricted reserves consist of the free fund. The free fund has been created following decisions to reduce the share premium reserve and the share capital by Annual General Meetings in 1999, 2000 and 2003. The fund can only be utilised according to a separate decision by the General Meeting. The Annual General Meeting in 2003 decided that acquisition of own shares should be covered by means from the free fund.

*Own shares*
Own shares are not accounted for as assets. Acquisition of own shares is recorded as a deduction of the above mentioned free fund in accordance with decision by the General Meeting, thus reducing unrestricted reserves.

**Pensions**
*Pension plans*
The companies within the Nordea Group have various pension plans in accordance with national practices and conditions in the countries where they operate. Pension obligations in the Nordea Group are predominantly reported by group undertakings in Sweden, Norway and Finland. All major plans are funded schemes covered by assets in pension funds/foundations. Non-funded pension plans are stated on the balance sheet as provisions for pensions. Most pensions in Denmark are based on defined contribution plans that hold no pension liability for the Group. Nordea also contributes to public earnings related pension plans.

*Pension costs*
In 2003, pension costs comprise premiums and fees to insurance companies and pension funds as well as actuarially calculated pension costs for other commitments. In Sweden, actuarial pension costs refer to commitments guaranteed by a pension foundation or recognised as a liability. In accordance with instructions from the Swedish Financial Supervisory Authority, the costs in Sweden are reversed in the item Pension adjustment and substituted by pension benefits paid, contributions made to or received from the pension foundation, and recognised changes in the pension provisions. Special payroll tax and return tax applicable to the Swedish pension system are also recognised in the Pension adjustment.

*Future change of accounting policy*
In 2003 and in previous years national rules have been applied to the accounting for pension obligations. From the start of 2004, RR29/IAS19 will be implemented. The effect of this planned change in accounting policy is described further in

the Board of Directors' report and will be charged directly to unrestricted equity.

**Taxes**
Tax on profit for the year includes current tax and deferred tax. Current tax is based on the taxable income of the Group undertakings and calculated using local rules and tax rates. Deferred tax assets and liabilities are recognised, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax liabilities are calculated on untaxed reserves and other temporary differences.

VAT and property tax are reported among operating expenses whenever applicable.

**Life insurance activities**
The accounts for the insurance business are prepared in accordance with Swedish Act on Annual Accounts of Insurance Companies (1995:1560).

Premiums written represent regular premiums and single premiums net of reinsurance for traditional life insurance and unit-linked policies due for the year.

Operating expenses include administration cost, acquisition cost and commissions from reinsurance business. Expenses related to acquiring and renewing the insurance portfolio are charged to the income statement at the time of signing the agreement.

Investments including real estate, shares and other securities etc are marked to market. In traditional life insurance (involving investments in respect of which the policyholders do not bear the investment risk) in Norway, bonds held to maturity are stated at cost adjusted for value changes in line with reductions in time to maturity (mathematical value).

Technical provisions are based on actuarial calculations. The provisions cover all liabilities in respect of the life insurance portfolio, including bonuses allocated to the policyholders.

Collective bonus potential includes amounts provided to equalise future bonus payments.

Technical provisions for policies for which policyholders bear the investment risk represent life insurance provisions relating to unit-linked policies written without an investment guarantee.

**Operational income statement**
In order to increase transparency and to support the analysis of the Group´s financial performance, an operational income statement is presented as a supplement to the statutory income statement.

Nordea's operational income statement comprises the same legal entities and is based on the same accounting policies as the statutory one.

There are two major differences in the presentation format between the statutory and the operational income statements. All revenues related to customer-driven trading activities as well as the net result from the Group's investment activities are reported on separate lines. The rationale for this format being a transparent reporting of the actual impact from these two activities as well as to report net interest income that is mainly driven by margins on loans and deposits.

In addition, the outcome of the decision to sell all remaining properties is reported on a separate line below operating profit.

See further note 2 for a reconciliation between operational and statutory income statements.

**Segment reporting**
*Primary segment*
Nordea's operations are organised into three business areas and group functions. The business areas are Retail Banking, Corporate and Institutional Banking and Asset Management & Life.

The operational income statement format is used in segment reporting by business area.

Assets and liabilities allocated to business areas include all assets and liabilities directly related to the specific business area or Group function. Utilised economic capital is calculated and allocated to the business areas reflecting risks undertaken.

Cost is allocated according to calculated unit prices and the individual business areas consumption. Income is allocated with the underlying business transactions as driver combined with the identification of the customer responsible unit.

Funds transfer pricing is based on current market interest rate and used against all assets and liabilities allocated or booked in the business areas or group functions.

Goodwill arising from the creation of Nordea is considered as a groupwide asset and is not allocated to business areas.

*Secondary segment*
In accordance with prevailing rules, the secondary segment reporting shows Nordea's operations divided into the geographical areas where the Group operates. These areas are Sweden, Denmark, Finland, Norway, Poland (incl. the Baltic countries), eliminations and others. The geographical segment reporting does not reflect Nordea's operational structure and management principles.

The secondary segment reporting comprises income, total assets and investments in tangible and intangible assets and is based on the statutory income statement.

See further note 2 Segment reporting.

**Exchange rates**

| EUR 1 = SEK | 2003 | 2002 |
|---|---|---|
| Income statement (average) | 9.1453 | 9.1381 |
| Balance sheet (at end of period) | 9.0800 | 9.1528 |
| EUR 1 = DKK | | |
| Income statement (average) | 7.4303 | 7.4301 |
| Balance sheet (at end of period) | 7.4450 | 7.4288 |
| EUR 1 = NOK | | |
| Income statement (average) | 7.9914 | 7.5123 |
| Balance sheet (at end of period) | 8.4141 | 7.2756 |
| EUR 1 = PLN | | |
| Income statement (average) | 4.4202 | 3.8547 |
| Balance sheet (at end of period) | 4.7019 | 4.0210 |

## Note 2:
### Segment reporting

| | Business areas | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Asset Management & Life | | | | |
| EURm | Retail Banking | Corporate and Institutional Banking | Asset Mgmt | Life | Group Treasury | Group Functions and Eliminations | Total |
| Customer responsible units: | | | | | | | |
| Net interest income | 2,993 | 412 | 30 | | 132 | –201 | 3,366 |
| Other income | 1,360 | 577 | 224 | | –17 | 129 | 2,273 |
| **Total income incl. allocations** | **4,353** | **989** | **254** | | **115** | **–72** | **5,639** |
| of which allocations | 528 | –294 | –201 | | 10 | –43 | – |
| Expenses incl. allocations | –2,488 | –523 | –159 | | –33 | –470 | –3,673 |
| of which allocations | –1,440 | –163 | 15 | | | 1,588 | – |
| Loan losses | –311 | –39 | | | | –13 | –363 |
| Equity method | 19 | 17 | | | | 21 | 57 |
| **Profit before investment earnings and insurance** | **1,573** | **444** | **95** | | **82** | **–534** | **1,660** |
| Investment earnings, banking | | | | | 164 | 6 | 170 |
| Operating profit, life insurance | | | | 114 | | 35 | 149 |
| Goodwill amortisation and write-down | –29 | –14 | | | | –124 | –167 |
| **Operating profit 2003:** | **1,544** | **430** | **95** | **114** | **246** | **–617** | **1,812** |
| Operating profit 2002: | 1,618 | 518 | 80 | –78 | 114 | –705 | 1,547 |
| **Other information, EURbn** | | | | | | | |
| Total assets | 151 | 82 | 4 | 25 | 15 | –15 | 262 |
| Lending | 119 | 20 | 2 | | 5 | | 146 |
| Deposits | 70 | 15 | 3 | | 7 | | 96 |
| Capital expenditure, EURm | 67 | 0 | 3 | 1 | 0 | 26 | 97 |
| Depreciations, EURm | –28 | 0 | –7 | –4 | 0 | –96 | –135 |

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

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

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

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

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

**Pension adjustments**
Pension adjustments accounted for according to Swedish regulations in statutory income statement is included in total expenses (personnel expenses) in operational income statement.

**Reconciliation of operational income statement with statutory income statement** (Note 2, continued)

| EURm | Statutory income statement 2003 | Reclassifications: Trading income | Investment earnings, banking | Life insurance | Write-downs of real estate | Goodwill amorti-sation | Pension adjust-ments | Operational income statement 2003 |
|---|---|---|---|---|---|---|---|---|
| Net interest income | 3,658 | –177 | –115 | | | | | 3,366 |
| Other income | 2,165 | 177 | –69 | | | | | 2,273 |
| **Total income** | **5,823** | **0** | **–184** | | | | | **5,639** |
| **Total expenses** | **–3,930** | | **14** | | **115** | **144** | **–16** | **–3,673** |
| Loan losses (incl change in value of property taken over) | –363 | | | | | | | –363 |
| Profit from companies accounted for under the equity method | 57 | | | | | | | 57 |
| Investment earnings, banking | | | 170 | | | | | 170 |
| Operating profit, life insurance | 126 | | | 23 | | | | 149 |
| Goodwill amortisation | | | | –23 | | –144 | | –167 |
| **Operating profit** | **1,713** | **0** | **0** | **0** | **115** | **0** | **–16** | **1,812** |
| Real estate write-downs | | | | | –115 | | | –115 |
| Pension adjustments | –16 | | | | | | 16 | 0 |
| Tax on profit for the year | –205 | | | | | | | –205 |
| Minority interests | –2 | | | | | | | –2 |
| **Net profit** | **1,490** | **0** | **0** | **0** | **0** | **0** | **0** | **1,490** |

**Secondary segment: Geographical**

| EURm 2003 | SWE | FI | NO | DK | POL[1] | Elim and other | TOT |
|---|---|---|---|---|---|---|---|
| Net interest income | 941 | 936 | 660 | 1,137 | 21 | –37 | 3,658 |
| Net commission income | 551 | 380 | 152 | 442 | 8 | 0 | 1,533 |
| Net result from financial operations | 90 | 113 | 60 | 87 | 9 | 10 | 369 |
| Other income | 216 | 101 | 41 | 82 | –1 | –176 | 263 |
| **Total operating income** | **1,798** | **1,530** | **913** | **1,748** | **37** | **–203** | **5,823** |
| **Operating profit, insurance** | **0** | **76** | **5** | **47** | **–3** | **1** | **126** |
| **Total assets** | **89,658** | **94,431** | **33,485** | **86,326** | **870** | **–42,580** | **262,190** |
| Investments in tangible and intangible fixed assets | 69 | 61 | 8 | 20 | 5 | 7 | 171 |

[1] Including activities in Estonia, Latvia and Lithuania.

Nordea's main geographical market comprises the Nordic countries and Poland. The geographical presentation therefore highlights the division between these countries.

## Note 3:

### Interest income and interest expenses

| EURm | 2003 | 2002 |
|---|---|---|
| **Interest income** | | |
| Loans and advances to credit institutions | 697 | 846 |
| Lending | 7,211 | 8,296 |
| Interest-bearing securities | | |
| Current assets | 1,084 | 1,127 |
| Financial fixed assets | 31 | 63 |
| Other interest income | 135 | 50 |
| **Total interest income** | **9,158** | **10,382** |

| | | |
|---|---|---|
| **Interest expenses** | | |
| Deposits by credit institutions | –841 | –908 |
| Deposits and borrowings from the public | –1,837 | –2,628 |
| Debt securities in issue etc. | –2,365 | –2,572 |
| Subordinated liabilities | –261 | –203 |
| Other interest expenses | –196 | –317 |
| **Total interest expenses** | **–5,500** | **–6,628** |
| **Net interest income** | **3,658** | **3,754** |

**Average balance and interest rate** (Note 3, continued)

| | 2003 | | 2002 | |
|---|---|---|---|---|
| | EURm | Interest % | EURm | Interest % |
| **Assets, banking** | | | | |
| Loans and advances to credit institutions | 27,585 | 2.5 | 26,388 | 3.2 |
| Loans and advances to the public | 146,755 | 4.9 | 144,160 | 5.8 |
| Interest-bearing securities | 30,737 | 3.6 | 30,556 | 3.9 |
| Other interest-bearing assets | 17,101 | 0.8 | 11,516 | 0.4 |
| Total interest-bearing assets | 222,178 | 4.1 | 212,620 | 4.9 |
| Non-interest-bearing assets | 15,239 | – | 14,755 | – |
| **Total assets, banking** | **237,417** | **3.9** | **227,375** | **4.6** |
| **Liabilities, banking and shareholders' equity** | | | | |
| Deposits by credit institutions | 29,364 | 2.9 | 29,599 | 3.1 |
| Deposits and borrowings from the public | 93,524 | 2.0 | 91,548 | 2.9 |
| Debt securities in issue etc. | 65,035 | 3.6 | 63,561 | 4.0 |
| Subordinated liabilities | 5,580 | 4.7 | 6,096 | 3.3 |
| Other interest-bearing liabilities | 17,510 | 1.1 | 12,062 | 2.6 |
| Total interest-bearing liabilities | 211,013 | 2.6 | 202,866 | 3.3 |
| Non-interest-bearing liabilities | 15,335 | – | 12,857 | – |
| **Total liabilities, banking** | **226,348** | **2.4** | **215,723** | **3.1** |
| Shareholders' equity | 12,122 | | 11,652 | |
| **Total liabilities, banking and shareholders' equity** | **238,470** | **2.3** | **227,375** | **2.9** |
| **Overall interest margin, %** | | **1.6** | | **1.7** |

**Net interest income**

| EURm | 2003 | 2002 |
|---|---|---|
| Interest income | 9,094 | 10,304 |
| Leasing income | 357 | 338 |
| Interest expenses | –5,500 | –6,628 |
| Leasing depreciation according to plan | –293 | –260 |
| **Total** | **3,658** | **3,754** |

## Note 4:
### Leasing income

The Group's leasing operations mainly comprise finance leasing. Lease income net of depreciation is reported as interest income and amounts to EUR 64m (78).

## Note 5:
### Dividend income

| EURm | 2003 | 2002 |
|---|---|---|
| Shares and participations | 43 | 36 |
| **Total** | **43** | **36** |

## Note 6:
### Net commission income

| EURm | 2003 | 2002 |
|---|---|---|
| **Commission income** | | |
| Payments | 639 | 594 |
| Loans | 240 | 290 |
| Deposits | 120 | 131 |
| Guarantees | 111 | 82 |
| Securities | 598 | 645 |
| Other commission income | 160 | 164 |
| **Total commission income** | **1,868** | **1,906** |
| **Commission expenses** | | |
| Payment transmission | –149 | –163 |
| Securities | –67 | –76 |
| Other commission expenses | –119 | –94 |
| **Total commission expenses** | **–335** | **–333** |
| **Net commission income** | **1,533** | **1,573** |

## Note 7:
### Net result from financial operations

| EURm | 2003 | 2002 |
|---|---|---|
| **Realised gains/losses** | | |
| Shares/participations and other share-related instruments | 73 | 26 |
| Interest-bearing securities and other interest-related instruments | –191 | –9 |
| Other financial instruments | 52 | 10 |
| **Total realised gains/losses** | **–66** | **27** |
| **Unrealised gains/losses** | | |
| Shares/participations and other share-related instruments | 25 | –40 |
| Interest-bearing securities and other interest-related instruments | 321 | 42 |
| Other financial instruments | –23 | – |
| **Total unrealised gains/losses** | **323** | **2** |
| Foreign exchange gains/losses | 112 | 224 |
| Debt redemption | 0 | 0 |
| **Total** | **369** | **253** |

## Note 8:
### Other operating income

| EURm | 2003 | 2002 |
|---|---|---|
| Divestment of shares and participations [1] | 73 | 0 |
| Divestment of real estate/shares [2] | 0 | 19 |
| Income from real estate | 42 | 69 |
| Other | 105 | 102 |
| **Total** | **220** | **190** |

1 Of which a gain of EUR 28m relates to the reclassification of NBF's HEX shares, from shares held as fixed assets to shares held as current assets.

2 In 2003 the net effect is reported on a separate line under expenses in the income statement.

## Note 9:

### Personnel expenses

| EURm | 2003 | 2002 |
|---|---|---|
| Salaries and remuneration (specification below) | –1,572 | –1,540 |
| Pension costs (specification below) | –241 | –203 |
| Social insurance contributions | –235 | –242 |
| Allocation to profit sharing foundation | –46 | – |
| Other personnel expenses | –41 | –80 |
| **Total** | **–2,135** | **–2,065** |
| **Salaries and remuneration:** | | |
| To executives [1] | | |
| Fixed compensation and benefits | –17 | –19 |
| Performance-related compensation | –2 | –1 |
| **Total** | **–19** | **–20** |
| To other employees | –1,553 | –1,520 |
| **Total** | **–1,572** | **–1,540** |

1 Executives include the Board of Directors of the parent company and all subsidiaries, CEO, Group Executive Management as well as Managing Directors and Executive Vice Presidents in all subsidiaries.

| EURm | 2003 | 2002 |
|---|---|---|
| **Pension costs:** | | |
| Actuarial pension costs | –106 | –72 |
| Pension premiums | –135 | –131 |
| **Total** | **–241** | **–203** |

### Compensation to the Board, CEO and Group Executive Management

| **Compensation to the Board and CEO** | Fixed salary / Board fee | | Performance-based salary [2] | | Total | |
|---|---|---|---|---|---|---|
| EUR | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Chairman of the Board Hans Dalborg | 203,160 | 188,311 | – | – | 203,160 | 188,311 |
| Vice chairman of the Board Timo Peltola | 84,688 | 73,018 | – | – | 84,688 | 73,018 |
| Other Board members | 547,222 | 563,150 | – | – | 547,222 | 563,150 |
| CEO Lars G Nordström | 711,160 | 236,722[1] | 86,871 | – | 798,031 | 236,722[1] |

1 The amounts refer to the period from 25 August, 2002, when Lars G Nordström was appointed CEO.
2 Reflects payment based on performance pertaining to previous year.

The remuneration for the Board, within the frame EUR 950,000 resolved by the AGM 2003 was: The Chairman EUR 185,000, Vice Chairman EUR 70,000 and members EUR 52,000, excluding employee representatives. Meeting fees were: EUR 1,000 per board meeting and EUR 900 per committee-meeting. The CEO and any other Board member employed by Nordea do not receive separate compensation for their Board membership. There are no commitments for severance pay, pension or other compensation to the members of the Board who are not employed by Nordea.

Hans Dalborg, Chairman of the Board, in the capacity of former CEO of Nordea, receives a pension equal to 75% of his pensionable salary until the age of 65 and thereafter a maximum of 65% of 180 Swedish "prise base amounts" 2001, which was equal to SEK 36,900, and 32.5% of the remaining part of pensionable salary.

The salary and contract terms for the Group CEO are proposed by the Board Remuneration Committee and approved by the Board of Directors. Performance-based salary, which is based on agreed, specific targets can amount to a maximum of 35% of the fixed salary. Performance-based salary for 2003 will be determined in March 2004. Additionally the extra temporary variable salary described below could give a maximum of 12% of the fixed annual salary. In 2003 the CEO received car and housing benefits.

The formal retirement age for the present CEO is 62 and his pension amounts to 70% of the pensionable income to age 67. Thereafter the pension is arranged in accordance with the Occupational pension Scheme of Swedish Banks, with some adjustments. The CEO's contract may be terminated by either the CEO or the company and is subject to six (6) month's notice followed by retirement.

| **Compensation to Group Executive Management** | Fixed salary | | Performance-based salary [1] | | Total | |
|---|---|---|---|---|---|---|
| EUR | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Group Executive Management [2] ( 7 persons excluding the CEO ) | 3,430,825 | 2,822,810 | 489,538 | 541,445 | 3,920,363 | 3,364,255 |

1 Reflects payment based on performance pertaining to previous year.
2 The composition of GEM changed in August 2002. Figures include new members of GEM from 1 September 2002.

Following consultation with the Board Remuneration Committee and a Board decision on the total frame of fixed salary changes for GEM, the Group CEO determines the salary terms for other members of Group Executive Management (GEM). Performance-based salary, which is based on agreed, specific targets can be a maximum of 35% of the fixed salary. Additionally, the extra temporary variable salary described below could amount to a maximum of 12% of the fixed salary. Performance-based salaries for 2003 will be determined in March 2004. Some of the GEM members received car and housing benefits. Nordea has no share-based incentive systems.

In accordance with their employment contracts, Finnish, Norwegian and Swedish executives are entitled to 6 months' salary during the notice period before termination, and with regard to severance pay, this may not total more than 18 months' salary and must be reduced by the salary amount that the executive receives as a result of any other employment during those 18 months. For the Danish executives the notice pay is 12 months and the severance pay is 12 months if they are not employed by a competing firm.

Group Executive Management members are entitled to retire with a pension at the age of 60. Danish executives can remain employed at their discretion until the age of 62. The Danish members of Group Executive Management receive 50% of the salary for their lifetime, one contract being annually adjusted by the general level of salary increases in Nordea Bank Denmark. The Finnish members of Group Executive Management receive 60% of their pensionable income for their lifetime, annually adjusted by the Finnish TEL-index. The Norwegian member of Group Executive Management receives 70% of his fixed salary at retirement for life, annually adjusted, and for the Swedish member of Group Executive Management the pension amounts to 70% of the pensionable income and is paid up to age 65, annually adjusted by the banking industry pensions increment in Sweden, and thereafter the pension is paid in accordance with the Occupational Pension Scheme of Swedish Banks, with some adjustments. Fixed salary is pensionable income for all executives. For Finnish executives performance-based salary is also included and, for Swedish, Danish and Norwegian executives, performance-based salary is partly included.

**Loans to Board and Group Executive Management**

| EUR | 2003 | 2002 |
|---|---|---|
| | 1,650,943 | 1,753,809 |

Terms and conditions regarding loans to Group Executive Management and other senior management are decided in the respective bank boards. The loans are granted by the subsidiaries of Nordea Bank AB (publ) in each country.

**Pension commitments to Boardmembers, CEOs and Group Executive Management** [1]

| EUR | 2003 | 2002 |
|---|---|---|
| Pension costs related to former Chairman of the Board and CEOs | 1,097,462 | 927,110 |
| Pension obligation related to former Chairman of the Board and CEOs | 11,045,973 | 10,354,565 |
| Pension cost related to CEO | 564,959 | 728,665 |
| Pension cost related to Group Executive Management | 2,453,310 | 1,804,091 |
| Pension obligation related to CEO | 2,101,441 | 2,072,530 |
| Pension obligation related to Group Executive Management | 9,239,587 | 8,019,599 |

[1] In Denmark and Finland reserves for pension obligations are made in the balance sheet. In Sweden pension obligations are mainly provided for in the pension foundation. Pension for executives in Denmark and Sweden are partly based on defined contribution plans. Pension based on defined benefit plans are irrevocable.

Pension costs and pension obligations related to all executives amounted to EUR 7m (EUR 8m) and EUR 42m (EUR 42m) respectively.

**Extra temporary variable salary**

In 2003 the Board of Directors decided to implement a temporary variable salary for Nordea's management comprising some 350 participants. The incentive scheme is based on the same performance criteria as the profit-sharing scheme for all employees. A potential payout under this scheme is limited to 12% of the participants' fixed annual salary, and the maximum cost for the Group is approximately EUR 8m. EUR 6m was provided for under this scheme in 2003.

**Average number of employees in the Group**

| | Total | | Men | | Women | |
|---|---|---|---|---|---|---|
| **Full-time equivalents** | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Denmark | 8,891 | 11,551 | 4,291 | 5,491 | 4,600 | 6,060 |
| Finland | 9,780 | 10,474 | 1,831 | 1,964 | 7,949 | 8,510 |
| Sweden | 8,105 | 8,724 | 3,065 | 3,317 | 5,040 | 5,407 |
| Norway | 4,173 | 4,933 | 2,137 | 2,499 | 2,036 | 2,434 |
| Poland | 1,256 | 735 | 379 | 246 | 877 | 489 |
| Luxembourg | 293 | 291 | 187 | 191 | 106 | 100 |
| Estonia | 165 | 142 | 40 | 34 | 125 | 108 |
| Latvia | 135 | 117 | 49 | 45 | 86 | 72 |
| United States | 83 | 120 | 49 | 77 | 34 | 43 |
| United Kingdom | 79 | 99 | 48 | 65 | 31 | 34 |
| Lithuania | 57 | 49 | 22 | 19 | 35 | 30 |
| Singapore | 44 | 48 | 13 | 10 | 31 | 38 |
| Germany | 40 | 39 | 21 | 21 | 19 | 18 |
| **Total average** | **33,101** | **37,322** | **12,132** | **13,979** | **20,969** | **23,343** |
| **Total (NOE), end of period** | **33,978** | **37,562** | | | | |

### Distribution between men and women among executives[1] (Note 9, continued)

| Per cent | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Board of Directors | | |
| Men | 88 | 90 |
| Women | 12 | 10 |
| Other executives | | |
| Men | 98 | 98 |
| Women | 2 | 2 |

1 Executives include the Board of Directors of the parent company and all subsidiaries, CEO, Group Executive Management as well as Managing Directors and Executive Vice Presidents in all subsidiaries.

### Salaries and remuneration per country

| | Executives | Other employees |
|---|---|---|
| Denmark | –6 | –520 |
| Finland | –3 | –370 |
| Sweden | –7 | –360 |
| Norway | –2 | –233 |
| Poland | –1 | –16 |
| Luxembourg | 0 | –26 |
| Estonia | 0 | –2 |
| Latvia | 0 | –2 |
| United States | – | –13 |
| United Kingdom | – | –6 |
| Lithuania | 0 | –1 |
| Singapore | – | –2 |
| Germany | – | –2 |
| **Total** | **–19** | **–1, 553** |

### Sickness leave

Information about sickness leave in Swedish Group undertakings is presented in the annual reports of these undertakings.

## Note 10:

### Other administrative expenses

| EURm | 2003 | 2002 |
|---|---|---|
| Information technology[1] | –409 | –463 |
| Marketing | –82 | –114 |
| Postage and telephone | –138 | –145 |
| Other administrative expenses[2] | –259 | –312 |
| Compensation to Sweden Post | –32 | –35 |
| Rents | –252 | –198 |
| Real estate expenses | –74 | –80 |
| Sundry expenses | –135 | –134 |
| **Total** | **–1,381** | **–1,481** |

1 Refers to IT operations, service expenses and consultant fees. Total IT-related including personnel etc, but excluding IT expenses in insurance operations were EUR 732m (EUR 758m).

2 Including fees and remuneration to auditors with distribution as follows.

### Auditors fees

| EURm | 2003 | 2002 |
|---|---|---|
| **KPMG** | | |
| Auditing assignments | –5 | –3 |
| Other assignments incl. audit-related services | –2 | –3 |
| **PriceWaterhouseCoopers** | | |
| Auditing assignments | 0 | –1 |
| Other assignments incl. audit-related services | 0 | 0 |
| **Deloitte & Touche** | | |
| Auditing assignments | 0 | –1 |
| Other assignments incl. audit-related services | –1 | –1 |
| **Total** | **–8** | **–9** |

## Note 11:

### Depreciation, amortisation and write-down of tangible and intangible fixed assets

| EURm | 2003 | 2002 |
|---|---|---|
| **Tangible fixed assets** | | |
| Furniture, fixtures and equipment | –115 | –147 |
| Buildings | –20 | –24 |
| **Intangible fixed assets** | | |
| Group goodwill | | |
| Nordea Bank Danmark A/S | –27 | –27 |
| Nordea Bank Norge ASA | –59 | –66 |
| Nordea Bank Sverige AB (publ)[1] | –23 | –23 |
| Kansallisbank | –13 | –13 |
| Nordea Bank Polska S.A. | –7 | –2 |
| Insurance companies | –23 | –28 |
| Other group goodwill | –15 | –15 |
| Other intangible assets | –23 | –16 |
| **Total depreciation, amortisation and write-down** | **–325** | **–361** |
| Disclosed in operating profit in insurance | 23 | 28 |
| Disclosed in profit from companies accounted for under the equity method | 3 | 3 |
| **Total** | **–299** | **–330** |

1 Through merger of Nordea Bank Sweden AB (publ) and Postgirot Bank AB (publ)

## Note 12:

### Loan losses, net

| EURm | 2003 | 2002 |
|---|---|---|
| **Loan losses divided by category** | | |
| Write-downs and provisions for loans to the public | –930 | –740 |
| Reversal and recoveries for loans to the public | 547 | 490 |
| **Total** | **–383** | **–250** |

**Specifications**

| | | |
|---|---|---|
| **Specific provision for individually assessed loans** | | |
| Realised loan losses during the year | –659 | –515 |
| Reversed amount of previous provisions made for realised losses during the year | 398 | 439 |
| This year's provisions for probable loan losses | –631 | –613 |
| Recoveries of previous years' realised loan losses | 138 | 100 |
| Reversal of provisions for probable loan loss no longer required | 360 | 307 |
| **This year's costs for individually assessed loans, net** | **–394** | **–282** |
| **Aggregate provisions for individually assessed loans** | | |
| Allocation to/withdrawal from reserve | **–17** | **–6** |
| **Assessment of homogenous clusters of loans with low value and similar credit risk** | | |
| Realised loan losses during the year | –14 | –19 |
| Recoveries on previous years' realised loan losses | 21 | 19 |
| Allocation to reserve | 0 | –5 |
| Withdrawal from reserve | 4 | 34 |
| **This year's net costs for clusters of loans with homogenous credit risk** | **11** | **29** |
| **Tranfer risks** | | |
| Allocation to reserve for transfer risks | –7 | –21 |
| Withdrawal from reserve for transfer risks | 21 | 31 |
| **This year's change for transfer risks** | **14** | **10** |
| **Contingent liabilities** | | |
| The year's net cost for redemption of guarantees and other contingent liabilities | **3** | **–1** |
| **This year's loan losses, net (total)** | **–383** | **–250** |

## Note 13:

### Change in value of assets taken over for protection of claims [1]

| EURm | 2003 | 2002 |
|---|---|---|
| **Realised change in value** | | |
| Property taken over | 0 | 2 |
| Other assets taken over | 13 | –3 |
| | **13** | **–1** |
| **Unrealised change in value** | | |
| Property taken over | 0 | –2 |
| Other assets taken over | 7 | –8 |
| | **7** | **–10** |
| **Total** | **20** | **–11** |

[1] See also corresponding note 23.

## Note 14:

### Profit from companies accounted for under the equity method

| EURm | 2003 | 2002 |
|---|---|---|
| Group undertakings | 0 | 4 |
| Associated undertakings | 57 | 48 |
| **Total** | **57** | **52** |

## Note 15:

### Operating profit, insurance [1]

| EURm | 2003 | 2002 |
|---|---|---|
| **Life insurance and pensions** | | |
| Premiums written, net of reinsurance | 2,194 | 2,359 |
| Investment, income | 961 | 761 |
| Unrealised investments gains | 396 | 0 |
| Claims incurred and benefits paid | –1,305 | –1,194 |
| Change in life insurance provisions | –1,728 | –1,272 |
| Change in collective bonus potential | –114 | 786 |
| Operating expenses | –148 | –156 |
| Investment, expenses | –31 | –191 |
| Unrealised investment losses | 0 | –1,113 |
| Yield tax | –71 | 32 |
| Transferred return on investments | –56 | –4 |
| **Technical result, life insurance and pensions** | **98** | **8** |
| Net profit from health and personal accident insurance | –5 | –10 |
| Transferred return on investments | 56 | 4 |
| **Operating profit, life insurance and pensions** | **149** | **2** |
| **Operating profit, general insurance [2]** | **–** | **–78** |
| **Operating profit, before group adjustments** | **149** | **–76** |
| Sale of general insurance | – | –44 |
| Group adjustments (goodwill amortisation) | –23 | –28 |
| **Operating profit, insurance** | **126** | **–148** |

[1] Excluding Nordea Life Assurance I Sweden AB (publ), see note 50.

[2] The general insurance business was sold in 2002. The economic responsibility was transferred on 1 July 2002 and the sale was settled and completed on 30 September 2002. Profit before tax, general insurance was EUR –78m in 2002, representing the profit for the first half year 2002. The effect of the sale of the business was EUR –44m.

## Note 16:

### Pension adjustments [1]

| EURm | 2003 | 2002 |
|---|---|---|
| Reversed actuarial pension costs | 38 | 26 |
| Pension benefits paid | –44 | –32 |
| Allocations/compensation | 3 | –231 |
| Special wage tax/return tax | –12 | –44 |
| Other | –1 | – |
| **Total** | **–16** | **–281** |

[1] Refers to pension costs in Swedish companies.

## Note 17:

### Tax on the profit for the year

| EURm | 2003 | 2002 |
|---|---|---|
| Current tax [1] | –518 | –375 |
| Deferred tax [3] | 313 | –30 |
| **Total [2]** | **–205** | **–405** |

| | | |
|---|---|---|
| [1] Of which tax pertaining to prior years | 10 | 47 |
| Associated undertakings | –17 | –9 |

[2] The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of Sweden as follows:

| | | |
|---|---|---|
| Profit before tax | 1,697 | 1,292 |
| Tax calculated at a tax rate of 28% (28%) | –475 | –362 |
| Effect of different rates in other countries | –26 | –45 |
| Tax-exempt income | 37 | 32 |
| Non-deductible expenses | –63 | –81 |
| Adjustments relating to prior years | 9 | 47 |
| Income tax due to previously not accounted tax assets | 18 | 4 |
| Deferred tax income due to legal restructure | 300 | – |
| Not creditable foreign taxes | –5 | – |
| **Tax charge** | **–205** | **–405** |

[3] **Deferred tax**

| | | |
|---|---|---|
| Deferred tax expense (+)/income (–) | | |
| Deferred tax expense due to temporary differences | –5 | –34 |
| Deferred tax income due to change of tax rate | – | – |
| Deferred tax income due to previously not accounted tax assets | 18 | 4 |
| Deferred tax income due to legal restructure | 300 | – |
| **Tax on profit for the year, net** | **313** | **–30** |
| *Deferred tax assets* | | |
| Deferred tax asset due to loss carry forward | 337 | 8 |
| Deferred tax asset due to intra group profits | – | 4 |
| Other deferred tax assets due to temporary differences | 251 | 261 |
| Netting against tax liabilities | –54 | –80 |
| **Total** | **534** | **193** |
| *Deferred tax liabilities* | | |
| Deferred tax liabilities in untaxed reserves | 551 | 577 |
| Other deferred tax liabilities due to temporary differences | 7 | 24 |
| Deferred tax liabilities due to unrealised gains | 77 | 10 |
| Netting against tax assets | –54 | –80 |
| **Total** | **581** | **531** |
| **Deferred tax liabilities, net** | **47** | **338** |
| Change during the year | 291 | 35 |
| Of which | | |
| Translation differences | –22 | 7 |
| Acquisitions and others | 0 | 6 |
| Sale of general insurance | – | 52 |
| Deferred tax in the income statement | 313 | –30 |

Deferred tax concerning shares in subsidiaries has not been recorded as these are not going to be sold/disposed of.

Deferred income tax assets are recognised for tax loss carry forward only to the extent that realisation of the related benefit is probable.

## Note 18:

### Cash and balances at central banks

**Current assets**

This item includes cash and balances at the central banks of Denmark, Finland, Norway and Sweden available on demand. See further "Comments to the cash flow statement".

## Note 19:

### Treasury bills and other eligible bills [1]

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Current assets** | | |
| Eligible securities issued by public bodies | 8,863 | 3,954 |
| Other eligible securities | 3,153 | 3,837 |
| **Financial fixed assets** | | |
| Eligible securities issued by public bodies | – | 40 |
| **Total** | **12,016** | **7,831** |
| **Total face value [2]** | **11,914** | **7,760** |
| Difference between book and face value: | | |
| Book value higher than face value | 146 | 103 |
| Book value lower than face value | –44 | –32 |
| **Net** | **102** | **71** |

[1] Information about the criteria used to classify these securities is included in Note 1 Accounting policies.

[2] Face value is the settlement amount on the maturity date.

### Maturity information

**Remaining maturity (book value)**

| | | |
|---|---|---|
| Maximum 1 year | 8,667 | 5,219 |
| 1–5 years | 2,622 | 2,296 |
| 5–10 years | 676 | 250 |
| More than 10 years | 51 | 66 |
| **Total** | **12,016** | **7,831** |
| Average remaining maturity, years | 0.8 | 1.2 |

**Issuer categories** (Note 19, continued)

| EURm | Book value 31 Dec 2003 | Book value 31 Dec 2002 | Fair value 31 Dec 2003 | Fair value 31 Dec 2002 | Amortised cost 31 Dec 2003 | Amortised cost 31 Dec 2002 |
|---|---|---|---|---|---|---|
| **Current assets** | | | | | | |
| Swedish government | 2,607 | 765 | 2,611 | 769 | 2,611 | 761 |
| Swedish municipalities | 70 | 37 | 70 | 37 | 69 | 37 |
| Swedish mortgage institutions | – | – | – | – | – | – |
| Other Swedish issuers | | | | | | |
| Non-financial companies | – | – | – | – | – | – |
| Financial companies | – | – | – | – | – | – |
| Foreign governments | 1,670 | 991 | 1,673 | 993 | 1,650 | 962 |
| Other foreign issuers | 7,669 | 5,995 | 7,681 | 6,006 | 7,672 | 5,905 |
| **Total** | **12,016** | **7,788** | **12,035** | **7,805** | **12,002** | **7,665** |
| Of which, subordinated (debentures) | – | – | – | – | – | – |
| **Fixed assets** | | | | | | |
| Swedish government | – | – | – | – | – | – |
| Swedish municipalities | – | – | – | – | – | – |
| Swedish mortgage institutions | – | – | – | – | – | – |
| Other Swedish issuers | | | | | | |
| Non-financial companies | – | – | – | – | – | – |
| Financial companies | – | 40 | – | 40 | – | 40 |
| Foreign governments | – | – | – | – | – | – |
| Other foreign issuers | – | 3 | – | 3 | – | 3 |
| **Total** | **–** | **43** | **–** | **43** | **–** | **43** |
| Of which, subordinated (debentures) | – | – | – | – | – | – |

## Note 20:
### Loans and advances to credit institutions

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Financial fixed assets [1] | | |
| Central Banks | 745 | 0 |
| Other banks | 22,177 | 23,149 |
| Other credit institutions | 6,115 | 347 |
| **Total** | **29,037** | **23,496** |
| Of which, associated undertakings | | |
| subordinated | 1 | 2 |
| other | 15 | 1 |
| **Maturity information** | | |
| **Remaining maturity (book value)** | | |
| Payable on demand | 6,190 | 3,860 |
| Maximum 3 months | 21,768 | 18,520 |
| 3 months–1 year | 724 | 110 |
| 1–5 years | 322 | 57 |
| More than 5 years | 33 | 949 |
| **Total** | **29,037** | **23,496** |
| Average remaining maturity, years | 0.2 | 0.4 |

[1] No provision for probable loan losses has been made related to these assets.

## Note 21:
### Lending (Loans and advances to the public)

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Financial fixed assets | 145,644 | 145,740 |
| **Total** | **145,644** | **145,740** |
| Of which, associated companies | | |
| subordinated | 1 | 1 |
| other | 227 | 874 |
| **Maturity information** | | |
| **Remaining maturity (book value)** | | |
| Payable on demand | 11,944 | 11,310 |
| Maximum 3 months | 31,489 | 45,420 |
| 3 months–1 year | 19,190 | 13,239 |
| 1–5 years | 37,272 | 37,320 |
| More than 5 years | 45,749 | 38,451 |
| **Total** | **145,644** | **145,740** |
| Average remaining maturity, years | 4.7 | 4.3 |
| **Finance leases (for lessor)** | | |
| Gross investments | 6,084 | 6,752 |
| Present value of future minimum lease payments receivable at present the balance sheet date | 4,684 | 5,089 |
| Unearned finance income | 1,401 | 1,662 |
| Unguaranteed residual values accruing to the Group (lessor) | 140 | 182 |
| Accumulated allowance for uncollectible minimum lease payments receivable | –5 | –5 |
| Contingent rents recognised in Income | 42 | 52 |

### Distribution of gross investments and minimum lease payments receivable at remaining maturity

| 31 December 2003 | Maximum 1 year | 1–5 years | More than 5 years | Total |
|---|---|---|---|---|
| Gross investments | 1,073 | 2,763 | 2,248 | 6,084 |
| Present value of future minimum lease payments receivable at balance sheet date | 621 | 2,118 | 1,945 | 4,684 |

| 31 December 2002 | Maximum 1 year | 1–5 years | More than 5 years | Total |
|---|---|---|---|---|
| Gross investments | 935 | 3,618 | 2,199 | 6,752 |
| Present value of future minimum lease payments receivable at balance sheet date | 683 | 2,715 | 1,691 | 5,089 |

**General description of the Group's (the lessor's) significant leasing arrangements:**
Includes leases for machinery and equipment, real properties, ships, containers, transport (trucks, vans, cars), industrial equipment, farming and entrepreneur equipment, and IT and office equipment.

## Note 22:

### Loans and their impairment

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Loans and advances to credit institutions | 29,037 | 23,496 |
| Loans and advances to the public | 145,644 | 145,740 |
| **Total** | **174,681** | **169,236** |

### Loan portfolio, by categories of borrowers and total

| 31 December 2003, EURm | Credit Institutions | Corporates | Households | Public sector | Total |
|---|---|---|---|---|---|
| **Loans at amortised cost before reserves** | **29,037** | **79,457** | **65,091** | **3,032** | **176,617** |
| – of which impaired loans [1] | – | 2,090 | 558 | 1 | 2,649 |
| – of which non-performing loans, which are impaired | – | 870 | 252 | 1 | 1,123 |
| **Reserves** | **–** | **–1,582** | **–353** | **–1** | **–1,936** |
| Specific reserves for individually assessed loans | – | –1,176 | –291 | –1 | –1,468 |
| Aggregate reserves for individually assessed loans | – | –406 | – | – | –406 |
| Assessment of homogenous clusters of loans with low value and similar credit risk | – | – | –62 | – | –62 |
| **Loans at amortised cost after reserves, book value** | **29,037** | **77,875** | **64,738** | **3,031** | **174,681** |
| – of which impaired loans [1] | – | 508 | 205 | 0 | 713 |
| – of which associated companies | 21 | 228 | – | – | 249 |

| 31 December 2002, EURm | Credit Institutions | Corporates | Households | Public sector | Total |
|---|---|---|---|---|---|
| **Loans at amortised cost before reserves** | **23,496** | **86,854** | **58,312** | **2,727** | **171,389** |
| – of which impaired loans [1] | – | 2,655 | 596 | 9 | 3,260 |
| – of which non-performing loans, which are impaired | – | 611 | 174 | – | 785 |
| **Reserves** | **–** | **–1,765** | **–383** | **–5** | **–2,153** |
| Specific reserves for individually assessed loans | – | –1,374 | –319 | –5 | –1,698 |
| Aggregate reserves for individually assessed loans | – | –391 | – | – | –391 |
| Assessment of homogenous clusters of loans with low value and similar credit risk | – | – | –64 | – | –64 |
| **Loans at amortised cost after reserves, book value** | **23,496** | **85,089** | **57,929** | **2,722** | **169,236** |
| – of which impaired loans [1] | – | 890 | 213 | 4 | 1,107 |
| – of which associated companies | 3 | 875 | – | – | 878 |

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

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Reserves/impaired loans, gross, % | 73 | 66 |
| Impaired loans [1], gross/loans and advances to the public, % | 1.8 | 2.2 |

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

**Corporate loans by industry** (Note 22, continued)

| 31 December 2003, EURm | Real-estate manage-ment | Con-struc-tion | Agri-culture and fishing | Trans-port | Ship-ping | Trade and serv-ice | Manu-factur-ing | Finan-cial oper-ations | Renting, consult-ing and other company services | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Loans at amortised cost before reserves** | **21,334** | **2,706** | **4,458** | **4,544** | **3,733** | **8,918** | **12,663** | **8,346** | **5,968** | **6,787** | **79,457** |
| – of which impaired loans[1] | 211 | 73 | 259 | 254 | 73 | 222 | 242 | 37 | 261 | 458 | 2,090 |
| – of which non-performing loans, which are impaired | 63 | 15 | 94 | 167 | 28 | 80 | 61 | 14 | 114 | 234 | 870 |
| **Reserves** | **–143** | **–63** | **–206** | **–180** | **–61** | **–169** | **–206** | **–21** | **–229** | **–304** | **–1,582** |
| Specific and aggregated reserves for individually assessed loans | –143 | –63 | –206 | –180 | –61 | –169 | –206 | –21 | –229 | –304 | –1,582 |
| **Loans at amortised cost after reserves, book value** | **21,191** | **2,643** | **4,252** | **4,364** | **3,672** | **8,749** | **12,457** | **8,325** | **5,739** | **6,483** | **77,875** |
| – of which impaired loans[1] | 68 | 10 | 53 | 74 | 12 | 53 | 36 | 16 | 32 | 154 | 508 |

| 31 December 2002, EURm | Real estate manage-ment | Con-struc-tion | Agri-culture and fishing | Trans-port | Ship-ping | Trade and serv-ice | Manu-factur-ing | Finan-cial oper-ations | Renting, consult-ing and other company services | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Loans at amortised cost before reserves** | **22,591** | **3,129** | **4,456** | **3,646** | **4,647** | **8,524** | **14,171** | **9,222** | **8,528** | **7,940** | **86,854** |
| – of which impaired loans[1] | 238 | 99 | 430 | 159 | 123 | 300 | 362 | 97 | 297 | 550 | 2,655 |
| **Reserves** | **–158** | **–88** | **–161** | **–136** | **–88** | **–216** | **–238** | **–84** | **–263** | **–333** | **–1,765** |
| Specific and aggregated reserves for individually assessed loans | –158 | –88 | –161 | –136 | –88 | –216 | –238 | –84 | –263 | –333 | –1,765 |
| **Loans at amortised cost after reserves, book value** | **22,433** | **3,041** | **4,295** | **3,510** | **4,559** | **8,308** | **13,933** | **9,138** | **8,265** | **7,607** | **85,089** |
| – of which impaired loans[1] | 80 | 11 | 269 | 23 | 35 | 84 | 124 | 13 | 34 | 217 | 890 |

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

**Type of loans, book value** (Note 22, continued)

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Mortgage loans | 70,095 | 66,035 |
| Credit card loans | 1,903 | 1,810 |
| Financial lease | 1,367 | 1,246 |
| Other | 101,316 | 100,145 |
| **Total** | **174,681** | **169,236** |

**Lending by geographic area** (Note 22, continued)

| 31 December 2003, EURm | Denmark | Finland | Norway | Sweden | Poland and the Baltic coun- tries | EU coun- tries other | USA | Latin America | Asia | Other OECD | Non- OECD other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Loans at amortised cost before reserves** | **39,070** | **31,355** | **22,448** | **42,510** | **1,725** | **4,722** | **1,600** | **1,356** | **748** | **868** | **1,178** | **147,580** |
| – of which impaired loans [1] | 981 | 512 | 649 | 235 | 183 | 27 | 53 | 0 | 9 | 0 | 0 | 2,649 |
| – of which non-performing loans, which are impaired | 334 | 105 | 324 | 130 | 182 | 10 | 37 | 0 | 1 | 0 | 0 | 1,123 |
| **Reserves** | **–835** | **–355** | **–465** | **–173** | **–71** | **–13** | **–16** | **0** | **–8** | **0** | **0** | **–1,936** |
| Specific reserves for individually assessed loans | –654 | –345 | –273 | –123 | –36 | –13 | –16 | 0 | –8 | 0 | 0 | –1,468 |
| Aggregate reserves for individually assessed loans | –152 | –10 | –192 | –17 | –35 | – | – | – | – | – | – | –406 |
| Assessment of homogenous clusters of loans with low value and similar credit risk | –29 | 0 | 0 | –33 | – | – | – | – | – | – | – | –62 |
| **Loans at amortised cost after reserves, book value** | **38,235** | **31,000** | **21,983** | **42,337** | **1,654** | **4,709** | **1,584** | **1,356** | **740** | **868** | **1,178** | **145,644** |
| – of which impaired loans [1] | 146 | 157 | 184 | 62 | 112 | 14 | 37 | 0 | 1 | 0 | 0 | 713 |

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

| 31 December 2002, EURm | Denmark | Finland | Norway | Sweden | Poland and the Baltic coun- tries | EU coun- tries other | USA | Latin America | Asia | Other OECD | Non- OECD other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Loans at amortised cost before reserves** | **35,116** | **29,758** | **24,966** | **43,814** | **1,159** | **6,569** | **2,514** | **898** | **932** | **908** | **1,259** | **147,893** |
| – of which impaired loans [1] | 970 | 694 | 994 | 288 | 165 | 34 | 102 | – | 13 | – | – | 3,260 |
| **Reserves** | **–876** | **–441** | **–514** | **–217** | **–40** | **–17** | **–36** | **–** | **–12** | **–** | **–** | **–2,153** |
| Specific reserves for individually assessed loans | –694 | –431 | –296 | –172 | –40 | –17 | –36 | – | –12 | – | – | –1,698 |
| Aggregate reserves for individually assessed loans | –153 | –10 | –218 | –10 | – | – | – | – | – | – | – | –391 |
| Assessment of homogenous clusters of loans with low value and similar credit risk | –29 | – | – | –35 | – | – | – | – | – | – | – | –64 |
| **Loans at amortised cost after reserves, book value** | **34,240** | **29,317** | **24,452** | **43,597** | **1,119** | **6,552** | **2,478** | **898** | **920** | **908** | **1,259** | **145,740** |
| – of which impaired loans [1] | 94 | 253 | 480 | 71 | 125 | 17 | 66 | – | 1 | – | – | 1,107 |

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

**Loans with transfer risk** (Note 22, continued)

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Loans comprised by the transfer risk before transfer risk reserve** | **1,295** | **1,583** |
| **Reserves** | | |
| Specific reserves for individually assessed loans [1] | –76 | –101 |
| **Total transfer risk reserve, book value** | **1,219** | **1,482** |

1 Total reserve for transfer risk amounts to EUR –99m (–130).

**Reserves for off-balance-sheet items**

| 31 December 2003, EURm | Credit loss risks (impaired) | Reserves for credit losses |
|---|---|---|
| Contingent liabilities | 15 | 7 |
| Commitments | 0 | 0 |

| 31 December 2002, EURm | Credit loss risks (impaired) | Reserves for credit losses |
|---|---|---|
| Contingent liabilities | 18 | 8 |
| Commitments | 0 | 0 |

## Note 23:
### Assets taken over for protection of claims

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Current assets, book value** | | |
| Land and buildings | 1 | 2 |
| Owner-occupied rights [1] | 0 | 0 |
| Shares and other participations [1, 2] | 1 | 26 |
| Other assets | 1 | 1 |
| **Total** | **3** | **29** |

1 Stated under item Shares and participations, note 25.
2 The shares in Pan Fish ASA have a book value of 0.

## Note 24:
### Bonds and other interest-bearing securities [1]

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Current assets** | | |
| Issued by public bodies | 7,171 | 5,752 |
| Issued by other borrowers | 12,470 | 14,197 |
| **Fixed assets** | | |
| Issued by other borrowers | 360 | 386 |
| **Total** | **20,001** | **20,335** |
| Of which, claims on associated undertakings | – | – |
| **Total face value** [2] | **19,306** | **19,175** |
| Difference between book and face value: | | |
| Book value higher than face value | 706 | 1,187 |
| Book value lower than face value | –9 | –27 |
| **Net** | **697** | **1,160** |
| Listed securities | 19,000 | 19,570 |
| Unlisted securities | 1,001 | 765 |
| **Total** | **20,001** | **20,335** |

1 Information about the criteria used to classify these securities is included in note 1 Accountings policies.
2 Face value is the settlement amount on the maturity date.

**Maturity information**

| **Remaining maturity (book value)** | | |
|---|---|---|
| Maximum 1 year | 7,213 | 10,502 |
| 1–5 years | 7,311 | 6,434 |
| 5–10 years | 3,883 | 1,485 |
| More than 10 years | 1,594 | 1,914 |
| **Total including portfolio schemes** | **20,001** | **20,335** |
| Average remaining maturity, years | 3.7 | 3.2 |

**Issuer categories** (Note 24, continued)

| EURm | Book value 31 Dec 2003 | Book value 31 Dec 2002 | Fair value 31 Dec 2003 | Fair value 31 Dec 2002 | Amortised cost 31 Dec 2003 | Amortised cost 31 Dec 2002 |
|---|---|---|---|---|---|---|
| **Current assets** | | | | | | |
| Swedish government | 188 | 187 | 188 | 187 | 182 | 181 |
| Swedish municipalities | 2 | – | 2 | – | 2 | – |
| Swedish mortgage institutions | 2,428 | 1,733 | 2,424 | 1,733 | 2,415 | 1,716 |
| Other Swedish issuers | | | | | | |
| – Non-financial companies | 507 | 639 | 507 | 639 | 486 | 629 |
| – Financial companies | 451 | 54 | 451 | 54 | 460 | 52 |
| Foreign governments | 3,471 | 4,354 | 3,471 | 4,354 | 3,398 | 4,280 |
| Other foreign issuers | 12,594 | 12,986 | 12,598 | 12,988 | 12,216 | 12,456 |
| **Total** | **19,641** | **19,953** | **19,641** | **19,955** | **19,159** | **19,314** |
| Of which, subordinated (debentures) | 209 | 164 | – | – | – | – |

| EURm | Book value 31 Dec 2003 | Book value 31 Dec 2002 | Fair value 31 Dec 2003 | Fair value 31 Dec 2002 | Amortised cost 31 Dec 2003 | Amortised cost 31 Dec 2002 |
|---|---|---|---|---|---|---|
| **Financial fixed assets** | | | | | | |
| Swedish government | – | – | – | – | – | – |
| Swedish municipalities | – | – | – | – | – | – |
| Swedish mortgage institutions | – | – | – | – | – | – |
| Other Swedish issuers | | | | | | |
| – Non-financial companies | – | – | – | – | – | – |
| – Financial companies | – | – | – | – | – | – |
| Foreign governments | – | – | – | – | – | – |
| Other foreign issuers | 360 | 382 | 360 | 388 | 360 | 382 |
| **Total** | **360** | **382** | **360** | **388** | **360** | **382** |
| Of which, subordinated (debentures) | – | – | – | – | – | – |

## Note 25:

### Shares and participations[1]

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Current assets** | | |
| Shares in trading portfolio | 439 | 460 |
| Shares taken over for protection of claims | 1 | 26 |
| Other shares | 164 | 58 |
| **Fixed assets** | | |
| Other shares and participations[2] | 44 | 52 |
| **Total** | **648** | **596** |
| Listed securities | 405 | 485 |
| Unlisted securities | 243 | 111 |
| **Total** | **648** | **596** |

**Current assets**

| | Acquisition value | | Fair value | |
|---|---|---|---|---|
| EURm | 31 Dec 2003 | 31 Dec 2002 | 31 Dec 2003 | 31 Dec 2002 |
| Shares in trading portfolio | 439 | 460 | 439 | 633 |
| Shares taken over for protection of claims | 0 | 26 | 0 | 26 |
| Other shares | 165 | 58 | 165 | 58 |
| **Total** | **604** | **544** | **604** | **717** |

**Fixed assets**

| | Acquisition value | | Fair value | |
|---|---|---|---|---|
| EURm | 31 Dec 2003 | 31 Dec 2002 | 31 Dec 2003 | 31 Dec 2002 |
| Other shares and participations | 44 | 52 | 49 | 52 |
| **Total** | **44** | **52** | **49** | **52** |

1 Information about the criteria used to classify the securities is included in note 1 Accounting policies.
2 For a specification, see page 74.

**Fixed assets**

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Acquisition value at beginning of year | 61 | 63 |
| Acquisitions during the year | 5 | 2 |
| Sales during the year | –18 | –7 |
| Translation differences | –4 | 3 |
| **Acquisition value at end of year** | **44** | **61** |
| Accumulated write-downs at beginning of year | –9 | –8 |
| Sales/disposals during the year | 9 | – |
| Translation differences | – | –1 |
| **Accumulated write-downs at end of year** | **0** | **–9** |
| **Book value** | **44** | **52** |

## Note 26:

### Shares in associated undertakings[1]

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Fixed assets** | | |
| Financial institutions | 159 | 156 |
| Other | 251 | 371 |
| **Total** | **410** | **527** |
| Of which, listed securities | – | – |
| Acquisition value at beginning of year | 536 | 479 |
| Acquisitions during the year | 7 | 22 |
| Sales during the year | –114 | –5 |
| Share in earnings | 57 | 52 |
| Dividend received | –55 | –11 |
| Through mergers | –1 | – |
| Translation differences | –11 | –1 |
| Acquisition value at end of year | 419 | 536 |
| Accumulated write-downs at beginning of year | –9 | –7 |
| Write-downs during the year | – | –2 |
| Accumulated write-downs at end of year | –9 | –9 |
| **Book value** | **410** | **527** |

1 Information about the criteria used to classify the securities is included in note 1 Accountings policies.

For a specification, see page 74.

## Note 27:

### Shares in group undertakings[1]

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Fixed assets** | | |
| Shares, financial institutions | 0 | – |
| Other[2] | 11 | 11 |
| **Total** | **11** | **11** |
| Of which, listed shares | 0 | – |
| Acquisition value at beginning of year | 40 | 49 |
| Sales during the year | –2 | –9 |
| Reclassifications | 1 | – |
| Translation differences | 1 | 0 |
| Acquisition value at end of year | 40 | 40 |
| Accumulated write-downs at beginning of year | –29 | –29 |
| Accumulated write-downs at end of year | –29 | –29 |

For a specification, see page 75.

1 Information about the critiera used to classify the securities is included in note 1 Accounting policies.
2 Consolidated according to equity method

| | Domicile | Registration number | Book value EURm | Voting power of holding % |
|---|---|---|---|---|
| Helsingin Hämeentien Holding (former Huoneistokeskus) | Helsinki | 0109040-7 | 8 | 100 |
| Others | – | – | 3 | – |
| Total | | | 11 | |

## Note 28:
### Balance sheet, insurance activities [1]

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Assets** | | |
| Intangible assets | 4 | 0 |
| Investments | | |
| Real estate holdings | 2,073 | 1,932 |
| Shares in group and associated undertakings | 154 | 31 |
| Shares | 3,174 | 2,642 |
| Interest-bearing financial instruments | 13,364 | 12,839 |
| of which intragroup transactions | –257 | 0 |
| Other investments | 33 | 25 |
| Investments, policyholders bearing the risk | 3,466 | 2,964 |
| Technical provisions, reinsurance | 1 | – |
| Receivables and bank balances | 527 | 539 |
| Other assets | 345 | 562 |
| of which intragroup transactions | –4 | 0 |
| **Total assets** | **22,880** | **21,534** |
| | | |
| **Shareholders' equity, provisions and liabilities** | | |
| Shareholders' equity | 1,056 | 1,316 |
| Subordinated loans | 0 | 0 |
| Technical provisions | | |
| Life insurance provisions | 16,643 | 16,118 |
| Outstanding claims provisions | 275 | 244 |
| Collective bonus potential | 830 | 510 |
| Technical provisions, policyholders bearing the investment risk | 3,466 | 2,963 |
| Other provisions and liabilities | 890 | 383 |
| of which intragroup transactions | –280 | 0 |
| **Total shareholders' equity, provisions and liabilities** | **22,880** | **21,534** |

1 Excluding Nordea Life Assurance I Sweden AB (publ), see note 50.

## Note 29:
### Intangible fixed assets

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Group goodwill [1]** | | |
| Nordea Bank Danmark A/S | 439 | 468 |
| Nordea Bank Norge ASA | 982 | 1,193 |
| Nordea Bank Sweden AB (publ) | 181 | 202 |
| Kansallisbank | 25 | 38 |
| Nordea Bank Polska S.A. | 56 | 62 |
| Insurance companies | 268 | 292 |
| Other Group goodwill | 77 | 104 |
| **Group goodwill, total** | **2,028** | **2,359** |
| Other intangible assets [3] | 62 | 68 |
| **Total** | **2,090** | **2,427** |

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Group goodwill [1]** | | |
| Acquisition value at beginning of year | 2,789 | 2,738 |
| Acquisitions during the year | 2 | 63 |
| Sales during the year | –1 | –172 |
| Translation differences | –185 | 160 |
| Acquisition value at end of year | 2,605 | 2,789 |
| Accumulated amortisation at beginning of year | –430 | –278 |
| Amortisation according to plan for the year [2] | –162 | –171 |
| Accumulated amortisation sold goodwill | 1 | 23 |
| Translation differences | 19 | –4 |
| Accumulated amortisation at end of year | –572 | –430 |
| Accumulated write-downs at beginning of year | – | – |
| Write-downs during the year | –5 | – |
| Accumulated write-downs at end of year | –5 | – |
| **Planned residual value/book value** | **2,028** | **2,359** |
| | | |
| **Other intangible assets** | | |
| Acquisition value at the beginning of the year | 97 | 52 |
| Acquisitions during the year | 26 | 50 |
| Sales/disposals during the year | –6 | – |
| Translation differences | –6 | –5 |
| Acquisition value at the end of the year | 111 | 97 |
| Accumulated amortisation at the beginning of the year | –29 | –18 |
| Amortisation according to plan for the year | –23 | –16 |
| Accumulated amortisation on sales/disposals during the year | 3 | – |
| Translation differences | 0 | 5 |
| Accumulated amortisation at the end of the year | –49 | –29 |
| **Planned residual value/book value** | **62** | **68** |

| | | |
|---|---|---|
| 1 Excluding goodwill in associated undertakings. | 12 | 14 |
| 2 Excluding amortisation from companies accounted for under the equity method. | 3 | 3 |
| 3 Refers mainly to computer software licenses and improvements to rented premises. | | |

## Note 30:

### Tangible assets

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Current assets | 1 | 3 |
| Fixed assets | 825 | 1,871 |
| Of which buildings for own use | 499 | 1,280 |
| **Total** | **826** | **1,874** |

**Current assets**

| | | |
|---|---|---|
| Taken over for protection of claims [1] | | |
| Land and buildings | 1 | 2 |
| Other | 0 | 1 |
| **Total** | **1** | **3** |

[1] See note 23 for Assets taken over for protection of claims.

**Fixed assets**

| | | |
|---|---|---|
| **Equipment** | | |
| Acquisition value at beginning of year | 1,094 | 1,033 |
| Acquisitions during the year | 97 | 287 |
| Sales/disposals during the year | –134 | –226 |
| Translation differences | 18 | – |
| Acquisition value at end of year | 1,075 | 1,094 |
| Accumulated depreciation at beginning of year | –761 | –671 |
| Sales/disposals during the year | 94 | 57 |
| Depreciations according to plan for the year | –115 | –147 |
| Translation differences | –58 | – |
| Accumulated depreciation at end of year | –840 | –761 |
| **Planned residual value/book value** | **235** | **333** |
| **Land and buildings** | | |
| Acquisition value at the beginning of the year | 2,082 | 2,197 |
| Acquisitions during the year | 41 | 103 |
| Sales/disposals during the year | –1,139 | –233 |
| Reclassifications | 0 | 15 |
| Translation differences | –54 | – |
| Acquisition value at end of year | 930 | 2,082 |
| Accumulated depreciation at beginning of year | –454 | –497 |
| Sales/disposals during the year | 321 | 67 |
| Depreciations according to plan for the year | –18 | –24 |
| Translation differences | 10 | – |
| Accumulated depreciation at end of year | –141 | –454 |
| Accumulated write-downs at beginning of the year | –90 | –90 |
| Sales/disposals during the year | 47 | – |
| Write-downs during the year | –162 | – |
| Translation differences | 6 | – |
| Accumulated write-downs at the end of the year | –199 | –90 |
| **Planned residual value/book value** | **590** | **1,538** |
| Book value on buildings, Swedish properties | 270 | 280 |
| Book value on land, Swedish properties | 27 | 35 |
| Tax value on buildings, Swedish properties | 239 | 313 |
| Tax value on land, Swedish properties | 39 | 46 |
| Market value, investment properties | 890 | |

## Note 31:

### Other assets, banking

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Derivatives | | |
| Interest rate | 11,322 | 8,666 |
| Foreign exchange | 7,421 | 4,678 |
| Equity | 182 | 0 |
| Other | 16 | 237 |
| Claims on securities settlement proceeds | 1,200 | 987 |
| Other | 932 | 937 |
| **Total** | **21,073** | **15,505** |

## Note 32:

### Prepaid expenses and accrued income

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Accrued interest income | 1,751 | 1,567 |
| Other accrued income | 200 | 259 |
| Other prepaid expenses | 44 | 46 |
| **Total** | **1,995** | **1,872** |

## Note 33:

### Investments, customers bearing the risk

Nordea Bank Danmark A/S's liabilities include customers' portfolio schemes, the return on which correlates directly with the assets financed by these portfolio schemes. Since the assets legally belong to the bank, these assets and liabilities are included in the Group's balance sheet. A breakdown is shown below:

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Assets** | | |
| Loans and advance to credit institutions | 375 | 197 |
| Bonds and other interest-bearing securities | 1,548 | 1,651 |
| Shares and participations | 1,262 | 1,022 |
| Prepaid expenses and accrued income | 0 | 13 |
| Other assets, banking | 22 | 26 |
| **Total assets** | **3,207** | **2,909** |
| **Liabilities** | | |
| Deposits and borrowings from the public | 3,178 | 2,881 |
| Other liabilities, banking | 21 | 28 |
| Accrued expenses and prepaid income | 8 | 0 |
| **Total liabilities** | **3,207** | **2,909** |
| Return to participants in portfolio schemes | 222 | –472 |

## Note 34:
### Deposits by credit institutions

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Central banks | 3,575 | 2,921 |
| Other banks | 14,260 | 13,120 |
| Other credit institutions | 10,918 | 9,921 |
| **Total** | **28,753** | **25,962** |
| Of which, liabilities to associated companies | 126 | 142 |

**Maturity information**

| Remaining maturity (book value) | | |
|---|---|---|
| Payable on demand | 5,693 | 3,496 |
| Maximum 3 months | 19,394 | 15,894 |
| 3 months–1 year | 3,367 | 6,212 |
| 1–5 years | 79 | 112 |
| More than 5 years | 220 | 248 |
| **Total** | **28,753** | **25,962** |
| Average remaining maturity, years | 0.3 | 0.3 |

## Note 35:
### Deposits and borrowings from the public

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Deposits from the public | 93,141 | 91,663 |
| Borrowings from the public | 2,415 | 2,514 |
| **Total** | **95,556** | **94,177** |
| Of which, liabilities to associated undertakings | 5 | – |

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits. Individual pension savings (IPS) are also included. Portfolio schemes in Nordea Bank Danmark A/S of EUR 3,178m (EUR 2,881m) are also included in Deposits (note 33).

**Maturity information, Deposits**

| Remaining maturity (Book value) | | |
|---|---|---|
| Payable on demand | 43,146 | 60,419 |
| Maximum 3 months | 41,621 | 22,155 |
| 3 months-1 year | 2,461 | 3,118 |
| 1–5 years | 1,185 | 1,232 |
| More than 5 years | 4,728 | 4,739 |
| **Total** | **93,141** | **91,663** |
| Average remaining maturity, years | 0.6 | 0.6 |

**Maturity information, Borrowings**

| Remaining maturity (book value) | | |
|---|---|---|
| Payable on demand | 154 | 4 |
| Maximum 3 months | 2,012 | 2,198 |
| 3 months-1 year | 41 | 57 |
| 1–5 years | 208 | 236 |
| More than 5 years | 0 | 19 |
| **Total** | **2,415** | **2,514** |
| Average remaining maturity, years | 0.2 | 0.3 |

## Note 36:
### Debt securities in issue etc

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Certificates of deposit | 16,158 | 21,779 |
| Commercial papers | 7,910 | 2,118 |
| Bond loans | 39,662 | 37,961 |
| Other | 650 | 0 |
| **Total** | **64,380** | **61,858** |
| Of which, liabilities to associated undertakings | – | – |

**Maturity information, Debt securities in issue**

| Remaining maturity (book value) | | |
|---|---|---|
| Maximum 1 year | 33,652 | 31,902 |
| 1–5 years | 19,302 | 16,189 |
| 5–10 years | 228 | 331 |
| More than 10 years | 10,548 | 11,318 |
| **Total** | **63,730** | **59,740** |
| Average remaining maturity, years | 4.5 | 5.3 |

**Maturity information, Other**

| Remaining maturity (book value) | | |
|---|---|---|
| Payable on demand | – | – |
| Maximum 3 months | 230 | 0 |
| 3 months-1 year | 299 | 1,816 |
| 1–5 years | 121 | 302 |
| More than 5 years | – | – |
| **Total** | **650** | **2,118** |
| Average remaining maturity, years | 0.7 | 0.5 |

## Note 37:
### Other liabilities, banking

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Derivatives | | |
| Interest rate | 11,241 | 8,935 |
| Foreign exchange | 8,466 | 5,536 |
| Equity | 173 | 0 |
| Other | 38 | 201 |
| Liabilities on securities settlement proceeds | 1,101 | 793 |
| Sold, not held, securities | 5,454 | 6,898 |
| Customer withholding taxes | 27 | 63 |
| Postal and bank giro | 135 | 146 |
| Accounts payable | 60 | 118 |
| Other | 4,474 | 3,333 |
| **Total** | **31,169** | **26,023** |

## Note 38:
### Accrued expenses and prepaid income

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Accrued interest | 1,549 | 1,470 |
| Other accrued expenses | 404 | 357 |
| Prepaid income | 132 | 420 |
| **Total** | **2,085** | **2,247** |

## Note 39:

### Provisions

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Reserve for restructuring costs | 8 | 20 |
| Transfer risks, guarantees (see note 22) | 23 | 29 |
| Pensions | 298 | 315 |
| Other | 92 | 97 |
| **Total** | **421** | **461** |

**Provisions**

| | Restructuring | Transfer risks | Pensions | Other | Total |
|---|---|---|---|---|---|
| **Balance at beginning of year** | **20** | **29** | **315** | **97** | **461** |
| New provisions made | – | 0 | – | 3 | 3 |
| Provisions utilised | –12 | 0 | –17 | –8 | –37 |
| Reversals | 0 | –6 | – | – | –6 |
| **Balance at end of year** | **8** | **23** | **298** | **92** | **421** |

| | Fund assets, fair value | |
|---|---|---|
| EURm | 2003 | 2002 |
| Pension funds | 1,777 | 1,671 |
| Of which, related to the parent company | 11 | 9 |

| | Pension liabilities | |
|---|---|---|
| EURm | 2003 | 2002 |
| Pension funds | 1,720 | 1,637 |
| Of which, related to the parent company | 11 | 9 |

### Pension obligations

Accounting for pension obligations have so far followed national GAAP. Net of assets in the Group's pension funds/foundations, these obligations resulted in a net liability of EUR 298m being recognised on the balance sheet at the end of 2003. The funded status shows a deficit of EUR 366m. The difference of EUR 68m is partly reflecting unrecognised surpluses in funds/foundations – mainly in Finland – and an accumulated difference between actuarial assumptions and actual outcome in Norway.

**Pension obligations according to National GAAP 2003**

| EUR m | Swe | Nor | Fin | Den | Total |
|---|---|---|---|---|---|
| Pension obligations | 907 | 530 | 722 | 84 | 2,243 |
| Assets | 784 | 274 | 737 | 82 | 1,877 |
| Funded status – surplus/ deficit(–) | –123 | –256 | 15 | –3 | –366 |
| – of which surplus/ deficit(–) not recognised on balance sheet | 5 | –129 | 34 | 8 | –83 |
| Provision for SSC [1] | – | –15 | – | – | 15 |
| **Net liability on balance sheet** | **128** | **141** | **19** | **10** | **298** |

[1] Social security contribution (SSC) in Norway.

**Pension plans**

Nordea has pension obligations from defined benefit plans in all Nordic countries with the predominant share in Sweden, Norway and Finland. The plans in Finland are closed to new employees and pensions for new employees are instead based on defined contribution arrangements as in Denmark. Defined contribution plans are not reflected on the balance sheet. Furthermore, Nordea also contributes to public pension plans.

All defined benefit pension plans are final salary plans. The major plans in each country are funded schemes covered by assets in pension funds/foundations. Some other pension plans are recognised directly on the balance sheet as a liability.

| Funded schemes | Swe | Nor | Fin [1] | Den |
|---|---|---|---|---|
| Members | 19,483 | 5,898 | 17,603 | 50 |
| Average member age | 52 | 56 | 54 | 69 |

[1] Numbers are combined for Finnish fund and foundation.

**Asset composition**

The combined return on assets in 2003 was around 9% reflecting favorable markets and a cautious asset allocation. At the end of 2003, the equity exposure in pension funds/foundations represented 26% of total assets.

| Funded schemes | Swe | Nor | Fin | Den | Total |
|---|---|---|---|---|---|
| Equity | 23% | 16% | 36% | 13% | 26% |
| Bonds | 77% | 67% | 61% | 87% | 70% |
| Real estate | - | 17% | 3% | - | 4% |
| Nordea shares | - | - | 12% | - | 4% |
| Nordea real estate | - | - | 3% | - | 1% |

(Note 39, continued)

**RR29 pension calculations and assumptions**
The implementation of RR29 will lead to changes in the way the value of the pension obligations (PBO) and pension costs are calculated. RR29 calculations performed by external liability calculators will be based on the actuarial assumptions fixed for each of the Group's pension plans.

| Assumptions | Swe | Nor | Fin | Den |
|---|---|---|---|---|
| Discount rate | 5.0% | 5.0% | 5.0% | 5.0% |
| Salary increase | 3.0% | 3.0% | 3.0% | 3.0% |
| Inflation | 2.0% | 2.0% | 2.0% | 2.0% |
| Exp. return on assets before taxes | 6.0% | 6.0% | 6.5% | 6.0% |

Calculations according to RR29 can differ substantially compared to earlier applied national GAAP.

Opening net liabilities under RR29 totals EUR 554m and are higher than under national GAAP. This is mainly because of the change to market based calculations and because the deficit previously not recognised on balance sheet are now included.

**Pension obligations according to RR29 January 1, 2004**

| EUR m | Swe | Nor | Fin | Den | Total |
|---|---|---|---|---|---|
| Pension obligations | 937 | 553 | 830 | 92 | 2,412 |
| Assets [1] | 784 | 290 | 737 | 89 | 1,900 |
| Funded status – surplus/deficit(–) | –153 | –263 | –93 | –4 | –512 |
| Provision for SWT/SSC [2] | –6 | –36 | – | 1 | –41 |
| **Net liability on balance sheet** | **159** | **299** | **93** | **3** | **554** |
| Of which related to unfunded plans | 128 | 122 | 68 | 11 | 329 |

1 The difference to the EUR 1.877m in total assets shown under national GAAP reflect a different accounting treatment regarding certain assets.
2 Provision on difference to national GAAP for Swedish Special wage tax (SWT) and social security contribution (SSC) in Norway and Denmark.

**Equity reduction**
The change of accounting principle for pension obligations creates a transitional value. The transitional value is equal to opening liabilities under RR29 of EUR 554m minus the net liability on balance sheet at the end of 2003 of EUR 298m under national GAAP. The difference of EUR 256m will be taken immediately as a one-off reduction of the Group's equity. After deferred taxes, EUR 183m will be the net reduction of the Group's equity.

**Pension costs**
In the future, the Group's pension cost on defined benefit plans will depend on the applied actuarial assumptions. Pensions paid or contributions to pension funds/foundations will not be cost items. Pension costs will consist of service and interest cost, expected return on assets, recognised actuarial gains/losses arising from changed assumptions and SWT/SSC.

Premiums/expenses and related SWT/SSC paid to defined contribution arrangements and to public pension plans are added to the pension cost on defined benefit plans to get total pension costs. At large, total pension costs are expected to be at the same level as in 2003.

## Note 40:
### Subordinated liabilities

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Dated subordinated debenture loans | 4,060 | 4,747 |
| Undated subordinated debenture loans | 775 | 1,003 |
| Hybrid capital loans | 280 | 378 |
| Other subordinated loans | – | – |
| **Total** | **5,115** | **6,128** |
| Of which, liabilities to associated undertakings | – | – |

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans and hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

As of 31 December, 2003, only two loans exceeded 10% of total outstanding volume. Both were issued by Nordea Bank Sweden AB (publ) and have the following terms

| Year of issue / maturity | Nom. value | Book value EURm | Interest rate (coupon) |
|---|---|---|---|
| 2000 / 2010 | EURm 600 | 598 | 6.00 % |
| 2002 / 2012 | USDm 800 | 636 | 5.25 % |

## Note 41:

### Shareholders' equity

| | EURm 2003 | EURm 2002 |
|---|---|---|
| **Restricted** | | |
| Share capital | 1,160 | 1,183 |
| Share premium account | 4,284 | 4,284 |
| Reserve for unrealised gains [1] | 18 | 26 |
| Others restricted reserves | 593 | 563 |
| **Unrestricted** | | |
| Free fund | 927 | 1,362 |
| Retained profits | 3,705 | 3,592 |
| Net profit for the year | 1,490 | 887 |
| **Total** | **12,177** | **11,897** |

| | | |
|---|---|---|
| 1 Of which, pertaining to | | |
| Interest-bearing securities | 101 | 78 |
| Equity-related instruments | –43 | –15 |
| Currency-related instruments | –33 | –29 |
| Allocations (deferred tax) | –7 | –8 |
| Reserve for unrealised gains | 18 | 26 |

Description of items in the shareholders' equity is included in Note 1 Accounting policies.

### Change in share capital

| | Nominal value per share EUR | Total number of shares | Share capital EUR |
|---|---|---|---|
| Opening balance | 0.39632 | 2,985,116,227 | 1,183,054,233.68 |
| 7 October -03 Reduction [1] | | –57,008,000 | –22,593,410.56 |
| **Closing balance** | **0.39632** | **2,928,108,227** | **1,160,460,823.12** |

1 Retirement of shares repurchased and held by Nordea Bank AB (publ).

**Dividends per share**

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on 31 March 2004, a dividend in respect of 2003 of EUR 0.25 per share (2002 actual dividend EUR 0.23 per share) amounting to a total of EUR 711,624,931.75 (2002 actual 673,464,892.21) is to be proposed. The financial statements for the year ended 31 December 2003 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2004.

## Note 42:

### Assets pledged as security for own liabilities

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Assets pledged for own liabilities, book value** | | |
| Lease agreements | 222 | 231 |
| Securities etc | 32,093 | 24,732 |
| Other pledged assets | 63 | 101 |
| **Total** | **32,378** | **25,064** |
| **The above pledges pertain to the following liability and commitment items, book value** | | |
| Deposits by credit institutions | 20,929 | 17,649 |
| Deposits and borrowings from the public | 5,752 | 5,591 |
| Debt securities in issue etc | 0 | 0 |
| Other liabilities and commitments | 2,447 | 103 |
| **Total** | **29,128** | **23,343** |

## Note 43:

### Other assets pledged

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Other assets pledged [1], book value** | | |
| Lease agreements | 0 | 0 |
| Securities etc | 5,782 | 2,818 |
| Other assets pledged | 0 | 0 |
| **Total** | **5,782** | **2,818** |
| **The above pledges [2] pertain to the following liability and commitment items, book value** | | |
| Deposits by credit institutions | 5,009 | 36 |
| Deposits and borrowings from the public | 58 | 0 |
| Debt securities in issue etc. | 0 | 0 |
| Other liabilities and commitments | 696 | 1,069 |
| **Total** | **5,763** | **1,105** |

1 Collaterals pledged on behalf of other items other than the company´s own liabilities, e.g. On behalf of a third party or on behalf of the company´s own contingent liabilities is accounted for under this item.

2 For undertakings of the company itself or for a third party.

## Note 44:

### Contingent liabilities

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Guarantees** | | |
| Loan guarantees | 2,418 | 2,192 |
| Other guarantees | 9,523 | 11,779 |
| **Documentary credits** | | |
| Unutilised irrevocable import documentary credits and confirmed export documentary credits | 1,350 | 1,543 |
| Other contingent liabilities | 321 | 62 |
| **Total** | **13,612** | **15,576** |

## Note 45:
### Commitments

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Future payment obligations | 562 | 0 |
| Other interest rate, equity and foreign exchange derivatives | 1,333,962 | 1,105,141 |
| Credit commitments | 19,820 | 14,389 |
| Unutilised portion of approved overdraft facilities | 37,161 | 15,645 |
| Other commitments | 910 | 967 |
| **Total** | **1,392,415** | **1,136,142** |

## Note 46:
### Capital adequacy

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Calculation of total capital base** | | |
| Tier 1 capital (net after deduction of goodwill) | 9,754 | 9,612 |
| of which hybrid capital | 280 | 378 |
| Tier 2 capital | 4,473 | 5,507 |
| of which perpetual subordinated loans | 775 | 1,002 |
| Deduction [1] | –1,698 | –1,755 |
| **Total capital base [2]** | **12,529** | **13,364** |
| | | |
| **Risk-weighted amount for credit and market risks** | | |
| Credit risks as specified below | 124,658 | 125,881 |
| Market risks as specified below | 9,738 | 8,789 |
| **Total risk-weighted amount** | **134,396** | **134,670** |
| | | |
| Tier 1 capital ratio, % | 7.3 | 7.1 |
| Total capital adequacy ratio, % | 9.3 | 9.9 |

1 Less the book value of unconsolidated shareholdings and subordinated debenture holdings in insurance companies and other financial institutions that require the consent of the Swedish Financial Supervisory Authority.

2 See note 40; Hybrid capital loans are included in Tier 1 capital and supplementary capital includes the undated subordinated loans and the dated subordinated loans after deduction for short remaining maturities. Enlarged capital base includes dated subordinated loans with original maturity at least 5 years.

### Specification of risk-weighted amounts, credit risks

| | Items in the balance sheet | |
|---|---|---|
| EURm, end of 2003 | Reported | Risk-weighted |
| A 0% | 104,846 | 0 |
| B 20% | 16,910 | 3,382 |
| C 50% | 55,005 | 27,503 |
| D 100% | 80,241 | 80,241 |
| **Total** | **257,002** | **111,126** |

| | Off-balance-sheet items | | | |
|---|---|---|---|---|
| EURm, end of 2003 | Nominal | Adjusted | Risk-weighted | Total risk-weighted assets |
| A 0% | 16,727 | 2,619 | 0 | 0 |
| B 20% | 46,715 | 2,520 | 504 | 3,886 |
| C 50% | 1,253 | 429 | 214 | 27,717 |
| D 100% | 65,173 | 12,813 | 12,814 | 93,055 |
| **Total** | **129,868** | **18,381** | **13,532** | **124,658** |

**Risk categories include:**

A Claim on, or guarantee by a government/central bank within the OECD or a Swedish local government.

B Claim on, or guarantee by local governments or banks/financial institutions within the OECD, as well as short-term receivables from other banks/financial institutions.

C Claim backed by mortgages on residential property.

D Other assets.

### Specification of risk-weighted amounts, market risks

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Interest rate risks | | |
| of which for specific risk | 3,166 | 2,512 |
| of which for general risk | 2,848 | 2,399 |
| Share price risks | | |
| of which for specific risk | 149 | 187 |
| of which for general risk | 281 | 407 |
| Exceeding of large exposures | | |
| Settlement risks | 58 | 61 |
| Counterparty risks and other risks | 3,164 | 3,040 |
| Exchange rate risks | 38 | 101 |
| Risks according to VAR calculation | | |
| Commodity risks | 34 | 82 |
| **Total** | **9,738** | **8,789** |

## Note 47:
### Derivatives

| | Reported in the balance sheet | | |
|---|---|---|---|
| | Total nom amount | Book value Positive | Negative |
| **Interest rate derivatives** | | | |
| Interest rate swaps | 510,680 | 9,145 | 9,146 |
| FRAs | 199,320 | 249 | 241 |
| Interest rate futures | 31,293 | 62 | 73 |
| Options written | 99,350 | 0 | 1,781 |
| Options bought | 103,511 | 1,866 | 0 |
| **Total** | **944,154** | **11,322** | **11,241** |
| Of which cleared | 25,305 | 57 | 39 |
| **Equity derivatives** | | | |
| Futures and forwards | 324 | 9 | 13 |
| Options written | 1,564 | 10 | 157 |
| Options bought | 1,562 | 163 | 3 |
| **Total** | **3,450** | **182** | **173** |
| Of which cleared | 3,199 | 48 | 30 |
| **Foreign exchange related derivatives** | | | |
| Currency and interest rate swaps | 50,176 | 1,637 | 1,620 |
| Currency forwards | 226,199 | 5,547 | 6,629 |
| Options written | 11,537 | 0 | 217 |
| Options bought | 10,197 | 237 | 0 |
| **Total** | **298,109** | **7,421** | **8,466** |
| Of which cleared | 0 | 0 | 0 |
| **Other derivatives** | | | |
| Futures and forwards | 38 | 0 | 2 |
| Options written | 69 | 0 | 0 |
| Options bought | 60 | 0 | 0 |
| Other | 4,089 | 16 | 36 |
| **Total** | **4,256** | **16** | **38** |
| Of which cleared | 0 | 0 | 0 |
| **Total derivatives, EURm** | **1,249,969** | **18,941** | **19,918** |
| Of which cleared | 28,504 | 105 | 69 |

| | Not reported in the balance sheet | | |
|---|---|---|---|
| | Total nom amount | Fair value Positive | Negative |
| **Interest rate derivatives** | | | |
| Interest rate swaps | 61,562 | 518 | 310 |
| Options written | 12 | 0 | 0 |
| **Total** | **61,574** | **518** | **310** |
| Of which cleared | 0 | 0 | 0 |
| **Equity derivatives** | | | |
| Options written | 1,713 | 26 | 150 |
| Options bought | 1,771 | 150 | 26 |
| **Total** | **3,484** | **176** | **176** |
| Of which cleared | 0 | 0 | 0 |
| **Foreign exchange related derivatives** | | | |
| Currency and interest rate swaps | 9,522 | 276 | 207 |
| Currency forwards | 6,392 | 1 | 10 |
| Options written | 22 | 0 | 3 |
| **Total** | **15,936** | **277** | **220** |
| Of which cleared | 0 | 0 | 0 |
| **Other derivatives** | | | |
| Futures and forwards | 28 | 0 | 0 |
| Options written | 2,974 | 0 | 0 |
| Options bought | 0 | 0 | 0 |
| Other | 0 | 0 | 1 |
| **Total** | **3,002** | **0** | **1** |
| Of which cleared | 0 | 0 | 0 |
| **Total derivatives, EURm** | **83,996** | **971** | **707** |
| Of which cleared | 0 | 0 | 0 |

The majority of the Group's derivative holdings are reported in the balance sheet and adjusted to fair value with positive fair value adjustments being reported as other assets and negative fair value adjustments as other liabilities. Deferred gains and losses for derivatives not reported in the balance sheet have offsetting differences between the fair value and the book value for the respective items which are recorded in the balance sheet.

The agreements between Nordea and its counterparties determine whether a contract is affected by netting or not. There are two major alternatives, firstly through standardised ISDA agreements, or secondly bilateral agreements.

See note 1 Accounting policies for further information.

## Note 48:
### Assets and liabilities at fair value

| 31 December 2003 | EURm Current assets Book value | EURm Current assets Fair value | EURm Fixed assets Book value | EURm Fixed assets Fair value | EURm Total assets Book value | EURm Total assets Fair value |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and balances at central bank | 1,748 | 1,748 | | | 1,748 | 1,748 |
| Treasury bills and other eligible bills | 12,016 | 12,035 | | | 12,016 | 12,035 |
| Loans and advances to credit institutions | | | 29,037 | 29,150 | 29,037 | 29,150 |
| Lending | | | 145,644 | 146,557 | 145,644 | 146,557 |
| Bonds and other interest-bearing instruments | 19,641 | 19,645 | 360 | 360 | 20,001 | 20,005 |
| Shares and participations | 604 | 604 | 44 | 44 | 648 | 648 |
| Shares in associated undertakings | | | 410 | 410 | 410 | 410 |
| Shares in Group undertakings | | | 11 | 11 | 11 | 11 |
| Assets, insurance | 22,880 | 22,880 | | | 22,880 | 22,880 |
| Intangible assets | | | 2,090 | 2,090 | 2,090 | 2,090 |
| Tangible assets | 1 | 1 | 825 | 1,125 | 826 | 1,126 |
| Other assets, banking | 2,934 | 2,934 | 18,743 | 19,714 | 21,677 | 22,648 |
| Prepaid expenses and accrued income | 1,995 | 1,995 | | | 1,995 | 1,995 |
| Investments, customers bearing the risk | 3,207 | 3,207 | | | 3,207 | 3,207 |
| **Total assets** | **65,026** | **65,049** | **197,164** | **199,461** | **262,190** | **264,510** |

| | Book value | Fair value |
|---|---|---|
| **Liabilities** | | |
| Deposits by credit institutions | 28,753 | 28,827 |
| Deposits and borrowings to the public | 95,556 | 95,787 |
| Debt securities in issue etc | 64,380 | 64,963 |
| Liabilities, insurance | 21,824 | 21,824 |
| Other liabilities, banking | 31,871 | 32,586 |
| Accrued expenses and prepaid income | 2,085 | 2,085 |
| Provisions | 421 | 421 |
| Subordinated liabilities | 5,115 | 5,188 |
| **Total liabilities** | **250,005** | **251,681** |

| | |
|---|---|
| **Not reported in the balance sheet** | |
| Derivatives, positive fair value | 971 |
| Derivatives, negative fair value | –707 |
| Derivatives, net | 264 |

In the balance sheet, financial positions are valued at fair value, with five exceptions: securities classified as financial fixed assets, instruments included in hedge accounting, properties and other fixed assets and capital investment shares. The summary above shows the book value and adjustment to fair value at 31 December 2003. In revaluation of loans, deposits and borrowings, adjustment is made for the value of the fixed interest term, that is the change in value as a result of changes in the market interest rate. The discount rates used are based on the market rate for each term. Securities are revalued at the market price or estimated market price. Properties are valued at estimated market price. By applying the above valuation method, the gross effects of applying hedge accounting and revaluation of financial fixed assets are shown. The reported net adjustment does not include the surplus value in pension funds.

It should be noted that the calculation is not a market valuation of Nordea.

## Note 49:

### Assets and liabilities in foreign currencies

| 31 December 2003, EURbn | EUR | SEK | DKK | NOK | USD | Others | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Treasury bills and other eligible bills | 2.4 | 3.7 | 4.6 | 1.2 | 0.0 | 0.1 | 12.0 |
| Loans and advances to credit institutions | 5.9 | 7.2 | 10.1 | 0.9 | 2.7 | 2.3 | 29.1 |
| Lending | 39.4 | 41.5 | 34.3 | 18.9 | 7.5 | 4.0 | 145.6 |
| Bonds and other interest-bearing securities | 8.7 | 3.4 | 6.5 | 0.2 | 0.7 | 0.5 | 20.0 |
| Other assets | 13.1 | 7.2 | 26.0 | 3.2 | 4.5 | 1.5 | 55.5 |
| **Total assets** | **69.5** | **63.0** | **81.5** | **24.4** | **15.4** | **8.4** | **262.2** |
| **Liabilities, provisions and shareholders' equity** | | | | | | | |
| Deposits by credit institutions | 9.9 | 4.2 | 5.8 | 1.0 | 5.8 | 2.1 | 28.8 |
| Deposits and borrowings from the public | 31.8 | 24.2 | 20.7 | 12.2 | 4.8 | 1.9 | 95.6 |
| Debt securities in issue etc | 10.7 | 15.7 | 16.6 | 3.0 | 13.7 | 4.7 | 64.4 |
| Provisions | 0.1 | 0.2 | 0.0 | 0.1 | 0.0 | 0.0 | 0.4 |
| Subordinated liabilities | 1.8 | 0.0 | 0.0 | 0.0 | 2.8 | 0.5 | 5.1 |
| Other liabilities and shareholders' equity | 22.2 | 11.4 | 25.7 | 2.6 | 5.6 | 0.4 | 67.9 |
| **Total liabilities, provisions and shareholders' equity** | **76.5** | **55.7** | **68.8** | **18.9** | **32.7** | **9.6** | **262.2** |
| **Position not reported in the balance sheet** | **6.4** | **–7.3** | **–12.3** | **–5.4** | **17.2** | **1.4** | **0.0** |
| **Net position, currencies** | **–0.6** | **0.0** | **0.4** | **0.1** | **–0.1** | **0.2** | **0.0** |

## Note 50:

### Unconsolidated Group undertaking

| EURm | 2003 | 2002 |
|---|---|---|
| **Nordea Life Assurance I Sweden AB (publ)** | | |
| **Income statement** | | |
| Premiums written, net of reinsurance | 111 | 132 |
| Investment, income | 67 | 52 |
| Unrealised investments gains | 7 | 0 |
| Claims incurred and benefits paid | –51 | –39 |
| Change in life insurance provisions | –88 | –117 |
| Change in collective bonus potential | –22 | 201 |
| Operating expenses | –10 | –10 |
| Investment, expenses | –2 | –197 |
| Unrealised investments losses | 0 | –10 |
| Pension yield tax | –12 | –12 |
| **Technical result, life insurance and pensions** | **0** | **0** |
| **Profit before tax, life insurance and pensions** | **0** | **0** |
| Tax | 0 | 0 |
| **Net profit for the year** | **0** | **0** |

**Notes:**
Nordea Life Assurance I Sweden AB (publ) is an unconsolidated undertaking because it operates as a mutual insurance company. In accordance with the Swedish Insurance Operations Act, profits may not be distributed to the shareholders in a life insurance company. The earnings that arise must be distributed in their entirety to policyholders in the form of bonus funds.

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Balance sheet** | | |
| *Assets* | | |
| Investments | | |
| Real estate holdings | 103 | 97 |
| Shares | 80 | 4 |
| Interest-bearing financial instruments | 1,199 | 1,199 |
| Other | 22 | – |
| Receivables and bank balances | 281 | 273 |
| Other assets | 38 | 39 |
| **Total assets** | **1,723** | **1,612** |
| ***Shareholders' equity, provisions and liabilities*** | | |
| Shareholders' equity | 31 | 31 |
| Subordinated loans | 33 | 33 |
| Technical provisions | | |
| Life insurance provisions | 1,592 | 1,491 |
| Outstanding claims provisions | 5 | 4 |
| Collective bonus potential | 48 | 41 |
| Other provisions and liabilities | 14 | 12 |
| **Total shareholders' equity, provisions and liabilities** | **1,723** | **1,612** |
| Average number of employees | 55 | 48 |

## Note 51:
### The Nordea share

**Share data**

| | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| Share price | SEK 54.00 | SEK 38.40 | SEK 55.50 | SEK 71.50 | SEK 50.00 |
| High/Low | 54.50 / 33.20 | 63.50 / 30.20 | 79.00 / 45.80 | 76.00 / 41.80 | 61.00 / 42.30 |
| Mkt.Cap | EUR 17.5bn | EUR 12.6bn | EUR 17.7bn | EUR 24.1bn | EUR 12.2bn |
| Dividend | EUR 0.25[1] | EUR 0.23 | EUR 0.23 | SEK 2.00 | SEK 1.75 |
| Dividend yield | 4.2%[3] | 4.8%[2] | 3.8%[2] | 3.1%[2] | 3.2%[2] |
| TSR[4] | 47.9% | –28.1% | –19.8% | 46.5% | –0.5% |
| DJ STOXX European banks index | 20.7% | –26.7% | –10.0% | 10.2% | 17.2% |
| P/E (actual) | 11.7 | 14 | 11 | 14 | 11 |
| Price-to-book | 1.39 | 1.03 | 1.49 | 2.16 | 1.70 |
| Equity per share | EUR 4.28 | EUR 4.06 | EUR 4.00 | EUR 3.74 | EUR 2.68 |
| Earnings per share | EUR 0.51 | EUR 0.30 | EUR 0.53 | EUR 0.58 | EUR 0.55 |
| Outstanding shares[5] | 2,846,499,727 | 2,928,108,227 | 2,965,666,090 | 2,982,258,840 | 2,091,067,728 |

1 Proposed
2 Yield calculated at starting price on payment day
3 Yield calculated on share price year end
4 See Business definitions page 86
5 Excluding own shares

**Largest registered[1] shareholders in Nordea Bank AB (publ), end of 2003**

| | No of shares | Share capital and votes, % |
|---|---|---|
| Swedish state | 542,015,102 | 19.0 |
| Nordea Danmark fonden | 102,529,423 | 3.6 |
| Alecta | 92,424,426 | 3.2 |
| Robur fonder | 75,524,857 | 2.7 |
| Nordea fonder | 69,568,403 | 2.4 |
| AMF Pension | 61,000,000 | 2.1 |
| Tryg i Danmark smba | 52,194,912 | 1.8 |
| Fjärde AP-Fonden | 50,106,590 | 1.8 |
| SEB fonder | 49,727,562 | 1.8 |
| Skandia | 39,507,653 | 1.4 |
| Första AP-fonden | 32,876,923 | 1.2 |
| Tredje AP-fonden | 32,336,009 | 1.1 |
| SHB/SPP fonder | 31,333,618 | 1.1 |
| Andra AP-fonden | 28,148,866 | 1.0 |
| Nordea Bank Sverige vinstandelsstiftelse | 15,928,300 | 0.6 |
| Länsförsäkringar fonder | 10,872,861 | 0.4 |
| Solidium Oy (Finnish state) | 10,674,666 | 0.4 |
| Länsförsäkringar | 10,610,807 | 0.4 |
| AMF Pension fonder | 9,742,000 | 0.3 |
| Öms. Pensionsförsäkringsbolaget Varma-Sampo | 8,700,000 | 0.3 |
| Other | 1,520,676,749 | 53.4 |
| **Totel number of shares** | **2,846,499,727** | **100** |

Source: Sweden's and Finland's securities centres, SIS Ägarservice and Nordea Bank Denmark's register of shareholders

1 Excl nominee accounts.

**Distribution of shares, end of 2003**

| Number of shares | Number of shareholders | Shareholders, % | Number of shares | Number of shares % |
|---|---|---|---|---|
| 1–1,000 | 418,780 | 83.21% | 133,440,956 | 4.69% |
| 1,001–10,000 | 79,446 | 15.78% | 192,815,613 | 6.77% |
| 10,001–100,000 | 4,203 | 0.84% | 105,303,233 | 3.70% |
| 100,001–1,000,000 | 627 | 0.12% | 208,109,580 | 7.31% |
| 1,000,001– | 234 | 0.05% | 2,206,830,345 | 77.53% |
| **Total** | **503,290** | **100.00%** | **2,846,499,727** | **100.00%** |

# Specifications to the Notes

## Specification to Note 25:

### Shares and participations

| EURm<br>31 December 2003 | Book value | Market value | Voting power of holding % |
|---|---|---|---|
| **Current assets** | | | |
| Other shares | | | |
| OM Hex AB (publ) | 65.0 | 65.0 | 3.4 |
| Sponda Oyj | 41.2 | 41.2 | 8.0 |
| Other, listed | 7.2 | 7.2 | – |
| Other, unlisted | 51.5 | 51.5 | – |
| **Total** | **164.9** | **164.9** | |
| **Fixed assets** | | | |
| Other shares and participations | | | |
| Nordea Norge Pensjonkasse | 23.8 | 23.8 | 100 |
| VPS Holding ASA | 3.5 | 3.5 | 8.2 |
| Viking Ship Finance | 2.5 | 2.5 | 13.5 |
| Other, listed | 2.0 | 2.0 | – |
| Other, unlisted | 12.2 | 12.2 | – |
| **Total** | **44.0** | **44.0** | |

## Specification to Note 26:

### Shares in associated undertakings

| 31 December 2003 | Domicile | EURm Book value | Voting power of holding % |
|---|---|---|---|
| **Credit institutions** | | | |
| Eksportfinans AS | Norway | 76 | 23 |
| International Moscow Bank | Russia | 35 | 22 |
| Luottokunta | Finland | 28 | 27 |
| LRF Kredit | Denmark | 16 | 39 |
| Eurocard Oy | Finland | 2 | 31 |
| Visa Norge AS | Norway | 1 | 20 |
| **Total** | | **158** | |
| **Other** | | | |
| Oy Realinvest AB | Finland | 58 | 49 |
| Dividum Oy | Finland | 60 | 47 |
| VPC AB | Sweden | 25 | 25 |
| PBS Holding A/S | Denmark | 15 | 28 |
| Axcel IKU Invest A/S | Denmark | 12 | 33 |
| Optiomi Oy | Finland | 10 | 25 |
| Profita Fund II Ky | Finland | 10 | 48 |
| Sponsor Fund I Ky | Finland | 14 | 46 |
| Automatia Pankki-automaatit Oy | Finland | 7 | 33 |
| Investeringsselskabet af 23. Marts 2001 | Denmark | 7 | 50 |
| KFU-AX II A/S | Denmark | 6 | 34 |
| KIFU-AX II A/S | Denmark | 7 | 26 |
| Bankgirocentralen BGC AB | Sweden | 3 | 27 |
| Suomen Asiakastieto Oy | Finland | 5 | 32 |
| Other | | 13 | |
| **Total** | | **252** | |
| **Total** | | **410** | |

The statutory information is available on request from Nordea Investor Relations.

## Specification to Note 27:

### Shares in Group undertakings

This specification includes major group undertakings. The full specification and statutory information are available on request from Nordea Investor Relations.

| 31 December 2003 | Domicile | Registration number | Equity[1] EURm | Voting power of holding % |
|---|---|---|---|---|
| **Nordea Bank Finland Plc** | Helsinki | 1680235-8 | 11,200 | 100.0 |
| Nordea Finance Finland Ltd | Espoo | 0112305-3 | | 100.0 |
| **Nordea Bank Danmark A/S** | Copenhagen | 13522197 | 2,623 | 100.0 |
| Nordea Finans Danmark A/S | Copenhagen | 89805910 | | 100.0 |
| Nordea Kredit Realkreditaktieselskab | Copenhagen | 15134275 | | 100.0 |
| **Nordea Bank Norge ASA** | Oslo | 911044110 | 2,076 | 100.0 |
| Norgeskreditt AS | Oslo | 971227222 | | 100.0 |
| Nordea Finans Norge AS | Oslo | 924507500 | | 100.0 |
| Christiania Forsikring AS | Oslo | 941219349 | | 100.0 |
| **Nordea Bank Sweden AB (publ)** | Stockholm | 502010-5523 | 2,764 | 100.0 |
| Nordea Hypotek AB (publ) | Stockholm | 556091-5448 | | 100.0 |
| Nordea Finans Sverige AB (publ) | Stockholm | 556021-1475 | | 100.0 |
| Nordea Bank Polska S.A. | Gdynia | KRS0000021828 | | 98.4 |
| **Nordea Asset Management AB** | Stockholm | 556216-3435 | 337 | 100.0 |
| Nordea Fonder AB | Stockholm | 556020-4694 | | 100.0 |
| Nordea Fonder Alfa AB | Stockholm | 556243-0438 | | 100.0 |
| Nordea Fonder Beta AB | Stockholm | 556243-0446 | | 100.0 |
| Nordea Investment Management Sweden AB | Stockholm | 556060-2301 | | 100.0 |
| Nordea Asset Management Holding Danmark A/S | Copenhagen | 25827074 | | 100.0 |
| Nordea Investment Management Bank A/S | Copenhagen | 26312264 | | 100.0 |
| Nordea Bank S.A. | Luxembourg | NOB14157 | | 100.0 |
| Nordea Fondene Norge Holding AS | Oslo | 984042779 | | 100.0 |
| Nordea Investment Management Norge Holding AS | Oslo | 984042876 | | 100.0 |
| Nordea Investment Management Finland Ltd | Helsinki | 1737786-7 | | 100.0 |
| Nordea Investment Fund Company Finland Ltd | Helsinki | 1737785-9 | | 100.0 |
| Nordea Ejendomsinvestering A/S | Copenhagen | 26640172 | | 100.0 |
| **Nordea Securities AB** | Stockholm | 556216-6214 | 144 | 100.0 |
| Nordea IB Holding Danmark A/S | Copenhagen | 25827023 | | 100.0 |
| Nordea Securities Holding Oy | Helsinki | 0676271-9 | | 100.0 |
| **Nordea Life Holding A/S** | Ballerup | 25762274 | 837 | 100.0 |
| Nordea Pension Danmark, Livforsikringsselskab A/S | Ballerup | 24260577 | | 100.0 |
| Nordea Pension Danmark, Livforsikringsselskab II A/S | Ballerup | 16452742 | | 100.0 |
| Nordea Link Danmark, invest.livfors.selskab A/S | Ballerup | 15319615 | | 100.0 |
| Nordea Liv Holding Norge AS | Bergen | 984739303 | | 100.0 |
| Livforsikringsselskapet Nordea Liv Norge AS | Oslo | 959922659 | | 100.0 |
| Fondsforsikringsselskapet Nordea Link Norge AS | Oslo | 981 547 195 | | 100.0 |
| Nordea Life Assurance I Sweden AB (publ)[2] | Stockholm | 516401-8508 | | 100.0 |
| Nordea Life Assurance II Sweden AB (publ) | Stockholm | 516401-6759 | | 100.0 |
| **Nordea Life Holding Finland Ltd** | Espoo | 1737788-3 | 201 | 100.0 |
| Nordea Life Assurance Finland Ltd | Espoo | 0927072-8 | | 100.0 |
| **Nordea Fastigheter AB** | Stockholm | 556021-4917 | 36 | 100.0 |
| **Nordea North American Inc.** | Delaware | 51-0276195 | 0 | 100.0 |

[1] Shareholders' equity after dividend (group).

[2] Unconsolidated group undertaking, see note 50.

# Board of Directors' report 2003

*Nordea Bank AB (publ) is the parent company of the Nordea Group.*

*Company registration number: 556547-0977. The company changed names on 30 January 2004 to Nordea Bank AB (publ), 516406-0120. The company's banking charter was approved on 16 January and registered on 30 January. In the financial statements the new name is used.*

*The registered office of the company is in Stockholm with branches in Copenhagen, Helsinki and Oslo.*

**Legal restructuring**
The process of changing the legal structure of the Nordea Group is ongoing and during the year 2003 Nordea Bank AB (publ) has acquired all shares in Nordea Bank Danmark A/S, Nordea Bank Norge ASA, Nordea Bank Sweden AB (publ) and in Nordea North America Inc.

Thus, the parent company had the following wholly owned subsidiaries by year-end 2003:

Nordea Bank Danmark A/S
Nordea Bank Finland Plc
Nordea Bank Norge ASA
Nordea Bank Sweden AB (publ)
Nordea North America Inc.
Nordea Asset Management AB
Nordea Securities AB
Nordea Life Holding A/S
Nordea Life Holding Finland Ltd
Nordea Fastigheter AB
and
Nordic Baltic Holding (NBH) AB (a dormant company held for name protection).

In addition to the wholly own subsidiaries, Nordea Bank AB (publ) acquired 40% of the shares in Nordic Processor AB, a company partly owned together with IBM and which has as its main purpose to transform and consolidate the Nordea Group IT production services into an on-demand infrastructure.

The subsidiary Nordea Bank Sweden AB (publ) will merge with Nordea Bank AB (publ) as at 1 March 2004.

Nordea Securities AB will merge with Nordea Bank AB (publ) during spring 2004.

**Earnings and financial position**
The net profit of the parent company for the year amounted to EUR 1,230 million (EUR 617 million). The company's shareholders' equity amounted to EUR 9,719 million (EUR 9,511 million) at the year-end 2003.

The parent company has for 2003 received group contribution of EUR 236 million and dividend amounting to EUR 1,397 million.

**Personnel**
The number of employees in the parent company, including its branches, increased during 2003.

**Average number of full-time employees**

| | Total | | Men | | Women | |
|---|---|---|---|---|---|---|
| **Full-time equivalents** | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Denmark | 34 | 28 | 26 | 20 | 8 | 8 |
| Finland | 28 | 32 | 14 | 19 | 14 | 13 |
| Sweden | 73 | 57 | 35 | 20 | 38 | 37 |
| Norway | 7 | 7 | 5 | 6 | 2 | 1 |
| **Total average** | **142** | **124** | **80** | **65** | **62** | **59** |
| Of whom, | | | | | | |
| women | 62 | 48 | | | | |
| men | 80 | 76 | | | | |
| Of whom: outside Sweden | 69 | 67 | | | | |
| **Total full-time employees at the end of the year** | **149** | **142** | | | | |

**Share capital and number of shares**
The share capital of Nordea at year-end 2003 amounted to EUR 1,160,460,823.12 represented by 2,928,108,227 shares, each of a nominal value of EUR 0.39632. At the Annual General Meeting on 24 April 2003 a decision was taken on a reduction of the share capital by withdrawal of 57,008,000 own Nordea shares, without repayment. These shares were acquired during 2001–2002. The reduced amount EUR 22,593,410.56 was to be off-set a free fund.

All shares carry equal rights to the company's assets and profits. Each shareholder eligible to vote at a General Meeting of Shareholders may vote the full number of shares held without restrictions. It should be noted that the company is not entitled to vote for own shares at General Meetings. There are no known shareholder agreements.

**Repurchase of own shares**
Following the approval from the Annual General Meeting on 24 April 2003, the Board of Directors are entitled to repurchase a maximum 1/10 of the total number of shares in the company. The approval is limited in time until the next Annual General Meeting. The purpose of the acquisition was to redistribute funds to the company's shareholders and in this way contribute to more efficient utilisation of Nordea's resources.

In addition to the above approval, the Board of Directors' decided on 29 October 2003 to repurchase a maximum of 145 million own shares (equivalent to approximately 5% of the total number of shares in the company).

Thus, during the period 3 November – 30 December 2003, 81,608,500 shares were repurchased, the average price being SEK 50.40. Consequently, the total holding in Nordea Bank AB (publ) of own shares is 81,608,500 by year-end 2003.

**Shareholders and share data**
Information about the Nordea share is found in Note 51 in the consolidated financial statements.

**Convertible bonds**
Nordea Bank AB (publ) has no convertible bond loans at year-end 2003.

# Income statement

| EURm | Note | 2003 | 2002 |
|---|---|---|---|
| **Operating income** | 3 | 6 | 15 |
| **Operating expenses** | | | |
| Personnel expenses | 2 | –34 | –29 |
| Depreciation | | 0 | 0 |
| Other operating expenses | 3, 4 | –30 | –53 |
| **Operating loss** | | **–58** | **–67** |
| **Net result from financial operations** | | | |
| Dividend income | 3 | 1,397 | 903 |
| Group contributions | | – | 289 |
| Interest income | 3 | 59 | 40 |
| Write-down of financial fixed assets | | –44 | –370 |
| Interest expenses | 3 | –154 | –47 |
| Commission expenses | 3 | –4 | –1 |
| Other financial items | | –5 | –27 |
| **Profit after financial operations** | | **1,191** | **720** |
| Allocation to profit equalisation reserve | | –5 | –60 |
| Pension adjustments | | –1 | –3 |
| **Profit before tax** | | **1,185** | **657** |
| Taxes | 5 | 45 | –40 |
| **Net profit for the year** | | **1,230** | **617** |

## Nordea Bank AB (publ)

# Balance sheet

| EURm | Note | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|---|
| **Assets** | | | |
| **Fixed assets** | | | |
| Intangible fixed assets | | 0 | 0 |
| ***Financial fixed assets*** | | | |
| Shares in group undertakings | 6 | 18,381 | 9,087 |
| Shares in associated undertakings | 6 | 0 | – |
| Long-term receivables | 7 | 89 | 851 |
| **Total fixed assets** | | **18,470** | **9,938** |
| **Current assets** | 8 | | |
| Short-term receivables | | 1,704 | 1,380 |
| Bank deposits | | 95 | 57 |
| **Total current assets** | | **1,799** | **1,437** |
| **Total assets** | | **20,269** | **11,375** |
| | | | |
| **Shareholders' equity and liabilities** | | | |
| **Shareholders' equity** | 9 | | |
| ***Restricted shareholders' equity*** | | | |
| Share capital | | 1,160 | 1,183 |
| Share premium account | | 4,284 | 4,284 |
| ***Unrestricted shareholders' equity*** | | | |
| Unrestricted reserves | | 927 | 1,362 |
| Retained profits | | 2,118 | 2,065 |
| Net profit for the year | | 1,230 | 617 |
| **Total shareholders' equity** | | **9,719** | **9,511** |
| **Untaxed reserves** | | | |
| Profit equalisation reserve | | 134 | 128 |
| **Provisions** | | | |
| Pensions | 10 | 15 | 11 |
| **Liabilities** | 11 | 10,401 | 1,725 |
| **Total shareholders' equity and liabilities** | | **20,269** | **11,375** |
| | | | |
| **Memorandum items** | | | |
| Bank deposit in restricted account. | | 0 | 0 |

## Movements in shareholders' equity, 2003

| EURm | Share capital[1] | Share premium account | Unre-stricted earnings | Total |
|---|---|---|---|---|
| Balance at beginning of year | 1,183 | 4,284 | 4,044 | 9,511 |
| Dividend | | | –673 | –673 |
| Repurchase of own shares[2] | | | –458 | –458 |
| Reduction of share capital[3] | –23 | | 23 | 0 |
| Adjustment | | | –61 | –61 |
| Group contribution, net[4] | | | 170 | 170 |
| Net profit for the year | | | 1,230 | 1,230 |
| **Balance as at year-end** | **1,160** | **4,284** | **4,275** | **9,719** |

1 The company's share capital on 31 December 2003 was EUR 1,160,460,823.12. The number of shares was 2,928,108,227 shares with a nominal value of EUR 0.39632.
2 Nordea Bank AB (publ) has repurchased 81,608,500 own shares during November and December 2003. The average price was SEK 50,40.
3 The Annual General Meeting (AGM) decided on 24th of April 2003 to reduce the share capital by EUR 22,593,410.56. The cancellation was registrated in early October 2003.
4 Including adjustment for tax.

## Movements in shareholders' equity, 2002

| EURm | Share capital[1] | Share premium account | Unre-stricted earnings | Total |
|---|---|---|---|---|
| Balance at beginning of year | 1,182 | 4,271 | 4,274 | 9,727 |
| Dividend | | | –682 | –682 |
| Conversion of convertible bonds | 1 | 13 | | 14 |
| Repurchase of own shares[2] | | | –190 | –190 |
| Group contribution, net[3] | | | 25 | 25 |
| Net profit for the year | | | 617 | 617 |
| **Balance as at year-end** | **1,183** | **4,284** | **4,044** | **9,511** |

1 The share capital on 31 December 2002 was EUR 1,183,054,233.68 (2,985,116,227 shares with a nominal value of EUR 0,39632).
2 On December 2002, the company had repurchased 57,008,000 own shares.
3 Including adjustment for tax.

## Nordea Bank AB (publ)

# Cash flow statement

| EURm | 2003 | 2002 |
|---|---|---|
| **Operating activities** | | |
| Profit after financial activities | 1,191 | 720 |
| Adjustment for items not included in cash flow | –36 | 548 |
| Adjustment included in cash flow for investing activities | –1,227 | –1,388 |
| Income taxes paid [1] | –69 | –50 |
| **Cash flow from operating activities before changes in operating assets and liabilities** | **–141** | **–170** |
| Change in operating assets and liabilities (net) | 1 | –146 |
| **Cash flow from operating activities** | **–140** | **–316** |
| **Cash flow from investing activities** | **–7,863** | **408** |
| **Cash flow from financial activities** | **8,041** | **–465** |
| **Cash flow for the year** | **38** | **–373** |
| Cash and cash equivalents at the beginning of the year | 57 | 430 |
| Cash and cash equivalents at the end of the year | 95 | 57 |
| **Change** | **38** | **–373** |

[1] Cash flow from group contributions and received dividends have been considered as linked to the investing activities

## Additional information

| | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Cash and cash equivalents include bank deposits (excluding funds in restricted accounts) | 95 | 57 |

| | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Bank deposits in restricted accounts | 0 | 0 |

| **Interest and dividend payments** | 2003 | 2002 |
|---|---|---|
| Interest received | 65 | 30 |
| Interest paid | –135 | –54 |
| Dividends received | 1,397 | 1,412 |
| Dividends paid | –674 | –682 |

**Significant transactions that did not entail payments**

In 2003 anticipated dividends totalling EUR 1,360m have been recorded.

Received group contributions accounted for in 2003 amounted to EUR 262m, whereas group contributions to be paid amounted to EUR 26m.

In 2003 the write-down of financial fixed assets amounted to EUR 44m. The entire write-down is referring to Nordea Fastigheter AB.

For transactions in 2002 entailing no payments, see last year's annual report.

**Significant capital contributions and acquisitions**

The investing activities is mainly related to the purchase of Nordea Bank Sweden AB (publ), Nordea Bank Danmark A/S and Nordea Bank Norge ASA in total amounting to EUR 9,400m.

The financial activities is mainly related to borrowings for financing the acquisitions of Nordea Bank Sweden AB (publ), Nordea Bank Danmark A/S and Nordea Bank Norge ASA.

For significant capital contribution and acquisitions in 2002, see last year's annual report.

# Notes to the financial statements

## Note 1:
### Accounting policies

The financial statements for the year have been prepared in accordance with the Swedish Annual Accounts Act and the recommendations of the Swedish Financial Standards Council including number 27 as the company is a holding company. For further information regarding accounting policies see note 1 in the consolidated financial statements.

## Note 2:
### Personnel expenses

| EURm | 2003 | 2002 |
|---|---|---|
| Salaries and remuneration (specification below) | –23 | –20 |
| Pension costs (specification below) | –6 | –5 |
| Social insurance contributions | –5 | –3 |
| Allocations to profit-sharing foundation | 0 | 0 |
| Other personnel expenses | 0 | –1 |
| **Total** | **–34** | **–29** |

**Salaries and remuneration:**

| | | |
|---|---|---|
| To executives [1] | | |
| Fixed compensation and benefits | –5 | –5 |
| Performance-related compensation | 0 | –1 |
| **Total** | **–5** | **–6** |
| To other employees | –18 | –14 |
| **Total** | **–23** | **–20** |

[1] Executives include the Board of Directors, CEO, Group Executive Management including former members of Board of Directors and CEO's.

**Pension costs:**

| | | |
|---|---|---|
| Actuarial pension costs | –3 | 0 |
| Pension premiums | –3 | –5 |
| **Total** | **–6** | **–5** |

### Loans to Board and Group Executive Management

| EUR | 2003 | 2002 |
|---|---|---|
| | 1,650,943 | 1,753,809 |

Terms and conditions regarding loans to Group Executive Management and other senior management are decided in the respective bank boards. The loans are granted by the subsidiaries of Nordea Bank AB in each country.

### Distribution between men and women among executives

| | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Board of Directors [1] | | |
| Men | 10 | 10 |
| Women | 5 | 4 |
| Other executives | | |
| Men | 8 | 8 |
| Women | 0 | 0 |

[1] Including deputy board member

For complete information about remuneration and commitments pertaining to severance payments, pensions or similar compensation to the Group CEO and members of the Board of Directors, see Note 9 in the consolidated financial statements.

### Statistics of sick leave 1.7.2003–31.12.2003

| | % | Number of people | % sick leave > 60 days |
|---|---|---|---|
| Total | 1.3 | 83 | 40 |
| Men | 0.2 | 39 | 0 |
| Women | 2.3 | 44 | 43 |
| 18–29 | – | 8 | – |
| 30–49 | 0.6 | 50 | 0 |
| 50–65 | 2.9 | 25 | 61 |

**Salaries and remuneration, per country:**

| | Sweden | | Finland | | Denmark | | Norway | |
|---|---|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| To executives [1] | | | | | | | | |
| Fixed compensation and benefits | –3 | –3 | –1 | –1 | –1 | –1 | 0 | 0 |
| Performance-related compensation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **–3** | **–3** | **–1** | **–1** | **–1** | **–1** | **0** | **0** |
| To other employees | –8 | –6 | –4 | –4 | –5 | –4 | –1 | –1 |
| **Total** | **–11** | **–9** | **–5** | **–5** | **–6** | **–5** | **–1** | **–1** |

[1] Executives include the Board of Directors , CEO, Group Executive Management including former members of Board of Directors and CEO's.

## Note 3:
### Intra-group transactions

In 2003, operating income, interest income, interest expenses and dividend were transactions with group companies, with the exception of interest income of EUR 0m (EUR 0m) and interest expenses of EUR 1m (EUR 0m) on the tax account. In 2002, EUR 4m of interest expenses pertained to the redeemed convertible loan and pension comittments.

EUR 1m (EUR 1m) of commission expenses was intra-group transactions. When it comes to operating expenses, EUR 9m (EUR 9m) consisted of intra-group transactions.

## Note 4:
### Auditing fees

During the financial year 2003, fees to the company's auditors amounted to EUR 0.9m (EUR 0.4m) and for other assignments EUR 0.8m (EUR 0.4m). This amount also includes expenses for the auditor appointed by the Swedish Financial Supervisory Authority. For additional information see Note 10 in the consolidated financial statements.

## Note 5:
### Tax on profit for the year and deferred tax [1]

| EURm | 2003 | 2002 |
|---|---|---|
| **Tax on the net profit for the year** | | |
| Current tax [1] | 44 | –41 |
| Deferred tax [2] | 1 | 1 |
| **Total** | **45** | **–40** |
| **Effective tax** | | |
| Profit before tax | 1,185 | 657 |
| Tax calculated at a tax rate of 28% | 332 | 184 |
| Tax effect of: | | |
| Tax-exempt income | –391 | –253 |
| Non-deductible expenses | 14 | 109 |
| Adjustments relating to prior years | 18 | – |
| Income tax due to previously not accounted tax assets | –17 | – |
| Group contributions accounted for in shareholders' equity | 66 | 10 |
| **Net tax charge** | **22** | **50** |
| [1] Of which tax pertaining to prior years. | –18 | – |
| [2] Deferred tax asset due to temporary differences. | 1 | 1 |

## Note 6:
### Shares in group undertakings and associated undertakings

| 31 December 2003 | Number of shares | Book value | Voting rights, % | Domicile | Registration number |
|---|---|---|---|---|---|
| **Shares in group undertakings** | | | | | |
| Nordea Bank Finland Plc | 1,030,800,000 | 5,903 | 100.0 | Helsinki | 1680235-8 |
| Nordea Asset Management AB | 21,000 | 1,440 | 100.0 | Stockholm | 556216-3435 |
| Nordea Securities AB | 1,000,000 | 143 | 100.0 | Stockholm | 556216-6214 |
| Nordea Life Holding A/S | 2,600,000 | 1,339 | 100.0 | Ballerup | 25762274 |
| Nordea Fastigheter AB | 3,380,000 | 55 | 100.0 | Stockholm | 556021-4917 |
| Nordea Life Holding Finland Ltd | 24,480 | 101 | 100.0 | Espoo | 1737788-3 |
| Nordic Baltic Holding (NBH) AB | 1,000 | 0 | 100.0 | Stockholm | 556592-7950 |
| Nordea North America Inc. | 1,000 | 0 | 100.0 | Delaware | 51-0276195 |
| Nordea Bank Sweden AB (publ) | 182,741,935 | 3,500 | 100.0 | Stockholm | 502010-5523 |
| Nordea Bank Danmark A/S | 50,000,000 | 3,500 | 100.0 | Copenhagen | 13522197 |
| Nordea Bank Norge ASA | 551,358,576 | 2,400 | 100.0 | Oslo | 911044110 |
| **Total** | | **18,381** | | | |
| **Shares in associated undertakings** | | | | | |
| Nordic Processor AB | 400 | 0 | 40.0 | Stockholm | 556646-6438 |
| **Total** | | **0** | | | |

| EURm | 2003 | 2002 |
|---|---|---|
| Acquisition value at beginning of year | 9,406 | 9,307 |
| Acquisitions during the year | 9,400 | 99 |
| Sales during the year | 0 | – |
| Reclassifications | –62 | – |
| Acquisition value at the end of year | 18,744 | 9,406 |
| Accumulated write-downs at beginning of year | –319 | 0 |
| Reversed write-down | – | 51 |
| Write-down of financial fixed assets during the year | –44 | –370 |
| Accumulated write-downs at the end of year | –363 | –319 |
| **Book value** | **18,381** | **9,087** |

## Note 7:
### Long-term receivables

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Financial fixed assets** | | |
| Debenture loan | | |
| Nordea Bank Finland Plc | – | 800 |
| Nordea Bank SA Luxembourg | 51 | 51 |
| Nordea Bank Finland Plc | 38 | – |
| **Total** | **89** | **851** |
| Acquisition value at beginning of year | 851 | 183 |
| Acquisitions during the year | 38 | 800 |
| Sales during the year | –800 | –132 |
| Acquisition value at end of year | 89 | 851 |

## Note 8:
### Current assets

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Short-term receivables with group undertakings | 1,724 | 1,338 |
| Tax receivable | 3 | 2 |
| Other current receivables | 57 | 81 |
| Prepaid expenses and accrued interest | 15 | 16 |
| **Total** | **1,799** | **1,437** |

**Maturity information note 7 and 8**

| **Remaining maturity (book value)** | | |
|---|---|---|
| Maximum 1 year | 1,799 | 2,237 |
| 1–5 years | 38 | – |
| More than 5 years | 51 | 51 |
| **Total** | **1,888** | **2,288** |

## Note 9:
### Shareholders' equity

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| **Restricted** | | |
| Share capital | 1,160 | 1,183 |
| Share premium account | 4,284 | 4,284 |
| **Unrestricted** | | |
| Unrestricted reserves | 927 | 1,362 |
| Retained profits | 2,118 | 2,065 |
| Net profit for the year | 1,230 | 617 |
| **Total** | **9,719** | **9,511** |

For a description of items in the shareholders' equity see note 1 Accounting policies in the consolidated financial statements.

## Note 10:
### Provisions

In addition to the reported liability of EUR 15m (EUR 11m), Nordea Bank AB (publ) has EUR 11m (EUR 9m) fully covered by the Nordea Bank Sverige Pension Foundation.

## Note 11:
### Other liabilities

| EURm | 31 Dec 2003 | 31 Dec 2002 |
|---|---|---|
| Long-term liabilities | 0 | 0 |
| Current liabilities to group undertakings | 10,107 | 1,649 |
| Foreign exchange derivatives [1] | 253 | – |
| Other current liabilities | 15 | 65 |
| Accrued expenses | 26 | 11 |
| **Total** | **10,401** | **1,725** |

**Maturity information**

| **Remaining maturity (book value)** | | |
|---|---|---|
| Maximum 1 year | 10,350 | 874 |
| 1–5 years | – | – |
| More than 5 years | 51 | 851 |
| **Total** | **10,401** | **1,725** |

[1] Foreign exchange derivatives

| EURm 31 December 2003 | Market value | Book value |
|---|---|---|
| Positive values | – | – |
| Negative values | 253 | 253 |

Currency and interest rate swaps (cirs) with Nordea Bank Finland Plc used for hedging of the internal funding rising from the purchase of Nordea Bank Danmark A/S and Nordea Bank Sweden AB (Publ). Total number of swaps were at year-end 72 with a total nominal value of USD 8,553m. All swaps have a maturity less than one year.

# Proposed distribution of earnings

According to the company's balance sheet, the following amount is available for distribution by the Annual General Meeting of Shareholders:

| | EUR |
|---|---|
| Unrestricted reserves | 926,522,881.16 |
| Retained profit | 2,117,859,717.45 |
| Net profit for the year | 1,230,153,576.39 |
| **Total** | **4,274,536,175.00** |

The Board of Directors and the CEO propose that these earnings be distributed as follows:

| | EUR |
|---|---|
| Dividends paid to shareholders, EUR 0.25 per share | 711,624,931.75 |
| To be carried forward | 3,562,911,243.25 |
| **Total** | **4,274,536,175.00** |

The Group's distributable earnings amount to EUR 6,122m. After the proposed distribution of earnings, the Group's unrestricted shareholders' equity will amount to EUR 5,410m.

27 February 2004

Hans Dalborg
*Chairman*

Kjell Aamot

Harald Arnkværn

Gunnel Duveblad

Bertel Finskas

Birgitta Kantola

Claus Høeg Madsen

Bernt Magnusson

Jørgen Høeg Pedersen

Timo Peltola

Kent Petersen

Rauni Söderlund

Maija Torkko

Lars G Nordström
*Group CEO*

# Audit Report

**To the general meeting of the shareholders of Nordea Bank AB (publ)**
**Corporate identity number 516406-0120**

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Nordea Bank AB (publ) for the year 2003. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, Banking Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and the Annual Accounts Act of Credit Institutions and Securities Companies and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, February 27

KPMG Bohlins AB
Caj Nackstad
*Authorized Public Accountant*

Olle Gunnarsson
*Authorized Public Accountant*
*(Appointed by the Swedish Financial Supervisory Authority)*

# Business definitions

These definitions apply to the descriptions in the Annual Report, including the pro forma information.

**Capital base**
The capital base includes the sum of the Tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction of the book value of the shares in wholly owned insurance companies. Insurance companies have separate capital requirements.

**Tier 1 capital**
The proportion of the capital base, which includes consolidated shareholders' equity excluding investments in insurance companies, proposed dividend, tax assets as well as goodwill in the banking operations. Subsequent to the approval of the supervisory authorities, Tier 1 capital also includes qualified forms of subordinated loans (Tier 1 capital contributions and hybrid capital loans).

**Risk-weighted amounts**
Total assets and off-balance-sheet items valued on the basis of the credit and market risks in accordance with regulations governing capital adequacy, excluding assets in insurance companies, book value of shares which have been deducted from the capital base and goodwill.

**Tier 1 capital ratio**
Tier 1 capital as a percentage of risk-weighted amounts.

**Total capital ratio**
Capital base as a percentage of risk-weighted amounts.

**Return on equity**
Net profit before minority interests and goodwill amortisation/write-down as a percentage of average shareholders' equity (per quarter). Average shareholders' equity includes minority interests but with all outstanding goodwill deducted.

**Total shareholders' return (TSR)**
Total shareholders' return measured as growth in the value of a shareholding over a specified period, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

**Loan losses as a percentage of total loans**
Loan losses, net (incl. losses on guarantees and transfer risk) as a percentage of total loans and guarantees as of previous year-end.

**Earnings per share, after full dilution**
Net profit divided by the average number of outstanding shares after full dilution.

**Earnings per share**
Net profit divided by the average number of outstanding shares.

**Shareholders' equity per share**
Shareholders' equity as shown in the balance sheet after full dilution divided by the number of shares after full dilution.

**Cost/income ratio, banking**
Total expenses divided by the sum of total income, equity method and investment earnings (banking), as reported in the operational income statement. Operating profit from insurance activities is excluded.

**Abbreviations**

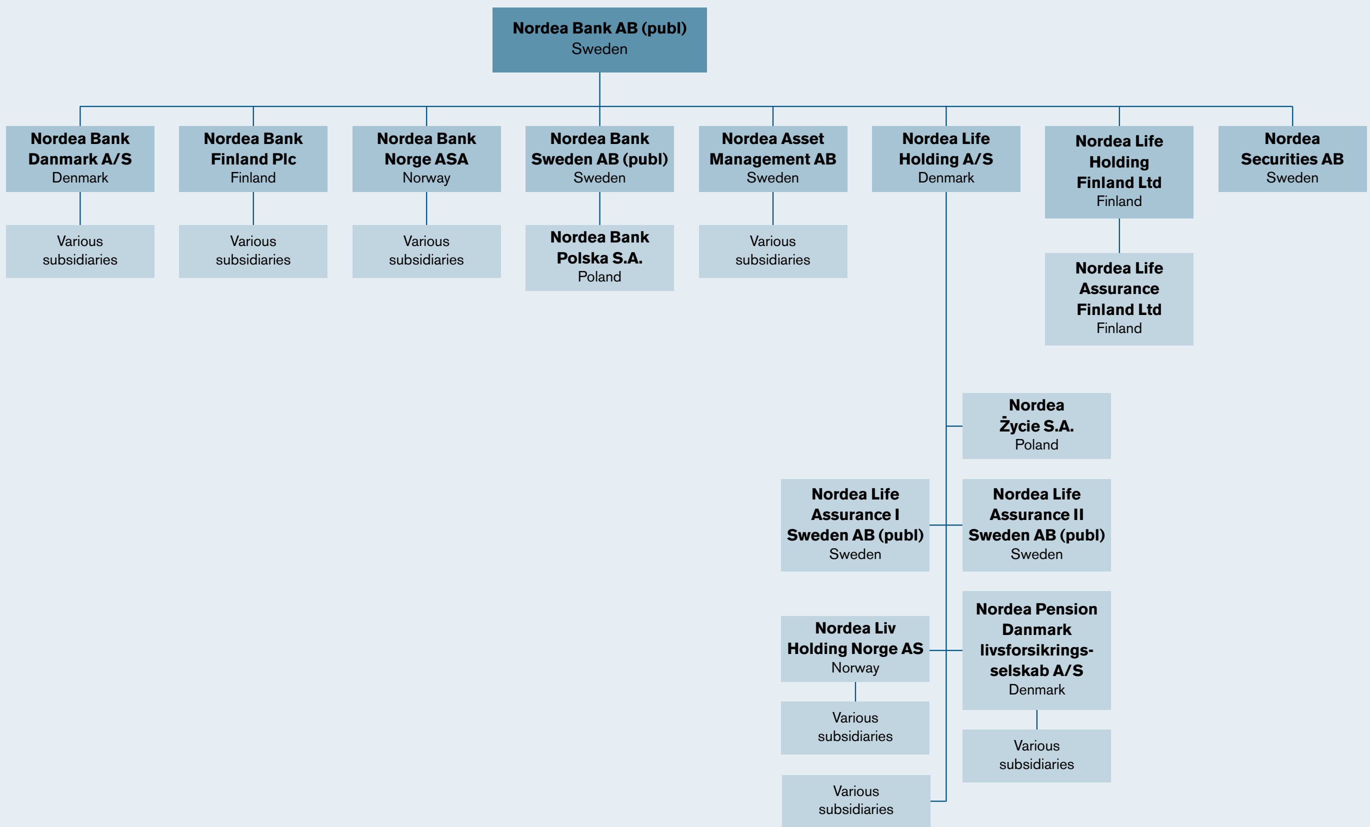
| | |
|---|---|
| AGM | Annual General Meeting |
| CEO | Chief Executive Officer |
| EIU | Economist Intelligence Unit |
| GEM | Group Executive Management |
| IPS | Individual Pension Savings |
| OTC | Over-the-counter |
| TSR | Total Shareholder Return |

# Ratings

| | Moody's Investors Service | | | Standard & Poor's | | Fitch | | |
|---|---|---|---|---|---|---|---|---|
| | BSFR | Short | Long | Short | Long | Indiv. | Short | Long |
| Nordea Bank Danmark A/S | B | P–1 | Aa3 | A–1 | A+ | B | F1+ | AA– |
| Nordea Bank Finland Plc | B | P–1 | Aa3 | A–1 | A+ | B | F1+ | AA– |
| Nordea Bank Norge ASA | B– | P–1 | Aa3 | A–1 | A+ | B | F1+ | AA– |
| Nordea Bank Sweden AB (publ) | B | P–1 | Aa3 | A–1 | A+ | B | F1+ | AA– |
| Nordea Hypotek AB (publ) | | P–1 | Aa3 | A–1 | | | | |
| Nordea Kredit Realkreditaktieselskab | | | Aaa | | | | | |
| Norgeskreditt AS | | P–1 | A1 | | | | | |

# Legal structure

## Nordea Group
## Main legal structure 31 December 2003



# Board of Directors

**Hans Dalborg**
*Chairman*
Board member since 1998.
Born 1941. Board chairman of the Royal Swedish Opera, Uppsala University, Young Enterprise Sweden and the Norwegian-Swedish Chamber of Commerce. Board member of Axel Johnson AB and the Swedish Touring Club. Member of EFR – European Financial Services Round Table and IVA – Royal Swedish Academy of Engineering Sciences.
Shareholding: 40,760 Nordea

**Timo Peltola**
*Vice Chairman*
Board member since 1998.
Born 1946. Chief Executive Officer of Huhtamäki Oyj. Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. Member of the Supervisory Boards of the Finnish Cultural Foundation and the Finnish Fair Corporation.
Shareholding: 5,187 Nordea

**Kjell Aamot**
Board member since 2001.
Born 1950. Chief Executive Officer of Schibsted ASA.
Board chairman of Aftenposten AS, Verdens Gang AS, Schibsted TV & Film AS, Schibsted Print Media AS, Schibsted Multimedia AS.
Shareholding: 2,000 Nordea

**Harald Arnkværn**
Board member since 2001.
Born 1939. Law practice in cooperation with Advokatfirmaet Haavind Vislie AS.
Board chairman of AS Vinmonopolet and Schøyen Gruppen AS. Board member of Concordia BV, Concordia Bus AB (publ) and GIEK Kreditforsikring AS. Chairman of Board of representatives Orkla ASA.
Shareholding: 1,000 Nordea

**Gunnel Duveblad**
Board member since 2003.
Born 1955. President EDS Europe Northern Region.
Shareholding: 5,700 Nordea

**Bertel Finskas**
Board member since 2000.
Born 1948.
Employee representative.
Shareholding: 1,400 Nordea

**Liv Haug**
Board member since 2001.
Born 1954.
Employee representative.
Shareholding: 0 Nordea

**Birgitta Kantola**
Board member since 2003.
Born 1948. Board member of Fortum Plc, Varma Mutual Pension Insurance Company, Vasakronan AB and Akademiska Hus AB.
Shareholding: 1,000 Nordea

Shareholdings also include shares held by family members.

**Claus Høeg Madsen**
Board member since 2000.
Born 1945. Partner at Jonas Bruun Advokatfirma. Board member of Genpack A/S, ISS A/S, Singer Danmark A/S and Scanbox Entertainment A/S.
Shareholding: 1,803 Nordea

**Bernt Magnusson**
Board member since 1998.
Born 1941. Board chairman of Swedish Match AB and Dyno Nobel ASA. Board member of Net Insight AB, Volvo Car Corporation, Höganäs AB and Emtunga International AB. Adviser to the European Bank for Reconstruction and Development.
Shareholding: 27,174 Nordea

**Lars G Nordström**
*Group CEO*
Board member since 2003.
Born 1943. Board chairman of the Finnish-Swedish Chamber of Commerce and board member of the Swedish-American Chamber of Commerce.
Shareholding: 15,000 Nordea

**Jørgen Høeg Pedersen**
Board member since 2000.
Born 1938. Managing Director of Nordea Danmark Fonden and Fonden Tietgen Kollegiet. Board member of Ejendomsselskabet Axelborg I/S and World Union of wholesale markets.
Shareholding: 7,943 Nordea

**Kent Petersen**
Board member since 2003.
Born 1967.
Employee representative.
Shareholding: 1,162 Nordea

**Rauni Söderlund**
Board member since 2003.
Born 1960.
Employee representative.
Shareholding: 0 Nordea

**Maija Torkko**
Board member since 2002.
Born 1946.
Senior VP and Corporate Controller, Nokia Corp.
Shareholding: 12,000 Nordea

Shareholdings also include shares held by family members.

# Group Executive Management

**Lars G Nordström**
*Group CEO.*
Born 1943.
Appointed member 2000.
Shareholding: 15,000 Nordea.

**Christian Clausen**
*Head of Asset Management & Life.*
Born 1955.
Appointed member 2001.
Shareholding: 8,267 Nordea.

**Carl-Johan Granvik**
*Head of Group Credit and Risk Control, CRO.*
Born 1949.
Appointed member 2000.
Shareholding: 4,175 Nordea.

**Kari Jordan**
*Head of Retail Banking.*
Born 1956.
Appointed member 2002.
Shareholding: 1,356 Nordea.

**Arne Liljedahl**[1]
*Head of Group Corporate Centre, CFO.*
Born 1950.
Appointed member 2000.
Shareholding: 11,100 Nordea.

**Markku Pohjola**[1]
*Head of Group Processing and Technology, Deputy CEO.*
Born 1948.
Appointed member 2000.
Shareholding: 9,080 Nordea.

**Tom Ruud**[1]
*Head of Corporate and Institutional Banking.*
Born 1950.
Appointed member 2001.
Shareholding: 0 Nordea.

**Peter Schütze**[1]
*Head of Group Staffs.*
Born 1948.
Appointed member 2002.
Shareholding: 7,660 Nordea.

[1] Country Senior Executive

Shareholdings also include shares held by family members.

# Financial information

### Financial reports 2004

Nordea will publish the following financial reports during 2004:

| | |
|---|---|
| January – March | 28 April |
| January – June | 18 August |
| January – September | 27 October |

### Investor relations

Investor Relations
SE-105 71 Stockholm, Sweden
Tel: +46 8 614 78 51

### Website

All reports and press releases are available on the Internet at: www.nordea.com

Financial reports published by the Nordea Group may be ordered via Investor Relations.

The annual reports of Nordea Bank Danmark A/S, Nordea Bank Norge ASA, Nordea Bank Finland Plc and Nordea Bank Sweden AB (publ) can be downloaded at www.nordea.com

### The Annual Report 2003

This Annual Report covers Nordea Bank AB (publ) and pertains to the operations of the Nordea Group, whose main legal structure is presented on page 87. The original annual report is written in Swedish. This is an English version thereof. A Swedish version may be obtained upon request.

In this Annual Report, the Nordea Group presents income statements and other financial data quoted in euro (EUR).

The parent company, Nordea AB (publ), has been granted a bank charter and changed its name to Nordea Bank AB (publ) as of 30 January 2004.

Nordea Bank AB (publ) Corporate registration no. 516406-0120
*(Previously Nordea AB (publ) Corporate registration no. 556547-0977)*
Hamngatan 10
SE-105 71 Stockholm

Tel +46 8 614 78 00
Fax +46 8 10 50 69
www.nordea.com

Lay-out: Market Support
Production: n3prenör
Photo: Östen Matsson
Printing: Trosa Tryckeri AB

95929