Nordea in brief

- Leading financial services group in the Nordic and Baltic Sea region
- 11 millions customers and 1,150 branch offices
- 4.1 millions are also e-customers
- Number one or number two position in most Nordic markets
- Total assets EUR 284 bn
- Assets under management EUR 136 bn
- 28,700 employees (full-time equivalents)
- Market cap EUR 20.6 bn by 31 March 2005
# Nordea’s financial targets

<table>
<thead>
<tr>
<th>Key performance indicator</th>
<th>Q1/05</th>
<th>2004</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total shareholder return (TSR), %</td>
<td>#7</td>
<td>#3</td>
<td>In the top quartile of European peer group</td>
</tr>
<tr>
<td>RoE, %</td>
<td>15.7</td>
<td>14.5*</td>
<td>&gt; 15% in 2005 and &gt; 17% or in line with level of top Nordic peers from 2007</td>
</tr>
<tr>
<td>Costs**, EURm</td>
<td>865</td>
<td>3,502</td>
<td>Same cost level through 2007 as in 2004</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supporting performance indicator</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Cost/income ratio, %</td>
<td>57</td>
<td>60</td>
</tr>
</tbody>
</table>

*Adjusted for the real estate gain in 2004

** As a result of IFRS and the changed presentation format, reported total expenses will consequently be excluding the costs in Life and depreciation of operational leasing
## Strategic direction

<table>
<thead>
<tr>
<th>Sustainable growth of economic profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure growth of income</td>
</tr>
<tr>
<td>Ensure operational excellence, strict cost management and reduced complexity</td>
</tr>
<tr>
<td>Ensure capital efficiency and high credit portfolio quality</td>
</tr>
</tbody>
</table>

Attract, develop and retain highly motivated, competent and performance oriented employees
Planning and Performance Management Model

**Balanced Scorecard (BSC)**
Being the core management tool to drive strategy into business targets and actions

**Rolling Financial Forecast (RFF)**
To provide a simple and regularly updated view of future performance

**Service Level Agreements (SLA)**
To clarify and manage internal service deliveries between Service Providers and Receivers

Management process aligned to PPMM

- Q4
- Q3
- BSC
- Q2
- Q1

Strategic review and update
Continuous tactical performance monitoring
Management process aligned to PPMM

- Group strategic direction and target setting
- BA strategic direction and target setting
- Service Level Agreements
- Policy review
- Q4 Strategy review and update
- Incentive Model
- Q3 Strategy review and update
- Balanced Scorecard
- Q2 Strategy review and update
- Q1 Strategy review and update
- Continuous tactical performance monitoring
### Yearly review of strategic direction in six steps

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Corporate level strategy development</td>
<td>• Long term agenda setting – “where and how to play”</td>
</tr>
<tr>
<td>2. Guidance to BAs’ strategy development</td>
<td>• How the corporate level planning sets the stage for the BAs’ strategy development</td>
</tr>
</tbody>
</table>
| 3. BA level strategy development | • Long term agenda setting – “where and how to play” within boundaries of corporate agenda and platform issues  
• Development of strategy map, themes and focus areas |
| 4. BA strategy review | • Discussion of the proposed BA strategies within the annual cycle to assure alignment to Group strategy |
| 5. Consolidation to Group strategy | • Merging BA strategies into a comprehensive corporate strategy  
• Assuring that the aggregated strategy is consistent and “adds up” to target picture |
| 6. Communication of strategy | • Articulation of corporate strategy  
• Internal and external communication |
1. Corporate level strategy development

Preparation for Corporate level strategy workshop

- Economic outlook
- Review of market and competitive situation
- Develop hypothesis for target picture
- Analyses of respective hypothesis
- Provide suggestions for target picture

Strategy Workshop
1. Corporate level strategy development

Agenda for corporate level strategy workshop

• Overview of the business environment
  – Competitive landscape
  – Market development
  – Nordea positioning

• Nordea success stories

• Strategy discussion
  – Overall Target picture definition
  – Changes in business mix/structural boundaries

• Define target picture - “where and how to play”

No discussions of financials!
Yearly review of BSC and target setting

- Strategy map are updated to reflect change in strategic direction
- If needed, KPIs are changed to better measure strategy execution
- To achieve the strategic destination we update for third full year a stretch target and quarterly targets for next year
- Major projects or programs that have management attention are added
Quarterly strategy review and performance follow up
Quarterly strategy review and performance follow up

- Evaluation of strategic performance
- Reporting and preparations for Quarterly Review Meeting
- Quarterly Review Meeting with Management

3-4 weeks
1-2 weeks
Weeks
Evaluation of strategic performance

Evaluation of Strategy
- Review market and competitive situation
- Review overall performance

Update BSC
- Status on KPIs, Focus Areas. Comments on performance

Strategic initiatives to close performance gaps
- Evaluate initiatives and ensure right initiatives

Update Rolling Financial Forecast
- Based on best estimate of future financial performance
## Strategic initiatives

- **Analyse and follow-up of strategic initiatives**

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Theme/ Focus Area</th>
<th>Progress to plan</th>
<th>Risks and issues</th>
<th>Assessments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cost/ Improve operational efficiency</td>
<td>![ ]</td>
<td>![ ]</td>
<td>![ ]</td>
</tr>
<tr>
<td>2</td>
<td>Cost/ Reduce complexity</td>
<td>![ ]</td>
<td>![ ]</td>
<td>![ ]</td>
</tr>
<tr>
<td>3</td>
<td>Revenue/ Increase share of wallet</td>
<td>![ ]</td>
<td>![ ]</td>
<td>![ ]</td>
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</tbody>
</table>
Rolling Financial Forecast

- Focus on best possible estimate of future earnings
- Forecast using latest available input on
  - business performance (status on BSC) and impact of corrective actions
  - business environment
- It’s a management process, NOT a consolidation process!
  - Use relevant and up to date input from the organisation
  - The RFF should reflect management’s view
  - Not four “budget-like” processes a year!
- RFF on Group, BA and Division level
- 5 quarters horizon
- Linked to BSC
Reporting and preparations for Quarterly Review Meeting

- Corporate Center receives BSC Strategy Reports approx. one week ahead of the respective Quarterly Review Meeting

- Corporate Center makes analysis and assessment of performance and strategy execution
  - Dialogue with BA’s/GF’s to clarify potential issues and/or questions ahead of the meeting
  - Pinpoint areas where performance gaps exist
  - Address relevant trends and strategic issues to CEO/CFO

- BAs/GFs prepare the presentation for the meeting with CEO/CFO
  - Entirely based on BSC Strategy Report
  - Presentation of new or additional information at the meeting should be avoided
Quarterly Review Meeting with Management

What’s the conclusion?

• Are we on track?

Need for corrective actions?

Is the strategy still valid?

Decide potential actions
We have achieved the following benefits

• Created a team-based executive management culture, which is more future- and action oriented and thereby react faster

• Increased focus on the strategic direction and execution

• We have made strategy a continuous process and made it operational