HELSINKI SCHOOL OF ECONOMICS
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HSE CASE

NORDEA MARKETS: SOCIO-CULTURAL INTEGRATION CHALLENGES

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Peter Nyegaard was sitting in his Copenhagen office a gray Friday morning in October 2001 thinking back on the time since he was appointed Managing Director of Nordea Markets[1]. Was it really less than 18 months ago when the largest financial services group of the Nordic countries had been created through the merger between the Finnish-Swedish Merita-Nordbanken and the Danish Unidenmark? So much had happened since then. He felt that they had come a far way towards creating an integrated Nordic Markets unit and the financial results were likely to be excellent for the first full year of operations. But reflecting on the past he wondered what he could and perhaps should have done differently. And more importantly, what should he do now?

Background: a Nordic bank is born

As part of a severe recession following a long period of boom, the Nordic financial services sector found itself in a serious crisis at the end of the 1980s. The consequent banking crises of Norway, Sweden and Finland triggered an unprecedented wave of restructuring. In Norway, the government took control of most of the banks. In Sweden, many of the banks were severely hit by the banking crisis, and the government had to pump significant

[1] In most banks, 'Markets' units handle the trading and sales of various kinds of market products, including fixed income products, foreign exchange products, money market, commodities, corporate bonds and credit derivatives, equity and index-linked fixed income products, foreign exchange and fixed income derivatives as well as debt capital markets products. These units are usually operationally relatively independent of the other parts of banks.

amounts of money into the banking sector. At the time Nordbanken was the bank most severely hit by the Swedish banking crisis, and as a result it was practically taken over by the Swedish state. In Finland, it was especially the savings bank group that was in the focus of attention while several other major banks required significant direct or indirect support by the state. The banking crisis also led to major reductions in personnel, leading to massive unemployment with the clerical staff being the hardest hit group.

As part of a complete strategic and operational re-organization, Nordbanken merged first with PKbanken (1990) and later with Götabanken (1993) in Sweden. In Finland, the two largest banks – the archrivals Union Bank of Finland and Kansallis – joined forces in a nationally unprecedented merger creating a new bank called Merita in 1995. In Denmark, the second largest bank Unibank was created through the merger of three smaller banks in 1990 and later grew through additional acquisitions.

The Swedish Nordbanken and the Finnish Merita announced their intention to merge in October 1997. This was one of the first cross-border mergers of leading retail banks in Europe. The corporate management of a newly created Merita-NordBanken indicated that the merger was meant to be one of the first steps in the process of consolidation in the banking industry and creation of a pan-Nordic financial services group. One of the potential future partners was the Danish Unibank, but the corporate management of Unibank felt that the group was at that stage too small and not powerful enough vis-à-vis the Finnish-Swedish group. In March 1999, Unibank merged with the Danish insurance company Tryg-Baltica, leading to the creation the Unidenmark financial services group consisting of these two core parts. Among other things, this meant that the group was now large enough to negotiate further restructuring options with MeritaNordbanken 'on an equal basis'.

In September 1999, Merita-Nordbanken made an offer to buy the Norwegian Christiania Bank og Kreditkasse (CBK), which was the second largest bank in Norway. However, the Norwegian government which exercised control of the state-owned bank was initially unwilling to hand CBK over to foreign bank. This led to a complex negotiation process that eventually resulted in the acquisition of CBK over one year later. In the meanwhile, the representatives of Merita-Nordbanken and Unibank had continued their discussions which resulted in the announcement of the merger between Merita-Nordbanken and Unidenmark in March 2000. The key milestones leading up to the creation of Nordea are described in appendix 1.

Peter Nyegaard and the Markets unit

Peter Nyegaard studied economics at the University of Copenhagen. After holding a position of a researcher at the university for one year, he joined a small brokerage firm in 1986. After a succession of mergers of the firms that he worked for he eventually came to Unibank. His last position prior to the merger with Merita-Nordbanken was as the head of the wholesales unit of the Unibank Markets[i] organization where he reporte to Christian Clausen (the head of the Unibank Markets organization).

Clausen informed Nyegaard of the up-coming merger between Unibank and Merita-Nordbanken during the weekend before the alliance was publicly announced. The plan was to place the new Markets unit within the Corporate Institutional Banking business area rather than as had been the case in both Unibank and Merita-Nordbanken, a separate unit directly responsible to the CEO. Peter Nyegaard had been chosen to head the new Markets unit whereas Clausen was to become the managing director of the Asset Management division. The evening before the final announcement of the merger, Nyegaard met briefly with his future superior, the Finn Markku Pohjola for the first time.

During the next couple of weeks very little actually happened. Inside the Merita-Nordbanken the Finn Jussi Laitinen had been the head of the Markets unit with the Swede Christer Serenhov as his deputy. Nyegaard was informed that Laitinen would become the head of the Corporate Division in Finland. Markku Pohjola informed Nyegaard as well that Serenhov would be his deputy in the Markets unit. Although this was not what he had envisioned he did not feel as yet that he was in a position to discuss the decision. Later that same day Nyegaard had dinner with Serenhov and Laitinen.

"It was in that meeting that for the first time I got a hunch that I was probably in more trouble than I expected. It became quite clear in what both Jussi and Christer said, and also in the way they described their own efforts during the two years after the Merita-Nordbanken merger, that these guys were not attuned. They did not represent one organization, they were not integrated. They were talking a lot but it was hard to find a grip on what they actually wanted to achieve, where they were heading to, what their visions for the business were. I was actually confused about what kind of thing it was that I was supposed to deal with."

Re-structuring the new Markets unit

A couple of weeks after the merger announcement Nyegaard together with his boss Markku Pohjola met the entire Merita-Nordbanken Markets management group for the first time in Stockholm. Pohjola informed people about the organizational positioning of the new Markets unit within the bank as a whole, and people proceeded to introduce themselves. A week later both the Merita-Nordbanken and Unibank management groups met for the first time in Copenhagen. More than 30 managers from the different Nordic countries were participating. Everybody introduced themselves and their respective units. As planned by Nyegaard, working groups with representatives from the different organizations were established. Their assigned task was to describe the functions and performance of the various business areas in the three Nordic countries, to define specific integration projects, and to identify key personnel to be retained during the integration process. Each group submitted its own findings to Nyegaard. During the first few weeks Nyegaard also met with a number of employees in the new organization in order to form his own view of whom to appoint to different positions. He also intended to personally learn more about the different units.

By the end of April, Nyegaard's picture of the situation had become much clearer. Of the three banks, Nordbanken was clearly the weakest in its own domestic market. Nordbanken main focus was in retail banking and their Markets unit was "the underdog of the organization." Nonetheless, Nordbanken was seen as having two strongholds. Firstly, their regional sales desks were generating solid profit and enjoyed impressive growth. Secondly, they had a large proprietary business that generated strong profits in currency trading services. The division was dominated by two staff members: "[the] economic success was solely determined by the success of the unit: if they had a good year, Markets had a good year." Merita had a much stronger Markets unit with a dominant position in its home market. They were working closely with large corporations, had more international experience, more international products, and international distribution channels. Commenting on his view of the Markets unit in Merita-Nordbanken, Nyegaard said that:

"I got a very clear picture of an organization that was in some disarray. They did not have strong direction nor did they have ideas about where to go. They had very strong ideas about staying separate, about non-integration, about the fact that they had now used two years to tune and refine the argumentation about why things should be kept the way they were."

Nyegaard's views about the very limited integration between the Merita and Nordbanken was also shared by managers in the Finnish-Swedish organization. Although there had been some efforts to initiate closer cooperation between the Swedish and Finnish operation , "they always ended up quarrelling and debating with the key issue in these debates being 'Who's going to be the boss?'" (as a Finnish manager put it). The cultural differences between Swedes and Finns were also perceived as obstacles towards close integration: "It was very seldom that the Finns understood what the Swedes were proposing, and vice versa."

Finally, Unibank had the largest head-count of them all, close to 500 staff while the corresponding number in both Merita and Nordbanken was approximately 225 each. Unibank had a large Nordic component, with operations in Sweden, Finland and Norway. All in all, the new Markets unit was clearly overstaffed particularly because of the large Nordic operations of Unibank. Within the existing Merita-Nordbanken organization Unibank was seen as a threat. It had much more resources and some of the Merita-Nordbanken managers were afraid of "being run over" by the Danes in the course of the merger.

At this point of time, Finland had already decided to join the EMU (European Monetary Unit, euro), the Danish referendum on whether or not to join the Euro-zone was upcoming, and Sweden would be the next in turn. The Euro was clearly becoming a dominant currency. For the bank operations it meant centralization to one location.

Nyegaard realized that he would have to quickly decide how to reorganize the operations of the new Markets units. He was particularly wary of getting caught up in a lengthy process before final organizational decisions were made. First the internal processes should rather be focused than business issues. Nyegaard soon came to the conclusion that Copenhagen was to become the main trading center, and that the trading operations in Stockholm would be closed down. Also the Finnish trading operation was moved to Copenhagen. Sales would, however, continue to be handled in a decentralized manner in order to maintain a strong customer orientation that existing structures provided. Nyegaard wanted to implement the changes as fast as possible. His first draft of the plan was ready at the end of April. Christer Serenhov clearly was not in favor of the plan but was vague in his response and did not directly challenge it. Nyegaard subsequently presented the plan to his superior Markku Pohjola who approved his ideas. At the same time decisions were made on who would occupy key positions in the new Markets unit. In early May the staffing and restructuring plans were announced to the organization. Nyegaard himself informed the top three layers of management about their future positions. The new management team was made responsible for the planned employee reductions that were to follow.

The executive management group of the new Markets unit was supposed to include four persons in addition to Nyegaard himself. With Christer Serenhov from Nordbanken as the head of Global Products, Christian Hyldahl from Unibank became the head of Debt Capital Markets & Derivatives. Mads Jakobsen from Unibank was appointed head of Global Sales, and Pirjo Jääskeläinen from Merita was made responsible for Financial Control. Hence, there was at least one person from each of the three countries represented at the executive level. That was seen "politically important." The executive management group was to convene once per week, and the management groups of each business unit also met weekly, typically in Copenhagen.

The currency trading was meant to be centralized to Copenhagen. The negotiations on how to reduce the number of staff began. Each organizational unit was in charge of their own staff reductions. Many were redeployed in other parts of the bank. Some, especially persons from divisions with international operations left the bank on their own account. The official reduction target was 100 positions. However, Nyegaard's intention was to downsize by 200 positions. The final numbers were close to his own objective. Due to internal redeployment and attrition only 40 persons were actually asked to leave the bank.

The largest personnel reductions happened in Copenhagen. The persons who had been previously responsible for Swedish and Finnish operations were no longer needed with their jobs taken over by the Nordbanken and Merita organizations. However, in both Finland and in particular in Sweden the feeling was that they were losers while the Danes were the winners. At this point the Swedes and the Finns developed a much closer relationship to some extent forgetting about their past disagreements. In both organizations it was felt that "it was a Danish show." The strongest reactions to the new plan came from Sweden where the decision to centralize trading operations to Copenhagen was fiercely opposed. Most of the employees spent a great deal of their time and energy opposing Nyegaard's re-organization plans. There were also efforts to rally support for a collective opposition to the decisions made by Nyegaard, but in the end the 'agitators' did not receive much direct support.

In the weeks following the restructuring announcement the executive management group focused on creating a strategic vision for the entire unit. The management considered it important to issue a statement of the strategic development rather than to focus on 'cultural issues'. The 'Strategic Statements' were finalized in June before people left for a badly needed vacation. After the summer holiday[1] the management began to work on the implementation strategy. A great deal of effort was made to communicate the new vision and strategy of the new Markets unit "to make sure the people really, truly understand what we are doing."

[1] Most people in Nordic countries leave for a summer holiday immediately after Midsummer and return at the end of July or beginning of August.

Dealing with culture

Over the summer, Nyegaard had reached the conclusion that it would be advantageous to work on creating a common working culture within the Markets unit: ”It became very evident in this. [We needed] to mentally get the operation much, much closer, to be one organization, to get over the past and look into the future.” After reflecting on the events had taken place during the spring and early summer he concluded that while the Danish and Finnish units could be persuaded to work together, it was going to be more difficult to integrate the old Nordbanken-part. Nyegaard concerns were further strengthened after reading a book on the creation of Nordbanken during his summer vacation. He now felt that Nordbanken had the strongest culture of the three merged banks. Nordbanken was ”a flow bank” with a focus on operating the retail business efficiently not well oriented towards the needs of corporate business customers.

Nyegaard felt that he personally had to be in charge of the process of getting rid of the past and creating a common culture. His idea was to begin with the whole management group consisting of almost 30 people. He believed that the culture and new way of doing things would trickle further down in the organization if he gets this group “on board”. He spent much of his time thinking on how to go about the entire process. He did not have any clear ideas about how to do it. ”I knew it would be the toughest test I would be put through, and I had to play along. To be honest I was so afraid to go into all of this that as a result I found it being easier than I had expected. That is not to say it was easy but only to give an indication of where my own expectations were.”

In the early fall of 2000, Nyegaard discussed his idea to initiate a cultural process with people in the organization. The reception was positive – people apparently wanted to both deal with and to speak about the past. He also discussed the actual process with Anita Varjonen , HR manager for Markets in Finland. Nyegaard did not want to use any consultants in the process and suggested instead that Varjonen should contact a Finnish business school professor. A professor was a person he came across during a management seminar a few months earlier. “I wanted someone around if it went completely wrong. I needed someone to discuss with how to get out of the mess. On the other hand I didn’t want a consultancy, a company. I wanted someone that I was able to talk to about the entire process, that had some insights about it, that I could pull in as a moderator if things got bad, really ugly.” The decisions were made and a series of ‘Culture’ seminars followed to provide an opportunity for people to reflect on the different national and organizational cultures of the three national banks, and to create a common ground for the New Bank Markets unit[2].

At this point little attention had been paid to the issue of culture and cultural integration within the entire New Bank. This was in contrast to the integration process adopted in the post-merger Merita-Nordbanken. During that merger process the top management went through the extensive cultural seminar series. Apparently, the new top management did not find it necessary to go through a similar exercise with the

[2] At this stage the bank did not have as yet any new common name, and the ”New Bank Markets” was used until finally the Nordea Markets name was adopted.

New Bank. The top management was still waiting for the Norwegian CBK to join the group. The new top management led by the Dane Torleif Krarup was planning to start an extensive corporate communications program targeted both at external and internal audiences at a later date.

Nyegaard described his new ideas to Markku Pohjola, the head of Corporate and Investment Banking. He raised no objections to Nyegaard's plans. Yet no similar process was initiated at the level of Corporate and Investment Banking.

Since the organization of the new Markets unit announced in May each of the management groups had convened face-to-face weekly. This was in stark contrast to the Merita-Nordbanken merger where many meetings had been conducted by video conferencing. The weekly management group meetings had really assisted people in getting to know one another. Although the meetings were seen as time consuming and expensive and the constant traveling was regarded strenuous, the meetings were perceived as important to further development of the internal functioning of each management group. The crucial role of 'over informing' people in other countries about plans and on-going project was also widely stressed. Many managers had been surprised by the apparent information needs that people expressed at all hierarchical levels in the organization. However, communication and interaction in general mostly took place within each business unit. Integration across the different units had to date mainly taken place at the level of the executive management group.

The first culture seminar

The first common culture seminar took place on October 12th at the Swedish School of Economics in Helsinki. Apart from a handful of short business meetings this was the first time the whole management group had convened and spent time together discussing issues not directly related to business operations. The one-day seminar began with a presentation by Peter Nyegaard on "The Management of Markets". Nyegaard outlined four challenges facing the unit: (i) their strategic orientation, (ii) the Nordic versus national dimensions in terms of how the unit was functioning, (iii) the significant increase in size and complexity as an outcome of the merger, and (iv) the business culture. His view was that while they were doing well in terms of strategic orientation the other three were still in need of further progress.

The seminar then continued with the business school professor acting as the process facilitator. The participants were divided into groups of national teams (two Danish, one Swedish, and one Finnish) consisting of people from the same bank. The groups first discussed and then presented for the entire management group their perception of key characteristics of people from the two other countries, of themselves, and finally how they thought others viewed people from their own country. Subsequently, each group was given the task of presenting two metaphors for each of the other two banks and two of their own banks. The people in the groups made drawings and created names for the kind of organization that they perceived both the other and the own banks to constitute. The group tasks revealed that several managers had considerable artistic talent, and the metaphors indicated with a considerable amount of humor how the groups were viewing their own organization and the others. In the discussion that followed the group presentations, the metaphors were commented on, and the focal bank representatives were encouraged to comment on the metaphors and how well they related to their banks actual functioning. In spite of the implicit critique of certain aspects of each bank culture and the fact that sensitive and critical issues were brought up, the discussion took place in a positive manner with people openly laughing and joking about the different metaphors. Reflecting on the first seminar Peter Nyegaard commented:

"The first cultural seminar marked a major breakthrough in the way of what we were able to talk about. Even today, some of the features are talked about as in the metaphors. Everything from the spider [Nordbanken], to the complicated space rocket that doesn't take off the ground [Unibank]. These are now becoming things that have facilitated our talking about the past. We are able to talk about the political issue in Stockholm, we have some expressions for it: it's a spider web, with this man we all know. And when someone from Copenhagen comes with [a large complicated plan that] would cost a "gazillion" and it would be very grand. Yeah, fine, but let's do a simpler piece of machinery that will do the same thing, at least lift off. And when we have a little Finnish something - remember that you are not coming directly from the woods, that you have attended schools, so how do we do this? These are issues that we have learned to talk about."

The 4 Cs

The second cultural seminar was organized on November 16-17. This time it was a two-day gathering at a conference center outside Helsinki. In the meantime the new bank had been granted permission to acquire the Norwegian CBK but no one from CBK attended the seminar as the acquisition had not yet been completed. Prior to the seminar, each of the business units had been given the task of defining what they thought should be the guiding values at Markets unit. Nyegaard began the seminar with a presentation of the values of the largest and most successful international investment banks. The collective focus of the rest of the seminar was on the creation of an individual set of core values for the new Markets unit. Each of the business units began by presenting their own suggestions and a general discussion followed. Then the groups were asked to repeat their previous task taking into consideration the other groups' presentations they thought suitable for the purpose. At the end of the second day "the 4 Cs" were defined and each participant had individually agreed to them:

- Customer orientation
- Communication
- Competence
- Credibility

Each manager was personally responsible for "living the 4 Cs" and for spreading the values among their subordinates. Additionally, the performance appraisal review discussions superiors and subordinates were to focus on the values. Anita Varjonen from HR carried the main responsibility for developing a form to be used in the appraisal reviews of the entire Markets organization.

Peter Nyegaard felt that the second seminar was extremely constructive and brought the management group together. They started to discuss how the organization was going to function in the future. They defined some workable labels for the kind of values that employees should hold regardless of which country they were working in. The 4 Cs meant "that we are sending much more homogenous signals about what we want in terms of behavior." These values were explicitly referred to when firing a couple of employees who although performing financially well they did not adhere to the norms of the organization. Nyegaard saw this as a strong signal to the organization that they were serious about the importance of the organizational values. The fact that the bank as a whole had not yet engaged in 'value definition' activities was not seen as a major obstacle.

The take-over of CBK, which began with the announcement of the acquisition in October 2000, only had a marginal impact on the operations of the new Markets unit. CBK's Markets organization mainly focused on domestic services and it was seen as "very slim." For some time Unibank had a small unit in Norway, but as the take over looked very likely no expansion of the unit's operations had been made. Most of the operational integration was done within two weeks. However, there was a severe clash between the manager running the bulk of CBK's Norwegian sales business and the head of the Unibank sales activities in Norway. They had known each other for a long time, had a strenuous relationship in the past that finally exploded. In spite of the issue being discussed with both of the managers and even though the Unibank manager was offered a job in another part of the bank she still decided to leave the company.

During the winter and spring of 2001, although most emphasis in the new Markets unit was on implementing the overall strategy and on day-to-day business, efforts were also made to continue to develop the organizational values. Performance appraisal reviews were carried out based on the new appraisal form which focused on the 4 Cs. Additionally, the HR team carried out a Management Review of each of the business units where interviews were conducted with line managers. The interviews covered, among others, the general satisfaction and attitudes in the specific unit and focused also
on the management group in terms of the 4 Cs and the status of the culture process development in the unit. Finally, each business unit was asked to answer the following questions in preparation for a third culture seminar on May 15th:

1. How have the values been implemented in your part of the organization?
2. How has the appraisal tool been used in your part of the organization?
3. List the strong and weak sides –in your experience – of the effects of the values so far

When compared to the two first seminars, the third culture seminar was by most participants seen as less significant and the discussion was less lively. The participants stated that although considerable efforts had been made to implement the 4 Cs and that some "progress in their implementation" had been made, it was still somewhat unclear what impact the values creation had had on the operations of each unit. Some managers pointed to the difficulties in actually measuring the values, others pointed to the fact that various people and units perceived the values somewhat differently. Some argued that only by explicitly linking the employees commitment to the values with their financial compensation would they manage to really influence the behavior of people in the organization. There was a general agreement that a key to the successful implementation was that the managers would literally have to live by the values themselves. The decision to have a fourth seminar in November followed. The main subject would be the linkage between the 4 Cs and compensation. A number of colleagues would be asked to provide each member of the broad management group with personal feedback on how well the manager in question performed in regard to each of the values.

Looking ahead

Hearing the first raindrops hit his window Nyegaard was reflecting on the past 18 months. The first year in the new organization had been tough both for him and the whole new Markets unit. It was clearly now an international entity with all the challenges that such an organization entailed when managing people in other countries. The creation of the Nordic organization had meant lots of traveling as emphasis had been put on meeting personally with colleagues in the other Nordic countries. Although Copenhagen was the main trading floor (and was seen by many as 'the headquarters'), no member of the large management group had relocated from one country to another, and many felt that they spent more time traveling than in their own offices. No wonder that several people in the bank were complaining about how difficult it was to balance work and family life. People seemed to become comfortable with the use of English as the corporate language, although "Scandinavian" was still commonly used among people who spoke Danish, Norwegian and Swedish as their mother tongue. When Danes, Norwegians and Swedes speak their mother tongue they can very well understand one another. And this is what is called "Scandinavian".

Thinking back, Nyegaard concluded that: "I think basically the textbooks are right - speed is essential, you need to make up your mind, take the decisions and implement them. That is the first phase. The second phase is that you need to deal with the cultural issue of the integration, no matter how hard." A great deal of effort had certainly been put into the cultural integration of the Markets organization. However, it was still somewhat unclear to what extent people at different levels in the organizations took the 4 Cs seriously and were influenced by them. Nyegaard knew that not everybody in the organization was equally convinced about their importance in the management and success of new Markets. For instance, according to one middle manager in the new Markets unit:

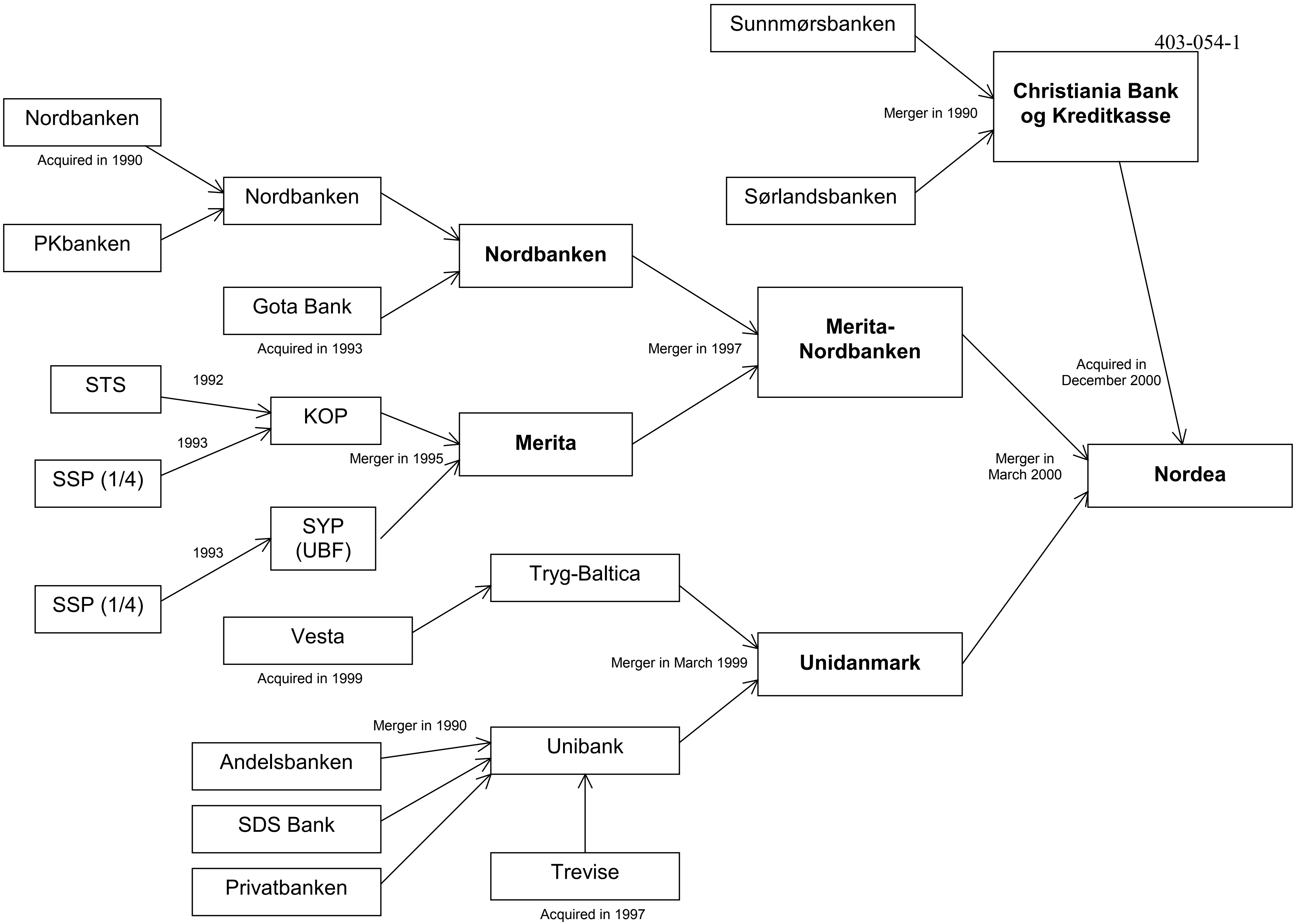
"Nowhere have I seen the values being pushed so much through the organization and being used in so many different platforms. That is good but it is still difficult to say what the outcome will be. For instance, we have the appraisal reviews. Will [their performances in terms of the values] have an impact on the incentives? If it has, then all the better, because then the people know that, shit, we really have to live according to these values. They still don't believe it. They hear what you say but they don't believe it. It really has to be in the bonus discussions."

Nyegaard had promised that the question of the linkage between the employees' adherence to the 4 Cs and their bonuses would be discussed during the upcoming fourth culture seminar. What should his stance be on this issue? To what extent should he himself decide on the matter, and to what exten, and how should he rely on input from the management group on this issue?

During the seminar, they would also discuss the peer reviews that were currently undertaken among the managers in the broad management group. These reviews, averaged five persons per manager and had been structured around the behavior and performance of the manager in terms of each of the core values (the form used in the peer reviews is reproduced in appendix 4). Many of the reviews had apparently been open and constructive, but Nyegaard had also heard about discussions that had been overly polite and where people had refrained from discussing 'the real issues'. He had also been told about a couple of instances in which the discussions apparently had led to problems as the 'receiver' had reacted defensively towards the comments that were received. Should they continue with the reviews? If so, how should they be structured and should something be done to improve their content?

In spite of the culture seminars and apparent progress in terms of building an international Markets organization, the national aspect was still a factor that could not be neglected. According to one manager "the most difficult thing is to point to problems and offer suggestions for improvements without being labeled as nationalistic… If I say something straight, the reaction is frequently that: 'Ah, you're saying that because you're from [country X]; B, because it's not your area of responsibility.'" The need for hard evidence to back up comments about the need for improvements in some area was most common when dealing with issues across different business units. In such instances, the issue sometimes had to be dealt with at higher hierarchical levels rather than directly by the persons directly involved. Some people also felt that the nationalistic factor could become more salient if the results of the unit would fail to fulfill the very high expectations now placed on the Markets unit.

Finally, Nyegaard believed that a serious challenge would be to maintain the momentum that they had managed to create and keep up over the last year and a half. They had restructured and reorganized, they had launched a number of new ideas and concepts, and they had defined new values and developed a number of tools around the 4 Cs. Profitability was clearly above budget and they managed to increase their market share. Nyegaard felt that they needed to continue to exert pressure on the organization. They needed to keep on pushing hard even though people were getting tired, and even though they were operating near the exhaustion level of the organization. The main point, he felt, was to make sure that the organization would not grow self-complacent. But how? So far most of the organizational and procedural changes had been in terms of sales and trading. Perhaps it was time to initiate more significant changes in back-office operations as well?



Sunnmørsbanken
Christiania Bank og Kreditkasse
Merger in 1990
Sørlandsbanken
Nordbanken
Acquired in 1990
Nordbanken
PKbanken
Nordbanken
Gota Bank
Acquired in 1993
Merger in 1997
Merita-Nordbanken
Acquired in December 2000
STS
1992
KOP
1993
SSP (1/4)
Merger in 1995
Merita
Merger in March 2000
Nordea
SYP (UBF)
1993
SSP (1/4)
Tryg-Baltica
Vesta
Acquired in 1999
Merger in March 1999
Unidanmark
Merger in 1990
Andelsbanken
Unibank
SDS Bank
Privatbanken
Trevise
Acquired in 1997

Operational income statement

EURm	**Q4 2001**	Q3 2001	Change %	Full year 2001	Full year 2000	Change %
Net interest income	**852**	856	0	3,465	2,838	22
Commission income	**363**	314	16	1,397	1,454	-4
Trading	**128**	131	-2	543	415	31
Income from insurance	**72**	142	-49	524	451	16
Other	**37**	36	3	161	134	20
Income	**1,452**	**1,479**	**-2**	**6,090**	**5,292**	**15**
Personnel expenses	**-562**	-529	6	-2,188	-1,829	20
Other expenses	**-476**	-410	16	-1,701	-1,491	14
Expenses	**-1,038**	**-939**	**11**	**-3,889**	**-3,320**	**17**
Profit before loan losses	**414**	**540**	**-23**	**2,201**	**1,972**	**12**
Loan losses	**-56**	-213	-74	-373	-79	372
Profit from companies accounted for under the equity method	**35**	29	21	95	62	53
Profit excluding investment earnings	**393**	**356**	**10**	**1,923**	**1,955**	**-2**
Treasury	**30**	1		124	267	
Life insurance	**45**	-54		-7	61	
General insurance	**43**	-35		-13	81	
Other	**-4**	-5		48	164	
Investment earnings	**114**	**-93**		**152**	**573**	
Goodwill depreciation	**-39**	-35	11	-147	-93	58
Operating profit	**468**	**228**	**105**	**1,928**	**2,435**	**-21**
Loss on disposal of real estate holdings	**-**	-		-	-40	
Refund of surplus in pension fund	**-**	-		-	32	
Taxes	**55**	-65		-360	-691	
Minority interests	**0**	2		0	-3	
Net profit	**523**	**165**		**1,568**	**1,733**	**-10**