



**Interim Report 2nd quarter 2005**

**Nordea Bank Norge Group**

## Nordea Bank Norge Group

### Result summary January-June 2005

Operating profit increased by 45% compared to the same period in 2004 and reached NOK 2,447m. Net profit increased by 44% to NOK 1,766m.

Increased business volumes compensated for the pressure on margins. Total income increased by 8% to NOK 3,581m reflecting increased commission income and net gains on items at fair value. Costs decreased by 1% and loan losses were positive by NOK 835m (23).

#### *Income*

Net interest income was about the same level as the same period in 2004 and reached NOK 2,357m (2,346).

Interest income on bonds and certificates in the trading portfolio in Markets has, in the second quarter 2005, been reclassified from Net interest income to Net gains/losses on items at fair value. This is a result of a review in the whole Nordea Group where the purpose has been the same classification of all items. The comparative figures have been changed accordingly. These amounted to NOK 60m and NOK 64m in the first and the second quarter 2004 respectively and NOK 50m in the first quarter 2005.

Fee to the Guarantee Fund is not paid in 2005, while NOK 93m was expensed in the same period last year.

Volume growth was strong in all segments. Lending increased by 11% year-on-year to NOK 235bn. Mortgage lending to personal customers has expanded significantly and amounted to NOK 83.9bn, reflecting year-on-year growth of 21%. Consumer lending increased by 7% to NOK 21.1bn. The growth in lending to small and medium sized enterprises (SMEs) was confirmed by an increase of 9% to NOK 88.8bn.

Lending margins were down year-one-year reflecting strong competition in all segments.

Deposits were NOK 133bn, an increase of 12%.

Net interest income from other sources than lending and deposits from customers is reduced. The reduction is, however, compensated by an increase in income from financial derivatives included in line Net gains/losses on items at fair value.

Net commission income was up by 7% to NOK 689m mainly due to increased income from syndication of loans and sundry commissions. Commissions from payments and e-services increased by 4% to NOK 438m. Card payments and e-payments continued to increase.

Net gains/losses on items at fair value include large gross flows and it should be expected to be fairly volatile. In the first six months net gains were 64%

higher at NOK 490m compared to NOK 298m in the same period in 2004. The increase is mainly due to higher income from financial derivatives.

#### *Expenses*

Total expenses were NOK 1,978m down 1% compared to one year earlier reflecting continued efficiency gains, offsetting wage increases, inflation and business growth.

Staff costs increased by 7% to NOK 1,204m mainly due to higher pension costs. The number of employees was reduced by 126, or 4%, compared to the same period in 2004.

Other expenses were NOK 700m, down by 8% compared to the same period last year reflecting lower IT expenses. Costs for rents and premises have increased compared to last year.

Depreciation was down by 34% to NOK 74m.

The cost/income ratio was 55% (60).

#### *Loan losses*

Loan losses were positive at NOK 835m, which is an improvement of NOK 812m compared to the same period last year. The figure includes gain on sale of converted shares in Pan Fish ASA of NOK 794m.

#### *Disposals of tangible assets*

Net gains on disposals of tangible assets are reduced by 97% to NOK 9m compared to the same period last year. Net gains last year of NOK 330m include gain on sales of real estates of approximately NOK 300m.

#### *Net profit*

Net profit increased by 44% to NOK 1,766m corresponding to NOK 3.20 per share and a return on equity of 19.9% (14.5). Earnings per share rolling 12 months up to period end were NOK 5.32 (3.0).

#### **Development in the second quarter 2005**

Operating profit increased by 105% compared to the first quarter 2005 and amounted to NOK 1,644m. Net profit increased by 104% to NOK 1,185m.

Total income increased by 7% to NOK 1,852m reflecting increased commission income and net gains on items at fair value. Costs increased by 5% and loan losses were positive by NOK 800m.

#### *Income*

Net interest income decreased by 11% to NOK 1,113m (1,244). The reduction is compensated by increased income from financial derivatives included in line Net gains/losses on items at fair value.

Volume growth continued in most segments. In total, lending increased by 6% to NOK 235bn. Lending

margins decreased in all segments compared to the first quarter.

Deposits from customers were NOK 132bn which is the same level as per the end of first quarter 2005. Deposit margins increased somewhat during the quarter.

Net commission income increased by 16% to NOK 370m. Commission for payments and e-services commissions increased by 20% to NOK 239m.

Net gains/losses on items at fair value increased by 129% to NOK 341m mainly due to increased gains on interest-bearing securities and derivatives.

Equity method was NOK 5m compared to NOK 12m in the first quarter.

### **Expenses**

Total expenses increased by 5% to NOK 1,013m reflecting slightly higher staff costs.

Staff costs increased by 5% to NOK 618m mainly due to increased provision for early retirement pension. The number of employees was reduced by 22 FTEs in the second quarter.

Other expenses were up 4% to NOK 357m reflecting higher activity level and lower costs for IT.

Depreciation was up by 6% to NOK 38m.

The cost/income ratio was 55% (56).

### **Loan losses**

Loan losses were positive at NOK 800m. The figure includes gain on sale of converted shares in Pan Fish ASA of NOK 794m. The overall credit quality remains strong.

### **Net profit**

Net profit was NOK 1,185m corresponding to NOK 2.15 per share and return on equity of 26.8% (13.0).

### **Credit portfolio**

At the end of the second quarter, impaired loans, net, amounted to NOK 3,048m representing 1.2% of total lending, compared to 1.9% one year earlier.

The share of personal customer lending was 44%. Within personal customer lending, mortgage loans account for 80%.

There was no major change in the composition of the corporate loan portfolio during the quarter. Real estate management remains the largest industry exposure in the credit portfolio and amounts to NOK 41.0bn, representing 17% of the total portfolio.

### **Capital position**

Nordea still has a strong capital position, reflected in the Tier 1 capital ratio of 7.5% and the total capital ratio of 8.9% at the end of the second quarter.

The risk-weighted assets base of the Group was NOK 223bn as at 30 June 2005, which is an increase of NOK 12bn in the last quarter. Under current legislation, the capital ratio is required to be at least 8 per cent at all times. The Group's total capital amounted to NOK 19.8bn, which represents a capital ratio of 8.9%. The Group's core capital was NOK 16.6bn, equaling 7.5%. Profit for the period is not included in the calculations. The corresponding figures for Nordea Bank Norge ASA was 9.2% and 7.7%. The core capital included the profit for the period for the Group and NBN ASA is 8.3% and 8.6% respectively at the end of the quarter.

### **Outlook**

Volume growth is expected in the second half of the year, supported by favourable macroeconomic conditions in Nordea's home markets. Competition is however intense, and the pressure on margins will continue to be challenging.

Costs for the whole year are expected to remain flat.

Based on the overall quality of the credit portfolio and the present economic outlook for the Nordic countries there are no indications of a deteriorating credit quality for 2005.

## Key financial figures

### Income statement

NOKm	Jan-June 2005	Jan-June 2004	Change %	Q2 2005	Q1 2005	Change %	Full year 2004
Net interest income	2,357	2,346	0	1,113	1,244	-11	4,758
Net fee and commission income	689	641	7	370	319	16	1,406
Net gains/losses on items at fair value	490	298	64	341	149	129	539
Equity method	17	26	-35	5	12	-58	50
Other income	28	11	155	23	5	360	58
<b>Total operating income</b>	<b>3,581</b>	<b>3,322</b>	<b>8</b>	<b>1,852</b>	<b>1,729</b>	<b>7</b>	<b>6,811</b>
General administrative expenses							
Staff costs	-1,204	-1,121	7	-618	-586	5	-2,213
Other expenses	-700	-760	-8	-357	-343	4	-1,433
Depreciation of tangible assets	-74	-112	-34	-38	-36	6	-197
<b>Total operating expenses</b>	<b>-1,978</b>	<b>-1,993</b>	<b>-1</b>	<b>-1,013</b>	<b>-965</b>	<b>5</b>	<b>-3,843</b>
Loan losses	835	23	3,530	800	35	2,186	11
Disposals of tangible assets	9	330	-97	5	4	25	325
<b>Operating profit</b>	<b>2,447</b>	<b>1,682</b>	<b>45</b>	<b>1,644</b>	<b>803</b>	<b>105</b>	<b>3,304</b>
Income tax expense	-681	-454	50	-459	-222	107	-906
<b>Net profit</b>	<b>1,766</b>	<b>1,228</b>	<b>44</b>	<b>1,185</b>	<b>581</b>	<b>104</b>	<b>2,398</b>

### Balance sheet

NOKm	30 June 2005	30 June 2004	30 June 2005	31 Mar 2005	31 Dec 2004
Treasury bills and other interest-bearing securities	20,337	20,952	20,337	19,105	19,174
Loans and receivables to credit institutions	17,590	4,817	17,590	10,060	4,675
Loans and receivables to the public	234,612	211,586	234,612	222,337	211,608
Derivatives	3,321	1,863	3,321	3,277	1,683
Other assets	16,439	15,129	16,439	25,336	28,189
<b>Total assets</b>	<b>292,299</b>	<b>254,347</b>	<b>292,299</b>	<b>280,115</b>	<b>265,329</b>
Deposits by credit institutions	88,926	58,148	88,926	72,307	66,464
Deposits and borrowings from the public	132,531	118,618	132,531	131,952	126,915
Debt securities in issue	28,593	41,831	28,593	34,727	34,045
Derivatives	2,521	1,167	2,521	2,313	1,024
Subordinated liabilities	2,844	3,017	2,844	2,792	2,692
Other liabilities	18,624	14,060	18,624	18,951	15,526
Equity	18,260	17,506	18,260	17,073	18,663
<b>Total liabilities and equity</b>	<b>292,299</b>	<b>254,347</b>	<b>292,299</b>	<b>280,115</b>	<b>265,329</b>

	30 June 2005	30 June 2004	30 June 2005	31 Mar 2005	31 Dec 2004
<b>Ratios and key figures</b>					
Earnings per share (EPS), NOK	3.20	2.23	2.15	1.05	4.35
EPS, rolling 12 months up to period end	5.32	3.00	5.32	4.44	4.35
Equity per share <sup>1,2</sup> , NOK	33.12	31.75	33.12	30.97	33.85
Shares outstanding <sup>1</sup> , million	551	551	551	551	551
Return on equity, %	19.9	14.5	26.8	13.0	13.1
Cost/income ratio, %	55	60	55	56	56
Tier 1 capital ratio <sup>1</sup> , %	7.5	8.1	7.5	7.3	8.1
Total capital ratio <sup>1</sup> , %	8.9	9.8	8.9	8.8	9.6
Risk-weighted assets <sup>1</sup> , NOKbn	223	204	223	211	204
Number of employees (full-time equivalents)	3,162	3,288	3,162	3,184	3,237

<sup>1</sup> At the end of the period

<sup>2</sup> See footnotes to Movements in equity

## Quarterly development

NOKm	Note	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004
Net interest income		1,113	1,244	1,248	1,164	1,074
Net fee and commission income	1	370	319	400	365	328
Net gains/losses on items at fair value		341	149	124	117	131
Equity method		5	12	13	11	13
Other income		23	5	28	19	6
<b>Total operating income</b>		<b>1,852</b>	<b>1,729</b>	<b>1,813</b>	<b>1,676</b>	<b>1,552</b>
General administrative expenses	2					
Staff costs		-618	-586	-567	-525	-564
Other expenses		-357	-343	-329	-345	-347
Depreciation of tangible assets		-38	-36	-47	-38	-55
<b>Total operating expenses</b>		<b>-1,013</b>	<b>-965</b>	<b>-943</b>	<b>-908</b>	<b>-966</b>
Loan losses		800	35	-16	4	54
Disposals of tangible assets		5	4	-1	-4	325
<b>Operating profit</b>		<b>1,644</b>	<b>803</b>	<b>853</b>	<b>768</b>	<b>965</b>
Income tax expense		-459	-222	-234	-218	-269
<b>Net profit</b>		<b>1,185</b>	<b>581</b>	<b>619</b>	<b>550</b>	<b>696</b>
Earnings per share (EPS)		2.15	1.05	1.12	1.00	1.26
EPS, rolling 12 months up to period end		5.32	4.44	4.35	3.61	3.00

	Q2	Q1	Q4	Q3	Q2
<b>Note 1 Net fee and commission income, NOKm</b>	2005	2005	2004	2004	2004
Loans and receivables	32	13	15	43	9
Guarantees and documentary payments	36	38	36	33	33
Life insurance	11	10	12	8	8
Investment products / services	25	19	38	17	21
Deposits, payments and e-services	239	199	258	229	216
Brokerage	47	36	49	28	22
Other commission income	87	102	101	120	118
<b>Fee and commission income</b>	<b>477</b>	<b>417</b>	<b>509</b>	<b>478</b>	<b>427</b>
Payments and e-services	-89	-83	-96	-101	-86
Other commission expenses	-18	-15	-13	-12	-13
<b>Fee and commission expenses</b>	<b>-107</b>	<b>-98</b>	<b>-109</b>	<b>-113</b>	<b>-99</b>
<b>Net fee and commission income</b>	<b>370</b>	<b>319</b>	<b>400</b>	<b>365</b>	<b>328</b>

	Q2	Q1	Q4	Q3	Q2
<b>Note 2 General administrative expenses, NOKm</b>	2005	2005	2004	2004	2004
Staff <sup>1</sup>	605	570	551	508	549
Profit sharing	13	16	16	17	15
Information technology <sup>2</sup>	115	127	76	116	141
Marketing	31	24	48	28	31
Postage, telephone and office expenses	29	24	39	30	28
Rents, premises and real estate expenses	89	79	88	98	70
Other	93	89	78	73	77
<b>Total</b>	<b>975</b>	<b>929</b>	<b>896</b>	<b>870</b>	<b>911</b>

<sup>1</sup> Variable salaries were NOK 67m in Q2 2005 (Q1 2005: NOK 35m)

<sup>2</sup> Refers to IT operations, service expenses and consultant fees. Total IT-related costs in Q2 2005, including staff etc, but excluding IT expenses in insurance operations, were NOK 140m (Q1 2005: NOK 151m)

## Income statement

NOKm	Note	Q2 2005	Q2 2004	Jan-June 2005	Jan-June 2004	Full year 2004
<b>Operating income</b>						
<i>Interest income</i>		2,406	2,351	4,881	5,020	9,995
<i>Interest expense</i>		-1,293	-1,277	-2,524	-2,674	-5,237
Net interest income		1,113	1,074	2,357	2,346	4,758
<i>Fee and commission income</i>		477	427	894	830	1,817
<i>Fee and commission expense</i>		-107	-99	-205	-189	-411
Net fee and commission income		370	328	689	641	1,406
Net gains/losses on items at fair value	2	317	119	462	286	513
Gains less losses from investment securities		0	0	0	0	-4
Equity method		5	13	17	26	50
Dividends		24	12	28	12	26
Other operating income		23	6	28	11	62
<b>Total operating income</b>		<b>1,852</b>	<b>1,552</b>	<b>3,581</b>	<b>3,322</b>	<b>6,811</b>
<b>Operating expenses</b>						
General administrative expenses						
Staff costs		-618	-564	-1,204	-1,121	-2,213
Other expenses		-357	-347	-700	-760	-1,433
Depreciation and impairment charges of tangible assets		-38	-55	-74	-112	-197
<b>Total operating expenses</b>		<b>-1,013</b>	<b>-966</b>	<b>-1,978</b>	<b>-1,993</b>	<b>-3,843</b>
Loan losses	3	800	54	835	23	11
Disposals of tangible assets		5	325	9	330	325
<b>Operating profit</b>		<b>1,644</b>	<b>965</b>	<b>2,447</b>	<b>1,682</b>	<b>3,304</b>
Income tax expense		-459	-269	-681	-454	-906
<b>Net profit</b>		<b>1,185</b>	<b>696</b>	<b>1,766</b>	<b>1,228</b>	<b>2,398</b>
Earnings per share, NOK		<b>2.15</b>	1.26	3.20	2.23	4.35

## Balance sheet

NOKm	Note	30 June 2005	31 Dec 2004	30 June 2004
<b>Assets</b>				
Cash and balances with central banks		1,174	14,972	3,053
Loans and receivables to credit institutions	5	17,590	4,675	4,817
Loans and receivables to the public	5	234,612	211,608	211,586
Interest-bearing securities		20,337	19,174	20,952
Shares		385	971	419
Derivatives	6	3,321	1,683	1,863
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,037	0	0
Shares in associated undertakings		623	651	630
Tangible assets		473	508	563
Deferred tax assets		1,017	1,107	995
Prepaid expenses and accrued income		1,188	1,323	1,905
Other assets		10,542	8,657	7,564
<b>Total assets</b>		<b>292,299</b>	<b>265,329</b>	<b>254,347</b>
<b>Liabilities</b>				
Deposits by credit institutions		88,926	66,464	58,148
Deposits and borrowings from the public		132,531	126,915	118,618
Debt securities in issue		28,593	34,045	41,831
Derivatives	6	2,521	1,024	1,167
Fair value changes of the hedged items in portfolio hedge of interest rate risk		629	0	0
Current tax liabilities		1,311	702	135
Other liabilities		12,504	10,023	9,404
Accrued expenses and prepaid income		1,794	2,408	2,170
Retirement benefit obligations		2,386	2,393	2,351
Subordinated liabilities		2,844	2,692	3,017
<b>Total liabilities</b>		<b>274,039</b>	<b>246,666</b>	<b>236,841</b>
<b>Equity</b>				
Share capital		3,860	3,860	3,860
Other reserves		953	953	953
Retained earnings		13,447	13,850	12,693
<b>Total equity</b>		<b>18,260</b>	<b>18,663</b>	<b>17,506</b>
<b>Total liabilities and equity</b>		<b>292,299</b>	<b>265,329</b>	<b>254,347</b>
Assets pledged for own liabilities		14,427	14,067	12,018
Contingent liabilities		27,321	24,835	23,708
Commitments		261,722	242,236	237,308
<b>Other notes</b>				
Note 4 Classification of financial instruments				
Note 7 Capital adequacy				



## Movements in equity

NOKm	Share capital	Retained earnings	Total
<b>Balance at end of year, at 31 December 2004</b>	<b>3,860</b>	<b>13,441</b>	<b>17,301</b>
Change in accounting policies:			
Provision for dividend 2004		2,200	2,200
IAS 19 Pension		-838	-838
IAS 39 Loan loss provisions		188	188
IAS 39 Financial instruments		-141	-141
Other opening balance issues		-18	-18
<b>Balance at end of year, at 31 December 2004, restated</b>	<b>3,860</b>	<b>14,832</b>	<b>18,692</b>
Net profit for the period		1,766	1,766
Currency translation differences		2	2
Dividend for 2004		-2,200	-2,200
<b>Balance at 30 June 2005</b>	<b>3,860</b>	<b>14,400</b>	<b>18,260</b>

NOKm	Share capital	Retained earnings	Total
<b>Balance at end of year, at 31 December 2003</b>	<b>3,860</b>	<b>13,322</b>	<b>17,182</b>
Change in accounting policies:			
Provision for dividend 2003		500	500
IAS 19 Pension		-904	-904
<b>Balance at end of year, at 31 December 2003, restated</b>	<b>3,860</b>	<b>12,918</b>	<b>16,778</b>
Net profit for the period before changes in accounting policies		1,195	1,195
IAS 19 Pension - effect on net profit		33	33
Net profit for the period		1,228	1,228
Dividend for 2003		-500	-500
<b>Balance at 30 June 2004</b>	<b>3,860</b>	<b>13,646</b>	<b>17,506</b>

## Cash flow statement

NOKm	Jan-June 2005	Jan-June 2004
<i>Operating activities</i>		
Operating profit	2,447	1,682
Adjustments for items not included in cash flow	-670	-118
Income taxes paid	18	-334
Cash flow from operating activities before changes in operating assets and liabilities	1,796	1,230
<i>Changes in operating assets and liabilities</i>		
Change in loans and receivables to credit institutions	-8,988	13,146
Change in loans and receivables to public	-23,004	-12,759
Change in interest bearing securities	-1,163	-3,841
Change in shares	586	-106
Change in derivatives, net	-1,639	-1,863
Change in other assets	-2,592	1,620
Change in deposits by credit institutions	14,533	-7,138
Change in deposits and borrowings from the public	5,616	7,296
Change in debt securities in issue	-5,452	-2,213
Change in other liabilities	4,596	-586
Cash flow from operating activities	-15,711	-5,215
<i>Investing activities</i>		
Acquisition of tangible assets	-48	-33
Sale of tangible assets	6	908
Cash flow from investing activities	-42	875
<i>Financing activities</i>		
Issued/amortised subordinated liabilities	152	-447
Dividend paid	-2,200	-500
Cash flow from financing activities	-2,048	-947
<b>Cash flow for the period</b>	<b>-17,801</b>	<b>-5,288</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>26,401</b>	<b>24,942</b>
<b>Cash and cash equivalents at end of period</b>	<b>8,600</b>	<b>19,654</b>
<b>Change</b>	<b>-17,801</b>	<b>-5,288</b>
<b>Cash and cash equivalents</b>	Jan-June <u>2005</u>	Jan-June <u>2004</u>
The following items are included in cash and cash equivalents (NOKm):		
Cash and balances with central banks	1,174	3,053
Loans and receivables to credit institutions, payable on demand	7,426	16,601

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 and receivables to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

# Notes

## Note 1 Accounting policies

### Basis for presentation

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) endorsed by the EU. These statements are presented in accordance with IAS 34 "Interim Financial Reporting".

The comparative figures under IFRS presented by Nordea for 2004, do not include the revised IAS 39 "Financial Instruments". This standard came into force on 1 January 2005. As Nordea has not based its relevant business operations on the principles of IAS 39 during 2004, remeasured figures would not provide meaningful information.

Financial institutions in Norway have for the time being not been given admittance to prepare the accounts regarding the parent company in accordance with IFRS. With the exception of the part of IAS 39 regarding impairment of loans, IFRS has not been implemented in the accounts of the parent company. New regulation regarding loans, which came into force 1.1.2005, makes it possible to use the same accounting principles in the Group's and the parent company's accounts. With the exception above, the accounts of the parent company have been prepared using the same principles as described in the Annual Report 2004. The financial statement of Nordea Bank Norway ASA is presented behind the financial statements of the Group.

In the Annual report for 2004 Norwegian GAAP was applied. The main differences between Norwegian GAAP and IFRS principles affecting the financial statements of Nordea are:

### IAS 19 Benefits to employees

In accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards" retirement benefit obligations less taxes not recognized in the balance sheet, have been booked directly against equity when implementing IFRS. Comparative figures for 2004 have been changed accordingly.

### IAS 39 Financial Instruments

#### *Classification and measurement of financial instruments*

Each financial instrument within the scope of IAS 39 has been classified into one of the following categories in accordance with the standard:

#### **Financial assets**

- Financial assets at fair value through profit or loss
  - Held for trading
  - Financial assets designated upon inception as measured at fair value through profit or loss
- Loans and receivables
- Held to maturity investments
- Available for sale financial assets

#### **Financial liabilities**

- Held for trading
- Other financial liabilities

The classification is the basis for how each financial instrument is measured in the balance sheet and how changes in its fair value are recognised.

Financial assets at fair value through profit or loss and financial liabilities held for trading are measured at fair value and changes in fair values are recognised directly in the income statement.

Financial assets classified as loans and receivables and other financial liabilities are measured at amortised cost. NBN has no assets classified in the categories available for sale or held to maturity.

#### *Interest income from impaired loans*

Implementation of IAS 39 regarding impairment means that the interest income from impaired loans is recognised as interest income, calculated at the effective interest rate, while the value of a loan at the time of impairment is calculated based on net present value of future cash flows. This means that interest income and impairment losses are showing increases of the same magnitude. The net effect on reported profits is expected to be marginal.

#### *Loan loss provisions*

General loan loss provisions are not allowed under IAS 39. The standard instead requires impairment to be identified in groups of loans with similar risk characteristics. Consequently, in the opening balance for 2005 Nordea has partly reclassified general provisions to group-wise provisions (collective impairment) and remaining general provisions after reclassification have been dissolved.

#### *Hedge accounting*

Following the implementation of IAS 39 all derivatives are measured at fair value, also those that previously were accounted for under deferral hedge accounting requirements. Fair value hedge accounting is applied, meaning that both the hedged instrument and the hedged item are measured at fair value, with changes in fair values recognised directly in the income statement. The effectiveness of the hedging relationships is consequently measured and evaluated and any ineffectiveness is affecting the income statement.

#### **Dividend**

Proposed dividend is not booked as an obligation in the yearly accounts, but is instead included in equity until the decision regarding dividend is formally adopted.

#### **Amendment to IAS 39**

In June 2005 IAS 39 was amended with rules on the Fair Value Option, which are expected to be endorsed by the EU in the autumn 2005. As the discussions on the amendments on the hedge accounting rules are still ongoing, this continues to be closely monitored by Nordea.

## Effects of IFRS

The application of IFRS have had the following effects on net profit, and equity balance sheets for comparative figures:

	Q4	Q3	Q2	Q1	Year
NOKm	2004	2004	2004	2004	2004
<b>Net profit under Norwegian GAAP</b>	<b>603</b>	<b>534</b>	<b>679</b>	<b>516</b>	<b>2,332</b>
IAS 19 Pensions	+23	+23	+23	+23	+92
Tax	-7	-7	-6	-6	-26
<b>Net profit under IFRS</b>	<b>619</b>	<b>550</b>	<b>696</b>	<b>533</b>	<b>2,398</b>

	1 Jan	30 Jun	1 Jan
NOKm	2005	2004	2004
<b>Equity under Norwegian GAAP</b>	<b>17,301</b>	<b>18,377</b>	<b>17,182</b>
IAS 19 Pensions	-838	-871	-904
IAS 39 Loan loss provisions	+188	0	0
IAS 39 Financial instruments	-141	0	0
Dividend	+2,200	0	+500
Other	-18	0	0
<b>Equity under IFRS</b>	<b>18,692</b>	<b>17,506</b>	<b>16,778</b>

## Exchange rates

	Jan-June 2005	Jan-Dec 2004	Jan-June 2004
<b>EUR 1 = SEK</b>			
Income statement (average)	9.1487	9.1276	9.1733
Balance sheet (at end of period)	9.4640	9.0153	9.1536
<b>EUR 1 = DKK</b>			
Income statement (average)	7.4445	7.4385	7.4441
Balance sheet (at end of period)	7.4495	7.4390	7.4330
<b>EUR 1 = NOK</b>			
Income statement (average)	8.1391	8.3725	8.4493
Balance sheet (at end of period)	7.9145	8.2484	8.2585
<b>EUR 1 = PLN</b>			
Income statement (average)	4.0813	4.5297	4.7420
Balance sheet (at end of period)	4.0363	4.0746	4.5129

	Q2 2005	Q2 2004	Jan-June 2005	Jan-June 2004
<b>Note 2 Net gains/losses on items at fair value, NOKm</b>				
Shares/participations and other share-related instruments	-2	8	13	8
Interest-bearing securities and other interest-related instruments	114	59	181	194
Other financial instruments	162	5	175	0
Foreign exchange gains/losses	43	47	93	84
<b>Total</b>	<b>317</b>	<b>119</b>	<b>462</b>	<b>286</b>

	Q2 2005	Q2 2004	Jan-June 2005	Jan-June 2004
<b>Note 3 Loan losses, NOKm</b>				
<b>Loan losses divided by category</b>				
Write-downs and provisions for loans and receivables to the public	227	153	266	237
Reversals and recoveries for loans and receivables to the public	-1,027	-207	-1,101	-260
<b>Total</b>	<b>-800</b>	<b>-54</b>	<b>-835</b>	<b>-23</b>

#### Specifications

##### *Specific provisions for individually assessed loans*

Realised loan losses during the period	6	457	7	468
Reversed amount of previous provisions made for realised losses during the period	0	-431	0	-431
This period's provisions for probable loan losses	214	105	244	175
Recoveries of previous periods' realised loan losses	-3	-32	-20	-35
Reversals of provisions for probable loan loss no longer required	-560	-174	-616	-218
This period's costs for individually assessed loans, net	-343	-75	-385	-41

##### *Provisions for groups of significant loans*

Allocation to reserve	4	0	4	1
Withdrawal from reserve	-55	0	-55	0
This period's change of provisions for groups of significant loans	-51	0	-51	1

##### *Provisions for groups of non-significant loans*

Realised loan losses during the period	0	0	0	0
Recoveries of previous periods' realised loan losses	0	0	0	0
Allocation to reserve	3	3	7	6
Withdrawal from reserve	0	0	0	0
This period's net costs of provisions for groups of non-significant loans	3	3	7	6

##### *Transfer risks*

Allocation to reserve for transfer risks	0	0	3	-1
Withdrawal from reserve for transfer risks	0	0	0	0
This period's change of provisions for transfer risks	0	0	3	-1

##### *Contingent liabilities*

Net cost for redemption of guarantees and other contingent liabilities	-1	0	-1	0
This period's net cost for redemption of guarantees and other contingent liabilities	-1	0	-1	0
Change in value of assets taken over for protection of claims	-408	18	-408	12
<b>Loan losses</b>	<b>-800</b>	<b>-54</b>	<b>-835</b>	<b>-23</b>

**Note 4 Classification of financial instruments, NOKm**

30 June 2005	Held for trading	Assets at fair value	Loans and receiv-ables	Held to maturity	Available for sale	Total
<b>Financial assets</b>						
Cash and balances with central banks			1,174			1,174
Loans and receivables to credit institutions			17,590			17,590
Loans and receivables to the public			234,612			234,612
Interest-bearing securities	20,337					20,337
Derivatives	3,321					3,321
Shares	292	93				385
<b>Total</b>	<b>23,950</b>	<b>93</b>	<b>253,376</b>	<b>0</b>	<b>0</b>	<b>277,419</b>

30 June 2005	Held for trading	Liabilities at fair value	Other financial liabilities	Total
<b>Financial liabilities</b>				
Deposits by credit institutions			88,926	88,926
Deposits and borrowings from the public			132,531	132,531
Debt securities in issue			28,593	28,593
Derivatives		2,521		2,521
Other liabilities		1,133	11,371	12,504
Subordinated liabilities			2,844	2,844
<b>Total</b>	<b>3,654</b>	<b>0</b>	<b>264,265</b>	<b>267,919</b>

**Note 5 Loan portfolio and its impairment**

	30 June 2005	31 Dec 2004	30 June 2004
NOKm			
Loans and receivables to credit institutions	17,590	4,675	4,817
Loans and receivables to the public	234,612	211,608	211,586
<b>Total</b>	<b>252,202</b>	<b>216,283</b>	<b>216,403</b>

30 June 2005, NOKm	Credit institutions	Corpo- rates	House- holds	Public sector	Total
<b>Loans before reserves</b>	<b>17,590</b>	<b>131,221</b>	<b>104,932</b>	<b>643</b>	<b>254,386</b>
- of which impaired loans		4,560	668	4	5,232
- of which non-performing loans, which are not impaired and where interest is accrued		0	0	0	0
- of which non-performing loans, which are impaired		738	551	4	1,293
- of which performing loans, which are impaired		3,822	117	0	3,939
<b>Reserves</b>	<b>0</b>	<b>-1,978</b>	<b>-204</b>	<b>-2</b>	<b>-2,184</b>
- of which reserves for impaired loans		-1,978	-204	-2	-2,184
- of which reserves for non-performing loans, which are impaired		-378	-191	-2	-571
- of which reserves for performing loans, which are impaired		-1,600	-13	0	-1,613
<b>Loans at book value</b>	<b>17,590</b>	<b>129,243</b>	<b>104,728</b>	<b>641</b>	<b>252,202</b>
- of which impaired loans		2,582	464	2	3,048
- of which non-performing loans, which are not impaired and where interest is accrued		0	0	0	0
- of which non-performing loans, which are impaired		360	360	2	722
- of which performing loans, which are impaired		2,222	104	0	2,326
<b>Specification of reserves</b>					
Specific reserves for individually assessed loans		-1,098	-204	-2	-1,304
Reserves for groups of significant loans		-880	0	0	-880
Reserves for groups of non-significant loans		0	0	0	0
<b>Total reserves</b>	<b>0</b>	<b>-1,978</b>	<b>-204</b>	<b>-2</b>	<b>-2,184</b>

Note 5, continued

31 December 2004, NOKm	Credit institutions	Corpo- rates	House- holds	Public sector	Total
<b>Loans before reserves</b>	<b>4,675</b>	<b>118,786</b>	<b>95,129</b>	<b>674</b>	<b>219,264</b>
- of which impaired loans		4,791	634	4	5,429
- of which non-performing loans, which are not impaired and where interest is accrued		0	0	0	0
- of which non-performing loans, which are impaired		1,058	547	4	1,609
- of which performing loans, which are impaired		3,733	87	0	3,820
<b>Reserves</b>	<b>0</b>	<b>-1,576</b>	<b>-215</b>	<b>-2</b>	<b>-2,981</b>
- of which reserves for impaired loans <sup>1</sup>		-1,576	-215	-2	-2,981
- of which reserves for non-performing loans, which are impaired		-477	-171	-2	-650
- of which reserves for performing loans, which are impaired <sup>1</sup>		-1,099	-44	0	-2,331
<b>Loans at book value</b>	<b>4,675</b>	<b>117,210</b>	<b>94,914</b>	<b>672</b>	<b>216,283</b>
- of which impaired loans		3,215	419	2	3,636
- of which non-performing loans, which are not impaired and where interest is accrued		0	0	0	0
- of which non-performing loans, which are impaired		581	376	2	959
- of which performing loans, which are impaired		2,634	43	0	2,677
<b>Specification of reserves</b>					
Specific reserves for individually assessed loans		-1,575	-182	-2	-1,759
Reserves for groups of significant loans <sup>1</sup>		0	0	0	-1,188
Reserves for groups of non-significant loans		-1	-33	0	-34
<b>Total reserves</b>	<b>0</b>	<b>-1,576</b>	<b>-215</b>	<b>-2</b>	<b>-2,981</b>

<sup>1</sup>Include general provisions which are not categorized with NOK 1,188

30 June 2004, NOKm	Credit institutions	Corpo- rates	House- holds	Public sector	Total
<b>Loans before reserves</b>	<b>4,817</b>	<b>125,275</b>	<b>89,090</b>	<b>734</b>	<b>219,916</b>
- of which impaired loans		5,333	648	5	5,986
- of which non-performing loans, which are not impaired and where interest is accrued		0	0	0	0
- of which non-performing loans, which are impaired		1,303	573	5	1,881
- of which performing loans, which are impaired		4,030	75	0	4,105
<b>Reserves</b>	<b>0</b>	<b>-1,650</b>	<b>-223</b>	<b>-2</b>	<b>-3,513</b>
- of which reserves for impaired loans <sup>1</sup>		-1,650	-223	-2	-3,513
- of which reserves for non-performing loans, which are impaired		-630	-207	-2	-839
- of which reserves for performing loans, which are impaired <sup>1</sup>		-1,020	-16	0	-2,674
<b>Loans at book value</b>	<b>4,817</b>	<b>123,625</b>	<b>88,867</b>	<b>732</b>	<b>216,403</b>
- of which impaired loans		3,683	425	3	4,111
- of which non-performing loans, which are not impaired and where interest is accrued		0	0	0	0
- of which non-performing loans, which are impaired		673	366	3	1,042
- of which performing loans, which are impaired		3,010	59	0	3,069
<b>Specification of reserves</b>					
Specific reserves for individually assessed loans		-1,649	-195	-2	-1,846
Reserves for groups of significant loans <sup>1</sup>		0	0	0	-1,638
Reserves for groups of non-significant loans		-1	-28	0	-29
<b>Total reserves</b>	<b>0</b>	<b>-1,650</b>	<b>-223</b>	<b>-2</b>	<b>-3,513</b>

<sup>1</sup>Include general provisions which are not categorized with NOK 1,638

Note 5, continued	30 June 2005	31 Dec 2004	30 June 2004
Reserves/impaired loans, gross, %	-41.7	-54.9	-58.7
Impaired loans, gross/loans and receivables to the public, gross, %	2.1	2.5	2.7

	30 June 2005	31 Dec 2004	30 June 2004
<b>Assets taken over for protection of claims, NOKm</b>			
<b>Current assets</b>			
Land and buildings	2	5	8
Shares and other participations	2	2	2
Other assets	2	3	5
<b>Total</b>	<b>6</b>	<b>10</b>	<b>15</b>

#### Note 6 Derivatives, NOKm

	Assets Fair value	Liabilities Fair value	Total Nom. value
30 June 2005			
<b>Derivatives held for trading</b>			
Interest rate derivatives	27	205	18,334
Equity derivatives	7	7	120
Foreign exchange derivatives	1,297	80	89,594
<b>Total</b>	<b>1,331</b>	<b>292</b>	<b>108,048</b>
<b>Derivatives used for hedging</b>			
Interest rate derivatives	1,204	1,382	41,982
Equity derivatives	653	653	18,178
Foreign exchange derivatives	133	194	1,704
<b>Total</b>	<b>1,990</b>	<b>2,229</b>	<b>61,864</b>
<b>Derivatives, total</b>			
Interest rate derivatives	1,231	1,587	60,316
Equity derivatives	660	660	18,298
Foreign exchange derivatives	1,430	274	91,298
<b>Total</b>	<b>3,321</b>	<b>2,521</b>	<b>169,912</b>

	30 June 2005	31 Dec 2004	30 June 2004
<b>Note 7 Capital adequacy</b>			
Tier 1 capital, NOKm	16,643	16,510	16,498
Capital base, NOKm	19,829	19,510	19,869
Risk-weighted assets, NOK bn	223	204	204
Tier 1 capital ratio, %	7.5	8.1	8.1
Total capital ratio, %	8.9	9.6	9.8



## Segment reporting - Customer responsible units

NOKm	Corporate and Institutional Banking				Subtotal		Change %	Group Treasury		Group functions and eliminations		Total		Change %
	Retail Banking													
	Jan-Jun 2005	Jan-Jun 2004	Jan-Jun 2005	Jan-Jun 2004	Jan-Jun 2005	Jan-Jun 2004		Jan-Jun 2005	Jan-Jun 2004	Jan-Jun 2005	Jan-Jun 2004			
Net interest income	1,947	1,925	465	423	2,412	2,348	3	-63	94	8	-96	2,357	2,346	0
Net fee and commission income	451	347	256	256	707	603	17	4	4	-22	34	689	641	7
Net gains/losses on items at fair value	269	176	57	92	326	268	22	154	-16	10	46	490	298	64
Equity method	0	0	13	26	13	26	-50	0	0	4	0	17	26	-35
Other operating income	8	10	7	-3	15	7	114	0	0	13	4	28	11	155
<b>Total income incl. allocations</b>	<b>2,675</b>	<b>2,458</b>	<b>798</b>	<b>794</b>	<b>3,473</b>	<b>3,252</b>	<b>7</b>	<b>95</b>	<b>82</b>	<b>13</b>	<b>-12</b>	<b>3,581</b>	<b>3,322</b>	<b>8</b>
<i>of which allocations</i>	<i>465</i>	<i>415</i>	<i>-124</i>	<i>-74</i>	<i>341</i>	<i>341</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-341</i>	<i>-341</i>	<i>0</i>	<i>0</i>	
Staff costs	-593	-576	-208	-220	-801	-796	1	-5	-5	-398	-320	-1,204	-1,121	7
Other expenses	-844	-858	-92	-117	-936	-975	-4	-12	-17	248	232	-700	-760	-8
Depreciation of tangible and intangible assets	-29	-30	-1	0	-30	-30	0	0	0	-44	-82	-74	-112	-34
<b>Expenses incl. allocations</b>	<b>-1,466</b>	<b>-1,464</b>	<b>-301</b>	<b>-337</b>	<b>-1,767</b>	<b>-1,801</b>	<b>-2</b>	<b>-17</b>	<b>-22</b>	<b>-194</b>	<b>-170</b>	<b>-1,978</b>	<b>-1,993</b>	<b>-1</b>
<i>of which allocations</i>	<i>-331</i>	<i>-318</i>	<i>-27</i>	<i>-42</i>	<i>-358</i>	<i>-360</i>		<i>-6</i>	<i>-4</i>	<i>364</i>	<i>364</i>	<i>0</i>	<i>0</i>	
Impairment losses on loans and advances	482	24	62	9	544	33	1548	0	0	291	-10	835	23	3530
Gains less losses on sales of tangible and intangible assets	10	11	0	0	10	11	-9	0	0	-1	319	9	330	-97
<b>Profit before tax</b>	<b>1,701</b>	<b>1,029</b>	<b>559</b>	<b>466</b>	<b>2,260</b>	<b>1,495</b>	<b>51</b>	<b>78</b>	<b>60</b>	<b>109</b>	<b>127</b>	<b>2,447</b>	<b>1,682</b>	<b>45</b>
<b>Balance sheet, NOKbn</b>														
Loans and receivables	186.5	169.1	46.9	43.0	233.4	212.1		51.7	46.2	-32.9	-41.9	252.2	216.4	
Other assets	3.3	1.3	24.0	13.2	27.3	14.5		15.4	25.1	-2.6	-1.7	40.1	37.9	
<b>Total assets</b>	<b>189.8</b>	<b>170.4</b>	<b>70.9</b>	<b>56.2</b>	<b>260.7</b>	<b>226.6</b>		<b>67.1</b>	<b>71.3</b>	<b>-35.5</b>	<b>-43.6</b>	<b>292.3</b>	<b>254.3</b>	
Deposits	114.8	105.1	43.6	36.2	158.4	141.3		104.7	85.6	-41.6	-50.1	221.5	176.8	
Other liabilities	33.4	34.5	11.2	9.2	44.6	43.7		-5.3	15.9	13.2	0.4	52.5	60.0	
Total liabilities	148.2	139.6	54.8	45.4	203.0	185.0		99.4	101.5	-28.4	-49.7	274.0	236.8	
Economic capital	6.6	6.8	3.3	3.4	9.9	10.2		0.8	0.2	7.6	7.1	18.3	17.5	
<b>Total liabilities and economic capital</b>	<b>154.8</b>	<b>146.4</b>	<b>58.1</b>	<b>48.8</b>	<b>212.9</b>	<b>195.2</b>		<b>100.2</b>	<b>101.7</b>	<b>-20.8</b>	<b>-42.6</b>	<b>292.3</b>	<b>254.3</b>	
<b>Other segment items</b>														
Capital expenditure	30	22	10	7	40	29		8	4	0	0	48	33	

# Nordea Bank Norge ASA

## Statement of income

NOK million	The Parent Bank				
	2 <sup>nd</sup> quarter		Six months		Full year
	2005	2004	2005	2004	2004
Interest income	2,161	2,052	4,381	4,393	8,809
Interest expenses	1,173	1,106	2,274	2,310	4,536
<b>Net interest income</b>	<b>988</b>	<b>946</b>	<b>2,107</b>	<b>2,083</b>	<b>4,273</b>
Dividends and profit from group companies and associated companies	88	92	162	178	292
Commissions and fees	478	428	895	830	1,817
Commission expenses	-107	-99	-204	-188	-410
Net change in value and profit (loss) on securities	172	3	192	78	91
Net change in value and profit (loss) on foreign exchange and financial derivatives	116	116	224	208	423
Other non-interest income	30	332	42	345	412
<b>Total non-interest income</b>	<b>777</b>	<b>872</b>	<b>1,311</b>	<b>1,451</b>	<b>2,625</b>
Personnel expenses	591	562	1,149	1,118	2,199
Administrative expenses	233	247	460	563	985
Ordinary depreciation and write-downs	37	55	72	110	192
Other non-interest expenses	114	91	221	181	418
<b>Total non-interest expenses</b>	<b>975</b>	<b>955</b>	<b>1,902</b>	<b>1,972</b>	<b>3,794</b>
<b>Operating profit before loan losses and profit on long-term securities</b>	<b>790</b>	<b>863</b>	<b>1,516</b>	<b>1,562</b>	<b>3,104</b>
Provision for losses on loans and guarantees	-802	-58	-841	-26	-27
Profit (losses/write-downs) on long-term securities	0	0	2	0	-4
<b>Operating profit</b>	<b>1,592</b>	<b>921</b>	<b>2,359</b>	<b>1,588</b>	<b>3,127</b>
Income taxes	427	242	618	393	795
<b>Net profit</b>	<b>1,165</b>	<b>679</b>	<b>1,741</b>	<b>1,195</b>	<b>2,332</b>

# Nordea Bank Norge ASA

## Balance sheet

NOK million	Note	30.06.05	30.06.04	31.12.04
<b>Assets</b>				
Cash and deposits with central banks		1,174	3,053	14,972
Deposits with and loans to credit institutions		27,477	14,823	13,320
<b>Total cash and claims on credit institutions</b>		<b>28,651</b>	<b>17,876</b>	<b>28,292</b>
Loans to customers		209,601	189,203	188,123
Specific allowance		-1,228	-1,787	-1,718
General allowance for loan losses		-880	-1,525	-1,075
<b>Net loans to customers</b>		<b>207,493</b>	<b>185,891</b>	<b>185,330</b>
<b>Repossessed assets</b>		<b>4</b>	<b>10</b>	<b>7</b>
Certificates and bonds		21,571	20,879	18,999
Equities and investments		385	419	971
<b>Total securities</b>		<b>21,956</b>	<b>21,298</b>	<b>19,970</b>
<b>Associated companies</b>		<b>623</b>	<b>630</b>	<b>651</b>
<b>Equities and investments in group companies</b>		<b>3,462</b>	<b>3,371</b>	<b>3,235</b>
<b>Deferred tax asset, goodwill and other intangible assets</b>		<b>635</b>	<b>598</b>	<b>689</b>
<b>Real estate and machinery</b>		<b>453</b>	<b>540</b>	<b>487</b>
<b>Other assets</b>		<b>13,003</b>	<b>9,401</b>	<b>10,482</b>
<b>Prepaid expenses and accrued income</b>		<b>1,043</b>	<b>1,677</b>	<b>1,155</b>
<b>Total assets</b>		<b>277,323</b>	<b>241,292</b>	<b>250,298</b>
<b>Liabilities and equity</b>				
Deposits from credit institutions		80,448	51,738	58,384
Deposits from customers		132,691	118,493	126,992
<b>Total deposits</b>		<b>213,139</b>	<b>170,231</b>	<b>185,376</b>
Certificates and bond loans		24,629	36,096	28,515
Other liabilities		14,787	10,573	13,769
Accrued expenses and prepaid receivables		1,580	1,873	1,435
Allowances for liabilities		1,217	1,126	1,211
<b>Total other liabilities</b>		<b>42,213</b>	<b>49,668</b>	<b>44,930</b>
<b>Subordinated loan capital</b>		<b>2,843</b>	<b>3,016</b>	<b>2,691</b>
Share capital		3,860	3,860	3,860
Reserves		13,526	13,322	13,441
Profit for the period		1,742	1,195	0
<b>Total equity</b>	1	<b>19,128</b>	<b>18,377</b>	<b>17,301</b>
<b>Total liabilities and equity</b>		<b>277,323</b>	<b>241,292</b>	<b>250,298</b>

# Nordea Bank Norge ASA

## Note 1 Equity

NOK million	2005	2004
Equity as at 1 January	17,301	17,182
Profit for the period	1,741	2,332
Provision for dividend	0	-2,200
Implementation effect of new loan loss regulations	82	0
Exchange rate differences	4	-13
<b>Equity as at 30 June</b>	<b>19,128</b>	<b>17,301</b>

## Note 2 Capital ratio

	NOK billion	
Risk-weighted assets as at	30.06.05	30.06.04
Total assets	166.1	152.1
Total off-balance sheet items	27.0	20.4
Total market and foreign exchange risk	3.2	4.6
<b>Risk-weighted assets</b>	<b>196.3</b>	<b>177.1</b>

	NOK million		%	
Capital ratio as at	30.06.05	30.06.04	30.06.05	30.06.04
Tier 1 capital	15 190	15 120	7.7	8.5
Supplementary capital	2 843	3 015	1.5	1.7
Deductions	-13	- 14	-	-
<b>Total capital</b>	<b>18 020</b>	<b>18 121</b>	<b>9.2</b>	<b>10.2</b>

The capital ratio requirement is 8%