



# **Interim Report Third Quarter 2005**

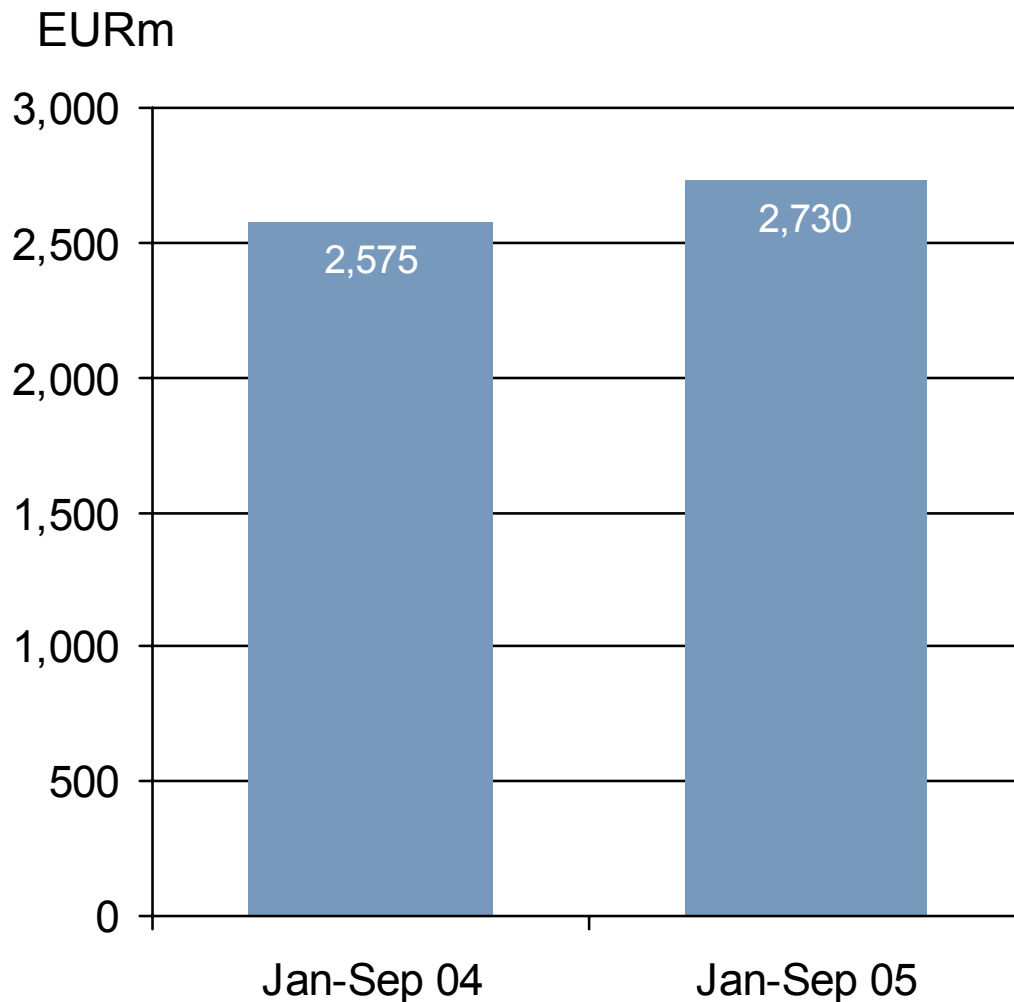
## **Press conference**

26 October 2005  
Lars G Nordström  
President and Group CEO

## **Operating profit up 30% in the first nine months of 2005**

- Operating profit EUR 2,300m (EUR 2,068m in the first nine months of 2004), up 30% when excluding real estate gain of EUR 300m last year
- Total income increased by 9% to EUR 4,877m (EUR 4,481m) – Net interest income up 6%
- Total expenses largely unchanged at EUR 2,712m (EUR 2,676m)
- Positive net loan losses of EUR 130m (EUR -37m)
- Net profit at EUR 1,763m (EUR 1,302m excluding real-estate gain)
- Earnings per share EUR 0.66 (EUR 0.57)
- Return on equity 18.6% compared to 14.5% excluding real-estate gain last year
- Repurchase of own shares up to a maximum of 2% of outstanding shares

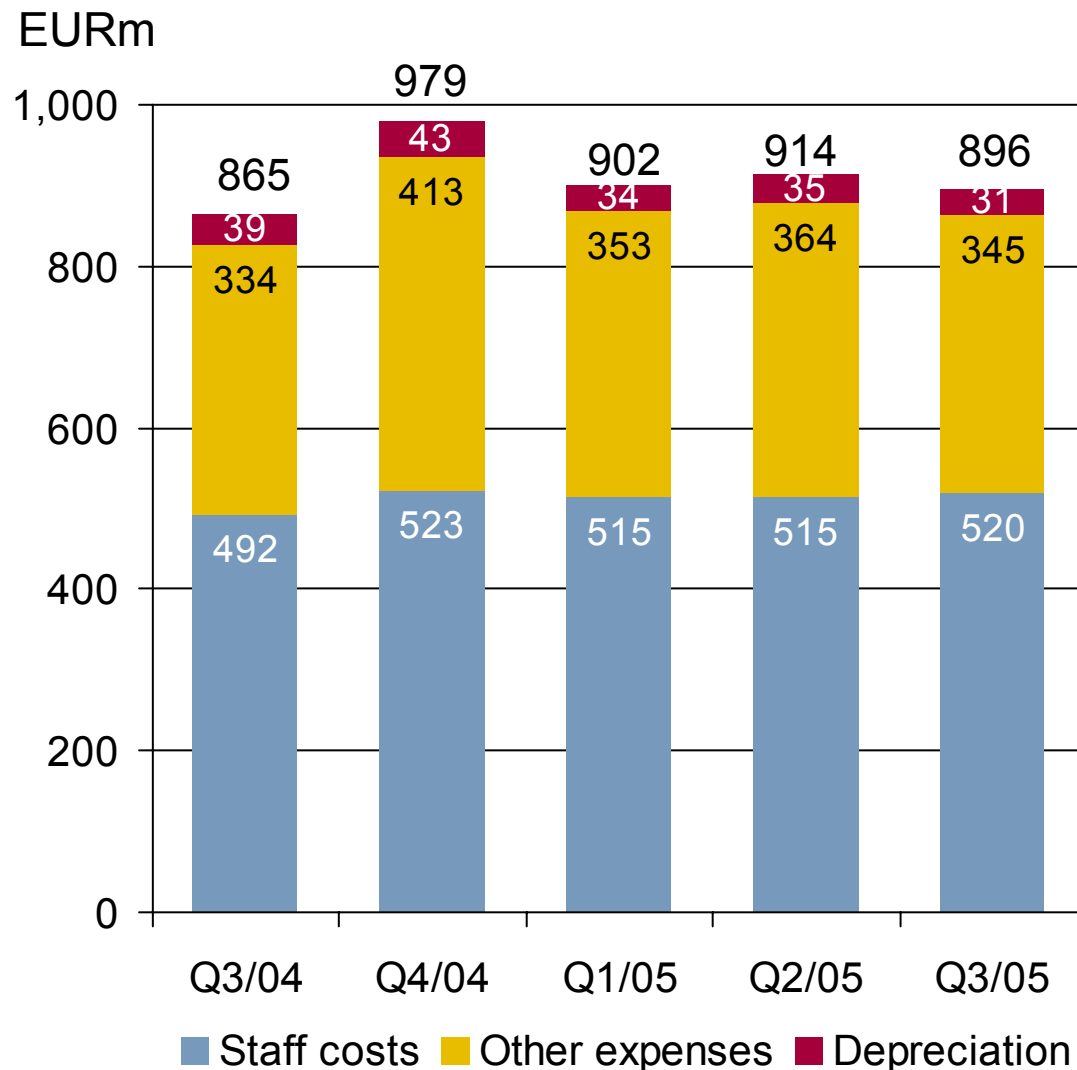
## Net interest income up by 6% year on year



YoY:

- Up 6%
- Volume growth more than offset margin pressure
- Strong growth in lending, up 18%
- Growth in focus areas
  - mortgage
  - SME
  - consumer finance
  - Poland and Baltics
  - Long term savings
- Margins to personal customers declined as mortgage lending is subject to strong competition

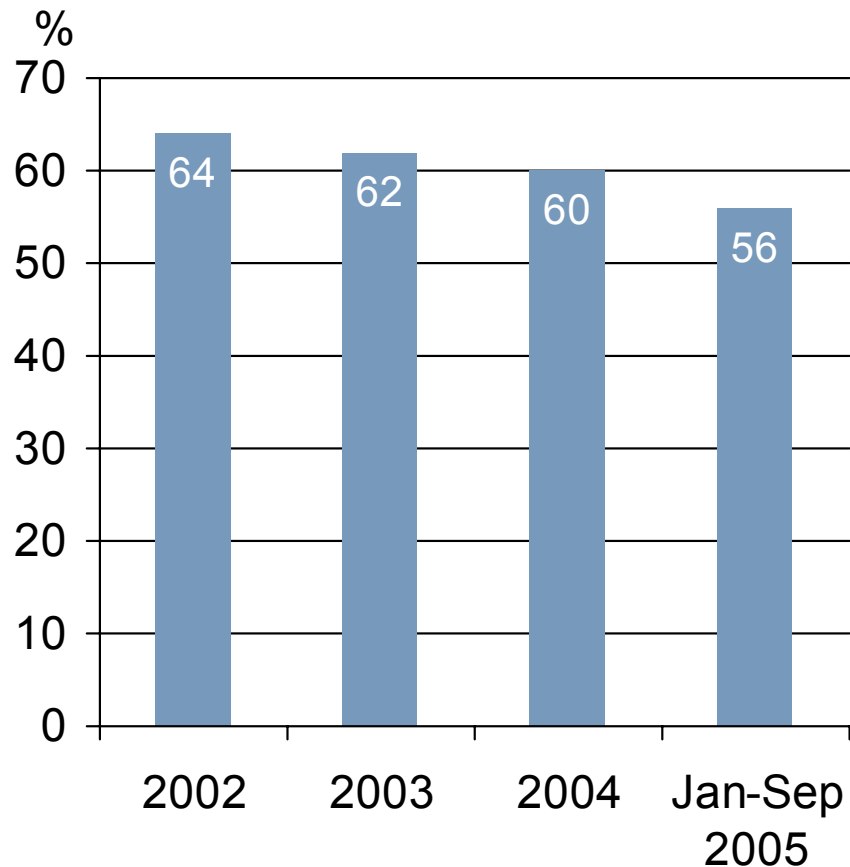
# Expenses



YoY:

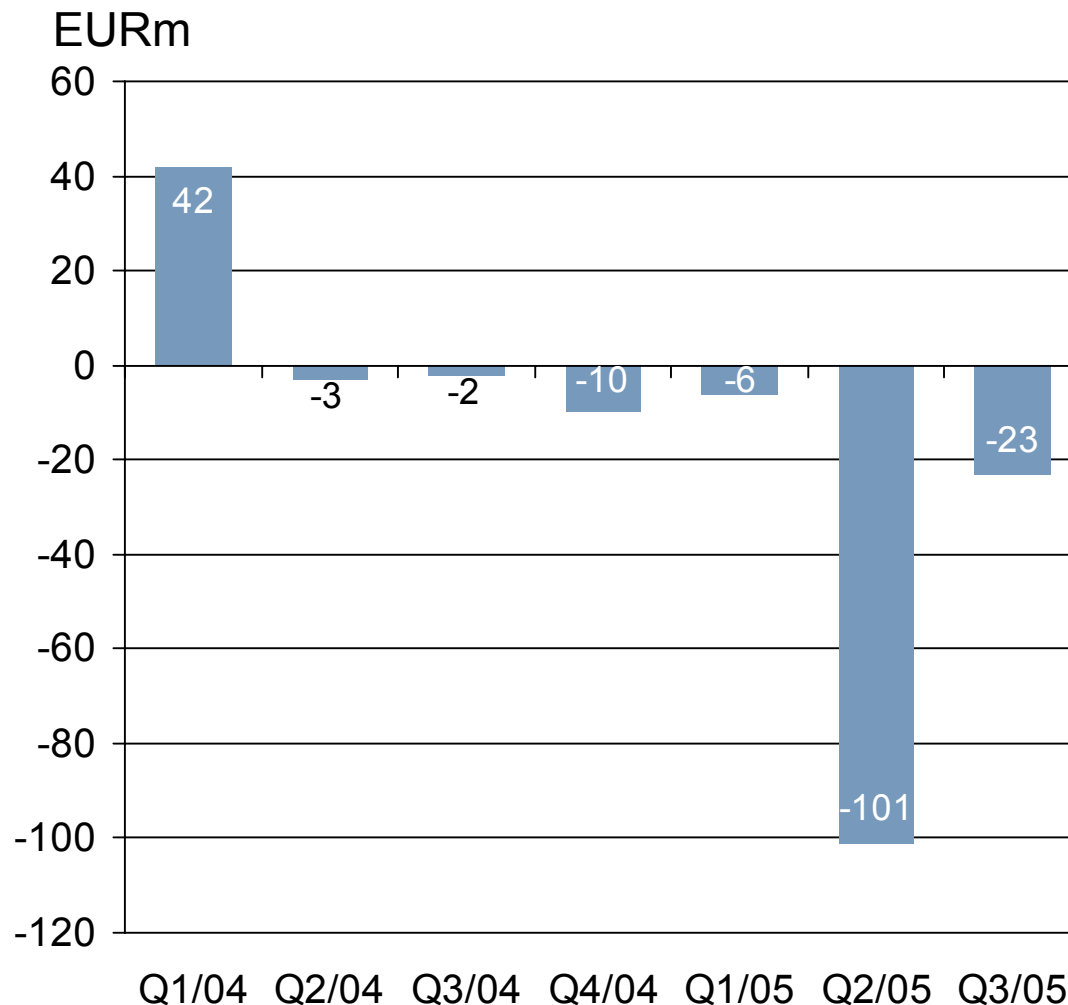
- Expenses largely unchanged
- Efficiency gains compensating
  - increased business volumes
  - inflation
- Costs in 2005 more evenly distributed
- Staff costs up 3%
  - reduction of FTEs
  - general wage increase
  - higher variable salaries

## Cost/income ratio continues down



- Target: Continuous improvement
- Flat costs while business volumes continue to grow
  - productivity gains
- Income up 9%

## Net loan losses continues to be positive



YoY:

- Positive result from loan losses at EUR 130m
- Sale of shares in Pan-Fish, recovery of EUR 98m

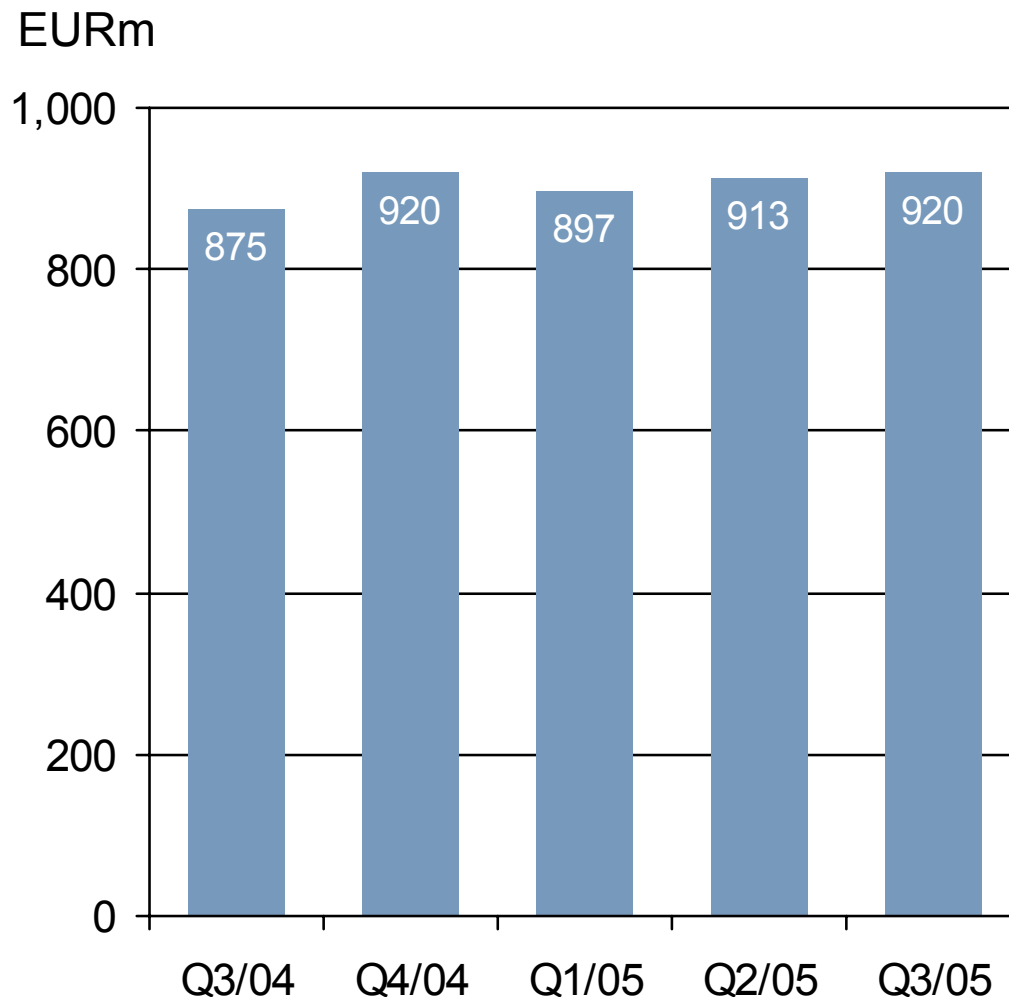
QoQ:

- Overall strong credit portfolio
- Reversals exceeded new provisions by EUR 23m

## **Strong development in the third quarter**

- Volume growth continued in the quarter
- Operating profit at EUR 728m (EUR 884m in Q2 2005) – continued growth but lower loan loss reversals and lower investment result compared to strong second quarter
- Total income EUR 1,601m (EUR 1,694m)
- Total expenses EUR 896m (EUR 914m)
- Positive net loan losses for the sixth consecutive quarter
- Net profit EUR 563m (EUR 705m)
- Operating profit up 24% compared to Q3 2004

# Stable growth of net interest income



QoQ:

- Up 1%
- Total lending up 4%
  - mortgage lending 5%
  - SME 3%
  - successful launch of home equity products
- Continued pressure on corporate margins
- Margin pressure on new mortgage sales seems to be levelling off



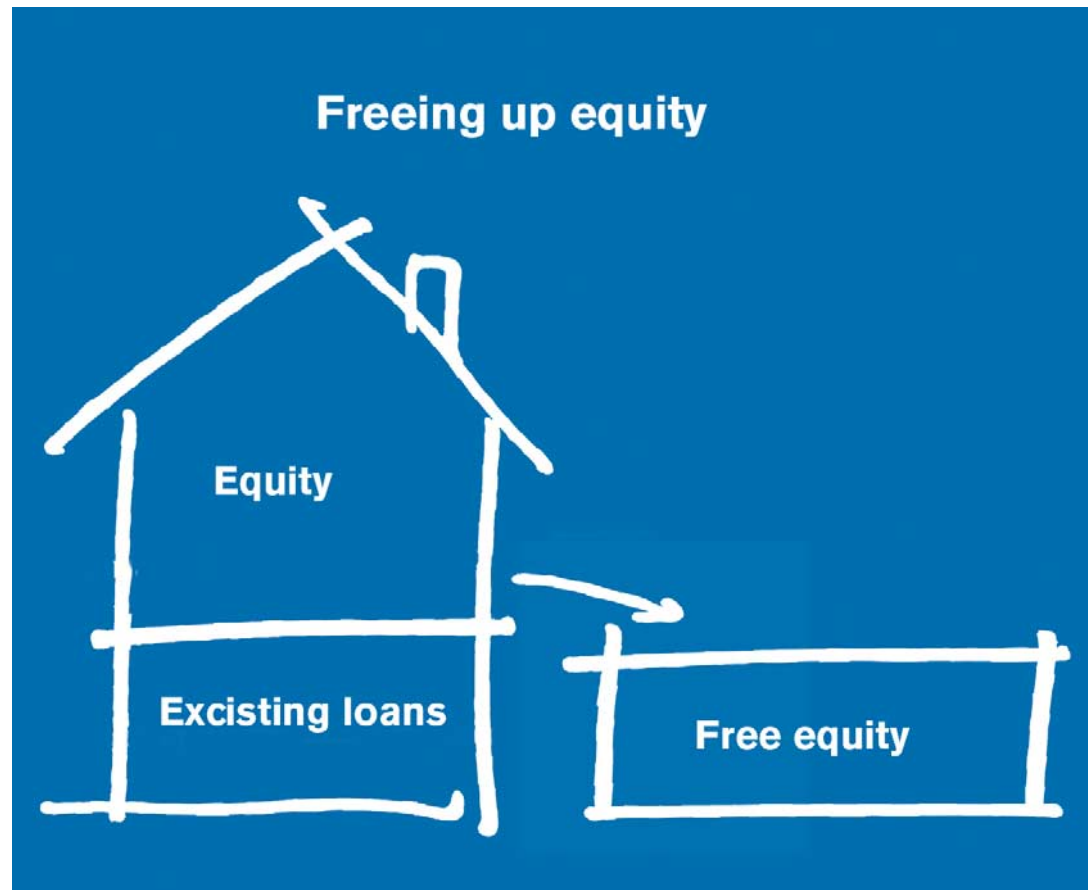
## **Continued strong growth in business volumes**

- Consumer lending up 15% year-on-year
- Lending to small and medium-sized corporates increased by 15%
- Mortgage lending to personal customers up 13%
- Assets under management increased by 17% to EUR 147bn
- Net written premiums in Life increased by 15%
- Successful launch of home equity concept in all Nordic markets
- Core customers up 9% and relaunch of customers programme

## Double digit growth in most areas

	<u>YoY</u>	<u>QoQ</u>
● <b>Lending, total</b>		
– Mortgage lending	13%	4%
– Consumer lending	15%	3%
– SME lending	15%	4%
– CIB lending	33%	-1%
● <b>Deposits, total</b>		
– Household deposits	8%	3%
– SME deposits	5%	3%
– CIB deposits	10%	-6%

## Successful launch of home equity concept



# Customer programmes - Increasing business rewards both customers & Nordea

Strong growth in core segment  
Sep 04 to Sep 05

- **Key elements in the programme offered to the customers:**

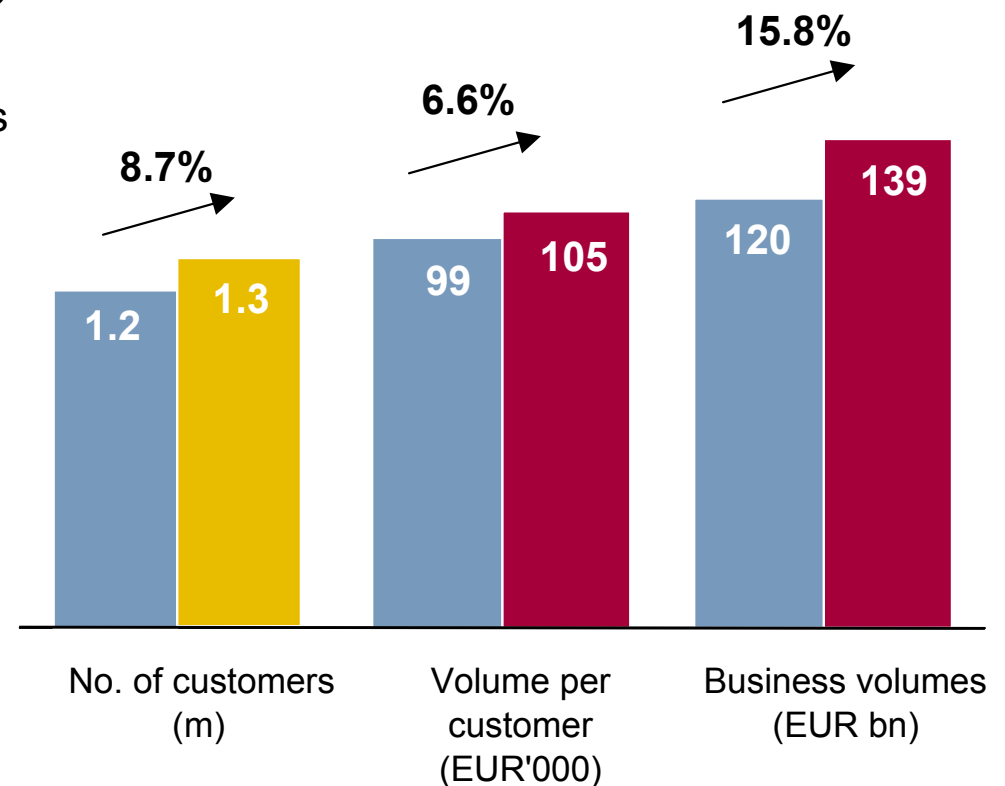
- More favourable conditions the more business you do with Nordea - and for the core customers a named personal banking adviser at their service
- Transparent pricing
- Three different levels

- **Key focus on increasing:**

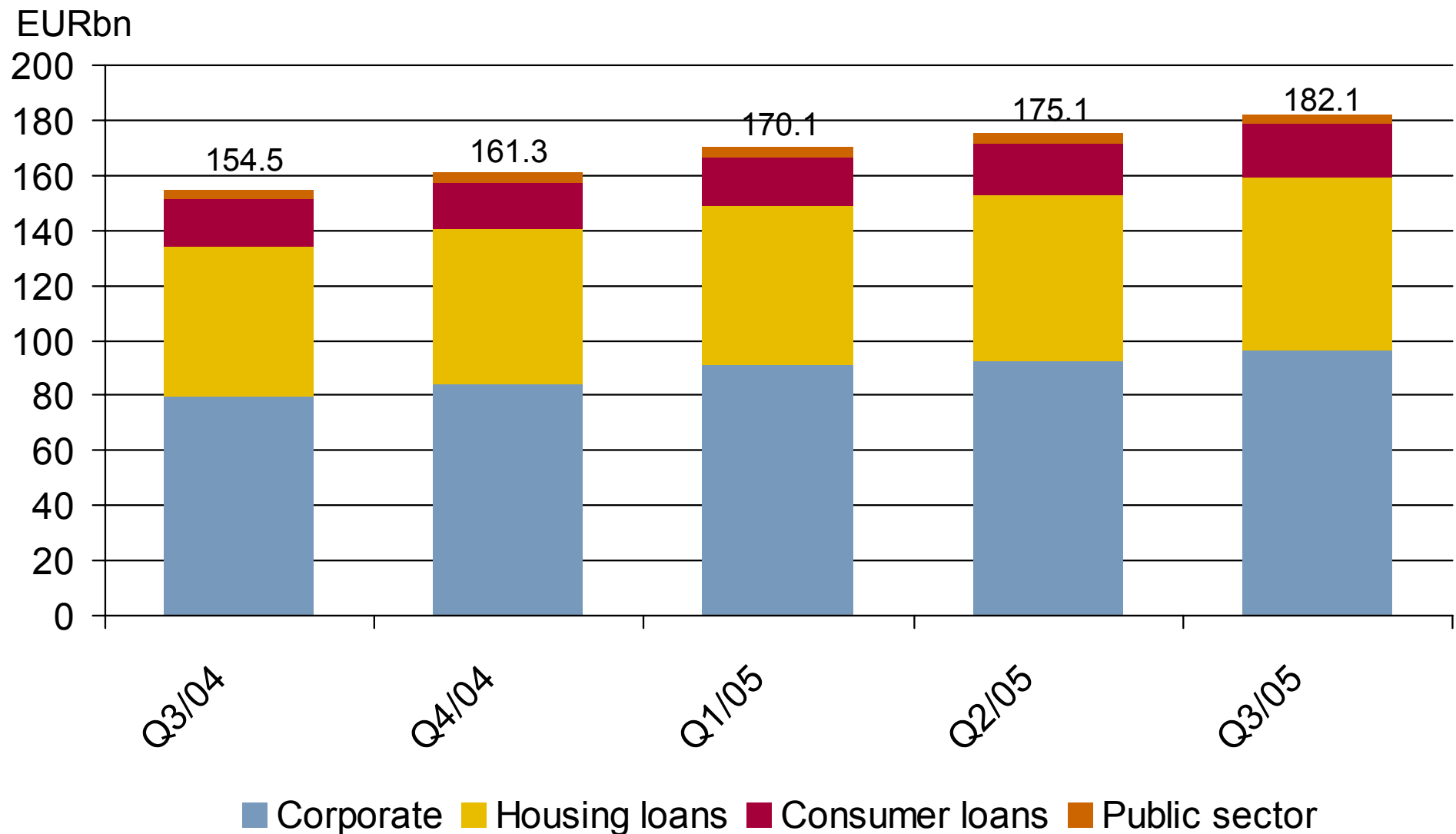
- Customer satisfaction and loyalty
- Business volume per customer

- **Strong success to date**

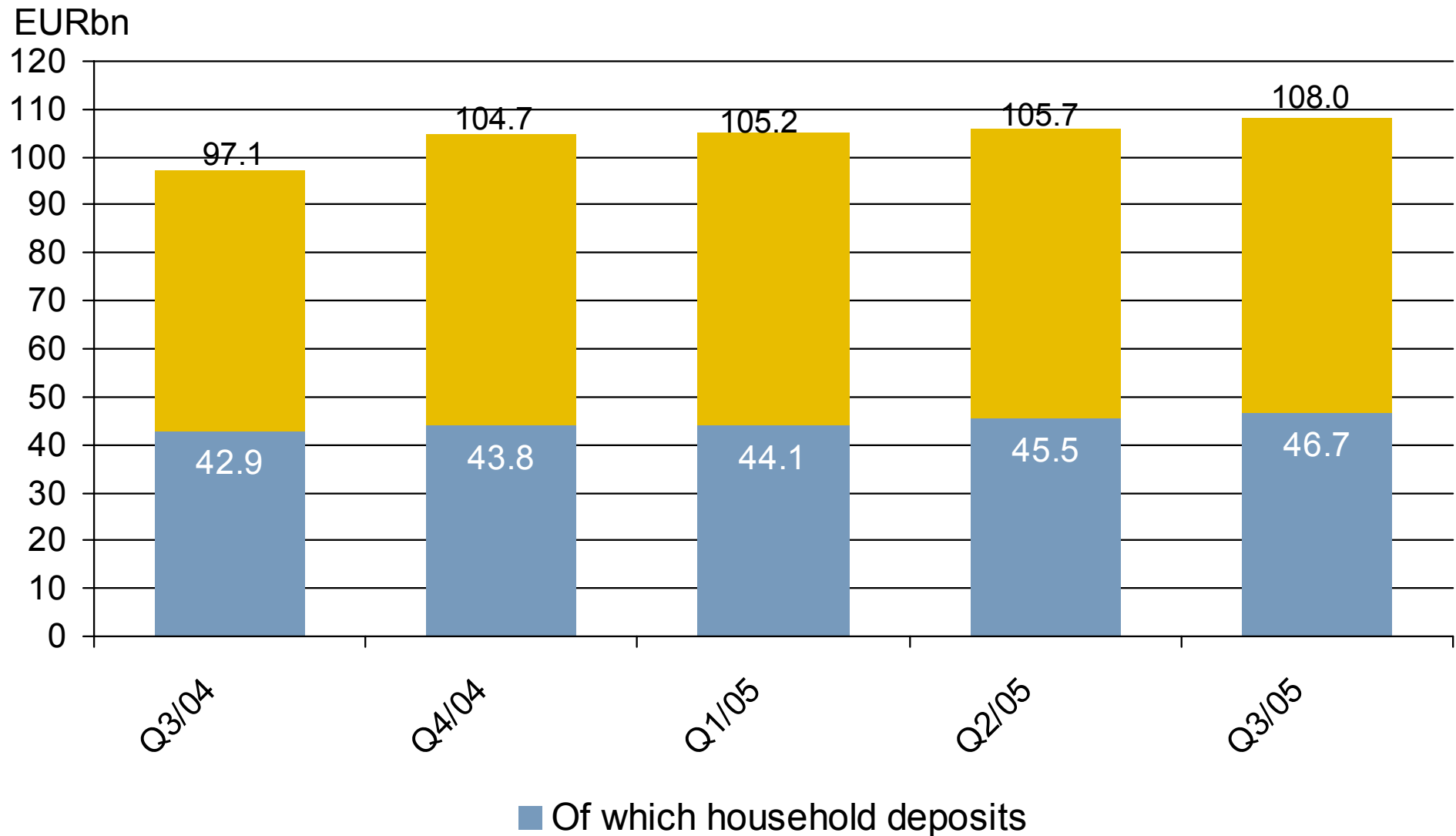
- number of customers and business volume per customer increased in core segment



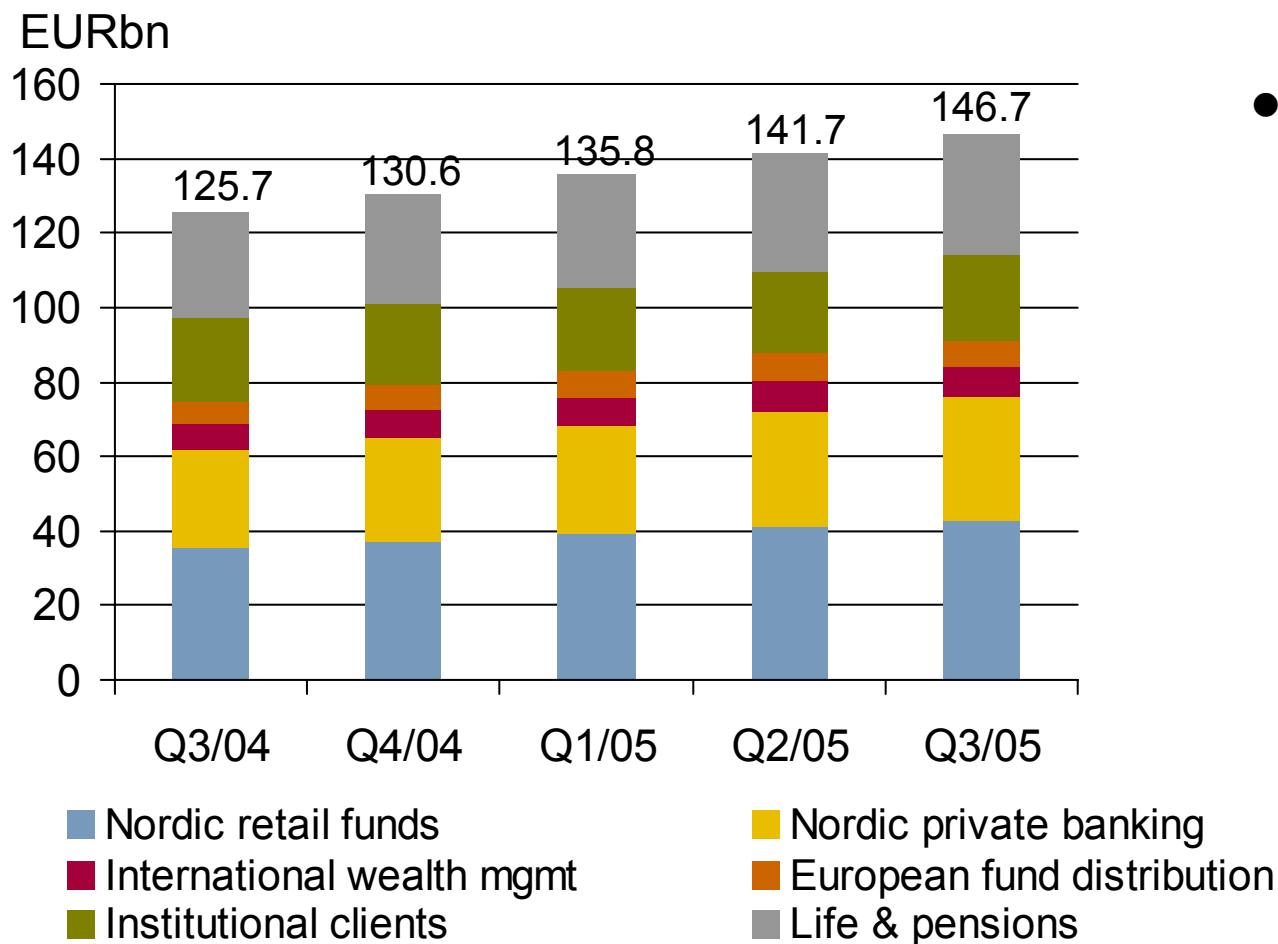
## Total lending on the rise



# Stable growth in deposits



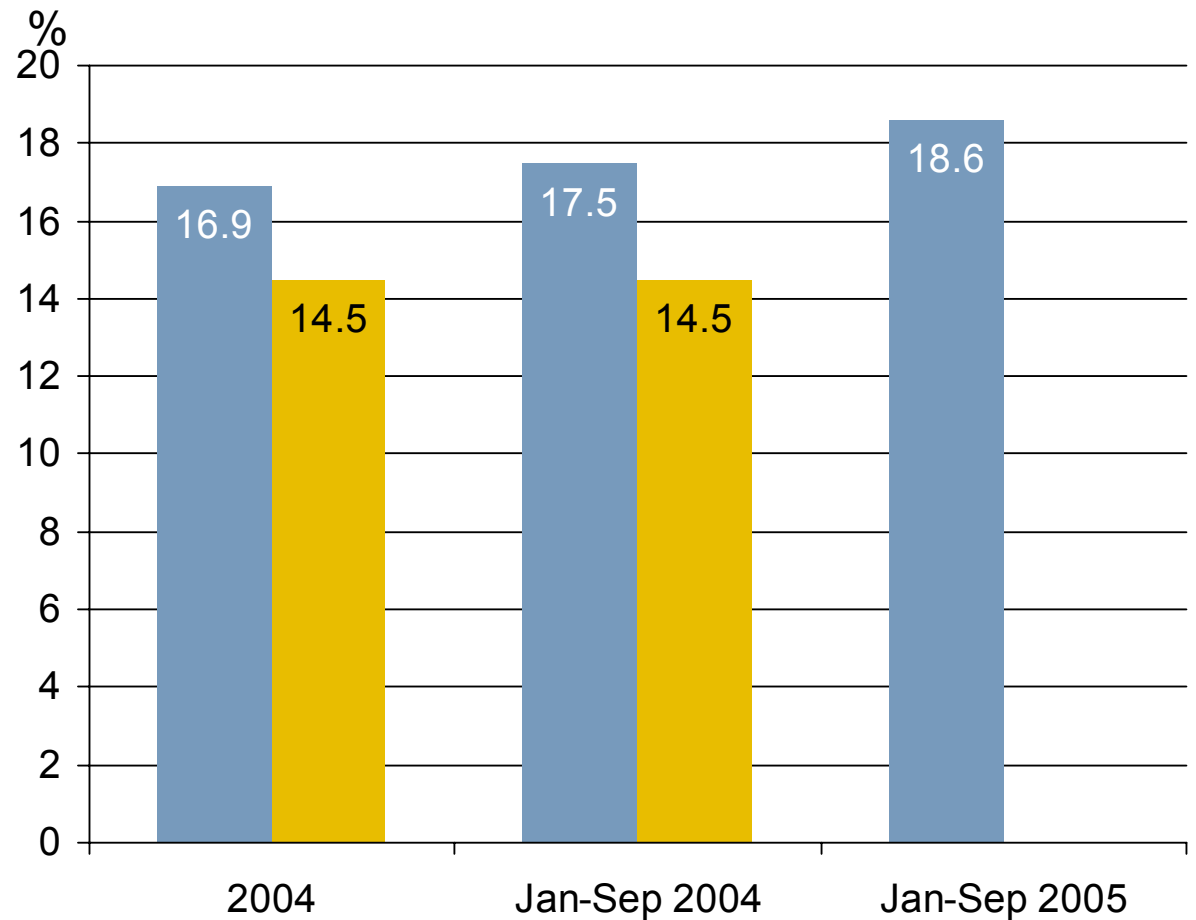
# Assets under Management at all time high



- Up 17% year on year to EUR 147bn

End of period

## Return on equity ahead of target



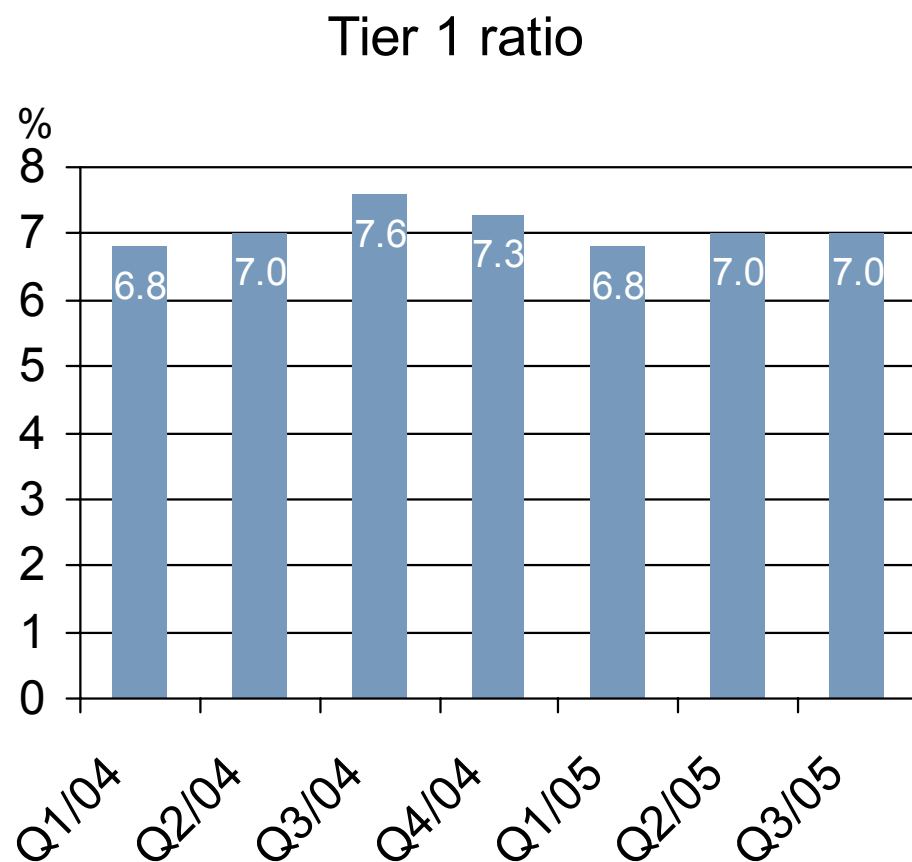
- Above target of > 15% in 2005

■ Reported

■ Excl. real estate gains 2004



# Capital position



- Tier 1 ratio stable at 7.0% despite strong volume growth
- Total capital ratio at 9.9% from 9.4% in Q2
  - issuance of subordinated debt to meet coming redemptions
- Buy-back of 50m shares will reduce Tier 1 ratio by approx. 0.2%-points
- Hybrid instrument 14% of Tier 1 capital

## Repurchase of own shares

- AGM authorisation to repurchase 10% of outstanding shares
- Board decision to buy-back up to a maximum of 50 million (2%) of outstanding shares until next AGM
- Cancellation of approx. 140m shares in Q3
- 62m shares still to be cancelled

# Delivering ahead of targets

Key performance indicator	Jan-Sep 2005	2004	Target
Total shareholder return (TSR), %	#9	#3	In the top quartile of European peer group
RoE, %	18.6	14.5*	> 15% in 2005 and > 17% or in line with level of top Nordic peers from 2007
Costs**, EURm	2,591	3,502	Same cost level through 2007 as in 2004
<b>Supporting performance indicator</b>			
Cost/income ratio, %	56	60	Continuous improvement

RoE target raised by 3 percentage points  
 Flat cost target extended by three years  
 Ambition is to be in the top quartile in Europe on TSR

\*Adjusted for the real estate gain in 2004

\*\* Excluding costs in Life and depreciation of operating leasing

## **In summary**

- **Strong performance continues**
- **Continued growth in business volumes**
  - Double digit growth in most areas
- **Costs kept largely unchanged despite significantly increased activity level**
- **Sixth consecutive quarter with positive net loan losses**
- **Delivering ahead of targets**
- **Going forward**
  - Maintaining strict risk and cost management
  - Continue to capture profitable revenue growth opportunities

# Income statement summary

EURm	Jan-Sep 2005	Jan-Sep 2004	Chg %
Net interest income	2,730	2,575	6
Net fee and commission income	1,406	1,327	6
Net gains/losses on items at fair value	468	356	31
Equity method	46	40	15
Other income	227	183	24
<b>Total operating income</b>	<b>4,877</b>	<b>4,481</b>	<b>9</b>
Staff costs	-1,550	-1,498	3
Other expenses	-1,062	-1,053	1
Depreciation	-100	-125	-20
<b>Total operating expenses</b>	<b>-2,712</b>	<b>-2,676</b>	<b>1</b>
Loan losses	130	-37	
<b>Operating profit</b>	<b>2,300</b>	<b>1,768*</b>	<b>30</b>
<b>Net profit</b>	<b>1,763</b>	<b>1,302*</b>	<b>35</b>

## Income statement summary

EURm	Q3/05	Q2/05	Chg %
Net interest income	920	913	1
Net fee and commission income	469	484	-3
Net gains/losses on items at fair value	139	214	-35
Equity method	11	22	-50
Other income	62	61	2
<b>Total operating income</b>	<b>1,601</b>	<b>1,694</b>	<b>-5</b>
Staff costs	-520	-515	1
Other expenses	-345	-364	-5
Depreciation	-31	-35	-11
<b>Total operating expenses</b>	<b>-896</b>	<b>-914</b>	<b>-2</b>
Loan losses	23	101	
<b>Operating profit</b>	<b>728</b>	<b>884</b>	<b>-18</b>
<b>Net profit</b>	<b>563</b>	<b>705</b>	<b>-20</b>