

Annual Report 2002
Nordea Hypotek AB

Nordea Hypotek AB belongs to the Nordea Group. Nordea is the leading financial services group in the Nordic and Baltic Sea region and operates through three business areas: Retail Banking, Corporate and Institutional Banking, and Asset Management & Life. The Nordea Group has more than 10 million customers and 1,240 bank branches. The Nordea Group is a world leader in Internet banking, with 3.3 million e-customers. The Nordea share is listed in Stockholm, Helsinki and Copenhagen.

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Statement by the President

Another successful year

Nordea Hypotek can look back at another successful year of operations. We increased our market share in a growing total market. Moreover, operating profit was the best ever and we broke through the 2-billion barrier, and at the same time credit losses and impaired loans decreased from an already low level.

Another year of growth with lower costs and a reduced risk level

Our total lending increased almost 10%, and on the household market by nearly 11%, which means an increased market share and substantial number of new customers. Behind this strong growth are both higher housing prices and a pick-up in the building of new homes, but more importantly own marketing activities, for instance more extensive cooperation with estate agents and a more active pricing and customer targeting.

The increase in volume was reflected in net interest income, which in spite of sharpening competition and a lower average interest rates grew by a healthy 9%. Operating expenses dropped by nearly 25%, mainly because of last year's reorganisation now having had a full-year effect. All in all, this made our operating profit rise by slightly over 9% to a record high of SEK 2 048m.

We are pleased to say that the expansion of the company's loan portfolio in the last few years has not resulted in increased loan losses and impaired loans. On the contrary, these items diminished even in absolute terms from an already very low level, and just as last year the recoveries of previous write-downs exceeded new incurred and expected losses, showing a net of SEK 10m. And, for now, we do not foresee any change in this positive trend. Our level of loss has for several years been substantially below the industry average, indicating that our assessment of customers' repayment ability and our evaluation of collateral security is satisfactory and provides adequate safety margins. We always put credit quality first.

The favourable development for fixed-interest rates has prompted longer periods of interest rate fixation

Following an upturn in the first tertiary, the long-term rates have, apart from temporary recoils, moved in a clearly downward direction. The interest on our five-year mortgage loans rose to its highest level of 7.15% in mid-May, only to fall to 5.80% at year-end. The interest on our floating-rate mortgage loans, which are pegged to the Swedish Central bank's repo rate, was 5.40% both in the beginning and at the end of the year, while it reached 5.90% at the highest during 2002. The gap between floating and fixed rates has narrowed considerably during the year, and the two-year rate has for quite some time remained lower than both the floating and the short-term rates. This compression of the interest rate structure has of course affected our borrowers, who recently have increasingly opted for fixed-interest rates in new loans and in refinancing of existing loans.

Continued stock market decline but higher housing prices

The Stockholm Stock Exchange continued on its downward trend for the third consecutive year. The SAX index fell by 37% during the year, which is more than twice as strong a decline as in 2001, and its turnover was nearly halved. The share price performance for companies dealing exclusively in properties was quite different in the last year when the majority showed rising share prices.

Housing prices benefited from the continued housing shortage in many expanding districts, in combination with rising disposable income and low interest rates. The prices of private dwellings

rose cross the board, in spite of the stock market gloom. According to the survey by SCB/Statistics Sweden the average price has risen by 10% in the country as a whole, and slightly more in the major cities. As regards tenant-owner apartments the picture is more complex, particularly in the major cities. The reports from the major estate-agent organisations indicate that in Stockholm and Gothenburg the prices, following an initial upturn, have fallen during the latter part of the year, at least as regards upmarket properties in central locations, which means that the price level is about the same as at the beginning of the year. In the Malmö area, however, a substantial rise in prices is reported.

Housing construction was roughly on an unchanged level. Building projects primarily concerned tenant-owner apartments and self-contained houses, while construction of apartment houses remained at a very low level. The conversion of older multi-family houses, primarily in inner-city areas, to tenant-owned apartments continued at a high level. After the municipality election in the City of Stockholm in September, the sell-out of municipal-owned apartment houses has for the time being been suspended by the new majority.

The market for commercial properties weakened, primarily regarding office buildings in the greater-Stockholm area, where both rising vacancies and falling prices of building sites were reported. Most property companies could in spite of this report higher rental income as many expiring leases were renegotiated at levels higher than the original contractual amounts.

Improved customer information through the Code of conduct

As from 1 October 2002, Nordea Hypotek and other Swedish mortgage lenders apply the new EU-sponsored Code of conduct (Bolånekoden). The code is the result of negotiations between representatives of the mortgage industry, the EU Commission and representatives of consumer organisations. Lenders are now obliged to provide extended product information in a leaflet with standard wording, and the borrower is also to receive a standard-form loan offer that provides extended information of loan terms,

interest cost and fees. Altogether, this will make it easier for the borrowers to compare offers from different lenders.

Covered bonds

The hopes of a decision in Parliament that I expressed in my statement last year have not been met. The preparatory work for a new legislation has, however, continued in a spirit of positive cooperation between the Ministry of Finance and the Swedish Bankers' Association. We have taken an active part in this process. There are strong indications that a decision in Parliament is now imminent, since the Government submitted the bill for judicial scrutiny (lagrådsremiss) on 20 February 2003.

Coordination with Nordea Bank Sweden is vital

I would like to underline that our intimate and long-standing cooperation with our parent bank, Nordea Bank Sweden, is absolutely vital for our performance and development. Not least important is the work that is performed in the bank's extensive branch network. Not only do the branches perform all sales activities and manage customer relationships, they are also responsible for a large portion of the credit decisions, according to a certain authorisation. The extension of our organisation that the branches constitute, enable us to establish immediate contact with customers and estate agents, which provides us with valuable feedback about how we should adapt our products and terms to the customer's needs and desires. When meeting the customer it is important to be able to present a comprehensive offering facilitating the realisation of customers' future plans and wishes. Such a comprehensive offering often covers, besides the mortgage, other financial services and advice. To this end, the Nordea branches have a rich and competitive range of products and services from which customised solutions can be developed.

Internet

Nordea is a world-leading provider of financial services via the Internet, and is strongly committed to further developing its web services. For those customers who prefer contact with their bank via the Internet, Nordea's Swedish site www.nordea.se contains information about

Nordea's products concerning financing of private individuals' accommodation. Those who are interested can make their own living-cost estimates and apply for mortgages on the site. We have the ambition to develop mortgage-related content on the Internet with easily accessible information about our products and services, and sound advice on matters in relation to housing and personal finances. We continue working to produce services for net-based customers which will be introduced gradually. The aim is to allow the customers to manage their mortgages easily and smoothly via the web, for instance when they are renewing their loans, decide to opt for a fixed-interest, or if they want information about future payments.

Also companies, associations and municipalities can obtain information about our products and loan terms via the web. We also offer some general financial information through this channel. Information on own loans, accounts and payment services is offered via the Internet channel Solo Företag, which is a basic service for companies that is easily obtainable via local branches.

EMU

As is generally known there will be a referendum on 14 September 2003 to decide if Sweden is to join the EMU and introduce the Euro. At the time of writing, popular opinion appears evenly divided between Yes and No. The transition to the Euro that would result from a Yes vote in the referendum is expected to take place 1 January 2006. This has prompted us to make preparations, even though the outcome of the referendum is still uncertain, by setting up a common transition project with the parent bank.

Thank you

Finally, I would like to thank our customers and investors for the confidence in us that they have demonstrated and all employees in the Nordea Group, for making it possible for us to report our best result ever.

Stockholm in February 2003

Leif Ronander
President

Five-year summary

Income statement

SEKm	2002	2001	2000	1999	1998	Pro forma* 1998
Net interest income	2,011	1,848	1,553	1,174	1,174	1,199
Net commission income	42	39	32	36	31	31
Other operating income	2	–	–	–	–	–
Total operating income	2,055	1,887	1,585	1,210	1,205	1,230
Personnel expenses	–4	–7	–21	–27	–24	–26
Other operating expenses	–13	–15	–16	–19	–18	–20
Total operating expenses	–17	–22	–37	–46	–42	–46
Profit before loan losses	2,038	1,865	1,548	1,164	1,163	1,184
Loan losses, net	10	6	–1	–14	–12	–12
Operating profit	2,048	1,871	1,547	1,150	1,151	1,172
Appropriations	–10	3	6	375	–750	–256
Tax on profit for the year	–571	–525	–435	–	–	–
Net profit for the year	1,467	1,349	1,118	1,525	401	916

Balance sheet at 31 December

SEKm	2002	2001	2000	1999	1998	Pro forma* 1998
Assets						
Eligible treasury bills	–	–	–	–	–	181
Loans to credit institutions	1	76	273	73	0	42
Lending	193,133	176,306	164,802	150,074	126,137	136,157
Bonds and other interest-bearing securities	–	–	810	2,080	2,569	2,669
Other assets	1,489	3,579	3,722	3,769	2,467	3,289
Total assets	194,623	179,961	169,607	155,996	131,173	142,338
Liabilities and shareholders' equity						
Loans from credit institutions	62,847	66,924	49,134	30,205	29,085	38,807
Debt securities in issues	116,391	99,042	105,394	109,612	88,672	88,672
Other liabilities	6,606	4,916	6,400	8,553	7,316	7,663
Subordinated debt	40	340	440	940	940	1,413
Total liabilities	185,884	171,222	161,368	149,310	126,013	136,555
Shareholders' equity	8,739	8,739	8,239	6,686	5,160	5,783
Total liabilities and shareholders' equity	194,623	179,961	169,607	155,996	131,173	142,338

* Pro forma figures for 1998 refer to consolidation of former Nordbanken Kommunlån AB, which was merged into Nordbanken Hypotek AB in 1999.

Ratios and key figures

	2002	2001	2000	1999	1998	Pro forma 1998
Return on average equity, % ¹	16.0	15.1	15.4	14.9	16.0	16.0
Return on total capital, %	1.1	1.1	0.9	0.8	0.9	*
Investment margin, %	1.08	1.06	0.94	0.81	0.94	*
Cost/income ratio before loan losses, %	0.8	1.2	2.3	3.8	3.5	3.7
Cost/income ratio after loan losses, %	0.3	0.9	2.4	5.0	4.5	4.7
Provisions for impaired loans, %	44.5	42.1	38.0	33.3	26.4	26.4
Non-performing loans ratio, %	0.05	0.07	0.09	0.10	0.18	0.17
Loan loss level, %	-0.005	-0.004	0.001	0.01	0.01	0.01
Risk-weighted amount, SEKm	94,774	85,483	79,086	66,905	58,328	*
Capital base, SEKm	8,755	9,063	8,671	7,626	6,100	*
Total capital ratio, %	9.24	10.60	10.96	11.40	10.46	*
Tier 1 capital ratio, %	9.22	10.22	10.42	9.99	8.85	*
Average number of employees	6	14	44	60	54	57

* Average account balance and capital adequacy has not been calculated pro forma.

¹ Up until 2000 the calculations are based on the operating profit minus 28% standard tax in relation to average shareholders' equity and 72% of retained profits.

Definitions

Capital base

The capital base constitutes the numerator in calculating the capital ratio. It consists of tier 1 capital (see definition) and supplementary capital (consisting of debenture loans).

Cost/income ratio after loan losses

Operating expenses plus loan losses as a percentage of operating income.

Cost/income ratio before loan losses

Operating expenses as a percentage of operating income.

Investment margin

Net interest income as a percentage of average total assets.

Loan loss level

Credit losses in relation to the opening balance of lending.

Non-performing loans ratio

Net non-performing loans as a percentage of the lending.

Provisions for impaired loans

Provisions for possible loan losses in relation to gross impaired loans.

Return on average equity

Net profit for the year as a percentage of equity, quarterly average.

Return on total capital

Operating profit before tax as a percentage of average total assets.

Risk-weighted amount

Total assets as shown in balance sheet and off-balance sheet items valued on the basis of credit and market risks in accordance with regulations governing capital adequacy.

Tier 1 capital

Part of the capital base (see definition). Consists of shareholders' equity.

Tier 1 capital ratio

Tier 1 capital as a percentage of risk-weighted amounts.

Total capital ratio

Capital base as a percentage of risk-weighted amounts.

Board of Directors' Report

The Board of Directors and the President of Nordea Hypotek AB (publ) (Corp. reg. no. 556091-5448) hereby presents the Annual Report for 2002. The company is a wholly owned subsidiary of Nordea Bank Sweden AB (publ) (Corp. reg. no. 502010-5523), which forms a part of the Nordea Group with Nordea AB (publ) (Corp. reg. no. 556547-0977) as parent company.

Operations

The company is active in the Swedish market and grants loans, primarily long-term in nature, to private individuals, individual businessmen, municipalities, units of the Church of Sweden and other legal entities through the parent bank's network of bank branches. The purpose of the lending is primarily to finance properties, agriculture and municipal and ecumenical activities. The central emphasis is housing financing. Collateral consists mainly of mortgages on residential property or tenant-owner apartments, or against municipal guarantees.

Earnings

Operating profit before appropriations increased to SEK 2,048m (1,871), an increase of 9%.

This year's net interest income amounted to SEK 2,011m (1,848).

Return on equity was 16% (15), calculated as net profit for the year in relation to the quarterly average shareholders' equity.

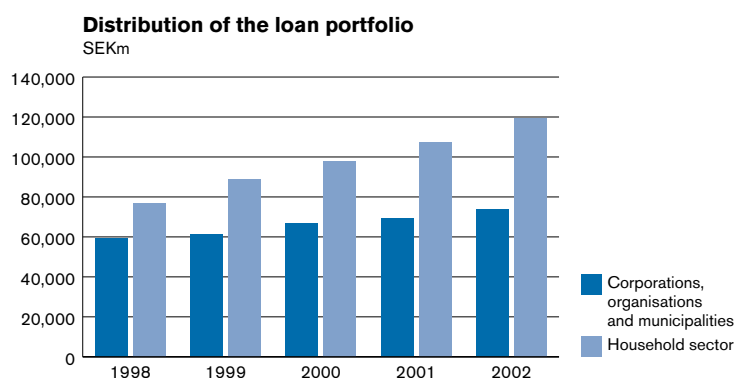
Like in previous years, Nordea Hypotek's parent company has performed services that have not been debited.

Lending

Lending during the year increased by 10% to SEK 193,133m at year-end.

Loan losses incurred amounted to SEK 15m (12), and recovered loan losses to SEK 19m (13). Recovered, written-off and reserved amounts

exceeded new incurred and expected losses by slightly more than SEK 10m (6). On closing day, the provision for expected loan losses amounted to SEK 81m (86).



Lending to corporations, organisations and municipalities

Nordea Hypotek's lending to legal entities increased by SEK 4,827m (+7 percent) to SEK 73,953m at the end of the financial year.

After fluctuating during the year, long-term market interest rates at year-end were about 1 percentage point lower than at the beginning of the year, while the floating rates were at the same level as at the beginning of the year. The interest gap between different maturities decreased substantially during the second half of the year which led to an increase in the proportion of multiple-year fixed-interest loans. The interest margin on loans granted during the year was stable compared with the preceding year.

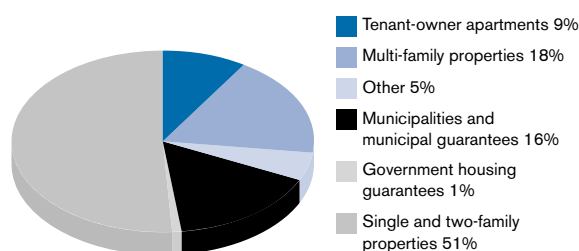
Lending to household sector

Loan volumes increased by SEK 12,000m to SEK 119,180m (up 11%). Over the year, 80,359 loans (74,085) totalling SEK 27,506m (23,693) were disbursed. On 31 December 2002, there were 411,944 (386,365) loans outstanding.

Also the household customers were affected by the difference between fixed and floating interest rates, and consequently the share of new lending at fixed-interest rose sharply during the latter part of the year. At year-end, the share of lending at fixed-interest rates of more than 1 year was around 68%.

Distribution of loan portfolio

Distribution of the loan portfolio among different assets is as follows:

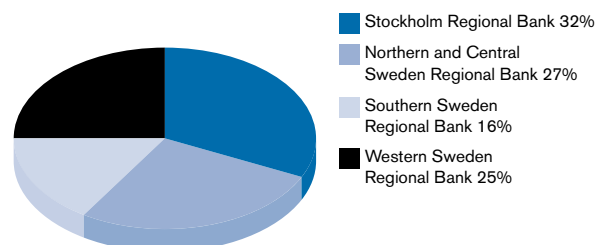


Mortgage limits

The company applies the following loan to value ratios:

Single and two-family properties	75%
Multi-family properties	75%
Office and commercial properties	70%
Agricultural properties	65%
Tenant-owner apartments	75%

The geographic distribution of the loan portfolio was as follows:



Impaired loans

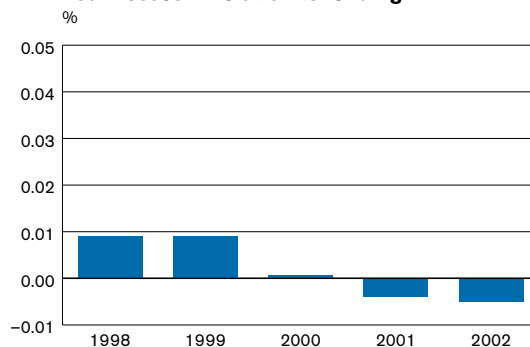
The trend in recent years of low loan losses and declining volumes of impaired loans continued throughout 2002. At year-end, impaired loans after provisions amounted to SEK 100m (117), corresponding to 0.05% of the loan portfolio (0.07%).

This promising trend is the result of favourable external circumstances in the form of a strong price trend and demand for properties and tenant-owner apartments, coupled with low nominal interest rates and rising real household incomes. It is also due to internal factors such as careful checking of customers' ability to pay, careful evaluation of mortgage security, and active measures in undertakings with doubtful future outlooks. A further explanation is the geographic distribution of the company's loan portfolio, with its concentration to growth areas.

To ensure that the low level of loan losses continues, it is important that selected preventative measures are ongoing. By continuing to classify the company's customers that are legal entities based on their assessed ability to pay and collateral coverage, weak undertakings in this category can be early identified and dealt with.

For mortgage lending to households, knowledge of the local market and of the customer is necessary, particularly in view of the widely varying circumstances in different parts of the country. The company's close collaboration with Nordea's branches makes it possible to resolve any problems at an early stage, in a customer-oriented and efficient manner.

Loan losses in relation to lending



Currency policy

The company has a policy of not accepting any exposure to currency risks. Consequently, the company had no such exposure at the balance sheet date.

Funding

The company issued fixed-rate bonds with maturities of more than one year for SEK 43bn (42) in the Swedish market. The issues are carried out on an ongoing basis (tap issues) in current benchmark bonds. The company has agreements with six market makers that ensure high liquidity in the bonds.

In addition, the counter value of SEK 2bn (–) was issued in the international market under the company's EMTN program, hedged in Swedish kronor. The frame for this programme is EUR 5bn. The total number of outstanding bonds at year-end amounted to a nominal value of SEK 136.7bn, of which Swedish bonds accounted for SEK 129.3bn, EMTN for SEK 6.6bn, ECP for SEK 0.1bn, and Swedish retail bonds for SEK 0.7bn.

International rating

The company's ratings did not change during the year. The rating from Moody's Investors Service for long-term funding is Aa3, and for short-term, P-1. The company's rating from Standard & Poor's is A-1 for short-term funding.

Risk management

Nordea Hypotek is entirely integrated with Nordea's risk management system. Group Credit and Risk Control is in charge of the drafting of rules and guidelines for risk assessment, central control and reporting for Nordea Hypotek and for Nordea as a whole. It is the customer responsible units in the parent bank that are primarily responsible to identify and control the risks in Nordea Hypotek's business.

Nordea Bank Hypotek's Board of Directors is ultimately responsible for limiting and monitoring the company's risk. The Board of Directors approves all main principles, instructions and exposure restrictions. The Board of Directors is informed of exposure and risk management through regular reports.

Credit risk

Credit risk is defined as the risk that the company's counterparty does not fulfil agreed obligations and that any collateral deposited does not cover the company's claim. Most of the credit risk in respect of Nordea Hypotek arises from lending, but also in connection with other types of present and future claims, such as in relation to counterparties in funding. Credit risk can also arise in connection with off-balance-sheet commitments, such as unutilised credit commitments and trading in financial instruments, like derivatives. Nordea's definition of credit risk includes transfer risk and settlement risk.

Risk limitation is primarily accomplished by maintaining quality and discipline in the credit process. The credit policy, and the credit and other instructions provide support and guidance in credit operations.

Risk management and control

The Group has a special decision-making process to establish credit limits. For most corporate engagements, a credit limit is set, establishing conditions for lending, the effect of which is to limit the credit risk.

One account manager in the parent bank is appointed for each customer account. This person is responsible for ensuring that the credit extended is adapted to the individual customer's repayment capacity. Credit risk is controlled through monitoring the customer's financial development, compliance with agreements, and in that any lessening of the customer's ability to pay triggers measures that restrict credit risk.

If it is considered probable that a loan will not be fully paid, either by the customer, through assets pledged or by other sources, the loan is considered impaired. A provision is set up for the amounts not expected to be received. Loans that are impaired or suffer from a reduced repayment ability are reviewed quarterly with regard to their development, outlook, future repayment ability, and need for provisions.

In the past few years, Nordea has developed a framework for quantitative measurement of credit risks. The core of this framework is Nordea's internal rating and scoring models that rank the customer's repayment ability.

Analysis of credit risk

Lending

Nordea Hypotek's lending increased by 10% in 2002 to SEK 193,133m (176,306). Lending to the corporate sector accounted for 38% (39) of the exposure, thereof the public sector (state and municipal) 17% (18). The household sector's percentage of exposure was 62% (61). The distribution of the lending on maturities and types of collateral is shown below in note 13. The company only mortgages properties in Sweden.

Credit commitments and unutilised credit facilities amounted to SEK 3,869m (7,377).

As the previous year, the company did not have any assets in the form of bonds or other interest-bearing securities at the balance sheet date. The credit risk exposure in derivatives amounted to SEK 199m (269).

Loans to credit institutions

Lending to credit institutions amounted at the end of the year to SEK 0.7m (76), all of which was placed with Group companies for terms of less than one year.

Impaired loans

Impaired loans, gross, decreased by 11% during the year to SEK 181m (203). The net amount, after a SEK 81m (86) deduction for provisions for impaired loans, was SEK 100m (117), corresponding to 0.05% (0.07) of the total volume of loans outstanding.

Country risk

Country risk is a credit risk that arises in connection with the transfer of money between countries, arising when the economical and political landscape changes in a way that can lead to difficulties in transferring liquid funds, thereby making it more difficult for counterparties to fulfil their commitments. Country risk is assessed

with the help of an external institution that continuously assesses different countries' economic and political status.

Off-balance-sheet commitments

Nordea Hypotek's business operations include off-balance-sheets commitments. Such items include commercial products like credit commitments, etc., as well as financial commitments in the form of derivatives. The latter concern particularly agreements to exchange currencies (currency forwards) and agreements about exchanges of interest payments (swaps). Total exposure to counterparty risk pertaining to off-balance-sheet commitments amounted to SEK 968m (1,472) at the end of the year, measured as the risk-weighted amount in accordance with capital adequacy rules.

Market risk

Nordea defines market risk as potential loss in the form of reduced market value resulting from movements in financial market variables, such as interest rates, currency exchange rates, equities and commodities prices. Market risk is divided into interest rate, currency, equities and commodity risk.

Nordea Hypotek's market risk exposure is primarily connected to the company's funding.

The Board of Directors decides risk levels, methods of risk measurement and limits regarding total market risk.

Exposure to interest-rate risk arises when there is a lack of balance in the interest rate structure between assets and liabilities and corresponding off-balance-sheet items. The company limits its exposure to interest-rate fluctuation by matching the interest rate and due date structure for assets and liabilities. The company's interest risk is analysed on a daily basis. "Interest risk" refers here to the change in the value of the portfolio

that arises in connection with a parallel shift of the yield curve by one percentage point. On closing day, the interest risk amounted to SEK 16m (20) for interest-rate decline.

Exposure to currency risk arises when assets and liabilities in the same currency are of unequal amounts. Nordea Hypotek has no currency risk exposures. Nor does the company have any exposures related to equity or commodities.

Operational risk

Nordea defines operational risk as the risk of incurring losses, including damaged reputation, due to deficiencies or errors in internal processes and control routines or by external events and relations that affect operations.

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

Since financial services are to a great extent information processing, considerable emphasis is placed on information security in the processes. Nordea Hypotek share the computer system and the majority of other processes with the parent bank. Preparedness planning and increased readiness to act in crisis management are key considerations for the management of larger incidents. The physical safety of the Group's employees and customers is also high in priority.

Environmental concerns

In accordance with Group Corporate Citizenship Principles Nordea Hypotek is committed to sustainable development by combining financial performance with environmental and social responsibility, caring for the environment and working to reduce the negative and to increase the positive environmental impact of its business activities.

The Group will adopt an environmental policy that will provide guidance on how the Group entities will manage and control environmental issues in their own operations, supporting the reduction of the Group's related costs and business risks.

The policy will also guide policymaking and business initiatives regarding financial involvement by business units and co-operation with suppliers.

Legal proceedings

There are no disputes or legal proceedings in which material claims have been raised against Nordea Hypotek AB (publ).

Outlook for 2003

Macro-economic forecasts from various directions have expressed considerable uncertainty regarding the development during the current year, not least because of the threat of war in Iraq and the possible outcome of such a conflict. Among other uncertainties, is the impact on the housing market of raised municipal taxes, property taxes and sharply increased energy prices. Recent statistics indicate that the rise in housing prices in the major cities have slowed down. Housing construction is not likely to increase according to an assessment from the National Board of Housing (Boverket), and the conversions of municipal-owned multi-family properties into tenant-ownerships in Stockholm has for the time being been suspended. Altogether, this would indicate that lending in 2003 will not grow at the same rapid pace as last year.

Distribution of earnings

The proposed distribution of earnings is provided on page 28.

Income statement

SEK (000s)	Note	2002	2001
Operating income			
Interest income	2	10,270,671	9,736,834
Interest expenses	2	-8,259,993	-7,888,641
Net interest income	2	2,010,678	1,848,193
Commission income	3	56,112	52,562
Commission expenses	4	-13,906	-13,425
Other operating income	5	2,101	3
Total operating income		2,054,985	1,887,333
Operating expenses			
General administrative expenses			
Personnel expenses	6	-3,775	-6,812
Other administrative expenses	7	-13,278	-15,809
Depreciation and write-down of tangible fixed assets	8	-65	-37
Total operating expenses		-17,118	-22,658
Profit before loan losses		2,037,867	1,864,675
Loan losses, net	9	10,064	6,378
Operating profit		2,047,931	1,871,053
Appropriations	10	-10,450	2,675
Tax on profit for the year	11	-570,481	-524,643
Net profit for the year		1,467,000	1,349,085
Net commission income	3, 4	42,206	39,137

Balance sheet

31 December, SEK (000s)	Note	2002	2001
Assets			
Loans to credit institutions	12	692	76,253
Lending	13, 14	193,133,056	176,306,027
Tangible assets	15	217	282
Other assets	16	414,090	2,508,440
Prepaid expenses and accrued income	17	1,074,470	1,069,945
Total assets		194,622,525	179,960,947
Assets pledged			
		None	None
Liabilities and shareholder's equity			
Loans from credit institutions	18	62,847,330	66,923,819
Debt securities in issue	19	116,390,443	99,041,881
Other liabilities	20	3,271,655	1,654,331
Accrued expenses and prepaid income	21	3,334,169	3,262,036
Subordinated debt	22	40,000	340,000
Total liabilities		185,883,597	171,222,067
Shareholder's equity			
	23		
Share capital		100,000	100,000
Statutory reserve		20,000	20,000
Retained profits		7,151,928	7,269,795
Net profit for the year		1,467,000	1,349,085
Total shareholders' equity		8,738,928	8,738,880
Total liabilities and shareholders' equity		194,622,525	179,960,947
Contingent liabilities			
		None	None
Commitments			
	24	38,264,218	40,992,005
Other notes			
Accounting principles	1		
Credit portfolio	14		
Capital adequacy	25		
Derivative instruments	26		
Assets and liabilities at fair value	27		
Fixed-interest terms for assets and liabilities	28		
Assets and liabilities in foreign currencies	29		

Cash flow statement

SEK (000s)	2002	2001
Ordinary business		
Operating profit	2,047,931	1,871,053
Adjustments for items not included in cash flow	76,603	-750,604
Appropriations affecting cash flow	-10,450	2,675
Net cash inflow/(outflow) from operating activities before changes in ordinary business assets and liabilities ¹	2,114,084	1,123,124
Change in ordinary business assets	-14,741,608	-10,664,804
Change in ordinary business liabilities	-3,122,874	15,797,234
Net cash inflow/(outflow) from operating activities	-15,750,398	6,255,554
Investment operations		
Disposal/acquisition of tangible fixed assets	-	-180
Net cash inflow/(outflow) from investment operations	-	-180
Financial operations		
Change in debt securities in issue	17,348,562	-6,352,155
Shareholders' contributions received	500,000	1,553,300
Group contributions paid	-1,873,725	-1,553,300
Change in subordinated debt	-300,000	-100,000
Net cash inflow/(outflow) from financial operations	15,674,837	-6,452,155
Cash flow for the year	-75,561	-196,781
Liquid assets at the beginning of the year	76,253	273,034
Liquid assets at the end of the year ²	692	76,253
Change	-75,561	-196,781
¹ Interest payments		
Interest payments received	10,282,539	9,843,452
Interest payments made	-8,168,741	-8,702,995
² Additional information		
Liquid assets include loans to credit institutions, payable on demand	692	76,253

Notes to the financial statements

Note 1

Accounting principles

The Annual Report has been prepared in accordance with the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies and the regulations of the Swedish Financial Supervisory Authority (FFFS 2001:19). The recommendations from the Swedish Financial Accounting Standards Council are applied.

Changed accounting principles

The reporting has been adapted to the amended valuation and information rules stipulated by the Swedish Financial Supervisory Authority. The amended rules, which entered into effect 2002, have not materially changed the valuation of the credit portfolio. An adjustment has been made to the recommendations of the Swedish Financial Accounting Standards Council, which came into effect in the year 2002. In other respects, the accounting principles and the bases for assessment are unchanged compared with the annual report 2001.

Reporting of business transactions

Business transactions are reported at the time that risks and rights are transferred between the parties. Trade date accounting is applied for transactions in the money and bond markets, and in the stock and currency markets.

Assets and liabilities are in most cases reported in gross amounts. The netting of assets and liabilities is used, however, if a statutory right to offset the commitments exists and settlement occurs simultaneously.

Receivables and payables arising from the sale and purchase of securities are also reported net in those cases where the transaction is settled through a clearinghouse.

Financial fixed assets/current assets

Loan receivables for which there is an intent and ability to hold until maturity constitute financial fixed assets. All of Nordea Hypotek's loan receivables fall within this category. They are reported in the balance sheet at their acquisition value after deduction for incurred and possible loan losses.

The acquisition value of interest rate related instruments is calculated as the present value of future payment flows, discounted on the basis of the effective acquisition rate, i.e. the interest rate at which the instrument was acquired. This accrued acquisition value changes successively, so that it is equal to the instrument's nominal value on the maturity date. For instruments with coupons, this means that any premium or discount is amortised or accreted into interest income over the remaining term of the instrument; positive/negative effect on results is reported under interest income. The acquisition value of instruments of debt issued is calculated in the same manner.

Derivative instruments with positive fair value are reported in the balance sheet as "Other assets", while derivatives with negative fair value are reported as "Other liabilities". Accrued interest income and expenses pertaining to interest rate swaps which are accounted for as hedges are also reported as "Other assets" or "Other liabilities".

Hedge accounting

Deferral hedge accounting is applied to hedge holdings of financial instruments which are not valued at fair value.

Hedge accounting is applied to all derivatives. This includes, for instance, derivatives used to neutralise the interest rate risk in fixed-rate lending and borrowing. According to prevailing rules, the balance sheet item is valued at cost and the derivatives must be treated equivalently so as to provide a true and fair view.

The hedging and hedged positions are reported without taking into account changes in values provided that changes in fair value for the hedging and the hedged positions essentially offset each other in terms of the amounts involved. Any additional unrealised losses are reported immediately.

Translation of assets and liabilities denominated in foreign currencies

Receivables and liabilities denominated in foreign currencies are translated at the average of official buying and selling rates on the balance sheet date. Cash holdings in foreign currency are treated the same way as receivables.

Forward positions in foreign currencies are valued at the current rate for forward contracts with the equivalent remaining maturity.

When currency-related derivative instruments are used for currency hedging, the currency hedging and the corresponding protected item are translated at the year-end rate.

Group contributions

Group contributions given are treated as diminishing non-restricted reserves, while the accompanying tax deduction is treated as an increase of shareholder's equity. What is accounted for is, therefore, only the income tax pertaining to income and cost in the income statement.

Credit portfolio

Evaluation of loan obligations, which comprise fixed assets

Loan claims are initially reported in the balance sheet at acquisition value, i.e. the loan amount granted to the borrower with an additional charge for direct transaction costs. Thereafter, the loan claims are reported on an ongoing basis at acquisition value after deductions for write-downs and, specific and groupwise provisions for loan losses.

Definition of impaired loans

An impaired loan is a claim for which it is probable that payment will not be made in accordance with the contractual terms of the loan. A loan obligation must not be considered doubtful if it is secured by a satisfactory margin that covers both the principal and interest charges, including where applicable compensation for delays.

Restructured loan obligations and reclassified impaired loans

A loan is restructured when the creditor has granted the borrower interest deferrals because of deterioration of the borrower's financial situation, or if the borrower suffers other financial problems. A portion of the original loan amount, which the creditor defers in connection with the restructuring, constitutes an incurred loan loss.

Incurred loan loss

Incurred losses (charge-offs) are losses where it is deemed that the loan amount will not be paid by the borrower and/or through the realisation of pledge agreements or guarantee commitments. Incurred loan losses are written off when recovery is no longer reasonably foreseeable.

Evaluation of impaired loans

Impaired loans are evaluated according to the assessed recovery value.

The recovery value is calculated according to one of the following methods:

- The discounted value of the estimated cash flow from the borrower.
- The estimated real value of the collateral that is pledged as security for the loan and/or the real value of guarantee commitments.
- The market value identified for the loan claim.

When a claim is classified as doubtful, it is transferred to cash-based interest accounting. Accrued interest income is thus no longer included in earnings, and amounts related to earlier accruals are reversed. Accrued interest carried over from the previous year is reported as a loan loss.

For such impaired loan receivables as are valued according to the aggregate discounted value of expected future cash flow, the change in recovery value is reported as interest, if the assessment of the payments that are expected to be incoming is unchanged between two dates when assessments are made, if however the value of this change must be reported as a loan loss, or as recovery.

Reclassification of impaired loan receivables to normal receivables

Loan receivables are judged to be normal receivables when the contractual amounts for amortisation and interest are paid on time.

Groupwise valuation of provisions for individually appraised receivables

For groups of loan receivables, where it is deemed probable that loans losses will be incurred, but where the individual loan receivable within the group cannot yet be identified, a provision must be made in respect of the entire group of loan receivables.

Groupwise evaluation of loan receivables with similar credit risk

Homogenous groups of receivables with limited value and similar credit risk are evaluated groupwise. The evaluation is based on the experience of incurred loan losses and the assessment of the probable loss trend for the group in question. The principle for division into groups is documented according to previous loan losses, assessment of future development and the basis applied for assessment.

Depreciation**Equipment**

Equipment is depreciated in 5 years on a straight-line basis. Personal computers are depreciated in 3 years.

Pension costs

The operating profit includes pension costs which comprise actuarial based pension costs, including special wage tax, on obligations which are guaranteed by the Bank's pension foundation as well as pension premiums paid to third parties. The actuarial pension costs on obligations guaranteed by the Bank are offset in the pension adjustments which are reported under appropriations. Pension benefits paid, special wage tax on pensions and contributions made to the pension foundation are also included in the amount reported under appropriations.

Note 2**Interest income and interest expenses**

SEK (000s)	2002	2001
Interest income		
Loans to credit institutions	1,567	2,300
Lending	10,269,061	9,715,546
Interest-bearing securities		
current assets	–	18,938
Other assets	43	50
Total interest income*	10,270,671	9,736,834
* Of which, Group companies	118,581	117,313
Interest expenses		
Loans from credit institutions	–3,031,557	–2,499,016
Debt securities in issue	–5,223,093	–5,369,610
Subordinated debt	–5,342	–20,015
Other liabilities	–1	–
Total interest expenses*	–8,259,993	–7,888,641
* Of which, Group companies	–3,027,879	–2,611,379
Net interest income	2,010,678	1,848,193
Average interest rate, lending		
Lending		
Average volume	184,106,697	169,839,688
Average interest rate, %	5.58	5.72

Note 3**Commission income**

SEK (000s)	2002	2001
Loan commissions	56,112	52,562
Total	56,112	52,562

Note 4**Commission expenses**

SEK (000s)	2002	2001
Security commissions	–12,859	–12,166
Other commissions	–1,047	–1,259
Total	–13,906	–13,425

Note 5**Other operating income**

SEK (000s)	2002	2001
Other	2,101	3
Total	2,101	3

Average balances

SEK (000s)	2002		2001	
	Average balance	Interest, %	Average balance	Interest, %
Assets				
Loans to credit institutions	90,394	2.22	43,764	4.55
Lending	184,106,697	5.58	169,839,688	5.72
Bonds and other interest-bearing securities	–	–	371,833	5.11
Total interest-bearing assets	184,197,091	5.58	170,255,285	5.72
Non interest-bearing assets	2,604,423	–	4,172,170	–
Total assets	186,801,514	5.50	174,427,455	5.58
Liabilities and shareholder's equity				
Loans from credit institutions	68,731,494	4.41	56,072,456	4.46
Debt securities in issue	103,952,063	5.02	102,726,301	5.23
Subordinated debt	109,231	4.59	370,769	5.39
Total interest-bearing liabilities	172,792,788	4.78	159,169,526	4.96
Non interest-bearing liabilities	4,477,100	–	6,210,752	–
Shareholder's equity	9,531,626	–	9,047,177	–
Total liabilities and shareholders' equity	186,801,514	4.42	174,427,455	4.52
Overall interest margin, %	1.08		1.06	

Note 6

Personnel expenses

SEK (000s)	2002	2001
Salaries and remuneration (specification below)	-2,307	-3,487
Pension costs (specification below)	-700	-978
Social insurance contributions	-833	-1,819
Allocations to profit-sharing foundations	213	-21
Other	-148	-507
Total	-3,775	-6,812

Salaries and remuneration:

To former ¹ and current ² President and their deputies	-1,188	-1,916
To other employees	-1,119	-1,571
Total	-2,307	-3,487

¹ of which, performance-based salary*

270 -259

² of which, performance-based salary

-104 -120

* The amount SEK 270,000 in 2002 is a reversal of provisions made for performance-based salaries pertaining to the former President and her deputy; no payment has been made by the company.

Pension costs:

Actuarial pension costs	-633	-725
Pension premiums	-67	-253
Total	-700	-978

Actuarial pension costs and pension premiums include charge for special wage tax. Actual tax is reported among appropriations, under the item "Pension adjustments".

The company's pension commitments are covered both by transfers to the pension fund of Nordea Bank Sweden and by insurance policies.

At 31 December 2002 the pension reserve of the company amounted to SEK 30,014,000 (33,577,000) and the share of pension fund net assets (market value) amounted to SEK 30,879,000 (34,542,000).

Remunerations to the Board of Directors and the President

No directors' fee was paid to board members.

The President had a car benefit during the whole year.

For the President the notice pay and severance pay may not exceed 24 months' salary. The total amount will be reduced by any salary the President receives as a result of other employment during the payment period.

The pension premium cost for the year for the company's former President was SEK 0 (150,000).

Loans to executives and board members amounted to SEK 5,704,000 (2,059,000) at the end of 2002.

Average number of employees

Full-time equivalents	2002	2001
Male	4	7
Female	2	7
Total	6	14

At year-end the total number of employees was 6 (6).

Note 7

Other administrative expenses

SEK (000s)	2002	2001
Computer systems and equipment	-2,686	-2,158
Rents and other premises expenses	-942	-3,572
Postage and telephone	-5,059	-5,702
Auditing expenses (specification below)	-785	-757
Other expenses	-3,806	-3,620
Total	-13,278	-15,809

Auditing expenses:

KPMG Bohlins AB

Auditing assignments	-632	-661
Other assignments	-106	-19

Öhrlings PriceWaterhouseCoopers AB

Auditing assignments	-47	-77
Total	-785	-757

Note 8

Depreciation and write-down of tangible fixed assets

SEK (000s)	2002	2001
Equipment	-65	-37
Total	-65	-37

Note 9

Loan losses, net

SEK (000s)	2002	2001
Specific provision for individually appraised receivables		
Losses incurred during the year	-10,717	-7,179
Amount of previous provisions used during the year	6,217	5,887
The year's provisions for possible loan losses	-4,400	-8,455
Recovery of previously incurred losses	6,487	473
Reversal of previous provisions	4,300	8,183
Total	1,887	-1,091

Homogenous groups of receivables with limited value and similar credit risk appraised by category

Losses incurred during the year	-4,331	-4,952
Recovery of previously incurred losses	12,508	12,421
Total	8,177	7,469
Net costs for loan losses	10,064	6,378

Note 10

Appropriations

SEK (000s)	2002	2001
Other allocations		
Pension adjustments		
Actuarial pension costs	633	725
Allocations/compensation	-9,466	4,000
Pension benefits paid	-1,617	-2,050
Total	-10,450	2,675

Note 11

Tax on profit for the year

SEK (000s)	2002	2001
Actual tax		
Tax on the year's taxable income	-570,481	-524,643
Total	-570,481	-524,643
Result before tax	2,037,481	1,873,728
Group contributions	-2,037,434	-1,873,725
Income not subject to tax rate	-59	-42
Expenses not deductible for tax purposes	11	40

According to the statement of the Swedish Financial Accounting Standards Council, Group contributions are accounted for directly under shareholders' equity.

Note 12

Loans to credit institutions

SEK (000s)	2002	2001
Financial fixed assets		
Swedish banks	692	76,253
Total	692	76,253
Of which, Group companies	692	76,253
Maturity information		
Remaining maturity		
Book value SEK (000s)		
Payable on demand	692	76,253
Total	692	76,253

Average remaining maturity	-	-
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Note 13

Lending

SEK (000s)	2002	2001
Financial fixed assets	193,133,056	176,306,027
Total	193,133,056	176,306,027

Lending is reported net after deduction of provisions for possible loan losses in the amount of -80,741 -85,575

Maturity information

Remaining maturity

Book value SEK (000s)

Maximum 3 months	83,444,654	74,750,576
3 months-1 year	34,467,160	21,697,568
1-5 years	72,208,826	76,173,002
More than 5 years	3,012,416	3,684,881
Total	193,133,056	176,306,027

Average remaining maturity	426 days	454 days
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For assets and liabilities which are subject to payment by instalments the remaining maturity has been calculated as the time remaining until each instalment.

For credits with consecutively running periods of fixed terms the remaining maturity has been calculated as the time remaining until the next date of change of conditions.

Lending, gross, divided by collateral type

SEK (000s)	2002	2001
Single and two-family properties	98,827,856	91,056,958
Tenant-owner apartments	16,489,243	12,518,534
Multi-family properties	34,533,215	32,443,352
Municipalities, municipality guarantees	31,471,477	29,542,745
Government guarantees	1,763,729	1,731,488
Other collateral	10,128,277	9,098,529

Note 14

Credit portfolio

SEK (000s)	2002				2001			
	Total lending	Impaired loans net	Non-performing loans gross	Provisions	Total lending	Impaired loans net	Non-performing loans gross	Provisions
Companies	64,499,732	3,590	5,172	18,653	59,612,670	6,027	9,799	17,841
Personal customers	119,180,492	97,044	158,432	62,088	107,180,151	111,434	173,268	67,734
Public sector	9,452,832	–	–	–	9,513,206	–	–	–
Total	193,133,056	100,634	163,604	80,741	176,306,027	117,461	183,067	85,575

SEK (000s)	2002	2001
Impaired loans		
Impaired loans, gross	181,375	203,036
Reserves for impaired loans	–80,741	–85,575
of which		
– specific	–20,103	–24,937
– by category	–60,638	–60,638
Impaired loans, net	100,634	117,461

Reserve in % of impaired loans, gross	45%	42%
Impaired loans, net, in % of lending	0,05%	0,07%
Non-performing loans with interest reported on an accrual basis	–	–

Note 15

Tangible assets

SEK (000s)	2002	2001
Fixed assets		
Equipment		
Acquisition value at 1 January	660	12,855
Purchases during the year	–	295
Divestments/disposals	–282	–12,490
Depreciation according to plan for the year	–65	–37
Accumulated depreciation of divested/disposed equipment during the year	282	12,375
Accumulated depreciation according to plan in prior years	–378	–12,716
Book value	217	282

Note 16

Other assets

SEK (000s)	2002	2001
Derivative instruments		
Interest-related	279,779	271,400
Currency-related	123,073	1,237,770
Claims on securities settlement proceeds ¹	–	206,255
Tax assets	1,633	1,631
Other	9,605	791,384
Total*	414,090	2,508,440
¹ Claims on securities settlement proceeds, gross	1,323,262	206,255
* Of which, Group companies	131,706	1,121,936

Note 17

Prepaid expenses and accrued income

SEK (000s)	2002	2001
Accrued interest income	1,050,001	1,061,869
Prepaid expenses	24,469	8,076
Total*	1,074,470	1,069,945
* Of which, unpaid interest payment due	15,992	15,494
* Of which, Group companies	–	980

Note 18

Loans from credit institutions

SEK (000s)	2002	2001
Swedish banks	61,467,490	64,919,813
Foreign banks	1,379,840	2,004,006
Total*	62,847,330	66,923,819
* Of which, Group companies	62,847,330	66,923,819

Maturity information

Remaining maturity Book value SEK (000s)

Payable on demand	14,382	–
Maximum 3 months	53,975,254	50,350,634
3 months–1 year	3,840,806	8,950,513
1–5 years	4,331,888	6,880,672
More than 5 years	685,000	742,000
Total	62,847,330	66,923,819

Average remaining maturity	111 days	158 days
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Note 19

Debt securities in issue

SEK (000s)	2002	2001
ECP	87,069	414,962
Swedish retail bonds	642,611	920,157
Other Swedish bonds	109,010,196	91,505,551
EMTN	6,650,567	6,201,211
Total*	116,390,443	99,041,881
* Of which, Group companies	12,260,660	15,304,236

Maturity information

Remaining maturity Book value SEK (000s)

Maximum 1 year	44,902,190	26,980,516
1–5 years	70,673,140	71,398,938
5–10 years	815,113	662,427
Total	116,390,443	99,041,881

Average remaining maturity	627 days	656 days
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For a specification, see page 27.

Note 20

Other liabilities

SEK (000s)	2002	2001
Derivative instruments		
Interest-related	169,144	145,134
Currency-related	29,489	124,298
Liabilities on securities settlement proceeds ¹	1,009,427	–
Accounts payable	679	1,265
Other	2,062,916	1,383,634
Total*	3,271,655	1,654,331
¹ Liabilities on securities settlement proceeds, gross	2,332,689	–
* Of which, Group companies	3,403,330	1,446,216

Note 21

Accrued expenses and prepaid income

SEK (000s)	2002	2001
Accrued interest expenses	3,279,524	3,188,271
Other accrued expenses	8,296	5,226
Prepaid income	46,349	68,539
Total*	3,334,169	3,262,036
* Of which, Group companies	388,017	501,924

Note 22

Subordinated liabilities

SEK (000s)	2002	2001
Dated subordinated debenture loans	40,000	340,000
Total*	40,000	340,000
* Of which, Group companies	40,000	340,000

These debenture loans are subordinated to other liabilities.

SEK (000s)	Loan amount	Interest rate	Maturity date
Loan 1	40,000	5.95%	2005-06-21

Total interest expense for the year: 5,342,000 (20,015,000).

Note 23

Shareholder's equity

SEK (000s)	2002	2001
Restricted		
Share capital (100,000 shares, each with a nominal value of SEK 1,000)	100,000	100,000
Statutory reserve	20,000	20,000
	120,000	120,000
Unrestricted		
Retained profits	7,151,928	7,269,795
Net profit for the year	1,467,000	1,349,085
	8,618,928	8,618,880
Total	8,738,928	8,738,880

Movements in shareholders' equity, 2002	Share capital	Statutory reserve	Retained earnings	Net profit for the year	Total
Balance at beginning of year	100,000	20,000	8,618,880	–	8,738,880
Group contributions	–	–	–2,037,434	–	–2,037,434
Tax effect on group contributions	–	–	570,481	–	570,481
Net profit for the year	–	–	–	1,467,000	1,467,000
Balance at year-end	100,000	20,000	7,151,928	1,467,000	8,738,928

Note 24

Commitments

Nominal amounts, SEK (000s)	2002	2001
Interest and currency-related contracts	34,395,380	33,615,377
Other commitments		
Credit commitments, unutilised	3,868,838	7,376,628
Total	38,264,218	40,992,005

Note 25

Capital adequacy

SEKm	2002	2001
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Capital base, after proposed distribution of earnings

Tier 1 capital		
Shareholder's equity	8,739	8,739
Total tier 1 capital	8,739	8,739

Supplementary capital

Dated subordinated debenture loans	16	324
Total supplementary capital	16	324
Total capital base	8,755	9,063

Risk-weighted amount for credit risks

Credit risks as specified below	94,774	85,483
Total risk-weighted amount	94,774	85,483

Tier 1 capital ratio, %	9.2	10.2
Total capital ratio, %	9.2	10.6

Specification of risk-weighted amounts, credit risks

Risk category ¹	Items in balance sheet		Off-balance sheet items			Total risk weighted amount
	Reported	Risk weighted	Nominal	Adjusted	Risk weighted	
A 0%	35,421	–	8,171	890	–	–
B 20%	3	1	28,051	787	157	158
C 50%	129,980	64,990	842	421	211	65,201
D 100%	28,815	28,815	1,200	600	600	29,415
Total	194,219	93,806	38,264	2,698	968	94,774

¹ Risk categories include:

- A Claim on or guaranteed by the Swedish government, a Swedish municipality and receivables from Group companies
- B Claim on or guaranteed by banks and mortgage institutions
- C Claim backed by mortgages on residential properties
- D Other receivables and claims

Class C is the highest risk category for interest- and currency-related derivatives.

The capital base includes appropriations and distribution of earnings as proposed by the Board of Directors.

Note 26

Derivative instruments

Derivatives with positive values 2002

SEKm	Fully or partially reported in the balance sheet			Not reported in the balance sheet	
	Fair value	Book value	Nom amount	Fair value	Nom amount
Interest-related contracts					
Interest-rate swaps	535	280	15,157	255	–
Swaptions	–	–	–	0	1
Other derivatives	–	–	–	0	69
Currency-related contracts					
Currency-interest rate swaps	135	123	7,679	12	–
Total	670	403	22,836	267	70
Of which cleared	–	–	–	–	–

Derivatives with negative values 2002

SEKm	Fully or partially reported in the balance sheet			Not reported in the balance sheet	
	Fair value	Book value	Nom amount	Fair value	Nom amount
Interest-related contracts					
Interest-rate swaps	449	169	11,220	280	–
Currency-related contracts					
Currency-interest rate swaps	22	13	164	9	–
Currency forwards	16	16	105	0	–
Total	487	198	11,489	289	–
Of which cleared	–	–	–	–	–

Deferral hedge accounting is applied to the company's holding of derivatives. Deferred gains and losses for derivatives not reported in the balance sheet have offsetting differences between the fair value and the book value for the respective items, which are recorded in the balance sheet. Thus, the reporting of a positive value of SEK 267m (231) and a negative value of SEK 289m (129) has been deferred.

Derivatives with positive values 2001

SEKm	Fully or partially reported in the balance sheet			Not reported in the balance sheet	
	Fair value	Book value	Nom amount	Fair value	Nom amount
Interest-related contracts					
Interest-rate swaps	499	271	14,601	228	–
Swaptions	–	–	–	0	5
Other derivatives	–	–	–	0	30
Currency-related contracts					
Currency-interest rate swaps	1,223	1,221	6,990	2	–
Currency forwards	18	17	352	1	–
Total	1,740	1,509	21,943	231	35
Of which cleared	–	–	–	–	–

Derivatives with negative values 2001

SEKm	Fully or partially reported in the balance sheet			Not reported in the balance sheet	
	Fair value	Book value	Nom amount	Fair value	Nom amount
Interest-related contracts					
Interest-rate swaps	270	145	10,944	125	–
Other derivatives	–	–	–	0	1
Currency-related contracts					
Currency-interest rate swaps	128	124	645	4	–
Currency forwards	–	–	47	–	–
Total	398	269	11,636	129	1
Of which cleared	–	–	–	–	–

Note 27

Assets and liabilities at fair value

SEKm	2002			2001		
	Book value	Adjustment to fair value	Market value	Book value	Adjustment to fair value	Market value
Assets						
Loans to credit institutions	1	–	1	76	–	76
Lending	193,133	2,128	195,261	176,306	759	177,065
Tangible assets	0	–	0	0	–	0
Other assets	414	267	681	2,509	231	2,740
Prepaid expenses and accrued income	1,075	–	1,075	1,070	–	1,070
Total assets	194,623	2,395	197,018	179,961	990	180,951
Liabilities and shareholder's equity						
Loans from credit institutions	62,847	188	63,035	66,924	120	67,044
Debt securities in issue	116,391	389	116,780	99,042	493	99,535
Other liabilities	3,272	289	3,561	1,710	129	1,839
Accrued expenses and prepaid income	3,334	–	3,334	3,206	–	3,206
Subordinated debt	40	1	41	340	–	340
Total liabilities	185,884	867	186,751	171,222	742	171,964
Shareholder's equity						
Share capital	100	–	100	100	–	100
Statutory reserve	20	–	20	20	–	20
Retained earnings	7,152	–	7,152	7,270	–	7,270
Net profit for the year	1,467	–	1,467	1,349	–	1,349
Total liabilities and shareholders' equity	194,623	867	195,490	179,961	742	180,703
Surplus value, net		1,528			248	

Re-evaluation of lending is performed on account of changes in market interest rate. The discount rates used are based on the market interest rate for each term. Securities are revaluated at fair value. The company applies hedge accounting.

Note 28

Fixed-interest terms for assets and liabilities

Fixed-interest terms 31 December 2002

SEKm	On demand	< 3 mths	3–12 mths	1–5 years	> 5 years	Non repricing
Assets						
Interest-bearing assets	1	83,445	34,467	72,209	3,012	–
Off-balance sheet items	–	11,285	2,282	12,810	–	–
Non interest-bearing assets	–	–	–	–	–	1,489
Total assets	1	94,730	36,749	85,019	3,012	1,489
Liabilities and shareholder's equity						
Interest-bearing liabilities	15	60,330	42,388	75,045	1,500	–
Off-balance sheet items	–	15,257	1,419	9,217	484	–
Non-interest-bearing liabilities/ incl shareholders' equity	–	–	–	–	–	15,345
Total liabilities and shareholders' equity	15	75,587	43,807	84,262	1,984	15,345
Exposure	–14	19,143	–7,058	757	1,028	–13,856
Cumulative exposure	–14	19,129	12,071	12,828	13,856	–

Note 29

Assets and liabilities in foreign currencies

31 December, SEKm	EUR	USD	Other	Total
Assets				
Other assets	3,267	4,241	180	7,688
Total assets	3,267	4,241	180	7,688
Liabilities and shareholder's equity				
Loans from credit institutions	1,282	–	–	1,282
Interest-bearing securities	1,969	4,474	177	6,620
Other liabilities	16	–233	3	–214
Total liabilities	3,267	4,241	180	7,688
Net position, foreign currencies	–	–	–	–

Specification to Note 19:

Swedish retail bonds, SEK (000s)

At 31 Dec 2002

Number	Issue/final due date	Interest rate %	Issued nominal amount
7507*	980605/030605	5.00	81,000
7508*	980605/030605	–	303,000
7509*	990304/040915	–	288,000

* Tap issues

Other Swedish bonds, SEK (000s)

At 31 Dec 2002

Nr,	Issue date	Interest rate %	Interest maturity dates	Final due date	Nominal amount outstanding
5001*	93-09-17	8.50	17 Sept	03-09-17	169,000
5002*	94-06-15	7.50	15 June	04-06-15	–
5512*	97-06-18	6.00	18 June	03-06-18	39,438,000
5513*	98-04-20	5.00	20 Apr	09-04-20	1,050,000
5514*	98-06-16	5.25	16 June	04-06-16	40,198,600
5515*	00-04-28	5.75	21 Sept	05-09-21	21,873,000
5516*	01-04-17	5.00	21 June	06-06-21	16,410,000
5517*	02-04-18	6.00	19 Sept	07-09-19	10,150,000

Lån 5001–5517: No interest rate adjustment

* Tap issues

EMTN (bonds issued in foreign currencies), SEK (000s)

At 31 Dec 2002

Currency	Issue/final due date	Interest rate % ¹	Amount in currency ¹	Amount in SEK closing day rate
EUR	990504/090504	3 months' Euribor + 0.125	15,000	137,351
EEK	991208/041208	7.50	40,000	23,409
USD	000210/030210	3 months' USD – Libor + 0.0625	500,000	4,386,450
HKD	020711/090828	5.34	137,000	154,109
EUR	021004/041004	3 months' Euribor +0.035	200,000	1,831,343
SEK	021216/081201	The interest rate is fixed in arrears at the subsequent interest-fixing date	100,000	100,000

¹ Refers to original issue. The currency exposure and interest rate on certain loans have been changed by using currency and interest rate swaps.

Proposed distribution of earnings

After having paid a group contribution of SEK 2,037,434,000, the following amount is available for distribution by the Annual General Meeting of Shareholders:

Retained profits	7,151,928,000
Net profit for the year	1,467,000,000
Total	8,618,928,000

The Board of Directors and the President propose that these earnings be distributed as follows:

<u>To be carried forward</u>	<u>8,618,928,000</u>
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Stockholm, 28 February 2003

Hans Jacobson
Chairman

Göran Lind

Håkan Nordblad

Roland Olsson

Leif Ronander
President

Our audit report was submitted on 3 March 2003

KPMG Bohlins AB

Johan Bäckström
Authorised Public Accountant

Olle Gunnarsson
Authorised Public Accountant
Öhrlings PricewaterhouseCoopers
Appointed by the
Swedish Financial Supervisory Authority

Audit report

To the general meeting of the shareholders of Nordea Hypotek AB (publ) (Corp. reg. no. 556091-5448)

We have audited the annual accounts, the accounting records and the administration of the board of directors and the managing director of Nordea Hypotek AB (publ) for the year 2002. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Financing Operations Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis of our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act for credit Institutions and Securities Companies and, thereby, give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm 3 March 2003

KPMG Bohlins AB

Johan Bäckström
Authorised Public Accountant

Olle Gunnarsson
Authorised Public Accountant
Öhrlings PricewaterhouseCoopers
Appointed by the
Swedish Financial Supervisory Authority

Board of Directors, Auditors and Management

Board of Directors

Chairman

Hans Jacobson
Nordea Bank Sweden AB
Head of Retail Sweden

Members

Göran Lind
Nordea Bank Sweden AB
Head of Credits in Retail Sweden

Håkan Nordblad
Head of Nordea Corporate Retail
Banking

Roland Olsson
Head of Nordea Household and
General Insurance

Leif Ronander
President of Nordea Hypotek AB

Auditors

Chief auditor

KPMG Bohlins AB
Johan Bäckström
Authorised Public Accountant

Olle Gunnarsson
Authorised Public Accountant
Öhrlings PricewaterhouseCoopers
Appointed by the Swedish Financial
Supervisory Authority

Management

Leif Ronander
President

Sten Roghe
Head of Credits and Deputy President

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