Nordea

Annual Report 2004

Nordea Hypotek AB (publ)

Nordea Hypotek AB (publ) 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 almost 11 million customers and 1,198 bank branches. The Nordea Group is a world leader in Internet banking, with 4 million e-customers. The Nordea share is listed in Stockholm, Helsinki and Copenhagen.

Contents

Statement by the President

Another year of strong volume growth and satisfactory earnings

The last few years' strong increase in lending volumes continued during 2004, both for the mortgage institutions in general and for Nordea Hypotek. Our lending increased by 11.4%. The increase is mainly in household lending, where we for the third consecutive year can report a double-digit percentage increase. Last year's increase was just over 14%. Our lending to legal entities increased by 5.8%, in spite of a general decline in the market. Our share of mortgage lending continued to increase, in the household as well as the corporate sector.

Among the underlying causes of this sustained increase are further reduced interest rates during the year, continued rise in house prices, increased construction activities and record turnover of commercial properties.

The market for mortgage lending also saw a further sharpening of competition in 2004. Intense competition has brought a downward pressure on margins, particularly in the household market, which is why the net interest income did not keep pace with volume growth. For us, net interest income remained largely unchanged, despite the strong growth in volume.

New loan losses were almost negligible. At the same time, we were able to reverse a substantial part of a group-wise reserve for household loans which was created in previous years and dispose of a portfolio of depreciated residual claims. This resulted in substantial net recoveries, which had a positive impact on our operating profit.

As stated in the Board of Director's report, new principles for the allocation of costs between the parent company and Nordea Hypotek were introduced in 2004, regarding the extensive services rendered by the Bank on behalf of the Company. These new principles entail a very substantial increase of the Company's reported operating expenses compared to the previous year, which has resulted in a somewhat lower operating profit for Nordea Hypotek. For the Nordea Group as a whole, however, it should be emphasised that the underlying cost base and earnings capacity of the mortgage lending is not affected by this change in accounting practice. With this in mind and considering the general market conditions, the financial results again in 2004 were satisfactory and exceeded my expectations.

Sustained high credit quality

To a mortgage institution, which lends at low margins, it is important and indeed necessary to maintain low risk in its credit portfolio, and not least to retain a good standing with the investors who provide the funding. Nordea Hypotek has for several years enjoyed a very low level of loan losses, below the average for Swedish mortgage institutions. The volume of impaired loans, in absolute figures, is lower today than it was five years ago, in spite of the strong increase in lending in this period. The great expansion of credits in the last few years has thus not resulted in a higher level of risk. On closing day, gross impaired loans corresponded to only 0.8 promille of lending. These figures and our track record as regards loan losses, in my opinion, show that the Company maintains high standards in terms of credit quality.

Looming bubble in the housing market?

The strong increase in lending to the household sector in recent years, in combination with rising house prices and low interest rates, has in some quarters raised the question whether the Swedish housing market is heading towards a bubble-burst scenario. What happens if/when interest rates go up?

Certainly, the households' debt to income ratio has risen, but at the same time asset values have also risen so that net equity is actually higher today than a few years ago. Low interest rates also mean that interest expenses, in spite of increased indebtedness, now constitute a smaller proportion of disposable income than before.

Higher interest rates would of course entail an augmentation of the interest to income ratio, and for some households a marked interest rate increase could cause payment hardship, particularly if a member of the household suffers unemployment, severe illness or comparable circumstances. The majority of borrowers, however, have sufficient buffers in the household economy to withstand any likely rise in interest rates, and they are covered by social insurance in case of unemployment or illness to compensate for lost income. On the whole, Swedish financial institutions have for many years applied credit-approval policies that call for a certain safety margin in the household economy in order to grant loans. An important aspect is also that Swedish households, contrary to the practice in some other European countries, for the most part only borrow to finance their own home, and not to buy property with a view to sublet it.

The Swedish central bank, Riksbanken, in 2004 conducted a survey of indebtedness in the Swedish household sector. The survey revealed that it is principally households with high income and satisfactory payment margins that have large loans. Riksbanken's conclusion was therefore that the households' repayment ability would not be significantly affected even by a fairly drastic rise in interest rates. As far as Nordea Hypotek is concerned, I can verify that of our 275,000 borrower households only about 5,000, or less than 2%, have loans exceeding SEK 2 million, which can be seen as confirmation of the findings of the Riksbank survey. In our portfolio, the average loan amount per household is only slightly over SEK 0.5 million.

However, the risk of general payment hardship and dwindling prices must never be disregarded, particularly after several years of low interest rates and rising house prices. Today, there are however hardly any signs to indicate such a rise in interest rates in the foreseeable future as to constitute a general threat to the household sector's financial margins. Consequently, I do not see any danger of a substantial future rise in our low level of loan losses.

Covered bonds

The Act on Covered Bonds entered into force on 1 July 2004. The new legislation has not yet been utilised by any issuer, mainly due to the comprehensive adjustments of computer systems and accounting procedures that are necessary to comply with the Act's requirements and the Financial Supervisory Authority's regulations. Our preparations to adapt to these demands have been under way for some time. My estimate is that our credit portfolio complies by a wide margin with the requirements as to the quality of collateral, which is a prerequisite to obtain Financial Supervisory Authority's approval to convert existing funding and to issue new covered bonds.

Transparency and competition

The Swedish mortgage market is characterised by a high level of transparency and competition. In the case of housing lending, for example, the interest rates offered by the various institutions for different types of loans are published daily in the newspapers and are constantly available via Internet. Our operations are subject to continuous scrutiny and review by leading media, and mortgage loans seem to be a topic of discussion in many different contexts. Even though there are some discounts, prospective borrowers have easy access to information on interest charged and other terms applied by the mortgage institutions. In the corporate sector, it is becoming increasingly common to procure offers from most of the institutions active in the market, and likewise when existing loans are renegotiated. Competition tends to standardise products and credit terms offered by different lenders, however without erasing all variation.

In Nordea Hypotek we aim to offer competitive credit terms based on market conditions, though not always at the absolute lowest market rates. Notwithstanding, we have increased our market share year after year in spite of the emergence of new competitors. What then is the secret behind this development?

Partly, I think it is attributable to a number of soft factors such as sensitivity to customer views and attitudes, flexibility and competence of account managers and advisers in Nordea's branches, speed and convenience of service etc. But foremost it is a question of the strength of Nordea's brand and what it represents in terms of a comprehensive range of financial services and customised advising activities. Virtually no customer's need of financial services is limited to just mortgage loans. Many customers' choice of mortgage institution is thus influenced by an array of supplementary services, and the way they are designed to add value so as to outweigh the marginal difference in interest rates.

The success of Nordea Hypotek is therefore to a large extent a result of the excellent work by our many colleagues in branch offices and other units within Nordea who are involved in the sale and development of our products alongside Nordea's other product offering. So there is every reason for us to extend gratitude to all Nordea employees who have contributed to our positive development. I would also like to thank all the estate agents throughout the country who cooperate with us for their valuable contributions, as well as all new and old customer and investors who have shown confidence in us.

Stockholm in March 2005

Leif Ronander
President

Five-year summary

Income statement

EURm	2004	2003	2002	2001	2000
Net interest income	234	234	220	200	183
Net commission income	4	5	5	4	4
Net result from financial operations	14	–	–	–	–
Other operating income	0	0	0	0	0
Total operating income	**252**	**239**	**225**	**204**	**187**
Personnel expenses	0	0	0	–1	–2
Other operating expenses	–50	–1	–2	–2	–2
Total operating expenses	**–50**	**–1**	**–2**	**–3**	**–4**
Profit before loan losses	**202**	**238**	**223**	**201**	**183**
Loan losses, net	8	0	1	1	0
Operating profit	**210**	**238**	**224**	**202**	**183**
Appropriations	–53	0	–1	0	1
Tax on profit for the year	–45	–67	–62	–57	–52
Net profit for the year	**112**	**171**	**161**	**145**	**132**

Balance sheet at 31 December

EURm	2004	2003	2002	2001	2000
Assets					
Loans to credit institutions	204	11	0	8	31
Lending	26,016	23,360	21,101	18,955	18,661
Bonds and other interest-bearing securities	–	–	–	–	92
Other assets	105	135	163	385	421
Total assets	**26,325**	**23,506**	**21,264**	**19,348**	**19,205**
Liabilities and shareholders' equity					
Loans from credit institutions	11,539	6,683	6,867	7,195	5,563
Debt securities in issue	12,781	14,203	12,716	10,648	11,934
Other liabilities	628	1,465	713	528	725
Subordinated liabilities	160	104	4	37	50
Total liabilities	**25,108**	**22,455**	**20,300**	**18,408**	**18,272**
Untaxed reserves	**53**	–	–	–	–
Shareholders' equity	**1,164**	**1,051**	**964**	**940**	**933**
Total liabilities and shareholders' equity	**26,325**	**23,506**	**21,264**	**19,348**	**19,205**

Ratios and key figures

	2004	2003	2002	2001	2000
Return on average equity, % [1]	13.4	16.8	16.0	15.5	15.4
Return on total capital, %	0.8	1.1	1.1	1.1	0.9
Investment margin, %	0.94	1.04	1.08	1.06	0.94
Cost/income ratio before loan losses, %	19.8	0.7	0.8	1.2	2.3
Cost/income ratio after loan losses, %	16.4	0.5	0.3	0.9	2.4
Reserves for impaired loans, %	14.6	39.2	44.5	42.1	38.0
Non-performing loans ratio, %	0.07	0.06	0.05	0.07	0.09
Loan loss level, %	–0.036	–0.002	–0.006	–0.004	0.001
Risk-weighted amount, EURm	14,450	11,782	10,355	9,191	8,955
Capital base, EURm	1,357	1,151	957	974	982
Total capital ratio, %	9.39	9.77	9.24	10.60	10.96
Tier 1 capital ratio, %	8.32	8.92	9.22	10.22	10.42
Average number of employees	2	5	6	14	44

[1] In 2000 the calculations were based on the operating profit minus 28 percent standard tax in relation to average shareholders' equity and 72 percent of retained profits.

Definitions

Capital base
The capital base constitutes the numerator in calculating the capital ratio. It consists of the sum of tier 1 capital (see definition) and supplementary capital (consisting of subordinated 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
Loan losses as a percentage of the opening balance of lending.

Non-performing loans ratio
Net non-performing loans as a percentage of lending.

Reserves for impaired loans
Reserves 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. To the net profit for the year and to shareholders' equity has been added 72 percent of this year's allocation to equalisation reserve.

Return on total capital
Operating profit 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 2004. The company is a wholly owned subsidiary of Nordea Bank AB (publ) (Corp. reg. no. 516406-0120).

Definitions
In this report of the Board of Directors the terms below shall have the following meanings: "The company" means Nordea Hypotek AB (publ), "The parent company" and "the parent bank"means Nordea Bank AB (publ), "The Nordea Group" and "Nordea" means Nordea Bank AB (publ) and its subsidiaries.

Operations
The company operates in the Swedish market and grants loans, primarily long-term in nature, to private individuals, individual businessmen, municipalities 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 activities. The central emphasis is on housing financing. Collateral consists mainly of mortgages on residential property, tenant-owner apartments or of municipal guarantees.

Change of reporting currency
As of 1 January 2004, the company has changed reporting currency from Swedish kronor to Euro. Previous years' income statements and balance sheets as well as appurtenant notes, originally reported in Swedish kronor, have for the sake of comparison been restated in Euro. Income items have thereby been restated at the average exchange rate for each year, while balance items have been restated at the exchange rate on the closing date each year. See also under Note 1 "Accounting policies".

Result
Operating profit amounted to EUR 210m (238), which is a decrease by 11.7 percent compared to the previous year. When comparing to operating profit the previous year, the following major items effecting comparability should be taken into consideration:

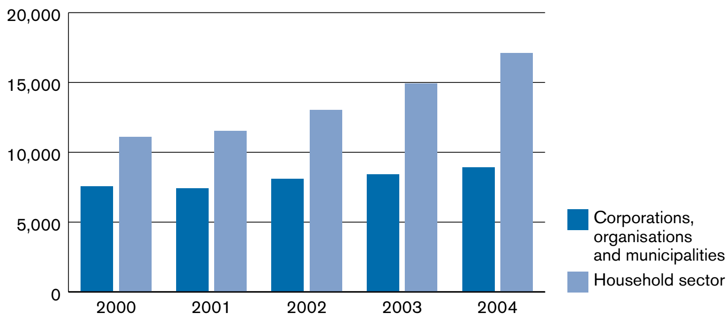
- As a consequence of changes in the allocation of costs between the parent company and Nordea Hypotek, the company has been debited EUR 49m (–) for 2004, as compensation for services rendered in regard of sale and administration of mortgage loans. These costs have not been invoiced in previous years.
- Currency fluctuations between Euro and Swedish kronor have resulted in an income of EUR 14m (–), which is reported in the income statement as net result from financial operations.
- During the year, the company has reversed a no longer required group-wise reserve for possible loan losses in relation to private customers, resulting in an income of EUR 6m (–).
- During the year, the company disposed of a portfolio of depreciated residual claims on private customers, resulting in a net income of EUR 2m (–).

This year's net interest income amounted to EUR 234m (234).

Return on equity was 13.4 percent (16.8).

Lending
Lending during the year increased by 11.4 percent to EUR 26,016m at year-end.

Distribution of the loan portfolio
EUR m



Lending to corporations, organisations and municipalities

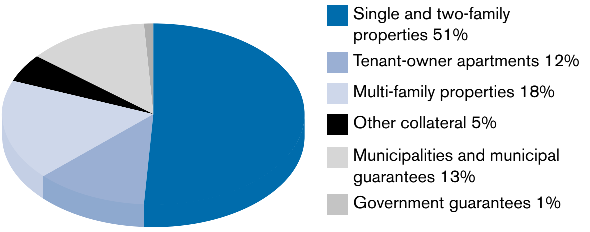
Lending to legal entities increased by EUR 492m (5.8 percent) to EUR 8,918m at the end of the financial year.

Lending to personal customers

Lending to households increased by EUR 2,163m (14.5 percent) to EUR 17,097m.

Over the year, 109,223 loans (101,564) totalling EUR 4,447m (3,956) were disbursed. On 31 December 2004, there were 486,389 (446,155) loans outstanding.

Lending distribution in collateral

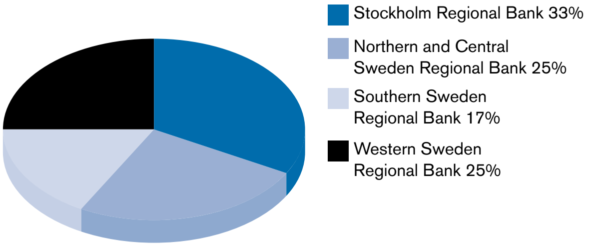


Mortgage limits

The company applies the following loan to value rations:

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

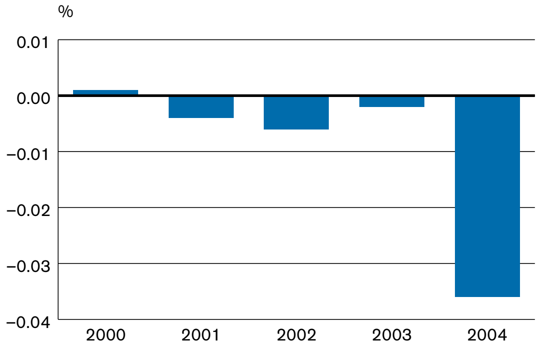
Lending by geographical area



Loan losses

Recoveries of previously off-written claims and reversals of provisions in previous years exceeded new incurred and expected losses by EUR 8m (0). This amount comprise the reversal of a no longer required group-wise reserve for possible loan losses in relation to private customers of EUR 6m (–) and the income from the sale of a portfolio of depreciated residual claims of EUR 2m (–).

Loan losses in relation to lending



Currency policy

The change to Euro as reporting currency means that currency risks arise, since the company has the absolute majority of its income, costs and other counterparty relations in Swedish kronor. The company's assets and liabilities are however in terms of currency-risk matched in the same currency, whereby currency risks arise primarily regarding the shareholders' equity, and income and cost items that originate in Swedish kronor. The currency risks are limited through an active management of the positions.

Funding

The company issued fixed-rate bonds with maturities of more than one year for EUR 3.3bn (6.6) 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. During the year the company has issued a subordinated debenture loan of EUR 0.1bn (0.1), which in its entirety was endorsed by the Parent Company.

The company has an EMTN programme for international funding. The frame for this programme is EUR 5bn. During 2004 no new funding was raised through this programme (previous year EUR 0.4bn).

The total number of outstanding bonds at year-end amounted to a nominal value of EUR 14.6bn, of which Swedish bonds accounted for EUR 14.2bn and EMTN for EUR 0.4bn.

International rating

The company's ratings did not change during the year. The rating from Moody's Investor 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. The Parent Company's Board of Directors is ultimately responsible for limiting and monitoring the Group's risk exposure. Risks in Nordea are measured and reported according to common principles adopted by the Board.

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. The ultimate responsibility for limiting and monitoring the company's risk rests with the company's Board of Directors. 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. 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. The credit risks are also limited by establishing separate limits for different industries.

An account manager in the parent bank is appointed for each corporate customer account. This account manager 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 and compliance with agreements. Customer's who are legal entities are in addition assigned a rating, in accordance with Nordea's internal rating system. If the repayment ability is deemed to be weak in respect of a credit exposure, it is categorised as substandard. Besides normal monitoring, an action plan is prepared for how a possible loan loss should be minimised.

For loans to private customers the monitoring and control are primarily performed through various reports of late or failed payments, whereby measures to limit the credit risk are taken unless correction is effected within the prescribed time.

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 amount not expected to be received. Exposures that are considered substandard or doubtful are reviewed quarterly with regard to their development, outlook, future repayment ability, and possible need for provisions and size of such provision.

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. The customer rating is also used when calculating economic profit and economic capital.

Analysis of credit risk

Lending

Nordea Hypotek's lending increased by 11.4 percent in 2004 to EUR 26,016m (23,360). Lending to the corporate sector accounted for 34 percent (36) of the exposure, thereof the public sector (state and municipal) 12 percent (13). The household sector's percentage of exposure was 66 percent (64). The distribution of the lending on maturities and types of collateral is shown below in note 14. The company only mortgages properties in Sweden.

Credit commitments and unutilised credit facilities amounted to EUR 114m (84).

As the previous year, the company did not have any assets in the form of bonds or other interest-bearing securities. The credit risk exposure in derivatives amounted to EUR 50m (40).

Loans to credit institutions
Lending to credit institutions amounted at the end of the year to EUR 204m (11), all of which was placed in Group companies for terms of less than one year.

Impaired loans
Impaired loans, gross amounted to EUR 22m (23), of which EUR 19m (20) were loans to households. The net amount, after a EUR 3m (9) deduction for provisions for impaired loans, was EUR 19m (14), corresponding to 0.07 percent (0.06) of the total volume of loans outstanding.

Transfer risk
Transfer risk is a risk that arises in connection with the transfer of money between countries and that is influenced by changes in the economic and political landscape, which can lead to difficulties for counterparties to fulfil their commitments. The credit risk in connection with transfer 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 EUR 17m (18) 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, equity and commodity prices. Market risk is divided into interest rate, currency, equity and commodity risk.

Nordea Hypotek's market risk 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 EUR 0.4m (0.3) for interest-rate decline.

Exposure to currency risk arises when assets and liabilities in the same currency are of unequal amounts. See further under the heading Currency policy, above.

The company has no 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 computer system and the majority of other processes with the Parent Company. 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 issues
In accordance with the Nordea Group's principles for relations with the surrounding society, Nordea Hypotek has committed itself to pursuing a business operation by combining economic performance with social and environmental responsibility. Concern for the environment shall guide the efforts to reduce the negative and increase the positive environmental impact of the company's operations.

The Nordea Group applies an environmental policy that serves as a guideline for how the units within Group can take environmental aspects into consideration in their own operations, and at the same time reduce the costs and risks that these operations entail for the Group. The policy should also serve as a guideline for decisions regarding financial operations and choice of contractors.

Legal proceedings

There are no disputes or legal proceedings in which material claims have been raised against the company.

Application of IFRS/IAS

The change to a new international accounting standard (International Financial Reporting Standards, IFRS) in 2005 affects Nordea Hypotek's financial statement in certain parts. All in all, the new accounting standards are, however, not deemed to have any material impact on the company's future result or the shareholders' equity.

From the company's point of view, the most important change of accounting policies occurs as regards financial instruments (IAS 39).

The changes that will have the greatest impact on the company's opening balance in 2005 are outlined below. The calculations of the effects of the application of IFRS are preliminary and will be reviewed and updated during 2005.

IFRS – Opening balance 2005

The application of IAS 39 on hedge accounting will affect the opening balance as of 1 January 2005.

Nordea Hypotek will use hedge accounting for financial assets and liabilities where relevant. All derivatives will be measured at fair value. The net effect of the conversion to hedge accounting applied under IFRS on the equity in the opening balance 1 January 2005 is estimated to have a limited effect only. The effect is a result of applying fair value on certain assets and related derivatives, as opposed to the previously applied deferral hedge accounting.

IFRS – Profit and loss

The application of IAS 39 is expected to lead to some increased volatility in reported profits, due to the valuation of certain financial instruments, but it is not expected to have a material impact on the reported earnings going forward. There is continued uncertainty attached to the scope of IAS 39. Adjusted recommendations are expected during 2005.

Outlook for 2005

Economic growth in Sweden is expected to remain comparatively strong during 2005, with a continued increase in private consumption and a slight increase in employment. Interest rates are expected to remain at a historically low level, even though an upturn seems likely in the latter part of the year. All in all, it seems likely that the demand for housing remains high with a great turnover and rising or stable prices on self-contained houses and tenant-owner apartments, which in turn should indicate a continued rise in household lending.

In the corporate sector the picture is more fragmented and more difficult to assess. Collectively, the Swedish mortgage institutions have decreased their lending to the corporate sector in the last few years. This is, however, not the case for Nordea Hypotek where on the contrary corporate lending has increased on a yearly basis.

The construction of multi-family houses is expected to continue up, resulting in an increased demand for financing, while amortisation of older objects has the opposite effect. The demand for office space is still relatively weak, and is not expected to recover significantly during the year, whereby the development of new commercial premises will be highly limited. In the retail sector, there are several ongoing and planned refurbishment and new-construction projects for shopping centres. Turnover of commercial properties is nevertheless expected to remain high during 2005, but these properties have in recent years to a large extent been financed outside the Swedish mortgage institutions. Nordea Hypotek's lending to the corporate sector is expected to increase somewhat also during 2005.

Distribution of earnings

The proposed distribution of earnings is provided on page 29.

Income statement

EUR (000s)	Note	2004	2003
Operating income			
Interest income	2	1,073,109	1,122,913
Interest expenses	2	–839,414	–889,104
Net interest income		**233,695**	**233,809**
Commission income	3	5,850	7,062
Commission expenses	4	–1,486	–1,702
Net result from financial operations	5	13,542	–
Other operating income	6	10	237
Total operating income		**251,611**	**239,406**
Operating expenses			
General administrative expenses			
Personnel expenses	7	–327	–458
Other administrative expenses	8	–49,359	–1,117
Depreciation and write-down of tangible fixed assets	9	–7	–6
Total operating expenses		**–49,693**	**–1,581**
Profit before loan losses		**201,918**	**237,825**
Loan losses, net	10	8,442	430
Operating profit		**210,360**	**238,255**
Appropriations	11	–53,373	–118
Tax on profit for the year	12	–44,673	–66,676
Net profit for the year		**112,314**	**171,461**
Net commission income	3, 4	4,364	5,360

Balance sheet

31 December, EUR (000s)	Note	2004	2003
Assets			
Loans to credit institutions	13	203,621	11,326
Lending	14, 15	26,015,538	23,359,891
Tangible assets	16	34	17
Other assets	17	16,994	33,999
Prepaid expenses and accrued income	18	88,720	100,668
Total assets		**26,324,907**	**23,505,901**
Assets pledged		–	–
Liabilities and shareholders' equity			
Loans from credit institutions	19	11,539,593	6,683,271
Debt securities in issue	20	12,780,803	14,202,567
Other liabilities	21	348,827	1,130,277
Accrued expenses and prepaid income	22	278,947	334,749
Subordinated liabilities	23	159,729	103,524
Total liabilities		**25,107,899**	**22,454,388**
Untaxed reserves	24	**53,181**	**–**
Shareholders' equity	25		
Restricted shareholders' equity			
Share capital		11,017	11,017
Statutory reserve		2,203	2,203
Unrestricted shareholders' equity			
Retained profit		1,038,293	866,832
Net profit for the year		112,314	171,461
Total shareholders' equity		**1,163,827**	**1,051,513**
Total liabilities and shareholders' equity		**26,324,907**	**23,505,901**
Contingent liabilities		–	–
Commitments	26	4,006,958	4,094,944
Other notes			
Accounting policies	1		
Credit portfolio	15		
Capital adequacy	27		
Derivative instruments	28		
Assets and liabilities at fair value	29		
Fixed-interest terms for assets and liabilities	30		
Assets and liabilities in foreign currencies	31		
Segment reporting	32		

Movements in shareholders' equity

Movements in shareholders' equity, 2004

EUR (000s)	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total
Balance at beginning of year	11,017	2,203	1,038,293	1,051,513
Net profit for the year	–	–	112,314	112,314
Balance at year-end	**11,017**	**2,203**	**1,150,607**	**1,163,827**

Movements in shareholders' equity, 2003

EUR (000s)	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total
Balance at beginning of year	11,017	2,203	950,797	964,017
Shareholders' contributions received	–	–	88,106	88,106
Group contributions paid	–	–	–238,987	–238,987
Tax effect of group contributions	–	–	66,916	66,916
Net profit for the year	–	–	171,461	171,461
Balance at year-end	**11,017**	**2,203**	**1,038,293**	**1,051,513**

Cash flow statement

EUR (000s)	2004	2003[3]
Operating activities		
Operating profit	210,360	239,968
Pension adjustments	–192	–119
Adjustments for items not included in cash flow	–48,216	–13,744
Income tax paid	–288	229
Cash flow from operating activities before changes in ordinary business assets and liabilities [1]	**161,664**	**226,334**
Changes in ordinary business assets and liabilities		
Change in lending	–2,650,937	–2,090,764
Change in derivatives, assets	17,316	11,608
Change in other assets	–68	–182
Change in loans from credit institutions	4,856,322	–238,242
Change in derivatives, liabilities	9,589	18,521
Change in other liabilities	–597,026	736,902
Cash flow from operating activities	**1,796,860**	**–1,335,823**
Investing activities		
Acquisition of tangible fixed assets	–35	–
Sale of tangible fixed assets	16	–
Cash flow from investing activities	**–19**	**–**
Financial activities		
Change in debt securities in issues	–1,421,764	1,384,236
Shareholders' contributions received	–	88,106
Group contributions paid	–238,987	–224,387
Change in subordinated liabilities	56,205	99,119
Cash flow from financial activities	**–1,604,546**	**1,347,074**
Cash flow for the year	**192,295**	**11,251**
Liquid assets at the beginning of the year	11,326	75
Liquid assets at the end of the year [2]	203,621	11,326
Change	**192,295**	**11,251**

[1] **Interest payments**		
Interest payments received	1,084,723	1,148,170
Interest payments made	–904,847	–933,256
[2] **Additional information**		
Liquid assets include loans to credit institutions, payable on demand	203,621	11,326

[3] Recalculation has been performed at the exchange rate 9.08 for all items.

Notes to the financial statements

Note 1

Accounting policies

Basis for presentation
The accounts are prepared in accordance with the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies (1995:1559), the regulations of the Swedish Financial Supervisory Authority (FFFS), the recommendations of the Swedish Financial Accounting Standards Council (RR), and interpretations by the RR's Standing Interpretations Committee.

The application of FFFS in certain cases takes precedence over the recommendations and interpretations of the Swedish Financial Accounting Standards Council. RR27, financial instruments, disclosure and presentation is not applicable to financial institutions. Departures have not had any significant effect on the financial statements.

In preparing the annual report, FFFS 2002:22 has been applied. In addition, FFFS 2004:20 Ch. 5 §30a has been applied. Information about the transition to International Financial Reporting Standards (IFRS) in accordance with FFFS 2003:11 is presented in the Board of Directors' report.

Changed accounting principles
In all material respects the accounting policies and the basis for calculations are unchanged in comparison to the previous year's annual report. As of 1 January 2004, the Swedish Financial Accounting Standards Council recommendation RR29 Remuneration to employees is applied. The new recommendation has not had any impact on the company's reporting of remuneration to employees compared to previously. The company has changed reporting currency from Swedish kronor to Euro. The comparative figures concerning previous years have as regards income statements been restated at the average exchange rate during the period in question, while balance sheet items have been restated at the closing date rate.

Use of estimates
The preparation of financial statements in accordance with generally accepted accounting principles in certain cases requires the use of estimates and assumptions by management, for instance in provisioning for loan losses, fair value adjustments and actuarial calculations of pensions. These estimates and assumptions affect the reported amounts of assets, liabilities and commitments, as well as income and expenses in the financial statements presented. Actual outcome can later to some extent differ from the estimates and the assumptions made.

Assets and liabilities denominated in foreign currency
Assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate, corresponding to the average of official buying and selling rates at closing. Forward positions in foreign currencies have been 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 instrument and the corresponding hedged item are translated at the year-end rates.

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

Reporting of business transactions
Business transactions are reported at the time that risks and rights are transferred between the parties and payment is deemed likely. Trade date accounting is applied for transactions in the money and bond markets, and in the stock and currency markets. In the income statement, gross amounts are reported. Income and expense items are offset only when a statutory rule or an accounting standard requires or permits it.

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 assets and liabilities
Financial fixed assets
Loan receivables for which there is an intent and ability to hold until maturity constitute financial fixed assets.

All of Nordea Hypotek AB (publ) loan receivables belong to this category.

Financial liabilities
Financial liabilities are reported at acquisition value or amortised cost. This implies that initially the amount is recognised equal to proceeds received, net of transaction costs incurred. In subsequent periods, accrual accounting is applied to the difference between the proceeds (net) and the redemption value together with interest and any fees over the period of the borrowings. Loans from credit institutions payable on demand are reported at nominal value.

Lending
Loans are initially reported in the balance sheet at acquisition value. Thereafter, the loan claims are reported on an ongoing basis at acquisition value (amortised cost) after deductions for write-downs and provisions for loan losses appraised individually and by category.

Impaired loans
An impaired loan is a claim for which it is probable that future payments will not be made in accordance with the contractual terms of the loan and where the security does not cover the claim. Impaired loans are measured by applying the assessed recovery value and a provision is made corresponding to the amount which is not covered by the recovery value.

The recovery value is calculated in accordance with the following methods:
- The discounted value of the estimated future cash flow to be received from the borrower.
- The fair value of the collateral pledged for the loan and/or the estimated fair value of guarantee commitments.
- The market value identified for the loan claim.

When a claim is classified as impaired, 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 impaired loans, which are measured according to the discounted value of estimated future cash flows, any changes in recovery value are reported as interest, if the assessment of the future cash flow is unchanged between two dates of assessment. If, however, the estimated future cash flow is changed, the corresponding change in recovery is reported as a loan loss or as a recovery.

Previously impaired loans are judged to be normal when the contractual terms of payment are likely to be fulfilled.

Loan losses are booked as realised losses when it is deemed that the loan amount will not be paid by the borrower or through other means.

Restructured loan obligations

A loan is restructured when the creditor has granted the borrower interest deferments because of deterioration of the borrower's financial situation. A portion of the original loan amount, which the creditor defers in connection with the restructuring, constitutes an realised loan loss.

Provisions for loans and advances appraised by category

For groups of loans and advances, where it is deemed probable that loan losses are incurred, but where the individual loan receivables within the category cannot yet be identified, a provision is made in respect of the entire category of loans.

Evaluation of minor loans and advances with similar credit risk

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

Financial commitments

Derivatives

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".

Tangible assets

Tangible assets are reported at their acquisition value less any accumulated depreciation according to plan and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis as follows:

Equipment	5 years

Group contributions

Group contributions paid or received between Swedish companies for the purpose of optimising the tax of the Group are in the legal entity reported as a decrease/increase of unrestricted equity, after adjustment for tax.

Shareholders' equity

In accordance with Swedish law, shareholders' equity is split into funds available for distribution, unrestricted reserves, and not available for distribution, restricted reserves.

Restricted reserves

Apart from the share capital, the company has a statutory reserve.

Statutory reserves: In accordance with local legislation, 10 percent of the net profit of each Swedish company in the Nordea Group is transferred to a non-distributable statutory reserve until this reserve represents 20 percent of the share capital of the company in question. The reserve can only be utilised after decision by the Annual General Meeting for issue of shares or for covering of losses, not covered by unrestricted equity.

Unrestricted reserves

The principal purpose of the company's unrestricted reserves is to retain a sufficient shareholders' equity to ensure a total capital ratio, which by an adequate margin fulfils the legal requirement in this respect. Surplus unrestricted reserves may be transferred to the company's owners.

Pensions

Pension costs

In 2004, pensions costs comprise premiums and fees to insurance companies and pension funds as well as actuarially calculated pension costs for other commitments. The actuarial pension costs refer to commitments guaranteed by a pension foundation. In accordance with instructions from the Swedish Financial Supervisory Authority, the costs are reversed in the item Pension adjustment and substituted by pension benefits paid, contributions made to or received from the pension foundation, and recognised changes in the pension provisions. Special payroll tax and return tax applicable to the Swedish pension system are also recognised in the Pension adjustment.

Taxes

Tax on profit for the year is based on taxable income before group contributions paid. Non-deductible VAT is reported among operating expenses.

Segment reporting

Nordea's operations are organised into three business areas and group functions: The business areas are Retail Banking, Corporate and Institutional Banking and Asset Management & Life.

Exchange rates

EUR 1 = SEK	2004	2003	2002	2001	2000
Income statement (average)	9.1275906	9.145267	9.138075	9.268404	8.466147
Balance sheet (at end of period)	9.015254	9.080000	9.152800	9.301200	8.831300

Note 2

Interest income and interest expenses

EUR (000s)	2004	2003
Interest income		
Loans to credit institutions	781	150
Lending	1,072,326	1,122,756
Other assets	2	7
Total interest income*	**1,073,109**	**1,122,913**
* Of which, Group companies	18,386	15,793
Interest expenses		
Loans from credit institutions	–248,154	–242,594
Debt securities in issue	–587,809	–644,525
Subordinated liabilities	–3,173	–1,984
Other liabilities	–278	–1
Total interest expenses*	**–839,414**	**–889,104**
* Of which, Group companies	–245,746	–240,722
Net interest income	**233,695**	**233,809**
Average interest rate, lending		
Lending		
Average volume	24,484,181	22,283,488
Average interest, %	4.38	5.07

Note 3

Commission income

EUR (000s)	2004	2003
Loan commissions	4,677	7,062
Other commissions	1,173	–
Total	**5,850**	**7,062**

Note 4

Commission expenses

EUR (000s)	2004	2003
Security commissions	–1,368	–1,417
Other commissions	–118	–285
Total*	**–1,486**	**–1,702**
* Of which, Group companies	–296	–229

Note 5

Net result from financial operations

EUR (000s)	2004	2003
Foreign exchange gains/losses	13,542	–
Total	**13,542**	**–**

Average balances

	2004		2003	
EUR (000s)	Average balance	Interest, %	Average balance	Interest, %
Assets				
Loans to credit institutions	46,811	1.67	11,884	0.93
Lending	24,484,181	4.38	22,283,488	5.07
Total interest-bearing assets	**24,530,992**	**4.37**	**22,295,372**	**5.07**
Non-interest-bearing assets	231,305	–	225,248	–
Total assets	**24,762,297**	**4.33**	**22,520,620**	**5.02**
Liabilities and shareholders' equity				
Loans from credit institutions	9,294,952	2.67	6,806,063	3.59
Debt securities in issue	13,247,534	4.44	13,757,326	4.72
Subordinated liabilities	107,325	2.96	57,777	3.43
Total interest-bearing liabilities	**22,649,811**	**3.71**	**20,621,166**	**4.34**
Non-interest-bearing liabilities	989,248	–	832,888	–
Untaxed reserves	4,091	–	–	–
Shareholders' equity	1,119,147	–	1,066,566	–
Total liabilities and shareholders' equity	**24,762,297**	**3.39**	**22,520,620**	**3.98**
Investment margin, %	0.94		1.04	

Note 6

Other operating income

EUR (000s)	2004	2003
Other	10	237
Total	**10**	**237**

Note 7

Personnel expenses

EUR (000s)	2004	2003
Salaries and remuneration (specification below)	–184	–270
Pension costs (specification below)	–65	–71
Social insurance contributions	–67	–96
Allocation to profit-sharing foundation	–2	–8
Other	–9	–13
Total	**–327**	**–458**

Salaries and remuneration:

To President and deputy [1]	–173	–165
To other employees	–11	–105
Total	**–184**	**–270**
[1] Of which, performance-based salary	–16	–12

Pension costs:

Actuarial pension costs	–61	–71
Pension premiums	–4	0
Total	**–65**	**–71**

No directors' fee was paid to board members.

The President's performance-based salary is dependent on the attainment of goals set by the chairman of the Board of Directors, and can be a maximum of 25 percent of the fixed salary. Provisions for performance-based salary each year is preliminary. Any performance-based salary for 2004 is determined in March 2005, and is paid subsequently. Divergence for provision made is charged to/reversed from the result of 2005. Nordea has no share-based incentive system.

The President had a car and fuel benefit during the whole year.

The President's contract of employment may be terminated by either the President or the company with six (6) months' notice.

In accordance with their employment contracts the President and the Vice President are entitled to six months' salary during the notice period before termination. 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.

Loans to the Board of Directors, President and executives

EUR	2004	2003
Lending at year-end	873,711	721,053

Pension commitments to the President and executives

EUR	2004	2003
Pension costs for previous President	38,348	37,697
Pension commitments for previous President	478,236	484,321
Pension costs for President	42,485	40,220
Pension commitments for President	462,493	396,239
Pension costs for Vice President	22,191	22,089
Pension commitments for Vice President	272,889	236,395

The pension age for the President and Vice President is 65 years. At the pensionable age, pension is paid according to collective agreement. Fixed salary is pensionable income. One third of performance-based salary is pensionable income. Pensions are paid from pension foundation. All pensions are benefit defined.

Actuarial pension costs and pension premiums include an increment for special wage tax. The actual tax paid is reported among appropriations under the item "Pension adjustment".

The company's pension commitments are covered partly by allocation to Nordea Bank Sveriges Pensionsstiftelse, partly by insurance policies.

Average number of employees

Full-time equivalents	2004	2003
Men	2	4
Women	–	1
Totalt	**2**	**5**

At year-end the total number of employees was 2 (3).

Remuneration to the Board of Directors, President and executives

	Fixed salary		Variable salary		Benefits		Total	
EUR	2004	2003	2004	2003	2004	2003	2004	2003
President	84,109	81,406	16,292	12,028	8,768	9,183	109,169	102,617
Vice President	72,516	71,574	–	–	–	–	72,516	71,574

Note 8

Other administrative expenses

EUR (000s)	2004	2003
Computer systems and equipment	–26	–327
Rents and other costs of premises	–19	–74
Postage and telephone	–438	–534
Sales costs	–48,538	–
Other expenses	–338	–182
Total	**–49,359**	**–1,117**
Fees and remuneration to auditors:		
KPMG Bohlins AB		
Auditing assignments	–59	–51
Other assignments	–	–12
Öhrlings PriceWaterhouseCoopers AB		
Auditing assignments	–4	–3
Total	**–63**	**–66**

Note 9

Depreciation and write-down of tangible fixed assets

EUR (000s)	2004	2003
Equipment	–7	–6
Total	**–7**	**–6**

Note 10

Loan losses, net

EUR (000s)	2004	2003
Specific reserves for individually appraised receivables		
Losses incurred during the year	–510	–115
Amount of previous provisions used during the year	405	115
The year's provisions for possible loan losses	–469	–645
Reversal of previous provisions	200	349
Total	**–374**	**–296**
Homogenous groups of receivables with limited value and similar credit risk appraised by category		
Losses incurred during the year	–638	–731
Recovery of previously incurred losses	3,731	1,457
Reversal/provision to reserves for possible loan losses	5,723	–
Total	**8,816**	**726**
Net costs for loan losses during the year	**8,442**	**430**

Note 11

Appropriations

EUR (000s)	2004	2003
Appropriations		
Allocation to profit equalisation reserve	–53,181	–
Total	**–53,181**	**–**
Other allocations		
Pension adjustments		
Actuarial pension costs	61	71
Special wage tax	–49	–
Pension benefits paid	–204	–189
Total	**–192**	**–118**
Total	**–53,373**	**–118**

Note 12

Tax on profit for the year

EUR (000s)	2004	2003
Actual tax		
Tax on the year's taxable income	–44,673	–66,676
Total	**–44,673**	**–66,676**
Profit before tax	156,987	238,137
Group contributions	–	–237,281
Tax-exempt income	–3	–8
Taxable income	**156,984**	**848**

Group contributions are, in accordance with the interpretations by the RR's Standing Interpretations Committee, charged or credited directly to the shareholders' equity.

Note 13

Loans to credit institutions

EUR (000s)	2004	2003
Financial fixed assets		
Swedish banks	203,621	11,326
Total*	**203,621**	**11,326**
* Of which, Group companies	203,621	11,326
Maturity information		
Remaining maturity		
Book value, EUR (000s)		
Payable on demand	203,621	11,326
Total	**203,621**	**11,326**
Average remaining maturity	–	–

Note 14

Lending

EUR (000s)	2004	2003
Financial fixed assets	26,015,538	23,359,891
Total	**26,015,538**	**23,359,891**

Lending is reported net after deduction of provisions for possible loan losses in the amount of	–3,201	–9,075

Maturity information		
Remaining maturity		
Book value, EUR (000s)		
Maximum 3 months	11,787,516	9,070,343
3 months – 1 year	3,582,482	3,379,006
1–5 years	10,301,935	10,615,444
More than 5 years	343,605	295,098
Total	**26,015,538**	**23,359,891**
Average remaining maturity, years	1.2	1.3

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

EUR (000s)	2004	2003
Single and two-family properties	13,273,494	12,152,586
Tenant-owner apartments	3,192,159	2,386,220
Multi-family properties	4,532,625	4,150,662
Municipalities and municipal guarantees	3,462,794	3,396,526
Government guarantees	162,128	176,288
Other collateral	1,395,540	1,106,684

Note 15

Credit portfolio

	2004				2003			
EUR (000s)	Total lending	Impaired loans net	Non-performing loans gross	Pro-visions	Total lending	Impaired loans net	Non-performing loans gross	Pro-visions
Companies	7,839,629	992	1,224	1,939	7,310,506	1,001	1,320	1,807
Personal customers	17,097,456	17,665	18,595	1,262	14,934,149	13,069	20,336	7,268
Public sector	1,078,453	–	–	–	1,115,236	–	–	–
Total	**26,015,538**	**18,657**	**19,819**	**3,201**	**23,359,891**	**14,070**	**21,656**	**9,075**

EUR (000s)	2004	2003
Impaired loans		
Impaired loans, gross	21,858	23,145
Reserves for impaired loans	–3,201	–9,075
of which		
– specific	–2,271	–2,397
– by category	–930	–6,678
Impaired loans, net	**18,657**	**14,070**
Reserve in % of impaired loans, gross	15%	39%
Impaired loans, net/lending	0.07%	0.06%
Non-performing loans with interest reported on an accrual basis	–	–

Note 16

Tangible assets

EUR (000s)	2004	2003
Fixed assets		
Equipment		
Opening acquisition value	33	41
Purchases during the year	35	–
Divestments/disposals during the year	–33	–9
Accumulated depreciation according to plan in previous year	–15	–18
Accumulated depreciation on equipment divested/disposed during the year	21	9
Depreciation according to plan for the year	–7	–6
Book value, net	**34**	**17**

Note 17

Other assets

EUR (000s)	2004	2003
Derivative instruments		
Interest-related	15,013	32,060
Currency-related	430	699
Claims on securities settlement proceeds [1]	–	–
Tax assets	243	0
Other	1,308	1,240
Total*	**16,994**	**33,999**

[1] Claims on securities settlement proceeds, gross	154,841	866,183
* Of which, Group companies	2,771	12,014

Note 18

Prepaid expenses and accrued income

EUR (000s)	2004	2003
Accrued interest income [1]	86,839	98,453
Prepaid expenses	1,881	2,215
Total	**88,720**	**100,668**

[1] Of which, unpaid interest payment due	7,362	1,588

Note 19

Loans from credit institutions

EUR (000s)	2004	2003
Swedish banks	11,528,733	6,672,489
Foreign banks	10,860	10,782
Total*	**11,539,593**	**6,683,271**

* Of which, Group companies	11,539,593	6,683,271

Maturity information

Remaining maturity **Book value, EUR (000s)**		
Payable on demand	42,749	–
Maximum 3 months	10,872,905	5,400,411
3 months – 1 year	206,317	891,338
1–5 years	417,622	391,522
Total	**11,539,593**	**6,683,271**
Average remaining maturity, years	0.1	0.3

Note 20

Debt securities in issue [1]

EUR (000s)	2004	2003
Swedish retail bonds	–	34,078
Other Swedish bonds	12,340,467	13,525,112
EMTN	440,336	643,377
Total*	**12,780,803**	**14,202,567**

[1] See Specification to the Notes.		
* Of which, Group companies	8,690	206,778

Maturity information

Remaining maturity **Book value, EUR (000s)**		
Maximum 1 year	4,131,948	4,559,675
1–5 years	8,648,855	9,556,164
5–10 years	–	86,728
Total	**12,780,803**	**14,202,567**
Average remaining maturity, years	1.9	2.0

Note 21

Other liabilities

EUR (000s)	2004	2003
Derivative instruments		
Interest-related	34,617	27,276
Currency-related	15,369	13,121
Liabilities on securities settlement proceeds [1]	253,056	850,055
Accounts payable	51	79
Current tax liabilities	44,913	288
Other	821	239,458
Total*	**348,827**	**1,130,277**

1 Liabilities on securities settlement proceeds, gross	407,897	1,716,238
* Of which, Group companies	6,393	932,157

Note 22

Accrued expenses and prepaid income

EUR (000s)	2004	2003
Accrued interest expenses	257,988	323,420
Other accrued expenses	626	791
Prepaid income	20,333	10,538
Total*	**278,947**	**334,749**

* Of which, Group companies	29,892	38,755

Note 23

Subordinated liabilities [1]

EUR (000s)	2004	2003
Dated subordinated debenture loans [2]	159,729	103,524
Total*	**159,729**	**103,524**

[1] See Specification to the Notes.		
[2] Total interest expense for the year	3,173	1,984
* Of which, Group companies	159,729	103,524

These debenture loans are subordinated to other liabilities.

Note 24

Untaxed reserves

EUR (000s)	2004	2003
Profit equalisation reserve, provided in taxation 2005	53,181	–
Total	**53,181**	**–**

Note 25

Shareholders' equity

EUR (000s)	2004	2003
Restricted		
Share capital (100,000 shares, each with a nominal value of EUR 110.17)	11,017	11,017
Statutory reserve	2,203	2,203
	13,220	**13,220**
Unrestricted		
Retained profit	1,038,293	866,832
Net profit for the year	112,314	171,461
	1,150,607	**1,038,293**
Total	**1,163,827**	**1,051,513**

Note 26

Commitments

Nominal amount, EUR (000s)	2004	2003
Interest and currency-related contracts	3,892,711	4,010,476
Other commitments		
Unutilised credit commitments	114,247	84,468
Total	**4,006,958**	**4,094,944**

Note 27

Capital adequacy

EURm	2004	2003
Capital base, after proposed distribution of earnings		
Tier 1 capital		
Shareholders' equity	1,164	1,051
Untaxed reserves	38	–
Total tier 1 capital	**1,202**	**1,051**
Supplementary capital		
Dated subordinated debenture loans	155	100
Total supplementary capital	**155**	**100**
Total capital base	**1,357**	**1,151**
Risk-weighted amount for credit and market risks		
Credit risks as specified below	13,517	11,782
Market risks as specified below	933	–
Total risk-weighted amount	**14,450**	**11,782**
Tier 1 capital ratio, %	8.3	8.9
Total capital ratio, %	9.4	9.8

Specification of risk-weighted amounts, credit risks

EURm	Items in the balance sheet		Off-balance sheet items			
Risk-weighing by category [1]	Reported	Risk-weighted	Nominal	Adjusted	Risk-weighted	Total risk-weighted amount
A 0%	3,960	–	1,055	35	–	–
B 20%	2	1	2,932	61	12	13
C 50%	17,696	8,848	20	10	5	8,853
D 100%	4,651	4,651	–	–	–	4,651
Total	**26,309**	**13,500**	**4,007**	**106**	**17**	**13,517**

[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 property
D Other receivables and claims

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

Specification of risk-weighted amounts, market risks

EURm	2004	2003
Currency risks	933	–
Total	**933**	**–**

Note 28

Derivative instruments

	Reported in the balance sheet Book value		Not reported in the balance sheet Fair value		Nominal amount
EURm	PMV	NMV	PMV	NMV	
Interest-related contracts 2004					
Interest-rate swaps	15	35	34	76	3,427
Other derivatives	–	–	0	–	10
Total*	**15**	**35**	**34**	**76**	**3,437**
* Of which, Group companies	1	8	2	19	551
Currency-related contracts 2004					
Currency-interest rate swaps	0	15	1	1	456
Total*	**0**	**15**	**1**	**1**	**456**
* Of which, Group companies	–	10	0	0	410

PMV = Positive market value
NMV = Negative market value

	Reported in the balance sheet Book value		Not reported in the balance sheet Fair value		Nominal amount
EURm	PMV	NMV	PMV	NMV	
Interest-related contracts 2003					
Interest-rate swaps	32	27	30	33	3,343
Other derivatives	–	–	0	–	7
Total	**32**	**27**	**30**	**33**	**3,350**
Currency-related contracts 2003					
Currency-interest rate swaps	1	13	1	1	660
Total	**1**	**13**	**1**	**1**	**660**

Deferral hedge accounting is applied to the company's holding of derivates. 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 EUR 35m (31) and a negative value of EUR 77m (34) has been deferred.

Note 29

Assets and liabilities at fair value

EURm	2004 Book value	2004 Adjustment to fair value	2004 Market value	2003 Book value	2003 Adjustment to fair value	2003 Market value
Assets						
Loans to credit institutions	204	–	204	11	–	11
Lending	26,016	349	26,365	23,360	237	23,597
Other assets	17	35	52	34	31	65
Prepaid expenses and accrued income	88	–	88	101	–	101
Total assets	**26,325**	**384**	**26,709**	**23,506**	**268**	**23,774**
Liabilities and shareholders' equity						
Loans from credit institutions	11,539	18	11,557	6,683	19	6,702
Debt securities in issue	12,781	323	13,104	14,203	149	14,352
Other liabilities	349	77	426	1,130	34	1,164
Accrued expenses and prepaid income	279	–	279	335	–	335
Subordinated liabilities	160	1	161	104	4	108
Total liabilities	**25,108**	**419**	**25,527**	**22,455**	**206**	**22,661**
Untaxed reserves	**53**	**–**	**53**	**–**	**–**	**–**
Shareholders' equity						
Share capital	11	–	11	11	–	11
Statutory reserve	2	–	2	2	–	2
Retained profit	1,039	–	1,039	867	–	867
Net profit for the year	112	–	112	171	–	171
Total liabilities and shareholders' equity	**26,325**	**419**	**26,744**	**23,506**	**206**	**23,712**
Surplus value, net		–35			62	

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

Note 30

Fixed-interest terms for assets and liabilities

Fixed-interest terms at 31 December 2004

EURm	On demand	< 3 months	3–12 months	1–5 years	> 5 years	Non repricing
Assets						
Interest-bearing assets	204	11,787	3,582	10,302	344	–
Off-balance-sheet items	–	2,092	605	730	–	–
Non-interest-bearing assets	–	–	–	–	–	106
Total assets	**204**	**13,879**	**4,187**	**11,032**	**344**	**106**
Liabilities and shareholders' equity						
Interest-bearing liabilities	43	11,028	4,343	9,066	–	–
Off-balance-sheet items	–	1,292	217	1,793	125	–
Non-interest-bearing liabilities/ incl shareholders' equity	–	–	–	–	–	1,845
Total liabilities and shareholders' equity	**43**	**12,320**	**4,560**	**10,859**	**125**	**1,845**
Exposure	161	1,559	–373	173	219	–1,739
Cumulative exposure	161	1,720	1,347	1,520	1,739	–

Fixed-interest terms at 31 December 2003

EURm	On demand	< 3 months	3–12 months	1–5 years	> 5 years	Non repricing
Assets						
Interest-bearing assets	11	9,071	3,379	10,615	295	–
Off-balance-sheet items	–	1,412	895	1,036	–	–
Non-interest-bearing assets	–	–	–	–	–	135
Total assets	**11**	**10,483**	**4,274**	**11,651**	**295**	**135**
Liabilities and shareholders' equity						
Interest-bearing liabilities	–	6,113	4,837	9,952	87	–
Off-balance-sheet items	–	1,916	408	900	119	–
Non-interest-bearing liabilities/ incl shareholders' equity	–	–	–	–	–	2,517
Total liabilities and shareholders' equity	**–**	**8,029**	**5,245**	**10,852**	**206**	**2,517**
Exposure	11	2,454	–971	799	89	–2,382
Cumulative exposure	11	2,465	1,494	2,293	2,382	–

Note 31

Assets and liabilities in foreign currencies

31 December, EURm	SEK	USD	Other	Total
Assets				
Lending	26,016	–	–	26,016
Other assets	90	–13	13	90
Total assets	**26,106**	**–13**	**13**	**26,106**
Liabilities and shareholders' equity				
Loans from credit institutions	11,539	–	–	11,539
Debt securities in issue	12,353	–	13	12,366
Other liabilities	1,041	–13	0	1,028
Subordinated liabilities	160	–	–	160
Untaxed reserves	53	–	–	53
Total liabilities and shareholders' equity	**25,146**	**–13**	**13**	**25,146**
Net position, foreign currencies	960	–	–	960

Note 32

Segment reporting 2004

Primary segments **Customer responsible units** EURm	Retail Banking	Corporate and Institutional Banking	Group Treasury	Other	Total
Net interest income	211	0	16	7	234
Other income	9	0	12	–3	18
Total income	**220**	**0**	**28**	**4**	**252**
Total expenses	**–1**	**–**	**–**	**–49**	**–50**
Loan losses	8	–	–	0	8
Operating profit	**227**	**0**	**28**	**–45**	**210**
Cost/income ratio, %	–3	–	–	1,367	16
Other information					
Total assets	**25,603**	**29**	**127**	**566**	**26,325**
– of which lending	25,367	29	–	620	26,016
Total liabilities	**24,353**	**29**	**101**	**625**	**25,108**
Investments	0	–	–	–	0
Depreciation	0	–	–	–	0

Segment reporting 2003

Primary segments **Customer responsible units** EURm	Retail Banking	Corporate and Institutional Banking	Group Treasury	Other	Total
Net interest income	208	1	16	9	234
Other income	9	0	–2	–2	5
Total income	**217**	**1**	**14**	**7**	**239**
Total expenses	**–1**	**–**	**0**	**0**	**–1**
Loan losses	0	–	–	0	0
Operating profit	**216**	**1**	**14**	**7**	**238**
Cost/income ratio, %	1	–	0	0	0
Other information					
Total assets	**22,801**	**46**	**101**	**558**	**23,506**
– of which lending	22,756	46	–	558	23,360
Total liabilities	**21,846**	**46**	**–1**	**564**	**22,455**
Depreciation	0	–	–	–	0

Specifications to the Notes

Specification to Note 20:

Other Swedish bonds, EUR (000s) **At 31 December 2004**

Number	Currency	Issue date	Interest rate, %	Interest maturity dates	Final due date	Nominal amount outstanding, (000s)	Amount in EUR (000s), closing date rate
5513*	SEK	98-04-20	5.00	20 April	09-04-20	1,050,000	116,469
5515*	SEK	00-04-28	5.75	21 Sept	05-09-21	38,012,000	4,216,409
5516*	SEK	01-04-17	5.00	21 June	06-06-21	37,206,000	4,127,005
5517*	SEK	02-04-18	6.00	19 Sept	07-09-19	23,745,000	2,633,869
5518*	SEK	03-03-19	4.50	17 Sept	08-09-17	27,500,000	3,050,385

Loan 5513–5518: No interest rate adjustment

* Tap issues

EMTN (bonds issued in foreign currency), EUR (000s) **At 31 December 2004**

Currency	Issue date	Final due date	Interest rate, % [1]	Amount in currency, (000s) [1]	Amount in EUR (000s), closing date rate
EUR	99-05-04	09-05-04	3 months' Euribor +0.125	15,000	15,000
HKD	02-07-11	09-08-28	5.34	137,000	12,929
SEK	02-12-16	08-12-01	Index bond	100,000	11,092
EUR	03-02-07	05-02-07	3 months' Euribor +0.03	100,000	100,000
EUR	03-03-28	05-03-28	3 months' Euribor +0.03	100,000	100,000
EUR	03-04-07	05-04-07	3 months' Euribor +0.03	200,000	200,000

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

Specification to Note 23:

Subordinated liabilities, EUR (000s) **At 31 December 2004**

Number	Currency	Interest rate, %	Due date	Amount in currency, (000s)	Amount in EUR (000s), closing date rate
Loan 1	SEK	5.945	05-06-21	40,000	4,437
Loan 2	SEK	3 months' stibor +0.50	13-06-30	900,000	99,831
Loan 3	SEK	3 months' stibor +0.33	14-12-30	500,000	55,461

Proposed distribution of earnings

The following amount is available for distribution by the Annual General Meeting of Shareholders:

Retained profit	EUR 1,038,293,000
Net profit for the year	EUR 112,314,000
Total	**EUR 1,150,607,000**

The Board of Directors and the President
as follows:

To be carried forward	EUR 1,150,607,000

Stockholm, 21 March 2005

Hans Jacobson
Chairman

Göran Lind

Håkan Nordblad

Kurt Gustafsson

Leif Ronander
President

Our audit report was submitted on 29 March 2005

KPMG Bohlins AB

Hans Åkervall
Authorised Public Accountant

Lars Bonnevier
Authorised Public Accountant
Ernst & Young AB
Appointed by the Financial Supervisory Authority

The company's income statement and balance sheet are subject to approval by the Annual General Meeting of Shareholders.

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 2004. These accounts and the administration of the company and the application of the Annual Accounts Act of Credit Institutions and Securities Companies when preparing the annual accounts 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 and significant estimates made by the board of directors and the managing director when preparing the annual accounts, 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, Banking Business Act, the Annual Accounts Act of 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 of 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. The statutory administration report is consistent with the other parts of the annual accounts.

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, 29 March 2005

KPMG Bohlins AB

Hans Åkervall
Authorised Public Accountant

Lars Bonnevier
Authorised Public Accountant
Ernst & Young AB
Appointed by the Financial Supervisory Authority

Board of Directors, Auditors and Management

Board of Directors

Chairman

Hans Jacobson
Nordea Bank AB (publ)
Retail Banking, Head of Household

Members

Kurt Gustafsson
Nordea Bank AB (publ)
Retail Banking, Household

Göran Lind
Nordea Bank AB (publ)
Group Credit and Risk Control

Håkan Nordblad
Nordea Bank AB (publ)
Retail Banking, Corporate

Leif Ronander
President of
Nordea Hypotek AB (publ)

Auditors

Chief auditor

KPMG Bohlins AB
Hans Åkervall
Authorised Public Accountant

Lars Bonnevier
Authorised Public Accountant
Ernst & Young AB
Appointed by the Financial
Supervisory Authority

Management

Leif Ronander
President

Sten Roghe
Head of Credits and Deputy President

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