Nordea

Annual Report 2005

Contents

Highlights of 2005

January
Nordea is one of the first banks to market and sell international funds in Poland after being granted permission by the Polish authorities.

Nordea's private banking is named best in the Nordic area by Euromoney magazine. The motivation is Nordea's Private Banking's comprehensive offering and competence within asset management.

March
Nordea completes the buy-back programme of own shares within the framework of the authorisation given by the 2004 AGM. A total of 139 million shares, or approximately 5 per cent of the total shares in the company have been repurchased.

April
The 2005 AGM authorises the Board of Directors to decide to repurchase own shares equalling no more than one tenth of the total shares of the company. The authorisation is valid until the next AGM.

Nordea's first quarter results show operating profit up 10 per cent compared to Q1 2004.

June
Nordea receives an award for its electronic invoicing system, e-invoice, by The Banker magazine. The motivation is that Nordea's e-invoice solution delivers added value to customers, with no major investments.

Nordea signs an agreement to purchase Sampo's Polish life and pension companies to be merged into Nordea's Polish life company. The mandatory pension system is one of the fastest growing segments of the long-term savings market in Poland with an expected growth rate of around 20 per cent annually.

August
Nordea enters into a strategic agreement with The Bank of New York regarding global custody. Nordea thereby becomes the premier provider of securities services to institutional clients in the Nordic and Baltic Sea region.

Nordea's half-year results show operating profit up 33 per cent compared to the same period 2004. Volumes continued to grow in all business areas while overall costs remained unchanged.

September
Nordea is awarded "Best Bank in Sweden" by the Banker magazine for the second year in a row. The motivation is that Nordea continues to improve its financial result as well as its offering to its customers.

October
Nordea's results for the third quarter show operating profit up 30 per cent compared to the same period 2004. Despite a much-increased activity level costs are largely unchanged.

Nordea's Board of Directors decides, within the framework of the authorisation by the AGM, that the company will buy back maximum 50 million of its own shares, equal to approximately 2 per cent of total shares.

November
Nordea introduces multi-manager funds, one of the fastest growing segments on the European and US fund markets. Multi-manager funds have a worldwide selection of third-party asset managers that invest in European and global equities.

Nordea completes the repurchase of own shares according to the decision by the Board of Directors in October.

Nordea focuses on Sweden to increase growth and will over a two-year period strengthen its advisory capacity by increasing the number of advisers and specialists by up to 500 employees. New branches and venues will gradually be opened as well.

December
The Polish authorities approve Nordea's purchase of Sampo's Polish life and pension companies, announced in June.

Key financial figures

Income statement

Group EURm	2005	2004	Change %
Net interest income	3,663	3,495	5
Net fee and commission income	1,935	1,794	8
Net gains/losses on items at fair value	615	535	15
Equity method	67	55	22
Other income	293	248	18
Total operating income	**6,573**	**6,127**	**7**
General administrative expenses:			
Staff costs	–2,082	–2,021	3
Other expenses	–1,455	–1,466	–1
Depreciation of tangible and intangible assets	–131	–168	–22
Total operating expenses	**–3,668**	**–3,655**	**0**
Loan losses	137	–27	
Disposals of tangible and intangible assets	6	300	
Operating profit	**3,048**	**2,745**	**11**
Income tax expense	–779	–667	17
Net profit	**2,269**	**2,078**	**9**

Balance sheet

EURbn	31 Dec 2005	31 Dec 2004	Change %
Treasury bills and other interest-bearing securities	43.4	38.4	13
Loans and receivables to credit institutions	31.6	24.8	27
Loans and receivables to the public	188.5	161.1	17
Derivatives	28.9	26.4	9
Other assets	33.1	29.4	13
Total assets	**325.5**	**280.1**	**16**
Deposits by credit institutions	29.8	30.2	–1
Deposits and borrowings from the public	115.6	104.7	10
Liabilities to policyholders	26.8	23.5	14
Debt securities in issue	82.6	59.6	39
Derivatives	28.6	26.7	7
Subordinated liabilities	7.8	5.8	34
Other liabilities and minority interests	21.4	16.9	27
Core equity [1]	12.9	12.7	2
Total liabilities and equity	**325.5**	**280.1**	**16**

Ratios and key figures			Change %
Earnings per share (EPS), EUR	0.86	0.74	16
EPS, rolling 12 months up to period end	0.86	0.74	16
Share price, EUR	8.79	7.43	18
Total shareholders' return, %	27.5	29.8	–8
Core equity per share [1, 2], EUR	4.98	4.63	8
Shares outstanding [2], million	2,592	2,735	–5
Return on equity, %	18.0	16.9	7
Assets under management, EURbn	151	131	15
Cost/income ratio, %	56	60	–7
Tier 1 capital ratio, %	6.8	7.3	–7
Total capital ratio, %	9.2	9.5	–3
Risk-weighted assets, EURbn	169	145	17
Number of employees (full-time equivalents)	28,925	28,929	0

[1] Core equity is equity excluding minority interests and revaluation reserves.
[2] See footnotes to Equity, Note 41.

Nordea's best year so far

With continuous improvement and strong customer focus as the main drivers we have raised productivity and been able to capture growth opportunities. We have reached a return on equity level of 18% – well ahead of the financial targets set in 2004.

Our strict cost management has paid off. Since 2002 total costs in nominal terms have decreased by 6% – in real terms close to 15%.

The process of reaping the full potential of the size, scale and scope of Nordea has shown convincing results to the benefit of our customers, shareholders and employees.

Going forward, I feel very confident that we will continue on the route towards realising our increased ambitions.

Stability, profitability and growth

The development of Nordea from 2002 up to now has been characterised by three different phases. This has paved the way to our new ambition level of leading market positions, profitable revenue growth with maintained stable costs and high credit portfolio quality.

In the first phase the focus was on increasing the quality and stability of our financials. This primarily was achieved by reducing volatility of earnings, increasing capital efficiency and by focusing on credit quality. This, I would call the "stability" phase.

Having stabilised financials we started to improve profitability by focusing on core activities and by reducing complexity in our operations and streamlining processes. A strict cost management culture was established. This phase I would call the "profitability" phase.

Now we are in what I would characterise as the "growth" phase, reaping the full benefits of the size, scale and scope of Nordea in order to capture profitable revenue growth opportunities while maintaining our strong cost and risk management.

Strong growth and record result in 2005

2005 was the best year so far in Nordea's history reflecting record results in all business areas and with an increase in operating profit of 25% on a comparable basis and a return on equity of 18%.

Fuelled by strong organic growth, total income was up 7% despite continued strong margin pressure, and costs were unchanged in an environment of significantly higher activity level and business volumes.

Reversal of loan losses exceeded new provisions reflecting the healthy business climate and our prudent risk management.

Based on our improved financial performance and aligned with our dividend policy, the Board proposes a dividend per share of EUR 0.35 for 2005 – 25% above last year's dividend.

Delivering ahead of targets

In November 2004 we changed our financial targets reflecting our increasing ambitions. The main target is to increase our return of equity – in stages – to the level of top Nordic peers. More specificly we set out for a return of equity of 15% in 2005 and 17% or in line with top Nordic peers from 2007.

In 2005 we in fact delivered a return of equity of 18% – ahead of the 2007 target.

This has been achieved through a strong business development based on re-launched common cus-

tomer programmes, harmonised business models in Retail Banking and Private Banking, new customer concepts and products, including cross-border launch of products.

Our income growth has widened compared to the cost development. Income in 2005 grew 7%, and costs were unchanged – the difference being significantly higher than assumed, when the targets were set in 2004.

Our main strategy – to increase business with existing customers and to manage costs and risks strictly – has proven to be right.

The key has not been dramatic rounds of cost cutting. It has been a group-wide adoption and implementation in day-to-day work of simple and straightforward key words and one-liners: "Focus", "speed" and "performance", "reducing complexity" and "from too many to just one".

These key words and one-liners are now part of our business culture – known and adhered to by all employees.

Our overall reputation is up throughout the past two years in all countries. New and restructured investment fund products have significantly raised our Morningstar rating. The annual Greenwich Survey confirms our undisputable leading position in the Nordic large corporate segment. Retail customer satisfaction has shown a positive trend for personal as well as corporate customers. Our employees – despite continuous changes – are more satisfied and motivated than Nordic banking industry average, and the trend has been up during the last two years.

We will continue to improve

The strong business development, which we experienced in 2005, is expected to continue into 2006 supported by a favourable outlook for the Nordic economies. Although we can hardly expect that the development from 2004 to 2005 will continue along a linear curve, I feel confident that we have a strong foundation for continuing to capture the revenue growth opportunities in the most cost efficient way while maintaining our prudent risk management.

We are well prepared to take a more aggressive stance in the market. Our large customer base represents a unique opportunity for increased sales, not least in Sweden, the largest of the Nordic countries, where a broad range of initiatives have been launched to grow our business.

This is of course putting an upward pressure on costs, which we will try to counterbalance by continuous improvement, increasingly to be supported by lean banking thinking and doing, and by additional structural cost measures.

We have a pioneering experience in cross-border banking, which we repeatedly will apply to keep up profitable growth.

I would like to thank all employees in Nordea for their excellent efforts and contribution to our 2005 record results.

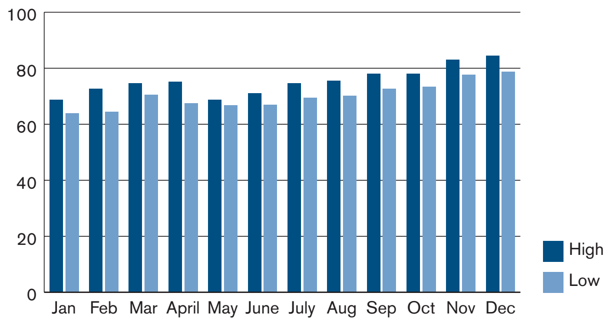
Best regards

Lars G Nordström

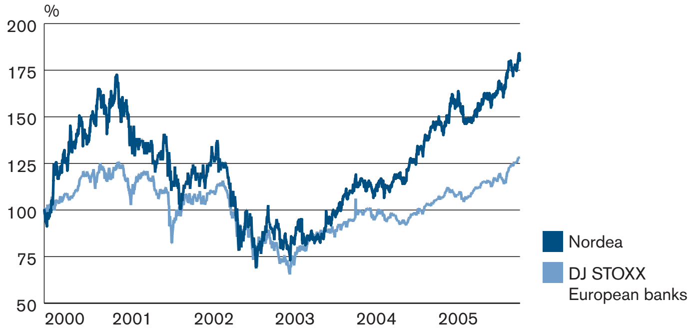
The Nordea share

Nordea's market capitalisation was EUR 23.7bn at the end of 2005. Total shareholder return in 2005, equal to dividend plus the appreciation of the share price was 27.5%. The proposed dividend is EUR 0.35 (0.28) per share.

Monthly share price 2005
SEK



Share price performance, 6 March 2000*–30 December 2005
%



* Date of announcement of the merger between MeritaNordbanken and Unidanmark

Shareholder and dividend policy

Nordea's overall financial target is to create value for shareholders in the top quartile of European peer group. Total shareholder return (TSR), is realised through market value growth per share and dividends. Value shall be enhanced through commitment to create sustainable revenue growth and continued strict cost management. Excess capital will be returned to shareholders.

Nordea pursues a policy of high dividends. The policy is that the total dividend payment will normally exceed 40% of the net profit for the year. Nordea will ensure competitive and predictable dividends. The proposed dividend corresponds to a payout ratio for 2005 of 40%.

Total shareholder return

Total shareholder return in 2005 was 27.5% (29.8% in 2004). Nordea ranked as number 10 among the European peer group banks in terms of TSR in 2005 (number 3 in 2004 and 2003). The average TSR in the peer group was 29.5%.

Share price development 2005

The market capitalisation of Nordea at the end of 2005 was EUR 23.7bn compared to EUR 21.1bn at the end of 2004. Ranked by market capitalisation Nordea was the fifth largest company in the Nordic area and the largest among Nordic financial groups. During the year the share price of Nordea appreciated by 23.1% on the Stockholm Stock Exchange from SEK 67.00 on 30 December 2004 to SEK 82.50 on 30 December 2005. The daily prices listed for the Nordea share during 2005 (closing prices at Stockholm Stock Exchange) ranged between SEK 64.25 and SEK 84.25.

The SX40 Financials Index of the Stockholm Stock Exchange appreciated by 29.6%, the Dow Jones STOXX European banks index appreciated by 21.6%. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated 80.1% and outperformed the Dow Jones STOXX European banks index (+28.4%). The Nordea share is listed on the stock exchanges in Stockholm (in SEK), Helsinki (EUR) and Copenhagen (DKK). On 28 February 2005 Nordea delisted the EUR share from the Stockholm Stock Exchange. A trading lot is equivalent to 500 shares in Stockholm and Helsinki and 200 in Copenhagen. Nordea's share price can be monitored at www.nordea.com, where it is also possible to compare the performance of the Nordea share with competitors and general indexes as well as to find historical prices of the Nordea share.

Liquidity

The Nordea share was the most liquid Nordic financial share in 2005, with an average daily trading volume of approximately EUR 108m corresponding to

Peer group* comparison, TSR, %

	2005	2004	2003
Commerzbank	74.2	–4.2	110.9
HypoVereinsbank	53.4	–8.1	45.4
Société Générale	45.3	8.8	34.1
Unicredito	44.1	3.2	17.1
KBC	43.4	56.0	28.5
Danske Bank	38.6	23.7	23.4
Swedbank	35.7	20.8	44.7
BNP Paribas	32.9	9.3	34.5
SEB	31.3	24.5	54.0
Nordea	27.5	29.8	47.9
DnB NOR	25.4	38.3	47.2
Allied Irish Bank	21.9	25.4	1.2
HBOS	21.8	22.5	18.0
Erste Bank	21.4	61.9	54.6
ABN AMRO	19.3	9.2	29.4
SHB	18.1	20.6	31.4
Bank of Ireland	12.6	15.8	14.9
Lloyds TSB	10.8	12.8	11.0
Barclays	8.8	21.3	38.0
Royal Bank of Scotland	3.8	10.0	16.2

* Peer group as defined by Nordea
Source: Bloomberg

approximately 13.8 million shares. Turnover on the three stock exchanges combined totalled approximately EUR 27.7bn which corresponds to almost 3.5 billion shares. Of the total number of Nordea shares traded in 2005 approximately 81% was traded on the Stockholm Stock Exchange, 10% on the Helsinki Stock Exchange and 9% on the Copenhagen Stock Exchange. In Stockholm Nordea ranked as the second most traded share, unchanged compared to 2004.

The Nordea share is represented in a number of national indexes and is also included in European and global indexes within MSCI, Dow Jones STOXX, FTSE and S&P. With a weight of 6.37% Nordea was the second largest company in the Swedish OMX index at the end of 2005. In MSCI Europe Nordea had a weight of 0.33%, in Dow Jones STOXX European Banks 1.42%, in FTSE Europe 0.37%, and in S&P Euro 350 0.34%.

Repurchase of own shares

On 21 March 2005 Nordea Bank AB (publ) completed the repurchase of own shares in relation to the mandate from the AGM 2004 and the decision by the Board of Directors of 27 October 2004. A total of 139 million shares, or approximately 5% of the total shares in the company were repurchased. The Annual General Meeting decided on 8 April 2005 to reduce the share capital by reduction through retirement, without repayment, of the 140,159,800 shares that were repurchased in 2004 and up to 21 January 2005. Consequently Nordea Bank AB (publ) still holds 62,231,700 shares bought under the Board decision of 27 October 2004. Following the authorisation from the Annual General Meeting on 8 April 2005, the Board of Directors of Nordea Bank AB (publ) on 26 October 2005 decided to reactivate the repurchase programme and to buy back up to a maximum of 50 million of its own shares, (equivalent to approximately 2% of the total number of shares in the Company). The purpose of the repurchase programme is to redistribute funds to the Company's shareholders and thus longer term to increase earnings per share. On 25 November Nordea completed the repurchase programme of 26 October as a total of 50 million shares were repurchased. The shares were purchased at an average price of SEK 80.4753. By the end of 2005 Nordea Bank AB (publ) held in total 112,231,700 shares bought under the two Board decisions of 2004 and 2005. The intention is to propose to the AGM on 5 April 2006 to reduce the share capital through retirement without repayment of the repurchased shares. Shares that have been repurchased carry no voting rights. Current information on repurchase of own shares is available at www.nordea.com/ir.

Earnings and shareholders' equity per share

Net profit for the year amounted to EUR 2,269m corresponding to EUR 0.86 per share. Shareholders' equity per share amounted to EUR 4.98 at the end of 2005.

Proposed dividend

The Board of Directors of Nordea Bank AB (publ) proposes a dividend of EUR 0.35 per share. The total dividend payment for 2005 would then be EUR 908m corresponding to 40% of the net profit after tax. The dividend yield calculated on the share price 30 December 2005 is 4.0%. The dividend is denominated in EUR, though payments are made in the local currency of the country where the shares are registered. Dividend payments can be made in EUR if the shareholder has a EUR account registered with the relevant securities register.

Financial calendar 2006

Annual General Meeting	05-Apr
Ex-dividend date	06-Apr
Dividend payments	19- Apr
1st quarter	03-May
2nd quarter	19-Jul
3rd quarter	25-Oct

Share capital

The 2005 AGM decided to reduce the share capital by EUR 55,548,131.94. In September 2005 the reduction was implemented through retirement, without repayment, of the 140,159,800 shares that were repurchased and held by Nordea. After the reduction the share capital amounts to EUR 1,072,569,610.46. The reduction amount was allocated to a fund to be

Distribution of shares, end of 2005

Distribution of shares	Number of shareholders	Shareholders, %	Number of outstanding shares	Number of shares, %
1–1,000	398,594	82.41%	128,004,270	4.93%
1,001–10,000	79,874	16.51%	193,605,220	7.46%
10,001–100,000	4,336	0.90%	110,140,643	4.25%
100,001–1,000,000	634	0.13%	214,663,280	8.28%
1,000,001–	246	0.05%	1,947,694,814	75.08%
Total	**483,684**	**100.00%**	**2,594,108,227**	**100.00%**

Share data 5 years

	2005	2004	2003	2002	2001
Share price	SEK 82.50	SEK 67.00	SEK 54.00	SEK 38.40	SEK 55.50
High/Low	84.25 / 64.25	67.75 / 48.70	54.50 / 33.20	63.50 / 30.20	79.00 / 45.80
Market Capitalisation	EUR 23.7bn	EUR 21.2bn	EUR 17.5bn	EUR 12.6bn	EUR 17.7bn
Dividend	EUR 0.XX [1]	EUR 0.28	EUR 0.25	EUR 0.23	EUR 0.23
Dividend yield	4.0% [2]	3.6%	4.4%	4.8%	3.8%
TSR	27.5%	29.8%	47.9%	–28.1%	–19.8%
DJ STOXX European banks index	21.6%	10.3%	20.7%	–26.7%	–10.0%
P/E (actual)	10.2	10.8	11.7	14	11
Price-to-book	1.76	1.62	1.39	1.03	1.49
Equity per share	EUR 4.98	EUR 4.59	EUR 4.28	EUR 4.06	EUR 4.00
Earnings per share	EUR 0.86	EUR 0.69	EUR 0.51	EUR 0.30	EUR 0.53
Outstanding shares [3]	2,594,108,227	2,734,845,227	2,846,499,727	2,928,108,227	2,965,666,090

1 Proposed
2 Yield calculated at starting price on payment day, for 2005 per 30 December
3 Excluding shares owned by Nordea Bank AB (publ)

Change in share capital

Date		Nominal value per share,[8] SEK	Number of shares shares issued	Nominal change SEKm	Total number of shares	Share capital SEKm
17-dec-97	New issue	7.00	1,275,267,441	8,926.90	1,275,267,441	8,927
28-jan-00	Reduction			–3,188.2		
	New issue	4.50	815,800,287	3,671.1	2,091,067,728	9,410 [1]
25-apr-00	Reduction			–2,091.1		
	New issue	3.50	869,776,488	3,044.2	2,960,844,216	10,363
09-jun-00	New issue	3.50	18,348,501	64.2	2,979,192,717	10,427
29-aug-00	New issue [2]	3.50	3,006,359	10.5	2,982,199,076	10,438
11-dec-00	New issue [2]	3.50	59,764	0.20	2,982,258,840	10,438
		EUR [4]		EUR		EUR
10-jan-01	Conversion [3]	0.40			2,982,258,840	1,182m
20-feb-01	New issue [2]	0.40	8,408	3,332.26	2,982,267,248	1,181,925,126.33
15 May-01	New issue [2]	0.40	2,401	951.56	2,982,269,649	1,181,926,077.89
14-dec-01	New issue [2]	0.40	396,441	157,117.49	2,982,666,090	1,182,083,195.38
31 May-02	New issue [2]	0.40	2,405,087	953,184.08	2,985,071,177	1,183,036,379.46
25 Sept-02 [5]	New issue [2]	0.40	45,050	17,854.22	2,985,116,227	1,183,054,233.68
07-okt-03	Reduction [6]	0.40	–57,008,000	–22,593,410.56	2,928,108,227	1,160,460,823.12
26-okt-04	Reduction [6]	0.40	–81,608,500	–32,343,080.72	2,846,499,727	1,128,117,742.40
19-sep-05	Reduction [6]	0.40	–140,159,800	–55,548,131.94	2,706,339,927 [7]	1,072,569,610.46

1 Anticipated in Balance Sheet 31 Dec 1999, registration 28 January 2000
2 Conversion of bonds
3 From SEK to EUR
4 0.39632 EURO
5 On 1 September 2002 Nordea AB (publ) redeemed the outstanding loan amount of EUR 96,928,426.28 early. Subsequently, the company has no outstanding convertible bond loans
6 Retirement of shares repuchased and held by Nordea
7 Number of repurchased shares owned by Nordea Bank AB (publ)112,231,700
8 As of 1 January 2006 nominal value has been replaced by quota value according to the new Swedish Companies Act

used in accordance with resolutions by the General Meeting.

All shares in Nordea carry voting rights, with each share entitled to one vote at General Meetings. Nordea Bank AB (publ) is not entitled to vote for own shares at General Meetings.

There are no outstanding convertible bond loans or staff/management options in Nordea.

Shareholders

With approximately 484,000 registered shareholders at the end of 2005, Nordea has one of the largest shareholder bases of all Nordic companies. The number of Nordea shareholders registered in Denmark is approximately 197,000, in Finland 190,000, in Sweden the number of shareholders increased by 9,000 to 97,000 during 2005.

The largest among the various categories of shareholders is Swedish institutional investors, holding 28.7% of the shares in Nordea compared to 25.5% at the end of 2004. The largest individual shareholder is the Swedish state with a holding of 19.9% at year-end. On 13 January 2005 the Swedish state announced that it will sell shares in Nordea in order to keep its ownership share unchanged compared to the situation before the repurchase programme started at 27 October 2004, where the state held 19.5% of Nordea. Consequently the Swedish state sold approximately 26 million shares in 2005. Following the repurchase programme executed in the fourth quarter 2005, the holding of the Swedish state increased to 19.9%.

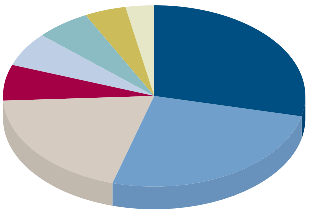
Investor communication

A large number of equity analysts and institutional investors follow the development in the Nordea share. Nordea aims at being one of the leading European companies in terms of open, clear and relevant information to shareholders and other stakeholders. Nordea has during 2005 further upgraded the Group's financial reports and presentations. Nordea relies to a large extent on the Internet in communication with shareholders and investors. All significant financial information about Nordea Group can be found in the Group's homepages. Daily contact with investors and analysts is handled by Nordea's Investor Relations department.

Annual report

The annual report is available in English and Swedish. Nordea distributes the annual report automatically to all shareholders holding 10,000 shares or more. A summary of the annual report is available in English as well as the four Nordic languages. The full annual report and the summary will be distributed on request. The reports can be downloaded and ordered by accessing www.nordea.com.

Shareholder structure, end of 2005



Largest registered* shareholders in Nordea, End of 2005

	No of shares	Share capital and votes, %
Swedish State	515,601,104	19.9
Nordea Denmark Fund	102,529,423	4.0
Alecta	79,792,600	3.1
Robur Funds	71,672,435	2.8
SHB/SPP Funds	70,294,496	2.7
SEB Funds	48,994,070	1.9
AMF Pension	43,500,000	1.7
Nordea Funds	41,598,084	1.6
Skandia Life Insurance	33,449,478	1.3
Second Swedish National Pension Fund	29,216,457	1.1
Third Swedish National Pension Fund	26,988,512	1.0
First Swedish National Pension Fund	26,513,621	1.0
Fourth Swedish National Pension Fund	23,254,790	0.9
Länsförsäkringar Funds	15,698,674	0.6
Govt of Singapore Investment Corporation	13,839,690	0.5
Nordea Profit Sharing Foundation	12,682,517	0.5
Franklin-Templeton Funds	12,599,204	0.5
Abu Dhabi Investment	10,092,398	0.4
AMF Pension Funds	9,881,500	0.4
Seventh Swedish National Pension Fund	9,794,931	0.4
Other	1,396,114,243	53.7
Total number of outstanding shares	**2,594,108,227**	**100.0**

Source: Sweden's and Finland's securities centres, SIS Ägarservice and Nordea Bank Denmark's register of shareholders

* Excl nominee accounts.

Vision and strategy

Nordea is the leading financial services group in the Nordic and Baltic Sea region. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance.

Characteristics
Nordea is characterised by:
- Large customer base
- Strong distribution power
- Advantage of size, scale and scope
- Large capital base and high market capitalisation

Mission – Making it possible
By providing easily accessible and competitive financial services and solutions, Nordea helps customers to reach their objectives.

Vision
- We will be valued as the leading financial services group in the Nordic and Baltic markets with substantial growth potential
- We will be in the top league or show superior and profitable growth in every market and product area, in which we choose to be present
- We will establish a position in selected markets and segments outside our core markets based on excellent competencies
- We will have a leading and efficient multi channel distribution including a top ranking in e-services penetration
- We will be a good corporate citizen ensuring confidence and trust

Nordea has defined a set of shared corporate values and key words that identify, drive and guide all activities internally and externally.

Corporate values and key words
Focus
- We concentrate on creating value for our customers and shareholders
- We concentrate on our strengths and core activities, and we discontinue activities when needed

Speed
- We provide a broad set of easily accessible and competitive financial services and solutions
- We are quick, adjust to market conditions and do not hesitate to execute decisions made

Performance
- We aim to deliver better solutions and results than our competitors
- We continuously improve in everything we do, and we deliver on our promises

Reducing complexity – from "too many" to "just one".

Strategic themes
Nordea has coherent business strategies supporting the Group's vision and financial targets and based on common strategic themes.

Growth of income
Nordea will develop the leading position in the Nordic and Baltic markets through organic growth and bolt-on acquisitions.

The large customer base will be leveraged by increasing the number of customers in the most profitable segments and by increasing the business volume with existing customers.

Income growth will be supported by improvement of customer focus and sales efficiency in all channels ensuring the right service and solution to each customer. Prices of products and services will be fair and transparent enhancing customer loyalty and relationships.

Nordea will develop the accessibility to the bank end hereby enhance convenience to the customers. A higher usage of e-services will be aimed at.

Operational excellence
Ensuring operational excellence, strict cost management and reduced complexity is a top priority all through the Group.

Nordea will enhance efficiency and quality of all processes leveraging economies of scope, scale and skills.

Nordea will continue to improve operating models and apply lean manufacturing practises to banking processes and support functions to increase customer satisfaction and quality and to reduce costs for end-to-end banking processes.

The IT infrastructure will be upgraded and the number of interfaces between applications supporting the same functionality reduced.

Product development, innovativeness and time to market will have a high priority.

Capital efficiency
Nordea will achieve capital efficiency through active capital management, use of economic profit framework in customer relationships and performance measurement, and efficient business models.

Nordea in addition focuses its business activities and operations through divestment of non-core assets and outsourcing of non-core activities.

The current low risk profile in all business areas will be maintained and diversification of revenues and risks continued.

Employees
Nordea will be the preferred employer in a competitive labour market by attracting and developing performance-oriented employees and ensuring highly motivated and satisfied employees.

Nordea will develop the leadership and execution capabilities of the employees.

Performance Management and Financial Targets

Performance Management

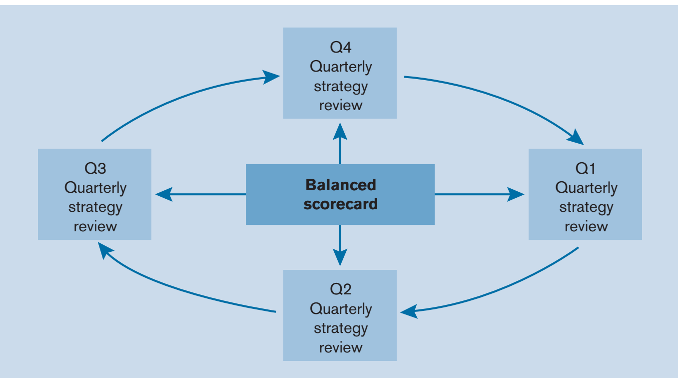
The overall purpose of Nordea's Planning and Performance Management Model (PPMM) is to increase group wide focus on the creation of shareholder value, ensure aligned and focused strategy execution and support the development of a common Nordea corporate culture and creation of One Bank.

Nordea's Planning and Performance Management Model

The three core elements in PPMM are Balanced Scorecard (BSC) to drive strategy into actions, Rolling Financial Forecasts (RFF) to maintain an updated view on future financial performance and Service Level Agreements (SLA) to focus on cost control and enhanced quality in internal service deliveries.

Balanced Scorecard

Nordea use the BSC framework as a management tool to drive change processes and to make our strategy operational. We have selected a number of strategic areas where changes are required. These areas are referred to as strategic focus areas and are grouped in themes. For each of the focus areas, a key performance indicator (KPI) including a stretch target, setting the long-term ambition level, is defined. Both financial and non-financial KPIs are used. The following KPIs – economic profit, total income, total expenses, number of full time employees and employee satisfaction index – are mandatory from Group level to business areas and further down to business units to ensure full alignment between all levels in the Group. In addition, tailored KPIs to the respective parts and levels of the organisation are used to drive the right behaviour. Strategic initiatives are identified in order to close the gap between actual and target performance for focus areas and themes. When the stretch target for each KPI and the strategic initiatives are aligned, the strategy becomes operational. BSC as management tool has had a clear impact on Nordea's performance orientation and has considerably strengthened our management process.



Rolling Financial Forecasts

In order to secure a continuously updated view of future financial performance, RFF is implemented on Group level, in each business area and in Group Processing & Technology. RFF has a five quarters horizon and it is updated on a quarterly basis. This ensures focus on the future and potential need for corrective actions, rather than on historical performance.

Service Level Agreements

SLAs are used to promote a common understanding regarding services, priorities and responsibilities between internal service providers, eg IT, and service receivers, which are mainly the business areas. SLA is an internal business contract between providers and receivers specifying the services that will be delivered according to agreed service levels, volumes and prices. The main purpose is to prioritise cost control and enhance quality in internal service deliveries.

Management process aligned to PPMM

The CEO holds quarterly strategy review meetings with all business areas and group functions in order to follow up strategy execution and performance.

The management process aligned to PPMM supports a team-based executive management culture, increases executive accountability with clearly defined targets to ensure that appropriate action is taken and sharpens the focus on strategic direction and execution. The management process aligned to PPMM is an ongoing process that makes strategy a continuous responsibility and not a yearly event.

Economic Profit

Economic Profit is the overall key performance indicator and measures value creation from a shareholder perspective. Economic Profit is calculated along several dimensions given by the customers, products and business organisation.

Economic Profit is calculated as risk-adjusted profit minus cost of equity. Risk-adjusted profit is based on the actual income and costs, expected loan losses, and standard tax. Expected loan losses are the assumed long-term average loan losses. In addition a standard tax is used in order to normalise the profit to ensure an adequate comparability. Cost of equity is the estimated yield shareholders require to invest in Nordea shares multiplied by economic capital. The long-term risk-free rate, the premium to invest in shares and the Nordea share volatility compared to shares in general are used to set the percentage.

Economic capital is based on a compilation of the various risks into a total need for capital. Losses are unpreventable in the business performed by Nordea and thus require a cushion of capital. The economic capital is the capital, which is required to cover unexpected losses.

Financial targets

Nordea's present financial targets for the period 2005–2007 were presented in November 2004. The targets reflect Nordea's ambition level to reach leading positions in all Nordic markets, to establish European platforms in selected markets and segments and to focus on revenue growth while keeping flat costs to ensure profitability in line with top Nordic peers.

Total shareholder return

Nordea's overall financial target is to create value for shareholders in the top quartile of a peer group of Nordic and European financial services companies as measured by total shareholder return.

Return on equity

High return on equity (RoE) is an important indicator of value creation. Nordea prioritises profitable growth. The aim is to achieve a RoE of more than 15% from 2005 and of more than 17% or on the level of top Nordic peers from 2007.

Costs

The improvement of cost efficiency was given top priority in the autumn of 2002. A target of unchanged total costs through 2003 and 2004 compared to 2002 was set. The target was reached in 2004 with total costs 2% lower than 2003 and 7% lower than 2002. Cost management and reduction of complexity still have top priority and the flat cost target has therefore been extended. Nordea aims at keeping the same cost level through 2007 as in 2004, excluding expenses related to Life activities and leasing depreciations on operational leases.

Economic profit =

$$\overbrace{\text{income} - \text{costs} - \text{expected loan losses} - \text{standard tax}}^{\text{risk adjusted profit}} - \overbrace{\text{cost of capital in percent} \times \text{economic capital}}^{\text{cost of equity}}$$

Cost/income ratio

Nordea views the cost/income ratio as a supporting performance indicator mainly used for management of internal continuous improvement processes. At a Group level Nordea is aiming at continuous improvements of the cost/income ratio. The cost/income ratio was 56% in 2005 compared to 60% in 2004.

Capital structure policy

Dividends

Nordea aims at keeping capital flexibility with excess capital returned to shareholders through distribution of dividends as well as capital.

Nordea aims at ensuring competitive and predictable dividends with a dividend payout ratio exceeding 40 percent of the net profit for the year. The dividend for 2005 is proposed to amount to 0.35 EUR per share corresponding to a payout ratio of 40% of net profit, compared to 0.28 EUR per share or 40% of net profit for 2004.

Tier 1 ratio

Efficient use of capital will contribute to achieving the profitability target and shareholder value creation. Nordea aims at a tier 1 capital ratio above 6.5% and a total capital ratio not lower than 9%.

At the end of 2005 Nordea's tier 1 capital ratio was 6.8%, compared to 7.3% at the end of 2004.

Business definitions – see page 134.

Key performance indicators

	2005	2004	Target
Total shareholder return, %	#10	#3	In the top quartile of European peer group
RoE, %	18.0	14.5	> 15% in 2005 and > 17% or in line with level of top Nordic peers from 2007
Costs[1], EURm	3,494	3,502	Same cost level through 2007 as 2004
Supporting performance indicator			
Cost/income ratio	56	60	Continuous improvements

1 Excluding expenses related to Life activities and leasing depreciations on operational leases.

Nordea's markets, customers and products

Customer focus and customer satisfaction have top priority in Nordea. All customers are being served with a clear value proposition. In 2005 the increased focus on products and markets continued.

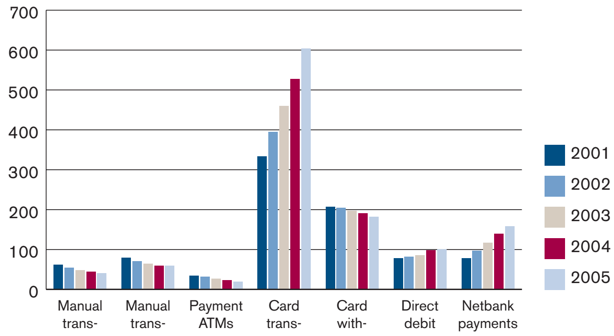
Nordea is the leading financial services group in the Nordic and Baltic Sea area. In Denmark, Finland, Norway and Sweden Nordea operates full-service banks with nationwide branch networks including more than 1,100 bank branch offices, telephone banking and internet services.

The Baltic Rim region is Nordea's emerging home market. Nordea is today operating in all the Baltic countries, in Poland and in Russia. In Poland and the Baltic countries Nordea branches operates under the Nordea brand, and the operations are fully owned by Nordea. In Russia, Nordea owns 26.4% of the shares in International Moscow Bank (IMB).

Outside the Nordic and Baltic Sea region, Nordea operates to support core customers through own units or partners. Nordea is a leading international shipping bank. Nordea offers private banking from Luxembourg and Switzerland and distributes investment funds and investment management services into the European and North American markets.

Household customer transactions through different channels

No. of transactions, million



Strong economic growth in Nordea's home markets

Nordea operates in markets with strong economic growth. In 2005, GDP growth in the all Nordic countries was stronger than the Euroland average. In addition, strong economic growth in the Baltic countries and Poland supported Nordea's lending growth in these markets. Nordea has a well diversified revenue base, with 30% of revenues from Sweden, 28% from Finland, 25% from Denmark, 15% from Norway and 2% from Poland and the Baltic countries.

Nordea's customer base

Nordea has the largest customer base of any financial services group in the Nordic and Baltic sea region, including 9.4 million personal customers, 960,000 corporate customers and 1,000 large corporate customers.

Approximately 50 per cent of the households in the Nordic countries are doing business with Nordea and Nordea is a leading corporate bank according to external surveys.

In Poland and the three Baltic countries Nordea serves more than 400,000 customers via a branch network of 71 branches. In 2005, Nordea purchased Sampo's Polish life and pension companies which further enhanced Nordea's platform for continued profitable growth in the Polish market. Nordea acquired a customer base of 556,000 active pension savers with assets under management of approximately EUR 600m.

Nordea's customers are being served with a clear value proposition:

- Wide range of financial products and customer solutions delivering added value through innovation
- Customer-driven excellence in relationship management
- Convenient and easy access through multi-channel availability; leadership in e-banking
- Fair and transparent market pricing enhancing customer loyalty and relationships
- Efficient, reliable and responsible conduct of business

Distribution

Nordea's distribution strategy is built on accessibility, convenience and multi-channel distribution. Customers decide when, where and how to interact with the bank. Relationship management business is conducted through 11 Regional Banks in the four Nordic markets. The Regional Banks are divided into 71 Branch Regions and more than 1,100 branches bringing Nordea close to customers.The local presence means that Nordea is an integral part of local societies. In addition, customers are served through Nordea's e-banking platform and through contact centres employing 1,250 people and handling 10 million calls per year.

Customised advice on complex economic matters is provided by corporate relationship managers, personal banking advisers and by Private Banking professionals. Nordea has 3,000 personal banking advisers and more than 600 Private Banking professionals in the Nordic countries. Contact centres make Nordea easily available also when branches are closed. All information on products, prices and on services, eg customer programmes, can be found on the Nordea website or through the Netbank where customers also do most of their daily business transactions like bill payments, transfers and get full overview of their financial situation. 52% of all household payments and 66% of all executed equity trades are made over the Internet. The possibility of buying products via the Nordea website has been improved during 2005 resulting in a simplified processes for applying for or ordering different products and the sale through this channel has improved significantly.

Market positions

Denmark	
Personal customers, 1,000	1,560
Corporate customers, 1,000	73
Net banking customers, 1,000	780
Branches	340
Employees	5,220
Market shares	
Personal customers	
– mortgage lending	16.9
– consumer lending	15.3
– deposits	21.4
Corporate customers	
– lending	20.2
– deposits	23.5
Investment funds	20.1
Life & Pensions	14.7
Brokerage	8.1

Finland	
Personal customers, 1,000	2,995
Corporate customers, 1,000	331
Net banking customers, 1,000	1,326
Branches	388
Employees	5,900
Market shares	
Personal customers	
– mortgage lending	31.7
– consumer lending	30.1
– deposits	33.9
Corporate customers	
– lending	35.3
– deposits	40.7
Investment funds	25.4
Life & Pensions	31.9
Brokerage	4.8

Norway	
Personal customers, 1,000	665
Corporate customers,1,000	76
Net banking customers, 1,000	351
Branches	129
Employees	1,880
Market shares	
Personal customers	
– mortgage lending	11.8
– consumer lending	11.2
– deposits	8.4
Corporate customers	
– lending	16.7
– deposits	16.8
Investment funds	
Life & Pensions	8.4
Brokerage	7.8

Sweden	
Personal customers, 1,000	3,855
Corporate customers, 1,000	434
Net banking customers, 1,000	1,782
Branches	253
Employees	4,354
Market shares	
Personal customers	
– mortgage lending	15.8
– consumer lending	9.2
– deposits	18.4
Corporate customers	
– lending	14
– deposits	22.7
Investment funds	14.6
Life & Pensions	1.6
Brokerage	3.1

Poland & Baltics	
Personal customers, 1,000	370
Corporate customers, 1,000	47
Net banking customers, 1,000	111
Branches	71
Employees	1,500

Personal customers

Customer focus and improved customer satisfaction have top priority in Nordea. The bank provides transparent customer program differentiated by service and pricing level.

Personal customers are segmented through the business volume and service needs. Core customers – customers with a business volume of more than EUR 30,000 and buying more than five Nordea products – get more favourable prices and will also benefit of having a named personal banking adviser at their service. Nordea's prices to Personal customers are built up by three levels:

- Prices to Basic customers are based upon purchase of a single product
- Intermediate customers having built up a broader business relationship with the bank enjoy reduced prices on most products
- To Core customers the pricing is based upon the fact that the customers give Nordea substantial business volume and thereby economics of scale.

Product areas in focus

The market for personal financial services in the Nordic countries is expected to be a high growth area in the coming years, with growth rates above GDP due to increasing wealth and higher property prices. Nordea is well positioned to capture these growth opportunities.

Strengthening the market position in the cards and consumer credit area and continued growth in both Housing and Savings products remain in focus.

Cards and Consumer Credits

There is a significant potential to increase the volumes of consumer credits and the penetration of credit cards to the existing customer base. The card penetration varies across markets due to different market traditions. In total, a third of customers affiliated with the customer programmes have credit cards.

Nordea is currently working at streamlining the product offers within cards and consumer credits. Non-collateralised consumer loans are sold mainly to existing clients using the full strength of Nordea's multi channel strategy, if possible based on pre-approval of credit limits. Point of sale financing – where Nordea has an agreement with the merchants, offering credit when selling white goods, home electronics etc. – is provided through Nordea Finance that is one of the largest finance companies in the Nordic region.

Advanced cards including e.g. insurance facilities are mainly targeted at core customers. A more standardised card offer will be designed mainly targeted at basic and new customers.

Housing Products

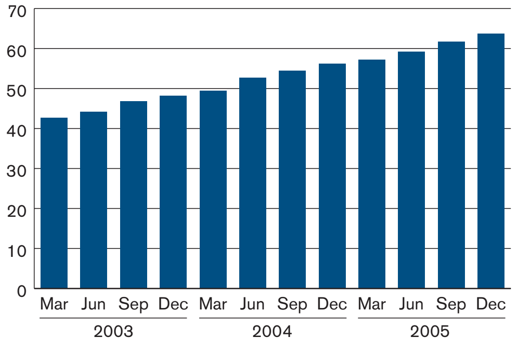
Housing products are one of the inroads for building long-term relationships with customers as well as to attract prospects, and the options for cross-selling the whole product palette, capturing the customer's full banking business.

Nordea's competitive advantage is a comprehensive product range and supporting sales/advice tools throughout the organisation. The personal banking advisers have thorough knowledge of the individual customers' need and of the financing solutions. Despite the steady improvement in market share there is still opportunity to increase Nordea's market share of mortgages up to the "natural market share" held in most other banking products.

Product development in 2005 in Housing has been concentrated on developing products and concepts under the strategic framework; The Full Housing Solution, ensuring solutions through the customer's entire housing life cycle. These solutions range from

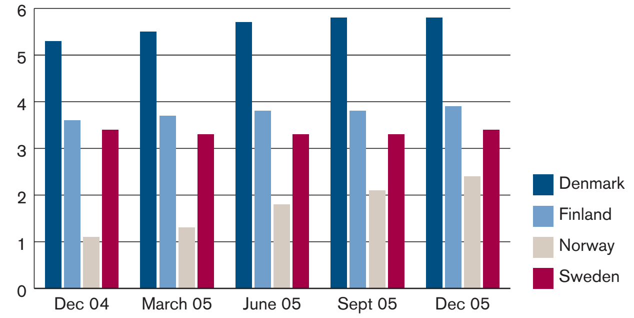
Mortgage lending Household customers

EURbn



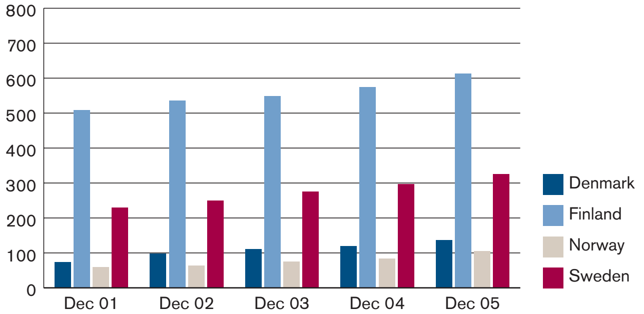
Consumer lending per country

EURbn



International cards by country

000's



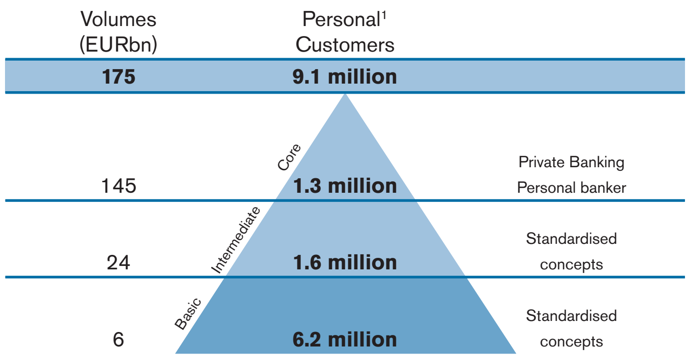
home savings products for customers in the pre-housing phase, to products to first time buyers, to home-equity products, including retirement credits aimed at customers in later phases of the housing life cycle. Based on the equity increases on property in all the Nordic countries, Nordea has under the framework Home Equity Concept launched Home-Flex products adapted to each market place: BoFlex in Sweden, AsuntoJousto in Finland and Nordea Prioritet in Denmark. In Norway a second Home Equity product has been launched with a regular down payment of a life annuity.

The HomeFlex products are based on existing Home Equity products in Denmark and Norway. The launch was coordinated with a massive common marketing campaign in the autumn and the sales figures have so far been very satisfactory.

A number of other initiatives have been taken in 2005 including re-launch of derivative products in Sweden and launch of an interest rate cap product in Norway. Financing of holiday cottages in specific areas of France and Spain are ready for launch from mid-January 2006.

Savings

Apart from traditional savings accounts Nordea offers its personal customers a full range of products spanning from traditional fund products to structured products, life insurance and private banking.



Nordea aims at delivering a full product-range through a multi-channel distribution network, thus ensuring that the customer is experiencing one bank and chooses the appropriate channel, whether it be the local branch office, the telephone or the Internet. In this respect, one of Nordea's major strengths lies in the number of customers who already are accustomed to using conventional banking services through the Internet.

[1] Customers in the four Nordic countries.

In order to capture market opportunities, time-to-market in product development is in focus. The savings area maintains a very high product development rate targeted at different market segments including Private Banking. The resources and competence level within Nordea's retail savings and investment services in Sweden, Finland and Norway were further enhanced in 2005 by employing a large number of specialists supporting the personal banking advisers. Strong focus on the savings area will continue in 2006 with substantial recruitments of savings and life insurance specialists especially in Sweden.

The rollout of Nordea's Financial Planning tool in all Nordic countries was finalised during the year further facilitating growth within the savings area. The tool is a cutting edge advisory concept used by trained advisers in the branches. It brings professional advise based on customers' wealth and risk profile into very practical and understandable solutions. Approximately 95,000 customer sessions have been conducted during 2005.

Life & Pensions

Nordea Life & Pension manufactures and sells corporate and individual life and pension products. Nordea holds a top-3 position within the life and pension market in all Nordic markets except Sweden and offers the full range of products, including traditional products, unit linked products and risk products.

During 2005 Nordea has successfully launched a new pension saving product with return based on market yield in Denmark and in Norway ("Vækstpension" and Vekstpensjon"respectively) as well as in Sweden ("Kapitalpension"). In Norway, Nordea has also been among the first to offer a full scale solution with regard to the new mandatory corporate pension scheme ("Obligatoriska Tjenestemands Pension").

In Finland, a unique product has been launched within Nordea´s unit link offering labelled "Nordea Choice". Through this product Nordea offers its customers a structured access to a selected number of external fund managers supplementing the Nordea offering within European and Global equities.

As part of the strategic growth plan for Nordea Life & Pension, Nordea has accelerated the build-up of the distribution platform in Sweden covering the establishing of a sales force directed to retail clients as well as the expansion of the corporate sales force and the development of a broker channel. This build-up will continue into 2006 and 2007.

Investment funds

Nordea is the leader within retail funds in the Nordic region with assets under management of EUR 43.8bn and a market share of 18 per cent by end-2005. The leadership position is also demonstrated by the ability to develop and launch a range of new investment funds.

By applying a new investment strategy behind many of Nordea´s existing equity products, Nordea has been able to significantly improve investment performance and thereby the Morningstar fund ratings of many Nordea investment funds. For this reason, Nordea now has the highest number of four and five-star rated funds in the Nordic region.

The new product range called "new, more flexible products" was introduced first time in 2004. In 2005 especially the launch of the Dynamic Fixed Income and Stable Return funds has been very successful. The Dynamic Fixed Income fund differs from traditional fixed income funds by applying more flexible investment guidelines but still controlling risks. Stable Return is the among the first funds in the Nordic region made available to a large number of customers, that are managed to create stable, absolute returns instead of relative returns.

Dynamic Fixed Income has now been launched in all Nordic countries. Stable Return has been launched in Denmark. The launches of these two products has created a net inflow of EUR 1.9bn in 2005.

Private Banking

Private banking services are offered to high-net-worth and affluent individuals and medium-sized institutions. The total wealth approach of Nordea Private Banking includes a wide-ranging advisory service taken family and business relations into account when suggesting how to structure the customer´s total wealth.

Nordea serves more than 60,000 private banking clients and has more than EUR 35bn assets under management by end-2005 and holds a position as the leading private bank in the Nordic region. For the second year in a row Euromoney has awarded Nordea "The Best Nordic Private Bank".

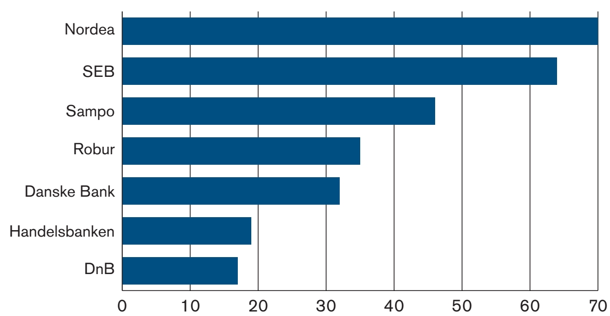
During 2005 Nordea Private Banking has expanded the number of private banking advisers significantly to improve the service to the existing customer base, and to support the strong growth of new customers and the introduction of new products.

Aside from the new investment fund products developed and launched in 2005, Nordea has offered Nordic and especially European-based customers a range of other new products, including structured products and alternative investment fund type of products. The latter includes hedge funds, high-yield funds and money market funds.

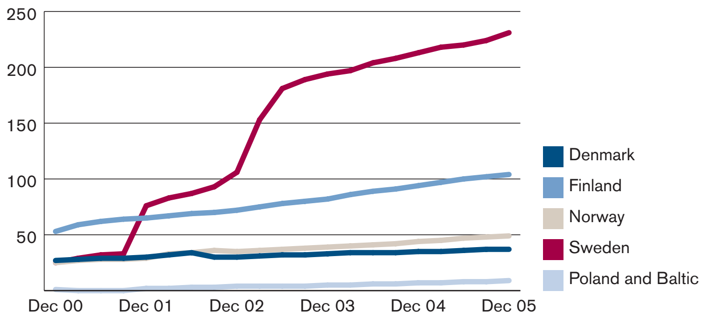
Total number of funds launched

	Sweden	Norway	Denmark	Finland	Nordic
Number of funds launched	6	5	6	8	21
Net inflow in new funds launched	889	397	692	341	2,319

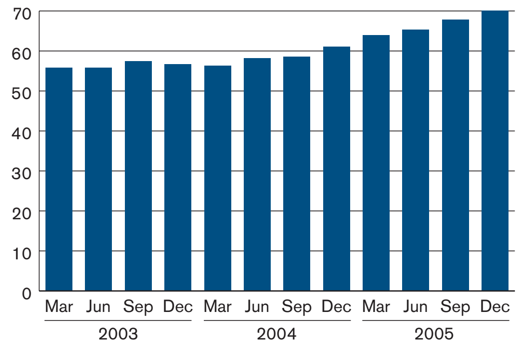
Number of 4 & 5 star rated funds relative to peers

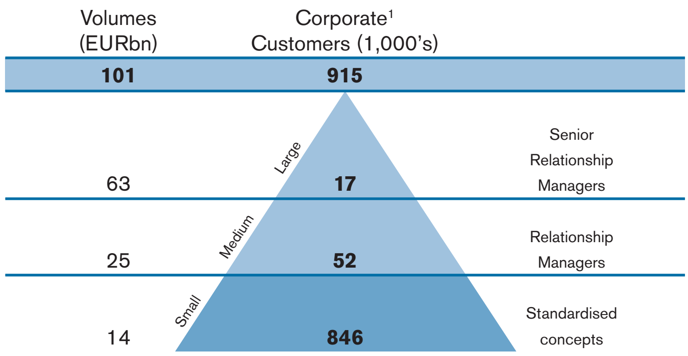


E-banking payments, monthly
000's



Corporate lending to SMEs
EURbn





Corporate customers are segmented according to service needs and profitability. A strategic initiative defining and implementing common segmentation and segment-related service concepts has been launched with the objective of increasing customer satisfaction and as a result increase profitability.

[1] Customers in the four Nordic countries.

SME customers

Nordea has approximately 915,000 small and medium sized (SME) customers in the Nordic countries. Corporate customers are segmented according to service needs and business volumes.

The largest customers within the SME segment in each of the four Nordic countries are served from a central unit, which is placed in the capitals and having satellites in a few major cities. The service concept is built around a Senior Relationship Manager leading a team of specialists focusing on designing individual solution for the customer. The concept has been developed with a view to further enhance Nordea's competitive edge in serving corporate customers with cross-border operations in the Nordic region.

In each of the 71 Branch Regions a central corporate unit serves other large corporate customers through Senior Relationship Managers drawing on specialists from product areas like Markets, Cash Management and Trade Finance. Small and medium-sized customers are served by relationship managers in selected branches supported by a corporate branch region segment manager in the central units. During 2005 a refined business process has been developed for serving the huge segment of 846,000 small corporate customers. Implementation runs into 2006 with an increased focus on using contact centres.

The value proposition and service concepts for small and medium-sized corporate has been refined and a series of activities will support income growth and the perception of Nordea as being innovative. Examples are development of standardised packages aimed for specific industries and adaptation of Markets' products and services, previously used mainly by the largest corporate customers, to fit medium-sized customers.

Product areas in focus

The corporate market is increasingly event-driven by events such as re-engineering capital structures and generation shifts. In 2006 Nordea will focus on further improve the corporate offerings by strengthening product development focused on subordinated loan products. Also in 2006, Nordea will continue to have focus on time-to-market of new products and solutions within structured solutions and cash management.

Structured solutions

Efforts to expand small and medium sized corporate customers' use of structured solutions mainly based on risk management tools have been successful. Product development and education of relationship managers have facilitated a broader range of corporate customers' use of interest rate derivatives. The enlarged market for derivatives opens for further income growth and for more customers to benefit from advanced hedging facilities.

The standardised business activities in the Foreign Exchange and Money Market products are increasingly channelled through the Internet-based portal, e-Markets.

Cash management
Nordea's cash management solutions are designed to serve local needs as well as to provide tools for real time information and liquidity management covering accounts in all of Nordea's home markets and beyond through cooperation with partner banks. Nordea is offering standardised solutions along with specialised solutions created and implemented through specialised advisers in close cooperation with the larger corporate customers.

Large corporate customers

Nordea holds the leading position in the Nordic large corporate market, with strong relationships to the majority of the large corporates in the region. Focus is on further enhancing the targeted relationships by increasing the number of products and services offered. Nordea has extensive industry knowledge within certain industries. To leverage this knowledge Nordea is, in addition to Nordic customers and the shipping industry world-wide , targeting selected international customers within the Pulp and Paper and Telecom industries.

Product areas in focus

Markets
Nordea Markets is a leading player within areas such as debt capital markets, syndications, derivatives, structured products and trading in foreign exchange and fixed income. Markets' products are offered to large corporates and financial institutions and in an increasing degree also to SMEs. Its operations are customer-driven and all proprietary trading is handled within Group Treasury. Total income in Nordea Markets in 2005 increased by 13% compared to previous year.

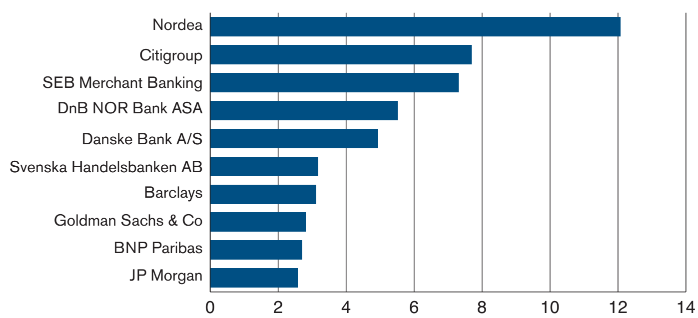
Demand for risk management services continue to grow among large corporate customers, with increased focus on derivatives and tailored solutions. Analytical tools on e-Markets support the risk management services.

Nordea maintained the position as the leading mandated arranger and bookrunner of syndicated loans for Nordic corporate borrowers. During 2005, Nordea acted as lead manager for a number of bond issues, including Kingdom of Sweden's benchmark USD issue.

Equity Capital Markets activities were refocused during the year and Nordea acted as lead manager for a number of transactions, including the Neste Oil IPO, the TrygVesta IPO, and the Norske Skog rights issue.

Corporate Finance
Corporate finance advice is typically offered as an integrated part of Nordea's business, and is an integral part of the product offering in our corporate relationships. Nordea experienced a significant improvement in the corporate finance advisory activities in 2005. Major focus areas for corporate finance in the coming year include further leveraging the corporate banking relationships and fully extend the model to Retail corporate customers. The strength of a dedicated corporate finance customer approach and focused development efforts has resulted in several important customer mandates. The corporate finance business is characterised by a high level of product innovation.

Syndicated loans
Mandated lead arranger in the Nordic region 2005
EURbn



Acquisition Finance
The Nordic private equity market reached an all time high in 2005, both in terms of fund raising, and corporate acquisitions. In addition to the Nordic funds, international private equity funds increased their Nordic activity, completing a number of very large transactions. The volume of Nordic private equity debt transactions exceeded EUR 25bn in 2005, which is approx. 25% of the total Nordic syndicated debt volume. Nordea is the leading arranger of Nordic acquisition finance.

Shipping

Like the preceding year, 2005 has been a very good year for Nordea's activities towards the international shipping, offshore and oil services industries, which are focus areas for the bank. Due to high oil prices, the offshore sector (mobile drilling rigs and supply vessels) has once again become very active as oil companies have increased spending on exploration and production. In shipping, the strong market fundamentals that were seen in 2004 have continued into 2005. In the second half of the year, contracting activity for new tonnage has, however, declined, implying a general expectation of a softening market outlook.

Nordea has continued to chase the top tier syndications, capitalising on the bank's balance sheet and placing power, and Dealogic for the second consecutive year ranked Nordea as number 1 on both Global Bookrunner and Mandated Lead Arranger League Tables for Syndicated Shipping Loans in 2005. Continued focus is also placed on well-structured, secured and profitable bilateral/club deals for core and target customers. New loan transactions for an aggregate volume of more than USD 23 bn were arranged during the year, representing a significant increase from 2004.

Financial institutions

The Financial Institutions segment is an attractive and strategically important customer segment for Nordea. The client base includes approximately 300 Nordic and 100 international financial institutions and 750 bank groups.

Building on dedicated resources and a focused relationship strategy, Nordea has successfully advanced its position in this highly competitive segment. The recent mandates for the TrygVesta IPO, the leveraged financing of Brummer & Partners' fund Helios 2xL and global custody for the 7th AP-fund as well as for Gjensidige Forsikring, the latter two together with The Bank of New York, all demonstrate the advantage of combining local presence and expertise with international scale.

The financial institutions business is characterised by a high level of product innovation and rapid structural market changes. The product offering includes Markets-related services, custody and settlement services, cash management and institutional asset management. Introduction of new products and concepts and continuous strengthening of structuring capabilities are important elements to fulfill Nordea's ambition to develop the strong franchise and be the leading partner for financial institutions in the Nordic area.

Product areas in focus

Prime brokerage services concept
Nordea has effectively established itself as a prime brokerage service provider. Building on a one-point-of-entry relationship for asset managers and hedge funds, Nordea provides essential services such as structured solutions, cash management, foreign exchange and securities finance, in close coordination between the various units within the bank. With a full menu of prime broker services, and a growing number of international and Nordic clients, the ambition is to further enhance customer service with the introduction of products related to fund administration and energy and emission rights trading.

Nordea Markets

Nordea Markets is a major provider of products and services to the financial institutions customers. Besides the standardised products such as foreign exchange, fixed income bonds, and equities, the focus and efforts are increasingly put into value-adding, individual solutions. These include Asset/Liability Management services, structured solutions, and securities finance activities. In addition, emphasis remains on further enhancement of customer servicing through e-based channels, including e-Markets and international electronic trading portals.

Custody services

Nordea is the premier provider of securities services in the Nordic region. Following the agreement with The Bank of New York Nordic institutional clients will benefit from a unique combination of local presence and expertise with global product capabilities. The agreement underlines Nordea's commitment to custody services and its leading position in the Nordic market. Nordea's dedication to sub-custody services to international institutions was highlighted again in 2005 with the top ranking in Global Custodian's annual agent bank survey. In terms of assets under custody, Nordea is well ahead of all Nordic competitors with EUR 515bn, an increase of EUR 53bn in 2005.

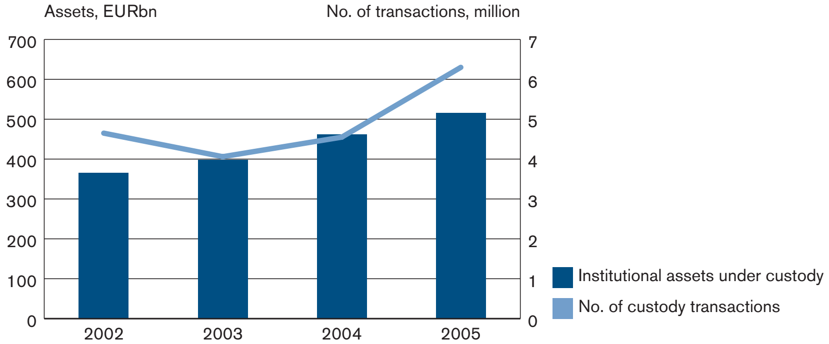
Institutional asset management

Nordea managed EUR 23bn by end-2005 for institutional customers of which the major part is still originated in the Nordic countries. The position in the Nordic region is strong while the international position still leaves room for significant growth potential.

To capture more growth Nordea has also during 2005 invested in improving the performance of Nordea's core equity products. The average relative investment performance of these core products has improved to almost 2% in 2005 measured by Global Investment Performance Standards (GIPS®). For one of the flagship products - the Global Equity Product - an average value added of 8.5% has been created in 2005.

Another important achievement in 2005 has been the implementation of a state-of-the-art client reporting system meeting the most demanding needs of tier 1 institutional customers.

Custody services



Nordea employees

Nordea's aim is to attract, develop and retain highly motivated, competent and performance-oriented employees. They are the basis for continued successful development of Nordea. Securing employer attractiveness for an adequate mix of young potentials and experience is a crucial challenge for line managers and Human Resource professionals.

Employees to realise the Nordea mission and values

In order to secure this aim, mandatory focus areas covering the employee learning perspective challenges are incorporated in all Balanced Scorecards throughout Nordea.

From 2006 streamlined internal processes and a common technical platform will increasingly make it possible to track manager/employee competencies and performance across the Nordea Group. Managers, employees and HR professionals will be able to access information and selfservice alternatives opening new opportunities for planning, performance and enhanced competence.

Profile

During 2005 the number of employees remained stable after several years of substantial reductions.

On average seniority in the organisation is increasing. To prepare for increasing retirement rates, and to facilitate knowledge transfer, programmes have been initiated to attract younger employees and to strengthen the Nordea employer image among preferred groups of young talent. In addition, programmes to retain experienced employees by making it favourable to stay until regular retirement are in place in certain countries. Increased employee turnover due to high retirement rates, particularly in Finland and Sweden for the coming 5 years, will also provide opportunities for speeding up the competence-shift and qualification-upgrades ongoing in most areas.

Employee attitudes

A comprehensive survey on employee attitudes and satisfaction is carried out every year. The results are used in open dialogue on how to improve performance by increasing satisfaction and motivation. Based on the dialogue a mandatory action plan is developed, the progress of which is then reviewed in connection with new survey results.

This year the overall development in satisfaction and motivation again shows a one-point improvement. The average score for the Nordic Financial Labour Market has in the same period deteriorated as much, which brings Nordea two points ahead of the external benchmark.

Nordea uses a set of commonly defined manager competences, which are also rated in the survey. The overall perceptions of immediate manager performance with regard to these competences remain at a high 75 in relation to the benchmark figure (71). The most important drivers for employee satisfaction and motivation continue to be "daily work" 71 (71) and "development" 67 (69).

The results for commitment show an increase from 81 to 83, indicating that employees express a strong will to make an extra effort and are open to changes that will affect them. The results for faithfulness show an increase from 72 to 73, indicating that employees want to stay and contribute to the Nordea future.

Development of competence and leadership

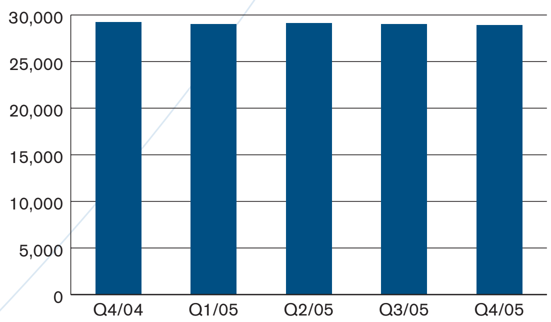
Development of competence and leadership is an integrated part of Nordea operations. In the past few years concerted training for banking and management skills have been evolved from Business Area strategies and customer concepts. With the help of internal development specialists, in close dialogue with business managers, capabilities for delivering value-adding financial solutions to customers are being built throughout the Group.

One of the main instruments to secure development of employees is the Performance and Development Dialogue (PDD). The percentage of employees having participated in such a dialogue remained at 94, which is considered full coverage. In the attitude survey 2005 employees rated the quality of the dialogue as high, but still with room for some improvement. Self-services for managers and employees introduced in 2006 will help further to increase preparation for, and outcome value of, the dialogue.

To amplify understanding and commitment to the Nordea Target Picture communicated in November 2004, the top 300 executives gathered for full day seminars to explore with Group Executive Management the increased ambition-level implications and their execution.

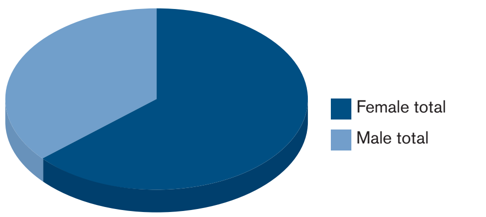
The seminars were followed by a series of three-day sessions focusing on the development of Nordea manager competencies and team building. Business content from these activities is being adapted to Business Area/Group Function requirements and will be cascaded throughout the organisation.

Overall number of employees [1]

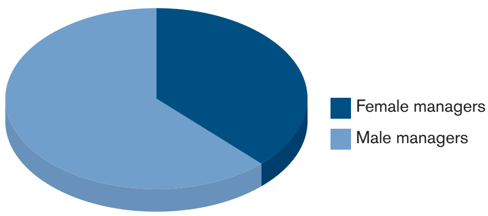


[1] Full time equivalents

Male and Female
% of employees

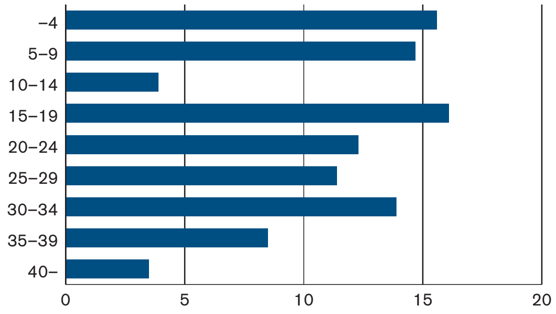


Male and Female managers
% of employees



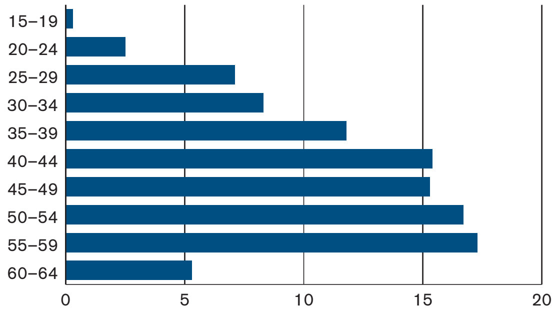
Employees distributed by seniority

% of employees



Employees distributed by age

% of employees



To speed up cross-Nordic integration in Retail Banking, a special programme for some 70 Region Managers was developed. It is based on cross-border teams where members exchange their experiences and together work out how to implement uniform business strategies and customer concepts.

Female managers

To increase the number of females in manager and executive positions is a priority challenge throughout Nordea, both in terms of improving the use of existing management capacity and to achieve a better gender balance. In recruiting for managerial and executive positions there shall be female and male candidates among the final three. The aim is continuous improvement and developments are reviewed in management groups and individual assessments.

A mentor programme to further develop female management potential was initiated at the start of 2005. High interest and acceptance in combination with rigorous selection procedures indicates capacity for good progress.

Trainee Programme

In 2005 69 recent graduates joined the Nordea Trainee programme. The one-year programme aim to give trainees a comprehensive view of Nordea through job-rotation and training seminars. The purpose is to prepare young academics, for a specialist or management career in the Group.

Incentive systems

The incentive systems in Nordea are described in the Corporate Governance chapter on page 51.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the concept whereby a company maintains and enhances its relations with the societies in which it operates.

A good corporate citizen

An inherent element of the Nordea Corporate Vision is for the Nordea Group to be a good corporate citizen, ensuring confidence and trust in the markets where we operate. We strive to integrate this approach into how our managers and employees think and act, in order to build and maintain an organisation with high levels of integrity, reliability and responsibility. That is what ensures long-term value and high quality in all our deliverables, to shareholders and other stakeholders alike.

Business ethics

A primary focus within Nordea's Corporate Social Responsibility (CSR) is on business ethics. One reason is that a common set of values and behavioural guidelines is a core element in building a common corporate culture, the very glue that makes One Bank out of separate entities.

The other reason is that stringent business ethics is an important security measure in order to manage business risks in the financial services industry. Operational risks, for a bank, stem from human behaviour, procedures and systems. Human behaviour is at the core of the matter because it is people who make decisions, define procedures and make systems, and high standards of business ethics and integrity are the key elements in high quality human behaviour in business.

Nordea has developed a groupwide standard of business ethics, the Nordea Code of Conduct. This applies to anyone representing the Nordea Group on a permanent or temporary basis. Supplementary specifications of this code apply within Business Areas and Group Functions, thus producing a business ethics structure that covers the entire Group and all activities.

Compliance

CSR is an element in the Group's compliance activities. The Compliance function supports the Business Areas and Group Functions in handling of compliance risk and monitors and follows up that the organisation acts in accordance with internal and external rules and regulations and reports on its findings to the management. An important element of undertaking compliance and CSR activities on a daily basis is the network of Compliance Officers throughout the Group.

Corporate Citizenship

The Group supports voluntary international standards and declarations, like the United Nations Global Compact, the United Nations Environmental Program Finance Initiative and the OECD Guidelines for Multinational Enterprises.

The Group is a member of CSR Europe and participates in networks and work groups around CSR issues.

Environmental issues

A common Nordea Environmental Policy has been established, defining how the Group shall manage its environmental responsibilities in its operations. There are various business specific policies and guidelines. For example, the Environmental Risk Assessment Tool (ERAT) has been developed and applied to the credit evaluation process.

Various activities are being undertaken throughout the organisation in order to continuously reduce the environmental impacts in business activities and from our operations.

For further information on CSR in the Nordea Group, please refer to www.nordea.com/csr.

Board of Directors' Report

Nordea is the leading financial services group in the Nordic and Baltic Sea region. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has 11 million customers, 1,150 branch offices and a leading netbanking position with 4.2 million e-customers. The Nordea share is listed on the stock exchanges in Stockholm, Helsinki and Copenhagen.

Legal structure

Nordea is in the process of simplifying its legal structure. The aim is that Nordea Bank AB (publ) will be converted into a European company, a "Societas Europaea", ("SE"), in accordance with the European Company Statute. The SE will be legally domiciled in Sweden and the conversion will be accomplished through mergers with the other banks in the Group.

The conversion is conditional on, among other things, Nordea obtaining necessary approvals from the relevant authorities and is expected to lead to improved operational efficiency, reduced operational risk and complexity as well as enhanced capital efficiency.

Nordea is continuing the preparation for this conversion hence awaiting that the regulatory and legislative framework in Europe will come in place, particularly the EU Commission's review of issues relating to the operation of deposit guarantee schemes in the EU and EEA countries. Following a satisfactory solution to these challenges the final conversion process in itself is estimated to take up to one year from start to execution.

Business development in 2005

Result summary full year 2005

Nordea reports a record result for 2005 reflecting the best year ever in all Business Areas. Operating profit was EUR 3,048m, an increase of 25% when excluding the real estate gain last year, supported by strong growth in business volumes in all areas. Total income increased by 7% and expenses were flat. Loan losses were positive in all four quarters and the credit portfolio is considered to be of a good overall quality.

Income

The focus on income growth intensified in 2005 with both hiring of specialists and new product launches to further strengthen Nordea's market position. Nordea increased its market shares particularly in the mortgage markets in Denmark and Norway as well as in some of the Baltic countries. In Sweden, market shares within new sales in Life, a focus growth area, improved significantly in the last quarter. Within the area of private life and pension insurance, the market share of new sales increased from 2.6% in 2004 to 7.9% in 2005.

Total income increased by 7% to EUR 6,573m. Net interest income grew by 5% to EUR 3,663m as volume growth outweighed the pressure on margins. Total lending to the public increased by 17% to EUR 188bn. Strong competition in all segments put pressure on lending margins.

Net interest income in Retail Banking increased by 5% supported by growth in lending to small and medium-sized enterprises (SMEs), structured finance, deposits and consumer lending.

In Corporate and Institutional Banking, net interest income increased by 5% following growth in lending in the shipping division as well as in Poland and the Baltic countries. Nordea's lending in these markets increased 37%.

Deposits increased by 10% to EUR 116bn. Lower interest rates had a negative impact on deposit margins in the Swedish market, whereas in Norway, deposit margins stabilised following increasing short-term rates in the second half of the year. The pressure on deposit margins was partly mitigated by active asset-liability management related to household deposits.

Assets under management increased by 15% to EUR 151bn and income in Asset Management increased by 15%.

Strong focus has been devoted to developing Nordic Private Banking services resulting in a significant inflow of new customers. The inflow of customers has been supported by the introduction of a unified Nordic Private Banking offering for affluent customers, now marketed in all Nordic countries. A unified Nordic offering is also being developed for Nordea´s high-net-worth customers.

For the second consecutive year Nordea was nominated best Nordic Private Bank by Euromoney.

Growth in business volumes contributed to a strong development of net commission income, which increased by 8% to EUR 1,935m. A strong improvement is noted for capital markets-related commissions. Asset management related commissions are up 13% following growth in assets under management and several product launches. Also other equity-related commissions developed strongly, commissions from brokerage were up 29% and from custody services 11%. Commissions on loans increased by 27% to EUR 335m reflecting the lending growth particularly within Retail Banking, re-mortgaging activity in Denmark as well as revenues from loan syndications within CIB. Commissions from payments were stable at EUR 709m reflecting increased card payments whereas commissions from manual transactions and giro payments decreased. Other commission income, increased by 35% to EUR 202m. This includes revenues from acquisition-finance activities which increased during the year.

Net gains/losses on items at fair value were up by 15% to EUR 615m reflecting strong results in Markets in most product areas including foreign exchange, fixed income and structured products. In addition, Life contributed to the improved income.

Other income increased by 18% to EUR 293m and includes the additional income of EUR 40m from the sale of the general insurance business in 2002 that was recognised in the first quarter 2005.

Expenses
Total expenses were unchanged at EUR 3,668m. Nordea's flat-cost target excludes depreciation of operational leasing and expenses in the Life business. Excluding these items, total expenses were EUR 3,494m compared to EUR 3,502m in 2004. Nordea has achieved the flat-cost target for the third consecutive year despite a significant increase in business volumes. Compared to the cost level in 2002, costs were, in nominal terms, 6% lower in 2005.

Staff costs increased by 3% to EUR 2,082m. The number of FTEs was unchanged at the end of 2005 compared to year-end 2004 despite the additional 75 FTEs added through the acquisition of the life business in Poland. General wage increases as well as higher variable salaries contributed to the rise in staff costs. In addition, the provision for profit sharing was EUR 65m compared to EUR 60m last year.

Other expenses were EUR 1,455m, down 1% compared to last year. The increase in business volumes has resulted in an increase in operational costs such as IT costs, but also these costs were absorbed within the flat-cost target.

Depreciations decreased by 22% to EUR 131m. Nordea's sourcing strategy in respect of real estate as well as IT resulted in lower depreciation.

The cost/income ratio continued down and was reduced to 56% compared to 60% in 2004.

Loan losses
Loan losses were positive at EUR 137m including the recovery of EUR 98m from the sale of Pan Fish shares in the second quarter.

Taxes
The effective tax rate for the year was reduced, mainly as a result of a revaluation of the deferred tax asset in Finland during the year. Such revaluation reduced Nordea's tax cost by approx. EUR 145m in 2005. Nordea's tax assets, and hence recognition of deferred taxes going forward, are subject to a continuous evaluation and depends mainly on Nordea's ability to utilise the loss carry-forward in Finland. Nominally, the unrecognised tax assets in Nordea amount to approx. EUR 700m. The time limit for utilising the main part of the unrecognised tax assets expires in 2013.

The effective tax rate for 2005 was approximately 26%.

Net profit
Excluding the real-estate gain last year, net profit increased by 28%. Reported net profit increased by 9% to EUR 2,269m corresponding to a return on equity of 18.0% compared to 14.5% last year, when excluding the real-estate gain. Earnings per share increased by 16% to EUR 0.86. When excluding the real-estate gain, earnings per share increased by 34%.

Financial structure
The balance sheet increased by 16% or EUR 45bn to EUR 326bn during 2005. All balance sheet items in foreign currencies are translated to EUR at the year-end rates. See Note 1 for more information on accounting policies and used cross currency rates.

The increase in the balance sheet reflects higher business volumes and fair value changes due to changed interest, currency exchange rates as well as share prices.

The Euro strengthened against the Swedish krona but weakened against the Norwegian krona during 2005. The Danish krona was unchanged v.s. euro. The net effect of change in currency exchange rates amounted to a total decrease in Group assets of EUR 1.3bn. Liabilities decreased with EUR 1.3bn.

Lending
The growth in the balance sheet was mainly driven by a strong increase in loans and receivables to both credit institutions and to the public with an 18% increase, or EUR 35bn, to EUR 220bn. The increase in loans and receivables to the public was the main factor.

Trading assets
Investments in interest bearing securities and shares increased by EUR 9bn, or 23%, to EUR 49bn. The increase is stemming from invested net premiums in the Life business of EUR 2.4bn together with higher volumes of shares and securities of EUR 5.5bn and positive fair value changes.

Other assets
Other assets increased by approximately EUR 3bn to Eur 9.9bn mainly due to higher activity level in the financial markets mirrored in higher settlement balances of assets recognised through trade date accounting (see Note 1 accounting policies for further information).

Deposits and funding activities
The growth in the assets side was financed by a strong development in deposits and borrowings from the public, which increased by EUR 11bn or 8% to EUR 145bn. Bond issues in the mortgage companies and funding programs managed by Group Treasury have increased the issued securities by EUR 23bn, or 39%, to approximately EUR 83bn.

Life activities
Net premiums received in the Life business are invested in financial assets, such as interest bearing securities, shares and investment properties. To reflect the liability from both premiums received and fair value changes in investments an increase of "liabilities to policyholders" is made correspondingly. Liabilities increased by EUR 3.4bn.

Other liabilities
High activity in the financial markets has increased "other liabilities" with EUR 4.5bn. The growth is mainly split on "sold, not held securities" and effects from higher activity leading to increased settlement liabilities due to trade date accounting (see other assets).

Subordinated loans
Issuance of subordinated loans increased the liabilities by EUR 2bn.

Off balance sheet items
Nordea's trading in derivatives is disclosed both on and off balance.

The balance sheet item "Deriviatives" reflects the net present value of derivatives contracts.

The off balance sheet line "Commitments" reflects the nominal value of derivative contracts.

The derivatives volume, measured in nominal terms, increased by EUR 624bn, or 41%, to EUR 2,153bn. High activity in the financial markets supported to the volume growth. For more information on derivatives, see Notes 1, 21 and 45.

Proposed dividend
The Board of Directors of Nordea proposes a dividend of EUR 0.35 per share. The total dividend payment for 2005 would then be EUR 908m corresponding to 40% of the net profit after tax. The dividend yield calculated on the share price 30 December 2005 is 4.0%. The proposed record date for the dividend is 10 April 2006 and dividend payments will be made on 19 April 2006. The dividend is denominated in EUR, though payments are made in the local currency of the country where the shares are registered. Dividend payments can be made in EUR if the shareholder has a EUR account registered with the relevant securities register.

Rating
See page 135 for information on the Ratings of the Nordea Group.

Personnel
Personnel expenses and the division between countries and gender are disclosed in note 8.

Incentive schemes
A full description of the Profit sharing and incentive schemes in Nordea can be found on page 51. In 2005, reservations for profit sharing amounted to EUR 65m.

Legal proceedings
Within the framework of the normal business operations, the Group faces a number of claims in lawsuits and other disputes, most of which involve relatively limited amounts. None of these disputes is considered likely to have any significant adverse effect on the Group or its financial position.

Environmental concerns
In accordance with Group Corporate Citizenship Principles Nordea Bank Finland 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 Nordea Group has adopted 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 related costs and business risks to the Group. The policy will also guide policymaking and business initiatives regarding financial involvement by business units and cooperation with suppliers.

Important events after 31 December 2005
The Swedish life company Nordea Livförsäkring I Sverige AB was demutualised and will be consolidated 1 January 2006. Nordea Life Holding A/S has added SEK 1,020m in capital to the new demutualised company, in line with what was communicated 18 months ago. Of the total capital injection SEK 720m is in form of equity capital and SEK 300m as subordinated debt. The capital injection was fully financed by Nordea Life Holding A/S and has a negligible effect on the Group's capital ratio.

The demutualisation of Nordea Livförsäkring I Sverige AB was approved by the policyholders in December 2004 and preparation in line with the Swedish FSA's requirements took place in 2005 in order to be able to demutualise 1 January 2006.

Outlook
The economic outlook for 2006 indicates a continued strong growth in GDP in Nordea's home markets as well as in private consumption and investments. On the back of this, Nordea's strong market position as well as the business activity among Nordea's clients, a strong volume growth is expected also in 2006. Continued margin pressure implies that income growth will be lower than the volume growth also in 2006.

During the last three years Nordea's cost base has been reduced by 6%. A strict cost management culture has been established in the Group. When the extended flat-cost target for the period 2005-2007 was communicated at the Capital Markets Day in November 2004, a gap between income and cost growth of approx 4 percentage points was implicit in the targets. In 2005 revenues increased by 7% and costs were unchanged.

For 2006, Nordea expects to achieve a gap between growth in income and costs of at least 5 percentage points. Costs are expected to be largely unchanged.

Credit quality remains strong, evidenced by seven consecutive quarters with net reversals. Based on the solid economic forecasts, as well as estimates in internal credit rating models, loan losses are expected to remain low in 2006.

Annual General Meeting 2006
The AGM will be held on Wednesday 5 April 2006 in Stockholm and, through telecommunication, in Helsinki and Copenhagen.

Risk management & Basel II

Being exposed to risk is inherent in providing financial services, and Nordea assumes a variety of risks in its ordinary business activities, the most significant being credit risk related to lending to the public. Management of risk is one of the key success factors in the financial services industry and Nordea has clearly defined policies and instructions for risk management.

Nordea aims at an overall balanced risk-taking in order to enhance shareholder value. Economic Capital is allocated to the business areas and is included in the calculation of Economic Profit, which is a key performance indicator in the Group.

Risk management principles and control
The Board of Directors of Nordea has the ultimate responsibility for limiting and monitoring the Group's risk exposure. Risks in Nordea are measured and reported according to common principles and policies approved by the Board.

The Board of Directors decides on policies for credit, market, liquidity and operational risk management. Furthermore, the Board of Directors, in the credit instructions decides on powers-to-act for credit committees at different levels within the business areas in Nordea. These authorisations vary for different decision-making levels, mainly in terms of size of limits, and are also dependent on the internal rating of customers. The Board's Credit Committee monitors the development of the credit portfolio including industries and major customer exposures.

The Board of Directors also decides on the limits for the market and liquidity risk in the Group.

The CEO and Group Executive Management (GEM) regularly reviews reports on risk exposures. In addition, the following committees for risk management have been established by the CEO and GEM:

- The Asset and Liability Committee (ALCO) decides upon issues of major importance concerning the Group's financial operations and financial risks. The CEO is chairman of ALCO. ALCO decides on the limits of the Group's risk management regarding Structural Interest Income Risk (SIIR).
- ALCO also decides, within the scope of resolutions adopted by the Board of Directors, the allocation of the market risk limits and liquidity risk limits to business areas as well as the investment return targets for the investment portfolio. The limits for the business areas are set in accordance with the business strategies and are as a minimum reviewed annually. The heads of the business areas allocate the respective ALCO limits within the business area and may introduce more detailed limits and other risk mitigating techniques such as stop-loss rules.
- The Risk Committee monitors developments of risks on aggregated level. Chairman of the Risk Committee is the Chief Risk Officer (CRO) who is also head of Group Credit and Risk Control.
- Executive Credit Committees (Corporate and Retail) decide on major credit risk limits and industry policies for the Group. Chairman of Executive Credit Committees is the CRO. Credit risk limits are decided by the use of individual limits for each customer and consolidated customer group and by means of industry limits.
- Other credit risk limits, which are not decided by the Executive Credit Committees, are decided by decision-making authorities on different levels (see figure). The responsibility for a credit exposure is assigned to a customer responsible unit. Each customer is assigned a rating/scoring in accordance with the Nordea framework for quantification of credit risk.

Group Credit and Risk Control is responsible for the risk management framework. The framework consists of policies, instructions and guidelines for the whole Group. For SIIR and liquidity risk, the framework is developed in co-operation with Group Treasury.

Each business area is primarily responsible for managing the risks in their operations, including identification, control and reporting. In addition, Group Credit and Risk Control monitors the risks on Group level.

Credit risk

Credit risk is the risk of loss if counterparts of Nordea fail to fulfil their agreed obligations and that the pledged collateral does not cover Nordea's claims.

The credit risks in Nordea arise mainly from various forms of lending to the public (corporates and personal customers), but also from guarantees and documentary credits. Furthermore, credit risk includes transfer risk, settlement risk and credit risk in financial instruments such as derivatives. The credit risk from guarantees and documentary credits arises from the claim on a customer, which would occur in the case that a claim on Nordea arises in connection with an issued guarantee.

The credit risk in derivative contracts is the risk that Nordea's counterpart in the contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Settlement risk is the risk of losing the principal of a financial instrument if a counterpart defaults during the settlement process. Transfer risk is a credit risk attributable to the transfer of money from another country where a borrower is domiciled, and is affected by changes in the economic and political situation of countries.

The decisions regarding credit risk limits for customers and customer groups are made by the relevant credit decision authorities on different levels within the Group (see figure). The responsibility for credit risk lies with the customer responsible unit, such as a branch office, which on an ongoing basis assesses the customers' ability to fulfil their commitment and identifies deviations from agreed conditions and weaknesses in the customers' performance.

If credit weaknesses are identified in relation to a customer exposure, that exposure is assigned special attention in terms of review of the risk. In addition to the continuous monitoring, an action plan is established outlining how to minimise a potential credit loss. If necessary, a special team is set up to support the customer responsible unit.

An exposure is recognised as impaired and a provision is made, if there is objective evidence of a loss for that exposure. The size of the provision is equal to the estimated loss considering the discounted value of the future cash flow and the value of pledged collateral. Impaired exposures can be either performing or non-performing. Impaired exposures are treated as in default when determining default probability in order to quantify Expected Loss and Economic Capital.

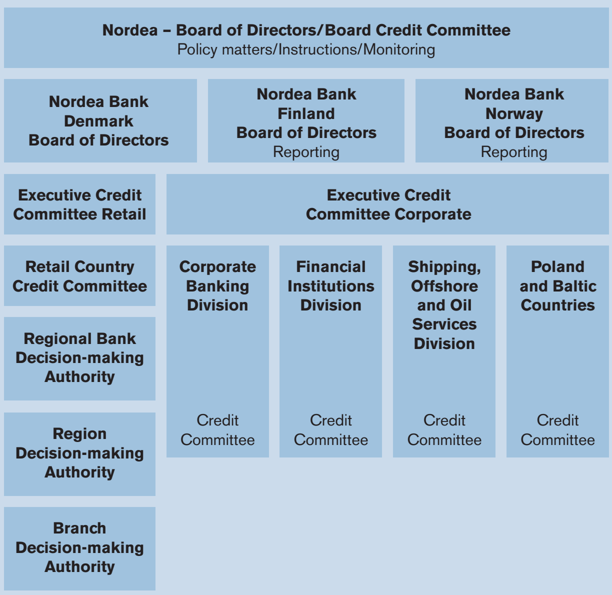
Weak and impaired exposures are reviewed on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions.

Risks in specific industries are controlled through industry policies setting requirements and limits on the overall industry exposure and these risks are monitored by industry monitoring groups. Corporate customers' environmental risks are taken into account in the overall risk assessment through a process called Environmental Risk Assessment Tool, which has been developed within the Group.

Measurement methods

Quantification of credit risk was initially developed in Nordea as part of the Economic Capital framework. With the approaching Basel II framework significant efforts have been made in respect of aligning the internal quantification of credit risk with the external requirements set by Basel II.

Credit decision-making structure



Rating and scoring
Rating and scoring are key components in the risk management framework for credit risk. The common denominator of the rating/scoring models is the ability to rank the customers and predict defaults. While the rating models are used for corporate customers and bank counterparts, scoring models are used for personal customers and small business customers.

The internal rating represents an estimate of the repayment capacity of the corporate customers or bank counterparts. Every rating grade has a Probability of Default percentage (PD) assigned to it, which is used as an input in the Economic Capital framework and will in the future also be used in the Basel II framework.

The internal rating scale for corporate rating models consists of 18 grades for non-defaulted customers. It is a descending scale with grade 6+ representing the highest repayment capacity and rating grade 1– representing the lowest repayment capacity. Rating grade 4– and better is comparable to investment grade as defined by external rating agencies such as Moody's and S&P. Rating grade 2+ to 1– are considered as weak, and require special attention. In addition, there are three rating grades for counterparts fulfilling Nordea's internal definition of default.

Ratings are normally assigned in conjunction with limit/credit proposals or the annual review of the customers, and approved by the credit committees. The consistency and transparency of the ratings are ensured by the use of rating models, which have been developed for medium sized and large corporates as well as for bank counterparts. The models are based on an overall rating framework, in which financial factors are combined with qualitative factors. Adjustments of the factors have been made in respect of the size of the customers and specific industry segments in order to ensure that the model ranks the customers correctly.

Nordea has established an internal validation process in accordance with the Basel II requirements with the purpose of ensuring that Nordea's rating models, procedures and systems are accurate, consistent and have good ranking power as well as high predictability of default. The regular validation also captures the assessment of the relevant risk factors within the model.

Scoring models are pure statistical methods to predict the probability of customer default. Nordea utilises three types of scoring models - application, behaviour and bureau scoring models - in the credit process. The models are mainly used in the personal customer segment but also for small corporate customers. The scoring models support both the credit approval process, eg automatic approvals or decision support, and the risk management process, eg "early warning" for high risk customers and monitoring of portfolio risk levels.

As part of Nordea's Basel II activities, a systematic review of the use of scoring models has been initiated. This work comprises activities making all existing scoring models and their use compliant with Nordea's ambition regarding Basel II.

Quantification of credit risk
The most important inputs when quantifying the credit risk are the probability of default (PD), the loss given default (LGD), and the exposure at default (EAD). The inputs are used to quantify Expected Loss and Economic Capital for credit risk, which both are used in the calculation of Economic Profit.

The PD is the most important parameter when measuring credit risk. In general historical losses and defaults are used to calibrate the PDs attached to each rating grade. LGD is measured taking into account the collateral coverage of the exposure, the counterpart's balance-sheet components, and the presence of any structural support. LGD is also estimated using internal historical losses, where applicable. EAD is for many products equal to the outstanding exposure, but for some products, such as credit lines and derivative contracts, the EAD can be higher than the utilised exposure. The set up for EAD estimation is similar to that for LGD.

Nordea calculates Economic Capital for credit risk with capital factors, which are differentiated based on combinations of PD and LGD. The capital factors are estimated using the output from a credit portfolio model. In addition to estimating these factors the portfolio model is used to assess portfolio imbalances such as concentration risk.

As a complement to the ordinary credit risk quantification stress tests are performed. These tests are partly focusing on capital requirements and are in accordance with the Basel II requirements.

Definition of Expected Loss (EL):
The EL is the normalised loss rate calculated based on the current portfolio. EL is measured using the formula, EL = PD x LGD x EAD, where

- PD is a measure of the probability that the counterparty will default,
- LGD is a measure of how much is expected to be lost in the event of default and
- EAD is a measure of the expected exposure in the event of default.

Credit risk exposure
(excluding cash and balances at central banks and settlement risk exposure)

EURm	31 Dec 2005	31 Dec 2004	31 Dec 2003
Loans and receivables to credit institutions	31,578	24,774	29,037
Lending to the public	188,460	161,060	145,644
Unutilised credit commitments etc	58,089	56,535	56,981
Guarantees and documentary credits	16,349	13,955	13,612
Credit risk exposure in derivatives [1]	22,363	19,594	19,791
Interest-bearing securities issued by public bodies	8,699	5,876	16,034
Other interest-bearing securities	19,290	18,658	15,983
Total credit risk exposure in the banking operations	**344,828**	**300,452**	**297,082**
Lending in the life insurance operations	830	269	
Interest-bearing securities in the life insurance operations	15,412	13,839	
Total credit risk exposure including life insurance operations	**361,070**	**314,560**	

[1] After closeout netting and collateral agreements, including current market value exposure as well as potential future exposure.

Lending to the public, by customer type

EURm	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2003	%
Corporate customers	99,948	53.0	83,945	52.1	77,875	53.5
Personal customers	84,614	44.9	73,425	45.6	64,738	44.4
Public sector	3,898	2.1	3,690	2.3	3,031	2.1
Total	**188,460**	**100.0**	**161,060**	**100.0**	**145,644**	**100,0**

Lending to corporate customers, by industry

EURm	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2003	%
Real estate management	26,197	26.2	23,441	27.9	21,191	27.2
Construction	2,899	2.9	2,856	3.4	2,643	3.4
Agriculture and fishing	5,825	5.8	5,223	6.2	4,252	5.5
Transport [1]	5,576	5.6	4,648	5.5	4,364	5.6
Shipping [1]	5,282	5.3	3,817	4.6	3,672	4.7
Trade and services	9,980	10.0	8,558	10.2	8,749	11.2
Manufacturing	13,528	13.5	12,011	14.3	12,457	16.0
Financial operations [2]	10,520	10.5	10,715	12.8	8,325	10.7
Renting, consulting and other company services [2]	9,640	9.7	5,701	6.8	5,739	7.4
Other	10,501	10.5	6,975	8.3	6,483	8.3
Total	**99,948**	**100.0**	**83,945**	**100.0**	**77,875**	**100.0**

[1] The shipping exposure (in the table on the next page) is in the table above partly included in the industry "Shipping", partly in other industries, such as "Transport".
[2] A reclassification from "Financial operations" to "Renting, consulting and other company services" has affected the figures for 2005.

Lending to corporate customers, by size of loan

EURm	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2003	%
0–10	44,642	44.6	37,851	45.1	36,775	47.2
10–50	25,273	25.3	21,384	25.5	20,883	26.8
50–100	10,892	10.9	8,481	10.1	7,387	9.5
100–250	8,106	8.1	6,348	7.6	6,870	8.8
250–500	4,571	4.6	4,977	5.9	2,653	3.4
500–	6,464	6.5	4,904	5.8	3,307	4.3
Total	**99,948**	**100.0**	**83,945**	**100.0**	**77,875**	**100,0**

In order to facilitate the estimation of the credit risk parameters as well as perform portfolio analysis on various dimensions, a groupwide credit database is used. In 2006 additional activities will be carried out to secure data availability for Basel II compliance.

Credit risk analysis
The credit risk exposure is measured and presented as the principle amount of claims or potential claims on customers and counterparts net after reserves. It consists of all items that carry credit risk, whether on or off Nordea's balance sheet and was EUR 345bn 2005 compared to EUR 300bn in 2004 excluding the exposures related to the Life insurance operations.

The largest item is lending to the public (loans and receivables to the public), which in 2005 increased by 17% to EUR 188 bn (EUR 161bn). Lending to corporate customers was EUR 100bn (EUR 84bn), an increase by 19%, and lending to personal customers was EUR 85bn (EUR 73bn), an increase by 15%. The portion of lending of the total lending portfolio was to corporate customers 53% (52%) and to personal customers 45% (46%).

Loans and receivables to credit institutions, mainly in the form of inter-bank deposits, amounted to EUR 31.6bn at the end of 2005 (EUR 24.8bn). Of these loans, less than 10% was to banks outside OECD.

One important credit risk mitigation technique is the use of pledged collateral. This is particularly important in lending to personal customers and medium-sized and small corporates. In the case of larger corporates, collateral is pledged to a lesser extent.

In corporate lending to the public including unutilised credit commitments, the main collateral types are real estate mortgages, floating charges and leasing objects. The collateral coverage is higher for exposures to financially weaker customers than for exposures to financially stronger customers.

Regarding mortgage loans to personal customers, the collateral coverage is high, but also well over half of the consumer loans to personal customers are secured.

Regarding credit risk in derivatives, other risk mitigation techniques are widely used in Nordea, of which the most common is the use of closeout netting agreements (see below under Risk in derivatives).

Lending to corporate customers
The main increases in the portfolio could be seen in the sectors: "Real estate management", "Trade and services" "Shipping" and "Transport".

A reclassification has been made to "Renting, consulting and other services" from "Financial operations", which affects the figures.

Real estate management remains the largest industry sector in Nordea's lending portfolio, with EUR 26.2bn (EUR 23.4bn). Relatively large and financially strong companies dominate the portfolio, with 68% (65%) of the lending in rating grades 4– and higher. There is a high level of collateral coverage, especially for exposures, which fall into lower rating grades (3+ or lower). Around half of the lending to real estate management or EUR 12.1bn, is to companies in Sweden, of which more than half is to companies managing residential real estate.

The shipping exposure increased, partly due to the effect of the strengthened US Dollar, to EUR 8.7bn (EUR 6.3bn), of which EUR 7.5bn (EUR 5.3bn) was utilised. The portfolio is diversified by type of vessel, has a focus on large industrial players and has an even distribution between Nordic and non-Nordic customers. Shipping is the only industry in which Nordea has a global customer strategy. The shipping portfolio exhibits continued volume growth and strengthening of credit quality.

Rating distribution
The graph shows that the rating distribution for medium and large corporate customers is concentrated within rating grades 5 to 3–. About 67% (65%) of the exposure is rated 4– or higher.

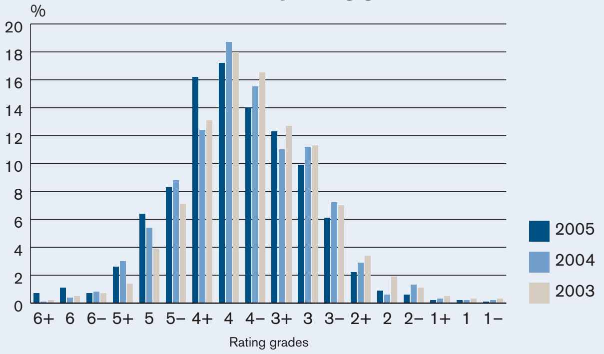
Rating grades 4– and better is comparable to investment grade as defined by external rating agencies such as Moody's and S&P. Rating grades 2+ to 1– are considered as weak, and require special attention. Impaired exposures are not included in the rating distribution.

Lending to personal customers
In 2005, mortgage loans increased by 14% while consumer loans increased by 18%. The portion of mortgage loans was 76% (77%).

Geographical distribution
Lending distributed by borrower domicile shows that the Nordic market accounts for 91% (92%). Other EU countries represent the main part of the lending outside the Nordic countries. The exposure to emerging markets is limited.

Transfer risk
The transfer risk exposure is dominated by a few countries and is trade-related and primarily short-term. The largest exposure is to China, which is an example of a country of great importance for Nordea's Nordic corporate customers. To recognise the risk related to lending to developing countries, Nordea carries a transfer risk reserve. The total transfer risk reserve at the end of 2005 was EUR 118m (EUR 84m).

Utilised exposure (medium and large corporate customers) distributed by rating grades



Lending to personal customers, by type of loan

EURm	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2003	%
Mortgage loans	64,499	76.2	56,380	76.8	48,904	75.5
Consumer loans	20,115	23.8	17,045	23.2	15,834	24.5
Total	**84,614**	**100.0**	**73,425**	**100.0**	**64,738**	**100.0**

Lending to real estate management companies, by country

EURbn	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2003	%
Denmark	2.6	10	2.0	9	1.9	9
Finland	5.2	20	4.7	20	4.6	22
Norway	5.2	20	4.5	19	4.2	20
Sweden	12.1	46	11.4	48	10.2	48
Baltic countries [1]	0.3	1	0.1	0	–	–
Other	0.8	3	0.7	3	0.3	1
Total	**26.2**	**100**	**23.4**	**100**	**21.2**	**100**

[1] For 2003, the Baltic countries are included in "other".

Mortgage loans to personal customers, by country

EURm	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2003	%
Denmark	17,671	28	15,707	28	13,780	28
Finland	15,071	23	13,774	24	12,033	25
Norway	11,589	18	9,090	16	7,403	15
Sweden	19,253	30	17,809	32	15,688	32
Baltic countries [1]	723	1	–	–	–	–
Poland [1]	192	0	–	–	–	–
Total	**64,499**	**100**	**56,380**	**100**	**48,904**	**100**

[1] For 2004 and 2003, the Baltic countries are included in the figures for Finland, and Poland is included in the figures for Sweden.

Shipping exposure

EURbn	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2003	%
Bulk carriers	1.4	16	1.1	17	0.7	12
Crude tankers	1.3	15	0.8	13	0.8	14
Product tankers	1.1	13	0.7	11	0.5	9
Liners	0.8	9	0.6	9	0.4	8
Chemical tankers	0.7	8	0.5	7	0.5	9
Gas tankers	0.6	7	0.4	7	0.5	8
Cruise and ferries	0.7	8	0.7	12	0.8	14
Others	2.1	24	1.5	24	1.4	26
Total exposure	**8.7**	**100**	**6.3**	**100**	**5.6**	**100**
Utilised exposure	7.5		5.3		4.9	

Impaired loans [1]

EURm 31 Dec 2005	Corporate customers	Personal customers	Total
Impaired loans, gross	1,374	445	1,819
Reserves for impaired loans	–1,186	–295	–1,481
Impaired loans, net	188	150	339
Reserves/impaired loans, gross (%)	86.3	66.2	81.4
Impaired loans, net/lending (%)	0.2	0.2	0.2

EURm 31 Dec 2004	Corporate customers	Personal customers	Total
Impaired loans, gross	1,806	509	2,315
Reserves for impaired loans	–1,428	–344	–1,772
Impaired loans, net	378	165	543
Reserves/impaired loans, gross (%)	79.1	67.5	76.5
Impaired loans, net/lending (%)	0.4	0.2	0.3

31 Dec 2003	Corporate customers	Personal customers	Total
Impaired loans, gross	2,090	558	2,649
Reserves for impaired loans	–1,582	–353	–1,936
Impaired loans, net	508	205	713
Reserves/impaired loans, gross (%)	75.8	63.3	73.1
Impaired loans, net/lending (%)	0.7	0.3	0.5

[1] For further information see note 18. "Corporate customers" above include public sector.

Impaired loans to corporate customers gross, by industry

EURm	31 Dec 2005	% of lending to the industry	31 Dec 2004	% of lending to the industry	31 Dec 2003	% of lending to the industry
Real estate management	155	0.6	149	0.6	211	1.0
Construction	49	1.7	67	2.3	73	2.8
Agriculture and fishing	165	2.8	190	3.7	258	6.1
Transport	57	1.0	174	3.7	255	5.8
Shipping	20	0.4	56	1.5	73	2.0
Trade and services	193	1.9	243	2.8	222	2.5
Manufacturing	368	2.7	357	3.0	242	1.9
Financial operations	29	0.3	71	0.7	37	0.4
Renting, consulting and other company services	139	1.4	196	3.4	261	4.5
Other	189	1.8	301	4.3	458	7.1
Total	**1,365**	**1.4**	**1,804**	**2.1**	**2,090**	**2.7**

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 claim. Impaired loans, gross, decreased to EUR 1,819m from EUR 2,315m, during 2005. Reserves decreased to EUR 1,481m from EUR 1,772m. The ratio of reserves to cover impaired loans, gross, increased to 81% (77%). Groupwise reserves are included in the reserve figures.

Settlement risk
Settlement risk is a type of credit risk that arises during the process of settling a contract or executing a payment. The risk amount is the principal of the transaction, and a loss could occur if a counterpart should default after Nordea has given irrevocable instructions for a transfer of a principal amount or security, but before receipt of payment or security has been finally confirmed.

The settlement risk on individual counterparts is restricted by settlement risk limits. Each counterpart is assessed in the credit process and clearing agents, correspondent banks and custodians are selected with a view of minimising settlement risk.

Nordea is a shareholder of, and participant in, the global FX clearing system CLS (Continuous Linked Settlement), which eliminates the settlement risk of FX trades in those currencies and with those counterparts that are settled through CLS. As a result, Nordea's settlement risk exposure against major trading counterparts has decreased considerably over the last years, and is expected to continue to decrease as the number of participants in CLS grows.

Risk in derivatives
Derivative contracts are financial instruments, such as futures, forwards, swaps or option contracts that derive their value from underlying assets; interest rates, currencies, equities, credit or commodity prices. The derivative contracts are often OTC-traded, meaning that the terms connected to the specific contract are agreed upon on individual terms with the counterpart.

Nordea enters into derivative contracts mainly based on customer demand, both directly and in order to hedge positions that arise through such activities. Furthermore, the Group, through Group Treasury uses interest rate swaps and other derivatives in its hedging activities of the assets and liabilities on the balance sheet.

The derivative contracts are valued at fair value on an ongoing basis and affect the reported result and also the balance sheet. Nordea uses a fair value valuation model for calculating the market value of OTC derivatives. Derivatives affect credit risk, market risk, SIIR and liquidity risk exposures.

The credit risk in derivative contracts is the risk that Nordea's counterpart in the contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart under the contract. Nordea will then have to replace the contract at the current market rate, which may result in a loss.

The credit risk exposure is treated in the same way as other types of credit risk exposure and is included in customer limits.

The credit risk exposure is measured as the sum of current exposure and potential future exposure. The potential future exposure is an estimate, which reflects possible changes in market values during the remaining lifetime of the individual contract and is measured as the notional amount multiplied by a risk weight. The magnitude of the risk weight depends upon the contract's remaining lifetime and the volatility of the underlying asset.

To reduce the exposure towards single counterparts, risk mitigation techniques are widely used in Nordea. The most common is the use of closeout netting agreements, which allow the bank to net positive and negative replacement values of contracts under the agreement in the event of default of the counterpart. In line with the market trend Nordea also mitigates the exposure towards large banks, hedge funds and institutional counterparts by an increasing use of collateral management arrangements, where collateral is placed or received to cover the current exposure. Another risk mitigation technique used is agreements that give Nordea the option to terminate contracts at a specific point of time or upon the occurrence of credit-related events.

Market risk

Market price risk is the risk of loss in market value as a result of movements in financial market variables such as interest rates, foreign exchange rates, equity prices and commodity prices. All material trading and investment portfolios in Nordea are valued at fair value.

While the interest rate price risk is the risk of a loss in the present value of the future cash flows when interest rates change, Structural Interest Income Risk (SIIR) is the risk of a decrease in the net interest income if market rates rise or fall. The market price risk refers to products with a fixed maturity, whereas SIIR measures the net interest income sensitivity of the whole balance sheet over a one-year horizon. SIIR is described in a separate section below.

Nordea's market risk exposure derives mainly from the investment portfolios of Group Treasury and the client driven trading activity of Nordea Markets. Furthermore, market risk on Nordea's account arises

Lending to the public, by geographical area

EURm	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2003	%
Nordic countries	171,124	90.8	147,881	91.7	133,581	91.7
of which Denmark	50,447		42,029		38,235	
of which Finland	38,160		34,029		31,000	
of which Norway	29,686		24,048		21,983	
of which Sweden	52,831		47,824		42,337	
Baltic countries	2,386	1.3	1,311	0.8	950	0.6
Poland	919	0.5	984	0.6	704	0.5
EU countries other	7,374	3.9	5,820	3.6	4,709	3.3
USA	2,519	1.3	1,637	1.1	1,584	1.1
Asia	1,269	0.7	933	0.6	740	0.5
Latin America	1,093	0.6	961	0.6	1,356	0.9
OECD other	795	0.4	634	0.4	842	0.6
Non-OECD other	981	0.5	899	0.6	1,178	0.8
Total	**188,460**	**100.0**	**161,060**	**100.0**	**145,644**	**100.0**

Transfer risk exposure [1]

EURm	31 Dec 2005	31 Dec 2004	31 Dec 2003
Asia	641	476	682
Latin America	328	215	262
Eastern Europe & CIS	302	217	48
Middle East	438	340	309
Africa	46	26	47

[1] Base for the country risk reserve, defined as all countries excluding A-rated countries according to EIU and excluding Poland and the Baltic countries. Exposure net of ECA guarantees.

Distribution of reserves to corporate customers, by industry

EURm	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2003	%
Real estate management	129	10.9	123	8.6	143	9.0
Construction	39	3.3	48	3.3	63	4.0
Agriculture and fishing	134	11.3	159	11.2	206	13.1
Transport	54	4.5	129	9.0	181	11.4
Shipping	14	1.2	37	2.6	61	3.9
Trade and services	150	12.7	178	12.4	168	10.6
Manufacturing	347	29.4	282	20.8	206	13.0
Financial operations	24	2.0	57	4.0	21	1.3
Renting, consulting and other company services	122	10.3	145	10.1	229	14.5
Other	172	14.4	269	17.8	304	19.2
Total	**1,185**	**100.0**	**1,427**	**100.0**	**1,582**	**100.0**

from the mismatch of the market risk exposure on assets and liabilities in Nordea Life and Pensions and internal defined benefit pension plans. For all other activities, the basic principle is that market risks are eliminated by matching assets, liabilities and off-balance-sheet items. This is achieved by transactions in Group Treasury.

In addition to foreign exchange risk stemming from trading activities and investment portfolios, structural foreign exchange risk arises from investments in subsidiaries and associated enterprises denominated in foreign currencies. The general principle is to hedge this by matched funding. Furthermore, structural foreign exchange risk arises from earnings and cost streams generated in foreign exchange or from foreign branches. For the individual Nordea companies, this is handled in each company's foreign exchange position. Payments coming to parent companies from subsidiaries as dividends are exchanged to the base currency of the parent company.

Market risk appetite

The Board of Directors has set the maximum level of risk on investment portfolios such that it should not lead to an accumulated loss in investment earnings in excess of EUR 150m at any time in a financial year. The compliance with the market risk appetite is ensured by market risk limits and stop-loss rules. The risk appetite and market risk limits for trading activities are set in relation to the earnings they generate.

Measurement methods

As there is no single risk measure that captures all aspects of market risk, Nordea on a daily basis uses several risk measures including Value-at-Risk (VaR) models, stress testing, scenario simulation and other non-statistical risk measures such as basis point values, net open positions and option key figures.

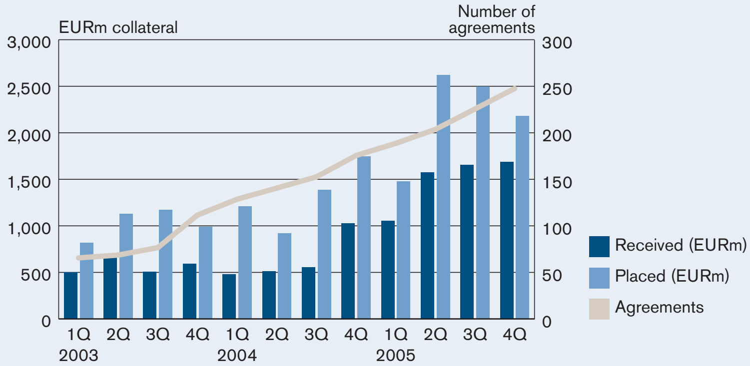
Normal market conditions

VaR is used by Nordea to measure linear interest rate, linear foreign exchange and linear equity risks, as well as the risk on interest rate options. A VaR measure across these risk categories, allowing for diversification among the risk categories, is also used.

VaR is a statistical risk measure, which in Nordea is based on the last two years' historical changes in market prices and rates, a holding period of 10 banking days and a probability of 99%. Nordea's historical simulation VaR model is based on the expected tail loss approach, which implies using the average of a number of the most adverse simulation results as an estimate of VaR.

It is Nordea's ambition to use VaR to measure the risk on all significant risk categories for which liquid markets exist, and foreign exchange option risk and

Collateral arrangements – derivatives



Credit risk exposure in derivatives (after closeout netting and collateral agreements)

EURm	31 Dec 2005 Current exposure	31 Dec 2005 Potential future exposure	31 Dec 2005 Total credit risk	31 Dec 2004 Current exposure	31 Dec 2004 Potential future exposure	31 Dec 2004 Total credit risk	31 Dec 2003 Current exposure	31 Dec 2003 Potential future exposure	31 Dec 2003 Total credit risk
Public entities	443	812	1,092	527	1,012	1,288	441	1,050	1,147
Financial institutions	1,987	17,508	16,569	3,078	14,282	14,859	3,423	13,694	15,451
Corporates	1,394	3,698	4,702	1,259	3,337	3,447	1,122	3,044	3,194
Total	**3,824**	**22,018**	**22,363**	**4,864**	**18,631**	**19,594**	**4,986**	**17,788**	**19,792**

credit spread risk are included in the Group's VaR models from 2006.

The risk on commodity positions, both linear and non-linear, is also measured using scenario simulation. The scenarios are based on the sensitivity to changes in commodity prices and their volatility.

The market risk on Nordea's account due to a mismatch between the market risk exposure on policy holders' assets and liabilities in Nordea Life and Pensions is measured as the loss sensitivity for two standard market scenarios, which represent normal and stress market conditions, respectively.

Back-tests are performed daily in accordance with the guidelines laid down by the Basel Committee on Banking Supervision in order to test the reliability of the VaR and simulation models. The models have shown reliable statistical characteristics throughout 2005.

Stress testing
Stress tests are used to estimate the possible losses that may occur under extreme market conditions. Nordea performs stress tests based on the current portfolio and information about the daily financial market developments since the beginning of 1993. In addition, Nordea's portfolios are stress tested for subjective scenarios, which are most often based on selected historical events prior to 1993 or adverse scenarios relevant at the current state of the economic cycle or geopolitical situation.

Market risk analysis
The analysis is based on the consolidated risk stemming from both investment and trading activities. Overall, the risk was broadly at the same level at the end of 2005 as at the end of 2004.

Nordea's market risk associated with the mismatch between policyholders' assets and liabilities in Nordea Life and Pension is currently analysed separately. The scenario for normal market conditions shows a risk of EUR 0.2m (EUR 7m) by the end of 2005.

Total risk
The total VaR was EUR 50m (EUR 64m) at the end of 2005 which shows that there is a noticeable diversification effect between interest rate, linear equity and linear foreign exchange risk, as the total VaR is lower than the sum of the risk in the three categories.

Interest rate risk
The total interest rate VaR peaked above EUR 70m during 2005 and fell to EUR 35m at the end of 2005 (EUR 61m). The total gross sensitivity to a 1-percentage-point parallel shift, which measures the development in the market value of Nordea's interest rate sensitive positions if all interest rates move adversely for Nordea, was EUR 261m at the end of 2005 (EUR 217m). The largest part of Nordea's interest rate sensitivity stemmed from interest rate positions in Danish Kroner, Euro, Swedish Kronor, US Dollars and Norwegian Kroner.

Foreign exchange risk
Nordea's foreign exchange VaR of EUR 2m (EUR 6m) at year-end is relatively low compared to the interest rate and equity risk exposure. The gross sensitivity to a 5% change in the exchange rate of all currencies vis-à-vis the Euro was EUR 23m (EUR 22m) at the end of 2005. The foreign exchange option risk increased to EUR 16m.

Equity risk
At the end of 2005, Nordea's equity VaR stood at EUR 24m (EUR 15m) and the net sensitivity to a 10% movement in equity prices was EUR 28m (EUR 2m). The largest equity exposure was to the financial sector.

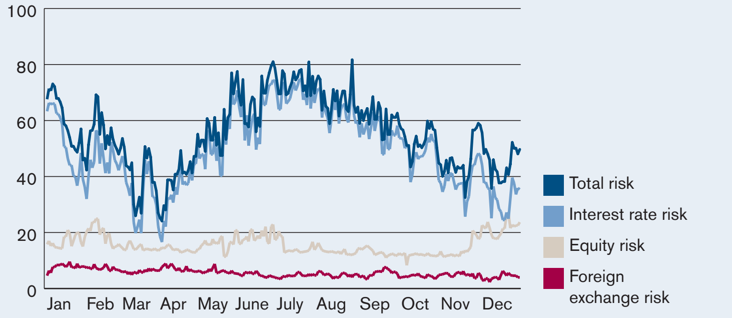
Equity option risk increased during 2005, reflecting Nordea's increased activity in these markets.

In addition to the listed shares, the book value of private equity funds and unlisted equities (excluding business-related and credit-related unlisted equities) is limited and monitored in the market risk management, but are not included in the equity VaR figures in the tables and charts in this report.

Market Risk in 2005

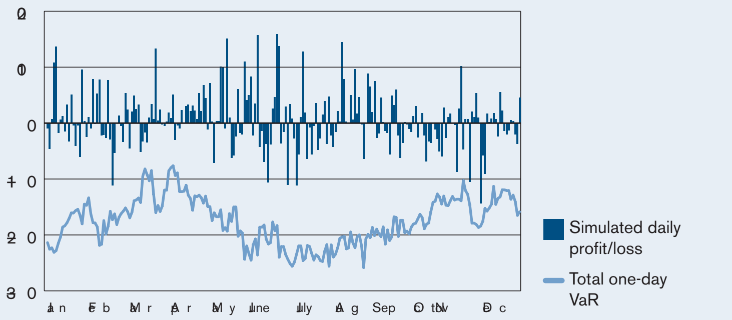
EURm	Measure	31 Dec 2005	Maximum	Minimum	Average	31 Dec 2004
Total risk	VaR	49.7	81.7	24.1	55.9	63.8
Interest rate risk	VaR	35.4	77.5	16.6	49.7	60.5
Foreign exchange risk	VaR	2.3	6.2	2.3	4.2	5.6
Non-linear risk	Simulation	15.8	21.6	9.0	14.8	8.9
Equity risk	VaR	23.7	26.9	8.3	15.6	15.2
Non-linear risk	Simulation	17.9	24.7	6.5	14.8	8.1
Commodity risk, linear	Simulation	11.7	13.9	3.9	9.7	3.9
Non-linear risk	Simulation	6.0	6.6	–	2.7	–

Linear risk, VaR
EURm



Non-linear risk
EURm

Backtesting, one-day VaR and simulated daily profit/loss
EURm



Commodity risk
Nordea's exposure to commodity risk, primarily pulp and paper, is solely related to client-driven activities. The linear commodity risk was EUR 12m (EUR 4m) by the end of 2005 and the net sensitivity to a 10% movement in all relevant commodity prices was EUR 10m. The commodity option risk was EUR 6m.

Structural Interest Income Risk

Structural Interest Income Risk (SIIR) is the amount Nordea's accumulated net interest income would change during the next 12 months if all interest rates change by one percentage point.

It reflects the mismatch in the balance sheet items and the off-balance-sheet items when the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives do not correspond exactly.

Measurement methods

The basic measures for SIIR are the two re-pricing gaps: one that measures the effect on Nordea's net interest income for a 12 months period of a one percentage point increase in all interest rates and one that measures the effect of a one percentage point decrease in all interest rates. The re-pricing gaps are calculated under the assumption that no new market transactions are made during the period. Main elements of the customer behaviour and Nordea's decision-making process concerning Nordea's own rates are taken into account. For example in a low interest rate environment, when rates are decreasing further, the total decrease of rates cannot be applied to non-maturity deposits since rates cannot be negative. Similarly in an increasing rate environment Nordea may choose not to increase interest rates on all customer deposits immediately.

SIIR analysis

At the end of the year, the SIIR for decreasing market rates was EUR –175m (EUR –200m) and the SIIR for increasing rates was EUR 154m (EUR 192m). These figures imply that net interest income would decrease if interest rates fall and increase if interest rates rise.

Liquidity risk

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due.

Measurement methods

The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. Nordea's liquidity risk management includes a business continuity plan and stress testing for liquidity management. In order to measure the exposure on both horizons a number of liquidity risk measures have been developed.

GAP analysis 31 December 2005 (SIIR)

Re-pricing gap for increasing interest rates

EURm Interest Rate Fixing Period	Group bs	Within 3 months	3–6 months	6–12 months	1–2 years	2–5 years	>5 years	Non Repricing	Total
Assets									
Interest bearing assets	265,965	175,176	16,656	13,203	6,641	10,235	20,738	23,315	265,965
Off-balance sheet items	0	2,420,171	15,940	12,207	13,911	15,538	4,797	0	2,482,565
Non interest bearing assets	59,584	0	0	0	0	0	0	59,584	59,584
Total assets	**325,549**	**2,595,347**	**32,596**	**25,411**	**20,553**	**25,773**	**25,535**	**82,899**	**2,808,115**
Liabilities									
Interest bearing liabilities	235,770	141,620	17,373	10,535	18,638	20,064	20,661	6,878	235,770
Off-balance sheet items	0	2,435,033	20,278	15,020	2,482	6,243	3,509	0	2,482,565
Non interest bearing liabilities	89,779	0	0	0	0	0	0	89,779	89,779
Total liabilities	**325,549**	**2,576,653**	**37,651**	**25,555**	**21,120**	**26,307**	**24,171**	**96,657**	**2,808,115**
Exposure		**18,695**	**–5,055**	**–144**	**–568**	**–534**	**1,364**	**–13,758**	**0**
Cumulative exposure			**13,640**	**13,495**	**12,927**	**12,393**	**13,758**	**0**	**0**

Contractual maturity analysis for financial liabilities, 2005-12-31

Contractual cash flows EURm Remaining contractual maturity	Payable on demand	Other within 1 year	1–5 year	>5 year	Total
Liabilities	86,917	103,252	25,697	38,966	254,832

In order to avoid short-term funding pressures, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 14 days. Funding gap risk is measured for each currency and as a total figure for all currencies combined.

To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The liquidity buffer consists of high-grade liquid securities that can be sold or used as collateral in funding operations.

The structural liquidity risk of Nordea is measured by the net balance of stable funding, which is defined as the difference between stable liabilities and stable assets. ALCO has set as a target that the net balance of stable funding should be positive, which means that stable assets must be funded by stable liabilities. These liabilities primarily comprise retail deposits, bank deposits and bonds with a term to maturity longer than 6 months, and shareholder's equity. Stable assets primarily comprise retail loans and other loans with a term to maturity longer than 6 months. The table shows the maturity of financial liabilities. Nordea manages the liquidity risk inherent in financial liabilities with the funding gap risk, the liquidity buffer and the net balance of stable funding, which are presented in the liquidity risk analysis below.

Liquidity risk analysis

The short-term liquidity risk has been held at moderate levels throughout 2005. The average funding gap risk, ie the average expected need for raising liquidity in the course of the next 14 days, has been EUR 2.3bn (2004: EUR 1.7, in the course of the next 30 days).

Nordea's liquidity buffer has been in the range EUR 13.7–26.3bn (EUR 16.3–22.5bn) throughout 2005 with an average of EUR 19.1bn (EUR 19.3bn). Nordea considers this a high level and it reflects the Group's conservative attitude towards liquidity risk in general and towards unexpected liquidity events in particular.

The aim of always maintaining a positive net balance of stable funding has been comfortably achieved throughout 2005. The yearly average for the net balance of stable funding was EUR 7.4bn (EUR 7.6bn).

Operational risk

In the Group's Policy for Internal Control and Risk Management, operational risk is defined as the risk of direct or indirect loss, or damaged reputation resulting from inadequate or failed internal processes, people and systems, or from external events. Legal and Compliance risks constitute sub-categories to Operational risk.

Operational risks are inherent in all activities within the organisation, in outsourced activities and in all interaction with external parties.

Solid internal control and quality management, consisting of a risk-management framework, leadership and skilled personnel, is the key to successful operational risk management. An annual report on the quality on Internal Control in the Group is submitted to the Board, incorporating all main issues on financial and operational risks.

Each business area is primarily responsible for managing its own operational risks. Group Credit and Risk Control develops and maintains a framework for identifying, measuring, monitoring and controlling operational risks and supports the line organisation to implement the framework.

Information security, physical security and crime prevention are important components when managing operational risks. To cover this broad scope, the group security function is included in Group Credit and Risk Control, and close cooperation is maintained with Group IT as well as Group Legal and Group Compliance.

The main processes for managing operational risks are an ongoing monitoring through self-assessment and the documenting and registering of incidents and quality deficiencies. The analysis of operational risk-related events, potential risk indicators and other early-warning signals are in focus when developing the processes.

The mitigating techniques consist of business continuity plans together with crisis management preparedness and a broad insurance cover for handling major incidents. Mitigation efforts target reliability and continuity in the value chains rather than focusing on single units in the organisation. Special emphasis is put on quality and risk analysis in change management and product development.

The techniques and processes for managing operational risks are structured around the risk sources as described in the definition of operational risk. This approach improves the comparability of risk profiles in different business areas and globally throughout the organisation. It also supports the focus on limiting and mitigating measures in relation to the sources, rather than the symptoms.

Life insurance risk and market risks in the Life insurance operations

What distinguishes the risk in the Life insurance business is that it stems from very long term contracts. It is not unusual that pension savings contracts have durations of more than 40 years. The pure life insurance risk is the risk of unexpected losses due to changes in mortality rates, longevity rates, disability rates and selection effects.

These risks are primarily controlled using actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts, stress tests and provisions for risks. A continuous supervision of the appropriateness of the parameters in the risk models is undertaken to ensure that changes in the underlying risk is properly taken into account.

Market risk that derives from the financial markets' impact on assets and liabilities in the Life insurance operations exists both on Nordea's own account and on behalf of the customers (policyholders). In terms of operating income, the majority of the Life insurance operations have a fee-based operating income structure, that is contingent but not directly dependant on investment returns. These risks on Nordea's account are not included in the consolidated risk figures presented in the risk management chapter.

Economic Capital

Nordea defines Economic Capital (EC) as the capital required to cover unexpected losses in the course of its business with a certain probability and it is estimated from a shareholder perspective.

Losses occur as an unpreventable part of the businesses that Nordea performs. The size of the losses is uncertain and will vary around an expected loss level. EC is the amount of capital that Nordea needs to hold in order to be able to absorb the losses at a certain level of confidence and it is a more sophisticated measure of required capital than the current regulatory capital. It is also an important input in the Economic Profit (EP) calculations.

Nordea calculates EC for the following risk types: credit risk, market risk, life insurance risk, operational risk, and business risk. The EC from the different risk types are aggregated to total Nordea EC taking diversification effects between the risk types into account.

In order to achieve consistent risk measurement throughout Nordea, the measurement period is set to one year and the confidence level is 99.97% for all risk types. Nordea's total EC equals the amount needed to cover unexpected losses during one year in 99.97% of all possible cases.

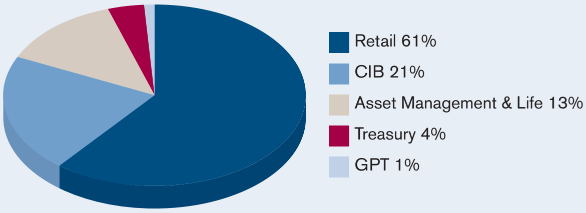
Quantitative models are used to estimate the unexpected losses for each of the risk types compiled into EC:

- Credit risk is calculated using a set of capital factors. The capital factors are developed for different products, customer segments and credit quality categories. The factors have been estimated using a portfolio model, where PD, LGD and EAD are inputs, and are reviewed and updated annually. The parameter estimation framework used for EC will to a large extent also be used in the upcoming Basel II.
- The Market risk measurement for the banking business is based on scenario simulation and Value-at-Risk (VaR) models tailor-made for EC. For the Life insurance business an asset and liability management (ALM) - model is used, which is based on scenarios generated by Monte-Carlo simulation. The market risk in Nordea's internal defined benefit plans is based on VaR models.
- Operational risk is calculated according to the proposed standardised approach within Basel II.
- Business risk is calculated based on the observed volatility in historical profit and loss time series that is attributed to business risk.
- The Life insurance risk is calculated as percentages of the EU minimum solvency requirement (death and disability risk) and technical provisions (longevity risk).

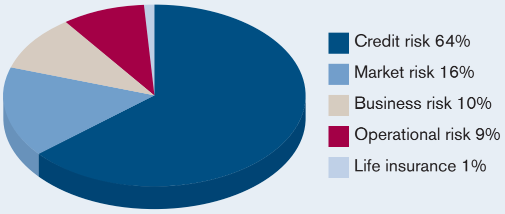
When all types of risk of the Group are combined, considerable diversification effects will arise, since it is highly improbable that all unexpected losses occur at the same time. However, the achievable level of diversification is reduced by highly correlated risk types. Credit risk and market risk are both highly correlated with the development of the general economy and thus reduce the level of diversification. Still, the diversification effects mean that the total EC is lower than the sum of the EC for each risk type.

The pie charts show the relative distribution of EC at 31 December 2005. Total EC at 31 December 2005 is calculated to EUR 9.0 bn (EUR 8.4 bn).

Economic Capital distributed to business areas



Economic Capital distributed to risk types



New Capital Requirements Directive (Basel II)

The new Basel II Capital Accord was initiated to improve the risk sensitivity of the regulatory capital framework, to institute tougher disclosure requirements as well as a more rigorous supervisory review process for banks. The EU has in October 2005 approved the content of the "Capital Requirements Directive". On national level, the consolidating supervisor for Nordea, the Swedish Financial Supervisory Board, has in October 2005 published a national Internal Rating Based (IRB) Approach regulation. Draft regulation for other areas and from other Nordic supervisors has been published as well during 2005.

By applying the revised framework, the internal assessment of risk will serve as an input into the capital requirement calculations. The EU Directive contains a detailed set of minimum requirements to assure the conceptual soundness and integrity of internal risk assessments. In order to comply with the set of minimum requirements related to the IRB Approach, Nordea has refined internal models and processes used within the Economic Capital framework. In addition, a comprehensive financial data warehouse is under development.

Nordea participated in the fifth Quantitative Impact Study in 2005. The result of this as well as earlier studies indicates that the new regulations will have a positive effect on minimum required capital, the main reason being the Group's lending portfolio mix. For Nordea, a decrease in risk-weighted assets is expected to increase the Group's flexibility to manage its regulatory capital in a more efficient way.

The business case for Basel II can be drawn from the reduction in risk-weighted assets and hence capital needed under the chosen implementation plan. Equally important are the indirect benefits, which can be summarised as follows;

- Improved risk management standards
- Improved efficiency in the credit process
- Improved management information and pricing
- Consolidation of processes and reporting standards

During 2005 Nordea has submitted an application to use foundation IRB approach from 2007 for calculating capital requirements for credit risk as well as the standardised approach for operational risk. The application for credit risk covers exposures to corporate entities and institutions. Nordea will gradually move towards advanced IRB approach for all material portfolios during the transition period.

In Nordea, the process of aligning the IT systems and risk management processes has required substantial efforts and resources during 2005. The Basel II Programme is one of the largest programmes in Nordea involving personnel from business areas, Group Processing and Technology, Group Corporate Centre, Group Credit and Risk Control and Group Legal. During 2005 the focus has been on the following factors;

- Continuous work with the validation of rating and scoring models and parameters such as PD, LGD and EAD.
- Development of a data warehouse fulfilling Basel II requirements with main focus on future external and internal risk reporting
- Aligning the Internal Capital Adequacy Assessment Process (ICAAP) .
- Ensure competence built up throughout the organisation via internal seminars and workshops

Important activities to align the ICAAP with Pillar II requirements have been to set up a Capital Planning Forum headed by the CFO, in which the capital planning activities within the Group are coordinated, and to finalize the framework for stress tests and treatment of other risks.

In 2006 additional effort and resources will be allocated to further close the gaps between the Group's framework for Economic Capital and risk management process and the anticipated IRB requirements. Continued focus will be the further development of a data warehouse as well as the delivery of quarterly parallel capital adequacy report, beginning the first quarter of 2006 and covering the portfolios where IRB approach is applied for the corporate entities and institutions portfolios in 2007.

Solvency II

The EU Commission has initiated the work on a new Solvency standard for insurers called Solvency II. The work on Solvency II is still in a development stage, but the overall principles have been outlined and the three pillar structure from Basel II will be used. Nordea actively follows the development of Solvency II, in order to ensure in-depth knowledge of the consequences for the Group.

The EU directive on Financial Conglomerates

The EU directive on Financial Conglomerates is to be implemented in Sweden during 2006. Nordea is defined as a financial conglomerate meaning that e g the requirements from bank (capital adequacy rules) and insurance activity (solvency rules) are added to ensure that the financial conglomerate has sufficient capital. Nordea will not face any material limitations concerning the new regulation. For internal purposes the different risks are already managed through the economic capital framework.

Corporate governance

Corporate governance in Nordea follows generally adopted principles of corporate governance including the rules and principles set forth in the Swedish Code of Corporate Governance (the Code).

Pursuant to the provisions of the Swedish Companies Act, the Banking and Financing Business Act, the Articles of Association and the internal instructions laid down by the Board of Directors the management and control of Nordea is divided among the shareholders (in the General Meeting), the Board of Directors and the President and CEO.

Pursuant to the Swedish Companies Act, the General Meeting is the Company's highest decision-making body. The shareholders exercise their voting rights at the General Meeting. At the General Meeting decisions are taken regarding the annual accounts, dividend, election of the Board of Directors and auditors, remuneration to Board members and auditors as well as other matters in accordance with applicable Swedish legislation and the Articles of Association. At the 2005 Annual General Meeting (AGM) the following decisions were made in accordance with the Code. The Chairman of the Board was elected. A Nomination Committee was established. The decision regarding the remuneration for Board members was divided between the Chairman and the other Board members and included remuneration for committee work. The principles for remuneration and other terms of employment for Group Executive Management (GEM) were approved. The 2006 AGM is proposed to make the corresponding decisions.

General Meetings of Nordea are held in Stockholm with the possibility to participate via telecom links in Helsinki and in Copenhagen. According to the Articles of Association the languages employed at the General Meetings are to be Swedish, Finnish and Danish. In practice this means that the proceedings are mainly held in Swedish and simultaneously translated into Danish, Finnish and when so needed into Swedish.

The 2006 AGM is proposed to abolish the possibility to participate in Helsinki and Copenhagen. It is further proposed to introduce the expanded proxy voting procedure set out in the new Swedish Companies Act, meaning that the Board may gather proxies at the Company's expense.

For the minutes of the AGM held on 8 April 2005, see www.nordea.com.

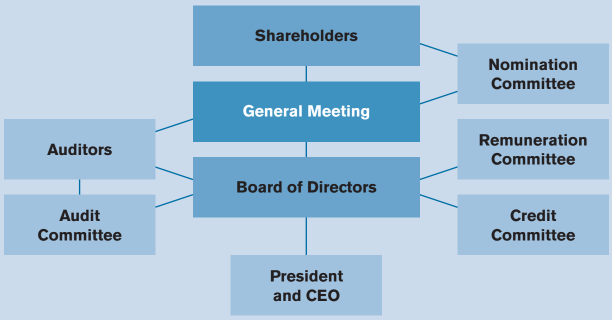
Voting rights

All shares in Nordea carry voting rights, with each share entitled to one vote at General Meetings. Nordea is not entitled to vote for own shares at General Meetings.

Nomination process

The 2005 AGM decided to establish a Nomination Committee for a period up to the end of the next AGM. The Committee is to present proposals for decisions on election of Board members and/or Chairman of the Board, including determination of number of members, and/or auditors as well as remuneration to the aforementioned to the next General Meeting. The Nomination Committee shall comprise the Chairman of the Board and four other members. The Committee shall elect chairman of the Committee amongst themselves. The Chairman of the Board may not serve as chairman of the Nomination Committee. The four shareholders with the largest holdings in the Company are entitled to appoint one member each. In addition, the Nomination Committee is entitled to co-opt a maximum of three persons who in respect of the work of the Committee

Corporate Governance



possess the requisite knowledge and experience of the social, business and cultural conditions that prevail in the regions and market areas in which the Group's main business operations are conducted. Co-opted members do not participate in the decision-making. Employees of the Nordea Group may not be members of the Nomination Committee. The Committee should be established based on known holdings as per 30 September 2005. In addition, the AGM resolution includes rules pertaining to a situation in which a shareholder abstains from the right to appoint a member of the Committee or if a shareholder, that has appointed a member, should no longer be entitled thereto. A co-opted member shall be entitled to compensation for costs incurred as well as reasonable remuneration from the Company for work carried out, as decided by the Nomination Committee. The Nomination Committee shall be entitled to employ, at the Company's expense, a recruitment consultant or any other resource that the Committee finds necessary in order to perform its duties.

The appointment of the Nomination Committee for the 2006 AGM was made public on 18 October 2005. The four shareholders with the largest holdings in the Company as per 30 September 2005 that wished to participate in the Nomination Committee appointed the following members: The Swedish Government appointed Eva Halvarsson, Nordea Danmark-fonden appointed Mogens Hugo Jørgensen, Alecta appointed Staffan Grefbäck and AMF Pension appointed Christer Elmehagen. The Committee, also including the Chairman of the Board of Directors, elected Eva Halvarsson Chairman of the Committee. Furthermore, the Committee decided to appoint one co-opted member – Juha Rantanen.

On 12 December 2005 it was announced that Eva Halvarsson, the Swedish Government's representative in Nordea's Nomination Committee, had been appointed new managing director in the Second Swedish National Pension Fund, AP2, and therefore had left the Nomination Committee. The Swedish Government appointed Lars Johan Cederlund as new member, and he was subsequently elected new Chairman.

The proposals of the Committee will be presented to the shareholders in the notice of the 2006 AGM. A report on the work of the Committee, including explanation for proposals, will be available to the shareholders on www.nordea.com.

Nordea Board of Directors

According to the Articles of Association it shall be aimed at that the Board, as a whole, for its operations possesses the requisite knowledge and experience of the social, business and cultural conditions prevailing in the regions and market areas in which the Group's principal operations are conducted.

Further the Board of Directors shall consist of at least six and no more than fifteen members elected by shareholders at the General Meeting. The mandate period for the Board members is one year. Nordea has no specific retirement age for Board membership nor is there a time limit for how long a Board member may serve on the Board.

The Board currently consists of eleven members elected by the General Meeting and three members and one deputy member appointed by the employees.

The following Board members are elected by the shareholders:
Hans Dalborg, Chairman
Timo Peltola, vice Chairman
Kjell Aamot
Harald Arnkværn
Gunnel Duveblad
Birgitta Kantola
Anne Birgitte Lundholt
Claus Høeg Madsen
Lars G Nordström, President and CEO
Jørgen Høeg Pedersen
Maija Torkko

The following Board members are appointed by the employees, one of whom at a time is a deputy member:
Bertel Finskas (deputy 1 May 2005 – 31 October 2005)
Liv Haug (deputy 1 November 2005 - 30 April 2006)
Nils Q. Kruse
Rauni Söderlund (deputy 1 November 2004 – 30 April 2005)

At the 2005 AGM all Board members were re-elected. In addition Anne Birgitte Lundholt was elected new Board member.

Secretary of the Board of Directors is Kari Suominen, Company Secretary.

Nordea complies with applicable rules regarding the independence of the Board. More than a sufficiently large number of members elected by the shareholders is independent of the Company and its executive management as well as of its major shareholders. Only one Board member elected by the shareholders is working in an operative capacity in the Company, ie CEO Lars G Nordström. The Nomination Committee considers all Board members elected by the shareholders independent of the Company's major shareholders. Lars G Nordström and Jørgen Høeg Pedersen are however not considered independent of the Company and the executive management of the Company. Lars G Nordström is employed as President and CEO of the Group. Jørgen Høeg Pedersen is Managing Director of Nordea Danmark-fonden and as such belongs to the senior management of the fund where Peter Schütze (GEM member of Nordea) is a Board member. Hans Dalborg was President and CEO of the Group up to 31 December 2000, ie within the past five years. This means that he was not considered independent of the Company and the executive management of the Company during 2005 but is considered independent from 1 January 2006. The Board members and the deputy Board member appointed by the employees are employed by the Group and therefore not independent of the Company.

Further information about the Board members is to be found in the separate section "Board of Directors", page 140.

The work of the Board of Directors follows an annual plan, which also establishes the management and risk reporting plan. The statutory meeting following the 2005 AGM appointed the vice Chairman and the Board Committee members. The Board has later adopted rules of procedures for the Nordea Board of Directors, containing inter alia rules pertaining to the areas of responsibility of the Board and the Chairman, the number of meetings, documentation and rules regarding conflicts of interest. Furthermore, the Board of Directors has adopted Instructions for the CEO specifying the CEO's responsibilities as well as other policies, instructions and guidelines for the operations.

During the year the Board reviews the strategy (including targets), the financial position and development and risks on a regular basis. The Board of Directors annually carries out a self-assessment process, through which the performance and the work of the Board is thoroughly evaluated and discussed by the Board.

The Board is charged with the organisation of Nordea and the management of the Company's operations and the overall management of the Nordea Group's affairs in accordance with applicable rules and regulations, the Articles of Association and the rules of procedures for the Board of Directors. The Board shall ensure that the Company's organisation in respect of accounting, management of funds, and the Company's financial position in general includes satisfactory controls. The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained. The Internal Audit Activity (IAA) issues yearly to the Board an overall Assurance Statement on Nordea's internal control system. The assurance statement for 2005 concludes that the internal control system is adequate and effective. Further information about internal control within Nordea is given below under heading "Internal control". At least once a year the Board meets the external auditors without the presence of the CEO or any other Company executive.

The Chairman
According to the rules of procedures for the Nordea Board the Chairman shall see to that the Board work is pursued effectively and that the Board discharges its duties. The Chairman shall inter alia organise and lead the Board's work, keep in regular contact with the CEO, see that the Board receives sufficient information and supporting data, and ensure that the work of the Board is evaluated annually.

Board Committees
An established principle in Nordea is that the members of the Board of Directors, elected by the shareholders, in addition to working in plenary meetings, shall conduct their responsibilities through separate working committees. The duties of the Board Committees, as well as working procedures are defined in specific instructions adopted by the Board. Each Committee shall regularly report on its work to the Board. The minutes are communicated to the Board.

The Audit Committee
The Audit Committee assists the Board in fulfilling its oversight responsibilities by reviewing the Nordea Group's quarterly financial reporting, external auditor's observations and conclusions on the Group's semi-annual and annual financial statements and external audit plan, as well as the systems of internal control established by the Board, the CEO and GEM, and the audit arrangement between the Internal Audit Activity (IAA) and the external auditors. The Committee is further responsible for the guidance and evaluation of the IAA.

Members of the Audit Committee during 2005
Members: Harald Arnkværn (Chairman)
Claus Høeg Madsen
Maija Torkko

The members of the Audit Committee are independent of the Company and the executive management of the company, as well as of the Company's major shareholders.

Lars G Nordström and Dag Andresen, Chief Audit Executive (CAE), are present at meetings with the right to participate in discussions, but not in decisions.

The Credit Committee

The Credit Committee continuously reviews and monitors adherence to the established Credit Policy and Strategy as well as Credit Instructions for the Nordea Group and evaluates the overall quality of the credit portfolio.

Members of the Credit Committee during 2005
Members: Hans Dalborg (Chairman)
Harald Arnkværn
Birgitta Kantola
Anne Birgitte Lundholt (from AGM 2005)
Lars G Nordström
Jørgen Høeg Pedersen
Timo Peltola

The Head of Group Credit and Risk Control, Carl-Johan Granvik, is present at meetings with the right to participate in discussions, but not in decisions.

The Remuneration Committee

The Remuneration Committee is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues. This includes proposals regarding the Company's policy on remuneration and other terms of employment for GEM, the terms of employment for the CEO and CAE and alterations of the terms of employment for GEM as a whole. At the request of the Board the Committee also prepares other issues of principle for the consideration of the Board. The CEO also consults with the Committee before determining the terms of employment of the members of GEM.

Members of the Remuneration Committee during 2005
Members: Hans Dalborg (Chairman)
Kjell Aamot
Gunnel Duveblad
Timo Peltola

Except for the Chairman of the Committee, Hans Dalborg (up to 31 December 2005), the members of the Remuneration Committee are independent of the Company and the executive management of the Company. All members are independent of the Company's major shareholders.

The CEO participates in the meetings without the right to vote. The CEO does not participate in considerations regarding his own employment terms and conditions.

The CEO and Group Executive Management

The President and CEO is appointed by the Board of Directors and is charged with the day-to-day management of Nordea Bank and the Nordea Group's affairs in accordance with rules and regulations and instructions provided by the Board of Directors. In the instructions the Board has laid down rules for the authority and obligations of the CEO. The instructions further regulate the interaction between the CEO and the Board. The President and CEO works closely with the Chairman of the Board, inter alia with planning of Board meetings.

The CEO is responsible to the Board for the management of the Nordea Group's operations and he is also responsible for developing and maintaining effective systems for internal control within the Group. The CEO works together with certain senior officers within the Group in GEM. Presently GEM consists of eight members and the CEO. GEM has recorded meetings every week. These meetings are chaired by the CEO, who reaches decisions after consulting with the other members of GEM.

Remuneration to CEO and Group Executive Management including incentive systems

The 2005 AGM approved the following principles for remuneration and other terms of employment for GEM. Nordea should maintain remuneration levels and other conditions needed to recruit and retain members of GEM with competence and capacity to deliver according to Group targets. Remuneration and conditions in line with market levels are thus the overriding principle for GEM compensation.

Fixed salaries are paid for fully satisfactory performance. In addition, variable salary parts can be offered to reward performance meeting requirements in relation to clear objectives and within transparent programmes. The variable salary shall as a general rule not exceed 50 per cent of the fixed salary and shall depend on the extent to which predetermined objectives have been reached in combination with the level of return on equity or other financial targets reached.

Non-monetary benefits are given as a means to facilitate GEM members' performance. The level of these benefits is determined by what is considered fair in relation to general market practice. The members of GEM shall be offered retirement benefits in accordance with market practice in the country of which they are permanent residents. Notice and severance pay in total shall not exceed 24 months' salary.

In accordance with the approved principles the remuneration for the CEO and other members of GEM consists of fixed and variable salary. Variable salary outcomes are determined by a combination of Group performance in relation to a predetermined level of return on equity and the attainment of personal objectives approved at the outset of the year. Variable salary outcomes can reach a maximum of 47% of fixed salary, including executive incentive schemes, with respect to 2005 as well as 2006.

Regarding the CEO's fixed and variable salary, as well as his retirement benefits and other contractual terms and conditions, the Remuneration Committee presents proposals to the Board, where decisions are made. The CEO does not participate in considerations regarding his own employment terms and conditions. The Committee also prepares alterations in salary levels for GEM as a whole, as well as alterations in retirement benefits, contract terms and conditions, for resolution by the Board. Fixed and variable salaries, as well as retirement benefits, terms and conditions, for individual members of GEM are determined by the CEO, following consultation with the Remuneration Committee. Further information about remuneration is to be found in note 8 on page 86.

Incentive schemes

In 2005, a total of EUR 65m was provided for under Nordea's profit-sharing schemes. Of this, EUR 60m was provided for under the ordinary profit-sharing scheme for all employees, corresponding to a payout of approx. 80% of the maximum amount. EUR 5m was provided for under the executive incentive programme comprising some 350 managers.

In 2006 Nordea's Board of Directors has decided to increase the threshold in the existing profit-sharing programmes to support the increased ambition level. The performance criteria still reflect internal goals as well as benchmarking with competitors.

In 2006, employees can receive a maximum of EUR 2,900, of which EUR 2,100 is based on a pre-determined level of return on equity, and an additional EUR 800 based on Nordea's relative performance compared to a Nordic peer group as measured by return on equity. If all performance criteria are met, the cost of the programme will amount to a maximum of EUR 84m.

The executive incentive programme comprises some 350 managers in Nordea. The three performance criteria are Economic Profit, percentage change in total income less percentage change in total expenses, and change in total expenses 2006. Managers can receive up to a maximum of 12% of one year's basic salary if all performance criteria are met. Pay-out from the profit sharing scheme is however deducted. The maximum cost of the programme will amount to EUR 6m.

None of the programmes are based on the value of the Nordea share and both programmes are capped.

Internal audit

The Internal Audit Activity (the IAA) is an independent function commissioned by the Board of Directors. The Audit Committee is responsible for guidance on and evaluation of the IAA within the Nordea Group. The Group Chief Audit Executive (CAE) has overall responsibility for the IAA. The CAE reports functionally to the Board of Directors and the Audit Committee. The CAE reports administratively to the CEO. The Board of Directors approves the appointment and dismissal of the CAE.

The IAA does not engage in consulting activity unless the Audit Committee gives special assignments. The purpose of the IAA assurance activity is to add value to the organisation

- by assuring the quality of the internal controls; and
- through recommendations contribute to the improvement of the internal controls.

All activities, including outsourced activities and entities of the Group fall within the scope of the IAA.

The IAA operates free from interference in determining the scope of internal auditing, in performing its audit work, and in communicating its results. The IAA is authorised to carry out all investigations and obtain all information that is required to discharge its duties. The work of the IAA shall comply with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and the Standards for Information Systems Auditing issued by the Information Systems Audit and Control Association. The annual audit plans are based on a comprehensive risk assessment.

Internal control

Internal control is a process carried out by the Board of Directors, management and other staff within Nordea, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations,
- reliability of operational and financial reporting,
- compliance with external and internal regulations, and
- safeguarding of assets, including sufficient management of risks in operations.

Internal control is based on the control environment which includes the following elements: values and management culture, follow-up, a clear and transparent organisational structure, segregation of duties, the four-eyes principle, quality and efficiency of internal communication and an independent evaluation process.

The framework for internal control aims at creating the necessary preconditions for the whole organisation to contribute to the effectiveness and the high quality of internal control. The framework is based on clear definitions, assignments of roles and responsibilities, common tools and procedures, and is expressed in a common language. The main components of the framework are:

- risk management,
- measurement systems and reporting procedures,
- control activities, and
- management monitoring.

Report on Internal Control over Financial Reporting

The Board's Report on Internal Control over Financial Reporting for the financial year 2005 is attached to this annual report.

External audit

According to the Articles of Association one or two auditors shall be elected by the General Meeting of shareholders for a term of four years. At the AGM 1999 KPMG Bohlins AB was elected auditor for a period up to the end of the AGM 2003. Following a tender process KPMG Bohlins AB was re-elected auditor at the AGM 2003 for the time period up to the end of the AGM 2007.

The Swedish Supervisory Authority has appointed Lars Bonnevier, Ernst & Young AB, to participate in the audit of Nordea Bank AB (publ) together with the other auditor.

Corporate Governance Report

Nordea's Corporate Governance Report 2005 is attached to this annual report. The report has not been reviewed by the auditors.

Meetings and attendance

The table shows the number of meetings held by the Board of Directors and its committees as well as the attendance of the individual Board members:

	Board of Directors	Audit Committee	Credit Committee	Remuneration Committee
Number of meetings	14	6	6	4
(of which per capsulam)	(1)	(1)	(–)	(–)
Meetings attended:				
Hans Dalborg	14		6	4
Timo Peltola	14		4	4
Kjell Aamot	12			4
Harald Arnkværn	14	6	5	
Gunnel Duveblad	14			4
Bertel Finskas	14			
Liv Haug	13			
Birgitta Kantola	14		6	
Nils Q. Kruse	12			
Anne Birgitte Lundholt [1]	9		5	
Claus Høeg Madsen	13	5		
Lars G Nordström	14	6[2]	6	3[2]
Jørgen Høeg Pedersen	14		6	
Rauni Söderlund	12			
Maija Torkko	12	6		

[1] Board member and Committee member from AGM 2005.
[2] Lars G Nordström is present without the right to vote and does not participate in deliberations on his own terms of employment.

Segment reporting

EURm	Retail Banking		Corporate and Institutional Banking		Asset Management		Total		Change	Life Insurance		Group Treasury		Group Functions and Eliminations		Nordea Group		Change
Customer responsible units	2005	2004	2005	2004	2005	2004	2005	2004	%	2005	2004	2005	2004	2005	2004	2005	2004	%
Net interest income	3,051	2,914	426	404	40	36	3,517	3,354	5	0	0	110	97	36	44	3,663	3,495	5
Net fee and commission income	1,301	1,191	348	332	286	255	1,935	1,778	9	43	58	–6	–7	–37	–35	1,935	1,794	8
Net gains/losses on items at fair value	225	185	284	224	20	16	529	425	24	91	45	1	31	–6	34	615	535	15
Equity method	26	27	21	19	0	0	47	46	2	0	0	7	0	13	9	67	55	22
Other income	72	71	15	18	12	9	99	98	1	150	142	25	22	19	–14	293	248	18
Total operating income	**4,675**	**4,388**	**1,094**	**997**	**358**	**316**	**6,127**	**5,701**	**7**	**284**	**245**	**137**	**143**	**25**	**38**	**6,573**	**6,127**	**7**
of which allocations	763	615	–396	–290	–276	–233	91	92		–94	–90	0	0	3	–2	0	0	
Staff costs	–1,050	–1,057	–322	–294	–111	–94	–1,483	–1,445	3	–73	–64	–15	–14	–511	–498	–2,082	–2,021	3
Other expenses	–1,469	–1,443	–238	–268	–85	–96	–1,792	–1,807	–1	–61	–49	–30	–35	428	425	–1,455	–1,466	–1
Depreciations of tangible and intagible assets	–59	–45	–11	–11	–2	–2	–72	–58	24	–4	–3	0	0	–55	–107	–131	–168	–22
Total operating expenses	**–2,578**	**–2,545**	**–571**	**–573**	**–198**	**–192**	**–3,347**	**–3,310**	**1**	**–138**	**–116**	**–45**	**–49**	**–138**	**–180**	**–3,668**	**–3,655**	**0**
of which allocations	–1,091	–894	–151	–193	19	15	–1,223	–1,072		0	0	–15	–14	1,238	1,086	0	0	
Loan losses	97	18	40	51	0	0	137	69	–	0	0	0	0	0	–96	137	–27	–
Disposals of tangible and intangible assets	0	0	0	0	0	0	0	0	–	0	0	0	0	6	300	6	300	–
Operating profit	**2,194**	**1,861**	**563**	**475**	**160**	**124**	**2,917**	**2,460**	**19**	**146**	**129**	**92**	**94**	**–107**	**62**	**3,048**	**2,745**	**11**
Balance sheet, EURbn																		
Loans and receivables to the public	152	130	32	27	2	2	186	159	17	1	0	0	0	1	2	188	161	17
Other assets	24	29	75	60	2	3	101	92	10	29	26	11	17	–3	–16	138	119	16
Total assets	**176**	**159**	**107**	**87**	**4**	**5**	**287**	**251**	**14**	**30**	**26**	**11**	**17**	**–2**	**–14**	**326**	**280**	**16**
Deposits and borrowings from the public	80	74	27	25	3	4	110	103	7	0	0	3	0	3	2	116	105	10
Other liabilities	90	80	78	60	1	1	169	141	20	29	25	8	17	–9	–21	197	162	22
Total liabilities	170	154	105	85	4	5	279	244	14	29	25	11	17	–6	–19	313	267	17
Economic capital/equity	6	5	2	2	0	0	8	7	14	1	1	0	0	4	5	13	13	0
Total liabilities and allocated equity	**176**	**159**	**107**	**87**	**4**	**5**	**287**	**251**	**14**	**30**	**26**	**11**	**17**	**–2**	**–14**	**326**	**280**	**16**
Other segment items																		
Capital expenditure, EURm	17	10	1	1	3	2	21	13		65	0	0	0	89	123	175	136	
Product result					305	234					221	206						

Nordea's operations are organised into three business areas: Retail Banking, Corporate and Institutional Banking and Asset Management & Life. The business areas operate as profit centres. Group Treasury conducts the Group's financial management operations. Group Functions and Eliminations include the unallocated results of the group functions, Group Processing and Technology, Group Corporate Centre (excluding Group Treasury), Group Credit and Risk Control and Group Legal and Compliance. This segment also includes items needed to reconcile the Nordea Group.

The principles used in the segment reporting are described below. Within Nordea, customer responsibility is fundamental. The Group's total business relations with customers are reported in the customer responsible unit's income statement and balance sheet.

Capital allocation is based on the internal framework for calculating Economic Capital, which reflects each business unit's actual risk exposure considering credit and market risk, insurance risk as well as operational and business risk. This framework optimises utilisation and distribution of capital between the different business areas. When calculating return on Economic Capital standard tax is applied.

Economic profit constitutes the internal basis for evaluating strategic alternatives as well as for the evaluation of financial performance.

Asset Management & Life has customer responsibility within investment management and in private banking outside a joint unit with Retail Banking. In addition, Asset Management & Life commands product responsibility for investment funds and life insurance products. The operating profit shown in the accompanying table includes the customer responsible units. The product result for Asset Management and Life respectively represent the Group's total earnings including income allocated to Retail Banking on these products, as well as sales and distribution costs within Retail Banking.

When allocating income and costs between business areas and group functions a gross principle is applied, with the implication that cost is allocated separately from income. Cost is allocated according to calculated unit prices and the individual business areas' consumption. Income is allocated following the underlying business transactions combined with the identification of the customer responsible unit.

Internal allocations of income and expenses are performed in such a way that allocated expenses from a business unit are subtracted from the expenses and added to the expenses in the receiving business unit, with the result that all allocations add to zero on Group level. The same principle is applied for income allocations.

Central provisions for loan losses, governed by Group Credit and Risk Control, are reported within the respective business area as from 2005 instead of being part of Group Functions and Eliminations.

The assets allocated to the business areas include trading assets, loans and receivables to the public as well as to credit institutions. The liabilities allocated to the business areas include deposits from the public as well as by credit institutions.

Included in business areas' assets and liabilities are also other assets and liabilities directly related to the specific business area or group function, such as accrued interest, fixed assets and goodwill. All other assets and liabilities, and certain items required to reconcile balances to the Nordea Group are placed in the segment Group Functions and Eliminations.

Funds-transfer pricing is based on current market interest rates and used against all assets and liabilities allocated or booked in the business areas or group functions, resulting in a remaining net interest income in business areas driven in essence from margins on lending and deposits.

Goodwill generated as part of business areas' strategic decisions is included in business areas' balances. Goodwill arising from the creation of Nordea is not allocated, but is placed as part of Group Functions and Eliminations.

Economic Capital is allocated to the business areas according to risks taken. As part of net interest income business units receive a capital benefit rate corresponding to the expected average medium-term risk-free return. The cost above LIBOR from issued subordinated debt is also included in the business areas net interest income according to the use of Economic Capital.

Group internal transactions between countries and legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. The financial result of such transactions is fully consolidated into the relevant business areas based on assigned product and customer responsibilities. However, the total result related to investment funds is included in Retail Banking, as well as sales commissions and margins from the life insurance business.

The segment Group Functions and Eliminations contains expenses in Group Functions not defined as services to business areas, profits from companies accounted for under the equity method which are not included in the customer responsible units as well as certain other items required to reconcile the income statement within the Nordea Group.

Retail Banking

2005 is the best year ever for Retail Banking. Operating profit increased by 18% mainly as a consequence of income increasing 7%. The strong performance is created through a combination of accelerated focus on organic growth and the implementation of the next phase of integration through the new operating model.

Within Retail Banking, Nordea serves 9 million personal customers and 900,000 corporate customers. The business is conducted through 11 Regional Banks operating on the four Nordic markets. Products and support to the business come from the Segments & Products unit. Implementation of the Retail Operating Model in the four markets was largely completed in 2005.

Strategic developments in 2005

Focus on advisory services

Parallel to increased use of the Internet by customers, Nordea observes an increased need for personal advisory services and in general the advisory part of the value proposition assumes an increasingly prominent role as customers face an ever-increasing number of financial alternatives.

The areas that are expanding are personalised financial advice about loans and savings, including advice on life insurance and pensions savings - areas where Nordea sees substantial opportunities to do more business with existing customers. Moreover, demand for Private Banking services is growing strongly, as is the growth potential within corporate advisory service not least towards small and medium-sized enterprises. To meet customers' increasing demands Nordea now places further emphasis on advisory service and new branches and venues, which are flexible both in terms of location and opening hour.

In 2005, efforts to strengthen Nordea's presence in the Swedish market were launched. Sweden is the biggest market in the Nordic region and caters for 40 % of Nordea's customer base but only some 25 % of the branches and staff. To exploit the untapped growth potential in the Swedish household and corporate banking market, Nordea will over a two-year period increase the number of financial advisers by some 500 staff, a 25 per cent increase in advisory resources. Recruiting will be both internal and external.

A common framework for customer programmes has been finalised during 2005, leading to a relaunch of the programmes in Finland and Sweden. Intensive marketing campaigns supported the relaunch focusing on the customer value from increased advisory service. The programmes secure household customers pricing and services clearly differentiated based on business volume. Customer programmes further enhance the opportunities for cross sales of the full product range to our large customer base.

In all markets, the services available through contact centres have been further developed such that most requests can be handled in just one call. All information on products, prices and on services, eg customer programmes, can be found through Netbank where customers also do most of their daily business transactions like bill payments, transfers and get full overview of the economy. Increased sales through our open pages have been the result of their redesign and simplified processes for applying for different products.

Organisation and processes

During 2005 the Retail franchise has been aligned in the four Nordic countries. To enhance the possibilities for taking home the advantages of size, scale and scope and decreased time-to-market, a common organisation and process framework has been developed. In addition a common customer relationship management (CRM) system is being implemented troughout the organisation. The system can be accessed by personal banking advisers in the branches, and by customer service personnel in the contact centres and is a powerful support to the ambition of continuously improve the advisory capabilities in order to give the right offer to the right customer in all channels.

To optimise processes to free up resources to expand the customer-facing staff is vital for Retail Banking. Lean Banking is a Group-wide strategic initiative which will run for several years. The initiative will enable cost reductions and more time and quality to customer service through productivity gains. Lean Banking looks at a complete end-to-end process of providing a service and enhances what gives value to the customer and takes away what does not. Lean process projects regarding end-to-end processes for mortgages are currently ongoing in all Nordic countries.

Adjusting the competence mix of the sales force and optimising the use of all channels is constantly in focus.

Result 2005
In 2005, income in Retail Banking increased by 7% to EUR 4,675m. Net interest income increased by 5% to EUR 3,051m. Strong volume growth offset the pressure on margins. Lending margins were down year-on-year reflecting strong competition in all segments. The largest margin pressure was seen within the mortgage loans to personal customers in Finland, and Sweden. Deposits were EUR 80bn in December, an increase of 8%.

Net commission income increased 9% to EUR 1,301m with strong growth in commissions on loans and investment products.

Net gains/losses increased 22% to EUR 225m reflecting the successful roll-out of Market's products to SME clients.

Total expenses increased by 1% to EUR 2,578m. Staff costs were reduced by 1% to EUR 1,050m.

Loan losses were positive at EUR 97m, reflecting the sale of Pan Fish in Norway resulting in a total gain of EUR 98m.

Operating profit increased by 18% to EUR 2,194m. Return on Economic Capital was 29% (27%).

The cost/income ratio was 55% (58%).

Retail Banking margins

	Margins, %	
	2005	2004
Lending to corporates	1.08%	1.17%
Lending to personal customers	1.39%	1.58%
Total Lending	**1.25%**	**1.39%**
Deposits to corporates	0.93%	0.86%
Deposits to personal customers	1.62%	1.52%
Total Deposits	**1.30%**	**1.28%**

Average yearly margins

Operating profit by market

	Total		Regional banks in Denmark		Regional banks in Finland		Regional banks in Norway		Regional banks in Sweden		Nordic Functions	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net interest income	3,051	2,914	854	811	817	766	494	454	836	826	50	57
Net fee and commission income	1,301	1,191	384	300	331	322	112	100	469	468	5	1
Net gains/losses on items at fair value	225	185	67	49	36	29	57	42	70	65	-5	0
Equity method	26	27	26	15	0	0	0	0	0	0	0	12
Other operating income	72	71	11	30	28	23	17	4	8	4	8	10
Total income incl. allocations	**4,675**	**4,388**	**1,342**	**1,205**	**1,212**	**1,140**	**680**	**600**	**1,383**	**1,363**	**58**	**80**
Staff costs	–1,050	–1,057	–354	–357	–275	–288	–152	–142	–256	–258	–13	–12
Other expenses	–1,469	–1,443	–319	–309	–341	–336	–220	–217	–571	–558	–18	–23
Depreciations etc.	–59	–45	–4	–3	–2	–4	–9	–7	–8	–9	–36	–22
Expenses incl. allocations	**–2,578**	**–2,545**	**–677**	**–669**	**–618**	**–628**	**–381**	**–366**	**–835**	**–825**	**–67**	**–57**
Loan losses	97	18	21	0	4	–2	86	4	–18	21	4	–5
Operating profit	**2,194**	**1,861**	**686**	**536**	**598**	**510**	**385**	**238**	**530**	**559**	**–5**	**18**
Cost/income ratio, %	55%	58%	50%	56%	51%	55%	56%	61%	60%	61%		
Return on Economic Capital, %	29%	27%	29%	25%	33%	32%	28%	21%	25%	29%		
Other information, EURbn												
Lending	152.0	130.4	45.1	37.1	35.6	31.0	25.2	20.2	46.1	42.1		
Deposits	80.4	74.4	20.3	18.3	24.8	23.7	12.9	10.6	22.4	21.8		
Economic Capital	5.5	4.9	1.7	1.6	1.3	1.2	1.0	0.8	1.5	1.4		

Corporate and Institutional Banking

2005 was another successful year for CIB which demonstrates that CIB is moving towards the long-term target to increase non-interest income for the Group. This is achieved through competence based advisory services rather than on-balance sheet lending.

Corporate and Institutional Banking delivers a wide range of products and services to large corporates and institutional customers and to retail corporate customers. The business area has customer responsibility for large corporate customers listed on the main stock exchanges and other customers with an external credit rating as well as shipping, offshore and oil services companies, and financial institutions. Nordea's banking activities in Poland and the Baltic countries are part of Corporate and Institutional Banking.

Strategic developments in 2005

The main focus in 2005 continued to be on top-line growth through leverage structuring capabilities in Markets, increase business with financial institutions, further leverage on the large corporate client base and expanding the scope outside the Nordic region in selected industries.

Corporate Banking Division maintained its leading position in the Nordic Large Corporate market. Focus was on further leveraging the strong relationships in all four Nordic countries. Both Cash Management and Trade & Export Finance maintained their strong positions, despite increased competition. Acquisition activity picked up markedly in 2005. Private Equity Funds in particular were very active and generated high activity within Acquisition Finance. In addition Corporate Finance won a number of prominent mandates through 2005. To leverage Nordea's extensive business knowledge, selected international customers within the Pulp and Paper and Telecom industries are included as target customers.

Financial Institutions Division has a unique customer franchise in the Nordic area, dealing with most financial institutions on a regular basis, and has succcessfully focused on further advancing its position in the Swedish market. By fully leveraging off the relationship strategy, the Division will further enhance its service level and increase cross-selling. Within custody services, Nordea has developed a competitive and sustainable business model. Through the agreement with The Bank of New York, Nordea will offer industry-leading services through a local network. The new operating model enables Nordea to concentrate on superior service and offer clients continuous developments on a world-class technological platform. A clear segmentation has resulted in more proactive service development and has strengthened Nordea's execution capabilities for sub custody services.

Lending is an important product towards the shipping, offshore and oil services industries. Nordea aims, however, to be a leading provider to the industries also of core products other than lending. Thus, initiatives to introduce, to an even larger extent, the bank's broad range of products and services to the customers have continued. Efforts to pursue business opportunities in the offshore industry have been increased, in time with the rising market activity in this sector. Also, further consolidation is expected in the shipping, offshore and oil services industries in the future, and Nordea intends to play an active role in this process.

In Nordea Markets, the development of structuring specialist capabilities continued during 2005. Besides developing the necessary organisational skills and competences, the efforts also include a transformation of the business model from the traditional, product fragmented business structure towards a platform, where the customers are serviced with coherent offering of products and concepts, adapted to the customers' needs. In this, consolidated trading and settlement infrastructures are important features, and the work that was laid out in the Trading Infrastructure Programme (which was executed in 2004), continued in 2005 with further consolidation.

Nordea has ambitions to capture growth in Poland and the Baltic markets. During 2005, Nordea's business in this region developed positively and total lending in Poland and the Baltic countries increased by 38%. In Poland, Nordea signed an agreement in June 2005 to purchase Sampo's Polish Life and Pension companies. The deal was approved by the Polish authorities in December 2005. The acquisition provides enhanced platform for continued profitable growth in the Polish market, with significant cross-selling opportunities.

Result 2005

In 2005, income increased by 10% to EUR 1,094m. Net interest income was up by 5% to EUR 426m reflecting the growth in credit and deposit volumes especially in Shipping, Offshore and Oil Services as well as in Poland and Baltics portfolios. Lending margins declined somewhat from the previous year as a result of intense competition as well as improved customer ratings.

Commission and fee income grew by 5% compared to the previous year supported by a successful execution of large transactions especially in Corporate Banking Division. Many large transactions included acquisition finance and corporate finance elements. Also, custody commission in Financial Institutions Division developed well.

Net gains and losses on items at fair value were up by 27% from the previous year reflecting a high customer activity and strong performance in Markets' products. In the fourth quarter, an erroneous hedge position in listed financial futures trading caused a realised loss of income of EUR 20m in the quarter. No customers have been affected.

Equity method income increased by EUR 2m to EUR 21m from the previous year due to improved results in International Moscow Bank.

Costs in 2005 were practically unchanged from the previous year despite increased provisions for performance-related salaries. The total number of FTEs grew by 88, due to the network expansion in Poland and the Baltic region.

Loan losses were positive amounting to EUR 40m as recoveries and reversals of earlier made loan losses exceeded new loan losses booked in 2005.

Operating profit year-to-date was EUR 563m, which is a 19% increase from the previous year. Return on economic capital improved to 23% (20%) and the cost/income ratio to 52% (57%).

Operating profit by main area

	Total		Corporate Banking Division [1]		Financial Institutions Division [1]		Shipping, Offshore and Oil Services Division [1]		Poland and Baltics		Other		Markets [2]	
EURm	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net interest income	426	404	174	193	41	37	135	114	68	56	8	4	50	53
Net fee and commission income	348	332	132	126	94	87	35	30	20	15	67	74	86	73
Net gains/losses on items at fair value	284	224	86	80	97	79	12	12	19	15	70	38	506	438
Equity method	21	19	18	13	0	0	0	0	0	0	3	6	0	0
Other operating income	15	18	5	10	1	3	3	4	4	2	2	–1	0	6
Total income incl. allocations	**1,094**	**997**	**415**	**412**	**233**	**206**	**185**	**160**	**111**	**88**	**150**	**121**	**642**	**570**
Staff costs	–322	–294	–76	–72	–16	–15	–16	–14	–33	–26	–181	–167	–173	–157
Other expenses	–238	–268	–78	–98	–126	–117	–23	–19	–32	–29	21	–5	–138	–138
Depreciations etc.	–11	–11	–1	0	0	0	0	0	–10	–10	0	–1	0	0
Expenses incl. allocations	**–571**	**–573**	**–155**	**–170**	**–142**	**–132**	**–39**	**–33**	**–75**	**–65**	**–160**	**–173**	**–311**	**–295**
Loan losses	40	51	20	48	0	0	7	7	–4	–3	17	–1	–4	0
Operating profit	**563**	**475**	**280**	**300**	**91**	**74**	**153**	**134**	**32**	**20**	**7**	**–53**	**327**	**275**
Other information, EURbn														
Lending	32.4	26.6	11.1	10.8	1.7	1.4	8.5	5.9	3.3	2.4	7.8	6.1	7.9	6.1
Deposits	26.8	24.9	7.0	9.1	10.9	9.0	4.3	3.0	1.8	1.3	2.8	2.6	2.9	2.6
Economic capital	1.9	1.6	0.9	0.9	0.2	0.2	0.2	0.2	0.1	0.1	0.5	0.2	0.8	0.6

[1] Figures include income and costs related to the division's activities as a customer responsible unit. In addition, the division has income and costs related to its service and product responsibility that are allocated to other customer responsible units.

[2] Markets has product responsibility for trading products such as FX, fixed-income and related derivatives and is evaluated by the product result. The product result includes all income and expenses related to the respective products, which is allocated.

Asset Management & Life

During 2005 focus for Asset Management & Life has been to accelerate the product development, thereby enabling increased sales and income margin. Together with Retail Banking, the Private Banking offering has been enhanced. All in all, these activities have contributed to the best result ever in Asset Management & Life. Assets under management reached EUR 151bn.

Asset Management & Life is responsible for the Group's activities within institutional investment management, life insurance and pensions, private banking and the savings market in general.

Strategic developments in 2005

Developing the investment process

Nordea delivers long-term, value-added investment performance to customers. Focus in 2005 has been on the development of a new set of investment processes complementing the existing core thematic and value investment processes.

The aim is to move away from narrow, index-linked investment guidelines, allowing greater flexibility within a structured process and with risk controlled by utilising Nordea's advanced asset allocation competences. The new investment strategy combines specialised investment competences into investment products – more "all in one product". During 2005 these new investment processes have been applied for many of Nordea's existing equity products, thereafter to be labelled All Equity products, and fixed income products.

In addition, a new investment process has been set up to support an absolute return performance target instead of the traditional relative performance target, where performance is measured against indexes. In this new investment process Nordea combines the more flexible investment guidelines and asset allocation competences across the traditional asset classes such as fixed income and equities, thereby creating a customer-relevant, stable absolute return.

Product launches

Nordea's ability to engineer, wrap and launch products in a way that satisfy the need of all customer segments in each of the four core markets is key to successful business development.

Development and launch of new products have been high on the agenda in 2005. The development work is organised in a product development team operating across all the business units in Asset Management & Life that has been successful in developing a range of truly innovative products called new, more flexible products, and established a strong and fast-to-market product pipeline. During 2005 Nordea has launched several of these new products, and roll-out of each of the products to all the four core markets are ongoing.

Building and developing the strongest possible business platform has required considerable investments in unified systems and processes within portfolio management and fund administration. In continuation of these investments, a Lean project evaluation has been initiated in late 2005 to help fund the future growth and to further increase the product and service quality.

Distribution expertise

The multi-channel distribution strategy aims at serving a broad range of client segments in a broad range of geographic markets at the same time.

Within retail distribution a unique way of organising the savings and investment offering has been finalized in 2005. The organisation consists of centralised competence centers supporting decentralized savings specialists and pension specialists. The support includes the continued roll-out and development of advanced advisory tools and concepts.

An important strategic achievement in 2005 has been the completion of a uniform Private Banking concept for affluent customers in all the four Nordic countries, thus contributing to a successful development of our Nordic private banking activities. The magazine Euromoney has named Nordea "The Best Private Bank in the Nordic Region" for the second year in a row with positions among top 3 in all Nordic countries. Within the European Private Banking, activities are based in Luxembourg and Switzerland, with the strategic focus to expand into new markets such as the Baltic region.

Nordea's activities within European third party fund distribution has been focusing on expanding the geographic presence in Europe – a new office has been opened in Italy – and the customer base by building deeper and more long-term customer relationships by expanding the sales force and the sales support function.

Within the Life & Pension business Nordea has managed to win important strategic positions in new growth segments such as mandatory occupational pensions for private companies in both Norway and Poland. Further development of the distribution capacity such as distribution partnerships and the retail and corporate bancassurance model took place in 2005, as well as preparations for setting up a broker channel in the Swedish market. In 2005 Nordea decided to acquire Sampo's Polish pension and life insurance activities, to further accelerate positioning in this strategically important geographic growth area.

Result 2005

The product result for 2005 within Asset Management increased by 30% and reached EUR 305m. In Life the product result was EUR 221m, up 7% compared to last year.

Product result in 2005 for AM&L combined was the best year ever. This can partly be ascribed to the strong markets, but also to the roll-out of several new innovative and value adding investment fund and pension products.

In Asset Management, the cost/income ratio was further reduced from 58% in 2004 to a record low 52% in 2005 reflecting improved revenue margins and realisation of scale effects in production and distribution.

In Life, the positive development is related to the strong investment returns realised in Norway in 2005, the higher volumes achieved and a doubling of the risk result to EUR 24m. As a result of the strong investment returns financial buffers have increased, now reaching 7.7% of life provisions.

Operating profit and key figures – Asset Management activities

EURm	2005	2004
Net interest income	40	36
Net fee and commission income	562	493
Net gains/losses on items at fair value	23	16
Equity method	0	0
Other income	12	9
Total income	**637**	**554**
Staff costs	–124	–104
Other expenses	–84	–98
Depreciations etc.	–3	–4
Operating expenses	**–211**	**–206**
Estimated distribution expenses in Retail Banking	–121	–114
Product result	**305**	**234**
of which income within Retail Banking	264	225
Margins [1]		
Income margins (bps)	58	57
Operating expenses margin (bps)	–19	–21
Distribution expenses margin (bps)	–11	–12
Result margin (bps)	28	24
Cost/income ratio, %	52	58
Economic capital	155	156
Assets under management, EURbn	151	131
Number of employees (full-time equivalents)	909	831

[1] Annualised margins calculated using average AuM for Asset Management Activities excl. Nordic Private Banking activities. In 2005 these assets were EUR 110.0bn.

Keyfigures – Life activities

EURm	2005	2004
Profit drivers		
Traditional insurance:		
Fee contribution/profit sharing	141	129
Contribution from cost result	0	2
Contribution from risk result	24	12
Inv. return on shareholders' equity	11	10
Other profits	21	31
Total Profit Traditional	**197**	**184**
Total profit Unit-linked	**40**	**34**
Estimated distribution expenses in Retail Banking	–16	–12
Total product result	**221**	**206**
of which income within Retail Banking	94	90
Key figures		
Premiums written, net of reinsurance	3,092	2,531
of which from Traditional business	2,059	1,891
of which from Unit-linked business	1,033	640
Total operating expenses	**138**	**116**
Investment assets:		
Bonds	16,357	15,254
Equities	3,782	2,722
Alternative investments	1,795	1,968
Property	2,579	2,408
Unit-linked	5,338	4,095
Total investment assets	**29,850**	**26,447**
Investment return %	9.9	8.4
Technical provisions	28,513	25,236
of which financial buffers	1,654	1,177
Economic capital	974	791
Number of employees (full time equivalents)	1,124	984

Group Treasury

Despite fairly volatile and difficult market conditions Group Treasury managed to keep the operating profit at the same high level as in 2004.

Group Treasury is responsible for the Group's own investment portfolio and market risk-taking in financial instruments (excluding investments within insurance) raising funding for the Group as well as asset and liability management.

Group Investment's activities are related to the Group's equity. Within certain risk limits, Group Investment takes positions mainly in fixed-income instruments including derivatives. Earnings in Group Investment are defined as the net of return on investment and the return target, ie the expected average medium-term risk-free return over time, defined as the funding cost. The funding cost is directly correlated to the interest paid to business areas on their allocated economic capital. The rate is set annually and it is adjusted based on the prevailing market rate. In 2005, the funding cost was 3%.

Group Funding is responsible for all funding for the Group and functions as a centre for all flows of funds within the Group. All assets and liabilities, either with fixed or floating rate, are funded through Group Funding. This process allows Group Funding to match any surplus liquidity in one part of the organisation with liquidity needs of the same maturity and currency in another part of the organisation. The difference of approx. EUR 90 bn between assets and liabilities, stemming from customer activity, represents the amount of funding that Nordea is raising from the domestic and international fixed income and money market. To facilitate its funding operations, Nordea has sizeable funding programmes in all relevant markets, allowing investors access to a true pan-nordic credit risk. Group Funding aims further to generate income by utilising opportunities based on the slope and movement in the yield curves.

The improved credit rating and strong balance sheet of Nordea, coupled with the strong name recognition in the international capital market is increasingly providing opportunities for attractive funding opportunities.

Business development

Market conditions in interest rate markets were challenging in the fourth quarter. Short-term interest rates went up 50bp, but the 10-year rate increased less than 20bp following pension fund ALM driven demand late in the quarter. After a difficult October most equity markets ended positively in the fourth quarter.

Following tightening of credit spreads, Nordea increased its issuance activities in the Nordic and international capital markets, including covered bonds and other senior funding, at very attractive spreads.

During 2005 Nordea increased its borrowings from EUR 65bn to EUR 90bn. The liquidity in the Bank's funding programmes has been very good.

During 2005 Nordea raised EUR 2.4bn in subordinated capital. Nine separate deals, with nine different structures, ranking from Tier 1 to Lower Tier II, were issued including the issuance of hybrid capital in Yen corresponding to EUR 73m in the fourth quarter. Nordea carefully monitors its diversification of funding and has the ability to raise attractive subordinated debt in many different markets. In June, Nordea was nominated Best Financial Borrower in the 2005 Borrower awards, by Euromoney.

Mortgage lending is a key area for Nordea. Nordea has three mortgage companies, Nordea Kredit in Denmark, Nordea Hypotek in Sweden and Norgeskreditt in Norway. In December Nordea Hypotek received a license from the Swedish Financial Supervisory Authority to issue covered bonds pursuant to the new Swedish Covered Bond Act. Nordea Hypotek has announced its ambition to obtain triple-A rating on its covered bonds. Provided that the desired rating is obtained the company plans a conversion to covered bonds during the second quarter of 2006.

At the end of December, the price risk involved in Group Treasury's interest rate positions, calculated as VaR, was EUR 8m compared to EUR 30m at the end of the third quarter. The risk related to equities, calculated as VaR, was EUR 37m compared to EUR 35m at the end of September. The VaR figure comprises all types of equities including listed, unlisted and private equity.

The structural interest income risk (SIIR) in the Group, which shows the effect on net interest income in the next 12 months, was EUR 154m assuming increased market rates by 100 basis points and EUR –175m assuming decreased market rates by 100 basis points. At the end of 2004 the corresponding figures were EUR 192m and EUR –200m.

Result

Group Treasury's result can be divided into investment-related result and funding-related result.

Operating profit in Group Investment was EUR –6m compared to EUR 8m last year. The gross investment return was 3.1%, ie slightly above the funding cost. Total expenses amounted to EUR 15m. Operating profit in Group Funding was EUR 98m compared to EUR 86m in 2004. The good result was achieved thanks to successful positions based on the slope and movement in the short term Nordic currency yield curves.

Operating profit

			Group Investment		Group Funding	
EURm	2005	2004	2005	2004	2005	2004
Net interest income	110	97	–60	–44	170	141
Net fee and commission income	–6	–7	–3	–5	–3	–2
Net gains/losses on items at fair value	1	31	40	48	–39	–17
Equity method	7	0	7	0	0	0
Other operating income	25	22	25	24	0	–2
Total income incl. allocations	**137**	**143**	**9**	**23**	**128**	**120**
Staff costs	–15	–14	–6	–4	–9	–10
Other expenses	–30	–35	–9	–11	–21	–24
Depreciations etc.	0	0	0	0	0	0
Expenses incl. allocations	**–45**	**–49**	**–15**	**–15**	**–30**	**–34**
Operating profit	**92**	**94**	**–6**	**8**	**98**	**86**

5 year overview

Key financial figures

Income statement

EURm	2005	2004	2003[1]	2002[1]	2001[1]
Net interest income	3,663	3,495	3,658	3,754	3,688
Net fee and commission income	1,935	1,794	1,533	1,573	1,453
Net gains/losses on items at fair value	615	535	369	253	349
Equity method	67	55	57	52	95
Dividend	11	6	–	–	–
Other income	282	242	263	226	299
Total operating income	**6,573**	**6,127**	**5,880**	**5,858**	**5,884**
General administrative expenses:					
Staff costs	–2,082	–2,021	–2,151	–2,346	–1,885
Other expenses	–1,455	–1,466	–1,381	–1,481	–1,341
Depreciation, amortisation and impairment charges of tangible and intangible assets	–131	–168	–299	–330	–290
Total operating expenses	**–3,668**	**–3,655**	**–3,831**	**–4,157**	**–3,516**
Loan losses	137	–27	–363	–261	–373
Disposals of tangible and intangible assets	6	300	–115	–	–
Operating profit insurance	–	–	126	–148	–67
Operating profit	**3,048**	**2,745**	**1,697**	**1,292**	**1,928**
Income tax expense	–779	–667	–205	–405	–360
Net profit for the year	**2,269**	**2,078**	**1,492**	**887**	**1,568**

Ratios and key figures

Earnings per share (EPS), EUR	0.86	0.74	0.51	0.30	0.53
EPS, rolling 12 months up to period end	0.86	0.74	0.51	0.30	0.53
Share price, EUR	8.79	7.43	5.95	4.20	5.97
Total shareholders' return, %	27.5	29.8	47.9	–28.1	–19.8
Core equity per share[2, 3], EUR	4.98	4.63	4.28	4.06	4.00
Shares outstanding[3], million	2,592	2,735	2,846	2,928	2,965
Return on equity, %	18.0	16.9	12.3	7.5	13.8
Assets under management, EURbn	151	131	113	96	105
Cost/income ratio, %	56	60	63	64	58
Tier 1 capital ratio, %	6.8	7.3	7.3	7.1	7.3
Total capital ratio, %	9.2	9.5	9.3	9.9	9.1
Risk-weighted assets, EURbn	169	145	134	135	136
Number of employees (full-time equivalents)	28,925	28,929	30,674	37,562	42,017

[1] According to previous GAAP, not restated to IFRS.
[2] Core equity is equity excluding minority interests and revaluation reserves.
[3] See footnotes to Equity, Note 41.

Quarterly development

EURm	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	2005	2004
Net interest income	933	920	913	897	920	875	846	854	3,663	3,495
Net fee and commission income (Note 1)	529	469	484	453	467	443	450	434	1,935	1,794
Net gains/losses on items at fair value	147	139	214	115	179	63	77	216	615	535
Equity method	21	11	22	13	15	15	16	9	67	55
Dividend	–	1	10	–	–	2	3	1	11	6
Other income	66	61	51	104	65	52	70	55	282	242
Total operating income	**1,696**	**1,601**	**1,694**	**1,582**	**1,646**	**1,450**	**1,462**	**1,569**	**6,573**	**6,127**
General administrative expenses (Note 2):										
Staff costs	–532	–520	–515	–515	–523	–492	–487	–519	–2,082	–2,021
Other expenses	–393	–345	–364	–353	–413	–334	–380	–339	–1,455	–1,466
Depreciation, amortisation and impairment charges of tangible and intangible assets	–31	–31	–35	–34	–43	–39	–41	–45	–131	–168
Total operating expenses	**–956**	**–896**	**–914**	**–902**	**–979**	**–865**	**–908**	**–903**	**–3,668**	**–3,655**
Loan losses	7	23	101	6	10	2	3	–42	137	–27
Disposals of tangible and intangible assets	1	0	3	2	0	0	300	0	6	300
Operating profit	**748**	**728**	**884**	**688**	**677**	**587**	**857**	**624**	**3,048**	**2,745**
Income tax expense	–242	–165	–179	–193	–201	–149	–152	–165	–779	–667
Net profit	**506**	**563**	**705**	**495**	**476**	**438**	**705**	**459**	**2,269**	**2,078**
Earnings per share (EPS)	0.20	0.21	0.27	0.18	0.17	0.16	0.25	0.16	0.86	0.74
EPS, rolling 12 months up to period end	0.86	0.83	0.78	0.76	0.74	0.64	0.73	0.63	0.86	0.74

Note 1 Net fee and commission income, EURm	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	2005	2004
Loans and receivables	94	83	87	71	66	65	65	68	335	264
Guarantees and documentary payments	24	18	18	17	25	26	29	26	77	106
Life insurance	48	49	44	57	47	40	41	42	198	170
Investment products / services	198	170	166	163	169	159	149	142	697	619
Deposits, payments and e-services	179	181	178	171	184	180	179	174	709	717
Brokerage	74	64	69	57	49	50	51	55	264	205
Other commission income	55	50	57	40	42	42	35	30	202	149
Fee and commission income	**672**	**615**	**619**	**576**	**582**	**562**	**549**	**537**	**2,482**	**2,230**
Life insurance	–24	–21	–23	–23	–20	–12	–12	–15	–91	–59
Payments and e-services	–44	–40	–41	–37	–44	–45	–42	–36	–162	–167
Other commission expenses	–75	–85	–71	–63	–51	–62	–45	–52	–294	–210
Fee and commission expenses	**–143**	**–146**	**–135**	**–123**	**–115**	**–119**	**–99**	**–103**	**–547**	**–436**
Net fee and commission income	**529**	**469**	**484**	**453**	**467**	**443**	**450**	**434**	**1,935**	**1,794**

Note 2 General administrative expenses, EURm	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	2005	2004
Staff [1]	512	505	500	500	508	477	472	504	2,017	1,961
Profit sharing	20	15	15	15	15	15	15	15	65	60
Information technology [2]	133	112	124	116	120	109	113	117	485	459
Marketing	33	21	24	22	40	19	23	14	100	96
Postage, telephone and office expenses	48	49	50	52	54	48	51	54	199	207
Rents, premises and real estate expenses	82	87	84	84	95	84	91	76	337	346
Other	97	76	82	79	104	74	102	78	334	358
Total	**925**	**865**	**879**	**868**	**936**	**826**	**867**	**858**	**3,537**	**3,487**

[1] Variable salaries were EUR 147m in 2005 (2004: EUR 124m).

[2] Refers to IT operations, service expenses and consultant fees. Total IT-related costs in 2005, including staff etc, but excluding IT expenses in insurance operations, were EUR 636m (2004: EUR 638m).

Income statement

EURm	Note	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Operating income					
Interest income		8,453	7,964	1,387	1,344
Interest expense		–4,790	–4,469	–943	–874
Net interest income	3	**3,663**	**3,495**	**444**	**470**
Fee and commission income		2,482	2,230	549	550
Fee and commission expense		–547	–436	–117	–115
Net fee and commission income	4	**1,935**	**1,794**	**432**	**435**
Net gains/losses on items at fair value	5	615	535	–38	75
Profit from companies accounted for under the equity method	22	67	55	–	–
Dividends	6	11	6	1,023	1,422
Other operating income	7	282	242	122	155
Total operating income		**6,573**	**6,127**	**1,983**	**2,557**
Operating expenses					
General administrative expenses:					
Staff costs	8	–2,082	–2,021	–500	–499
Other expenses	9	–1,455	–1,466	–536	–544
Depreciation, amortisation and impairment charges of tangible and intangible assets	10, 25, 26	–131	–168	–99	–103
Total operating expenses		**–3,668**	**–3,655**	**–1,135**	**–1,146**
Loan losses	11	137	–27	13	–33
Impairment of securities held as financial non-current assets	24	–	–	–309	–111
Disposals of tangible and intangible assets		6	300	–1	–
Operating profit		**3,048**	**2,745**	**551**	**1,267**
Appropriations	12	–	–	595	26
Income tax expense	13	–779	–667	–229	–37
Net profit for the year		**2,269**	**2,078**	**917**	**1,256**
Attributable to:					
Shareholders of Nordea Bank AB (publ)		2,263	2,075	917	1,256
Minority interest		6	3	–	–
Total		**2,269**	**2,078**	**917**	**1,256**
Earnings per share, EUR	14	0.86	0.74		

Balance sheet

EURm	Note	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Assets					
Cash and balances with central banks		2,526	4,585	215	218
Treasury bills and other eligible bills	15	7,280	8,608	2,090	3,006
Loans and receivables to credit institutions	16, 18	31,578	24,774	28,638	23,749
Loans and receivables to the public	17, 18, 27	188,460	161,060	19,069	17,492
Interest-bearing securities	19	36,121	29,765	4,533	3,259
Shares	20	12,901	10,242	496	419
Derivatives	21	28,876	26,366	706	190
Fair value changes of the hedged items in portfolio hedge of interest rate risk	51	282	–	28	–
Investments in associated undertakings	22	566	561	28	28
Investments in group undertakings	24	–	–	16,551	16,741
Intangible assets	25	2,221	2,101	903	764
Property and equipment	26, 27	303	443	43	51
Investment property	28	2,750	2,484	0	0
Deferred tax assets	13	352	450	45	48
Current tax assets		41	65	5	53
Prepaid expenses and accrued income	29	1,405	1,656	185	197
Other assets	30	9,887	6,914	1,196	1,633
Total assets		**325,549**	**280,074**	**74,731**	**67,848**
Liabilities					
Deposits by credit institutions	31	29,790	30,156	20,784	22,885
Deposits and borrowings from the public	32	115,550	104,704	26,579	25,669
Liabilities to policyholders	33	26,830	23,480	–	–
Debt securities in issue	34	82,609	59,579	10,248	3,532
Derivatives	21	28,602	26,675	571	228
Fair value changes of the hedged items in portfolio hedge of interest rate risk	51	58	–	3	–
Current tax liabilities		383	151	162	–
Other liabilities	35	18,044	13,504	2,176	1,753
Accrued expenses and prepaid income	36	1,874	1,996	223	228
Deferred tax liabilities	13	423	598	–	–
Provisions	37	100	192	26	33
Retirement benefit obligations	38	504	545	133	140
Subordinated liabilities	39	7,822	5,818	5,540	3,526
Total liabilities		**312,589**	**267,398**	**66,445**	**57,994**
Untaxed reserves	40	**–**	**–**	**2**	**653**
Equity	41				
Minority interests		41	13	–	–
Revaluation reserves		1	–	–	–
Core equity					
Share capital		1,072	1,128	1,072	1,128
Share premium account/Statutory reserve		4,284	4,284	4,284	4,284
Other reserves		–229	–147	–	–
Retained earnings		7,791	7,398	2,928	3,789
Total core equity		**12,918**	**12,663**	**8,284**	**9,201**
Total equity		**12,960**	**12,676**	**8,284**	**9,201**
Total liabilities and equity		**325,549**	**280,074**	**74,731**	**67,848**
Assets pledged as security for own liabilities	42	22,620	23,003	1,409	993
Other assets pledged	43	4,529	3,369	4,338	3,380
Contingent liabilities	44	16,349	13,955	14,056	3,594
Commitments	45	2,213,772	1,587,512	146,098	104,813

Other notes:
Note 1 Accounting policies
Note 2 Segment reporting
Note 23 Investments in joint venture
Note 46 Insurance activities
Note 47 Capital adequacy
Note 48 Classification of financial instruments
Note 49 Assets and liabilities at fair value
Note 50 Assets and liabilities in foreign currencies
Note 52 Continued involvement in assets that have been transferred and associated liabilities
Note 53 Investments, customer bearing the risk
Note 54 Nordea Life Assurance I Sweden AB (publ)
Note 55 Mergers
Note 56 Acquisitions
Note 57 Related-party transactions

Statement of recognised income and expense[1]

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Currency translation differences during the year	–2	63	–3	0
Currency hedging	–80	1	–	–
Available-for-sale investments:				
Valuation gains/losses taken to equity	2	–	–	–
Mergers	–	–	98	–373
Group contributions	–	–	–	–7
Tax on items taken directly to or transferred from equity	–1	–	–	2
Net income recognised directly in equity	**–81**	**64**	**95**	**–378**
Net profit for the year	2,269	2,078	917	1,256
Total recognised income and expense for the year	**2,188**	**2,142**	**1,012**	**878**
Attributable to:				
Shareholders of Nordea Bank AB (publ)	2,182	2,139	1,012	878
Minority interest	6	3	–	–
Total	**2,188**	**2,142**	**1,012**	**878**

Effect of changes in opening balance:	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Shareholders of Nordea Bank AB (publ)	–81	–227	–50	–
Minority interest	–	13	–	–
Total	**–81**	**–214**	**–50**	**–**

[1] See Note 41 Equity for futher information.

Cash flow statement

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Operating activities				
Operating profit	3,048	2,745	551	1,267
Adjustments for items not included in cash flow	74	172	–675	–1,098
Income taxes paid	–577	–463	–29	–45
Cash flow from operating activities before changes in operating assets and liabilities	**2,545**	**2,454**	**–153**	**124**
Changes in operating assets				
Change in treasury bills and other eligible bills	1,328	–958	916	655
Change in loans and receivables to credit institutions	–7,979	4,774	–4,214	–4,790
Change in loans and receivables to the public	–27,418	–15,854	–1,593	2,196
Change in interest-bearing securities	–5,158	5,298	–1,237	814
Change in shares	–2,808	–2,204	–94	–334
Change in derivatives, net	–429	–537	–87	9
Change in investment properties	–266	–193	–	–
Change in other assets	–2,959	–3,916	1,300	2,267
Changes in operating liabilities				
Change in deposits by credit institutions	–369	1,062	–2,101	9,459
Change in deposits and borrowings from the public	10,845	9,146	481	874
Change in liabilities to policyholders	3,333	2,252	–	–
Change in debt securities in issue	22,896	–5,339	6,716	–572
Change in other liabilities	4,534	2,072	426	–10,274
Cash flow from operating activities	**–1,905**	**–1,943**	**360**	**428**
Investing activities				
Acquisition of investments in group undertakings	–96	–	–145	–
Sale of investments in group undertakings	0	4	29	23
Merger of group undertakings	–	–	2	551
Acquisition of investments in associated undertakings	–43	–18	–	–2
Sale of investments in associated undertakings	48	70	–	1
Acquisition of property and equipment	–56	–107	–18	–20
Sale of property and equipment	70	843	2	2
Acquisition of intangible assets	–54	–36	–9	–
Sale of intangible assets	1	1	5	–
Purchase/sale of other financial fixed assets	–1,179	408	1	86
Cash flow from investing activities	**–1,309**	**1,165**	**–133**	**641**
Financing activities				
Issued subordinated liabilities	2,860	1,615	2,860	1,615
Amortised subordinated liabilities	–1,111	–743	–984	–399
Repurchase of own shares incl change in trading portfolio	–1,105	–730	–1,138	–700
Dividend paid	–740	–696	–740	–696
Cash flow from financing activities	**–96**	**–554**	**–2**	**–180**
Cash flow for the year	**–3,310**	**–1,332**	**225**	**889**
Cash and cash equivalents at the beginning of year	6,922	8,211	984	95
Exchange rate difference	64	43	0	0
Cash and cash equivalents at the end of year	3,676	6,922	1,209	984
Change	**–3,310**	**–1,332**	**225**	**889**

Comments on the cash flow statement

The cash flow statement has been prepared in accordance with IAS 7 with the exception of the classification of debt securities in issue. The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Operating activities
Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for non-cash items includes:

	Group		Parent company	
EURm	2005	2004	2005	2004
Depreciation	131	168	98	103
Impairment	1	6	309	–
Loan losses	99	140	16	75
Unrealised gains/losses	–129	76	–107	2
Capital gains/losses (net)	–10	–339	–	–22
Change in accruals and provisions	11	456	–7	178
Anticipated dividends	–	–	–736	–1,221
Group contributions	–	–	–286	–101
Translation differences	79	–291	137	–111
Other	–108	–44	–99	–1
	74	**172**	**–675**	**–1,098**

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans and receivables, deposits and debt securities in issue. Changes in derivatives are reported net.

Cash flow from operating activities includes interest payments received and interest expenses paid with the following amounts:

	Group		Parent company	
EURm	2005	2004	2005	2004
Interest payments received	8,988	7,506	1,396	1,190
Interest expenses paid	4,872	3,862	920	809

Investing activities
Investing activities include acquisition and disposals of non-current assets, like property and equipment, intangible and financial assets. Aggregated cash flows arising from acquisition and sale of group undertakings are presented separately and consist of:

	Group	
EURm	2005	2004
Acquisition of group undertakings		
Cash and cash equivalents	7	–
Loans and receivables to credit institutions	3	–
Interest-bearing securities	8	–
Shares	6	–
Property & equipment and intangible assets	65	–
Other assets	34	–
Total assets	**123**	**–**
Deposits by credit institutions	–	–
Liabilities to policyholders	–17	–
Other liabilities and provisions	–3	–
Total liabilities	**–20**	**–**
Purchase price paid[1]	103	–
Cash and cash equivalents in acquired group undertakings	–7	–
Net effect on cash flow	**96**	**–**

[1] Including translation difference and allocated expenses, see also Note 56 Acquisitions.

	Group	
EURm	2005	2004
Sale of investments in group undertakings		
Cash and cash equivalents	2	22
Loans and receivables	–	9
Property & equipment and intangible assets	–	0
Other assets	1	8
Total assets	**3**	**39**
Deposits by credit institutions	–	–8
Other liabilities and provisions	–1	–9
Total liabilities	**–1**	**–17**
Capital gain/loss on sold group undertakings	0	4
Purchase price received	2	26
Cash and cash equivalents in sold group undertakings	–2	–22
Net effect on cash flow	**0**	**4**

	Parent company	
EURm	2005	2004
Merger of group undertakings[1]		
Cash and cash equivalents	2	551
Loans and receivables to credit institutions	446	18,194
Loans and receivables to the public	–	19,763
Interest-bearing securities	–	7,595
Property & equipment and intangible assets	210	1,902
Other assets	1,212	6,779
Total assets	**1,870**	**54,784**
Deposits by credit institutions	–	12,757
Deposits and borrowings from the public	429	24,795
Other liabilities and provisions	1	13,662
Total liabilities	**430**	**51,214**
Book value of merged group undertakings	1,440	3,570
Cash and cash equivalents in merged group undertakings	2	551
Net effect on cash flow	**2**	**551**

[1] Refers to the merger of Nordea Asset Management AB in 2005 and Nordea Bank Sweden AB (publ) and Nordea Securities AB in 2004.

Financing activities
Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/amortised subordinated liabilities.

Cash and cash equivalents
The following items are included in Cash and cash equivalents assets:

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Cash and balances with central banks	2,526	4,585	215	218
Loans and receivables to credit institutions, payable on demand	1,150	2,337	994	766
	3,676	**6,922**	**1,209**	**984**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;
– the central bank or the postal giro system is domiciled in the country where the institution is established
– the balance on the account is readily available any time.

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

Notes to the financial statements

Note 1:
Accounting policies

Basis for presentation
Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. Additional disclosure requirements in accordance with the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies (1995:1559) (ÅRKL) and the recommendation RR30 "Supplementary Rules for Consolidated Financial Statements" of the Swedish Financial Accounting Standards Council (RR) have further been applied.

On 28 February 2006 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting 5 April 2006.

The separate financial statements of the parent company, Nordea Bank AB (publ), are prepared in accordance with Swedish regulatory requirements and FFFS 2005:33. The section "Parent company" further describes the principles applied and how they deviate from IFRS standards.

The standard IFRS 7 "Financial instruments: Disclosures" was endorsed by the EU in January 2006. However, Nordea has chosen to apply this standard already in the accounts for 2005 as the endorsement took place before the annual report was issued.

The disclosure requirements in IFRS 1 "First-time Adoption of International Financial Reporting Standards" have been applied when presenting the changes to the financial statements following the adoption of IFRS. A description of the effects of implementing IFRS can be found in the following section.

Comparative figures
The comparative figures for 31 December 2004 includes effects of all relevant IFRSs apart from IFRS 4 and the revised IAS 39 that came into force in 2005.

In accordance with the transition rules for the application of IFRS 7 Financial Instruments: Disclosures, included in IFRS 1, Nordea presents comparative information for disclosures required by this standard.

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

IAS 1, PRESENTATION OF FINANCIAL STATEMENTS
According to Swedish GAAP minority interests were deducted from equity and separately disclosed. In accordance with IAS 1 and IAS 27 minority interests are now included as a separate component in equity.

IFRS 3, BUSINESS COMBINATIONS AND IAS 27 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
Under Swedish GAAP (FFFS Regulations) certain exceptions from full consolidation have previously been permitted, the major exception being the life insurance business. Life was earlier disclosed in one line in the income statement and in separate lines for assets and liabilities respectively in the balance sheet, but is now consolidated line-by-line. Group undertakings that are not credit institutions, securities companies or insurance companies were earlier consolidated in accordance with the equity method. Following the implementation of IFRS these are now consolidated line-by-line.

Life insurance accounting often disclose life premium income in the income statement. However, an alternative accounting policy is to use the unbundling technique. When using this technique for life insurance contracts, the life insurance risk premium is separated from the deposit component of the insurance contract and is accounted for as income, whereas the deposit component is recognised as a deposit in the balance sheet as any other bank savings product, i.e. not recognised through the income statement. Nordea's presentation of the life insurance risk result is in substance a presentation that gives the same result as if unbundling de facto would have been applied. The major presentation difference is that income related to properties within the Life business is presented in the line item for "Other income".

Change in fair values of the assets in the life business is the main item – from Life - affecting the Group's income statement. It is reported in Net gains/losses on items at fair value.

Goodwill acquired in business combinations is no longer amortised. As previously impairment tests are performed at least on a yearly basis.

IAS 36, IMPAIRMENT OF ASSETS
Compared to Swedish GAAP (based on a previous version of IAS 36), the revision of IAS 36 has introduced new principles during 2003. These changes have affected the opening balance as of 1 January 2004.

Changed accounting policies
The standards IFRS 4 and revised IAS 39 came into force in 2005 and have affected the opening balance of 1 January 2005.

IFRS 4, INSURANCE CONTRACTS
Implementation of IFRS 4 and IAS 39 has affected the measurement and classification of assets and liabilities in the life insurance business. Fair value measurement of the assets was, however, already in 2004 and previously the main measurement principle in Nordea's life insurance business.

Following the implementation of IFRS 4 expenses related to acquisition of investment contracts are amortised due to the DAC-standard (Deferred Acquisition Costs). The amortisation of these expenses is made over the estimated lifetime of the acquired contracts. The effect on the income statement is minor.

IAS 39, FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT
Classification of financial instruments
Each financial instrument within the scope of IAS 39 has been classified into the categories described in section "Financial instruments: Classification of financial instruments".

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

Interest income from impaired loans
Implementation of IAS 39 regarding impairment means that the interest income from impaired loans is recognised as interest income, calculated at the effective interest rate, while the value of a loan at the time of impairment is calculated based on net present value of future cash flows discounted with the original effective interest rate.

Loan loss provisions
General loan loss provisions are not allowed under IAS 39. The standard instead requires impairment to be identified in groups of loans with similar risk characteristics. Consequently, Nordea has partly reclassified general provisions to provisions by group (collective impairment). Remaining general provisions have been dissolved.

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

Issued mortgage bonds and related mortgage loans
The issued Danish mortgage bonds and closely related mortgage loans in the fully owned subsidiary Nordea Kredit Realkreditaktieselskab are measured at fair value. The measurement of these items at fair value had, however, no net effect on equity in the opening balance as at 1 January 2005.

Upfront fees on loans
Implementation of IAS 39 regarding the measurement of loans at amortised cost using the effective interest rate method means that fees received when entering into a loan agreement are to be amortised over the expected lifetime of the loans as part of the measurement. The effect on equity in the opening balance as at 1 January 2005 was –127 EURm. The effect on the income statement for 2005 was not material.

EFFECTS OF IFRS
In total the implementation of IAS 39 has had an effect of approximately EUR –6m on the operating profit for the year 2005.
The IFRS opening balance 1 January 2005 has been changed compared to what have been presented previously during 2005. The changes are mainly related to the above- mentioned amortisation of received upfront fees on lending.The effects, per standard, of applying IFRS in the income statement and in the balance sheet are disclosed in the following tables:

EURm	Total income	Total expenses	Loan losses	Equity method	Disposals	Life Insurance	Taxes	Minority	Net profit
Swedish GAAP full year 2004	6,074	–3,674	–27	55	–	156	–667	–3	1,914
IAS 27, Life line-by-line	298	–142	–	–	–	–156	–	–	–
IFRS 3, Goodwill amortisation	–	161	–	–	–	–	–	–	161
IAS 1, Equity method companies	55	–	–	–55	–	–	–	–	–
IAS 1, Sale of property and equipment	–300	–	–	–	300	–	–	–	–
IAS 1, Minority interests	–	–	–	–	–	–	–	3	3
IFRS full year 2004	**6,127**	**–3,655**	**–27**	**–**	**300**	**–**	**–667**	**–**	**2,078**

IFRS Balance sheet, 31 Dec 2003

Group EURm	Swedish GAAP 31 Dec 2003	IAS 19	IAS 27 / IFRS 3	IAS 36	Other	IFRS 1 Jan 2004
Assets						
Treasury bills and other eligible bills	12,016	–	–	–	–4,363	7,653
Loans and receivables to credit institutions	28,728	–	3	–	4,365	33,096
Loans and receivables to the public	145,644	–	345	–	–641	145,348
Interest-bearing securities and shares	20,649	–	19,827	–	3,250	43,726
Derivatives	18,941	–	–	–	–	18,941
Other assets	36,212	34	–19,606	–29	–2,618	13,993
Total assets	**262,190**	**34**	**569**	**–29**	**–7**	**262,757**
Liabilities and equity						
Deposits by credit institutions	28,753	–	342	–	7	29,102
Deposits and borrowings from the public	95,556	–	3	–	–1	95,558
Liabilities to policyholders	–	–	21,227	–	–	21,227
Debt securities in issue	64,380	–	538	–	–	64,918
Derivatives	19,917	–	–	–	–	19,917
Subordinated liabilities	5,115	–	–	–	–	5,115
Other liabilities and minority interests	36,292	217	–21,548	–	9	14,970
Core equity	12,177	–183	7	–29	–22	11,950
Total liabilities and equity	**262,190**	**34**	**569**	**–29**	**–7**	**262,757**

IFRS Balance sheet, 31 Dec 2004

Group EURm	Swedish GAAP 31 Dec 2004	IAS 27 / IFRS 3	IAS 36	Other / Reclassi-fications IAS 39	IFRS 31 Dec 2004	IAS 39	IFRS 1 Jan 2005
Assets							
Treasury bills and other eligible bills	12,797	–	–	–4,189	8,608	–	8,608
Loans and receivables to credit institutions	20,614	2	–	4,158	24,774	4	24,778
Loans and receivables to the public	161,148	–104	–	16	161,060	82	161,142
Interest-bearing securities and shares	15,355	21,528	–	3,124	40,007	-3	40,004
Derivatives	26,367	–	–	–1	26,366	331	26,697
Other assets	39,758	–20,800	–29	330	19,259	416	19,675
Total assets	**276,039**	**626**	**–29**	**3,438**	**280,074**	**830**	**280,904**
Liabilities and equity							
Deposits by credit institutions	30,153	–	–	3	30,156	3	30,159
Deposits and borrowings from the public	104,424	280	–	0	104,704	–	104,704
Liabilities to policyholders	–	22,191	–	1,289	23,480	–2	23,478
Debt securities in issue	59,296	1,646	–	–1,363	59,579	134	59,713
Derivatives	26,677	–	–	–2	26,675	448	27,123
Subordinated liabilities	5,818	–	–	–	5,818	–	5,818
Other liabilities and minority interests	37,122	–23,640	0	3,517	16,999	308	17,307
Core equity	12,549	149	–29	–6	12,663	–61	12,602
Total liabilities and equity	**276,039**	**626**	**–29**	**3,438**	**280,074**	**830**	**280,904**

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. The estimates are based on past experience and assumptions that management believes are fair and reasonable. These estimates and the judgement behind them 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.

CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Certain accounting policies are considered to be particularly important to the portrayal of Nordea's financial position, since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. These critical judgements and estimates are in particular associated with:

- Fair value measurement of:
  – Financial instruments and
  – Investment properties
- Impairment testing of:
  – Goodwill
  – Loans and receivables
- Recognition of tax assets
- Actuarial calculations of pension liabilities.
- Classification of insurance- and investment contracts.
- Functional currencies of the parent company, Nordea Bank AB (publ).
- Claims in lawsuits.

Fair value measurement

Financial instruments

Critical judgements are exercised when determining fair value of financial instruments in the following areas:

- The choice of valuation techniques
- The determination of when quoted prices fail to represent fair value
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk
- The judgement of which market parameters that are observable

In all of these instances, decisions are based upon professional judgement in accordance with the principles in Nordea's accounting and valuation policies. All such decisions are subject to approval by relevant Group functions.

Investment properties

Nordea's investment properties are mainly attributable to the Life companies. Discounted cash flows are used for fair value measurement of these properties. In-house competences in Nordea perform the valuation, using instructions from and being closely monitored by the FSA in each respective country.

The forecast of future cash flows are based on Nordea's best estimates of future operating profit and return requirements for each individual property taking factors such as location and maintenance condition into consideration. A number of assumptions and estimates have material effect on the calculations and include parameters like inflation, trends in rents and costs, exit yield and discount rate. Changes to any of these parameters, following changes in market conditions, vacancy rates or other, affect the forecasted cash flows and thus the fair value of the investment property.

Judgements and assumptions are always required in establishing fair values. The fair values presented in the balance sheet and the changes of these values recorded in the income statement, are considered prudent and reflecting relevant economic factors.

Impairment testing

Goodwill

Goodwill is tested for impairment yearly, involving an analysis to assess whether the carrying amount of goodwill is fully recoverable. The determination of the recoverable amount involves establishing the value in use, measured as the present value of the cash flows expected from the assets in question.

The forecast of future cash flows are based on Nordea's best estimates of future revenues and expenses for the cash-generating units to which goodwill has been allocated. A number of assumptions and estimates have significant effect on these calculations and include parameters like macroeconomic assumptions, market growth, business volumes, margins and cost effectiveness. Changes to any of these parameters, following changes in market conditions, competition, strategy or other, affects the forecasted cash flows and may result in impairment charges of goodwill.

Loans and receivables
For individual loans and for groups of loans that are identified as impaired, a calculation is made to establish a value for the loan or groups of loans. As a basis for this calculation judgements that are vital for the accuracy of the calculated value are applied.

For individual loans the most critical judgement is to assess the most probable future cash flow that the obligor might generate. As a part of the judgement the management uses all available information and past experience regarding the obligor's record to handle difficult financial situations.

To assess the value of a group of loans identified as impaired historical data is commonly used. These data have emerged in a different situation than the current one, which implies that there is a need to make some adjustments of the data. The accuracy of the assessed value is dependent on how well the adjusted data reflects the current situation.

Recognition of tax assets
Nordea's recognition of deferred tax assets is subject to a continuous evaluation, involving assumptions and assessment of Nordeas future possibilities to utilise tax losses carried forward especially in Finland. The time limit for utilising the main part of the unrecognised tax assets expires in 2013.

Actuarial calculations of pension liabilities
The Projected Benefit Pension Obligation for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of financial parameters are used. The most important financial parameter - the discount rate - is fixed based on swap rates with a maturity matching the duration of the pension liabilities. Other parameters like assumptions on salary increases and inflation are fixed based on the expected long-term development of these parameters. The fixing of these parameters at year-end is shown in note 38.

The major part of the assets covering the pension liabilities is invested in liquid assets and valued at market price at year-end. The expected return on plan assets is fixed taking the asset composition into account and based on long-term expectations for the return on the different asset classes. The expected return is also shown in note 38.

Classification of insurance and investment contracts
The classification of an insurance contract depends on whether the insurance risk included is significant or not. The insurance risk is calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period. It is Nordea's assessment that a risk percentage of five or higher is a significant insurance risk.

Functional currency of the parent company, Nordea Bank AB (publ)
When defining the functional currency for Nordea Bank AB (publ), the company has been divided into two clearly separable parts, based on the underlying business activities in each part.

One entity consists mainly of "investment activities", including the company's holding of shares in subsidiaries. The functional currency for this entity has been decided to be EUR, based on the primary economic environment.

The other part consists mainly of the Swedish banking business. The functional currency of this part has been decided to be SEK, based on the primary economic environment in which these operations are performed.

This set-up reflects best the underlying business activities in the parent company, and affects only the Group's accounts.

Claims in lawsuits
Within the framework of the normal business operations, the Group faces a number of claims in lawsuits and other disputes, most of which involve relatively limited amounts. None of these disputes are considered likely to have any significant adverse effect on the Group or its financial position.

Principles of consolidation

CONSOLIDATED ENTITIES
The consolidated financial statements include the accounts of the parent company Nordea Bank AB (publ), and those entities that meet the definition of a subsidiary according to IAS 27. This definition is generally fulfilled when the parent company owns, directly or indirectly through group undertakings, more than 50% of the voting rights or otherwise has the power to govern the financial and operating policies of the entity.

All Group undertakings are consolidated using the purchase method, except for the forming of Nordea in 1997–98 when the holding in Nordea Bank Finland Plc was consolidated using the pooling method. The group undertakings are included in the consolidated accounts from the date on which control is transferred to the Group and are no longer consolidated from the date on which control ceases.

In the consolidation process the reporting from the subsidiaries are adjusted to ensure consistency with IFRS principles applied by the Group.

The holding in Nordea Life Assurance I Sweden AB (publ), which operates according to mutual principles, are not consolidated in the financial statements, as profit distribution is not allowed from this company which, together with other aspects of national legislation for operating mutual life insurance business, results in that the holding does not meet the definition of a subsidiary according to IAS 27. The process of demutualising the company is finalised and is, in accordance with approval from Swedish FSA, effective as from 1 January 2006. From this date the holding is fully consolidated into Nordea Group. Total assets in the company amounts to EUR 2bn. In the balance sheet the holding is reported as Investments in associated undertakings. See note 53 for further financial details regarding Nordea Life Assurance I Sweden AB (publ).

Investments in associated undertakings
The equity method of accounting is used for associated undertakings where the share of voting rights is between 20% and 50% and/or where the owning entity has significant influence. As concerns the participation in VPC AB, significant influence is considered exercised, although the share of voting rights is below 20%.

Profits from companies accounted for under the equity method are in the income statement reported pre-taxes. Tax costs related to these profits are included in the income tax expense for the Group, see note 13.

The 40% holding in Nordic Processor AB is not accounted for using the equity method due to the terms in the agreement with the joint owner IBM. The Group accounts are only affected through direct invoicing from Nordic Processor AB.

Joint ventures
Proportionate method of consolidation is used for investments where the contractual arrangements between the investors establish joint control over the economic activity of the entity. Nordea's share of the assets, liabilities, income and expenses of jointly con-

trolled entities are combined line by line with corresponding items in the Groups financial statements.

Special Purposes Entities (SPEs)
Nordea has engaged in the formation of a limited number of Special Purpose Entities (SPEs), in general for securitization purposes, allowing customers to invest in the assets of the SPE by investing in securities issued by the SPE. Legally the SPEs are independent entities and Nordea has no influence on the decision making process. The only risk involved follows from Nordea's loans to the SPEs. However, Nordea is the creator of the SPEs and obtain economic benefits through arranger fees and by acting as master servicer.

In accordance with SIC 12 these SPEs are therefore consolidated into Nordea Group. The equity in these entities is reported in full as minority interests. Other effects on the balance sheet are minor.

For further information on the undertakings included in the Nordea Group see notes 22, 23 and 24.

PRINCIPLES OF ELIMINATION
Intra-group transactions and balances between the consolidated group undertakings are eliminated. Unrealised losses are eliminated unless the loss constitutes an impairment cost.

CHANGES IN GROUP STRUCTURE
In June Nordea acquired Sampo's Polish life and pension companies. The purchase price was EUR 95m. Relevant authorities have approved the transaction and the holdings are consolidated from 31 December 2005. Further information about the effects of the acquisition on the assets and liabilities of Nordea Group can be found in note 56.

Apart from this investment there has been no major acquisitions or divestments of group undertakings during 2005.

Currency translation of foreign entities
The consolidated financial statements are prepared in euro (EUR), the presentation currency of the parent company Nordea Bank AB (publ). The current method is used when translating the financial statements of foreign entities into euro from their functional currency. The assets and liabilities of foreign entities have been translated at the year-end exchange rates, while items in the income statements are translated at the average exchange rate for the year. Translation differences are booked directly to equity.

Goodwill and fair value adjustments arising from the acquisition of group undertakings are treated as local currency assets and liabilities and are translated at the closing rate.

Translation of assets and liabilities denominated in foreign currencies
The functional currency of an entity has been decided based upon the primary economic environment in which the entity operates, in accordance with IAS 21.

Foreign currency is defined as any other currency than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net gains/losses on items at fair value".

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in equity, to the extent the hedge is effective, in order to offset the translation differences affecting equity when consolidating the group undertaking into Nordea. Any ineffectiveness is recognised in the income statement in the item "Net gains/losses on items at fair value".

Recognition and derecognition
Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised from the balance sheet on the trade date.

Other financial instruments are recognised on the balance sheet on settlement date.

Financial assets other than those for which trade date accounting are applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterpart has performed by e.g. repaying a loan to Nordea, i.e. on settlement date.

In some cases, Nordea enters into transactions where it transfers assets that are recognised on the balance sheet, but retains either all or a portion of risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include e.g. security lending agreements and repurchase agreements.

Financial liabilities, other than those for which trade date accounting are applied, are derecognised from the balance sheet when the liability is extinguished. Normally this is when Nordea performs, for example when Nordea repay a deposit to the counterpart, i.e. settlement date.

For further information, see sections "Securities borrowing and lending agreements", "Repurchase and reverse repurchase agreements", as well as note 52.

Hedge accounting
IAS 39 includes principles and rules concerning accounting for hedging instruments and the underlying hedged item, so called hedge accounting. Following the implementation of IAS 39 all derivatives are measured at fair value. This also includes those derivatives that previously were accounted for under deferral hedge accounting requirements, which was the case for the Group at the financial year-end 2004. All derivatives that were used for hedging purposes at the end of December 2004 are included in hedge accounting as of 2005. Nordea applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities.

The hedge accounting policy within the Group has been developed to fulfil the requirements set in IAS 39. Nordea uses hedge accounting in the financial statement in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments. The overall purpose is to have a true and fair presentation of Nordea's economical hedges in the financial statements. In the Group, the overall operational responsibility to hedge positions and for hedge accounting lies within Group Treasury.

According to IAS 39 there are in general three forms of hedge accounting:
- cash flow hedge accounting
- fair value hedge accounting
- hedges of net investments

In the Group, fair value hedge accounting is applied for all hedges apart from hedges of net investments, meaning that both the hedging instrument and the hedged item are measured at fair value, with changes in fair values recognised directly in the income statement. The reason why Nordea has chosen to apply fair value hedge accounting is that cash flow hedge accounting could cause volatility in equity. Looking forward there could be situations when Nordea starts to apply cash flow hedge accounting as a complement.

FAIR VALUE HEDGE ACCOUNTING

Fair value hedge accounting is used for derivatives that serves to hedge changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item will be recognised separately in the income statement under the line item "Net gains/losses on items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result will be zero.

Fair value hedge accounting in Nordea is performed mainly on a portfolio basis. The effectiveness of the hedging relationships is consequently measured and evaluated so that any ineffectiveness is affecting the income statement under the item "Net gains/ losses on items at fair value".

HEDGING INSTRUMENTS

The hedging instruments used in Nordea are predominantly interest rate swaps. Currency interest rate swaps and cash instruments are only utilised in a few transactions. Cash instruments are only used as hedging instruments when hedging currency risk.

HEDGED ITEMS

According to IAS 39 a hedged item can be a single asset or liability as well as a group of assets or liabilities with similar risk characteristics. Hedged items in Nordea consist of both individual assets or liabilities and portfolios of assets or liabilities.

HEDGE EFFECTIVENESS

In order to apply hedge accounting it is required that the hedge is highly effective. A hedge is normally regarded as highly effective if at inception and throughout the life of the hedge it can be expected that changes in fair value of the hedged item can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125%.

When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

If the relationship does not fulfil the requirement, hedge accounting will be terminated and the unrealised value of the derivatives will be accounted for in the income statement as before but the valuation of the hedged item will change to be measured at amortised cost.

Interest income and interest expenses

Interest income and interest expenses are calculated based on the effective interest rate or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Interest income and interest expenses related to the trading activities in Markets and to the investment and risk management activities in Life are recognised in the income statement in the item "Net gains/losses on items at fair value".

Financial fees

The accounting for fees received depends on the purposes for which the fees are collected.

Fees received when entering into loan agreements are amortised over the expected lifetime of the loans as part of the measurement. Fees earned when services are provided, are classified as "Fee and commission income" and are recorded as revenue over the relevant period.

A loan syndication fee received as payment for arranging a loan as well as other fees received as payments for certain acts are recognised as revenue when the act is completed.

Determination of fair value of financial instruments

Fair value is defined by IAS 32 and IAS 39 as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities
- Shares
- Derivatives (listed derivatives)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. Nordea is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

Fair value is calculated as the theoretical net present value of the individual contracts, based on independently sourced market parameters and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment. The portfolio adjustment covers uncertainties associated with the valuation techniques, model assumptions and unobservable parameters as well as the portfolio's counter party credit risk and liquidity risk.

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are fully based on data from observable markets. By data from observable markets, Nordea consider data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data is used, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the contract (see note 49).

Nordea has chosen to apply the requirements in IAS 39 regarding upfront gains during previous periods prospectively.

The valuation models applied by Nordea are consistent with accepted economic methodologies for pricing financial instruments, and incorporate the factors that market participants consider when setting a price.

Each new valuation model is subject to approval by Group Credit and Risk Control and all models are reviewed on a regular basis.

Cash and cash equivalents
Cash and cash equivalents consist of cash and balances with central banks where the following conditions are fulfilled;
- The central bank is domiciled in a country where Nordea is operating under a banking licence
- The balance is readily available at any time

Loans and receivables to credit institutions payable on demand are also defined as Cash and cash equivalents in the cash flow statement.

Financial instruments
CLASSIFICATION OF FINANCIAL INSTRUMENTS
Each financial instrument within the scope of IAS 39 has been classified into one of the following categories:

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

Financial liabilities
- Financial liabilities at fair value through profit or loss
  - Held for trading
  - Financial liabilities designated as measured at fair value through profit or loss
- Other financial liabilities

The classification of financial instruments into different categories forms the basis for how each instrument is measured in the balance sheet and how changes in its value is recognised. In note 48 the classification of the financial instruments in the Nordea Group's balance sheet is presented.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
Financial assets and financial liabilities at fair value through profit or loss are measured at fair value. All changes in fair values are recognised directly in the income statement in the item "Net gains/losses on items at fair value".

The category consists of two sub-categories; Held for trading and Financial assets/financial liabilities designated as measured at fair value through profit or loss.

The sub-category Held for trading mainly contains derivative instruments that are held for trading purposes, interest-bearing securities and shares within Markets, Treasury and Life. It also contains trading liabilities such as short-selling positions.

The major parts of the sub-categories Financial assets/financial liabilities designated as measured at fair value through profit or loss are mortgage loans and related issued bonds in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and investment contracts in Life.

LOANS AND RECEIVABLES
Loans and receivables are non-derivative financial assets not quoted in an active market. These assets and their impairment are further described in a separate section "Loans and receivables".

HELD TO MATURITY INVESTMENTS
Held-to-maturity investments are initially recognised in the balance sheet at the acquisition price. Subsequent to initial recognition, the instruments within this category are measured at amortised cost.

The investments classified into this category are entirely related to Life. Nordea uses this category only to a very limited extent due to the restrictions regarding disposals of instruments that once have been classified into the category.

AVAILABLE FOR SALE FINANCIAL ASSETS
Available for sale financial assets are measured at fair value. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised directly in the revaluation reserves in equity. Interest is recognised as interest income in the income statement. Foreign exchange effects and impairment losses from Available for sale financial assets are recognised in the income statement in the item "Net gains/losses on items at fair value".

When an available for sale financial assets is disposed of, the accumulated fair value changes that previously have been recognised in equity are removed from equity and recognised in the income statement in the item "Net gains/losses on items at fair value".

This category is used only to a very limited extent in Nordea see further note 48.

OTHER FINANCIAL LIABILITIES
Financial liabilities, other than those classified as Financial liabilities at fair value through profit or loss, are measured at amortised cost. Interests from Other financial liabilities are recognised in the item "Interest expenses" in the income statement.

HYBRID (COMBINED) FINANCIAL INSTRUMENTS
Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds.

Index-linked bonds issued by Treasury are considered to be part of the funding activities. The embedded derivatives in those instruments are separated from the host contract and accounted for as a stand-alone derivative at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative actually meets the definition of a derivative instrument. Changes in fair values are recognised in the income statement in the item "Net gains/losses on items at fair value".

Index-linked bonds issued by Markets as part of the trading portfolio are classified as Held for trading, and the entire combined instrument, host contract together with the embedded derivative, is measured at fair value through profit and loss. Changes in fair values are recognised in the income statement in the item "Net gains/losses on items at fair value".

SECURITIES BORROWING AND LENDING AGREEMENTS
Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the transfer of securities is not reflected on the balance sheet.

Cash collateral advanced to the counterparts are recognised on the balance sheet as Loans and receivables to credit institutions and central banks or as Loans and receivables to the public. Cash collateral received from the counterparts are recognised on the balance sheet as Deposits by credit institutions or as Deposits and borrowing from the public.

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet.

Cash received under repurchase agreements are recognised on the balance sheet as Deposits by credit institutions or as Deposits and borrowings from the public. Cash delivered under reverse repurchase agreements are recognised on the balance sheet as Loans and receivables to credit institutions and central banks or as Loans and receivables to the public.

DERIVATIVES
All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives". Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives".

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net gains/losses on items at fair value".

FINANCIAL GUARANTEE CONTRACTS
Based on the amended IAS 39 in 2005, financial guarantee contracts are financial instruments measured at the higher of either the amortised guarantee fee, or a provision calculated as the discounted best estimate of the expenditure required to settle the present obligation. Provisions and changes in provisions are classified as impairment losses in the income statement.

Loans and receivables

Loans and receivables not measured at fair value are measured at amortised cost see the note 48 on classification of financial instruments.

IMPAIRMENT
Nordea monitors loans and receivables as described in the separate section on Risk management and Basel II. Through this process loans attached to individual customers or group of customers are identified as impaired if there is objective evidence of impairment and an impairment test indicates a loss.

Impairment test for loans attached to individual customers
Regarding individual c ustomers an impairment test process is performed. The purpose of this test is to assess the value of the loans attributed to the customer. This assessment is to estimate the most probable future cash flow from the customer as a basis for Net Present Value (NPV) calculation using the effective interest rate. Collaterals given to mitigate the credit risk are assessed by the nature of the collateral. If the value of the loans is less than book value the loans are impaired and the difference to book value represents the impairment cost.

Impairment test for loans attached to groups of customers
Through the monitoring process Nordea identifies different kinds of groups of customers, which have been affected by one or more events. Loans in such groups attached to individual customers have not been found to be individually impaired. Each group is formed by certain common risk characteristics typical for the individual customers in the group. The event or events that have occurred have incurred impairment of the loans in the group although they have not been individually identified. The methods used to assess the recovery value of the loans in a group differ due to the composition of the group and the information available.

Groups of loans are divided into two subcategories, i.e. groups where the single loan is significant and groups where the single loan is not significant.

Impairment loss
The difference between the book value (amortised cost) of a loan and its assessed value is the impairment loss. Where the impairment is not regarded as final the impairment loss is booked to an allowance account representing the accumulated decrease in the value of the loan. A change in the value will be reported as a change of the reserve.

Impairment losses regarded as final are reported as realised losses. An impairment loss is regarded as final when the obligor is put in bankruptcy and the administrator has stated a likely outcome of the bankruptcy procedure, or when the bank forgive its claims either through a legal based or voluntary reconstruction or when the bank, for other reasons, deem it unlikely that the bank will be able to recover the claim.

Discount rate
The discount rate used is the estimated current effective interest rate for the loans attached to an individual customer and, if applicable, on groups of loans.

Restructured loans
In this context a restructured loan is defined as a loan where the creditor has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for the creditor. After a reconstruction the loan is normally regarded as not impaired under new conditions. Concessions made in a reconstruction are regarded as a final loss. If the creditor retains a possibility to regain the realised loan loss incurred then this is reported as a recovery of realised loan losses.

Assets taken over for protection of claims
In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans or shares issued by the obligor or other assets.

The asset acquired is assessed at the lower of cost or fair value. Changes in the value of the acquired asset will be reported as a final impairment loss or as a recovery of a final impairment loss, in the latter case as long as the value does not exceed the concession cost originally incurred.

Leasing

NORDEA AS LESSOR
Finance leases
The Group's leasing operations mainly comprise finance leases. Finance leases are reported as receivable from the lessee in the balance sheet item "Loans and receivables to the public" at an amount equal to the net investment in the lease. The lease payment, excluding cost of services, is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

Operating leases
Assets subject to operating leases are in the balance sheet reported in accordance with the nature of the assets, in general as tangible assets. Leasing income is recognised as income on a straight-line basis over the lease term. The lease income from operating leases is booked as interest income. The depreciation of the leased assets is calculated on the basis of Nordea's depreciation policy for similar assets and reported as depreciation of tangible assets in the income statement.

NORDEA AS LESSEE
Finance leases
In the consolidated accounts finance leases are recognised as assets and liabilities in the balance sheet at the amount equal to the fair value of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment of leased assets is done following the same principles as the ones for similar assets.

Operating leases

For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term unless another systematic way better reflect the time pattern of the user's benefit. The lease terms range between 3 to 25 years.

Operating leasing is mainly related to office premises contracts and office equipment contracts normal to the business.

SALE AND LEASE BACK

During 2004 Nordea completed its real estate divestment process by the sale of central business district properties in Finland, Norway and Sweden. The sale transaction was established at fair value and the profit was recognised immediately in the income statement. The properties are leased back and the duration of the lease agreements were initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, contain no economic benefits from appreciation in value of the leased property, and are thus classified as operating leases.

Another systematic basis than straight-line has been used in accounting for the rents. This basis is more representative of the time-pattern of Nordea's economic benefit and resembles better an ordinary lease rent.

Intangible assets

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired group undertaking/associated undertaking at the date of acquisition. Goodwill on acquisition of group undertakings is included in "Intangible assets". Goodwill on acquisitions of associates is included in "Investments in associated undertakings". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

COMPUTER SOFTWARE

Costs associated with maintaining computer software programs are recognised as expenses as incurred. Costs directly associated with major software development investments, with a useful life over three years and that will generate future economic benefits, are recognised as intangible assets. These costs include software development employee costs and an appropriate portion of relevant overheads.

Depreciation is calculated on a straight-line basis over a period of 3 to 5 years.

OTHER INTANGIBLE ASSETS

Expenditure on acquired patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, generally 5 years.

IMPAIRMENT

Goodwill and other intangible assets with an indefinable useful life are tested for impairment yearly irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to indication of impairment. This has been done in previous years as well as of 1 January 2004, when starting to apply the IFRS rules.

At each balance sheet date, all other intangible assets with definite useful life are reviewed for indications of impairment. If such indications exist for these and irrespective of any indications regarding goodwill, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable. The recoverable amount is the higher of the net selling price and the value in use.

The value in use is the present value of the cash flows expected to be realised from the asset. The cash flow is assessed based on the asset in its current condition and discounted at a discount rate determined as the cost of equity, estimated according to standard capital asset pricing.

If the recoverable amount is less than the book value, the value is written down as required.

Property and equipment

Property and equipment are reported at their acquisition value less any accumulated depreciation according to plan and any accumulated impairment losses. The cost of an item of plant or equipment comprises its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its intended use.

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

Buildings	30–75 years
Equipment	3–5 years

Property and equipment are regularly tested for impairment and written down if necessary.

The majority of Nordea´s own real estate holdings were divested during 2003-2004.

Investment property

Investment properties are primarily properties held to earn rentals and capital appreciation. The majority of the properties in Nordea are attributable to the Life companies. Investment properties are measured at fair value. The best evidence of a fair value is normally given by current prices on an active market for similar property in the same location and condition. In the absence of current prices on an active market, discounted cash flow projections based on reliable estimates of future cash flows are used. For more details around the cash flow models see section "Critical judgements and key sources of estimation uncertainty".

Net rental income is reported in the item "Other operating income". Gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net gains/losses on items at fair value".

Dividends

Dividends paid by group undertakings to the parent company are anticipated if the parent alone can decide on the size of the dividend, if the formal decision has been made before the financial report is published, and if the dividend does not exceed the dividend capacity of the group undertaking.

Dividends to the shareholders of Nordea Bank AB (publ) are recorded as a liability following the approval by the Annual General Meeting.

Dividends received by Markets and Life are recognised in the income statement as "Net gains/losses on items at fair value".

Equity

CORE EQUITY

Core equity is the equity attributable to the shareholders of Nordea Bank AB (publ) and excludes minority interests and revaluation reserves included in below mentioned other reserves.

SHARE PREMIUM ACCOUNT

The share premium account covers funds related to the issue of equity capital in the parent company, exceeding the nominal value of the shares and capital gains on sale of own shares.

OTHER RESERVES
Other reserves comprise income and expenses, net after tax effects that are reported in equity in accordance with IFRS. These reserves include revaluation reserves in accordance with IAS 39 as well as translation differences in accordance with IAS 21.

RETAINED EARNINGS
Apart from undistributed profits from previous years, retained earnings includes the following items:

Statutory reserves: In accordance with earlier local legislation 10% of the net profit of each Swedish company in the Group was transferred to a non-distributable statutory reserve until this reserve represented 20% of the share capital of the company in question. The reserve can only be utilised after decision by the AGM.

Untaxed reserves according to national rules are recorded as equity net of deferred tax at prevailing tax rates in respective country under the item Equity portion of untaxed reserves.

Earnings in associated companies, after the acquisition date, that have not been distributed are recorded as an equity method reserve and included in retained earnings.

Own shares
Own shares are not accounted for as assets. Acquisition of own shares is recorded as a deduction of retained earnings.

Pensions
PENSION PLANS
The companies within Nordea have various pension plans – defined benefit plans as well as defined contributions plans - reflecting national practices and conditions in the countries where they operate. Pension obligations in the Group are predominantly reported per group undertakings in Sweden, Norway and Finland. The major defined benefit plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan is smaller than the gross present value of the defined benefit obligation (considering also some adjustments in accordance with IAS 19), the net amount is recognised as a liability (retirement benefit obligation). If not, the net amount is recognised as an asset (retirement benefit asset).

Non-funded pension plans are recognised as retirement benefit obligations.

Most pensions in Denmark, but also to a certain extent in Finland, are based on defined contribution plans that hold no pension liability for the Group. Nordea also contributes to public pension systems.

PENSION COSTS
The pension calculations are carried out per country and per pension plan in accordance with IAS 19.

Contributions to defined contribution plans are expensed when employees have rendered services in exchange for such contributions. When it comes to defined benefit plans, actuarial calculations are applied to assess the present value of defined benefit obligations and related costs. When the net cumulative unrecognised actuarial gain or loss exceeds a “corridor”, equal to 10 percent of the greater of either the present value of the defined benefit obligation or the fair value of the plan assets, the surplus amount is recognised in the income statement over 10 years or shorter if the expected average remaining employment period is below 10 years.

The accounting treatment of pension costs in Sweden is briefly described in the parent company section below.

Taxes
Income tax includes current tax and deferred tax. These shall be recognised as income or expense and included in the income statement as income tax expense, except current and deferred tax arisen from transactions that are recognised directly in equity.

Current tax is based on the taxable income of the Group undertakings and calculated using local rules and tax rates.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Furthermore, deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax liabilities are calculated on untaxed reserves and other temporary differences. Deferred tax assets and liabilities are measured at the currently enacted tax rates. Deferred tax assets and liabilities are offset when the legal right to offset exist.

Liabilities to policyholders
Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders.

Insurance contracts are classified in accordance with the requirements in IFRS 4. An insurance contract is defined as “a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder”.

The definition of insurance contracts and investment contracts is the basis for the measurements of these contracts. The contracts can be divided into the following classes:

A) INSURANCE CONTRACTS:
- Traditional life insurance contracts with and without discretionary participation feature
- Unit Linked contracts
- Health and personal accident

B) INVESTMENT CONTRACTS:
- Investment contracts with discretionary participation feature
- Investment contracts without discretionary participation feature

C) OTHER INSURANCE RELATED LIABILITIES:
- Collective bonus potentials

INSURANCE CONTRACTS
The measurement of traditional life insurance contracts with or without discretionary participation feature, unit-linked contracts (insurance contracts) and investment contracts with a discretionary participation feature are measured in accordance with IFRS 4, i.e. the measurement principles under previous GAAP has been maintained consequently resulting in non-uniform accounting policies method on consolidation.

Traditional life insurance provisions represent consolidated provisions for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland, Denmark, Poland, Luxembourg and Isle of Man. The measurements are prepared on a non-uniform basis by calculating the present value of future benefits and amounts to which the policyholders are entitled under the relevant local statutory or contractual regulations.

In Sweden and Denmark provisions are measured as the prospective value of the provisions discounted at discount rates required by national authorities. The discount rate in Denmark is equal to a daily-publicised market rate (fair value). The discount rate in Sweden is stated by FSA at least once a year and represents 60% of the interest rate for long-term bonds. The discount rate depends on the underwriting year. In both countries the rate includes yield tax, costs and risk loading, and all parameters used in the measurement are current best estimate.

In Norway the provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal with the tariff rate including assumptions about expenses and risk. In Finland the provisions are measured on the basis of a retrospective method, which includes paid up premiums, benefits paid and interest and bonus credited.

The accounting policy for each company is based on the local structure of the business and is closely related to solvency rules, and national regulation concerning profit sharing and other requirements about collective bonus potential.

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either without or with an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:
- The fair value of the assets linked to the Unit Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk elements included in the cash flow.

Health and personal accident provision includes premiums reserves and claims outstanding. This item is recognised and measured in the same way as general insurance contracts on deferred basis.

INVESTMENT CONTRACTS
Investment contracts are insurance contracts (as defined by FSA), which do not transfer sufficient insurance risk to be classified as insurance contracts for accounting purposes.

However, investment contracts with discretionary participation feature are, in line with IFRS 4, accounted for as insurance contracts using previous accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation feature are recognised and measured to fair value in accordance with IAS 39, Financial instruments.

OTHER INSURANCE RELATED LIABILITIES
Collective bonus potential includes amounts allocated but not attributed to the policyholders. As for Norway and Finland the collective bonus potential includes policyholders' part of provision for unrealised investment gains.

Outstanding claims provision reflects claims payable but not finally released. The item includes claims incurred but not reported.

Equity participation plans
Nordea is not providing any equity participation plans for management or employees.

Earnings per share (EPS)
Earnings per share is calculated as Net profit for the period divided by the average number of shares. Dilution is not applicable.

Related party transactions
Nordea defines related parties as:
- Shareholders with significant influence
- Group undertakings
- Associated undertakings
- Key management personnel
- Other related parties

SHAREHOLDERS WITH SIGNIFICANT INFLUENCE
Shareholders with significant influence are defined as shareholders holding 20 per cent or more of outstanding shares, or shareholders that by other means have a significant influence. At present no shareholder in Nordea are considered having such influence.

GROUP UNDERTAKINGS
For the definition of Group undertakings see section "Principles of consolidation". Further information on the undertakings included in the Nordea Group is found in note 25.

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing.

ASSOCIATED UNDERTAKINGS
For the definition of Associated undertakings see section "Principles of consolidation".

Further information on the associated undertakings included in the Nordea Group is found in notes 22 and 23.

KEY MANAGEMENT PERSONNEL
Key management personnel include the following positions:
- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation and pensions as well as loans to key management personnel, see note 8. Information around other transactions with key management personnel is found in note 57.

OTHER RELATED PARTIES
Other related parties comprise companies significantly influenced by key management personnel in Nordea Group as well as close family members to these key management personnel and companies significantly influenced by them. Other related parties also include Nordea´s pension foundations.

Information around transactions with other related parties is found in note 57.

Parent company
The financial statement for the parent company, Nordea Bank AB (publ) has been prepared in accordance with IFRS with the amendments and exceptions following the recommendation RR32 "Accounting in legal entities" issued by the Swedish Financial Accounting Standards Council (RR) and the Swedish FSA regulations (FFFS 2005:33).

The accounting principles applied mainly differ from IFRS in the following aspects:

AMORTISATION OF GOODWILL
The rules in IAS 38 stating that goodwill and other intangible assets with an undefinable useful life shall not be amortised are not applicable. Such assets are amortised in accordance with the same rules as other intangible assets.

PENSIONS
In Sweden, actuarial pension costs refer to commitments guaranteed by a pension foundation or recognised as a liability. In accordance with instructions from the Swedish FSA, the costs in Sweden are reversed in the item Pension adjustment and are substituted by pension benefits paid, contributions made to or received from the pension foundation, and recognised changes in the pension provisions. Special wage tax and return tax applicable to the Swedish pension system are also recognised in the Pension adjustment.

GROUP CONTRIBUTIONS
Group contributions paid or received between Swedish companies for the purpose of optimising the Group's tax cost are in the legal entity reported as a decrease/increase of unrestricted equity (after adjustment for tax) in accordance with URA 7. Group contributions that can be regarded as substitute for dividends are booked as income by the receiving entity.

UNTAXED RESERVES
The parent company reports untaxed reserves including deferred tax liabilities. Untaxed reserves mainly comprises accumulated excess depreciations and profit equalisation reserve. In the consolidated financial statement they are split between equity (retained earnings) and deferred tax liability.

Segment reporting

PRIMARY SEGMENTS
Nordea's operations are organised into three business areas. The business areas are Retail Banking, Corporate and Institutional Banking and Asset Management & Life. The business areas operate as profit centres. In addition to the results of the business areas, the result for Group Treasury, which conducts the Group's financial management operations, is also disclosed.

Within Nordea, customer responsibility is fundamental. The Group's total business relations with customers are reported in the customer responsible unit's income statement and balance sheet.

Economic capital
Capital allocation is based on the internal framework for calculating economic capital, which reflects each business unit's actual risk exposure considering credit and market risk, insurance risk as well as operational and business risk. This framework optimises utilisation and distribution of capital between the different business areas. Standard tax is applied when calculating risk adjusted return on economic capital.

Economic capital is allocated to business areas according to risks taken. As a part of net interest income business units receive a capital benefit rate corresponding to the expected average medium-term risk-free return. The cost above Libor from issued subordinated debt is also included in the business areas net interest income based on the respective use of economic capital.

Economic profit constitutes the internal basis for evaluating strategic alternatives as well as for the evaluation of financial performance.

Allocation principles
Cost is allocated based on calculated unit prices and the individual business areas' consumption. Income is allocated with the underlying business transactions as driver combined with the identification of the customer responsible unit.

The assets allocated to the business areas include trading assets, loans and receivables to the public as well as to credit institutions. The liabilities allocated include deposits from the public as well as by credit institutions.

Included in business areas' assets and liabilities are also other assets and liabilities directly related to the specific business area or group function, such as accrued interest, fixed assets and goodwill. All other assets and liabilities are placed in the Group Functions and Eliminations.

Goodwill is allocated to business areas in accordance with the principle of the cash-generating unit. Goodwill generated as part of a business area's strategic decision is fully allocated to this unit. Goodwill impairment tests are conducted in each business area considering allocated goodwill and equity (based on share of Economic Capital). Business areas also carry the funding costs for goodwill.

Transfer pricing
Funds transfer pricing is based on current market interest rate and applied to all assets and liabilities allocated to or booked in the business areas or group functions.

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. The financial result of such transactions is reported in the relevant business area based on assigned product and customer responsibilities. However, the total result related to investment funds is included in Retail Banking, as well as sales commissions and margins from the life insurance business.

Group functions and Eliminations
Group Functions and Eliminations include the unallocated results of the four group functions: Group Processing and Technology, Group Corporate Centre (excluding Group Treasury), Group Credit and Risk Control and Group Legal and Compliance.

Expenses in Group functions, not defined as services to business areas, and profits from associated undertakings that are not included in the customer responsible units are reported under this heading.

Secondary segments

In accordance with prevailing rules, the secondary segment reporting shows Nordea´s operations divided into the geographical areas where the Group operates. These areas are Sweden, Denmark, Finland, Norway, Poland (including the Baltic countries), Eliminations and others. The geographical segment reporting does not reflect Nordea´s operational structure and management principles.

The secondary segment reporting comprises income, total assets and investments in tangible and intangible assets.

See further note 2 Segment reporting.

Exchange rates

EUR 1 = SEK	2005	2004
Income statement (average)	9.2874	9.1276
Balance sheet (at end of period)	9.3884	9.0153
EUR 1 = DKK		
Income statement (average)	7.4518	7.4385
Balance sheet (at end of period)	7.4599	7.4390
EUR 1 = NOK		
Income statement (average)	8.0106	8.3725
Balance sheet (at end of period)	7.9801	8.2484
EUR 1 = PLN		
Income statement (average)	4.0248	4.5297
Balance sheet (at end of period)	3.8524	4.0746

Note 2:
Segment reporting

Group
Business segments

EURm	Retail Banking		Corporate and Institutional Banking		Asset Management		Life Insurance		Group Treasury		Group Functions and Eliminations		Total	
Customer responsible units	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net interest income	3,051	2,914	426	404	40	36	0	0	110	97	36	44	3,663	3,495
Net fee and commission income	1,301	1,191	348	332	286	255	43	58	–6	–7	–37	–35	1,935	1,794
Net gains/losses on items at fair value	225	185	284	224	20	16	91	45	1	31	–6	34	615	535
Profit from companies accounted for under the equity method	26	27	21	19	0	0	0	0	7	0	13	9	67	55
Other income	72	71	15	18	12	9	150	142	25	22	19	–14	293	248
Total operating income	**4,675**	**4,388**	**1,094**	**997**	**358**	**316**	**284**	**245**	**137**	**143**	**25**	**38**	**6,573**	**6,127**
of which allocations	763	615	–396	–290	–276	–233	–94	–90	0	0	3	–2	0	0
Staff costs	–1,050	–1,057	–322	–294	–111	–94	–73	–64	–15	–14	–511	–498	–2,082	–2,021
Other expenses	–1,469	–1,443	–238	–268	–85	–96	–61	–49	–30	–35	428	425	–1,455	–1,466
Depreciation of tangible and intangible assets	–59	–45	–11	–11	–2	–2	–4	–3	0	0	–55	–107	–131	–168
Total operating expenses	**–2,578**	**–2,545**	**–571**	**–573**	**–198**	**–192**	**–138**	**–116**	**–45**	**–49**	**–138**	**–180**	**–3,668**	**–3,655**
of which allocations	–1,091	–894	–151	–193	19	15	0	0	–15	–14	1,238	1,086	0	0
Loan losses	97	18	40	51	0	0	0	0	0	0	0	–96	137	–27
Disposals of tangible and intangible assets	0	0	0	0	0	0	0	0	0	0	6	300	6	300
Operating profit	**2,194**	**1,861**	**563**	**475**	**160**	**124**	**146**	**129**	**92**	**94**	**–107**	**62**	**3,048**	**2,745**
Balance sheet, EURbn														
Loans and receivables to the public	152	130	32	27	2	2	1	0	0	0	1	2	188	161
Other assets	24	29	75	60	2	3	29	26	11	17	–3	–16	138	119
Total assets	**176**	**159**	**107**	**87**	**4**	**5**	**30**	**26**	**10**	**17**	**–2**	**–14**	**326**	**280**
Deposits and borrowings from the public	80	74	27	25	3	4	0	0	3	0	3	2	116	105
Other liabilities	90	80	78	60	1	1	29	25	8	17	–9	–21	197	162
Total liabilities	170	154	105	85	4	5	29	25	11	17	–6	–19	313	267
Economic capital / equity	6	5	2	2	0	0	1	1	0	0	4	5	13	13
Total liabilities and allocated equity	**176**	**159**	**107**	**87**	**4**	**5**	**30**	**26**	**10**	**17**	**–2**	**–14**	**326**	**280**
Other segment items														
Capital expenditure	17	10	1	1	3	2	65	0	0	0	89	123	175	136
Product result					305	234	221	206						

Group
Geographical segments

EURm	SWE		FI		NO		DK		POL[1]		Eliminations and others		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net interest income	736	786	1,210	1,147	628	615	976	996	32	25	81	–74	3,663	3,495
Net fee and commission income	628	582	357	385	245	207	464	551	8	7	233	62	1,935	1,794
Net gains/losses on items at fair value	–6	107	283	201	115	26	199	124	14	12	10	65	615	535
Profit from companies accounted for under the equity method	–	0	20	17	5	6	32	29	–	–	10	3	67	55
Other income	54	53	76	62	63	49	202	248	3	3	–105	–167	293	248
Total operating income	**1,412**	**1,528**	**1,946**	**1,812**	**1,056**	**903**	**1,873**	**1,948**	**57**	**47**	**229**	**–111**	**6,573**	**6,127**
Total assets, EURbn	**108**	**102**	**132**	**119**	**43**	**37**	**117**	**98**	**2**	**2**	**–76**	**–78**	**326**	**280**
Investments in tangible and intangible assets	32	26	16	71	11	11	99	19	2	9	15	0	175	136

[1] Including activities in Estonia, Latvia and Lithuania.

Nordea's main geographical market comprises the Nordic countries and Poland. The geographical presentation therefore highlights the division between these countries, i.e. Sweden, Finland, Norway, Denmark and Poland.

Note 3:
Interest income and interest expense

	Group		Parent company	
EURm	2005	2004	2005	2004
Interest income				
Loans and receivables to credit institutions	521	618	522	483
Loans and receivables to the public	6,980	6,441	686	671
Interest-bearing securities	753	797	147	182
Other interest income	199	108	32	8
Total interest income	**8,453**	**7,964**	**1,387**	**1,344**
Interest expense				
Deposits by credit institutions	–635	–615	–390	–376
Deposits and borrowings from the public	–1,512	–1,367	–197	–286
Debt securities in issue	–2,329	–2,260	–172	–102
Subordinated liabilities	–274	–197	–152	–87
Other interest expenses	–40	–30	–32	–23
Total interest expense	**–4,790**	**–4,469**	**–943**	**–874**
Net interest income	**3,663**	**3,495**	**444**	**470**

Interest income from financial instruments not measured at fair value through profit and loss are calculated to EUR 5,946m. Interest expenses from financial instruments not measured at fair value through profit and loss are calculated to EUR 3,040m.

Average balance and interest rates

Average balance

	Group		Parent company	
EURm	2005	2004	2005	2004
Assets				
Loans and receivables to credit institutions	20,830	24,733	25,037	21,415
Loans and receivables to the public	174,544	152,966	18,450	17,036
Interest-bearing securities	43,474	42,437	6,612	6,520
Liabilities				
Deposits by credit institutions	29,985	29,696	21,533	18,844
Deposits and borrowings from the public	107,165	97,457	25,188	24,613
Debt securities in issue	70,606	62,931	6,717	4,506
Average interest rates				
Loans and receivables to credit institutions %	2.5	2.5	2.1	2.3
Loans and receivables to the public %	4.0	4.2	3.7	3.9
Deposits by credit institutions %	2.1	2.1	1.8	2.0
Deposits and borrowings from the public %	1.4	1.4	0.8	1.2

Net interest income

	Group		Parent company	
EURm	2005	2004	2005	2004
Interest income	8,225	7,780	1,387	1,344
Net leasing income	228	184	–	–
Interest expenses	–4,790	–4,469	–943	–874
Total	**3,663**	**3,495**	**444**	**470**

Note 4:
Net fee and commission income

	Group		Parent company	
EURm	2005	2004	2005	2004
Fee and commission income				
Loans and receivables	335	264	79	76
Guarantees and documentary payments	77	106	8	9
Life insurance	198	170	–	–
Investment products/services	697	619	–	–
Deposits, payments and e-services	709	717	260	288
Brokerage	264	205	142	109
Other commission income	202	149	60	68
Total fee and commission income	**2,482**	**2,230**	**549**	**550**
Fee and commission expense				
Life insurance	–91	–59	–	–
Payments and e-services	–162	–167	–89	–88
Other commission expenses	–294	–210	–28	–27
Total fee and commission expenses	**–547**	**–436**	**–117**	**–115**
Net fee and commission income	**1,935**	**1,794**	**432**	**435**

Fee income from financial assets not measured at fair value through profit and loss are calculated to EUR 2,255m. Fee expenses from financial liabilities not measured at fair value through profit or loss are calculated to EUR 431m.

Note 5:
Net gains/losses on items at fair value

	Group		Parent company	
EURm	2005	2004	2005	2004
Shares/participations and other share-related instruments	146	79	27	7
Interest-bearing securities and other interest-related instruments	63	172	–9	–43
Other financial instruments	29	17	0	0
Foreign exchange gains/losses	259	222	–56	111
Premium income, life insurance	2,412	2,309	–	–
Investments, life insurance	2,616	1,542	–	–
Change in technical provisions, life insurance	–2,644	–1,887	–	–
Claims paid, life insurance	–1,720	–1,644	–	–
Change in collective bonus potential, life insurance	–546	–275	–	–
Total	**615**	**535**	**–38**	**75**

Note 6:
Dividends

	Group		Parent company	
EURm	2005	2004	2005	2004
Shares	11	6	–	3
Investments in associated undertakings	–	–	1	0
Investments in group undertakings	–	–	1,022	1,419
Total	**11**	**6**	**1,023**	**1,422**

Note 7:
Other operating income

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Divestment of shares	57	8	3	22
Income from real estate	159	168	–	16
Other	66	66	119	117
Total	**282**	**242**	**122**	**155**

Note 8:
Staff costs

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Salaries and remuneration (specification below)	–1,554	–1,489	–329	–333
Pension costs (specification below)	–215	–171	–49	–41
Social insurance contributions	–246	–240	–111	–111
Allocation to profit-sharing foundation	–49	–60	–11	–14
Other staff costs	–18	–61	–	–
Total	**–2,082**	**–2,021**	**–500**	**–499**
Salaries and remuneration:				
To executives [1]				
– Fixed compensation and benefits	–14	–13	–6	–5
– Performance-related compensation	–4	–3	–2	–1
Total	**–18**	**–16**	**–8**	**–6**
To other employees	–1,536	–1,473	–321	–327
Total	**–1,554**	**–1,489**	**–329**	**–333**

[1] Executives include the Board of Directors of the parent company and operating subsidiaries, CEO, Group Executive Management as well as managing directors and executive vice presidents in the parent company and operating subsidiaries (including former board members and managing directors).

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Pension costs:				
Defined benefits plans (Note 38)	–94	–44	–	–
Actuarial pension costs (parent company only)	–	–	–35	–29
Defined contribution plans	–121	–127	–14	–12
Total	**–215**	**–171**	**–49**	**–41**

Compensation etc to the Board of Directors, CEO and Group Executive Management

Compensation to the Board and CEO	Fixed salary / Board fee [1]		Variable salary [2]		Benefits		Total	
EUR	2005	2004	2005	2004	2005	2004	2005	2004
Chairman of the Board								
Hans Dalborg	230,781	220,526	–	–	–	–	230,781	220,526
Vice chairman of the Board								
Timo Peltola	101,438	95,598	–	–	–	–	101,438	95,598
Other Board members [3]	595,546	530,329	–	–	–	–	595,546	530,329
CEO								
Lars G Nordström	798,664	766,905	288,728	243,903	32,565	17,981	1,119,957	1,028,789

[1] The board fee includes fixed remuneration and meeting fees. These are booked in SEK and translated into EUR based on the average exchange rate each year.
[2] Represents payment based on performance pertaining to the previous year and includes also executive incentive payout.
[3] In 2005 the number of Board members increased by one member.

Note 8: *cont.*

The remuneration for the Board resolved by the AGM 2005 was: The Chairman EUR 220,000, Vice Chairman EUR 90,000 and members EUR 70,000. In addition, remuneration for committee meetings and extra-ordinary board meetings is EUR 1,000 per meeting. The CEO and any other Board members employed by Nordea do not receive separate compensation for their Board membership. There are no commitments for severance pay, pension or other compensation to the members of the Board who are not and have not been employed by Nordea.

Hans Dalborg, Chairman of the Board, former CEO of Nordea, receives a pension equal to 75% of his pensionable salary until the age of 65 and thereafter a maximum of 65% of 180 Swedish "price base amounts" 2001, equal to SEK 36,900, and 32.5% of the remaining part of pensionable salary. The pension after the age of 65 is covered by insurance and fully paid.

The fixed salary, variable salary and contract terms for the CEO are proposed by the Board Remuneration Committee and approved by the Board. Variable salary, that is based on agreed, specific targets can amount to a maximum of 35% of the fixed salary. Additionally, the executive incentive program described below can give a maximum of 12% of the fixed salary. The variable salary for 2004, totalling EUR 288,728 including payout from the executive incentive program, was determined by the Board in March 2005. Benefits received by the CEO include primarily car and housing benefits.

The Board and the present CEO have agreed that the CEO's tenure continues until further notice. After retirement the pension amounts to 70% of the pensionable income for the first five years. Thereafter the pension is arranged in accordance with the occupational pension scheme of Swedish banks, with some adjustments. The CEO's contract may be terminated by either the CEO or the Company with six (6) months' notice followed by retirement. Earned pension rights from the age of 62 are deferred monthly to be paid after the CEO's retirement.

Compensation to Group Executive Management	Fixed salary		Variable salary [1]		Benefits		Total	
EUR	2005	2004	2005	2004	2005	2004	2005	2004
Group Executive Management 8 persons excluding the CEO [2]	3,986,380	3,669,534	1,267,594	1,096,405	133,013	123,611	5,386,987	4,889,550

[1] Represents payment based on performance pertaining to previous year including executive incentive payout.
[2] The composition of GEM changed 2004. Figures include new members of GEM from 1 November 2004.

Following consultation with the Board Remuneration Committee, the CEO determines the salary terms for other members of Group Executive Management (GEM). Variable salary, which is based on agreed, specific targets can be a maximum of 35% of the fixed salary. Additionally, the executive incentive program described below can give a maximum of 12% of the fixed salary. Variable salaries for 2005 will be determined in March 2006. Benefits received by some of the GEM-members include primarily car and / or housing benefits. Nordea has no incentive systems, based on the value of the Company´s share price.

In accordance with their employment contracts, Finnish, Norwegian and Swedish executives are entitled to 6 months' salary during the notice period before termination, and with regard to severance pay, this may not total more than 18 months' salary and must be reduced by the salary amount that the executive receives as a result of any other employment during those 18 months. For the Danish executives the notice pay is 12 months and the severance pay is 12 months if they are not employed in a competing firm.

GEM members are entitled to retire with a pension at the age of 60. Danish executives can remain employed at their discretion until the age of 62. The Danish members of GEM receive 50% of the salary for their lifetime, of which one contract being annually adjusted by the general level of salary increases in Nordea Bank Denmark. The Finnish members of GEM receive 60% of their pensionable income for their lifetime, annually adjusted by the Finnish TEL-index. The Norwegian member of GEM receives 70% of his pensionable income at retirement for life, annually adjusted. For the Swedish members of GEM the pension amounts to 70% of the pensionable income and is paid up to age 65, annually adjusted by the banking industry pensions increment in Sweden, and thereafter the pension is paid in accordance with the Occupational pension scheme of Swedish banks, with some adjustments. Fixed salary is pensionable income for all executives. For Finnish executives variable salary is also included and for Swedish, Danish and Norwegian executives variable salary is partly included.

Loans to the Board and Group Executive Management

EUR	2005	2004
	1,766,295	1,378,527

Terms and conditions regarding loans to Group Executive Management and other senior management are decided according to procedures set by the respective bank boards.

Note 8: *cont.*

Pension commitments to Board member, CEOs and Group Executive Management [1]

EUR	2005	2004
Pension costs related to former Chairman of the Board and CEOs	463,968	776,348
Pension obligation related to former Chairman of the Board and CEOs	17,860,000	18,180,000
Pension cost related to CEO	765,703	633,636
Pension cost related to Group Executive Management, excl. CEO	5,465,569	2,344,044
Pension obligation related to the CEO	2,540,000	2,370,000
Pension obligation related to Group Executive Management, excl. CEO	20,010,000	15,480,000

[1] In Denmark and Finland provisions for pension obligations are first of all made in the balance sheet. In Sweden pension obligations are mainly provided for in the pension foundations but also in the balance sheet. Pension for executives in Denmark and Sweden are partly based on defined contribution plans. Pensions based on defined benefit plans are irrevocable.

The table above shows the actuarial pension obligations calculated in accordance with IAS 19. These obligations are therefore strongly dependent on changes in discount rate and salaries. The major part of the development in 2005 is due to changes in these two parameters. The changes in pension obligations are fully reflected in the pension costs, which therefore can show large interannual variability.

Pension cost for all executives, amounted to EUR 10m (EUR 7m) and pension commitments to EUR 52m (EUR 45m). Executives include the Board of Directors of the parent company and operating subsidiaries, CEO, Group Executive Management as well as Managing Directors and Executive Vice Presidents in the parent company and operating subsidiaries including former Board members and Managing Directors.

Executive Incentive Program

For information on the Executive Incentive Program see the Corporate governance section, page 51.

Average number of employees

Group	Total		Men		Women	
	2005	2004	2005	2004	2005	2004
Full-time equivalents						
Finland	8,307	8,727	1,593	1,571	6,714	7,156
Denmark	8,078	8,181	3,943	3,763	4,135	4,418
Sweden	7,808	7,939	3,232	3,250	4,576	4,689
Norway	3,404	3,527	1,860	1,799	1,544	1,728
Poland	987	1,041	345	361	642	680
Luxembourg	370	322	233	203	137	119
Estonia	223	188	51	48	172	140
Latvia	208	165	80	63	128	102
Lithuania	134	88	40	26	94	62
United States	64	64	31	36	33	28
United Kingdom	58	62	32	34	26	28
Singapore	48	43	15	13	33	30
Germany	31	33	17	17	14	16
Total average	**29,720**	**30,380**	**11,472**	**11,184**	**18,248**	**19,196**
Total number of employees (FTEs), end of period	**28,925**	**28,929**				

Parent company	Total		Men		Women	
	2005	2004	2005	2004	2005	2004
Full-time equivalents						
Sweden	7,302	7,410	2,983	2,991	4,319	4,419
Other countries	56	62	42	46	14	16
Total average	**7,358**	**7,472**	**3,025**	**3,037**	**4,333**	**4,435**

Note 8: *cont.*

Salaries and remuneration per country

Group	2005		2004	
EURm	Executives	Other employees	Executives	Other employees
Finland	–2	–344	–2	–344
Denmark	–4	–542	–3	–518
Sweden	–6	–342	–5	–340
Norway	–3	–216	–3	–196
Poland	–1	–17	–1	–14
Luxembourg	–2	–41	–2	–33
Estonia	0	–4	0	–3
Latvia	0	–3	0	–3
Lithuania	0	–2	0	–1
United States	–	–14	0	–11
United Kingdom	–	–6	–	–5
Singapore	–	–2	–	–2
Germany	0	–3	0	–3
Total	**–18**	**–1,536**	**–16**	**–1,473**

Parent company	2005		2004	
EURm	Executives	Other employees	Executives	Other employees
Sweden	–4	–316	–3	–317
Other countries	–4	–5	–3	–10
Total	**–8**	**–321**	**–6**	**–327**

Gender distribution

Per cent	31 Dec 2005	31 Dec 2004
Nordea Bank AB (publ)		
Board of Directors		
– Men	61	58
– Women	39	42
Other executives		
– Men	92	92
– Women	8	8

In the Board of Directors of the Nordea Group companies, 87% (88%) were men and 13% (12%) were women. The corresponding numbers for Other executives were 87% (92%) men and 13% (8%) women. Internal Boards consist mainly of management in Nordea.

Sick leave [1]

Parent company	Sick leave as a percentage of ordinary working hours		Proportion of long-term sick leave in per cent	
	2005	2004	2005	2004
Total	**5.0**	**5.2**	**61**	**65**
Men	2.7	2.7	51	56
Women	6.4	6.8	64	67
18–29	2.8	2.9	19	20
30–49	4.2	4.7	59	64
50–65	6.4	6.4	67	69

[1] Ordinary working hours refer to the number of hours agreed in the employment contract, excluding overtime. Long-term sick leave refers to a continuous period of absence of 60 days or more. The sick leave of each category is stated as a percentage of the category's ordinary working hours.

Note 9:

Other expenses

	Group		Parent company	
EURm	2005	2004	2005	2004
Information technology [1]	–485	–459	–176	–157
Marketing	–100	–96	–31	–27
Postage, telephone and office expenses	–199	–207	–89	–96
Rents, premises and real estate	–337	–346	–101	–135
Compensation to Svensk Kassaservice	–30	–32	–30	–32
Divestment of shares	–	–	–30	–
Other [2]	–304	–326	–79	–97
Total	**–1,455**	**–1,466**	**–536**	**–544**

[1] Refers to IT operations, service expenses and consultant fees for the Group. Total IT-related costs including staff etc, but excluding IT expenses in insurance operations, were EUR 636m (EUR 638m).
[2] Including fees and remuneration to auditors distributed as follows.

Auditors' fees

	Group		Parent company	
EURm	2005	2004	2005	2004
KPMG Bohlins				
Auditing assignments	–4	–4	–2	–2
Other assignments incl audit-related services	–1	–1	0	0
Ernst & Young				
Auditing assignments	0	0	0	0
Other assignments incl audit-related services	–1	0	0	0
Deloitte & Touche				
Auditing assignments	0	0	–	0
Other assignments incl audit-related services	–1	–1	–	–
PriceWaterhouseCoopers				
Auditing assignments	0	0	0	0
Other assignments incl audit-related services	0	0	0	0
Other	0	–1	0	0
Total	**–7**	**–7**	**–2**	**–2**

Note 10:
Depreciation, amortisation and impairment charges of tangible and intangible assets

Depreciation/amortisation

	Group		Parent company	
EURm	2005	2004	2005	2004
Property and equipment (Note 26)				
Equipment	–106	–128	–24	–29
Buildings	–2	–9	0	–
Intangible assets (Note 25)				
Goodwill	–	–	–72	–70
Other intangible assets	–19	–19	–3	–4
Total	**–127**	**–156**	**–99**	**–103**

Impairment charges

	Group		Parent company	
EURm	2005	2004	2005	2004
Property and equipment (Note 26)				
Equipment	–4	–4	–	–
Buildings	–	–8	–	–
Total	**–4**	**–12**	**–**	**–**

Total depreciation, amortisation and impairment charges of tangible and intangible assets	**–131**	**–168**	**–99**	**–103**

Note 11:
Loan losses

	Group		Parent company	
EURm	2005	2004	2005	2004
Loan losses divided by category				
Write-offs and provisions for loans and receivables	–570	–590	–94	–110
– Of which, to the public	–570	–590	–94	–110
Reversals and recoveries for loans and receivables	707	563	107	77
– Of which, to the public	707	563	107	77
Total	**137**	**–27**	**13**	**–33**

Note 11: *cont.*
Specifications

	Group		Parent company	
EURm	2005	2004	2005	2004
Specific provisions for individually assessed loans				
Realised loan losses during the year	–240	–369	–31	–26
Reversed amount of previous provisions made for realised loan losses during the year	178	293	21	17
This year's provisions for probable loan losses	–345	–433	–59	–67
Recoveries of previous years' realised loan losses	152	74	13	4
Reversals of provisions for probable loan losses no longer required	431	296	50	21
This year's costs for individually assessed loans, net	**176**	**–139**	**–6**	**–51**
Provisions for groups of significant loans				
Allocation to reserve	–87	–51	–3	–16
Withdrawal from reserve	90	116	17	–
This year's change of provisions for groups of significant loans	**3**	**65**	**14**	**–16**
Provisions for groups of not significant loans				
Realised loan losses during the year	–10	–14	–9	–12
Recoveries of previous years' realised loan losses	17	42	16	38
Allocation to reserve	–26	0	–1	0
Withdrawal from reserve	2	9	0	4
This year's net costs of provisions for groups of not significant loans	**–17**	**37**	**6**	**30**
Transfer risks				
Allocation to reserve for transfer risks	–39	–16	–12	–6
Withdrawal from reserve for transfer risks	14	25	11	10
This year's change of provisions for transfer risks	**–25**	**9**	**–1**	**4**
Contingent liabilities				
Net cost for redemption of guarantees and other contingent liabilities	–1	1	–	–
The year's net cost for redemption of guarantees and other contingent liabilities	**–1**	**1**	**–**	**–**
Change in value of assets taken over for protection of claims	1	0	–	–
Loan losses	**137**	**–27**	**13**	**–33**

Note 11: *cont.*

Change in value of assets taken over for protection of claims[1]

	Group		Parent company	
EURm	2005	2004	2005	2004
Realised change in value				
Property taken over	1	–	–	–
Total	**1**	**–**	**–**	**–**
Unrealised change in value				
Property taken over	–	0	–	–
Total	**–**	**0**	**–**	**–**
Total	**1**	**0**	**–**	**–**

[1] See also corresponding Note 18, Loans and receivables and their impairment.

Note 12:

Appropriations

	Parent company	
EURm	2005	2004
Pension adjustments		
Reversed actuarial pension costs	34	29
Pension benefits paid	–50	–49
Allocations/compensation	–2	–1
Special wage tax/return tax	–12	–7
Total	**–30**	**–28**
Change in depreciation in excess of plan, equipment	7	4
Reversal of profit equalisation reserve	618	101
Allocation to profit equalisation reserve	–	–51
Total	**595**	**26**

Note 13:

Income tax expense

	Group		Parent company	
EURm	2005	2004	2005	2004
Current tax[1]	–834	–498	–237	–48
Deferred tax	55	–169	8	11
Total	**–779**	**–667**	**–229**	**–37**

[1] Of which relating to prior years (see below)	–94	–10	3	–6
Of which referring to associated undertakings	–23	–16	–	–

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of Sweden as follows:

	Group		Parent company	
EURm	2005	2004	2005	2004
Profit before tax	3,048	2,745	1,146	1,293
Tax calculated at a tax rate 28%	–854	–769	–321	–362
Effect of different tax rates in other countries	15	–25	–	–5
Tax charges not related to profit	–15	–5	–4	–
Tax-exempt income	46	107	209	385
Non-deductible expenses	–14	–19	–118	–54
Adjustments relating to prior years[1]	–94	–10	3	–6
Income tax due to tax assets previously not recognised	160	86	2	5
Change of tax rate	10	–16	–	–
Not creditable foreign taxes	–33	–16	–	–
Tax charge	**–779**	**–667**	**–229**	**–37**
Average effective tax rate	26%	24%	20%	3%

[1] Refers mainly to retrospective tax due to new ruling by the Norwegian Tax Administration.

Note 13: *cont.*

Deferred tax

	Group		Parent company	
EURm	2005	2004	2005	2004
Deferred tax expense (–)/income (+)				
Deferred tax due to temporary differences	–115	–239	6	6
Deferred tax due to change of tax rate	10	–16	–	–
Deferred tax due to tax assets previously not recognised	160	86	2	5
Income tax expense, net	**55**	**–169**	**8**	**11**
Deferred tax assets				
Deferred tax assets due to tax losses	190	233	–	–
Deferred tax assets due to temporary differences	209	309	45	48
Offset against tax liabilities	–47	–92	–	–
Total	**352**	**450**	**45**	**48**
Deferred tax liabilities				
Deferred tax liabilities due to untaxed reserves	16	201	–	–
Deferred tax liabilities due to temporary differences	454	489	0	–
Offset against tax assets	–47	–92	–	–
Total	**423**	**598**	**0**	**–**
Deferred tax assets(+)/liabilities(–), net				
Deferred tax asset due to tax losses	190	233	–	–
Deferred tax liabilities due to untaxed reserves	–16	–201	–	–
Deferred tax assets/liabilities in loans and receivables to the public	–307	–326	12	–
Deferred tax assets/liabilities in financial instruments	–32	3	–	10
Deferred tax assets/liabilities in property and equipment	18	31	–	–
Deferred tax assets/liabilities in investment property	–51	–54	–	–
Deferred tax assets/liabilities in retirement benefit obligation	81	86	–	–
Deferred tax assets/liabilities in provisions	46	80	33	38
Deferred tax assets/liabilities, net	**–71**	**–148**	**45**	**48**

Note 13: *cont.*

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Movements in deferred tax liabilities, net are as follows:				
Deferred tax relating to items that are charged or credited directly to equity	16	72	–8	–
Translation differences	6	–1	–3	–
Acquisitions and others	–	–6	–	34
Deferred tax in the income statement	55	–169	8	11
At end of year	**77**	**–104**	**–3**	**45**
Current and deferred tax recognised directly in equity				
Deferred tax relating to changed accounting policies	17	72	12	–
Deferred tax relating to available-for-sale investments	–1	–	–	–
Current tax relating to group contribution	–	–	–	2
Total	**16**	**72**	**12**	**2**
Unrecognised deferred tax assets				
Unused tax losses	572	698	–	–
Unused tax credits	105	105	–	–
Other deductible temporary differences	38	37	–	–
Total	**715**	**840**	**–**	**–**
Expire date 2011	27	27		
Expire date 2012	3	3		
Expire date 2013	584	710		
Expire date 2014	63	63		
Expire date later than 2014	38	37		
Total	**715**	**840**		

There is no deferred tax relating to temporary differences associated with investments in group undertakings, associated undertakings and joint ventures.

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related benefit is probable.

Unrecognised unused tax losses and tax credits 31 Dec 2005 are net amounts after estimated future uncreditable foreign taxes. These are related to Finnish loss carry-forward. The unrecognition of deferred tax assets are depending on uncertainty if Nordea is able to utilise fully the tax losses and tax credits due to SE-merger plan. Nordea´s tax assets, and recognition of deferred taxes going forward, are subjected to continious evaluation.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax income taxes related to the same fiscal authority.

Note 14:

Earnings per share (EPS)

Earnings per share

The calculation of earnings per share at 31 Dec 2005 was based on the profit attributable to shareholders of Nordea Bank AB (publ) of EUR 2,263m and a weighted average number of ordinary shares outstanding during the year ended 31 Dec of 2,644 million, excluding the average number of own shares. Dilution not applicable.

	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	2,263	2,075	917	1,256
Weighted average number of shares outstanding (in millions)	2,644	2,785	2,650	2,789
Earnings per share, EUR	0.86	0.74	0.35	0.45
Weighted average number of shares outstanding (in millions):				
Number of shares outstanding at beginning of year	2,735	2,846	2,735	2,846
Adjustment for average own shares referring to Nordea Bank AB (publ)'s repurchase of own shares	–85	–57	–85	57
Adjustment for average own shares in trading portfolio	–6	–4	0	–
Weighted average number of shares outstanding at end of year	**2,644**	**2,785**	**2,650**	**2,789**

Note 15:
Treasury bills and other eligible bills

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Treasury bills				
Of which current	3,947	5,411	2,090	3,006
Other eligible bills				
Of which current	3,333	3,197	–	–
Total	**7,280**	**8,608**	**2,090**	**3,006**

All bills are subject to variable interest rate risk.

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Maturity information				
Remaining maturity (book value)				
Maximum 1 year	5,009	5,018	1,210	837
1–5 years	1,862	3,045	656	1,860
5–10 years	375	539	224	309
More than 10 years	34	6	–	–
Total	**7,280**	**8,608**	**2,090**	**3,006**
Average remaining maturity, years	1.4	1.6	2.1	2.8

Issuer categories

Parent company

EURm	Book value 31 Dec 2005	Book value 31 Dec 2004	Fair value 31 Dec 2005	Fair value 31 Dec 2004	Amortised cost 31 Dec 2005	Amortised cost 31 Dec 2004
Swedish government	1,287	1,279	1,287	1,279	1,287	1,265
Swedish municipalities	29	98	29	98	29	97
Foreign governments	774	1,629	774	1,629	775	1,624
Total	**2,090**	**3,006**	**2,090**	**3,006**	**2,091**	**2,986**

Note 16:
Loans and receivables to credit institutions

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Central banks	7,504	6,616	–	0
Other banks	21,234	16,103	14,311	9,456
Other credit institutions	2,840	2,055	14,327	14,293
Total	31,578	24,774	28,638	23,749
Of which, group undertakings	–	–	22,940	20,957
Of which, associated undertakings	20	32	–	–
– subordinated	2	2	–	–
– other	18	30	–	–
Maturity information				
Remaining maturity (book value)				
Payable on demand	1,150	2,337	994	766
Maximum 3 months	28,431	19,256	21,853	21,035
3 months–1 year	563	2,208	4,803	757
1–5 years	1,354	871	944	1,184
More than 5 years	80	102	44	7
Total	**31,578**	**24,774**	**28,638**	**23,749**
Average remaining maturity, years	0.4	0.6	0.3	0.3

Note 17:
Loans and receivables to the public [1]

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Loans and receivables to the public	188,460	161,060	19,069	17,492
Total	188,460	161,060	19,069	17,492
Of which, group undertakings	–	–	277	431
Of which, associated undertakings	153	118	–	–
– subordinated	1	1	–	–
– other	152	117	–	–
Maturity information				
Remaining maturity (book value)				
Payable on demand	16,308	32,210	335	328
Maximum 3 months	48,289	20,875	9,705	10,025
3 months–1 year	16,713	15,151	1,746	1,076
1–5 years	42,364	40,800	6,587	5,542
More than 5 years	64,786	52,024	696	521
Total	**188,460**	**161,060**	**19,069**	**17,492**
Average remaining maturity, years	3.8	5.7	1.4	1.2

[1] Finance leases, where the Nordea Group is a lessor, are included in Loans and receivables to the public, see Note 27 Leasing.

Note 18:

Loans and receivables and their impairment

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Loans and receivables to credit institutions	31,578	24,774	28,638	23,749
Loans and receivables to the public [1]	188,460	161,060	19,069	17,492
Total	**220,038**	**185,834**	**47,707**	**41,241**

[1] Finance leases, where the Nordea Group is a lessor, are included in Loans and receivables to the public, see Note 27 Leasing.

Loans and receivables by categories of borrowers

Group 31 Dec 2005, EURm	Credit institutions	Corporates	Households	Public sector	Total
Loans and receivables, not impaired [1]	31,578	99,768	84,463	3,890	219,699
Impaired loans and receivables	–	1,365	446	9	1,820
Loans and receivables before reserves	**31,578**	**101,133**	**84,909**	**3,899**	**221,519**
Specific reserves for individually assessed loans	–	–861	–202	–1	–1,064
Reserves for groups of significant loans	–	–324	–	–	–324
Reserves for groups of not significant loans	–	–	–93	–	–93
Reserves	**–**	**–1,185**	**–295**	**–1**	**–1,481**
Loans and receivables, book value	**31,578**	**99,948**	**84,614**	**3,898**	**220,038**
[1] Of which non-performing loans on which interest is taken as income	–	29	14	–	43
Specification of impaired loans and receivables					
Impaired loans and receivables before reserves	**–**	**1,365**	**446**	**9**	**1,820**
Of which non-performing	–	459	252	9	720
Of which performing	–	906	194	0	1,100
Reserves for impaired loans and receivables	**–**	**–1,185**	**–295**	**–1**	**–1,481**
Of which non-performing	–	–279	–101	–1	–381
Of which performing	–	–906	–194	0	–1,100
Book value of impaired loans and receivables	**–**	**180**	**151**	**8**	**339**
Of which non-performing	–	180	151	8	339
Of which performing	–	0	0	0	0
Ratios and key figures					
Reserves/impaired loans and receivables before reserves, %					81.4
Impaired loans and receivables before reserves/ loans and receivables to the public before reserves, %					1.0

Not 18: *cont.*

Group 31 Dec 2004, EURm	Credit institutions	Corporates	Households	Public sector	Total
Loans and receivables, not impaired [1]	24,774	83,568	73,260	3,689	185,291
Impaired loans and receivables	–	1,804	509	2	2,315
Loans and receivables before reserves	**24,774**	**85,372**	**73,769**	**3,691**	**187,606**
Specific reserves for individually assessed loans	–	–1,035	–272	–1	–1,308
Reserves for groups of significant loans	–	–392	–	–	–392
Reserves for groups of not significant loans	–	–	–72	–	–72
Reserves	**–**	**–1,427**	**–344**	**–1**	**–1,772**
Loans and receivables, book value	**24,774**	**83,945**	**73,425**	**3,690**	**185,834**
[1] Of which non-performing loans on which interest is taken as income	–	40	13	–	53
Specification of impaired loans and receivables					
Impaired loans and receivables before reserves	**–**	**1,804**	**509**	**2**	**2,315**
Of which non-performing	–	781	309	0	1,090
Of which performing	–	1,023	200	2	1,225
Reserves for impaired loans and receivables	**–**	**–1,427**	**–344**	**–1**	**–1,772**
Of which non-performing	–	–404	–144	1	–547
Of which performing	–	–1,023	–200	–2	–1,225
Book value of impaired loans and receivables	**–**	**377**	**165**	**1**	**543**
Of which non-performing	–	377	165	1	543
Of which performing	–	0	0	0	0
Ratios and key figures					
Reserves/impaired loans and receivables before reserves, %					76.5
Impaired loans and receivables before reserves/ loans and receivables to the public before reserves, %					1.4

Parent company 31 Dec 2005, EURm	Credit institutions	Corporates	Households	Public sector	Total
Loans and receivables, not impaired	28,638	15,398	3,209	439	47,684
Impaired loans and receivables	11	143	42	1	197
Loans and receivables before reserves	**28,649**	**15,541**	**3,251**	**440**	**47,881**
Specific reserves for individually assessed loans	–1	–102	–5	–	–108
Reserves for groups of significant loans	–10	–34	–	–	–44
Reserves for groups of not significant loans	–	0	–22	–	–22
Reserves	**–11**	**–136**	**–27**	**–**	**–174**
Loans and receivables, book value	**28,638**	**15,405**	**3,224**	**440**	**47,707**
Specification of impaired loans and receivables					
Impaired loans and receivables before reserves	**11**	**143**	**42**	**1**	**197**
Of which non-performing	–	28	39	1	68
Of which performing	11	115	3	–	129
Reserves for impaired loans and receivables	**–11**	**–136**	**–27**	**–**	**–174**
Of which non-performing	–	–21	–24	–	–45
Of which performing	–11	–115	–3	–	–129
Book value of impaired loans and receivables	**0**	**7**	**15**	**1**	**23**
Of which non-performing	–	7	15	1	23
Of which performing	0	0	0	–	0
Ratios and key figures					
Reserves/impaired loans and receivables before reserves, %					88.3
Impaired loans and receivables before reserves/ loans and receivables to the public before reserves, %					1.0

Note 18: *cont.*

Parent company 31 Dec 2004, EURm	Credit institutions	Corporates	Households	Public sector	Total
Loans and receivables, not impaired	23,749	13,678	3,316	457	41,200
Impaired loans and receivables	–	209	45	–	254
Loans and receivables before reserves	**23,749**	**13,887**	**3,361**	**457**	**41,454**
Specific reserves for individually assessed loans	–	–128	–4	–	–132
Reserves for groups of significant loans	–	–59	–	–	–59
Reserves for groups of not significant loans	–	–	–22	–	–22
Reserves	**–**	**–187**	**–26**	**–**	**–213**
Loans and receivables, book value	**23,749**	**13,700**	**3,335**	**457**	**41,241**
Specification of impaired loans and receivables					
Impaired loans and receivables before reserves	**–**	**209**	**45**	**–**	**254**
Of which non-performing	–	50	43	–	93
Of which performing	–	159	2	–	161
Reserves for impaired loans and receivables	**–**	**–187**	**–26**	**–**	**–213**
Of which non-performing	–	–28	–24	–	–52
Of which performing	–	–159	–2	–	–161
Book value of impaired loans and receivables	**–**	**22**	**19**	**–**	**41**
Of which non-performing	–	22	19	–	41
Of which performing	–	0	0	–	0
Ratios and key figures					
Reserves/impaired loans and receivables before reserves, %					83.9
Impaired loans and receivables before reserves/ loans and receivables to the public before reserves, %					1.4

Corporate loans by industry

Group 31 Dec 2005, EURm	Real-estate manage-ment	Con-struc-tion	Agri-culture and fishing	Trans-port	Ship-ping	Trade and serv-ice	Manu-factur-ing	Finan-cial oper-ations	Renting, consult-ing and other company services	Other	Total
Loans and receivables, not impaired [1]	26,171	2,889	5,794	5,573	5,276	9,937	13,507	10,514	9,623	10,484	99,768
Impaired loans and receivables	155	49	165	57	20	193	368	30	139	189	1,365
Loans and receivables before reserves	**26,326**	**2,938**	**5,959**	**5,630**	**5,296**	**10,130**	**13,875**	**10,544**	**9,762**	**10,673**	**101,133**
Specific reserves for individually assessed loans	–79	–39	–38	–48	–14	–150	–295	–24	–112	–62	–861
Reserves for groups of significant loans	–50	–	–96	–6	–	–	–52	–	–10	–110	–324
Reserves for groups of not significant loans	–	–	–	–	–	–	–	–	–	–	–
Reserves	**–129**	**–39**	**–134**	**–54**	**–14**	**–150**	**–347**	**–24**	**–122**	**–172**	**–1,185**
Loans and receivables, book value	**26,197**	**2,899**	**5,825**	**5,576**	**5,282**	**9,980**	**13,528**	**10,520**	**9,640**	**10,501**	**99,948**
[1] Of which non-performing loans on which interest is taken as income										29	29
Specification of impaired loans and receivables											
Impaired loans and receivables before reserves	**155**	**49**	**165**	**57**	**20**	**193**	**368**	**30**	**139**	**189**	**1,365**
Of which non-performing	42	20	19	23	8	86	107	13	78	63	459
Of which performing	113	29	146	34	12	107	261	17	61	126	906
Reserves for impaired loans and receivables	**–129**	**–39**	**–134**	**–54**	**–14**	**–150**	**–347**	**–24**	**–122**	**–172**	**–1,185**
Of which non-performing	–16	–10	12	–20	–2	–43	–86	–7	–61	–46	–279
Of which performing	–113	–29	–146	–34	–12	–107	–261	–17	–61	–126	–906
Book value of impaired loans and receivables	**26**	**10**	**31**	**3**	**6**	**43**	**21**	**6**	**17**	**17**	**180**
Of which non-performing	26	10	31	3	6	43	21	6	17	17	180
Of which performing	0	0	0	0	0	0	0	0	0	0	0

Note 18: *cont.*

Group

31 Dec 2004, EURm	Real estate management	Construction	Agriculture and fishing	Transport	Shipping	Trade and service	Manufacturing	Financial operations	Renting, consulting and other company services	Other	Total
Loans and receivables, not impaired	23,415	2,837	5,192	4,603	3,798	8,493	11,936	10,701	5,650	6,943	83,568
Impaired loans and receivables	149	67	190	174	56	243	357	71	196	301	1,804
Loans and receivables before reserves	**23,564**	**2,904**	**5,382**	**4,777**	**3,854**	**8,736**	**12,293**	**10,772**	**5,846**	**7,244**	**85,372**
Specific reserves for individually assessed loans	–100	–40	–94	–106	–26	–148	–221	–42	–119	–139	–1,035
Reserves for groups of significant loans	–23	–8	–65	–23	–11	–30	–61	–15	–26	–130	–392
Reserves	**–123**	**–48**	**–159**	**–129**	**–37**	**–178**	**–282**	**–57**	**–145**	**–269**	**–1,427**
Loans and receivables, book value	**23,441**	**2,856**	**5,223**	**4,648**	**3,817**	**8,558**	**12,011**	**10,715**	**5,701**	**6,975**	**83,945**
Specification of impaired loans and receivables											
Impaired loans and receivables before reserves	**149**	**67**	**190**	**174**	**56**	**243**	**357**	**71**	**196**	**301**	**1,804**
Of which non-performing	73	33	34	84	28	122	159	51	135	62	781
Of which performing	76	34	156	90	28	121	198	20	61	239	1,023
Reserves for impaired loans and receivables	**–123**	**–48**	**–159**	**–129**	**–37**	**–178**	**–282**	**–57**	**–145**	**–269**	**–1,427**
Of which non-performing	–47	–14	–3	–39	–9	–57	–84	–37	–84	–30	–404
Of which performing	–76	–34	–156	–90	–28	–121	–198	–20	–61	–239	–1,023
Book value of impaired loans and receivables	**26**	**19**	**31**	**45**	**19**	**65**	**75**	**14**	**51**	**32**	**377**
Of which non-performing	26	19	31	45	19	65	75	14	51	32	377
Of which performing	0	0	0	0	0	0	0	0	0	0	0

Parent company

31 Dec 2005, EURm	Real-estate management	Construction	Agriculture and fishing	Transport	Shipping	Trade and service	Manufacturing	Financial operations	Renting, consulting and other company services	Other	Total
Loans and receivables, not impaired	4,588	317	517	764	446	1,851	2,838	1,048	950	2,079	15,398
Impaired loans and receivables	32	1	5	2	5	7	58	3	12	18	143
Loans and receivables before reserves	**4,620**	**318**	**522**	**766**	**451**	**1,858**	**2,896**	**1,051**	**962**	**2,097**	**15,541**
Specific reserves for individually assessed loans	–28	–1	–2	–2	–5	–7	–44	–2	–11	0	–102
Reserves for groups of significant loans	–	–	–3	–	–	–	–14	–	–	–17	–34
Reserves for groups of not significant loans	–	–	–	–	–	0	–	–	–	–	0
Reserves	**–28**	**–1**	**–5**	**–2**	**–5**	**–7**	**–58**	**–2**	**–11**	**–17**	**–136**
Loans and receivables, book value	**4,592**	**317**	**517**	**764**	**446**	**1,851**	**2,838**	**1,049**	**951**	**2,080**	**15,405**
Specification of impaired loans and receivables											
Impaired loans and receivables before reserves	**32**	**1**	**5**	**2**	**5**	**7**	**58**	**3**	**12**	**18**	**143**
Of which non-performing	4	0	0	1	0	4	12	3	2	2	28
Of which performing	28	1	5	1	5	3	46	0	10	16	115
Reserves for impaired loans and receivables	**–28**	**–1**	**–5**	**–2**	**–5**	**–7**	**–58**	**–2**	**–11**	**–17**	**–136**
Of which non-performing	0	0	0	–1	0	–4	–12	–2	–1	–1	–21
Of which performing	–28	–1	–5	–1	–5	–3	–46	0	–10	–16	–115
Book value of impaired loans and receivables	**4**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**1**	**1**	**7**
Of which non-performing	4	0	0	0	0	0	0	1	1	1	7
Of which performing	0	0	0	0	0	0	0	0	0	0	0

Note 18: *cont.*

Parent company

31 Dec 2004, EURm	Real-estate manage-ment	Con-struc-tion	Agri-culture and fishing	Trans-port	Ship-ping	Trade and serv-ice	Manu-factur-ing	Finan-cial oper-ations	Renting, consult-ing and other company services	Other	Total
Loans and receivables, not impaired	4,256	326	538	712	403	1,702	2,174	970	1,065	1,532	13,678
Impaired loans and receivables	30	1	9	27	8	9	68	4	3	50	209
Loans and receivables before reserves	**4,286**	**327**	**547**	**739**	**411**	**1,711**	**2,242**	**974**	**1,068**	**1,582**	**13,887**
Specific reserves for individually assessed loans	–26	–1	–2	–25	–8	–8	–51	–4	–2	–1	–128
Reserves for groups of significant loans	–	–	–	–	–	–	–15	–	–	–44	–59
Reserves	**–26**	**–1**	**–2**	**–25**	**–8**	**–8**	**–66**	**–4**	**–2**	**–45**	**–187**
Loans and receivables, book value	**4,260**	**326**	**545**	**714**	**403**	**1,703**	**2,176**	**970**	**1,066**	**1,537**	**13,700**
Specification of impaired loans and receivables											
Impaired loans and receivables before reserves	**30**	**1**	**9**	**27**	**8**	**9**	**68**	**4**	**3**	**50**	**209**
Of which non-performing	5	1	9	8	–	6	11	3	1	6	50
Of which performing	25	0	0	19	8	3	57	1	2	44	159
Reserves for impaired loans and receivables	**–26**	**–1**	**–2**	**–25**	**–8**	**–8**	**–66**	**–4**	**–2**	**–45**	**–187**
Of which non-performing	–1	–1	–2	–6	–	–5	–9	–3	0	–1	–28
Of which performing	–25	–	–	–19	–8	–3	–57	–1	–2	–44	–159
Book value of impaired loans and receivables	**4**	**0**	**7**	**2**	**0**	**1**	**2**	**0**	**1**	**5**	**22**
Of which non-performing	4	0	7	2	–	1	2	0	1	5	22
Of which performing	0	0	0	0	0	0	0	0	0	0	0

Type of loans, book value

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Property loans	90,696	79,461	5,702	5,513
Credit card loans	1,057	1,014	118	92
Financial leases	40	240	–	0
Other	128,245	105,119	41,887	35,636
Total	**220,038**	**185,834**	**47,707**	**41,241**

Loans and receivables by geographic area

Group

31 Dec 2005, EURm	Denmark	Finland	Norway	Sweden	Poland and the Baltic countries	EU coun-tries, other	USA	Latin America	Asia	Other OECD	Non-OECD, other	Total
Loans and receivables, not impaired [1]	56,151	37,571	31,003	59,884	3,889	20,055	5,516	1,189	1,616	883	1,942	219,699
Impaired loans and receivables	610	461	301	191	100	31	30	24	54	4	14	1,820
Loans and receivables before reserves	**56,761**	**38,032**	**31,304**	**60,075**	**3,989**	**20,086**	**5,546**	**1,213**	**1,670**	**887**	**1,956**	**221,519**
Specific reserves for individually assessed loans	–437	–309	–103	–109	–53	–22	–20	–4	–6	–1	0	–1,064
Reserves for groups of significant loans	–63	–46	–102	–17	–10	–4	0	–20	–44	–4	–14	–324
Reserves for groups of not significant loans	–27	–16	–26	–24	0	0	0	0	0	0	0	–93
Reserves	**–527**	**–371**	**–231**	**–150**	**–63**	**–26**	**–20**	**–24**	**–50**	**–5**	**–14**	**–1,481**
Loans and receivables, book value	**56,234**	**37,661**	**31,073**	**59,925**	**3,926**	**20,060**	**5,526**	**1,189**	**1,620**	**882**	**1,942**	**220,038**
[1] Of which non-performing loans on which interest is taken as income	36	–	–	7	–	–	–	–	–	–	–	43

Note 18: *cont.*

Specification of impaired loans and receivables

Impaired loans and receivables before reserves	**610**	**461**	**301**	**191**	**100**	**31**	**30**	**24**	**54**	**4**	**14**	**1,820**
Of which non-performing	171	196	121	107	82	16	20	0	6	1	0	720
Of which performing	439	265	180	84	18	15	10	24	48	3	14	1,100
Reserves for impaired loans and receivables	**–527**	**–371**	**–231**	**–150**	**–63**	**–26**	**–20**	**–24**	**–50**	**–5**	**–14**	**–1,481**
Of which non-performing	–88	–106	–51	–66	–45	–11	–10	0	–2	–2	0	–381
Of which performing	–439	–265	–180	–84	–18	–15	–10	–24	–48	–3	–14	–1,100
Book value of impaired loans and receivables	**83**	**90**	**70**	**41**	**37**	**5**	**10**	**0**	**4**	**–1**	**0**	**339**
Of which non-performing	83	90	70	41	37	5	10	0	4	–1	0	339
Of which performing	0	0	0	0	0	0	0	0	0	0	0	0

Group

31 Dec 2004, EURm	Denmark	Finland	Norway	Sweden	Poland and the Baltic countries	EU coun-tries, other	USA	Latin America	Asia	Other OECD	Non-OECD, other	Total
Loans and receivables, not impaired	54,566	36,271	24,418	56,975	2,204	5,808	1,623	961	932	634	899	185,291
Impaired loans and receivables	796	475	423	340	145	74	24	4	14	20	0	2,315
Loans and receivables before reserves	**55,362**	**36,746**	**24,841**	**57,315**	**2,349**	**5,882**	**1,647**	**965**	**946**	**654**	**899**	**187,606**
Specific reserves for individually assessed loans	–502	–332	–186	–149	–44	–62	–11	–4	–14	–4	–	–1,308
Reserves for groups of significant loans	–120	–20	–143	–99	–10	–	–	–	–	–	–	–392
Reserves for groups of not significant loans	–30	–15	–4	–23	–	–	–	–	–	–	–	–72
Reserves	**–652**	**–367**	**–333**	**–271**	**–54**	**–62**	**–11**	**–4**	**–14**	**–4**	**–**	**–1,772**
Loans and receivables, book value	**54,710**	**36,379**	**24,508**	**57,044**	**2,295**	**5,820**	**1,636**	**961**	**932**	**650**	**899**	**185,834**

Specification of impaired loans and receivables

Impaired loans and receivables before reserves	**796**	**475**	**423**	**340**	**145**	**74**	**24**	**4**	**14**	**20**	**0**	**2,315**
Of which non-performing	288	253	162	137	134	59	23	4	10	20	0	1,090
Of which performing	508	222	261	203	11	15	1	–	4	–	–	1,225
Reserves for impaired loans and receivables	**–652**	**–367**	**–333**	**–271**	**–54**	**–62**	**–11**	**–4**	**–14**	**–4**	**0**	**–1,772**
Of which non-performing	–144	–145	–72	–68	–43	–47	–10	–4	–10	–4	0	–547
Of which performing	–508	–222	–261	–203	–11	–15	–1	–	–4	–	–	–1,225
Book value of impaired loans and receivables	**144**	**108**	**90**	**69**	**91**	**12**	**13**	**0**	**0**	**16**	**0**	**543**
Of which non-performing	144	108	90	69	91	12	13	0	0	16	0	543
Of which performing	0	0	0	0	0	0	0	–	0	–	–	0

Parent company

31 Dec 2005, EURm	Denmark	Finland	Norway	Sweden	Poland and the Baltic countries	EU coun-tries, other	USA	Latin America	Asia	Other OECD	Non-OECD, other	Total
Loans and receivables, not impaired	63	64	74	43,690	11	2,765	129	149	181	179	379	47,684
Impaired loans and receivables	0	0	0	146	15	16	0	11	3	1	5	197
Loans and receivables before reserves	**63**	**64**	**74**	**43,836**	**26**	**2,781**	**129**	**160**	**184**	**180**	**384**	**47,881**
Specific reserves for individually assessed loans	–	–	–	–88	–5	–11	–	–4	–	–	–	–108
Reserves for groups of significant loans	–	–	–	–17	–10	–1	–	–7	–3	–1	–5	–44
Reserves for groups of not significant loans	–	–	–	–22	–	–	–	–	–	–	–	–22
Reserves	**–**	**–**	**–**	**–127**	**–15**	**–12**	**–**	**–11**	**–3**	**–1**	**–5**	**–174**
Loans and receivables, book value	**63**	**64**	**74**	**43,709**	**11**	**2,769**	**129**	**149**	**181**	**179**	**379**	**47,707**

Note 18: *cont.*

Specification of impaired loans and receivables

Impaired loans and receivables before reserves	**0**	**0**	**0**	**146**	**15**	**16**	**0**	**11**	**3**	**1**	**5**	**197**
Of which non-performing	0	0	0	64	–	4	0	–	–	0	–	68
Of which performing	–	–	–	82	15	12	–	11	3	1	5	129
Reserves for impaired loans and receivables	**–**	**–**	**–**	**–127**	**–15**	**–12**	**–**	**–11**	**–3**	**–1**	**–5**	**–174**
Of which non-performing	–	–	–	–45	–	–	–	–	–	–	–	–45
Of which performing	–	–	–	–82	–15	–12	–	–11	–3	–1	–5	–129
Book value of impaired loans and receivables	**0**	**0**	**0**	**19**	**0**	**4**	**0**	**0**	**0**	**0**	**0**	**23**
Of which non-performing	0	0	0	19	–	4	0	–	–	0	–	23
Of which performing	–	–	–	0	0	0	–	0	0	0	0	0

Parent company

31 Dec 2004, EURm	Denmark	Finland	Norway	Sweden	Poland and the Baltic countries	EU coun-tries, other	USA	Latin America	Asia	Other OECD	Non-OECD, other	Total
Loans and receivables, not impaired	24	44	46	39,902	11	585	174	63	46	207	98	41,200
Impaired loans and receivables	–	–	–	244	10	–	–	–	–	–	–	254
Loans and receivables before reserves	**24**	**44**	**46**	**40,146**	**21**	**585**	**174**	**63**	**46**	**207**	**98**	**41,454**
Specific reserves for individually assessed loans	–	–	–	–132	–	–	–	–	–	–	–	–132
Reserves for groups of significant loans	–	–	–	–49	–10	–	–	–	–	–	–	–59
Reserves for groups of not significant loans	–	–	–	–22	–	–	–	–	–	–	–	–22
Reserves	**–**	**–**	**–**	**–203**	**–10**	**–**	**–**	**–**	**–**	**–**	**–**	**–213**
Loans and receivables, book value	**24**	**44**	**46**	**39,943**	**11**	**585**	**174**	**63**	**46**	**207**	**98**	**41,241**

Specification of impaired loans and receivables

Impaired loans and receivables before reserves	**–**	**–**	**–**	**244**	**10**	**–**	**–**	**–**	**–**	**–**	**–**	**254**
Of which non-performing	–	–	–	93	–	–	–	–	–	–	–	93
Of which performing	–	–	–	151	10	–	–	–	–	–	–	161
Reserves for impaired loans and receivables	**–**	**–**	**–**	**–203**	**–10**	**–**	**–**	**–**	**–**	**–**	**–**	**–213**
Of which non-performing	–	–	–	–52	–	–	–	–	–	–	–	–52
Of which performing	–	–	–	–151	–10	–	–	–	–	–	–	–161
Book value of impaired loans and receivables	**–**	**–**	**–**	**41**	**0**	**–**	**–**	**–**	**–**	**–**	**–**	**41**
Of which non-performing	–	–	–	41	–	–	–	–	–	–	–	41
Of which performing	–	–	–	0	0	–	–	–	–	–	–	0

Restructured loans and receivables current year

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Loans and receivables before restructuring, book value	295	–	–	–
Loans and receivables after restructuring, book value	231	–	–	–

Reclassified loans and receivables current year

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Impaired loans and receivables reclassified as normal loans, book value	231	–	–	–

Note 18: *cont.*

Loans and receivables with transfer risk [1, 2]

	Group		Parent company	
	Loans and receivables comprised by the transfer risk		Loans and receivables comprised by the transfer risk	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Loans and receivables before transfer risk reserve	**1,755**	**1,284**	**426**	**455**
Transfer risk reserve [3]	–95	–66	–17	–16
Loans and receivables after transfer risk reserve, book value	**1,660**	**1,218**	**409**	**439**

[1] Transfer risk is handled as a group of significant loans.

[2] Individual customer or customer group, which is identified individually as impaired, is handled as individually assessed loans.

[3] Total reserve for transfer risk amounts to EUR –118m (EUR –84m), of which the reserve for off-balance-sheet items amounts to EUR –23m (EUR –18m), see Note 37 Provisions.

Reconciliation of reserve accounts for impaired assets

Group 31 Dec 2005, EURm	Opening balance	Reassessment due to IFRS	Changes through profit/loss	Changes due to currency rates	Closing balance
Reserves for individually assessed loans	–1,308	0	264	–20	–1,064
Reserves for groups of significant loans	–392	98	–22	–8	–324
Reserves for groups of not significant loans	–72	3	–24	0	–93
Total	**–1,772**	**101**	**218**	**–28**	**–1,481**

Parent company 31 Dec 2005, EURm	Opening balance	Reassessment due to IFRS	Changes through profit/loss	Changes due due to currency rates	Closing balance
Reserves for individually assessed loans	–132	–	25	–1	–108
Reserves for groups of significant loans	–59	–	13	2	–44
Reserves for groups of not significant loans	–22	–	–1	1	–22
Total	**–213**	**–**	**37**	**2**	**–174**

Assets taken over for protection of claims

	Group		Parent company	
EURm	2005	2004	2005	2004
Current assets, book value				
Land and buildings	1	1	–	–
Shares and other participations	3	3	3	0
Other assets	2	0	–	–
Total	**6**	**4**	**3**	**0**

Note 19:
Interest-bearing securities

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Current assets				
Issued by public bodies	4,752	465	–	–
Issued by other borrowers	30,189	29,300	4,533	3,259
Non-current assets				
Issued by other borrowers	1,180	–	–	–
Total	**36,121**	**29,765**	**4,533**	**3,259**
Listed securities	35,079	26,190	3,419	2,358
Unlisted securities	1,042	3,575	1,114	901
Total	**36,121**	**29,765**	**4,533**	**3,259**
Of which, claims on				
– group undertakings	–	–	1,394	960

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Maturity information				
Remaining maturity (book value)				
Maximum 1 year	8,941	6,857	1,783	1,173
1–5 years	9,764	9,343	2,732	2,019
5–10 years	6,275	6,826	18	67
More than 10 years	11,141	6,739	–	–
Total including portfolio schemes	**36,121**	**29,765**	**4,533**	**3,259**
Average remaining maturity period, years	6.0	5.3	2.0	2.1

Issuer categories

Parent company EURm	Book value 31 Dec 2005	Book value 31 Dec 2004	Fair value 31 Dec 2005	Fair value 31 Dec 2004	Amortised cost 31 Dec 2005	Amortised cost 31 Dec 2004
Swedish mortgage institutions	2,760	1,888	2,760	1,888	2,761	1,870
Other Swedish issuers						
– Non-financial companies	346	256	346	256	345	254
– Financial companies	271	210	271	210	270	208
Other foreign issuers	1,156	905	1,156	905	1,155	904
Total	**4,533**	**3,259**	**4,533**	**3,259**	**4,531**	**3,236**
Of which, subordinated (debentures)	1,441	901	1,441	901	1,441	901

Note 20:
Shares

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Current assets				
Shares in trading portfolio	2,946	2,100	397	354
Shares taken over for protection of claims	3	3	3	0
Other shares	9,937	8,131	94	62
Non-current assets				
Other shares	15	8	2	3
Total	**12,901**	**10,242**	**496**	**419**
Listed shares	12,453	10,029	467	416
Unlisted shares	448	213	29	3
Total	**12,901**	**10,242**	**496**	**419**

Movement in non-current assets

EURm	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Acquisition value at beginning of year	3	–
Sales during the year	–1	–2
Through mergers	–	5
Acquisition value at end of year	**2**	**3**
Book value	**2**	**3**

Note 20: *cont.*

Specification of other shares:

31 Dec 2005	Group Book value EURm	Group Market value EURm	Group Voting power of holding %	Parent company Book value EURm	Parent company Market value EURm	Parent company Voting power of holding %
Current assets						
OMX AB (publ)	100	100	6	71	71	6
Other, listed	9,810	9,810	–	–	–	–
Other, unlisted	27	27	–	23	23	–
Total	**9,937**	**9,937**		**94**	**94**	
Non-current assets						
S.W.I.F.T	1	1	–	0	0	–
Viking Ship Finance Ltd.	1	1	9	–	–	–
Other, unlisted	13	13	–	2	2	–
Total	**15**	**15**		**2**	**2**	

Note 21:

Derivatives

31 Dec 2005, EURm	Group Fair value Positive	Group Fair value Negative	Group Total nom amount	Parent company Fair value Positive	Parent company Fair value Negative	Parent company Total nom amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	16,577	16,530	924,646	157	218	16,760
FRAs	89	93	303,219	6	12	74,449
Interest rate futures	32	49	67,306	0	2	3,961
Options written	2	4,410	113,343	0	–	50
Options bought	4,550	3	122,972	0	0	550
Other	0	0	0	0	0	0
Total	**21,250**	**21,085**	**1,531,486**	**163**	**232**	**95,770**
Equity derivatives						
Futures and forwards	19	42	1,790	1	2	49
Options written	7	683	3,922	–	147	1,416
Options bought	663	16	5,538	143	–	1,279
Total	**689**	**741**	**11,250**	**144**	**149**	**2,744**
Foreign exchange derivatives						
Currency and interest rate swaps	1,119	1,424	91,914	118	2	3,183
Currency forwards	3,879	3,573	321,988	82	53	9,771
Options written	1	165	33,104	–	–	–
Options bought	204	2	21,321	–	–	–
Other	0	–	256	–	–	–
Total	**5,203**	**5,164**	**468,583**	**200**	**55**	**12,954**
Other derivatives						
Futures and forwards	23	20	541	–	–	–
Options written	–	9	202	–	–	–
Options bought	7	2	209	–	–	–
Other	947	901	52,894	–	–	–
Total	**977**	**932**	**53,846**	**–**	**–**	**–**
Total derivatives held for trading	**28,119**	**27,922**	**2,065,165**	**507**	**436**	**111,468**

Note 21: *cont.*

31 Dec 2005, EURm	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
	Positive	Negative	amount	Positive	Negative	amount
Derivatives used for hedge accounting						
Interest rate derivatives						
Interest rate swaps	553	366	68,740	182	71	14,460
Total	**553**	**366**	**68,740**	**182**	**71**	**14,460**
Equity derivatives						
Options written	1	80	933	–	–	–
Options bought	79	1	919	–	–	–
Total	**80**	**81**	**1,852**	**–**	**–**	**–**
Foreign exchange derivatives						
Currency and interest rate swaps	42	172	2,667	17	64	1,620
Currency forwards	82	61	14,853	–	–	–
Total	**124**	**233**	**17,520**	**17**	**64**	**1,620**
Total derivatives used for hedge accounting	**757**	**680**	**88,112**	**199**	**135**	**16,080**
Total derivatives	**28,876**	**28,602**	**2,153,277**	**706**	**571**	**127,548**

31 Dec 2004, EURm	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
	Positive	Negative	amount	Positive	Negative	amount
Derivatives reported in the balance sheet						
Interest rate derivatives						
Interest rate swaps	14,602	14,317	664,505	150	26	17,388
FRAs	163	161	229,510	3	6	52,289
Interest rate futures	49	40	43,159	2	0	795
Options written	0	2,879	95,003	0	–	–
Options bought	2,903	–	100,774	–	–	–
Other	0	0	318	0	0	436
Total	**17,717**	**17,397**	**1,133,269**	**155**	**32**	**70,908**
Equity derivatives						
Futures and forwards	1	4	460	0	2	398
Options written	–	237	3,884	–	5	–
Options bought	241	2	4,119	13	–	380
Total	**242**	**243**	**8,463**	**13**	**7**	**778**
Foreign exchange derivatives						
Currency and interest rate swaps	1,908	1,874	58,503	11	92	1,938
Currency forwards	6,097	6,746	274,354	10	97	3,897
Options written	–	196	13,732	–	–	–
Options bought	203	–	12,110	–	–	–
Other	1	–	13	1	–	13
Total	**8,209**	**8,816**	**358,712**	**22**	**189**	**5,848**
Other derivatives						
Futures and forwards	4	2	124	–	–	–
Options written	–	1	45	–	–	–
Options bought	1	–	45	–	–	–
Other	193	216	13,429	–	–	–
Total	**198**	**219**	**13,643**	**–**	**–**	**–**
Total derivatives in the balance sheet	**26,366**	**26,675**	**1,514,087**	**190**	**228**	**77,534**

Note 21: *cont.*

31 Dec 2004, EURm	Group Fair value Positive	Group Fair value Negative	Group Total nom amount	Parent company Fair value Positive	Parent company Fair value Negative	Parent company Total nom amount
Derivatives not reported in the balance sheet						
Interest rate derivatives						
Interest rate swaps	253	229	7,771	103	100	–
FRAs	0	0	325	0	–	499
Options written	–	–	41	–	–	–
Other	–	–	41	–	–	–
Total	**253**	**229**	**8,178**	**103**	**100**	**499**
Equity derivatives						
Futures and forwards	–	–	16	–	–	–
Options written	–	172	1,251	–	88	870
Options bought	165	–	1,279	88	–	870
Total	**165**	**172**	**2,546**	**88**	**88**	**1,740**
Foreign exchange derivatives						
Currency and interest rate swaps	2	101	312	26	–	–
Currency forwards	2	85	3,528	–	2	–
Options written	7	4	342	–	–	–
Options bought	3	0	333	–	–	–
Total	**14**	**190**	**4,515**	**26**	**2**	**–**
Other derivatives						
Other	–	0	10	–	–	–
Total	**–**	**0**	**10**	**–**	**–**	**–**
Total derivatives not in the balance sheet	**432**	**591**	**15,249**	**217**	**190**	**2,239**

31 Dec 2005, EURm	Group Positive	Group Negative	Parent company Positive	Parent company Negative
Maturity information				
Remaining maturity (book value)				
Maximum 3 months	3,491	3,476	107	108
3–12 months	2,829	2,736	128	53
1–5 years	6,625	6,702	245	199
More than 5 years	15,931	15,688	226	211
Total	**28,876**	**28,602**	**706**	**571**

Note 22:
Investments in associated undertakings

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Non-current assets				
Financial institutions	214	163	–	–
Other	352	398	28	28
Total	**566**	**561**	**28**	**28**
Of which, listed shares	–	–	–	–

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Acquisition value at beginning of year	594	609	28	–
Acquisitions during the year	43	18	–	2
Sales during the year	–66	–63	0	–1
Share in earnings[1]	49	95	–	–
Dividend received	–45	–57	–	–
Through mergers	0	–5	–	27
Reclassifications	0	–1	–	–
Translation differences	2	–2	–	–
Acquisition value at end of year	**577**	**594**	**28**	**28**
Accumulated impairment charges at beginning of year	–33	–33	–	–
Impairment charges during the year	–2	–1	–	–
Reversed impairment charges during the year	1	1	–	–
Accumulated impairment charges on sales/disposals during the year	23	–	–	–
Translation differences	0	0	–	–
Accumulated impairment charges at end of year	**–11**	**–33**	**–**	**–**
Total	**566**	**561**	**28**	**28**

[1] Share in earnings

	Group	
EURm	2005	2004
Profit from companies accounted for under equity method, before tax	67	55
Income tax expenses	–23	–16
Associated undertakings in Life, reported as net gains/losses on item at fair value	5	21
Provisions for bad credit companies	–	35
Share in earnings	**49**	**95**

The associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2005	31 Dec 2004
Total assets	6,370	4,875
Total liabilities	6,128	4,620
Operating income	167	143
Operating profit	92	81

A full income statement and balance sheet for Nordea Life Assurance I Sweden AB (publ) is presented in Note 54.

Nordeas' share of contingent liabilities in associated undertakings amounts to EUR 65m (EUR 81m), and on behalf of associated undertakings EUR 96m (EUR 8m).

Note 22: *cont.*

Group 31 Dec 2005	Registration number	Domicile	Book value EURm	Voting power of holding %
Credit institutions				
ZAO International Moscow Bank	00000420	Moscow	91	26
Eksportfinans ASA	816521432	Oslo	78	23
Luottokunta	0201646-0	Helsinki	28	25
LR Realkredit A/S	26045304	Copenhagen	15	39
Eurocard Oy	0107810-9	Helsinki	2	32
Total			**214**	
Other				
Nordea Life Assurance I Sweden AB (publ)	516401-8508	Stockholm	43	100
Ejendomspartneselskabet af 1/7 2003	27134971	Ballerup	138	49
Oy Realinvest Ab	0680035-9	Helsinki	50	49
VPC AB	556112-8074	Stockholm	27	20
PBS Holding A/S	57225993	Ballerup	15	28
Profita Fund II Ky	1596354-7	Helsinki	11	0
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	9	33
Axel IKU Invest A/S	24981800	Billund	8	33
Optiomi Oy	0747587-7	Helsinki	8	25
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	7	33
PBS International Holding A/S	27226086	Ballerup	6	28
KIFU-AX II A/S	25893662	Fredriksberg	6	26
Sponsor Fund I Ky	1097456-2	Helsinki	6	0
KFU-AX II A/S	25894286	Fredriksberg	5	33
Eka-Kiinteistöt Oy	1097319-9	Helsinki	4	30
Suomen Asiakastieto Oy	0111027-9	Helsinki	3	32
Dankort A/S	26057795	Kirke Vaerlöse	3	28
Multidata Holding A/S	27226027	Ballerup	2	28
Profita Fund I Ky	1070549-3	Helsinki	1	0
Other			0	
Total			**352**	
Total			**566**	

The statutory information is available on request from Nordea Investor Relations.

Parent company 31 Dec 2005	Registration number	Domicile	Book value EURm	Voting power of holding %
Other than credit institutions				
VPC AB	556112-8074	Stockholm	27	19.8
Other			1	
Total			**28**	
Total			**28**	

Note 23:

Investments in joint venture

The Group has a 50% interest in a joint venture, DNP Ejendomme P/S, which is a real estate company.

The following amounts represent the Group's share of the assets, liabilities, income, expenses and result of the joint venture. They are included in the balance sheet and income statement:

Group EURm	2005	2004
Total assets	59	–
Total liabilities	59	–
Operating income	5	–
Operating expenses	1	–
Operating profit	4	–
Net profit	4	–
Proportionate interest in joint venture's commitments	50%	
Proportionate interest in joint venture's contingent liabilities	50%	

Note 24:

Investments in group undertakings

Parent company EURm	31 Dec 2005	31 Dec 2004
Non-current assets		
Shares, financial institutions	14,886	13,784
Other	1,665	2,957
Total	**16,551**	**16,741**
Of which, listed shares	–	–
Acquisition value at beginning of year	17,496	18,744
Acquisitions during the year	207	0
Repayment of aquistions value	–13	–
Sales during the year	–	–1
Through mergers	–74	–1,247
Translation differences	–1	0
Acquisition value at end of year	**17,615**	**17,496**
Accumulated impairment charges at beginning of year	–755	–363
Impairment charges during the year	–311	–111
Reversed impairment charges during the year	2	–
Through mergers	0	–281
Accumulated impairment charges at end of year	**–1,064**	**–755**
Total	**16,551**	**16,741**

Note 24: *cont.*

Specification

This specification includes all directly owned group undertakings and major group undertakings to the directly owned companies. The full specification and statutory information are available on request from Nordea Investor Relations.

Parent company 31 Dec 2005	Number of shares	Book value EURm	Voting power of holding %	Domicile	Registration number
Nordea Bank Finland Plc	1,030,800	5,946	100.0	Helsinki	1680235-8
Nordea Finance Finland Ltd			100.0	Espoo	0112305-3
Nordea Bank Danmark A/S	50,000,000	3,500	100.0	Copenhagen	13522197
Nordea Finans Danmark A/S			100.0	Copenhagen	89805910
Nordea Kredit Realkreditaktieselskab			100.0	Copenhagen	15134275
Nordea Investment Management Bank A/S			100.0	Copenhagen	26312264
Nordea Bank Norge ASA	551,358,576	2,400	100.0	Oslo	911044110
Norgeskreditt AS			100.0	Oslo	971227222
Nordea Finans Norge AS			100.0	Oslo	924507500
Christiania Forsikring AS			100.0	Oslo	941219349
Nordea Bank Polska S.A.	33,231,110	184	98.8	Gdynia	KRS0000021828
Nordea Life Holding A/S	2,600,000	1,434	100.0	Ballerup	25762274
Nordea Pension Danmark, Livforsikringsselskab A/S			100.0	Ballerup	24260577
Nordea Link Danmark, invest.livfors.selskab A/S			100.0	Ballerup	15319615
Nordea Liv Holding Norge AS			100.0	Bergen	984739303
Livforsikringsselskapet Nordea Liv Norge AS			100.0	Bergen	959922659
Fondsforsikringsselskapet Nordea Link Norge AS			100.0	Bergen	981547195
Nordea Life & Pension Assurance Sweden AB (publ)			100.0	Stockholm	516401-6759
Nordea Life Holding Finland Ltd	24,480	102	100.0	Espoo	1737788-3
Nordea Life Assurance Finland Ltd			100.0	Espoo	0927072-8

Note 24: *cont.*

Specification

Parent company 31 Dec 2005	Number of shares	Book value EURm	Voting power of holding %	Domicile	Registration number
Nordea Hypotek AB (publ)	100,000	1,714	100.0	Stockholm	556091-5448
Nordea Fonder AB	15,000	679	100.0	Stockholm	556020-4694
Nordea Bank S.A.	999,999	323	100.0	Luxembourg	B14157
Nordea Finans Sverige AB (publ)	1,000,000	77	100.0	Stockholm	556021-1475
Nordea IB Holding Danmark A/S	1,000	31	100.0	Copenhagen	25827023
Nordea Fondene Norge Holding AS	1,000	29	100.0	Oslo	984042779
Nordea Investment Management AB	12,600	24	100.0	Stockholm	556060-2301
Nordea Investment Fund Company Finland Ltd	3,350	4	100.0	Helsinki	1737785-9
Nordea Investment Management Norge Holding AS	1,000	2	100.0	Oslo	984042876
Returnplus AB	24,000	2	100.0	Stockholm	556503-6885
Nordea Ejendomsinvestering A/S	1,000	1	100.0	Copenhagen	26640172
Nordea Investment Funds Company I SA	25,000	0	100.0	Luxembourg	B30550
Nordea Investment Funds Company II SA	5,000	0	100.0	Luxembourg	B35563
PK Properties Int'l Corp	100,000	0	100.0	Atlanta, USA	91-1682291
Nordea Bemanning AB	510	0	51.0	Stockholm	556222-4336
Nordea Hästen Fastighetsförvaltning AB	1,000	0	100.0	Stockholm	556653-6800
Nordea Putten Fastighetsförvaltning AB	1,000	0	100.0	Stockholm	556653-5257
Nordea North America Inc.	1,000	0	100.0	Delaware	51-0276195
Nordea Do Brasil Representações LTDA	300	0	99.0	Sao Paulo, Brasil	51-696.268/0001-40
Nordbanken North America Inc. (in liquidation)	20	0	100.0	Delaware	51-0276195
Nordea Securities Ltd (in liquidation)	1,000,000	0	100.0	London	2739833
Nordea Fastigheter AB[1]	3,380,000	1	100.0	Stockholm	556021-4917
Unipure AB[1]	2,200,000	30	100.0	Stockholm	556314-8237
Norra Nordbanken VBO AB[1]	20,000	2	100.0	Stockholm	556221-2448
ArosMaizels Corp Finance AB[1]	50,000	2	100.0	Stockholm	556460-5433
Esivert AB[1]	31,000	1	100.0	Stockholm	556476-9841
eMM Marketplace AB[1]	10,000	63	100.0	Stockholm	556588-4284
Nordbanken Leva AB[1]	10,000	0	100.0	Stockholm	556529-6281
Fastighets AB Stämjärnet[1]	1,000,000	0	100.0	Stockholm	556090-4087
Nordbanken Reklam AB[1]	5,000	0	100.0	Stockholm	556394-4296
AB Företagskredit[1]	200	0	100.0	Stockholm	556499-5222
Torig AB[1]	1,000	0	100.0	Stockholm	556608-9149
Solo-Torget AB[1]	1,000	0	100.0	Stockholm	556577-7496
Nordic Baltic Holding (NBH) AB[1]	1,000	0	100.0	Stockholm	556592-7950
Total		**16,551**			

[1] Dormant

Note 25:
Intangible assets

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Goodwill [1]				
Nordea Bank Danmark A/S	439	439	–	–
Nordea Bank Norge ASA	1,032	1,001	–	–
Nordea Bank Sweden AB (publ)	175	180	880	742
Nordea Bank Polska S.A.	69	65	–	–
Insurance companies	312	268	–	–
Other goodwill	73	75	–	–
Goodwill, total	**2,100**	**2,028**	**880**	**742**
Other intangible assets [2]	121	73	23	22
Total	**2,221**	**2,101**	**903**	**764**

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Goodwill [1]				
Acquisition value at beginning of year	2,028	2,001	848	–
Acquisitions during the year	45	–	–	–
Through mergers	–	–	210	874
Sales during the year	–	–	–	–26
Translation differences	27	27	–	–
Acquisition value at end of year	**2,100**	**2,028**	**1,058**	**848**
Accumulated amortisation at beginning of year	–	–	–106	–
Amortisation according to plan for the year	–	–	–72	–70
Accumulated amortisation on sales/disposals during the year	–	–	–	26
Through mergers	–	–	–	–62
Accumulated amortisation at end of year	**–**	**–**	**–178**	**–106**
Total	**2,100**	**2,028**	**880**	**742**

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Other intangible assets				
Acquisition value at beginning of year	153	116	40	0
Acquisitions during the year	74	36	9	10
Through mergers	–	–	–	30
Sales/disposals during the year	–3	–1	–	–
Reclassifications	–12	–	–5	–
Translation differences	0	2	–1	–
Acquisition value at end of year	**212**	**153**	**43**	**40**
Accumulated amortisation at beginning of year	–80	–54	–18	0
Amortisation according to plan for the year	–19	–19	–3	–4
Accumulated amortisation on sales/disposals during the year	2	0	–	–
Through mergers	–	–	–	–14
Reclassifications	5	–6	–	–
Translation differences	1	–1	1	–
Accumulated amortisation at end of year	**–91**	**–80**	**–20**	**–18**
Total	**121**	**73**	**23**	**22**

[1] Excluding goodwill in associated undertakings.
[2] Refers mainly to computer licences and internally developed software.

Impairment test
Cash generating unit, defined as segment per acquired legal entity, is the basis for the goodwill impairment test.

Cash flows in the near future (up to two years) are based on financial forecasts, derived from forecasted margins, volumes, sales and cost development. Longer term cash flows (more than two years) are based on conservative estimated sector growth rates. In the Nordic market a growth rate of 4 % has been used, while a growth rate of 6% has been used for Poland & Baltics and emerging markets.

Cash flows are risk adjusted using normalised loan losses.

The derived cash flows are discounted at the Group´s defined post-tax average cost of equity of 7.5% (equal to what is used for internal performance management purposes), except for operations in Poland and the Baltics where an additonal risk premium of 150 basis points has been applied.

The impairment tests conducted in 2005 did not indicate any need for goodwill impairment.

Note 26:
Property and equipment

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Current assets	0	1	–	–
Non-current assets	303	442	43	51
Of which buildings for own use	54	56	–	–
Total	**303**	**443**	**43**	**51**
Current assets				
Taken over for protection of claims				
Land and buildings	0	1	–	–
Total	**0**	**1**	**–**	**–**
Non-current assets				
Equipment				
Acquisition value at beginning of year	1,138	1,383	121	–
Acquisitions during the year	54	79	13	10
Sales/disposals during the year	–212	–288	–7	–232
Through mergers	–	–7	1	343
Reclassifications	–40	–33	5	–
Translation differences	12	4	–4	–
Acquisition value at end of year	**952**	**1,138**	**129**	**121**
Accumulated depreciation at beginning of year	–733	–907	–70	–
Sales/disposals during the year	145	264	5	231
Depreciations according to plan for the year	–106	–128	–24	–29
Through mergers	–	–1	–1	–272
Reclassifications	37	45	–	–
Translation differences	–2	–6	4	–
Accumulated depreciation at end of year	**–659**	**–733**	**–86**	**–70**
Accumulated impairment charges at beginning of year	–19	–19	–	–
Impairment charges during the year	–4	–4	–	–
Reversed impairmant charges during the year	–	4	–	–
Accumulated impairment charges on sales/disposals during the year	–	–1	–	–
Translation differences	–2	1	–	–
Accumulated impairment charges at end of year	**–25**	**–19**	**–**	**–**
Hedge effects, IAS 39	**–19**	**–**	**–**	**–**
Total	**249**	**386**	**43**	**51**

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Land and buildings				
Acquisition value at beginning of year	137	864	0	–
Acquisitions during the year	2	21	–	–
Sales/disposals during the year	–40	–758	–	–
Reclassifications	–11	4	–	–
Translation differences	2	6	0	–
Acquisition value at end of year	**90**	**137**	**0**	**0**
Accumulated depreciation at beginning of year	–51	–160	0	0
Sales/disposals during the year	30	119	–	–
Depreciation according to plan for the year	–2	–9	0	0
Reclassifications	3	–	–	–
Translation differences	2	–1	–	–
Accumulated depreciation at end of year	**–18**	**–51**	**0**	**0**
Accumulated impairment charges at beginning of year	–30	–180	–	–
Impairment charges during the year	–	–8	–	–
Accumulated impairment charges on sales/disposals during the year	13	160	–	–
Translation differences	–1	–2	–	–
Accumulated impairment charges at end of year	**–18**	**–30**	**–**	**–**
Total	**54**	**56**	**0**	**0**

Note 27:
Leasing

Nordea as a lessor

Finance leases
Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans and receivables to the public" (see Notes 17 and 18) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

Reconciliation of gross investments and present value of future minimum lease payments:

	Group	
EURm	31 Dec 2005	31 Dec 2004
Gross investments	4,915	4,657
Less unearned finance income	–345	–413
Net investments in finance leases	**4,570**	**4,244**
Less unguaranteed residual values accruing to the benefit of the lessor	–130	–105
Present value of future minimum lease payments receivable	**4,440**	**4,139**
Accumulated allowance for uncollectible minimum lease payments receivable	**17**	**3**

As of 31 December 2005 the gross investment at remaining maturity was distributed as follows:

EURm	Group 31 Dec 2005
2006	1,156
2007	960
2008	794
2009	448
2010	385
Later years	1,172
Total gross investment	**4,915**
Less unearned future finance income on finance leases	–345
Net investment in finance leases	**4,570**

Operating leases
Assets subject to operating leases mainly comprise vehicles, aeroplanes and other equipment. In the balance sheet they are reported as tangible assets.

	Group	
Book value of leased assets, EURm	31 Dec 2005	31 Dec 2004
Acquisition value	176	319
Accumulated depreciations	–59	–110
Accumulated impairment charges	–21	–16
Book value at end of year	**96**	**193**
– Of which repossessed leased property, book value	6	2

	Group	
Book value distributed on groups of assets, EURm	31 Dec 2005	31 Dec 2004
Equipment	96	193
Book value at end of year	**96**	**193**

Depreciation for 2005 amounted to EUR 32m (EUR 38m).

Under non-cancellable operating leases, the future minimum lease payments receivable are distributed as follows:

EURm	Group 31 Dec 2005
2006	10
2007	8
2008	7
2009	3
2010	–
Later years	–
Total	**28**

Nordea as a lessee

Finance leases
Nordea has only to a minor extent entered into finance lease agreements. The book value of assets subject to finance leases amounts to EUR 2m (EUR 3m).

Operating leases
Nordea has entered into operating lease agreements for premises and office equipment.

	Group	
Leasing expenses during the year, EURm	31 Dec 2005	31 Dec 2004
Leasing expenses during the year	281	214
Of which		
– minimum lease payments	279	221
– contingent rents	2	2
Leasing income during the year regarding sublease payments	8	4

	Parent company	
Leasing expenses during the year, EURm	31 Dec 2005	31 Dec 2004
Leasing expenses during the year	87	109
Of which		
– minimum lease payments	87	109
– contingent rents	0	0
Leasing income during the year regarding sublease payments	17	4

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

EURm	Group 31 Dec 2005	Parent company 31 Dec 2005
2006	183	81
2007	228	182
2008	207	171
2009	192	157
2010	176	150
Later years	599	414
Total	**1,585**	**1,155**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 366m for the parent company, all is towards group undertakings.

Note 28:
Investment property

Group

Movement in the balance sheet

EURm	31 Dec 2005	31 Dec 2004
Book value amount at beginning of year	2,484	2,203
Acquisitions	182	160
Disposals	–49	–94
Impairment losses and impairment losses reversed	–1	–5
Net gains or losses from fair value adjustments	132	219
Transfers/reclassifications during the year	4	–
Translation differences	–2	1
Book value at end of year	**2,750**	**2,484**

Amounts recognised in the income statement

EURm	2005	2004
Rental income	207	205
Direct operating expenses that generate rental income	–56	–65
Direct operating expenses that did not generate rental income	–5	–8
Cumulative change in fair value recognised	132	65
Total	**278**	**197**
Book value of buildings, Swedish properties	0.4	0.5
Tax value of buildings, Swedish properties	0.4	0.4

Parent company

The parent company owns two properties utside Stockholm and two tenant rights in Stockholm, with a book value of EUR 0.4m. Tax value amounts to EUR 0.4m with an estimated market value of EUR 0.6m.

Note 29:
Prepaid expenses and accrued income

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Accrued interest income	876	1,251	152	162
Other accrued income	454	228	6	6
Prepaid expenses	75	177	27	29
Total	**1,405**	**1,656**	**185**	**197**

Note 30:
Other assets

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Retirement benefit assets [1]	70	60	–	–
Claims on securities settlement proceeds	7,383	4,271	122	155
Reinsurance recoverables	4	27	–	–
Other	2,430	2,556	1,074	1,478
Total	**9,887**	**6,914**	**1,196**	**1,633**

[1] See furthermore Defined benefit plans (Note 38).

Note 31:
Deposits by credit institutions

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Central banks	5,813	4,742	2,691	1,491
Other banks	19,998	21,116	17,667	20,983
Other credit institutions	3,979	4,298	426	411
Total	**29,790**	**30,156**	**20,784**	**22,885**
Of which, liabilities to group undertakings	–	–	16,138	18,364
Of which, liabilities to associated undertakings	123	69	–	–
Maturity information				
Remaining maturity (book value)				
Payable on demand	7,112	3,293	–	455
Maximum 3 months	19,153	22,621	12,173	21,157
3 months–1 year	2,926	3,897	8,351	1,257
1–5 years	523	136	254	16
More than 5 years	76	209	6	0
Total	**29,790**	**30,156**	**20,784**	**22,885**
Average remaining maturity, years	0.2	0.2	0.4	0.1

Note 32:

Deposits and borrowings from the public

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Deposits from the public	110,863	99,736	26,477	25,374
Borrowings from the public	4,687	4,968	102	295
Total	**115,550**	**104,704**	**26,579**	**25,669**
Of which, liabilities to group undertakings	–	–	120	395
Of which, liabilities to associated undertakings	16	14	0	0

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits. Individual pension savings (IPS) are also included. Portfolio schemes in Nordea Bank Danmark A/S of EUR 4m (EUR 3m) are also included in Deposits.

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Maturity information, Deposits				
Remaining maturity (book value)				
Payable on demand	66,283	49,217	5,295	5,142
Maximum 3 months	36,155	42,007	21,182	20,232
3 months–1 year	1,916	2,881	–	–
1–5 years	991	974	–	–
More than 5 years	5,518	4,657	–	–
Total	**110,863**	**99,736**	**26,477**	**25,374**
Average remaining maturity, years	0.4	0.5	0.1	0.1
Maturity information, Borrowings				
Remaining maturity (book value)				
Payable on demand	–	467	–	–
Maximum 3 months	4,079	4,277	102	295
3 months–1 year	130	42	–	–
1–5 years	396	180	–	–
More than 5 years	82	2	–	–
Total	**4,687**	**4,968**	**102**	**295**
Average remaining maturity, years	0.4	0.1	0.1	0.1

Note 33:

Liabilities to policyholders

Liabilities to policyholders are amounts related to insurance contracts. These contracts are according to IFRS, split up in contracts with insurance risk and financial contracts without insurance risk.

EURm	31 Dec 2005
Insurance contracts	23,615
Financial contracts	1,584
Other liabilities	1,631
Total	**26,830**

Insurance contracts
Insurance contracts includes Life insurance provisions and other insurance related items.

EURm	31 Dec 2005
Traditional life insurance provisions	19,509
Unit-linked insurance provisions	3,730
Insurance claims provision	252
Health and personal accident insurance	124
Total	**23,615**

Life insurance contracts are according to IFRS 4 measured and recognised at a non-uniform basis, which mean that each market represented by Nordic and European entities are measuring and recognising their insurance contracts by the use of local accounting policies.

Traditional life insurance provisions EURm	31 Dec 2005
Traditional life insurance provision, beginning of year	**17,906**
Reclassification due to change in accounting policy to IFRS	–85
Accumulated value adjustments, beginning of year	–990
Retrospective provisions, beginning of year	**16,831**
Gross premiums written	1,815
Transferred from Unit-Linked- and Investment contracts	–46
Addition of interest	785
Claims and benefits	–907
Expense loading inclusive addition of expense bonus	–41
Risk gains after addition of risk bonus	8
Other	94
Retrospective provisions, end of year	**18,539**
Accumulated value adjustments, end of year	970
Total traditional life insurance provision	**19,509**
Traditional life insurance provision, relating to bonus schemes/discretionary participation feature:	99%

Note 33: *cont.*

Unit-linked insurance provision EURm	31 Dec 2005
Unit-linked insurance provision, beginning of year	**2,837**
Reclassification due to change in accounting policy to IFRS	98
Accumulated value adjustments, beginning of year	0
Retrospective provisions, beginning of year	**2,935**
Gross premiums written	537
Transfer from investment contracts	48
Investment return (change in unit funds value)	462
Claims and benefits	–224
Expense loading inclusive addition of expense bonus	–34
Risk gains after addition of risk bonus	–1
Other	6
Retrospective provisions, end of year	**3,729**
Accumulated value adjustments, end of year	1
Total Unit-linked insurance provision	**3,730**

Insurance claims provision EURm	31 Dec 2005
Claims provision beginning of year	238
Change in claims provision	14
Claims provision end of year	**252**

Technical provision, Health & personal accident EURm	31 Dec 2005
Technical provision Health & personal accident, beginning of year	**129**
Effect of change in accounting policy to IFRS	1
Change from income statement	–6
Technical provision Health & personal accident, end of year:	**124**
Provision for unearned premiums	5
Claims outstanding	118
Provision for bonuses and rebates	1
Total technical provision Health & personal accident	**124**

Note 33: *cont.*

Financial contracts EURm	31 Dec 2005
Provision for financial contracts, beginning of year	**1,289**
Effect of change in accounting policy to IFRS	–31
Retrospective provisions, beginning of year	**1,258**
Gross premiums written	550
Transferred to Unit-linked and traditional insurance	–143
Investment return (change in unit funds values)	276
Commission and risk loading	–10
Claims and benefits	–338
Other	–9
Total provision, financial contracts	**1,584**

Provision for financial contracts relating to bonus schemes/discretionary participation feature:	5%

Other liabilities to policyholders

Collective bonus potentials EURm	31 Dec 2005
Collective bonus potentials, beginning of year	**1,081**
Additional allocated bonus potential	583
Reduction in collective bonus potentials	–33
Collective bonus potentials, end of year	**1,631**

Additional information

Change in assumptions EURm	Effects on policy-holders	Effects on Equity
Mortality-increased living with 1 year	94.8	0.1
Mortality-decreased living with 1 year	–113,5	–0.1
Disability- 10% increase	–19.1	–1.0
Disability- 10% decrease	18.3	1.0
50 bp increase in interest rates	–676.5	–18.4
50 bp decrease in interest rates	280.9	18.1
12% decrease in all shareprices	–586.1	–11.2
8% decrease in property value	–200.7	–13.9
8% loss on counterparts	–160.1	–23.1

Liabilities to policyholers split in guaranties EURm	non	0%	0–3%	3–5%	>5%	Total liabilities
Technical provision	5,942	1,434	6,046	13,401	7	26,830

Risk profiles on insurance

Product	**Risk type**	**Material effect**
Traditional	– Mortality	Yes
	– Disability	Yes
	– Return guaranties	Yes
Unit-Link	– Mortality	Yes
	– Disability	Yes
	– Return guaranties	No
Health and personal accident	– Mortality	No
	– Disability	Yes
	– Return guaranties	No
Financial contract	– Mortality	No
	– Disability	No
	– Return guaranties	No

Note 34:
Debt securities in issue

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Certificates of deposit	21,963	16,697	4,437	1,575
Commercial papers	10,631	5,774	–	–
Bond loans	49,795	36,937	5,580	1,739
Other	220	171	231	218
Total	**82,609**	**59,579**	**10,248**	**3,532**
Of which, liabilities to group undertakings	–	–	92	32
Of which, liabilities to associated undertakings	109	26	–	–

Maturity information, Debt securities in issue

Remaining maturity (book value)	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Maximum 1 year	44,052	31,264	7,645	2,078
1–5 years	17,185	15,373	2,372	1,236
5–10 years	920	644	–	–
More than 10 years	20,232	12,127	–	–
Total	**82,389**	**59,408**	**10,017**	**3,314**
Average remaining maturity, years	3.9	5.2	1.0	1.3

Maturity information, Other

Remaining maturity (book value)	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Payable on demand	220	171	231	218
Total	**220**	**171**	**231**	**218**
Average remaining maturity, years	0.0	0.0	0.0	0.0

Note 35:
Other liabilities

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Liabilities on securities settlement proceeds	5,815	4,463	264	63
Sold, not held, securities	5,526	3,516	621	437
Accounts payable	79	68	0	0
Other	6,624	5,457	1,291	1,253
Total	**18,044**	**13,504**	**2,176**	**1,753**

Note 36:
Accrued expenses and prepaid income

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Accrued interest	1,277	1,198	108	85
Other accrued expenses	526	672	90	119
Prepaid income	71	126	25	24
Total	**1,874**	**1,996**	**223**	**228**

Note 37:
Provisions

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Reserve for restructuring costs	4	15	3	15
Transfer risks, guarantees (see Note 18)	23	18	23	18
Off-balance sheet	26	17	–	–
Other	47	142	–	–
Total	**100**	**192**	**26**	**33**

Movement in the balance sheet:

Group	Restructuring	Transfer risks	Off-balance sheet	Other	Total
At beginning of year	15	18	17	142	192
New provisions made	2	12	14	26	54
Provisions utilised	–13	0	–4	–121	–138
Reversals	–	–10	–1	0	–11
Reclassifications	0	–1	–	0	–1
Translation differences	0	4	0	0	4
At end of year	**4**	**23**	**26**	**47**	**100**
Of which expected to be settled within 12 months	3	0	12	9	24

The reserve for restructing costs is mainly related to staff costs. Provisions for Transfer risk reserve is depending on the volume of business with different countries which might change over years. The total provision for transfer risk is not expected to decrease during 2006.
Provision for Off-balance sheet refers mainly to irrevocable credit commitments of EUR 10m that is settled during 2006 and doubtful guarantees of EUR 10m that is not expected to be settled during 2006. The remaining other provision of EUR 6m include a claim of EUR 4m not expected to be settled within next year.
Other provision refers to the following provisions: redundancy packages of EUR 8m (of which EUR 5m expected to be settled during 2006), provision for bad credit companies EUR 14m (not expected to be settled during 2006), rent provision EUR 5m (of which EUR 1m expect to be settled during 2006), provision for land contamination and enviromental obligations of EUR 3m (not expected to be settled during 2006), provision for disputes and pending law suites EUR 4m (not expected to be settled during 2006) and other provisions amounting to EUR 13m (of which EUR 3m expected to be settled during 2006).

Parent company	Restructuring	Transfer risks	Total
At beginning of year	**15**	**18**	**33**
New provisions made	2	12	14
Provisions utilised	–13	0	–13
Reversals	–	–10	–10
Reclassifications	–	–1	–1
Translation differences	–1	4	3
At end of year	**3**	**23**	**26**
Of which expected to be settled within 12 months	2	0	2

The reserve for restructuring costs is mainly related to staff costs. Provision for Transfer risk reserve is a country reserve depending on the volume of business with different countries which might change over years. The total provision for transfer risk is not expected to decrease during 2006.

Note 38:

Retirement benefit obligations

Group EURm	31 Dec 2005	31 Dec 2004
Pension plans	504	545
Total	**504**	**545**

Nordea has pension obligations from defined benefit plans in all Nordic countries with the predominant share in Sweden, Norway and Finland. The plans in Finland are closed to new employees and pensions for new employees are instead based on defined contribution arrangements as is also the case in Denmark. Defined contribution plans are not reflected on the balance sheet. Furthermore, Nordea also contribute to public pension plans.

Defined benefit plans

IAS 19 secures that the market based value of pension obligations net of assets backing these obligations will be reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations. Some other pension plans are recognised directly on the balance sheet as a liability.

Funded schemes	Swe	Nor	Fin	Den
2005				
Members	20,356	5,788	20,522	67
Average member age	54	55	56	71
2004				
Members	20,133	5,966	20,818	67
Average member age	53	54	55	70

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on the actuarial assumptions fixed for each of the Group's pension plans.

Assumptions	Swe	Nor	Fin	Den
2005				
Discount rate	4.0%	4.0%	4.0%	4.0%
Salary increase	3.0%	3.0%	3.0%	3.0%
Inflation	2.0%	2.0%	2.0%	2.0%
Expected return on assets before taxes	5.0%	5.0%	5.0%	5.0%
2004				
Discount rate	4.5%	4.5%	4.5%	4.5%
Salary increase	3.0%	3.0%	3.0%	3.0%
Inflation	2.0%	2.0%	2.0%	2.0%
Expected return on assets before taxes	5.5%	5.5%	6.0%	5.5%

The expected return on assets is based on long-term expectations for return on the different asset classes. On bonds, this will be linked to the discount rate while equities and real estate will have an added risk premium.

Asset composition

The combined return on assets in 2005 was 10–11% (8–9%) reflecting favourable markets. At the end of the year, the equity exposure in pension funds/foundations represented 24% (25%) of total assets.

Funded schemes	Swe 2005	Nor 2005	Fin 2005	Den 2005	Total 2005	Total 2004
Equity	24%	17%	30%	15%	24%	25%
Bonds	76%	64%	65%	68%	70%	70%
Real estate	0%	19%	5%	0%	5%	5%
Other assets	0%	0%	0%	17%	1%	0%
Of which						
– Nordea shares	0%	0%	0%	0%	0%	2%
– Nordea real estate	0%	0%	3%	0%	1%	2%

Defined benefit plans – balance sheet items

Retirement benefit assets reported in the balance sheet as at year-end amounted to EUR 70m (EUR 60m) , whereas retirement benefit obligations totalled EUR 504m (EUR 545m).

Amounts recognised in the balance sheet at 31 Dec

EURm	Swe 2005	Nor 2005	Fin 2005	Den 2005	Total 2005	Total 2004
PBO	1,151	778	869	112	2,910	2,675
Assets	915	400	828	113	2,256	2,065
Total surplus/deficit(–)	**–236**	**–378**	**–41**	**1**	**–654**	**–610**
of which unrecognised actuarial gains/losses(–)	–104	–83	–30	–3	–220	–125
Of which recognised in the balance sheet	**–132**	**–295**	**–11**	**4**	**–434**	**–485**
Of which						
retirement benefit assets [1]	–	–	53	17	70	60
retirement benefit obligations	132	295	64	13	504	545
related to unfunded plans	126	166	20	12	324	303

[1] See Note 30 Other assets.

Note 38: *cont.*

The development in the PBO and the value of assets is highlighted below.

Changes in the PBO

EUR m	Swe 2005	Nor 2005	Fin 2005	Den 2005	Total 2005	Total 2004
PBO at 1 Jan	1,064	668	837	106	2,675	2,412
Service cost	24	26	7	2	59	58
Interest cost	45	29	37	4	115	118
Pensions paid	–51	–34	–42	–6	–133	–119
Curtailments and settlements	–	5	–1	2	6	–20
Past service cost	–	–	–	–	–	–24
Actuarial gains(–)/losses	118	53	30	4	205	187
Effect of exchange rate changes	–43	21	1	0	–21	20
Change in provision for SWT/SSC [1]	–6	10	–	0	4	44
PBO at 31 Dec	**1,151**	**778**	**869**	**112**	**2,910**	**2,675**

[1] Provision on difference to GAAP for the Swedish special wage tax (SWT) and the social security contribution (SSC) in Norway and Denmark on recognised amounts.

Changes in the fair value of assets

EUR m	Swe 2005	Nor 2005	Fin 2005	Den 2005	Total 2005	Total 2004
Assets at 1 Jan	854	330	776	104	2,065	1,900
Expected return on assets	40	19	43	5	107	109
Pensions paid	–	–20	–42	–5	–67	–59
Contributions	2	50	8	7	67	42
Actuarial gains/losses(-)	54	10	42	3	109	60
Effect of exchange rate changes	–35	11	1	–1	–24	13
Assets at 31 Dec	**915**	**400**	**828**	**113**	**2,256**	**2,065**
Actual return on plan assets	**94**	**29**	**85**	**8**	**216**	**169**

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 94m (EUR 44m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans. (See specification in Note 8.)

Recognised net defined benefit cost

EURm	Swe 2005	Nor 2005	Fin 2005	Den 2005	Total 2005	Total 2004
Service cost	24	26	7	2	59	58
Interest cost	45	29	37	4	115	118
Expected return on assets	–40	–19	–43	–5	–107	–109
Recognised actuarial gains(–)/losses	–1	0	1	1	1	2
Recognised past service cost	–	–	–	–	–	–24
Curtailments and settlements	–	5	–2	2	5	–20
SWT/SSC [1]	7	14	–	0	21	20
Pension cost on defined benefit plans	**35**	**55**	**0**	**4**	**94**	**44**

[1] Cost related to the Swedish special wage tax (SWT) and the social security contribution (SSC).

Note 38: *cont.*

The pension cost is in line with what was expected at the start of the year. The net pension cost on defined benefit plans is expected to increase to EUR 98m in 2006.

The Group expects to contribute EUR 51m to its defined benefit plans in 2006.

Key management personnel
The Group's total pension obligations regarding key management personnel amounted to EUR 40m (EUR 36m) at the end of the year. These obligations are covered with assets of EUR 19m (EUR 17m). Defined benefit pension costs related to key management personnel in 2005 were EUR 5m (EUR 2m). Complete information concerning key management personnel is disclosed in Note 8.

Pension provisions
Parent company
The pension liabilities of Nordea Bank AB (publ) are mainly covered by allocations to its pension foundation.

The provisions in the balance sheet pertain almost exclusively to former employees of Postgirot Bank.

A small percentage of the pension obligations is covered by insurance policies.

The following figures are based on calculations in accordance with Swedish rules.

	Foundation assets		Pension obligations	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Nordea Bank AB (publ) Pension Foundation	915	857	828	829
Of which related to the parent company	873	811	788	781

Pension provisions

EURm	2005	2004
Balance at beginning of year	140	15
Due to merger	–	124
New provisions made	3	1
Provisions utilised	–7	–1
Other changes	–3	1
Balance at end of year	**133**	**140**

Note 39:
Subordinated liabilities

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Dated subordinated debenture loans	5,495	4,309	4,018	2,769
Undated subordinated debenture loans	805	752	–	–
Hybrid capital loans	1,522	757	1,522	757
Total	**7,822**	**5,818**	**5,540**	**3,526**

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans and hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

Group
At 31 December no loans exceeds 10% of the total outstanding volume.

Parent company
At 31 December two loans - with terms specified below – exceeded 10% of the total outstanding volume.

Year of issue/ maturity	Nominal value	Book value EURm	Interest rate (coupon)
Nordea Bank AB (publ) 2002/2012	MUSD 800	676	5,25%
Nordea Bank AB (publ)[1] 2005/2015	MSEK 6,904	750	FRN

[1] Call date 20 May 2010.

Note 40:
Untaxed reserves

	Parent company	
EURm	31 Dec 2005	31 Dec 2004
Accumulated excess depreciation		
Equipment	2	–4
Through merger	–	14
Profit equalisation reserve (tax allocation reserve)		
Allocation at tax assessment 2000	–	99
Allocation at tax assessment 2001	–	122
Allocation at tax assessment 2002	–	182
Allocation at tax assessment 2003	–	76
Allocation at tax assessment 2004	–	113
Allocation at tax assessment 2005	–	51
Total	**2**	**653**

Note 41:
Equity

Group	Attributable to the shareholders of Nordea Bank AB (publ)[4,5]								
EURm	Share capital[1]	Share premium account	Other reserves	Retained earnings	Total core equity	Re-valuation reserves	Total	Minority interest	Total equity
Balance at end of year, at 31 Dec 2004	**1,128**	**4,284**	**–147**	**7,398**	**12,663**	**–**	**12,663**	**13**	**12,676**
Change in accounting policies:									
– IAS 39 Financial instruments				–61	–61		–61		–61
Other changes				–20	–20		–20		–20
Balance at beginning of year, at 1 Jan 2005	**1,128**	**4,284**	**–147**	**7,317**	**12,582**	**–**	**12,582**	**13**	**12,595**
Available-for-sale investments:									
– Fair value gains						2	2		2
– Tax on fair value gains						–1	–1		–1
Currency translation differences			–82		–82		–82		–82
Net profit for the year				2,263	2,263		2,263	6	2,269
Total recognised directly in equity			*–82*	*2,263*	*2,181*	*1*	*2,182*	*6*	*2,188*
Dividend for 2004				–740	–740		–740		–740
Reduction of share capital[3]	–56			56	0		0		0
Purchases of own shares[2,3]				–1,105	–1,105		–1,105		–1,105
Other changes								22	22
Balance at 31 Dec 2005	**1,072**	**4,284**	**–229**	**7,791**	**12,918**	**1**	**12,919**	**41**	**12,960**
Balance at end of year, at 31 Dec 2003 (Swedish GAAP)	**1,160**	**4,284**	**–211**	**6,944**	**12,177**	**–**	**12,177**	**–**	**12,177**
Change in accounting policies:									
– IAS 1 Minority interests								13	13
– IAS 19 Pension				–183	–183		–183		–183
– IAS 36 Impairment of assets				–29	–29		–29		–29
– Other opening balance issues				–15	–15		–15		–15
Balance at end of year, at 1 Jan 2004 (IFRS)	**1,160**	**4,284**	**–211**	**6,717**	**11,950**	**–**	**11,950**	**13**	**11,963**
Currency translation differences			64		64		64		64
Net profit for the year				2,075	2,075		2,075	3	2,078
Total recognised directly in equity			*64*	*2,075*	*2,139*		*2,139*	*3*	*2,142*
Dividend for 2003				–696	–696		–696		–696
Reduction of share capital[3]	–32			32	0		0		0
Purchases of own shares[2,3]				–730	–730		–730		–730
Other changes								–3	–3
Balance at 31 Dec 2004	**1,128**	**4,284**	**–147**	**7,398**	**12,663**	**–**	**12,663**	**13**	**12,676**

[1] Total shares registered were 2,706 million (31 Dec 2004: 2,847 million).

[2] Refers to the change in the trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares in the trading portfolio and in the portfolio schemes at 31 Dec 2005 was 2.5 million (31 Dec 2004: 6.7 million).

[3] The number of own shares referring to Nordea Bank AB (publ)'s repurchase of own shares was 112.2 million as at 31 Dec 2005 (31 Dec 2004: 111.7 million). Total repurchased own shares Jan-Dec 2005 was 140.7 million (Jan-Dec 2004: 111.7 million). The average number of own shares Jan–Dec 2005 was 163.0 million (Jan-Dec 2004: 128.7 million). The Annual General Meeting (AGM) decided on 8 Apr 2005 (31 Mar 2004) to reduce the share capital by EUR 55,548,131.94 (EUR 32,343,080.72). The cancellation was registered on 19 Sep 2005 (26 Oct 2004). The reductions have been made through retirement without payment.

[4] Restricted capital was at 31 Dec 2005 EUR 5,357 million (31 Dec 2004: EUR 5,412 m). Unrestricted capital was 31 Dec 2005 EUR 7,562 million (31 Dec 2004: EUR 7,251 million).

[5] Total unrestricted capital in the Group amounts to EUR 7,562m. The capital adequacy requirement of a total capital ratio of 8% restricts distributable funds with EUR 5,429m. The corresponding amounts for the parent company is EUR 2,928m and EUR 1,233m.

Note 41: *cont.*

Parent company	Restricted equity			Unrestricted equity	
EURm	Share capital [1]	Share premium account	Statutory reserve	Retained earnings	Total equity
Balance at end of year, at 31 Dec 2004	**1,128**	**4,284**	**–**	**3,789**	**9,201**
Change in accounting policies:					
– Financial instruments				–30	–30
Other changes				–20	–20
Balance at beginning of year, at 1 Jan 2005	**1,128**	**4,284**	**–**	**3,739**	**9,151**
Currency translation differences				–3	–3
Mergers				98	98
Net profit for the year				917	917
Total recognised directly in equity				*1,012*	*1,012*
Dividend for 2004				–740	–740
Reduction of share capital[2]	–56			56	0
Purchases of own shares[2,3]				–1,138	–1,138
Own shares				–1	–1
Transfer of share premium account to statutory reserve[4]		–4,284	4,284		0
Balance at 31 Dec 2005	**1,072**	**0**	**4,284**	**2,928**	**8,284**
Balance at end of year, at 31 Dec 2003	**1,160**	**4,284**	**–**	**4,275**	**9,719**
Currency translation differences				0	0
Group contribution, net[5]				–5	–5
Mergers				–373	–373
Net profit for the year				1,256	1,256
Total recognised directly in equity				*878*	*878*
Dividend for 2003				–696	–696
Reduction of share capital[2]	–32			32	0
Purchases of own shares[2,3]				–700	–700
Balance at 31 Dec 2004	**1,128**	**4,284**	**–**	**3,789**	**9,201**

[1] The company's share capital at 31 Dec 2005 was EUR 1,072,569,610.46 (31 Dec 2004: 1,128,117,742.40). The number of shares was 2,706,339,927 (31 Dec 2004: 2,846,499,727 shares) with a nominal value of EUR 0.39632 (31 Dec 2004: 0.39632).
[2] The Annual General Meeting (AGM) decided on 8 Apr 2005 (31 Mar 2004) to reduce the share capital by EUR 55,548,131.94 (EUR 32,343,080.72). The cancellation was registered on 19 Sep 2005 (26 Oct 2004). The reductions have been made through retirement without payment.
[3] Nordea Bank AB (publ) has repurchased 140,737,000 own shares during 2005, the average price was SEK 74.56 (31 Dec 2004: 111,654,500 own shares during 2004, the average price was SEK 56.91).
[4] Due to new rules in the Annual Account Act (ÅRL), the share premium account is transferred to the statutory reserve.
[5] After adjustment for tax.

Description of items in the equity is included in Note 1 Accounting policies.

Share capital

		Nominal value per share, EUR	Total number of shares	Share capital, EUR
Balance at 1 Jan 2004		0.39632	2,928,108,227	1,160,460,823.12
26 Oct 2004	Reduction[1]		–81,608,500	–32,343,080.72
Balance at 31 Dec 2004		**0.39632**	**2,846,499,727**	**1,128,117,742.40**
Balance at 31 Dec 2004		0.39632	2,846,499,727	1,128,117,742.40
19 Sep 2005	Reduction[1]		–140,159,800	–55,548,131.94
Balance at 31 Dec 2005		**0.39632**	**2,706,339,927**	**1,072,569,610.46**

[1] Retirement of shares repurchased and held by Nordea Bank AB (publ).

Dividends per share
Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on 5 April 2006, a dividend in respect of 2005 of EUR 0.35 per share (2004 actual dividend EUR 0.28 per share) amounting to a total of EUR 907,937,879 (2004 actual EUR 765,756,663) is to be proposed. The financial statements for the year ended 31 December 2005 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2006.

Note 42:
Assets pledged as security for own liabilities

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Assets pledged for own liabilities				
Lease agreements	193	213	–	–
Securities etc	22,288	22,658	1,409	993
Other pledged assets	139	132	–	–
Total	**22,620**	**23,003**	**1,409**	**993**
The above pledges pertain to the following liability and commitment items				
Deposits by credit institutions	13,532	11,824	1,446	730
Deposits and borrowings from the public	4,987	7,455	26	258
Other liabilities and commitments	3,727	3,360	–	–
Total	**22,246**	**22,639**	**1,472**	**988**

Assets pledged for own liabilities contains of securities pledged as security in repurchase agreement and in securities borrowing. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months. Other relates to a certificate of deposits pledged by Nordea to comply with authority requirements and assets funded by finance lease agreements.

Note 43:
Other assets pledged

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Other assets pledged [1]				
Securities etc	3,939	3,369	4,338	3,380
Other assets pledged	590	–	–	–
Total	**4,529**	**3,369**	**4,338**	**3,380**
The above pledges [2] **pertain to the following liability and commitment items**				
Deposits by credit institutions	741	261	1,294	136
Other liabilities and commitments	3,788	3,108	3,044	3,244
Total	**4,529**	**3,369**	**4,338**	**3,380**

[1] Collaterals pledged on behalf of other items other than the company's own liabilities, eg, on behalf of a third party or on behalf of the company's own contingent liabilities are accounted for under this item.
[2] For undertakings of the company itself or for a third party.

Other asset pledged includes interest-bearing securities pledged as security for payment settlements within the Central bank of Sweden. The terms and conditions requires day to day security and relates to liquidity intraday/over night. Other pledged asset relates to pledged deposits.

Note 44:
Contingent liabilities

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Guarantees				
Loan guarantees	2,708	2,210	2,098	2,085
Other guarantees	11,252	9,458	11,911	1,231
Documentary credits				
Unutilised irrevocable import documentary credits and confirmed export documentary credits	2,026	1,517	42	268
Other contingent liabilities	363	770	5	10
Total	**16,349**	**13,955**	**14,056**	**3,594**

In the normal business of Nordea, the bank issues various forms of guarantees in favour of the banks customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support the banks customers. Guarantees and documentary credits are considered as off- balance sheet items,unless there is a need for a provision to cover a probable loan loss.

Nordea Bank AB (publ) has issued a guarantee covering all commitments in Nordea Investment Management AB, org no 556060-2301, in accordance with the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies (1995:1559) (ÅRKL) chapter 7 paragraph 5.

Legal proceedings

A writ has been served on Nordea Bank Danmark A/S on 31 January 2006 based on an avoidance claim of USD 61.2m by SAirGroup in Nachlassliquidation filed with the Commercial Court of Zürich. Nordea believes that the claim lacks merit and is contesting the claim.

Note 45:
Commitments

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Future payment obligations	700	587	–	–
Other interest rate, equity and foreign exchange derivatives	2,153,277	1,529,336	127,548	79,773
Credit commitments	23,584	22,544	9,985	17,529
Unutilised portion of approved overdraft facilities	34,505	33,991	7,659	7,068
Other commitments	1,706	1,054	906	443
Total	**2,213,772**	**1,587,512**	**146,098**	**104,813**

Note 46:
Insurance activities [1]

Operating profit, insurance

Group EURm	2005	2004
Fee and commission income	193	170
Fee and commission expense	–91	–59
Premium income, life insurance	2,412	2,309
Investments, life insurance	2,589	1,542
Change in technical provisions, life insurance	–2,644	–1,887
Claims paid, life insurance	–1,720	–1,644
Change in collective bonus potential, life insurance	–546	–275
Other operating income	150	141
Operating income	**343**	**297**
Operating expenses		
Staff costs	–73	–65
Other expenses	–62	–47
Depreciation, amortisation and impairment charges of tangible and intangible assets	–3	–3
Total operating expenses	**–138**	**–115**
Operating profit, insurance[1]	**205**	**182**

[1] Before allocations

Balance sheet

Group EURm	31 Dec 2005	31 Dec 2004
Assets		
Cash and balances with central banks	–	369
Loans and receivables to the public	874	269
Reinsurance recoverables	4	28
Interest-bearing securities	15,413	13,839
Shares and participations	9,816	7,942
Derivatives	20	–
Participating interests	180	164
Intangible assets	74	1
Property and equipment	18	15
Investment property	2,645	2,357
Deferred tax assets	25	12
Prepaid expenses and accrued income	284	281
Other assets	59	18
Total assets	**29,412**	**25,295**
Of which intragroup transactions	–1,415	–1,039
Liabilities and provisions		
Deposits by credit institutions and central banks	315	–
Deposits and borrowings from the public	–	279
Liabilities to Life insurance policyholders	26,830	23,480
Derivatives	36	–
Current tax liabilities	1	–
Other liabilities	834	311
Accrued expenses and deferred income	30	29
Deferred tax liabilities	107	87
Provisions	7	20
Equity		
Minority interest	29	1
Total core equity	1,223	1,088
Total liabilities and equity	**29,412**	**25,295**
Of which intragroup transactions	–459	–1,429

[1] Excluding Nordea Life Assurance I Sweden AB (publ), see Note 54.

Note 47:
Capital adequacy

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Calculation of total capital base				
Equity	**12,918**	**12,549**	**8,284**	**9,664[1]**
Proposed/actual dividend	–908	–766	–908	–766
Hybrid capital loans	1,472	757	963	757
Deferred tax assets	–327	–401	–45	–48
Goodwill	–1,794	–1,658	–880	–742
Other items, net	77	115	–27	–22
Tier 1 capital (net after deduction of goodwill)	**11,438**	**10,596**	**7,387**	**8,843**
– of which hybrid capital	1,472	757	963	757
Tier 2 capital	**5,862**	**4,824**	**4,202**	**2,710**
– of which perpetual subordinated loans	837	796	509	–
Deduction [2]	–1,815	–1,677	–1,535	–1,440
Total capital base [3]	**15,485**	**13,743**	**10,054**	**10,113**
Risk-weighted assets for credit and market risks				
Credit risks as specified below	153,483	132,935	24,180	23,187
Market risks as specified below	15,545	12,070	505	421
Total risk-weighted assets	**169,028**	**145,005**	**24,685**	**23,608**
Tier 1 capital ratio, %	6.8	7.3	29.9	37.5
Total capital ratio, %	9.2	9.5	40.7	42.8

[1] 72% of untaxed reserves included in Equity.
[2] Deduction for investments in insurance companies including goodwill related to insurance acquisitions and deductions for investments in other financial institutes outside the financial group of undertakings.
[3] See Note 39; Hybrid capital loans are included in Tier 1 capital and supplementary capital includes the undated subordinated loans and the dated subordinated loans after deduction for short remaining maturities. Relating currency swaps have been taken into account when including subordinated loans in capital base.

Note 47: *cont.*

Specification of risk-weighted assets, credit risks

Group	Items in the balance sheet		Off-balance sheet items			
EURm, end of 2005	Reported	Risk-weighted	Nominal	Adjusted	Risk-weighted	Total risk-weighted assets
A 0%	130,570	–	68,872	8,772	–	–
B 20%	24,773	4,955	82,142	4,552	910	5,865
C 50%	73,955	36,977	3,397	551	276	37,253
D 100%	93,399	93,399	31,730	16,966	16,966	110,365
Total	**322,697**	**135,331**	**186,141**	**30,841**	**18,152**	**153,483**

Parent company	Items in the balance sheet		Off-balance sheet items			
EURm, end of 2005	Reported	Risk-weighted	Nominal	Adjusted	Risk-weighted	Total risk-weighted assets
A 0%	44,105	–	41,496	6,922	–	–
B 20%	7,464	1,493	42,299	2,055	411	1,904
C 50%	1,571	785	460	238	119	904
D 100%	16,317	16,317	8,149	5,055	5,055	21,372
Total	**69,457**	**18,595**	**92,404**	**14,270**	**5,585**	**24,180**

Risk categories include:
A Claim on, or guarantee by a government/central bank within the OECD or a Swedish local government.
B Claim on, or guarantee by local governments or banks/financial institutions within the OECD, as well as short-term receivables from other banks/financial institutions.
C Claim backed by mortgages on residential property.
D Other assets.

Specification of risk-weighted assets, market risks

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Interest rate risks				
of which for specific risk	7,113	5,020	248	194
of which for general risk	2,431	2,607	190	216
Share price risks				
of which for specific risk	329	228	6	7
of which for general risk	233	163	0	1
Exceeding large exposures				
Settlement risks	120	30	0	0
Counterparty risks and other risks	4,724	3,969	0	3
Exchange rate risks	450	0	61	0
Risks according to VAR calculation				
Commodity risks	145	53	0	0
Total	**15,545**	**12,070**	**505**	**421**

The total capital ratio is calculated quarterly in accordance with the Swedish Act on the Capital Adequacy and Large Exposures of Credit Institutions and Securities Companies (1994:2004) (the "Capital Adequacy Act") and the regulations given by the Swedish Financial Supervisory Authority. The regulation is based on, and follows, the international standard Basel I. Also non-Swedish group units compile the capital adequacy reporting forms for reporting of the consolidation group in accordance with these instructions, even if they differed from national regulations.

The basic objectives of the capital requirements are to secure that the financial institution at any time operates with a capital base sufficient to cover the risk-weighted assets divided into market risks and credit risks. The Swedish Financial Supervisory Authority regulates the definitions and basis for calculation of capital base and risk-weighted assets and also requires quarterly reports regarding capital adequacy.

The objectives and the policies of capital management issues are handled in the capital planning forum, headed by the Group CFO, and includes tasks related to economic capital, Basel I and Basel II. Group planning forum monitors and analyses tasks related to these areas and prepares supporting documentation for further decision regarding capitalisation of the Group, including subordinated debt, repurchase of own shares and dividend. The capital planning forum closely follows and analyses the external capital requirements related to capital adequacy and Basel I, as well as future requirements under Basel II and the internal capital requirements in terms of economic capital.

The capital ratio and tier 1 ratio are calculated quarterly in accordance with the Swedish Act on the Capital Adequacy and Large Exposures of Credit Institutions and Securities Companies (1994:2004) (the "Capital Adequacy Act") and the regulations issued by the Swedish Financial Supervisory Authority. The regulation is based on EU directives, and the international standard Basel 1. Non-Swedish group units compile the capital adequacy reporting forms as an input to the consolidation group in accordance with these instructions, even if they differed due to national regulations.

The objective of the capital requirement regulation is to secure that the financial institute at any time operates with a capital base sufficient to cover the minimum capital requirement for market and credit risks. The Swedish Financial Supervisory Authority regulates the definitions and including the calculation rules for capital base and capital requirement. The capital situation is quarterly reported to the authority.

Note 47: *cont.*

Capital management is handled by Group Corporate Centre. A special committee, Capital Planning Forum is formed to assess capital related issues on an on going basis. The committee is headed by the group CFO and with representatives from relevant units within GCC. Capital Planning Forum monitors and analyses the effects on the forecasted capital need and prepare supporting documentation for further decision in GEM and the Board regarding capitalization of the group, including subordinated debt, repurchase of own shares and dividend. Important inputs are the effects from current and future (Basel II) capital adequacy regulations as well as internal frameworks Economic Capital and the Rolling Financial Forecast.

Note 48:

Classification of financial instruments

Group EURm, 31 Dec 2005	Loans and receivables	Held to maturity	Held for trading	Assets at fair value through profit or loss	Derivatives used for hedging	Available for sale	Total
Financial assets							
Cash and balances with central banks	2,526	–	–	–	–	–	2,526
Treasury bills and other eligible bills	–	–	7,280	–	–	–	7,280
Loans and receivables to credit institutions	20,722	–	10,856	–	–	–	31,578
Loans and receivables to the public	154,648	–	8,336	25,476	–	–	188,460
Interest-bearing securities	–	1,183	20,611	14,280	–	47	36,121
Derivatives	–	–	28,119	–	757	–	28,876
Fair value changes of the hedged items in portfolio hedge of interest rate risk	282	–	–	–	–	–	282
Shares	–	–	2,946	9,946	–	9	12,901
Prepaid expenses and accrued income	951	–	–	–	–	–	951
Other assets	9,763	–	–	–	–	–	9,763
Total	**188,892**	**1,183**	**78,148**	**49,702**	**757**	**56**	**318,738**

Group EURm, 31 Dec 2005	Held for trading	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
Financial liabilities					
Deposits by credit institutions	8,976	–	–	20,814	29,790
Deposits and borrowings from the public	2,960	–	–	112,590	115,550
Liabilities to policyholders, investment contracts	1,584	–	–	–	1,584
Debt securities in issue	1,610	23,653	–	57,346	82,609
Derivatives	27,922	–	680	–	28,602
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	58	58
Other liabilities	5,526	–	–	12,039	17,565
Accrued expenses and prepaid income	–	–	–	1,347	1,347
Subordinated liabilities	–	–	–	7,822	7,822
Total	**48,578**	**23,653**	**680**	**212,016**	**284,927**

Parent company EURm, 31 Dec 2005	Loans and receivables	Held to maturity	Held for trading	Assets at fair value through profit or loss	Derivatives used for hedging	Available for sale	Total
Financial assets							
Cash and balances with central banks	215	–	–	–	–	–	215
Treasury bills and other eligible bills	–	–	2,090	–	–	–	2,090
Loans and receivables to credit institutions	25,629	–	3,009	–	–	–	28,638
Loans and receivables to the public	18,882	–	187	–	–	–	19,069
Interest-bearing securities	–	–	4,533	–	–	–	4,533
Derivatives	–	–	507	–	199	–	706
Fair value changes of the hedged items in portfolio hedge of interest rate risk	28	–	–	–	–	–	28
Shares	–	–	397	99	–	–	496
Prepaid expenses and accrued income	180	–	–	–	–	–	180
Other assets	1,195	–	–	–	–	–	1,195
Total	**46,129**	**–**	**10,723**	**99**	**199**	**–**	**57,150**

Note 48: *cont.*

Parent company EURm, 31 Dec 2005	Held for trading	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
Financial liabilities					
Deposits by credit institutions	1,219	–	–	19,565	20,784
Deposits and borrowings from the public	25	–	–	26,554	26,579
Debt securities in issue	–	–	–	10,248	10,248
Derivatives	436	–	135	–	571
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	3	3
Other liabilities	621	–	–	1,542	2,163
Accrued expenses and prepaid income	–	–	–	133	133
Subordinated liabilities	–	–	–	5,540	5,540
Total	**2,301**	**–**	**135**	**63,585**	**66,021**

Loans and receivables designated at fair value through profit or loss

EURm	Group 31 Dec 2005	Parent company 31 Dec 2005
Book value	25,476	–
Maximum exposure to credit risk	25,476	–
Book value of credit derivatives used to mitigate the credit risk	–	–

Financial liabilities designated at fair value through profit or loss

Changes in fair values attributable to changes in credit risk

Issued mortgage bonds in the fully owned Danish subsidiary Nordea Kredit Realkreditaktieselskab are measured at fair value. The amount of change in the fair value that is attributable to changes in credit risk of the liabilities are for 2005 EUR 0.0m. The method used is to calculate the fair value changes that are attributable to changes in market conditions based on relevant benchmark interest rates.

The amount of change in the fair value of loans in Nordea Kredit Realkreditaktieselskab that is attributable to changes in credit risk is for 2005 EUR 0.3m.

Comparison of carrying amount and contractual amount to be paid at maturity

	Group		Parent company	
EURm	Book value	Amount to be payed at maturity	Book value	Amount to be payed at maturity
Financial liabilities at fair value through profit or loss	23,653	23,789	–	–

Net gains/losses on financial instruments recognised in the income statement

EURm	Group 2005	Parent company 2005
Financial instruments designated at fair value through profit or loss	121	0
Financial instruments held for trading	321	18
Financial instruments under hedge accounting	2	0
Other, not under IAS 39	171	–56
Net gains/losses on items at fair value	**615**	**–38**

Note 49:
Assets and liabilities at fair value

Group EURm	31 Dec 2005 Book value	31 Dec 2005 Fair value	31 Dec 2004 Book value	31 Dec 2004 Fair value
Assets				
Cash and balances with central banks	2,526	2,526	4,585	4,585
Treasury bills and other eligible bills	7,280	7,280	8,608	8,608
Loans and receivables to credit institutions	31,578	31,581	24,774	24,864
Loans and receivables to the public	188,460	188,504	161,060	161,433
Interest-bearing securities	36,121	36,191	29,765	29,765
Shares	12,901	12,901	10,242	10,242
Derivatives	28,876	28,876	26,366	26,366
Fair value changes of the hedged items in portfolio hedge of interest rate risk	282	282	–	–
Investments in associated undertakings	566	566	561	561
Intangible assets	2,221	2,221	2,101	2,101
Property and equipment	303	305	443	443
Investment property	2,750	2,750	2,484	2,484
Deferred tax assets	352	352	450	450
Current tax assets	41	41	65	65
Prepaid expenses and accrued income	1,405	1,405	1,656	1,656
Other assets	9,887	9,887	6,914	6,914
Total assets	**325,549**	**325,668**	**280,074**	**280,537**
Liabilities				
Deposits by credit institutions	29,790	29,792	30,156	30,226
Deposits and borrowings from the public	115,550	115,416	104,704	104,876
Liabilities to policyholders	26,830	26,830	23,480	23,480
Debt securities in issue	82,609	82,693	59,579	59,747
Derivatives	28,602	28,602	26,675	26,675
Fair value changes of the hedged items in portfolio hedge of interest rate risk	58	58	–	–
Current tax liabilities	383	383	151	151
Other liabilities	18,044	18,044	13,504	14,093
Accrued expenses and prepaid income	1,874	1,874	1,996	1,996
Deferred tax liabilities	423	423	598	598
Provisions	100	100	192	192
Retirement benefit obligations	504	504	545	545
Subordinated liabilities	7,822	7,861	5,818	5,969
Total liabilities	**312,589**	**312,580**	**267,398**	**268,548**

Parent company EURm	31 Dec 2005 Book value	31 Dec 2005 Fair value	31 Dec 2004 Book value	31 Dec 2004 Fair value
Assets				
Cash and balances with central banks	215	215	218	218
Treasury bills and other eligible bills	2,090	2,090	3,006	3,006
Loans and receivables to credit institutions	28,638	28,641	23,749	23,788
Loans and receivables to the public	19,069	19,069	17,492	17,502
Interest-bearing securities	4,533	4,533	3,259	3,259
Shares	496	496	419	419
Derivatives	706	706	190	190
Fair value changes of the hedged items in portfolio hedge of interest rate risk	28	28	–	–
Investments in associated undertakings	28	28	28	28
Investment in group undertakings	16,551	16,551	16,741	16,741
Intangible assets	903	903	764	764
Property and equipment	43	43	51	51
Investment property	0	0	0	0
Deferred tax assets	45	45	48	48
Current tax assets	5	5	53	53
Prepaid expenses and accrued income	185	185	197	197
Other assets	1,196	1,196	1,633	1,633
Total assets	**74,731**	**74,734**	**67,848**	**67,897**
Liabilities				
Deposits by credit institutions	20,784	20,785	22,885	22,882
Deposits and borrowings from the public	26,579	26,579	25,669	25,674
Debt securities in issue	10,248	10,248	3,532	3,528
Derivatives	571	571	228	228
Fair value changes of the hedged items in portfolio hedge of interest rate risk	3	3	–	–
Current tax liabilities	162	162	–	–
Other liabilities	2,176	2,176	1,753	1,943
Accrued expenses and prepaid income	223	223	228	228
Provisions	26	26	33	33
Retirement benefit obligations	133	133	140	140
Subordinated liabilities	5,540	5,540	3,526	3,547
Total liabilities	**66,445**	**66,446**	**57,994**	**58,203**

Estimation of fair value for assets and liabilities

Financial assets and financial liabilities in the balance sheet are generally measured at fair value, with the exception of loans and receivables, deposit and borrowings and issued securities.

The book values on loans and receivables, deposits and borrowings and issued securities are adjusted for the value of the fixed interest term in order to estimate the fair values that are presented in the tables above. The value of the fixed interest term is a result of changes in the relevant market interest rates. The discount rates used are based on current market rates for each term.

Fair value is estimated to be equal to the book value for short-term financial assets and financial liabilities.

Fair value is set to book value, in the tables above, for assets and liabilities for which no reliable fair value has been possible to estimate. This is valid for the line items investments in associated undertakings, investments in group undertakings, intangible assets, property and equipment and provisions.

For futher information about valuation of items normally measured at fair value, see Note 1.

Note 49: *cont.*

Fair value of financial assets and financial liabilities

The total effect on the income statement from financial assets and financial liabilities that are measured using valuation techniques based on assumptions not fully supported by observable market data amounted to EUR 7m in Nordea. The effect in the parent company was EUR 0m.

Difference between transaction price and fair value according to valuation techniques not yet recognised in the income statement

EURm	Group 31 Dec 2005	Parent company 31 Dec 2005
Amount at beginning of year	–	–
Changed accounting policies	11	–
Transactions during the year	30	–
Recognised in the income statement during the year	–13	–
Amount at end of year	**28**	**–**

Note 50:

Assets and liabilities in foreign currencies

Group

EURbn, 31 Dec 2005	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Treasury bills and other eligible bills	4.4	1.4	0.2	1.2	0.1	0.0	7.3
Loans and receivables to credit institutions	7.2	8.4	9.2	1.5	4.7	0.6	31.6
Loans and receivables to the public	49.1	52.8	43.9	26.9	11.0	4.8	188.5
Interest-bearing securities	9.8	7.1	15.4	2.2	1.3	0.3	36.1
Other assets	20.1	7.3	15.7	6.3	9.6	3.0	62.0
Total assets	**90.6**	**77.0**	**84.4**	**38.1**	**26.7**	**8.7**	**325.5**
Liabilities and equity							
Deposits by credit institutions	7.7	5.6	5.6	1.2	7.7	2.0	29.8
Deposits and borrowings from the public	36.0	28.1	26.1	16.5	6.9	2.0	115.6
Debt securities in issue	12.3	18.4	24.5	2.6	17.6	7.2	82.6
Provisions	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Subordinated liabilities	3.1	0.3	0.0	0.0	2.9	1.5	7.8
Other liabilities and equity	32.9	14.5	25.0	8.6	6.9	1.7	89.6
Total liabilities and equity	**92.0**	**67.0**	**81.2**	**28.9**	**42.0**	**14.4**	**325.5**
Position not reported in the balance sheet	**1.2**	**–10.0**	**–3.0**	**–9.2**	**15.3**	**5.7**	**0.0**
Net position, currencies	**–0.2**	**0.0**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**

Parent company

EURbn, 31 Dec 2005	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Treasury bills and other eligible bills	0.7	1.4	–	–	0.0	–	2.1
Loans and receivables to credit institutions	2.2	22.0	0.2	0.1	3.9	0.2	28.6
Loans and receivables to the public	1.7	15.0	0.4	0.5	1.1	0.4	19.1
Interest-bearing securities	0.9	3.3	–	0.1	0.2	–	4.5
Other assets	8.9	3.5	3.9	2.8	1.1	0.2	20.4
Total assets	**14.4**	**45.2**	**4.5**	**3.5**	**6.3**	**0.8**	**74.7**
Liabilities and equity							
Deposits by credit institutions	10.1	6.8	0.1	0.4	2.9	0.5	20.8
Deposits and borrowings from the public	0.5	25.1	0.1	0.1	0.6	0.2	26.6
Debt securities in issue	3.1	3.5	0.0	–	3.1	0.5	10.2
Provisions	0.0	0.0	0.0	–	0.0	–	0.0
Subordinated liabilities	2.2	0.3	–	–	2.0	1.0	5.5
Other liabilities and equity	6.1	5.4	0.0	0.0	0.1	0.0	11.6
Total liabilities and equity	**22.0**	**41.1**	**0.2**	**0.5**	**8.7**	**2.2**	**74.7**
Position not reported in the balance sheet	**0.9**	**–1.7**	**–0.7**	**–2.6**	**2.5**	**1.6**	**0.0**
Net position, currencies	**–6.7**	**2.4**	**3.6**	**0.4**	**0.1**	**0.2**	**0.0**

Note 51:
Hedge accounting

Fair value hedges

Net gains/losses on hedging instruments and on hedged items

EURm	Group 2005	Parent company 2005
Net gains/losses on hedging instruments	–129	–54
Net gains/losses on hedged items	131	54
Total	**2**	**0**

Fair value changes of the hedged items in portfolio hedge of interest rate risk

Assets EURm	Group 31 Dec 2005	Parent company 31 Dec 2005
Book value at beginning of year	–	–
Changes during the year		
Change in accounting policies	335	36
Revaluation of hedged items	–53	–8
Book value at end of year	**282**	**28**

Liabilities EURm	Group 31 Dec 2005	Parent company 31 Dec 2005
Book value at beginning of year	–	–
Changes during the year		
Change in accounting policies	242	65
Revaluation of hedged items	–184	–62
Book value at end of year	**58**	**3**

Note 52:
Continued involvement in assets that have been transferred and associated liabilities

Continued involvement in assets that have been transferred

EURm	Group 31 Dec 2005	Parent company 31 Dec 2005
Repurchase agreements		
Treasury bills and other eligible bills	185	903
Interest-bearing securities	11,489	341
Securities lending agreements		
Shares	228	228
Securitisations		
Interest-bearing securities	468	–
Total	**12,370**	**1,472**

The assets continue to be recognised on the balance sheet since Nordea is still exposed to changes in the fair value of the assets.

Liabilities associated with the assets

EURm	Group 31 Dec 2005	Parent company 31 Dec 2005
Repurchase agreements		
Deposits by credit institutions	8,976	1,219
Deposits and borrowings from the public	2,960	25
Securities lending agreements		
Deposits by credit institutions	227	227
Deposits and borrowings from the public	1	1
Securitisations		
Debt securities in issue	462	–
Total	**12,626**	**1,472**

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged.

EURm	Group 31 Dec 2005	Parent company 31 Dec 2005
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	17,746	3,124
– of which repledged or sold	4,939	1,347
Securities borrowing agreements		
Received collaterals which can be repledged or sold	631	782
– of which repledged or sold	–	–
Total	**18,377**	**3,906**

Note 53:

Investments, customer bearing the risk

Life and Nordea Bank Danmark A/S have assets and liabilities included in their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included in the Group's balance sheet. A breakdown is shown below:

	Group	
EURm	31 Dec 2005	31 Dec 2004
Assets		
Interest-bearing securities	2,418	2,177
Shares	5,940	4,425
Other assets	1,422	913
Total assets	**9,780**	**7,515**
Liabilities		
Deposits and borrowings from the public	3,878	3,217
Insurance contracts	3,730	4,082
Investments contracts	1,584	–
Other liabilities	588	216
Total liabilities	**9,780**	**7,515**

Note 54:

Nordea Life Assurance I Sweden AB (publ)

EURm	2005	2004
Income statement		
Premiums written, net of reinsurance	86	98
Investment, income	81	125
Unrealised investment gains	0	0
Claims incurred and benefits paid	–95	–74
Change in life insurance provisions	–68	–65
Change in collective bonus potential	36	–50
Operating expenses	–9	–9
Investment, expenses	–2	–3
Unrealised investment losses	–18	–11
Pension yield tax	–11	–11
Technical result, life insurance and pensions	**0**	**0**
Net profit from health and personal accident insurance	0	0
Transferred return on investments	0	0
Profit before tax, life insurance and pensions	**0**	**0**
Tax	0	0
Net profit for the year	**0**	**0**

EURm	31 Dec 2005	31 Dec 2004
Balance sheet		
Assets		
Intangible assets	0	0
Investments		
Real estate holdings	81	107
Shares	9	95
Interest-bearing financial instruments	1,559	1,499
Other	29	27
Investments, policyholders bearing the risk	0	0
Technical provisions, reinsurance	1	0
Receivables and bank balances	77	145
Other assets	37	33
Total assets	**1,793**	**1,906**
Liabilities and equity		
Equity	43	31
Subordinated loans	32	33
Technical provisions		
Life insurance provisions	1,681	1,670
Outstanding claims provisions	0	6
Collective bonus potential	24	82
Other provisions and liabilities	13	84
Total liabilities and equity	**1,793**	**1,906**
Average number of employees	90	69

Note 55:
Mergers

Parent company
Nordea Asset Management AB until the merger.

Income statement EURm	1 Jan 2005– 30 Nov 2005
Interest income	1
Interest expense	–4
Net interest income	**–3**
Dividend	78
Total operating income	**75**
Operating expenses	
General administrative expenses	
Staff costs	–2
Other expenses	–29
Depreciation, amortisation and impairment charges of tangible and intangible assets	–1
Total operating expenses	–32
Operating profit	**43**
Income tax expense	0
Net profit for the year	**43**

Balance sheet EURm	30 Nov 2005
Assets	
Loans and receivables to credit institutions	58
Investments in group undertakings	377
Total assets	**435**
Liabilities	
Deposit and borrowings from the public	51
Total liabilities	**51**
Equity	
Share capital	0
Share premium account	48
Retained earnings	336
Total equity	**384**
Total liabilities and equity	**435**

Nordea Asset Management AB, org nr 556216-3435, was merged 30 Nov 2005.

Note 56:
Acquisitions

Group
In December 2005 the Group acquired 100% of the share capital of Sampo PTE S.A., the Polish general pension company and 100% of the share capital of Sampo T.U. Zycie S.A., the Polish Life insurance company. The acquired companies were consolidated for the first time 31 December 2005. If the acquisition had occurred on 1 January 2005, the Group operating income would have been EUR 6,584m, and the net profit would have been EUR 2,266m.

The acquired company's assets and liabilities at the date of the acquisition:

EURm	Booked amount[1]	Fair value adjustment[2]	Fair value in the Group
Cash and balances with central banks	7	–	7
Loans and receivables to credit institutions[3]	3	–	3
Reinsurance receivables	0	–	0
Interest-bearing securities	8	–	8
Shares	6	–	6
Intangible assets	0	20	20
Property and equipment	0	–	0
Prepaid expenses and accrued income	1	32	33
Other assets	1	–	1
Liabilities to policyholders	–17	–	–17
Other liabilities	–2	–	–2
Accrued expenses and prepaid income	–1	–	–1
Net assets	**6**	**52**	**58**
Goodwill[2]			45
Purchase price, settled in cash			95
Cash and cash equivalents acquired			7
Cash outflow on acquistion			–96

[1] Net assets in Sampo PTE S.A. amounts to EUR 5m and T.U. Zycie S.A. EUR 1m.
[2] Fair value adjustment and goodwill is related to Sampo.
[3] Bank deposits of which Sampo PTE S.A. EUR 6m and Sampo T.U. Zycie S.A. EUR 4m.

Note 57:

Related-party transactions

Group EURm	Associated undertakings 31 Dec 2005	Associated undertakings 31 Dec 2004	Pension foundations 31 Dec 2005	Pension foundations 31 Dec 2004
Assets				
Loans and receivables	173	150	–	–
Interest-bearing securities	–	–	–	–
Derivatives	2	55	–	–
Total assets	**175**	**205**	**–**	**–**
Liabilities				
Deposits	139	83	86	134
Debt securities in issue	109	26	–	–
Derivatives	45	1	–	–
Total liabilities	**293**	**110**	**86**	**134**
Contingent liabilities	59	88	–	–
Commitments	4,850	3,963	–	–

Parent company EURm	Group undertakings 31 Dec 2005	Group undertakings 31 Dec 2004	Associated undertakings 31 Dec 2005	Associated undertakings 31 Dec 2004	Pension foundations 31 Dec 2005	Pension foundations 31 Dec 2004
Assets						
Loans and receivables	23,217	21,388	–	–	–	–
Interest-bearing securities	1,394	960	–	–	–	–
Derivatives	155	37	–	–	–	–
Total assets	**24,766**	**22,385**	**–**	**–**	**–**	**–**
Liabilities						
Deposits	16,258	18,759	0	0	34	35
Debt securities in issue	92	32	–	–	–	–
Derivatives	142	123	–	–	–	–
Total liabilities	**16,492**	**18,914**	**0**	**0**	**34**	**35**
Asset pledged as security for own liabilities	722	253	–	–	–	–
Other assets pledged	539	136	–	–	–	–
Contingent liabilities	12,499	1,867	–	–	–	–
Commitments	20,621	22,967	–	–	–	–

Transactions with Key management personnel
Compensation and loans to Key management personnel are presented in Note 8. Apart from compensations and loans, ordinary savings and regular day-to-day banking transactions between Nordea and Key mangagement personnel are transacted on arm's length terms. Judged from Nordea's point of view, there are no material transactions between Nordea and Key management personnel.

Kjell Aamot, member of the Board of Directors in Nordea, is Chief Executive Officer and President of Schibsted ASA. Nordea's business with the Schibsted Group are conducted on arm's length terms in competition with other suppliers of financial services. Nordea´s business volumes with the Schibsted Group is, seen from a Nordea point of view, negligible.

Other related party transactions
Group
Nordea Finance has sold its car fleet management operations to NF Fleet during 2005. NF Fleet is jointly owned by Nordea Finance and ALD Automotive. Nordea Finance owns 20% of the shares in NF Fleet and ALD Automotive owns the remaining 80%.

Parent company
During 2005 Nordea Bank AB (publ) aquired Nordea Bank Danmark A/S´s total holding of shares in Danmarks Skibskredit A/S, corresponding to 14% of outstanding shares.

As of 30 September 2005 Nordea Bank AB (publ) sold 100% of the shares in Nordea Investment Management Bank A/S to Nordea Bank Danmark A/S.

Proposed distribution of earnings

According to the company's balance sheet, the following amount is available for distribution by the Annual General Meeting of Shareholders:

	EUR
Retained profit	2,010,795,140
Net profit for the year	916,664,334
Total	**2,927,459,474**

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

	EUR
Dividends paid to shareholders, EUR 0.35 per share	907,937,879
To be carried forward	2,019,521,595
Total	**2,927,459,474**

The Group's distributable earnings amount to EUR 7,562m. After the proposed distribution of earnings, the Group's unrestricted shareholders' equity will amount to EUR 6,654m.

It is hereby certified that, to the best of our knowledge, the annual accounts have been prepared in accordance with generally accepted accounting principles for a stock market company, the information presented is consistent with the actual conditions and that nothing of material value has been omitted that would affect the picture of the company presented in the annual report.

28 February 2006

Hans Dalborg
Chairman

Kjell Aamot
Harald Arnkværn
Gunnel Duveblad

Bertel Finskas
Birgitta Kantola
Nils Q Kruse

Anne Birgitte Lundholt
Claus Høeg Madsen
Jørgen Høeg Pedersen

Timo Peltola
Rauni Söderlund
Maija Torkko

Lars G Nordström
President and CEO

Our audit report was submitted on 28 February 2006

KPMG Bohlins AB
Caj Nackstad
Authorized Public Accountant

Lars Bonnevier
Authorized Public Accountant
(Appointed by the Swedish Financial Supervisory Authority)

Audit Report

To the annual meeting of the shareholders of Nordea Bank AB (publ)
Corporate identity number 556406-0120

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Nordea Bank AB (publ) for the year 2005. The audit covers pages 28-136. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act of Credit Institutions and Securities Company when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act of Credit Institutions and Security Company when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated 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 and the consolidated 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 and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from Iiability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the Iiability, 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 and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Company or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Company and 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 consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act of Credit Institutions and Securities Company and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company 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, 28 February 2006

KPMG Bohlins AB
Caj Nackstad
Authorized Public Accountant

Lars Bonnevier
Authorized Public Accountant
(Appointed by the Swedish Financial Supervisory Authority)

Business definitions

These definitions apply to the descriptions in the Annual Report, including the pro forma information.

Capital base
The capital base includes the sum of the Tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction of the book value of the shares in wholly owned insurance companies. Insurance companies have separate capital requirements.

Tier 1 capital
The proportion of the capital base, which includes consolidated shareholders' equity excluding investments in insurance companies, proposed dividend, tax assets as well as goodwill in the banking operations. Subsequent to the approval of the supervisory authorities, Tier 1 capital also includes qualified forms of subordinated loans (Tier 1 capital contributions and hybrid capital loans).

Risk-weighted amounts
Total assets and off-balance-sheet items valued on the basis of the credit and market risks in accordance with regulations governing capital adequacy, excluding assets in insurance companies, book value of shares which have been deducted from the capital base and goodwill.

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.

Return on equity
Net profit excluding minority interests and the period's change in fair value related to available for sale holdings and other revaluations recognized direct in equity, as a percentage of average equity for the period. Average equity including net profit and dividend until paid, minority interests excluded.

Total shareholders' return (TSR)
Total shareholders' return measured as growth in the value of a shareholding over a specified period, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

Loan losses as a percentage of total loans
Loan losses, net (incl. losses on guarantees and transfer risk) as a percentage of total loans and guarantees as of previous year-end.

Earnings per share, after full dilution
Net profit divided by the average number of outstanding shares after full dilution, minority interests excluded.

Earnings per share
Net profit divided by the average number of outstanding shares, minority interests excluded.

Equity per share
Equity after full dilution and minority interests excluded divided by the number of shares after full dilution.

Cost/income ratio
Total operating expenses divided by total operating income.

Abbreviations

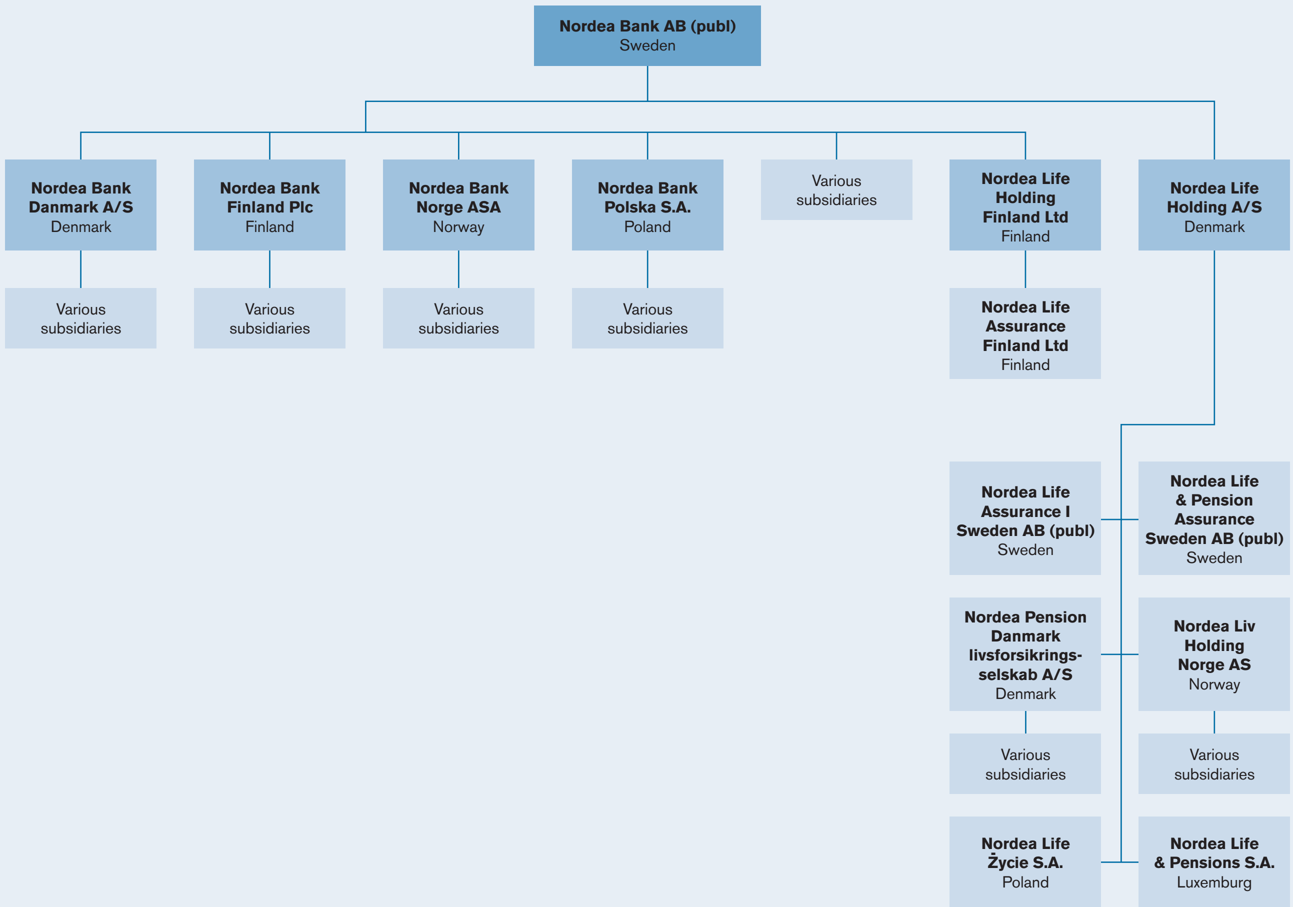
AGM	Annual General Meeting
CEO	Chief Executive Officer
EIU	Economist Intelligence Unit
GEM	Group Executive Management
IPS	Individual Pension Savings
OTC	Over-the-counter
TSR	Total Shareholder Return

Ratings

	Moody's Investors Service		Standard & Poor's		Fitch	
	Short	Long	Short	Long	Short	Long
Nordea Bank AB (publ)	P–1	Aa3	A–1+	AA–	F1+	AA–
Nordea Bank Danmark A/S	P–1	Aa3	A–1+	AA–	F1+	AA–
Nordea Bank Finland Plc	P–1	Aa3	A–1+	AA–	F1+	AA–
Nordea Bank Norge ASA	P–1	Aa3	A–1+	AA–	F1+	AA–
Nordea Hypotek AB (publ)	P–1	Aa3	A–1+			
Nordea Kredit Realkreditaktieselskab		Aaa		AAA		
Norgeskreditt AS	P–1	A1				

Legal structure

The Group's main legal structure
31 December 2005



Board of Directors


Hans Dalborg


Timo Peltola


Kjell Aamot


Harald Arnkværn


Gunnel Duveblad


Birgitta Kantola


Anne Birgitte Lundholt


Claus Høeg Madsen

Hans Dalborg
Chairman
Ph.D. (Economics). Board member since 1998. Born 1941.
Board Chairman of the Swedish Corporate Governance Board, Uppsala University, the Royal Swedish Academy of Engineering Sciences (IVA) and the Norwegian-Swedish Chamber of Commerce.
Board member of Axel Johnson AB, the Stockholm Institute of Transition Economics and East European Economies (SITE) and the Stockholm Institute for Financial Research (SIFR).
Member of the European Round Table of Financial Services (EFR).
Previous positions
2000 President and CEO Nordea
1998–1999 President and CEO MeritaNordbanken
1991–1997 President and CEO Nordbanken
1989–1990 Senior Executive Vice President and Chief Operating Officer of Skandia Group.
1972–1989 Various positions within Skandia Group
Shareholding in Nordea: 40,760*

Timo Peltola
Vice Chairman
Dr. of Economics (Hc). Board member since 1998. Born 1946.
Chairman of the Board of Neste Oil.
Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company.
Board member of TeliaSonera AB (publ) and SAS AB.
Member of the Supervisory Board of the Finnish Fair Corporation and of the Advisory Board of CVC Capital Partners.
Previous positions
1971–2005 Various positions within Huhtamäki group including CEO 1988–2004.
Shareholding in Nordea: 5,187*

Kjell Aamot
M.Sc. (Business). Board member since 2001. Born 1950.
Chief Executive Officer and President of Schibsted ASA.
Board Chairman of Aftenposten AS, Verdens Gang AS, Schibsted Finans AS, Schibsted TV, Film & Forlag AS, Schibsted Print Media AS and Schibsted Multimedia AS.
Previous positions
1985–1989 Managing Director Verdens Gang AS
1977–1985 Chief Financial Officer Verdens Gang AS
Shareholding in Nordea: 2,000*

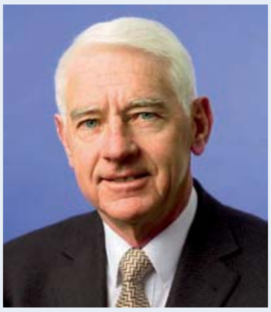
* Shareholdings also include shares held by family members.

Harald Arnkværn
Cand.jur (Law degree). Board member since 2001. Born 1939.
Partner Advokatfirmaet Haavind Vislie AS.
Board member of Energiselskapet Buskerud AS.
Chairman of Board of representatives Orkla ASA
Previous positions
1989- Partner Advokatene Haavind & Haga DA, now Advokatfirmaet Haavind Vislie AS
1974–1988 General counsel, vice president and deputy Managing Director of Den norske Creditbank
Shareholding in Nordea: 1,000*

Gunnel Duveblad
Computer Science studies at Umeå University
Board member since 2003. Born 1955.
Board member Ruter Dam
Previous positions
2002-2006 President EDS Europe Northern Region.
1990–2002 Various management positions within IBM
1977–1990 Various positions within IBM
Shareholding in Nordea: 5,700*

Birgitta Kantola
Master of Law
Board member since 2003. Born 1948.
Senior Financial Consultant
Board member of Fortum Plc (Deputy Chairman), Varma Mutual Pension Insurance Company, Stora Enso Oyj, Vasakronan AB, Akademiska Hus AB, Åbo Akademi and Birka Consulting Ab.
Previous positions
2001 Deputy General Manager Ålandsbanken
1995–2000 Vice president and CFO, member of the management group, International Finance Corporation (IFC), Washington, DC
1988–1995 Various management positions within Nordic Investment Bank (NIB), incl. Executive Vice President Finance 1991–1995
1987–1988 Financial Operations Officer International Finance Corporation (IFC), Washington, DC
1980–1986 Various positions within Nordic Investment Bank (NIB)
Shareholding in Nordea: 2,000*


Lars G Nordström


Jørgen Høeg Pedersen


Maija Torkko


Bertel Finskas


Liv Haug


Nils Q Kruse


Rauni Söderlund

Anne Birgitte Lundholt
Bachelor of Commerce in International. Business Economy and Trade, Master of Political Science. Board member since 2005. Born 1952.
Board member of Orkla ASA and Post Danmark.
Senior Advisor Kreab, Bruxelles
Previous positions
1997–2005 President and Chief Executive Officer, Danish Bacon and Meat Council (DBMC).
1993–1997 Member of the Danish Parliament.
1989–1993 Minister for Industry, Trade, Sea Transportation and Consumers, from 1990 also Minister for Energy.
1988–1989 President and CEO Association of Danish Furniture Industries.
1980–1988 Vice President Federation of Danish Textile Industries.
1977–1980 Negotiator Confederation of Danish Employers.
Shareholding in Nordea: 1,000*

Claus Høeg Madsen
Cand.jur (Law degree). Board member since 2000. Born 1945.
Partner at Jonas Bruun law firm.
Board member of Genpack A/S, Singer Danmark A/S and Ejendomsselskabet Vennelyst A/S.
Previous positions
1970– Lawyer at Jonas Bruun law firm
Shareholding in Nordea: 1,803*

Lars G Nordström
President and Group Chief Executive Officer
Law studies at Uppsala University
Board member since 2003. Born 1943.
Board Chairman of the Royal Swedish Opera and the Finnish Swedish Chamber of Commerce
Board member of Viking Line Abp and the Swedish-American Chamber of Commerce.
Previous positions
1993– Various management positions within Nordea Group
1970–1993 Various positions within Skandinaviska Enskilda Banken
Shareholding in Nordea: 15,000*

Jørgen Høeg Pedersen
Cand.agro
Board member since 2000. Born 1938.
Managing Director of Nordea Danmark-fonden, Nordea Bank-fonden and Fonden Tietgen Kollegiet.
Board member of Ejendomsselskabet Axelborg I/S and Gartneriet Rosborg-Bellinge A/S.
Previous positions
1995–2003 Managing Director of Copenhagen Wholesale Market for Fruit, Vegetables and Flowers
1963–1995 Management positions within DANÆG A/S
Shareholding in Nordea: 6,673*

Maija Torkko
B.Sc. (Economics) and LL.M
Board member since 2002. Born 1946.
Senior Vice President and Corporate Controller, Nokia Corporation.
Previous positions
1977– Various positions within Nokia Group.
2004–2005 Member of the Supervisory Board of EFRAG (European Financial Reporting Advisory Group)
2003–2005 Member of ISAB (Standards Advisory Council of the International Accounting Standards Board)
Shareholding in Nordea: 12,000*

Bertel Finskas
Board member since 2000. Born 1948. Employee representative.
Shareholding in Nordea: 1,400*

Liv Haug
Board member since 2001. Born 1954. Employee representative.
Shareholding in Nordea: 0*

Nils Q Kruse
Board member since 2004. Born 1950. Employee representative.
Shareholding in Nordea: 1,082*

Rauni Söderlund
Board member since 2003. Born 1960. Employee representative.
Shareholding in Nordea: 0*

* Shareholdings also include shares held by family members.

Group Executive Management

Lars G Nordström
President and Group CEO.
Born 1943.
Appointed member 2000.
Shareholding: 15,000 Nordea.

Christian Clausen
Head of Asset Management & Life.
Born 1955.
Appointed member 2001.
Shareholding: 8,267 Nordea.

Lena Eriksson
Head of Group Legal and Compliance.
Born 1962.
Appointed member 2004.
Shareholding: 0 Nordea.

Carl-Johan Granvik
Head of Group Credit and Risk Control, CRO.
Born 1949.
Appointed member 2000.
Shareholding: 4,175 Nordea.

Arne Liljedahl [1]
Head of Group Corporate Centre, CFO.
Born 1950.
Appointed member 2000.
Shareholding: 11,100 Nordea.

Frans Lindelöw
Deputy head of Retail Banking.
Born 1962.
Appointed member 2004.
Shareholding: 14,000 Nordea.

Markku Pohjola [1]
Head of Group Processing and Technology, Deputy CEO.
Born 1948.
Appointed member 2000.
Shareholding: 9,080 Nordea.

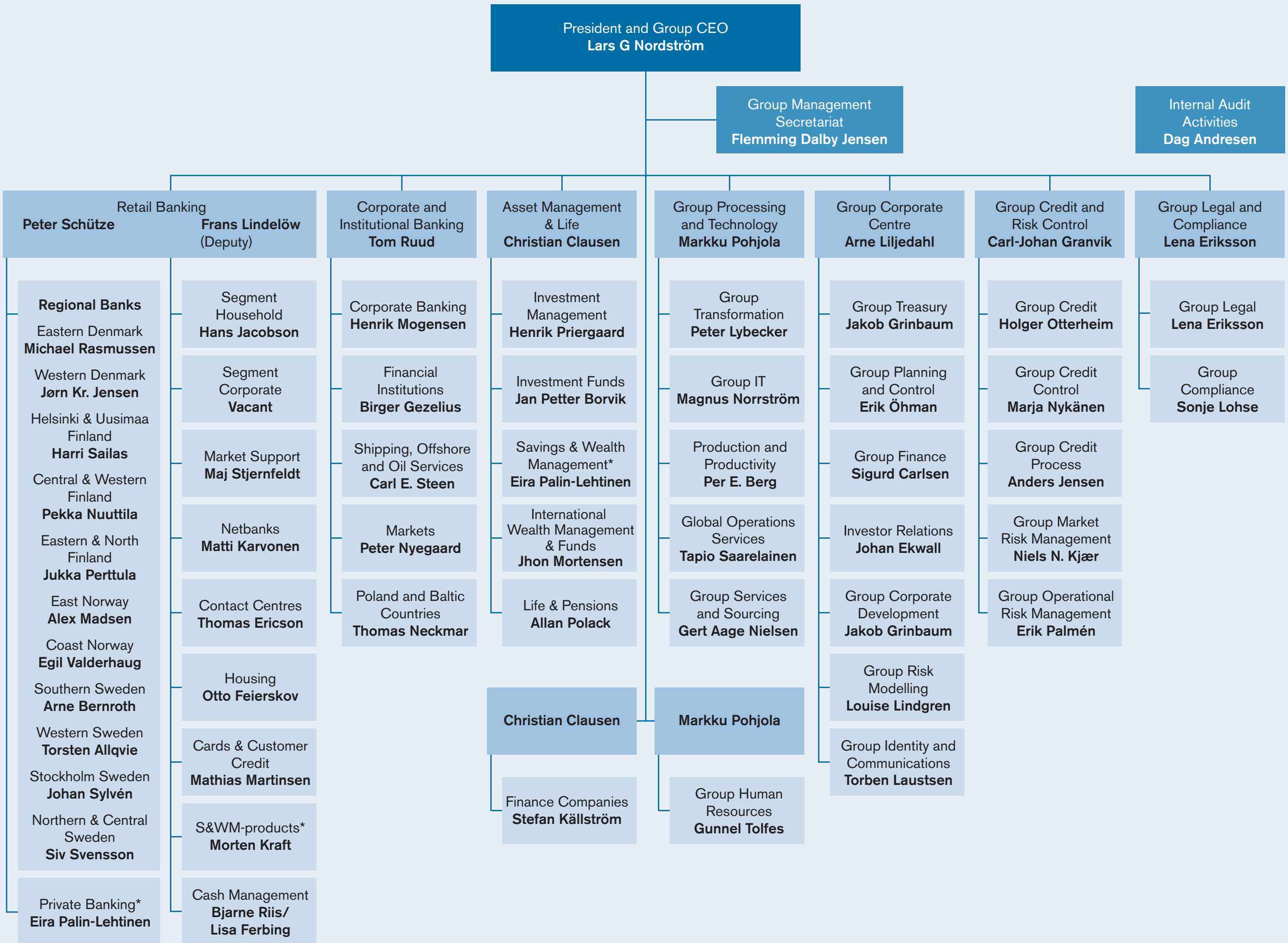
Tom Ruud [1]
Head of Corporate and Institutional Banking.
Born 1950.
Appointed member 2001.
Shareholding: 1,000 Nordea.

Peter Schütze [1]
Head of Retail Banking.
Born 1948.
Appointed member 2002.
Shareholding: 7,869 Nordea.

[1] Country Senior Executive

Shareholdings also include shares held by family members.

Group organisation



* Joint unit

Annual General Meeting 5 April 2006

The annual general meeting will be held at 10.00 Swedish time in the Aula Magna, Stockholm University, Frescativägen 6, Stockholm.

The shareholders may also participate in the annual general meeting through telecommunication
- at 11.00 Finnish time in the Finlandia Hall, congress wing, Mannerheimintie 13 e, Helsinki
- at 10.00 Danish time in the Bella Center, Center Boulevard 5, Copenhagen.

Common instructions to all shareholders
Shareholders who wish to participate in the annual general meeting shall be entered in the share register maintained by the Swedish Securities Register Center (VPC AB) not later than 30 March 2006. The following shareholders therefore must re-register temporarily their shares in their own names with VPC AB in Sweden to be entitled to participate at the annual general meeting.
- Shareholders whose shares are held in trust in Sweden
- Shareholders who are holders of Finnish Depositary Receipts in Finland
- Shareholders who are holders of shares registered in Værdipapircentralen in Denmark

Such re-registration must be completed at VPC AB in Sweden by 30 March 2006. This means that the shareholder must, in good time prior to this date, inform the trustee about this.

Instructions to holders of shares registered in VPC AB in Sweden
Notification of participation in the annual general meeting shall be made to Nordea Bank AB (publ) at the latest on 30 mars 2006 at 13.00 Swedish time at the following address: Nordea Bank AB (publ), Custody Operations, A 204, SE-105 71 Stockholm, or by telephone +46 8 614 97 10, or by fax: +46 8 791 76 45, or on the Internet at the following address: www.nordea.com

Instructions to holders of Finnish Depositary Receipts (FDR) in Finland
Notification of participation in the annual general meeting must be made at the latest on 29 March 2006 at 16.00 Finnish time to Nordea Bank Finland Apb, 2698 Corporate Actions, 00020 Nordea, or by telephone +358 9 165 51398 or +358 9 165 51406 or fax +358 9 637 256, or on the Internet at the following address: www.nordea.com

Instructions to holders of shares registered in Værdipapircentralen in Denmark
Notification of participation in the annual general meeting must be made at the latest on 29 March 2006 at 12.00 noon Danish time to one of Nordea Bank Danmark's branch offices, or to Nordea Bank Danmark A/S, Issuer Services, H.H., P.O. Box 850, 0900 Copenhagen C, or by telephone +45 33 33 33 01 or fax +45 33 33 10 31, or on the Internet at the following address: www.nordea.com

Financial Calender

Financial calendar 2006

Annual General Meeting	05-Apr
Ex-dividend date	06-Apr
Dividend payments	19- Apr
1st quarter	03-May
2nd quarter	19-Jul
3rd quarter	25-Oct

Investor Relations
SE-105 71 Stockholm, Sweden
Tel: +46 8 614 78 51

Website
All reports and press releases are available on the Internet at: www.nordea.com

Financial reports published by the Nordea Group may be ordered via Investor Relations.

The annual reports of Nordea Bank Danmark A/S, Nordea Bank Norge ASA, Nordea Bank Finland Plc can be downloaded at www.nordea.com

The Annual Report 2005
This Annual Report covers Nordea Bank AB (publ) and pertains to the operations of the Nordea Group, whose main legal structure is presented on page 135. The original annual report is written in Swedish. This is an English version thereof. A Swedish version may be obtained upon request.

In this Annual Report, the Nordea Group presents income statements and other financial data quoted in euro (EUR).

Corporate Governance Report 2005

according to the Swedish Code of Corporate Governance

Application by Nordea

Nordea Bank AB (publ) applies the Swedish Code of Corporate Governance (the Code).

The Code was issued in December 2004 and entered into force on 1 July 2005. Nordea has however applied the Code since the beginning of 2005. This means, inter alia, that the 2004 Annual Report contained the necessary information, that the proposals stipulated by the Code were put forward to the 2005 AGM and that the Nordea web site has gradually been supplemented with the required information.

A description of corporate governance in Nordea in the most recent financial year is to be found in the 2005 Annual Report on page 47. In this Corporate Governance Report Nordea indicates where it has departed from the rules in the Code and gives explanations thereto. This report is not part of the formal financial statements.

According to the Code the announcement of the members of the Nomination Committee is to be made at least six months before the Annual General Meeting. Due to the aim of having the Nomination Committee represent the largest shareholders as close to the AGM as practically possible, Nordea did not comply with this rule. The Nomination Committee of Nordea is established based on the holdings as per 30 September the year prior to the AGM and the names can therefore not be announced until mid or end of October. Since the AGM normally is held before the end of April the following year, the six months period may not be complied with. In 2005, the names of the members of the Nomination Committee were made public on 18 October. The 2006 Annual General Meeting will be held on 5 April 2006.

According to the Code the minutes from the last Annual General Meeting are to be posted on the Company's web site. Nordea did not fully comply with this rule since Nordea posted the minutes without the appendices. The decisions are found in the minutes. Regarding the appendices Nordea has found that the integrity of the individual shareholders is best protected by not posting the appendix concerning shareholders' questions. Most of the information in the rest of the appendices can be found elsewhere on the web site.

Financial reporting and communication with auditors

The Internal control process carried out by the Board of Directors, management and other staff within Nordea is designed to provide reasonable assurance regarding the achievement of objectives, including reliability of operational and financial reporting.

Operational and financial reporting processes are important parts of the audit scope of the independent Internal Audit Activity (IAA), commissioned by the Board of Directors. IAA annually presents a separate assurance statement to the Board on the overall quality of the internal control system in the Nordea Group. The assurance statement concludes on the adequacy and effectiveness of the internal control system.

The Board of Directors reviews the external auditors result of their audits of the Group's annual financial statement and the external auditors review of the Group's six-month report. The Board further reviews the external audit plan and external audit results. At least once a year the Board of Directors is to meet the external auditors without the presence of the CEO or any other company executive. The auditor in charge further meets separately with the Chairman of the Board of Directors and the Chairman of the Audit Committee.

The Board of Directors' Audit Committee reviews the Nordea Group's quarterly financial reporting and the external auditors' results of their audits of the Group's annual financial statement as well as the external auditors' review of the Group's six-month report. The Committee further reviews the external audit plan and external audit results as well as the systems for internal control.

Report on internal control over financial reporting

The Board of Directors is according to the Code to submit an annual report on how that part of internal control dealing with financial reporting is organised and how well it has functioned during the most recent financial year. The report is to be reviewed by the company's auditors.

In accordance with the statement given by the Swedish Corporate Governance Board (Kollegiet för svensk bolagsstyrning) on 15 December 2005 the scope of the report for the financial year 2005 is limited to a description of how the internal control is organised and the report is not reviewed by the external auditors.

This Corporate Governance Report has not been reviewed by the auditors.

The Board of Directors' Report on Internal Control over Financial Reporting for the Financial Year 2005

according to the Swedish Code of Corporate Governance (the Code)

This report has been prepared according to paragraph 3.7.2 of the Code and is accordingly limited to internal control over financial reporting. This report is not part of the formal financial statements. In accordance with the statement given by the Swedish Corporate Governance Board (Kollegiet för svensk bolagsstyrning) on 15 December 2005 the scope of this report is limited to a description of how the internal control over financial reporting is organised and the report is not reviewed by the external auditors.

Internal control over financial reporting is a process designed to give reasonable assurance concerning reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies. The internal control activities are included in Nordea's planning and resource allocation processes. Internal control over financial reporting in Nordea can be described in accordance with the following framework:

Control Environment

Internal control in Nordea is based on the control environment, which includes the following elements: Values and management culture, follow-up, a clear and transparent organisational structure, segregation of duties, the four-eyes principle, quality and efficiency of internal communication and an independent evaluation process. The documentation of the internal control framework consists of Group directives and supporting instructions covering the financial and administrative business processes in Nordea.

Risk Assessment

Management of risks within Nordea is proactive, emphasising training and risk awareness. Nordea maintains a high standard of risk management, applying available techniques and methodology in a cost efficient way. Risk management is considered an integrated part of running the business.

Control Activities

The control activities include general as well as more detailed controls, which aim at preventing, revealing and correcting errors and deviations. The control activities are prepared and documented at group level, at business area level as well as unit level. The procedures cover the initial registration of each transaction and the subsequent IT processing. The heads of the respective units in Nordea are primarily responsible for managing the risks associated with the operations and financial reporting processes of the unit.

Information & Communication

The Group Accounting Manual and the Financial Control Principles, which are presented on the Nordea Intranet, constitute the main tools for accounting and financial reporting principles in respect of providing information and instructions. In addition to this, a standard reporting package is used by all entities to ensure consistent use of Nordea's principles and coordinated financial reporting.

Monitoring

Nordea has established a process with the purpose of ensuring a proper monitoring of the quality of the financial reporting and the follow-up regarding possible deficiencies.

The CEO annually issues a report to the Board of Directors on the quality of internal control in Nordea. This report is based on a self-assessment process and a hierarchical reporting covering the whole organisation. Internal control over financial reporting is included as one of several processes in the self-assessment.

The Internal Audit Activity (IAA) is an independent function commissioned by the Board of Directors. The Audit Committee is responsible for guidance and evaluation of IAA. The internal auditing work provides assurance on that part of Nordea's control system, which is essential for the external auditors' assessment of the financial statements. IAA annually issues an assurance statement to the Board of Directors on the Nordea Group's internal control system.

The Audit Committee also assists the Board of Directors in fulfilling its oversight responsibilities by reviewing the quarterly and annual financial reporting, the external and internal auditors' observations and conclusions as well as the system of internal control.

Stockholm, 22 February 2006

The Board of Directors of Nordea Bank AB (publ)

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Nordea Bank AB (publ) | Corporate registration no. 516406-0120 | Hamngatan 10 | SE-105 71 Stockholm | Tel +46 8 614 78 00 | Fax +46 8 10 50 69 | www.nordea.com