Annual Report 2012
Nordea Bank Finland

Nordea Bank Finland Plc is part of the Nordea Group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. 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 around 11 million customers, approximately 1,000 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

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Nordea Bank Finland Group

Five-year overview of the Directors' Report

Income statement

EURm	2012	2011	2010	2009	2008
Net interest income	1,258	1,355	1,182	1,218	1,812
Net fee and commission income	295	309	289	225	215
Net result from items at fair value	1,217	937	979	1,325	770
Profit from companies accounted for under the equity method	18	9	6	4	-4
Other income	36	34	43	53	29
Total operating income	**2,824**	**2,644**	**2,499**	**2,825**	**2,822**
General administrative expenses:					
Staff costs	-567	-592	-553	-599	-537
Other expenses	-447	-457	-479	-432	-397
Depreciation, amortisation and impairment charges of tangible and intangible assets	-50	-43	-41	-37	-33
Total operating expenses	**-1,064**	**-1,092**	**-1,073**	**-1,068**	**-967**
Profit before loan losses	**1,760**	**1,552**	**1,426**	**1,757**	**1,855**
Net loan losses	-144	-70	-272	-381	-133
Impairment of securities held as financial non-current assets	-	-	2	-	-
Operating profit	**1,616**	**1,482**	**1,156**	**1,376**	**1,722**
Income tax expense	-430	-381	-302	-373	-389
Net profit for the year	**1,186**	**1,101**	**854**	**1,003**	**1,333**

Balance sheet

EURm	2012	2011	2010	2009	2008
Interest-bearing securities	36,269	30,866	23,937	8,906	5,620
Loans to central banks and credit institutions	36,827	79,350	67,751	59,037	47,447
Loans to the public	100,765	99,331	73,607	65,723	68,293
Derivatives	117,213	170,228	97,251	74,520	85,662
Other assets	50,873	19,512	23,540	12,979	12,939
Total assets	**341,947**	**399,287**	**286,086**	**221,165**	**219,961**
Deposits by credit institutions	74,666	76,007	60,549	44,344	37,713
Deposits and borrowings from the public	70,212	68,260	55,459	44,526	45,279
Debt securities in issue	48,999	49,153	39,846	39,276	31,263
Derivatives	115,836	168,436	95,676	73,237	87,291
Subordinated liabilities	514	503	477	437	1,238
Other liabilities	22,441	25,308	22,855	8,373	5,902
Equity	9,279	11,620	11,224	10,972	11,275
Total liabilities and equity	**341,947**	**399,287**	**286,086**	**221,165**	**219,961**

Ratios and key figures

Group

	2012	2011	2010	2009	2008
Return on equity, %	11.4	9.6	7.7	9.0	12.1
Cost/income ratio, %	38	41	43	38	34
Loan loss ratio, basis points	14	9	41	56	22
Tier 1 capital ratio[1], %	18.0	12.8	13.6	14.0	12.0
Total capital ratio[1], %	18.8	13.4	14.3	14.6	13.3
Tier 1 capital[1], EURm	8,246	10,310	10,242	10,099	9,807
Risk-weighted assets incl. transition rules[1], EURm	45,733	80,567	75,203	72,092	81,720
Number of employees (full-time equivalents)[1]	8,252	8,828	9,097	9,218	9,634
Average number of employees	9,269	10,014	10,038	10,152	10,412
Salaries and remuneration, EURm	-434	-463	-433	-442	-429
Return of total assets, %	0.3	0.3	0.3	0.5	0.7
Equity to total assets, %	2.7	2.9	3.9	5.0	5.1

[1] End of the year

Business definitions and exchange rates

These definitions apply to the descriptions in the Annual Report.

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 carrying amount of the shares in wholly owned insurance companies and the potential deduction for expected shortfall.

Tier 1 capital
The proportion of the capital base, which includes consolidated shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets in the banking operations and half of the expected shortfall deduction – the negative difference between expected losses and provisions. 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).

The Core tier 1 capital constitutes the tier 1 capital excluding hybrid capital loans.

Expected losses
Normalised loss level of the individual loan exposure over a business cycle as well as various portfolios.

Risk-weighted assets
Total assets and off-balance-sheet items valued on the basis of the credit and market risks, as well as the operational risks of the Group's undertakings, in accordance with regulations governing capital adequacy, excluding carrying amount of shares which have been deducted from the capital base and intangible assets.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk-weighted assets. The Core tier 1 ratio is calculated as Core tier 1 capital as a percentage of risk-weighted assets.

Total capital ratio
Capital base as a percentage of risk-weighted assets.

Return on equity (ROE)
Net profit for the year excluding non-controlling interests as a percentage of average equity for the year. Average equity including net profit for the year and dividend until paid, non-controlling interests excluded.

Cost/income ratio
Total operating expenses divided by total operating income.

Return on total assets (ROA)
Operating profit less taxes as a percentage of average total assets. Average total assets are calculated as the mean of total assets at the beginning and end of the year.

Equity to total assets
Total shareholders' equity including minority interests as a percentage of total assets at year-end.

Exchange rates applied (end of year rates as at 31 December 2012)

EUR	1.0000	**USD**	1.3194	**DKK**	7.4610	**LVL**	0.6977
GBP	0.8161	**CHF**	1.2072	**LTL**	3.4528	**SGD**	1.6111
NOK	7.3483	**PLN**	4.0740	**SEK**	8.5820		

Rating, Nordea Bank Finland

31 Dec 2012	Short	Long
Moody's	P-1	Aa3
S&P	A-1+	AA-
Fitch	F1+	AA-
DBRS	R-1 (high)	AA

Nordea Bank Finland

Directors' Report

Throughout this report the terms "Nordea Bank Finland", "NBF" and "Bank Group" refer to Nordea Bank Finland Plc and its subsidiaries. Nordea Bank Finland Plc is a wholly-owned subsidiary of Nordea Bank AB (publ), the parent company in the Nordea Group. The Nordea Group is referred to as "Nordea".

Nordea Bank Finland Plc is domiciled in Helsinki and its business identity code is 1680235-8.

As part of the Nordea Group, NBF operates in the banking business. All the operations of NBF are integrated into the operations of the Nordea Group, whose annual report, with activities and earnings reported by the business areas, encompasses the operations of NBF in their entirety.

Legal structure

Nordea aims at continuous simplification of its legal structure and as regards the Nordic banks the aim is that Nordea Bank AB (publ) will be converted into a European company. Among other things, a conversion is conditional on Nordea obtaining necessary approvals from the relevant authorities.

The final regulatory responses to the financial crisis and the New Normal are yet to be seen, and to be evaluated. Nordea is following up and analysing the changes in the process, which are not expected to be finalised during 2013.

Subsidiaries and foreign branches

NBF has subsidiaries in Finland and abroad. The most significant subsidiary is Nordea Finance Finland Ltd, which is responsible for the Group's finance company operations in Finland. The Nordea Finance Finland Group comprises one Finnish financial institution and several real estate companies, four associated companies as well as four subsidiaries operating in Poland and in the Baltic market: Nordea Finance Polska S.A., Nordea Finance Estonia Ltd, Nordea Finance Latvia Ltd and Nordea Finance Lithuania Ltd.

NBF has foreign branches in Frankfurt, London, New York, Riga, Singapore, Tallinn and Vilnius and on Grand Cayman. NBF has no foreign representative offices.

Changes in the group structure

During the year Nordea Bank Finland Plc established one new subsidiary in Lithuania.

During the year, Nordea Finance Finland Ltd sold one small wholly-owned real estate company. This disposal had no material effect on the Group's result.

Business development in 2012

Global economic growth weakened further in year 2012. The Nordic economies continued to outperform Europe, but with differences within the region. Denmark, still the most affected country, followed the Eurozone into recession. Finland experienced marginally negative growth, while Norway maintained stronger growth. Although Swedish growth decreased, it remained positive.

Development in the financial markets was primarily driven by additional central bank initiatives. Market interest rates fell further and remain low. Equity markets rose substantially, but concerns over the implementation of proposed solutions for Europe persist. The strong investor demand for Nordic sovereign debt persisted throughout the year.

Despite the macroeconomic challenges, NBF continued to perform strongly in 2012 and total income increased 7%. Profit before loan losses was 13% and operating profit 9% higher than in the previous year. Loan losses increased and the loan loss ratio was 14 basis points. Profit before tax totalled EUR 1,616m (2011: 1,482), and return on equity was 11.4% (9.6).

Comments on the income statement

Operating income

Total operating income increased to EUR 2,824m (2,644), mainly explained by the positive development in the net result from items at fair value.

Net interest income decreased 7% to EUR 1,258m (1,355). Lending volumes increased 1% and deposits 3%. Average lending margins were higher whereas deposit margins have declined following lower markets rates and continued competition in savings deposits. Total lending to the public, excluding reverse repurchase agreements was stable and amounted to EUR 74bn. Deposit volumes, excluding repurchase agreements, decreased 1% to EUR 53bn.

Net fee and commission income decreased 5% to EUR 295m (309). Commission income was 5% higher and totalled EUR 741m (703). Increases were mainly seen in savings-related commissions and payment commissions. Commission expenses increased 13% to EUR 446m (394), mainly as a result of higher transaction and guarantee fees.

Net result from items at fair value continued to develop positively and was EUR 1,217m (937), up 30% from previous year. The customer-driven capital markets activities continued to perform well.

Profit from companies accounted for under the equity method was EUR 18m (9).

Other operating income increased to EUR 36m (34).

Operating expenses

Total operating expenses were 3% lower than in the previous year and totalled EUR 1,064m (1,092).

Staff costs decreased by 4% to EUR 567m (592), explained mainly by the lower number of employees. The reduction of staff which was announced in the autumn of 2011, continued according to plan in 2012. Additionally, NBF transferred around 300 IT employees to the Finnish branch of Nordea Bank AB (publ) as a result of the decision to centralise the Group’s IT activities in NBAB. The number of employees, measured by full-time equivalents, decreased by 576 during the year and amounted to 8,252 at the end of the year.

Other expenses amounted to EUR 447m (457), down by 2% compared with the preceding year. Main factors behind the decrease are lower IT and marketing expenses as well as lower other operating expenses.

Depreciation of tangible and intangible assets increased to EUR 50m (43).

Loan losses

Net loan losses amounted to EUR 144m (70) and the loan loss ratio was 14 basis points compared to a loan loss ratio of 9 basis points in 2011. Collective provisions were reversed by EUR 56m whereas provisions for individually assessed loans increased by EUR 64m.

Individual loan losses amounted to 20 basis points in 2012 compared to 21 basis points in 2011. Collective provisions net amounted to -6 basis points in 2012 and to -12 basis points in 2011.

Taxes

Income tax expenses were EUR 430m (381). The effective tax rate was 27% (26), which is somewhat higher than the legal tax rate.

Net profit
Net profit for the year amounted to EUR 1,186m (1,101). Return on equity was 11.4% (9.6).

Comments on the balance sheet

Assets
Consolidated *total assets* amounted to EUR 342bn at year-end, showing a decrease of EUR 57bn compared to the previous year-end.

Loans to central banks and credit institutions decreased to EUR 37bn (79).

Loans to the public increased by EUR 2bn to EUR 101bn (99), mainly as a result of the higher volumes of reverse repurchase agreements. Traditional domestic mortgage lending to household customers increased 3%.

Corporate lending increased 1% compared to the previous year totalling EUR 63bn (62). Excluding repurchase agreements, the decrease was EUR 1bn. Consumer lending to households was stable.

Interest-bearing securities increased EUR 5bn and totalled EUR 36bn at year-end (31), reflecting a higher liquidity buffer.

Other assets decreased approximately EUR 22bn, reflecting the lower balance sheet values of derivatives and higher amount of cash and balances with central banks. The market value of derivatives decreased partly due to increased central counterparty clearing.

Liabilities
Total liabilities amounted to EUR 333bn (388), showing a decrease of EUR 55bn.

Deposits by credit institutions decreased by EUR 1bn to EUR 75bn (76).

Deposits and borrowings from the public increased by EUR 2bn to EUR 70bn (68). Excluding the impact of higher volumes in repurchase agreements, the decrease in deposits was 1%.

Debt securities in issue were stable at EUR 49bn (49). NBF has issued covered bonds in the amount of EUR 12bn. Other issued securities mainly comprise short-term debt instruments with a maturity under one year.

Other liabilities including subordinated liabilities decreased approximately EUR 55bn, mainly reflecting the lower balance sheet values of derivatives due to increased central counterparty clearing.

Equity
Shareholders' equity amounted to EUR 11,620m at the beginning of 2012. EUR 3,500m was paid as dividend to Nordea Bank AB (publ), of which EUR 2,500m was decided upon in the Extraordinary General Meeting held on 20 December 2012. Net profit for the year, excluding non-controlling interests, was EUR 1,184m. At the end of 2012 total equity amounted to EUR 9,279m.

Appropriation of distributable funds

The parent company's distributable funds on 31 December 2012 were EUR 5,904m of which the profit for the year is EUR 1,122m. It is proposed that:

- a dividend of EUR 625m be paid
- whereafter the distributable funds will total EUR 5,279m.

Off-balance sheet commitments

The bank's business operations include a considerable proportion of off-balance sheet items, such as guarantees, documentary credits and credit commitments. Credit commitments and unutilised credit lines amounted to EUR 16.0bn (18.0), while guarantees and granted but not utilised documentary credits as well as other off-balance sheet commitments, excluding the nominal values of derivative contracts, totalled EUR 17.1bn (19.8).

The nominal values of derivatives decreased to EUR 6,697bn (6,992) partly due to increased central counterparty clearing.

Capital adequacy

At year-end, the Group's total capital ratio was 18.8% (13.4) and the Tier 1 ratio 18.0% (12.8). Risk-weighted assets totalled EUR 46bn (81).

On the 21st of December 2012 Nordea Bank Finland Plc has bought a guarantee covering certain exposures from its parent company Nordea Bank AB (publ). The guarantee covers EUR 41bn of corporate loans, guarantees, documentary credits and loan commitments. In addition, EUR 6bn of derivatives are covered by the guarantee as of 31 December 2012. The maximum amount of derivatives guaranteed is EUR 10bn. The guarantee decreased the risk-weighted assets EUR 16.5bn and an extraordinary dividend was paid to Nordea Bank AB.

The guarantee will generate commission expenses, while the losses related to the guaranteed exposures will be transferred to Nordea Bank AB. The guarantee is priced at arm's length.

Risk, liquidity and capital management

Management of risk, liquidity and capital is a key success factor in the financial services industry. The maintaining of risk awareness within the organisation is incorporated in the business strategies. Nordea has clearly defined risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and the capital structure.

Management principles and control

Board of Directors and Board Credit Committee

The Board of Directors has the ultimate responsibility for limiting and monitoring the Group's risk exposure as well as for setting the targets for the capital ratios. Risk is measured and reported according to common principles and policies approved by the Board of Directors, which also decides on policies for credit, market, liquidity, business, life, operational risk management as well as the Internal Capital Adequacy Assessment Process (ICAAP). All policies are reviewed at least annually.

The Board of Directors approves the credit instructions in which the powers-to-act for all credit committees in the organisation are included. 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 of Directors also decides on the limits for market and liquidity risk in the Group.

The Board Risk Committee assists the Board of Directors in fulfilling its oversight responsibilities concerning management and control of the risks, risk framework as well as controls and processes associated with the Group's operations.

CEO and GEM

The Chief Executive Officer (CEO) has the overall responsibility for developing and maintaining effective risk, liquidity and capital management principles and control.

The CEO in Group Executive Management (GEM) decides on the targets for the Group's risk management regarding Structural Interest Income Risk (SIIR).

The CEO and GEM regularly review reports on risk exposure and have established a number of committees for risk, liquidity and capital management.

- The Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), prepares issues of major importance concerning the Group's financial operations and financial risks as well as capital management for decision by the CEO in GEM.
- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Group's risks on an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. Further, within the scope of resolutions adopted by the Board of Directors, the Risk Committee decides on the allocation of the market risk limits and liquidity risk limits to the risk-taking units Group Treasury and Markets. The limits are set in accordance with the business strategies and are reviewed at least annually. The heads of the units allocate the respective limits within the unit and may introduce more detailed limits and other risk mitigating techniques such as stop-loss rules. The Risk Committee has established sub-committees for its work and decision-making within specific risk areas. Minutes of the meetings in sub-committees are distributed to the members of the Risk Committee.
- The Group Executive Management Credit Committee (GEM CC) and Executive Credit Committee (ECC) are chaired by the CRO while the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) are chaired by the Chief Credit Officer (CCO). These credit committees decide on major credit risk customer limits and industry policies for the Group. Credit risk limits are granted as individual limits for customers or consolidated customer groups and as industry limits for certain defined industries.

CRO and CFO

Within the Group, two units, Group Risk Management and Group Corporate Centre, are responsible for risk, capital, liquidity and balance sheet management. Group Risk Management, headed by the CRO, is responsible for the risk management framework and processes as well as the capital adequacy framework. Group Corporate Centre, headed by the CFO, is responsible for the capital policy, the composition of the capital policy and for the management of liquidity risk.

Each business area and group function is primarily responsible for managing the risks in its operations within the applicable limits and framework, including identification, control and reporting.

Risk appetite

Risk appetite within Nordea is defined as the level and nature of risk that the bank is willing to take in order to pursue the articulated strategy on behalf of shareholders, and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders.

The Board of Directors of Nordea is ultimately responsible for the overall risk appetite of the Group and for setting the principles for how risk appetite is managed. The Board Risk Committee assists the Board of Directors in fulfilling these responsibilities by reviewing the development of the risk profile in relation to the risk appetite and by making recommendations regarding changes to the Group's risk appetite.

Nordea's risk appetite framework is based on explicit top-down risk appetite statements ensuring comprehensive coverage of key risks faced by the Group. These statements collectively define the boundaries for Nordea's risk-taking activities and will also help identify areas with scope for additional risk taking. The statements are approved by the Board of Directors, and set the basis for a new risk reporting structure. Moreover, the framework supports management decision processes, such as planning and target setting.

The risk appetite framework considers key risks relevant to Nordea's business activities and on an aggregate level is represented in terms of credit risk, market risk, operational risk, solvency, compliance/non-negotiable risks and liquidity risk.

The risk appetite framework is further presented in the Capital and Risk Management Report (Pillar III report).

Monitoring and reporting

The control environment is based on the principles for segregation of duties and independence. Monitoring and reporting of risk are conducted on a daily basis for market and liquidity risk and on a monthly and quarterly basis for credit and operational risk.

Risk reporting, including reporting the development of risk-weighted assets (RWA), is regularly made to the GEM and the Board of Directors. Group Internal Audit (GIA) makes an independent evaluation of the processes regarding the risk and capital management in accordance with the annual audit plan.

Risk management

Credit risk management

Group Risk Management is responsible for the credit process framework and credit risk management framework, consisting of policies, instructions and guidelines for the Group. Group Risk Management is responsible for controlling and monitoring the quality of the credit portfolio and the credit process. Each division/unit is primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting.

Within the powers to act granted by the Board of Directors, credit risk limits are approved by decision-making authorities on different levels in the organisation. The rating of the customer and the amount decide the level at which the decision will be made. Responsibility for a credit exposure lies with the relevant customer responsible unit. Customers are assigned a rating or score in accordance with the Nordea framework for quantification of credit risk.

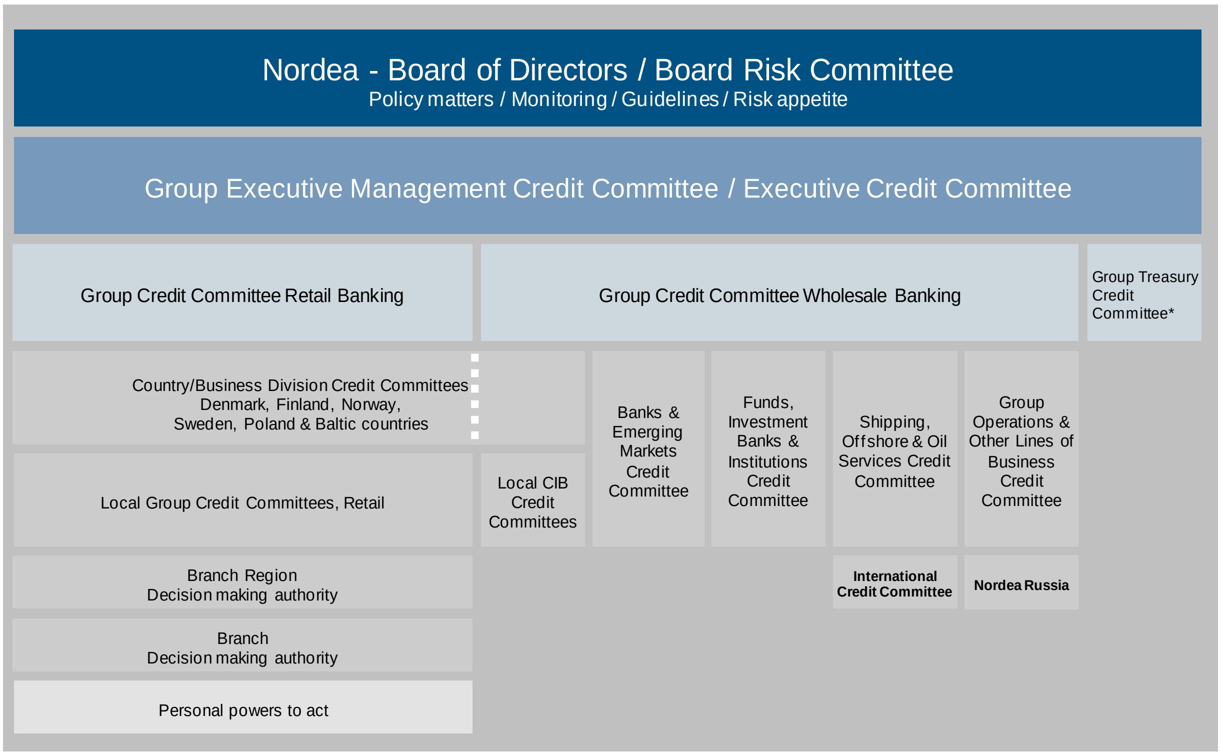
Credit risk definition and identification

Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and the pledged collateral does not cover the existing claims. Credit risk stems mainly from various forms of lending, but also from guarantees and documentary credits, counterparty credit risk in derivative contracts, transfer risk attributable to the transfer of money from another country and settlement risk. For monitoring the distribution of a portfolio, improving the risk management and defining a common strategy towards specific industries there are specific industry credit principles and industry credit policies in place establishing requirements and caps.

Individual and collective assessment of impairment

Throughout the process of identifying and mitigating credit impairments, Nordea works continuously to review the quality of the credit exposures. Weak and impaired exposures are closely and continuously monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions.

Credit decision-making structure for main operations



*Making decisions and allocations within limits approved by ECC

A provision is recognised if there is objective evidence based on loss events or observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, collateral included. Exposures with provision are considered as impaired. The size of the provision is equal to the estimated loss being the difference between the book value of the outstanding exposure and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either performing or non-performing. Exposures that have been past due more than 90 days are by definition regarded as non-performing, and reported as impaired or not impaired depending on the deemed loss potential.

In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level. The collective impairment is based on the migration of rated and scored customers in the credit portfolio as well as management judgement. The assessment of collective impairment reacts to upgradings and downgradings of customers as well as new customers and customers leaving the portfolio. Moreover, customers going to and from default affect the calculation. Collective impairment is assessed quarterly for each legal unit. The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet day.

Further information on credit risk is presented in Note 46 to the financial statements.

Credit portfolio
Credit risk is measured, monitored and segmented in different ways. On-balance lending constitutes the major part of the credit portfolio and the basis for impaired loans and loan losses. Credit risk in lending is measured and presented as the principal amount of on-balance sheet claims, i.e. loans to central banks and credit institutions, loans to the public and off-balance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing.

NBF's total lending increased 1% to EUR 101bn (99) during 2012. It is attributable to an increase of 1% in the corporate portfolio and an increase of 3% in the household portfolio. Including off-balance sheet exposures, the total credit risk exposure at year-end was EUR 254bn (296). Out of lending to the public, corporate customers accounted for 62% (63) and household customers 37% (37). Loans to credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 37bn (79) at the end of 2012.

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

	Group		Parent company	
EURm	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
To central banks and credit institutions	**36,827**	**79,350**	**42,272**	**84,697**
To the public	**100,765**	**99,331**	**94,313**	**93,097**
- of which corporate	62,618	62,176	58,830	58,544
- of which household	37,348	36,334	34,684	33,732
- of which public sector	799	821	799	821
Total loans	**137,592**	**178,681**	**136,585**	**177,794**
Off-balance credit exposure	29,873	33,745	27,192	31,108
Counterparty risk exposure [1]	42,470	44,306	42,470	44,306
Interest-bearing securities [2]	44,347	39,212	44,347	39,212
Total credit risk exposure in the banking operations	**254,282**	**295,944**	**250,594**	**292,420**

[1] After close-out netting and collateral agreements, including current market value exposure as well as potential future exposure.
[2] Also includes treasury bills and interest-bearing securities pledged as collateral in repurchase agreements.

Loans to corporate customers
Loans to corporate customers at the end of 2012 amounted to EUR 63bn (62), up 1%. Real estate remains the largest sector in NBF's lending portfolio at EUR 9.6bn (9.7). The real estate portfolio predominantly consists of relatively large and financially strong companies.

The distribution of loans to corporates by size of loans shows a high degree of diversification where approx. 80% (79) of the corporate volume represents loans up to EUR 50m per customer.

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collaterals is considered together with the adequacy of covenants and other risk mitigations.

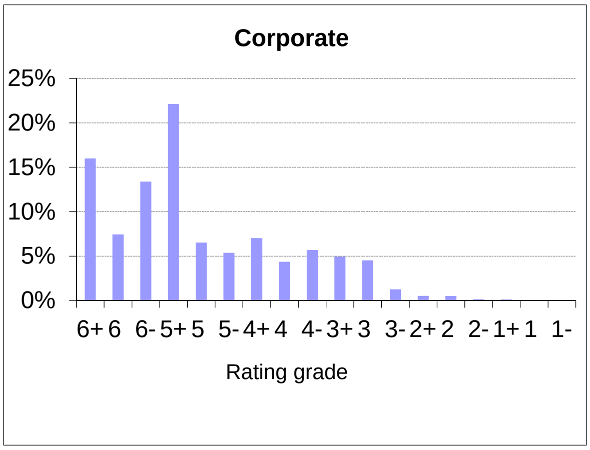
Pledging of collateral is the main credit risk mitigation technique. In corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those who are financially strong. Regarding large exposures syndication of loans is the primary tool for managing concentration risk while credit risk mitigation by the use of credit default swaps has been applied to a limited extent.

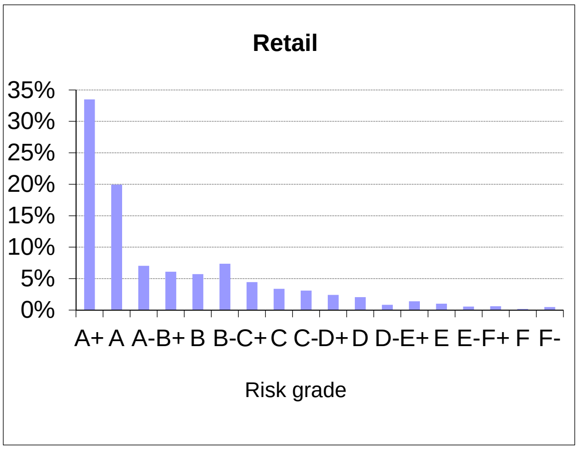
Covenants in credit agreements do not substitute collaterals, but are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

Loans to household customers
In 2012 lending to household customers increased 3% to EUR 37bn (36). Mortgage loans increased 3% to EUR 30bn while consumer loans were largely unchanged at 7bn. The proportion of mortgage loans of total household loans was unchanged at 80% (80).

Geographical distribution
Lending to the public distributed by borrower domicile shows that the Nordic market accounts for 72% (74). Other EU countries represent the main part of the lending outside the Nordic and Baltic countries. Lending to customers in the Baltic countries amounted to EUR 8.4bn (8.3) at the end of 2012.

Rating and scoring distribution
One way of assessing credit quality is through an analysis of the distribution across rating grades for rated corporate customers and institutions as well as across risk grades for scored household and small business customers, i.e. retail exposures. About 88% (79) of the corporate exposure is rated 4- or higher and the portion of institutional exposure rated 5- or higher is 93% (94). About 91% (87) of the retail exposures are scored C- or higher.





Loans to the public and to credit institutions, by country and industry

Group

31 Dec 2012, EURm	Finland	Baltic	Poland	Total 2012	Total 2011
Energy (oil, gas etc.)	980	92		1,071	1,019
Metals and mining materials	339	14		353	533
Paper and forest materials	806	44		850	1,024
Other materials (building materials etc.)	1,739	386		2,125	2,201
Industrial capital goods	514	15		529	586
Industrial commercial services etc.	1,444	256		1,700	1,740
Construction and engineering	814	274		1,088	1,145
Shipping and offshore	4,050	1		4,051	4,410
Transportation	728	598		1,326	1,312
Consumer durables (cars, appliances etc.)	846	80		926	945
Media and leisure	558	100		658	714
Retail trade	2,224	554		2,778	3,038
Consumer staples (food, agriculture etc.)	1,641	374		2,015	2,009
Health care and pharmaceuticals	302	61		363	386
Financial institutions	798	172		970	1,368
Real estate	8,192	1,428		9,619	9,683
IT software, hardware and services	381	11		391	374
Telecommunication equipment	90	1		91	111
Telecommunication operators	549	6		555	428
Utilities (distribution and productions)	1,073	540		1,613	1,454
Other, public and organisations	29,152	279	115	29,546	27,694
Total corporate loans	**57,219**	**5,284**	**115**	**62,618**	**62,176**
Household mortgages	26,886	3,067		29,953	29,128
Household consumer	7,395			7,395	7,206
Public sector	768	31		799	821
Total loans to the public	**92,268**	**8,382**	**115**	**100,765**	**99,331**
Loans to credit institutions	36,827			36,827	79 350
Total loans	**129,095**	**8,382**	**115**	**137,592**	**178 681**

Loans to the public and to credit institutions, by country and industry

Parent company

31 Dec 2012, EURm	Finland	Baltic	Poland	Total 2012	Total 2011
Energy (oil, gas etc.)	977	87		1,065	949
Metals and mining materials	286	4		291	465
Paper and forest materials	702	25		727	894
Other materials (building materials etc.)	1,375	201		1,577	1,723
Industrial capital goods	383	11		393	441
Industrial commercial services etc.	1,084	111		1,196	1,244
Construction and engineering	572	225		796	845
Shipping and offshore	4,043	0		4,044	4,403
Transportation	304	366		670	666
Consumer durables (cars, appliances etc.)	779	66		846	868
Media and leisure	466	86		552	608
Retail trade	1,890	450		2,340	2,617
Consumer staples (food, agriculture etc.)	1,406	284		1,690	1,718
Health care and pharmaceuticals	230	50		280	305
Financial institutions	777	168		944	1,342
Real estate	8,157	1,417		9,574	9,645
IT software, hardware and services	267	4		271	251
Telecommunication equipment	88	0		88	109
Telecommunication operators	546	3		549	422
Utilities (distribution and productions)	1,029	523		1,551	1,405
Other, public and organisations	29,166	221		29,387	27,624
Total corporate loans	**54,527**	**4,303**	**-**	**58,830**	**58,544**
Household mortgages	27,104	2,849		29,953	29,127
Household consumer	4,731			4,731	4,605
Public sector	776	23		799	821
Total loans to the public	**87,138**	**7,175**	**-**	**94,313**	**93 097**
Loans to credit institutions	42,272			42,272	84 697
Total loans	**129,410**	**7,175**	**-**	**136,585**	**177 794**

Impaired loans
Impaired loans gross increased 27% to EUR 1,904m from EUR 1,498m, corresponding to 138 basis points of total loans (83). 50% (49) of impaired loans gross are performing loans and 50% (51) are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans, amounted to EUR 1,247m (922), corresponding to 90 basis points of total loans (51). Allowances for individually assessed loans increased to EUR 657m from EUR 576m. Allowances for collectively assessed loans decreased to EUR 178m from EUR 236m. The provisioning ratio was 44% (54). The main increase in impaired loans was in the corporate sectors Shipping and offshore and Real estate.

Past due loans (6 days or more) to corporate customers that are not considered impaired increased to EUR 316m (205). The volume of past due loans to household customers decreased to EUR 405m (480) in 2012.

Net loan losses
Loan losses increased to EUR 144m in 2012 (70). This corresponded to a loan loss ratio of 14 basis points (9). EUR 135m relates to corporate customers (EUR 35m) and EUR 9m relates to household customers (EUR 35m). The main losses were in the corporate sector Shipping and offshore.

Baltic countries
At the end of 2012, gross impaired loans in the Baltic countries amounted to EUR 509m or 607 basis points of loans and receivables, compared with EUR 497m or 596 basis points at the end of 2011. The total allowances for the Baltic countries at the end of 2012 were EUR 191m (252), corresponding to a provisioning ratio of 38% (51).

Impaired loans and ratios[1]

	Group		Parent company	
EURm	2012	2011	2012	2011
Impaired loans gross	1,904	1,498	1,641	1,280
- of which performing	947	729	771	611
- of which non-performing	957	769	870	669
Impaired loans ratio, basis points[2]	138	83	119	72
Total allowance ratio, basis points	60	45	54	40
Provisioning ratio[3], %	44	54	45	56

[1] Excluding off-balance sheet items
[2] Total allowances in relation to total loans before allowances
[3] Total allowances in relation to impaired loans

Net loan losses and loan loss ratios

	Group		Parent company	
Basis points of loans	2012	2011	2012	2011
Net loan losses, EURm	144	70	125	46
Loan loss ratio[1]	14	9	13	7
- of which individual	20	21	20	19
- of which collective	-6	-12	-6	-12
Loan loss ratio, Retail Banking	5	6	3	4
Loan loss ratio, Shipping, Offshore & Oil Services	7	2	8	3
Loan loss ratio, Baltic countries	0	1	0	2

[1] Net loan losses divided by the opening balance of loans to the public

Impaired loans gross and allowances by country and industry, loans to the public and to credit institutions

Group

31 Dec 2012, EURm	Finland	Baltic	Poland	Allowances	Provisioning ratio, %
Energy (oil, gas etc.)	0	-		0	
Metals and mining materials	1	-		1	82
Paper and forest materials	2	0		2	
Other materials (building materials etc.)	143	16		104	65
Industrial capital goods	13	0		33	
Industrial commercial services etc.	141	20		90	56
Construction and engineering	41	10		20	39
Shipping and offshore	329	0		75	23
Transportation	22	0		6	25
Consumer durables (cars, appliances etc.)	28	1		15	50
Media and leisure	47	2		26	53
Retail trade	140	22		81	50
Consumer staples (food, agriculture etc.)	18	11		16	54
Health care and pharmaceuticals	13	0		5	38
Financial institutions	16	0		14	83
Real estate	17	217		77	33
IT software, hardware and services	46	0		20	44
Telecommunication equipment	5	-		5	99
Telecommunication operators	0	-		1	
Utilities (distribution and productions)	1	-		1	
Other, public and organisations	33	17	1	36	71
Total corporate loans	**1,055**	**316**	**1**	**627**	**46**
Household mortgage loans	119	155		75	27
Household consumer loans	196	38		108	46
Public sector	-	-		-	
Credit institutions	24	-		25	100
Total impaired loans gross	**1,394**	**509**	**1**	**1,904**	
Total allowances	**644**	**191**	**0**	**835**	
Total provisioning ratio, %	**46**	**38**	**40**	**44**	

Impaired loans gross and allowances by country and industry, loans to the public and to credit institutions

Parent company

31 Dec 2012, EURm	Finland	Baltic	Poland	Allowances	Provisioning ratio, %
Energy (oil, gas etc.)	0	-		0	
Metals and mining materials	1	-		1	119
Paper and forest materials	1	0		2	
Other materials (building materials etc.)	124	16		99	71
Industrial capital goods	7	0		33	
Industrial commercial services etc.	131	20		89	59
Construction and engineering	34	10		19	42
Shipping and offshore	329	0		75	23
Transportation	8	0		4	45
Consumer durables (cars, appliances etc.)	25	1		14	54
Media and leisure	38	2		24	61
Retail trade	126	22		80	54
Consumer staples (food, agriculture etc.)	15	11		16	61
Health care and pharmaceuticals	6	0		3	44
Financial institutions	16	0		14	85
Real estate	16	217		77	33
IT software, hardware and services	38	0		20	52
Telecommunication equipment	5	-		5	103
Telecommunication operators	0	-		1	
Utilities (distribution and productions)	0	-		1	
Other, public and organisations	9	0		17	
Total corporate loans	**931**	**298**	**-**	**593**	**48**
Household mortgage loans	119	155		75	27
Household consumer loans	76	38		47	41
Public sector	-	-		-	
Credit institutions	24	-		25	100
Total impaired loans gross	**1,150**	**491**	**-**	**1,641**	
Total allowances	**559**	**181**	**-**	**740**	
Total provisioning ratio, %	**49**	**37**	**-**	**45**	

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterpart in a FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. The pre-settlement risk ("worst-case-scenario") at the end of 2012 was EUR 42.5bn, of which the current exposure net (after close-out and collateral reduction) represents EUR 10.7bn. 47% of the pre-settlement risk and 16% of the current exposure net was towards financial institutions.

Market risk

Market risk is defined as the risk of loss in Nordea's holdings and transactions as a result of changes in market rates and parameters that affect the market value, such as changes to interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities.

Nordea Markets and Group Treasury are the key contributors to market risk in the Nordea Group. Nordea Markets is responsible for the customer-driven trading activities, whereas Group Treasury is responsible for funding activities, asset and liability management, liquidity portfolios, pledge/collateral portfolios and investments for Nordea's own account. For all other banking activities, the basic principle is that market risks are transferred to Group Treasury where the risks are managed.

Measurement of market risk

Nordea calculates VaR using historical simulation. This means that the current portfolio is revaluated using the daily changes in market prices and parameters observed during the last 500 trading days, thus generating a distribution of 499 returns based on empirical data. From this distribution, the expected shortfall method is used to calculate a VaR figure, meaning that the VaR figure is based on the average of the worst outcomes from the distribution. The 1-day VaR figure is subsequently scaled to a 10-day figure using the "square-root of time" assumption. The 10-day VaR figure is used to limit and measure market risk at all levels both in the trading book and in the banking book.

Separate VaR figures are calculated for interest rate, credit spread, foreign exchange rate and equity risks. The total VaR includes all these risk categories and allows for diversification among them. The VaR figures include both linear positions and options. The model has been calibrated to generate a 99% VaR figure. This means that the 10-day VaR figure can be interpreted as a loss that will statistically be exceeded in one of hundred 10-day trading periods.

It is important to note that while every effort is made to make the VaR model as realistic as possible, all VaR models are based on assumptions and approximations that have a significant effect on the risk figures produced.

Market risk

Group

EURm	Measure	31 Dec 2012	2012 high	2012 low	2012 average	31 Dec 2011
Total risk	VaR	22.3	53.3	10.4	31.1	30.4
- interest rate risk	VaR	12.6	49.4	10.7	28.5	27.8
- equity risk	VaR	2.3	2.4	0.2	0.8	0.6
- credit spread risk	VaR	11.2	14.2	5.1	8.8	5.4
- foreign exchange risk	VaR	13.1	17	2.9	7.3	4.4
Diversification effect	VaR	44%	65%	14%	33%	21%

While historical simulation has the advantage of not being dependent on a specific assumption regarding the distribution of returns, it should be noted that the historical observations of the market variables that are used as input may not give an adequate description of the behaviour of these variables in the future. The choice of the time period used is also important. While using a longer time period may enhance the model's predictive properties and lead to reduced cyclicality, using a shorter time period increases the model's responsiveness to sudden changes in the volatility of financial markets. The choice of using the last 500 days of historical data has thus been made with the aim to strike a balance between the pros and cons of using longer or shorter time series in the calculation of VaR.

Market risk analysis

The consolidated market risk for NBF presented in the table on the previous page includes both the trading book and the banking book. The total VaR was EUR 22m at the end of 2012 (30), demonstrating a considerable diversification effect between interest rate, equity, credit spread and foreign exchange risks, as the total VaR is lower than the sum of the risk in the four categories. The commodity risk was at an insignificant level.

The fair value of investments in private equity funds was EUR 6m (8) at the end of 2012.

Foreign exchange rate positions in FX VaR[1]

Group

EURm	2012	2011
DKK	1,666	236
NOK	143	-14
CHF	-128	-33
USD	49	102
SEK	-30	-3
Other	8	-39

[1] The disclosed FX positions relate to positions in financial instruments in the banking book and trading book. Financial derivatives are included with their delta equivalent. Structural FX risk related to investments in subsidiaries and associated companies etc. or related to earnings and cost streams denominated in foreign currencies is not included .

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 changed by one percentage point.

SIIR 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.

Nordea Group's SIIR management is based on policy statements resulting in different SIIR measures, and organisational procedures.

Policy statements focus on optimising the financial structure, balanced risk taking and reliable earnings growth, identification of all significant sources of SIIR, measurement under stressful market conditions and adequate public information.

Group Treasury has the responsibility for the operational management of SIIR.

SIIR measurement methods

Nordea's SIIR is measured through dynamic simulations by calculating several net interest income scenarios and comparing the difference between these scenarios. Several interest rate scenarios are applied, but the basic measures for SIIR are the two scenarios (increasing rates and decreasing rates) measuring the effect on Nordea's net interest income for a 12-month period of a one percentage point increase, respectively decrease, in all interest rates. The balance sheet is assumed to be constant over time. Main elements of the customer behaviour and Nordea's decision-making process concerning Nordea's own rates are, however, taken into account.

SIIR analysis

At the end of the year, SIIR for increasing rates was EUR 121m (70) and SIIR for decreasing market rates was EUR –75m (–88). These figures imply that net interest income would increase if interest rates rise and decrease if interest rates fall. The methodology for deriving SIIR figures was improved during 2012 which explains the large change in SIIR between the two years, as the figures for 2011 have not been restated.

Operational risk
Operational risk is defined as the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, from people and systems or from external events.

Operational risk includes compliance risk, which is the risk of business not being conducted according to legal and regulatory requirements, market standards and business ethics. Managing operational risk is part of the management's responsibilities. In order to manage these risks, a common set of standards and a sound risk management culture is aimed for with the objective to follow best practice regarding market conduct and ethical standards in all business activities. The key principle of operational risk in Nordea is the three lines of defence. The first line of defence is represented by the business organisation which includes the risk and compliance officer network. The risk and compliance officers ensure that operational and compliance risks are managed effectively within the business organisation, and consequently they are located in the first line of defence but performing second line of defence tasks. Group Operational Risk and Compliance, representing the second line of defence, has defined a common set of standards (group directives, processes and reporting) in order to manage these risks.

The key process for active risk management is the annual risk and control self-assessment process which puts focus on identifying key risks as well as ensuring fulfilment of requirements specified in the group directives. Key risks are identified both through top-down division management involvement and through a bottom-up analysis of the result of control questions as well as existing information from processes, such as incident reporting, quality and risk analyses and product approvals. The timing of this process is synchronised with the annual planning process to ensure adequate input to the Group's overall prioritisations. In addition to the risk and control self-assessment process, Nordea has in 2012 introduced a group-wide scenario analysis process focusing on extreme operational risks.

Group Internal Audit, representing the third line of defence, provides assurance to the Board of Directors on the risk management, control and governance processes.

Liquidity risk management

Management principles and control

Group Treasury is responsible for pursuing Nordea's liquidity strategy, managing the liquidity in Nordea and for compliance with the group-wide limits set by the Board of Directors and the Risk Committee. Furthermore, Group Treasury develops the liquidity risk management frameworks, which consist of policies, instructions and guidelines for the Group as well as the principles for pricing liquidity risk.

The Board of Directors defines the liquidity risk appetite by setting limits for applied liquidity risk measures. The most central measure is survival horizon, which defines the risk appetite by setting the minimum survival of one month under institution-specific and market-wide stress scenarios with limited mitigation actions.

Liquidity risk management

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. Nordea's liquidity management and strategy are based on policy statements resulting in various liquidity risk measures, limits and organisational procedures.

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify the Group's sources of funding and seeks to establish and maintain relationships with investors in order to ensure market access. A broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail customer base and a variety of funding programmes. Funding programmes are both short-term (US Commercial Papers, European Commercial Papers, Commercial Papers, Certificates of Deposits) and long-term (Covered Bonds, European Medium Term Notes, Medium Term Notes) and cover a range of currencies.

Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. Stress testing framework also includes the survival horizon metric, which represents a combined liquidity risk scenario (idiosyncratic and market-wide stress).

Liquidity risk measurement methods

The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Cash flows from both on-balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined. The total figure for all currencies combined is limited by the Board of Directors.

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 buffer minimum level is set by the Board of Directors. The liquidity buffer consists of central bank eligible high-grade liquid securities held by Group Treasury that can be readily sold or used as collateral in funding operations.

During 2011, the survival horizon metric was introduced. It is conceptually similar to the Basel Liquidity Coverage Ratio. The metric is composed of a liquidity buffer and funding gap risk cash flows, and includes expected behavioural cash flows from contingent liquidity drivers. Survival horizon defines the short-term liquidity risk appetite of the Group and expresses the excess liquidity after a 30-day period without access to market funding. The Board of Directors has set a limit for minimum survival without access to market funding during 30 days.

The structural liquidity risk of Nordea is measured and limited by the Board of Directors through the Net Balance of Stable Funding (NBSF), which is defined as the difference between stable liabilities and stable assets. These liabilities primarily comprise retail deposits, bank deposits and bonds with a remaining term to maturity of more than 12 months as well as shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 12 months and committed facilities. The CEO in GEM has set it as a target that the NBSF should be positive, which means that stable assets must be funded by stable liabilities.

Liquidity risk analysis

The short-term liquidity risk remained at moderate levels throughout 2012. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was EUR –2.2bn (–6.6).

NBF's liquidity buffer range was EUR 12.5–15.9bn (10.6–14.9) throughout 2012 with an average buffer size of EUR 14.5bn (13.4). NBF's liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury. Survival horizon was in the range EUR +0.0 – 19.1bn (0.2 – 14.0) throughout 2012 with an average of EUR 8.1bn. The aim of always maintaining a positive NBSF was comfortably achieved throughout 2012. The yearly average for the NBSF was EUR 20.9bn (3.3). The methodology for deriving NBSF was changed during 2012 and the figure for 2011 is not directly comparable as it has not been restated.

Cash flow analysis

Group

31 Dec 2012, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest-bearing financial assets	33,325	63,458	25,197	66,363	38,406	**226,748**
Non-interest bearing-financial assets	-	-	-	-	130,005	**130,005**
Total financial assets	**33,325**	**63,458**	**25,197**	**66,363**	**168,411**	**356,753**
Interest-bearing financial liabilities	47,433	94,051	26,955	22,238	6,302	**196,979**
Non-interest-bearing financial liabilities	-	-	-	-	147,551	**147,551**
Total financial liabilities	**47,433**	**94,051**	**26,955**	**22,238**	**153,853**	**344,530**
Derivatives, cash inflow	-	502,103	185,362	373,663	167,094	**1,228,221**
Derivatives, cash outflow	-	-522,227	-184,337	-365,728	-166,886	**-1,239,177**
Net exposure	**-**	**-20,124**	**1,025**	**7,934**	**209**	**-10,956**
Exposure	**-14,108**	**-50,717**	**-733**	**52,059**	**14,766**	**1,267**
Cumulative exposure	**-14,108**	**-64,825**	**-65,558**	**-13,499**	**1,267**	

31 Dec 2011, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest-bearing financial assets	17,847	87,935	32,286	57,985	40,235	**236,287**
Non-interest-bearing financial assets	-	-	-	-	181,395	**181,395**
Total financial assets	**17,847**	**87,935**	**32,286**	**57,985**	**221,629**	**417,682**
Interest-bearing financial liabilities	45,823	110,494	22,142	14,258	3,104	**195,821**
Non-interest-bearing financial liabilities	-	-	-	-	205,371	**205,371**
Total financial liabilities	**45,823**	**110,494**	**22,142**	**14,258**	**208,475**	**401,192**
Derivatives, cash inflow	-	502,005	171,084	231,774	76,910	**981,773**
Derivatives, cash outflow	-	-513,716	-169,442	-225,287	-76,080	**-984,524**
Net exposure	**-**	**-11,710**	**1,642**	**6,487**	**830**	**-2,751**
Exposure	**-27,975**	**-34,269**	**11,786**	**50,214**	**13,984**	**13,739**
Cumulative exposure	**-27,975**	**-62,244**	**-50,459**	**-245**	**13,739**	

The table is based on contractual maturities for on-balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on-balance sheet and derivative instruments, NBF has credit commitments amounting to EUR 15,956m (17,949), which could be drawn on at any time.

NBF has also issued guarantees of EUR 14,628m (17,025) which may lead to future cash outflows if certain events occur.

Cash flow analysis

Parent company

31 Dec 2012, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	**Total**
Interest-bearing financial assets	30,627	66,552	24,928	64,526	37,265	**223,898**
Non-interest-bearing financial assets	-	-	-	-	129,952	**129,952**
Total financial assets	**30,627**	**66,552**	**24,928**	**64,526**	**167,217**	**353,850**
Interest-bearing financial liabilities	47,450	93,946	26,928	22,209	6,298	**196,831**
Non-interest-bearing financial liabilities	-	-	-	-	146,598	**146,598**
Total financial liabilities	**47,450**	**93,946**	**26,928**	**22,209**	**152,896**	**343,429**
Derivatives, cash inflow	-	502,101	185,362	373,661	167,090	**1,228,214**
Derivatives, cash outflow	-	-522,224	-184,337	-365,718	-166,875	**-1,239,153**
Net exposure	**-**	**-20,123**	**1,025**	**7,944**	**215**	**-10,939**
Exposure	**-16,822**	**-47,517**	**-975**	**50,261**	**14,535**	**-519**
Cumulative exposure	**-16,822**	**-64,339**	**-65,314**	**-15,054**	**-519**	

31 Dec 2011, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	**Total**
Interest-bearing financial assets	17,880	88,660	31,935	56,833	40,027	**235,335**
Non-interest-bearing financial assets	-	-	-	-	181,383	**181,383**
Total financial assets	**17,880**	**88,660**	**31,935**	**56,833**	**221,410**	**416,718**
Interest-bearing financial liabilities	45,832	110,076	22,436	14,241	3,153	**195,738**
Non-interest-bearing financial liabilities	-	-	-	-	204,549	**204,549**
Total financial liabilities	**45,832**	**110,076**	**22,436**	**14,241**	**207,702**	**400,287**
Derivatives, cash inflow	-	501,943	171,069	231,756	76,901	**981,669**
Derivatives, cash outflow	-	-513,658	-169,429	-225,282	-76,080	**-984,449**
Net exposure	**-**	**-11,715**	**1,640**	**6,474**	**821**	**-2,780**
Exposure	**-27,952**	**-33,131**	**11,139**	**49,066**	**14,529**	**13,651**
Cumulative exposure	**-27,952**	**-61,083**	**-49,944**	**-878**	**13,651**	

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Capital management

Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to assets, liabilities and risks. The goal is to enhance returns to shareholders while maintaining a prudent capital structure.

Capital governance

The Board of Directors decides ultimately on the targets for capital ratios and the capital policy in Nordea, while the CEO in GEM decides on the overall framework of capital management. The ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the Asset and Liability Committee (ALCO) and the Risk Committee.

The capital requirement and the capital base described in this section follow the CRD rules and not accounting standards, see Note 39 for details.

Minimum capital requirements

Risk-weighted assets (RWA) are calculated in accordance with the requirements in the CRD. NBF had 39% of the exposure (61% of the original exposure) covered by internal rating based (IRB) approaches by the end of 2012 and has during the year implemented the Foundation IRB approach for the corporate and institutions portfolio in the Baltics as well as in the International Units.

NBF is approved to use its own internal Value-at-Risk (VaR) models to calculate capital requirements for the major share of the market risk in the trading book. For operational risk the standardised approach is applied.

Internal capital assessment

Nordea bases its internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on the minimum capital requirements and on internally identified risks. In effect, the internal capital requirement is a combination of risks defined by the CRD and risks defined by the quantitative models under Pillar II. The following major risk types are included: credit risk, market risk, operational risk, business risk and life insurance risk. Additionally, the EC (Economic Capital) model explicitly accounts for interest rate risk in the banking book, risk in Nordea's sponsored defined benefit pension plans, real estate risk and concentration risk.

In addition to calculating risk capital for its various risk types, Nordea conducts a comprehensive capital adequacy stress test to analyse the effects of a series of global and local shock scenarios. The results of the stress tests are considered, along with potential management interventions, in Nordea's internal capital requirements as buffers for economic stress. The internal capital requirement is a key component of Nordea's capital ratio target setting.

The ICAAP also describes Nordea's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining internal capital requirements reflecting the risk of the institution.

Regulatory buffers are introduced with the implementation of CRD IV. This might lead to higher capitalisation requirements than what is determined in the internal capital requirement. Should the regulatory capital requirement exceed the internal capital requirement, additional capital will be held to meet those regulatory requirements with a margin.

Economic Profit (EP)

Nordea uses EP as one of its financial performance indicators. EP is calculated as risk-adjusted profit less the cost of equity. The risk-adjusted profit and EP are measures to support performance management and shareholder value creation. In investment decisions and customer relationships, EP drives and supports the operational decision-making process in Nordea. The EP model also captures both growth and return. EC and expected losses (EL) are inputs in the EP framework.

Expected losses

EL reflects the normalised loss level of an individual credit exposure over a business cycle as well as various portfolios.

EL is a more stable measure than actual losses, but it will vary with the business cycle as a consequence of shifts in the repayment capacity (PD dimension) and collateral coverage (LGD dimension) distributions.

Capital base

Capital base (referred to as own funds in the CRD) is the sum of tier 1 capital and tier 2 capital after deductions.

Tier 1 capital is defined as capital of the same or close to the character of paid-up, capital-eligible reserves and a limited portion of hybrid capital loan (perpetual loan) instruments. Currently there are no hybrid capital loans issued by NBF or included in the capital base of NBF. Profit may only be included after deducting the proposed dividend. Goodwill and deferred tax assets are deducted from tier 1 capital.

Tier 2 comprises perpetual loans and dated loans. The total tier 2 amount may not exceed tier 1. Dated tier 2 loans may not exceed half the amount of tier 1. The limits are set after deductions, i.e. investment in insurance and other financial companies.

Further information
Note 39 Capital adequacy and the Capital and Risk Management Report
Further information on capital adequacy is presented in Note 39 Capital adequacy. Additional and more detailed information on risk and capital management is presented in the Pillar III disclosure in line with the requirements of the CRD in the Basel II framework. The Pillar III disclosure is publicly available at www.nordea.com.

Capital adequacy ratios

	Group		Parent company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Core tier 1 ratio excl. transition rules, %	18.0	12.8	19.1	13.1
Core tier 1 ratio incl. transition rules, %	18.0	12.8	19.1	13.1
Tier 1 ratio excl. transition rules, %	18.0	12.8	19.1	13.1
Tier 1 ratio incl. transition rules, %	18.0	12.8	19.1	13.1
Capital ratio excl. transition rules, %	18.8	13.4	20.0	13.8
Capital ratio incl. transition rules, %	18.8	13.4	20.0	13.8
Capital base / Regulatory capital requirement incl. transition rules, %	235.2	167.6	250.5	172.6

Human resources

We grow together

Relationships count. This is why we at Nordea believe in putting people first – especially our employees. When they grow, we grow – their skills and dedication keep us ahead and make Nordea great.

People strategy
Our people strategy is defined by our business vision, strategy and values. According to our people strategy, Nordea can reach its goals only if our employees reach theirs, and we therefore provide opportunities for our people to flourish and live well-balanced lives. Teamwork is an integral part of working at Nordea. In line with our "one Nordea team" value, employees can fulfil both their own and Nordea's ambitions while enjoying being part of a high-performing team.

Focus on values and leadership
Nordea's values and leadership are the strongest drivers for performance and building corporate culture. Building a great European bank requires great leaders. Nordea defines great leadership as the ability to engage and motivate people to reach out for Nordea's vision, and to create the right team to make it happen. Successful leaders at Nordea are committed, engaged and seek to enable those around them to flourish and develop – not just themselves. Developing the capabilities of others, unlocking their potential and providing constructive feedback are inherent leadership qualities.

Opportunities to develop and grow
Nordea prioritises open dialogues in employee relationships. We know that people feel valued when they feel heard. Regular feedback is also key to their on-going development. This culture of responsiveness is enabled by our Employee Satisfaction Index (ESI) and our Performance & Development Dialogue (PDD) process. The one-on-one PDD talk between employee and manager is fundamental to accelerating growth and validating our culture of performance and progress.

Nordea aims to offer many opportunities for employees to develop within the Group. Development is the joint responsibility of the manager and the employee. Nordea provides group-wide leadership and employee development.

Helping our employees achieve their full potential is crucial because their skills and dedication keep us ahead and make Nordea great.

A company with many possibilities
Mobility is key to developing skills. We advertise our vacancies internally and endeavour to find candidates among our colleagues. Most career mobility takes place within the same country or between the Nordic countries, although the opportunity to work across borders and in different value chains is also greatly valued by our staff – particularly graduate programme participants.

Profit-sharing scheme
Profit sharing is aiming at stimulating value creation for the customers and shareholders and is offered to all employees. The performance criteria reflect Nordea's long-term targets. For 2012, each employee could receive a maximum of EUR 3,200, of which EUR 2,600 is based on a predetermined level of return on equity and EUR 600 is based on the level of customer satisfaction.

Corporate Social Responsibility, CSR

Integration with core business continued

In 2012, our CSR work focused on further integrating CSR with our core business in line with our strategy and long term goal. It is a continuous process and entails taking environmental, social and governance aspects into account in everything we do.

The financial crisis has shown the importance of strong and stable banks for societies to prosper. Nordea's primary responsibility is to remain strong and stable so that we can help our customers be it individuals, families, companies or corporations, to realise their aspirations. All our stakeholders have to be able to depend on us in the long term. Here, CSR plays an important part.

In 2012, we focused on strengthening compliance, further developing our lending practices, expanding our investment products with positive screening, introducing a new Sustainability Policy and a whistle blowing system, and continuing to reduce our ecological footprint.

For more information about Nordea's CSR work, please see Nordea's CSR Report 2012 available at www.nordea.com/csr.

Legal proceedings

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

Corporate Governance

NBF's Corporate Governance Report 2012 is attached to this annual report. The report, including the report on the key aspects of the systems for internal control and risk management regarding financial reports, has not been reviewed by the auditors.

Nordea shares

Nordea Bank Finland Plc does not possess its own shares. The information regarding bought and sold shares in the parent company Nordea Bank AB (publ) is presented in Note 47.

Subsequent events

No events have occurred after the balance sheet date that might affect the assessment of the annual financial statements.

Outlook 2013

Despite macroeconomic challenges, Nordea achieved stronger capital ratio, increased income, flat costs and improved operating profit in 2012. Nordea has thus laid the foundation for shaping the future bank relationship model based on long-term customer satisfaction, sound profitability and solid capital buffers.

Nordea Bank Finland Group and Nordea Bank Finland Plc

Income statement

		Group		Parent company	
EURm	Note	2012	2011	2012	2011
Operating income					
Interest income	3	2,337	2,647	2,110	2,427
Interest expense	3	-1,079	-1,292	-1,076	-1,289
Net interest income	3	**1,258**	**1,355**	**1,034**	**1,138**
Fee and commission income	4	741	703	700	662
Fee and commission expense	4	-446	-394	-439	-387
Net fee and commission income	**4**	**295**	**309**	**261**	**275**
Net result from items at fair value	5	1,217	937	1,208	939
Profit from companies accounted for under the equity method	20	18	9	-	-
Dividends	6	-	-	99	62
Other operating income	7	36	34	32	38
Total operating income		**2,824**	**2,644**	**2,634**	**2,452**
Operating expenses					
General administrative expenses:					
Staff costs	8	-567	-592	-520	-546
Other expenses	9	-447	-457	-444	-458
Depreciation, amortisation and impairment charges of tangible and intangible assets	10, 21, 22	-50	-43	-38	-25
Total operating expenses		**-1,064**	**-1,092**	**-1,002**	**1,029**
Profit before loan losses		**1,760**	**1,552**	**1,632**	**1,423**
Net loan losses	11	-144	-70	-125	-46
Impairment of securities held as financial non-current assets		-	-	-	4
Operating profit		**1,616**	**1,482**	**1,507**	**1,381**
Income tax expense	12	-430	-381	-385	-341
Net profit for the year		**1,186**	**1,101**	**1,122**	**1,040**
Attributable to:					
Shareholders of Nordea Bank Finland Plc		1,184	1,099	1,122	1,040
Non-controlling interests		2	2	-	-
Total		**1,186**	**1,101**	**1,122**	**1,040**

Statement of comprehensive income

	Group		Parent company	
EURm	2012	2011	2012	2011
Net profit for the year	**1,186**	**1,101**	**1,122**	**1,040**
Items that may be reclassified subsequently to the income statement				
Currency translation differences during the year	-6	6	-	-
Available-for-sale investments[1]:				
- Valuation gains/losses during the year	24	-7	24	-7
- Tax on valuation gains/losses during the year	-7	2	-7	2
Cash flow hedges:				
- Valuation gains/losses during the year	-46	-	-46	-
- Tax on valuation gains/losses during the year	11	-	11	-
Other comprehensive income, net of tax	**-24**	**1**	**-18**	**-5**
Total comprehensive income	**1,162**	**1,102**	**1,104**	**1,035**
Attributable to:				
Shareholders of Nordea Bank Finland Plc	1,160	1,100	1,104	1,035
Non-controlling interests	2	2	-	-
Total	**1,162**	**1,102**	**1,104**	**1,035**

[1] Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Balance sheet

EURm	Note	Group 31 Dec 2012	Group 31 Dec 2011	Parent company 31 Dec 2012	Parent company 31 Dec 2011
Assets					
Cash and balances with central banks		30,004	286	30,004	286
Loans to central banks	13	809	31,276	809	31,276
Loans to credit institutions	13	36,018	48,074	41,463	53,421
Loans to the public	13	100,765	99,331	94,313	93,097
Interest-bearing securities	14	36,269	30,866	36,269	30,866
Financial instruments pledged as collateral	15	8,078	8,346	8,078	8,346
Shares	16	838	1,312	835	1,309
Derivatives	17	117,213	170,228	117,213	170,228
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	124	138	124	138
Investments in group undertakings	19	0	-	373	370
Investments in associated undertakings	20	79	79	34	34
Intangible assets	21	108	106	106	103
Property and equipment	22, 23	96	124	59	69
Investment property	24	104	71	10	10
Deferred tax assets	12	16	16	13	12
Current tax assets	12	1	132	-	131
Retirement benefit assets	33	136	120	130	113
Other assets	25	10,320	8,078	10,278	8,056
Prepaid expenses and accrued income	26	969	704	777	524
Total assets		**341,947**	**399,287**	**340,888**	**398,389**
Liabilities					
Deposits by credit institutions	27	74,666	76,007	74,553	75,919
Deposits and borrowings from the public	28	70,212	68,260	70,224	68,265
Debt securities in issue	29	48,999	49,153	48,999	49,153
Derivatives	17	115,836	168,436	115,836	168,436
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	637	195	637	195
Current tax liabilities	12	4	0	4	0
Other liabilities	30	20,690	24,128	20,475	23,990
Accrued expenses and prepaid income	31	946	810	744	615
Deferred tax liabilities	12	58	53	-	-
Provisions	32	83	97	79	94
Retirement benefit obligations	33	23	25	23	25
Subordinated liabilities	34	514	503	514	503
Total liabilities		**332,668**	**387,667**	**332,088**	**387,195**
Equity					
Non-controlling interests		4	5	-	-
Share capital		2,319	2,319	2,319	2,319
Share premium reserve		599	599	599	599
Other reserves		2,826	2,844	2,826	2,844
Retained earnings		3,531	5,853	3,056	5,432
Total equity		**9,279**	**11,620**	**8,800**	**11,194**
Total liabilities and equity		**341,947**	**399,287**	**340,888**	**398,389**
Assets pledged as security for own liabilities	35	39,244	35,016	39,244	35,016
Other assets pledged	36	-	-	-	-
Contingent liabilities	37	16,419	19,041	16,723	19,348
Credit commitments	38	15,956	17,949	13,275	15,006
Other commitments	38	633	776	260	492

Other notes

Note 1 Accounting policies
Note 2 Segment reporting
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Statement of changes in equity

Group

	Attributable to the shareholders of Nordea Bank Finland Plc								
			Other reserves						
EURm	Share capital[1]	Share premium reserve	Cash flow hedges	Available-for-sale investments	Other reserves	Retained earnings	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 Jan 2012	**2,319**	**599**	**-**	**-4**	**2,848**	**5,853**	**11,615**	**5**	**11,620**
Net profit for the year	-	-	-	-	-	1,184	**1,184**	2	**1,186**
Currency translation differences during the year[2]	-	-	-	-	-	-6	**-6**	-	**-6**
Available-for-sale investments:								-	
- Valuation gains/losses during the year	-	-	-	24	-	-	**24**	-	**24**
- Tax on valuation gains/losses during the year	-	-	-	-7	-	-	**-7**	-	**-7**
Cash flow hedges:									
- Valuation gains/losses during the year	-	-	-46	-	-	-	**-46**	-	**-46**
- Tax on valuation gains/losses during the year	-	-	11	-	-	-	**11**	-	**11**
Other comprehensive income, net of tax	-	-	-35	17	-	-6	**-24**	-	**-24**
Total comprehensive income	-	-	-35	17	-	1,178	**1,160**	2	**1,162**
Share-based payments[3]	-	-	-	-	-	2	**2**	-	**2**
Dividend for 2011	-	-	-	-	-	-3,500	**-3,500**	-	**-3,500**
Other changes	-	-	-	-	0	-2	**-2**	-3	**-5**
Balance at 31 Dec 2012	**2,319**	**599**	**-35**	**13**	**2,848**	**3,531**	**9,275**	**4**	**9,279**
Balance at 1 Jan 2011	**2,319**	**599**	**-**	**1**	**2,848**	**5,451**	**11,218**	**6**	**11,224**
Net profit for the year	-	-	-	-	-	1,099	**1,099**	2	**1,101**
Currency translation differences during the year	-	-	-	-	0	6	**6**	-	**6**
Available-for-sale investments:			-						
- Valuation gains/losses during the year	-	-	-	-7	-	-	**-7**	-	**-7**
- Tax on valuation gains/losses during the year	-	-	-	2	-	-	**2**	-	**2**
Other comprehensive income, net of tax	-	-	-	-5	-	6	**1**	-	**1**
Total comprehensive income	-	-	-	-5	-	1,105	**1,100**	2	**1,102**
Share-based payments[4]	-	-	-	-	-	2	**2**	-	**2**
Dividend for 2010	-	-	-	-	-	-700	**-700**	-	**-700**
Other changes	-	-	-	-	0	-5	**-5**	-3	**-8**
Balance at 31 Dec 2011	**2,319**	**599**	**-**	**-4**	**2,848**	**5,853**	**11,615**	**5**	**11,620**

[1] Total shares registered were 1,030.8 million (31 Dec 2011: 1,030.8 million). All the shares in Nordea Bank Finland Plc are held by Nordea Bank AB (publ). The carrying amount of the shares corresponds to EUR 2.25 per share. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 850m and maximum share capital EUR 3,400m.
[2] Mainly related to foreign branches of Nordea Bank Finland Plc.
[3] Refers to the Long-Term Incentive Programmes (LTIP 2007, LTIP 2008, LTIP 2009, LTIP 2010, LTIP 2011 and LTIP 2012), see also note 8.
[4] Refers to the Long-Term Incentive Programmes (LTIP 2007, LTIP 2008, LTIP 2009, LTIP 2010 and LTIP 2011), see also note 8.

Statement of changes in equity *cont.*

Parent company

	Attributable to the shareholders of Nordea Bank Finland Plc						
			Other reserves				
EURm	Share capital[1]	Share premium reserve	Cash flow hedges	Available-for-sale investments	Other reserves	Retained earnings	**Total equity**
Balance at 1 Jan 2012	**2,319**	**599**	**-**	**-4**	**2,848**	**5,432**	**11,194**
Net profit for the year	-	-	-	-	-	1,122	**1,122**
Available-for-sale investments:							
- Valuation gains/losses during the year	-	-	-	24	-	-	**24**
- Tax on valuation gains/losses during the year	-	-	-	-7	-	-	**-7**
Cash flow hedges:							
- Valuation gains/losses during the year	-	-	-46	-	-	-	**-46**
- Tax on valuation gains/losses during the year	-	-	11	-	-	-	**11**
Other comprehensive income, net of tax	-	-	-35	17	-	-	**-18**
Total comprehensive income	-	-	-35	17	-	1,122	**1,104**
Share-based payments[2]	-	-	-	-	-	2	**2**
Dividend for 2011	-	-	-	-	-	-3,500	**-3,500**
Other changes	-	-	-	-	-	-	**-**
Balance at 31 Dec 2012	**2,319**	**599**	**-35**	**13**	**2,848**	**3,056**	**8,800**
Balance at 1 Jan 2011	**2,319**	**599**	**-**	**1**	**2,848**	**5,091**	**10,858**
Net profit for the year	-	-	-	-	-	1,040	**1,040**
Available-for-sale investments:							
- Valuation gains/losses during the year	-	-	-	-7	-	-	**-7**
- Tax on valuation gains/losses during the year	-	-	-	2	-	-	**2**
Other comprehensive income, net of tax	-	-	-	-5	-	-	**-5**
Total comprehensive income	-	-	-	-5	-	1,040	**1,035**
Share-based payments[3]	-	-	-	-	-	1	**1**
Dividend for 2010	-	-	-	-	-	-700	**-700**
Balance at 31 Dec 2011	**2,319**	**599**	**-**	**-4**	**2,848**	**5,432**	**11,194**

[1] Total shares registered were 1,030.8 million (31 Dec 2011: 1,030.8 million). All the shares in Nordea Bank Finland Plc are held by Nordea Bank AB (publ). The carrying amount of the shares corresponds to EUR 2.25 per share. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 850m and maximum share capital EUR 3,400m.
[2] Refers to the Long-Term Incentive Programmes (LTIP 2007, LTIP 2008, LTIP 2009, LTIP 2010, LTIP 2011 and LTIP 2012), see also note 8.
[3] Refers to the Long-Term Incentive Programmes (LTIP 2007, LTIP 2008, LTIP 2009, LTIP 2010 and LTIP 2011), see also note 8.

Description of items in equity is included in Note 1 Accounting policies.

No decision was made during the financial year to issue equity warrants or convertible bonds entitling to subscription of shares in the NBF. At the end of 2012, the NBF held no authorisations given by the General Meeting for issuance or buybacks of shares, equity warrants or convertible bonds.

Cash flow statement

EURm	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Operating activities				
Operating profit	1,616	1,482	1,507	1,381
Adjustments for items not included in cash flow	-1,771	-386	-1,789	-424
Income taxes paid	-286	-422	-247	-387
Cash flow from operating activities before changes in operating assets and liabilities	**-441**	**674**	**-529**	**570**
Changes in operating assets				
Change in loans to credit institutions	27,468	-1,402	27,587	-1,809
Change in loans to the public	-1,507	-25,736	-1,350	-25,271
Change in interest-bearing securities	-5,741	-9,339	-5,741	-9,339
Change in financial assets pledged as collateral	267	-3,042	268	-3,042
Change in shares	469	-237	468	-233
Change in derivatives, net	2,644	-240	2,644	-243
Change in investment properties	-33	-40	0	-8
Change in other assets	-2,242	483	-2,223	485
Changes in operating liabilities				
Change in deposits by credit institutions	-757	15,397	-1,366	15,426
Change in deposits and borrowings from the public	1,859	12,625	1,959	12,713
Change in debt securities in issue	172	9,307	-155	9,307
Change in other liabilities	-3,438	2,019	-3,514	2,014
Cash flow from operating activities	**18,720**	**469**	**18,048**	**570**
Investing activities				
Acquisition of business operations	0	0	-2	-17
Sale of business operations	-	-	-	0
Dividends from associated companies	19	2	-	0
Acquisition of associated undertakings	-	-10	-	-15
Sale of associated undertakings	-	0	-	0
Acquisition of property and equipment	-34	-45	-29	-33
Sale of property and equipment	15	21	2	0
Acquisition of intangible assets	-28	-33	-27	-32
Sale of intangible assets	0	0	-1	0
Divestments of/investments in debt securities, held to maturity	344	3,226	391	3,227
Purchase/sale of other financial fixed assets	17	19	17	19
Cash flow from investing activities	**333**	**3,180**	**351**	**3,149**
Financing activities				
Issued subordinated liabilities	-	19	-	19
Amortised subordinated liabilities	-3	-	-3	-
Dividend paid	-3,500	-700	-3,500	-700
Other changes	-23	-11	-15	-4
Cash flow from financing activities	**-3,526**	**-692**	**-3,518**	**-685**
Cash flow for the year	**15,527**	**2,957**	**14,881**	**3,034**
Cash and cash equivalents at the beginning of year	17,981	14,947	17,966	14,932
Translation differences	649	-77	-	-
Cash and cash equivalents at the end of year	32,859	17,981	32,847	17,966
Change	**15,527**	**2,957**	**14,881**	**-3,034**

Cash flow statement *cont.*

Comments on the cash flow statement

The cash flow statement has been prepared in accordance with IAS 7. The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea Bank Finland's cash flow statement 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 into 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	2012	2011	2012	2011
Depreciation	43	43	31	25
Impairment charges	7	-	7	-4
Loan losses	171	97	134	60
Unrealised gains/losses	-2,293	-689	-2,293	-691
Capital gains/losses (net)	-3	-1	0	2
Change in accruals and provisions	-148	-23	-144	-23
Translation differences	-6	5	-	6
Other	458	182	476	201
Total	**-1,771**	**-386**	**-1,789**	**-424**

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans, 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	2012	2011	2012	2011
Interest payments received	2,486	2,483	2,266	2,262
Interest expenses paid	-1,090	-1,137	-1,087	-1,134

Cash and cash equivalents

The following items are included in cash and cash equivalents:

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Cash and balances with central banks	30,004	286	30,004	286
Loans to credit institutions, payable on demand	2,855	17,695	2,843	17,680
	32,859	**17,981**	**32,847**	**17,966**

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

Contents for Note 1

1. Basis for presentation

NBF's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of such standards by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the EU Commission. In addition, certain complementary rules in the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the Decision of the Ministry of Finance on the financial statements and consolidated statements of credit institutions have also been applied.

The disclosures, required in the standards, recommendations and legislation above, have been included in the notes, the Risk, Liquidity and Capital management section or in other parts of the "Financial statements".

On 28 February 2013 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 11 March 2013.

2. Changed accounting policies and presentation

The accounting policies and presentation are, in all material aspects, unchanged in comparison with the 2011 Annual Report, mainly apart from the categorisation of commissions within Note 4 "Net fee and commission income" and the definition of impaired loans in Note 13 "Loans and impairment".

These changes are further described below.

In addition, to provide more relevant information of the nature and the characteristics of the assets on the balance sheet, loans to central banks have been separated from loans to credit institutions and are reported on a new line on the balance sheet. The comparative figures have been restated accordingly.

Further, the balance sheet lines "Treasury bills" and "Interest-bearing securities" have been merged and are now reported as "Interest-bearing securities". The comparative figures have been restated accordingly. Below follows also a section covering other changes in IFRSs implemented in 2012, which have not had any significant impact on Nordea.

Definition of impaired loans

The definition of impaired loans has been changed and the disclosure includes all loans that have, as a consequence of identified loss event, been written down either individually, for individually significant loans or as part of a portfolio, for individually insignificant loans.

This definition of impaired loans provides more granular information of the loans actually impaired.

The income statement and balance sheet are unaffected by this change. The comparative figures have been restated accordingly and are disclosed in the table below.

	31 Dec 2011		31 Dec 2011	
	Group		Parent company	
EURm	New policy	Old policy	New policy	Old policy
Impaired loans	1,498	1,922	1,280	1,751
- Performing	729	1,075	611	1,018
- Non-performing	769	847	669	733

Categorisation of commissions
The categorisation of commissions within "Net fee and commission income" has been improved by merging similar types of commissions. Commissions received for securities issues, corporate financial activities and issuer services were reclassified from "Payments" and "Other commission income" to the renamed lines "Brokerage, securities issues and corporate finance" and "Custody and issue services". This categorisation better describes the types of commission recognised in the income statement. The comparable figures have been restated accordingly and are disclosed in the table below.

Group

	2011	
EURm	New policy	Old policy
Brokerage, securities issues and corporate finance	73	25
Custody and issuer services	26	21
Other commission income	31	84

Parent company

	2011	
EURm	New policy	Old policy
Brokerage, securities issues and corporate finance	73	25
Custody and issuer services	26	21
Other commission income	29	82

Changes in IFRSs implemented in 2012
IASB has amended IAS 1 "Presentation of Financial Statements" (Presentation of Items of Other Comprehensive Income), IFRS 7 "Financial instruments: Disclosures" (Transfers of Financial Assets) and IAS 12 "Income taxes" (Recovery of Underlying Assets) and the amendments have been implemented in Nordea as from 1 January 2012.

The amendments to IAS 1 have changed Nordea's presentation of other comprehensive income so that items that can later be reclassified to profit or loss are separated from the items that will not. The amendments to IFRS 7 have not added any new disclosures as Nordea has not transferred assets where there is a continuing involvement. The amended IAS 12 has not had any significant impact on the financial statements or on the capital adequacy in Nordea.

3. Changes in IFRS not yet applied by Nordea

IFRS 9 "Financial instruments" (Phase 1)
In 2009 the IASB published a new standard on financial instruments containing requirements for financial assets. Requirements for financial liabilities were added to this standard in 2010. The standard is the first step in the replacement of IAS 39 "Financial instruments: Recognition and Measurement" and this first phase covers the classification and measurement of financial assets and liabilities. The effective date is 1 January 2015, but earlier application is permitted. The EU commission has not yet endorsed this standard.

The tentative assessment is that there will be an impact on the financial statements as the new standard will decrease the number of measurement categories and therefore have an impact on the presentation and disclosures covering financial instruments. The new standard is, on the other hand, not expected to have a significant impact on Nordea's income statement and balance sheet as the mixed measurement model will be maintained. No significant reclassifications between fair value and amortised cost or impact on the capital adequacy are expected, but this is naturally dependent on the financial instruments in Nordea's balance sheet at transition. It is furthermore expected that changes will be made to the standard before the standard becomes effective.

Nordea has, due to the fact that the standard is not yet endorsed by the EU commission and as changes before the effective date are likely, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosures of Interests in Other entities", IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"
The IASB has published three new standards relating to consolidation, IFRS 10, IFRS 11 and IFRS 12, as well as amended IAS 27 and IAS 28. The effective date for these standards and amendments is 1 January 2013, but earlier application is permitted. The EU commission has endorsed these standards and amendments during 2012. In contrast to IFRS, the EU commission requires the standards to be applied for financial statements starting on or after 1 January 2014. Nordea will apply these standards as from 1 January 2014.

A potential impact from the new definition of control is that Nordea will have to consolidate additional entities (including so called Structured Entities or Special Purpose Entities, SPEs). Nordea's current assessment is that no additional entities that significantly affect Nordea´s income statement, balance sheet or equity will have to be consolidated, although some uncertainty still remains around some mutual funds. If the funds have to be consolidated it will not affect the income statement, but it will have an impact on Nordea's balance sheet and if those entities hold Nordea shares that will have to be eliminated in the Nordea Group there will be an impact on the equity. The new standards furthermore include more extensive disclosure requirements which will have an impact on Nordea's disclosures covering consolidated and unconsolidated entities. Otherwise, the new standards and amendments are not expected to have a significant impact on Nordea's income statement or balance sheet. It is not expected that the new standards and amendments will have a significant impact on the capital adequacy.

Nordea has not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IFRS 13 "Fair Value Measurement"
The IASB has published IFRS 13 "Fair Value Measurement". The effective date is 1 January 2013, but earlier application is permitted. The EU commission endorsed this standard during 2012. Nordea will apply this standard as from 1 January 2013.

IFRS 13 clarifies how to measure fair value but does not change the requirements regarding which items should be measured at fair value. In addition IFRS 13 requires additional disclosures about fair value measurements.

The assessment is that the new standard will not have any significant impact on the income statement or balance sheet. There will, on the other hand, be an impact on the disclosures as the new standard requires more extensive disclosures regarding fair value measurements, especially for fair value measurements in level 3 of the fair value hierarchy.

The assessment is that the new standard will not have a significant impact on the capital adequacy.

IAS 19 "Employee Benefits"
IASB has amended IAS 19. The effective date is 1 January 2013, but earlier application is permitted. The EU commission has endorsed this amendment during 2012. Nordea will apply this amendment as from 1 January 2013.

The amended standard will have an impact on the financial statements in the period of initial application, as well as in subsequent periods. This is mainly related to defined benefit plans. The amended IAS 19 states that actuarial gains/losses shall be recognised immediately in equity through other comprehensive income, which will lead to higher volatility in equity compared to the current corridor approach. Consequently no actuarial gains/losses will be recognised in the income statement. Under current IAS 19, actuarial gain/losses outside the corridor are amortised through the income statement.

The amended IAS 19 furthermore states that the expected return on plan assets shall be recognised using the same interest rate as the discount rate used when measuring the pension obligation. This will lead to higher pension expenses in the income statement as Nordea currently expects a higher return than the discount rate. Any difference between the actual return and the expected return will be a part of the actuarial gains/losses recognised immediately in equity through other comprehensive income without recycling to the income statement.

The unrecognised actuarial losses at 31 December 2012 amounted to EUR 82m in NBF before income tax. This will at transition have a negative impact on equity of EUR 62m after income tax. If implemented on 31 December 2012, NBF's core tier 1 capital would have been reduced by EUR 41m, including impact from changes in deferred tax assets. The impact on the income statement is not expected to be significant. See note 33"Retirement benefit obligations" for more information.

IAS 32 Financial Instrument: Presentation
IAS 32 "Financial Instruments: Presentation" has been amended. The change relates to offsetting of financial assets and financial liabilities. The amendment is not intended to change the criteria for offsetting, but to give additional guidance on how to apply the existing criteria.

The effective date is 1 January 2014 but earlier application is permitted. The EU commission endorsed these amendments during 2012. Nordea will apply this amendment as from 1 January 2013. The assessment is that the amended standard will not have any significant impact on the financial statements or on the capital adequacy.

IFRS 7 Financial instruments: Disclosures
IFRS 7 "Financial instruments: Disclosures" has furthermore been amended and will lead to additional disclosures around offsetting of financial assets and financial liabilities.

The effective date is 1 January 2013, but earlier application is permitted. The EU commission has endorsed these amendments during 2012. Nordea will apply this amendment as from 1 January 2013.

The amended standard will not have any impact on the financial statements, apart from disclosures, or on the capital adequacy.

4. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section Nordea describes:

- the sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of:
  – goodwill and
  – loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the valuation of investment properties
- the classification of leases
- the translations of assets and liabilities denominated in foreign currencies
- the valuation of deferred tax assets
- claims in civil lawsuits.

Fair value measurement of certain financial instruments
Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 "Determination of fair value of financial instruments" and Note 41 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active)
- 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 are observable.

When determining fair value of financial instruments that lack quoted prices or recently observed market prices there is also a high degree of estimation uncertainty. That estimation uncertainty is mainly a result of the judgement management exercises when:

- selecting an appropriate discount rate for the instrument and
- determining expected timing of future cash flows from the instruments.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. In order to ensure proper governance, Nordea has a Group Valuation Committee that on an on-going basis reviews critical judgements that are deemed to have a significant impact on fair value measurements.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note 41 "Assets and liabilities at fair value".

Impairment testing of goodwill
Nordea's accounting policy for goodwill is described in section 15 "Intangible assets". Note 21 "Intangible assets" lists the cash generating units to which goodwill has been allocated.

The rates used to discount future expected cash flows are based on the long-term risk free interest rate plus a risk premium (post tax). The risk premium is based on external information of overall risk premiums in relevant countries.

For information on the sensitivity to changes in relevant parameters, see Note 21 "Intangible assets".

Impairment testing of loans to the public/credit institutions
Nordea's accounting policy for impairment testing of loans is described in section 13 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. NBF's total lending before impairment allowances was EUR 102bn (100) at the end of the year. For more information, see Note 13 "Loans and impairment".

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans. Nordea monitors its portfolio through rating migrations and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group of loans also includes estimation uncertainty. This includes the use of historical data on probability of default and loss given default supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

Effectiveness testing of cash flow hedges
Nordea's accounting policies for cash flow hedges are described in section 9 "Hedge accounting".

One important judgement in connection to cash flow hedge accounting is the choice of method used for effectiveness testing.

Where Nordea applies cash flow hedge accounting the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

Actuarial calculations of pension liabilities and plan assets related to employees
Nordea's accounting policy for post-employment benefits is described in section 19 "Employee benefits".

The Projected Benefit Obligation (PBO) 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 actuarial and financial parameters are used.

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Finland the discount rate is determined with reference to corporate bonds. Other parameters like assumptions about salary increases and inflation are based on the expected long-term development of these parameters and are also subject to estimation uncertainty. The fixing of these parameters at year-end is disclosed in Note 33 "Retirement benefit obligations" together with a description of the discount rate sensitivity.

The expected return on plan assets is estimated taking into account the asset composition and based on long-term expectations on the return on the different asset classes. On bonds this is linked to the discount rate while equities and real estate have an added risk premium, both are subject to estimation uncertainty. The expected return is disclosed in Note 33 "Retirement benefit obligations".

Valuation of investment properties
Nordea's accounting policies for investment properties are described in section 17 "Investment property".

Investment properties are measured at fair value. As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirements and interest rates.

The carrying amounts of investment property were EUR 104m (71) at the end of the year. See Note 24 "Investment property" for more information on amounts and parameters used in these models.

Classification of leases
Nordea's accounting policies for leases are described in section 14 "Leasing".

Critical judgement has to be exercised when classifying lease contracts. A lease is classified as a finance lease if it transfers substantially all the risks and rewards related to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards related to ownership.

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreement was 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, nor any economic benefit from appreciation in value of the leased property. In addition, the lease term is not for the major part of the assets' economic life. As a result, Nordea has classified these leases as operating leases. This judgement is a critical judgement that has a significant impact on the carrying amounts in the financial statement.

More information on lease contracts can be found in Note 14 "Leasing".

Translation of assets and liabilities denominated in foreign currencies
Nordea's accounting policies covering the translation of assets and liabilities denominated in foreign currencies is described in section 8 "Translation of

assets and liabilities denominated in foreign currencies".

Valuation of deferred tax assets
Nordea's accounting policy for the recognition of deferred tax assets is described in section 18 "Taxes" and Note 12 "Taxes".

The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation.

The carrying amount of deferred tax assets was EUR 16m (16) at the end of the year.

Claims in civil lawsuits
Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note 32 "Provisions" and Note 37 "Contingent liabilities".

5. Principles of consolidation

Consolidated entities
The consolidated financial statements include the accounts of the parent company Nordea Bank Finland Plc, and those entities that the parent company controls. Control is generally achieved when the parent company owns, directly or indirectly through group undertakings, more than 50 per cent 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 acquisition method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking's assets and assumes its liabilities and contingent liabilities. The Group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for the identifiable net assets acquired. Costs directly attributable to the business combination are expensed.

As at the acquisition date NBF recognises the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

For each business combination NBF measures the non-controlling interest in the acquired business either at fair value or at their proportionate share of the acquired identifiable net assets.

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

Equity and net income attributable to non-controlling interests are separately disclosed on the balance sheet, income statement and statement of comprehensive income.

Intra-group transactions and balances between the consolidated group undertakings are eliminated.

The Group undertakings are included in the consolidated accounts as from the date on which control is transferred to NBF and are no longer consolidated as from the date on which control ceases.

In the consolidation process the reporting from the group undertakings is adjusted to ensure consistency with the IFRS principles applied by Nordea.

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 per cent and/or where NBF has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control over those policies. Investments within Nordea's investment activities, which are classified as a venture capital organisation within Nordea, are measured at fair value in accordance with the rules set out in IAS 28 and IAS 39. Further information on the equity method is disclosed in section 6 "Recognition of operating income and impairment".

Profits from companies accounted for under the equity method are reported post-taxes in the income statement. Consequently, the tax expense related to these profits is not included in the income tax expense for Nordea.

Internal transactions, in the income statement, between Nordea and its associated undertakings are not eliminated. Nordea does not have any sales of assets to or from associated undertakings.

Special Purpose Entities (SPE)
A SPE is an entity created to accomplish a narrow and well defined objective. Often legal arrangements impose strict limits on the decision making powers of the management over the on-going activities of the SPE.

Nordea does not consolidate SPEs' assets and liabilities beyond its control. In order to determine whether Nordea controls a SPE or not, Nordea has to make judgements about risks and rewards and assess the ability to make operational decisions for the SPE in question. When assessing whether NBF shall consolidate a SPE, a range of factors are evaluated. These factors include whether the activities of the SPE are being in substance conducted on NBF's behalf or if NBF has in substance the decision making powers, the rights to obtain the majority of the benefits or the majority of the residual- or ownership risks. NBF consolidates all SPEs, where NBF has retained the majority of the risks and rewards. For the SPEs that are not consolidated the rationale is that NBF does not have significant risks or rewards in connection to these assets and liabilities.

Nordea has created a number of SPEs to allow clients to invest in assets invested in by the SPEs. Some SPEs invest in tradable financial instruments, such as shares and bonds (mutual funds). Other SPEs invest in structured credit products or acquire assets from customers of Nordea. Nordea is generally the investment manager and has sole discretion about investments and other administrative decisions. Typically, Nordea will receive service and commission fees in connection to the creation of the SPEs, or because it acts as investment manager, custodian or in some other function. This in itself does not constitute a beneficial interest triggering consolidation. In some SPEs Nordea has also supplied substantial parts of the funding in the form of fund units, loans or credit commitments. In these SPEs Nordea has a beneficial interest and retains the majority of the risks and rewards, which is why these SPEs are consolidated. Note 19 "Investments in group undertakings" lists the major group undertakings in the NBF Group, including consolidated SPEs.

Currency translation of foreign entities
The consolidated financial statements are prepared in euro (EUR), the presentation currency of the parent company Nordea Bank Finland Plc. The current method is used when translating the financial statements of foreign entities into EUR from their functional currency. The assets and liabilities of foreign entities have been translated at the closing rates, while items in the income statements and statements of comprehensive income are translated at the average exchange rate for the year. Translation differences are accounted for in other comprehensive income and are accumulated in the translation reserve in equity.

Goodwill and fair value adjustments arising from the acquisition of group undertakings are treated as items in the same functional currency as the cash generating unit to which they belong and are also translated at the closing rate.

6. Recognition of operating income and impairment

Net interest income
Interest income and expense are calculated and recognised based on the effective interest rate method 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. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the contractual future cash flows to the carrying amount of the financial asset or financial liability.

Interest income and expenses from financial instruments are, with the exceptions described below, classified as "Net interest income".

Interest income and interest expense related to all balance sheet items held at fair value in Markets are classified as "Net result from items at fair value" in the income statement. Also the interest on the net funding of the operations in Markets is recognised on this line.

The interest component in FX swaps, and the interest paid and received in interest rate swaps plus changes in accrued interest, is classified as "Net result from items at fair value", apart for derivatives used for hedging, including economical hedges of Nordea's funding, where such components are classified as "Net interest income".

Net fee and commission income
Nordea earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection to performed services are recognised as income in the period these services are provided. 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 has been completed, i.e. when the syndication has been finalised.

Commission expenses are normally transaction based and recognised in the period when the services are received.

Income from issued financial guarantees and expenses from bought financial guarantees, including fees paid to state guarantees, are amortised over the duration of the instruments and classified as “Fee and commission income” and “Fee and commission expense” respectively.

Net result from items at fair value

Realised and unrealised gains and losses on financial instruments measured at fair value through profit or loss are recognised in the item “Net result from items at fair value”.

Realised and unrealised gains and losses derive from:

- Shares/participations and other share-related instruments
- Interest-bearing securities and other interest-related instruments
- Other financial instruments, including credit derivatives as well as commodity instruments/derivatives
- Foreign exchange gains/losses
- Investment properties, which include realised and unrealised income, for instance revaluation gains and losses. This line also includes realised results from disposals as well as the running property yield stemming from the holding of investment properties.

Interest income and interest expense related to all balance sheet items in Markets and , including the net funding of the operations in Markets, are classified as “Net result from items at fair value”.

Also the ineffective portion of cash flow hedges and net investment hedges as well as recycled gains and losses on financial instruments classified into the category Available for sale are recognised in “Net result from items at fair value”.

This item also includes realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buy-backs of issued own debt.

“Net result from items at fair value” also includes losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss as well as impairment on instruments classified into the category Available for sale. Impairment losses from instruments within other categories are recognised in the items “Net loan losses” or “Impairment of securities held as financial non-current assets” (see also the sub-sections “Net loan losses” and “Impairment of securities held as financial non-current assets” below).

Dividends received are recognised in the income statement as “Net result from items at fair value” and classified as “Shares/participations and other share-related instruments” in the note. Income is recognised in the period in which the right to receive payment is established.

Profit from companies accounted for under the equity method

The profit from companies accounted for under the equity method is defined as the post-acquisition change in NBF’s share of net assets in the associated undertakings. NBF’s share of items accounted for in other comprehensive income in the associated undertakings is accounted for in other comprehensive income in NBF. Profits from companies accounted for under the equity method are, as stated in section 5 “Principles of consolidation”, reported in the income statement post-taxes. Consequently the tax expense related to these profits is excluded from the income tax expense for NBF.

Fair values are, at acquisition, allocated to the associated undertaking’s identifiable assets, liabilities and contingent liabilities. Any difference between NBF’s share of the fair values of the acquired identifiable net assets and the purchase price is goodwill or negative goodwill. Goodwill is included in the carrying amount of the associated undertaking. Subsequently the investment in the associated undertaking increases/decreases with NBF’s share of the post-acquisition change in net assets in the associated undertaking and decreases through received dividends and impairment. An impairment charge can be reversed in a subsequent period.

The change in Nordea’s share of the net assets is generally based on monthly reporting from the associated undertakings. For some associated undertakings that are not individually significant, the change in Nordea’s share of the net assets is based on the external reporting of the associated undertakings and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings is, if applicable, adjusted to comply with Nordea’s accounting policies.

Other operating income

Net gains from divestments of shares in group undertakings and associated undertakings and net gains on sale of tangible assets as well as other operating income, not related to any other income line, are generally recognised when it is probable that the benefits associated with the transaction will flow to Nordea and if the significant risks and rewards have been transferred to the buyer (generally when the transactions are finalised).

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 12 “Financial instruments”), in the items “Loans to central banks”, “Loans to credit institutions” and “Loans to the public” on the balance sheet, are reported as ”Net loan losses” together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea’s accounting policies for the calculation of impairment losses on loans can be found in section 13 “Loans to the public/credit institutions”.

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives but apart from loans held at fair value as described above, as well as impairment on financial assets classified into the category Available for sale are reported under “Net result from items at fair value”.

Impairment of securities held as financial non-current assets

Impairment on investments in interest-bearings securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated undertakings are classified as “Impairment of securities held as financial non-current assets” in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 12 “Financial instruments” and section 13 “Loans to the public/credit institutions”.

Investments in associated undertakings are assessed for impairment annually. If observable indicators (loss events) indicate that an associated undertaking is impaired, an impairment test is performed to assess whether there is objective evidence of impairment. The carrying amount of the investment in the associate is compared with the recoverable amount (higher of value in use and fair value less cost to sell) and the carrying amount is written down to the recoverable amount if required.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

7. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (reclassified to the items “Other assets” or ”Other liabilities” on the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on the settlement date.

Financial assets, other than those for which trade date accounting is 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 the 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 from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If Nordea’s counterpart can sell or repledge the transferred assets, the assets are reclassified to the item “Financial instruments pledged as collateral” on 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 are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterpart, i.e. on the settlement date. Financial liabilities under trade date accounting are generally reclassified to “Other liabilities” on the balance sheet on the trade date.

For further information see sections “Securities borrowing and lending agreements” and “Repurchase and reverse repurchase agreements” within 12 “Financial instruments”, as well as Note 42 “Transferred assets and obtained collaterals”.

8. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity is decided based upon the primary economic environment in which the entity operates. Foreign currency is defined as any currency other 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 result from items at fair value”.

9. Hedge accounting

Nordea applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

Nordea uses hedge accounting 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 as well as to hedge the exposure to variability in future cash flows and the exposure to net investments in foreign operations.

There are three forms of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments in foreign operations.

NBF currently applies fair value hedge accounting and cash flow hedge accounting.

Fair value hedge accounting
Fair value hedge accounting is used when derivatives are hedging 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 attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result is close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

Fair value hedge accounting in Nordea is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result from items at fair value".

Hedged items
A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment, or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk characteristics. Hedged items in Nordea consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments
The hedging instruments used in Nordea are predominantly interest rate swaps and cross currency interest rate swaps, which are always held at fair value. Cash instruments are only used in a few transactions as hedging instruments when hedging currency risk.

Cash flow hedge accounting
Cash flow hedge accounting can be used for the hedging of exposure to variations in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the hedged item affects profit or loss, normally in the period that interest income and interest expense is recognised.

Hedged items
A hedged item in a cash flow hedge can be highly probable floating interest rate cash flows from recognised assets or liabilities or from future assets or liabilities. Nordea uses cash flow hedges when hedging currency risk in future payments of interest and principal in foreign currency.

Hedging instruments
The hedging instruments used in Nordea are predominantly cross currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

Hedge effectiveness
The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent. 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. The hypothetical

derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedge relationship does not fulfil the requirements, hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

In cash flow hedges, changes in the unrealised value of the hedging instrument will be accounted for in the income statement prospectively from the last time it was proven effective. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to “Net result from items at fair value” in the income statement if the expected transaction no longer is expected to occur. If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

10. Determination of fair value of financial instruments

Financial assets and liabilities classified into the categories Financial assets/liabilities at fair value through profit or loss (including derivative instruments) are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item “Net result from items at fair value”.

Fair value is defined 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. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be considered active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and correspondingly the age limit for the prices used for establishing fair value is higher.

Whether markets are active or non-active is assessed regularly. The trade frequency and volume are monitored daily.

Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)

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. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

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. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchange, the counterparty’s valuations, price data from consensus services etc.

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)

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea refers to 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 has a significant impact on the valuation, 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 instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note 41 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2), and
- valuation technique using non-observable data (level 3).

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.

New valuation models are subject to approval by the Model Risk Management Committee and all models are reviewed on a regular basis.

For further information, see Note 41 "Assets and liabilities at fair value".

11. 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.

Cash and cash equivalents are financial instruments classified into the category Loans and receivables, see section 12 "Financial instruments".

Loans to credit institutions payable on demand are also recognised as "Cash and cash equivalents" in the cash flow statement together with instruments with central banks that can be resold immediately.

12. Financial instruments

Classification of financial instruments

Each financial instrument has been classified into one of the following categories:

Financial assets:

- Financial assets at fair value through profit or loss:
  – Held for trading
  – Designated at fair value through profit or loss (Fair Value Option)
- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities:

- Financial liabilities at fair value through profit or loss:
  – Held for trading
  – Designated at fair value through profit or loss (Fair Value Option)
- Other financial liabilities.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. The classification of the financial instruments on Nordea's balance sheet into different categories is presented in Note 40 "Classification of financial instruments".

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, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value".

The category consists of two sub-categories; Held for trading and Designated at fair value through profit or loss (Fair value option).

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

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are certain other assets/liabilities, interest-bearing securities and shares. Nordea also applies the Fair value option on certain financial assets and financial liabilities related to Markets. The classification stems from the fact that Markets is managing and measuring its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories Financial assets/Financial liabilities at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 13 “Loans to the public/credit institutions”.

Held to maturity
Financial assets that Nordea has chosen to classify into the category Held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that Nordea has the positive intent and ability to hold to maturity. Financial assets classified into the category Held-to-maturity are initially recognised on the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

If more than an insignificant amount of the Held to maturity portfolio is sold or transferred, the Held to maturity category is tainted, except if the sale or transfer either occur close to maturity, after substantially all of the original principal is already collected, or due to an isolated non-recurring event beyond the control of Nordea.

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as “Impairment of securities held as financial non-current assets” in the income statement. See section 13 “Loans to the public/credit institutions” for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-bearings securities classified into the category Held to maturity.

Available for sale
Financial instruments classified into the category Available for sale are measured at fair value. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item “Interest income” and foreign exchange effects and impairment losses in the item “Net result from items at fair value” in the income statement.

When an instrument classified into the category Available for sale is disposed of, the fair value changes that previously have been accumulated in the fair value reserve (related to Available for sale investments) in other comprehensive income are removed from equity and recognised in the income statement in the item “Net result from items at fair value”.

Financial assets classified into the category Available for sale are assessed at least annually in order to determine any need for impairment losses. If there is objective evidence of impairment, the accumulated loss that has been recognised in other comprehensive income is removed from equity and recognised as “Net result from items at fair value” in the income statement. The amount of the accumulated loss that is recycled from equity is the difference between the asset’s acquisition cost and current fair value. For equity investments a prolonged or significant decline in the fair value, compared to the acquisition cost, is considered to be objective evidence of impairment. Objective evidence of impairment for a debt instrument is rather connected to a loss event, such as an issuer’s financial difficulty.

Other financial liabilities
Financial liabilities, other than those classified into the category Financial liabilities at fair value through profit or loss, are measured at amortised cost. Interest from Other financial liabilities is recognised in the item “Interest expense” 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 Group Treasury are considered to be part of the funding activities. The zero coupon bond is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives 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 meets the definition of a derivative instrument. Changes in fair values of the embedded derivatives are recognised in the income statement in the item “Net result from items at fair value”.

Index-linked bonds issued by Markets as part of the trading portfolio are classified into the category Held for trading, and the entire combined instrument, host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair values are recognised in the income statement in the item “Net result from 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 securities are not recognised on or derecognised from the balance sheet. In the cases where the counterpart is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item “Financial instruments pledged as collateral”.

Securities in securities lending transactions are also disclosed in the item “Assets pledged as security for own liabilities”.

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as “Loans to central banks”, “Loans to credit institutions” or as “Loans to the public”. Cash collateral received (securities lending) from the counterparts is recognised on the balance sheet as “Deposits by credit institutions” or as “Deposits and borrowings 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. In the cases where the counterpart has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line “Financial instruments pledged as collateral”.

Securities delivered under repurchase agreements are also disclosed in the item “Assets pledged as security for own liabilities”.

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

Additionally, the sale of securities received in reverse repurchase agreements trigger the recognition of a trading liability (short sale).

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” on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item “Derivatives” on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item “Net result from items at fair value”.

Offsetting of financial assets and liabilities
Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. This is generally achieved through the central counterparty clearing houses with which Nordea has agreements.

13. Loans to the public/credit institutions

Financial instruments classified as “Loans to the public/credit institutions” (including loans to central banks) on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 7 “Recognition and derecognition of financial instruments on the balance sheet” as well as Note 40 “Classification of financial instruments”).

Nordea monitors loans as described in the separate section on Risk, Liquidity and Capital management. Loans attached to individual customers or groups of customers are identified as impaired if the impairment tests indicate an objective evidence of impairment.

Interest-bearing securities classified into the categories Loans and receivables and Held to maturity are also held at amortised cost and the description below is valid also for the identification and measurement of impairment on these assets. Possible impairment losses on interest-bearing securities classified into the categories Loans and receivables and Held to maturity are recognised as “Impairment of securities held as non-current financial assets” in the income statement.

Impairment test of individually assessed loans
Nordea tests all loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, Nordea monitors whether there are indicators of impairment (loss event) and whether these loss events represent objective evidence of impairment. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of collectively assessed loans
Loans not impaired on an individual basis are collectively tested for impairment.

These loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors’ ability to pay all amounts due according to the contractual terms. Nordea monitors its portfolio through rating migrations and the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flows. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective for the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, which has not yet been identified on an individual basis. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called "Emergence period". The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification of the loss is made through a default of the engagement or by other indicators.

For corporate customers and bank counterparts, Nordea uses the existing rating system as a basis when assessing the credit risk. Nordea uses historical data on probability of default to estimate the risk for a default in a rating class. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency on oil prices etc.

Personal customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, Liquidity and Capital management.

The collective assessment is performed through a netting principle, i.e. when rated engagements are up-rated due to estimated increases in cash flows, this improvement will be netted against losses on loans that are down-rated due to estimated decreases in cash-flows. Netting is only performed within groups with similar risk characteristics where Nordea assesses that the customers' future cash flows are insufficient to serve the loans in full.

Impairment loss

If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows (discounted with original effective interest rate), including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

For significant loans that have been individually identified as impaired, the measurement of the impairment loss is made on an individual basis.

For insignificant loans that have been individually identified as impaired and for loans not identified as impaired on an individual basis, the measurement of the impairment loss is measured using portfolio based expectation of the future cash flows.

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses are accounted for as changes in the allowance account and as "Net loan losses" in the income statement (see also section 6 "Recognition of operating income and impairment").

If the impairment loss is regarded as final, it is reported as a realised loss and the value of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction or when Nordea, for other reasons, deems it unlikely that the claim will be recovered.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. Concessions made in reconstructions are regarded as loan losses unless Nordea retains the possibility to regain the loan losses incurred. In the event of a recovery the payment is reported as a recovery of 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, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Available for sale or Designated at fair value through profit or loss (Fair Value Option) (see section 12 "Financial instruments") and measured at fair value. Changes in fair values are recognised in other comprehensive income for assets classified into the category Available for sale. For assets classified into the category Designated at fair value through profit or loss, changes in fair value are recognised in the income statement under the line "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

14. Leasing

NBF as lessor

Finance leases

Nordea's leasing operations mainly comprise finance leases. A finance lease is reported as a receivable from the lessee on the balance sheet item "Loans 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 on the balance sheet are reported in accordance with the nature of the assets, in general as property and equipment. Leasing income is recognised as income on a straight-line basis over the lease term and classified as "Net 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, amortisation and impairment charges of tangible and intangible assets" in the income statement.

NBF as lessee

Finance leases

No leases in NBF have been classified as finance leases.

Operating leases

Operating leases are not recognised on NBF's balance sheet. 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 reflects the time pattern of NBF's benefit. The original lease terms normally range between 3 to 25 years.

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

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was 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, nor any economic benefits from appreciation in value of the leased property. In addition, the lease term is not for the major part of the assets' economic life. These leases are thus classified as operating leases. The rental expense for these premises is recognised on the basis of the time-pattern of Nordea's economic benefit which differs from the straight-line basis and better resembles an ordinary rental arrangement.

Embedded leases

Agreements can contain a right to use an asset in return for a payment, or a series of payments, although the agreement is not in the legal form of a leasing contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

15. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under NBF's control, which means that NBF has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in NBF mainly consist of goodwill, IT development/computer software and customer related intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea'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 not recognised as a separate asset, but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings is not tested for impairment separately, but included in the total carrying amount of the associated undertaking. The policies covering impairment testing of associated undertakings is disclosed in section 6 “Recognition of operating income and impairment”.

IT development/computer software
Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with a useful life of three years or more and the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software includes also acquired software licenses not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 10 years.

Customer related intangible assets
In business combinations a portion of the purchase price is normally allocated to a customer related intangible asset, if the asset is identifiable and under Nordea’s control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment
Goodwill is not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash inflows in relation to other assets. For goodwill, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See note 21 “Intangible assets” for more information on the impairment testing.

16. Property and equipment

Property and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment comprises its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Property and equipment is depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follows the current estimates:

- Buildings: 30-75 years
- Equipment: 3-5 years
- Leasehold improvements: Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

At each balance sheet date, Nordea assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any impairment loss is recognised.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

17. Investment property

Investment properties are primarily properties held to earn rent and/or capital appreciation. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar property in the same location and condition. As these prices are rarely available, discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as “Net result from items at fair value”.

18. Taxes

The item “Income tax expense” in the income statement comprises current and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings and associated undertakings to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

19. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 22 “Share-based payment”.

More information can be found in Note 8 “Staff costs”.

Post-employment benefits

Pension plans

The companies within Nordea have various pension plans, consisting of both defined benefit plans and defined contribution plans, reflecting national practices and conditions in the countries where Nordea operates. Defined benefit plans are predominantly sponsored 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 lower than the gross present value of the defined benefit obligation, the net amount is, after adjusting for unrecognised actuarial gains/losses, recognised as a liability (defined benefit obligation). If not, the net amount is recognised as an asset (defined benefit asset). Non-funded pension plans are recognised as defined benefit obligations.

Certain Finnish plans are based on defined contribution arrangements that hold no pension liability for NBF. Nordea also contributes to public pension systems.

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea’s net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted and unrecognised actuarial gains/losses adjusted. Actuarial calculations, performed annually, are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note 33 “Retirement benefit obligations”).

When establishing the present value of the obligation and the fair value of any plan assets, actuarial gains and losses may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The actuarial gains and losses are not recognised immediately in the income statement. Rather, only 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 excess is recognised in the income statement over the expected average remaining service period of the employees participating in the plan. Otherwise, actuarial gains and losses are not recognised.

When the calculation results in a benefit to the Nordea entity, the recognised asset is limited to the net total of any unrecognised actuarial losses, unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included in the “Retirement benefit obligation” or in the “Retirement benefit asset”.

Discount rate in Defined Benefit Plans
The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Finland the discount rate is determined with reference to corporate bonds.

Termination benefits
As mentioned above, termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, such as the salary of a number of months, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as “Salaries and remuneration” and post-employment benefits as “Pension costs” in Note 8 “Staff costs”.

20. Equity

Non-controlling interests
Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank Finland Plc.

For each business combination, NBF measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree’s identifiable net assets.

Share premium reserve
The share premium reserve consists of the difference between the subscription price and the quota value of the shares in NBF’s rights issue. Transaction costs in connection to the rights issue have been deducted.

Other reserves
Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include fair value reserves for cash flow hedges and financial assets classified into the category Available for sale as well as a reserve for translation differences.

Retained earnings
Apart from undistributed profits from previous years, retained earnings include the equity portion of untaxed reserves. Untaxed reserves according to national rules are accounted for as equity net of deferred tax at prevailing tax rates in the respective country.

In addition, NBF's share of the earnings in associated undertakings, after the acquisition date, that have not been distributed is included in retained earnings.

Treasury shares
NBF does not hold Treasury shares.

21. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured, and recognised as a provision on the balance sheet, at the higher of either the received fee less amortisation, or an amount calculated as the discounted best estimate of the expenditure required to settle the present obligation. Changes in provisions are recognised in the income statement in the item "Net loan losses".

Premiums received for financial guarantees are, as stated in section 6 "Recognition of operating income and impairment", amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, financial guarantees in the item "Contingent liabilities" and irrevocable credit commitments in the item "Credit commitments".

22. Share-based payments

Equity-settled programmes
Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in D rights/Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

For more information see Note 8 "Staff costs".

Cash-settled programmes
Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines. The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from items at fair value".

For more information see Note 8 "Staff costs".

23. Related party transactions

NBF defines related parties as:

- Shareholders with significant influence
- Group undertakings
- Associated undertakings
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis.

Shareholders with significant influence
Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of NBF but do not control those policies. Nordea and its group companies are considered as having such a power.

Group undertakings
For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the NBF Group is found in Note 19 "Investments in group undertakings".

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. These transactions are eliminated in the consolidated accounts.

Associated undertakings
For the definition of Associated undertakings see section 5 "Principles of consolidation".

Further information on the associated undertakings included in the NBF Group is found in Note 20 "Investments in associated undertakings".

Key management personnel
Key management personnel include the following positions:

- The Board of Directors of NBF and Nordea Bank AB (publ)
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM).

For information about compensation, pensions and other transactions with key management personnel, see Note 8 "Staff costs".

Other related parties
Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include NBF's pension foundations.

Information concerning transactions between NBF and other related parties is found in Note 44 "Related-party transactions".

Note 2 Segment reporting

Operating segments

Group

Measurement of operating segments' performance
The measurement principles and allocation between the operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In NBF the CODM has been defined as Group Executive Management. The main differences compared to the business area reporting are that the information to CODM is prepared using plan rates.

Changes in basis of segmentation
Nordea's organisation is developed around the three main business areas Retail Banking, Wholesale Banking and Wealth Management and around the business unit Group Operations & Other Lines of Business. The separate divisions within these main business areas and business unit have been identified as operating segments. Also Group Corporate Centre has been identified as an operating segment.

Financial results are presented for the two main business areas Retail Banking and Wholesale Banking, with further breakdown on operating segments, and for the operating segment Group Corporate Centre. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Reportable operating segments
Retail Banking conducts a full service banking operation and offers a wide range of products. It is Nordea's largest business area and serves household customers and corporate customers in the Nordic markets (Retail Banking Nordic) as well as in Poland and the Baltic countries (Retail Banking Poland & Baltic countries). Wholesale Banking provides banking and other financial solutions to large Nordic and international corporations, institutions and public companies. The division Corporate & Institutional Banking is a customer-oriented organisation serving the largest globally operating corporate customers. This division is also responsible for Nordea's customers within the financial sector, and offers single products, such as funds, equity products etc. as well as consulting services within asset allocation and fund sales. The division Shipping, Offshore & Oil Services is responsible for Nordea's customers within the shipping, offshore and oil services industries and provides tailormade solutions and syndicated loan transactions. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas. Group Corporate Centre's main objective is to manage the Group's funding and to support the management and control of the NBF Group. The main income in Group Corporate Centre originates from Group Treasury.

	Retail Banking		Wholesale Banking		Group Corporate Centre	
Income statement, EURm	2012	2011	2012	2011	2012	2011
Net interest income	790	849	338	323	106	166
Net fee and commission income	579	514	-93	-68	-7	-4
Net result from items at fair value	92	99	1,163	864	12	3
Profit from companies accounted for under the equity method	16	8	-	-	-	-
Other income	10	10	1	2	2	2
Total operating income	**1,487**	**1,480**	**1,409**	**1,121**	**113**	**167**
Staff costs	-314	-326	-143	-135	-28	-52
Other expenses	-509	-521	-40	-45	0	2
Depreciation, amortisation and impairment charges of tangible and intangible assets	-15	-12	-9	-5	0	0
Total operating expenses	**-838**	**-859**	**-192**	**-185**	**-28**	**-50**
Net loan losses	-75	-111	-88	-10	26	44
Operating profit	**574**	**510**	**1,129**	**926**	**111**	**161**
Income tax expense	-	-	-	-	-	-
Net profit for the year	**574**	**510**	**1,129**	**926**	**111**	**161**
Balance sheet, EURm						
Loans to the public	51,238	50,679	42,978	42,456	-13	-72
Deposits and borrowings from the public	38,418	37,408	31,535	29,315	270	1,139

Note 2 *Segment reporting, cont.*

Operating segments

Group

Income statement, EURm	Total operating segments 2012	Total operating segments 2011	Reconciliation 2012	Reconciliation 2011	**Total Group 2012**	**Total Group 2011**
Net interest income	1,234	1,338	24	17	**1,258**	**1,355**
Net fee and commission income	479	442	-184	-133	**295**	**309**
Net result from items at fair value	1,267	966	-50	-29	**1,217**	**937**
Profit from companies accounted for under the equity method	16	8	2	1	**18**	**9**
Other income	13	14	23	20	**36**	**34**
Total operating income	**3,009**	**2,768**	**-185**	**-124**	**2,824**	**2,644**
Staff costs	-485	-513	-82	-79	**-567**	**-592**
Other expenses	-549	-564	102	107	**-447**	**-457**
Depreciation of tangible and intangible assets	-24	-17	-26	-26	**-50**	**-43**
Total operating expenses	**-1,058**	**-1,094**	**-6**	**2**	**-1,064**	**-1,092**
Net loan losses	-137	-77	-7	7	**-144**	**-70**
Operating profit	**1,814**	**1,597**	**-198**	**-115**	**1,616**	**1,482**
Income tax expense	-	-	-430	-381	**-430**	**-381**
Net profit for the year	**1,814**	**1,597**	**-628**	**-496**	**1,186**	**1,101**
Balance sheet, EURm						
Loans to the public	94,203	93,063	6,562	6,267	**100,765**	**99,331**
Deposits and borrowings from the public	70,223	67,862	-11	398	**70,212**	**68,260**

Break-down of Retail Banking

Income statement, EURm	Retail Banking Nordic[1] 2012	Retail Banking Nordic[1] 2011	Retail Banking Poland & Baltic countries[1] 2012	Retail Banking Poland & Baltic countries[1] 2011	Retail Banking Other[2] 2012	Retail Banking Other[2] 2011	**Retail Banking 2012**	**Retail Banking 2011**
Net interest income	630	699	160	150	0	0	**790**	**849**
Net fee and commission income	531	469	45	43	2	2	**579**	**514**
Net result from items at fair value	89	96	5	4	-1	-1	**92**	**99**
Profit from companies accounted for under the equity method	-	-	-	-	16	8	**16**	**8**
Other income	25	4	2	5	-18	1	**10**	**10**
Total operating income	**1,275**	**1,268**	**212**	**202**	**-1**	**10**	**1,487**	**1,480**
Staff costs	-250	-258	-25	-27	-39	-41	**-314**	**-326**
Other expenses	-494	-512	-54	-54	40	45	**-509**	**-521**
Depreciation of tangible and intangible assets	-5	-3	-2	-3	-8	-6	**-15**	**-12**
Total operating expenses	**-749**	**-773**	**-81**	**-84**	**-7**	**-2**	**-838**	**-859**
Net loan losses	-46	-57	-29	-54	-	-	-75	**-111**
Operating profit	**480**	**438**	**102**	**64**	**-8**	**8**	**574**	**510**
Income tax expense	-	-	-	-	-	-	-	-
Net profit for the year	**480**	**438**	**102**	**64**	**-8**	**8**	**574**	**510**
Balance sheet, EURm								
Loans to the public	44,056	43,335	7,182	7,344	-	-	**51,238**	**50,679**
Deposits and borrowings from the public	35,217	34,935	3,201	2,445	-	28	**38,418**	**37,408**

[1] Retail Banking Nordic includes banking operations in Finland while Retail Banking Poland & Baltic countries includes banking operations in Estonia, Latvia, Lithuania and Poland.
[2] Retail Banking Other includes the support areas Development & Projects, Distribution, Segments, Products and IT within the main business area Retail Banking .

Note 2 *Segment reporting, cont.*

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Institutional Banking 2012	2011	Shipping, Offshore & Oil Services 2012	2011
Net interest income	200	205	131	111
Net fee and commission income	185	176	18	32
Net result from items at fair value	113	106	18	10
Profit from companies accounted for under the equity method	-	-	-	-
Other income	0	0	-	-
Total operating income	**498**	**487**	**167**	**153**
Staff costs	-6	-6	-9	-7
Other expenses	-121	-122	-16	-13
Depreciation of tangible and intangible assets	-	-	0	0
Total operating expenses	**-127**	**-128**	**-25**	**-20**
Net loan losses	-14	10	-74	-21
Operating profit	**357**	**369**	**68**	**112**
Income tax expense	-	-	-	-
Net profit for the year	**357**	**369**	**68**	**112**
Balance sheet, EURm				
Loans to the public	8,785	9,308	558	686
Deposits and borrowings from the public	6,276	6,544	157	153

Income statement, EURm	Capital Markets unallocated 2012	2011	Wholesale Banking Other[3] 2012	2011	**Wholesale Banking 2012**	**2011**
Net interest income	7	5	0	2	**338**	**323**
Net fee and commission income	-350	-327	55	51	**-93**	**-68**
Net result from items at fair value	1,032	749	0	0	**1,163**	**864**
Profit from companies accounted for under the equity method	-	-	-	-	**0**	**-**
Other income	1	0	0	2	**1**	**2**
Total operating income	**690**	**427**	**55**	**55**	**1,409**	**1,121**
Staff costs	-77	-68	-51	-54	**-143**	**-135**
Other expenses	42	36	55	54	**-40**	**-45**
Depreciation of tangible and intangible assets	0	0	-8	-5	**-9**	**-5**
Total operating expenses	**-35**	**-32**	**-4**	**-5**	**-192**	**-185**
Net loan losses	-	-	0	0	**-88**	**-10**
Operating profit	**655**	**395**	**51**	**50**	**1,129**	**926**
Income tax expense	-	-	-	-	**-**	**-**
Net profit for the year	**655**	**395**	**51**	**50**	**1,129**	**926**
Balance sheet, EURm						
Loans to the public	26,716	25,440	6,918	7,023	**42,978**	**42,456**
Deposits and borrowings from the public	16,891	14,582	8,210	8,035	**31,535**	**29,315**

[3] Wholesale Banking Other includes the area International Units and the support areas Transaction Products, Segment CIB and IT within the main business area Wholesale Banking.

Note 2 *Segment reporting, cont.*

Reconciliation between total operating segments and financial statements

	Total operating income		Operating profit		Loans to the public		Deposits and borrowings from the public	
EURm	2012	2011	2012	2011	2012	2011	2012	2011
Total operating segments	3,009	2,768	1,814	1,597	94,203	93,063	70,223	67,862
Group functions[1]	-174	-111	-198	-115	6,562	6,420	-11	500
Eliminations	-11	-13	-	-	-	-152	-	-102
Total	**2,824**	**2,644**	**1,616**	**1,482**	**100,765**	**99,331**	**70,212**	**68,260**

[1] Consists of Group Risk Management, Group Internal Audit, Group Identity & Communications, Group Human Resources, Board of Directors and Executive Management.

Group

Total operating income split on product groups

EURm	2012	2011
Banking products	2,008	1,733
Capital Markets products	786	886
Savings Products & Asset Management	25	20
Life & Pensions	5	5
Other	0	-
Total	**2,824**	**2,644**

Banking products consists of three different product types. Account products include account-based products, such as lending, deposits and cards and Netbank services. Transaction products consist of cash management, trade and project finance services. Financing products include asset-based financing through leasing, hire purchase and factoring as well as sales to finance partners, such as dealers, vendors and retailers. Capital Markets products contains financial instruments, or arrangements for a financial instrument, that are available in the financial marketplace, including currencies, commodities, stocks and bonds. Savings Products & Asset Management includes Investment Funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds is a bundled product where the fund company invest in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advice is a service provided to support the customers' investment decisions. Life & Pensions provides life insurance and pension products and services.

Group

Geographical information

	Total operating income		Assets	
EURm	2012	2011	2012	2011
Sweden	65	142	7,575	12,237
Finland	1,562	1,442	106,206	129,640
Norway	146	405	8,763	9,919
Denmark	528	326	139,460	178,776
Baltic countries	210	27	10,145	1,005
Poland	7	2	116	90
Other	306	300	69,682	67,620
Total	**2,824**	**2,644**	**341,947**	**399,287**

NBF's main geographical market comprises the Nordic countries, the Baltic countries and Poland. Revenues and assets are distributed to geographical areas based on the location of operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

Note 3 Net interest income

	Group		Parent company	
EURm	2012	2011	2012	2011
Interest income				
Loans to credit institutions	224	390	286	474
Loans to the public	1,857	2,011	1,560	1,695
Interest-bearing securities	177	181	177	181
Other interest income	79	65	87	77
Interest income	**2,337**	**2,647**	**2,110**	**2,427**
Interest expense				
Deposits by credit institutions	-455	-434	-452	-432
Deposits and borrowings from the public	-329	-440	-329	-439
Debt securities in issue	-464	-330	-464	-330
Subordinated liabilities	-27	-25	-27	-25
Other interest expense[1]	196	-63	196	-63
Interest expense	**-1,079**	**-1,292**	**-1,076**	**-1,289**
Net interest income	**1,258**	**1,355**	**1,034**	**1,138**

[1] The net interest income from derivatives, measured at fair value and related to Nordea's funding, can have both a positive and negative impact on other interest expense, for further information see Note 1.

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 2,180m (2,518) for the Group and EUR 1,954m (2,297) for the parent company. Interest expense from financial instruments not measured at fair value through profit and loss amounts to EUR -1,275m (-1,229) for the Group and EUR -1,272m (-1,226) for the parent company.

Interest on impaired loans amounted to an insignificant portion on interest income.

Net interest income

	Group		Parent company	
EURm	2012	2011	2012	2011
Interest income	2,241	2,546	2,110	2,427
Leasing income[1]	96	101	-	-
Interest expense	-1,079	-1,292	-1,076	-1,289
Total	**1,258**	**1,355**	**1,034**	**1,138**

[1] Of which contingent leasing income amounts to EUR 24m (27). Contingent leasing income in Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases there will be an offsetting impact from lower funding expenses.

Note 4 Net fee and commission income

	Group		Parent company	
EURm	2012	2011	2012	2011
Asset Management commissions	52	52	52	52
Life insurance	6	5	6	5
Brokerage, securities issues and corporate finance	75	73	76	73
Custody and issuer services	33	26	33	26
Deposits	7	6	7	6
Total savings and investments	173	162	174	162
Payments	196	187	197	188
Cards	97	87	67	57
Total payments and cards	293	274	264	245
Lending	88	90	76	79
Guarantees and documentary payments	146	146	145	147
Total lending related to commissions	234	236	221	226
Other commission income	41	31	41	29
Fee and commission income	**741**	**703**	**700**	**662**
Savings and investments	-323	-302	-323	-302
Payments	-10	-10	-7	-7
Cards	-55	-47	-53	-45
Other commission expenses	-58	-35	-56	-33
Fee and commission expenses	**-446**	**-394**	**-439**	**-387**
Net fee and commission income	**295**	**309**	**261**	**275**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounted to EUR 95m (94) for the Group and EUR 83m (85) for the parent company.

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounted to EUR 134m (129) for the Group and EUR 134m (129) for the parent company.

Note 5 Net result from items at fair value

	Group		Parent company	
EURm	2012	2011	2012	2011
Shares/participations and other share-related instruments	264	78	263	74
Interest-bearing securities and other interest-related instruments	520	726	519	726
Other financial instruments	297	42	297	42
Foreign exchange gains/losses	140	93	132	98
Investment properties	-4	-2	-3	-1
Total	**1,217**	**937**	**1,208**	**939**

Net result from categories of financial instruments

	Group		Parent company	
EURm	2012	2011	2012	2011
Available for sale assets, realised	0	-	0	-
Financial instruments designated at fair value through profit or loss	153	-35	153	-34
Financial instruments held for trading[1]	937	899	935	894
Financial instruments under fair value hedge accounting	2	-3	2	-3
- of which net result on hedging instruments	392	196	392	196
- of which net result on hedged items	-390	-199	-390	-199
Financial assets measured at amortised cost[2]	2	1	2	1
Foreign exchange gains/losses excl currency hedges	127	77	119	82
Other	-4	-2	-3	-1
Total	**1,217**	**937**	**1,208**	**939**

[1] Of which amortised deferred day one profits amounted to EUR 5m for 2012 (-5) both for the Group and the parent company.

[2] Of which EUR 2m related to instruments classified into the category "Loans and receivables".

Note 6 Dividends

	Group		Parent company	
EURm	2012	2011	2012	2011
Investments in group undertakings	-	-	80	60
Investments in associated undertakings	-	-	19	2
Total	**-**	**-**	**99**	**62**

Note 7 Other operating income

	Group		Parent company	
EURm	2012	2011	2012	2011
Divestment of shares	-	-	-	-
Income from real estate	2	-1	2	3
Disposals of tangible and intangible assets	3	2	0	0
Other	31	33	30	35
Total	**36**	**34**	**32**	**38**

Note 8 Staff costs

	Group		Parent company	
EURm	2012	2011	2012	2011
Salaries and remuneration	-434	-463	-400	-428
Pension costs (specification below)	-56	-61	-50	-55
Social insurance contributions	-31	-36	-28	-33
Allocation to profit-sharing foundation[1]	-20	-5	-19	-5
Other staff costs	-26	-27	-23	-25
Total	**-567**	**-592**	**-520**	**-546**

[1] Allocation to profit-sharing foundation 2012 EUR 20m (5) in the Group and EUR 19m (5) in the parent company consists of a new allocation of EUR 18m (8) in the Group and EUR 17m (8) in the parent company and expenses related to prior years of EUR 2m (3) in the Group and EUR 2m (3) in the parent company.

	Group		Parent company	
	2012	2011	2012	2011
Pension costs:				
Defined benefit plans (Note 33)	9	7	9	7
Defined contribution plans	-65	-68	-59	-62
Total	**-56**	**-61**	**-50**	**-55**

Additional disclosures on remuneration under Nordic FSAs' regulation and general guidelines (including FIN-FSA release 62/501/2010)
The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) one week before the Annual General Meeting on 14 March 2013.

Compensation etc. to the Board of Directors, President and his deputy
The members of the Board of Directors of Nordea Bank Finland Plc and the President, are members of the Nordea Bank AB (publ) Group Executive Management, except for the one external member Carl-Johan Granvik. The monthly fee for the external Board member was 1,250 euros, totalling 6,250 euros in 2012. In 2012 Nordea Bank AB (publ) has paid all salaries, fees, pensions and other staff-related expenses to the above mentioned other members of the Board and the President. Nordea Bank AB (publ) has allocated these salary expenses to Nordea Bank Finland Plc as part of the Head Office Allocation expenses.

Information on salaries, loans and pension liabilities of the above mentioned other members of the Board and the President is presented in the Annual Report of Nordea Bank AB (publ).

Salaries paid to the deputy of the President of Nordea Bank Finland Plc amounted to EUR 0m in 2012. Pension obligation for the deputy of the President amounted to EUR 3m and pension cost to defined benefit plans to EUR 2m.

EURm	2012	2011
Loans granted by Nordea Bank Finland Plc		
To members and deputy members of the Board of Directors	0	-
To the President and his deputy	0	0

Terms and conditions regarding loans to the members of the Board of Directors, to the President and to his deputy are decided in accordance with instructions issued by the Board of Directors.

Guarantees and other off-balance-sheet commitments
No guarantees or other off-balance-sheet commitments have been granted to members of administrative or controlling boards or to auditors.

The members of the administrative and controlling boards have no holdings of shares, equity warrants or convertible bonds issued by Nordea Bank Finland Plc.

Loans to key management personnel
Loans to key management personnel as defined in Note 1 section 23 amount to EUR 2m (1) in the Group and EUR 2m (1) in the parent company. Interest income on these loans amounts to EUR 0m (0) in the Group and EUR 0m (0) in the parent company.

Terms and conditions regarding loans to key management personnel employed by Nordea are decided in accordance with instructions issued by the Board of Directors. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employees of Nordea. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 10 basis points up to EUR 400,000, and 30 basis points on the part that exceeds EUR 400,000.

The Group has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any key management personnel.

Long-Term Incentive Programmes

Group

Conditional Rights LTIP 2012	2012 Matching Share	Performance Share I	Performance Share II
Granted	210,430	502,999	210,430
Forfeited	-2,569	-5,138	-2,569
Outstanding at end of year	**207,861**	**497,861**	**207,861**
- of which currently exercisable	-	-	-

Parent company

Conditional Rights LTIP 2012	2012 Matching Share	Performance Share I	Performance Share II
Granted	205,353	489,792	205,353
Forfeited	-2,569	-5,138	-2,569
Outstanding at end of year	**202,784**	**484,654**	**202,784**
- of which currently exercisable	-	-	-

Group

	2012			2011		
Conditional Rights LTIP 2011	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of year	154,236	308,472	154,236	-	-	-
Granted[1]	5,481	10,962	5,481	154,236	308,472	154,236
Transfer during the year	-6,347	-12,694	-6,347	-	-	-
Forfeited	-3,839	-7,678	-3,839	-	-	-
Outstanding at end of year	**149,531**	**299,062**	**149,531**	**154,236**	**308,472**	**154,236**
- of which currently exercisable	-	-	-	-	-	-

Parent company

	2012			2011		
Conditional Rights LTIP 2011	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of year	150,845	301,690	150,845	-	-	-
Granted[1]	5,352	10,704	5,352	150,845	301,690	150,845
Transfer during the year	-6,347	-12,694	-6,347	-	-	-
Forfeited	-3,839	-7,678	-3,839	-	-	-
Outstanding at end of year	**146,011**	**292,022**	**146,011**	**150,845**	**301,690**	**150,845**
- of which currently exercisable	-	-	-	-	-	-

Group

	2012			2011		
Conditional Rights LTIP 2010	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of year	162,974	325,948	162,974	173,195	346,390	173,195
Transfer during the year	-3,057	-6,114	-3,057	-7,220	-14,440	-7,220
Forfeited	-6,789	-13,578	-6,789	-3,001	-6,002	-3,001
Outstanding at end of year	**153,128**	**306,256**	**153,128**	**162,974**	**325,948**	**162,974**
- of which currently exercisable	-	-	-	-	-	-

Parent company

	2012			2011		
Conditional Rights LTIP 2010	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of year	160,554	321,108	160,554	170,775	341,550	170,775
Transfer during the year	-3,057	-6,114	-3,057	-7,220	-14,440	-7,220
Forfeited	-6,789	-13,578	-6,789	-3,001	-6,002	-3,001
Outstanding at end of year	**150,708**	**301,416**	**150,708**	**160,554**	**321,108**	**160,554**
- of which currently exercisable	-	-	-	-	-	-

[1] Granted rights in 2012 in LTIP 2011 are compensation for dividend on the underlying Nordea share during 2012.

Group

Rights LTIP 2009	A rights	2012 B-C rights	D rights	A rights	2011 B-C rights	D rights
Outstanding at the beginning of year	74,943	71,432	24,360	266,195	266,195	106,478
Forfeited	-7,359	-7,359	-7,359	-	-	-
Exercised[2]	-46,056	-48,756	-16,380	-191,252	-194,763	-82,118
Outstanding at end of year	**21,528**	**15,317**	**621**	**74,943**	**71,432**	**24,360**
- of which currently exercisable	21,528	15,317	621	74,943	71,432	24,360

Parent company

Rights LTIP 2009	A rights	2012 B-C rights	D rights	A rights	2011 B-C rights	D rights
Outstanding at the beginning of year	70,614	67,103	22,628	261,866	261,866	104,746
Forfeited	-7,359	-7,359	-7,359	-	-	-
Exercised[2]	-41,727	-44,427	-14,648	-191,252	-194,763	-82,118
Outstanding at end of year	**21,528**	**15,317**	**621**	**70,614**	**67,103**	**22,628**
- of which currently exercisable	21,528	15,317	621	70,614	67,103	22,628

Group

Rights LTIP 2008	A rights	2012 B-C rights	D rights	A rights	2011 B-C rights	D rights
Outstanding at the beginning of year	2,720	3,311	2,454	12,765	13,496	8,834
Transfer during the year	3,326	3,325	3,544	-	-	-
Forfeited	-2,335	-2,335	-2,335	-	-	-
Exercised[2]	-3,711	-4,301	-3,663	-10,045	-10,185	-6,380
Outstanding at end of year	**-**	**-**	**-**	**2,720**	**3,311**	**2,454**
- of which currently exercisable	-	-	-	2,720	3,311	2,454

Parent company

Rights LTIP 2008	A rights	2012 B-C rights	D rights	A rights	2011 B-C rights	D rights
Outstanding at the beginning of year	2,720	3,311	2,454	11,389	12,120	8,834
Transfer during the year	3,326	3,325	3,544	-	-	-
Forfeited	-2,335	-2,335	-2,335	-	-	-
Exercised[2]	-3,711	-4,301	-3,663	-8,669	-8,809	-6,380
Outstanding at end of year	**-**	**-**	**-**	**2,720**	**3,311**	**2,454**
- of which currently exercisable	-	-	-	2,720	3,311	2,454

[2] Weighted average share price during the period amounted to EUR 6.88 (7.45).

Participation in the Long-Term Incentive Programmes (LTIPs) requires that the participants take direct ownership by investing in Nordea shares.

	LTIP 2012		
	Matching Share	Performance Share I	Performance Share II
Ordinary shares per right	1.00	1.00	1.00
Exercise price, EUR	-	-	-
Grant date	13 May 2012	13 May 2012	13 May 2012
Vesting period, months	36	36	36
Contractual life, months	36	36	36
Allotment	April/May 2015	April/May 2015	April/May 2015
Fair value at grant date, EUR	6.55	6.55	2.37

	LTIP 2011			LTIP 2010		
	Matching Share	Performance Share I	Performance Share II	A rights	B-C rights	D rights
Ordinary shares per right	1.00	1.00	1.00	1.00	1.00	1.00
Exercise price, EUR	-	-	-	-	-	-
Grant date	13 May 2011	13 May 2011	13 May 2011	13 May 2010	13 May 2010	13 May 2010
Vesting period, months	36	36	36	36	36	36
Contractual life, months	36	36	36	36	36	36
Allotment/First day of exercise	April/May 2014	April/May 2014	April/May 2014	April/May 2013	April/May 2013	April/May 2013
Fair value at grant date, EUR	7.90[1]	7.90[1]	2.86[1]	6.75	6.75	2.45

[1] The fair value has been recalculated due to dividend during the vesting period which the participants are compensated for through additional Matching and Performance Shares.

	LTIP 2009			LTIP 2008[2]		
	A rights	B-C rights	D rights	A rights	B-C rights	D rights
Ordinary shares per right	1.00	1.00	1.00	1.30	1.30	1.30
Exercise price, EUR	0.51	0.12	0.12	1.75	0.98	0.98
Grant date	14 May 2009	14 May 2009	14 May 2009	13 May 2008	13 May 2008	13 May 2008
Vesting period, months	24	24	24	24	24	24
Contractual life, months	48	48	48	48	48	48
First day of exercise	29 April 2011	29 April 2011	29 April 2011	29 April 2010	29 April 2010	29 April 2010
Fair value at grant date, EUR	4.66	5.01	1.75	7.53	8.45	4.14

[2] The new rights issue, which was resolved in an extra ordinary general meeting on 12 March 2009, triggered recalculations of some of the parameters in LTIP 2008, in accordance with the agreements of the programmes. The recalculations were performed with the purpose of putting the participants in an equivalent financial position as the one being at hand immediately prior to the new rights issue.

Conditions and requirements

For each ordinary share the participants lock in to the LTIPs, they are granted a conditional A-right/Matching Share to acquire or receive ordinary shares based on continued employment and conditional B-D rights/Performance Share I and II to acquire or receive additional ordinary shares based on fulfilment of certain performance conditions. The performance conditions for B and C rights and for Performance Share I comprise target growth in risk adjusted profit per share (RAPPS). Should the reported earnings per share (EPS) be lower than a predetermined level, the participants are not entitled to exercise any B or C rights or Performance Share I. The performance conditions for D rights and for Performance Share II are market- related and comprise growth in total shareholder return (TSR) in comparison with a peer group's TSR.

When the performance conditions are not fully fulfilled, the rights that are no longer exercisable are shown as forfeited in the previous tables, as well as shares forfeited due to participants leaving the Nordea Group.

The exercise price, where applicable, for the ordinary shares is adjusted for dividends, however, never below a predetermined price. Furthermore, the profit for each right is capped.

	LTIP 2012	LTIP 2011	LTIP 2010
Service condition, Matching Share/Performance Share I and II	Employed, with certain exemptions, within the Nordea Group during the three-year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three-year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three-year vesting period.
Performance condition, Performance Share I	Average RAROCAR during the period 2012 up to and including 2014. Full right to exercise will be obtained if the RAROCAR amounts to 17%.	Compound Annual Growth Rate in RAPPS from year 2010 (base year) to and including year 2013. Full right to exercise will be obtained if the Compound Annual Growth Rate amounts to or exceeds 10%.	Compound Annual Growth Rate in RAPPS from year 2009 (base year) to and including year 2012. Full right to exercise will be obtained if the Compound Annual Growth Rate amounts to or exceeds 9%.
EPS knock-out Performance Share I	-	Average reported EPS for 2011-2013 lower than EUR 0.26.	Average reported EPS for 2010-2012 lower than EUR 0.26.
Performance conditions Performance Share II	RAROCAR during the period 2012 up to and including 2014 and P/B ranking year-end 2014 compared to a peer group. Full right to exercise will be obtained if the RAROCAR amounts to 14% and if Nordea's P/B-ranking is 1-5.	TSR during 2011-2013 in comparison to a peer group. Full right to exercise will be obtained if Nordea is ranked number 1-5.	TSR during 2010-2012 in comparison to a peer group. Full right to exercise will be obtained if Nordea is ranked number 1-5.
Cap	The market value of the allotted shares is capped to the participants' annual salary for year-end 2011.	The market value of the allotted shares is capped to the participants' annual salary for year-end 2010.	The market value of the allotted shares is capped to the participants' annual salary for year-end 2009.
Dividend compensation	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.	-

	LTIP 2009[1]	LTIP 2008[1]
Service condition, A-D rights	Employed, with certain exemptions, within the Nordea Group during the two-year vesting period.	Employed, with certain exemptions, within the Nordea Group during the two-year vesting period.
Performance condition, B rights	Increase in RAPPS 2009 compared to 2008. Full right to exercise was obtained if RAPPS increased by 8% or more.	Increase in RAPPS 2008 compared to 2007. Full right to exercise was obtained if RAPPS increased by 12% or more.
EPS knock-out, B rights	Reported EPS for 2009 lower than EUR 0.26	Reported EPS for 2008 lower than EUR 0.80.
Performance condition, C rights	Increase in RAPPS 2010 compared to 2009. Full right to exercise was obtained if RAPPS increased by 8% or more.	Increase in RAPPS 2009 compared to 2008. Full right to exercise was obtained if RAPPS increased by 12% or more.
EPS knock-out, C rights	Reported EPS for 2010 lower than EUR 0.26	Reported EPS for 2009 lower than EUR 0.52.
Performance conditions, D rights	TSR during 2009-2010 in comparison with a peer group. Full right to exercise was obtained if Nordea was ranked number 1.	TSR during 2008-2009 in comparison with a peer group. Full right to exercise was obtained if Nordea was ranked number 1.
Cap	The profit per A-D rights is capped to EUR 9.59 per right.	The profit per A-D rights is capped to EUR 21.87 per right.
Dividend compensation	The exercise price will be adjusted for dividends during the exercise period, however never below EUR 0.10.	The exercise price will be adjusted for dividends during the exercise period, however never below EUR 0.10.

[1] RAPPS for the financial years 2008 and 2009 used for LTIP 2008 (C rights) and LTIP 2009 (B and C rights), EPS knoc-k out in LTIP 2008 (C rights) and LTIP 2009 (B and C rights) and the cap in LTIP 2009 and LTIP 2008 have been adjusted due to the financial effects of the new rights issue in 2009.

Fair value calculations

The fair value is measured through the use of generally accepted valuation models with the following input factors:

	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008
Weighted average share price, EUR	6.70	8.39	6.88	5.79	11.08
Right life, years	3.0	3.0	3.0	2.5	2.5
Deduction of expected dividends	No	No	No	Yes	Yes
Risk-free rate, %	-	-	-	1.84	3.83
Expected volatility, %	-	-	-	29	21

Expected volatility is based on historical values. As the exercise price (zero for LTIP 2010, LTIP 2011 and LTIP 2012) is significantly below the share price at grant date, the value has a limited sensitivity to expected volatility and risk-free interest. The fair value calculations are also based on estimated early exercise behaviour during the programme's exercise windows. This is, however, not applicable to LTIP 2010, LTIP 2011 and LTIP 2012.

The value of the D rights/Performance Share II is based on market-related conditions and fulfilment of the TSR and P/B targets have been taken into consideration when calculating the right's fair value at grant. When calculating the impact from the TSR and P/B targets it has been assumed that all possible outcomes have equal possibilities. The caps in each programme have also been taken into consideration when calculating the right’s fair value at grant. The adjustment to fair value is approximately 2-3% of the weighted average share price.

Expenses for equity-settled share-based payment programmes[1]

Group

EURm	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008
Expected expense for the whole programme	-3.1	-2.9	-2.1	-3.1	-1.8
Maximum expense for the whole programme	-5.3	-4.0	-3.5	-3.1	-1.8
Total expense during 2012	-0.7	-0.9	-0.3	-	-
Total expense during 2011	-	-0.6	-0.8	-0.5	-

Parent company

EURm	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008
Expected expense for the whole programme	-3.0	-2.9	-2.1	-3.0	-1.8
Maximum expense for the whole programme	-5.1	-3.9	-3.5	-3.0	-1.8
Total expense during 2012	-0.6	-0.9	-0.3	-	-
Total expense during 2011	-	-0.5	-0.7	-0.5	-

[1] All amounts excluding social security contribution.

When calculating the expected expense, an expected annual employee turnover of 5% has been used in LTIP 2010, LTIP 2011 and LTIP 2012. The expected expense is recognised over the vesting period of 36 months (LTIP 2010, LTIP 2011 and LTIP 2012) and 24 months (LTIP 2009 and LTIP 2008).

Cash-settled share-based payment transactions

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea total shareholder returns (TSR) and either vesting after three years or vesting in equal instalments over a three to five-year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories.

The below table only includes deferred amounts indexed with Nordea’s TSR. Nordea also operates deferrals that are not TSR-linked, which are not included in the table below. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea’s homepage (www.nordea.com).

	Group		Parent company	
EURm	2012	2011	2012	2011
Deferred TSR-linked compensation at beginning of year	1,380	1,083	1,380	1,083
Accrued deferred/retained TSR-linked compensation during the year	1,634	1,098	1,634	1,098
TSR indexation during the year	573	-444	573	-444
Payments during the year[2]	-287	-361	-287	-361
Translation differences	-6	4	-6	4
Deferred TSR-linked compensation at end of year[1]	**3,294**	**1,380**	**3,294**	**1,380**

[1] Of which EUR 1,184m is available for disposal by the employees in 2013. Due to the fact that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year relates to variable compensation earned the previous year.
[2] There have been no adjustments due to forfeitures in 2012.

Note 8 *Staff costs, cont.*

Average number of employees

	Group		Parent company	
	2012	2011	2012	2011
Full-time employees	8,731	9,366	7,967	8,610
Part-time employees	538	648	485	588
Total	**9,269**	**10,014**	**8,452**	**9,198**
Total number of employees (FTEs), end of period	8,252	8,828	7,516	8,093

Note 9 Other expenses

	Group		Parent company	
EURm	2012	2011	2012	2011
Information technology[1]	-150	-160	-170	-182
Marketing and representation	-31	-36	-28	-32
Postage, transportation, telephone and office expenses	-46	-50	-39	-43
Rents, premises and real estate	-92	-91	-91	-90
Other[2]	-128	-120	-116	-111
Total	**-447**	**-457**	**-444**	**-458**

[1] Starting from March 2012 NBF outsourced its IT operations to Nordea Bank AB.
[2] Including fees and remuneration to auditors distributed as follows.

Auditors' fees

	Group		Parent company	
EURm	2012	2011	2012	2011
KPMG				
Auditing assignments	-1	-1	-1	-1
Audit-related services	0	0	0	0
Tax advisory services	0	0	0	0
Other assignments	0	0	0	0
Total	**-1**	**-1**	**-1**	**-2**

Note 10 Depreciation, amortisation and impairment charges of tangible and intangible assets

	Group		Parent company	
EURm	2012	2011	2012	2011
Depreciation/amortisation				
Property and equipment (Note 22)				
Equipment	-24	-30	-14	-14
Buildings	0	0	0	0
Intangible assets (Note 21)				
Goodwill	-	-	-	-
Computer software	-16	-9	-15	-9
Other intangible assets	-3	-4	-2	-2
Total	**-43**	**-43**	**-31**	**-25**
Impairment charges / Reversed impairment charges				
Property and equipment (Note 22)				
Other impairment losses/reversals	-1	-	-1	-
Intangible assets (Note 21)				
Impairment, other intangible assets	-6	-	-6	-
Total	-7	-	-7	-
Total	**-50**	**-43**	**-38**	**-25**

Note 11 Net loan losses

	Group		Parent company	
EURm	2012	2011	2012	2011
Divided by class				
Loans to credit institutions	**0**	**0**	**0**	**0**
- of which provisions	0	0	0	0
- of which reversals	0	0	0	0
Loans to the public	**-158**	**-69**	**-139**	**-45**
- of which provisions	-264	-211	-241	-190
- of which write-offs	-159	-166	-124	-126
- of which allowances used for covering write-offs	92	109	82	96
- of which reversals	146	172	135	161
- of which recoveries	27	27	9	14
Off-balance sheet items[1]	**14**	**-1**	**14**	**-1**
- of which provisions	-5	-6	-5	-6
- of which reversals	19	5	19	5
Total	**-144**	**-70**	**-125**	**-46**
Specification				
Changes of allowance accounts in the balance sheet	**-104**	**-40**	**-93**	**-30**
- of which loans, individually assessed[2]	-176	-120	-166	-106
- of which loans, collectively assessed[2]	58	81	59	77
- of which off-balance sheet items, individually assessed[1]	16	-6	16	-6
- of which off-balance sheet items, collectively assessed[1]	-2	5	-2	5
Changes directly recognised in the income statement	**-40**	**-30**	**-32**	**-16**
- of which realised loan losses, individually assessed	-67	-57	-41	-30
- of which realised recoveries, individually assessed	27	27	9	14
Total	**-144**	**-70**	**-125**	**-46**

[1] Included in Note 32 Provisions as "Transfer risk, off-balance" and "Individually assessed, off-balance sheet".
[2] Included in Note 13 Loans and impairment.

Key ratios

	Group		Parent company	
	2012	2011	2012	2011
Loan loss ratio, basis points[3]	14	9	14	7
- of which individual	20	21	20	19
- of which collective	-6	-12	-6	-12

[3] Net loan losses (annualised) divided by opening balance of loans to the public (lending).

Note 12 Taxes

Income tax expense

EURm	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Current tax	-420	-373	-381	-339
Deferred tax	-10	-8	-4	-2
Total	**-430**	**-381**	**-385**	**-341**

Current and deferred tax recognised in Other comprehensive income

	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Deferred tax relating to available-for-sale investments	-7	2	-7	1
Deferred tax relating to cash flow hedges	24	-	11	-
Total	**17**	**2**	**4**	**1**

The tax on the Group’s operating profit differs from the theoretical amount that would arise using the tax rate of Finland as follows:

EURm	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Profit before tax	1,616	1,482	1,507	1,381
Tax calculated at a tax rate of 24.5% (26% in 2011)	-396	-385	-370	-359
Income from associated undertakings	0	0	-	-
Other direct taxes	0	0	0	0
Tax-exempt income	10	4	25	17
Non-deductible expenses	-5	-5	-1	-1
Adjustments relating to prior years	-24	3	-24	3
Change of tax rate	0	2	0	-1
Not creditable foreign taxes	-15	-	-15	-
Tax charge	**-430**	**-381**	**-385**	**-341**
Average effective tax rate	27%	26%	26%	25%

Group

EURm	Deferred tax assets 2012	Deferred tax assets 2011	Deferred tax liabilities 2012	Deferred tax liabilities 2011
Deferred tax related to:				
Tax losses carry-forward	0	0	-	-
Untaxed reserves	-	-	-	-
Loans to the public	20	19	58	53
Financial instruments	6	1	-	-
Intangible assets	0	0	0	0
Property and equipment	2	4	-	-
Investment property	-	-	-	-
Retirement benefit assets/obligations	-36	-32	0	0
Hedge of net investments in foreign operations	-	-	-	-
Liabilities/provisions	24	24	-	-
Total	**16**	**16**	**58**	**53**
- of which expected to be settled after more than 1 year	16	16	58	53

Parent company

EURm	Deferred tax assets 2012	Deferred tax assets 2011	Deferred tax liabilities 2012	Deferred tax liabilities 2011
Deferred tax related to:				
Tax losses carry-forward	-	-	-	-
Loans to the public	18	17	-	-
Financial instruments	6	1	-	-
Intangible assets	-	-	-	-
Property and equipment	3	3	-	-
Investment property	-	-	-	-
Retirement benefit assets/obligations	-37	-32	-	-
Liabilities/provisions	23	23	-	-
Total	**13**	**12**	**-**	**-**
- of which expected to be settled after more than 1 year	13	12	-	-

Movements in deferred tax assets/liabilities, net

EURm	Group 31 Dec 2012	Group 31 Dec 2011	Parent company 31 Dec 2012	Parent company 31 Dec 2011
Amount at beginning of year (net)	-37	-37	12	12
Acquisitions and others	5	8	5	2
Deferred tax in the income statement	-10	-8	-4	-2
Amount at end of year (net)	**-42**	**-37**	**13**	**12**
Current tax assets	**1**	**132**	**-**	**131**
- of which expected to be settled after more than 1 year	-	-	-	-
Current tax liabilities	**4**	**0**	**4**	**0**
- of which expected to be settled after more than 1 year	-	-	-	-

There were no unrecognised deferred tax assets in the Group or in the parent company in 2012 or 2011.

There was no deferred tax relating to temporary differences associated with investments in group undertakings, associated undertakings and joint ventures.

Deferred 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 relates to the same fiscal authority.

Note 13 Loans and impairment

	Total			
	Group		Parent company	
EURm	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Loans, not impaired	136,523	177,995	135,684	177,229
Impaired loans	1,904	1,498	1,641	1,280
- of which performing	947	729	771	611
- of which non-performing	957	769	870	669
Loans before allowances	**138,427**	**179,493**	**137,325**	**178,509**
Allowances for individually assessed impaired loans	-657	-576	-579	-495
- of which performing	-407	-351	-338	-294
- of which non-performing	-250	-225	-241	-201
Allowances for collectively assessed impaired loans	-178	-236	-161	-220
Allowances	**-835**	**-812**	**-740**	**-715**
Loans, carrying amount	**137,592**	**178,681**	**136,585**	**177,794**

	Central banks and credit institutions			
	Group		Parent company	
EURm	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Loans, not impaired	36,828	79,350	42,273	84,697
Impaired loans	24	25	24	25
- of which performing	-	-	-	-
- of which non-performing	24	25	24	25
Loans before allowances	**36,852**	**79,375**	**42,297**	**84,722**
Allowances for individually assessed impaired loans	-25	-25	-25	-25
- of which performing	-	-	-	-
- of which non-performing	-25	-25	-25	-25
Allowances for collectively assessed impaired loans	0	0	0	0
Allowances	**-25**	**-25**	**-25**	**-25**
Loans, carrying amount	**36,827**	**79,350**	**42,272**	**84,697**

	The public[1]			
	Group		Parent company	
EURm	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Loans, not impaired	99,695	98,645	93,411	92,532
Impaired loans	1,880	1,473	1,617	1,255
- Performing	947	729	771	611
- Non-performing	933	744	846	644
Loans before allowances	**101,575**	**100,118**	**95,028**	**93,787**
Allowances for individually assessed impaired loans	-632	-551	-554	-470
- Performing	-407	-351	-338	-294
- Non-performing	-225	-200	-216	-176
Allowances for collectively assessed impaired loans	-178	-236	-161	-220
Allowances	**-810**	**-787**	**-715**	**-690**
Loans, carrying amount	**100,765**	**99,331**	**94,313**	**93,097**

[1] Finance leases, where the Nordea Group is a lessor, are included in Loans to the public, see Note 23 Leasing.

Reconciliation of allowance accounts for impaired loans[2]

Total

EURm	Group: Individually assessed	Group: Collectively assessed	Group: Total	Parent company: Individually assessed	Parent company: Collectively assessed	Parent company: Total
Opening balance at 1 Jan 2012	**-576**	**-236**	**-812**	**-495**	**-220**	**-715**
Provisions	-218	-46	-264	-199	-43	-242
Reversals	42	104	146	33	102	135
Changes through the income statement	**-176**	**58**	**-118**	**-166**	**59**	**-107**
Allowances used to cover write-offs	92	0	92	82	0	82
Translation differences	3	0	3	0	0	0
Closing balance at 31 Dec 2012	**-657**	**-178**	**-835**	**-579**	**-161**	**-740**
Opening balance at 1 Jan 2011	**-565**	**-316**	**-881**	**-484**	**-296**	**-780**
Provisions	-177	-34	-211	-155	-35	-190
Reversals	57	115	172	49	112	161
Changes through the income statement	**-120**	**81**	**-39**	**-106**	**77**	**-29**
Allowances used to cover write-offs	109	-	109	96	-	96
Translation differences	0	-1	-1	-1	-1	-2
Closing balance at 31 Dec 2011	**-576**	**-236**	**-812**	**-495**	**-220**	**-715**

Central banks and credit institutions

EURm	Group: Individually assessed	Group: Collectively assessed	Group: Total	Parent company: Individually assessed	Parent company: Collectively assessed	Parent company: Total
Opening balance at 1 Jan 2012	**-25**	**0**	**-25**	**-25**	**0**	**-25**
Provisions	-	0	0	-	0	0
Reversals	-	0	0	-	0	0
Changes through the income statement	**-**	**0**	**0**	**-**	**0**	**0**
Allowances used to cover write-offs	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Closing balance at 31 Dec 2012	**-25**	**0**	**-25**	**-25**	**0**	**-25**
Opening balance at 1 Jan 2011	**-25**	**0**	**-25**	**-25**	**0**	**-25**
Provisions	-	0	0	-	0	0
Reversals	-	0	0	-	0	0
Changes through the income statement	**-**	**0**	**0**	**-**	**0**	**0**
Allowances used to cover write-offs	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Closing balance at 31 Dec 2011	**-25**	**0**	**-25**	**-25**	**0**	**-25**

The public

EURm	Group: Individually assessed	Group: Collectively assessed	Group: Total	Parent company: Individually assessed	Parent company: Collectively assessed	Parent company: Total
Opening balance at 1 Jan 2012	**-551**	**-236**	**-787**	**-470**	**-220**	**-690**
Provisions	-218	-46	-264	-199	-43	-242
Reversals	42	104	146	33	102	135
Changes through the income statement	**-176**	**58**	**-118**	**-166**	**59**	**-107**
Allowances used to cover write-offs	92	-	92	82	-	82
Translation differences	3	0	3	0	0	0
Closing balance at 31 Dec 2012	**-632**	**-178**	**-810**	**-554**	**-161**	**-715**
Opening balance at 1 Jan 2011	**-540**	**-316**	**-856**	**-459**	**-296**	**-755**
Provisions	-177	-34	-211	-155	-35	-190
Reversals	57	115	172	49	112	161
Changes through the income statement	**-120**	**81**	**-39**	**-106**	**77**	**-29**
Allowances used to cover write-offs	109	-	109	96	-	96
Translation differences	0	-1	-1	-1	-1	-2
Closing balance at 31 Dec 2011	**-551**	**-236**	**-787**	**-470**	**-220**	**-690**

[2] See Note 11 Net loan losses

Note 13 *Loans and impairment, cont.*

Allowances and provisions

	Total			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Allowances for items in the balance sheet	-835	-812	-740	-715
Provisions for off-balance sheet items	-32	-47	-32	-47
Total allowances and provisions	**-867**	**-859**	**-772**	**-762**

	Central banks and credit institutions			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Allowances for items in the balance sheet	-25	-25	-25	-25
Provisions for off-balance sheet items	-9	-9	-9	-9
Total allowances and provisions	**-34**	**-34**	**-34**	**-34**

	The public			
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Allowances for items in the balance sheet	-810	-787	-715	-690
Provisions for off-balance sheet items	-23	-38	-23	-38
Total allowances and provisions	**-833**	**-825**	**-738**	**-728**

Key ratios

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
	2012	2011	2012	2011
Impairment rate, gross[3], basis points	138	83	119	72
Impairment rate, net[4], basis points	90	51	77	44
Total allowance rate[5], basis points	60	45	54	40
Allowances in relation to impaired loans[6], %	35	38	35	39
Total allowances in relation to impaired loans[7], %	44	54	45	56
Non-performing loans, not impaired[8], EURm	127	57	52	51

[3] Individually assessed impaired loans before allowances divided by total loans before allowances.
[4] Individually assessed impaired loans after allowances divided by total loans before allowances.
[5] Total allowances divided by total loans before allowances.
[6] Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.
[7] Total allowances divided by total impaired loans before allowances.
[8] Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

Note 14 Interest-bearing securities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Eligible as collateral with central banks				
Issued by state and sovereigns	4,267	5,165	4,267	5,165
Issued by municipalities and other public bodies	1,530	949	1,530	949
Issued by other entities	16,908	-	16,908	-
Non-eligible				
Issued by public bodies	4,363	1,163	4,363	1,163
Issued by other borrowers	17,279	31,935	17,279	31,935
Total	**44,347**	**39,212**	**44,347**	**39,212**
- of which financial instruments pledged as collateral (Note 15)	8,078	8,346	8,078	8,346
Total	**36,269**	**30,866**	**36,269**	**30,866**
Listed and unlisted securities incl. financial instruments pledged as collateral				
Listed securities	40,919	32,524	40,919	32,524
Unlisted securities	3,428	6,688	3,428	6,688
Total	**44,347**	**39,212**	**44,347**	**39,212**

Note 15 Financial instruments pledged as collateral

Financial instruments pledged as collateral
In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified in the balance sheet to the item Financial instruments pledged as collateral.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Interest-bearing securities	8,078	8,346	8,078	8,346
Total	**8,078**	**8,346**	**8,078**	**8,346**

For information on transferred assets, see Note 42.
For information on reverse repos, see Note 42.

Note 16 Shares

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Shares	92	77	89	75
Shares taken over for protection of claims	-	-	-	-
Fund units, equity-related	614	1,219	614	1,219
Fund units, interest-related	132	16	132	15
Total	**838**	**1,312**	**835**	**1,309**
- of which financial instruments pledged as collateral (Note 15)	-	-	-	-
Total	**838**	**1,312**	**835**	**1,309**
Of which expected to be settled after more than 1 year	14	20	12	20
Listed and unlisted shares incl. financial instruments pledged as collateral				
Listed shares	112	61	110	59
Unlisted shares	726	1,251	725	1,250
Total	**838**	**1,312**	**835**	**1,309**

Note 17 Derivatives and hedge accounting

31 Dec 2012, 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	89,987	86,528	3,744,280	89,987	86,528	3,744,280
Futures and forwards	352	397	1,421,573	352	397	1,421,573
Options	12,159	12,161	458,797	12,159	12,161	458,797
Total	**102,498**	**99,086**	**5,624,650**	**102,498**	**99,086**	**5,624,650**
Equity derivatives						
Equity swaps	242	241	9,654	242	241	9,654
Futures and forwards	2	2	286	2	2	286
Options	425	396	11,458	425	396	11,458
Total	**669**	**639**	**21,398**	**669**	**639**	**21,398**
Foreign exchange derivatives						
Currency and interest rate swaps	11,377	13,599	846,588	11,377	13,599	846,588
Currency forwards	429	735	81,304	429	735	81,304
Options	200	213	26,288	200	213	26,288
Total	**12,006**	**14,547**	**954,180**	**12,006**	**14,547**	**954,180**
Credit derivatives						
Credit default swaps	637	655	47,053	637	655	47,053
Total rate of return swaps	-	-	-	-	-	-
Total	**637**	**655**	**47,053**	**637**	**655**	**47,053**
Commodity derivatives						
Swaps	493	434	5,694	493	434	5,694
Futures and forwards	5	26	600	5	26	600
Options	30	28	1,534	30	28	1,534
Other	-	-	-	-	-	-
Total	**528**	**488**	**7,828**	**528**	**488**	**7,828**
Other derivatives						
Options	10	8	254	10	8	254
Other	23	14	57	23	14	57
Total	**33**	**22**	**311**	**33**	**22**	**311**
Total derivatives held for trading	**116,371**	**115,437**	**6,655,420**	**116,371**	**115,437**	**6,655,420**

31 Dec 2012, 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 used for hedge accounting						
Interest rate derivatives						
Interest rate swaps	775	211	38,886	775	211	38,886
Total	**775**	**211**	**38,886**	**775**	**211**	**38,886**
Foreign exchange derivatives						
Currency and interest rate swaps	67	188	2,569	67	188	2,569
Currency forwards	-	-	-	-	-	-
Total	**67**	**188**	**2,569**	**67**	**188**	**2,569**
Total derivatives used for hedge accounting	**842**	**399**	**41,455**	**842**	**399**	**41,455**
Total derivatives	**117,213**	**115,836**	**6,696,875**	**117,213**	**115,836**	**6,696,875**

Periods when hedged cash flows are expected to occur and when they are expected to affect the income statement

Group

EURm	<1 year	1-3 years	3-5 years	5-10 years	Over 10 years
Cash inflows (assets)	-	-	-	-	-
Cash outflows (liabilities)	-	-5,092	-4,301	-3,084	-70
Net cash flows	**-**	**-5,092**	**-4,301**	**-3,084**	**-70**

Note 17 *Derivatives and hedge accounting, cont.*

	Group			Parent company		
	Fair value		Total nom.	Fair value		Total nom.
31 Dec 2011, EURm	Positive	Negative	amount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	137,368	134,905	3,784,476	137,368	134,905	3,784,476
FRAs	-	0	-	-	0	-
Futures and forwards	776	743	1,548,734	776	743	1,548,734
Options	11,317	11,928	532,630	11,317	11,928	532,630
Total	**149,461**	**147,576**	**5,865,840**	**149,461**	**147,576**	**5,865,840**
Equity derivatives						
Equity swaps	126	158	3,672	126	158	3,672
Futures and forwards	16	13	755	16	13	755
Options	431	648	12,068	431	648	12,068
Total	**573**	**819**	**16,495**	**573**	**819**	**16,495**
Foreign exchange derivatives						
Currency and interest rate swaps	15,645	15,975	915,011	15,645	15,975	915,011
Currency forwards	812	675	45,553	812	675	45,553
Options	299	254	33,275	299	254	33,275
Total	**16,756**	**16,904**	**993,839**	**16,756**	**16,904**	**993,839**
Credit derivatives						
Credit default swaps	1,587	1,492	62,299	1,587	1,492	62,299
Total rate of return swaps	99	22	450	99	22	450
Total	**1,686**	**1,514**	**62,749**	**1,686**	**1,514**	**62,749**
Commodity derivatives						
Swaps	1,227	1,152	13,183	1,227	1,152	13,183
Futures and forwards	79	76	1,137	79	76	1,137
Other	69	68	2,227	69	68	2,227
Total	**1,375**	**1,296**	**16,547**	**1,375**	**1,296**	**16,547**
Other derivatives						
Options	1	3	85	1	3	85
Other	1	-	6	1	-	6
Total	**2**	**3**	**91**	**2**	**3**	**91**
Total derivatives held for trading	**169,853**	**168,112**	**6,955,561**	**169,853**	**168,112**	**6,955,561**

	Group			Parent company		
	Fair value		Total nom.	Fair value		Total nom.
31 Dec 2011, EURm	Positive	Negative	amount	Positive	Negative	amount
Derivatives used for hedge accounting						
Interest rate derivatives						
Interest rate swaps	301	179	28,011	301	179	28,011
Total	**301**	**179**	**28,011**	**301**	**179**	**28,011**
Foreign exchange derivatives						
Currency and interest rate swaps	74	145	2,185	74	145	2,185
Currency forwards	-	-	5,908	-	-	5,908
Total	**74**	**145**	**8,093**	**74**	**145**	**8,093**
Total derivatives used for hedge accounting	**375**	**324**	**36,104**	**375**	**324**	**36,104**
Total derivatives	**170,228**	**168,436**	**6,991,665**	**170,228**	**168,436**	**6,991,665**

Note 18 Fair value changes of the hedged items in portfolio hedge of interest rate risk

Assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Carrying amount at beginning of year	138	96	138	96
Changes during the year				
- Revaluation of hedged items	-14	42	-14	42
Carrying amount at end of year	**124**	**138**	**124**	**138**

Liabilities	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Carrying amount at beginning of year	195	-58	195	-58
Changes during the year				
- Revaluation of hedged items	442	253	442	253
Carrying amount at end of year	**637**	**195**	**637**	**195**

The carrying amount at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is an asset respectively a liability. When the hedged item is an asset, the change in the fair value of the hedged item is presented within assets and when the hedged item is a liability, the change is presented as a liability.

Note 19 Investments in group undertakings

Parent company

	31 Dec	31 Dec
EURm	2012	2011
Acquisition value at beginning of year	370	353
Acquisitions / capital contributions during the year	3	17
Sales during the year	-	-
Translation differences	0	0
Acquisition value at end of year	**373**	**370**
Accumulated impairment charges at beginning of year	-	-
Impairment charges during the year	-	-
Translation differences	-	-
Accumulated impairment charges at end of year	**-**	**-**
Total	**373**	**370**
- of which listed shares	-	-

The total amount is expected to be settled after more than 1 year

Note 19 *Investments in group undertakings, cont.*

Specification

This specification includes all directly owned group undertakings and major group undertakings to the directly owned companies.

Group

31 Dec 2012	Number of shares	Carrying amount 2012, EURm	Carrying amount 2011, EURm	Voting power of holding, %	Domicile	Business ID
Domestic						
Credit institutions						
Nordea Finance Finland Ltd	1,000,000	306	306	100.0	Espoo	0112305-3
Financial institutions						
Tukirahoitus Oy[1]	672	7	7	100.0	Espoo	0677131-6
Real estate companies						
Kiinteistö Oy Tampereen Kirkkokatu 7[1]	280	50	50	100.0	Tampere	0819781-3
Kiinteistö Oy Levytie 6[1]	147	18	19	100.0	Helsinki	0818921-5
Kiinteistö Oy Lahden Aleksanterinkatu 19-21[1]	340,090	10	10	100.0	Lahti	0150108-5
Other companies						
Fidenta Oy	2,000	0	0	60.0	Espoo	0988412-1
International						
Financial institutions						
Nordea Finance Polska S.A.[1]	19,690,000	0	0	100.0	Warsaw	PL5861944082
Nordea Finance Estonia Ltd[1]	60,000	6	6	100.0	Tallinn	EE100212426
Nordea Finance Latvia Ltd[1]	1,100	4	4	100.0	Riga	LV40003348054
Nordea Finance Lithuania Ltd[1]	6,540	4	4	100.0	Vilnius	LT111667277
Nordea Securities Holding (U.K.) Ltd	49,010,000	2	2	100.0	London	01803666
Real estate companies						
Promano Est OÜ	1	10	10	100.0	Tallinn	11681888
Promano Lit UAB	34,528	10	10	100.0	Vilnius	302423219
SIA Promano Lat	21,084	30	30	100.0	Riga	40103235197
SIA Realm	7,030	10	10	100.0	Riga	50103278681

Other subsidiaries included in the consolidated financial statements; total assets of less than EUR 10m	Number of companies	Carrying amount of shares EURm	Total assets EURm
Real estate companies	7	11	13
Other companies	9	4	85

[1] Indirect holding through Nordea Finance Finland Ltd, a subsidiary of Nordea Bank Finland Plc.

The parent company of Nordea Bank Finland Plc is Nordea Bank AB (publ) domiciled in Stockholm, registration number 516406-0120. The Annual Report 2012 of Nordea Bank AB (publ) may be downloaded on the Internet at www.nordea.com and is available from Nordea Group Investor Relations, SE 105 71 Stockholm, Sweden. The Annual Report 2012 of the Nordea Group is also available at branches of Nordea Bank Finland Plc.

Group

Special Purpose Entities (SPEs) – Consolidated

8 SPEs have been set up in the Baltics to acquire assets from commercial customers. The total consolidated value of these assets is EUR 13m (13).

Note 20 Investments in associated undertakings

EURm	Group 31 Dec 2012	Group 31 Dec 2011	Parent company 31 Dec 2012	Parent company 31 Dec 2011
Acquisition value at beginning of year	81	62	43	28
Acquisitions during the year[1]	-	15	-	15
Sales during the year	-	-	-	-
Share in earnings	18	9	-	-
Dividend received	-19	-2	-	-
Reclassifications	1	-3	-	-
Translation differences	-	-	-	-
Acquisition value at end of year	**81**	**81**	**43**	**43**
Accumulated impairment charges at beginning of year	-2	-1	-9	-9
Reversed impairment charges during the year	-	-	-	4
Impairment charges during the year	-	-	-	-
Impairment charges reclassifications during the year	0	-1	-	-4
Translation differences	0	-	-	-
Accumulated impairment charges at end of year	**-2**	**-2**	**-9**	**-9**
Total	**79**	**79**	**34**	**34**

[1]Of which acquisitions through business combinations EUR 0m (15).

- of which listed shares	-	-	-	-

The total amount is expected to be settled after more than 1 year.

Nordea Bank Finland Plc's and Nordea Bank Finland Group's associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2012	31 Dec 2011
Total assets	274	321
Total liabilities	175	247
Operating income	84	64
Operating profit	33	6

Nordea Bank Finland Plc's and Nordea Bank Finland Group's share of contingent liabilities in favour of associated undertakings of Nordea Bank Finland Group amounts to EUR 34m (128) and on behalf of associated undertakings EUR 0m (0).

Group

31 Dec 2012	Business ID	Domicile	Carrying amount 2012, EURm	Carrying amount 2011, EURm	Voting power of holding, %
Credit institutions					
Luottokunta	0201646-0	Helsinki	-	49	-
Total			**-**	**49**	
Other					
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	8	8	33.3
Fenestra Oy[1]	0177676-7	Vantaa	-	-	9.9
NF Fleet Oy	2006935-5	Espoo	2	1	20.0
UAB ALD Automotive, Lithuania	300156575	Vilnius	1	1	25.0
ALD Automotive Eesti AS, Estonia	11094435	Tallin	1	0	25.0
ALD Automotive SIA, Latvia	50003825931	Riga	1	0	25.0
Oy Realinvest Ab	0680035-9	Helsinki	0	0	49.3
Realia Holding Oy	2106796-8	Helsinki	20	20	25.0
Securus Oy	0742429-5	Helsinki	0	0	35.2
Suomen Luotto-osuuskunta[2]	0201646-0	Helsinki	46	-	27.3
Total			**79**	**30**	
Total			**79**	**79**	

[1] Nordea Bank Finland Plc currently holds convertible bonds which, if converted, would give Nordea Bank Finland significant influence over the entity.

[2] Former Luottokunta, reported as a credit institution in 2011.

Note 20 *Investments in associated undertakings, cont.*

Parent company

31 Dec 2012	Business ID	Domicile	Carrying amount 2012, EURm	Carrying amount 2011, EURm	Voting power of holding, %
Credit institutions					
Luottokunta	0201646-0	Helsinki	-	9	-
Total			**-**	**9**	
Other					
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	5	5	33.3
Fenestra Oy[1]	0177676-7	Vantaa	0	0	9.9
Realia Holding Oy	2106796-8	Helsinki	20	20	25.0
Oy Realinvest Ab	0680035-9	Helsinki	0	0	49.3
Securus Oy	0742429-5	Helsinki	0	0	35.2
Suomen Luotto-osuuskunta[2]	0201646-0	Helsinki	9	-	27.3
Total			**34**	**25**	
Total			**34**	**34**	

[1] Nordea Bank Finland Plc currently holds convertible bonds which, if converted, would give Nordea Bank Finland significant influence over the entity.

[2] Former Luottokunta, reported as a credit institution in 2011.

Note 21 Intangible assets

	Group		Parent Company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Goodwill allocated to cash generating units[1]				
Other goodwill	-	-	-	-
Goodwill, total	-	-	-	-
Other intangible assets				
Computer software	100	96	105	100
Other intangible assets	8	10	1	3
Other intangible assets, total	**108**	**106**	**106**	**103**
Intangible assets, total	**108**	**106**	**106**	**103**

[1] Excluding goodwill in associated undertakings.

	Group		Parent Company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Goodwill				
Acquisition value at beginning of year	0	0	-	-
Acquisitions during the year	-	-	-	-
Reclassifications	0	-	-	-
Acquisition value at end of year	**0**	**0**	**-**	**-**
Accumulated amortisation at beginning of year	0	0	-	-
Amortisation according to plan for the year	0	-	-	-
Accumulated amortisation at end of year	**0**	**0**	**-**	**-**
Accumulated impairment charges at end of year	-	-	-	-
Total	-	-	-	-

Note 21 *Intangible assets, cont.*

	Group		Parent company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Computer software				
Acquisition value at beginning of year	130	97	136	104
Acquisitions during the year	26	33	30	31
Sales/disposals during the year	0	-	-	-
Reclassifications	0	0	-3	1
Translation differences	0	0	-	-
Acquisition value at end of year	**156**	**130**	**163**	**136**
Accumulated amortisation at beginning of year	-34	-25	-36	-27
Amortisation according to plan for the year	-16	-9	-15	-9
Accumulated amortisation on sales/disposals during the year	-	-	-	-
Reclassifications	0	0	-1	0
Translation differences	-	-	-	-
Accumulated amortisation at end of year	**-50**	**-34**	**-52**	**-36**
Accumulated impairment charges at beginning of year	-	-	-	-
Impairment charges during the year	-6	-	-6	-
Accumulated impairment charges at end of year	**-6**	**-**	**-6**	**-**
Total	**100**	**96**	**105**	**100**

	Group		Parent Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Other intangible assets				
Acquisition value at beginning of year	20	20	11	11
Acquisitions during the year	2	0	0	0
Sales/disposals during the year	-1	0	-	-
Reclassifications	0	-	-4	-
Translation differences	0	0	-	-
Acquisition value at end of year	**21**	**20**	**7**	**11**
Accumulated amortisation at beginning of year	-10	-7	-8	-6
Amortisation according to plan for the year	-3	-4	-2	-2
Accumulated amortisation on sales/disposals during the year	0	1	-	0
Reclassifications	0	-	4	0
Translation differences	0	0	-	-
Accumulated amortisation at end of year	**-13**	**-10**	**-6**	**-8**
Accumulated impairment charges at beginning of year	0	0	-	-
Impairment charges during the year	0	0	-	-
Accumulated impairment charges at end of year	**0**	**0**	**-**	**-**
Total	**8**	**10**	**1**	**3**

The total amount is expected to be recovered after more than 1 year.

Note 22 Property and equipment

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Property and equipment	96	124	59	69
- of which buildings for own use	2	3	1	2
Total	**96**	**124**	**59**	**69**
Equipment				
Acquisition value at beginning of year	263	255	177	151
Acquisitions during the year	45	54	29	34
Sales/disposals during the year	-27	-40	0	-3
Reclassifications	-38	-7	-25	-5
Translation differences	0	1	-	-
Acquisition value at end of year	**243**	**263**	**181**	**177**
Accumulated depreciation at beginning of year	-142	-134	-110	-98
Accumulated depreciation on sales/disposals during the year	16	19	-	-
Reclassifications	2	9	2	8
Depreciation according to plan for the year	-24	-30	-14	-14
Translation differences	0	-6	0	-6
Accumulated depreciation at end of year	**-148**	**-142**	**-122**	**-110**
Accumulated impairment charges at beginning of year	0	-	-	-
Impairment charges during the year	-1	-	-1	-
Accumulated impairment charges at end of year	**-1**	**-**	**-1**	**-**
Total	**94**	**121**	**58**	**67**
Land and buildings				
Acquisition value at beginning of year	5	4	4	4
Acquisitions during the year	-	-	-	-
Sales/disposals during the year	-1	-	-1	-
Reclassifications	-	1	0	0
Acquisition value at end of year	**4**	**5**	**3**	**4**
Accumulated depreciation at beginning of year	-2	-1	-2	-2
Accumulated depreciation on sales/disposals during the year	-	-	-	-
Reclassifications	-	-1	-	-
Depreciation according to plan for the year	0	0	0	0
Accumulated depreciation at end of year	**-2**	**-2**	**-2**	**-2**
Accumulated impairment charges at beginning of year	-	-	-	-
Accumulated impairment charges on sales/disposals during the year	-	-	-	-
Reversed impairment charges during the year	-	-	-	-
Reclassifications	-	-	-	-
Impairment charges during the year	-	-	-	-
Translation differences	-	-	-	-
Accumulated impairment charges at end of year	**-**	**-**	**-**	**-**
Total	**2**	**3**	**1**	**2**

The total amount is expected to be settled after more than 1 year.

Note 23 Leasing

NBF as a lessor

Finance leases
Nordea Bank Finland Group owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note 13) 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	
	31 Dec	31 Dec
EURm	2012	2011
Gross investments	2,509	2,295
Less unearned finance income	-130	-156
Net investments in finance leases	**2,379**	**2,139**
Less unguaranteed residual values accruing to the benefit of the lessor	-81	-29
Present value of future minimum lease payments receivable	**2,298**	**2,110**
Accumulated allowance for uncollectible minimum lease payments receivable	5	7

As of 31 December 2012 the gross investment and the net investment by remaining maturity was distributed as follows:

	Group	
	31 Dec	31 Dec
	2012	2012
EURm	Gross investment	Net investment
2013	780	725
2014	613	577
2015	549	528
2016	307	297
2017	166	162
Later years	94	90
Total	**2,509**	**2,379**

Operating leases
Assets subject to operating leases mainly comprise vehicles and other equipment. In the balance sheet they are reported as property and equipment.

	Group	
	31 Dec	31 Dec
Carrying amount of leased assets, EURm	2012	2011
Acquisition value	44	68
Accumulated depreciation	-20	-27
Carrying amount at end of year	**24**	**41**
- of which repossessed leased property, carrying amount	0	0

	Group	
	31 Dec	31 Dec
Carrying amount distributed on groups of assets, EURm	2012	2011
Equipment	24	41
Carrying amount at end of year	**24**	**41**

Depreciation for 2012 amounted to EUR 9m (13).

Under non-cancellable operating leases, the future minimum lease payments receivables are distributed as follows:

	Group	
	31 Dec	31 Dec
EURm	2012	2011
2013	6	3
2014	2	1
2015	1	0
2016	0	0
2017	0	-
Later years	0	-
Total	**9**	**4**

NBF as a lessee

Finance leases

Nordea Bank Finland Group has only to a minor extent entered into finance lease agreements. The carrying amount of assets subject to finance leases amounts to EUR 0m (0).

Operating leases

Nordea Bank Finland Group has entered into operating lease agreements for premises and office equipment.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
Leasing expenses during the year, EURm	2012	2011	2012	2011
Leasing expenses during the year	-59	-66	-72	-70
- of which minimum lease payments	-59	-65	-72	-69
- of which contingent rents	0	0	-	-
Leasing income during the year regarding sublease payments	-	-	-	-

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

	Group	Parent company
EURm	31 Dec 2012	31 Dec 2012
2013	68	68
2014	40	40
2015	26	26
2016	23	23
2017	18	18
Later years	108	108
Total	**283**	**283**

Note 24 Investment property

Movement in the balance sheet	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Carrying amount at beginning of year	71	32	10	4
Acquisitions during the year	34	41	0	8
Sales/disposals during the year	-1	-3	0	-2
Net result from fair value adjustments	0	1	-	-
Carrying amount at end of year	**104**	**71**	**10**	**10**
-of which expected to be settled after more than 1 year	96	70	10	10

Amounts recognised in the income statement[1]

EURm	2012	2011	2012	2011
Rental income	1	0	1	0
Direct operating expenses that generate rental income	-3	-1	-3	-1
Direct operating expenses that did not generate rental income	-	-	-	-
Total	**-2**	**-1**	**-2**	**-1**

[1]Together with fair value adjustments included in Net result from items at fair value.

Market value	104	71	10	10

Note 25 Other assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Claims on securities settlement proceeds	1,109	1,069	1,109	1,069
Cash/margin receivables	8,370	6,655	8,370	6,655
Other	841	354	799	332
Total	**10,320**	**8,078**	**10,278**	**8,056**
- of which expected to be settled after more than 1 year	3	0	-	-

Note 26 Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Accrued interest income	339	455	335	458
Other accrued income	617	232	435	56
Prepaid expenses	13	17	7	10
Total	**969**	**704**	**777**	**524**
- of which expected to be settled after more than 1 year	79	82	-	-

Note 27 Deposits by credit institutions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Central banks	2,326	7,721	2,326	7,721
Other banks	44,331	55,094	44,218	55,006
Other credit institutions	28,009	13,192	28,009	13,192
Total	**74,666**	**76,007**	**74,553**	**75,919**

Note 28 Deposits and borrowings from the public

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Deposits from the public	53,285	53,636	53,308	53,650
Borrowings from the public	16,927	14,624	16,916	14,615
Total	**70,212**	**68,260**	**70,224**	**68,265**

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.

Note 29 Debt securities in issue

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Certificates of deposit	18,726	35,557	18,726	35,557
Commercial papers	9,650	-	9,650	-
Bond loans[1]	20,623	13,596	20,623	13,596
Total	**48,999**	**49,153**	**48,999**	**49,153**

[1] Of which Finnish covered bonds EUR 12,362m (7,250).

Note 30 Other liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Liabilities on securities settlement proceeds	8,028	1,428	8,028	1,428
Sold, not held, securities	5,151	10,732	5,151	10,732
Accounts payable	83	47	42	10
Cash/margin payables	5,802	4,374	5,802	4,374
Other	1,626	7,547	1,452	7,446
Total	**20,690**	**24,128**	**20,475**	**23,990**
- of which expected to be settled after more than 1 year	-	0	-	-

Note 31 Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Accrued interest	345	356	345	356
Other accrued expenses	523	392	328	201
Prepaid income	78	62	71	58
Total	**946**	**810**	**744**	**615**
- of which expected to be settled after more than 1 year	81	83	-	-

Note 32 Provisions

EURm	Group 31 Dec 2012	Group 31 Dec 2011	Parent company 31 Dec 2012	Parent company 31 Dec 2011
Reserve for restructuring costs	33	33	33	33
Transfer risks, off-balance	11	9	11	9
Individually assessed, guarantees and other commitments	21	38	21	38
Tax	1	1	-	-
Other	17	16	14	14
Total	**83**	**97**	**79**	**94**

Movement in the balance sheet:

Group

EURm	Transfer risks	Off-balance sheet	Restructuring	Tax	Other	Total
At the beginning of year	9	38	33	1	16	97
New provisions made	2	-	16	-	1	19
Provisions utilised	-	-17	-16	-	0	-33
Reversals	-	-	0	-	-	0
Reclassifications	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
At end of year	**11**	**21**	**33**	**1**	**17**	**83**
- of which expected to be settled within 1 year	-	0	19	1	1	21

Reserve for restructuring costs amounts to EUR 33m of which EUR 19m will be settled in 12 months.

Provision for transfer risk of 11m is related to off-balance sheet items. Transfer risk relating to loans is included in the item Allowances for collectively assessed impaired loans in Note 13. Provision for transfer risk is depending on the volume of business with different countries.

Loan loss provisions for individually assessed, guarantees and other commitments amounted to EUR 21m.

The item Other refers to the following provisions: rental liabilities of EUR 4m (of which EUR 1m expected to be settled during 2013), provision for environmental and property-related obligations of EUR 3m (not expected to be settled during 2013) and other provisions amounting to EUR 7m (not expected to be settled during 2013).

Parent company

EURm	Transfer risks	Off-balance sheet	Restructuring	Other	Total
At beginning of year	9	38	33	14	94
New provisions made	2	-	16	0	18
Provisions utilised	-	-17	-16	0	-33
Reversals	-	-	0	-	0
Translation differences	-	-	-	-	-
At end of year	**11**	**21**	**33**	**14**	**79**
- of which expected to be settled within 1 year	-	0	19	1	20

Reserve for restructuring costs amounts to EUR 33m of which EUR 19m will be settled in 12 months.

Provision for transfer risk is related to off-balance sheet items. Transfer risk relating to loans is included in the item Allowances for collectively assessed impaired loans in Note 13. Provision for transfer risk is depending on the volume of business with different countries.

Loan loss provisions for individually assessed, guarantees and other commitments amounted to EUR 21m.

The item Other refers to the following provisions: rental liabilities of EUR 4m (of which EUR 1m expected to be settled during 2013), provision for environmental and property-related obligations of EUR 3m (not expected to be settled during 2013) and other provisions amounting to EUR 7m (not expected to be settled during 2013).

Note 33 Retirement benefit obligations

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Defined benefit plans, net	-112	-94	-106	-88
Total	**-112**	**-94**	**-106**	**-88**

NBF has various pension plans, which are classified both as defined benefit plans and defined contribution plans. The defined benefit plans in Finland are closed to new employees and instead, pensions for new employees are based on defined contribution (DCP) arrangements. The plans for the foreign branches are also mainly defined contribution plans. The existing defined benefit plans in London and New York are closed to new employees. Defined contribution plans are not reflected on the balance sheet except when earned pension rights have not yet been paid for.

IAS 19 secures that the market-based value of pension obligations net of plan assets backing these obligations will be reflected on the Group's balance sheet. The major plans are funded schemes covered by assets in pension funds/foundations. Some other pension plans are recognised directly on the balance sheet as liabilities.

IAS 19 pension calculations and assumptions
Calculations on major plans are performed by external liability calculators and based on the actuarial assumptions fixed for each of the Group's pension plans.

Assumptions	Finland
2012	
Discount rate	3.5%
Salary increase	3.0%
Inflation	2.0%
Expected return on assets before taxes	4.5%
2011	
Discount rate	4.5%
Salary increase	3.5%
Inflation	2.0%
Expected return on assets before taxes	5.5%

The expected return on assets is based on long-term expectations for return on the different asset classes. With bonds, this is linked to the discount rate while equities and real estate have an added risk premium.

The discount rate has the most significant impact on the obligation and pension cost. If the discount rate is reduced the pension obligation will increase and vice versa. A one percentage point increase in the discount rate would lead to a decrease of 12% in pension obligation and of 20% in service cost. A one percentage point decrease in the discount rate would lead to an increase of 14% in pension obligation and of 16% in service cost.

Asset composition
The combined return on assets in 2012 was 13% (0) mainly reflecting the general development in the market. At the end of the year, the equity exposure in pension funds/foundations represented 31% (20) of total assets.

Asset composition in funded schemes	2012	2011
Equities	31%	20%
Bonds	56%	67%
Real estate	12%	11%
- of which Nordea real estate	3%	3%
Other plan assets	1%	2%

Amounts recognised in the balance sheet

	Group		Parent company	
EURm	2012	2011	2012	2011
PBO	863	754	839	738
Plan assets	893	823	873	807
Total surplus/deficit(-)	**30**	**69**	**34**	**69**
- of which unrecognised actuarial gains/losses(-)	-82	-25	-72	-19
Of which recognised in the balance sheet	**112**	**94**	**106**	**88**
- of which retirement benefit assets	136	120	130	113
- of which retirement benefit obligations	23	25	23	25
- of which related to unfunded plans (PBO)	20	16	20	16

Overview of surplus or deficit in the plans

	Total	Total	Total	Total	Total
EURm	2012	2011	2010	2009	2008
PBO	863	754	764	774	774
Plan assets	893	823	854	816	775
Surplus/deficit(-)	**30**	**69**	**90**	**42**	**1**

Changes in the PBO

	Group		Parent company	
EURm	2012	2011	2012	2011
PBO at 1 Jan	754	764	738	746
Service cost	2	3	2	3
Interest cost	33	34	33	33
Pensions paid	-41	-40	-41	-39
Curtailments and settlements	-5	0	-5	0
Past service cost	0	0	0	0
Actuarial gains(-)/losses	117	-8	110	-6
Effect of exchange rate changes	3	1	2	1
PBO at 31 Dec	**863**	**754**	**839**	**738**

Changes in the fair value of plan assets

	Group		Parent company	
EURm	2012	2011	2012	2011
Assets at 1 Jan	823	854	807	834
Expected return on assets	43	44	43	43
Pensions paid	-41	-40	-40	-39
Curtailments and settlements	-4	-	-4	-
Contributions	9	10	9	10
Actuarial gains/losses(-)	60	-47	57	-43
Effect of exchange rate changes	3	2	2	2
Plan assets at 31 Dec	**893**	**823**	**874**	**807**
Actual return on plan assets	**104**	**-2**	**99**	**0**

Overview of actuarial gains/losses

	Total	Total	Total	Total	Total
EURm	2012	2011	2010	2009	2008
Effects of changes in actuarial assumptions[1]	-87	9	0	-1	-41
Experience adjustments	30	-48	33	33	-92
- of which on plan assets	60	-47	25	25	-102
- of which on plan liabilities	-30	-1	8	8	10
Actuarial gains/losses	**-57**	**-39**	**33**	**32**	**-133**

[1] The actuarial gains/losses in 2012 are mainly due to the change in the discount rate.

Note 33 *Retirement benefit obligations, cont.*

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 2012 is EUR 9m positive (7m positive). In the parent company's income statement the respective cost was EUR 9m positive (7m positive) in 2012.

Total pension cost comprises the defined benefit pension cost as well as the cost related to defined contribution plans. (See specification in Note 8.)

	Group		Parent company	
Recognised net defined benefit cost, EURm	2012	2011	2012	2011
Service cost	2	3	2	3
Interest cost	33	33	33	32
Expected return on assets	-43	-44	-43	-43
Curtailments and settlements	-1	0	-1	0
Recognised past service cost	0	0	0	0
Recognised actuarial gains(-) / losses	0	1	0	1
Pension cost on defined benefit plans	**-9**	**-7**	**-9**	**-7**

The pension cost is in line with what was expected at the start of the year.

The Group is expected to contribute EUR 10m and the parent company EUR 9m to its defined benefit plans in 2013.

Key management personnel
The members of the Board of Directors of Nordea Bank Finland Plc and the President, are members of the Nordea Bank AB (publ) Group Executive Management, except for the one external member Carl-Johan Granvik. In 2012 Nordea Bank AB (publ) has paid all salaries, fees, pensions and other staff-related expenses to the above mentioned other members of the Board and the President. Nordea Bank AB (publ) has allocated these salary expenses to Nordea Bank Finland Plc as part of the Head Office Allocation expenses.

Information on salaries, loans and pension liabilities of the above mentioned other members of the Board and the President is presented in the Annual Report of Nordea Bank AB (publ).

Pension obligation for the deputy of the President of Nordea Bank Finland Plc amounted to EUR 3m at the end of 2012.

Note 34 Subordinated liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Dated subordinated debenture loans	-	-	-	-
Undated subordinated debenture loans	514	503	514	503
Total	**514**	**503**	**514**	**503**

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans. Within each respective category, the loans entitle lenders to equal payment rights.

Group and parent company

On 31 December 2012 the following loans - with terms specified below - exceeded 10% of the total outstanding volume.

Issued by	Year of issue /maturity	Nominal value	Carrying amount EURm	Interest rate (coupon)
Nordea Bank Finland Plc[1]	2002/undated	MGBP 300	367	6.25%
Nordea Bank Finland Plc[2]	1999/undated	MJPY 10,000	88	3.41%

[1] Call date 18 July 2014
[2] Call date 26 February 2029

Note 35 Assets pledged as security for own liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Assets pledged for own liabilities				
Securities etc[1]	22,426	17,650	22,426	17,650
Loans to the public	15,493	11,919	15,493	11,919
Other pledged assets	1,325	5,447	1,325	5,447
Total	**39,244**	**35,016**	**39,244**	**35,016**
The above pledges pertain to the following liability and commitment items				
Deposits by credit institutions	1	-	-	-
Debt securities in issue	12,362	7,250	12,362	7,250
Other liabilities	18,296	18,244	18,296	18,244
Total	**30,659**	**25,494**	**30,658**	**25,494**

[1] Relates only to securities recognised in the balance sheet. Securities borrowed or bought under repurchase agreements are not recognised in the balance sheet and thus not included in the amount. Such transactions are disclosed in Note 42 Transferred assets and obtained collaterals.

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Loans to the public amounting to EUR 15,493m (11,919) have been registered as collateral for issued Finnish covered bonds amounting to EUR 12,362m (7,250). In the event of the company's insolvency, the holders of these bonds have priority to the assets registered as collateral. Collaterals are valuated up to the first 70% of the market value of the property. NBF has used Realia Group Oy, Newsec Oy, Huoneistokeskus Oy, Kiinteistömaailma Oy and Catella Oy to valuate commercial real estate collaterals.

Note 36 Other assets pledged

There are no collaterals pledged on behalf of other items other than the company's own liabilities.

Note 37 Contingent liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Guarantees				
Loan guarantees	2,482	3,225	2,786	3,226
Other guarantees	12,146	13,800	12,146	14,106
Documentary credits	1,771	1,996	1,771	1,996
Other contingent liabilities	20	20	20	20
Total	**16,419**	**19,041**	**16,723**	**19,348**

In the normal business of Nordea Bank Finland, the bank issues various forms of guarantees in favour of the bank's 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 bank's customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received.

Note 38 Commitments

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Future payment obligations	7	11	7	11
Credit commitments[1]	15,956	17,949	13,275	15,006
Other commitments	626	765	253	481
Total	**16,589**	**18,725**	**13,535**	**15,498**

[1] Including unutilised portion of approved overdraft facilities of EUR 8,565m (9,197) for the Group and EUR 8,566m (9,198) for the parent company.

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on the settlement date. Nordea has as per 31 December 2012 signed reverse repurchase agreements of EUR 5,803m (10,417) that have not yet been settled and consequently are not recognised on the balance sheet. On the settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2012. These instruments have not been disclosed as commitments.

Note 39 Capital adequacy

Capital base

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Original own funds				
Paid up capital	2,319	2,319	2,319	2,319
Share premium	599	599	599	599
Eligible capital	**2,918**	**2,918**	**2,918**	**2,918**
Reserves	5,195	7,602	4,782	7,240
Non-controlling interests	4	5	-	-
Income (positive/negative) from current year	1,184	1,099	1,122	1,040
Eligible reserves	**6,383**	**8,706**	**5,904**	**8,280**
Tier 1 capital (before hybrid capital and deductions)	**9,301**	**11,624**	**8,822**	**11,198**
Proposed/actual dividend	-625	-1,000	-625	-1,000
Deferred tax assets	-16	-16	-13	-12
Intangible assets	-108	-106	-106	-103
Deductions for investments in credit institutions	-1	-27	0	-4
IRB provisions excess (+) / shortfall (-)[1]	-207	-42	-196	-29
Other items, net	-98	-123	-98	-123
Deductions from original own funds	**-1,055**	**-1,314**	**-1,038**	**-1,271**
Tier 1 capital (net after deduction)	**8,246**	**10,310**	**7,784**	**9,927**
Additional own funds				
Securities of indeterminate duration and other instruments	556	568	556	568
Subordinate loan capital	-	-	-	-
Other additional own funds	13	-4	13	-4
Tier 2 capital (before deductions)	**569**	**564**	**569**	**564**
Deductions for investments in credit institutions	-1	-27	0	-4
IRB provisions excess (+) / shortfall (-)[1]	-207	-42	-196	-29
Deductions from additional own funds	**-208**	**-69**	**-196**	**-33**
Tier 2 capital (net after deductions)	**361**	**495**	**373**	**531**
Total own funds for solvency purposes	**8,607**	**10,805**	**8,157**	**10,458**

[1] The term provision is used in the CRD when defining the basis for shortfall/provision excess. In Nordea, the term allowances is used when referring to the same treatment.

Core tier 1 capital and tier 1 capital

Core tier 1 capital is defined as eligible capital including eligible reserves, net of regulatory required deductions done directly to the tier 1 capital. The capital recognised as core tier 1 capital holds the ultimate characteristics for loss absorbance defined from a "going concern" perspective and is the most subordinated claim in terms of liquidation. The tier 1 capital is defined as core tier 1 capital and capital of the same or close to the character of eligible capital and eligible reserves. The tier 1 capital can include a limited part of hybrid capital loans (up to 50% of tier 1, depending on the specific terms of the instruments). Deductions mandatory for tier 1 capital will accordingly also be required as deduction in the defined core tier 1 capital.

Eligible capital
Paid up capital is equal to the share capital contributed by shareholders.

Eligible reserves
Eligible reserves consist primarily of retained earnings, other reserves, minority interest and income from current year. Retained earnings are earnings from previous years reported via the income statement. Other reserves are related to revaluation and translation reserves referred to acquisitions and associated companies under the equity method. The equity interests of minority shareholdings in companies that are fully consolidated in the financial group are also included. Positive income from current year is included as eligible capital after verification by the external auditors. However, negative income must always be included as a deduction.

Hybrid capital loans subject to limits
The requirement for including hybrid capital loans, or undated subordinated loans, in tier 1 capital is restricted and repurchase can normally not take place until five years after the loan was originally issued. Hybrid capital loans may be repaid only upon a decision by the Board of Directors of Nordea Bank Finland and with the permission of the Finnish FSA. Further, there are restrictions related to step-up conditions, order of priority, interest payments under constraint conditions and the level of amount that can be part of the tier 1 capital.

Deductions from tier 1 capital

Proposed/actual dividend
In relation to income for the period, the corresponding dividend should be deducted. The amount is deducted from the tier 1 capital based on the proposal from the Board of Directors of Nordea Bank Finland to be decided at the annual general meeting of Nordea Bank Finland's shareholders.

Deferred tax assets
In accordance with local legal requirements, deferred tax assets have been deducted from the tier 1 capital. The deducted amount is calculated based on the accounting standards relevant for the individual companies included in the financial group.

Intangible assets
A significant part of deducted intangible assets contains goodwill and other intangible assets related to IT software and development.

Deductions for investments in credit institutions
The institutions should in its capital base deduct equity holdings and some other types of contributions to institutions that are not consolidated into the financial group (in Nordea Bank Finland foremost associated companies). 50% should be deducted from tier 1 capital and 50% should be deducted from tier 2 capital.

IRB provisions shortfall
In accordance with Finnish legislation, the differences between the actual IRB provision made for the related exposure and the expected loss are adjusted for in the capital base. The negative difference (when the expected loss amount is larger than the provision amount) is defined as a shortfall. According to the rules in the CRD, the shortfall amount is to be deducted from the capital base and be divided equally into tier 1 capital and tier 2 capital. A positive difference (provisions exceeding expected loss) can be included in tier 2 capital subject to certain limitations (maximum 0.6% of IRB RWA).

Tier 2 capital
The tier 2 capital must be subordinated to depositors and general creditors of the bank. It cannot be secured or covered by a guarantee of the issuer or related entity or include any other arrangement that legally or economically enhances the seniority of the claim vis-à-vis depositors and other bank creditors.

Tier 2 subordinated loans
The tier 2 capital consists mainly of subordinated debt and some specific deductions. Tier 2 capital includes two different types of subordinated loan capital: undated loans and dated loans. The total tier 2 amount may not exceed the tier 1 capital amount and dated tier 2 loans may not exceed half the amount of tier 1. The limits are set net of deductions.

The basic principle for subordinated debt in the capital base is the order of priority in case of a default or bankruptcy situation. Under such conditions, the holder of the subordinated loan would be repaid after other creditors but before shareholders. The share of the outstanding loan amount that is possible to include in the tier 2 capital related to dated loans is reduced if the remaining maturity is less than five years.

The table on the next page shows the booked outstanding amounts of undated subordinated loans included in the tier 2 capital. Call date means the date when the issuer has the legal right to redeem outstanding loan amounts according the terms of agreement. The book value in the table can deviate from capital amounts used in the capital base due to swap arrangements and adjustments for maturities.

Other tier 2 capital
Other additional funds consist of adjustment to valuation differences in available-for-sale equities transferred to core additional own funds. Unrealised gains from equity holdings classified as available-for-sale securities can, according to regulation, only be included in tier 2 capital. Nordea has no significant holdings in this category and has only a minor impact in the tier 2 capital from such items.

Deductions from tier 2 capital

Deductions for investments in credit institutions
The institutions should in its capital base deduct equity holdings and some other types of contributions to institutions that are not consolidated into the financial group (in Nordea Bank Finland foremost associated companies). 50% should be deducted from tier 1 capital and 50% should be deducted from tier 2 capital.

IRB provisions excess (+) / shortfall
In accordance with Finnish legislation, the differences between the actual IRB provision made for the related exposure and the expected loss are adjusted for in the capital base. The negative difference (when the expected loss amount is larger than the provision amount) is defined as a shortfall. According to the rules in the CRD, the shortfall amount is to be deducted from the capital base and be divided equally into tier 1 capital and tier 2 capital. A positive difference (provisions exceeding expected loss) can be included in tier 2 capital subject to certain limitations (maximum 0.6% of IRB RWA).

Undated loans

Undated loans, tier 2

Issuer	Book value EURm	Capital base 31 Dec 2012	Start	Maturity	Call date	Step-up
Nordea Bank Finland Plc	367	468	2004	n/a	Jul 2014	Y
Nordea Bank Finland Plc	88	88	1999	n/a	Feb 2029	Y
Total undated loans, tier 2	**455**	**556**				

Capital requirements and RWA

Group

	31 Dec 2012		31 Dec 2011	
EURm	Capital requirement	RWA	Capital requirement	RWA
Credit risk	**2,872**	**35,899**	**5,367**	**67,088**
IRB	1,163	14,538	2,798	34,972
- of which corporate	408	5,103	1,838	22,972
- of which institutions	439	5,492	594	7,425
- of which retail	299	3,732	346	4,327
- of which real estate	184	2,299	210	2,620
- of which retail other	115	1,433	137	1,707
- of which other	17	210	20	248
Standardised	1,709	21,362	2,569	32,116
- of which sovereign	20	245	29	362
- of which retail	331	4,132	338	4,226
- of which residential real estate	69	863	67	840
- of which other	262	3,269	271	3,386
- of which other	1,359	16,985	2,202	27,527
Market risk	**379**	**4,732**	**663**	**8,291**
- of which trading book, Internal Approach	306	3,829	460	5,749
- of which trading book, Standardised Approach	72	903	203	2,542
- of which banking book, Standardised Approach	-	-	-	-
Operational risk	**408**	**5,101**	**415**	**5,189**
Standardised	408	5,101	415	5,189
Subtotal	**3,659**	**45,733**	**6,445**	**80,567**
Adjustment for transition rules				
Additional capital requirement according to transition rules	-	-	-	-
Total	**3,659**	**45,733**	**6,445**	**80,567**

Capital requirements and RWA

Parent company

EURm	31 Dec 2012 Capital requirement	31 Dec 2012 RWA	31 Dec 2011 Capital requirement	31 Dec 2011 RWA
Credit risk	**2,507**	**31,343**	**5,019**	**62,738**
IRB	1,054	13,175	2,676	33,452
- of which corporate	305	3,818	1,722	21,527
- of which institutions	439	5,482	593	7,418
- of which retail	299	3,732	346	4,327
- of which real estate	184	2,299	210	2,620
- of which retail other	115	1,433	137	1,707
- of which other	11	142	14	180
Standardised	1,453	18,168	2,343	29,286
- of which sovereign	20	245	29	362
- of which retail	158	1,981	169	2,113
- of which residential real estate	69	863	65	818
- of which other	89	1,118	104	1,294
- of which other	1,275	15,942	2,145	26,811
Market risk	**379**	**4,732**	**663**	**8,291**
- of which trading book, Internal Approach	306	3,829	460	5,749
- of which trading book, Standardised Approach	72	903	203	2,542
- of which banking book, Standardised Approach	-	-	-	-
Operational risk	**370**	**4,630**	**376**	**4,694**
Standardised	370	4,630	376	4,694
Subtotal	**3,256**	**40,706**	**6,058**	**75,723**
Adjustment for transition rules				
Additional capital requirement according to transition rules	-	-	-	-
Total	**3,256**	**40,706**	**6,058**	**75,723**

Nordea Bank AB (publ) has in December 2012 issued a guarantee in favour of Nordea Bank Finland Plc where Nordea Bank AB (publ) guarantees the majority of the exposures in the exposure class IRB corporate in Nordea Bank Finland Plc. The net effect of the guarantee on RWA in Nordea Bank Finland Plc was EUR -16,5bn at the end of 2012. The reduced RWA in Nordea Bank Finland Plc enabled an extraordinary dividend payment of EUR 2.5bn from Nordea Bank Finland Plc to Nordea Bank AB (publ) in December 2012.

Capital requirements for market risk, 31 December 2012

EURm	Trading book, IA RWA	Trading book, IA Capital requirement	Trading book, SA RWA	Trading book, SA Capital requirement
Interest rate risk[1]	1,190	95	630	50
Equity risk	43	3	161	13
Foreign exchange risk	279	22	-	-
Commodity risk	-	-	112	9
Diversification effect	-734	-59	-	-
Stressed Value-at-Risk	1,785	143	-	-
Incremental Risk Charge	766	61	-	-
Comprehensive Risk Charge	500	40	-	-
Total	**3,829**	**306**	**903**	**72**

[1] Interest rate risk in column IA only includes general interest rate risk while column SA includes both general and specific interest rate risk.

	Banking book, SA		Total	
	RWA	Capital requirement	RWA	Capital requirement
Interest rate risk	-	-	1,820	146
Equity risk	-	-	204	16
Foreign exchange risk	-	-	279	22
Commodity risk	-	-	112	9
Diversification effect	-	-	-734	-59
Stressed Value-at-Risk	-	-	1,785	143
Incremental Risk Charge	-	-	766	61
Comprehensive Risk Charge	-	-	500	40
Total	**-**	**-**	**4,732**	**379**

Specification over group undertakings consolidated into/deducted from the Nordea Bank Finland Group

31 Dec 2012	Number of shares	Carrying amount EURm	Voting power of holding, %	Domicile	Consolidation method
Group undertakings included in the NBF Group					
Nordea Finance Finland Ltd	1,000,000	306	100	Espoo	purchase method
SIA Promano Lat	21,084	30	100	Riga	purchase method
Promano Est OÜ	1	10	100	Tallinn	purchase method
Promano Lit UAB	34,528	10	100	Vilnius	purchase method
SIA Realm	7,030	10	100	Riga	purchase method
SIA Lidosta	2	1	100	Riga	purchase method
UAB Recurso	8,000	2	100	Vilnius	purchase method
Other companies		4			purchase method
Total included in the capital base		**373**			
Over 10% investments in credit institutions deducted from the capital base					
NF Fleet Oy		2	20	Espoo	equity method
Total investments in credit institutions deducted from the capital base		**2**			

More capital adequacy information for the Group can be found in the section “Risk, liquidity and capital management” in the Directors' Report.

Note 40 Classification of financial instruments

Group 31 Dec 2012, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	30,004	-	-	-	-	-	-	30,004
Loans to central banks	285	-	524	-	-	-	-	809
Loans to credit institutions	29,184	-	6,834	-	-	-	-	36,018
Loans to the public	74,049	-	26,716	-	-	-	-	100,765
Interest-bearing securities	-	2,373	18,244	-	-	15,652	-	36,269
Financial instruments pledged as collateral	-	-	8,078	-	-	-	-	8,078
Shares	-	-	818	20	-	-	-	838
Derivatives	-	-	116,371	-	842	-	-	117,213
Fair value changes of the hedged items in portfolio hedge of interest rate risk	124	-	-	-	-	-	-	124
Investments in associated undertakings	-	-	-	-	-	-	79	79
Intangible assets	-	-	-	-	-	-	108	108
Property and equipment	-	-	-	-	-	-	96	96
Investment property	-	-	-	-	-	-	104	104
Deferred tax assets	-	-	-	-	-	-	16	16
Current tax assets	-	-	-	-	-	-	1	1
Retirement benefit assets	-	-	-	-	-	-	136	136
Other assets	1,745	-	-	8,370	-	-	205	10,320
Prepaid expenses and accrued income	353	-	-	-	-	-	616	969
Total	**135,744**	**2,373**	**177,585**	**8,390**	**842**	**15,652**	**1,361**	**341,947**

Group 31 Dec 2012, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	17,625	-	0	57,041	-	74,666
Deposits and borrowings from the public	16,892	-	0	53,320	-	70,212
Debt securities in issue	8,251	-	0	40,748	-	48,999
Derivatives	115,437	-	399	-	-	115,836
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	637	-	637
Current tax liabilities	-	-	-	-	4	4
Other liabilities	5,151	5,802	-	9,645	92	20,690
Accrued expenses and prepaid income	-	-	-	422	524	946
Deferred tax liabilities	-	-	-	-	58	58
Provisions	-	-	-	-	83	83
Retirement benefit obligations	-	-	-	-	23	23
Subordinated liabilities	-	-	-	514	-	514
Total	**163,356**	**5,802**	**399**	**162,327**	**784**	**332,668**

Group 31 Dec 2011, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	286	-	-	-	-	-	-	286
Loans to central banks	30,725	-	551	-	-	-	-	31,276
Loans to credit institutions	41,974	-	6,100	-	-	-	-	48,074
Loans to the public	73,891	-	25,440	-	-	-	-	99,331
Interest-bearing securities	-	2,793	17,137	-	-	10,936	-	30,866
Financial instruments pledged as collateral	-	-	8,346	-	-	-	-	8,346
Shares	-	-	1,290	22	-	-	-	1,312
Derivatives	-	-	169,852	-	376	-	-	170,228
Fair value changes of the hedged items in portfolio hedge of interest rate risk	138	-	-	-	-	-	-	138
Investments in associated undertakings	-	-	-	-	-	-	79	79
Intangible assets	-	-	-	-	-	-	106	106
Property and equipment	-	-	-	-	-	-	124	124
Investment property	-	-	-	-	-	-	71	71
Deferred tax assets	-	-	-	-	-	-	16	16
Current tax assets	-	-	-	-	-	-	132	132
Retirement benefit assets	-	-	-	-	-	-	120	120
Other assets	1,408	-	-	6,656	-	-	14	8,078
Prepaid expenses and accrued income	462	-	-	10	-	-	232	704
Total	**148,884**	**2,793**	**228,716**	**6,688**	**376**	**10,936**	**894**	**399,287**

Group 31 Dec 2011, EURm	Financial liabilities at fair value through profit or loss Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	14,861	9,334	-	51,812	-	76,007
Deposits and borrowings from the public	14,584	-	-	53,676	-	68,260
Debt securities in issue	6,271	-	-	42,882	-	49,153
Derivatives	168,112	-	324	-	-	168,436
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	195	-	195
Current tax liabilities	-	-	-	-	0	0
Other liabilities	10,732	4,374	-	9,013	9	24,128
Accrued expenses and prepaid income	-	64	-	353	393	810
Deferred tax liabilities	-	-	-	-	53	53
Provisions	-	-	-	-	97	97
Retirement benefit obligations	-	-	-	-	25	25
Subordinated liabilities	-	-	-	503	-	503
Total	**214,560**	**13,772**	**324**	**158,434**	**577**	**387,667**

Note 40 *Classification of financial instruments, cont.*

Parent company			Financial assets at fair value through profit or loss					
31 Dec 2012, EURm	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	30,004	-	-	-	-	-	-	30,004
Loans to central banks	285	-	524	-	-	-	-	809
Loans to credit institutions	34,629	-	6,834	-	-	-	-	41,463
Loans to the public	67,597	-	26,716	-	-	-	-	94,313
Interest-bearing securities	-	2,373	18,244	-	-	15,652	-	36,269
Financial instruments pledged as collateral	-	-	8,078	-	-	-	-	8,078
Shares	-	-	818	17	-	-	-	835
Derivatives	-	-	116,371	-	842	-	-	117,213
Fair value changes of the hedged items in portfolio hedge of interest rate risk	124	-	-	-	-	-	-	124
Investments in group undertakings	-	-	-	-	-	-	373	373
Investments in associated undertakings	-	-	-	-	-	-	34	34
Intangible assets	-	-	-	-	-	-	106	106
Property and equipment	-	-	-	-	-	-	59	59
Investment property	-	-	-	-	-	-	10	10
Deferred tax assets	-	-	-	-	-	-	13	13
Current tax assets	-	-	-	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-	-	130	130
Other assets	1,715	-	-	8,370	-	-	193	10,278
Prepaid expenses and accrued income	342	-	-	-	-	-	435	777
Total	**134,696**	**2,373**	**177,585**	**8,387**	**842**	**15,652**	**1,353**	**340,888**

Parent company	Financial liabilities at fair value through profit or loss					
31 Dec 2012, EURm	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	17,625	-	-	56,928	-	74,553
Deposits and borrowings from the public	16,892	-	-	53,332	-	70,224
Debt securities in issue	8,251	-	-	40,748	-	48,999
Derivatives	115,437	-	399	-	-	115,836
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	637	-	637
Current tax liabilities	-	-	-	-	4	4
Other liabilities	5,151	5,802	-	9,500	22	20,475
Accrued expenses and prepaid income	-	-	-	417	327	744
Deferred tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	79	79
Retirement benefit obligations	-	-	-	-	23	23
Subordinated liabilities	-	-	-	514	-	514
Total	**163,356**	**5,802**	**399**	**162,076**	**455**	**332,088**

Parent company 31 Dec 2011, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	286	-	-	-	-	-	-	286
Loans to central banks	30,725	-	551	-	-	-	-	31,276
Loans to credit institutions	47,321	-	6,100	-	-	-	-	53,421
Loans to the public	67,658	-	25,439	-	-	-	-	93,097
Interest-bearing securities	-	2,793	17,137	-	-	10,936	-	30,866
Financial instruments pledged as collateral	-	-	8,346	-	-	-	-	8,346
Shares	-	-	1,289	20	-	-	-	1,309
Derivatives	-	-	169,852	-	376	-	-	170,228
Fair value changes of the hedged items in portfolio hedge of interest rate risk	138	-	-	-	-	-	-	138
Investments in group undertakings	-	-	-	-	-	-	370	370
Investments in associated undertakings	-	-	-	-	-	-	34	34
Intangible assets	-	-	-	-	-	-	103	103
Property and equipment	-	-	-	-	-	-	69	69
Investment property	-	-	-	-	-	-	10	10
Deferred tax assets	-	-	-	-	-	-	12	12
Current tax assets	-	-	-	-	-	-	131	131
Retirement benefit assets	-	-	-	-	-	-	113	113
Other assets	1,388	-	-	6,656	-	-	12	8,056
Prepaid expenses and accrued income	458	-	-	10	-	-	56	524
Total	**147,974**	**2,793**	**228,714**	**6,686**	**376**	**10,936**	**910**	**398,389**

Parent company 31 Dec 2011, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	14,861	9,334	-	51,724	-	75,919
Deposits and borrowings from the public	14,584	-	-	53,681	-	68,265
Debt securities in issue	6,271	-	-	42,882	-	49,153
Derivatives	168,112	-	324	-	-	168,436
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	195	-	195
Current tax liabilities	-	-	-	-	0	0
Other liabilities	10,732	4,374	-	8,876	8	23,990
Accrued expenses and prepaid income	-	64	-	349	202	615
Deferred tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	94	94
Retirement benefit obligations	-	-	-	-	25	25
Subordinated liabilities	-	-	-	503	-	503
Total	**214,560**	**13,772**	**324**	**158,210**	**329**	**387,195**

Note 40 *Classification of financial instruments, cont.*

Changes in fair values attributable to changes in credit risk
The financial liabilities designated at fair value through profit or loss exposed to changes in credit risk of the comparison year are related to the funding of the Markets operation. The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

	Group		Parent company	
31 Dec 2012, EURm	Carrying amount	Amount to be paid at maturity	Carrying amount	Amount to be paid at maturity
Financial liabilities at fair value through profit or loss	-	-	-	-

	Group		Parent company	
31 Dec 2011, EURm	Carrying amount	Amount to be paid at maturity	Carrying amount	Amount to be paid at maturity
Financial liabilities at fair value through profit or loss	9,334	9,334	9,334	9,334

Note 41 Assets and liabilities at fair value

Group	31 Dec 2012		31 Dec 2011	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	30,004	30,004	286	286
Loans to central banks	809	809	31,276	31,276
Loans to credit institutions	36,018	36,149	48,074	48,068
Loans to the public	100,765	100,858	99,331	99,446
Interest-bearing securities	36,269	36,274	30,866	30,870
Financial instruments pledged as collateral	8,078	8,078	8,346	8,346
Shares	838	838	1,312	1,312
Derivatives	117,213	117,213	170,228	170,228
Fair value changes of the hedged items in portfolio hedge of interest rate risk	124	124	138	138
Investments in associated undertakings	79	79	79	79
Intangible assets	108	108	106	106
Property and equipment	96	96	124	124
Investment property	104	104	71	71
Deferred tax assets	16	16	16	16
Current tax assets	1	1	132	132
Retirement benefit assets	136	136	120	120
Other assets	10,320	10,320	8,078	8,079
Prepaid expenses and accrued income	969	969	704	704
Total assets	**341,947**	**342,176**	**399,287**	**399,401**
Liabilities				
Deposits by credit institutions	74,666	74,317	76,007	75,987
Deposits and borrowings from the public	70,212	70,172	68,260	68,191
Debt securities in issue	48,999	48,726	49,153	48,952
Derivatives	115,836	115,836	168,436	168,436
Fair value changes of the hedged items in portfolio hedge of interest rate risk	637	637	195	195
Current tax liabilities	4	4	0	0
Other liabilities	20,690	20,690	24,128	24,128
Accrued expenses and prepaid income	946	946	810	810
Deferred tax liabilities	58	58	53	53
Provisions	83	83	97	97
Retirement benefit obligation	23	23	25	25
Subordinated liabilities	514	514	503	503
Total liabilities	**332,668**	**332,006**	**387,667**	**387,377**

Parent company

EURm	31 Dec 2012 Carrying amount	31 Dec 2012 Fair value	31 Dec 2011 Carrying amount	31 Dec 2011 Fair value
Assets				
Cash and balances with central banks	30,004	30,004	286	286
Loans to central banks	809	809	31,276	31,276
Loans to credit institutions	41,463	41,594	53,421	53,415
Loans to the public	94,313	94,401	93,097	93,205
Interest-bearing securities	36,269	36,274	30,866	30,870
Financial instruments pledged as collateral	8,078	8,078	8,346	8,346
Shares	835	835	1,309	1,309
Derivatives	117,213	117,213	170,228	170,228
Fair value changes of the hedged items in portfolio hedge of interest rate risk	124	124	138	138
Investments in group undertakings	373	373	370	370
Investments in associated undertakings	34	34	34	34
Intangible assets	106	106	103	103
Property and equipment	59	59	69	69
Investment property	10	10	10	10
Deferred tax assets	13	13	12	12
Current tax assets	-	-	131	131
Retirement benefit assets	130	130	113	113
Other assets	10,278	10,278	8,056	8,056
Prepaid expenses and accrued income	777	777	524	524
Total assets	**340,888**	**341,112**	**398,389**	**398,495**
Liabilities				
Deposits by credit institutions	74,553	74,204	75,919	75,899
Deposits and borrowings from the public	70,224	70,184	68,265	68,197
Debt securities in issue	48,999	48,726	49,153	48,952
Derivatives	115,836	115,836	168,436	168,436
Fair value changes of the hedged items in portfolio hedge of interest rate risk	637	637	195	195
Current tax liabilities	4	4	-	-
Other liabilities	20,475	20,475	23,990	23,990
Accrued expenses and prepaid income	744	744	615	615
Provisions	79	79	94	94
Retirement benefit obligations	23	23	25	25
Subordinated liabilities	514	514	503	503
Total liabilities	**332,088**	**331,426**	**387,195**	**386,906**

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, deposits and borrowings and issued securities.

The carrying amounts on loans, deposits and borrowings and issued securities are adjusted for the value of the fixed interest term, unless the interest rate is hedged, in order to estimate the fair values that are presented in the tables on previous pages. 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. The fair value of the hedged interest rate risk is included in the balance sheet item "Fair value changes of the hedged items in portfolio hedge of interest rate risk".

Fair value is estimated to be equal to the carrying amount for short-term financial assets and financial liabilities. The carrying amount is a reasonable approximation of fair value due to limited credit risk and short time to maturity.

Fair value is set to carrying amount, in the tables on previous pages, 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.

Nordea holds very limited amounts of equity instruments measured at cost. Fair value is set to carrying amount for these instruments as the fair value cannot be measured reliably.

For further information about valuation of items normally measured at fair value, see Note 1.

Deferred Day 1 profit or loss

In accordance with the Group's accounting policy as described in Note 1, if there are significant unobservable inputs used in the valuation technique, the financial instrument is recognised at the transaction price and any trade date profit is deferred. The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of changes in the balance of this difference (movement of deferred Day 1 profit or loss).

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Amount at beginning of year	-47	-42	-47	-42
Deferred profit/loss on new transactions	-8	-20	-8	-20
Recognised in the income statement during the year	12	15	12	15
Amount at end of year	**-43**	**-47**	**-43**	**-47**

Determination of fair value from quoted market prices or valuation techniques

Fair value measurements are categorised using a fair value hierarchy.

The financial instruments carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy that reflects the significance of inputs. The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety. To categorise the instruments into the three levels, the relevant pricing models for each product are considered in combination with used input market data, the significance of derived input data, the complexity of the model and the accessible pricing data to verify model input. Although the complexity of the model is considered, a high complexity does not by default require that products are categorised into level 3.

It is the use of model parameters and the extent of unobservability that defines the fair value hierarchy levels. For bonds the categorisation into the three levels is based on the internal pricing methodology. The bonds can either be directly quoted in active markets (level 1) or measured using a methodology giving a quote based on observable inputs (level 2). Level 3 bonds are characterised by illiquidity.

Valuations of Private Equity Funds (PEF) and unlisted equities will in nature be more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods are consistent with the guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by EVCA (European Venture Capital Association). The EVCA guidelines are considered as best practice in the PEF industry. For US based funds, similar methods are applied.

Level 1 consist of financial assets and financial liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 consists of financial assets and financial liabilities which do not have directly quoted market prices available from an active market. The fair values are estimated using a valuation technique or valuation model based on market prices or rates prevailing at the balance sheet date and any unobservable inputs are insignificant in the fair value. This is the case for the majority of NBF's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/loaned and other instruments where an active market supplies the input to the valuation technique or model.

Level 3 consists of those types of financial instruments for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds and both more complex or less active markets supplying input to the technique or model for OTC derivatives, certain complex or structured financial instruments such as CLNs and CDOs, and illiquid bonds.

Note 41 *Assets and liabilities at fair value, cont.*

The following table presents the valuation methods used to determine fair values of financial instruments carried at fair value.

Group

31 Dec 2012, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets				
Loans to central banks	-	524	-	524
Loans to credit institutions	-	6,834	-	6,834
Loans to the public	-	26,716	-	26,716
Debt securities	14,968	18,651	277	33,896
Financial instruments pledged as collateral	7,242	836	0	8,078
Shares	311	-	527	838
Derivatives	42	115,241	1,930	117,213
Other assets	-	8,370	-	8,370
Prepaid expenses and accrued income	-	-	-	-
Liabilities				
Deposits by credit institutions	-	17,625	-	17,625
Deposits and borrowings from the public	-	16,892	-	16,892
Debt securities in issue	-	8,251	-	8,251
Derivatives	36	114,139	1,661	115,836
Other liabilities	4,759	6,194	-	10,953
Accrued expenses and prepaid income	-	-	-	-

31 Dec 2011, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets				
Loans to central banks	-	551	-	551
Loans to credit institutions	-	6,100	-	6,100
Loans to the public	-	25,440	-	25,440
Debt securities	20,288	7,577	208	28,073
Financial instruments pledged as collateral	7,858	487	1	8,346
Shares	662	0	650	1,312
Derivatives	75	169,087	1,066	170,228
Other assets	-	6,656	-	6,656
Prepaid expenses and accrued income	-	10	-	10
Liabilities				
Deposits by credit institutions	-	24,195	-	24,195
Deposits and borrowings from the public	-	14,584	-	14,584
Debt securities in issue	-	6,271	-	6,271
Derivatives	64	167,103	1,269	168,436
Other liabilities	8,213	6,893	-	15,106
Accrued expenses and prepaid income	-	64	-	64

Parent company

31 Dec 2012, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets				
Loans to central banks	-	524	-	524
Loans to credit institutions	-	6,834	-	6,834
Loans to the public	-	26,716	-	26,716
Debt securities	14,968	18,651	277	33,896
Financial instruments pledged as collateral	7,242	836	0	8,078
Shares	308	-	527	835
Derivatives	42	115,241	1,930	117,213
Other assets	-	8,370	-	8,370
Prepaid expenses and accrued income	-	-	-	-
Liabilities				
Deposits by credit institutions	-	17,625	-	17,625
Deposits and borrowings from the public	-	16,892	-	16,892
Debt securities in issue	-	8,251	-	8,251
Derivatives	36	114,139	1,661	115,836
Other liabilities	4,759	6,194	-	10,953
Accrued expenses and prepaid income	-	-	-	-

31 Dec 2011, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets				
Loans to central banks	-	551	-	551
Loans to credit institutions	-	6,100	-	6,100
Loans to the public	-	25,439	-	25,439
Debt securities	20,288	7,577	208	28,073
Financial instruments pledged as collateral	7,858	487	1	8,346
Shares	659	-	650	1,309
Derivatives	75	169,087	1,066	170,228
Other assets	-	6,656	-	6,656
Prepaid expenses and accrued income	-	10	-	10
Liabilities				
Deposits by credit institutions	-	24,195	-	24,195
Deposits and borrowings from the public	-	14,584	-	14,584
Debt securities in issue	-	6,271	-	6,271
Derivatives	64	167,103	1,269	168,436
Other liabilities	8,213	6,893	-	15,106
Accrued expenses and prepaid income	-	64	-	64

Transfers between level 1 and 2

During the year, Nordea Bank Finland transferred debt securities of EUR 2,982m (1,158m) from level 1 to level 2 and EUR 997m (0) from level 2 to level 1 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value. The reason for the transfers from level 1 to level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from level 2 to level 1 was that the instruments have again been actively traded during the year and reliable quoted prices are obtained in the market.

Movements in level 3

The following table shows a reconciliation of the opening and closing carrying amount of level 3 financial assets and liabilities recognised at fair value.

Group

		Fair value gains/losses recognised in the income statement during the year			
31 Dec 2012, EURm	1 Jan 2012	Realised	Unrealised[1]	Purchases	Sales
Assets					
Debt securities	208	-6	14	91	-36
Shares	650	-27	3	145	-292
Derivatives (net assets and liabilities)	-203	-263	472	-	-

31 Dec 2012, EURm	Settlements	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2012
Assets					
Debt securities	6	-	-	0	277
Shares	0	-	-	46	527
Derivatives (net assets and liabilities)	263	-	-	0	269

[1] Relates to those assets and liabilities held at the end of the reporting period.

		Fair value gains/losses recognised in the income statement during the year			
31 Dec 2011, EURm	1 Jan 2011	Realised	Unrealised[1]	Purchases	Sales
Assets					
Debt securities	-	0	11	307	-110
Shares	923	16	-38	248	-301
Derivatives (net assets and liabilities)	15	494	-200	-	-4

31 Dec 2011, EURm	Settlements	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2011
Assets					
Debt securities	0	0	-	-	208
Shares	-	-	-	-198	650
Derivatives (net assets and liabilities)	-494	-15	-	1	-203

[1] Relates to those assets and liabilities held at the end of the reporting period.

Fair value gains/losses recognised in the income statement during the year are included in "Net result from items at fair value" (see Note 5).

Parent company

31 Dec 2012, EURm	1 Jan 2012	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised[1]	Purchases	Sales
Assets					
Debt securities	208	-6	14	91	-36
Shares	650	-27	3	145	-292
Derivatives (net assets and liabilities)	-203	-264	472	-	-

31 Dec 2012, EURm	Settlements	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2012
Assets					
Debt securities	6	-	-	-	277
Shares	-	-	-	46	527
Derivatives (net assets and liabilities)	264	-	-	-	269

[1] Relates to those assets and liabilities held at the end of the reporting period.

31 Dec 2011, EURm	1 Jan 2011	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised[1]	Purchases	Sales
Assets					
Debt securities	-	0	11	307	-110
Shares	923	16	-38	248	-301
Derivatives (net assets and liabilities)	11	494	-200	-	-

31 Dec 2011, EURm	Settlements	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2011
Assets					
Debt securities	0	0	-	-	208
Shares	-	-	-	-198	650
Derivatives (net assets and liabilities)	-494	-15	-	1	-203

[1] Relates to those assets and liabilities held at the end of the reporting period.

Sensitivity of level 3 financial instruments measured at fair value to changes in key assumptions

Included in the fair value of financial instruments carried at fair value on the balance sheet are those estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices or rates. There may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique. Portfolio adjustments are applied to reflect such uncertainties and are deducted from the fair values produced by the models or other valuation techniques (for further information see Note 1 section 10 "Determination of fair value of financial instruments").

This disclosure shows the potential impact of the relative uncertainty in the fair value of financial instruments for which the valuation is dependent on unobservable input parameters. The estimates disclosed below are likely to be greater than the true uncertainty in the fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

The following table shows the sensitivity of the fair value of level 3 instruments to changes in key assumptions, by class of instruments. Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table.

	Group			Parent company		
		Effect of reasonably possible alternative assumption			Effect of reasonably possible alternative assumption	
31 Dec 2012, EURm	Carrying amount	Favourable	Unfavourable	Carrying amount	Favourable	Unfavourabl e
Assets						
Debt securities	277	23	-23	277	23	-23
Shares	527	39	-39	527	39	-39
Derivatives (net assets and liabilities)	269	20	-24	269	20	-24

	Group			Parent company		
		Effect of reasonably possible alternative assumption			Effect of reasonably possible alternative assumption	
31 Dec 2011, EURm	Carrying amount	Favourable	Unfavourable	Carrying amount	Favourable	Unfavourabl e
Assets						
Debt securities	208	21	-21	208	21	-21
Shares	650	36	-36	650	36	-36
Derivatives (net assets and liabilities)	-203	27	-43	-203	27	-43

In order to calculate the effect on level 3, fair values from altering the assumptions of the valuation technique or model, the sensitivity to unobservable input data is assessed. For the derivatives portfolio, key inputs that are based on pricing model assumptions or unobservability of market data inputs are replaced with alternative estimates or assumptions, and their impact on valuation is computed. The majority of the effect on the derivatives is related to various types of correlations or correlation related inputs in credit derivatives, interest rate OTC derivatives or OTC structured equity derivatives. For the level 3 portfolios of shares and debt securities the fair value was increased and decreased within a range of 3-10 percentage units, which are assessed to be reasonable changes in market movements.

Note 42 Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions result in the securities being returned to Nordea, all risks and rewards of the instruments transferred are retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterpart in the transactions holds the securities as collateral, but has no recourse to other assets in Nordea.

The securities still reported in the balance sheet and the corresponding liabilities are measured at fair value.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Repurchase agreements				
Interest-bearing securities	8,078	8,346	8,078	8,346
Securities lending agreements	-	-	-	-
Securitisations	-	-	-	-
Total	**8,078**	**8,346**	**8,078**	**8,346**

Liabilities associated with the assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Repurchase agreements				
Deposits by credit institutions	2,975	5,064	2,975	5,064
Deposits and borrowings from the public	5,103	3,282	5,103	3,282
Securities lending agreements	-	-	-	-
Securitisations	-	-	-	-
Total	**8,078**	**8,346**	**8,078**	**8,346**
Net	**0**	**0**	**0**	**0**

Obtained collaterals which are permitted to be sold or repledged

NBF obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements is disclosed below.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011
Reverse repurchase agreements				
Received collaterals which can be repledged or sold	33,447	31,324	33,447	31,324
- of which repledged or sold	14,855	9,661	14,855	9,661
Securities borrowing agreements				
Received collaterals which can be repledged or sold	-	-	-	-
- of which repledged or sold	-	-	-	-
Total	**33,447**	**31,324**	**33,447**	**31,324**

Note 43 Maturity analysis for assets and liabilities

Group

Remaining maturity

31 Dec 2012, EURm	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks		30,004	-	-	-	-	-	**30,004**
Loans to central banks		283	526	-	-	-	-	**809**
Loans to credit institutions	13	2,572	14,508	2,700	15,660	578	-	**36,018**
Loans to the public	13	484	34,006	10,937	25,328	30,010	-	**100,765**
Interest bearing securities	14	-	8,943	4,051	19,990	3,285	-	**36,269**
Financial instruments pledged as collateral	15	-	776	3,109	3,605	588	-	**8,078**
Derivatives	17	-	5,388	5,287	32,070	74,468	-	**117,213**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	-	0	-1	49	76	-	**124**
Total assets with fixed maturities		**33,343**	**64,147**	**26,083**	**96,702**	**109,005**	**-**	**329,280**
Other assets	25	-	-	-	-	-	12,667	**12,667**
Total assets		**33,343**	**64,147**	**26,083**	**96,702**	**109,005**	**12,667**	**341,947**
Deposits by credit institutions	27	9,954	50,473	7,746	4,420	2,073	-	**74,666**
Deposits and borrowings from the public	28	53,285	15,304	1,623	0	0	-	**70,212**
- of which deposits		*53,285*	-	-	*0*	-	-	*53,285*
- of which borrowings		-	*15,304*	*1,623*	*0*	*0*	-	*16,927*
Debt securities in issue	29	-	17,635	11,010	16,449	3,905	-	**48,999**
- of which debt securities in issue		-	*17,635*	*11,010*	*16,449*	*3,905*	-	*48,999*
- of which other		-	-	-	-	-	-	-
Derivatives	17	-	6,166	5,644	34,255	69,771	-	**115,836**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	-	-1	-8	274	372	-	**637**
Subordinated liabilities	34	-	-	-	392	122	-	**514**
Total liabilities with fixed maturities		**63,239**	**89,577**	**26,015**	**55,790**	**76,243**	**-**	**310,864**
Other liabilities	30	-	-	-	-	-	21,804	**21,804**
Equity		-	-	-	-	-	9,279	**9,279**
Total liabilities and equity		**63,239**	**89,577**	**26,015**	**55,790**	**76,243**	**31,083**	**341,947**

Group

Remaining maturity

31 Dec 2011, EURm	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks		286	-	-	-	-	-	**286**
Loans to central banks		11,342	19,934	-	-	-	-	**31,276**
Loans to credit institutions	13	6,353	21,911	15,105	4,278	427	-	**48,074**
Loans to the public	13	9	32,778	5,383	19,513	41,648	-	**99,331**
Interest bearing securities	14	-	6,733	5,796	16,802	1,535	-	**30,866**
Financial instruments pledged as collateral	15	-	719	1,891	3,995	1,741	-	**8,346**
Derivatives	17	-	9,585	7,478	38,712	114,453	-	**170,228**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	-	11	31	70	26	-	**138**
Total assets with fixed maturities		**17,990**	**91,671**	**35,684**	**83,370**	**159,830**	**-**	**388,545**
Other assets	25	-	-	-	-	-	10,742	**10,742**
Total assets		**17,990**	**91,671**	**35,684**	**83,370**	**159,830**	**10,742**	**399,287**

Group

Remaining maturity

31 Dec 2011, EURm	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without fixed maturity	Total
Deposits by credit institutions	27	8,203	58,799	8,136	74	795	-	**76,007**
Deposits and borrowings from the public	28	37,608	22,805	7,199	644	4	-	**68,260**
- of which deposits		*37,608*	*8,429*	*6,952*	*643*	*4*	-	*53,636*
- of which borrowings		-	*14,376*	*247*	*1*	*0*	-	*14,624*
Debt securities in issue	29	-	27,404	7,350	12,484	1,915	-	**49,153**
- of which debt securities in issue		-	*27,404*	*7,350*	*12,484*	*1,915*	-	*49,153*
- of which other		-	-	-	-	-	-	-
Derivatives	17	-	8,345	7,396	41,270	111,425	-	**168,436**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	-	1	6	74	114	-	**195**
Subordinated liabilities	34	-	-	-	403	100	-	**503**
Total liabilities with fixed maturities		**45,811**	**117,354**	**30,087**	**54,949**	**114,353**	**-**	**362,554**
Other liabilities	30	-	-	-	-	-	25,113	**25,113**
Equity		-	-	-	-	-	11,620	**11,620**
Total liabilities and equity		**45,811**	**117,354**	**30,087**	**54,949**	**114,353**	**36,733**	**399,287**

Parent company

Remaining maturity

31 Dec 2012, EURm	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Cash and balances with central banks		30,004	-	-	-	-	-	**30,004**
Loans to central banks		283	526	-	-	-	-	**809**
Loans to credit institutions	13	2,560	18,417	3,379	16,380	727	-	**41,463**
Loans to the public	13	624	32,125	9,026	22,624	29,914	-	**94,313**
Interest bearing securities	14	-	8,943	4,051	19,990	3,285	-	**36,269**
Financial instruments pledged as collateral	15	-	776	3,109	3,605	588	-	**8,078**
Derivatives	17	-	5,388	5,287	32,070	74,468	-	**117,213**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	-	0	-1	49	76	-	**124**
Total assets with fixed maturities		**33,471**	**66,175**	**24,851**	**94,718**	**109,058**	**-**	**328,273**
Other assets	25	-	-	-	-	-	12,615	**12,615**
Total assets		**33,471**	**66,175**	**24,851**	**94,718**	**109,058**	**12,615**	**340,888**

	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Deposits by credit institutions	27	9,954	50,445	7,732	4,371	2,051	-	**74,553**
Deposits and borrowings from the public	28	53,307	15,303	1,614	-	-	-	**70,224**
- of which deposits		*53,307*	-	-	-	-	-	*53,307*
- of which borrowings		-	*15,303*	*1,614*	-	-	-	*16,917*
Debt securities in issue	29	-	17,635	11,010	16,449	3,905	-	**48,999**
- of which debt securities in issue		-	*17,635*	*11,010*	*16,449*	*3,905*	-	*48,999*
- of which other		-	-	-	-	-	-	-
Derivatives	17	-	6,166	5,644	34,255	69,771	-	**115,836**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	-	-1	-8	274	372	-	**637**
Subordinated liabilities	34	-	-	-	392	122	-	**514**
Total liabilities with fixed maturities		**63,261**	**89,548**	**25,992**	**55,741**	**76,221**	**-**	**310,763**
Other liabilities	30	-	-	-	-	-	21,325	**21,325**
Equity		-	-	-	-	-	8,800	**8,800**
Total liabilities and equity		**63,261**	**89,548**	**25,992**	**55,741**	**76,221**	**30,125**	**340,888**

Parent company

Remaining maturity

31 Dec 2011, EURm	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Cash and balances with central banks		286	-	-	-	-	-	**286**
Loans to central banks		11,342	19,934	-	-	-	-	**31,276**
Loans to credit institutions	13	6,338	25,312	16,228	5,088	455	-	**53,421**
Loans to the public	13	197	31,012	3,571	16,758	41,559	-	**93,097**
Interest bearing securities	14	-	6,733	5,796	16,802	1,535	-	**30,866**
Financial instruments pledged as collateral	15	-	719	1,891	3,995	1,741	-	**8,346**
Derivatives	17	-	9,585	7,478	38,712	114,453	-	**170,228**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	-	11	31	70	26	-	**138**
Total assets with fixed maturities		**18,163**	**93,306**	**34,995**	**81,425**	**159,769**	**-**	**387,658**
Other assets	25	-	-	-	-	-	10,731	**10,731**
Total assets		**18,163**	**93,306**	**34,995**	**81,425**	**159,769**	**10,731**	**398,389**

31 Dec 2011, EURm	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Deposits by credit institutions	27	8,203	58,770	8,121	38	787	-	**75,919**
Deposits and borrowings from the public	28	37,618	22,809	7,191	643	4	-	**68,265**
- of which deposits		*37,618*	*8,433*	*6,952*	*643*	*4*	-	*53,650*
- of which borrowings		-	*14,376*	*239*	-	-	-	*14,615*
Debt securities in issue	29	-	27,404	7,350	12,484	1,915	-	**49,153**
- of which debt securities in issue		-	*27,404*	*7,350*	*12,484*	*1,915*	-	*49,153*
- of which other		-	-	-	-	-	-	-
Derivatives	17	-	8,345	7,396	41,270	111,425	-	**168,436**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	-	1	6	74	114	-	**195**
Subordinated liabilities	34	-	-	-	403	100	-	**503**
Total liabilities with fixed maturities		**45,821**	**117,329**	**30,064**	**54,912**	**114,345**	**-**	**362,471**
Other liabilities	30	-	-	-	-	-	24,724	**24,724**
Equity		-	-	-	-	-	11,194	**11,194**
Total liabilities and equity		**45,821**	**117,329**	**30,064**	**54,912**	**114,345**	**35,918**	**398,389**

Note 44 Related-party transactions

Shareholders with significant influence and close family members to key management personnel in the Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If transactions with these related parties are made in Nordea's and the related parties' ordinary course of business and on the same criteria and terms as those for comparable transactions with parties of similar standing and if they do not involve more than normal risktaking, the transactions are not included in the table.

Group

	Nordea Group undertakings		Nordea Group associated undertakings		Other related parties	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011	2012	2011
Assets						
Loans	29,613	44,518	204	146	-	-
Interest-bearing securities	5,254	5,031	11	-	-	-
Financial instruments pledged as collateral	1,150	2,062	-	-	-	-
Derivatives	2,829	2,337	278	246	-	-
Other assets	630	387	-	-	-	-
Prepaid expenses and accrued income	411	77	-	-	-	-
Total assets	**39,887**	**54,412**	**493**	**392**	**-**	**-**
Liabilities						
Deposits	41,202	44,957	55	10	5	5
Debt securities in issue	975	514	39	30	-	-
Derivatives	3,344	2,624	4	85	-	-
Other liabilities	158	12	-	-	-	-
Accrued expenses and deferred income	202	171	-	-	-	-
Total liabilities	**45,881**	**48,278**	**98**	**125**	**5**	**5**
Off balance[1]	**219,010**	**431,155**	**8,085**	**8,321**	**-**	**-**

Group	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011	2012	2011
Net interest income	85	70	3	4	-	-
Net fee and commission income	-296	-251	2	3	1	1
Net result from items at fair value	-277	-841	81	35	-	-
Other operating income	26	25	-	-	0	0
Total operating expenses	-95	-30	-	-	-	-
Profit before loan losses	**-557**	**-1,027**	**86**	**42**	**1**	**1**

[1] Including nominal values on derivatives.

Parent company	Group undertakings		Associated undertakings		Other related parties	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011	2012	2011
Assets						
Loans	5,674	5,570	171	132	-	-
Interest-bearing securities	-	-	-	-	-	-
Financial instruments pledged as collateral	-	-	-	-	-	-
Derivatives	-	-	9	-	-	-
Investments in associated undertakings	-	-	34	34	-	-
Investments in group undertakings	373	370	-	-	-	-
Other assets	4	5	-	-	-	-
Prepaid expenses and accrued income	7	15	-	-	-	-
Total assets	**6,058**	**5,960**	**214**	**166**	**-**	**-**

Note 44 *Related-party transactions, cont.*

Parent company	Group undertakings		Associated undertakings		Other related parties	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011	2012	2011
Liabilities						
Deposits	22	11,432	7	9	5	5
Debt securities in issue	-	-	35	30	-	-
Derivatives	-	-	0	5	-	-
Other liabilities	0	-	-	-	-	-
Accrued expenses and deferred income	2	10	-	-	-	-
Total liabilities	**24**	**11,442**	**42**	**44**	**5**	**5**
Off balance[1]	**519**	**662**	**191**	**128**	**-**	**-**

[1] Including nominal values on derivatives.

Parent company	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2012	2011	2012	2011	2012	2011
Net interest income	66	86	3	4	0	0
Net fee and commission income	49	46	1	1	1	1
Net result from items at fair value	-	-	6	6	-	-
Other operating income	10	14	-	4	0	0
Total operating expenses	-38	-38	-	0	-	-
Profit before loan losses	**87**	**108**	**10**	**15**	**1**	**1**

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. In addition to the parent company figures stated above, the parent company's assets included receivables, interest-bearing securities, derivatives and other assets from other Nordea group undertakings in the amount of EUR 39,885m (54,411), liabilities in the amount of EUR 45,688m (36,683), profit before loan losses in the amount of EUR -569 m (-1,033) and off-balance sheet commitments in the amount of EUR 218,491m (431,155). Off-balance sheet transactions with Nordea group associated undertakings amounted to EUR 7,895m (8,193) and corresponding balance sheet values of derivatives were EUR 268m (246) in assets and EUR 4m (80) in liabilities.

Compensations and loans and receivables to key management personnel

Compensations and loans to key management personnel are specified in Note 8.

Note 45 Mergers, acquisitions, disposals and dissolutions

Subsidiaries acquired during 2012	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Other subsidiaries established during 2012	Number of companies	Total assets EURm	Profit/loss for the year as included in the Bank Group
Other companies	1	2	-

Subsidiaries sold during 2012	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Other subsidiaries sold during 2012	Number of companies	Total assets EURm	Profit/loss for the year as included in the Bank Group
Other companies	1	4	0

Subsidiaries merged during 2012	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Subsidiaries dissolved during 2012	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Associated undertakings dissolved during 2012	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Note 46 Credit risk disclosure

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar 3) 2012, which is available on www.nordea.com.

Group

Exposure types, EURm	31 Dec 2012	31 Dec 2011
On-balance sheet items	159,345	168,616
Off-balance sheet items	14,675	18,070
Securities financing	1,120	1,617
Derivatives	31,580	42,466
Exposure At Default (EAD)	**206,720**	**230,769**

Tables presented in this Note, containing exposure, are presented as Exposure At Default (EAD). EAD is the exposure after applying credit conversion factors (CCF).

Link between credit risk exposure and the balance sheet

This section discloses the link between the loan portfolio as defined in accordance with accounting standards and exposure as defined in accordance with the Capital Requirements Directive (CRD). The main differences are outlined in this section to illustrate the link between the different reporting methods.

Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors for off-balance exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure if nothing else is stated. Credit risk exposure presented in this note, in accordance with the CRD, is divided between exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. repurchase agreements and securities lending)
- Derivatives

Items presented in the Annual Report, in accordance with the accounting standards, are divided as follows:

- On-balance sheet items (e.g. loans to credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives, treasury bills and interest-bearing securities)
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)

The table below shows the link between the CRD credit risk exposure and items presented in the Annual Report.

On-balance sheet items
As shown in the table below, the following items have been excluded from the balance sheet, when calculating on-balance exposure in accordance with the CRD:

- Market-risk-related items in the trading book, such as certain interest-bearing securities and treasury bills.
- Reverse repurchase agreements, derivatives and securities lending. These transactions are either included in the calculation of market risk in the trading book or reported as separate exposure types (derivatives or securities financing).
- Other, mainly allowances, intangible assets and deferred tax assets.

Group

31 Dec 2012, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Balance sheet
Cash and balances with central banks	30,004				30,004
Interest-bearing securities and pledged instruments	44,347	-21,159			23,188
Loans to central banks and credit institutions	36,827		-7,358	0	29,468
Loans to the public	100,765		-26,716	766	74,814
Derivatives[1]	117,213		-117,213		0
Intangible assets	108			-108	0
Other assets and prepaid expenses	12,684	-9,188	-55	-1,381	2,060
Total assets	**341,947**	**-30,347**	**-151,343**	**-723**	**159,534**

[1] Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives is included in the credit risk.

On-balance sheet items

31 Dec 2011, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Balance sheet
Cash and balances with central banks	286				286
Interest-bearing securities and pledged instruments	39,212	-19,480			19,731
Loans to central banks and credit institutions	79,350		-6,651		72,699
Loans to the public	99,331		-25,440	840	74,731
Derivatives[1]	170,228		-170,228		0
Intangible assets	106			-106	0
Other assets and prepaid expenses	10,774	-7,945	-12	-1,276	1,542
Total assets	**399,287**	**-27,425**	**-202,331**	**-542**	**168,989**

[1] Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives is included in the credit risk.

Off-balance sheet items

The following off-balance sheet items specified in the Annual Report are excluded when off-balance exposure is calculated in accordance with the CRD:

- Assets pledged as security for own liabilities and "Other assets pledged" (apart from leasing). These transactions are reported as a separate exposure type, securities financing.
- Derivatives

Group

31 Dec 2012, EURm	Credit risk in Basel II calculation
Contingent liabilities	16,419
Commitments	16,589
Total off-balance sheet items	**33,008**

31 Dec 2012, EURm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at Default EAD
Credit facilities and checking accounts	14,168	4,371	18,539	26%	4,784
Loan commitments	2,428	248	2,675	24%	653
Guarantees	15,279		15,279	58%	8,929
Other (leasing and documentary credits)	1,134		1,134	27%	309
Total	**33,008**	**4,619**	**37,627**		**14,675**

31 Dec 2011, EURm	Credit risk in Basel II calculation
Contingent liabilities	19,041
Commitments	18,725
Total off-balance sheet items	**37,765**

31 Dec 2011, EURm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at Default EAD
Credit facilities and checking accounts	16,456	3,211	19,667	30%	5,812
Loan commitments	2,228	701	2,928	36%	1,065
Guarantees	17,957		17,957	61%	10,867
Other (leasing and documentary credits)	1,125		1,125	29%	325
Total	**37,765**	**3,912**	**41,677**		**18,070**

The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows real estate to be the major part of the eligible collateral items in relative terms, also showing that residential real estate as collateral experienced the highest relative increase during the year. Real estate is commonly used as collateral for credit risk mitigation purposes. There is no certain concentration of real estate collateral to any region within the Nordic and Baltic countries. Financial collateral, with an LGD of 0%, has also increased notably during the year. Other physical collateral consist of vessels, machinery, equipment and other movables.

Collateral distribution

Group

EURm	31 Dec 2012	31 Dec 2011
Other physical collateral	4%	5%
Receivables	2%	2%
Residential real estate	76%	71%
Commercial real estate	5%	12%
Financial collateral	13%	11%

When Nordea sells protection in a CDO transaction, Nordea carries the risk of losses in the reference portfolio on the occurrence of a credit event. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio, in which Nordea has not necessarily invested, triggered by a credit event are then carried by the seller of protection.

The risk from CDOs is hedged with a portfolio of CDSs. The risk positions are subject to various types of market risk limits, including VaR, and the CDO valuations are subject to fair value adjustments for model risk. These fair value adjustments are recognised in the income statement.

Collaterised Debt Obligations (CDO) - Exposure [1]

Group and parent company

	31 Dec 2012		31 Dec 2011	
Nominals, EURm	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	1,833	2,314	1,575	2,267
Hedged exposures	1,442	1,444	1,394	1,394
CDOs, net[2]	**391**[3]	**870**[4]	**181**[3]	**873**[4]
- of which Equity	53	173	114	223
- of which Mezzanine	80	148	65	101
- of which Senior	258	549	2	549

[1]First-to-Default (FTD) swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 214m (218) and net sold protection to EUR 50m (53). Both bought and sold protection are, to the predominant part, investment grade.

[2]Net exposure disregards exposure where tranches are completely identical in terms of reference pool attachment, detachment, maturity and currency.

[3]Of which investment grade EUR 349m (181) and sub-investment grade EUR 42m (0).

[4]Of which investment grade EUR 769m (873) and sub-investment grade EUR 101m (0) and not rated EUR 0m (0).

Restructured loans current year

	Group		Parent company	
EURm	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Loans before restructuring, carrying amount	0	31	0	31
Loans after restructuring, carrying amount	0	0	0	0

Assets taken over for protection of claims[1]

	Group		Parent company	
EURm	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Current assets, carrying amount:				
Land and buildings	93	63	93	63
Shares and other participations	0	0	0	0
Other assets	4	3	0	0
Total	**97**	**66**	**93**	**63**

[1] In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to Nordea.

The table below shows past due loans not impaired split by corporate and household customers. Past due loans to corporate customers that are not considered impaired were at end of 2012 EUR 316m up from EUR 205m one year ago, while past due loans to household customers decreased to EUR 405m (480).

Past due loans, excl. impaired loans

	Group				Parent company			
	31 Dec 2012		31 Dec 2011		31 Dec 2012		31 Dec 2011	
EURm	Corporate customers	Household customers	Corporate customers	Household customers	Corporate customers	Household customers	Corporate customers	Household customers
6-30 days	110	183	91	261	37	163	46	233
31-60 days	62	144	58	136	23	94	31	93
61-90 days	26	68	22	64	17	47	16	44
>90 days	118	9	34	19	112	9	33	19
Total	**316**	**405**	**205**	**480**	**189**	**314**	**126**	**389**
Past due not impaired loans divided by loans to the public after allowances, %	0.50	1.08	0.33	1.32	0.32	0.91	0.22	1.15

The distribution of loans to corporate customers by size of loans, seen in the table below, shows a high degree of diversification where approximately 80% of the corporate volume represents loans up to EUR 50m per customer.

Loans to corporate customers, by size of loan

	Group				Parent company			
EURm	31 Dec 2012	%	31 Dec 2011	%	31 Dec 2012	%	31 Dec 2011	%
0-10	33,812	54.0	33,167	53.3	31,766	54.0	31,229	53.3
10-50	16,316	26.1	15,888	25.6	15,329	26.1	14,960	25.6
50-100	4,717	7.5	5,269	8.5	4,432	7.5	4,962	8.5
100-250	6,038	9.6	5,146	8.3	5,673	9.6	4,845	8.3
250-500	1,735	2.8	2,707	4.4	1,630	2.8	2,549	4.4
500-	0	0.0	0	0.0	0	0.0	0	0
Total	**62,618**	**100.0**	**62,176**	**100.0**	**58,830**	**100.0**	**58,544**	**100.0**

Interest-bearing securities

Group	31 Dec 2012			31 Dec 2011		
EURm	At fair value	At amortised cost	Total	At fair value	At amortised cost	Total
State and sovereigns	6,483	-	6,483	6,111	-	6,111
Municipalities and other public bodies	97	-	97	7	-	7
Mortgage institutions	15,456	-	15,456	14,050	655	14,705
Other credit institutions	10,475	2,373	12,848	7,390	2,138	9,528
Corporates	1,151	-	1,151	447	-	447
Corporates, sub-investment grade	234	-	234	67	-	67
Other	0	-	0	1	-	1
Total	**33,896**	**2,373**	**36,269**	**28,073**	**2,793**	**30,866**

Parent company	31 Dec 2012			31 Dec 2011		
EURm	At fair value	At amortised cost	Total	At fair value	At amortised cost	Total
State and sovereigns	6,483	-	6,483	6,111	-	6,111
Municipalities and other public bodies	97	-	97	7	-	7
Mortgage institutions	15,456	-	15,456	14,050	655	14,705
Other credit institutions	10,475	2,373	12,848	7,390	2,138	9,528
Corporates	1,151	-	1,151	447	-	447
Corporates, sub-investment grade	234	-	234	67	-	67
Other	-	-	-	1	-	1
Total	**33,896**	**2,373**	**36,269**	**28,073**	**2,793**	**30,866**

Note 47 Nordea shares

Nordea Bank Finland Plc does not possess own shares. During the year Nordea Bank Finland has bought and sold shares in its parent company Nordea Bank AB (publ) as part of its normal trading and market making activities. The trades are specified in the table enclosed.

Acquisitions

Month	Quantity	Average acq.price	Amount, EUR
January	876,345	6.35	5,564,840.10
February	48,371	7.07	330,277.74
March	557,113	7.09	3,941,731.20
April	201,344	6.49	1,332,043.22
May	179,195	6.17	1,078,973.23
June	188,075	6.38	1,220,438.56
July	280,211	7.59	2,125,708.10
August	279,644	7.66	2,151,920.72
September	66,321	7.61	510,298.02
October	95,335	7.22	702,628.17
November	114,663	6.97	784,575.68
December	265,690	7.12	1,868,951.84
	3,152,307		21,612,386.58

Sales

Month	Quantity	Average price	Amount, EUR
January	-755,977	6.20	-4,620,625.45
February	-128,623	6.90	-886,622.39
March	-397,701	7.10	-2,813,453.26
April	-361,053	6.47	-2,307,889.83
May	-710,392	6.22	-4,279,520.25
June	-349,118	6.34	-2,247,150.94
July	-7,317	7.26	-52,686.96
August	-1,654	7.68	-12,745.86
September	-60,745	7.70	-462,572.90
October	-20,440	7.01	-141,887.35
November	-167,987	7.00	-1,178,551.88
December	-62,715	7.25	-454,777.80
	-3,023,722		-19,458,484.87

The quota value of the Nordea Bank AB (publ) share is EUR 1.00. The trades had an insignificant effect on the shareholding and voting-power in Nordea Bank AB (publ). At year-end 2012 NBF owned 282,292 shares of the parent company.

The proposal of the Board of Directors to the Annual General Meeting

The parent company's distributable funds on 31 December 2012 were EUR 5,903,572,113.21, of which the profit for the year was EUR 1,121,552,595.60. The Board of Directors proposes that

1. a dividend of EUR 625,000,000.00 be paid
2. whereafter the distributable funds will be EUR 5,278,572,113.21.

Signatures of the Directors' report and of the Financial Statements:

Helsinki, 28 February 2013

Torsten Hagen Jørgensen

Casper von Koskull

Carl-Johan Granvik

Gunn Wærsted

Our auditors' report has been issued today.

Helsinki, 28 February 2013

KPMG OY AB

Raija-Leena Hankonen
Authorised Public Accountant

Auditors’ report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Nordea Bank Finland Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Nordea Bank Finland Plc for the year ended on 31 December 2012. The financial statements comprise both the consolidated and the parent company’s statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor’s responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Finnish Credit Institutions Act, the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion,

- both the consolidated and the parent company’s financial statements give a true and fair view of their financial position, financial performance, and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland
- the information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions
We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, 28 February 2013

KPMG OY AB

Raija-Leena Hankonen
Authorized Public Accountant

Management and auditors

Management

The Board of Directors of Nordea Bank Finland Plc comprises four members.

1 Jan – 12 Aug 2012
Fredrik Rystedt, chairman
Ari Kaperi, vice chairman
Casper von Koskull
Gunn Wærsted

13 Aug 2012- 27 Jan 2013
Fredrik Rystedt, chairman (Board member until 15 Jan 2013)
Casper von Koskull, vice chairman
Carl-Johan Granvik
Gunn Wærsted

28 Jan 2013 -
Torsten Hagen Jørgensen, chairman as of 6 Feb 2013
Casper von Koskull, vice chairman
Carl-Johan Granvik
Gunn Wærsted

The President of Nordea Bank Finland Plc is Ari Kaperi and Pekka Nuuttila acts as his deputy.

Board of Directors

Carl-Johan Granvik
Born 1949. Member since 2012.
Former positions in Nordea: President of Nordea Bank Finland Plc, Head of Group Risk Management, Chief Risk Officer and Country Senior Executive in Finland.

Casper von Koskull
Born 1960. Member since 2010.
Head of Wholesale Banking

Fredrik Rystedt
Born 1963. Member during 2008-15 Jan 2013.

Torsten Hagen Jørgensen
Born 1965. Member since 2013.
Chief Financial Officer (CFO), Head of Group Corporate Centre and Head of Group Operations

Gunn Wærsted
Born 1955. Member since 2010
Chief Executive Officer in Nordea Bank Norge ASA, Head of Wealth Management and Country Senior Executive in Norway

Auditors

The Annual General Meeting of Nordea Bank Finland Plc elects the company's auditors for a period of one year at a time. The auditor must be an audit firm authorised by the Finnish Chamber of Commerce.

KPMG Oy Ab

Auditor with main responsibility
Raija-Leena Hankonen
Authorised Public Accountant

Corporate Governance Report 2012

Application by Nordea Bank Finland Plc

On Internal Governance in Nordea Bank Finland Plc

General Meeting

Nordea Bank Finland Plc ("Bank") is the wholly-owned subsidiary of Nordea Bank AB (publ). The General Meeting is the highest decision-making body.

The Board of Directors of Nordea Bank Finland Plc shall be responsible for the administration of the Bank and the appropriate organisation of its operations, and for representing the Bank.

The Board of Directors

The Board of Directors of Nordea Bank Finland Plc consists of four members at the moment, one of which is an external board member. According to the Articles of Association, the Board of Directors shall consist of not less than four and not more than seven members. The Board of Directors shall appoint a chairman and deputy chairman of the Board. The term of office of the members of the Board of Directors shall continue until further notice. The retirement age for members of the Board of Directors shall be 70.

The Board of Directors shall, in the work schedule approved by it, confirm the authorisation to act for and on behalf of the Bank and the distribution between the members of the Board of Directors and the President.

According to the work schedule, the Board of Directors is responsible for the organisation and administration of the Bank and its business.

The Board shall manage the Bank's affairs with due expertise and care in accordance with legislation, the Articles of Association and the present work schedule, observing Group management's decisions and instructions.

The Board shall ensure that it has requisite knowledge of the Bank's affairs in accordance with legislation and the Articles of Association.

The Board shall ensure that it has requisite knowledge of the Bank's position, business development and risks as well as other circumstances of material significance to the Bank's operations.

The Bank's operations are fully integrated into the Nordea Group. The distribution of duties between the Chairman of the Board, Deputy Chairman and other Board members emerges from the overall operational structure and organisation of the Nordea Group.

It is particularly incumbent upon the Board of Directors to:

a. establish the Bank's and the banking Group's overall organisation,
b. ensure that the Bank's organisation with respect to accounting, management of funds and the Bank's financial circumstances generally includes satisfactory controls,
c. appoint and discharge the Bank's President and deputy and exercise supervision to ensure that the Bank's President fulfils his or her obligations,
d. where needed, in accordance with the Nordea Group credit instructions, prepare supplementary credit instructions for issuing credit at Nordea Bank Finland Plc,
e. determine matters relating to the funding operations,
f. resolve on and submit annual reports and interim reports for the Bank,
g. regularly monitor and assess the Bank's and the bank Group's financial situation and risks,
h. convene and prepare items for the Annual General Meeting.

President and Deputy President

Nordea Bank Finland Plc has a President and a Deputy President.

Chief Risk Coordinator

Nordea Bank Finland Plc has a Chief Risk Coordinator. Chief Risk Coordinator in Finland is an overall coordinator for risk related issues within Nordea Bank Finland Plc to secure that relevant and adequate risk information is given to the Board of Directors of Nordea Bank Finland Plc.

Compliance
According to the Nordea Operational Risk Policy and the Instructions for the Nordea Compliance Function, Group Compliance as part of Group Operational Risk and Compliance is responsible for developing and maintaining the framework for managing compliance risks. The decentralised network of Risk and Compliance Officers (RCOs) supports the business in the first line by conducting second line of defence activities and provides the Group Compliance Officer with independent reports. These reports provide input to the Group Compliance Officer's semi-annual compliance report to the Chief Executive Officer, the Board of Directors of Nordea Bank AB (publ) and Nordea Bank Finland Plc.

Insider Administration
Nordea Group and Nordea Bank Finland Plc have according to laws and regulations in role of issuer and broker established insider registers and adopted insider guidelines applicable to the whole bank. According to the guidelines members of the Board of Directors, the President and the Deputy President, external auditors and deputy external auditors as well as executive management and other relevant persons following separate decision and notification are restricted from trading in Nordea shares and related instruments during other period than two weeks following publication of the Group's interim reports. Regarding other financial instruments the above mentioned top management and other relevant persons may not engage in short time trading where the time between acquisition of ownership of certain securities, and the intended or actual disposal or execution of the securities is shorter than one month ("the one-month rule").

Corporate governance report

Nordea Bank Finland Plc submits this report as an issuer of bonds. This report has been prepared following recommendation 54 in the Finnish Corporate Governance Code and the report is submitted as a separate report from the Annual Report 2012.

Nordea Bank Finland Plc is a wholly-owned subsidiary of Nordea Bank AB (publ), the listed parent company of the whole Nordea Group. The Nordea Group is referred to as "Nordea". A description of corporate governance in Nordea during the most recent financial year is included in the 2012 Annual Report of Nordea Bank AB (publ). All the operations of Nordea Bank Finland Plc are integrated into the operations of the Nordea Group. Nordea has established the corporate governance framework at group level and the framework is reviewed on a continuous basis. Information on corporate governance in Nordea and this report are available on www.nordea.com.

Strong corporate governance is all about companies having clear and systematic decision-making processes, thus giving clarity concerning responsibilities, avoiding conflict of interests, and ensuring satisfactory transparency. Business' commitment to Nordea's mission and vision requires the integration of good corporate governance practices into regular business activities, to ascertain – to the extent possible – that the corporation is both well governed and well managed.

Nordea follows generally adopted principles of corporate governance including the rules and principles set forth in the Swedish Code of Corporate Governance. Although the codes differ in details between the countries, they are all based on the general international development and common Nordic approach within this field and thus show a fundamental resemblance to one another.

The Board of Directors of Nordea Bank Finland Plc has reviewed this Corporate Governance Report. Nordea Bank AB (publ) has a separate Board Audit Committee. The Board Risk Committee and the Board Remuneration Committee are the other board committees of Nordea Bank AB (publ).

This Corporate Governance Report describes the main features of the internal control and risk management systems regarding the financial reporting process in Nordea Bank Finland Plc.

Report on the key aspects of the systems for internal control and risk management regarding financial reports for the financial year 2012

Nordea Bank Finland Plc belongs to the Nordea Group and the internal control and risk management systems in relation to the financial reporting process are organised at Nordea level. Financial reporting processes are fully integrated within Nordea. The Board of Directors of Nordea Bank Finland Plc monitors financial and risk reporting at Nordea Bank Finland Plc level and has dealt with the risk reports on Nordea Bank Finland Plc level. Nordea Bank Finland Plc complies with the Group directives and supporting instructions from applicable parts.

The internal control process is a process, carried out by the Board of Directors, management and other personnel within Nordea, designed to provide reasonable assurance regarding the achievement of objectives in terms of 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.

The internal control process is based on the Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

The framework for the internal control process aims at creating the necessary preconditions for the whole organisation to contribute to the effectiveness and the high quality of internal control, through e.g. clear definitions, assignments of roles and responsibilities as well as common tools and procedures.

Roles and responsibilities in respect of internal control and risk management are divided in three lines of defence. In the first line of defence, Line Management, Business Areas and Group Functions are responsible for operating their business within limits for risk exposure and in accordance with decided framework for internal control and risk management. As second line of defence, the service and staff units are responsible for providing the framework of internal control and risk management. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes, which is the third line of defence.

The systems for internal control and risk management over financial reporting are 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 and issuers of bonds. The internal control and risk management activities are included in Nordea's planning and resource allocation processes. Internal control and risk management over financial reporting in Nordea can be described in accordance with the COSO framework (Internal Control - Integrated framework, by the Committee of Sponsoring Organizations of the Treadway commission) as follows:

Control Environment

The control environment constitutes the basis for Nordea's internal control and contains the culture and values established by the Board of Directors and Executive Management of Nordea Bank AB (publ).

A clear and transparent organisational structure is of importance for the control environment. Nordea's business structure aims to support the overall strategy, with a strong business momentum and increased requirements on capital and liquidity. The business as well as the organisation are under continuous development.

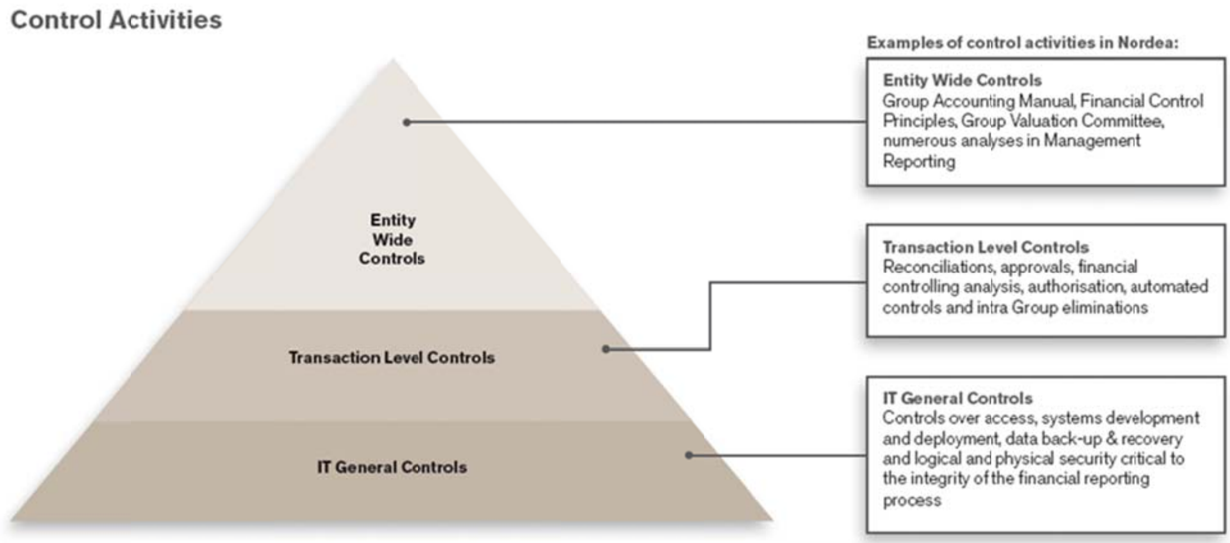
The key principle of risk management in Nordea is the three lines of defence, with the first line of defence being the business organisation, the second line of defence the centralised risk group functions which defines a common set of standards and the third line of defence being the internal audit function, see illustration "Internal Control Process" (under the heading "Internal Control Process"). The second line of defence function, Accounting Key Controls (AKC), is established and the initiative aims at implementing a Nordea Group-wide system of accounting key controls to ensure that controls essential for the financial reporting are continuously identified, monitored and assessed.

Risk Assessment

The Board of Directors has the ultimate responsibility for limiting and monitoring the Nordea Group's risk exposure and risk management is considered as an integral part of running the business. The main responsibility for performing risk assessments regarding financial reporting risks lies with the business organisation. Performing the risk assessments close to the business increases the chance of identifying the most relevant risks. In order to govern the quality, central functions stipulate in governing documents when and how these assessments are to be performed. Examples of Risk

Assessments, performed at least annually, are Quality and Risk Analysis for changes and Self Risk Assessments on divisional levels.

Control Activities



The heads of the respective units are primarily responsible for managing the risk associated with the units' operations and financial reporting processes. This responsibility is primarily supported by the Group Accounting Manual (GAM), the Financial Control Principles and various governing bodies, as for example the Group Valuation Committee. The GAM includes a standard reporting package used by all entities to ensure consistent use of Nordea's principles and coordinated financial reporting. Fundamental internal control principles in Nordea are segregation of duties and the four-eye principle when approving e.g. transactions and authorisations.

The quality assurance vested in the management reporting process, where detailed analysis of the financial outcome is performed, constitutes one of the most important control mechanisms associated with the reporting process. The reconciliations constitute another set of important controls where Nordea works continuously to further strengthening the quality.

Information and Communication

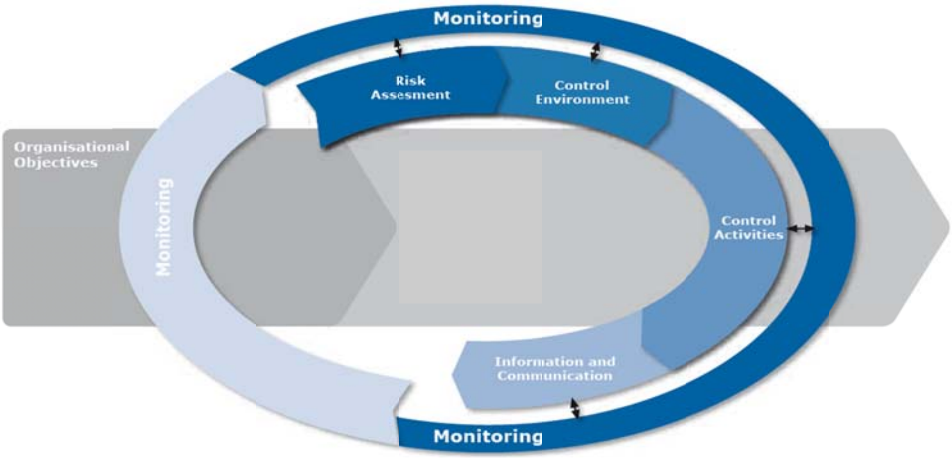
Group Functions are responsible for ensuring that the Group Accounting Manual and the Financial Control Principles are up-to-date and that changes are communicated to the responsible units. These governing documents are broken down into instructions and standard operating procedures in the responsible units. On an annual basis accounting specialists within Group Finance provide sessions for accountants and controllers in order to inform about existing and updated rules and regulations with an impact on Nordea.

The Finance Value Programme is an initiative focusing on the financial information processing. By transforming the financial reporting process and the financial information flow, the Programme is aiming at one integrated, effective finance reporting process that will enable faster reporting and a better ability to adapt to changes in the future.

Matters affecting the achievement of financial reporting objectives are communicated with outside parties, where Nordea actively participates in relevant national fora, such as fora established by the Financial Supervisory Authorities, central banks, and associations for financial institutions.

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. This interactive process aims to cover all COSO-components and can be illustrated with the figure below:



The CEO of Nordea annually issues a report to the Board of Directors of Nordea Bank AB (publ) on the quality of internal control in Nordea. This report is based on an internal control process checklist and a hierarchical reporting covering the whole organisation. Internal control and risk assessment regarding financial reporting is included as one of several focus categories in this process.

The Board of Directors, Group Internal Audit (GIA) and the Board Audit Committee have an important role with regards to monitoring the internal control over financial reporting in the Nordea Group.

Group Internal Audit is an independent function commissioned by the Board of Directors of Nordea Bank AB (publ). The Board Audit Committee is responsible for guidance and evaluation of GIA. The purpose of GIA's assurance activity is to add value to the organisation by assuring the quality of the governance, risk management, and control processes as well as promoting continuous improvement.

The Board of Directors of Nordea Bank Finland Plc approves the Group Internal Audit Annual Plan for Nordea Group and deals with the Group Internal Audit Annual Report on Nordea Bank Finland Plc.

The Board Audit Committee also assists the Board of Directors of Nordea Bank AB (publ) in fulfilling its supervisory responsibilities by among other things monitoring the Nordea Group's financial reporting process, and in relation to this the effectiveness of the internal control and risk management systems and the effectiveness of GIA. The Board Audit Committee is further accountable for keeping itself informed as to the statutory audit of the annual and consolidated accounts and reviewing and monitoring the impartiality and independence of the external auditors, and in particular the provision of additional services to the Nordea Group.

This Corporate Governance Report, including the Report on the key aspects of the systems for internal control and risk management regarding financial reports, has not been reviewed by the external auditors and it is not part of the formal financial statements.

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