Nordea

Annual Report 2005

Nordea Bank Finland

Nordea Bank Finland Plc is part of the Nordea Group. Nordea is the leading financial services group in the Nordic and Baltic Sea region. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has almost 11 million customers and more than 1,100 branch offices and a leading netbanking position with 4.4 million e-customers. The Nordea share is listed on the stock exchanges in Stockholm, Helsinki and Copenhagen.

Contents

Nordea Bank Finland Group

Five-year overview of the Directors' Report

Income statements

EURm	2005	2004	2003 [1]	2002 [1]	2001 [1]
Net interest income	1 210	1 121	2 407	3 738	2 615
Net fee and commission income	271	293	760	1 218	1 027
Net gains/losses on items at fair value	301	205	224	214	314
Equity method	20	18	37	38	57
Other income	60	53	184	269	1 363
Total operating income	**1 862**	**1 690**	**3 612**	**5 477**	**5 376**
General administrative expenses:					
Staff costs	-483	-417	-1 205	-2 080	-1 219
Other expenses	-371	-358	-1 049	-1 448	-1 155
Depreciation of tangible and intangible assets	-48	-56	-163	-307	-221
Total operating expenses	**-902**	**-831**	**-2 417**	**-3 835**	**-2 595**
Loan losses	-46	-18	-157	-263	-208
Write-downs on securities held as financial fixed assets	1	-1	-	-1	-
Disposals of tangible and intangible assets	0	34	-	-	-
Operating profit	**915**	**874**	**1 038**	**1 378**	**2 573**
Extraordinary items [1]	-	-	463	-292	-324
Income tax expense	191	24	55	-364	-58
Net profit for the year	**1 106**	**898**	**1 556**	**722**	**2 191**

Ratios and key figures

	2005	2004	2003	2002	2001
Return on equity, %	5.6	5.5	7.5	9.3	28.3
Cost/income ratio, %	48	49	65	68	47
Tier 1 capital ratio, %	17.8	19.9	19.1	6.6	6.2
Total capital ratio, %	20.2	22.9	22.2	10.4	9.3
Risk-weighted assets, EURm	64 058	55 839	54 005	135 226	135 941
Loan loss level, %	0.11	0.04	0.11	0.17	0.20
Number of employees (full-time equivalents)	8 910	9 012	9 047		
Average number of employees	9 717	10 000	22 785	34 748	25 861
Turnover, EURm	3 865	3 126	7 293	12 390	12 345
Operating profit, EURm	915	874	1 038	1 378	2 573
% of turnover	23.7	27.9	14.2	11.1	20.8
Return of total assets, %	0.6	0.6	0.5	0.4	1.4
Equity to total assets, %	9.9	10.1	11.9	4.5	4.9
Income/cost ratio	2.1	2.0	1.4	1.4	2.0

[1] According to previous GAAP, not restated to IFRS. Key ratios are not restated, either.

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.

Tier 1 capital
The proportion of the capital base, which includes consolidated shareholders' equity excluding proposed dividend, tax assets as well as goodwill in the banking operations. Subsequent to the approval of the supervisory authorities, Tier 1 capital also includes qualified forms of subordinated loans (Tier 1 capital contributions).

Risk-weighted amounts
Total assets and off-balance-sheet items valued on the basis of the credit and market risks in accordance with regulations governing capital adequacy, excluding book value of shares which have been deducted from the capital base and goodwill.

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

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

Return on equity (ROE)
Operating profit less taxes as a percentage of shareholders' equity including minority interest. Average equity is the mean of equity at the beginning and end of the year.

Loan losses level
Loan losses, net (incl. losses on guarantees and transfer risk) as a percentage of total loans and guarantees as of previous year-end.

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

Turnover
Interest income, fee and commission income, net gain/losses on items at fair value, dividends, profit from companies accounted for under the equity method and other 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.

Income/cost-ratio
Total operating income divided by operating expenses.

AGM	Annual General Meeting
CEO	Chief Executive Officer
EIU	Economist Intelligence Unit
GEM	Group Executive Management
OTC	Over-the-counter

Exchange rates applied (end of year rates as at 31 December 2005)

EUR	1.0000	**USD**	1.1789	**DKK**	7.4599	**EEK**	15.6466
GBP	0.6857	**CHF**	1.5551	**LTL**	3.4528	**LVL**	0.6959
NOK	7.9801	**PLN**	3.8524	**SEK**	9.3884	**SGD**	1.9608

Nordea Bank Finland Directors' report

Through out 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.

Group organisation

Nordea operates through three business areas: Retail Banking, Corporate and Institutional Banking and Asset Management & Life. The support functions are Group Processing and Technology, Group Corporate Centre and Group Legal and Compliance.

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

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

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

Subsidiaries and foreign branches

NBF has subsidiaries in Finland and abroad. The most significant subsidiary is Nordea Finance Finland Ltd. Nordea Finance Finland is responsible for the Group's finance company operations in Finland, Poland and the Baltic countries. The Nordea Finance Finland Group comprises one Finnish financial institution and several real estate companies, two associated companies as well as four subsidiaries operating in Poland and on 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

The wholly-owned subsidiary of Nordea Bank Finland Plc, Nordea Capital Ltd, was sold in November 2005. The sale had no significant effect on the result of the Group.

A the end of the year 2005 Nordea Finance Finland Ltd sold its company car fleet management operations to NF Fleet Oy. Nordea Finance Finland owns 20% of the shares in NF Fleet Oy, established by Axus Finland Oy and Nordea Finance Finland Ltd.

The wholly-owned subsidiary of Nordea Bank Finland Plc, Merita Systems Oy, was merged with Nordea Bank Finland Plc in October 2005.

American Scandinavian Banking Corporation and Nordea Finance (UK) Ltd, wholly- owned subsidiaries of Nordea Bank Finland Plc, were dissolved during the year.

The associated company of Nordea Bank Finland Plc, Toimiraha Oy, was dissolved during the year.

The domiciles, lines of business, results for the financial period and total assets of the above companies are shown in the Notes to the financial statements (note 46).

In addition, some small subsidiaries and associated companies have been disposed of or merged during the year. These disposals had no material effect on the Group's result.

IAS/IFRS implementation

As from 2005 Nordea Bank Finland Group applies the new accounting policies based on International Financial Reporting Standards (IFRS).

Business development in 2005

Results for 2005 showed an increase in net interest income compared to 2004. Net gains and losses on items at fair value and other operating income developed favourably as well. Staff and other expenses increased while depreciation was somewhat lower. Loan losses increased compared to the low level of 2004. Profit before tax was EUR 915m (2004: 874), and the realised return on equity was 5.6% (5.5).

Comments on the income statements

Operating income
Total operating income increased by 10% to EUR 1,862m (1,690) which was mainly the result of favourable development in net interest income as well as good performance in net gains and losses on items at fair value.

Net interest income increased by 8% to EUR 1,210m (1,121). It has been an increase in average lending volume of approximately 13% compared to last year. Net interest income is the most important source of income for the Group. The overall margin between average deposit and lending rates was 2.39 percentage points, which was somewhat lower than in 2004 when it was 2.59 percentage points. Mortgage lending to personal customers continued to grow as well as deposits from the public.

Net fee and commission income decreased by 8% to EUR 271m (293), which is mainly due to increased commission expenses following the centralisation of Markets derivative operations to Finland. Commission income increased only slightly to EUR 449m (447).

Net gains/losses on items at fair value increased by 47% to EUR 301m (205). Development in interest-rate related items was favourable and the income amounted to EUR 142m (112). An erroneous hedge position in listed financial futures trading caused a loss of income of EUR 20m in the last quarter of 2005 in equity-related items, which reached a zero result (-13). No customers have been affected. A strong pick-up was seen in foreign exchange gains, which totalled EUR 138m (90). Income from other financial instruments, comprising mainly of credit derivatives, was somewhat higher than in 2004 and it amounted to EUR 21m (16).

Profit from companies accounted for under the equity method was slightly higher than in the previous year and it amounted to EUR 20m (18). Major part of the income stems from International Moscow Bank.

Other operating income increased to EUR 58m (49) mainly due to higher sales profits on shares. The net profit from the sale of shares amounted to EUR 14m (8).

Operating expenses
Total operating expenses increased by 8% to EUR 902m (831m) which was clearly over the stated target of unchanged costs compared to 2004.

Staff costs increased by 16% to EUR 483m (417). Major part of the increase can be explained by lower pension expenses in 2004 as a result of the reclassification of the TEL disability pension from a defined benefit plan to a contribution plan. Salaries were almost unchanged compared to 2004. In 2005 the number of employees, measured by full-time equivalents, was reduced approximately by 100 of which 70 as a result of outsourcing. The average number of full time equivalent positions was 8,909 (9,729).

Other expenses were 4% higher than in the preceding year and amounted to EUR 371m (358). As a consequence of growth in volumes IT expenses increased by EUR 21m. Real estate expenses were in total lower than in 2004 although rents increased following the sale of own real estates.

Depreciation of tangible and intangible assets decreased to EUR 48m (56) partly as printing operations were outsourced and the relating equipment was sold. Depreciation on buildings decreased as well as major part of own premises were sold out in 2003 and 2004.

Loan losses
Loan losses amounted to EUR 46m compared to EUR 18m in 2004. Loan losses correspond to 0.11% of total loans and guarantees.

Disposal of tangible and intangible assets
Disposals of tangible and intangible assets netted each other out in 2005, whereas in 2004 net gains totalled EUR 34m. Major part of the 2004 gains related to the sale of Aleksanterinkatu 36 A and 36 B properties.

Taxes
Income tax expense was EUR 191m (24) positive. The effective tax rate amounted to -21% compared to -3% in 2004. The positive tax effect of EUR 485m is based on the revaluation of timing differences related to tax losses. The valuation is based on the consideration of future tax profits to offset the tax losses.

In total the deferred tax assets amounted to EUR 766m at the end of 2005. The unrecognised tax assets due to unused tax credits amounted to EUR 105m and it is subject to an evaluation which mainly depends on the timing of the utilization of tax losses.

The income tax expense includes EUR 66m related to the taxation of derivatives based on a ruling by the Norwegian Tax Administration. Nordea aims at reclaiming this amount based on expected new legislation and related transitional rules, as well as a pending court case.

Net profit
Net profit for the year amounted to EUR 1,106m (898). The return on equity was 5.6% (5.5).

Comments on the balance sheets

The total balance sheet increased by EUR 13 bn, or approximately 12%, during 2005. All balance sheet items in foreign currencies are translated into EUR at the actual year-end currency exchange rates. See Note 1 for more information regarding accounting policies.

The increased balance sheet reflects higher lending volumes and increased intra-group transactions. The growth has been financed through a variety of sources, of which deposits and borrowings from the public are the most significant. NBF has a strong capital position and diversified funding base, reflecting an overall sound financial structure.

Assets
Consolidated *total assets* amounted to 124bn at year-end, an increase of 13bn compared to the previous year-end.

Loans and receivables to credit institutions increased by approximately EUR 4bn to EUR 40bn (36). Major part of the increase derives from intra-bank deposits.

Loans and receivables to the public increased by approximately EUR 6bn. Mortgage lending to personal customers increased by 15% to EUR 15.4bn while consumer lending to households increased by 7% to EUR 5.3bn.

Interest-bearing securities increased slightly and totalled 1.0bn, reflecting a somewhat higher liquidity buffer compared to the end of 2004.

Other assets, banking, increased by approximately EUR 2bn, mainly reflecting an increase in the balance sheet value of derivatives.

Liabilities
Total liabilities amounted to EUR 112bn, an increase of approximately EUR 12bn.

Deposits by credit institutions increased by approximately EUR 3bn. The growth stems from increases in all types of relevant debt instruments.

Deposits and borrowings from the public increased by approximately EUR 3bn. Deposits from the public increased by 12% to EUR 33.6bn (30.0). They constitute the Bank Group's primary source of funding.

Debt securities in issue increased by approximately EUR 3bn. The issued securities mainly comprise short-term debt instruments with maturity below one year. The change is mainly reflecting the increased funding needs.

Other liabilities including subordinated liabilities increased by EUR 2bn, mainly reflecting higher balance sheet values of derivatives.

Equity
Shareholders' equity amounted to EUR 11,155m at the beginning of 2005. Net profit for the year was EUR 1,104m. Total equity amounted to EUR 12,204m at the end of the year.

Appropriation of net profit for the year

The net profit of the parent company for the year amounted to EUR 1,062m. It is proposed that the net profit will be distributed by way of:
- no allocation of dividend
- transfer of EUR 1,062m to other non-restricted equity.

Off-balance sheet commitments

The bank's business operations include a considerable proportion of off-balance sheet items. These include commercial products such as guarantees, documentary credits, credit commitments, etc. Credit commitments and unutilised credit lines amounted to EUR 12.7bn (10.4), whereas guarantees and granted but not utilised documentary credits as well as other off-balance sheet commitments excluding nominal values of derivative contracts totalled EUR 7.5bn (6.3).

Total exposure to counterparty risk pertaining to off-balance-sheet commitments amounted to EUR 7.6bn (6.3) at the end of 2005, measured as a risk-weighted amount in accordance with capital adequacy rules.

Volumes of derivatives increased significantly to EUR 1,960bn (1,413). Market's derivative operations have been centralised to Finland during the years 2003 and 2004.

Capital adequacy and ratings

At year-end, the Group's total capital ratio was 20.2% (22.9) and the Tier 1 capital ratio 17.8% (19.9). The corresponding figures for the parent company were 21.5% and 18.8% in 2005.

The minimum level laid down by the authorities for the total capital ratio, defined as the capital base as a percentage of the risk-weighted assets, is 8%. The Board of Directors confirms the assumption that the bank is going concern and the annual accounts have been prepared based on this assumption.

The Board of Directors considers solidity as on 31 December 2005 to be good.

Standard & Poor's raised its counterparty credit ratings on NBF to AA-/A-1+ from A+/A-1 in November 2005.

Rating, December 2005	Short	Long
Moody's	P-1	Aa3
S&P	A-1+	AA-
Fitch-IBCA	F1+	AA-

Capital adequacy

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Calculation of total capital base				
Equity	12 204	11 162	12 065	11 052
Proposed/actual dividend	-	-	-	-
Deferred tax assets	-761	-	-760	-
Intangible assets	-17	-26	-18	-11
Tier 1 capital (net after deduction of goodwill)	**11 426**	**11 136**	**11 287**	**11 041**
Tier 2 capital	**1 666**	**1 743**	**1 666**	**1 743**
- of which perpetual subordinated loans	710	686	710	686
Deduction [1]	-136	-91	-65	-40
Total capital base [2]	**12 956**	**12 788**	**12 888**	**12 744**
Risk-weighted assets for credit and market risks				
Credit risks as specified below	51 252	44 240	47 273	40 500
Market risks as specified below	12 806	11 599	12 806	11 599
Total risk-weighted assets	**64 058**	**55 839**	**60 079**	**52 099**
Tier 1 capital ratio, %	17.8	19.9	18.8	21.2
Total capital ratio, %	20.2	22.9	21.5	24.5

[1] Deduction for investments in other financial institutes outside the financial group of undertakings.

[2] Supplementary capital includes the undated subordinated loans and the dated subordinated loans after deduction for short-term maturities. Relating currency swaps have been taken into account when including subordinated loans in capital base.

Specification of risk-weighted assets, credit risks

Group	Items in the balance sheet		Off-balance-sheet items			
EURm, end of 2005	Reported	Risk-weighted	Nominal	Adjusted	Risk-weighted	Total risk-weighted assets
A 0%	36 847	-	69 264	1 410	-	-
B 20%	43 194	8 639	5 444	365	73	8 711
C 50%	15 482	7 741	423	140	70	7 811
D 100%	27 275	27 275	14 028	7 455	7 455	34 730
Total	**122 798**	**43 655**	**89 159**	**9 370**	**7 598**	**51 252**

Capital adequacy: *cont.*

Parent company	Items in the balance sheet		Off-balance-sheet items			
EURm, end of 2005	Reported	Risk-weighted	Nominal	Adjusted	Risk-weighted	Total risk-weighted assets
A 0%	36 709	-	68 579	1 410	-	-
B 20%	47 274	9 455	5 451	368	74	9 529
C 50%	15 482	7 741	437	140	70	7 811
D 100%	23 052	23 052	12 882	6 882	6 881	29 933
Total	**122 517**	**40 248**	**87 349**	**8 800**	**7 025**	**47 273**

Risk categories include:

A Claim on, or guarantee by a government/central bank within the OECD or a Finnish local government.

B Claim on, or guarantee by local governments or banks/financial institutions within the OECD, as well as short-term receivables from other banks/financial institutions.

C Claim backed by mortgages on residential property.

D Other assets.

Specification of risk-weighted assets, market risks

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Interest rate risks				
of which for specific risk	6 069	5 524	6 069	5 524
of which for general risk	1 787	1 880	1 787	1 880
Share price risks				
of which for specific risk	85	37	85	37
of which for general risk	33	51	33	51
Counterparty risks and other risks	4 686	3 799	4 686	3 799
Exchange rate risks	-	255	-	255
Commodity risks	146	53	146	53
Total	**12 806**	**11 599**	**12 806**	**11 599**

The total capital ratio is calculated quarterly in accordance with the Finnish Credit Institutions Act (1607/1993) and the regulations given by the Finnish Financial Supervision Authority. The regulation is based on, and follows, the international standard Basel 1. Also non-Finnish group units compile the capital adequacy reporting forms for reporting of the consolidation group in accordance with these instructions, even if they differed from national regulations.

The basic objectives of the capital requirements are to secure that the financial institution at any time operates with a capital base sufficient to cover the risk weighted assets divided into market risks and credit risks. The Finnish Financial Supervision Authority regulates the definitions and basis for calculation of capital base and risk-weighted assets and also requires quarterly reports regarding capital adequacy.

The objectives and the policies of capital management issues are handled on the Nordea Group capital planning forum, headed by the Nordea Group CFO, and includes tasks related to economic capital, Basel I and Basel II. Group planning forum monitors and analyses tasks related to these areas and prepares supporting documentation for further decision regarding capitalisation of the Nordea Group, including subordinated debt, repurchase of own shares and dividend. The capital planning forum closely follows and analyses the external capital requirements related to capital adequacy and Basel I, as well as future requirements under Basel II and the internal capital requirements in terms of economic capital.

Risk management & Basel II

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

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

Risk management principles and control

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

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

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

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

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

Group Credit and Risk Control is responsible for the risk management framework. The framework consists of policies, instructions and guidelines, and is applicable to the Group. For SIIR and liquidity risk, the framework is developed in cooperation with Group Treasury.

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

The Board of Directors of Nordea Bank Finland is ultimately responsible for limiting and monitoring the risk in the Nordea Bank Finland group.

Credit risk

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

The credit risks in Nordea arise mainly from various forms of lending to the public (corporates and personal customers), but also from guarantees and documentary credits. Furthermore, credit risk includes transfer risk, settlement risk and credit risk in financial instruments such as derivatives.

The credit risk from guarantees and documentary credits arises from the claim on a customer, which would occur in the case that a claim on Nordea arises in connection with an issued guarantee.

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

The decisions regarding credit risk limits for customers and customer groups are made by the relevant credit decision authorities on different levels within Nordea.

The responsibility for credit risk lies with the customer responsible unit, which on an ongoing basis assesses the customers' ability to fulfil their commitments and identifies deviations from agreed conditions and weaknesses in the customers' performance. At Nordea Group level, the control of credit risk is performed by Group Credit and Risk Control.

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

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

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

Risks in specific industries are controlled through industry policies setting requirements and limits on the overall industry exposure and these risks are monitored by industry monitoring groups.

Corporate customers' environmental risks are entered into the overall risk assessment through a process called Environmental Risk Assessment Tool, which has been developed within the Nordea Group.

Measurement methods

Quantification of credit risk was initially developed in Nordea as part of the Economic Capital framework. With the approaching Basel II framework a substantial amount of work has been done in aligning the internal quantification of credit risk with the external requirements set by Basel II.

Rating and scoring

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

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

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

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

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

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

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

Quantification of credit risk

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

The PD is the most important parameter when measuring credit risk. In general historical losses are used to calibrate the PDs attached to each rating grade. For some segments the PDs are based on mapping from external rating models due to lack of internal default data.

LGD is measured taking into account the security coverage of the exposure, the counterpart's balance-sheet components, and the presence of any structural support. LGD is also estimated using internal historical losses where applicable.

Where data is missing a combination of benchmarks and expert opinion is used. EAD is for many products equal to the outstanding exposure but for some products, such as credit lines and derivative contracts, the EAD can be higher than the utilised exposure. The set up for EAD estimation is similar to that for LGD.

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

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

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

Definition of Expected Loss (EL):

The EL is the normalised loss rate calculated base on the current portfolio. EL is measured using the formula, EL = PD x LGD x EAD, where

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

Credit risk analysis

The credit risk exposure is measured and presented as the principal amount of claims or potential claims on customers and counterparts net after reserves. It consists of all items that carry credit risk whether on or off NBF's balance sheet and was EUR 129bn in 2005.

The largest item is lending to the public, which in 2005 increased by 16% to EUR 46 bn (40). Lending to corporate customers was EUR 24bn (20), an increase by 20%, and lending to personal customers was EUR 21bn (19), an increase by 13%. The portion of lending of the total lending portfolio was to corporate customers 52% (50%) and to personal customers 46% (47%).

Loans and receivables to credit institutions, mainly in the form of inter-bank deposits, amounted to EUR 40bn at the end of 2005 (36). Of these loans, less than 10% was to banks outside OECD.

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

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

Regarding mortgage loans to personal customers, the collateral coverage is high, whereas consumer loans to personal customers are mostly unsecured, but includes objects related to contract lending.

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

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

Real estate management remains the largest industry sector in NBF’s lending portfolio, with EUR 6.1bn (5.4). Relatively large and financially strong companies dominate the portfolio. There is a high level of collateral coverage, especially for exposures, which fall into lower rating grades (3+ or lower).

Lending to personal customers
Mortgage loans increased by 15% while consumer loans increased by 7%. The portion of mortgage loans was 75% (74%).

Credit risk exposure

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

	Group	Parent company
EURm	31 Dec 2005	31 Dec 2005
Loans and receivables to credit institutions	39 758	43 945
Loans and receivables to the public	46 264	41 566
Unutilised credit commitments etc	13 562	11 715
Guarantees and documentary credits	6 683	6 946
Derivatives [1]	18 956	18 954
Interest-bearing securities issued by public bodies	852	852
Other interest-bearing securities	3 201	3 199
Total credit risk exposure	**129 276**	**127 177**

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

Lending to the public, by customer category

	Group				Parent company			
EURm	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2005	%	31 Dec 2004	%
Lending to the public by, customer category								
Corporate	24 017	51.9	19 873	49.9	21 243	51.1	17 632	49.8
Household	21 105	45.6	18 717	47.0	19 179	46.1	16 531	46.7
Public sector	1 142	2.5	1 229	3.1	1 144	2.8	1 224	3.5
Total	**46 264**	**100.0**	**39 819**	**100.0**	**41 566**	**100.0**	**35 387**	**100.0**
Corporate lending to the public, by industry								
Real estate management	6 146	25.6	5 396	27.2	6 080	28.6	5 219	29.6
Construction	532	2.2	417	2.1	403	1.9	308	1.7
Agriculture and fishing	297	1.2	272	1.4	297	1.4	269	1.5
Transport	2 445	10.2	1 755	8.8	2 028	9.5	1 397	7.9
Shipping	220	0.9	129	0.6	220	1.0	126	0.7
Trade & services	2 710	11.3	2 313	11.6	2 331	11.0	1 979	11.2
Manufacturing	4 399	18.3	3 982	20.0	3 869	18.2	3 493	19.8
Financial operations	259	1.1	310	1.6	359	1.7	240	1.4
Renting, consulting and other company services	1 143	4.8	1 275	6.4	1 118	5.3	1 232	7.0
Other companies	5 866	24.4	4 024	20.3	4 538	21.4	3 369	19.2
Total	**24 017**	**100.0**	**19 873**	**100.0**	**21 243**	**100.0**	**17 632**	**100.0**
Lending to households, by loan category								
Mortgage loans	15 794	74.8	13 774	73.6	15 794	82.3	13 774	83.3
Consumer loans	5 311	25.2	4 943	26.4	3 385	17.7	2 757	16.7
Total	**21 105**	**100.0**	**18 717**	**100,0**	**19 179**	**100,0**	**16 531**	**100.0**

Geographical distribution
Lending distributed by borrower domicile shows that the Finnish market accounts for 82% (85%). The Baltic countries and other EU countries represent the main part of the lending outside the Nordic countries. The exposure to emerging markets is limited.

Transfer risk
The transfer risk exposure is dominated by a few countries and is trade-related and primarily short-term. The total transfer risk reserve at the end of 2005 was EUR 68m (40).

Impaired loans
An impaired loan is a claim for which it is probable that payment will not be made in accordance with the contractual terms of the claim. Impaired loans, gross, were EUR 563m (525). Reserves were increased to EUR 463m from EUR 392m. The ratio of reserves to cover remaining impaired loans, gross, increased to 82% (75%).

Corporate lending to the public, by size of loans

	Group				Parent company			
EURm	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2005	%	31 Dec 2004	%
Corporate lending to the public, by size of loans								
0-10	13 665	56.9	10 051	50.6	12 042	56.7	8 916	50.6
10-50	5 907	24.6	4 645	23.4	5 250	24.7	4 122	23.4
50-100	2 476	10.3	1 927	9.7	2 201	10.3	1 710	9.7
100-250	1 402	5.8	1 827	9.2	1 246	5.9	1 621	9.2
250-500	567	2.4	1 423	7.1	504	2.4	1 263	7.1
500-	-	-	-	-	-	-	-	-
Total	**24 017**	**100.0**	**19 873**	**100.0**	**21 243**	**100.0**	**17 632**	**100.0**

Impaired loans

Group

	31 Dec 2005			31 Dec 2004		
EURm	Corporate customers	Household customers	Total	Corporate customers	Household customers	Total
Impaired loans, gross	434	129	563	426	138	564
Reserves for impaired loans	-391	-72	-463	-357	-75	-432
Impaired loans net	43	57	100	69	63	132
Reserves/impaired loans, gross (%)	90.1	55.8	82.2	83.8	54.3	76.6
Impaired loans, net/lending (%)	0.2	0.3	0.2	0.3	0.3	0.3

Parent company

	31 Dec 2005			31 Dec 2004		
EURm	Corporate customers	Household customers	Total	Corporate customers	Household customers	Total
Impaired loans , gross	417	74	491	369	116	485
Reserves for impaired loans	-382	-47	-429	-346	-50	-396
Impaired loans net	35	27	62	23	66	89
Reserves/impaired loans, gross (%)	91.6	63.5	87.4	93.8	43.1	81.6
Impaired loans, net/lending (%)	0.2	0.1	0.2	0.1	0.4	0.3

Settlement risk

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

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

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

Risk in derivatives

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

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

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

Derivatives affect credit risk, market risk, SIIR and liquidity risk exposures.

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

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

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

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

Transfer risk exposure[1]

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Asia	469	307	469	307
Latin America	142	26	142	26
Eastern Europe & CIS	148	71	148	71
Middle East	335	207	335	207
Africa	34	11	34	11

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

Lending to the public, by geographical area

	Group				Parent company			
EURm	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2005	%	31 Dec 2004	%
Nordic countries	39 116	84.5	34 885	87.6	34 750	83.6	30 701	86.8
of which Denmark	693		553		693		553	
of which Finland	37 907		33 964		33 541		29 780	
of which Norway	180		241		180		241	
of which Sweden	336		127		336		127	
Poland and the Baltic countries	2 452	5.3	1 365	3.4	2 120	5.1	1 117	3.2
EU countries other	1 784	3.9	1 628	4.1	1 784	4.3	1 628	4.6
USA	984	2.1	736	1.8	984	2.4	736	2.1
Latin America	268	0.6	111	0.3	911	2.2	466	1.3
Asia	911	2.0	466	1.2	268	0.6	111	0.3
Other OECD	492	1.1	336	0.9	492	1.2	336	0.9
Other Non-OECD	257	0.5	292	0.7	257	0.6	292	0.8
Total	**46 264**	**100.0**	**39 819**	**100.0**	**41 566**	**100.0**	**35 387**	**100.0**

Impaired loans gross to corporate customers, by industry

	Group				Parent company			
EURm	31 Dec 2005	% of lending to the industry	31 Dec 2004	% of lending to the industry	31 Dec 2005	% of lending to the industry	31 Dec 2004	% of lending to the industry
Real estate management	35	0.6	54	1.0	35	0.6	47	0.9
Construction	12	2.3	20	4.8	12	3.0	18	5.8
Agriculture and fishing	2	0.7	5	1.8	1	0.3	2	0.7
Transport	13	0.5	36	2.1	11	0.5	31	2.2
Shipping	0	0.0	2	1.6	0	0.0	2	1.6
Trade & services	52	1.9	49	2.1	51	2.2	44	2.2
Manufacturing	169	3.8	141	3.5	162	4.2	125	3.6
Financial operations	13	5.0	25	8.1	12	3.3	21	8.8
Renting, consulting and other company services	33	2.9	32	2.5	33	3.0	29	2.4
Other companies	105	1.8	62	1.5	100	2.2	50	1.5
Total	**434**	**1.8**	**426**	**2.1**	**417**	**2.0**	**369**	**2.1**

Distribution of reserves to corporate customers, by industry

	Group				Parent company			
EURm	31 Dec 2005	%	31 Dec 2004	%	31 Dec 2005	%	31 Dec 2004004	%
Real estate management	31	7.9	44	12.3	31	8.1	42	12.1
Construction	11	2.8	18	5.0	11	2.9	18	5.2
Agriculture and fishing	2	0.5	1	0.2	1	0.3	1	0.3
Transport	11	2.7	17	4.8	11	2.9	16	4.6
Shipping	0	0.0	2	0.6	0	0.0	2	0.6
Trade & services	49	12.5	45	12.6	48	12.6	43	12.4
Manufacturing	157	40.2	128	35.9	154	40.3	124	35.8
Financial operations	10	2.6	21	5.9	9	2.4	21	6.1
Renting, consulting and other company services	31	7.9	30	8.4	31	8.1	29	8.4
Other companies	89	22.9	51	14.3	86	22.4	50	14. 5
Total	**391**	**100.0**	**357**	**100.0**	**382**	**100.0**	**346**	**100.0**

Reconciliation of reserves for impaired loans

Group

EURm	31 Dec 2004	Changes through P/L	Currency changes	31 Dec 2005
Specific reserves for individually assessed loans	357	-19	-5	333
Groups of significant loans	60	48	6	114
Groups of non-significant loans	15	1	-	16
Total reserves	**432**	**30**	**1**	**463**

Parent company

EURm	31 Dec 2004	Changes through P/L	Currency changes	31 Dec 2005
Specific reserves for individually assessed loans	321	-17	-5	299
Groups of significant loans	60	48	6	114
Groups of non-significant loans	15	1	-	16
Total reserves	**396**	**32**	**1**	**429**

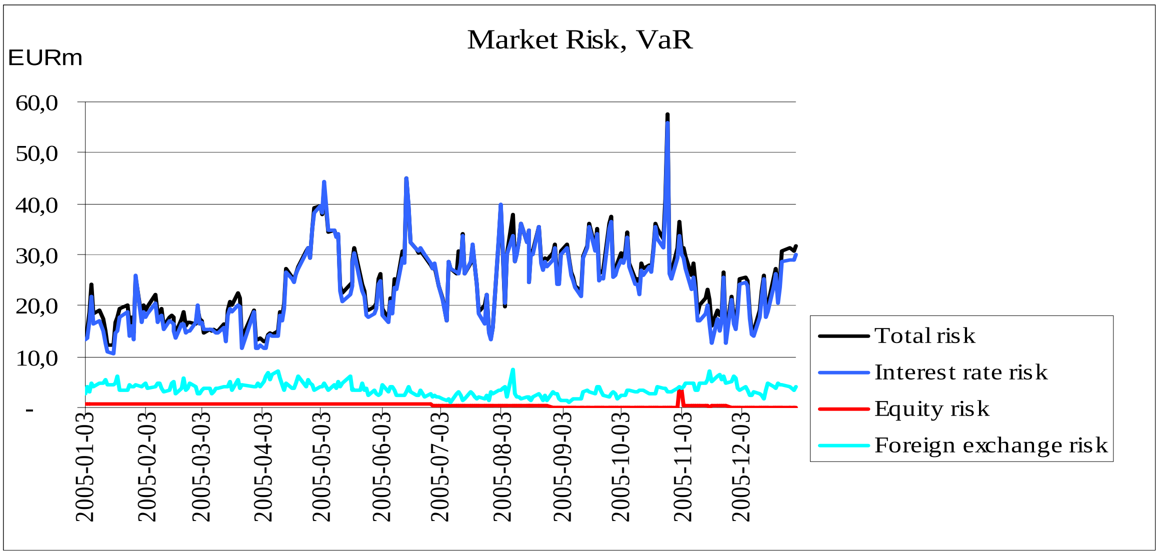
Market risk

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

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

Nordea's market risk exposure derives mainly from the investment portfolios of Group Treasury and the customer-driven trading activity of Nordea Markets. Furthermore, market risk on Nordea's account arises from the mismatch of the market risk exposure on assets and liabilities in defined benefit pension plans. For all other activities, the basic principle is that market risks are eliminated by matching assets, liabilities and off-balance-sheet items. This is achieved by transactions in Group Treasury.

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



Credit risk exposure in derivatives (after close-out netting and collateral agreements) - Nordea Bank Finland Group

31 Dec 2005, EURm	Current exposure	Potential future exposure	Total credit risk exposure
Total	3 353	18 587	18 956

Measurement methods

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

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

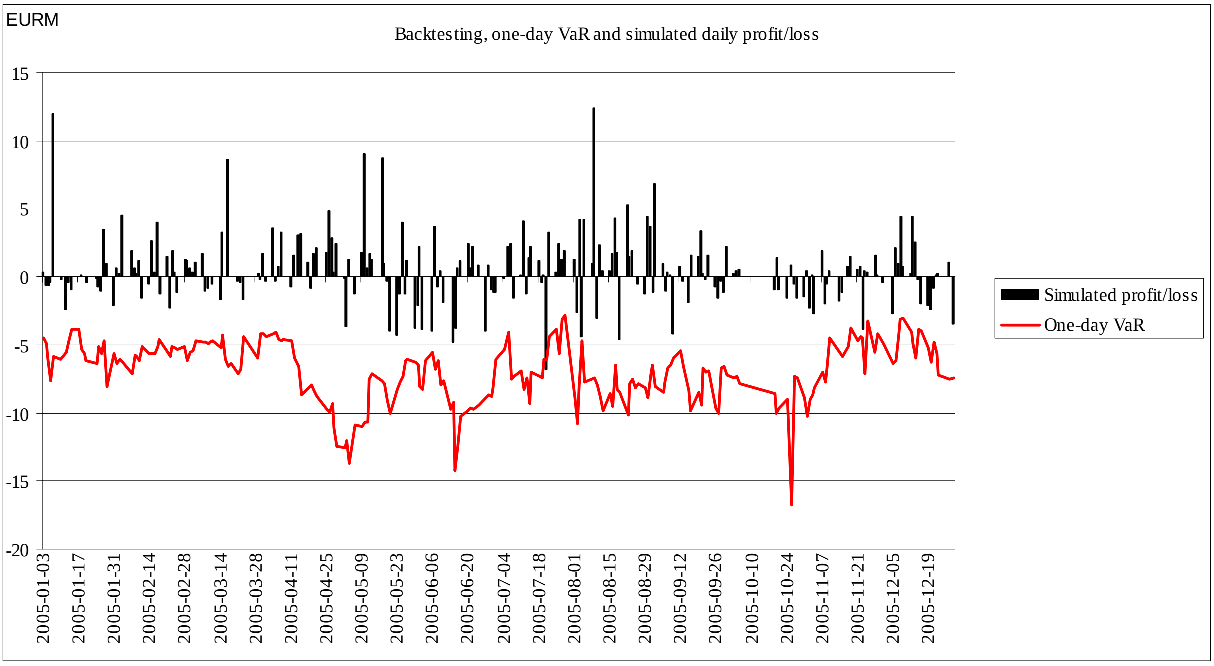
VaR is a statistical risk measure, which in Nordea is based on the last two years' historical changes in market prices and rates, a holding period of 10 banking days and a probability of 99%. Nordea's historical simulation VaR model is based on the expected tail loss approach, which implies using the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

It is Nordea's ambition to use VaR to measure the risk on all significant risk categories for which liquid markets exist and foreign exchange option risk and credit-spread risk are included in the Group's VaR models as from 2006.

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

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

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



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

Total risk
The total VaR for NBF was EUR 32m (14) at the end of 2005, which shows that there is a noticeable diversification effect between interest rate, linear equity and linear foreign exchange risk, as the total VaR is lower than the sum of the risk in the three categories.

NBF uses hedge accounting in the financial statement. Fair value hedge accounting is applied for all hedges. The overall purpose is to have a true and fair presentation of NBF's economic hedges in the financial statements. In NBF, the overall operational responsibility for hedge positions and for hedge accounting lies within Treasury. The hedging instruments used in NBF are predominantly interest rate swaps. Currency interest rate swaps and cash instruments are only utilised in a few transactions. Cash instruments are only used as hedging instruments when hedging currency risk. Hedged items in NBF consist of both individual assets or liabilities and portfolios of assets or liabilities.

Interest rate risk
The total interest rate VaR for NBF was EUR 30m at the end of 2005 (34). The total gross sensitivity to a 1-percentage point parallel shift, which measures the development in the market value of NBF's interest rate sensitive positions if all interest rates move adversely for NBF, was EUR 120m at the end of 2005 and the net interest rate sensitivity was EUR -22m. The largest interest rate exposures are in SEK, DKK, USD and EUR.

Foreign exchange risk
NBF's foreign exchange VaR of EUR 4m (4) at year-end is relatively low compared to the interest rate exposure. The gross sensitivity to a 5% change in the exchange rate of all currencies vis-à-vis the euro was EUR 17m at the end of 2005. The foreign exchange option risk was EUR 14m (15).

Equity risk
At the end of 2005, NBF's equity VaR stood at EUR 0m (1) and the net sensitivity to a 10% movement in equity prices was EUR 0.2m. The largest equity exposure was to the financial sector.

Equity option risk increased during 2005, reflecting the increased activity in these markets.

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

Commodity risk
NBF's exposure to commodity risk, primarily pulp and paper, is solely related to customer-driven activities. The linear commodity risk was EUR 12m (4) by the end of 2005. The commodity option risk was EUR 6m.

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

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

Measurement methods

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

SIIR analysis

At the end of the year, the SIIR for decreasing market rates in NBF was EUR -144m and the SIIR for increasing rates was EUR 138m, implying that net interest income would decrease if interest rates fell and increase if interest rates rose.

SIIR is actively managed in order to reduce the effects of the low market rate environment. A portion of Nordea's non-maturity deposits is in practice stable and the interest rates are rarely changed. These accounts have been redefined as long-term and hedged on a rolling basis, which has reduced SIIR.

Liquidity risk

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

Measurement methods

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

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

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

The structural liquidity risk of Nordea is measured by the net balance of stable funding, which is defined as the difference between stable liabilities and stable assets. ALCO has set as a target that the net balance of stable funding must be positive, which means that stable assets are funded by stable liabilities. These liabilities primarily comprise retail deposits, bank deposits and bonds with a term to maturity longer than 6 months, and shareholders equity. Stable assets primarily comprise retail loans and other loans with a term to maturity longer than 6 months.

Liquidity risk analysis

The short-term liquidity risk was held at moderate levels throughout 2005. The average funding gap risk in NBF was EUR -1.8bn (+1.7bn), i.e. the average expected need for raising liquidity in the course of the next 14 days was negative, indicating no net expected need.

NBF's liquidity buffer was in the range EUR 3.4-4.1bn throughout 2005 with an average of EUR 3.7bn. NBF considers this a high level and it reflects the group's conservative attitude towards liquidity risk in general and towards unexpected liquidity events in particular.

The yearly average for the net balance of stable funding was in 2005 EUR –0.4bn, which is well within the allowed limit for negative net balance.

Liquidity risk, liability maturity analysis 2005

Group

EURm

Remaining maturity	Payable on demand	Up to 1 year	1-5 years	>5 years	Total
Liabilities	24 963	50 652	2 949	0	78 564

Parent company

EURm

Remaining maturity	Payable on demand	Up to 1 year	1-5 years	>5 years	Total
Liabilities	24 963	50 673	2 949	0	78 585

SIIR Risk, GAP Analysis 31 December 2005

Group

EURm, Interest Rate Fixing Period	Balance sheet	Within 3 months	3-6 months	6-12 months	1-2 years	2-5 years	>5 years	Non Repricing	Total
Assets									
Interest-bearing assets	**91 830**	65 784	11 441	10 162	992	1 947	1 177	327	91 830
Off-balance sheet items	-	2 352 134	8 102	5 818	5 564	6 308	2 665	-	2 380 591
Non-interest-bearing assets	**31 881**	-	-	-	-	-	-	31 881	31 881
Total assets	**123 711**	**2 417 918**	**19 543**	**15 980**	**6 556**	**8 255**	**3 842**	**32 208**	**2 504 302**
Liabilities									
Interest-bearing liabilities	**79 645**	50 806	9 824	6 110	5 839	6 487	579	-	79 645
Off-balance sheet items	-	2 351 767	11 974	10 437	1 515	2 503	2 395	-	2 380 591
Non-interest-bearing liabilities	**44 066**	-	-	-	-	-	-	44 066	44 066
Total liabilities	**123 711**	**2 402 573**	**21 798**	**16 547**	**7 354**	**8 990**	**2 974**	**44 066**	**2 504 302**
Exposure		**15 345**	**-2 255**	**-567**	**-798**	**-735**	**868**	**-11 858**	**0**
Cumulative exposure			**13 090**	**12 523**	**11 725**	**10 990**	**11 858**	**0**	**0**

Parent company

EURm, Interest Rate Fixing Period	Balance sheet	Within 3 months	3-6 months	6-12 months	1-2 years	2-5 years	>5 years	Non Repricing	Total
Assets									
Interest-bearing assets	**90 991**	65 120	11 451	10 176	1 217	1 969	1 058	-	90 991
Off-balance sheet items	-	2 352 134	8 102	5 818	5 564	6 308	2 665	-	2 380 591
Non-interest-bearing assets	**32 369**	-	-	-	-	-	-	32 369	32 369
Total assets	**123 360**	**2 417 254**	**19 553**	**15 994**	**6 781**	**8 277**	**3 723**	**32 369**	**2 503 951**
Liabilities									
Interest-bearing liabilities	**79 634**	50 795	9 824	6 110	5 839	6 487	579	-	79 634
Off-balance sheet items	-	2 351 767	11 974	10 437	1 515	2 503	2 395	-	2 380 591
Non-interest-bearing liabilities	**43 726**	-	-	-	-	-	-	43 726	43 726
Total liabilities	**123 360**	**2 402 562**	**21 798**	**16 547**	**7 354**	**8 990**	**2 974**	**43 726**	**2 503 951**
Exposure		**14 692**	**-2 245**	**-553**	**-573**	**-713**	**749**	**-11 357**	**0**
Cumulative exposure			**12 447**	**11 894**	**11 321**	**10 608**	**11 357**	**0**	**0**

Operational risk

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

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

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

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

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

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

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

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

Economic Capital

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

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

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

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

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

- Credit risk is calculated using a set of capital factors. The capital factors are developed for different products, customer segments and credit quality categories. The factors have been estimated using a portfolio model, where PD, LGD and EAD are inputs, and are reviewed and updated annually. The parameter estimation framework used for EC will to a large extent also be used in the upcoming Basel II.
- The Market risk measurement for the banking business is based on scenario simulation and Value-at-Risk (VaR) models tailor-made for EC. The market risk in Nordea's internal defined benefit plans is based on VaR models.
- Operational risk is calculated according to the proposed standardised approach within Basel II.

Business risk is calculated based on the observed volatility in historical profit and loss time series that is attributed to business risk.

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

New Capital Requirements Directive (Basel II)

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

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

Nordea participated in the fifth Quantitative Impact Study in 2005. The result of this as well as earlier

studies indicates that the new regulations will have a positive effect on minimum required capital, the main reason being the Group's lending portfolio mix. For Nordea, a decrease in risk-weighted assets is expected to increase the Group's flexibility to manage its regulatory capital in a more efficient way.

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

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

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

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

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

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

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

Human resources

HR Strategy
The employees form the basis for the successful development of Nordea. The aim is to attract, develop and retain highly motivated, competent and performance-oriented people. This challenging goal is reflected in mandatory focus areas throughout the Nordea Group.

HR Policies
A number of policies within HR have been developed and harmonised in order to reduce complexity. These policies deal with learning, career management and recruitment. With these joint guidelines NBF takes yet another step towards being just one bank.

Profile
During 2005 the decline in the number of employees continued as a consequence of Nordea's ongoing focus on integration and efficient processes.

The number of personnel in the Bank Group was reduced from 9,795 to 9,750 in 2005 reflecting 8,910 full-time employees.

The focus of the HR organisation on providing new job opportunities for employees identified as redundant in their present position has contributed to avoiding lay-offs.

Incentive Programmes
All employees participate in a profit-sharing programme. In addition, an executive incentive programme for managers of the Group has been implemented. The performance criteria in 2005 included Economic Profit and Nordea's relative performance compared to the Nordic peer group as measured by return on equity (excluding goodwill).

The performance criteria for both employee and executive programmes reflect internal goals as well as benchmarking against competitors. Both programmes are capped.

Performance and Development Dialogue
One of the main instruments to secure development of the employees both through formal training and on-the-job training is the Performance and Development Dialogue (PDD).

Environmental concerns

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

The Nordea Group has adopted an environmental policy that will provide guidance on how the group entities will manage and control environmental issues in their own operations, supporting the reduction of related costs and business risks to the Group.

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

Legal proceedings

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

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 marketmaking activities. The trades are specified in the table enclosed.

Aquisitions

Month	Quantity	Acq.price	Amount EUR
March	1 318 600	7.84	10 337 824.00
May	1 000	7.26	7 260.00
June	3 000	7.50	22 500.00
June	3 000	7.61	22 830.00
July	3 000	7.60	22 804.50
July	100	7.90	790.00
July	500	7.90	3 950.00
September	3 000	7.94	23 824.50
September	4 000	8.05	32 200.00
October	5 000	8.09	40 450.00
November	4 000	8.29	33 166.00
December	10 000	8.60	86 000.00
			10 633 599.00

Sales

Month	Quantity	Price	Amount EUR
March	-1 318 600	7.84	-10 337 824.00
May	-1 000	7.27	-7 270.00
July	-3 000	7.60	-22 800.00
July	-3 000	7.53	-22 585.50
July	-500	7.90	-3 950.00
July	-100	7.90	-790.00
August	-3 000	7.93	-23 790.00
September	-3 000	7.66	-22 975.50
October	-4 000	8.28	-33 120.00
October	-5 000	8.07	-40 350.00
November	-4 000	8.08	-32 314.00
December	-10 000	8.61	-86 100.00
			-10 633 869.00

Nominal value of the share of Nordea Bank AB (publ) is EUR 0.39632. The trades had an insignificant effect on the shareholding and voting-power of Nordea Bank AB (publ). At year-end 2005 NBF did not own any shares of the parent company.

Subsequent events

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

Outlook

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

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

For 2006, the target is to achieve a gap between growth in income and costs of at least five percentage points. Costs are expected to be largely unchanged. The development in Nordea Bank Finland is expected to contribute to reaching this target.

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

Nordea Bank Finland Group and Nordea Bank Finland Plc

Income statements

EURm	Note	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Operating income					
Interest income	3	3 036	2 376	2 856	2 201
Interest expense	3	-1 826	-1 255	-1 824	-1 254
Net interest income	3	1 210	1 121	1 032	947
Fee and commission income	4	449	447	425	425
Fee and commission expense	4	-178	-154	-171	-148
Net fee and commission income	4	271	293	254	277
Net gains/losses on items at fair value	5	301	205	300	205
Profit from companies accounted for under the equity method	20	20	18	-	-
Dividends	6	2	4	63	158
Other operating income	7	58	49	51	55
Total operating income		**1 862**	**1 690**	**1 700**	**1 642**
Operating expenses					
General administrative expenses:					
Staff costs	8	-483	-417	-439	-373
Other expenses	9	-371	-358	-362	-366
Depreciation, amortisation and impairment charges of tangible and intangible assets	10,22,23	-48	-56	-22	-34
Total operating expenses		**-902**	**-831**	**-823**	**-773**
Loan losses	11	-46	-18	-36	-10
Write-downs on securities held as financial fixed assets		1	-1	1	0
Disposals of tangible and intangible assets		0	34	-2	4
Operating profit		**915**	**874**	**840**	**863**
Income tax expense	12	191	24	222	56
Net profit for the year		**1 106**	**898**	**1 062**	**919**
Attributable to:					
Shareholders of Nordea Bank Finland Plc		1 104	896	1 062	919
Minority interest		2	2	-	-
Total		**1 106**	**898**	**1 062**	**919**

Balance sheets

EURm	Note	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Assets					
Cash and balances with central banks		1 756	1 687	1 756	1 687
Treasury bills and other eligible bills	13	3 072	3 034	3 072	3 034
Loans and receivables to credit institutions	14, 16	39 758	36 029	43 945	39 958
Loans and receivables to the public	15, 16, 24	46 264	39 819	41 566	35 387
Interest-bearing securities	17	981	712	979	712
Shares	18	316	216	316	215
Derivatives	19	28 165	26 427	28 165	26 428
Fair value changes of the hedged items in portfolio hedge of interest rate risk		70	-	70	-
Investments in associated undertakings	20	214	176	132	110
Investments in group undertakings	21	-	4	325	334
Intangible assets	22	17	20	18	18
Property and equipment	23, 24	78	153	45	45
Investment property	25	39	33	8	5
Deferred tax assets	12	766	443	760	441
Current tax assets		6	6	-	2
Retirement benefit assets	34	53	50	49	47
Prepaid expenses and accrued income	26	413	511	369	458
Other assets	27	1 743	1 597	1 785	1 727
Total assets		**123 711**	**110 917**	**123 360**	**110 608**
Liabilities					
Deposits by credit institutions	28	21 219	17 976	21 181	17 948
Deposits and borrowings from the public	29	35 092	31 675	35 113	31 689
Debt securities in issue	30	21 430	18 575	21 435	18 580
Derivatives	19	28 069	26 594	28 069	26 594
Fair value changes of the hedged items in portfolio hedge of interest rate risk		43	-	43	-
Current tax liabilities		20	11	17	7
Other liabilities	31	2 970	2 414	2 882	2 326
Accrued expenses and prepaid income	32	630	562	547	485
Deferred tax liabilities	12	14	16	-	-
Provisions	33	55	54	43	40
Retirement benefit obligation	34	61	64	61	64
Subordinated liabilities	35	1 904	1 821	1 904	1 821
Total liabilities		**111 507**	**99 762**	**111 295**	**99 554**
Equity	36				
Minority interests		6	6	-	-
Core equity					
Share capital		2 319	2 319	2 319	2 319
Other reserves		3 483	3 486	3 447	3 447
Retained earnings		5 292	4 448	5 237	4 369
Net profit for the year		1 104	896	1 062	919
Total core equity		**12 198**	**11 149**	**12 065**	**11 054**
Total equity		**12 204**	**11 155**	**12 065**	**11 054**
Total liabilities and equity		**123 711**	**110 917**	**123 360**	**110 608**
Assets pledged as security for own liabilities	37	8 164	3 562	8 164	3 562
Other assets pledged	38	100	-	100	-
Contingent liabilities	39	6 683	5 203	6 946	5 429
Commitments	40	1 973 545	1 424 240	1 971 698	1 422 651

Other notes

Note 41 Classification of financial instruments
Note 42 Assets and liabilities at fair value
Note 43 Assets and liabilities in foreign currencies
Note 44 Hedge accounting
Note 45 Continued involvement in assets that have been transferred and associated liabilities
Note 46 Mergers, disposals and dissolutions
Note 47 Related party transactions

Statement of recognised income and expense

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Currency translation differences during the year	6	-9	-	-
Net income recognised directly in equity	**6**	**-9**	**-**	**-**
Profit for the period	**1 106**	**898**	**1 062**	**919**
Total recognised income and expense for the year	**1 112**	**889**	**1 062**	**919**
Attributable to:				
Shareholders of Nordea Bank Finland Plc	1 110	887	1 062	919
Minority interest	2	2	-	-
	1 112	**889**	**1 062**	**919**
Effect of changes in accounting policies:				
Shareholders of Nordea Bank Finland Plc	-59	-9	-51	2
Minority interest	0	0	-	-
	-59	**-9**	**-51**	**2**

See note 36 for further information.

Cash flow statement

	Group		Parent company	
EURm	2005	2004	2005	2004
Operating activities				
Operating profit	915	874	840	863
Adjustments for items not included in cash flow	191	78	138	77
Income taxes paid	-129	-44	-97	-14
Cash flow from operating activities before changes in operating assets and liabilities	**977**	**908**	**881**	**926**
Changes in operating assets				
Change in loans and receivables to credit institutions	-4 736	-1 454	-4 992	-1 631
Change in loans and receivables to the public	-6 531	-4 108	-6 245	-3 862
Change in interest-bearing securities	-318	469	-317	469
Change in shares	-113	-115	-114	-122
Change in derivatives, net	-179	-100	-179	-100
Change in other assets	-155	-724	-57	-890
Changes in operating liabilities				
Change in deposits by credit institutions	3 243	5 405	3 233	5 386
Change in deposits and borrowings from the public	3 417	519	3 424	520
Change in debt securities in issue	2 855	1 841	2 855	1 842
Change in other liabilities	565	651	566	632
Cash flow from operating activities	**-975**	**3 292**	**-945**	**3 170**
Investing activities				
Acquisition of investments in associated undertakings	-22	54	-1	15
Acquisition of tangible assets	61	187	16	230
Sale of tangible assets	-27	-48	-33	-70
Acquisition of intangible assets	-6	-11	-6	-11
Sale of intangible assets	1	1	0	0
Purchase/sale of other financial fixed assets	0	354	0	356
Cash flow from investing activities	**7**	**537**	**-24**	**520**
Financing activities				
Issued subordinated liabilities	83	-43	83	-43
Amortised subordinated liabilities	-	-875	-	-875
Dividend paid	-54	27	-50	37
Cash flow from financing activities	**29**	**-891**	**33**	**-881**
Cash flow for the year	**-939**	**2 938**	**-936**	**2 809**
Cash and cash equivalents at the beginning of year	**13 038**	**10 100**	**13 032**	**10 226**
Exchange rate difference	-	-	-	-3
Cash and cash equivalents at the end of year	**12 099**	**13 038**	**12 096**	**13 032**
Change	**-939**	**2 938**	**-936**	**2 809**

Comments on the cash flow statement

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

Operating activities

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

	Group		Parent company	
EURm	2005	2004	2005	2004
Depreciation	48	56	22	34
Write-downs	-1	1	-1	0
Loan losses	85	52	65	37
Unrealised gains/losses	-59	59	-59	60
Capital gains/losses (net)	-10	-40	-11	-17
Change in accruals and provisions	160	-36	151	-18
Other	-32	-14	-29	-19
	191	**78**	**138**	**77**

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

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

	Group		Parent company	
EURm	2005	2004	2005	2004
Interest payments received	2 682	2 060	2 495	1 893
Interest expenses paid	1 473	989	1 474	989

Investing activities

Investing activities include the acquisition and disposal of fixed assets, financial as well as tangible and intangible assets.

Liquid assets

The following items are included in liquid assets:

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Cash and balances at central banks	1 756	1 687	1 756	1 687
Loans and receivables to credit institutions, payable on demand	10 343	11 351	10 340	11 345
	12 099	**13 038**	**12 096**	**13 032**

Cash comprises legal tender and bank-notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;

- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available any time.

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

Notes to the financial statements

Note 1
Accounting policies

Basis for presentation

The financial statements of Nordea Bank Finland Plc and the consolidated financial statements of the Bank Group are prepared in accordance with International Financial Reporting Standards (IFRS) endorsed by the EU, the Finnish Accounting Act and to applicable parts according to 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.

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

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

Comparative figures

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

In accordance with the transition rules for the application of IFRS 7 Financial Instruments: Disclosures, included in IFRS 1, NBF does not present comparative information for disclosures required by this standard.

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

IAS 1, Presentation of Financial Statements
According to Finnish GAAP, minority interests were deducted from equity and separately disclosed. In accordance with IAS 1 and IAS 27, minority interests are now included as a separate component in equity.

IAS 17, Leases
Leases have been classified into finance and operating leases. The open residual values of the leases have been reviewed and they have been subject to impairment testing. The depreciations of operating leases are treated as depreciations and not as a part of the leasing net.

IAS 19, Employee Benefits
In accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards", retirement benefit obligations and assets, not recognized in the balance sheet under Finnish GAAP, have been booked directly against equity when implementing IFRS. Comparative figures for 2004 have been restated accordingly.

Due to the change in the calculation bases the disability pension under the Employees' Pensions Act has been reclassified as a defined contribution plan as on 1 January 2005. The obligation was classified as a defined benefit plan in the opening balance 2004. The change had a positive non-recurring impact on the comparison figures for 2004.

IFRS 3, Business Combinations and IAS 27 Consolidated and Separate Financial Statements
Under Finnish GAAP certain deviations from full consolidation have previously been permitted. Group undertakings that are not credit institutions or securities companies were earlier consolidated in accordance with the equity method. Following the implementation of IFRS these are now consolidated line-by-line.

Goodwill acquired in business combinations is no longer amortised. As previously, impairment tests are performed at least on a yearly basis. After the impairment testing there is no group goodwill left in the opening balance.

IAS 38, Intangible assets
IT development costs have been capitalised under IFRS as opposed to the previously applied direct recognition in the income statement.

Changed accounting policies

The revised IAS 39 standard came into force in 2005 and it affected the opening balance of 1 January 2005.

IAS 39, Financial Instruments: Recognition and Measurement

Classification of financial instruments

Each financial instrument within the scope of IAS 39 has been classified into the categories described in section “Financial instruments: Classification of financial instruments”.

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

Interest income from impaired loans

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

Loan loss provisions

General loan loss provisions are not allowed under IAS 39. Instead the standard requires impairment to be identified in groups of loans with similar risk characteristics. Consequently, NBF has reclassified general provisions to provisions by group (collective impairment).

Hedge accounting

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

Upfront fees on loans

Implementation of IAS 39 regarding the measurement of loans at amortised cost using the effective interest rate method means that fees received when entering into a loan agreement are to be amortised over the expected lifetime of the loans as part of the measurement. The effect on equity in the opening balance as on 1 January 2005 was EUR 58 m. The effect on the income statement for 2005 was not material.

Effects of IFRS

The effects, per standard, of applying IFRS on the comparative figures in the income statement and in the balance sheet are disclosed in the following tables:

Group

EURm	Total income	Total expenses	Taxes	Net profit
Finnish GAAP full year 2004	**1 701**	**-896**	**25**	**821**
IAS 1, Minority interests				2
IAS 1, Presentation of financial statements				-12
IFRS 3, Goodwill amortisation				14
IAS 19, Pensions				67
IAS 38, Capitalisation of IT development costs				5
Other				1
IFRS full year 2004	**1 690**	**-831**	**24**	**898**

Parent company

EURm	Total income	Total expenses	Taxes	Net profit
Finnish GAAP full year 2004	**1 647**	**-846**	**56**	**846**
IAS 19, Pensions				67
IAS 38, Capitalisation of IT development costs				6
IFRS full year 2004	**1 642**	**-773**	**56**	**919**

Group

Balance sheet, EURm	Finnish GAAP 31 Dec 2003	IAS 17	IAS 19	IAS 27/ IFRS 3	Other	IFRS 1 Jan 2004
Assets						
Treasury bills and other interest-bearing securities	2 160					2 160
Loans and receivables to credit institutions	32 123			4	420	32 547
Loans and receivables to the public	35 877	-101		6	-19	35 763
Interest-bearing securities and shares	2 914			5	-423	2 496
Derivatives	17 848					17 848
Other assets	3 323	100	30	-25	20	3 448
Total assets	**94 245**	**-1**	**30**	**-10**	**-2**	**94 262**
Liabilities and equity						
Deposits by credit institutions	12 566			5		12 571
Deposits and borrowings from the public	31 157			-1		31 156
Debt securities in issue	16 734					16 734
Derivatives	18 039					18 039
Subordinated liabilities	1 864					1 864
Other liabilities and minority interests	2 685		101	11		2 797
Core equity	11 200	-1	-71	-25	-2	11 101
Total liabilities and equity	**94 245**	**-1**	**30**	**-10**	**-2**	**94 262**

	Finnish GAAP 31 Dec 2004	IAS 17	IAS 19	IAS 27/ IFRS 3	Other	IFRS 31 Dec 2004	IAS 39	IFRS 1 Jan 2005
Assets								
Treasury bills and other interest-bearing securities	3 034					3 034		3 034
Loans and receivables to credit institutions	35 609				420	36 029		36 029
Loans and receivables to the public	39 910	-102		8	3	39 819	-61	39 758
Interest-bearing securities and shares	1 351				-423	928		928
Derivatives	26 427					26 427	113	26 540
Other assets	4 545	102	50	-20	3	4 680	54	4 734
Total assets	**110 876**	**0**	**50**	**-12**	**3**	**110 917**	**106**	**111 023**
Liabilities and equity								
Deposits by credit institutions	17 976					17 976		17 976
Deposits and borrowings from the public	31 674			1		31 675		31 675
Debt securities in issue	18 575					18 575	-10	18 565
Derivatives	26 594					26 594	106	26 700
Subordinated liabilities	1 821					1 821		1 821
Other liabilities and minority interests	3 078		51		-2	3 127	69	3 196
Core equity	11 158		-1	-13	5	11 149	-59	11 090
Total liabilities and equity	**110 876**	**0**	**50**	**-12**	**3**	**110 917**	**106**	**111 023**

Parent company

Balance sheet, EURm	Finnish GAAP 31 Dec 2003	IAS 19	Other	IFRS 1 Jan 2004
Assets				
Treasury bills and other interest-bearing securities	2 160			2 160
Loans and receivables to credit institutions	36 014		420	36 434
Loans and receivables to the public	31 588		3	31 591
Interest-bearing securities and shares	2 912		-423	2 489
Derivatives	17 848			17 848
Other assets	3 399	28		3 427
Total assets	**93 921**	**28**	**0**	**93 949**
Liabilities and equity				
Deposits by credit institutions	12 562			12 562
Deposits and borrowings from the public	31 169			31 169
Debt securities in issue	16 738			16 738
Derivatives	18 039			18 039
Subordinated liabilities	1 864			1 864
Other liabilities and minority interests	2 506	97		2 603
Core equity	11 043	-69		10 974
Total liabilities and equity	**93 921**	**28**	**-**	**93 949**

	Finnish GAAP 31 Dec 2004	IAS 19	Other	IFRS 31 Dec 2004	IAS 39	IFRS 1 Jan 2005
Assets						
Treasury bills and other interest-bearing securities	3 034			3 034		3 034
Loans and receivables to credit institutions	39 538		420	39 958		39 958
Loans and receivables to the public	35 384		3	35 387	-49	35 338
Interest-bearing securities and shares	1 349		-423	926		926
Derivatives	26 428			26 428	112	26 540
Other assets	4 822	47	6	4 875	55	4 930
Total assets	**110 555**	**47**	**6**	**110 608**	**118**	**110 726**
Liabilities and equity						
Deposits by credit institutions	17 948			17 948		17 948
Deposits and borrowings from the public	31 689			31 689		31 689
Debt securities in issue	18 580			18 580	-10	18 570
Derivatives	26 594			26 594	105	26 699
Subordinated liabilities	1 821			1 821		1 821
Other liabilities and minority interests	2 871	51		2 922	73	2 995
Core equity	11 052	2		11 054	-50	11 004
Total liabilities and equity	**110 555**	**53**	**-**	**110 608**	**118**	**110 726**

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles in certain cases requires the use of estimates and assumptions by management. The estimates are based on past experience and assumptions that management believes are fair and reasonable. These estimates and the judgment behind them affect the reported amounts of assets, liabilities and commitments, as well as income and expenses in the financial statements presented. Actual outcome can later to some extent differ from the estimates and the assumptions made.

Critical judgments and key sources of estimation uncertainty

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

- Fair value measurement of:
  - Financial instruments and
  - Investment properties
- Impairment testing of:
  - Goodwill
  - Loans and receivables
- Recognition of tax assets
- Actuarial calculations of pension liabilities.
- Claims in lawsuits.

Fair value measurement

Financial instruments

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

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

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

Investment properties

Discounted cash flows are used for fair value measurement of investment properties. In-house competences in NBF perform the valuation.

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

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

Impairment testing

Goodwill

Goodwill is tested for impairment yearly, involving an analysis to assess whether the carrying amount of goodwill is fully recoverable. The determination of the recoverable amount involves establishing the value in use, measured as the present value of the cash flows expected from the assets in question. After the impairment testing NBF has no group goodwill left in the opening balance.

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

Loans and receivables

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

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

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

Recognition of tax assets

NBF's recognition of deferred tax assets is subject to a continuous evaluation, involving assumptions and assessment of NBF's future possibilities to utilise tax losses carried forward. Nominally, the net unrecognised tax assets amount to approximately EUR 105m. The time limit for utilising the main part of the unrecognised tax assets will expire in 2014.

Actuarial calculations of pension liabilities

The Projected Benefit Pension Obligation for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of financial parameters are used. The most important financial parameter - the discount rate - is fixed based on swap rates with a maturity matching the duration of the pension liabilities. Other parameters like assumptions on salary increases, inflation and pension increases are fixed based on the expected long-term development of these parameters. The fixing of these parameters at year-end is shown in Note 34.

The major part of the assets covering the pension liabilities is invested in liquid assets and valued at market price at year-end. The expected return on plan assets is fixed taking the asset composition into account and using long-term expectations for the return on the different asset classes. The expected return is also shown in Note 34.

Claims in lawsuits

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

Principles of consolidation

Consolidated entities

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

All group undertakings are consolidated using the purchase method. The group undertakings are included in the consolidated accounts from the date on which control is transferred to the Bank Group and are no longer consolidated from the date on which control ceases.

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

Investments in associated undertakings

The equity method of accounting is used for associated undertakings where the share of voting rights is between 20% and 50% and/or where the owning entity has significant influence.

Principles of elimination

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

Changes in Group structure

There were no major acquisitions or divestments of group undertakings during 2005.

Currency translation of foreign entities

The consolidated financial statements are prepared in euro (EUR), the presentation currency of the parent company Nordea Bank Finland Plc. The assets and liabilities of foreign entities have been translated at the year-end exchange rates, while items in the income statements are translated at the average exchange rate for the year. Translation differences are booked directly to equity.

Goodwill and fair value adjustments arising from the acquisition of group undertakings are treated as local currency assets and liabilities and are translated at the closing rate. There is no group goodwill left in the balance sheet.

Translation of assets and liabilities denominated in foreign currencies

The functional currency of an entity has been decided based upon the primary economic environment in which the entity operates, in accordance with IAS 21.

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

Recognition and derecognition

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

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

Financial assets other than those to which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial assets 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 NBF, i.e. on settlement date.

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

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

For further information, see sections “Securities borrowing and lending agreements”, “Repurchase and reverse repurchase agreements”, as well as Note 45.

Hedge accounting

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

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

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

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

Fair value hedge accounting

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

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

Hedging instruments

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

Hedged items

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

Hedge effectiveness

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

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

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

Interest income and interest expenses

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

Interest income and interest expenses related to the trading activities in Markets are recognised in the income statement in the item “Net gains/losses on items at fair value”.

Financial fees

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

Fees received when entering into loan agreements are amortised over the expected lifetime of the loans as part of the measurement.

Fees earned when services are provided, are classified as “Fee and commission income” and are recorded as revenue over the relevant period.

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

Determination of fair value of financial instruments

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

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

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

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

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

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

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are fully based on data from observable markets. By data from observable markets, NBF considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data is used, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the contract (see Note 42).

NBF has chosen to apply the requirements in IAS 39 regarding upfront gains during previous periods prospectively for transactions entered into as from 1 January 2004.

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

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

Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with central banks where the following conditions are fulfilled:

- the central bank is domiciled in a country where NBF is operating under a banking licence.
- the balance is readily available at any time.

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

Financial instruments

Classification of financial instruments
Each financial instrument within the scope of IAS 39 has been classified into one of the following categories:

Financial assets

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

Financial liabilities

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

The classification of financial instruments into different categories forms the basis for how each instrument is measured in the balance sheet and how changes in its value is recognised. In Note 41 the classification of the financial instruments in the Bank Group's balance sheet is presented.

Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities at fair value through profit or loss are measured at fair value. All changes in fair values are recognised directly in the income statement in the item "Net gains/losses on items at fair value".

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

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

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

Held to maturity investments
NBF does not use this category due to the restrictions regarding disposals of instruments that once have been classified into the category.

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

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

This category is not in use in NBF.

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

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

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

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

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

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

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

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

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

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

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

Loans and receivables

Loans and receivables not measured at fair value are measured at amortised cost; see Note 41 on classification of financial instruments.

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

Impairment test for loans attached to individual customers

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

Impairment test for loans attached to groups of customers

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

Groups of loans are divided into two sub-categories, groups where the single loan is significant and groups where the single loan is nonsignificant.

Impairment loss

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

Impairment losses regarded as final are reported as realised loan losses.

Discount rate

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

Restructured loans

In this context a restructured loan is defined as a loan where the creditor has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss to the creditor. After reconstruction the loan is normally regarded as non-impaired under new conditions. Concessions made in a reconstruction are regarded as a final loss. If the creditor retains a possibility to regain the impairment loss incurred then this is reported as a recovery of realised loan losses.

Assets taken over for protection of claims

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

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

Leasing

NBF as lessor

Finance leases

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

Operating leases

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

NBF as lessee

Operating leases

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

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

Sale and lease back

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

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

Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired group undertaking/associated undertaking on the date of acquisition. NBF does not have any group goodwill related to the acquisition of group undertakings or associated companies.

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

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

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

Impairment
Goodwill and other intangible assets with an indefinable useful life are tested for impairment yearly irrespective of any indications of impairment. This has been done in previous years and as of 1 January 2004, when starting to apply the IFRS rules.

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

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

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

Tangible assets

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

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

Buildings	30-75 years
Equipment	3-5 years

Tangible assets are regularly tested for impairment and written down if necessary.

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

Investment property

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

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

Dividends

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

Dividends to the shareholders of Nordea Bank Finland Plc are recorded as a liability following the approval by the Annual General Meeting.

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

Equity

Core equity
Core equity is the equity attributable to the shareholders of Nordea Bank Finland Plc and excludes minority interests and below-mentioned revaluation reserves.

Share premium account
The share premium account covers funds related to the issue of equity capital in the parent company, exceeding the nominal value of the shares.

Other reserves
Other reserves consist of a fund that can be disposed of by the Annual General Meeting. Additionally the untaxed reserves according to national rules are recorded as equity net of deferred tax at prevailing tax rates in respective country under this item.

Retained earnings
Apart from undistributed profits from previous years, retained earnings include the following items:

Earnings in associated companies that have not been distributed are recorded as an equity method reserve and included in retained earnings and translation differences.

Revaluation reserve
These reserves include revaluation reserves in accordance with IAS 39 as well as exchange rate differences in accordance with IAS 21. No such reserves are recorded in NBF.

Own shares

NBF does not possess own shares.

Pensions

Pension plans
NBF has various pension plans, which are classified both as defined benefit plans as well as defined contributions plans. The major defined benefit plans are funded schemes covered by assets in pension fund/foundation. If the fair value of plan assets, associated with a specific pension plan, is smaller than the gross present value of the defined benefit obligation (considering also some adjustments in accordance with IAS 19), the net amount is recognised as a liability (retirement benefit obligation). If not, the net amount is recognised as an asset (retirement benefit asset).

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

In the pensions that are based on defined contribution plans (TEL), the Bank Group does not hold any pension liability.

Pension costs
Pension calculations are carried out per country and per pension plan in accordance with IAS 19.

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

Taxes

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

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

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

Equity participation plans

NBF does not provide any equity participation plans for management or employees.

Related party transactions

NBF defines related parties as:

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

Shareholders with significant influence

Nordea Bank Finland Plc is a wholly owned subsidiary of Nordea Bank AB (publ), the parent company in the Nordea Group.

Group undertakings

For the definition of Group undertakings, see section “Principles of consolidation”. Further information on the undertakings included in the NBF Group is found in Notes 20 and 21.

Group internal transactions between legal entities are performed according to arm’s length principles in conformity with OECD requirements on transfer pricing.

Associated undertakings

For the definition of Associated undertakings, see section “Principles of consolidation”.

Further information on the associated undertakings included in the NBF Group is found in Note 21.

Key management personnel

Key management personnel include the following positions:

- the Board of Directors
- the Chief Executive Officer (CEO)

For information about compensation and pensions as well as loans to key management personnel, see Note 8.

Other related parties

Other related parties comprise companies significantly influenced by key management personnel in NBF Group as well as close family members to these key management personnel and companies significantly influenced by them.

Information around transactions with other related parties is found in Note 47.

Segment reporting

Primary segments

NBF’s operations are organised into two business areas. The business areas are Retail Banking and Corporate and Institutional Banking. The business areas operate as profit centres.

Within NBF, customer responsibility is fundamental. The Bank Group’s total business relations with customers are reported in the customer responsible unit’s income statement and balance sheet.

Economic capital

Capital allocation is based on the internal framework for calculating economic capital, which reflects each business unit’s actual risk exposure considering credit and market risk, as well as operational and business risk. This framework optimises utilisation and distribution of capital between the different business areas. Standard tax is applied when calculating risk-adjusted return on economic capital.

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

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

Allocation principles

Cost is allocated based on calculated unit prices and the individual business areas’ consumption. Income is allocated with the underlying business transactions as driver combined with the identification of the customer responsible unit.

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

Other assets and liabilities directly related to the specific business area or group function, such as accrued interest, fixed assets and goodwill, are also included in business areas’ assets and liabilities. All other assets and liabilities are placed in Group Functions and Eliminations.

Transfer pricing

Funds transfer pricing is based on current market interest rate and applied to all assets and liabilities allocated to or booked in the business areas or group functions.

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

Group functions and Eliminations

Group Functions and Eliminations include the unallocated results of the four group functions: Group Processing and Technology, Group Corporate Centre, Group Credit and Risk Control and Group Legal and Compliance.

Expenses in Group functions, not defined as services to business areas, and profits from associated undertakings that are not included in the customer responsible units are reported under this heading.

Secondary segments

The business operations outside Finland do not exceed the 10-% threshold stated in IFRS and therefore the secondary segment is not applicable.

Risks

There is a description on capital adequacy, risks and risk management in the Directors’ report.

Note 2

Segment reporting

Group

Business segments 2005

EURm	Retail Banking		Corporate and Institutional Banking		Group functions and eliminations		Nordea Bank Finland Group	
Customer responsible units	2005	2004	2005	2004	2005	2004	2005	2004
Net interest income	817	766	165	132	228	223	1 210	1 121
Net fee and commission income	331	322	-7	22	-53	-51	271	293
Net gains/losses on items at fair value	36	29	172	122	93	54	301	205
Profit from companies accounted for under the equity method	0	0	17	13	3	5	20	18
Other income	28	23	3	5	29	25	60	53
Total income incl. allocations	**1 212**	**1 140**	**350**	**294**	**300**	**256**	**1 862**	**1 690**
of which allocations	*298*	*83*	*-175*	*-117*	*-123*	*34*	-	-
Staff costs	-275	-288	-87	-64	-121	-65	-483	-417
Other expenses	-341	-336	-51	-52	21	30	-371	-358
Depreciation of tangible and intangible assets	-3	-4	-3	-3	-42	-49	-48	-56
Expenses incl. allocations	**-619**	**-628**	**-141**	**-119**	**-142**	**-84**	**-902**	**-831**
of which allocations	*-286*	*-256*	*-13*	*-45*	*299*	*301*	-	-
Loan losses	5	-2	-4	29	-47	-45	-46	-18
Write-downs on financial fixed assets	-	-	-	-	1	-1	1	-1
Disposals of tangible and intangible assets	-	-	-	-	0	34	0	34
Operating profit	**598**	**510**	**205**	**204**	**112**	**160**	**915**	**874**
Balance sheet								
Loans and receivables	45 063	37 390	9 401	7 499	31 558	30 959	86 022	75 848
Other assets	6 663	4 492	44 505	35 745	-13 479	-5 168	37 689	35 069
Total assets	**51 726**	**41 882**	**53 906**	**43 244**	**18 079**	**25 791**	**123 711**	**110 917**
Deposits	20 346	18 263	7 284	7 358	28 681	24 030	56 311	49 651
Other liabilities	29 693	22 044	45 648	35 142	-20 145	-7 075	55 196	50 111
Total liabilities	50 039	40 307	52 932	42 500	8 536	16 955	111 507	99 762
Economic capital / equity	1 687	1 575	974	744	9 543	8 836	12 204	11 155
Total liabilities and allocated equity	**51 726**	**41 882**	**53 906**	**43 244**	**18 079**	**25 791**	**123 711**	**110 917**
Other segment items								
Capital expenditure	0	6	1	2	14	66	15	74

Note 3
Interest income and interest expense

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Interest income				
Loans and receivables to credit institutions	1 020	737	1 123	839
Loans and receivables to the public	1 616	1 438	1 334	1 161
Interest-bearing securities	96	106	96	106
Other interest income	304	95	303	95
Total interest income	**3 036**	**2 376**	**2 856**	**2 201**
Interest expense				
Deposits by credit institutions	-681	-377	-680	-376
Deposits and borrowings from the public	-431	-347	-430	-349
Debt securities in issue	-601	-447	-601	-462
Subordinated liabilities	-110	-90	-110	-73
Other interest expense	-3	6	-3	6
Total interest expense	**-1 826**	**-1 255**	**-1 824**	**-1 254**
Net interest income	**1 210**	**1 121**	**1 032**	**947**

Included in interest income is EUR 3m with respect of interest income accrued on impaired assets both in the Group and the parent company.

Average balance and interest rate

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Assets				
Loans and receivables to credit institutions	37 696	35 195	41 785	39 117
Loans and receivables to the public	42 988	38 036	38 445	33 571
Interest-bearing securities	4 025	4 284	4 025	4 159
Liabilities				
Deposits by credit institutions	21 859	18 138	21 827	18 071
Deposits and borrowings from the public	31 475	29 391	31 495	29 400
Debt securities in issue	19 640	18 707	19 642	18 709
Average interest rates				
Loans and receivables to credit institutions %	2.71	2.09	2.69	2.14
Loans and receivables to the public %	3.76	3.78	3.47	3.46
Deposits by credit institutions %	3.11	2.08	3.11	2.08
Deposits and borrowings from the public %	1.37	1.18	1.37	1.19

Net interest income

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Interest income	2 947	2 289	2 856	2 201
Net leasing income[1]	89	87	-	-
Interest expenses	-1 826	-1 255	-1 824	-1 254
Total	**1 210**	**1 121**	**1 032**	**947**

[1] Refers to finance leases where the Group is the lessor.

Note 4
Net fee and commission income

	Group		Parent company	
EURm	2005	2004	2005	2004
Fee and commission income				
Loans and receivables	88	88	89	88
Guarantees and documentary payments	25	27	26	28
Life insurance	12	11	12	11
Investment products / services	65	56	64	55
Deposits, payments and e-services	181	182	159	163
Brokerage	42	40	42	40
Other commission income	36	43	33	40
Total fee and commission income	**449**	**447**	**425**	**425**
Fee and commission expenses				
Payments and e-services	-11	-9	-11	-9
Other commission expenses	-167	-145	-160	-139
Total fee and commission expenses	**-178**	**-154**	**-171**	**-148**
Net fee and commission income	**271**	**293**	**254**	**277**

Note 5
Net gains/losses on items at fair value

	Group		Parent company	
EURm	2005	2004	2005	2004
Shares/participations and other share-related instruments	0	-13	0	-13
Interest-bearing securities and other interest-related instruments	142	112	142	112
Other financial instruments	21	16	21	16
Foreign exchange gains/losses	138	90	137	90
Total	**301**	**205**	**300**	**205**

Note 6
Dividends

	Group		Parent company	
EURm	2005	2004	2005	2004
Shares	2	2	2	2
Investments in associated undertakings	0	2	9	13
Investments in group undertakings	-	-	52	143
Total	**2**	**4**	**63**	**158**

Note 7
Other operating income

	Group		Parent company	
EURm	2005	2004	2005	2004
Divestment of shares	14	8	15	14
Income from real estate	7	7	2	4
Other	37	34	34	37
Total	**58**	**49**	**51**	**55**

Note 8
Staff costs

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Salaries and remuneration	-366	-362	-332	-328
Pension costs (specification below)	-54	5	-49	10
Social insurance contributions	-30	-30	-27	-26
Allocation to profit-sharing foundation	-16	-16	-15	-15
Other staff costs	-17	-14	-16	-14
Total	**-483**	**-417**	**-439**	**-373**

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Pension costs:				
Defined benefits plans (Note 34)	-3	59	-1	60
Defined contribution plans	-51	-54	-48	-50
Total	**-54**	**5**	**-49**	**10**

Compensation etc to the Board of Directors, CEO and Group Executive Management

The members of the Board of Directors of Nordea Bank Finland Plc, the Chief Executive Officer and his deputy, are all members of the Nordea Bank AB (publ) Board of Directors. In 2005 Nordea Bank AB (publ) has paid all salaries, fees, pension- and other staff-related expenses to the above mentioned members and deputies of the administrative and controlling boards. Nordea Bank AB (publ) has allocated theses salary expenses to Nordea Bank Finland Plc as part of the Head Office Allocation -expenses.

Information on salaries, loans and pension liabilities is presented in the Annual Report of Nordea Bank AB (publ).

EURm	2005
Loans granted by Nordea Bank Finland Plc	
To members and deputy members of the Board of Directors	1
of whom to the President and his deputy	1
To auditors	-

Interest and other terms correspond to the generally accepted terms and conditions applied to employees of the Group or to best customers. The amounts also include loans granted to corporations or individuals sharing material financial interests with the above-mentioned members of administrative and controlling boards, as referred to in the Credit Institutions Act.

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.

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Average number of employees				
Full-time employees	8 624	8 863	7 752	7 986
Part-time employees	1 093	1 137	1 033	1 090
Total	**9 717**	**10 000**	**8 785**	**9 076**
Total number of employees (FTEs), end of period	8 910	9 012	8 068	8 151

Note 9
Other expenses

	Group		Parent company	
EURm	2005	2004	2005	2004
Information technology [1]	-122	-101	-139	-118
Marketing	-28	-26	-25	-23
Postage, telephone and office expenses	-37	-33	-31	-28
Rents, premises and real estate	-87	-97	-81	-91
Other [2]	-97	-101	-86	-106
Total	**-371**	**-358**	**-362**	**-366**
Of which operating lease expenses (Note 24)	71	58	-68	-60

[1] Refers to IT operations, service expenses and consultant fees for the Group. Total IT-related expenses including staff etc. were EUR 153m (144) in the Group and EUR 140m (131) in the parent company.

[2] Including fees and remuneration to auditors.

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

Depreciation/amortisation

	Group		Parent company	
EURm	2005	2004	2005	2004
Property and equipment (Note 23)				
Equipment	-39	-41	-16	-20
Buildings	-1	-6	0	-5
Intangible assets (Note 22)				
Other intangible assets	-8	-9	-6	-8
Total	**-48**	**-56**	**-22**	**-33**

Impairment charges

	Group		Parent company	
EURm	2005	2004	2005	2004
Property and equipment (Note 23)				
Buildings	-	0	-	-1
Total	**-**	**0**	**-**	**-1**

Total depreciation, amortisation and impairment charges of tangible and intangible assets	**-48**	**-56**	**-22**	**-34**

Note 11
Loan losses

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Loan losses divided by category				
Write-offs and provisions for loans and receivables	**168**	**118**	**143**	**98**
- Of which the public	168	118	143	98
Reversals and recoveries for loans and receivables	**-122**	**-100**	**-107**	**-88**
- Of which the public	-122	-100	-107	-88
Total	**46**	**18**	**36**	**10**
Specifications				
Specific provisions for individually assessed loans				
Realised loan losses during the year	59	68	39	58
Reversed amount of previous provisions made for realised loan losses during the year	-43	-56	-34	-51
This year's provisions for probable loan losses	92	64	77	49
Recoveries of previous years' realised loan losses	-38	-36	-28	-30
Reversals of provisions for probable loan losses no longer required	-74	-56	-68	-50
This year's costs for individually assessed loans, net	**-4**	**-16**	**-14**	**-24**
Provisions for groups of significant loans				
Allocation to reserve	32	20	32	20
Withdrawal from reserve	-6	-	-6	-
This year's change of provisions for groups of significant loans	**26**	**20**	**26**	**20**
Provisions for groups of non-significant loans				
Allocation to reserve	3	15	3	15
Withdrawal from reserve	-2	-	-2	-
This year's net costs of provisions for groups of non-significant loans	**1**	**15**	**1**	**15**
Transfer risks				
Allocation to reserve for transfer risks	24	7	24	7
Withdrawal from reserve for transfer risks	-1	-7	-1	-7
This year's change of provisions for transfer risks	**23**	**0**	**23**	**0**
Contingent liabilities				
Net cost for redemption of guarantees and other contingent liabilities	1	-1	1	-1
The year's net cost for redemption of guarantees and other contingent liabilities	**1**	**-1**	**1**	**-1**
Change in value of assets taken over for protection of claims (specification below)	-1	-	-1	-
Loan losses	**46**	**18**	**36**	**10**

Change in value of assets taken over for protection of claims [1]

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Realised change in value				
Property taken over	-1	-	-1	-
Total	**-1**	**-**	**-1**	**-**

[1] See also corresponding Note 16.

Note 12
Income tax expense

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Current tax[1]	-130	-44	-97	-14
Deferred tax	321	68	319	70
Total	**191**	**24**	**222**	**56**
[1] Of which tax pertaining to prior years	-67	0	-67	1

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

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Profit before tax	915	874	840	863
Tax calculated at a tax rate of 26% (29%)	-238	-253	-218	-250
Tax charges not related to profit	0	-	0	63
Other direct taxes	0	-	0	-
Tax-exempt income	10	35	20	19
Non-deductible expenses	-1	-7	0	-7
Adjustments relating to prior years	-67	0	-67	-1
Income tax due to previously unrecognised tax assets	518	277	518	262
Change of tax rate	0	-15	0	-17
Non-creditable foreign taxes	-31	-13	-31	-13
Tax charge	**191**	**24**	**222**	**56**
Average effective tax rate	21%	3%	26%	7%

Deferred tax

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Deferred tax expense (-)/income (+)				
Deferred tax due to temporary differences	-197	-195	-199	-237
Deferred tax due to change of tax rate	-	-15	-	-17
Deferred tax due to previously unrecognised tax assets	518	278	518	324
Income tax expense, net	**321**	**68**	**319**	**70**
Deferred tax assets				
Deferred tax asset due to tax losses	722	423	722	404
Deferred tax assets due to temporary differences:	57	20	38	37
Netting against tax liabilities	-13	-	-	-
Total	**766**	**443**	**760**	**441**
Deferred tax assets to be recovered within 12 months	240	220	230	220
Deferred tax assets to be recovered within more than 12 months	526	223	530	221
Total	**766**	**443**	**760**	**441**
Deferred tax liabilities				
Deferred tax liabilities due to temporary differences:	14	16	-	-
- Deferred tax liabilities in financial leasing	7	10	-	-
- Deferred tax liabilities in other untaxed reserves	7	6	-	-
Total	**14**	**16**	**-**	**-**
Deferred tax liabilities to be recovered within 12 months	1	4	-	-
Deferred tax liabilities to be recovered within more than 12 months	13	12	-	-
Total	**14**	**16**	**-**	**-**
Deferred tax assets, net	**752**	**427**	**760**	**441**

Note 12: *cont.*

Income tax expense

The movement on the deferred tax assets, net, is as follows:

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Deferred tax in the income statement	-321	68	-319	70
At the end of the year	**-321**	**68**	**-319**	**70**

Unrecognised deferred tax assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Unused tax losses	-	448	-	448
Unused tax credits	105	105	105	105
Other deductible temporary differences	-	37	-	37
Total	**105**	**590**	**105**	**590**
Expiry date 2011	27	27	27	27
Expiry date 2012	3	3	3	3
Expiry date 2013	12	460	12	460
Expiry date 2014	63	63	63	63
Expiry date later	-	37	-	37
Total	**105**	**590**	**105**	**590**

Unrecognised unused tax losses 31 Dec 2005 are estimated to be offset by future uncredited foreign taxes and therefore the net amount of unrecognised tax losses is 0.

Unused tax credits are subject to an evaluation and it mainly depends on the timing of the utilization of tax losses. Therefore no recognition of unused tax credits is done 31 Dec 2005.

Note 13

Treasury bills and other eligible bills

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Treasury bills	833	1 262	833	1 262
Of which current	833	1 262	833	1 262
Other eligible bills	2 239	1 772	2 239	1 772
Of which current	2 239	1 772	2 239	1 772
Total	**3 072**	**3 034**	**3 072**	**3 034**

All bills are subject to variable interest rate risk.

Maturity information

Remaining maturity (book value)				
Maximum 1 year	2 786	2 745	2 786	2 746
1–5 years	286	289	286	288
Total	**3 072**	**3 034**	**3 072**	**3 034**
Average remaining maturity, years	0.4	0.3	0.4	0.3

Note 14
Loans and receivables to credit institutions

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Financial non-current assets				
Central banks	5	11	5	11
Other banks	38 578	35 420	38 575	35 414
Other credit institutions	1 175	598	5 365	4 533
Total	**39 758**	**36 029**	**43 945**	**39 958**
Of which, group undertakings	-	-	4 190	3 935
Of which, associated undertakings	20	25	20	25
- subordinated	2	1	2	1
- other	18	24	18	24
Maturity information				
Remaining maturity (book value)				
Payable on demand	10 343	11 351	10 340	11 345
Maximum 3 months	17 158	21 135	19 598	23 515
3 months–1 year	10 683	2 558	11 358	3 252
1–5 years	1 438	683	2 311	1 466
More than 5 years	136	302	338	380
Total	**39 758**	**36 029**	**43 945**	**39 958**
Average remaining maturity, years	0.4	0.4	0.4	0.4

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. In addition to the above figures, loans and receivables to credit institutions included loans and receivables to other Nordea group undertakings in the amount of EUR 33,063m (33,679).

Note 15
Loans and receivables to the public[1]

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Financial non-current assets				
Loans and receivables to the public	46 264	39 819	41 566	35 387
Total	**46 264**	**39 819**	**41 566**	**35 387**
Of which group undertakings	-	-	289	217
Of which associated undertakings	144	115	127	115
- subordinated	1	1	1	1
- other	143	114	126	114
Maturity information				
Remaining maturity (book value)				
Payable on demand	-	473	-	-
Maximum 3 months	7 992	6 323	5 043	3 830
3 months–1 year	5 305	4 272	4 631	3 601
1–5 years	14 565	13 571	13 692	12 863
More than 5 years	18 402	15 180	18 200	15 093
Total	**46 264**	**39 819**	**41 566**	**35 387**
Average remaining maturity, years	6.0	5.0	6.0	5.0

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. In addition to the above figures, loans and receivables to the public included loans and receivables to other Nordea Group undertakings in the amount of EUR 113m (144).

[1] Finance leases, where the Nordea Group is lessor, are included in “Loans and receivables to the public”, see Note 24 Leasing.

Note 16
Loans and receivables and their impairment

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Loans and receivables to credit institutions	39 758	36 029	43 945	39 958
Loans and receivables to the public[1]	46 264	39 819	41 566	35 387
Total	**86 022**	**75 848**	**85 511**	**75 345**

[1] Finance leases, where the Nordea Group is lessor, are included in Loans and receivables to the public, see Note 24 Leasing.

Loans and receivables by categories of borrowers

Group

31 Dec 2005, EURm	Credit institutions	Corporates	Households	Public sector	Total
Loans and receivables, non-impaired[2]	39 758	23 974	21 048	1 142	85 922
Impaired loans and receivables	-	434	129	-	563
Loans and receivables before reserves	**39 758**	**24 408**	**21 177**	**1 142**	**86 485**
Specific reserves for individually assessed loans	-	-277	-56	-	-333
Reserves for groups of significant loans	-	-114	-	-	-114
Reserves for groups of non-significant loans	-	-	-16	-	-16
Reserves	**-**	**-391**	**-72**	**-**	**-463**
Loans and receivables, book value	**39 758**	**24 017**	**21 105**	**1 142**	**86 022**
Of which associated undertakings	20	144	-	-	164
[2] Of which non-performing loans on which interest is taken as income	-	34	28	-	62

Specification of impaired loans and receivables

Impaired loans and receivables before reserves	-	**434**	**129**	-	**563**
Of which non-performing	-	141	72	-	213
Of which performing	-	293	57	-	350
Reserves for impaired loans and receivables	-	**-391**	**-72**	-	**-463**
Of which non-performing	-	-98	-15	-	-113
Of which performing	-	-293	-57	-	-350
Book value of impaired loans and receivables	-	**43**	**57**	-	**100**
Of which non-performing	-	43	57	-	100
Of which performing	-	-	-	-	-

Ratios and key figures

Reserves/impaired loans and receivables before reserves, %	82.2
Impaired loans and receivables before reserves/loans and receivables to the public before reserves, %	1.2

The term "associated undertakings" refers to associated undertakings of the Nordea Bank Finland Group. In addition to the above figures, loans and receivables to credit institutions included loans to other Nordea Group undertakings in the amount of EUR 33,063m. Loans to the public included loans and receivables to other Nordea Group undertakings in the amount of EUR 113m.

Note 16: *cont.*

Loans and receivables and their impairment

Group

31 Dec 2004, EURm	Credit institutions	Corporates	Households	Public sector	Total
Loans and receivables, non-impaired[2]	36 029	19 804	18 654	1 229	75 716
Impaired loans and receivables	-	426	138	-	564
Loans and receivables before reserves	**36 029**	**20 230**	**18 792**	**1 229**	**76 280**
Specific reserves for individually assessed loans	-	-297	-60	-	-357
Reserves for groups of significant loans	-	-60	-	-	-60
Reserves for groups of non-significant loans	-	-	-15	-	-15
Reserves	-	**-357**	**-75**	-	**-432**
Loans and receivables, book value	**36 029**	**19 873**	**18 717**	**1 229**	**75 848**
Of which associated undertakings	25	115	-	-	140
[2] Of which non-performing loans on which interest is taken as income	-	-	-	-	-

Specification of impaired loans and receivables

	Credit institutions	Corporates	Households	Public sector	Total
Impaired loans and receivables before reserves	**-**	**426**	**138**	-	**564**
Of which non-performing	-	215	83	-	298
Of which performing	-	211	55	-	266
Reserves for impaired loans and receivables	**-**	**-357**	**-75**	-	**-432**
Of which non-performing	-	-146	-20	-	-166
Of which performing	-	-211	-55	-	-266
Book value of impaired loans and receivables	**-**	**69**	**63**	-	**132**
Of which non-performing	-	69	63	-	132
Of which performing	-	-	-	-	-

Ratios and key figures

Reserves/impaired loans and receivables before reserves, %	76.6
Impaired loans and receivables before reserves/loans and receivables to the public before reserves, %	1.4

The term "associated undertakings" refers to associated undertakings of the Nordea Bank Finland Group. In addition to the above figures loans and receivables to credit institutions included loans to other Nordea Group undertakings in the amount of EUR 33,679m. Loans to the public included loans and receivables to other Nordea Group undertakings in the amount of EUR 144m.

Note 16: *cont.*

Loans and receivables and their impairment

Parent company

31 Dec 2005, EURm	Credit institutions	Corporates	Households	Public sector	Total
Loans and receivables, non- impaired[2]	43 945	21 208	19 152	1 144	85 449
Impaired loans and receivables	-	417	74	-	491
Loans and receivables before reserves	**43 945**	**21 625**	**19 226**	**1 144**	**85 940**
Specific reserves for individually assessed loans	-	-273	-26	-	-299
Reserves for groups of significant loans	-	-109	-5	-	-114
Reserves for groups of non-significant loans	-	0	-16	-	-16
Reserves	**-**	**-382**	**-47**	**-**	**-429**
Loans and receivables, book value	**43 945**	**21 243**	**19 179**	**1 144**	**85 511**
Of which group undertakings	4 190	289	-	-	4 479
Of which associated undertakings	20	127	-	-	147
[2] Of which non-performing loans on which interest is taken as income	-	34	28	-	62
Specification of impaired loans and receivables					
Impaired loans and receivables before reserves	-	**417**	**74**	-	**491**
Of which non-performing	-	130	42	-	172
Of which performing	-	287	32	-	319
Reserves for impaired loans and receivables	-	**-382**	**-47**	-	**-429**
Of which non-performing	-	-95	-15	-	-110
Of which performing	-	-287	-32	-	-319
Book value of impaired loans and receivables	-	**35**	**27**	-	**62**
Of which non-performing	-	35	27	-	62
Of which performing	-	-	-	-	0

Ratios and key figures

Reserves/impaired loans and receivables before reserves, %	87.4
Impaired loans and receivables before reserves/loans and receivables to the public before reserves, %	1.2

The terms "associated undertaking" and "group undertakings" refers to associated undertakings and group undertakings of the Nordea Bank Finland Group. In addition to the above figures, loans and receivables to credit institutions included loans to other Nordea Group undertakings in the amount of EUR 33,063m. Loans to the public included loans and receivables to other Nordea Group undertakings in the amount of EUR 113m.

Note 16: *cont.*

Loans and receivables and their impairment

Parent company

31 Dec 2004, EURm	Credit institutions	Corporates	Households	Public sector	Total
Loans and receivables, non-impaired[2]	39 958	17 609	16 465	1 224	75 256
Impaired loans and receivables	-	369	116	-	485
Loans and receivables before reserves	**39 958**	**17 978**	**16 581**	**1 224**	**75 741**
Specific reserves for individually assessed loans	-	-286	-35	-	-321
Reserves for groups of significant loans	-	-60	-	-	-60
Reserves for groups of non-significant loans	-	-	-15	-	-15
Reserves	**-**	**-346**	**-50**	**-**	**-396**
Loans and receivables, book value	**39 958**	**17 632**	**16 531**	**1 224**	**75 345**
Of which group undertakings	3 935	217	-	-	4 152
Of which associated undertakings	25	115	-	-	140
[2] Of which non-performing loans on which interest is taken as income	-	-	-	-	-

Specification of impaired loans and receivables

	Credit institutions	Corporates	Households	Public sector	Total
Impaired loans and receivables before reserves	-	**369**	**116**	-	**485**
Of which non-performing	-	167	86	-	253
Of which performing	-	202	30	-	232
Reserves for impaired loans and receivables	-	**-346**	**-50**	-	**-396**
Of which non-performing	-	-144	-20	-	-164
Of which performing	-	-202	-30	-	-232
Book value of impaired loans and receivables	-	**23**	**66**	-	**89**
Of which non-performing	-	23	66	-	89
Of which performing	-	-	-	-	-

Ratios and key figures

Reserves/impaired loans and receivables before reserves, %	81.6
Impaired loans and receivables before reserves/loans and receivables to the public before reserves, %	1.4

The terms "associated undertaking" and "group undertakings" refer to associated undertakings and group undertakings of the Nordea Bank Finland Group. In addition to the above figures loans and receivables to credit institutions include loans to other Nordea Group undertakings in the amount of EUR 33,679m. Loans to the public include loans and receivables to other Nordea Group undertakings in the amount of EUR 144m.

Note 16: *cont.*

Loans and receivables and their impairment

Corporate loans by industry

Group

31 Dec 2005, EURm	Real estate management	Construction	Agriculture and fishing	Transport	Shipping	Trade and service	Manufac-turing	Financial operations	Renting, consulting, and other company services	Other	Total
Loans and receivables, non-impaired[2]	6 142	531	297	2 443	220	2 707	4 387	256	1 141	5 850	23 974
Impaired loans and receivables	35	12	2	13	0	52	169	13	33	105	434
Loans and receivables before reserves	**6 177**	**543**	**299**	**2 456**	**220**	**2 759**	**4 556**	**269**	**1 174**	**5 955**	**24 408**
Specific reserves for individually assessed loans	-31	-11	3	-8	-	-49	-119	-10	-31	-21	-277
Reserves for groups of significant loans	-	-	-5	-3	-	-	-38	-	-	-68	-114
Reserves for groups of non-significant loans	-	-	-	-	-	-	-	-	-	-	-
Reserves	**-31**	**-11**	**-2**	**-11**	**0**	**-49**	**-157**	**-10**	**-31**	**-89**	**-391**
Loans and receivables, book value	**6 146**	**532**	**297**	**2 445**	**220**	**2 710**	**4 399**	**259**	**1 143**	**5 866**	**24 017**
[2] Of which non-performing loans on which interest is taken as income	4	1	0	1	0	3	7	3	2	13	34
Specification of impaired loans and receivables											
Impaired loans and receivables before reserves	**35**	**12**	**2**	**13**	**0**	**52**	**169**	**13**	**33**	**105**	**434**
Of which non-performing	11	4	1	13	0	17	55	4	11	25	141
Of which performing	24	8	1	0	0	35	114	9	22	80	293
Reserves for impaired loans and receivables	**-31**	**-11**	**-2**	**-11**	**0**	**-49**	**-157**	**-10**	**-31**	**-89**	**-391**
Of which non-performing	-7	-3	-1	-11	0	-14	-43	-1	-9	-9	-98
Of which performing	-24	-8	-1	0	0	-35	-114	-9	-22	-80	-293
Book value of impaired loans and receivables	**4**	**1**	**0**	**2**	**0**	**3**	**12**	**3**	**2**	**16**	**43**
Of which non-performing	4	1	0	2	0	3	12	3	2	16	43
Of which performing	-	-	-	-	-	-	-	-	-	-	-

Note 16: *cont.*

Loans and receivables and their impairment

Group

31 Dec 2004, EURm	Real estate management	Construction	Agriculture and fishing	Transport	Shipping	Trade and service	Manufac-turing	Financial operations	Renting, consulting, and other company services	Other	Total
Loans and receivables, non-impaired	5 386	415	268	1 736	129	2 309	3 969	306	1 273	4 013	19 804
Impaired loans and receivables	54	20	5	36	2	49	141	25	32	62	426
Loans and receivables before reserves	**5 440**	**435**	**273**	**1 772**	**131**	**2 358**	**4 110**	**331**	**1 305**	**4 075**	**20 230**
Specific reserves for individually assessed loans	-44	-18	-1	-17	-2	-45	-108	-21	-30	-11	-297
Reserves for groups of significant loans	-	-	-	-	-	-	-20	-	-	-40	-60
Reserves for groups of non-significant loans	-	-	-	-	-	-	-	-	-	-	-
Reserves	**-44**	**-18**	**-1**	**-17**	**-2**	**-45**	**-128**	**-21**	**-30**	**-51**	**-357**
Loans and receivables, book value	**5 396**	**417**	**272**	**1 755**	**129**	**2 313**	**3 982**	**310**	**1 275**	**4 024**	**19 873**

Specification of impaired loans and receivables

	Real estate management	Construction	Agriculture and fishing	Transport	Shipping	Trade and service	Manufac-turing	Financial operations	Renting, consulting, and other company services	Other	Total
Impaired loans and receivables before reserves	**54**	**20**	**5**	**36**	**2**	**49**	**141**	**25**	**32**	**62**	**426**
Of which non-performing	30	11	3	20	1	27	78	14	18	13	215
Of which performing	24	9	2	16	1	22	63	11	14	49	211
Reserves for impaired loans and receivables	**-44**	**-18**	**-1**	**-17**	**-2**	**-45**	**-128**	**-21**	**-30**	**-51**	**-357**
Of which non-performing	-19	-9	-1	-1	-1	-22	-66	-10	-16	-1	-146
Of which performing	-25	-9	-	-16	-1	-23	-62	-11	-14	-50	-211
Book value of impaired loans and receivables	**10**	**2**	**4**	**19**	**0**	**4**	**13**	**4**	**2**	**11**	**69**
Of which non-performing	10	2	4	19	-	4	13	4	2	11	69
Of which performing	-	-	-	-	-	-	-	-	-	-	-

Note 16: *cont.*

Loans and receivables and their impairment

Parent company

31 Dec 2005, EURm	Real estate management	Construction	Agriculture and fishing	Transport	Shipping	Trade and service	Manufac-turing	Financial operations	Renting, consulting, and other company services	Other	Total
Loans and receivables, non-impaired[2]	6 076	402	297	2 027	220	2 328	3 861	357	1 116	4 524	21 208
Impaired loans and receivables	35	12	1	11	0	51	162	12	33	100	417
Loans and receivables before reserves	**6 111**	**414**	**298**	**2 038**	**220**	**2 379**	**4 023**	**369**	**1 149**	**4 624**	**21 625**
Specific reserves for individually assessed loans	-31	-11	-1	-7	-	-48	-116	-10	-31	-18	-273
Reserves for groups of significant loans	-	-	-	-3	-	-	-38	-	-	-68	-109
Reserves for groups of non-significant loans	-	-	-	-	-	-	-	-	-	-	-
Reserves	**-31**	**-11**	**-1**	**-10**	**0**	**-48**	**-154**	**-10**	**-31**	**-86**	**-382**
Loans and receivables, book value	**6 080**	**403**	**297**	**2 028**	**220**	**2 331**	**3 869**	**359**	**1 118**	**4 538**	**21 243**
[2] Of which non-performing loans on which interest is taken as income	4	1	0	1	0	3	7	3	2	13	34

Specification of impaired loans and receivables

	Real estate management	Construction	Agriculture and fishing	Transport	Shipping	Trade and service	Manufac-turing	Financial operations	Renting, consulting, and other company services	Other	Total
Impaired loans and receivables before reserves	**35**	**12**	**1**	**11**	**0**	**51**	**162**	**12**	**33**	**100**	**417**
Of which non-performing	11	4	0	3	0	17	51	4	10	30	130
Of which performing	24	8	1	8	0	34	111	8	23	70	287
Reserves for impaired loans and receivables	**-31**	**-11**	**-1**	**-11**	**0**	**-48**	**-154**	**-9**	**-31**	**-86**	**-382**
Of which non-performing	-7	-3	0	-3	0	-14	-43	-1	-8	-16	-95
Of which performing	-24	-8	-1	-8	0	-34	-111	-8	-23	-70	-287
Book value of impaired loans and receivables	**4**	**1**	**0**	**0**	**0**	**3**	**8**	**3**	**2**	**14**	**35**
Of which non-performing	4	1	0	0	0	3	8	3	2	14	35
Of which performing	-	-	-	-	-	-	-	-	-	-	-

Note 16: *cont.*

Loans and receivables and their impairment

Parent company

31 Dec 2004, EURm	Real estate management	Construction	Agriculture and fishing	Transport	Shipping	Trade and service	Manufac-turing	Financial operations	Renting, consulting, and other company services	Other	Total
Loans and receivables, non-impaired	5 214	308	268	1 382	126	1 978	3 492	240	1 232	3 369	17 609
Impaired loans and receivables	47	18	2	31	2	44	125	21	29	50	369
Loans and receivables before reserves	**5 261**	**326**	**270**	**1 413**	**128**	**2 022**	**3 617**	**261**	**1 261**	**3 419**	**17 978**
Specific reserves for individually assessed loans	-42	-18	-1	-16	-2	-43	-104	-21	-29	-10	-286
Reserves for groups of significant loans	-	-	-	-	-	-	-20	-	-	-40	-60
Reserves for groups of non-significant loans	-	-	-	-	-	-	-	-	-	-	-
Reserves	**-42**	**-18**	**-1**	**-16**	**-2**	**-43**	**-124**	**-21**	**-29**	**-50**	**-346**
Loans and receivables, book value	**5 219**	**308**	**269**	**1 397**	**126**	**1 979**	**3 493**	**240**	**1 232**	**3 369**	**17 632**

Specification of impaired loans and receivables

Impaired loans and receivables before reserves	**47**	**18**	**2**	**31**	**2**	**44**	**125**	**21**	**29**	**50**	**369**
Of which non-performing	23	10	2	16	1	22	65	10	16	2	167
Of which performing	24	8	-	15	1	22	60	11	13	48	202
Reserves for impaired loans and receivables	**-42**	**-18**	**-1**	**-16**	**-2**	**-43**	**-124**	**-21**	**-29**	**-50**	**-346**
Of which non-performing	-18	-10	-1	-1	-1	-21	-64	-10	-16	-2	-144
Of which performing	-24	-8	-	-15	-1	-22	-60	-11	-13	-48	-202
Book value of impaired loans and receivables	**5**	**0**	**1**	**15**	**0**	**1**	**1**	**0**	**0**	**0**	**23**
Of which non-performing	5	0	1	15	0	1	1	0	0	0	23
Of which performing	-	-	-	-	-	-	-	-	-	-	-

Type of loans, book value

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Property loans	21 941	19 171	15 794	19 171
Credit card loans	761	755	-	-
Financial leases	13	5	-	-
Other	63 307	55 917	69 717	56 174
Total	**86 022**	**75 848**	**85 511**	**75 345**

Note 16: *cont.*

Loans and receivables and their impairment

Loans and receivables by geographic area

Group

31 Dec 2005, EURm	Denmark	Finland	Norway	Sweden	Poland and the Baltic countries	EU countries, other	USA	Latin America	Asia	Other OECD	Non-OECD, other	Total
Loans and receivables, non-impaired[2]	12 307	37 617	6 362	15 175	2 526	5 487	3 636	276	1 012	532	992	85 922
Impaired loans and receivables	-	461	-	-	5	8	19	12	46	3	9	563
Loans and receivables before reserves	**12 307**	**38 078**	**6 362**	**15 175**	**2 531**	**5 495**	**3 655**	**288**	**1 058**	**535**	**1 001**	**86 485**
Specific reserves for individually assessed loans	-	-309	-	-	-4	-5	-11	0	-4	-	-	-333
Reserves for groups of significant loans	-	-46	-	-	-	-3	-	-12	-41	-3	-9	-114
Reserves for groups of non-significant loans	-	-16	-	-	-	0	-	-	-	-	-	-16
Reserves	**-**	**-371**	**-**	**-**	**-4**	**-8**	**-11**	**-12**	**-45**	**-3**	**-9**	**-463**
Loans and receivables, book value	**12 307**	**37 707**	**6 362**	**15 175**	**2 527**	**5 487**	**3 644**	**276**	**1 013**	**532**	**992**	**86 022**
[2] Of which non-performing loans on which interest is taken as income	-	90	-	-	1	1	8	-	-	-	-	100

Specification of impaired loans and receivables

	Denmark	Finland	Norway	Sweden	Poland and the Baltic countries	EU countries, other	USA	Latin America	Asia	Other OECD	Non-OECD, other	Total
Impaired loans and receivables before reserves	**-**	**461**	**-**	**-**	**5**	**8**	**19**	**12**	**46**	**3**	**9**	**563**
Of which non-performing	-	195	-	-	2	5	10	-	1	-	-	213
Of which performing	-	266	-	-	3	3	9	12	45	3	9	350
Reserves for impaired loans and receivables	**-**	**-371**	**-**	**-**	**-4**	**-8**	**-11**	**-12**	**-45**	**-3**	**-9**	**-463**
Of which non-performing	-	-105	-	-	-1	-5	-2	-	0	-	-	-113
Of which performing	-	-266	-	-	-3	-3	--9	-12	-45	-3	-9	-350
Book value of impaired loans and receivables	**-**	**90**	**-**	**-**	**1**	**0**	**8**	**0**	**1**	**-**	**-**	**100**
Of which non-performing	-	90	-	-	1	0	8	-	1	-	-	100
Of which performing	-	-	-	-	-	-	-	-	-	-	-	-

Note 16: *cont.*

Loans and receivables and their impairment

Group

31 Dec 2004, EURm	Denmark	Finland	Norway	Sweden	Poland and the Baltic countries	EU countries other	USA	Latin America	Asia	Other OECD	Non-OECD, other	Total
Loans and receivables, non-impaired	553	69 885	241	127	1 362	1 619	722	111	466	336	294	75 716
Impaired loans and receivables	-	513	-	-	6	21	19	-	5	-	-	564
Loans and receivables before reserves	**553**	**70 398**	**241**	**127**	**1 368**	**1 640**	**741**	**111**	**471**	**336**	**294**	**76 280**
Specific reserves for individually assessed loans	-	-331	-	-	-3	-12	-6	-	-5	-	-	-357
Reserves for groups of significant loans	-	-60	-	-	-	-	-	-	-	-	-	-60
Reserves for groups of non-significant loans	-	-15	-	-	-	-	-	-	-	-	-	-15
Reserves	**-**	**-406**	**-**	**-**	**-3**	**-12**	**-6**	**-**	**-5**	**-**	**-**	**-432**
Loans and receivables, book value	**553**	**69 992**	**241**	**127**	**1 365**	**1 628**	**735**	**111**	**466**	**336**	**294**	**75 848**

Specification of impaired loans and receivables

	Denmark	Finland	Norway	Sweden	Poland and the Baltic countries	EU countries other	USA	Latin America	Asia	Other OECD	Non-OECD, other	Total
Impaired loans and receivables before reserves	**-**	**513**	**-**	**-**	**6**	**21**	**19**	**-**	**5**	**-**	**-**	**564**
Of which non-performing	-	252	-	-	5	21	19	-	1	-	-	298
Of which performing	-	261	-	-	1	-	-	-	4	-	-	266
Reserves for impaired loans and receivables	**-**	**-406**	**-**	**-**	**-3**	**-12**	**-6**	**-**	**-5**	**-**	**-**	**-432**
Of which non-performing	-	-145	-	-	-2	-12	-6	-	-1	-	-	-166
Of which performing	-	-261	-	-	-1	-	-	-	-4	-	-	-266
Book value of impaired loans and receivables	**-**	**107**	**-**	**-**	**3**	**9**	**13**	**-**	**0**	**-**	**-**	**132**
Of which non-performing	-	107	-	-	3	9	13	-	0	-	-	132
Of which performing	-	-	-	-	-	-	-	-	-	-	-	-

Note 16: *cont.*

Loans and receivables and their impairment

Parent company

31 Dec 2005, EURm	Denmark	Finland	Norway	Sweden	Poland and the Baltic countries	EU countries, other	USA	Latin America	Asia	Other OECD	Non-OECD, other	Total
Loans and receivables, non-impaired[2]	12 307	37 476	6 362	15 175	2 194	5 487	3 636	276	1 012	532	992	85 449
Impaired loans and receivables	-	391	-	-	4	5	19	12	48	3	9	491
Loans and receivables before reserves	**12 307**	**37 867**	**6 362**	**15 175**	**2 198**	**5 492**	**3 655**	**288**	**1 060**	**535**	**1 001**	**85 940**
Specific reserves for individually assessed loans	-	-276	-	-	-3	-5	-11	-	-4	-	-	-299
Reserves for groups of significant loans	-	-46	-	-	-	-	-	-12	-44	-3	-9	-114
Reserves for groups of non-significant loans	-	-16	-	-	-	-	-	-	-	-	-	-16
Reserves	-	**-338**	-	-	**-3**	**-5**	**-11**	**-12**	**-48**	**-3**	**-9**	**-429**
Loans and receivables, book value	**12 307**	**37 529**	**6 362**	**15 175**	**2 195**	**5 487**	**3 644**	**276**	**1 012**	**532**	**992**	**85 511**
[2] Of which non-performing loans on which interest is taken as income	-	52	-	-	1	1	8	-	-	-	-	62

Specification of impaired loans and receivables

	Denmark	Finland	Norway	Sweden	Poland and the Baltic countries	EU countries, other	USA	Latin America	Asia	Other OECD	Non-OECD, other	Total
Impaired loans and receivables before reserves	**-**	**391**	**-**	**-**	**4**	**5**	**19**	**12**	**48**	**3**	**9**	**491**
Of which non-performing	-	155	-	-	2	5	9	-	1	-	-	172
Of which performing	-	236	-	-	2	-	10	12	47	3	9	319
Reserves for impaired loans and receivables	**-**	**-338**	**-**	**-**	**-3**	**-5**	**-11**	**-12**	**-48**	**-3**	**-9**	**-429**
Of which non-performing	-	-102	-	-	-1	-5	-1	-	-1	-	-	-110
Of which performing	-	-236	-	-	-2	-	-10	-12	-47	-3	-9	-319
Book value of impaired loans and receivables	-	**53**	-	-	**1**	**0**	**8**	0	**0**	0	0	**62**
Of which non-performing	-	53	-	-	1	0	8	-	-	-	-	62
Of which performing	-	-	-	-	-	-	-	-	-	-	-	-

Note 16: *cont.*

Loans and receivables and their impairment

Parent company

31 Dec 2004, EURm	Denmark	Finland	Norway	Sweden	Poland and the Baltic countries	EU countries, other	USA	Latin America	Asia	Other OECD	Non-OECD, other	Total
Loans and receivables, non-impaired	553	69 673	241	127	1 114	1 619	722	111	466	336	294	75 256
Impaired loans and receivables	-	436	-	-	4	21	19	-	5	-	-	485
Loans and receivables before reserves	**553**	**70 109**	**241**	**127**	**1 118**	**1 640**	**741**	**111**	**471**	**336**	**294**	**75 741**
Specific reserves for individually assessed loans	-	-297	-	-	-1	-12	-6	-	-5	-	-	-321
Reserves for groups of significant loans	-	-60	-	-	-	-	-	-	-	-	-	-60
Reserves for groups of non-significant loans	-	-15	-	-	-	-	-	-	-	-	-	-15
Reserves	-	**-372**	-	-	**-1**	**-12**	**-6**	-	**-5**	-	-	**-396**
Loans and receivables, book value	**553**	**69 737**	**241**	**127**	**1 117**	**1 628**	**735**	**111**	**466**	**336**	**294**	**75 345**

Specification of impaired loans and receivables

	Denmark	Finland	Norway	Sweden	Poland and the Baltic countries	EU countries, other	USA	Latin America	Asia	Other OECD	Non-OECD, other	Total
Impaired loans and receivables before reserves	**-**	**436**	**-**	**-**	**4**	**21**	**19**	**-**	**5**	**-**	**-**	**485**
Of which non-performing	-	209	-	-	3	21	19	-	1	-	-	253
Of which performing	-	227	-	-	1	-	-	-	4	-	-	232
Reserves for impaired loans and receivables	**-**	**-372**	**-**	**-**	**-1**	**-12**	**-6**	**-**	**-5**	**-**	**-**	**-396**
Of which non-performing	-	-145	-	-	0	-12	-6	-	-1	-	-	-164
Of which performing	-	-227	-	-	-1	-	-	-	-4	-	-	-232
Book value of impaired loans and receivables	**-**	**64**	**-**	**-**	**3**	**9**	**13**	**-**	**0**	**-**	**-**	**89**
Of which non-performing	-	64	-	-	3	9	13	-	0	-	-	89
Of which performing	-	-	-	-	-	-	-	-	-	-	-	-

Restructured loans and receivables current year

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Loans and receivables before restructuring, book value	22	-	22	-
Loans and receivables after restructuring, book value	24	-	24	-

Reclassified loans and receivables current year

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Impaired loans and receivables reclassified as normal loans, book value	24	-	24	-

Note 16: *cont.*

Loans and receivables and their impairment

Loans and receivables with transfer risk[3, 4]

	Group				Parent company			
	Loans and receivables comprised by the transfer risk		Contingent liabilities comprised by the transfer risk		Loans and receivables comprised by the transfer risk		Contingent liabilities comprised by the transfer risk	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Loans and receivables before transfer risk reserve	**1 128**	**622**	**-**	**-**	**1 128**	**622**	**-**	**-**
Transfer risk reserve[5]	-68	-40	-	-	-68	-40	-	-
Loans and receivables after transfer risk reserve, book value	**1 060**	**582**	**-**	**-**	**1 060**	**582**	**-**	**-**

[3] Transfer risk is handled as a group of significant loans.

[4] Individual customer or customer group, which is identified individually as impaired, is handled as individually assessed loans.

[5] Total reserve for transfer risk amounted to EUR -68m (-40).

Reconciliation of reserve accounts for impaired assets

Group

31 Dec 2005, EURm	Opening balance	Changes through profit/loss	Changes due to currency rates	Closing balance
Reserves for individually assessed loans	357	-19	-5	333
Reserves for groups of significant loans	60	48	6	114
Reserves for groups of non-significant loans	15	1	-	16
Total	**432**	**30**	**1**	**463**

31 Dec 2004, EURm	Opening balance	Changes through profit/loss	Changes due to currency rates	Closing balance
Reserves for individually assessed loans	383	-39	13	357
Reserves for groups of significant loans	52	10	-2	60
Reserves for groups of non-significant loans	-	15	-	15
Total	**435**	**-14**	**11**	**432**

Parent company

31 Dec 2005, EURm	Opening balance	Changes through profit/loss	Changes due to currency rates	Closing balance
Reserves for individually assessed loans	321	-17	-5	299
Reserves for groups of significant loans	60	48	6	114
Reserves for groups of non-significant loans	15	1	-	16
Total	**396**	**32**	**1**	**429**

31 Dec 2004, EURm	Opening balance	Changes through profit/loss	Changes due to currency rates	Closing balance
Reserves for individually assessed loans	350	-43	14	321
Reserves for groups of significant loans	52	10	-2	60
Reserves for groups of non- significant loans	-	15	-	15
Total	**402**	**-18**	**12**	**396**

Assets taken over for protection of claims

	Group		Parent company	
EURm	2005	2004	2005	2004
Current assets, book value				
Land and buildings	0	-	0	-
Shares and other participations	-	5	2	2
Other assets	2	-	-	-
Total	**2**	**5**	**2**	**2**

Property acquired during the year

Group

Categories of property, 31 Dec 2005, EURm	Number of property	Book value	Fair value
Industry and warehouse property	1	0	0
Total		**0**	**0**

31 Dec 2004, EURm	Number of property	Book value	Fair value
Industry and warehouse property	-	-	-
Total		**-**	**-**

Parent company

Categories of property, 31 Dec 2005, EURm	Number of property	Book value	Fair value
Industry and warehouse property	1	0	0
Total		**0**	**0**

31 Dec 2004, EURm	Number of property	Book value	Fair value
Industry and warehouse property	-	-	-
Total		**-**	**-**

Property by geographical area

	Group				Parent company			
	Book value		Fair value		Book value		Fair value	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Industry and warehouse property, of which	0	-	0	-	0	-	0	-
- foreign countries	0	-	0	-	0	-	0	-

Specification of foreign property

	Group				Parent company			
	Book value		Fair value		Book value		Fair value	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Baltic countries	0	-	0	-	0	-	0	-

Note 17

Interest-bearing securities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Current assets				
Issued by public bodies	19	9	19	9
Issued by other borrowers	962	703	960	703
Total	**981**	**712**	**979**	**712**
Listed securities	894	189	894	189
Unlisted securities	87	523	85	523
Total	**981**	**712**	**979**	**712**
Of which claims on				
- group undertakings	-	-	-	-
- associated undertakings	-	-	-	-
Maturity information				
Remaining maturity (book value)				
Maximum 1 year	530	467	528	468
1–5 years	442	238	442	237
5–10 years	9	7	9	7
More than 10 years	-	-	-	-
Total including portfolio schemes	**981**	**712**	**979**	**712**
Average remaining maturity period, years	1.9	1.9	1.9	1.9

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. Interest-bearing securities included interest-bearing securities issued by other Nordea Group undertakings in the amount of EUR 92m (36).

Note 18
Shares

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Current assets				
Shares in trading portfolio	297	195	297	194
Other shares	15	17	16	17
Non-current assets				
Other shares	4	4	3	4
Total	**316**	**216**	**316**	**215**
Listed shares	297	195	297	194
Unlisted shares	19	21	19	21
Total	**316**	**216**	**316**	**215**

Specification of shares:	Group			Parent company		
31 Dec 2005	Book value EURm	Market value EURm	Voting power of holding %	Book value EURm	Market value EURm	Voting power of holding %
Current assets						
Pohjola Group Plc	98	98	4.8	98	98	4.8
Carlson Small Cap Fund	21	21	-	21	21	-
Kemira Plc	12	12	0.7	12	12	0.7
Sato-Yhtymä Oy	9	9	9.6	9	9	9.6
Elisa Corporation	8	8	0.3	8	8	0.3
Other, listed	158	158	-	158	158	-
Other, unlisted	6	6	-	6	6	-
Total	**312**	**312**		**312**	**312**	
Non-current assets						
S.W.I.F.T.	1	1	-	1	1	-
Savon Teknia Oy	1	1	8.7	1	1	8.7
Indekon Oy	1	1	6.5	1	1	6.5
Helsinki Halli Oy	0	0	0.0	0	0	0.0
Oy Wedeco Ab	0	0	2.4	0	0	2.4
Other, unlisted	1	1	-	1	1	-
Total	**4**	**4**		**4**	**4**	

Note 19
Derivatives

31 Dec 2005, EURm	Group Fair value Positive	Negative	Total nominal amount	Parent company Fair value Positive	Negative	Total nominal amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	16 786	16 609	912 744	16 786	16 609	912 744
FRAs	86	82	234 685	86	82	234 685
Interest rate futures	12	3	10 944	12	3	10 944
Options written	-	4 475	103 208	-	4 475	103 208
Options bought	4 557	-	103 069	4 557	-	103 069
Total	**21 441**	**21 169**	**1 364 650**	**21 441**	**21 169**	**1 364 650**
Of which cleared	7	19	11 730	7	19	11 730
Equity derivatives						
Futures and forwards	5	25	185	5	25	185
Options written	0	320	2 023	0	320	2 023
Options bought	308	-	2 956	308	-	2 956
Total	**313**	**345**	**5 164**	**313**	**345**	**5 164**
Of which cleared	2	7	7	2	7	7
Foreign exchange derivatives						
Currency and interest rate swaps	1 039	1 452	90 725	1 039	1 452	90 725
Currency forwards	3 809	3 716	329 365	3 809	3 716	329 365
Options written	-	165	33 126	-	165	33 126
Options bought	204	2	21 245	204	2	21 245
Total	**5 052**	**5 335**	**474 461**	**5 052**	**5 335**	**474 461**
Of which cleared	-	-	-	-	-	-
Other derivatives						
Futures and forwards	23	20	541	23	20	541
Options written	-	9	202	-	9	202
Options bought	4	-	202	4	-	202
Other	949	906	56 894	949	906	56 894
Total	**976**	**935**	**57 839**	**976**	**935**	**57 839**
Of which cleared	2	2	6	2	2	6
Total derivatives held for trading	**27 782**	**27 784**	**1 902 114**	**27 782**	**27 784**	**1 902 114**
Of which cleared	11	28	11 743	11	28	11 743
Derivatives used for hedge accounting						
Interest rate derivatives						
Interest rate swaps	283	140	42 168	283	140	42 168
Total	**283**	**140**	**42 168**	**283**	**140**	**42 168**
Of which cleared	-	-	-	-	-	-
Foreign exchange derivatives						
Currency and interest rate swaps	18	84	877	18	84	877
Currency forwards	82	61	14 824	82	61	14 824
Total	**100**	**145**	**15 701**	**100**	**145**	**15 701**
Of which cleared	-	-	-	-	-	-
Total derivatives used for hedge accounting	**383**	**285**	**57 869**	**383**	**285**	**57 869**
Of which cleared	-	-	-	-	-	-

Note 19: *cont.*
Derivatives

31 Dec 2004, EURm	Group Book value Positive	Negative	Total nominal amount	Parent company Book value Positive	Negative	Total nominal amount
Derivatives reported in the balance sheet						
Interest rate derivatives						
Interest rate swaps	14 626	14 405	647 927	14 627	14 405	647 932
FRAs	143	139	179 193	143	139	179 193
Interest rate futures	4	2	2 436	4	2	2 436
Options written	0	2 960	96 860	0	2 960	96 860
Options bought	2 945	6	94 019	2 945	6	94 019
Total	**17 718**	**17 512**	**1 020 435**	**17 719**	**17 512**	**1 020 440**
Of which cleared	2	2	3 800	2	2	3 800
Equity derivatives						
Futures and forwards	0	2	34	0	2	34
Options written	-	182	1 813	-	182	1 813
Options bought	169	-	1 682	169	-	1 682
Total	**169**	**184**	**3 529**	**169**	**184**	**3 529**
Of which cleared	0	4	76	0	4	76
Foreign exchange derivatives						
Currency and interest rate swaps	1 843	1 798	58 234	1 843	1 798	58 245
Currency forwards	6 334	6 684	287 217	6 334	6 684	287 217
Options written	0	194	13 791	0	194	13 791
Options bought	200	-	12 158	200	-	12 158
Other	-	-	-	-	-	-
Total	**8 377**	**8 676**	**371 400**	**8 377**	**8 676**	**371 411**
Of which cleared	-	-	-	-	-	-
Other derivatives						
Futures and forwards	4	2	122	4	2	122
Options written	-	1	45	0	1	45
Options bought	1	0	45	1	-	45
Other	158	219	15 729	158	219	15 729
Total	**163**	**222**	**15 941**	**163**	**222**	**15 941**
Of which cleared	0	1	8	0	1	8
Total derivatives in the balance sheet	**26 427**	**26 594**	**1 411 305**	**26 428**	**26 594**	**1 411 321**
Of which cleared	3	7	3 885	3	7	3 885

Note 19: *cont.*

Derivatives

31 Dec 2004, EURm	Group Fair value Positive	Group Fair value Negative	Group Total nominal amount	Parent company Fair value Positive	Parent company Fair value Negative	Parent company Total nominal amount
Derivatives not reported in the balance sheet						
Interest rate derivatives						
Options written	-	-	5	-	-	5
Options bought	-	-	5	-	-	5
Total	**-**	**-**	**10**	**-**	**-**	**10**
Of which cleared	-	-	-	-	-	-
Equity derivatives						
Options written	-	-	4	-	-	4
Total	**-**	**-**	**4**	**-**	**-**	**4**
Of which cleared	-	-	-	-	-	-
Foreign exchange derivatives						
Currency and interest rate swaps	-	-	6	-	-	6
Options written	3	3	682	3	3	682
Options bought	3	3	682	3	3	682
Total	**6**	**6**	**1 370**	**6**	**6**	**1 370**
Of which cleared	-	-	-	-	-	-
Other derivatives						
Other	-	0	11	-	-	11
Total	**-**	**0**	**11**	**-**	**-**	**11**
Of which cleared	-	-	-	-	-	-
Total derivatives not reported in the balance sheet	**6**	**6**	**1 395**	**6**	**6**	**1 395**
Of which cleared	-	-	-	-	-	-

Group

Maturity information	31 Dec 2005 Positive	31 Dec 2005 Negative	31 Dec 2004 Positive	31 Dec 2004 Negative
Remaining maturity (book value)				
Maximum 3 months	3 211	3 418	4 584	4 906
3-12 months	2 554	2 514	3 422	3 539
1-5 years	6 405	6 420	6 840	6 972
More than 5 years	15 995	15 717	11 581	11 177
Total	**28 165**	**28 069**	**26 427**	**26 594**

Parent company

Maturity information	31 Dec 2005 Positive	31 Dec 2005 Negative	31 Dec 2004 Positive	31 Dec 2004 Negative
Remaining maturity (book value)				
Maximum 3 months	3 211	3 418	4 584	4 906
3-12 months	2 554	2 514	3 422	3 539
1-5 years	6 405	6 420	6 840	6 972
More than 5 years	15 995	15 717	11 582	11 177
Total	**28 165**	**28 069**	**26 428**	**26 594**

Note 20
Investments in associated undertakings

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Non-current assets				
Financial institutions	122	75	58	32
Other	92	101	74	78
Total	**214**	**176**	**132**	**110**
Of which listed shares	-	-	-	-
Acquisition value at beginning of year	181	232	119	176
Acquisitions during the year	28	5	22	5
Sales during the year	-9	-51	-8	-62
Share in earnings	23	10	-	-
Dividend received	-7	-12	-	-
Reclassifications	-	-3	-	-
Acquisition value at end of year	**216**	**181**	**133**	**119**
Accumulated impairment charges at beginning of year	-2	-	-7	-
Impairment charges during the year	0	-2	1	-7
Translation differences	0	-3	5	-2
Accumulated impairment charges at end of year	**-2**	**-5**	**-1**	**-9**
Total	**214**	**176**	**132**	**110**

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

EURm	31 Dec 2005	31 Dec 2004
Total assets	1 436	885
Total liabilities	1 296	735
Operating income	74	44
Operating profit	27	25

Nordea Bank Finland Plc's and Nordea Bank Finland Group' s share of contingent liabilities in favour of associated undertakings amounted to EUR 1m.

Group

31 Dec 2005	Business ID	Domicile	Book value EURm	Voting power of holding %	Shareholding %
Credit institutions					
Eurocard Oy	0107810-9	Helsinki	2	31.5	31.5
International Moscow Bank	-	Moscow	92	26.4	23.4
Luottokunta	0201646-0	Helsinki	28	25.1	25.1
Total			**122**		
Other					
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	7	33.3	33.3
Eka-kiinteistöt Oy	1097319-9	Helsinki	4	30.3	30.3
NF Fleet Oy	2006935-5	Espoo	0	20.0	20.0
Optiomi Oy	0747587-7	Helsinki	8	24.9	24.9
Power Partners Oy	0815584-0	Helsinki	1	49.5	49.5
Profita Fund I Ky	1070549-3	Helsinki	2	-	42.2
Profita Fund II Ky	1596354-7	Helsinki	11	-	44.9
Oy Realinvest Ab	0680035-9	Helsinki	50	49.3	49.3
Securus Oy	0742429-5	Helsinki	0	35.2	35.2
Sponsor Fund I Ky	1097456-2	Helsinki	6	-	46.3
Suomen Asiakastieto Oy	0111027-9	Helsinki	3	32.2	32.2
Total			**92**		
Total			**214**		

The statutory information is available on request from Nordea Investor Relations.

Note 20: *cont.*

Investments in associated undertakings

Parent company

31 Dec 2005	Business ID	Domicile	Book value EURm	Voting power of holding %	Shareholding %
Credit institutions					
Eurocard Oy	0107810-9	Helsinki	2	31.5	31.5
International Moscow Bank	-	Moscow	47	26.4	23.4
Luottokunta	0201646-0	Helsinki	9	25.1	25.1
Total			**58**		
Other					
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	5	33.3	33.3
Eka-kiinteistöt Oy	1097319-9	Helsinki	0	30.3	30.3
Optiomi Oy	0747587-7	Helsinki	0	24.9	24.9
Profita Fund I Ky	1070549-3	Helsinki	2	-	42.2
Profita Fund II Ky	1596354-7	Helsinki	11	-	44.9
Oy Realinvest Ab	0680035-9	Helsinki	50	49.3	49.3
Securus Oy	0742429-5	Helsinki	0	35.2	35.2
Sponsor Fund I Ky	1097456-2	Helsinki	6	-	46.3
Suomen Asiakastieto Oy	0111027-9	Helsinki	0	32.2	32.2
Total			**74**		
Total			**132**		

Note 21
Investments in group undertakings

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Non-current assets				
Shares, financial institutions	-	0	309	310
Other	-	4	16	24
Total	**-**	**4**	**325**	**334**
Of which listed shares	-	-	-	-
Acquisition value at beginning of year	27	34	336	279
Acquisitions during the year	0	-	0	108
Sales during the year	-4	-	-9	-51
Share in earnings	-	-2	-	-
Through mergers	-	-5	-	-
Reclassifications	-23	0	0	1
Translation differences	0	0	0	-1
Acquisition value at end of year	**0**	**27**	**327**	**336**
Accumulated impairment charges at beginning of year	-23	-24	-2	-9
Impairment charges during the year	0	-	-	-2
Reversed impairment charges during the year	0	1	-	9
Reclassifications	23	0	-	0
Accumulated impairment charges at end of year	**0**	**-23**	**-2**	**-2**
Total	**0**	**4**	**325**	**334**

Note 21: *cont.*

Investments in group undertakings

Specification

This specification includes all directly owned group undertakings and major group undertakings to the directly owned companies. The full specification and statutory information are available on request from Nordea Investor Relations.

31 Dec 2005	Number of shares	Book value EURm	Voting power of holding %	Shareholding %	Domicile	Business ID
Domestic						
Credit institutions						
Nordea Finance Finland Ltd	1 000 000	306	100.0	100.0	Espoo	0112305-3
Financial institutions						
Tukirahoitus Oy [1]	672	7	100.0	100.0	Espoo	0677131-6
Real estate companies						
Lahden Hansa Koy [1]	30 000	13	100.0	100.0	Lahti	0741813-5
Ristipellontie 4 Koy [1]	1 484	19	100.0	100.0	Helsinki	0761727-3
VKR-Kiinteistöt Oy [1]	600	1	60.0	60.0	Vantaa	0728754-2
Tampereen Kirkkokatu 7 Koy [1]	280	50	100.0	100.0	Tampere	0819781-3
Levytie 6 Koy [1]	147	23	100.0	100.0	Helsinki	0818921-5
Turun Arvokiinteistöt Oyj	2 457 600	2	100.0	100.0	Turku	0304515-9
PMA-Invest Oy	8 434	11	100.0	100.0	Helsinki	1069506-1
Hatanpään Valtatie 30 Koy [1]	28 070	19	100.0	100.0	Tampere	0154774-5
Multihermia Koy [1]	55 000	9	100.0	100.0	Tampere	1104038-2
Terahermia Koy [1]	20 000	0	100.0	100.0	Tampere	1541880-5
Other companies						
Fidenta Oy	4 000	0	60.0	40.0	Espoo	0988412-1
Unitas Congress Center Ltd	100	0	100.0	100.0	Helsinki	0872917-0
International						
Banks						
MeritaNordbanken Merchant Bank Singapore Ltd	35 000 000	3	100.0	100.0	Singapore	198000075C
Financial institutions						
Nordea Finance Polska S.A [1]	19 690 000	0	100.0	100.0	Warsaw	PL5861944082
Nordea Finance Estonia Ltd [1]	60 000	6	100.0	100.0	Tallinn	EE100212426
Nordea Finance Latvia Ltd [1]	1 000	1	100.0	100.0	Riga	LV40003348054
Nordea Finance Lithuania Ltd [1]	6 400	1	100.0	100.0	Vilnius	LT 111667277
Nordea Securities Holding (U.K.) Ltd [1]	49 010 000	2	100.0	100.0	London	01803666
Real estate companies						
Nordea Real Estate (U.K.) Ltd	21 000 500	0	100.0	100.0	London	01799591

Other subsidiaries included in the consolidated financial statements; total assets of less than EUR 10m	Number of companies	Book value of shares EURm	Total assets EURm
Real estate companies	22	39	66
Other companies	9	0	7

[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 2005 of Nordea Bank may be down-loaded on the Internet at www.nordea.com and is available from Nordea Group Investor Relations, SE 105 71 Stockholm, Sweden. The Annual Report 2005 of the Nordea Group is also available at branches of Nordea Bank Finland Plc.

Note 22
Intangible assets

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent Company 31 Dec 2005	Parent Company 31 Dec 2004
Goodwill				
Group goodwill	-	-	-	-
Other goodwill	0	2	-	-
Goodwill, total	0	2	-	-
Other intangible assets [1]	17	18	18	18
Total	**17**	**20**	**18**	**18**

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent Company 31 Dec 2005	Parent Company 31 Dec 2004
Goodwill				
Acquisition value at beginning of year	3	3	-	-
Acquisitions during the year	0	-	-	-
Acquisition value at end of year	**3**	**3**	**-**	**-**
Accumulated amortisation at beginning of year	-1	-	-	-
Amortisation according to plan for the year	-2	-1	-	-
Accumulated amortisation at end of year	**-2**	**-1**	**-**	**-**
Accumulated impairment charges at end of year	**-**	**-**	**-**	**-**
Total	**0**	**2**	**-**	**-**
Other intangible assets				
Acquisition value at beginning of year	36	22	62	49
Acquisitions during the year	6	9	9	8
Through mergers	-3	-1	-	-
Sales/disposals during the year	-	-	0	-1
Reclassifications	-	6	-3	6
Acquisition value at end of year	**39**	**36**	**68**	**62**
Accumulated amortisation at beginning of year	-18	-8	-44	-36
Amortisation according to plan for the year	-6	-8	-6	-8
Accumulated amortisation on sales/disposals during the year	2	-2	0	-
Accumulated amortisation at end of year	**-22**	**-18**	**-50**	**-44**
Accumulated impairment charges at end of year	**-**	**-**	**-**	**-**
Total	**17**	**18**	**18**	**18**

[1] Refers mainly to computer licences and improvements to rented premises.

Note 23

Property and equipment

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Current assets	0	-	0	-
Non-current assets	78	153	45	45
Of which buildings for own use	14	9	3	5
Total	**78**	**153**	**45**	**45**

Current assets				
Taken over for protection of claims[1]	0	-	0	-
Of which land and buildings	0	-	0	-
Total	**0**	**-**	**0**	**-**

[1] See Note 16 for Assets taken over for protection of claims.

Non-current assets				
Equipment				
Acquisition value at beginning of year	518	506	406	424
Acquisitions during the year	8	48	17	15
Sales/disposals during the year	-160	-30	-6	-33
Reclassifications	1	-6	1	-
Translation differences	0	0	-	-
Acquisition value at end of year	**367**	**518**	**418**	**406**
Accumulated depreciation at beginning of year	-374	-345	-366	-350
Sales/disposals during the year	110	12	6	3
Depreciation according to plan for the year	-39	-41	-16	-19
Reclassifications	-	-	-	0
Accumulated depreciation at end of year	**-303**	**-374**	**-376**	**-366**
Accumulated impairment charges at beginning of year	0	0	-	0
Accumulated impairment charges on sales/disposals during the year	0	0	-	0
Accumulated impairment charges at end of year	**0**	**0**	**-**	**0**
Total	**64**	**144**	**42**	**40**
Land and buildings				
Acquisition value at beginning of year	73	414	63	508
Acquisitions during the year	1	17	1	17
Sales/disposals during the year	-34	-366	-16	-457
Reclassifications	-5	8	-	-5
Acquisition value at end of year	**35**	**73**	**48**	**63**
Accumulated depreciation at beginning of year	-34	-128	-31	-282
Sales/disposals during the year	30	101	-	256
Depreciation according to plan for the year	-1	-7	0	-5
Accumulated depreciation at end of year	**-5**	**-34**	**-31**	**-31**
Accumulated impairment charges at beginning of year	-30	-142	-27	-199
Impairment charges during the year	-	-	-	-1
Accumulated impairment charges on sales/disposals during the year	14	112	13	173
Accumulated impairment charges at end of year	**-16**	**-30**	**-14**	**-27**
Total	**14**	**9**	**3**	**5**

Note 24
Leasing

Nordea as 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 and receivables to the public" (see Notes 15 and 16) 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	2005	2004
Gross investments	1 485	1 543
Less unearned finance income	-141	-143
Net investments in finance leases	**1 344**	**1 400**
Less unguaranteed residual values accruing to the benefit of the lessor	-130	-105
Present value of future minimum lease payments receivable	**1 214**	**1 295**
Accumulated allowance for uncollectible minimum lease payments receivable	**14**	**-**

As of 31 December 2005 the gross investment at remaining maturity was distributed as follows:

	Group
	31 Dec
Distribution of gross investment at remaining maturity, EURm	2005
2006	475
2007	330
2008	230
2009	130
2010	116
Later years	204
Total gross investment	**1 485**
Less unearned future finance income on finance leases	-141
Net investment in finance leases	**1 344**

Operating leases

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

	Group	
	31 Dec	31 Dec
Book value of leased assets, EURm	2005	2004
Acquisition value	46	136
Accumulated depreciation	-16	-37
Book value at end of year	**30**	**99**
- Of which repossessed leased property, book value	5	2

	Group	
	31 Dec	31 Dec
Book value distributed on groups of assets, EURm	2005	2004
Equipment	30	99
Book value at end of year	**30**	**99**

Depreciation for 2005 amounted to EUR 23m (22).

Note 24: *cont.*
Leasing

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

EURm	Group 31 Dec 2005
2006	4
2007	2
2008	1
2009	0
2010	-
Later years	-
Total	**7**

Nordea as lessee

Finance leases

Nordea Bank Finland Group has only to a minor extent entered into finance lease agreements.

Operating leases

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

	Group		Parent company	
Leasing expenses during the year, EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Leasing expenses during the year	71	58	68	60
Of which				
minimum lease payments	*71*	*58*	*68*	*60*
Leasing income during the year regarding sublease payments	1	2	4	8

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

	Group	Parent company
EURm	31 Dec 2005	31 Dec 2005
2006	33	35
2007	19	20
2008	13	13
2009	12	12
2010	12	12
Later years	151	152
Total	**240**	**244**

Note 25

Investment property

Group

Movement in investment property

EURm	31 Dec 2005	31 Dec 2004
Book value at beginning of year	33	99
Acquisitions	6	-
Disposals	-	-66
Book value at end of year	**39**	**33**

Amounts recognised in the income statement

EURm	2005	2004
Rental income	0	7
Direct operating expenses that generated rental income	0	-3
Direct operating expenses that did not generate rental income	0	-2
Cumulative change in fair value recognised	0	-
Total	**0**	**2**
Market value	39	33

Parent company

EURm	31 Dec 2005	31 Dec 2004
Acquisition value at the beginning of year	5	44
Acquisitions during the year	3	-
Sales/disposals during the year	-	-39
Acquisition value at end of year	**8**	**5**
Accumulated depreciation at end of year	**-**	**-**
Accumulated impairment charges at end of year	**-**	**-**
Total	**8**	**5**

Amounts recognised in the income statement

EURm	2005	2004
Rental income	0	5
Direct operating expenses that generated rental income	0	-3
Direct operating expenses that did not generate rental income	-	-1
Total	**0**	**1**
Market value	8	5

Note 26

Prepaid expenses and accrued income

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Accrued interest income	282	370	289	362
Other accrued income	131	141	80	96
Prepaid expenses	0	0	0	-
Total	**413**	**511**	**369**	**458**

Note 27
Other assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Claims on securities settlement proceeds	119	49	119	49
Other	1 624	1 548	1 666	1 678
Total	**1 743**	**1 597**	**1 785**	**1 727**

Note 28
Deposits by credit institutions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Central banks	1 699	1 388	1 699	1 388
Other banks	10 231	12 829	10 194	12 801
Other credit institutions	9 289	3 759	9 288	3 759
Total	**21 219**	**17 976**	**21 181**	**17 948**
Of which liabilities to group undertakings	-	-	1	2
Of which liabilities to associated undertakings	4	8	4	8
Maturity information				
Remaining maturity (book value)				
Payable on demand	1 982	36	1 976	36
Maximum 3 months	16 182	15 597	16 150	15 573
3 months–1 year	3 044	2 330	3 044	2 326
1–5 years	9	10	9	10
More than 5 years	2	3	2	3
Total	**21 219**	**17 976**	**21 181**	**17 948**
Average remaining maturity, years	0.1	0.1	0.1	0.1

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. In addition to the above figures deposits by credit institutions included deposits from other Nordea Group undertakings in the amount of EUR 11,050m (5,951).

Note 29
Deposits and borrowings from the public

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Deposits from the public	33 646	30 036	33 655	30 046
Borrowings from the public	1 446	1 639	1 458	1 643
Total	**35 092**	**31 675**	**35 113**	**31 689**
Of which liabilities to group undertakings	-	-	30	20
Of which liabilities to associated undertakings	3	2	3	2

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.

Maturity information, Deposits				
Remaining maturity (book value)				
Payable on demand	22 978	21 298	22 986	21 307
Maximum 3 months	8 026	6 199	8 027	6 198
3 months-1 year	1 782	1 637	1 782	1 639
1–5 years	857	897	857	897
More than 5 years	3	5	3	5
Total	**33 646**	**30 036**	**33 655**	**30 046**
Average remaining maturity, years	0.1	0.1	0.1	0.1

Maturity information, Borrowings				
Remaining maturity (book value)				
Payable on demand	-	3	-	-
Maximum 3 months	1 269	1 412	1 281	1 424
3 months-1 year	44	42	44	41
1–5 years	133	180	133	178
More than 5 years	-	2	-	-
Total	**1 446**	**1 639**	**1 458**	**1 643**
Average remaining maturity, years	0.3	0.3	0.3	0.3

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. In addition to the above figures deposits and borrowings from the public included liabilities to other Nordea Group undertakings in the amount of EUR 205m (82).

Note 30
Debt securities in issue

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Certificates of deposit	17 253	14 872	17 257	14 877
Commercial papers	2 321	2 778	2 321	2 778
Bond loans	1 856	925	1 857	925
Total	**21 430**	**18 575**	**21 435**	**18 580**
Of which, liabilities to group undertakings	-	-	4	5
Of which, liabilities to associated undertakings	-	-	-	-
Maturity information, Debt securities in issue				
Remaining maturity (book value)				
Maximum 1 year	19 662	17 609	19 667	17 613
1–5 years	1 579	956	1 579	957
5–10 years	189	10	189	10
Total	**21 430**	**18 575**	**21 435**	**18 580**
Average remaining maturity, years	0.5	0.3	0.5	0.3

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. In addition to the above figures debt securities in issue included debt securities issued that are held by other Nordea Group undertakings in the amount of EUR 81m (105).

Note 31
Other liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Liabilities on securities settlement proceeds	105	35	105	35
Sold, not held, securities	60	24	60	24
Accounts payable	14	14	7	7
Other	2 791	2 341	2 710	2 260
Total	**2 970**	**2 414**	**2 882**	**2 326**

Note 32
Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Accrued interest	362	300	359	299
Other accrued expenses	262	261	183	186
Prepaid income	6	1	5	0
Total	**630**	**562**	**547**	**485**

Note 33
Provisions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Other	55	54	43	40
Total	**55**	**54**	**43**	**40**

Movement in the balance sheet:

Group	Restructuring	Transfer risks	Other	Total
At the beginning of year			**54**	**54**
New provisions made	-	-	19	19
Provisions utilised	-	-	-17	-17
Reversals	-	-	-1	-1
At the end of year	**-**	**-**	**55**	**55**
Of which expected to be settled within 12 months	-	-	19	19

Statutory provisions from off-balance sheet items included a provision of EUR 10m for a credit loss on an irrevocable credit commitment, which was settled in February 2006. Loan loss provisions for individually assessed off-balance items (guarantees and L/C´s) amounted to EUR 7m. Environmental and property-related provisions totalled EUR 3m of which approximately EUR 2m will be settled in 2006.

Other statutory provisions included EUR 8m redundancy packages of which 70% will be settled in 2006 and 30% in 2007. Provisions in the amount of EUR 8m have been booked for onerous contracts. Rental liabilities amounted to EUR 7m. Land contamination and environmental obligations amounted to EUR 3m and provisions for disputes and pending law suits to EUR 3m. Other smaller provisions totalled EUR 6m.

Parent company	Restructuring	Transfer risks	Other	Total
At the beginning of year	-	-	**40**	**40**
New provisions made	-	-	18	18
Provisions utilised	-	-	-14	-14
Reversals	-	-	-1	-1
At the end of year	**-**	**-**	**43**	**43**
Of which expected to be settled within 12 months	-	-	17	17

Statutory provisions from off-balance sheet items included a provision of EU10m for a credit loss on an irrevocable credit commitment, which was settled in February 2006. Loan loss provisions for individually assessed off-balance items (i.e. guarantees and L/C´s) amounted to EUR 7m.

Other statutory provisions included EUR 8m redundancy packages of which 70% will be settled in 2006 and 30% in 2007. Rental liabilities amounted to EUR 6m. Land contamination and environmental obligations amounted to EUR 3m and provisions for disputes and pending law suits to EUR 3m. Other smaller provisions totalled EUR 6m.

Note 34
Retirement benefit obligations

	Group		Parent company	
EURm	2005	2004	2005	2004
Pension plans	61	64	61	64
Other post-employment benefits	-	-	-	-
Total	**61**	**64**	**61**	**64**

Pension plans
NBF has various pension plans, which are classified both as defined benefit plans as well as defined contributions plans. The plans in Finland are closed to new employees and instead, pensions for new employees are based on defined contribution arrangements. Defined contribution plans are not reflected on the balance sheet. Furthermore, NBF also contributes to public pension plans.

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

Funded schemes [1]	Group	Parent company
2005		
Members	20 522	18 860
Average member age	56	56
2004		
Members	20 818	19 250
Average member age	55	55

[1] Numbers are combined for the Finnish pension fund and pension foundation.

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

Assumptions	Finland
2005	
Discount rate	4.0%
Salary increase	3.0%
Inflation	2.0%
Expected return on assets before taxes	5.0%
2004	
Discount rate	4.5%
Salary increase	3.0%
Inflation	2.0%
Expected return on assets before taxes	6.0%

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

Asset composition
The combined return on assets in 2005 was 10% (9). At the end of the year, the equity exposure in pension funds/foundations represented 30% (35) of total assets.

Funded schemes

	2005	2004
Equity	29%	36%
Bonds	66%	59%
Real estate	5%	5%
Of which		
- Nordea shares	0%	5%
- Nordea real estate	3%	5%

Defined benefit plans - balance sheet items

Retirement benefit assets reported in the balance sheet as at year-end amounted to EUR 53m (50) in the Group, whereas retirement benefit obligations totalled EUR 61m (64) in the Group. Respective retirement benefit assets in the parent company amounted to EUR 49m (47) and retirement benefit obligations to EUR 43m (40).

Amounts recognised in the balance sheet, 31 Dec

	Group		Parent company	
EURm	2005	2004	2005	2004
PBO	869	837	802	774
Assets	828	776	766	719
Funded status - surplus/deficit (-)	**-41**	**-61**	**-36**	**-55**
Unrecognised actuarial gains (-)/losses	30	42	25	38
Total net amounts	**11**	**19**	**11**	**17**
Of which				
retirement benefit assets	53	50	49	47
retirement benefit obligations	61	64	61	64
related to unfunded plans	20	22	13	14

The development in the Projected benefit obligation (PBO) and the value of assets is highlighted below.

Changes in the PBO

	Group		Parent company	
EUR m	2005	2004	2005	2004
PBO, 1 Jan	837	830	774	766
Service cost	8	11	7	10
Interest cost	37	41	34	38
Pensions paid	-42	-33	-40	-31
Curtailments and settlements	-2	-52	-1	-47
Past service cost	-	-25	-	-23
Actuarial gains(-)/losses	30	65	27	61
Effect of exchange rate changes	1	-	1	-
PBO, 31 Dec	**869**	**837**	**802**	**774**

Changes in the fair value of assets

	Group		Parent company	
EURm	2005	2004	2005	2004
Assets, 1 Jan	776	737	719	683
Expected return on assets	43	46	40	42
Pensions paid	-42	-32	-40	-30
Contributions	8	4	8	4
Actuarial gains/losses(-)	43	21	35	20
Effect of exchange rate changes	-	-	4	-
Assets, 31 Dec	**828**	**776**	**766**	**719**
Actual return on plan assets	**86**	**66**	**79**	**62**

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 2005 was EUR 1m positive (69m positive). In the parent company's income statement the respective cost was in 2005 EUR 0m (62m positive).

Note 34: *cont.*

Retirement benefit obligations

Recognised net defined benefit cost

EURm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Service cost	7	11	7	10
Interest cost	37	41	34	38
Expected return on assets	-43	-46	-40	-42
Recognised actuarial gains(-) / losses	0	2	-	2
Recognised past service cost	-	-25	-	-23
Curtailments and settlements	-2	-52	-1	-47
Pension cost on defined benefit plans	**-1**	**-69**	**0**	**-62**

The net pension cost on defined benefit plans is expected to increase to EUR 3m in 2006 in the Group and to EUR 2m in the parent company.

The Group and the parent company expect to contribute EUR 14m to its defined benefit plans in 2006.

Key management personnel

The members of the Board of Directors of Nordea Bank Finland Plc, the Chief Executive Officer and his deputy, are all members of the Nordea Bank AB (publ) Board of Directors. In 2005 Nordea Bank AB (publ) has paid all salaries, fees, pensions- and other staff-related expenses to the above-mentioned members and deputies of the administrative and controlling boards. 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 is presented in the Annual Report of Nordea Bank AB (publ).

Other post-employment benefits

At present no such benefits are offered by NBF.

Note 35

Subordinated liabilities

EURm	Group 31 Dec 2005	Group 31 Dec 2004	Parent company 31 Dec 2005	Parent company 31 Dec 2004
Dated subordinated debenture loans	1 227	1 179	1 227	1 179
Undated subordinated debenture loans	677	642	677	642
Total	**1 904**	**1 821**	**1 904**	**1 821**
Of which liabilities to group undertakings	-	-	-	-
Of which liabilities to associated undertakings	-	-	-	-

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. In addition, subordinated liabilities included liabilities to other Nordea Group companies in the amount of EUR 42m (37).

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

Group and parent company

On 31 December 2005 loans - with terms specified below - exceeded 10% of the total outstanding volume.

Issued by	Year of issue / maturity	Nominal value	Book value EURm	Interest rate (coupon)
Nordea Bank Finland Plc	2002/2014	600	600	5.75%
Nordea Bank Finland Plc [1]	2002/undated	300	436	6.25%
Nordea Bank Finland Plc	1999/2009	285	242	6.50%
Nordea Bank Finland Plc [2]	2002/2012	200	200	2.90%

[1] Callable for the first time on 18 January 2014.
[2] Callable for the first time on coupon date falling in August 2007.

Note 36
Equity

Group	**Attributable to the shareholders of Nordea Bank Finland Plc**						
EURm	Share capital [1]	Share premium account	Other reserves	Retained earnings	**Total core equity**	**Minority interest**	**Total equity**
Balance at end of year, on 31 December 2004	2 319	599	2 887	5 344	11 149	6	11 155
Change in accounting policies:							
IAS 39 Financial instruments				-59	-59		-59
Balance at beginning of year, on 1 January 2005	**2 319**	**599**	**2 887**	**5 285**	**11 090**	**6**	**11 096**
Other movements in equity:							
Currency translation differences				6	6		6
Other changes			-3	1	-2		-2
Net profit for the year				1 104	1 104	0	1 104
Balance on 31 December 2005	**2 319**	**599**	**2 884**	**6 396**	**12 198**	**6**	**12 204**
Balance at end of year, on 31 December 2003	2 319	593	2 884	5 404	11 200		11 200
Change in accounting policies:							
IAS 1 Minority interests					0	8	8
IAS 19 Pension				-71	-71		-71
IAS 27 / IFRS 3				-25	-25		-25
Other opening balance issues				-3	-3		-3
Balance at end of year, on 31 December 2003, restated	**2 319**	**593**	**2 884**	**5 305**	**11 101**	**8**	**11 109**
Change in accounting policies:							
IAS 1 Minority interests					0	-4	-4
IAS 19 Pension				70	70		70
IAS 27 / IFRS 3				12	12		12
Other opening balance issues				8	8		8
Other movements in equity:							
Subsidiary merger Nordea Securities Holding Oy		6		15	21		21
Currency translation differences				-9	-9		-9
Dividend for 2003				-875	-875		-875
Other changes			3	-3	0		0
Net profit for the year				821	821	2	823
Balance on 31 December 2004, restated	**2 319**	**599**	**2 887**	**5 344**	**11 149**	**6**	**11 155**

Note 36: *cont.*

Equity

Parent company

	Attributable to the share holders of Nordea Bank Finland Plc				
EURm	Share capital [1]	Share premium account	Other reserves	Retained earnings	**Total core equity**
Balance at end of year, on 31 December 2004	2 319	599	2 848	5 288	11 054
Change in accounting policies:					
IAS 39 Financial instruments				-51	-51
Balance at beginning of year, on 1 January 2005	**2 319**	**599**	**2 848**	**5 237**	**11 003**
Other movements in equity:					
Other changes				0	0
Net profit for the year				1 062	1 062
Balance on 31 December 2005	**2 319**	**599**	**2 848**	**6 299**	**12 065**
Balance at end of year, on 31 December 2003	2 319	593	2 848	5 283	11 043
Change in accounting policies:					
IAS 19 Pension				-69	-69
Balance at end of year, on 31 December 2003, restated	**2 319**	**593**	**2 848**	**5 214**	**10 974**
Change in accounting policies:					
IAS 19 Pension				65	65
IAS 38 Intangible assets				6	6
Other movements in equity:					
Subsidiary merger Nordea Securities Holding Oy		6		32	38
Dividend for 2003				-875	-875
Net profit for the year				846	846
Balance on 31 December 2004, restated	**2 319**	**599**	**2 848**	**5 288**	**11 054**

[1]Total shares registered were 1,030.8 million (31 Dec 2004: 1,030.8 million). All the shares in Nordea Bank Finland Plc are held by Nordea Bank AB (publ). The book value 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.

Description of items in the 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 Bank. At the end of 2005, the Bank held no authorisations given by the General Meeting for issuance of shares, equity warrants or convertible bonds.

Note 37

Assets pledged as security for own liabilities

	Group		Parent company	
EURm	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Assets pledged for own liabilities				
Securities etc	8 028	3 562	8 028	3 562
Other pledged assets	136	-	136	-
Total	**8 164**	**3 562**	**8 164**	**3 562**
The above pledges pertain to the following liability and commitment items				
Other liabilities and commitments	7 094	3 242	7 094	3 242
Total	**7 094**	**3 242**	**7 094**	**3 242**

Assets pledged for own liabilities contain securities pledged as collateral in repurchase agreements and in securities borrowings. Counterparts in those transactions are both credit institutions and the public. These transactions are typically short-term with maturity within three months. Other pledged assets relate to a certificate of deposit pledged by Nordea Bank Finland's New York branch to satisfy authority requirements.

Note 38
Other assets pledged

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Other assets pledged [1]				
Securities etc	100	-	100	-
Total	**100**	**-**	**100**	**-**
The above pledges pertain to the following liability and commitment items [2]				
Other liabilities and commitments	100	-	100	-
Total	**100**	**-**	**100**	**-**

[1] Collaterals pledged on behalf of items other than the company's own liabilities, eg on behalf of a third party or on behalf of the company's own contingent liabilities are accounted for under this item.

[2] For undertakings of the company itself or for a third party.

Other assets pledged contain a securities lending agreement with Nordea Bank Norge. The original agreement was concluded with Christiania Bank og Kreditkasse in 2001.

Note 39
Contingent liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Guarantees				
Loan guarantees	1 119	1 036	1 122	1 040
Other guarantees	3 981	3 280	4 241	3 502
Documentary credits				
Unutilised irrevocable import documentary credits and confirmed export documentary credits	1 572	881	1 572	881
Other contingent liabilities	11	6	11	6
Total	**6 683**	**5 203**	**6 946**	**5 429**

In the normal business of Nordea Bank Finland, the bank issues various forms of guarantees on behalf of its 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’s services and support the bank's customers. Guarantees and documentary credits are considered as off-balance sheet items, unless there is a need for a provision to cover a probable loan loss.

Note 40
Commitments

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Future payment obligations	10	518	10	518
Other interest rate, equity and foreign exchange derivatives	1 959 983	1 412 700	1 959 983	1 412 716
Credit commitments	5 868	4 671	4 463	3 471
Unutilised portion of approved overdraft facilities	6 905	5 663	6 908	5 664
Other commitments	779	688	334	282
Total	**1 973 545**	**1 424 240**	**1 971 698**	**1 422 651**

Note 41

Classification of financial instruments

Group

EURm

31 Dec 2005

Financial assets	Loans and receivables	Held to maturity	Held for trading	Assets at fair value through profit or loss	Derivatives used for hedging	Available for sale	Total
Cash and balances with central banks	1 756	-	-	-	-	-	1 756
Treasury bills and other eligible bills	-	-	3 072	-	-	-	3 072
Loans and receivables to credit institutions	39 295	-	463	-	-	-	39 758
Loans and receivables to the public	44 920	-	-	-	-	-	44 920
Interest-bearing securities	-	-	173	808	-	-	981
Derivatives	-	-	27 782	-	383	-	28 165
Fair value changes of the hedged items in portfolio hedge of interest rate risk	70	-	-	-	-	-	70
Shares	-	-	312	4	-	-	316
Prepaid expenses and accrued income	282	-	-	-	-	-	282
Other assets	1 738	-	-	-	-	-	1 738
Total	**88 061**	**-**	**31 802**	**812**	**383**	**-**	**121 058**

Financial liabilities	Held for trading	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
Deposits by credit institutions	7	-	-	21 212	21 219
Deposits and borrowings from the public	-	-	-	35 012	35 012
Debt securities in issue	1 610	-	-	19 820	21 430
Derivatives	27 784	-	286	-	28 070
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	43	43
Other liabilities	-	-	-	2 963	2 963
Accrued expenses and prepaid income	-	-	-	368	368
Subordinated liabilities	-	-	-	1 904	1 904
Total	**29 401**	**-**	**286**	**81 322**	**111 009**

Note 41: *cont.*

Classification of financial instruments

Parent company

EURm

31 Dec 2005

Financial assets	Loans and receivables	Held to maturity	Held for trading	Assets at fair value through profit or loss	Derivatives used for hedging	Available for sale	Total
Cash and balances with central banks	1 756	-	-	-	-	-	1 756
Treasury bills and other eligible bills	-	-	3 072	-	-	-	3 072
Loans and receivables to credit institutions	43 482	-	463	-	-	-	43 945
Loans and receivables to the public	41 566	-	-	-	-	-	41 566
Interest-bearing securities	-	-	172	808	-	-	980
Derivatives	-	-	27 782	-	383	-	28 165
Fair value changes of the hedged items in portfolio hedge of interest rate risk	70	-	-	-	-	-	70
Shares	-	-	313	3	-	-	316
Prepaid expenses and accrued income	289	-	-	-	-	-	289
Other assets	1 780	-	-	-	-	-	1 780
Total	**88 943**	**-**	**31 802**	**811**	**383**	**-**	**121 939**

Financial liabilities	Held for trading	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
Deposits by credit institutions	7	-	-	21 175	21 182
Deposits and borrowings from the public	-	-	-	35 034	35 034
Debt securities in issue	1 610	-	-	19 825	21 435
Derivatives	27 784	-	286	-	28 070
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	43	43
Other liabilities	-	-	-	2 873	2 873
Accrued expenses and prepaid income	-	-	-	364	364
Subordinated liabilities	-	-	-	1 904	1 904
Total	**29 401**	**-**	**286**	**81 218**	**110 905**

Loans and receivables designated at fair value through profit or loss

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004
Book value	-	-	-	-
Maximum exposure to credit risk	-	-	-	-
Book value of credit derivatives used to mitigate the credit risk	-	-	-	-

Changes in fair value attributable to changes in credit risk

EURm	Group 2005	Group Cumulative change since designation	Parent company 2005	Parent company Cumulative change since designation
Loans and receivables	-	-	-	-
Credit derivatives	-	-	-	-

Financial liabilities designated at fair value through profit or loss

Changes in fair value attributable to changes in credit risk

EURm	Group 2005	Group Cumulative change since designation	Parent company 2005	Parent company Cumulative change since designation
Financial liabilities as at fair value through profit or loss	-	-	-	-

Comparison of book value and contractual amount to be paid at maturity

EURm	Group Book value	Group Amount to be paid at maturity	Parent company Book value	Parent company Amount to be paid at maturity
Financial liabilities as at fair value through profit or loss	-	-	-	-

Reclassifications of financial assets

No reclassifications have been done.

Net gains/losses on financial instruments recognised in the income statement

EURm	Group 2005	Parent company 2005
Financial istruments designated at fair value through profit or loss	1	1
Financial instruments held for trading	92	92
Financial instruments under hedge accounting	1	1
Other not included in IAS 39	207	206
Total	**301**	**300**

Note 42

Assets and liabilities at fair value

Group

	31 Dec 2005		31 Dec 2004	
EURm	Book value	Fair value	Book value	Fair value
Assets				
Cash and balances with central banks	1 756	1 756	1 687	1 687
Treasury bills and other eligible bills	3 072	3 072	3 034	3 034
Loans and receivables to credit institutions	39 758	39 754	36 029	36 092
Loans and receivables to the public	46 264	46 186	39 819	40 230
Interest-bearing instruments	981	981	712	712
Shares	316	316	216	216
Derivatives	28 165	28 165	26 427	26 502
Fair value changes of the hedged items in portfolio hedge of interest rate risk	70	-	-	-
Investments in associated undertakings	214	214	176	176
Investments in group undertakings	-	-	4	4
Intangible assets	17	17	20	20
Tangible assets	78	78	153	153
Investment property	39	39	33	33
Deferred tax assets	766	766	443	443
Current tax assets	6	6	6	6
Retirement benefit assets	53	53	50	50
Prepaid expenses and accrued income	413	413	511	511
Other assets	1 743	1 744	1 597	1 595
Total assets	**123 711**	**123 560**	**110 917**	**111 464**

	Book value	Fair value	Book value	Fair value
Liabilities				
Deposits by credit institutions	21 219	21 213	17 976	18 036
Deposits and borrowings from the public	35 092	34 958	31 675	31 820
Debt securities in issue	21 430	21 365	18 575	18 784
Derivatives	28 069	28 069	26 594	26 646
Fair value changes of the hedged items in portfolio hedge of interest rate risk	43	-	-	-
Current tax liabilities	20	20	11	11
Other liabilities	2 970	2 971	2 414	2 414
Accrued expenses and prepaid income	630	630	562	562
Deferred tax liabilities	14	14	16	16
Provisions	55	55	54	54
Retirement benefit obligation	61	61	64	64
Subordinated liabilities	1 904	1 944	1 821	1 821
Total liabilities	**111 507**	**111 300**	**99 762**	**100 228**

Note 42: *cont.*

Assets and liabilities at fair value

Parent company

EURm	31 Dec 2005 Book value	31 Dec 2005 Fair value	31 Dec 2004 Book value	31 Dec 2004 Fair value
Assets				
Cash and balances with central banks	1 756	1 756	1 687	1 687
Treasury bills and other eligible bills	3 072	3 072	3 034	3 034
Loans and receivables to credit institutions	43 945	43 941	39 958	40 020
Loans and receivables to the public	41 566	41 489	35 387	35 797
Interest-bearing instruments	979	979	712	712
Shares	316	316	215	215
Derivatives	28 165	28 165	26 428	26 502
Fair value changes of the hedged items in portfolio hedge of interest rate risk	70	-	-	-
Investments in associated undertakings	132	132	110	110
Investments in group undertakings	325	325	334	334
Intangible assets	18	18	18	18
Tangible assets	45	45	45	45
Investment property	8	8	5	5
Deferred tax assets	760	760	441	441
Current tax assets	-	-	2	2
Retirement benefit assets	49	49	47	47
Prepaid expenses and accrued income	369	369	458	458
Other assets	1 785	1 785	1 727	1 728
Total assets	**123 360**	**123 209**	**110 608**	**111 155**

Liabilities	Book value	Fair value	Book value	Fair value
Deposits by credit institutions	21 181	21 176	17 948	18 008
Deposits and borrowings from the public	35 113	34 979	31 689	31 835
Debt securities in issue	21 435	21 369	18 580	18 789
Derivatives	28 069	28 069	26 594	26 646
Fair value changes of the hedged items in portfolio hedge of interest rate risk	43	-	-	-
Current tax liabilities	17	17	7	7
Other liabilities	2 882	2 881	2 326	2 325
Accrued expenses and prepaid income	547	547	485	485
Provisions	43	43	40	40
Retirement benefit obligations	61	61	64	64
Subordinated liabilities	1 904	1 944	1 821	1 821
Total liabilities	**111 295**	**111 086**	**99 554**	**100 020**

Fair value of financial assets and financial liabilities

Effect on the income statement from financial assets and financial liabilities measured using valuation techniques based on assumptions not fully supported by observable market data

The total effect on the income statement from financial assets and financial liabilities that are measured using valuation techniques based on assumptions not fully supported by observable market data amounted to EUR -15m in NBF Group.

The effect in the parent company was EUR -15m.

Difference between transaction price and fair value according to valuation techniques not yet recognised in the income statement

	Group	Parent company
	31 Dec	31 Dec
EURm	2005	2005
Amount at beginning of year	-12	-12
Deferment	-31	-31
Recognition	16	16
Amount at end of year	**-27**	**-27**

Estimation of fair value for financial instruments
Financial assets and financial liabilities in the balance sheet are generally measured at fair value, with the exception of loans and receivables, deposits and borrowing and issued securities.

The book values on loans and receivables, deposits and borrowing and issued securities are adjusted for the value of the fixed interest term in order to estimate the fair values that are presented in the tables above. The value of the fixed interest term is a result of changes in the relevant market interest rates. The discount rates used are based on current market rates for each term.

Fair value is estimated to be equal to the book value for short-term financial assets and financial liabilities.

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

Note 43

Assets and liabilities in foreign currencies

Group

EURm

31 Dec 2005	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Treasury bills and other eligible bills	3 072	-	-	-	-	-	3 072
Loans and receivables to credit institutions	18 155	3 987	4 628	512	11 391	1 085	39 758
Loans and receivables to the public	40 385	170	28	57	3 668	1 956	46 264
Interest-bearing securities	269	110	1	-	590	11	981
Other assets	23 535	1 884	1 109	1 501	4 521	1 086	33 636
Total assets	**85 416**	**6 151**	**5 766**	**2 070**	**20 170**	**4 138**	**123 711**
Liabilities and equity							
Deposits by credit institutions	6 067	272	123	207	12 727	1 823	21 219
Deposits and borrowings from the public	30 256	122	18	32	3 304	1 360	35 092
Debt securities in issue	7 900	280	16	319	6 304	6 611	21 430
Provisions	38	-	-	-	14	3	55
Subordinated liabilities	799	-	-	-	597	508	1 904
Other liabilities and equity	33 004	1 929	1 136	1 539	5 156	1 247	44 011
Total liabilities and equity	**78 064**	**2 603**	**1 293**	**2 097**	**28 102**	**11 552**	**123 711**
Position not reported in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net position, currencies	**7 352**	**3 548**	**4 473**	**-27**	**-7 932**	**-7 414**	**0**

Parent company

EURm

31 Dec 2005	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Treasury bills and other eligible bills	3 072	-	-	-	-	-	3 072
Loans and receivables to credit institutions	22 342	3 987	4 628	512	11 391	1 085	43 945
Loans and receivables to the public	35 687	170	28	57	3 668	1 956	41 566
Interest-bearing securities	267	110	1	-	590	11	979
Other assets	23 696	1 884	1 109	1 501	4 521	1 087	33 798
Total assets	**85 064**	**6 151**	**5 766**	**2 070**	**20 170**	**4 139**	**123 360**
Liabilities and equity							
Deposits by credit institutions	6 029	272	123	207	12 727	1 823	21 181
Deposits and borrowings from the public	30 277	122	18	32	3 304	1 360	35 113
Debt securities in issue	7 905	280	16	319	6 304	6 611	21 435
Provisions	26	-	-	-	14	3	43
Subordinated liabilities	799	-	-	-	597	508	1 904
Other liabilities and equity	32 676	1 929	1 137	1 539	5 156	1 247	43 684
Total liabilities and equity	**77 712**	**2 603**	**1 294**	**2 097**	**28 102**	**11 552**	**123 360**
Position not reported in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net position, currencies	**7 352**	**3 548**	**4 472**	**-27**	**-7 932**	**-7 413**	**0**

Note 44
Hedge accounting

Fair value hedges

Net gains/losses on hedging instruments and on hedged items

EURm	Group 2005	Parent company 2005
Net gains/losses on hedging instruments	-45	-45
Net gains/losses on hedged items	46	46
Total	**1**	**1**

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

Assets EURm	Group 31 Dec 2005	Parent company 31 Dec 2005
Book value at beginning of year	55	55
Changes during the year	15	15
Book value at end of year	**70**	**70**

Liabilities EURm	Group 31 Dec 2005	Parent company 31 Dec 2005
Book value at beginning of year	73	73
Changes during the year	-30	-30
Book value at end of year	**43**	**43**

Note 45
Continued involvement in assets that have been transferred and associated liabilities

Continued involvement in assets that have been transferred	Group	Parent company
	31 Dec	31 Dec
EURm	2005	2005
Securities lending agreements		
Interest-bearing securities	100	100
Other	0	0
Total	**100**	**100**

The assets continue to be recognised in the balance sheet since NBF is still exposed to changes in the fair value of the assets.

Liabilities associated with the assets	Group	Parent company
	31 Dec	31 Dec
EURm	2005	2005
Repurchase agreements		
Deposits by credit institutions	7	7
Total	**7**	**7**

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.

	Group	Parent company
	31 Dec	31 Dec
EURm	2005	2005
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	463	463
of which repledged or sold	*463*	*463*
Total	**463**	**463**

Note 46

Mergers, disposals and dissolutions

Subsidiaries merged during 2005	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
Merita Systems Oy	Other ancillary service company	0	-

Other subsidiaries merged during 2005	Number of companies		Profit/loss for the year as included in the Bank Group
Real estate companies	3	3	-
Other companies	10	1	-

Subsidiaries sold during 2005	Line of business		Profit/loss for the year as included in the Bank Group
Nordea Capital Ltd	Financial institution	4	1

Other subsidiaries sold during 2005	Number of companies		Profit/loss for the year as included in the Bank Group
Real estate companies	3	9	-
Other companies	1	0	-

Subsidiaries dissolved during 2005	Line of business		Profit/loss for the year as included in the Bank Group
Nordea Finance (UK) Ltd	Financial institution	0	-
American Scandinavian Banking Corporation	Bank	0	-

Associated undertakings dissolved during 2005	Line of business		Profit/loss for the year as included in the Bank Group
Toimiraha Oy	Financial company	2	-

Note 47
Related-party transactions

Group	Nordea group undertakings		Associated undertakings		Pension fund and foundation	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004	2005	2004
Assets						
Loans and receivables	33 176	33 823	164	140	-	-
Interest-bearing securities	92	36	-	-	-	-
Derivatives	599	924	-	-	-	-
Investments in associated undertakings	-	-	214	176	-	-
Total assets	**33 867**	**34 783**	**378**	**316**	**-**	**-**
Liabilities						
Deposits	11 255	6 033	7	10	34	76
Debt securities in issue	81	105	-	-	-	-
Derivatives	577	524	-	-	-	-
Subordinated liabilities	42	37	2	-	-	-
Total liabilities	**11 955**	**6 699**	**9**	**10**	**34**	**76**
Off balance	**76 350**	**79 804**	**12**	**16**	**-**	**-**

Parent company	Group undertakings		Associated undertakings		Pension fund and foundation	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2005	2004	2005	2004	2005	2004
Assets						
Loans and receivables	4 479	4 152	147	140	-	-
Investments in associated undertakings	-	-	132	110	-	-
Total assets	**4 479**	**4 152**	**279**	**250**	**-**	**-**
Liabilities						
Deposits	31	22	7	10	34	76
Debt securities in issue	4	5	-	-	-	-
Total liabilities	**35**	**27**	**7**	**10**	**34**	**76**
Off balance	**313**	**310**	**102**	**181**	**-**	**-**

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 and derivatives from other Nordea group undertakings in the amount of EUR 33,867m (34,783), liabilities in the amount of EUR 11,955m (6,699) and off-balance sheet items in the amount of EUR 76,350m (79,804), see Group's specification above.

Transactions with Key management personnel
Compensations and loans to Key management personnel are presented in Note 8. Apart from compensations, loans, ordinary savings and regular day-to-day banking transactions that are transacted on arm's length terms, there are no material transactions between Nordea and Key management personnel.

Other related party transactions
A the end of the year 2005 Nordea Finance Finland Ltd sold its company car fleet management operations to NF Fleet Oy. Nordea Finance Finland owns 20% of the shares in NF Fleet Oy, established by Axus Finland Oy and Nordea Finance Finland Ltd.
The transaction had no material impact on the group.

Proposed distribution of earnings

Profit for the year and its disposal

The consolidated distributable equity capital on 31 December 2005 was EUR 9,244 million. The parent company's distributable equity capital on 31 December 2005 was EUR 9,147 million, consisting of the following items:

- profit for the year	EUR 1,061,620,642.09
- other non-restricted equity	EUR 8,085,738,560.06
	EUR 9,147,359,202.15

We propose that:

1. no dividend be paid,
2. for worthy public causes be reserved EUR 200,000.00,
3. of the profit for the year EUR 1,061,420,642.09 be carried forward. Thus the unrestricted shareholders' equity will amount to EUR 9,147,159,202.15.

Signatures of the Directors' report and of the Financial Statements:

Helsinki, 28 February 2006

Lars G Nordström

Christian Clausen   Carl-Johan Granvik   Arne Liljedahl

Markku Pohjola   Tom Ruud   Peter Schütze

The financial statements have been prepared in accordance with generally accepted accounting principles. Our auditors' statement has been issued today.

Helsinki, 28 February 2006

KPMG Oy Ab

Mauri Palvi
Authorised Public Accountant

Auditor's report

To the General Meeting of Nordea Bank Finland Plc

We have audited the accounting records, the financial statements and the administration of Nordea Bank Finland Plc for the period 1 January - 31 December 2005. The Board of Directors and the President have prepared the Directors' Report and the financial statements in accordance with International Financial Reporting Standards as adopted by the EU including the parent company and consolidated financial statements. Based on our audit, we express an opinion on the financial statements as well as on the parent company's administration.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and the President of the parent company have complied with the rules of the Finnish Credit Institutions Act and Companies Act.

The financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, give a true and fair view of the group and parent company results of operations as well as of the financial position. The income statements and the balance sheets of the parent company and the group can be adopted and the Chairman and the Deputy Chairman of the Board of Directors as well as other members and the deputy members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable funds is in compliance with the Companies Act.

Helsinki, 28 February 2006

KPMG OY AB
Mauri Palvi
Authorized Public Accountant

Board of Directors and auditors

Board of Directors

The Board of Directors of Nordea Bank Finland Plc comprises the President and the Chief Executive Officer of the Nordea Group, Lars G Nordström, and six members. In addition, there is one deputy member.

The President of Nordea Bank Finland Plc is Markku Pohjola and Carl-Johan Granvik acts as his deputy.

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.

Board of Directors 31 December 2005

Lars G Nordström
Born 1943. President and Group Chief Executive Officer of Nordea. Chairman of the Board since 2002. Member since 1998.

Christian Clausen
Born 1955. Head of Asset Management & Life in Nordea. Member since 2002.

Carl-Johan Granvik
Born 1949. Head of Group Credit and Risk Control in Nordea, Chief Risk Officer. Member since 1995.

Arne Liljedahl
Born 1950. Deputy Chairman of the Board of Directors. Chief Financial Officer and Head of Group Corporate Centre in Nordea. Member since 1998.

Markku Pohjola
Born 1948. President of Nordea Bank Finland Plc. Deputy Group Chief Executive Officer and Head of Group Processing and Technology in Nordea. Member since 1994.

Tom Ruud
Born 1950. Head of Corporate and Institutional Banking in Nordea. Member since 2002.

Peter Schütze
Born 1948. Head of Retail banking in Nordea. Member since 2002.

Deputy member

Jakob Grinbaum
Born 1949. Head of Group Treasury in Nordea. Deputy member since 2002.

Auditors

KPMG Oy Ab
Auditor with main responsibility
Mauri Palvi
Authorised Public Accountant

Nordea Bank Finland Plc
Aleksanterinkatu 36 B, Helsinki
FI-00020 NORDEA
Tel +358 9 1651
Fax +358 9 165 54500
www.nordea.fi