Nordea

Annual Report 2006

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 10 million customers and more than 1,100 branch offices and a leading netbanking position with 4.6 million e-customers. The Nordea share is listed on the stock exchanges in Stockholm, Helsinki and Copenhagen.

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Nordea Bank Finland Group

Five-year overview of the Directors' Report

Income statement

EURm	2006	2005	2004	2003 [1]	2002 [1]
Net interest income	1,415	1,210	1,121	2,407	3,738
Net fee and commission income	308	271	293	760	1,218
Net gains/losses on items at fair value	408	301	205	224	214
Equity method	31	20	18	37	38
Other income	292	60	53	184	269
Total operating income	**2,454**	**1,862**	**1,690**	**3,612**	**5,477**
General administrative expenses:					
Staff costs	-504	-483	-417	-1,205	-2,080
Other expenses	-359	-371	-358	-1,049	-1,448
Depreciation, amortisation and impairment of changes of tangible and intangible assets	-18	-48	-56	-163	-307
Total operating expenses	**-881**	**-902**	**-831**	**-2,417**	**-3,835**
Loan losses	63	-46	-18	-157	-263
Impairment of securities held as financial non-current asset	-2	1	-1	-	-1
Disposals of tangible and intangible assets	5	0	34	-	-
Operating profit	**1,639**	**915**	**874**	**1,038**	**1,378**
Extraordinary items [1]	-	-	-	463	-292
Income tax expense	-358	191	24	55	-364
Net profit for the year	**1,281**	**1,106**	**898**	**1,556**	**722**

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

Ratios and key figures

Return on equity, %	10.0	5.6	5.5	7.5	9.3
Cost/income ratio, %	36	48	49	65	68
Tier 1 capital ratio, %	13.8	17.8	19.9	19.1	6.6
Total capital ratio, %	16.0	20.2	22.9	22.2	10.4
Risk-weighted assets, EURm	65,270	64,058	55,839	54,005	135,226
Loan loss level, %	-0.12	0.11	0.04	0.11	0.17
Number of employees (full-time equivalents)	9,060	8,910	9,012	9,047	
Average number of employees	9,843	9,717	10,000	22,785	34,748
Turnover, EURm	4,855	3,573	3,126	7,293	12,390
Operating profit, EURm	1,639	915	874	1,038	1,378
% of turnover	33.8	25.6	27.9	14.2	11.1
Return of total assets, %	1.0	0.6	0.6	0.5	0.4
Equity to total assets, %	10.3	9.9	10.1	11.9	4.5
Income/cost ratio	2.8	2.1	2.0	1.4	1.4

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 loss level
Loan losses, net (incl. losses on guarantees and transfer risk) as a percentage of total loans to the public 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 2006)

EUR	1.0000	**USD**	1.3170	**DKK**	7.4560	**EEK**	15.6466
GBP	0.6715	**CHF**	1.6069	**LTL**	3.4528	**LVL**	0.6972
NOK	8.2380	**PLN**	3.8310	**SEK**	9.0404	**SGD**	2.0202

Nordea Bank Finland
Directors' report

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

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

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, Group Credit and Risk Control 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 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 while awaiting satisfactory regulatory and legislative solutions to particularly one obstacle that otherwise would risk distorting competition.

Following a review made by the EU Commission on the issues relating to the operation of deposit guarantee schemes in the EU and EEA countries, it is clear that a satisfactory solution for Nordea has to be found through local or regional solutions.

In light of this the next steps of the conversion process will be to find suitable solutions to mainly the deposit guarantee issue through dialogue with legislators and supervisory authorities in the Nordic 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, which 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, five associated companies as well as four subsidiaries operating in Poland and in the Baltic Market: Nordea Finance Polska S.A., Nordea Finance Estonia Ltd, Nordea Finance Latvia Ltd and Nordea Finance Lithuania Ltd.

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

Changes in the group structure

In September the finance companies in Estonia, Latvia and Lithuania enhanced their car fleet management operations by purchasing 25% of the local ALD Automotive companies.

In May Nordea Bank Finland Plc purchased 31% of the associated company Power Partners Oy, thus turning it into a group undertaking. The wholly-owned subsidiary Turun Arvokiinteistöt Oyj was sold in July 2006. The sale had no significant effect on the Group's result.

The wholly-owned subsidiary Unitas Congress Center Ltd was merged with Nordea Bank Finland Plc in October 2006.

During the year, the subsidiaries MeritaNordbanken Merchant Bank Singapore Ltd and Nordea Real Estate UK Ltd were dissolved.

The associated company International Moscow Bank was sold during the year. The profit from the sale amounted to EUR 199 million. The associated company Suomen Asiakastieto Oy was also sold with a profit of EUR 29 million. During the year, the associated companies Eurocard Oy, Huippupaikat Oy and Optiomi Oy were also disposed of.

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 47).

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.

Business development in 2006

Increased focus on profitable organic growth and increasing cross-selling continues to pay off. The results for 2006 showed an increase in net interest income compared to 2005. Net gains and losses on items at fair value developed favourably as well. Other income was affected positively by the sale of International Moscow Bank. Staff expenses increased while other expenses and depreciations were lower. Loan losses were positive compared to the losses in 2005. Profit before tax was EUR 1,639m (2005: 915), and the return on equity was 10.0% (5.6).

Comments on the income statement

Operating income
Total operating income increased by 32% to EUR 2,454m (1,862), which was the result of favourable development in almost all categories, mainly net interest income as well as the one-off items in other income. The good performance in net gains and losses on items at fair value contributed to the increase as well.

Net interest income increased by 17% to EUR 1,415m (1,210). Total lending to the public increased by 13%. Mortgage lending to personal customers as well as deposits from the public continued to grow. The margin pressure on lending was compensated by volume growth and increased deposit margins due to appreciated market rate levels.

Net fee and commission income increased by 14% to EUR 308m (271). Commission income increased by 11% to EUR 497m (449). Savings commissions increased mainly due to fees from asset management and higher fees from securities brokerage. The growth was further supported especially by lending and other fees. Commission expenses increased by 6% to EUR 189 (178).

Net gains/losses on items at fair value increased by 36% to EUR 408m (301). Net gains/losses increased, driven by strong customer demand for structured products as well as client-driven FX and fixed-income transactions. The higher activity in fixed income shows as a strong pick-up in interest-related items, and the income amounted to EUR 257m (142). Equity-related products developed favourably totalling EUR 41m (0). Foreign exchange gains totalled EUR 123m (138). Income from other financial instruments developed less favourably and decreased to EUR -13m (21).

Profit from companies accounted for under the equity method was higher than in the previous year, and it amounted to EUR 31m (20). A major part of the income stems from International Moscow Bank before it was sold during the second half of the year.

Other operating income increased to EUR 290m (58) mainly due to higher gains on sales of shares. The net profit from sales of shares amounted to EUR 250m (14). The sale of International Moscow Bank contributed with EUR 199m.

Operating expenses
Total operating expenses decreased by 2% to EUR 881m (902m). The gap between growth in income and expenses was 34 percentage points, and excluding the sale of International Moscow Bank 23 percentage points, which was clearly over the stated Nordea target of 5 percentage points. The cost/income ratio continued down to 36%. Excluding the sale of International Moscow Bank, the ratio was 39%.

Staff costs increased by 4% to EUR 504m (483). The increase corresponds to general increases in wages and higher costs for profit sharing and variable salaries. In 2006 the number of employees, measured by full-time equivalents, increased by 150 mainly as a result of the expansion of the branch network in the Baltics. The number of full-time equivalent positions was 9,060 (8,910).

Other expenses were 3% lower than in the preceding year and amounted to EUR 359m (371). The decrease stems from lower IT and real estate costs.

Depreciation of tangible and intangible assets decreased to EUR 18m (48) mainly as a consequence of the sale of the car fleet management operations by Nordea Finance Finland Ltd in December 2005, and of reversals of write-downs.

Loan losses
Loan losses were 63 million positive compared to EUR -46m in 2005. Credit quality remains high. The positive loan losses corresponded to 0.12% of total loans and guarantees.

Disposal of tangible and intangible assets
Disposals of tangible and intangible assets were 5 million positive, whereas the items netted each other out in 2005.

Taxes
Income tax expenses were EUR -358m (191). The effective tax rate amounted to -22% compared to the positive tax rate of 21% in 2005. The positive tax effect in 2005 was based on the revaluation and recognition of timing differences related to tax

losses. The valuation of tax assets is based on the consideration of future tax profits to offset the tax losses. The tax rate in 2006 is lower than the Finnish legal tax rate of 26% mainly because the capital gains from the sale of International Moscow Bank and Suomen Asiakastieto Oy are tax exempt.

In total, deferred tax assets amounted to EUR 468m at the end of 2006. Unrecognised tax assets due to unused tax credits amounted to EUR 105m and are subject to an evaluation, which mainly depends on the timing of the utilisation of tax losses.

Net profit

Net profit for the year amounted to EUR 1,281m (1,106). Return on equity was 10.0% (5.6).

Comments on the balance sheet

The total balance sheet increased by EUR 7bn, or approximately 6%, during 2006. All balance sheet items in foreign currencies are translated into euros 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 by credit institutions are the most significant. NBF has a strong capital position and a diversified funding base, reflecting a sound overall financial structure.

Assets

Consolidated *total assets* amounted to 131bn at year-end, showing an increase of 7bn compared to the previous year-end.

Loans and receivables to credit institutions increased by approximately EUR 7bn to EUR 47bn (40). A major part of the increase derives from intra-bank deposits.

Loans and receivables to the public increased by approximately EUR 6bn to EUR 52bn (46). Traditional domestic mortgage lending to personal customers increased by 12% to EUR 17.3bn while consumer lending to households increased by 10% to EUR 5.9bn.

Interest-bearing securities increased slightly and totalled EUR 1.2bn, reflecting a somewhat higher liquidity buffer compared to the end of 2005.

Other assets decreased by approximately EUR 6bn, mainly reflecting a decrease in the balance sheet value of derivatives due to rising interest rates.

Liabilities

Total liabilities amounted to EUR 118bn, showing an increase of approximately EUR 6bn.

Deposits by credit institutions increased by approximately EUR 8bn. The growth stems from increases in all types of relevant debt instruments.

Deposits and borrowings from the public increased by approximately EUR 1bn. Deposits from the public increased by 3% to EUR 34,5bn (33.6) and constitute the Bank Group's primary source of funding.

Debt securities in issue increased by approximately EUR 1bn. The issued securities mainly comprise short-term debt instruments with maturity under one year. The change mainly reflects the funding needs.

Other liabilities including subordinated liabilities decreased by approximately EUR 4bn, mainly reflecting the lower balance sheet values of derivatives.

Equity

Shareholders' equity amounted to EUR 12,204m at the beginning of 2006. Net profit for the year was EUR 1,279m. Total equity amounted to EUR 13,479m at the end of 2006.

Appropriation of distributable funds

The parent company's distributable funds on 31 December 2006 were EUR 10,417m of which the profit for the year is EUR 1,270m. It is proposed that:

- a dividend of EUR 4,000m be paid and
- EUR 0.2m be reserved for good public purposes
- whereafter the distributable funds will total EUR 6,417m.

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 and credit commitments. Credit commitments and unutilised credit lines amounted to EUR 15.6bn (12.7), while guarantees and granted but not utilised documentary credits as well as other off-balance sheet commitments, excluding nominal values of derivative contracts, totalled EUR 8.9bn (7.5).

The total exposure to counterparty risk pertaining to off-balance-sheet commitments amounted to EUR 9.7bn (7.6) at the end of 2006, measured as a risk-weighted amount in accordance with the capital adequacy rules.

The volumes of derivatives increased to EUR 2,300bn (1,960).

Capital adequacy and ratings

At year-end, the Group's total capital ratio was 16.0% (20.2) and the Tier 1 capital ratio 13.8% (17.8). The corresponding figures for the parent company were 17.0% and 14.6% in 2006.

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

The Board of Directors considers solidity as on 31 December 2006 to be good.

Rating, December 2006	Short	Long
Moody's	P-1	Aa3
S&P	A-1+	AA-
Fitch	F1+	AA-

Capital adequacy

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Calculation of total capital base				
Equity	13,479	12,204	13,335	12,065
Proposed/actual dividend	-4,000	-	-4,000	-
Deferred tax assets	-468	-761	-463	-760
Intangible assets	-13	-17	-13	-18
Tier 1 capital (net after deduction of goodwill)	**8,998**	**11,426**	**8,859**	**11,287**
Tier 2 capital	**1,474**	**1,666**	**1,474**	**1,666**
- of which perpetual subordinated loans	570	710	570	710
Deduction [1]	-39	-136	-9	-65
Total capital base [2]	**10,433**	**12,956**	**10,324**	**12,888**
Risk-weighted assets for credit and market risks				
Credit risks as specified below	59,151	51,252	54,552	47,273
Market risks as specified below	6,119	12,806	6,119	12,806
Total risk-weighted assets	**65,270**	**64,058**	**60,671**	**60,079**
Tier 1 capital ratio, %	13.8	17.8	14.6	18.8
Total capital ratio, %	16.0	20.2	17.0	21.5

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

[2] See Note 36: Supplementary capital includes the undated subordinated loans and the dated subordinated loans after deduction for short remaining maturities. Relating currency swaps have been taken into account when including subordinated loans in capital base.

NBF has received a permission from the FSA to call the debenture emitted on 27 January 1997 (nominal value USD 150m) on the 30 January 2007. The loan has therefore been deducted from the subordinated loans in Tier 2 capital.

Specification of risk-weighted assets, credit risks

Group	Items in the balance sheet		Off-balance-sheet items			
EURm, end of 2006	Reported	Risk-weighted	Nominal	Adjusted	Risk-weighted	Total risk-weighted assets
A 0%	34,006	-	62,769	1,417	-	-
B 20%	48,222	9,644	4,466	482	96	9,740
C 50%	17,591	8,795	507	179	90	8,885
D 100%	31,007	31,007	17,539	9,518	9,518	40,526
Total	**130,826**	**49,446**	**85,281**	**11,596**	**9,704**	**59,151**

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 2006	Reported	Risk-weighted	Nominal	Adjusted	Risk-weighted	Total risk-weighted assets
A 0%	33,868	-	62,189	1,417	-	-
B 20%	52,804	10,561	4,511	485	97	10,658
C 50%	17,592	8,796	507	179	90	8,886
D 100%	26,236	26,236	16,047	8,772	8,772	35,008
Total	**130,500**	**45,593**	**83,254**	**10,853**	**8,959**	**54,552**

	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	
EURm	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Interest rate risks				
of which for specific risk	-	6,069	-	6,069
of which for general risk	-	1,787	-	1,787
Share price risks				
of which for specific risk	36	85	36	85
of which for general risk	72	33	72	33
Settlement risks	0	-	0	-
Counterparty risks and other risks	4,966	4,686	4,966	4,686
Risks according to VaR calculation	842	-	842	-
Commodity risks	203	146	203	146
Total	**6,119**	**12,806**	**6,119**	**12,806**

In December 2006, all the Nordic financial supervisory authorities approved Nordea's market risk (Value-at-Risk, i.e. VaR) models for the calculation of the capital requirement for market risk in the Trading Book. This implies that Nordea is allowed to base its capital requirement for market risk on its own best estimate of the actual market risk exposure instead of the authorities' standard method.

Nordea’s market risk models have been approved for the calculation of the capital requirement for (i) general market risk on interest rate and foreign exchange exposures and linear equity exposures and for (ii) specific market risk on linear equity exposures and interest rate exposures in the major portfolios.

Basing the capital requirement at year-end 2006 on Nordea’s VaR models instead of the standard method for the above mentioned exposures lead to a reduction in the risk-weighted assets for market risk of approximately EUR 8.5bn in NBF.

The capital ratio and tier 1 ratio are calculated quarterly in accordance with the Finnish Credit Institutions Act (1607/1993) and the regulations issued by the Finnish Financial Supervision Authority. The regulation is based on EU directives and the international standard Basel I. Non-Finnish group units compile the capital adequacy reporting forms as an input to the consolidation group in accordance with these instructions, even if they differ due to national regulations.

The objective of the capital requirement regulation is to secure that the financial institute at any time operates with a capital base sufficient to cover the minimum capital requirement for market and credit risks. The Finnish Financial Supervision Authority regulates the definitions and including the calculation rules for capital base and capital requirement. The capital situation is quarterly reported to the authority.

Capital management is handled by Group Corporate Centre (GCC). A special committee, Capital Planning Forum is formed to assess capital related issues on an on going basis. The committee is headed by the Group CFO and with representatives from relevant units within GCC. Capital Planning Forum monitors and analyses the effects on the forecasted need and prepare supporting documentation for further decision in GEM and the Board regarding capitalization of the group, including subordinated debt, repurchase of own shares and dividend. Important inputs are the effects from current and future (Basel II) capital adequacy regulations as well as internal frameworks Economic Capital and the Rolling Financial Forecast.

Risk management

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 loans and receivables 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. All policies are reviewed at least annually.

In the credit instructions, the Board of Directors 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 Group.

The Chief Executive Officer (CEO) of Nordea and Group Executive Management (GEM) regularly review reports on risk exposures and have established the following committees for risk management:

- The Asset and Liability Committee (ALCO), chaired by the CEO, decides upon issues of major importance concerning the Group's financial operations and financial risks. ALCO decides on the targets of the Group's risk management regarding Structural Interest Income Risk (SIIR). Group Credit and Risk Control has the authority to issue supplementary limits, where it is deemed necessary. ALCO also decides, within the scope of resolutions adopted by the Board of Directors, the allocation of the market risk limits and liquidity risk limits to business areas as well as the investment return targets for the investment portfolio. The limits for the business areas are set in accordance with the business strategies and are as a minimum reviewed annually. The heads of the business areas allocate the respective ALCO limits within the business area and may introduce more detailed limits and other risk mitigating techniques such as stop-loss rules.
- The Risk Committee monitors developments of risks on aggregated level. Chairman of the Risk Committee is the Chief Risk Officer (CRO) who is also head of Group Credit and Risk Control.
- Executive Credit Committees (Corporate and Retail), chaired by the CRO, decide on major credit risk limits and industry policies for the Group. Credit risk limits are granted as individual limits for customers or consolidated customer groups and as industry limits for certain defined industries.

Other credit risk limits, which are not decided by the Executive Credit Committees, are decided by decision-making authorities on different levels. The responsibility for a credit exposure lies with a customer responsible unit. Customers are assigned a rating/scoring in accordance with the Nordea framework for quantification of credit risk.

Group Credit and Risk Control is responsible for the risk management framework. The framework consists of policies, instructions and guidelines for the whole Group. However, for SIIR and liquidity risk, the framework is developed by Group Treasury.

Each business area is primarily responsible for managing the risks in their operations, including identification, control and reporting, while Group Credit and Risk Control consolidates and 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 that the pledged collateral does not cover Nordea's claims.

The credit risks in Nordea arise mainly from various forms of loans and receivables 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 potential claims on customers, which occur if Nordea would be claimed under an issued guarantee or documentary credit.

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

Responsibility and control processes

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, such as a branch office, which on an ongoing basis assesses the customers' ability to fulfil their commitment and identifies deviations from agreed conditions and weaknesses in the customers' performance. 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.

In the process to identify indication of impairment, Nordea works with a continuous process to review the economic status of the credit exposures.

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

An exposure is impaired and a provision is recognised, if there is objective evidence, based on loss events or observable data, that there is impact on the customer's future cash flow to the extent that full repayment is unlikely, security included. The size of the provision is equal to the estimated loss considering the discounted value of the future cash flow and the value of pledged security. 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.

Risks in specific industries are controlled through industry policies setting requirements and limits on the overall industry exposure and these risks are monitored by industry monitoring groups. Corporate customers' environmental risks are taken into account in the overall risk assessment through a process called Environmental Risk Assessment Tool. This tool is in the process of being extended also to include social risk. The extended tool will be implemented during 2007. For larger project finance transactions, Nordea has adopted the Equator Principles, which is a financial industry benchmark for determining, assessing and managing social and environmental risk in project financing. The Equator Principles are based on the policies and guidelines of the World Bank and International Finance Corporation (IFC).

Measurement methods

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

Rating and scoring

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

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

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

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

Nordea has established an internal validation process in accordance with the Basel II requirements with the purpose of ensuring and improving the performance of Nordea's rating models, procedures and systems. The annual 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 conducted. This work comprises activities making all existing scoring models and their use compliant with Nordea's ambition regarding Basel II. Beginning in 2007, internal scoring models will be used in the Economic Capital framework to identify the default risk and PD of scored customers.

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

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

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

As a complement to the ordinary credit risk quantification, comprehensive credit risk stress testing is performed as part of Nordea's Internal Capital Adequacy Assessment Process (ICAAP). 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 is used.

Definition of Expected Loss (EL):
The EL is the normalised loss rate calculated based on the current portfolio. EL is measured using the formula, EL = PD x LGD x EAD, where
- PD is a measure of the probability that the counterparty will default,
- LGD is a measure of how much is expected to be lost in the event of default and
- EAD is a measure of the expected exposure in the event of default.

Expected Loss (EL)
Expected Loss (EL) is an important component in the calculation of Economic Profit (EP), both on a portfolio and an individual credit level. EL, and the parameters of EL (PD, LGD and EAD), are calculated based on the current portfolio, but reflecting the normalised losses over a cycle. The EL used for EP calculation is approximately 17.0 bps for the Nordea Group in 2007.

Credit risk analysis
The credit risk exposure is measured and presented as the principle amount of on balance sheet claims or off balance sheet potential claims on customers and counterparts net after allowances. The total credit risk exposure has increased by 15% to EUR 146bn during 2006 (EUR 129bn).

The largest credit risk exposure is lending to the public (loans and receivables to the public), which in 2006 increased by 14% to EUR 52bn (46). Lending to corporate customers was EUR 26bn (24), an increase by 10%, and lending to personal customers was EUR 25bn (21), an increase by 18%. The portion of lending of the total lending portfolio was to corporate customers 50% (52%) and to personal customers 47% (46%).

Loans and receivables to credit institutions, mainly in the form of inter-bank deposits, amounted to EUR 47bn at the end of 2006 (40). Of these loans, less than 10% was to credit institutions outside OECD.

Loans and receivables to corporate customers
The main increases in the portfolio could be seen in the sectors: "Real estate management", "Financial operations" and "Manufacturing".

Real estate management remains the largest industry sector in NBF's lending portfolio, with EUR 7.3bn (6.1). 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).

The distribution of loans and receivables to corporate customers by size of loans shows a high degree of diversification where approximately 80 % of the corporate volume is for lending with a size up to 50 EURm for each customer. This distribution has been stable over the last years.

One important credit risk mitigation technique is pledging of collateral. This is particularly important in lending to medium-sized and smaller corporates. In the case of larger corporates, pledged collateral is used 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.

Credit risk mitigation by the use of credit default swaps have been made to a limited extent, normal syndication of loans being the primary tool for managing the size of large credit exposures.

Lending to personal customers
In 2006, mortgage loans increased by 21% while consumer loans increased by 10%. The portion of mortgage loans was 77% (75%).

Regarding mortgage loans to personal customers, the collateral coverage is high, whereas consumer loans to personal customers have a lower degree of collateral coverage.

Credit risk exposure

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

	Group		Parent company	
EURm	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Loans and receivables to credit institutions	47,031	39,758	51,709	43,945
Loans and receivables to the public	52,463	46,264	47,230	41,566
Unutilised credit commitments etc	16,136	13,562	14,086	11,715
Guarantees and documentary credits	8,441	6,683	8,705	6,946
Credit risk exposure in derivatives [1]	20,686	18,956	20,686	18,954
Interest-bearing securities issued by public bodies	730	852	730	852
Other interest-bearing securities	3,408	3,201	3,408	3,199
Total credit risk exposure in the banking operations	**148,895**	**129,276**	**146,554**	**127,177**

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

Loans and receivables to the public, by customer category

	Group				Parent company			
EURm	31 Dec 2006	%	31 Dec 2005	%	31 Dec 2006	%	31 Dec 2005	%
Corporate customers	26,315	50.2	24,017	51.9	23,481	49.7	21,243	51.1
Personal customers	24,911	47.5	21,105	45.6	22,511	47.7	19,179	46.1
Public sector	1,238	2.3	1,142	2.5	1,238	2.6	1,144	2.8
Total	**52,463**	**100.0**	**46,264**	**100.0**	**47,230**	**100.0**	**41,566**	**100.0**
Loans and receivables to corporate customers, by industry								
Real estate management	7,348	27.9	6,146	25.6	7,200	30.7	6,080	28.6
Construction	585	2.2	532	2.2	454	1.9	403	1.9
Agriculture and fishing	89	0.3	297	1.2	88	0.4	297	1.4
Transport	2,539	9.7	2,445	10.2	2,188	9.3	2,028	9.5
Shipping	583	2.2	220	0.9	577	2.4	220	1.0
Trade and services	2,734	10.4	2,710	11.3	2,316	9.9	2,331	11.0
Manufacturing	4,723	18.0	4,399	18.3	4,759	20.3	3,869	18.2
Financial operations	773	2.9	259	1.1	773	3.3	359	1.7
Renting, consulting and other company services	1,203	4.6	1,143	4.8	1,183	5.0	1,118	5.3
Other	5,739	21.8	5,866	24.4	3,943	16.8	4,538	21.4
Total	**26,315**	**100.0**	**24,017**	**100.0**	**23,481**	**100.0**	**21,243**	**100.0**

Lending to corporate customers, by size of loan

	Group				Parent company			
EURm	31 Dec 2006	%	31 Dec 2005	%	31 Dec 2006	%	31 Dec 2005	%
0-10	14,560	55.3	13,665	56.9	12,932	55.1	12,042	56.7
10-50	6,575	25.0	5,907	24.6	5,901	25.1	5,250	24.7
50-100	2,282	8.7	2,476	10.3	2,048	8.7	2,201	10.3
100-250	1,960	7.4	1,402	5.8	1,758	7.5	1,246	5.9
250-500	0	0.0	567	2.4	0	0.0	504	2.4
500-	938	3.6	-	-	842	3.6	-	-
Total	**26,315**	**100.0**	**24,017**	**100.0**	**23,481**	**100.0**	**21,243**	**100.0**

Loans and receivables to personal customers, by type of loan

Mortgage loans	19,058	76.5	15,794	74.8	19,058	84.7	15,794	82.3
Consumer loans	5,853	23.5	5,311	25.2	3,453	15.3	3,385	17.7
Total	**24,911**	**100.0**	**21,105**	**100.0**	**22,511**	**100.0**	**19,179**	**100.0**

Loans and receivables to real estate management companies, by country

	Group				Parent company			
EURm	31 Dec 2006	%	31 Dec 2005	%	31 Dec 2006	%	31 Dec 2005	%
Finland	6,438	87.6	5,688	92.5	6,290	87.4	5,622	91.0
Baltic countries	445	6.1	208	3.4	445	6.2	208	4.1
Other	465	6.3	250	4.1	465	6.4	250	4.9
Total	**7,348**	**100.0**	**6,146**	**100.0**	**7,200**	**100.0**	**6,080**	**100.0**

Mortgage loans to personal customers, by country

	Group				Parent company			
EURm	31 Dec 2006	%	31 Dec 2005	%	31 Dec 2006	%	31 Dec 2005	%
Finland	17,760	93.2	15,093	95.6	17,760	93.2	15,093	95.6
Baltic countries	1,298	6.8	701	4.4	1,298	6.8	701	4.4
Total	**19,058**	**100.0**	**15,794**	**100.0**	**19,058**	**100.0**	**15,794**	**100.0**

Geographical distribution
Lending distributed by borrower domicile shows that the Finnish market accounts for 80% (82%). 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 allowance at the end of 2006 was EUR 57m (68).

Lending to the public, by geographical area

	Group				Parent company			
EURm	31 Dec 2006	%	31 Dec 2005	%	31 Dec 2006	%	31 Dec 2005	%
Nordic countries	43,418	82.8	39,116	84.5	38,697	82.0	34,750	83.6
of which Denmark	999		693		999		693	
of which Finland	41,888		37,907		37,184		33,541	
of which Norway	178		180		178		180	
of which Sweden	353		336		336		336	
Poland and Baltic countries	3,494	6.6	2,452	5.3	2,996	6.3	2,120	5.1
EU countries other	2,363	4.5	1,784	3.9	2,361	5.0	1,784	4.3
USA	986	1.9	984	2.1	986	2.1	984	2.4
Asia	1,092	2.1	911	2.0	1,092	2.3	268	0.6
Latin America	185	0.3	268	0.6	185	0.4	911	2.2
OECD other	424	0.8	492	1.1	424	0.9	492	1.2
Non-OECD other	501	1.0	257	0.5	489	1.0	257	0.6
Total	**52,463**	**100.0**	**46,264**	**100.0**	**47,230**	**100.0**	**41,566**	**100.0**

Transfer risk exposure [1]

	Group		Parent company	
EURm	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Asia	506	469	506	469
Latin America	100	142	100	142
Eastern Europe & CIS	216	148	216	148
Middle East	212	335	212	335
Africa	76	34	76	34

[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.

Impaired loans
Nordea has as of end of December 2006 changed the principles for disclosure of impaired, but performing, loans, which increases the size of impaired loans. This change does not affect the risk, but since the size of allowances for impaired loans are not affected by the change, the ratio between allowances and impaired loans decreases. In the following, the comparison figures have been changed in accordance with the new principle.

The part of impaired loans and receivables that are not covered by allowances, i.e. the value of impaired loans net, is assessed to be fully covered by various types of held security or operational future cash flow.

Impaired loans, gross, for individually assessed loans were EUR 777m (827). Allowances for individually assessed loans decreased to EUR 263m (333m). The ratio of allowances to cover impaired loans, gross, decreased to 34% (40%). Allowances for collectively assessed loans were EUR 122m at year end (130m).

Impaired loans to the public

Group

	31 Dec 2006			31 Dec 2005		
EURm	Corporate customers	Personal customers	Total	Corporate customers	Personal customers	Total
Impaired loans, gross, individually assessed	478	299	777	597	230	827
Allowances for individually assessed loans	218	45	263	281	52	333
Impaired loans, net, individually assessed	260	254	514	316	178	494
Allowances /impaired loans, gross, individually assessed, %	45.6	15.1	33.8	47.1	22.6	40.3
Impaired loans, gross / lending, individually assessed loans, %	1.8	1.2	1.5	2.4	1.1	1.8
Allowances for collectively assessed loans	112	10	122	110	20	130
Total allowances (individually and collectively) / lending, %	1.2	0.2	0.7	1.6	0.3	1.0

Parent company

	31 Dec 2006			31 Dec 2005		
EURm	Corporate customers	Personal customers	Total	Corporate customers	Personal customers	Total
Impaired loans, gross, individually assessed	451	167	618	563	128	691
Allowances for individually assessed loans	210	23	233	273	26	299
Impaired loans, net, individually assessed	241	144	385	290	102	392
Allowances /impaired loans, gross, individually assessed, %	46.8	13.2	37.7	48.4	20.3	43.3
Impaired loans, gross / lending, individually assessed loans, %	1.9	0.7	1.3	2.6	0.7	1.7
Allowances for collectively assessed loans	112	10	122	110	20	130
Total allowances (individually and collectively) / lending, %	1.4	0.1	0.8	1.8	0.2	1.1

Impaired loans, individually assessed to corporate customers, gross, by industry

	Group				Parent company			
EURm	31 Dec 2006	% of lending to the industry	31 Dec 2005	% of lending to the industry	31 Dec 2006	% of lending to the industry	31 Dec 2005	% of lending to the industry
Real estate management	22	0.3	48	0.8	22	0.3	47	0.8
Construction	13	2.2	17	3.0	13	2.8	16	3.9
Agriculture and fishing	9	9.6	3	0.9	9	9.7	1	0.5
Transport	20	0.8	18	0.7	20	0.9	15	0.7
Shipping	0	0.0	-	-	0	0.0	-	-
Trade and services	47	1.7	72	2.6	46	2.0	69	2.9
Manufacturing	181	3.7	232	5.1	181	3.7	219	5.4
Financial operations	16	2.1	18	6.7	17	2.1	16	4.4
Renting, consulting and other company services	27	2.2	45	3.9	27	2.2	45	3.9
Other	143	2.5	144	2.4	116	2.9	135	2.9
Total	**478**	**1.8**	**597**	**2.4**	**451**	**1.9**	**563**	**2.6**

Distribution of allowances to corporate customers, by industry

Group

	31 Dec 2006				31 Dec 2005			
EURm	Individually assessed loans	%	Collectively assessed loans	%	Individually assessed loans	%	Collectively assessed loans	%
Real estate management	16	7.3	0	0.0	31	11.0	-	-
Construction	8	3.7	0	0.0	11	3.9	-	-
Agriculture and fishing	1	0.5	6	5.4	1	0.4	1	0.9
Transport	7	3.2	7	6.2	8	2.8	3	2.7
Shipping	0	0.0	0	0.0	-	0,0	-	-
Trade and services	31	14.2	0	0.0	49	17.3	-	-
Manufacturing	100	45.9	34	30.3	119	42.7	38	34.4
Financial operations	9	4.1	0	0.0	10	3.4	-	-
Renting, consulting and other company services	20	9.2	0	0.0	31	11.1	-	-
Other	26	11.9	65	58.1	21	7.4	68	62.0
Total	**218**	**100.0**	**112**	**100.0**	**281**	**100.0**	**110**	**100.0**

Parent company

	31 Dec 2006				31 Dec 2005			
EURm	Individually assessed loans	%	Collectively assessed loans	%	Individually assessed loans	%	Collectively assessed loans	%
Real estate management	16	7.5	0	0.0	31	11.4	-	-
Construction	8	3.8	0	0.0	11	4.0	-	-
Agriculture and fishing	1	0.4	6	5.4	0	0.0	1	0.9
Transport	7	3.2	7	6.2	8	2.9	3	2.7
Shipping	0	0.0	0	0.0	0	0,0	-	-
Trade and services	31	15.0	0	0.0	48	17.7	-	-
Manufacturing	100	47.6	34	30.3	116	42.7	38	34.4
Financial operations	9	4.2	0	0.0	9	3.3	-	-
Renting, consulting and other company services	20	9.4	0	0.0	31	11.4	-	-
Other	18	8.9	65	58.1	19	6.6	67	62.0
Total	**210**	**100.0**	**112**	**100.0**	**273**	**100.0**	**109**	**100.0**

Reconciliation of reserves for impaired loans

Group

EURm	Balance 31 Dec 2005	Changes through profit/loss	Currency changes	Balance 31 Dec 2006
Specific reserves for individually assessed loans	333	-70	0	263
Groups of significant loans	114	-4	-6	104
Groups of non-significant loans	16	2	0	18
Total reserves	463	-72	-6	385

Parent company

EURm	Balance 31 Dec 2005	Changes through profit/loss	Currency changes	Balance 31 Dec 2006
Specific reserves for individually assessed loans	299	-66	0	233
Groups of significant loans	114	-4	-6	104
Groups of non-significant loans	16	2	0	18
Total reserves	429	-68	-6	355

Restructured loans and receivables

	Group		Parent company	
EURm	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Loans and receivables before restructuring, book value	14	22	7	22
Loans and receivables after restructuring, book value	14	24	7	24

Settlement risk

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

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

Nordea is a shareholder of, and participant in, the global FX clearing system CLS (Continuous Linked Settlement), which eliminates the settlement risk of FX trades in those currencies and with those counterparts that are eligible for CLS-clearing. As a result, Nordea's settlement risk exposure against major trading counterparts has decreased considerably over the last years.

Risk in derivatives

Derivative contracts are financial instruments, such as futures, forwards, swaps or options that derive their value from underlying interest rates, currencies, equities, credit spreads 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 mainly enters into derivative contracts based on 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.

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

	31 Dec 2006			31 Dec 2005		
EURm	Current exposure	Potential future exposure	Total credit risk exposure	Current exposure	Potential future exposure	Total credit risk exposure
Total	1,979	21,375	20,686	3,353	18,587	18,956

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.

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

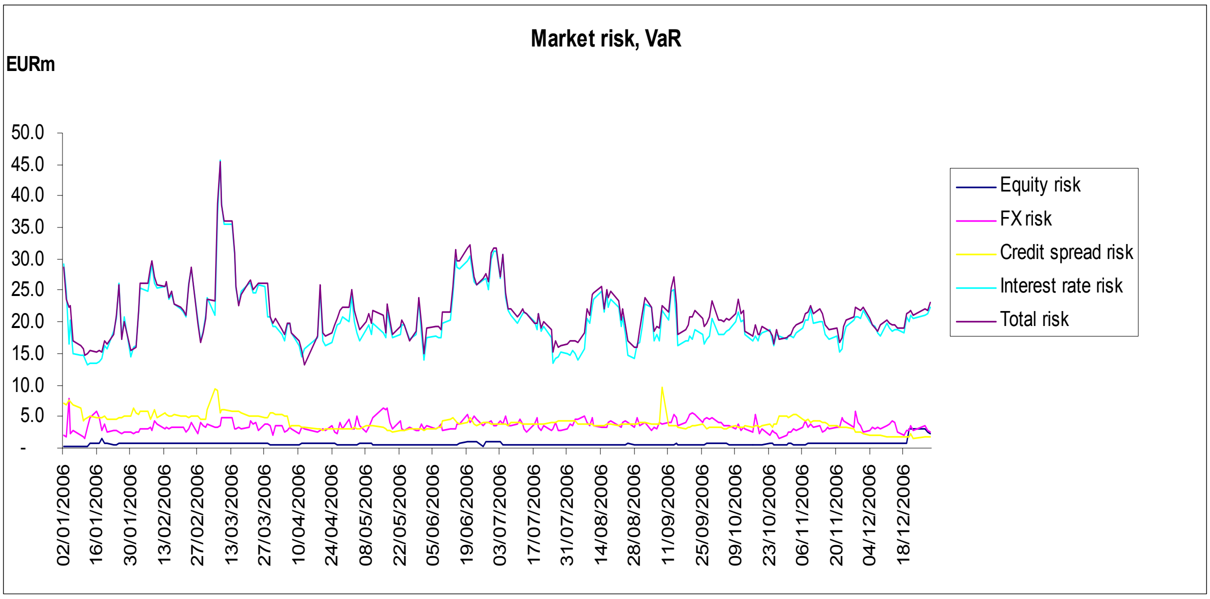
The credit risk exposure is measured as the sum of current exposure and potential future exposure. The potential future exposure is an estimate, which reflects possible changes in market values during the remaining lifetime of the individual contract and is measured as the notional amount multiplied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

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

Market risk

Market risk is the risk of a loss in the market value of portfolios and financial instruments (the so-called market price risk) or an adverse effect on earnings or equity capital (the structural market risk) as a result of movements in financial market variables.

Nordea's market price risk exposure is primarily towards interest rates and equity prices and to a lesser degree to foreign exchange rates, commodity prices and credit spreads. The net derives to a large extent from the investment portfolios of Group Treasury and to a lesser extent from the client 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.



The structural market risks stem from interest rates and foreign exchange rates:

- Structural Interest Income Risk (SIIR) is the risk of a decrease in the net interest income if market rates rise or fall. SIIR measures the net interest income sensitivity of the whole balance sheet over a one-year horizon and is described below.
- Structural foreign exchange risk primarily 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 currencies 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.

Reporting and control processes

The CRO receives daily reporting on the Group's consolidated market risk. GEM receives reports on a monthly basis, and the Nordea Board of Directors on a quarterly basis.

Adherence to limits is crucial and if a limit decided by the Board of Directors, ALCO or the CRO were to be violated, the decision-making body would be informed immediately.

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.

Measurement methods

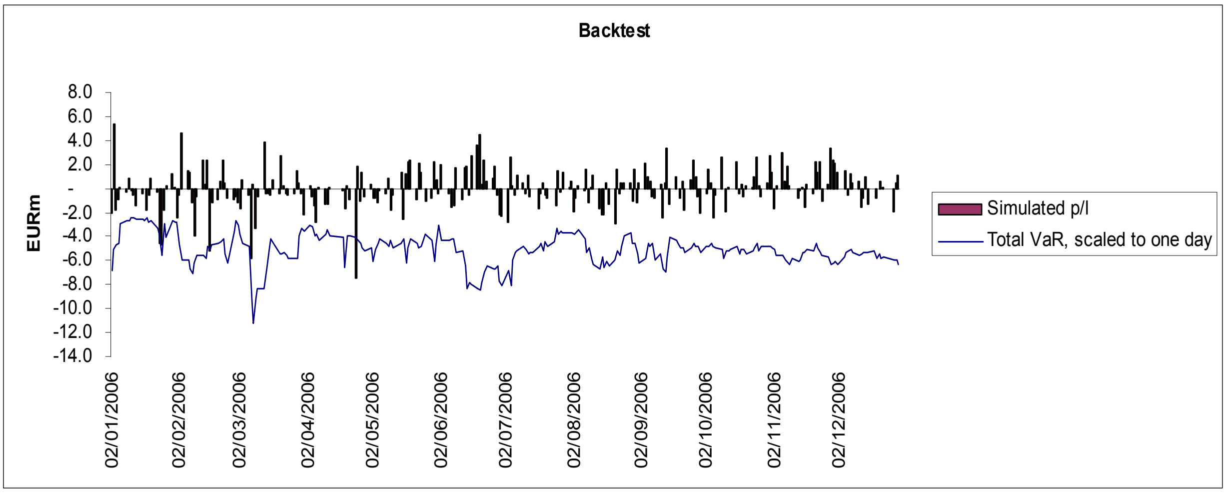
As there is no single risk measure that captures all aspects of market risk, Nordea on a daily basis uses several risk measures including Value-at-Risk (VaR) models, stress testing, Jump-to-Default exposure, scenario simulation and other non-statistical risk measures such as basis point values, net open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

Normal market conditions

VaR is used by Nordea to measure interest rate, foreign exchange, equity and credit spread risks. A VaR measure across these risk categories, allowing for diversification among them, is also used. For interest rate, foreign exchange and equity risk, the VaR figures include both linear positions and options.

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 shortfall approach, which implies using the average of a number of the most adverse simulation results as an estimate of VaR.

The book value of private equity funds and the market risk in structured equity derivatives are limited and monitored in the daily market risk management process, but are not included in the VaR-figures.



From the end of 2006, Nordea's VaR model is the basis for calculating risk weighted assets for general market risk from equities, interest rates and foreign exchange as well as for specific market risk from equities and interest rates.

The risk on commodity positions, both linear and non-linear, is 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 2006.

Stress testing
Stress tests are used to estimate the possible losses that may occur under extreme market conditions. Nordea performs daily 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 is also a part of Nordea's comprehensive ICAAP stress testing.

Market risk analysis

The analysis in NBF is based on the consolidated risk stemming from both investment and trading activities. Overall, the risk has fluctuated moderately over the year.

Total risk
The total VaR for NBF was EUR 23m (32) at the end of 2006. The total VaR-figure is dominated by the contribution from interest rate risk.

Interest rate risk
The interest rate VaR for NBF was EUR 22m at the end of 2006 (30). 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 were to move adversely for NBF, was EUR 181m at the end of 2006 (120) and the net interest rate sensitivity was EUR 26m (22). The largest interest rate exposures are in SEK, EUR, DKK, USD and NOK.

Foreign exchange risk
NBF's foreign exchange VaR remained relatively low throughout the year and was EUR 3m (4) at year-end. The gross sensitivity to a 5% change in the exchange rate of all currencies vis-à-vis the Euro was EUR 53m (17) at the end of 2006.

Equity risk
At the end of 2006, NBF's equity VaR stood at EUR 2m (0) and the net sensitivity to a 10% movement in equity prices was 0.8 EURm (2).

Credit spread risk
Credit spread VaR remained fairly stable throughout the year and was EUR 2m at year-end.

Commodity risk
NBF's exposure to commodity risk, primarily pulp and paper, is solely related to client-driven activities. The linear commodity risk was EUR 4m (12) by the end of 2006. The commodity option risk was EUR 3m (EUR 7m).

Structural Interest Income Risk

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

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

Market risk

Nordea Bank Finland Group

EURm		31 Dec 2006	Maximum	Minimum	Average	31 Dec 2005
Total risk	VaR	23.0	45.4	13.1	21.5	32.0
Interest rate risk	VaR	22.2	45.6	13.2	20.5	29.9
Equity risk	VaR	2.3	3.2	0.1	0.7	0.2
Foreign exchange risk	VaR	2.5	7.9	1.4	3.5	4.0
Credit spread risk	VaR	1.7	9.6	1.6	4.0	-
Diversification effect	% of total VaR	20				
Commodity risk, linear	Simulation	4.0	11.8	2.3	5.0	11.7
Option risk, non-linear	Simulation	1.8	7.9	1.8	4.9	6.7

Measurement methods

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

SIIR analysis

At the end of the year, the SIIR for decreasing market rates in NBF was EUR -171m (EUR -144m) and the SIIR for increasing rates was EUR 166m (EUR 138m). These figures imply that net interest income would decrease if interest rates fall and increase if interest rates rise.

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.

GAP analysis 31 Dec 2006 (SIIR)
Re-pricing gap for increasing interest rates

Group

EURm, Interest Rate Fixing Period	Balance sheet	Within 3 months	3-6 month	6-12 month	1-2 year	2-5 year	>5 year	Non re-pricing	Total
Assets									
Interest-bearing assets	**104,784**	79,070	11,064	9,697	1,158	1,818	1,287	690	104,784
Off-balance sheet items	**-**	2,582,028	7,550	6,573	7,013	4,701	1,852	-	2,609,717
Non interest-bearing assets	**26,562**	-	-	-	-	-	-	26,562	26,562
Total assets	**131,346**	**2,661,098**	**18,614**	**16,270**	**8,171**	**6,519**	**3,139**	**27,252**	**2,741,063**
Liabilities									
Interest-bearing liabilities	**89,279**	60,509	6,803	8,550	7,367	5,319	731	-	89,279
Off-balance sheet items	**-**	2,584,786	9,616	7,679	3,373	2,651	1,612	-	2,609,717
Non interest-bearing liabilities	**42,067**	-	-	-	-	-	-	42,067	42,067
Total liabilities	**131,346**	**2,645,295**	**16,419**	**16,229**	**10,740**	**7,970**	**2,343**	**42,067**	**2,741,063**
Exposure		**15,803**	**2,195**	**41**	**-2,569**	**-1,451**	**796**	**-14,815**	**0**
Cumulative exposure			**17,998**	**18,039**	**15,470**	**14,019**	**14,815**	**0**	**0**

Parent company

EURm, Interest Rate Fixing Period	Balance sheet	Within 3 months	3-6 month	6-12 month	1-2 year	2-5 year	>5 year	Non re-pricing	Total
Assets									
Interest-bearing assets	**104,229**	79,070	11,064	9,697	965	1,624	1,094	715	104,229
Off-balance sheet items	**-**	2,582,028	7,550	6,573	7,013	4,701	1,852	-	2,609,717
Non interest-bearing assets	**26,756**	-	-	-	-	-	-	26,756	26,756
Total assets	**130,985**	**2,661,098**	**18,614**	**16,270**	**7,978**	**6,325**	**2,946**	**27,471**	**2,740,702**
Liabilities									
Interest-bearing liabilities	**89,241**	60,509	6,803	8,550	7,355	5,306	718	-	89,241
Off-balance sheet items	**-**	2,584,786	9,616	7,679	3,373	2,651	1,612	-	2,609,717
Non interest-bearing liabilities	**41,744**	-	-	-	-	-	-	41,744	41,744
Total liabilities	**130,985**	**2,645,295**	**16,419**	**16,229**	**10,728**	**7,957**	**2,330**	**41,744**	**2,740,702**
Exposure		**15,803**	**2,195**	**41**	**-2,750**	**-1,632**	**616**	**-14,273**	**0**
Cumulative exposure			**17,998**	**18,039**	**15,289**	**13,657**	**14,273**	**0**	**0**

Liquidity risk

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

Measurement methods

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

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.

Liquidity risk. contractual maturity analysis for financial liabilities. 31 Dec 2006
Contractual cash flows

Group

EURm Remaining contractual maturity	Payable on demand	Other within 1 year	1-5 year	>5 year	Total
Liabilities	28,699	54,529	6,641	1,293	91,162

Parent company

EURm Remaining contractual maturity	Payable on demand	Other within 1 year	1-5 year	>5 year	Total
Liabilities	28,726	54,530	6,641	1,293	91,191

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

Liquidity risk analysis

The short-term liquidity risk has been held at moderate levels throughout 2006. The average funding gap risk in NBF was EUR -0.5bn (-1.8bn), 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 has been in the range EUR 2.0–5.8bn (3.4–4.1bn) throughout 2006 with an average of EUR 4.0bn (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 2006 EUR -0.6bn, which is well within the allowed limit for negative net balance.

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, from people and systems, or from external events. Legal and Compliance risks as well as Crime risk and Process risks, including IT risk, constitute the main sub-categories to Operational risk.

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

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

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

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

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

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

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

Economic Profit
Economic Profit is calculated as total income less operating expenses, expected losses, standard tax and cost of equity.

Nordea has defined Economic Profit to be the overall key financial performance indicator. Economic Profit is Nordea's interpretation and measure for shareholder value creation. In investment decisions in general, and in business relationships with customers more specifically, it drives and supports the right behaviour with focus on income, costs as well as risk. The Economic Profit model captures both growth and return.

Expected Losses
Expected loss reflects through the formula (Expected Losses = Probability of Default*Loss Given Default*Exposure At Default) the normalised loss level of the individual loan exposure as well as various portfolios. Based on the current portfolio the Expected loss used in the Economic Profit calculations is 17 basis points over the business cycle, down from 19 basis points in 2006, a reflection of the improved quality and repayment ability of Nordea's customers.

Cost of equity
Cost of equity is the estimated yield shareholders require to invest in Nordea shares multiplied by economic capital. The long-term risk-free rate, the average market risk premium to invest in shares and the Nordea share volatility compared to shares in general (beta) are used to set the percentage. The cost of equity is set by management once a year as a parameter to manage risk appetite and investment level. It was in 2006 set to 7.5% and for 2007 8.0%, following higher interest rates.

Economic Capital (EC)
In addition to regulatory capital, Nordea has calculated internal capital requirements using the EC framework since 2001. In comparison to Basel I regulatory capital, EC is a more sophisticated measure of the capital required to cover long-term losses. The Basel II Accord closes the gap between regulatory capital and EC, after which calculations will be conducted using similar risk-based models.

Nordea calculates EC for the following risk types: credit risk, market risk, operational risk and business risk. 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 probability of default, loss given default and exposure at default 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 framework.
- The Market risk 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 reflects the risk of direct or indirect loss, or damaged reputation resulting from inadequate or failed internal processes. It is calculated according to the standardised approach within Basel II.
- Business risk represents the earnings volatility inherent in all businesses due to the uncertainty of revenues and costs due to changes in the

economic and competitive environment. The main risk drivers are reputation risk, strategic risk, liquidity risk and indirect effects as structural interest income risk. 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, highly correlated risk types reduce the achievable level of diversification. 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.

In addition to calculating EC as Nordea has since 2001, new for 2007 is a comprehensive capital adequacy stress test process that has been developed internally to analyze the effects of a series of global and local shock scenarios. The results of this stress testing will result in a recommended buffer on existing EC in order to ensure adequate capital in the event of stresses to Nordea's and international markets. These hypothetical macroeconomic stresses will also help identify the specific type of scenario for which Nordea is most vulnerable and help to prepare senior management's response in the event of similar real-life market shocks.

Basel II

The new capital framework, coming into force in January 2007, is based on a three-pillar approach, namely Pillar 1, minimum capital requirements, Pillar 2, the supervisory review, and Pillar 3, market discipline.

Nordea has submitted an application to use the foundation IRB approach from 2007 for calculating capital requirements for credit risk and the standardised approach for operational risk. The application for credit risk covers exposures to corporates and banks.

During 2006, substantial work has been done in order to transform the capital accord, via the EU directive, to local rules. A number of local informal and formal draft regulations have been published. Laws and detailed regulations have entered into force in Sweden on 1 February and in Finland on 15 February 2007. The Swedish Financial Supervisory Authority (FSA) is Nordea Group's consolidating supervisor for the four Nordic countries and has the overall coordinating responsibility for the approval process.

By applying the revised framework, the internal assessment of risk will serve as an input into the capital requirement calculations. The EU Directive contains a detailed set of minimum requirements to assure the conceptual soundness and integrity of internal risk assessments. In order to comply with the minimum requirements related to the Internal Rating Based (IRB) Approach for credit risk, Nordea has refined internal models and processes used within the Economic Capital (EC) framework. In addition, a comprehensive financial data warehouse, calculation module and reporting tool are being developed and will be in place in 2007.

Capital requirement in the Basel II

The full effect of Basel II will have a stepwise effect on the banks since the Basel II floors defined by the Basel II regulatory framework set a limit to the possible decrease of capital requirement. In 2007, the lowest accepted amount for risk-weighted assets (RWA) is 95% of the amount calculated in accordance to the Basel I framework, for 2008 it is limited to 90% and 2009 to 80%.

By 2010, when the Basel I capital floors are removed, Pillar 1 capital values will represent an absolute minimum capital requirement, while Nordea's internal capital will serve as the target capital level.

ICAAP

Pillar II in the Basel II framework, or the Supervisory Review Process (SRP), covers two main processes: the Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP).

The purpose of the ICAAP is to ensure that the financial institution has sufficient available capital to meet the minimum capital requirements, even under stressed scenarios. ICAAP includes everything from the daily risk management to the more strategic capital management.

One of the most important cornerstones of the ICAAP is the institutions' internal assessment of capital requirements. In Nordea this is equivalent to assessing the EC.

The purpose of the SREP is designed to ensure that institutions have adequate capital to support all the risks in their businesses and to encourage institutions to develop and use better risk management techniques in monitoring and measuring risks.

The Capital Planning Forum, headed by the CFO, is responsible for coordinating capital planning activities within the Group, including both regulatory and available capital.

Nordea will use an internal capital, defined as Nordea's current EC plus a buffer for stress testing. Additionally, ongoing dialogues with third parties will affect Nordea's capital requirements, in particular views of the external rating agencies and the SREP. Due to the fact that most Pillar II risks exist within Nordea's current EC framework, Nordea will use its existing internal capital measurements as the basis for any additional capital buffers, subject to the acceptance of the aforementioned third parties.

Human resources

HR Strategy
The employees form the basis for the successful development of Nordea. Nordea's ambition is to be the preferred employer in the financial industry in the region. This in order to attract, develop and retain highly motivated, competent and performance oriented employees.

Nordea as the preferred employer

The most important drivers for employee satisfaction and motivation continue to be the content of daily work and opportunities for competence development. Competence development activities are offered to increase personal and professional competencies. Focus is put on retaining key personnel through professional development programs and challenging business assignments.

A full range of professional leadership training programme covering everything from potential managers to top executives has been conducted during 2006.

To increase the number of females in manager and especially executive positions is a priority throughout Nordea. As a result of the activities the percentage of females in managerial positions has increased during the last years.

Nordea has a special focus on development of trainees. The one-year Nordea Trainee programme gives trainees a comprehensive view of Nordea through job-rotation and training seminars. The program has proven to be a true success as more than 90% of the trainees recruited since 2000 have chosen to stay within Nordea. External survey has ranked the Nordea Trainee programme as one of the best on the market.

Number of employees
The focus on integration and efficient processes continued in 2006. During 2006 the decline in the number of employees was offset by the continued expansion of the network in the Baltic countries.

The number of personnel in the Bank Group was increased from 9,750 to 9,846 in 2006 reflecting 9,060 full-time employees.

Incentive Programmes
All employees participate in a profit-sharing programme. In addition, for managers of the Group there is an executive incentive programme. The performance criteria in 2006 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.

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	Average acq.price	Amount EUR
January	57,000	8.72	497,030.00
March	30,000	9.97	299,100.00
May	304,000	9.94	2,812,790.00
June	766,000	9.09	6,965,790.00
July	315,000	8.97	2,824,050.00
August	500,000	9.58	4,789,500.00
September	624,500	10.15	6,339,015.00
October	872,613	10.72	9,354,601.86
November	748,023	10.85	8,119,292.18
December	330,900	11.36	3,760,507.50
	4,548,036		45,761,676.54

Sales

Month	Quantity	Average price	Amount EUR
February	-57,000	9.53	-543,040.00
May	-558,000	9.35	-5,215,745.00
June	-860,000	9.26	-7,965,280.00
July	-600,000	9.18	-5,507,050.00
August	-280,000	9.82	-2,749,000.00
September	-542,500	10.12	-5,487,800.00
October	-878,591	10.74	-9,439,063.84
November	-182,984	11.00	-2,012,141.60
December	-314,900	11.27	-3,548,950.92
	-4,273,975		-42,468,071.36

The quota value of the Nordea Bank AB (publ) share is EUR 1.00. The trades had an insignificant effect on the shareholding and voting-power in Nordea Bank AB (publ). At year-end 2006 NBF owned 274,061 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 2007

Based on solid macroeconomic forecasts for the Nordic area, double digit growth in business volumes is expected for the Nordea Group 2007. Despite the current pressure on lending margins Nordea Group expects the strong revenue growth to continue in 2007. This will mainly be driven by the strong business platform and the increased momentum in the organic growth strategy. In addition, more focus on risk-adjusted pricing, combined with expected higher market interest rates, will positively affect the revenue generation in 2007. The quality of the credit portfolio remains strong, however new provisions are expected to exceed reversals in 2007.

The organic growth strategy of Nordea Group leads to investments, in particular in reference to the accelerated growth plan in the Nordic markets, investments in Private Banking, and increased growth ambitions in Poland and the Baltics. These communicated investments amount to approx. EUR 60m for the Nordea Group.

The cost increase in Nordea Group in 2007 is expected to be of the same magnitude as in 2006. Nordea Bank Finland is expected to contribute in reaching the Nordea Group's ambition of a gap between revenue and cost growth for the full year 2007 of 3-4 percentage points.

Nordea Bank Finland Group and Nordea Bank Finland Plc

Income statement

		Group		Parent company	
EURm	Note	2006	2005	2006	2005
Operating income					
Interest income	3	3,626	2,744	3,460	2,564
Interest expense	3	-2,211	-1,534	-2,210	-1,532
Net interest income	3	1,415	1,210	1,250	1,032
Fee and commission income	4	497	449	470	425
Fee and commission expense	4	-189	-178	-175	-171
Net fee and commission income	4	308	271	295	254
Net gains/losses on items at fair value	5	408	301	408	300
Profit from companies accounted for under the equity method	21	31	20	-	-
Dividends	6	2	2	41	63
Other operating income	7	290	58	363	51
Total operating income		**2,454**	**1,862**	**2,357**	**1,700**
Operating expenses					
General administrative expenses:					
Staff costs	8	-504	-483	-460	-439
Other expenses	9	-359	-371	-353	-362
Depreciation, amortisation and impairment charges of tangible and intangible assets	10,23,24	-18	-48	-19	-22
Total operating expenses		**-881**	**-902**	**-832**	**-823**
Loan losses	11	63	-46	70	-36
Impairment of securities held as financial non-current asset		-2	1	-1	1
Disposals of tangible and intangible assets		5	0	2	-2
Operating profit		**1,639**	**915**	**1,596**	**840**
Income tax expense	12	-358	191	-326	222
Net profit for the year		**1,281**	**1,106**	**1,270**	**1,062**
Attributable to:					
Shareholders of Nordea Bank Finland Plc		1,279	1,104	1,270	1,062
Minority interests		2	2	-	-
Total		**1,281**	**1,106**	**1,270**	**1,062**

Balance sheet

EURm	Note	Group 31 Dec 2006	Group 31 Dec 2005	Parent company 31 Dec 2006	Parent company 31 Dec 2005
Assets					
Cash and balances with central banks		1,151	1,756	1,151	1,756
Treasury bills and other eligible bills	13	2,877	3,072	2,877	3,072
Loans and receivables to credit institutions	14	47,031	39,758	51,709	43,945
Loans and receivables to the public	15	52,463	46,264	47,230	41,566
Interest-bearing securities	16	1,161	881	1,161	879
Financial instruments pledged as collateral	17	100	100	100	100
Shares	18	603	316	602	316
Derivatives	19	23,692	28,165	23,692	28,165
Fair value changes of the hedged items in portfolio hedge of interest rate risk	20	-54	70	-54	70
Investments in associated undertakings	21	83	214	56	132
Investments in group undertakings	22	-	-	322	325
Intangible assets	23	13	17	13	18
Property and equipment	24, 25	89	78	61	45
Investment property	26	4	39	3	8
Deferred tax assets	12	468	766	463	760
Current tax assets		12	6	-	-
Retirement benefit assets	35	52	53	49	49
Other assets	27	1,112	1,743	1,114	1,785
Prepaid expenses and accrued income	28	489	413	436	369
Total assets		**131,346**	**123,711**	**130,985**	**123,360**
Liabilities					
Deposits by credit institutions	29	29,233	21,219	29,194	21,181
Deposits and borrowings from the public	30	35,689	35,092	35,700	35,113
Debt securities in issue	31	22,680	21,430	22,682	21,435
Derivatives	19	24,057	28,069	24,057	28,069
Fair value changes of the hedged items in portfolio hedge of interest rate risk	20	-147	43	-147	43
Current tax liabilities		24	20	22	17
Other liabilities	32	3,790	2,970	3,715	2,882
Accrued expenses and prepaid income	33	758	630	673	547
Deferred tax liabilities	12	23	14	-	-
Provisions	34	39	55	33	43
Retirement benefit obligation	35	56	61	56	61
Subordinated liabilities	36	1,665	1,904	1,665	1,904
Total liabilities		**117,867**	**111,507**	**117,650**	**111,295**
Equity	37				
Minority interests		6	6	-	-
Share capital		2,319	2,319	2,319	2,319
Share premium account		599	599	599	599
Other reserves		2,899	2,884	2,848	2,848
Retained earnings		7,656	6,396	7,569	6,299
Total equity		**13,479**	**12,204**	**13,335**	**12,065**
Total liabilities and equity		**131,346**	**123,711**	**130,985**	**123,360**
Assets pledged as security for own liabilities	38	8,159	8,164	8,159	8,164
Other assets pledged	39	488	100	488	100
Contingent liabilities	40	8,441	6,683	8,705	6,946
Commitments	41	2,316,387	1,973,545	2,314,351	1,971,698

Other notes

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Statement of recognised income and expense

	Group		Parent company	
	2006	2005	2006	2005
Currency translation differences during the year	-2	6	-	-
Available-for-sale investments:				
Valuation gains/losses taken to equity	0	-	0	-
Net income recognised directly in equity	**-2**	**6**	**0**	**-**
Net profit for the year	**1,281**	**1,106**	**1,270**	**1,062**
Total recognised income and expense for the year	**1,279**	**1,112**	**1,270**	**1,062**
Attributable to:				
Shareholders of Nordea Bank Finland Plc	1,277	1,110	1,270	1,062
Minority interests	2	2	-	-
	1,279	**1,112**	**1,270**	**1,062**
Effect of changes in opening balance:				
Shareholders of Nordea Bank Finland Plc	-	-59	-	-51
Minority interests	-	-	-	-
	0	**-59**	**-**	**-51**

See note 37 for further information.

Cash flow statement

EURm	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Operating activities				
Operating profit	1,639	915	1,596	840
Adjustments for items not included in cash flow	-475	191	-536	138
Income taxes paid	-54	-129	-29	-97
Cash flow from operating activities before changes in operating assets and liabilities	**1,110**	**977**	**1,031**	**881**
Changes in operating assets				
Change in treasury bills and other eligible bills	272	-38	272	-38
Change in loans and receivables to credit institutions	-2,300	-4,736	-2,794	-4,992
Change in loans and receivables to the public	-6,160	-6,531	-5,613	-6,245
Change in interest-bearing securities	-280	-280	-282	-279
Change in shares	-246	-113	-245	-114
Change in derivatives, net	516	-179	516	-179
Change in investment property	35	-	5	-
Change in other assets	627	-155	671	-57
Changes in operating liabilities				
Change in deposits by credit institutions	8,014	3,243	8,013	3,233
Change in deposits and borrowings from the public	597	3,417	587	3,424
Change in debt securities in issue	1,250	2,855	1,247	2,855
Change in other liabilities	822	565	840	566
Cash flow from operating activities	**4,257**	**-975**	**4,248**	**-945**
Investing activities				
Sale of investments in group undertakings	7	-	7	-
Acquisition of investments in associated undertakings	0	-22	387	-1
Acquisition of property and equipment	370	61	-36	16
Sale of property and equipment	-20	-27	-	-33
Acquisition of intangible assets	-	-6	-	-6
Sale of intangible assets	4	1	5	0
Purchase/sale of other financial fixed assets	-6	0	-6	0
Cash flow from investing activities	**355**	**7**	**357**	**-24**
Financing activities				
Issued subordinated liabilities	-	83	-	83
Amortised subordinated liabilities	-239	-	-239	-
Other changes	-5	-54	-1	-50
Cash flow from financing activities	**-244**	**29**	**-240**	**33**
Cash flow for the year	**4,368**	**-939**	**4,365**	**-936**
Cash and cash equivalents at the beginning of year	12,099	13,038	12,096	13,032
Exchange rate difference	-	-	-	-
Cash and cash equivalents at the end of year	16,467	12,099	16,461	12,096
Change	**4,368**	**-939**	**4,365**	**-936**

Cash flow statement: *cont.*

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	2006	2005	2006	2005
Depreciation	25	47	19	22
Impairment charges	-6	-1	1	-1
Loan losses	-39	85	-51	65
Unrealised gains/losses	-167	-59	-167	-59
Capital gains/losses (net)	-249	-10	-319	-11
Change in accruals and provisions	34	160	44	151
Other	-73	-31	-63	-29
	-475	**191**	**-536**	**138**

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	2006	2005	2006	2005
Interest payments received	3,246	2,682	3,068	2,495
Interest expenses paid	1,737	1,473	1,736	1,474

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

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

Cash and cash equivalents

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

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Cash and balances with central banks	1,151	1,756	1,151	1,756
Loans and receivables to credit institutions, payable on demand	15,316	10,343	15,310	10,340
	16,467	**12,099**	**16,461**	**12,096**

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

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1. 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 disclosures, required in the standards and legislation above, have been included in the notes, Risk management section or in other parts of the Annual Report.

2. Comparative figures

The comparative figures for 31 December 2005 includes effects of all changes in the presentation described in section 3 "Changed accounting policies and presentation" below.

3. Changed accounting policies and presentation

The accounting policies and the basis for calculations are, in all material aspects, unchanged in comparison with the 2005 Annual Report.

The following three changes in the presentation have been made:

Increased transparency for Commissions

The presentation of "Net fee and commission income" has been changed, to better illustrate the nature of NBF's commission income and expense. The effect on the current period has not been presented, as this information is not available. The effects are described in the following table.

Group

EURm	Reported 2005	Reclassi-fications	Restated 2005	
Presentation before restatement				**Presentation after restatement**
Investment products/services	65	-21	40	Asset management commissions
	-	18	22	Custody
Life insurance	12	-	12	Life insurance
Brokerage	42	-1	41	Brokerage
Loans and receivables	88	-20	68	Lending
	-	37	37	Cards
Deposits, payments and e-services	181	-41	140	Payments
	-	4	4	Deposits
Guarantees and documentary payments	25	20	45	Guarantees and document payments
Other commission income	36	4	40	Other commission income
Fee and commission income	**449**	**0**	**449**	**Fee and commission income**
Payments and e-services	-11	-23	-34	Payment expenses
Other commission expenses	-167	23	-144	Other commission expenses
Fee and commission expenses	**-178**	**0**	**-178**	**Fee and commission expenses**
Total net fee and commission income	**271**	**0**	**271**	**Total net fee and commission income**

Parent company

EURm	Reported 2005	Reclassi-fications	Restated 2005	
Presentation before restatement				**Presentation after restatement**
Investment products/services	64	-25	39	Asset management commissions
	-	22	22	Custody
Life insurance	12	-	12	Life insurance
Brokerage	42	-1	41	Brokerage
Loans and receivables	89	-20	69	Lending
	0	14	14	Cards
Deposits, payments and e-services	159	-17	142	Payments
	0	4	4	Deposits
Guarantees and documentary payments	26	20	46	Guarantees and document payments
Other commission income	32	4	36	Other commission income
Fee and commission income	**424**	**0**	**424**	**Fee and commission income**
Payments and e-services	-11	-17	-28	Payment expenses
Other commission expenses	-160	17	-143	Other commission expenses
Fee and commission expenses	**-171**	**0**	**-171**	**Fee and commission expenses**
Total net fee and commission income	**253**	**0**	**253**	**Total net fee and commission income**

Classification of interest income on funding swaps

The interest from interest rate- and currency swaps, related to NBF's funding, has been reclassified to interest expense, leading to a change from gross to net accounting. This has been made to better illustrate the nature of the transactions.

This has affected both interest income and interest expenses. Net interest income is unchanged. In the table below you will find the effect from the new presentation of the funding swaps on the current period and in the comparative figures.

Group

	2006		2005	
EURm	Restated	Not restated	Restated	Reported
Interest income	3,626	3,956	2,744	3,036
Interest expense	-2,211	-2,541	-1,534	-1,826
Total	**1 415**	**1,415**	**1,210**	**1,210**

Parent company

	2006		2005	
EURm	Restated	Not restated	Restated	Reported
Interest income	3,460	3,791	2,564	2,856
Interest expense	-2,210	-2,541	-1,532	-1,824
Total	**1,250**	**1,250**	**1,032**	**1,032**

Classification of non-cash collaterals in the balance sheet

Securities pledged as security in repurchase agreements and in securities borrowing have, in the balance sheet, been reclassified to the item "Financial instruments pledged as collateral", in the cases where the counter party has the right to sell or repledge the securities transferred. This has affected "Treasury bills and other eligible bills", "Interest-bearing securities" and "Shares". In the table on the next page you will find the effect from the new presentation of non-cash collaterals on the current period and in the comparative figures.

Group

	31 Dec 2006		31 Dec 2005	
EURm	Restated	Not restated	Restated	Reported
Treasury bills and other eligible bills	2,877	2,877	3,072	3,072
Interest-bearing securities	1,161	1,261	881	981
Shares	603	603	316	316
Financial instruments pledged as collateral	100	-	100	-
Total	**4,741**	**4,741**	**4,369**	**4,369**

Parent company

	31 Dec 2006		31 Dec 2005	
EURm	Restated	Not restated	Restated	Reported
Treasury bills and other eligible bills	2,877	2,877	3,072	3,072
Interest-bearing securities	1,161	1,261	879	979
Shares	602	602	316	316
Financial instruments pledged as collateral	100	-	100	-
Total	**4,740**	**4,740**	**4,367**	**4,367**

4. Critical judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of estimates and assumptions by management. The estimates are based on past experience and assumptions that management believes are fair and reasonable. These estimates and the judgement behind them affect the reported amounts of assets, liabilities and off-balance sheet items, 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.

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

- the fair value measurement of:
  – financial instruments and
  – investment properties
- the impairment testing of:
  – loans and receivables
- the recognition of tax assets
- the actuarial calculations of pension liabilities
- claims in civil lawsuits.

Fair value measurement

Financial instruments

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

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

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

See also the separate section 10 "Determination of fair value of financial instruments".

Investment property

Discounted cash flows are used for fair value measurement of these 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.

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

See also the separate section 16 "Investment property".

Impairment testing

Goodwill

Goodwill is tested for impairment annually, 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 cash-generating unit, to which the goodwill has been allocated. There is no group goodwill in NBF.

See also the separate section 15 “Intangible assets”.

Loans and receivables

When testing individual loans for impairment, the most critical judgement, containing the highest uncertainty, relates to the estimation of the most probable future cash flows generated from the customer.

When testing a group of loans collectively for impairment, the key aspect is to identify the events and/or the observable data that indicate that losses have been incurred in the group of loans. Assessing the net present value of the cash flows generated by the customers in the group contains a high degree of uncertainty when using historical data and the acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

See also the separate section 13 “Loans and receivables”.

Recognition of tax assets

NBF’s recognition of deferred tax assets is subject to a continuous evaluation, involving assumptions and assessments of NBF’s future possibilities to utilise tax losses carried forward in Finland. The time frame for utilising the main part of the unrecognised tax assets expires in 2014.

See also the separate section 17 “Taxes”.

Actuarial calculations of pension liabilities

The Projected Benefit Pension Obligation (PBO) for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used. The most important financial parameter is the discount rate, which is fixed based on swap rates with a maturity matching the duration of the pension liabilities. Other parameters like assumptions on salary increases and inflation are fixed based on the expected long-term development of these parameters. The fixing of these parameters at year-end is disclosed in note 35.

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 into account the asset composition and based on long-term expectations for the return on the different asset classes. The expected return is also disclosed in note 35.

See also the separate section 18 “Pensions”.

Claims in civil lawsuits

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

5. Principles of consolidation

Consolidated entities

The consolidated financial statements include the accounts of the parent company Nordea Bank Finland Plc, and those entities that 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 per cent of the voting rights or otherwise has the power to govern the financial and operating policies of the entity. All Group undertakings are consolidated using the purchase method. The group undertakings are included in the consolidated accounts from the date on which control is transferred to NBF and are no longer consolidated from the date on which control ceases.

Equity and net income attributable to minority interests are separately disclosed in the balance sheet and income statement.

In the consolidation process the reporting from the subsidiaries are 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 per cent and/or where the owning entity has significant influence.

Joint ventures and Special Purpose Entities (SPEs)

There are no entities classified as Joint ventures or Special Purpose Entities in the Bank Group.

For further information on the undertakings included in the Bank Group see notes 21 and 22.

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 loss.

Currency translation of foreign entities
The consolidated financial statements are prepared in euro (EUR), the presentation currency of the parent company Nordea Bank Finland Plc. The current method is used when translating the financial statements of foreign entities into EUR from their functional currency. The assets and liabilities of foreign entities have been translated at the closing rates, while items in the income statements 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 also translated at the closing rate. There is no group goodwill in NBF.

Changes in Group structure
A description of the changes in the Group structure during the year is included in the note 47.

6. Recognition of operating income and expense

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

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".

Net fee and commission income
NBF earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection to performed services are recognised as income in the period these services are provided. A loan syndication fee received as payment for arranging a loan as well as other fees received as payments for certain acts are recognised as revenue when the act has been completed.

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

Net gains/losses on items at fair value
Realised and unrealised gains and losses, including net interest in Markets, on financial instruments measured at fair value are recognised in the item "Net gains/losses on items at fair value".

Realised and unrealised gains and losses derive from:

- Shares/participations and other share-related instruments
- Interest-bearing securities and other interest-related instruments
- Other financial instruments, which contains credit derivatives as well as commodity instruments/derivatives
- Foreign exchange gains/losses.

Profit from companies accounted for under the equity method
The profit from companies accounted for under the equity method is defined as the post-acquisition change in NBF's share of net assets in the associated companies.

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 Nordea Bank AB(publ) the shareholder of NBF are recorded as a liability following the approval of the Annual General Meeting.

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

Other operating income
Net gains from divestments of shares and other operating income, not related to any other income line, are generally recognised when the transactions have been finalised.

7. Recognition and derecognition in the balance sheet

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

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterpart has performed by e.g. repaying a loan to 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 reclassified to the item "Financial instruments pledged as collateral" in the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include e.g. security lending agreements and repurchase agreements.

Financial liabilities, other than those for which trade date accounting 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. settlement date.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within 12 "Financial instruments", as well as note 45.

8. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity is decided based upon the primary economic environment in which the entity operates.

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

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

9. 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. NBF applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities.

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

According to IAS 39 there are in general three forms of hedge accounting:

- Cash flow hedge accounting
- Fair value hedge accounting
- Hedges of net investments

In NBF, fair value hedge accounting is applied for all hedges. 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 in the item "Net gains/losses on items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result will be close to 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 is affecting 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 regarded as highly effective if at inception and throughout the life of the hedge it can be expected that changes in fair value of the hedged item can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

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 hedge relationship does not fulfil the requirements, hedge accounting will be terminated. The change in the unrealised value of the derivatives will, prospectively from the last time it was last proven effective, be accounted for in the income statement at fair value through profit or loss. The change in the fair value on the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

10. 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:

- Treasury bills and other eligible bills
- Interest-bearing securities
- Shares
- Derivatives (listed drivatives).

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:

- Treasury bills and other eligible bills (when quoted prices in an active market are not available)
- 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 consider data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data is used, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the contract (see note 43).

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.

11. Cash and cash equivalents

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

- The central bank is domiciled in a country where 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 recognised as "Cash and cash equivalents" in the cash flow statement.

12. 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 42 the classification of the financial instruments in NBF'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.

The sub-categories Financial assets/financial liabilities designated as measured at fair value through profit or loss consist of some interest bearing securities and shares.

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

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

This category is not used in NBF, due to the restrictions regarding disposals of instruments that once have been classified into this 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 may be used only to a very limited extent in NBF see further note 42.

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 and structured deposits.

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 or loss. Changes in fair values are recognised in the income statement in the item "Net gains/losses on items at fair value".

In structured deposits the embedded derivatives 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". The deposit is accounted at amortized costs.

Securities borrowing and lending agreements
Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not derecognised from or recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are recognised on the balance sheet as "Financial instruments pledged as collateral".

Borrowed securities are recognised off balance sheet in the item "Assets pledged as security for own liabilities".

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

Interest income and expenses generated from these transactions are recognised in "Net gains/losses on items at fair value".

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are recognised on the balance sheet as "Financial instruments pledged as collateral".

Securities received under reverse repurchase agreements are recognised off-balance sheet in the item "Assets pledged as security for own liabilities".

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" 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
Issued financial guarantee contracts are measured at the higher of either the received guarantee fee less amortisation, or a provision calculated as the discounted best estimate of the expenditure required to settle the present obligation. Provisions and changes in provisions are recognised in the income statement in the item "Loan losses".

The contractual amounts from financial guarantees are recognised off-balance sheet in the item "Contingent liabilities".

13. Loans and receivables

Loans and receivables not measured at fair value are measured at amortised cost (see also the separate section 7 "Recognition and derecognition in the balance sheet" as well as note 42 on classification of financial instruments).

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

Impairment test of loans attached to individual customers

NBF tests significant loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have been impaired. As a first step in the identification process for impaired loans, NBF monitors whether there are indicators for impairment and whether those can be regarded to be objective evidence of impairment.

In the process to conclude whether there is objective evidence of impairment, an assessment is done to estimate the most probable future cash flows generated by the customer. These cash flows are then discounted by the effective interest rate giving the net present value. Collaterals received to mitigate the credit risk will be assessed at fair value. If the book value of the loan is higher than the net present value of the estimated future cash flows, including the fair value of the collaterals, the loan is impaired.

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

Impairment test of loans attached to groups of customers

Groups of loans with similar risk characteristics are assessed for impairment for:

- loans that are individually significant but not impaired, and for
- loans that are not significant, which have not been tested for impairment on an individual basis.

NBF monitors its portfolio through the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes NBF identifies loss events indicating incurred losses in the group. Common for the customers in the group is that they have similar risk characteristics. The methods used to perform the impairment tests differ somewhat depending on if the loans are not significant or significant. For groups of loans where the loans are not significant the methods used are based mostly on historical data and experienced judgement performed by management. For groups of loans where the loans are significant, NBF uses the existing rating system as a basis when assessing the credit risk.

Impairment loss

If the book value of the loans is higher than the sum of the net present value of estimated cash flows, including the fair value of the collaterals, the difference is the impairment loss.

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses will be recorded as changes in the allowance account and as "Loan losses" in the income statement.

If the impairment loss is regarded as final, it is reported as a realised loss. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has stated a likely economic outcome of the bankruptcy procedure, or when NBF forgives its claims either through a legal based or voluntary reconstruction or when NBF, for other reasons, deem it unlikely that the claim will be recovered.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer and, if applicable, to a group of loans.

Restructured loans

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

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Financial assets are measured at the lower of the book value and fair value less costs to sell.

14. Leasing

NBF as lessor

Finance leases

NBF'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 property and equipment. 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 on property and equipment in the income statement.

NBF as lessee

Finance leases

No leases in NBF have been classified as finance leases.

Operating leases

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

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

The central district properties in Finland that NBF has divested are leased back. The duration of the lease agreements were initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, contain no economic benefits from appreciation in value of the leased property, and are thus classified as operating leases. Another systematic basis than straight-line has been used in accounting for these rents. This basis is more representative of the time-pattern of NBF's economic benefit and resembles better an ordinary lease rent.

15. Intangible assets

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

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of NBF's share of net identifiable assets of the acquired group undertaking/associated undertaking at the date of acquisition. There is no group goodwill in NBF.

Computer software
Costs associated with maintaining computer software programs are recognised as expenses as incurred. Costs directly associated with major software development investments, with a useful life over three years and the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and an appropriate portion of relevant overheads. Computer software includes also acquired software licenses not related to the function of a tangible asset.

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

Customer related intangible assets
When acquiring customer related contracts, with an existing market price, the fair value of these contracts is recognised as customer related intangible assets. Amortisation is performed over the expected lifetime of the contracts.

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

Impairment
Goodwill and other intangible assets with indefinite useful lives are not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to indication of impairment. The impairment charge is calculated as the difference between the book value and the recoverable amount.

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

The recoverable amount is the higher of the net selling price and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates cash inflows in relation to the asset.

Property and equipment
Property and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of property and equipment are reported at their acquisition values less any accumulated depreciation according to plan and any accumulated impairment losses. The cost of an item of property and equipment comprises its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its intended use.

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

- Buildings: 30–75 years
- Equipment: 3–5 years
- Leasehold improvements: Changes within buildings the shorter of 10 years and the remaining leasing term.

Items of property and equipment are regularly tested for impairment and written down if necessary.

16. Investment property

Investment properties are primarily properties held to earn rent and capital appreciation. Investment properties are measured at fair value. The best evidence of a fair value is normally given by current prices on an active market for similar property in the same location and condition. In the absence of current prices on an active market, discounted cash flow projections based on reliable estimates of future cash flows are used. For more details around the cash flow models see section 4 "Critical judgements and key sources of estimation uncertainty".

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

17. Taxes

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

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

Deferred tax assets and liabilities are recognised, using the balance sheet method, for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits. The assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference, unused tax losses and unused tax credits, can be utilised. Deferred tax assets and the recognition of deferred tax going forward are subject to continuous evaluation. Deferred tax liabilities are calculated on temporary differences and untaxed provisions.

Deferred tax assets and liabilities are not discounted. The assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted at the balance sheet date.

Current tax assets and current tax liabilities, as well as deferred tax assets and liabilities, are offset when the legal right to offset exist.

18. Pensions

Pension plans
NBF has various pension plans, consisting of both defined benefit plans and defined contribution plans, reflecting national practices and conditions in the countries where NBF operates. The major defined benefit plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation, the net amount is recognised as a liability (retirement benefit obligation). If not, the net amount is recognised as an asset (retirement benefit asset).

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

Most pensions in Finland are based on defined contribution plans that hold no pension liability for NBF. NBF also contributes to public pension systems.

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

Contributions to defined contribution plans are expensed when employees have rendered services in exchange for such contributions. In defined benefit plans, actuarial calculations are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in note 35). 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 and the fair value of the plan assets, the surplus or deficit is recognised in the income statement over the shorter of 10 years and the expected average remaining employment period. The net cumulative unrecognised actuarial gain or loss is defined as the difference between the expected trends in the defined benefit obligation and the fair value of the plan assets, and the actual trends.

19. Own shares

NBF does not hold own shares.

20. Equity

Minority interests
Minority interests comprise the portion of net assets of group undertakings not owned directly or indirectly by NBF.

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

Retained earnings
Apart from undistributed profits from previous years, retained earnings include the equity portion of untaxed reserves.

Untaxed reserves according to national rules are recorded as equity net of deferred tax at prevailing tax rates in respective country.

Also the equity method reserve, i.e. the earnings in associated companies, after the acquisition date, that have not been distributed are included in retained earnings.

Equity participation plans
NBF is not providing any equity participation plans for management or employees.

21. 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
Shareholders with significant influence are shareholders that by any means have a significant influence over NBF. Nordea and its Group Companies are considered having such significant influence.

Group undertakings
For the definition of Group undertakings see section 5 “Principles of consolidation”. Further information on the undertakings included in the NBF Group is found in note 22.

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 5 “Principles of consolidation”.

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

Key management personnel
Key management personnel include the following positions:

- The Board of Directors
- The Chief Executive Officer (CEO) and his deputy.

For information about compensation and pensions as well as loans to key management personnel, see note 8. Information around other transactions between NBF and key management personnel is found in note 46.

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. Other related parties also include NBF´s pension fund and foundation.

Information around transactions between NBF and other related parties is found in note 46.

22. 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. NBF’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.

Assets, liabilities and economic capital are allocated to the business areas. Group Functions and Eliminations consists of income statement and balance sheet items that are related to the unallocated reconciling items/units.

Transfer pricing

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

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

Group functions and Eliminations

Group Functions and Eliminations include the unallocated results of the four group functions: Group Processing and Technology, Group Corporate Centre including Group Treasury, Group Credit and Risk Control and Group Legal and Compliance. Expenses in Group functions, not defined as services to business areas, and profits from associated undertakings that are not included in the customer responsible units are reported under this heading.

Secondary segments

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

23. Risks

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

Note 2
Segment reporting

Group

Business segments

Income statement, EURm	Retail Banking		Corporate and Institutional Banking		Group functions and eliminations		Nordea Bank Finland Group	
Customer responsible units	2006	2005	2006	2005	2006	2005	2006	2005
Net interest income	873	817	191	165	351	228	1,415	1,210
Net fee and commission income	360	331	20	-7	-72	-53	308	271
Net gains/losses on items at fair value	86	36	214	172	108	93	408	301
Profit from companies accounted for under the equity method	0	0	29	17	2	3	31	20
Other income	18	28	206	3	68	29	292	60
Total operating income	**1,337**	**1,212**	**660**	**350**	**457**	**300**	**2,454**	**1,862**
of which allocations	-130	298	-230	-175	360	-123	-	-
Staff costs	-285	-275	-90	-87	-129	-121	-504	-483
Other expenses	-370	-341	-43	-51	54	21	-359	-371
Depreciation of tangible and intangible assets	-1	-3	-2	-3	-15	-42	-18	-48
Total operating expenses	**-656**	**-619**	**-135**	**-141**	**-90**	**-142**	**-881**	**-902**
of which allocations	-423	-286	-8	-13	431	299	0	-
Loan losses	13	5	18	-4	32	-47	63	-46
Impairment of securities held as financial non-current asset	-	-	-	-	-2	1	-2	1
Disposals of tangible and intangible assets	-	-	-	-	5	0	5	0
Operating profit	**694**	**598**	**543**	**205**	**399**	**112**	**1,639**	**915**
Balance sheet, EURm								
Loans and receivables	46,146	45,063	9,762	9,401	43,586	31,558	99,494	86,022
Other assets	508	6,663	48,026	44,505	-16,682	-13,479	31,852	37,689
Total assets	**46,654**	**51,726**	**57,788**	**53,906**	**26,904**	**18,079**	**131,346**	**123,711**
Deposits and borrowings	29,860	20,346	8,239	7,284	26,823	28,681	64,922	56,311
Other liabilities	15,428	29,693	48,588	45,648	-11,071	-20,145	52,945	55,196
Total liabilities	45,288	50,039	56,827	52,932	15,752	8,536	**117,867**	111,507
Economic capital / equity	1,366	1,687	961	974	11,152	9,543	13,479	12,204
Total liabilities and allocated equity	**46,654**	**51,726**	**57,788**	**53,906**	**26,904**	**18,079**	**131,346**	**123,711**
Other segment items								
Capital expenditure	0	0	3	1	0	-	3	1

Note 3
Interest income and interest expense

	Group		Parent company	
EURm	2006	2005	2006	2005
Interest income				
Loans and receivables to credit institutions	1,445	1,020	1,577	1,123
Loans and receivables to the public	2,058	1,616	1,762	1,334
Interest-bearing securities	117	96	117	96
Other interest income	6	12	4	11
Total interest income	**3,626**	**2,744**	**3,460**	**2,564**
Interest expense				
Deposits by credit institutions	-963	-681	-961	-680
Deposits and borrowings from the public	-638	-431	-639	-430
Debt securities in issue	-838	-601	-838	-601
Subordinated liabilities	-99	-110	-99	-110
Other interest expense	327	289	327	289
Total interest expense	**-2,211**	**-1,534**	**-2,210**	**-1,532**
Net interest income	**1,415**	**1,210**	**1,250**	**1,032**

Interest income from financial instruments not measured at fair value through profit and loss are calculated to EUR 3,484m (EUR 2,648m) in the Group and to EUR 3,319m (2,469m) in the Parent company. Interest expenses from financial instruments not measured at fair value through profit and loss are calculated to EUR -2,541m (EUR -1,826m) in the Group and to EUR -2,540m (EUR -1,824) in the Parent company. The net interest income from derivatives, measured at fair value and related to NBF's funding, decreases the total interest expense, which can be seen as a positive sign in other interest expense. For further information see also Note 1.

Net interest income

	Group		Parent company	
EURm	2006	2005	2006	2005
Interest income	3,548	2,655	3,460	2,564
Net leasing income	78	89	-	-
Interest expenses	-2,211	-1,534	-2,210	-1,532
Total	**1,415**	**1,210**	**1,250**	**1,032**

Note 4
Net fee and commission income

	Group		Parent company	
EURm	2006	2005	2006	2005
Asset Management commissions	48	40	47	39
Life insurance	13	12	13	12
Brokerage	45	41	45	41
Custody	22	22	22	22
Deposits	3	4	3	4
Total savings related commissions	131	119	130	118
Payments	141	140	143	142
Cards	43	37	15	14
Total payment commissions	184	177	158	156
Lending	78	68	78	69
Guarantees and document payments	50	45	51	46
Total lending related to commissions	128	113	129	115
Other commission income	54	40	53	36
Fee and commission income	**497**	**449**	**470**	**425**
Payment expenses	-46	-35	-33	-28
Other commission expenses	-143	-143	-142	-143
Fee and commission expenses	**-189**	**-178**	**-175**	**-171**
Net fee and commission income	**308**	**271**	**295**	**254**

Fee income from financial assets and liabilities not measured at fair value through profit or loss amount to EUR 82m (EUR 72m) in the Group and to EUR 81m (73m) in the Parent company. The corresponding amount for fee expenses is EUR 0m (EUR 0m) both in the Group and in the Parent company.

Note 5
Net gains/losses on items at fair value

EURm	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Shares/participations and other share-related instruments	41	0	41	0
Interest-bearing securities and other interest-related instruments	257	142	257	142
Other financial instruments	-13	21	-13	21
Foreign exchange gains/losses	123	138	123	137
Total	**408**	**301**	**408**	**300**

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

EURm	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Financial instruments designated at fair value through profit or loss	20	1	20	1
Financial instruments held for trading	389	299	389	298
Financial instruments under hedge accounting	-1	1	-1	1
of which net gains/losses on hedging instruments	-78	-45	-78	-45
of which net gains/losses on hedged items	77	46	77	46
Other not included in IAS 39	0	0	-	-
Total	**408**	**301**	**408**	**300**

Note 6
Dividends

EURm	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Shares	2	2	2	2
Investments in associated undertakings	0	0	3	9
Investments in group undertakings	-	-	36	52
Total	**2**	**2**	**41**	**63**

Note 7
Other operating income

EURm	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Divestment of shares	250	14	321	15
Income from real estate	9	7	7	2
Other	31	37	35	34
Total	**290**	**58**	**363**	**51**

Note 8
Staff costs

	Group		Parent company	
EURm	2006	2005	2006	2005
Salaries and remuneration	-372	-366	-338	-332
Pension costs (specification below)	-55	-54	-51	-49
Social insurance contributions	-32	-30	-29	-27
Allocation to profit-sharing foundation	-25	-16	-24	-15
Other staff costs	-20	-17	-18	-16
Total	**-504**	**-483**	**-460**	**-439**

	Group		Parent company	
	2006	2005	2006	2005
Pension costs:				
Defined benefit plans (Note 35)	-3	-3	-2	-1
Defined contribution plans	-52	-51	-49	-48
Total	**-55**	**-54**	**-51**	**-49**

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 2006 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 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).

EURm	2006	2005
Loans granted by Nordea Bank Finland Plc		
To members and deputy members of the Board of Directors	2	1
of whom to the President and his deputy	1	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		Parent company	
	2006	2005	2006	2005
Average number of employees				
Full-time employees	8,819	8,624	7,961	7,752
Part-time employees	1,024	1,093	952	1,033
Total	**9,843**	**9,717**	**8,913**	**8,785**
Total number of employees (FTEs), end of period	9,060	8,910	8,228	8,068

Note 9
Other expenses

	Group		Parent company	
EURm	2006	2005	2006	2005
Information technology [1]	-111	-122	-129	-139
Marketing	-30	-28	-26	-25
Postage, telephone and office expenses	-36	-37	-31	-31
Rents, premises and real estate	-80	-87	-74	-81
Other [2]	-102	-97	-93	-86
Total	**-359**	**-371**	**-353**	**-362**

[1] Refers to IT operations, service expenses and consultant fees for the Group. Total IT-related costs including staff etc. were EUR 151m (153) in the Group and EUR 133m (140) 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	2006	2005	2006	2005
Property and equipment (Note 24)				
Equipment	-27	-39	-21	-16
Buildings	-1	-1	0	0
Intangible assets (Note 23)				
Goodwill	-	-	-	-
Other intangible assets	0	-8	0	-6
Total	**-28**	**-48**	**-21**	**-22**

Impairment charges

	Group		Parent company	
EURm	2006	2005	2006	2005
Property and equipment				
Equipment	-	-	-	-
Buildings	10	-	2	-
Total	**10**	**-**	**2**	**-**
Intangible assets				
Goodwill	-	-	-	-
Other intangible assets	-	-	-	-
Total	**-**	**-**	**-**	**-**

Total depreciation, amortisation and impairment charges of tangible and intangible assets	**-18**	**-48**	**-19**	**-22**

Note 11
Loan losses

EURm	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Loan losses divided by class, net				
Loans and receivables to credit institutions	**-**	**-**	**-**	**-**
- of which write-offs and provisions	-	-	-	-
- of which reversals and recoveries	-	-	-	-
Loans and receivables to the public	**73**	**-45**	**80**	**-35**
- of which write-offs and provisions	-80	-166	-62	-141
- of which reversals and recoveries	153	121	142	106
Off-balance sheet items[1]	**-10**	**-1**	**-10**	**-1**
- of which write-offs and provisions	-11	-2	-11	-2
- of which reversals and recoveries	1	1	1	1
Total	**63**	**-46**	**70**	**-36**

EURm	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Specification of changes in loan losses				
Changes of allowance accounts through the Balance sheet	**44**	**-74**	**48**	**-66**
- of which Loans and receivables[2]	55	-73	59	-65
- of which Off-balance sheet items[1]	-11	-1	-11	-1
Changes directly recognised in the Income Statement	**19**	**28**	**22**	**30**
- of which realised loan losses	-5	-11	3	1
- of which realised recoveries	24	39	19	29
Total	**63**	**-46**	**70**	**-36**

[1] Included in Note 34 Provisions.
[2] Included in Note 14 Loans and receivables to credit institutions and Note 15 Loans and receivables to the public.

	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Key ratios				
Total allowances divided by total Loans and receivables before allowances, %	0.4%	0.5%	0.4%	0.5%
Allowances for individually assessed impaired loans and receivables divided by individually assessed impaired loans and receivables before allowances, %	40.2%	47.8%	47.1%	53.3%
Individually assessed impaired loans and receivables divided by total Loans and receivables before allowances, %	0.7%	0.8%	0.5%	0.7%

Note 12
Income tax expense

	Group		Parent company	
EURm	2006	2005	2006	2005
Current tax[1]	-54	-130	-29	-97
Deferred tax	-304	321	-297	319
Total	**-358**	**191**	**-326**	**222**

[1] Of which relating to prior years	-2	-67	-2	-67

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:

	Group		Parent company	
EURm	2006	2005	2006	2005
Profit before tax	1,639	915	1,596	840
Tax calculated at a tax rate of 26%	-426	-238	-415	-218
Tax charges not related to profit	-	0	-	0
Other direct taxes	0	0	0	0
Tax-exempt income	71	10	90	20
Non-deductible expenses	-5	-1	-3	0
Adjustments relating to prior years	2	-67	2	-67
Income tax due to tax assets previously not recognised	-	518	-	518
Change of tax rate	-	-	-	-
Not creditable foreign taxes	-	-31	-	-31
Tax charge	**-358**	**191**	**-326**	**222**
Average effective tax rate	22%	-21%	20%	-26%
Deferred tax				
Deferred tax expense (-)/income (+)				
Deferred tax due to temporary differences	-304	-197	-297	-199
Deferred tax due to change of tax rate	-	-	-	-
Deferred tax due to tax assets previously not recognised	-	518	-	518
Income tax expense, net	**-304**	**321**	**-297**	**319**
Deferred tax assets				
Deferred tax asset due to tax losses	430	722	430	722
Deferred tax assets due to temporary differences	38	57	33	38
Offset against tax liabilities	0	-13	0	-
Total	**468**	**766**	**463**	**760**
Deferred tax liabilities				
Deferred tax liabilities due to temporary differences:	23	14	-	-
- Deferred tax liabilities in financial leasing	18	7	-	-
- Deferred tax liabilities in other untaxed reserves	5	7	-	-
Offset against tax assets	-	-	-	-
Total	**23**	**14**	**-**	**-**
Deferred tax assets (+)/liabilities (-), net				
Deferred tax assets due to tax losses	430	722	430	722
Deferred tax assets due to intra-group profits	0	-	-	-
Deferred tax assets/liabilities in loans and advances to the public	14	10	14	10
Deferred tax assets/liabilities in financial instruments	-	-	-	-
Deferred tax assets/liabilities in property and equipment	-3	15	13	19
Deferred tax assets/liabilities in investment property	4	-	-	-
Deferred tax assets/liabilities in retirement benefit assets	1	9	2	2
Deferred tax assets/liabilities in untaxed reserves	-5	-	-	-
Deferred tax assets/liabilities in provisions	4	10	4	7
Deferred tax assets/liabilities, net	**445**	**766**	**463**	**760**

Note 12 *cont.*
Income tax expense

Movements in deferred tax assets/liabilities, net, are as follows:

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Acquisitions and others	-3	-	-	-
Deferred tax in the income statement	-304	-321	-297	-319
At the end of the year	**-307**	**-321**	**-297**	**-319**

Unrecognised deferred tax assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Unused tax losses	-	-	-	-
Unused tax credits	105	105	105	105
Other deductible temporary differences	-	-	-	-
Total	**105**	**105**	**105**	**105**
Expiry date 2011	27	27	27	27
Expiry date 2012	3	3	3	3
Expiry date 2013	12	12	12	12
Expiry date 2014	63	63	63	63
Expiry date later	-	-	-	-
Total	**105**	**105**	**105**	**105**

Unrecognised unused tax losses 31 Dec 2006 are estimated to be offset by future uncredited foreign taxes and therefore the net amount of unused 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 2006.

Note 13
Treasury bills and other eligible bills

	Group		Parent Company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Treasury bills	690	833	690	833
Other eligible bills	2,187	2,239	2,187	2,239
Total	**2,877**	**3,072**	**2,877**	**3,072**

All bills are subject to variable interest rate risk.

Maturity information				
Remaining maturity (book value)				
Maximum 1 year	2,815	2,786	2,815	2,786
More than 1 year	62	286	62	286
Total	**2,877**	**3,072**	**2,877**	**3,072**
Of which Financial instruments pledged as collateral (Note 17)	-	-	-	-
Total	**2,877**	**3,072**	**2,877**	**3,072**

Note 14
Loans and receivables to credit institutions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Loans and receivables, not impaired[1]	**47,031**	**39,758**	**51,709**	**43,945**
Impaired loans and receivables:	-	-	-	-
- Performing	-	-	-	-
- Non-performing	-	-	-	-
Loans and receivables before allowances	**47,031**	**39,758**	**51,709**	**43,945**
Allowances for individually assessed impaired loans	-	-	-	-
Allowances for collectively assessed impaired loans	-	-	-	-
Allowances	**-**	**-**	**-**	**-**
Loans and receivables, book value	**47,031**	**39,758**	**51,709**	**43,945**
Maturity information				
Remaining maturity (book value)				
Payable on demand	15,316	10,343	15,310	10,340
Maximum 3 months	16,847	17,158	19,729	19,598
3-12 months	12,917	10,683	13,597	11,358
1–5 years	1,856	1,438	2,771	2,311
More than 5 years	95	136	302	338
Total	**47,031**	**39,758**	**51,709**	**43,945**

[1] Includes also collectively assessed impaired loans.

Note 15
Loans and receivables to the public[1]

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Loans and receivables, not impaired[2]	52,193	46,030	47,090	41,434
Impaired loans and receivables:	655	697	495	561
- Performing	457	485	341	388
- Non-performing	198	212	154	173
Loans and receivables before allowances	**52,848**	**46,727**	**47,585**	**41,995**
Allowances for individually assessed impaired loans	-263	-333	-233	-299
Allowances for collectively assessed impaired loans	-122	-130	-122	-130
Allowances	**-385**	**-463**	**-355**	**-429**
Loans and receivables, book value	**52,463**	**46,264**	**47,230**	**41,566**
Maturity information				
Remaining maturity (book value)				
Payable on demand	16	-	-	-
Maximum 3 months	6,253	7,992	5,584	5,043
3-12 months	5,847	5,305	4,679	4,631
1–5 years	16,562	14,565	14,284	13,692
More than 5 years	23,785	18,402	22,683	18,200
Total	**52,463**	**46,264**	**47,230**	**41,566**

[1] Finance leases, where the Nordea Group is lessor, are included in "Loans and receivables to the public", see Note 25 Leasing.
[2] Includes also collectively assessed impaired loans.

Note 15 *cont.*

Loans and receivables to the public

Reconciliation of allowance accounts for loan losses[3]

	Group			Parent company		
EURm	Allowances for individually assessed impaired loans	Allowances for collectively assessed impaired loans	Total	Allowances for individually assessed impaired loans	Allowances for collectively assessed impaired loans	Total
Balance at beginning of the year, at 1 Jan 2006	**-333**	**-130**	**-463**	**-299**	**-130**	**-429**
Provisions	-49	-37	**-86**	-39	-37	**-76**
Reversals	91	39	**130**	85	39	**124**
Changes through the Income statement	**42**	**2**	**44**	**46**	**2**	**48**
Allowances used to cover write-offs	28	-	**28**	20	-	**20**
Currency translation differences	0	6	**6**	0	6	**6**
Balance at end of the year, at 31 Dec 2006	**-263**	**-122**	**-385**	**-233**	**-122**	**-355**
Balance at beginning of the year, at 1 Jan 2005	**-357**	**-75**	**-432**	**-321**	**-75**	**-396**
Provisions	-98	-58	**-156**	-86	-59	**-145**
Reversals	74	9	**83**	69	9	**78**
Changes through the Income statement	**-24**	**-49**	**-73**	**-17**	**-50**	**-67**
Allowances used to cover write-offs	43	-	**43**	34	-	**34**
Currency translation differences	5	-6	**-1**	5	-5	**0**
Balance at end of the year, at 31 Dec 2005	**-333**	**-130**	**-463**	**-299**	**-130**	**-429**

[3] See Note 11 Loan losses.

Note 16

Interest-bearing securities

	Group		Parent company	
EURm	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Issued by public bodies	40	19	40	19
Issued by other borrowers	1,221	962	1,221	960
Total	**1,261**	**981**	**1,261**	**979**
Listed securities	361	894	361	894
Unlisted securities	900	87	900	85
Total	**1,261**	**981**	**1,261**	**979**
Maturity information				
Remaining maturity (book value)				
Maximum 1 year	1,043	530	1,043	528
More than 1 year	218	451	218	451
Total	**1,261**	**981**	**1,261**	**979**
Of which Financial instruments pledged as collateral (Note 17)	100	100	100	100
Total	**1,161**	**881**	**1,161**	**879**

Note 17
Financial instruments pledged as collateral

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

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Repurchase agreements	-	-	-	-
Securities lending agreements	100	100	100	100
Total	**100**	**100**	**100**	**100**

Transferred assets that are still recognised in the balance sheet and associated liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Repurchase agreements	-	-	-	-
Securities lending agreements				
Treasury bills and other eligible bills	-	-	-	-
Interest-bearing securities	100	100	100	100
Shares	0	0	0	0
Other	-	-	-	-
Securitisations	-	-	-	-
Total	**100**	**100**	**100**	**100**

Liabilities associated with the assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Repurchase agreements	-	-	-	-
Securities lending agreements	-	-	-	-
Securitisations	-	-	-	-
Total	**-**	**-**	**-**	**-**

Note 18
Shares

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Shares held for trading	590	297	590	297
Shares designated at fair value through profit or loss	13	19	12	19
Shares available for sale	-	-	-	-
of which shares taken over for protection of claims				
Total	**603**	**316**	**602**	**316**
Listed shares	133	297	133	297
Unlisted shares	470	19	469	19
Total	**603**	**316**	**602**	**316**
Of which Financial instruments pledged as collateral (Note 17)	0	0	0	0
Total	**603**	**316**	**602**	**316**
Of which expected to be settled within 12 months	590	297	590	297

Note 19
Derivatives

	Group			Parent company		
	Fair value		Total nom.	Fair value		Total nom.
31 Dec 2006, EURm	Positive	Negative	amount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	12,129	12,244	1,120,630	12,129	12,244	1,120,630
FRAs	186	189	320,689	186	189	320,689
Interest rate futures	11	36	3,278	11	36	3,278
Options written	131	3,287	113,643	131	3,287	113,643
Options bought	3,277	84	117,249	3,277	84	117,249
Total	**15,734**	**15,840**	**1,675,489**	**15,734**	**15,840**	**1,675,489**
Equity derivatives						
Futures and forwards	3	19	450	3	19	450
Options written	2	1,041	6,739	2	1,041	6,739
Options bought	924	1	6,575	924	1	6,575
Other	21	56	1,421	21	56	1,421
Total	**950**	**1,117**	**15,185**	**950**	**1,117**	**15,185**
Foreign exchange derivatives						
Currency and interest rate swaps	1,894	1,723	121,809	1,894	1,723	121,823
Currency forwards	3,119	3,409	329,970	3,119	3,409	329,970
Options written	1	180	14,651	1	180	14,651
Options bought	163	2	13,366	163	2	13,366
Total	**5,177**	**5,314**	**479,796**	**5,177**	**5,314**	**479,810**
Credit derivatives						
Credit default swaps	635	625	78,746	635	625	78,746
Total Return Swaps	20	30	4,000	20	30	4,000
Total	**655**	**655**	**82,746**	**655**	**655**	**82,746**
Other derivatives						
Futures and forwards	83	67	683	83	67	683
Options written	8	28	325	8	28	325
Options bought	3	-	325	3	0	325
Other	811	799	10,026	811	799	10,026
Total	**905**	**894**	**11,359**	**905**	**894**	**11,359**
Total derivatives held for trading	**23,421**	**23,820**	**2,264,575**	**23,421**	**23,820**	**2,264,589**

	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
31 Dec 2006, EURm	Positive	Negative	amount	Positive	Negative	amount
Derivatives used for hedge accounting						
Interest rate derivatives						
Interest rate swaps	225	112	29,492	225	112	29,492
Total	**225**	**112**	**29,492**	**225**	**112**	**29,492**
Foreign exchange derivatives						
Currency and interest rate swaps	46	125	6,185	46	125	6,185
Total	**46**	**125**	**6,185**	**46**	**125**	**6,185**
Total derivatives used for hedge accounting	**271**	**237**	**35,677**	**271**	**237**	**35,677**
Total derivatives	**23,692**	**24,057**	**2,300,252**	**23,692**	**24,057**	**2,300,266**

Note 19 *cont.*

Derivatives

	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
31 Dec 2005, EURm	Positive	Negative	amount	Positive	Negative	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**
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**
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**
Credit derivatives						
Credit default swaps	280	244	47,028	280	244	47,028
Total Return Swaps	2	6	4,000	2	6	4,000
Total	**282**	**250**	**51,028**	**282**	**250**	**51,028**
Other derivatives						
Futures and forwards	23	20	540	23	20	540
Options written	-	9	202	-	9	202
Options bought	4	-	202	4	-	202
Other	667	656	5,867	667	656	5,867
Total	**694**	**685**	**6,811**	**694**	**685**	**6,811**
Total derivatives held for trading	**27,782**	**27,784**	**1,902,114**	**27,782**	**27,784**	**1,902,114**

	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
31 Dec 2005, EURm	Positive	Negative	amount	Positive	Negative	amount
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**
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**
Total derivatives used for hedge accounting	**383**	**285**	**57,869**	**383**	**285**	**57,869**
Total derivatives	**28,165**	**28,069**	**1,959,983**	**28,165**	**28,069**	**1,959,983**

Note 19 *cont.*
Derivatives

	Group		Parent company	
31 Dec 2006, EURm	Positive	Negative	Positive	Negative
Maturity information				
Remaining maturity (book value)				
Maximum 3 months	3,115	3,397	3,115	3,397
3-12 months	2,767	2,789	2,767	2,789
1-5 years	6,690	6,777	6,690	6,777
More than 5 years	11,120	11,094	11,120	11,094
Total	**23,692**	**24,057**	**23,692**	**24,057**

	Group		Parent company	
31 Dec 2005, EURm	Positive	Negative	Positive	Negative
Maturity information				
Remaining maturity (book value)				
Maximum 3 months	3,211	3,418	3,211	3,418
3-12 months	2,554	2,514	2,554	2,514
1-5 years	6,405	6,420	6,405	6,420
More than 5 years	15,995	15,717	15,995	15,717
Total	**28,165**	**28,069**	**28,165**	**28,069**

Note 20
Fair value changes of the hedged items in portfolio hedge of interest rate risk

Assets	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Book value at beginning of year	70	-	70	-
Changes during the year				
Change in accounting policies	-	55	-	55
Revaluation of hedged items	-124	15	-124	15
Book value at end of year	**-54**	**70**	**-54**	**70**

Liabilities	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Book value at beginning of year	43	-	43	-
Changes during the year				
Change in accounting policies	-	73	-	73
Revaluation of hedged items	-190	-30	-190	-30
Book value at end of year	**-147**	**43**	**-147**	**43**

Note 21

Investments in associated undertakings

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Acquisition value at beginning of year	215	181	133	119
Acquisitions during the year	2	28	1	21
Sales during the year	-158	-9	-72	-7
Share in earnings	31	23	-	-
Dividend received	-1	-7	-	-
Reclassifications	1	-	0	-
Translation differences	-3		-3	
Acquisition value at end of year	**87**	**216**	**59**	**133**
Accumulated impairment charges at beginning of year	-2	-2	-1	-7
Impairment charges during the year	-3	0	-3	1
Reversed impairment charges during the year	1	-	1	-
Translation differences	-	-	-	5
Accumulated impairment charges at end of year	**-4**	**-2**	**-3**	**-1**
Total	**83**	**214**	**56**	**132**
Of which listed shares	-	-	-	-

The total amount is expected to be settled after more than twelve months.

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

	31 Dec	31 Dec
EURm	2006	2005
Total assets	342	1,436
Total liabilities	261	1,296
Operating income	74	74
Operating profit	11	27

Nordea Bank Finland Plc's and Nordea Bank Finland Group' s share of contingent liabilities in favour in associated undertakings amounts to EUR 0m (1m) and on behalf of associated undertaking EUR 0m (EUR 0m).

Note 21 *cont.*

Investments in associated undertakings

Group

31 Dec 2006	Business ID	Domicile	Book value EURm	Voting power of holding, %	Shareholding, %
Credit institutions					
Luottokunta	0201646-0	Helsinki	36	24.4	24.4
Total			**36**		
Other					
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	6	33.3	33.3
Eka-kiinteistöt Oy	1097319-9	Helsinki	0	30.3	30.3
NF Fleet Oy	2006935-5	Espoo	0	20.0	20.0
UAB ALD Automotive, Lithuania	300156575	Vilna	0	25.0	25.0
ALD Automotive Eesti AS, Estonia	11094435	Tallin	0	25.0	25.0
ALD Automotive SIA, Latvia	50003825931	Riga	0	25.0	25.0
Profita Fund I Ky	1070549-3	Helsinki	1	-	42.2
Profita Fund II Ky	1596354-7	Helsinki	8	-	44.9
Oy Realinvest Ab	0680035-9	Helsinki	32	49.3	49.3
Securus Oy	0742429-5	Helsinki	0	35.2	35.2
Sponsor Fund I Ky	1097456-2	Helsinki	0	-	46.3
Total			**47**		
Total			**83**		

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

Parent company

31 Dec 2006	Business ID	Domicile	Book value EURm	Voting power of holding, %	Shareholding, %
Credit institutions					
Luottokunta	0201646-0	Helsinki	9	24.4	24.4
Total			**9**		
Other					
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	5	33.3	33.3
Eka-kiinteistöt Oy	1097319-9	Helsinki	0	30.3	30.3
Profita Fund I Ky	1070549-3	Helsinki	1	-	42.2
Profita Fund II Ky	1596354-7	Helsinki	8	-	44.9
Oy Realinvest Ab	0680035-9	Helsinki	33	49.3	49.3
Securus Oy	0742429-5	Helsinki	0	35.2	35.2
Sponsor Fund I Ky	1097456-2	Helsinki	0	-	46.3
Total			**47**		
Total			**56**	**0**	**0**

Note 22
Investments in group undertakings

Parent company	31 Dec	31 Dec
EURm	2006	2005
Acquisition value at beginning of year	327	336
Acquisitions during the year	2	0
Sales during the year	-10	-9
Translation differences	0	0
Acquisition value at end of year	**319**	**327**
Accumulated impairment charges at beginning of year	-2	-2
Impairment charges during the year	-2	-
Reversed impairment charges during the year	7	-
Accumulated impairment charges at end of year	**3**	**-2**
Total	**322**	**325**
Of which listed shares	-	-

The total amount is expected to be settled after more than twelve months.

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.

Group

31 Dec 2006	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	23	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
PMA-Invest Oy	8,434	13	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
Other companies						
Fidenta Oy	4,000	0	60.0	20.0	Espoo	0988412-1
Power Partners Oy [2]	2,012,500	2	80.5	80.5	Helsinki	0815584-0
International						
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

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	18	26	43
Other companies	10	0	9

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

[2] Nordea Finance Finland Ltd owns 49,5 % and Nordea Bank Finland Plc owns 31 % of the shares in Power Partners Oy.

The parent company of Nordea Bank Finland Plc is Nordea Bank AB (publ) domiciled in Stockholm, registration number 516406-0120. The Annual Report 2006 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 2006 of the Nordea Group is also available at branches of Nordea Bank Finland Plc.

Note 23
Intangible assets

EURm	Group 31 Dec 2006	Group 31 Dec 2005	Parent Company 31 Dec 2006	Parent Company 31 Dec 2005
Goodwill				
Group goodwill	-	-	-	-
Other goodwill	0	0	-	-
Goodwill, total	**0**	**0**	**-**	**-**
Other intangible assets [1]	13	17	13	18
Total	**13**	**17**	**13**	**18**

EURm	Group 31 Dec	Group 31 Dec 2005	Parent Company 31 Dec	Parent Company 31 Dec 2005
Goodwill				
Acquisition value at beginning of year	3	3	-	-
Acquisitions during the year	0	0	-	-
Sales/disposals during the year	-	-	-	-
Acquisition value at end of year	**3**	**3**	**-**	**-**
Accumulated amortisation at beginning of year	-2	-1	-	-
Amortisation according to plan for the year	0	-2	-	-
Translation differences	-1	-	-	-
Accumulated amortisation at end of year	**-3**	**-3**	**-**	-
Accumulated impairment charges at end of year	-	-	-	-
Total	**0**	**0**	**-**	**-**
Other intangible assets				
Acquisition value at beginning of year	39	36	68	62
Acquisitions during the year	9	6	9	9
Through mergers	-	-3	-	-
Sales/disposals during the year	0	-	-	0
Reclassifications	-31	-	-60	-3
Acquisition value at end of year	**17**	**39**	**17**	**68**
Accumulated amortisation at beginning of year	-22	-18	-50	-44
Accumulated amortisation on sales/disposals during the year	-	2	-	0
Reclassifications	18	-	46	-
Amortisation according to plan for the year	0	-6	0	-6
Accumulated amortisation at end of year	**-4**	**-22**	**-4**	**-50**
Total	**13**	**17**	**13**	**18**

[1] Refers mainly to computer licences

The total amount is expected to be settled after more than twelve moths.

Note 24
Property and equipment

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Property and equipment	89	78	61	45
Of which buildings for own use	2	14	2	3
Total	**89**	**78**	**61**	**45**
Taken over for protection of claims				
Land and buildings	-	0	-	0
Total	**0**	**0**	**0**	**0**
Equipment				
Acquisition value at beginning of year	368	518	418	406
Acquisitions during the year	50	8	31	17
Sales/disposals during the year	-34	-160	-4	-6
Reclassifications	86	1	-16	1
Translation differences	-	0	-	-
Acquisition value at end of year	**470**	**367**	**429**	**418**
Accumulated depreciation at beginning of year	-303	-374	-376	-366
Accumulated depreciation on sales/disposals during the year	16	110	3	6
Reclassifications	-69	-	24	-
Depreciation according to plan for the year	-27	-39	-21	-16
Translation differences	0	-	-	-
Accumulated depreciation at end of year	**-383**	**-303**	**-370**	**-376**
Accumulated impairment charges at beginning of year	-	0	-	-
Accumulated impairment charges on sales/disposals during the year	-	0	-	-
Reversed impairment charges during the year	-	-	-	-
Impairment charges during the year	-	-	-	-
Accumulated impairment charges at end of year	**-**	**0**	**-**	**-**
Total	**87**	**64**	**59**	**42**
Land and buildings				
Acquisition value at beginning of year	35	73	48	63
Acquisitions during the year	0	1	-	1
Sales/disposals during the year	0	-34	-	-16
Reclassifications	-31	-5	-45	-
Acquisition value at end of year	**4**	**35**	**3**	**48**
Accumulated depreciation at beginning of year	-5	-34	-31	-31
Accumulated depreciation on sales/disposals during the year	1	30	-	-
Reclassifications	3	-	30	-
Depreciation according to plan for the year	-1	-1	0	0
Accumulated depreciation at end of year	**-2**	**-5**	**-1**	**-31**
Accumulated impairment charges at beginning of year	-16	-30	-13	-27
Accumulated impairment charges on sales/disposals during the year	6	14	11	13
Impairment charges during the year	10	-	2	-
Accumulated impairment charges at end of year	**0**	**-16**	**0**	**-14**
Total	**2**	**14**	**2**	**3**

The total amount is expected to be settled after more than twelve months.

Note 25
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 Note 15) 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	2006	2005
Gross investments	1,735	1,485
Less unearned finance income	-184	-141
Net investments in finance leases	**1,551**	**1,344**
Less unguaranteed residual values accruing to the benefit of the lessor	-123	-130
Present value of future minimum lease payments receivable	**1,428**	**1,214**
Accumulated allowance for uncollectible minimum lease payments receivable	**27**	**14**

As of 31 December 2006 the gross investment at remaining maturity was distributed as follows:

	Group	
	31 Dec	31 Dec
EURm	2006	2005
2007	586	330
2008	381	230
2009	269	130
2010	209	116
2011	102	0
Later years	188	204
Total gross investment	**1,735**	**1,010**
Less unearned future finance income on finance leases	-184	-141
Net investment in finance leases	**1,551**	**869**

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	2006	2005
Acquisition value	35	46
Accumulated depreciations	-9	-16
Book value at end of year	**26**	**30**
- Of which repossessed leased property, book value	-	5

	Group	
	31 Dec	31 Dec
Book value distributed on groups of assets, EURm	2006	2005
Equipment	26	30
Book value at end of year	**26**	**30**

Depreciation for 2006 amounted to EUR 5m (5m).

Note 25 *cont.*
Leasing

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

	Group	
	31 Dec	31 Dec
EURm	2006	2005
2007	4	2
2008	3	1
2009	2	0
2010	1	-
2011	0	-
Later years	-	-
Total	**10**	**3**

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 into operating lease agreements for premises and office equipment.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
Leasing expenses during the year, EURm	2006	2005	2006	2005
Leasing expenses during the year	68	71	65	68
Of which				
-minimum lease payments	68	71	65	68
-contingent rents	-	-	-	-
Leasing income during the year regarding sublease payments	0	1	0	4

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

	Group	Parent company
EURm	31 Dec 2006	31 Dec 2006
2007	13	13
2008	11	11
2009	10	10
2010	10	10
2011	7	7
Later years	136	136
Total	**187**	**187**

Note 26
Investment property

Group

Movement in the balance sheet

EURm	31 Dec 2006	31 Dec 2005
Book value at beginning of year	39	33
Acquisitions	-	6
Disposals	-35	-
Net gains or losses from fair value adjustments	-	-
Book value at end of year	**4**	**39**

Amounts recognised in the income statement

EURm	2006	2005
Rental income	0	1
Direct operating expenses that generated rental income	0	0
Direct operating expenses that did not generate rental income	0	0
Market value	4	39

Parent company

Movement in the balance sheet

EURm	31 Dec 2006	31 Dec 2005
Book value at beginning of year	8	5
Acquisitions	-	3
Disposals	-5	-
Book value at end of year	**3**	**8**

Amounts recognised in the income statement

EURm	2006	2005
Rental income	0	0
Direct operating expenses that generated rental income	0	0
Direct operating expenses that did not generate rental income	-	-
Total	**0**	**0**
Market value	3	8

Note 27
Other assets

	Group		Parent company	
EURm	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Claims on securities settlement proceeds	138	119	138	119
Other	974	1,624	976	1,666
Total	**1,112**	**1,743**	**1,114**	**1,785**

Note 28
Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Accrued interest income	380	282	392	289
Other accrued income	108	131	43	80
Prepaid expenses	1	0	1	0
Total	**489**	**413**	**436**	**369**

Note 29
Deposits by credit institutions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Central banks	1,516	1,699	1,516	1,699
Other banks	23,610	10,231	23,571	10,194
Other credit institutions	4,107	9,289	4,107	9,288
Total	**29,233**	**21,219**	**29,194**	**21,181**
Maturity information				
Remaining maturity (book value)				
Payable on demand	5,113	1,982	5,115	1,976
Maximum 3 months	21,525	16,182	21,524	16,150
3-12 months	2,561	3,044	2,522	3,044
1–5 years	4	9	3	9
More than 5 years	30	2	30	2
Total	**29,233**	**21,219**	**29,194**	**21,181**

Note 30
Deposits and borrowings from the public

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Deposits from the public	34,477	33,646	34,482	33,655
Borrowings from the public	1,212	1,446	1,218	1,458
Total	**35,689**	**35,092**	**35,700**	**35,113**

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	23,607	22,978	23,612	22,986
Maximum 3 months	7,935	8,026	7,935	8,027
3-12 months	2,147	1,782	2,147	1,782
1–5 years	786	857	786	857
More than 5 years	2	3	2	3
Total	**34,477**	**33,646**	**34,482**	**33,655**
Maturity information, Borrowings				
Remaining maturity (book value)				
Payable on demand	-	-	-	-
Maximum 3 months	1,073	1,269	1,095	1,281
3-12 months	46	44	33	44
1–5 years	93	133	90	133
More than 5 years	-	-	-	-
Total	**1,212**	**1,446**	**1,218**	**1,458**

Note 31
Debt securities in issue

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Certificates of deposit	19,267	17,253	19,269	17,257
Commercial papers	-	2,321	-	2,321
Bond loans	3,413	1,856	3,413	1,857
Total	**22,680**	**21,430**	**22,682**	**21,435**
Maturity information, Debt securities in issue				
Remaining maturity (book value)				
Maximum 1 year	18,232	19,662	18,234	19,667
More than 1year	4,448	1,768	4,448	1,768
Total	**22,680**	**21,430**	**22,682**	**21,435**

Note 32
Other liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Liabilities on securities settlement proceeds	109	105	109	105
Sold, not held, securities	24	60	24	60
Accounts payable	14	14	9	7
Other	3,643	2,791	3,573	2,710
Total	**3,790**	**2,970**	**3,715**	**2,882**

Note 33
Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Accrued interest	482	362	473	359
Other accrued expenses	269	262	186	183
Prepaid income	7	6	14	5
Total	**758**	**630**	**673**	**547**

Note 34
Provisions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Transfer risks, off-balance	-	-	-	-
Off-balance sheet	19	19	18	16
Other	20	36	15	27
Total	**39**	**55**	**33**	**43**

Movement in the balance sheet:

Group

	Off-balance sheet	Other	Total
At the beginning of year	**19**	**36**	**55**
New provisions made	11	3	14
Provisions utilised	-11	-12	-23
Reversals	-1	-1	-2
Reclassifications	1	-5	-4
At the end of year	**19**	**21**	**40**
Of which expected to be settled within 12 months	-	8	8

Loan loss provisions for individually assessed off-balance sheet items (i.e. guarantees and L/C´s) amounted to EUR 19m.

Other statutory provisions included EUR 8m redundancy packages of which 70 % will be settled in 2007 and 30 % in 2008. Provisions in the amount of EUR 4m have been booked for onerous contracts. Rental liabilities amounted to EUR 4m of which 35% expected to be settled during 2007. Environmental and property-related obligations totalled EUR 3m (not expected to be settled during 2007). Other smaller provisions totalled EUR 3m (expected to be settled mainly in 2007).

Parent company

	Off-balance sheet	Other	Total
At beginning of year	**16**	**27**	**43**
New provisions made	11	3	14
Provisions utilised	-10	-12	-22
Reversals	0	-2	-2
Reclassifications	1	-1	0
At the end of year	**18**	**15**	**33**
Of which expected to be settled within 12 months	-	8	8

Loan loss provisions for individually assessed off-balance sheet items (i.e. guarantees and L/C´s) amounted to EUR 18m.

Other statutory provisions included EUR 8m redundancy packages of which 70% will be settled in 2007 and 30% in 2008. Rental liabilities amounted to EUR 3m, of which 50% expected to be settled during 2007. Environmental and property-related obligations amounted to EUR 3m. Other smaller provisions totalled EUR 1m (expected to be settled in 2007).

Note 35

Retirement benefit obligations

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Pension plans	56	61	56	61
Total	**56**	**61**	**56**	**61**

NBF has various pension plans, which are classified both as defined benefit plans as well as defined contribution plans. The defined benefit plans in Finland are closed to new employees and instead, pensions for new employees are based on defined contribution arrangements. The plans for the foreign branches are also mainly defined contribution plans. The existing defined benefit plans in London, New York and Frankfurt are all closed to new emloyees. 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
2006		
Members [2]	20,057	19,359
Average member age	58	58
2005		
Members [2]	20,522	18,860
Average member age	56	56

[1] Numbers are combined for the Finnish pension fund and pension foundation, Life Assurance Finland Ltd and London plans.
[2] The amount of members in Group and parent company was estimated in 2005. The exact figures were received from actuarial services this year.

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
2006	
Discount rate	4.0%
Salary increase	3.0%
Inflation	2.0%
Expected return on assets before taxes	5.0%
2005	
Discount rate	4.0%
Salary increase	3.0%
Inflation	2.0%
Expected return on assets before taxes	5.0%

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 2006 was 6% (10%). At the end of the year, the equity exposure in pension funds/foundations represented 22% (29%) of total assets.

Funded schemes	2006	2005
Equity	22%	29%
Bonds	69%	66%
Real Estate	5%	5%
Other assets	4%	-
Of which		
- Nordea shares	0%	0%
- Nordea real estate	3%	3%

Note 35 *cont.*

Retirement benefit obligations

Defined benefit plans - balance sheet items
Retirement benefit assets reported in the balance sheet as at year-end amounted to EUR 52m (53m) in the Group, whereas retirement benefit obligations totalled EUR 56m (61m) in the Group. Respective retirement benefit assets in the parent company amounted to EUR 49m (49m) and retirement benefit obligations to EUR 56m (61m).

Amounts recognised in the balance sheet at 31 Dec	Group		Parent company	
EURm	2006	2005	2006	2005
PBO	874	869	809	802
Assets	851	828	786	766
Total surplus/deficit (-)	**-23**	**-41**	**-23**	**-36**
Of which unrecognised actuarial gains (-)/losses	17	30	17	25
Of which recognised in the balance sheet	**6**	**11**	**6**	**11**
Of which				
- retirement benefit assets	52	53	49	49
- retirement benefit obligations	56	61	56	61
- related to unfunded plans (PBO)	14	20	14	13

Overview of surplus or deficit in the plans [1]	Total	Total	Total	Total
EURm	2006	2005	2004	2003
PBO	874	869	809	843
Plan Assets	851	828	786	755
Funded status - surplus/deficit(-)	**-23**	**-41**	**-23**	**-88**

[1] Information for 2002 not available. The 5-year trend information will therefore be built up over time.

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

Changes in the PBO	Group		Parent company	
EURm	2006	2005	2006	2005
PBO, 1 Jan	869	837	802	774
Service cost	8	8	8	7
Interest cost	32	37	32	34
Pensions paid	-34	-42	-33	-40
Curtailments and settlements	-1	-2	-1	-1
Past service cost	0	-	-	-
Actuarial gains(-)/losses	-1	30	0	27
Effect of exchange rate changes	1	1	1	1
PBO at 31 Dec	**874**	**869**	**809**	**802**

Changes in the fair value of assets	Group		Parent company	
EURm	2006	2005	2006	2005
Assets, 1 Jan	828	776	766	719
Expected return on assets	38	43	37	40
Pensions paid	-31	-42	-32	-40
Contributions	5	8	5	8
Actuarial gains/losses(-)	11	43	10	35
Effect of exchange rate changes	0	-	0	4
Assets, at 31 Dec	**851**	**828**	**786**	**766**
Actual return on plan assets	**50**	**86**	**47**	**79**

Overview of actuarial gains/losses from 2006	Total
EURm	2006
Effects of changes in actuarial assumptions	-16
Experience adjustments	28
Of which:	
- on plan assets	11
- on plan liabilities	17
Actuarial gains/losses	**12**

Note 35 *cont.*

Retirement benefit obligations

Defined benefit pension cost
The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 3m (1m positive). In the parent company's income statement the respective cost was in 2006 EUR 2m (0 m).
Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans. (See specification in Note 8.)

Recognised net defined benefit cost

	Group		Parent company	
EURm	2006	2005	2006	2005
Service cost	8	7	8	7
Interest cost	32	37	32	34
Expected return on assets	-38	-43	-37	-40
Recognised actuarial gains(-) / losses	0	0	0	-
Recognised past service cost	0	-	0	-
Curtailments and settlements	1	-2	-1	-1
Pension cost on defined benefit plans	**3**	**-1**	**2**	**0**

The pension cost is in line with what was expected at the start of the year.
The net pension cost on defined benefit plans is expected to decrease to EUR +3m in 2007 in the Group and to EUR +2m in the parent company.
The Group and the parent company expect to contribute EUR 3m to its defined benefit plans in 2007.

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 2006 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 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).

Other post-employment benefits
At present no such benefits are offered by NBF.

Note 36

Subordinated liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Dated subordinated debenture loans	1,004	1,227	1,004	1,227
Undated subordinated debenture loans	661	677	661	677
Hybrid capital loans	-	-	-	-
Total	**1,665**	**1,904**	**1,665**	**1,904**

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 2006 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	MGBP 300	445	6.25%
Nordea Bank Finland Plc	1999/2009	MUSD 285	216	6.50%
Nordea Bank Finland Plc [2]	2002/2012	200	200	4.19%

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

Note 37
Equity

Group

EURm	Share capital[1]	Share premium account	Other reserves	Retained earnings	Total	Minority interest	Total equity
	Attributable to the shareholders of Nordea Bank Finland Plc						
Balance at end of year, at 31 Dec 2005	**2,319**	**599**	**2,884**	**6,396**	**12,198**	**6**	**12,204**
Available-for-sale investments:							
- Fair value gains	-	-	0	-	0	0	**0**
Other changes	-	-	15	-17	-2	0	**-2**
Currency translation differences	-	-	-	-2	-2	0	**-2**
Net income recognised directly in equity	-	-	*15*	*-19*	*-4*	*0*	***-4***
Net profit for the year	-	-	-	1,279	1,279	2	**1,281**
Total recognised income and expense in equity	-	-	*15*	*1,260*	*1,275*	*2*	***1,277***
Dividend for 2005	-	-	-	0	0	-	**0**
Other changes	-	-	-	-	-	-2	**-2**
Balance at 31 Dec 2006	**2,319**	**599**	**2,899**	**7,656**	**13,473**	**6**	**13,479**
Balance at end of year, at 31 Dec 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, at 1 Jan 2005	**2,319**	**599**	**2,887**	**5,285**	**11,090**	**6**	**11,096**
Other changes	-	-	-3	1	-2	-	**-2**
Currency translation differences	-	-	-	6	6	-	**6**
Net income recognised directly in equity	-	-	*-3*	*7*	*4*	-	***4***
Net profit for the year	-	-	-	1,104	1,104	2	**1,106**
Total recognised income and expense in equity	-	-	*-3*	*1,111*	*1,108*	*2*	***1,110***
Other changes	-	-	-	-	-	-2	**-2**
Balance at 31 Dec 2005	**2,319**	**599**	**2,884**	**6,396**	**12,198**	**6**	**12,204**

Parent company

EURm	Share capital 1)	Share premium account	Other reserves	Retained earnings	Total equity
Balance at end of year, at 31 Dec 2005	2,319	599	2,848	6,299	**12,065**
Available-for-sale investments:					
- Fair value gains	-	-	0	-	0
Net income recognised directly in equity	-	-	*0*	-	*0*
Net profit for the year	-	-	-	1,270	1,270
Total recognised income and expense in equity	-	-	-	*1,270*	*1,270*
Dividend for 2005	-	-	-	-	-
Balance at 31 Dec 2006	**2,319**	**599**	**2,848**	**7,569**	**13,335**
Balance at end of year, at 31 Dec 2004	**2,319**	**599**	**2,848**	**5,288**	**11,054**
Change in accounting policies:					
- IAS 39 Financial instruments	-	-	-	-51	**-51**
Other changes	-	-	-	0	**0**
Balance at beginning of year, at 1 Jan 2005	**2,319**	**599**	**2,848**	**5,237**	**11,003**
Net profit for the year	-	-	-	1,062	1,062
Total recognised income and expense in equity	-	-	-	*1,062*	*1,062*
Balance at 31 Dec 2005	**2,319**	**599**	**2,848**	**6,299**	**12,065**

[1] Total shares registered were 1,030.8 million (31 Dec 2005: 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 2006, the Bank held no authorisations given by the General Meeting for issuance of shares, equity warrants or convertible bonds.

Dividends per share
Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on 28 February 2007, a dividend of 4,000,000,000.00 EUR in respect of 2006 (2005 no dividend) is to be proposed. The financial statements for the year ended 31 December 2006 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2007.

Note 38
Assets pledged as security for own liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Assets pledged for own liabilities				
Securities etc	8,159	8,028	8,159	8,028
Other pledged assets	-	136	-	136
Total	**8,159**	**8,164**	**8,159**	**8,164**
The above pledges pertain to the following liability and commitment items				
Other liabilities and commitments	6,839	7,094	6,839	7,094
Total	**6,839**	**7,094**	**6,839**	**7,094**

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements and in securities borrowings. Counterparts in those transactions are credit institutions and the public. The transactions are typically short-term with maturity within three months. .

Note 39
Other assets pledged

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Other assets pledged [1]				
Securities etc	100	100	100	100
Other assets pledged	388	-	388	-
Total	**488**	**100**	**488**	**100**
The above pledges pertain to the following liability and commitment items [2]				
Other liabilities and commitments	198	100	198	100
Total	**198**	**100**	**198**	**100**

[1] Collaterals pledged on behalf of other items other than the company's own liabilities, e.g. 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.

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

Other pledged assets relate to a certificate of deposit pledged by Nordea Bank Finland's New York branch to satisfy authority requirements.

Note 40
Contingent liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Guarantees				
Loan guarantees	1,794	1,119	1,797	1,122
Other guarantees	4,834	3,981	5,095	4,241
Documentary credits				
Unutilised irrevocable import documentary credits and confirmed export documentary credits	1,782	1,572	1,782	1,572
Other contingent liabilities	31	11	31	11
Total	**8,441**	**6,683**	**8,705**	**6,946**

In the normal business of Nordea Bank Finland, the bank issues various forms of guarantees on behalf of it's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank'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 41
Commitments

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Future payment obligations	9	10	9	10
Interest rate, equity, foreign exchange, credit and other derivatives	2,300,251	1,959,983	2,300,265	1,959,983
Credit commitments	6,645	5,868	4,981	4,463
Unutilised portion of approved overdraft facilities	8,994	6,905	8,999	6,908
Other commitments	488	779	97	334
Total	**2,316,387**	**1,973,545**	**2,314,351**	**1,971,698**

Note 42
Classification of financial instruments

Group

EURm, 31 Dec 2006	Loans and receivables	Held to maturity	Held for trading	Assets at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	1,151	-	-	-	-	-	-	1,151
Treasury bills and other eligible bills	-	-	2,877	-	-	-	-	2,877
Loans and receivables to credit institutions	44,633	-	2,398	-	-	-	-	47,031
Loans and receivables to the public incl. finance lease	52,463	-	-	-	-	-	-	52,463
Interest-bearing securities	-	-	252	909	-	-	-	1,161
Financial instruments pledged as collateral	-	-	100	-	-	-	-	100
Shares	-	-	591	12	-	-	-	603
Derivatives	-	-	23,421	-	271	-	-	23,692
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-54	-	-	-	-	-	-	-54
Investments in associated undertakings	-	-	-	-	-	-	83	83
Intangible assets	-	-	-	-	-	-	13	13
Property and equipment	-	-	-	-	-	-	89	89
Investment property	-	-	-	-	-	-	4	4
Deferred tax assets	-	-	-	-	-	-	468	468
Current tax assets	-	-	-	-	-	-	12	12
Retirement benefit assets	-	-	-	-	-	-	52	52
Other assets	1,107	-	-	-	-	-	5	1,112
Prepaid expenses and accrued income	381	-	-	-	-	-	108	489
Total	**99,681**	**-**	**29,639**	**921**	**271**	**-**	**834**	**131,346**

EURm, 31 Dec 2006	Held for trading	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	336	-	-	28,897	-	29,233
Deposits and borrowings from the public	-	-	-	35,689	-	35,689
Debt securities in issue	3,327	-	-	19,353	-	22,680
Derivatives	23,820	-	237	-	-	24,057
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-147	-	-147
Current tax liabilities	-	-	-	-	24	24
Other liabilities	24	-	-	3,756	10	3,790
Accrued expenses and prepaid income	-	-	-	489	269	758
Deferred tax liabilities	-	-	-	-	23	23
Provisions	-	-	-	-	39	39
Retirement benefit obligations	-	-	-	-	56	56
Subordinated liabilities	-	-	-	1,665	-	1,665
Total	**27,507**	**-**	**237**	**89,702**	**421**	**117,867**

Note 42 *cont.*

Classification of financial instruments

Group

EURm, 31 Dec 2005	Loans and receivables	Held to maturity	Held for trading	Assets at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
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 incl. finance lease	46,264	-	-	-	-	-	-	46,264
Interest-bearing securities	-	-	72	808	-	-	-	880
Financial instruments pledged as collateral	-	-	100	-	-	-	-	100
Shares	-	-	312	4	-	-	-	316
Derivatives	-	-	27,782	-	383	-	-	28,165
Fair value changes of the hedged items in portfolio hedge of interest rate risk	70	-	-	-	-	-	-	70
Investments in associated undertakings	-	-	-	-	-	-	214	214
Intangible assets	-	-	-	-	-	-	17	17
Property and equipment	-	-	-	-	-	-	78	78
Investment property	-	-	-	-	-	-	39	39
Deferred tax assets	-	-	-	-	-	-	766	766
Current tax assets	-	-	-	-	-	-	6	6
Retirement benefit assets	-	-	-	-	-	-	53	53
Other assets	1,738	-	-	-	-	-	6	1,744
Prepaid expenses and accrued income	282	-	-	-	-	-	131	413
Total	**89,405**	**-**	**31,801**	**812**	**383**	**-**	**1,310**	**123,711**

EURm, 31 Dec 2005	Held for trading	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	7	-	-	21,212	-	21,219
Deposits and borrowings from the public	-	-	-	35,092	-	35,092
Debt securities in issue	1,610	-	-	19,820	-	21,430
Derivatives	27,784	-	285	-	-	28,069
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	43	-	43
Current tax liabilities					20	20
Other liabilities	-	-	-	2,963	7	2,970
Accrued expenses and prepaid income	-	-	-	368	262	630
Deferred tax liabilities	-	-	-	-	14	14
Provisions	-	-	-	-	55	55
Retirement benefit obligations	-	-	-	-	61	61
Subordinated liabilities	-	-	-	1,904	-	1,904
Total	**29,401**	**-**	**285**	**81,402**	**419**	**111,507**

Note 42 *cont.*

Classification of financial instruments

Parent company

EURm, 31 Dec 2006	Loans and receivables	Held to maturity	Held for trading	Assets at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	1,151	-	-	-	-	-	-	1,151
Treasury bills and other eligible bills	-	-	2,877	-	-	-	-	2,877
Loans and receivables to credit institutions	49,311	-	2,398	-	-	-	-	51,709
Loans and receivables to the public	47,230	-	-	-	-	-	-	47,230
Interest-bearing securities	-	-	252	909	-	-	-	1,161
Financial instruments pledged as collateral	-	-	100	-	-	-	-	100
Shares	-	-	590	12	-	-	-	602
Derivatives	-	-	23,421	-	271	-	-	23,692
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-54	-	-	-	-	-	-	-54
Investments in associated undertakings	-	-	-	-	-	-	56	56
Investments in group undertakings	-	-	-	-	-	-	322	322
Intangible assets	-	-	-	-	-	-	13	13
Property and equipment	-	-	-	-	-	-	61	61
Investment property	-	-	-	-	-	-	3	3
Deferred tax assets	-	-	-	-	-	-	463	463
Current tax assets	-	-	-	-	-	-	-	0
Retirement benefit assets	-	-	-	-	-	-	49	49
Other assets	1,112	-	-	-	-	-	2	1,114
Prepaid expenses and accrued income	393	-	-	-	-	-	43	436
Total	**99,143**	**-**	**29,638**	**921**	**271**	**-**	**1,012**	**130,985**

EURm, 31 Dec 2006	Held for trading	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	336	-	-	28,858	-	29,194
Deposits and borrowings from the public	-	-	-	35,700	-	35,700
Debt securities in issue	3,327	-	-	19,355	-	22,682
Derivatives	23,820	-	237	-	-	24,057
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-147	-	-147
Current tax liabilities	-	-	-	-	22	22
Other liabilities	24	-	-	3,684	7	3,715
Accrued expenses and prepaid income	-	-	-	487	186	673
Deferred tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	33	33
Retirement benefit obligations	-	-	-	-	56	56
Subordinated liabilities	-	-	-	1,665	-	1,665
Total	**27,507**	**-**	**237**	**89,602**	**304**	**117,650**

Note 42 *cont.*

Classification of financial instruments

Parent company

EURm, 31 Dec 2005	Loans and receivables	Held to maturity	Held for trading	Assets at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
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	-	-	71	808	-	-	-	879
Financial instruments pledged as collateral	-	-	100	-	-	-	-	100
Shares	-	-	313	3	-	-	-	316
Derivatives	-	-	27,782	-	383	-	-	28,165
Fair value changes of the hedged items in portfolio hedge of interest rate risk	70	-	-	-	-	-	-	70
Investments in associated undertakings	-	-	-	-	-	-	132	132
Investments in group undertakings	-	-	-	-	-	-	325	325
Intangible assets	-	-	-	-	-	-	18	18
Property and equipment	-	-	-	-	-	-	45	45
Investment property	-	-	-	-	-	-	8	8
Deferred tax assets	-	-	-	-	-	-	760	760
Retirement benefit assets	-	-	-	-	-	-	49	49
Other assets	1,781	-	-	-	-	-	4	1,785
Prepaid expenses and accrued income	290	-	-	-	-	-	79	369
Total	**88,945**	**-**	**31,801**	**811**	**383**	**-**	**1,420**	**123,360**

EURm, 31 Dec 2005	Held for trading	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	7	-	-	21,174	-	21,181
Deposits and borrowings from the public	-	-	-	35,113	-	35,113
Debt securities in issue	1,610	-	-	19,825	-	21,435
Derivatives	27,784	-	285	-	-	28,069
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	43	-	43
Current tax liabilities					17	17
Other liabilities	-	-	-	2,875	7	2,882
Accrued expenses and prepaid income	-	-	-	364	183	547
Deferred tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	43	43
Retirement benefit obligations	-	-	-	-	61	61
Subordinated liabilities	-	-	-	1,904	-	1,904
Total	**29,401**	**-**	**285**	**81,298**	**311**	**111,295**

Note 43
Assets and liabilities at fair value

Group

	31 Dec 2006		31 Dec 2005	
EURm	Book value	Fair value	Book value	Fair value
Assets				
Cash and balances with central banks	1,151	1,151	1,756	1,756
Treasury bills and other eligible bills	2,877	2,877	3,072	3,072
Loans and receivables to credit institutions	47,031	47,023	39,758	39,754
Loans and receivables to the public	52,463	52,416	46,264	46,186
Interest-bearing securities	1,161	1,161	981	981
Financial instruments pledged as collateral	100	100	-	-
Shares	603	603	316	316
Derivatives	23,692	23,692	28,165	28,165
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-54	-54	70	70
Investments in associated undertakings	83	83	214	214
Intangible assets	13	13	17	17
Property and equipment	89	89	78	78
Investment property	4	4	39	39
Deferred tax assets	468	468	766	766
Current tax assets	12	12	6	6
Retirement benefit assets	52	52	53	53
Other assets	1,112	1,112	1,743	1,744
Prepaid expenses and accrued income	489	489	413	413
Total assets	**131,346**	**131,291**	**123,711**	**123,630**
Liabilities				
Deposits by credit institutions	29,233	29,228	21,219	21,213
Deposits and borrowings from the public	35,689	35,525	35,092	34,958
Debt securities in issue	22,680	22,665	21,430	21,365
Derivatives	24,057	24,057	28,069	28,069
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-147	-147	43	43
Current tax liabilities	24	24	20	20
Other liabilities	3,790	3,790	2,970	2,971
Accrued expenses and prepaid income	758	758	630	630
Deferred tax liabilities	23	23	14	14
Provisions	39	39	55	55
Retirement benefit obligation	56	56	61	61
Subordinated liabilities	1,665	1,654	1,904	1,944
Total liabilities	**117,867**	**117,672**	**111,507**	**111,343**

Note 43 *cont.*

Assets and liabilities at fair value

Parent company

EURm	31 Dec 2006 Book value	31 Dec 2006 Fair value	31 Dec 2005 Book value	31 Dec 2005 Fair value
Assets				
Cash and balances with central banks	1,151	1,151	1,756	1,756
Treasury bills and other eligible bills	2,877	2,877	3,072	3,072
Loans and receivables to credit institutions	51,709	51,688	43,945	43,941
Loans and receivables to the public	47,230	47,196	41,566	41,489
Interest-bearing instruments	1,161	1,161	879	879
Financial instruments pledged as collateral	100	100	100	100
Shares	602	602	316	316
Derivatives	23,692	23,692	28,165	28,165
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-54	-54	70	70
Investments in associated undertakings	56	56	132	132
Investments in group undertakings	322	322	325	325
Intangible assets	13	13	18	18
Property and equipment	61	61	45	45
Investment property	3	3	8	8
Deferred tax assets	463	463	760	760
Current tax assets	-	-	-	-
Retirement benefit assets	49	49	49	49
Other assets	1,114	1,114	1,785	1,785
Prepaid expenses and accrued income	436	436	369	369
Total assets	**130,985**	**130,930**	**123,360**	**123,279**
Liabilities				
Deposits by credit institutions	29,194	29,190	21,181	21,176
Deposits and borrowings from the public	35,700	35,535	35,113	34,979
Debt securities in issue	22,682	22,666	21,435	21,369
Derivatives	24,057	24,057	28,069	28,069
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-147	-147	43	43
Current tax liabilities	22	22	17	17
Other liabilities	3,715	3,715	2,882	2,881
Accrued expenses and prepaid income	673	673	547	547
Provisions	33	33	43	43
Retirement benefit obligations	56	56	61	61
Subordinated liabilities	1,665	1,654	1,904	1,944
Total liabilities	**117,650**	**117,454**	**111,295**	**111,129**

Estimation of fair value for assets and liabilities

Financial assets and financial liabilities in the balance sheet are generally measured at fair value, with the exception of loans and receivables, deposits and borrowings 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.

Fair value is set to book value, in the tables on previous pages, for assets and liabilities for which no reliable fair value has been possible to estimate. This is valid for the line items investments in associated undertakings, investments in group undertakings, intangible assets, property and equipment and provisions.

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

Fair value of financial assets and financial liabilities
The total effect on the income statement from financial assets and financial liabilities that are measured using valuation techniques based on assumptions not fully supported by observable market data amounted to EUR 27m (7m) in NBF Group. The effect in the parent company was EUR 27m (7m).

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	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Amount at beginning of year	-27	-12	-27	-12
Transactions during the year	-43	-31	-43	-31
Recognised in the income statement during the year	13	16	13	16
Amount at end of year	**-57**	**-27**	**-57**	**-27**

Note 44
Assets and liabilities in foreign currencies

Group EURm, 31 Dec 2006	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Treasury bills and other eligible bills	2,877	-	-	-	-	-	2,877
Loans and receivables to credit institutions	18,139	6,940	7,235	1,756	11,363	1,598	47,031
Loans and receivables to the public	45,702	593	143	57	3,833	2,135	52,463
Interest-bearing securities	257	106	-	-	882	15	1,260
Other assets	20,707	1,227	905	1,091	2,433	1,352	27,715
Total assets	**87,682**	**8,866**	**8,283**	**2,904**	**18,511**	**5,100**	**131,346**
Liabilities and equity							
Deposits by credit institutions	10,942	766	355	112	14,169	2,888	29,232
Deposits and borrowings from the public	30,287	228	15	25	3,357	1,777	35,689
Debt securities in issue	6,616	995	40	1,165	6,811	7,053	22,680
Provisions	36	-	-	-	-	4	40
Subordinated liabilities	814	-	-	-	371	481	1,666
Other liabilities and equity	31,124	1,888	1,376	1,659	3,679	2,313	42,039
Total liabilities and equity	**79,819**	**3,877**	**1,786**	**2,961**	**28,387**	**14,516**	**131,346**
Position not reported in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net position, currencies	**7,863**	**4,989**	**6,497**	**-57**	**-9,876**	**-9,416**	**0**

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**

Note 44 *cont.*

Assets and liabilities in foreign currencies

Parent company

EURm, 31 Dec 2006	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Treasury bills and other eligible bills	2,877	-	-	-	-	-	2,877
Loans and receivables to credit institutions	22,791	6,940	7,235	1,756	11,380	1,607	51,709
Loans and receivables to the public	40,577	571	143	57	3,810	2,072	47,230
Interest-bearing securities	257	106	-	-	882	15	1,260
Other assets	20,913	1,227	905	1,091	2,433	1,340	27,909
Total assets	**87,415**	**8,844**	**8,283**	**2,904**	**18,505**	**5,034**	**130,985**
Liabilities and equity							
Deposits by credit institutions	10,930	765	355	112	14,169	2,863	29,194
Deposits and borrowings from the public	30,297	229	15	25	3,357	1,777	35,700
Debt securities in issue	6,617	995	40	1,165	6,811	7,053	22,681
Provisions	29	-	-	-	-	4	33
Subordinated liabilities	814	-	-	-	371	481	1,666
Other liabilities and equity	30,838	1,886	1,376	1,659	3,678	2,274	41,711
Total liabilities and equity	**79,525**	**3,875**	**1,786**	**2,961**	**28,386**	**14,452**	**130,985**
Position not reported in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net position, currencies	**7,890**	**4,969**	**6,497**	**-57**	**-9,881**	**-9,418**	**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 45
Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005
Reverse repurchase agreements				
Received collaterals which can be repledged or sold	993	463	993	463
- of which repledged or sold	589	463	589	463
Securities borrowing agreements				
Received collaterals which can be repledged or sold	-	-	-	-
- of which repledged or sold	-	-	-	-
Total	**993**	**463**	**993**	**463**

Note 46
Related-party transactions

	Key Management personnel		Nordea Group undertakings		Associated undertakings		Other related parties	
Group	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005	2006	2005	2006	2005
Assets								
Loans and receivables	0	1	42,289	33,176	112	164	2	1
Interest-bearing securities	-	-	56	92	-	-	-	-
Shares	-	-	-	-	-	-	-	-
Derivatives	-	-	421	599	-	-	-	-
Investments in associated undertakings	-	-	-	-	83	214	-	-
Total assets	**0**	**1**	**42,766**	**33,867**	**195**	**378**	**2**	**1**
Liabilities								
Deposits	0	0	14,672	11,255	5	7	11	34
Debt securities in issue	1	0	155	81	-	-	-	-
Derivatives	-	-	481	577	-	0	-	-
Subordinated liabilities	-	-	38	42	-	2	-	-
Total liabilities	**1**	**0**	**15,346**	**11,955**	**5**	**9**	**11**	**34**
Off balance	-	-	73,408	76,350	13	102	-	-

Group								
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005	2006	2005	2006	2005
Net interest income								
Interest income	0	0	1,211	886	5	5	0	0
Interest expense	0	0	515	386	0	0	3	1
Net interest income	**0**	**0**	**696**	**500**	**5**	**5**	**-3**	**-1**

Note 46 *cont.*
Related-party transactions

Parent company	Key Management personnel		Group undertakings		Associated undertakings		Other related parties	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005	2006	2005	2006	2005
Assets								
Loans and receivables	0	1	4,853	4,479	95	147	2	1
Interest-bearing securities	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-
Derivatives	-	-	0		-	-	-	-
Investments in associated undertakings	-	-	-	-	56	132	-	-
Investments in group undertakings	-	-	322	325	-	-	-	-
Total assets	**0**	**1**	**5,175**	**4,804**	**151**	**279**	**2**	**1**
Liabilities								
Deposits	0	0	27	31	5	7	11	34
Debt securities in issue	1	0	2	4	-	-	-	-
Derivatives	-	-	-	-	-	0	-	-
Subordinated liabilities	-	-	-	-	-	-	-	-
Total liabilities	**1**	**0**	**29**	**35**	**5**	**7**	**11**	**34**
Off balance	-	-	386	313	13	102	-	-

Parent company								
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2006	2005	2006	2005	2006	2005	2006	2005
Net interest income								
Interest income	0	0	140	111	4	5	0	0
Interest expense	0	0	1	0	0	0	3	1
Net interest income	**0**	**0**	**139**	**111**	**4**	**5**	**-3**	**-1**

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. In addition to the parent company figures stated above, the parent company's assets included receivables, interest-bearing securities and derivatives from other Nordea group undertakings in the amount of EUR 42,766m (33,867), liabilities in the amount of EUR 15,295m (11,955), net interest income in the amount of EUR 697m (502) and off-balance sheet commitments in the amount of EUR 73,408m (76,349), see Group's specification above.

Compensations to Key management personnel
Compensations to Key management personnel are specified in Note 8.

Note 47
Mergers, disposals and dissolutions

Subsidiaries merged during 2006	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group, EURm
Unitas Congress Center Ltd	In-service training centres	0	0

Other subsidiaries merged during 2006	Number of companies		
Real estate companies	-	-	-
Other companies	1	6	0

Subsidiaries sold during 2006	Line of business		
Turun Arvokiinteistöt Oyj	Real estate activities	17	0

Other subsidiaries sold during 2006	Number of companies		
Real estate companies	5	21	0
Other companies	-	-	-

Subsidiaries dissolved during 2006	Line of business		
MeritaNordbanken Merchant Bank Singapore Ltd	Bank	1	0
Nordea Real Estate (U.K) Ltd	Real estate activities	2	0

Other subsidiaries dissolved during 2006	Number of companies		
Other companies	3	0	0

Associated undertakings sold during 2006	Line of business		
Eurocard Oy	Financial intermediation	41	0
International Moscow Bank	Bank	5,141	24
Optiomi Ltd	Other investment activities	36	0
Suomen Asiakastieto Oy	Debt collecting activities	11	1
Huippupaikat Oy	Operation of sports arenas and stadiums	10	0

The Proposal of the Board of Directors to the Annual General Meeting

The parent company's distributable funds on 31 December 2006 were EUR 10,416,717,545.20, of which the profit for the year was EUR 1,269,572,343.05. The Board of Directors proposes that

1. a dividend of EUR 4,000,000,000.00 be paid and
2. for public good purposes be reserved EUR 200,000.00,
3. whereafter the distributable funds will be EUR 6,416,517,545.20.

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

Helsinki, 28 February 2007

Lars G Nordström

Christian Clausen

Carl-Johan Granvik

Arne Liljedahl

Markku Pohjola

Tom Ruud

Peter Schütze

The Financial Statements and the Directors' Report have been prepared in accordance with generally accepted accounting principles. Our auditors' report has been issued today.

Helsinki, 28 February 2007

KPMG OY AB

Mauri Palvi
Authorised Public Accountant

Auditor's report

To the General Annual Meeting of Nordea Bank Finland Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Nordea Bank Finland Plc for the period January 1 – December 31, 2006. The Board of Directors and the President have prepared the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated and parent company's balance sheets, income statements, cash flow statements, statements on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors prepared in accordance with prevailing regulations in Finland. Based on our audit, we express an opinion on the consolidated and parent company's financial statements, as well as the report of the Board of Directors and the administration of the parent company.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and 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 the administration is to examine whether 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 the Companies Act.

In our opinion the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated and parent company results of operations as well as of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the consolidated and parent company results of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements 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 disposal of distributable funds is in compliance with the Companies Act.

Helsinki, 28 February 2007

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 2006

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. Chief Risk Officer and head of Group Credit and Risk Control in Nordea.. 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

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