Annual Report 2007

# Nordea Bank Finland

*Nordea Bank Finland Plc is part of the Nordea Group. Nordea's vision is to be the leading Nordic bank, acknowledged for its people, creating superior value for cutomers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 10 million customers, more than 1,200 branch offices and a leading netbanking position with 4.8 million e-customers. The Nordea share is listed on the OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.*

## Contents

# Nordea Bank Finland Group

## Five-year overview of the Directors' Report

### Income statement

| EURm | 2007 | 2006 | 2005 | 2004 | 2003 [1] |
|---|---|---|---|---|---|
| Net interest income | 1,531 | 1,393 | 1,210 | 1,121 | 2,407 |
| Net fee and commission income | 315 | 308 | 271 | 293 | 760 |
| Net gains/losses on items at fair value | 541 | 430 | 301 | 205 | 224 |
| Equity method | 2 | 31 | 20 | 18 | 37 |
| Other income | 214 | 292 | 60 | 53 | 184 |
| **Total operating income** | **2,603** | **2,454** | **1,862** | **1,690** | **3,612** |
| | | | | | |
| General administrative expenses: | | | | | |
| Staff costs | -515 | -504 | -483 | -417 | -1 205 |
| Other expenses | -375 | -359 | -371 | -358 | -1 049 |
| Depreciation, amortisation and impairment of changes of tangible and intangible assets | -29 | -18 | -48 | -56 | -163 |
| **Total operating expenses** | **-919** | **-881** | **-902** | **-831** | **-2,417** |
| | | | | | |
| Loan losses | 20 | 63 | -46 | -18 | -157 |
| Impairment of securities held as financial non-current asset | 0 | -2 | 1 | -1 | - |
| Disposals of tangible and intangible assets | 0 | 5 | 0 | 34 | - |
| **Operating profit** | **1,704** | **1,639** | **915** | **874** | **1,038** |
| Extraordinary items [1] | - | - | - | - | 463 |
| Income tax expense | -339 | -358 | 191 | 24 | 55 |
| **Net profit for the year** | **1,365** | **1,281** | **1,106** | **898** | **1,556** |

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

### Ratios and key figures

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Return on equity, % | 11.2 | 10.0 | 5.6 | 5.5 | 7.5 |
| Cost/income ratio, % | 35 | 36 | 48 | 49 | 65 |
| Tier 1 capital ratio, % | 13.7 | 13.8 | 17.8 | 19.9 | 19.1 |
| Total capital ratio, % | 15.3 | 16.0 | 20.2 | 22.9 | 22.2 |
| Tier 1 capital, EURm | 9,725 | 8,998 | 11,426 | 11,136 | 10,287 |
| Risk-weighted amounts, EURm | 71,044 | 65,270 | 64,058 | 55,839 | 54,005 |
| Number of employees (full-time equivalents) | 9,347 | 9,060 | 8,910 | 9,012 | 9,047 |
| Average number of employees | 10,010 | 9,843 | 9,717 | 10,000 | 22,785 |
| Salaries and remuneration, EURm | -392 | -372 | -366 | -362 | -917 |
| Return of total assets, % | 1.0 | 1.0 | 0.6 | 0.6 | 0.5 |
| Equity to total assets, % | 7.3 | 10.3 | 9.9 | 10.1 | 11.9 |

# 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 and the deduction for expected shortfall (the difference between expected losses and provisions, IRB).

**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 and half of the expected shortfall deduction.

**Expected losses**

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

**Risk-weighted amounts**

Total assets and off-balance-sheet items valued on the basis of the credit and market risks, as well as the operational risks of the Group's undertakings, in accordance with regulations governing capital adequacy, excluding 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.

**Cost/income ratio**

Total operating expenses divided by total operating income.

**Return on total assets (ROA)**

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

**Equity to total assets**

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

**Exchange rates applied** (end of year rates as at 31 December 2007)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **EUR** | 1.0000 | **USD** | 1.4721 | **DKK** | 7.4583 | **EEK** | 15.6466 |
| **GBP** | 0.7334 | **CHF** | 1.6547 | **LTL** | 3.4528 | **LVL** | 0.6964 |
| **NOK** | 7.9580 | **PLN** | 3.5935 | **SEK** | 9.4415 | **SGD** | 2.1163 |

**Rating, Nordea Bank Finland**

| 31 Dec 2007 | Short | Long |
|---|---|---|
| Moody's | P-1 | Aa1 |
| S&P | A-1+ | AA- |
| Fitch | F1+ | AA- |

# Nordea Bank Finland
# Directors' report

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

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

## Group organisation

In 2007 Nordea started implementing a new operating model and organisation focusing on cross-organisational transparency, teamwork and efficiency. Nordic Banking, Private Banking and Institutional & International Banking are in the new operating model responsible for sales and customer relationship processes. The product and service delivery chain is organised into two product areas, Banking & Capital Market Products and Savings & Life Products. The service and group functions are Group Services and Technology, People and Identity, Group Corporate Centre, Group Credit and Risk Control and Group Legal.

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 customer areas, encompasses the operations of NBF in their entirety.

### Legal structure

Nordea aims at continuous simplification of its legal structure and as regards the Nordic banks the aim is that Nordea Bank AB (publ) will be converted into a European company, 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.

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 Nordea has established a dialogue with the legislators and supervisory authorities in the Nordic countries with the purpose to diminish the obstacles in the current set-up.

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. 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

Nordea Finance Finland, a wholly-owned subsidiary of NBF, sold several real estate companies during the year. Kiint. Oy Lahden Hansa was sold in February 2007 resulting in a sales gain of EUR 8m. Kiinteistö Oy Multihermia was sold in July and Kiinteistö Oy Tampereen Hatanpään Valtatie 30 and Kiinteistö Oy Turun Ovakonkatu 2 in December. These sales had no material effect on the Group's result.

Kiinteistö Oy Ristipellontie 4 was merged to Nordea Finance Finland Ltd in July 2007.

Nordea Bank Finland Plc invested in the newly founded private equity fund Profita Fund III Ky in May 2007. NBF's share of the total capital invested was 27.7%.

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

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

## Business development in 2007

NBF reports an increase in the result for 2007, driven by strong revenue growth. This was supported by the consistent delivery of Nordea's organic growth strategy. The volume growth continued in all areas. Deposit margins improved while lending margins were under pressure.

The results for 2007 showed an increase in net interest income compared to 2006. The financial market turmoil in the second half of 2007 had limited effect on the result and net gains and losses on items at fair value developed favourably. Other income was affected positively by the non-recurring refund from the Finnish deposit guarantee system. Staff costs increased somewhat as well as other expenses and depreciations. Loan losses were positive as in 2006. Profit before tax was EUR 1,704m (2006: 1,639), and the return on equity was 11.2% (10.0).

The gap between growth in income and expenses was 2 percentage points.

## Comments on the income statement

### Operating income

*Total operating income* increased by 6% to EUR 2,603m (2,454), which was mainly the result of favourable development in net interest income and net gains and losses on items at fair value.

*Net interest income* increased by 10% to EUR 1,531m (1,393), mainly driven by strong lending and deposit volume growth and higher deposit margins. Growth in lending was double-digit throughout the year in all major segments, which compensated for the margin pressure experienced in the year. Total lending to the public increased by 16% to EUR 61bn. Deposit volumes increased by 17% to EUR 42bn, driven by increase in both the household and corporate business. In particular, inflow into savings accounts was strong. This reflects customers' demand for low-risk products and is supported by Nordea's strategy to offer competitive interest rates.

*Net fee and commission income* increased by 2% to EUR 315m (308). Commission income increased by 7% to EUR 532m (497). Savings-related commissions grew in total by 18% mainly due to higher custody fees. Lending-related commissions increased by 12% reflecting the strong growth in lending as well as increased guarantee fees as a consequence of the centralisation of Norwegian guarantees to Finland. Commission expenses increased by 15% to EUR 217m (189).

*Net gains/losses on items at fair value* increased by 26% to EUR 541m (430) despite the difficult market conditions in the second half of the year. Increased high activity level in all segments in the Capital Markets product area and increased penetration of Nordea's corporate customer base kept the income from interest rate related items stable and the income amounted to EUR 287m (279). Foreign exchange gains grew markedly to EUR 207m (123) driven by high customer activity. Income from equity related products was fairly stable and totalled EUR 44m (41). Income from other financial instruments developed favourably and increased to EUR 3m (-13).

*Profit from companies accounted for under the equity method* was EUR 2m compared to EUR 31m last year. The reduction mainly reflects the discontinued profit contribution from the holding in International Moscow Bank, following the divestment last year.

*Dividends* amounted to EUR 24m (2) comprising mainly of recognised tax credits.

*Other operating income* decreased to EUR 190m (290) partly due to one-off items both in 2007 and 2006. The refund from the Finnish deposit guarantee system increased other income by approximately EUR 120m in 2007. The capital gain of EUR 199m from the sale of the shares in International Moscow Bank increased 2006 income.

### Operating expenses

*Total operating expenses* increased by 4% to EUR 919m (881m).

*Staff costs* increased moderately by 2% to EUR 515m (504). The increase reflects general increases in wages and higher costs for variable salaries as well as lower pension and profit sharing expenses. In 2007 the number of employees, measured by full-time equivalents, increased by 287 mainly as a result of the expansion of the branch network in the Baltics. The number of full-time equivalent positions was 9,347 (9,060).

*Other expenses* amounted to EUR 375m (359), up by 4% compared with the preceding year. Higher business volumes and investments in growth areas and strategic projects mainly explain the increase in IT and marketing costs.

*Depreciation of tangible and intangible assets* increased to EUR 29m (18) as reversals of write-downs decreased depreciations in the previous year.

### Loan losses

*Loan losses* were 20m positive compared to EUR 63m positive loan losses in 2006. The quality of the credit portfolio remains strong.

### Taxes

*Income tax expenses* were EUR 339m (358). The effective tax rate amounted to 20% compared to the tax rate of 22% in 2006. The tax rate in 2007 is lower than the Finnish legal tax rate of 26% mainly because of the recognition of previously unrecognised tax credits, which lowered tax expenses by 95m. In total, deferred tax assets amounted to EUR 136m at the end of 2007.

**Net profit**

*Net profit for the year* amounted to EUR 1,365m (1,281). Return on equity was 11.2% (10.0).

## Comments on the balance sheet

The total balance sheet increased by EUR 16bn, or approximately 12%, during 2007. 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 balance sheet values of derivatives as a result of volume growth as well as changes in interest and foreign exchange rates. NBF has a strong capital position and a diversified funding base, reflecting a sound overall financial structure. The effects of the market turmoil were limited as a result of limited direct and indirect exposure to the sub-prime market as well as a limited exposure to high risk structured products and vehicles with low rating.

**Assets**

Consolidated *total assets* amounted to EUR 147bn at year-end, showing an increase of EUR 16bn compared to the previous year-end.

*Loans and receivables to credit institutions* decreased by approximately EUR 1bn to EUR 46bn (47). A major part of the decrease derives from intra-group deposits.

*Loans and receivables to the public* increased by approximately EUR 8bn to EUR 61bn (52). Despite signs of stabilising house prices in Finland traditional domestic mortgage lending to personal customers increased by 11%. The growth in mortgage lending has been very strong in the Baltic countries thus increasing the total growth rate in mortgage lending to 14% year-on-year. Corporate customers have continued their investments, which has kept the demand for loans at a high level. Lending to corporate customers increased by 19% to EUR 31.3bn (26.3) Also consumer lending to households continued to show growth and it increased by 8% to EUR 6.3bn.

*Interest-bearing securities* almost doubled during 2007 and totalled EUR 2.2bn at year-end, reflecting a somewhat higher liquidity buffer compared to the end of 2006.

*Other assets* increased by approximately EUR 8bn, mainly reflecting an increase in the balance sheet value of derivatives.

**Liabilities**

*Total liabilities* amounted to EUR 136bn, showing an increase of approximately EUR 19bn.

*Deposits by credit institutions* decreased by approximately EUR 2bn to EUR 27bn (29). The decrease in seen all types of relevant debt instruments.

*Deposits and borrowings from the public* increased by approximately EUR 6bn. Deposits from the public increased by 17% to EUR 40.3bn (34.5) and constitute the Bank Group’s primary source of funding.

*Debt securities in issue* increased by approximately EUR 7bn. The issued securities mainly comprise short-term debt instruments with maturity under one year. The change mainly reflects the increased funding needs.

*Other liabilities* including subordinated liabilities increased by approximately EUR 8bn, mainly reflecting the higher balance sheet values of derivatives.

**Equity**

Shareholders’ equity amounted to EUR 13,479m at the beginning of 2007. Net profit for the year was EUR 1,363m. Total equity amounted to EUR 10,793m at the end of 2007.

## Appropriation of distributable funds

The parent company’s distributable funds on 31 December 2007 were EUR 7,667m of which the profit for the year is EUR 1,304m. It is proposed that:

- a dividend of EUR 850m be paid and
- EUR 0.2m be reserved for good public purposes
- whereafter the distributable funds will total EUR 6,816m.

## 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 16.3bn (15.6), 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 13.6bn (8.9). The centralisation of Trade finance and guarantee operations to Finland has increased the volume of guarantees and documentary credits.

The nominal values of derivatives increased to EUR 3,017bn (2,300).

## Risk, Liquidity and Capital management

Risk, liquidity and capital management are key success factors in the financial services industry. Exposure 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. The maintaining risk awareness in the organisation is incorporated in Nordea's business strategies. Nordea has clearly defined risk, liquidity and capital management frameworks, including policies and instructions for different risk types and for the capital structure.

### *Management principles and control*

*Board of Directors*

The Board of Directors of Nordea has ultimate responsibility for limiting and monitoring the Group's risk exposure. The Board of Directors also has ultimate responsibility for setting the targets for the capital ratios. Risk in Nordea is measured and reported according to common principles and policies approved by the Board of Directors. The Board of Directors decides on policies for credit, market, liquidity, operational risk management and the internal capital adequacy assessment process. 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 customer 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 of Directors also decides on the limits for the market and liquidity risk in the Group.

*Board Credit Committee*

The Board Credit Committee (BCC) monitors the development of the credit portfolio including industry and major customer exposures. The Board Credit Committee confirms industry policies approved by the Executive Credit Committee (ECC).

*CEO and GEM*

The Chief Executive Officer (CEO) has overall responsibility for developing and maintaining an effective risk, liquidity and capital management principles and control in Nordea. The CEO in Group Executive Management (GEM) decides on the targets for the Group's risk management regarding Structural Interest Income Risk (SIIR). CEO in GEM 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 customer areas and product areas as well as the investment return targets for the investment portfolio. The limits for the customer areas are set in accordance with the business strategies and are as a minimum reviewed annually. The heads of the customer areas allocate the respective limits within the customer area and may introduce more detailed limits and other risk mitigating techniques such as stop-loss rules.

The CEO and GEM regularly review reports on risk exposures and have established the following committees for risk, liquidity and capital management:

- The Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), prepares issues of major importance concerning the Group's financial operations, financial risks as well as capital management for decision by the CEO in GEM.
- Capital Planning Forum, chaired by the CFO, monitors the development of the required (internal and regulatory) capital and the capital base and decides also upon capital planning activities within the Group.
- The Risk Committee, chaired by the Chief Risk Officer (CRO) monitors developments of risks on an aggregated level.
- The Executive Credit Committee (ECC), and Group Credit Committee (GCC), 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.

The CRO, who is head of Group Credit and Risk Control, has the authority to issue supplementary guidelines and limits, where it is deemed necessary.

*CRO and CFO*

Within the Group, two functions, Group Credit and Risk Control and Group Corporate Centre, are responsible for risk, capital, liquidity and balance sheet management.

Group Credit and Risk Control is responsible for the risk management framework, consisting of policies, instructions and guidelines for the whole Group.

Group Corporate Centre is responsible for the capital management framework including required capital as well as capital base. The framework for SIIR and liquidity risk is developed by Group Treasury, within Group Corporate Centre.

The CRO is head of Group Credit and Risk Control and the CFO is head of Group Corporate Centre.

The CRO is responsible for the Group's credit, market, operational and liquidity risk management framework, for the development, validation and monitoring of the rating and scoring systems, for the credit policy and strategy, the credit instructions, the guidelines to the credit instructions as well as the credit decision process and the credit control processes.

The CFO is responsible for the capital planning process including capital adequacy reporting, economic capital and parameter estimation used for the calculation of risk-weighted amounts and for liquidity and balance sheet management.

Each customer area and product area is primarily responsible for managing the risks in its operations, including identification, control and reporting while Group Credit and Risk Control consolidates and monitors the risks on Group level and on other organisational levels.

***Monitoring and reporting***

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

Risk reporting is regularly made to Group Executive Management and to the Board of Directors. The Board of Directors in each legal entity receives internal risk reporting which covers both market, credit and liquidity risk. Within the credit risk reporting different portfolio analyses such as credit migration, current probability of default and stress testing are included.

The internal capital reporting includes all types of risks and is reported regularly to the Risk Committee, ALCO, Capital Planning Forum, Group Executive Management and Board of Directors.

Group Internal Audit makes an independent evaluation of the processes regarding risk and capital management in accordance with the annual audit plan.

**Risk management**

Group Credit and Risk Control is responsible for the risk management framework, consisting of policies, instructions and guidelines for the Group.

Each customer area and product area is primarily responsible for managing the risks in its operations while Group Credit and Risk Control consolidates and monitors the risks on Group level and on other organisational levels.

Within the credit risk area, credit risk limits, which are not decided by the ECC or the GCC, are determined by decision-making authorities on different levels in the organisation. The responsibility for a credit exposure lies with the customer responsible unit. Customers are assigned a rating/scoring in accordance with the Nordea framework for quantification of credit risk.

***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.

***Credit risk identification and definitions***

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

The credit risk from guarantees and documentary credits arises from the potential claims on customers, for which Nordea has issued guarantees or documentary credits.

Counterparty risk is the risk that Nordea’s counterpart in an FX, interest rate, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Settlement risk is the risk of losing the principal of a financial contract 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 the countries concerned.

Risks in specific industries are managed 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 the so-called Environmental Risk Assessment Tool (ERAT). This tool is being extended to also include social and political risk during 2008. 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).

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

The responsibility for credit risk lies with the customer responsible unit, which on an ongoing basis assesses the customers' ability to fulfil their obligations and identifies deviations from agreed conditions and weaknesses in the customers' performance.

Based on past due reports with late payments and other available information, the customer responsible unit must also assess whether the exposure is impaired indicating that the customer's repayment ability is threatened.

If it is considered unlikely that the customer will be able to repay its debt obligations (principal, interest, or fees) in full, and the situation cannot be satisfactorily remedied, the exposure is regarded as default. Exposures that have been past due more than 90 days are automatically regarded as defaulted.

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

***Individual and collective assessment of impairment***

In the process to identify indication of impairment, Nordea works with a continuous process to review the economic financial 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, collateral 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 collateral. Impaired exposures can be either performing or non-performing. Impaired exposures are treated as in default when determining default probability in order to quantify Expected Loss and Economic Capital.

In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level.

The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet day. Impairment losses recognised for a group of loans represent an interim step pending the identification of impairment losses for an individual customer.

***Measurement methods***

Quantification of credit risk was initially developed in Nordea as part of the Economic Capital framework. The internal quantification of credit risk are being aligned with the external requirements following Nordea's roll-out of 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 and scoring models is the ability to predict defaults and rank the customers. 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. The repayment capacity of each rating grade is quantified by the one year Probability of Default (PD) which is used as an input to the Economic Profit framework, including performance measurement, capital allocation and pricing, as well as calculation of the Regulatory Capital.

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 are 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 (0+, 0, 0-) 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. A rating model is a set of specified and distinct rating criteria which given a set of a customer's characteristics produces a rating. It is based on the fact that it is possible to predict the future performance of customers on the basis of their characteristics.

Nordea uses different rating models in order better to reflect the risks involved for customers with different characteristics. Hence, rating models have been developed for a number of general as well as industry specific segments e.g. real estate management and shipping. Different methods ranging from pure statistical to expert-based, depending of the segment in question, have been used when developing the rating models. The models are generally based on an overall rating framework, in which financial and quantitative factors are combined with qualitative factors.

Scoring models are pure statistical methods to predict the probability of customer default. The models are mainly used in the personal customer segment as well as for small corporate customers. Nordea utilises bespoke behavioural scoring models developed on internal data to 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 a supplement to the behavioural scoring models Nordea also utilises bureau information in the credit process.

The internal behaviour scoring models are used in the Economic Capital framework to identify the probability of default (PD) of the scored customer portfolio.

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 as well as the Nordea's internal behaviour scoring models, procedures and models. The annual validation includes both a quantitative and a qualitative validation.

*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 same parameters will be used for calculation of RWA following Nordea's roll out of Basel II.

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 type, the counterpart’s balance-sheet components, and the presence of any structural support. 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 at least annually 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 to perform various portfolio analyses, a Group-wide credit database is used.

***Credit risk analysis***

Credit risk exposure is measured and presented as the principle amount (at amortised cost) 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 8% to EUR 162bn during 2007 (149).

The largest credit risk exposure is loans and receivables to the public (lending), which in 2007 increased by 16% to EUR 61bn (52). Lending to corporate customers was EUR 31bn (26), an increase by 19%, and lending to personal customers was EUR 28bn (25), an increase by 13%. The portion of total lending portfolio to corporate customers was 52% (50) and to personal customers 46% (47).

Loans and receivables to credit institutions, mainly in the form of inter-bank deposits, amounted to EUR 46bn at the end of 2007 (47). Of these loans 5% was to credit institutions outside OECD.

*Loans and receivables to corporate customers*
The main increases in the lending portfolio were in the sectors: “Real estate management”, "Manufactoring" and "Trade and services". Real estate management remains the largest industry sector in NBF’s lending portfolio, with EUR 8.4bn (7.3). The portfolio predominantly comprises relatively large and financially strong companies dominate the portfolio, with 82% of the lending in rating grades 4– and higher. There is a high level of collateral coverage, especially for exposures which fall into lower rating grades (3+ or lower).

The distribution of loans and receivables to corporates by size of loans shows a high degree of diversification where approx. 82% of the corporate volume is for lending on a scale up to EUR 50m for each customer. This distribution has been stable in recent 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 exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those which are more financially strong.

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

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

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 |
| Loans and receivables to credit institutions | 45,549 | 47,031 | 50,400 | 51,709 |
| Loans and receivables to the public | 60,597 | 52,463 | 55,101 | 47,230 |
| Unutilised credit commitments etc. | 16,787 | 16,136 | 14,449 | 14,086 |
| Guarantees and documentary credits | 13,201 | 8,441 | 13,456 | 8,705 |
| Credit risk exposure in derivatives [1] | 21,002 | 20,686 | 21,002 | 20,686 |
| Interest-bearing securities issued by public bodies | 11 | 730 | 11 | 730 |
| Other interest-bearing securities | 4,354 | 3,408 | 4,354 | 3,408 |
| **Total credit risk exposure in the banking operations** | **161,501** | **148,895** | **158,773** | **146,554** |

[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 2007 | % | 31 Dec 2006 | % | 31 Dec 2007 | % | 31 Dec 2006 | % |
| Corporate customers | 31,342 | 51.7 | 26,315 | 50.2 | 28,420 | 51.5 | 23,481 | 49.7 |
| Personal customers | 28,065 | 46.3 | 24,911 | 47.5 | 25,492 | 46.3 | 22,511 | 47.7 |
| Public sector | 1,190 | 2.0 | 1,237 | 2.3 | 1,189 | 2.2 | 1,238 | 2.6 |
| **Total** | **60,597** | **100.0** | **52,463** | **100.0** | **55,101** | **100.0** | **47,230** | **100.0** |

**Loans and receivables to corporate customers, by industry**

| | Group | | | | Parent company | | | |
|---|---|---|---|---|---|---|---|---|
| EURm | 31 Dec 2007 | % | 31 Dec 2006 | % | 31 Dec 2007 | % | 31 Dec 2006 | % |
| Real estate management | 8,427 | 26.9 | 7,348 | 27.9 | 8,427 | 29.6 | 7,200 | 30.7 |
| Construction | 889 | 2.8 | 585 | 2.2 | 647 | 2.3 | 454 | 1.9 |
| Agriculture and fishing | 244 | 0.8 | 89 | 0.3 | 244 | 0.9 | 88 | 0.4 |
| Transport | 3,089 | 9.9 | 2,539 | 9.7 | 2,614 | 9.2 | 2,188 | 9.3 |
| Shipping | 471 | 1.5 | 583 | 2.2 | 465 | 1.6 | 577 | 2.4 |
| Trade and services | 3,618 | 11.5 | 2,733 | 10.4 | 3,151 | 11.1 | 2,316 | 9.9 |
| Manufacturing | 7,147 | 22.8 | 4,723 | 18.0 | 6,402 | 22.5 | 4,759 | 20.3 |
| Financial operations | 1,127 | 3.6 | 773 | 2.9 | 1,127 | 4.0 | 773 | 3.3 |
| Renting, consulting and other company services | 1,123 | 3.6 | 1,203 | 4.6 | 1,111 | 3.9 | 1,183 | 5.0 |
| Other | 5,207 | 16.6 | 5,739 | 21.8 | 4,232 | 14.9 | 3,943 | 16.8 |
| **Total** | **31,342** | **100.0** | **26,315** | **100.0** | **28,420** | **100.0** | **23,481** | **100.0** |

**Lending to corporate customers, by size of loan**

| | Group | | | | Parent company | | | |
|---|---|---|---|---|---|---|---|---|
| EURm | 31 Dec 2007 | % | 31 Dec 2006 | % | 31 Dec 2007 | % | 31 Dec 2006 | % |
| 0-10 | 17,008 | 54.2 | 14,560 | 55.3 | 15,423 | 54.2 | 12,932 | 55.1 |
| 10-50 | 8,552 | 27.3 | 6,575 | 25.0 | 7,754 | 27.3 | 5,901 | 25.1 |
| 50-100 | 2,878 | 9.2 | 2,282 | 8.7 | 2,610 | 9.2 | 2,048 | 8.7 |
| 100-250 | 1,947 | 6.2 | 1,960 | 7.4 | 1,765 | 6.2 | 1,758 | 7.5 |
| 250-500 | 957 | 3.1 | 0 | 0.0 | 868 | 3.1 | 0 | 0.0 |
| 500- | 0 | 0.0 | 938 | 3.6 | 0 | 0.0 | 842 | 3.6 |
| **Total** | **31,342** | **100.0** | **26,315** | **100.0** | **28,420** | **100.0** | **23,481** | **100.0** |

**Loans and receivables to personal customers, by type of loan**

| | Group | | | | Parent company | | | |
|---|---|---|---|---|---|---|---|---|
| EURm | 31 Dec 2007 | % | 31 Dec 2006 | % | 31 Dec 2007 | % | 31 Dec 2006 | % |
| Mortgage loans[1] | 21,771 | 77.6 | 19,058 | 76.5 | 21,771 | 85.4 | 19,058 | 84.7 |
| Consumer loans | 6,294 | 22.4 | 5,853 | 23.5 | 3,721 | 14.6 | 3,453 | 15.3 |
| **Total** | **28,065** | **100.0** | **24,911** | **100.0** | **25,492** | **100.0** | **22,511** | **100.0** |

**Loans and receivables to real estate management companies, by country**

| | Group | | | | Parent company | | | |
|---|---|---|---|---|---|---|---|---|
| EURm | 31 Dec 2007 | % | 31 Dec 2006 | % | 31 Dec 2007 | % | 31 Dec 2006 | % |
| Finland | 6,962 | 82.7 | 6,438 | 87.6 | 6,962 | 82.7 | 6,290 | 87.4 |
| Baltic countries | 972 | 11.5 | 445 | 6.1 | 972 | 11.5 | 445 | 6.2 |
| Other | 493 | 5.8 | 465 | 6.3 | 493 | 5.8 | 465 | 6.4 |
| **Total** | **8,427** | **100.0** | **7,348** | **100.0** | **8,427** | **100.0** | **7,200** | **100.0** |

**Mortgage loans to personal customers, by country**

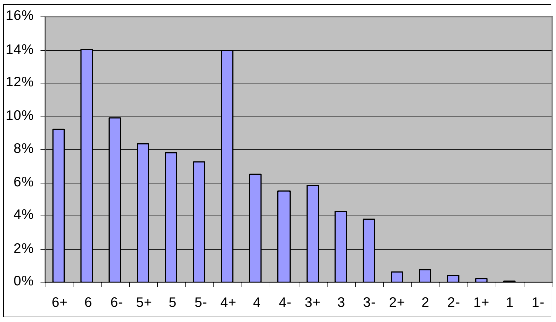
| | Group | | | | Parent company | | | |
|---|---|---|---|---|---|---|---|---|
| EURm | 31 Dec 2007 | % | 31 Dec 2006 | % | 31 Dec 2007 | % | 31 Dec 2006 | % |
| Finland[1] | 19,678 | 90.4 | 17,760 | 93.2 | 19,678 | 90.4 | 17,760 | 93.2 |
| Baltic countries | 2,093 | 9.6 | 1,298 | 6.8 | 2,093 | 9.6 | 1,298 | 6.8 |
| **Total** | **21,771** | **100.0** | **19,058** | **100.0** | **21,771** | **100.0** | **19,058** | **100.0** |

[1] Including loans for holiday homes. According to ECB definition mortgage loans in Finland totalled EUR 19,141m (17,273).

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

The graph shows that the rating distribution by exposure for corporates and institutions. About 80% of the exposure is rated 4– or higher.

Exposure to corporate customers (rated customers)*, distributed by rating grades, 31 Dec 2007




*Exposure to rated corporate customers totals EUR 82bn

*Loans and receivables to personal customers*
In 2007, mortgage loans increased by 14% while consumer loans increased by 8%. The portion of mortgage loans was 78% (77%).

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

*Geographical distribution*
Lending distributed by borrower domicile shows that the Nordic market accounts for 79% (83%). Other EU countries represent the main part of the lending outside the Nordic countries. The exposure to emerging markets is limited. Nordea has insignificant direct and indirect exposure to the US sub-prime market.

**Lending to the public, by geographical area**

| | Group | | | | Parent company | | | |
|---|---|---|---|---|---|---|---|---|
| EURm | 31 Dec 2007 | % | 31 Dec 2006 | % | 31 Dec 2007 | % | 31 Dec 2006 | % |
| Nordic countries | 47,586 | 78.5 | 43,418 | 82.8 | 42,833 | 77.8 | 38,697 | 82.0 |
| of which Denmark | 553 | | 999 | | 553 | | 999 | |
| of which Finland | 46,458 | | 41,888 | | 41,729 | | 37,184 | |
| of which Norway | 168 | | 178 | | 168 | | 178 | |
| of which Sweden | 407 | | 353 | | 383 | | 336 | |
| Poland and Baltic countries | 5,928 | 9.8 | 3,494 | 6.6 | 5,187 | 9.4 | 2,996 | 6.3 |
| EU countries other | 3,562 | 5.9 | 2,363 | 4.5 | 3,561 | 6.5 | 2,361 | 5.0 |
| USA | 1,011 | 1.7 | 986 | 1.9 | 1,011 | 1.8 | 986 | 2.1 |
| Asia | 1,113 | 1.8 | 1,092 | 2.1 | 1,113 | 2.0 | 1,092 | 2.3 |
| Latin America | 186 | 0.3 | 185 | 0.3 | 186 | 0.3 | 185 | 0.4 |
| OECD other | 675 | 1.1 | 424 | 0.8 | 675 | 1.2 | 424 | 0.9 |
| Non-OECD other | 536 | 0.9 | 501 | 1.0 | 535 | 1.0 | 489 | 1.0 |
| **Total** | **60,597** | **100.0** | **52,463** | **100.0** | **55,101** | **100.0** | **47,230** | **100.0** |

*Transfer risk*

The transfer risk exposure is dominated by a few countries and is trade-related and primarily short-term. The largest exposure is to China, a country of great importance for Nordea's Nordic corporate customers. To recognise the risk related to lending to developing countries, Nordea carries transfer risk allowance and provisions for non-investment grade rated countries. The total transfer risk allowance and provisions at the end of 2007 was EUR 29m, reduced from 2006 (57).

*Securitisation*

Nordea has not securitised assets from its ordinary lending portfolio. Nordea arranges structured derivatives transactions and CDO transactions as investment vehicles, both for institutional and retail customers.

**Transfer risk exposure [1]**

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 |
| Asia | 513 | 506 | 513 | 506 |
| Latin America | 109 | 100 | 109 | 100 |
| Eastern Europe & CIS | 63 | 216 | 63 | 216 |
| Middle East | 263 | 212 | 263 | 212 |
| Africa | 109 | 76 | 109 | 76 |

[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*

Impaired loans, gross, have decreased to EUR 623m from EUR 651m, during 2007. Allowances for individually assessed loans decreased to EUR 193m from EUR 263m. The ratio of allowances to cover impaired loans, gross, was 31% (40). In addition, allowances for collectively assessed exposures were EUR 166m (122).

The net effect in the profit and loss account from credit risk impairments was in 2007 positive net loan losses of EUR 20m (positive with 63), of which EUR 16m (51) relates to corporate customers and EUR 3m (11) to personal customers. NBF has realised net impairment losses of EUR 3m (4) and recognised new allowances of EUR 125m (87) and reversals of allowances of EUR 122m (130). Recoveries on realised losses from previous years were EUR 26m (24).

*Settlement risk*

Settlement risk is a type of credit risk arising during the process of settling a contract or execution of a payment. The risk amount is the principal of the transaction, and a loss could occur if a counterpart were to default after Nordea has given irrevocable instructions for a transfer of a principal amount or security, but before receipt of the corresponding 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 in recent years.

**Impaired loans**

**Group**

| | 31 Dec 2007 | | | 31 Dec 2006 | | |
|---|---|---|---|---|---|---|
| EURm | Corporate customers | Personal customers | Total | Corporate customers | Personal customers | Total |
| Impaired loans, gross, individually assessed | 412 | 211 | 623 | 362 | 289 | 651 |
| Allowances for individually assessed loans | 152 | 41 | 193 | 218 | 45 | 263 |
| Impaired loans, net, individually assessed | 260 | 170 | 430 | 144 | 244 | 388 |
| Allowances /impaired loans, gross, individually assessed (%) | 36.9 | 19.4 | 31.0 | 60.2 | 15.6 | 40.4 |
| Impaired loans, gross/lending, individually assessed loans (%) | 1.3 | 0.8 | 1.0 | 1.4 | 1.2 | 1.2 |
| Allowances for collectively assessed loans | 156 | 10 | 166 | 112 | 10 | 122 |
| Total allowances (individually and collectively) / lending % | 1.0 | 0.2 | 0.6 | 1.2 | 0.2 | 0.7 |

**Parent company**

| | 31 Dec 2007 | | | 31 Dec 2006 | | |
|---|---|---|---|---|---|---|
| EURm | Corporate customers | Personal customers | Total | Corporate customers | Personal customers | Total |
| Impaired loans, gross, individually assessed | 382 | 150 | 532 | 289 | 289 | 578 |
| Allowances for individually assessed loans | 141 | 19 | 160 | 210 | 23 | 233 |
| Impaired loans, net, individually assessed | 241 | 131 | 372 | 79 | 266 | 345 |
| Allowances/impaired loans, gross, individually assessed (%) | 36.7 | 12.9 | 30.0 | 72.7 | 8.0 | 40.3 |
| Impaired loans, gross/lending, individually assessed loans (%) | 1.3 | 0.6 | 1.0 | 1.2 | 1.3 | 1.2 |
| Allowances for collectively assessed loans | 156 | 10 | 166 | 112 | 10 | 122 |
| Total allowances (individually and collectively) / lending % | 1.0 | 0.1 | 0.6 | 1.4 | 0.1 | 0.8 |

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

| | Group | | | | Parent company | | | |
|---|---|---|---|---|---|---|---|---|
| EURm | 31 Dec 2007 | % of lending to the industry | 31 Dec 2006 | % of lending to the industry | 31 Dec 2007 | % of lending to the industry | 31 Dec 2006 | % of lending to the industry |
| Real estate management | 43 | 0.5 | 22 | 0.3 | 40 | 0.5 | 22 | 0.3 |
| Construction | 19 | 2.2 | 13 | 2.2 | 17 | 2.7 | 13 | 2.8 |
| Agriculture and fishing | 6 | 2.3 | 3 | 3.6 | 5 | 2.1 | 3 | 3.6 |
| Transport | 15 | 0.5 | 13 | 0.5 | 14 | 0.5 | 13 | 0.6 |
| Shipping | - | - | 0 | 0.0 | - | - | 0 | 0.0 |
| Trade and services | 82 | 2.3 | 47 | 1.7 | 78 | 2.5 | 46 | 2.0 |
| Manufacturing | 153 | 2.1 | 117 | 2.5 | 144 | 2.3 | 117 | 2.5 |
| Financial operations | 32 | 2.3 | 16 | 2.1 | 27 | 2.4 | 17 | 2.1 |
| Renting, consulting and other company services | 45 | 4.0 | 27 | 2.2 | 43 | 3.9 | 27 | 2.2 |
| Other | 17 | 0.3 | 104 | 1.8 | 14 | 0.3 | 31 | 0.9 |
| **Total** | **412** | **1.3** | **362** | **1.4** | **382** | **1.3** | **289** | **1.2** |

**Distribution of allowances to corporate customers, by industry**

| **Group** | 31 Dec 2007 | | | | 31 Dec 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| EURm | Individually assessed loans | % | Collectively assessed loans | % | Individually assessed loans | % | Collectively assessed loans | % |
| Real estate management | 12 | 7.5 | 91 | 58.4 | 16 | 7.3 | - | - |
| Construction | 4 | 2.8 | - | - | 8 | 3.7 | - | - |
| Agriculture and fishing | 1 | 0.9 | 3 | 1.9 | 1 | 0.5 | 6 | 5.4 |
| Transport | 4 | 2.8 | 5 | 3.2 | 7 | 3.2 | 7 | 6.2 |
| Shipping | - | - | - | - | 0 | 0.0 | - | - |
| Trade and services | 24 | 15.9 | - | - | 31 | 14.2 | - | - |
| Manufacturing | 62 | 40.5 | 23 | 14.8 | 100 | 45.9 | 34 | 30.3 |
| Financial operations | 6 | 3.8 | - | - | 9 | 4.1 | - | - |
| Renting, consulting and other company services | 14 | 9.4 | - | - | 20 | 9.2 | - | - |
| Other | 25 | 16.4 | 34 | 21.7 | 26 | 11.9 | 65 | 58.1 |
| **Total** | **152** | **100.0** | **156** | **100.0** | **218** | **100.0** | **112** | **100.0** |

| **Parent company** | 31 Dec 2007 | | | | 31 Dec 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| EURm | Individually assessed loans | % | Collectively assessed loans | % | Individually assessed loans | % | Collectively assessed loans | % |
| Real estate management | 12 | 8.2 | 91 | 58.4 | 16 | 7.5 | - | - |
| Construction | 4 | 3.1 | - | - | 8 | 3.8 | - | - |
| Agriculture and fishing | 1 | 1.0 | 3 | 1.9 | 1 | 0.4 | 6 | 5.4 |
| Transport | 4 | 2.9 | 5 | 3.2 | 7 | 3.2 | 7 | 6.2 |
| Shipping | - | - | - | - | 0 | 0.0 | - | - |
| Trade and services | 24 | 17.2 | - | - | 31 | 15.0 | - | - |
| Manufacturing | 62 | 43.8 | 23 | 14.8 | 100 | 47.6 | 34 | 30.3 |
| Financial operations | 6 | 4.1 | - | - | 9 | 4.2 | - | - |
| Renting, consulting and other company services | 14 | 10.2 | - | - | 20 | 9.4 | - | - |
| Other | 14 | 9.5 | 34 | 21.7 | 18 | 8.9 | 65 | 58.1 |
| **Total** | **141** | **100.0** | **156** | **100.0** | **210** | **100.0** | **112** | **100.0** |

**Reconciliation of reserves (on and off balance)**

**Group**

| EURm | Balance 31 Dec 2006 | Changes through profit/loss | Currency changes | Balance 31 Dec 2007 |
|---|---|---|---|---|
| Specific reserves for individually assessed loans | 263 | -70 | 0 | 193 |
| Groups of significant loans | 104 | 48 | -1 | 151 |
| Groups of non-significant loans | 18 | -3 | - | 15 |
| Total reserves | 385 | -25 | -1 | 359 |

**Parent company**

| EURm | Balance 31 Dec 2006 | Changes through profit/loss | Currency changes | Balance 31 Dec 2007 |
|---|---|---|---|---|
| Specific reserves for individually assessed loans | 233 | -73 | 0 | 160 |
| Groups of significant loans | 104 | 48 | -1 | 151 |
| Groups of non-significant loans | 18 | -3 | - | 15 |
| Total reserves | 355 | -28 | -1 | 326 |

**Restructured loans and receivables**

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 |
| Loans and receivables before restructuring, book value | 3 | 14 | 3 | 7 |
| Loans and receivables after restructuring, book value | 2 | 14 | 2 | 7 |

### *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, i.e. that the terms connected to the specific contract are agreed upon on individual terms with the counterpart.

Nordea invariably enters into derivative contracts based on customer demand, both directly and in order to hedge positions that arise through such activities.

Furthermore, the Group, through Group Treasury uses interest rate swaps and other derivatives in its hedging activities of the assets and liabilities on the balance sheet.

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

### *Counterparty risk*

Counterparty risk 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 contractual claim on the counterpart under the contract.

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

Nordea uses the transaction-based model to calculate the counterparty risk, i.e. 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 tenor 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 tenor and the volatility of the underlying asset. The total counterparty risk exposure end 2007 was EUR 20.3bn, of which the current exposure represents EUR 3.1bn.

**Counterparty risk exposure in derivatives (after closeout netting and collateral agreements) – Group**

| | Current exposure | | Potential future exposure | | Total credit risk exposure | |
|---|---|---|---|---|---|---|
| EURm | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 |
| Total | 3,123 | 1,979 | 21,002 | 21,375 | 20,258 | 20,686 |

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. 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. The collateral is to large extent cash (EUR, USD, DKK, SEK, NOK), but also government bonds and to a lesser extent mortgage bonds are accepted.

The effects of closeout netting agreements and collateral arrangements are considerable, as 90% of the current exposure (gross) was eliminated by the use of these risk mitigation techniques.

Finally, Nordea also uses a risk mitigation technique based upon agreements that give Nordea the option to terminate contracts at a specific point of time or upon the occurrence of credit-related events.

Nordea is using credit derivatives to hedge positions in traded corporate bonds and basket credit derivatives. Nordea does not actively use credit derivatives in connection with own credit portfolio.

### *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 so called structural market risk) as a result of movements in financial market variables.

The market price risk exposure in Nordea Bank Finland is primarily towards interest rates and equity prices and, to a lesser degree, to foreign exchange rates, commodity prices and credit spreads. The net exposure derives to a large extent from the investment portfolios of Group Treasury and 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 internal defined benefit pension plans. For all other activities, the basic principle is that market risks are eliminated by matching assets, liabilities and off-balance-sheet items. This is achieved by transactions in Group Treasury.

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 (including lending, funding and deposits) over a one-year horizon and is described below. The basic principle is that SIIR is reduced by matching assets, liabilities and off-balance-sheet items in order to keep the risk within the decided targets and limits.
- 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 functional currency of the parent company.

### *Reporting and control processes*

Transparency in all elements of the risk management process is central in maintaining a risk awareness and a sound risk culture throughout the organisation. In Nordea, we achieve this transparency by, inter alia,

- management taking an active role in the process. The Group CRO receives reporting on the Group's consolidated market risk every morning; Group Executive Management receives reports on a monthly basis, and the Nordea Bank Finland Board of Directors and the Group Board of Directors on a quarterly basis.

- defining clear risk mandates (at departmental, desk and individual levels), in terms of limits and restrictions on which instruments may be traded. Adherence to limits is crucial, and if a limit were to be violated, the decision-making body would be informed immediately.
- having a comprehensive policy framework, where responsibilities and objectives are explicitly outlined. Policies are decided by the Group Board and adopted by the Board of Directors of Nordea Bank Finland, and are complemented by instructions issued by the Group CRO.
- having detailed business procedures that clearly state how policies and guidelines are to be implemented
- having risk models that make risk figures easily decomposable
- having a framework for approval of traded financial instruments, and methods for the valuation of these, that requires an elaborate analysis of, and documentation of, the instruments' features and risk factors (with the responsibility for their approval residing with the CRO)
- having a “business intelligence” type risk it-system that allows all traders and controllers to easily monitor and analyse their risk figures
- having tools that allow the calculation of VaR figures on the positions a trader, desk or department has during the day.

***Measurement methods***

As there is no single risk measure that captures all aspects of market risk, Nordea Bank Finland 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.

With the chosen characteristics of Nordea’s VaR model, the VaR-figures can be interpreted as the loss that will only be exceeded in one of 100 ten-day trading periods. However, it is important to note that, while every effort is made to make the VaR-model as realistic as possible, all VaR-models are based on some assumptions and approximations that have significant effect on the risk figures produced. Also, it should be kept in mind that the historical observations of the market variables that are used as input, may not give an adequate description of their behaviour in the future. In particular the historical values may fail to reflect the potential for extreme market moves.

Nordea’s VaR model is the basis for calculating the capital requirement for market risk from equities (both general and specific risk), interest rates (general and specific) and foreign exchange (general) in the trading book.

The market risk in structured equity derivatives is limited and monitored in the daily market risk management process, but not included in the VaR figures.

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 of the VaR-model 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 2007.

*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 is based on the consolidated risk stemming from both investment and trading activities. Overall, fluctuations in the risk levels for the various categories of risks have been moderate over the year.

The market risk from the internal pension plans is measured separately.

*Total risk*
The total VaR was EUR 23m (23) at the end of 2007 demonstrating a considerable diversification effect between interest rate, equity, foreign exchange and credit spread risk, as the total VaR is lower than the sum of the risk in the four categories.

*Interest rate risk*
The total interest rate VaR ended 2007 at EUR 21m (22). The total gross sensitivity to a 1-percentagepoint parallel shift, which measures the development in the market value of interest rate sensitive positions if all interest rates were to move adversely for Nordea Bank Finland, was EUR 212m at the end of 2007 (181). The largest part of Nordea's interest rate sensitivity stemmed from interest rate positions in US Dollars, Danish Kroner, Swedish Kronor, Norwegian Kroner and Euro.

*Equity risk*
At the end of 2007, Nordea Bank Finland's equity VaR stood at EUR 1m (2). Nordea Bank Finland's equity portfolio is well diversified.

*Credit spread risk*
Credit spread VaR increased slightly over the year but at EUR 5m at year-end (2), it remains at a relatively modest level.

*Foreign exchange risk*
Nordea Bank Finland's foreign exchange VaR of EUR 3m (3) at year-end is relatively low compared to the interest rate and equity risk exposure.

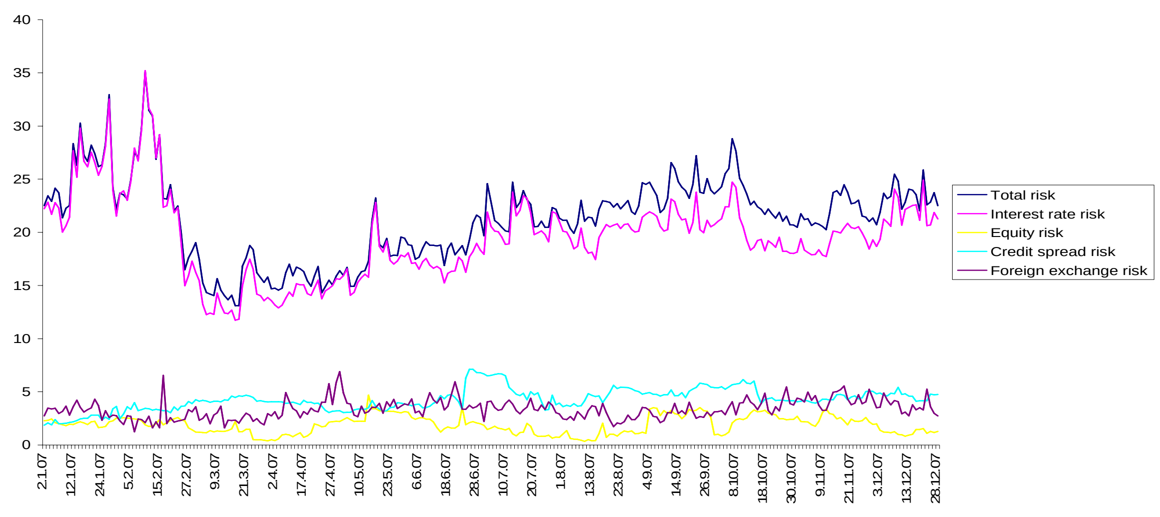
*Commodity risk*
Nordea Bank Finland's exposure to commodity risk, primarily pulp and paper, is solely related to client-driven activities. The linear commodity risk was EUR 6m (4) at the end of 2007 and commodity option risk was EUR 2m (3).

**Market risk**

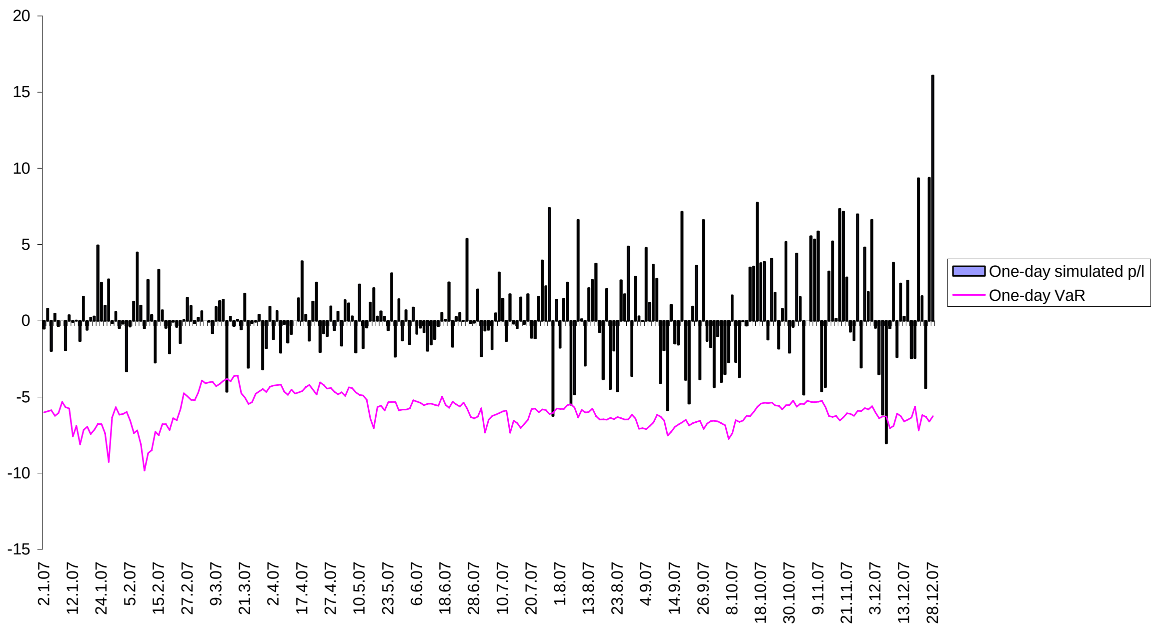
**Nordea Bank Finland Plc**

| EURm | 28 Dec 2007 | YTD high | YTD low | YTD Average | 31 Dec 2006 |
|---|---|---|---|---|---|
| VaR | | | | | |
| Total risk | 22.5 | 35.1 | 13.1 | 21.3 | 23.0 |
| Interest rate risk | 21.3 | 35.2 | 11.7 | 19.6 | 22.2 |
| Equity risk | 1.3 | 4.7 | 0.3 | 1.9 | 2.3 |
| Credit spread risk | 4.8 | 7.1 | 1.9 | 4.3 | 1.7 |
| Foreign exchange risk | 2.7 | 6.9 | 1.2 | 3.4 | 2.5 |
| Diversification effect | 26 | | | | 20 |
| Simulation | | | | | |
| Commodity risk, linear | 5.8 | 11.0 | 1.7 | 5.2 | 4.0 |
| Commodity risk, options | 2.2 | 6.1 | 2.1 | 2.5 | 1.8 |

**Market risk Nordea Bank Finland, VaR, EURm**



**Backtesting one-day total VaR against one-day simulated p/l, EURm**




***Operational risk***

In the Group's Policy for Internal Control and Risk Management, operational risk is defined as the risk of direct or indirect loss, or damaged reputation resulting from inadequate or failed internal processes, from people and systems, or from external events. Compliance risk is defined as the risk of business not being conducted according to legal and regulatory requirements, market standards and business ethics, thereby jeopardising customers' best interest, other stakeholders trust or resulting in regulatory sanctions, financial loss or damage to the reputation and confidence in the Group. Legal and Compliance risks as well as Crime risk and Process risks, including IT risk and project 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 of 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 in implementing 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 and Group Legal.

The main processes for managing operational risks are 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.

**Liquidity management**

***Management principles and control***

The Board of Directors of Nordea Bank AB (publ) has the ultimate responsibility for Asset and Liability Management of the Group i.e. limiting and monitoring the Group's structural risk exposures. Risks in Nordea are measured and reported according to common principles and policies approved by the Board. The Board of Directors also decides on policies for liquidity risk management. These policies are reviewed at least annually.

The Asset and Liability Committee (ALCO), chaired by the Group CFO, prepares issues of major importance concerning the Group's financial operations and financial risks for decision by CEO in GEM. Group Treasury operationalises the targets and limits and develops the liquidity risk and SIIR management frameworks, which consists of policies, instructions and guidelines for the whole Group.

***Liquidity risk management***

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

Nordea's liquidity management is based on policy statements resulting in different liquidity risk measures, limits and organisational procedures.

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify the Group's sources of funding and seeks to establish and maintain relationships with investors in order to manage the market access.

Broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail customer base and the variety of Funding programmes. Special focus is given for the composition of the Investor base in the terms of geographical range and rating sensitivity.

Nordea additionally publishes adequate information on the liquidity situation of the Group to remain trustworthy at all times.

Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. The stress test should identify events or influences that could affect the funding need or the funding price and seek to quantify the potential effects. The purpose of stress tests is to supplement the normal liquidity risk measurement and confirm that the Business Continuity Plan is adequate in stressful events, and that the Business Continuity Plan properly describes procedures to handle a liquidity crisis with minimal damage to Nordea.

Group Treasury is responsible for managing the liquidity in Nordea and for compliance with the group wide limits from the Boards of Directors, CEO in GEM and ALCO.

***Liquidity risk measurement methods***

The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk.

In order to measure the exposure on both horizons, a number of liquidity risk measures have been developed covering all material sources of liquidity risk. 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. Cash flows from both on-balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited as a total figure for all currencies combined.

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

The structural liquidity risk of Nordea is measured and limited 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 remaining term to maturity longer than 6 months, and shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 6 months and committed facilities.

### *Liquidity risk analysis*

The short-term liquidity risk has been held at moderate levels throughout 2007. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 14 days, has been EUR -0.7bn (-0.5).

NBF's liquidity buffer has been in the range EUR 2.4–6.3bn (2.0-5.8) throughout 2007 with an average of EUR 4.5bn (4.0).

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 EUR -1.5bn (-0.6).

**Liquidity risk, contractual maturity analysis for financial liabilities, 31 Dec 2007**

Contractual cash flows

**Group**

EURm

| Remaining contractual maturity | Payable on demand | Other within 1 year | 1-5 year | >5 year | Total |
|---|---|---|---|---|---|
| Liabilities | 27 120 | 65 708 | 6 853 | 1 049 | 100 730 |

**Parent company**

EURm

| Remaining contractual maturity | Payable on demand | Other within 1 year | 1-5 year | >5 year | Total |
|---|---|---|---|---|---|
| Liabilities | 27 120 | 65 735 | 6 856 | 1 049 | 100 761 |

### *Structural Interest Income Risk*

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

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

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

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

Group Treasury has the responsibility for the operational management of SIIR and for complying with Group wide targets.

### *SIIR 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 repricing 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 was EUR – 188m (–171) and the SIIR for increasing rates was EUR 172m (166).

These figures imply that net interest income would decrease if interest rates fall and increase if interest rates rise.

**GAP analysis 31 Dec 2007 (SIIR)**

**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 repricing | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Interest-bearing assets | **112,463** | 83,449 | 13,133 | 10,355 | 1,012 | 2,199 | 1,795 | 520 | 112,463 |
| Non interest-bearing assets | **34,791** | - | - | - | - | - | - | 34,791 | 34,791 |
| **Total assets** | **147,254** | **83,449** | **13,133** | **10,355** | **1,012** | **2,199** | **1,795** | **35,311** | **147,254** |
| **Liabilities** | | | | | | | | | |
| Interest-bearing liabilities | **99,403** | 69,364 | 9,148 | 9,978 | 6,388 | 3,637 | 888 | **-** | 99,403 |
| Non interest-bearing liabilities | **47,851** | - | - | - | - | - | - | **47,851** | 47,851 |
| **Total liabilities** | **147,254** | **69,364** | **9,148** | **9,978** | **6,388** | **3,637** | **888** | **47,851** | **147,254** |
| Off-balance sheet items, net | | 3,340 | -2,971 | -2,176 | 3,450 | -1,859 | 216 | 0 | |
| **Exposure** | | **17,425** | **1,014** | **-1,799** | **-1,926** | **-3,297** | **1,123** | **-12,540** | |
| **Cumulative exposure** | | | **18,439** | **16,640** | **14,714** | **11,417** | **12,540** | **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 repricing | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Interest-bearing assets | **111,819** | 83,450 | 13,133 | 10,355 | 797 | 1,984 | 1,580 | 520 | 111,819 |
| Non interest-bearing assets | **34,943** | - | - | - | - | - | - | 34,943 | 34,943 |
| **Total assets** | **146,762** | **83,450** | **13,133** | **10,355** | **797** | **1,984** | **1,580** | **35,463** | **146,762** |
| **Liabilities** | | | | | | | | | |
| Interest-bearing liabilities | **99,379** | 69,365 | 9,148 | 9,978 | 6,380 | 3,628 | 880 | 0 | 99,379 |
| Non interest-bearing liabilities | **47,383** | - | - | - | - | - | - | 47,383 | 47,383 |
| **Total liabilities** | **146,762** | **69,365** | **9,148** | **9,978** | **6,380** | **3,628** | **880** | **47,383** | **146,762** |
| Off-balance sheet items, net | | 3,340 | -2,971 | -2,176 | 3,449 | -1,859 | 217 | 0 | |
| **Exposure** | | **17,425** | **1,014** | **-1,799** | **-2,134** | **-3,503** | **917** | **-11,920** | |
| **Cumulative exposure** | | | **18,439** | **16,640** | **14,506** | **11,003** | **11,920** | **0** | |

## Capital management

Nordea strives to attain efficient use of capital through active management of the balance sheet with respect to different asset-, liability- and risk categories. The goal is to enhance returns to the shareholder while maintaining a prudent risk and return relationship.

### *Capital governance*

The Board of Directors decides ultimately on the targets for capital ratios in Nordea.

Nordea's ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the ALCO and the Capital Planning Forum (CPF).

The CPF, headed by the CFO is the forum responsible for coordinating capital planning activities within the Group, including regulatory, internal and available capital. Additionally, the CPF and its members review future capital requirements in the assessment of annual dividends, share repurchases, external and internal debt and capital injection decisions. The CPF considers information on key regulatory developments, market trends for subordinated debt and hybrid instruments and reviews the capital situation in the Nordea Group and in key legal entities. In the CPF the CFO decides, within the mandate given by the Group Board, on issuance of subordinated debt and hybrid capital instruments. Meetings are held at least quarterly and upon request by the CFO.

Nordea Bank Finland was approved in June 2007 by the financial supervisory authorities to use Foundation IRB approach for credit risk in corporate and institution portfolios. Nordea aims to gradually implement the internal ratings based (IRB) approach for the retail portfolio and other portfolios before end 2009. However, the standardised approach will continue to be used for smaller portfolios and new portfolios for which approved internal models are not yet in place.

Nordea is approved to use its own internal Value-at-Risk (VaR) models to calculate capital requirements for the major parts of the market risk in the trading books.

### *ICAAP (Strategies and policies for maintaining the capital adequacy)*

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 for each bank to review the management, mitigation and measurement of material risks to assess the adequacy of internal capital and to determine an internal capital requirement reflecting the risk appetite of the institution.

The purpose of the SRP is 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.

In 2007, Nordea's tier 1 capital and capital base exceed the regulatory minimum requirements outlined in the EU Capital Requirements Directive (CRD). Considering results of capital adequacy stress testing, capital forecasting and growth expectations, Nordea Bank Finland's capital targets is 6.5% for tier 1 capital.

In addition to Nordea's internal capital requirements, ongoing dialogues with third parties affect Nordea's capital requirements, in particular views of the external rating agencies.

Nordea uses its internal capital models, Economic Capital (EC), when considering internal capital requirements with and without market stress. As a number of Pillar II risks exist within Nordea's current EC framework - interest rate risk in the banking book, market risk in the investment portfolios, risk in Nordea's internal defined benefit plans, real estate risk, concentration risk and business risk – Nordea uses its existing internal capital measurements as the basis for any additional capital buffers, subject to the judgement of the aforementioned third parties.

### *Capital structure – policy*

Nordea aims at a tier 1 capital ratio above 6.5%. Nordea maintains the target capital in its legal entities via its dividend policy, subordinated debt and group contributions.

*Capital ratios*

The table "Capital requirements and RWA" shows that the regulatory transition rules comprise a floor on Nordea's capital requirement when compared to Basel II (Pillar 1) minimum requirements. This difference will fluctuate through the transition period as the floor gradually decreases and Nordea receives approval for IRB models for its retail and other portfolios. At present, this difference is EUR 4.9bn expressed as RWA and EUR 0.4bn expressed as regulatory capital requirement.

At the end of 2007 NBF's tier 1 capital ratio was 13.7%, compared to 13.8% at the end of 2006. The capital ratio was 15.3% at the end of 2007 and 16.0% at the end of 2006.

In addition to regulatory requirements, Nordea has internal capital requirements based on the Economic Capital framework.

### *Capital requirement in the Basel II Framework*

The table below shows an overview of the Pillar 1 capital requirements at the end of 2007 divided on the risk types. The credit risk comprises more than 90% of the regulatory capital requirement in NBF. Out of the total capital requirement for credit risk 37% relate to IRB exposures and 63% to standardised exposures. In the IRB approach, 80% relate to the corporate exposure class, which under the foundation approach has an RWA average of 55% compared with 100% under Basel I.

Operational risk, calculated with the standardised approach, makes up 5% of the capital requirements in NBF. The low capital requirement for market risk, 2% is due to use of internal models to assess risk and the capturing of counterparty credit risk in the credit risk figures under Basel II.

Further information on capital requirements and the calculation of RWA are available in NBF's Pillar 3 Report 2007, on www.nordea.com.

**Capital requirements and RWA**

| **Group** | 31 Dec 2007 | 31 Dec 2007 | 31 Dec 2006 |
|---|---|---|---|
| EURm | Capital requirements | Basel II, RWA | Basel I, RWA |
| **Credit risk** | **4,923** | **61,539** | **59,151** |
| IRB foundation | 1,838 | 22,971 | |
| - of which corporate | 1,468 | 18,341 | |
| - of which institutions | 352 | 4,403 | |
| - of which other | 18 | 227 | |
| Standardised | 3,085 | 38,568 | |
| - of which Retail | 1,187 | 14,838 | |
| - of which residential real estate | 578 | 7,233 | |
| - of which qualifying revolving | 62 | 772 | |
| - of which other | 547 | 6,833 | |
| - of which Sovereign | 6 | 77 | |
| - of which Other | 1,892 | 23,653 | |
| Basel I reporting entities | 0 | | |
| **Market risk** | **95** | **1,189** | **6,119** |
| - of which trading book, VaR | 78 | 982 | |
| - of which trading book, non-VaR | 17 | 207 | |
| - of which FX, non-VaR | 0 | 0 | |
| - of which commodity risk | 0 | 0 | |
| **Operational risk** | **272** | **3,403** | |
| Standardised | 272 | 3,403 | |
| **Sub total** | **5,290** | **66,131** | **65,270** |
| **Adjustment for floor rules** | | | |
| Additional capital requirement according to floor rules | 394 | 4,913 | - |
| **Total** | **5,684** | **71,044** | **65,270** |

| **Capital ratio 31 Dec 2007** | 2007 | 2006 |
|---|---|---|
| | Basel II | Basel I |
| Tier 1 ratio, % | 13.7% | 13.8% |
| Capital ratio, % | 15.3% | 16.0% |

*Capital requirement for credit risk*

In the standardised and IRB approach, the regulatory capital requirements for credit risk are calculated using the following formulas:

Minimum capital requirements = Risk weighted assets * 8% Risk Weighted Assets = Risk weight * Exposure at default.

The principles for the calculation of minimum capital requirements for credit risk differ between exposure classes, which serve as the basis for the reporting of capital requirements. The definitions of exposure classes in the standardised approach differ from the classification in accordance with the IRB approach. Some exposure classes are derived from the type of counterparty while others are based on the asset type, product type, collateral type and exposure size.

The exposure value of an on-balance sheet exposure in the IRB approach is measured gross of adjustments, i.e. provisioning. The exposure at default (EAD) for the on-balance sheet items, derivative contracts and securities financing transactions and long settlement transactions is 100% of the original exposure. Off-balance sheet exposures are converted into EAD using credit conversion factors (CCF).

*Capital requirements for market risks (risks in trading book)*

All of the EUR 1.2bn in market risk RWA covers the trading book in Markets. Trading book VaR figures comprise general and specific interest rate risk, equity risk and foreign exchange risk for positions in those portfolios approved by the financial supervisors, for which Nordea is allowed to use its own internal Value-at-Risk (VaR) models. Portfolios not reported with VaR models are reported according to the standardised approach (non-VaR figures in the table on previous page) instead.

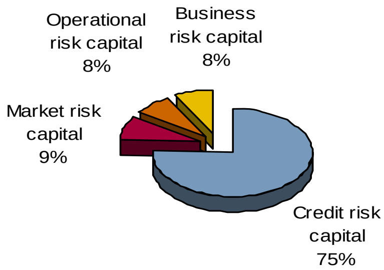
*Capital requirement for operational risk*

The capital requirement for operational risk is calculated using the standardised approach, in which all of the bank's activities are divided into eight business lines: corporate finance, trading & sales, retail banking, commercial banking, payment & settlement, agency services, asset management and retail brokerage.

The total capital requirement for operational risk is calculated as the simple sum of the capital requirements for each of the business lines within each group and legal entity. The risk for each business line is the beta coefficient times gross income. The beta coefficients differ between business lines and are in the range from 12% to 18%.

*Economic Capital (EC)*

The figure below shows the composition of Economic Capital per risk type as of end year 2007. Total Economic Capital at 31 December 2007 is calculated to EUR 2.3bn.




Nordea has calculated internal capital requirements using the EC framework since 2001. Pillar 1 of the CRD closes the gap between regulatory capital and EC by improving the risk sensitivity of regulatory capital measurement.

Nordea calculates EC for the following major risk types: credit risk, market risk, operational risk, business risk and life insurance risk. Additionally, the EC models explicitly account for interest rate risk in the banking book, market risk in the investment portfolios, risk in Nordea's internal defined benefit plans, real estate risk and concentration 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. This model is also used to consider Nordea's portfolio concentration and counterparty risk in Nordea's trading book. The parameter estimation framework used for EC is the foundation for the Basel II framework for IRB models for Nordea's credit exposures.

Market risk for the banking business is based on scenario simulation and Value-at-Risk (VaR) models scaled to the time horizon and confidence interval in place for EC. Additionally, Nordea uses VaR and simulation modelling to determine EC for interest rate risk in the banking book, market risk in investment portfolios, risk in Nordea's internal defined benefit plans and real estate risk.

Operational risk reflects the risk of direct or indirect loss 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 residual volatility in historical profit and loss time series after adjustments for market, operational and credit risk.

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

The varied operations of Nordea give rise to considerable diversification benefits. However, when Nordea's EC risks are considered on a standalone basis, all unexpected losses are assumed to occur simultaneously. Thus, Nordea uses a conservative correlation matrix approach to estimate the diversification benefits arising from its operations. For instance, credit risk and market risk are both highly correlated with the development of the general economy and thus highly correlated with each other. In the end, the diversification effects produce an EC that is lower than the sum of the EC for each risk type.

In addition to calculating EC, Nordea conducts a comprehensive capital adequacy stress test process to analyse the effects of a series of global and local shock scenarios. The results of stress testing are considered, along with potential management interventions, in Nordea Group's internal capital requirement. Nordea Group requires a minimum percentage of available capital versus the internal capital requirement in order to ensure adequate capital in the event of stresses to Nordea's and international markets.

***Economic Profit (EP)***

Nordea uses EP as one of its financial performance indicator. EP is calculated as risk-adjusted profit less cost of equity.

Risk-adjusted profit and EP are measures for shareholder value creation. In investment decisions and customer relationships, EP drives and supports the right behaviour with a balanced focus on income, costs and risk. The EP model also captures both growth and return. Economic Capital and expected losses are used in the economic profit framework.

***Expected losses***

Expected losses reflect the normalised loss level of the individual credit exposure over a business cycle as well as various portfolios. At the Group level, the expected loss ratio used in the economic profit framework was 16 basis points calculated on the credit portfolio as of 31 December 2007 (18). It should be noted that the Expected Loss ratio is a more stable measure than actual losses, but it will vary with the business cycle as a consequence of shifts in the repayment capacity (PD dimension) and collateral coverage (LGD dimension) distributions.

***Capital base***

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

Tier 1 capital is defined as capital of the same or close to the character of paid-up, capital-eligible reserves and a limited portion hybrid capital loan (perpetual loans) instruments (maximum 15% of tier 1). Profit may only be included after deduction of proposed dividend. Goodwill and deferred tax assets are deducted from tier 1.

Tier 2 is divided into perpetual loans and dated loans. The total tier 2 amount may not exceed tier 1. Dated tier 2 loans may not exceed half the amount of tier 1. The limits are set after deductions, i.e. investment in insurance and other financial companies. The differences between expected loss (EL) and provision made for the related exposures are adjusted for in the capital base. The negative difference (EL is larger than provision) is known as the "shortfall".

According to the CRD, the shortfall is deducted from the capital base. For the purpose of Basel II transitional rules, the shortfall is also deducted from the RWA to be neutral from a Basel I perspective.

Internal processes for capital transfer within Nordea are well-established and include the options of dividend and group contribution, subordinated and perpetual debt instruments and capital injections and issuance of shares. In situations when the capital base needs to be increased in a subsidiary, the primary options are internal subordinated debt instruments or a capital injection from the parent company to increase the core capital.

***Pillar 3 disclosure, Capital adequacy***

NBF group discloses additional information regarding capital management in the Basel II framework on www.nordea.com.

**Specification over group undertakings consolidated in the Nordea Bank Finland Group**

| 31 Dec 2007 | Number of shares | Book value EURm | Voting power of holding % | Domicile | Business ID | Consolidation method |
|---|---|---|---|---|---|---|
| **Group undertakings included in the NBF Group** | | | | | | |
| Nordea Finance Finland Ltd | 1,000,000 | 306 | 100.0 | Espoo | 0112305-3 | purchase method |
| PMA-Invest Oy | 8,434 | 13 | 100.0 | Helsinki | 1069506-1 | purchase method |
| Other companies | | 3 | | | | |
| **Total** | | **322** | | | | |

Over 10 % investments in credit institutions deducted from the capital base

| | | | | | |
|---|---|---|---|---|---|
| Luottokunta | 37 | 24 | Helsinki | 0201646-0 | |
| NF Fleet | 1 | 20 | Espoo | 2006935-5 | |
| Other | 2 | | | | |
| **Total investments in credit institutions deducted from the capital base** | **40** | | | | |

**Capital base**

As end of year 2007, Nordea Bank Finland Group had outstanding EUR 801m in Dated Subordinated Debenture Loans, EUR 469m in Undated Subordinated Debenture Loans.

| EURm | Group 31 Dec 2007 | Group 31 Dec 2006 | Parent company 31 Dec 2007 | Parent company 31 Dec 2006 |
|---|---|---|---|---|
| **Total capital base** | **10,875** | **10,433** | **10,731** | **10,324** |
| **Eligible capital** | 2,918 | 2,918 | 2,918 | 2,918 |
| Paid up capital | 2,319 | 2,319 | 2,319 | 2,319 |
| Share premium | 599 | 599 | 599 | 599 |
| **Eligible reserves** | 7,875 | 10,561 | 7,667 | 10,417 |
| Reserves | 6,505 | 9,276 | 6,362 | 9,147 |
| Minority interests | 7 | 6 | - | - |
| Income (positive) from current year | 1,363 | 1,279 | 1,305 | 1,270 |
| **Total equity** | **10,793** | **13,479** | **10,585** | **13,335** |
| **Deductions from Tier 1 capital** | **-1,068** | **-4,481** | **-1,029** | **-4,476** |
| Proposed/actual dividend | -850 | -4,000 | -850 | -4,000 |
| Deferred tax assets | -136 | -468 | -134 | -463 |
| Goodwill | 0 | 0 | - | - |
| Intangible assets | -48 | -13 | -37 | -13 |
| Deduction for investments in credit institutions | -20 | | -4 | |
| IRB provisions excess (+) / shortfall (-) | -13 | | -3 | |
| Other items, net | -1 | - | -1 | - |
| **Tier 1 capital (net after deduction of goodwill)** | **9,725** | **8,998** | **9,556** | **8,859** |
| **Tier 2 capital** | | | | |
| Subordinate loan capital | 652 | 904 | 652 | 904 |
| Other additional own funds | 529 | 570 | 529 | 570 |
| Fair value reserve | 1 | | 1 | |
| **Tier 2 capital (before deductions)** | **1,182** | **1,474** | **1,182** | **1,474** |
| **Deductions from Tier 2 capital** | **-32** | **-39** | **-7** | **-9** |
| Deduction for investments in credit institutions | -20 | -39 | -4 | -9 |
| IRB provisions excess (+) / shortfall (-) | -12 | | -3 | |
| **Tier 2 capital (net after deductions)** | **1,150** | **1,435** | **1,175** | **1,465** |

During 2007 NBF paid back subordinated loans amounting to USD 150m and EUR 200m with the permission of the Finnish Financial Supervision Authority.

## Human resources

Nordea's employees team up to create great customer experiences for the customers in Nordea. They focus on building strong relationships with customers and on living the mission – making it possible.

**It's all about people**

While products and strategies relatively easily can be copied, people in the end are the most determining competitive factor in the financial services industry.

This perspective has become even more visible in the revised Nordea vision:

"The leading Nordic bank, acknowledged for its people, creating superior value for customers and shareholders".

Nordea conducted an extensive cultural survey by the end of 2006. Based among other things on that, a revised values were defined and rolled out during 2007. One of the three new values is 'It's all about people'. This value will strengthen the focus on people and leadership to enable Nordea to reach its growth targets.

**Revised HR strategy**

In order to remain in the lead, the right competencies need to be in place to exceed our customers' expectations, adjust to changes, and to perform - today and in the future. This is reflected in a new HR strategy, developed in 2007.

The revised HR strategy is addressing four focus areas:

- employer branding,
- leadership,
- recruitment and
- developing talent.

**Nordea as an attractive employer**

Nordea's ambition is to be the most attractive employer in the financial sector in the Nordic region in order to attract, develop and retain highly competent employees.

There is a clear connection between the financial results and the satisfaction and motivation of employees: satisfied staff performs better in all aspects, which in turn influences profitability positively.

A comprehensive survey, Employer Satisfaction Index (ESI) - covering attitudes and satisfaction is carried out every year. It shows the employees' perception of the leadership in Nordea, of their workplace and of the company in general.

The results are an important tool used by managers in their ongoing individual dialogues with their teams in order to continuously improve.

**Great leadership**

The employees perceptions of their immediate manager performance remain in this year's ESI survey at a high 76 (out of 100), compared to the Nordic financial labour market in general (72). The most important drivers for employees to be satisfied and motivated are the content of their daily work and opportunities for competence development.

A new set of leadership competencies based on the new values have been rolled out highlighting how managers should act in Nordea. The professional leadership training programmes are tailor-made to go hand in hand with implementing the business strategies covering all from potential managers to top executives.

**Recruiting the right people**

We acknowledge the strengths of diversity in terms of gender, age, education and different cultural background. We also acknowledge that employees have different key personal drivers and career aspirations. Some employees get the energy and drive by taking on new challenges and finding new customers. Others are triggered by building and maintaining strong and long lasting relations to the customers and get things to work. Both groups are needed to build a strong team.

**Increased number of female managers**

To increase the number of females in managerial positions is a priority throughout Nordea. Both genders should be represented among the final three candidates when recruiting for managerial and executive positions. A mentor programme to further develop potential female managers was run 2007.

**Compensation and profit sharing**

All employees participate in a unified profit sharing programme. Performance criteria for allocation are determined by the Board early each year and reflect internal goals as well as benchmarking with competitors.

Nordea's long-term incentive programme (LTIP 2007) was introduced in May 2007, targeting up to 400 managers and key employees identified as essential to the future development of the Group. The LTIP 2007 replaced an Executive Incentive Programme which had been in place as from 2003.

More information on the incentive programme is described in note 8.

## Environmental concerns

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

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

The policy also guides 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.

**Acquisitions**

| Month | Quantity | Average acq.price | Amount, EUR |
|---|---|---|---|
| January | 94,500 | 11.64 | 1,100,217.51 |
| February | 3,427,218 | 12.06 | 41,348,280.98 |
| March | 1,707,409 | 11.49 | 19,618,739.04 |
| April | 237,000 | 12.35 | 2,926,985.00 |
| May | 1,124,679 | 12.46 | 14,014,584.98 |
| June | 3,323,350 | 11.64 | 38,674,838.87 |
| July | 866,283 | 11.72 | 10,156,217.01 |
| August | 4,043,127 | 11.39 | 46,066,345.89 |
| September | 1,005,627 | 11.35 | 11,412,780.16 |
| October | 198,000 | 11.96 | 2,368,809.01 |
| November | 641,000 | 11.16 | 7,155,080.00 |
| December | 395,698 | 11.48 | 4,544,137.46 |
| | 17,063,891 | | 199,387,015..91 |

**Sales**

| Month | Quantity | Average price | Amount, EUR |
|---|---|---|---|
| January | -60,000 | 10.99 | -659,101,52 |
| February | -2,531,844 | 11.99 | -30,357,743,09 |
| March | -2,903,497 | 11.60 | -33,691,930,09 |
| April | -689,347 | 12.49 | -8,606,938,70 |
| May | -467,841 | 12.38 | -5,793,879,17 |
| June | -2,371,000 | 11.62 | -27,541,601,00 |
| July | -911,901 | 11.93 | -10,879,113,22 |
| August | -4,819,775 | 11.51 | -55,479,099,62 |
| September | -1,057,200 | 11.75 | -12,420,006,10 |
| October | -150,000 | 12.19 | -1,828,290,00 |
| November | -73,800 | 11.23 | -828,743,96 |
| December | -424,800 | 11.51 | -4,891,417,86 |
| | -16,461,005 | | -192,977,864.33 |

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 2007 NBF owned 876 947 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 2008

The turbulent development in international capital markets since last summer, with international equity markets being heavily affected beginning of 2008, has significantly increased the uncertainty for 2008.

Nordic GDP growth is in 2008 expected to slow down, however on average still reach above 2%. In the estimates for 2008, Nordea assumes no significant changes in average interest rates during the year. Lower interest rates would negatively impact Nordea Group’s income growth.

Following the strong performance from growth initiatives, Nordea Group will continue with investments in growth areas, in the Nordic countries and in New European Markets. The increase in cost base for Nordea Group, resulting from growth initiatives, is for 2008 expected to be EUR 100-120m. These initiatives and increased wage inflation is expected to lead to a somewhat higher cost increase in 2008, compared with 2007.

If the economic growth slows down more than now anticipated, Nordea Group will review the level of growth investments.

Nordea Group's long-term target, formulated in 2006, is to double the risk-adjusted profit in seven years. Based on the forecast for GDP growth for the Nordic region, as well as for interest rates, the risk-adjusted profit is in 2008 expected to grow in the range of 5-10%. NBF is expected to contribute to such growth.

The overall quality of the credit portfolio remains strong. Nordea Group has a well diversified portfolio both in terms of geography, with an almost equal distribution between the four Nordic countries, and in terms of industry and corporate/household distribution.

Also in the New European Markets, Nordea is confident about its credit risk exposure, even though the macro-economic situation is likely to gradually affect credit quality. This has already been recognised by establishing group wise provisions.

A change in macro economic outlook is likely to influence the credit climate over time. For 2008 Nordea Group expects some net loan loss charges, as reversals of previously made provision are likely to decrease.

The average standard tax rate for Nordea Group's business based on current tax regulations is approx. 26%. The effective tax rate for 2008 is expected to be 3-5 %-points lower than this average.

# Nordea Bank Finland Group and Nordea Bank Finland Plc

## Income statement

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| EURm | Note | 2007 | 2006 | 2007 | 2006 |
| **Operating income** | | | | | |
| Interest income | 3 | 4,909 | 3,604 | 4,724 | 3,438 |
| Interest expense | 3 | -3,378 | -2,211 | -3,376 | -2,210 |
| **Net interest income** | 3 | 1,531 | 1,393 | 1,348 | 1,228 |
| Fee and commission income | 4 | 532 | 497 | 499 | 470 |
| Fee and commission expense | 4 | -217 | -189 | -202 | -175 |
| **Net fee and commission income** | 4 | 315 | 308 | 297 | 295 |
| Net gains/losses on items at fair value | 5 | 541 | 430 | 540 | 430 |
| Profit from companies accounted for under the equity method | 21 | 2 | 31 | - | - |
| Dividends | 6 | 24 | 2 | 161 | 41 |
| Other operating income | 7 | 190 | 290 | 187 | 363 |
| **Total operating income** | | **2,603** | **2,454** | **2,533** | **2,357** |
| **Operating expenses** | | | | | |
| General administrative expenses: | | | | | |
| Staff costs | 8 | -515 | -504 | -470 | -460 |
| Other expenses | 9 | -375 | -359 | -371 | -353 |
| Depreciation, amortisation and impairment charges of tangible and intangible assets | 10, 22, 23 | -29 | -18 | -19 | -19 |
| **Total operating expenses** | | **-919** | **-881** | **-860** | **-832** |
| Loan losses | 11 | 20 | 63 | 31 | 70 |
| Impairment of securities held as financial non-current asset | | 0 | -2 | 0 | -1 |
| Disposals of tangible and intangible assets | | 0 | 5 | 0 | 2 |
| **Operating profit** | | **1,704** | **1,639** | **1,704** | **1,596** |
| Income tax expense | 12 | -339 | -358 | -400 | -326 |
| **Net profit for the year** | | **1,365** | **1,281** | **1,304** | **1,270** |
| **Attributable to:** | | | | | |
| Shareholders of Nordea Bank Finland Plc | | 1,363 | 1,279 | 1,304 | 1,270 |
| Minority interests | | 2 | 2 | - | - |
| **Total** | | **1,365** | **1,281** | **1,304** | **1,270** |

## Balance sheet

| EURm | Note | Group 31 Dec 2007 | Group 31 Dec 2006 | Parent company 31 Dec 2007 | Parent company 31 Dec 2006 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances with central banks | | 1,953 | 1,151 | 1,953 | 1,151 |
| Treasury bills and other eligible bills | 13 | 2,149 | 2,877 | 2,149 | 2,877 |
| Loans and receivables to credit institutions | 14 | 45,549 | 47,031 | 50,400 | 51,709 |
| Loans and receivables to the public | 14 | 60,597 | 52,463 | 55,101 | 47,230 |
| Interest-bearing securities | 15 | 2,215 | 1,161 | 2,215 | 1,161 |
| Financial instruments pledged as collateral | 16 | - | 100 | - | 100 |
| Shares | 17 | 1,465 | 603 | 1,464 | 602 |
| Derivatives | 18 | 30,731 | 23,692 | 30,731 | 23,692 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 19 | -45 | -54 | -45 | -54 |
| Investments in group undertakings | 20 | - | - | 322 | 322 |
| Investments in associated undertakings | 21 | 76 | 83 | 45 | 56 |
| Intangible assets | 22 | 48 | 13 | 37 | 13 |
| Property and equipment | 23, 24 | 110 | 89 | 55 | 61 |
| Investment property | 25 | 4 | 4 | 3 | 3 |
| Deferred tax assets | 12 | 136 | 468 | 134 | 463 |
| Current tax assets | | 21 | 12 | - | - |
| Retirement benefit assets | 34 | 59 | 52 | 54 | 49 |
| Other assets | 26 | 1,412 | 1,112 | 1,442 | 1,114 |
| Prepaid expenses and accrued income | 27 | 774 | 489 | 702 | 436 |
| **Total assets** | | **147,254** | **131,346** | **146,762** | **130,985** |
| **Liabilities** | | | | | |
| Deposits by credit institutions | 28 | 26,789 | 29,233 | 26,737 | 29,194 |
| Deposits and borrowings from the public | 29 | 41,709 | 35,689 | 41,734 | 35,700 |
| Debt securities in issue | 30 | 29,635 | 22,680 | 29,638 | 22,682 |
| Derivatives | 18 | 32,012 | 24,057 | 32,012 | 24,057 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 19 | -77 | -147 | -77 | -147 |
| Current tax liabilities | | 56 | 24 | 55 | 22 |
| Other liabilities | 31 | 3,970 | 3,790 | 3,855 | 3,715 |
| Accrued expenses and prepaid income | 32 | 979 | 758 | 873 | 673 |
| Deferred tax liabilities | 12 | 33 | 23 | - | - |
| Provisions | 33 | 45 | 39 | 40 | 33 |
| Retirement benefit obligation | 34 | 40 | 56 | 40 | 56 |
| Subordinated liabilities | 35 | 1,270 | 1,665 | 1,270 | 1,665 |
| **Total liabilities** | | **136,461** | **117,867** | **136,177** | **117,650** |
| **Equity** | 36 | | | | |
| Minority interests | | 7 | 6 | - | - |
| Share capital | | 2,319 | 2,319 | 2,319 | 2,319 |
| Share premium account/Statutory reserve | | 599 | 599 | 599 | 599 |
| Other reserves | | 2,929 | 2,899 | 2,849 | 2,848 |
| Retained earnings | | 4,939 | 7,656 | 4,818 | 7,569 |
| **Total equity** | | **10,793** | **13,479** | **10,585** | **13,335** |
| **Total liabilities and equity** | | **147,254** | **131,346** | **146,762** | **130,985** |
| Assets pledged as security for own liabilities | 37 | 7,311 | 8,159 | 7,311 | 8,159 |
| Other assets pledged | 38 | - | 488 | - | 488 |
| Contingent liabilities | 39 | 13,201 | 8,441 | 13,456 | 8,705 |
| Commitments | 40 | 3,033,764 | 2,316,387 | 3,031,426 | 2,314,351 |

**Other notes**

Note 1 Accounting policies
Note 2 Segment reporting
Note 41 Classification of financial instruments
Note 42 Assets and liabilities at fair value
Note 43 Assets and liabilities in foreign currencies
Note 44 Obtained collaterals which are permitted to be sold or repledged
Note 45 Related-party transactions
Note 46 Mergers, disposals and dissolutions

## Statement of recognised income and expense

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Currency translation differences during the year | 2 | -2 | - | - |
| Available-for-sale investments: | | | | |
| - Valuation gains/losses taken to equity | 1 | 0 | 1 | 0 |
| Group contributions | -54 | - | -54 | 0 |
| Tax on items taken directly to or transferred from equity | 0 | - | 0 | - |
| **Net income recognised directly in equity** | **-51** | **-2** | **-53** | **0** |
| | | | | |
| Net profit for the year | 1,365 | 1,281 | 1,304 | 1,270 |
| **Total recognised income and expense for the year** | **1,314** | **1,279** | **1,251** | **1,270** |
| | | | | |
| **Attributable to:** | | | | |
| Shareholders of Nordea Bank Finland Plc | 1312 | 1277 | 1,251 | 1,270 |
| Minority interests | 2 | 2 | - | - |
| | **1,314** | **1,279** | **1,251** | **1,270** |

See note 36 Equity for further information

## Cash flow statement

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| **Operating activities** | | | | |
| Operating profit | 1,704 | 1,639 | 1,703 | 1,596 |
| Adjustments for items not included in cash flow | -31 | -475 | -150 | -536 |
| Income taxes paid | -69 | -54 | -39 | -29 |
| **Cash flow from operating activities before changes in operating assets and liabilities** | **1,604** | **1,110** | **1,514** | **1,031** |
| **Changes in operating assets** | | | | |
| Change in treasury bills and other eligible bills | 842 | 272 | 842 | 272 |
| Change in loans and receivables to credit institutions | -353 | -2,300 | -524 | -2,794 |
| Change in loans and receivables to the public | -8,137 | -6,160 | -7,860 | -5,613 |
| Change in interest-bearing securities | -954 | -280 | -954 | -282 |
| Change in shares | -804 | -246 | -804 | -245 |
| Change in derivatives, net | 902 | 516 | 902 | 516 |
| Change in investment property | 0 | 35 | 0 | 5 |
| Change in other assets | -301 | 627 | -328 | 671 |
| **Changes in operating liabilities** | | | | |
| Change in deposits by credit institutions | -2,446 | 8,014 | -2,458 | 8,013 |
| Change in deposits and borrowings from the public | 6,020 | 597 | 6,035 | 587 |
| Change in debt securities in issue | 6,955 | 1,250 | 6,957 | 1,247 |
| Change in other liabilities | 183 | 822 | 140 | 840 |
| **Cash flow from operating activities** | **3,511** | **4,257** | **3,462** | **4,248** |
| **Investing activities** | | | | |
| Sale of investments in group undertakings | 73 | 7 | 0 | 7 |
| Dividends from associated companies | 1 | - | 1 | - |
| Acquisition of shares in associated companies | -5 | - | -5 | - |
| Sale of shares in assoc companies | 28 | - | 29 | 387 |
| Acquisition of property and equipment | -69 | 370 | -27 | -36 |
| Sale of property and equipment | 6 | -20 | - | - |
| Acquisition of intangible assets | -33 | - | -19 | - |
| Sale of intangible assets | 0 | 4 | 0 | 5 |
| Purchase/sale of other financial fixed assets | -4 | -6 | -4 | -6 |
| **Cash flow from investing activities** | **-3** | **355** | **-25** | **357** |
| **Financing activities** | | | | |
| Issued subordinated liabilities | - | - | - | - |
| Amortised subordinated liabilities | -415 | -239 | -415 | -239 |
| Dividend paid | -4,000 | - | -4,000 | - |
| Other changes | -126 | -5 | -52 | -1 |
| **Cash flow from financing activities** | **-4,541** | **-244** | **-4,467** | **-240** |
| **Cash flow for the year** | **-1,033** | **4,368** | **-1,030** | **4,365** |
| Cash and cash equivalents at the beginning of year | 16,467 | 12,099 | 16,461 | 12,096 |
| Exchange rate difference | 0 | - | - | - |
| Cash and cash equivalents at the end of year | 15,434 | 16,467 | 15,431 | 16,461 |
| **Change** | **-1,033** | **4,368** | **-1,030** | **4,365** |

## Cash flow statement *cont.*

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

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

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Depreciation | 29 | 25 | 19 | 19 |
| Impairment charges | 0 | -6 | 0 | 1 |
| Loan losses | 5 | -39 | -11 | -51 |
| Unrealised gains/losses | -149 | -167 | -149 | -167 |
| Capital gains/losses (net) | -30 | -249 | -20 | -319 |
| Change in accruals and provisions | -78 | 34 | -75 | 44 |
| Other | 192 | -73 | 86 | -63 |
| **Total** | **-31** | **-475** | **-150** | **-536** |

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

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

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Interest payments received | 4,789 | 3,246 | 4,596 | 3,068 |
| Interest expenses paid | -3,211 | -1,737 | -3,209 | -1,736 |

**Investing activities**
Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial 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 | 2007 | 2006 | 2007 | 2006 |
| Cash and balances with central banks | 1,953 | 1,151 | 1,953 | 1,151 |
| Loans and receivables to credit institutions, payable on demand | 13,481 | 15,337 | 13,478 | 15,310 |
| | **15,434** | **16,488** | **15,431** | **16,461** |

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.

IASB has, during 2007, issued amendments to some standards. These amendments will come into force on 1 January, 2009. It is, however, voluntarily to adopt all these amendments already in 2007. Nordea has chosen to not adopt before 1 January, 2009.

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

On 29 February 2008 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting 10 March 2008.

### 2. Comparative figures

The comparative figures for 2006 include the effects of the changes in the presentation described in section 3 "Changed accounting policies and presentation".

### 3. Changed accounting policies and presentation

The accounting policies and the basis for calculations are, in all material aspects, unchanged in comparison with the 2006 Annual Report.

The following change of the accounting policies has been made:

***Application of Fair Value Option on certain assets and liabilities in Nordea Markets (Markets)***

Balance sheet items, which are managed and measured on a fair value basis, may be reported at fair value, using the Fair Value Option (FVO) in IAS 39.

Deposits made by Markets as well as the funding of Markets' operations are classified into the category "Fair value through profit or loss". The classification is prospectively made for these financial instruments on initial recognition as from the second half of 2007.

The application of FVO is made to align the presentation of Markets' operations and to further increase transparency.

All interest income and interest expense related to Markets are therefore presented on the same income line as revaluation effects from financial instruments at fair value, i.e. "Net gains/losses on items at fair value", instead of being reported within "Net interest income". Comparative figures are changed accordingly.

The application will not change the presentation in the reported balance sheet. The classification into categories of these balance sheet items are not changed in the note for the year-end 2006, due to specific requirements in the applicable accounting standard.

On the next page follows a table with the 2006 figures accounted for in the same manner as in 2007, to increase transparency and support comparability with 2006. For more information see section 12 "Financial instruments" and note 41 "Classification of financial instruments".

The effect on the Group's Income Statement is also presented on the next page.

## Classification of financial instruments

**Group "Reported"**

| 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** | | | | | | | | |
| Loans and receivables to credit institutions | 44,633 | | 2,398 | | | | | 47,031 |
| Other assets | 1,107 | | | | | | 5 | 1,112 |

| 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** | | | | | | |
| Other liabilities | 24 | | | 3,756 | 10 | 3,790 |

**Group "Restated"**

| 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** | | | | | | | | |
| Loans and receivables to credit institutions | 41,037 | | 2,398 | 3,596 | | | | 47,031 |
| Other assets | 284 | | | 823 | | | 5 | 1,112 |

| 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** | | | | | | |
| Other liabilities | 24 | 2,219 | | 1,537 | 10 | 3,790 |

**Parent company "Reported"**

| 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** | | | | | | | | |
| Loans and receivables to credit institutions | 47,230 | | | | | | | 47,230 |
| Other assets | 1,112 | | | | | | 2 | 1,114 |

| EURm, 31 Dec 2006 | Held for trading | Liabilities at fair value through profit or loss | Derivatives used for hedging | Other financial liabilities | Other financial liabilities | Total |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Other liabilities | 24 | | | 3,684 | 7 | 3,715 |

**Parent company "Restated"**

| 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 liabilities | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Loans and receivables to credit institutions | 43,634 | | | 3,596 | | | | 47,230 |
| Other assets | 289 | | | 823 | | | 2 | 1,114 |

| 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** | | | | | | |
| Other liabilities | 24 | 2,219 | | 1,465 | 7 | 3,715 |

**Net interest income and net gains/losses on items at fair value**

| **Group** | 2007 | 2007 | 2006 | 2006 |
|---|---|---|---|---|
| EURm | Reported | Pre policy change | Restated | Reported |
| Interest income | 4,909 | 5,085 | 3,604 | 3,626 |
| Interest expense | -3,378 | -3,378 | -2,211 | -2,211 |
| **Net interest income** | **1,531** | **1,707** | **1,393** | **1,415** |
| **Net gains/losses on items at fair value** | **541** | **365** | **430** | **408** |

| **Parent company** | 2007 | 2007 | 2006 | 2006 |
|---|---|---|---|---|
| EURm | Reported | Pre policy change | Restated | Reported |
| Interest income | 4,724 | 4,900 | 3,438 | 3,460 |
| Interest expense | -3,376 | -3,376 | -2,210 | -2,210 |
| **Net interest income** | **1,348** | **1,524** | **1,228** | **1,250** |
| **Net gains/losses on items at fair value** | **540** | **364** | **430** | **408** |

## 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 Nordea, 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 certain financial instruments
- the impairment testing of:
  - goodwill
  - loans and receivables
- the actuarial calculations of pension liabilities
- claims in civil lawsuits.

### *Fair value measurement*

*Financial instruments*

Critical judgements are exercised when determining fair value of OTC Derivatives and other financial instruments that lack quoted prices or recently observed market prices 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 Nordea'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".

### *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. The cash-generating units are defined as segments in each legal entity in NBF. 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".

***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 as to 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 34 "Retirement benefit obligation".

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 on the return on the different asset classes. The expected return is also disclosed in note 34 "Retirement benefit obligation".

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 as from the date on which control is transferred to NBF and are no longer consolidated as 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 Nordea.

*Investments in associated undertakings*
The equity method of accounting is used for associated undertakings where the share of voting rights is between 20 and 50 per cent and/or where NBF has significant influence.

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

*Joint ventures*
There are no joint ventures in the Bank Group.

*Special purpose entities (SPE's) and securitisations*
Nordea Group sponsors the formation of Special Purpose Entities (SPE's) primarily to allow its clients to participate in asset securitisation transactions. Nordea Bank Finland (NBF) has not established any SPE's. However, in arranging securitisation transactions Nordea typically enters into structured derivative transactions with market participants. These transactions are booked in NBF.

***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 related to foreign subsidiaries 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***

Descriptions of changes in the Group structure during the year are included in note 20 “Investments in Group undertakings” and note 46 “Mergers, disposals and dissolutions”.

## 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 expense related to all balance sheet items in Markets are recognised in the income statement on the line “Net gains/losses on items at fair value”. Interest income and expense connected to internal placements by and internal funding of Markets are replaced with the related Group external interest income and interest expense.

***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 contain 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. Profits from companies accounted for under the equity method are reported in the income statement post-taxes. Consequently, tax expense related to these profits is excluded from the income tax expense for NBF.

***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) 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. on 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 44 “Obtained collaterals which are permitted to be sold or repledged”.

### 8. Translation of assets and liabilities denominated in foreign currencies

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

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

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item “Net 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 out 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 meaning that both the hedging instrument and the hedged item are measured at fair value, with changes in fair values recognised directly in the income statement. The reason why NBF has chosen to apply fair value hedge accounting is that cash flow hedge accounting could cause volatility in equity. Looking forward there could be situations when NBF starts to apply cash flow hedge accounting as a complement.

#### *Fair value hedge accounting*

Fair value hedge accounting is used for derivatives that serve to hedge changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in NBF’s financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item that are attributable to the risks being hedged 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. The changes in fair value of the hedged item that are attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying value of the hedged item, which is also recognised in the income statement. The fair value change of the hedged item in a portfolio hedge of interest rate risks is reported separately from the portfolio in “Fair value changes of the hedged items in portfolio hedge of interest rate risk” in accordance with IAS 39.

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***

The application of hedge accounting requires that the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item 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**

Financial assets and liabilities classified as financial assets/liabilities at fair value through profit or loss and derivative instruments are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item "Net gains/losses on items at fair value".

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 derivatives).

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

- 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. The portfolio adjustment for model risk comprises two components:

- Benchmarking of the model output (market values) against market information or against results from alternative models, where available
- Sensitivity calculations where unobservable parameters are varied to take other reasonable values.

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

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

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

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 upon initial recognition designated 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 upon initial recognition designated 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 are recognised. The classification of the financial instruments in NBF's balance sheet is presented in note 41 "Classification of financial instruments".

*Financial assets and financial liabilities at fair value through profit or loss*
Financial assets and financial liabilities at fair value through profit or loss are measured at fair value. 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 upon initial recognition designated at fair value through profit or loss (Fair value option).

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

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

NBF has also prospectively started to apply the Fair value option on certain financial assets and financial liabilities related to Markets during 2007, see section 3 "Changed accounting policies and presentation".

The classification stems from that Markets is managing and measuring all its financial assets and liabilities to fair value. Consequently, all financial assets and financial liabilities in Markets are from the second half of 2007 classified within this category.

The classification affects mainly the balance sheet line "Loans and receivables to credit institutions".

*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 by 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 is used only to a very limited extent in NBF. See further note 41 “Classification of financial instruments”.

*Other financial liabilities*
Financial liabilities, other than those classified as Financial liabilities at fair value through profit or loss, are measured at amortised cost. Interest from Other financial liabilities is recognised in the item “Interest expense” in the income statement.

***Hybrid (combined) financial instruments***

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

Index-linked bonds issued by 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”.

***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 is entitled 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”, “Loans and receivables to the public” or as “Other assets”. Cash collateral received from the counterparts are recognised on the balance sheet as “Deposits by credit institutions”, “Deposits and borrowings from the public”or as “Other liabilities”.

Interest income and expense 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”.

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

***Derivatives***

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item “Derivatives”. 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 41 ”Classification of financial instruments”).

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 performed 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 collectively assessed for impairment. These groups contain loans that are:

- individually significant but not impaired, and
- not significant loans, 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 a group. Common for the customers in a group is that they have similar risk characteristics, i.e. exposed to similar loss events.

A group assessment is performed to estimate an impairment loss, based on the loss events incurred. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

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

The methods used to perform the impairment tests differ somewhat depending on if the loans are significant or not. For groups of loans where the loans are significant, NBF uses the existing rating system as a basis when assessing the credit risk. NBF uses historical data on probability of default to estimate the risk for a default in a rating class. Significant loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency to oil prices etc.

The collective assessment is performed through a netting principle, i.e. when rated engagement are up rated due to estimated increase in cash flow this improvement will be netted against any loans that are down rated due to estimated decrease in cash flow. However, provisions for impairment losses on groups of loans are only made within rating classes where NBF assess that the customers’ future cash flow is insufficient to serve the loan in full.

For groups of loans where the loans are not significant the methods used are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management.

### *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 declared the 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 unless NBF 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 that are foreclosed are classified as Available for sale (see section 12 "Financial instruments") and any other asset as Held for sale. Assets Held for sale are measured at the lower of the book value and fair value less costs to sell. Depreciation is not performed on assets classified as Held for sale.

However, all assets measured at fair value according to the Group's accounting policies are, including contractual rights according to IFRS 4, treated accordingly, after the initial recognition of the asset taken over, i.e. reported on the same balance sheet line as similar assets already held by NBF. For example a property taken over, not held for NBF's own use, is reported together with other investment properties.

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Groups presentation policies for the appropriate asset. Consequently, the credit loss line is after the initial recognition of the asset taken over not affected by any subsequent measurement of the asset.

## 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 in the balance sheet are reported in accordance with the nature of the assets, in general as property and equipment. Leasing income is recognised as income on a straight-line basis over the lease term. The lease income from operating leases is accounted for 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 reflects the time pattern of the user's benefit. The lease terms range between 3 to 25 years.

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

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, 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.

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

## 15. Intangible assets

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

### *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 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. For goodwill, the cash generating units are defined as the segments, presented in section 22 “Segment reporting”.

***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. 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.

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 differences, 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 reserves.

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***

The companies within NBF have various pension plans, consisting of both defined benefit plans and defined contributions plans, reflecting national practices and conditions in the countries where they operate. 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 (defined benefit obligation). If not, the net amount is recognised as an asset (defined benefit asset).

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

A major part of the pensions in Finland, are based on defined contribution plans that hold no pension liability for NBF.

***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 34 “Retirement benefit obligation”). When the net cumulative unrecognised actuarial gain or loss exceeds a “corridor”, equal to 10 percent of the greater of either the present value of the defined benefit obligation or the fair value of the plan assets, the surplus 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.

***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.

In addition, the equity method reserve, i.e. the NBF share of the earnings in associated companies, after the acquisition date, that have not been distributed is included in retained earnings.

***Equity participation plans***

Based on the approval by the Shareholders Annual Meeting, Nordea issued a share based incentive program in May 2007. For more information see Note 8 “Staff costs”.

### 21. Related party transactions

Nordea defines related parties as:

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

***Shareholders with significant influence***

Shareholders with significant influence are a shareholder that by any means has 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”. For further information on the undertakings included in NBF see note 20 “Investments in group undertakings”. Undertakings in the Nordea Group are found in the Annual Report of Nordea Bank AB (publ).

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 note 21 "Investments in associated undertakings".

***Key management personnel***

Key management personnel includes the following positions:

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

For information about compensation and pensions as well as loans to key management personnel, see note 8 "Staff costs". Information concerning other transactions between Nordea and key management personnel is found in note 45 "Related-party transactions".

***Other related parties***

Other related parties comprise companies significantly influenced by key management personnel in NBF 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 45 "Related-party transactions".

## 22. Segment reporting

***New Segment reporting structure***

As a consequence of the new operating model and Nordea's changed organisation as of 1 July, 2007, the financial reporting structure has been adjusted accordingly.

Financial results are presented for the two main Customer areas, Nordic Banking and Institutional and International Banking. The Customer operations which are not included in Nordic Banking or Institutional and International Banking are included in Other Customer operations as well as result that is not fully allocated to any of the customer areas. These include International Private Banking and Funds, Markets customer operations and Other.

Group Corporate Centre, which is reported separately, is responsible for the finance, accounting, planning and control activities. It is furthermore responsible for the capital management and treasury operations. The latter includes funding, asset and liability management as well as the Group's own centralised market risk-taking in financial instruments.

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

***Allocation principles***

Costs are allocated based on calculated unit prices and the individual Customer areas' and Product 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 Customer areas. Group Functions and Eliminations consists of income statement and balance sheet items that are related to the unallocated 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 Customer 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 Customer area based on assigned product and customer responsibilities. However, the total result related to investment funds is included in Nordic 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 Services and Technology, Group Credit and Risk Control, People and Identity 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.

**Note 2**
**Segment reporting**

**Group**

**Business segments**

| **EURm** | Nordic Banking | | Inst. and International Banking | | Other customer operations | | Total customer areas | |
|---|---|---|---|---|---|---|---|---|
| Customer responsible units | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| **Income statement** | | | | | | | | |
| Net interest income | 1,063 | 927 | 138 | 106 | 27 | 36 | 1,228 | 1,069 |
| Net fee and commission income | 500 | 583 | 103 | 81 | -159 | -134 | 444 | 530 |
| Net gains/losses on items at fair value | 111 | - | 22 | 26 | 388 | 283 | 521 | 309 |
| Profit from companies accounted for under the equity method | 3 | - | - | 24 | - | - | 3 | 24 |
| Other income | 38 | 17 | 1 | 200 | - | - | 39 | 217 |
| **Total operating income** | **1,715** | **1,527** | **264** | **437** | **256** | **185** | **2,235** | **2,149** |
| Staff costs | -292 | -283 | -54 | -45 | -51 | -43 | -397 | -371 |
| Other expenses | -456 | -442 | -49 | -49 | 5 | 3 | -500 | -488 |
| Depreciation of tangible and intangible assets | -4 | - | -2 | -2 | 0 | - | -6 | -2 |
| **Total operating expenses** | **-752** | **-725** | **-105** | **-96** | **-46** | **-40** | **-903** | **-861** |
| Loan losses | 60 | 28 | 27 | 6 | 0 | 0 | 87 | 34 |
| Write-downs on financial fixed assets | - | - | - | - | - | - | - | - |
| Disposals of tangible and intangible assets | 0 | - | - | - | - | 0 | 0 | 0 |
| **Operating profit** | **1,023** | **830** | **186** | **347** | **210** | **145** | **1,419** | **1,322** |
| **Balance sheet** | | | | | | | | |
| Loans and receivables to the public | 43,083 | 40,668 | 8,861 | 6,123 | - | 1 | 51,944 | 46,792 |
| Other assets | 475 | 396 | 4,080 | 4,279 | 117,593 | 106,610 | 122,148 | 111,285 |
| **Total assets** | **43,558** | **41,064** | **12,941** | **10,402** | **117,593** | **106,611** | **174,092** | **158,077** |
| Deposits and borrowings from the public | 30,549 | 25,587 | 7,792 | 6,672 | - | 1 | 38,341 | 32,260 |
| Other liabilities | 11,986 | 13,790 | 4,841 | 3,468 | 117,508 | 106,479 | 134,335 | 123,737 |
| **Total liabilities** | **42,535** | **39,377** | **12,633** | **10,140** | **117,508** | **106,480** | **172,676** | **155,997** |
| Equity | 1,023 | 1,687 | 308 | 262 | 85 | 131 | 1,416 | 2,080 |
| **Total liabilities and equity** | **43,558** | **41,064** | **12,941** | **10,402** | **117,593** | **106,611** | **174,092** | **158,077** |
| **Other segment items** | | | | | | | | |
| Capital expenditure | 11 | - | 3 | 1 | - | - | 14 | 1 |

**Note 2** *cont.*
**Segment reporting**

**Group**

**Business segments**

| **EURm** | Croup Corporate Centre | | Group Funtions and Eliminations | | Total | |
|---|---|---|---|---|---|---|
| Customer responsible units | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| **Income statement** | | | | | | |
| Net interest income | 271 | 307 | 32 | 39 | 1,531 | 1,415 |
| Net fee and commission income | -2 | -2 | -127 | -220 | 315 | 308 |
| Net gains/losses on items at fair value | 10 | 21 | 10 | 79 | 541 | 409 |
| Profit from companies accounted for under the equity method | - | - | -1 | 7 | 2 | 31 |
| Other income | 43 | 59 | 132 | 16 | 214 | 292 |
| **Total operating income** | **322** | **385** | **46** | **-79** | **2,603** | **2,455** |
| Staff costs | -5 | -5 | -113 | -128 | -515 | -504 |
| Other expenses | -22 | -21 | 147 | 150 | -375 | -359 |
| Depreciation of tangible and intangible assets | 0 | - | -23 | -16 | -29 | -18 |
| **Total operating expenses** | **-27** | **-26** | **11** | **6** | **-919** | **-881** |
| Loan losses | - | 8 | -67 | 21 | 20 | 63 |
| Write-downs on financial fixed assets | - | - | 0 | -2 | 0 | -2 |
| Disposals of tangible and intangible assets | - | - | 0 | 5 | 0 | 5 |
| **Operating profit** | **295** | **367** | **-10** | **-49** | **1,704** | **1,640** |
| **Balance sheet** | | | | | | |
| Loans and receivables to the public | 95 | 101 | 8,558 | 5,570 | 60,597 | 52,463 |
| Other assets | 65,931 | 65,086 | -101,422 | -97,488 | 86,657 | 78,883 |
| **Total assets** | **66,026** | **65,187** | **-92,864** | **-91,918** | **147,254** | **131,346** |
| Deposits and borrowings from the public | 3,284 | 4,646 | 84 | -1,217 | 41,709 | 35,689 |
| Other liabilities | 52,916 | 48,235 | -92,499 | -89,794 | 94,752 | 82,178 |
| **Total liabilities** | **56,200** | **52,881** | **-92,415** | **-91,011** | **136,461** | **117,867** |
| Equity | 9,826 | 12,306 | -449 | -907 | 10,793 | 13,479 |
| **Total liabilities and equity** | **66,026** | **65,187** | **-92,864** | **-91,918** | **147,254** | **131,346** |
| **Other segment items** | | | | | | |
| Capital expenditure | - | - | 23 | - | 37 | 1 |

## Note 3
## Net interest income

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| **Interest income** | | | | |
| Loans and receivables to credit institutions | 1,843 | 1,423 | 2,034 | 1,555 |
| Loans and receivables to the public | 2,883 | 2,058 | 2,507 | 1,762 |
| Interest-bearing securities | 167 | 117 | 167 | 117 |
| Other interest income | 16 | 6 | 16 | 4 |
| **Interest income** | **4,909** | **3,604** | **4,724** | **3,438** |
| | | | | |
| **Interest expense** | | | | |
| Deposits by credit institutions | -1,256 | -963 | -1,253 | -961 |
| Deposits and borrowings from the public | -912 | -638 | -913 | -639 |
| Debt securities in issue | -1,212 | -838 | -1,212 | -838 |
| Subordinated liabilities | -86 | -99 | -86 | -99 |
| Other interest expense | 88 | 327 | 88 | 327 |
| **Interest expense** | **-3,378** | **-2,211** | **-3,376** | **-2,210** |
| **Net interest income** | **1,531** | **1,393** | **1,348** | **1,228** |

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 4,706m (3,484) for the Group and EUR 4,521m (3,319) for the parent company. Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR -3,468m (-2,541) for the Group and EUR -3,468m (-2,540) for the parent company.

**Net interest income**

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Interest income | 4,803 | 3,526 | 4,724 | 3,438 |
| Leasing income, net | 106 | 78 | - | - |
| Interest expenses | -3,378 | -2,211 | -3,376 | -2,210 |
| **Total** | **1,531** | **1,393** | **1,348** | **1,228** |

All interest income and interest expense related to Markets are presented on the same income line as revaluation effects from financial instruments at fair value, i.e. “Net gains/losses on items at fair value”, instead of being reported within “Net interest income”. Comparative figures are changed accordingly. For further information, see Note 1.

**Note 4**
**Net fee and commission income**

| EURm | Group 2007 | Group 2006 | Parent company 2007 | Parent company 2006 |
|---|---|---|---|---|
| Asset Management commissions | 52 | 48 | 52 | 47 |
| Life insurance | 12 | 13 | 12 | 13 |
| Brokerage[1] | 32 | 45 | 32 | 45 |
| Custody[1] | 54 | 22 | 54 | 22 |
| Deposits | 4 | 3 | 4 | 3 |
| Total savings related commissions | 154 | 131 | 154 | 130 |
| Payments | 145 | 141 | 145 | 143 |
| Cards | 46 | 43 | 16 | 15 |
| Total payment commissions | 191 | 184 | 161 | 158 |
| Lending | 81 | 78 | 78 | 78 |
| Guarantees and document payments | 62 | 50 | 63 | 51 |
| Total lending related to commissions | 143 | 128 | 141 | 129 |
| Other commission income | 44 | 54 | 43 | 53 |
| **Fee and commission income** | **532** | **497** | **499** | **470** |
| Payment expenses | -49 | -46 | -35 | -33 |
| Other commission expenses | -168 | -143 | -167 | -142 |
| **Fee and commission expenses** | **-217** | **-189** | **-202** | **-175** |
| **Net fee and commission income** | **315** | **308** | **297** | **295** |

[1] Settlement fees have been reclassified from brokerage fees to custody fees in 2007. These fees amounted to EUR 30m (23) in 2007.

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amount to EUR 86m (82) for the Group and EUR 83m (81) for the parent company.

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amount to EUR 96m (106) for the Group and EUR 96m (106) for the parent company.

## Note 5
## Net gains/losses on items at fair value

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Shares/participations and other share-related instruments | 44 | 41 | 44 | 41 |
| Interest-bearing securities and other interest-related instruments | 287 | 279 | 287 | 279 |
| Other financial instruments | 3 | -13 | 3 | -13 |
| Foreign exchange gains/losses | 207 | 123 | 206 | 123 |
| **Total** | **541** | **430** | **540** | **430** |

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

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Financial instruments designated at fair value through profit or loss | 112 | 20 | 112 | 20 |
| Financial instruments held for trading | 433 | 411 | 433 | 411 |
| Financial instruments under hedge accounting | -5 | -1 | -5 | -1 |
| of which net gains/losses on hedging instruments | 76 | -78 | 76 | -78 |
| of which net gains/losses on hedged items | -81 | 77 | -81 | 77 |
| Other, not under IAS 39 or IFRS 4 | 1 | 0 | 0 | - |
| **Total** | **541** | **430** | **540** | **430** |

## Note 6
## Dividends

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007[1] | 2006 |
| Shares | 24 | 2 | 24 | 2 |
| Investments in group undertakings | - | - | 124 | 36 |
| Investments in associated undertakings | - | 0 | 13 | 3 |
| **Total** | **24** | **2** | **161** | **41** |

[1] Impact of recognition of tax credits EUR 117m. See note 12 Income tax expenses.

## Note 7
## Other operating income

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Divestment of shares | 30 | 250 | 20 | 321 |
| Income from real estate | 4 | 9 | 7 | 7 |
| Other | 156 | 31 | 160 | 35 |
| **Total** | **190** | **290** | **187** | **363** |

## Note 8
## Staff costs

| EURm | Group 2007 | Group 2006 | Parent company 2007 | Parent company 2006 |
|---|---|---|---|---|
| Salaries and remuneration | -392 | -372 | -358 | -338 |
| Pension costs (specification below) | -47 | -55 | -43 | -51 |
| Social insurance contributions | -35 | -32 | -32 | -29 |
| Allocation to profit-sharing foundation | -16 | -25 | -15 | -24 |
| Other staff costs | -25 | -20 | -22 | -18 |
| **Total** | **-515** | **-504** | **-470** | **-460** |

| | Group 2007 | Group 2006 | Parent company 2007 | Parent company 2006 |
|---|---|---|---|---|
| **Pension costs:** | | | | |
| Defined benefit plans (Note 34) | 4 | -3 | 3 | -2 |
| Defined contribution plans | -51 | -52 | -46 | -49 |
| **Total** | **-47** | **-55** | **-43** | **-51** |

**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) Group Executive Management. In 2007 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 | 2007 | 2006 |
|---|---|---|
| **Loans granted by Nordea Bank Finland Plc** | | |
| To members and deputy members of the Board of Directors | 0 | 2 |
| - of whom to the President and his deputy | 0 | 1 |

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.

**Share-based payment**

| Performance shares | Group 2007 | Parent company 2007 |
|---|---|---|
| **Outstanding at the beginning of year** | - | - |
| Granted | 86,112 | 84,875 |
| Forfeited | - | - |
| Exercised | - | - |
| **Outstanding at end of year** | **86,112** | **84,875** |
| Of which exercisable | - | - |

**Total long term incentive programmes**

**Group**

| | No of issued | No of outstanding 2007 | Ordinary share per option | Exercise price | Vesting period | Contractual life | First day of exercise |
|---|---|---|---|---|---|---|---|
| 2007: Matching share A | 86,112 | 86,112 | 86,112 | 4.0 | 24 month | 48 month | April 30,2009 |
| 2007: Performance share B | - | 81,764 | 81,764 | 2.0 | 24 month | 48 month | April 30,2009 |
| 2007: Performance share C | - | 71,252 | 71,252 | 2.0 | 24 month | 48 month | April 30,2009 |
| 2007: Performance share D | - | 86,112 | 86,112 | 2.0 | 24 month | 48 month | April 30,2009 |
| **Total** | **86,112** | **325,240** | | | | | |

**Parent company**

| | No of issued | No of outstanding 2007 | Ordinary share per option | Exercise price | Vesting period | Contractual life | First day of exercise |
|---|---|---|---|---|---|---|---|
| 2007: Matching share A | 84,875 | 84,875 | 84,875 | 4.0 | 24 month | 48 month | April 30,2009 |
| 2007: Performance share B | - | 80,590 | 80,590 | 2.0 | 24 month | 48 month | April 30,2009 |
| 2007: Performance share C | - | 70,229 | 70,229 | 2.0 | 24 month | 48 month | April 30,2009 |
| 2007: Performance share D | - | 84,875 | 84,875 | 2.0 | 24 month | 48 month | April 30,2009 |
| **Total** | **84,875** | **320,569** | | | | | |

Nordea Bank AB (publ) issued in May 2007 a Share-based Payment Program named "Long Term Incentive Program 2007" (LTIP 2007). The programme will mean that the participants take direct ownership by investing in Nordea shares. For each ordinary share the participants invest in, the participant locks its share holding to the LTIP 2007. The participant is granted the right to acquire one ordinary share (“Matching Shares”) and three different rights (“Performance Shares”) to acquire additional ordinary shares, based upon fulfilment of certain performance conditions. The performance criterias are to achieve target growth in risk adjusted profit per share (RAPPS) in 2007 and 2008 and a target of growth in total shareholder return (TSR) in comparison to the predefined PEER Group during 2007-2008. Maximum payout is reached if the RAPPS increases with more than 15% in 2007, 12% in 2008 and exceeds PEER Group TSR by 10%.

The estimated fair value of each share option granted in the managers and key employees share option plan is EUR 8.76 for matching shares and EUR 10.49 for performance shares. This was calculated by applying an option pricing model. The model inputs used the share price at grant date EUR 12.33, exercise price of EUR 4 respectively EUR 2, expected dividends and contractual life of 4 years. Due to that the options are deep in the money, the model has a limited sensitivity to expected volatility and risk free interest.

The expense is recognised in each sub-group and entity, applying the IFRS accounting standard, with a counter entry in equity. The recognition is based on the total number of matching shares bought by the participants in each sub-group or entity.

The expected amount for LTIP 2007, EUR 2.7m, in NBF Group and in the parent company, is expensed during a period of 24 months. The maximum cost equals EUR 4.8m in NBF Group, EUR 4.7m in the parent company. The total expense for 2007 arising from LTIP 2007 amounts to EUR 0.8m in NBF Group and in the parent company. The amounts include social expenses, where applicable.

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| **Average number of employees** | | | | |
| Full-time employees | 9,577 | 8,819 | 8,732 | 7,961 |
| Part-time employees | 433 | 1,024 | 364 | 952 |
| **Total** | **10,010** | **9,843** | **9,096** | **8,913** |
| **Total number of employees (FTEs), end of period** | **9,347** | **9,060** | **8,522** | **8,228** |

**Note 9**
**Other expenses**

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Information technology [1] | -120 | -111 | -138 | -129 |
| Marketing | -32 | -30 | -29 | -26 |
| Postage, telephone and office expenses | -39 | -36 | -33 | -31 |
| Rents, premises and real estate | -82 | -80 | -81 | -74 |
| Other [2] | -102 | -102 | -90 | -93 |
| **Total** | **-375** | **-359** | **-371** | **-353** |

[1] Refers to IT operations, service expenses and consultant fees for the Group. Total IT-related costs including staff etc. were EUR 165m (151) in the Group and EUR 148m (133) 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 | 2007 | 2006 | 2007 | 2006 |
| **Property and equipment** (Note 23) | | | | |
| Equipment | -25 | -27 | -15 | -21 |
| Buildings | 0 | -1 | 0 | 0 |
| | | | | |
| **Intangible assets** (Note 22) | | | | |
| Goodwill | 0 | 0 | - | - |
| Internally developed software | -4 | - | -4 | - |
| Other intangible assets | 0 | 0 | - | 0 |
| **Total** | **-29** | **-28** | **-19** | **-21** |

**Impairment charges / Reversed impairment charges**

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| **Property and equipment** (Note 23) | | | | |
| Equipment | - | - | - | - |
| Buildings | 0 | 10 | - | 2 |
| **Total** | **0** | **10** | **-** | **2** |
| | | | | |
| **Intangible assets** (Note 22) | | | | |
| Goodwill | - | - | - | - |
| Other intangible assets | 0 | - | - | - |
| **Total** | **0** | **-** | **-** | **-** |
| | | | | |
| **Total** | **-29** | **-18** | **-19** | **-19** |

## Note 11
## Loan losses

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| **Loan losses divided by class, net** | | | | |
| Loans and receivables to credit institutions | **-1** | - | **-1** | - |
| - of which write-offs and provisions | -1 | - | -1 | - |
| - of which reversals and recoveries | 0 | - | - | - |
| Loans and receivables to the public | **-5** | **73** | **6** | **80** |
| - of which write-offs and provisions | -123 | -80 | -100 | -62 |
| - of which reversals and recoveries | 118 | 153 | 106 | 142 |
| Off-balance sheet items[1] | **26** | **-10** | **26** | **-10** |
| - of which write-offs and provisions | -4 | -11 | -4 | -11 |
| - of which reversals and recoveries | 30 | 1 | 30 | 1 |
| **Total** | **20** | **63** | **31** | **70** |
| | | | | |
| **Specification of loan losses** | | | | |
| Changes of allowance accounts through the Balance sheet | **-3** | **44** | **3** | **48** |
| - of which Loans and receivables[2] | -29 | 55 | -23 | 59 |
| - of which Off-balance sheet items[1] | 26 | -11 | 26 | -11 |
| Changes directly recognised in the Income Statement | **23** | **19** | **28** | **22** |
| - of which realised loan losses | -3 | -5 | 8 | 3 |
| - of which realised recoveries | 26 | 24 | 20 | 19 |
| **Total** | **20** | **63** | **31** | **70** |

[1] Included in Note 33 Provisions.
[2] Included in Note 14 Loans and receivables and their impairment

## Note 12
## Income tax expenses

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Current tax[1] | 3 | -54 | -72 | -29 |
| Deferred tax | -342 | -304 | -328 | -297 |
| **Total** | **-339** | **-358** | **-400** | **-326** |
| [1] Of which relating to prior years | - | -2 | - | -2 |

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

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Profit before tax | 1,704 | 1,639 | 1,704 | 1,596 |
| Tax calculated at a tax rate of 26% | -443 | -426 | -443 | -415 |
| Tax charges not related to profit | - | - | - | - |
| Other direct taxes | 0 | 0 | 0 | 0 |
| Tax-exempt income | 10 | 71 | 13 | 90 |
| Non-deductible expenses | -1 | -5 | -1 | -3 |
| Adjustments relating to prior years | 0 | 2 | 0 | 2 |
| Income tax due to tax assets previously not recognised | 95 | - | 31 | - |
| Change of tax rate | - | - | - | - |
| Not creditable foreign taxes | - | - | - | - |
| **Tax charge** | **-339** | **-358** | **-400** | **-326** |
| | | | | |
| Average effective tax rate | 20% | 22% | 24% | 20% |

**Note 12** *cont.*
**Income tax expenses**

| **Deferred tax** | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| **Deferred tax expense (-)/income (+)** | | | | |
| Deferred tax due to temporary differences, including tax losses | -372 | -304 | -359 | -297 |
| Deferred tax due to change of tax rate | - | - | - | - |
| Deferred tax due to tax assets previously not recognised | 30 | - | 31 | - |
| **Income tax expense, net** | **-342** | **-304** | **-328** | **-297** |
| | | | | |
| **Deferred tax assets** | | | | |
| Deferred tax asset due to tax losses | 113 | 430 | 113 | 430 |
| Deferred tax assets due to temporary differences | 24 | 38 | 22 | 33 |
| Offset against tax liabilities | - | - | - | - |
| **Total** | **137** | **468** | **135** | **463** |
| | | | | |
| **Deferred tax liabilities** | | | | |
| Deferred tax liabilities due to temporary differences: | 33 | 23 | - | - |
| - Deferred tax liabilities other | -1 | 18 | - | - |
| - Deferred tax liabilities in other untaxed reserves | 34 | 5 | - | - |
| Offset against tax assets | - | - | - | - |
| **Total** | **33** | **23** | **-** | **-** |
| | | | | |
| **Deferred tax assets (+)/liabilities (-), net** | | | | |
| Deferred tax assets due to tax losses | 113 | 430 | 113 | 430 |
| Deferred tax assets due to intra-group profits | - | 0 | - | - |
| Deferred tax assets/liabilities in loans and advances to the public | 13 | 14 | 13 | 14 |
| Deferred tax assets/liabilities in financial instruments | 3 | - | 0 | - |
| Deferred tax assets/liabilities in property and equipment | 10 | -3 | 10 | 13 |
| Deferred tax assets/liabilities in investment property | - | 4 | - | - |
| Deferred tax assets/liabilities in retirement benefit assets | -6 | 1 | -5 | 2 |
| Deferred tax assets/liabilities in untaxed reserves | -34 | -5 | 4 | - |
| Deferred tax assets/liabilities in provisions | 4 | 4 | - | 4 |
| **Deferred tax assets/liabilities, net** | **103** | **445** | **135** | **463** |

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

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Acquisitions and others | 0 | -3 | 0 | - |
| Deferred tax in the income statement | -342 | -304 | -328 | -297 |
| **At the end of the year** | **-342** | **-307** | **-328** | **-297** |

**Unrecognised deferred tax assets**

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Unused tax losses | - | - | - | - |
| Unused tax credits | - | 105 | - | 105 |
| Other deductible temporary differences | - | - | - | - |
| **Total** | **-** | **105** | **-** | **105** |
| | | | | |
| Expiry date 2011 | - | 27 | - | 27 |
| Expiry date 2012 | - | 3 | - | 3 |
| Expiry date 2013 | - | 12 | - | 12 |
| Expiry date 2014 | - | 63 | - | 63 |
| Expiry date later than 2014 | - | - | - | - |
| **Total** | **-** | **105** | **-** | **105** |

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related benefit is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when the deferred tax income relates to the same fiscal authority.

## Note 13
## Treasury bills and other eligible bills

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Treasury bills | 719 | 690 | 719 | 690 |
| Other eligible bills | 1,430 | 2,187 | 1,430 | 2,187 |
| **Total** | **2,149** | **2,877** | **2,149** | **2,877** |

All bills are subject to variable interest rate risk.

| | | | | |
|---|---|---|---|---|
| **Maturity information** | | | | |
| **Remaining maturity (book value)** | | | | |
| Maximum 1 year | 2,049 | 2,815 | 2,049 | 2,815 |
| More than 1 year | 100 | 62 | 100 | 62 |
| **Total** | **2,149** | **2,877** | **2,149** | **2,877** |
| Of which Financial instruments pledged as collateral (Note 16) | - | - | - | - |
| **Total** | **2,149** | **2,877** | **2,149** | **2,877** |

## Note 14
## Loans and receivables and their impairment

| | **Total** | | | |
|---|---|---|---|---|
| | Group | | Parent company | |
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Loans and receivables, not impaired | 105,856 | 99,228 | 105,269 | 98,716 |
| Impaired loans and receivables: | 616 | 651 | 525 | 578 |
| - Performing | 405 | 457 | 373 | 429 |
| - Non-performing | 211 | 194 | 152 | 149 |
| **Loans and receivables before allowances** | **106,472** | **99,879** | **105,794** | **99,294** |
| Allowances for individually assessed impaired loans | -186 | -263 | -153 | -233 |
| - Performing | -101 | -163 | -74 | -136 |
| - Non-performing | -85 | -100 | -79 | -97 |
| Allowances for collectively assessed impaired loans | -140 | -122 | -140 | -122 |
| **Allowances** | **-326** | **-385** | **-293** | **-355** |
| **Loans and receivables, book value** | **106,146** | **99,494** | **105,501** | **98,939** |

**Note 14** *cont.*
**Loans and receivables and their impairment**

| | Credit institutions | | | |
|---|---|---|---|---|
| | Group | | Parent company | |
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Loans and receivables, not impaired | 45,551 | 47,031 | 50,402 | 51,709 |
| Impaired loans and receivables: | - | - | - | - |
| - Performing | - | - | - | - |
| - Non-performing | - | - | - | - |
| **Loans and receivables before allowances** | **45,551** | **47,031** | **50,402** | **51,709** |
| | | | | |
| Allowances for individually assessed impaired loans | - | - | - | - |
| - Performing | - | - | - | - |
| - Non-performing | - | - | - | - |
| Allowances for collectively assessed impaired loans | -2 | - | -2 | - |
| **Allowances** | **-2** | **-** | **-2** | **-** |
| | | | | |
| **Loans and receivables, book value** | **45,549** | **47,031** | **50,400** | **51,709** |
| | | | | |
| **Maturity information** | | | | |
| **Remaining maturity (book value)** | | | | |
| Payable on demand | 13,478 | 15,316 | 13,478 | 15,310 |
| Maximum 3 months | 18,324 | 16,847 | 21,191 | 19,729 |
| 3-12 months | 9,890 | 12,917 | 10,773 | 13,597 |
| 1–5 years | 3,494 | 1,856 | 4,384 | 2,771 |
| More than 5 years | 363 | 95 | 574 | 302 |
| **Total** | **45,549** | **47,031** | **50,400** | **51,709** |

| | The public[1] | | | |
|---|---|---|---|---|
| | Group | | Parent company | |
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Loans and receivables, not impaired | 60,305 | 52,197 | 54,867 | 47,007 |
| Impaired loans and receivables: | 616 | 651 | 525 | 578 |
| - Performing | 405 | 457 | 373 | 429 |
| - Non-performing | 211 | 194 | 152 | 149 |
| **Loans and receivables before allowances** | **60,921** | **52,848** | **55,392** | **47,585** |
| | | | | |
| Allowances for individually assessed impaired loans | -186 | -263 | -153 | -233 |
| - Performing | -101 | -163 | -74 | -136 |
| - Non-performing | -85 | -100 | -79 | -97 |
| Allowances for collectively assessed impaired loans | -138 | -122 | -138 | -122 |
| **Allowances** | **-324** | **-385** | **-291** | **-355** |
| | | | | |
| **Loans and receivables, book value** | **60,597** | **52,463** | **55,101** | **47,230** |
| | | | | |
| **Maturity information** | | | | |
| **Remaining maturity (book value)** | | | | |
| Payable on demand | - | 16 | - | - |
| Maximum 3 months | 9,819 | 6,253 | 8,447 | 5,584 |
| 3-12 months | 6,293 | 5,847 | 4,640 | 4,679 |
| 1–5 years | 17,591 | 16,562 | 15,332 | 14,284 |
| More than 5 years | 26,894 | 23,785 | 26,682 | 22,683 |
| **Total** | **60,597** | **52,463** | **55,101** | **47,230** |

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

**Note 14** *cont.*

**Loans and receivables and their impairment**

**Reconciliation of allowance accounts for impaired loans**[2]

**Total**

| **Loans and receivables,** EURm | Group Individually assessed | Group Collectively assessed | Group Total | Parent company Individually assessed | Parent company Collectively assessed | Parent company Total |
|---|---|---|---|---|---|---|
| **Opening balance at 1 Jan 2007** | **-263** | **-122** | **-385** | **-233** | **-122** | **-355** |
| Provisions | -25 | -96 | -121 | -13 | -96 | -109 |
| Reversals | 57 | 35 | 92 | 51 | 35 | 86 |
| **Changes through the income statement** | **32** | **-61** | **-29** | **38** | **-61** | **-23** |
| Allowances used to cover write-offs | 29 | - | 29 | 25 | - | 25 |
| Currency translation differences and reclassifications[3] | 16 | 43 | 59 | 17 | 43 | 60 |
| **Closing balance at 31 Dec 2007** | **-186** | **-140** | **-326** | **-153** | **-140** | **-293** |
| **Opening balance 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 |
| **Closing balance at 31 Dec 2006** | **-263** | **-122** | **-385** | **-233** | **-122** | **-355** |

**Credit institutions**

| **Loans and receivables,** EURm | Group Individually assessed | Group Collectively assessed | Group Total | Parent company Individually assessed | Parent company Collectively assessed | Parent company Total |
|---|---|---|---|---|---|---|
| **Opening balance at 1 Jan 2007** | - | - | - | - | - | - |
| Provisions | - | -1 | -1 | - | -1 | -1 |
| Reversals | - | - | - | - | - | - |
| **Changes through the income statement** | **-** | **-1** | **-1** | **-** | **-1** | **-1** |
| Allowances used to cover write-offs | - | - | - | - | - | - |
| Currency translation differences and reclassifications[3] | - | -1 | -1 | - | -1 | -1 |
| **Closing balance at 31 Dec 2007** | **-** | **-2** | **-2** | **-** | **-2** | **-2** |
| **Opening balance at 1 Jan 2006** | - | - | - | - | - | - |
| Provisions | - | - | - | - | - | - |
| Reversals | - | - | - | - | - | - |
| **Changes through the income statement** | - | - | - | - | - | - |
| Allowances used to cover write-offs | - | - | - | - | - | - |
| Currency translation differences | - | - | - | - | - | - |
| **Closing balance at 31 Dec 2006** | **-** | **-** | **-** | **-** | **-** | **-** |

**The public**

| **Loans and receivables,** EURm | Group Individually assessed | Group Collectively assessed | Group Total | Parent company Individually assessed | Parent company Collectively assessed | Parent company Total |
|---|---|---|---|---|---|---|
| **Opening balance at 1 Jan 2007** | **-263** | **-122** | **-385** | **-233** | **-122** | **-355** |
| Provisions | -25 | -95 | -120 | -13 | -95 | -108 |
| Reversals | 57 | 35 | 92 | 51 | 35 | 86 |
| **Changes through the income statement** | **32** | **-60** | **-28** | **38** | **-60** | **-22** |
| Allowances used to cover write-offs | 29 | - | 29 | 25 | - | 25 |
| Currency translation differences and reclassifications[3] | 16 | 44 | 60 | 17 | 44 | 61 |
| **Closing balance at 31 Dec 2007** | **-186** | **-138** | **-324** | **-153** | **-138** | **-291** |
| **Opening balance 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 |
| **Closing balance at 31 Dec 2006** | **-263** | **-122** | **-385** | **-233** | **-122** | **-355** |

[2] See Note 11 Loan losses.
[3] Mainly reclassification to off-balance sheet items.

**Note 14** *cont.*

**Loans and receivables and their impairment**

**Allowances and provisions**

| | Total | | | |
|---|---|---|---|---|
| | Group | | Parent company | |
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Allowances for items in the balance sheet | -326 | -385 | -293 | -355 |
| Provisions for off balance sheet items | -33 | - | -33 | - |
| **Total allowances and provisions** | **-359** | **-385** | **-326** | **-355** |

| | Credit institutions | | | |
|---|---|---|---|---|
| | Group | | Parent company | |
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Allowances for items in the balance sheet | -2 | - | -2 | - |
| Provisions for off balance sheet items | -26 | - | -26 | - |
| **Total allowances and provisions** | **-28** | **-** | **-28** | **-** |

| | The public | | | |
|---|---|---|---|---|
| EURm | | | | |
| Allowances for items in the balance sheet | -324 | -385 | -291 | 355 |
| Provisions for off balance sheet items | -7 | - | -7 | - |
| **Total allowances and provisions** | **-331** | **-385** | **-298** | **355** |

| **Key ratios** | Total | | | |
|---|---|---|---|---|
| | Group | | Parent company | |
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| | 2007 | 2006 | 2007 | 2006 |
| Impairment rate, gross[4], % | 0.6 | 0.7 | 0.5 | 0.6 |
| Impairment rate, net[5], % | 0.4 | 0.4 | 0.4 | 0.3 |
| Total allowance rate[6], % | 0.3 | 0.4 | 0.3 | 0.4 |
| Allowance rate, impaired loans[7], % | 30.2 | 40.4 | 29.1 | 40.3 |
| Non-performing loans and receivables, not impaired[8], EURm | 6 | 5 | 6 | 5 |

| | Credit institutions | | | |
|---|---|---|---|---|
| | Group | | Parent company | |
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| | 2007 | 2006 | 2007 | 2006 |
| Impairment rate, gross[4], % | - | - | - | - |
| Impairment rate, net[5], % | - | - | - | - |
| Total allowance rate[6], % | 0.0 | - | 0.0 | - |
| Allowance rate, impaired loans[7], % | - | - | - | - |
| Non-performing loans and receivables, not impaired[8], EURm | - | - | - | - |

| | The public | | | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Impairment rate, gross[4], % | 1.0 | 1.2 | 0.9 | 1.2 |
| Impairment rate, net[5], % | 0.7 | 0.7 | 0.7 | 0.7 |
| Total allowance rate[6], % | 0.5 | 0.7 | 0.5 | 0.7 |
| Allowance rate, impaired loans[7], % | 30.2 | 40.4 | 29.1 | 40.3 |
| Non-performing loans and receivables, not impaired[8], EURm | 6 | 5 | 6 | 5 |

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

## Note 15
## Interest-bearing securities

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Issued by public bodies | 11 | 40 | 11 | 40 |
| Issued by other borrowers | 2,204 | 1,221 | 2,204 | 1,221 |
| **Total** | **2,215** | **1,261** | **2,215** | **1,261** |
| | | | | |
| Listed securities | 338 | 361 | 338 | 361 |
| Unlisted securities | 1,877 | 900 | 1,877 | 900 |
| **Total** | **2,215** | **1,261** | **2,215** | **1,261** |
| | | | | |
| **Maturity information** | | | | |
| **Remaining maturity (book value)** | | | | |
| Maximum 1 year | 1,893 | 1,043 | 1,893 | 1,043 |
| More than 1 year | 322 | 218 | 322 | 218 |
| **Total including portfolio schemes** | **2,215** | **1,261** | **2,215** | **1,261** |
| | | | | |
| Of which Financial instruments pledged as collateral (Note 16) | - | 100 | - | 100 |
| | | | | |
| **Total** | **2,215** | **1,161** | **2,215** | **1,161** |

## Note 16
## Financial instruments pledged as collateral

**Financial instruments pledged as collateral**

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

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Repurchase agreements | - | - | - | - |
| Securities lending agreements | - | 100 | - | 100 |
| **Total** | **-** | **100** | **-** | **100** |

## Note 16 *cont.*
## Financial instruments pledged as collateral

**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 | 2007 | 2006 | 2007 | 2006 |
| **Repurchase agreements** | - | - | - | - |
| **Securities lending agreements** | | | | |
| Interest-bearing securities | - | 100 | - | 100 |
| Shares | - | 0 | - | 0 |
| **Securitisations** | - | - | - | - |
| **Total** | **-** | **100** | **-** | **100** |

**Liabilities associated with the assets**

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| **Repurchase agreements** | - | - | - | - |
| **Securities lending agreements** | – | – | – | – |
| **Securitisations** | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** |

## Note 17
## Shares

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Shares held for trading | 1,442 | 590 | 1,442 | 590 |
| Shares designated at fair value through profit or loss | 22 | 13 | 21 | 12 |
| Shares available for sale | 1 | - | 1 | - |
| - of which shares taken over for protection of claims | - | - | - | - |
| **Total** | **1,465** | **603** | **1,464** | **602** |
| | | | | |
| Listed shares | 1,045 | 133 | 1,045 | 133 |
| Unlisted shares | 420 | 470 | 419 | 469 |
| **Total** | **1,465** | **603** | **1,464** | **602** |
| | | | | |
| Of which Financial instruments pledged as collateral (Note 16) | - | 0 | - | 0 |
| | | | | |
| **Total** | **1,465** | **603** | **1,464** | **602** |
| | | | | |
| Of which expected to be settled after 12 months | 23 | 13 | 22 | 12 |

## Note 18
## Derivatives

| | Group | | | Parent company | | |
|---|---|---|---|---|---|---|
| | Fair value | | | Fair value | | |
| 31 Dec 2007, EURm | Positive | Negative | Total nom. amount | Positive | Negative | Total nom. amount |
| **Derivatives held for trading** | | | | | | |
| **Interest rate derivatives** | | | | | | |
| Interest rate swaps | 16,215 | 16,619 | 1,329,731 | 16,215 | 16,619 | 1,329,731 |
| FRAs | 175 | 176 | 526,496 | 175 | 176 | 526,496 |
| Interest rate futures | 12 | 35 | 4,374 | 12 | 35 | 4,374 |
| Options | 2,923 | 2,962 | 323,213 | 2,923 | 2,962 | 323,213 |
| **Total** | **19,325** | **19,792** | **2,183,814** | **19,325** | **19,792** | **2,183,814** |
| **Equity derivatives** | | | | | | |
| Futures and forwards | 80 | 134 | 2,877 | 80 | 134 | 2,877 |
| Options | 1,198 | 1,579 | 16,013 | 1,198 | 1,579 | 16,013 |
| Other | 108 | 196 | 3,072 | 108 | 196 | 3,072 |
| **Total** | **1,386** | **1,909** | **21,962** | **1,386** | **1,909** | **21,962** |
| **Foreign exchange derivatives** | | | | | | |
| Currency and interest rate swaps | 2,094 | 2,170 | 167,430 | 2,094 | 2,170 | 167,430 |
| Currency forwards | 5,011 | 4,993 | 476,439 | 5,011 | 4,993 | 476,439 |
| Options | 277 | 282 | 32,513 | 277 | 282 | 32,512 |
| Other | - | - | - | - | - | - |
| **Total** | **7,382** | **7,445** | **676,382** | **7,382** | **7,445** | **676,381** |
| **Credit derivatives** | | | | | | |
| Credit default swaps | 1,162 | 1,116 | 90,624 | 1,162 | 1,116 | 90,624 |
| Total rate of return swaps | 1 | 61 | 4,000 | 1 | 61 | 4,000 |
| **Total** | **1,163** | **1,177** | **94,624** | **1,163** | **1,177** | **94,624** |
| **Other derivatives** | | | | | | |
| Futures and forwards | 103 | 48 | 769 | 103 | 48 | 769 |
| Options | 83 | 101 | 534 | 83 | 101 | 534 |
| Other | 1,118 | 1,142 | 9,169 | 1,118 | 1,142 | 9,169 |
| **Total** | **1,304** | **1,291** | **10,472** | **1,304** | **1,291** | **10,472** |
| **Total derivatives held for trading** | **30,560** | **31,614** | **2,987,254** | **30,560** | **31,614** | **2,987,253** |

| | Group | | | Parent company | | |
|---|---|---|---|---|---|---|
| | Fair value | | | Fair value | | |
| 31 Dec 2007, EURm | Positive | Negative | Total nom amount | Positive | Negative | Total nom amount |
| **Derivatives used for hedge accounting** | | | | | | |
| **Interest rate derivatives** | | | | | | |
| Interest rate swaps | 171 | 84 | 26,139 | 171 | 84 | 26,139 |
| **Total** | **171** | **84** | **26,139** | **171** | **84** | **26,139** |
| **Foreign exchange derivatives** | | | | | | |
| Currency and interest rate swaps | 0 | 314 | 3,585 | 0 | 314 | 3,585 |
| **Total** | **0** | **314** | **3,585** | **0** | **314** | **3,585** |
| **Total derivatives used for hedge accounting** | **171** | **398** | **29,724** | **171** | **398** | **29,724** |
| **Total derivatives** | **30,731** | **32,012** | **3,016,978** | **30,731** | **32,012** | **3,016,977** |

**Note 18** *cont.*
**Derivatives**

| 31 Dec 2006, EURm | Group | | | Parent company | | |
|---|---|---|---|---|---|---|
| | Fair value | | Total nom. | Fair value | | Total nom. |
| | 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 | 3,408 | 3,371 | 230,892 | 3,408 | 3,371 | 230,892 |
| **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 | 926 | 1,042 | 13,314 | 926 | 1,042 | 13,314 |
| 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 | 164 | 182 | 28,017 | 164 | 182 | 28,017 |
| **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 rate of 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 | 11 | 28 | 650 | 11 | 28 | 650 |
| 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** |

| 31 Dec 2006, EURm | Group | | | Parent company | | |
|---|---|---|---|---|---|---|
| | Fair value | | Total nom | Fair value | | Total nom |
| | Positive | Negative | amount | Positive | Negative | amount |
| **Derivatives used for hedge accounting** | | | | | | |
| **Interest rate derivatives** | | | | | | |
| Interest rate swaps | 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 18** *cont.*
**Derivatives**

| 31 Dec 2007, EURm | Group Positive | Group Negative | Parent company Positive | Parent company Negative |
|---|---|---|---|---|
| **Maturity information** | | | | |
| **Remaining maturity (book value)** | | | | |
| Maximum 3 months | 4,274 | 4,743 | 4,274 | 4,743 |
| 3-12 months | 2,959 | 3,324 | 2,959 | 3,324 |
| 1-5 years | 9,400 | 9,587 | 9,400 | 9,587 |
| More than 5 years | 14,098 | 14,358 | 14,098 | 14,358 |
| **Total** | **30,731** | **32,012** | **30,731** | **32,012** |

| 31 Dec 2006, EURm | Group Positive | Group Negative | Parent company Positive | Parent company 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** |

**Note 19**
**Fair value changes of the hedged items in portfolio hedge of interest rate risk**

| **Assets** | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 |
| Book value at beginning of year | -54 | 70 | -54 | 70 |
| Changes during the year | | | | |
| - Change in accounting policies | - | - | - | - |
| - Revaluation of hedged items | 9 | -124 | 9 | -124 |
| **Book value at end of year** | **-45** | **-54** | **-45** | **-54** |

The book value at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is an asset.

| **Liabilities** | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 |
| Book value at beginning of year | -147 | 43 | -147 | 43 |
| Changes during the year | | | | |
| - Change in accounting policies | - | - | - | - |
| - Revaluation of hedged items | 70 | -190 | 70 | -190 |
| **Book value at end of year** | **-77** | **-147** | **-77** | **-147** |

The book value at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is a liability.

**Note 20**
**Investments in group undertakings**

| **Parent company** | 31 Dec | 31 Dec |
|---|---|---|
| EURm | 2007 | 2006 |
| Acquisition value at beginning of year | 319 | 327 |
| Acquisitions during the year | - | 2 |
| Sales during the year | - | -10 |
| Translation differences | 0 | 0 |
| Reclassifications | 4 | - |
| **Acquisition value at end of year** | **323** | **319** |
| Accumulated impairment charges at beginning of year | 3 | -2 |
| Reversed impairment charges during the year | - | 7 |
| Impairment charges during the year | 0 | -2 |
| Reclassifications | -4 | - |
| **Accumulated impairment charges at end of year** | **-1** | **3** |
| **Total** | **322** | **322** |
| 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 2007 | Number of shares | Book value EURm | Voting power of holding, % | Share-holding, % | 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 | | | | | | |
| VKR-Kiinteistöt Oy Ab [1] | 600 | 1 | 60.0 | 60.0 | Vantaa | 0728754-2 |
| Kiinteistö Oy Tampereen Kirkkokatu 7 [1] | 280 | 50 | 100.0 | 100.0 | Tampere | 0819781-3 |
| Kiinteistö Oy Levytie 6 [1] | 147 | 23 | 100.0 | 100.0 | Helsinki | 0818921-5 |
| PMA-Invest Oy | 8,434 | 13 | 100.0 | 100.0 | Helsinki | 1069506-1 |
| Other companies | | | | | | |
| Fidenta Oy | 2,000 | 0 | 60.0 | 20.0 | Espoo | 0988412-1 |
| Power Partners Oy [2] | 2,012,500 | 1 | 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 | LT116672716 |
| 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 | 12 | 22 | 26 |
| Other companies | 7 | 0 | 21 |

[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.

NBF has issued Credit Link Notes, that at the end of 2007, amounted to EUR 421m. These Notes are linked to Credit default swaps and are a part of the Trading book. All contracts are fair valued. No Special Purpose Entities (SPEs) has been established by NBF. For further information see Note 1 Accounting Policies section 5, 10 and 12.

The parent company of Nordea Bank Finland Plc is Nordea Bank AB (publ) domiciled in Stockholm, registration number 516406-0120. The Annual Report 2007 of Nordea Bank AB (publ) 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 2007 of the Nordea Group is also available at branches of Nordea Bank Finland Plc.

## Note 21
## Investments in associated undertakings

| EURm | Group 31 Dec 2007 | Group 31 Dec 2006 | Parent company 31 Dec 2007 | Parent company 31 Dec 2006 |
|---|---|---|---|---|
| Acquisition value at beginning of year | 87 | 215 | 59 | 133 |
| Acquisitions during the year | 5 | 2 | 5 | 1 |
| Sales during the year | -17 | -158 | -17 | -72 |
| Share in earnings | 2 | 31 | - | - |
| Dividend received | -1 | -1 | - | - |
| Reclassifications | 1 | 1 | -2 | - |
| Translation differences | - | -3 | - | -3 |
| **Acquisition value at end of year** | **77** | **87** | **45** | **59** |
| Accumulated impairment charges at beginning of year | -4 | -2 | -3 | -1 |
| Accumulated impairment charges on sales during the year | 3 | - | 3 | - |
| Reversed impairment charges during the year | - | 1 | - | 1 |
| Impairment charges during the year | 0 | -3 | - | -3 |
| Translation differences | - | - | - | - |
| **Accumulated impairment charges at end of year** | **-1** | **-4** | **0** | **-3** |
| **Total** | **76** | **83** | **45** | **56** |
| 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:

| EURm | 31 Dec 2007 | 31 Dec 2006 |
|---|---|---|
| Total assets | 357 | 342 |
| Total liabilities | 275 | 261 |
| Operating income | 70 | 74 |
| Operating profit | 1 | 11 |

Nordea Bank Finland Plc's and Nordea Bank Finland Group' s share of contingent liabilities in favour of in associated undertakings amounts to EUR 20m (0) and on behalf of associated undertaking EUR 0m (0).

**Group**

| 31 Dec 2007 | Business ID | Domicile | Book value EURm | Voting power of holding % | Shareholding % |
|---|---|---|---|---|---|
| **Credit institutions** | | | | | |
| Luottokunta | 0201646-0 | Helsinki | 37 | 23.7 | 23.7 |
| **Total** | | | **37** | | |
| **Other** | | | | | |
| Automatia Pankkiautomaatit Oy | 0974651-1 | Helsinki | 7 | 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 | 0 | - | 42.2 |
| Profita Fund II Ky | 1596354-7 | Helsinki | 5 | - | 44.9 |
| Profita Fund III Ky | 2114721-2 | Helsinki | 2 | - | 27.7 |
| Oy Realinvest Ab | 0680035-9 | Helsinki | 25 | 49.3 | 49.3 |
| Securus Oy | 0742429-5 | Helsinki | 0 | 35.2 | 35.2 |
| **Total** | | | **39** | | |
| **Total** | | | **76** | | |

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

**Note 21** *cont.*
**Investments in associated undertakings**

**Parent company**

| 31 Dec 2007 | Business ID | Domicile | Book value EURm | Voting power of holding % | Shareholding % |
|---|---|---|---|---|---|
| **Credit institutions** | | | | | |
| Luottokunta | 0201646-0 | Helsinki | 9 | 23.7 | 23.7 |
| **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 | 0 | - | 42.2 |
| Profita Fund II Ky | 1596354-7 | Helsinki | 5 | - | 44.9 |
| Profita Fund III Ky | 2114721-2 | Helsinki | 2 | - | 27.7 |
| Oy Realinvest Ab | 0680035-9 | Helsinki | 24 | 49.3 | 49.3 |
| Securus Oy | 0742429-5 | Helsinki | 0 | 35.2 | 35.2 |
| **Total** | | | **36** | | |
| | | | | | |
| **Total** | | | **45** | | |

**Note 22**
**Intangible assets**

| | Group | | Parent Company | |
|---|---|---|---|---|
| EURm | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 |
| **Goodwill** | | | | |
| Other goodwill | 0 | 0 | - | - |
| **Goodwill, total** | **0** | **0** | **-** | **-** |
| | | | | |
| Internally developed software | 35 | 13 | 37 | 13 |
| Other intangible assets | 13 | - | 0 | 0 |
| **Total** | **48** | **13** | **37** | **13** |

| | Group | | Parent Company | |
|---|---|---|---|---|
| EURm | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 |
| **Goodwill** | | | | |
| Acquisition value at beginning of year | 3 | 3 | - | - |
| Acquisitions during the year | 0 | 0 | - | - |
| Translation differences | 0 | - | - | - |
| **Acquisition value at end of year** | **3** | **3** | **-** | **-** |
| | | | | |
| Accumulated amortisation at beginning of year | -3 | -2 | - | - |
| Amortisation according to plan for the year | 0 | 0 | - | - |
| Translation differences | - | -1 | - | - |
| **Accumulated amortisation at end of year** | **-3** | **-3** | **-** | **-** |
| | | | | |
| **Accumulated impairment charges at end of year** | - | - | - | - |
| | | | | |
| **Total** | **0** | **0** | **-** | **-** |

**Note 22** *cont.*
**Intangible assets**

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 |
| **Internally developed software** | | | | |
| Acquisition value at beginning of year | 13 | 15 | 13 | 12 |
| Acquisitions during the year | 20 | 8 | 19 | 9 |
| Through mergers | - | - | - | - |
| Sales/disposals during the year | 0 | 0 | 0 | - |
| Reclassifications | 10 | -10 | 12 | -8 |
| Translation differences | - | - | - | - |
| **Acquisition value at end of year** | **43** | **13** | **44** | **13** |
| | | | | |
| Accumulated amortisation at beginning of year | - | - | - | - |
| Through mergers | - | - | - | - |
| Amortisation according to plan for the year | -4 | - | -4 | - |
| Accumulated amortisation on sales/disposals during the year | 0 | - | 0 | - |
| Reclassifications | -4 | - | -3 | - |
| Translation differences | - | - | - | - |
| **Accumulated amortisation at end of year** | **-8** | **-** | **-7** | **-** |
| | | | | |
| Accumulated impairment charges at beginning of year | - | - | - | - |
| Accumulated impairment charges on sales/disposals during the year | - | - | - | - |
| Impairment charges during the year | - | - | - | - |
| Translation differences | - | - | - | - |
| **Accumulated impairment charges at end of year** | **-** | **-** | **-** | **-** |
| | | | | |
| **Total** | **35** | **13** | **37** | **13** |

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 |
| **Other intangible assets** | | | | |
| Acquisition value at beginning of year | 4 | 24 | 4 | 56 |
| Acquisitions during the year | 13 | 1 | 0 | 0 |
| Through mergers | - | - | - | - |
| Sales/disposals during the year | - | 0 | 0 | - |
| Reclassifications | 0 | -21 | 0 | -52 |
| Translation differences | 0 | - | - | - |
| **Acquisition value at end of year** | **17** | **4** | **4** | **4** |
| | | | | |
| Accumulated amortisation at beginning of year | -4 | -22 | -4 | -50 |
| Amortisation according to plan for the year | 0 | 0 | - | 0 |
| Accumulated amortisation on sales/disposals during the year | - | - | 0 | - |
| Reclassifications | - | 18 | 0 | 46 |
| Translation differences | 0 | - | - | - |
| **Accumulated amortisation at end of year** | **-4** | **-4** | **-4** | **-4** |
| | | | | |
| **Accumulated impairment charges at end of year** | - | - | - | - |
| | | | | |
| **Total** | **13** | **-** | **0** | **0** |

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

**Note 23**
**Property and equipment**

| EURm | Group 31 Dec 2007 | Group 31 Dec 2006 | Parent company 31 Dec 2007 | Parent company 31 Dec 2006 |
|---|---|---|---|---|
| Property and equipment | 110 | 89 | 55 | 61 |
| Of which buildings for own use | 2 | 2 | 2 | 2 |
| **Total** | **110** | **89** | **55** | **61** |
| | | | | |
| **Taken over for protection of claims** | | | | |
| Land and buildings | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** |
| | | | | |
| **Equipment** | | | | |
| Acquisition value at beginning of year | 470 | 368 | 429 | 418 |
| Acquisitions during the year | 69 | 50 | 27 | 31 |
| Sales/disposals during the year | -285 | -34 | -275 | -4 |
| Reclassifications | -55 | 86 | -55 | -16 |
| Translation differences | 0 | - | - | - |
| **Acquisition value at end of year** | **199** | **470** | **126** | **429** |
| | | | | |
| Accumulated depreciation at beginning of year | -383 | -303 | -370 | -376 |
| Accumulated depreciation on sales/disposals during the year | 279 | 16 | 275 | 3 |
| Reclassifications | 38 | -69 | 37 | 24 |
| Depreciation according to plan for the year | -25 | -27 | -15 | -21 |
| Translation differences | 0 | 0 | - | - |
| **Accumulated depreciation at end of year** | **-91** | **-383** | **-73** | **-370** |
| | | | | |
| Accumulated impairment charges at beginning of year | 0 | - | 0 | - |
| Accumulated impairment charges on sales/disposals during the year | - | - | - | - |
| Reversed impairment charges during the year | - | - | - | - |
| Impairment charges during the year | - | - | - | - |
| **Accumulated impairment charges at end of year** | **0** | **-** | **0** | **-** |
| | | | | |
| **Total** | **108** | **87** | **53** | **59** |
| | | | | |
| **Land and buildings** | | | | |
| Acquisition value at beginning of year | 4 | 35 | 3 | 48 |
| Acquisitions during the year | - | 0 | - | - |
| Sales/disposals during the year | 0 | 0 | - | - |
| Reclassifications | 0 | -31 | 0 | -45 |
| **Acquisition value at end of year** | **4** | **4** | **3** | **3** |
| | | | | |
| Accumulated depreciation at beginning of year | -2 | -5 | -1 | -31 |
| Accumulated depreciation on sales/disposals during the year | 0 | 1 | - | - |
| Reclassifications | - | 3 | 0 | 30 |
| Depreciation according to plan for the year | 0 | -1 | 0 | 0 |
| **Accumulated depreciation at end of year** | **-2** | **-2** | **-1** | **-1** |
| | | | | |
| Accumulated impairment charges at beginning of year | - | -16 | - | -13 |
| Accumulated impairment charges on sales/disposals during the year | - | 6 | - | 11 |
| Reversed impairment charges during the year | - | 10 | - | 2 |
| **Accumulated impairment charges at end of year** | **-** | **0** | **-** | **0** |
| | | | | |
| **Total** | **2** | **2** | **2** | **2** |

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

## Note 24
## Leasing

**Nordea as lessor**

**Finance leases**
Nordea Bank Finland Group owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans and receivables and their impairment" (see Note 14) 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 | 2007 | 2006 |
| Gross investments | 1,981 | 1,735 |
| Less unearned finance income | -229 | -184 |
| **Net investments in finance leases** | **1,752** | **1,551** |
| | | |
| Less unguaranteed residual values accruing to the benefit of the lessor | -49 | -123 |
| **Present value of future minimum lease payments receivable** | **1,703** | **1,428** |
| **Accumulated allowance for uncollectible minimum lease payments receivable** | **6** | **27** |

As of 31 December 2007 the gross investment at remaining maturity was distributed as follows:

| | Group |
|---|---|
| | 31 Dec |
| EURm | 2007 |
| 2008 | 547 |
| 2009 | 452 |
| 2010 | 360 |
| 2011 | 255 |
| 2012 | 135 |
| Later years | 232 |
| **Total gross investment** | **1,981** |
| | |
| Less unearned future finance income on finance leases | -229 |
| **Net investment in finance leases** | **1,752** |

**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 | 2007 | 2006 |
| Acquisition value | 67 | 35 |
| Accumulated depreciations | -14 | -9 |
| **Book value at end of year** | **53** | **26** |
| | | |
| - Of which repossessed leased property, book value | - | - |

| | Group | |
|---|---|---|
| | 31 Dec | 31 Dec |
| Book value distributed on groups of assets, EURm | 2007 | 2006 |
| Equipment | 53 | 26 |
| **Book value at end of year** | **53** | **26** |

Depreciation for 2007 amounted to EUR 9m (5m).

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

| | Group | |
|---|---|---|
| EURm | 31 Dec 2007 | 31 Dec 2006 |
| 2008 | 10 | 3 |
| 2009 | 8 | 2 |
| 2010 | 5 | 1 |
| 2011 | 2 | 0 |
| 2012 | 0 | - |
| Later years | - | - |
| **Total** | **25** | **6** |

**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 | |
|---|---|---|---|---|
| Leasing expenses during the year, EURm | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 |
| Leasing expenses during the year | 60 | 68 | 61 | 65 |
| Of which | | | | |
| -minimum lease payments | 60 | 68 | - | 65 |
| -contingent rents | - | - | - | - |
| Leasing income during the year regarding sublease payments | - | - | - | - |

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

| | Group | Parent company |
|---|---|---|
| EURm | 31 Dec 2007 | 31 Dec 2007 |
| 2008 | 43 | 42 |
| 2009 | 24 | 24 |
| 2010 | 22 | 22 |
| 2011 | 15 | 15 |
| 2012 | 13 | 12 |
| Later years | 143 | 143 |
| **Total** | **260** | **258** |

**Note 25**
**Investment property**

**Group**

**Movement in the balance sheet**

| EURm | 31 Dec 2007 | 31 Dec 2006 |
|---|---|---|
| Book value at beginning of year | 4 | 39 |
| Acquisitions | 0 | - |
| Disposals during the year | - | -35 |
| Net gains or losses from fair value adjustments | - | - |
| **Book value at end of year** | **4** | **4** |

**Amounts recognised in the income statement**

| EURm | 2007 | 2006 |
|---|---|---|
| Rental income | 0 | 0 |
| Direct operating expenses that generated rental income | - | 0 |
| Direct operating expenses that did not generate rental income | 0 | 0 |
| **Total** | **0** | **0** |
| | | |
| Market value | 4 | 4 |

**Parent company**

**Movement in the balance sheet**

| EURm | 31 Dec 2007 | 31 Dec 2006 |
|---|---|---|
| Book value at beginning of year | 3 | 8 |
| Acquisitions | - | - |
| Disposals during the year | 0 | -5 |
| **Book value at end of year** | **3** | **3** |

**Amounts recognised in the income statement**

| EURm | 2007 | 2006 |
|---|---|---|
| Rental income | - | 0 |
| Direct operating expenses that generated rental income | - | 0 |
| Direct operating expenses that did not generate rental income | 0 | - |
| **Total** | **0** | **0** |
| | | |
| Market value | 3 | 3 |

**Note 26**
**Other assets**

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 | 31 Dec 2006 |
| Claims on securities settlement proceeds | 120 | 138 | 120 | 138 |
| Other | 1,292 | 974 | 1,322 | 976 |
| **Total** | **1,412** | **1,112** | **1,442** | **1,114** |

**Note 27**
**Prepaid expenses and accrued income**

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Accrued interest income | 500 | 380 | 520 | 392 |
| Other accrued income | 270 | 108 | 178 | 43 |
| Prepaid expenses | 4 | 1 | 4 | 1 |
| **Total** | **774** | **489** | **702** | **436** |

**Note 28**
**Deposits by credit institutions**

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Central banks | 798 | 1,516 | 798 | 1,516 |
| Other banks | 19,873 | 23,610 | 19,821 | 23,571 |
| Other credit institutions | 6,118 | 4,107 | 6,118 | 4,107 |
| **Total** | **26,789** | **29,233** | **26,737** | **29,194** |
| | | | | |
| **Maturity information** | | | | |
| **Remaining maturity (book value)** | | | | |
| Payable on demand | 1,534 | 5,113 | 1,535 | 5,115 |
| Maximum 3 months | 20,556 | 21,525 | 20,501 | 21,524 |
| 3-12 months | 4,667 | 2,561 | 4,669 | 2,522 |
| 1–5 years | 2 | 4 | 2 | 3 |
| More than 5 years | 30 | 30 | 30 | 30 |
| **Total** | **26,789** | **29,233** | **26,737** | **29,194** |

**Note 29**
**Deposits and borrowings from the public**

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Deposits from the public | 40,342 | 34,477 | 40,348 | 34,482 |
| Borrowings from the public | 1,367 | 1,212 | 1,386 | 1,218 |
| **Total** | **41,709** | **35,689** | **41,734** | **35,700** |

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 | 26,551 | 23,607 | 26,551 | 23,612 |
| Maximum 3 months | 10,537 | 7,935 | 10,543 | 7,935 |
| 3-12 months | 2,731 | 2,147 | 2,731 | 2,147 |
| 1–5 years | 521 | 786 | 521 | 786 |
| More than 5 years | 2 | 2 | 2 | 2 |
| **Total** | **40,342** | **34,477** | **40,348** | **34,482** |
| | | | | |
| **Maturity information, Borrowings** | | | | |
| **Remaining maturity (book value)** | | | | |
| Payable on demand | 0 | - | - | - |
| Maximum 3 months | 1,284 | 1,073 | 1,305 | 1,095 |
| 3-12 months | 19 | 46 | 19 | 33 |
| 1–5 years | 64 | 93 | 62 | 90 |
| More than 5 years | 0 | - | - | - |
| **Total** | **1,367** | **1,212** | **1,386** | **1,218** |

## Note 30
## Debt securities in issue

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| **EURm** | 2007 | 2006 | 2007 | 2006 |
| Certificates of deposit | 24,498 | 19,267 | 24,501 | 19,269 |
| Commercial papers | - | - | - | - |
| Bond loans | 5,137 | 3,413 | 5,137 | 3,413 |
| **Total** | **29,635** | **22,680** | **29,638** | **22,682** |
| | | | | |
| **Maturity information, Debt securities in issue** | | | | |
| **Remaining maturity (book value)** | | | | |
| Maximum 1 year | 23,493 | 18,232 | 23,492 | 18,234 |
| More than 1 year | 6,142 | 4,448 | 6,146 | 4,448 |
| **Total** | **29,635** | **22,680** | **29,638** | **22,682** |

## Note 31
## Other liabilities

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Liabilities on securities settlement proceeds | 125 | 109 | 125 | 109 |
| Sold, not held, securities | 239 | 24 | 239 | 24 |
| Accounts payable | 21 | 14 | 7 | 9 |
| Other | 3,585 | 3,643 | 3,484 | 3,573 |
| **Total** | **3,970** | **3,790** | **3,855** | **3,715** |

## Note 32
## Accrued expenses and prepaid income

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Accrued interest | 641 | 482 | 641 | 473 |
| Other accrued expenses | 321 | 269 | 216 | 186 |
| Prepaid income | 17 | 7 | 16 | 14 |
| **Total** | **979** | **758** | **873** | **673** |

## Note 33
## Provisions

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Transfer risks, off-balance | 25 | - | 25 | - |
| Off-balance sheet | 7 | 19 | 7 | 18 |
| Other | 13 | 20 | 8 | 15 |
| **Total** | **45** | **39** | **40** | **33** |

**Movement in the balance sheet:**

| **Group** | Transfer risks | Off-balance sheet | Other | Total |
|---|---|---|---|---|
| At the beginning of year | - | 19 | 21 | 40 |
| New provisions made | 2 | 3 | 2 | 7 |
| Provisions utilised | - | 0 | -3 | -3 |
| Reversals | -17 | -14 | -8 | -39 |
| Reclassifications | 40 | -1 | 1 | 40 |
| Translation differences | - | - | 0 | - |
| **At the end of year** | **25** | **7** | **13** | **45** |
| Of which expected to be settled within 12 months | - | - | 3 | 3 |

Provision for Transfer risk reserve is depending on the volume of business with different countries which might change over years. The total provision for transfer risk is not expected to decrease during 2008.

Loan loss provisions for individually assessed off-balance sheet items (i.e. guarantees and L/C´s) amounted to EUR 7m.

Other statutory provisions included EUR 1m redundancy packages of which 100 % will be settled in 2008. Provisions in the amount of EUR 1m have been booked for onerous contracts. Rental liabilities amounted to EUR 2m of which 20% is expected to be settled during 2008. Environmental and property-related obligations totalled EUR 4m (not expected to be settled during 2008). Other smaller provisions totalled EUR 5m of which 60 % is expected to be settled in 2008.

| **Parent company** | Transfer risks | Off-balance sheet | Other | Total |
|---|---|---|---|---|
| At beginning of year | - | 18 | 15 | 33 |
| New provisions made | 2 | 3 | 1 | 6 |
| Provisions utilised | - | 0 | -3 | -3 |
| Reversals | -18 | -14 | -5 | -37 |
| Reclassifications | 41 | 0 | 0 | 41 |
| **At the end of year** | **25** | **7** | **8** | **40** |
| Of which expected to be settled within 12 months | - | - | 1 | 1 |

Provision for Transfer risk reserve is depending on the volume of business with different countries which might change over years. The total provision for transfer risk is not expected to decrease during 2008.

Loan loss provisions for individually assessed off-balance sheet items (i.e. guarantees and L/C´s) amounted to EUR 7m.

Other statutory provisions included EUR 1m redundancy packages of which 100 % is expected to be settled in 2008. Rental liabilities amounted to EUR 2m, of which 20 % is expected to be settled during 2008. Environmental and property-related obligations amounted to EUR 4m (not expected to be settled during 2008). Other smaller provisions totalled EUR 1m (not expected to be settled in 2008).

## Note 34
## Retirement benefit obligations

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2,006 |
| Defined benefit plans, net | -19 | 4 | -14 | 7 |
| **Total** | **-19** | **4** | **-14** | **7** |

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.

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 |
|---|---|---|
| **2007** | | |
| Members | 19,667 | 18,462 |
| Average member age | 58 | 58 |
| | | |
| **2006** | | |
| Members | 20,057 | 19,359 |
| Average member age | 58 | 58 |

[1] Numbers are combined for the Finnish pension fund and pension foundation, Life Assurance Finland Ltd and London plans.

**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 |
|---|---|
| **2007** | |
| Discount rate | 5.0% |
| Salary increase | 3.5% |
| Inflation | 2.0% |
| Expected return on assets before taxes | 6.0% |
| | |
| **2006** | |
| 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 is linked to the discount rate while equities and real estate have an added risk premium.

**Asset composition**
The combined return on assets in 2007 was 3% (6%). At the end of the year, the equity exposure in pension funds/foundations represented 23% (22%) of total assets.

| Asset composition in funded schemes | 2007 | 2006 |
|---|---|---|
| Equity | 23% | 22% |
| Bonds | 69% | 69% |
| Real Estate | 5% | 5% |
| Other assets | 3% | 4% |
| Of which | | |
| - Nordea shares | 0% | 0% |
| - Nordea real estate | 3% | 3% |

**Note 34** *cont.*
**Retirement benefit obligations**

**Amounts recognised in the balance sheet**

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| PBO | 759 | 874 | 705 | 809 |
| Assets | 857 | 851 | 792 | 786 |
| **Total surplus/deficit (-)** | **98** | **-23** | **87** | **-23** |
| Of which unrecognised actuarial gains/losses(-) | 79 | -19 | 73 | -16 |
| **Of which recognised in the balance sheet** | **19** | **-4** | **14** | **-7** |
| Of which | | | | |
| - retirement benefit assets | 59 | 52 | 54 | 49 |
| - retirement benefit obligations | 40 | 56 | 40 | 56 |
| - related to unfunded plans (PBO) | 15 | 14 | 15 | 14 |

**Overview of surplus or deficit in the plans**

| | Total | Total | Total | Total | Total |
|---|---|---|---|---|---|
| EURm | 2007 | 2006 | 2005 | 2004 | 2003 |
| PBO | 759 | 874 | 869 | 837 | 843 |
| Plan Assets | 857 | 851 | 828 | 776 | 755 |
| **Funded status - surplus/deficit(-)** | **98** | **-23** | **-41** | **-61** | **-88** |

**Changes in the PBO**

| | Group | | Parent company | |
|---|---|---|---|---|
| EUR m | 2007 | 2006 | 2007 | 2006 |
| PBO, 1 Jan | 874 | 869 | 809 | 802 |
| Service cost | 3 | 8 | 3 | 8 |
| Interest cost | 34 | 32 | 32 | 32 |
| Pensions paid | -37 | -34 | -35 | -33 |
| Curtailments and settlements | -1 | -1 | -1 | -1 |
| Actuarial gains(-)/losses | -107 | -1 | -100 | 0 |
| Effect of exchange rate changes | -7 | 1 | -3 | 1 |
| **PBO at 31 Dec** | **759** | **874** | **705** | **809** |

**Changes in the fair value of assets**

| | Group | | Parent company | |
|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 |
| Assets, 1 Jan | 851 | 828 | 786 | 766 |
| Expected return on assets | 40 | 38 | 37 | 37 |
| Pensions paid | -40 | -31 | -37 | -32 |
| Contributions | 18 | 5 | 18 | 5 |
| Actuarial gains/losses(-) | -12 | 11 | -12 | 10 |
| Effect of exchange rate changes | 0 | 0 | 0 | 0 |
| **Assets at 31 Dec** | **857** | **851** | **792** | **786** |
| **Actual return on plan assets** | **28** | **50** | **26** | **47** |

**Overview of actuarial gains/losses [1]**

| | Total | Total |
|---|---|---|
| EURm | 2007 | 2006 |
| Effects of changes in actuarial assumptions | 87 | -16 |
| Experience adjustments | 8 | 28 |
| Of which: | | |
| - on plan assets | -12 | 11 |
| - on plan liabilities | 20 | 17 |
| **Actuarial gains/losses** | **95** | **12** |

[1] The 5-year trend information will be built up over time.

**Note 34** *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 4m positive (3). In the parent company's income statement the respective cost was in 2007 EUR 3m positive (2).

Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans. (See specification in Note 8.)

| | Group | | Parent company | |
|---|---|---|---|---|
| Recognised net defined benefit cost, EURm | 2007 | 2006 | 2007 | 2006 |
| Service cost | 3 | 8 | 3 | 8 |
| Interest cost | 34 | 32 | 32 | 32 |
| Expected return on assets | -40 | -38 | -37 | -37 |
| Recognised actuarial gains(-) / losses | - | - | - | - |
| Recognised past service cost | - | - | - | - |
| Curtailments and settlements | -1 | 1 | -1 | -1 |
| **Pension cost on defined benefit plans** | **-4** | **3** | **-3** | **2** |

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 +10m in the Group and to EUR +9m in the parent company in 2008.

The Group and the parent company expect to contribute EUR 8m to its defined benefit plans in 2008.

**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) Group Executive Management. In 2007 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).

**Note 35**
**Subordinated liabilities**

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Dated subordinated debenture loans | 801 | 1,004 | 801 | 1,004 |
| Undated subordinated debenture loans | 469 | 661 | 469 | 661 |
| **Total** | **1,270** | **1,665** | **1,270** | **1,665** |

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

**Group and parent company**

On 31 December 2007 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 | 408 | 6.25% |
| Nordea Bank Finland Plc | 1999/2009 | MUSD 285 | 194 | 6.50% |

[1] Callable for the first time on 18 July 2014.

## Note 36
## 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 1 Jan 2007** | **2,319** | **599** | **2,899** | **7,656** | **13,473** | **6** | **13,479** |
| Available-for-sale investments: | | | | | | | |
| - Fair value gains | - | - | 1 | - | 1 | - | **1** |
| - Tax on fair value gains | - | - | 0 | - | 0 | - | **0** |
| Group contribution | - | - | - | -54 | -54 | - | **-54** |
| Currency translation differences | - | - | 0 | 2 | 2 | - | **2** |
| *Net income recognised directly in equity* | - | - | *1* | *-52* | *-51* | - | ***-51*** |
| Net profit for the year | - | - | - | 1,363 | 1,363 | 2 | **1,365** |
| *Total recognised income and expense in equity* | - | - | *1* | *1,311* | *1,312* | *2* | ***1,314*** |
| Share-based payments[2] | - | - | - | 1 | 1 | - | **1** |
| Dividend for 2006 | - | - | - | -4,000 | -4,000 | - | **-4,000** |
| Other changes | - | - | 29 | -29 | 0 | -1 | **-1** |
| **Balance at 31 Dec 2007** | **2,319** | **599** | **2,929** | **4,939** | **10,786** | **7** | **10,793** |
| | | | | | | | |
| **Balance at 1 Jan 2006** | **2,319** | **599** | **2,884** | **6,396** | **12,198** | **6** | **12,204** |
| Available-for-sale investments: | | | | | | | |
| - Fair value gains | - | - | 0 | - | 0 | - | **0** |
| - Tax on fair value gains | - | - | - | - | - | - | - |
| Currency translation differences | - | - | - | -2 | -2 | - | **-2** |
| *Net income recognised directly in equity* | - | - | *0* | *-2* | *-2* | - | ***-2*** |
| Net profit for the year | - | - | - | 1,279 | 1,279 | 2 | **1,281** |
| *Total recognised income and expense in equity* | - | - | *0* | *1,277* | *1,277* | *2* | ***1,279*** |
| Dividend for 2005 | - | - | - | 0 | 0 | - | **0** |
| Other changes | - | - | 15 | -17 | -2 | -2 | **-4** |
| **Balance at 31 Dec 2006** | **2,319** | **599** | **2,899** | **7,656** | **13,473** | **6** | **13,479** |

**Note 36** *cont.*
**Equity**

**Parent company**

| EURm | Share capital [1] | Share premium account | Other reserves | Retained earnings | **Total equity** |
|---|---|---|---|---|---|
| **Balance at 1 Jan 2007** | **2,319** | **599** | **2,848** | **7,569** | **13,335** |
| Available-for-sale investments: | | | | | |
| - Fair value gains | - | - | 1 | - | **1** |
| - Tax on fair value gains | - | - | 0 | - | **0** |
| Group contribution | - | - | - | -54 | **-54** |
| *Net income recognised directly in equity* | - | - | *1* | *-54* | ***-53*** |
| Net profit for the year | - | - | - | 1,304 | **1,304** |
| *Total recognised income and expense in equity* | - | - | *1* | *1,250* | ***1,251*** |
| Share-based payments[2] | - | - | - | 1 | **1** |
| Dividend for 2006 | - | - | - | -4,000 | **-4,000** |
| Other changes | | | | -2 | **-2** |
| **Balance at 31 Dec 2007** | **2,319** | **599** | **2,849** | **4,818** | **10,585** |
| | | | | | |
| **Balance at 1 Jan 2006** | **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* | - | - | *0* | *1,270* | ***1,270*** |
| Dividend for 2005 | - | - | - | *0* | **0** |
| **Balance at 31 Dec 2006** | **2,319** | **599** | **2,848** | **7,569** | **13,335** |

[1] Total shares registered were 1,030.8 million (31 Dec 2006: 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.

[2] Refers to the Long Term Incentive Programme (LTIP), see also Note 8.

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 2007, the Bank held no authorisations given by the General Meeting for issuance or buybacks 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 10 March 2008, a dividend of 850,000,000.00 EUR in respect of 2007 (4,000,000,000 in 2006) is to be proposed. The financial statements for the year ended 31 December 2007 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2008.

## Note 37
## Assets pledged as security for own liabilities

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| **Assets pledged for own liabilities** | | | | |
| Securities etc | 7,039 | 8,159 | 7,039 | 8,159 |
| Other pledged assets | 272 | - | 272 | - |
| **Total** | **7,311** | **8,159** | **7,311** | **8,159** |
| | | | | |
| **The above pledges pertain to the following liability and commitment items** | | | | |
| Deposits by credit institutions | 20 | - | 20 | - |
| Other liabilities and commitments | 4,686 | 6,839 | 4,685 | 6,839 |
| **Total** | **4,706** | **6,839** | **4,705** | **6,839** |

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 38
## Other assets pledged

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| **Other assets pledged** [1] | | | | |
| Securities etc | - | 100 | - | 100 |
| Other assets pledged | - | 388 | - | 388 |
| **Total** | **-** | **488** | **-** | **488** |
| | | | | |
| **The above pledges pertain to the following liability and commitment items** [2] | | | | |
| Other liabilities and commitments | - | 198 | - | 198 |
| **Total** | **-** | **198** | **-** | **198** |

[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.

## Note 39
## Contingent liabilities

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| **Guarantees** | | | | |
| Loan guarantees | 1,954 | 1,794 | 1,956 | 1,797 |
| Other guarantees | 8,969 | 4,834 | 9,222 | 5,095 |
| **Documentary credits** | 2,245 | 1,782 | 2,245 | 1,782 |
| **Other contingent liabilities** | 33 | 31 | 33 | 31 |
| **Total** | **13,201** | **8,441** | **13,456** | **8,705** |

In the normal business of Nordea Bank Finland, the bank issues various forms of guarantees in favour of banks customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank's services and support the bank's customers. Guarantees and documentary credits are considered as off- balance sheet items, unless there is a need for a provision to cover a probable loan loss.

## Note 40
## Commitments

| | Group | | Parent company | |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 |
| Future payment obligations | 19 | 9 | 19 | 9 |
| Derivatives | 3,016,977 | 2,300,251 | 3,016,977 | 2,300,265 |
| Credit commitments | 16,340 | 15,639 | 14,311 | 13,980 |
| Other commitments | 428 | 488 | 119 | 97 |
| **Total** | **3,033,764** | **2,316,387** | **3,031,426** | **2,314,351** |

**Note 41**
**Classification of financial instruments**

**Group**

| EURm, 31 Dec 2007 | 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 | 1,953 | - | - | - | - | - | - | 1,953 |
| Treasury bills and other eligible bills | - | - | 2,149 | - | - | - | - | 2,149 |
| Loans and receivables to credit institutions | 40,220 | - | 395 | 4,934 | - | - | - | 45,549 |
| Loans and receivables to the public | 60,597 | - | - | - | - | - | - | 60,597 |
| Interest-bearing securities | - | - | 465 | 1,745 | - | 5 | - | 2,215 |
| Financial instruments pledged as collateral | - | - | - | - | - | - | - | - |
| Shares | - | - | 1,442 | 22 | - | 1 | - | 1,465 |
| Derivatives | - | - | 30,560 | - | 171 | - | - | 30,731 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | -45 | - | - | - | - | - | - | -45 |
| Investments in associated undertakings | - | - | - | - | - | - | 76 | 76 |
| Intangible assets | - | - | - | - | - | - | 48 | 48 |
| Property and equipment | - | - | - | - | - | - | 110 | 110 |
| Investment property | - | - | - | - | - | - | 4 | 4 |
| Deferred tax assets | - | - | - | - | - | - | 136 | 136 |
| Current tax assets | - | - | - | - | - | - | 21 | 21 |
| Retirement benefit assets | - | - | - | - | - | - | 59 | 59 |
| Other assets | 504 | - | - | 904 | - | - | 4 | 1,412 |
| Prepaid expenses and accrued income | 504 | - | - | - | - | - | 270 | 774 |
| **Total** | **103,733** | **-** | **35,011** | **7,605** | **171** | **6** | **728** | **147,254** |

**Group**

| EURm, 31 Dec 2007 | 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 | 0 | - | - | 26,789 | - | 26,789 |
| Deposits and borrowings from the public | - | - | - | 41,709 | - | 41,709 |
| Debt securities in issue | 5,072 | - | - | 24,563 | - | 29,635 |
| Derivatives | 31,614 | - | 398 | - | - | 32,012 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | - | - | - | -77 | - | -77 |
| Current tax liabilities | - | - | - | - | 56 | 56 |
| Other liabilities | 239 | 1,910 | - | 1,813 | 8 | 3,970 |
| Accrued expenses and prepaid income | - | - | - | 659 | 320 | 979 |
| Deferred tax liabilities | - | - | - | - | 33 | 33 |
| Provisions | - | - | - | - | 45 | 45 |
| Retirement benefit obligations | - | - | - | - | 40 | 40 |
| Subordinated liabilities | - | - | - | 1,270 | - | 1,270 |
| **Total** | **36,925** | **1,910** | **398** | **96,726** | **502** | **136,461** |

**Note 41** *cont.*
**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 | 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** |

**Group**

| 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 41** *cont.*
**Classification of financial instruments**

**Parent company**

| EURm, 31 Dec 2007 | 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 | 1,953 | - | - | - | - | - | - | 1,953 |
| Treasury bills and other eligible bills | - | - | 2,149 | - | - | - | - | 2,149 |
| Loans and receivables to credit institutions | 45,071 | - | 395 | 4,934 | - | - | - | 50,400 |
| Loans and receivables to the public | 55,101 | - | - | - | - | - | - | 55,101 |
| Interest-bearing securities | - | - | 465 | 1,745 | - | 5 | - | 2,215 |
| Financial instruments pledged as collateral | - | - | - | - | - | - | - | - |
| Shares | - | - | 1,442 | 21 | - | 1 | - | 1,464 |
| Derivatives | - | - | 30,560 | - | 171 | - | - | 30,731 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | -45 | - | - | - | - | - | - | -45 |
| Investments in group undertakings | - | - | - | - | - | - | 322 | 322 |
| Investments in associated undertakings | - | - | - | - | - | - | 45 | 45 |
| Intangible assets | - | - | - | - | - | - | 37 | 37 |
| Property and equipment | - | - | - | - | - | - | 55 | 55 |
| Investment property | - | - | - | - | - | - | 3 | 3 |
| Deferred tax assets | - | - | - | - | - | - | 134 | 134 |
| Current tax assets | - | - | - | - | - | - | - | - |
| Retirement benefit assets | - | - | - | - | - | - | 54 | 54 |
| Other assets | 535 | - | - | 904 | - | - | 3 | 1,442 |
| Prepaid expenses and accrued income | 524 | - | - | - | - | - | 178 | 702 |
| **Total** | **103,139** | **-** | **35,011** | **7,604** | **171** | **6** | **831** | **146,762** |

**Parent company**

| EURm, 31 Dec 2007 | 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 | - | - | - | 26,737 | - | 26,737 |
| Deposits and borrowings from the public | - | - | - | 41,734 | - | 41,734 |
| Debt securities in issue | 5,072 | - | - | 24,566 | - | 29,638 |
| Derivatives | 31,614 | - | 398 | - | - | 32,012 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | - | - | - | -77 | - | -77 |
| Current tax liabilities | - | - | - | - | 55 | 55 |
| Other liabilities | 239 | 1,910 | - | 1,698 | 8 | 3,855 |
| Accrued expenses and prepaid income | - | - | - | 657 | 216 | 873 |
| Deferred tax liabilities | - | - | - | - | - | - |
| Provisions | - | - | - | - | 40 | 40 |
| Retirement benefit obligations | - | - | - | - | 40 | 40 |
| Subordinated liabilities | - | - | - | 1,270 | - | 1,270 |
| **Total** | **36,925** | **1,910** | **398** | **96,585** | **359** | **136,177** |

**Note 41** *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 group undertakings | - | - | - | - | - | - | 322 | 322 |
| Investments in associated undertakings | - | - | - | - | - | - | 56 | 56 |
| Intangible assets | - | - | - | - | - | - | 13 | 13 |
| Property and equipment | - | - | - | - | - | - | 61 | 61 |
| Investment property | - | - | - | - | - | - | 3 | 3 |
| Deferred tax assets | - | - | - | - | - | - | 463 | 463 |
| Current tax assets | - | - | - | - | - | - | - | - |
| 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** |

**Parent company**

| 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
## Assets and liabilities at fair value

**Group**

| EURm | 31 Dec 2007 Book value | 31 Dec 2007 Fair value | 31 Dec 2006 Book value | 31 Dec 2006 Fair value |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | 1,953 | 1,953 | 1,151 | 1,151 |
| Treasury bills and other eligible bills | 2,149 | 2,149 | 2,877 | 2,877 |
| Loans and receivables to credit institutions | 45,549 | 45,555 | 47,031 | 47,023 |
| Loans and receivables to the public | 60,597 | 60,550 | 52,463 | 52,416 |
| Interest-bearing securities | 2,215 | 2,215 | 1,161 | 1,161 |
| Financial instruments pledged as collateral | - | - | 100 | 100 |
| Shares | 1,465 | 1,465 | 603 | 603 |
| Derivatives | 30,731 | 30,731 | 23,692 | 23,692 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | -45 | -45 | -54 | -54 |
| Investments in associated undertakings | 76 | 76 | 83 | 83 |
| Intangible assets | 48 | 48 | 13 | 13 |
| Property and equipment | 110 | 110 | 89 | 89 |
| Investment property | 4 | 4 | 4 | 4 |
| Deferred tax assets | 136 | 136 | 468 | 468 |
| Current tax assets | 21 | 21 | 12 | 12 |
| Retirement benefit assets | 59 | 59 | 52 | 52 |
| Other assets | 1,412 | 1,412 | 1,112 | 1,112 |
| Prepaid expenses and accrued income | 774 | 774 | 489 | 489 |
| **Total assets** | **147,254** | **147,213** | **131,346** | **131,291** |
| | | | | |
| **Liabilities** | | | | |
| Deposits by credit institutions | 26,789 | 26,789 | 29,233 | 29,228 |
| Deposits and borrowings from the public | 41,709 | 41,591 | 35,689 | 35,525 |
| Debt securities in issue | 29,635 | 29,641 | 22,680 | 22,665 |
| Derivatives | 32,012 | 32,012 | 24,057 | 24,057 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | -77 | -77 | -147 | -147 |
| Current tax liabilities | 56 | 56 | 24 | 24 |
| Other liabilities | 3,970 | 3,970 | 3,790 | 3,790 |
| Accrued expenses and prepaid income | 979 | 979 | 758 | 758 |
| Deferred tax liabilities | 33 | 33 | 23 | 23 |
| Provisions | 45 | 45 | 39 | 39 |
| Retirement benefit obligation | 40 | 40 | 56 | 56 |
| Subordinated liabilities | 1,270 | 1,270 | 1,665 | 1,654 |
| **Total liabilities** | **136,461** | **136,349** | **117,867** | **117,672** |

**Note 42** *cont.*
**Assets and liabilities at fair value**

**Parent company**

| EURm | 31 Dec 2007 Book value | 31 Dec 2007 Fair value | 31 Dec 2006 Book value | 31 Dec 2006 Fair value |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | 1,953 | 1,953 | 1,151 | 1,151 |
| Treasury bills and other eligible bills | 2,149 | 2,149 | 2,877 | 2,877 |
| Loans and receivables to credit institutions | 50,400 | 50,403 | 51,709 | 51,688 |
| Loans and receivables to the public | 55,101 | 55,058 | 47,230 | 47,196 |
| Interest-bearing instruments | 2,215 | 2,215 | 1,161 | 1,161 |
| Financial instruments pledged as collateral | - | - | 100 | 100 |
| Shares | 1,464 | 1,464 | 602 | 602 |
| Derivatives | 30,731 | 30,731 | 23,692 | 23,692 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | -45 | -45 | -54 | -54 |
| Investments in group undertakings | 322 | 322 | 322 | 322 |
| Investments in associated undertakings | 45 | 45 | 56 | 56 |
| Intangible assets | 37 | 37 | 13 | 13 |
| Property and equipment | 55 | 55 | 61 | 61 |
| Investment property | 3 | 3 | 3 | 3 |
| Deferred tax assets | 134 | 134 | 463 | 463 |
| Current tax assets | - | - | - | - |
| Retirement benefit assets | 54 | 54 | 49 | 49 |
| Other assets | 1,442 | 1,442 | 1,114 | 1,114 |
| Prepaid expenses and accrued income | 702 | 702 | 436 | 436 |
| **Total assets** | **146,762** | **146,722** | **130,985** | **130,930** |
| | | | | |
| **Liabilities** | | | | |
| Deposits by credit institutions | 26,737 | 26,736 | 29,194 | 29,190 |
| Deposits and borrowings from the public | 41,734 | 41,616 | 35,700 | 35,535 |
| Debt securities in issue | 29,638 | 29,644 | 22,682 | 22,666 |
| Derivatives | 32,012 | 32,012 | 24,057 | 24,057 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | -77 | -77 | -147 | -147 |
| Current tax liabilities | 55 | 55 | 22 | 22 |
| Other liabilities | 3,855 | 3,855 | 3,715 | 3,715 |
| Accrued expenses and prepaid income | 873 | 873 | 673 | 673 |
| Provisions | 40 | 40 | 33 | 33 |
| Retirement benefit obligations | 40 | 40 | 56 | 56 |
| Subordinated liabilities | 1,270 | 1,270 | 1,665 | 1,654 |
| **Total liabilities** | **136,177** | **136,064** | **117,650** | **117,454** |

## Note 42 *cont.*
## Assets and liabilities at fair value

**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 above, for assets and liabilities for which no reliable fair value has been possible to estimate. This is valid for the line items investments in associated undertakings, investments in group undertakings, intangible assets, property and equipment and provisions.

For 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 33m (27) in NBF Group. The effect in the parent company was EUR 33m (27).

**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 | 2007 | 2006 | 2007 | 2006 |
| Amount at beginning of year | -57 | -27 | -57 | -27 |
| Transactions during the year | -64 | -43 | -64 | -43 |
| Recognised in the income statement during the year | 33 | 13 | 33 | 13 |
| **Amount at end of year** | **-88** | **-57** | **-88** | **-57** |

**Note 43**
**Assets and liabilities in foreign currencies**

| **Group** | | | | | | | |
|---|---|---|---|---|---|---|---|
| EURm, 31 Dec 2007 | EUR | SEK | DKK | NOK | USD | Other | Total |
| **Assets** | | | | | | | |
| Treasury bills and other eligible bills | 2,149 | - | - | - | - | - | 2,149 |
| Loans and receivables to credit institutions | 13,854 | 4,913 | 9,597 | 1,501 | 14,181 | 1,503 | 45,549 |
| Loans and receivables to the public | 53,049 | 782 | 94 | 54 | 4,028 | 2,590 | 60,597 |
| Interest-bearing securities | 197 | 150 | 132 | 36 | 1,695 | 5 | 2,215 |
| Other assets | 23,856 | 2,608 | 1,384 | 2,270 | 4,610 | 2,016 | 36,744 |
| **Total assets** | **93,105** | **8,453** | **11,207** | **3,861** | **24,514** | **6,114** | **147,254** |
| | | | | | | | |
| **Liabilities and equity** | | | | | | | |
| Deposits by credit institutions | 8,492 | 645 | 21 | 527 | 13,821 | 3,283 | 26,789 |
| Deposits and borrowings from the public | 34,115 | 150 | 51 | 130 | 4,914 | 2,349 | 41,709 |
| Debt securities in issue | 8,395 | 2,046 | 134 | 834 | 11,553 | 6,673 | 29,635 |
| Provisions | 42 | - | - | - | - | 3 | 45 |
| Subordinated liabilities | 600 | - | - | - | 194 | 476 | 1,270 |
| Other liabilities and equity | 34,724 | 2,559 | 1,347 | 2,208 | 4,508 | 2,460 | 47,806 |
| **Total liabilities and equity** | **86,368** | **5,400** | **1,553** | **3,699** | **34,990** | **15,244** | **147,254** |
| | | | | | | | |
| **Position not reported in the balance sheet** | | | | | | | **0** |
| | | | | | | | |
| **Net position, currencies** | **6,737** | **3,053** | **9,654** | **162** | **-10,476** | **-9,130** | **0** |

| **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** | | | | | | | **0** |
| | | | | | | | |
| **Net position, currencies** | **7,863** | **4,989** | **6,497** | **-57** | **-9,876** | **-9,416** | **0** |

**Note 43** *cont.*

**Assets and liabilities in foreign currencies**

| **Parent company** | | | | | | | |
|---|---|---|---|---|---|---|---|
| EURm, 31 Dec 2007 | EUR | SEK | DKK | NOK | USD | Other | Total |
| **Assets** | | | | | | | |
| Treasury bills and other eligible bills | 2,149 | - | - | - | - | - | 2,149 |
| Loans and receivables to credit institutions | 18,684 | 4,913 | 9,597 | 1,501 | 14,195 | 1,510 | 50,400 |
| Loans and receivables to the public | 47,713 | 760 | 94 | 53 | 3,998 | 2,483 | 55,101 |
| Interest-bearing securities | 197 | 150 | 132 | 36 | 1,695 | 5 | 2,215 |
| Other assets | 24,020 | 2,608 | 1,384 | 2,270 | 4,609 | 2,006 | 36,897 |
| **Total assets** | **92,763** | **8,431** | **11,207** | **3,860** | **24,497** | **6,004** | **146,762** |
| | | | | | | | |
| **Liabilities and equity** | | | | | | | |
| Deposits by credit institutions | 8,440 | 645 | 21 | 527 | 13,821 | 3,283 | 26,737 |
| Deposits and borrowings from the public | 34,140 | 150 | 51 | 130 | 4,914 | 2,349 | 41,734 |
| Debt securities in issue | 8,399 | 2,046 | 134 | 834 | 11,553 | 6,672 | 29,638 |
| Provisions | 38 | - | - | - | - | 2 | 40 |
| Subordinated liabilities | 600 | - | - | - | 194 | 476 | 1,270 |
| Other liabilities and equity | 34,315 | 2,555 | 1,347 | 2,208 | 4,508 | 2,410 | 47,343 |
| **Total liabilities and equity** | **85,932** | **5,396** | **1,553** | **3,699** | **34,990** | **15,192** | **146,762** |
| | | | | | | | |
| **Position not reported in the balance sheet** | | | | | | | **0** |
| | | | | | | | |
| **Net position, currencies** | **6,831** | **3,035** | **9,654** | **161** | **-10,493** | **-9,188** | **0** |

| **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** | | | | | | | **0** |
| | | | | | | | |
| **Net position, currencies** | **7,890** | **4,969** | **6,497** | **-57** | **-9,881** | **-9,418** | **0** |

### Note 44
### 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 | 2007 | 2006 | 2007 | 2006 |
| **Reverse repurchase agreements** | | | | |
| Received collaterals which can be repledged or sold | 395 | 993 | 395 | 993 |
| - of which repledged or sold | 274 | 589 | 274 | 589 |
| | | | | |
| **Securities borrowing agreements** | | | | |
| Received collaterals which can be repledged or sold | - | - | - | - |
| - of which repledged or sold | - | - | - | - |
| **Total** | **395** | **993** | **395** | **993** |

### Note 45
### Related-party transactions

| **Group** | Key Management personnel | | Nordea Group undertakings | | Associated undertakings | | Other related parties | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| EURm | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| **Assets** | | | | | | | | |
| Loans and receivables | 0 | 0 | 40,993 | 42,289 | 118 | 112 | 9 | 2 |
| Interest-bearing securities | - | - | 88 | 56 | 0 | - | - | - |
| Derivatives | - | - | 697 | 421 | - | - | 2 | - |
| Investments in associated undertakings | - | - | - | - | 76 | 83 | - | - |
| **Total assets** | **0** | **0** | **41,778** | **42,766** | **194** | **195** | **11** | **2** |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Deposits | 1 | 0 | 15,437 | 14,672 | 3 | 5 | 8 | 11 |
| Debt securities in issue | 1 | 1 | 186 | 155 | 2 | - | 0 | - |
| Derivatives | - | - | 706 | 481 | - | - | 8 | - |
| Subordinated liabilities | - | - | - | 38 | - | - | - | - |
| **Total liabilities** | **2** | **1** | **16,329** | **15,346** | **5** | **5** | **16** | **11** |
| | | | | | | | | |
| **Off balance** | 0 | - | 69,653 | 73,408 | 57 | 13 | 0 | - |

| **Group** | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
|---|---|---|---|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| **Interest income and interest expense** | | | | | | | | |
| Interest income | 0 | 0 | 1,758 | 1,211 | 5 | 5 | 0 | 0 |
| Interest expense | 0 | 0 | 634 | 515 | 0 | 0 | 0 | 3 |
| **Net interest income and expense** | **0** | **0** | **1,124** | **696** | **5** | **5** | **0** | **-3** |

**Note 45** *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 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| **Assets** | | | | | | | | |
| Loans and receivables | 0 | 0 | 5,086 | 4,853 | 97 | 95 | 9 | 2 |
| Interest-bearing securities | - | - | - | - | - | - | - | - |
| Shares | - | - | - | - | - | - | - | - |
| Derivatives | - | - | - | - | - | - | 2 | - |
| Investments in associated undertakings | - | - | - | - | 45 | 56 | - | - |
| Investments in group undertakings | - | - | 322 | 322 | - | - | - | - |
| **Total assets** | **0** | **0** | **5,408** | **5,175** | **142** | **151** | **11** | **2** |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Deposits | 1 | 0 | 27 | 27 | 3 | 5 | 8 | 11 |
| Debt securities in issue | 1 | 1 | 4 | 2 | 2 | - | 0 | - |
| Derivatives | - | - | - | - | - | - | 8 | - |
| Subordinated liabilities | - | - | - | - | - | - | - | - |
| **Total liabilities** | **2** | **1** | **31** | **29** | **5** | **5** | **16** | **11** |
| | | | | | | | | |
| **Off balance** | - | - | 366 | 386 | 57 | 13 | - | - |

| | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
|---|---|---|---|---|---|---|---|---|
| EURm | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| **Interest income and interest expense** | | | | | | | | |
| Interest income | 0 | 0 | 201 | 140 | 5 | 4 | 0 | 0 |
| Interest expense | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 3 |
| **Net interest income and expense** | **0** | **0** | **200** | **139** | **5** | **4** | **0** | **-3** |

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. In addition to the 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 41,777m (42,766), liabilities in the amount of EUR 16,276m (15,295), net interest income in the amount of EUR 1,126m (697) and off-balance sheet commitments in the amount of EUR 69,653m (73,408), see Group's specification above. Off-balance sheet transactions with Nordea group associated undertakings amounted to EUR 5,693m (6,307) and corresponding balance sheet values of derivatives were EUR 107m (121) in assets and EUR 99m (106) in liabilities.

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

**Note 46**
**Mergers, disposals and dissolutions**

| **Subsidiaries merged during 2007** | Line of business | Total assets EURm | Profit/loss for the year as included in the Bank Group |
|---|---|---|---|
| Kiinteistö Oy Ristipellontie 4 | Real estate company | 24 | 0 |

| **Subsidiaries sold during 2007** | Line of business | | Profit/loss for the year as included in the Bank Group |
|---|---|---|---|
| Kiint. Oy Lahden Hansa | Real estate company | 13 | 0 |
| Kiinteistö Oy Tampereen Hatanpään valtatie 30 | Real estate company | 44 | 0 |
| Kiinteistö Oy Multihermia | Real estate company | 12 | 0 |

| **Other subsidiaries sold during 2007** | Number of companies | | Profit/loss for the year as included in the Bank Group |
|---|---|---|---|
| Real estate companies | 4 | 32 | 0 |
| Other companies | - | - | - |

| **Other subsidiaries dissolved during 2007** | Number of companies | | Profit/loss for the year as included in the Bank Group |
|---|---|---|---|
| Other companies | 2 | 0 | - |

| **Associated undertakings dissolved during 2007** | Line of business | | Profit/loss for the year as included in the Bank Group |
|---|---|---|---|
| Sponsor Fund I Ky | Private Equity Fund | - | - |

# The proposal of the Board of Directors to the Annual General Meeting

The parent company's distributable funds on 31 December 2007 were EUR 7,666,647,701.17, of which the profit for the year was EUR 1,303,553,243.35. The Board of Directors proposes that

1. a dividend of EUR 850,000,000.00 be paid and
2. for public good purposes be reserved EUR 200,000.00,
3. whereafter the distributable funds will be EUR 6,816,447,701.17.

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

Helsinki, 29 February 2008

Christian Clausen

Carl-Johan Granvik

Arne Liljedahl

Markku Pohjola

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, 29 February 2008

KPMG OY AB

Raija-Leena Hankonen
Authorised Public Accountant

# Auditor’s report

## To the Annual General Meeting of Nordea Bank Finland Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Nordea Bank Finland Plc for the period January 1 – December 31, 2007. 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 Limited Liability 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 Limited Liability Companies Act.

Helsinki, 29 February 2008

KPMG OY AB

Raija-Leena Hankonen
*Authorised Public Accountant*

# Board of Directors and auditors

## Board of Directors

After Lars G Nordström retired on 13 April 2007, the Board of Directors appointed Christian Clausen Chairman of the Board of Directors on 7 May 2007. Board member Tom Ruud and deputy member Jacob Grinbaum left the Board on 1 May 2007. The extraordinary general meeting on 7 May 2007 confirmed the number of Board members to be five. NBF's Board members Christian Clausen, Markku Pohjola, Carl-Johan Granvik, Arne Liljedahl and Peter Schütze continued in their positions.

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 2007

**Christian Clausen**

Born 1955. President and Group Chief Executive Officer of Nordea. Chairman of the Board since 2007. 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 Services and Technology in Nordea. Member since 1994.

**Peter Schütze**

Born 1948. Head of Nordic Banking in Nordea. Member since 2002.

## Auditors

**KPMG Oy Ab**

Auditor with main responsibility
Raija-Leena Hankonen
Authorised Public Accountant

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