Annual Report 2011
Nordea Bank Finland

Nordea Bank Finland Plc is part of the Nordea Group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 1,400 branch offices, and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

Contents

Nordea Bank Finland Group

Five-year overview of the Directors' Report

Income statement

EURm	2011	2010	2009	2008	2007
Net interest income	1,355	1,182	1,218	1,812	1,531
Net fee and commission income	309	289	225	215	315
Net result from items at fair value	937	979	1,325	770	586
Profit from companies accounted for under the equity method	9	6	4	-4	2
Other income	34	43	53	29	169
Total operating income	**2,644**	**2,499**	**2,825**	**2,822**	**2,603**
General administrative expenses:					
Staff costs	-592	-553	-599	-537	-515
Other expenses	-457	-479	-432	-397	-375
Depreciation, amortisation and impairment charges of tangible and intangible assets	-43	-41	-37	-33	-29
Total operating expenses	**-1,092**	**-1,073**	**-1,068**	**-967**	**-919**
Profit before loan losses	**1,552**	**1,426**	**1,757**	**1,855**	**1,684**
Net loan losses	-70	-272	-381	-133	20
Impairment of securities held as financial non-current assets	-	2	-	-	0
Operating profit	**1,482**	**1,156**	**1,376**	**1,722**	**1,704**
Income tax expense	-381	-302	-373	-389	-339
Net profit for the year	**1,101**	**854**	**1,003**	**1,333**	**1,365**

Balance sheet

EURm	2011	2010	2009	2008	2007
Treasury bills and interest-bearing securities	30,866	23,937	8,906	5,620	4,364
Loans to credit institutions	79,350	67,751	59,037	47,447	45,549
Loans to the public	99,331	73,607	65,723	68,293	60,597
Derivatives	170,228	97,251	74,520	85,662	30,731
Other assets	19,512	23,540	12,979	12,939	6,013
Total assets	**399,287**	**286,086**	**221,165**	**219,961**	**147,254**
Deposits by credit institutions	76,007	60,549	44,344	37,713	26,789
Deposits and borrowings from the public	68,260	55,459	44,526	45,279	41,709
Debt securities in issue	49,153	39,846	39,276	31,263	29,635
Derivatives	168,436	95,676	73,237	87,291	32,012
Subordinated liabilities	503	477	437	1,238	1,270
Other liabilities	25,308	22,855	8,373	5,902	5,046
Equity	11,620	11,224	10,972	11,275	10,793
Total liabilities and equity	**399,287**	**286,086**	**221,165**	**219,961**	**147,254**

Ratios and key figures

Group

	2011	2010	2009	2008	2007
Return on equity, %	9.6	7.7	9.0	12.1	11.2
Cost/income ratio, %	41	43	38	34	35
Loan loss ratio, basis points	9	41	56	22	-4
Tier 1 capital ratio[1], %	12.8	13.6	14.0	12.0	13.7
Total capital ratio[1], %	13.4	14.3	14.6	13.3	15.3
Tier 1 capital[1], EURm	10,310	10,242	10,099	9,807	9,725
Risk-weighted assets incl. transition rules[1], EURm	80,567	75,203	72,092	81,720	71,044
Number of employees (full-time equivalents)[1]	8,828	9,097	9,218	9,634	9,347
Average number of employees	10,014	10,038	10,152	10,412	10,010
Salaries and remuneration, EURm	-463	-433	-442	-429	-392
Return of total assets, %	0.3	0.3	0.5	0.7	1.0
Equity to total assets, %	2.9	3.9	5.0	5.1	7.3

[1] End of the year

Business definitions and exchange rates

These definitions apply to the descriptions in the Annual Report.

Capital base
The capital base includes the sum of the Tier 1 capital and the supplementary capital consisting of subordinated loans 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 –the negative difference between expected losses and provisions. The Core tier 1 capital constitutes the Tier 1 capital excluding hybrid capital loans.

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, 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 average shareholders' equity including minority interests. 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 2011)

EUR	1.0000	**USD**	1.2939	**DKK**	7.4342	**LVL**	0.6995
GBP	0.8353	**CHF**	1.2156	**LTL**	3.4528	**SGD**	1.6819
NOK	7.7540	**PLN**	4.4580	**SEK**	8.9120		

Rating, Nordea Bank Finland

31 Dec 2011	Short	Long
Moody's	P-1	Aa2
S&P	A-1+	AA-
Fitch	F1+	AA-
DBRS	R-1 (high)	AA

Nordea Bank Finland

Director's Report

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

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

As part of the Nordea Group, NBF operates in the banking business. All the operations of NBF are integrated into the operations of the Nordea Group, whose annual report, with activities and earnings reported by the 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. Among other things, a conversion is conditional on Nordea obtaining necessary approvals from the relevant authorities.

The final regulatory responses to the financial crisis and the effect of the New Normal plan are yet to be seen and evaluated. Nordea is following up and analysing the changes in the process, which are not expected to be finalised during 2012.

Subsidiaries and foreign branches

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

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

Changes in the group structure

Nordea Bank Finland Plc has acquired one small subsidiary in Latvia: SIA Lidosta RE.

During the year, Nordea Finance Finland Ltd dissolved one wholly-owned real estate company, VKR-Kiinteistöt Oy Ab. Additionally, Nordea Bank Finland Plc sold one small wholly-owned subsidiary. These dissolutions and disposals had no material effect on the Group's result.

Nordea Bank Finland Plc decreased its ownership in the associated company Realia Holding Oy during 2011 to 25.0%.

Business development in 2011

2011 was a dramatic year for the European banking industry. In the spring, the economy gradually stabilised with improved growth, rising interest rates and higher confidence. But after the summer, the year was characterised by a full sovereign debt crisis. Many banks had to take urgent action to counteract the effects of the crisis. In addition, the regulatory reform continued with tightened requirements for capital and funding.

Nordea, as all banks, is indirectly affected by the volatile markets and regulatory challenges. Nordea's response has been to implement the New Normal plan for efficiency in costs, capital, liquidity and funding.

Despite the volatile markets and regulatory challenges, NBF continued to perform strongly in 2011 and total income increased by 6%. Profit before loan losses was 9% and operating profit 28% higher than in the previous year. Loan losses were significantly lower than in 2010. Profit before tax totalled EUR 1,482m (2010: 1,156), and return on equity was 9.6% (7.7).

Comments on the income statement

Operating income

Total operating income increased to EUR 2,644m (2,499), mainly explained by the positive development in net interest income and net commission income.

Net interest income increased by 15% to EUR 1,355m (1,182) compared to last year due to volume increases in deposits and lending as well as higher margins. Average margins in corporate lending were higher whereas margins in household mortgages decreased slightly. Average deposit margins were supported by higher market interest rates. Total lending to the public, excluding reverse repurchase agreements, increased by 7% to EUR 74bn. Deposit volumes, excluding repurchase agreements, increased by 10% to EUR 54bn.

Net fee and commission income increased by 7% to EUR 309m (289). Commission income was 8% higher and totalled EUR 703m (649). Increases were mainly seen in lending-related commissions and payment commissions. Commission expenses increased by 9% to EUR 394m (360) mainly as a result of higher transaction fees.

Net result from items at fair value decreased by 4% compared to last year and totalled EUR 937m (979). The customer-driven capital markets activities continued to be strong with increasing volumes. The nominal values of derivatives increased by 19%.

Profit from companies accounted for under the equity method was EUR 9m (6).

Other operating income decreased to EUR 34m (43).

Operating expenses

Total operating expenses were 2% higher than in the previous year and totalled EUR 1,092m (1,073).

Staff costs increased by 7% to EUR 592m (553). The increase is mainly explained by the restructuring provisions made for the New Normal plan. Nordea implemented the New Normal plan in the autumn of 2011 in order to increase cost efficiency and profitability. According to the New Normal plan, the number of employees will be reduced by approximately 450 in Finland and the branch network will be adjusted to the change in customer behaviour. Restructuring costs of EUR 28m (EUR 25m in staff costs and EUR 3m in other expenses) for cost efficiency measures are included in 2011. The number of employees, measured by full-time equivalents, decreased by 269 and amounted to 8,828 at the end of the year.

Other expenses amounted to EUR 457m (479), down by 5% compared with the preceding year. Main factors behind the decrease are lower IT and marketing expenses as well as lower other operating expenses.

Depreciation of tangible and intangible assets increased slightly to EUR 43m (41).

Loan losses

Net loan losses decreased significantly and amounted to EUR 70m (272). Net provisions for collectively assessed loans decreased markedly whereas provisions for individually assessed loans increased slightly. Net loan losses in 2011 corresponded to a loan loss ratio of 9 basis points compared to a loan loss ratio of 41 basis points in 2010.

Individual loan losses amounted to 21 basis points in 2011 compared to 42 basis points in 2010. Collective provisions net amounted to -12 basis points in 2011 and to 0 basis points in 2010.

Loan losses in the Baltic countries totalled EUR 11m and total allowances amounted to EUR 252m, of which collective allowances totalled EUR 131m.

Taxes

Income tax expenses were EUR 381m (302). The effective tax rate amounted to 26% (26), which is the same as the legal tax rate.

Net profit
Net profit for the year amounted to EUR 1,101m (854). Return on equity was 9.6% (7.7).

Comments on the balance sheet

Assets
Consolidated *total assets* amounted to EUR 399bn at year-end, showing an increase of EUR 113bn compared to the previous year-end.

Loans to credit institutions increased to EUR 79bn (68), reflecting the higher amount of central bank deposits. Intra-group deposits and repurchase agreement volumes decreased.

Loans to the public increased by approximately EUR 25bn to EUR 99bn (74), mainly as a result of the higher volumes of reverse repurchase agreements. Traditional domestic mortgage lending to household customers increased by 6%.

Corporate lending increased by 63% compared to the previous year totalling EUR 62bn (38). Excluding repurchase agreements the increase was EUR 3bn. Consumer lending to households was stable.

Treasury bills and interest-bearing securities increased by EUR 7bn and totalled EUR 31bn at year-end (24), reflecting a higher liquidity buffer.

Other assets increased by approximately EUR 69bn, mainly reflecting the higher balance sheet values of derivatives as a result of higher volumes and lower long-term interest rates.

Liabilities
Total liabilities amounted to EUR 388bn (275), showing an increase of approximately EUR 113bn.

Deposits by credit institutions increased by approximately EUR 15bn to EUR 76bn (61).

Deposits and borrowings from the public increased by approximately EUR 13bn to EUR 68bn (55). Excluding the impact of higher volumes in repurchase agreements, the increase in deposits was 10%.

Debt securities in issue increased by EUR 9bn and amounted to EUR 49bn (40). Nordea Bank Finland has issued covered bonds in the amount of EUR 7bn. Other issued securities mainly comprise short-term debt instruments with a maturity under one year.

Other liabilities including subordinated liabilities increased by approximately EUR 75bn, mainly reflecting the higher balance sheet values of derivatives.

Equity
Shareholders' equity amounted to EUR 11,224m at the beginning of 2011. Net profit for the year, excluding non-controlling interests, was EUR 1,099m. At the end of 2011 total equity amounted to EUR 11,620m.

Appropriation of distributable funds

The parent company's distributable funds on 31 December 2011 were EUR 8,280m of which the profit for the year is EUR 1,040m. It is proposed that:

- a dividend of EUR 1,000m be paid and
- EUR 0.2m be reserved for public good purposes
- whereafter the distributable funds will total EUR 7,280m.

Off-balance sheet commitments

The bank's business operations include a considerable proportion of off-balance sheet items, such as guarantees, documentary credits and credit commitments. Credit commitments and unutilised credit lines amounted to EUR 18.0bn (18.2), while guarantees and granted but not utilised documentary credits as well as other off-balance sheet commitments, excluding the nominal values of derivative contracts, totalled EUR 19.8bn (19.1).

The nominal values of derivatives increased to EUR 6,992bn (5,886).

Capital adequacy and ratings
At year-end, the Group's total capital ratio was 13.4% (14.3) and the Tier 1 ratio 12.8% (13.6). Risk-weighted assets totalled EUR 81bn (75).

Risk, liquidity and capital management

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

Management principles and control

Board of Directors and Board Credit Committee

The Board of Directors has the ultimate responsibility for limiting and monitoring the Group's risk exposure as well as for setting the targets for the capital ratios. Risk is measured and reported according to common principles and policies approved by the Board of Directors, which also decides on policies for credit, market, liquidity, business, life, operational risk management and the ICAAP. 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. 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 furthermore decides on the limits for market and liquidity risk in the Group.

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

CEO and GEM

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

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

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

- The Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), prepares issues of major importance concerning the Group's financial operations and financial risks as well as capital management for decision by the CEO in GEM.
- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Nordea Group's risks on an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. Furthermore, the Risk Committee decides, within the scope of resolutions adopted by the Board of Directors, the allocation of the market risk limits as well as the liquidity risk limits to the risk-taking units Group Treasury and Nordea Markets. The limits are set in accordance with the business strategies and are reviewed at least annually. The heads of the units allocate the respective limits within the unit and may introduce more detailed limits and other risk mitigating techniques such as stop-loss rules. The Risk Committee has established two sub-committees for its work and decision-making within specific risk areas.
- The two sub-committees are the Group Valuation Committee (GVC) and the Credit Risk Model Validation Committee (CRMVC). GVC addresses issues related to the valuation framework of traded financial instruments, including standards, processes and control of valuation. The responsibility of CRMVC is to review and approve the validation of credit risk models and parameter estimation (PD, LGD and CCF).
- The Group Executive Management Credit Committee (GEM CC) and Executive Credit Committee (ECC) are chaired by the CRO and the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) by the Chief Credit Officer (CCO). These credit committees 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.

CRO and CFO

Within the Group, two units, Group Risk Management and Group Corporate Centre, are responsible for risk, capital, liquidity and balance sheet management.

Group Risk Management, headed by the CRO, is responsible for the risk management framework and processes as well as the capital adequacy framework.

Group Corporate Centre, headed by the CFO, is responsible for the capital policy, the composition of the capital base and for management of liquidity risk and structured interest income risk.

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

Monitoring and reporting

The control environment is based on the principles for segregation 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 and operational risk.

Risk reporting is regularly made to Risk Committee, GEM and Board of Directors. Reporting of the internal required capital includes all types of risks and is reported regularly to ALCO. Group Internal Audit makes an independent evaluation of the processes regarding risk and capital management in accordance with the annual audit plan.

Risk management

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

Within the powers to act granted by the Board of Directors, credit risk limits are approved by decision-making authorities on different levels in the organisation. The rating of the customer and the amount decide at what level the decision will be made. The credit decision-making structure has been adjusted with effect from the third quarter 2011 to be better placed to serve each business area following organisational changes in the Group in the second quarter 2011. The Group Executive Management Credit Committee (GEM CC) decides on proposals related to major principle issues. Responsibility for a credit exposure lies with a customer responsible unit. Customers are assigned a rating or score in accordance with the Nordea framework for quantification of credit risk.

Credit risk definition and identification
Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and that the pledged collateral does not cover the existing claims. Credit risk stems mainly from various forms of lending, but also from guarantees and documentary credits, counterparty credit risk in derivatives contracts, transfer risk attributable to the transfer of money from another country and settlement risk. Risks in specific industries are followed by industry-monitoring groups and managed through industry policies, which establish requirements and limits on the overall industry exposure.

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

Credit decision-making structure for main operations

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

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

Further information on credit risk is presented in Note 14 and Note 47 to the Financial statements.

Credit portfolio
Credit risk exposure is measured and presented as the principle amount of on-balance-sheet claims, ie loans to credit institutions and the public, and off-balance-sheet potential claims on customers and counterparts, net after allowances. Exposure also includes the risk related to derivatives contracts and securities financing.

NBF's total lending increased by 35% to EUR 99bn (74) during 2011. It is attributable to an increase in the corporate portfolio of 63% (9% when excluding repos) and an increase in the household portfolio of 5%. Including off-balance sheet exposures the total credit risk exposure at year end was EUR 296bn (236). Out of lending to the public, corporate customers accounted for 63% (52%) and household customers 37% (47). Loans to credit institutions, mainly in the form of inter-bank deposits, increased to EUR 79bn (68) at the end of 2011.

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

	Group		Parent company	
EURm	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
To credit institutions	**79,350**	**67,751**	**84,697**	**72,772**
To the public	**99,331**	**73,607**	**93,097**	**67,886**
- of which corporate	62,176	38,174	58,544	35,055
- of which household	36,334	34,713	33,732	32,111
- of which public sector	821	720	821	720
Total loans	**178,681**	**141,358**	**177,794**	**140,658**
Off-balance credit exposure	33,745	32,731	31,108	30,141
Counterparty risk exposure [1]	44,306	32,305	44,306	32,305
Treasury bills and interest-bearing securities [2]	39,212	29,241	39,212	29,241
Total credit risk exposure in the banking operations	**295,944**	**235,635**	**292,420**	**232,345**

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

Loans to corporate customers
Loans to corporate customers at the end of 2011 amounted to EUR 62bn (38), up 63% (9% excluding repos). Real estate remains the largest sector in NBF's lending portfolio at EUR 9.7bn (8.9).

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

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

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

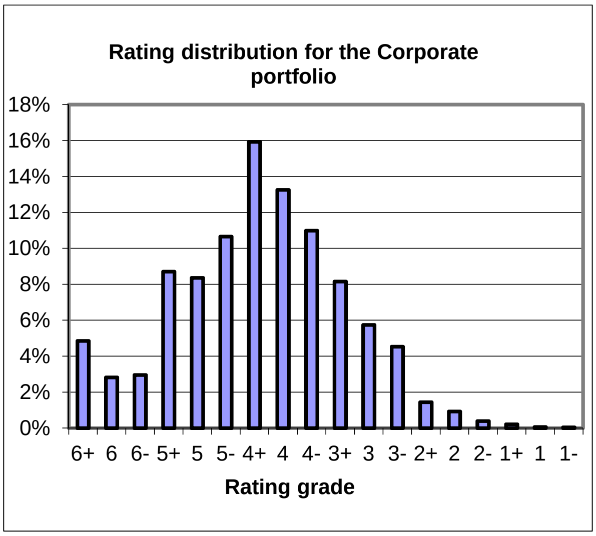
Covenants in credit agreements do not substitute collaterals, but are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

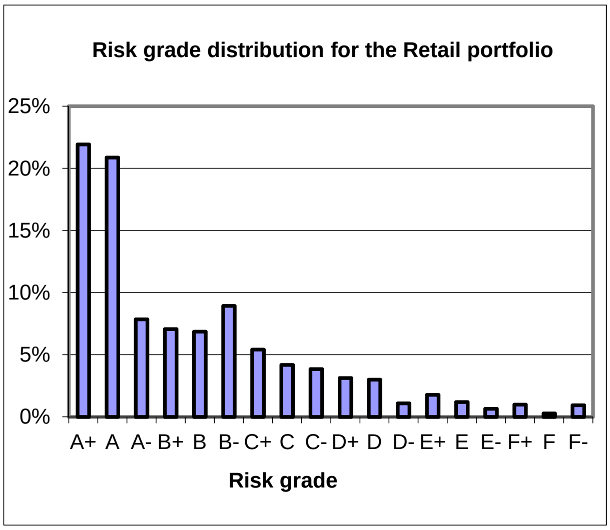
Loans to household customers
In 2011 lending to household customers increased by 5% to EUR 37bn (35). Mortgage loans increased by 6% to EUR 29bn while consumer loans were unchanged at 7bn. The proportion of mortgage loans of total household loans was 80% (79).

Geographical distribution
Lending to the public distributed by borrower domicile shows that the Nordic market accounts for 74% (79). Other EU countries represent the main part of the lending outside the Nordic countries. Lending to customers in the Baltic countries was EUR 8.3bn (7.7) at the end of 2011.

Rating and scoring distribution
One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, i.e. retail exposures.

About 79% (75) of the corporate exposure is rated 4– or higher and the portion of institutional exposure rated 5- or higher is 94% (92). About 87% (89) of the retail exposures are scored C- or higher.





Loans to the public by country and industry

Group

31 Dec 2011, EURm	Finland	Baltic	Poland	Total 2011	Total 2010
Energy (oil, gas etc.)	863	92	63	1,019	551
Metals and mining materials	526	7		533	548
Paper and forest materials	972	52		1,024	957
Other materials (building materials etc.)	1,881	320		2,201	2,151
Industrial capital goods	575	11		586	573
Industrial commercial services, etc.	1,432	308		1,740	1,409
Construction and engineering	852	293		1,145	1,077
Shipping and offshore	4,410	1		4,410	3,867
Transportation	781	531		1,312	1,292
Consumer durables (cars, appliances etc)	859	86		945	754
Media and leisure	608	107		714	735
Retail trade	2,430	607		3,038	2,994
Consumer staples (food, agriculture, etc.)	1,687	322		2,009	1,983
Health care and pharmaceuticals	336	49		386	335
Financial institutions	1,076	292		1,368	1,419
Real estate	8,285	1,398		9,683	8,883
IT software, hardware and services	367	7		374	403
Telecommunication equipment	110	1		111	85
Telecommunication operators	413	15		428	423
Utilities (distribution and productions)	1,042	412		1,454	1,407
Other, public and organisations	27,368	301	25	27,694	6,330
Corporate loans	**56,875**	**5,213**	**88**	**62,176**	**38,174**
Household mortgages	26,059	3,069	0	29,128	27,512
Household consumer	7,206	0	0	7,206	7,201
Public sector	760	61	0	821	720
Total	**90,900**	**8,343**	**88**	**99,331**	**73,607**

Loans to the public by country and industry

Parent company

31 Dec 2011, EURm	Finland	Baltic	Poland	Total 2011	Total 2010
Energy (oil, gas etc.)	858	91		949	489
Metals and mining materials	462	3		465	472
Paper and forest materials	870	24		894	828
Other materials (building materials etc.)	1,527	196		1,723	1,805
Industrial capital goods	433	8		441	438
Industrial commercial services, etc.	1,096	149		1,244	982
Construction and engineering	594	251		845	825
Shipping and offshore	4,403	0		4,403	3,862
Transportation	336	329		666	722
Consumer durables (cars, appliances etc)	788	79		868	672
Media and leisure	508	100		608	617
Retail trade	2,095	522		2,617	2,648
Consumer staples (food, agriculture, etc.)	1,424	294		1,718	1,723
Health care and pharmaceuticals	266	39		305	261
Financial institutions	1,054	289		1,342	1,399
Real estate	8,251	1,394		9,645	8,847
IT software, hardware and services	247	4		251	288
Telecommunication equipment	108	0		109	81
Telecommunication operators	409	13		422	415
Utilities (distribution and productions)	999	406		1,405	1,360
Other, public and organisations	27,427	197		27,624	6,321
Corporate loans	**54,154**	**4,390**	**0**	**58,544**	**35,055**
Household mortgages	26,226	2,901		29,127	27,511
Household consumer	4,605	0		4,605	4,600
Public sector	767	54		821	720
Total	**85,752**	**7,345**	**0**	**93,097**	**67,886**

Impaired loans
Impaired loans gross increased to EUR 1,922m from EUR 1,871m, corresponding to 107 basis points of total loans (132). 56% of impaired loans gross are performing loans and 44% are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to EUR 1,346m (1,306), corresponding to 75 basis points of total loans. Allowances for individually assessed loans increased to EUR 576m from EUR 565m. Allowances for collectively assessed loans decreased to EUR 236m from EUR 316m. The provisioning ratio was 42% (47). The main increase in impaired loans was in the corporate sector "Industry capital goods".

Past due loans to corporate customers that are not considered impaired increased to EUR 205m (193). The volume of past due loans to household customers increased to EUR 480m (443) in 2011.

Net loan losses
Loan losses were EUR 70m (272) in 2011. This corresponded to a loan loss ratio of 9 basis points (41). EUR 35m (213) relates to corporate customers and EUR 35m (59) relates to household customers. The main losses were in the corporate sectors "Other materials (chemical, building material etc.) and "Shipping".

Baltic countries
At the end of 2011, gross impaired loans in the Baltic countries amounted to EUR 505m or 605 basis points of loans and receivables, compared with EUR 572m or 741 basis points at the end of 2010. The total allowances for the Baltic countries at the end of 2011 were EUR 252m (320) corresponding to a provisioning ratio of gross impaired loans of 50% (56).

Impaired loans and ratios

	Group		Parent company	
EURm	2011	2010	2011	2010
Impaired loans gross	1,922	1,871	1,751	1,684
- of which performing	1,075	1,038	1,018	969
- of which non-performing	847	833	733	715
Impaired loans, basis points	**107**	**132**	**98**	**119**
Total allowance ratio, basis points	**45**	**62**	**40**	**55**
Provisioning ratio	42%	47%	41%	46%

Net loan losses and loan loss ratios

	Group		Parent company	
Basis points of loans	2011	2010	2011	2010
Loan losses, EURm	70	272	46	227
Loan loss ratio[1]	9.5	41.4	6.7	37.9
- of which individual	21.2	41.6	18.8	38.6
- of which collective	-11.7	-0.1	-12.1	-0.7

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

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

Group

31 Dec 2011, EURm	Finland	Baltic	Poland	Allowances (individual+ collective)	Provisioning ratio (allowances/ impaired loans)
Energy (oil, gas etc)	0	0	-	1	0.00
Metals and mining materials	1	0	-	0	0.42
Paper and forest materials	2	0	-	2	0.89
Other materials (building materials etc)	127	39	-	121	0.73
Industrial capital goods	41	0	-	40	0.97
Industrial commercial services etc	124	22	-	53	0.36
Construction and engineering	32	16	-	26	0.54
Shipping and offshore	34	0	-	13	0.37
Transportation	28	0	-	5	0.19
Consumer durables (cars, appliances etc)	35	4	-	18	0.46
Media and leisure	53	3	-	27	0.48
Retail trade	129	21	-	81	0.54
Consumer staples (food, agriculture etc)	23	12	-	16	0.47
Health care and pharmaceuticals	11	0	-	1	0.12
Financial institutions	15	1	-	6	0.38
Real estate	32	142	-	79	0.46
IT software, hardware and services	19	0	-	14	0.73
Telecommunication equipment	6	0	-	6	1.08
Telecommunication operators	0	0	-	0	0.19
Utilities (distribution and productions)	0	0	-	1	196.40
Other, public and organisations	39	21	-	49	0.83
Corporate	**750**	**282**	**0**	**559**	**0.54**
Household mortgages	314	187	-	112	0.22
Household consumer	329	36	-	116	0.32
Public sector	0	0	-	0	
Total impaired loans	**1,393**	**505**	**0**	**1,898**	
Allowances	**534**	**252**	**1**	**787**	
Provisioning ratio	**0.38**	**0.50**	**1.34**	**0.41**	

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

Parent company

31 Dec 2011, EURm	Finland	Baltic	Poland	Allowances (individual+ collective)	Provisioning ratio (allowances/ impaired loans)
Energy (oil, gas etc)	0	0	-	1	0.00
Metals and mining materials	1	0	-	0	0.43
Paper and forest materials	2	0	-	2	0.93
Other materials (building materials etc)	124	39	-	121	0.75
Industrial capital goods	39	0	-	40	1.02
Industrial commercial services etc	122	22	-	53	0.36
Construction and engineering	31	16	-	26	0.55
Shipping and offshore	34	0	-	13	0.37
Transportation	27	0	-	5	0.20
Consumer durables (cars, appliances etc)	29	4	-	18	0.53
Media and leisure	51	3	-	27	0.49
Retail trade	127	21	-	81	0.55
Consumer staples (food, agriculture etc)	21	12	-	16	0.50
Health care and pharmaceuticals	11	0	-	1	0.12
Financial institutions	15	1	-	6	0.39
Real estate	31	142	-	79	0.46
IT software, hardware and services	18	0	-	14	0.75
Telecommunication equipment	6	0	-	6	1.17
Telecommunication operators	0	0	-	0	0.20
Utilities (distribution and productions)	0	0	-	1	245.50
Other, public and organisations	32	0	-	13	0.40
Corporate	**720**	**261**	**-**	**522**	**0.53**
Household mortgages	314	187	-	112	0.22
Household consumer	209	36	-	56	0.23
Public sector	0	0	-	0	
Total impaired loans	**1,243**	**484**	**-**	**1,727**	
Allowances	452	238	-	**690**	
Provisioning ratio	0.36	0.49	-	0.40	

Counterparty credit risk
Counterparty credit risk is the risk that Nordea's counterpart in a FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. The pre-settlement risk ("worst-case-scenario") at the end of 2011 was EUR 44.3bn, of which the current exposure net (after close-out and collateral reduction) represents EUR 10.8bn. 45% of the pre-settlement risk and 20% of the current exposure net was towards financial institutions.

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

Markets and Group Treasury are the key contributors to market risk in Nordea. Markets is responsible for the customer-driven trading activities whereas Group Treasury is responsible for asset and liability management, liquidity buffer, investments, and funding activities for Nordea's own account. For all other banking activities, the basic principle is that market risks are eliminated by matching assets, liabilities and off-balance sheet items.

Market risk analysis
The total consolidated VaR was EUR 30m (31) at the end of 2011 demonstrating a considerable diversification effect between interest rate, equity, credit spread and foreign exchange risk, as the total VaR is lower than the sum of the risk in the four categories. The average VaR during 2011 was EUR 42m, the same level as in 2010. The total consolidated VaR is mainly driven by interest rate risk.

The interest rate VaR was EUR 28m (35). The most significant part of the interest rate risk stems from interest rate positions in Danish Kroner, Swedish Kronor and Euro. The net interest rate sensitivity was EUR -6m (-63).

The fair value of investments in private equity funds was broadly unchanged at EUR 8m.

Ten largest VaR FX positions measured in euros[1]

Group

EURm	31 Dec 2011
DKK	236
USD	102
CHF	-33
JPY	-26
LVL	-20
LTL	-17
NOK	-14
CNY	6
PLN	5
GBP	4

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

Market risk

Group

EURm	Measure	31 Dec 2011	2011 high	2011 low	2011 average	31 Dec 2010
Total Risk	VaR	30.4	68.6	24.2	41.5	30.7
- Interest Rate Risk	VaR	27.8	75.6	20.4	40.1	34.6
- Equity Risk	VaR	0.6	6.7	0.1	0.7	0.5
- Credit Spread Risk	VaR	5.4	17.6	4.9	10.8	15.0
- Foreign Exchange Risk	VaR	4.4	12.1	2.7	6.0	8.0
Diversification effect	VaR	21%	47%	10%	28%	47%

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 Group'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, 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 repricing gaps (increasing rates and decreasing rates) measuring the effect on Nordea's net interest income for a 12 month period of a one percentage point increase, respectively decrease, in all interest rates. The 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 correspondingly.

SIIR analysis

At the end of the year, the SIIR for increasing rates was EUR 70 m (225) and the SIIR for decreasing market rates was EUR –87m (-134). These figures imply that net interest income would increase if interest rates rise and decrease if interest rates fall.

Operational risk

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

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

The key process for active risk management is the annual risk self-assessment process which puts focus on the key risks, which are identified both through top-down Division management involvement and bottom-up reuse of existing information from processes such as incident reporting, quality and risk analyses, and product approvals. The timing of this process is synchronised with the annual planning process to be able to ensure adequate input to the Group's overall prioritisations. Group Internal Audit, representing the third line of defense, provides assurance to the Board of Directors on the risk management, control and governance processes.

Liquidity risk

Management principles and control

Group Treasury is responsible for pursuing the Group's liquidity strategy, managing the liquidity in the Group and for compliance with the Group wide limits set by the Group Board and by the CEO in GEM. Furthermore Group Treasury develops the liquidity risk management frameworks, which consists of policies, instructions and guidelines for the whole Group as well as the principles for pricing the liquidity risk.

Liquidity risk management

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea's liquidity management and strategy 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 programs. Funding programs are both short-term (US Commercial Papers, European Commercial Papers, Commercial Papers, Certificates of Deposits) and long-term (Covered bonds, European Medium Term Notes, Medium Term Notes) in diverse currencies. Nordea publishes periodically 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. Stress testing framework includes even Survival horizon metrics (see below), which represents a combined liquidity risk scenario (idiosyncratic and market wide stress). Group Treasury is responsible for managing the liquidity and for compliance with the group-wide limits from the Boards of Directors and CEO in GEM.

Liquidity risk measurement methods

The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Cash flows from both on-balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined. The total figure for all currencies combined is limited by the Board of Directors. To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. Limit is set by the Board of Directors for the minimum size of the liquidity buffer. The liquidity buffer consists of central bank eligible high-grade liquid securities held by Group Treasury that can be sold or used as collateral in funding operations.

During 2011 Basel Liquidity Coverage Ratio likewise Survival horizon metrics was introduced. In alignment with Basel, the Board of Directors has set a limit for a minimum survival of 30 days. The survival horizon metrics is composed of Liquidity Buffer and Funding gap risk cash flows, but includes even expected behavioural cash flows from contingent liquidity drivers.

The structural liquidity risk of Nordea is measured and limited by the Board of Directors through 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. GEM has set as a target that the net balance of stable funding should be positive, which means that stable assets must be funded by stable liabilities.

Liquidity risk analysis

The short-term liquidity risk has been held at moderate levels throughout 2011. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, has been EUR –6.6bn (-0.8).

NBF's liquidity buffer has been in the range EUR 10.7–14.9bn (13.3–14.7) throughout 2011 with an average of EUR 13.4bn (14.1). NBF's liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury. Survival horizon has been in range of EUR 0.2-14.0bn throughout 2011. This expresses the excess liquidity for set limit for 30 days. The aim of always maintaining a positive net balance of stable funding has been comfortably achieved throughout 2011. The yearly average for the net balance of stable funding was EUR 3.3bn (-2.4).

Cash flow analysis

Group

31 Dec 2011, EURm	On demand	0-3 months	3-12 months	1-5 years	>5 years	**Total**
Interest bearing financial assets	17,847	87,935	32,286	57,985	40,235	**236,287**
Non interest bearing financial assets	-	-	-	-	181,395	**181,395**
Total financial assets	**17,847**	**87,935**	**32,286**	**57,985**	**221,629**	**417,682**
Interest bearing financial liabilities	45,823	110,494	22,142	14,258	3,104	**195,821**
Non interest bearing financial liabilities	-	-	-	-	205,371	**205,371**
Total financial liabilities	**45,823**	**110,494**	**22,142**	**14,258**	**208,475**	**401,192**
Derivatives, cash inflow	-	502,005	171,084	231,774	76,910	**981,773**
Derivatives, cash outflow	-	-513,716	-169,442	-225,287	-76,080	**-984,524**
Net exposure	**-**	**-11,710**	**1,642**	**6,487**	**830**	**-2,751**
Exposure	**-27,975**	**-34,269**	**11,786**	**50,214**	**13,984**	**13,739**
Cumulative exposure	**-27,975**	**-62,244**	**-50,459**	**-245**	**13,739**	

31 Dec 2010, EURm	On demand	0-3 months	3-12 months	1-5 years	>5 years	**Total**
Interest bearing financial assets	14,952	70,209	21,932	46,473	39,257	**192,823**
Non interest bearing financial assets	-	-	-	-	108,003	**108,003**
Total financial assets	**14,952**	**70,209**	**21,932**	**46,473**	**147,260**	**300,826**
Interest bearing financial liabilities	39,756	87,765	19,464	10,017	692	**157,694**
Non interest bearing financial liabilities	-	-	-	-	129,755	**129,755**
Total financial liabilities	**39,756**	**87,765**	**19,464**	**10,017**	**130,447**	**287,449**
Derivatives, cash inflow	-	457,903	165,043	192,180	65,712	**880,838**
Derivatives, cash outflow	-	457,407	162,940	187,678	64,402	**872,427**
Net exposure	**-**	**496**	**2,103**	**4,502**	**1,310**	**8,411**
Exposure	**-24,804**	**-17,060**	**4,571**	**40,958**	**18,123**	**21,788**
Cumulative exposure	**-24,804**	**-41,864**	**-37,293**	**3,665**	**21,788**	

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, NBF has credit commitments amounting to EUR 17,949m (18,212), which could be drawn on at any time.

NBF has also issued guarantees of EUR 17,025m (15,931) which may lead to future cash outflows if certain events occur.

Cash flow analysis

Parent company

31 Dec 2011, EURm	On demand	0-3 months	3-12 months	1-5 years	>5 years	**Total**
Interest bearing financial assets	17,880	88,660	31,935	56,833	40,027	**235,335**
Non interest bearing financial assets	-	-	-	-	181,383	**181,383**
Total financial assets	**17,880**	**88,660**	**31,935**	**56,833**	**221,410**	**416,718**
Interest bearing financial liabilities	45,832	110,076	22,436	14,241	3,153	**195,738**
Non interest bearing financial liabilities	-	-	-	-	204,549	**204,549**
Total financial liabilities	**45,832**	**110,076**	**22,436**	**14,241**	**207,702**	**400,287**
Derivatives, cash inflow	-	501,943	171,069	231,756	76,901	**981,669**
Derivatives, cash outflow	-	-513,658	-169,429	-225,282	-76,080	**-984,449**
Net exposure	-	**-11,715**	**1,640**	**6,474**	**821**	**-2,780**
Exposure	**-27,952**	**-33,131**	**11,139**	**49,066**	**14,529**	**13,651**
Cumulative exposure	**-27,952**	**-61,083**	**-49,944**	**-878**	**13,651**	

31 Dec 2010, EURm	On demand	0-3 months	3-12 months	1-5 years	>5 years	**Total**
Interest bearing financial assets	14,956	70,664	21,601	45,130	39,257	**191,608**
Non interest bearing financial assets	-	-	-	-	108,026	**108,026**
Total financial assets	**14,956**	**70,664**	**21,601**	**45,130**	**147,283**	**299,634**
Interest bearing financial liabilities	39,736	87,822	19,464	10,017	692	**157,731**
Non interest bearing financial liabilities	-	-	-	-	129,041	**129,041**
Total financial liabilities	**39,736**	**87,822**	**19,464**	**10,017**	**129,733**	**286,772**
Derivatives, cash inflow	-	457,903	165,088	192,360	65,712	**881,063**
Derivatives, cash outflow	-	457,415	162,963	187,800	64,402	**872,580**
Net exposure	-	**488**	**2,125**	**4,560**	**1,310**	**8,483**
Exposure	**-24,780**	**-16,670**	**4,262**	**39,673**	**18,860**	**21,345**
Cumulative exposure	**-24,780**	**-41,450**	**-37,188**	**2,485**	**21,345**	

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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 capital structure.

Capital governance

The Board of Directors decides ultimately on the targets for capital ratios and capital policy in Nordea. The CEO in GEM decides on the overall framework of capital management.

Nordea's ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the Asset and Liability Committee (ALCO) and the Risk Committee.

Pillar 1

Risk Weighted Assets (RWA) are calculated based on pillar I requirements. Nordea had 52% of the exposure covered by internal rating based (IRB) approaches by the end of 2011. Nordea will implement the IRB approach for some remaining portfolios.

Nordea is also 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. With the adoption of the CRD III amendment, new risk types under the internal approach have been introduced. For Nordea Bank Finland this includes an additional capital charge for stressed VaR, incremental and comprehensive risk. In addition, under the standardised approach the risk weights for specific equity risk have increased. The total CRD III impact for Nordea Bank Finland is an increase of EUR 4,549m in market risk RWA.

For operational risk, the standardised approach is applied.

Pillar 2

Nordea bases the internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on pillar I and pillar II risks, which in practice means a combination of Capital Requirements Directive (CRD) risk definitions, Nordea's Economic Capital (EC) framework and buffers for periods of economic stress.

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

EC is based on quantitative models used to estimate the unexpected losses for each of 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 sponsored defined benefit pension plans, real estate risk and concentration risk.

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

Economic Profit (EP)

Nordea uses EP as one of its financial performance indicators. 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. EC and expected losses (EL) are input in the EP framework.

Expected losses

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

It should be noted that the EL 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 30% 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 comprises perpetual loans and dated loans. The total tier 2 amount may not exceed tier 1. Dated tier 2 loans may not exceed half the amount of tier 1. The limits are set after deductions, i.e. investment in insurance and other financial companies.

Further information

Note 40 Capital adequacy and the Pillar 3 report

Further information on capital management and capital adequacy is presented in Note 40 Capital adequacy and in the disclosure in accordance with the Pillar 3 requirements according to the CRD in the Basel II framework at www.nordea.com.

Capital adequacy ratios

	Group		Parent company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Core tier 1 ratio excl. transition rules, %	12.8	13.6	13.1	14.0
Core tier 1 ratio incl. transition rules, %	12.8	13.6	13.1	14.0
Tier 1 ratio excl. transition rules, %	12.8	13.6	13.1	14.0
Tier 1 ratio incl. transition rules, %	12.8	13.6	13.1	14.0
Capital ratio excl. transition rules, %	13.4	14.3	13.8	14.7
Capital ratio incl. transition rules, %	13.4	14.3	13.8	14.7
Capital base / Regulatory Capital requirement incl. transition rules, %	167.6	178.4	172.6	184.3

Specification over group undertakings consolidated in the Nordea Bank Finland Group

31 Dec 2011	Number of shares	Carrying amount EURm	Voting power of holding %	Domicile	Consolidation method
Group undertakings included in the NBF Group					
Nordea Finance Finland Ltd	1,000,000	306	100	Espoo	purchase method
SIA Promano Lat	21,084	30	100	Riga	purchase method
Promano Est OÜ	1	10	100	Tallinn	purchase method
Promano Lit UAB	34,528	10	100	Vilnius	purchase method
SIA Realm	7,030	10	100	Riga	purchase method
SIA Lidosta RE	2	1	100		purchase method
Other companies		3			purchase method
Total		**370**			
Over 10 % investments in credit institutions deducted from the capital base					
Luottokunta		49	27	Helsinki	
NF Fleet Oy		2	20	Espoo	
Other		3			
Total investments in credit institutions deducted from the capital base		**54**			

Human resources

As a relationship bank, Nordea is committed to People, not least our employees. It is our skilled and dedicated employees and their ability to deliver great customer experiences that distinguish us from our competitors and make Nordea Great.

People strategy
Our People strategy is defined by our business vision and strategy as well as by our values. The People Strategy emphasises that Nordea can reach its goals only if our employees reach theirs why we provide opportunities for our people to develop and live well-balanced lives. Teamwork is an integral part of working in Nordea. One Nordea team is one of our values emphasising that employees can fulfil their own and Nordea's ambitions whilst enjoying being part of a high performing team.

Focus on values and leadership
Our values and leadership are the strongest drivers for both performance and for building our corporate culture. It takes Great leaders to build a Great European bank. Great leadership in Nordea is the ability to engage and motivate people to reach out for our vision and the ability to create the right team to make it happen.

Our continued focus on leadership supports the development of employees' skills and increases the performance. Annual employee satisfaction surveys (ESI) are run to ensure that we are living up to our goals.

Opportunities to develop and grow
Nordea aims at being a company with many possibilities for employees to develop within the Group. Development is a joint responsibility of the manager and the employee. Annual Performance and Development Dialogues form the basis for personal development plans and short and long-term career plans.

A company with many possibilities
Internal mobility and cross-border assignments are ways to enhance job rotation and develop the employee's competence, and also build overall corporate citizenship and culture enforcing the "One Nordea Team" value.

Profit-sharing scheme
The Profit Sharing scheme is capped and not based on the value of the Nordea share. Profit Sharing is aiming at stimulating value creation for the customers and shareholders and is offered to all employees. The performance criteria reflect Nordea's long-term targets.

For 2011, each employee could receive a maximum of EUR 3,200, of which EUR 2,000 is based on a pre-determined level of risk-adjusted profit, an additional EUR 600 based on the level of customer satisfaction and an additional EUR 600 based on Nordea's relative performance compared to a Nordic peer group as measured by Total Shareholder Return (TSR).

Corporate Social Responsibility

At Nordea we believe that responsible business leads to sustainable results. Therefore our long term strategic CSR goal is to integrate CSR with business, to embed CSR in core strategies, policies and procedures, products and services. In 2011 we continued to work towards that goal.

For further information please see the CSR Report of the Nordea Group available on www.nordea.com/csr.

Legal proceedings

Within the framework of 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.

Corporate Governance

NBF's Corporate Governance Report 2011 is attached to this annual report. The report, including the Report on the key aspects of the systems for internal control and risk management regarding financial reports, has not been reviewed by the auditors.

Nordea shares

Nordea Bank Finland Plc does not possess its own shares. The information regarding bought and sold shares in the parent company Nordea Bank AB (publ) is presented in note 48.

Subsequent events

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

Outlook 2012

2011 has been a turbulent year for states, banks and many of our customers. 2012 looks just as challenging. Nordea Bank Finland and Nordea Group is prepared with a robust capital position and good access to funding.

Nordea Bank Finland Group and Nordea Bank Finland Plc

Income statement

		Group		Parent company	
EURm	Note	2011	2010	2011	2010
Operating income					
Interest income	3	2,647	1,958	2,427	1,736
Interest expense	3	-1,292	-776	-1,289	-775
Net interest income	3	**1,355**	**1,182**	**1,138**	**961**
Fee and commission income	4	703	649	662	606
Fee and commission expense	4	-394	-360	-387	-336
Net fee and commission income	**4**	**309**	**289**	**275**	**270**
Net result from items at fair value	5	937	979	939	979
Profit from companies accounted for under the equity method	21	9	6	-	-
Dividends	6	-	-	62	42
Other operating income	7	34	43	38	49
Total operating income		**2,644**	**2,499**	**2,452**	**2,301**
Operating expenses					
General administrative expenses:					
Staff costs	8	-592	-553	-546	-508
Other expenses	9	-457	-479	-458	-478
Depreciation, amortisation and impairment charges of tangible and intangible assets	10, 22, 23	-43	-41	-25	-24
Total operating expenses		**-1,092**	**-1,073**	**1,029**	**-1,010**
Profit before loan losses		**1,552**	**1,426**	**1,423**	**1,291**
Net loan losses	11	-70	-272	-46	-227
Impairment of securities held as financial non-current assets		-	2	4	2
Operating profit		**1,482**	**1,156**	**1,381**	**1,066**
Income tax expense	12	-381	-302	-341	-268
Net profit for the year		**1,101**	**854**	**1,040**	**798**
Attributable to:					
Shareholders of Nordea Bank Finland Plc		1,099	852	1,040	798
Non-controlling interests		2	2	-	-
Total		**1,101**	**854**	**1,040**	**798**

Statement of comprehensive income

	Group		Parent company	
EURm	2011	2010	2011	2010
Net profit for the year	**1,101**	**854**	**1,040**	**798**
Currency translation differences during the year	6	2	-	-
Available-for-sale investments:				
- Valuation gains/losses during the year	-7	1	-7	1
- Tax on valuation gains/losses during the year	2	0	2	0
Other comprehensive income, net of tax	**1**	**3**	**-5**	**1**
Total comprehensive income	**1,102**	**857**	**1,035**	**799**
Attributable to:				
Shareholders of Nordea Bank Finland Plc	1,100	855	1,035	799
Non-controlling interests	2	2	-	-
Total	**1,102**	**857**	**1,035**	**799**

Balance sheet

EURm	Note	Group 31 Dec 2011	Group 31 Dec 2010	Parent company 31 Dec 2011	Parent company 31 Dec 2010
Assets					
Cash and balances with central banks		286	7,485	286	7,485
Treasury bills	13	4,981	2,359	4,981	2,359
Loans to credit institutions	14	79,350	67,751	84,697	72,772
Loans to the public	14	99,331	73,607	93,097	67,886
Interest-bearing securities	15	25,885	21,578	25,885	21,578
Financial instruments pledged as collateral	16	8,346	5,304	8,346	5,304
Shares	17	1,312	1,079	1,309	1,080
Derivatives	18	170,228	97,251	170,228	97,247
Fair value changes of the hedged items in portfolio hedge of interest rate risk	19	138	96	138	96
Investments in group undertakings	20	-	-	370	353
Investments in associated undertakings	21	79	61	34	19
Intangible assets	22	106	85	103	82
Property and equipment	23, 24	124	124	69	55
Investment property	25	71	32	10	4
Deferred tax assets	12	16	17	12	12
Current tax assets	12	132	84	131	83
Retirement benefit assets	34	120	104	113	98
Other assets	26	8,078	8,562	8,056	8,540
Prepaid expenses and accrued income	27	704	507	524	356
Total assets		**399,287**	**286,086**	**398,389**	**285,409**
Liabilities					
Deposits by credit institutions	28	76,007	60,549	75,919	60,493
Deposits and borrowings from the public	29	68,260	55,459	68,265	55,552
Debt securities in issue	30	49,153	39,846	49,153	39,846
Derivatives	18	168,436	95,676	168,436	95,676
Fair value changes of the hedged items in portfolio hedge of interest rate risk	19	195	-58	195	-58
Current tax liabilities	12	0	1	0	0
Other liabilities	31	24,128	22,105	23,990	21,975
Accrued expenses and prepaid income	32	810	652	615	486
Deferred tax liabilities	12	53	47	-	-
Provisions	33	97	80	94	76
Retirement benefit obligations	34	25	28	25	28
Subordinated liabilities	35	503	477	503	477
Total liabilities		**387,667**	**274,862**	**387,195**	**274,551**
Equity					
Non-controlling interests		5	6	-	-
Share capital		2,319	2,319	2,319	2,319
Share premium reserve		599	599	599	599
Other reserves		2,844	2,849	2,844	2,849
Retained earnings		5,853	5,451	5,432	5,091
Total equity		**11,620**	**11,224**	**11,194**	**10,858**
Total liabilities and equity		**399,287**	**286,086**	**398,389**	**285,409**
Assets pledged as security for own liabilities	36	35,016	30,957	35,016	30,957
Other assets pledged	37	-	-	-	-
Contingent liabilities	38	19,041	18,111	19,348	18,392
Commitments	39	18,725	19,250	15,498	16,140

Other notes

Note 1 Accounting policies
Note 2 Segment reporting
Note 40 Capital adequacy
Note 41 Classification of financial instruments
Note 42 Assets and liabilities at fair value
Note 43 Obtained collaterals which are permitted tobe sold or repledged
Note 44 Maturity analysis for assets and liabilities
Note 45 Related-party transactions
Note 46 Mergers, acquisitions, disposals and dissolutions
Note 47 Credit risk disclosures
Note 48 Nordea shares

Statement of changes in equity

Group

	Attributable to the shareholders of Nordea Bank Finland Plc							
			Other reserves					
EURm	Share capital[1]	Share premium reserve	Available-for-sale investments	Other reserves	Retained earnings	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 Jan 2011	**2,319**	**599**	**1**	**2,848**	**5,451**	**11,218**	**6**	**11,224**
Net profit for the year	-	-	-	-	1,099	**1,099**	2	**1,101**
Currency translation differences during the year	-	-	-	0	6	**6**	-	**6**
Available-for-sale investments:								
- Valuation gains/losses during the year	-	-	-7	-	-	**-7**	-	**-7**
- Tax on valuation gains/losses during the year	-	-	2	-	-	**2**	-	**2**
Other comprehensive income, net of tax	-	-	-5	-	6	**1**	-	**1**
Total comprehensive income	-	-	-5	-	1,105	**1,100**	2	**1,102**
Share-based payments[2]	-	-	-	-	2	**2**	-	**2**
Dividend for 2010	-	-	-	-	-700	**-700**	-	**-700**
Other changes	-	-	-	0	-5	**-5**	-3	**-8**
Balance at 31 Dec 2011	**2,319**	**599**	**-4**	**2,848**	**5,853**	**11,615**	**5**	**11,620**
Balance at 1 Jan 2010	**2,319**	**599**	**0**	**2,848**	**5,200**	**10,966**	**6**	**10,972**
Net profit for the year	-	-	-	-	852	**852**	2	**854**
Currency translation differences during the year	-	-	-	0	2	**2**	-	**2**
Available-for-sale investments:								
- Valuation gains/losses during the year	-	-	1	-	0	**1**	-	**1**
- Tax on valuation gains/losses during the year	-	-	0	-	0	**0**	-	**0**
Other comprehensive income, net of tax	-	-	1	0	2	**3**	-	**3**
Total comprehensive income	-	-	1	0	854	**855**	2	**857**
Share-based payments[2]	-	-	-	-	3	**3**	-	**3**
Dividend for 2009	-	-	-	-	-600	**-600**	-	**-600**
Other changes	-	-	-	0	-6	**-6**	-2	**-8**
Balance at 31 Dec 2010	**2,319**	**599**	**1**	**2,848**	**5,451**	**11,218**	**6**	**11,224**

Statement of changes in equity *cont.*

Parent company

EURm	Attributable to the shareholders of Nordea Bank Finland Plc: Share capital[1]	Share premium reserve	Other reserves: Available-for-sale investments	Other reserves	Retained earnings	Total equity
Balance at 1 Jan 2011	**2,319**	**599**	**1**	**2,848**	**5,091**	**10,858**
Net profit for the year	-	-	-	-	1,040	**1,040**
Available-for-sale investments:						
- Valuation gains/losses during the year	-	-	-7	-	-	**-7**
- Tax on valuation gains/losses during the year	-	-	2	-	-	**2**
Other comprehensive income, net of tax	-	-	-5	-	-	**-5**
Total comprehensive income	-	-	-5	-	1,040	**1,035**
Share-based payments[2]	-	-	-	-	1	**1**
Dividend for 2010	-	-	-	-	-700	**-700**
Balance at 31 Dec 2011	**2,319**	**599**	**-4**	**2,848**	**5,432**	**11,194**
Balance at 1 Jan 2010	**2,319**	**599**	**0**	**2,848**	**4,890**	**10,656**
Net profit for the year	-	-	-	-	798	**798**
Available-for-sale investments:						
- Valuation gains/losses during the year	-	-	1	-	-	**1**
- Tax on valuation gains/losses during the year	-	-	0	-	-	**0**
Other comprehensive income, net of tax	-	-	1	-	0	**1**
Total comprehensive income	-	-	1	-	798	**799**
Share-based payments[2]	-	-	-	-	3	**3**
Dividend for 2009	-	-	-	-	-600	**-600**
Balance at 31 Dec 2010	**2,319**	**599**	**1**	**2,848**	**5,091**	**10,858**

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

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

No decision was made during the financial year to issue equity warrants or convertible bonds entitling to subscription of shares in the NBF. At the end of 2011, the NBF held no authorisations given by the General Meeting for issuance or buybacks of shares, equity warrants or convertible bonds.

Cash flow statement

	Group		Parent company	
EURm	2011	2010	2011	2010
Operating activities				
Operating profit	1,482	1,156	1,381	1,066
Adjustments for items not included in cash flow	-386	-967	-424	-1,070
Income taxes paid	-422	-510	-387	-478
Cash flow from operating activities before changes in operating assets and liabilities	**674**	**-321**	**570**	**-482**
Changes in operating assets				
Change in treasury bills	-1,904	-2,250	-1,904	-2,250
Change in loans to credit institutions	-1,402	-17,703	-1,809	-17,805
Change in loans to the public	-25,736	-8,099	-25,271	-8,067
Change in interest-bearing securities	-7,435	-13,187	-7,435	-13,187
Change in financial assets pledged as collateral	-3,042	-5,303	-3,042	-5,304
Change in shares	-237	81	-233	78
Change in derivatives, net	-240	603	-243	606
Change in investment properties	-40	-25	-8	0
Change in other assets	483	-5,533	485	-5,528
Changes in operating liabilities				
Change in deposits by credit institutions	15,397	16,044	15,426	16,208
Change in deposits and borrowings from the public	12,625	11,179	12,713	11,199
Change in debt securities in issue	9,307	570	9,307	570
Change in other liabilities	2,019	14,292	2,014	14,310
Cash flow from operating activities	**469**	**-9,652**	**570**	**-9,652**
Investing activities				
Acquisition of group undertakings	0	0	-17	-15
Sale of group undertakings	-	-	0	-
Dividends from associated companies	2	2	0	-
Acquisition of investments in associated undertakings	-10	-5	-15	-5
Sale of investments in associated undertakings	0	6	0	4
Acquisition of property and equipment	-45	-62	-33	-22
Sale of property and equipment	21	24	0	1
Acquisition of intangible assets	-33	-28	-32	-28
Sale of intangible assets	0	0	0	-
Divestments/Investments in debt securities, held to maturity	3,226	679	3,227	679
Purchase/sale of other financial fixed assets	19	0	19	0
Cash flow from investing activities	**3,180**	**616**	**3,149**	**614**
Financing activities				
Issued subordinated liabilities	19	28	19	28
Amortised subordinated liabilities	0	-	0	-
Dividend paid	-700	-600	-700	-600
Other changes	-11	-3	-4	4
Cash flow from financing activities	**-692**	**-575**	**-685**	**-568**
Cash flow for the year	**2,957**	**-9,611**	**3,034**	**-9,606**
Cash and cash equivalents at the beginning of year	14,947	24,558	14,932	24,538
Translation difference	-77	0	0	-
Cash and cash equivalents at the end of year	17,981	14,947	17,966	14,932
Change	**2,957**	**-9,611**	**3,034**	**-9,606**

Cash flow statement *cont.*

Comments on the cash flow statement

The cash flow statement has been prepared in accordance with IAS 7. The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea Bank Finland's cash flow 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	2011	2010	2011	2010
Depreciation	43	41	25	24
Impairment charges	0	-2	-4	-2
Loan losses	97	299	60	234
Unrealised gains/losses	-689	-1,276	-691	-1,276
Capital gains/losses (net)	-1	-2	2	-1
Change in accruals and provisions	-23	-27	-23	-32
Translation differences	5	1	6	1
Other	182	-1	201	-18
Total	**-386**	**-967**	**-424**	**-1,070**

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

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

	Group		Parent company	
EURm	2011	2010	2011	2010
Interest payments received	2,483	1,828	2,262	1,607
Interest expenses paid	-1,137	-745	-1,134	-743

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	2011	2010	2011	2010
Cash and balances with central banks	286	7,485	286	7,485
Loans to credit institutions, payable on demand	17,695	7,462	17,680	7,447
	17,981	**14,947**	**17,966**	**14,932**

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

Table of contents

1. Basis for presentation

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

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

On 29 February 2012 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 7 March 2012.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2010 Annual Report, except for the recognition of repurchase and reverse repurchase agreements. These changes are further described below. Below follows also a section covering other changes in IFRSs implemented in 2011, which have not had any significant impact on Nordea.

Recognition of repurchase agreements and reverse repurchase agreements

Repurchase agreements and reverse repurchase agreements have previously been recognised on the balance sheet on trade date, but are as from 2011 recognised on settlement date. This has not had any impact on the income statement. The comparative figures have not been restated as the impact is insignificant. The impact on the balance sheet as per 31 December 2011 and the impact, that has not been restated for, as per 31 December 2010 are disclosed in the below table.

Group

	2011		2010	
EURm	New policy	Old policy	New policy	Old policy
Reverse repurchase agreements				
Loans to credit institutions	79,350	80,697	63,819	67,751
Loans to the public	99,331	108,401	73,026	73,607
Other liabilities	24,128	34,545	17,592	22,105
Repurchase agreements				
Deposits by credit institutions	76,007	79,836	57,474	60,549
Deposits and borrowing from the public	68,260	72,584	54,314	55,459
Other assets	8,078	16,231	4,342	8,562

Parent company

EURm	2011 New policy	2011 Old policy	2010 New policy	2010 Old policy
Reverse repurchase agreements				
Loans to credit institutions	84,697	86,044	68,840	72,772
Loans to the public	93,097	102,167	67,305	67,886
Other liabilities	23,990	34,407	17,462	21,975
Repurchase agreements				
Deposits by credit institutions	75,919	79,748	57,418	60,493
Deposits and borrowing from the public	68,265	72,589	54,407	55,552
Other assets	8,056	16,209	4,320	8,540

Changes in IFRSs implemented 2011
The IASB has amended IAS 24 "Related Party Disclosures" (Relationships with the state), IAS 32 "Financial Instruments: Presentation" (Rights issues) and IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" as well as published "Improvements to IFRSs 2010" and IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments". These amended and published standards and improvements are effective for Nordea as from 1 January 2011, but have not had any significant impact on 2011. The amendment of IAS 32 may affect possible future rights issues involving different currencies, whilst the amendments to IAS 24 and IFRIC 14 as well as the published "Improvements to IFRSs 2010" and IFRIC 19 are not expected to have a significant impact on subsequent periods.

3. Changes in IFRS not yet effective for Nordea

IFRS 9 "Financial instruments" (Phase 1)
In 2009 IASB published a new standard on financial instruments. The standard is the first step in the replacement of IAS 39 "Financial instruments: Recognition and Measurement" and this first phase covers the classification and measurement of financial assets and liabilities. The effective date for Nordea is as from 1 January 2015, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

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

Nordea has, due to the fact that the standard is not yet endorsed by the EU commission, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosures of Interests in Other entities", IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"
IASB has published three new standards relating to consolidation, IFRS 10, IFRS 11 and IFRS 12, as well as amended IAS 27 and IAS 28. The effective date for these standards and amendments for Nordea is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed these standards and amendments for implementation in 2011.

The tentative assessment is that the new standards and amendments are not expected to have any significant impact on Nordea's income statement. The main potential impact is that the new definition of control can potentially lead to consolidation of funds, for instance mutual funds. A potential consolidation of mutual funds would increase assets and liabilities in the balance sheet, and reduce equity to the extent the consolidated fund holds shares in Nordea (Treasury shares). The new standards furthermore include more extensive disclosure requirements which will have an impact on Nordea's disclosures covering consolidated and unconsolidated entities. It is not expected that the new standards and amendments will have a significant impact on the capital adequacy.

Nordea has, due to the fact that the standards and amendments are not yet endorsed by the EU commission, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IFRS 13 "Fair Value Measurement"
IASB has published IFRS 13. The effective date for Nordea is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

The tentative assessment is that the new standard will not have a significant impact on Nordea's financial statements nor on its capital adequacy.

Nordea has, due to the fact that the standard is not yet endorsed by the EU commission, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IAS 19 "Employee Benefits"
IASB has amended IAS 19. The effective date for Nordea is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this amendment for implementation in 2011.

The tentative assessment is that the amended standard will have an impact on the financial statements in the period of initial application, as well as in subsequent periods. This is mainly related to defined benefit plans. The amended IAS 19 states that actuarial gains/losses shall be recognised immediately in equity through other comprehensive income, which will lead to higher volatility in equity compared to the current corridor approach.

The amended IAS 19 furthermore states that the expected return on plan assets shall be recognised using the same interest rate as the discount rate used when measuring the pension obligation. This will lead to higher pension expenses in the income statement as Nordea currently expects a higher return than the discount rate. Any difference between the actual return and the expected return will be a part of the actuarial gains/losses recognised immediately in equity through other comprehensive income.

The unrecognised actuarial losses as per 31 December 2011 amounted in NBF to EUR 25m. If Nordea has unrecognised actuarial losses at transition there will be a negative impact on equity. See note 34 "Retirement benefit obligations" for more information.

As the amended IAS 19 has an impact on equity it is expected that there will be an impact also on the capital adequacy.

Other forthcoming changes in IFRSs
IAS 1 "Presentation of Financial Statements" has been amended. The amended standard changes the presentation of other comprehensive income. The effective date for Nordea is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

IFRS 7 "Financial instruments: Disclosures" has been amended and will lead to additional disclosures around transferred assets. The effective date for Nordea is as from 1 January 2012, but earlier application is permitted. The EU commission has endorsed this standard for implementation in 2011.

IAS 32 "Financial Instruments: Presentation" has been amended. The change relates to offsetting of financial assets and financial liabilities. The amendment is not intended to change the criteria for offsetting, but to give additional guidance on how to apply the existing criteria. IFRS 7 "Financial instruments: Disclosures" has furthermore been amended and will lead to additional disclosures around offsetting of financial assets and financial liabilities. The effective date for Nordea is as from 1 January 2014 for amendments to IAS 32 and from 1 January 2013 for amendments to IFRS 7, but earlier application is permitted. The EU commission has not endorsed these amendments for implementation in 2011.

The IASB has furthermore amended IFRS 1 "First-time Adoption of International Financial Reporting Standards" (Hyperinflation/Fixed dates) and IAS 12 "Income taxes" (Recovery of underlying asset) and published IFRIC 20 "Stripping costs". The effective date for Nordea is as from 1 January 2012, but earlier application is permitted. The EU commission has not endorsed the amended standards and published interpretation for implementation in 2011.

The abovementioned amended standards and interpretation not yet adopted, within the section "Other forthcoming changes in IFRSs", are not, in the period of initial application or in subsequent periods, expected to have any significant impact on the financial statements, apart from on disclosures, nor on the capital adequacy.

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 and
  – loans to the public/credit institutions
- the actuarial calculations of pension liabilities and plan assets related to employees
- the valuation of deferred tax assets
- the valuation of investment properties
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

Critical judgement is 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 (including the judgement of whether markets are active)
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk
- The judgement of which market parameters that are observable.

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

See also the separate section 10 "Determination of fair value of financial instruments" and Note 42 "Assets and liabilities at fair value".

Impairment testing

Goodwill

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. This consists of 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 forecasts of future cash flows are based on Nordea's best estimates of future revenues and expenses for the cash-generating units to which goodwill has been allocated. A number of assumptions and estimates have significant impact on these calculations and include parameters like macroeconomic assumptions, market growth, business volumes, margins and cost effectiveness. Changes to any of these parameters, following changes in market conditions, competition, strategy or other, affects the forecasted cash flows. Under current market conditions such changes are not expected to lead to any significant impairment charges of goodwill, but may do so in subsequent periods.

See also the separate section 15 "Intangible assets" and Note 22 "Intangible assets".

Loans to the public/credit institutions

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 to the public/credit institutions" and Note 14 "Loans and impairment".

Actuarial calculations of pension liabilities and plan assets related to employees
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. Other parameters like assumptions about salary increases and inflation are 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 obligations".

The major part of the assets covering the pension liabilities is invested in liquid assets and valued at quoted prices 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 obligations".

See also the separate section 19 "Employee benefits" and Note 34 "Retirement benefit obligations".

Valuation of deferred tax assets
The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability. This assessment is updated and reviewed at each balance sheet date, and is, if necessary, revised to reflect the current situation.

See also the separate section 18 "Taxes" and Note 12 "Taxes".

Valuation of investment properties
Investment properties are measured at fair value as described in section 17 "Investment property". As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirements and interest rates.

See also the separate section 17 "Investment property" and Note 25 "Investment property".

Claims in civil lawsuits
Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently none of these disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note 33 "Provisions" and Note 38 "Contingent liabilities".

5. Principles of consolidation

Consolidated entities
The consolidated financial statements include the accounts of the parent company Nordea Bank Finland Plc, and those entities that the parent company controls. Control is generally achieved when the parent company owns, directly or indirectly through group undertakings, more than 50 per cent of the voting rights or otherwise has the power to govern the financial and operating policies of the entity.

All Group undertakings are consolidated using the purchase method. Under the purchase method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The Group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for the identifiable net assets acquired. Costs directly attributable to the business combination are expensed. When the cost of the business combination exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

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

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

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

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

Investments in associated undertakings
The equity method of accounting is used for associated undertakings where the share of voting rights is between 20 and 50 per cent and/or where NBF has significant influence. Investments within Nordea's investment activities, which are classified as a venture capital organisation within Nordea, are measured at fair value in accordance with the rules set out in IAS 28 and IAS 39. Further information on the equity method is disclosed in section 6 "Recognition of operating income and impairment".

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

Internal transactions, in the income statement, between Nordea and its associated companies are not eliminated. Nordea does not have any transactions including sales of assets with associated companies.

Special Purpose Entities (SPE)
In accordance with IFRS Nordea does not consolidate SPEs' assets and liabilities beyond its control. In order to determine whether Nordea controls a SPE or not, Nordea has to make judgements about risks and rewards and assess the ability to make operational decisions for the SPE in question.

When assessing whether NBF shall consolidate a SPE, a range of factors are evaluated. These factors include whether the activities of the SPE are being in substance conducted on NBF's behalf or if NBF has in substance the decision making powers, the rights to obtain the majority of the benefits or the majority of the residual- or ownership risks. NBF consolidates all SPEs, where NBF has retained the majority of the risks and rewards. For the SPEs that are not consolidated the rationale is that NBF does not have any significant risks or rewards on these assets and liabilities.

Nordea has created a number of SPEs to allow clients to invest in assets invested in by the SPEs. Some SPEs invest in tradable financial instruments, such as shares and bonds (mutual funds). Other SPEs invest in structured credit products or acquire assets from customers of Nordea. Nordea is generally the investment manager and has sole discretion about investments and other administrative decisions. Typically, Nordea will receive service and commission fees in connection to the creation of the SPEs, or because it acts as investment manager, custodian or in some other function. This in itself does not constitute a beneficial interest triggering consolidation. In some SPEs Nordea has also supplied substantial parts of the funding in the form of fund units, loans or credit commitments. In these SPEs Nordea has a beneficial interest and retains the majority of the risks and rewards, which is why these SPEs are consolidated. Note 20 "Investments in group undertakings" lists the major subsidiaries in the NBF Group, including consolidated SPEs.

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

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

6. Recognition of operating income and impairment

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

Interest income and interest expense related to all balance sheet items in Markets are recognised in the income statement on the line "Net result from 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 and recognised on the line "Net result from items at fair value".

Interest on derivatives used for hedging is also recognised in "Net interest income", as well as fees that are considered to be an integral part of the effective interest rate of a financial instrument.

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

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

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

Net result from items at fair value

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

Realised and unrealised gains and losses derive from:

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

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

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

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

Profit from companies accounted for under the equity method

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

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

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

Other operating income

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

Net loan losses

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

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

Impairment of securities held as financial non-current assets

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

Investments in associated companies are assessed for impairment annually. If observable indicators (loss events) indicate that an associated company is impaired, an impairment test is performed to assess whether there is objective evidence of impairment. The carrying amount of the investment in the associate is compared with the recoverable amount (higher of value in use and fair value less cost to sell) and the carrying amount is written down to the recoverable amount if required. No such impairment has been incurred during 2011.

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

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

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

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

In some cases, Nordea enters into transactions where it transfers assets that are recognised on the balance sheet, but retains either all or a portion of risks and rewards from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If Nordea's counterpart can sell or repledge the transferred assets, the assets are reclassified to the item "Financial instruments pledged as collateral" 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 are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally reclassified to "Other liabilities" in the balance sheet on trade date.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within 12 "Financial instruments", as well as Note 43 "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 result from 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. Nordea applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

The hedge accounting policy within Nordea has been developed to fulfil the requirements set out in IAS 39. Nordea uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments as well as to hedge the exposure to variability in future cash flows and the exposure to net investments in foreign operations. The overall purpose is to have a true and fair presentation of Nordea's economical hedges in the financial statements. The overall operational responsibility to hedge positions and for hedge accounting lies within Group Treasury.

There are three forms of hedge accounting:

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

NBF currently applies only fair value hedge accounting.

Fair value hedge accounting
Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged will be recognised separately in the income statement in the item "Net result from items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result will be close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged item in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" in the balance sheet.

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

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

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

Hedge effectiveness
The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent. When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

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

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

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

- Treasury 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. Nordea is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Treasury 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 counterparty credit risk and liquidity risk. An important part of the portfolio adjustment serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

The portfolio adjustment for uncertainties associated with model assumptions comprises two components (The calculation principles are defined as part of the internal approval process for valuation models):

- 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

The portfolio adjustment for counterparty risk in OTC-derivatives is based on the current exposure towards each counterpart, the estimated potential future exposure as well as an estimate of the cost of hedging the counterparty risk. This cost of hedging is either based directly on market prices (where available) or on a theoretical calculation based on the internal credit rating of the counterpart.

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea 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 has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note 42 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

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

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

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

For further information, see Note 42 "Assets and liabilities at fair value".

11. Cash and cash equivalents

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

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

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

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

12. Financial instruments

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

Financial assets:

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

Financial liabilities:

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

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured in the balance sheet and how changes in its value are recognised. In Note 41 "Classification of financial instruments" the classification of the financial instruments in Nordea's balance sheet into different categories is presented.

Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value".

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

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

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are certain other assets/liabilities, interest bearing securities and shares.

Nordea also applies the Fair value option on certain financial assets and financial liabilities related to Markets. The classification stems from 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 classified into the categories Financial assets/Financial liabilities at fair value through profit or loss.

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

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

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

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

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

losses in the item "Net result from items at fair value" in the income statement.

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

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

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

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

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

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

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

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from the counterparts is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

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

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

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

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

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

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

13. Loans to the public/credit institutions

Financial instruments classified as "Loans to the public/credit institutions" in the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 7 "Recognition and derecognition of financial instruments in the balance sheet" as well as Note 41 "Classification of financial instruments").

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

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

Impairment test of individually assessed loans

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

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 carrying amount 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 collectively assessed loans

All loans not impaired on an individual basis are collectively assessed for impairment, including individually insignificant loans. This means that significant loans not impaired on an individual level and insignificant loans that have not been tested on an individual level are collectively tested for impairment. The loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors´ ability to pay all amounts due according to the contractual terms. Nordea monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flows. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

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

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

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

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

Impairment loss

If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows, including the fair value of the collaterals and other credit enhancements, 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 are accounted for as changes in the allowance account and as "Net loan losses" in the income statement (see also section 6 "Recognition of operating income and impairment").

If the impairment loss is regarded as final, it is reported as a realised loss. A realised loss is recognised and the value of the loan and the related allowance for impairment loss are derecognised with a corresponding gain or loss recognised in the line item ”Net loan losses” in the income statement. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction or when Nordea, for other reasons, 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 or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans

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

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example a property taken over, not held for Nordea’s own use, is reported together with other investment properties.

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

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

14. Leasing

NBF as lessor

Finance leases

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

Operating leases

Assets subject to operating leases 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 and classified as “Net interest income”. The depreciation of the leased assets is calculated on the basis of Nordea’s depreciation policy for similar assets and reported as “Depreciation, amortisation and impairment charges of tangible and intangible assets” in the income statement.

NBF as lessee

Finance leases

No leases in NBF have been classified as finance leases.

Operating leases

Operating leases are not recognised in NBF’s balance sheet. For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of NBF’s benefit. The original lease terms range between 3 to 25 years.

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

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

Embedded leases

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

15. Intangible assets

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

Goodwill

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

IT-development/Computer software

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

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

Customer related intangible assets

In business combinations a portion of the purchase price is normally allocated to a customer related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or is separable. The asset is amortised over its useful life.

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 any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

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

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates cash inflows in relation to the asset. For goodwill, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See note 22 "Intangible assets" for more information on the impairment testing.

16. Property and equipment

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

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

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

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

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

17. Investment property

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

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

18. Taxes

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

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

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

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

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

19. Employee benefits

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

Short-term benefits

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

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

Post-employment benefits

Pension plans

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

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

Pension costs

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

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea’s net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised prior service cost and the fair value of any plan assets are deducted. Actuarial calculations, performed annually, are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note 34 “Retirement benefit obligations”).

When establishing the present value of the obligation and the fair value of any plan assets, actuarial gains and losses may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The actuarial gains and losses are not recognised immediately in the income statement. Rather, only when the net cumulative unrecognised actuarial gain or loss exceeds a “corridor” equal to 10 percent of the greater of either the present value of the defined benefit obligation or the fair value of the plan assets, the excess is recognised in the income statement over the expected average remaining service period of the employees participating in the plan. Otherwise, actuarial gains and losses are not recognised.

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

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan.

Discount rate in Defined Benefit Plans

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

Termination benefits

As mentioned above termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

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

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

20. Equity

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

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

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

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

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

Treasury shares
NBF does not hold Treasury shares.

21. Financial guarantee contracts and credit commitments

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

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

22. Share-based payments

Equity-settled programmes
Nordea has annually issued Long Term Incentive Programmes from 2007 through 2011. Employees participating in these programmes are granted share-based and equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights shall be expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date, and is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in D-rights /Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

For more information see Note 8 "Staff costs".

Cash-settled programmes

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

23. Related party transactions

NBF defines related parties as:

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

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

Shareholders with significant influence

Shareholders with significant influence are shareholders that, by any means, have a significant influence over NBF. Nordea and its group companies are considered as having such significant influence.

Group undertakings

For the definition of Group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the NBF Group is found in Note 20 "Investments in group undertakings".

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

Associated undertakings

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

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

Key management personnel

Key management personnel include the following positions:

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

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

Other related parties

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

Information concerning transactions between NBF and other related parties is found in Note 45 "Related-party transactions".

Note 2 Segment reporting

Operating segments

Group

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

Changes in basis of segmentation
A new organisation has been established, developed around the two main business areas Retail Banking and Wholesale Banking. In addition a business unit called Group Operations has been established. Group Corporate Centre and the separate divisions within the two main business areas and within the business unit Group Operations have, based on the new organisation, been identified as operating segments. The changes compared to the previous segment reporting is mainly that Nordic Banking has been renamed to Retail Banking Nordic and that the service units and support functions within the main business areas Retail Banking and Wholesale Banking are now disclosed separately as operating segments named as Retail Banking Other and Wholesale Banking Other. A new operating segment named Corporate & institutional Banking has been established, including the former division Corporate Merchant Banking, previously included in Nordic Banking, and the former operating segment Financial Institutions. Capital Markets unallocated and Group Corporate Centre are furthermore disclosed separately as operating segments. Comparative information has been restated accordingly.

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

	Retail Banking		Wholesale Banking		Group Corporate Centre	
Income statement, EURm	2011	2010	2011	2010	2011	2010
Net interest income	849	725	323	283	167	187
Net fee and commission income	513	497	-68	176	-4	-4
Net result from items at fair value	99	96	864	861	3	-28
Profit from companies accounted for under the equity method	8	1	-	-	-	-
Other income	10	6 2		13	2	0
Total operating income	**1,479**	**1,325**	**1,121**	**1,333**	**168**	**155**
Staff costs	-332	-334	-134	-127	-27	-10
Other expenses	-535	-540	-61	-283	4	-18
Depreciation, amortisation and impairment charges of tangible and intangible assets	-6	-5	-1	-1	0	0
Total operating expenses	**-873**	**-879**	**-196**	**-411**	**-23**	**-28**
Net loan losses	-111	-204	-10	-91	44	-
Operating profit	**495**	**242**	**915**	**831**	**189**	**127**
Income tax expense	-	- -		-	-	-
Net profit for the year	**495**	**242**	**915**	**831**	**189**	**127**
Balance sheet, EURm						
Loans to the public	50,679	48,098	42,456	19,838	-72	-
Deposits and borrowings from the public	37,408	36,304	29,315	18,631	1,139	-

Note 2 *Segment reporting, cont.*

Operating segments

Group

Income statement, EURm	Total operating segments 2011	Total operating segments 2010	Reconciliation 2011	Reconciliation 2010	**Total Group 2011**	**Total Group 2010**
Net interest income	1,339	1,195	16	-14	**1,355**	**1,182**
Net fee and commission income	441	669	-132	-379	**309**	**289**
Net result from items at fair value	966	929	-29	50	**937**	**979**
Profit from companies accounted for under the equity method	8	1	1	5	**9**	**6**
Other income	14	19	20	24	**34**	**43**
Total operating income	**2,768**	**2,813**	**-124**	**-314**	**2,644**	**2,499**
Staff costs	-493	-471	-99	-82	**-592**	**-553**
Other expenses	-592	-841	135	362	**-457**	**-479**
Depreciation of tangible and intangible assets	-7	-6	-36	-33	**-43**	**-39**
Total operating expenses	**-1,092**	**-1,318**	**0**	**247**	**-1,092**	**-1,071**
Net loan losses	-77	-295	7	21	**-70**	**-272**
Operating profit	**1,599**	**1,200**	**-117**	**-46**	**1,482**	**1,156**
Income tax expense	-	-	-381	-302	**-381**	**-302**
Net profit for the year	**1,599**	**1,200**	**-498**	**-348**	**1,101**	**854**
Balance sheet, EURm						
Loans to the public	93,063	67,936	6,267	5,670	**99,331**	**73,607**
Deposits and borrowings from the public	67,862	54,935	398	524	**68,260**	**55,459**

Break-down of Retail Banking

Income statement, EURm	Retail Banking Nordic[1] 2011	Retail Banking Nordic[1] 2010	Retail Banking Poland & Baltic countries[1] 2011	Retail Banking Poland & Baltic countries[1] 2010	Retail Banking Other[2] 2011	Retail Banking Other[2] 2010	**Retail Banking 2011**	**Retail Banking 2010**
Net interest income	700	588	149	139	0	-2	**849**	**725**
Net fee and commission income	468	447	43	48	2	2	**513**	**497**
Net result from items at fair value	97	94	4	2	-2	0	**99**	**96**
Profit from companies accounted for under the equity method	-	-3	-	-	8	4	**8**	**1**
Other income	3	3	5	2	2 1		**10**	**6**
Total operating income	**1,268**	**1,129**	**201**	**191**	**10**	**5**	**1,479**	**1,325**
Staff costs	-261	-265	-31	-29	-40	-40	**-332**	**-334**
Other expenses	-504	-492	-48	-47	17	-1	**-535**	**-540**
Depreciation of tangible and intangible assets	-3	-2	-2	-3	-1	0	**-6**	**-5**
Total operating expenses	**-768**	**-759**	**-81**	**-79**	**-24**	**-41**	**-873**	**-879**
Net loan losses	-57	-111	-54	-93	0	-	**-111**	**-204**
Operating profit	**443**	**259**	**66**	**19**	**-14**	**-36**	**495**	**242**
Income tax expense	-	-	-	-	- -		-	-
Net profit for the year	**443**	**259**	**66**	**19**	**-14**	**-36**	**495**	**242**
Balance sheet, EURm								
Loans to the public	43,335	41,154	7,344	6,944	-	0	**50,679**	**48,098**
Deposits and borrowings from the public	34,935	34,326	2,445	1,942	28	36	**37,408**	**36,304**

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

Break-down of Wholesale Banking

Income statement, EURm	Corporate Merchant Banking 2011	Corporate Merchant Banking 2010	Shipping, Offshore & Oil Services 2011	Shipping, Offshore & Oil Services 2010
Net interest income	197	208	111	80
Net fee and commission income	147	125	32	17
Net result from items at fair value	70	66	10	5
Profit from companies accounted for under the equity method	-	-	-	-
Other income	0	0	-	-
Total operating income	**414**	**399**	**153**	**102**
Staff costs	-5	-5	-7	-5
Other expenses	-93	-91	-13	-10
Depreciation of tangible and intangible assets	-	-	0	-
Total operating expenses	**-98**	**-96**	**-20**	**-15**
Net loan losses	4	-	-21	-
Operating profit	**320**	**303**	**112**	**87**
Income tax expense	-	-	-	-
Net profit for the year	**320**	**303**	**112**	**87**
Balance sheet, EURm				
Loans to the public	8,980	7,867	686	313
Deposits and borrowings from the public	5,947	5,442	153	98

Income statement, EURm	Capital Markets unalloctaed 2011	Capital Markets unalloctaed 2010	Wholesale Banking Other[3] 2011	Wholesale Banking Other[3] 2010	**Wholesale Banking 2011**	**Wholesale Banking 2010**
Net interest income	3	3	12	-8	**323**	**283**
Net fee and commission income	-327	-58	80	92	**-68**	**176**
Net result from items at fair value	749	767	35	23	**864**	**861**
Profit from companies accounted for under the equity method	-	-	-	-	-	-
Other income	0	1	2	12	**2**	**13**
Total operating income	**425**	**713**	**129**	**119**	**1,121**	**1,333**
Staff costs	-69	-66	-53	-51	**-134**	**-127**
Other expenses	29	-205	16	23	**-61**	**-283**
Depreciation of tangible and intangible assets	0	0	-1	-1	**-1**	**-1**
Total operating expenses	**-40**	**-271**	**-38**	**-29**	**-196**	**-411**
Net loan losses	-	-	7	-91	**-10**	**-91**
Operating profit	**385**	**442**	**98**	**-1**	**915**	**831**
Income tax expense	-	-	- -		-	-
Net profit for the year	**385**	**442**	**98**	**-1**	**915**	**831**
Balance sheet, EURm						
Loans to the public	25,440	4,390	7,351	7,268	**42,456**	**19,838**
Deposits and borrowings from the public	14,582	6,501	8,633	6,589	**29,315**	**18,631**

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

Note 2 *Segment reporting, cont.*

Reconciliation between total operating segments and financial statements

	Total operating income		Operating profit		Loans to the public		Deposits and borrowings from the public	
EURm	2011	2010	2011	2010	2011	2010	2011	2010
Total Operating segments	2,768	2,813	1,599	1,200	93,063	67,936	67,862	54,935
Group functions[1]	-111	-301	-117	-44	6,420	5,823	500	626
Eliminations	-13	-13	-	-	-152	-152	-102	-102
Total	**2,644**	**2,499**	**1,482**	**1,156**	**99,331**	**73,607**	**68,260**	**55,459**

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

Group

Total operating income split on product groups

EURm	2011	2010
Banking products	1,733	1,831
Capital Markets products	886	675
Savings Products & Asset Management	20	24
Life & Pensions	5	14
Other	-	-45
Total	**2,644**	**2,499**

Banking products consists of three product responsible divisions. Account products is responsible for developing and delivering account based products such as lending, deposits and cards and Netbank services. Transaction products provides and develops cash management, trade and project finance services. Nordea Finance is responsible for asset based financing through leasing, hire purchase and factoring as well as offering sales to finance partners such as dealers, vendors and retailers. Capital Markets products includes financial instruments, or arrangement for a financial instrument, that are available in the financial marketplace, including currencies, commodities, stocks and bonds. Asset Management includes Investment funds, Discretionary Management, Portfolio Advice and Pension Accounts. Investment Funds is a bundled product where the fund company invest in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advise is a service provided to support the customers investment decision. Nordea Life & Pensions provides life insurance and pension products and services.

Group

Geographical information

	Total operating income		Assets	
EURm	2011	2010	2011	2010
Sweden	142	82	12,237	11,851
Finland	1,442	1,489	129,640	99,737
Norway	405	103	9,919	7,205
Denmark	326	395	178,776	107,654
Baltic countries	27	193	1,005	8,861
Poland	2	1	90	57
Other	300	236	67,620	50,721
Total	**2,644**	**2,499**	**399,287**	**286,086**

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

Note 3 Net interest income

EURm	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Interest income				
Loans to credit institutions	390	377	474	450
Loans to the public	2,011	1,445	1,695	1,150
Interest-bearing securities	181	131	181	131
Other interest income	65	5	77	5
Interest income	**2,647**	**1,958**	**2,427**	**1,736**
Interest expense				
Deposits by credit institutions	-434	-293	-432	-292
Deposits and borrowings from the public	-440	-299	-439	-299
Debt securities in issue	-330	-157	-330	-157
Subordinated liabilities	-25	-26	-25	-26
Other interest expense[1]	-63	-1	-63	-1
Interest expense	**-1,292**	**-776**	**-1,289**	**-775**
Net interest income	**1,355**	**1,182**	**1,138**	**961**

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

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 2,518m (1,920) for the Group and EUR 2,297m (1,698) for the parent company. Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR -1,229m (-777) for the Group and EUR -1,226m (-775) for the parent company.

Net interest income

EURm	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Interest income	2,546	1,863	2,427	1,736
Leasing income, net	101	95	-	-
Interest expenses	-1,292	-776	-1,289	-775
Total	**1,355**	**1,182**	**1,138**	**961**

Note 4 Net fee and commission income

	Group		Parent company	
EURm	2011	2010	2011	2010
Asset Management commissions	52	50	52	50
Life insurance	5	7	5	7
Brokerage	25	27	25	27
Custody	21	20	21	20
Deposits	6	5	6	5
Total savings related commissions	109	109	109	109
Payments	187	175	188	176
Cards	87	78	57	50
Total payment commissions	274	253	245	226
Lending	90	72	79	56
Guarantees and documentary payments	146	143	147	144
Total lending related to commissions	236	215	226	200
Other commission income	84	72	82	71
Fee and commission income	**703**	**649**	**662**	**606**
Payment expenses	-57	-74	-52	-52
Other commission expenses	-337	-286	-335	-284
Fee and commission expenses	**-394**	**-360**	**-387**	**-336**
Net fee and commission income	**309**	**289**	**275**	**270**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounted to EUR 96m (77) for the Group and EUR 85m (61) for the parent company.

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounted to EUR 82m (84) for the Group and EUR 82m (84) for the parent company.

Note 5 Net result from items at fair value

EURm	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Shares/participations and other share-related instruments	78	35	74	35
Interest-bearing securities and other interest-related instruments	726	644	726	644
Other financial instruments	42	109	42	109
Foreign exchange gains/losses	93	193	98	193
Investment properties	-2	-2	-1	-2
Total	**937**	**979**	**939**	**979**

Net result from categories of financial instruments

EURm	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Available for sale assets, realised	-	1	-	1
Financial instruments designated at fair value through profit or loss	87	223	88	223
Financial instruments held for trading[1]	855	757	855	757
Financial instruments under hedge accounting	-3	-1	-3	-1
- of which net gains/losses on hedging instruments	196	-9	197	-9
- of which net gains/losses on hedged items	-199	8	-199	8
Other	-2	-1	-1	-1
Total	**937**	**979**	**939**	**979**

[1] Of which amortised deferred day one profits amounted to EUR -5m for 2011 (2) both for the Group and the parent company.

Note 6 Dividends

EURm	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Investments in group undertakings	-	-	60	40
Investments in associated undertakings	-	-	2	2
Total	**-**	**-**	**62**	**42**

Note 7 Other operating income

EURm	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Divestment of shares	-	-	-	-
Income from real estate	-1	3	3	7
Disposals of tangible and intangible assets	2	1	0	1
Other	33	39	35	41
Total	**34**	**43**	**38**	**49**

Note 8 Staff costs

	Group		Parent company	
EURm	2011	2010	2011	2010
Salaries and remuneration	-463	-433	-428	-399
Pension costs (specification below)	-61	-58	-55	-53
Social insurance contributions	-36	-29	-33	-27
Allocation to profit-sharing foundation[1]	-5	-6	-5	-6
Other staff costs	-27	-27	-25	-23
Total	**-592**	**-553**	**-546**	**-508**

[1] Allocation to profit-sharing foundation 2011 EUR 5m consists of a new allocation of EUR 8m and a release related to prior years of EUR 3m.

	Group		Parent company	
	2011	2010	2011	2010
Pension costs:				
Defined benefit plans (Note 34)	7	4	7	4
Defined contribution plans	-68	-62	-62	-57
Total	**-61**	**-58**	**-55**	**-53**

Additional disclosures on remuneration under the FIN-FSA release 62/501/2010
The remuneration principles in Nordea for 2011are published in the Board of Directors´ report of Nordea Bank AB (publ). The figures for Nordea Bank Finland Plc will be published separately on nordea.com in due time before the Annual General Meeting of Nordea Bank AB (publ).

Compensation etc. to the Board of Directors, President and his deputy
The members of the Board of Directors of Nordea Bank Finland Plc and the President, are all members of the Nordea Bank AB (publ) Group Executive Management. In 2011 Nordea Bank AB (publ) has paid all salaries, fees, pension- and other staff-related expenses to the above mentioned members 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 of the above mentioned persons is presented in the Annual Report of Nordea Bank AB (publ).

Salaries paid to the deputy of the President of Nordea Bank Finland Plc amounted to EUR 0m in 2011. Pension obligation for the deputy of the President amounted to EUR 1m and pension cost to defined benefit plans to EUR 0m.

EURm	2011	2010
Loans granted by Nordea Bank Finland Plc		
To members and deputy members of the Board of Directors	0	-
To the President and his deputy	0	0

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

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

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

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

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

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

Note 8 *Staff costs, cont.*

Share-based payment

Group	2011		
Conditional Rights LTIP 2011	Matching Share	Performance Share I	Performance Share II
Granted	154,236	308,472	154,236
Forfeited	-	-	-
Outstanding at end of year	**154,236**	**308,472**	**154,236**
- of which currently exercisable	-	-	-

Parent company	2011		
Conditional Rights LTIP 2011	Matching Share	Performance Share I	Performance Share II
Granted	154,236	308,472	154,236
Forfeited	-	-	-
Outstanding at end of year	**154,236**	**308,472**	**154,236**
- of which currently exercisable			

Group		2011			2010	
Conditional Rights LTIP 2010	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of year	173,195	346,390	173,195	-	-	-
Granted	-	-	-	176,233	352,466	176,233
Transfers during the year	-7,220	-14,440	-7,220	-	-	-
Forfeited	-3,001	-6,002	-3,001	-3,038	-6,076	-3,038
Outstanding at end of year	**162,974**	**325,948**	**162,974**	**173,195**	**346,390**	**173,195**
- of which currently exercisable	-	-	-	-	-	-

Parent company			2011			2010
Conditional Rights LTIP 2010	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of year	170,775	341,550	170,775	-	-	-
Transfers during the year	-7,220	-14,440	-7,220	-	-	-
Granted	-3,001	-6,002	-3,001	173,813	347,626	173,813
Forfeited	-	- -		-3,038	-6,076	-3,038
Outstanding at end of year	**160,554**	**321,108**	**160,554**	**170,775**	**341,550**	**170,775**
- of which currently exercisable	-	-	-	-	-	-

Group		2011			2010	
Conditional Rights LTIP 2009	A Rights	B-C Rights	D Rights	A Rights	B-C Rights	D Rights
Outstanding at the beginning of year	266,195	266,195	106,478	275,121	556,970	275,121
Granted	-	- -		-	-	-
Forfeited	-	-	-	-8,926	-290,775	-168,643
Exercised[1]	-191,252	-194,763	-82,118	-	-	-
Outstanding at end of year	**74,943**	**71,432**	**24,360**	**266,195**	**266,195**	**106,478**
- of which currently exercisable	74,943	71,432	24,360	-	-	-

Parent company		2011			2010	
Conditional Rights LTIP 2009	A Rights	B-C Rights	D Rights	A Rights	B-C Rights	D Rights
Outstanding at the beginning of year	261,866	261,866	104,746	270,792	548,312	270,792
Granted	-	- -		-	-	-
Forfeited	-	-	-	-8,926	-286,446	-166,046
Exercised[1]	-191,252	-194,763	-82,118	-	-	-
Outstanding at end of year	**70,614**	**67,103**	**22,628**	**261,866**	**261,866**	**104,746**
- of which currently exercisable	70,614	67,103	22,628	-	-	-

Group

Conditional Rights LTIP 2008	2011 A Rights	2011 B-C Rights	2011 D Rights	2010 A Rights	2010 B-C Rights	2010 D Rights
Outstanding at the beginning of year	12,765	13,496	8,834	87,691	87,691	70,153
Forfeited	-	-	-	-2,897	-2,897	-2,318
Exercised[1]	-10,045	-10,185	-6,381	-72,029	-71,298	-59,001
Outstanding at end of year	**2,720**	**3,311**	**2,453**	**12,765**	**13,496**	**8,834**
- of which currently exercisable	2,720	3,311	2,453	12,765	13,496	8,834

Parent company

Conditional Rights LTIP 2008	2011 A Rights	2011 B-C Rights	2011 D Rights	2010 A Rights	2010 B-C Rights	2010 D Rights
Outstanding at the beginning of year	11,389	12,120	8,834	86,315	86,315	69,052
Forfeited	-	-	-	-2,897	-2,897	-2,318
Exercised[1]	-8,669	-8,809	-6,380	-72,029	-71,298	-57,900
Outstanding at end of year	**2,720**	**3,311**	**2,454**	**11,389**	**12,120**	**8,834**
- of which currently exercisable	2,720	3,311	2,454	11,389	12,120	8,834

Group

Conditional Rights LTIP 2007	2011 A Rights	2011 B-C Rights	2011 D Rights	2010 A Rights	2010 B-C Rights	2010 D Rights
Outstanding at the beginning of year	9,151	4,499	10,577	14,619	13,013	24,172
Forfeited	-5,182	-690	-4,347	-	-	-
Exercised[1]	-3,969	-3,809	-6,230	-5,468	-8,514	-13,595
Outstanding at end of year	**-**	**-**	**-**	**9,151**	**4,499**	**10,577**
- of which currently exercisable	-	-	-	9,151	4,499	10,577

Parent company

Conditional Rights LTIP 2007	2011 A Rights	2011 B-C Rights	2011 D Rights	2010 A Rights	2010 B-C Rights	2010 D Rights
Outstanding at the beginning of year	9,151	4,499	10,577	14,619	13,013	24,172
Forfeited	-5,182	-690	-4,347	-	-	-
Exercised[1]	-3,969	-3,809	-6,230	-5,468	-8,514	-13,595
Outstanding at end of year	**-**	**-**	**-**	**9,151**	**4,499**	**10,577**
- of which currently exercisable	-	-	-	9,151	4,499	10,577

[1] Weighted average share price during the period amounted to EUR 7.45 in 2011 and to EUR 7.34 in 2010.

Long-Term Incentive Programmes

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

	LTIP 2011		
	Matching Share	Performance Share I	Performance Share II
Ordinary share per right	1.00	1.00	1.00
Exercise price, EUR	-	-	-
Grant date	13 May 2011	13 May 2011	13 May 2011
Vesting period, months	36	36	36
Contractual life, months	36	36	36
First day of exercise	April/May 2014	April/May 2014	April/'May 2014
Fair value at grant date, EUR	8.21	8.21	2.97

	LTIP 2010			LTIP 2009		
	Matching Share	Performance Share I	Performance Share II	A Rights	B-C Rights	D Rights
Ordinary share per right	1.00	1.00	1.00	1.00	1.00	1.00
Exercise price, EUR	-	-	-	0.77	0.38	0.38
Grant date	13 May 2010	13 May 2010	13 May 2010	14 May 2009	14 May 2009	14 May 2009
Vesting period, months	36	36	36	24	24	24
Contractual life, months	36	36	36	48	48	48
First day of exercise	April/May 2013	April/May 2013	April/May 2013	29 April 2011	29 April 2011	29 April 2011
Fair value at grant date, EUR	6.75	6.75	2.45	4.66	5.01	1.75

	LTIP 2008[1]			LTIP 2007[1]		
	A Rights	B-C Rights	D Rights	A Rights	B-C Rights	D Rights
Ordinary share per right	1.30	1.30	1.30	1.30	1.30	1.30
Exercise price, EUR	2.30	1.53	1.53	2.53	1.00	1.00
Grant date	13 May 2008	13 May 2008	13 May 2008	17 May 2007	17 May 2007	17 May 2007
Vesting period, months	24	24	24	24	24	24
Contractual life, months	48	48	48	48	48	48
First day of exercise	29 April 2010	29 April 2010	29 April 2010	30 April 2009	30 April 2009	30 April 2009
Fair value at grant date, EUR	7.53	8.45	4.14	8.76	10.49	7.76

[1] The new rights issue, which was resolved on an extra ordinary general meeting on 12 March 2009, triggered recalculations of some of the parameters in LTIP 2007 and LTIP 2008, in accordance with the agreements of the programmes. The recalculations were performed with the purpose of putting the participants in an equivalent financial position as the one being at hand immediately prior to the new rights issue.

Conditions and requirements

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

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

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

	LTIP 2011	LTIP 2010
Service Matching Share/Performance Share I and II	Employed within the Nordea Group during the three year vesting period.	Employed within the Nordea Group during the three year vesting period.
Performance condition Performance Share I	Compound Annual Growth Rate in RAPPS from year 2010 (base year) to and including year 2013. Full right to exercise will be obtained if the Compound Annual Growth Rate amount to or exceed 10%.	Compound Annual Growth Rate in RAPPS from year 2009 (base year) to and including year 2012. Full right to exercise will be obtained if the Compound Annual Growth Rate amount to or exceed 9%.
EPS knock out Performance Share I	Average reported EPS for 2011-2013 lower than EUR 0.26.	Average reported EPS for 2010-2012 lower than EUR 0.26.
Performance conditions Performance Share II	TSR during 2011-2013 in comparison to a peer group. Full right to exercise will be obtained if Nordea is ranked number 1-5.	TSR during 2010-2012 in comparison to a peer group. Full right to exercise will be obtained if Nordea is ranked number 1-5.
Cap	The market value of the allotted shares is capped to the participant's annual salary for year-end 2010.	The market value of the allotted shares is capped to the participant's annual salary for year-end 2009.
Exercise price adjustments	-	-

	LTIP 2009[1]	LTIP 2008[1]	LTIP 2007[1]
Service condition, A-D-rights	Employed within the Nordea Group during the two year vesting period.	Employed within the Nordea Group during the two year vesting period.	Employed within the Nordea Group during the two year vesting period.
Performance condition, B-rights	Increase in RAPPS 2009 compared to 2008. Full right to exercise was obtained if RAPPS increased by 8% or more.	Increase in RAPPS 2008 compared to 2007. Full right to exercise was obtained if RAPPS increased by 12% or more.	Increase in RAPPS 2007 compared to 2006. Full right to exercise was obtained if RAPPS increased by 15% or more.
EPS knock out, B-rights	Reported EPS for 2009 lower than EUR 0.26	Reported EPS for 2008 lower than EUR 0.80.	Reported EPS for 2007 lower than EUR 0.80.
Performance condition, C-rights	Increase in RAPPS 2010 compared to 2009. Full right to exercise will be obtained if RAPPS increases by 8% or more.	Increase in RAPPS 2009 compared to 2008. Full right to exercise was obtained if RAPPS increased by 12% or more.	Increase in RAPPS 2008 compared to 2007. Full right to exercise was obtained if RAPPS increased by 12% or more.
EPS knock out, C-rights	Reported EPS for 2010 lower than EUR 0.26	Reported EPS for 2009 lower than EUR 0.52.	Reported EPS for 2008 lower than EUR 0.80.
Performance conditions, D-rights	TSR during 2009-2010 in comparison to a peer group. Full right to exercise will be obtained if Nordea is ranked number 1.	TSR during 2008-2009 in comparison to a peer group. Full right to exercise was obtained if Nordea was ranked number 1.	TSR during 2007-2008 in comparison to a peer group. Full right to exercise was obtained if Nordea's TSR exceeded peer group index with 10% or more.
Cap	The profit per A-D-rights is capped to EUR 9.59 per right.	The profit per A-D-rights is capped to EUR 21.87 per right.	The profit per A-D-rights is capped to EUR 19.18 per right.
Exercise price adjustments	The exercise price will be adjusted for dividends during the exercise period, however never adjusted below EUR 0.10.	The exercise price will be adjusted for dividends during the exercise period, however never adjusted below EUR 0.10.	The exercise price will be adjusted for dividends during the vesting period and the exercise period, however never adjusted below EUR 0.10.

[1] RAPPS for the financial year 2008 used for LTIP 2008 (C-rights) and LTIP 2009 (B-rights), RAPPS for the financial year 2009 used for LTIP 2009 (C-rights), EPS knock out in LTIP 2008 (C-rights) and LTIP 2009 (B- and C-rights) and the cap in LTIP 2009, LTIP 2008 and LTIP 2007 has been adjusted due to the financial effects of the new rights issue in 2009.

Note 8 *Staff costs, cont.*

Fair value calculations

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

	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008	LTIP 2007
Weighted average share price, EUR	8.39	6.93	5.79	11.08	12.33
Right life, years	3.0	3.0	2.5	2.5	3.0
Deduction of expected dividends	No	No	Yes	Yes	Yes
Risk free rate, %	1.48	1.99	1.84	3.83	4.20
Expected volatility, %	36	40	29	21	20

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

The value of the D-rights/Performance Share II are based on market related conditions and fulfilment of the TSR targets has been taken into consideration when calculating the right's fair value at grant. When calculating the impact from the TSR target it has been assumed that all possible outcomes have equal possibilities.

Expenses[1]

Group

EURm	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008	LTIP 2007
Expected expense	2.6	1.9	2.6	0.5	2.2
Maximum expense	4.3	3.7	2.6	0.5	2.2
Total expense 2011	0.6	0.8	0.5	-	-
Total expense 2010	-	0.6	1.7	0.9	-

Parent company

EURm	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008	LTIP 2007
Expected expense	2.5	1.8	2.4	0.5	2.2
Maximum expense	4.2	3.6	2.4	0.5	2.2
Total expense 2011	0.5	0.7	0.5	-	-
Total expense 2010	-	0.6	1.7	0.8	-

[1] All amounts excluding social charges

When calculating the expected expense an expected annual employee turnover of 5% has been used in LTIP 2010 and LTIP 2011. The expected expense is recognised over the vesting period of 36 months (LTIP 2010 and LTIP 2011) and 24 months (LTIP 2009, 2008 and 2007).

Cash-settled share-based payment transaction

Since 2009 Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either vesting after three years or vesting in equal instalments over a three-year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories.

	Group		Parent company	
EURm	2011	2010	2011	2010
Deferred TSR-linked compensation at beginning of the year	1,083	-	1,083	-
Accrued deferred/retained TSR-linked compensation during the year[1]	1,098	961	1,098	961
TSR indexation during the year	-444	122	-444	122
Payments during the year[2]	-361	-	-361	-
Translation differences	4	-	4	-
Deferred TSR-linked compensation at end of year	**1,380**	**1,083**	**1,380**	**1,083**

[1] Of which EUR 273m is available for disposal by the employees in 2012.
[2] There have been no adjustments due to forfeitures in 2011.

Average number of employees

	Group		Parent company	
	2011	2010	2011	2010
Full-time employees	9,366	9,426	8,610	8,664
Part-time employees	648	612	588	569
Total	**10,014**	**10,038**	**9,198**	**9,233**
Total number of employees (FTEs), end of period	8,828	9,097	8,093	8,357

Note 9 Other expenses

	Group		Parent company	
EURm	2011	2010	2011	2010
Information technology[1]	-160	-168	-182	-188
Marketing and entertainment	-36	-40	-32	-37
Postage, transportation, telephone and office expenses	-50	-48	-43	-41
Rents, premises and real estate	-91	-86	-90	-85
Other[2]	-120	-137	-111	-127
Total	**-457**	**-479**	**-458**	**-478**

[1] Refers to IT operations, service expenses and consultant fees for the Group. Total IT-related costs including staff etc., were EUR -256m (-217) in the Group and EUR -244m (-205) in the parent company.
[2] Including fees and remuneration to auditors distributed as follows

Auditors' fees

	Group		Parent company	
EURm	2011	2010	2011	2010
KPMG				
Auditing assignments	-1	-1	-1	-1
Audit-related services	0	0 0		-
Tax advisory services	0	0 0 0		
Other assignments	0	0 0 0		
Ernst & Young				
Auditing assignments	-	-	-	-
Audit-related services	-	0	-	0
Tax advisory services	0	0 0 0		
Other assignments	0	-	0	-
Deloitte				
Auditing assignments	-	-	-	-
Audit-related services	-	- - -		
Tax advisory services	0	0 0 0		
Other assignments	-1	-	-1	-
PriceWaterhouseCoopers				
Auditing assignments	-	0	-	-
Audit-related services	-	- - -		
Tax advisory services	0	0 0 0		
Other assignments	0	0 0 0		
Other				
Auditing assignments	0	0 0 0		
Audit-related services	0	-	0	-
Tax advisory services	0	0 0 0		
Other assignments	-	0	-	0
Total	**-3**	**-2**	**-3**	**-2**

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

	Group		Parent company	
EURm	2011	2010	2011	2010
Depreciation/amortisation				
Property and equipment (Note 23)				
Equipment	-30	-30	-14	-14
Buildings	0	0	0	0
Intangible assets (Note 22)				
Goodwill	-	0	-	-
Computer software	-9	-8	-9	-8
Other intangible assets	-4	-3	-2	-2
Total	**-43**	**-41**	**-25**	**-24**
Impairment charges / Reversed impairment charges				
Property and equipment (Note 23)				
Equipment	-	0	-	0
Total	**-**	**0**	**-**	**0**
Total	**-43**	**-41**	**-25**	**-24**

Note 11 Net loan losses

	Group		Parent company	
EURm	2011	2010	2011	2010
Divided by class				
Loans to credit institutions	**0**	**0**	**0**	**0**
- of which provisions	0	0	0	0
- of which reversals	0	0	0	0
Loans to the public	**-69**	**-247**	**-45**	**-202**
- of which provisions	-211	-342	-190	-302
- of which write-offs	-166	-153	-126	-106
- of which allowances used for covering write-offs	109	96	96	86
- of which reversals	172	130	161	113
- of which recoveries	27	22	14	7
Off-balance sheet items[1]	**-1**	**-25**	**-1**	**-25**
- of which provisions	-6	-30	-6	-30
- of which reversals	5	5	5	5
Total	**-70**	**-272**	**-46**	**-227**

	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Specification				
Changes of allowance accounts in the balance sheet	**-40**	**-237**	**-30**	**-214**
- of which Loans, individually assessed[2]	-120	-212	-106	-192
- of which Loans, collectively assessed[2]	81	0	77	3
- of which Off-balance sheet items, individually assessed[1]	-6	-26	-6	-26
- of which Off-balance sheet items, collectively assessed[1]	5	1	5	1
Changes directly recognised in the income statement	**-30**	**-35**	**-16**	**-13**
- of which realised loan losses, individually assessed	-57	-57	-30	-19
- of which realised recoveries, individually assessed	27	22	14	6
Total	**-70**	**-272**	**-46**	**-227**

[1] Included in Note 33 Provisions as "Transfer risk, off-balance" and "Individually assessed, off-balance sheet".
[2] Included in Note 14 Loans and impairment

Key ratios

	Group		Parent company	
	2011	2010	2011	2010
Loan loss ratio, basis points[3]	9	41	7	38
- of which individual	21	42	19	39
- of which collective	-12	0	-12	-1

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

Note 12 Taxes

Income tax expense

	Group		Parent company	
EURm	2011	2010	2011	2010
Current tax	-373	-298	-339	-267
Deferred tax	-8	-4	-2	-1
Total	**-381**	**-302**	**-341**	**-268**

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	2011	2010	2011	2010
Profit before tax	1,482	1,156	1,381	1,066
Tax calculated at a tax rate of 26%	-385	-301	-359	-277
Tax not related to profit	-	0	-	-
Income from associated undertakings	0	3	-	-
Other direct taxes	0	0	0	0
Tax-exempt income	4	2	17	11
Non-deductible expenses	-5	-6	-1	-2
Adjustments relating to prior years	3	0	3	0
Income tax due to tax assets previously not recognised	-	0	-	-
Change of tax rate	2	-	-1	-
Not creditable foreign taxes	-	-	-	-
Tax charge	**-381**	**-302**	**-341**	**-268**
Average effective tax rate	26%	26%	25%	25%

Group

	Deferred tax assets		Deferred tax liabilities	
EURm	2011	2010	2011	2010
Deferred tax related to:				
Tax losses carry-forward	0	0	-	-
Untaxed reserves	-	-	42	37
Loans to the public	19	18	11	10
Financial instruments	1	0	-	-
Intangible assets	0	0 0		-
Property and equipment	4	6	-	0
Investment property	-	-	-	-
Retirement benefit assets/obligations	-32	-12	0	0
Hedge of net investments in foreign operations	-	-	-	-
Liabilities/provisions	24	5	-	0
Total	**16**	**17**	**53**	**47**
- of which expected to be settled after more than 1 year	16	17	53	47

Note 12 *Taxes, cont.*

Parent company	Deferred tax assets		Deferred tax liabilities	
EURm	2011	2010	2011	2010
Deferred tax related to:				
Tax losses carry-forward	-	-	-	-
Loans to the public	17	16	-	-
Financial instruments	1	0	-	-
Intangible assets	-	.-	-	-
Property and equipment	3	4	-	-
Investment property	-	-	-	-
Retirement benefit assets/obligations	-32	-12	-	-
Liabilities/provisions	23	4	-	-
Total	**12**	**12**	**-**	**-**
- of which expected to be settled after more than 1 year	12	12	-	-

Movements in deferred tax assets/liabilities, net:

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Amount at beginning of year (net)	-31	-26	12	13
Acquisitions and others	2	0	2	0
Deferred tax in the income statement	-8	-4	-2	-1
Amount at the end of the year (net)	**-37**	**-30**	**12**	**12**
Current tax assets	**132**	**84**	**131**	**83**
- of which expected to be settled after more than 1 year	-	-	-	-
Current tax liabilities	**0**	**1**	**0**	**0**
- of which expected to be settled after more than 1 year	-	-	-	-

There were no unrecognised deferred tax assets in the Group nor in the parent company in 2011 or 2010.

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

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

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
State and sovereigns	5,165	2,359	5,165	2,359
Municipalities and other public bodies	949	1,533	949	1,533
Total	**6,114**	**3,892**	**6,114**	**3,892**
- of which Financial instruments pledged as collateral (Note 16)	1,133	1,533	1,133	1,533
Total	**4,981**	**2,359**	**4,981**	**2,359**

Note 14 Loans and impairment

	Total			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Loans, not impaired	177,571	140,368	176,758	139,754
Impaired loans	1,922	1,871	1,751	1,684
- of which performing	1,075	1,038	1,018	969
- of which non-performing	847	833	733	715
Loans before allowances	**179,493**	**142,239**	**178,509**	**141,438**
Allowances for individually assessed impaired loans	-576	-565	-495	-484
- of which performing	-351	-359	-294	-293
- of which non-performing	-225	-206	-201	-191
Allowances for collectively assessed impaired loans	-236	-316	-220	-296
Allowances	**-812**	**-881**	**-715**	**-780**
Loans, carrying amount	**178,681**	**141,358**	**177,794**	**140,658**

	Credit institutions			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Loans, not impaired	79,351	67,752	84,698	72,773
Impaired loans	24	24	24	24
- of which performing	-	-	-	-
- of which non-performing	24	24	24	24
Loans before allowances	**79,375**	**67,776**	**84,722**	**72,797**
Allowances for individually assessed impaired loans	-25	-25	-25	-25
- of which performing	-	-	-	-
- of which non-performing	-25	-25	-25	-25
Allowances for collectively assessed impaired loans	0	0	0	0
Allowances	**-25**	**-25**	**-25**	**-25**
Loans, carrying amount	**79,350**	**67,751**	**84,697**	**72,772**

	The public[1]			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Loans, not impaired	98,220	72,616	92,060	66,981
Impaired loans	1,898	1,847	1,727	1,660
- Performing	1,075	1,038	1,018	969
- Non-performing	823	809	709	691
Loans before allowances	**100,118**	**74,463**	**93,787**	**68,641**
Allowances for individually assessed impaired loans	-551	-540	-470	-459
- Performing	-351	-359	-294	-293
- Non-performing	-200	-181	-176	-166
Allowances for collectively assessed impaired loans	-236	-316	-220	-296
Allowances	**-787**	**-856**	**-690**	**-755**
Loans, carrying amount	**99,331**	**73,607**	**93,097**	**67,886**

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

Reconciliation of allowance accounts for impaired loans[2]

Total

EURm	Group: Individually assessed	Group: Collectively assessed	Group: Total	Parent company: Individually assessed	Parent company: Collectively assessed	Parent company: Total
Opening balance at 1 Jan 2011	**-565**	**-316**	**-881**	**-484**	**-296**	**-780**
Provisions	-177	-34	-211	-155	-35	-190
Reversals	57	115	172	49	112	161
Changes through the income statement	**-120**	**81**	**-39**	**-106**	**77**	**-29**
Allowances used to cover write-offs	109	-	109	96	-	96
Translation differences	0	-1	-1	-1	-1	-2
Closing balance at 31 Dec 2011	**-576**	**-236**	**-812**	**-495**	**-220**	**-715**
Opening balance at 1 Jan 2010	**-447**	**-316**	**-763**	**-375**	**-300**	**-675**
Provisions	-273	-69	-342	-239	-63	-302
Reversals	61	69	130	47	66	113
Changes through the income statement	**-212**	**0**	**-212**	**-192**	**3**	**-189**
Allowances used to cover write-offs	96	-	96	86	-	86
Translation differences	-2	0	-2	-3	1	-2
Closing balance at 31 Dec 2010	**-565**	**-316**	**-881**	**-484**	**-296**	**-780**

Credit institutions

EURm	Group: Individually assessed	Group: Collectively assessed	Group: Total	Parent company: Individually assessed	Parent company: Collectively assessed	Parent company: Total
Opening balance at 1 Jan 2011	**-25**	**0**	**-25**	**-25**	**0**	**-25**
Provisions	-	0	0	-	0	0
Reversals	-	0	0	-	0	0
Changes through the income statement	**-**	**0**	**0**	**-**	**0**	**0**
Allowances used to cover write-offs	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Closing balance at 31 Dec 2011	**-25**	**0**	**-25**	**-25**	**0**	**-25**
Opening balance at 1 Jan 2010	**-25**	**0**	**-25**	**-25**	**0**	**-25**
Provisions	-	0	0	-	0	0
Reversals	-	0	0	-	0	0
Changes through the income statement	**-**	**0**	**0**	**-**	**0**	**0**
Allowances used to cover write-offs	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Closing balance at 31 Dec 2010	**-25**	**0**	**-25**	**-25**	**0**	**-25**

The public

EURm	Group: Individually assessed	Group: Collectively assessed	Group: Total	Parent company: Individually assessed	Parent company: Collectively assessed	Parent company: Total
Opening balance at 1 Jan 2011	**-540**	**-316**	**-856**	**-459**	**-296**	**-755**
Provisions	-177	-34	-211	-155	-35	-190
Reversals	57	115	172	49	112	161
Changes through the income statement	**-120**	**81**	**-39**	**-106**	**77**	**-29**
Allowances used to cover write-offs	109	-	109	96	-	96
Translation differences	0	-1	-1	-1	-1	-2
Closing balance at 31 Dec 2011	**-551**	**-236**	**-787**	**-470**	**-220**	**-690**
Opening balance at 1 Jan 2010	**-422**	**-316**	**-738**	**-350**	**-300**	**-650**
Provisions	-273	-69	-342	-239	-63	-302
Reversals	61	69	130	47	66	113
Changes through the income statement	**-212**	**0**	**-212**	**-192**	**3**	**-189**
Allowances used to cover write-offs	96	-	96	86	-	86
Translation differences	-2	0	-2	-3	1	-2
Closing balance at 31 Dec 2010	**-540**	**-316**	**-856**	**-459**	**-296**	**-755**

[2] See Note 11 Net loan losses

Note 14 *Loans and impairment, cont.*

Allowances and provisions

	Total			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Allowances for items in the balance sheet	-812	-881	-715	-780
Provisions for off balance sheet items	-47	-47	-47	-47
Total allowances and provisions	**-859**	**-928**	**-762**	**-827**

	Credit institutions			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Allowances for items in the balance sheet	-25	-25	-25	-25
Provisions for off balance sheet items	-9	-13	-9	-13
Total allowances and provisions	**-34**	**-38**	**-34**	**-38**

	The public			
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Allowances for items in the balance sheet	-787	-856	-690	-755
Provisions for off balance sheet items	-38	-34	-38	-34
Total allowances and provisions	**-825**	**-890**	**-728**	**-789**

Key ratios

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
	2011	2010	2011	2010
Impairment rate, gross[3], basis points	107	132	98	119
Impairment rate, net[4], basis points	75	92	70	85
Total allowance rate[5], basis points	45	62	40	55
Allowances in relation to impaired loans[6], %	30	30	28	29
Total allowances in relation to impaired loans[7], %	42	47	41	46
Non-performing loans, not impaired[8], EURm	53	57	52	51

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

Note 15 Interest-bearing securities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Issued by public bodies	1,163	774	1,163	774
Issued by other borrowers	31,935	24,575	31,935	24,575
Total	**33,098**	**25,349**	**33,098**	**25,349**
- of which Financial instruments pledged as collateral (Note 16)	7,213	3,771	7,213	3,771
Total	**25,885**	**21,578**	**25,885**	**21,578**
Listed and unlisted securities incl Financial instruments pledged as collateral				
Listed securities	26,410	11,913 26,	410	11,913
Unlisted securities	6,688	13,436	6,688	13,436
Total	**33,098**	**25,349**	**33,098**	**25,349**

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	2011	2010	2011	2010
Treasury bills	1,133	1,533	1,133	1,533
Interest-bearing securities	7,213	3,771	7,213	3,771
Total	**8,346**	**5,304**	**8,346**	**5,304**

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

All assets transferred and the liabilities associated with these transactions are specified in the following tables. The assets continue to be recognised on the balance sheet since NBF is still exposed to changes in the fair value of the assets. Therefore, these assets and its associated liabilities are included in the tables below.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Repurchase agreements	**8,346**	**5,304**	**8,346**	**5,304**
Treasury bills	1,133	1,533	1,133	1,533
Interest- bearing securities	7,213	3,771	7,213	3,771
Securities lending agreements	-	-	-	-
Securitisations	-	-	-	-
Total	**8,346**	**5,304**	**8,346**	**5,304**

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

Liabilities associated with the assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Repurchase agreements	**8,346**	**5,304**	**8,346**	**5,304**
Deposits by credit institutions	5,064	4,412	5,064	4,412
Deposits and borrowings from the public	3,282	892	3,282	892
Securities lending agreements	-	-	-	-
Securitisations	-	-	-	-
Total	**8,346**	**5,304**	**8,346**	**5,304**

For information on reverse repos, see Note 43.

Note 17 Shares

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Shares	77	78	75	79
Shares taken over for protection of claims	-	-	-	-
Fund units, equity related	1,219	997	1,219	997
Fund units, interest related	16	4	15	4
Total	**1,312**	**1,079**	**1,309**	**1,080**
- of which Financial instruments pledged as collateral (Note 16)	-	-	-	-
Total	**1,312**	**1,079**	**1,309**	**1,080**
Of which expected to be settled after more than 1 year	20	24 20 21		
Listed and unlisted shares incl Financial instruments pledged as collateral				
Listed shares	61	90	59	91
Unlisted shares	1,251	989	1,250	989
Total	**1,312**	**1,079**	**1,309**	**1,080**

Note 18 Derivatives and hedge accounting

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

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

	Group			Parent company		
	Fair value		Total nom.	Fair value		Total nom.
31 Dec 2010, EURm	Positive	Negative	amount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	71,191	69,799	2,975,152	71,187	69,799	2,975,152
FRAs	532	560	1,201,184	532	560	1,201,184
Futures and forwards	6	7	47,672	6	7	47,672
Options	8,302	8,036	663,688	8,302	8,036	663,688
Total	**80,031**	**78,402**	**4,887,696**	**80,027**	**78,402**	**4,887,696**
Equity derivatives						
Equity swaps	43	59	695	43	59	695
Futures and forwards	17	17	472	17	17	472
Options	659	728	17,767	659	728	17,767
Total	**719**	**804**	**18,934**	**719**	**804**	**18,934**
Foreign exchange derivatives						
Currency and interest rate swaps	5,905	5,852	328,516	5,905	5,852	328,516
Currency forwards	7,251	7,175	524,219	7,251	7,175	524,219
Options	627	648	41,502	627	648	41,502
Total	**13,783**	**13,675**	**894,237**	**13,783**	**13,675**	**894,237**
Credit derivatives						
Credit default swaps	1,013	940	52,267	1,013	940	52,267
Total rate of return swaps	102	21	450	102	21	450
Total	**1,115**	**961**	**52,717**	**1,115**	**961**	**52,717**
Commodity derivatives						
Swaps	1,385	1,395	13,725	1,385	1,395	13,725
Futures and forwards	82	67	706	82	67	706
Options	67	63	1,392	67	63	1,392
Total	**1,534**	**1,525**	**15,823**	**1,534**	**1,525**	**15,823**
Other derivatives						
Options	2	2	87	2 2		87
Total	**2**	**2**	**87**	**2**	**2**	**87**
Total derivatives held for trading	**97,184**	**95,369**	**5,869,494**	**97,180**	**95,369**	**5,869,494**

	Group			Parent company		
	Fair value		Total nom.	Fair value		Total nom.
31 Dec 2010, EURm	Positive	Negative	amount	Positive	Negative	amount
Derivatives used for hedge accounting						
Interest rate derivatives						
Interest rate swaps	60	183	15,569	60	183	15,569
Total	**60**	**183**	**15,569**	**60**	**183**	**15,569**
Foreign exchange derivatives						
Currency and interest rate swaps	7	124	633	7	124	633
Total	**7**	**124**	**633**	**7**	**124**	**633**
Total derivatives used for hedge accounting	**67**	**307**	**16,202**	**67**	**307**	**16,202**
- of which fair value hedges	67	307	16,202	67	307	16,202
Total derivatives	**97,251**	**95,676**	**5,885,696**	**97,247**	**95,676**	**5,885,696**

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

Assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Carrying amount at beginning of year	96	141	96	141
Changes during the year				
- Revaluation of hedged items	42	-45	42	-45
Carrying amount at end of year	**138**	**96**	**138**	**96**

Liabilities	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Carrying amount at beginning of year	-58	7	-58	7
Changes during the year				
- Revaluation of hedged items	253	-65	253	-65
Carrying amount at end of year	**195**	**-58**	**195**	**-58**

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

Note 20 Investments in group undertakings

Parent company

	31 Dec	31 Dec
EURm	2011	2010
Acquisition value at beginning of year	353	338
Acquisitions / capital contributions during the year	17	15
Sales during the year	-	-
Translation differences	0	0
Acquisition value at end of year	**370**	**353**
Accumulated impairment charges at beginning of year	-	-
Impairment charges during the year	-	-
Translation differences	-	-
Accumulated impairment charges at end of year	-	-
Total	**370**	**353**
- of which listed shares	-	-

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

Note 20 *Investments in group undertakings, cont.*

Specification

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

Group

31 Dec 2011	Number of shares	Carrying amount 2011 EURm	Carrying amount 2010 EURm	Voting power of holding, %	Domicile	Business ID
Domestic						
Credit institutions						
Nordea Finance Finland Ltd	1,000,000	306	306	100.0	Espoo	0112305-3
Financial institutions						
Tukirahoitus Oy[1]	672	7	7	100.0	Espoo	0677131-6
Real estate companies						
Kiinteistö Oy Tampereen Kirkkokatu 7[1]	280	50	50	100.0	Tampere	0819781-3
Kiinteistö Oy Levytie 6[1]	147	19	19	100.0	Helsinki	0818921-5
Kiinteistö Oy Lahden Aleksanterinkatu 19-21[1]	340,090	10	10	100.0	Lahti	0150108-5
Other companies						
Fidenta Oy	2,000	0	0	60.0	Espoo	0988412-1
International						
Financial institutions						
Nordea Finance Polska S.A[1]	19,690,000	0	0	100.0	Warsaw	PL5861944082
Nordea Finance Estonia Ltd[1]	60,000	6	6	100.0	Tallinn	EE100212426
Nordea Finance Latvia Ltd[1]	1,100	4	4	100.0	Riga	LV40003348054
Nordea Finance Lithuania Ltd[1]	6,540	4	4	100.0	Vilnius	LT116672716
Nordea Securities Holding (U.K.) Ltd	49,010,000	2	2	100.0	London	01803666
Real estate companies						
Promano Est OÜ	1	10	10	100.0	Tallinn	11681888
Promano Lit UAB	34,528	10	10	100.0	Vilnius	302423219
SIA Promano Lat	21,084	30	20	100.0	Riga	40103235197
SIA Realm	7,030	10	5	100.0	Riga	50103278681

Other subsidiaries included in the consolidated financial statements; total assets of less than EUR 10m	Number of companies	Carrying amount of shares EURm	Total assets EURm
Real estate companies	8	13	18
Other companies	6	0	84

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

The parent company of Nordea Bank Finland Plc is Nordea Bank AB (publ) domiciled in Stockholm, registration number 516406-0120. The Annual Report 2011 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 2011 of the Nordea Group is also available at branches of Nordea Bank Finland Plc.

Group

Special Purpose Entities (SPEs) – Consolidated

SPEs that have been set up for enabling investments in structured credit products and for acquiring assets from customers.

EURm	Purpose	Duration	NBF's investment[1]	Total assets
Kirkas Northern Lights Limited [2]	Collateralised Mortgage Obligation	>5 years	0	0
Total			**0**	**0**

[1] Includes all assets towards the SPEs (bonds and subordinated loans). Additionally 8 SPEs have been setup in the Baltics to acquire assets from commercial customers. The total consolidated value of these assets is EUR 13m.

[2] Kirkas Northern Lights Ltd (Kirkas) has been established during 2008. Assets have been sold from NBF's ordinary lending portfolio to Kirkas. Kirkas has used the assets as collateral for bonds issued. Nordea Bank Finland repurchased the whole lending portfolio from Kirkas Northern Lights Limited on 15th of December 2011. The notes have been cancelled.

Note 21 Investments in associated undertakings

EURm	Group 31 Dec 2011	Group 31 Dec 2010	Parent company 31 Dec 2011	Parent company 31 Dec 2010
Acquisition value at beginning of year	62	57	28	25
Acquisitions during the year[1]	15	5	15	5
Sales during the year	0	-6	0	-4
Share in earnings	9	6	-	-
Dividend received	-2	-2	- -	
Reclassifications	-3	2	0 2	
Translation differences	-	-	- -	
Acquisition value at end of year	**81**	**62**	**43**	**28**
Accumulated impairment charges at beginning of year	-1	-1	-9	-9
Reversed impairment charges during the year	-	2	4	2
Impairment charges during the year	-	0	-	-
Impairment charges reclassifications during the year	-1	-2	-4	-2
Translation differences	-	-	- -	
Accumulated impairment charges at end of year	**-2**	**-1**	**-9**	**-9**
Total	**79**	**61**	**34**	**19**

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

- of which listed shares	-	-	-	-

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

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

EURm	31 Dec 2011	31 Dec 2010
Total assets	321	509
Total liabilities	247	301
Operating income	64	94
Operating profit	6	8

Nordea Bank Finland Plc's and Nordea Bank Finland Group' s share of contingent liabilities in favour of associated undertakings of Nordea Bank Finland Group amounts to EUR 128m (281) and on behalf of associated undertakings EUR 0m (20).

Group

31 Dec 2011	Business ID	Domicile	Carrying amount 2011, EURm	Carrying amount 2010, EURm	Voting power of holding %
Credit institutions					
Luottokunta	0201646-0	Helsinki	49	42	27.1
Total			**49**	**42**	
Other					
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	8	8	33.3
Fenestra Oy[1]	0177676-7	Vantaa	0	0	9.9
NF Fleet Oy	2006935-5	Espoo	1	1	20.0
UAB ALD Automotive, Lithuania	300156575	Vilna	1	0	25.0
ALD Automotive Eesti AS, Estonia	11094435	Tallin	0	0	25.0
ALD Automotive SIA, Latvia	50003825931	Riga	0	0	25.0
Oy Realinvest Ab	0680035-9	Helsinki	0	5	49.3
Realia Holding Oy	2106796-8	Helsinki	20	5	25.0
Securus Oy	0742429-5	Helsinki	0	0	35.2
Total			**30**	**19**	
Total			**79**	**61**	

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

Note 21 *Investments in associated undertakings, cont.*

Parent company

31 Dec 2011	Business ID	Domicile	Carrying amount 2011, EURm	Carrying amount 2010, EURm	Voting power of holding %
Credit institutions					
Luottokunta	0201646-0	Helsinki	9	9	27.1
Total			**9**	**9**	
Other					
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	5	5	33.3
Fenestra Oy[1]	0177676-7	Vantaa	0	0	9.9
Realia Holding Oy	2106796-8	Helsinki	20	5	25.0
Oy Realinvest Ab	0680035-9	Helsinki	0	0	49.3
Securus Oy	0742429-5	Helsinki	0	0	35.2
Total			**25**	**10**	
Total			**34**	**19**	

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

Note 22 Intangible assets

	Group		Parent Company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Goodwill allocated to cash generating units[1]				
Other goodwill	-	-	-	-
Goodwill, total	-	-	-	-
Computer software	96	72	100	77
Other intangible assets	10	13	3	5
Total	**106**	**85**	**103**	**82**

[1] Excluding goodwill in associated undertakings.

	Group		Parent Company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Goodwill				
Acquisition value at beginning of year	0	0	-	-
Acquisitions during the year	-	-	-	-
Reclassifications	-	-	-	-
Acquisition value at end of year	**0**	**0**	-	-
Accumulated amortisation at beginning of year	0	-	-	-
Amortisation according to plan for the year	0	0	-	-
Accumulated amortisation at end of year	**0**	**0**	-	-
Total	-	-	-	-

Note 22 *Intangible assets, cont.*

	Group		Parent company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Computer software				
Acquisition value at beginning of year	97	75	104	81
Acquisitions during the year	33	23	31	24
Sales/disposals during the year	-	-1	-	-1
Reclassifications	0	0	1 0	
Translation differences	0	0	-	-
Acquisition value at end of year	**130**	**97**	**136**	**104**
Accumulated amortisation at beginning of year	-25	-18	-27	-19
Amortisation according to plan for the year	-9	-8	-9	-8
Accumulated amortisation on sales/disposals during the year	-	1	-	-
Reclassifications	0	0	0 0	
Translation differences	-	-	- -	
Accumulated amortisation at end of year	**-34**	**-25**	**-36**	**-27**
Total	**96**	**72**	**100**	**77**

	Group		Parent Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Other intangible assets				
Acquisition value at beginning of year	20	16	11	7
Acquisitions during the year	0	4	0	4
Sales/disposals during the year	0	0	-	-
Reclassifications	-	-	- -	
Translation differences	0	-	-	-
Acquisition value at end of year	**20**	**20**	**11**	**11**
Accumulated amortisation at beginning of year	-7	-4	-6	-5
Amortisation according to plan for the year	-4	-3	-2	-2
Accumulated amortisation on sales/disposals during the year	1	0	0	-
Reclassifications	-	0	0 1	
Translation differences	0	0	-	-
Accumulated amortisation at end of year	**-10**	**-7**	**-8**	**-6**
Accumulated impairment charges at beginning of year	0	-	-	-
Impairment charges during the year	0	-	-	-
Accumulated impairment charges at end of year	**0**	**-**	**-**	**-**
Total	**10**	**13**	**3**	**5**

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

Note 23 Property and equipment

EURm	Group 31 Dec 2011	Group 31 Dec 2010	Parent company 31 Dec 2011	Parent company 31 Dec 2010
Property and equipment	124	124	69	55
- of which buildings for own use	2	3	2	2
Total	**124**	**124**	**69**	**55**
Equipment				
Acquisition value at beginning of year	255	239	151	141
Acquisitions during the year	54	62	34	22
Sales/disposals during the year	-40	-34	-3	0
Reclassifications	-7	-12	-5	-12
Translation differences	1	0	-	0
Acquisition value at end of year	**263**	**255**	**177**	**151**
Accumulated depreciation at beginning of year	-134	-121	-98	-89
Accumulated depreciation on sales/disposals during the year	19	11	-	-
Reclassifications	9	6	8	5
Depreciation according to plan for the year	-30	-30	-14	-14
Translation differences	-6	0	-6	0
Accumulated depreciation at end of year	**-142**	**-134**	**-110**	**-98**
Accumulated impairment charges at beginning of year	-	0	-	-
Impairment charges during the year	-	0	-	-
Accumulated impairment charges at end of year	**-**	**-**	**-**	**-**
Total	**121**	**121**	**67**	**53**
Land and buildings				
Acquisition value at beginning of year	4	27	4	3
Acquisitions during the year	-	-	-	-
Sales/disposals during the year	-	0	-	0
Reclassifications	1	-23	0	1
Acquisition value at end of year	**5**	**4**	**4**	**4**
Accumulated depreciation at beginning of year	-1	-2	-2	-1
Accumulated depreciation on sales/disposals during the year	-	-	-	-
Reclassifications	-1	1	-	-1
Depreciation according to plan for the year	0	0	0	0
Accumulated depreciation at end of year	**-2**	**-1**	**-2**	**-2**
Total	**3**	**3**	**2**	**2**

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

Note 24 Leasing

NBF as a lessor

Finance leases
Nordea Bank Finland Group owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note 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	2011	2010
Gross investments	2,295	2,041
Less unearned finance income	-156	-123
Net investments in finance leases	**2,139**	**1,918**
Less unguaranteed residual values accruing to the benefit of the lessor	-29	-60
Present value of future minimum lease payments receivable	**2,110**	**1,858**
Accumulated allowance for uncollectible minimum lease payments receivable	7	8

As of 31 December 2011 the gross investment and the net investment by remaining maturity was distributed as follows:

	Group			
	31 Dec	31 Dec	31 Dec	31 Dec
	2011	2011	2010	2010
EURm	Gross investment	Net investment	Gross investment	Net investment
2012	795	726	674	618
2013	571	529	504	471
2014	405	381	480	461
2015	311	298	195	186
2016	144	140	107	103
Later years	69	65	81	79
Total	**2,295**	**2,139**	**2,041**	**1,918**

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
Carrying amount of leased assets, EURm	2011	2010
Acquisition value	68	93
Accumulated depreciations	-27	-31
Carrying amount at end of year	**41**	**62**
- of which repossessed leased property, carrying amount	0	0

	Group	
	31 Dec	31 Dec
Carrying amount distributed on groups of assets, EURm	2011	2010
Equipment	41	62
Carrying amount at end of year	**41**	**62**

Depreciation for 2011 amounted to EUR 13m (15).

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

	Group	
	31 Dec	31 Dec
EURm	2011	2010
2012	8	7
2013	3	1
2014	1	0
2015	0	0
2016	0	-
Later years	-	-
Total	**12**	**8**

NBF as a lessee

Finance leases

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

Operating leases

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

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
Leasing expenses during the year, EURm	2011	2010	2011	2010
Leasing expenses during the year	-66	-69	-70	-70
- of which minimum lease payments	-65	-69	-69	-70
- of which contingent rents	0	0	-	-
Leasing income during the year regarding sublease payments	-	-	-	-

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

	Group	Parent company
EURm	31 Dec 2011	31 Dec 2011
2012	50	50
2013	33	33
2014	26	26
2015	19	20
2016	15	16
Later years	115	115
Total	**258**	**260**

Note 25 Investment property

Group

Movement in the balance sheet

EURm	31 Dec 2011	31 Dec 2010
Carrying amount at beginning of year	32	7
Acquisitions during the year	41	26
Sales/disposals during the year	-3	-1
Net gains or losses from fair value adjustments	1	0
Carrying amount at end of year	**71**	**32**

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

Amounts recognised in the income statement[1]

EURm	2011	2010
Rental income	0	0
Direct operating expenses that generate rental income	-1	-1
Direct operating expenses that did not generate rental income	-	0
Total	**-1**	**-1**

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

Market value	71	32

Parent company

Movement in the balance sheet

EURm	31 Dec 2011	31 Dec 2010
Carrying amount at beginning of year	4	4
Acquisitions during the year	8	1
Sales/disposals during the year	-2	-1
Carrying amount at end of year	**10**	**4**

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

Amounts recognised in the income statement[1]

EURm	2011	2010
Rental income	0	0
Direct operating expenses that generated rental income	-1	0
Direct operating expenses that did not generate rental income	-	0
Total	**-1**	**0**

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

Market value	10	4

Note 26 Other assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Claims on securities settlement proceeds	1,069	4,958	1,069	4,957
Cash/ margin receivables	6,655	3,129	6,655	3,129
Other	354	475	332	454
Total	**8,078**	**8,562**	**8,056**	**8,540**
- of which expected to be settled after more than 1 year	0	65	-	-

Note 27 Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Accrued interest income	455	312	458	314
Other accrued income	232	183	56	36
Prepaid expenses	17	12	10	6
Total	**704**	**507**	**524**	**356**
- of which expected to be settled after more than 1 year	82	65	-	-

Note 28 Deposits by credit institutions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Central banks	7,721	965	7,721	965
Other banks	55,094	46,337	55,006	46,281
Other credit institutions	13,192	13,247	13,192	13,247
Total	**76,007**	**60,549**	**75,919**	**60,493**

Note 29 Deposits and borrowings from the public

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Deposits from the public	53,636	48,917	53,650	49,012
Borrowings from the public	14,624	6,542	14,615	6,540
Total	**68,260**	**55,459**	**68,265**	**55,552**

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits.

Note 30 Debt securities in issue

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Certificates of deposit	35,557	31,757	35,557	31,757
Bond loans[1]	13,596	8,089	13,596	8,089
Total	**49,153**	**39,846**	**49,153**	**39,846**

[1] Of which Finnish covered bonds EUR 7,250m (1,987).

Note 31 Other liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Liabilities on securities settlement proceeds	1,428	9,195	1,428	9,195
Sold, not held, securities	10,732	8,406	10,732	8,406
Accounts payable	47	39	10	5
Cash/margin payables	4,374	2,895	4,374	2,895
Other	7,547	1,570	7,446	1,474
Total	**24,128**	**22,105**	**23,990**	**21,975**
- of which expected to be settled after more than 1 year	0	24	-	-

Note 32 Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Accrued interest	356	201	356	201
Other accrued expenses	392	411	201	248
Prepaid income	62	40	58	37
Total	**810**	**652**	**615**	**486**
- of which expected to be settled after more than 1 year	83	55	-	-

Note 33 Provisions

EURm	Group 31 Dec 2011	Group 31 Dec 2010	Parent company 31 Dec 2011	Parent company 31 Dec 2010
Reserve for restructuring costs	33	5	33	5
Transfer risks, off-balance	9	15	9	14
Individually assessed, guarantees and other commitments	38	32	38	32
Tax	1	0	-	-
Other	16	28	14	25
Total	**97**	**80**	**94**	**76**

Group

	Transfer risks	Off-balance sheet	Restructuring	Tax	Other	Total
At the beginning of year	15	32	5	0	28	80
New provisions made	-	6	29	1	1	37
Provisions utilised	-	-	-1	-	-13	-14
Reversals	-6	-	-	-	-	-6
Reclassifications	-	-	-	-	0	0
Translation differences	-	-	-	-	0	0
At the end of year	**9**	**38**	**33**	**1**	**16**	**97**
- of which expected to be settled within 1 year	-	-	9	1	0	10

Provision for restructuring costs amounts to EUR 33m and relates mainly to group initiatives including a provision of EUR 27m for New Normal (of which EUR 9m expected to be settled during 2012).

Provision for Transfer risk is related to off-balance sheet items. Transfer risk relating to loans is included in the item Allowances for collectively assessed impaired loans in Note 14. Provision for Transfer risk is depending on the volume of business with different countries.

Loan loss provisions for individually assessed, guarantees and other commitments amounted to EUR 38m.

Other provision refers to the following provisions: Rental liabilities EUR 3m (of which EUR 0m expected to be settled during 2012), provision for environmental and property-related obligations of EUR 3m (not expected to be settled during 2012) and other provisions amounting to EUR 11m (not expected to be settled during 2012).

Parent company

	Transfer risks	Off-balance sheet	Restructuring	Other	Total
At beginning of year	14	32	5	25	76
New provisions made	-	6	29	1	36
Provisions utilised	-	-	-1	-12	-13
Reversals	-5	-	-	-	-5
Reclassifications	-	-	-	0	0
Translation differences	-	-	-	-	-
At the end of year	**9**	**38**	**33**	**14**	**94**
- of which expected to be settled within 1 year	-	-	9	1	10

Provision for restructuring costs amounts to EUR 33m and relates mainly to group initiatives including a provision of EUR 27m for New Normal (of which EUR 9m expected to be settled during 2012).

Provision for Transfer risk is related to off-balance sheet items. Transfer risk relating to loans is included in the item Allowances for collectively assessed impaired loans in Note 14. Provision for transfer risk is depending on the volume of business with different countries.

Loan loss provisions for individually assessed, guarantees and other commitments amounted to EUR 38m.

Other provision refers to the following provisions: Rental liabilities EUR 3m (of which EUR 0m expected to be settled during 2012), provision for environmental and property-related obligations of EUR 3m (not expected to be settled during 2012) and other provisions amounting to EUR 8m (not expected to be settled during 2012).

Note 34 Retirement benefit obligations

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Defined benefit plans, net	-94	-77	-88	-70
Total	**-94**	**-77**	**-88**	**-70**

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 and New York are closed to new employees. Defined contribution plans are not reflected on the balance sheet.

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

Funded schemes [1]	Group	Parent company
2011		
Members	18,779	18,162
Average member age	64	64
2010		
Members	19,035	18,394
Average member age	61	61

[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
2011	
Discount rate	4.5%
Salary increase	3.5%
Inflation	2.0%
Expected return on assets before taxes	5.5%
2010	
Discount rate	4.5%
Salary increase	3.5%
Inflation	2.0%
Expected return on assets before taxes	5.5%

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

The discount rate has the most significant impact on the obligation and pension cost. If the discount rate is reduced the pension obligation will increase and vice versa. A one percentage point increase in the discount rate would lead to a decrease in pension obligation of 12% and in service cost of 29%. A one percentage point decrease in the discount rate would lead to an increase in pension obligation of 14% and in service cost of 3%.

Asset composition

The combined return on assets in 2011 was 0% (8) mainly reflecting the general development in the market. At the end of the year, the equity exposure in pension funds/foundations represented 20% (24) of total assets.

Asset composition in funded schemes	2011	2010
Equity	20%	24%
Bonds	67%	70%
Real Estate	11%	6%
- of which Nordea real estate	3%	3%
Other plan assets	2%	0%

Note 34 *Retirement benefit obligations, cont.*

Amounts recognised in the balance sheet

	Group		Parent company	
EURm	2011	2010	2011	2010
PBO	754	764	738	746
Plan assets	823	854	807	834
Total surplus/deficit (-)	**69**	**90**	**69**	**88**
- of which unrecognised actuarial gains/losses(-)	-25	13	-19	18
Of which recognised in the balance sheet	**94**	**77**	**88**	**70**
- of which retirement benefit assets	120	104	113	98
- of which retirement benefit obligations	25	28	25	28
- of which related to unfunded plans (PBO)	16	16	16	16

Overview of surplus or deficit in the plans

	Total	Total	Total	Total	Total
EURm	2011	2010	2009	2008	2007
PBO	754	764	774	774	759
Plan Assets	823	854	816	775	857
Surplus/deficit(-)	**69**	**90**	**42**	**1**	**98**

Changes in the PBO

	Group		Parent company	
EURm	2011	2010	2011	2010
PBO at 1 Jan	764	774	746	757
Service cost	3	3	3	1
Interest cost	34	34	33	33
Pensions paid	-40	-39	-39	-39
Curtailments and settlements	0	0	0	0
Past service cost	0	1	0	1
Actuarial gains(-)/losses	-8	-8	-6	-6
Effect of exchange rate changes	1	-1	1	-1
PBO at 31 Dec	**754**	**764**	**738**	**746**

Changes in the fair value of plan assets

	Group		Parent company	
EURm	2011	2010	2011	2010
Assets at 1 Jan	854	816	834	798
Expected return on assets	44	42	43	41
Pensions paid	-40	-39	-39	-39
Contributions	10	8	10	8
Actuarial gains/losses(-)	-47	25	-43	25
Effect of exchange rate changes	2	2	2	1
Plan assets at 31 Dec	**823**	**854**	**807**	**834**
Actual return on plan assets	**-2**	**68**	**0**	**66**

Overview of actuarial gains/losses

	Total	Total	Total	Total	Total
EURm	2011	2010	2009	2008	2007
Effects of changes in actuarial assumptions	9	0	-1	-41	87
Experience adjustments	-48	33	33	-92	8
- of which on plan assets	-47	25	25	-102	-12
- of which on plan liabilities	-1	8	8	10	20
Actuarial gains/losses	**-39**	**33**	**32**	**-133**	**95**

Note 34 *Retirement benefit obligations, cont.*

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year 2011 is EUR 7m positive (4m positive). In the parent company's income statement the respective cost was EUR 7m positive (4m positive) in 2011.

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	2011	2010	2011	2010
Service cost	3	2	3	2
Interest cost	33	34	32	33
Expected return on assets	-44	-42	-43	-41
Curtailments and settlements	0	0	0	0
Recognised past service cost	0	1	0	1
Recognised actuarial gains(-) / losses	1	1	1	1
Pension cost on defined benefit plans	**-7**	**-4**	**-7**	**-4**

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 be 8m positive both in the Group and in the parent company in 2012.

The Group and parent company expect to contribute EUR 10m to its defined benefit plans in 2012.

Key management personnel

The members of the Board of Directors of Nordea Bank Finland Plc and the Chief Executive Officer are all members of the Nordea Bank AB (publ) Group Executive Management. In 2011 Nordea Bank AB (publ) has paid all salaries, fees, pensions- and other staff-related expenses to the above mentioned members 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 regarding the above mentioned persons is presented in the Annual Report of Nordea Bank AB (publ).

Pension obligation for the deputy of the President of Nordea Bank Finland Plc amounted to EUR 1m at end 2011.

Note 35 Subordinated liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Dated subordinated debenture loans	-	-	-	-
Undated subordinated debenture loans	503	477	503	477
Total	**503**	**477**	**503**	**477**

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 2011 loans - with terms specified below - exceeded 10% of the total outstanding volume.

Issued by	Year of issue / maturity	Nominal value	Carrying amount EURm	Interest rate (coupon)
Nordea Bank Finland Plc[1]	2002/undated	MGBP 300	359	6.25%
Nordea Bank Finland Plc[2]	1999/undated	MJPY 10,000	100	3.06%

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

Note 36 Assets pledged as security for own liabilities

EURm	Group 31 Dec 2011	Group 31 Dec 2010	Parent company 31 Dec 2011	Parent company 31 Dec 2010
Assets pledged for own liabilities				
Securities etc[1]	17,650	17,225	17,650	17,225
Loans to the public	11,919	13,380	11,919	13,380
Other pledged assets	5,447	352	5,447	352
Total	**35,016**	**30,957**	**35,016**	**30,957**
The above pledges pertain to the following liability and commitment items				
Deposits by credit institutions	-	13,410	-	13,410
Other liabilities	25,494	7,374	25,494	7,373
Total	**25,494**	**20,784**	**25,494**	**20,783**

[1] Relates only to securities recognised in the balance sheet. Securities borrowed or bought under repurchase agreements are not recognised in the balance sheet and thus not included in the amount. Such transactions are disclosed in Note 43 Obtained collaterals which are permitted to be sold or repledged.

Assets pledged for own liabilities contain securities pledged as security in repurchase agreement and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months. Loans to the public amounting to EUR 11,919m (9,636) have been registered as collateral for issued Finnish covered bonds amounting to EUR 7,250m (1,987). In the event of the company's insolvency, the holders of these bonds have priority to the assets registered as collateral. Collaterals are valuated up to the first 70% of the market value of the property. Nordea Bank has used Realia Oy, Newsec Oy, Huoneistokeskus Oy, Kiinteistömaailma Oy and Catella Oy to valuate commercial real estate collaterals.

Note 37 Other assets pledged

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

Note 38 Contingent liabilities

EURm	Group 31 Dec 2011	Group 31 Dec 2010	Parent company 31 Dec 2011	Parent company 31 Dec 2010
Guarantees				
Loan guarantees	3,225	3,571	3,226	3,573
Other guarantees	13,800	12,360	14,106	12,639
Documentary credits	1,996	2,159	1,996	2,159
Other contingent liabilities	20	21	20	21
Total	**19,041**	**18,111**	**19,348**	**18,392**

In the normal business of Nordea Bank Finland, the bank issues various forms of guarantees in favour of bank's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support the bank's customers. Guarantees and documentary credits are considered as off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received.

Note 39 Commitments

EURm	Group 31 Dec 2011	Group 31 Dec 2010	Parent company 31 Dec 2011	Parent company 31 Dec 2010
Future payment obligations	11	14	11	14
Credit commitments[1]	17,949	18,212	15,006	15,343
Other commitments	765	1,024	481	783
Total	**18,725**	**19,250**	**15,498**	**16,140**

[1] Including unutilised portion of approved overdraft facilities of EUR 9,197m (9,518) for the Group and EUR 9,198m (9,524) for the parent company.

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2011 signed reverse repurchase agreements of EUR 10,417m that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2011. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

Note 40 Capital adequacy

Capital base

EURm	Group 31 Dec 2011	Group 31 Dec 2010	Parent company 31 Dec 2011	Parent company 31 Dec 2010
Original own funds				
Paid up capital	2,319	2,319	2,319	2,319
Share premium	599	599	599	599
Eligible capital	**2,918**	**2,918**	**2,918**	**2,918**
Reserves	7,601	7,448	7,240	7,142
Non-controlling interests	5	6	0	-
Income (positive/negative) from current year	1,099	852	1,040	798
Eligible reserves	**8,706**	**8,306**	**8,280**	**7,940**
Tier 1 capital (before hybrid capital and deductions)	**11,624**	**11,224**	**11,198**	**10,858**
Proposed/actual dividend	-1,000	-700	-1,000	-700
Deferred tax assets	-16	-17	-12	-12
Intangible assets	-106	-85	-103	-82
Deductions for investments in credit institutions	-27	-23	-4	-4
IRB provisions excess (+) / shortfall (-)[1]	-42	-50	-29	-37
Other items, net	-123	-107	-123	-107
Deductions from original own funds	**-1,314**	**-982**	**-1,271**	**-942**
Tier 1 capital (net after deduction)	**10,310**	**10,242**	**9,927**	**9,916**
Additional own funds				
Securities of indeterminate duration and other instruments	568	561	568	561
Subordinate loan capital	-	-	-	-
Other additional own funds	-4	-	-4	-
Tier 2 capital (before deductions)	**564**	**561**	**564**	**561**
Deductions for investments in credit institutions	-27	-23	-4	-4
IRB provisions excess (+) / shortfall (-)[1]	-42	-50	-29	-37
Deductions from additional own funds	**-69**	**-73**	**-33**	**-41**
Tier 2 capital (net after deductions)	**495**	**488**	**531**	**520**
Total own funds for solvency purposes	**10,805**	**10,730**	**10,458**	**10,436**

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

Capital requirements and RWA

Group

EURm	31 Dec 2011 Capital requirement	31 Dec 2011 RWA	31 Dec 2010 Capital requirement	31 Dec 2010 RWA
Credit risk	**5,367**	**67,088**	**5,238**	**65,470**
IRB	2,798	34,972	2,541	31,766
- of which corporate	1,838	22,972	1,718	21,477
- of which institutions	594	7,425	446	5,581
- of which retail	346	4,327	356	4,456
- of which real estate	210	2,620	179	2,237
- of which other	137	1,707	178	2,219
- of which other	20	248	20	253
Standardised	2,569	32,116	2,696	33,704
- of which sovereign	29	362	28	348
- of which retail	338	4,226	347	4,334
- of which residential real estate	67	840	46	581
- of which other	271	3,386	300	3,753
- of which other	2,202	27,527	2,322	29,022
Market risk[1]	**663**	**8,291**	**358**	**4,474**
- of which trading book, Internal Approach	460	5,749	119	1,482
- of which trading book, Standardised Approach	203	2,542	239	2,992
- of which banking book, Standardised Approach	-	-	-	-
Operational risk	**415**	**5,189**	**421**	**5,258**
Standardised	415	5,189	421	5,258
Sub total	**6,445**	**80,567**	**6,016**	**75,203**
Adjustment for transition rules				
Additional capital requirement according to transition rules	-	-	-	-
Total	**6,445**	**80,567**	**6,016**	**75,203**

[1] Note that the comparison figures are not restated with respect to CRD III.

Note 40 *Capital adequacy, cont.*

Capital requirements and RWA

Parent company

	31 Dec 2011		31 Dec 2010	
EURm	Capital requirement	RWA	Capital requirement	RWA
Credit risk	**5,019**	**62,738**	**4,907**	**61,334**
IRB	2,676	33,452	2,429	30,359
- of which corporate	1,722	21,527	1,612	20,149
- of which institutions	593	7,418	445	5,566
- of which retail	346	4,327	356	4,456
- of which real estate	210	2,620	179	2,237
- of which other	137	1,707	178	2,219
- of which other	14	180	15	189
Standardised	2,343	29,286	2,478	30,975
- of which sovereign	29	362	28	348
- of which retail	169	2,113	168	2,105
- of which residential real estate	65	818	46	581
- of which other	104	1,294	122	1,524
- of which other	2,145	26,811	2,282	28,522
Market risk[1]	**663**	**8,291**	**358**	**4,474**
- of which trading book, Internal Approach	460	5,749	119	1,482
- of which trading book, Standardised Approach	203	2,542	239	2,992
- of which banking book, Standardised Approach	-	-	-	-
Operational risk	**376**	**4,694**	**397**	**4,964**
Standardised	376	4,694	397	4,964
Sub total	**6,058**	**75,723**	**5,662**	**70,772**
Adjustment for transition rules				
Additional capital requirement according to transition rules	-	-	-	-
Total	**6,058**	**75,723**	**5,662**	**70,772**

[1] Note that the comparison figures are not restated with respect to CRD III.

With the adoption of the CRD III amendment, new risk types under the internal approach have been introduced. For Nordea Bank Finland this includes additional capital charge for stressed VaR, incremental and comprehensive risk. In addition, under the Standardised Approach the risk weights for specific equity risk have increased. The total CRD III impact for Nordea Bank Finland is an increase of EUR 4,549m in market risk RWA.

More Capital Adequacy information for the Group can be found in the section Risk, Liquidity and Capital management in the Directors' Report.

Note 41 Classification of financial instruments

Group			Financial assets at fair value through profit or loss					
31 Dec 2011, EURm	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	286	- -		-	-	-	-	286
Treasury bills	-	-	4,375	-	-	606	-	4,981
Loans to credit institutions	72,699	-	6,651	-	-	- -		79,350
Loans to the public	73,891	-	25,440	-	-	-	-	99,331
Interest-bearing securities	-	2,793	12,762	-	-	10,330	-	25,885
Financial instruments pledged as collateral	-	-	8,346	-	-	- -		8,346
Shares	-	-	1,290	22	-	-	-	1,312
Derivatives	-	-	169,852	-	376	-	-	170,228
Fair value changes of the hedged items in portfolio hedge of interest rate risk	138	- -		-	-	-	-	138
Investments in associated undertakings	-	-	-	-	-	-	79	79
Intangible assets	-	- -		-	-	-	106	106
Property and equipment	-	-	-	-	-	-	124	124
Investment property	-	-	-	-	-	-	71	71
Deferred tax assets	-	-	-	-	-	-	16	16
Current tax assets	-	-	-	-	-	-	132	132
Retirement benefit assets	-	-	-	-	-	-	120	120
Other assets	1,408	-	-	6,656	-	-	14	8,078
Prepaid expenses and accrued income	462	-	-	10	-	-	232	704
Total	**148,884**	**2,793**	**228,716**	**6,688**	**376**	**10,936**	**894**	**399,287**

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

Group 31 Dec 2010, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	7,485	-	-	-	-	-	-	7,485
Treasury bills	-	-	2,359	-	-	-	-	2,359
Loans to credit institutions	50,252	-	17,499	-	-	-	-	67,751
Loans to the public	69,217	-	4,390	-	-	-	-	73,607
Interest-bearing securities	-	6,039	11,754	214	-	3,571	-	21,578
Financial instruments pledged as collateral	-	-	5,304	-	-	-	-	5,304
Shares	-	-	1,055	24	-	-	-	1,079
Derivatives	-	-	97,184	-	67	-	-	97,251
Fair value changes of the hedged items in portfolio hedge of interest rate risk	96	-	-	-	-	-	-	96
Investments in associated undertakings	-	-	-	-	-	-	61	61
Intangible assets	-	-	-	-	-	-	85	85
Property and equipment	-	-	-	-	-	-	124	124
Investment property	-	-	-	-	-	-	32	32
Deferred tax assets	-	-	-	-	-	-	17	17
Current tax assets	-	-	-	-	-	-	84	84
Retirement benefit assets	-	-	-	-	-	-	104	104
Other assets	5,419	-	-	3,129	-	-	14	8,562
Prepaid expenses and accrued income	317	-	-	7	-	-	183	507
Total	**132,786**	**6,039**	**139,545**	**3,374**	**67**	**3,571**	**704**	**286,086**

Group 31 Dec 2010, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	13,360	6,346	-	40,843	-	60,549
Deposits and borrowings from the public	6,503	-	-	48,956	-	55,459
Debt securities in issue	6,027	-	-	33,819	-	39,846
Derivatives	95,369	-	307	-	-	95,676
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-58	-	-58
Current tax liabilities	-	-	-	-	1	1
Other liabilities	8,406	2,895	-	10,795	9	22,105
Accrued expenses and prepaid income	-	59	-	182	411	652
Deferred tax liabilities	-	-	-	-	47	47
Provisions	-	-	-	-	80	80
Retirement benefit obligations	-	-	-	-	28	28
Subordinated liabilities	-	-	-	477	-	477
Total	**129,665**	**9,300**	**307**	**135,014**	**576**	**274,862**

Parent company			Financial assets at fair value through profit or loss					
31 Dec 2011, EURm	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	286	-	-	-	-	- -		286
Treasury bills	-	-	4,375	-	-	606	-	4,981
Loans to credit institutions	78,046	-	6,651	-	-	- -		84,697
Loans to the public	67,658	-	25,439	-	-	-	-	93,097
Interest-bearing securities	-	2,793	12,762	-	-	10,330	-	25,885
Financial instruments pledged as collateral	-	-	8,346	-	-	- -		8,346
Shares	-	-	1,289	20	-	-	-	1,309
Derivatives	-	-	169,852	-	376	-	-	170,228
Fair value changes of the hedged items in portfolio hedge of interest rate risk	138	-	-	-	-	- -		138
Investments in group undertakings	-	-	-	-	-	-	370	370
Investments in associated undertakings	-	-	-	-	-	-	34	34
Intangible assets	-	-	-	-	-	-	103	103
Property and equipment	-	-	-	-	-	-	69	69
Investment property	-	-	-	-	-	-	10	10
Deferred tax assets	-	-	-	-	-	-	12	12
Current tax assets	-	-	-	-	-	-	131	131
Retirement benefit assets	-	-	-	-	-	-	113	113
Other assets	1,388	-	-	6,656	-	-	12	8,056
Prepaid expenses and accrued income	458	-	-	10	-	-	56	524
Total	**147,974**	**2,793**	**228,714**	**6,686**	**376**	**10,936**	**910**	**398,389**

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

Parent company			Financial assets at fair value through profit or loss					
31 Dec 2010, EURm	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	7,485	-	-	-	-	-	-	7,485
Treasury bills	-	-	2,359	-	-	- -		2,359
Loans to credit institutions	55,273	-	17,499	-	-	- -		72,772
Loans to the public	63,496	-	4,390	-	-	-	-	67,886
Interest-bearing securities	-	6,039	11,754	214	-	3,571	-	21,578
Financial instruments pledged as collateral	-	-	5,304	-	-	- -		5,304
Shares	-	-	1,059	21	-	-	-	1,080
Derivatives	-	-	97,180	-	67	-	-	97,247
Fair value changes of the hedged items in portfolio hedge of interest rate risk	96	-	-	-	-	- -		96
Investments in group undertakings	-	-	-	-	-	-	353	353
Investments in associated undertakings	-	-	-	-	-	-	19	19
Intangible assets	-	-	-	-	-	-	82	82
Property and equipment	-	-	-	-	-	-	55	55
Investment property	-	-	-	-	-	-	4	4
Deferred tax assets	-	-	-	-	-	-	12	12
Current tax assets	-	-	-	-	-	-	83	83
Retirement benefit assets	-	-	-	-	-	-	98	98
Other assets	5,402	-	-	3,129	-	-	9	8,540
Prepaid expenses and accrued income	313	-	-	7	-	-	36	356
Total	**132,065**	**6,039**	**139,545**	**3,371**	**67**	**3,571**	**751**	**285,409**

Parent company	Financial liabilities at fair value through profit or loss					
31 Dec 2010, EURm	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	13,360	6,346	-	40,787	-	60,493
Deposits and borrowings from the public	6,503	-	-	49,049	-	55,552
Debt securities in issue	6,027	-	-	33,819	-	39,846
Derivatives	95,369	-	307	-	-	95,676
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-58	-	-58
Current tax liabilities	-	-	-	-	0	0
Other liabilities	8,406	2,895	-	10,666	8	21,975
Accrued expenses and prepaid income	-	59	-	179	248	486
Deferred tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	76	76
Retirement benefit obligations	-	-	-	-	28	28
Subordinated liabilities	-	-	-	477	0	477
Total	**129,665**	**9,300**	**307**	**134,919**	**360**	**274,551**

Note 41 *Classification of financial instruments, cont..*

Changes in fair values attributable to changes in credit risk

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

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

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

	Group		Parent company	
31 Dec 2010, EURm	Carrying amount	Amount to be paid at maturity	Carrying amount	Amount to be paid at maturity
Financial liabilities at fair value through profit or loss	6,346	6,346	6,346	6,346

Note 42 Assets and liabilities at fair value

Group	31 Dec 2011		31 Dec 2010	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	286	286	7,485	7,485
Treasury bills	4,981	4,981	2,359	2,359
Loans to credit institutions	79,350	79,344	67,751	67,780
Loans to the public	99,331	99,446	73,607	73,671
Interest-bearing securities	25,885	25,889	21,578	21,598
Financial instruments pledged as collateral	8,346	8,346	5,304	5,304
Shares	1,312	1,312	1,079	1,079
Derivatives	170,228	170,228	97,251	97,251
Fair value changes of the hedged items in portfolio hedge of interest rate risk	138	138	96	96
Investments in associated undertakings	79	79	61	61
Intangible assets	106	106	85	85
Property and equipment	124	124	124	124
Investment property	71	71	32	31
Deferred tax assets	16	16	17	17
Current tax assets	132	132	84	84
Retirement benefit assets	120	120	104	104
Other assets	8,078	8,079	8,562	8,562
Prepaid expenses and accrued income	704	704	507 507	
Total assets	**399,287**	**399,401**	**286,086**	**286,198**
Liabilities				
Deposits by credit institutions	76,007	75,987	60,549	60,589
Deposits and borrowings from the public	68,260	68,191	55,459	55,477
Debt securities in issue	49,153	48,952	39,846	39,798
Derivatives	168,436	168,436	95,676	95,676
Fair value changes of the hedged items in portfolio hedge of interest rate risk	195	195	-58	-58
Current tax liabilities	-	-	1	1
Other liabilities	24,128	24,128	22,105	22,105
Accrued expenses and prepaid income	810	810	652	652
Deferred tax liabilities	53	53	47	47
Provisions	97	97	80	80
Retirement benefit obligation	25	25	28	28
Subordinated liabilities	503	503	477	477
Total liabilities	**387,667**	**387,377**	**274,862**	**274,872**

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

Parent company

EURm	31 Dec 2011 Carrying amount	31 Dec 2011 Fair value	31 Dec 2010 Carrying amount	31 Dec 2010 Fair value
Assets				
Cash and balances with central banks	286	286	7,485	7,485
Treasury bills	4,981	4,981	2,359	2,359
Loans to credit institutions	84,697	84,691	72,772	72,812
Loans to the public	93,097	93,205	67,886	67,939
Interest-bearing securities	25,885	25,889	21,578	21,598
Financial instruments pledged as collateral	8,346	8,346	5,304	5,304
Shares	1,309	1,309	1,080	1,080
Derivatives	170,228	170,228	97,247	97,247
Fair value changes of the hedged items in portfolio hedge of interest rate risk	138	138	96	96
Investments in group undertakings	370	370	353	353
Investments in associated undertakings	34	34	19	19
Intangible assets	103	103	82	82
Property and equipment	69	69	55	55
Investment property	10	10	4 4	
Deferred tax assets	12	12	12	12
Current tax assets	131	131	83	83
Retirement benefit assets	113	113	98	98
Other assets	8,056	8,056	8,540	8,540
Prepaid expenses and accrued income	524	524	356 356	
Total assets	**398,389**	**398,495**	**285,409**	**285,522**
Liabilities				
Deposits by credit institutions	75,919	75,899	60,493	60,532
Deposits and borrowings from the public	68,265	68,197	55,552	55,571
Debt securities in issue	49,153	48,952	39,846	39,798
Derivatives	168,436	168,436	95,676	95,676
Fair value changes of the hedged items in portfolio hedge of interest rate risk	195	195	-58	-58
Current tax liabilities	-	-	0	0
Other liabilities	23,990	23,990	21,975	21,975
Accrued expenses and prepaid income	615	615	486	486
Provisions	94	94	76	76
Retirement benefit obligations	25	25	28	28
Subordinated liabilities	503	503	477	477
Total liabilities	**387,195**	**386,906**	**274,551**	**274,561**

Estimation of fair value for assets and liabilities

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

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

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

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

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

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

Deferred Day 1 profit or loss

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

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Amount at beginning of year	-42	-44	-42	-44
Deferred profit/loss on new transactions	-20	-14	-20	-14
Recognised in the income statement during the year	15	16	15	16
Amount at end of year	**-47**	**-42**	**-47**	**-42**

Determination of fair value from quoted market prices or valuation techniques

Fair value measurements are categorised using a fair value hierarchy.

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

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

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

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

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

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

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

Group

31 Dec 2011, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets				
Loans to credit institutions	-	6,651	-	6,651
Loans to the public	-	25,440	-	25,440
Debt securities[1]	20,288	7,577	208	28,073
Financial instruments pledged as collateral[2]	7,858	487	1	8,346
Shares	662	0	650	1,312
Derivatives	75	169,087	1,066	170,228
Other assets	-	6,656	-	6,656
Prepaid expenses and accrued income	-	10	-	10
Liabilities				
Deposits by credit institutions	-	24,195	-	24,195
Deposits and borrowings from the public	-	14,584	-	14,584
Debt securities in issue	-	6,271	-	6,271
Derivatives	64	167,103	1,269	168,436
Other liabilities	8,213	6,893	-	15,106
Accrued expenses and prepaid income	-	64	-	64

[1] Of which EUR 4 981m Treasury bills and EUR 23 092m Interest-bearing securities. (The portion held at fair value in Note 41.)
[2] Of which EUR 1 133m Treasury bills and EUR 7 213m Interest-bearing securities. (The portion held at fair value in Note 41.)

31 Dec 2010, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets				
Loans to credit institutions	-	17,499	-	17,499
Loans to the public	-	4,390	-	4,390
Debt securities[1]	8,725	9,173	-	17,898
Financial instruments pledged as collateral[2]	3,132	2,172	-	5,304
Shares	156	-	923	1,079
Derivatives	109	94,822	2,320	97,251
Other assets	-	3,129	-	3,129
Prepaid expenses and accrued income	-	7	-	7
Liabilities				
Deposits by credit institutions	-	19,706	-	19,706
Deposits and borrowings from the public	-	6,503	-	6,503
Debt securities in issue	-	6,027	-	6,027
Derivatives	47	93,320	2,309	95,676
Other liabilities	7,501	3,800	-	11,301
Accrued expenses and prepaid income	-	59	-	59

[1] Of which EUR 2 359m Treasury bills and EUR 15 539m Interest-bearing securities. (The portion held at fair value in Note 41.)
[2] Of which EUR 1 533m Treasury bills and EUR 3 771m Interest-bearing securities. (The portion held at fair value in Note 41.)

Parent company

31 Dec 2011, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets				
Loans to credit institutions	-	6,651	-	6,651
Loans to the public	-	25,439	-	25,439
Debt securities[1]	20,288	7,577	208	28,073
Financial instruments pledged as collateral[2]	7,858	487	1	8,346
Shares	659	-	650	1,309
Derivatives	75	169,087	1,066	170,228
Other assets	-	6,656	-	6,656
Prepaid expenses and accrued income	-	10	-	10
Liabilities				
Deposits by credit institutions	-	24,195	-	24,195
Deposits and borrowings from the public	-	14,584	-	14,584
Debt securities in issue	-	6,271	-	6,271
Derivatives	64	167,103	1,269	168,436
Other liabilities	8,213	6,893	-	15,106
Accrued expenses and prepaid income	-	64	-	64

1 Of which EUR 4 981m Treasury bills and EUR 23 092m Interest-bearing securities. (The portion held at fair value in Note 41.)
2 Of which EUR 1 133m Treasury bills and EUR 7 213m Interest-bearing securities. (The portion held at fair value in Note 41.)

31 Dec 2010, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets				
Loans to credit institutions	-	17,499	-	17,499
Loans to the public	-	4,390	-	4,390
Debt securities[1]	8,725	9,173	-	17,898
Financial instruments pledged as collateral[2]	3,132	2,172	-	5,304
Shares	157	-	923	1,080
Derivatives	105	94,822	2,320	97,247
Other assets	-	3,129	-	3,129
Prepaid expenses and accrued income	-	7	-	7
Liabilities				
Deposits by credit institutions	-	19,706	-	19,706
Deposits and borrowings from the public	-	6,503	-	6,503
Debt securities in issue	-	6,027	-	6,027
Derivatives	46	93,321	2,309	95,676
Other liabilities	7,501	3,800	-	11,301
Accrued expenses and prepaid income	-	59	-	59

1 Of which EUR 2 359m Treasury bills and EUR 15 539m Interest-bearing securities. (The portion held at fair value in Note 41.)
2 Of which EUR 1 533m Treasury bills and EUR 3 771m Interest-bearing securities. (The portion held at fair value in Note 41.)

Movements in level 3

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

Group

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

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

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

31 Dec 2010, EURm	1 Jan 2010	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised[1]	Purchases	Sales
Assets					
Debt securities	-	- - -			-
Shares	842	-121	128	661	-586
Derivatives (net assets and liabilities)	115	15	-104	4	0

31 Dec 2010, EURm	Settlements	Transfers into/out of level 3	Translation differences	31 Dec 2010
Assets				
Debt securities	-	- -		-
Shares	-	-	0	923
Derivatives (net assets and liabilities)	-15	-	-	15

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

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

Parent company

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

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

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

31 Dec 2010, EURm	1 Jan 2010	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised[1]	Purchases	Sales
Assets					
Debt securities	-	- - -			-
Shares	842	-121	128	661	-586
Derivatives (net assets and liabilities)	115	15	-104	-	-

31 Dec 2010, EURm	Settlements	Transfers into/out of level 3	Translation differences	31 Dec 2010
Assets				
Debt securities	-	- -		-
Shares	-	-	0	923
Derivatives (net assets and liabilities)	-15	-	-	11

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

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

Included in the fair value of financial instruments carried at fair value on the balance sheet are those estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices or rates. There may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique. Portfolio adjustments are applied to reflect such uncertainties and are deducted from the fair values produced by the models or other valuation techniques (for further information see Note 1 section 11 "Determination of fair value of financial instruments").

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

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

	Group			Parent company		
		Effect of reasonably possible alternative assumption			Effect of reasonably possible alternative assumption	
31 Dec 2011, EURm	Carrying amount	Favourable	Unfavourable	Carrying amount	Favourable	Unfavourable
Assets						
Debt securities	208	21	-21	208	21	-21
Shares	650	36	-36	650	36	-36
Derivatives (net assets and liabilities)	1,066	27	-43	1,066	27	-43

	Group			Parent company		
		Effect of reasonably possible alternative assumptions			Effect of reasonably possible alternative assumptions	
31 Dec 2010, EURm	Carrying amount	Favourable	Unfavourable	Carrying amount	Favourable	Unfavourable
Assets						
Shares	923	56	-56	923	56	-56
Derivatives (net assets and liabilities)	2,320	22	-29	2,320	22	-29

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

Note 43 Obtained collateral which is permitted to be sold or repledged

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

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010
Reverse repurchase agreements				
Received collaterals which can be repledged or sold	31,324	22,100	31,324	22,100
- of which repledged or sold	9,661	14,559	9,661	14,559
Securities borrowing agreements				
Received collaterals which can be repledged or sold	-	-	-	-
- of which repledged or sold	-	-	-	-
Total	**31,324**	**22,100**	**31,324**	**22,100**

Note 44 Maturity analysis for assets and liabilities

Group

Remaining maturity

31 Dec 2011, EURm	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks		286	-	-	-	-	-	**286**
Treasury bills	13	-	500	309	4,036	136	-	**4,981**
Loans to credit institutions	14	17,695	41,845	15,105	4,278	427	-	**79,350**
Loans to the public	14	9	32,778	5,383	19,513	41,648	-	**99,331**
Interest bearing securities	15	-	6,233	5,487	12,766	1,399	-	**25,885**
Financial instruments pledged as collateral	16	-	719	1,891	3,995	1,741	-	**8,346**
Derivatives	18	-	9,585	7,478	38,712	114,453	-	**170,228**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	19	-	11	31	70	26	-	**138**
Total assets with fixed maturities		**17,990**	**91,671**	**35,684**	**83,370**	**159,830**	**-**	**388,545**
Other assets	26	-	-	-	-	-	10,742	**10,742**
Total assets		**17,990**	**91,671**	**35,684**	**83,370**	**159,830**	**10,742**	**399,287**
Deposits by credit institutions	28	8,203	58,799	8,136	74	795	-	**76,007**
Deposits and borrowings from the public	29	37,608	22,805	7,199	644	4	-	**68,260**
- of which Deposits		*37,608*	*8,429*	*6,952*	*643*	*4*	-	*53,636*
- of which Borrowings		-	*14,376*	*247*	*1*	*0*	-	*14,624*
Debt securities in issue	30	-	27,404	7,350	12,484	1,915	-	**49,153**
- of which Debt securities in issue		-	*27,404*	*7,350*	*12,484*	*1,915*	-	*49,153*
- of which Other		-	-	-	-	-	-	-
Derivatives	18	-	8,345	7,396	41,270	111,425	-	**168,436**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	19	-	1	6	74	114	-	**195**
Subordinated liabilities	35	-	-	-	403	100	-	**503**
Total liabilities with fixed maturities		**45,811**	**117,354**	**30,087**	**54,949**	**114,353**	**-**	**362,554**
Other liabilities	31	-	-	-	-	-	25,113	**25,113**
Equity		-	-	-	-	-	11,620	**11,620**
Total liabilities and equity		**45,811**	**117,354**	**30,087**	**54,949**	**114,353**	**36,733**	**399,287**

Note 44 *Maturity analysis for assets and liabilities, cont.*

Group

Remaining maturity

31 Dec 2010, EURm	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Cash and balances with central banks		7,485	-	-	-	-	-	**7,485**
Treasury bills	13	-	425	327	1,248	359	-	**2,359**
Loans to credit institutions	14	7,462	48,489	9,161	2,608	31	-	**67,751**
Loans to the public	14	30	13,590	6,748	24,124	29,115	-	**73,607**
Interest bearing securities	15	-	4,931	3,510	11,946	1,191	-	**21,578**
Financial instruments pledged as collateral	16	-	159	708	2,256	2,181	-	**5,304**
Derivatives	18	-	7,206	6,602	28,501	54,942	-	**97,251**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	19	-	1	11	60	24	-	**96**
Total assets with fixed maturities		**14,977**	**74,801**	**27,067**	**70,743**	**87,843**	**-**	**275,431**
Other assets	26	-	-	-	-	-	10,655	**10,655**
Total assets		**14,977**	**74,801**	**27,067**	**70,743**	**87,843**	**10,655**	**286,086**
Deposits by credit institutions	28	4,943	47,737	7,704	82	83	-	**60,549**
Deposits and borrowings from the public	29	34,862	16,111	3,965	594	-73	-	**55,459**
- of which Deposits		*34,862*	*9,571*	*3,964*	*594*	*-73*	-	*48,918*
- of which Borrowings		-	*6,540*	*1*	*0*	*0*	-	*6,541*
Debt securities in issue	30	-	25,262	5,843	8,330	411	-	**39,846**
- of which Debt securities in issue		-	*25,262*	*5,843*	*8,330*	*411*	-	*39,846*
- of which Other		-	-	-	-	-	-	-
Derivatives	18	-	6,969	6,749	29,640	52,318	-	**95,676**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	19	-	-	0	-61	3	-	**-58**
Subordinated liabilities	35	-	-	-	385	92	-	**477**
Total liabilities with fixed maturities		**39,805**	**96,079**	**24,261**	**38,970**	**52,834**	**-**	**251,949**
Other liabilties	31	-	-	-	-	-	22,913	**22,913**
Equity		-	-	-	-	-	11,224	**11,224**
Total liabilities and equity		**39,805**	**96,079**	**24,261**	**38,970**	**52,834**	**34,137**	**286,086**

Parent company

Remaining maturity

31 Dec 2011, EURm	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Cash and balances with central banks		286	-	-	-	-	-	**286**
Treasury bills	13	-	500	309	4,036	136	-	**4,981**
Loans to credit institutions	14	17,680	45,246	16,228	5,088	455	-	**84,697**
Loans to the public	14	197	31,012	3,571	16,758	41,559	-	**93,097**
Interest bearing securities	15	-	6,233	5,487	12,766	1,399	-	**25,885**
Financial instruments pledged as collateral	16	-	719	1,891	3,995	1,741	-	**8,346**
Derivatives	18	-	9,585	7,478	38,712	114,453	-	**170,228**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	19	-	11	31	70	26	-	**138**
Total assets with fixed maturities		**18,163**	**93,306**	**34,995**	**81,425**	**159,769**	**-**	**387,658**
Other assets	26	-	-	-	-	-	10,731	**10,731**
Total assets		**18,163**	**93,306**	**34,995**	**81,425**	**159,769**	**10,731**	**398,389**

Parent company

Remaining maturity

31 Dec 2011, EURm	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Deposits by credit institutions	28	8,203	58,770	8,121	38	787	-	**75,919**
Deposits and borrowings from the public	29	37,618	22,809	7,191	643	4	-	**68,265**
- of which Deposits		*37,618*	*8,433*	*6,952*	*643*	*4*	-	*53,650*
- of which Borrowings		-	*14,376*	*239*	-	-	-	*14,615*
Debt securities in issue	30	-	27,404	7,350	12,484	1,915	-	**49,153**
- of which Debt securities in issue		-	*27,404*	*7,350*	*12,484*	*1,915*	-	*49,153*
- of which Other		-	-	-	-	-	-	-
Derivatives	18	-	8,345	7,396	41,270	111,425	-	**168,436**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	19	-	1	6	74	114	-	**195**
Subordinated liabilities	35	-	-	-	403	100	-	**503**
Total liabilities with fixed maturities		**45,821**	**117,329**	**30,064**	**54,912**	**114,345**	-	**362,471**
Other liabilities	31	-	-	-	-	-	24,724	**24,724**
Equity		-	-	-	-	-	11,194	**11,194**
Total liabilities and equity		**45,821**	**117,329**	**30,064**	**54,912**	**114,345**	**35,918**	**398,389**

Parent company

Remaining maturity

31 Dec 2010, EURm	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Cash and balances with central banks		7,485	-	-	-	-	-	**7,485**
Treasury bills	13	-	425	327	1,248	359	-	**2,359**
Loans to credit institutions	14	7,447	52,928	9,609	2,751	37	-	**72,772**
Loans to the public	14	-	12,194	5,057	21,619	29,016	-	**67,886**
Interest bearing securities	15	-	4,931	3,510	11,946	1,191	-	**21,578**
Financial instruments pledged as collateral	16	-	159	708	2,256	2,181	-	**5,304**
Derivatives	18	-	7,206	6,598	28,501	54,942	-	**97,247**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	19	-	1	11	60	24	-	**96**
Total assets with fixed maturities		**14,932**	**77,844**	**25,820**	**68,381**	**87,750**	**-**	**274,727**
Other assets	26	-	-	-	-	-	10,682	**10,682**
Total assets		**14,932**	**77,844**	**25,820**	**68,381**	**87,750**	**10,682**	**285,409**
Deposits by credit institutions	28	4,943	47,730	7,686	51	83	-	**60,493**
Deposits and borrowings from the public	29	34,877	16,116	3,964	593	2	-	**55,552**
- of which Deposits		*34,877*	*9,576*	*3,964*	*593*	*2*	-	*49,012*
- of which Borrowings		-	*6,540*	-	-	-	-	*6,540*
Debt securities in issue	30	-	25,262	5,843	8,330	411	-	**39,846**
- of which Debt securities in issue		-	*25,262*	*5,843*	*8,330*	*411*	-	*39,846*
- of which Other		-	-	-	-	-	-	-
Derivatives	18	-	6,969	6,749	29,640	52,318	-	**95,676**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	19	-	-	0	-61	3	-	**-58**
Subordinated liabilities	35	-	-	-	385	92	-	**477**
Total liabilities with fixed maturities		**39,820**	**96,077**	**24,242**	**38,938**	**52,909**	**-**	**251,986**
Other liabilities	31	-	-	-	-	-	22,565	**22,565**
Equity		-	-	-	-	-	10,858	**10,858**
Total liabilities and equity		**39,820**	**96,077**	**24,242**	**38,938**	**52,909**	**33,423**	**285,409**

Note 45 Related-party transactions

Shareholders with significant influence and close family members to key management personnel in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj, Nokia Oyj, Posten AB, Danisco A/S, IK Investment Partners AB and TrygVesta A/S. If transactions with these related parties are made in Nordea's and the related parties' ordinary course of business and on the same criteria and terms as those for comparable transactions with parties of similar standing, and if they did not involve more than normal risk taking, the transactions are not included in the table.

Group

	Nordea Group undertakings		Nordea Group associated undertakings		Other related parties	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010	2011	2010
Assets						
Loans	44,518	61,577	146	96	-	-
Interest-bearing securities	5,031	3,638	- - -			-
Financial instruments pledged as collateral	2,062	466	- - -			-
Derivatives	2,337	2,610	246	155	-	-
Other assets	387	1	- - -			-
Prepaid expenses and accrued income	77	60	-	-	-	-
Total assets	**54,412**	**68,352**	**392**	**251**	**-**	**-**
Liabilities						
Deposits	44,957	41,303	10	75	5	5
Debt securities in issue	514	562	30 30		-	-
Derivatives	2,624	1,292	85	64	-	-
Other liabilities	12	305	- - -			-
Accrued expenses and deferred income	171	133	-	-	-	-
Total liabilities	**48,278**	**43,595**	**125**	**169**	**5**	**5**
Off balance[1]	**431,155**	**359,662**	**8,321**	**7,202**	**-**	**-**

Group	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010	2011	2010
Interest income and interest expense						
Interest income	399	321	4 2		-	-
Interest expense	-329	-233	0 0 0			0
Net interest income and expense	**70**	**88**	**4**	**2**	**0**	**0**

[1] Including nominal values on derivatives.

Parent company	Group undertakings		Associated undertakings		Other related parties	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2011	2010	2011	2010	2011	2010
Assets						
Loans and receivables	5,570	5,185	132	96	-	-
Interest-bearing securities	-	-	- - -			-
Financial instruments pledged as collateral	-	-	-	-	-	-
Derivatives	-	-	- - -			-
Investments in associated undertakings	-	-	34	19	-	-
Investments in group undertakings	370	353	-	-	-	-
Other assets	5	0	- - -			-
Prepaid expenses and accrued income	15	15	-	-	-	-
Total assets	**5,960**	**5,553**	**166**	**115**	**-**	**-**

Note 45 *Related-party transactions, cont.*

Parent company

EURm	Group undertakings 31 Dec 2011	Group undertakings 31 Dec 2010	Associated undertakings 31 Dec 2011	Associated undertakings 31 Dec 2010	Other related parties 31 Dec 2011	Other related parties 31 Dec 2010
Liabilities						
Deposits	11,432	20	9	76	5	5
Debt securities in issue	-	-	30	30	-	-
Derivatives	-	-	5	-	-	-
Other liabilities	-	-	-	-	-	-
Accrued expenses and deferred income	10	2	-	-	-	-
Total liabilities	**11,442**	**22**	**44**	**106**	**5**	**5**
Off balance[1]	**662**	**556**	**128**	**99**	-	-

[1]Including nominal values on derivatives.

Parent company

EURm	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Interest income and interest expense						
Interest income	86	74	4	2	-	-
Interest expense	0	0	0	0	0	0
Net interest income and expense	**86**	**74**	**4**	**2**	**0**	**0**

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. In addition to the parent company figures stated above, the parent company's assets included receivables, interest-bearing securities, derivatives and other assets from other Nordea group undertakings in the amount of EUR 54,411m (68,351), liabilities in the amount of EUR 36,683m (43,480), net interest income in the amount of EUR 72m (90) and off-balance sheet commitments in the amount of EUR 431,155m (359,662). Off balance sheet transactions with Nordea group associated undertakings amounted to EUR 8,321m (7,202) and corresponding balance sheet values of derivatives were EUR 246m (155) in assets and EUR 80m (64) in liabilities.

Compensations and loans and receivables to Key management personnel

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

Note 46 Mergers, acquisitions, disposals and dissolutions

Subsidiaries acquired during 2011	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
SIA Lidosta	Real estate company	1	-

Subsidiaries sold during 2011	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
Professionel Forening NM Nordea Carry Fund	Mutual fund	5	-

Subsidiaries merged during 2011	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Other subsidiaries dissolved during 2011	Number of companies	Total assets EURm	Profit/loss for the year as included in the Bank Group
VKR-Kiinteistöt Oy Ab	Real estate company	2	0

Associated undertakings dissolved during 2011	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Note 47 Credit risk disclosure

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar 3) 2011, which is available on www.nordea.com.

Group and parent company

Collaterised Debt Obligations (CDO) - Exposure [1]

	31 Dec 2011		31 Dec 2010	
Nominals, EURm	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	1,575	2,267	1,535	2,244
Hedged exposures	1,394	1,394	1,322	1,322
CDOs, net [2]	**181** [3]	**873** [4]	**213** [3]	**922** [4]
- of which Equity	114	223	108	251
- of which Mezzanine	65	101	104	129
- of which Senior	2	549	1	542

[1] First-to-Default (FTD)swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 218m (71) and net sold protection to EUR 53m (80). Both bought and sold protection are, to the predominant part, investment grade.

[2] Net exposure disregards exposure where tranches are completely identical in terms of reference pool attachment, detachment, maturity and currency.

[3] Of which investment grade EUR 181m (209) and sub investment grade EUR 0m (4).

[4] Of which investment grade EUR 873m (922) and sub investment grade EUR 0m (0) and not rated EUR 0m (0).

When Nordea sells protection in a CDO transaction, Nordea carries the risk of losses in the reference portfolio on the occurrence of a credit event. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio, in which Nordea has not necessarily invested, triggered by a credit event is then carried by the seller of protection.

The risk from CDOs is hedged with a portfolio of CDSs. The risk positions are subject to various types of market risk limits, including VaR, and the CDO valuations are subject to fair value adjustments for model risk. These fair value adjustments are recognised in the income statement.

Restructured loans current year

	Group		Parent company	
EURm	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Loans before restructuring, carrying amount	31	46	31	46
Loans after restructuring, carrying amount	0	46	0	46

Assets taken over for protection of claims [1]

	Group		Parent company	
EURm	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Current assets, carrying amount:				
Land and buildings	63	26	63	26
Shares and other participations	0	0	0	0
Other assets	3	5	0	0
Total	**66**	**31**	**63**	**26**

[1] In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to Nordea.

Past due loans, excl. impaired loans

	Group				Parent company			
	31 Dec 2011		31 Dec 2010		31 Dec 2011		31 Dec 2010	
EURm	Corporate customers	Household customers	Corporate customers	Household customers	Corporate customers	Household customers	Corporate customers	Household customers
6-30 days	91	261	76	218	46	233	27	189
31-60 days	58	136	56	140	31	93	28	93
61-90 days	22	64	22	66	16	44	16	45
>90 days	34	19	39	19	33	19	33	19
Total	**205**	**480**	**193**	**443**	**126**	**389**	**104**	**346**
Past due not impaired loans divided by loans to the public after allowances, %	0.33	1.32	0.51	1.27	0.22	1.15	0.29	1.08

Loans to corporate customers, by size of loan

	Group				Parent company			
EURm	31 Dec 2011	%	31 Dec 2010	%	31 Dec 2011	%	31 Dec 2010	%
0-10	33,167	53.3	20,816	54.5	31,229	53.3	19,116	54.5
10-50	15,888	25.6	9,018	23.6	14,960	25.6	8,281	23.6
50-100	5,269	8.5	3,782	9.9	4,962	8.5	3,473	9.9
100-250	5,146	8.3	2,700	7.1	4,845	8.3	2,479	7.1
250-500	2,707	4.4	1,858	4.9	2,549	4.4	1,706	4.9
500-	0	0.0	0	0.0	0	0.0	0	0
Total	**62,176**	**100.0**	**38,174**	**100.0**	**58,544**	**100.0**	**35,055**	**100.0**

Interest-bearing securities and Treasury bills

	Group				Parent company			
	31 Dec 2011		31 Dec 2010		31 Dec 2011		31 Dec 2010	
EURm	At fair value	At amortised cost	At fair value	At amortised cost	At fair value	At amortised cost	At fair value	At amortised cost
State and sovereigns[1]	6,111	-	2,757	150	6,111	-	2,757	150
Municipalities and other public bodies	7	-	69	-	7	-	69	-
Mortgage institutions	14,050	655	7,214	3,746	14,050	655	7,214	3,746
Other credit institutions	7,390	2,138	7,422	2,143	7,390	2,138	7,422	2,143
Corporates	447	-	297	-	447	-	297	-
Corporates, sub-investment grade	67	-	139	-	67	-	139	-
Other	1	- -		-	1	-	0	-
Total	**28,073**	**2,793**	**17,898**	**6,039**	**28,073**	**2,793**	**17,898**	**6,039**

[1] Of which relating to Portugal, Italy, Ireland, Greece and Spain total EUR 0m

Note 48 Nordea shares

Nordea Bank Finland Plc does not possess own shares. During the year Nordea Bank Finland has bought and sold shares in its parent company Nordea Bank AB (publ) as part of its normal trading and market making activities. The trades are specified in the table enclosed.

Acquisitions

Month	Quantity	Average acq.price	Amount, EUR
January	338,089	8.58	2,863,498.92
February	284,463	8.42	2,396,245.97
March	200,457	7.73	1,517,863.21
April	21,081	7.85	165,119.19
May	262,101	7.75	2,011,376.13
June	487,861	7.54	3,580,398.39
July	49,031	7.31	364,536.79
August	237,111	6.25	1,470,491.05
September	126,260	5.93	752,500.21
October	96,048	6.39	623,713.22
November	2,146,041	5.89	11,977,286.52
December	231,238	5.84	1,339,373.18
	4,479,781		29,062,402.78

Sales

Month	Quantity	Average price	Amount, EUR
January	-346,720	8.53	-2,825,171.34
February	-255,192	8.38	-2,142,790.49
March	-230,319	7.88	-1,858,484.74
April	-29,899	7.94	-239,274.10
May	-33,647	7.83	-264,829.03
June	-219,425	7.48	-1,585,065.44
July	-243,060	7.34	-1,789,758.87
August	-380,253	6.41	-2,501,375.72
September	-142,136	5.87	-847,483.30
October	-681,740	6.30	-4,504,368.52
November	-1,165,413	6.02	-7,025,638.90
December	-619,492	5.82	-3,462,918.18
	-4,347,296		-29,047,158.63

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 2011 NBF owned 153,707 shares of the parent company.

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

The parent company's distributable funds on 31 December 2011 were EUR 8,280,382,252.71, of which the profit for the year was EUR 1,039,705,100.08. The Board of Directors proposes that

1. a dividend of EUR 1,000,000,000.00 be paid and
2. EUR 200,000.00 be reserved for public good purposes
3. whereafter the distributable funds will be EUR 7,280,182,252.71.

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

Helsinki, 29 February 2012

Fredrik Rystedt

Ari Kaperi

Casper von Koskull

Gunn Wærsted

Our auditors' report has been issued today.

Helsinki, 29 February 2012

KPMG OY AB

Raija-Leena Hankonen
Authorised Public Accountant

Auditors’ report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Nordea Bank Finland Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Nordea Bank Finland Plc for the year ended on 31 December 2011. The financial statements comprise both the consolidated and the parent company’s statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor’s responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Finnish Credit Institutions Act, the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion,

- both the consolidated and the parent company’s financial statements give a true and fair view of their financial position, financial performance, and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland
- the information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions
We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, 29 February 2012

KPMG OY AB

Raija-Leena Hankonen
Authorized Public Accountant

Management and auditors

Management

The Board of Directors of Nordea Bank Finland Plc comprises four members. The Chairman of the board is Fredrik Rystedt and the Vice Chairman is Ari Kaperi.

The President of Nordea Bank Finland Plc is Ari Kaperi and Pekka Nuuttila 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 2011

Ari Kaperi
Born 1960. President of Nordea Bank Finland Plc, Head of Group Risk Management, Chief Risk Officer and Country Senior Executive in Finland. Vice Chairman of the Board since 2010. Member since 2010.

Fredrik Rystedt
Born 1963. Chief Financial Officer and Head of Group Corporate Centre. Chairman of the Board since 2010. Member since 2008.

Casper von Koskull
Born 1960. Head of Corporate Merchant Banking and Capital Markets. Member since 2010.

Gunn Wærsted
Born 1955. Managing Director of Nordea Bank Norway ASA, Head of Shipping, Private Banking & Savings Products and Country Senior Executive in Norway. Member since 2010

Auditors

KPMG Oy Ab

Auditor with main responsibility
Raija-Leena Hankonen
Authorised Public Accountant

Corporate Governance Report 2011

Application by Nordea Bank Finland Plc

Nordea Bank Finland Plc submits this report as an issuer of bonds. This report has been prepared following recommendation 54 in the Finnish Corporate Governance Code and the report is submitted as a separate report from the Annual Report 2011.

Nordea Bank Finland Plc is a wholly-owned subsidiary of Nordea Bank AB (publ), the listed parent company of the whole Nordea Group. The Nordea Group is referred to as "Nordea". A description of corporate governance in Nordea during the most recent financial year is included in the 2011 Annual Report of Nordea Bank AB (publ). All the operations of Nordea Bank Finland Plc are integrated into the operations of the Nordea Group. Nordea has established the Corporate Governance framework at group level and the framework is reviewed on a continuous basis. Information on Corporate Governance in Nordea and this report are available on www.nordea.com.

Strong corporate governance is all about companies having clear and systematic decision-making processes, thus giving clarity concerning responsibilities, avoiding conflict of interests, and ensuring satisfactory transparency. Business' commitment to Nordea's mission and vision requires the integration of good corporate governance practices into regular business activities, to ascertain – to the extent possible – that the corporation is both well governed and well managed.

Nordea follows generally adopted principles of corporate governance including the rules and principles set forth in the Swedish Code of Corporate Governance. Although the codes differ in details between the countries, they are all based on the general international development and common Nordic approach within this field and thus show a fundamental resemblance to one another.

Nordea Bank AB (publ) has a separate Board Audit Committee. The Board of Directors of Nordea Bank Finland Plc has reviewed this Corporate Governance Report.

This Corporate Governance Report describes the main features of the internal control and risk management systems regarding the financial reporting process in Nordea Bank Finland Plc.

Report on the key aspects of the systems for internal control and risk management regarding financial reports for the Financial Year 2011

Nordea Bank Finland Plc belongs to the Nordea Group and the internal control and risk management systems in relation to the financial reporting process are organised at Nordea level. Financial reporting processes are fully integrated within Nordea. The Board of Directors of Nordea Bank Finland Plc is monitoring financial and risk reporting at Nordea Bank Finland Plc level and has dealt with the risk reports on Nordea Bank Finland Plc level. Nordea Bank Finland Plc complies with the Group directives and supporting instructions from applicable parts.

The Internal control process is a process, carried out by the Board of Directors, management and other personnel within Nordea, designed to provide reasonable assurance regarding the achievement of objectives in terms of effectiveness and efficiency of operations, reliability of operational and financial reporting, compliance with external and internal regulations, and safeguarding of assets, including sufficient management of risks in operations.

The Internal Control process is based on the Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

The framework for the Internal control process aims at creating the necessary preconditions for the whole organisation to contribute to the effectiveness and the high quality of internal control, through e.g. clear definitions, assignments of roles and responsibilities as well as common tools and procedures.

Roles and responsibilities in respect of internal control and risk management are divided in three lines of defence. In the first line of defence, Line Management, Business Areas and Group Functions are responsible for operating their business within limits for risk exposure and in accordance with decided framework for internal control and risk management. As second line of defence, the service and staff units are responsible for providing the framework of internal control and risk management. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes, which is the third line of defence.

The systems for Internal control and risk management over financial reporting are designed to give reasonable assurance concerning reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies and issuers of bonds. The internal control and risk management activities are included in Nordea's planning and resource allocation processes. Internal control and risk management over financial reporting in Nordea can be described in accordance with the COSO framework (Internal Control - Integrated framework, by the Committee of Sponsoring Organizations of the Treadway commission) as follows:

Control Environment

The control environment constitutes the basis for Nordea's internal control and contains the culture and values established by the Board of Directors and Executive Management of Nordea Bank AB (publ).

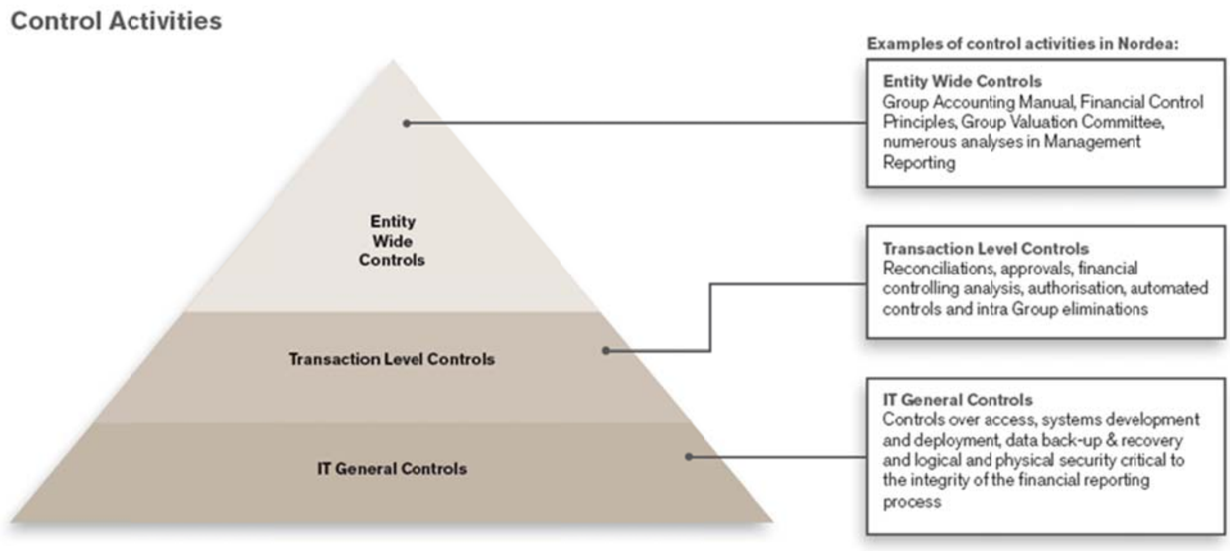
A clear and transparent organisational structure is of importance for the control environment. Nordea's business structure aims to support the overall strategy, with a strong business momentum and increased requirements on capital and liquidity. The business as well as the organisation is under continuous development.

The key principle of risk management in Nordea is the three lines of defence, with the first line of defence being the business organisation, the second line of defence the centralised risk group functions which defines a common set of standards and the third line of defence being the internal audit function, see illustration "Internal Control Process" (under the heading "Internal Control Process"). The second line of defence function, Accounting Key Controls (AKC), is established and the initiative aims at implementing a Nordea Group-wide system of accounting key controls to ensure that controls essential for the financial reporting are continuously identified, monitored and assessed.

Risk Assessment

The Board of Directors has the ultimate responsibility for limiting and monitoring the Nordea Group's risk exposure and risk management is considered as an integral part of running the business. The main responsibility for performing risk assessments regarding financial reporting risks lies with the business organisation. To have the Risk Assessments performed close to the business, increases the chance of identifying the most relevant risks. In order to govern the quality, central functions stipulate in governing documents when and how these assessments are to be performed. Examples of Risk Assessments, performed at least annually, are Quality and Risk Analysis for changes and Self Risk Assessments on divisional levels.

Control Activities



The heads of the respective units are primarily responsible for managing the risks, associated with the units' operations and financial reporting processes. This responsibility is primarily supported by the Group Accounting Manual (GAM), the Financial Control Principles and various governing bodies, as for example the Group Valuation Committee. The GAM includes a standard reporting package used by all entities to ensure consistent use of Nordea's principles and coordinated financial reporting. Fundamental internal control principles in Nordea are segregation of duties and the four-eye principle when approving e.g. transactions and authorisations.

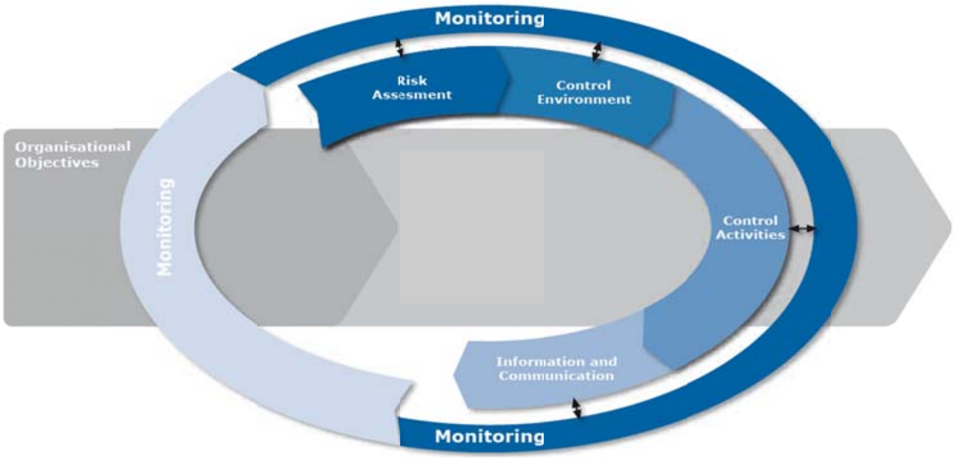
The quality assurance vested in the management reporting process, where detailed analysis of the financial outcome is performed, constitutes one of the most important control mechanisms associated with the reporting process. The reconciliations constitute another set of important controls where Nordea works continuously to further strengthening the quality.

Information & Communication
Group Functions are responsible for ensuring that the Group Accounting Manual and the Financial Control Principles are up-to-date and that changes are communicated to the responsible units. These governing documents are broken down into instructions and standard operating procedures in the responsible units. On an annual basis accounting specialists within Group Finance provide sessions for accountants and controllers in order to inform about existing and updated rules and regulations with an impact on Nordea.

The Finance Value Programme is an initiative focusing on the financial information processing. By transforming the financial reporting process and the financial information flow, the Programme is aiming at one integrated, effective finance reporting process that will enable faster reporting and a better ability to adapt to changes in the future.

Matters affecting the achievement of financial reporting objectives are communicated with outside parties, where Nordea actively participates in relevant national fora, for example fora established by the Financial Supervisory Authorities, Central Banks, and associations for financial institutions.

Monitoring
Nordea has established a process with the purpose of ensuring a proper monitoring of the quality of the financial reporting and the follow-up regarding possible deficiencies. This interactive process aims to cover all COSO-components and can be illustrated with the figure below:



The CEO of Nordea annually issues a report to the Board of Directors of Nordea Bank AB (publ) on the quality of internal control in Nordea. This report is based on an internal control process checklist and a hierarchical reporting covering the whole organisation. Internal control and risk assessment regarding financial reporting is included as one of several focus categories in this process.

The Board of Directors, Group Internal Audit (GIA) and the Board Audit Committee have an important role with regards to monitoring the internal control over financial reporting in Nordea Group.

Group Internal Audit is an independent function commissioned by the Board of Directors of Nordea Bank AB (publ). The Board Audit Committee is responsible for guidance and evaluation of GIA. The purpose of GIA's assurance activity is to add value to the organisation by assuring the quality of the governance, risk management, and control processes as well as promoting continuous improvement.

The Board of Directors of Nordea Bank Finland Plc approves the Group Internal Audit Annual Plan for Nordea Group and deals with the Group Internal Audit Annual Report on Nordea Bank Finland Plc.

The Board Audit Committee also assists the Board of Directors of Nordea Bank AB (publ) in fulfilling its supervisory responsibilities by among other things monitoring the Nordea Group's financial reporting process, and in relation to this the effectiveness of the internal control and risk management systems and the effectiveness of GIA. The Board audit committee is further accountable for keeping itself informed as to the statutory audit of the annual and consolidated accounts and reviewing and monitoring the impartiality and independence of the external auditors, and in particular the provision of additional services to the Nordea Group.

This Corporate Governance Report, including the Report on the key aspects of the systems for internal control and risk management regarding financial reports, has not been reviewed by the external auditors and it is not part of the formal financial statements.

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