

**Interim Report January–June 2011**  
**Nordea Bank Finland Plc**

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*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, approx. 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.*

# Nordea Bank Finland Group

## Result summary January-June 2011

The first half of 2011 showed continued high total income, up by 2% to EUR 1,283m (1,264). Total expenses were stable at EUR 521m and net loan losses decreased significantly. (The comparison figures in brackets refer to the first six months of 2010.)

NBF's operating profit increased by 26% compared to the same period last year and it amounted to EUR 723m (576). Return on equity was 9.6% (7.7) and the cost/income ratio 41% (41). Net profit increased by 28% to EUR 532m (417).

### Market development in the first half of 2011

The Finnish economy continued to expand at a pace of more than 5% in early 2011 compared to the previous year, which was notably faster than in the euro zone in general. Growth rates of above 5% are temporary, and growth is bound to slow down. The recent development of both consumer and industrial confidence already points towards a slowdown, while growth in industrial production, orders and exports has come down from high levels amidst moderating global growth. The labour market has continued to improve, pushing the unemployment rate lower. The rise in short market interest rates has continued, while the Euro-zone debt crisis remains a source of uncertainty.

### Income

Net interest income increased by 13% compared to the first half last year and amounted to EUR 656m (578). Lending volumes increased by 47% year-on-year. Excluding reverse repurchase agreements growth in lending was 5%. Deposits and borrowings from the public increased by 54% year-on-year due to the higher volume of repurchase agreements. Excluding repurchase agreements, total deposits were up 3%, despite fierce competition for savings deposits. Corporate lending margins were somewhat higher than in the first half of 2010. Due to higher interest rates average corporate and household deposit margins increased as well.

Net fee and commission income was stable and amounted to EUR 145m (145). Commission income increased by 11% mainly due to positive development in asset management commissions, increased payment and card fees as well as higher lending fees. Commission expenses increased by 20% as a result of higher other commission expenses.

Net result from items at fair value decreased from the high level in 2010 by 12% to EUR 461m (526). The customer-driven capital markets operations continued to be strong with higher volumes, but the result was on a lower level.

Profit from companies accounted for under the equity method increased slightly and amounted to EUR 3m (1).

Other operating income increased to EUR 18m (14).

### Expenses

Total operating expenses were stable and amounted to EUR 521m (521).

Staff costs increased by 7% to EUR 287m (267) explained by salary raises as well as higher pension and social expenses. The number of full-time employees decreased by 76 year-on-year.

Other operating expenses totalled EUR 213m (234), down by 9% compared to last year. The decrease is mainly explained by lower IT and other expenses than in the corresponding period last year.

Depreciation of tangible and intangible assets increased to EUR 21m (20).

The cost/income ratio was 41% in the first half of 2011.

### Loan losses

Net loan losses in the first half of 2011 decreased by 77% to EUR 39m (167) corresponding to a loan loss ratio of 11 basis points (51).

Throughout this report, "Nordea Bank Finland" and "NBF" refer to the parent company Nordea Bank Finland Plc, business identity code 1680235-8, with its subsidiaries. The registered office of the company is in Helsinki. Nordea Bank Finland Plc is a wholly owned subsidiary of Nordea Bank AB (publ), the listed parent company of the whole Nordea Group. The business operations of the Nordea Group have been organised in three business areas, with full responsibility for their value chains: Retail Banking, Wholesale Banking and Wealth Management. The consolidated interim report of Nordea Bank AB (publ) embraces all the activities of the Nordea Group and provides the most complete and fair view. This statutory interim report covers the operations of the legal entity Nordea Bank Finland Plc with its subsidiaries.

Net loan losses as well as impaired loans continue to stem from a large number of smaller and medium-sized exposures rather than from a few large exposures.

#### **Taxes**

The effective tax rate for the first half of 2011 was approximately 26% compared to 28% in the first half of 2010.

#### **Net profit**

Net profit increased by 28% to EUR 532m (417), corresponding to a return on equity of 9.6% compared to 7.7% in the first half of last year.

#### **Other information**

##### **New organisation established June 2011**

As of June 2011, a new organisation has been established, which builds on the value-chain thinking that has been central in the Nordea operating model since 2007. The reorganisation is developed around the three main business areas: Retail Banking, Wholesale Banking and Wealth Management. All parts of the value chains – customer responsibility, support, products, staff and IT development – are being incorporated into these business areas with the clear objective to improve efficiency, increase ROE and deepen the customer relationships.

In addition, a business unit called Group Operations and Other Lines of Business has been established. Group Corporate Centre and Group Risk Management will remain as central parts of the organisation.

The financial reporting will be adapted to the new organisation in the Annual Report 2011.

##### **Mitigating actions in relation to the New Normal**

Profitability will be a key to maintaining high rating, low funding costs and flexibility in Nordea's capital position. A sound profitability is therefore a prerequisite for sustainable great customer experiences.

The best banks are anticipated to reach ROE levels of around 15%. To stay in that group, Nordea needs to increase ROE by taking actions on both cost and capital efficiency, and at the same time continue to deliver income growth. The New Normal targets and plans to get there will be presented by Nordea in the autumn.

#### **Balance sheet**

(Comparison figures in brackets refer to December 2010 figures)

The total assets of NBF amounted to EUR 301bn (269). The change relates mainly to the continued centralisation of Nordea Capital Markets trading activities to NBF in the latter half of 2010.

The growth rate of the housing loan stock was 4% in Finland. Total loans to the public increased by 37% compared with the end of 2010. Excluding repurchase agreements the increase was 4%.

Deposits and borrowings from the public increased from the year-end level and amounted to EUR 72bn (55). Excluding repurchase agreements deposits totalled EUR 48bn (49).

#### **Capital position and capital management**

At the end of June, NBF's risk-weighted assets (RWA) were EUR 71.0bn excluding transition rules, compared to EUR 75.2bn at year-end 2010 and EUR 76.2bn one year ago. As transition rules had no effect on RWA, the reported RWA decreased by EUR 4.2bn compared with end 2010 figures.

The Tier 1 ratio was 14.4% and the total capital ratio was 15.1%. Profit for the period has not been included in Tier 1.

#### **Credit portfolio**

Total lending was EUR 101bn (69) at the end of June 2011. The share of lending to corporate customers was 64%. Lending in the Baltic countries constitutes 8% of NBF's total lending.

Impaired loans gross increased to EUR 2,078m at the end of June 2011 compared to EUR 1,871m at the end of December 2010. Individually assessed impaired loans, net, amounted to EUR 1,456m (1,306), representing 0.91% of total loans before allowances. At year-end 2010 the ratio was 0.92%.

Total allowances in the Baltic countries amounted to EUR 294m, of which EUR 149m were collective provisions.

#### **Off-balance sheet commitments**

The total amount of off-balance sheet commitments decreased to EUR 37.0bn compared to 37.4bn at year-end 2010. The volumes of derivatives have continued to grow and they amounted to EUR 6,624bn (5,885).

### **Changes in group structure**

During the first half of the year NBF decreased its ownership in Realia Holding Oy to 25%.

### **Risks and uncertainties**

Nordea's revenue base reflects the Group's business with a large and diversified customer base, comprising household customers, corporate customers and financial institutions, representing different geographic areas and industries.

Nordea's main risk exposure is credit risk. The Group also assumes risks such as market risk, liquidity risk, operational risk and life insurance risk. For further information on risk composition, see the Annual Report.

The financial crisis and the deteriorating macroeconomic situation have not had material impact on Nordea's financial position. However, the macroeconomic development remains uncertain.

None of the above exposures and risks is expected to have any significant adverse effect on the Group or its financial position in the next six months.

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

### **Outlook 2011**

The global macroeconomic development has been turbulent in the spring. The fiscal crisis in Greece, uncertain development in other PIIGS countries and continued imbalances in the global economy have increased economic uncertainty also in Northern Europe. However, the Nordic economies have on the whole maintained good development. The recovery continues in the Baltic countries, not only in Estonia, but also in Latvia and Lithuania.

Stockholm, 19 July 2011  
Board of Directors

## Key financial figures

### Income statement

EURm	Jan-Jun 2011	Jan-Jun 2010	Change %	Full year 2010
Net interest income	656	578	13	1,182
Net fee and commission income	145	145	0	289
Net result from items at fair value	461	526	-12	979
Equity method	3	1	200	6
Other operating income	18	14	29	43
<b>Total operating income</b>	<b>1,283</b>	<b>1,264</b>	<b>2</b>	<b>2,499</b>
Staff costs	-287	-267	7	-553
Other expenses	-213	-234	-9	-479
Depreciation of tangible and intangible assets	-21	-20	5	-41
<b>Total operating expenses</b>	<b>-521</b>	<b>-521</b>	<b>0</b>	<b>-1,073</b>
<b>Profit before loan losses</b>	<b>762</b>	<b>743</b>	<b>3</b>	<b>1,426</b>
Net loan losses	-39	-167	-77	-272
Impairment of securities held as financial non-current assets	0	-		2
<b>Operating profit</b>	<b>723</b>	<b>576</b>	<b>26</b>	<b>1,156</b>
Income tax expense	-191	-159	20	-302
<b>Net profit for the period</b>	<b>532</b>	<b>417</b>	<b>28</b>	<b>854</b>

### Business volumes, key items

EURm	30 Jun 2011	30 Jun 2010	Change %	31 Dec 2010	Change %
Loans to the public	100,959	68,687	47	73,607	37
Deposits and borrowings from the public	71,772	46,487	54	55,459	29
Equity	11,044	10,790	2	11,224	-2
Total assets	300,953	268,527	12	286,086	5

### Ratios and key figures

	Jan-Jun 2011	Jan-Jun 2010	Full year 2010
Return on equity, %	9.6	7.7	7.7
Cost/income ratio, %	41	41	43
Tier 1 capital ratio <sup>1</sup> , %	14.4	13.3	13.6
Total capital ratio <sup>1</sup> , %	15.1	13.9	14.3
Tier 1 capital <sup>1</sup> , EURm	10,221	10,103	10,242
Risk-weighted assets incl. transition rules, EURm	71,028	76,229	75,203
Loan loss ratio, basis points	11	51	41
Number of employees (full-time equivalents) <sup>1</sup>	9,156	9,232	9,097

<sup>1</sup> End of period

#### Formulas used

##### Return on equity, %:

100 x (Operating profit after taxes) / (Shareholders' equity (average for beginning and end of year))

##### Cost/income ratio, %:

100 x (Total operating expenses/Total operating income)

##### Loan loss ratio

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

## Income statement

EURm	Note	Jan-Jun 2011	Jan-Jun 2010	Full year 2010
<b>Operating income</b>				
<i>Interest income</i>		1,206	934	1,958
<i>Interest expense</i>		-550	-356	-776
Net interest income		656	578	1,182
<i>Fee and commission income</i>		352	318	649
<i>Fee and commission expense</i>		-207	-173	-360
Net fee and commission income	3	145	145	289
Net result from items at fair value	4	461	526	979
Profit from companies accounted for under the equity method		3	1	6
Other operating income		18	14	43
<b>Total operating income</b>		<b>1,283</b>	<b>1,264</b>	<b>2,499</b>
<b>Operating expenses</b>				
General administrative expenses:				
Staff costs		-287	-267	-553
Other expenses		-213	-234	-479
Depreciation, amortisation and impairment charges of tangible and intangible assets		-21	-20	-41
<b>Total operating expenses</b>		<b>-521</b>	<b>-521</b>	<b>-1,073</b>
<b>Profit before loan losses</b>		<b>762</b>	<b>743</b>	<b>1,426</b>
Net loan losses	6	-39	-167	-272
Impairment of securities held as financial non-current assets		0	-	2
<b>Operating profit</b>		<b>723</b>	<b>576</b>	<b>1,156</b>
Income tax expense		-191	-159	-302
<b>Net profit for the period</b>		<b>532</b>	<b>417</b>	<b>854</b>
<b>Attributable to:</b>				
Shareholders of Nordea Bank Finland Plc		531	415	852
Non-controlling interests		1	2	2
<b>Total</b>		<b>532</b>	<b>417</b>	<b>854</b>

## Statement of comprehensive income

EURm	Jan-Jun 2011	Jan-Jun 2010	Full year 2010
<b>Net profit for the period</b>	<b>532</b>	<b>417</b>	<b>854</b>
Currency translation differences during the period	-4	0	2
Available-for-sale investments:			
Valuation gains/losses during the period	-7	-	1
Tax on valuation gains/losses during the period	2	-	0
<b>Other comprehensive income, net of tax</b>	<b>-9</b>	<b>0</b>	<b>3</b>
<b>Total comprehensive income</b>	<b>523</b>	<b>417</b>	<b>857</b>
<b>Attributable to:</b>			
Shareholders of Nordea Bank Finland Plc	522	415	855
Non-controlling interests	1	2	2
<b>Total</b>	<b>523</b>	<b>417</b>	<b>857</b>

## Balance sheet

EURm	Note	30 Jun 2011	31 Dec 2010	30 Jun 2010
<b>Assets</b>				
Cash and balances with central banks		4,449	7,485	1,016
Treasury bills		2,268	2,359	1,675
Loans to credit institutions	7	58,188	67,751	57,978
Loans to the public	7	100,959	73,607	68,687
Interest-bearing securities		22,719	21,578	7,581
Financial instruments pledged as collateral		10,142	5,304	274
Shares		1,194	1,079	1,129
Derivatives	10	81,880	97,251	120,436
Fair value changes of the hedged items in portfolio hedge of interest rate risk		41	96	149
Investments in associated undertakings		78	61	56
Intangible assets		97	85	77
Property and equipment		123	124	123
Investment property		49	32	37
Deferred tax assets		13	17	18
Current tax assets		82	84	49
Retirement benefit assets		109	104	95
Other assets		17,880	8,562	8,695
Prepaid expenses and accrued income		682	507	452
<b>Total assets</b>		<b>300,953</b>	<b>286,086</b>	<b>268,527</b>
<b>Liabilities</b>				
Deposits by credit institutions		61,955	60,549	46,127
Deposits and borrowings from the public		71,772	55,459	46,487
Debt securities in issue		44,361	39,846	36,932
Derivatives	10	80,638	95,676	118,996
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-93	-58	5
Current tax liabilities		13	1	1
Other liabilities		29,937	22,105	7,922
Accrued expenses and prepaid income		731	652	601
Deferred tax liabilities		48	47	45
Provisions		66	80	84
Retirement benefit obligations		29	28	28
Subordinated liabilities		452	477	509
<b>Total liabilities</b>		<b>289,909</b>	<b>274,862</b>	<b>257,737</b>
<b>Equity</b>				
Non-controlling interests		5	6	6
Share capital		2,319	2,319	2,319
Share premium reserve		599	599	599
Other reserves		2,843	2,849	2,848
Retained earnings		5,278	5,451	5,018
<b>Total equity</b>		<b>11,044</b>	<b>11,224</b>	<b>10,790</b>
<b>Total liabilities and equity</b>		<b>300,953</b>	<b>286,086</b>	<b>268,527</b>
Assets pledged as security for own liabilities <sup>1</sup>		39,827	30,957	18,718
Other assets pledged		-	-	-
Contingent liabilities		18,463	18,111	17,921
Credit commitments <sup>2</sup>		17,769	18,212	16,971
Other commitments		796	1,038	701

<sup>1</sup> Includes, as from June 2011, only assets on NBF's balance sheet. Comparative figures have been restated accordingly.

<sup>2</sup> Including unutilised portion of approved overdraft facilities of EUR 9,582m (31 Dec 2010: 9,518m, 30 Jun 2010: 9,510m).

## Statement of changes in equity

### Attributable to shareholders of Nordea Bank Finland Plc

EURm	Other reserves:					Retained earnings	Total	Non-control- ling interests	Total equity
	Share capital <sup>1</sup>	Share premium reserve	Other reserves	Available -for-sale investments					
<b>Opening balance at 1 Jan 2011</b>	<b>2,319</b>	<b>599</b>	<b>2,848</b>	<b>1</b>	<b>5,451</b>	<b>11,218</b>	<b>6</b>	<b>11,224</b>	
Total comprehensive income				-5	529	524	-1	523	
Share-based payments					1	1		1	
Dividend for 2010					-700	-700		-700	
Other changes			-1		-3	-4		-4	
<b>Closing balance at 30 Jun 2011</b>	<b>2,319</b>	<b>599</b>	<b>2,847</b>	<b>-4</b>	<b>5,278</b>	<b>11,039</b>	<b>5</b>	<b>11,044</b>	

### Attributable to shareholders of Nordea Bank Finland Plc

EURm	Other reserves:					Retained earnings	Total	Non-control- ling interests	Total equity
	Share capital <sup>1</sup>	Share premium reserve	Other reserves	Available -for-sale investments					
<b>Opening balance at 1 Jan 2010</b>	<b>2,319</b>	<b>599</b>	<b>2,848</b>	<b>0</b>	<b>5,200</b>	<b>10,966</b>	<b>6</b>	<b>10,972</b>	
Total comprehensive income			0	1	854	855	2	857	
Share-based payments					3	3		3	
Dividend for 2009					-600	-600		-600	
Other changes					-6	-6	-2	-8	
<b>Closing balance at 31 Dec 2010</b>	<b>2,319</b>	<b>599</b>	<b>2,848</b>	<b>1</b>	<b>5,451</b>	<b>11,218</b>	<b>6</b>	<b>11,224</b>	

### Attributable to shareholders of Nordea Bank Finland Plc

EURm	Other reserves:					Retained earnings	Total	Non-control- ling interests	Total equity
	Share capital <sup>1</sup>	Share premium reserve	Other reserves	Available -for-sale investments					
<b>Opening balance at 1 Jan 2010</b>	<b>2,319</b>	<b>599</b>	<b>2,848</b>	<b>0</b>	<b>5,200</b>	<b>10,966</b>	<b>6</b>	<b>10,972</b>	
Total comprehensive income					415	415	2	417	
Share-based payments					2	2		2	
Dividend for 2009					-600	-600		-600	
Other changes					1	1	-2	-1	
<b>Closing balance at 30 Jun 2010</b>	<b>2,319</b>	<b>599</b>	<b>2,848</b>	<b>0</b>	<b>5,018</b>	<b>10,784</b>	<b>6</b>	<b>10,790</b>	

<sup>1</sup> Total shares registered were 1,030.8 million (31 Dec 2010: 1,030.8 million, 30 Jun 2010: 1,030.8 million).

## Cash flow statement

EURm	Jan-Jun 2011	Jan-Jun 2010	Full year 2010
<i>Operating activities</i>			
Operating profit	723	576	1,156
Adjustments for items not included in cash flow	289	-298	-967
Income taxes paid	-172	-335	-510
Cash flow from operating activities before changes in operating assets and liabilities	840	-57	-321
Changes in operating assets and liabilities	-2,421	-8,881	-9,331
Cash flow from operating activities	-1,581	-8,938	-9,652
<i>Investing activities</i>			
Sale/acquisition of business operations	-13	2	3
Property and equipment	1	-25	-38
Intangible assets	-19	-14	-28
Net investments in debt securities, held to maturity	3,314	125	679
Other financial fixed assets	-	-	0
Cash flow from investing activities	3,283	88	616
<i>Financing activities</i>			
Issued/amortised subordinated liabilities	-22	46	28
Dividend paid	-700	-600	-600
Other changes	-8	0	-3
Cash flow from financing activities	-730	-554	-575
<b>Cash flow for the period</b>	<b>972</b>	<b>-9,404</b>	<b>-9,611</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>14,947</b>	<b>24,558</b>	<b>24,558</b>
Translation difference	38	0	0
<b>Cash and cash equivalents at end of the period</b>	<b>15,881</b>	<b>15,154</b>	<b>14,947</b>
<b>Change</b>	<b>972</b>	<b>-9,404</b>	<b>-9,611</b>
<b>Cash and cash equivalents</b>	30 Jun	30 Jun	31 Dec
The following items are included in cash and cash equivalents (EURm):	<u>2011</u>	<u>2010</u>	<u>2010</u>
Cash and balances with central banks	4,449	1,016	7,485
Loans to credit institutions, payable on demand	11,432	14,138	7,462

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 at 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

NBF's consolidated 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 rules in the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervisory Authority's regulations and guidelines and the Decree of the Ministry of Finance

on the financial statements and consolidated financial statements of credit institutions, have also been applied. These statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The interim report is unaudited. The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2010 Annual Report.

### Note 2 Segment reporting

	Operating segments							
	Nordic Banking		New European Markets		Financial Institutions		Shipping, Oil Services & International	
	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2010
EURm								
Total operating income	784	716	109	91	51	46	74	51
Operating profit	334	180	40	-3	31	27	55	43
Loans to the public	57,072	48,569	8,216	6,913	356	246	7,248	6,886
Deposits and borrowings from the public	38,610	37,264	1,892	1,728	977	820	5,683	6,198

  

	Other Operating segments		Total Operating segments		Reconciliation		Total Group	
	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2010
	EURm							
Total operating income	219	374	1,237	1,278	46	-14	1,283	1,264
Operating profit	205	240	665	487	58	89	723	576
Loans to the public	28,947	6,289	101,839	68,903	-880	-216	100,959	68,687
Deposits and borrowings from the public	23,954	55	71,116	46,065	656	422	71,772	46,487

**Reconciliation between total operating segments and financial statements**

EURm	Operating profit		Loans to the public		Deposits and borrowings from the public	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2011	2010	2011	2010	2011	2010
Total Operating segments	665	487	101,839	68,903	71,116	46,065
Group functions <sup>1</sup> and unallocated items	58	89	-880	-216	656	422
Differences in accounting policies	-	-	-	-	-	-
<b>Total</b>	<b>723</b>	<b>576</b>	<b>100,959</b>	<b>68,687</b>	<b>71,772</b>	<b>46,487</b>

<sup>1</sup> Consists of Group Management Secretariat, Group Executive Management, Group Internal Audit, Group Credit and Risk Control, Group Human Resources and Group Identity and Communications.

**Change in basis of segmentation and measurement of segment profit or loss**

Compared with the 2010 Annual Report there have been no changes in the basis of segmentation and measurement of segment profit or loss.

**Reportable Operating segments**

Nordic Banking conducts a full service banking operation. It is Nordea's largest customer area and serves household customers and corporate customers in the Nordic markets. The branches within Nordea's banking activities in the New European Markets offer full banking services for local and Nordic corporate and personal customers in Estonia, Latvia and Lithuania. The Financial Institutions segment is responsible for Nordea's customers within the financial institution industry. The segment Shipping, Oil Services & International is responsible for Nordea's customers within the shipping, offshore and oil services industries.

**Note 3 Net fee and commission income**

EURm	Jan-Jun	Jan-Jun	Full year
	2011	2010	2010
Asset Management commissions	28	24	50
Life insurance	2	4	7
Brokerage	14	13	27
Custody	11	10	20
Deposits	3	2	5
Total savings related commissions	58	53	109
Payments	89	86	175
Cards	43	37	78
Total payment commissions	132	123	253
Lending	43	35	72
Guarantees and documentary payments	72	70	143
Total lending related commissions	115	105	215
Other commission income	47	37	72
<b>Fee and commission income</b>	<b>352</b>	<b>318</b>	<b>649</b>
Payment expenses	-27	-36	-74
Other commission expenses	-180	-137	-286
<b>Fee and commission expenses</b>	<b>-207</b>	<b>-173</b>	<b>-360</b>
<b>Net fee and commission income</b>	<b>145</b>	<b>145</b>	<b>289</b>

**Note 4 Net result from items at fair value**

EURm	Jan-Jun 2011	Jan-Jun 2010	Full year 2010
Shares/participations and other share-related instruments	18	30	35
Interest-bearing securities and other interest-related instruments	384	321	644
Other financial instruments	46	61	109
Foreign exchange gains/losses	13	115	193
Investment properties	0	-1	-2
<b>Total</b>	<b>461</b>	<b>526</b>	<b>979</b>

**Note 5 Other expenses**

EURm	Jan-Jun 2011	Jan-Jun 2010	Full year 2010
Information technology <sup>1</sup>	-69	-74	-168
Marketing and entertainment <sup>2</sup>	-18	-18	-40
Postage, transportation, telephone and office expenses <sup>2</sup>	-24	-25	-48
Rents, premises and real estate expenses	-45	-43	-86
Other	-57	-74	-137
<b>Total</b>	<b>-213</b>	<b>-234</b>	<b>-479</b>

<sup>1</sup> Refers to IT operations, service expenses and consultant fees. Total IT-related costs including staff etc, were EUR 106m in the first half of 2011 (EUR 103m in the first half of 2010).

<sup>2</sup> Comparative figures have been restated to reflect the new categories used in 2010.

**Note 6 Net loan losses**

EURm	Jan-Jun 2011	Jan-Jun 2010	Full year 2010
<b>Loan losses divided by class</b>			
Loans to credit institutions	0	-	0
Loans to the public	-43	-139	-247
- of which provisions	-128	-156	-342
- of which write-offs	-41	-71	-153
- of which allowances used for covering write-offs	25	43	96
- of which reversals	91	30	130
- of which recoveries	10	15	22
Off-balance sheet items	4	-28	-25
<b>Total</b>	<b>-39</b>	<b>-167</b>	<b>-272</b>

**Key ratios**

	Jan-Jun 2011	Jan-Jun 2010	Full year 2010
Loan loss ratio, basis points <sup>1</sup>	11	51	41
- of which individual	24	42	42
- of which collective	-13	9	0

<sup>1</sup> Net loan losses (annualised) divided by opening balance of loans to the public (lending).

## Note 7 Loans and impairment

EURm	Total		
	30 Jun 2011	31 Dec 2010	30 Jun 2010
Loans, not impaired	157,962	140,368	125,719
Impaired loans	2,078	1,871	1,794
- Performing	1,207	1,038	939
- Non-performing	871	833	855
<b>Loans before allowances</b>	<b>160,040</b>	<b>142,239</b>	<b>127,513</b>
Allowances for individually assessed impaired loans	-622	-565	-504
- Performing	-392	-359	-289
- Non-performing	-230	-206	-215
Allowances for collectively assessed impaired loans	-271	-316	-344
<b>Allowances</b>	<b>-893</b>	<b>-881</b>	<b>-848</b>
<b>Loans, carrying amount</b>	<b>159,147</b>	<b>141,358</b>	<b>126,665</b>

EURm	Credit institutions			The public		
	30 Jun 2011	31 Dec 2010	30 Jun 2010	30 Jun 2011	31 Dec 2010	30 Jun 2010
Loans, not impaired	58,189	67,752	57,978	99,773	72,616	67,741
Impaired loans	24	24	25	2,054	1,847	1,769
- Performing	-	-	-	1,207	1,038	939
- Non-performing	24	24	25	847	809	830
<b>Loans before allowances</b>	<b>58,213</b>	<b>67,776</b>	<b>58,003</b>	<b>101,827</b>	<b>74,463</b>	<b>69,510</b>
Allowances for individually assessed impaired loans	-25	-25	-25	-597	-540	-479
- Performing	-	-	-	-392	-359	-289
- Non-performing	-25	-25	-25	-205	-181	-190
Allowances for collectively assessed impaired loans	0	0	0	-271	-316	-344
<b>Allowances</b>	<b>-25</b>	<b>-25</b>	<b>-25</b>	<b>-868</b>	<b>-856</b>	<b>-823</b>
<b>Loans, carrying amount</b>	<b>58,188</b>	<b>67,751</b>	<b>57,978</b>	<b>100,959</b>	<b>73,607</b>	<b>68,687</b>

### Allowances and provisions

EURm	30 Jun 2011	31 Dec 2010	30 Jun 2010
Allowances for items in the balance sheet	-893	-881	-848
Provisions for off balance sheet items	-42	-47	-49
<b>Total allowances and provisions</b>	<b>-935</b>	<b>-928</b>	<b>-897</b>

### Key ratios

	30 Jun 2011	31 Dec 2010	30 Jun 2010
Impairment rate, gross <sup>1</sup> , basis points	130	132	141
Impairment rate, net <sup>2</sup> , basis points	91	92	101
Total allowance rate <sup>3</sup> , basis points	56	62	67
Allowances in relation to impaired loans <sup>4</sup> , %	30	30	28
Total allowances in relation to impaired loans <sup>5</sup> , %	43	47	47
Non-performing, not impaired <sup>6</sup> , EURm	58	57	58

<sup>1</sup> Individually assessed impaired loans before allowances divided by total loans before allowances.

<sup>2</sup> Individually assessed impaired loans after allowances divided by total loans before allowances.

<sup>3</sup> Total allowances divided by total loans before allowances.

<sup>4</sup> Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

<sup>5</sup> Total allowances divided by total impaired loans before allowances.

<sup>6</sup> Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

## Note 8 Classification of financial instruments

EURm	Loans and receivables	Held to maturity	Held for trading	Fair value option	Derivatives used for hedging	Available for sale	Total
<b>Financial assets</b>							
Cash and balances with central banks	4,449						4,449
Treasury bills			2,268				2,268
Loans to credit institutions	40,997		17,191				58,188
Loans to the public	72,012		28,947				100,959
Interest-bearing securities		2,724	16,463			3,532	22,719
Financial instruments pledged as collateral			10,142				10,142
Shares			1,170	24			1,194
Derivatives			81,775		105		81,880
Fair value changes of the hedged items in portfolio hedge of interest rate risk	41						41
Other assets	14,097			3,769			17,866
Prepaid expenses and accrued income	247		116				363
<b>Total 30 Jun 2011</b>	<b>131,843</b>	<b>2,724</b>	<b>158,072</b>	<b>3,793</b>	<b>105</b>	<b>3,532</b>	<b>300,069</b>
Total 31 Dec 2010	132,786	6,039	139,545	3,374	67	3,571	285,382
Total 30 Jun 2010	127,975	6,592	126,666	6,383	266	0	267,882
<b>Financial liabilities</b>							
EURm			Held for trading	Fair value option	Derivatives used for hedging	Other financial liabilities	Total
Deposits by credit institutions			19,033	10,309		32,613	61,955
Deposits and borrowings from the public			23,957			47,815	71,772
Debt securities in issue			6,104			38,257	44,361
Derivatives			80,338		300		80,638
Fair value changes of the hedged items in portfolio hedge of interest rate risk						-93	-93
Other liabilities			11,424	2,637		15,865	29,926
Accrued expenses and prepaid income				66		283	349
Subordinated liabilities						452	452
<b>Total 30 Jun 2011</b>			<b>140,856</b>	<b>13,012</b>	<b>300</b>	<b>135,192</b>	<b>289,360</b>
Total 31 Dec 2010			129,665	9,300	307	135,014	274,286
Total 30 Jun 2010			125,365	3,940	282	127,616	257,203

## Note 9 Financial instruments

### Determination of fair value from quoted market prices or valuation techniques

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
<b>Assets</b>	<b>29,786</b>	<b>132,588</b>	<b>3,128</b>	<b>165,502</b>
Loans to credit institutions		17,191		17,191
Loans to the public		28,947		28,947
Debt securities <sup>1</sup>	29,436	2,754	215	32,405
Shares	263		931	1,194
Derivatives	87	79,811	1,982	81,880
Other assets		3,769		3,769
Prepaid expenses and accrued income		116		116
<b>Liabilities</b>	<b>10,483</b>	<b>141,707</b>	<b>1,977</b>	<b>154,167</b>
Deposits by credit institutions		29,341		29,341
Deposits and borrowings from the public		23,957		23,957
Debt securities in issue		6,104		6,104
Derivatives	79	78,582	1,977	80,638
Other liabilities	10,404	3,657		14,061
Accrued expenses and prepaid income		66		66

<sup>1</sup> Of which EUR 2,268m Treasury bills and EUR 19,995m Interest-bearing securities (the portion held at fair value in Note 8). EUR 10,142m relates to the balance sheet item Financial instruments pledged as collateral.

**Note 10 Derivatives**

Fair value EURm	30 Jun 2011		31 Dec 2010		30 Jun 2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Derivatives held for trading</b>						
Interest rate derivatives	66,801	65,498	80,031	78,402	99,534	98,155
Equity derivatives	682	755	719	804	874	1,058
Foreign exchange derivatives	12,201	12,203	13,783	13,675	17,453	17,358
Credit derivatives	1,133	969	1,115	961	1,386	1,286
Commodity derivatives	954	906	1,534	1,525	907	840
Other derivatives	4	7	2	2	16	17
<b>Total</b>	<b>81,775</b>	<b>80,338</b>	<b>97,184</b>	<b>95,369</b>	<b>120,170</b>	<b>118,714</b>

**Derivatives used for hedging**

Interest rate derivatives	94	153	60	183	75	176
Equity derivatives	0	0	-	-	-	-
Foreign exchange derivatives	11	147	7	124	191	106
<b>Total</b>	<b>105</b>	<b>300</b>	<b>67</b>	<b>307</b>	<b>266</b>	<b>282</b>

**Total fair value**

Interest rate derivatives	66,895	65,651	80,091	78,585	99,609	98,331
Equity derivatives	682	755	719	804	874	1,058
Foreign exchange derivatives	12,212	12,350	13,790	13,799	17,644	17,464
Credit derivatives	1,133	969	1,115	961	1,386	1,286
Commodity derivatives	954	906	1,534	1,525	907	840
Other derivatives	4	7	2	2	16	17
<b>Total</b>	<b>81,880</b>	<b>80,638</b>	<b>97,251</b>	<b>95,676</b>	<b>120,436</b>	<b>118,996</b>

**Nominal amount**

EURm	30 Jun 2011	31 Dec 2010	30 Jun 2010
<b>Derivatives held for trading</b>			
Interest rate derivatives	5,594,585	4,887,696	4,212,375
Equity derivatives	15,370	18,934	17,468
Foreign exchange derivatives	900,265	894,237	902,656
Credit derivatives	56,714	52,717	69,660
Commodity derivatives	19,658	15,823	13,950
Other derivatives	112	87	130
<b>Total</b>	<b>6,586,704</b>	<b>5,869,494</b>	<b>5,216,239</b>

**Derivatives used for hedging**

Interest rate derivatives	24,233	15,569	12,684
Equity derivatives	-	-	-
Foreign exchange derivatives	12,630	633	1,652
<b>Total</b>	<b>36,863</b>	<b>16,202</b>	<b>14,336</b>

**Total nominal amount**

Interest rate derivatives	5,618,818	4,903,265	4,225,059
Equity derivatives	15,370	18,934	17,468
Foreign exchange derivatives	912,895	894,870	904,308
Credit derivatives	56,714	52,717	69,660
Commodity derivatives	19,658	15,823	13,950
Other derivatives	112	87	130
<b>Total</b>	<b>6,623,567</b>	<b>5,885,696</b>	<b>5,230,575</b>

## Note 11 Capital adequacy

<b>Capital Base</b>	30 Jun	31 Dec	30 Jun
EURm	2011 <sup>1</sup>	2010	2010 <sup>1</sup>
Tier 1 capital	10,221	10,242	10,103
<b>Total capital base</b>	<b>10,696</b>	<b>10,730</b>	<b>10,585</b>

<sup>1</sup> Excluding profit

<b>Capital requirement</b>	30 Jun	30 Jun	31 Dec	31 Dec	30 Jun	30 Jun
EURm	2011	2011	2010	2010	2010	2010
	Capital requirement	RWA	Capital requirement	RWA	Capital requirement	RWA
<b>Credit risk</b>	<b>4,919</b>	<b>61,487</b>	<b>5,238</b>	<b>65,470</b>	<b>5,354</b>	<b>66,929</b>
IRB	2,548	31,854	2,541	31,766	2,737	34,213
- of which corporate	1,715	21,432	1,718	21,477	1,872	23,401
- of which institutions	442	5,522	446	5,581	489	6,111
- of which retail	373	4,665	356	4,456	351	4,386
of which residential real estate	192	2,399	179	2,237	171	2,133
of which other	181	2,266	178	2,219	180	2,253
- of which other	19	236	20	253	25	315
Standardised	2,371	29,633	2,696	33,704	2,617	32,716
- of which sovereign	19	233	28	348	24	300
- of which retail	326	4,076	347	4,334	392	4,900
of which residential real estate	64	800	46	581	11	144
of which qualifying revolving	-	-	-	-	-	-
of which other	262	3,276	300	3,753	380	4,756
- of which other	2,026	25,324	2,322	29,022	2,201	27,517
<b>Market risk</b>	<b>348</b>	<b>4,352</b>	<b>358</b>	<b>4,474</b>	<b>323</b>	<b>4,042</b>
- of which trading book, VaR	183	2,282	119	1,482	179	2,241
- of which trading book, non-VaR	165	2,070	239	2,992	144	1,801
- of which FX, non-VaR	-	-	-	-	-	-
<b>Operational risk</b>	<b>415</b>	<b>5,189</b>	<b>421</b>	<b>5,258</b>	<b>421</b>	<b>5,258</b>
Standardised	415	5,189	421	5,258	421	5,258
<b>Sub total</b>	<b>5,682</b>	<b>71,028</b>	<b>6,016</b>	<b>75,203</b>	<b>6,098</b>	<b>76,229</b>

### Adjustment for transition rules

Additional capital requirement according to transition rules

	-	-	-	-	-	-
<b>Total</b>	<b>5,682</b>	<b>71,028</b>	<b>6,016</b>	<b>75,203</b>	<b>6,098</b>	<b>76,229</b>

<b>Capital ratio</b>	30 Jun	31 Dec	30 Jun
EURm	2011 <sup>1</sup>	2010	2010 <sup>1</sup>
Tier 1 ratio, %	14.4	13.6	13.3
Capital ratio, %	15.1	14.3	13.9

<sup>1</sup> Excluding profit

### Analysis of capital requirements

Exposure class, 30 Jun 2011	Average risk weight (%)	Capital requirement (EURm)
Corporate	55	1,715
Institutions	23	442
Retail IRB	14	373
Retail SA	64	326
Sovereign	1	19
Other	42	2,044
<b>Total credit risk</b>	<b>33</b>	<b>4,919</b>