

Interim Report January–June 2014

Nordea Bank Finland Plc

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 800 branch office locations 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 2014

The first half of 2014 showed an increase of 9% in total income to EUR 1,219m (1,122). Total expenses grew somewhat and amounted to EUR 538m (529). Net loan losses increased to EUR 49m (36). (The comparison figures in brackets refer to the first six months of 2013.)

NBF's operating profit increased 13% compared to the same period last year and amounted to EUR 632m (557). Return on equity was 10.8% (9.2) and the cost/income ratio 44% (47). Net profit increased 21% to EUR 506m (418).

Macroeconomic trend

The first half of the year was characterised by a continuation of the falling interest rates and volatility, while equities continued to grind higher and credit spreads contracted further. Interest rates were driven lower by subdued inflation particularly in Europe and the associated reaction from the ECB to ease monetary policy further and cut deposit rates to negative territory. Overall, economic indicators in US and Europe as well as Asia, however, continued to signal gradual improvement. Similarly, the peripheral debt markets in Europe continued to suggest improvement.

Market performance in Finland in January-June 2014

The Finnish economy contracted 0.4% in Q1 2014 compared to the previous quarter, and Q2 did not bring any essential improvement to the big picture. The recession has continued for two years, and the economic weakness continues to be broad-based. Lower production implies that the outlook for employment, household sector purchasing power, consumption and investment remains challenging in H2. Depressed domestic demand is reflected as lower imports and one of the lowest economic sentiments within EU countries. Housing prices have more or less stabilized following declines in sales volumes and dwellings production, and are currently at a level consistent with the longer term trends in earnings and free market rents. The sentiment should improve towards the end of 2014, as exports are gradually expected to pick up due to stronger international demand.

Changes in group structure

On 1 April 2014 Nordea Bank Finland Plc sold its operations in Baltic branches and the subsidiaries Promano Est Oü, Promano Lit UAB, SIA Promano Lat, SIA Realm and 4 other Baltic real estate companies to the parent company Nordea Bank AB (publ). The consolidated SPEs for acquiring commercial real estate were also included in the transaction.

The transferred operations will continue as before in Nordea. The impact of the transaction on NBF is not material. However, the income statement impact is presented in a separate Note 12 for comparison purposes. The impact on the balance sheet was approximately EUR -3.1bn.

The Polish Financial Supervision Authority approved the sale of Nordea Bank Polska on 2 March 2014 and the transaction was completed on 1 April 2014. The sale included the wholly-owned subsidiary of Nordea Finance Finland Ltd, Nordea Finance Polska S.A.

Management Group

The President of NBF has established a Management Group to assist and support him in fulfilling his duties derived from his role as responsible for managing the day-to-day operations of NBF. The Management Group consists of NBF's President, CFO, CRO, Board Secretary, Head of Banking Finland and Head of CIB Finland.

Comments on the income statement

Income

Net interest income increased 5% compared to the first half last year and amounted to EUR 595m (566). Lending volumes increased 2% year-on-year. Excluding reverse repurchase agreements, lending decreased 7%. Deposits and borrowings from the public increased 5% year-on-year. Excluding repurchase agreements, total deposits were down 8%. Both lending and deposit margins were higher than in the first half of 2013.

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 fee and commission income was EUR 40m (-90). Commission income was somewhat higher than in the first half of 2013 and amounted to EUR 400m (369). Savings, payment-related and lending-related commissions developed positively. Commission expenses decreased significantly as the guarantee fee paid to Nordea Bank AB (publ) was lower than in the first half of 2013.

Net result from items at fair value decreased 11% to EUR 556m (623).

Profit from companies accounted for under the equity method decreased to EUR 1m (6).

Other operating income was EUR 27m (17). EUR 8m related to the transfer of the Baltic operations to Nordea Bank AB (publ).

Expenses

Total operating expenses increased slightly and amounted to EUR 538m (529). NBF continued to execute on the initial efficiency programme launched at the beginning of 2013. In addition, Nordea has launched an accelerated cost efficiency programme (ACE). The efficiency improvements will reduce activity-related expenses, adjust distribution to meet changed customer behavior increase product and IT platform efficiency and optimise processes and reduce costs in central functions. The first half of 2014 includes restructuring costs of EUR 22m related to the ACE programme.

Staff costs increased 6% to EUR 296m (279), explained partly by redundancy packages. The number of employees has decreased by around 1,370 from the first half of 2013 and by around 1,200 compared to the year-end 2013. The decrease is mainly related to the Baltic branches.

Other operating expenses were somewhat lower than in the corresponding period last year and totalled EUR 221m (230). IT and real estate expenses increased whereas marketing, postage and consulting and other expenses were lower.

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

The cost/income ratio was 44% (47) in the first half of 2014.

Loan losses

Net loan losses increased somewhat to EUR 49m (36) corresponding to a loan loss ratio of 9 basis points (7). The positive impact of the guarantee between NBF and Nordea Bank AB (publ) was EUR 27m (34).

Taxes

The effective tax rate for the first half of 2014 was approximately 20% (25).

Net profit

Net profit increased 21% to EUR 506m (418), corresponding to a return on equity of 10.8% compared to 9.2% in the first half of last year.

Comments on the balance sheet

(Comparison figures in brackets refer to December 2013 figures.)

The total assets of NBF amounted to EUR 318bn (305).

Total loans to the public decreased 2% compared to the end of 2013. Excluding repurchase agreements, lending decreased 8%. Excluding repurchase agreements and the transfer of the Baltic operations, lending increased 2%.

Deposits and borrowings from the public decreased from the year-end level and amounted to EUR 77bn (81). Excluding repurchase agreements, deposits decreased to EUR 48bn. Excluding repurchase agreements and the transfer of the Baltic operations, deposits decreased 4%.

Capital position and capital management

At the end of June, NBF's risk exposure amount (REA, previously referred to as risk-weighted assets, RWA) was EUR 57.8bn, compared to EUR 56.1bn at year-end 2013 and EUR 55.6bn one year ago.

The Tier 1 ratio including profit and including transitional rules was 14.8 % and the total capital ratio 14.9 %. Excluding profit and including transitional rules the Tier 1 ratio was 13.9% and total capital ratio 14.0%.

FIN-FSA has given a permission to buy back in July 2014 a subordinated debenture loan with a nominal value of GBP 300m. The loan has been deducted from own funds in capital adequacy calculations.

Credit portfolio

Total lending was EUR 111bn (114) at the end of June 2014. The share of lending to corporate customers was 67%.

Impaired loans gross decreased and amounted to EUR 1,427m at the end of June 2014 compared to EUR 2,008m at the end of December 2013. Individually assessed impaired loans, net, amounted to EUR 876m (1,294), representing 0.56% of total loans before allowances. At year-end 2013 the ratio was 0.86%.

Off-balance sheet commitments

The total amount of off-balance sheet commitments was largely unchanged and amounted to EUR 31.1bn compared to EUR 32.4bn at year-end 2013. Volumes of derivatives totalled EUR 6,888bn (6,757).

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 deteriorated macroeconomic situation have not had any material impact on Nordea's financial position. However, the macroeconomic development remains uncertain.

None of the above exposures and risks are expected to have any significant adverse effect on the Group or its financial position in the medium term.

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.

Stockholm, 17 July 2014
Board of Directors

Key financial figures

Income statement

EURm	Jan-Jun 2014	Jan-Jun 2013	Change %	Full year 2013
Net interest income	595	566	5	1,183
Net fee and commission income	40	-90		-113
Net result from items at fair value	556	623	-11	1,114
Equity method	1	6	-83	8
Other operating income	27	17	59	32
Total operating income	1,219	1,122	9	2,224
Staff costs	-296	-279	6	-553
Other expenses	-221	-230	-4	-466
Depreciation of tangible and intangible assets	-21	-20	5	-40
Total operating expenses	-538	-529	2	-1,059
Profit before loan losses	681	593	15	1,165
Net loan losses	-49	-36	36	-53
Impairment of securities held as financial non-current assets	-	-		1
Operating profit	632	557	13	1,113
Income tax expense	-126	-139	-9	-285
Net profit for the period	506	418	21	828
Net profit for the period from transferred Baltic operations	-29	24		26

Business volumes, key items

EURm	30 Jun 2014	30 Jun 2013	Change %	31 Dec 2013	Change %
Loans to the public	110,951	108,379	2	113,779	-2
Deposits and borrowings from the public	76,936	72,982	5	80,909	-5
Equity	9,215	9,045	2	9,514	-3
Total assets	317,523	306,598	4	304,761	4

Ratios and key figures

	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Return on equity %	10.8	9.2	8.8
Cost/income ratio, %	44	47	48
Loan loss ratio, basis points	9	7	5
Common Equity Tier 1 capital ratio, incl. transition rules ^{1,2} , %	13.9	14.9	15.0
Tier 1 capital ratio, incl. transition rules ^{1,2} , %	13.9	14.9	15.0
Total capital ratio, incl. transition rules ^{1,2} , %	14.0	15.7	15.8
Tier 1 capital ^{1,2} , EURm	8,036	8,276	8,430
Risk exposure amount incl. transition rules ^{1,3} , EURm	57,768	55,587	56,077
Number of employees (full-time equivalents) ¹	6,775	8,142	7,981

¹ End of period

² Including the result for the year 2013

³ Previously referred to as Risk-weighted assets incl. transition rules

Definitions

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

Tier 1

The Tier 1 capital of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution.

Common equity Tier 1 includes consolidated shareholders' equity excluding investments in insurance companies, proposed dividend, deferred tax assets, intangible assets in the banking operations, the full expected shortfall deduction (the negative difference between expected losses and provisions) and finally other deductions such as cash flow hedges.

For a list of further definitions, see the Annual Report

Income statement

EURm	Note	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Operating income				
<i>Interest income</i>		923	909	1,849
<i>Interest expense</i>		-328	-343	-666
Net interest income		595	566	1,183
<i>Fee and commission income</i>		400	369	759
<i>Fee and commission expense</i>		-360	-459	-872
Net fee and commission income	3	40	-90	-113
Net result from items at fair value	4	556	623	1,114
Profit from companies accounted for under the equity method		1	6	8
Other operating income		27	17	32
Total operating income		1,219	1,122	2,224
Operating expenses				
General administrative expenses:				
Staff costs		-296	-279	-553
Other expenses		-221	-230	-466
Depreciation, amortisation and impairment charges of tangible and intangible assets		-21	-20	-40
Total operating expenses		-538	-529	-1,059
Profit before loan losses		681	593	1,165
Net loan losses	6	-49	-36	-53
Impairment of securities held as financial non-current assets		-	-	1
Operating profit		632	557	1,113
Income tax expense		-126	-139	-285
Net profit for the period		506	418	828
Attributable to:				
Shareholders of Nordea Bank Finland Plc		506	417	828
Non-controlling interests		-	1	-
Total		506	418	828

Statement of comprehensive income

EURm	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Net profit for the period	506	418	828
Items that may be reclassified subsequently to the income statement			
Currency translation differences during the period	0	0	-3
Available-for-sale investments ¹ :			
-Valuation gains/losses during the period	13	13	3
-Tax on valuation gains/losses during the period	-3	-2	1
Cash flow hedges:			
-Valuation gains/losses during the period	-27	16	36
-Tax on valuation gains/losses during the period	5	-4	-9
Items that may not be reclassified subsequently to the income statement			
Defined benefit plans:			
-Remeasurement of defined benefit plans	-58	1	73
-Tax on remeasurement of defined benefit plans	12	0	-17
Other comprehensive income, net of tax	-58	24	84
Total comprehensive income	448	442	912
Attributable to:			
Shareholders of Nordea Bank Finland Plc	448	441	912
Non-controlling interests	-	1	-
Total	448	442	912

¹Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Balance sheet

EURm	Note	30 Jun 2014	31 Dec 2013	30 Jun 2013
Assets				
Cash and balances with central banks		23,038	30,904	25,837
Loans to central banks	7	1,663	657	745
Loans to credit institutions	7	44,117	35,110	42,847
Loans to the public	7	110,951	113,779	108,379
Interest-bearing securities		36,817	34,246	31,192
Financial instruments pledged as collateral		9,532	9,739	7,959
Shares		895	680	747
Derivatives		78,467	70,234	78,182
Fair value changes of the hedged items in portfolio hedge of interest rate risk		77	58	74
Investments in associated undertakings		37	59	65
Intangible assets		95	100	103
Property and equipment		91	94	93
Investment property		2	113	104
Deferred tax assets		35	5	45
Current tax assets		0	1	0
Retirement benefit assets		133	133	81
Other assets		10,996	8,277	9,393
Prepaid expenses and accrued income		577	572	752
Total assets		317,523	304,761	306,598
Liabilities				
Deposits by credit institutions		87,323	79,426	87,938
Deposits and borrowings from the public		76,936	80,909	72,982
Debt securities in issue		44,782	47,130	42,849
Derivatives		73,287	67,109	74,580
Fair value changes of the hedged items in portfolio hedge of interest rate risk		672	369	414
Current tax liabilities		10	8	10
Other liabilities		23,771	18,855	17,248
Accrued expenses and prepaid income		850	866	921
Deferred tax liabilities		53	53	58
Provisions		101	72	76
Retirement benefit obligations		76	21	50
Subordinated liabilities		447	429	427
Total liabilities		308,308	295,247	297,553
Equity				
Non-controlling interests		1	1	3
Share capital		2,319	2,319	2,319
Share premium reserve		599	599	599
Other reserves		2,817	2,875	2,812
Retained earnings		3,479	3,720	3,312
Total equity		9,215	9,514	9,045
Total liabilities and equity		317,523	304,761	306,598
Assets pledged as security for own liabilities		36,368	35,061	32,137
Other assets pledged		6,721	4,393	6,112
Contingent liabilities		14,470	15,836	16,271
Credit commitments ¹		16,269	15,882	15,963
Other commitments		395	721	651

¹ Including unutilised portion of approved overdraft facilities of EUR 11,012m (31 Dec 2013: EUR 8,302m, 30 Jun 2013: EUR 8,210m).

Statement of changes in equity

Attributable to shareholders of Nordea Bank Finland Plc

EURm	Other reserves:							Total	Non-control-ling interests	Total equity
	Share capital ¹	Share premium reserve	Other reserves	Cash flow hedges	Available-for-sale invest-ments	Defined benefit plans	Retained earnings			
Balance at 1 Jan 2014	2,319	599	2,848	-8	17	18	3,720	9,513	1	9,514
Total comprehensive income				-22	10	-46	506	448	-	448
Share-based payments							2	2		2
Dividend for 2013							-750	-750		-750
Other changes							1	1		1
Balance at 30 Jun 2014	2,319	599	2,848	-30	27	-28	3,479	9,214	1	9,215

Attributable to shareholders of Nordea Bank Finland Plc

EURm	Other reserves:							Total	Non-control-ling interests	Total equity
	Share capital ¹	Share premium reserve	Other reserves	Cash flow hedges	Available-for-sale invest-ments	Defined benefit plans	Retained earnings			
Balance at 1 Jan 2013	2,319	599	2,848	-35	13	-38	3,507	9,213	4	9,217
Total comprehensive income			0	27	4	56	825	912	-	912
Share-based payments							2	2		2
Dividend for 2012							-625	-625		-625
Other changes							11	11	-3	8
Balance at 31 Dec 2013	2,319	599	2,848	-8	17	18	3,720	9,513	1	9,514

¹ Total shares registered were 1,030.8 million (31 Dec 2013: 1,030.8 million, 30 Jun 2013: 1,030.8 million).

Statement of changes in equity, *continued*

Attributable to shareholders of Nordea Bank Finland Plc										
EURm	Share capital ¹	Share premium reserve	Other reserves	Other reserves:			Retained earnings	Total	Non-control-ling interests	Total equity
				Cash flow hedges	Available-for-sale invest-ments	Defined benefit plans				
Balance at 1 Jan 2013	2,319	599	2,848	-35	13	-38	3,507	9,213	4	9,217
Total comprehensive income				12	11	1	417	441	1	442
Share-based payments							1	1		1
Dividend for 2012							-625	-625		-625
Other changes							12	12	-2	10
Balance at 30 Jun 2013	2,319	599	2,848	-23	24	-37	3,312	9,042	3	9,045

¹ Total shares registered were 1,030.8 million (31 Dec 2013: 1,030.8 million, 30 Jun 2013: 1,030.8 million).

Cash flow statement, condensed – Total operations

EURm	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
<i>Operating activities</i>			
Operating profit	662	528	1,079
Operating profit for the period from transferred Baltic operations	-30	29	34
Adjustments for items not included in cash flow	722	614	658
Income taxes paid	-137	-148	-282
Cash flow from operating activities before changes in operating assets and liabilities	1,217	1,023	1,489
Changes in operating assets and liabilities	-12,074	-1,187	4,197
Cash flow from operating activities	-10,857	-164	5,686
<i>Investing activities</i>			
Sale/acquisition of business operations	33	21	1
Property and equipment	-40	-18	-46
Intangible assets	-7	-5	-11
Net investments in debt securities, held to maturity	1,620	0	114
Other financial fixed assets	-3	0	27
Cash flow from investing activities	1,603	-2	85
<i>Financing activities</i>			
Issued/amortised subordinated liabilities	18	-28	-27
Dividend paid	-750	-625	-627
Other changes	-35	-25	39
Cash flow from financing activities	-767	-678	-615
Cash flow for the period	-10,021	-844	5,156
Cash and cash equivalents at beginning of the period	36,324	32,859	32,859
Translation difference	-312	-171	1,691
Cash and cash equivalents at end of the period	26,615	32,186	36,324
Change	-10,021	-844	5,156
Cash and cash equivalents	30 Jun	30 Jun	31 Dec
The following items are included in cash and cash equivalents (EURm):	<u>2014</u>	<u>2013</u>	<u>2013</u>
Cash and balances with central banks	23,039	25,837	30,904
Loans to credit institutions, payable on demand	3,576	6,349	5,420

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 Standards Interpretations Committee (IFRS IC), 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 are presented in accordance with IAS 34 "Interim Financial Reporting". The interim report is unaudited.

Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2013 Annual Report.

The new standard IFRS 10 "Consolidated Financial Statements" was implemented on 1 January 2014 but has not had any significant impact on the financial statements.

Forward starting bonds

The presentation of forward starting bonds was changed in the fourth quarter 2013. The impact on the comparative figures for the first half 2013 was not significant and the comparative figures have consequently not been restated.

Impact on capital adequacy from new or amended IFRS standards

IFRS 9 "Financial Instruments" covering classification and measurement (Phase I) and general hedging (Phase III) has been adopted by the IASB but has not yet been implemented by Nordea.

The changes in classification and measurement (Phase I) are not expected to have a significant impact on Nordea's income statement or balance sheet as the mixed measurement model will be maintained. Significant reclassifications between fair value and amortised cost or impact on the capital adequacy or large exposures are not expected, but this is naturally dependent on the financial instruments on Nordea's balance sheet at transition and the outcome of the final standard. It is expected that changes will be made to the standard before the standard becomes effective.

The main change to the general hedging requirements (Phase III) is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea generally only uses macro (portfolio) hedge accounting Nordea's assessment is that the new requirements will not have any significant impact on Nordea's financial statements, capital adequacy or large exposures.

The IASB has also adopted IFRS 15 "Revenue from Contracts with Customers". The new standard has not yet been implemented by Nordea. It is not expected that the standard will have any significant impact on Nordea's financial statements, capital adequacy or large exposures.

Note 2 Segment reporting

	Operating segments					
	Retail Banking		Wholesale Banking		Group Corporate Centre	
	Jan-Jun 2014	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2013
EURm						
Total operating income	826	764	589	623	18	44
Operating profit	350	297	489	490	-10	33
Loans to the public	53,155	57,991	57,471	49,434	-1	-34
Deposits and borrowings from the public	33,655	37,241	41,281	35,007	2	741

	Total Operating segments		Reconciliation		Total Group	
	Jan-Jun 2014	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2013
	EURm					
Total operating income	1,433	1,431	-214	-309	1,219	1,122
Operating profit	829	820	-197	-263	632	557
Loans to the public	110,625	107,391	326	988	110,951	108,379
Deposits and borrowings from the public	74,938	72,989	1,998	-7	76,936	72,982

Break-down of Retail Banking

	Retail Banking Nordic ¹		Retail Banking Baltic countries ²		Retail Banking Other ³		Retail Banking	
	Jan-Jun 2014	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2013
	EURm							
Total operating income	756	669	60	101	10	-6	826	764
Operating profit	357	277	-9	35	2	-15	350	297
Loans to the public	45,066	43,330	1,446	8,302	6,643	6,359	53,155	57,991
Deposits and borrowings from the public	33,641	33,923	9	3,299	5	19	33,655	37,241

¹Retail Banking Nordic includes banking operations in Finland

²Retail Banking Baltic countries include banking operations in Estonia, Latvia and Lithuania.

³Retail Banking Other includes the support areas Development & Projects, Distribution, Segments, Products and IT.

Note 2, continued

Break-down of Wholesale Banking

EURm	Corporate & Institutional Banking		Shipping, Offshore & Oil Services	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2014	2013	2014	2013
Total operating income	202	188	73	72
Operating profit	119	122	78	32
Loans to the public	9,829	9,006	4,205	4,671
Deposits and borrowings from the public	10,188	6,173	2,220	1,554

EURm	Capital Markets unallocated		Wholesale Banking Other ⁴		Wholesale Banking	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2014	2013	2014	2013	2014	2013
Total operating income	265	301	49	62	589	623
Operating profit	247	288	45	48	489	490
Loans to the public	43,162	35,552	275	205	57,471	49,434
Deposits and borrowings from the public	28,495	20,404	378	6,876	41,281	35,007

⁴Wholesale Banking Other includes the area International Units and the support areas Transaction Products, Segment CIB and IT

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
	2014	2013	2014	2013	2014	2013
Total Operating segments	829	820	110,625	107,391	74,938	72,989
Group functions ¹ and unallocated items	-197	-263	326	988	1,998	-7
Total	632	557	110,951	108,379	76,936	72,982

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

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 section "Business area" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Financial results are presented for the two main business areas Retail Banking and Wholesale Banking, with further breakdown on operating segments, and the operating segment Group Corporate Centre. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions (and eliminations) as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Note 3 Net fee and commission income

EURm	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Asset management commissions	33	29	59
Life insurance	4	5	9
Brokerage, securities issues and corporate finance	34	23	46
Custody and issuer services	19	13	23
Deposits	2	3	7
Total savings and investments	92	73	144
Payments	101	96	200
Cards	63	62	129
Total payments and cards	164	158	329
Lending	66	56	122
Guarantees and documentary payments	61	66	132
Total lending related commissions	127	122	254
Other commission income	17	16	32
Fee and commission income	400	369	759
Savings and investments	-184	-158	-332
Payments	-5	-5	-10
Cards	-29	-29	-63
Other commission expenses ¹	-142	-267	-467
Fee and commission expenses	-360	-459	-872
Net fee and commission income	40	-90	-113

¹ Mainly consists of Finnish bank tax and guarantee commission fee paid to Nordea Bank AB (publ)

Note 4 Net result from items at fair value

EURm	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Shares/participations and other share-related instruments	-116	45	93
Interest-bearing securities and other interest-related instruments	934	-204	-2
Other financial instruments	118	127	90
Foreign exchange gains/losses	-369	657	939
Investment properties	-11	-2	-6
Total	556	623	1,114

Note 5 Other expenses

EURm	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Information technology	-92	-83	-180
Marketing and representation	-11	-14	-28
Postage, transportation, telephone and office expenses	-20	-23	-43
Rents, premises and real estate expenses	-48	-45	-88
Other	-50	-65	-127
Total	-221	-230	-466

Note 6 Net loan losses

EURm	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Loan losses divided by class			
Loans to credit institutions	0	0	0
Loans to the public	-41	-36	-56
- of which provisions	-120	-119	-216
- of which write-offs	-73	-49	-71
- of which allowances used to cover write-offs	80	63	104
- of which reversals	59	57	103
- of which recoveries	13	12	24
Off-balance sheet items	-8	0	3
Total	-49	-36	-53

Key ratios

	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Loan loss ratio, basis points ¹	9	7	5
- of which individual	9	8	6
- of which collective	-1	-1	-1

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

Note 7 Loans and impairment

EURm	Total		
	30 Jun 2014	31 Dec 2013	30 Jun 2013
Loans, not impaired	155,952	148,377	150,897
Impaired loans	1,427	2,008	1,907
- Performing	783	1,034	978
- Non-performing	644	974	929
Loans before allowances	157,379	150,385	152,804
Allowances for individually assessed impaired loans	-551	-714	-703
- Performing	-342	-421	-425
- Non-performing	-209	-293	-278
Allowances for collectively assessed impaired loans	-97	-125	-130
Allowances	-648	-839	-833
Loans, carrying amount	156,731	149,546	151,971

EURm	Central banks and credit institutions			The public		
	30 Jun 2014	31 Dec 2013	30 Jun 2013	30 Jun 2014	31 Dec 2013	30 Jun 2013
Loans, not impaired	45,781	35,768	43,592	110,171	112,609	107,305
Impaired loans	24	24	25	1,403	1,984	1,882
- Performing	-	-	-	783	1,034	978
- Non-performing	24	24	25	620	950	904
Loans before allowances	45,805	35,792	43,617	111,574	114,593	109,187
Allowances for individually assessed impaired loans	-25	-25	-25	-526	-689	-678
- Performing	-	-	-	-342	-421	-425
- Non-performing	-25	-25	-25	-184	-268	-253
Allowances for collectively assessed impaired loans	-	-	-	-97	-125	-130
Allowances	-25	-25	-25	-623	-814	-808
Loans, carrying amount	45,780	35,767	43,592	110,951	113,779	108,379

Allowances and provisions

EURm	30 Jun 2014	31 Dec 2013	30 Jun 2013
Allowances for items on the balance sheet	-648	-839	-833
Provisions for off balance sheet items	-38	-30	-33
Total allowances and provisions	-686	-869	-866

Key ratios

	30 Jun 2014	31 Dec 2013	30 Jun 2013
Impairment rate, gross ¹ , basis points	91	133	125
Impairment rate, net ² , basis points	56	86	79
Total allowance rate ³ , basis points	41	56	55
Allowances in relation to impaired loans ⁴ , %	39	36	37
Total allowances in relation to impaired loans ⁵ , %	45	42	44
Non-performing, not impaired ⁶ , EURm	22	66	63

¹ Individually assessed impaired loans before allowances divided by total loans before allowances.

² Individually assessed impaired loans after allowances divided by total loans before allowances.

³ Total allowances divided by total loans before allowances.

⁴ Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

⁵ Total allowances divided by total impaired loans before allowances.

⁶ 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	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Total
Financial assets							
Cash and balances with central banks	23,038						23,038
Loans to central banks	945		718				1,663
Loans to credit institutions	36,643		7,474				44,117
Loans to the public	67,789		43,162				110,951
Interest-bearing securities		562	25,963			10,292	36,817
Financial instruments pledged as collateral			9,532				9,532
Shares			881	14			895
Derivatives			77,628		839		78,467
Fair value changes of the hedged items in portfolio hedge of interest rate risk	77						77
Other assets	3,701			7,013			10,714
Prepaid expenses and accrued income	253						253
Total 30 Jun 2014	132,446	562	165,358	7,027	839	10,292	316,524
Total 31 Dec 2013	134,935	2,166	148,658	6,621	609	10,758	303,747
Total 30 Jun 2013	138,192	2,394	147,650	5,609	666	10,890	305,401

EURm	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
Financial liabilities					
Deposits by credit institutions				62,798	87,323
Deposits and borrowings from the public				48,440	76,936
Debt securities in issue				36,037	44,782
Derivatives			353		73,287
Fair value changes of the hedged items in portfolio hedge of interest rate risk				672	672
Other liabilities	10,605	6,984		5,898	23,487
Accrued expenses and prepaid income				489	489
Subordinated liabilities				447	447
Total 30 Jun 2014	145,305	6,984	353	154,781	307,423
Total 31 Dec 2013	134,587	5,871	303	153,580	294,341
Total 30 Jun 2013	133,277	5,828	395	157,242	296,472

Note 9 Fair value of financial assets and liabilities

EURm	30 Jun 2014		31 Dec 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	23,038	23,038	30,904	30,904
Loans	156,731	156,731	149,546	149,607
Interest-bearing securities	36,817	36,822	34,246	34,252
Financial instruments pledged as collateral	9,532	9,532	9,739	9,739
Shares	895	895	680	680
Derivatives	78,467	78,467	70,234	70,234
Other assets	11,466	11,466	8,840	8,840
Prepaid expenses and accrued income	577	577	572	572
Total	317,523	317,528	304,761	304,828
Financial liabilities				
Deposits and debt instruments	209,041	209,231	207,465	208,094
Derivatives	73,287	73,287	67,109	67,109
Other liabilities	24,683	24,683	19,378	19,378
Accrued expenses and prepaid income	850	850	866	866
Subordinated liabilities	447	447	429	429
Total	308,308	308,498	295,247	295,876

The determination of fair value is described in the Annual Report 2013, Note 41 "Assets and liabilities at fair value".

Note 10 Financial assets and liabilities at fair value on the balance sheet

Categorisation into the fair value hierarchy

EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet¹				
Loans to central banks		718		718
Loans to credit institutions		7,474		7,474
Loans to the public		43,162		43,162
Interest-bearing securities	20,546	15,574	135	36,255
Financial instruments pledged as collateral	6,469	3,063		9,532
Shares	455		440	895
Derivatives	40	76,655	1,772	78,467
Other assets		7,013		7,013
Prepaid expenses and accrued income				-
Total 30 Jun 2014	27,510	153,659	2,347	183,516
Total 31 Dec 2013	28,271	136,096	2,392	166,759
Liabilities at fair value on the balance sheet¹				
Deposits by credit institutions		24,525		24,525
Deposits and borrowings from the public		28,496		28,496
Debt securities in issue		8,745		8,745
Derivatives	28	71,301	1,958	73,287
Other liabilities	9,389	8,200		17,589
Accrued expenses and prepaid income				-
Total 30 Jun 2014	9,417	141,267	1,958	152,642
Total 31 Dec 2013	8,735	130,596	1,430	140,761

¹ Are measured at fair value on a recurring basis at the end of each reporting period.

Determination of fair values for items measured at fair value on the balance sheet

For information about valuation techniques and inputs used in the fair value measurement, see the Annual Report 2013, Note 41 "Asset and liabilities at fair value".

Transfers between Level 1 and 2

During the period, NBF transferred interest bearing securities (including financial instruments pledged as collateral) of EUR 216m from Level 2 to Level 1 of the fair value hierarchy. NBF also transferred other liabilities of EUR 180m from Level 2 to Level 1. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

Movements in Level 3

EURm	Fair value gains/losses recognised in the income statement during the year			Purchases/ Issues	Sales
	1 Jan	Realised	Unrealised		
Interest-bearing securities	215	2	5	33	-118
Shares	444	7	0	1	-12
Derivatives (net)	200	108	-386		
Other liabilities	1				-1
Total 2014	860	117	-381	34	-131
Total 2013	1,167	286	-14	770	-362

EURm	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	30 Jun
Interest-bearing securities	-2			-	135
Shares				-	440
Derivatives (net)	-108			-	-186
Other liabilities				-	0
Total 2014	-110	-	-	-	389
Total 2013	-903	22	-1	-1	964

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in Level 3

For information about valuation processes for fair value measurement in Level 3, see the Annual report 2013 Note 41 "Assets and liabilities at fair value".

Deferred day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see the Annual Report 2013, Note 1 "Accounting policies". 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 how this aggregated difference has changed during the period (movement of deferred Day 1 profit).

Deferred day 1 profit - Derivatives (net)

EURm	2014	2013
Opening balance at 1 Jan	41	43
Deferred profit on new transactions	7	7
Recognised in the income statement during the period	-7	-7
Closing balance at 30 Jun	41	43

Note 10, continued

Valuation techniques and inputs used in the fair value measurements in Level 3

EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value ²
Interest-bearing securities				
Mortgage and other credit institutions	9	Discounted cash flow	Credit spread	-1/1
Corporates	19	Discounted cash flow	Credit spread	-2/2
Other	107			-10/10
Total 30 Jun 2014	135			-13/13
Total 31 Dec 2013	215			-20/20
Shares				
Private equity funds	286	Net asset value ¹		
Hedge funds	143	Net asset value ¹		
Other	11	-		
Total 30 Jun 2014	440			
Total 31 Dec 2013	444			
Derivatives, net				
Interest rate derivatives	213	Option model	Correlations Volatilities	-7/7
Equity derivatives	36	Option model	Correlations Volatilities Dividend	-17/10
Foreign exchange derivatives	-321	Option model	Correlations Volatilities	+/-0
Credit derivatives	-125	Credit derivat model	Correlations Recovery rates	-8/7
Other	10	Option model	Correlations Volatilities	+/-0
Total 30 Jun 2014	-187			-32/24
Total 31 Dec 2013	200			-30/25

¹ The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology, used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by the EVCA (European Venture Capital Association).

² The column "Range of fair value" shows the sensitivity of Level 3 financial instruments to changes in key assumptions. For more information see the Annual Report 2013, Note 41 "Assets and liabilities at fair value".

Note 11 Capital adequacy**Summary of items included in own funds**

EURm	30 Jun ⁵ 2014	31 Dec ⁵ 2013	30 Jun 2013
Calculation of own funds			
Equity	9,214	9,514	8,628
Proposed/actual dividend		-750	
Deferred tax assets		-5	-45
Intangible assets	-95	-100	-103
IRB provisions shortfall (-) ¹	-209	-118	-140
Deductions for investments in credit institutions (50%) ²		-2	-1
Pension assets in excess of related liabilities ³	-65	-56	-60
Other items, net	-303	-53	-2
Common Equity Tier 1 capital (net after deduction)	8,542	8,430	8,276
Additional Tier 1 instruments	-		
Deductions for investments in insurance companies	-		
Tier 1 capital (net after deductions)	8,542	8,430	8,276
Tier 2 instruments	72	537	545
IRB provisions excess (+) / shortfall (-)	-	-118	-140
Deductions for investments in credit institutions (50%)	-	-2	-1
Deductions for investments in insurance companies			
Pension assets in excess of related liabilities			
Other items, net		17	24
Own funds (net after deductions)⁴	8,614	8,866	8,703

¹ Shortfall is now deducted 100% CET1, previously 50% T1, 50% T2

² CRD III deducted 50% T1, 50% T2, CRD IV risk weighted with 250%

³ Based on conditional FSA approval

⁴ Own funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 8,823m 30 Jun 2014

⁵ Including profit

Own funds

EURm	30 Jun 2014	31 Dec 2013	30 Jun 2013
Common Equity Tier 1 capital, including profit	8,542	8,430	8,693
Total own funds, including profit	8,614	8,866	9,120
Common equity tier 1 capital, excluding profit	8,036	7,602	8,276
Total own funds, excluding profit	8,108	8,038	8,703

Note 11, continued

Minimum capital requirement and REA							
	30 Jun 2014	30 Jun 2014	31 Dec 2013	31 Dec 2013	30 Jun 2013	30 Jun 2013	
EURm	Minimum capital requirement	REA	Minimum capital requirement	REA	Minimum capital requirement	REA	
Credit risk	3,105	38,808	3,163	39,543	3,275	40,936	
IRB	1,916	23,948	1,827	22,837	1,766	22,080	
- of which corporate	1,205	15,067	1,217	15,217	1,128	14,102	
- of which advanced	426	5,326					
- of which foundation	779	9,741	1,217	15,217	1,128	14,102	
- of which institutions	386	4,829	279	3,490	303	3,791	
- of which retail	307	3,835	313	3,910	317	3,964	
- of which other	17	217	18	220	18	223	
Standardised	1,189	14,860	1,336	16,706	1,508	18,856	
- of which sovereign	24	306	21	256	6	80	
- of which retail	233	2,913	343	4,291	295	3,692	
- of which other	931	11,642	973	12,158	1,207	15,084	
Credit Value Adjustment Risk	259	3,238					
Market risk	676	8,452	644	8,048	478	5,973	
- of which trading book, Internal Approach	457	5,713	421	5,262	325	4,058	
- of which trading book, Standardised Approach	207	2,590	208	2,595	153	1,914	
- of which banking book, Standardised Approach	12	149	15	191			
Operational risk	366	4,579	405	5,060	405	5,060	
Standardised	366	4,579	405	5,060	405	5,060	
Sub total	4,406	55,078	4,212	52,652	4,158	51,969	
Adjustment for Basel I floor							
Additional capital requirement according to Basel I floor	215	2,690	274	3,425	289	3,618	
Total	4,621	57,768	4,486	56,077	4,447	55,587	
Minimum capital requirement and Buffers							
			Buffers				
Percentage	Minimum capital requirement	CCB	CCCB	SIFI	SRB	Total	
Common Equity Tier 1 capital	4.5	N/A	N/A	N/A	N/A	4.5	
Tier 1 capital	6	N/A	N/A	N/A	N/A	6	
Own funds	8	N/A	N/A	N/A	N/A	8	
EURm							
Common Equity Tier 1 capital	2,479					2,479	
Tier 1 capital	3,305					3,305	
Own funds	4,406					4,406	

Note 11, continued

Capital ratios			
Percentage	30 Jun 2014	31 Dec 2013	30 Jun 2013
Common Equity Tier 1 capital ratio, including profit	15.5	16.0	16.7
Tier 1 ratio, including profit	15.5	16.0	16.7
Total capital ratio, including profit	15.6	16.8	17.5
Common Equity Tier 1 capital ratio, excluding profit	14.6	14.4	15.9
Tier 1 ratio, excluding profit	14.6	14.4	15.9
Total Capital ratio, excluding profit	14.7	15.3	16.7
Capital ratios including Basel I			
Percentage	30 Jun 2014	31 Dec 2013	30 Jun 2013
Common Equity Tier 1 capital ratio, including profit	14.8	15.0	15.6
Tier 1 ratio, including profit	14.8	15.0	15.6
Total capital ratio, including profit	14.9	15.8	16.4
Common Equity Tier 1 capital ratio, excluding profit	13.9	13.6	14.9
Tier 1 ratio, excluding profit	13.9	13.6	14.9
Total Capital ratio, excluding profit	14.0	14.3	15.7

Note 12 Transferred Baltic operations

EURm	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Net interest income	35	68	138
Net fee and commission income	0	18	1
Net result from items at fair value	-10	-1	-4
Other operating income	0	0	1
Total operating income	25	85	136
Staff costs	-9	-18	-36
Other expenses	-7	-17	-37
Depreciation of tangible and intangible assets	-1	-2	-3
Total operating expenses	-17	-37	-76
Profit before loan losses	8	48	60
Net loan losses	-38	-19	-26
Operating profit	-30	29	34
Income tax expense	1	-5	-8
Net profit for the period	-29	24	26