

Interim Report January–June 2010
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 10 million customers, approx. 1,400 branch offices and a leading netbanking position with 6.1 million e-customers. The Nordea share is listed on NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

Nordea Bank Finland Group

Result summary January-June 2010

The first half year of 2010 showed lower income and profit levels compared to the very strong H1 last year. Net loan losses increased slightly. NBF's total income decreased by 17% to EUR 1,264m (1,520) and total expenses decreased by 1% to EUR 521m (525). (The comparison figures in brackets refer to the first six months of 2009.)

NBF's operating profit decreased by 31% compared to the same period last year and it amounted to EUR 576m (835). Return on equity was 7.7% (11.4) and the cost/income ratio 41% (35). Loan losses amounted to EUR 167m (160). Net profit decreased by 33% to EUR 417m (621).

Market development in the first half of 2010

The Finnish economy was subdued in the first months of 2010. It was hampered by temporary factors, such as the dockworkers' strike. In the spring, signs of the economy picking up increased. Recovery was indicated by the growth of industrial production, retail sales and construction, among other things. The rise in unemployment also stopped. Short-term market rates started to rise slowly in the spring. Worries about the indebtedness of certain euro countries decreased long-term market rates in Finland but increased uncertainty about future economic trends.

Income

Total income decreased by 17% to EUR 1,264m. The decrease is mainly explained by lower net interest income and lower net result from items at fair value. Margin pressure in deposits continued as competition in deposits continued and interest rates stayed on low levels. Net interest income totalled EUR 578m (633). Total loans to the public increased by 2% year-on-year to EUR 68.7bn. Deposits and borrowings from the public increased by 2% year-on-year to EUR 46.5bn.

Net fee and commission income increased by 44% to EUR 145m. Asset management commissions increased whereas custody fees decreased leading to stable savings related commissions. The increase in card commission income and commission income from guarantees and documentary payments mainly explains the increase in fee and commission income. Commission expenses decreased by 12% as a result of lower other commission expenses.

Net result from items at fair value decreased from the record level in 2009 by 30% to EUR 526m (753). 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 was stable and amounted to EUR 1m (1).

Other operating income decreased to EUR 14m (32).

Expenses

Total operating expenses decreased by 1% and amounted to EUR 521m (525).

Staff costs decreased by 11% to EUR 267m (300) explained by lower variable salaries as well as pension and social expenses. The number of full-time employees decreased by approximately 129 year-on-year.

Other operating expenses totalled EUR 234m (208), up by 13% compared to last year. The increase is mainly explained by higher marketing and other expenses than in the corresponding period last year.

Depreciation of tangible and intangible assets increased to EUR 20m (17).

The cost/income ratio increased to 41% in the first half of 2010.

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 customer areas, all of which operate across national boundaries: Nordic Banking, Private Banking and Institutional & International Banking. 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.

Loan losses

Net loan losses in the first half year increased slightly to EUR 167m (160) corresponding to a loan loss ratio of 51 basis points.

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 2010 was approximately 28% compared to 26% in the first half of 2009.

Net profit

Net profit decreased by 33% to EUR 417m (621) corresponding to a return on equity of 7.7% compared to 11.4% in the first half of last year.

Other information

Group initiatives 2010

In February 2010 Nordea launched nine group initiatives to support the prudent growth strategy. Activities related to the initiatives are well on track and have started in all areas. Growth Plan Finland proceeds according to plans and more than 100 new advisers and specialists have been recruited this year in high growth areas to ensure services needed in the coming years. 28 branches will be relocated or refurbished to better serve our customers during the next 12 months. More information on group initiatives is disclosed in the Nordea Bank AB's (publ) interim report for Q2.

Balance sheet

(Comparison figures in brackets refer to December 2009 figures)

The total assets of NBF amounted to EUR 269bn (221). The change relates mainly to higher market values of derivatives.

The growth rate of the housing loan stock was 4% in Finland. Total loans to the public increased by 5% compared with the end of 2009.

Deposits and borrowings from the public increased from the year-end level and amounted to EUR 46.5bn (44.3).

Capital position and capital management

At the end of June, NBF's risk-weighted amounts (RWA) were EUR 76.2bn excluding transition rules, compared to EUR 72.1bn at year-end 2009 and 73.4bn one year ago.

As transition rules had no effect on RWA, the reported RWA increased by EUR 4.1bn compared with end 2009 figures.

The Tier 1 ratio was 13.3% and the total capital ratio was 13.9%. Profit for the period has not been included in Tier 1.

Credit portfolio

Total lending was EUR 68.7bn (65.7) at the end of June 2010. The share of lending to corporate customers was 50%. Lending in the Baltic countries constitutes 11% of NBF's total lending.

Impaired loans gross decreased slightly to EUR 1,794m at the end of June 2010 compared to EUR 1,801m at the end of December 2009. Individually assessed impaired loans, net, amounted to EUR 1,290m (1,354) representing 1.01% of total loans before allowances. At year-end 2009 the ratio was 1.08%.

Total allowances in the Baltic countries amounted to EUR 347m, of which EUR 194m were collective provisions.

Off-balance sheet commitments

The total amount of off-balance sheet commitments increased slightly to EUR 35.6bn (35.5). The volumes of derivatives have continued to grow and they amounted to EUR 5,231bn (4,526).

Changes in group structure

During the first half of the year two new subsidiaries have been established in Estonia.

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 highly uncertain as communicated in the outlook statement below.

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.

Changes in the Board of Directors

President Carl-Johan Granvik and the President's deputy Ari Kaperi resigned from their positions as of 30 June 2010. The Board elected Ari Kaperi President and Pekka Nuutila his deputy as from 1 July 2010. Fredrik Rystedt was elected the Chairman and Ari Kaperi the Deputy Chairman of the Board on 1 July 2010. Christian Clausen, Carl-Johan Granvik and Peter Schütze resigned from their positions as members of the Board as of 30 June 2010 and Ari Kaperi and Gunn Wærsted were elected members of the Board as from 1 July 2010. Michael Rasmussen continues as member of the Board until 31 August 2010. Casper von Koskull has been elected a member of the Board as from 1 September 2010.

Outlook 2010

Nordea expects the macroeconomic recovery to continue in 2010. Although the global development is still fragile and hence uncertainty remains, the outlook for the Nordic markets has improved during the year.

Excluding currency effects in 2010, Nordea expects cost growth to be broadly in line with 2009, including the effects from growth and efficiency initiatives.

Nordea expects risk-adjusted profit to be lower in 2010 compared to 2009, due to lower income in Treasury and Markets.

Net loan losses in 2010 are expected to be lower than in 2009. Credit quality continues to stabilise, in line with the macroeconomic recovery. Nordea Bank Finland is expected to contribute to the above-mentioned development.

Stockholm, 21 July 2010
Board of Directors

Key financial figures

Income statement

EURm	Jan-Jun 2010	Jan-Jun 2009	Change %	Full year 2009
Net interest income	578	633	-9	1,218
Net fee and commission income	145	101	44	225
Net result from items at fair value	526	753	-30	1,325
Equity method	1	1	0	4
Other operating income	14	32	-56	53
Total operating income	1,264	1,520	-17	2,825
Staff costs	-267	-300	-11	-599
Other expenses	-234	-208	13	-432
Depreciation of tangible and intangible assets	-20	-17	18	-37
Total operating expenses	-521	-525	-1	-1,068
Profit before loan losses	743	995	-25	1,757
Net loan losses	-167	-160	4	-381
Impairment of securities held as financial non-current assets	-	0		-
Operating profit	576	835	-31	1,376
Income tax expense	-159	-214	-26	-373
Net profit for the period	417	621	-33	1,003

Business volumes, key items

EURm	30 Jun 2010	30 Jun 2009	Change %	31 Dec 2009	Change %
Loans to the public	68,687	67,364	2	65,723	5
Deposits and borrowings from the public	46,487	45,663	2	44,256	5
Equity	10,790	10,596	2	10,972	-2
Total assets	268,527	206,838	30	221,165	21

Ratios and key figures

	Jan-Jun 2010	Jan-Jun 2009	Full year 2009
Return on equity, %	7.7	11.4	9.0
Cost/income ratio, %	41	35	38
Tier 1 capital ratio ¹ , %	13.3	13.3	14.0
Total capital ratio ¹ , %	13.9	13.8	14.6
Tier 1 capital ¹ , EURm	10,103	9,784	10,099
Risk-weighted amounts incl. transition rules, EURm	76,229	73,402	72,092
Loan loss ratio, basis points	51	47	56
Number of employees (full-time equivalents) ¹	9,232	9,361	9,218

¹ 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 (annualised) divided by the opening balance of loans to the public

Income statement

EURm	Note	Jan-Jun 2010	Jan-Jun 2009	Full year 2009
Operating income				
Interest income		934	1,669	2,708
Interest expense		-356	-1,036	-1,490
Net interest income		578	633	1,218
Fee and commission income		318	298	595
Fee and commission expense		-173	-197	-370
Net fee and commission income		145	101	225
Net result from items at fair value	4	526	753	1,325
Profit from companies accounted for under the equity method		1	1	4
Other operating income		14	32	53
Total operating income		1,264	1,520	2,825
Operating expenses				
General administrative expenses:				
Staff costs		-267	-300	-599
Other expenses		-234	-208	-432
Depreciation, amortisation and impairment charges of tangible and intangible assets		-20	-17	-37
Total operating expenses		-521	-525	-1,068
Profit before loan losses		743	995	1,757
Net loan losses	6	-167	-160	-381
Impairment of securities held as financial non-current assets		-	0	-
Operating profit		576	835	1,376
Income tax expense		-159	-214	-373
Net profit for the period		417	621	1,003
Attributable to:				
Shareholders of Nordea Bank Finland Plc		415	620	1,001
Non-controlling interests		2	1	2
Total		417	621	1,003

Statement of comprehensive income

EURm	Jan-Jun 2010	Jan-Jun 2009	Full year 2009
Net profit for the period	417	621	1,003
Currency translation differences during the period	0	0	0
Available-for-sale investments:			
Valuation gains/losses during the period	-	0	0
Tax on valuation gains/losses during the period	-	0	0
Other comprehensive income, net of tax	0	0	0
Total comprehensive income	417	621	1,002
Attributable to:			
Shareholders of Nordea Bank Finland Plc	415	620	1,001
Non-controlling interests	2	1	2
Total	417	621	1,003

Balance sheet

EURm	Note	30 Jun 2010	31 Dec 2009	30 Jun 2009
Assets				
Cash and balances with central banks		1,016	8,004	2,951
Treasury bills		1,675	1,033	705
Loans to credit institutions	7	57,978	59,037	48,863
Loans to the public	7	68,687	65,723	67,364
Interest-bearing securities		7,581	7,873	3,679
Financial instruments pledged as collateral		274	1	-
Shares		1,129	1,052	914
Derivatives	10	120,436	74,520	77,157
Fair value changes of the hedged items in portfolio hedge of interest rate risk		149	141	170
Investments in associated undertakings		56	56	52
Intangible assets		77	69	61
Property and equipment		123	143	122
Investment property		37	7	4
Deferred tax assets		18	17	12
Current tax assets		49	0	126
Retirement benefit assets		95	91	85
Other assets		8,695	3,029	4,152
Prepaid expenses and accrued income		452	369	421
Total assets		268,527	221,165	206,838
Liabilities				
Deposits by credit institutions		46,127	44,344	41,307
Deposits and borrowings from the public		46,487	44,256	45,663
Debt securities in issue		36,932	39,276	26,910
Derivatives	10	118,996	73,237	76,265
Fair value changes of the hedged items in portfolio hedge of interest rate risk		5	7	17
Current tax liabilities		1	129	231
Other liabilities		7,922	7,813	4,466
Accrued expenses and prepaid income		601	571	833
Deferred tax liabilities		45	44	39
Provisions		84	49	33
Retirement benefit obligations		28	30	28
Subordinated liabilities		509	437	450
Total liabilities		257,737	210,193	196,242
Equity				
Non-controlling interests		6	6	8
Share capital		2,319	2,319	2,319
Share premium reserve		599	599	599
Other reserves		2,848	2,848	2,941
Retained earnings		5,018	5,200	4,729
Total equity		10,790	10,972	10,596
Total liabilities and equity		268,527	221,165	206,838
Assets pledged as security for own liabilities		18,718	12,674	10,020
Other assets pledged		-	-	-
Contingent liabilities		17,921	17,084	16,975
Credit commitments ¹		16,971	17,836	16,695
Other commitments		701	626	533

¹ Including unutilised portion of approved overdraft facilities of EUR 9,510m (31 Dec 2009: 10,517m, 30 Jun 2009: 8,473m).

Statement of changes in equity

Attributable to shareholders of Nordea Bank Finland Plc

EURm	Other reserves:			Available -for-sale invest- ments	Retained earnings	Total	Non- control- ling interests	Total equity
	Share capital ¹	Share premium reserve	Other reserves					
Opening balance at 1 Jan 2010	2,319	599	2,848	0	5,200	10,966	6	10,972
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
Closing balance at 30 Jun 2010	2,319	599	2,848	0	5,018	10,784	6	10,790

Attributable to shareholders of Nordea Bank Finland Plc

EURm	Other reserves:			Available -for-sale invest- ments	Retained earnings	Total	Non- control- ling interests	Total equity
	Share capital ¹	Share premium reserve	Other reserves					
Opening balance at 1 Jan 2009	2,319	599	2,941	0	5,409	11,268	7	11,275
Total comprehensive income				0	1,001	1,001	2	1,003
Share-based payments					1	1		1
Dividend for 2008					-1,301	-1,301		-1,301
Other changes			-93		90	-3	-3	-6
Closing balance at 31 Dec 2009	2,319	599	2,848	0	5,200	10,966	6	10,972

Attributable to shareholders of Nordea Bank Finland Plc

EURm	Other reserves:			Available -for-sale invest- ments	Retained earnings	Total	Non- control- ling interests	Total equity
	Share capital ¹	Share premium reserve	Other reserves					
Opening balance at 1 Jan 2009	2,319	599	2,941	0	5,409	11,268	7	11,275
Total comprehensive income					620	620	1	621
Share-based payments					1	1		1
Dividend for 2008					-1,300	-1,300		-1,300
Other changes					-1	-1		-1
Closing balance at 30 Jun 2009	2,319	599	2,941	0	4,729	10,588	8	10,596

¹ Total shares registered were 1,030.8 million (31 Dec 2009: 1,030.8 million, 30 Jun 2009: 1,030.8 million).

Cash flow statement

EURm	Jan-Jun 2010	Jan-Jun 2009	Full year 2009
<i>Operating activities</i>			
Operating profit	576	835	1,376
Adjustments for items not included in cash flow	-298	-465	-834
Income taxes paid	-335	-315	-450
Cash flow from operating activities before changes in operating assets and liabilities	-57	55	92
Changes in operating assets and liabilities	-8,881	82	14,192
Cash flow from operating activities	-8,938	137	14,284
<i>Investing activities</i>			
Sale/acquisition of business operations	2	-1	-2
Property and equipment	-25	-19	-49
Intangible assets	-14	-5	-18
Net investments in debt securities, held to maturity	125	-599	-3,960
Other financial fixed assets	-	-1	-5
Cash flow from investing activities	88	-625	-4,034
<i>Financing activities</i>			
Issued/amortised subordinated liabilities	46	-773	-786
Dividend paid	-600	-1,300	-1,300
Other changes	0	-	-6
Cash flow from financing activities	-554	-2,073	-2,092
Cash flow for the period	-9,404	-2,561	8,158
Cash and cash equivalents at beginning of the period	24,558	16,400	16,400
Exchange rate difference	0	0	0
Cash and cash equivalents at end of the period	15,154	13,839	24,558
Change	-9,404	-2,561	8,158
Cash and cash equivalents	30 Jun	30 Jun	31 Dec
The following items are included in cash and cash equivalents (EURm):	<u>2010</u>	<u>2009</u>	<u>2009</u>
Cash and balances with central banks	1,016	2,951	8,004
Loans to credit institutions, payable on demand	14,138	10,888	16,554

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.

Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2009 Annual Report, except for the classification of lending commissions in the income statement further described below.

Classification of lending commissions

The accounting treatment of lending commissions, including the classification in the income statement, depends on for which purpose the commission is received. Commissions that are considered to be an integral part of the effective interest rate of a loan are included in the calculation of effective interest and classified as "Net interest income" in the income statement, while commissions considered to be compensation for performed services are classified as "Net fee and commission income".

Judgment has to be exercised when deciding on whether or not a commission shall be included, and to what extent, in the calculation of the effective interest of a loan. During H1 2010 NBF reassessed this judgment, which has led to a reclassification of commissions from "Net fee and commission income" to "Net interest income". The comparable figures have been restated accordingly and the impact is, together with the impact on 2010, disclosed in the below table.

EURm	Jan-Jun 2010		Jan-Jun 2009		Full year 2009	
	Restated	Pre policy change	Restated	Reported	Restated	Reported
Net interest income	578	564	633	630	1,218	1,202
Net commission income	145	159	101	104	225	241

Note 2 Segment reporting¹

Operating segments								
EURm	Nordic Banking		New European Markets		Financial Institutions		Shipping, Oil Services & International	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2010	2009	2010	2009	2010	2009	2010	2009
Total operating income	716	717	91	87	46	61	51	47
Operating profit	180	256	-3	7	27	32	43	35
Loans to the public	48,569	46,607	6,913	7,307	246	0	6,886	7,055
Deposits and borrowings from the public	37,264	34,859	1,728	2,029	820	1,077	6,198	4,483

EURm	Other Operating segments		Total Operating segments		Reconciliation		Total Group	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2010	2009	2010	2009	2010	2009	2010	2009
Total operating income	374	619	1,278	1,531	-14	-11	1,264	1,520
Operating profit	240	441	487	771	89	64	576	835
Loans to the public	6,289	6,724	68,903	67,693	-216	-329	68,687	67,364
Deposits and borrowings from the public	55	60	46,065	42,508	422	3,155	46,487	45,663

¹ Historical information has been restated mainly due to organisational changes.

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
	2010	2009	2010	2009	2010	2009
Total Operating segments	487	771	68,903	67,693	46,065	42,508
Group functions ²	89	64	-216	-329	422	3,155
Differences in accounting policies	-	-	-	-	-	-
Total	576	835	68,687	67,364	46,487	45,663

² 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 2009 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 2010	Jan-Jun 2009	Full year 2009
Asset Management commissions	24	14	31
Life insurance	4	6	10
Brokerage	13	13	25
Custody	10	19	35
Deposits	2	2	5
Total savings related commissions	53	54	106
Payments	86	81	165
Cards	37	29	61
Total payment commissions	123	110	226
Lending	35	39	74
Guarantees and documentary payments	70	56	117
Total lending related commissions	105	95	191
Other commission income	37	39	72
Fee and commission income	318	298	595
Payment expenses	-36	-35	-72
Other commission expenses	-137	-162	-298
Fee and commission expenses	-173	-197	-370
Net fee and commission income	145	101	225

Note 4 Net result from items at fair value

EURm	Jan-Jun 2010	Jan-Jun 2009	Full year 2009
Shares/participations and other share-related instruments	30	17	22
Interest-bearing securities and other interest-related instruments	321	534	929
Other financial instruments	61	59	131
Foreign exchange gains/losses	115	143	244
Investment properties	-1	0	-1
Total	526	753	1,325

Note 5 General administrative expenses

EURm	Jan-Jun 2010	Jan-Jun 2009	Full year 2009
Staff	-267	-300	-599
Information technology ¹	-74	-75	-146
Marketing	-14	-11	-25
Postage, telephone and office expenses	-23	-21	-41
Rents, premises and real estate expenses	-43	-42	-86
Other	-80	-59	-133
Total	-501	-508	-1,030

¹ Refers to IT operations, service expenses and consultant fees. Total IT-related costs including staff etc, were EUR 103m in the first half of 2010 (EUR 97m in the first half of 2009).

Note 6 Net loan losses

EURm	Jan-Jun 2010	Jan-Jun 2009	Full year 2009
Loan losses divided by class			
Loans to credit institutions	-	-9	-9
Loans to the public	-139	-177	-399
- of which provisions	-156	-180	-417
- of which write-offs	-71	-25	-104
- of which allowances used for covering write-offs	43	18	39
- of which reversals	30	8	52
- of which recoveries	15	2	31
Off-balance sheet items	-28	26	27
Total	-167	-160	-381

Key ratios

	Jan-Jun 2010	Jan-Jun 2009	Full year 2009
Loan loss ratio, basis points ¹	51	47	56
- of which individual	42	35	39
- of which collective	9	12	17

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

Note 7 Loans and their impairment

EURm	Total		
	30 Jun 2010	31 Dec 2009	30 Jun 2009
Loans, not impaired	125,719	123,723	115,193
Impaired loans	1,794	1,801	1,626
- Performing	939	937	870
- Non-performing	855	864	756
Loans before allowances	127,513	125,524	116,819
Allowances for individually assessed impaired loans	-504	-447	-353
- Performing	-289	-223	-220
- Non-performing	-215	-224	-133
Allowances for collectively assessed impaired loans	-344	-316	-239
Allowances	-848	-763	-592
Loans, carrying amount	126,665	124,761	116,227

Note 7, continued

EURm	Credit institutions			The public		
	30 Jun 2010	31 Dec 2009	30 Jun 2009	30 Jun 2010	31 Dec 2009	30 Jun 2009
Loans, not impaired	57,978	59,038	48,863	67,741	64,685	66,330
Impaired loans	25	24	25	1,769	1,776	1,601
- Performing	-	-	25	939	937	845
- Non-performing	25	24	0	830	839	756
Loans before allowances	58,003	59,062	48,888	69,510	66,461	67,931
Allowances for individually assessed impaired loans	-25	-25	-25	-479	-422	-328
- Performing	-	-	-25	-289	-223	-195
- Non-performing	-25	-25	0	-190	-199	-133
Allowances for collectively assessed impaired loans	0	0	0	-344	-316	-239
Allowances	-25	-25	-25	-823	-738	-567
Loans, carrying amount	57,978	59,037	48,863	68,687	65,723	67,364

Allowances and provisions

EURm	30 Jun 2010	31 Dec 2009	30 Jun 2009
Allowances for items in the balance sheet	-848	-763	-591
Provisions for off balance sheet items	-49	-22	-21
Total allowances and provisions	-897	-785	-612

Key ratios

	30 Jun 2010	31 Dec 2009	30 Jun 2009
Impairment rate, gross ¹ , basis points	141	143	139
Impairment rate, net ² , basis points	101	108	109
Total allowance rate ³ , basis points	67	61	51
Allowances in relation to impaired loans ⁴ , %	28	25	22
Total allowances in relation to impaired loans ⁵ , %	47	42	36
Non-performing, not impaired ⁶ , EURm	58	89	12

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	Fair value option	Derivatives used for hedging	Available for sale	Total
Financial assets							
Cash and balances with central banks	1,016						1,016
Treasury bills			1,675				1,675
Loans to credit institutions	54,642		2,455	881			57,978
Loans to the public	68,687						68,687
Interest-bearing securities		6,592	989				7,581
Financial instruments pledged as collateral			274				274
Shares			1,103	26			1,129
Derivatives			120,170		266		120,436
Fair value changes of the hedged items in portfolio hedge of interest rate risk	149						149
Other assets	3,223			5,460			8,683
Prepaid expenses and accrued income	258			16			274
Total 30 Jun 2010	128,872	6,592	126,666	6,383	266	0	267,882
Total 31 Dec 2009	132,460	6,717	78,909	2,459	57	5	220,607
Total 30 Jun 2009	117,191	3,352	80,502	5,090	56	5	206,196

EURm		Held for trading	Fair value option	Derivatives used for hedging	Other financial liabilities	Total
Financial liabilities						
Deposits by credit institutions		279			45,848	46,127
Deposits and borrowings from the public					46,487	46,487
Debt securities in issue		6,371			30,561	36,932
Derivatives		118,714		282		118,996
Fair value changes of the hedged items in portfolio hedge of interest rate risk					5	5
Other liabilities		1	3,880		4,032	7,913
Accrued expenses and prepaid income			60		174	234
Subordinated liabilities					509	509
Total 30 Jun 2010		125,365	3,940	282	127,616	257,203
Total 31 Dec 2009		79,027	2,130	372	128,027	209,556
Total 30 Jun 2009		81,793	2,105	401	111,194	195,493

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
Assets	2,697	127,373	3,245	133,315
Loans to credit institutions		3,336		3,336
Loans to the public				
Debt securities ¹	2,453	485		2,938
Shares	118		1,011	1,129
Derivatives	126	118,076	2,234	120,436
Other assets		5,460		5,460
Prepaid expenses and accrued income		16		16
Liabilities	102	127,345	2,140	129,587
Deposits by credit institutions		279		279
Deposits and borrowings from the public				
Debt securities in issue		6,371		6,371
Derivatives	101	116,755	2,140	118,996
Other liabilities	1	3,880		3,881
Accrued expenses and prepaid income		60		60

¹ Of which EUR 1,675m Treasury bills and EUR 989m Interest-bearing securities (the portion held at fair value in Note 8). EUR 274m relates to the balance sheet item Financial instruments pledged as collateral.

Note 10 Derivatives

Fair value EURm	30 Jun 2010		31 Dec 2009		30 Jun 2009	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives	99,534	98,155	60,718	59,357	57,864	57,080
Equity derivatives	874	1,058	859	1,047	839	845
Foreign exchange derivatives	17,453	17,358	10,701	10,410	14,540	14,170
Credit derivatives	1,386	1,286	1,354	1,294	2,915	2,896
Other derivatives	923	857	831	757	943	873
Total	120,170	118,714	74,463	72,865	77,101	75,864
Derivatives used for hedging						
Interest rate derivatives	75	176	44	174	50	190
Equity derivatives	-	-	-	-	-	-
Foreign exchange derivatives	191	106	13	198	6	211
Total	266	282	57	372	56	401
Total fair value						
Interest rate derivatives	99,609	98,331	60,762	59,531	57,914	57,270
Equity derivatives	874	1,058	859	1,047	839	845
Foreign exchange derivatives	17,644	17,464	10,714	10,608	14,546	14,381
Credit derivatives	1,386	1,286	1,354	1,294	2,915	2,896
Other derivatives	923	857	831	757	943	873
Total	120,436	118,996	74,520	73,237	77,157	76,265
Nominal amount						
EURm	30 Jun 2010		31 Dec 2009		30 Jun 2009	
Derivatives held for trading						
Interest rate derivatives	4,212,375		3,652,199		3,425,662	
Equity derivatives	17,468		17,823		17,177	
Foreign exchange derivatives	902,656		747,053		732,143	
Credit derivatives	69,660		83,768		105,821	
Other derivatives	14,080		11,194		11,931	
Total	5,216,239		4,512,037		4,292,734	
Derivatives used for hedging						
Interest rate derivatives	12,684		11,191		10,095	
Equity derivatives	-		-		-	
Foreign exchange derivatives	1,652		2,338		11,632	
Total	14,336		13,529		21,727	
Total nominal amount						
Interest rate derivatives	4,225,059		3,663,390		3,435,757	
Equity derivatives	17,468		17,823		17,177	
Foreign exchange derivatives	904,308		749,391		743,775	
Credit derivatives	69,660		83,768		105,821	
Other derivatives	14,080		11,194		11,931	
Total	5,230,575		4,525,566		4,314,461	

Note 11 Capital adequacy

Capital Base	30 Jun	31 Dec	30 Jun
EURm	2010 ¹	2009	2009 ¹
Tier 1 capital	10,103	10,099	9,784
Total capital base	10,585	10,548	10,140

¹ Excluding profit

Capital requirement	30 Jun	30 Jun	31 Dec	31 Dec	30 Jun	30 Jun
EURm	2010	2010	2009	2009	2009	2009
	Capital requirement	RWA	Capital requirement	RWA	Capital requirement	RWA
Credit risk	5,354	66,929	5,163	64,540	5,231	65,382
IRB	2,737	34,213	2,590	32,375	2,636	32,947
- of which corporate	1,872	23,401	1,707	21,337	1,848	23,101
- of which institutions	489	6,111	517	6,460	473	5,915
- of which retail	351	4,386	344	4,301	307	3,840
of which residential real estate	171	2,133	174	2,176	137	1,707
of which other	180	2,253	170	2,125	171	2,133
- of which other	25	315	22	277	7	91
Standardised	2,617	32,716	2,573	32,165	2,595	32,435
- of which sovereign	24	300	41	515	15	184
- of which retail	392	4,900	388	4,847	398	4,969
of which residential real estate	11	144	11	144	11	143
of which qualifying revolving	-	-	-	-	-	-
of which other	380	4,756	377	4,703	386	4,826
- of which other	2,201	27,517	2,144	26,803	2,183	27,282
Market risk	323	4,042	236	2,946	273	3,414
- of which trading book, VaR	179	2,241	103	1,287	189	2,357
- of which trading book, non-VaR	144	1,801	133	1,659	85	1,057
- of which FX, non-VaR	0	0	0	0	0	0
Operational risk	421	5,258	368	4,606	368	4,606
Standardised	421	5,258	368	4,606	368	4,606
Sub total	6,098	76,229	5,767	72,092	5,872	73,402

Adjustment for transition rules

Additional capital requirement according to transition rules

	-	-	-	-	-	-
Total	6,098	76,229	5,767	72,092	5,872	73,402

Capital ratio	30 Jun	31 Dec	30 Jun
EURm	2010 ¹	2009	2009 ¹
Tier I ratio, %	13.3	14.0	13.3
Capital ratio, %	13.9	14.6	13.8

¹ Excluding profit

Analysis of capital requirements

Exposure class, 30 Jun 2010	Average risk weight (%)	Capital requirement (EURm)
Corporate	59	1,872
Institutions	23	489
Retail IRB	14	351
Retail SA	76	392
Sovereign	2	24
Other	38	2,227
Total credit risk	35	5,354