

Interim Report January–June 2009

Nordea Bank Finland Plc

Nordea's vision is to be the leading Nordic 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 5.3 million e-customers. The Nordea share is listed on NASDAQ OMX in Stockholm, Helsinki and Copenhagen.

Nordea Bank Finland Group

Result summary January-June 2009

The first six months of 2009 were characterised by maintained high income and profit levels despite clearly higher net loan losses. NBF's total income increased by 9% to EUR 1,520m (1,394) and total expenses by 8% to EUR 525m (484). (The comparison figures in brackets refer to the first six months of 2008.)

NBF's operating profit was only slightly lower than in the same period last year and it amounted to EUR 835m (884). Return on equity was 11.4% (12.9) and the cost/income ratio 35% (35). Loan losses amounted to EUR 160m (26). Net profit decreased by 10% to EUR 621m (689).

Market development in the first half of 2009

The Finnish economy shrank sharply during the first months of the year. With the advancement of spring, trust in the economy has begun to increase and share prices have risen. Nevertheless, unemployment rates are still rising sharply. However, the rise in consumer prices stopped in the spring. The ECB cut its key rate to 1% in the spring, which is a record-low level. Long-term interest rates were, however, on the rise already in the spring.

Income

Total income increased by 9% to EUR 1,520m. The income growth is driven by volume growth as well as the high activity level in the customer-driven capital markets operations. Margin pressure in deposits continued and together with lower interest rates caused the decline in net interest income. Net interest income totalled EUR 630m (855). Total lending to the public increased by 1% year-on-year to EUR 67.4bn. Deposits and borrowings from the public increased by 6% year-on-year to EUR 45.7bn.

Net commission income decreased by 29% to EUR 104m. Savings-related commissions decreased due to the decline in assets under management, lower transaction activity and outflow from high margin products. Lending-related commissions developed positively following the centralisation of Trade Finance operations to Finland. Higher payment and card volumes increased payment and card fees. Commission expenses increased by 59% mainly as a result of higher transaction volumes and fees.

Net gains/losses at fair value showed a continued strong increase during the first half of 2009 and the income increased by 99% to EUR 753m (379). The customer-driven capital markets activities continued to perform strongly, with high demand within risk management products.

Profit from companies accounted for under the equity method was stable and amounted to EUR 1m (1).

Other operating income increased to EUR 32m (13).

Expenses

Total operating expenses increased by 8% and amounted to EUR 525m (484).

Staff costs increased by 9% to EUR 300m (276) explained by wage inflation, higher variable salaries and higher pension expenses. The number of full-time employees decreased by approximately 270 year-on-year.

Other operating expenses totalled EUR 208m (193), up by 8% compared to last year. The higher activity level increased IT expenses whereas marketing expenses were lower than in the corresponding period last year.

Depreciation of tangible and intangible assets increased slightly to EUR 17m (15).

The cost/income ratio was maintained at 35% in the first half of 2009.

Loan losses

Net loan losses were affected by the sharp economic slowdown in Finland and the Baltic countries. Net loan losses of EUR 160m (26) were recorded in the first half year corresponding to a loan loss ratio of 47 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.

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.

Taxes

The effective tax rate for the first half of 2009 was approximately 26% compared to 22% in the first half of 2008.

Net profit

Net profit decreased by 10% to EUR 621m (689) corresponding to a return on equity of 11.4% compared to 12.9% in the first half of last year.

Balance sheet

(Comparison figures in brackets refer to December 2008 figures)

The total assets of NBF amounted to EUR 207bn (220). The change mainly reflects a decrease in balance sheet values of derivatives and a decrease in other assets.

The growth rate of the housing loan stock was 2% in Finland. The economic downturn has clearly affected the lending growth rate in the Baltic countries and the housing loan stock was by large at the same level as in December. Total loans to the public decreased by 1% compared with the end of 2008. The balance sheet values of derivatives have decreased mainly due to changes in interest rates.

Deposits and borrowings from the public increased from the year-end level and amounted to EUR 45.7bn (45.3).

Capital position and capital management

At the end of June, NBF's risk-weighted amounts (RWA) were EUR 73.4bn excluding transition rules, compared to EUR 73.1bn at year-end 2008 and 73.3bn one year ago. As transition rules no longer had an effect on RWA, the reported RWA decreased by EUR 8.3bn compared with end 2008 figures.

The Tier 1 ratio was 13.3% and the total capital ratio was 13.8%. Profit for the period has not been included in Tier 1.

A subordinated loan with the nominal value of EUR 600m was prematurely paid in March with the permission of FIN-FSA.

Credit portfolio

Total lending was EUR 67.4bn (68.3) at the end of June 2009. The share of lending to corporate customers was 52%. Lending in the Baltic countries constitutes 12% of NBF's total lending.

Contracting economies in NBF's home markets have affected impaired loans and loan losses. Some weakening mainly in the corporate lending portfolio was seen in the first half of 2009.

Impaired loans gross increased to EUR 1,626m at the end of June 2009 compared to EUR 971m at the end of December 2008. EUR 276m of this increase is attributable to the Baltic countries. Individually assessed impaired loans, net, amounted to EUR 1,274m (713) representing 1.09% of total loans and receivables before allowances. At year-end 2008 the ratio was 0.61%.

Total allowances in the Baltic countries amounted to EUR 202m, of which EUR 140m were collective provisions.

Off-balance sheet commitments

The total amount of off-balance sheet commitments increased to EUR 34.2bn (33.7). The increase mainly related to the unutilised portion of approved overdraft facilities. The volumes of derivatives have continued to grow and they amounted to EUR 4,314bn (3,781).

Sale of business operations

The business operations of Menox Palvelut Oy were sold at the beginning of June 2009 to ISS Palvelut Oy. All the approximately 60 employees previously employed by Menox continue in ISS Palvelut taking care of archiving, distribution and reception services.

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.

So far, 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 and the risk has increased for a somewhat higher loan loss ratio for the full year compared to the first half year, as communicated in the Outlook on next page.

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 2009

For 2009, Nordea Group expects risk-adjusted profit, i.e. profit before loan losses, minus Expected Loss and standard tax, to be higher than in 2008. In the interim report for the first quarter, the forecast was an unchanged risk-adjusted profit. NBF is expected to contribute to this development.

Cost growth in Nordea Group is expected to be slightly lower than in 2008.

Loan loss provisions in Nordea Group in the first half of the year amounted to 55 basis points, excluding the provision concerning the contested claim related to the

debt restructuring liquidation of Swiss Air Group in 2001, broadly in line with the Outlook from the beginning of the year. Since global and Nordic economies have contracted clearly beyond general expectations at the beginning of the year, uncertainty concerning how the economic recession will affect customers' cash flow and filter through into Nordea Group's lending book has increased. Therefore, the risk has increased for a somewhat higher loan loss ratio for the full year compared to the annualised level in the first half of the year.

The effective tax rate of Nordea Group is expected to be approx. 25%.

Stockholm, 21 July 2009
Board of Directors

Key financial figures

Income statement

EURm	Jan-Jun 2009	Jan-Jun 2008	Change %	Full year 2008
Net interest income	630	855	-26	1,812
Net fee and commission income	104	146	-29	215
Net gains/losses on items at fair value	753	379	99	770
Equity method	1	1	0	-4
Other operating income	32	13	146	29
Total operating income	1,520	1,394	9	2,822
Staff costs	-300	-276	9	-537
Other expenses	-208	-193	8	-397
Depreciation of tangible and intangible assets	-17	-15	13	-33
Total operating expenses	-525	-484	8	-967
Profit before loan losses	995	910	9	1,855
Net loan losses	-160	-26	515	-133
Impairment of securities held as financial non-current assets	0	0		-
Disposals of tangible and intangible assets	0	0		0
Operating profit	835	884	-6	1,722
Income tax expense	-214	-195	10	-389
Net profit for the period	621	689	-10	1,333

Business volumes, key items

EURm	30 Jun 2009	30 Jun 2008	Change %	31 Dec 2008	Change %
Loans and receivables to the public	67,364	66,500	1	68,293	-1
Deposits and borrowings from the public	45,663	43,085	6	45,279	1
Equity	10,596	10,629	0	11,275	-6
Total assets	206,838	176,666	17	219,961	-6

Ratios and key figures

	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
Return on equity, %	11.4	12.9	12.1
Cost/income ratio, %	35	35	34
Tier 1 capital ratio ¹ , %	13.3	12.8	12.0
Total capital ratio ¹ , %	13.8	14.2	13.3
Tier 1 capital ¹ , EURm	9,784	9,833	9,807
Risk-weighted amounts incl transition rules, EURm	73,402	76,749	81,720
Loan loss ratio, basis points	47	9	22
Number of employees (full-time equivalents) ¹	9,361	9,631	9,634

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)

Half-year development

	Jan-Jun 2009	Jan-Jun 2008
Net fee and commission income, EURm		
Asset Management commissions	14	23
Life insurance	6	4
Brokerage	13	10
Custody	19	26
Deposits	2	2
Total savings related commissions	54	65
Payments	81	73
Cards	29	22
Total payment commissions	110	95
Lending	40	37
Guarantees and documentary payments	56	39
Total lending related commissions	96	76
Other commission income	41	34
Fee and commission income	301	270
Payment expenses	-35	-29
Other commission expenses	-162	-95
Fee and commission expenses	-197	-124
Net fee and commission income	104	146

	Jan-Jun 2009	Jan-Jun 2008
General administrative expenses, EURm		
Staff	-300	-276
Information technology ¹	-75	-61
Marketing	-11	-18
Postage, telephone and office expenses	-21	-21
Rents, premises and real estate expenses	-42	-42
Other	-59	-51
Total	-508	-469

¹ Refers to IT operations, service expenses and consultant fees. Total IT-related costs including staff etc, were EUR 97m in the first half of 2009 (EUR 85m in the first half of 2008).

Income statement

EURm	Note	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
Operating income				
<i>Interest income</i>		1,666	2,741	5,694
<i>Interest expense</i>		-1,036	-1,886	-3,882
Net interest income		630	855	1,812
<i>Fee and commission income</i>		301	270	545
<i>Fee and commission expense</i>		-197	-124	-330
Net fee and commission income		104	146	215
Net gains/losses on items at fair value	3	753	379	770
Profit from companies accounted for under the equity method		1	1	-4
Other operating income		32	13	29
Total operating income		1,520	1,394	2,822
Operating expenses				
General administrative expenses:				
Staff costs		-300	-276	-537
Other expenses		-208	-193	-397
Depreciation, amortisation and impairment charges of tangible and intangible assets		-17	-15	-33
Total operating expenses		-525	-484	-967
Profit before loan losses		995	910	1,855
Net loan losses	4	-160	-26	-133
Impairment of securities held as financial non-current assets		0	0	-
Disposals of tangible and intangible assets		0	0	0
Operating profit		835	884	1,722
Income tax expense		-214	-195	-389
Net profit for the period		621	689	1,333
Attributable to:				
Shareholders of Nordea Bank Finland Plc		620	688	1,331
Non-controlling interests		1	1	2
Total		621	689	1,333

Statement of comprehensive income

EURm	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
Net profit for the period	621	689	1,333
Currency translation differences during the period	0	0	0
Available-for-sale investments:			
Valuation gains/losses during the period	0	-1	-1
Tax on valuation gains/losses during the period	0	0	0
Other comprehensive income, net of tax	0	-1	-1
Total comprehensive income	621	688	1,332
Attributable to:			
Shareholders of Nordea Bank Finland Plc	620	687	1,330
Non-controlling interests	1	1	2
Total	621	688	1,332

Balance sheet

EURm	Note	30 Jun 2009	31 Dec 2008	30 Jun 2008
Assets				
Cash and balances with central banks		2,951	906	1,712
Treasury bills		705	691	673
Loans and receivables to credit institutions	5	48,863	47,447	56,395
Loans and receivables to the public	5	67,364	68,293	66,500
Interest-bearing securities		3,679	4,929	3,614
Financial instruments pledged as collateral		-	0	-
Shares		914	982	982
Derivatives	8	77,157	85,662	43,686
Fair value changes of the hedged items in portfolio hedge of interest rate risk		170	157	-106
Investments in associated undertakings		52	51	79
Intangible assets		61	59	53
Property and equipment		122	117	112
Investment property		4	3	4
Deferred tax assets		12	15	2
Current tax assets		126	133	83
Retirement benefit assets		85	82	66
Other assets		4,152	9,532	2,067
Prepaid expenses and accrued income		421	902	744
Total assets		206,838	219,961	176,666
Liabilities				
Deposits by credit institutions		41,307	37,713	38,432
Deposits and borrowings from the public		45,663	45,279	43,085
Debt securities in issue		26,910	31,263	32,968
Derivatives	8	76,265	87,291	44,134
Fair value changes of the hedged items in portfolio hedge of interest rate risk		17	16	-57
Current tax liabilities		231	341	113
Other liabilities		4,466	4,403	4,940
Accrued expenses and prepaid income		833	1,016	1,075
Deferred tax liabilities		39	39	47
Provisions		33	59	52
Retirement benefit obligations		28	28	44
Subordinated liabilities		450	1,238	1,204
Total liabilities		196,242	208,686	166,037
Equity				
Non-controlling interests		8	7	6
Share capital		2,319	2,319	2,319
Share premium reserve		599	599	599
Other reserves		2,941	2,941	2,928
Retained earnings		4,729	5,409	4,777
Total equity		10,596	11,275	10,629
Total liabilities and equity		206,838	219,961	176,666
Assets pledged as security for own liabilities		10,020	16,840	8,699
Other assets pledged		-	-	-
Contingent liabilities		16,975	17,119	16,693
Derivative commitments	8	4,314,461	3,780,569	3,449,783
Credit commitments ¹		16,695	16,046	17,413
Other commitments		533	502	549

¹ Including unutilised portion of approved overdraft facilities of EUR 8,473m (31 Dec 2008: 7,850m, 30 Jun 2008: 8,265m).

Statement of changes in equity

Attributable to shareholders of Nordea Bank Finland Plc

EURm	Other reserves:				Retained earnings	Total	Non-controlling interests	Total equity
	Share capital ¹	Share premium reserve	Other reserves	Available-for-sale investments				
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

Attributable to shareholders of Nordea Bank Finland Plc

EURm	Other reserves:				Retained earnings	Total	Non-controlling interests	Total equity
	Share capital ¹	Share premium reserve	Other reserves	Available-for-sale investments				
Opening balance at 1 Jan 2008	2,319	599	2,928	1	4,939	10,786	7	10,793
Total comprehensive income				-1	1,331	1,330	2	1,332
Share-based payments					1	1		1
Dividend for 2007					-850	-850		-850
Other changes			13		-12	1	-2	-1
Closing balance at 31 Dec 2008	2,319	599	2,941	0	5,409	11,268	7	11,275

Attributable to shareholders of Nordea Bank Finland Plc

EURm	Other reserves:				Retained earnings	Total	Non-controlling interests	Total equity
	Share capital ¹	Share premium reserve	Other reserves	Available-for-sale investments				
Opening balance at 1 Jan 2008	2,319	599	2,928	1	4,939	10,786	7	10,793
Total comprehensive income				-1	688	687	1	688
Share-based payments					0	0		0
Dividend for 2007					-850	-850		-850
Other changes					0	0	-2	-2
Closing balance at 30 Jun 2008	2,319	599	2,928	0	4,777	10,623	6	10,629

¹ Total shares registered were 1,030.8 million (31 Dec 2008: 1,030.8 million, 30 Jun 2008: 1,030.8 million).

Cash flow statement

EURm	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
<i>Operating activities</i>			
Operating profit	835	884	1,722
Adjustments for items not included in cash flow	-465	45	-398
Income taxes paid	-315	-50	-86
Cash flow from operating activities before changes in operating assets and liabilities	55	879	1,238
Changes in operating assets and liabilities	82	4,269	4,859
Cash flow from operating activities	137	5,148	6,097
<i>Investing activities</i>			
Sale/acquisition of associated undertakings	-1	-7	16
Property and equipment	-19	-17	-42
Intangible assets	-5	-15	-33
Other financial fixed assets	-600	19	-4,157
Cash flow from investing activities	-625	-20	-4,216
<i>Financing activities</i>			
Issued/amortised subordinated liabilities	-773	-43	-64
Dividend paid	-1,300	-850	-850
Other changes	-	-2	-1
Cash flow from financing activities	-2,073	-895	-915
Cash flow for the period	-2,561	4,233	966
Cash and cash equivalents at beginning of period	16,400	15,434	15,434
Exchange rate difference	0	0	0
Cash and cash equivalents at end of period	13,839	19,667	16,400
Change	-2,561	4,233	966
Cash and cash equivalents	30 Jun	30 Jun	31 Dec
The following items are included in cash and cash equivalents (EURm):	<u>2009</u>	<u>2008</u>	<u>2008</u>
Cash and balances with central banks	2,951	1,712	906
Loans and receivables to credit institutions, payable on demand	10,888	17,955	15,494

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 and receivables 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 and basis for calculations are, in all material aspects, unchanged in comparison with the 2008 Annual Report.

As of 1 January 2009 the amendments to standards IAS 23 "Borrowing Costs", IAS 27 "Consolidated and Separate Financial Statements", IAS 32 "Financial Instruments: Presentation" and IFRS 2 "Share-based Payment" have been implemented. These amendments as well as "Improvements to IFRSs" and applicable

new interpretations have had no or only an insignificant impact. In addition, the amendment to IAS 1 "Presentation of Financial Statements" and the new standard IFRS 8 "Operating Segments" have had the following impact on the presentation:

Amendment of IAS 1 "Presentation of Financial Statements"

IASB has amended IAS 1 "Presentation of Financial Statements" with effective date for Nordea as from the first quarter 2009. The main impact from this amendment is that the "Statement of changes in equity" has been added and the "Statement of comprehensive income" relocated to be displayed immediately after the "Income statement".

New standard IFRS 8 "Operating Segments"

IFRS 8 is mandatory for Nordea as from the first quarter 2009. The IFRS requires identification of operating segments on the basis of the information regularly reviewed by the entity's chief operating decision maker (CODM) in order to allocate resources to the segment and assess its performance. The reportable segments in Nordea have, mainly as a consequence of the restrictions in the aggregation criteria, been changed, and a note has been added to comply with the requirements in the new standard. See note 2 "Segment reporting" for more information.

Note 2 Segment reporting

Operating segments								
EURm	Nordic Banking		New European Markets		Shipping, Oil Services & International		Capital Markets & Savings	
	Jan-Jun 2009	Jan-Jun 2008	Jan-Jun 2009	Jan-Jun 2008	Jan-Jun 2009	Jan-Jun 2008	Jan-Jun 2009	Jan-Jun 2008
Total operating income	717	862	87	64	47	36	551	211
Operating profit	256	470	7	29	35	28	401	144
Loans and receivables to the public	46,607	46,562	7,307	6,296	7,055	7,184	-	-
Deposits and borrowings from the public	34,859	32,323	2,029	1,578	4,483	4,439	-	-

EURm	Other Operating segments		Total Operating segments		Reconciliation		Total Group	
	Jan-Jun 2009	Jan-Jun 2008	Jan-Jun 2009	Jan-Jun 2008	Jan-Jun 2009	Jan-Jun 2008	Jan-Jun 2009	Jan-Jun 2008
Total operating income	170	244	1,572	1,417	-52	-23	1,520	1,394
Operating profit	120	206	819	877	16	7	835	884
Loans and receivables to the public	76	390	61,045	60,432	6,319	6,068	67,364	66,500
Deposits and borrowings from the public	4,348	4,698	45,719	43,038	-56	47	45,663	43,085

Reconciliation between total operating segments and financial statements

Jan-Jun 2009			
EURm	Operating profit	Loans and receivables to the public	Deposits and borrowings from the public
Total Operating segments	819	61,045	45,719
Group functions ¹ and unallocated items	16	6,319	-56
Differences in accounting policies ²	-	-	-
Total	835	67,364	45,663

Jan-Jun 2008			
EURm	Operating profit	Loans and receivables to the public	Deposits and borrowings from the public
Total Operating segments	877	60,432	43,038
Group functions ¹ and unallocated items	7	6,068	47
Differences in accounting policies ²	-	-	-
Total	884	66,500	43,085

¹ Consists of Group Management Secretariat, Group Internal Audit, Group Credit and Risk Control, People and Identity and Group Legal.

² Internally developed software is expensed as incurred in the operating segments, but capitalised as required by IAS 38 in the entity's balance sheet.

Note 2, continued

Basis of segmentation and measurement of segment profit or loss

In November 2006 the IASB issued IFRS 8 "Operating Segments", which is mandatory for periods beginning on or after 1 January 2009. IFRS 8 has had an impact on the reportable segments in Nordea, mainly as the previously aggregated segment Institutional & International Banking has been divided into three individual reportable segments (New European Markets, Financial Institutions and Shipping, Oil Services & International), where New European Markets and Shipping, Oil services and International are reported separate and Financial Institutions is included in Other Operating segments. Capital Markets & Savings were previously included in Other Customer operations but are now, since it exceeds the thresholds in IFRS 8, reported separate. Other Operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Comparative information has been restated accordingly.

In addition, the measurement of segment profit or loss has been changed during the first half 2009, as internally developed software is, as from H1 2009, expensed as incurred in the operating segments, but capitalised as required by IAS 38 in the entity's balance sheet.

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, Lithuania, Poland and Russia. The segment Shipping, Oil Services & International is responsible for Nordea's customers within the shipping, offshore and oil services industries. Capital Markets & Savings is responsible for all capital markets and savings products to all customer segments in Nordea.

Note 3 Net gains/losses on items at fair value

	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
EURm			
Shares/participations and other share-related instruments	17	53	85
Interest-bearing securities and other interest-related instruments	534	168	377
Other financial instruments	59	45	13
Foreign exchange gains/losses	143	113	296
Investment properties	0	0	-1
Total	753	379	770

Note 4 Net loan losses

EURm	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
Loan losses divided by class			
Loans and receivables to credit institutions	-9	-1	-14
- of which provisions	-10	-1	-15
- of which write-offs	-	-	-
- of which allowances used for covering write-offs	-	-	-
- of which reversals	1	0	1
- of which recoveries	-	-	-
Loans and receivables to the public	-177	-17	-101
- of which provisions	-180	-52	-157
- of which write-offs	-25	-12	-26
- of which allowances used for covering write-offs	18	9	20
- of which reversals	8	28	50
- of which recoveries	2	10	12
Off-balance sheet items ¹	26	-8	-18
- of which provisions	0	-8	-19
- of which write-offs	-	-	-
- of which allowances used for covering write-offs	-	-	-
- of which reversals	26	0	1
- of which recoveries	-	-	-
Total	-160	-26	-133
Specification of Loan losses			
Changes of allowance accounts in the balance sheet	-155	-33	-139
- of which Loans and receivables, individually assessed	-116	-12	-94
- of which Loans and receivables, collectively assessed	-65	-13	-27
- of which Off-balance sheet items, individually assessed ¹	1	0	-1
- of which Off-balance sheet items, collectively assessed ¹	25	-8	-17
Changes directly recognised in the income statement	-5	7	6
- of which realised loan losses, individually assessed	-7	-3	-6
- of which realised loan losses, collectively assessed	-	-	-
- of which realised recoveries, individually assessed	2	10	12
- of which realised recoveries, collectively assessed	-	-	-
Total	-160	-26	-133

¹ Included in Provisions in the balance sheet

Key ratios

	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
Loan loss ratio, basis points ²	47	9	22
- of which individual	35	2	15
- of which collective	12	7	7

² Net loan losses (annualised) divided by opening balance of loans and receivables to the public (lending).

Note 5 Loans and receivables and their impairment

EURm	Total		
	30 Jun 2009	31 Dec 2008	30 Jun 2008
Loans and receivables, not impaired	115,193	115,201	122,485
Impaired loans and receivables	1,626	971	755
- Performing	870	608	481
- Non-performing	756	363	274
Loans and receivables before allowances	116,819	116,172	123,240
Allowances for individually assessed impaired loans	-353	-258	-186
- Performing	-220	-168	-112
- Non-performing	-133	-90	-74
Allowances for collectively assessed impaired loans	-239	-174	-159
Allowances	-592	-432	-345
Loans and receivables, carrying amount	116,227	115,740	122,895

EURm	Credit institutions			The public		
	30 Jun 2009	31 Dec 2008	30 Jun 2008	30 Jun 2009	31 Dec 2008	30 Jun 2008
Loans and receivables, not impaired	48,863	47,435	56,398	66,330	67,766	66,087
Impaired loans and receivables	25	27	-	1,601	944	755
- Performing	25	27	-	845	581	481
- Non-performing	-	-	-	756	363	274
Loans and receivables before allowances	48,888	47,462	56,398	67,931	68,710	66,842
Allowances for individually assessed impaired loans	-25	-14	-	-328	-244	-186
- Performing	-25	-14	-	-195	-154	-112
- Non-performing	-	-	-	-133	-90	-74
Allowances for collectively assessed impaired loans	0	-1	-3	-239	-173	-156
Allowances	-25	-15	-3	-567	-417	-342
Loans and receivables, carrying amount	48,863	47,447	56,395	67,364	68,293	66,500

Note 5, continued

Reconciliation of allowance accounts for impaired loans

	Credit institutions		The public		Total		Total
	Individually assessed	Collectively assessed	Individually assessed	Collectively assessed	Individually assessed	Collectively assessed	
Loans and receivables, EURm							
Opening balance at 1 Jan 2009	-14	-1	-244	-173	-258	-174	-432
Provisions	-10	-	-107	-73	-117	-73	-190
Reversals	-	1	1	7	1	8	9
Changes through the income statement	-10	1	-106	-66	-116	-65	-181
Allowances used to cover write-offs	-	-	18	-	18	0	18
Currency translation differences	-	-	4	-	4	0	4
Closing balance at 30 Jun 2009	-24	0	-328	-239	-352	-239	-591
Opening balance at 1 Jan 2008	-	-2	-186	-138	-186	-140	-326
Provisions	-14	0	-124	-34	-138	-34	-172
Reversals	0	1	44	6	44	7	51
Changes through the income statement	-14	1	-80	-28	-94	-27	-121
Allowances used to cover write-offs	-	-	20	0	20	0	20
Currency translation differences and reclassifications	-	-	2	-7	2	-7	-5
Closing balance at 31 Dec 2008	-14	-1	-244	-173	-258	-174	-432
Opening balance at 1 Jan 2008	-	-2	-186	-138	-186	-140	-326
Provisions	-	-1	-36	-16	-36	-17	-53
Reversals	-	0	24	4	24	4	28
Changes through the income statement	-	-1	-12	-12	-12	-13	-25
Allowances used to cover write-offs	-	-	9	-	9	0	9
Currency translation differences and reclassification	-	-	3	-6	3	-6	-3
Closing balance at 30 Jun 2008	-	-3	-186	-156	-186	-159	-345

Allowances and provisions

	30 Jun 2009	31 Dec 2008	30 Jun 2008
EURm			
Allowances for items in the balance sheet	-591	-432	-345
Provisions for off balance sheet items	-21	-47	-41
Total allowances and provisions	-612	-479	-386

Key ratios

	30 Jun 2009	31 Dec 2008	30 Jun 2008
Impairment rate, gross ¹ , basis points	139	84	61
Impairment rate, net ² , basis points	109	61	46
Total allowance rate ³ , basis points	51	37	28
Allowances in relation to impaired loans ⁴ , %	21.7	26.6	24.6
Total allowances in relation to impaired loans ⁵ , %	15.6	31.8	40.2
Non-performing loans and receivables, not impaired ⁶ , EURm	12	13	25

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

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

³ Total allowances divided by total loans and receivables before allowances.

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

⁵ Total allowances divided by total impaired loans and receivables before allowances.

⁶ Past due loans and receivables, not impaired due to future cash flows (included in Loans and receivables, not impaired).

Note 6 Classification of financial instruments

EURm	Loans and receivables	Held to maturity	Held for trading	Assets at fair value	Derivatives used for hedging	Available for sale	Total
Financial assets							
Cash and balances with central banks	2,951						2,951
Treasury bills			705				705
Loans and receivables to credit institutions	45,244		1,486	2,133			48,863
Loans and receivables to the public	67,364						67,364
Interest-bearing securities		3,352	322			5	3,679
Financial instruments pledged as collateral							-
Shares			888	26			914
Derivatives			77,101		56		77,157
Fair value changes of the hedged items in portfolio hedge of interest rate risk	170						170
Other assets	1,213			2,931			4,144
Prepaid expenses and accrued income	249						249
Total 30 Jun 2009	117,191	3,352	80,502	5,090	56	5	206,196
Total 31 Dec 2008	116,821	4,176	89,588	8,379	105	5	219,074
Total 30 Jun 2008	119,684	-	47,579	8,591	148	5	176,007
Financial liabilities							
Deposits by credit institutions						41,307	41,307
Deposits and borrowings from the public						45,663	45,663
Debt securities in issue			5,922			20,988	26,910
Derivatives			75,864		401		76,265
Fair value changes of the hedged items in portfolio hedge of interest rate risk						17	17
Other liabilities			7	2,105		2,345	4,457
Accrued expenses and prepaid income						424	424
Subordinated liabilities						450	450
Total 30 Jun 2009			81,793	2,105	401	111,194	195,493
Total 31 Dec 2008			90,983	5,600	2,054	109,176	207,813
Total 30 Jun 2008			49,182	-	370	115,850	165,402

Note 7 Financial instruments at fair value

Determination of fair value from quoted market prices or valuation techniques

EURm	Instruments with quoted prices in active markets (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets	1,884	74,504	2,659	79,047
Interest-bearing securities and Treasury bills ¹	909	123		1,032
<i>Of which:</i>				
- State and sovereigns	705	0		705
- Municipalities and other public bodies	64	23		87
- Mortgage institutions		16		16
- Other credit institutions	140	18		158
- Corporates		66		66
- Corporates, sub-investment grade				
- Other				
Financial instruments pledged as collateral				-
Shares	888		26	914
Derivatives	87	74,381	2,633	77,101
Liabilities	100	79,250	2,436	81,786
Debt securities in issue		5,922		5,922
Derivatives	100	73,328	2,436	75,864

¹ Of which EUR 705m Treasury bills and EUR 327m Interest-bearing securities (the portion held at fair value in Note 6).

Special Purpose Entities (SPEs) - On balance

EURm	Purpose	Duration	NBF's investment ²	Total assets	Accounting treatment
Kirkas Northern Lights Ltd	Collateralised Mortgage Obligation	>5 years	6,969	6,969	Consolidated
Total			6,969	6,969	

² Includes all assets towards SPEs (such as bonds, subordinated loans and drawn credit facilities)

Note 8 Derivatives

Fair value EURm	30 Jun 2009		31 Dec 2008		30 Jun 2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives	57,864	57,080	52,460	52,000	29,367	30,088
Equity derivatives	839	845	920	1,150	1,158	1,533
Foreign exchange derivatives	14,540	14,170	26,268	26,106	8,318	7,564
Credit derivatives	2,915	2,896	4,635	4,761	2,208	2,140
Other derivatives	943	873	1,274	1,220	2,487	2,439
Total	77,101	75,864	85,557	85,237	43,538	43,764
Derivatives used for hedging						
Interest rate derivatives	50	190	53	175	147	46
Equity derivatives	-	-	-	-	-	-
Foreign exchange derivatives	6	211	52	1,879	1	324
Total	56	401	105	2,054	148	370
Total fair value						
Interest rate derivatives	57,914	57,270	52,513	52,175	29,514	30,134
Equity derivatives	839	845	920	1,150	1,158	1,533
Foreign exchange derivatives	14,546	14,381	26,320	27,985	8,319	7,888
Credit derivatives	2,915	2,896	4,635	4,761	2,208	2,140
Other derivatives	943	873	1,274	1,220	2,487	2,439
Total	77,157	76,265	85,662	87,291	43,686	44,134
Nominal amount						
EURm				30 Jun 2009	31 Dec 2008	30 Jun 2008
Derivatives held for trading						
Interest rate derivatives				3,425,662	2,915,880	2,569,170
Equity derivatives				17,177	17,502	23,196
Foreign exchange derivatives				732,143	706,890	723,008
Credit derivatives				105,821	103,077	100,974
Other derivatives				11,931	12,017	11,745
Total				4,292,734	3,755,366	3,428,093
Derivatives used for hedging						
Interest rate derivatives				10,095	8,641	18,299
Equity derivatives				-	-	-
Foreign exchange derivatives				11,632	16,562	3,391
Total				21,727	25,203	21,690
Total nominal amount						
Interest rate derivatives				3,435,757	2,924,521	2,587,469
Equity derivatives				17,177	17,502	23,196
Foreign exchange derivatives				743,775	723,452	726,399
Credit derivatives				105,821	103,077	100,974
Other derivatives				11,931	12,017	11,745
Total				4,314,461	3,780,569	3,449,783

Note 9 Capital adequacy

Capital Base	30 Jun 2009 ¹	31 Dec 2008	30 Jun 2008 ¹
EURm			
Tier 1 capital	9,784	9,807	9,833
Total capital base	10,140	10,860	10,908

¹ Excluding profit

Capital requirement	30 Jun 2009	30 Jun 2009	31 Dec 2008	31 Dec 2008	30 Jun 2008	30 Jun 2008
EURm	Capital requirement	RWA	Capital requirement	RWA	Capital requirement	RWA
Credit risk	5,231	65,382	5,235	65,439	5,387	67,340
IRB	2,636	32,947	2,829	35,357	2,015	25,192
- of which corporate	1,848	23,101	1,940	24,246	1,556	19,448
- of which institutions	473	5,915	540	6,752	444	5,548
- of which retail	307	3,840	307	3,841		
of which residential real estate	137	1,707	141	1,757		
of which other	171	2,133	167	2,084		
- of which other	7	91	41	518	15	196
Standardised	2,595	32,435	2,407	30,083	3,372	42,148
- of which sovereign	15	184	45	567	2	19
- of which retail	398	4,969	358	4,472	1,253	15,657
of which residential real estate	11	143	-	-		
of which qualifying revolving	-	-	-	-		
of which other	386	4,826	358	4,472		
- of which other	2,183	27,282	2,004	25,044	2,117	26,472
Market risk	273	3,414	291	3,636	161	2,007
- of which trading book, VaR	189	2,357	240	3,004	111	1,379
- of which trading book, non-VaR	85	1,057	51	631	50	628
- of which FX, non-VaR	0	0	0	0	0	0
Operational risk	368	4,606	318	3,975	318	3,975
Standardised	368	4,606	318	3,975	318	3,975
Sub total	5,872	73,402	5,844	73,050	5,866	73,322

Adjustment for transition rules

Additional capital requirement according to transition rules	-	-	694	8,670	274	3,427
Total	5,872	73,402	6,538	81,720	6,140	76,749

Capital ratio	30 Jun 2009 ¹	31 Dec 2008	30 Jun 2008 ¹
Tier I ratio, %	13.3	12.0	12.8
Capital ratio, %	13.8	13.3	14.2

¹ Excluding profit

Analysis of capital requirements

Exposure class, 30 Jun 2009	Average risk weight (%)	Capital requirement (EURm)
Corporate	59	1,848
Institutions	27	473
Retail IRB	13	307
Retail SA	75	398
Sovereign	2	15
Other	42	2,190
Total credit risk	38	5,231