Nordea

Annual Report 2008

Contents

”Solid result and strong position despite financial turmoil and economic recession. Nordea sticks to its organic growth strategy, but adjusts the speed of execution. Cost, risk and capital management receives higher priority. Nordea will continue to focus on supporting existing core customers and to attract new relationship customers with solid credit profiles. Our ambitious vision of Great Nordea remains.

Christian Clausen,
President and Group CEO

CEO letter Page 6

This Annual Report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors. Important factors that may cause such a difference for Nordea include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate and (iii) change in interest rate level. This report does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

Organic growth strategy maintained, but the speed of implementation has been reduced.

The organic growth strategy is maintained, despite the much more challenging macro-economic environment. By applying the "middle of the road" approach, Nordea aims to maintain high business momentum balancing opportunities and challenges.

Vision, values and strategy Page 8

Strong income growth in 2008 – continued support to customers.

Lending growth to Nordea's corporate customers increased, following strong market position and strong funding and capital position. In the household segments, the number of customers continued to increase.

Business development 2008 Page 12

Well-diversified credit portfolio.

The economic slowdown has resulted in higher net loan losses and increased impaired loans. Impaired loans net have increased from a low level to 0.50% of total loans and receivables and net loan losses were 2008 EUR 466m or 19 basis points of lending.

Risk, Liquidity and Capital management Page 44

Summary

Nordea is the largest financial services group in the Nordic and Baltic Sea region with a market capitalisation of approx. EUR 13bn, total assets of EUR 474bn and a tier 1 capital of EUR 15.8bn, as of end December 2008. Nordea is the region's largest asset manager with EUR 126bn in assets under management.

Nordea is a universal bank with leading positions within corporate merchant banking as well as retail banking and private banking.

With approx. 1,400 branches, call centres in all Nordic countries and a highly competitive e-bank, Nordea also has the largest distribution network for customers in the Nordic and Baltic Sea region, including more than 260 branches in five new European markets, Russia, Poland, Lithuania, Latvia and Estonia.

Nordea has the largest customer base of any financial services group in the Nordic region with approx. 10 million customers including new European markets, of which 7.5 million are household customers in customer programme and 0.7 million are active corporate customers.

The core in Nordea's strategy is segmentation of customers and differentiating both value proposition and resource allocation according to customer needs. Gold customers in the household segment are offered a complete range of products and services including a personal banker. Nordea has a clear emphasis on relationship banking with corporate customers and aims at becoming the house bank by combining Nordic resources and competences with local presence and applying a customer team concept.

Nordea pursues an organic growth strategy, with prudent risk management. The lending portfolio is well diversified with the largest geographical market accounting for approx. one quarter of Nordea's total income.

Nordea's total shareholder return (TSR) was –47% in 2008, only surpassed by one other bank in the European peer group. Since end of 2000, Nordea's accumulated TSR is 56%, exceeded by only two peer banks.

Nordea – with an outstanding starting point

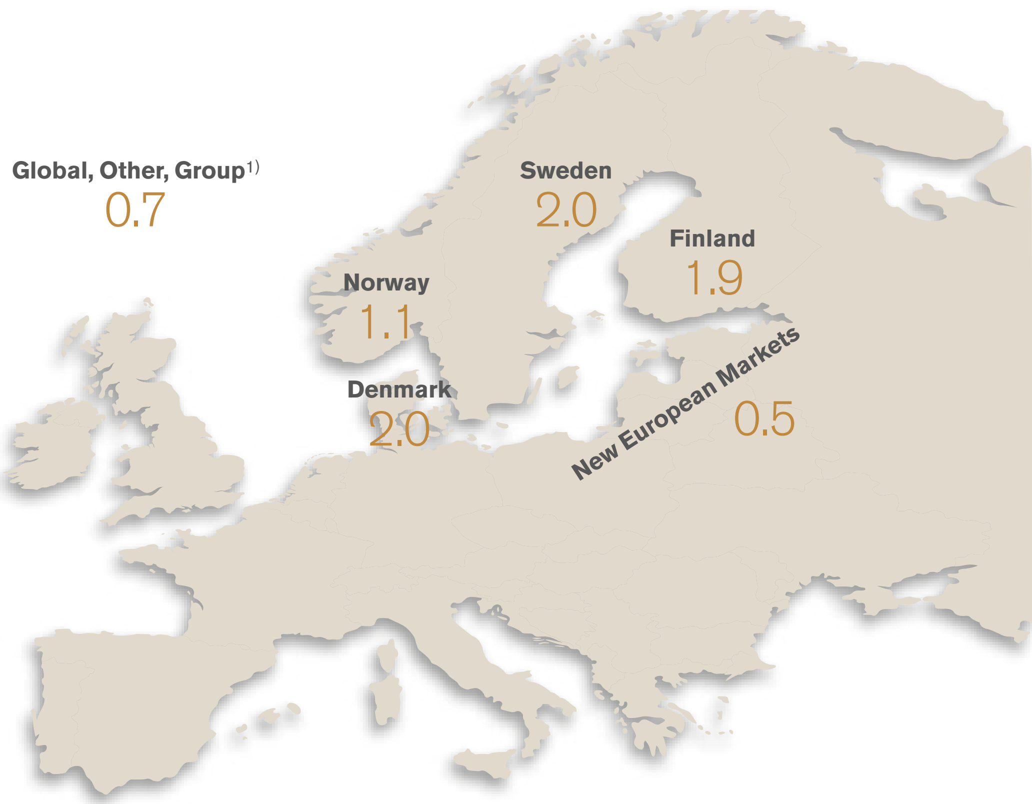
A unique customer base
Approx. 10 million Household customers and 700,000 active Corporate customers

Strong distribution power
Approx, 1,400 branches

Financial strength
EUR 15.8bn in tier 1 capital
Tier 1 ratio 9.3% before transition rules

Economies of scale
Cost base/RWA ratio 2.0% (average among Nordic peers 2.1%)

Total operating income, EURbn



1) Shipping, Oil Services & International, International Private Banking and Group functions.

Return on equity was 15.3% in 2008. Starting from 2006, Nordea's long-term target is to double the risk-adjusted profit in seven years. In 2008, the risk-adjusted profit increased by 2%, and by 3.5% when excluding the Danish State guarantee fee.

Capital position and revised capital policy

Nordea has a strong capital position, with EUR 15.8bn in tier 1 capital, a tier 1 capital ratio before transition rules of 9.3% and a core capital ratio of 8.5% at the end of 2008.

The revised capital policy states that over a business cycle, the target for the tier 1 ratio is 9% and the target for the total capital ratio is 11.5%.

Rights offering and reduced 2008 dividend to strengthen core capital position by EUR 3bn

Nordea in February announced measures to strengthen the Group's core tier 1 capital by EUR 3bn. This will be done through an underwritten discounted issue of new ordinary shares with pre-emptive rights for existing shareholders of approx. EUR 2.5bn net and secondly by proposing to reduce the dividend payment to 19% of the net profit for 2008, which will increase core tier 1 capital by approx. EUR 0.5bn. The rights offering is subject to shareholder approval at an Extraordinary General Meeting to be held on 12 March 2009.

Nordea's Board of Directors and Group Executive Management believes it is responsible to act pro-actively to best position the bank for the risks and the opportunities arising from the prevailing extraordinarily challenging market conditions.

Liquidity and funding

The short-term liquidity risk has been held at moderate levels throughout 2008. Nordea's liquidity buffer has been in the range EUR 20 – 40bn throughout 2008, which Nordea considers a high level reflecting the Group's conservative attitude towards liquidity risk.

Even in the very difficult environment that the financial industry has faced, Nordea has in 2008 continued to show funding strength and has been able to raise new funding at good prices on a relative basis. Nordea draws benefit from being a well recognised AA- rated bank, having a prudent liquidity management, with a conservative business profile. This, combined with the well-diversified and strong funding base, including stable household deposits and the access to two large domestic covered bond markets, have all contributed positively.

Well-diversified credit portfolio

Nordea has operated with a consistent and prudent credit risk management over a long time period. The Group-wide decision-making structure ensures that credit risk limits for customers and customer groups are set at the relevant credit decision authority level within the Group.

Some weakening has been seen in credit quality in the fourth quarter 2008, mainly in the corporate credit portfolio, with somewhat more customers being downrated than uprated. The total effect from rating migration on RWA was an increase by approx. 4.5% in 2008. Loan losses amounted to EUR 466m, giving a loan loss ratio of 19 basis points. Impaired loans gross increased to EUR 2,224m.

Impaired loans net, after allowances for individually assessed loans, in relation to total loans and receivables were 0.50%, up 19 basis points from 2007.

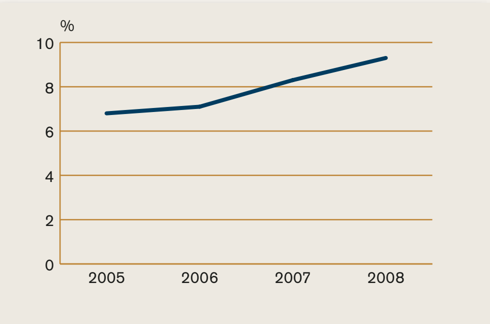
Business development and Group result 2008

Total income increased 4% to EUR 8,200m and profit before loan losses increased by 1% to EUR 3,862m. Despite the financial crisis and global recession, Nordea again managed to produce a year with solid result.

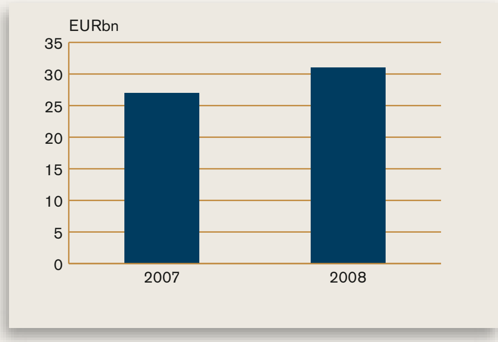
The income growth was particularly strong within customer areas. Nordic Banking and Institutional & International Banking reported an income growth of 10%, supported by a strong underlying business momentum and successful execution of strategic investment plans.

The strong growth in net interest income continued, driven by volume growth in combination with increased lending margins, reflecting re-pricing of credit risk and to compensate for higher liquidity premiums. Due to its

Capital position, Tier 1 ratio before transition rules



Funding strength, total long-term funding issued



strong position, Nordea was able to conduct business with core customers as usual and respond to customer demand.

The increase in total expenses was maintained at an unchanged growth rate, 7%, compared to 2007.

For the Nordea Group, profit before loan losses was maintained at high level, EUR 3,862m, up 1% and operating profit was EUR 3,396m. Risk-adjusted profit was EUR 2,459m, up 2%, and up 3.5% excluding the Danish State guarantee fee.

The sharp macroeconomic slowdown has started to affect the Nordic countries and this is likely to continue in 2009. Nordea is therefore preparing for challenging times ahead. In adapting to the new market conditions, the speed in the organic growth is reduced and the firm attention on costs, risk and capital management is further emphasised. In addition to the cost efficiency measures and new capital targets, Nordea will focus on doing more business with existing customers and selectively capture business opportunities also with new customers with solid credit profiles.

Financial crisis and Government guarantee schemes

The financial crisis became critical during the autumn 2008. Many countries around the world have during the period launched systems to support the banking systems. In the US, the government announced a rescue package to the financial sector and throughout Europe, countries follow these intentions in the local efforts to stabilise the financial systems.

State schemes for financial stability and amendments to these have been presented by the governments in the Nordic countries during the autumn 2008 and the beginning of 2009. Generally, Nordea welcomes the State schemes for financial stability and is currently evaluating the schemes and the amendments.

Denmark

In early October 2008, Danish Parliament agreed with banks to set up a guarantee scheme valid for two years, until end of September 2010, which guarantees the claims of unsecured senior creditors against losses in participating banks.

Nordea decided for commercial reasons that Nordea Bank Danmark A/S would participate in the scheme. Nordea guarantees the payment of its portion of DKK 10bn to cover any losses under the guarantee scheme and of DKK 7.5bn annually for two years in guarantee commission as well as its portion of additional losses of up to DKK 10bn, if losses exceed these amounts.

The scheme is expected to cost Nordea an annual commission expense of approx. EUR 180–200m, and possible additional expenses for the guarantee of at maximum approx. EUR 500m, which would be reported as loan losses.

A second Danish State guarantee scheme was launched in January 2009, aiming to ensure that there is capital enough in the financial sector. The second scheme contains prolonged guarantees for banks' debt securities and deposits as well as a scheme for injections of tier 1 capital into participating and eligible banks. Nordea is evaluating whether or not to join the second scheme.

Finland

In Finland, a new regulation has been presented, which opens the possibility for the Finnish state to provide and invest in capital instruments and grant state guarantees to the refunding of Finnish banks up to a maximum value of EUR 50bn. A market-based fee will be charged for guarantees. Guarantees are granted until 30 April 2009, and limited to the amounts becoming due up to that date. At a later date, the Government will carry out a separate evaluation of the need to continue granting guarantees.

In February 2009, the Government will submit to Parliament a proposal for state capital investment in deposit-taking banks, in the form of subordinated loans, which can be considered as core capital.

Nordea has to date not joined the Finnish scheme.

Norway

In Norway, stabilising liquidity measures through the Norwegian Central Bank with a facility for banks, where government bonds are swapped for covered bonds have been conducted.

The Norwegian Government has also, in February 2009, announced a new stability plan that aims at providing adequate access to financing from banks to households and corporates at an amount of NOK 100bn. The stabilising liquidity measures have also been extended.

During the fourth quarter 2008, Nordea participated in swap facilities under the present Norwegian scheme.

Sweden

The Swedish government introduced in October a support system for the banking system with mainly four parts: short-term liquidity supply through activities by the National Debt Office and the Central Bank, middle-term guarantee system for banks' funding planned to be running until April 2009, long-term solvency support system with a Stability fund and measures to ensure that support also benefits customers.

The Swedish guarantee programme has been amended in late January 2009 and in early February, a capital injection programme for solid banks has been introduced, introducing availability for banks to issue new shares or hybrid loans on market terms to the State, as a participant on ordinary terms in a new shares issue. Changes are also proposed in the fee structure for issues of debt securities under the State guarantee, making fees deductable from the compulsory fee to the Stability fund.

Nordea welcomes the amendments to the scheme, but has up to this date not joined the Swedish scheme.

Outlook 2009

Due to the prevailing market conditions, the provided outlook is associated with an unusually high degree of uncertainty.

The macroeconomic development in the Nordic countries has during the latter part of the autumn shown a sharp slowdown and GDP growth is in 2009 expected to be negative. Nordea is therefore preparing for a challenging year. In addition to firm attention on cost, risk and capital management, the focus in 2009 will be to continue doing more business with existing customers, and on a selective basis attracting new customers with solid credit profiles in prioritised segments. Market lending growth is expected to be lower in 2009, compared to 2008, however Nordea sees potential for growth somewhat more than the market.

Cost growth is expected to be somewhat lower than in 2008, as cost growth is managed downwards adjusting operations to the prevailing market conditions.

The high speed at which the global and Nordic economies now are weakening means that the credit portfolio will be affected. Based on the current macroeconomic outlook, Nordea anticipates net loan losses in 2009 broadly in line with the annualised rate of the fourth quarter 2008. The uncertainty regarding future loan loss levels is however significant.

Risk-adjusted-profit is in 2009 expected to be at approx. the same level as in 2008.

The effective tax rate is expected to be in the range of 23–25%.

Key financial figures

Business volumes, key items

	2008	2007	Change, %	2006
Total operating income, EURm	8,200	7,886	4	7,365
Total operating expenses, EURm	–4,338	–4,066	7	–3,822
Profit before loan losses, EURm	3,862	3,820	1	3,543
Loan losses, EURm	–466	60		257
Net profit for the year, EURm	2,672	3,130	–15	3,153
Loans and receivables to the public, EURbn	265.1	244.7	8	214.0
Deposits and borrowings from the public, EURbn	148.6	142.3	4	126.5
– of which saving deposits	45.5	40.8	12	33.6
Assets under management, EURbn	125.6	157.1	–20	158.1
Technical provisions, Life, EURbn	28.3	32.1	–12	30.8
Equity, EURbn	17.8	17.2	3	15.3
Total assets, EURbn	474.1	389.1	22	346.9

Ratios and key figures	2008	2007	2006
Diluted earnings per share, EUR	1.03	1.20	1.21
Share price[1], EUR	5.00	11.42	11.67
Total shareholder return, %	–46.9	6.4	32.3
Proposed/actual dividend per share, EUR	0.20	0.50	0.49
Equity per share[1], EUR	6.84	6.58	5.89
Diluted shares outstanding[1], million	2,592	2,594	2,591
Return on equity, %	15.3	19.7	22.9
Cost/income ratio, %	53	52	52
Tier 1 capital ratio, before transition rules[1], %	9.3	8.3	n.a.
Total capital ratio, before transition rules[1], %	12.1	10.9	n.a.
Tier 1 capital ratio[1], %	7.4	7.0	7.1
Total capital ratio[1], %	9.5	9.1	9.8
Tier 1 capital[1], EURm	15,760	14,230	13,147
Risk-weighted amounts[1] [2], EURbn	213	205	185
Number of employees[1] (full-time equivalents)	34,008	31,721	29,248
Risk-adjusted profit, EURm	2,459	2,417	2,107
Economic capital, EURbn	11.8	10.2	9.3
EPS, risk-adjusted, EUR	0.95	0.93	0.81
RAROCAR, %	20.8	23.6	22.7
MCEV, EURm	2,624	3,189	2,873

1) End of the year.
2) Risk-weighted amounts according to Basel I for 2006.

CEO letter

Solid result and strong position despite financial turmoil and economic recession.

Dear Shareholder,

The year 2008 is likely to always be remembered as a year of global financial crisis. Although it developed dramatically during 2008 the crisis goes back to 2007. Loss of confidence by investors in the value of securitised mortgages and other asset backed securities in the United States created a liquidity crisis. This in turn resulted in substantial loan losses and write-downs not least among investment banks. Central banks and governments reacted by providing liquidity to money markets and rescue programmes for troubled financial institutions.

Nordea was hardly affected in this first phase of the financial crisis. Nordea has no direct and very little indirect exposure to the sub-prime mortgage market, structured investment vehicles or conduits.

With the bankruptcy of Lehman Brothers in September 2008 the financial crisis turned into a global systemic crisis with general lack of confidence and dysfunctional money and capital markets. In this second phase of the financial crisis a large widening of credit spreads took place, and the supply of funds to some segments of the money and capital markets dried out. With wholesale funding corresponding to an increasing part of commercial banks' lending, many banks suddenly encountered severe funding problems. Central banks and governments once more intervened and launched financial stability programmes for the banking industry including funding guarantee schemes and buy-outs of risky assets. These programmes have led to a resumption of liquidity flows between banks and gradually decreasing credit spreads.

Nordea has a well diversified and strong funding base with wholesale funding mainly long-term. Nordea has been able to continue its short-term funding normally during the crisis and has taken advantage of the large covered bond markets in Denmark and Sweden. Nordea's average funding costs in 2008 were among the lowest of the major European banks.

We have now entered the third phase of the financial crisis, which is characterised by capital shortage, and which cannot be solved by state funding guarantee programmes. Some part of the corporate customers' security market borrowing is returning to the balance sheets of banks. Some international banks are deleveraging and withdrawing from the Nordic markets. And not least, the global economy has shifted direction towards the most severe downturn since the 1930's. This will mean lower growth of some of the income sources for banks, substantially higher loan losses and – due to the changed capital adequacy regulations – higher risk-weighted assets because of customers being migrated to lower rating classes. Governments have started to react to the capital crisis by launching capital programmes for banks and also other industries and by massive fiscal stimulus packages. Central banks have followed suit by engaging in a series of interest rate cuts.

Nordea in general over a business cycle generates sufficient capital to support a 10% annual growth of its business activities. And with a tier 1 ratio of 9.3%, Nordea has a strong starting point when entering the expected very challenging 2009. However, Nordea has found it appropriate to act pro-actively to best position the bank for the risks as well as opportunities arising from the prevailing extraordinary and challenging market conditions. The proposed strengthening of Nordea's capital with EUR 3bn includes a reduction of dividend and a fair and transparent rights issue. The capital strengthening measures will maintain Nordea in a position as one of the strongest banks in Europe. It will establish an additional capital cushion for the uncertain business environment and provide flexibility to exploit business opportunities of high credit quality arising from the market dislocation.

Nordea journey 2008

Since the beginning of the journey towards Great Nordea and the launch of the organic growth strategy two years ago, Nordea has delivered strong financial results despite the global financial crisis and economic recession.

I am proud that Nordea has obtained a number-two position in the European peer group 2008 in terms of total shareholder return with a return – although negative – some 20%-points better than the average of the peer group and during three years in a row been among the top-three European banks in terms of total shareholder return. I am also proud that Nordea in 2008 delivered a positive risk-adjusted profit growth and a fourth quarter with a record level of operating profit before loan losses.

> Our ambition on a Great Nordea remains and with the strengthened core capital position, we will maintain our position as one of the strongest banks in Europe. ”

The success of the organic growth strategy and the strong business momentum is also reflected in double-digit growth rates in lending and deposits and a solid income growth in customer areas. We report more customers and more income per customer than ever. Since the first quarter of 2007 Nordea has gained 113,000 or 5% new Gold customers in Nordic Banking, 5,000 or 6% new Private Banking customers, and in New European Markets we have welcomed 170,000 new customers and established 94 new branch offices.

At the same time, we have also improved customer satisfaction – in particular relative to competitors – and we have noted an increasing number of proud and confident employees. The survey results in 2008 were impressive showing positive development and, very importantly, picturing a unique, internal and external momentum.

”Middle of the road” approach

The financial crisis and global economic recession is expected to have a substantial impact on Nordea this year and possibly next year as well. Long-term funding has become more expensive. The market assessment of capital requirement has increased. The economic recession puts part of Nordea's income at risk, increases loan losses and constrains risk-weighted asset growth.

Nordea's response to the challenges ahead is clear. Nordea sticks to its organic growth strategy and keeps up the strong business momentum, but adjusts the speed of execution. The way forward will follow the "middle of the road" with cost, risk and capital management receiving higher priority.

Nordea will continue to focus on supporting existing core customers and to attract new relationship customers with solid credit profiles in the Nordic markets. Margins will be increased reflecting risks and the increasing funding costs, and the share of customer wallet will grow in particular through less capital consuming products. In New European Markets, Nordea will keep the strategy but adjust focus and significantly reduce speed of implementation.

The priority given to cost, risk and capital management will include acceleration of ongoing efficiency programmes not least in branch offices and a general right sizing of the staffing corresponding to a 2% staff reduction during 2009. Risk management will be strengthened among other things through additional credit reviews and credit work-out teams in all markets. And finally, a firm grip will be taken on the growth of risk-weighted assets through the application of caps in business units, and the gap between lending and deposits volumes will be monitored carefully.

Ambitious vision remains

Meeting the challenges of today and those of the future is exciting, and Nordea has proven to be in a very strong position in doing that. Nordea has a large and diversified customer base, a scalable business and operating model, a full range product offering and a strong competitive position and rating. It is therefore no surprise that our ambitious vision of a Great Nordea remains.

The foundation for this is our strong customer-oriented values and culture.

I would like to thank all shareholders, customers and employees for having been with us on our challenging journey last year, and I welcome you to the continuing journey towards a Great Nordea.

Best regards,

Christian Clausen

Vision, values and strategy

The road towards a Great Nordea:

- Ambitious vision and targets
- Strong customer oriented values and culture
- Profit orientation – strong focus on cost, risk and capital
- Clear growth strategy
- Integrated operating model and operational efficiency

Ambitious vision and targets

Nordea's overall mission is to make it possible for its customers to reach their objectives.

Nordea has an ambitious vision of being the leading Nordic bank, acknowledged for its people, creating superior value for customers and shareholders.

The external financial targets of Nordea reflect the ambitious vision on value creation, which is measured by total shareholder return. The profitability dimension of value creation is measured by return on equity and the long-term growth dimension by risk-adjusted profit.

With top-three and top-two positions in the peer group, Nordea met its overall shareholder value target in 2007 and 2008. For the period as a whole, Nordea was only slightly below the trend line for its long-term risk-adjusted profit target despite the extraordinary market conditions.

Nordea has aligned its capital structure policy following implementation of the Basel II framework and raised its capital ratio targets, also reflecting the changed market perceptions.

Strong customer oriented values and culture

The vision, targets and strategy of Nordea are supported by strong customer oriented values and culture.

The values were introduced in 2007 and are now reflected in the activities of the bank. Great customer experiences are the core value that guides the behaviour and decisions of all employees. It's all about people underlines that people make the difference, and recognises that business growth and growing competence of people go together. It is Nordea's ambition that customers will experience One Nordea team working together to find the best solutions for customers. The successful implementation of the values is reflected in improved customer satisfaction and loyalty, also relative to competitors, and in higher scores in internal employee satisfaction surveys in 2008.

Profit orientation – strong focus on cost, risk and capital

Profit orientation with a strong focus on cost, risk and capital management acts as the foundation for Nordea's culture and is of paramount importance in the current economic downturn. The systematic approach to risk and capital management and to funding is an important factor explaining how Nordea since the summer of 2007 has managed to weather out the storms in the financial markets with only modest valuation losses.

Firm cost management and flexibility is a key element of Nordea's foundation. Following a period with operational integration and an unchanged cost level, Nordea in 2007 and 2008 in a controlled and focused way increased costs reflecting the growing demand for financial services and investments in the organic growth strategy in the Nordic countries as well as the New European Markets. Going into 2009 and responding to the changed macroeconomic environment and increased uncertainty the cost growth will be managed down, in particular in New European Markets.

Nordea has developed consistent and group-wide credit processes and today has a very strong and well diversified credit portfolio. The common credit processes include Group-wide policies and strategy and uniform and consistent decision making and control. Exposures are consolidated and industry policies and caps applied. Rating models for corporate customers and scoring models for household customers are in place. Rating and scoring migrations and every early indicators of shift in credit strength are followed care-

Financial targets and capital structure policy

Long term financial targets	Target	Outcome: 2007	2008
TSR (%)	In the top quartile of European peer group	no. 3 of 20	no. 2 of 20
Risk-adjusted profit (EURm)[1]	Double in 7 years[2]	15%	16.7%
RoE (%)	In line with top Nordic peers	19.7%	15.3%

Capital structure policy	Target over a business cycle	Outcome: 2007[3]	2008[3]
Tier 1 ratio (%)	9%	8.3%	9.3%
Capital ratio (%)	11.5%	10.9%	12.1%
Dividend pay-out ratio (%)	>40% of net profit	42%	19%[4]

1) Risk-adjusted profit is defined as total income less total expenses, less expected losses and standard tax. In addition, risk-adjusted profit excludes major non-recurring items.
2) Baseline 2006 EUR 2,107m, accumulated outcome.
3) Tier 1 ratios and capital ratios are calculated before transition rules.
4) Based on proposed dividend of EUR 0.20 per share.

Segmentation and value proposition – Household customers

Segment	Customers, 000's	Criteria	Value proposition
Private Banking	100	Assets > EUR 150k	The best Nordea has to offer
Gold	2,600	Volume > EUR 30k no. of products > 5	Named advisor – priority in access – guaranteed best price
Silver	1,300	Volume > EUR 6k no. of products > 3	Personal service when needed – favourable price
Bronze	3,600	Active customer	Simple service – fair price

Segmentation and value proposition – Corporate customers

Segment	Customers, 000's	Criteria	Value proposition
CMB	3	Income potential	Strategic partnership – one point of entry – tailored, individual solutions
Large	25	Income potential	Partnership – one point of entry – individual solutions
Medium	70	Income potential	Business relationship – individual solutions – standard pro
Small	590	Income and relationship potential	Personal relationship – simple service – efficient handling

Strong customer oriented values and culture and key performance indicators

Making it possible

The leading Nordic bank, acknowledged for its people, creating superior value for customers and shareholders

Great customer experiences
- Income growth
- Increased market shares, savings
- Growth in corporate lending margins

It's all about people
- Change in number of Gold and Private Banking customers
- Employee satisfaction index

One Nordea team
- Relative customer satisfaction improvement
- Delivery satisfaction index

Profit orientation – cost, risk and capital
- Cost change
- Economic profit
- Growth of risk-weighted assets
- Funding gap

fully and action plans developed in a dialogue with troubled customers.

Nordea's strong focus on capital management has resulted in a relatively strong balance sheet and a well diversified funding platform with availability of funding also in the midst of the financial crisis and with confirmation of the long-term AA rating. The focus going forward will include controlling the development of risk weighted assets and the funding gap and ensuring prices and margins, which reflect the true funding costs and liquidity risk.

The progress towards Nordea's vision and targets and the success of Nordea's strategy and values is measured by a number of internal financial and operational key performance indicators (KPI). These indicators are adjusted each year in order to reflect the strategic focus in the short term. In 2008 income growth and customer satisfaction were selected as common Group KPIs. For 2009 cost change and growth of risk weighted asset have been added as common Group KPIs in order to adapt to the extraordinary financial and economic circumstances and give first priority to management of costs, risks and capital. In addition, corporate lending margins and funding gap have been selected as new Group KPIs in order to ensure pricing according to risks and an optimal funding structure.

Clear growth strategy

Nordea two years ago embarked on a clear organic growth strategy in the Nordic markets as well as the New European Markets. This new strategic direction is maintained despite the much more challenging macroeconomic environment, but the speed of implementation has been reduced.

Increase business with existing Nordic customers and attract new customers

The first and most important organic growth area is to increase business with existing Nordic household and corporate customers and to attract new profitable, high quality customers through a pro-active relationship

Clear organic growth strategy

Increase business with existing Nordic customers and attract new customers

- Strengthen position in relationship-driven customer segments
- Support the relationship banking strategy by a focused product strategy
- Strengthen the implementation of further differentiation of service levels among and within customer segments
- Enhance accessibility for all customers and secure efficient servicing - in particular, of non-relationship banking customers

Exploit Global and European business lines

- Continue to leverage positions within shipping and wealth management

Supplement Nordic growth through investments in New European Markets

- Continue the profitable, risk-balanced growth
- Further integrating with the rest of the Group

Take Nordea to the next level of operational efficiency and support sustained growth

- Free up resources across the value chain - developing channels, customer service concepts and further streamline processes and IT-systems
- Invest in product development, IT-systems and IT-infrastructure
- Develop employee competencies and leadership capabilities

banking strategy. In challenging markets, Nordea, which is perceived to be strong, has a unique opportunity to distinguish itself.

Resources are prioritised to customers providing the best opportunities. Nordea proactively contacts its customers to offer products from its entire product range. During the current market conditions new volumes can be attracted at prices reflecting the long-term risk level.

Household customers are divided into four segments based upon their business with Nordea.For each segment a value proposition has been developed including contact and service level, pricing and product solutions. The core philosophy of this strategy is to provide the best service and advice and the best product solutions and prices to the customers generating most business and income to Nordea. Prices are transparent and in general non-negotiable. This can be seen as a win-win situation for customers as well as for Nordea.

The short-term focus of the household customer strategy is to continue the development of the relationship with the customers in the premium segments including Private Banking and Gold, to identify and migrate customers into these segments and to improve efficiency of service in particular to customers in the Silver and Bronze segments. Major transformation programmes for the branch processes have been launched aiming at a substantial freeing up of resources for customer interaction and improvement of sales efficiency by implementation of a structured sales process. Not least the number of traditional bank tellers and back-office functions is expected to be reduced.

The household relationship banking strategy is supported by a focused product strategy. Nordea in general has a broad and well performing range of products, a highly skilled product organisation and a strong distribution power. Product development in the current market environment will ensure a flexible range of products and favour simple savings products and products with low capital consumption rather than complex and non-transparent products. Nordea's savings product offering takes customers' wealth, involvement level and life cycle into account in addition to their risk appetite.

Corporate customers are divided into four segments based upon their income and relationship potential for Nordea. For each segment a value proposition has been developed including contact and service level and product solutions. The corporate relationship strategy aims at building housebank relations including as much of the customer's daily and event-driven banking business as possible. Relationship managers having a holistic view on the customer's business and financials organise the relationship.

Pro-activity and staying close to customers are more important than ever in the current market environment. New customers will be selected carefully and include those with high ratings only. Controlling the development of risk weighted assets and managing lending margins to reflect the risk level and funding costs will have a high priority in all corporate customer segments. Proactivity also includes the establishment of credit work-out teams in all markets.

In the corporate customer product strategy Nordea aims to make corporate risk management products and capital market transactions a natural part of the basic product offering to customers in the Large and Medium segments. This has been a major success during the last 2–3 years. Nordea will continue to strengthen its equity and corporate finance functions, and the cash management services will be further developed for all corporate customer segments, as cash management services are key to the customers' daily services and to customer retention. For customers in the Small segment, a new advisor profile and service concept will be developed and implemented to service the group of customers with combined personal and corporate business.

The organic growth strategy in the Nordic region is supplemented by very selective bolt-on acquisitions supporting the retail banking activities like the acquisition of 68 branches from Svensk Kassaservice in the summer of 2008 and the acquisition of nine branches from Roskilde Bank in Denmark in the autumn of 2008.

Supplement Nordic growth through investments in New European Markets

New European Markets include Russia, Poland and the Baltic countries, Estonia, Latvia and Lithuania. Nordea entered this fast growing region almost 20 years ago, initially primarily to service Nordic corporate customers with business in these countries. The original strategy gradually has been developed to include local customers, and today Nordea, in addition to its Nordic customers , targeting the upper segments among household customers and solid medium sized corporate customers in New European Mar-

Integrated Group operating model

kets and, in addition, in Russia the very large corporate customers. This has been a successful strategy that has led to gradual increases in income and result, while risks have been well contained. The strategy has been based on a network expansion that was initiated in late 2006 in the Baltic countries and especially in Poland. In Russia, a majority holding in Orgresbank was acquired in late 2006, at the same time as Nordea sold its minority holding in another larger Russian bank. In parallel with the development of distribution, a broadening of the product range and service level is taking place.

The long-term strategic direction for New European Markets is to continue the profitable growth strategy and gradually develop these operations into diversified full-scale banking businesses integrated with the rest of the Group.

The customer segmentation and value propositions used in the Nordic countries are now implemented in Poland and the Baltic countries and scheduled for Russia. Most risk management measures and procedures have been aligned with the Group, and the business operations are in the process of being aligned with the integrated Group operating model.

However, as a result of the extreme financial and macroeconomic conditions and the high uncertainty and risks in the New European Markets, the speed of the development of Nordea's business in these markets has been slowed down. The branch network expansion in Russia and the Baltic countries has been discontinued and significantly lowered in Poland. The integration with the rest of the Group, not least within risk management and product offerings, continues to prepare for a continued expansion when the business cycle turns up again.

Exploit Global and European business lines
Nordea has a successful track record within shipping, oil services and wealth management outside the Nordic markets and the New European Markets.

Nordea is one of the leading financial institutions to the global shipping and offshore industries. Nordea's strategy is to establish and preserve long-term partnerships with large, transparent and preferable publicly listed companies. In addition Nordea aims at maintaining a well diversified and secured lending portfolio across segments and geographical regions as well as a strong syndication franchise.

The overall ambition for this business line remains and the well proven business model continues despite the downturn in the global economy, world trade and freight rates. However, a stronger focus on costs, risks and capital management will be applied in the short run including a careful customer selection and a focus on all potential ancillary business of existing customers.

Nordea's International Private Banking & Funds is the largest Nordic private banking operation in Luxembourg and Switzerland. The operation includes private banking services and European fund distribution. Nordea's International Private Banking pursues an organic growth strategy, and its European fund distribution is positioned as a multi-boutique with a range of own and in-sourced products distributed to institutional customers. Smaller acquisitions and distribution agreements support the organic growth strategy.

Integrated operating model and operational efficiency
Nordea's operating model is designed to support the organic growth strategy and to ensure operational efficiency by improving the quality of customer relations, increasing the time spent with customers and reducing the time required to bring new products and services to market. A fundamental principle of the operating model is to ensure clear responsibilities and avoid overlapping functions or activities across organisational units or cross border along the value chain.

The operating model is common for all Nordic markets and is gradually being implemented in New European Markets.

Business development 2008
Corporate customer segments

- Strong income growth 22%
- Increased customer activity, despite turbulent global financial markets
- Lending margins increased reflecting re-pricing of credit risk and to compensate for higher liquidity premiums
- Customer satisfaction stable, despite decline generally in the market

Corporate segments – relationship banking
During 2008, Nordea's strategy proved strong under very difficult market conditions. Diversification in terms of markets, segments and products combined with proactive contact policies provided high income growth and modest cost growth, despite market turbulence. Relationship banking, through designated relationship managers in charge of developing and organising the customer relationship has proven successful in giving a total view of the customer's business and financial affairs, which is beneficial both in terms of business opportunities, business development and risk overview.

Our aim is to establish strategic partnerships for the largest customers, in the segments Corporate Merchant Banking and Large corporate customers. Successful strategic partnerships develop into house bank relationships, comprising the full spectrum of financial services. The aim for medium and small customer segments is also to develop relationships and become the house bank.

Nordea's strategy in time of financial crises is to back our house-bank corporate customers through difficult market conditions meeting them with a fair price reflecting increasing risk and funding cost. Following the house-bank philosophy Nordea stood firm on expecting increased wallet share as a prerequisite for continued customer relationship.

Corporate lending margins increased during the year, reflecting re-pricing of credit risk and to compensate for higher liquidity premiums.

Due to the significantly increased liquidity premiums on long-term funding, Nordea has initiated an effort to restructure the maturity profile of the corporate lending book.

Building on the relationship strategy and the well established prudent risk management policy, focus has been to realise a controlled volume growth shifting income growth components from volume to margins.

Corporate customers show high loyalty to Nordea and has appreciated the house-bank philosophy by which they have been able to count on their bank through the financial crises. Customer satisfaction was stable, while the market in general showed a decline. Furthermore, Nordea improved the position in the corporate market by selective customer acquisition of profitable, creditworthy and high-rated corporate customers.

Nordea provided continued assistance to corporate customers hedging their market risk in volatile market conditions, resulting in income growth on risk management products.

Corporate Merchant Banking
The Corporate Merchant Banking organisation serves Nordea's 1,000 largest customers in one central unit in each market. This segment accounts for approx. 27% of total income in the corporate segment.

Business development
In 2008, business activity was characterised by continued high business activity with 12% growth in corporate lending. The reported volume growth was largely a result of international banks withdrawing from the Nordic market as well as malfunctioning corporate bond and commercial paper markets. Nordea has succeeded well in supporting its customers during these difficult market conditions. Drivers for income growth are further shifting from volumes to margins, although this is taking effect with somewhat varying pace in the different countries. Income in Corporate Merchant Banking was EUR 1,079m, up 26% compared to 2007.

The expectation for 2009 is that corporate business will be a significant income driver, based on margin increases and volume growth.

Shipping and Oil Services
Nordea is one of the world-leading financial services providers to the shipping, offshore and oil services industries. This position is maintained due to in-depth industry knowledge, second-to-none structuring capabilities, strong syndication franchise and placing power as well as sizeable underwriting capacity. Nordea provides tailormade solutions and targets top-tier syndicated loan transactions.

Business development
Nordea maintained its position as leading financial services provider to the international shipping, offshore and oil services industries, as evidenced by official league tables (Dealogic) where Nordea reinforced its No 1 position as arranger of syndicated shipping loans in 2008. Nordea held a 15% market share as bookrunner. New loan transactions for an aggregate volume of more than USD 12.5bn were arranged during the year. All syndicated loan transactions were successfully closed despite challenging markets. During the year credit terms and conditions have tightened considerably and pricing of new transactions picked up. Total income amounted to EUR 306m, an increase by 29%.

In general, the shipping market started to weaken in the second half of the year with increased volatility in most segments. There was significant pressure on freight rates, especially in the container and dry bulk sectors, following the economic downturn and increased uncertainty about global trade. Nordea's exposure to the shipping industry is well-diversified with an underweight towards the troubled sectors. Still, the development has affected the overall credit quality and the proactive risk management will be further strengthened in 2009.

Fewer new transactions are expected following the continued financial turmoil. Demand in the oil and offshore segment remains high, as oil supply continues to be tight, but prolonged oil prices at current level could dampen spending on exploration and production investments going forward.

International network
Nordea offers a broad range of financial services and products to Nordic customers abroad through its international network with offices in New York, London, Frankfurt, Singapore and Shanghai. Representative offices also operate in Beijing and Sao Paulo.

Business development
In April 2008, the branch in Shanghai was opened to support Nordic customers' business in the region. Representative offices also operate in Beijing and Sao Paulo. The International Network performed strongly in 2008, with a high level of business activity generating income growth in excess 60%.

Large corporate customers
For the 18,000 customers in segment Large, Nordea's competitive strength is based on combining local presence with the large Nordic resources and competences of the Group. Customers in this segment are served by senior relationship managers (SRM) in 63 corporate competence centres in the Nordic region. The SRM is the customers' main contact to the bank with responsibility to create long-term banking relationships. Each SRM is supported by the team of product specialists who design solutions to fulfil customers' needs.

Business development
Volume growth continued in 2008. The drivers for income growth are progressively shifting from volume growth to margin increases, with greater focus on pricing of risk.

Income from Large corporate customers amounted to EUR 916m, up 22% compared to 2007.

Medium-sized and Small corporate customers
Nordea's relationship managers allocated to selected branches serve 55,000 medium-sized customers. The value proposition and service concepts for medium-sized corporate are focused on relationships, product range and local presence.

Nordea's branch-based advisers serve a number of approx. 525,000 smaller customers. Significant growth opportunities arise from cross-fertilising the business opportunity by a dedicated sales force capable of handling household products as well as corporate products.

The smallest corporate customers, with less advanced financial needs receive service based on a mass-market approach, scale benefits and multi-channel competencies.

Business development
Income from medium-sized and small corporate customers was EUR 951m, up 3% compared to 2007, with stable volumes and margins.

Financial institutions
Customers include approx. 300 Nordic and 100 international financial institutions and 750 banking groups, which are served by senior relationship managers together with teams of product specialists tailored to the respective customer needs.

Business development
In the wake of continued uncertainty and volatility, Nordea was increasingly perceived as a dependable and attractive counterparty, due to its size and stability – and this is illustrated by the vast amount of capital markets transactions that were attracted.

Through proactive and diligent work involving stakeholders from across the bank, Nordea has satisfactorily handled adverse situations. Nordea's continued strategy of close customer relations remains intact and has increasingly paid off during the year, as Nordea was able to attract business in an adverse environment and further strengthened its position. Greenwich Associates' annual customer survey verifies the strength of Nordea's customer concept and relationship management process as well as high rankings of Nordea's products and services.

High volatility made 2008 a very challenging year for financial institutions. Toward the end of the year Institutional clients were very active in risk management and asset-liability management products as they sought to hedge risks in their portfolios. Activity in asset products, however was subdued. Despite subdued equity markets, additional subcustody volumes were gained, with total number of transactions up 35% to 27 million in 2008.

Total income amounted to EUR 409m, up by 21%.

Baltic countries
Nordea has a strong position in the Nordic-related corporate customers segment and is moving ahead in other segments. Additional relationship managers were recruited primarily for the small and medium-sized corporates. This effort is also supported by the expanded network of customer service units. At the end of 2008, Nordea had almost 17,000 corporate customers.

Business development
Income continued to grow in 2008, supported by increased business volumes in general banking products, including both deposits and lending and increased lending margins. Total income was EUR 89m, up 53%.

Lending to corporates increased by 51% to EUR 4.2bn. Following the recession in the Baltic countries, lending growth quarter-on-quarter came down during the year and refers to Nordea's commitment to support existing core customers, including Nordic customers, pre-empted by high attention on risk management.

The economic slowdown has affected the credit quality, especially in the Baltic countries where the average ratings of credit exposures deteriorated in the fourth quarter.

Even so, impaired loans net, after allowances for individually assessed loans, amounted to EUR 112m or 1.46% of total loans and receivables at the end of 2008.

In line with the house-bank approach, Nordea has expanded the product range and developed the cash management services and enhanced the focus on advisory services, triggering significant growth of capital markets advisory services.

Poland

The focus on corporate customers in Poland is both on medium-sized corporates and on large and Nordic-related corporates. The expansion of the network has boosted sales capacity and will thus facilitate increased focus on the small and medium-sized corporate segment. The number of customers was more than 55,000 at the end of 2008.

Business development

Business volumes have developed favourably during the year. This, in combination with average margins that held up well, has supported strong income growth. Income increased by 52% to EUR 63m. Lending and deposit volumes increased by 37% and 27% respectively. The number of branches has increased by 60 to 144 during 2008. The new sales capacity primarily targets affluent household customers and SMEs.

Life & Pensions has grown a successful Group Term Life business in Poland. With the launch of the Group Employee savings product PPE in 2009, corporate customers are offered a competitive employee benefit product package, which in the year to come will be completed with other Western standard employee benefit products.

Russia

The service offering toward corporate customers has been further expanded during the year and segment strategies introduced. Nordea managed to target the top-tier and large corporates in Russia. The aim is also to target Nordic corporate customers present in Russia, many of which are already customers of Nordea.

The number of customers was 7,000 at end of 2008.

Business development

Business volumes showed overall strong growth in 2008. Lending volumes were EUR 3.7bn by end of 2008 and income was EUR 120m, up 171% compared to last year. Several large transactions with major Russian companies were arranged during 2008. The emphasis on Nordic corporates was successful and generated increased business volumes.

The trend with strong volume growth levelled off in the latter part of the year, while margins picked up reflecting scarce lending supply.

Product development capacity has been increased during the year to provide even better service to corporate customers. Focus is mainly on non-lending products such as cash management services, capital markets products and advisory services.

Products in focus

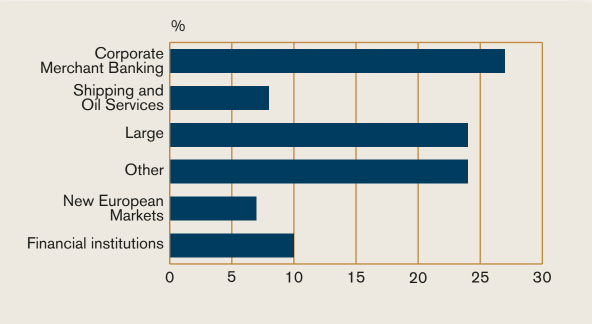
Capital markets products

Nordea supplies a wide range of capital markets products including various asset and risk management products as well as advisory services. Risk management products allow corporate and institutional customers to handle their balance sheet risks against market volatility, whether it be foreign exchange-, interest rate-, credit-, equity or commodity risks.

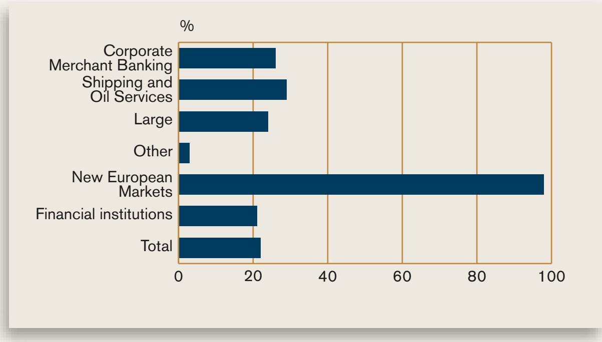
Business development

Nordea's comprehensive risk management product offering was a significant growth driver also in 2008, regarding both corporate and institutional customers.

Share of income, corporate customers, by segment, 2008



Income growth, corporate customers, by segment, 2008



Transaction volumes increased steadily throughout the year as customers sought to hedge the effect of the market volatility. Activity in asset products was more subdued. Total income was EUR 845m, up 15% compared to last year.

Nordea was highly focused on managing risks in very illiquid markets while at the same time continuing to execute customer flows.

Capital raising – debt and equity

Nordea Markets also provides a variety of debt and equity-related products for liquidity- and capital raising purposes, ranging from syndicated loans, bond financings, IPOs to share buy-backs.

These product areas suffered significant impact from the market turmoil and market volumes during the year were generally low. However, the syndicated loan market experienced strong activity and Nordea maintained the position as the leading mandated arranger and bookrunner of syndicated loans for Nordic customers.

Nordic Bookrunner, 2008

Pos.	Bank name	Amount EURm	No.	Share %
1	Nordea	6,017	16	15
2	SEB	3,797	12	10
3	Svenska Handelsbanken	3,739	7	10
4	DnB NOR	2,725	12	7
5	RBS	2,026	4	5

Source: Dealogic. Shipping loans not included.

In the international bond markets, Nordea arranged euro benchmark transactions for issuers such as the Republic of Finland, Storebrand and others during 2008. A highlight on the equity side was the Carlsberg rights issue of EUR 4.1bn – the largest Nordic rights issue ever. Nordea also has a leading position in related equity activities such as share buy-backs, as evidenced by the 12 transactions totalling EUR 1.1bn, which Nordea executed in 2008.

Structuring and execution of mergers and acquisitions – Corporate Finance

Nordea offers financial advisory services to corporate and institutional customers and governments through Corporate Finance. The advisory services are an integrated part of Nordea's customer offering, and the area was involved in many significant transactions during the year, including the announced merger between Post Danmark A/S and Posten AB and EQT's public offer for Securitas Systems.

Cash management products

Solutions for liquidity management and handling payment transactions are offered to customers through the various cash management solutions.

Cash management also plays an important strengthening role in relationship banking. Nordea has a strong position in the Cash Management area and was especially acknowledged for its customer service capabilities.

Nordea is a top provider of quality institutional cash management solutions in the region.

Securities Services

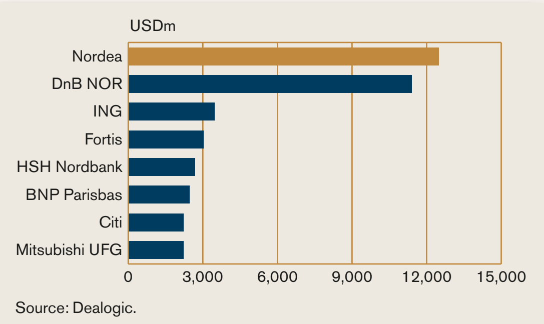
In 2008, Nordea divested its institutional global custody business to JPMorgan. Nordea was until then the Nordic leader in institutional global custody, but decided to prioritise areas where long-term value can be added. The majority of customer transfers will take place during 2009.

Going forward, Securities Services will specialise primarily in sub-custody, where Nordea has a leading position in the Nordic region, which handled 27 million sub-custody transactions, up 35% in 2008, despite subdued equity markets.

Life and Pensions

The offering to corporate customers covers a full range of corporate pension schemes, including everything from simplified collective schemes to complex tailor-made products designed for corporate customers with specific risk product needs, while offering a complete product package

Syndicated shipping loans, Book runner, 2008



Source: Dealogic.

to employees. Products are offered to Nordic, Polish and Baltic customers, via Nordea's branches, Life & Pensions sales team, and brokers or tied agent.

Business development
Focus on sales activities and maintaining the competitive value proposition was strong during 2008 resulting in increased corporate gross written premiums up 18% to EUR 1,977m. Premium growth derived mainly from Denmark, Poland and Sweden.

Institutional asset management
Nordea's institutional asset management services include single products (funds, equity products etc.) offered globally to large sophisticated pension funds, as well as asset allocation advice and balanced mandates for institutional customers and fund sales via external platforms. The fund offering includes Nordea's European Funds, which are licensed for sale in 16 European countries. Services are provided to customers by an institutional asset management sales force and the sales force of European Fund Distribution.

Business development
During 2008, Nordea's institutional sales activities proved successful and Nordea won several new mandates from both Nordic and international customers and generated additional business from existing customers, resulting in a net inflow of EUR 1.1bn. Product wise, the "Stable Equity" products, especially designed for extreme market conditions, proved successful and outperformed benchmark by 5.9% in 2008. Market conditions reduced the value of institutional AuM to EUR 23.1bn and forced institutional investors to reallocate into less risky products, which for Nordea meant a less favourable asset mix in terms of income margins.

In line with the multi-boutique strategy, insourced funds distributed through the European fund distribution generated an inflow of EUR 0.3bn. Furthermore, the distribution of funds to third party financial institutions was successfully extended to the Nordic region.

Corporate customer segments and financial institutions, key figures

	Corporate Merchant Banking customers		Large corporate customers		Medium-sized and Small corporate customers		Nordic corporate customers	
	2008	2007	2008	2007	2008	2007	2008	2007
Number of customers, '000			**18**	**15**				
Income, EURm	**1,079**	**855**	**916**	**750**	**951**	**920**	**2,946**	**2,525**
Volumes, EURbn[1]								
Lending	43.2	38.6	42.0	36.6	22.9	26.7	108.2	101.9
Deposits	17.1	14.5	17.3	15.1	19.5	19.3	53.9	49.0
Margins, %								
Lending	0.99	0.82	0.94	0.84	1.04	1.03	0.97	0.89
Deposits	0.39	0.41	0.64	0.64	1.59	1.65	0.93	0.96

	New European Markets corporate customers		Shipping and Oil Services customers		Financial institutions		Corporates and financial institutions Total	
	2008	2007[2]	2008	2007	2008	2007	2008	2007[2]
Number of customers, '000	**79**	**70**	**2**	**2**	**1**	**1**		
Income, EURm	**291**	**147**	**306**	**237**	**409**	**339**	**3,952**	**3,248**
Volumes, EURbn[1]								
Lending	10.7	6.8	13.8	11.1	2.0	1.9	134.7	121.7
Deposits	3.2	2.6	6.4	6.7	14.5	20.3	78.0	78.6
Margins, %								
Lending	1.72	1.01	1.10	0.96	0.55	0.35	1.03	0.91
Deposits	1.58	1.37	0.42	0.41	0.34	0.31	0.79	0.82

1) Volumes are excluding reversed repurchase agreements and repurchase agreements.
2) Margins for 2007 do not include Russia.

Household customers

- Increased number of customers
- Lending volume up 1% and deposit volumes up 3%
- Stable credit quality
- Customer satisfaction improved in all markets, especially compared to peers

Household segments – leveraging the customer base
With a clear emphasis on relationship banking and the aim of servicing 100% of the customer's wallet as the customer's lifetime financial partner, the potential in the Gold segment is to be capitalised.

The aim is also to identify potential Gold customers in the lower segments – Silver and Bronze – and develop these into the premium segments using a structured approach to increase business volumes.

Cost-efficient services are offered to customers with limited potential in terms of business volume growth in line with the aim of maintaining a stable income stream exceeding the cost of service.

Further focus on relationship banking and transaction efficiency
The demand for manual cash transactions are steadily decreasing and as a consequence Nordea is reducing the amount of tellers in the branch network. This will reduce cost and gradually change the ratio between staff servicing daily banking needs and Personal Bank Advisors.

Branch network
Nordea's branch network has been significantly strengthened by 68 new branches in Sweden, taken over from Svensk Kassaservice, and 9 acquired branches from Roskilde Bank. However, the total size of the branch network is expected to slightly decrease mainly because of closing down of very small branches.

Customer programme
The customer programme is a value proposition comprising brand promise, pricing, service level and product solutions combined into a transparent and competitive offer.

Nordea operates with non-negotiable and transparent pricing on most products, differentiated in three levels – one for each segment.

The designated personal banker plays a proactive role in maximising growth potential from customers, who have reached the highest level in the programme (Gold).

A very attractive offer is specially designed as a fast track to attract younger customers in the 18–28 age group - young adults.

Customer satisfaction improved in all markets, especially compared to peers.

Premium segments:
Nordic Private Banking
Nordea is the largest provider of private banking services in the Nordic Region. The position varies across the Nordic markets reflecting differences in the legacy business. The approx. 83,000 Nordic Private Banking customers are served out of 73 Private Banking units (co-located with regional branches in Nordic Banking) and 7 Private Wealth Management units catering to high-net-worth customers.

Business development
In 2008, Nordic Private Banking capitalised on Nordea's strong market position and the attractive Private Banking business model, demonstrated by welcoming more than 4.800 new customers, equaling a 6% increase in number of customers from 2007, and capturing a net inflow of assets of EUR 2.1bn. New customers included both internal Nordea customers now qualifying for the Private Banking offering and those acquired from competitors, and growth in the customer base was matched by an expansion in the number of employees. In 2008, the key trend in Private Banking customer activity was to decrease exposure to equity markets by moving funds into savings and transaction deposits and taking advantage of the attractive interest rates on deposits. Due to the general market depreciation in 2008, Nordic Private Banking AuM decreased to EUR 36.1bn, down 21% compared to 2007. Consequently, income decreased by 15% to EUR 324m.

Gold customers – the engine for profitable growth
The income potential from developing the customer base is significant. Average income per Gold customer is twice the average from Silver customers. Approx. 55% of income from household customers derives from Gold customers.

The Gold segment in the long run achieves profitable growth by increasing sale of the entire product range by pro-actively offering customers 360-degree meetings covering all aspects of their financial affairs.

Nordea's pro-active approach and customer centric 360-degree advisory have been appreciated by our customers. Also the credibility and stability of Nordea during the financial crises have boosted customer loyalty and acquisition of new Gold personal customers.

Income was affected by the turmoil in the equity market, causing the sharp reduction in fee income on savings products. A successful development of the product mix to meet the increased competition in this area led to a 12% increase in volumes in savings deposits.

Customers elevated to Gold customers are offered our best services and prices. The decrease in margin from elevating customers to the Gold level is more than compensated by increased product penetration.

Business development
The focus on developing the potential in the customer base continues to be successful with a 5% increase in the number of Gold customers, compared to last year. Approx. 20% of new Gold customers are new customers of Nordea,

thus reflecting the attractiveness of Nordea's customer programme. As a result of the financial turmoil and especially the problems of some smaller banks, the number of new customers increased toward the end of the year.

In Sweden and Finland, mortgage margins have increased, changing years of decreasing trend. However, the reported margins on mortgages do not reflect the increased liquidity premiums. Taking the full liquidity cost into account, actual mortgage margins are lower than reported.

The activities to increase the number of proactive meetings with customers have continued. The focus is to increase pro-activity towards Gold customers in a market situation where customer's financial affairs are of utmost priority.

Income from Gold customers was EUR 1,911m, up 4% compared to last year.

Baltic countries

Nordea continued to build up advisory services for household customers in the Baltic countries through its network of 66 branches offering a full range of products serving nearly 250,000 customers, of which 46,000 Gold customers. The improved services have resulted in a good progress in customer satisfaction as confirmed by the high ranking in the annual customer survey.

Business development

Higher business volumes offset lower deposit margins and supported strong income growth in 2008. Income growth was 15% to EUR 39m. Strong double-digit growth in deposit volumes, of more than 50%, compensated for lower sales of investment funds. Growth in household mortgage lending continued, but at a clearly lower growth rate than in previous years. Late 2008, Nordea Life & Pensions entered the Baltic region with a pension fund offering to Estonian customers.

The impact on credit quality from the macroeconomic downturn in the Baltic countries is closely monitored and proactive risk management is in focus.

Poland

In line with the Turbo Plan, 60 new branches were opened 2008. Following this, Nordea has 144 branches serving approx. 458,000 household customers, of which almost 30,000 are Gold customers. Nordea has increased the number of personal bank advisers, further upgraded the sales systems and upgraded the capacity of the contact centre to provide even better services to the increasing number of customers and customer satisfaction was high.

Business development

The expanded branch network has supported growth in business volumes, in particular household mortgage lending. Competitive pricing of savings accounts attracted additional deposits volumes, while sales of investments funds declined due to the financial turbulence. Total income was EUR 60m, up 77% compared to 2007.

Nordea Life & Pensions in Poland offers life and savings products to approx. 873,000 household customers. Growth in personal gross written premiums was strong, up 46% compared to 2007. Within the attractive PTE segment, Life & Pensions is the fifth largest Polish pension provider in terms of number of customers.

Russia

Orgresbank currently has approx. 40,000 household customers being served through 53 branches centered to the Moscow and St Petersburg regions. The same customer concepts, as used in other markets, have been introduced in 2008 targeting especially affluent households and potential Gold customers. Key products include mortgage loans, cards and car financing.

Business development

In line with the long term ambition to build a well-diversified and well-balanced banking business in Russia, the number of household customers rose significantly in 2008. This development supported increased business volumes and income reached EUR 11m.

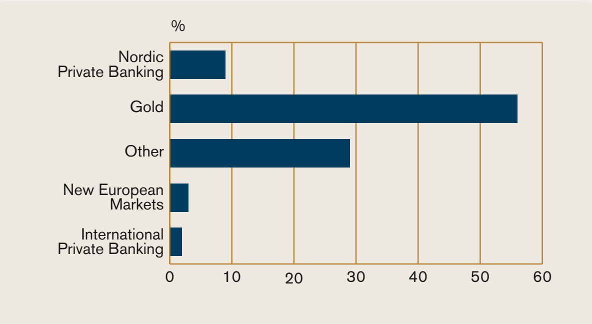
International Private Banking

International Private Banking & Funds is responsible for the Group's advisory services to wealthy individuals residing outside Nordea's home markets. Among the Nordic banks, Nordea is the largest private banking operator in Europe with approximately 12,000 customers based in more than 125 countries.

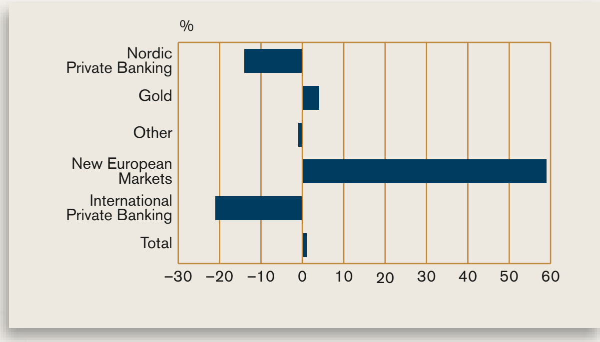
Business development

In 2008, International Private Banking customer base continued to grow and customer contact frequency remained

Share of income, household customers, by segment, 2008



Income growth, household customers, by segment, 2008



high. New customers consisted of Nordic citizens living abroad and customers acquired from competitors. The value proposition was in 2008 improved by eg expanding the production of structured products and introducing new investment vehicles. AuM in 2008 were affected by market depreciation and thus reduced to EUR 6.8bn.

This development combined with a general lower level of transactions affected income negatively. Income was EUR 85m, down 21% compared to 2007.

Products in focus

Mortgage lending

Housing products are key for attracting and building long-term relationships with household customers. This creates possibilities for cross-selling the whole product range, capturing the customer's full banking business. Nordea offers a comprehensive product range and supporting sales advice tools throughout the organisation.

Nordea has focused on extending the offering to include solutions through the customer's entire housing life cycle, including home savings product, products to first-time buyers and home-equity products. Approx. 90% of Nordea's Gold customers have a mortgage loan.

Business development

Mortgage lending volumes increased 4% compared to 2007. The market shares in mortgage lending were broadly unchanged compared to last year.

Consumer lending

Consumer lending enables the customers to bridge periods of lower liquidity, thereby providing financial flexibility. Nordea offers a full product range, including standard non-collateralised lending, credit card based revolving credits, overdraft facilities and standard collateralised lending and home-equity products. Focus is to increase volume of consumer loans to existing Gold customers, by advising customers to use Nordea as a full-range supplier.

Business development

A positive trend continued in other consumer lending with 7% income growth supported by volume growth of 6%, while margins have increased.

Non-collateralised lending and home-equity products were important drivers for growth. There is still significant potential for growth.

Savings products

Financial planning and advisory services play a central role for the total savings offering to household customers. Current financial market conditions further highlight the importance and value of Nordea's advisory offering regarding to savings and investments. The savings products offered cover investment funds, structured products, equities, bonds and all life and pension products as well as traditional savings deposits.

Business development

The end-to-end savings product portfolio allowed Nordea to cope well with the market turbulence and total household net sales of savings products amounted to EUR 6.9bn. However, the net sales product mix changed significantly as household customers were becoming more risk avert and awaiting markets to level out. The result was stagnating sales of investment products and significantly increased sales of savings deposits, which became the best selling product in 2008.

Total savings volumes, personal customers

EURbn	2008	2007	Change %
Retail funds	19.3	28.3	–32
Life & Pensions products	15.7	17.0	–8
Savings deposits	45.5	40.8	12
Equities, bonds and structured products[1]	23.4	33.7	–31
Total	**103.9**	**119.8**	**–13**

1) Custodian assets in Norway are not included.

Savings deposits, equity, bonds and structured product

Nordea has a comprehensive savings deposit offering, providing both a wide range of attractively priced time deposits and several variable interest rate products with a high degree of flexibility.

Further, Nordea offers a broad range of advisory products and trading possibilities as concerns Nordic and international equities and fixed income instruments. Such offerings are available both online and through personal service.

Business development

During 2008, savings deposits were attractive alternatives to traditional investment products due to volatile financial markets, high interest rates and the state guarantee schemes. Nordea has therefore had significant focus on product development within deposits, leading to launch of several new and innovative savings deposits products in 2008. Thus, inflow into household savings deposits was record high, amounting to EUR 8bn, up 13% compared to 2007. In 2008, the Nordic market share on savings deposits increased to 21%.

The equity business was in 2008 influenced by the very turbulent market conditions with severe decreases in share values globally. These circumstances led many personal customers to reduce their equities positions, and substitute with savings deposits or bonds. The activity in the online channel increased substantially, confirming the increasing interest for Nordea's online trading services.

Primarily as a result of decreases in share values, net sales of bonds went up 60% compared to 2007. However, bond yields were very volatile in 2008 and by the end of the year, savings deposits were an attractive substitution to bonds.

Several theme-based structured products were introduced in 2008, with focus on themes like equities, commodities and climate. However, sales of structured products were challenged by the difficult market backdrop and competing savings deposits.

Life & Pensions products

Nordea offers a full range of life insurance and pension products to household customers in the Nordic countries, the Baltic countries and Poland. All life and pension products are based on the product groups traditional (passive), new traditional (passive), unit-linked (active), and risk

Household customer segments, key figures

	Nordic Private Banking 2008	Nordic Private Banking 2007	Gold customers 2008	Gold customers 2007	Other household customers 2008	Other household customers 2007	Nordic household customers 2008	Nordic household customers 2007
Number of customers, '000	**83**	**78**	**2,510**	**2,397**				
Income, EURm	**324**	**379**	**1,911**	**1,843**	**999**	**1,008**	**3,234**	**3,230**
Volumes, EURbn								
Lending	4.5	3.6	90.5	90.6	10.9	11.1	105.9	105.3
Deposits	6.2	5.0	40.6	38.6	16.4	17.6	63.2	61.2
Assets under Management	36.1	45.6						
Margins, %								
Lending	0.70	0.63	0.87	0.77	2.46	2.36	1.07	1.00
Deposits	0.71	0.79	1.47	1.59	2.57	2.46	1.74	1.81

	New European Markets household customers 2008	New European Markets household customers 2007	International Private Banking 2008	International Private Banking 2007	Household customers Total 2008	Household customers Total 2007
Number of customers, '000	**746**	**588**	**12**	**11**		
Income, EURm	**108**	**68**	**85**	**108**	**3,427**	**3,406**
Volumes, EURbn						
Lending	4.6	3.0	0.9	1.4	111.3	109.7
Deposits	1.6	1.0	1.7	2.2	66.5	64.4
Assets under Management			6.8	9.6		
Margins, %						
Lending	1.48	1.25	0.77	0.83	1.08	1.01
Deposits	1.12	1.50	0.60	0.68	1.70	1.77

products. The products cover all stages of the customers' life cycle including dissavings products and advice.

Business development
In 2008, total gross written premiums on life and pensions products of EUR 4,222m were record-high, up 12% compared to 2007 and Nordea kept the leading position within the life and pensions business with a Nordic market share of 10%, based on total gross written premiums. Negative performance in the equity markets and especially the increased credit spread affected the financial buffers (non-allocated customer bonuses) negatively. Accordingly, the level of financial buffers decreased to EUR 673m or 3% of life provisions in 2008.

Sales activities in the household segment were successful in 2008 as gross written premiums were up 6% from 2007. The strong organic growth in personal premiums was driven by sales of both traditional products and unit link products, and particularly stemming from sales in Sweden, Denmark and Poland.

Investment funds
Within investment funds, Nordea offers a broad spectrum of funds based on traditional asset classes like fixed income, equities and balanced funds as well as alternative assets such as hedge funds and private equity. Offerings include Nordea branded funds, primarily managed internally, and external funds. Both external managers and external funds are carefully selected by Nordea's own manager selection team.

Business development
The relative performance of equity investment funds was strong in 2008, despite volatile equity markets and large negative absolute returns. In total, 9 out of 11 equity composites outperformed their benchmark. However, high risk premiums on the financial market affected 2008 investment return negatively for fixed income products with money market or credit/mortgage exposure. Thus, 43% of all composites outperformed benchmark in 2008. Several new funds were launched in 2008, including selected external funds to supplement the Nordea branded funds.

In 2008, Nordea increased its funds market share based on Assets under Management in Denmark, Norway and Sweden. This development did not, however, offset the fact that the 2008 financial market environment was generally not beneficial for the sales of investment funds in general, and a net outflow of EUR 4.5bn in 2008 was reported.

Assets under Management

	2008	2007	Net inflow 2008	Net inflow 2007
Nordic Retail funds	21.9	34.4	–4.5	–2.7
European fund distribution	1.6	3.6	–0.8	–1.8
Nordic Private Banking	36.1	45.7	2.1	3.7
International Private Banking	6.8	9.6	–0.6	0.6
Institutional asset management	23.1	24.9	1.1	–2.5
Life & Pensions	36.1	38.8	0.6	0.3
Total	**125.6**	**157.1**	**–2.0**	**–2.4**

Market positions

	Denmark	Finland	Norway	Sweden	Estonia	Latvia	Lithu-ania	Poland	Russia	Inter-national	Total
Number of customers:, 000's											
Corporate customers	47	127	84	348	10	4	3	55	7		685
Household customers in customer programme	1,050	2,485	350	2,908	74	73	102	458	40		7,540
Private Banking	33	26	6	17	<1				<1	12	95
Net banking	864	1,476	415	2,085	48	63	96	186			5,233
Shipping, oil services and international											2
Financial institutions											1
Number of branches	**319**	**345**	**124**	**341**	**22**	**22**	**22**	**144**	**53**		**1,392**
Market shares ,%											
Corporate lending	21	37	16	14	14	12	11	3	1		
Corporate deposits	30	42	18	22	8	5	8	2	<1		
Household investment funds	16	28	10	14							
Life & Pensions	20	23	11	4				n.a.			
Brokerage	4	3	2	2							
Household mortgage lending	16	31	11	15	12	16	9	4	<1		
Consumer lending	14	30	9	9	9	2	6	<1	<1		
Household deposits	21	32	9	18	7	6	2	1	<1		

Loans and receivables to the public, by customer segment

EURm	31 Dec 2008	%	31 Dec 2007	%
Banking Denmark	**67,984**	**26**	**62,709**	**26**
corporate customers	30,085		27,504	
household mortgage lending	26,267		24,893	
consumer lending	11,632		10,312	
Banking Finland	**52,055**	**20**	**47,488**	**19**
corporate customers	26,096		23,513	
household mortgage lending	20,608		19,115	
consumer lending	5,351		4,860	
Banking Norway	**34,996**	**13**	**37,218**	**15**
corporate customers	19,349		19,145	
household mortgage lending	14,914		17,120	
consumer lending	733		953	
Banking Sweden	**59,041**	**22**	**59,781**	**24**
corporate customers	32,677		31,775	
household mortgage lending	20,243		21,641	
consumer lending	6,121		6,365	
Estonia	**2,228**	**1**	**1,685**	**1**
corporate customers	1,406		1,006	
household customers	822		679	
Latvia	**3,042**	**1**	**2,295**	**1**
corporate customers	1,878		1,312	
household customers	1,164		983	

EURm	31 Dec 2008	%	31 Dec 2007	%
Lithuania	**2,393**	**1**	**1,481**	**1**
corporate customers	1,686		1,049	
household customers	707		432	
Poland	**3,818**	**1**	**2,707**	**1**
corporate customers	2,199		1,835	
household customers	1,619		872	
Russia	**3,714**	**1**	**1,648**	**1**
corporate customers	3,464		1,541	
household customers	250		107	
Shipping, Oil Services and International	13,823	5	11,100	5
Financial Institutions	2,045	1	1,900	1
Reversed repurchase agreements	11,074	4	7,424	3
Other	8,887	3	7,246	3
Total	**265,100**	**100**	**244,682**	**100**
of which corporate customers	134,708	51	121,680	50
of which household mortgage lending	86,594	33	85,842	35
of which other household lending	23,837	9	22,490	9
of which reversed repos and other lending	19,961	7	14,670	6

People forming Great Nordea

Nordea's more than 37,000 employees continue to create great customer experiences, as one team, living our vision – making it possible.

It's all about people and Nordea's People Strategy
While products and services can easily be copied, people are what ultimately distinguish us from our competitors. Consequently, our people are what will move Nordea from Good to Great. The People Strategy focuses on selected prioritised areas, namely:

- Building the foundation – HR Basics
- Being the employer of choice for those who will move us from Good to Great
- Staffing, ensuring we have the right person in the right place at the right time
- Mobilising, differentiating and rewarding, thereby securing outstanding organisational performance
- Providing opportunities for our people to develop and grow
- Practising the leadership required to enable us to go from Good to Great.

All of these priorities shall be guided by and reinforce Nordea's three values; Great Customer Experiences, One Nordea Team and It 's all about People.

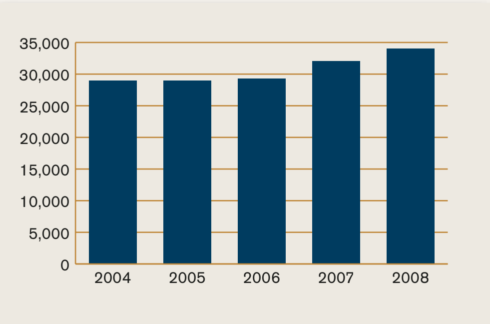
Building the foundation – HR Basics
Having a good understanding of the people resources and putting solid people processes in place is an integral part of the People Strategy. A prerequisite for this is to have an HR information system enabling us to collect relevant people data. This system should also support our most important people processes, like Performance and Talent Management. In 2008, this system was implemented in all Nordic countries.

Being the employer of choice for those who will move us from Good to Great
Our ability to realise the vision requires that Nordea has the very best employees. This applies both to the ability to attract and to retain the very best. To do this, we have worked hard in 2008 to strengthen our brand among selected target groups. Examples of initiatives are speed dating, allowing for students to meet with Nordea employees on line from all parts of the bank, and labour fairs at selected schools and universities, where we have presented the different opportunities available at Nordea. This work will continue in 2009 with the aim to be even more selective seeking to target those that can best partner with us in moving from Good to Great.

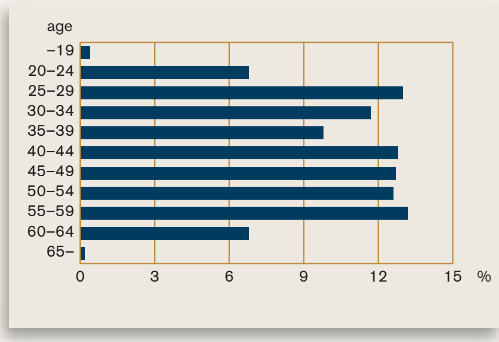
Staffing, ensuring we have the right person in the right place at the right time
Going from Good to Great requires us to have the right person in the right place at the right time. Much effort has been made to do just this in 2008, for example by further developing the recruitment process and through the introduction of an on-boarding process bringing new employees up to speed quickly. We are looking at intensifying this work even further in 2009. This will be done by strengthening our People Planning Process, translating our business plans to people needs and by further strengthening the recruitment process. In addition, we will seek to improve internal mobility, making sure that we have the right person in the right place at the right time, while at the same time allowing for our employees to grow through new and different experiences.

Mobilising, differentiating and rewarding, thereby securing outstanding organisational performance
Nordea has worked hard to improve Performance Management at Nordea in 2008. This work will continue in 2009 by further simplifying the process and tools, but equally if not more importantly, by continuing to build a culture where feedback and coaching is a natural part of our culture. More than 85% of all managers went through coach-

Number of employees (full time equivalents, FTEs)



Employees distributed by age
% of employees, 31 Dec 2008



ing training in 2008, and we will continue to focus on this area in 2009.

Providing opportunities for our people to develop and grow

We are proud of the improvements made in this area in 2008. For example, the introduction of a number of new academies aimed at developing for example personal bank advisers and branch managers, has led to tangible improvements of our business results. However, we have no intentions to settle with this. In 2009, we must make sure to further strengthen the tie inbetween the business needs and all that we do in terms of building competencies, ultimately measuring the value of our investment. Related to this, we must make sure to always look for the effective ways to allow for people to grow, for example by making more use of e-learning than we do today.

Practising the leadership required to enable us to go from Good to Great

An organisation's success is to a large degree dependent on its current and future leadership. Our ambitious vision and targets will most certainly require the same for Nordea. Hence, we must grow our current leaders while making sure we identify and develop those that are considered to have the potential to take on greater responsibilities in the future. The foundation for this work is to agree to what leadership we shall seek to build, which was addressed in 2008, through the implementation of Nordea's leadership competencies. These leadership behaviours have served as a guide in the development of all leadership programmes in Nordea in 2008, and will continue to do so in 2009. The efforts to strengthen the leadership will continue in 2009, for example by further strengthening our Talent Management process making sure we identify talents early and provide opportunities for them to realise their potential, together with us. While doing this, we will put special focus to females, aiming at increasing the percentage of females in leadership positions in 2009.

Due to the cross-border nature of the Nordea Group, special arrangements have been agreed with the unions in the Nordic countries. These agreements allow staff representatives to be involved in certain decision making processes impacting more than one country.

Employee satisfaction survey results

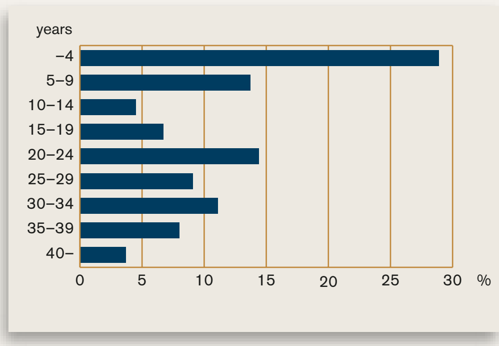
ESI, index	2008	2007	2006
Satisfaction and motivation	72	71	71
Development	72	70	–
Considered a good workplace	77	74	73
Proud to tell others where I work	80	78	75
Recommend others to start working in Nordea	76	74	72

Number of employees, by area or function 31 Dec 2008

Full-time equivalents (FTEs)	
Nordic Banking	17,253
– of which Banking Denmark	5,149
Banking Finland	5,420
Banking Norway	1,878
Banking Sweden	4,802
Institutional & International Banking	5,134
– of which Baltic countries	1,161
Poland	1,542
Russia	1,679
Financial institutions	411
Shipping, Oil Services & International	295
Capital Markets & Savings	4,112
Banking Products & Group Operations	6,174
People & Identity	427
Group Credit & Risk Control	376
Group Corporate Centre	255
Group Legal	150
Other functions	127
Nordea Group	**34,008**

Employees distributed by ages in service

% of employees, 31 Dec 2008



Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the concept Nordea applies to maintain and enhance our relations with internal and external stakeholders. Stakeholders are parties who share an interest in what we do that reaches beyond, but also includes, financials. Reputation, trust and good business practices are all important end products of CSR. In times of troubled markets, Nordea deems it more important than ever to be a supportive financial partner for our customers, and also to be a good corporate citizen by participating in maintaining a solid financial system in society.

CSR is an integrated element of Nordea's business. The CSR policies and procedures have been developed to reflect the Group's business strategy and are designed to support the business objectives. A cruical factor for building shareholder value and for being a leading financial services provider, is the management of business ethics and the various risks and opportunities related to the reputation of and trust in Nordea's business operations.

Following the introduction of new Nordea values in 2007, a process to create a new CSR strategy was initiated. The proposal was presented to Group Executive Management in June 2008. The overall purpose of the proposed new CSR strategy and its related activities is to support the Nordea values and the Group's strategic move towards the creation of a Great Nordea.

Taking responsibility in financial turmoil

Citizenship in general means being a responsible and active member of society. The Nordea Corporate Citizenship Principles have since 2002 served as the main standard of our role in society, and they have been further reinforced with the introduction of new Nordea values in 2007. It is important for Nordea to be a good corporate citizen, inspiring confidence and trust in the markets where we operate, and to be perceived as a responsible and trustworthy financial partner for our customers.

We have committed ourselves to good citizenship. During the second half of 2008, we experienced exceptional financial turmoil that led to lack of trust in the market and tightened credit conditions. Nordea's credit granting principles have proved sustainable and we continue to apply them in serving the financial needs of the customers. In these times, it is important to be proactive giving advice and supporting customers in their financial affairs – to rationalise their finances and solve potential problems proactively.

We therefore conclude that corporate social responsibility, during these challenging circumstances, requires us to be able to make lending facilities available to our creditworthy customers. To achieve this, Nordea has worked and will continue to work proactively with governments and central banks to facilitate a continued flow of sufficient credits to customers.

We are committed to our value of creating Great Customer Experiences and we continue this endeavour during these difficult times. Our ambition is to stand by the customers, serving as their long-term financial partner and adviser. During 2008, we have increased the amount of loans outstanding both to corporate and household customers.

The right behaviour

A cornerstone of Nordea's CSR work concerns business conduct and ethics. There are two reasons for this. One reason is that a common set of values and behavioural guidelines constitutes a foundation for a common corporate culture, and a way to fulfil one of our Nordea values: One Nordea Team. In Nordea, it is all for one and one for all in creating value for our customers and for society at large. Sound finances are a prerequisite for all sustainable development.

The other main reason for the emphasise on business conduct relates to risks and opportunities. Operational risk in banking, stems from human behaviour, procedures and systems. Human behaviour is central to this because it is people who make judgements and decisions, define procedures and make systems. In other words, appropriate human conduct is an important risk-control mechanism. Likewise, in terms of opportunities, a workforce demonstrating good business conduct is also beneficial to our core asset: our customers' well-being. The foundation of this relationship lies in the positive everyday meetings taking place between customers and Nordea staff – and we constantly improve and aim to excel in what can be expected from us in this regard.

Nordea has developed a groupwide standard of business ethics, the Nordea Code of Conduct and this has also been documented in a Guide to Sound Business Relationships. These apply to all employees of the Nordea Group and temporary staff working for Nordea. There are also supplementary specifications to these instructions that apply within customer and product areas and group functions, thus producing a business conduct guidance structure covering the entire group and all our activities.

It's all about people; people who care.

The bigger picture

Nordea communicates and interacts with society at large. Among other things, this means conducting an open and frequent stakeholder dialogue. Nordea also participates in industry networks and forums with other large, multinational corporations and financial institutions, for instance within CSR Europe, a business forum for information exchange and cooperation with European Union institutions.

Nordea supports the UN Global Compact, which is a set of ten principles for conducting responsible business, and also the UN Environmental Program Finance Initiative (UNEP FI), a charter and a cooperation forum where financial institutions address environmental aspects of their businesses. Nordea supports the OECD Guidelines for Multinational Enterprises, and is also a signatory to the Equator Principles. The Equator Principles constitute a global financial services industry benchmark for determining, assessing and managing social and environmental risks in project financing.

Nordea (Savings and Asset Management units) has signed the United Nations Principles for Responsible Investments (UNPRI). The UNPRI consists of six general principles through which a signatory institution commits to incorporate environmental, social and corporate governance issues (ESG) into its investment analyses, decision-making processes and ownership policies and practices.

Nordea has since 2002 included environmental risk assessment in its corporate credit decision process. A specific toolkit, the Environmental Risk Assessment Tool (ERAT) was developed for this purpose and implemented in the credit procedures. During 2007, the scope of analysis was expanded to also cover social and political risks. So, in 2008, a second tool, the Social and Political Risk Assessment Tool (SPRAT) was introduced in the credit assessment process.

New initiatives

In a proposal for a new CSR strategy was presented to Group Executive Management. In September, the responsibility of CSR was transferred from the Compliance function and organisation to the business side of the organisation. This in order to bring CSR closer to the operations and the customers. In November, a CSR Secretariat was organised and the work with more detailed action plans to apply the recommended strategy was initiated. The first effects of these changes are expected to emerge during the first half of 2009.

Transparency

Nordea strives to fulfil the reporting requirements of the international agreements and principles to which we are a signatory. This includes an annual Communication on Progress (COP) report to the UN Global Compact and an annual status report related to the Equator Principles. Nordea has since 2003 issued an annual environmental report, the Nordea Environmental Footprint.

At the end of 2008, the Swedish government was the single largest shareholder in Nordea. Consequently, Nordea is subject to the requirements for non-financial reporting introduced by the Swedish government in 2007, and in order to meet these requirements, the Group introduces its first integrated Sustainability Report effective from 2008.

For further information on CSR in the Nordea Group, please go to www.nordea.com/csr. Nordea's Corporate Citizenship Principles, the Code of Conduct and the Sustainability Report 2008 will be made available at Nordea's web pages.

The Nordea share

Nordea's overall financial target is to create value for shareholders in the top quartile of the European peer group.

The market capitalisation of Nordea at the end of 2008 was EUR 13.0bn. Ranked by market capitalisation Nordea was the eighth largest company in the Nordic area and the eighth largest among European financial groups.

The Nordea share is listed on the NASDAQ OMX Nordic, the stock exchanges in Stockholm (in SEK), Helsinki (EUR) and Copenhagen (DKK).

Share price development

2008 was characterised by the weakest equity markets since 1991 and the overall trend for financial shares have been sharply downwards. During the year the share price of Nordea depreciated by 49% on the Stockholm Stock Exchange from SEK 108 on 28 December 2007 to SEK 54.70 on 30 December 2008. The daily prices listed for the Nordea share during 2008 (closing prices at Stockholm Stock Exchange) ranged between SEK 108.00 and SEK 52.50. The SX40 Financials Index of the Stockholm Stock Exchange depreciated by 48%, the Dow Jones STOXX European banks index depreciated by 64%. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated 29% and outperformed the Dow Jones STOXX European banks index (–54%).

Nordea's share price can be monitored at www.nordea.com, where it is also possible to compare the performance of the Nordea share with competitors and general indexes as well as to find historical prices of the Nordea share.

Total shareholder return

Total shareholder return (TSR) is realised through market value growth per share and reinvested dividends. Total shareholder return in 2008 was –46.9% (6.4% in 2007). Nordea ranked as number two among the European peer group banks in terms of TSR in 2008 (number three in 2007 and 2006.) The average TSR in the peer group was –67%.

Liquidity

The Nordea share was the most liquid Nordic financial share in 2008, with an average daily trading volume of approx. EUR 107m, corresponding to 13 million shares. Turnover on the three stock exchanges combined totaled EUR 27bn in 2008, which corresponds to more than 3 billion shares. Of the total number of Nordea shares traded in 2008, approx. 81% was traded on the Stockholm Stock Exchange, 11% on the Helsinki Stock Exchange and 7% on the Copenhagen Stock Exchange. A trading lot is equivalent to 1 share in Stockholm, Copenhagen and Helsinki.

The Nordea share is represented in a number of national indexes and it is also included in European and global indexes within MSCI, Dow Jones STOXX, FTSE and S&P. With a weight of 4.3% Nordea was the fifth largest company in the Nordic OMX 40 index at the end of 2008.

Capital management

Nordea aims at keeping capital flexibility with excess capital returned to shareholders through dividends as well as repurchases of own shares. Efficient use of capital will contribute to achieving the profitability target and shareholder value creation.

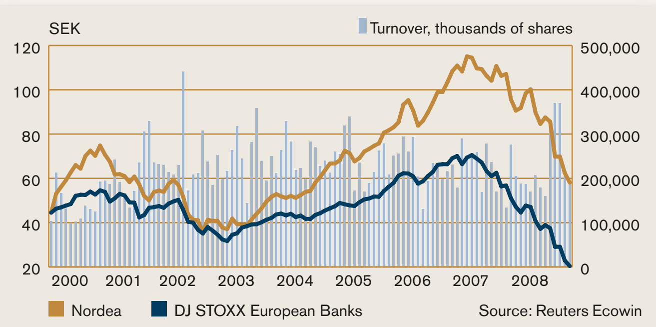
Dividend policy and proposed dividend

Nordea pursues a policy of high dividends. The policy is that the total dividend payment will exceed 40% of the net profit for the year.

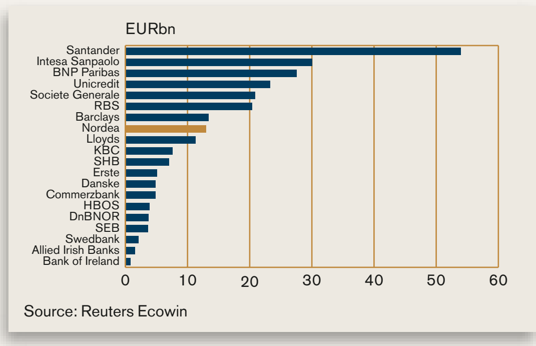
The Board of Directors of Nordea Bank AB (publ) proposes a dividend for 2008 of EUR 0.20 per share. The total dividend payment for 2008 would then by EUR 519m corresponding to a payout ratio for 2008 of 19% of the net profit after tax. The dividend yield calculated on the share price 30 December 2008 is then 4.0%.

This proposed reduction of the dividend is intended as a temporary measure to, together with the rights offering, strengthen Nordea´s core capital position, and does not indicate a change in Nordea´s dividend policy.

Nordea share performance compared to European banks, 2000–2008



Market capitalisation, 31 Dec 2008, EURbn



The dividend is denominated in EUR, although the currency of payment depends on in which country the share are registered. Owners of shares registered in Sweden can choose between dividend in SEK or in EUR. An official exchange rate is published. In Denmark, dividend is paid out in EUR. If the shareholder does not have a EUR account, the dividend is converted into local currency. Each custody institute decides their own conversion rate. In Finland, the dividend is paid in EUR.

Shareholders

With approx. 480,000 registered shareholders at the end of 2008, Nordea has one of the largest shareholder bases of all Nordic companies. The number of Nordea shareholders registered in Sweden is approx. 95,000, in Denmark 190,000 and in Finland the number of shareholders is approx. 195,000.

The largest among the various categories of shareholders is non-Nordic shareholders, holding 22.5% of the shares in Nordea compared to 23.4% at the end of 2007. The largest individual shareholder is the Swedish state with a holding of 19.9% at year end.

Investor communication

Close to 30 equity analysts cover Nordea with regular earnings updates and recommendations. Nordea aims at being one of the leading European companies in terms of open, clear and relevant information to shareholders and other stakeholders. Nordea has during 2008 further upgraded the Group's financial reports and presentations.

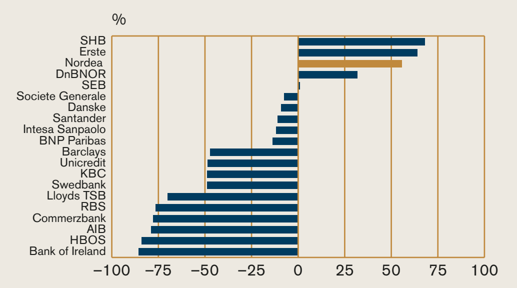
Nordea conducts a proactive approach in meetings with investors. CEO, CFO and other members of the Group Executive Management regularly travels to meet with investors in Europe and US. Nordea relies to a large extent on the Internet in communication with shareholders and investors. All significant financial information about Nordea Group can be found in the Group's web pages. Daily contact with investors and analysts is handled by Nordea's Investor Relations department.

Largest registered* shareholders in Nordea, 31 Dec 2008

Shareholder	No of shares, million	Holdings %
Swedish state	515.6	19.9
Sampo Oyj	313.2	12.1
Nordea-fonden	105.3	4.1
Swedbank Robur Funds	81.1	3.1
SHB/SPP Funds	48.3	1.9
SEB Funds	34.6	1.3
Nordea Funds	32.6	1.3
AMF Pension	31.0	1.2
Fourth Swedish National Pension Fund	30.9	1.2
Skandia Life Insurance	25.9	1.0
Ilmarinen Mutual Pension Insurance	24.1	0.9
Second Swedish National Pension Fund	23.9	0.9
First Swedish National Pension Fund	23.6	0.9
AMF Pension Funds	20.7	0.8
Varma Mutual Pension Fund	18.0	0.7
Seventh Swedish National Pension Fund	16.4	0.6
Alecta	14.0	0.5
Nordea Profit-sharing Foundation	13.7	0.5
Länsförsäkringar Funds	12.9	0.5
Govt of Singapore Inv Corp	11.0	0.4
Total	**1,397**	**53.8**

Source: SIS ägarservice, Nordic Central Securities Depository, VP Online.
* Excluding nominee accounts.

Total Shareholder Return (TSR) 2000–2008



Source: Reuters Ecowin

> Nordea ranked as number two among the European peer group banks in terms of TSR in 2008 and has been among the top three in 2007 and 2006.

Annual report

The annual report is available in English and Swedish. A summary of the annual report is available in English as well as in the four Nordic languages. The full annual report and the summary will be distributed on request. The reports can be downloaded and ordered by accessing Nordea's web pages.

Share capital

In order to implement the Long Term Incentive Programme 2008 in a cost-efficient manner, the AGM 2008 decided on an issue of 2,880,000 redeemable and convertible C shares. The C shares should hedge the programme against negative financial effects from share price appreciations. The new C shares do not entitle to any dividend. The C shares have been bought back and on 22 May 2008 the C shares were converted to ordinary shares. After the new issue, the share capital amounts to EUR 2,600,108,227.

All shares in Nordea carry voting rights, with each share entitled to one vote at General Meetings. Nordea Bank AB (publ) is not entitled to vote for own shares at General Meetings.

Further to the LTIP, there are no convertible bond loans or staff or management options in Nordea.

Distribution of shares, 31 Dec 2008

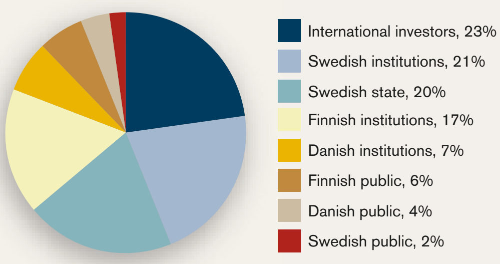
Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–1,000	396,794	83	155,312,394	6
1,001–10,000	77,970	16	189,327,510	7
10,001–100,000	4,092	1	103,844,176	4
100,001–1,000,000	586	0	242,356,235	9
1,000,001–	230	0	1,909,280,512	73
Total	**479,672**	**100**	**2,594,108,227**[1]	**100**

Share data 5 years

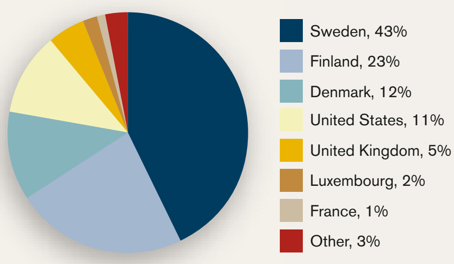
	2008	2007	2006	2005	2004
Share price	SEK 54.70	SEK 108.00	SEK 105.50	SEK 82.50	SEK 67.00
High/Low	108.00 / 52.50	119.30 / 99.60	107.00 / 77.25	84.25 / 64.25	67.75 / 48.70
Market Capitalisation	EUR 13.0bn	EUR 29.6bn	EUR 30.3bn	EUR 23.7bn	EUR 21.2bn
Dividend	EUR 0.20[2]	EUR 0.50	EUR 0.49	EUR 0.35	EUR 0.28
Dividend yield	4.0%[3]	4.9%	3.9%	4.0%	3.6%
TSR	–46.90%	6.39%	32.30%	27.50%	29.80%
DJ STOXX European banks index	–64.00%	–16.90%	18.50%	21.60%	10.30%
P/E (actual)	7.20	9.50	10.70	10.20	10.80
Price-to-book	0.90	1.73	2.14	1.76	1.62
Equity per share	EUR 6.84	EUR 6.58	EUR 5.89	EUR 4.98	EUR 4.59
Earnings per share	EUR 1.03	EUR 1.20	EUR 1.21	EUR 0.86	EUR 0.69
Outstanding shares[1]	2,594,108,227	2,594,108,227	2,594,108,227	2,594,108,227	2,734,845,227

1) Excluding shares issued for the Long Term Incentive Programme.
2) Proposed dividend.
3) Yield calculated at starting price on payment day, for 2008 per 28 December.

Shareholder structure, 31 Dec 2008 by investor category



Shareholder structure, 31 Dec 2008 by geography



Source: SIS ägarservice

Change in share capital

Date		Quota,value per share[1], SEK	Number of shares issued	Nominal change SEKm	Total number of shares	Share capital SEKm
17 Dec-97	New issue	7.00	1,275,267,441	8,927	1,275,267,441	8,927
28 Jan-00	Reduction			–3,188		
	New issue	4.50	815,800,287	3,671	2,091,067,728	9,410[2]
25 Apr-00	Reduction			–2,091		
	New issue	3.50	869,776,488	3,044	2,960,844,216	10,363
09 Jun-00	New issue	3.50	18,348,501	64	2,979,192,717	10,427
29 Aug-00	New issue[3]	3.50	3,006,359	11	2,982,199,076	10,438
11 Dec-00	New issue[3]	3.50	59,764	0	2,982,258,840	10,438

Date		Quota,value per share[1], EUR	Number of shares issued	Nominal change EURm	Total number of shares	Share capital EURm
10 Jan-01	Conversion[4]	0.40[5]			2,982,258,840	1,182
20 Feb-01	New issue[3]	0.40	8,408	0	2,982,267,248	1,182
15 May-01	New issue[3]	0.40	2,401	0	2,982,269,649	1,182
14 Dec-01	New issue[3]	0.40	396,441	0	2,982,666,090	1,182
31 May-02	New issue[3]	0.40	2,405,087	1	2,985,071,177	1,183
25 Sep-02[6]	New issue[3]	0.40	45,050	0	2,985,116,227	1,183
07 Oct-03	Reduction[7]	0.40	–57,008,000	–23	2,928,108,227	1,160
26 Oct-04	Reduction[7]	0.40	–81,608,500	–32	2,846,499,727	1,128
19 Sep-05	Reduction[7]	0.40	–140,159,800	–56	2,706,339,927	1,073
02 Oct-06	Reduction[7]	0.40	–112,231,700	–44	2,594,108,227	1,028
11 May-06	Bonus issue	1.00		1,566	2,594,108,227	2,594
08 Jun-07	New issue[8]	1.00	3,120,000	3	2,597,228,227	2,597
15 May-08	New issue[9]	1.00	2,880,000	3	2,600,108,227	2,600

1) As of January 2006 nominal value has been replaced by quota value according to the new Swedish Companies Act.
2) Anticipated in Balance Sheet 31 Dec 1999, registration 28 January 2000
3) Conversion of bonds
4) From SEK to EUR
5) 0.39632 EUR
6) On 1 September 2002 Nordea AB (publ) redeemed the outstanding loan amount of EUR 96,928,426.28 early. Subsequently, the company has no outstanding convertible bond loans
7) Retirement of shares repurchased and held by Nordea
8) C-shares issued for the Long Term Incentive Programme 2007. Converted to ordinary shares 18 June 2007.
9) C-shares issued for the Long Term Incentive Programme 2008. Converted to ordinary shares 22 May 2008.

Events 2008

January
Nordea Life & Pensions receives award for risk management from Risk Magazine.

February
Nordea presents strong full year result - based on growth strategy and prudent risk management.

March
Nordea sells its global custody operations to JPMorgan.
Nordea wins three international prizes from Lipper Fund Awards.

April
Nordea reports quarterly results. Growth strategy on track - income growth continued and profit before loan losses increased.
Michael Rasmussen joins Group Executive Management when appointed head of Banking Products & Group Operations.
Ari Kaperi joins Group Executive Management when appointed head of Institutional & International Banking.
Nordea appoints Fredrik Rystedt as new Chief Financial Officer and member of Group Executive Management.
At Nordea's Annual General Meeting, a record high shareholder representation is present.

June
Nordea opens a new branch in Shanghai.
Nordea sells its shares in Nordic Central Securities Depository.

July
Nordea reports its strongest ever quarterly result in the customer areas.
In Sweden, Nordea takes over 68 branches from Svensk Kassaservice, which increases Nordea's Swedish branch network with one third.
Nordea wins Euromoney awards as *ia* Best Regional Bank in the Nordic and Baltic region.
Euroweek ranks Nordea as number one bookrunner for syndicated loans in the Nordic area.

August
Nordea issues a 5-year USD 5bn extendible note in the US market.
Nordea sponsors Nordic athletes, who participates in the Olympic Games in China.

September
Nordea acquires nine branches, in the Zealand region in Denmark, from Roskilde Bank.
Nordea issues lower tier 2 capital of EUR 0.5bn.
Nordea Life & Pensions expands into the Baltic region with the launch of pension funds.
Nordea presents a Graduate Programme, the new trainee programme.

October
Nordea's strong results for the third quarter exceeds expectations.
In an external customer survey, Nordea's custody services receives top rating.
Nordea and other banks agree with the Danish government on a state guarantee scheme for financial stability.
Nordea Poland is awarded prizes by Newsweek, for interbank services, and by Forbes, for general corporate services.

November
Nordea and TrygVesta prolong the distribution agreement until 2013.

December
Nordea receives approval to use internal rating based (IRB) approach for the major part of the retail customers. Following the approval, Nordea has 83% of its exposure covered by the IRB approach.

Financial Review 2008

Solid performance despite rapid economic slowdown

- Income EUR 8,200m (EUR 7,886m 2007), up 4%
- Net interest income EUR 5,093m (EUR 4,282m), up 19%
- Expenses increased 7%
- Profit before loan losses EUR 3,862m (EUR 3,820m), up 1%
- Net loan losses EUR 466m (positive EUR 60m), loan loss ratio of 19 basis points
- Operating profit EUR 3,396m (EUR 3,883m), down 13%
- Risk-adjusted profit EUR 2,459m (EUR 2,417m), up 2%, 3.5% excluding Danish State guarantee fee
- Earnings per share EUR 1.03 (EUR 1.20)
- Proposed dividend per share EUR 0.20, (EUR 0.50), corresponding to a dividend payout ratio of 19%
- Continued support of customers – lending up 17%, in local currencies
- Total deposits up 12%, in local currencies
- Tier 1 ratio 9.3% (8.3%), before transition rules
- Rights offering and reduced 2008 dividend to strengthen core capital position by EUR 3bn
- Nordea expects risk-adjusted profit for 2009 at approx. the same level as in 2008

Legal structure

Nordea aims at continuous simplification of its legal structure and as regards the Nordic banks the aim is that Nordea Bank AB (publ) will be converted into a European company, a Societas Europaea", ("SE"), in accordance with the European Company Statute.

Among other things, a conversion is conditional on Nordea obtaining necessary approvals from the relevant authorities. A transformation is expected to lead to improved operational efficiency, reduced operational risk and complexity as well as enhanced capital efficiency.

Nordea is awaiting satisfactory regulatory and legislative solutions, particularly to the deposit guarantee issue. The final regulatory responses to the current financial turmoil are further yet to be seen and to be evaluated. Nordea is following up and analysing the changes in process.

The final conversion process in itself is estimated to take up to one year from start to execution.

Orgresbank

Nordea has in the fourth quarter 2008 agreed with the minority shareholders to exercise its right to acquire the remaining 17.7% of JSB Orgresbank from the two management shareholders and the European Bank for Reconstruction and Development. The transaction with the European Bank for Reconstruction and Development is subject to regulatory approvals and is expected to be completed in the first quarter of 2009.

Nordea will subsequently increase the equity capital of JSB Orgresbank through a new issue of approx. EUR 100 million. Following the transaction, Nordea will own 100% of JSB Orgresbank, of which Nordea has been a majority owner since 29 March 2007. Nordea has already consolidated Orgresbank to 100% in the accounts.

Result summary for 2008

Total income increased by 4% to EUR 8,200m and profit before loan losses increased by 1% to EUR 3,862m. Despite the financial crisis and global recession, Nordea again managed to produce a year with solid result.

The rapid economic slowdown has started to affect the Nordic countries and this is likely to continue in 2009. Nordea is therefore preparing for challenging times ahead. In adapting to the new market conditions, the speed in the organic growth is reduced and the firm attention on costs, risk and capital management is further emphasised. In addition to the cost efficiency measures and new capital targets, Nordea will focus on doing more business with existing customers and will also selectively capture business opportunities with new customers with solid credit profiles.

The organic growth strategy continued to deliver results during 2008 with increased total income, driven by strong growth in net interest income and income from the customer-driven capital markets operations.

Lending volumes increased 8% to EUR 265bn compared to one year ago. In local currencies, the lending volume growth was 17%.

In New European Markets (NEM), lending growth declined during the year and was in the fourth quarter 15%, annualised. Income in NEM increased 84% in 2008, with a cost/income ratio of 39%.

Net interest income increased strongly, driven by higher margins in corporate lending and household mortgages, and with continued volume growth, although at a lower pace towards the end of the year. Margins have increased reflecting re-pricing of credit risk and to compensate for higher liquidity premiums.

Total expenses increased 7%, including restructuring expenses of EUR 28m.

The economic slowdown has resulted in higher net loan losses and increased impaired loans. Net loan losses amounted to EUR 466m, giving a loan loss ratio of 17 basis points, excluding the losses related to the guarantees in the Danish guarantee schemes, and 19 basis points including these. Impaired loans gross increased 55% to EUR 2,224m. The increase relates mainly to the Nordic countries.

Operating profit was down 13% to EUR 3,396m, while risk-adjusted profit was up 2% to EUR 2,459m. Excluding the commission expenses related to the Danish State guarantee schemes, the increase in risk-adjusted profit was 3.5%.

Nordea reports a tier 1 ratio, before transition rules according to Basel II, of 9.3% and a core tier 1 ratio, before transition rules, of 8.5%. These ratios have been impacted by the reduced dividend ratio to 19%. The capital policy has been revised with a new target for the tier 1 ratio of 9.0% and for the total capital ratio of 11.5%. Both numbers are targets over a business cycle.

Income

Total income increased 4% to EUR 8,200m. Income growth was particularly strong within customer areas. Nordic Banking and Institutional & International Banking reported an income growth of 10%, supported by strong underlying business momentum and successful execution of strategic investment plans.

Net interest income

Net interest income increased 19% to EUR 5,093m, driven by a strong increase in lending and deposit volumes and re-pricing of credit risk mainly on corporate lending.

Lending to the public increased 8% and 17% in local currencies compared to one year ago. The growth rate was negatively affected by the weaker Norwegian and Swedish currencies in the fourth quarter.

Growth in corporate lending was 11% and 19% in local currencies, excluding reversed repurchase agreements, which reflects strong demand across the Nordic region and from most sectors. During the market turmoil, with scarce liquidity in capital markets, Nordea's close customer relationships and strong balance sheet have provided opportunities to support customers with their short and long-term capital needs, while still complying with the prudent risk management policy. Nordea has in general strengthened its market positions in the Nordic markets, especially on deposits.

Corporate lending margins increased during the year, reflecting re-pricing of credit risk and to compensate for increased liquidity premiums. Total income from corporate customers was up 29%, mainly driven by a strong increase in net interest income and also the customer-driven capital markets operations.

Both household mortgage lending and consumer lending increased by 1% compared to one year ago. In local currencies, growth was 9%. However, due to pressure on deposit margins and lower savings-related fees, income from business with household customers decreased by 6% compared to last year. In Nordic Banking, margins on household mortgage lending have increased during the second half of the year, mainly to compensate for the Group's increased liquidity premiums.

Total deposits increased to EUR 149bn, up 4% compared to one year ago. In local currencies, deposit volumes increased 12% in the Group, and in Nordic Banking by 14%. Market growth was 9%, which shows that Nordea's strong brand name has attracted a substantial inflow of deposits. Nordea in particular continued to attract large volumes into household savings accounts and corporate deposits. Deposit market shares have increased in all geographical markets. Margins have decreased during the fourth quarter mainly on transaction accounts as a consequence of significant rate cuts from central banks.

In Institutional & International Banking (IIB), solid income and profit growth was recorded in all divisions, as business activity continued at a high level. The total income increase of 40% was supported by strong growth in net interest income.

Net fee and commission income

Net fee and commission income decreased by 12% to EUR 1,883m, with savings-related commission income negatively affected by the weak equity markets. Adjusted for the Danish State guarantee expenses of EUR 50m, the decrease was 10%.

Savings-related commissions decreased by 18% to EUR 1,148m. Assets under Management (AuM) decreased to EUR 125.6bn, down 20% compared to one year ago and down 10% compared to the end of September 2008. Income margins decreased as a result of a change in asset mix from equities to fixed-income products, lower transaction income and a change in sales mix, ie a shift from sales of retail funds to sales of institutional products. Following challenging market conditions, total net outflow from AuM 2008 was EUR 2.0bn. The outflow was primarily concentrated to retail funds, in which an outflow of EUR 4.5bn was reported. These outflows were compensated for by a net increase in savings deposits of EUR 4.7bn during the year. Net inflow of EUR 2.1bn was reported in Nordic Private Banking and of EUR 1.1bn for Institutional clients.

Total payment commissions decreased by 1% to EUR 766m, however with a minor increase in cards commissions. Lending-related commissions continued to increase, to EUR 442m, up 12% compared to last year, with strong development in particular within Corporate Merchant Banking and Shipping, Offshore and Oil Services.

Net gains/losses on items at fair value

Net gains/losses on items at fair value decreased by 15%, or EUR 181m, to EUR 1,028m compared to 2007. In customer areas, net gains/losses were largely unchanged at EUR 1,043m (EUR 1,048m last year).

The customer-driven capital markets activities have performed very strongly in 2008, despite the turbulent financial markets. A record result was achieved, especially driven by significant activity within risk management products in the interest rate and foreign exchange areas, resulted in a strong increase in net gains in Nordic Banking and Institutional & International Banking. This more than compensated for specific valuation losses following the credit market turmoil, which have been reported earlier in the year.

The decline in net gains/losses was mainly attributable to the strong appreciation of listed and non-listed equities last year, eg the OMX holding. Income from these areas were approx. EUR 140m lower this year, of which the appreciation of OMX shares accounted for approx. EUR 90m 2007.

Secondly, the net gains/losses from Life & Pensions, decreased by 33% or EUR 92m, mainly due to the fact that revenues in Denmark, earlier recognised during the year were deferred, due to decline in the financial buffers. The deferred revenues can be available for income recognition when the financial buffers have improved.

Equity method
Income under the Equity method was EUR 24m, including a negative result from the 23% holding in Norwegian Eksportfinans, EUR –15m.

Other income
Other income was EUR 172m, including Nordea's sale of its 25% holding in NCSD Holding AB, which resulted in a gain of EUR 85m, reported in the fourth quarter 2008, of which EUR 3m reported under equity method.

Expenses
Total expenses increased by 7% to EUR 4,338m, the same growth rate as in 2007, despite the number of employees being 8% higher than in 2007.

Almost half of the cost increase related to investments in growth areas, ie Private Banking, Growth Plan Sweden, Capital Markets and New European Markets. Staff costs increased 8%, due to a higher number of employees following the growth investments and wage inflation.

Measures to manage the costs downwards
To prepare for a year of modest expected growth, a number of measurements have been taken to manage the cost growth downwards. Due to more efficient operations, the number of employees is estimated to decrease by 2%.

Also, additional activities are under way, which should increase efficiency during coming years, mainly in the branch network, including the branches acquired from Roskilde Bank. These activities have resulted in restructuring expenses of EUR 28m. Excluding restructuring expenses, total expenses increased by 6% compared to last year.

The cost/income ratio increased to 53%, compared to 52% in 2007.

Loan losses
Net loan losses were EUR 466m, following increased provisions both for collectively and individually assessed loans as well as lower reversals and recoveries, primarily in the fourth quarter. Net loan losses also include losses related to the Danish guarantee schemes of EUR 44m.

The increases, from very low levels, result from the economic slowdown in all markets where Nordea operates. Typically, there is a lag between the start of the economic slowdown and reported net loan losses, but due to the rapid slowdown in the economic cycle, loan losses have increased faster this time. However, the reported loss levels in various sectors follow Nordea's models for a weak economic cycle.

The increase in net loan losses as well as of impaired loans stems from a large number of smaller and medium-sized exposures rather than from a few large exposures.

New provisions have been made at an early stage when impairments have been identified. The main part of net loan losses constitutes provisions for performing impaired loans. In addition, new collective provisions have been made for different subsectors.

The net loan losses in 2008 correspond to a loan loss ratio of 17 basis points, excluding the guarantee losses in Denmark, and 19 basis points including these.

A large part of the net loan losses is seen in Denmark, but increases are reported in all four Nordic markets and in the Baltic countries, however from very low levels.

New collective provisions were made, net, in the amount of EUR 54m, for some sectors, including construction, real estate, pig farming and the segment consumer financing. The total collective allowances for the Baltic countries at the end of 2008 correspond to 1.42% of the lending portfolio in these countries.

Taxes
The effective tax rate for 2008 was 21%, compared to 20% last year.

Net profit
Net profit decreased by 15% to EUR 2,672m, which is attributable to the shift in loan losses. The net profit corresponds to a return on equity of 15.3%. Earnings per share were EUR 1.03 (EUR 1.20 in 2007).

Risk-adjusted profit
Risk-adjusted profit increased 2% to EUR 2,459m, compared to 2007. Excluding the Danish State guarantee fee, the increase in risk-adjusted profit was 3.5%.

Financial structure
Total assets increased by 22% or EUR 85bn to EUR 474bn during 2008. All balance sheet items in foreign currencies are translated to EUR at the year-end rates when consolidated into the Nordea Group. See Note 1 for more information on accounting policies and item 27 therein for cross currency rates used.

The increase in total assets reflects higher business volumes and fair value changes, due to changed interest rates and currency exchange rates.

The Euro strengthened strongly against both the Swedish and Norwegian krona during the end of 2008. The Danish krona was unchanged v.s. the Euro. The net effect of changes in currency exchange rates amounted to a total decrease in Group assets of EUR 25bn. Liabilities decreased with EUR 24bn.

Lending
The growth in total assets was driven by an 8% increase in loans and receivables to the public, of EUR 20bn, to EUR 265bn and calculated in local currencies by 17% compared to one year ago.

Securities
Investments in interest bearing securities and shares increased by EUR 4bn, or 5%, to EUR 70bn.

Deposits and funding activities
The growth of the total assets was financed by a strong development in deposits and borrowings from credit institutions but also from the public, which increased by EUR 22bn and EUR 6bn respectively, corresponding to 73% and 4% respectively. During 2008, long-term issuance under Nordea funding programmes in the bank and the mortgage companies amounted to EUR 31bn. Total debt securities in issuance as per the end of 2008 amounted to EUR 109bn.

Life insurance activtites
Net premiums received in the Life business are invested in securities and properties. Lower fair values on these investments were only partly compensated by premiums written, which led to a decrease of "liabilities to policyholders" by EUR 3bn or 9%.

Derivatives
The balance sheet item "Derivatives" reflects the net present value of derivatives contracts. The nominal value of derivative contracts is disclosed in Note 44.

The derivatives volume, measured in nominal terms, increased by EUR 397bn, or 12%, to EUR 3,802bn. High activity in the customer-driven capital markets operations supported the volume growth. The increase in gross market values for derivatives is though mainly explained by volatility in foreign currencies and interest rates during the end of 2008. For more information on derivatives, see the Notes 1, 20 and 44.

Nordea's funding operations
In the second half of 2008, funding in the market was generally difficult, due to risk aversion among investors. The government packages came to the rescue for many financial institutions. Nordea was able to continue with its short-term funding normally. Later in the year, market conditions improved and closer to year-end, the market was more liquid and issuance activities at a high level. Nordea was able to secure its year-end funding in good time. Nordea benefits from its well recognised AA- rated bank position. All short-term programmes have been in active use.

Issuance of Swedish and Danish covered bonds was active during the year. In contrast to the international covered bond markets, both the Swedish and the Danish covered bond markets remained open for issuance. These two markets continued to support the bank's long-term funding issuance.

The lending/deposit ratio including covered bonds was 133% at the end of December and excluding covered bonds 178%.

Credit portfolio
Total lending increased to EUR 265bn, up 8% compared to one year ago. The share of lending to corporate customers increased to 57%. Lending in the Baltic countries constitutes 3% of the Group's total lending. Lending to companies owned by private equity funds amounts to EUR 7.4bn, of which 99% are senior loans.

Some weakening has been seen in credit quality in the fourth quarter 2008, mainly in the corporate credit portfolio, with somewhat more customers being downrated than uprated. The total effect from rating migration on RWA was an increase by approx. 4.5% in 2008 in the corporate credit portfolio.

The weak economic development has started to affect impaired loans and loan losses after several years of sustained stability. Impaired loans gross in the Group increased 55% to EUR 2,224m at the end of the year compared to EUR 1,432m at the end of 2007. 62% of impaired loans gross are performing loans and 38% are non-performing loans.

Further information about the credit portfolio is presented under Risk management on page 46.

Hedge accounting
Nordea uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments and in order to hedge the exposure to variability in cash flows and net investments in foreign operations. More information on the hedged risks are found in Note 1.

Market risk
A description of Market risk is presented on page 56.

Capital position and revised capital policy
A description of the Capital position and the revised capital policy is presented under Capital management on page 65.

Rights offering and reduced 2008 dividend to strengthen core capital position by EUR 3bn
Nordea announces measures to strengthen the Group's core tier 1 capital by EUR 3bn. The Board of Directors of Nordea has resolved to increase Nordea's share capital through an underwritten discounted issue of new ordinary shares with pre-emptive rights for existing shareholders of approx. EUR 2.5bn net and secondly by proposing to reduce the dividend payment to 19% of the net profit for 2008, to be decided by the 2009 Annual General Meeting, which will increase core tier 1 capital by approx. EUR 0.5bn. The rights offering is subject to shareholder approval at an Extraordinary General Meeting to be held on 12 March 2009.

Nordea's Board of Directors and Group Executive Management believes it is responsible to act pro-actively to best position the bank for the risks and the opportunities arising from the prevailing extraordinarily challenging market conditions.

The Nordea Share

During 2008, the share price of Nordea on the NASDAQ OMX Nordic Exchange depreciated from SEK 108 to SEK 54.70. Total shareholder return (TSR) was –46.9%. Nordea was number two of 20 in the European peer group, where the average TSR was –67%.

According to the Articles of Association shares in Nordea may be issued in two classes, ordinary shares and C-shares. The total number of shares in the Company is 2,600,108,227. On 15 May, 2,880,000 C-shares were issued as part of a hedge of the Long Term Incentive Programme 2008. On 22 May 2008, the C-shares were converted to ordinary shares, where after there is only one class of shares outstanding, namely 2,600,108,227 ordinary shares, see also note 40 and a table showing the change in share capital is found on page 29. The voting rights are described on page 70.

In addition, there are provisions in the Articles of Association which will ensure that the reciprocal rights and obligations between each owner and each class remain in case of any issuance of new shares, warrants or convertibles. There are no restrictions in law or in the Articles of Association regarding the right to transfer shares and the Company is not aware of any agreements between shareholders in this respect.

However, since Nordea is a credit institution, a direct or indirect acquisition of shares in Nordea, which causes the acquirer's total holding to comprise a qualifying holding or an increase of qualified holdings, may only take place following consent by the Swedish Financial Supervisory Authority according to the Swedish Banking and Financing Business Act.

The 31 December 2008, the Swedish state was the largest individual shareholder with a holding of 19.9%. The second largest was Sampo Oyj with a holding of 12.1%. These were the only shareholders with a holding of more than 10%. A table showing the largest registered shareholders in Nordea, end of 2008 is found on page 27.

The employees have an indirect shareholding of 0.5% in the Company through Nordea Profit-sharing Foundation and a minor indirect shareholding in the Company through the pension foundation. The voting rights are in neither case exercised directly by the employees.

Holding of own shares (Treasury shares)

As of 31 December 2008, Nordea held 9,757,510 shares (0.4% of total number of shares) in Nordea. The nominal value is EUR 1 and the acquisition price amounts to EUR 32m. These shares are partly held for trading purposes and partly as hedges of conditional rights in the Long-Term Incentive Programmes.

Dividend

The Board of Directors will propose to the AGM a dividend of EUR 0.20 per share (EUR 0.50), corresponding to a payout ratio of 19% of net profit. Total proposed dividend amounts to EUR 519m.

The ex-dividend date for the Nordea share is 3 April 2009. The proposed record date for the dividend is 7 April, and dividend payments will be made on 16 April.

Mandate to repurchase and convey of own shares

The Board of Directors received at the Annual General Meeting (AGM) in April 2008 a mandate to repurchase own shares. This mandate has not been utilised during the year, mainly due to the turbulence in the financial markets.

No new mandate to repurchase and convey of own ordinary shares in accordance with the Swedish Companies Act has been proposed to the AGM on 2 April 2009.

Rating

Information on the Ratings of the Nordea Group is presented on page 151.

Personnel

Personnel expenses, significant agreements with key management personnel and the distribution by countries and gender are disclosed in Note 8. More information is presented in People forming Great Nordea on page 22.

Profit sharing and management incentive

A description of the Profit sharing scheme and the Long term incentive programmes in Nordea is presented on page 74.

Life & Pensions

Nordea has conducted a capital injection of EUR 200m into the wholly-owned subsidiary Nordea Life Holding, to strengthen the solvency of the Life subgroup. The capital injection is not affecting the tier 1 ratio in the Nordea Group, but has lowered the total capital ratio by 9 basis points.

Pension liabilities

The total obligation in pension plans (Defined Benefit Plans) has increased from EUR 2,775m to EUR 2,830m during 2008. The increase is mainly due to a significant increase in unrecognised losses, following lower discount rates, but also to new earned pension rights. The increase is to a large extent offset by changes in exchange rates. The fair value of plan assets has decreased from EUR 2,407m to EUR 2,099m as a consequence of the general market turmoil and changes in exchange rates. Total unrecognised actuarial losses amounts to EUR 559m at the end of 2008, which will lead to a limited increase in the pension cost as from 2009.

Legal proceedings

Within the framework of the normal business operations, the Group faces claims in civil lawsuits and disputes, most of which involve relatively limited amounts. None of these disputes is considered likely to have any significant adverse effect on the Group or its financial position. Further information is presented in Note 43.

Environmental concerns

In accordance with Group Corporate Citizenship Principles, Nordea is committed to sustainable development by combining financial performance with environmental and social responsibility, caring for the environment and working to reduce the negative environmental impact of its business activities. The Nordea Group has adopted an environmental policy that provides guidance on how the group entities manage and control environmental issues in their own operations, supporting the reduction of related costs and business risks to the Group.

The policy also guides policymaking and business initiatives regarding financial involvement by business units and cooperation with suppliers.

State schemes for financial stability

A description in relation to the different State schemes for financial stability in the Nordic countries is presented on page 4.

Foreign branches

The parent company has foreign branches in Norway, Finland, Denmark and Shanghai.

Outlook 2009

Due to the prevailing market conditions, the provided outlook is associated with an unusually high degree of uncertainty.

The macroeconomic development in the Nordic countries has during the latter part of the autumn shown a sharp slowdown and GDP growth is in 2009 expected to be negative. Nordea is therefore preparing for a challenging year. In addition to firm attention on cost, risk and capital management, the focus in 2009 will be to continue doing more business with existing customers, and on a selective basis attracting new customers with solid credit profiles in prioritised segments. Market lending growth is expected to be lower in 2009, compared to 2008, however Nordea sees potential for growth somewhat more than the market.

Cost growth is expected to be somewhat lower than in 2008, as cost growth is managed downwards adjusting operations to the prevailing market conditions.

The high speed at which the global and Nordic economies now are weakening means that the credit portfolio will be affected. Based on the current macroeconomic outlook, Nordea anticipates net loan losses in 2009 broadly in line with the annualised rate of the fourth quarter 2008. The uncertainty regarding future loan loss levels is however significant.

Risk-adjusted-profit is in 2009 expected to be at approx. the same level as in 2008.

The effective tax rate is expected to be in the range of 23–25%.

Annual General Meeting

The Annual General Meeting of shareholders will be held on Thursday 2 April 2009 in Stockholm. Further information is presented on page 153.

Customer area results

Nordic Banking

- Income growth of 5% in 2008
- Expenses increased 3% in 2008
- Balanced growth with deposits growing faster than lending
- Risk-adjusted profit increased 8% in 2008

Result 2008

In 2008, income in Nordic Banking increased 5% to EUR 6,289m. Net interest income increased 15% to EUR 4,206m. Total expenses increased 3% to EUR 3,107m. In local currencies, income increased by 7% and expenses would have increased by 5%.

Net fee and commission income fell 14% to EUR 1,530m, impacted by lower income from savings products and the above-mentioned payment to the State guarantee scheme in Denmark.

Net loan losses amounted to EUR 402m or 17 basis points of total loans and receivables excluding the losses from the Danish guarantee schemes and 19 basis points including these.

Operating profit was down 8% to EUR 2,780m. RAROCAR decreased to 25% (26%) and the cost/income ratio decreased to 49% (50%).

Banking Denmark

Result 2008

Total income in Banking Denmark increased 6% compared to 2007. This was positively affected by increased corporate margins and the volume growth in both lending and deposits and negatively impacted by savings commissions and the payment to the State guarantee scheme. Total expenses increased 7% compared 2007.

Profit before loan losses increased 5% from last year.

Net loan losses of EUR 192m were recorded. This includes new collective provisions and losses and provisions of EUR 44m connected to the Danish guarantee schemes. The total net loan losses were widely spread geographically and by industry, with some concentration to sub suppliers to the construction sector and collective provisions for pig farming. The loan loss ratio was 24 basis points of lending excluding the losses from the Danish guarantee schemes and 31 basis points including these.

Operating profit decreased 17% compared to 2007.

Compared to the other Nordic countries, the economic downturn in Denmark is regarded to be further progressed in the credit cycle.

Nordic Banking, operating profit by market

	Total		Nordic Functions	
EURm	2008	2007	2008	2007
Net interest income	4,206	3,666	59	37
Net fee and commission income	1,530	1,772	1	0
Net gains/losses on items at fair value	517	460	0	0
Equity method	11	25	0	0
Other operating income	25	40	3	5
Total income incl. allocations	**6,289**	**5,963**	**63**	**42**
Staff costs	–1,160	–1,140	–4	–25
Other expenses	–1,901	–1,836	–16	–4
Depreciations etc.	–46	–26	–21	–10
Expenses incl. allocations	**–3,107**	**–3,002**	**–41**	**–39**
Profit before loan losses	**3,182**	**2,961**	**22**	**3**
Loan losses	–402	55	–3	13
Operating profit	**2,780**	**3,016**	**19**	**16**
Cost/income ratio, %	49	50		
RAROCAR, %	25	26		
Other information, EURbn				
Lending	214.1	207.2		
Deposits	117.1	110.1		
Economic Capital	8.1	7.4		

Banking Denmark, operating profit by market

	Banking Denmark	
EURm	2008	2007
Net interest income	1,192	1,036
Net fee and commission income	413	489
Net gains/losses on items at fair value	173	155
Equity method	20	25
Other operating income	5	2
Total income incl. allocations	**1,803**	**1,707**
Staff costs	–376	–360
Other expenses	–497	–462
Depreciations etc.	–5	–2
Expenses incl. allocations	**–878**	**–824**
Profit before loan losses	**925**	**883**
Loan losses	–192	1
Operating profit	**733**	**884**
Cost/income ratio, %	49	48
RAROCAR, %	22	27
Other information, EURbn		
Lending	68.0	62.7
Deposits	33.6	31.6
Economic Capital	2.6	2.2

Banking Finland, operating profit by market

	Banking Finland	
EURm	2008	2007
Net interest income	1,146	1,065
Net fee and commission income	415	509
Net gains/losses on items at fair value	128	111
Equity method	–9	0
Other operating income	8	11
Total income incl. allocations	**1,688**	**1,696**
Staff costs	–292	–292
Other expenses	–476	–455
Depreciations etc.	–4	–2
Expenses incl. allocations	**–772**	**–749**
Profit before loan losses	**916**	**947**
Loan losses	–65	60
Operating profit	**851**	**1,007**
Cost/income ratio, %	46	44
RAROCAR, %	30	38
Other information, EURbn		
Lending	52.1	47.5
Deposits	35.7	30.4
Economic Capital	2.0	1.9

Banking Norway, operating profit by market

	Banking Norway	
EURm	2008	2007
Net interest income	686	544
Net fee and commission income	161	170
Net gains/losses on items at fair value	95	80
Equity method	0	0
Other operating income	8	7
Total income incl. allocations	**950**	**801**
Staff costs	–170	–163
Other expenses	–291	–283
Depreciations etc.	–7	–4
Expenses incl. allocations	**–468**	**–450**
Profit before loan losses	**482**	**351**
Loan losses	–66	7
Operating profit	**416**	**358**
Cost/income ratio, %	49	56
RAROCAR, %	23	18
Other information, EURbn		
Lending	35.0	37.2
Deposits	17.2	18.8
Economic Capital	1.3	1.3

Banking Finland

Result 2008

Total income in Banking Finland was unchanged compared to 2007. Net interest income increased 8%, driven by lending margin increases and volume growth. This did not fully compensate for the adverse effect on income growth from low savings fee and commission income.

Total expenses increased by 3% compared to last year.

Profit before loan losses decreased 3% from last year. Net loan losses were EUR 65m, mostly stemming from the trade and services sector. The loan loss ratio was 14 basis points of total lending.

Operating profit decreased 15% compared to 2007.

Banking Norway

Result 2008

Total income in Banking Norway increased 19%, driven by net interest income, which increased by 26%.

Total expenses increased by 4%.

Profit before loan losses increased 37% compared to last year.

Net loan losses increased to EUR 66m, both due to individual provisions and collective provisions for residential real estate. The loan loss ratio was 18 basis points.

Operating profit increased 16% compared to 2007.

Banking Sweden

Result 2008

Total income increased by 4%, with a strong contribution from net interest income, which increased by 14%. Net fee and commission income decreased by 11%.

Total expenses increased by 1%.

Profit before loan losses increased 8% compared to last year.

Net loan losses increased to EUR 76m following provisions related to corporate customers. The main increases were seen in the sectors retail trade and consumer durables. The loan loss ratio was 13 basis points.

Operating profit increased 1% compared to 2007.

The number of FTE's increased by 406, mainly due to the integration of branches from Svensk Kassaservice.

Banking Sweden, operating profit by market

	Banking Sweden	
EURm	2008	2007
Net interest income	1,123	984
Net fee and commission income	540	604
Net gains/losses on items at fair value	121	114
Equity method	0	0
Other operating income	1	15
Total income incl. allocations	**1,785**	**1,717**
Staff costs	–318	–300
Other expenses	–621	–632
Depreciations etc.	–9	–8
Expenses incl. allocations	**–948**	**–940**
Profit before loan losses	**837**	**777**
Loan losses	–76	–26
Operating profit	**761**	**751**
Cost/income ratio, %	53	55
RAROCAR, %	25	24
Other information, EURbn		
Lending	59.0	59.8
Deposits	30.6	29.3
Economic Capital	2.2	2.0

Institutional & International Banking

Result 2008
The business activity within IIB remained at a high level during 2008 and strong growth was recorded in all divisions. Total income reached EUR 1,217m, up 40%.

Higher business volumes in combination with increased lending margins fuelled net interest income. Net gains/losses increased following high customer demand for capital markets products. Total expenses amounted to EUR 477m in 2008, up 21%. The main drivers behind the increase were higher investments in New European Markets and the resulting higher number of employees. The number of full-time equivalents (FTEs) was approx. 5,130 by the end of 2008, a growth of approx. 940 FTEs in 2008.

Profit before loan losses amounted to EUR 740m in 2008, up 56%. Operating profit increased by 30%, including net loan losses of EUR 115m. Of net loan losses, EUR 58m was related to the Baltic countries, including collective provisions of EUR 26m in the unit IIB Other. The loan loss ratio was for IIB 47 basis points of total lending, for Shipping, Oil Services & International 9 basis points and for New European Markets 47 basis points. In the Baltic countries, the loan loss ratio was 106 basis points, of which 48 basis points refer to collective provisions reported in the first and third quarter in the unit IIB Other.

RAROCAR strengthened to 42% in 2008 and the cost/income ratio improved to 39% reflecting high income and improved operating efficiency.

Institutional & International Banking, operating profit by area

	Total		Baltic countries		Poland		Russia		Total New European Markets		Financial Institutions		Shipping, Oil Services & International		Other	
EURm	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net interest income	656	424	100	68	94	52	149	56	336	168	73	65	221	170	26	21
Net fee and commission income	287	257	39	34	16	16	22	7	75	57	146	136	51	54	15	10
Net gains/losses on items at fair value	271	178	13	5	33	21	6	–1	53	26	181	138	33	13	4	1
Equity method	–12	1	0	0	0	0	0	0	0	0	0	0	0	0	–12	1
Other operating income	15	8	1	0	3	4	1	1	6	4	9	0	1	0	–1	4
Total income incl. allocations	**1,217**	**868**	**153**	**106**	**146**	**92**	**178**	**63**	**470**	**255**	**409**	**339**	**306**	**237**	**32**	**37**
Staff costs	–192	–143	–28	–21	–34	–23	–52	–26	–118	–72	–31	–31	–41	–37	–2	–3
Other expenses	–275	–243	–28	–24	–40	–28	–24	–12	–95	–67	–153	–143	–10	–13	–17	–20
Depreciations etc.	–10	–8	–2	–1	–5	–4	–1	–1	–9	–7	0	0	–1	0	0	–1
Expenses incl. allocations	**–477**	**–394**	**–58**	**–46**	**–80**	**–56**	**–77**	**–39**	**–222**	**–146**	**–184**	**–174**	**–52**	**–50**	**–18**	**–24**
Profit before loan losses	**740**	**474**	**95**	**60**	**66**	**36**	**101**	**24**	**248**	**109**	**225**	**165**	**254**	**187**	**14**	**13**
Loan losses	–115	5	–32	–1	–1	–1	–18	1	–46	–1	–14	0	–10	2	–45	4
Operating profit	**625**	**479**	**62**	**59**	**66**	**35**	**83**	**25**	**202**	**108**	**210**	**165**	**244**	**189**	**–32**	**17**
Cost/income ratio, %	39	45	38	43	55	61	43	62	47	57	45	51	17	21		
RAROCAR, %	42	38							31	23	62	64	50	38		
Other information, EURbn																
Lending	33.1	24.6	7.7	5.5	3.8	2.7	3.8	1.6	15.3	9.8	2.0	1.9	13.8	11.1	1.9	1.8
Deposits	25.7	30.9	1.8	1.4	2.0	1.7	0.9	0.6	4.7	3.7	14.5	20.3	6.4	6.7	0.1	0.1
Economic capital	1.3	1.0	0.3	0.3	0.1	0.1	0.2	0.1	0.7	0.4	0.2	0.2	0.4	0.4	0.1	0.0

Other customer operations

The customer operations, which are not included in Nordic Banking or Institutional & International Banking, are included under Other customer operations, as well as result that has not been allocated to any of the customer areas. Other customer operations include International Private Banking & Funds as well as customer operations within Life & Pensions.

International Private Banking & Funds

Result 2008

In line with the 2008 general market development, International Private Banking and Funds was exposed to a significant reduction in clients' transactions and negative market depreciation, leading to reduction in both AuM and earnings. 2008 income ended at EUR 116m, down 37% from 2007 and 2008 profit ended at EUR 29m, down 71% from 2007.

Life customer operations

Result 2008

In 2008 Life customer operations generated an income of EUR 281m down 22% from 2007. 2008 operating profit ended at EUR 76m, down 57% from 2007. The result for Life customer operations is included in the result for Life & Pensions see page 43.

Other

The customer operations "Other" mainly includes the result in Capital Markets Products, which is not allocated to Nordic Banking or Institutional & International Banking. For the presentation of Capital Markets Products' product result, see page 42.

Other customer operations, operating profit

	Total		International Private Banking & Funds		Life		Other	
EURm	2008	2007	2008	2007	2008	2007	2008	2007
Net interest income	60	65	49	44	0	0	11	21
Net fee and commission income	101	176	66	113	81	81	–46	–18
Net gains/losses on items at fair value	255	410	0	15	191	283	64	112
Equity method	0	0	0	0	0	0	0	0
Other income	9	9	0	11	9	–3	0	1
Total operating income	**426**	**660**	**116**	**183**	**281**	**360**	**29**	**116**
Staff costs	–474	–434	–51	–55	–117	–103	–306	–276
Other expenses	–10	–11	–29	–23	–83	–74	103	86
Depreciations	–9	–10	–4	–5	–5	–4	0	0
Total operating expenses	**–493**	**–456**	**–84**	**–83**	**–204**	**–181**	**–204**	**–190**
Loan losses	–3	0	–3	0	0	0	0	0
Disposals of tangible and intangible assets	0	1	0	1	0	0	0	0
Operating profit	**–70**	**206**	**29**	**101**	**76**	**179**	**–175**	**–74**

Group Corporate Centre

Business development

During the end of the year, financial markets experienced unprecedented volatility as the financial crisis turned into the third worst stock market development in the last 100 years. In this extreme market environment, Group Treasury has been able to generate a solid result from prudent liquidity management, a flexible investment approach and firm risk management.

At the end of December 2008, the price risk on Group Treasury's interest rate positions, calculated as VaR, was EUR 38m. The risk related to equities, calculated as VaR, was EUR 27m.

The structural interest income risk (SIIR) was EUR 55m assuming increased market rates by 100 basis points and EUR –218m assuming decreased market rates by 100 basis points.

In line with its prudent liquidity management, Nordea has executed a securitisation transaction of part of its Finnish household mortgage portfolio, allowing for additional eligible ECB collateral within its liquidity portfolio. The portfolio represents high-quality mortgage loans. The customers are not affected in any way by this transaction. The transaction of EUR 7.5bn was closed on 17 October.

Result 2008

Operating profit in Group Corporate Centre was EUR 153m, up 14% compared to last year. The strong result is affected by solid performance in the funding operations and by EUR 85m in gains from the sale of the Group's holding in NCSD, mainly reported as Other income.

Group Corporate Centre, operating profit

EURm	2008	2007
Net interest income	160	107
Net fee and commission income	–4	–9
Net gains/losses on items at fair value	50	156
Equity method	0	5
Other income	87	24
Total income	**293**	**283**
Total operating expenses	**–140**	**–149**
Operating profit	**153**	**134**

Product groups

Capital Markets Products

Result 2008

The product result of EUR 845m was very satisfactory with an increase of 15% compared to 2007. The good result is a result of continued strong customer demand, especially for corporate risk management products, record transaction volumes and a very strong risk management focus.

Capital Markets Products, product result

EURm	2008	2007
Net interest income	313	241
Net fee and commission income	201	218
Net gains/losses on items at fair value	819	720
Other	0	1
Total income	**1,333**	**1,180**
Staff costs	–305	–276
Other expenses	–154	–140
Operating expenses	**–459**	**–416**
Distribution expenses	–18	–26
Loan losses	–11	–1
Product result	**845**	**737**

Savings Products & Asset Management

Result 2008

Total income was EUR 626m, down 27% from 2007. The decrease in income was a consequence of the decrease in Assets under Management and a decrease in income margin of 11 basis points compared to 2007. Three elements were driving the decrease in income margin. Firstly, continued imbalances in sales mix, ie a shift in sales from retail funds towards sales of institutional products, as margins on retail funds are relatively higher. Secondly, negative equity market returns reduced the equity asset class by 14 %-points from year end 2007. A reduction of this asset class had a negative impact on income margin, as equities are a relatively higher margin product compared to other asset types. Finally, the general low investment activity level during 2008 led to a decrease in transaction income margin.

The product result was EUR 194m, down 52% from 2007. The decrease in product result was a direct consequence of the decrease in income as costs were down 3% compared to 2007. Reduction in 2008 cost base was a result of lower staff costs.

Life & Pensions

Financial buffers were in 2008 negatively affected by turmoil on the financial markets, resulting in mark-to-market losses and utilisation of part of the buffers. Thus, financial buffers were EUR 673m at the end of 2008 corresponding to 3% of the technical provisions. Compared to 2007, the financial buffers were down by EUR 1,558m.

The product result was EUR 177m, down 35% from 2007. The result was negatively impacted by a reversal of the accrued fee income in the Danish business of EUR 67m from the first three quarters of 2008 and no fee income recognised from the Finnish business. This has been conducted, due to constraints from the low financial buffers in Denmark and Finland, implying a temporarily inability to take fees. All in all, these factors affected the result negatively with approx. EUR 100m. The reversed and accrued fees can be available for income recognition once financial buffers have improved.

The market consistent embedded value (MCEV), the method by which Nordea measures value creation in its Life business was EUR 2,624m year end 2008, down 18% from 2007. The reduced MCEV is a result of losses of financial buffers. However, as a result of a record high level of gross written premiums, the 2008 new business value of EUR 227m was very strong.

Product result and key figures Asset Management activities

EURm	2008	2007
Net interest income	54	51
Net fee and commission income	572	782
Net gains/losses on items at fair value	0	15
Equity method	0	0
Other income	0	7
Total income	**626**	**855**
Staff costs	–156	–167
Other expenses	–140	–138
Operating expenses	**–295**	**–305**
Estimated distribution expenses in Nordic Banking	–137	–147
Product result	**194**	**403**
of which income within Nordic Banking	472	586
Margins		
Income margins (%)	0.56	0.67
Cost/income ratio, %	69	53
Economic capital	244	143
Number of employees (full–time equivalents)	1,083	1,040

Product result and key figures Life insurance activities

EURm	2008	2007
Profit drivers		
Traditional insurance:		
Fee contribution/profit sharing	5	173
Contribution from cost result	–1	–3
Contribution from risk result	43	30
Return on shareholders' equity/other profits	83	29
Total Profit Traditional	**130**	**229**
Total profit Unit–linked	**59**	**62**
Estimated distribution expenses in Nordic Banking	–12	–17
Total product result	**177**	**274**
of which income within Nordic Banking	98	124
Key figures		
Premiums written, net of reinsurance	4,222	3,780
of which from Traditional business	2,539	2,208
of which from Unit-linked business	1,683	1,572
Total operating expenses	**–197**	**–175**
Investment assets:		
Bonds	18,322	15,799
Equities	1,451	4,772
Alternative investments	2,513	2,788
Property	2,998	3,178
Unit-linked	6,977	7,349
Total investment assets	**32,261**	**33,885**
Investment return %	–1.6	3.6
Technical provisions	28,281	32,118
of which financial buffers	673	2,231
Economic capital	889	1,136
Number of employees (full time equivalents)	1,353	1,252

MCEV composition of Nordea Life & Pensions

31 Dec 2008 EURm	Traditional business	Unit Linked business[1]	Total
Denmark	931	109	1,040
Finland	426	222	648
Norway	443	115	558
Sweden	34	174	208
Poland	13	158	171
Holding	–	–	–
Total	**1,847**	**777**	**2,624**

1) Includes New Traditional business

Risk, Liquidity and Capital management

Risk, liquidity and capital management are key success factors in the financial services industry. Exposure to risk is inherent in providing financial services, and Nordea assumes a variety of risks in its ordinary business activities, the most significant being credit risk related to loans and receivables.

Maintaining risk awareness in the organisation is a key component of Nordea's business strategies.

Nordea has clearly defined risk, liquidity and capital management frameworks, including policies and instructions for different risk types and for the capital structure.

Management principles and control

Board of Directors

The Board of Directors of Nordea has ultimate responsibility for limiting and monitoring the Group's risk exposure. The Board of Directors also has ultimate responsibility for setting the targets for the capital ratios. Risk in Nordea is measured and reported according to common principles and policies approved by the Board of Directors. The Board of Directors decides on policies for credit, market, liquidity, operational risk management and the internal capital adequacy assessment process. All policies are reviewed at least annually.

In the credit instructions, the Board of Directors decides on powers-to-act for credit committees at different levels within the customer areas in Nordea. Authorisations may also vary depending on the internal rating of customers. The Board of Directors also decides on the limits for market and liquidity risk in the Group.

Board Credit Committee

The Board Credit Committee monitors the development of the credit portfolio on the whole as well as with respect to industry and major customer exposures. The Board Credit Committee confirms industry policies approved by the Executive Credit Committee (ECC).

CEO and GEM

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

The CEO in Group Executive Management (GEM) decides on the targets for the Group's risk management regarding Structural Interest Income Risk (SIIR) and in accordance with the scope of resolutions adopted by the Board of Directors, allocates the market and liquidity risk limits to risk-taking units, such as Group Treasury and Markets. The setting of limits is guided by Nordea's business strategies, which are reviewed at least annually. The heads of the units allocate the respective limits within the unit and may introduce more detailed limits and other risk mitigating techniques such as stoploss rules.

The CEO and GEM regularly review reports on risk exposures and have established the following committees for risk, liquidity and capital management:

- The Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), prepares issues of major importance concerning the Group's financial operations, financial risks and capital management for decision by the CEO in GEM.
- Capital Planning Forum, chaired by the CFO, monitors the development of internal and regulatory capital requirements, the capital base, and decides also upon capital planning activities within the Group.
- The Risk Committee, chaired by the Chief Risk Officer (CRO), monitors developments of risks on an aggregated level.
- The Executive Credit Committee (ECC) and Group Credit Committee (GCC), chaired by the CRO, decide on major credit risk limits and industry policies for the Group. Credit risk limits are granted as individual limits for customers or consolidated customer groups and as industry limits for certain defined industries.

Risk, Liquidity and Capital Management governance structure

Risk, Liquidity and Capital Management responsibilities

The CRO has the authority, when deemed necessary, to issue supplementary guidelines and limits.

CRO and CFO

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

Group Credit and Risk Control is responsible for the risk management framework, consisting of policies, instructions and guidelines for the whole Group. Group Corporate Centre is responsible for the capital management framework including required capital as well as the capital base. Group Treasury, within Group Corporate Centre, is responsible for SIIR and liquidity risk.

The CRO is head of Group Credit and Risk Control and the CFO is head of Group Corporate Centre.

The CRO is responsible for the Group's credit, market and operational risk. This includes the development, validation and monitoring of the rating and scoring systems, as well as credit policy and strategy, credit instructions, guidelines to the credit instructions and the credit decision and control processes.

The CFO is responsible for the capital planning process, which includes capital adequacy reporting, economic capital and parameter estimation used for the calculation of risk-weighted amounts and for liquidity and balance sheet management.

Each customer area and product area is primarily responsible for managing the risks arising from its operations. This responsibility entails identification, control and reporting, while Group Credit and Risk Control consolidates and monitors the risks on Group level and relevant sub levels.

Monitoring and reporting

The control environment in Nordea is based on the principles of separation of duties and strict independence of organisational units. Monitoring and reporting of risk is conducted on a daily basis for market and liquidity risk, on a monthly and quarterly basis for credit risk and on a quarterly basis for operational risk.

Risk reporting is regularly made to Group Executive Management and to the Board of Directors. The Board of Directors in each legal entity reviews internal risk reporting covering market, credit and liquidity risk per legal entity. Within the credit risk reporting, different portfolio analyses such as credit migration, current probability of default and stress testing are included.

The internal capital reporting includes all types of risks and is reported regularly to the Risk Committee, ALCO, Capital Planning Forum, Group Executive Management and Board of Directors.

Group Internal Audit makes an independent evaluation of the processes regarding risk and capital management in accordance with the annual audit plan.

Risk management

Credit Risk management

Group Credit and Risk Control is responsible for the credit risk management framework, consisting of policies, instructions and guidelines for the Group.

Each customer area and product area is primarily responsible for managing the credit risks in its operations, while Group Credit and Risk Control consolidates and monitors the credit risks on both Group and sub levels.

Within the powers-to act granted by the Board of Directors, credit risk limits are approved by decision-making authorities on different levels in the organisation (see figure of the Credit decision process).

The responsibility for a credit exposure lies with a customer responsible unit. Customers are assigned a rating or score in accordance with the Nordea framework for quantification of credit risk.

Credit risk definition and identification

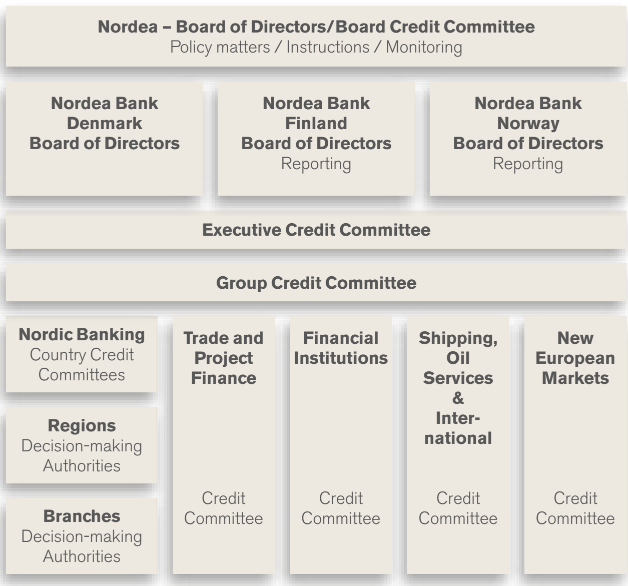
Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and that the pledged collateral does not cover the claims.

Credit risk stems mainly from various forms of lending to the public (corporates and household customers), but also from guarantees and documentary credits, such as letters of credit.

The credit risk from guarantees and documentary credits arises from the potential claims on customers, for which Nordea has issued guarantees or documentary credits.

Credit risk may also include counterparty credit risk, transfer risk and settlement risk. Counterparty risk is the risk that a counterpart in an FX, interest, commodity, equity or credit derivatives contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart.

Credit decision-making structure



Settlement risk is the risk of losing the principal on a financial contract, due to a counterpart's default during the settlement process. Transfer risk is a credit risk attributable to the transfer of money from another country where a borrower is domiciled, and is affected by changes in the economic and political situation of the countries concerned.

Risks in specific industries are followed by industry monitoring groups and managed through industry policies, which establish requirements and limits on the overall industry exposure. Corporate customers' environmental risks are also taken into account in the overall risk assessment through the so-called Environmental Risk Assessment Tool (ERAT). This tool is being extended to also include assessment of social and political risk.

For larger project finance transactions, Nordea has adopted the Equator Principles, which is a financial industry benchmark for determining, assessing and managing social and environmental risk in project financing. The Equator Principles are based on the policies and guidelines of the World Bank and International Finance Corporation (IFC).

Decisions and monitoring of credit risk

The decisions regarding credit risk limits for customers and customer groups are made by the relevant credit decision authorities on different levels within the Group (see figure).

The responsibility for credit risk lies with the customer responsible unit, which on an ongoing basis assesses customers' ability to fulfil their obligations and identifying deviations from agreed conditions and weaknesses in the customers' performance.

In addition to building strong customer relationships and understanding each customer's financial position, monitoring of credit risk is based on all available information from internal systems, such as late payments data, behavioural scoring migration and macroeconomic circumstances.

If new information indicates a change in the customer's financial position, the customer responsible unit must evaluate and, if necessary, reassess the rating to reflect whether the credit is impaired or if the customer's repayment ability is threatened.

If it is considered unlikely that the customer will be able to repay its debt obligations, for example the principal, interest or fees, and the situation cannot be satisfactorily remedied, then the exposure is regarded as defaulted. Exposures that have been past due more than 90 days are automatically regarded as defaulted.

If credit weaknesses are identified in relation to a customer exposure, that exposure is assigned special attention in terms of review of the risk. In addition to the continuous monitoring, an action plan is established outlining how to minimise a potential credit loss. If necessary, a special team is set up to support the customer responsible unit.

Individual and collective assessment of impairment

Throughout the process of identifying and mitigating credit impairments, Nordea works continuously to review the quality of the credit exposures.

Weak and impaired exposures are closely and continuously monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions.

An exposure is impaired, and a provision is recognised, if there is objective evidence based on loss events or observable data that the customer's future cash flow is impacted to the extent that full repayment is unlikely, collateral included. The size of the provision is equal to the estimated loss considering the discounted value of the future cash flow and the value of pledged collateral.

Impaired exposures can be either performing or non-performing. Impaired exposures are treated as in default when determining default probability.

In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level.

The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet day. Impairment losses recognised for a group of loans represent an interim step pending the identification of impairment losses for an individual customer.

Measurement methods

The primary quantitative tools for assessing credit risk are the rating and scoring models, which lay the foundation for the Probability of Default (PD) estimation. In addition, there are models used to assess such prudential indicators as Loss Given Default (LGD) and Exposure at Default (EAD). Following the rollout of risk classification methods under the Capital Requirements Directive, the internal quantification of credit risk is now being aligned with external supervisory requirements.

For Regulatory Capital purposes Nordea uses the internal rating based (IRB) approach for the retail segment, ie for household and small business customers and for the corporate and bank segments the IRB Foundation approach.

Rating and scoring

The common element of both rating and scoring is the ability to classify and rank customers according to their default risk. They are used as integrated parts of the risk management and decision-making process, including:

- the credit approval process
- calculation of Regulatory Capital (Risk Weighted Amount)
- calculation of Economic Capital and Expected Loss
- monitoring and reporting of credit risk
- performance measurement using the Economic Profit framework

While ratings are assigned to corporate customers, bank counterparts and sovereigns[1)], scoring is used for households and small business customers.

A rating is an estimate that exclusively reflects the quantification of the repayment capacity of the customer, ie the risk of customer default. The rating scale consists of 18 grades from 6+ to 1- for non-defaulted customers and 3 grades from 0+ to 0- for defaulted customers. The repayment capacity of each rating grade is quantified by a one-year PD.

Rating grade 4– and higher are comparable to investment grade as defined by external rating agencies such as Moody's and S&P. Rating grade 2+ and lower are considered as weak or critical, and require special attention.

Ratings are assigned in conjunction with credit proposals and the annual review of the customers, and approved by the credit committees. However, a customer is downgraded as soon as new information indicates a deterioration in the customer's repayment capacity. The consistency and transparency of the ratings are ensured by the use of rating models.

A rating model is a set of specified and distinct criteria which, given a set of customer characteristics, produces a rating that ranks the customer based on its repayment capacity. Rating models are based on the principle that it is possible to derive a prediction of future customer performance from the default history of past customers on the basis of their characteristics.

In order to better reflect the risk of customers in industries with highly distinctive characteristics, Nordea has decided upon a differentiation of rating models. Aside from a general corporate model used to rate the majority of industries, a number of specific models have been developed for specific segments, such as shipping and real estate management, taking into account the unique characteristics of these segments. Moreover, in each model the development methodology may vary. These methods range from purely statistical models based on internal data to expert-based models. In general however, all rating models are based on an overall framework, in which financial and quantitative factors are combined with qualitative factors.

Scoring models are pure statistical methods used to predict the probability of customer default. The models are used in the household segment as well as for small corporate customers. Nordea utilises bespoke behavioural scoring models developed on internal data to support both the credit approval process, eg automatic approvals or decision support, as well as the risk management process, where "early warnings" can be issued for high risk customers and portfolio risk levels can be closely monitored. As a supplement to the behavioural scoring models, Nordea also utilises commercial credit bureau information in the credit process.

Loss Given Default

Loss given default (LGD) is measured taking into account the collateral type, the counterpart's balance sheet components and the presence of any structural support. LGD measures the expected realised loss given the default of a customer. Exposures having the same risk characteristics are then grouped into pools.

1) Sovereigns include central governments, central banks, regional governments, local authorities and other public sector entities.

The LGD model used is based on an overall framework for Loss Given Default and is a statistical model based on historical data.

For Regulatory Capital purposes Nordea uses internal estimates of LGD for the retail segment, ie for households and small corporate customers. For the corporate and banks segments, Nordea uses the IRB Foundation approach in the calculation of the Regulatory Capital. The Loss Given Default for an exposure is then defined by regulatory requirements.

Exposure at Default
Exposure at default (EAD) is an estimate of how much of an exposure that will be drawn within the period of one year prior to default. EAD is for many products equal to the utilised exposure, but for some products, such as credit lines and derivative contracts, the EAD can be higher than the utilised exposure. The setup for EAD estimation is similar to that for LGD.

EAD is measured as the sum of the utilised amount and the unutilised amount of an exposure multiplied with a Credit Conversion Factor (CCF) as defined by regulatory requirements. The CCF is estimated based on historical data and is a statistical model. Exposures of the same kind of products are then grouped into pools.

Validation
Nordea has established an internal validation process in accordance with the Capital Requirements Directive with the purpose of ensuring and improving the performance of Nordea's models, procedures and systems as well as to ensure the accuracy of the PD, LGD and CCF estimates. The validation is performed annually and includes both a quantitative as well as a qualitative validation.

The quantitative validation of rating and scoring models composes for example statistical tests of the models' discriminatory power, ie the ability of the model to distinguish default risk on a relative basis, as well as cardinal accuracy, ie the ability to predict the level of defaults.

Quantification of credit risk
The parameters PD, LGD and CCF are used to quantify Risk-Weighted Amount (RWA), Expected Loss and Economic Capital for credit risk. Expected Loss and Economic Capital are also used in the calculation of Economic Profit.

Nordea calculates Economic Capital for credit risk with capital factors, which are differentiated based on combinations of PD and LGD. The capital factors are estimated using the output from a credit portfolio model. In addition, the portfolio model is used to assess portfolio imbalances such as concentration risk.

As a complement to the ordinary credit risk quantification, comprehensive credit risk stress testing is performed at least annually as part of Nordea's Internal Capital Adequacy Assessment Process (ICAAP). In order to facilitate the estimation of the credit risk parameters as well as to perform various portfolio analyses, a Group-wide credit database is used.

Credit risk analysis
Credit risk exposure is measured and presented as the principle amount (at amortised cost) of on-balance-sheet claims, ie loans and receivables to credit institutions and the public or off-balance-sheet potential claims on customers and counterparts, net after allowances. Exposure also includes the risk related to derivatives contracts and securities financing. Further information on exposure, as well as a more detailed analysis of Nordea's credit risk is presented in the Group's Capital adequacy and risk report (Pillar 3) for 2008, available at www.nordea.com. All figures seen in the following section are for Loans and Receivables, if not stated otherwise.

Nordea's total loans and receivables have increased by 7% to EUR 289bn during 2008 (EUR 269bn). Due to the changes in Swedish and Norwegian exchange rates, the increase in EUR has been reduced with almost 10 %-points. Including off-balance sheet exposures and exposures related to securities and Life insurance operations, the total credit risk exposure at year end was EUR 488bn (EUR 445bn).

The largest credit risk exposure is loans and receivables to the public (lending), which in 2008 increased by 8% to EUR 265bn (EUR 245bn).

Loans and receivables to corporate customers at the end of 2008 was EUR 152bn (EUR 133bn), up 14%, while lending to household customers increased only slightly to EUR 109bn (EUR 107bn). The portion of total lending going to corporate customers was 57% (54%) and to household customers 41% (44%). Loans and receivables to credit institutions, mainly in the form of inter-bank deposits, remained steady at EUR 24bn at the end of 2008 (EUR 24bn).

Rating distribution
One way in which credit quality can be assessed is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, ie retail exposures.

73% (74%) of the corporate exposure is rated 4– or higher, with an average rating for this portfolio of 4+. Institutions and retail customers on the other hand exhibit a distribution that is skewed towards the higher rating grades. The portion of Nordea's institutional exposure that is rated 5- or higher has remained steady at 95% (95%).

About 86% of the retail exposures are scored C– or higher, which indicates a probability of default of 1% or lower.

Loans and receivables to corporate customers
Real estate remains the largest sector in Nordea's lending portfolio, at EUR 35.5bn (EUR 36.8bn). The portfolio predominantly is comprised of relatively large and financially strong companies, with 74% (74%) of the lending in rating grades 4– and higher. There is a high level of collateral coverage, especially for exposures which are assigned lower rating grades (3+ or lower). Nearly 40% of lending to the real estate industry (EUR 13.5bn) is to companies in Swe-

den and close to half is to companies with mainly residential real estate.

Lending to construction and civil engineering industry in the Nordic region is EUR 3.0bn (EUR 2.9bn). The portfolio quality is high with an average rating of 4+, and 68% of the exposure rated 4- or higher.

The loans and receivables to shipping and offshore increased 24% to EUR 11.3bn (EUR 9.1bn), with the strongest increase in the offshore and oil service sector. The portfolio is diversified by type of vessel, has a focus on large and financially most robust industrial players and exhibits strong credit quality, with an average rating of 4+. Reflecting Nordea's global customer strategy, there is an even distribution between Nordic and non-Nordic customers.

The distribution of loans and receivables to corporates by size of loans shows a high degree of diversification where approx. 61% of the corporate volume is for loans on a scale of up to EUR 50m per customer. This distribution has been relatively stable in recent years.

The main credit risk mitigation technique is the pledging of collateral. In corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those which are financially strong.

While credit risk mitigation by the use of credit default swaps has been done to a limited extent, normal syndication of loans remains the primary tool for managing the size of large credit exposures.

Loans and receivables to household customers

In 2008, mortgage loans and consumer loans increased only slightly to EUR 84bn and EUR 25bn respectively. The portion of mortgage loans out of total household loans was 77% (77%), of which the Nordic market accounts for 98%.

Of the mortgage lending to household customers, including to SMEs, 91% had a loan-to-value ratio below 80%.

Geographical distribution

Lending to the public distributed by borrower domicile shows that the Nordic market accounts for 87% (89%). Other EU countries represent the main part of the lending outside the Nordic countries.

Though the exposure to New European Markets is small, lending in the region has increased 54%. At the end of 2008, lending to customers in the Baltic countries was EUR 8.3bn (EUR 6.0bn), in Poland EUR 3.4bn (EUR 2.4bn), and in Russia EUR 3.6bn (EUR 1.6bn).

Transfer risk

The transfer risk exposure is dominated by a few countries and is primarily short-term and trade-related. China (EUR 515m) and Brazil (EUR 509m) are the countries contributing the highest to transfer risk, reflecting the countries' importance for Nordea's Nordic corporate customers. Exposure related to India has increased markedly to EUR 365m (EUR 115m). To recognise the risk related to

Credit risk exposure, loans and receivables and total exposure

(excluding cash and balances at central banks EUR 3,157m, 2007 EUR 5,020m, and settlement risk exposure)

EURm	Loans and receivables 31 Dec 2008	Loans and receivables 31 Dec 2007[1]
To credit institutions	**23,903**	**24,262**
– of which banks	22,548	23,741
– of which other credit institutions	1,355	522
To the public	**265,100**	**244,682**
– of which corporate	151,711	133,321
Energy (oil, gas etc)	2,815	1,448
Metals and mining materials	1,750	792
Paper and forest materials	2,287	1,928
Other materials (building materials etc)	5,377	3,568
Industrial capital goods	3,264	3,189
Industrial commercial services etc	15,482	15,403
Construction and civil engineering	3,671	3,243
Shipping and offshore	11,296	7,581
Transportation	4,017	3,845
Consumer durables (cars, appliances etc)	2,752	2,807
Media and leisure	3,171	3,104
Retail trade	11,020	10,190
Consumer staples (food, agriculture etc)	12,943	11,267
Health care and pharmaceuticals	1,606	1,772
Financial institutions	16,481	12,239
Real estate	35,500	36,766
IT software, hardware and services	1,489	1,309
Telecommunication equipment	623	641
Telecommunication operators	1,686	1,062
Utilities (distribution and production)	4,022	3,310
Other	10,462	7,855
– of which household	108,602	107,067
– mortgage financing	83,974	82,893
– consumer financing	24,628	24,174
– of which public sector	4,787	4,294
Total loans and receivables	**289,003**	**268,944**
Unutilised portion of appr. overdraft facilities[2]	49,145	43,437
Other credit commitments, etc.[2]	36,271	38,170
Guarantees and documentary credits[2]	26,249	24,202
Counterparty risk exposure[3]	27,887	21,225
Treasury bills and interest-bearing securities	31,430	25,894
Treasury bills and interest-bearing securities pledged as collateral in repurchase agreements	7,916	4,688
Total credit risk exposure in the banking operations	**467,901**	**426,560**
Lending in the life insurance operations	120	0
Guarantees and documentary credits in the life insurance operations	38	52
Interest-bearing securities in the life insurance operations	19,945	18,081
Total credit risk exposure including life insurance operations	**488,004**	**444,693**

1) The figures for 2007 are not fully comparable, due to changes in industry categorisation.
2) Of which for corporate customers: unutilised portion of approved overdraft facilities and other credit commitments approx. 85% and guarantees and documentary credits approx. 95%.
3) After closeout netting and collateral agreements, including current market value exposure as well as potential future exposure.

lending to developing countries, Nordea carries transfer risk allowance and provisions for non-investment grade rated countries.

The total transfer risk allowance and provisions at the end of 2008 was EUR 58m, increased from 2007 (EUR 42m).

Securitisation

Nordea has not securitised assets from its ordinary lending portfolio except for in connection to the establishment of the Special Purpose Entity (SPE) Kirkas Northern Lights Ltd (Kirkas) in 2008. This SPE is consolidated into the Nordea Group and the bonds issued by the SPE are held in full by Nordea. Consequently there has been no transfer of risk and the transaction is eliminated in the Nordea Group. More information on Kirkas and other SPEs established by Nordea can be found in note 22.

Impaired loans

Impaired loans, gross, have increased to EUR 2,224m from EUR 1,432m, during 2008 as result of the current downturn and worsened economic conditions for many customers, especially during the fourth quarter of 2008. Allowances for individually assessed loans increased to EUR 762m from EUR 603m. The ratio of allowances to cover impaired loans, gross, was 34% (42%). Allowances for collectively assessed exposures were EUR 408m (EUR 354m). Provisions for off-balance items have increased to EUR 100m (EUR 54m).

The main increases in impaired loans were in the sectors Real estate, Consumer durables, Construction and civil engineering and Retail trade. The main increases in impaired loans by borrower domicile were in the Baltic countries, Russia, Norway and Denmark.

Past due loans that are not impaired were for corporate customers EUR 1,586m and for household customers EUR 1,323m in 2008.

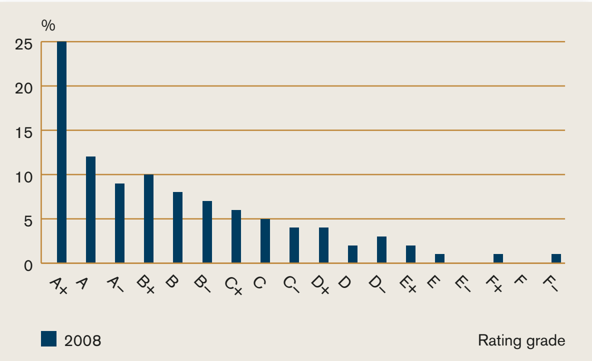
Real estate industry, loans and receivables, by country

EURbn	31 Dec 2008	%	31 Dec 2007	%
Denmark	4.8	14	4.6	12
Finland	7.1	20	7.0	19
Norway	7.7	22	8.6	24
Sweden	13.5	38	14.9	41
Baltic countries	1.2	3	1.0	3
Poland	0.2	1	0.1	0
Russia	0.4	1	0.1	0
Other	0.5	1	0.5	1
Total	**35.5**	**100**	**36.8**	**100**

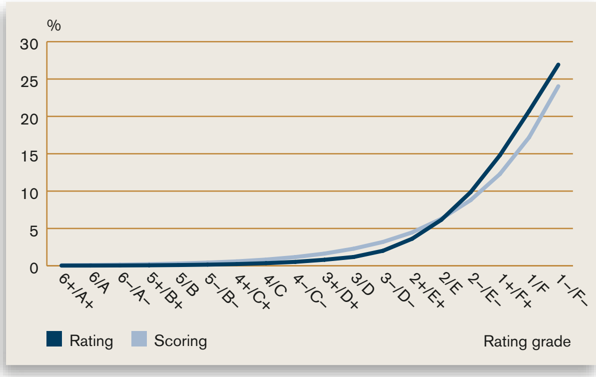
Construction and civil engineering industry, loans and receivables, by country

EURbn	31 Dec 2008	%	31 Dec 2007	%
Denmark	1.1	29	1.1	35
Finland	0.7	20	0.7	21
Norway	0.5	13	0.6	17
Sweden	0.7	19	0.5	15
Baltic countries	0.4	11	0.2	6
Poland	0.0	1	0.1	3
Russia	0.1	4	0.1	3
Other	0.1	4	0.0	0
Total	**3.7**	**100**	**3.2**	**100**

Exposure to household and SME customers (scored customers), distributed by scoring grades, 31 Dec 2008



Probability of Default (PD) Rating and Scoring, 2008



Loan losses
The net loan losses in the income statement, including new provisions, were EUR 466m (positive with EUR 60m), of which EUR 330m (positive EUR 88m) relates to corporate customers, EUR 103m (EUR 28m) to household customers and EUR 32m to credit institutions. This growth in net loan losses follows increased provisions both for collectively and individually assessed loans as well as lower reversals and recoveries, primarily in the fourth quarter. Net loan losses also include losses related to the Danish guarantee scheme of EUR 44m.

The main net loan losses were in the corporate sectors Retail trade and Construction and civil engineering as well as in household consumer financing.

Gross loan losses items, ie new provisions and reversals, were partly affected by increases in individual provisions and corresponding decreases of some of collective provisions and a redistribution between some collective provisions for different groups.

Mortgage loans to household customers, by country

EURbn	31 Dec 2008	%	31 Dec 2007	%
Denmark	22.4	27	20.7	25
Finland	21.3	25	19.7	24
Norway	15.2	18	17.5	21
Sweden	20.7	25	22.0	27
Baltic countries	2.7	3	2.1	3
Poland	1.6	2	0.8	1
Russia	0.1	0	0.1	0
Total	**84.0**	**100**	**82.9**	**100**

Loans and receivables to corporate customers, by size of loan

EURbn	31 Dec 2008	%	31 Dec 2007	%
EUR 0–10m	57.3	38	55.9	42
EUR 10–50m	35.2	23	34.4	26
EUR 50–100m	18.2	12	13.9	10
EUR 100–250m	20.8	14	14.1	11
EUR 250–500m	11.2	7	8.2	6
EUR 500m–	9.0	6	6.8	5
Total	**151.7**	**100**	**133.3**	**100**

Loan-to-value distribution

Mortgage exposure on households and SMEs (Retail portfolio)

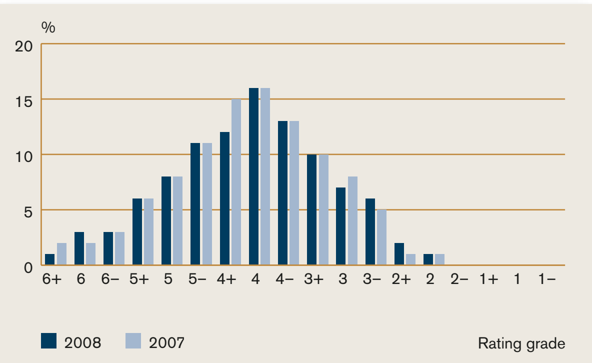
EURbn	31 Dec 2008	%
<50%	29.5	34
50–70%	26.0	30
70–80%	23.1	27
80–90%	4.8	5
>90%	3.9	4
Total	**87.3**	**100**

Shipping, offshore and oil services industry, loans and receivables, by segment

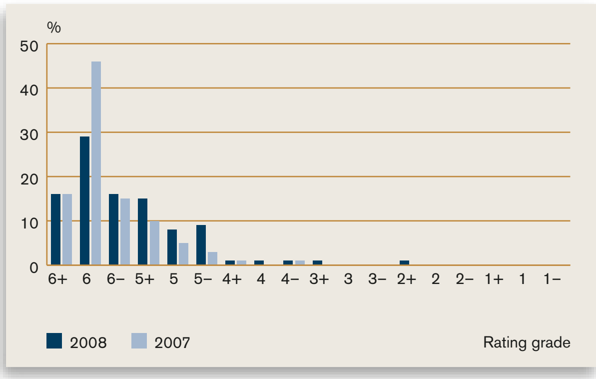
EURbn	31 Dec 2008	%	31 Dec 2007[1)]	%
Bulk carriers	1.6	15	1.3	14
Product tankers	1.3	11	1.0	11
Crude tankers	1.1	9	1.0	11
Chemical tankers	1.0	9	0.8	9
Gas tankers	0.7	6	0.5	6
Other shipping	2.1	18	1.7	19
Offshore and Oil services	3.6	32	2.6	29
Total	**11.3**	**100**	**9.1**	**100**

1) Lending to shipping and offshore in this table for 2007 is partly included in the industry Shipping and offshore, and partly in other industries, such as Transportation.

Exposure to corporate customers (rated customers), distributed by rating grades, 31 Dec 2008 and 2007



Exposure to institutional customers (rated customers), distributed by rating grades, 31 Dec 2008 and 2007



Loans and receivables, impaired loans and allowances, by customer type

31 Dec 2008, EURm	Loans and receivables before allowances	– of which not impaired	Allowances for collectively assessed loans	in % of not impaired	Individually impaired loans and receivables: Gross	Gross as % of loans and rec.	Specific allowances	in % of impaired loans gross	Net as % of loans and rec.
To credit institutions	**23,926**	**23,893**	**3**	**0.01**	**33**	**0.14**	**20**	**61**	**0.05**
– of which banks	22,572	22,539	3	0.01	33	0.15	20	61	0.06
– of which other credit institutions	1,355	1,355	0	0.00	0	0.00	0	0	0.00
To the public	**266,247**	**264,056**	**405**	**0.15**	**2,191**	**0.82**	**742**	**34**	**0.54**
– of which corporate	152,613	151,005	320	0.21	1,608	1.05	582	36	0.67
Energy (oil, gas etc)	2,816	2,816	1	0.04	1	0.02	0	46	0.01
Metals and mining materials	1,752	1,750	1	0.06	2	0.14	1	29	0.10
Paper and forest materials	2,292	2,274	1	0.04	19	0.82	5	27	0.60
Other materials (building materials etc)	5,452	5,283	27	0.52	169	3.10	48	28	2.23
Industrial capital goods	3,272	3,254	2	0.06	18	0.56	6	35	0.36
Industrial commercial services etc	15,570	15,427	11	0.07	143	0.92	77	54	0.43
Construction and civil engineering	3,749	3,613	31	0.85	136	3.62	46	34	2.38
Shipping and offshore	11,301	11,242	1	0.01	59	0.52	5	9	0.48
Transportation	4,049	3,995	10	0.25	53	1.32	22	42	0.77
Consumer durables (cars, appliances etc)	2,795	2,626	4	0.17	168	6.03	38	23	4.65
Media and leisure	3,200	3,129	3	0.09	71	2.23	26	36	1.42
Retail trade	11,115	10,898	14	0.13	217	1.95	81	37	1.23
Consumer staples (food, agriculture etc)	13,054	12,917	50	0.39	136	1.04	60	44	0.58
Health care and pharmaceuticals	1,613	1,574	1	0.07	39	2.40	6	16	2.02
Financial institutions	16,497	16,442	2	0.01	56	0.34	15	26	0.25
Real estate	35,695	35,489	119	0.34	206	0.58	76	37	0.37
IT software, hardware and services	1,498	1,476	1	0.06	21	1.43	8	37	0.90
Telecommunication equipment	633	599	0	0.01	33	5.28	10	29	3.77
Telecommunication operators	1,689	1,688	3	0.20	2	0.09	0	25	0.07
Utilities (distribution and production)	4,024	4,022	2	0.05	3	0.07	0	16	0.06
Other	10,548	10,493	35	0.33	55	0.52	51	93	0.04
– of which household	108,845	108,266	85	0.08	579	0.53	158	27	0.39
– mortgage financing	84,019	83,837	32	0.04	182	0.22	13	7	0.20
– consumer financing	24,826	24,429	53	0.22	397	1.60	145	37	1.01
– of which public sector	4,789	4,784	0	0.00	5	0.10	2	32	0.07
Total credit risk exposure in the banking operations	**290,173**	**287,949**	**408**	**0.14**	**2,224**	**0.77**	**762**	**34**	**0.50**
Lending in the life insurance operations	120	120							
Total credit risk exposure including life insurance operations	**290,293**	**288,069**	**408**	**0.14**	**2,224**	**0.77**	**762**	**34**	**0.50**

Restructured loans and receivables current year

EURm	31 Dec 2008	31 Dec 2007
Loans and receivables before restructuring, book value	22	124
Loans and receivables after restructuring, book value	11	63

Assets taken over for protection of claims[1)]

EURm	31 Dec 2008	31 Dec 2007
Current assets, book value:		
Land and buildings	0	0
Shares and other participations	14	1
Other assets	4	3
Total	**18**	**4**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfill its obligations to Nordea. The assets taken over are at the latest, disposed when full recovery is reached.

Loans and receivables, impaired loans and allowances, by customer type

31 Dec 2007, EURm	Loans and receivables before allowances	– of which not impaired	Allowances for collectively assessed loans	in % of not impaired	Individually impaired loans and receivables: Gross	Gross as % of loans and rec.	Specific allowances	in % of impaired loans gross	Net as % of loans and rec.
To credit institutions	**24,272**	**24,264**	**2**	**0.01**	**8**	**0.03**	**8**	**100**	**0.00**
– of which banks	23,750	23,742	2	0.01	8	0.03	8	100	0.00
– of which other credit institutions	522	522	0	0.00	0	0.00	0	0	0.00
To the public	**245,629**	**244,205**	**352**	**0.14**	**1,424**	**0.58**	**595**	**42**	**0.34**
– of which corporate	**134,076**	**133,047**	**294**	**0.22**	**1,029**	**0.77**	**461**	**45**	**0.42**
Energy (oil, gas, etc.)	1,449	1,447	0	0.00	1	0.07	0	3	0.07
Metals and mining materials	793	790	0	0.00	3	0.34	1	23	0.26
Paper and forest materials	1,955	1,914	0	0.00	40	2.07	26	65	0.73
Other materials (building materials, etc,)	3,627	3,517	19	0.52	109	3.01	39	36	1.92
Industrial capital goods	3,209	3,172	7	0.21	37	1.15	13	36	0.74
Industrial commercial services, etc.	15,482	15,354	11	0.07	128	0.83	68	53	0.39
Construction and civil engineering	3,269	3,222	8	0.26	47	1.43	17	37	0.90
Shipping and offshore	7,583	7,579	0	0.00	4	0.05	2	51	0.03
Transportation	3,870	3,810	7	0.18	60	1.54	18	30	1.08
Consumer durables (cars, appliances, etc.)	2,845	2,785	6	0.23	60	2.11	31	52	1.02
Media and leisure	3,130	3,067	2	0.06	63	2.00	24	38	1.24
Retail trade	10,254	10,121	4	0.03	132	1.29	60	45	0.71
Consumer staples (food, agriculture, etc.)	11,350	11,251	30	0.27	100	0.88	53	53	0.41
Health care and pharmaceuticals	1,779	1,767	2	0.11	13	0.71	5	42	0.41
Financial institutions	12,246	12,213	0	0.00	33	0.27	6	20	0.21
Real estate	36,898	36,809	98	0.26	89	0.24	34	38	0.15
IT software, hardware and services	1,314	1,300	0	0.00	14	1.09	6	39	0.67
Telecommunication equipment	654	617	0	0.00	37	5.66	13	34	3.73
Telecommunication operators	1,062	1,061	0	0.00	1	0.11	0	24	0.09
Utilities (distribution and production)	3,311	3,308	0	0.00	3	0.09	1	40	0.05
Other	7,998	7,943	100	1.25	56	0.70	43	77	0.16
– of which household	**107,258**	**106,864**	**58**	**0.05**	**394**	**0.37**	**133**	**34**	**0.24**
Mortgage financing	82,929	82,832	23	0.03	97	0.12	12	13	0.10
Consumer financing	24,329	24,032	35	0.14	297	1.22	120	40	0.73
– of which public sector	**4,296**	**4,294**	**0**	**0.01**	**2**	**0.04**	**1**	**70**	**0.01**
Total credit risk exposure in the banking operations	**269,901**	**268,469**	**354**	**0.13**	**1,432**	**0.53**	**603**	**42**	**0.31**
Lending in the life insurance operations	0	0							
Total credit risk exposure including life insurance operations	**269,901**	**268,469**	**354**	**0.13**	**1,432**	**0.53**	**603**	**42**	**0.31**

Loans and receivables to the public, impaired loans and allowances, by geography domicile of customers

31 Dec 2008, EURm	Loans and receivables before allowances	– of which not impaired	Allowances for collectively assessed loans	in % of not impaired	Individually impaired loans and receivables: Gross	Gross as % of loans and rec.	Specific allowances	in % of impaired loans gross	Net as % of loans and rec.
Nordic countries	230,342	228,419	262	0.11	1,923	0.83	677	35	0.54
– of which Denmark	73,184	72,560	81	0.11	624	0.85	309	49	0.43
– of which Finland	51,683	50,887	74	0.15	796	1.54	211	27	1.13
– of which Norway	41,744	41,493	61	0.15	251	0.60	83	33	0.40
– of which Sweden	63,731	63,480	46	0.07	251	0.39	74	29	0.28
Estonia	2,632	2,588	35	1.35	44	1.68	2	5	1.60
Latvia	3,231	3,167	55	1.74	64	1.99	10	16	1.67
Lithuania	2,561	2,527	18	0.71	34	1.33	18	52	0.64
Poland	3,379	3,341	7	0.21	38	1.12	18	46	0.60
Russia	3,558	3,541	16	0.47	17	0.49	7	40	0.29
EU countries other	10,704	10,672	0	0.00	32	0.30	7	20	0.24
USA	1,797	1,762	0	0.00	35	1.94	0	1	1.92
Asia	2,656	2,655	6	0.23	1	0.02	1	80	0.00
Latin America	2,769	2,769	0	0.01	0	0.00	0	0	0.00
OECD other	1,203	1,199	2	0.17	4	0.31	3	80	0.06
Non-OECD other	1,416	1,415	2	0.17	0	0.01	0	98	0.00
Total	**266,247**	**264,056**	**405**	**0.15**	**2,191**	**0.82**	**742**	**34**	**0.54**

31 Dec 2007, EURm	Loans and receivables before allowances	– of which not impaired	Allowances for collectively assessed loans	in % of not impaired	Individually impaired loans and receivables: Gross	Gross as % of loans and rec.	Specific allowances	in % of impaired loans gross	Net as % of loans and rec.
Nordic countries	219,117	217,775	261	0.12	1,343	0.61	553	41	0.36
– of which Denmark	65,578	65,139	68	0.10	439	0.67	220	50	0.33
– of which Finland	47,962	47,380	78	0.16	582	1.21	176	30	0.85
– of which Norway	42,950	42,833	70	0.16	117	0.27	57	49	0.14
– of which Sweden	62,626	62,422	45	0.07	204	0.33	100	49	0.17
Estonia	2,033	2,023	25	1.24	10	0.48	0	2	0.47
Latvia	2,391	2,381	44	1.83	10	0.42	1	7	0.39
Lithuania	1,632	1,624	12	0.76	8	0.49	7	87	0.06
Poland	2,341	2,301	2	0.07	40	1.70	24	60	0.68
Russia	1,612	1,611	8	0.50	1	0.08	1	100	0.00
EU countries other	8,940	8,932	0	0.00	8	0.09	7	86	0.01
USA	1,917	1,916	0	0.00	1	0.05	1	100	0.00
Asia	1,421	1,418	0	0.00	3	0.24	0	0	0.24
Latin America	1,723	1,722	0	0.00	1	0.06	0	0	0.06
OECD other	923	923	0	0.00	0	0.01	0	0	0.00
Non-OECD other	1,579	1,579	1	0.08	0	0.00	0	0	0.00
Total	**245,629**	**244,205**	**352**	**0.14**	**1,424**	**0.58**	**595**	**42**	**0.34**

Settlement risk
Settlement risk is a type of credit risk arising during the process of settling a contract or execution of a payment.

The risk amount is the principal of the transaction, and the potential loss that could occur if a counterpart were to default after Nordea has given irrevocable instructions for a transfer of a principal amount or security, but before receipt of the corresponding payment or security has been finally confirmed.

The settlement risk on individual counterparts is restricted by settlement risk limits. Each counterpart is assessed in the credit process, and clearing agents, correspondent banks and custodians are selected with a view of minimising settlement risk.
Nordea is a shareholder of, and participant in, the global FX clearing system CLS (Continuous Linked Settlement), which eliminates the settlement risk of FX trades in those currencies and with those counterparts that are eligible for CLS-clearing. As a result, Nordea's settlement risk exposure against major trading counterparts has decreased considerably in recent years.

Risk in derivatives
Derivative contracts are financial instruments, such as futures, forwards, swaps or options that derive their value from underlying interest rates, currencies, equities, credit spreads or commodity prices. The derivative contracts are often OTC traded, ie the terms connected to the specific contract are agreed upon on an individual basis with the counterpart.

Nordea invariably enters into derivative contracts based on customer demand. This is performed either directly or in order to hedge positions in assets such as traded corporate bonds, and may include basket credit derivatives. Nordea does not actively use credit derivatives in connection with own credit portfolio. However, through Group Treasury, the Group uses interest rate swaps and other derivatives in its hedging activities of the assets and liabilities on the balance sheet.

The derivative contracts are evaluated at fair value on an ongoing basis and affect the reported result as well as the balance sheet.

Counterparty risk
Counterparty credit risk is the risk that a counterpart in the derivatives contract defaults prior to maturity of the contract and that Nordea at that time has a contractual claim on the counterpart. Counterparty credit risk is subject to credit limits like other credit exposures and is treated accordingly. Counterparty credit risk arises mainly in the trading book, but also in the banking book as a result of active asset and liability management.

Nordea uses the transaction-based model to calculate the counterparty credit risk, ie the sum of current exposure (replacement cost) and potential future exposure. The potential future exposure is an estimate, which reflects possible changes in the market value of the individual contract during the remaining contract lifetime, and is measured as the notional principal amount multiplied by a risk weight. The size of the risk weight depends on the contract's remaining lifetime and the underlying asset.

The total counterparty credit risk exposure at the end of 2008 was EUR 27.9bn, of which the current exposure represents EUR 12.2bn. 47% of the total exposure and 35% of the current exposure was towards Financial Institutions.

To reduce the exposure towards single counterparts, risk mitigation techniques are widely used in Nordea. The most common is the use of closeout netting agreements, which allow the bank to net positive and negative replacement values of contracts under the agreement in the event of default of the counterpart.

Nordea also mitigates the exposure towards large banks, hedge funds and institutional counterparts by an increasing use of collateral management arrangements, where collateral on a regular – typically daily – basis is placed or received to cover the current exposure. The collateral is largely cash, but also government bonds and to a lesser extent mortgage bonds are accepted. The effects of closeout netting and collateral agreements are considerable, as 85% of the current exposure (gross) was eliminated by the use of these risk mitigation techniques.

Finally, Nordea also uses a risk mitigation technique based upon a condition in some of the long-term derivatives contracts that provides the option to terminate contracts at a specific time or upon the occurrence of credit related events.

Nordea is using credit derivatives to hedge positions in traded corporate bonds and basket credit derivatives.

Past due loans, non-impaired loans

31 Dec 2008, EURm	Corporate customers	Household customers
6–30 days	671	673
31–60 days	422	369
61–90 days	227	102
>90 days	266	179
Total	**1,586**	**1,323**
Past due non-impaired/lending in %	1.05	1.22

Transfer risk exposure[1)]

EURm	31 Dec 2008	31 Dec 2007
Asia	1,512	906
Eastern Europe and CIS	277	439
Latin America	662	570
Middle East	691	397
Africa	175	148

1) The total transfer risk allowances and provisions at the end of 2008 were EUR 58m and at the end of 2007 EUR 42m.

Loan losses, 2008

EURm	New provisions and write-offs	Reversals and recoveries	Net loan losses	Loan loss ratio, bps
To credit institutions	–38	6	–32	13
To the public	–852	418	–433	18
– of which corporate	–635	305	–330	25
Energy (oil, gas, etc.)	0	0	0	2
Metals and mining materials	0	0	0	5
Paper and forest materials	–15	15	0	0
Other materials (building materials, etc,)	–46	11	–36	100
Industrial capital goods	–6	10	4	–
Industrial commercial services, etc.	–60	28	–32	21
Construction and civil engineering	–66	11	–55	170
Shipping and offshore	–12	1	–11	15
Transportation	–18	6	–13	33
Consumer durables (cars, appliances, etc.)	–37	16	–21	76
Media and leisure	–12	5	–7	21
Retail trade	–76	20	–56	55
Consumer staples (food, agriculture, etc.)	–46	23	–23	21
Health care and pharmaceuticals	–1	4	3	–
Financial institutions	–12	4	–9	7
Real estate	–64	19	–45	12
IT software, hardware and services	–6	3	–2	18
Telecommunication equipment	–10	12	2	–
Telecommunication operators	0	1	1	–
Utilities (distribution and production)	–3	0	–3	9
Other	–144	117	–27	34
– of which household	–216	113	–103	10
Total	**–890**	**424**	**–466**	**17**

Market risk

Market risk is the risk of a loss in the market value of portfolios and financial instruments as a result of movements in financial market variables.

Market price risk

The customer-driven trading activity of Nordea Markets and the investment and liquidity portfolios of Group Treasury are the key contributors to market risk. For all other banking activities, the basic principle is that market risks are eliminated by matching assets, liabilities and off-balance-sheet items. This is achieved by transactions in Group Treasury. The market price risk is to a large extent presented with the Value-at-Risk (VaR) measurement.

Furthermore, market risk on Nordea's account arises from the investment of policyholders' money with guaranteed minimum yields in Life and Pensions, and Nordea-sponsored defined benefit pension plans for employees.

Structural market risks

Structural foreign exchange (FX) risk arises primarily from investments in subsidiaries and associated enterprises denominated in foreign currencies. The general principle is to hedge this by matched funding , although exceptions from this principle may be made in markets where matched funding is impossible to obtain, or can only be obtained at an excessive cost. Nordea Bank AB (publ)'s holding of JSB Orgresbank (Russia) is partly financed in Euro. A 1% decrease in the Russian rouble's exchange rate towards Euro will cause a decrease in Nordea's equity capital of approximately EUR 6m.

Payments made to parent companies from subsidiaries as dividends are exchanged to the functional currency of the parent company. Furthermore, earnings and cost streams generated in foreign currencies or from foreign branches generate an FX exposure, which for the individual Nordea companies is handled in each company's FX position.

In addition to the immediate change in the market value of Nordea's assets and liabilities from a change in financial market variables, a change in interest rates will also affect net interest income over time. In Nordea this is seen as structural interest income risk and is dealt with under the heading Structural Interest Income Risk in the Liquidity management chapter.

Market price risk appetite

The Board of Directors has formulated market price risk appetites for both the investment and liquidity portfolios in Group Treasury and the trading activities in Nordea Markets. For Group Treasury, the Board of Directors has set the maximum level of risk such that it should not lead to an accumulated loss in earnings in excess of EUR 250m at any time in a financial year. The compliance with the risk appetite is ensured by market risk limits and stop-loss rules. The risk appetite was increased in 2008 in order to facilitate unchanged business activity in an environment of increased volatility. For the trading activities in Nordea Markets, the risk appetite and the market risk limits are set in relation to the earnings these activities generate.

Reporting and control processes

A Nordea group-wide framework establishes common management principles and standards for the market risk management. This implies that the same reporting and control processes are applied for the market risk exposures in Nordea Markets (the Trading Book) and Group Treasury. Moreover, the same Value-at-Risk (VaR) model is used to measure and manage the consolidated risk and the risk divided into Trading Book and Banking Book risk.

Counterparty risk exposure (after closeout netting and collateral agreements)

	31 Dec 2008			31 Dec 2007		
EURm	Current exposure	Potential future exposure	Total credit risk	Current exposure	Potential future exposure	Total credit risk
Public entities	1,754	1,302	2,727	310	1,136	1,136
Financial institutions	4,291	14,454	13,010	2,201	14,734	14,738
Corporates	6,157	7,146	12,150	864	6,119	5,351
Total	**12,202**	**22,902**	**27,887**	**3,375**	**21,989**	**21,225**

Reduction in counterparty risk exposure due to closeout netting and collateral agreements

	31 Dec 2008				31 Dec 2007			
EURm	Current exposure (gross)	from closeout netting	Reduction from held collateral	Current exposure (net)	Current exposure (gross)	from closeout netting	Reduction from held collateral	Current exposure (net)
Total	**82,203**	**66,364**	**3,637**	**12,202**	**29,800**	**23,979**	**2,446**	**3,375**

Credit derivatives

	31 Dec 2008	
EURm	Total gross notional sold protection	Total gross notional bought protection
Single-name CDS, investment grade	18,399	18,335
Single-name CDS, non-investment grade	7,364	7,629
Multi-name CDS indices	20,082	19,416
Total	**45,845**	**45,380**

However, certain risk exposures have special characteristics and are monitored and limited separately. For example, this is the case for commodity risk, structured equity options and fund linked derivatives in Markets and private equity funds and investments in hedge funds in Group Treasury, which are measured using scenario simulation. The scenarios are based on the sensitivity to changes in the underlying prices and, where relevant, their volatility. These risk figures are limited and monitored in the daily reporting and control process, but not included in the VaR numbers. CDOs and CDSs are included in the VaR figures through their sensitivities to changes in interest spreads, in analogy with corporate bonds. In addition, jump-to-default exposures and correlation risk are limited and monitored in the daily control process.

Transparency in all elements of the risk management process is central to maintaining risk awareness and a sound risk culture throughout the organisation. This transparency is achieved by:

- senior management taking an active role in the process. The CRO receives reporting on the Group's consolidated market risk every day; GEM receives reports on a monthly basis, and the Board of Directors on a quarterly basis
- having a comprehensive policy framework, by which responsibilities and objectives are explicitly outlined. Policies are decided by the Board of Directors, and are complemented by instructions issued by the CRO
- defining clear risk mandates (at departmental, desk and individual levels), in terms of limits and restrictions on which instruments may be traded. Adherence to limits is crucial, and should a limit be breached, the decision-making body would be informed immediately
- having detailed business procedures that clearly state how policies and instructions are to be implemented
- having proactive information sharing between trading and risk control
- having risk models that make risk figures easily decomposable
- having a framework for approval of traded financial instruments and methods for the valuation of these, that requires an elaborate analysis and documentation of the instruments' features and risk factors
- having a "business intelligence" type risk IT system that allows all traders and controllers to easily monitor and analyse their risk figures
- having tools that allow the calculation of VaR figures on the positions that a trader, desk or department has during the day.

Measurement methods
As there is no single risk measure that captures all aspects of market risk, Nordea on a daily basis uses several risk measures including VaR models, stress testing, Jump-to-Default exposure, scenario simulation and other non-statistical risk measures such as basis point values, net open positions and option key figures.

Normal market conditions
Nordea's universal VaR model is a 10-day, 99% confidence model, which uses the expected shortfall approach and is based on historical simulation on up to two years' historical changes in market prices and rates. This implies that the historical simulation VaR model uses the average of a number of the most adverse simulation results as an estimate of VaR. The sample of historical market changes in the model is updated daily. The "square root of ten" rule is applied to scale 1-day VaR figures to 10-day figures. The model is used to limit and measure market risk at all levels both for the Trading Book and in Group Treasury.

VaR is used to measure interest rate, foreign exchange, equity and credit spread risks. A VaR measure across these risk categories, allowing for diversification among them, is also used. The VaR figures include both linear positions and options.

With the chosen characteristics of the VaR model, the VaR-figures can be interpreted as the loss that will be exceeded in only one of a hundred 10-day trading periods. However, it is important to note that, while every effort is made to make the VaR-model as realistic as possible, all VaR-models are based on assumptions and approximations that have significant impact on the risk figures produced. Also, it should be noted that the historical observations of the market variables that are used as inputs may not give an adequate description of their behaviour in the future. In particular the historical values may fail to reflect the potential for extreme market moves.

In the summer of 2007 volatility in the financial markets increased markedly and in the spring of 2008, the backtesting indicated a need for making the model more responsive to changes in market volatility. As a result, in June 2008, the model was adjusted by reducing the lookback period, to one year, and the number of the most adverse simulation results in the estimate of the VaR (ie further out in the left-hand tail of the distribution of historical simulation outcomes).

The market risk due to a mismatch between the market risk exposure on policy holders' assets and liabilities in Nordea Life & Pensions is measured as the loss sensitivity for two standard market scenarios, which represent normal and stressed market conditions, respectively.

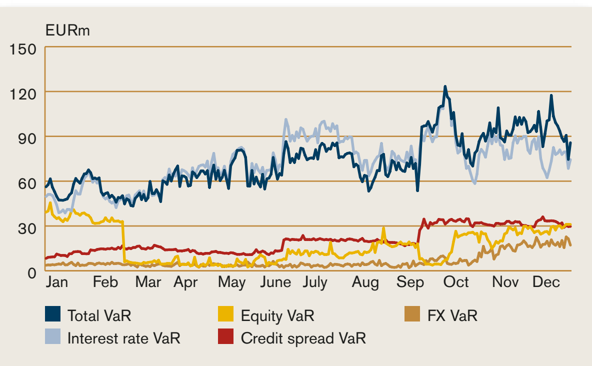
Stress testing
Stress tests are used to estimate the possible losses that may occur under extreme market conditions. Nordea performs daily stress tests based on the current portfolio and using data on daily financial market developments since the beginning of 1993. In addition, Nordea's portfolios are stress tested for subjective scenarios, which are most often based on selected historical events prior to 1993 or adverse scenarios relevant at the current state of the economic cycle or geopolitical situation. While these stress tests measure the risk over a shorter time horizon, market risk is also a part of the comprehensive ICAAP stress testing, which measures the risk over a three year horizon.

Market risk analysis
Nordea's market risk analysis is based on consolidated risk arising from both Group Treasury and Nordea Markets.

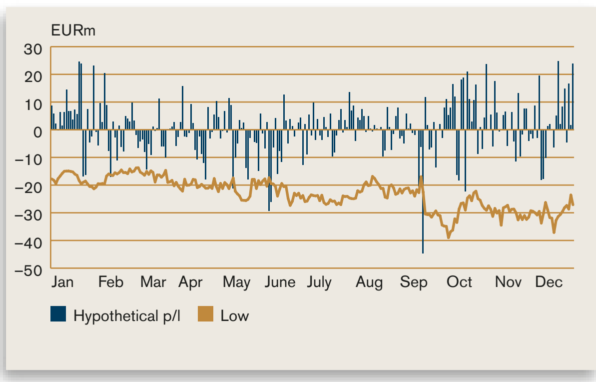
Market risk associated with the mismatch between policyholders' assets and liabilities in Nordea Life and Pension is analysed separately. The scenario for normal market conditions shows a risk of EUR 59m at the end of 2008 (EUR 28m at the end of 2007). The market risk from the internal pension plans is also measured separately.

Total VaR
The total VaR was EUR 86m (EUR 59m) at the end of 2008 demonstrating a considerable diversification effect between interest rate, equity, foreign exchange and credit spread risk, as the total VaR is lower than the sum of the risk in the four categories.

Market risk, VaR



Backtesting, one-day VaR and simulated daily profit/loss



Consolidated market risk figures

EURm	Measure	31 Dec 2008	2008 high	2008 low	2008 average	31 Dec 2007
Total Risk	VaR	85.8	123.4	43.4	73.0	58.9
– Interest Rate Risk	VaR	74.4	123.1	38.8	72.8	57.2
– Equity Risk	VaR	31.1	45.5	2.6	16.7	32.9
– Credit Spread Risk	VaR	29.7	36.1	8.3	20.3	4.8
– Foreign Exchange Risk	VaR	17.2	22.7	2.1	6.5	3.4
Diversification effect	VaR	44%				41%
Structured Equity Option Risk	Simulation	12.0	29.3	11.2	21.0	25.9
Commodity Risk	Simulation	4.1	11.0	3.6	6.5	8.2

Consolidated market risk exposures

EURm	Type of exposure	31 Dec 2008	2008 high	2008 low	2008 average	31 Dec 2007
Hedge Funds	Net asset value	98.7	113.4	96.2	103.1	96.1
Private Equity Funds	Fair value	142.5	174.4	144.4	170.0	150.0

In general, the increased volatility in the financial markets since August 2007 and the increased responsiveness of the VaR model to the volatility, have implied that the VaR figures were higher at the end of 2008 than at the end of 2007, although in many cases underlying exposures were unchanged or had even decreased.

Interest rate risk
The total interest rate VaR was EUR 74m (EUR 57m) at the end of 2008. The total gross sensitivity to a 1 percentage point parallel shift, which measures the development in the market value of Nordea's interest rate sensitive positions if all interest rates were to move adversely, was EUR 212m at the end of 2008 (EUR 261m).

The largest part of Nordea's interest rate sensitivity stemmed from interest rate positions in Euro, Swedish Kronor, Danish Kroner and US Dollars.

Equity risk
At the end of 2008, Nordea's equity VaR stood at EUR 31m (EUR 33m). For equities, the tendency towards increased VaR levels implied by the adjusted model were offset by the sale of Nordea's holding in the OMX Group.

Structured equity option risk was down to EUR 12m at year-end (EUR 26m).

Credit spread risk
Credit spread VaR increased over 2008 to EUR 30m (EUR 5m), both as a result of the adjusted VaR model and increased market volatility, and of the extension of the credit spread VaR model to include Group Treasury. Credit spread risk is to a large extent concentrated on Nordic financials.

Foreign exchange risk
Nordea's foreign exchange VaR was EUR 17m (EUR 3m) at year-end. The largest foreign exchange exposure is to Danish Kroner.

Hedge fund and private equity fund risk
The net asset value of investments in hedge funds was EUR 99m at year-end (96m), and the fair value of investments in private equity funds was EUR 143m (150m). Both types of investments are spread over a number of funds.

Commodity risk
Nordea's exposure to commodity risk, primarily pulp and paper, is solely related to customer-driven activities. The risk was EUR 4m at the end of 2008 (EUR 8m).

Operational risk
In the Group's Policy for Internal Control and Risk Management, operational risk is defined as the risk of direct or indirect loss, or damaged reputation resulting from inadequate or failed internal processes, from people and systems, or from external events. Compliance risk is defined as the risk of business not being conducted according to legal and regulatory requirements, market standards and business ethics, thereby jeopardising customers' best interest, other stakeholders' trust and increasing the risk of regulatory sanctions, financial loss or damage to the reputation and confidence in the Group. Operational risk also includes "Legal Risk", which means the risk that the Group suffers damage due to a deficient or incorrect legal assessment.

Operational risks are inherent in all activities within the organisation, in outsourced activities and in all interaction with external parties.
Solid internal control and quality management, consisting of a risk management framework, leadership and skilled personnel, is the key to successful operational risk management.

An annual report on the quality of Internal Control in the Group is submitted to the Board, incorporating all main issues on financial and operational risks.

Each unit in Nordea is primarily responsible for managing its own operational risks. Group Credit and Risk Control develops and maintains a framework for identifying, assessing, mitigating, monitoring, controlling and reporting operational risks and supports the line organisation in implementing the framework.

Information security, physical security, crime prevention and educational and training activities are important components when managing operational risks. To cover this broad scope, the Group security and the Group compliance functions are included in Group Credit and Risk Control, and close cooperation is maintained with Group IT and Group Legal, in order to raise the risk awareness throughout the organisation.

The main processes for managing operational risks are ongoing monitoring through risk self-assessment and the documenting, registering and following up activities related to incidents and quality deficiencies. The analysis of operational risk-related events, potential risk indicators and other early-warning signals are in focus when developing the processes.

Special emphasis is put on quality and risk analysis in change management and product development.

The mitigating techniques consist of continuous improvement initiatives and business continuity plans together with crisis management preparedness and a broad insurance cover for handling major incidents. Mitigation efforts target reliability and continuity in the value chains rather than focusing on single units in the organisation.

The techniques and processes for managing operational risks are structured around the risk sources as described in the definition of operational risk. This approach improves the comparability of risk profiles in different areas and functions and globally throughout the organisation. It also complements the Group's focus on limiting and mitigating measures in relation to the sources, rather than the symptoms.

Life insurance risk and market risks in the Life insurance operations

The Life insurance business of Nordea Life and Pensions generally consists of very long-term pension savings contracts, with durations of more than 40 years. The two major risks in the life insurance business are life insurance risks and market risks. The majority of these risks are on policyholders rather than on Nordea's own account.

The life insurance risk is the risk of unexpected losses due to changes in mortality rates, longevity rates, disability rates and selection effects.

These risks are primarily controlled using actuarial methods, ie through tariffs, rules for acceptance of customers, reinsurance contracts, stress tests and provisions for risks. A continuous supervision of the appropriateness of the parameters in the risk models is undertaken to ensure that changes in the underlying risks are properly taken into account.

The market risk for Nordea's own account of Life insurance operations arises from mismatches of the market risk exposure on assets and liabilities in Nordea Life and Pensions and is measured as a loss in operating income, due to movements in financial market prices. The income model is primarily fee-based, and contingent upon, but not directly dependent on, investment return. The figure is presented in the market risk section above.

The market risk emanating from separated equity capital investments for Nordea Life and Pensions is included in the Group's consolidated market risk figure, also presented in the market risk section above.

Pillar 3 disclosure, Capital adequacy and risk management

The disclosure in accordance with the Pillar 3 requirements according to the CRD in the Basel II framework is presented on www.nordea.com

Life insurance risk and market risks in the Life insurance operations

Sensitivities EURm	31 Dec 2008 Effects on policy-holders	31 Dec 2008 Effects on Nordea's own account	31 Dec 2007 Effects on policy-holders	31 Dec 2007 Effects on Nordea's own account
Mortality– increased living with 1 year	–94.1	–7.9	–65.9	–8.2
Mortality – decreased living with 1 year	80.7	7.0	50.1	7.0
Disability – 10% increase	–35.9	–0.4	–6.6	–1.7
Disability – 10% decrease	35.4	0.4	6.1	1.7
50 bp increase in interest rates	–183.0	–1.3	–127.7	–6.1
50 bp decrease in interest rates	122.4	0.1	34.1	3.6
12% decrease in all shareprices	–103.4	–7.3	–583.0	–22.0
8% decrease in property value	–176.9	–28.9	–258.5	0.0
8% loss on counterparts	–144.3	–6.1	–105.6	–7.1

Liabilities to policyholders divided in guaranty levels (technical interest rate)

31 Dec 2008 EURm	non	0 pct.	0 to 3 pct.	3 to 5 pct	Over 5 pct.	Total liabilities
Technical provision	4,210	4,091	9,823	9,496	160	27,778

31 Dec 2007[1)] EURm	non	0 pct.	0 to 3 pct.	3 to 5 pct	Over 5 pct.	Total liabilities
Technical provision	7,875	4,202	7,097	10,283	199	29,656

1) 2007 figures restated to include all life insurance products.

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	– Mortality	Yes
	– Disability	Yes
	– Return guaranties	Yes
Unit-Link	– Mortality	Yes
	– Disability	Yes
	– Return guaranties	No
Health and personal accident	– Mortality	No
	– Disability	Yes
	– Return guaranties	No
Financial contract	– Mortality	No
	– Disability	No
	– Return guaranties	No

Liquidity management

Management principles and control
The Board of Directors of Nordea has the ultimate responsibility for Asset and Liability Management of the Group ie limiting and monitoring the Group's structural risk exposures.

Risks in Nordea are measured and reported according to common principles and policies approved by the Board. The Board of Directors also decides on policies for liquidity risk management. These policies are reviewed at least annually.

The CEO in GEM decides on the targets for the Group's risk management regarding Structural Interest Income Risk (SIIR), as well as, within the scope of resolutions adopted by the Board of Directors, the allocation of the liquidity risk limits.

The Asset and Liability Committee (ALCO), chaired by the CFO, prepares issues of major importance concerning the Group's financial operations and financial risks for decision by CEO in GEM.

Group Treasury operationalises the targets and limits and develops the liquidity risk and SIIR management frameworks, which consists of policies, instructions and guidelines for the whole Group.

Liquidity risk management
Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due.

Nordea's liquidity management is based on policy statements resulting in different liquidity risk measures, limits and organisational procedures.

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify the Group's sources of funding and seeks to establish and maintain relationships with investors in order to manage the market access.

Broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail customer base and the variety of funding programmes.

Funding programs are both short-term (US Commercial Papers, European Commercial Papers, Commercial Papers, Certificates of Deposits) and long-term (Swedish and Danish Covered bonds, European Medium Term Notes, Medium Term Notes) in diverse currencies. However, foreign exchange risk is covered. As of the end of 2008, the total volume of short-term programs was EUR 44bn with the average maturity of 0.2 years and the total volume of the long-term programs is EUR 65bn with the average maturity of 9.0 years. Special focus is given for the composition of the investor base in the terms of geographical range and rating sensitivity.

Nordea publishes adequate information on the liquidity situation of the Group to remain trustworthy at all times.

Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. The stress test should identify events or influences that could affect the funding need or the funding price and seek to quantify the potential effects. The purpose of stress tests is to supplement the normal liquidity risk measurement and confirm that the business continuity plan is adequate in stressful events, and that the business continuity plan properly describes procedures to handle a liquidity crisis with minimal damage to Nordea. Nordea stress scenarios are based on assessment of the particular events for which Nordea is presumed to be most vulnerable to taking into account the current business structure and environment. Stress tests focus on the other hand on increased funding need and on the other hand on increased funding price.

Group Treasury is responsible for managing the liquidity in Nordea and for compliance with the group wide limits from the Boards of Directors, CEO in GEM and ALCO.

Liquidity risk measurement methods
The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to measure the exposure on both horizons, a number of liquidity risk measures have been developed covering all material sources of liquidity risk.

In order to avoid short-term funding pressures, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 14 days. Cash flows from both on-balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined. The total figure for all currencies combined is limited by the Board of Directors.

To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. Limit is set by the Board of Directors for the minimum size of the liquidity buffer. The liquidity buffer is set to ensure a total positive cash flow defined by the funding risk measurement and consists of high-grade liquid securities that can be sold or used as collateral in funding operations.

The structural liquidity risk of Nordea is measured and limited by the Board of Directors through the net balance of stable funding, which is defined as the difference between stable liabilities and stable assets. These liabilities primarily comprise retail deposits, bank deposits and bonds with a remaining term to maturity longer than 6 months, and shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 6 months and committed facilities. ALCO has set as a target that the net balance of stable funding should be positive, which means that stable assets must be funded by stable liabilities.

Liquidity risk analysis
The short-term liquidity risk has been held at moderate levels throughout 2008. The average funding gap risk, ie the average expected need for raising liquidity in the course of the next 14 days, has been EUR -8.7bn (EUR –4.8bn).

Nordea's liquidity buffer has been in the range EUR 20.1–40.2bn (EUR 12.5–28.3bn) throughout 2008 with an average of EUR 27.1bn (EUR 19.4bn). Nordea considers this a high level and it reflects the Group's conservative attitude towards liquidity risk in general and towards unexpected liquidity events in particular. Nordea's liquidity buffer is highly liquid consisting of 94% of central bank eligible securities at the end of 2008. In addition to the official Liquidity buffer held by Group Treasury, also other business units hold securities that can be used to increase liquidity (see table on page 62).

The aim of always maintaining a positive net balance of stable funding has been comfortably achieved throughout 2008. The yearly average for the net balance of stable funding was EUR 8.0bn (EUR 9.8bn).

Structural Interest Income Risk

Structural Interest Income Risk (SIIR) is the amount Nordea's accumulated net interest income would change during the next 12 months if all interest rates change by one percentage point.

SIIR reflects the mismatch in the balance sheet items and the off-balance- sheet items when the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives do not correspond exactly.

Nordea's SIIR management is based on policy statements resulting in different SIIR measures, targets and organisational procedures.

Policy statements focus on optimising financial structure, balanced risk taking and reliable earnings growth, identification of all significant sources of SIIR, measurement under stressful market conditions and adequate public information.

Group Treasury has the responsibility for the operational management of SIIR and for complying with Group wide targets.

SIIR measurement methods

The basic measures for SIIR are the two re-pricing gaps measuring the effect on Nordea's net interest income for a 12 months period of a one percentage point increase, respectively decrease, in all interest rates. The re-pricing gaps are calculated under the assumption that no new market transactions are made during the period.

Main elements of the customer behaviour and Nordea's decision-making process concerning Nordea's own rates are, however, taken into account.

For example in a low interest rate environment, when rates are decreasing further, the total decrease of rates cannot be applied to non-maturity deposits since rates cannot be negative.

Similarly in an increasing rate environment Nordea may choose not to increase interest rates on all customer deposits correspondingly.

SIIR analysis

At the end of the year, the SIIR for increasing market rates was EUR 55m (EUR 235m) and the SIIR for decreasing rates was EUR -218m (EUR -267m). These figures imply that net interest income would increase if interest rates rise and decrease if interest rates fall.

Funding sources 31 Dec 2008

EURm Liability type	Interest rate base	Average maturity	Amount
Deposits by credit institutions			
– Shorter than 3 months	Euribor etc	0.1	49,341
– Longer than 3 months	Euribor etc	0.8	2,591
Deposits and borrowings from the public			
– Deposits on demand	Administrative	0.0	107,393
– Other deposits	Euribor etc	0.4	41,198
Debt securities in issue			
– Certificates of deposits	Euribor etc	0.2	33,666
– Commercial papers	Euribor etc	0.2	10,440
– Mortgage covered bond loans	Fixed rate, market based	11.3	49,504
– Other bond loans	Fixed rate, market based	1.8	15,378
Derivatives		n.a.	85,538
Other liabilities		n.a.	23,774
Subordinated debentures			
– Dated subordinated debenture loans	Fixed rate, market based	6.4	6,268
– Undated subordinated debenture loans	Fixed rate, market based	n.a.	1,942
Equity		n.a.	17,803
Total (total liabilities and equity)			**444,836**
Liabilities to policyholders in the Life insurance operations		n.a.	29,238
Total (total liabilities and equity) including Life insurance operations			**474,074**

Net balance of stable funding (NBSF) 31 Dec 2008

Stable liabilities and equity

Liability type, EURbn	Amount
Equity and Core liabilities	
Deposits and borrowings from the public	127.3
Equity	17.8
Structural funding	
Long-term deposits from credit institutions	1.3
Long CD and CP	2.5
Long-term bonds issued	43.2
Total stable liabilities and equity	**192.0**

Stable long-term assets

Asset type, EURbn	Amount
Core assets	
Loans and receivables to the public	177.0
Long-term loans to credit institutions	5.7
Illiquid assets	1.6
Total stable long-term assets	**184.3**
Net balance of stable funding (NBSF)	**7.8**

Liquidity risk, contractual maturity analysis for financial liabilities

Contractual cash flows

EURm Remaining contractual maturity	31 Dec 2008 Payable on demand	Other within 1 year	1–5 year	>5 year	Total
Liabilities	123,721	165,481	72,692	82,052	443,945

EURm Remaining contractual maturity	31 Dec 2007 Payable on demand	Other within 1 year	1–5 year	>5 year	Total
Liabilities	117,726	103,097	46,232	55,906	322,960

Interest-bearing securities and treasury bills, by portfolio 31 December 2008

Group EURm	Liquidity buffer[1]	Trading portfolio	Life & Pensions	Other and elimina-tions	Group total
Assets at fair value and Held for trading[2]	**20,786**	**14,864**	**19,644**	**–8,289**	**47,005**
Held to maturity[3]	10,684		1,544		12,228
Available for sale	5			44	49
Total interest-bearing securities and treasury bills	**31,475**	**14,864**	**21,188**	**–8,245**	**59,282**

1) The total liquidity buffer amounts to EUR 35.9bn, including also other financial instruments of EUR 4.4bn.
2) Distribution by issuer type is presented in Note 48 on page 138.
3) Held to maturity includes mainly Mortgage institutions and Other credit institutions.

Structural Interest Income Risk (SIIR), Gap analysis 31 Dec 2008

Re-pricing gap for increasing interest rates

EURm Interest rate fixing period	Group Balance sheet	Within 3 months	3–6 months	6–12 months	1–2 years	2–5 years	>5 years	Non-repricing	Total
Assets									
Interest bearing assets	351,451	246,780	19,326	10,296	9,045	9,169	31,797	25,037	351,451
Non interest bearing assets	122,624	0	0	0	0	0	0	122,624	122,624
Total assets	**474,074**	**246,780**	**19,326**	**10,296**	**9,045**	**9,169**	**31,797**	**147,661**	**474,074**
Liabilities and equity									
Interest bearing liabilities	317,721	233,138	19,760	10,344	11,919	14,773	25,830	1,957	317,721
Non interest bearing	156,353	0	0	0	0	0	0	156,353	156,353
Total liabilities and equity	**474,074**	**233,138**	**19,760**	**10,344**	**11,919**	**14,773**	**25,830**	**158,310**	**474,074**
Off-balance-sheet items, net		**–6,060**	**–1,848**	**–870**	**4,538**	**4,539**	**–299**		
Exposure		**7,582**	**–2,283**	**–918**	**1,664**	**–1,065**	**5,669**	**–10,649**	
Cumulative exposure			**5,299**	**4,381**	**6,045**	**4,980**	**10,649**	**0**	

Capital management

Capital management

Nordea strives to attain efficient use of capital through active management of the balance sheet with respect to different asset-, liability- and risk categories.

The goal is to enhance returns to the shareholder while maintaining a prudent risk and return relationship.

Capital governance

The Board of Directors decides ultimately on the targets for capital ratios in Nordea.

Nordea's ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the ALCO and the Capital Planning Forum (CPF).

The CPF, headed by the CFO is the forum responsible for coordinating capital planning activities within the Group, including regulatory, internal and available capital. Additionally, the CPF reviews future capital requirements in the assessment of annual dividends, share repurchases, external and internal debt and capital injection decisions.

The CPF considers information on key regulatory developments, market trends for subordinated debt and hybrid instruments and reviews the capital situation in the Nordea Group and in key legal entities. In the CPF the CFO decides, within the mandate given by the Group Board, on issuance of subordinated debt and hybrid capital instruments. Meetings are held at least quarterly and upon request by the CFO.

With the approval in December 2008 to use internal ratings based approach for the major part of the retail customers, Nordea had 83% of the exposure covered by IRB approaches by the end of 2008. Nordea will continue to implement the internal ratings based approach for some remaining portfolios.

Nordea is also approved to use its own internal Value-at-Risk (VaR) models to calculate capital requirements for the major parts of the market risk in the trading books. For operational risk, the standardised approach is applied.

Capital structure policy and ICAAP

Based on the EU Capital Requirements Directive (CRD) rules Nordea in the revised capital policy aims at a target total capital ratio of 11.5% and a target tier 1 ratio of 9%. Both numbers are targets over a business cycle. Nordea maintains its target capital via its dividend as well as active management of its risk profile.

The capital structure policy is related to the Internal Capital Adequacy Assessment Process (ICAAP), which according to the CRD should for each bank have the purpose to review the management, mitigation and measurement of material risks to assess the adequacy of internal capital and to determine an internal capital requirement reflecting the risk appetite of the institution.

In 2008, Nordea's tier 1 capital and capital base exceeded the regulatory minimum requirements outlined in CRD. Considering results of capital adequacy stress testing, capital forecasting and growth expectations, Nordea assesses that the buffers held for regulatory capital purposes are sufficient.

Capital structure policy

	2008[1]	2007	Policy
Dividend pay-out ratio	19%	42%	>40%
Tier 1 ratio[2]	9.3%	8.3%	Target 9%[3]
Total capital ratio[2]	12.1%	10.9%	Target 11.5%[3]

[1] Proposal to the Annual General Meeting 2009.
[2] The ratios are calculated before transition rules.
[3] Target over a business cycle.

Capital adequacy ratios, EURbn

	31 Dec 2008	31 Dec 2007
RWA Basel II (pillar 1) before transition rules	168.6	171.5
RWA with transition rules	213.3	204.6
Regulatory Capital requirement with transition rules	17.1	16.4
Economic Capital (EC including NLP)	12.8	10.9
Tier 1 capital	15.8	14.2
Capital base	20.3	18.7
Core tier 1 ratio before transition rules (%)	8.5	7.4
Core tier 1 ratio with transition rules (%)	6.7	6.3
Tier 1 ratio before transition rules (%)	9.3	8.3
Tier 1 ratio with transition rules (%)	7.4	7.0
Capital ratio before transition rules (%)	12.1	10.9
Capital ratio with transition rules (%)	9.5	9.1
Capital base / Regulatory Capital requirement before transition rules (%)	151	136
Leverage ratio	26.6	22.7

Capital requirements and RWA

	31 Dec 2008		31 Dec 2007
EURm	Capital requirement	Basel II RWA	Basel II RWA
Credit risk	**12,060**	**150,746**	**156,952**
IRB foundation	9,537	119,207	83,865
– of which corporate	6,909	86,358	73,736
– of which institutions	1,016	12,699	9,302
– of which retail	1,465	18,313	–
– of which other	147	1,837	827
Standardised	**2,523**	**31,539**	**67,342**
– of which sovereign	75	940	243
– of which other	2,448	30,599	67,099
Basel I reporting entities	na	na	5,745
Market risk	**474**	**5,930**	**3,554**
– of which trading book, VaR	137	1,715	527
– of which trading book, non-VaR	270	3,372	3,027
– of which FX, non-VaR	67	843	0
Operational risk	**952**	**11,896**	**10,976**
Standardised	952	11,896	10,976
Sub total	**13,486**	**168,572**	**171,482**
Adjustment for transition rules			
Additional capital requirement according to transition rules	3,577	44,709	33,103
Total	**17,062**	**213,281**	**204,585**

In addition to Nordea's internal capital requirements, ongoing dialogues with third parties affect Nordea's capital requirements, in particular views of the external rating agencies.

Nordea uses its internal capital models, Economic Capital (EC), when considering internal capital requirements with and without market stress. As a number of Pillar II risks exist within Nordea's current EC framework – interest rate risk in the banking book, market risk in the investment portfolios, risk in Nordea's internal defined benefit plans, real estate risk, concentration risk and business risk – Nordea uses its existing internal capital measurements as the basis for any additional capital buffers, subject to the judgment of the aforementioned third parties.

Nordea's policy is to ensure that the capital base exceeds the internal capital requirement as well as the regulatory capital requirement

Dividends

Nordea aims to ensure competitive and predictable dividends with a dividend payout ratio exceeding 40 per cent of the net profit for the year. The dividend for 2008 is proposed to amount to EUR 0.20 per share corresponding to a payout ratio of 19% of net profit, compared to 0.50 EUR per share or 42% of net profit for 2007.

This proposed reduction of the dividend is intended as a temporary measure to, together with the rights offering, strengthen Nordea´s core capital position, and does not indicate a change in Nordea´s dividend policy.

The transition phase of Basel II creates a need to manage the bank using a variety of capital measurements and capital ratios. The table "Capital requirements and RWA" shows that the regulatory transition rules comprise a floor on Nordea's capital requirement when compared to Basel II (Pillar 1) minimum requirements.

This difference will fluctuate through the transition period as the floor gradually decreases and Nordea receives approval for internal ratings based models for other portfolios. At present, this difference is EUR 44.7bn expressed as RWA and EUR 3.6bn expressed as regulatory capital requirement.

At the end of 2008 Nordea's tier 1 ratio before transition rules was 9.3% and the total capital ratio was 12.1%. Including transition rules, the tier 1 ratio was 7.4% and the total capital ratio was 9.5%. The core tier 1 ratio before transition rules was 8.5% and including transition rules 6.7%.

In addition to regulatory requirements, Nordea has internal capital requirements based on the Economic Capital framework, which includes risks in Nordea's life insurance operations.

As such, the EC is compared to the capital base reversing the deduction for the life insurance operations.

Capital requirements – Pillar 1

The table "Capital requirements and RWA" shows an overview of the Pillar 1 capital requirements at the end of 2008 divided on the risk types. The credit risk comprises more than 89% (92%) of the pillar 1 requirement in Nordea. Out of the total pillar 1 requirement for credit risk 79% (53%) relate to IRB exposures, 21% (43%) to standardised exposures and 0% (4%) to Basel I reporting entities. In the IRB approach, 72% (88%) relate to the corporate exposure class, which under the foundation approach has an RWA average of 57% (55%) compared with 100% under Basel I. Operational risk, calculated with the standardised approach, constitutes 7% (6%) of the total pillar 1 requirement. Nordea benefits from the use of internal models to assess market risk, which constitutes 4% (2%) of the total pillar 1 requirement.

Further information on capital requirements and the calculation of RWA are available in Nordea's Pillar 3 Report 2008, on www.nordea.com.

Capital requirements for credit risk

In the standardised and IRB approach, the regulatory capital requirements for credit risk are calculated using the following formulas:

Minimum capital requirements = Risk weighted amounts x 8%
Risk Weighted Amounts = Risk weight x Exposure at default

The principles for the calculation of minimum capital requirements for credit risk differ between exposure classes, which serve as the basis for the reporting of capital requirements.

The definitions of exposure classes in the standardised approach differ from the classification in accordance with the IRB approach. Some exposure classes are derived from the type of counterparty while others are based on the asset type, product type, collateral type and exposure size.

The table "Capital requirements for credit risk" shows the exposure, exposure at default (EAD), average risk weight percent, RWA and capital requirement calculated using the IRB or standardised approach.

The exposure value of an on-balance sheet exposure in the IRB approach is measured gross of adjustments, ie provisioning. The EAD for the on-balance sheet items, derivative contracts and securities financing transactions and long settlement transactions is 100% of the original exposure. Off-balance sheet exposures are converted into EAD using credit conversion factors (CCF).

Capital requirements for market risks (risks in trading book)

The table "Capital requirements for market risk" shows required capital for market risk in the Nordea Group.

Of the EUR 5.9bn (3.6bn) in market risk RWA, approx. EUR 5.1bn (3.6bn) covers the trading book in Markets. Trading book VaR figures comprise general and specific interest rate risk, equity risk and foreign exchange risk for positions in those portfolios approved by the financial supervisors, for which Nordea is allowed to use its own internal Value-at-Risk (VaR) models.

Portfolios not reported with VaR models are reported according to the standardised approach (non-VaR figures in the table above) instead.

Capital requirements for operational risk

The capital requirement for operational risk is EUR 1.0bn (0.9bn) and is calculated using the standardised approach, in which all of the bank's activities are divided into eight business lines: corporate finance, trading & sales, retail

Capital requirements for credit risk 31 Dec 2008

Exposure class, EURm	Exposure	EAD	Average risk weight, %	RWA	Capital requirement
IRB approach					
Institutions	52,401	49,143	26	12,699	1,016
Corporate	214,072	152,015	57	86,358	6,909
Retail	120,390	116,045	16	18,313	1,465
– of which mortgage	86,788	86,236	10	8,925	714
– of which other retail	28,981	25,649	31	8,065	645
– of which SME	4,621	4,160	32	1,323	106
Other non-credit obligation assets	2,226	1,838	100	1,837	147
Total IRB approach	**389,088**	**319,042**	**37**	**119,208**	**9,537**
Standardised approach					
Central governments or central banks	19,752	20,959	4	840	67
Regional governments and local authorities	9,126	7,425	1	100	8
Institution	4,310	4,624	20	903	72
Corporate	30,402	20,960	99	20,719	1,658
Retail	13,864	9,739	77	7,469	598
Exposures secured by real estates	564	558	73	406	33
Other[1)]	2,327	2,210	50	1,099	88
Total Standardised approach	**80,346**	**66,476**	**47**	**31,538**	**2,523**
Total	**469,434**	**385,517**	**39**	**150,746**	**12,060**

1) Administrative bodies and non-commercial undertakings, multilateral developments banks, past due items, short term claims, covered bonds, and other items. Associated companies not included in exposure.

Capital requirements for market risk 31 Dec 2008

	Trading book, VaR		Trading book, non-VaR		Banking book, non-VaR		Total	
EURm	RWA	Capital requirement	RWA	Capital requirement	RWA	Capital requirement	RWA	Capital requirement
Interest rate risk	2,068	164	2,654	213	0	0	4,722	377
Equity risk	171	14	668	53	0	0	839	67
Foreign exchange risk	520	42	0	0	843	67	1,363	109
Commodity risk	0	0	50	4	0	0	50	4
Diversification effect	–1,044	–83	0	0	0	0	–1,044	–83
Total	**1,715**	**137**	**3,372**	**270**	**843**	**67**	**5,930**	**474**

banking, commercial banking, payment & settlement, agency services, asset management and retail brokerage.

The total capital requirement for operational risk is calculated as the simple sum of the capital requirements for each of the business lines within each group and legal entity. The risk for each business line is the beta coefficient times gross income.

The beta coefficients differ between business lines and are in the range from 12% to 18%.

Capital requirements – Pillar 2

Nordea base the internal capital requirements under the ICAAP on Nordea's Economic Capital framework.

Economic Capital (EC) at 31 December 2008 is calculated to EUR 12.8bn (EUR 10.9 bn). The pie chart show EC divided by customer area and risk type and demonstrate that a majority of Nordea's risk is held in the form of credit risk capital within Nordic corporate and personal customers in the Nordic Banking.

Nordea has calculated internal capital requirements using the EC framework since 2001. Pillar 1 of the CRD closes the gap between regulatory capital and EC by improving the risk sensitivity of regulatory capital measurement.

Nordea calculates EC for the following major risk types: credit risk, market risk, operational risk, business risk and life insurance risk. Additionally, the EC models explicitly account for interest rate risk in the banking book, market risk in the investment portfolios, risk in Nordea's internal defined benefit plans, real estate risk and concentration risk.

Quantitative models are used to estimate the unexpected losses for each of the risk types compiled into EC: Credit risk is calculated using a set of capital factors. The capital factors are developed for different products, customer segments and credit quality categories. The factors used for the corporate and institution segments have been estimated using a portfolio model, where probability of default, loss given default and exposure at default are inputs, and are reviewed and updated annually. This model is also used to consider Nordea's portfolio concentration and counterparty risk in Nordea's trading book. The parameter estimation framework used for EC is the foundation for the Basel II framework for IRB models for Nordea's credit exposures.

Market risk for the banking business is based on scenario simulation and Value-at-Risk (VaR) models scaled to the time horizon and confidence interval in place for EC. Additionally, Nordea uses VaR and simulation modelling to determine EC for interest rate risk in the banking book, market risk in investment portfolios, risk in Nordea's internal defined benefit t plans and real estate risk. For the Life insurance business an asset and liability management (ALM) model is used, which is based on scenarios generated by Monte Carlo simulation to capture embedded options in guarantee products.

Operational risk reflects the risk of direct or indirect loss resulting from inadequate or failed internal processes.

It is calculated according to the standardised approach within Basel II.

Business risk represents the earnings volatility inherent in all businesses due to the uncertainty of revenues and costs due to changes in the economic and competitive environment.

The main risk drivers are reputation risk, strategic risk, liquidity risk and indirect effects such as structural interest income risk. Business risk is calculated based on the residual volatility in historical profit and loss time series after adjustments for market, operational and credit risk.

Life insurance risk represents risk in the actuarial assumptions for mortality and morbidity used to price life insurance products. It is calculated as percentages of the EU minimum solvency requirement (death and disability risk) and technical provisions (longevity risk).

In order to achieve consistent risk measurement throughout Nordea, the measurement period is set to one year and the confidence level is 99.97% for all risk types. Nordea's total EC equals the amount needed to cover unexpected losses during one year in 99.97% of all possible cases.

The varied operations of Nordea give rise to considerable diversification benefits. However, when Nordea's EC risks are considered on a standalone basis, all unexpected losses are assumed to occur simultaneously.

Thus, Nordea uses a conservative correlation matrix approach to estimate the diversification benefits arising from its operations. For instance, credit risk and market risk are both highly correlated with the development of the general economy and thus highly correlated with each other, while life insurance risks and operational risks are not correlated at all. In the end, the diversification effects produce an EC that is lower than the sum of the EC for each risk type.

In addition to calculating EC, Nordea conducts a comprehensive capital adequacy stress test process to analyse the effects of a series of global and local shock scenarios. The results of stress testing are considered, along with potential management interventions, in Nordea's internal capital requirement.

Economic Profit (EP)
Nordea uses EP as one of its financial performance indicators. EP is calculated as risk-adjusted profit less cost of equity.

Risk-adjusted profit and EP are measures for shareholder value creation.

In investment decisions and customer relationships, EP drives and supports the right behaviour with a balanced focus on income, costs and risk. The EP model also captures both growth and return. EC and expected losses are used in the economic profit framework.

Expected losses
Expected losses reflect the normalised loss level of the individual credit exposure over a business cycle as well as various portfolios.

The average Expected Loss (EL) ratio used in the economic capital framework, calculated as EL divided by exposure at default (EAD), was 17 basis points as of end of 2008 (16 basis points as of end of 2007) excluding the sovereign and institution exposure classes. Nordea has the ambition to use the same parameters in internal calculations of economic capital and EL as in regulatory capital calculations. Therefore, the average EL ratio has been recalibrated as a consequence of the IRB Retail approval to be 22 basis points as of the end of 2008, based on the assumptions above. Going forward, this model change will affect the calculation of risk-adjusted profit for 2009 and 2008.

It should be noted that the Expected Loss ratio is a more stable measure than actual losses, but it will vary with the business cycle as a consequence of shifts in the repayment capacity (PD dimension) and collateral coverage (LGD dimension) distributions.

Capital base
Capital base (referred to as own funds in the CRD) is the sum of tier 1 capital and tier 2 capital after deductions.

Tier 1 capital is defined as capital of the same or close to the character of paid-up, capital-eligible reserves and a limited portion hybrid capital loan (perpetual loans) instruments (maximum 30% of tier 1). Profit may only be included after deduction of proposed dividend. Goodwill and deferred tax assets are deducted from tier 1.

Tier 2 is divided into perpetual loans and dated loans. The total tier 2 amount may not exceed tier 1. Dated tier 2 loans may not exceed half the amount of tier 1. The limits are set after deductions, i e, investment in insurance and other financial companies.

According to CRD, half of the deduction for the investment in insurance should be deducted from tier 1 capital and the remaining half from the sum of tier 1 and tier 2. However, a transitional rule valid until end of 2012 allows the invested capital in Nordea Life and Pension to be deducted from the sum of tier 1 and tier 2 capital.

Definition of Expected Loss (EL):
The EL is the normalised loss rate calculated based on the current portfolio. EL is measured using the formula: EL= PD x LGD x EAD, where

- PD is a measure of the probability that the counterpart will default.
- LGD is a measure of how much is expected to be lost in the event of default.
- EAD is a measure of the expected exposure in the event of default.

The differences between expected loss (EL) and provision made for the related exposures are adjusted for in the capital base. The negative difference (EL is larger than provision) is know as the "shortfall".

According to the CRD, the shortfall is deducted from the capital base. For the purpose of Basel II transitional rules, the shortfall is also deducted from the RWA to be neutral from a Basel I perspective.

Internal processes for capital transfer within Nordea are well-established and include the options of dividend and group contribution, subordinated and perpetual debt instruments and capital injections and issuance of shares.

In situations when the capital base needs to be increased in a subsidiary, the primary options are internal subordinated debt instruments or a capital injection from the parent company to increase the core capital.

Nordea is also defined as a financial conglomerate meaning that eg the requirements from bank (capital adequacy rules) and insurance (solvency rules) are added to ensure that the financial conglomerate has sufficient capital. Nordea has not experienced material limitations concerning the financial conglomerate regulation.

The capital requirements valid for financial conglomerates are stated in the Swedish law (Act (2006:531) on Financial Conglomerates (FC), which was implemented by the 1 July 2006. Detailed instructions and requirements are stated in FFFS 2006:6.

Institutions and insurance companies that have been defined as a financial conglomerate are required to hold a capital base that at all times are equal or above the consolidated capital requirements for the financial conglomerate. The capital base of the conglomerate has in Nordea been calculated with a combination of the consolidation method and the aggregation method. This means that the capital base for the conglomerate includes the capital base for the group of institutions and Nordea Life Holding AB. The corresponding capital requirements is calculated though an aggregation of the capital requirement in the group of institutions and the solvency requirement for the insurance activities within companies under Nordea Life Holding AB.

Pillar 3 disclosure, Capital adequacy and risk management

The disclosure in accordance with the Pillar 3 requirements according to the CRD in the Basel II framework is presented on www.nordea.com.

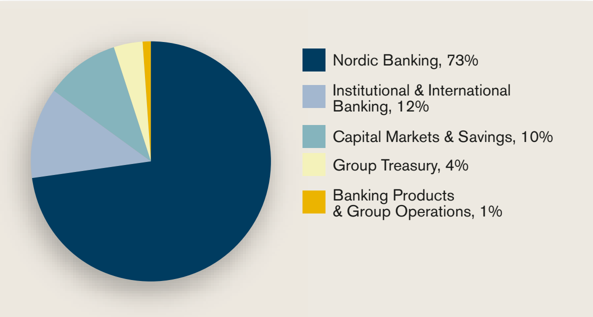
Summary of items included in capital base

EURm	31 Dec 2008	31 Dec 2007
Calculation of total capital base		
Equity	17,803	17,160
Proposed/actual dividend	–519	–1,300
Hybrid capital loans	1,447	1,409
Deferred tax assets	–58	–185
Intangible assets	–2,193	–2,374
IRB provisions excess (+)/shortfall (–)	–269	–30
Deduction for investments in credit institutions (50%)	–87	–80
Other items, net	–364	–370
Tier 1 capital (net after deduction)	**15,760**	**14,230**
– of which hybrid capital	1,447	1,409
Tier 2 capital	**6,097**	**6,075**
– of which perpetual subordinated loans	690	664
IRB provisions excess (+)/shortfall (–)	–269	–30
Deduction for investments in credit institutions (50%)	–87	–80
Other deduction	–1,175	–1,535
Total capital base	**20,326**	**18,660**

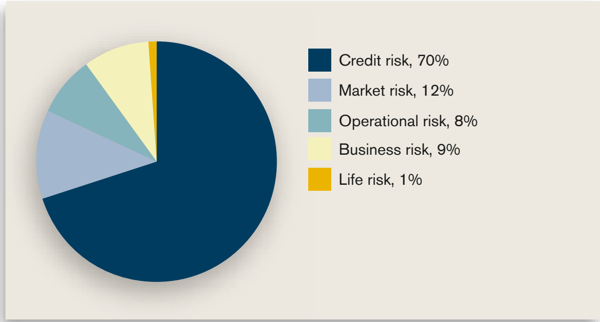
Capital situation of the financial conglomerate

mEUR	2008	2007
Capital base (net of deductions and adjustments)	21,540	20,252
Capital requirements	18,148	18,343
Excess capital	**3,392**	**1,909**

Economic Capital distributed by area, 31 Dec 2008



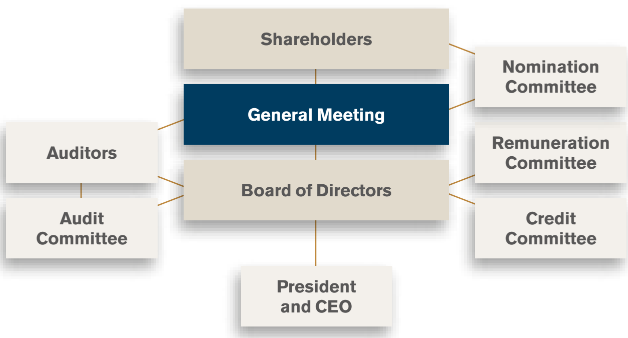
Economic Capital distributed by risk type, 31 Dec 2008



Corporate Governance

Strong corporate governance is all about companies having straightforward and systematic decision-making processes, thus giving clarity concerning responsibilities and avoiding conflict of interests. The processes should also be transparent in order for the shareholders to be able to take on responsibility and to influence the companies. Good corporate governance facilitates good business, gives competitive edge and enhances the trust in the capital market.

Corporate Governance



Corporate governance in Nordea follows generally adopted principles of corporate governance including the rules and principles of the Swedish Code of Corporate Governance (the Code).

Nordea has extensive experience in working across borders in the Nordic countries and takes an active part in the debate on how to develop corporate governance in the Nordic area. In line with this Nordea took part in Nasdaq OMX's work in respect of harmonisation of disclosure rules on the Nordic exchanges resulting in a new Rule book for issuers. The new rules entered into force 1 July 2008.

Division of powers and responsibilities

Pursuant to the provisions of the Swedish Companies Act, the Banking and Financing Business Act, the Articles of Association and the internal instructions laid down by the Board of Directors, the management and control of Nordea is divided among the shareholders (in the General Meeting), the Board of Directors and the President and CEO.

Pursuant to the Swedish Companies Act, the General Meeting is the Company's highest decision-making body, where the shareholders exercise their voting rights. At the General Meeting decisions are taken regarding the annual accounts, dividend, election of the Board of Directors and auditors, remuneration to Board members and auditors as well as other matters in accordance with applicable Swedish legislation, the Articles of Association and the Code.

General Meetings are held in Stockholm. In addition, like last year, local shareholder information meetings are held in Copenhagen and Helsinki prior to the AGM 2009. This will give the shareholders in Denmark and Finland the possibility to meet representatives of the Board of Directors and GEM in person and provide an opportunity for a closer dialogue.

For the minutes of the AGM held on 3 April 2008, see www.nordea.com.

Voting rights

According to the Articles of Association, shares may be issued in two classes, ordinary shares and C shares. All shares in Nordea carry voting rights, with each ordinary share entitled to one vote and each C share entitled to one tenth of one vote at General Meetings. At General Meetings, each shareholder is entitled to vote for the full number of shares that he or she owns or represents. Nordea is not entitled to vote for own shares at General Meetings. C shares are not entitled to any dividend.

The Articles of Association can be found on www.nordea.com. Changes in the Articles of Association are resolved at General Meetings in accordance with Swedish law.

Nomination process

The AGM 2008 decided to set up a Nomination Committee whose task in reference to the AGM 2009 is to propose Board members and Chairman of the Board, as well as remuneration to the Board members and auditors.

The Nomination Committee, established in accordance with the AGM resolution, consists of Hans Dalborg (Chairman of the Board) and of the four largest shareholders in terms of voting rights as of 31 August 2008, who wished to participate in the Committee, Viktoria Aastrup (the Swedish Government), Kari Stadigh (Sampo Plc), Mogens Hugo (Nordea-fonden) and Christer Elmehagen (AMF Pension). Viktoria Aastrup is chairman of the Nomination Committee. The appointment of members of the Nomination Committee was made public on 22 September 2008.

On 12 December, it was announced that AMF Pension has appointed the newly installed managing director, Ingrid Bonde, as new member of the Nomination Committee, replacing Christer Elmhagen.

The proposals of the Nomination Committee will be presented to the shareholders in the notice of the AGM 2009. A report on the work of the Committee, including explanation for proposals, will be available on www.nordea.com.

Nordea Board of Directors

Composition of the Board of Directors

According to the Articles of Association the Board of Directors shall consist of at least six and no more than fifteen members elected by shareholders at the General Meeting. The mandate period for the Board members is one year. Nordea has no specific retirement age for Board membership nor is there a time limit for how long a Board member may serve on the Board.

Further, according to the Articles of Association the aim shall be that the Board, as a whole, for its operations possesses the requisite knowledge and experience of the social, business and cultural conditions prevailing in the regions and market areas in which the Group's principal operations are conducted.

The Board currently consists of eleven members elected by the General Meeting. In addition three members and one deputy member are appointed by the employees. Employees have a right according to Swedish legislation to be represented in the board. The CEO of Nordea is not a member of the Board. The composition of the Board of Directors appears from the table on page 73 and further information about the Board members elected at the AGM 2008 is found in the separate section "Board of Directors", page 148.

Independence of the Board of Directors

Nordea complies with applicable rules regarding the independence of the Board. The Nomination Committee considers all Board members elected by the shareholders, apart from Björn Wahlroos, independent of the Company's major shareholders. Björn Wahlroos is managing director and CEO of Sampo Abp which, together with the subsidiary Försäkringsaktiebolaget Sampo Liv, own more than ten per cent of all shares and votes in Nordea Bank AB (publ).

All of the members elected by the shareholders are independent of the Company and its executive management, with the exception of Lars G Nordström and Stine Bosse. Lars G Nordström was employed as President and CEO of the Group until 13 April 2007. Stine Bosse is managing director and CEO of TrygVesta A/S. Companies within the Nordea Group have concluded agreements concerning sales of property general insurance products and sales of life and pension products with TrygVesta Forsikring A/S, a subsidiary of TrygVesta A/S. Thus the majority of the board members are independent in relation to the company and its management.

No Board member elected by the AGM is employed by or working in an operative capacity in the Company.

The Board members and the deputy Board member appointed by the employees are employed by the Group and therefore not independent of the Company.

The work of the Board of Directors

The work of the Board of Directors follows an annual plan, which also establishes the management reporting to the Board. The statutory meeting following the AGM 2008 appointed the vice Chairman and the Board Committee members. The Board has adopted rules of procedures for the Nordea Board of Directors (the Charter), containing *inter alia* rules pertaining to the areas of responsibility of the Board and the Chairman, the number of meetings, documentation of meetings and rules regarding conflicts of interest. Furthermore, the Board of Directors has adopted Instructions for the CEO specifying the CEO's responsibilities as well as other policies, instructions and guidelines for the operations of the Group.

The Board is charged with the organisation of Nordea and the management of the Company's operations and the overall management of the Nordea Group's affairs in accordance with applicable rules and regulations, the Code, the Articles of Association and the Charter. The Board shall ensure that the Company's organisation in respect of accounting, management of funds, and the Company's financial position in general includes satisfactory controls. The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained. Group Internal Audit (GIA) issues yearly to the Board an overall Assurance Statement on Nordea's risk management control and governance process. The assurance statement for 2008 concludes that the internal control system is adequate and effective. Further information about internal control within Nordea is given below under heading "Internal control". At least once a year the Board meets the external auditors without the CEO or any other Company executive being present.

During 2008 the Board held 15 meetings, 13 in Stockholm, one in Copenhagen and one in Riga. In addition three meetings were held per capsulam. During the year the Board follows up on the strategy, the financial position and development and risks on a regular basis. The financial targets and the strategy are reviewed annually. In addition, the Board dealt with for example reports on and issues related to financial markets turmoil and financial stability programmes, Internal Capital Adequacy Assessment Process (ICAAP), revised overall Group organisation and top management transition process, remuneration issues, assessment of CEO and transactions of significance.

Secretary of the Board of Directors is Lena Eriksson, Head of Group Legal, since May 2008 when she succeeded Kari Suominen as secretary.

The Chairman
The Chairman of the Board is elected by the shareholders at the AGM. According to the Charter, the Chairman shall see to that the Board work is conducted efficiently and that the Board fulfils its duties. The Chairman shall *inter alia* organise and lead the Board's work, keep in regular contact with the CEO, see to that the Board receives sufficient information and supporting data, and ensure that the work of the Board is evaluated annually in the self-evaluation process.

Evaluation of the Board
The Board of Directors annually carries out a self-evaluation process, through which the performance and the work of the Board is thoroughly evaluated and discussed by the Board. The evaluation is based on a methodology which includes questionnaires evaluating the Board as a whole and individual Board members as well as personal discussions between each Board member and the Chairman. The evaluation process is supported by an external advisory service firm.

Board Committees
An established principle in Nordea is that the members of the Board of Directors elected by the shareholders, in addition to working in plenary meetings, conduct their responsibilities in separate working committees. The duties of the Board Committees, as well as working procedures, are defined in specific instructions adopted by the Board. Each Committee regularly reports on its work to the Board. The minutes are communicated to the Board.

The Audit Committee
The Audit Committee assists the Board in fulfilling its oversight responsibilities by reviewing the Nordea Group's quarterly financial reporting, the external auditor's observations and conclusions on the Group's semi-annual and annual financial statements and external audit plan, as well as the systems of internal control established by the Board, the CEO and GEM, and the audit arrangement between Group Internal Audit (GIA) and the external auditors. The Committee is further responsible for the guidance and evaluation of GIA.

Members of the Audit Committee during 2008
Svein Jacobsen (Chairman, from AGM 2008)
Harald Arnkværn (Chairman, until AGM 2008)
Marie Ehrling (from AGM 2008)
Birgitta Kantola (until AGM 2008)
Claus Høeg Madsen (until AGM 2008)
Timo Peltola (from AGM 2008)
Ursula Ranin

The members of the Audit Committee are independent of the Company and the executive management of the Company, as well as of the Company's major shareholders.

The CEO and the Group Chief Audit Executive (CAE) are present at meetings with the right to participate in discussions, but not in decisions.

The Credit Committee
The Credit Committee continuously reviews and monitors adherence to the established Credit Policy and Strategy as well as Credit Instructions for the Nordea Group and evaluates the overall quality of the credit portfolio.

Members of the Credit Committee during 2008
Hans Dalborg (Chairman)
Harald Arnkværn (until AGM 2008)
Stine Bosse (from AGM 2008)
Marie Ehrling (until AGM 2008)
Lars G Nordström (from AGM 2008)
Heidi M. Petersen (from AGM 2008)
Tom Knutzen (until AGM 2008)
Timo Peltola (until AGM 2008)
Björn Wahlroos (from AGM 2008), and
Christian Clausen, CEO

The Head of Group Credit and Risk Control is present at meetings with the right to participate in discussions, but not in decisions.

The Remuneration Committee
The Remuneration Committee is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues. This includes proposals regarding the Company's guidelines for remuneration to the executive officers, the terms of employment for the CEO and the CAE and alterations of the terms of employment for GEM as a whole. At the request of the Board the Committee also prepares other issues of principle for the consideration of the Board. The CEO also consults with the Committee before determining the terms of employment of the individual members of GEM.

Members of the Remuneration Committee during 2008
Hans Dalborg (Chairman)
Kjell Aamot (until AGM 2008)
Tom Knutzen (from AGM 2008)
Timo Peltola
Björn Savén

The members of the Remuneration Committee are independent of the Company and the executive management of the Company, as well as of the Company's major shareholders.

The CEO participates in the meetings without the right to vote. The CEO does not participate in considerations regarding his own employment terms and conditions.

Meetings and attendance

The table shows the number of meetings held by the Board of Directors and its committees as well as the attendance of the individual Board members:

	Board of Directors	Audit Committee	Credit Committee	Remuneration Committee
Number of meetings	18	7	5	6
(of which per capsulam)	(3)	(–)	(–)	(–)
Meetings attended:				
Elected by AGM				
Hans Dalborg	18		5	6
Timo Peltola	18	5[1)]	2[2)]	6
Kjell Aamot[3)]	5			3
Harald Arnkværn[3)]	4	2	2	
Stine Bosse[4)]	12		3	
Marie Ehrling	18	5[1)]	2[2)]	
Svein Jacobsen[4)]	11	5		
Birgitta Kantola[3)]	5	1		
Tom Knutzen	16		2[2)]	3[1)]
Claus Høeg Madsen[3)]	5	2		
Lars G Nordström	18		3[1)]	
Heidi M. Petersen[4)]	13		3	
Ursula Ranin	17	6		
Björn Savén	18			6
Björn Wahlroos[4)]	13		2	
Christian Clausen, CEO[5)]	15		4	
Appointed by employees				
Kari Ahola (deputy 1 Nov 08–30 Apr 09)[8)]	16			
Bertel Finskas[6)] (deputy 1 Nov 07–30 Apr 08)	18			
Nils Q. Kruse (deputy 1 May 08–31 Oct 08)[8)]	16			
Steinar Nickelsen	17			
Lars Oddestad[7)]				

1) Committee member from AGM 2008.
2) Committee member until AGM 2008.
3) Board member and Committee member until AGM 2008.
4) Board member and Committee member from AGM 2008.
5) The CEO is not a Board member, but a member of the Credit Committee.
6) Board member until 31 December 2008.
7) Board member from 1 January 2009, replacing Bertel Finskas, who retired.
8) Change of position as per 1 November 2008 effective following the submission of the Annual Report.

The CEO and Group Executive Management

Nordea's President and CEO, Christian Clausen, is charged with the day-to-day management of Nordea Bank and the Nordea Group's affairs in accordance with laws and regulations, the Code, as well as instructions provided by the Board of Directors. The instructions regulate the division of responsibilities and the interaction between the CEO and the Board. The CEO works closely with the Chairman of the Board, for instance with planning of Board meetings.

The CEO is responsible to the Board for the management of the Nordea Group's operations and he is also responsible for developing and maintaining effective systems for internal control within the Group. The CEO works together with senior officers within the Group in GEM. Presently GEM consists of seven members and the CEO. GEM has recorded weekly meetings. These meetings are chaired by the CEO, who reaches decisions after consulting with the other members of GEM. Further information about the CEO and GEM is found in the separate section "Group Executive Management", page 150.

Remuneration to CEO and Group Executive Management including incentive systems

Approved guidelines for remuneration to the executive officers for 2008

The AGM 2008 approved the following guidelines for remuneration to the executive officers.

Nordea maintains remuneration levels and other conditions needed to recruit and retain executive officers with competence and capacity to deliver according to Group targets. Salaries and other remuneration in line with market levels is thus the overriding principle for compensation to executive officers within Nordea. The term executive officers includes the CEO of Nordea Bank AB (publ) and the executives reporting directly to him also being members of Group Executive Management.

Fixed salaries are paid for fully satisfactory performance. In addition, variable salary can be offered to reward performance meeting agreed specific targets. The variable salary shall as a general rule not exceed 35 per cent of fixed salary, and is determined by to what extent predetermined personal objectives are met and the level of customer satisfaction, return on equity, income growth or other financial targets are reached, respectively.

The AGM 2007 decided to introduce a share- and performance-based Long Term Incentive Programme which requires an initial investment in Nordea shares by the participants. According to the programme the remuneration is proposed to be given in the form of a right to acquire Nordea shares, and requires, for full outcome, that certain predetermined financial targets are reached. The programme has a cap. The underlying basic principles for compensation under the Long Term Incentive Programme are that the compensation shall be dependent on the creation of long term shareholder value and the fulfilment of Nordea's financial targets, which are based on the principles of risk adjusted profit and total shareholder return. On a yearly basis the Board of Directors will evaluate whether a similar incentive programme should be proposed to the Annual General Meeting. The members of Group Executive Management will be invited to join the Long Term Incentive Programmes. If the Annual General Meeting does not approve a Long Term Incentive Programme, the variable cash remuneration to Group Executive Management may be increased and shall as a general rule not exceed 50 per cent of fixed salary.

Non-monetary benefits are given as a means to facilitate Group Executive Management members' performance. The levels of these benefits are determined by what is considered fair in relation to general market practise. The members of Group Executive Management shall be offered retirement benefits in accordance with market practice in the country of which they are permanent residents. Notice and severance pay in total shall not exceed 24 months of fixed salary for members of Group Executive Management, apart from the CEO who during the first two years of his employment has an additional 6 months severance pay.

The Board of Directors may deviate from the guidelines stated above, if there in a certain case are special reasons for this.

Further information about remuneration is to be found in Note 8 on page 101.

Proposal for guidelines for remuneration to the executive officers for 2009

The Board of Directors will propose that the AGM 2009, in accordance with the Swedish Companies Act, approves the equivalent guidelines for remuneration to the executive officers for 2009 as was approved last year and is described above, with the following three amendments. Firstly, to better reflect Nordea's strategic challenges and long term financial targets the common criteria for determining the variable salary will be changed. Henceforward, the variable salary shall as a general rule not exceed 35% of fixed salary and be determined by to what extent predetermined financial, customer-related and personal objectives are met. Secondly, it is stated that any potential undertaking or commitment made by Nordea against a state or public authority in any guarantee agreement or any similar agreement which affect the remuneration of members of Group Executive Management will be observed. Thirdly, at the AGM 2009, the CEO has been employed two years and will no longer have a right to an additional 6 months severance pay.

Additional information to the Board of Directors' proposal for guidelines

Previous undertakings not yet due:

In accordance with the guidelines approved by AGM 2008 the remuneration for the CEO and other members of GEM consists of fixed and variable salary. The CEO and the four members of Group Executive Management being Country Senior Executives have on a voluntary basis decided to abstain from increase in the fixed salary year 2009 and from variable salary for the period January – April 2009.

Deviations from approved guidelines 2008:

No deviations have been made during 2008.

Estimated cost for variable remunerations in 2009:

It is estimated that the total cost for variable salaries, excluding Long Term Incentive Programmes, for GEM can reach a maximum of approx. EUR 1.4m.

The maximum cost 2009 for the Long Term Incentive Programme 2007, which will be expensed during 24 months in 2007–2009, allocated to GEM members, assuming maximum investments by all GEM members and that all criteria are fully met, will for 2009 amount to approx. EUR 0.3m. However, the expected cost based on 50% fulfilment of the performance criteria for this programme amounts to approx. EUR 0.2m. The calculated cost of the whole programme for GEM is approx. EUR 1.4m.

The maximum cost 2009 for the approved Long Term Incentive Programme 2008, which will be expensed during 24 months in 2008–2010, allocated to GEM members, assuming maximum investments by all GEM members and that all criteria are fully met, will for 2009 amount to approx. EUR 0.8m. However, the expected cost based on 50% fulfilment of the performance criteria for this programme amounts to approx. EUR 0.3m. The calculated cost of the whole programme for GEM is approx. EUR 0.6m.

The maximum cost 2009 for the proposed Long Term Incentive Programme 2009, which will be expensed during 24 months in 2009–2011, allocated to GEM members, assuming maximum investments by all GEM members and that all criteria are fully met, will for 2009 amount to approx. EUR 0.6m. However, the expected cost based on 50% fulfilment of the performance criteria for this programme amounts to approx. EUR 0.3m. The calculated cost of the whole programme for GEM is approx. EUR 1.0m.

Incentive systems

Long term incentive programmes

Nordea's Long Term Incentive Programme (LTIP 2007) was introduced in May 2007, targeting up to 400 managers and key employees identified as essential to the future development of the Group. The LTIP 2007 replaced an Executive Incentive Programme which had been in place as from 2003.

A requirement for the exercise of the A-D Rights granted in the LTIP 2007 was that the participant, with certain exemptions, remained employed within the Nordea Group during the initial two year vesting period and that all Nordea shares locked into the LTIP 2007 were kept during this period. The exercise of A Rights to acquire Matching Shares was, in addition to the conditions mentioned, not subject to any performance conditions.

The exercise of B-D Rights to acquire Performance Shares was, in addition to these conditions, subject to the fulfilment of certain performance conditions. For the B Rights the performance criteria related to growth in risk adjusted profit per share ("RAPPS") for 2007 compared to 2006. The minimum hurdle was 2% and the stretched target 15%. The growth in RAPPS was 14.71% and the participants will consequently, on the conditions stipulated, have a right to exercise 97.77% of their B Rights. For the C Rights the performance criteria also related to growth in RAPPS but for 2008 compared to 2007. The minimum hurdle was 2% and the stretched target 12%. The growth in RAPPS 2008 was 1.739% and thereby below the minimum hurdle, so the participants cannot exercise any of the C Rights. For the D Rights, the performance criterion was related to Nordea's TSR during both 2007 and 2008, in relation to the TSR of a group of Nordic and European financial companies. The stretched target was that Nordea's TSR had to be at least 10 %-points better than the peer group's TSR. Nordea's TSR 2007 - 2008 was 20.0 %-points better than the peers. The participants will consequently, on the conditions stipulated, have a right to exercise 100% of their D Rights. The LTIP 2007 received a 98% participation ratio among the invited managers and key employees and the participants locked in 99% of the permitted maximum number of shares.

The AGM 2008 approved a similar Long Term Incentive Programme (LTIP 2008). The minimum hurdle was 4% growth in RAPPS both for the B and C Rights and the stretched target was 12% also for both the B and C Rights. For the D Rights the performance criteria was related to Nordea's ranking when comparing Nordea's TSR year 2008 – 2009 to the TSR of the peer group. The growth in RAPPS 2008 was 1.739% and thereby below the minimum hurdle, so the participants cannot exercise any of the B Rights. The LTIP 2008 received a 94% participation ratio among the invited managers and key employees. 85% of the participants locked in 100% of the permitted maximum number of shares and the remaining 15% locked in average 71% of the permitted maximum number of shares.

The Board has decided to propose a similar Long Term Incentive Programme (LTIP 2009) to the AGM 2009.

The Board's main objective with the programmes is to strengthen Nordea's capability to retain and recruit the best talent for key leadership positions. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and value growth, to increased efforts by aligning their interests and perspectives with those of the shareholders. The proposal for LTIP 2009 will be presented to the shareholders in the notice of the AGM 2009. More information on the LTIP 2007 and LTIP 2008 is presented in Note 8.

Profit-sharing scheme

The profit sharing scheme is capped and not based on the value of the Nordea share. In 2008, a total of EUR 73m was provided for under Nordea's ordinary profit sharing scheme for all employees. For 2008, each employee can receive a maximum of EUR 3,200, of which EUR 2,000 is based on a pre-determined level of risk-adjusted profit, an additional EUR 600 based on the level of customer satisfaction and an additional EUR 600 based on Nordea's relative performance compared to a Nordic peer group as measured by return on equity.

The profit sharing scheme for 2009 has been changed in order to better reflect Nordea's aim to strengthen the customer relation. The level of customer satisfaction will be changed to relative customer satisfaction. The possible maximum outcome for the three parameters is unchanged. If all performance criteria are met, the cost of the scheme will amount to a maximum of approx. EUR 100m.

Internal control

Internal control is a process carried out by the Board of Directors, management and other staff within Nordea, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations,
- reliability of operational and financial reporting,
- compliance with external and internal regulations, and
- safeguarding of assets, including sufficient management of risks in operations.

Internal control is based on the control environment which includes the following elements: values and management culture, goal-orientation and follow-up, a clear and transparent organisational structure, segregation of duties, the four-eyes principle, quality and efficiency of internal communication and an independent evaluation process.

The framework for internal control aims at creating the necessary preconditions for the whole organisation to contribute to the effectiveness and the high quality of internal control.

The framework is based on clear definitions, assignments of roles and responsibilities, common tools and procedures, and is expressed in a common language. The main components of the framework are:

- risk management,
- measurement systems and reporting procedures,
- control activities, and
- management monitoring.

Report on the key aspects of the systems for internal control and risk management regarding financial reports according to the Code

The Board's Report on the key aspects of the systems for internal control and risk management regarding financial reports for the Financial Year 2008 is submitted in a separate section of the Corporate Governance Report 2008, which is attached to this annual report.

Internal audit

Group Internal Audit (GIA) is an independent function commissioned by the Board of Directors. The Audit Committee is responsible for guidance on and evaluation of GIA within the Nordea Group. The Group Chief Audit Executive (CAE) has the overall responsibility for GIA. The CAE reports functionally to the Board of Directors and the Audit Committee. The CAE reports administratively to the CEO. The Board of Directors approves the appointment and dismissal of the CAE.

GIA does not engage in consulting activity unless the Audit Committee gives it special assignments. The purpose of GIA's assurance activity is to add value to the organisation by assuring the quality of the risk management, control and governance process as well as promoting continuous improvement.

All activities, including outsourced activities and entities of the Group fall within the scope of GIA.

GIA operates free from interference in determining the scope of internal auditing, in performing its audit work, and in communicating its results. GIA is authorised to carry out all investigations and obtain all information that is required to discharge its duties. The work of GIA shall comply with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and the Standards for Information Systems Auditing issued by the Information Systems Audit and Control Association. The annual audit plans are based on a comprehensive risk assessment.

External audit
According to the Articles of Association one or two auditors shall be elected by the General Meeting of shareholders for a term of four years. At the re-election of auditors the General Meeting may decide that the assignment will continue for a term of three years. At the AGM 2003 KPMG Bohlins AB was re-elected auditor for the time period up to the end of the AGM 2007. Following a tender process KPMG Bohlins AB was re-elected auditor at the AGM 2007 for a period up to the end of the AGM 2011. A new auditor-in-charge, Carl Lindgren, was designated. On 25 September 2008 the name of the firm was changed to KPMG AB.

Corporate Governance Report
Nordea's Corporate Governance Report 2008 is attached to this annual report. The report, including the Report on the key aspects of the systems for internal control and risk management regarding financial reports, has not been reviewed by the auditors.

Financial statements
Contents

5-year overview – Group

Income statement

EURm	2008	2007	2006	2005	2004
Net interest income	5,093	4,282	3,869	3,663	3,495
Net fee and commission income	1,883	2,140	2,074	1,935	1,794
Net gains/losses on items at fair value	1,028	1,209	1,042	776	685
Equity method	24	41	68	67	55
Other income	172	214	312	132	98
Total operating income	**8,200**	**7,886**	**7,365**	**6,573**	**6,127**
General administrative expenses:					
Staff costs	–2,568	–2,388	–2,251	–2,082	–2,021
Other expenses	–1,646	–1,575	–1,485	–1,455	–1,466
Depreciation, amortisation and impairment charges of tangible and intangible assets	–124	–103	–86	–131	–168
Total operating expenses	**–4,338**	**–4,066**	**–3,822**	**–3,668**	**–3,655**
Loan losses	–466	60	257	137	–27
Disposals of tangible and intangible assets	0	3	8	6	300
Operating profit	**3,396**	**3,883**	**3,808**	**3,048**	**2,745**
Income tax expense	–724	–753	–655	–779	–667
Net profit for the year	**2,672**	**3,130**	**3,153**	**2,269**	**2,078**

Balance sheet

EURm	2008	2007	2006	2005	2004[1]
Treasury bills and interest-bearing securities	51,375	43,975	35,744	31,727	38,371
Loans and receivables to credit institutions	23,903	24,262	26,792	31,578	24,774
Loans and receivables to the public	265,100	244,682	213,985	188,460	161,060
Derivatives	86,838	31,498	24,207	28,876	26,366
Other assets	46,858	44,637	46,162	44,908	29,503
Total assets	**474,074**	**389,054**	**346,890**	**325,549**	**280,074**
Deposits by credit institutions	51,932	30,077	32,288	29,790	30,156
Deposits and borrowings from the public	148,591	142,329	126,452	115,550	104,704
Liabilities to policyholders	29,238	32,280	31,041	26,830	23,480
Debt securities in issue	108,989	99,792	83,417	82,609	59,579
Derivatives	85,538	33,023	24,939	28,602	26,675
Subordinated liabilities	8,209	7,556	8,177	7,822	5,818
Other liabilities	23,774	26,837	25,254	21,386	16,986
Equity	17,803	17,160	15,322	12,960	12,676
Total liabilities and equity	**474,074**	**389,054**	**346,890**	**325,549**	**280,074**

1) Reclassification of non-cash collaterals to "Financial instruments pledged as collateral" (included in "Other assets" in the table above) from "Treasury bills" and "Interest-bearing securities" have not been done for 2004.

Ratios and key figures

	2008	2007	2006	2005	2004
Basic earnings per share, EUR	1.03	1.20	1.21	0.86	0.74
Diluted earnings per share, EUR	1.03	1.20	1.21	0.86	0.74
Share price, EUR	5.00	11.42	11.67	8.79	7.43
Total shareholders' return, %	–46.9	6.4	32.3	27.5	29.8
Proposed/actual dividend per share, EUR	0.20	0.50	0.49	0.35	0.28
Equity per share, EUR	6.84	6.58	5.89	4.98	4.63
Shares outstanding, million	2,590	2,593	2,591	2,592	2,735
Diluted shares outstanding, million	2,592	2,594	2,591	2,592	2,735
Return on equity, %	15.3	19.7	22.9	18.0	16.9
Assets under management, EURbn	125.6	157.1	158.1	147.6	126.1
Cost/income ratio, %	53	52	52	56	60
Tier 1 capital ratio, before transition rules,%	9.3	8.3			
Total capital ratio, before transition rules,%	12.1	10.9			
Tier 1 capital ratio, %	7.4	7.0	7.1	6.8	7.3
Total capital ratio, %	9.5	9.1	9.8	9.2	9.5
Tier 1 capital, EURm	15,760	14,230	13,147	11,438	10,596
Risk-weighted amounts[1)], EURbn	213	205	185	169	145
Number of employees (full-time equivalents)	34,008	31,721	29,248	28,925	28,929
Risk-adjusted profit, EURm	2,459	2,417	2,107	1,783	
Economic profit, EURm	1,432	1,585	1,412	1,127	
Economic capital, EURbn	11.8	10.2	9.3	8.7	
EPS, risk-adjusted, EUR	0.95	0.93	0.81	0.67	
RAROCAR, %	20.8	23.6	22.7	20.6	
MCEV, EURm	2,624	3,189	2,873	2,283	

1) RWA according to Basel I for the years 2004–2006.

5-year overview – Parent company

Income statement

EURm	2008	2007	2006	2005	2004
Net interest income	523	360	365	444	470
Net fee and commission income	468	463	481	432	435
Net gains/losses on items at fair value	–13	194	186	–38	75
Dividends	2,063	1,323	4,739	1,023	1,422
Other income	190	127	130	122	155
Total operating income	**3,231**	**2,467**	**5,901**	**1,983**	**2,557**
General administrative expenses:					
Staff costs	–632	–596	–568	–500	–499
Other expenses	–473	–514	–501	–536	–544
Depreciation, amortisation and impairment charges of tangible and intangible assets	–103	–101	–99	–99	–103
Total operating expenses	**–1,208**	**–1,211**	**–1,168**	**–1,135**	**–1,146**
Loan losses	–80	25	18	13	–33
Impairment of securities held as financial non-current assets	–26	–	–	–309	–111
Disposals of tangible and intangible assets	0	0	–	–1	–
Operating profit	**1,917**	**1,281**	**4,751**	**551**	**1,267**
Appropriations	–40	–44	–33	595	26
Income tax expense	11	–34	–76	–229	–37
Net profit for the year	**1,888**	**1,203**	**4,642**	**917**	**1,256**

Balance sheet

EURm	2008	2007	2006	2005	2004[1)]
Treasury bills and interest-bearing securities	12,178	5,783	5,426	5,379	6,265
Loans and receivables to credit institutions	43,855	36,824	36,970	26,638	23,749
Loans and receivables to the public	29,240	26,640	21,501	19,069	17,492
Investments in group undertakings	15,866	15,488	16,561	16,551	16,741
Other assets	11,895	9,743	8,979	7,094	3,601
Total assets	**113,034**	**94,478**	**89,437**	**74,731**	**67,848**
Deposits by credit institutions	34,713	24,275	23,971	20,784	22,885
Deposits and borrowings from the public	33,457	32,296	30,482	26,579	25,669
Debt securities in issue	17,949	13,839	12,638	10,248	3,532
Subordinated liabilities	6,829	6,151	6,397	5,540	3,526
Other liabilities/untaxed reserves	7,615	6,007	3,940	3,296	3,035
Equity	12,471	11,910	12,009	8,284	9,201
Total liabilities and equity	**113,034**	**94,478**	**89,437**	**74,731**	**67,848**

1) Reclassification of non-cash collaterals to "Financial instruments pledged as collateral" (included in "Other assets" in the table above) from "Treasury bills" and "Interest-bearing securities" have not been done for 2004.

Quarterly development

Group EURm	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	2008	2007
Net interest income	1,386	1,296	1,230	1,181	1,143	1,092	1,043	1,004	5,093	4,282
Net fee and commission income (spec. 1)	390	480	518	495	526	531	548	535	1,883	2,140
Net gains/losses on items at fair value	325	221	198	284	316	264	338	291	1,028	1,209
Equity method	45	–25	22	–18	12	10	9	10	24	41
Other income	105	24	24	19	145	17	19	33	172	214
Total operating income	**2,251**	**1,996**	**1,992**	**1,961**	**2,142**	**1,914**	**1,957**	**1,873**	**8,200**	**7,886**
General administrative expenses (spec. 2):										
Staff costs	–655	–635	–634	–644	–615	–596	–592	–585	–2,568	–2,388
Other expenses	–461	–395	–406	–384	–429	–372	–391	–383	–1,646	–1,575
Depreciation, amortisation and impairment charges of tangible and intangible assets	–34	–30	–33	–27	–29	–25	–25	–24	–124	–103
Total operating expenses	**–1,150**	**–1,060**	**–1,073**	**–1,055**	**–1,073**	**–993**	**–1,008**	**–992**	**–4,338**	**–4,066**
Profit before loan losses	**1,101**	**936**	**919**	**906**	**1,069**	**921**	**949**	**881**	**3,862**	**3,820**
Loan losses	–320	–89	–36	–21	6	13	28	13	–466	60
Disposals of tangible and intangible assets	0	0	0	0	3	–2	1	1	0	3
Operating profit	**781**	**847**	**883**	**885**	**1,078**	**932**	**978**	**895**	**3,396**	**3,883**
Income tax expense	–144	–192	–190	–198	–226	–171	–162	–194	–724	–753
Net profit	**637**	**655**	**693**	**687**	**852**	**761**	**816**	**701**	**2,672**	**3,130**
Diluted earnings per share (EPS)	0.25	0.25	0.27	0.26	0.33	0.29	0.31	0.27	1.03	1.20
EPS, rolling 12 months up to period end	1.03	1.11	1.15	1.19	1.20	1.21	1.26	1.23	1.03	1.20

Spec. 1 **Net fee and commission income**, EURm	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	2008	2007
Asset Management commissions	115	130	141	146	192	182	196	192	532	762
Life insurance	71	62	70	67	74	63	67	66	270	270
Brokerage	53	47	63	54	59	65	68	68	217	260
Custody	20	22	18	24	19	19	20	21	84	79
Deposits	11	12	10	12	10	9	9	9	45	37
Total savings related commissions	**270**	**273**	**302**	**303**	**354**	**338**	**360**	**356**	**1,148**	**1,408**
Payments	105	107	106	104	111	108	107	108	422	434
Cards	80	91	86	87	89	92	88	73	344	342
Total payment commissions	**185**	**198**	**192**	**191**	**200**	**200**	**195**	**181**	**766**	**776**
Lending	63	83	85	68	49	70	71	68	299	258
Guarantees and documentary payments	39	35	35	34	34	35	35	32	143	136
Total lending related commissions	**102**	**118**	**120**	**102**	**83**	**105**	**106**	**100**	**442**	**394**
Other commission income	33	42	53	48	40	40	39	37	176	156
Fee and commission income	**590**	**631**	**667**	**644**	**677**	**683**	**700**	**674**	**2,532**	**2,734**
Life insurance	–12	–18	–17	–20	–17	–15	–15	–21	–67	–68
Payment expenses	–73	–74	–73	–67	–81	–69	–65	–55	–287	–270
State guarantee fees	–50	–	–	–	–	–	–	–	–50	–
Other commission expenses	–65	–59	–59	–62	–53	–68	–72	–63	–245	–256
Fee and commission expense	**–200**	**–151**	**–149**	**–149**	**–151**	**–152**	**–152**	**–139**	**–649**	**–594**
Net fee and commission income	**390**	**480**	**518**	**495**	**526**	**531**	**548**	**535**	**1,883**	**2,140**

Spec. 2 **General administrative expenses**, EURm	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	2008	2007
Staff	–655	–635	–634	–644	–615	–596	–592	–585	–2,568	–2,388
– of which variable salaries	–61	–49	–53	–64	–63	–44	–55	–57	–227	–219
Information technology[1)]	–167	–144	–135	–130	–150	–138	–126	–124	–576	–538
Marketing	–28	–19	–30	–25	–35	–17	–29	–23	–102	–104
Postage, telephone and office expenses	–51	–49	–50	–53	–52	–41	–51	–53	–203	–197
Rents, premises and real estate expenses	–94	–92	–94	–89	–96	–86	–84	–85	–369	–351
Other	–121	–91	–97	–87	–96	–90	–101	–98	–396	–385
Total	**–1,116**	**–1,030**	**–1,040**	**–1,028**	**–1,044**	**–968**	**–983**	**–968**	**–4,214**	**–3,963**

1) Refers to IT operations, service expenses and consultant fees. Total IT–related costs in 2008, including staff etc, but excluding IT expenses in insurance operations, were EUR –666m (2007: EUR –654m).

Income statement

EURm	Note	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Operating income					
Interest income		16,753	12,909	3,646	2,741
Interest expense		–11,660	–8,627	–3,123	–2,381
Net interest income	3	**5,093**	**4,282**	**523**	**360**
Fee and commission income		2,532	2,734	622	618
Fee and commission expense		–649	–594	–154	–155
Net fee and commission income	4	**1,883**	**2,140**	**468**	**463**
Net gains/losses on items at fair value	5	1,028	1,209	–13	194
Profit from companies accounted for under the equity method	23	24	41	–	–
Dividends	6	–	–	2,063	1,323
Other operating income	7	172	214	190	127
Total operating income		**8,200**	**7,886**	**3,231**	**2,467**
Operating expenses					
General administrative expenses:					
Staff costs	8	–2,568	–2,388	–632	–596
Other expenses	9	–1,646	–1,575	–473	–514
Depreciation, amortisation and impairment charges of tangible and intangible assets	10, 25, 26	–124	–103	–103	–101
Total operating expenses		**–4,338**	**–4,066**	**–1,208**	**–1,211**
Loan losses	11	–466	60	–80	25
Impairment of securities held as financial non-current assets	22	–	–	–26	–
Disposals of tangible and intangible assets		0	3	0	0
Operating profit		**3,396**	**3,883**	**1,917**	**1,281**
Appropriations	12	–	–	–40	–44
Income tax expense	13	–724	–753	11	–34
Net profit for the year		**2,672**	**3,130**	**1,888**	**1,203**
Attributable to:					
Shareholders of Nordea Bank AB (publ)		2,671	3,121	1,888	1,203
Minority interests		1	9	–	–
Total		**2,672**	**3,130**	**1,888**	**1,203**
Basic earnings per share, EUR	14	1.03	1.20		
Diluted earnings per share, EUR	14	1.03	1.20		

Balance sheet

		Group		Parent company	
EURm	Note	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Assets					
Cash and balances with central banks		3,157	5,020	276	296
Treasury bills	15	6,545	5,193	2,098	567
Loans and receivables to credit institutions	16	23,903	24,262	43,855	36,824
Loans and receivables to the public	16	265,100	244,682	29,240	26,640
Interest-bearing securities	17	44,830	38,782	10,080	5,216
Financial instruments pledged as collateral	18	7,937	4,790	3,097	2,806
Shares	19	10,669	17,644	1,107	2,034
Derivatives	20	86,838	31,498	3,562	1,281
Fair value changes of the hedged items in portfolio hedge of interest rate risk	21	413	–105	27	–4
Investments in group undertakings	22	–	–	15,866	15,488
Investments in associated undertakings	23	431	366	2	30
Intangible assets	24	2,535	2,725	757	819
Property and equipment	25, 26	375	342	81	53
Investment property	27	3,334	3,492	–	–
Deferred tax assets	13	64	191	28	34
Current tax assets	13	344	142	76	52
Retirement benefit assets	37	168	123	–	–
Other assets	28	14,604	7,724	2,099	1,940
Prepaid expenses and accrued income	29	2,827	2,183	783	402
Total assets		**474,074**	**389,054**	**113,034**	**94,478**
Liabilities					
Deposits by credit institutions	30	51,932	30,077	34,713	24,275
Deposits and borrowings from the public	31	148,591	142,329	33,457	32,296
Liabilities to policyholders	32	29,238	32,280	–	–
Debt securities in issue	33	108,989	99,792	17,949	13,839
Derivatives	20	85,538	33,023	2,756	1,581
Fair value changes of the hedged items in portfolio hedge of interest rate risk	21	532	–323	42	–69
Current tax liabilities	13	458	300	0	0
Other liabilities	34	17,970	22,860	4,229	4,014
Accrued expenses and prepaid income	35	3,278	2,762	465	341
Deferred tax liabilities	13	1,053	703	0	2
Provisions	36	143	73	3	2
Retirement benefit obligations	37	340	462	118	129
Subordinated liabilities	38	8,209	7,556	6,829	6,151
Total liabilities		**456,271**	**371,894**	**100,561**	**82,561**
Untaxed reserves	39	–	–	2	7
Equity	40				
Minority interests		78	78	–	–
Share capital		2,600	2,597	2,600	2,597
Other reserves		–888	–160	–5	5
Retained earnings		16,013	14,645	9,876	9,308
Total equity		**17,803**	**17,160**	**12,471**	**11,910**
Total liabilities and equity		**474,074**	**389,054**	**113,034**	**94,478**
Assets pledged as security for own liabilities	41	95,507	79,708	3,360	3,054
Other assets pledged	42	10,807	6,304	9,504	7,270
Contingent liabilities	43	26,287	24,254	21,947	14,066
Commitments excluding derivatives	44	88,434	87,006	24,139	29,474
Derivative commitments	20, 44	3,802,101	3,405,332	104,378	299,852

Statement of recognised income and expense

EURm	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Currency translation differences during the year	–1,233	–26	–	–
Currency hedging of net investment in foreign operations	691	–24	–	–
Available-for-sale investments:				
Valuation gains/losses taken to equity	–	1	–	7
Transferred to profit or loss on sale for the year	–6	–	–7	–
Cash flow hedges:				
Gains/losses taken to equity	–7	–	–7	–
Group contributions	–	–	–19	–55
Tax on items taken directly to or transferred from equity	–173	0	9	13
Net income recognised directly in equity	**–728**	**–49**	**–24**	**–35**
Net profit for the year	2,672	3,130	1,888	1,203
Total recognised income and expense for the year	**1,944**	**3,081**	**1,864**	**1,168**
Attributable to:				
Shareholders of Nordea Bank AB (publ)	1,943	3,072	1,864	1,168
Minority interests	1	9	–	–
Total	**1,944**	**3,081**	**1,864**	**1,168**

Cash flow statement

	Group		Parent company	
EURm	2008	2007	2008	2007
Operating activities				
Operating profit	3,396	3,883	1,917	1,281
Adjustment for items not included in cash flow	–594	–292	–1,912	–1,443
Income taxes paid	–534	–591	–8	–76
Cash flow from operating activities before changes in operating assets and liabilities	**2,268**	**3,000**	**–3**	**–238**
Changes in operating assets				
Change in treasury bills	1,020	–1,601	–1,455	996
Change in loans and receivables to credit institutions	–1,526	2,091	–3,723	–4,372
Change in loans and receivables to the public	–41,085	–30,365	–2,700	–5,140
Change in interest-bearing securities	704	–6,109	–2,346	–1,342
Change in financial assets pledged as collateral	–3,148	5,706	–291	–2,208
Change in shares	6,323	–3,141	950	–1,287
Change in derivatives, net	–792	924	–975	37
Change in investment properties	137	–262	–	–
Change in other assets	–6,903	3,085	1,617	4,703
Changes in operating liabilities				
Change in deposits by credit institutions	24,670	–2,438	10,437	304
Change in deposits and borrowings from the public	16,558	15,484	1,161	1,814
Change in liabilities to policyholders	–687	1,238	–	–
Change in debt securities in issue	15,137	16,349	4,110	1,200
Change in other liabilities	–1,837	458	207	1,412
Cash flow from operating activities	**10,839**	**4,419**	**6,989**	**–4,121**
Investing activities				
Acquisition of business operations	–81	–28	–412	–350
Sale of business operations	–	42	2	1,572
Acquisition of investments in associated undertakings	–41	–9	–	0
Sale of investments in associated undertakings	135	61	110	11
Acquisition of property and equipment	–162	–157	–45	–23
Sale of property and equipment	12	18	1	1
Acquisition of intangible assets	–132	–119	–29	–37
Sale of intangible assets	6	–	–	–
Investments in debt securities, held to maturity	–10,938	–149	–2,518	–
Purchase/sale of other financial fixed assets	17	–10	–	0
Cash flow from investing activities	**–11,184**	**–351**	**–2,891**	**1,174**
Financing activities				
Issued subordinated liabilities	500	–	500	–
Amortised subordinated liabilities	–	–315	–	–281
New share issue	3	3	3	3
Repurchase of own shares incl change in trading portfolio	–10	8	–16	–3
Dividend paid	–1,297	–1,271	–1,297	–1,271
Cash flow from financing activities	**–804**	**–1,575**	**–810**	**–1,552**
Cash flow for the year	**–1,149**	**2,493**	**3,288**	**–4,499**
Cash and cash equivalents at the beginning of year	7,097	4,650	1,609	6,108
Exchange rate difference	–1,254	–46	0	0
Cash and cash equivalents at the end of year	4,694	7,097	4,897	1,609
Change	**–1,149**	**2,493**	**3,288**	**–4,499**

Comments on the cash flow statement

The cash flow statement has been prepared in accordance with IAS 7. The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Operating activities

Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for non-cash items includes:

	Group		Parent company	
EURm	2008	2007	2008	2007
Depreciation	114	103	101	101
Impairment charges	10	0	28	0
Loan losses	530	24	101	1
Unrealised gains/losses	–973	–264	–243	–139
Capital gains/losses (net)	–83	–43	–88	–11
Change in accruals and provisions	173	85	–269	–99
Anticipated dividends	–	–	–1,593	–1,072
Group contributions	–	–	–177	–248
Translation differences	1,216	–307	–142	2
Change in bonus potential to policyholders	–2,033	–42	–	–
Other	452	152	370	22
Total	**–594**	**–292**	**–1,912**	**–1,443**

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

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

	Group		Parent company	
EURm	2008	2007	2008	2007
Interest payments received	16,230	12,579	3,504	2,602
Interest expenses paid	11,429	8,131	3,020	2,334

Investing activities

Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial assets. Aggregated cash flows arising from acquisition and sale of business operations are presented separately and consist of:

	Group	
EURm	2008	2007
Acquisition of business operations		
Cash and cash equivalents	4	218
Loans and receivables to credit institutions	–	31
Loans and receivables to the public	394	445
Interest-bearing securities	–	148
Shares	–	1
Property & equipment and intangible assets	32	330
Other assets	5	1
Total assets	**435**	**1,174**
Deposits by credit institutions	–	–286
Liabilities and borrowings from the public	–340	–393
Debt security in issue	–	–25
Other liabilities and provisions	–10	–224
Total liabilities	**–350**	**–928**
Purchase price paid[1]	**–85**	**–246**
Cash and cash equivalents in acquired business operations	4	218
Net effect on cash flow	**–81**	**–28**

[1] Including translation difference, see also Note 54 Acquisitions.

	Group	
EURm	2008	2007
Sale of business operations		
Cash and cash equivalents	–	7
Loans and receivables to the public	–	89
Property & equipment and intangible assets	–	4
Other assets	–	1
Total assets	**–**	**101**
Deposits by credit institutions	–	–59
Other liabilities and provisions	–	–2
Total liabilities	**–**	**–61**
Capital gain/loss on sold business operations	–	9
Purchase price received	**–**	**49**
Cash and cash equivalents in sold business operations	–	–7
Net effect on cash flow	**–**	**42**

Financing activities

Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/amortised subordinated liabilities.

Cash and cash equivalents

The following items are included in Cash and cash equivalents assets:

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Cash and balances with central banks	3,157	5,020	276	296
Loans and receivables to credit institutions, payable on demand	1,537	2,077	4,621	1,313
	4,694	**7,097**	**4,897**	**1,609**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;

– the central bank or the postal giro system is domiciled in the country where the institution is established
– the balance on the account is readily available any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Notes to the financial statements

Note 1 Accounting policies

Table of contents

1. Basis for presentation

Nordea'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 complementary rules in the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies (1995:1559), the recommendation RFR 1.1 "Supplementary Accounting Rules for Groups" and UFR statements issued by the Swedish Financial Reporting Board as well as the accounting regulations of the Financial Supervisory Authority (FFFS 2008:25) have also been applied.

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

On 17 February 2009 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 2 April 2009.

2. Comparative figures

The comparative figures for 2007 include effects of changes in the presentation described in section 3 "Changed accounting policies and presentation" below.

3. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2007 Annual Report, except for the presentation of received dividends and treasury bills and other eligible bills presented separately below.

An addition to the accounting policies has furthermore been made, as an amendment to IAS 39 and IFRS 7 was published in October with effective date 1 July 2008. The impact from this amendment was that financial assets can, in rare circumstances or when the assets meet the definition of loans and receivables, be reclassified out of the fair value through profit or loss category if the assets are no longer held for the purpose of selling or repurchasing in the near term. Nordea has made no reclassification as a consequence of this amendment.

Presentation of received dividends

Received dividends are recognised as "Net gains/losses on items at fair value" and have therefore, to some extent, been reclassified from the item "Dividends". The impact on the income statement in 2008 and on the comparative figures is disclosed in the table below.

	2008		2007	
EURm	Restated	Pre policy change	Restated	Reported
Net gains/losses on items at fair value	1,028	1,016	1,209	1,187
Dividends	–	12	–	22

Presentation of treasury bills and other eligible bills

The balance sheet line "Treasury bills and other eligible bills" has been changed to "Treasury bills". Central- and local government securities are classified as "Treasury bills" and any other interest bearing security as "Interest-bearing securities". The impact on the applicable balance sheet lines is described in the table below.

	31 Dec 2008		31 Dec 2007	
EURm	Restated	Pre policy change	Restated	Reported
Treasury bills	6,545	11,550	5,193	8,503
Interest-bearing securities	44,830	39,825	38,782	35,472

Forthcoming changes in IFRSs

IASB has revised IFRS 3 "Business Combinations", IAS 1 "Presentation of Financial Statements", IAS 23 "Borrowing Costs", amended IAS 27 "Consolidated and Separate Financial Statements", IAS 32 "Financial Instruments: Presentation", IAS 39 "Financial instruments: Recognition and Measurement", IFRS 2 "Share-based Payment" and published the new standard IFRS 8 "Operating segments" as well as "Improvement to IFRSs". These new or updated standards will come into force on 1 January 2009, except for IFRS 3, parts of IAS 27 and IAS 39, which will come into force on 1 July 2009 applicable for Nordea as from 2010. It is voluntarily to adopt these new standards already in 2008, but Nordea has chosen not to implement in advance.

If implemented in advance, IAS 23 would have had a limited impact on the valuation of developed intangible and tangible assets and IFRS 8 would have had an impact on the presentation of operating segments.

In addition to changes in these standards, new interpretations not mandatory for Nordea in 2008, but allowed to implement in advance, that are relevant for Nordea have been published (IFRIC 13, 14, 16). The assessment is that none of these interpretations would have had a significant impact on Nordea if implemented in advance.

The abovementioned new, revised and amended standards and interpretations not yet implemented would, if implemented in 2008, have had only an insignificant impact on Nordea's capital adequacy.

4. Critical judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of estimates and assumptions by management. The estimates are based on past experience and assumptions that management believes are fair and reasonable. These estimates and the judgement behind them affect the reported amounts of assets, liabilities and off-balance sheet items, as well as income and expenses in the financial statements presented. Actual outcome can later, to some extent, differ from the estimates and the assumptions made.

Certain accounting policies are considered to be particularly important to the financial position of Nordea, since they require management to make difficult, complex or subjective judgements and estimates, the majority of which relate to matters that are inherently uncertain. These critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments.
- the impairment testing of:
  - goodwill and
  - loans and receivables.
- the actuarial calculations of pension liabilities.
- the actuarial calculations of liabilities to policyholders.
- claims in civil lawsuits.

Fair value measurement

Critical judgement is exercised when determining fair value of OTC Derivatives and other financial instruments that lack quoted prices or recently observed market prices in the following areas:

- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value.
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters that are observable.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies.

See also the separate section 10 "Determination of fair value of financial instruments" and Note 48 "Assets and liabilities at fair value".

Impairment testing

Goodwill

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. This consists of an analysis to assess whether the carrying amount of goodwill is fully recoverable. The determination of the recoverable amount involves establishing the value in use, measured as the present value of the cash flows expected from the cash-generating unit, to which the goodwill has been allocated.

The forecasts of future cash flows are based on Nordea's best estimates of future revenues and expenses for the cash-generating units to which goodwill has been allocated. A number of assumptions and estimates have significant effect on these calculations and include parameters like macroeconomic assumptions, market growth, business volumes, margins and cost effectiveness. Changes to any of these parameters, following changes in market conditions, competition, strategy or other, affects the forecasted cash flows and may result in impairment charges of goodwill.

See also the separate section 15 "Intangible assets" and Note 24 "Intangible assets".

Loans and receivables

When testing individual loans for impairment, the most critical judgement, containing the highest uncertainty, relates to the estimation of the most probable future cash flows generated from the customer.

When testing a group of loans collectively for impairment, the key aspect is to identify the events and/or the observable data that indicate that losses have been incurred in the group of loans. Assessing the net present value of the cash flows generated by the customers in the group contains a high degree of uncertainty when using historical data and the acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

See also the separate section 13 "Loans and receivables" and Note 16 "Loans and receivables and their impairment".

Actuarial calculations of pension liabilities related to employees

The Projected Benefit pension Obligation (PBO) for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used. The most important financial parameter is the discount rate. Other parameters like assumptions as to salary increases and inflation are fixed based on the expected long-term development of these parameters. The fixing of these parameters at year-end is disclosed in Note 37 "Retirement benefit obligations".

The major part of the assets covering the pension liabilities is invested in liquid assets and valued at market price at year-end. The expected return on plan assets is fixed taking into account the asset composition and based on long-term expectations on the return on the different asset classes. The expected return is also disclosed in Note 37 "Retirement benefit obligations".

See also the separate section 21 "Pensions to employees" and Note 32 "Liabilities to policyholders".

Actuarial calculations for liabilities to policyholders

The liabilities to policyholders consist of long-term obligations with some insurance contracts having long durations. A valuation of these liabilities includes estimations and assumptions, both financial and actuarial. One of the important financial assumptions is the interest rate used for discounting future cash flows. Other important actuarial assumptions are mortality and disability assumptions, which affect the size and timing of the future cash flows. The financial and actuarial assumptions are, to a large extent, stipulated in local legislation and therefore not under Nordea's discretion. Also assumptions for future administrative and tax expenses effect the calculation of policyholder liabilities.

See also the separate section 18 "Liabilities to policyholders" and Note 43 "Contingent liabilities".

Claims in civil lawsuits

Within the framework of the normal business operations, Nordea faces a number of 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 Nordea or its financial position.

5. Principles of consolidation

Consolidated entities

The consolidated financial statements include the accounts of the parent company Nordea Bank AB (publ), and those entities that meet the definition of a subsidiary according to IAS 27. This definition is generally fulfilled when the parent company owns, directly or indirectly through group undertakings, more than 50 per cent of the voting rights or otherwise has the power to govern the financial and operating policies of the entity.

All Group undertakings are consolidated using the purchase method, except for the forming of Nordea in 1997–98 when the holding in Nordea Bank Finland Plc was consolidated using the pooling method. Under the purchase method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The acquisition cost to the Group is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is established as the fair values of recognised identifiable assets, liabilities and contingent liabilities. The cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for the net assets acquired, plus any costs directly attributable to the business combination. When the cost of the business combination exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is immediately recognised in the income statement.

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

Equity and net income attributable to minority interests are separately disclosed in the balance sheet and income statement.

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

Investments in associated undertakings

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

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

Special Purpose Entities (SPE)

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

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

SPEs used to allow clients to hold investments are structures that allow one or more clients to invest in an asset or set of assets (e.g. mutual funds), which are generally purchased by the SPE. The risks and rewards of the assets held by the SPE entirely reside with the clients. Typically, Nordea will receive service and commission fees for the creation of the SPE, or because it acts as investment manager, custodian or in some other function. Nordea is the investment manager and has sole discretion about investments and other administrative decisions, but has no or only an insignificant amount of capital invested. In most instances, SPEs used to allow clients to hold investments are not consolidated as Nordea's legal and contractual rights and obligations indicate that Nordea does not have the power to govern the financial and operating policies of these entities. Nordea consequently does not have the objective of obtaining benefits from its activities through such power. Nor does Nordea have the majority of the residual- or ownership risk.

The number of SPEs that Nordea has created is limited. The SPEs that are consolidated in the Group are further described in Note 22 "Investments in Group undertakings".

Principles of elimination

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

Currency translation of foreign entities

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

Goodwill and fair value adjustments arising from the acquisition of group undertakings are treated as local currency assets and liabilities and are also translated at the closing rate.

Information on the most important exchange rates is disclosed in the separate section 27 "Exchange rates".

Changes in Group structure

There have been no significant changes in the Group structure during the year. A business combination has, on the other hand, been effected as Nordea has acquired nine branches, which constitute a business under IFRS 3, from Roskilde Bank. See Note 54 "Acquisitions" for more information.

6. Recognition of operating income

Net interest income

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

Interest income and interest expense related to all balance sheet items in Markets and Life are recognised in the income statement on the line "Net gains/losses on items at fair value". Interest income and expense connected to internal placements by and internal funding of Markets are replaced with the related Group external interest income and interest expense.

Net fee and commission income

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

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

Income from issued financial guarantees and expenses from bought financial guarantees are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense" respectively.

Net gains/losses on items at fair value

Realised and unrealised gains and losses, including net interest in Markets and Life, on financial instruments measured at fair value are recognised in the item "Net gains/losses on items at fair value".

Realised and unrealised gains and losses derive from:

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

Life insurance

Gains and losses derived from assets in Life are split on the above-mentioned income lines in the note.

The note lines Change in technical provisions, Life and Change in collective bonus potential, Life, correspond mainly to the part of the financial result transferred to the policyholders within Life. Nordea has disclosed these lines separately in the note. Premiums received, and repayments to policyholders, related to the financial risk are reported in the balance sheet as increases or decreases in deposits. See further information in section 18 "Liabilities to policyholders".

The insurance risk result is separated from the financial risk result and is presented separately in the note. As the net income is not material in comparison with the other income and expense lines in the income statement, this result is presented within the note as Insurance risk income, Life and Insurance risk expense, Life.

Dividends

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

Profit from companies accounted for under the equity method

The profit from companies accounted for under the equity method is defined as the post-acquisition change in Nordea's share of net assets in the associated companies. Profits from companies accounted for under the equity method are reported in the income statement post-taxes. Consequently, tax expense related to these profits is excluded from the income tax expense for Nordea.

The change in Nordea's share of the net assets is based on the external reporting provided by the associates and affects the financial statements of Nordea in the period in which the information is available.

Other operating income

Net gains from divestments of shares and other operating income, not related to any other income line, are generally recognised when the transactions have been finalised.

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

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

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

In some cases, Nordea enters into transactions where it transfers assets that are recognised on the balance sheet, but retains either all or a portion of risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are reclassified to the item "Financial instruments pledged as collateral" in the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include e.g. security lending agreements and repurchase agreements.

Financial liabilities, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterpart, i.e. on settlement date.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within 12 "Financial instruments", as well as Note 50 "Obtained collaterals which are permitted to be sold or repledged".

8. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity is decided based upon the primary economic environment in which the entity operates. The parent company Nordea Bank AB (publ) uses two functional currencies for reporting in consolidated accounts, based on the different activities in the underlying business.

Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net gains/losses on items at fair value".

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in equity, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting equity when consolidating the group undertaking into Nordea. Any ineffectiveness is recognised in the income statement in the item "Net gains/losses on items at fair value".

9. Hedge accounting

IAS 39 includes principles and rules concerning accounting for hedging instruments and the underlying hedged item, so-called hedge accounting. All derivatives are measured at fair value. Nordea applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities.

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

According to IAS 39 there are three forms of hedge accounting:

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

Fair value hedge accounting

Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged will be recognised separately in the income statement in the item "Net gains/losses on items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result will be close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged item in a portfolio hedge of interest rate risks is reported separately from the portfolio in "Fair value changes of the hedged items in portfolio hedge of interest rate risk" in accordance with IAS 39.

Fair value hedge accounting in Nordea is performed mainly on a portfolio basis. The effectiveness of the hedging relationships is consequently measured and evaluated so that any ineffectiveness is affecting the income statement under the item "Net gains/losses on items at fair value".

Cash flow hedge accounting

Cash flow hedge accounting is used for the hedging of exposure to variations in future interest payments on asset or liabilities with variable interest rates. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised in the item "Net gains/losses on items at fair value" in the income statement.

Gains or losses on hedging instruments recognised directly in equity are recognised in the income statement in the same period as interest income or interest expense from the hedged asset or liability.

Hedges of net investments
See separate section 8 "Translation of assets and liabilities denominated in foreign currency".

Hedging instruments
The hedging instruments used in Nordea are predominantly interest rate swaps. Currency interest rate swaps and cash instruments are only utilised in a few transactions. Cash instruments are only used as hedging instruments when hedging currency risk.

Hedged items
According to IAS 39 a hedged item can be a single asset or liability as well as a group of assets or liabilities with similar risk characteristics. Hedged items in Nordea consist of both individual assets or liabilities and portfolios of assets or liabilities.

Hedge effectiveness
The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

If the hedge relationship does not fulfil the requirements, hedge accounting will be terminated. The change in the unrealised value of the derivatives will, prospectively from the last time it was last proven effective, be accounted for in the income statement at fair value through profit or loss. For fair value hedges, the change in the fair value on the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item. In cash flow hedges, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net gains/losses on items at fair value" in the income statement.

10. Determination of fair value of financial instruments
Financial assets and liabilities classified as financial assets/liabilities at fair value through profit or loss and derivative instruments are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item "Net gains/losses on items at fair value".

Fair value is defined by IAS 32 and IAS 39 as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:
- Treasury bills.
- Interest-bearing securities.
- Shares.
- Derivatives (listed derivatives).
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab).

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. Nordea is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:
- Treasury bills (when quoted prices in an active market are not available).
- Loans and receivables to the public (mortgage loans in the Danish subsidiary Nordea Kredit Realkreditaktieselskab).
- Interest-bearing securities (when quoted prices in an active market are not available).
- Shares (when quoted prices in an active market are not available).
- Derivatives (OTC-derivatives).

Fair value is calculated as the theoretical net present value of the individual contracts, based on independently sourced market parameters and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment. The portfolio adjustment covers uncertainties associated with the valuation techniques, model assumptions and unobservable parameters as well as the portfolio's counter party credit risk and liquidity risk. The portfolio adjustment for model risk comprises two components:
- Benchmarking of the model output (market values) against market information or against results from alternative models, where available.
- Sensitivity calculations where unobservable parameters are varied to take other reasonable values.

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are fully based on data from observable markets. By data from observable markets, Nordea considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data is used, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the contract

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

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

For further information, see Note 48 "Assets and liabilities at fair value".

11. Cash and cash equivalents
Cash and cash equivalents consist of cash and balances with central banks where the following conditions are fulfilled:
- The central bank is domiciled in a country where Nordea is operating under a banking licence.
- The balance is readily available at any time.

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

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

12. Financial instruments
Classification of financial instruments
Each financial instrument within the scope of IAS 39 has been classified into one of the following categories:

Financial assets:
- Financial assets at fair value through profit or loss:
  - Held for trading.
  - Financial assets upon initial recognition designated at fair value through profit or loss (Fair Value Option).

- Loans and receivables.
- Held to maturity investments.
- Available for sale financial assets.

Financial liabilities:
- Financial liabilities at fair value through profit or loss:
  - Held for trading.
  - Financial liabilities upon initial recognition designated at fair value through profit or loss (Fair Value Option).
- Other financial liabilities.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured in the balance sheet and how changes in its value are recognised. In Note 47 "Classification of financial instruments" the classification of the financial instruments in Nordea's balance sheet is presented.

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

The category consists of two sub-categories; Held for trading and Financial assets/financial liabilities upon initial recognition designated at fair value through profit or loss (Fair value option).

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

The major parts of the sub-categories Financial assets/financial liabilities upon initial recognition designated at fair value through profit or loss are mortgage loans and related issued bonds in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and interest-bearing securities, shares and investment contracts in Life. Assets and liabilities in Nordea Kredit Realkreditaktieselskab are classified as upon initial recognition designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. Interest-bearing securities, shares and investment contracts in Life also belongs to this category, as a consequence of that these assets and liabilities are managed on a fair value basis.

Nordea also applies the Fair value option on certain financial assets and financial liabilities related to Markets. The classification stems from that Markets is managing and measuring all its financial assets and liabilities to fair value. Consequently, all financial assets and financial liabilities in Markets are classified as Financial assets and financial liabilities at fair value through profit or loss.

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

Held to maturity investments
Held-to-maturity investments are initially recognised in the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as "Loan losses" in the income statement. See section 13 "Loans and receivables" for more information on the identification and measurement of objective evidence of impairment.

Available for sale financial assets
Available for sale financial assets are measured at fair value. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised directly in the revaluation reserves in equity. Interest is recognised as interest income in the income statement. Foreign exchange effects and impairment losses from Available for sale financial assets are recognised in the income statement in the item "Net gains/losses on items at fair value".

When an available for sale financial assets is disposed of, the accumulated fair value changes that previously have been recognised in equity are removed from equity and recognised in the income statement in the item "Net gains/losses on items at fair value".

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

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

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative actually meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net gains/losses on items at fair value".

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

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

Borrowed securities are recognised off balance sheet in the item "Assets pledged as security for own liabilities".

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

Interest income and expense generated from these transactions are recognised in "Net gains/losses on items at fair value".

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

Securities received under reverse repurchase agreements are recognised off-balance sheet in the item "Assets pledged as security for own liabilities".

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

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

Derivatives

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

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

Financial guarantee contracts

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

The contractual amounts from financial guarantees are recognised off-balance sheet in the item "Contingent liabilities".

13. Loans and receivables

Loans and receivables not measured at fair value are measured at amortised cost (see also the separate section 7 "Recognition and derecognition of financial instruments in the balance sheet" as well as Note 47 "Classification of financial instruments").

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

Impairment test of loans attached to individual customers

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

In the process to conclude whether there is objective evidence of impairment, an assessment is performed to estimate the most probable future cash flows generated by the customer. These cash flows are then discounted by the effective interest rate giving the net present value. Collaterals received to mitigate the credit risk will be assessed at fair value. If the carrying amount of the loan is higher than the net present value of the estimated future cash flows, including the fair value of the collaterals, the loan is impaired.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of loans attached to groups of customers

All loans not impaired on an individual basis are collectively assessed for impairment. The loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. Nordea monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in a group. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

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

For corporate customers and bank counterparts, Nordea uses the existing rating system as a basis when assessing the credit risk. Nordea uses historical data on probability of default to estimate the risk for a default in a rating class. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency to oil prices etc. Personal customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, Liquidity and Capital management.

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

Impairment loss

If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows, including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses will be recorded as changes in the allowance account and as "Loan losses" in the income statement.

If the impairment loss is regarded as final, it is reported as a realised loss. A realised loss is recognised and the value of the loan and the related allowance for impairment loss are derecognised with a corresponding gain or loss recognised in the line item "Loan losses" in the income statement. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer and, if applicable, to a group of loans.

Restructured loans

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

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans, shares issued by the obligor or other assets. Financial assets that are foreclosed are classified as Available for sale (see section 12 "Financial instruments") and any other asset is reported on the same balance sheet line as similar assets already held by Nordea. For example a property taken over, not held for Nordea's own use, is reported together with other investments properties. At initial recognition, all assets taken over for protection of claims are valued at fair value. The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset.

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. Consequently, the credit loss line is after the initial recognition of the asset taken over not affected by any subsequent remeasurement of the asset.

14. Leasing

Nordea as lessor

Finance leases

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

Operating leases

Assets subject to operating leases in the balance sheet are reported in accordance with the nature of the assets, in general as property and equipment. Leasing income is recognised as income on a straight-line basis over the lease term. The depreciation of the leased assets is calculated on the basis of Nordea's depreciation policy for similar assets and reported as depreciation on property and equipment in the income statement.

Nordea as lessee

Finance leases

In the consolidated accounts finance leases are recognised as assets and liabilities in the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

Operating leases

For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of the user's benefit. The lease terms range between 3 to 25 years.

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

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements were initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefits from appreciation in value of the leased property. In addition, the lease term is not for the major part of the assets' economic life. These leases are thus classified as operating leases. The rental expense for these premises is recognised on the basis of the time-pattern of Nordea's economic benefit which differs from the straight-line basis and better resembles an ordinary rental arrangement.

Embedded leases

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

15. Intangible assets

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking at the date of acquisition. Goodwill on acquisition of group undertakings is included in "Intangible assets". Goodwill on acquisitions of associates is included in "Investments in associated undertakings". Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

As part of its transition to IFRS, Nordea elected to restate only those business combinations that occurred on or after 1 January 2004. In respect of acquisitions prior to that date, goodwill represents the amount recognised under Nordea's previous accounting framework (Swedish generally accepted accounting principles) less any impairment losses.

Computer software

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

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

Customer related intangible assets

When acquiring customer related contracts the fair value of these contracts is recognised as customer related intangible assets. Amortisation is recognised over the expected lifetime of the contracts.

Other intangible assets

Expenditure on acquired patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, generally 5 years.

Impairment

Goodwill and other intangible assets with indefinite useful lives are not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

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

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates cash inflows in relation to the asset. For goodwill, the cash generating units are defined as segments presented in section 25 "Segment reporting"per acquired legal entity. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a discount rate determined as the cost of equity, estimated according to standard capital asset pricing. If the recoverable amount is less than the carrying amount, an impairment loss is recognised.

16. Property and equipment

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

Depreciation is calculated on a straight-line basis as follows:

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

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

17. Investment property

Investment properties are primarily properties held to earn rent and capital appreciation. The majority of the properties in Nordea are attributable to Life. Investment properties are measured at fair value. The best evidence of a fair value is normally given by current prices on an active market for similar property in the same location and condition. In the absence of current prices on an active market, discounted cash flow projections based on reliable estimates of future cash flows are used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net gains/losses on items at fair value".

18. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder".

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period. It is Nordea's assessment that a risk percentage of five or higher is a significant insurance risk.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature.
  - Unit-Linked contracts with significant insurance risk.
  - Health and personal accident.
- Investment contracts:
  - Investment contracts with discretionary participation feature.
  - Investment contracts without discretionary participation feature.

Insurance contracts

The measurement principles under local GAAP have been maintained consequently resulting in a non-uniform accounting policies method on consolidation.

Traditional life insurance provisions represent consolidated provisions for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland, Denmark, Poland, Luxembourg, Isle of Man, Estonia and Lithuania.

In Denmark, Sweden and Finland the measurements are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision, in addition, includes bonus potential on paid policies and on future premiums.

The measurement of insurance contracts in Finland has during 2008 changed from a retrospective method to a market consistent prospective method similar to the method for Swedish and Danish insurance contracts. The difference between the retrospective value and the prospective market value at the date of change is recognised as "Collective bonus potentials" and this has thus not had an impact on the income statement or balance sheet.

In Norway the provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates and assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is closely related to solvency rules, and national regulation concerning profit sharing and other requirements about collective bonus potential.

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either with or without an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis in the same way as general insurance contracts.

Investment contracts

Investment contracts are contracts with policyholders, which do not transfer sufficient insurance risk to be classified as insurance contracts.

However, investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured to fair value in accordance with IAS 39, Financial instruments, equal to fair value of the assets linked to these contracts. These assets are classified as upon initial recognition designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-features (Collective bonus potential) are classified as liabilities in the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included in the balance sheet representing either Change in technical provisions, Life and/or Change in collective bonus potentials, Life, depending on whether the investment result is allocated or not. Both the mentioned lines are included in the balance sheet line "Liabilities to policyholders".

Liability adequacy test
The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

19. Taxes
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement, except to the extent that the tax effect relates to items recognised directly in equity, in which case the tax effect is recognised in equity.

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

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

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

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

20. Earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank AB by the weighted average number of ordinary shares outstanding during the period (including rights in the long term incentive programmes that are vested). Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise rights to performance shares in the long term incentive programmes. These rights are considered dilutive to the degree performance criteria are met at the reporting date.

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

Most pensions in Denmark, but also certain Finnish plans, are based on defined contribution plans that hold no pension liability for Nordea. Nordea also contributes to public pension systems.

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

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised prior service cost and the fair value of any plan assets are deducted. Actuarial calculations, performed annually, are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note 37 "Retirement benefit obligations").

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

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

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

22. Equity
Minority interests
Minority interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank AB (publ).

Other reserves
Other reserves comprise income and expenses, net after tax effects that are reported in equity in accordance with IFRS. These reserves include revaluation reserves in accordance with IAS 39 (Fair value reserve and Cash flow hedges) as well as translation differences in accordance with IAS 21.

Retained earnings
Apart from undistributed profits from previous years, retained earnings include the equity portion of untaxed reserves.

Untaxed reserves according to national rules are recorded as equity net of deferred tax at prevailing tax rates in respective country.

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

Treasury shares
Treasury shares are not accounted for as assets. Acquisition of treasury shares is recorded as a deduction of retained earnings. Also own shares in trading portfolios are classified as treasury shares.

Contracts on Nordea shares that can be settled net in cash are either a financial asset or financial liability.

23. Share-based payment

Nordea has issued Long-Term Incentive Programmes in 2007 and 2008. Employees participating in these programmes are granted share-based and equity-settled rights, i.e. rights to acquire shares in Nordea at a significant discount to the share price at grant date. According to IFRS 2, the value of such rights is to be expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date, and is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in D-rights are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

Social security costs are also allocated over the vesting period, in accordance with statement UFR 7 issued by the Swedish Financial Reporting Board: "IFRS 2 and social security contributions for listed enterprises". The provision for social security costs is reassessed on each reporting occasion to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note 8 "Staff costs".

24. Related-party transactions

Nordea defines related parties as:
- Shareholders with significant influence.
- Group undertakings.
- Associated undertakings.
- Key management personnel.
- Other related parties.

Shareholders with significant influence
Shareholders with significant influence are shareholders that, by any means, have a significant influence over Nordea. At present no shareholder in Nordea is considered having such significant influence.

Group undertakings
For the definition of Group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the Nordea Group is found in Note 22 "Investments in group undertakings".

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

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

Further information on the associated undertakings included in the Nordea Group is found in notes 23 "Investments in associated undertakings"

Key management personnel
Key management personnel includes the following positions:
- The Board of Directors.
- The Chief Executive Officer (CEO).
- The Group Executive Management (GEM).

For information about compensation and pensions to key management personnel, see Note 8 "Staff costs". Information concerning other transactions between Nordea and key management personnel is found in Note 53 "Related-party transactions".

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

Information concerning transactions between Nordea and other related parties is found in Note 53 "Related-party transactions".

25. Segment reporting

Segment reporting structure
Financial results are presented for the two main Customer areas, Nordic Banking and Institutional and International Banking. The Customer operations which are not included in Nordic Banking or Institutional and International Banking are included in Other Customer operations as well as the result that is not fully allocated to any of the customer areas. These include International Private Banking and Funds as well as customer operations within Life and Other.

In the product dimension disclosed in the Board of Directors' Report, Savings Products & Asset Management, Life & Pensions as well as Capital Markets Products are reported separately.

Group Corporate Centre, which is reported separately, is responsible for the finance, accounting, planning and control activities. It is furthermore responsible for the capital management and treasury operations. The latter includes funding, asset and liability management as well as the Group's own centralised market risk-taking in financial instruments.

Within Nordea, customer responsibility is fundamental. Nordea's total business relations with customers are reported in the customer responsible unit's income statement and balance sheet.

Economic Capital
Capital allocation is based on the internal framework for calculating economic capital, which reflects each business unit's actual risk exposure considering credit and market risk, insurance risk as well as operational and business risk. This framework optimises utilisation and distribution of capital between the different business areas. Standard tax is applied when calculating risk-adjusted return on economic capital (RaRoCar).

Economic Capital is allocated to business areas according to risks taken. As a part of net interest income, business units receive a capital benefit rate corresponding to the expected average medium-term risk-free return. The cost above LIBOR from issued subordinated debt is also included in the Customer areas' net interest income based on the respective use of Economic Capital.

Economic Profit constitutes the internal basis for evaluating strategic alternatives as well as for the evaluation of financial performance.

Allocation principles
Costs are allocated from Group Functions and Product areas to Customer areas based on internal agreements. Income is allocated with the underlying business transactions as driver combined with the identification of the customer responsible unit.

Assets, liabilities and economic capital are allocated to the Customer areas. Group Functions and Eliminations consist of income statement and balance sheet items that are related to the unallocated items/units.

Transfer pricing
Funds transfer pricing is based on current market interest rates and applied to all assets and liabilities allocated to or accounted for in the Customer areas or Group Functions.

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. The financial result of such transactions is reported in the relevant Customer area based on assigned product and customer responsibilities. However, the total result related to investment funds is included in Nordic Banking, as well as sales commissions and margins from the life insurance business.

Group Functions and Eliminations
Group Functions and Eliminations include the unallocated results of the four Group Functions: Group Operations, Group Credit and Risk Control, People and Identity and Group Legal.

Expenses in Group Functions, not defined as services to Customer areas, and profits from associated undertakings that are not included in the customer responsible units are reported under this heading.

26. Parent company
The financial statements for the parent company, Nordea Bank AB (publ) are prepared in accordance with the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies (1995:1559) and IFRS with the amendments and exceptions following the recommendation RFR 2.1 "Accounting for Legal Entities" issued by the Swedish Financial Reporting Board and the accounting regulations of the Financial Supervisory Authority (FFFS 2008:25). Under RFR 2.1, the parent company shall apply all standards and interpretations issued by the IASB and IFRIC to the extent possible within the framework of Swedish accounting legislation and considering the close tie between financial reporting and taxation. The recommendation sets out the exceptions and amendments to IFRS that shall be made.

Changed accounting policies and presentation
The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2007 Annual Report, except for the presentation of dividends described above in section 3 "Changed accounting policies and presentation". The impact on the income statement in 2008 and on the comparative figures is disclosed in the tables below.

	2008		2007	
EURm	Restated	Pre policy change	Restated	Reported
Net gains/losses on items at fair value	–13	–13	194	192
Dividends	2,063	2,063	1,323	1,325

As for the Group, an addition to the accounting policies has been made, as an amendment to IAS 39 and IFRS 7 was published in October with effective date 1 July 2008. See section 3 "Changed accounting policies and presentation" for more information. Nordea has made no reclassification as a consequence of this amendment.

Accounting policies applicable to the parent company only
Investments in group undertakings and associated undertakings
The parent company's investments in subsidiaries and associated companies are recognised under the cost model.

Dividends
Dividends paid to the shareholders of Nordea Bank AB (publ) are recorded as a liability following the approval of the Annual General Meeting.

Dividends paid by group undertakings to the parent company are anticipated if the parent alone can decide on the size of the dividend, if the formal decision has been made before the financial report is published. Dividends from group undertakings are recognised on the separate income line "Dividends".

Differences compared to IFRS
The accounting principles applied differ from IFRS mainly in the following aspects:

Amortisation of goodwill
Under IAS 38, goodwill and other intangible assets with indefinite useful lives are not amortised in the consolidated financial statements. In the parent company financial statements goodwill is amortised as any other intangible asset in accordance with the rules set out in the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies (1995:1559), i.e. normally over a period of five years unless, in exceptional circumstances, a longer amortisation period is justified.

Functional currency
The functional and presentation currency of Nordea Bank AB (publ) is EUR. All transactions in other currencies are converted to EUR in accordance with the policies disclosed in section 8 "Translation of assets and liabilities denominated in foreign currencies".

Pensions
In Sweden, actuarial pension commitments are guaranteed by a pension foundation or recognised as a liability. In accordance with instructions from the Swedish FSA, the pension cost in Sweden consists only of changes in recognised pension provisions (including special wage tax) for active employees and is recognised in the item "Staff costs". Pension benefits paid, contributions made to or received from the pension foundation and related special wage tax are recognised in the item "Appropriations" in the income statement.

Group contributions
Group contributions paid or received between Swedish companies for the purpose of optimising Nordea's tax expense are in the legal entity reported as a decrease/increase of unrestricted equity (after adjustment for tax) in accordance with UFR 2 "Group contributions and shareholders' contributions", issued by the Swedish Financial Reporting Board. Group contributions that can be regarded as substitutes for dividends are accounted for as income by the receiving entity.

Untaxed reserves
The parent company reports untaxed reserves, comprising accelerated depreciation under tax regulations, including the deferred tax component. In the consolidated financial statements, untaxed reserves are reported in their components equity (retained earnings) and deferred tax liability.

27. Exchange rates

EUR 1 = SEK	Jan–Dec 2008	Jan–Dec 2007
Income statement (average)	9,6043	9,2498
Balance sheet (at end of period)	10,9361	9,4572
EUR 1 = DKK		
Income statement (average)	7,4560	7,4505
Balance sheet (at end of period)	7,4532	7,4588
EUR 1 = NOK		
Income statement (average)	8,2088	8,0147
Balance sheet (at end of period)	9,8512	7,9738
EUR 1 = PLN		
Income statement (average)	3,5020	3,7790
Balance sheet (at end of period)	4,1483	3,6022

Note 2 Segment reporting

Group Customer segments	Nordic Banking		Inst. & International Banking		Other customer operations		Total customer areas		Group Corporate Centre		Group Functions and Eliminations		Total	
Income statement, EURm	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net interest income	4,206	3,666	656	424	60	65	4,922	4,155	160	107	11	20	5,093	4,282
Net fee and commission income	1,530	1,772	287	257	101	176	1,918	2,205	–3	–9	–32	–56	1,883	2,140
Net gains/losses on items at fair value	517	460	271	178	255	410	1,043	1,048	50	156	–65	5	1,028	1,209
Profit from companies accounted for under the equity method	11	25	–12	1	0	0	–1	26	0	5	25	10	24	41
Other income	25	40	15	8	9	9	49	57	87	24	36	133	172	214
Total operating income	**6,289**	**5,963**	**1,217**	**868**	**425**	**660**	**7,931**	**7,491**	**294**	**283**	**–25**	**112**	**8,200**	**7,886**
Staff costs	–1,160	–1,140	–192	–143	–474	–434	–1,826	–1,717	–41	–39	–701	–632	–2,568	–2,388
Other expenses	–1,901	–1,836	–275	–243	–10	–11	–2,186	–2,090	–99	–110	639	625	–1,646	–1,575
Depreciation of tangible and intangible assets	–46	–26	–10	–8	–9	–10	–65	–44	0	0	–59	–59	–124	–103
Total operating expenses	**–3,107**	**–3,002**	**–477**	**–394**	**–493**	**–455**	**–4,077**	**–3,851**	**–140**	**–149**	**–121**	**–66**	**–4,338**	**–4,066**
Loan losses	–402	55	–115	5	0	0	–517	60	0	0	51	0	–466	60
Disposals of tangible and intangible assets	0	0	0	0	0	1	0	1	0	0	0	2	0	3
Operating profit	**2,780**	**3,016**	**625**	**479**	**–68**	**206**	**3,337**	**3,701**	**154**	**134**	**–95**	**48**	**3,396**	**3,883**
Balance sheet, EURbn														
Loans and receivables to the public	214	208	33	25	15	10	262	243	0	0	3	2	265	245
Other assets	33	25	9	9	35	37	77	71	19	15	113	58	209	144
Total assets	**247**	**233**	**42**	**34**	**50**	**47**	**339**	**314**	**19**	**15**	**116**	**60**	**474**	**389**
Deposits and borrowings from the public	117	110	26	31	8	8	151	149	0	0	–2	–7	149	142
Other liabilities	122	116	15	2	41	38	178	156	19	15	110	59	307	230
Total liabilities	**239**	**226**	**41**	**33**	**49**	**46**	**329**	**305**	**19**	**15**	**108**	**52**	**456**	**372**
Equity	8	7	1	0	0	0	9	7	0	0	9	10	18	17
Total liabilities and equity	**247**	**233**	**42**	**33**	**49**	**46**	**338**	**312**	**19**	**15**	**117**	**62**	**474**	**389**
Economic capital	8	7	1	1	1	1	10	9	0	0	2	1	12	10
RAROCAR, %	25	26	42	39									21	24
Other segment items, EURm														
Capital expenditure	18	24	2	9	4	6	24	39	0	0	270	236	294	275
Capital expenditure through business combinations	32	6		324			32	330					32	330

Group Geographical segments	Sweden		Finland		Norway		Denmark		Baltic countries		Poland		Russia		Eliminations and others		Total	
EURm	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net interest income	853	657	1,714	1,463	1,024	768	1,331	1,131	99	69	86	47	140	55	–154	92	5,093	4,282
Net fee and commission income	670	746	262	376	236	258	507	476	41	36	35	31	4	6	128	211	1,883	2,140
Net gains/losses on items at fair value	–17	195	807	623	19	92	–25	269	14	5	35	23	6	–1	189	3	1,028	1,209
Profit from companies accounted for under the equity method	3	6	–4	2	103	2	19	31	0	–	–	–	–	–	–97	–	24	41
Other income	218	158	28	189	33	7	78	64	1	1	3	4	2	1	–191	–210	172	214
Total operating income	**1,727**	**1,762**	**2,807**	**2,653**	**1,415**	**1,127**	**1,910**	**1,971**	**155**	**111**	**159**	**105**	**152**	**61**	**–125**	**96**	**8,200**	**7,886**
Total assets, EUR bn	**153**	**138**	**220**	**149**	**60**	**61**	**138**	**129**	**9**	**7**	**4**	**3**	**4**	**2**	**–114**	**–100**	**474**	**389**
Investments in tangible and intangible assets, EURm	84	68	88	102	27	25	57	48	0	0	32	9	2	7	4	16	294	275
Investments in tangible and intangible assets through business combinations, EURm						6	32									324	32	330

Nordea's main geographical market comprises the Nordic countries, the Baltic countries, Poland and Russia. The split into geographical segments is based on the location of the legal entities.

Note 2 Segment reporting, cont.

Parent company Customer segments	Nordic Banking		Inst. & International Banking		Other customer operations		Group Coporate Centre		Group Functions and Eliminations		Total	
Income statement, EURm	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net interest income	1,035	824	47	23	–16	0	–332	–342	–211	–145	523	360
Net fee and commission income	529	590	46	19	43	26	0	–3	–150	–169	468	463
Net gains/losses on items at fair value	119	113	–24	54	–117	–47	73	77	–64	–3	–13	194
Other income	4	15	–1	0	0	8	2,153	1,324	97	103	2,253	1,450
Total operating income	**1,687**	**1,542**	**68**	**96**	**–90**	**–13**	**1,894**	**1,056**	**–328**	**–214**	**3,231**	**2,467**

Parent company Geographical segments	Sweden		Finland		Norway		Denmark		Others		Total	
EURm	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net interest income	523	360	–	–	–	–	–	–	–	–	523	360
Net fee and commission income	468	465	–	–	–	–	–	–2	–	–	468	463
Net gains/losses on items at fair value	–13	194	–	–	–	–	–	–	–	–	–13	194
Other income	385	466	1,301	556	305	5	207	301	55	122	2,253	1,450
Total operating income	**1,363**	**1,485**	**1,301**	**556**	**305**	**5**	**207**	**299**	**55**	**122**	**3,231**	**2,467**

Note 3 Net interest income

	Group		Parent company	
EURm	2008	2007	2008	2007
Interest income				
Loans and receivables to credit institutions	1,121	685	1,739	1,434
Loans and receivables to the public	13,862	11,175	1,594	1,144
Interest–bearing securities	1,571	1,049	308	153
Other interest income	199	0	5	10
Interest income	**16,753**	**12,909**	**3,646**	**2,741**
Interest expense				
Deposits by credit institutions	–1,595	–1,033	–897	–748
Deposits and borrowings from the public	–4,398	–3,946	–892	–631
Debt securities in issue	–4,587	–3,218	–820	–604
Subordinated liabilities	–393	–399	–303	–296
Other interest expenses	–687	–31	–211	–102
Interest expense	**–11,660**	**–8,627**	**–3,123**	**–2,381**
Net interest income	**5,093**	**4,282**	**523**	**360**

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 14,183m (EUR 9,791m) for the Group and EUR 3,086m (EUR 2,507m) for the parent company. Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR –10,521m (EUR –4,575m) for the Group and EUR –2,873m (EUR –2,287m) for the parent company. The net interest income from derivatives, measured at fair value and related to Nordea's funding, decreases the total interest expense. For further information see also Note 1.

Net interest income

	Group		Parent company	
EURm	2008	2007	2008	2007
Interest income	16,361	12,607	3,646	2,741
Leasing income, net	392	302	–	–
Interest expense	–11,660	–8,627	–3,123	–2,381
Total	**5,093**	**4,282**	**523**	**360**

Note 4 Net fee and commission income

	Group		Parent company	
EURm	2008	2007	2008	2007
Asset Management commissions	532	762	67	90
Life insurance	270	270	7	6
Brokerage	217	260	61	63
Custody	84	79	11	11
Deposits	45	37	28	21
Total savings related commissions	**1,148**	**1,408**	**174**	**191**
Payments	422	434	139	156
Cards	344	342	173	170
Total payment commissions	**766**	**776**	**312**	**326**
Lending	299	258	76	58
Guarantees and documentary payments	143	136	20	11
Total lending related to commissions	**442**	**394**	**96**	**69**
Other commission income	176	156	40	32
Fee and commission income	**2,532**	**2,734**	**622**	**618**
Life insurance	–67	–68	–	0
Payment expenses	–287	–270	–130	–124
State guarantee fees	–50	–	–	–
Other commission expenses	–245	–256	–24	–31
Fee and commission expense	**–649**	**–594**	**–154**	**–155**
Net fee and commission income	**1,883**	**2,140**	**468**	**463**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amount to EUR 329m (EUR 277m) for the Group and EUR 104m (EUR 79m) for the parent company.

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amount to EUR 1,019m (EUR 1,292m) for the Group and EUR 135m (EUR 158m) for the parent company. The corresponding amount for fee expenses is EUR –67m (EUR –68m) for the Group.

Note 5 Net gains/losses on items at fair value

	Group		Parent company	
EURm	2008	2007	2008	2007
Shares/participations and other share-related instruments	–3,125	827	40	224
Interest-bearing securities and other interest-related instruments	830	63	–104	–23
Other financial instruments	90	103	–73	1
Foreign exchange gains/losses	670	568	124	–8
Investment properties	167	432	–	–
Change in technical provisions, Life[1]	320	–866	–	–
Change in collective bonus potential, Life	2,025	41	–	–
Insurance risk income, Life	282	256	–	–
Insurance risk expense, Life	–231	–215	–	–
Total	**1,028**	**1,209**	**–13**	**194**

Net gains/losses for categories of financial instruments[2]

	Group		Parent company	
EURm	2008	2007	2008	2007
Available for sale assets, realised	5	2	–	–
Financial instruments designated at fair value through profit or loss	29	28	0	2
Financial instruments held for trading[3]	982	903	13	204
Financial instruments under hedge accounting	–58	–11	–26	–12
– of which net losses on hedging instruments	714	185	396	51
– of which net gains on hedged items	–772	–196	–422	–63
Other	4	4	–	–
Financial risk income, net Life[1]	16	242	–	–
Insurance risk income, net Life	50	41	–	–
Total	**1,028**	**1,209**	**–13**	**194**

[1] Premium income amounts to EUR 2,077m (EUR 2,274m).
[2] The figures disclosed for Life (financial risk income and insurance risk income) are disclosed on gross basis, ie before eliminations of intragroup transactions.
[3] Of which deferred day one profits amounts to EUR 63m for 2008 (EUR 35m) for the group and EUR 9m for 2008 (EUR 1m) for the parent company.

Note 6 Dividends

	Parent company	
EURm	2008	2007
Investments in group undertakings	2,063	1,323
Total	**2,063**	**1,323**

Note 7 Other operating income

	Group		Parent company	
EURm	2008	2007	2008	2007
Divestment of shares	82	34	88	11
Income from real estate	7	11	0	2
Refund from the Finnish deposit guarantee system	–	120	–	–
Other	83	49	102	114
Total	**172**	**214**	**190**	**127**

Note 8 Staff costs

	Group		Parent company	
EURm	2008	2007	2008	2007
Salaries and remuneration (specification below)	–1,934	–1,762	–394	–363
Pension costs (specification below)	–217	–221	–60	–61
Social insurance contributions	–307	–275	–143	–129
Allocation to profit-sharing foundation	–47	–73	–7	–17
Other staff costs	–63	–57	–28	–26
Total	**–2,568**	**–2,388**	**–632**	**–596**

	Group		Parent company	
Salaries and remuneration:				
To executives[1]				
– Fixed compensation and benefits	–18	–20	–5	–7
– Performance-related compensation	–7	–8	–1	–2
Total	**–25**	**–28**	**–6**	**–9**
To other employees	–1,909	–1,734	–388	–354
Total	**–1,934**	**–1,762**	**–394**	**–363**

[1] Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating subsidiaries. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating subsidiaries, are included. Executives amount to 251 (275) individuals in the Group and to 31 (29) individuals in the parent company.

	Group		Parent company	
EURm	2008	2007	2008	2007
Pension costs:				
Defined benefits plans (Note 37)	–69	–83	–	–
Actuarial pension costs (parent company only)	–	–	–26	–26
Defined contribution plans	–148	–138	–34	–35
Total	**–217**	**–221**	**–60**	**–61**

Salaries and other remuneration to the Board of Directors, CEO and Group Executive Management

The remuneration for the Board resolved by the AGM 2008 was: The Chairman EUR 252,000, Vice Chairman EUR 97,650 and members EUR 75,600. In addition, remuneration for extra-ordinary board meetings was EUR 1,840 per meeting. Remuneration for committee meetings was EUR 2,370 for the chairman of the committee and EUR 1,840 for other members per meeting. Board members employed by Nordea do not receive separate compensation for their Board membership. There are no commitments for severance pay, pension or other compensation to the members of the Board, except for pension commitments to one board member previously employed by Nordea.

Hans Dalborg, Chairman of the Board, former CEO of Nordea, receives a pension amounting to a maximum of 65% of 180 Swedish "price base amounts" 2001, equal to SEK 36,900, and 32.5% of the remaining part of pensionable salary. The pension after the age of 65 is covered by an external insurance institute to which payments have been made over time. This is paid in full by Nordea and hence Nordea does not have any pension obligation towards Hans Dalborg.

The fixed salary, variable salary and contract terms for the CEO are proposed by the Board Remuneration Committee and approved by the Board. Variable salary, which is based on agreed, specific targets, can amount to a maximum of 35% of the fixed salary. The variable salary for 2008, totalling EUR 187,452, will be finally determined during the first quarter 2009. The CEO, in addition, takes part of the Long-Term Incentive Programmes as described in the Corporate Governance section and below.

Note 8 *Staff costs, cont.*

Benefits received by the CEO include primarily car and housing benefits.

The retirement age for the CEO is 60 and his pension amounts to 50% of the pensionable income for life. The pensionable income is maximised to 190 Swedish "income base amounts". The portion earned as of 31 December 2008 is fully funded with plan assets. For the CEO, fixed salary and variable salary are included in pensionable income.

The Board Remuneration Committee prepares alterations in salary levels for Group Executive Management (GEM) as a whole, as well as alterations in retirement benefits, contract terms and conditions, for resolution by the Board. Following consultation with the Board Remuneration Committee, the CEO determines the salary terms for members of GEM. Variable salary, which is based on agreed, specific targets, can be a maximum of 35% of the fixed salary. The variable salary for 2008, totalling EUR 903,461, will be finally determined during the first quarter 2009. As for the CEO, GEM takes part of the Long-Term Incentive Programmes. Benefits include primarily car and/or housing benefits.

GEM members are entitled to retire with pension at the age of 60 or 62. Pension agreements are either Defined Contribution Plans (DCP) or Defined Benefit Plans (DBP). One Danish GEM member receives 50% of the salary for life, annually adjusted by the general level of salary increases in Nordea Bank Denmark. The other Danish GEM member has a DCP agreement. The Finnish members of GEM receive 50% or 60% of their pensionable income for life, annually adjusted by the Finnish TyEL-index. The Norwegian member of GEM receives 70% of the pensionable income for life, annually adjusted. The Swedish members of GEM have DCP agreements. Fixed salary is pensionable income for all GEM-members. Variable salary is included for Finnish and Swedish GEM members.

In accordance with their employment contracts, Finnish, Norwegian and Swedish GEM members are entitled to 6 months' salary during the notice period before termination, and with regard to severance pay 18 months' salary to be reduced by the salary that the executive receives as a result of any other employment during these 18 months. For the Danish GEM members the notice period is 12 months. One Danish GEM member has a severance pay equal to 12 months' salary to be reduced by the salary that the executive receives as a result of any other employment during these 12 months.

	Fixed salary/ Board fee[1]		Variable salary		Long-Term Incentive Programmes[3]		Benefits		Total	
EUR	2008	2007	2008	2007[2]	2008	2007	2008	2007	2008	2007
Chairman of the Board:										
Hans Dalborg	283,212	268,157	–	–	–	–	–	–	283,212	268,157
Vice Chairman of the Board:										
Timo Peltola	124,577	113,715	–	–	–	–	–	–	124,577	113,715
Other Board members:[4]										
Marie Ehrling	89,087	60,068	–	–	–	–	–	–	89,087	60,068
Tom Knutzen	87,440	60,068	–	–	–	–	–	–	87,440	60,068
Lars G Nordström[5]	82,175	352,019	–	–	–	–	–	11,163	82,175	363,182
Ursula Ranin	86,973	60,026	–	–	–	–	–	–	86,973	60,026
Björn Savén	87,440	85,360	–	–	–	–	–	–	87,440	85,360
Heidi M. Petersen[6]	64,357	–	–	–	–	–	–	–	64,357	–
Svein Jacobsen[6]	68,175	–	–	–	–	–	–	–	68,175	–
Stine Bosse[6]	64,357	–	–	–	–	–	–	–	64,357	–
Björn Wahlroos[6]	62,312	–	–	–	–	–	–	–	62,312	–
Kjell Aamot[7]	23,084	85,360	–	–	–	–	–	–	23,084	85,360
Harald Arnkværn[7]	29,765	95,927	–	–	–	–	–	–	29,765	95,927
Gunnel Duveblad[7]	–	23,484	–	–	–	–	–	–	–	23,484
Claus Høeg Madsen[7]	23,014	85,299	–	–	–	–	–	–	23,014	85,299
Birgitta Kantola[7]	21,282	81,747	–	–	–	–	–	–	21,282	81,747
Anne Birgitte Lundholt[7]	–	19,932	–	–	–	–	–	–	–	19,932
Maija Torkko[7]	–	23,484	–	–	–	–	–	–	–	23,484
CEO:										
Christian Clausen[8]	832,960	956,646	187,452	269,671	81,624	65,136	41,087	19,463	1,143,123	1,310,916
Group Executive Management:										
7 (8) individuals excluding CEO[9]	4,024,791	3,994,632	903,461	1,535,443	498,570	315,809	141,051	132,521	5,567,873	5,978,405
Total	**6,055,001**	**6,365,924**	**1,090,913**	**1,805,114**	**580,194**	**380,945**	**182,138**	**163,147**	**7,908,246**	**8,715,130**

1) The Board fee includes fixed remuneration and meeting fees. These are booked in SEK and translated into EUR based on the average exchange rate each year.

2) Includes also executive incentive payout. Restated from variable salary paid out during 2007 to variable salary earned during 2007.

3) CEO and members of GEM hold 34,002 A-rights, 33,244 B-rights and 34,002 D-rights in LTIP 2007 (no C-rights can be exercised due to that performance conditions were not fulfilled), and 31,250 A-rights, 31,250 C-rights and 31,250 D-rights in LTIP 2008 (no B-rights can be exercised due to that performance conditions were not fulfilled and C-D-rights are conditional). For more information on the valuation of the Long-Term Incentive Programmes, please see below. Disclosed expense is calculated in accordance with IFRS 2 "Share-based Payment".

4) Employee representatives excluded.

5) Compensation as CEO received up until his retirement and board fee received as from his retirement.

6) New member as from the Annual General Meeting 2008.

7) Resigned as board member during 2008 or 2007.

8) Decrease in fixed salary in 2008 due to received holiday allowance when leaving Denmark 2007, in accordance with Danish legislation.

9) GEM members included for the period they have been appointed.

Note 8 Staff costs, cont.

Pension costs and obligations to the Board of Directors, CEO and Group Executive Management

EUR	2008 Pension cost[4]	2008 Pension obligation[5]	2007 Pension cost[4]	2007 Pension obligation[5]
Board members[1]:				
Lars G Nordström	–	385,547	75,432	387,517
CEO:				
Christian Clausen[2]	477,408	5,891,708	476,315	4,586,607
Group Executive Management:				
7 (8) individuals excluding CEO[3]	917,999	10,444,859	3,236,142	19,927,951
Former Chairman of the board and CEOs:				
Vesa Vainio and Thorleif Krarup[6]	–	18,691,275	–	17,928,135
Total	**1,395,407**	**35,413,389**	**3,787,889**	**42,830,210**

1) Employee representatives excluded.
2) The CEO's pension agreement is unchanged. The main reason behind the increase in pension obligation is the lowering of the discount rate, which has given rise to significant actuarial losses, interest cost (discounting effect) and pension earned in 2008.
3) Members of GEM included for the period they have been appointed. The disclosed pension obligation is the obligation towards the members of GEM as of 31 December 2008. The significant decrease in pension obligations due to the change in composition of GEM between the years.
4) Pension costs for management is related to pension premiums paid during the year in DCPs and to pension rights earned during the year in DBPs (Service cost, Past service cost and Curtailments and settlements as defined in IAS 19). Comparative information has been restated accordingly.
5) Pension obligations calculated in accordance with IAS 19. These obligations are dependent of changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement (at 60 or 62 years depending on agreement). The management pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on the same level as the obligations.
6) The pension obligation for Vesa Vainio and Thorleif Krarup is mainly due to pension rights earned in, and funded by, banks forming Nordea.

Pension cost for all executives, amounted to EUR 4m (EUR 8m) and pension obligations to EUR 53m (EUR 55m). Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating subsidiaries. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating subsidiaries, are included.

Loans and receivables to key management personnel

Loans and receivables to key management personnel amounts to EUR 3m (EUR 2m) in the Group and EUR 1m (EUR 0m) in the parent company. Interest income on these loans amounts to EUR 0m (EUR 0m) in the Group and EUR 0m (EUR 0m) in the parent company.

For key management personnel who are employed by Nordea the same credit terms apply as for other employees, except for key management personnel in Denmark whose loans are granted on the same terms as for external customers. In Norway the employee interest rate for loans and receivables is 100 basis points lower than the best corresponding interest rate for external customers, with a cap on the loan amount of 3 Norwegian income base amounts 55 plus NOK 100,000. In Finland the employee interest rate for loans and receivables corresponds to Nordea's funding cost with a margin of 10 basis points up to EUR 400,000, and 30 basis points for loans over EUR 400,000. In Sweden the employee interest rate on fixed interest rate loans is 300 basis points lower than the corresponding interest rate for external customers (with a lower limit of 150 basis points). The discount on variable interest rate loans is somewhat lower and varies over time. There is currently a cap of 57 Swedish price base amounts both on fixed- and variable interest rate loans. Interest on loans and receivables above the defined caps are set on market terms. Loans and receivables to family members of key management personnel are granted on normal market terms, as well as loans and receivables to key management personnel who are not employed by Nordea.

Share-based payment

Conditional Rights LTIP 2008	2008 A–rights	2008 B–C–rights	2008 D–rights
Granted	502,943	1,005,886	502,943
Forfeited	–1,172	–504,115	–1,172
Outstanding at end of year	**501,771**	**501,771**	**501,771**
– of which currently exercisable	–	–	–

Conditional Rights LTIP 2007	2008 A–rights	2008 B–C–rights	2008 D–rights	2007 A–rights	2007 B–C–rights	2007 D–rights
Outstanding at the beginning of year	474,557	938,531	474,557	–	–	–
Granted	–	–	–	477,428	954,856	477,428
Forfeited	–22,311	–496,868	–22,311	–2,871	–16,325	–2,871
Outstanding at end of year	**452,246**	**441,663**	**452,246**	**474,557**	**938,531**	**474,557**
– of which currently exercisable	–	–	–	–	–	–

Note 8 *Staff costs, cont.*

Long-Term Incentive Programmes

Participation in the Long-Term Incentive Programme (LTIP) requires that the participants take direct ownership by investing in Nordea shares. For each ordinary share the participants acquired and locked in to the LTIP 2007 and LTIP 2008, the participants were granted a conditional A-right to acquire one ordinary share ("Matching Share"), based on continued employment, and the conditional B-D-rights to acquire three additional ordinary shares, based on fulfilment of certain performance conditions ("Performance Shares"). The performance criteria comprise a target growth in risk adjusted profit per share (RAPPS) in 2007 (B-rights) and in 2008 (C-rights) for LTIP 2007 and in 2008 (B rights) and in 2009 (C-rights) for LTIP 2008. Should the reported EPS for 2007 (B-rights in LTIP 2007) and for 2008 (C-rights in LTIP 2007 and B rights in LTIP 2008) and for 2009 (C-rights in LTIP 2008) be lower than a predetermined level the participants are not entitled to exercise any B-rights or C-rights respectively. Additionally, the performance criteria for D-rights is a growth target in total shareholder return (TSR) in comparison with a peer group's TSR during 2007 and 2008 for LTIP 2007 and during 2008 and 2009 for LTIP 2008.

Full right to exercise in LTIP 2007 was obtained if the RAPPS increased by 15% or more during 2007, and by 12% or more during 2008 and if TSR during 2007 and 2008 exceeded peer group index by 10 percentage points. Additionally, exercise right in LTIP 2007 demanded that EPS for 2007 and for 2008 equaled or exceeded 0.80. Full right to exercise in LTIP 2008 will be obtained if the RAPPS increases by 12% or more during 2008, and by 12% or more during 2009 and if TSR during 2008 and 2009 ranks as number one in the peer group. To have the right to exercise B-rights and C-rights in LTIP 2008, the EPS for 2008 and 2009 should not be lower than 0.80.

	LTIP 2008			LTIP 2007		
	A–rights	B–C–rights	D–rights	A–rights	B–C–rights	D–rights
Ordinary share per right	1	1	1	1	1	1
Exercise price	EUR 3.00	EUR 2.00	EUR 2.00	EUR 4.00	EUR 2.00	EUR 2.00
Grant date	13 May 2008	13 May 2008	13 May 2008	17 May 2007	17 May 2007	17 May 2007
Vesting period	24 months	24 months	24 months	24 months	24 months	24 months
Contractual life	48 months	48 months	48 months	48 months	48 months	48 months
First day of exercise	April 2010	April 2010	April 2010	30 april 2009	30 april 2009	30 april 2009
Fair value at grant date[1]	EUR 7.53	EUR 8.45	EUR 4.14	EUR 8.76	EUR 10.49	EUR 7.76

[1] The fair value is measured through the use of generally accepted valution models with the following input factors: weighted average share price EUR 12.33 for LTIP 2007 and EUR 11.08 for LTIP 2008, right life is estimated to 3 years for LTIP 2007 and 2.5 years for LTIP 2008, expected dividends are deducted, risk free rate 4.20% for LTIP 2007 and 3.83% for LTIP 2008 and expected employee turn over in the programme is set to 3% per year for LTIP 2007 and 4% per year for LTIP 2008. Expected volatility is set to 20% for LTIP 2007 and to 21% for LTIP 2008 based on historical data. As the exercise price is significantly below the share price at grant date, the value has a limited sensitivity to expected volatility and risk-free interest. The value of the D-rights is calculated based on market related conditions.

The expected expense for LTIP 2007, EUR 17m, and for LTIP 2008, EUR 8m, are expensed over a period of 24 months. The maximum expense equals approximately EUR 21m for LTIP 2007 and EUR 20m for LTIP 2008. The total expense for 2008 arising from LTIP 2007 amounts to EUR 5m (EUR 5m) and for LTIP 2008 to EUR 2m. The amounts include social charges.

For the parent company, the total expected expense for LTIP 2007 amounts to EUR 5m and for LTIP 2008 to EUR 3m, which is also expensed over a period of 24 months. The maximum cost equals approximately EUR 6m for LTIP 2007 and EUR 6m for LTIP 2008. The total expense for 2008 arising from LTIP 2007 amounts to EUR 1m (EUR 2m) and for LTIP 2008 to EUR 1m. The amounts include social charges.

Average number of employees

Group	Total		Men		Women	
	2008	2007	2008	2007	2008	2007
Full-time equivalents						
Sweden	8,454	8,072	3,643	3,467	4,811	4,605
Denmark	8,427	8,152	3,887	3,784	4,540	4,368
Finland	8,311	8,162	1,742	1,618	6,569	6,544
Norway	3,561	3,416	1,845	1,777	1,716	1,639
Poland	1,679	1,247	518	388	1,161	859
Russia	1,603	1,177	582	454	1,021	723
Latvia	513	427	138	112	375	315
Luxembourg	409	393	249	244	160	149
Estonia	416	356	86	55	330	301
Lithuania	355	259	78	49	277	210
United States	70	67	37	36	33	31
United Kingdom	58	57	36	32	22	25
Singapore	52	49	15	14	37	35
Germany	36	33	18	16	18	17
Total average	**33,944**	**31,867**	**12,874**	**12,046**	**21,070**	**19,821**
Total number of employees (FTEs), end of period	**34,008**	**31,721**				

Parent company	Total		Men		Women	
	2008	2007	2008	2007	2008	2007
Full-time equivalents						
Sweden	8,233	7,534	3,490	3,195	4,743	4,339
Other countries	59	57	40	39	19	18
Total average	**8,292**	**7,591**	**3,530**	**3,234**	**4,762**	**4,357**

Note 8 Staff costs, cont.

Salaries and remuneration per country

Group	2008		2007	
EURm	Executives	Other employees	Executives	Other employees
Sweden	–5	–431	–7	–378
Denmark	–4	–641	–5	–593
Finland	–2	–398	–2	–369
Norway	–2	–276	–4	–264
Poland	–2	–31	–2	–25
Russia	–5	–39	–4	–18
Latvia	–	–9	–	–7
Luxembourg	–3	–44	–3	–48
Estonia	–	–8	–	–6
Lithuania	–	–6	0	–4
United States	–2	–14	–1	–11
United Kingdom	–	–5	–	–5
Singapore	–	–4	–	–3
Germany	–	–3	–	–3
Total	**–25**	**–1,909**	**–28**	**–1,734**

Parent company	2008		2007	
EURm	Executives	Other employees	Executives	Other employees
Sweden	–4	–377	–6	–348
Other countries	–2	–11	–3	–6
Total	**–6**	**–388**	**–9**	**–354**

Gender distribution

Per cent	31 Dec 2008	31 Dec 2007
Nordea Bank AB (publ)		
Board of Directors		
– Men	73	79
– Women	27	21
Other executives		
– Men	80	82
– Women	20	18

In the Board of Directors of the Nordea Group companies, 90% (90%) were men and 10% (10%) were women. The corresponding numbers for Other executives were 84% (85%) men and 16% (15%) women. Internal Boards consist mainly of management in Nordea.

Sick leave[1]

Parent company	Sick leave as a percentage of ordinary working hours		Proportion of long-term sick leave in per cent	
	2008	2007	2008	2007
Total	**4.4**	**4.4**	**45**	**57**
Men	2.3	2.2	27	43
Women	5.6	5.9	47	61
18–29	3.1	2.4		
30–49	3.6	3.9		
50–65	5.3	5.7		

1) Ordinary working hours refer to the number of hours agreed in the employment contract, excluding overtime. Long-term sick leave refers to a continuous period of absence of 60 days or more. The sick leave of each category is stated as a percentage of the category's ordinary working hours.

Note 9 Other expenses

	Group		Parent company	
EURm	2008	2007	2008	2007
Information technology[1]	–576	–538	–172	–185
Marketing	–102	–104	–26	–30
Postage, telephone and office expenses	–203	–197	–69	–69
Rents, premises and real estate	–369	–351	–96	–103
Divestment of shares	–	–3	–	0
Other[2]	–396	–382	–110	–127
Total	**–1,646**	**–1,575**	**–473**	**–514**

1) Refers to IT operations, service expenses and consultant fees for the Group. Total IT-related costs including staff etc, but excluding IT expenses in insurance operations, were EUR –666m (EUR –654m).

2) Including fees and remuneration to auditors distributed as follows.

Auditors' fees

	Group		Parent company	
EURm	2008	2007	2008	2007
KPMG				
Auditing assignments	–5	–4	–1	–1
Other assignments incl audit-related services	–2	–2	–1	–1
Ernst & Young				
Other assignments incl audit-related services	–1	–1	–1	–1
Deloitte				
Auditing assignments	0	0	–	0
Other assignments incl audit-related services	–1	0	0	0
PriceWaterhouseCoopers				
Auditing assignments	–1	0	0	0
Other assignments incl audit-related services	0	–1	0	–1
Other	**0**	**–1**	**0**	**0**
Total	**–10**	**–9**	**–3**	**–4**

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

Depreciation/amortisation

	Group		Parent company	
EURm	2008	2007	2008	2007
Property and equipment (Note 25)				
Equipment	–81	–72	–17	–17
Buildings	–1	–2	0	0
Intangible assets (Note 24)				
Goodwill	–	–	–72	–72
Internally developed software	–18	–17	–7	–6
Other intangible assets	–14	–12	–5	–6
Total	**–114**	**–103**	**–101**	**–101**
Impairment charges / Reversed impairment charges				
Property and equipment (Note 25)				
Equipment	–3	–	–	–
Intangible assets (Note 24)				
Goodwill	–1	–	–	–
Internally developed software	–6	–	–2	–
Total	**–10**	**–**	**–2**	**–**
Total	**–124**	**–103**	**–103**	**–101**

Note 11 Loan losses

EURm	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Loan losses divided by class, net				
Loans and receivables to credit institutions	–14	9	0	8
– of which write-offs and provisions	–16	–1	–2	0
– of which reversals and recoveries	2	10	2	8
Loans and receivables to the public	–401	–2	–78	–3
– of which write-offs and provisions	–815	–451	–144	–86
– of which reversals and recoveries	414	449	66	83
Off-balance sheet items[1]	–51	53	–2	20
– of which write-offs and provisions	–58	–22	–3	–
– of which reversals and recoveries	7	75	1	20
Total	**–466**	**60**	**–80**	**25**
Specification of Loan losses				
Changes of allowance accounts in the balance sheet	–442	30	–55	31
– of which Loans and receivables[2]	–391	–23	–53	11
– of which Off-balance sheet items[1]	–51	53	–2	20
Changes directly recognised in the income statement	–24	30	–25	–6
– of which realised loan losses	–89	–55	–45	–32
– of which realised recoveries	65	85	20	26
Total	**–466**	**60**	**–80**	**25**

1) Included in Note 36 Provisions.
2) Included in Note 16 Loans and receivables and their impairment.

Note 12 Appropriations

EURm	Parent company 2008	Parent company 2007
Pension adjustments		
Reversed actuarial pension costs	24	25
Pension benefits paid	–55	–55
Allocations/compensation	–	0
Special wage tax/return tax	–13	–12
Total	**–44**	**–42**
Change in depreciation in excess of plan, equipment	4	–2
Total	**4**	**–2**
Total	**–40**	**–44**

Note 13 Taxes

Income tax expense

EURm	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Current tax[1]	–430	–473	17	–33
Deferred tax	–294	–280	–6	–1
Total	**–724**	**–753**	**11**	**–34**
1) Of which relating to prior years (see below)	9	–8	13	12

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate of Sweden as follows:

EURm	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Profit before tax	3,396	3,883	1,877	1,237
Tax calculated at a tax rate of 28%	–951	–1,087	–526	–346
Effect of different tax rates in other countries	66	64	–	–
Tax charges not related to profit	–33	–52	–	1
Income from associated undertakings	6	11	–	–
Other direct taxes	0	1	0	–
Tax-exempt income	29	83	554	328
Non-deductible expenses	–68	–17	–30	–29
Adjustments relating to prior years	9	–8	13	12
Income tax due to tax assets previously not recognised	212	236	–	–
Change of tax rate	16	17	–	–
Not creditable foreign taxes	–10	–1	–	–
Tax charge	**–724**	**–753**	**11**	**–34**
Average effective tax rate	21%	19%	–1%	3%

Note 13 *Taxes, cont.*

Deferred tax

EURm	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Deferred tax expense (–)/ income (+)				
Deferred tax due to temporary differences, including tax losses carry-forward	–522	–469	–6	–1
Deferred tax due to change of tax rate	16	17	–	–
Deferred tax due to tax assets previously not recognised	212	172	–	–
Income tax expense, net	**–294**	**–280**	**–6**	**–1**
Deferred tax assets				
Deferred tax assets due to tax losses carry-forward	100	10	–	–
Deferred tax assets due to temporary differences	80	181	28	34
Offset against deferred tax liabilities	–116	–	–	–
Total	**64**	**191**	**28**	**34**
– of which expected to be settled after more than 1 year	53		16	
Deferred tax liabilities				
Deferred tax liabilities due to untaxed reserves	105	72	–	–
Deferred tax liabilities due to temporary differences	1,064	631	0	2
Offset against deferred tax assets	–116	–	–	–
Total	**1,053**	**703**	**0**	**2**
– of which expected to be settled after more than 1 year	759		0	
Deferred tax assets (+)/ liabilities (–), net				
Deferred tax assets due to tax losses carry-forward	100	10	–	–
Deferred tax liabilities due to untaxed reserves	–105	–72	–	–
Deferred tax assets/liabilities in loans and advances to the public	–300	–320	–	–
Deferred tax assets/liabilities in derivatives	–193	69	0	–4
Deferred tax assets/liabilities in intangible assets	–43	–18	–	–
Deferred tax assets/liabilities in property and equipment	1	6	–	–
Deferred tax assets/liabilities in investment property	–50	–58	–	–
Deferred tax assets/liabilities in retirement benefit obligations	11	54	–	–
Deferred tax liability due to hedge of net investments in foreign subsidiaries	–175	–	–	–
Deferred tax assets/liabilities in liabilities/provisions	–235	–183	28	36
Deferred tax assets/liabilities, net	**–989**	**–512**	**28**	**32**
Movements in deferred tax assets/liabilities, net are as follows:				
Deferred tax relating to items recognised directly in equity	–173	0	2	–2
Reclassification	–	–	–	–1
Translation differences	–10	8	–	–
Acquisitions and others	0	–14	–	–
Deferred tax in the income statement	–294	–280	–6	–1
At end of year	**–477**	**–286**	**–4**	**–4**

	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Current and deferred tax recognised directly in equity				
Deferred tax relating to hedge of net investments in foreign subsidiaries	–175	–	–	–
Deferred tax relating to available-for-sale investments	0	0	0	–2
Deferred tax relating to cash flow hedges	2	–	2	–
Total	**–173**	**0**	**2**	**–2**
Current tax assets	**344**	**142**	**76**	**52**
– of which expected to be settled after more than 1 year	–		–	
Current tax liabilities	**458**	**300**	**0**	**0**
– of which expected to be settled after more than 1 year	55		–	
Unrecognised deferred tax assets				
Unused tax losses carry-forward	3	9	–	–
Unused tax credits	50	167	–	–
Other deductible temporary differences	–	21	–	–
Total	**53**	**197**	**–**	**–**

Note 13 *Taxes, cont.*

EURm	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Expire date 2009	1	3	–	–
Expire date 2010	0	10	–	–
Expire date 2011	1	28	–	–
Expire date 2012	1	4	–	–
Expire date 2013	28	40	–	–
Expire date 2014	19	88	–	–
Expire date later than 2014	3	24	–	–
Total	**53**	**197**	**–**	**–**

Note 14 Earnings per share

Group	31 Dec 2008	31 Dec 2007
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	2,671	3,121
Basic weighted average number of shares outstanding (in millions)	2,593	2,591
Diluted weighted average number of shares outstanding (in millions)	2,594	2,592
Basic earnings per share, EUR	1.03	1.20
Diluted earnings per share, EUR	1.03	1.20
Basic weighted average number of shares outstanding (in millions):		
Number of shares outstanding at beginning of year	2,597	2,594
Adjustment for average own shares referring to Nordea Bank AB (publ)'s repurchase of own shares	3	2
Adjustment for average own shares in trading portfolio	–7	–5
Basic weighted average number of shares outstanding	**2,593**	**2,591**
Adjustment for diluted weighted average number of additional ordinary shares outstanding (related to Long-Term Incentive Programmes)[1]	1	1
Diluted weighted average number of shares outstanding	**2,594**	**2,592**

[1] Contingently issuable shares not included, that can potentiallly dilute basic earnings per share, exist in the Long-Term Incentive Progammes.

Note 15 Treasury bills

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company[1] 31 Dec 2008	Parent company[1] 31 Dec 2007
State and sovereigns	6,377	5,263	2,230	1,435
Municipalities and other public bodies	168	100	–	–
Total	**6,545**	**5,363**	**2,230**	**1,435**

[1] Of which EUR 183m (EUR 0m) held at amortised cost with a nominal amount of EUR 183m (EUR 0m).

All bills are subject to variable interest rate risk.

Maturity information

Remaining maturity (carrying amount)				
Maximum 1 year	1,989	1,274	1,431	401
More than 1 year	4,556	4,089	799	1,034
Total	**6,545**	**5,363**	**2,230**	**1,435**
– of which Financial instruments pledged as collateral (Note 18)	–	170	132	868
Total	**6,545**	**5,193**	**2,098**	**567**

Note 16 Loans and receivables and their impairment

Group	Credit institutions		The public[1]		Total	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Loans and receivables, not impaired	23,893	24,264	264,056	244,205	287,949	268,469
Impaired loans and receivables	33	8	2,191	1,424	2,224	1,432
– Performing	32	7	1,357	917	1,389	924
– Non-performing	1	1	834	507	835	508
Loans and receivables before allowances	**23,926**	**24,272**	**266,247**	**245,629**	**290,173**	**269,901**
Allowances for individually assessed impaired loans	–20	–8	–742	–595	–762	–603
– Performing	–19	–7	–437	–300	–456	–307
– Non-performing	–1	–1	–305	–295	–306	–296
Allowances for collectively assessed impaired loans	–3	–2	–405	–352	–408	–354
Allowances	**–23**	**–10**	**–1,147**	**–947**	**–1,170**	**–957**
Loans and receivables, carrying amount	**23,903**	**24,262**	**265,100**	**244,682**	**289,003**	**268,944**
Maturity information						
Remaining maturity (carrying amount)						
Payable on demand	1,537	2,077	34,872	31,223	36,409	33,300
Maximum 3 months	20,528	21,115	66,239	56,953	86,767	78,068
3–12 months	820	670	18,091	18,867	18,911	19,537
1–5 years	670	284	53,621	49,391	54,291	49,675
More than 5 years	348	116	92,277	88,248	92,625	88,364
Total	**23,903**	**24,262**	**265,100**	**244,682**	**289,003**	**268,944**

Parent company	Credit institutions		The public[1]		Total	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Loans and receivables, not impaired	43,857	36,824	29,061	26,577	72,918	63,401
Impaired loans and receivables	6	8	297	175	303	183
– Performing	5	6	265	106	270	112
– Non-performing	1	2	32	69	33	71
Loans and receivables before allowances	**43,863**	**36,832**	**29,358**	**26,752**	**73,221**	**63,584**
Allowances for individually assessed impaired loans	–6	–8	–77	–89	–83	–97
– Performing	–5	–6	–53	–34	–58	–40
– Non-performing	–1	–2	–24	–55	–25	–57
Allowances for collectively assessed impaired loans	–2	0	–41	–23	–43	–23
Allowances	**–8**	**–8**	**–118**	**–112**	**–126**	**–120**
Loans and receivables, carrying amount	**43,855**	**36,824**	**29,240**	**26,640**	**73,095**	**63,464**
Maturity information						
Remaining maturity (carrying amount)						
Payable on demand	4,621	1,313	4,527	4,351	9,148	5,664
Maximum 3 months	26,606	26,845	8,604	10,872	35,210	37,717
3–12 months	11,280	8,135	3,101	1,759	14,381	9,894
1–5 years	1,050	507	12,421	8,907	13,471	9,414
More than 5 years	298	24	587	751	885	775
Total	**43,855**	**36,824**	**29,240**	**26,640**	**73,095**	**63,464**

[1] Finance leases, where Nordea Group is a lessor, are included in Loans and receivables to the public, see Note 26 Leasing.

Note 16 *Loans and receivables and their impairment, cont.*

Reconciliation of allowance accounts for impaired loans[1)]

Group	Credit institutions			The public[1)]			Total		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2008	**–8**	**–2**	**–10**	**–595**	**–352**	**–947**	**–603**	**–354**	**–957**
Provisions	–14	–3	–17	–541	–185	–726	–555	–188	–743
Reversals	1	2	3	228	121	349	229	123	352
Changes through the income statement	**–13**	**–1**	**–14**	**–313**	**–64**	**–377**	**–326**	**–65**	**–391**
Allowances used to cover write-offs	0	0	0	129	0	129	129	0	129
Reclassification	–	–	–	4	–	4	4	–	4
Currency translation differences	1	0	1	33	11	44	34	11	45
Closing balance at 31 Dec 2008	**–20**	**–3**	**–23**	**–742**	**–405**	**–1,147**	**–762**	**–408**	**–1,170**
Opening balance at 1 Jan 2007	**–7**	**–13**	**–20**	**–757**	**–341**	**–1,098**	**–764**	**–354**	**–1,118**
Provisions	0	–1	–1	–230	–166	–396	–230	–167	–397
Reversals	0	10	10	238	126	364	238	136	374
Changes through the income statement	**0**	**9**	**9**	**8**	**–40**	**–32**	**8**	**–31**	**–23**
Allowances used to cover write-offs	0	0	0	150	0	150	150	0	150
Reclassification	–	–1	–1	–	33	33	–	32	32
Currency translation differences	–1	3	2	4	–4	0	3	–1	2
Closing balance at 31 Dec 2007	**–8**	**–2**	**–10**	**–595**	**–352**	**–947**	**–603**	**–354**	**–957**

Parent company	Credit institutions			The public[1)]			Total		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2008	**–7**	**–1**	**–8**	**–89**	**–23**	**–112**	**–96**	**–24**	**–120**
Provisions	–	–2	–2	–68	–30	–98	–68	–32	–100
Reversals	1	1	2	40	6	46	41	7	48
Changes through the income statement	**1**	**–1**	**0**	**–28**	**–24**	**–52**	**–27**	**–25**	**–52**
Allowances used to cover write-offs	–	–	–	34	–	34	34	–	34
Currency translation differences	0	0	0	7	5	12	7	5	12
Closing balance at 31 Dec 2008	**–6**	**–2**	**–8**	**–76**	**–42**	**–118**	**–82**	**–44**	**–126**
Opening balance at 1 Jan 2007	**–7**	**–12**	**–19**	**–91**	**–39**	**–130**	**–98**	**–51**	**–149**
Provisions	0	–	0	–43	–10	–53	–43	–10	–53
Reversals	–	8	8	26	30	56	26	38	64
Changes through the income statement	**0**	**8**	**8**	**–17**	**20**	**3**	**–17**	**28**	**11**
Allowances used to cover write-offs	–	–	–	15	0	15	15	0	15
Currency translation differences	0	3	3	4	–4	0	4	–1	3
Closing balance at 31 Dec 2007	**–7**	**–1**	**–8**	**–89**	**–23**	**–112**	**–96**	**–24**	**–120**

1) See Note 11 Loan losses.

Allowances and provisions

Group	Credit institutions		The public		Total	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Allowances for items in the balance sheet	–23	–10	–1,147	–947	–1,170	–957
Provisions for off balance sheet items	–54	–36	–46	–19	–100	–55
Total allowances and provisions	**–77**	**–46**	**–1,193**	**–966**	**–1,270**	**–1,012**
Parent company						
Allowances for items in the balance sheet	–8	–8	–118	–112	–126	–120
Provisions for off balance sheet items	–1	–2	–2	0	–3	–2
Total allowances and provisions	**–9**	**–10**	**–120**	**–112**	**–129**	**–122**

Note 16 *Loans and receivables and their impairment, cont.*

Key ratios

	Group		Parent company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Impairment rate, gross[1], %	0.8	0.5	0.4	0.3
Impairment rate, net[2], %	0.5	0.3	0.3	0.1
Total allowance rate[3], %	0.4	0.4	0.2	0.2
Allowance rate, impaired loans[4], %	34.3	42.1	27.2	53.0
Non-performing loans and receivables, not impaired[5], EURm	142	98	–	–

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

Note 17 Interest-bearing securities

	Group		Parent company[1]	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Issued by public bodies	3,120	2,945	–	–
Issued by other borrowers	49,626	40,354	13,045	7,154
Total	**52,746**	**43,299**	**13,045**	**7,154**
Listed securities	48,829	35,125	9,516	5,239
Unlisted securities	3,917	8,174	3,529	1,915
Total	**52,746**	**43,299**	**13,045**	**7,154**

1) Of which EUR 2,335m (EUR 0m) held at amortised cost with a nominal amount of EUR 2,327m (EUR 0m).

Maturity information

Remaining maturity (carrying amount)				
Maximum 1 year	16,509	13,036	5,161	2,173
More than 1 year	36,237	30,263	7,884	4,981
Total including portfolio schemes	**52,746**	**43,299**	**13,045**	**7,154**
– of which Financial instruments pledged as collateral (Note 18)	7,916	4,517	2,965	1,938
Total	**44,830**	**38,782**	**10,080**	**5,216**

Note 18 Financial instruments pledged as collateral

Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified in the balance sheet to the item Financial instruments pledged as collateral.

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Repurchase agreements	7,917	4,688	3,097	2,806
Securities lending agreements	20	102	–	–
Total	**7,937**	**4,790**	**3,097**	**2,806**

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

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

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Repurchase agreements				
Treasury bills	–	170	132	868
Interest-bearing securities	7,916	4,517	2,965	1,938
Shares	1	1	–	–
Securities lending agreements				
Shares	20	102	–	–
Total	**7,937**	**4,790**	**3,097**	**2,806**

Liabilities associated with the assets

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Repurchase agreements				
Deposits by credit institutions	6,578	3,776	3,104	2,826
Deposits and borrowings from the public	1,370	862	–	–
Other	4	139	–	–
Total	**7,952**	**4,777**	**3,104**	**2,826**

Note 19 Shares

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Shares held for trading	3,766	5,655	1,063	1,828
Shares designated at fair value through profit or loss	6,917	12,076	44	199
– of which shares taken over for protection of claims	13	0	13	–
Shares available for sale	7	16	0	7
Total	**10,690**	**17,747**	**1,107**	**2,034**
Listed shares	7,742	15,766	638	2,003
Unlisted shares	2,948	1,981	469	31
Total	**10,690**	**17,747**	**1,107**	**2,034**
– of which Financial instruments pledged as collateral (Note 19)	21	103	–	–
Total	**10,669**	**17,644**	**1,107**	**2,034**
– of which expected to be settled after more than 1 year	313	262	44	34

Note 20 Derivatives and Hedge accounting

	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
31 Dec 2008, EURm	Positive	Negative	amount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	43,992	43,264	1,899,652	692	756	47,756
FRAs	2,159	2,066	802,160	46	54	15,728
Futures and forwards	13	395	65,345	1	2	20
Options	6,258	6,375	171,877	42	39	3,128
Other	3	0	25	–	–	–
Total	**52,425**	**52,100**	**2,939,059**	**781**	**851**	**66,632**
Equity derivatives						
Equity swaps	85	64	718	202	53	785
Futures and forwards	322	60	12,632	108	18	425
Options	516	581	14,035	91	24	564
Total	**923**	**705**	**27,385**	**401**	**95**	**1,774**
Foreign exchange derivatives						
Currency and interest rate swaps	8,002	6,542	192,133	1,626	1,385	16,566
Currency forwards	18,123	17,195	453,227	357	147	11,380
Options	908	866	33,622	–	–	–
Other	4	2	7,907	–	–	–
Total	**27,037**	**24,605**	**686,889**	**1,983**	**1,532**	**27,946**
Credit derivatives						
Credit default swaps	4,631	4,584	99,208	–	10	400
Total	**4,631**	**4,584**	**99,208**	–	**10**	**400**
Other derivatives						
Swaps	1,125	1,033	10,007	–	–	–
Futures and forwards	294	100	4,463	–	–	–
Options	85	87	1,450	–	–	–
Other	–	63	1,626	–	63	1,626
Total	**1,504**	**1,283**	**17,546**	–	**63**	**1,626**
Total derivatives held for trading	**86,520**	**83,277**	**3,770,087**	**3,165**	**2,551**	**98,378**
Derivatives used for hedge accounting						
Interest rate derivatives						
Interest rate swaps	280	202	13,940	253	32	4,229
Total	**280**	**202**	**13,940**	**253**	**32**	**4,229**
Equity derivatives						
Options	1	7	69	7	7	107
Total	**1**	**7**	**69**	**7**	**7**	**107**
Foreign exchange derivatives						
Currency and interest rate swaps	37	2,052	18,005	102	164	1,413
Currency forwards	–	–	–	35	2	251
Total	**37**	**2,052**	**18,005**	**137**	**166**	**1,664**
Total derivatives used for hedge accounting	**318**	**2,261**	**32,014**	**397**	**205**	**6,000**
– of which fair value hedges	288	2,114	30,403	265	58	3,991
– of which cash flow hedges	30	147	1,611	132	147	2,009
Total derivatives	**86,838**	**85,538**	**3,802,101**	**3,562**	**2,756**	**104,378**

Note 20 *Derivatives and Hedge accounting, cont.*

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

Group

EURm	<1 year	1–3 years	3–5 years	5–10 years	over 10 years
Cash inflows (assets)	436	936	164	35	235
Cash outflows (liabilities)	–432	–857	–82	–24	–240
Net cash flows	**4**	**79**	**82**	**11**	**–5**

Parent company

EURm	<1 year	1–3 years	3–5 years	5–10 years	over 10 years
Cash inflows (assets)	736	981	195	35	235
Cash outflows (liabilities)	–757	–1,077	–271	–248	–240
Net cash flows	**–21**	**–96**	**–76**	**–213**	**–5**

	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
31 Dec 2007, EURm	Positive	Negative	amount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	16,391	16,889	1,387,471	720	771	100,317
FRAs	196	190	642,258	14	12	122,946
Futures and forwards	337	405	167,641	2	0	222
Options	2,913	2,963	370,078	7	7	48,240
Other	23	15	3,908	27	28	4,533
Total	**19,860**	**20,462**	**2,571,356**	**770**	**818**	**276,258**
Equity derivatives						
Swaps	57	119	1,379	44	77	111
Futures and forwards	75	137	9,427	1	5	40
Options	1,178	1,584	16,528	36	49	1,481
Total	**1,310**	**1,840**	**27,334**	**81**	**131**	**1,632**
Foreign exchange derivatives						
Currency and interest rate swaps	2,257	2,305	170,131	211	307	12,039
Currency forwards	4,826	5,012	465,014	5	54	4,624
Options	282	282	32,834	–	–	–
Total	**7,365**	**7,599**	**667,979**	**216**	**361**	**16,663**
Credit derivatives						
Credit default swaps	1,163	1,115	90,476	–	–	250
Total rate of return swaps	–	–	–	1	–	–
Total	**1,163**	**1,115**	**90,476**	**1**	**–**	**250**
Other derivatives						
Swaps	1,183	1,142	9,169	–	–	–
Futures and forwards	103	48	769	–	–	–
Options	99	118	697	–	–	–
Total	**1,385**	**1,308**	**10,635**	**–**	**–**	**–**
Total derivatives held for trading	**31,083**	**32,324**	**3,367,780**	**1,068**	**1,310**	**294,803**

Note 20 *Derivatives and Hedge accounting, cont.*

31 Dec 2007, EURm	Group Fair value Positive	Group Fair value Negative	Group Total nom amount	Parent company Fair value Positive	Parent company Fair value Negative	Parent company Total nom amount
Derivatives used for hedge accounting						
Interest rate derivatives						
Interest rate swaps	252	124	32,918	48	29	3,256
Total	**252**	**124**	**32,918**	**48**	**29**	**3,256**
Equity derivatives						
Options	55	73	253	73	73	342
Total	**55**	**73**	**253**	**73**	**73**	**342**
Foreign exchange derivatives						
Currency and interest rate swaps	97	502	4,381	92	168	1,433
Currency forwards	11	–	–	–	1	18
Total	**108**	**502**	**4,381**	**92**	**169**	**1,451**
Total derivatives used for hedge accounting	**415**	**699**	**37,552**	**213**	**271**	**5,049**
– of which fair value hedges	415	699	37,552	213	271	5,049
Total derivatives	**31,498**	**33,023**	**3,405,332**	**1,281**	**1,581**	**299,852**

31 Dec 2008, EURm	Group Positive	Group Negative	Parent company Positive	Parent company Negative
Maturity information				
Remaining maturity (carrying amount)				
Maximum 3 months	13,844	14,584	826	323
3–12 months	11,079	11,017	269	341
1–5 years	27,686	26,607	1,817	1,603
More than 5 years	34,229	33,330	650	489
Total	**86,838**	**85,538**	**3,562**	**2,756**

31 Dec 2007, EURm	Group Positive	Group Negative	Parent company Positive	Parent company Negative
Maturity information				
Remaining maturity (carrying amount)				
Maximum 3 months	4,587	5,185	165	183
3–12 months	2,978	3,426	105	137
1–5 years	9,770	9,907	590	658
More than 5 years	14,163	14,505	421	603
Total	**31,498**	**33,023**	**1,281**	**1,581**

Note 21 Fair value changes of the hedged items in portfolio hedge of interest rate risk

Assets

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Carrying amount at beginning of year	–105	–37	–4	1
Changes during the year				
Revaluation of hedged items[1]	547	–71	31	–5
Translation differences	–29	3	–	–
Carrying amount at end of year	**413**	**–105**	**27**	**–4**
– of which expected to be settled after more than 1 year	329		23	

[1] A part of the portfolio hedge designation was revoked during 2007. The amortisation of the carrying amount related to the dissolved hedges is included in this line. The amortisation is based on the expected relevant repricing time period.

Liabilities

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Carrying amount at beginning of year	–323	–401	–69	–96
Changes during the year				
Revaluation of hedged items[1]	919	71	111	27
Translation differences	–64	7	–	–
Carrying amount at end of year	**532**	**–323**	**42**	**–69**
– of which expected to be settled after more than 1 year	461		23	

[1] A part of the portfolio hedge designation was revoked during 2007. The amortisation of the carrying amount related to the dissolved hedges are included in this line. The amortisation is based on the relevant repricing time period.

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

Note 22 Investments in group undertakings

Parent company EURm	31 Dec 2008	31 Dec 2007
Acquisition value at beginning of year	15,953	17,615
Acquisitions during the year	402	560
Sales during the year	–	–2,084
Reclassifications	–	–141
IFRS 2 expenses[1]	5	3
Acquisition value at end of year	**16,360**	**15,953**
Accumulated impairment charges at beginning of year	–465	–1,054
Reversed impairment charges during the year	–	448
Impairment charges during the year	–26	–
Reclassifications	–	141
Translation differences	–3	–
Accumulated impairment charges at end of year	**–494**	**–465**
Total	**15,866**	**15,488**
– of which, listed shares	–	–

[1] Allocation of IFRS 2 expenses for LTIP 2007/2008 related to the subsidiaries. For more information, see Note 8.

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

Note 22 *Investments in group undertakings, cont.*

Specification
This specification includes all directly owned group undertakings and major group undertakings to the directly owned companies. The full specification and statutory information are available on request from Nordea Investor Relations.

Parent company 31 Dec 2008	Number of shares	Carrying amount 2008, EURm	Carrying amount 2007, EURm	Voting power of holding %	Domicile	Registration number
Nordea Bank Finland Plc	1,030,800,000	5,948	5,947	100.0	Helsinki	1680235-8
Nordea Finance Finland Ltd				100.0	Espoo	0112305-3
Nordea Bank Danmark A/S	50,000,000	3,503	3,501	100.0	Copenhagen	13522197
Nordea Finans Danmark A/S				100.0	Copenhagen	89805910
Nordea Kredit Realkreditaktieselskab				100.0	Copenhagen	15134275
Nordea Bank Norge ASA	551,358,576	2,402	2,401	100.0	Oslo	911044110
Norgreskreditt AS[1]				100.0	Oslo	971227222
Nordea Finans Norge AS				100.0	Oslo	924507500
Christiania Forsikring AS				100.0	Oslo	941219349
PRIVATmegleren AS				67.0	Oslo	986386661
Nordea Bank Polska S.A.	45,070,392	262	262	99.0	Gdynia	KRS0000021828
OOO Promyshlennaya Companiya Vestkon	749,991,704[2]	649	451	100.0	Moscow	1027700034185
JSB Orgresbank				91.1	Moscow	1027739436955
Nordea Life Holding AB	1,000	201	0	100.0	Stockholm	556742-3305
Nordea Liv & Pension, Livforsikringsselskab A/S				100.0	Ballerup	24260577
Nordea Liv Holding Norge AS				100.0	Bergen	984739303
Livforsikringsselskapet Nordea Liv Norge AS				100.0	Bergen	959922659
Nordea Livförsäkring Sverige AB (publ)				100.0	Stockholm	516401-8508
Nordea Life Holding Finland Ltd				100.0	Espoo	1737788-3
Nordea Life Assurance Finland Ltd				100.0	Espoo	0927072-8
Nordea Hypotek AB (publ)	100,000	1,714	1,714	100.0	Stockholm	556091-5448
Nordea Fonder AB	15,000	679	679	100.0	Stockholm	556020-4694
Nordea Bank S.A.	999,999	323	323	100.0	Luxembourg	B14157
Nordea Finans Sverige AB (publ)	1,000,000	77	77	100.0	Stockholm	556021-1475
Nordea Fondene Norge AS	1,200	29	29	100.0	Oslo	930954616
Nordea Investment Management AB	12,600	64	64	100.0	Stockholm	556060-2301
Nordea Investment Fund Company Finland Ltd	3,350	4	4	100.0	Helsinki	1737785-9
Nordea Ejendomsinvestering A/S	1,000	1	1	100.0	Copenhagen	26640172
Nordea Investment Funds I Company SA	38,996	0	0	100.0	Luxembourg	B30550
PK Properties Int'l Corp	100,000	0	0	100.0	Atlanta, USA	91-1682291
Nordea Bemanning AB	510	0	0	51.0	Stockholm	556222-4336
Nordea Hästen Fastighetsförvaltning AB	1,000	0	0	100.0	Stockholm	556653-6800
Nordea Putten Fastighetsförvaltning AB	1,000	0	0	100.0	Stockholm	556653-5257
Nordea North America Inc.	1,000	0	0	100.0	Delaware, USA	51-0276195
Nordea Do Brasil Representações LTDA	300	0	0	99.0	Sao Paulo, Brasil	51-696.268/0001-40
Nordic Baltic Holding (NBH) AB[3]	1,000	9	34	100.0	Stockholm	556592-7950
Nordea Fastigheter AB[3]	3,380,000	1	1	100.0	Stockholm	556021-4917
Total		**15,866**	**15,488**			

1) New name is Nordea Eiendomskreditt AS as from 5 January 2009.
2) Nominal value expressed in RUB, representing Nordea's participation in Vestkon.
3) Dormant.

Note 22 *Investments in group undertakings, cont.*

Special Purpose Entities (SPEs) – Consolidated

EURm	Purpose	Duration	Nordea's investment	Total assets
Viking ABCP Conduit[1)]	Factoring	<1 year	733	801
CMO Denmark A/S[2)]	Collateralised Mortgage Obligation	>5 years	12	33
Kalmar Structured Finance A/S[3)]	Credit Linked Note	>5 years	25	142
Kirkas Northern Lights Ltd[4)]	Collateralised Mortgage Obligation	>5 years	8,096	8,096
Total			**8,866**	**9,072**

1) The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase-trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available. Nordea has provided liquidity facilities of maximum EUR 1,122m and at year end 2008 EUR 733m were utilised. There is no outstanding CP issue at year end 2008. These SPEs are consolidated as they are closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility.

2) Collateralised Mortgage Obligations Denmark A/S (CMO Denmark A/S) was established with the purpose to issue CMOs in order to meet specific customer preferences in terms of credit risk, interest rate risk, prepayment risk, maturity etc. The SPE purchased a pool of mortgage bonds and reallocated the risk through tranching a similar bond issue (CMOs). At year end 2008 the total notional of outstanding bonds were EUR 33m available to investors. Nordea holds bonds issued by CMO Denmark A/S as part of offering a secondary market for the bonds. The investment amounted to EUR 12m as of year end 2008.

3) Kalmar Structured Finance A/S was established to allow customers to invest in structured products in the global credit markets. The SPE enters into Credit Default Swaps (CDS) and hereby aquires a credit risk on an underlying portfolio of names (like corporate names) and at the same time the SPE issues Credit Linked Notes (CLN) with a similar credit risk that reflects the terms in the CDSs. Nordea is the counterpart in the derivative transactions. The total notional of outstanding CLNs in this category was EUR 142m at year end 2008. Nordea holds CLNs issued by the SPEs as part of offering a secondary market for the notes. The investment amounted to EUR 25m at year end 2008.

4) Kirkas Northern Lights Ltd (Kirkas) has been established during 2008. Assets have been sold from Nordea's ordinary lending portfolio to Kirkas. Kirkas has used the assets as collateral for bonds issued. The total notional of bonds and subordinated loans was EUR 8,096m at year end 2008, which are held in full by Nordea. Nordea still holds the majority of the residual- and ownership risks in the SPE, why the SPE is consolidated into the Nordea Group.

Note 23 Investments in associated undertakings

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Acquisition value at beginning of year	376	411	30	29
Acquisitions during the year	41	9	–	1
Sales during the year	–53	–33	–28	–
Share in earnings[1)]	112	58	–	–
Dividend received	–14	–48	–	–
Reclassifications	17	–23	–	–
Translation differences	–38	2	–	–
Acquisition value at end of year	**441**	**376**	**2**	**30**
Accumulated impairment charges at beginning of year	–10	–13	–	–
Accumulated impairment charges on sales during the year	–	3	–	–
Impairment charges during the year	–	0	–	–
Translation differences	–	0	–	–
Accumulated impairment charges at end of year	**–10**	**–10**	**–**	**–**
Total	**431**	**366**	**2**	**30**
– of which, listed shares	–	–	–	–

1) Share in earnings

EURm	2008	2007
Profit from companies accounted for under the equity method	24	41
Portfolio hedge, Eksportfinans ASA	53	–
Associated undertakings in Life, reported as Net gains/losses on items at fair value	35	17
Share in earnings	**112**	**58**

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

The associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2008	31 Dec 2007
Total assets	8,499	7,603
Total liabilities	7,994	7,182
Operating income	195	211
Operating profit	148	43

Nordeas' share of contingent liabilities in favour in associated undertakings amounts to EUR 249m (EUR 368m), and on behalf of associated undertaking EUR 0m (EUR 0m).

Note 23 Investments in associated undertakings, cont.

Group 31 Dec 2008	Registration number	Domicile	Carrying amount, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	112	23
Ejendomspartnerskabet af 1/7 2003	27134971	Ballerup	166	49
Luottokunta	0201646-0	Helsinki	41	24
LR Realkredit A/S	26045304	Copenhagen	1	39
Oy Realinvest Ab	0680035-9	Helsinki	3	49
Nymøllevej I/S	24247961	Ballerup	24	50
E-nettet Holding A/S	21270776	Copenhagen	2	20
Hovedbanens Forretningscenter K/S	16301671	Ballerup	14	50
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	9	33
Axel IKU Invest A/S	24981800	Billund	1	33
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	7	33
KIFU-AX II A/S	25893662	Fredriksberg	2	26
KFU-AX II A/S	25894286	Fredriksberg	2	34
Multidata Holding A/S	27226027	Ballerup	12	28
Lautruphöj 1-3 A/S	26640172	Ballerup	6	50
PBS Holding A/S	67007719	Ballerup	7	28
Visa Sweden	801020-5097	Stockholm	17	23
Other			5	
Total			**431**	

The statutory information is available on request from Nordea Investor Relations.

Parent company 31 Dec 2008	Registration number	Domicile	Carrying amount, EURm	Voting power of holding %
BPB Bankernas Depå AB	556695-3567	Stockholm	1	20
Bankpension Sverige AB	556695-8194	Stockholm	1	40
Visa Sweden	801020-5097	Stockholm	0	23
Other			0	
Total			**2**	

Note 24 Intangible assets

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Goodwill[1]				
Nordea Bank Danmark A/S	439	439	–	–
Nordea Bank Norge ASA	847	1,034	–	–
Nordea Bank Sverige AB (publ)	150	173	665	736
Nordea Bank Polska S.A.	65	74	–	–
JSB Orgresbank	243	290	–	–
Life insurance companies	309	321	–	–
Other goodwill	90	77	–	–
Goodwill, total	**2,143**	**2,408**	**665**	**736**
Internally developed software	303	236	80	63
Other intangible assets	89	81	12	20
Total	**2,535**	**2,725**	**757**	**819**

[1] Excluding goodwill in associated undertakings.

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Goodwill				
Acquisition value at beginning of year	2,408	2,083	1,058	1,058
Acquisitions during the year	12[1]	303	–	–
Sales/disposals during the year	0	–	–	–
Translation differences	–276	22	1	–
Acquisition value at end of year	**2,144**	**2,408**	**1,059**	**1,058**
Accumulated amortisation at beginning of year	–	–	–322	–250
Amortisation according to plan for the year	–	–	–72	–72
Accumulated amortisation at end of year	**–**	**–**	**–394**	**–322**
Accumulated impairment charges at beginning of year	–	–	–	–
Impairment charges during the year	–1	–	–	–
Translation differences	0	–	–	–
Accumulated impairment charges at end of year	**–1**	**–**	**–**	**–**
Total	**2,143**	**2,408**	**665**	**736**

[1] Of which EUR 18m related to the acquisition of nine branch offices from Roskilde Bank. The offsetting decrease is related to an update of the purchase price allocation covering Vestkon made (preliminary) in Q4 2007.

Note 24 *Intangible assets, cont.*

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Internally developed software				
Acquisition value at beginning of year	296	146	76	35
Acquisitions during the year	127	88	26	25
Sales/disposals during the year	–2	–10	–	–
Reclassifications	–26	71	–	16
Translation differences	–16	1	–	–
Acquisition value at end of year	**379**	**296**	**102**	**76**
Accumulated amortisation at beginning of year	–59	–16	–13	–
Amortisation according to plan for the year	–18	–17	–7	–6
Accumulated amortisation on sales/disposals during the year	1	10	–	–
Reclassifications	6	–34	–	–7
Translation differences	–1	–2	–	–
Accumulated amortisation at end of year	**–71**	**–59**	**–20**	**–13**
Accumulated impairment charges at beginning of year	–1	–1	–	–
Impairment charges during the year	–6	–	–2	–
Translation differences	2	–	–	–
Accumulated impairment charges at end of year	**–5**	**–1**	**–2**	**–**
Total	**303**	**236**	**80**	**63**

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Other intangible assets				
Acquisition value at beginning of year	147	88	48	37
Acquisitions during the year[1]	25	56	–	11
Sales/disposals during the year	–4	0	–	–
Reclassifications	–2	2	–3	–
Translation differences	–9	1	–	–
Acquisition value at end of year	**157**	**147**	**45**	**48**
Accumulated amortisation at beginning of year	–66	–53	–28	–22
Amortisation according to plan for the year	–14	–12	–5	–6
Accumulated amortisation on sales/disposals during the year	0	0	–	–
Reclassifications	8	0	–	–
Translation differences	4	–1	–	–
Accumulated amortisation at end of year	**–68**	**–66**	**–33**	**–28**
Total	**89**	**81**	**12**	**20**

[1] Of which acquisitions through business combinations EUR 13m (EUR 21m).

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

Impairment test

A cash generating unit, defined as segment per acquired legal entity, is the basis for the goodwill impairment test.

Cash flows in the near future (up to two years) are based on financial forecasts, derived from forecasted margins, volumes, sales and cost development. Longer term cash flows (more than two years) are based on estimated sector growth rates. In the Nordic market an average growth rate of approximately 4% has been used, while a growth rate of 5% for Poland & Baltic countries and 6% for Orgresbank has been used. Growth rates are based on historical data, updated to reflect the current situation.

Cash flows are risk adjusted using normalised loan losses.

The derived cash flows are discounted at the Group's defined post-tax average cost of equity of 8.5% (equal to what is used for internal performance management purposes), except for operations in Poland and the Baltics where an additional risk premium of 150 basis points has been applied.

The impairment tests conducted in 2008 did not indicate any need for significant goodwill impairment.

Note 25 Property and equipment

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Property and equipment	375	342	81	53
– of which buildings for own use	20	36	0	0
Total	**375**	**342**	**81**	**53**
Equipment				
Acquisition value at beginning of year	770	1,031	164	167
Acquisitions during the year[1]	161	149	45	22
Sales/disposals during the year	–24	–312	–3	–9
Reclassifications	–5	–95	0	–16
Translation differences	–36	–3	–	–
Acquisition value at end of year	**866**	**770**	**206**	**164**
Accumulated depreciation at beginning of year	–453	–746	–111	–110
Accumulated depreciation on sales/disposals during the year	13	303	2	9
Reclassifications	5	63	0	7
Depreciations according to plan for the year	–81	–72	–16	–17
Translation differences	18	–1	–	–
Accumulated depreciation at end of year	**–498**	**–453**	**–125**	**–111**
Accumulated impairment charges at beginning of year	–11	–12	–	–
Accumulated impairment charges on sales/disposals during the year	0	0	–	–
Reversed impairment charges during the year	0	0	–	–
Impairment charges during the year	–3	–	–	–
Translation differences	1	1	–	–
Accumulated impairment charges at end of year	**–13**	**–11**	**–**	**–**
Total	**355**	**306**	**81**	**53**

[1] Of which acquisitions through business combinations EUR 1m (EUR 3m).

Note 25 *Property and equipment, cont.*

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Land and buildings				
Acquisition value at beginning of year	45	47	0	0
Acquisitions during the year	1	10	–	–
Sales/disposals during the year	–	–8	–	–
Reclassifications	–17	–5	–	–
Translation differences	–2	1	–	0
Acquisition value at end of year	**27**	**45**	**0**	**0**
Accumulated depreciation at beginning of year	–9	–13	0	0
Accumulated depreciation on sales/disposals during the year	–	2	–	–
Reclassifications	2	4	–	–
Depreciation according to plan for the year	–1	–2	0	0
Translation differences	1	0	–	–
Accumulated depreciation at end of year	**–7**	**–9**	**0**	**0**
Accumulated impairment charges at beginning of year	0	0	–	–
Reclassifications	0	–	–	–
Translation differences	0	0	–	–
Accumulated impairment charges at end of year	**0**	**0**	**–**	**–**
Total	**20**	**36**	**0**	**0**

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

Parent company

The parent company owns two properties outside Stockholm and two tenant rights in Stockholm with a carrying amount of EUR 0.5m (EUR 0.5m). Tax value amounts to EUR 0.6m (EUR 0.4m) with an estimated market value of EUR 0.7m (EUR 0.6m).

Note 26 Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans and receivables to the public" (see Note 16) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

Reconciliation of gross investments and present value of future minimum lease payments:

	Group	
EURm	31 Dec 2008	31 Dec 2007
Gross investments	6,465	5,974
Less unearned finance income	–594	–454
Net investments in finance leases	**5,871**	**5,520**
Less unguaranteed residual values accruing to the benefit of the lessor	–75	–49
Present value of future minimum lease payments receivable	**5,796**	**5,471**
Accumulated allowance for uncollectible minimum lease payments receivable	3	6

As of 31 December 2008 the gross investment at remaining maturity was distributed as follows:

	Group
EURm	31 Dec 2008
2009	1,384
2010	1,272
2011	1,113
2012	759
2013	675
Later years	1,262
Total gross investment	**6,465**
Less unearned future finance income on finance leases	–594
Net investment in finance leases	**5,871**

Operating leases

Assets subject to operating leases mainly comprise real estate, vehicles, aeroplanes and other equipment. In the balance sheet they are reported as tangible assets.

	Group	
Carrying amount of leased assets, EURm	31 Dec 2008	31 Dec 2007
Acquisition value	178	155
Accumulated depreciations	–54	–43
Accumulated impairment charges	–13	–10
Carrying amount at end of year	**111**	**102**
– of which repossessed leased property, carrying amount	1	1

	Group	
Carrying amount distributed on groups of assets, EURm	31 Dec 2008	31 Dec 2007
Equipment	111	102
Land and buildings	–	–
Carrying amount at end of year	**111**	**102**

Depreciation for 2008 amounted to EUR 17m (EUR 13m).

Note 26 *Leasing, cont.*

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

EURm	Group 31 Dec 2008
2009	19
2010	14
2011	9
2012	4
2013	1
Later years	1
Total	**48**

Nordea as a lessee

Finance leases

Nordea has only to a minor extent entered into finance lease agreements. The book value of assets subject to finance leases amounts to EUR 1m (EUR 1m).

Operating leases

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

	Group		Parent company	
Leasing expenses during the year, EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Leasing expenses during the year	253	243	84	84
– of which minimum lease payments	250	241	84	84
– of which contingent rents	3	2	–	–
Leasing income during the year regarding sublease payments	7	6	38	18

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

	Group	Parent company
EURm	31 Dec 2008	31 Dec 2008
2009	304	178
2010	230	166
2011	251	219
2012	100	19
2013	84	18
Later years	466	184
Total	**1,435**	**784**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 20m for the group and EUR 336m for the parent company. For the parent company EUR 316m of the subleases are towards group undertakings.

Note 27 Investment property

Group

Movement in the balance sheet

EURm	31 Dec 2008	31 Dec 2007
Carrying amount at beginning of year	3,492	3,230
Acquisitions during the year	109	253
Capitalised subsequent expenditure	–	1
Sales/disposals during the year	–19	–114
Net gains or losses from fair value adjustments	18	209
Transfers/reclassifications during the year	0	–96
Translation differences	–266	9
Carrying amount at end of year	**3,334**	**3,492**

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

Amounts recognised in the income statement[1)]

EURm	2008	2007
Rental income	233	234
Direct operating expenses that generate rental income	–86	–62
Direct operating expenses that did not generate rental income	–1	–9

1) Together with fair value adjustments included in Net gains/losses on items at fair value.

Note 28 Other assets

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Claims on securities settlement proceeds	4,063	5,293	61	181
Reinsurance recoverables	9	4	0	–
Other	10,532	2,427	2,038	1,759
Total	**14,604**	**7,724**	**2,099**	**1,940**
– of which expected to be settled after more than 1 year	31		–	

Note 29 Prepaid expenses and accrued income

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Accrued interest income	1,964	1,563	492	350
Other accrued income	425	360	11	9
Prepaid expenses	438	260	280	43
Total	**2,827**	**2,183**	**783**	**402**
– of which expected to be settled after more than 1 year	360		222	

Note 30 Deposits by credit institutions

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Central banks	26,341	5,882	8,806	2,746
Other banks	22,544	21,789	25,497	21,250
Other credit institutions	3,047	2,406	410	279
Total	**51,932**	**30,077**	**34,713**	**24,275**

Maturity information

Remaining maturity (carrying amount)	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Payable on demand	14,133	6,315	7,822	7,103
Maximum 3 months	35,208	19,026	21,838	12,227
3–12 months	1,847	3,751	3,595	3,059
1–5 years	448	639	1,366	1,810
More than 5 years	296	346	92	76
Total	**51,932**	**30,077**	**34,713**	**24,275**

Note 31 Deposits and borrowings from the public

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Deposits from the public	145,131	138,273	33,447	32,047
Borrowings from the public	3,460	4,056	10	249
Total	**148,591**	**142,329**	**33,457**	**32,296**

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits. Individual pension savings (IPS) are also included. Portfolio schemes in Nordea Bank Danmark A/S of EUR 3,070m (EUR 3,981m) are also included in Deposits.

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Maturity information, Deposits				
Remaining maturity (carrying amount)				
Payable on demand	101,880	107,415	26,266	28,325
Maximum 3 months	30,764	20,438	7,181	3,722
3–12 months	6,510	3,706	–	–
1–5 years	436	599	–	–
More than 5 years	5,541	6,115	–	–
Total	**145,131**	**138,273**	**33,447**	**32,047**

Maturity information, Borrowings

Remaining maturity (carrying amount)	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Payable on demand	12	243	10	249
Maximum 3 months	3,273	3,700	0	0
3–12 months	121	34	–	–
1–5 years	41	64	–	–
More than 5 years	13	15	–	–
Total	**3,460**	**4,056**	**10**	**249**

Note 32 Liabilities to policyholders

Group

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investments contracts.

Insurance contracts consists of Life insurance provisions and other insurance related items.

EURm	31 Dec 2008	31 Dec 2007
Traditional life insurance provisions	20,286	20,515
Unit-linked insurance provisions	3,611	4,796
Insurance claims provision	363	353
Provisions, Health & personal accident	173	161
Total insurance contracts	**24,433**	**25,825**
Investment contracts	4,022	4,224
Collective bonus potential	783	2,231
Total	**29,238**	**32,280**
– of which expected to be settled after more than 1 year	28,802	

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies method on consolidation. Each market represented by Nordic and European entities measure and recognises insurance contracts using local accounting policies.

Note 32 *Liabilities to policyholders, cont.*

31 Dec 2008, EURm	Traditional life insurance provisions	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident	Investment contracts provisions	Collective bonus potentials	Total
Provisions/ bonus potentials, beginning of year	**20,515**	**4,796**	**353**	**161**	**4,224**	**2,231**	**32,280**
Accumulated value adjustments, beginning of year	–	–	1	0	–	617	618
Retrospective provisions/ bonus potentials, beginning of year	**20,515**	**4,796**	**354**	**161**	**4,224**	**2,848**	**32,898**
Gross premiums written	1,790	586	–	5	1,315	–	3,696
Transfers	–336	–530	–	–	–299	–	–1,165
Addition of interest/ Investment return	1,007	–1,037	–	–	–560	–	–590
Claims and benefits	–1,166	–191	20	8	–318	–	–1,647
Expense loading inclusive addition of expense bonus	–124	–45	–	–	–37	–	–206
Change in provisions/ bonus potential	–	–	–	–	–	–1,983	–1,983
Other	–641	119	–11	–1	91	–82	–525
Translation differences	–759	–87	0	0	–394	0	–1,240
Provisions/ bonus potentials, end of year	**20,286**	**3,611**	**363**	**173**	**4,022**	**783**	**29,238**
Accumulated value adjustments, end of year	–	–	–	–	–	–	–
Total	**20,286**	**3,611**	**363**	**173**	**4,022**	**783**	**29,238**
Provision relating to bonus schemes/ discretionary participation feature:	98%				41%		

31 Dec 2007, EURm	Traditional life insurance provisions	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident	Investment contracts provisions	Collective bonus potential	Total
Retrospective provisions/ bonus potentials, beginning of year	**21,517**	**4,571**	**303**	**153**	**2,220**	**2,277**	**31,041**
Gross premiums written	1,866	763	–	–	874	–	3,503
Transfers	–1,733	–60	–	–	1,793	–	0
Addition of interest/ Investment return	947	82	–	–	75	–	1,104
Claims and benefits	–1,734	–524	–	–	–585	–	–2,843
Expense loading inclusive addition of expense bonus	–137	–44	–	–	–37	–	–218
Change in provisions/ bonus potential	–	–	49	8	–93	–44	–80
Other	117	8	1	0	–23	–2	101
Provisions/ bonus potentials, end of year	**20,843**	**4,796**	**353**	**161**	**4,224**	**2,231**	**32,608**
Accumulated value adjustments, end of year	–328	–	–	–	–	–	–328
Total	**20,515**	**4,796**	**353**	**161**	**4,224**	**2,231**	**32,280**
Provision relating to bonus schemes/ discretionary participation feature:	95%				40%		

Note 33 Debt securities in issue

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Certificates of deposit	33,667	31,926	7,750	7,162
Commercial papers	10,440	5,865	0	–
Bond loans	64,753	61,780	10,074	6,474
Other	129	221	125	203
Total	**108,989**	**99,792**	**17,949**	**13,839**

Maturity information, Debt securities in issue

Remaining maturity (carrying amount)				
Maximum 1 year	56,158	48,875	11,171	11,206
More than 1 year	52,702	50,696	6,653	2,430
Total	**108,860**	**99,571**	**17,824**	**13,636**

Maturity information, Other

Remaining maturity (carrying amount)				
Payable on demand	126	221	125	203
Maximum 3 months	3	–	–	–
Total	**129**	**221**	**125**	**203**

Note 34 Other liabilities

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Liabilities on securities settlement proceeds	6,110	4,970	1,785	601
Sold, not held, securities	4,057	9,650	681	1,572
Accounts payable	217	217	29	37
Other	7,586	8,023	1,734	1,804
Total	**17,970**	**22,860**	**4,229**	**4,014**
– of which expected to be settled after more than 1 year	107		–	

Note 35 Accrued expenses and prepaid income

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Accrued interest	2,174	1,941	289	185
Other accrued expenses	901	787	115	81
Prepaid income	203	34	61	75
Total	**3,278**	**2,762**	**465**	**341**
– of which expected to be settled after more than 1 year	12		–	

Note 36 Provisions

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Reserve for restructuring costs	28	0	0	0
Transfer risk, off-balance	55	37	2	2
Individually assessed, off-balance sheet	45	18	1	–
Other	15	18	–	–
Total	**143**	**73**	**3**	**2**

Movement in the balance sheet

Group	Restruc-turing	Transfer risk	Off-balance sheet	Other	Total
At beginning of year	0	37	18	18	73
New provisions made	29	22	36	2	89
Provisions utilised	–1	–	–	–4	–5
Reversals	–	–3	–4	0	–7
Reclassifications	–	–	–4	–1	–5
Discounting effect	–	–	–	0	0
Translation differences	0	–1	–1	0	–2
At end of year	**28**	**55**	**45**	**15**	**143**
– of which expected to be settled after more than 1 year	–	55	38	10	103

Restructuring activities, which should increase efficiency during coming years, have been initiated. This is mainly related to Roskilde Bank, but also to other areas. This has resulted in restructuring provisions of EUR 29m.

Provision for Transfer risk reserve is related to off-balance sheet items. Transfer risk reserve relating to loans and receivables is included in the item Allowances for collectively assessed impaired loans in Note 16. Provision for transfer risk is depending on the volume of business with different countries.

Loan loss provisions for individually assessed off-balance sheet items (ie Gurantees and L/C's) amounted to EUR 45m.

Other provision refers to the following provisions: redundancy packages EUR 1m (of which EUR 1m expected to be settled during 2009), provision for disputes and pending law suites EUR 4m (of which EUR 2m expected to be settled during 2009), rent provision EUR 2m (of which EUR 1m expected to be settled during 2009), provision for environmental and property-related obligations of EUR 5m (not expected to be settled during 2009) and other provisions amounting to EUR 3m (of which EUR 1m expected to be settled during 2009).

The amount of any expected reimbursement for each class of provision with amount of the asset that has been recognised for the reimbursement.

Parent company	Restruc-turing	Transfer risks	Off-balance sheet	Total
At beginning of year	0	2	–	2
New provisions made	1	1	1	3
Provisions utilised	–1	–	–	–1
Reversals	–	–1	–	–1
Translation differences	0	0	–	0
At end of year	**0**	**2**	**1**	**3**
– of which expected to be settled after more than 1 year	0	2	1	3

Provision for Transfer risk reserve is related to off-balance sheet items. Transfer risk reserve relating to loans and receivables is included in the item Allowances for collectively assessed impaired loans in Note 16. Provision for transfer risk is depending on the volume of business with different countries.

Note 37 Retirement benefit obligations

Group EURm	31 Dec 2008	31 Dec 2007
Defined benefit plans, net	172	339
Total	**172**	**339**

Nordea has pension obligations from defined benefit plans in all Nordic countries with the predominant share in Sweden, Norway and Finland. The plans in Finland are closed to new employees and pensions for new employees are instead based on defined contribution arrangements as is also the case in Denmark. Defined contribution plans are not reflected on the balance sheet. Furthermore, Nordea also contributes to public pension plans.

IAS 19 secures that the market based value of pension obligations net of plan assets backing these obligations will be reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

Funded schemes	Swe	Nor	Fin	Den
2008				
Members	21,545	6,061	19,873	60
Average member age	54	55	59	71
2007				
Members	20,980	5,857	20,124	62
Average member age	54	55	58	71

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on the actuarial assumptions fixed for each of the Group's pension plans.

Assumptions	Swe	Nor	Fin	Den
2008				
Discount rate	4.0%	4.5%	4.5%	4.5%
Salary increase	3.5%	3.5%	3.5%	3.5%
Inflation	2.0%	2.0%	2.0%	2.0%
Expected return on assets before taxes	5.0%	5.5%	5.5%	5.5%
2007				
Discount rate	5.0%	5.0%	5.0%	5.0%
Salary increase	3.5%	3.5%	3.5%	3.5%
Inflation	2.0%	2.0%	2.0%	2.0%
Expected return on assets before taxes	6.0%	6.0%	6.0%	6.0%

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

The discount rate has the most significant impact on the obligation and pension cost. If the discount rate is reduced the pension obligation will increase and vice versa. A one percentage point increase in the discount rate would lead to a decrease in pension obligation of 14% and in service cost of 20%. A one percentage point decrease in the discount rate would lead to a increase in pension obligation of 17% and in service cost of 27%.

Asset composition

The combined return on assets in 2008 was –3.9% (3.1%) mainly reflecting the general market turmoil during the year. At the end of the year, the equity exposure in pension funds/foundations represented 13% (21%) of total assets.

Asset composition in funded schemes	Sweden 2008	Norway 2008	Finland 2008	Denmark 2008	Total 2008	Total 2007
Equity	15%	10%	14%	6%	13%	21%
Bonds	84%	70%	77%	70%	78%	71%
Real estate	–	20%	6%	–	6%	6%
Other plan assets	1%	–	3%	24%	3%	2%
– of which Nordea shares	–	–	–	–	–	–
– of which Nordea real estate	–	–	–	–	–	1%

Amounts recognised in the balance sheet

EURm	Sweden 2008	Norway 2008	Finland 2008	Denmark 2008	Total 2008	Total 2007
PBO	1,253	691	777	109	2,830	2,775
Plan assets	816	402	770	111	2,099	2,407
Total surplus/deficit (–)	**–437**	**–289**	**–7**	**2**	**–731**	**–368**
– of which unrecognised actuarial gains/losses (–)	–390	–101	–59	–9	–559	–29
Of which recognised in the balance sheet	**–47**	**–188**	**52**	**11**	**–172**	**–339**
Of which:						
– retirement benefit assets	67	–	83	18	168	123
– retirement benefit obligations	114	188	31	7	340	462
– related to unfunded plans (PBO)	110	133	23	7	273	302

Overview of surplus or deficit in the plans

EURm	Total 2008	Total 2007	Total 2006	Total 2005	Total 2004
PBO	2,830	2,775	3,004	2,910	2,675
Plan Assets	2,099	2,407	2,367	2,256	2,065
Funded status – surplus/deficit (–)	**–731**	**–368**	**–637**	**–654**	**–610**

Note 37 *Retirement benefit obligations, cont.*

Changes in the PBO

EURm	Sweden 2008	Norway 2008	Finland 2008	Denmark 2008	Total 2008	Total 2007
PBO at 1 Jan	1,152	759	762	102	2,775	3,004
Service cost	28	28	3	2	61	58
Interest cost	55	34	37	4	130	115
Pensions paid	–50	–41	–41	–8	–140	–137
Curtailments and settlements	–	2	–	–	2	2
Past service cost	–	–	0	–	0	–1
Actuarial gains(-)/losses	266	74	32	8	380	–223
Effect of exchange rate changes	–193	–153	–16	1	–361	–36
Change in provision for SWT/SSC[1]	–5	–12	–	0	–17	–7
PBO at 31 Dec	**1,253**	**691**	**777**	**109**	**2,830**	**2,775**

[1] Provision on difference to GAAP for the Swedish special wage tax (SWT) and the social security contribution (SSC) in Norway and Denmark on recognised amounts.

Changes in the fair value of plan assets

EURm	Sweden 2008	Norway 2008	Finland 2008	Denmark 2008	Total 2008	Total 2007
Assets at 1 Jan	968	473	856	110	2,407	2,367
Expected return on assets	51	28	48	5	132	108
Pensions paid	4	–25	–40	–6	–67	–63
Contributions	–3	61	27	1	86	60
Actuarial gains/losses(-)	–76	–41	–109	1	–225	–34
Effect of exchange rate changes	–128	–94	–12	0	–234	–31
Plan assets at 31 Dec	**816**	**402**	**770**	**111**	**2,099**	**2,407**
Actual return on plan assets	**–25**	**–13**	**–61**	**6**	**–93**	**74**

Overview of actuarial gains/losses[1]

EURm	Total 2008	Total 2007	Total 2006
Effects of changes in actuarial assumptions	–337	230	–15
Experience adjustments	–268	–41	10
– of which on plan assets	–225	–34	9
– of which on plan liabilities	–43	–7	1
Actuarial gains/losses	**–605**	**189**	**–5**

[1] The 5-year trend information will be built up over time.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 69m (EUR 83m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans. (See specification in Note 8.)

Recognised net defined benefit cost, EURm	Sweden 2008	Norway 2008	Finland 2008	Denmark 2008	Total 2008	Total 2007
Service cost	28	28	3	2	61	58
Interest cost	55	34	37	4	130	115
Expected return on assets	–51	–28	–48	–5	–132	–108
Curtailments and settlements	–	2	–	–	2	2
Recognised past service cost	–	–	0	–	0	–1
Recognised actuarial gains(-)/losses	0	–	–1	0	–1	3
SWT/SSC[1]	8	1	–	0	9	14
Pension cost on defined benefit plans	**40**	**37**	**–9**	**1**	**69**	**83**

[1] Cost related to the Swedish special wage tax (SWT) and the social security contribution (SSC).

The pension cost is lower than expected in the beginning of the year, to a high degree reflecting changes in exchange rates. The net pension cost on defined benefit plans is expected to increase in 2009, mainly as a consequence of higher recognition of actuarial losses, lower discount rates and a lower expected return on assets.

The Group expects to contribute EUR 48m to its defined benefit plans in 2009.

Note 37 *Retirement benefit obligations, cont.*

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 35m (EUR 43m) at the end of the year. These obligations are to a high degree covered with plan assets. Defined benefit pension costs related to key management personnel in 2008 were EUR 1m (EUR 3m). Complete information concerning key management personnel is disclosed in Note 8.

Pension provisions

Parent company

The pension liabilities of Nordea Bank AB (publ) are mainly covered by allocations to its pension foundation.

The provisions in the balance sheet pertain almost exclusively to former employees of Postgirot Bank. EUR 99m (EUR 116m) of the provisions are covered by "Tryggandelagen".

A small percentage of the pension obligations is covered by insurance policies.

The following figures are based on calculations in accordance with Swedish rules.

	Foundation assets		Pension obligations	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Nordea Bank AB (publ) Pension Foundation	828	962	750	892
– of which related to the parent company	789	916	712	848

Pension provisions

EURm	2008	2007
Balance at beginning of year	129	135
New provisions made	5	2
Provisions utilised	–	–2
Other changes	–16	–6
Balance at end of year	**118**	**129**

Capital value of pension commitments under own management

EURm	2008	2007
Opening balance	977	999
Currency difference	–131	–43
Costs excl. interest charged to the result	5	2
Interest expense	25	25
Pension benefits paid	–55	–57
Acquisition/disposal of operations	–	0
Other increase in capital value	9	51
Balance at end of year	**830**	**977**
Actual value relating to specifically separated assets[1)]		
Opening balance	916	951
Currency difference	–124	–42
Yield	–3	7
Acquisition/disposal of operations	–	0
Balance at end of year	**789**	**916**
Net reported in respect of pension commitments	**41**	**61**

1) For futher information see Note 1, section 24, Related Party transactions.

Costs in respect of pensions

EURm	2008	2007
Pension system under own management:		
Expenses excl. interest expenses	26	26
Return on specifically separated assets	3	–7
Result effect of redemption of commitments	–	0
Costs in respect of pensions under own management	**29**	**19**
Pensioning through insurance:		
Insurance premiums	34	35
Subtotal	**63**	**54**
Tax on returns from pension funds	5	5
Special payroll tax on pension expenses	11	7
The year's pension expenses	**79**	**66**
–/+ Expenses covered by surplus in separated assets/increase in surplus in separated assets	0	2
Reported net cost attributable to pensions	**79**	**68**

Actual value of holdings in pension foundations

EURm	2008	2007
Shares	118	272
Interest-bearing securities	641	601
Other assets	30	43
Total	**789**	**916**

Percentage return on specifically separated assets	**–0.3%**	**0.8%**
Assumptions for benefit-determined obligations:		
Discount rate	3.0%	3.0%
The calculation is based on pay and pension levels on the accounting date	Yes	Yes
Length of life for women, years[1)]		82
Length of life for men, years[1)]		79
Average retirement age, years	64	64

1) From 2008 is the expected remaining lifetime based on DUS 2006.

Note 38 Subordinated liabilities

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Dated subordinated debenture loans	6,267	5,626	5,423	4,825
Undated subordinated debenture loans	536	604	–	–
Hybrid capital loans	1,406	1,326	1,406	1,326
Total	**8,209**	**7,556**	**6,829**	**6,151**
– of which expected to be settled after more than 1 year	7,339		6,804	

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans and hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

Note 38 Subordinated liabilities, cont.

Group
At 31 December no separate loan exceeds 10% of the total outstanding volume.

Parent company
At 31 December one loan – with terms specified below – exceeded 10% of the total outstanding volume.

Year of issue / maturity	Nominal value	Carrying amount EURm	Interest rate (coupon)
Nordea Bank AB (publ)[1]	MSEK 6,904	750	FRN

1) Call date 20 May 2010.

Note 39 Untaxed reserves

EURm	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Accumulated excess depreciation		
Equipment	2	7
Total	**2**	**7**

Note 40 Equity

Group

EURm	Attributable to the share holders of Nordea Bank AB (publ)[3]: Share capital[1]	Other reserves: Available-for-sale investments	Other reserves: Cash flow hedges	Other reserves: Currency translation differences	Retained earnings	Total	Minority interests	Total equity
Balance at 1 Jan 2008	**2,597**	**6**	**–**	**–166**	**14,645**	**17,082**	**78**	**17,160**
Available-for-sale investments:								
– Transfers to net profit		–6				–6		–6
– Tax on transfers to net profit		0				0		0
Cash flow hedges:								
– Fair value gains			–7			–7		–7
– Tax on fair value gains			2			2		2
Currency translation differences				–717		–717		–717
Net income recognised directly in equity		*–6*	*–5*	*–717*		*–728*		*–728*
Net profit for the year					2,671	2,671	1	2,672
Total recognised income and expense		*–6*	*–5*	*–717*	*2,671*	*1,943*	*1*	*1,944*
Issued C shares[4]	3					3		3
Repurchase of C shares[4]					–3	–3		–3
Share-based payments[4]					7	7		7
Dividend for 2007					–1,297	–1,297		–1,297
Purchases of own shares[2]					–10	–10		–10
Other changes						0	–1	–1
Balance at 31 Dec 2008	**2,600**	**0**	**–5**	**–883**	**16,013**	**17,725**	**78**	**17,803**
Balance at 1 Jan 2007	**2,594**	**5**	**–**	**–116**	**12,793**	**15,276**	**46**	**15,322**
Available-for-sale investments:								
– Fair value gains		1				1		1
– Tax on fair value gains		0				0		0
Currency translation differences				–50		–50		–50
Net income recognised directly in equity		*1*	*–*	*–50*		*–49*		*–49*
Net profit for the year					3,121	3,121	9	3,130
Total recognised income and expense		*1*	*–*	*–50*	*3,121*	*3,072*	*9*	*3,081*
Issued C shares[5]	3					3		3
Repurchase of C shares[5]					–3	–3		–3
Share-based payments[5]					4	4		4
Dividend for 2006					–1,271	–1,271		–1,271
Divestment of own shares[2]					11	11		11
Other changes					–10	–10	23	13
Balance at 31 Dec 2007	**2,597**	**6**	**–**	**–166**	**14,645**	**17,082**	**78**	**17,160**

1) Total shares registered were 2,600 million (31 Dec 2007: 2,597 million).
2) Refers to the change in the trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares in the trading portfolio and in the portfolio schemes at 31 Dec 2008 was 3.8 million (31 Dec 2007: 1.6 million).
3) Restricted capital was at 31 Dec 2008 EUR 2,600m (31 Dec 2007: EUR 2,603m). Unrestricted capital was 31 Dec 2008 EUR 15,125m (31 Dec 2007: EUR 14,479m).
4) Refers to the Long-Term Incentive Programme (LTIP 2008). The programme was hedged by issuing 2,880,000 C shares, the shares have been bought back and converted to ordinary shares.
5) Refers to the Long-Term Incentive Programme (LTIP 2007). The programme was hedged by issuing 3,120,000 C shares, the shares haven been bought back and converted to ordinary shares.

Note 40 *Equity, cont.*

Parent company	Restricted equity	Unrestricted equity[2]			
		Other reserves:			
EURm	Share capital	Available-for-sale investments	Cash flow hedges	Retained earnings	Total equity
Balance at 1 Jan 2008	**2,597**	**5**	**–**	**9,308**	**11,910**
Available-for-sale investments:					0
– Fair value gains		–7	–7		–14
– Tax on fair value gains		2	2		4
Group contribution, net[1]				–14	–14
Net income recognised directly in equity		*–5*	*–5*	–14	–24
Net profit for the year				1,888	1,888
Total recognised income and expense		*–5*	*–5*	*1,874*	*1,864*
Issued C shares[3]	3				3
Repurchase of C shares[3]				–3	–3
Share-based payments[3]				7	7
Dividend for 2007				–1,297	–1,297
Purchases of own shares				–13	–13
Balance at 31 Dec 2008	**2,600**	**0**	**–5**	**9,876**	**12,471**
Balance at 1 Jan 2007	**2,594**	**–**	**–**	**9,415**	**12,009**
Available-for-sale investments:					
– Fair value gains		7			7
– Tax on fair value gains		–2			–2
Group contribution, net[1]				*–40*	–40
Net income recognised directly in equity		5	–	*–40*	–35
Net profit for the year				*1,203*	1,203
Total recognised income and expense		5	–	1,163	1,168
Issued C shares[4]	3				3
Repurchase of C shares[4]				–3	–3
Share-based payments[4]				4	4
Dividend for 2006				–1,271	–1,271
Balance at 31 Dec 2007	**2,597**	**5**	**–**	**9,308**	**11,910**

1) After adjustment for tax.
2) Apart from retained earnings, unrestricted equity consists of a free fund to the amount of EUR 2,762m.
3) Refers to the Long-Term Incentive Programme (LTIP 2008). The programme was hedged by issuing 2,880,000 C shares, the shares have been bought back and converted to ordinary shares.
4) Refers to the Long-Term Incentive Programme (LTIP 2007). The programme was hedged by issuing 3,120,000 C shares, the shares have been bought back and converted to ordinary shares.

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

Share capital

	Quota value per share, EUR	Total number of shares	Share capital, EUR
Balance at 31 Dec 2006	**1.00**	**2,594,108,227**	**2,594,108,227.00**
New issue[1]		3,120,000	3,120,000.00
Balance at 31 Dec 2007	**1.00**	**2,597,228,227**	**2,597,228,227.00**
New issue[1]		2,880,000	2,880,000.00
Balance at 31 Dec 2008	**1.00**	**2,600,108,227**	**2,600,108,227.00**

1) Refers to the Long-Term Incentive Programmes (LTIP).

Dividends per share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). At the AGM on 2 April 2009, a dividend in respect of 2008 of EUR 0.20 per share (2007 actual dividend EUR 0.50 per share) amounting to a total of EUR 518,821,646 (2007 actual EUR 1,297,054,114) is to be proposed. The financial statements for the year ended 31 December 2008 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2009.

Note 41 Assets pledged as security for own liabilities

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Assets pledged for own liabilities				
Lease agreements[1)]	120	158	–	–
Securities etc	32,228	12,284	3,360	3,054
Loans to the public	60,809	61,867	–	–
Other pledged assets	2,350	5,399	–	–
Total	**95,507**	**79,708**	**3,360**	**3,054**
The above pledges pertain to the following liability and commitment items				
Deposits by credit institutions	10,625	8,042	3,220	3,148
Deposits and borrowings from the public	6,590	4,141	140	122
Debt securities in issue	51,987	50,506		
Other liabilities and commitments	16,027	4,830	–	–
Total	**85,229**	**67,519**	**3,360**	**3,270**

1) The agreements are financial lease agreements where Nordea is the lessor. The associated assets are Loans and advances to the public.

Assets pledged for own liabilities contain securities pledged as security in repurchase agreement and in securities borrowing. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months. Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds. In the event of the company's insolvency, the holders of these bonds have prior rights to the assets registered as collateral. Other relates to a certificate of deposits pledged by Nordea to comply with authority requirements and assets funded by finance lease agreements.

Note 42 Other assets pledged

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Other assets pledged[1)]				
Lease agreements	1	0	–	–
Securities etc	10,686	6,293	9,504	7,270
Other assets pledged	120	11	–	–
Total	**10,807**	**6,304**	**9,504**	**7,270**
The above pledges[2)] pertain to the following liability and commitment items				
Deposits by credit institutions	9,210	6,147	9,211	6,147
Other liabilities and commitments	15	146	293	1,123
Total	**9,225**	**6,293**	**9,504**	**7,270**

1) Collaterals pledged on behalf of other items other than the company's own liabilities, eg, on behalf of a third party or on behalf of the company's own contingent liabilities are accounted for under this item.
2) For undertakings of the company itself or for a third party.

Securities etc. includes interest-bearing securities pledged as security for payment settlements within the Central bank of Sweden. The terms and conditions require day to day security and relate to liquidity intraday/over night. Other pledged assets relate to pledged deposits.

Note 43 Contingent liabilities

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Guarantees				
Loan guarantees	6,920	4,965	4,742	3,639
Other guarantees	15,805	16,021	17,200	10,385
Documentary credits	3,203	3,052	–	7
Other contingent liabilities	359	216	5	35
Total	**26,287**	**24,254**	**21,947**	**14,066**

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

In early October 2008, Danish Parliament agreed with banks to set up a guarantee scheme valid for two years, until the end of September 2010, which guarantees the claims of unsecured creditors, excluding covered bonds and subordinated debt, against losses in the participating banks. Nordea decided for commercial reasons that Nordea Bank Danmark A/S would participate in the scheme. Nordea guarantees the payment of its portion of DKK 10bn to cover any losses under the guarantee scheme and the payment of an annual guarantee commission amounting to DKK 7.5bn annually for two years. If losses exceed these amounts, additional losses of up to DKK 10bn should also be covered by further guarantee commissions. The total payments are for all participating banks hence capped to DKK 35bn. Nordea´s share of the guarantee scheme is expected to be approximately 20%. The possible additional expense for the guarantee of maximum approximately EUR 500m has been recorded as a contingent liability.

Nordea Bank AB (publ) has issued a guarantee covering all commitments in Nordea Investment Management AB, org no 556060-2301, in accordance with the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies (1995:1559) (ÅRKL) chapter 7 paragraph 5.

Nordea Bank AB (publ) has undertaken in relation to certain individuals and on certain conditions to be responsible for the potential payment liability against them in their capacity as managing director or board director in subsidiaries of Nordea Bank AB (publ).

The Swedish tax authorities have notified Nordea that the taxable income for Nordea's wholly owned subsidiary Nordea Fastigheter AB will be increased by SEK 225m and SEK 2,711m, for the years 2003 and 2004, respectively. The potential tax liability, including a surcharge, amounts to approximately EUR 100m and is related to the sales gain in respect of the divestment of Nordea's owner occupied properties in Sweden.

Nordea is of the opinion that all tax rules and regulations have been complied with in the transactions, and that the previously reported gain is correctly treated from a tax perspective. Since this divestment structure was a well established practice for many real-estate companies divesting their portfolios, Nordea strongly contest both the ordinary tax claim and the tax surcharge and have taken the decisions to the Swedish courts.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosure, see Note 8.

Legal proceedings

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 is considered likely to have any significant adverse effect on the Group or its financial position.

A writ has been served on Nordea Bank Danmark A/S on 31 January 2006 based on an avoidance claim of USD 61.2m plus interest by SAirGroup in Nachlassliquidation filed with the Commercial Court of Zürich. The Zürich Commercial Court dismissed the claim in April 2008. The liquidation estate has appealed the case to the Swiss Supreme Court. Nordea is contesting the claim and has made no provisions.

Note 44 Commitments

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Future payment obligations	1,313	2,867	–	–
Credit commitments[1]	85,416	81,607	22,831	27,696
Other commitments	1,705	2,532	1,308	1,778
Commitments excluding derivatives	**88,434**	**87,006**	**24,139**	**29,474**
Derivatives	**3,802,101**	**3,405,332**	**104,378**	**299,852**
Total	**3,890,535**	**3,492,338**	**128,517**	**329,326**

1) Including unutilised portion of approved overdraft facilities.

Note 45 Insurance activities[1]

Group

Operating profit, insurance

EURm	2008	2007
Fee and commission income	294	291
Fee and commission expense	–118	–130
Premium income, life insurance[2]	2,359	2,530
Investments, life insurance[2]	–2,338	1,059
Change in technical provisions, life insurance[2]	541	–1,002
Claims paid, life insurance[2]	–2,529	–2,354
Change in collective bonus potential, life insurance[2]	2,034	42
Operating income	**243**	**436**
Operating expenses		
Staff costs	–111	–98
Other expenses	–78	–71
Depreciation, amortisation and impairment charges of tangible and intangible assets	–4	–5
Total operating expenses	**–193**	**–174**
Operating profit, insurance	**50**	**262**

1) Before allocations and elimination of intra-group transactions.
2) Included in "Net gains/losses on items at fair value" in the Group Income statement.

Balance sheet

EURm	31 Dec 2008	31 Dec 2007
Assets		
Cash and balances with central banks	5	0
Treasury bills	3,224	2,143
Loans and advances to the public	1,824	857
Interest-bearing securities	17,964	16,842
Shares and participations	6,794	11,794
Derivatives	256	36
Participating interests	211	153
Intangible assets	342	351
Tangible assets	14	16
Investment property	3,327	3,478
Deferred tax assets	6	6
Current tax assets	64	3
Other assets	495	454
Prepaid expenses and accrued income	411	357
Total assets	**34,937**	**36,490**
– of which intra-group transactions	–3,157	–1,814
Liabilities		
Deposits and borrowings from the public	3,341	2,645
Liabilities to Life insurance policyholders	29,238	32,280
Derivatives	91	10
Current tax liabilities	46	20
Other liabilities	318	781
Accrued expenses and deferred income	220	224
Deferred tax liabilities	255	110
Retirement benefit obligation	4	6
Subordinated liabilities	859	–
Total liabilities	**34,372**	**36,076**
Equity	**565**	**414**
Total liabilities and equity	**34,937**	**36,490**
– of which intra-group transactions	–4,077	–2,757

Note 46 Capital adequacy

The Capital Adequacy information for the Group can be found in the Risk, Liquidity and Capital management section page 44.

Note 47 Classification of financial instruments

Group

31 Dec 2008, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	3,157							3,157
Treasury bills	9	183	6,353					6,545
Loans and receivables to credit institutions	18,731		5,172					23,903
Loans and receivables to the public	217,833		11,074	36,193				265,100
Interest-bearing securities		12,045	17,559	15,177		49		44,830
Financial instruments pledged as collateral			7,937					7,937
Shares			3,745	6,917		7		10,669
Derivatives			86,520		318			86,838
Fair value changes of the hedged items in portfolio hedge of interest rate risk	413							413
Investments in associated undertakings							431	431
Intangible assets							2,535	2,535
Property and equipment							375	375
Investment property							3,334	3,334
Deferred tax assets							64	64
Current tax assets							344	344
Retirement benefit assets							168	168
Other assets	5,738			8,829			37	14,604
Prepaid expenses and accrued income	2,090		312				425	2,827
Total	**247,971**	**12,228**	**138,672**	**67,116**	**318**	**56**	**7,713**	**474,074**

Group

31 Dec 2008, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	8,133	23,202		20,597		51,932
Deposits and borrowings from the public	2,999	4,914		140,678		148,591
Liabilities to policyholders	4,021				25,217	29,238
Debt securities in issue	5,242	27,153		76,594		108,989
Derivatives	83,277		2,261			85,538
Fair value changes of the hedged items in portfolio hedge of interest rate risk				532		532
Current tax liabilities					458	458
Other liabilities	4,056	2,641		10,780	493	17,970
Accrued expenses and prepaid income	614			1,763	901	3,278
Deferred tax liabilities					1,053	1,053
Provisions					143	143
Retirement benefit obligations					340	340
Subordinated liabilities	1			8,208		8,209
Total	**108,343**	**57,910**	**2,261**	**259,152**	**28,605**	**456,271**

Note 47 *Classification of financial instruments, cont.*

Group 31 Dec 2007, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	5,020							5,020
Treasury bills	10		5,183					5,193
Loans and receivables to credit institutions	14,841		9,421					24,262
Loans and receivables to the public	205,054		7,424	32,204				244,682
Interest-bearing securities		1,632	20,674	16,426		50		38,782
Financial instruments pledged as collateral			4,790					4,790
Shares			5,552	12,076		16		17,644
Derivatives			31,083		415			31,498
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–105							–105
Investments in associated undertakings							366	366
Intangible assets							2,725	2,725
Property and equipment							342	342
Investment property							3,492	3,492
Deferred tax assets							191	191
Current tax assets							142	142
Retirement benefit assets							123	123
Other assets	5,345			2,342			37	7,724
Prepaid expenses and accrued income	1,443		375	5			360	2,183
Total	**231,608**	**1,632**	**84,502**	**63,053**	**415**	**66**	**7,778**	**389,054**

Group 31 Dec 2007, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	4,029			26,048		30,077
Deposits and borrowings from the public	2,272	130		139,927		142,329
Liabilities to policyholders	4,224				28,056	32,280
Debt securities in issue	5,072	33,648		61,072		99,792
Derivatives	32,324		699			33,023
Fair value changes of the hedged items in portfolio hedge of interest rate risk				–323		–323
Current tax liabilities					300	300
Other liabilities	9,650	3,330		9,563	317	22,860
Accrued expenses and prepaid income	53	5		1,917	787	2,762
Deferred tax liabilities					703	703
Provisions					73	73
Retirement benefit obligations					462	462
Subordinated liabilities				7,556		7,556
Total	**57,624**	**37,113**	**699**	**245,760**	**30,698**	**371,894**

Note 47 *Classification of financial instruments, cont.*

Parent company 31 Dec 2008, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	276							276
Treasury bills		183	1,915					2,098
Loans and receivables to credit institutions	36,361		7,494					43,855
Loans and receivables to the public	29,240							29,240
Interest-bearing securities		2,335	7,745					10,080
Financial instruments pledged as collateral			3,097					3,097
Shares			1,063	44		0		1,107
Derivatives			3,165		397			3,562
Fair value changes of the hedged items in portfolio hedge of interest rate risk	27							27
Investments in group undertakings							15,866	15,866
Investments in associated undertakings							2	2
Intangible assets							757	757
Property and equipment							81	81
Deferred tax assets							28	28
Current tax assets							76	76
Other assets	2,025			74			0	2,099
Prepaid expenses and accrued income	771		1				11	783
Total	**68,700**	**2,518**	**24,480**	**118**	**397**	**0**	**16,821**	**113,034**

Parent company 31 Dec 2008, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	3,104	7,867		23,742		34,713
Deposits and borrowings from the public				33,457		33,457
Debt securities in issue				17,949		17,949
Derivatives	2,551		205			2,756
Fair value changes of the hedged items in portfolio hedge of interest rate risk				42		42
Current tax liabilities					0	0
Other liabilities	680			3,449	100	4,229
Accrued expenses and prepaid income	4			346	115	465
Deferred tax liabilities					0	0
Provisions					3	3
Retirement benefit obligations					118	118
Subordinated liabilities	1			6,828		6,829
Total	**6,340**	**7,867**	**205**	**85,813**	**336**	**100,561**

Note 47 *Classification of financial instruments, cont.*

Parent company

31 Dec 2007, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	296							296
Treasury bills			567					567
Loans and receivables to credit institutions	29,812		6,743	269				36,824
Loans and receivables to the public	26,640							26,640
Interest-bearing securities			4,378	838				5,216
Financial instruments pledged as collateral			2,806					2,806
Shares			1,828	199		7		2,034
Derivatives			1,069		212			1,281
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–4							–4
Investments in group undertakings							15,488	15,488
Investments in associated undertakings							30	30
Intangible assets							819	819
Property and equipment							53	53
Deferred tax assets							34	34
Current tax assets							52	52
Other assets	1,600			340			0	1,940
Prepaid expenses and accrued income	375		13	5			9	402
Total	**58,719**		**17,404**	**1,651**	**212**	**7**	**16,485**	**94,478**

Parent company

31 Dec 2007, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	2,826	3,386		18,063		24,275
Deposits and borrowings from the public				32,296		32,296
Debt securities in issue				13,839		13,839
Derivatives	1,310		271			1,581
Fair value changes of the hedged items in portfolio hedge of interest rate risk				–69		–69
Current tax liabilities				0		0
Other liabilities	1,572	320		2,044	78	4,014
Accrued expenses and prepaid income		4		256	81	341
Deferred tax liabilities					2	2
Provisions					2	2
Retirement benefit obligations					129	129
Subordinated liabilities				6,151		6,151
Total	**5,708**	**3,710**	**271**	**72,580**	**292**	**82,561**

Note 47 *Classification of financial instruments, cont.*

Loans and receivables designated at fair value through profit or loss

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Carrying amount	36,193	32,204	–	269
Maximum exposure to credit risk	36,193	32,204	–	269
Carrying amount of credit derivatives used to mitigate the credit risk	–	–	–	–

Financial liabilities designated at fair value through profit or loss

Changes in fair values attributable to changes in credit risk
Issued mortgage bonds in the fully owned Danish subsidiary Nordea Kredit Realkreditaktieselskab are measured at fair value. Deposits made by Markets as well as the funding of Markets operations are measured at fair value and classified into the category ”Fair value through profit and loss”.

The change in fair value attributable to credit risk of the liabilities are for 2008 EUR –51.2m (EUR 0.0m). The cumulative change since designation are EUR –51.2m (EUR 0.0m). The calculation method of the fair value changes attributable to changes in market conditions is based on relevant benchmark interest rates, which is the average yield on Danish mortgage bonds.

The change in the fair value of loans attributable to changes in credit risk is for 2008 EUR –9.5m (EUR –0.1m). The cumulative change since designation is EUR –8.6m (EUR 0.9m).

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

	Group		Parent company	
2008, EURm	Carrying amount	Amount to be paid at maturity	Carrying amount	Amount to be paid at maturity
Financial liabilities at fair value through profit or loss	57,910	61,777	7,867	7,867

	Group		Parent company	
2007, EURm	Carrying amount	Amount to be paid at maturity	Carrying amount	Amount to be paid at maturity
Financial liabilities at fair value through profit or loss	37,113	39,587	3,710	3,710

Note 48 Assets and liabilities at fair value

Group	31 Dec 2008		31 Dec 2007	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	3,157	3,157	5,020	5,020
Treasury bills	6,545	6,545	5,193	5,189
Loans and receivables to credit institutions	23,903	23,952	24,262	24,263
Loans and receivables to the public	265,100	265,846	244,682	244,503
Interest-bearing securities	44,830	44,853	38,782	38,749
Financial instruments pledged as collateral	7,937	7,937	4,790	4,790
Shares	10,669	10,669	17,644	17,644
Derivatives	86,838	86,838	31,498	31,498
Fair value changes of the hedged items in portfolio hedge of interest rate risk	413	413	–105	–105
Investments in associated undertakings	431	431	366	366
Intangible assets	2,535	2,535	2,725	2,725
Property and equipment	375	375	342	342
Investment property	3,334	3,334	3,492	3,492
Deferred tax assets	64	64	191	191
Current tax assets	344	344	142	142
Retirement benefit assets	168	168	123	123
Other assets	14,604	14,604	7,724	7,724
Prepaid expenses and accrued income	2,827	2,827	2,183	2,183
Total assets	**474,074**	**474,892**	**389,054**	**388,839**
Liabilities				
Deposits by credit institutions	51,932	51,918	30,077	30,083
Deposits and borrowings from the public	148,591	148,615	142,329	142,215
Liabilities to policyholders	29,238	29,238	32,280	32,280
Debt securities in issue	108,989	109,477	99,792	99,625
Derivatives	85,538	85,538	33,023	33,023
Fair value changes of the hedged items in portfolio hedge of interest rate risk	532	532	–323	–323
Current tax liabilities	458	458	300	300
Other liabilities	17,970	17,970	22,860	22,860
Accrued expenses and prepaid income	3,278	3,278	2,762	2,762
Deferred tax liabilities	1,053	1,053	703	703
Provisions	143	143	73	73
Retirement benefit obligations	340	340	462	462
Subordinated liabilities	8,209	8,249	7,556	7,556
Total liabilities	**456,271**	**456,809**	**371,894**	**371,619**

Note 48 *Assets and liabilities at fair value, cont.*

Parent company	31 Dec 2008		31 Dec 2007	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	276	276	296	296
Treasury bills	2,098	2,098	567	567
Loans and receivables to credit institutions	43,855	43,894	36,824	36,823
Loans and receivables to the public	29,240	29,280	26,640	26,643
Interest-bearing securities	10,080	10,114	5,216	5,217
Financial instruments pledged as collateral	3,097	3,097	2,806	2,806
Shares	1,107	1,107	2,034	2,034
Derivatives	3,562	3,562	1,281	1,281
Fair value changes of the hedged items in portfolio hedge of interest rate risk	27	27	–4	–4
Investments in group undertakings	15,866	15,866	15,488	15,488
Investments in associated undertakings	2	2	30	30
Intangible assets	757	757	819	819
Property and equipment	81	81	53	53
Deferred tax assets	28	28	34	34
Current tax assets	76	76	52	52
Other assets	2,099	2,099	1,940	1,940
Prepaid expenses and accrued income	783	783	402	402
Total assets	**113,034**	**113,147**	**94,478**	**94,481**
Liabilities				
Deposits by credit institutions	34,713	34,696	24,275	24,283
Deposits and borrowings from the public	33,457	33,416	32,296	32,299
Debt securities in issue	17,949	17,915	13,839	13,839
Derivatives	2,756	2,756	1,581	1,581
Fair value changes of the hedged items in portfolio hedge of interest rate risk	42	42	–69	–69
Current tax liabilities	0	0	0	0
Other liabilities	4,229	4,229	4,014	4,014
Accrued expenses and prepaid income	465	465	341	341
Deferred tax liabilities	0	0	2	2
Provisions	3	3	2	2
Retirement benefit obligations	118	118	129	129
Subordinated liabilities	6,829	6,828	6,151	6,152
Total liabilities	**100,561**	**100,468**	**82,561**	**82,573**

Estimation of fair value for assets and liabilities

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

The carrying amounts on loans and receivables, deposits and borrowings and issued securities are adjusted for the value of the fixed interest term in order to estimate the fair values that are presented in the tables above. The value of the fixed interest term is a result of changes in the relevant market interest rates. The discount rates used are based on current market rates for each term.

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

Fair value is set to carrying amount, in the tables above, for assets and liabilities for which no reliable fair value has been possible to estimate. This is valid for the line items investments in associated undertakings, investments in group undertakings, intangible assets, property and equipment and provisions.

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

Fair value of financial assets and financial liabilities

The total effect on the income statement from financial assets and financial liabilities that are measured using valuation techniques based on assumptions not fully supported by observable market data amounted to EUR 117 m (EUR 35m) in Nordea. The effect in the parent company was EUR –9m (EUR 1m).

Deferred Day 1 profit or loss

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

	Group		Parent company	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Amount at beginning of year	105	58	17	0
Deferred profit/loss on new transactions	62	82	1	18
Recognised in the income statement during the year	–63	–35	–9	–1
Amount at end of year	**104**	**105**	**9**	**17**

Note 48 *Assets and liabilities at fair value, cont.*

Determination of fair value from quoted market prices or valuation techniques

The following table presents the valuation methods used to determine fair values of financial instruments carried at fair value[1].

Group 31 Dec 2008, EURm	Instruments with quoted prices in active markets (Level 1)[3]	– of which Life	Valuation technique using observable data (Level 2)[4]	– of which Life	Valuation technique using non-observable data (Level 3)[5]	– of which Life	Total
Assets							
Interest-bearing securities and Treasury bills[2]	32,362	16,360	6,760	2,011	16	9	39,138
– of which state and sovereigns	4,943	3,189	1,251	35	–	–	6,194
– of which municipalities and other public bodies	7,454	1,653	155	100	–	–	7,609
– of which mortgage institutions	10,883	6,897	608	156	–	–	11,491
– of which other credit institutions	4,879	821	2,192	291	–	–	7,071
– of which corporates	1,845	1,500	1,258	296	9	9	3,112
– of which corporates, sub-investment grade	142	142	711	706	–	–	853
– of which other	2,216	2,158	585	427	7	–	2,808
Financial instruments pledged as collateral	7,937	–	–	–	–	–	7,937
Shares	7,682	4,707	848	702	2,139	1,385	10,669
Derivatives	572	–	83,318	95	2,630	–	86,520
Liabilities							
Debt securities in issue	27,153	–	5,242	–	–	–	32,395
Derivatives	728	25	79,778	59	2,771	–	83,277

1) Except for mainly mortgage loans in the Danish subsidiary Nordea Kredit Realkreditselskab designated at fair value through profit and loss, overnight funding from credit institutions for Markets operation, and derivatives used for hedging.

2) Of which EUR 6,353m Treasury bills and EUR 32,785m Interest-bearing securities (the portion held at fair value in Note 47).

3) Level 1 consists of financial assets and financial liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. This category includes listed bonds and other securities, listed shares, exchange-traded derivatives as well as listed issued bonds and other securities.

4) Level 2 consists of financial assets and financial liabilities which do not have quoted market prices directly available from an active market, and where fair values are estimated using valuation techniques or models, based wherever possible on assumptions supported by observable market prices or rates prevailing at the balance sheet date. The majority of Nordea's OTC derivatives and several other instruments not traded in active markets fall within this category.

5) Level 3 consists of financial instruments for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for private equity instruments and private equity funds as well as for certain complex and/or structured financial instruments. The main increase, during 2008, in instruments categorised in level 3 relates to unlisted shares held by Nordea Life & Pensions. The nature of unobservable parameters remained broadly the same with liquidity being maintained in the majority of the markets.

Group 31 Dec 2007, EURm	Instruments with quoted prices in active markets (Level 1)	– of which Life	Valuation technique using observable data (Level 2)	– of which Life	Valuation technique using non-observable data (Level 3)	– of which Life	Total
Assets							
Interest-bearing securities and Treasury bills[1]	33,285	13,120	8,977	2,489	71	64	42,333
– of which state and sovereigns	5,075	3,003	8	8	–	–	5,083
– of which municipalities and other public bodies	3,836	1,042	209	107	–	–	4,045
– of which mortgage institutions	13,888	5,619	192	144	–	–	14,080
– of which other credit institutions	6,763	493	2,546	241	–	–	9,309
– of which corporates	1,931	1,193	2,266	258	–	–	4,197
– of which corporates, sub-investment grade	1,094	1,094	20	–	–	–	1,114
– of which other	698	676	3,736	1,731	71	64	4,505
Financial instruments pledged as collateral	4,790	–	–	–			4,790
Shares	15,142	10,487	1,366	1,232	1,136	75	17,644
Derivatives	671	4	28,320	16	2,092	–	31,083
Liabilities							
Debt securities in issue	26,616	–	12,104	–	–	–	38,720
Derivatives	546	–	29,519	–	2,259	–	32,324

1) Of which EUR 5,183m Treasury bills and EUR 37,150m Interest-bearing securities (the portion held at fair value in Note 47).

Note 48 *Assets and liabilities at fair value, cont.*

Parent company 31 Dec 2008, 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				
Interest-bearing securities and Treasury bills[1]	3,988	5,672	–	9,660
– of which state and sovereigns	699	1,216	–	1,915
– of which mortgage institutions	1,075	72	–	1,147
– of which other credit institutions	2,214	3,478	–	5,692
– of which corporates	–	906	–	906
Financial instruments pledged as collateral	2,731	366	–	3,097
Shares	649	–	458	1,107
Derivatives	74	2,889	202	3,165
Liabilities				
Derivatives	114	2,384	53	2,551

1) Of which EUR 1,915m Treasury bills and EUR 7,745m Interest-bearing securities (the portion held at fair value in Note 47).

Parent company 31 Dec 2007, 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				
Interest-bearing securities and Treasury bills[1]	3,391	2,392	–	5,783
– of which state and sovereigns	567	–	–	567
– of which mortgage institutions	2,735	414	–	3,149
– of which other credit institutions	27	1,811	–	1,838
– of which corporates	62	167	–	229
Financial instruments pledged as collateral	2,806	–	–	2,806
Shares	1,177	38	819	2,034
Derivatives	62	972	34	1,068
Liabilities				
Derivatives	118	1,167	25	1,310

1) Of which EUR 567m Treasury bills and EUR 5,216m Interest-bearing securities (the portion held at fair value in Note 47).

Collaterised Debt Obligations (CDO) – Exposure[4]

Group	31 Dec 2008		31 Dec 2007	
Notionals, EURm	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	4,390	4,484	4,078	4,355
Hedged exposures	2,883	2,883	2,588	2,588
CDOs, net[1]	1,507[2]	1,601[3]	1,490[2]	1,767[3]
– of which equity	277	360	218	376
– of which mezzanine	337	245	373	414
– of which senior	893	996	899	977

1) Net exposure disregards exposure where tranches are completely identical in terms of reference pool attachment, detachment, maturity and currency.
2) Of which investment grade EUR 1,503m (EUR 1,486m) and sub investment grade EUR 4m (EUR 4m).
3) Of which investment grade EUR 1,401m (EUR 1,455m) and sub investment grade EUR 48m (EUR 73m) and not rated EUR 152m (EUR 239m).
4) These instruments are classified at fair value through profit and loss.

Note 48 *Assets and liabilities at fair value, cont.*

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

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

Credit Default Swaps (CDS) – Exposure

CDSs are used for hedging exposure in CDOs as well as Credit Bonds. The net position from bought protection amounts to EUR 1,333m and the net position from sold protection amounts to EUR 2,144m.

Note 49 Assets and liabilities in foreign currencies

Group 31 Dec 2008, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Treasury bills	3.3	2.7	0.0	0.4	0.1	0.0	6.5
Loans and receivables to credit institutions	5.8	7.8	5.8	0.9	3.1	0.5	23.9
Loans and receivables to the public	77.5	59.2	61.8	33.2	22.6	10.8	265.1
Interest-bearing securities	14.1	6.6	16.8	3.7	3.0	0.6	44.8
Other assets	83.0	16.8	9.4	9.9	9.0	5.7	133.8
Total assets	**183.7**	**93.1**	**93.8**	**48.1**	**37.8**	**17.6**	**474.1**
Liabilities and equity							
Deposits by credit institutions	17.8	4.7	5.6	1.7	19.5	2.6	51.9
Deposits and borrowings from the public	47.8	32.5	34.3	19.8	9.1	5.1	148.6
Debt securities in issue	30.2	17.8	25.2	1.5	27.4	6.9	109.0
Provisions	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Subordinated liabilities	4.0	0.9	0.0	0.0	2.1	1.2	8.2
Other liabilities and equity	88.7	16.4	27.2	10.7	8.9	4.4	156.3
Total liabilities and equity	**188.6**	**72.3**	**92.3**	**33.7**	**67.0**	**20.2**	**474.1**
Position not reported in the balance sheet	**6.3**	**–20.4**	**–1.8**	**–14.0**	**28.9**	**2.2**	**1.2**
Net position, currencies	**1.4**	**0.4**	**–0.3**	**0.4**	**–0.3**	**–0.4**	**1.2**

Group 31 Dec 2007, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Treasury bills	3.5	1.3	0.2	0.2	0.0	0.0	5.2
Loans and receivables to credit institutions	6.1	6.4	7.8	1.5	1.2	1.3	24.3
Loans and receivables to the public	65.8	61.1	56.6	37.1	14.8	9.3	244.7
Interest-bearing securities	9.6	4.9	16.3	5.5	2.0	0.5	38.8
Other assets	35.3	12.3	10.5	9.8	5.5	2.7	76.1
Total assets	**120.3**	**86.0**	**91.4**	**54.1**	**23.5**	**13.8**	**389.1**
Liabilities and equity							
Deposits by credit institutions	7.4	3.7	2.2	2.6	9.5	4.7	30.1
Deposits and borrowings from the public	40.5	32.6	30.6	23.2	9.9	5.5	142.3
Debt securities in issue	20.9	22.6	25.1	1.8	22.2	7.2	99.8
Provisions	0.1	0.0	0.0	0.0	–	0.0	0.1
Subordinated liabilities	3.3	0.8	0.0	0.0	2.1	1.4	7.6
Other liabilities and equity	50.3	15.9	24.4	10.3	5.4	2.9	109.2
Total liabilities and equity	**122.5**	**75.6**	**82.3**	**37.9**	**49.1**	**21.7**	**389.1**
Position not reported in the balance sheet	**–2.4**	**–9.3**	**–5.4**	**–15.2**	**24.5**	**8.3**	**0.5**
Net position, currencies	**–4.6**	**1.1**	**3.7**	**1.0**	**–1.1**	**0.4**	**0.5**

Note 49 *Assets and liabilities in foreign currencies, cont.*

Parent company 31 Dec 2008, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Treasury bills	0.4	1.6	–	–	0.0	–	2.0
Loans and receivables to credit institutions	7.7	23.6	3.3	0.6	7.2	1.5	43.9
Loans and receivables to the public	4.7	18.3	1.1	0.5	2.9	1.7	29.2
Interest-bearing securities	4.8	3.5	1.0	0.1	0.7	0.0	10.1
Other assets	17.3	5.9	1.9	2.3	0.3	0.1	27.8
Total assets	**34.9**	**52.9**	**7.3**	**3.5**	**11.1**	**3.3**	**113.0**
Liabilities and equity							
Deposits by credit institutions	6.8	14.5	5.0	0.3	6.8	1.3	34.7
Deposits and borrowings from the public	2.6	29.8	0.2	0.2	0.5	0.2	33.5
Debt securities in issue	11.7	1.0	0.0	0.0	4.2	1.0	17.9
Provisions	–	0.0	–	–	–	–	0.0
Subordinated liabilities	3.3	0.9	–	–	1.8	0.8	6.8
Other liabilities and equity	15.1	2.4	1.9	0.2	0.4	0.1	20.1
Total liabilities and equity	**39.5**	**48.6**	**7.1**	**0.7**	**13.7**	**3.4**	**113.0**
Position not reported in the balance sheet	**4.2**	**–4.0**	**0.0**	**–2.8**	**2.6**	**0.0**	**0.0**
Net position, currencies	**–0.4**	**0.3**	**0.2**	**0.0**	**0.0**	**–0.1**	**0.0**

Parent company 31 Dec 2007, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Treasury bills	0.3	0.2	0.0	–	0.1	–	0.6
Loans and receivables to credit institutions	8.0	20.4	0.3	0.2	6.5	1.4	36.8
Loans and receivables to the public	3.4	18.4	1.9	0.4	1.9	0.6	26.6
Interest-bearing securities	2.5	2.3	0.1	–	0.3	–	5.2
Other assets	16.0	6.0	0.7	2.5	0.1	0.0	25.3
Total assets	**30.2**	**47.3**	**3.0**	**3.1**	**8.9**	**2.0**	**94.5**
Liabilities and equity							
Deposits by credit institutions	7.9	9.0	1.9	0.6	3.8	1.1	24.3
Deposits and borrowings from the public	1.2	30.1	0.1	0.1	0.6	0.2	32.3
Debt securities in issue	6.5	2.1	0.0	0.0	4.7	0.5	13.8
Provisions	0.0	0.0	–	–	–	–	0.0
Subordinated liabilities	2.7	0.8	0.0	–	1.8	0.9	6.2
Other liabilities and equity	13.2	3.8	0.2	0.1	0.4	0.2	17.9
Total liabilities and equity	**31.5**	**45.8**	**2.2**	**0.8**	**11.3**	**2.9**	**94.5**
Position not reported in the balance sheet	**–3.8**	**0.0**	**2.6**	**–1.4**	**1.4**	**2.2**	**1.0**
Net position, currencies	**–5.1**	**1.5**	**3.4**	**0.9**	**–1.0**	**1.3**	**1.0**

Note 50 Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants.

EURm	Group 31 Dec 2008	Group 31 Dec 2007	Parent company 31 Dec 2008	Parent company 31 Dec 2007
Reverse repurchase agreements				
Received collaterals which can be repledged or sold	20,118	23,485	7,524	6,593
– of which repledged or sold	3,377	9,191	799	1,412
Securities borrowing agreements				
Received collaterals which can be repledged or sold	1,192	1,539	1,308	1,778
– of which repledged or sold	1,192	1,539	1,308	1,778
Total	**21,310**	**25,024**	**8,832**	**8,371**

Note 51 Investments, customer bearing the risk

Life Group and Nordea Bank Danmark A/S have assets and liabilities included in their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included in the Group's balance sheet. A breakdown is shown below:

EURm	Group 31 Dec 2008	Group 31 Dec 2007
Assets		
Interest-bearing securities	1,820	2,157
Shares	6,730	8,975
Other assets	165	212
Total assets	**8,715**	**11,344**
Liabilities		
Deposits and borrowings from the public	3,070	3,981
Insurance contracts	3,611	4,796
Investment contracts	2,000	2,503
Other liabilities	34	64
Total liabilities	**8,715**	**11,344**

Note 52 Maturity analyses for assets and liabilities

Group **Remaining maturity** 31 Dec 2008, EURm	Note	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks		3,157						3,157
Treasury bills	15		102	1,887	2,610	1,946		6,545
Loans and receivables to credit institutions	16	1,537	20,528	820	670	348		23,903
Loans and receivables to the public	16	34,872	66,239	18,091	53,621	92,277		265,100
Interest-bearing securities	17	204	7,630	7,108	13,537	16,351		44,830
Financial instruments pledged as collateral	18		901	666	2,900	3,470		7,937
Derivatives	20		13,844	11,079	27,686	34,229		86,838
Fair value changes of the hedged items in portfolio hedge of interest rate risk	21		12	72	256	73		413
Total assets with fixed maturities		**39,770**	**109,256**	**39,723**	**101,280**	**148,694**		**438,723**
Other assets							35,351	35,351
Total assets		**39,770**	**109,256**	**39,723**	**101,280**	**148,694**	**35,351**	**474,074**
Deposits by credit institutions	30	14,133	35,208	1,847	448	296		51,932
Deposits and borrowings from the public	31	101,892	34,037	6,631	477	5,554		148,591
Liabilities to policyholders	32	352	15	69	1,257	27,545		29,238
Debt securities in issue	33	128	35,541	20,618	28,777	23,925		108,989
Derivatives	20		14,584	11,017	26,607	33,330		85,538
Fair value changes of the hedged items in portfolio hedge of interest rate risk	21			71	358	103		532
Subordinated liabilities	38		665	205	3,008	4,331		8,209
Total liabilities with fixed maturities		**116,505**	**120,050**	**40,458**	**60,932**	**95,084**		**433,029**
Other liabilities							23,242	23,242
Equity	40						17,803	17,803
Total liabilities and equity		**116,505**	**120,050**	**40,458**	**60,932**	**95,084**	**41,045**	**474,074**

Note 53 Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

Group	Associated undertakings		Other related parties[1]	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Assets				
Loans and receivables	181	159	–	–
Interest-bearing securities	119	–	–	–
Derivatives	–	107	–	–
Investments in associated undertakings	431	366	–	–
Total assets	**731**	**632**	**–**	**–**
Liabilities				
Deposits	172	106	74	56
Debt securities in issue	–	2	–	–
Derivatives	–	99	–	–
Total liabilities	**172**	**207**	**74**	**56**
Off balance	**6,113**	**6,042**	**–**	**–**

Group	Associated undertakings		Other related parties[1]	
EURm	2008	2007	2008	2007
Interest income and interest expense				
Interest income	5	6	–	–
Interest expense	–1	–1	–4	0
Net interest income and expense	**4**	**5**	**–4**	**0**

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

Parent company	Group undertakings		Associated undertakings		Other related parties	
EURm	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Assets						
Loans and receivables	37,323	35,006	38	19	–	–
Interest-bearing securities	3,524	1,960	–	–	–	–
Financial instrument pledged as collateral	1,573	2,637	–	–	–	–
Derivatives	2,143	378	–	–	–	–
Investments in associated undertakings	–	–	2	30	–	–
Investments in group undertakings	15,866	15,488	–	–	–	–
Other assets	258	386	–	–	–	–
Prepaid expenses and accrued income	319	136	–	–	–	–
Total assets	**61,006**	**55,991**	**40**	**49**	**–**	**–**
Liabilities						
Deposits	22,787	17,655	1	1	21	37
Debt securities in issue	14	83	–	–	–	–
Derivatives	1,904	465	–	–	–	–
Other liabilities	34	44	–	–	–	–
Accrued expenses and deferred income	56	42	–	–	–	–
Total liabilities	**24,795**	**18,289**	**1**	**1**	**21**	**37**
Off balance	**79,253**	**66,345**	**–**	**–**	**–**	**–**

Parent company	Group undertakings		Associated undertakings		Other related parties	
EURm	2008	2007	2008	2007	2008	2007
Interest income and interest expense						
Interest income	1,790	1,346	–	1	–	0
Interest expense	–792	–668	0	–	–2	–1
Net interest income and expense	**998**	**678**	**0**	**1**	**–2**	**–1**

Note 53 *Related-party transactions, cont.*

Compensation and loans and receivables to key management personnel

Compensation and loans and receivables to key management personnel are specified in Note 8.

Other related-party transactions

Group

Starting in March 2008 Nordea takes part in a guarantee consortium to support Norwegian Eksportfinans ASA in relation to its securities portfolio. Nordea owns 23 % of the company with other owners being the Norwegian state and other Nordic banks. Nordea's share of the fair value of the contract as of the balance sheet date amounts to approx. EUR 61m. The agreement's expiring date corresponds with the maturity dates of the bonds included in the guarantee. The latest maturity is on 31 December 2011.

Note 54 Acquisitions

On September 29, 2008 Nordea Bank Danmark A/S signed an agreement to acquire nine branch offices from "Bankaktieselskabet af 24. august 2008" (Roskilde Bank). The transaction was closed on November 3, when Nordea received final approval from the Danish regulators. November 3 is the acquisition date and the date from which the acquired assets and liabilities are recognised in Nordea. Assets and liabilities acquired are disclosed in the table below. In addition, Nordea acquired guarantees to the amount of EUR 235m.

Nordea is entitled to return lending and guarantees, which are considered unattractive, to Roskilde Bank. Nordea has returned approximately EUR 225m of loans to corporate customers during Q4 and EUR 60m of guarantees. In Q1 2009 Nordea expects to return some of the loans to household customers. The purchase price was adjusted due to the return of loans to Roskilde Bank.

The following purchase price allocation (PPA) has been established as of 3 November 2008. This PPA has been adjusted to reflect the return of loans and guarantees and the price has been adjusted due to the volumes returned. The PPA is still preliminary, and can be updated during 2009.

EURm	3 Nov 2008
Loans	476
Other assets	9
Deposits	–343
Other liabilities	–10
Acquired net assets in accordance with IFRS	132
Purchase price, settled in cash	85
Purchase price, to be settled in cash	78
Cost of combination	**163**
Surplus value	**31**
Allocation of surplus value:	
Customer related intangible asset	13
Goodwill	18

Goodwill arises mainly due to the synergies Nordea expects to achieve. Integrating the nine branches into Nordea's branch network will create cost synergies and more synergies will be derived from implementing Nordea's operating model in the new branches.

A customer related intangible asset has been separated from goodwill. The part separated is related to future earnings from acquired customers. This relates, however, only to the part over which Nordea has been assessed to have sufficient control. Amortisation is made over 10 years.

The impact on Nordea's net profit for the year is insignificant.

Proposed distribution of earnings

According to the parent company's balance sheet, the following amount is available for distribution by the Annual General Meeting of Shareholders:

	EUR
Retained earnings	5,225,679,407
Other free funds	2,762,284,828
Net profit for the year	1,887,807,578
Total	**9,875,771,813**

The Board of Directors proposes that these earnings are distributed as follows:

	EUR
Dividends paid to shareholders, EUR 0.20 per share	518,821,646
To be carried forward	9,356,950,167
Total	**9,875,771,813**

It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the Company's and the Group's equity, which are imposed by the nature, scope and risks, associated with the business, and the Company's and the Group's need for consolidation, liquidity and financial position in general.

The Board of Directors and the President and CEO certify that the consolidated financial statements and the annual report have been prepared in accordance with the International Reporting Standards (IFRS/IAS) referred to in the European parliament and councils' regulation (EC) 1606/2002, from 19 July 2002, on application of International Accounting Standards and in accordance with generally accepted accounting principles. They give a true and fair view of the Group's and the Company's financial position and result. The Board of Directors' Report for the Group and the Company gives a true and fair overview of the development of the operations, financial position and result of the Group and the Company and describes the material risks and uncertainties that the Company and the Group companies are facing.

17 February 2009

Hans Dalborg
Chairman

Timo Peltola
Vice Chairman

Kari Ahola
Board member[1)]

Stine Bosse
Board member

Marie Ehrling
Board member

Svein Jacobsen
Board member

Tom Knutzen
Board member

Nils Q Kruse
Board member[1)]

Steinar Nickelsen
Board member[1)]

Lars G Nordström
Board member

Lars Oddestad
Board member[1)]

Heidi M. Petersen
Board member

Ursula Ranin
Board member

Björn Savén
Board member

Björn Wahlroos
Board member

Christian Clausen
President and CEO

Our audit report was submitted on 18 February 2009

KPMG AB

Carl Lindgren
Authorised Public Accountant

1) Employee representative (see further page 73, footnote 8).

Audit report

To the annual meeting of the shareholders of Nordea Bank AB (publ)
Corporate identity number 516406-0120

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Nordea Bank AB (publ) for the year 2008. The annual accounts and the consolidated accounts are included in the printed version of this document on pages 31–145. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act of Credit Institutions and Securities Company when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act of Credit Institutions and Security Company when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Company or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Company and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act of Credit Institutions and Securities Company and give a true and fair view of the group's financial position and results of operations. The Board of Director's report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the Board of Director's report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

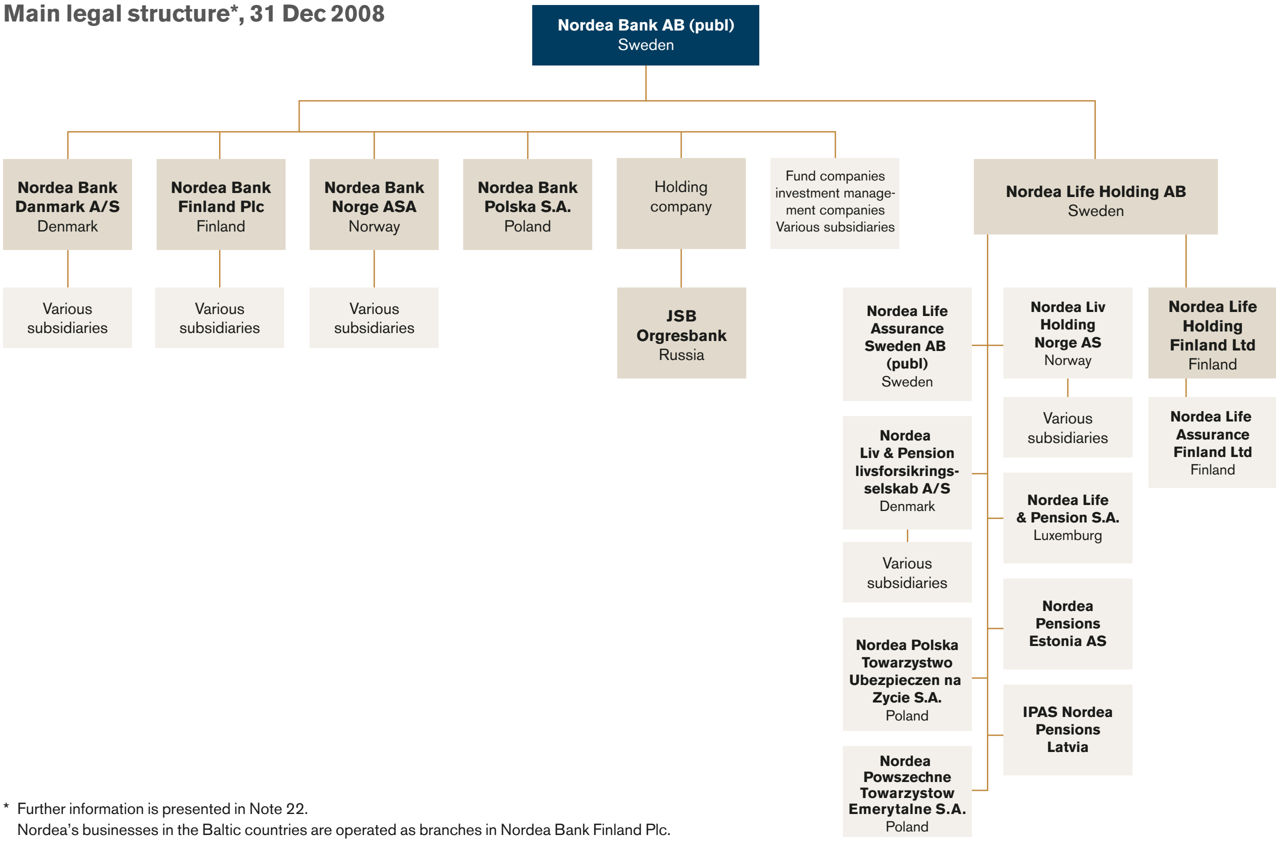
Stockholm, 18 February 2009

KPMG AB

Carl Lindgren
Authorised Public Accountant

Legal structure

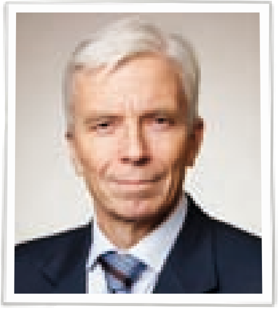
Main legal structure*, 31 Dec 2008



* Further information is presented in Note 22.
Nordea's businesses in the Baltic countries are operated as branches in Nordea Bank Finland Plc.

Board of Directors

Hans Dalborg



Timo Peltola

Stine Bosse

Marie Ehrling

Svein Jacobsen

Tom Knutzen

Lars G Nordström

Heidi M. Petersen

Hans Dalborg
Chairman
Ph.D. (Economics). Board member since 1998. Born 1941.
Board Chairman of the Swedish Corporate Governance Board and Uppsala University.
Board member of Axel Johnson AB, the Stockholm Institute of Transition Economics and East European Economies (SITE) and the Stockholm Institute for Financial Research (SIFR).
Member of the European Round Table of Financial Services (EFR).
Previous positions

2005–2008	Board Chairman of the Royal Swedish Academy of Engineering Sciences (IVA)
1997–2005	Board Chairman of the Royal Swedish Opera
2000	President and CEO Nordea
1998–1999	President and CEO MeritaNordbanken
1991–1997	President and CEO Nordbanken
1989–1990	Senior Executive Vice President and Chief Operating Officer of Skandia Group.
1972–1989	Various positions within Skandia Group

Shareholding in Nordea: 40,760*

Timo Peltola
Vice Chairman
Dr. of Economics (Hc). Board member since 1998. Born 1946.
Board Chairman of Neste Oil and AW-Energy Oy.
Board member of TeliaSonera AB (publ) and SAS AB.
Member of the Advisory Board of CVC Capital Partners and Sveafastigheter AB.
Advisor to Cap Man Plc Public Market Fund.
Previous positions

1971–2005	Various positions within Huhtamäki group including CEO 1988–2004.

Shareholding in Nordea: 5,187*

Stine Bosse
Master of Law. Board member since 2008. Born 1960.
Group CEO of TrygVesta A/S.
Board Chairman of Forsikring & Pension and Hjertebarnsfonden (Danish Heart Child Disease Foundation).
Board member of Grundfos Management A/S and Poul Due Jensens Fond.
Non-executive Director of Amlin plc
Previous positions

2004–2006	Board Member of TDC
2002–2005	Board Member of Flügger
1987–2001	Various positions within Tryg Forsikring A/S. Senior Vice President 1999–2002

Shareholding in Nordea: 1,882*

* Shareholdings also include shares held by family members.

Marie Ehrling
BSc (Economics). Board member since 2007. Born 1955.
Board member of Securitas AB, Oriflame SA, Schibsted ASA, Safe Gate AB, Home Maid AB, Centre for Advanced Studies of Leadership at Handelshögskolan in Stockholm, World Childhood Foundation and Business Executives Council IVA.
Previous positions

2003–2006	CEO TeliaSonera Sverige AB
1982–2002	Deputy CEO SAS Group, Head of SAS Airline and other executive positions within the SAS group
1980–1982	Information officer at the Ministry of Finance
1979–1980	Information officer at the Ministry of Education
1977–1979	Financial analyst at Fourth Swedish National Pension Fund

Shareholding in Nordea: 1,500*

Svein Jacobsen
MBA. Certified public accountant. Board member since 2008. Born 1951.
Board Chairman of Think Global AS, Vensafe AS and Norse Cutting & Abandonment AS.
Deputy Chairman of Orkla ASA and Expert AS.
Member of the Advisory Board in CVC Capital Partners.
Previous positions

1984–1996	Various positions within Tomra Systems including CEO 1988–1996

Shareholding in Nordea: 0*

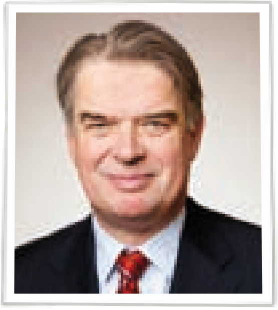
Tom Knutzen
MSc (Economics). Board member since 2007. Born 1962.
CEO Danisco A/S
Board member of the Confederation of Danish Industries (DI) in Copenhagen and the Danish Academy of Technical Sciences (ATV).
Previous positions

2006–	CEO Danisco A/S
2000–2006	CEO NKT Holding A/S
1996–2000	CFO NKT Holding A/S
1988–1996	Various positions within Niro A/S
1985–1988	Various positions within Fællesbanken

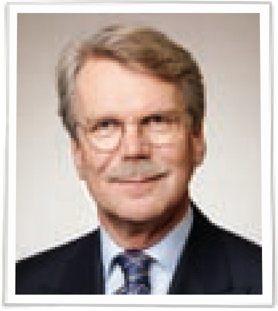
Shareholding in Nordea: 5,000*

Lars G Nordström
Law studies at Uppsala University. Board member since 2003. Born 1943.
President and Group CEO of Posten AB.
Board Chairman of the Royal Swedish Opera, the Finnish-Swedish Chamber of Commerce and European Financial Management & Marketing Association (EFMA).
Board member of TeliaSonera AB, Posten AB, Viking Line Abp, the Swedish-American Chamber of Commerce. Member of the Royal Swedish Academy of Engineering Sciences (IVA).

Ursula Ranin



Björn Savén



Björn Wahlroos

Kari Ahola

Bertel Finskas

Nils Q Kruse

Steinar Nickelsen

Lars Oddestad

Previous positions
2002–2007 President and CEO Nordea Bank AB
1993– Various executive management positions within Nordea Group
1970–1993 Various positions within Skandinaviska Enskilda Banken (EVP from 1989)
Shareholding in Nordea: 15,000*

Heidi M. Petersen
Master's degree in chemistry. Board member since 2008. Born 1958.
Board Chairman of Sandefjord Lufthavn AS.
Board member of Aker Kværner ASA, Norsk Hydro ASA, Calora Subsea AS, Glamox ASA, Songa Floating Production ASA, Scan Geophysical ASA, Norwegian Energy Company ASA and Arendals Fossekompani ASA.
Previous positions
2003–2007 Managing director of Ramböll Future AS
2000–2002 Managing director of Future Engineering AS
1997–2000 Vice President in Kværner Oil & Gas AS Sandefjord
1995–1997 Various managerial posts with Gullfaks C oljerigg
Shareholding in Nordea: 0*

Ursula Ranin
LLM and BSc (Economics). Board member since 2007. Born 1953.
Board member of Finnair Plc and UPM-Kymmene Corporation.
Previous positions
1984–2005 Various positions within Nokia Corporation including Vice President, General Counsel from 1994 and secretary to the Board of Directors from 1996.
1981–1984 Served as a circuit court judge
Shareholding in Nordea: 5,000*

Björn Savén
Ekon. dr. h.c., MBA and MSc (Econ.& Bus.). Born 1950. Board member since 2006.
Chairman of Industri Kapital since 1993.
Deputy chairman of Dynea Oy and Konecranes Oyj.
Board member of Attendo Care AB and Minimax AG.
Chairman of the British-Swedish Chamber of Commerce.
Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Previous positions
1988–1993 Chief Executive Enskilda Ventures (SEB), London.
1976–1988 General and financial management positions within the Esselte Group in Stockholm, London and New York.
1974–1976 MBA studies at Harvard Business School, Boston.
1972–1974 Analyst, Gulf Oil, Stockholm.
Shareholding in Nordea: 400,000*

Björn Wahlroos
Ph.D (Econ), 1979. Board member since 2008. Born 1952.
Group CEO and President of Sampo Plc.
Board Chairman of UPM-Kymmene Oyj.
Board member of several charities, including the Finnish Business and Policy Forum EVA/ETLA and the Mannerheim Foundation.
Previous positions
1998–2000 Chairman of Mandatum Bank plc
1992–1997 President of Mandatum & Co Ltd
1985–1992 Various positions with Union Bank of Finland including executive vice president and member of the executive committee 1989–1992
1983–1984 Visiting associate professor in Managerial Economics and Decision Sciences at Kellogg Graduate School of Management, Northwestern University
1980–1981 Visiting assistant professor in Economics at Brown University
1979–1985 Professor and acting professor of Economics at the Swedish School of Economics
1974–1979 Acting lecturer and assistant professor in Finance at the Swedish School of Economics
Shareholding in Nordea: 0*

Kari Ahola
Board member from 2006. Born 1960. Employee representative.
Shareholding in Nordea: 0*

Bertel Finskas
Board member since 2000 and until 31 December 2008. Born 1948. Employee representative.
Shareholding in Nordea: 1,400*

Nils Q Kruse
Board member since 2004. Born 1950. Employee representative.
Shareholding in Nordea: 1,849*

Steinar Nickelsen
Board member since 2007. Born 1962. Employee representative.
Shareholding in Nordea: 0*

Lars Oddestad
Board member from 1 January 2009. Born 1950. Employee representative.
Shareholding in Nordea: 0*

* Shareholdings also include shares held by family members.

Group Executive Management

Group Executive Management:
Upper row from left to right: Ari Kaperi, Gunn Wærsted, Christian Clausen, Michael Rasmussen, Frans Lindelöw. Lower row from left to right: Peter Schütze, Carl-Johan Granvik, Fredrik Rystedt.

Christian Clausen
President and Group CEO 2007.
Born 1955.
Appointed member 2001.
Shareholding: 28,480 Nordea[1)]

Carl-Johan Granvik[2)]
Executive Vice President, CRO, Head of Group Credit and Risk Control.
Born 1949.
Appointed member 2000.
Shareholding: 9,000 Nordea[1)]

Ari Kaperi
Head of Institutional & International Banking.
Born 1960.
Appointed member 2008.
Shareholding: 3,200 Nordea[1)]

Frans Lindelöw[2)]
Head of Banking Sweden.
Born 1962.
Appointed member 2004.
Shareholding: 18,080 Nordea[1)]

Michael Rasmussen
Head of Banking Products & Group Operations.
Born 1964.
Appointed member 2008.
Shareholding: 7,831 Nordea[1)]

Fredrik Rystedt
Executive Vice President, CFO, Head of Group Corporate Centre.
Born 1963.
Appointed member 2008.
Shareholding: 5,000 Nordea[1)]

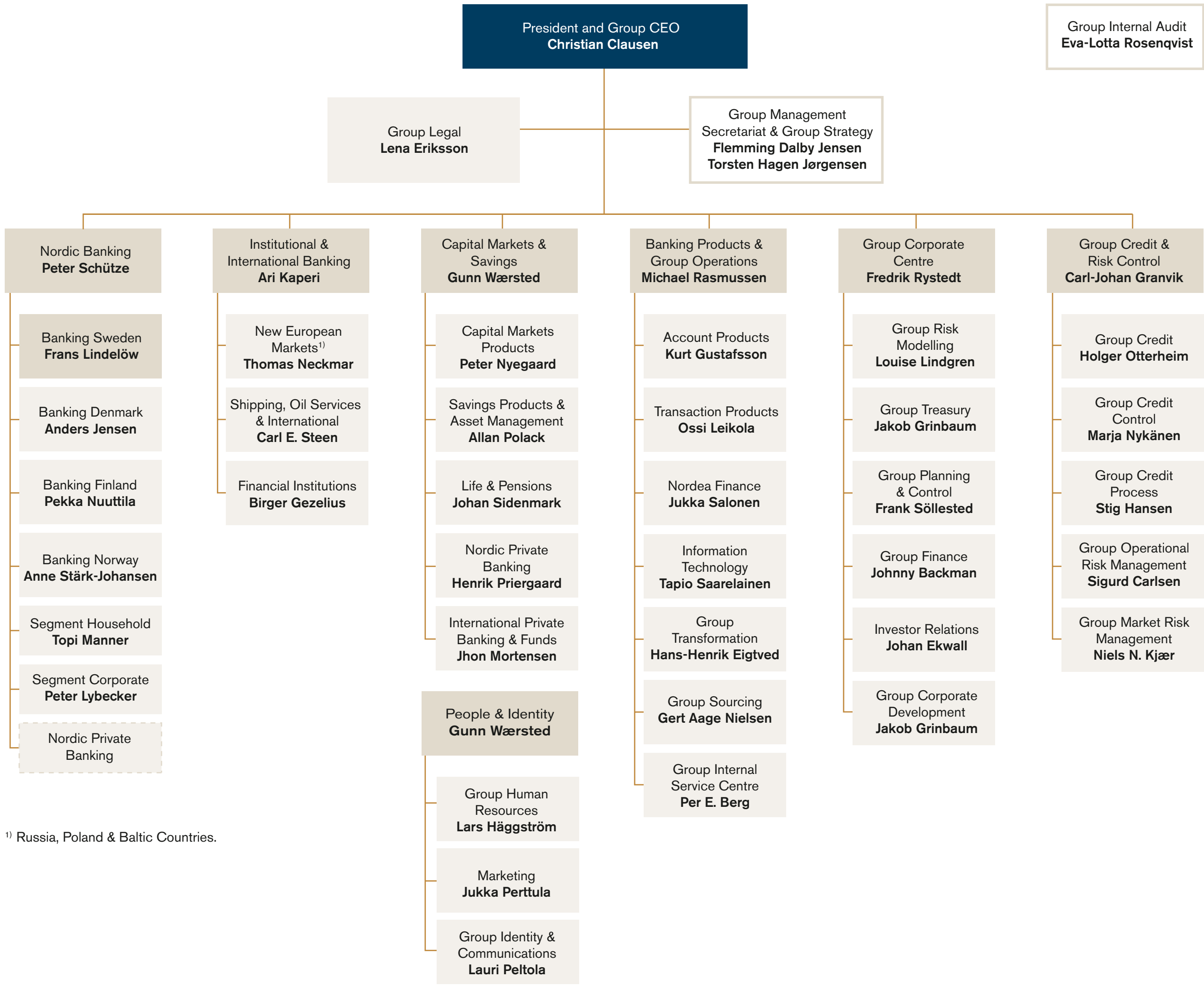
Peter Schütze[2)]
Executive Vice President, Head of Nordic Banking.
Born 1948.
Appointed member 2002.
Shareholding: 13,646 Nordea[1)]

Gunn Wærsted[2)]
Executive Vice President, Head of Capital Markets & Savings and People & Identity.
Born 1955.
Appointed member 2007.
Shareholding: 9,085 Nordea[1)]

1) Shareholdings also include shares held by family members.

2) Country Senior Executive.

Group Organisation



1) Russia, Poland & Baltic Countries.

Ratings

	Moody's Investors Service		Standard & Poor's		Fitch		DBRS	
	Short	Long	Short	Long	Short	Long	Short	Long
Nordea Bank AB (publ)	P–1	Aa1	A–1+	AA–	F1+	AA–	R–1 (high)	AA
Nordea Bank Danmark A/S	P–1	Aa1	A–1+	AA–	F1+	AA–	R–1 (high)	AA
Nordea Bank Finland Plc	P–1	Aa1	A–1+	AA–	F1+	AA–	R–1 (high)	AA
Nordea Bank Norge ASA	P–1	Aa1	A–1+	AA–	F1+	AA–	R–1 (high)	AA
Nordea Hypotek AB (publ)		Aaa1)	A–1+	AAA1)				
Nordea Kredit Realkreditaktieselskab		Aaa1)		AAA1)				
Nordea Eiendomskreditt AS	P–1	A1						

1) Covered bond rating.

Business definitions

These definitions apply to the descriptions in the Annual Report.

Tier 1 capital
The proportion of the capital base, which includes consolidated shareholders' equity excluding investments in insurance companies, proposed dividend, deferred tax assets, goodwill in the banking operations and half of the expected shortfall deduction.

Subsequent to the approval of the supervisory authorities, Tier 1 capital also includes qualified forms of subordinated loans (Tier 1 capital contributions and hybrid capital loans). The Core tier 1 capital excludes these items.

Capital base
The capital base includes the sum of the Tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction of the book value of the shares in wholly owned insurance companies and the deduction for expected shortfall, the negative difference between expected losses and provisions. Insurance companies have separate capital requirements.

Risk-weighted amounts
Total assets and off-balance-sheet items valued on the basis of the credit and market risks, as well as operational risks of the Group's undertakings, in accordance with regulations governing capital adequacy, excluding assets in insurance companies, book value of shares which have been deducted from the capital base and goodwill.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk-weighted amounts. The Core tier 1 ratio is calculated as core tier 1 capital as a percentage of risk-weighted amounts.

Total capital ratio
Capital base as a percentage of risk-weighted amounts.

Return on equity
Net profit excluding minority interests and the period's change in fair value related to available for sale holdings and other revaluations recognised direct in equity, as a percentage of average equity for the period. Average equity including net profit and dividend until paid, minority interests excluded.

Total shareholders return (TSR)
Total shareholders return measured as growth in the value of a shareholding over a specified period, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

Earnings per share, after full dilution
Net profit divided by the average number of outstanding shares after full dilution, minority interests excluded.

Earnings per share
Net profit divided by the average number of outstanding shares, minority interests excluded.

Equity per share
Equity as shown in the balance sheet after full dilution and minority interest excluded divided by the number of shares after full dilution.

Cost/income ratio
Total operating expenses divided by total operating income.

Risk-adjusted profit
Risk-adjusted profit is defined as total income minus total operating expenses, minus Expected losses and standard tax (26 % 2008). In addition, Risk-adjusted profit excludes major non-recurring items.

Economic profit
Economic profit is derived by deducting Cost of equity from Risk-adjusted profit.

Expected losses
Expected losses reflect the normalised loss level of the individual loan exposure over a business cycle as well as various portfolios.

Cost of equity
Cost of equity (%) is defined as required return by investors on the Nordea share, measured as the long risk free euro rate plus required average risk premium to invest in equities multiplied by Beta, which reflects the Nordea share's volatility and correlation with market volatility.

Cost of equity in EUR is defined as Cost of equity (%) times Economic capital.

The Cost of equity is set by management once a year as a parameter to manage risk appetite and investment level.

Economic capital
Economic Capital is Nordea's internal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business Risk and Life Insurance Risk arising from activities in Nordea's various business areas.

The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

RAROCAR
RAROCAR, % (Risk-adjusted return on capital at risk) is defined as Risk-adjusted profit relative to Economic capital.

MCEV
MCEV is an estimate of the value a shareholder would put on a portfolio of in-force life and pension business based on objective market return. No franchise value or other additional value is included in MCEV.

Annual General Meeting 2 April 2009

Nordea's Annual General Meeting (AGM) 2009 will be held on Thursday 2 April at 13.00 CET at Cirkus, Djurgårdsslätten 43–45, Stockholm.

Notification of participation etc

Shareholders who wish to participate in the AGM shall be entered in the share register maintained by the Swedish Securities Register Center (Euroclear Sweden AB) not later than 27 March 2009 and notify Nordea. Shareholders whose shares are held in custody therefore must temporarily re-register their shares in their own names with Euroclear Sweden AB in order to be able to participate. This applies for example to holders of Finnish Depositary Receipts in Finland and holders of shares registered in Værdipapircentralen in Denmark.

Such re-registration must be effected in Euroclear Sweden AB in Sweden on 27 March 2009. This means that the shareholder in good time prior to this date must inform the trustee about this.

Shareholders registered in Euroclear Sweden AB in Sweden

Notification of participation in the AGM must be made to Nordea Bank AB (publ) at the latest on 27 March 2009 at 13.00 Swedish time at the following address: Nordea Bank AB (publ), c/o Novator Consulting Group AB, Box 10, SE-182 11 Danderyd, Sweden, or by telephone +46 8 755 13 46, or by fax +46 8 622 63 51, or on Nordea's web page www.nordea.com.

Holders of Finnish Depositary Receipts (FDR) in Finland

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 26 March 2009 at 12.00 noon Finnish time to Nordea Bank AB (publ), c/o Novator Consulting Group AB, Box 10, SE-182 11 Danderyd, Sweden, or by telephone +358 9 348 9230 or fax +46 8 622 63 51, or on Nordea's web page www.nordea.com.

Shareholders registered in Værdipapircentralen in Denmark

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 26 March 2009 at 12.00 noon Danish time to Nordea Bank AB (publ), c/o I-NVESTOR DANMARK A/S, Kongevejen 418, DK-2480 Holte, Denmark, or by telephone +45 4546 0997 or fax +45 4546 0998, or on Nordea's web page www.nordea.com.

Financial calendar

Financial calendar 2009

Annual General Meeting	2 April
Ex-dividend date	3 April
Record date	7 April
Dividend payments	16 April
1st quarterly report	29 April
2nd quarterly report	21 July
3rd quarterly report	28 October

Contacts

Fredrik Rystedt, Group CFO/EVP Tel: +46 8 614 78 00

Investor Relations
Johan Ekwall, Head of Investor Relations
Andreas Larsson
Christopher Casselblad
Anna Halaby

SE-105 71 Stockholm, Sweden Tel: +46 8 614 92 77

Website

All reports and press releases are available on the Internet at: www.nordea.com Financial reports published by the Nordea Group may be ordered via Investor Relations.

The annual reports of Nordea Bank Danmark A/S, Nordea Bank Norge ASA, Nordea Bank Finland Plc can be downloaded at www.nordea.com Nordea's Pillar 3 disclosure, Capital adequacy and risk management, in accordance with the Pillar 3 requirements according to the EU Capital Requirements Directive in the Basel II framework, is presented on www.nordea.com

The Annual Report 2008

This Annual Report covers Nordea Bank AB (publ) and pertains to the operations of the Nordea Group, whose main legal structure is presented on page 147. The original annual report is in Swedish. This is an English version thereof. A Swedish version may be obtained upon request.

In this Annual Report, the Nordea Group presents income statements and other financial data quoted in euro (EUR).

Corporate Governance Report 2008

according to the Swedish Code of Corporate Governance

Application by Nordea

Nordea Bank AB (publ) applies the Swedish Code of Corporate Governance (the Code).

A description of corporate governance in Nordea in the most recent financial year is included in the 2008 Annual Report on page 70. In this Corporate Governance Report Nordea indicates where it has departed from the rules in the Code and explains the reasons. The report also includes the Board's annual report on the key aspects of the systems for internal control and risk management regarding financial reports.

According to the Code the minutes from the last Annual General Meeting (AGM) are to be posted on the Company's web site. Nordea did not fully comply with this rule since the minutes were posted without the appendices containing personal information equivalent to information in the register of voters from the meeting. Nordea has found that the integrity of the individual shareholders is best protected by not posting the appendices of this kind, given that it is not necessary to report the register of voters from the meeting according to the Code. The decisions are found in the minutes.

Report on the key aspects of the systems for internal control and risk management regarding financial reports for the Financial Year 2008

This report has been prepared following rules 10.5 and 11.2 on internal control reporting in the revised Code and the report is submitted as a separate section of the Corporate Governance Report 2008.

The systems for Internal control and risk management over financial reporting are designed to give reasonable assurance concerning reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies. The internal control and risk management activities are included in Nordea's planning and resource allocation processes. Internal control and risk management over financial reporting in Nordea can be described in accordance with the following framework:

Control Environment

Internal control in Nordea is based on the control environment, which includes the following elements: Values and management culture, goal-orientation and follow-up, a clear and transparent organisational structure, segregation of duties, the four-eyes principle, quality and efficiency of internal communication and an independent evaluation process. The documentation of the internal control framework consists of Group directives and supporting instructions covering the financial and administrative business processes in Nordea.

Risk Assessment

Management of risks within Nordea is proactive, emphasising training and risk awareness. Nordea maintains a high standard of risk management, applying available techniques and methodology in a cost efficient way. Risk management is considered an integrated part of running the business.

Control Activities

The control activities include general as well as more detailed controls, which aim at preventing, revealing and correcting errors and deviations. The control activities are prepared and documented at group level, at business area level as well as unit level. The procedures cover the initial registration of each transaction and the subsequent IT processing. The heads of the respective units in Nordea are primarily responsible for managing the risks associated with the operations and financial reporting processes of the unit.

Information & Communication

The Group Accounting Manual and the Financial Control Principles constitute the main tools for accounting and financial reporting principles in respect of providing information and instructions. In addition to this, a standard reporting package is used by all entities to ensure consistent use of Nordea's principles and coordinated financial reporting.

Monitoring

Nordea has established a process with the purpose of ensuring a proper monitoring of the quality of the financial reporting and the follow-up regarding possible deficiencies.

The CEO annually issues a report to the Board of Directors on the quality of internal control in Nordea. This report is based on, *inter alia*, a self-assessment process and a hierarchical reporting covering the whole organisation. Internal control over financial reporting is included as one of several processes in the self-assessment.

Group Internal Audit (GIA) is an independent function commissioned by the Board of Directors. The Audit Committee is responsible for guidance and evaluation of GIA. The internal auditing work provides assurance on that part of Nordea's control system, which is essential for the external auditors' assessment of the financial statements. GIA annually issues an assurance statement to the Board of Directors on the risk management, control and governance processes of the Nordea Group.

The Audit Committee also assists the Board of Directors in fulfilling its oversight responsibilities by reviewing the quarterly and annual financial reporting, the external and internal auditors' observations and conclusions as well as the system of internal control.

Financial reporting and communication with auditors

The manner in which the Board of Directors ensures the quality of the financial reports is presented in the section on monitoring in the Report on the key aspects of the systems for internal control and risk management regarding financial reports, see above.

Furthermore, the Board of Directors reviews the external auditors' result of their audits of the Group's annual financial statement and the external auditors' review of the Group's six-month report. The Board further reviews the external audit plan and external audit results. At least once a year the Board of Directors meets the external auditors without the presence of the CEO or any other company executive. In addition the auditor in charge meets separately with the Chairman of the Board of Directors and the Chairman of the Audit Committee.

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

Layout: Marketing
Production: n3 Kommunikation
Photo: Bsmart, Egon Gade and Per Myrehed
Printing: Strokirk-Landströms

Nordea Bank AB (publ) | Corporate registration no. 516406-0120 | Smålandsgatan 17 | SE-105 71 Stockholm | Tel +46 8 614 78 00 | Fax +46 8 10 50 69 | www.nordea.com