Annual Report 2013

Nordea Bank Finland

Nordea Bank Finland Plc is part of the Nordea Group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 800 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

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Nordea Bank Finland Group

Five-year overview of the Directors' Report

Income statement[1]

EURm	2013	2012	2011	2010	2009
Net interest income	1,183	1,258	1,355	1,182	1,218
Net fee and commission income	-113	295	309	289	225
Net result from items at fair value	1,114	1,217	937	979	1,325
Profit from companies accounted for under the equity method	8	18	9	6	4
Other income	32	36	34	43	53
Total operating income	**2,224**	**2,824**	**2,644**	**2,499**	**2,825**
General administrative expenses:					
Staff costs	-553	-574	-592	-553	-599
Other expenses	-466	-447	-457	-479	-432
Depreciation, amortisation and impairment charges of tangible and intangible assets	-40	-50	-43	-41	-37
Total operating expenses	**-1,059**	**-1,071**	**-1,092**	**-1,073**	**-1,068**
Profit before loan losses	**1,165**	**1,753**	**1,552**	**1,426**	**1,757**
Net loan losses	-53	-144	-70	-272	-381
Impairment of securities held as financial non-current assets	1	-	-	2	-
Operating profit	**1,113**	**1,609**	**1,482**	**1,156**	**1,376**
Income tax expense	-285	-428	-381	-302	-373
Net profit for the year	**828**	**1,181**	**1,101**	**854**	**1,003**

Balance sheet[2]

EURm	2013	2012	2011	2010	2009
Interest-bearing securities	34,246	29,818	25,418	23,937	8,906
Loans to central banks and credit institutions	35,767	36,827	79,350	67,751	59,037
Loans to the public	113,779	100,765	99,331	73,607	65,723
Derivatives	70,234	117,213	170,228	97,251	74,520
Other assets	50,735	50,838	19,497	23,540	12,979
Total assets	**304,761**	**335,461**	**393,824**	**286,086**	**221,165**
Deposits by credit institutions	79,426	74,666	76,007	60,549	44,344
Deposits and borrowings from the public	80,909	70,212	68,260	55,459	44,526
Debt securities in issue	47,130	48,999	49,153	39,846	39,276
Derivatives	67,109	115,836	168,436	95,676	73,237
Subordinated liabilities	429	514	503	477	437
Other liabilities	20,244	16,017	19,864	22,855	8,373
Equity	9,514	9,217	11,601	11,224	10,972
Total liabilities and equity	**304,761**	**335,461**	**393,824**	**286,086**	**221,165**

[1] The comparative figures for 2012 (but not for 2009-2011) have been restated due to the amendment to IAS 19, see Note 1 for more information

[2] The comparative figures for 2012 and 2011 (but not for 2009-2010) have been restated due to the amendment to IAS 19 and the presentation of forward starting bonds, see Note 1 for more information.

Ratios and key figures

Group

	2013	2012[2]	2011[2]	2010	2009
Return on equity, %	8.8	11.3	9.7	7.7	9.0
Cost/income ratio, %	48	38	41	43	38
Loan loss ratio, basis points	5	14	9	41	56
Core tier 1 capital ratio, excl. transition rules[1], %	16.0	18.0	12.8	13.6	14.0
Tier 1 capital ratio, excl. transition rules[1], %	16.0	18.0	12.8	13.6	14.0
Total capital ratio, excl. transition rules[1], %	16.8	18.8	13.4	14.3	14.6
Core tier 1 capital ratio[1], %	15.0	18.0	12.8	13.6	14.0
Tier 1 capital ratio[1], %	15.0	18.0	12.8	13.6	14.0
Total capital ratio[1], %	15.8	18.8	13.4	14.3	14.6
Core tier 1 capital[1], EURm	8,430	8,246	10,310	10,242	10,099
Tier 1 capital[1], EURm	8,430	8,246	10,310	10,242	10,099
Risk-weighted assets incl. transition rules[1], EURm	56,077	45,733	80,567	75,203	72,092
Number of employees (full-time equivalents)[1]	7,981	8,252	8,828	9,097	9,218
Average number of employees	8,937	9,269	10,014	10,038	10,152
Salaries and remuneration, EURm	-426	-434	-463	-433	-442
Return of total assets, %	0.3	0.3	0.3	0.3	0.5
Equity to total assets, %	3.1	2.7	2.9	3.9	5.0

[1] End of the year

[2] The comparative figures for 2012 and 2011 (but not for 2009-2010) have been restated due to the amendment to IAS 19 and the presentation of forward starting bonds, see Note 1 for more information.

Business definitions and exchange rates

These definitions apply to the descriptions in the Annual Report.

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 carrying amount of the shares in wholly owned insurance companies and the potential deduction for expected shortfall.

Tier 1 capital
The proportion of the capital base, which includes consolidated shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets in the banking operations and half of the expected shortfall deduction, - the negative difference between expected losses and provisions. 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 constitutes the tier 1 capital excluding hybrid capital loans.

Expected losses
Normalised loss level of the individual loan exposure over a business cycle as well as various portfolios.

Risk-weighted assets
Total assets and off-balance-sheet items valued on the basis of the credit and market risks, as well as the operational risks of the Group's undertakings, in accordance with regulations governing capital adequacy, excluding carrying amount of shares which have been deducted from the capital base and intangible assets.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk-weighted assets. The Core tier 1 ratio is calculated as Core tier 1 capital as a percentage of risk-weighted assets.

Total capital ratio
Capital base as a percentage of risk-weighted assets.

Return on equity (ROE)
Net profit for the year excluding non-controlling interests as a percentage of average equity for the year. Average equity including net profit for the year and dividend until paid, non-controlling interests excluded.

Cost/income ratio
Total operating expenses divided by total operating income.

Return on total assets (ROA)
Operating profit less taxes as a percentage of average total assets. Average total assets are calculated as the mean of total assets at the beginning and end of the year.

Equity to total assets
Total shareholders' equity including minority interests as a percentage of total assets at year-end.

Exchange rates applied (end of year rates as at 31 December 2013)

EUR	1.0000	**USD**	1.3791	**DKK**	7.4593	**LVL**	0.7025
GBP	0.8337	**CHF**	1.2276	**LTL**	3.4528	**SGD**	1.7414
NOK	8.363	**PLN**	4.1543	**SEK**	8.8591		

Rating, Nordea Bank Finland

31 Dec 2013	Short	Long
Moody's	P-1	Aa3
S&P	A-1+	AA-
Fitch	F1+	AA-
DBRS	R-1 (high)	AA

Nordea Bank Finland

Director's Report

Throughout this report the terms "Nordea Bank Finland", "NBF" and "Bank Group" refer to Nordea Bank Finland Plc and its subsidiaries. Nordea Bank Finland Plc is a wholly-owned subsidiary of Nordea Bank AB (publ), the parent company in the Nordea Group. The Nordea Group is referred to as "Nordea".

Nordea Bank Finland Plc is domiciled in Helsinki and its business identity code is 1680235-8.

As part of the Nordea Group, NBF operates in the banking business. All the operations of NBF are integrated into the operations of the Nordea Group, whose annual report, with activities and earnings reported by the business areas, encompasses the operations of NBF in their entirety.

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. Among other things, a conversion is conditional on Nordea obtaining necessary approvals from the relevant authorities.

The final regulatory responses to the financial crisis and the New Normal are yet to be seen, and to be evaluated. Nordea is following up and analysing the changes in the process, which are not expected to be finalised during 2014.

Currently Nordea is investigating whether it would be feasible to transfer foreign branches to Nordea Bank AB (publ) as a part of streamlining the legal structure. Lending to the public in the foreign branches amounted to EUR 12.8bn at year-end 2013 of which EUR 6.9bn in the Baltic branches.

Subsidiaries and foreign branches
NBF has subsidiaries in Finland and abroad. The most significant subsidiary is Nordea Finance Finland Ltd, which is responsible for the Group's finance company operations in Finland. The Nordea Finance Finland Group comprises one Finnish financial institution and several real estate companies, four associated companies as well as four subsidiaries operating in Poland and in the Baltic market: Nordea Finance Polska S.A., Nordea Finance Estonia Ltd, Nordea Finance Latvia Ltd and Nordea Finance Lithuania Ltd.

NBF has foreign branches in Frankfurt, London, New York, Riga, Singapore, Tallinn and Vilnius and on Grand Cayman. NBF has no foreign representative offices.

Changes in the group structure
During the year 2013 one new subsidiary was established in Lithuania. Additionally, SIA Realm acquired one Latvian company for the purpose of assets taken over.

The wholly-owned subsidiary of Nordea Finance Finland Ltd, Kiinteistö Oy Lahden Aleksanterinkatu 19-21, was sold in 2013. The sale resulted in a sales profit of EUR 1m. One small subsidiary owned by Nordea Bank Finland Plc was sold in 2013, as well as two Latvian SPE's.

Nordea Bank Finland Plc bought 80% of the shares in Fidenta Oy on 1 July 2013. After the transaction NBF held 100% of the shares in Fidenta Oy. The business operations of Fidenta Oy and around 130 employees were transferred to the Finnish branch of Nordea Bank AB (publ). Fidenta Oy was merged to NBF Plc in December 2013.

Nordea signed on June 12 2013 an agreement to divest its Polish banking, financing and life insurance operations. The sale includes the wholly-owned subsidiary of Nordea Finance Finland Ltd, Nordea Finance Polska S.A. The transaction is expected to be completed within the next few months and is subject to regulatory approvals.

Business development in 2013

2013 was another year of low growth and interest rates declined to record low levels. The improving global macroeconomic trend has continued throughout the year. In the Nordic countries, the latest macroeconomic development has been weaker, although the overall picture still appears relatively robust.

Year 2013 was impacted by the weak macroeconomic development and total income decreased by 21%. Profit before loan losses was 34% and operating profit 31% lower than in the previous year. Loan losses decreased and the loan loss ratio was 5 basis points. Profit before tax totalled EUR 1,113m (2012: 1,609), and return on equity was 8.8% (11.3).

Comments on the income statement

Operating income
Total operating income decreased to EUR 2,224m (2,824), mainly explained by the lower net commission income and lower net result from items at fair value.

Net interest income decreased 6% to EUR 1,183m (1,258). Lending volumes increased 13% and deposit volumes 15%. Average lending margins were higher than in the previous year and the trend in deposit margins was also positive. Total lending to the public, excluding reverse repurchase agreements, was stable and amounted to EUR 74bn. Deposit volumes, excluding repurchase agreements, increased to EUR 54bn.

Net fee and commission income decreased to EUR -113m (295). Commission income was 2% higher and totalled EUR 759m (741). Increases were mainly seen in payment and lending commissions. Commission expenses increased 96% to EUR 872m (446) mainly as a result of the Finnish bank tax and the guarantee agreement between NBF and Nordea Bank AB (publ).

Net result from items at fair value decreased to EUR 1,114m (1,217) due to weak corporate activity and low volatility in the markets.

Profit from companies accounted for under the equity method was EUR 8m (18).

Other operating income decreased to EUR 32m (36).

Operating expenses
Total operating expenses were 1% lower than in the previous year and totalled EUR 1,059m (1,071).

Staff costs decreased 4% to EUR 553m (574), explained mainly by lower number of employees. Around 130 IT employees previously employed by Fidenta Oy were transferred to the Finnish branch of Nordea Bank AB (publ) on 1 July. The number of employees, measured by full-time equivalents, decreased by around 270 during the year and amounted to 7,981 at the end of the year.

Other expenses amounted to EUR 466m (447), up 4% compared with the preceding year. Main factor behind the increase was higher IT expenses. Other operating expenses were lower than in the previous year.

Depreciation of tangible and intangible assets decreased to EUR 40m (50).

Loan losses
Net loan losses amounted to EUR 53m (144) and the loan loss ratio was 5 basis points compared to a loan loss ratio of 14 basis points in 2012. Reversals of collective provisions totalled EUR 12m and provisions for individually assessed loans EUR 65m.

Individual loan losses amounted to 6 basis points of loans to the public in 2013 compared to 20 basis points in 2012. Collective provisions net amounted to -1 basis points in 2013 and to -6 basis points in 2012.

Nordea Bank AB (publ) has guaranteed a major part of NBF's corporate exposures and based on the agreement NBF's loan losses decreased EUR 83m in 2013.

Taxes
Income tax expenses were EUR 285m (430). The effective tax rate amounted to 26% (27), which is somewhat higher than the legal tax rate.

Net profit
Net profit for the year amounted to EUR 828m (1,181). Return on equity was 8.8% (11.3).

Comments on the balance sheet

Assets
Consolidated *total assets* amounted to EUR 305bn at year-end, showing a decrease of EUR 30bn compared to the previous year-end.

Loans to central banks and credit institutions decreased to EUR 36bn (37).

Loans to the public increased 13bn to EUR 114bn (101), mainly as a result of the higher volumes of reverse repurchase agreements. Traditional domestic mortgage lending to household customers increased 3%.

Corporate lending increased 20% compared to the previous year totalling EUR 75bn (63). Excluding repurchase agreements the decrease was EUR1bn. Consumer lending to households was stable.

Interest-bearing securities increased EUR 4bn and totalled EUR 34bn at year-end (30), reflecting a higher liquidity buffer.

Other assets decreased approximately EUR 48bn, mainly reflecting the lower balance sheet values of derivatives. The market value of derivatives decreased due to increased central counterparty clearing and higher long-term interest rates.

Liabilities
Total liabilities amounted to EUR 295bn (326), showing a decrease of EUR 31bn.

Deposits by credit institutions increased EUR 4bn to EUR 79bn (75).

Deposits and borrowings from the public increased EUR 11bn to EUR 81bn (70). Excluding the impact of higher volumes in repurchase agreements, the increase in deposits was 1%.

Debt securities in issue decreased to EUR 47bn (49). Nordea Bank Finland has issued covered bonds in the amount of EUR 15.5bn. Other issued securities mainly comprise short-term debt instruments with a maturity under one year.

Other liabilities including subordinated liabilities decreased approximately EUR 45bn, mainly reflecting the lower balance sheet values of derivatives due to increased central counterparty clearing and increase in long-term interest rates.

Equity
Shareholders' equity amounted to EUR 9,217m at the beginning of 2013. EUR 625m was paid as dividend to Nordea Bank AB (publ). Net profit for the year was EUR 828m. At the end of 2013 total equity amounted to EUR 9,514m.

Appropriation of distributable funds

The parent company's distributable funds on 31 December 2013 were EUR 6,040m of which the profit for the year is EUR 780m. It is proposed that:

- a dividend of EUR 750m be paid
- whereafter the distributable funds will total EUR 5,290m.

Off-balance sheet commitments

The bank's business operations include a considerable proportion of off-balance sheet items, such as guarantees, documentary credits and credit commitments. Credit commitments and unutilised credit lines amounted to EUR 15.9bn (16.0), while guarantees and granted but not utilised documentary credits as well as other off-balance sheet commitments, excluding the nominal values of derivative contracts, totalled EUR 16.6bn (17.1).

The nominal values of derivatives increased to EUR 6,757bn (6,697).

Capital adequacy

At year-end, the Group's total capital ratio was 15.8% (18.8) and the Tier 1 ratio 15.0% (18.0). Risk-weighted assets totalled EUR 56bn (46).

Risk, Liquidity and Capital management

Management of risk, liquidity and capital is a key success factor in the financial services industry. The maintaining of risk awareness within the organisation is ingrained in the business strategies. Nordea has clearly defined risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and the capital structure.

Management principles and control
Group Board and Board Credit Committee
The Group Board has the ultimate responsibility for limiting and monitoring the Group's risk exposure as well as for setting the targets for the capital ratios. Risk is measured and reported according to common principles and policies approved by the Group Board, which also decides on policies for credit risk, counterparty credit risk, market risk, liquidity risk and business risk, Life insurance risk, operational risk management as well as the Internal Capital Adequacy Assessment Process (ICAAP). All policies are reviewed at least annually.

The Group Board approves the credit instructions in which the powers-to-act for all credit committees in the organisation are included. These authorisations vary for different decision-making levels, mainly in terms of size of limits, and are also dependent on the internal rating of customers. The Group Board also decides on the limits for market and liquidity risk in the Group.

The Board Risk Committee assists the Group Board in fulfilling its oversight responsibilities concerning management and control of the risks, risk framework as well as controls and processes associated with the Group's operations.

Responsibility of CEO and GEM
The Chief Executive Officer (CEO) has the overall responsibility for developing and maintaining effective risk, liquidity and capital management principles and control of the Bank and the Group.

The CEO in Group Executive Management (GEM) decides on the Group's earnings volatility measurement framework (s) and targets for these, such as the Structural Interest Income Risk (SIIR).

The CEO and GEM regularly review reports on risk exposure and have established a number of 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 and balance sheet risks as well as capital management for decision either by the CEO in GEM or for recommendation by the CEO in GEM and for decision by the Group Board.
- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Group's risks on an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. Further, within the scope of resolutions adopted by the Board of Directors, the Risk Committee decides on the allocation of the market risk limits and liquidity risk limits to the risk-taking units Group Treasury and Markets. The limits are set in accordance with the business strategies and 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 stop-loss rules. The Risk Committee has established subcommittees for its work and decision-making within specific risk areas. Minutes of the meetings in sub-committees are distributed to the members of the Risk Committee.
- The Group Executive Management Credit Committee (GEM CC) and Executive Credit Committee (ECC) are chaired by the CRO while the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) are chaired by the Chief Credit Officer (CCO). These credit committees decide on major credit risk customer 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.

Responsibility of Group Risk Management and Group Corporate Centre
Within the Group, two units, Group Risk Management and Group Corporate Centre, are responsible for risk, capital, liquidity and balance sheet management. Group Risk Management, headed by the CRO, is responsible for the risk management framework and processes. Group Corporate Centre, headed by the CFO, is responsible for the capital policy, the composition of the capital base, the capital adequacy framework and for the management of liquidity risk.

Each business area and group function is primarily responsible for managing the risks in its operations within the applicable limits and framework, including identification, control and reporting.

Risk appetite

Risk appetite within Nordea is defined as the level and nature of risk that the bank is willing to take in order to pursue the articulated strategy on behalf of shareholders, and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders.

The Board of Directors of Nordea is ultimately responsible for the overall risk appetite of the Group and for setting the principles for how risk appetite is managed. The Board Risk Committee assists the Board of Directors in fulfilling these responsibilities by reviewing the development of the risk profile in relation to the risk appetite and by making recommendations regarding changes to the Group's risk appetite.

Nordea's risk appetite framework is based on explicit top-down risk appetite statements ensuring comprehensive coverage of key risks faced by the Group. These statements collectively define the boundaries for Nordea's risk-taking activities and will also help identify areas with scope for additional risk taking. The statements are approved by the Board of Directors, and set the basis for a new risk reporting structure. Moreover, the framework supports management decision processes, such as planning and target setting.

The risk appetite framework considers key risks relevant to Nordea's business activities and on an aggregate level is represented in terms of credit risk, market risk, operational risk, solvency, compliance/non-negotiable risks and liquidity risk.

The risk appetite framework is further presented in the Capital and Risk Management Report (Pillar III report).

Monitoring and reporting

The control environment is based on the principles for segregation of duties and independence. Monitoring and reporting of risk are conducted on a daily basis for market and liquidity risk and on a monthly and quarterly basis for credit and operational risk.

Risk reporting including reporting the development of risk-weighted assets (RWA) is regularly made to the GEM and the Board of Directors. Group Internal Audit (GIA) makes an independent evaluation of the processes regarding the risk and capital management in accordance with the annual audit plan.

Disclosure requirements of the CRD – Capital and risk management report 2013

Additional and more detailed information on risk and capital management is presented in the Capital and Risk Management Report 2013, in accordance with the national capital adequacy legislation which is based on the EU commonly referred to as the Capital Requirements Directive (the CRD), which in turn is based on the Basel II framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

Risk management

Credit Risk management

Group Risk Management is responsible for the credit process framework and credit risk management framework, consisting of policies, instructions and guidelines for the Group. Group Risk Management is responsible for controlling and monitoring the quality of the credit portfolio and the credit process. Each division/unit is primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting.

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. The rating of the customer and the amount decide the level at which the decision will be made. Responsibility for a credit exposure lies with the relevant customer responsible unit. Customers are assigned a rating or score in accordance with the Nordea framework for quantification of credit risk.

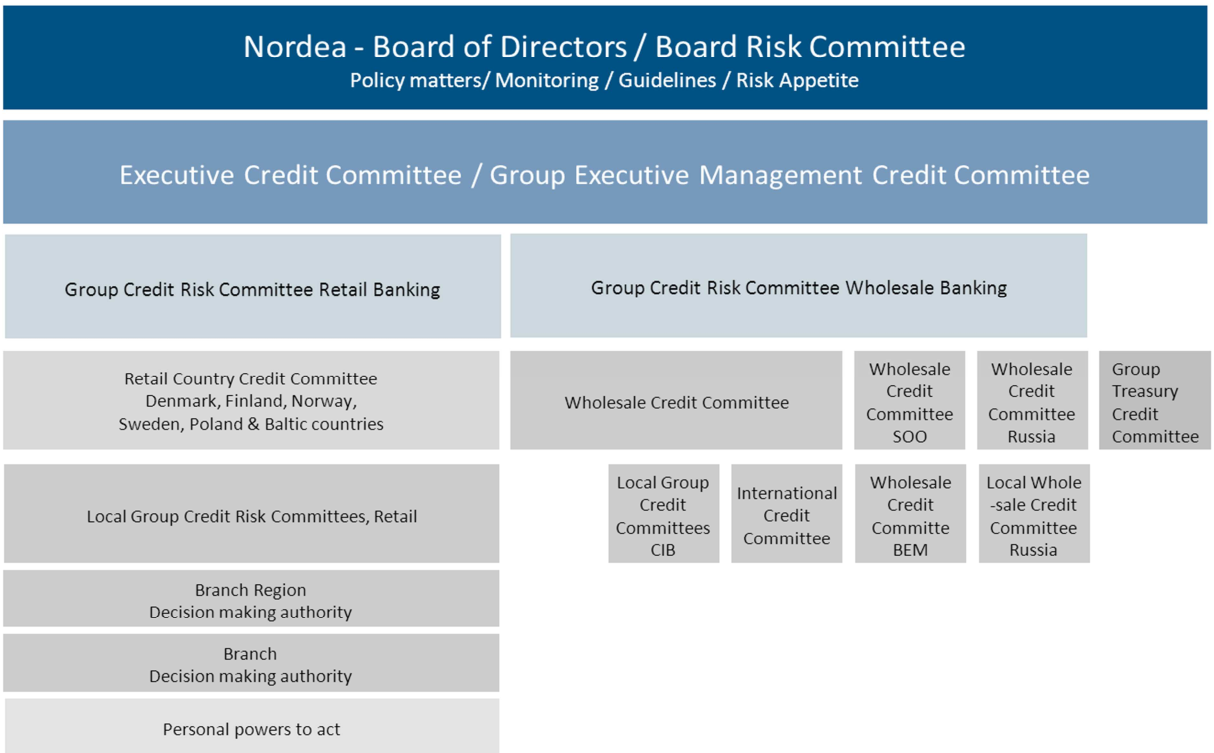
Credit risk definition and identification

Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and the pledged collateral does not cover the existing claims. Credit risk stems mainly from various forms of lending, but also from guarantees and documentary credits, counterparty credit risk in derivative contracts, transfer risk attributable to the transfer of money from another country and settlement risk. For monitoring the distribution of a portfolio, improving the risk management and defining a common strategy towards specific industries there are specific industry credit principles and industry credit policies in place establishing requirements and caps.

Individual and collective assessment of impairment

Throughout the process of identifying and mitigating credit impairments, Nordea continuously reviews 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.

Credit decision-making structure for main operations



A provision is recognised if there is objective evidence based on loss events and observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, collateral included. Exposures with provision are considered as impaired. The size of the provision is equal to the estimated loss being the difference between the book value of the outstanding exposure and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either performing or non-performing. Exposures that have been past due more than 90 days are by definition regarded as non-performing, and reported as impaired or not impaired depending on the deemed loss potential.

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 collective impairment is based on the migration of rated and scored customers in the credit portfolio as well as management judgement. The assessment of collective impairment reacts to up- and down-ratings of customers as well as new customers and customers leaving the portfolio. Moreover, customers going to and from default affect the calculation. Collective impairment is assessed quarterly for each legal unit. 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.

Further information on credit risk is presented in Note 47 to the financial statements.

Credit portfolio

Credit risk is measured, monitored and segmented in different ways. On-balance lending constitutes the major part of the credit portfolio and the basis for impaired loans and loan losses. Credit risk in lending is measured and presented as the principal amount of on-balance sheet claims, i.e. loans to central banks and credit institutions, loans to the public and off-balance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing.

NBF's total lending increased 13% to EUR 114bn (101) during 2013. It is attributable to an increase of 19% in the corporate portfolio and an increase of 3% in the household portfolio. Main part of the corporate portfolio is guaranteed by NBF's parent company Nordea Bank AB (publ.). Including off-balance sheet exposures, the total credit risk exposure at year-end was EUR 267bn (254). Out of lending to the public, corporate customers accounted for 66% (62) and household customers 34% (37). Loans to credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 36bn (37) at the end of 2013.

Credit risk exposure and loans
(excluding cash and balances at central banks and settlement risk exposure)

	Group		Parent company	
EURm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Loans to central banks and credit institutions	**35,767**	**36,827**	**41,220**	**42,272**
Loans to the public	**113,779**	**100,765**	**107,268**	**94,313**
- of which corporate	74,895	62,618	71,064	58,830
- of which household	38,156	37,348	35,476	34,684
- of which public sector	728	799	728	799
Total loans	**149,546**	**137,592**	**148,489**	**136,585**
Off-balance credit exposure	30,012	29,873	27,552	27,192
Counterparty risk exposure [1]	43,337	42,470	43,337	42,470
Interest-bearing securities [2]	43,985	44,347	43,985	44,347
Total credit risk exposure in the banking operations	**266,880**	**254,282**	**263,363**	**250,594**

[1] After close-out netting and collateral agreements, including current market value exposure as well as potential future exposure.
[2] Also includes interest-bearing securities pledged as collateral in repurchase agreements

Loans to corporate customers
Loans to corporate customers at the end of 2013 amounted to EUR 75bn (63), up 19%. Real estate remains the largest sector in NBF's lending portfolio at EUR 9.6bn (9.6). The real estate portfolio predominantly consists of relatively large and financially strong companies.

The distribution of loans to corporates by size of loans shows a high degree of diversification where approx. 80% (80) of the corporate volume represents loans up to EUR 50m per customer.

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collaterals is considered together with the adequacy of covenants and other risk mitigations.

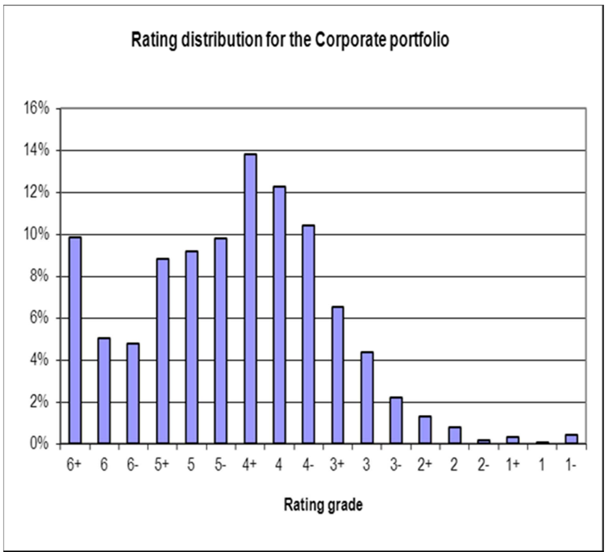
Pledging of collateral is the main credit risk mitigation technique. In corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those who are financially strong. Regarding large exposures syndication of loans is the primary tool for managing concentration risk while credit risk mitigation by the use of credit default swaps has been applied to a limited extent.

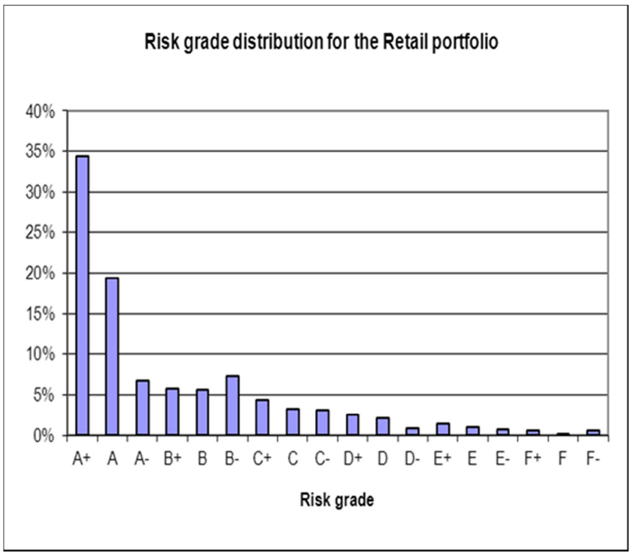
Covenants in credit agreements do not substitute collaterals, but are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

Loans to household customers
In 2013 lending to household customers increased 3% to EUR 38bn (37). Mortgage loans increased 2% to EUR 31bn while consumer loans were largely unchanged at EUR 7bn. The proportion of mortgage loans of total household loans increased to 81% (80).

Geographical distribution
Lending to the public distributed by borrower domicile shows that the Nordic market accounts for 67% (72). Other EU countries represent the main part of the lending outside the Nordic and Baltic countries. Lending to customers in the Baltic countries remained at EUR 8.4bn (8.4) at the end of 2013.

Rating and scoring distribution
One way of assessing credit quality is through an analysis of the distribution across rating grades for rated corporate customers and institutions as well as across risk grades for scored household and small business customers, i.e. retail exposures. About 84% (88) of the corporate exposure is rated 4- or higher and the portion of institutional exposure rated 5- or higher is 92% (93). About 89% (91) of the retail exposures are scored C- or higher.





Loans to the public and to credit institutions, by country and industry

Group

31 Dec 2013, EURm	Finland	Baltic	Poland	Total 2013	Total 2012
Energy (oil, gas etc.)	589	108		698	1,071
Metals and mining materials	297	15		313	353
Paper and forest materials	777	63		840	850
Other materials (building materials etc.)	1,683	308		1,991	2,125
Industrial capital goods	786	19		805	529
Industrial commercial services, etc.	1,339	288		1,627	1,700
Construction and engineering	696	252		947	1,088
Shipping and offshore	4,072	1		2,857	4,051
Transportation	725	729		2,670	1,326
Consumer durables (cars, appliances etc.)	765	90		855	926
Media and leisure	539	91		631	658
Retail trade	2,121	589		2,710	2,778
Consumer staples (food, agriculture, etc.)	1,512	361		1,872	2,015
Health care and pharmaceuticals	296	59		355	363
Financial institutions	896	207		1,103	970
Real estate	8,161	1,399		9,560	9,619
IT software, hardware and services	346	12		357	391
Telecommunication equipment	28	1		29	91
Telecommunication operators	407	3		411	555
Utilities (distribution and productions)	1,522	284		1,806	1,613
Other, public and organisations	42,003	337	118	42,459	29,546
Total corporate loans	**69,560**	**5,217**	**118**	**74,895**	**62,618**
Household mortgages	27,904	2,820		30,723	29,953
Household consumer	7,311	122		7,433	7,395
Public sector	691	37		728	799
Total loans to the public	**105,466**	**8,195**	**118**	**113,779**	**100,765**
Loans to credit institutions	35,767			35,767	36,827
Total loans	**141,233**	**8,195**	**118**	**149,546**	**137,592**

Loans to the public and to credit institutions, by country and industry

Parent company

31 Dec 2013, EURm	Finland	Baltic	Poland	Total 2013	Total 2012
Energy (oil, gas etc.)	588	105		693	1,065
Metals and mining materials	252	4		256	291
Paper and forest materials	665	44		709	727
Other materials (building materials etc.)	1,351	151		1,501	1,577
Industrial capital goods	659	14		673	393
Industrial commercial services, etc.	1,023	134		1,157	1,196
Construction and engineering	471	195		666	796
Shipping and offshore	4,064	0		2,848	4,044
Transportation	301	419		1,936	670
Consumer durables (cars, appliances etc.)	701	74		775	846
Media and leisure	450	76		527	552
Retail trade	1,832	441		2,274	2,340
Consumer staples (food, agriculture, etc.)	1,276	211		1,487	1,690
Health care and pharmaceuticals	222	46		268	280
Financial institutions	876	202		1,078	944
Real estate	8,134	1,386		9,520	9,574
IT software, hardware and services	240	4		244	271
Telecommunication equipment	26	0		26	88
Telecommunication operators	405	1		406	549
Utilities (distribution and productions)	1,480	277		1,758	1,551
Other, public and organisations	41,997	266		42,263	29,387
Total corporate loans	**67,013**	**4,051**	**-**	**71,064**	**58,830**
Household mortgages	27,904	2,820		30,723	29,953
Household consumer	4,753	0		4,753	4,731
Public sector	728	0		728	799
Total loans to the public	**100,398**	**6,871**	**-**	**107,268**	**94,313**
Loans to credit institutions	41,220			41,220	42,272
Total loans	**141,618**	**6,871**	**-**	**148,489**	**136,585**

Impaired loans

Impaired loans gross increased 5% to EUR 2,008m from EUR 1,904m, corresponding to 133bp (138) of total loans. 52% (50) of impaired loans gross are performing and 48% (50) are non-performing. Impaired loans net, after allowances for individually assessed impaired loans, amounted to EUR 1,294m (1,247), corresponding to 86bp (90). Allowances for individually assessed loans increased to EUR 714m from EUR 657m. Allowances for collectively assessed loans decreased to EUR 125m from EUR 178m. The provisioning ratio was 42% (44). The main increases in impaired loans were in the corporate sectors Industrial commercial services and Retail trade.

Past due loans (6 days or more) to corporate customers that are not considered impaired decreased to EUR 251m (316). The volume of past due loans to household customers increased to EUR 438m (405) in 2013.

Net loan losses

Loan losses decreased to EUR 53m in 2013 (144). This corresponded to a loan loss ratio of 5bp (14). EUR 33m relates to corporate customers (135) and EUR 19m relates to household customers (9). The main losses were in the corporate sector Retail trade.

Baltic countries

At the end of 2013, gross impaired loans in the Baltic countries decreased to EUR 452m or 539 basis points of loans and receivables, compared with EUR 509m or 607 basis points at the end of 2012. The total allowances for the Baltic countries at the end of 2013 were EUR 168m (191), corresponding to a provisioning ratio of 37% (38).

Impaired loans and ratios

	Group		Parent company	
EURm	2013	2012	2013	2012
Impaired loans gross	2,008	1,904	1,716	1,641
- of which performing	1,034	947	839	771
- of which non-performing	974	957	877	870
Impaired loans ratio, basis points	133	138	115	119
Total allowance ratio, basis points	56	60	50	54
Provisioning ratio, %	42	44	44	45

Net loan losses and loan loss ratios

	Group		Parent company	
Basis points of loans	2013	2012	2013	2012
Net loan losses, EURm	53	144	43	125
Loan loss ratio[1]	5	14	5	13
- of which individual	6	20	6	20
- of which collective	-1	-6	-1	-6
Loan loss ratio, Retail Banking	6	5	6	3
Loan loss ratio, Corporate & Institutional Banking	1	2	1	1
Loan loss ratio, Shipping, Offshore & Oil Service	4	7	4	8
Loan loss ratio, Baltic countries	1	0	1	0

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

Impaired loans gross and allowances by country and industry, loans to the public and to credit institutions

Group

31 Dec 2013, EURm	Finland	Baltic	Poland	Allowances	Provisioning ratio, %
Energy (oil, gas etc)	2			2	77
Metals and mining materials	44	2		22	49
Paper and forest materials	1	0		2	
Other materials (building materials etc.)	177	18		115	59
Industrial capital goods	56	0		23	40
Industrial commercial services etc.	130	16		74	50
Construction and engineering	49	4		21	39
Shipping and offshore	255	0		83	32
Transportation	24	0		6	23
Consumer durables (cars, appliances etc.)	24	1		13	52
Media and leisure	50	2		24	46
Retail trade	174	20		82	42
Consumer staples (food, agriculture etc.)	19	0		10	53
Health care and pharmaceuticals	12	0		5	38
Financial institutions	56	0		31	55
Real estate	37	203		70	29
IT software, hardware and services	53	0		24	44
Telecommunication equipment	4	0		2	60
Telecommunication operators	0	0		0	88
Utilities (distribution and productions)	1	1		1	80
Other, public and organisations	17	18	1	46	
Total corporate impaired loans	**1,185**	**283**	**1**	**654**	44
Household mortgage loans	139	136		66	24
Household consumer loans	206	33		95	40
Public sector	0	0		0	
Credit institutions	24	0		24	100
Total impaired loans gross	**1,555**	**452**	**1**	**2,008**	
Total allowances	**670**	**168**	**0**	**839**	
Provisioning ratio	**43%**	**37%**	**3%**	**42%**	

Impaired loans gross and allowances by country and industry, loans to the public and to credit institutions

Parent company

31 Dec 2013, EURm	Finland	Baltic	Poland	Allowances	Provisioning ratio, %
Energy (oil, gas etc.)	1	0		2	
Metals and mining materials	21	2		19	84
Paper and forest materials	1	0		2	
Other materials (building materials etc.)	153	18		111	65
Industrial capital goods	44	0		22	50
Industrial commercial services etc.	121	16		73	53
Construction and engineering	42	4		20	43
Shipping and offshore	255	0		83	32
Transportation	11	0		4	37
Consumer durables (cars, appliances etc.)	20	1		12	60
Media and leisure	42	2		24	55
Retail trade	160	20		81	45
Consumer staples (food, agriculture etc.)	16	0		10	59
Health care and pharmaceuticals	6	0		2	40
Financial institutions	55	0		38	69
Real estate	37	203		70	29
IT software, hardware and services	50	0		24	47
Telecommunication equipment	4	0		2	63
Telecommunication operators	0	0		0	
Utilities (distribution and productions)	0	1		1	
Other, public and organisations	-7	0		15	
Total corporate impaired loans	**1,032**	**265**	**-**	**616**	**47**
Household mortgage loans	139	136		66	24
Household consumer loans	88	33		44	37
Public sector	0	0		0	
Credit institutions	24	0		24	100
Total impaired loans gross	**1,282**	**434**	**-**	**1,716**	
Total allowances	**593**	**157**	**-**	**750**	
Provisioning ratio	**46%**	**36%**	**-**	**44%**	

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterpart in a FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. The pre-settlement risk (current exposure and potential future exposure) at the end of 2013 was EUR 43.3bn, of which the current exposure net (after close-out and collateral reduction) represents EUR 8.9bn. 55% of the pre-settlement risk and 36% of the current exposure net was towards financial institutions.

Market risk

Market risk is defined as the risk of loss in Nordea's holdings and transactions as a result of changes in market rates and parameters that affect the market value, such as changes to interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities.

Nordea Markets and Group Treasury are the key contributors to market risk in the Nordea Group. Nordea Markets is responsible for the customer driven trading activities, whereas Group Treasury is responsible for funding activities, asset and liability management, liquidity portfolios, pledge/collateral portfolios and investments for Nordea's own account. For all other banking activities, the basic principle is that market risks are transferred to Group Treasury where the risks are managed.

Measurement of market risk

Nordea calculates VaR using historical simulation. This means that the current portfolio is revaluated using the daily changes in market prices and parameters observed during the last 500 trading days, thus generating a distribution of 499 returns based on empirical data. From this distribution, the expected shortfall method is used to calculate a VaR figure, meaning that the VaR figure is based on the average of the worst outcomes from the distribution. The 1-day VaR figure is subsequently scaled to a 10-day figure using the "square-root of time" assumption. The 10-day VaR figure is used to limit and measure market risk at all levels both in the trading book and in the banking book.

Separate VaR figures are calculated for interest rate, credit spread, foreign exchange rate and equity risks. The total VaR includes all these risk categories and allows for diversification among them. The VaR figures include both linear positions and options. The model has been calibrated to generate a 99% VaR figure. This means that the 10-day VaR figure can be interpreted as a loss that will statistically be exceeded in one of hundred 10-day trading periods.

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 a significant effect on the risk figures produced.

Market risk

Group

EURm	Measure	31 Dec 2013	2013 high	2013 low	2013 average	31 Dec 2012
Total Risk	VaR	90.5	98.4	16.6	43.0	22.3
- Interest Rate Risk	VaR	95.0	102.3	16.5	47.1	12.6
- Equity Risk	VaR	3.2	4.7	0.1	1.8	2.3
- Credit Spread Risk	VaR	14.5	21.8	6.1	13.5	11.2
- Foreign Exchange Risk	VaR	4.2	12.0	2.4	5.2	13.1
Diversification effect	VaR	23 %	60 %	17 %	39 %	44%

While historical simulation has the advantage of not being dependent on a specific assumption regarding the distribution of returns, it should be noted that the historical observations of the market variables that are used as input may not give an adequate description of the behaviour of these variables in the future. The choice of the time period used is also important. While using a longer time period may enhance the model's predictive properties and lead to reduced cyclicality, using a shorter time period increases the model's responsiveness to sudden changes in the volatility of financial markets. The choice of using the last 500 days of historical data has thus been made with the aim to strike a balance between the pros and cons of using longer or shorter time series in the calculation of VaR.

Market risk analysis

The consolidated market risk for NBF presented in the table on the previous page includes both the trading book and the banking book. The total VaR was EUR 91m at the end of 2013 (22). The increase in total VaR over the year is mainly related to the increase in interest rate VaR, which is a reflection of changed positions and an increased interest rate level. Interest rate VaR was EUR 95m (13), with the largest part of the interest rate sensitivity stemming from interest rate positions denominated in Euro, Swedish kronor and Danish kroner. The diversification effect between risk categories has decreased significantly. This is to a large extent a consequence of the significant increase in interest rate VaR relative to the other risk categories. The commodity risk was at an insignificant level.

The fair value of investments in private equity funds was EUR 4m (6) at the end of 2013.

Foreign exchange rate positions in FX VaR[1]

Group

EURm	2013	2012
DKK	377	1,666
GBP	85	15
SEK	-72	-30
CHF	-61	-128
AUD	-59	-14
JPY	42	-40
LTL	26	35
HKD	-20	1
CAD	16	3
NZD	15	7
Other[2]	16	192

[1] The disclosed FX positions relate to positions in financial instruments in the banking book and trading book. Financial derivatives are included with their delta equivalent. Structural FX risk e.g. related to investments in subsidiaries and associated companies or related to earnings and cost streams denominated in foreign currencies, are not included.

[2] Aggregate net position for foreign exchange positions with an individual absolute value below EUR 15m

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

Policy statements focus on optimising the 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.

SIIR measurement methods

Nordea's SIIR is measured through dynamic simulations by calculating several net interest income scenarios and comparing the difference between these scenarios. Several interest rate scenarios are applied, but the basic measures for SIIR are the two scenarios (increasing rates and decreasing rates) measuring the effect on Nordea's net interest income for a 12-month period of a one percentage point increase, respectively decrease, in all interest rates. The balance sheet is assumed to be constant over time. Main elements of the customer behaviour and Nordea's decision-making process concerning Nordea's own rates are, however, taken into account.

SIIR analysis

At the end of 2013, SIIR for increasing rates was EUR 104m (121) and SIIR for decreasing market rates was EUR –59m (–75). These figures imply that net interest income would increase if interest rates rise and decrease if interest rates fall.

Operational risk

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.

Operational risk includes compliance risk, which is the risk of business not being conducted according to legal and regulatory requirements, market standards and business ethics. Managing operational risk is part of the management's responsibilities. In order to manage these risks, a common set of standards and a sound risk management culture is aimed for with the objective to follow best practice regarding market conduct and ethical standards in all business activities. The key principle of operational risk in Nordea is the three lines of defence. The first line of defence is represented by the business organisation which includes the risk and compliance officer network. The risk and compliance officers ensure that operational and compliance risks are managed effectively within the business organisation and consequently they are located in the first line of defence but performing second line of defence tasks. Group Operational Risk and Compliance, representing the second line of defence, has defined a common set of standards (group directives, processes and reporting) in order to manage these risks.

The key process for active risk management is the annual risk and control self-assessment process which puts focus on identifying key risks as well as ensuring fulfilment of requirements specified in the group directives. Key risks are identified both through top-down division management involvement and through a bottom-up analysis of the result of control questions as well as existing information from processes, such as incident reporting, scenario analyses, quality and risk analyses and product approvals. The timing of this process is synchronised with the annual planning process to ensure adequate input to the Group's overall prioritisations.

Group Internal Audit, representing the third line of defence, provides assurance to the Board of Directors on the risk management, control and governance processes.

Liquidity risk management

Management principles and control

Group Treasury is responsible for pursuing the Nordea's liquidity strategy, managing the liquidity in Nordea and for compliance with the group-wide limits set by the Board of Directors and the Risk Committee. Furthermore, Group Treasury develops the liquidity risk management frameworks, which consist of policies, instructions and guidelines for the Group as well as the principles for pricing liquidity risk.

The Board of Directors defines the liquidity risk appetite by setting limits for applied liquidity risk measures. The most central measure is survival horizon, which defines the risk appetite by setting the minimum survival of one month under institution-specific and market-wide stress scenarios with limited mitigation actions.

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 and strategy are based on policy statements resulting in various 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 ensure market access. A 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 a variety of funding programmes. Funding programmes are both short-term (US Commercial Paper, European Commercial Paper, Commercial paper, Certificates of Deposits) and long-term (Covered Bonds, European Medium-Term Notes, Medium Term Notes) and cover a range of currencies.

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. Stress testing framework also includes the survival horizon metric, which represents a combined liquidity risk scenario (idiosyncratic and market-wide stress).

Liquidity risk measurement methods

The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 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. The buffer minimum level is set by the Board of Directors. The liquidity buffer consists of central bank eligible high-grade liquid securities held by Group Treasury that can be readily sold or used as collateral in funding operations.

During 2011, the survival horizon metric was introduced. It is conceptually similar to the Basel Liquidity Coverage Ratio. The metric is composed of a liquidity buffer and funding gap risk cash flows, and includes expected behavioural cash flows from contingent liquidity drivers. Survival horizon defines the short-term liquidity risk appetite of the Group and expresses the excess liquidity after a 30-day period without access to market funding. The Board of Directors has set a limit for minimum survival without access to market funding during 30 days.

The structural liquidity risk of Nordea is measured and limited by the Board of Directors through the Net Balance of Stable Funding (NBSF), 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 of more than 12 months, as well as shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 12 months and committed facilities. The CEO in GEM has set it as a target that the NBSF should be positive, which means that stable assets must be funded by stable liabilities.

Liquidity risk analysis

The short-term liquidity risk remained at moderate levels throughout 2013. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was EUR +3.8bn (–2.2).

NBF's liquidity buffer range was EUR 14.5–17.3bn (12.5–15.9) throughout 2013 with an average buffer size of EUR 16.6bn (14.5). NBF's liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury. Survival horizon was in the range EUR +4.0 – 17.3bn (+0.0 – 19.1) throughout 2013 with an average of EUR 10.4bn (8.1). The aim of always maintaining a positive NBSF was comfortably achieved throughout 2013. The yearly average for the NBSF was EUR 20.1bn (20.9).

Capital management
Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to assets, liabilities and risks. The goal is to enhance returns to shareholders while maintaining a prudent capital structure.

Capital governance
The Board of Directors decides ultimately on the targets for capital ratios and the capital policy in Nordea, while the CEO in GEM decides on the overall framework of capital management. The ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the Asset and Liability Committee (ALCO) and the Risk Committee.

The capital requirement and the capital base described in this section follow the CRD rules and not accounting standards, see Note 39 for details.

Minimum capital requirements
Risk-weighted assets (RWA) are calculated in accordance with the requirements in the CRD. NBF had 39% of the exposure (61% the of original exposure) covered by internal rating based (IRB) approaches by the end of 2012 and has during the year implemented the Foundation IRB approach for the corporate and institutions portfolio in the Baltics as well as in the International Units. Beginning of January 2014 Nordea has been approved to use Advanced Internal Rating Based (AIRB) for the corporate portfolio. The aim is to implement the advanced IRB approach in the capital adequacy calculations during the first quarter in 2014.

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

Internal capital requirement
Nordea bases its internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on risks defined by the CRD and risks internally defined under Pillar II. The following major risk types are included in the internal capital requirement: credit risk, market risk, operational risk and business risk. Additionally, interest rate risk in the banking book, risk in Nordea’s sponsored defined benefit pension plans, real estate risk and concentration risk are explicitly accounted for.

In addition to calculating risk capital for its various risk types, Nordea conducts a comprehensive capital adequacy stress test to analyse the effects of a series of global and local shock scenarios. The results of the stress tests are considered, along with potential management interventions, in Nordea’s internal capital requirements as buffers for economic stress. The internal capital requirement is a key component of Nordea’s capital ratio target setting.

The ICAAP also describes Nordea's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining internal capital requirements reflecting the risk of the institution. However, regulatory buffers are introduced with the implementation of CRD IV. This might lead to higher capitalisation requirements than what is determined in the internal capital requirement.

Economic Capital (EC)
Nordea’s Economic Capital model is based on the same risk components as the ICAAP but also includes risks in the insurance businesses. EC is calculated for the conglomerate whereas the ICAAP, which is governed by the CRD, covers only the financial group. EC was during 2013 further aligned to core tier 1 capitalisation requirements anticipated in forthcoming regulation. For 2014, additional capital items will be introduced in the EC to reduce the gap between legal equity and allocated capital.

Economic Capital for Nordea Bank Finland was at the end of 2013 EUR 7.0bn (7.0bn, restated).

Economic Profit (EP)
Nordea uses EP as one of its financial performance indicators. EP is calculated as risk-adjusted profit less the cost of equity. The risk-adjusted profit and EP are measures to support performance management and shareholder value creation. In investment decisions and customer relationships, EP drives and supports the operational decision-making process in Nordea. The EP model also captures both growth and return. EC and expected losses (EL) are inputs in the EP framework.

Expected losses (EL)
EL reflects the normalised loss level of the individual credit exposure over a business cycle as well as various portfolios. In 2013, the EL framework was revised to more accurately reflect historical actual losses.

EL 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 of hybrid capital loan (perpetual loan) instruments. Currently there are no hybrid capital loans issued by NBF or included in the capital base of NBF. Profit may only be included after deducting the proposed dividend. Goodwill and deferred tax assets are deducted from tier 1 capital.

Tier 2 comprises 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 companies and investments in credit institutions.

Further information

Note 39 Capital adequacy and the Capital and Risk Management report

Further information on capital management and adequacy is presented in Note 39 Capital adequacy and in the Capital and Risk Management Report at www.nordea.com.

Capital adequacy ratios

	Group		Parent company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Core tier 1 capital ratio excl. transition rules, %	16.0	18.0	16.6	19.1
Core tier 1 capital ratio incl. transition rules, %	15.0	18.0	15.7	19.1
Tier 1 capital ratio excl. transition rules, %	16.0	18.0	16.6	19.1
Tier 1 capital ratio incl. transition rules, %	15.0	18.0	15.7	19.1
Capital base ratio excl. transition rules, %	16.8	18.8	17.6	20.0
Capital base ratio incl. transition rules, %	15.8	18.8	16.6	20.0
Capital adequacy quotient (Capital base / capital requirement incl. transition rules)	2.0	2.4	2.1	2.5

New regulations
The final version of the Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) for the European financial market was published in June 2013.

CRD IV and CRR
The CRD IV/CRR is intended to set a single rule book for all banks in all EU Member States in order to avoid divergent national rules.

The regulation requires higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of liquidity standards.

The CRD IV/CRR requires banks to comply with the following minimum capital ratios.

- Common equity tier 1 (CET1) capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- Total capital ratio of 8%

The CRD IV also introduces a number of additional capital buffers. All buffers are to be expressed in relation to RWA and to be covered by CET1 and represent additional capital to be held on top of the minimum regulatory requirements. RWA will also be affected by additional requirements.

CRD IV is expected to enter into force 1 July 2014 in Finland by a new act on credit institutions. The draft bill includes new requirements on governance and risk management in credit institutions. It is also suggested that the countercyclical capital buffer (up to 2.5% CET1) and a capital conservation buffer (2.5 % CET1) will be applicable from 1 January 2015. A buffer for other systematically important institutions of up to 2 % CET1 will be applicable from 1 January 2016.

CRD IV/CRR introduces two new quantitative liquidity standards; liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR is expected to be phased in from January 2015 while NSFR might be introduced by January 2018.

Within CRD IV/CRR there are a number of national options that can be implemented into national legislation/regulation. The final decisions about the usage of national options are available during year 2014 as those will be reconsidered within implementation of Single Supervisory Mechanism (SSM) framework. The usage of macro-prudential tools and implementation of systemic risk buffer are under consideration.

Single Supervisory Mechanism
A single supervisory mechanism (SSM) for banks in the Eurozone will start during 2014, comprising the 130-140 largest banks within the area. The European Central Bank will be responsible for the SSM, cooperating with the national competent authorities of participating EU countries. The supervision of Nordea Bank Finland will be transferred to the SSM.

Human resources

People make it happen

Working at Nordea is working at a relationship bank in which everybody is responsible for supporting great customer experiences. It is our skilled and dedicated employees that make us stand out from our competitors and make Nordea Great. This is why attracting, developing and maintaining highly motivated people are among our main priorities.

People strategy
Our People strategy is based on our values and the needs of our business to achieve the ambitious goal of building the future relationship bank. The People Strategy emphasises that Nordea can reach its goals only if its employees reach theirs, which is why we provide opportunities for our people to develop and live well-balanced lives. Teamwork is an integral part of working at Nordea and a key to our success.

Great leaders build the right team
Our values are incorporated into all our people processes, our training and everyday leadership, and are the foundation for our leadership competencies. Our values and leadership are the strongest drivers for both performance and building our corporate culture.

Continuous feedback to support successful performance
Nordea prioritises open dialogue in its employee relationships. We know that people feel valued when they feel heard. Regular feedback is also essential to their on-going development. We create this culture of responsiveness through our Employee Satisfaction Index (ESI) and our Performance & Development Dialogue (PDD) process.

Competence development is crucial for our business
At Nordea, we believe that performance provides the opportunity to learn, and learning provides the capability to perform. Nordea provides group-wide leadership and employee development. The business areas provide training in specific skills and knowledge developed for ensuring common competence in a market area.

Mobility is key for competence development. We advertise our vacancies internally and strive to find candidates among our colleagues. Most career mobility takes place within the same country although we know that the opportunity to work cross border and in different value chains is greatly valued by our staff, not least participants in our Graduate Programme.

Profit-sharing scheme
Profit sharing is aiming at stimulating value creation for the customers and shareholders and is offered to all employees. The performance criteria reflect Nordea’s long-term targets. For 2013, each employee could receive a maximum of EUR 3,200, of which EUR 2,600 is based on a pre-determined level of return on equity and EUR 600 is based on the level of customer satisfaction.

Corporate Social Responsibility, CSR

In 2013, our work to further embed sustainability into our core business continued. By considering environmental, social and governance issues in everything we do, we will continue to improve the relationships we have with our customers and other stakeholders, and deliver our business goals.

Focus areas in 2013 were:

- Building closer relationships with our customers
- Improving compliance and addressing anti-money laundering
- Further integrating the environmental, social and governance aspects into our products and processes: lending, investments and supplier management
- Developing and supporting Nordea people to secure strong performance
- Continuing to align our operations with our stakeholders’ expectations by mapping these via an interactive dialogue.

Everything everyone does in Nordea is to create great customer experiences and our customer commitments crystalize this. They demand we understand our customers’ wants and needs, present and future – and that our customers understand why we are suggesting a particular service for them. As we say, ”We don’t advise you until we know you”. Ensuring financial stability for our customers leads to high satisfaction and helps to develop closer long-term relationships. In turn, these closer relationships lead to reduced risk for the bank.

For more information about Nordea’s CSR work, please see Nordea’s CSR Report 2013 available on www.nordea.com/csr.

Legal proceedings

Within the framework of the normal business operations, NBF faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of these disputes is considered likely to have any significant adverse effect on the Group or its financial position.

Corporate Governance

NBF's Corporate Governance Report 2013 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.

Nordea shares

Nordea Bank Finland Plc does not possess its own shares. The information regarding bought and sold shares in the parent company Nordea Bank AB (publ) is presented in Note 48.

Subsequent events

No events have occurred after the balance sheet date that might affect the assessment of the annual financial statements.

Outlook 2014

Although activity has picked up somewhat during 2013, growth is still subdued and NBF foresees a prolonged period of a low-growth environment with lower than normal interest rates. As a consequence NBF will accelerate and expand the existing cost efficiency programme. This will enable NBF to adjust capacity to the expected lower activity level and to maintain our position as a strong bank.

Nordea Bank Finland Group and Nordea Bank Finland Plc

Income statement

EURm	Note	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Operating income					
Interest income	3	1,849	2,337	1 613	2,110
Interest expense	3	-666	-1,079	-665	-1,076
Net interest income	3	**1,183**	**1,258**	**948**	**1,034**
Fee and commission income	4	759	741	715	700
Fee and commission expense	4	-872	-446	-866	-439
Net fee and commission income	**4**	**-113**	**295**	**-151**	**261**
Net result from items at fair value	5	1,114	1,217	1 110	1,208
Profit from companies accounted for under the equity method	20	8	18	-	-
Dividends	6	-	-	128	99
Other operating income	7	32	36	26	32
Total operating income		**2,224**	**2,824**	**2 061**	**2,634**
Operating expenses					
General administrative expenses:					
Staff costs	8	-553	-574	-516	-527
Other expenses	9	-466	-447	-447	-444
Depreciation, amortisation and impairment charges of tangible and intangible assets	10, 21, 22	-40	-50	-33	-38
Total operating expenses		**-1,059**	**-1,071**	**-996**	**-1,009**
Profit before loan losses		**1,165**	**1,753**	**1 065**	**1,625**
Net loan losses	11	-53	-144	-43	-125
Impairment of securities held as financial non-current assets		1	-	1	-
Operating profit		**1,113**	**1,609**	**1 023**	**1,500**
Income tax expense	12	-285	-428	-243	-384
Net profit for the year		**828**	**1,181**	**780**	**1,116**
Attributable to:					
Shareholders of Nordea Bank Finland Plc		828	1,179	780	1,116
Non-controlling interests		-	2	-	-
Total		**828**	**1,181**	**780**	**1,116**

Statement of comprehensive income

	Group		Parent company	
EURm	2013	2012	2013	2012
Net profit for the year	**828**	**1,181**	**780**	**1,116**
Items that may be reclassified subsequently to the income statement				
Currency translation differences during the year	-3	-6	-	-
Available-for-sale investments[1]:				
- Valuation gains/losses during the year	3	24	3	24
- Tax on valuation gains/losses during the year	1	-7	1	-7
Cash flow hedges:				
- Valuation gains/losses during the year	36	-46	36	-46
- Tax on valuation gains/losses during the year	-9	11	-9	11
Items that may be reclassified subsequently to the income statement				
Defined benefit plans:				
- Remeasurement of defined benefit plans	73	-50	68	-46
- Tax on remeasurement of defined benefit plans	-17	12	-16	11
Other comprehensive income, net of tax	**84**	**-62**	**83**	**-53**
Total comprehensive income	**912**	**1,119**	**863**	**1,063**
Attributable to:				
Shareholders of Nordea Bank Finland Plc	912	1,117	863	1,063
Non-controlling interests	-	2	-	-
Total	**912**	**1,119**	**863**	**1,063**

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

Balance sheet

		Group		
EURm	Note	31 Dec 2013	31 Dec 2012	1 Jan 2012
Assets				
Cash and balances with central banks		30,904	30,004	286
Loans to central banks	13	657	809	31,276
Loans to credit institutions	13	35,110	36,018	48,074
Loans to the public	13	113,779	100,765	99,331
Interest-bearing securities	14	34,246	29,818	25,418
Financial instruments pledged as collateral	15	9,739	8,078	8,346
Shares	16	680	838	1,312
Derivatives	17	70,234	117,213	170,228
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	58	124	138
Investments in group undertakings	19	-	-	-
Investments in associated undertakings	20	59	79	79
Intangible assets	21	100	108	106
Property and equipment	22, 23	94	96	124
Investment property	24	113	104	71
Deferred tax assets	12	5	37	22
Current tax assets	12	1	1	132
Retirement benefit assets	33	133	80	99
Other assets	25	8,277	10,320	8,078
Prepaid expenses and accrued income	26	572	969	704
Total assets		**304,761**	**335,461**	**393,824**
Liabilities				
Deposits by credit institutions	27	79,426	74,666	76,007
Deposits and borrowings from the public	28	80,909	70,212	68,260
Debt securities in issue	29	47,130	48,999	49,153
Derivatives	17	67,109	115,836	168,436
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	369	637	195
Current tax liabilities	12	8	4	0
Other liabilities	30	18,855	14,239	18,680
Accrued expenses and prepaid income	31	866	946	810
Deferred tax liabilities	12	53	58	53
Provisions	32	72	83	97
Retirement benefit liabilities	33	21	50	29
Subordinated liabilities	34	429	514	503
Total liabilities		**295,247**	**326,244**	**382,223**
Equity				
Non-controlling interests		1	4	5
Share capital		2,319	2,319	2,319
Share premium reserve		599	599	599
Other reserves		2,875	2,788	2,844
Retained earnings		3,720	3,507	5,834
Total equity		**9,514**	**9,217**	**11,601**
Total liabilities and equity		**304,761**	**335,461**	**393,824**
Assets pledged as security for own liabilities	35	35,061	32,266	27,324
Other assets pledged	36	4,393	6,978	7,692
Contingent liabilities	37	15,836	16,419	19,041
Credit commitments	38	15,882	15,956	17,949
Other commitments	38	721	634	775

Other notes

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Balance sheet

EURm	Note	Parent company 31 Dec 2013	31 Dec 2012	1 Jan 2012
Assets				
Cash and balances with central banks		30,904	30,004	286
Loans to central banks	13	657	809	31,276
Loans to credit institutions	13	40,563	41,463	53,421
Loans to the public	13	107,268	94,313	93,097
Interest-bearing securities	14	34,246	29,818	25,418
Financial instruments pledged as collateral	15	9,739	8,078	8,346
Shares	16	679	835	1,309
Derivatives	17	70,234	117,213	170,228
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	58	124	138
Investments in group undertakings	19	376	373	370
Investments in associated undertakings	20	34	34	34
Intangible assets	21	98	106	103
Property and equipment	22, 23	74	59	69
Investment property	24	8	10	10
Deferred tax assets	12	2	31	17
Current tax assets	12	-	-	131
Retirement benefit assets	33	132	80	98
Other assets	25	8,233	10,278	8,055
Prepaid expenses and accrued income	26	386	777	524
Total assets		**303,691**	**334,405**	**392,930**
Liabilities				
Deposits by credit institutions	27	79,315	74,553	75,919
Deposits and borrowings from the public	28	80,908	70,224	68,265
Debt securities in issue	29	47,130	48,999	49,153
Derivatives	17	67,109	115,836	168,436
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	369	637	195
Current tax liabilities	12	4	4	0
Other liabilities	30	18,687	14,024	18,541
Accrued expenses and prepaid income	31	668	744	615
Deferred tax liabilities	12	-	-	-
Provisions	32	67	79	94
Retirement benefit liabilities	33	20	45	29
Subordinated liabilities	34	429	514	503
Total liabilities		**294,706**	**325,659**	**381,750**
Equity				
Share capital		2,319	2,319	2,319
Share premium reserve		599	599	599
Other reserves		2,874	2,791	2,844
Retained earnings		3,193	3,037	5,418
Total equity		**8,985**	**8,746**	**11,180**
Total liabilities and equity		**303,691**	**334,405**	**392,930**
Assets pledged as security for own liabilities	35	35,056	32,266	27,324
Other assets pledged	36	4,393	6,978	7,692
Contingent liabilities	37	16,067	16,723	19,348
Credit commitments	38	13,422	13,275	15,006
Other commitments	38	326	260	492

Other notes

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Statement of changes in equity

Group

EURm	Share capital[1]	Share premium reserve	Cash flow hedges	Available-for-sale investments	Other reserves	Defined benefit plans	Retained earnings	**Total**	**Non-controlling interests**	**Total equity**
	Attributable to the shareholders of Nordea Bank Finland Plc		Other reserves							
Balance at 1 Jan 2013	**2,319**	**599**	**-35**	**13**	**2,848**	**-38**	**3,507**	**9,213**	**4**	**9,217**
Net profit for the year	-	-	-	-	-	-	828	828	-	828
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	-	-	-	-	0	-	-3	-3	-	-3
Available-for-sale investments										
- Valuation gains/losses during the year	-	-	-	3	-	-	-	3	-	3
- Tax on valuation gains/losses during the year	-	-	-	1	-	-	-	1	-	1
Cash flow hedges:										
- Valuation gains/losses during the year	-	-	36	-	-	-	-	36	-	36
- Tax on valuation gains/losses during the year	-	-	-9	-	-	-	-	-9	-	-9
Items that may not be reclassified subsequently to the income statement										
Defined benefit plans										
- Remeasurement of defined benefit plans	-	-	-	-	-	73	-	73	-	73
- Tax on remeasurement of defined benefit plans	-	-	-	-	-	-17	-	-17	-	-17
Other comprehensive income, net of tax	-	-	27	4	0	56	-3	84	-	84
Total comprehensive income	-	-	27	4	0	56	825	912	-	912
Share-based payments	-	-	-	-	-	-	2	2	-	2
Dividend for 2012	-	-	-	-	-	-	-625	-625	-	-625
Other changes	-	-	-	-	-	-	11	11	-3	8
Balance at 31 Dec 2013	**2,319**	**599**	**-8**	**17**	**2,848**	**18**	**3,720**	**9,513**	**1**	**9,514**

[1] Total shares registered were 1,030.8 million (31 Dec 2012: 1,030.8 million). All the shares in Nordea Bank Finland Plc are held by Nordea Bank AB (publ). The carrying amount of the shares corresponds to EUR 2.25 per share. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 850m and maximum share capital EUR 3,400m.

Statement of changes in equity *cont.*

Group

EURm	Share capital[1]	Share premium reserve	Cash flow hedges	Available-for-sale investments	Other reserves	Defined benefit plans	Retained earnings	**Total**	**Non-controlling interests**	**Total equity**
	Attributable to the shareholders of Nordea Bank Finland Plc									
			Other reserves							
Balance at 1 Jan 2012	**2,319**	**599**	**-**	**-4**	**2,848**	**-**	**5,853**	**11,615**	**5**	**11,620**
Restatement due to changed accounting policy[2]	-	-	-	-	-	-	-19	-19	0	-19
Restated opening balance at 1 Jan 2012	**2,319**	**599**	**-**	**-4**	**2,848**	**-**	**5,834**	**11,596**	**5**	**11,601**
Net profit for the year	-	-	-	-	-	-	1,179	1,179	2	1,181
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	-	-	-	-	0	-	-6	-6	-	-6
Available-for-sale investments:										
- Valuation gains/losses during the year	-	-	-	24	-	-	-	24	-	24
- Tax on valuation gains/losses during the year	-	-	-	-7	-	-	-	-7	-	-7
Cash flow hedges:										
- Valuation gains/losses during the year	-	-	-46	-	-	-	-	-46	-	-46
- Tax on valuation gains/losses during the year	-	-	11	-	-	-	-	11	-	11
Items that may not be reclassified subsequently to the income statement										
Defined benefit plans										
- Remeasurement of defined benefit plans	-	-	-	-	-	-50	-	-50	-	-50
- Tax on remeasurement of defined benefit plans	-	-	-	-	-	12	-	12	-	12
Other comprehensive income, net of tax	-	-	-35	17	0	-38	-6	-62	-	-62
Total comprehensive income	-	-	-35	17	0	-38	1,173	1,117	2	1,119
Share-based payments	-	-	-	-	-	-	2	2	-	2
Dividend for 2011	-	-	-	-	-	-	-3,500	-3,500	-	-3,500
Other changes	-	-	-	-	0	-	-2	-2	-3	-5
Balance at 31 Dec 2012	**2,319**	**599**	**-35**	**13**	**2,848**	**-38**	**3,507**	**9,213**	**4**	**9,217**

[1] Total shares registered were 1,030.8 million (31 Dec 2011: 1,030.8 million). All the shares in Nordea Bank Finland Plc are held by Nordea Bank AB (publ). The carrying amount of the shares corresponds to EUR 2.25 per share. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 850m and maximum share capital EUR 3,400m.

[2] Related to the amended IAS 19. See Note 1 for more information.

Statement of changes in equity *cont.*

Parent company

EURm	Share capital[1]	Share premium reserve	Cash flow hedges	Available-for-sale investments	Other reserves	Defined benefit plans	Retained earnings	**Total equity**
	Attributable to the shareholders of Nordea Bank Finland Plc							
			Other reserves					
Balance at 1 Jan 2013	**2,319**	**599**	**-35**	**13**	**2,848**	**-35**	**3,037**	**8,746**
Net profit for the year	-	-	-	-	-	-	780	780
Items that may be reclassified subsequently to the income statement								
Currency translation differences during the year	-	-	-	-	-	-	-	-
Available-for-sale investments								
- Valuation gains/losses during the year	-	-	-	3	-	-	-	3
- Tax on valuation gains/losses during the year	-	-	-	1	-	-	-	1
Cash flow hedges:								
- Valuation gains/losses during the year	-	-	36	-	-	-	-	36
- Tax on valuation gains/losses during the year	-	-	-9	-	-	-	-	-9
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans								
- Remeasurement of defined benefit plans	-	-	-	-	-	68	-	68
- Tax on remeasurement of defined benefit plans	-	-	-	-	-	-16	-	-16
Other comprehensive income, net of tax	-	-	27	4	-	52	-	83
Total comprehensive income	-	-	27	4	-	52	780	863
Share-based payments	-	-	-	-	-	-	2	2
Dividend for 2012	-	-	-	-	-	-	-625	-625
Other changes	-	-	-	-	-	-	-1	-1
Balance at 31 Dec 2013	**2,319**	**599**	**-8**	**17**	**2,848**	**17**	**3,193**	**8,985**

[1] Total shares registered were 1,030.8 million (31 Dec 2012: 1,030.8 million). All the shares in Nordea Bank Finland Plc are held by Nordea Bank AB (publ). The carrying amount of the shares corresponds to EUR 2.25 per share. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 850m and maximum share capital EUR 3,400m.

Statement of changes in equity *cont.*

Parent company

	Attributable to the shareholders of Nordea Bank Finland Plc							
			Other reserves					
EURm	Share capital[1]	Share premium reserve	Cash flow hedges	Available-for-sale investments	Other reserves	Defined benefit plans	Retained earnings	**Total equity**
Balance at 1 Jan 2012	**2,319**	**599**	**-**	**-4**	**2,848**	**-**	**5,432**	**11,194**
Restatement due to changed accounting policy[2]	-	-	-	-	-	-	-14	-14
Restated opening balance at 1 Jan 2012	**2,319**	**599**	**-**	**-4**	**2,848**	**-**	**5,418**	**11,180**
Net profit for the year	-	-	-	-	-	-	1,116	1,116
Items that may be reclassified subsequently to the income statement								
Currency translation differences during the year								
Available-for-sale investments								
- Valuation gains/losses during the year	-	-	-	24	-	-	-	24
- Tax on valuation gains/losses during the year	-	-	-	-7	-	-	-	-7
Cash flow hedges:								
- Valuation gains/losses during the year	-	-	-46	-	-	-	-	-46
- Tax on valuation gains/losses during the year	-	-	11	-	-	-	-	11
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans								
- Remeasurement of defined benefit plans	-	-	-	-	-	-46	-	-46
- Tax on remeasurement of defined benefit plans	-	-	-	-	-	11	-	11
Other comprehensive income, net of tax	-	-	-35	17	-	-35	-	-53
Total comprehensive income	-	-	-35	17	-	-35	1,116	1,063
Share-based payments	-	-	-	-	-	-	2	2
Dividend for 2011	-	-	-	-	-	-	-3,500	-3,500
Other changes	-	-	-	-	-	-	1	1
Balance at 31 Dec 2012	**2,319**	**599**	**-35**	**13**	**2,848**	**-35**	**3,037**	**8,746**

[1] Total shares registered were 1,030.8 million (31 Dec 2011: 1,030.8 million). All the shares in Nordea Bank Finland Plc are held by Nordea Bank AB (publ). The carrying amount of the shares corresponds to EUR 2.25 per share. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 850m and maximum share capital EUR 3,400m.

[2] Related to the amended IAS 19. See Note 1 for more information.

Description of items in equity is included in Note 1 Accounting policies.

No decision was made during the financial year to issue equity warrants or convertible bonds entitling to subscription of shares in the NBF. At the end of 2013, the NBF held no authorisations given by the General Meeting for issuance or buybacks of shares, equity warrants or convertible bonds.

Cash flow statement

	Group		Parent company	
EURm	2013	2012	2013	2012
Operating activities				
Operating profit	1,113	1,609	1,023	1,500
Adjustments for items not included in cash flow	658	-1,763	628	-1,782
Income taxes paid	-282	-286	-239	-247
Cash flow from operating activities before changes in operating assets and liabilities	**1,489**	**-440**	**1,412**	**-529**
Changes in operating assets				
Change in loans to central banks	-40	19,408	-40	19,408
Change in loans to credit institutions	2,784	8,059	3,662	8,179
Change in loans to the public	-13,375	-1,507	-13,006	-1,350
Change in interest-bearing securities	1,634	-12,193	1,634	-12,193
Change in financial assets pledged as collateral	-1,661	267	-1,661	268
Change in shares	184	469	182	468
Change in derivatives, net	-2,067	2,644	-2,068	2,644
Change in investment properties	-9	-33	2	0
Change in other assets	2,046	-2,242	2,046	-2,222
Changes in operating liabilities				
Change in deposits by credit institutions	6,635	-757	4,762	-1,366
Change in deposits and borrowings from the public	11,051	1,859	10,685	1,959
Change in debt securities in issue	-1,152	172	-1,868	-155
Change in other liabilities	-1,833	3,013	-1,789	2,937
Cash flow from operating activities	**5,686**	**18,719**	**3,953**	**18,048**
Investing activities				
Acquisition of business operations	0	0	-7	-2
Sale of business operations	1	-	4	0
Dividends from associated companies	27	19	-	0
Acquisition of associated undertakings	-	-	-	0
Sale of associated undertakings	-	-	0	0
Acquisition of property and equipment	-59	-34	-58	-29
Sale of property and equipment	13	15	1	2
Acquisition of intangible assets	-11	-28	-9	-27
Sale of intangible assets	0	0	0	-1
Divestments/Investments in debt securities, held to maturity	114	344	208	391
Purchase/sale of other financial fixed assets	0	17	0	17
Cash flow from investing activities	**85**	**333**	**139**	**351**
Financing activities				
Issued subordinated liabilities	-	0	-	0
Amortised subordinated liabilities	-27	-3	-27	-3
Dividend paid	-627	-3,500	-625	-3,500
Other changes	39	-23	30	-15
Cash flow from financing activities	**-615**	**-3,526**	**-622**	**-3,518**
Cash flow for the year	**5,156**	**15,526**	**3,470**	**14,881**
Cash and cash equivalents at the beginning of year	32,859	17,981	32,847	17,966
Translation difference	1,691	648	-	-
Cash and cash equivalents at the end of year	36,324	32,859	36,317	32,847
Change	**5,156**	**15,526**	**3,470**	**14,881**

Cash flow statement *cont.*

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 Bank Finland'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	2013	2012	2013	2012
Depreciation	39	43	31	31
Impairment charges	1	7	1	7
Loan losses	77	171	50	134
Unrealised gains/losses	476	-2,293	475	-2,293
Capital gains/losses (net)	-8	-3	-1	0
Change in accruals and provisions	312	-148	310	-144
Translation differences	2	-6	1	-
Other	-241	466	-239	483
Total	**658**	**-1,763**	**628**	**-1,782**

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans, 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	2013	2012	2013	2012
Interest payments received	1,880	2,486	1,643	2,266
Interest expenses paid	-708	-1,090	-706	-1,087

Cash and cash equivalents

The following items are included in Cash and cash equivalents assets:

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Cash and balances with central banks	30,904	30,004	30,904	30,004
Loans to credit institutions, payable on demand	5,420	2,855	5,413	2,843
	36,324	**32,859**	**36,317**	**32,847**

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

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1. Basis for presentation

NBF's 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 Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the Decision of the Ministry of Finance on the financial statements and consolidated statements of credit institutions have also been applied.

The disclosures, required in the standards, recommendations 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 28 February 2014 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 11 March 2014.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2012 Annual Report, except for the change to the basis for recognising actuarial gains/losses on defined benefit pension plans, and the presentation of forward starting bonds. These changes are further described below.

The new standard IFRS 13 "Fair Value Measurement" was implemented 1 January 2013 but has not had any significant impact on the measurement of assets and liabilities in Nordea. IFRS 13 clarifies how to measure fair value but does not change the requirements regarding which items should be measured at fair value. In addition IFRS 13 requires additional disclosures about fair value measurements. The additional disclosures required by IFRS 13 are presented in Note 41 "Assets and liabilities at fair value".

IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures" have been amended as regards offsetting of financial assets and financial liabilities. Nordea implemented these changes in 2013 (IAS 32 early adopted). The amendments intend to clarify the criteria for offsetting and to add disclosures. Nordea's principles for offsetting are already in accordance with the clarified requirements and therefore there was no impact from the amendments in IAS 32. The additional disclosures required by IFRS 7 are presented in Note 42 "Financial instruments set off on balance or subject to netting agreements".

In 2013 the IASB published a narrow scope amendment to IAS 39 "Financial Instruments: Recognition and Measurement". Nordea implemented these changes in 2013 (early adopted). The amendment allows hedge accounting to be continued if a derivative designated as a hedging instrument is replaced with a new hedging instrument, where a clearing party replaces the original counterparty, as a consequence of laws or regulations. The amendment has not had any significant impact on the financial statements in Nordea.

IAS 19 "Employee Benefits"
The amended IAS 19 "Employee Benefits" was implemented 1 January 2013.

The amended standard has had an impact on the financial statements mainly related to defined benefit pension plans. The amended IAS 19 states that actuarial gains/losses shall be recognised immediately in equity through other comprehensive income, which leads to higher volatility in equity compared to the earlier so called "corridor approach". Consequently no actuarial gains/losses are recognised in the income statement, compared with the earlier rules where actuarial gains/losses outside the corridor were amortised through the income statement. The amended IAS 19 furthermore states that the expected return on plan assets shall be recognised using a return rate equal to the discount rate used when measuring the pension obligation. This has led to higher pension expenses in the income statement as Nordea previously expected a IAS 19 furthermore states that the expected return on plan assets shall be recognised using a return rate equal to the discount rate used when measuring the pension obligation. This has led to higher pension expenses in the income statement as Nordea previously expected a higher return than the discount rate. Any difference between the actual return and the expected return is a part of the actuarial gains/losses recognised immediately in equity through other comprehensive income without recycling to the income statement.

The comparative figures on the balance sheet and income statement have been restated accordingly and are disclosed in the table below.

At transition 1 January 2013 the negative impact on equity was EUR 62m, after income tax and the core tier 1 capital was reduced by EUR 41m, including the impact from changes in deferred tax assets.

Group

	Full year 2012	
Income statement, EURm	New policy	Old policy
Staff costs	-574	-567
Taxes	-428	-430
Net profit for the year	1,181	1,186

	31 Dec 2012		1 Jan 2012	
Balance sheet, EURm	New policy	Old policy	New policy	Old policy
Deferred tax assets	37	16	22	16
Retirement benefit asset	80	136	99	120
Retirement benefit obligation	50	23	29	25
Other reserves[1]	2,788	2,826	2,844	2,844
Retained earnings	3,507	3,531	5,834	5,853

[1] Impact through "Other comprehensive income"

Parent company

	Full year 2012	
Income statement, EURm	New policy	Old policy
Staff costs	-527	-520
Taxes	-384	-385
Net profit for the year	1,116	1,122

	31 Dec 2012		1 Jan 2012	
Balance sheet, EURm	New policy	Old policy	New policy	Old policy
Deferred tax assets	31	13	17	12
Retirement benefit asset	80	130	98	113
Retirement benefit obligation	45	23	29	25
Other reserves[1]	2,791	2,826	2,844	2,844
Retained earnings	3,037	3,056	5,418	5,432

[1] Impact through "Other comprehensive income"

The amended IAS 19 also requires additional disclosures which are presented in Note 33 “Retirement benefit obligations”, where also more information on the different defined benefit pension plans can be found.

Forward starting bonds

Bonds acquired/issued under non-regular way purchase terms, i.e. so called forward starting bonds, were previously recognised on the balance sheet as “Interest-bearing securities”/”Debt securities in issue” three days before settlement with a corresponding settlement liability/receivable recognised in “Other liabilities”/”Other assets”. As from the 1 January 2013 these bonds are recognised on the balance sheet on settlement date. The instruments continue to be recognised as derivatives between trade date and settlement date. The comparative figures on the balance sheet have been restated accordingly and are disclosed in the table below.

3. Changes in IFRSs not yet applied by Nordea

IFRS 9 “Financial Instruments” (Phase 1)

In 2009 the IASB published a new standard on financial instruments containing requirements for financial assets. Requirements for financial liabilities were added to this standard in 2010. The standard is the first step in the replacement of IAS 39 “Financial Instruments: Recognition and Measurement” and this first phase covers the classification and measurement of financial assets and liabilities. The effective date has been postponed from the earlier communicated date 1 January 2015, without any new effective date communicated. Earlier application is permitted. The EU commission has not yet endorsed this standard and is not expected to do so until all phases of IFRS 9 have been finalised. IFRS 9 “Financial Instruments” (Phase I) is not expected to have a significant impact on Nordea’s income statement and balance sheet as the mixed measurement model will be maintained. Significant reclassifications between fair value and amortised cost or impact on the capital adequacy and large exposures are not expected, but this is naturally dependent on the financial instruments on Nordea’s balance sheet at transition and the outcome of the final standard. It is expected that changes will be made to the standard before the standard becomes effective.

Nordea has, due to the fact that the standard is not yet endorsed by the EU commission and as changes before the effective date are likely, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

Group

	31 Dec 2012		1 Jan 2012	
Balance sheet, EURm	New policy	Old policy	New policy	Old policy
Interest bearing securities	29,818	36,269	25,418	30,866
Other liabilities	14,239	20,690	18,680	24,128

Parent company

	31 Dec 2012		1 Jan 2012	
Balance sheet, EURm	New policy	Old policy	New policy	Old policy
Interest bearing securities	29,818	36,269	25,418	30,866
Other liabilities	14,024	20,475	18,541	23,990

IFRS 9 "Financial Instruments" (Phase 3)
The IASB have during 2013 amended IFRS 9 "Financial instruments" and added new requirements for general hedge accounting, so called one-to-one hedges (Phase 3).

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

IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosures of Interests in Other Entities", IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"
The IASB has published three new standards relating to consolidation, IFRS 10, IFRS 11 and IFRS 12, as well as amended IAS 27 and IAS 28. The effective date for these standards and amendments is as from 1 January 2013, but earlier application is permitted. The EU commission endorsed these standards and amendments during 2012. In contrast to IFRS, the EU commission requires the standards to be applied for annual periods beginning on or after 1 January 2014. Nordea will apply these standards as from 1 January 2014.

Nordea's assessment is that IFRS 10 "Consolidated Financial Statements" will not have any significant impact on Nordea's income statement or balance sheet at transition.

It is not expected that IFRS 11 will have any significant impact on Nordea, while IFRS 12 is expected to add disclosures.

Annual Improvements to IFRSs
The IASB has published minor amendments to IFRSs by issuing "Annual Improvements to IFRSs, 2010-2012 Cycle" and "Annual Improvements to IFRSs, 2011-2013 Cycle". Most of the amendments are effective for annual periods beginning on or after 1 July 2014, but earlier application is permitted. The EU commission is expected to endorse these amendments during the third quarter 2014. Nordea´s assessment is that the new requirements will not have any significant impact on Nordea´s financial statements, capital adequacy or large exposures.

IFRIC 21 "Levies"
The IASB has published IFRIC 21 "Levies". The interpretation is effective for annual periods beginnings on or after 1 January 2014. The EU commission expects to endorse IFRIC 21 in the beginning of 2014. Nordea will apply IFRIC 21 as from 1 January 2014, if endorsed by the EU commission.

IFRIC 21 is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". IFRIC 21 clarifies that if a levy is triggered by operating as a bank at the end of the reporting period, the liability for the levy is not recognised prior to that date. The assessment is that the new interpretation will not have any significant impact on Nordea's financial statements, capital adequacy or large exposures.

4. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section a description is made of:

- the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of:
  – goodwill and
  – loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the valuation of investment properties
- the classification of leases
- the translations of assets and liabilities denominated in foreign currencies
- the valuation of deferred tax assets
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 10 "Determination of fair value of financial instruments" and Note 41 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments is exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active)
- 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.

When determining fair value of financial instruments that lack quoted prices or recently observed market prices there is also a high degree of estimation uncertainty. That estimation uncertainty is mainly a result of the judgement management exercises when:

- selecting an appropriate discount rate for the instrument and
- determining expected timing of future cash flows from the instruments.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. In order to ensure proper governance, Nordea has a Group Valuation Committee that on an on-going basis reviews critical judgements that are deemed to have a significant impact on fair value measurements.

The fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was EUR 138,488m (252,558) and EUR 164,762m (185,506) respectively at the end of the year.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note 41 "Assets and liabilities at fair value".

Estimation uncertainty also arises at initial recognition of financial instruments that are part of larger structural transactions. Although subsequently not necessarily held at fair value such instruments are initially recognised at fair value and as there is normally no separate transaction price or active market for such individual instruments the fair value has to be estimated.

Impairment testing of goodwill

Nordea's accounting policy for goodwill is described in section 15 "Intangible assets" and Note 21 "Intangible assets" lists the cash generating units to which goodwill has been allocated.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows are subject to estimation uncertainty. The forecast of future cash flows is sensitive to the cash flow projections for the near future (generally 3-5 years) and to the estimated sector growth rate for the period beyond 3-5 years. The growth rates are based on historical data, updated to reflect the current situation, which implies estimation uncertainty.

The rates used to discount future expected cash flows are based on the long-term risk free interest rate plus a risk premium (post tax). The risk premium is based on external information of overall risk premiums in relevant countries.

Impairment testing of loans to the public/credit institutions

Nordea's accounting policy for impairment testing of loans is described in section 13 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. NBF's total lending before impairment allowances was EUR 150,385m (138,427) at the end of the year. For more information, see Note 13 "Loans and impairment".

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans.

Nordea monitors its portfolio through rating migrations and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group of loans also includes estimation uncertainty. This includes the use of historical data on probability of default and loss given default supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

Effectiveness testing of cash flow hedges
Nordea's accounting policies for cash flow hedges are described in section 9 "Hedge accounting".

One important judgement in connection to cash flow hedge accounting is the choice of method used for effectiveness testing.

Where Nordea applies cash flow hedge accounting the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

Actuarial calculations of pension liabilities and plan assets related to employees
Nordea's accounting policy for post-employment benefits is described in section 19 "Employee benefits".

The defined benefit obligation 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 estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Finland the discount rate is determined with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The fixing of these parameters at year-end is disclosed in Note 33 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions.

Valuation of investment properties
Nordea's accounting policies for investment properties are described in section 17 "Investment property".

Investment properties are measured at fair value. As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirements and interest rates.

The carrying amounts of investment property were EUR 113m (104) at the end of the year. See Note 24 "Investment property" for more information on amounts and parameters used in these models.

Classification of leases
Nordea's accounting policies for leases are described in section 14 "Leasing".

Critical judgement has to be exercised when classifying lease contracts. A lease is classified as a finance lease if it transfers substantially all the risks and rewards related to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards related to ownership.

The central district properties in Finland that Nordea has divested are leased back. The duration of the lease agreement was 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 benefit from appreciation in value of the leased property. In addition, the lease term is not for the major part of the assets' economic life. As a result, Nordea has classified these leases as operating leases. This judgement is a critical judgement that has a significant impact on the carrying amounts in the financial statement. More information on lease contracts can be found in Note 23 "Leasing".

Translation of assets and liabilities denominated in foreign currencies
Nordea's accounting policies covering the translation of assets and liabilities denominated in foreign currencies is described in section 8 "Translation of assets and liabilities denominated in foreign currencies".

Valuation of deferred tax assets
Nordea's accounting policy for the recognition of deferred tax assets is described in section 18 "Taxes" and Note 12 "Taxes".

The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation.

The carrying amount of deferred tax assets was EUR 5m (37) at the end of the year.

Claims in civil lawsuits
Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note 32 "Provisions" and Note 37 "Contingent liabilities".

5. Principles of consolidation

Consolidated entities
The consolidated financial statements include the accounts of the parent company Nordea Bank Finland Plc, and those entities that the parent company controls. Control is generally achieved 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 acquisition method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking's assets and assumes its liabilities and contingent liabilities. The Group's acquisition cost is established in a purchase price allocation analysis. In such analysis, 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 identifiable net assets acquired. Costs directly attributable to the business combination are expensed.

As at the acquisition date Nordea recognises the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

For each business combination Nordea measures the non-controlling interest in the acquired business either at fair value or at their proportionate share of the acquired identifiable net assets.

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest 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 recognised immediately in the income statement.

Equity and net income attributable to non-controlling interests are separately disclosed on the balance sheet, income statement and statement of comprehensive income.

Intra-group transactions and balances between the consolidated group undertakings are eliminated.

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.

In the consolidation process the reporting from the group undertakings is adjusted to ensure consistency with the 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. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control over those policies. 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. Further information on the equity method is disclosed in section 6 "Recognition of operating income and impairment".

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.

Internal transactions, in the income statement, between Nordea and its associated undertakings are not eliminated. Nordea does not have any sales of assets to or from associated undertakings.

Special Purpose Entities (SPE)
A SPE is an entity created to accomplish a narrow and well defined objective. Often legal arrangements impose strict limits on the decision making powers of the management over the on-going activities of the SPE.

Nordea does not consolidate SPEs' assets and liabilities beyond its control. In order to determine whether Nordea controls a SPE or not, Nordea has to make judgements about risks and rewards and assess the ability to make operational decisions for the SPE in question. When assessing whether NBF 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 NBF's behalf or if NBF 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. NBF consolidates all SPEs, where NBF has retained the majority of the risks and rewards. For the SPEs that are not consolidated the rationale is that NBF does not have significant risks or rewards in connection to these assets and liabilities.

Nordea has created a number of SPEs to allow clients to invest in assets invested in by the SPEs. Some SPEs invest in tradable financial instruments, such as shares and bonds (mutual funds). Other SPEs invest in structured credit products or acquire assets from customers of Nordea. Nordea is generally the investment manager and has sole discretion about investments and other administrative decisions. Typically, Nordea will receive service and commission fees in connection to the creation of the SPEs, or because it acts as investment manager, custodian or in some other function. This in itself does not constitute a beneficial interest triggering consolidation. In some SPEs Nordea has also supplied substantial parts of the funding in the form of fund units, loans or credit commitments. In these SPEs Nordea has a beneficial interest and retains the majority of the risks and rewards, which is why these SPEs are consolidated. Note 19 "Investments in group undertakings" lists the major group undertakings in the NBF Group, including consolidated SPEs.

Currency translation of foreign entities
The consolidated financial statements are prepared in euro (EUR), the presentation currency of the parent company Nordea Bank Finland Plc. 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 statement and statement of comprehensive income are translated at the average exchange rate for the year. Translation differences are accounted for in other comprehensive income and are accumulated in the translation reserve in equity.

Goodwill and fair value adjustments arising from the acquisition of group undertakings are treated as items in the same functional currency as the cash generating unit to which they belong and are also translated at the closing rate.

6. Recognition of operating income and impairment

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. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the contractual future cash flows to the carrying amount of the financial asset or financial liability.

Interest income and expenses from financial instruments are, with the exceptions described below, classified as "Net interest income".

Interest income and interest expense related to all balance sheet items held at fair value in Markets are classified as "Net result from items at fair value" in the income statement. Also the interest on the net funding of the operations in Markets is recognised on this line.

The interest component in FX swaps, and the interest paid and received in interest rate swaps plus changes in accrued interest, is classified as "Net result from items at fair value", apart for derivatives used for hedging, including economical hedges of Nordea's funding, where such components are classified as "Net interest income".

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 normally transaction based and recognised in the period when the services are received.

Income from issued financial guarantees and expenses from bought financial guarantees, including fees paid to state guarantees, are amortised over the duration of the instruments and classified as “Fee and commission income” and “Fee and commission expense” respectively.

Net result from items at fair value
Realised and unrealised gains and losses on financial instruments measured at fair value through profit or loss are recognised in the item “Net result from 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, including credit derivatives as well as commodity instruments/derivatives
- Foreign exchange gains/losses
- Investment properties, which include realised and unrealised income, for instance revaluation gains and losses. This line also includes realised results from disposals as well as the running property yield stemming from the holding of investment properties.

Interest income and interest expense related to all balance sheet items in Markets, including the net funding of the operations in Markets, are classified as “Net result from items at fair value”.

Also the ineffective portion of cash flow hedges and net investment hedges as well as recycled gains and losses on financial instruments classified into the category Available for sale are recognised in “Net result from items at fair value”.

This item also includes realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buy-backs of issued own debt.

“Net result from items at fair value” includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss as well as impairment on instruments classified into the category Available for sale.

Impairment losses from instruments within other categories are recognised in the items ”Net loan losses” or “Impairment of securities held as financial non-current assets” (see also the sub-sections ”Net loan losses” and “Impairment of securities held as financial non-current assets” below).

Dividends received are recognised in the income statement as “Net result from 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 NBF’s share of net assets in the associated undertakings. NBF’s share of items accounted for in other comprehensive income in the associated undertakings is accounted for in other comprehensive income in NBF. Profits from companies accounted for under the equity method are, as stated in section 5 “Principles of consolidation”, reported in the income statement post-taxes. Consequently the tax expense related to these profits is excluded from the income tax expense for NBF.

Fair values are, at acquisition, allocated to the associated undertaking’s identifiable assets, liabilities and contingent liabilities. Any difference between NBF’s share of the fair values of the acquired identifiable net assets and the purchase price is goodwill or negative goodwill. Goodwill is included in the carrying amount of the associated undertaking. Subsequently the investment in the associated undertaking increases/decreases with NBF’s share of the post-acquisition change in net assets in the associated undertaking and decreases through received dividends and impairment. An impairment charge can be reversed in a subsequent period.

The change in Nordea’s share of the net assets is generally based on monthly reporting from the associated undertakings. For some associated undertakings not individually significant the change in Nordea’s share of the net assets is based on the external reporting of the associated undertakings and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings is, if applicable, adjusted to comply with Nordea’s accounting policies.

Other operating income
Net gains from divestments of shares in group undertakings and associated undertakings and net gains on sale of tangible assets as well as other operating income, not related to any other income line, are generally recognised when it is probable that the benefits associated with the transaction will flow to Nordea and if the significant risks and rewards have been transferred to the buyer (generally when the transactions are finalised).

Net loan losses
Impairment losses from financial assets classified into the category Loans and receivables (see section 12 “Financial instruments”), in the items “Loans to central banks”, “Loans to credit institutions” and “Loans to the public” on the balance sheet, are reported as ”Net loan losses” together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea’s accounting policies for the calculation of impairment losses on loans can be found in section 13 “Loans to the public/credit institutions”.

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives but apart from loans held at fair value as described above, as well as impairment on financial assets classified into the category Available for sale are reported under “Net result from items at fair value”.

Impairment of securities held as financial non-current assets
Impairment on investments in interest-bearings securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated undertakings are classified as “Impairment of securities held as financial non-current assets” in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 12 “Financial instruments” and section 13 “Loans to the public/credit institutions”.

Investments in associated undertakings are assessed for impairment annually. If observable indicators (loss events) indicate that an associated undertaking is impaired, an impairment test is performed to assess whether there is objective evidence of impairment. The carrying amount of the investment in the associate is compared with the recoverable amount (higher of value in use and fair value less cost to sell) and the carrying amount is written down to the recoverable amount if required.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

7. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (reclassified to the items “Other assets” or ”Other liabilities” on the balance sheet between trade date and settlement date) 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 from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If Nordea’s counterpart can sell or repledge the transferred assets, the assets are reclassified to the item “Financial instruments pledged as collateral” on the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include e.g. securities lending agreements and repurchase agreements.

Financial liabilities 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. Financial liabilities under trade date accounting are generally reclassified to “Other liabilities” on the balance sheet on trade 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 43 “Transferred assets and obtained collaterals”.

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. 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 result from 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 other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

9. Hedge accounting

Nordea applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

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 as well as to hedge the exposure to variability in future cash flows and the exposure to net investments in foreign operations.

There are three forms of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments

NBF currently applies fair value hedge accounting and cash flow hedge accounting.

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 are recognised separately in the income statement in the item "Net result from items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result is 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 items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

Fair value hedge accounting in Nordea is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result from items at fair value".

Hedged items

A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment, or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk characteristics. Hedged items in Nordea consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments

The hedging instruments used in Nordea are predominantly interest rate swaps and cross currency interest rate swaps, which are always held at fair value. Cash instruments are only used as hedging instruments when hedging currency risk.

Cash flow hedge accounting

Cash flow hedge accounting can be used for the hedging of exposure to variations in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the hedged item affects profit or loss, normally in the period that interest income or interest expense is recognised.

Hedged items

A hedged item in a cash flow hedge can be highly probable floating interest rate cash flows from recognised assets or liabilities or from future assets or liabilities. Nordea uses cash flow hedges when hedging currency risk in future payments of interest and principal in foreign currency.

Hedging instruments

The hedging instruments used in Nordea are predominantly cross currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

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 as regards the hedged risk 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. The hypothetical derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedge relationship does not fulfil the requirements, hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and the change in the fair value of 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, changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to “Net result from items at fair value” in the income statement if the expected transaction no longer is expected to occur. If the expected transaction no longer is highly probable, but is still expected to occur, 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 remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

10. Determination of fair value of financial instruments

Financial assets and liabilities classified into the categories Financial assets/liabilities at fair value through profit or loss (including 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 result from items at fair value”.

Fair value is defined as the price that at the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

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. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be considered active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used for establishing fair value is higher.

If markets are active or non-active is assessed regularly. The trade frequency and volume are monitored daily.

Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)

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. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

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. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchanges, the counterparty´s valuations, price data from consensus services etc.

Nordea is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- 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)

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly 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 has a significant impact on the valuation, 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 instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note 41 “Assets and liabilities at fair value” provides a breakdown of fair values of financial instruments measured on the basis of:

- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2), and
- valuation technique using non-observable data (level 3).

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 a Model Risk Management Committee and all models are reviewed on a regular basis.

For further information, see Note 41 “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 into the category Loans and receivables, see section 12 “Financial instruments”.

Loans to credit institutions payable on demand are also recognised as “Cash and cash equivalents” in the cash flow statement together with instruments with central banks that can be resold immediately.

12. Financial instruments

Classification of financial instruments

Each financial instrument has been classified into one of the following categories:

Financial assets:

- Financial assets at fair value through profit or loss:
  – Held for trading
  – Designated at fair value through profit or loss (Fair Value Option)
- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities:

- Financial liabilities at fair value through profit or loss:
  – Held for trading
  – 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 on the balance sheet and how changes in its value are recognised. The classification of the financial instruments on Nordea's balance sheet into different categories is presented in Note 40 "Classification of financial instruments".

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 result from items at fair value".

The category consists of two sub-categories; Held for trading and 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 and lending in reverse repurchase agreements.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are certain other assets/liabilities, interest-bearing securities and shares. Nordea also applies the Fair value option on certain financial assets and financial liabilities related to Markets. The classification stems from the fact that Markets is managing and measuring its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories Financial assets/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 to the public/credit institutions".

Held to maturity
Financial assets that Nordea has chosen to classify into the category Held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that Nordea has the positive intent and ability to hold to maturity. Financial assets classified into the category Held to maturity are initially recognised on 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.

If more than an insignificant amount of the Held to maturity portfolio is sold or transferred, the Held to maturity category is tainted, except if the sale or transfer either occur close to maturity, after substantially all of the original principal is already collected, or due to an isolated non-recurring event beyond the control of Nordea.

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 "Impairment of securities held as financial non-current assets" in the income statement. See section 13 "Loans to the public/credit institutions" for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-bearings securities classified into the category Held to maturity.

Available for sale
Financial instruments classified into the category Available for sale are measured at fair value. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income" and foreign exchange effects and impairment losses in the item "Net result from items at fair value" in the income statement.

When an instrument classified into the category Available for sale is disposed of, the fair value changes that previously have been accumulated in the fair value reserve (related to Available for sale investments) in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value".

Financial assets classified into the category Available for sale are assessed at least annually in order to determine any need for impairment losses. If there is objective evidence of impairment, the accumulated loss that has been recognised in other comprehensive income is removed from equity and recognised as “Net result from items at fair value” in the income statement. The amount of the accumulated loss that is recycled from equity is the difference between the asset’s acquisition cost and current fair value. For equity investments a prolonged or significant decline in the fair value, compared to the acquisition cost, is considered to be objective evidence of impairment. Objective evidence of impairment for a debt instrument is rather connected to a loss event, such as an issuer’s financial difficulty.

Other financial liabilities
Financial liabilities, other than those classified into the category Financial liabilities at fair value through profit or loss, are measured at amortised cost. Interest on 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 Markets as part of the trading portfolio are classified into the category 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 result from 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 recognised on or derecognised from the balance sheet. In the cases where the counterpart is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item “Financial instruments pledged as collateral”.

Securities in securities lending transactions are also disclosed in the item “Assets pledged as security for own liabilities”.

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as “Loans to central banks”, “Loans to credit institutions” or as “Loans to the public”. Cash collateral received (securities lending) from the counterparts is recognised on the balance sheet as “Deposits by credit institutions” or as “Deposits and borrowings from the public”.

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 reclassified to the balance sheet line “Financial instruments pledged as collateral”.

Securities delivered under repurchase agreements are also disclosed 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 to central banks”, “Loans to credit institutions” or as “Loans 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” on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item “Derivatives” on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item “Net result from items at fair value”.

Offsetting of financial assets and liabilities
Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. This is generally achieved through the central counterparty clearing houses that Nordea has agreements with.

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received and the instrument is reset to market terms. Derivative assets and liabilities against central counterparty clearing houses are, as mentioned above, generally set off on the balance sheet, but net cash collateral received or paid is generally accounted for separately as cash collateral paid (asset) or received (liability), which is also the case for cash collateral paid or received in bilateral OTC derivative transactions.

13. Loans to the public/credit institutions

Financial instruments classified as “Loans to the public/credit institutions” (including loans to central banks) on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 7 “Recognition and derecognition of financial instruments on the balance sheet” as well as Note 40 ”Classification of financial instruments”).

Nordea monitors loans 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 tests indicate an objective evidence of impairment.

Also interest-bearings securities classified into the categories Loans and receivables and Held to maturity are held at amortised cost and the description below is valid also for the identification and measurement of impairment on these assets. Possible impairment losses on interest-bearing securities classified into the categories Loans and receivables and Held to maturity are recognised as “Impairment of securities held as non-current financial assets” in the income statement.

Impairment test of individually assessed loans
Nordea tests all 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 of impairment (loss event) and whether these loss events represent objective evidence of impairment. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section.

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 collectively assessed loans
Loans not impaired on an individual basis are collectively tested for impairment.

These 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. A loss event is an event resulting in a deterioration of the expected future cash flows. 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 of the loss 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 (discounted with the original effective interest rate), including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

For significant loans that have been individually identified as impaired the measurement of the impairment loss is made on an individual basis.

For insignificant loans that have been individually identified as impaired and for loans not identified as impaired on an individual basis the measurement of the impairment loss is measured using a portfolio based expectation of the future cash flows.

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 are accounted for as changes in the allowance account and as ”Net loan losses” in the income statement (see also section 6 “Recognition of operating income and impairment”).

If the impairment loss is regarded as final, it is reported as a realised loss and the value of the loan and the related allowance for impairment loss are derecognised. 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 or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. 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 loan losses unless Nordea retains the possibility to regain the loan losses incurred. In the event of a recovery the payment is reported as a recovery of 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 acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are 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 investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as “Net loan losses”. 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. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Available for sale or Designated at fair value through profit or loss (Fair Value Option) (see section 12 “Financial instruments”) and measured at fair value. Changes in fair values are recognised in other comprehensive income for assets classified into the category Available for sale. For assets classified into the category Designated at fair value through profit or loss, changes in fair value are recognised in the income statement under the line “Net result from items at fair value”.

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. ”Net loan losses” in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

14. Leasing

NBF 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 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 on 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 and classified as “Net interest income”. The depreciation of the leased assets is calculated on the basis of Nordea’s depreciation policy for similar assets and reported as “Depreciation, amortisation and impairment charges of tangible and intangible assets” in the income statement.

NBF as lessee

Finance leases

No leases in NBF have been classified as finance leases.

Operating leases

Operating leases are not recognised on NBF's balance sheet. 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 Nordea's benefit. The original lease terms normally 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 that Nordea has divested are leased back. The duration of the lease agreements was 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, IT-development/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 not recognised as a separate asset, but 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. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings is not tested for impairment separately, but included in the total carrying amount of the associated undertakings. The policies covering impairment testing of associated undertakings is disclosed in section 6 "Recognition of operating income and impairment".

IT-development/Computer software

Costs associated with maintaining computer software programs are expensed 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 expenditures 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

In business combinations a portion of the purchase price is normally allocated to a customer related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment

Goodwill is not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any 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 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 largely independent cash flows in relation to other assets. For goodwill, the cash generating units are defined as the operating segments. 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 rate based on the long-term risk free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note 21 "Intangible assets" for more information on the impairment testing.

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 comprise 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.

Property and equipment is depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follows the current estimates:

- 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.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

17. Investment property

Investment properties are primarily properties held to earn rent and/or capital appreciation. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

18. Taxes

The item "Income tax expense" in the income statement comprises current- and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

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, 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 affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings and associated undertakings 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 only 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 deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

19. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits
Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 22 “Share-based payment”.

More information can be found in Note 8 “Staff costs”.

Post-employment benefits
Pension plans
The companies within Nordea have various pension plans, consisting of both defined benefit pension plans and defined contribution pension plans, reflecting national practices and conditions in the countries where Nordea operates. The major defined benefit pension 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 (“Retirement benefit liabilities”). If not, the net amount is recognised as an asset (“Retirement benefit assets”). Non-funded pension plans are recognised as Retirement benefit liabilities.

Most pensions are based on defined contribution arrangements that hold no pension liability for Nordea. All defined benefit pension plans are closed for new employees.

Pension costs
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. Actuarial calculations 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 33 “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 recognised immediately in equity through other comprehensive income.

When the calculation results in a benefit the recognised asset is limited to 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 and is included on the balance sheet as “Retirement benefit liabilities” or “Retirement benefit assets”.

Discount rate in defined benefit pension plans
The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Finland the discount rate is determined with reference to corporate bonds.

Termination benefits
As mentioned above termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note 8 "Staff costs".

20. Equity

Non-controlling interests
Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank Finland Plc.

For each business combination, NBF measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

Share premium reserve
The share premium reserve consists of the difference between the subscription price and the quota value of the shares in NBF. Transaction costs in connection to the rights issue have been deducted.

Other reserves
Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include fair value reserves for cash flow hedges, financial assets classified into the category Available for sale and accumulated remeasurements of defined benefit pension plans, as well as a reserve for translation differences.

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 accounted for as equity net of deferred tax at prevailing tax rates in the respective country.

In addition, NBF's share of the earnings in associated undertakings, after the acquisition date, that have not been distributed is included in retained earnings.

21. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured, and recognised as a provision on the balance sheet, at the higher of either the received fee less amortisation, or an amount calculated as the discounted best estimate of the expenditure required to settle the present obligation. Changes in provisions are recognised in the income statement in the item "Net loan losses".

Premiums received for financial guarantees are, as stated in section 6 "Recognition of operating income and impairment", amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, financial guarantees in the item "Contingent liabilities" and irrevocable credit commitments in the item "Credit commitments".

22. Share-based payment

Equity-settled programmes
Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is 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. The fair value 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/Performance Share II 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.

For more information see Note 8 "Staff costs".

Cash-settled programmes

Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from items at fair value".

For more information see Note 8 "Staff costs".

23. Related party transactions

Nordea defines related parties as:

- Shareholders with significant influence
- Group undertakings
- Associated undertakings
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis.

Shareholders with significant influence

Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of NBF but do not control those policies. Nordea and its group companies are considered as having such a power.

Group undertakings

For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the NBF Group is found in Note 19 "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 Note 20 "Investments in associated undertakings".

Key management personnel

Key management personnel include the following positions:

- The Board of Directors of NBF and Nordea Bank AB (publ)
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note 8 "Staff costs".

Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include 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 45 "Related-party transactions".

Note 2 Segment reporting

Operating segments

Group

Measurement of Operating segments' performance
The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In NBF the CODM has been defined as Group Executive Management.

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

Reportable Operating segments
Retail Banking conducts a full service banking operation and offers a wide range of products. It is Nordea's largest customer area and serves household customers and corporate customers in the Nordic markets (Retail Banking Nordic) as well as in the Baltic countries (Retail Banking Baltic). Wholesale Banking provides banking and other financial solutions to large Nordic and international corporate, institutional and public companies. The division Corporate & Institutional Banking is a customer oriented organisation serving the largest globally operating corporates. This division is also responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. The division Shipping, Oil Services & International is responsible for Nordea's customers within the shipping, offshore and oil services industries and provides tailormade solutions and syndicated loan transactions. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas. Group Corporate Centre's main objective is to manage the Group's funding and to support the management and control of the NBF Group. The main income in Group Corporate Centre originates from Group Treasury.

	Retail Banking		Wholesale Banking		Group Corporate Centre	
Income statement, EURm	2013	2012	2013	2012	2013	2012
Net interest income	811	739	294	292	85	210
Net fee and commission income	622	577	-186	-92	-5	-7
Net result from items at fair value	91	86	1,011	1,163	-9	12
Profit from companies accounted for under the equity method	7	18	-	-	-	-
Other income	27	27	0	1	8	15
Total operating income	**1,558**	**1,447**	**1,119**	**1,364**	**79**	**230**
Staff costs	-351	-346	-146	-143	-41	-40
Other expenses	-485	-479	-36	-39	9	10
Depreciation, amortisation and impairment charges of tangible and intangible assets	-22	-27	-8	-9	-7	-10
Total operating expenses	**-858**	**-852**	**-190**	**-191**	**-39**	**-40**
Profit before loan losses	**700**	**595**	**929**	**1,173**	**40**	**190**
Net loan losses	-100	-79	-52	-88	17	26
Impairment of securities held as financial non-current assets	-	-	-	-	-	-
Operating profit	**600**	**516**	**877**	**1,085**	**57**	**216**
Income tax expense	-	-	-	-	-	-
Net profit for the year	**600**	**516**	**877**	**1,085**	**57**	**216**
Balance sheet, EURm						
Loans to the public	59,101	57,836	55,081	43,166	-83	-12
Deposits and borrowings from the public	37,359	38,428	43,056	31,535	496	270

Note 2 *Segment reporting, cont.*

Operating segments

Group

Income statement, EURm	Total operating segments 2013	Total operating segments 2012	Reconciliation 2013	Reconciliation 2012	**Total Group 2013**	**Total Group 2012**
Net interest income	1,190	1,241	-7	17	1,183	1,258
Net fee and commission income	431	478	-544	-183	-113	295
Net result from items at fair value	1,093	1,261	21	-44	1,114	1,217
Profit from companies accounted for under the equity method	7	18	1	0	8	18
Other income	35	43	-3	-7	32	36
Total operating income	**2,756**	**3,041**	**-532**	**-217**	**2,224**	**2,824**
Staff costs	-538	-529	-15	-45	-553	-574
Other expenses	-512	-508	46	61	-466	-447
Depreciation of tangible and intangible assets	-37	-46	-3	-4	-40	-50
Total operating expenses	**-1,087**	**-1,083**	**28**	**12**	**-1,059**	**-1,071**
Profit before loan losses	**1,669**	**1,958**	**-504**	**-205**	**1,165**	**1,753**
Net loan losses	-135	-141	82	-3	-53	-144
Impairment of securities held as financial non-current asset	-	-	1	-	1	-
Operating profit	**1,534**	**1,817**	**-421**	**-208**	**1,113**	**1,609**
Income tax expense	-	-	-285	-428	-285	-428
Net profit for the year	**1,534**	**1,817**	**-706**	**-636**	**828**	**1,181**
Balance sheet, EURm						
Loans to the public	114,099	100,990	-320	-225	113,779	100,765
Deposits and borrowings from the public	80,911	70,233	-2	-21	80,909	70,212

Break-down of Retail Banking

Income statement, EURm	Retail Banking Nordic[1] 2013	Retail Banking Nordic[1] 2012	Retail Banking Baltic[2] 2013	Retail Banking Baltic[2] 2012	Retail Banking Other[3] 2013	Retail Banking Other[3] 2012	**Total Retail Banking 2013**	**Total Retail Banking 2012**
Net interest income	674	611	162	148	-26	-20	811	739
Net fee and commission income	580	531	46	46	-4	0	622	577
Net result from items at fair value	95	89	-3	-2	0	-1	91	86
Profit from companies accounted for under the equity method	-	-	-	-	7	18	7	18
Other income	35	25	3	3	-11	-1	27	27
Total operating income	**1,384**	**1,256**	**208**	**195**	**-34**	**-4**	**1,558**	**1,447**
Staff costs	-254	-250	-29	-28	-68	-68	-351	-346
Other expenses	-495	-495	-62	-54	72	70	-485	-479
Depreciation of tangible and intangible assets	-6	-5	-2	-2	-14	-20	-22	-27
Total operating expenses	**-755**	**-750**	**-93**	**-84**	**-10**	**-18**	**-858**	**-852**
Profit before loan losses	**629**	**506**	**115**	**111**	**-44**	**-22**	**700**	**595**
Net loan losses	-57	-46	-42	-29	-1	-4	-100	-79
Operating profit	**572**	**460**	**73**	**82**	**-45**	**-26**	**600**	**516**
Income tax expense	-	-	-	-	-	-	-	-
Net profit for the year	**572**	**460**	**73**	**82**	**-45**	**-26**	**600**	**516**
Balance sheet, EURm								
Loans to the public	45,479	44,056	8,195	8,387	5,428	5,392	59,101	57,836
Deposits and borrowings from the public	33,714	35,217	3,641	3,201	4	10	37,359	38,428

[1] Retail Banking Nordic includes banking operations in Finland.
[2] Retail Banking Baltic includes banking operations in Estonia, Latvia and Lithuania.
[3] Retail Banking Other includes the support areas Development & Projects, Distribution, Segments, Products and IT.

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Institutional Banking 2013	Corporate & Institutional Banking 2012	Shipping, Offshore & Oil Services 2013	Shipping, Offshore & Oil Services 2012
Net interest income	169	164	113	118
Net fee and commission income	172	185	20	18
Net result from items at fair value	109	113	12	18
Profit from companies accounted for under the equity method	-	-	-	-
Other income	0	0	-	-
Total operating income	**450**	**462**	**145**	**154**
Staff costs	-7	-6	-9	-9
Other expenses	-126	-121	-14	-16
Depreciation of tangible and intangible assets	0	-	0	0
Total operating expenses	**-133**	**-127**	**-23**	**-25**
Profit before loan losses	**317**	**335**	**122**	**129**
Net loan losses	-17	-14	-36	-74
Operating profit	**300**	**321**	**86**	**55**
Income tax expense	-	-	-	-
Net profit for the year	**300**	**321**	**86**	**55**
Balance sheet, EURm				
Loans to the public	8,238	8,785	466	558
Deposits and borrowings from the public	7,319	6,276	153	157

Income statement, EURm	Capital Markets unallocated 2013	Capital Markets unallocated 2012	Wholesale Banking Other[4] 2013	Wholesale Banking Other[4] 2012	**Total Wholesale Banking 2013**	**Total Wholesale Banking 2012**
Net interest income	4	7	8	3	294	292
Net fee and commission income	-389	-350	11	56	-186	-92
Net result from items at fair value	890	1,032	-1	0	1,011	1,163
Profit from companies accounted for under the equity method	-	-	-	-	-	-
Other income	0	1	0	0	0	1
Total operating income	**505**	**690**	**18**	**59**	**1,119**	**1,364**
Staff costs	-74	-77	-56	-51	-146	-143
Other expenses	49	42	57	55	-36	-39
Depreciation of tangible and intangible assets	0	0	-8	-8	-8	-9
Total operating expenses	**-25**	**-35**	**-7**	**-4**	**-190**	**-191**
Profit before loan losses	**480**	**655**	**11**	**55**	**929**	**1,173**
Net loan losses	-	-	0	-1	-52	-88
Operating profit	**480**	**655**	**11**	**54**	**877**	**1,085**
Income tax expense	-	-	-	-	-	-
Net profit for the year	**480**	**655**	**11**	**54**	**877**	**1,085**
Balance sheet, EURm						
Loans to the public	40,176	26,716	6,201	7,106	55,081	43,166
Deposits and borrowings from the public	26,923	16,891	8,661	8,210	43,056	31,535

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

Note 2 *Segment reporting, cont.*

Reconciliation between total operating segments and financial statements

	Total operating income		Operating profit		Loans to the public		Deposits and borrowings from the public	
EURm	2013	2012	2013	2012	2013	2012	2013	2012
Total Operating segments	2,756	3,041	1,534	1,817	114,099	100,990	80,911	70,233
Group functions[1]	-526	-206	-421	-208	-2	-73	10	81
Eliminations	-6	-11	-	-	-318	-152	-12	-102
Total	**2,224**	**2,824**	**1,113**	**1,609**	**113,779**	**100,765**	**80,909**	**70,212**

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

Group

Total operating income split on product groups

EURm	2013	2012
Banking products	1,539	2,008
Capital Markets products	675	786
Savings Products & Asset Management	0	25
Life & Pensions	10	5
Other	0	0
Total	**2,224**	**2,824**

Banking products consists of three different product types. Account products include account-based products such as lending, deposits and cards and Netbank services. Transaction products consist of cash management as well as trade and project finance services. Financings products include asset-based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers. Capital Markets products contains financial instruments, or arrangement for a financial instrument, that are available in the financial marketplace, including currencies, commodities, stocks and bonds. Savings products & Asset Management includes Investment Funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds is a bundled product where the fund company invest in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advise is a service provided to support the customers' investment decision. Life & Pensions provides life insurance and pension products and services.

Group

Geographical information

	Total operating income		Assets	
EURm	2013	2012	2013	2012
Sweden	100	65	15,886	7,575
Finland	1,177	1,562	97,083	99,721
Norway	113	146	6,431	8,763
Denmark	361	528	111,258	139,460
Baltic countries	176	210	9,721	10,145
Poland	9	7	123	116
Other	288	306	64,259	69,681
Total	**2,224**	**2,824**	**304,761**	**335,461**

NBF's main geographical market comprises the Nordic countries and the Baltic countries. Revenues and assets are distributed to geographical areas based on the location of operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

Note 3 Net interest income

EURm	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Interest income				
Loans to credit institutions	65	224	97	286
Loans to the public	1,571	1,857	1,295	1,560
Interest-bearing securities	142	177	142	177
Other interest income	71	79	79	87
Interest income	**1,849**	**2,337**	**1,613**	**2,110**
Interest expense				
Deposits by credit institutions	-289	-455	-287	-452
Deposits and borrowings from the public	-191	-329	-192	-329
Debt securities in issue	-419	-464	-419	-464
Subordinated liabilities	-25	-27	-25	-27
Other interest expense[1]	258	196	258	196
Interest expense	**-666**	**-1,079**	**-665**	**-1,076**
Net interest income	**1,183**	**1,258**	**948**	**1,034**

[1] The net interest income from derivatives, measured at fair value and related to Nordea's funding can have both a positive and negative impact on other interest expense, for further information see Note 1.

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 1,724m (2,180) for the Group and EUR 1,488m (1,954) for the parent company. Interest expense from financial instruments not measured at fair value through profit and loss amounts to EUR -924m (-1,275) for the Group and EUR -923m (-1,272) for the parent company.

Interest on impaired loans amounted to an insignificant portion of interest income.

Net interest income

EURm	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Interest income	1,765	2,241	1,613	2,110
Leasing income[1]	84	96	-	-
Interest expenses	-666	-1,079	-665	-1,076
Total	**1,183**	**1,258**	**948**	**1,034**

[1] Of which contingent leasing income amounts to EUR 15m (24). Contingent leasing income in Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases there will be an offsetting impact from lower funding expenses.

Note 4 Net fee and commission income

	Group		Parent company	
EURm	2013	2012	2013	2012
Asset Management commissions	59	52	59	52
Life insurance	9	6	9	6
Brokerage, securities issues and corporate finance	46	75	46	76
Custody and issuer services	23	33	24	33
Deposits	7	7	7	7
Total savings and investments	144	173	145	174
Payments	200	196	202	197
Cards	129	97	93	67
Total payments and cards	329	293	295	264
Lending	122	88	112	76
Guarantees and documentary payments	132	146	132	145
Total lending related to commissions	254	234	244	221
Other commission income	32	41	31	41
Fee and commission income	**759**	**741**	**715**	**700**
Savings and investments	-332	-323	-332	-323
Payments	-10	-10	-7	-7
Cards	-63	-55	-62	-53
Other commission expenses[1]	-467	-58	-465	-56
Fee and commission expenses	**-872**	**-446**	**-866**	**-439**
Net fee and commission income	**-113**	**295**	**-151**	**261**

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

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounted to EUR 129m (95) for the Group and EUR 119m (83) 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 amounted to EUR 114m (134) for the Group and EUR 114m (134) for the parent company.

Note 5 Net result from items at fair value

	Group		Parent company	
EURm	2013	2012	2013	2012
Shares/participations and other share-related instruments	93	264	92	263
Interest-bearing securities and other interest-related instruments	-2	520	-2	519
Other financial instruments	90	297	90	297
Foreign exchange gains/losses	939	140	934	132
Investment properties	-6	-4	-4	-3
Total	**1,114**	**1,217**	**1,110**	**1,208**

Net result from categories of financial instruments

	Group		Parent company	
EURm	2013	2012	2013	2012
Available for sale assets, realised	-16	0	-16	0
Financial instruments designated at fair value through profit or loss	163	153	164	153
Financial instruments held for trading[1]	22	937	20	935
Financial instruments under fair value hedge accounting	7	2	7	2
- of which net result on hedging instruments	-157	392	-157	392
- of which net result on hedged items	164	-390	164	-390
Financial assets measured at amortised cost[2]	1	2	1	2
Foreign exchange gains/losses excl currency hedges	941	127	938	119
Other	-4	-4	-4	-3
Total	**1,114**	**1,217**	**1,110**	**1,208**

[1] Of which amortised deferred day one profits amounted to EUR 2m for 2013 (5) both for the Group and the parent company.

[2] Of which EUR 1m (2) related to instruments classified into the category "Loans and receivables".

Note 6 Dividends

	Group		Parent company	
EURm	2013	2012	2013	2012
Investments in group undertakings	-	-	101	80
Investments in associated undertakings	-	-	27	19
Total	**-**	**-**	**128**	**99**

Note 7 Other operating income

	Group		Parent company	
EURm	2013	2012	2013	2012
Divestment of shares	1	-	-	-
Income from real estate	2	2	1	2
Disposals of tangible and intangible assets	4	3	1	0
Other	25	31	24	30
Total	**32**	**36**	**26**	**32**

Note 8 Staff costs

EURm	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Salaries and remuneration	-426	-434	-397	-400
Pension costs (specification below)	-60	-63	-56	-57
Social security contributions	-30	-31	-27	-28
Allocation to profit-sharing foundation[1]	-11	-20	-11	-19
Other staff costs	-26	-26	-25	-23
Total	**-553**	**-574**	**-516**	**-527**

[1] Allocation to profit-sharing foundation 2013 EUR 11m (20) in the Group and EUR 11m (19) in the parent company consists of a new allocation of EUR 12m (18) in the Group and EUR 11m (17) in the parent company and expenses related to prior years of EUR -1m (2) in the Group and EUR -1m (2) in the parent company.

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Pension costs:				
Defined benefit plans (Note 33)	0	1	1	2
Defined contribution plans	-60	-64	-57	-59
Total	**-60**	**-63**	**-56**	**-57**

Additional disclosures on remuneration under Nordic FSAs' regulation and general guidelines (including FIN-FSA release 62/501/2010)
The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Director's Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) one week before the Annual General Meeting on 20 March 2014.

Compensation etc. to the Board of Directors, President and his deputy
The members of the Board of Directors of Nordea Bank Finland Plc and the President, are all members of the Nordea Bank AB (publ) Group Executive Management except for the one external member Carl-Johan Granvik. The monthly fee for the external Board member was 1,250 euros, totalling 15,000 euros in 2013 (6,250). In 2013 Nordea Bank AB (publ) has paid all salaries, fees, pension- and other staff-related expenses to the above mentioned other members of the Board and the President. Nordea Bank AB (publ) has allocated these salary expenses to Nordea Bank Finland Plc as part of the Head Office Allocation -expenses.

Information on salaries, loans and pension liabilities of the above mentioned other members of the Board and the President is presented in the Annual Report of Nordea Bank AB (publ).

The deputy of the president Pekka Nuuttila resigned on 28 February 2013 and Topi Manner was elected new deputy as from 1 March 2013. Salaries paid to the deputy of the President of Nordea Bank Finland Plc amounted to EUR 0m (0). Pension obligation for the deputy of the President amounted to EUR 0m (3) and pension cost to defined benefit plans to EUR 0m (2). There is at yearend no defined benefit plan for the deputy. The statutory pension cost for the deputy of the president amounted to EUR 0m (0).

EURm	2013	2012
Loans granted by Nordea Bank Finland Plc		
To members and deputy members of the Board of Directors	0	0
To the President and his deputy	1	0

Terms and conditions regarding loans to members of the Board of Directors, to President and his deputy are decided in accordance with instructions issued by the Board of Directors.

Guarantees and other off-balance-sheet commitments
No guarantees or other off-balance-sheet commitments have been granted to members of administrative or controlling boards or to auditors.

The members of the administrative and controlling boards have no holdings of shares, equity warrants or convertible bonds issued by Nordea Bank Finland Plc.

Loans to key management personnel
Loans to key management personnel as defined in Note 1 section 23 amounts to EUR 1m (2) in the Group and EUR 1m (2) in the parent company. Interest income on these loans amounts to EUR 0m (0) in the Group and EUR 0m (0) in the parent company.

Terms and conditions regarding loans for key management personnel employed by Nordea are decided in accordance with instructions issued by the Board of Directors. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employees of Nordea. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 10 basis points up to EUR 400,000, and 30 basis points on the part that exceeds EUR 400,000.

The Group has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any key management personnel.

Long Term Incentive Programmes

Group

Conditional Rights LTIP 2012	2013 Matching Share	2013 Performance Share I	2013 Performance Share II	2012 Matching Share	2012 Performance Share I	2012 Performance Share II
Outstanding at the beginning of year	207,861	497,861	207,861	-	-	-
Granted	7,816[1]	19,603[1]	7,816[1]	210,430	502,999	210,430
Forfeited	-4,414	-8,828	-4,414	-2,569	-5,138	-2,569
Outstanding at end of year	**211,263**	**508,636**	**211,263**	**207,861**	**497,861**	**207,861**
- of which currently exercisable	-	-	-	-	-	-

Parent company

Conditional Rights LTIP 2012	2013 Matching Share	2013 Performance Share I	2013 Performance Share II	2012 Matching Share	2012 Performance Share I	2012 Performance Share II
Outstanding at the beginning of year	202,784	484,654	202,784	-	-	-
Granted	7,621[1]	19,009[1]	7,621[1]	205,353	489,792	205,353
Forfeited	-4,414	-8,828	-414	-2,569	-5,138	-2,569
Outstanding at end of year	**205,991**	**494,835**	**209,991**	**202,784**	**484,654**	**202,784**
- of which currently exercisable	-	-	-	-	-	-

Group

Conditional Rights LTIP 2011	2013 Matching Share	2013 Performance Share I	2013 Performance Share II	2012 Matching Share	2012 Performance Share I	2012 Performance Share II
Outstanding at the beginning of year	149,531	299,062	149,531	154,236	308,472	154,236
Granted[1]	5,465	10,930	5,465	5,481	10,962	5,481
Transfer during the year	-	-	-	-6,347	-12,694	-6,347
Forfeited	-7,287	-14,574	-7,287	-3,839	-7,678	-3,839
Outstanding at end of year	**147,709**	**295,418**	**147,709**	**149,531**	**299,062**	**149,531**
- of which currently exercisable	-	-	-	-	-	-

Parent company

Conditional Rights LTIP 2011	2013 Matching Share	2013 Performance Share I	2013 Performance Share II	2012 Matching Share	2012 Performance Share I	2012 Performance Share II
Outstanding at the beginning of year	146,011	292,022	146,011	150,845	301,690	150,845
Granted[1]	5,330	10,660	5,330	5,352	10,704	5,352
Transfer during the year	-	-	-	-6,347	-12,694	-6,347
Forfeited	-7,287	-14,574	-7,287	-3,839	-7,678	-3,839
Outstanding at end of year	**144,054**	**288,107**	**144,054**	**146,011**	**292,022**	**146,011**
- of which currently exercisable	-	-	-	-	-	-

Group

Rights LTIP 2010	2013 Matching Share	2013 Performance Share I	2013 Performance Share II	2012 Matching Share	2012 Performance Share I	2012 Performance Share II
Outstanding at the beginning of year	153,128	306,256	153,128	162,974	325,948	162,974
Transfer during the year	-	-	-	-3,057	-6,114	-3,057
Forfeited	-5,032	-149,790	-86,481	-6,789	-13,578	-6,789
Allotted	-124,141	-131,156	-55,867	-	-	-
Outstanding at end of year	**23,955**	**25,310**	**10,780**	**153,128**	**306,256**	**153,128**
- of which currently exercisable	-	-	-	-	-	-

Parent company

Rights LTIP 2010	2013 Matching Share	2013 Performance Share I	2013 Performance Share II	2012 Matching Share	2012 Performance Share I	2012 Performance Share II
Outstanding at the beginning of year	150,708	301,416	150,708	160,554	321,108	160,554
Transfer during the year	-	-	-	-3,057	-6,114	-3,057
Forfeited	-5,032	-147,507	-85,150	-6,789	-13,578	-6,789
Allotted	-121,721	-128,599	-54,778	-	-	-
Outstanding at end of year	**23,955**	**25,310**	**10,780**	**150,708**	**301,416**	**150,708**
- of which currently exercisable	-	-	-	-	-	-

[1] Granted rights are compensation for dividend on the underlying Nordea share during 2012.

Group

Rights LTIP 2009	A Rights 2013	B-C Rights 2013	D Rights 2013	A Rights 2012	B-C Rights 2012	D Rights 2012
Outstanding at the beginning of year	21,528	15,317	621	74,943	71,432	24,360
Forfeited	-	-	-	-7,359	-7,359	-7,359
Exercised[2]	-21,528	-15,317	-621	-46,056	-48,756	-16,380
Outstanding at end of year	**0**	**0**	**0**	**21,528**	**15,317**	**621**
- of which currently exercisable	0	0	0	21,528	15,317	621

Parent company

Rights LTIP 2009	A Rights 2013	B-C Rights 2013	D Rights 2013	A Rights 2012	B-C Rights 2012	D Rights 2012
Outstanding at the beginning of year	21,528	15,317	621	70,614	67,103	22,628
Forfeited	-	-	-	-7,359	-7,359	-7,359
Exercised[2]	-21,528	-15,317	-621	-41,727	-44,427	-14,648
Outstanding at end of year	**0**	**0**	**0**	**21,528**	**15,317**	**621**
- of which currently exercisable	0	0	0	21,528	15,317	621

[2] Weighted average share price during the exercise period amounts to EUR 8.63 (6.88).

Participation in the Long-Term Incentive Programmes (LTIPs) requires that the participants take direct ownership by investing in Nordea shares.

	LTIP 2012 Matching Share	LTIP 2012 Performance Share I	LTIP 2012 Performance Share II	LTIP 2011 Matching Share	LTIP 2011 Performance Share I	LTIP 2011 Performance Share II
Ordinary share per right	1.00	1.00	1.00	1.00	1.00	1.00
Exercise price, EUR	-	-	-	-	-	-
Grant date	13 May 2012	13 May 2012	13 May 2012	13 May 2011	13 May 2011	13 May 2011
Vesting period, months	36	36	36	36	36	36
Contractual life, months	36	36	36	36	36	36
Allotment	April/May 2015	April/May 2015	April/'May 2015	April/May 2014	April/May 2014	April/May 2014
Fair value at grant date, EUR	6.31 [1]	6.31 [1]	2.28 [1]	7.61 [1]	7.61 [1]	2.75 [1]

	LTIP 2010 Matching Share	LTIP 2010 Performance Share I	LTIP 2010 Performance Share II	LTIP 2009 A Rights	LTIP 2009 B-C Rights	LTIP 2009 D Rights
Ordinary share per right	1.00	1.00	1.00	1.00	1.00	1.00
Exercise price, EUR	-	-	-	0.51	0.12	0.12
Grant date	13 May 2010	13 May 2010	13 May 2010	14 May 2009	14 May 2009	14 May 2009
Vesting period, months	36	36	36	24	24	24
Contractual life, months	36	36	36	48	48	48
Allotment/First day of exercise	April/May 2013	April/May 2013	April/May 2013	29 April 2011	29 April 2011	29 April 2011
Fair value at grant date, EUR	6.75	6.75	2.45	4.66	5.01	1.75

[1] The fair value has been recalculated due to dividend during the vesting period which the participants are compensated for through additional Matching and Performance Shares.

Conditions and requirements

For each ordinary share the participants lock in to the LTIPs, they are granted a conditional A-right/Matching Share to acquire or receive ordinary shares based on continued employment and the conditional B-D-rights/Performance Share I and II to acquire or receive additional ordinary shares based on fulfilment of certain performance conditions. The performance conditions for B- and C-rights and for Performance Share I comprise a target growth in risk adjusted profit per share (RAPPS) or a target in risk-adjusted return on capital at risk (RAROCAR). Should the reported earnings per share (EPS) be lower than a predetermined level the participants are not entitled to exercise any B- or C-rights or Performance Share I. The performance conditions for D-rights and for Performance Share II are market related and comprise growth in total shareholder return (TSR) in comparison with a peer group's TSR or a target in RAROCAR and in P/B-ranking compared to a peer group.

When the performance conditions are not fully fulfilled, the rights that are no longer exercisable are shown as forfeited in the previous tables, as well as shares forfeited due to participants leaving the Nordea Group.

The exercise price, where applicable, for the ordinary shares is adjusted for dividends, however never adjusted below a predetermined price. Furthermore the profit for each right is capped.

	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009[1]
Service condition, A-D-rights / Matching Share / Performance Share I and II	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the two year vesting period.
Performance condition, B-rights / Performance Share I	Average RAROCAR during the period 2012 up to and including 2014. Full right to exercise will be obtained if the RAROCAR amounts to 17%.	Compound Annual Growth Rate in RAPPS from year 2010 (base year) to and including year 2013. Full allotment was obtained if the Compound Annual Growth Rate amounts to or exceed 10%.	Compound Annual Growth Rate in RAPPS from year 2009 (base year) to and including year 2012. Full right to exercise will be obtained if the Compound Annual Growth Rate amounts to or exceed 9%.	Increase in RAPPS 2009 compared to 2008. Full right to exercise was obtained if RAPPS increased by 8% or more.
EPS knock out, B-rights/Performance Share I	-	Average reported EPS for 2011-2013 lower than EUR 0.26.	Average reported EPS for 2010-2012 lower than EUR 0.26.	Reported EPS for 2009 lower than EUR 0.26.
Performance condition, C-rights	-	-	-	Increase in RAPPS 2010 compared to 2009. Full right to exercise was obtained if RAPPS increased by 8% or more.
EPS knock out, C-rights	-	-	-	Reported EPS for 2010 lower than EUR 0.26.
Performance condition, D-rights/Performance Share II	RAROCAR during the period 2012 up to and including 2014 and P/E-ranking year-end 2014 compared to a peer group. Full right to exercise will be obtained if the RAROCAR amounts to 14% and if Nordea's P/B-ranking is 1-5.	TSR during 2011-2013 in comparison to a peer group. Full right to exercise will be obtained if Nordea is ranked number 1-5.	TSR during 2010-2012 in comparison with a peer group. Full allotment was obtained if Nordea is ranked number 1-5.	TSR during 2009-2010 in comparison with a peer group. Full right to exercise was obtained if Nordea was ranked number 1.
Cap	The market value of the allotted shares is capped to the participants' annual salary for year-end 2011.	The market value of the allotted shares is capped to the participants' annual salary for year-end 2010.	The market value of the allotted shares is capped to the participants' annual salary for year-end 2009.	The profit per A-D-right is capped to EUR 9.59 per right.
Dividend compensation	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.	-	The exercise price was adjusted for dividends during the exercise period, however never adjusted below EUR 0.10.

[1] RAPPS for the financial years 2008 and 2009, EPS knock out and the cap were in 2009 adjusted due to the financial effects of the new rights issue in 2009.

Fair value calculations

The fair value is measured through the use of generally accepted valuation models with the following input factors:

	LTIP 2012	**LTIP 2011**	**LTIP 2010**	**LTIP 2009**
Weighted average share price, EUR	6.70	8.39	6.88	5.79
Right life, years	3.0	3.0	3.0	2.5
Deduction of expected dividends	No	No	No	Yes
Risk free rate, %	Not applicable	Not applicable	Not applicable	1.84
Expected volatility, %	Not applicable	Not applicable	Not applicable	29

Expected volatility is based on historical values. As the exercise price (zero for LTIP 2012, LTIP 2011 and LTIP 2010) is significantly below the share price at grant date, the value has a limited sensitivity to expected volatility and risk-free interest. The fair value calculations are also based on estimated early exercise behaviour during the programme's exercise windows, however only applicable for LTIP 2009.

The value of the D-rights/Performance Share II are based on market related conditions and fulfilment of the TSR, RAROCAR and P/B targets have been taken into consideration when calculating the right's fair value at grant. When calculating the impact from the market conditions it has been assumed that all possible outcomes have equal possibilities. Also the caps in each programme have been taken into consideration when calculating the rights' fair value at grant. The adjustment to fair value is approximately 2-3% of the weighted average share price.

Expenses for equity-settled share-based payment programmes[1]

Group

EURm	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009
Expected expense for the whole programme	-3.2	-3.3	-2.5	-3.1
Maximum expense for the whole programme	-5.2	-3.8	-2.5	-3.1
Total expense during 2013	-1.0	-1.1	-0.5	-
Total expense during 2012	-0.7	-0.9	-0.3	-

Parent company

EURm	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009
Expected expense for the whole programme	-3.1	-3.3	-2.4	-3.0
Maximum expense for the whole programme	-5.1	-3.7	-2.4	-3.0
Total expense during 2013	-1.0	-1.1	-0.5	-
Total expense during 2012	-0.6	-0.9	-0.3	-

[1] All amounts excluding social security contribution.

When calculating the expected expense an expected annual employee turnover of 5% has been used. The expected expense is recognised over the vesting period of 36 months (LTIP 2012, LTIP 2011 and LTIP 2010) and 24 months (LTIP 2009).

Cash-settled share-based payment transactions
Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either vesting after three years or vesting in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. The table below only includes deferred amounts indexed with Nordea TSR. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea has during 2013 introduced the Executive Incentive Programme 2013 ("EIP 2013") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2013 is paid no earlier than autumn 2017. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Annual Report of Nordea Bank AB (publ)), within the Nordea Group. EIP 2013 is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2013 is decided during spring 2014, and a reservation of EUR 4m incl. social costs was made in 2013 both in the Group and parent company. 80% of the allocated amount will be subject to TSR-indexation.

Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Share linked deferrals			
	Group		Parent company	
EURm	2013	2012	2013	2012
Opening balance	3	1	3	1
Deferred/earned during the year	2	2	2	2
TSR indexation during the year	1	0	1	0
Payments during the year[1]	-2	0	-2	0
Translation differences	0	0	0	0
Closing balance	**4**	**3**	**4**	**3**

[1] There have been no adjustments due to forfeitures in 2013.

Note 8 *Staff costs, cont.*

Average number of employees

	Group		Parent company	
	2013	2012	2013	2012
Full-time employees	8,396	8,731	7,764	7,967
Part-time employees	541	538	495	485
Total	**8,937**	**9,269**	**8,259**	**8,452**
Total number of employees (FTEs), end of period	7,981	8,252	7,440	7,516

Note 9 Other expenses

	Group		Parent company	
EURm	2013	2012	2013	2012
Information technology[1]	-180	-150	-186	-170
Marketing and representation	-28	-31	-26	-28
Postage, transportation, telephone and office expenses	-43	-46	-36	-39
Rents, premises and real estate	-88	-92	-90	-91
Other[2]	-127	-128	-109	-116
Total	**-466**	**-447**	**-447**	**-444**

[1] Starting from March 2012 NBF outsourced its IT operations to Nordea Bank AB.
[2] Including fees and remuneration to auditors distributed as follows

Auditors' fees

	Group		Parent company	
EURm	2013	2012	2013	2012
KPMG				
Auditing assignments	-1	-1	-1	-1
Audit-related services	0	0	0	0
Tax advisory services	0	0	0	0
Other assignments	0	0	0	0
Total	**-1**	**-1**	**-1**	**-1**

Note 10 Depreciation, amortisation and impairment charges of tangible and intangible assets

	Group		Parent company	
EURm	2013	2012	2013	2012
Depreciation/amortisation				
Property and equipment (Note 22)				
Equipment	-21	-24	-15	-14
Buildings	0	0	0	0
Intangible assets (Note 21)				
Computer software	-15	-16	-15	-15
Other intangible assets	-2	-3	-1	-2
Total	**-38**	**-43**	**-31**	**-31**
Impairment charges / Reversed impairment charges				
Property and equipment (Note 22)				
Other impairment losses/reversals	-	-1	-	-1
Intangible assets (Note 21)				
Impairment other intangible assets	-2	-6	-2	-6
Total	-2	-7	-2	-7
Total	**-40**	**-50**	**-33**	**-38**

Note 11 Net loan losses

EURm	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Divided by class				
Loans to credit institutions	0	0	0	0
- of which provisions	0	0	0	0
- of which reversals	0	0	0	0
Loans to the public	-56	-158	-46	-139
- of which provisions	-216	-264	-203	-241
- of which write-offs	-71	-159	-40	-124
- of which allowances used for covering write-offs	104	92	96	82
- of which reversals	103	146	93	135
- of which recoveries	24	27	8	9
Off-balance sheet items[1]	3	14	3	14
- of which provisions	-8	-5	-8	-5
- of which reversals	11	19	11	19
Total	**-53**	**-144**	**-43**	**-125**

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Specification				
Changes of allowance accounts in the balance sheet	-110	-104	-107	-93
- of which Loans, individually assessed[2]	-123	-176	-121	-166
- of which Loans, collectively assessed[2]	10	58	11	59
- of which Off-balance sheet items, individually assessed[1]	0	16	0	16
- of which Off-balance sheet items, collectively assessed[1]	3	-2	3	-2
Changes directly recognised in the income statement	57	-40	64	-32
- of which realised loan losses, individually assessed	33	-67	56	-41
- of which realised recoveries, individually assessed	24	27	8	9
Total	**-53**	**-144**	**-43**	**-125**

[1] Included in Note 32 Provisions as "Transfer risk, off-balance" and "Individually assessed guarantees and other commitments".
[2] Included in Note 13 Loans and impairment

Key ratios

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Loan loss ratio, basis points[3]	5	14	5	14
- of which individual	6	20	6	20
- of which collective	-1	-6	-1	-6

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

Note 12 Taxes

Income tax expense

	Group		Parent company	
EURm	2013	2012	2013	2012
Current tax	-285	-420	-239	-382
Deferred tax	0	-8	-4	-2
Bank tax in Finland[1]				
Total	**-285**	**-428**	**-243**	**-384**

[1] The Finnish bank tax was introduced in 2013 and is based on risk weighted assets rather than income. This tax is not included in the current- and deferred tax disclosures in this Note.

Current and deferred tax recognised in Other comprehensive income

Deferred tax relating to available-for-sale investments	-4	-7	-4	-7
Deferred tax relating to cash flow hedges	2	24	2	11
Deferred tax relating to defined benefit plans	4	12	3	11
Total	**2**	**29**	**1**	**15**

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate of Finland as follows:

	Group		Parent company	
EURm	2013	2012	2013	2012
Profit before tax	1,113	1,609	1,023	1,500
Tax calculated at a tax rate of 24,5%	-273	-394	-251	-368
Income from associated undertakings	0	0	-	-
Other direct taxes	0	0	0	0
Tax-exempt income	3	10	31	25
Non-deductible expenses	-14	-5	-13	-1
Adjustments relating to prior years	6	-24	6	-25
Change of tax rate	8	0	-1	-
Not creditable foreign taxes	-15	-15	-15	-15
Tax charge	**-285**	**-428**	**-243**	**-384**
Average effective tax rate	26%	27%	24%	26%

Group	Deferred tax assets		Deferred tax liabilities	
EURm	2013	2012	2013	2012
Deferred tax related to:				
Tax losses carry-forward	0	0	-	-
Untaxed reserves	-	-	-	-
Loans to the public	18	20	53	58
Financial instruments	-2	6	-	-
Intangible assets	0	0	0	-
Property and equipment	2	3	-	-
Investment property	-	-	-	-
Retirement benefit assets/obligations	-27	-16	0	-
Hedge of net investments in foreign operations	-	-	-	-
Liabilities/provisions	14	24	-	0
Total	**5**	**37**	**53**	**58**

Parent company	Deferred tax assets		Deferred tax liabilities	
EURm	2013	2012	2013	2012
Deferred tax related to:				
Tax losses carry-forward	-	-	-	-
Loans to the public	16	18	-	-
Financial instruments	-2	6	-	-
Intangible assets	-	-	-	-
Property and equipment	2	3	-	-
Investment property	-	-	-	-
Retirement benefit assets/obligations	-27	-19	-	-
Liabilities/provisions	13	23	-	-
Total	**2**	**31**	**-**	**-**

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Movements in deferred tax assets/liabilities, net				
Amount at beginning of year (net)	-22	-31	31	17
Deferred tax relating to items recognised in Other comprehensive income	-25	12	-24	11
Acquisitions and others	0	5	-1	5
Deferred tax in the income statement	-1	-8	-4	-2
Amount at the end of the year (net)	**-48**	**-22**	**2**	**31**

There were no unrecognised deferred tax assets in the Group nor in the parent company in 2013 or 2012.

There was no deferred tax relating to temporary differences associated with investments in group undertakings, associated undertakings and joint ventures.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when the deferred tax income relates to the same fiscal authority.

Note 13 Loans and impairment

	Total			
	Group		Parent company	
EURm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Loans, not impaired	148,377	136,523	147,523	135,684
Impaired loans	2,008	1,904	1,716	1,641
- of which performing	1,034	947	839	771
- of which non-performing	974	957	877	870
Loans before allowances	**150,385**	**138,427**	**149,239**	**137,325**
Allowances for individually assessed impaired loans	-714	-657	-644	-579
- of which performing	-421	-407	-355	-338
- of which non-performing	-293	-250	-289	-241
Allowances for collectively assessed impaired loans	-125	-178	-107	-161
Allowances	**-839**	**-835**	**-751**	**-740**
Loans, carrying amount	**149,546**	**137,592**	**148,488**	**136,585**

	Central banks and credit institutions			
	Group		Parent company	
EURm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Loans, not impaired	35,768	36,828	41,221	42,273
Impaired loans	24	24	24	24
- of which performing	-	-	-	-
- of which non-performing	24	24	24	24
Loans before allowances	**35,792**	**36,852**	**41,245**	**42,297**
Allowances for individually assessed impaired loans	-25	-25	-25	-25
- of which performing	-	-	-	-
- of which non-performing	-25	-25	-25	-25
Allowances for collectively assessed impaired loans	0	0	0	0
Allowances	**-25**	**-25**	**-25**	**-25**
Loans, carrying amount	**35,767**	**36,827**	**41,220**	**42,272**

	The public[1]			
	Group		Parent company	
EURm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Loans, not impaired	112,609	99,695	106,302	93,411
Impaired loans	1,984	1,880	1,692	1,617
- Performing	1,034	947	839	771
- Non-performing	950	933	853	846
Loans before allowances	**114,593**	**101,575**	**107,994**	**95,028**
Allowances for individually assessed impaired loans	-689	-632	-619	-554
- Performing	-421	-407	-355	-338
- Non-performing	-268	-225	-264	-216
Allowances for collectively assessed impaired loans	-125	-178	-107	-161
Allowances	**-814**	**-810**	**-726**	**-715**
Loans, carrying amount	**113,779**	**100,765**	**107,268**	**94,313**

[1] Finance leases, where the Nordea Group is a lessor, are included in Loans to the public, see Note 23 Leasing.

Note 13 *Loans and impairment, cont.*

Reconciliation of allowance accounts for impaired loans[2]

	Total					
	Group			Parent company		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2013	**-657**	**-178**	**-835**	**-579**	**-161**	**-740**
Provisions	-177	-39	-216	-167	-36	-203
Reversals	55	49	104	46	47	93
Changes through the income statement	**-122**	**10**	**-112**	**-121**	**11**	**-110**
Allowances used to cover write-offs	104	-	104	96	-	96
Translation differences	-39	43	4	-40	43	3
Closing balance at 31 Dec 2013	**-714**	**-125**	**-839**	**-644**	**-107**	**-751**
Opening balance at 1 Jan 2012	**-576**	**-236**	**-812**	**-495**	**-220**	**-715**
Provisions	-218	-46	-264	-199	-43	-242
Reversals	42	104	146	33	102	135
Changes through the income statement	**-176**	**58**	**-118**	**-166**	**59**	**-107**
Allowances used to cover write-offs	92	0	92	82	0	82
Translation differences	3	0	3	0	0	0
Closing balance at 31 Dec 2012	**-657**	**-178**	**-835**	**-579**	**-161**	**-740**

	Central banks and credit institutions					
	Group			Parent company		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2013	**-25**	**0**	**-25**	**-25**	**0**	**-25**
Provisions	-	0	0	-	0	0
Reversals	-	0	0	-	0	0
Changes through the income statement	**0**	**0**	**0**	**0**	**0**	**0**
Allowances used to cover write-offs	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Closing balance at 31 Dec 2013	**-25**	**0**	**-25**	**-25**	**0**	**-25**
Opening balance at 1 Jan 2012	**-25**	**0**	**-25**	**-25**	**0**	**-25**
Provisions	-	0	0	-	0	0
Reversals	-	0	0	-	0	0
Changes through the income statement	-	**0**	**0**	-	**0**	**0**
Allowances used to cover write-offs	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Closing balance at 31 Dec 2012	**-25**	**0**	**-25**	**-25**	**0**	**-25**

	The public					
	Group			Parent company		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2013	**-632**	**-178**	**-810**	**-554**	**-161**	**-715**
Provisions	-177	-39	-216	-167	-36	-203
Reversals	55	49	104	46	47	93
Changes through the income statement	**-122**	**10**	**-112**	**-121**	**11**	**-110**
Allowances used to cover write-offs	104	-	104	96	-	96
Translation differences	-39	43	4	-40	43	3
Closing balance at 31 Dec 2013	**-689**	**-125**	**-814**	**-619**	**-107**	**-726**
Opening balance at 1 Jan 2012	**-551**	**-236**	**-787**	**-470**	**-220**	**-690**
Provisions	-218	-46	-264	-199	-43	-242
Reversals	42	104	146	33	102	135
Changes through the income statement	**-176**	**58**	**-118**	**-166**	**59**	**-107**
Allowances used to cover write-offs	92	-	92	82	-	82
Translation differences	3	0	3	0	0	0
Closing balance at 31 Dec 2012	**-632**	**-178**	**-810**	**-554**	**-161**	**-715**

[2] See Note 11 Net loan losses

Note 13 *Loans and impairment, cont.*

Allowances and provisions

	Total			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Allowances for items in the balance sheet	-839	-835	-751	-740
Provisions for off balance sheet items	-30	-32	-30	-32
Total allowances and provisions	**-869**	**-867**	**-781**	**-772**

	Central banks and credit institutions			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Allowances for items in the balance sheet	-25	-25	-25	-25
Provisions for off balance sheet items	-7	-9	-7	-9
Total allowances and provisions	**-32**	**-34**	**-32**	**-34**

	The public			
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Allowances for items in the balance sheet	-814	-810	-726	-715
Provisions for off balance sheet items	-23	-23	-23	-23
Total allowances and provisions	**-837**	**-833**	**-749**	**-738**

Key ratios

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
	2013	2012	2013	2012
Impairment rate, gross[3], basis points	133	138	115	119
Impairment rate, net[4], basis points	86	90	72	77
Total allowance rate[5], basis points	56	60	50	54
Allowances in relation to impaired loans[6], %	36	35	38	35
Total allowances in relation to impaired loans[7], %	42	44	44	45
Non-performing loans, not impaired[8], EURm	66	127	61	52

[3] Individually assessed impaired loans before allowances divided by total loans before allowances.
[4] Individually assessed impaired loans after allowances divided by total loans before allowances.
[5] Total allowances divided by total loans before allowances.
[6] Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.
[7] Total allowances divided by total impaired loans before allowances.
[8] Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

Note 14 Interest-bearing securities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
State and sovereigns	8,672	6,483	8,672	6,483
Municipalities and other public bodies	146	97	146	97
Mortgage institutions	12,353	9,004	12,353	9,004
Other credit institutions	10,766	12,849	10,766	12,849
Corporates	1,881	1,151	1,881	1,151
Corporates, sub-investment grade	428	234	428	234
Other	0	0	0	0
Total	**34,246**	**29,818**	**34,246**	**29,818**

Note 15 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	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Interest-bearing securities	9,739	8,078	9,739	8,078
Total	**9,739**	**8,078**	**9,739**	**8,078**

For information on transferred assets, see Note 43.
For information on reverse repos, see Note 43.

Note 16 Shares

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Shares	56	92	56	89
Shares taken over for protection of claims	-	-	-	-
Fund units, equity related	592	614	591	614
Fund units, interest related	32	132	32	132
Total	**680**	**838**	**679**	**835**
- of which Financial instruments pledged as collateral (Note 15)	-	-	-	-
Total	**680**	**838**	**679**	**835**

Note 17 Derivatives and hedge accounting

31 Dec 2013, EURm	Group Fair value Positive	Negative	Total nom. amount	Parent company Fair value Positive	Negative	Total nom. amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	48,067	44,566	3,950,077	48,067	44,566	3,950,077
Futures and forwards	203	211	1,156,307	203	211	1,156,307
Options	8,406	8,261	583,111	8,406	8,261	583,111
Total	**56,676**	**53,038**	**5,689,495**	**56,676**	**53,038**	**5,689,495**
Equity derivatives						
Equity swaps	425	232	10,887	425	232	10,887
Futures and forwards	7	5	912	7	5	912
Options	546	695	15,871	546	695	15,871
Total	**978**	**932**	**27,670**	**978**	**932**	**27,670**
Foreign exchange derivatives						
Currency and interest rate swaps	9,804	10,670	797,916	9,804	10,670	797,916
Currency forwards	473	515	91,719	473	515	91,719
Options	185	150	21,228	185	150	21,228
Total	**10,462**	**11,335**	**910,863**	**10,462**	**11,335**	**910,863**
Credit derivatives						
Credit default swaps	1,337	1,361	60,889	1,337	1,361	60,889
Total rate of return swaps	-	-	-	-	-	-
Total	**1,337**	**1,361**	**60,889**	**1,337**	**1,361**	**60,889**
Commodity derivatives						
Swaps	105	92	2,125	105	92	2,125
Futures and forwards	11	10	762	11	10	762
Options	28	11	1,048	28	11	1,048
Other	-	-	-	-	-	-
Total	**144**	**113**	**3,935**	**144**	**113**	**3,935**
Other derivatives						
Options	13	14	431	13	14	431
Other	15	13	32	15	13	32
Total	**28**	**27**	**463**	**28**	**27**	**463**
Total derivatives held for trading	**69,625**	**66,806**	**6,693,315**	**69,625**	**66,806**	**6,693,315**

31 Dec 2013, EURm	Positive	Fair value Negative	Group Total nom. amount	Positive	Fair value Negative	Parent company Total nom. amount
Derivatives used for hedge accounting						
Interest rate derivatives						
Interest rate swaps	565	144	62,386	565	144	62,386
Total	**565**	**144**	**62,386**	**565**	**144**	**62,386**
Foreign exchange derivatives						
Currency and interest rate swaps	44	159	1,026	44	159	1,026
Currency forwards	-	-	-	-	-	-
Total	**44**	**159**	**1,026**	**44**	**159**	**1,026**
Total derivatives used for hedge accounting	**609**	**303**	**63,412**	**609**	**303**	**63,412**
Total derivatives	**70,234**	**67,109**	**6,756,727**	**70,234**	**67,109**	**6,756,727**
[1] of which cash flow hedges	39	219	13,957 [2]	39	219	13,957 [2]
[1] of which fair value hedges	570	84	62,212 [2]	570	84	62,212 [2]

[2] some cross currency interest rate swaps are used both as fair value hedges and as cash flow hedges and the nominal amounts are then reported on both lines

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)	-	-	-	-	-
Cash outflows (liabilities)	2,569	3,663	3,724	3,829	69
Net cash flows	**2,569**	**3,663**	**3,724**	**3,829**	**69**

Note 17 *Derivatives and hedge accounting, cont.*

31 Dec 2012, 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 held for trading						
Interest rate derivatives						
Interest rate swaps	89,987	86,528	3,744,280	89,987	86,528	3,744,280
Futures and forwards	352	397	1,421,573	352	397	1,421,573
Options	12,159	12,161	458,797	12,159	12,161	458,797
Total	**102,498**	**99,086**	**5,624,650**	**102,498**	**99,086**	**5,624,650**
Equity derivatives						
Equity swaps	242	241	9,654	242	241	9,654
Futures and forwards	2	2	286	2	2	286
Options	425	396	11,458	425	396	11,458
Total	**669**	**639**	**21,398**	**669**	**639**	**21,398**
Foreign exchange derivatives						
Currency and interest rate swaps	11,377	13,599	846,588	11,377	13,599	846,588
Currency forwards	429	735	81,304	429	735	81,304
Options	200	213	26,288	200	213	26,288
Total	**12,006**	**14,547**	**954,180**	**12,006**	**14,547**	**954,180**
Credit derivatives						
Credit default swaps	637	655	47,053	637	655	47,053
Total rate of return swaps	-	-	-	-	-	-
Total	**637**	**655**	**47,053**	**637**	**655**	**47,053**
Commodity derivatives						
Swaps	493	434	5,694	493	434	5,694
Futures and forwards	5	26	600	5	26	600
Options	30	28	1,534	30	28	1,534
Other	-	-	-	-	-	-
Total	**528**	**488**	**7,828**	**528**	**488**	**7,828**
Other derivatives						
Options	10	8	254	10	8	254
Other	23	14	57	23	14	57
Total	**33**	**22**	**311**	**33**	**22**	**311**
Total derivatives held for trading	**116,371**	**115,437**	**6,655,420**	**116,371**	**115,437**	**6,655,420**

31 Dec 2012, 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	775	211	38,886	775	211	38,886
Total	**775**	**211**	**38,886**	**775**	**211**	**38,886**
Foreign exchange derivatives						
Currency and interest rate swaps	67	188	2,569	67	188	2,569
Currency forwards	-	-	-	-	-	-
Total	**67**	**188**	**2,569**	**67**	**188**	**2,569**
Total derivatives used for hedge accounting	**842**	**399**	**41,455**	**842**	**399**	**41,455**
Total derivatives	**117,213**	**115,836**	**6,696,875**	**117,213**	**115,836**	**6,696,875**

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)	-	-	-	-	-
Cash outflows (liabilities)	-	-5,092	-4,301	-3,084	-70
Net cash flows	**-**	**-5,092**	**-4,301**	**-3,084**	**-70**

Note 18 Fair value changes of the hedged items in portfolio hedge of interest rate risk

Assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Carrying amount at beginning of year	124	138	124	138
Changes during the year				
- Revaluation of hedged items	-66	-14	-66	-14
Carrying amount at end of year	**58**	**124**	**58**	**124**

Liabilities	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Carrying amount at beginning of year	637	195	637	195
Changes during the year				
- Revaluation of hedged items	-268	442	-268	442
Carrying amount at end of year	**369**	**637**	**369**	**637**

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 19 Investments in group undertakings

Parent company

	31 Dec	31 Dec
EURm	2013	2012
Acquisition value at beginning of year	373	370
Acquisitions / capital contributions during the year	7	3
Sales during the year	-4	-
Translation differences	0	0
Acquisition value at end of year	**376**	**373**
Accumulated impairment charges at beginning of year	-	-
Impairment charges during the year	-	-
Translation differences	-	-
Accumulated impairment charges at end of year	**-**	**-**
Total	**376**	**373**

Note 19 *Investments in group undertakings, cont.*

Specification

This specification includes all directly owned group undertakings and major group undertakings to the directly owned companies.

Group

31 Dec 2013	Number of shares	Carrying amount 2013 EURm	Carrying amount 2012 EURm	Voting power of holding, %	Domicile	Business ID
Domestic						
Credit institutions						
Nordea Finance Finland Ltd	1,000,000	306	306	100.0	Espoo	0112305-3
Financial institutions						
Tukirahoitus Oy[1]	672	7	7	100.0	Espoo	0677131-6
Real estate companies						
Kiinteistö Oy Tampereen Kirkkokatu 7[1]	280	50	50	100.0	Tampere	0819781-3
Kiinteistö Oy Levytie 6[1]	147	12	18	100.0	Helsinki	0818921-5
Kiinteistö Oy Lahden Aleksanterinkatu 19-21[1, 2]	-	-	10	100.0	Lahti	0150108-5
Other companies						
Fidenta Oy[3]	-	-	0	-	Espoo	0988412-1
International						
Financial institutions						
Nordea Finance Polska S.A[1]	19,690,000	0	0	100.0	Warsaw	PL5861944082
Nordea Finance Estonia Ltd[1]	60,000	6	6	100.0	Tallinn	EE100212426
Nordea Finance Latvia Ltd[1]	1,100	4	4	100.0	Riga	LV40003348054
Nordea Finance Lithuania Ltd[1]	6,540	4	4	100.0	Vilnius	LT111667277
Nordea Securities Holding (U.K.) Ltd	49,010,000	2	2	100.0	London	01803666
Real estate companies						
Promano Est OÜ	1	10	10	100.0	Tallinn	11681888
Promano Lit UAB	34,528	10	10	100.0	Vilnius	302423219
SIA Promano Lat	21,084	30	30	100.0	Riga	40103235197
SIA Realm	7,030	10	10	100.0	Riga	50103278681

Other subsidiaries included in the consolidated financial statements; total assets of less than EUR 10m	Number of companies	Carrying amount of shares EURm	Total assets EURm
Real estate companies	7	11	13
Other companies	9	7	86

[1] Indirect holding through Nordea Finance Finland Ltd, a subsidiary of Nordea Bank Finland Plc.

[2] Sold in March 2013

[3] Merged to Nordea Bank Finland Plc in December 2013

The parent company of Nordea Bank Finland Plc is Nordea Bank AB (publ) domiciled in Stockholm, registration number 516406-0120. The Annual Report 2013 of Nordea Bank AB (publ) may be down-loaded on the Internet at www.nordea.com and is available from Nordea Group Investor Relations, SE 105 71 Stockholm, Sweden. The Annual Report 2013 of the Nordea Group is also available at branches of Nordea Bank Finland Plc.

Group

Special Purpose Entities (SPEs) – Consolidated

6 SPEs have been setup in the Baltics to acquire assets from commercial customers. The total consolidated value of these assets is EUR 2m (13).

Note 20 Investments in associated undertakings

EURm	Group 31 Dec 2013	Group 31 Dec 2012	Parent company 31 Dec 2013	Parent company 31 Dec 2012
Acquisition value at beginning of year	80	81	43	43
Acquisitions during the year	1	-	-	-
Sales during the year	-	-	-	-
Share in earnings	8	18	-	-
Dividend received	-27	-19	-	-
Reclassifications	-1	1	-	-
Translation differences	-	-	-	-
Acquisition value at end of year	**61**	**81**	**43**	**43**
Accumulated impairment charges at beginning of year	-2	-2	-9	-9
Reversed impairment charges during the year	-	-	-	-
Impairment charges during the year	-	-	-	-
Impairment charges reclassifications during the year	-	0	-	-
Translation differences	0	0	-	-
Accumulated impairment charges at end of year	**-2**	**-2**	**-9**	**-9**
Total	**59**	**79**	**34**	**34**

Nordea Bank Finland Plc's and Nordea Bank Finland Group's associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2013	31 Dec 2012
Total assets	242	274
Total liabilities	162	175
Operating income	52	84
Operating profit	10	33

Nordea Bank Finland Plc's and Nordea Bank Finland Group' s share of contingent liabilities and commitments in favour of associated undertakings of Nordea Bank Finland Group amounts to EUR 83m (84), of which the unused portion of approved overdraft facilities is EUR 63m (64).

Group

31 Dec 2013	Business ID	Domicile	Carrying amount 2013, EURm	Carrying amount 2012, EURm	Voting power of holding %
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	8	8	33.3
Fenestra Oy[1]	0177676-7	Vantaa	0	0	9.9
NF Fleet Oy	2006935-5	Espoo	3	2	20.0
UAB ALD Automotive, Lithuania	300156575	Vilnius	1	1	25.0
ALD Automotive Eesti AS, Estonia	11094435	Tallin	1	1	25.0
ALD Automotive SIA, Latvia	50003825931	Riga	1	1	25.0
Oy Realinvest Ab	0680035-9	Helsinki	0	0	49.3
Realia Holding Oy	2106796-8	Helsinki	20	20	25.0
Securus Oy	0742429-5	Helsinki	0	0	35.2
Suomen Luotto-osuuskunta	0201646-0	Helsinki	25	46	27.3
Total			**59**	**79**	

[1] Nordea Bank Finland Plc holds currently convertible bonds which, if converted, would give Nordea Bank Finland significant influence over the entity.

Parent company

31 Dec 2013	Business ID	Domicile	Carrying amount 2013, EURm	Carrying amount 2012, EURm	Voting power of holding %
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	5	5	33.3
Fenestra Oy[1]	0177676-7	Vantaa	0	0	9.9
Realia Holding Oy	2106796-8	Helsinki	20	20	25.0
Oy Realinvest Ab	0680035-9	Helsinki	0	0	49.3
Securus Oy	0742429-5	Helsinki	0	0	35.2
Suomen Luotto-osuuskunta	0201646-0	Helsinki	9	9	27.3
Total			**34**	**34**	

[1] Nordea Bank Finland Plc holds currently convertible bonds which, if converted, would give Nordea Bank Finland significant influence over the entity.

Note 21 Intangible assets

EURm	Group 31 Dec 2013	Group 31 Dec 2012	Parent Company 31 Dec 2013	Parent Company 31 Dec 2012
Other intangible assets				
Computer software	94	100	97	105
Other intangible assets	6	8	1	1
Other intangible assets, total	**100**	**108**	**98**	**106**
Intangible assets, total	**100**	**108**	**98**	**106**

	Group 31 Dec 2013	Group 31 Dec 2012	Parent company 31 Dec 2013	Parent company 31 Dec 2012
Computer software				
Acquisition value at beginning of year	156	130	163	136
Acquisitions during the year	11	26	9	30
Sales/disposals during the year	-	0	-	-
Reclassifications	-1	0	-1	-3
Translation differences	0	0	-	-
Acquisition value at end of year	**166**	**156**	**171**	**163**
Accumulated amortisation at beginning of year	-50	-34	-52	-36
Amortisation according to plan for the year	-15	-16	-15	-15
Accumulated amortisation on sales/disposals during the year	-	-	-	-
Reclassifications	1	0	1	-1
Translation differences	-	-	-	-
Accumulated amortisation at end of year	**-64**	**-50**	**-66**	**-52**
Accumulated impairment charges at beginning of year	-6	-	-6	-
Impairment charges during the year	-2	-6	-2	-6
Accumulated impairment charges at end of year	**-8**	**-6**	**-8**	**-6**
Total	**94**	**100**	**97**	**105**

	Group 31 Dec 2013	Group 31 Dec 2012	Parent Company 31 Dec 2013	Parent Company 31 Dec 2012
Other intangible assets				
Acquisition value at beginning of year	21	20	7	11
Acquisitions during the year	-	2	-	0
Sales/disposals during the year	-	-1	-	-
Reclassifications	-1	0	-2	-4
Translation differences	0	0	-	-
Acquisition value at end of year	**20**	**21**	**6**	**7**
Accumulated amortisation at beginning of year	-13	-10	-6	-8
Amortisation according to plan for the year	-2	-3	-1	-2
Accumulated amortisation on sales/disposals during the year	-	0	-	-
Reclassifications	1	0	2	4
Translation differences	0	0	-	-
Accumulated amortisation at end of year	**-14**	**-13**	**-5**	**-6**
Accumulated impairment charges at beginning of year	0	0	-	-
Impairment charges during the year	-	0	-	-
Accumulated impairment charges at end of year	**0**	**0**	**-**	**-**
Total	**6**	**8**	**1**	**1**

Note 22 Property and equipment

EURm	Group 31 Dec 2013	Group 31 Dec 2012	Parent company 31 Dec 2013	Parent company 31 Dec 2012
Property and equipment	94	96	74	59
- of which buildings for own use	2	2	1	1
Total	**94**	**96**	**74**	**59**

EURm	Group 31 Dec 2013	Group 31 Dec 2012	Parent company 31 Dec 2013	Parent company 31 Dec 2012
Equipment				
Acquisition value at beginning of year	243	263	181	177
Acquisitions during the year	59	45	56	29
Sales/disposals during the year	-26	-27	-	-
Reclassifications	-36	-38	-32	-25
Translation differences	-1	0	-	-
Acquisition value at end of year	**239**	**243**	**205**	**181**
Accumulated depreciation at beginning of year	-148	-142	-122	-110
Accumulated depreciation on sales/disposals during the year	17	16	-	-
Reclassifications	4	2	5	2
Depreciation according to plan for the year	-21	-24	-15	-14
Translation differences	1	0	-	-
Accumulated depreciation at end of year	**-147**	**-148**	**-132**	**-122**
Accumulated impairment charges at beginning of year	-1	0	-1	-
Impairment charges during the year	-	-1	-	-1
Reclassifications	1	-	1	-
Accumulated impairment charges at end of year	**0**	**-1**	**0**	**-1**
Total	**92**	**94**	**73**	**58**
Land and buildings				
Acquisition value at beginning of year	4	5	3	4
Acquisitions during the year	-	-	-	-
Sales/disposals during the year	-	-1	-	-1
Reclassifications	-	-	-	-
Acquisition value at end of year	**4**	**4**	**3**	**3**
Accumulated depreciation at beginning of year	-2	-2	-2	-2
Accumulated depreciation on sales/disposals during the year	-	-	-	-
Depreciation according to plan for the year	0	0	0	0
Accumulated depreciation at end of year	**-2**	**-2**	**-2**	**-2**
Total	**2**	**2**	**1**	**1**

Note 23 Leasing

NBF as a lessor

Finance leases
Nordea Bank Finland Group owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note 13) 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	
	31 Dec	31 Dec
EURm	2013	2012
Gross investments	2,596	2,509
Less unearned finance income	-139	-130
Net investments in finance leases	**2,457**	**2,379**
Less unguaranteed residual values accruing to the benefit of the lessor	-73	-81
Present value of future minimum lease payments receivable	**2,384**	**2,298**
Accumulated allowance for uncollectible minimum lease payments receivable	10	5

As of 31 December 2013 the gross investment and the net investment by remaining maturity was distributed as follows:

	Group	
	31 Dec	31 Dec
	2013	2013
EURm	Gross investment	Net investment
2013	810	804
2014	737	651
2015	496	472
2016	297	287
2017	172	168
Later years	83	75
Total	**2,596**	**2,457**

Operating leases
Assets subject to operating leases mainly comprise vehicles and other equipment. In the balance sheet they are reported as tangible assets.

Under non-cancellable operating leases, the future minimum lease payments receivables are distributed as follows:

	Group	
EURm	31 Dec 2013	31 Dec 2012
2013	2	6
2014	1	2
2015	1	1
2016	0	0
2017	0	0
Later years	0	0
Total	**4**	**9**

NBF as a lessee

Finance leases

Nordea Bank Finland Group has only to a minor extent entered into finance lease agreements. The carrying amount of assets subject to finance leases amounts to EUR 0m (0).

Operating leases

Nordea Bank Finland Group has entered into operating lease agreements for premises and office equipment.

	Group		Parent company	
Leasing expenses during the year, EURm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Leasing expenses during the year	-66	-59	-69	-72
- of which minimum lease payments	-65	-59	-69	-72
- of which contingent rents	0	-1	-	-
Leasing income during the year regarding sublease payments	-	-	-	-

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

	Group	Parent company
EURm	31 Dec 2013	31 Dec 2013
2013	66	66
2014	45	45
2015	31	31
2016	25	24
2017	21	21
Later years	108	107
Total	**296**	**294**

Note 24 Investment property

Movement in the balance sheet	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Carrying amount at beginning of year	104	71	10	10
Acquisitions during the year	29	34	2	0
Sales/disposals during the year	-20	-1	-4	0
Net result from fair value adjustments	0	0	-	-
Carrying amount at end of year	**113**	**104**	**8**	**10**

Amounts recognised in the income statement[1]

EURm	2013	2012	2013	2012
Rental income	1	1	1	1
Direct operating expenses that generate rental income	-3	-3	-3	-3
Direct operating expenses that did not generate rental income	-1	-	-1	-
Total	**-3**	**-2**	**-3**	**-2**

[1]Together with fair value adjustments included in Net result from items at fair value.

Market value	113	104	8	10

Note 25 Other assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Claims on securities settlement proceeds	906	1,109	905	1,109
Cash/ margin receivables	6,607	8,370	6,607	8,370
Other	764	841	721	799
Total	**8,277**	**10,320**	**8,233**	**10,278**

Note 26 Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Accrued interest income	313	339	308	335
Other accrued income	248	617	69	435
Prepaid expenses	11	13	9	7
Total	**572**	**969**	**386**	**777**

Note 27 Deposits by credit institutions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Central banks	5,780	2,326	5,780	2,326
Other banks	60,908	44,331	60,796	44,218
Other credit institutions	12,738	28,009	12,739	28,009
Total	**79,426**	**74,666**	**79,315**	**74,553**

Note 28 Deposits and borrowings from the public

EURm	Group 31 Dec 2013	Group 31 Dec 2012	Parent company 31 Dec 2013	Parent company 31 Dec 2012
Deposits from the public	53,983	53,285	53,992	53,308
Borrowings from the public	26,926	16,927	26,916	16,916
Total	**80,909**	**70,212**	**80,908**	**70,224**

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.

Note 29 Debt securities in issue

EURm	Group 31 Dec 2013	Group 31 Dec 2012	Parent company 31 Dec 2013	Parent company 31 Dec 2012
Certificates of deposit	16,408	18,726	16,408	18,726
Commercial papers	7,122	9,650	7,122	9,650
Bond loans[1]	23,600	20,623	23,600	20,623
Total	**47,130**	**48,999**	**47,130**	**48,999**

[1] Of which Finnish covered bonds EUR 15,473m (12,362).

Note 30 Other liabilities

EURm	Group 31 Dec 2013	Group 31 Dec 2012	Parent company 31 Dec 2013	Parent company 31 Dec 2012
Liabilities on securities settlement proceeds	665	1,577	665	1,577
Sold, not held, securities	10,405	5,151	10,405	5,151
Accounts payable	60	83	40	42
Cash/margin payables	5,872	5,802	5,872	5,802
Other	1,853	1,626	1,705	1,452
Total	**18,855**	**14,239**	**18,687**	**14,024**

Note 31 Accrued expenses and prepaid income

EURm	Group 31 Dec 2013	Group 31 Dec 2012	Parent company 31 Dec 2013	Parent company 31 Dec 2012
Accrued interest	303	345	303	345
Other accrued expenses	413	523	302	328
Prepaid income	150	78	63	71
Total	**866**	**946**	**668**	**744**

Note 32 Provisions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Reserve for restructuring costs	26	33	26	33
Transfer risks, off-balance	9	11	9	11
Individually assessed, guarantees and other commitments	21	21	21	21
Tax	1	1	-	-
Other	15	17	11	14
Total	**72**	**83**	**67**	**79**

Movement in the balance sheet:

Group

EURm	Restructuring	Transfer risks	Off-balance sheet	Tax	Other	Total
At the beginning of year	33	11	21	1	17	83
New provisions made	1	3	5	-	0	9
Provisions utilised	-8	-	-	0	-2	-10
Reversals	0	-5	-5	-	-	-10
Reclassifications	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
At the end of year	**26**	**9**	**21**	**1**	**15**	**72**

Provisions for restructuring costs amounts to EUR 26m of which EUR 24m is related to redundancy packages and EUR 2m to redundant premises. The restructuring activities have mainly been launched to reach the anticipated cost efficiency and profitability, and as a part of this Nordea plans to reduce the number of employees, partly through close down of branches. Approximately a half of the provision is expected to be used during 2014. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed during 2014.

Provision for Transfer risk of EUR 9m is related to off-balance sheet items. Transfer risk relating to loans is included in the item Allowances for collectively assessed impaired loans in Note 13. Provision for Transfer risk is depending on the volume of business with different countries.

Loan loss provisions for individually assessed, guarantees and other commitments amounted to EUR 21m.

Other provisions refer to the following provisions: Rental liabilities EUR 1m (of which a half is expected to be settled during 2014), provision for environmental and property-related obligations of EUR 3m (not expected to be settled during 2014) and other provisions amounting to EUR 11m (of which 7m expected to be settled during 2014).

Parent company

EURm	Restructuring	Transfer risks	Off-balance sheet	Other	Total
At beginning of year	33	11	21	14	79
New provisions made	1	3	5	-	9
Provisions utilised	-8	-	-	-3	-11
Reversals	0	-5	-5	-	-10
Translation differences	-	-	-	-	-
At the end of year	**26**	**9**	**21**	**11**	**67**

Provisions for restructuring costs amounts to EUR 26m of which EUR 24m is related to redundancy packages and EUR 2m to redundant premises. The restructuring activities have mainly been launched to reach the anticipated cost efficiency and profitability, and as a part of this Nordea plans to reduce the number of employees, partly through close down of branches. Approximately a half of the provision is expected to be used during 2014. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed during 2014.

Provision for Transfer risk of EUR 9m is related to off-balance sheet items. Transfer risk relating to loans is included in the item Allowances for collectively assessed impaired loans in Note 13. Provision for Transfer risk is depending on the volume of business with different countries.

Loan loss provisions for individually assessed, guarantees and other commitments amounted to EUR 21m.

Other provisions refer to the following provisions: Rental liabilities EUR 1m (of which a half is expected to be settled during 2014), provision for environmental and property-related obligations of EUR 3m (not expected to be settled during 2014) and other provisions amounting to EUR 7m (total amount expected to be settled during 2014).

Note 33 Retirement benefit obligations

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Defined benefit plans, net	-112	-30	-111	-34
Total	**-112**	**-30**	**-111**	**-34**

NBF has various pension plans, which are classified both as defined benefit plans as well as defined contribution plans. IAS 19 secures that the pension obligations net of plan assets backing these obligations is reflected on the Group's balance sheet. The defined benefit plans in Finland are closed to new employees and instead, pensions for new employees are based on defined contribution (DCP) arrangements. The plans for the foreign branches are also mainly defined contribution plans. The existing defined benefit plans in London and New York are closed to new employees. Defined contribution plans are not reflected on the balance sheet except when earned pension rights have not yet been paid for.

The pension plans are structured in accordance with local regulations, legislations and local practice. Plan assets are generally held in a separate pension fund or foundation. Minimum funding requirement differ between plans but generally the pension obligation measured using local requirements shall be covered in full or with a predetermined surplus.

The most significant of the Finnish plans is the Nordea Pension Foundation. The Nordea Pension Foundation was formed when the Pension Fund (UBF) assigned its liabilities to the Pension Foundation (KOP) on 31 August 2013. At the same time, the Pension Fund surrendered its insurance operations and other assets and liabilities to the Pension Foundation. The Pension Fund was placed in liquidation on 1 September 2013. The name of the Pension foundation (KOP) was changed to Nordea Pension Foundation. After this assignment of liability the Pension Foundation repurchased on 30 December 2013 from Nordea Life Assurance Finland Ltd the pensions and paid-up free policies which were transferred there in 1998 from the Pension Fund as a transfer of liability.

Characteristics of the Nordea Pension Foundation

Nordea Pension Foundation plan is a final salary and service based pension plan providing pension benefits on top of the statutory systems. The employer has promised a certain level of benefit after retirement to a certain group of employees within the plan. Plan’s operation is managed by the Board of Members. The board consists of both employers’ and employee’s representatives. The Board of Members has named a managing director to take care of regular operations in the foundation.

The plan exposes the employer to certain risks. If the return of foundation’s assets is not enough to cover the increment of liability and benefit payments over the financial year then the employer funds the deficit with contributions. The present value of the defined benefit liability is calculated using a discount rate determined by reference to high quality bond yields. A decrease in the corporate bond yields increases the liabilities along with increment of plan’s benefit obligation calculated according to IAS 19. However, part of increment of obligation is offset by asset increment along with the increment of plan’s bond holdings. Asset volatility may also impact NBF although basically the distribution of assets to different asset classes is strictly dictated by authorities so significant concentration risk cannot be borne. The plan’s benefits in payment are tied to TyEL-index which depends on inflation (80 %) and common salary index (20 %). Higher inflation increases the TyEL-index which leads to an increase in liabilities. Higher inflation causes extra challenges to investment activities from which the employer in the last resort is responsible. The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan’s liability.

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on the actuarial assumptions.

Assumptions[1]	Finland
2013	
Discount rate[2]	3.5%
Salary increase	2.5%
Inflation	1.5%
2012	
Discount rate[2]	3.5%
Salary increase	3.0%
Inflation	2.0%

[1]The assumptions disclosed for 2013 have an impact on the liability calculation by year-end 2013, while the assumptions disclosed for 2012 are used for calculating the pension expense in 2013.

[2]More information on the discount rate can be found in Note 1, section 19. The sensitivities to changes in the discount rate can be found below.

Sensitivities - Impact on Pension Benefit Obligation (PBO) %	Group	Parent company
Discount rate - Increase 50bps	-6.3%	-6.3%
Discount rate - Decrease 50bps	7.1%	7.1%
Salary increase - Increase 50bps	0.3%	0.3%
Salary increase - Decrease 50bps	-0.3%	-0.3%
Inflation - Increase 50bps	4.3%	4.2%
Inflation -Decrease 50bps	-4.0%	-3.9%

Note 33 *Retirement benefit obligations, cont.*

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it enables the reader to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements.

Net retirement benefit liabilities/assets

	Group		Parent company	
EURm	2013	2012	2013	2012
Obligations	788	863	776	839
Plan assets	900	893	887	873
Net liability(-)/asset (+)	**112**	**30**	**111**	**34**
- of which retirement benefit liabilities	21	50	20	45
- of which retirement benefit assets	133	80	132	80

Changes in the obligation

	Group		Parent company	
EURm	2013	2012	2013	2012
Opening balance	863	754	839	738
Current service cost	3	2	2	2
Interest cost	29	33	29	33
Pensions paid	-41	-41	-41	-41
Past service cost	1	0	1	0
Settlements	-4	-5	-4	-5
Business combinations	-	-	12	-
Remeasurement from changes in demographic assumptions	-1	-3	-1	-3
Remeasurement from changes in financial assumptions	-46	90	-45	87
Remeasurement from experience adjustments	-14	30	-14	24
Translation differences	-2	3	-2	4
Closing balance	**788**	**863**	**776**	**839**

The average duration of the obligation is 13 years both in the Group and the parent company. The duration is based on discounted cash flows. The fact that the main part of the defined benefit plans are closed for new entrants leads to a lower duration.

Changes of the fair value of plan assets

	Group		Parent company	
EURm	2013	2012	2013	2012
Opening balance	893	823	873	807
Interest income (calculated using the discount rate)	30	36	30	36
Pensions paid	-41	-41	-41	-40
Settlements	-1	-4	-1	-4
Business combinations	-	-	8	-
Contributions by employer	10	9	10	9
Remeasurement (actual return less interest income)	11	66	10	62
Administrative expenses	0	-	0	-
Translation differences	-2	4	-2	3
Closing balance	**900**	**893**	**887**	**873**

Note 33 *Retirement benefit obligations, cont.*

Asset composition
The combined return on assets in 2013 was 5% (13). Main drivers were positive returns on equities, credit investment and real estate whereas sovereign bonds subtracted from the result. At the end of the year, the equity exposure represented 27% (22) of total assets.

Asset composition in funded schemes	2013	2012
Bonds	57%	61%
- of which sovereign	36%	50%
- of which covered bonds	5%	-
- of which corporate bonds	16%	11%
- of which issued by Nordea entities	0%	-
- of which with quoted market price in an active market	57%	61%
Equity	27%	22%
- of which domestic	9%	8%
- of which European	8%	5%
- of which US	6%	5%
- of which emerging	4%	3%
- of which with quoted market price in an active market	27%	22%
Real Estate	13%	13%
- of which occupied by Nordea	4%	4%
Cash and cash equivalents	3%	4%

Both the Group and the parent company is expected to contribute EUR 7m to its defined benefit plans in 2014.

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 2013 is EUR 0m (1m positive). In the parent company's income statement the respective cost was EUR 1m positive (2m positive) in 2013.

Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans. (See specification in Note 8.)

	Group		Parent company	
Recognised in the income statement, EURm	2013	2012	2013	2012
Current service cost	3	2	2	2
Net interest	-1	-3	-1	-3
Past service cost	1	0	1	0
Settlements	-3	0	-3	-1
Administrative expenses	0	0	0	0
Pension cost on defined benefit plans	**0**	**-1**	**-1**	**-2**

The pension cost is in line with what was expected at the start of the year.

	Group		Parent company	
Recognised in other comprehensive income, EURm	2013	2012	2013	2012
Remeasurement from changes in demographic assumptions	-1	-3	-1	-3
Remeasurement from changes in financial assumptions	-46	90	-45	87
Remeasurement from experience adjustments	-14	30	-14	24
Remeasurement of plan assets (actual return less interest income)	-11	-66	-10	-62
Pension cost on defined benefit plans	**-72**	**51**	**-70**	**46**

	Group		Parent company	
Net retirement benefit asset//liability	2013	2012	2013	2012
Opening balance	-30	-69	-34	-69
Pension cost in the income statement	0	-1	-1	-2
Remeasurements in other comprehensive income	-72	50	-70	46
Business combinations	-	-	4	-
Pensions paid	0	0	0	0
Contributions by employer	-10	-9	-10	-9
Translation differences	0	-1	0	0
Closing balance	**-112**	**-30**	**-111**	**-34**

Note 33 *Retirement benefit obligations, cont.*

Key management personnel
The members of the Board of Directors of Nordea Bank Finland Plc and the President, are members of the Nordea Bank AB (publ) Group Executive Management, except for the one external member Carl-Johan Granvik. In 2013 Nordea Bank AB (publ) has paid all salaries, fees, pensions and other staff-related expenses to the above mentioned other members of the Board and the President. Nordea Bank AB (publ) has allocated these salary expenses to Nordea Bank Finland Plc as part of the Head Office Allocation expenses.

Information on salaries, loans and pension liabilities regarding the above mentioned other members of the Board and the President is presented in the Annual Report of Nordea Bank AB (publ).

Note 34 Subordinated liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Dated subordinated debenture loans	-	-	-	-
Undated subordinated debenture loans	429	514	429	514
Total	**429**	**514**	**429**	**514**

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans. Within each respective category, the loans entitle lenders to equal payment rights.

Group and parent company

On 31 December 2013 loans - with terms specified below - exceeded 10% of the total outstanding volume.

Issued by	Year of issue / maturity	Nominal value	Carrying amount EURm	Interest rate (coupon)
Nordea Bank Finland Plc[1]	2002/undated	MGBP 300	360	6.25%
Nordea Bank Finland Plc[2]	1999/undated	MJPY 10,000	69	4.21%

[1] Call date 18 July 2014
[2] Call date 26 February 2029

Note 35 Assets pledged as security for own liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Assets pledged for own liabilities				
Securities etc.[1]	9,739	8,078	9,739	8,078
Loans to the public	18,803	15,494	18,803	15,494
Other pledged assets	6,519	8,694	6,514	8,694
Total	35,061	32,266	35,056	32,266
The above pledges pertain to the following liabilities				
Deposits by credit institutions	3,210	4,427	3,209	4,426
Deposits and borrowings from the public	6,530	3,652	6,530	3,652
Derivatives	6,307	8,370	6,307	8,370
Debt securities in issue	15,473	12,362	15,473	12,362
Other liabilities	195	196	195	196
Total	**31,715**	**29,007**	**31,714**	**29,006**

[1] Relates only to securities recognised in the balance sheet. Securities borrowed or bought under repurchase agreements are not recognised in the balance sheet and thus not included in the amount. Such transactions are disclosed in Note 43 Transferred assets and obtained collaterals.

Assets pledged for own liabilities contain securities pledged as security in repurchase agreement and in securities lending. 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 amounting to EUR 18,803m (15,493) have been registered as collateral for issued Finnish covered bonds amounting to EUR 15,473m (12,362). In the event of the company's insolvency, the holders of these bonds have priority to the assets registered as collateral. Collaterals are valuated up to the first 70% of the market value of the property. Nordea Bank has used Realia Oy, Newsec Oy, Huoneistokeskus Oy, Kiinteistömaailma Oy and Catella Oy to valuate commercial real estate collaterals.

Note 36 Other assets pledged

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Other assets pledged[1]				
Securities etc.	2,876	5,957	2,876	5,957
Other assets pledged	1,517	1,021	1,517	1,021
Total	**4,393**	**6,978**	**4,393**	**6,978**

[1] Collaterals pledged on behalf of other items other than the company's own liabilities, e.g. on behalf of a third party or on behalf of the company's own contingent liabilities are accounted for under this item.

Note 37 Contingent liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Guarantees				
Loan guarantees	1,686	2,482	1,917	2,786
Other guarantees	12,637	12,146	12,637	12,146
Documentary credits	1,493	1,771	1,493	1,771
Other contingent liabilities	20	20	20	20
Total	**15,836**	**16,419**	**16,067**	**16,723**

In the normal business of Nordea Bank Finland, the bank issues various forms of guarantees in favour of bank's 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 bank's customers. Guarantees and documentary credits are 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.

Note 38 Commitments

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Future payment obligations	7	7	7	7
Credit commitments[1]	15,882	15,956	13,422	13,275
Other commitments	714	626	319	253
Total	**16,603**	**16,589**	**13,748**	**13,535**

[1]Including unutilised portion of approved overdraft facilities of EUR 8,302m (8,565) for the Group and EUR 8,302m (8,566) for the parent company.

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2013 signed reverse repurchase agreements of EUR 11,335m (5,803) that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2013. These instruments have not been disclosed as commitments.

Note 39 Capital adequacy

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is now a worldwide capital adequacy standard (Basel II) drawn up by the Basel Committee on Banking Supervision. Within the EU, the capital adequacy requirements are outlined in the CRD.

The capital base figures for 2012 have not been restated due to the implementation of IAS 19 Employee Benefits.

Capital base

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Tier 1 capital				
Paid up capital	2,319	2,319	2,319	2,319
Share premium	599	599	599	599
Eligible capital	**2,918**	**2,918**	**2,918**	**2,918**
Reserves	5,759	5,195	5,278	4,782
Non-controlling interests	1	4	-	-
Income from current year	828	1,184	780	1,122
Eligible reserves	**6,587**	**6,383**	**6,058**	**5,904**
Core tier 1 capital (before deductions)	**9,505**	**9,301**	**8,976**	**8,822**
Proposed/actual dividend	-750	-625	-750	-625
Deferred tax assets	-5	-16	-2	-13
Intangible assets	-100	-108	-98	-106
Deductions for investments in credit institutions	-2	-1	0	0
IRB provisions shortfall (-)	-118	-207	-103	-196
Other items, net	-100	-98	-100	-98
Deductions	**-1,075**	**-1,055**	**-1,052**	**-1,038**
Tier 1 capital (net after deduction)	**8,430**	**8,246**	**7,923**	**7,784**
Tier 2 capital				
Undated sudordinated loans	537	556	537	556
Dated sudordinated loans	-	-	-	-
Other additional own funds	17	13	17	13
Tier 2 capital (before deductions)	**555**	**569**	**555**	**569**
Deductions for investments in credit institutions	-2	-1	0	0
IRB provisions excess (+) / shortfall (-)	-118	-207	-103	-196
Deductions	**-119**	**-208**	**-103**	**-196**
Tier 2 capital (net after deductions)	**435**	**361**	**452**	**373**
Capital base	**8,866**	**8,607**	**8,375**	**8,157**

Core tier 1 capital and tier 1 capital

Core tier 1 capital is defined as eligible capital including eligible reserves, net of regulatory required deductions made directly to the tier 1 capital. The capital recognised as core tier 1 capital holds the ultimate characteristics for loss absorbance defined from a going concern perspective and represents the most subordinated claim in the event of liquidation. The tier 1 capital is defined as core tier 1 capital and capital of the same or close to the character of eligible capital and eligible reserves. Tier 1 capital can include a limited component of undated subordinated capital loans. Deductions mandatory for tier 1 capital will accordingly also be required as deduction in the defined core tier 1 capital.

Eligible capital and eligible reserves

Paid up capital is the share capital contributed by shareholders, including the share premium paid. Eligible reserves consist primarily of retained earnings, other reserves, minority interest and income from current year. Retained earnings are earnings from previous years reported via the income statement. Other reserves are related to revaluation and translation reserves referred to acquisitions and associated companies under the equity method. The equity interests of minority shareholdings in companies that are fully consolidated in the financial group are also included. Positive income from current year is included as eligible capital after verification by the external auditors, however negative income must be deducted.

Tier 1 instruments subject to limits

The inclusion of undated subordinated loans in tier 1 capital is restricted and repurchase can normally not take place until five years after original issuance of the instrument. Undated subordinated loans may be repaid only upon decision from Board of Directors in Nordea Bank Finland and with the permission of the Finnish FSA. Further, there are restrictions related to step-up conditions, order of priority, interest payments under constraint conditions and the level of amount that can be part of tier 1 capital.

Currently, there are no undated subordinated capital loans included in the tier 1 capital of Nordea Bank Finland.

Deductions from tier 1 capital

Proposed/actual dividend

In relation to income for the period, the corresponding dividend should be deducted. The amount deducted from the tier 1 capital is based on the dividend proposed by the Board of Directors of Nordea Bank Finland to be decided at the annual general meeting of Nordea Bank Finland's shareholders.

Deferred tax assets

In accordance with local legal requirements deferred tax assets have been deducted from the tier 1 capital. The deducted amount is calculated based on accounting standards relevant for the individual companies included in the finacial group.

Intangible assets

The significant part of deducted intangible assets contains goodwill and other intangible assets related to IT software and development.

Deductions for investments in credit institutions

The institutions should in its capital base deduct for equity holdings and some other types of contributions to institutions that are not consolidated into the financial group (in Nordea Bank Finland foremost associated companies). 50% should be deducted from tier 1 capital and 50% should be deducted from tier 2 capital.

IRB provisions shortfall

In accordance with Finnish legislation, the differences between actual IRB provision made for the related exposure and expected loss are adjusted for in the capital base. The negative difference (when the expected loss amount is larger than the provision amount) is defined as a shortfall. According to the rules in the CRD, the shortfall amount is to be deducted equally from tier 1 capital and tier 2 capital. A positive difference (provisions exceeding expected loss) can be included in tier 2 capital subject to certain limitations (maximum 0.6% of IRB RWA).

Other items

Surplus net value of pension plans for employees should under certain circumstances be deducted from the capital base.

Tier 2 capital

Tier 2 capital must be subordinated to depositors and general creditors of the bank. It cannot be secured or covered by a guarantee of the issuer or related entity or include any other arrangement that legally or economically enhances the seniority of the claim vis-à-vis depositors and other bank creditors.

Tier 2 subordinated loans

Tier 2 capital consists mainly of subordinated debt. Tier 2 capital includes two different types of subordinated loan capital; undated loans and dated loans. According to the regulation, tier 2 capital may not exceed tier 1 capital and dated tier 2 loans must not exceed 50% of tier 1 capital. The limits are set net of deductions.

The basic principle for subordinated debt in the capital base is the order of priority in case of a default or bankruptcy situation. Under such conditions, the holder of the subordinated loan would be repaid after other creditors, but before shareholders. The share of outstanding loan amount possible to include in the tier 2 capital related to dated loans is reduced if the remaining maturity is less than five years. Outstanding amount in the specific issue is deducted by 20% for each year.

The table below shows the booked outstanding amounts of undated subordinated loans included in the tier 2 capital. Call date is where the issuer has the legal right to redeem outstanding loan amounts according the terms of agreement. The carrying amount in the table can deviate from capital amounts used in the capital base due to swap arrangements and adjustments for maturities.

Other Tier 2 capital

Other additional funds consists of adjustment to valuation differences in available for sale equities transferred to core additional own funds. Unrealised gains from equity holdings classified as available for sale securities can according to regulation only be included in tier 2 capital. Nordea has no significant holdings in this category and therefore only has a minor impact on tier 2 capital from such items.

Deductions from tier 2 capital

Deductions for investments in credit institutions

The institutions should in its capital base deduct for equity holdings and some other types of contributions to institutions that are not consolidated into the financial group (in Nordea Bank Finland foremost associated companies). 50% should be deducted from tier 1 capital and 50% should be deducted from tier 2 capital.

IRB provisions excess (+) / shortfall

In accordance with Finnish legislation, the differences between actual IRB provision made for the related exposure and expected loss are adjusted for in the capital base. The negative difference (when the expected loss amount is larger than the provision amount) is defined as a shortfall. According to the rules in the CRD, the shortfall amount is to be deducted from the capital base and be divided equally into tier 1 capital and tier 2 capital. A positive difference (provisions exceeding expected loss) can be included in tier 2 capital subject to certain limitations (maximum 0.6% of IRB RWA).

Undated loans

Undated loans, tier 2

Issuer	Carrying amount EURm	Capital base 31 Dec 2013	Start	Maturity	Call date	Step-up
Nordea Bank Finland Plc	360	468	2004	n/a	Jul 2014	Y
Nordea Bank Finland Plc	69	69	1999	n/a	Feb 2029	Y
Total undated loans tier 2	**429**	**537**				

Capital requirements and RWA

Group

	31 Dec 2013		31 Dec 2012	
EURm	Capital requirement	RWA	Capital requirement	RWA
Credit risk	**3,163**	**39,543**	**2,872**	**35,899**
IRB	1,827	22,837	1,163	14,538
- of which corporate	1,217	15,217	408	5,103
- of which institutions	279	3,490	439	5,492
- of which retail	313	3,910	299	3,732
- of which real estate	222	2,769	184	2,299
- of which retail other	91	1,140	115	1,433
- of which other	18	220	17	210
Standardised	1,336	16,706	1,709	21,362
- of which sovereign	21	256	20	245
- of which retail	343	4,291	331	4,132
- of which residential real estate	75	933	69	863
- of which other	269	3,359	262	3,269
- of which other	973	12,158	1,359	16,985
Market risk	**644**	**8,048**	**379**	**4,732**
- of which trading book, Internal Approach	421	5,262	306	3,829
- of which trading book, Standardised Approach	208	2,595	72	903
- of which banking book, Standardised Approach	15	191	-	-
Operational risk	**405**	**5,060**	**408**	**5,101**
-of which standardised	405	5,060	408	5,101
Sub total	**4,212**	**52,652**	**3,659**	**45,733**
Adjustment for transition rules				
Additional capital requirement according to transition rules	274	3,425	-	-
Total	**4,486**	**56,077**	**3,659**	**45,733**

Capital requirements and RWA

Parent company

	31 Dec 2013		31 Dec 2012	
EURm	Capital requirement	RWA	Capital requirement	RWA
Credit risk	**2,805**	**35,064**	**2,507**	**31,343**
IRB	1,717	21,463	1,054	13,175
- of which corporate	1,112	13,897	305	3,818
- of which institutions	279	3,488	439	5,482
- of which retail	313	3,910	299	3,732
- of which real estate	222	2,769	184	2,299
- of which retail other	91	1,140	115	1,433
- of which other	13	168	11	142
Standardised	1,088	13,600	1,453	18,168
- of which sovereign	20	256	20	245
- of which retail	142	1,775	158	1,981
- of which residential real estate	75	933	69	863
- of which other	67	842	89	1,118
- of which other	926	11,570	1,275	15,942
Market risk	**644**	**8,048**	**379**	**4,732**
- of which trading book, Internal Approach	421	5,262	306	3,829
- of which trading book, Standardised Approach	208	2,595	72	903
- of which banking book, Standardised Approach	15	191	-	-
Operational risk	365	4,557	370	4,630
-of which standardised	365	4,557	370	4,630
Sub total	**3,814**	**47,669**	**3,256**	**40,706**
Adjustment for transition rules				
Additional capital requirement according to transition rules	222	2,781	-	-
Total	**4,036**	**50,451**	**3,256**	**40,706**

Nordea Bank AB (publ) has in December 2012 issued a guarantee in favour of Nordea Bank Finland Plc where Nordea Bank AB (publ) guarantees the majority of the exposures in the exposure class IRB corporate in Nordea Bank Finland Plc. The net effect of the guarantee in RWA in Nordea Bank Finland Plc was EUR -7,6bn as end of 2013 (-16.5).

Capital requirements for market risk, 31 December 2013

	Trading book, IA		Trading book, SA	
EURm	RWA	Capital requirement	RWA	Capital requirement
Interest rate risk[1]	1,756	140	2,042	163
Equity risk	97	8	306	25
Foreign exchange risk	235	19		
Commodity risk			246	20
Diversification effect	-1,002	-80		
Stressed Value-at-Risk	2,751	220		
Incremental Risk Charge	1,003	80		
Comprehensive Risk Charge	421	34		
Total	**5,262**	**421**	**2,595**	**208**

[1] Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Capital requirements for market risk, 31 December 2012

	Banking book, SA		Total	
	RWA	Capital requirement	RWA	Capital requirement
Interest rate risk[1]	-	-	3,798	304
Equity risk	-	-	404	32
Foreign exchange risk	191	15	426	34
Commodity risk	-	-	246	20
Diversification effect	-	-	-1,002	-80
Stressed Value-at-Risk	-	-	2,751	220
Incremental Risk Charge	-	-	1,003	80
Comprehensive Risk Charge	-	-	421	34
Total	**191**	**15**	**8,048**	**644**

[1] Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Specification over group undertakings consolidated/deducted from the Nordea Bank Finland Group

31 Dec 2013	Number of shares	Carrying amount EURm	Voting power of holding, %	Domicile	Consolidation method
Group undertakings included in the NBF Group					
Nordea Finance Finland Ltd	1,000,000	306	100	Espoo	purchase method
SIA Promano Lat	21,084	30	100	Riga	purchase method
Promano Est OÜ	1	10	100	Tallinn	purchase method
Promano Lit UAB	34,528	10	100	Vilnius	purchase method
SIA Realm	7,030	10	100	Riga	purchase method
SIA Lidosta	2	1	100	Riga	purchase method
UAB Recurso	15,000	4	100	Vilnius	purchase method
Other companies		4			purchase method
Total included in the capital base		**376**			
Over 10 % investments in credit institutions deducted from the capital base					
NF Fleet Oy	13,625	3	20	Espoo	equity method
Total investments in credit institutions deducted from the capital base		**3**			

More Capital Adequacy information for the Group can be found in the section Risk, Liquidity and Capital management in the Directors' Report.

Note 40 Classification of financial instruments

Group

31 Dec 2013, 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	30,904	-	-	-	-	-	-	30,904
Loans to central banks	94	-	563	-	-	-	-	657
Loans to credit institutions	28,542	-	6,568	-	-	-	-	35,110
Loans to the public	73,603	-	40,176	-	-	-	-	113,779
Interest-bearing securities	-	2,166	21,322	-	-	10,758	-	34,246
Financial instruments pledged as collateral	-	-	9,739	-	-	-	-	9,739
Shares	-	-	665	15	-	-	-	680
Derivatives	-	-	69,625	-	609	-	-	70,234
Fair value changes of the hedged items in portfolio hedge of interest rate risk	58	-	-	-	-	-	-	58
Investments in associated undertakings	-	-	-	-	-	-	59	59
Intangible assets	-	-	-	-	-	-	100	100
Property and equipment	-	-	-	-	-	-	94	94
Investment property	-	-	-	-	-	-	113	113
Deferred tax assets	-	-	-	-	-	-	5	5
Current tax assets	-	-	-	-	-	-	1	1
Retirement benefit assets	-	-	-	-	-	-	133	133
Other assets	1,410	-	-	6,606	-	-	261	8,277
Prepaid expenses and accrued income	324	-	-	-	-	-	248	572
Total	**134,935**	**2,166**	**148,658**	**6,621**	**609**	**10,758**	**1,014**	**304,761**

31 Dec 2013, 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	22,333	-	-	57,093	-	79,426
Deposits and borrowings from the public	26,924	-	-	53,985	-	80,909
Debt securities in issue	8,119	-	-	39,011	-	47,130
Derivatives	66,806	-	303	-	-	67,109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	369	-	369
Current tax liabilities	-	-	-	-	8	8
Other liabilities	10,405	5,871	-	2,240	339	18,855
Accrued expenses and prepaid income	-	-	-	453	413	866
Deferred tax liabilities	-	-	-	-	53	53
Provisions	-	-	-	-	72	72
Retirement benefit liabilities	-	-	-	-	21	21
Subordinated liabilities	-	-	-	429	-	429
Total	**134,587**	**5,871**	**303**	**153,580**	**906**	**295,247**

Note 40 *Classification of financial instruments, cont.*

Group

31 Dec 2012, 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	30,004	-	-	-	-	-	-	30,004
Loans to central banks	285	-	524	-	-	-	-	809
Loans to credit institutions	29,184	-	6,834	-	-	-	-	36,018
Loans to the public	74,049	-	26,716	-	-	-	-	100,765
Interest-bearing securities	-	2,373	17,821	-	-	9,624	-	29,818
Financial instruments pledged as collateral	-	-	8,078	-	-	-	-	8,078
Shares	-	-	818	20	-	-	-	838
Derivatives	-	-	116,371	-	842	-	-	117,213
Fair value changes of the hedged items in portfolio hedge of interest rate risk	124	-	-	-	-	-	-	124
Investments in associated undertakings	-	-	-	-	-	-	79	79
Intangible assets	-	-	-	-	-	-	108	108
Property and equipment	-	-	-	-	-	-	96	96
Investment property	-	-	-	-	-	-	104	104
Deferred tax assets	-	-	-	-	-	-	37	37
Current tax assets	-	-	-	-	-	-	1	1
Retirement benefit assets	-	-	-	-	-	-	80	80
Other assets	1,745	-	-	8,370	-	-	205	10,320
Prepaid expenses and accrued income	353	-	-	-	-	-	616	969
Total	**135,744**	**2,373**	**177,162**	**8,390**	**842**	**9,624**	**1,326**	**335,461**

31 Dec 2012, 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	17,625	-	0	57,041	-	74,666
Deposits and borrowings from the public	16,892	-	0	53,320	-	70,212
Debt securities in issue	8,251	-	0	40,748	-	48,999
Derivatives	115,437	-	399	-	-	115,836
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	637	-	637
Current tax liabilities	-	-	-	-	4	4
Other liabilities	5,151	5,802	-	3,194	92	14,239
Accrued expenses and prepaid income	-	-	-	422	524	946
Deferred tax liabilities	-	-	-	-	58	58
Provisions	-	-	-	-	83	83
Retirement benefit liabilities	-	-	-	-	50	50
Subordinated liabilities	-	-	-	514	-	514
Total	**163,356**	**5,802**	**399**	**155,876**	**811**	**326,244**

Parent company

31 Dec 2013, 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	30,904	-	-	-	-	-	-	30,904
Loans to central banks	94	-	563	-	-	-	-	657
Loans to credit institutions	33,995	-	6,568	-	-	-	-	40,563
Loans to the public	67,092	-	40,176	-	-	-	-	107,268
Interest-bearing securities	-	2,166	21,322	-	-	10,758	-	34,246
Financial instruments pledged as collateral	-	-	9,739	-	-	-	-	9,739
Shares	-	-	665	14	-	-	-	679
Derivatives	-	-	69,625	-	609	-	-	70,234
Fair value changes of the hedged items in portfolio hedge of interest rate risk	58	-	-	-	-	-	-	58
Investments in group undertakings	-	-	-	-	-	-	376	376
Investments in associated undertakings	-	-	-	-	-	-	34	34
Intangible assets	-	-	-	-	-	-	98	98
Property and equipment	-	-	-	-	-	-	74	74
Investment property	-	-	-	-	-	-	8	8
Deferred tax assets	-	-	-	-	-	-	2	2
Current tax assets	-	-	-	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-	-	132	132
Other assets	1,377	-	-	6,606	-	-	250	8,233
Prepaid expenses and accrued income	317	-	-	-	-	-	69	386
Total	**133,837**	**2,166**	**148,658**	**6,620**	**609**	**10,758**	**1,043**	**303,691**

31 Dec 2013, 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	22,333	-	-	56,982	-	79,315
Deposits and borrowings from the public	26,924	-	-	53,984	-	80,908
Debt securities in issue	8,119	-	-	39,011	-	47,130
Derivatives	66,806	-	303	-	-	67,109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	369	-	369
Current tax liabilities	-	-	-	-	4	4
Other liabilities	10,405	5,871	-	2,139	272	18,687
Accrued expenses and prepaid income	-	-	-	366	302	668
Deferred tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	67	67
Retirement benefit liabilities	-	-	-	-	20	20
Subordinated liabilities	-	-	-	429	-	429
Total	**134,587**	**5,871**	**303**	**153,280**	**665**	**294,706**

Note 40 *Classification of financial instruments, cont.*

Parent company

31 Dec 2012, 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	30,004	-	-	-	-	-	-	30,004
Loans to central banks	285	-	524	-	-	-	-	809
Loans to credit institutions	34,629	-	6,834	-	-	-	-	41,463
Loans to the public	67,597	-	26,716	-	-	-	-	94,313
Interest-bearing securities	-	2,373	17,821	-	-	9,624	-	29,818
Financial instruments pledged as collateral	-	-	8,078	-	-	-	-	8,078
Shares	-	-	818	17	-	-	-	835
Derivatives	-	-	116,371	-	842	-	-	117,213
Fair value changes of the hedged items in portfolio hedge of interest rate risk	124	-	-	-	-	-	-	124
Investments in group undertakings	-	-	-	-	-	-	373	373
Investments in associated undertakings	-	-	-	-	-	-	34	34
Intangible assets	-	-	-	-	-	-	106	106
Property and equipment	-	-	-	-	-	-	59	59
Investment property	-	-	-	-	-	-	10	10
Deferred tax assets	-	-	-	-	-	-	31	31
Current tax assets	-	-	-	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-	-	80	80
Other assets	1,715	-	-	8,370	-	-	193	10,278
Prepaid expenses and accrued income	342	-	-	-	-	-	435	777
Total	**134,696**	**2,373**	**177,162**	**8,387**	**842**	**9,624**	**1,321**	**334,405**

31 Dec 2012, 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	17,625	-	-	56,928	-	74,553
Deposits and borrowings from the public	16,892	-	-	53,332	-	70,224
Debt securities in issue	8,251	-	-	40,748	-	48,999
Derivatives	115,437	-	399	-	-	115,836
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	637	-	637
Current tax liabilities	-	-	-	-	4	4
Other liabilities	5,151	5,802	-	3,048	23	14,024
Accrued expenses and prepaid income	-	-	-	417	327	744
Deferred tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	79	79
Retirement benefit liabilities	-	-	-	-	45	45
Subordinated liabilities	-	-	-	514	-	514
Total	**163,356**	**5,802**	**399**	**155,624**	**478**	**325,659**

Note 41 Assets and liabilities at fair value

Group

	31 Dec 2013		31 Dec 2012	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	30,904	30,904	30,004	30,004
Loans	149,546	149,607	137,592	137,816
Interest-bearing securities	34,246	34,252	29,818	29,823
Financial instruments pledged as collateral	9,739	9,739	8,078	8,078
Shares	680	680	838	838
Derivatives	70,234	70,234	117,213	117,213
Other assets	8,840	8,840	10,949	10,949
Prepaid expenses and accrued income	572	572	969	969
Total financial assets	**304,761**	**304,828**	**335,461**	**335,690**
Financial liabilities				
Deposits and debt instruments	207,465	208,094	193,877	193,215
Derivatives	67,109	67,109	115,836	115,836
Other liabilities	19,378	19,378	15,071	15,071
Accrued expenses and prepaid income	866	866	946	946
Subordinated liabilities	429	429	514	514
Total financial liabilities	**295,247**	**295,876**	**326,244**	**325,582**

Parent company

	31 Dec 2013		31 Dec 2012	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	30,904	30,904	30,004	30,004
Loans	148,489	148,547	136,585	136,804
Interest-bearing securities	34,246	34,252	29,818	29,823
Financial instruments pledged as collateral	9,739	9,739	8,078	8,078
Shares	679	679	835	835
Derivatives	70,234	70,234	117,213	117,213
Other assets	9,014	9,014	11,095	11,095
Prepaid expenses and accrued income	386	386	777	777
Total financial assets	**303,691**	**303,755**	**334,405**	**334,629**
Financial liabilities				
Deposits and debt instruments	207,353	207,982	193,776	193,114
Derivatives	67,109	67,109	115,836	115,836
Other liabilities	19,147	19,147	14,789	14,789
Accrued expenses and prepaid income	668	668	744	744
Subordinated liabilities	429	429	514	514
Total financial liabilities	**294,706**	**295,335**	**325,659**	**324,997**

For information about valuation of items measured at fair value on the balance sheet, see Note 1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet".

Assets and liabilities at fair value on the balance sheet

Group

Categorisation into the fair value hierarchy

31 Dec 2013, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks	-	563	-	563
Loans to credit institutions	-	6,568	-	6,568
Loans to the public	-	40,176	-	40,176
Interest-bearing securities	21,985	9,880	215	32,080
Financial instruments pledged as collateral	5,998	3,741	-	9,739
Shares	236	-	444	680
Derivatives	52	68,553	1,629	70,234
Investment properties	-	9	104	113
Other assets	-	6,606	-	6,606
Prepaid expenses and accrued income	-	-	-	-
Total	**28,271**	**136,096**	**2,392**	**166,759**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	-	22,333	-	22,333
Deposits and borrowings from the public	-	26,924	-	26,924
Debt securities in issue	-	8,119	-	8,119
Derivatives	55	65,625	1,429	67,109
Other liabilities	8,680	7,595	1	16,276
Accrued expenses and prepaid income	-	-	-	-
Total	**8,735**	**130,596**	**1,430**	**140,761**

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

31 Dec 2012, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks	-	524	-	524
Loans to credit institutions	-	6,834	-	6,834
Loans to the public	-	26,716	-	26,716
Interest-bearing securities	12,978	14,190	277	27,445
Financial instruments pledged as collateral	7,242	836	0	8,078
Shares	311	-	527	838
Derivatives	42	115,241	1,930	117,213
Other assets	-	8,370	-	8,370
Prepaid expenses and accrued income	-	-	-	-
Total	**20,573**	**172,711**	**2,734**	**196,018**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	-	17,625	-	17,625
Deposits and borrowings from the public	-	16,892	-	16,892
Debt securities in issue	-	8,251	-	8,251
Derivatives	36	114,139	1,661	115,836
Other liabilities	4,759	6,194	-	10,953
Accrued expenses and prepaid income	-	-	-	-
Total	**4,795**	**163,101**	**1,661**	**169,557**

[1] All items are measured at fair value on a recurring basis at the end of each reporting period

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Parent company

Categorisation into the fair value hierarchy

31 Dec 2013, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks	-	563	-	563
Loans to credit institutions	-	6,568	-	6,568
Loans to the public	-	40,176	-	40,176
Interest-bearing securities	21,985	9,880	215	32,080
Financial instruments pledged as collateral	5,998	3,741	-	9,739
Shares	235	-	444	679
Derivatives	52	68,553	1,629	70,234
Investment properties		4	4	8
Other assets	-	6,606	-	6,606
Prepaid expenses and accrued income	-	-	-	-
Total	**28,270**	**136,091**	**2,292**	**166,653**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	-	22,333	-	22,333
Deposits and borrowings from the public	-	26,924	-	26,924
Debt securities in issue	-	8,119	-	8,119
Derivatives	55	65,625	1,429	67,109
Other liabilities	8,680	7,595	1	16,276
Accrued expenses and prepaid income	-	-	-	-
Total	**8,735**	**130,596**	**1,430**	**140,761**

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

31 Dec 2012, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks	-	524	-	524
Loans to credit institutions	-	6,834	-	6,834
Loans to the public	-	26,716	-	26,716
Interest-bearing securities	12,978	14,190	277	27,445
Financial instruments pledged as collateral	7,242	836	0	8,078
Shares	308	-	527	835
Derivatives	42	115,241	1,930	117,213
Other assets	-	8,370	-	8,370
Prepaid expenses and accrued income	-	-	-	-
Total	**20,570**	**172,711**	**2,734**	**196,015**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	-	17,625	-	17,625
Deposits and borrowings from the public	-	16,892	-	16,892
Debt securities in issue	-	8,251	-	8,251
Derivatives	36	114,139	1,661	115,836
Other liabilities	4,759	6,194	-	10,953
Accrued expenses and prepaid income	-	-	-	-
Total	**4,795**	**163,101**	**1,661**	**169,557**

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

Determination of fair values for items measured at fair value on the balance sheet
Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy that reflects the observability and significance of inputs. The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date and any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models. Investment properties are classified to level 2 if the parameters used to measure fair value of the investment property are derived from observable market data and any unobservable input has an insignificant impact on the fair values. These inputs may include prices per square meter derived from prices in observed transactions involving comparable or similar buildings in similar locations.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities 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 investments in unlisted securities, private equity funds and hedge funds. This is generally also the case for more complex OTC derivatives, including OTC derivatives where less active markets supply input to the valuation techniques or models, certain complex or structured financial instruments such as CLNs and CDOs, and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific parameters. Investment properties are classified to level 3 when unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date. An adjustment to a level 2 input, that is significant to the entire measurement, might result in a fair value measurement categorised within level 3 if the adjustment is a significant unobservable input.

All valuation models, both complex and simple models, make use of market parameters. These parameters comprise interest rates, volatilities, correlations etc. Some of these parameters are observable while others are not. For non-exotic currencies the interest rates are all observable, and the volatilities and the correlations of the interest rates and FX rates are observable up to a certain maturity. Volatilities and correlations are also observable for the most liquid equity instruments in the short end. For less liquid equity instruments, and for commodities, the option market is fairly illiquid, and hence the volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels are based on the internal pricing methodology. These instruments can either be directly quoted in active markets (level 1) or measured using a methodology giving a quote based on observable inputs (level 2). Level 3 bonds are characterised by illiquidity.

For OTC derivatives valuation models are used for establishing fair value. For collateralised contracts OIS interest rates are used for discounting. These rates are observable in the market. The valuation is in addition based on several other market parameters, depending on the nature of the contract. Complex valuation models are used for more exotic OTC derivatives. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. As mentioned above OTC derivatives are generally categorised as level 2 in the fair value hierarchy and all significant model parameters are thus observable in active markets. For vanilla derivatives standard models like e.g. Black-Scholes are used for valuation.

Valuations of Private Equity Funds (PEF) and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by EVCA (European Venture Capital Association). The EVCA guidelines are considered as best practice in the PEF industry. For US based funds, similar methods are applied.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, 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 counterparty credit risk and liquidity risk. An important part of the portfolio adjustment serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

The portfolio adjustment for uncertainties associated with model assumptions comprises two components (The calculation principles are defined as part of the internal approval process for valuation models):

- Benchmarking of the model output (market values) against market information or against results from alternative models, where available.
- Sensitivity calculations where unobservable parameters are changed to other reasonable values.

The portfolio adjustment for counterparty risk in OTC-derivatives is based on the current exposure towards each counterpart, the estimated potential future exposure as well as an estimate of the cost of hedging the counterparty risk. This cost of hedging is either based directly on market prices (where available) or on a theoretical calculation based on the internal credit rating of the counterpart.

Financial assets and liabilities with offsetting positions in market risk or credit risk are measured on the basis of the price that would be received to sell the net asset exposed to that particular risk or paid to transfer the net liability exposed to that particular risk.

Transfers between level 1 and 2

During the year, NBF transferred debt securities of EUR 3,097m (2,982m) from level 1 to level 2 and EUR 1,032m (997m) from level 2 to level 1 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value. The reason for the transfers from level 1 to level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from level 2 to level 1 was that the instruments has again been actively traded during the year and reliable quoted prices are obtained in the market.

Movements in level 3

Group

31 Dec 2013, EURm	1 Jan 2013	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised[1]	Purchases	Sales
Interest-bearing securities	277	4	71	96	-227
Shares	527	13	-16	38	-118
Derivatives (net assets and liabilities)	269	289	-69	-	-
Investment properties	94	0	0	28	-17
Other liabilities	-	-20	0	-	-

31 Dec 2013, EURm	Settlements	Issues	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2013
Interest-bearing securities	-6	-	-	-	-	215
Shares	-	-	-	-	-	444
Derivatives (net assets and liabilities)	-289	-	-	-	-	200
Investment properties	-	-	-	-	-1	104
Other liabilities	-608	608	22	-1	0	1

[1] Relates to those assets and liabilities held at the end of the reporting period.

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. During the period NBF transferred other liabilities of EUR 21m from level 2 to level 3. The reason for the transfer from level 2 to level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the reporting period. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note 5). Assets and liabilities related to derivatives are presented net.

Group

31 Dec 2012, EURm	1 Jan 2012	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised[1]	Purchases	Sales
Interest-bearing securities	208	-6	14	91	-36
Shares	650	-27	3	145	-292
Derivatives (net assets and liabilities)	-203	-263	472	0	0

31 Dec 2012, EURm	Settlements	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2012
Interest-bearing securities	6	-	-	-	277
Shares	-	-	-	46	527
Derivatives (net assets and liabilities)	263	-	-	-	269

[1] Relates to those assets and liabilities held at the end of the reporting period.

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note 5). Assets and liabilities related to derivatives are presented net.

Parent company

31 Dec 2013, EURm	1 Jan 2013	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised[1]	Purchases	Sales
Interest-bearing securities	277	4	71	96	-227
Shares	527	13	-16	38	-118
Derivatives (net assets and liabilities)	269	289	-69	-	-
Investment properties	4	-	0	0	0
Other liabilities	-	-20	0	-	-

31 Dec 2013, EURm	Settlements	Issues	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2013
Interest-bearing securities	-6		-	-	-	215
Shares	-		-	-	-	444
Derivatives (net assets and liabilities)	-289		-	-	-	200
Investment properties	-	-	-	-	-	4
Other liabilities	-608	608	22	-1	-	1

[1] Relates to those assets and liabilities held at the end of the reporting period.

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. During the period NBF transferred other liabilities of EUR 21m from level 2 to level 3. The reason for the transfer from level 2 to level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the reporting period. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note 5). Assets and liabilities related to derivatives are presented net.

Parent company

31 Dec 2012, EURm	1 Jan 2012	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised[1]	Purchases	Sales
Interest-bearing securities	208	-6	14	91	-36
Shares	650	-27	3	145	-292
Derivatives (net assets and liabilities)	-203	-264	472	-	-

31 Dec 2012, EURm	Settlements	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2012
Interest-bearing securities	6	-	-	-	277
Shares	-	-	-	46	527
Derivatives (net assets and liabilities)	264	-	-	-	269

[1] Relates to those assets and liabilities held at the end of the reporting period.

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note 5). Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in level 3

Financial instruments
Valuation principles in Nordea are determined in and approved by the Group Valuation Committee (GVC). GVC issues guiding policies to the business units on how to establish a robust valuation process and minimise the valuation uncertainty. The GVC also serves as escalation point.

The valuation process in Nordea consists of several steps. The first step is the initial end of day (EOD) marking of mid-prices. The mid-prices are either fixed by front office or received from external sources. The second step is the control part, which is performed by independent control units. The cornerstone in the control is the independent price verification (IPV). The IPV test comprises verification of the correctness of prices and other parameters used in the net present value (NPV) calculation, the adequacy of the valuation models, including an assessment of whether to use quoted prices or valuation models, and the reliability of the assumptions and parameters used in the fair value adjustments (FVA) covering mainly liquidity (bid/offer spread), model and credit risk adjustments.

The verification of the correctness of prices and other parameters is carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis. This quality assessment is used in the measurement of the valuation uncertainty.

The FVAs and the deferrals of day 1 P/L on level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continuous basis.

Investment properties
For investment properties there are no active markets as the investment properties are not identical. When there are observable inputs available, those will be used to evaluate investment properties. Observable input are inputs that are developed using market data, such as publicly available information about actual events or transactions and that reflect the assumptions that market participants would use when pricing the asset or liability. When observable inputs are not available unobservable inputs are used to measure fair value to the extent that observable inputs are not available. Unobservable inputs are developed based on the best information available in the circumstances, which might include internal data as well.

Investment Properties have been valuated based on the observed comparable transactions, adjusted by an unobservable input as well as based on discounted cash flow transactions using discounted rate as an unobservable input. The variation range of discount rate has been between 6.6% and 18.0%.

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

Group and parent company

31 Dec 2013, EURm	Fair value[1]	Valuation techniques
Shares		
Private equity funds	271	Net asset value[1]
Hedge funds	162	Net asset value[1]
Credit Funds	-	Net asset value/market consensus[1]
Other funds	-	Net asset value/Fund prices[1]
Other	11	-
Total[2]	**444**	

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

[2]Effects of reasonably possible alternative assumptions are EURm -36/36 (-39/39).

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

Group and parent company

31 Dec 2013, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value[3]
Derivatives				
Interest rate derivatives	112	Option model	Correlations	-6/5
			Volatilities	
Equity derivatives	99	Option model	Correlations	-17/11
			Volatilities	
			Dividend	
Foreign exchange derivatives	103	Option model	Correlations	+/-0
			Volatilities	
Credit derivatives	-129	Credit derivatives model	Correlations	-7/9
			Recovery rates	
Other	15	Option model	Correlations	+/-0
			Volatilities	
Total	**200**			

31 Dec 2013, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value[3]
Interest-bearing securities				
Municipalities and other public bodies	-	Discounted cash flows	Credit spread	-
Mortgage and other credit institutions[2]	200	Discounted cash flows	Credit spread	-19/19
Corporates	15	Discounted cash flows	Credit spread	-1/1
Other	-	-	-	-
Total	**215**			
Other liabilities	1	Discounted cash flows	Credit spread	-
Total	**1**			

31 Dec 2013, EURm	Fair value[4]	Valuation techniques	Unobservable input	Range of unobservable input
Investment properties				
Commercial real estates	10	Discounted cash flows	Discount rate	6.6%-18.0%
Residential and some commercial real estates	94	Comparable transactions with adjustments	-	
Total	**104**			

[3]Range of fair value for derivatives 31 Dec 2012 was EURm -24/20 and for interest-bearing securities EURm -23/23.
[4]Of which the parent company EUR 4m in respect of Residential and some commercial real estates.

Note 41 *Assets and liabilities at fair value, cont.*

The tables on previous page show, for each class of assets and liabilities categorised in level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

Fair value of assets and liabilities in level 3 are estimated using valuation techniques based on assumptions that are not supported by market observable prices or rates. There may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique. For financial instruments portfolio adjustments are applied to reflect such uncertainties and are deducted from the fair values produced by the models or other valuation techniques (for further information see Note G1 section 11 "Determination of fair value of financial instruments").

The column "range of fair value" and the footnote 3 in the tables above shows the sensitivity of the fair values of level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table. The range disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) in fair value of derivatives a range of different modelling approaches are applied to determine an uncertainty interval around the reported fair value. The different approaches applied target various aspects of derivatives pricing. Two common components of derivative valuation models are volatility of underlying risk factors and correlation between the relevant risk factors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling approach. Besides these common factors a number of asset class specific factors are addressed. These include equity dividend expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities the fair value was increased and decreased within a range of 5-10 percentage units which are assessed to be reasonable changes in market movements.

As the fair value measurement of investment properties is based on the comparable transactions in the market and adjusted by unobservable inputs and as it is based on the discounted cash flow transactions, the fair value measurement is sensitive for the changes in general interest rate levels as well as the economic growth.

Deferred Day 1 profit or loss

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (day 1 profit) is deferred. For more information see, Note 1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of changes in how this aggregated difference has been changed during the year (movement of deferred Day 1 profit).

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Amount at beginning of year	-43	-47	-43	-47
Deferred profit/loss on new transactions	-11	-8	-11	-8
Recognised in the income statement during the year	13	12	13	12
Amount at end of year	**-41**	**-43**	**-41**	**-43**

Note 41 *Assets and liabilities at fair value, cont.*

Financial assets and liabilities not at fair value on the balance sheet

Group

31 Dec 2013, EURm	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Cash and balances with central banks	30,904	30,904	1
Loans	102,297	102,358	3
Interest bearing-securities	2,166	2,173	1, 2, 3
Other assets and Prepaid expenses and accrued income	1,734	1,734	3
Total	**137,101**	**137,169**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	150,887	151,517	3
Other liabilities and Accrued expenses and prepaid income	2,693	2,693	3
Total	**153,580**	**154,210**	

Parent

31 Dec 2013, EURm	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Cash and balances with central banks	30,904	30,904	1
Loans	101,239	101,297	3
Interest bearing-securities	2,166	2,173	1, 2, 3
Other assets and Prepaid expenses and accrued income	1,694	1,694	3
Total	**136,003**	**136,068**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	150,775	151,405	3
Other liabilities and Accrued expenses and prepaid income	2,505	2,505	3
Total	**153,280**	**153,910**	

Cash and balances with central banks
The fair value equals the carrying amount. The fair value is based on quoted prices in active markets for relevant currencies and therefore the fair value measurement is categorised into level 1 in the fair value hierarchy.

Loans
The fair value of "Loans to central banks", "Loans to credit institutions" and "Loans to the public" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rates in the portfolios. The fair value measurement is categorised into level 3 in the fair value hierarchy.

Interest bearing-securities
The fair value is EUR 2,173m, of which EUR 27m is categorised in level 1 and EUR 2,146m in level 2 of the fair value hierarchy. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income
The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is categorised into level 3 in the fair value hierarchy.

Deposits and debt instruments
The fair value of ”Deposits by credit institutions”, “Deposits and borrowings from the public”, “Debt securities in issue” and “Subordinated liabilities” has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into level 3 in the fair value hierarchy. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as a difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long term issuance recognised in the balance sheet items “Debt securities in issue” and “Subordinated liabilities”. As the contractual maturity is short for “Deposits by credit institutions” and “Deposits and borrowing from the public” the changes in Nordea´s own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items “Debt securities in issue” and “Subordinated liabilities”.

Other liabilities and accrued expenses and prepaid income
The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into level 3 in the fair value hierarchy.

Note 42 Financial instruments set off on balance or subject to netting agreements

Group

31 Dec 2013, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	128,024	-58,022	70,002	-56,569	-	-4,359	9,074
Reverse repurchase agreements	47,307	-	47,307	-24,688	-22,201	-	419
Total	**175,331**	**-58,022**	**117,309**	**-81,257**	**-22,201**	**-4,359**	**9,493**

31 Dec 2013, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	124,005	-58,022	65,983	-56,569	-	-4,869	4,545
Repurchase agreements	49,257	-	49,257	-24,688	-20,894	-	3,675
Total	**173,262**	**-58,022**	**115,240**	**-81,257**	**-20,894**	**-4,869**	**8,220**

[1] All amounts are measured at fair value.

[2] Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

Group

31 Dec 2012, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	192,222	-76,704	115,518	-100,110	-	-4,265	11,143
Reverse repurchase agreements	34,075	-	34,075	-15,549	-18,297	-	228
Total	**226,297**	**-76,704**	**149,593**	**-115,659**	**-18,297**	**-4,265**	**11,371**

31 Dec 2012, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	190,351	-76,704	113,647	-100,110	-	-7,823	5,714
Repurchase agreements	34,518	-	34,518	-15,549	-18,880	-	89
Total	**224,869**	**-76,704**	**148,165**	**-115,659**	**-18,880**	**-7,823**	**5,803**

[1] All amounts are measured at fair value.

[2] Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

Note 42 *Financial instruments set off on balance or subject to netting agreements, cont.*

Parent company

31 Dec 2013, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	128,024	-58,022	70,002	-56,569	-	-4,359	9,074
Reverse repurchase agreements	47,307	-	47,307	-24,688	-22,201	-	419
Total	**175,331**	**-58,022**	**117,309**	**-81,257**	**-22,201**	**-4,359**	**9,493**

31 Dec 2013, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	124,005	-58,022	65,983	-56,569	-	-4,869	4,545
Repurchase agreements	49,257	-	49,257	-24,688	-20,894	-	3,675
Total	**173,262**	**-58,022**	**115,240**	**-81,257**	**-20,894**	**-4,869**	**8,220**

[1] All amounts are measured at fair value.

[2] Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

Parent company

31 Dec 2012, EURm	Gross recognised financial assets1	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet2	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	192,222	-76,704	115,518	-100,110	-	-4,265	11,143
Reverse repurchase agreements	34,075	-	34,075	-15,549	-18,297	-	228
Total	**226,297**	**-76,704**	**149,593**	**-115,659**	**-18,297**	**-4,265**	**11,371**

31 Dec 2012, EURm	Gross recognised financial liabilities1	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet2	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	190,351	-76,704	113,647	-100,110	-	-7,823	5,714
Repurchase agreements	34,518	-	34,518	-15,549	-18,880	-	89
Total	**224,869**	**-76,704**	**148,165**	**-115,659**	**-18,880**	**-7,823**	**5,803**

[1] All amounts are measured at fair value.

[2] Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

Note 42 *Financial instruments set off on balance or subject to netting agreements, cont.*

Enforceable master netting arrangements and similar agreements
The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and as a consequence Nordea would be allowed to benefit from netting both in the ordinary course of business and in the case of default towards its counter parties, in any calculations involving counterparty credit risk. The reason why the netted exposures are not reflected under assets and liabilities on the balance sheet, would in most instances depend on the limited application of net settlement of financial transactions.

Note 43 Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities
All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions results in the securities are returned to Nordea, all risks and rewards of the instruments transferred is retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterpart in the transactions holds the securities as collateral, but has no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Repurchase agreements				
Interest-bearing securities	9,739	8,078	9,739	8,078
Total	**9,739**	**8,078**	**9,739**	**8,078**

Liabilities associated with the assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Repurchase agreements				
Deposits by credit institutions	3,085	2,975	3,085	2,975
Deposits and borrowings from the public	6,654	5,103	6,654	5,103
Total	**9,739**	**8,078**	**9,739**	**8,078**
Net	**0**	**0**	**0**	**0**

Obtained collaterals which are permitted to be sold or repledged
NBF 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. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012
Reverse repurchase agreements				
Received collaterals which can be repledged or sold	45,944	33,447	45,944	33,447
- of which repledged or sold	39,068	14,855	39,068	14,855
Total	**45,944**	**33,447**	**45,944**	**33,447**

Note 44 Maturity analysis for assets and liabilities

Group

Expected maturity

		31 Dec 2013 Expected to be recovered or settled:			31 Dec 2012 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		30 904	-	30 904	30 004	-	30 004
Loans to central banks	13	657	-	657	809	-	809
Loans to credit institutions	13	21 070	14 040	35 110	19 779	16 239	36 018
Loans to the public	13	58 339	55 440	113 779	45 428	55 337	100 765
Interest-bearing securities	14	10 031	24 215	34 246	12 994	16 824	29 818
Financial instruments pledged as collateral	15	7 088	2 651	9 739	3 885	4 193	8 078
Shares	16	665	15	680	-	838	838
Derivatives	17	8 026	62 208	70 234	10 675	106 538	117 213
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	7	51	58	-1	125	124
Investments in group undertakings	19	-	-	0	-	-	0
Investments in associated undertakings	20	-	59	59	-	79	79
Intangible assets	21	3	97	100	-	108	108
Property and equipment	22, 23	2	92	94	-	96	96
Investment property	24	1	112	113	8	96	104
Deferred tax assets	12	4	1	5	-	37	37
Current tax assets	12	1	-	1	1	-	1
Retirement benefit assets	33	-	133	133	-	80	80
Other assets	25	8 273	4	8 277	3	10 317	10 320
Prepaid expenses and accrued income	26	572	-	572	889	80	969
Total assets		**145 643**	**159 118**	**304 761**	**124 474**	**210 987**	**335 461**
Deposits by credit institutions	27	73 991	5 435	79 426	68 173	6 493	74 666
Deposits and borrowings from the public	28	79 820	1 089	80 909	70 211	1	70 212
Debt securities in issue	29	25 648	21 482	47 130	28 645	20 354	48 999
Derivatives	17	8 810	58 299	67 109	11 810	104 026	115 836
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	25	344	369	-8	645	637
Current tax liabilities	12	8	-	8	-	4	4
Other liabilities	30	18 855	-	18 855	14 239	-	14 239
Accrued expenses and prepaid income	31	863	3	866	865	81	946
Deferred tax liabilities	12	39	14	53	-	58	58
Provisions	32	2	70	72	21	62	83
Retirement benefit liabilities	33	-	21	21	-	50	50
Subordinated liabilities	34	360	69	429	-1	515	514
Total liabilities		**208 421**	**86 826**	**295 247**	**193 955**	**132 289**	**326 244**

Parent company

Expected maturity

		31 Dec 2013 Expected to be recovered or settled:			31 Dec 2012 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		30 904	-	30 904	30 004	-	30 004
Loans to central banks	13	657	-	657	809	-	809
Loans to credit institutions	13	25 671	14 892	40 563	24 355	17 108	41 463
Loans to the public	13	54 647	52 621	107 268	41 775	52 538	94 313
Interest-bearing securities	14	10 031	24 215	34 246	12 994	16 824	29 818
Financial instruments pledged as collateral	15	7 088	2 651	9 739	3 885	4 193	8 078
Shares	16	665	14	679	-	835	835
Derivatives	17	8 026	62 208	70 234	10 675	106 538	117 213
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	7	51	58	-1	125	124
Investments in group undertakings	19	-	376	376	-	373	373
Investments in associated undertakings	20	-	34	34	-	34	34
Intangible assets	21	-	98	98	-	106	106
Property and equipment	22, 23	-	74	74	-	59	59
Investment property	24	-	8	8	-	10	10
Deferred tax assets	12	2	-	2	-	31	31
Current tax assets	12	-	-	-	-	-	-
Retirement benefit assets	33	-	132	132	-	80	80
Other assets	25	8 233	-	8 233	0	10 278	10 278
Prepaid expenses and accrued income	26	386	-	386	777	-	777
Total assets		**146 317**	**157 374**	**303 691**	**125 273**	**209 132**	**334 405**
Deposits by credit institutions	27	73 949	5 366	79 315	73 949	5 366	79 315
Deposits and borrowings from the public	28	79 819	1 089	80 908	79 819	1 089	80 908
Debt securities in issue	29	25 648	21 482	47 130	25 648	21 482	47 130
Derivatives	17	8 810	58 299	67 109	8 810	58 299	67 109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	25	344	369	25	344	369
Current tax liabilities	12	4	-	4	4	-	4
Other liabilities	30	18 687	-	18 687	18 687	-	18 687
Accrued expenses and prepaid income	31	668	-	668	668	-	668
Deferred tax liabilities	12	-	-	-	-	-	-
Provisions	32	-	67	67	-	67	67
Retirement benefit liabilities	33	-	20	20	-	20	20
Subordinated liabilities	34	360	69	429	360	69	429
Total liabilities		**207 970**	**86 736**	**294 706**	**207 970**	**86 736**	**294 706**

Contractual undiscounted cash flows

Group

31 Dec 2013, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest bearing assets	36,850	67,487	26,151	67,676	41,783	**239,948**
Non interest bearing assets	-	-	-	-	80,423	**80,423**
Total assets	**36,850**	**67,487**	**26,151**	**67,676**	**122,206**	**320,370**
Interest bearing liabilities	41,808	110,698	28,689	21,628	7,964	**210,786**
Non interest bearing liabilities	-	-	-	-	96,866	**96,866**
Total liabilities	**41,808**	**110,698**	**28,689**	**21,628**	**104,830**	**307,652**
Derivatives, cash inflow	-	467,888	125,713	212,976	68,318	**874,896**
Derivatives, cash outflow	-	-469,864	-125,876	-212,411	-69,415	**-877,566**
Net exposure	**-**	**-1,975**	**-162**	**565**	**-1,097**	**-2,670**
Exposure	**-4,958**	**-45,186**	**-2,700**	**46,613**	**16,279**	**10,048**
Cumulative exposure	**-4,958**	**-50,144**	**-52,844**	**-6,230**	**10,048**	

31 Dec 2012, EURm[1]	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest bearing assets	33,325	63,458	25,197	59,911	38,406	**220,296**
Non interest bearing assets	-	-	-	-	129,970	**129,970**
Total assets	**33,325**	**63,458**	**25,197**	**59,911**	**168,376**	**350,266**
Interest bearing liabilities	47,433	94,051	26,955	22,238	6,302	**196,979**
Non interest bearing liabilities	-	-	-	-	141,070	**141,070**
Total liabilities	**47,433**	**94,051**	**26,955**	**22,238**	**147,372**	**338,049**
Derivatives, cash inflow	-	502,103	185,362	373,663	167,094	**1,228,221**
Derivatives, cash outflow	-	-522,227	-184,337	-365,728	-166,886	**-1,239,177**
Net exposure	**-**	**-20,124**	**1,025**	**7,934**	**209**	**-10,956**
Exposure	**-14,108**	**-50,717**	**-733**	**45,608**	**21,212**	**1,261**
Cumulative exposure	**-14,108**	**-64,825**	**-65,558**	**-19,950**	**1,261**	

[1] The figures for 2012 have been restated

The table is based on contractual maturities for on balance sheet instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea has credit commitments amounting to EUR 15,882m (15,956), which could be drawn on at any time.

NBF has also issued guarantees of EUR 14,323m (14,628) which may lead to future cash outflows if certain events occur.

Contractual undiscounted cash flows

Parent company

31 Dec 2013, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest bearing assets	37,624	67,494	25,779	66,139	41,434	**238,470**
Non interest bearing assets	-	-	-	-	80,323	**80,323**
Total assets	**37,624**	**67,494**	**25,779**	**66,139**	**121,757**	**318,794**
Interest bearing liabilities	47,209	105,119	28,556	20,882	8,593	**210,360**
Non interest bearing liabilities	-	-	-	-	95,909	**95,909**
Total liabilities	**47,209**	**105,119**	**28,556**	**20,882**	**104,502**	**306,269**
Derivatives, cash inflow	-	467,888	125,713	212,976	68,318	**874,896**
Derivatives, cash outflow	-	-469,864	-125,876	-212,411	-69,415	**-877,566**
Net exposure	**-**	**-1,975**	**-162**	**565**	**-1,097**	**-2,670**
Exposure	**-9,584**	**-39,601**	**-2,939**	**45,821**	**16,158**	**9,855**
Cumulative exposure	**-9,584**	**-49,185**	**-52,124**	**-6,303**	**9,855**	

31 Dec 2012, EURm[1]	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest bearing assets	30,627	66,552	24,928	58,074	37,265	**217,446**
Non interest bearing assets	-	-	-	-	129,917	**129,917**
Total assets	**30,627**	**66,552**	**24,928**	**58,074**	**167,182**	**347,363**
Interest bearing liabilities	47,450	93,946	26,928	22,209	6,298	**196,831**
Non interest bearing liabilities	-	-	-	-	140,111	**140,111**
Total liabilities	**47,450**	**93,946**	**26,928**	**22,209**	**146,410**	336,942
Derivatives, cash inflow	-	502,101	185,362	373,661	167,090	**1,228,214**
Derivatives, cash outflow	-	-522,224	-184,337	-365,718	-166,875	**-1,239,153**
Net exposure	**-**	**-20,123**	**1,025**	**7,944**	**215**	**-10,939**
Exposure	**-16,822**	**-47,517**	**-975**	**43,809**	**20,987**	**-519**
Cumulative exposure	**-16,822**	**-64,339**	**-65,314**	**-21,505**	**-519**	

[1] The figures for 2012 have been restated

Note 45 Related-party transactions

Shareholders with significant influence and close family members to key management personnel in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If 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 parties of similar standing, and if they did not involve more than normal risktaking, the transactions are not included in the table.

Group

	Nordea Group undertakings		Nordea Group associated undertakings		Other related parties	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012	2013	2012
Assets						
Loans	28,488	29,613	143	204	-	-
Interest-bearing securities	3,683	5,254	120	11	-	-
Financial instruments pledged as collateral	1,097	1,150	-	-	-	-
Derivatives	2,163	2,829	141	278	-	-
Other assets	1,259	630	-	-	-	-
Prepaid expenses and accrued income	23	411	-	-	-	-
Total assets	**36,713**	**39,887**	**404**	**493**	**-**	**-**
Liabilities						
Deposits	42,073	41,202	44	55	74	5
Debt securities in issue	1,243	975	11	39	-	-
Derivatives	2,795	3,344	34	4	-	-
Other liabilities	403	158	-	-	-	-
Accrued expenses and deferred income	261	202	-	-	-	-
Total liabilities	**46,775**	**45,881**	**89**	**98**	**74**	**5**
Off balance[1]	**203,052**	**219,010**	**5,662**	**8,085**	**-**	**-**

Group	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012	2013	2012
Net interest income	128	85	3	3	-	-
Net fee and commission income	-649	-296	2	2	1	1
Net result from items at fair value	24	-276	9	81	-	-
Other operating income	9	26	-	-	-	-
Total operating expenses	-157	-95	-1	-	-	-
Profit before loan losses	**-645**	**-556**	**13**	**86**	**1**	**1**

[1] Including nominal values on derivatives.

Parent company	Group undertakings		Associated undertakings		Other related parties	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2013	2012	2013	2012	2013	2012
Assets						
Loans and receivables	5,775	5,674	143	171	-	-
Interest-bearing securities	-	-	-	-	-	-
Financial instruments pledged as collateral	-	-	-	-	-	-
Derivatives	-	-	9	9	-	-
Investments in associated undertakings	-	-	34	34	-	-
Investments in group undertakings	376	373	-	-	-	-
Other assets	4	4	-	-	-	-
Prepaid expenses and accrued income	4	7	-	-	-	-
Total assets	**6,159**	**6,058**	**186**	**214**	**-**	**-**

Note 45 *Related-party transactions, cont.*

Parent company

EURm	Group undertakings 31 Dec 2013	Group undertakings 31 Dec 2012	Associated undertakings 31 Dec 2013	Associated undertakings 31 Dec 2012	Other related parties 31 Dec 2013	Other related parties 31 Dec 2012
Liabilities						
Deposits	9	22	1	7	74	5
Debt securities in issue	-	-	-	35	-	-
Derivatives	-	-	-	0	-	-
Other liabilities	0	0	-	-	-	-
Accrued expenses and deferred income	0	2	-	-	-	-
Total liabilities	**9**	**24**	**1**	**42**	**74**	**5**
Off balance[1]	**651**	**519**	**174**	**191**	**-**	**-**

[1] Including nominal values on derivatives.

Parent company

EURm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Net interest income	35	66	2	3	-	0
Net fee and commission income	53	49	1	1	1	1
Net result from items at fair value	-	-	2	6	-	-
Other operating income	6	10	-	-	-	0
Total operating expenses	-28	-38	-	-	-	-
Profit before loan losses	**66**	**87**	**5**	**10**	**1**	**1**

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. In addition to the parent company figures stated above, the parent company's assets included receivables, interest-bearing securities, derivatives and other assets from other Nordea group undertakings in the amount of EUR 36,579m (39,885), liabilities in the amount of EUR 46,588m (45,688), profit before loan losses in the amount of EUR -641m (-569) and off-balance sheet commitments in the amount of EUR 203,052m (218,491). Off balance sheet transactions with Nordea group associated undertakings amounted to EUR 5,488m (7,895) and corresponding balance sheet values of derivatives were EUR 132m (268) in assets and EUR 34m (4) in liabilities.

Compensations and loans and receivables to Key management personnel

Compensations and loans to Key management personnel are specified in Note 8.

Note 46 Mergers, acquisitions, disposals and dissolutions

Subsidiaries acquired during 2013	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
SIA Baltic Ipasums (Latvia)	Real estate activities	0	0

Other subsidiaries established during 2013	Number of companies	Total assets EURm	Profit/loss for the year as included in the Bank Group
Other companies	1	2	0

Subsidiaries sold during 2013	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
Lahden Aleksanterinkatu 19-21	Real estate company	5	0

Other subsidiaries sold during 2013	Number of companies	Total assets EURm	Profit/loss for the year as included in the Bank Group
Other companies	1	1	0

Subsidiaries merged during 2013	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
Fidenta Oy	Computer programming activities	4	2

Subsidiaries dissolved during 2013	Number of companies	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Associated undertakings dissolved during 2013	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Note 47 Credit risk disclosure

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar 3) 2013, which is available on www.nordea.com.

Group

Exposure types, EURm	31 Dec 2013	31 Dec 2012
On-balance sheet items	153,299	159,345
Off-balance sheet items	15,301	14,675
Securities financing	1,740	1,120
Derivatives	18,698	31,580
Exposure At Default (EAD)	**189,038**	**206,720**

Tables presented in this Note, containing exposure, are presented as Exposure At Default (EAD). EAD is the exposure after applying credit conversion factors (CCF).

Link between credit risk exposure and the balance sheet
This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in CRD III. The main differences are outlined in this section to illustrate the link between the different reporting methods.

Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs) for off-balance sheet exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure unless otherwise stated. In accordance with the CRD, credit risk exposure presented in this report, is divided between exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reversed repurchase agreements and securities lending)
- Derivatives

Items presented in the Annual Report, in accordance with the accounting standards, are divided as follows:

- On-balance sheet items (e.g. loans to central banks and to credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities)
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit)

The table below shows the link between the CRD credit risk exposure and items presented in the Annual Report.

On-balance sheet items
The following items have been excluded from the balance sheet, when calculating on-balance exposure in accordance with the CRD:

- Market risk related items in the trading book, such as certain interest-bearing securities and pledged instruments.
- Repos, derivatives and securities lending. These transactions are either included in the calculation of market risk in the trading book or reported as separate exposure types (derivatives or securities financing).
- Other, mainly allowances, intangible assets and deferred tax assets.

Off-balance sheet items
The following off-balance sheet items specified in the Annual Report are excluded when off-balance exposure is calculated in accordance with the CRD:

- Assets pledged as security for own liabilities and “Other assets pledged” (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type)
- Derivatives

Derivatives and securities financing
Derivatives can be both on-balance sheet (i.e. positive fair value) and off-balance (i.e. nominal amounts) in accordance with accounting standards. However, in the CRD, the derivatives and securities financing are reported as separate exposure types. Also, re-purchase agreements and securities lending/borrowing transactions are in the balance sheet calculated based on nominal value. In the CRD calculations these exposure types are determined net of the collateral value.

On-balance sheet items
Group

31 Dec 2013, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Balance sheet
Cash and balances with central banks	30,904				30,904
Interest-bearing securities and pledged instruments	17,912	26,073			43,985
Loans to central banks and credit institutions	28,636		7,131	0	35,767
Loans to the public	74,422		40,176	-820	113,779
Derivatives[1]			70,234		70,234
Intangible assets				100	100
Other assets and prepaid expenses	1,551	7,271	65	1,104	9,991
Total assets	**153,425**	**33,344**	**117,607**	**384**	**304,761**

31 Dec 2012, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Restate-ments[2]	Balance sheet
Cash and balances with central banks	30,004					30,004
Interest-bearing securities and pledged instruments	23,188	-21,159			6,451	37,896
Loans to central banks and credit institutions	29,468		-7,358	0		36,827
Loans to the public	74,814		-26,716	766		100,765
Derivatives[1]	0		-117,213			117,213
Intangible assets	0			-108		108
Other assets and prepaid expenses	2,060	-9,188	-55	-1,381	35	12,649
Total assets	**159,534**	**-30,347**	**-151,343**	**-723**	**6,487**	**335,461**

[1] Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives is included in the credit risk.
[2] The change in presentation of forward starting bonds has impacted the balance sheet (see Note 1), but has not impacted the capital adequacy calculations.

Off-balance sheet items
Group

31 Dec 2013, EURm	Credit risk in Basel II calculation
Contingent liabilities	15,836
Commitments	16,603
Total off-balance sheet items	**32,439**

31 Dec 2013, EURm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities and Checking accounts	13,435	4,676	18,111	31%	5,633
Loan commitments	2,767	259	3,026	26%	793
Guarantees	14,760		14,760	57%	8,415
Other	1,476		1,476	31%	459
Total	**32,439**	**4,935**	**37,374**		**15,301**

31 Dec 2012, EURm	Credit risk in Basel II calculation
Contingent liabilities	16,419
Commitments	16,589
Total off-balance sheet items	**33,008**

31 Dec 2012, EURm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities and Checking accounts	14,168	4,371	18,539	26%	4,784
Loan commitments	2,428	248	2,675	24%	653
Guarantees	15,279		15,279	58%	8,929
Other	1,134		1,134	27%	309
Total	**33,008**	**4,619**	**37,627**		**14,675**

The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows real estate to be the major part of the eligible collateral items in relative terms, also showing that residential real estate as collateral experienced the highest relative increase during the year. Real estate is commonly used as collateral for credit risk mitigation purposes. There is no certain concentration of real estate collateral to any region within the Nordic and Baltic countries. Other physical collateral consist of vessels, machinery, equipment and other movables. The relative share of financial collaterals decreased during the year due to the different treatment of financial collaterals in IMM approach.

Collateral distribution

Group

EURm	31 Dec 2013	31 Dec 2012
Financial Collateral	2%	13%
Receivables	2%	2%
Residential Real Estate	82%	76%
Commercial Real Estate	8%	5%
Other Physical Collateral	7%	4%

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.

Collaterised Debt Obligations (CDO) - Exposure [1]

Group and parent company

	31 Dec 2013		31 Dec 2012	
Nominals, EURm	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	1,266	1,587	1,833	2,314
Hedged exposures	965	966	1,442	1,444
CDOs, net[2]	**301**[3]	**621**[4]	**391**[3]	**870**[4]
- of which Equity	57	102	53	173
- of which Mezzanine	108	306	80	148
- of which Senior	136	213	258	549

[1] First-to-Default swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 47m (214) and net sold protection to EUR 18m (50). Both bought and sold protection are, to the predominant part, investment grade.

[2] Net exposure disregards exposure where tranches are completely identical in terms of reference pool attachment, detachment, maturity and currency.

[3] Of which investment grade EUR 184m (349) and sub investment grade EUR 115m (42).

[4] Of which investment grade EUR 411m (769) and sub investment grade EUR 273m (101) and not rated EUR 0m (0).

Restructured loans current year[1]

	Group		Parent company	
EURm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Loans before restructuring, carrying amount	0	31	0	31
Loans after restructuring, carrying amount	0	0	0	0

[1] Loans classified as impaired that subsequently have improved and are not classified as impaired at the reporting date.

Assets taken over for protection of claims[1]

	Group		Parent company	
EURm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Current assets, carrying amount:				
Land and buildings	108	93	108	93
Shares and other participations				
Other assets	3	4	0	0
Total	**111**	**97**	**108**	**93**

[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 fulfil its obligations to Nordea.

The table below shows loans past due 6 days or more that are not considered impaired split by corporate and household customers. Past due loans to corporate customers that are not considered impaired were at end of 2013 EUR 251m down from EUR 316m one year ago, while past due loans for household customers increased to EUR 438m (405).

Past due loans, excl. impaired loans

	Group				Parent company			
	31 Dec 2013		31 Dec 2012		31 Dec 2013		31 Dec 2012	
EURm	Corporate customers	Household customers	Corporate customers	Household customers	Corporate customers	Household customers	Corporate customers	Household customers
6-30 days	92	215	110	183	34	194	37	163
31-60 days	70	144	62	144	37	101	23	94
61-90 days	30	71	26	68	18	51	17	47
>90 days	58	8	118	9	53	8	112	9
Total	**251**	**438**	**316**	**405**	**142**	**354**	**189**	**314**
Past due not impaired loans divided by loans to the public after allowances, %	0.34	1.15	0.50	1.08	0.20	1.00	0.32	0.91

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 80% of the corporate volume represents loans up to EUR 50m per customer.

Loans to corporate customers, by size of loan

	Group				Parent company			
EURm	31 Dec 2013	%	31 Dec 2012	%	31 Dec 2013	%	31 Dec 2012	%
0-10	41,146	54.9	33,812	54.0	39,041	54.9	31,766	54.0
10-50	19,140	25.6	16,316	26.1	18,161	25.6	15,329	26.1
50-100	5,199	6.9	4,717	7.5	4,933	6.9	4,432	7.5
100-250	5,939	7.9	6,038	9.6	5,635	7.9	5,673	9.6
250-500	3,471	4.6	1,735	2.8	3,293	4.6	1,630	2.8
500-	0	0.0	0	0.0	0	0.0	0	0
Total	**74,895**	**100.0**	**62,618**	**100.0**	**71,064**	**100.0**	**58,830**	**100.0**

Interest-bearing securities

Group	31 Dec 2013			31 Dec 2012		
EURm	At fair value	At amortised cost	Total	At fair value	At amortised cost	Total
State and sovereigns	8,672		8,672	6,483		6,483
Municipalities and other public bodies	146		146	97		97
Mortgage institutions	12,353		12,353	9,004		9,004
Other credit institutions	8,600	2,166	10,766	10,476	2,373	12,849
Corporates	1,881		1,881	1,151		1,151
Corporates, sub-investment grade	428		428	234		234
Other	0		0	0		-
Total	**32,080**	**2,166**	**34,246**	**27,445**	**2,373**	**29,818**

Parent company	31 Dec 2013			31 Dec 2012		
EURm	At fair value	At amortised cost	Total	At fair value	At amortised cost	Total
State and sovereigns	8,672		8,672	6,483		6,483
Municipalities and other public bodies	146		146	97		97
Mortgage institutions	12,353		12,353	9,004		9,004
Other credit institutions	8,600	2,166	10,766	10,476	2,373	12,849
Corporates	1,881		1,881	1,151		1,151
Corporates, sub-investment grade	428		428	234		234
Other	0		-	0		-
Total	**32,080**	**2,166**	**34,246**	**27,445**	**2,373**	**29,818**

Note 48 Nordea shares

Nordea Bank Finland Plc does not possess own shares. During the year Nordea Bank Finland has bought and sold shares in its parent company Nordea Bank AB (publ) as part of its normal trading and market making activities. The trades are specified in the table enclosed.

Acquisitions

Month	Quantity	Average acq.price	Amount, EUR
January	69,189	7.72	528,605.85
February	456	8.24	3,757.44
March	65,884	8.97	602,862.87
April	177,806	8.58	1,539,078.41
May	117,103	9.65	1,132,049.86
June	8,455	8.50	70,010.90
July	2,638	9.04	24,116.90
August	134,187	9.51	1,278,093.26
September	46,997	9.01	420,291.23
October	229,419	8.91	2,086,514.32
November	131,899	9.19	1,210,670.81
December	83,942	9.12	752,058.39
	1,067,975		9,648,110.23

Sales

Month	Quantity	Average price	Amount, EUR
January	-284,570	7.57	-2,160,718.81
February	-11,725	8.51	-100,506.07
March	-113,091	8.97	-1,030,519.36
April	-115,124	8.63	-1,039,752.90
May	-124,125	9.43	-1,186,326.96
June	-3,006	9.17	-27,282.40
July	-8,600	8.86	-75,281.47
August	-105,453	9.53	-950,382.79
September	-124,270	9.05	-1,133,033.73
October	-262,302	9.22	-2,452,024.76
November	-68,353	9.36	-638,041.72
December	-97,207	9.16	-876,125.61
	-1,317,826		-11,669,996.57

The quota value of the Nordea Bank AB (publ) share is EUR 1.00. The trades had an insignificant effect on the shareholding and voting-power in Nordea Bank AB (publ). At year-end 2013 NBF owned 32,441 shares of the parent company.

The proposal of the Board of Directors to the Annual General Meeting

The parent company's distributable funds on 31 December 2013 were EUR 6,040,396,280.47, of which the profit for the year was EUR 780,036,821.89. The Board of Directors proposes that

1. a dividend of EUR 750,000,000.00 be paid
2. whereafter the distributable funds will be EUR 5,290,396,280.47.

Signatures of the Directors' report and of the Financial Statements:

Helsinki, 28 February 2014

Torsten Hagen Jørgensen

Casper von Koskull

Carl-Johan Granvik

Gunn Wærsted

Our auditors' report has been issued today.

Helsinki, 28 February 2014

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant

Auditors’ report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Nordea Bank Finland Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Nordea Bank Finland Plc for the year ended on 31 December 2013. The financial statements comprise both the consolidated and the parent company’s statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor’s responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Finnish Credit Institutions Act, the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion,

- both the consolidated and the parent company’s financial statements give a true and fair view of their financial position, financial performance, and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland
- the information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions
We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki 28 February 2014

KPMG OY AB

Marcus Tötterman
Authorized Public Accountant in Finland

Management and auditors

Management

The Board of Directors of Nordea Bank Finland Plc comprises four members.

13 Aug 2012- 27 Jan 2013
Fredrik Rystedt, chairman (Board member until 15 Jan 2013)
Casper von Koskull, vice chairman
Carl-Johan Granvik
Gunn Wærsted

28 Jan 2013 -
Torsten Hagen Jørgensen, chairman as of 6 Feb 2013
Casper von Koskull, vice chairman
Carl-Johan Granvik
Gunn Wærsted

The President of Nordea Bank Finland Plc is Ari Kaperi and Pekka Nuuttila acted as his deputy until 28 February 2013 and Topi Manner as of 1 March 2013.

Board of Directors

Carl-Johan Granvik
Born 1949. Member since 2012.
Former positions in Nordea: President of Nordea Bank Finland Plc, Head of Group Risk Management, Chief Risk Officer and Country Senior Executive in Finland.

Torsten Hagen Jørgensen
Born 1965. Member since 2013.
Chief Financial Officer (CFO), Head of Group Corporate Centre

Casper von Koskull
Born 1960. Member since 2010.
Head of Wholesale Banking

Gunn Wærsted
Born 1955. Member since 2010
Chief Executive Officer in Nordea Bank Norge ASA, Head of Wealth Management and Country Senior Executive in Norway

Fredrik Rystedt
Born 1963. Member during 2008- 15 Jan 2013.

Auditors

The Annual General Meeting of Nordea Bank Finland Plc elects the company’s auditors for a period of one year at a time. The auditor must be an audit firm authorised by the Finnish Chamber of Commerce.

KPMG Oy Ab

Auditor with main responsibility
Marcus Tötterman
Authorised Public Accountant

Corporate Governance Report 2013

Application by Nordea Bank Finland Plc

On Internal Governance in Nordea Bank Finland Plc

General Meeting
Nordea Bank Finland Plc (“Bank”) is the wholly-owned subsidiary of Nordea Bank AB (publ). The General Meeting is the highest decision-making body.

The Board of Directors of Nordea Bank Finland Plc shall be responsible for the administration of the Bank and the appropriate organisation of its operations, and for representing the Bank.

The Board of Directors
The Board of Directors of Nordea Bank Finland Plc consists at the moment of four members, one of which is an external board member. According to the Articles of Association, the Board of Directors shall consist of not less than four and not more than seven members. The Board of Directors shall appoint the Chairman and the Deputy Chairman of the Board. The term of office of the members of the Board of Directors shall continue until further notice. The retirement age for members of the Board of Directors shall be 70.

The Board of Directors shall, in the work schedule approved by it, confirm the authorisation to act for and on behalf of the Bank and the distribution between the members of the Board of Directors and the President.

According to the work schedule, the Board of Directors is responsible for the organisation and administration of the Bank and its business.

The Board shall manage the Bank’s affairs with due expertise and care in accordance with legislation, the Articles of Association, the present work schedule and observing Group management’s decisions and instructions.

The Board shall ensure that it has requisite knowledge of the Bank’s affairs in accordance with legislation and the Articles of Association.

The Board shall ensure that it has requisite knowledge of the Bank’s position, business development and risks as well as other circumstances of material significance to the Bank’s operations.

The Bank’s operations are fully integrated into the Nordea Group. The distribution of duties between the Chairman of the Board, Deputy Chairman and other Board members emerges from the overall operational structure and organisation of the Nordea Group.

It is particularly incumbent upon the Board of Directors to:

a. establish the Bank’s and the banking Group’s overall organisation,
b. ensure that the Bank’s organisation with respect to accounting, management of funds and the Bank’s financial circumstances generally includes satisfactory controls,
c. appoint and discharge the Bank’s President and Deputy President and exercise supervision to ensure that the Bank’s President fulfils his or her obligations,
d. where needed, in accordance with the Nordea Group credit instructions, prepare supplementary credit instructions for issuing credit at Nordea Bank Finland Plc,
e. determine matters relating to the funding operations,
f. resolve on and submit annual reports and interim reports for the Bank,
g. regularly monitor and assess the Bank’s and the bank group’s financial situation and risks,
h. convene and prepare items for the Annual General Meeting.

President and Deputy President
Nordea Bank Finland Plc has a President and a Deputy President.

Chief Risk Coordinator
Nordea Bank Finland Plc has a Chief Risk Coordinator. Chief Risk Coordinator in Finland is an overall coordinator for risk-related issues within Nordea Bank Finland Plc who secures that relevant and adequate risk information is given to the Board of Directors of Nordea Bank Finland Plc.

Compliance

According to the Nordea Operational Risk Policy and the Instructions for the Nordea Compliance Function, Group Compliance as part of Group Operational Risk and Compliance is responsible for developing and maintaining the framework for managing compliance risks. The network of Risk and Compliance Officers (RCOs) with solid reporting lines within the RCO functions in the business areas supports the business in the first line of defence by conducting second line of defence activities and provides the Group Compliance Officer with independent reports. These reports provide input to the Group Compliance Officer's semi-annual compliance report to the Chief Executive Officer, the Board of Directors of Nordea Bank AB (publ) and Nordea Bank Finland Plc.

Insider Administration

Nordea Group and Nordea Bank Finland Plc have in accordance with laws and regulations in the role of issuer and broker established insider registers and adopted insider guidelines applicable to the whole bank. According to the guidelines members of the Board of Directors, the President and the Deputy President, external auditors and deputy external auditors as well as executive management and other relevant persons following separate decision and notification procedures are restricted from trading in Nordea shares and related instruments during other period than two weeks following publication of the Group's interim reports. Regarding other financial instruments the above mentioned top management and other relevant persons may not engage in short time trading where the time between acquisition of ownership of certain securities, and the intended or actual disposal or execution of the securities is shorter than one month ("the one-month rule"). Nordea Bank Finland Plc reports on governance and follow up of rules regarding public insider registers and trading in financial instruments to the Finnish FSA on an annual basis.

Corporate Governance Report

Nordea Bank Finland Plc submits this report as an issuer of bonds. This report has been prepared following recommendation 54 in the Finnish Corporate Governance Code and the report is submitted as a separate report from the Annual Report 2013.

Nordea Bank Finland Plc is a wholly-owned subsidiary of Nordea Bank AB (publ), the listed parent company of the whole Nordea Group. The Nordea Group is referred to as "Nordea". A description of corporate governance in Nordea during the most recent financial year is included in the 2013 Annual Report of Nordea Bank AB (publ). All the operations of Nordea Bank Finland Plc are integrated into the operations of the Nordea Group. Nordea has established the corporate governance framework at group level and the framework is reviewed on a continuous basis. Information on corporate governance in Nordea and this report are available on www.nordea.com.

Strong corporate governance is about companies having clear and systematic decision-making processes, thus providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory transparency. Commitment to Nordea's mission and vision requires the integration of sound corporate governance practices into regular business activities to attain – as far as possible – a company that is both well governed and well managed.

Nordea follows generally adopted principles of corporate governance including the rules and principles set forth in the Swedish Code of Corporate Governance. Although the codes differ in details between the countries, they are all based on the general international development and common Nordic approach within this field and thus show a fundamental resemblance to one another.

The Board of Directors of Nordea Bank Finland Plc has reviewed this Corporate Governance Report. Nordea Bank Finland Plc does not have a separate Audit Committee. Nordea Bank AB (publ) has established separate working committees: Board Audit Committee Board Risk Committee and Board Remuneration Committee. This Corporate Governance Report describes the main features of the internal control and risk management systems regarding the financial reporting process in Nordea Bank Finland Plc.

Report on the key aspects of the systems for internal control and risk management regarding financial reports for the Financial Year 2013

Nordea Bank Finland Plc belongs to the Nordea Group and the internal control and risk management systems in relation to the financial reporting process are organised at Nordea level. Financial reporting processes are fully integrated within Nordea. The Board of Directors of Nordea Bank Finland Plc monitors financial and risk reporting at Nordea Bank Finland Plc level and has dealt with the risk reports on Nordea Bank Finland Plc level. Nordea Bank Finland Plc complies with the Group directives and supporting instructions to the extent applicable.

Internal Control Process
The Internal Control Process is carried out by the Board of Directors, management and other staff at Nordea and is designed to provide reasonable assurance regarding the achievement of objective fulfilment in terms of operational efficiency and effectiveness, reliability of operational and financial reporting, compliance with external and internal regulations, and the safeguarding of assets, including sufficient management of risks in operations. The internal control process is based on five main components: Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

The framework for the Internal Control Process aims to create the necessary fundamentals for the entire organisation to contribute to the effectiveness and the high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

Roles and responsibilities with respect to internal control and risk management are divided into three lines of defence. In the first line of defence, the business organisation and Group Functions are responsible for conducting within risk exposure limits and in accordance with the decided internal control and risk management framework. As the second line of defence, the centralised risk group functions are responsible for providing the internal control and risk management framework. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes, which is the third line of defence.

Internal Control Process

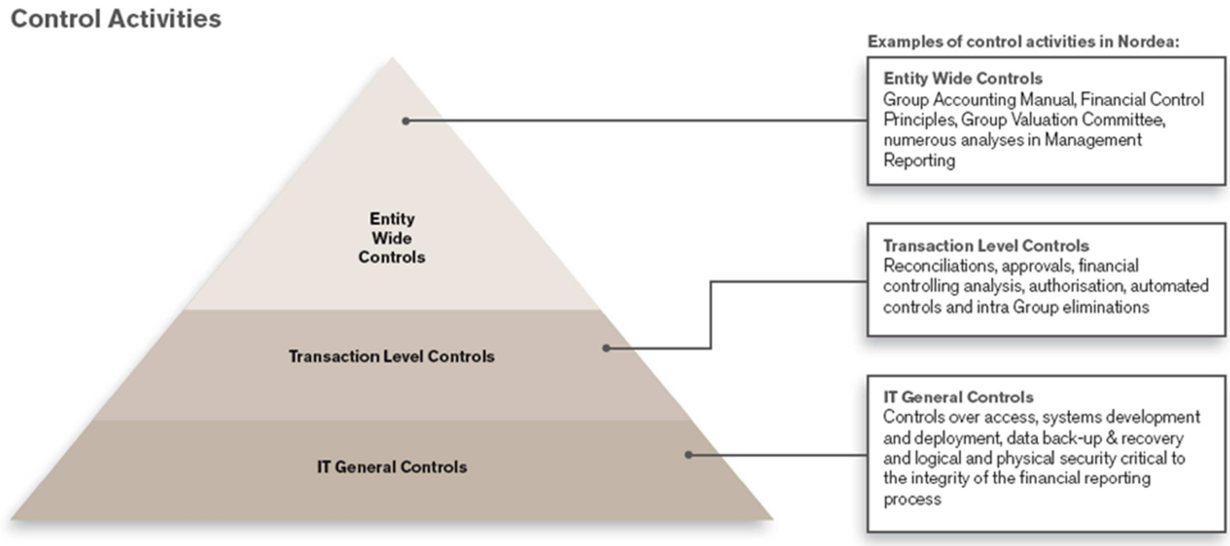
The systems for internal control and risk management of financial reporting are designed to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies and issuers of bonds. The internal control and risk management activities are included in Nordea's planning and resource allocation processes. Internal control and risk management of financial reporting in Nordea can be described in accordance with the original COSO framework as follows below. (Internal Control - Integrated framework, by the Committee of Sponsoring Organizations of the Treadway commission ("the original COSO framework") as an updated 2013 Framework has been issued. The adoption of the 2013 Framework has a transition period until 15 December 2014).

Control Environment
The control environment constitutes the basis for Nordea's internal control and contains the culture and values established by the Board of Directors and Executive Management of Nordea Bank AB (publ).

A clear and transparent organisational structure is of importance for the control environment. Nordea's business structure aims to support the overall strategy, with strong business momentum and increased requirements on capital and liquidity. The business and the organisation are under continuous development.

The key principle of risk management at Nordea is the three lines of defence, with the first line being the business organisation and the Group Functions, the second line being the centralised risk group functions which define a common set of standards and the third line being the internal audit function, see illustration "Internal Control Process" (under "Internal Control Process"). The second line of defence function, Accounting Key Controls (AKC) implements Nordea Group-wide system of accounting key controls. This is done to ensure that controls essential for the financial reporting are continuously identified, monitored and assessed in the Group.

Risk Assessment
The Board of Directors has the ultimate responsibility for limiting and monitoring the Nordea Group's risk exposure and risk management is considered to be an integral part of running the business. The main responsibility for performing risk assessments regarding financial reporting risks lies with the business organisation. Performing risk assessments close to the business increases the possibility of identifying the most relevant risks. In order to govern the quality, central functions stipulate in governing documents when and how these assessments are to be performed. Examples of risk assessments, performed at least annually, are Quality and Risk Analysis for changes and Risk and Control Self Assessments at divisional levels.



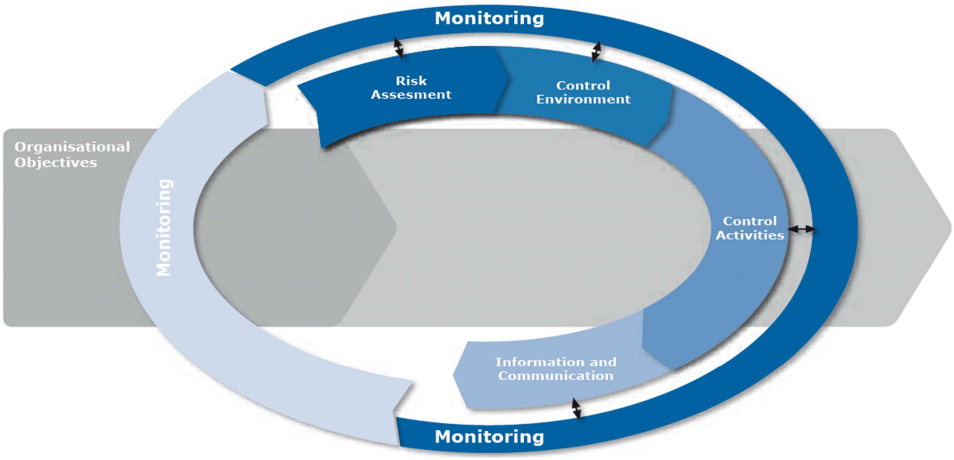
The heads of the respective units are primarily responsible for managing the risks, associated with the units' operations and financial reporting processes. This responsibility is primarily supported by the Group Accounting Manual (GAM), the Financial Control Principles and various governing bodies, such as the Group Valuation Committee. The GAM includes a standard reporting package used by all entities to ensure consistent use of Nordea's principles and coordinated financial reporting. Fundamental internal control principles at Nordea are the segregation of duties and the four-eyes principle when approving, for instance, transactions and authorisations.

The quality assurance vested in the management reporting process, where a detailed analysis of the financial outcome is performed, constitutes one of the most important control mechanisms associated with the reporting process. The reconciliations constitute another set of important controls in which Nordea works continuously to further strengthen the quality.

Information & Communication
Group Functions are responsible for ensuring that the Group Accounting Manual and the Financial Control Principles are up-to-date and that changes are communicated to the responsible units. These governing documents are broken down into instructions and standard operating procedures in the responsible units. On an annual basis, accounting specialists from Group Finance & Reporting provide sessions for accountants and controllers in order to inform about existing and updated rules and regulations with an impact on Nordea.

Matters affecting the fulfilment of financial reporting objectives are communicated with external parties, with Nordea actively participating in relevant national forums, such as forums established by the Financial Supervisory Authorities, central banks and associations for financial institutions.

Monitoring
Nordea has established a process with the purpose of ensuring proper monitoring of the quality of the financial reporting and the follow-up regarding possible deficiencies. This interactive process aims to cover all COSO-components in the original Framework and is illustrated with the diagram below:



The Risk and Control Self-Assessment process includes monitoring the quality of internal control in financial reporting. The assessment is presented in the annual Operational and Compliance Risk Map, which is submitted to Group Executive Management, the Board Audit Committee, the Board Risk Committee and the Board of Directors.

The Board of Directors, Group Internal Audit (GIA) and the Board Audit Committee have an important role with regard to monitoring internal control in financial reporting in the Nordea Group.

Group Internal Audit is an independent function commissioned by the Board of Directors of Nordea Bank AB (publ). The Board Audit Committee is responsible for guidance and evaluation of GIA within the Nordea Group. GIA does not engage in consulting activities unless the Board 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 governance, risk management, and control processes as well as promoting continuous improvement.

The Board of Directors of Nordea Bank Finland Plc approves the Group Internal Audit Annual Plan for Nordea Group and inspects the half-year Group Internal Audit Report on Nordea Bank Finland Plc.

The Board Audit Committee also assists the Board of Directors of Nordea Bank AB (publ) in fulfilling its oversight responsibilities by, for instance, monitoring the Nordea Group's financial reporting process, and in relation thereto, the effectiveness of the internal control and risk management systems established by the Board of Directors, the CEO and Group Executive Management (GEM) as well as the effectiveness of GIA. The Board Audit Committee is further accountable for keeping itself informed as to the statutory audit of the annual and consolidated accounts and reviewing and monitoring the impartiality and independence of the external auditors, and in particular the provision of additional services to the Nordea Group. In addition, the Board Audit Committee is accountable for the guidance and evaluation of the GIA.

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 external auditors and it is not part of the formal financial statements.

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