

Corporate Governance Report

Good Corporate Governance supports sound value creation

"In markets and societies in continuous change, corporations exist to create value and need to earn their licence to operate. Clear governance ensures transparency, supports good management and facilitates sound value creation and responsible corporate behaviour.

Good corporate governance is not primarily about formal rights and duties, but more an ambition to ascertain - to the extent possible - that the corporation is both well governed and well managed.

Lessons learned from the financial crises in Nordic markets in the 1990s were built into behaviour, processes and systems of Nordea. This, together with good governance and management, helps explain why, in the recent financial crisis and the ensuing recession, Nordea could strengthen its service to its customers and report an unbroken chain of strong results to its shareholders."

Hans Dalborg,
Chairman of the Board of Directors

Corporate governance in Nordea follows generally adopted principles of corporate governance. The external framework which regulates the corporate governance work include the Swedish Companies Act, Banking and Financing Business Act, Annual Accounts Act, the NASDAQ OMX rules and the rules and principles of the Swedish Code of Corporate Governance (the Code). Nordea complies with the Code and has no deviations to report. The Company has had neither any infringement of the

applicable stock exchange rules nor any breach of good practice in the securities market reported by the relevant exchange's disciplinary committee or the Swedish Securities Council.

This Corporate Governance Report has been examined by the auditors. The Code can be found at www.corporategovernanceboard.se.

Division of powers and responsibilities

The management and control of Nordea is divided among the shareholders (in the General Meeting), the Board of Directors and the President and CEO, pursuant to the provisions of the external framework, the Articles of Association and the internal instructions laid down by the Board of Directors.

General Meetings (1)

Pursuant to the Swedish Companies Act, the General Meeting is the Company's highest decision-making body, where the shareholders exercise their voting rights. At the General Meeting decisions are taken regarding *inter alia* the annual accounts, dividend, election of the Board of Directors and auditors, remuneration to the Board members and auditors, and guidelines for remuneration to the executive officers.

General Meetings are held in Stockholm. In addition, local shareholder information meetings are held in Copenhagen and Helsinki prior to the Annual General Meeting (AGM) 2011.

For the minutes of the AGM 2010, see www.nordea.com.

Voting rights

According to the Articles of Association, shares may be issued in two classes, ordinary shares and C-shares. All shares in Nordea carry voting rights, with each ordinary share entitled to one vote and each C-share entitled to one tenth of one vote at General Meetings. At General Meetings, each shareholder is entitled to vote for the full number of shares that he or she owns or represents.

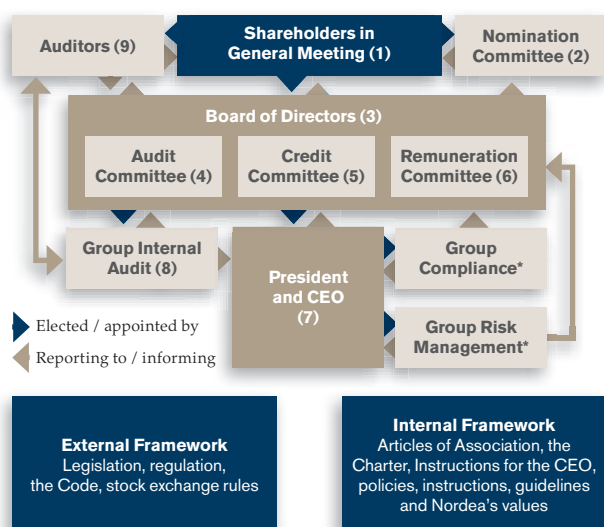
Nordea is not entitled to vote for its own shares at General Meetings. C-shares are not entitled to any dividend. More information about the Nordea share can be found in the section "The Nordea share and shareholders" on page 45 and in the Board of Directors' Report on page 50.

The Articles of Association can be found at www.nordea.com. Amendments to the Articles of Association are resolved at General Meetings in accordance with Swedish law and are subject to approval by the Swedish Financial Supervisory Authority.

Mandate to repurchase and convey of own shares

Information on mandate to repurchase and convey of own shares is presented in the Financial Review on page 52.

Corporate Governance Structure



The numbers in the brackets refer to text paragraphs.

* Group Risk Management as well as Group Compliance are described in separate sections and information can be found on page 58 to 63.

Nomination process (2)

The AGM 2010 decided to set up a Nomination Committee whose task in reference to the AGM 2011 is to propose Board members, Chairman of the Board and auditor as well as remuneration to the Board members and auditor.

The Nomination Committee comprises Hans Dalborg (Chairman of the Board) and the four largest shareholders in terms of voting rights as of 31 August 2010, who wished to participate in the Committee. The appointment of the member of the Nomination Committee was made public on 24 September 2010. At the date of constitution the Nomination Committee represented approximately 45% of the shareholders votes. Sampo plc appointed Torbjörn Magnusson, the Swedish government appointed Kristina Ekengren, Nordea-fonden appointed Mogens Hugo and Fjärde AP-fonden appointed Annika Andersson. Torbjörn Magnusson was elected chairman of the Committee.

Hans Dalborg, Chairman of Nordea since 2002, has informed the Nomination Committee and the Board that he was not up for re-election for another term. On 22 December 2010, the Nomination Committee presented its proposal that vice Chairman Björn Wahlroos will be elected as new chairman at the AGM 2011.

The other proposals of the Nomination Committee were presented on 13 January 2011. All of the proposals are available at www.nordea.com and will be presented in the notice of the AGM 2011.

Nordea Board of Directors (3)

Composition of the Board of Directors

According to the Articles of Association the Board of Directors shall consist of at least six and no more than fifteen members elected by shareholders at the General Meeting. The term of office for Board members is one year. Nordea has neither a specific retirement age as Board member nor a time limit for how long a Board member may serve on the Board. There are no such requirements in the external framework.

Further, according to the Articles of Association the aim shall be that the Board, as a whole, for its operations possesses the requisite knowledge and experience of the social, business and cultural conditions prevailing in the regions and market areas in which the Group's principal operations are conducted.

The Board currently consists of ten members elected by the General Meeting. In addition three members and one deputy member are appointed by the employees. Employees are entitled under Swedish legislation to be represented in the Board. The CEO of Nordea is not a member of the Board. The composition of the Board of Directors appears from the table on page 73 and further information regarding the Board members elected at the AGM 2010 is found in the separate section "Board of Directors", page 176.

Independence of the Board of Directors

Nordea complies with applicable rules regarding the independence of the Board. The Nomination Committee considers all of the members elected by the shareholders independent of the Company and its executive management, with the exception of Lars G Nordström, who was employed as President and CEO of the Group until 13 April 2007. Thus the majority of the Board members are independent in relation to the Company and its executive management.

All Board members elected by the shareholders, apart from Björn Wahlroos and Kari Stadigh, are independent in relation to the Company's major shareholders. Björn Wahlroos is board chairman of Sampo plc and Kari Stadigh is managing director and CEO of Sampo plc, which owns more than ten per cent of all shares and votes in Nordea Bank AB (publ). Thus, the number of Board members who are independent in relation to the Company and its executive management as well as independent in relation to the Company's major shareholders well exceeds the minimum requirement.

No Board member elected by the General Meeting is employed by or works in an operative capacity in the Company. The Board members and the deputy Board member appointed by the employees are employed by the Group and therefore not independent of the Company.

The work of the Board of Directors

The Board of Directors annually establishes its working plan, in which the management and risk reporting to the Board also is established. The statutory meeting following the AGM 2010 elected the vice Chairman and appointed the Board Committee members. The Board has adopted rules of procedures for the Nordea Board of Directors (the Charter), containing *inter alia* rules pertaining to the areas of responsibility of the Board and the Chairman, the number of meetings, documentation of meetings and rules regarding conflicts of interest. Furthermore, the Board of Directors has adopted Instructions for the CEO specifying the CEO's responsibilities as well as other policies, instructions and guidelines for the operations of the Group. These together with the Articles of Association, the Charter and Nordea's values constitute the internal framework, which regulate corporate governance in Nordea. Further information regarding Nordea's values is found in the separate section "Prudent growth – balancing growth and return", page 16.

The Board is charged with the organisation of Nordea and the management of the Company's operations and the overall management of the Nordea Group's affairs in accordance with applicable rules and regulations, the Code, the Articles of Association and the Charter. Further, the Board shall ensure that the Company's organisation in respect of accounting, management of funds, and the Company's financial position in general includes satisfactory controls. The Board is ultimately responsible for

ensuring that an adequate and effective system of internal control is established and maintained. Group Internal Audit (GIA) issues yearly to the Board an overall Assurance Statement on Nordea's risk management control and governance process. The assurance statement for 2010 concludes that the internal control system is adequate and effective. Further information regarding internal control within Nordea is given below under heading "Internal control process". At least once a year the Board meets the external auditors without the CEO or any other Company executive being present. In addition the auditor in charge meets separately with the Chairman of the Board and the Chairman of the Board Audit Committee.

During 2010, the Board held 16 meetings. 11 meetings were held in Stockholm, one in Oslo and four meetings were held per capsulam. The Board regularly follows up on the strategy, financial position and development and risks. The financial targets and the strategy are reviewed on an annual basis. During 2010, the Board also dealt with for example reports on and issues related to financial market and macro economic development, new regulatory initiatives, capital and liquidity, Internal Capital Adequacy Assessment Process (ICAAP), revised overall Group organisation, remuneration issues and transactions of significance.

Secretary of the Board of Directors is Lena Eriksson, Head of Group Legal.

The Chairman

The Chairman of the Board is elected by the shareholders at the General Meeting. According to the Charter, the Chairman shall ensure that the Board work is conducted efficiently and that the Board fulfils its duties. The Chairman shall *inter alia* organise and lead the Board's work, maintain regular contact with the CEO, ensure that the Board receives sufficient information and documentation and ensure that the work of the Board is evaluated annually and that the Nomination Committee is informed of the result of the evaluation.

Evaluation of the Board

The Board of Directors annually carries out a self-evaluation process, through which the performance and the work of the Board is thoroughly evaluated and discussed by the Board. The evaluation is based on a methodology which includes questionnaires evaluating the Board as a whole and individual Board members as well as personal discussions between each Board member and the Chairman. The evaluation process is supported by an external advisory service firm.

Board Committees

In order to increase the effectiveness of the board work, the Group Board has established separate working committees. The duties of the Board Committees, as well as working procedures, are defined in specific instructions

adopted by the Board annually. Each Committee regularly reports on its work to the Board. The minutes are communicated to the Board.

The Board Audit Committee (4)

The Board Audit Committee assists the Board of Directors in fulfilling its supervisory responsibilities by *inter alia* monitoring the Nordea Group's financial reporting process, the effectiveness of the internal control and risk management systems, established by the Board of Directors, the CEO and Group Executive Management (GEM), and the effectiveness of Group Internal Audit. 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 Group Internal Audit.

Members of the Board Audit Committee during 2010

Svein Jacobsen (Chairman)
Marie Ehrling
Timo Peltola (until AGM 2010)
Kari Stadigh (from AGM 2010)

The members of the Board Audit Committee are independent of the Company and the executive management of the Company. All members, apart from Kari Stadigh, are also independent in relation to the Company's major shareholders. Kari Stadigh is managing director and CEO of Sampo plc, which owns more than ten per cent of all shares and votes in Nordea Bank AB (publ).

The CEO and the Group Chief Audit Executive (CAE) are present at meetings with the right to participate in discussions, but not in decisions.

The Board Credit Committee (5)

The Board Credit Committee continuously reviews and monitors adherence to the established Credit Policy and Strategy as well as Credit Instructions for the Nordea Group and evaluates the overall quality of the credit portfolio.

Members of the Board Credit Committee during 2010

Hans Dalborg (Chairman)
Stine Bosse
Lars G Nordström
Heidi M. Petersen (until AGM 2010)
Björn Wahlroos, and
Christian Clausen, CEO

The CEO is not a Board member, but a member of the Board Credit Committee. The Head of Group Risk Management is present at meetings with the right to participate in discussions, but not in decisions.

Further information regarding the Credit decision-making structure for main operations and risk management within Nordea is found in the separate section "Risk management", page 58.

The Board Remuneration Committee (6)

The Board Remuneration Committee is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues.

This includes proposals regarding the Nordea Remuneration Policy and supplementing instructions, guidelines for remuneration to the executive officers to be decided by the AGM as well as the remuneration for the CEO, the CAE and also other employees in leading positions. At least annually, the Committee follows-up on the application of the Nordea Remuneration Policy and supplementing instructions through an independent review by Group Internal Audit. The Committee also has the duty to annually monitor, evaluate and report to the Board on the programmes for variable remuneration to GEM, as well as the application of the guidelines for remuneration to executive officers. At the request of the Board the Committee also prepares other issues of principle for the consideration of the Board.

Members of the Board Remuneration Committee during 2010

Hans Dalborg (Chairman)
Tom Knutzen
Timo Peltola (until AGM 2010)
Sarah Russell (from AGM 2010)
Björn Savén

The members of the Board Remuneration Committee are independent of the Company and the executive management of the Company, as well as of the Company's major shareholders. However, only the former is required according to the Code.

The CEO participates in the meetings without the right to vote. The CEO does not participate in considerations regarding his own employment terms and conditions.

Further information regarding remuneration within Nordea is found in the separate section "Remuneration", page 77 and in Note 8, page 114.

Meetings and attendance

The table shows the number of meetings held by the Board of Directors and its committees as well as the attendance of the individual Board members:

	Board of Directors	Board Audit Committee	Board Credit Committee	Board Remuneration Committee
Number of meetings	16	9	5	7
(of which per capsulam)	(4)	(—)	(—)	(—)
Meetings attended:				
Elected by AGM				
Hans Dalborg	16		5	7
Björn Wahlroos	16		4	
Stine Bosse	15		4	
Marie Ehrling	16	9		
Svein Jacobsen	15	9		
Tom Knutzen	15			7
Lars G Nordström	15		5	
Timo Peltola ¹	4	2		1
Heidi M. Petersen ¹	3		2	
Sarah Russell ²	12			4
Björn Savén	16			7
Kari Stadigh ²	12	7		
Christian Clausen, CEO ³				5
Appointed by employees				
Kari Ahola	14			
(deputy 1 Nov 2010–30 Apr 11)				
Ole Lund Jensen				
(deputy 1 May 2010–31 Oct 10)	15			
Lars Oddestad	15			
(deputy 1 Nov 2009–30 Apr 10)				
Steinar Nickelsen	14			

1) Board member and Committee member until AGM 2010

2) Board and Committee member from AGM 2010

3) The CEO is not a board member but a member of the Board Credit Committee

The CEO and Group Executive Management (7)

Nordea's President and CEO is charged with the day-to-day management of Nordea Bank and the Nordea Group's affairs in accordance with laws and regulations, the Code, as well as instructions provided by the Board of Directors. The instructions regulate the division of responsibilities and the interaction between the CEO and the Board. The CEO works closely with the Chairman of the Board, for instance with planning of Board meetings.

The CEO is accountable to the Board for the management of the Nordea Group's operations and he is also responsible for developing and maintaining effective systems for internal control within the Group. Further infor-

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Hans Dalborg
Chairman of the Board of Directors

mation regarding the control environment for risk exposures is found in the separate section "Risk, Liquidity and Capital management", page 57. The CEO works together with senior officers within the Group in GEM. Presently GEM consists of six members and the CEO. GEM has recorded weekly meetings. These meetings are chaired by the CEO, who reaches decisions after consulting with the other members of GEM. Further information regarding the CEO and GEM is found in the separate section "Group Executive Management", page 178.

Internal control process

The Internal control process is a process, carried out by the Board of Directors, management and other personnel within Nordea, designed to provide reasonable assurance regarding the achievement of objectives in terms of effectiveness and efficiency of operations, reliability of operational and financial reporting, compliance with external and internal regulations, and safeguarding of assets, including sufficient management of risks in operations.

The Internal Control process is based on the Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

The framework for the Internal control process aims at creating the necessary preconditions for the whole organisation to contribute to the effectiveness and the high quality of internal control, through eg clear definitions, assignments of roles and responsibilities as well as common tools and procedures.

Roles and responsibilities in respect of internal control and risk management are divided in three lines of defence. In the first line of defence, Line Management, customer areas, product areas and group functions are responsible

for operating their business within limits for risk exposure and in accordance with decided framework for internal control and risk management. As second line of defence, the service and staff units are responsible for providing the framework of internal control and risk management. 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 audit (8)

Group Internal Audit (GIA) is an independent function commissioned by the Board of Directors. The Board Audit Committee is responsible for guidance on and evaluation of GIA within the Nordea Group. The Group Chief Audit Executive (CAE) has the overall responsibility for GIA. The CAE reports functionally to the Board of Directors and the Board Audit Committee. The CAE reports administratively to the CEO. The Board of Directors approves the appointment and dismissal of the CAE.

GIA does not engage in consulting 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.

All activities, including outsourced activities and entities of the Nordea Group fall within the scope of GIA.

GIA operates free from interference in determining the scope of internal auditing, in performing its audit work, and in communicating its results. GIA is authorised to carry out all investigations and obtain all information required to discharge its duties. The work of GIA shall comply with the Standards for the International Professional Practice of Internal Auditing issued by the Institute

Internal control process



of Internal Auditors and the Standards for Information Systems Auditing issued by ISACA. The annual audit plans are based on a comprehensive risk assessment.

External audit (9)

According to the Articles of Association one or two auditors shall be elected by the General Meeting for a term of four years. At the re-election of auditors the General Meeting may decide that the assignment will continue for a term of three years. At the AGM 2003 KPMG AB was re-elected auditor for the time period up to the end of the AGM 2007. Following a tender process KPMG AB was re-elected auditor at the AGM 2007 for a period up to the end of the AGM 2011. Carl Lindgren is the auditor-in-charge. The Board of Directors proposes that the AGM 2011 approves an amendment to the Articles of Association changing the auditors' term of office to one year. The Nomination Committee's proposal on re-election of KPMG AB as auditors was presented to the AGM 2011 on 13 January 2011.

Report on internal control and risk management regarding financial reporting

The systems for Internal control and risk management over financial reporting are designed to give reasonable assurance concerning reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies. The internal control and risk management activities are included in Nordea's planning and resource allocation processes. Internal control and risk management over financial reporting in Nordea can be described in accordance with the COSO

framework (Internal Control - Integrated framework, by the Committee of Sponsoring Organizations of the Treadway commission) as follows.

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. Further information regarding Nordea's values is presented in the separate section "Prudent growth – balancing growth and return", page 16.

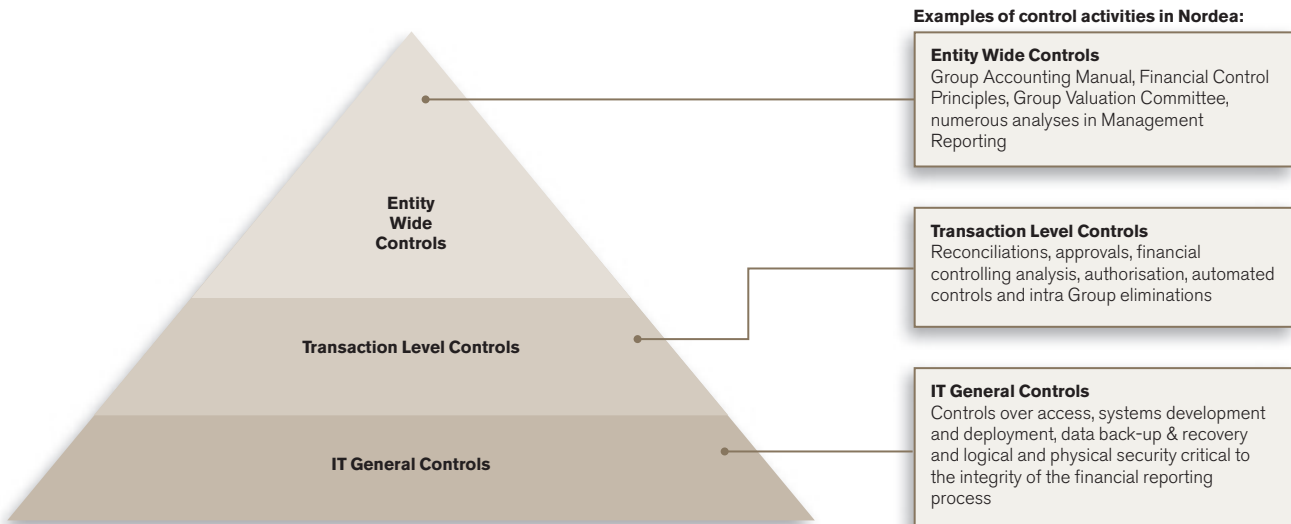
A clear and transparent organisational structure is of importance for the control environment. Nordea's business structure aims to support the overall strategy, with a strong product and customer orientation supporting clear roles and responsibilities. The business as well as the organisation is under continuous development. Further information on the Integrated Group operating model is presented on page 19.

A new function, Accounting Key Controls (AKC), has been established during the year. The AKC aims at implementing a unified Nordea Group-wide system of accounting key controls to ensure that controls essential for the financial reporting are continuously identified, monitored and assessed. The role of the AKC can be illustrated as a second line of defence, see illustration "Internal control process".

Risk Assessment

Risk management is considered as an integral part of running the business and the main responsibility for performing risk assessments regarding financial reporting risks lies with the line organisation. Having Risk Assessments performed close to the business increases the

Control activities



chance 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 Self Risk Assessments on 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, as for example 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 in Nordea are segregation of duties and the four-eye principle when approving eg transactions and authorisations.

The quality assurance vested in the management reporting process, where 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 where Nordea works continuously to further strengthening the quality.

Information & Communication

Service and staff units 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 within Group Finance provide sessions for accountants and controllers in order to inform

about existing and updated rules and regulations with an impact on Nordea.

The Finance Value Programme is an initiative focusing on the financial information processing. By transforming the financial reporting process and the financial information flow, the Programme is aiming at one integrated, effective finance reporting process that will enable faster reporting and a better ability to adapt to changes in the future.

Matters affecting the achievement of financial reporting objectives are communicated with outside parties, where Nordea actively participates in relevant national fora, for example fora established by the Financial Supervisory Authorities, Central Banks and associations for financial institutions.

Monitoring

Nordea has established a process with the purpose of ensuring a proper monitoring of the quality of the financial reporting and the follow-up regarding possible deficiencies. This interactive process aims to cover all COSO-components and can be illustrated with the figure below.

The CEO annually issues a report to the Board of Directors on the quality of internal control in Nordea. This report is based on an internal control-process checklist and a hierarchical reporting covering the whole organisation. Internal control and risk assessment regarding financial reporting is included as one of several focus categories in this process.

The Board of Directors, the Board Audit Committee and Group Internal Audit have an important role with regards to monitoring the internal control over financial reporting in Nordea Group. Further information is presented under the headings "The work of the Board of Directors (3)", "Board Audit Committee (4)" and "Group Internal Audit (8)" above.

