



Annual Report 2011

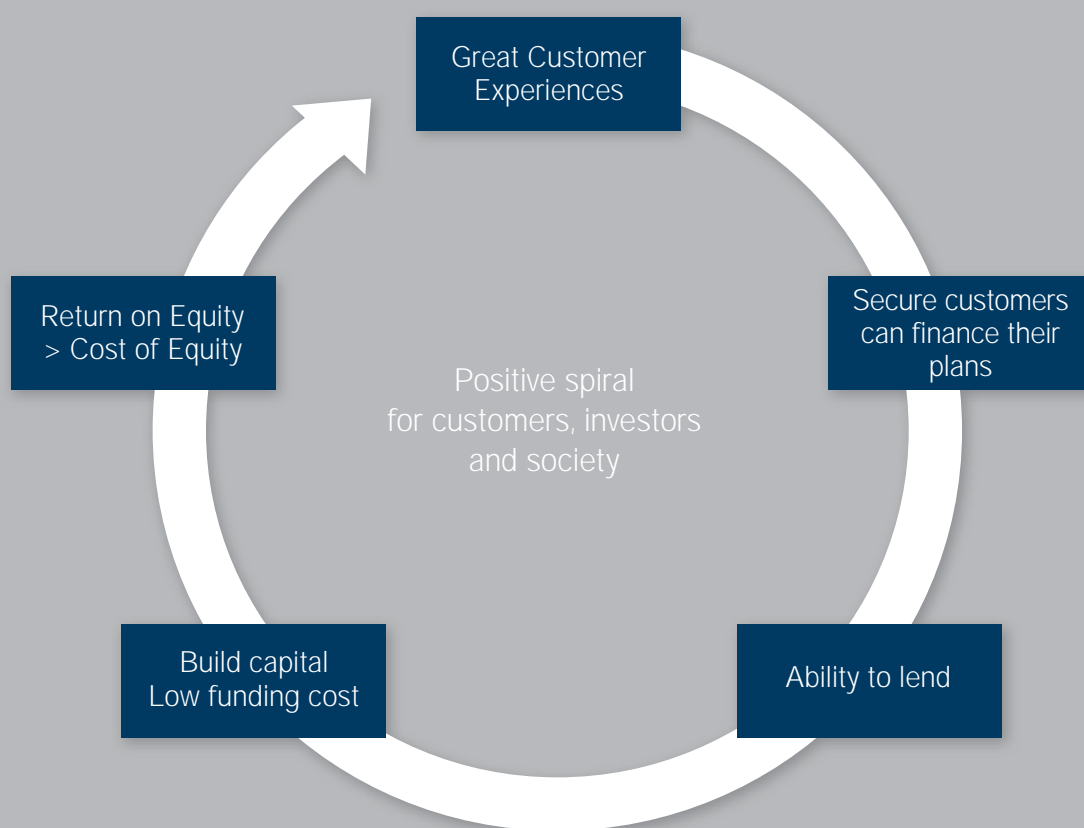


// Nordea is a relationship bank. Value propositions and a full range of services enhance great customer experiences.

Nordea – a relationship bank delivering great customer experiences

– Our vision is to be a Great European bank, acknowledged for our people, creating superior value for our customers and shareholders.

– Our size, position and strong focus on operational excellence, innovation and relationship banking enable our customers to be just as brilliant as they need to be.



– We make it possible.

– Our aim is to create great customer experience. That is what our relationship banking strategy is all about. Enhanced relationships lead to deep insight that lower our risk and cost of capital and in turn add value to the customer.

// Nordea is the largest financial services group in Northern Europe with a market capitalisation of approx. EUR 24bn, total assets of EUR 716bn and a core tier 1 capital ratio of 11.2%. Nordea is the region's largest asset manager with EUR 187bn in assets under management.

Nordea – large customer base and a strong financial position

11 mill

total number of customers

3.2 mill

Gold and Private Banking customers. 5% annual growth rate

630 th

corporate customers, 10% annual income growth since 2007

1,400

branches give strong distribution power

Total operating income distribution, %



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

Strategy, financial target and results

Strategic direction

We are a universal bank with a focused relationship strategy. The awareness that our success and our license to operate start with the fulfillment of our customers' needs is expressed in our long-term strategic objectives. They reflect our belief in a positive self-reinforcing spiral for customers, society and investors. We aim to provide Great customer experiences and holistic financial solutions in a low risk, efficient and diversified manner.



In the New Normal environment, we work with three main focuses to reach our objectives and to create a sustainable business system: balanced customer focus, people focus and a value chain integration and optimisation focus.

New financial target

The previous financial targets have been replaced with one: to reach a return on equity (ROE) of 15% in a normalised macroeconomic environment and at 11% core tier 1 capital ratio.

Organisational change

As of June 2011, a new organisation has been established, which builds on the value-chain thinking that has been central in the Nordea operating model since 2007.

The reorganisation is developed around the three main business areas: Retail Banking, Wholesale Banking and Wealth Management. All parts of the value chains – customer responsibility, support, products, staff and IT-development – are being incorporated into these business areas with the clear objective to improve efficiency, increase return on equity (ROE) and deepen the customer relationships. In addition, a business area called Group Operations and Other Lines of Business has been established. Group Corporate Centre and Group Risk Management remain as central parts of the organisation.

The financial reporting has been adapted to the new organisation from 2011 with restated numbers for 2010.

Cost and capital efficiency

In order to achieve the financial target set up, Nordea focuses on cost and capital efficiency in the New Normal.

Cost efficiency shall be obtained with all areas and during the second half of 2011 a reduction of the number of employees in the Nordic countries of altogether around 2,000 employees was initiated. Initiatives for cost-efficiency have also been taken e.g. in the IT development area.

Nordea also strives for further increased capital efficiency by focusing the business on capital-light products, on the advisory and relationship business as well on the ancillary income in the customer relations.



Income momentum

The strong income momentum that Nordea has had not least over the past couple of years is of essence to maintain for reaching the financial target.

With the new organisation and with the initiatives under the New Normal plan, Nordea aims at continuing to deliver great customer experiences to serve and stand by its core customers and also acquire new relationship customers.

Stable results 2011

2011 showed continued high total income, up 2% compared to 2010. Net interest income increased 6% compared to last year. Lending volumes increased 7% and deposit volumes 8%.

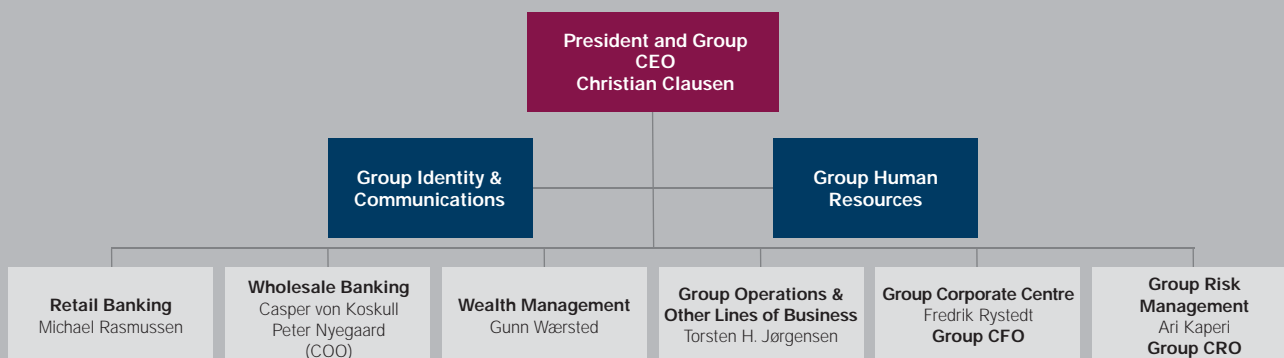
Net fee and commission income continued to increase strongly, up 11% compared to 2010. Net result from items at fair value decreased by 17% from last year. The customer-driven capital markets operations continued to be strong.

Total expenses increased 8%. In local currencies and excluding restructuring costs, total expenses increased 3% and staff costs increased 5%.

Net loan losses decreased 16% to a loan loss ratio of 23 basis points.

Operating profit decreased 3% compared to last year and increased 2% excluding restructuring costs.

New Group organisation as of June 2011



Key financial figures

Income, profit and business volumes, key items	2011	2010	Change %	2009	2008
Total operating income, EURm	9,501	9,334	2	9,073	8,200
Total operating expenses, EURm	-5,219	-4,816	8	-4,512	-4,338
Profit before loan losses, EURm	4,282	4,518	-5	4,561	3,862
Net loan losses, EURm	-735	-879	-16	-1,486	-466
Operating profit, EURm	3,547	3,639	-3	3,075	3,396
Net profit for the year, EURm	2,634	2,663	-1	2,318	2,672
Loans to the public, EURbn	337.2	314.2	7	282.4	265.1
Deposits and borrowings from the public, EURbn	190.1	176.4	8	153.6	148.6
of which savings deposits	56.3	51.3	10	47.8	45.5
Assets under management, EURbn	187.4	191.0	-2	158.1	125.6
Equity, EURbn	26.1	24.5	6	22.4	17.8
Total assets, EURbn	716.2	580.8	23	507.5	474.1
Ratios and key figures	2011	2010		2009	2008
Diluted earnings per share, EUR	0.65	0.66		0.60	0.79
Share price ² , EUR	5.98	8.16		7.10	3.90
Total shareholders return, %	-24.4	3.7		78.6	-46.9
Proposed/actual dividend per share, EUR	0.26	0.29		0.25	0.20
Equity per share ² , EUR	6.47	6.07		5.56	5.29
Potential shares outstanding ² , million	4,047	4,043		4,037	2,600
Return on equity, %	10.6	11.5		11.3	15.3
Cost/income ratio, %	55	52		50	53
Loan loss ratio, basis points of total loans	23	31		56	19
Core tier 1 capital ratio, excluding transition rules ² , %	11.2	10.3		10.3	8.5
Tier 1 capital ratio, excluding transition rules ² , %	12.2	11.4		11.4	9.3
Total capital ratio, excluding transition rules ² , %	13.4	13.4		13.4	12.1
Core tier 1 capital ratio ^{1,2} , %	9.2	8.9		9.3	6.7
Tier 1 capital ratio ^{1,2} , %	10.1	9.8		10.2	7.4
Total capital ratio ^{1,2} , %	11.1	11.5		11.9	9.5
Tier 1 capital ² , EURm	22,641	21,049		19,577	15,760
Risk-weighted assets ^{1,2} , EURbn	224	215		192	213
Number of employees (full-time equivalents) ²	33,068	33,809		33,347	34,008
Risk-adjusted profit, EURm	2,714	2,622		2,786	2,279
Economic capital ² , EURbn	17.7	17.5		16.7	15.8
EPS, risk-adjusted, EUR	0.67	0.65		0.72	0.68
RAROCAR, %	15.5	15.0		17.3	15.6
MCEV, EURm	2,714	3,655		3,244	2,624

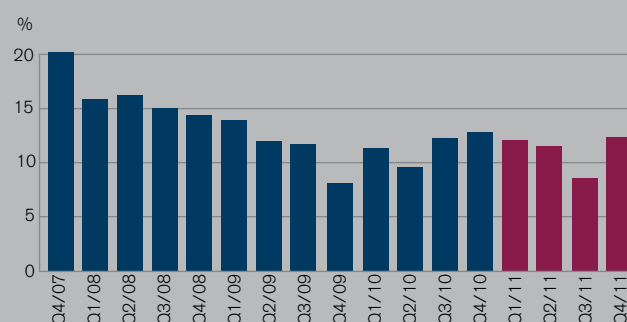
1) Including transition rules.

2) End of the year.

Capital position, core tier 1 capital ratio
excluding transition rules



Return on equity (ROE)
for Q3 2011, excluding restructuring provision



Awards 2011

First quarter

Nordea nominated best in private banking

The international financial magazine Euromoney awards Nordea the prize for best private banking service provider in the Nordics. It is the third year running that Nordea receives a top ranking.

Nordea is named 'Best Bank for Payments and Collections in Nordic region' in Global Finance Magazine's annual Best Treasury and Cash Management Bank rankings.

Nordea funds awarded by Morningstar

For the second year in a row the Danish fund company Nordea Invest wins the Morningstar award as best bond manager in Denmark – this time adding the title as the No. 1 manager of Danish equities. In addition, Nordea Invest is awarded two other prizes in Denmark as the top performer in the categories short bonds and high-yield bonds.

Global Finance Magazine names Nordea 'Best Foreign Exchange Provider' in Finland.

At Lipper Fund Award 2011 in Europe (Lipper is a subsidiary of Reuters and one of the world's best-known fund-tracking agencies) the following Nordea funds receive awards:

- Nordea 1 – Danish Long Bond Fund BP DKK: four awards
- Nordea 1 – European High Yield Bond Fund BP EUR: three awards
- Nordea 1 – Nordic Equity Small Cap Fund BP EUR: one award



Sasja Beslik, Head of Responsible Investments & Governance in Nordea, is awarded the title of Young Global Leader 2011 by the World Economic Forum.

Nordea is recognised as Best Foreign Exchange Bank in Finland by Global Finance Magazine.

The international financial magazine Euromoney names Nordea Best in Private Banking in Latvia.

Trade Finance Magazine names Nordea Best Trade Bank in the Nordic & Baltic Region 2011.

Second quarter

Nordea nominated Best Bank in Finland

Nordea is awarded the prize for Best Bank in Finland by the magazine Global Finance.

Nordea Best Corporate Bank in Denmark and Finland

Nordea is named Best Bank in the corporate/institutional category in Denmark and Finland at the annual Euromoney Awards for Excellence Show in London.

The international finance magazine EMEA Finance names Nordea Best Bank in Estonia 2010.

Third quarter

Nordea Bank Polska is named Best Commercial Bank 2010 by Rzeczpospolita, the largest daily newspaper in Poland.

Gazeta Bankowa, a newspaper for the banking sector in Poland, names Nordea Best Large Bank 2010 and, in addition, Włodzimierz Kicinski, Head of Nordea in Poland, as Bank Manager of the Year 2010.

Nordea IT in Poland & Baltic countries is named 'IT Leader in the Financial and Banking Sector 2011'. The contest both evaluates the maturity of the IT organisation as well as its ability to deliver high quality projects.

Nordea wins a prize by the Latvian Ministry of Welfare for being a 'Family Friendly Company'.

Nordea is once again named the biggest and safest bank in the Nordic region by Global Finance. Nordea is this year ranked as the 32nd biggest and 22nd safest, and is the highest ranking Nordic bank.



World Finance names Nordea Best Banking Group in Sweden, Denmark and Norway as well as in the whole of the Nordic region.

Fourth quarter

Nordea, as the only Nordic bank, is recognised as one of the 29 most important banks for the global economy, by the Financial Stability Board, a regulatory unit within the G20 group. Thus Nordea is seen as a so-called Global SIB (Systemically Important Bank).

Nordea in Denmark Bank of the Year by The Banker

Nordea in Denmark is named Bank of the Year 2011 by the magazine The Banker.

Best arranger of Nordic loans

Nordea wins the category of Best Arranger of Nordic Loans at Euroweek's Syndicated Loans & Leveraged Finance 2011 Awards.

Nordea is awarded a gold medal as the best Norwegian bank 2011 by the organisation Norsk Familieøkonomi.

Nordea best bank in the Nordic CDP report

Nordea is placed a joint fourth in Carbon Disclosure Project's report. CDP is an independent, not-for-profit organisation which works with 655 institutional investors.

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Retail Banking

Retail Banking offers full-range financial services to household and corporate customers in the Nordic countries as well as Poland and the Baltic countries.

Read the interviews with customers and employees on page 14–21.

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Wholesale Banking

The large multinational corporates, institutional customers and shipping and offshore customers are served by customer teams with senior relations managers and experts in capital markets, cash management, trade finance and other areas.

Read the interviews with customers and employees on page 22–29.

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Wealth Management

Nordea is the region's largest asset manager. In Wealth Management, private banking customers, institutional customers and households are served with asset management, savings and life and pensions.

Read the interviews with customers and employees on page 30–37.

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

CEO letter

Our goal is to deliver great customer experiences also under the new regulations. We are determined to increase efficiency in cost, capital, funding and liquidity to mitigate the effects from the increased regulatory requirements on our customers. But our strategy is more than that. We have been part of our customers' ambitions, initiatives and innovations for generations. We know what they can accomplish, and we aim to support them in making it possible.

Dear Shareholder,

When we look back at 2011, I believe we will see this as the year when the foundation for a great bank in the New Normal was laid. We entered the year with strong business momentum. We used it to take proactive action to adapt to the new regulations and mitigate the effect from new regulations on our customers.

In the spring, we reorganised the Group to put the customers even more in the centre of our operations. Four new business areas were set up to support our value chains and increase business responsibility and result accountability; Retail Banking, Wholesale Banking, Wealth Management and Group Operations and Other Lines of Business.

Adapting to the New Normal

With the new organisation in place, we presented our New Normal plan in the summer. It is a comprehensive plan to execute on our relationship banking strategy within the constraints set by the stricter global bank regulation. The goal is to deliver great customer experiences also under the more ambitious requirements on capital, liquidity and funding. We have taken measures to increase capital and cost efficiency while we continue to attract new customers and strengthen existing relationships to maintain income growth.

To create a sharper business focus, improve profitability and remain in the top league of European banks, we have replaced the previous three financial targets with one: to reach a return on equity of 15% in a normalised macroeconomic environment with higher interest rates and a capital requirement of 11%. The Swedish capital requirements have since been set higher, but before all European levels are known and the funding and liquidity regulation is finalised, it is difficult to foresee whether it will affect our target.

Cost efficiency is of the utmost importance to reach a higher ROE. In the summer we decided to gradually take down the cost development until the end of 2011. Thereafter, we aimed for costs to be largely unchanged for a prolonged period of time. In the autumn we took a wide range of cost measures, including the reduction of 2,000 employees. In parallel, we plan to initiate further efficiency measures.

The results have followed plan. Between the fourth quarters of 2010 and 2011, costs were lowered. At the same time, we increased the number of Gold and private banking customers by close to 150,000 to the highest level ever. Subsequently, we had stable income development despite the



// Our focus is on great customer experiences and the financial target to reach 15% return on equity

turbulence in the capital and funding markets.

In 2011, Nordea's position as market leader was confirmed as we were the only financial institution in the region defined as a global systemically important bank. We were appointed Best Banking group in the Nordics; Sweden, Denmark and Norway by World Finance.

Relationship banking strategy

Since 2007, Nordea has had the relationships with customers as its main focus. The reason is simple. Relationship customers are more satisfied since we can make tailored and individual solutions to the customers we know. Therefore, both household and corporate customers are more loyal and do more business with us. We can also assess risks and take proactive measures to mitigate them when we work close to the customers. Finally, it adds engagement and motivation to work closely with the customers and see them grow and realise their ambitions. Both for employees and customers, the strategy has brought higher satisfaction since it was introduced.

The strategy rests on three values: In all we do, we want to create *great customer experiences*. In short, we strive to always being professional. For us this means that we always should be easy to deal with, understand the customers' aspirations and support them in what they want to accomplish.

We acknowledge that it is people who make the difference. Therefore we always bear in mind that *it's all about people*. We always want to look ahead and use our competence to support people's ambitions – among our staff as much as among our customers.

To be the largest bank in the Nordic region has a meaning only if we can utilise all the knowledge and experience that Nordea holds to add value to

each customer in each situation. That is why our third value is to act as *one Nordea team*.

In the New Normal we will develop straightforward savings products, capital efficient lending opportunities and a fair pricing model to ensure good products at the right price. In Nordea, all customers should know that they are treated fairly in the adaptation to the New Normal, and that when there is a more capital efficient solution, we will offer it to ensure fair pricing. The 360-degree advisory meetings that we offer all relationship household customers will be vital in providing well informed customers with efficient product portfolios in the New Normal.

The corporate relationship strategy aims at providing complete financial solutions in order to build strong house-bank relations in all segments. We take a holistic view of each company, its vision, market and financial position, to enable each individual ambition to be realised. We stand firmly by our ambition to become the leading bank among the largest customers in all Nordic markets, and have taken substantial steps towards that goal in 2011.

Last year, we also expanded our relationship strategy to social media and mobile banking. More than 350,000 customers regularly do their banking business on their phones or tablets. By the end of the year we had attracted 30,000 likes on our national Facebook pages allowing us instant feedback and a direct dialogue with many of our customers.

Making it possible

The year has also been marked by growing criticism towards banks in the world. Nordea has not received state subsidy, we have been profitable throughout the crisis and have managed to increase our lending to both

households and corporates and we have higher customer and employee satisfaction now than before the crisis. Still, we are also affected by the image of the sector. Therefore, our strategy in the New Normal is more than financial targets. It must also contain a humble reflection of what it means to run a bank in these challenging times.

To be the only northern European bank classified as systemically important means that we have a special responsibility, not only to our customers, but also towards our societies – to serve as a buffer against recessions, and contribute to development and growth.

Nordea's mission is making it possible. We want to contribute to the future. The financial solutions we provide and the support we give are of great importance – to help companies, families and individuals enable their plans.

That is why we believe in the future. We have been part of our customers' ambitions, initiatives and innovations for generations. We have grown with them, seen them discover new opportunities, products and markets. We know what they can accomplish, and we want to support them in making it possible.

When our customers' creativity and ability are realised, our communities can continue to develop.

Best regards

Christian Clausen



Nordea New Normal – a focused relationship strategy

The focused relationship strategy is the base for the financial target to reach 15% return on equity (ROE) in a normalised macroeconomic environment and at 11% core tier 1 capital ratio.

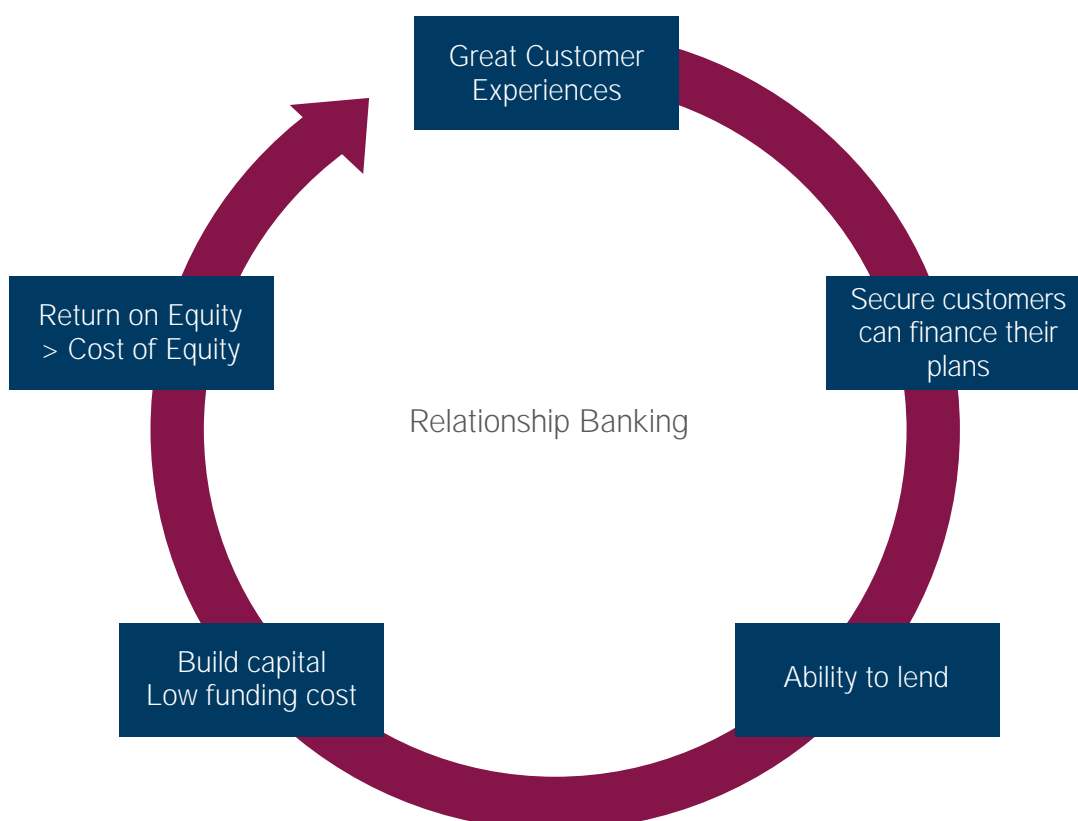
Focused relationship strategy

Nordea is a universal bank with a focused relationship strategy. The awareness that our success and our license to operate start with the fulfillment of our customers' needs is expressed in our long-term strategic objectives. They reflect our belief in a positive self-reinforcing spiral for customers, society and investors. We aim at providing Great customer experiences and holistic financial solutions in a low risk, efficient and diversified manner.

Our vision is to become a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. The vision and the strategic targets are firmly supported by our values and culture: Great customer experiences, It's all about people and One Nordea team.

In the new normal environment, we work with three main focuses to reach our objectives and to create a sustainable business system:

- **Balanced customer focus.** We strive to provide a balanced customer focus, building on a customer centric organisational design, in which we are delivering the right products in the right way. In all our Business Areas, we are providing a full suite of advice driven products piloted by client demand and regulatory direction. As new regulatory demands are becoming clearer, we are adapting and ensuring that all our products are fairly priced based on the true cost of providing them.
- **People focus.** We aim to nurture clear values and principles, reflected in the objectives and incentives we set, how we lead and listen, and how we develop and support our people. Our economical profit framework remains at the heart of how we manage and support our people. It has been and will continue to be complemented with tools to adjust to the new normal environment and its regulatory requirements.



// Relationship banking and financial advice are key to the strategy and to create great customer experiences

- **Optimised value chain integration.** We aspire to adopt and develop best practice and remain loyal to simplicity, transparency and reduction of complexity to manage our resources while keeping our customers and their goals in focus. Our three value chains and Business Areas are designed to support the focused relationship strategy. Having one operating model and Business Area ownership of the end-to-end value chain ensures overview, accountability, and congruence. It safeguards operational efficiency by improving the quality of customer relations, increasing the time spent with customers and reducing the time required to bring new products and services to market.

Household strategy

Household customers are divided into four segments based on their business with us. For each segment, a value proposition has been developed including contact policy, service level, pricing and product solutions. The core philosophy of this strategy is to provide the best service, advice and product solutions to the customers, and thus ensuring loyalty, brand value and increasing business and income.

Prices are transparent and in general non-negotiable. This is normally seen as a win-win situation. We have a broad and well performing range of products, a highly skilled product organisation and a strong distribution power. Product development is

geared at reducing complexity and developing products with low capital requirement rather to meet both customers' demand and regulatory requirements. Our savings product offering is designed to take into account customers' wealth, their involvement level and stage in the life cycle as well as their risk appetite.

We pursue a multichannel distribution strategy. The aim is to improve customer satisfaction while reducing the costs to serve. The proactive contact with our customers is driven by local branches, and supplemented by contact centers, intranet and the mobile bank. We aim at having recurring "360 degree meetings" with all existing and potential relationship customers, where we take the cus-

Strong customer-oriented values and culture

**A Great European bank,
acknowledged for its people, creating superior value
for customers and shareholders**

Great customer experiences

- We think and act with the customer in mind
- We understand individual customer needs and exceed expectations
- We deliver professionally
- We create long-term relationship

It's all about people

- We acknowledge that people make the difference
- We enable people to perform and grow
- We foster initiative taking and timely execution
- We assess performance in an honest and fair way

One Nordea team

- We team up to create value
- We work together across the organisation
- We show trust and assume accountability
- We make rules and instructions clear and applicable

Foundation: Profit orientation and prudent cost, risk and capital management

- We focus on generating sufficient return on capital
- We focus on strict cost management, prudent risk control and efficient capital management

tomers' whole economy and long-term preferences into account to provide a holistic financial solution.

Corporate strategy

Corporate customers comprise four segments based upon their business potential and complexity of banking needs. For each segment, we have developed a value proposition including contact policy, service level and product solutions to provide complete financial solutions and ensure house-bank relations. Relationship managers take a holistic view of the customers' situation and targets and organise the relationship accordingly.

Our commitment to becoming the leading bank among the largest corporate customers in all Nordic mar-

kets stands firm. Across our markets, we have further strengthened our market position in the segment and a larger share of ancillary business. To customers in the Large and Medium segments we aim at making corporate risk management products and capital market transactions an integrated part of the basic product offering. For customers in segment Small, the adviser profile and service concept Small Entrepreneurs is being expanded to meet the business and personal banking needs in the segment.

We are a universal bank with a focused relationship strategy. The awareness that our success and our license to operate start with the fulfillment of our customers' needs is expressed in our long-term strategic objectives.

Segmentation and value proposition – Household customers

Segment	Customers, 000's	Criteria and Value proposition
Private Banking	110	Assets > EUR 250k The best Nordea has to offer
Gold and Premium	3,100	Volume > EUR 30k, no. of products > 5 Named advisor – priority in access – best fixed price
Silver	1,600	Volume > EUR 6k, no. of products > 3 Personal service when needed – favourable price
Bronze	4,100	Active customer Basic service – fair price

Segmentation and value proposition – Corporate customers

Segment	Customers, 000's	Value proposition
CIB	12	Strategic partnership – sponsor, customer team and named adviser – tailored, individual solutions
Large	30	Partnership – named adviser and specialists – individual solutions
Medium	90	Business relationship – named adviser – individual solutions – standard products
Small	500	Personal relationship – basic service – efficient handling

Retail Banking

// Our close and deep customer relationships are the foundation that we build on. Our insight helps us to decrease risk and increase capital efficiency. In combination with our structured way of conducting business and clear segmentation we can really create value for both our corporate and household customers.



Michael Rasmussen
Head of Retail Banking



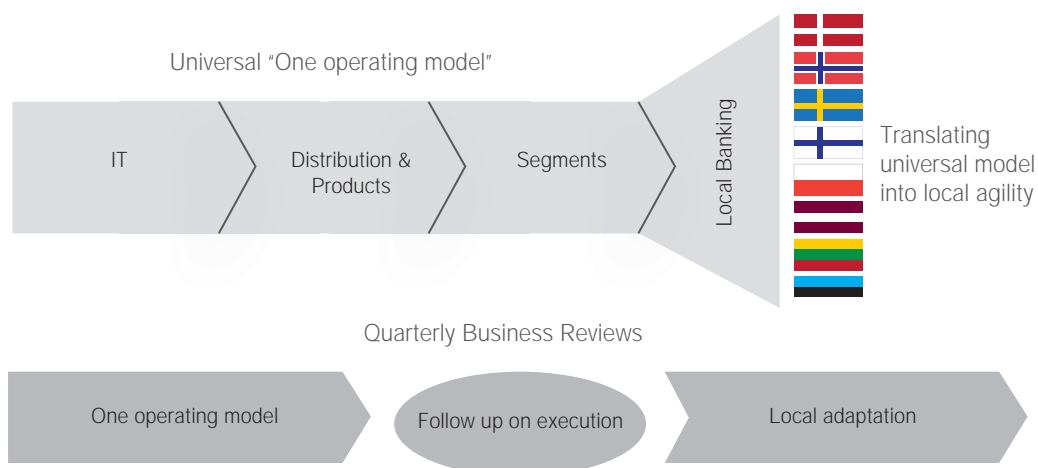
The relationship strategy is in focus for both household and corporate customers

A fully diversified Retail Bank

The business area Retail Banking covers corporates and households in the Nordic region, Baltic countries and Poland and include all parts of the value chain. More than 10 million

customers are offered a wide range of products and are served by a total of 1,300 branches and contact centres and our on-line banking channels.

We deliver upon our strategy via a unique operating model



Delivering on our relationship strategy through a unique operating model

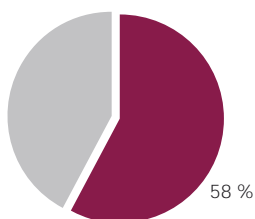
Nordea is a truly relationship driven bank. Our close and deep relationships with our customers give us insight and help us decrease risk,

grow income and customer satisfaction. We have developed a unique operating model being local in serving our customers in each of our eight markets and at the same time being global throughout the other parts of the Retail Banking value chain.

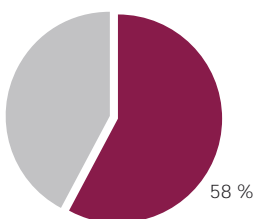
This model enables us to be even more local.

We have started a journey to increase efficiency and our intention is to continue to be intelligent in allocating knowledge and capital towards our customers.

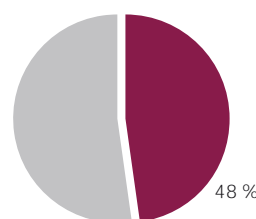
Share of Group total operating income, 2011



Share of total FTEs



Share of economic capital



Nordea is a fully diversified Retail Bank with a focus on advice and on giving great customer experiences

Business development 2011

Retail Banking continues to adapt to the New Normal. Efficiency gains are harvested through optimising the distribution channels as well as back office and support functions.

Retail Banking actively aims, at all levels in the organisation, to create awareness of the challenges and consequences imposed by new regulations, the economic outlook and changing customer behaviour in order to build customer understanding of the necessary changes.

The number of Gold and Premium customers amounts to 3.06 million, an increase of 140,000 during the year, equivalent to a growth rate of 5%.

Nordea continues to transform its branch network to better reflect today's customer behaviour and needs. A total of 513 branches are now operating in the new format, equalling more than 40% of Nordea's Nordic branch network.

The number of manual transactions decreased steadily, as customers chose to use other more convenient solutions for daily banking. The number of visits to the mobile bank in the Nordic countries has more than quadrupled during the past year. Several improvements, features and functionalities were also launched in the Private Netbank.

Result

Total income increased 14% compared to last year, driven by the net interest income and net fee and commission income. The expense growth was at the same time limited to 3%. This together with lower loan losses resulted in an increase in operating profit of 62% to EUR 1,767m.

Banking Denmark

The inflow of externally acquired Gold and Premium customers continued, with a growth rate of 4%. Meeting activity increased while the number of manual transactions continued on a downward trend.

As a consequence of economic and to certain extent also political uncertainty, the activity level continues to be low. An increasing polarisation is observed in the Danish corporate market. Still the SME segment and the agricultural sector in general face the largest challenges. The need for loan loss provisions continued to be at a high level.

Banking Finland

The increase in the number of Gold and Premium customers was 3%. The relationship strategy was reflected in the positive outcome in the Customer Satisfaction Index 2011, where Nordea outperformed its peers. Increased

focus on investment advice, especially to premium customers, was well received and there were signals of net inflow to funds that were better than in the market on average.

Nordea's relationship strategy combined with the renewed corporate branch network was well received by the customers and the number of proactive customer meetings was at a high level.

Banking Norway

Business activity in the household segment remained strong and the number of Gold and Premium customers increased by 12%. More than half of this growth came from externally acquired customers.

Corporate activity was significantly up. The yearly customer satisfaction survey showed a positive development both in the household and the corporate segment and confirmed that the strong focus on proactivity is appreciated by customers.

Banking Sweden

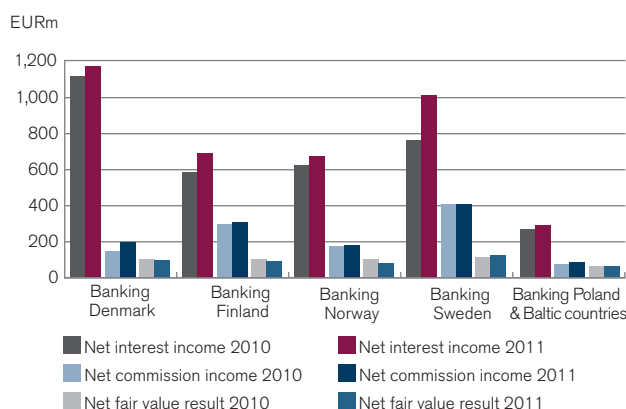
Banking Sweden delivered a solid result, driven by a strong net interest income, stable other income and tightly controlled cost development. The number of Gold and Premium customers increased by 4% in 2011.

Household mortgage volumes continued to grow, albeit at a somewhat lower rate. Business demand among corporates was somewhat lower. The activity with relationship customers was nonetheless kept at a high level, and business volumes as well as spreads stayed largely unchanged.

Banking Poland & Baltic countries

The business development was favourable in the fourth quarter. During the quarter, work progressed well in adopting the new business model, supporting the changing macroeconomic and regulatory environment. Corporate lending increased while household volumes remained stable. The stable income growth continued. The Polish economy continued to develop favourably, though at slower rate. Higher business volumes and growing number of customer transactions supported the 10% income increase from previous year.

Retail Banking, income per market



Corporate customers – Relationship strategy

Corporate customers – optimising customer relationships

Nordea's corporate business is segmented into small medium and large corporates. Our clear segmentation enables us to be disciplined and have a more structured approach to the way we interact with our corporate

customers. One sales process covers all our eight markets and Nordea's relationship manager structure with assigned customer teams generate great customer experiences. Our strategy has been successful and has led to asset allocation proactivity and capital efficiency.

Nordea is currently the house bank of the main part of its corporate customers and the ambition is to increase the share which in turn generates further business growth.

Different type of products offered include: transaction products, cash management, corporate netbank,

High competence within Nordea makes it easy to be succesful

Morten Kirkebøe, Senior Relationship Manager (SRM), Banking Norway has been with Nordea for the last 5 years and he is impressed by the way Nordea is able to work as one team through the organization. This is what makes Nordea stand out in its competition.

Can you describe your current role within the organisation?

I am responsible for a portfolio of large corporate customers. My role is to be the "internal expert" on my customer's strategy and financial situation and to ensure that Nordea manage to satisfy the customer's financial needs. I am managing the sales process, credit analysis and implementation of credit decisions, in addition to heading the customer team of product specialists.

Can you describe how you interact with your customers?

Together with the customer team, I try to have many customer meetings to develop the relationship and to keep up with how the customers are doing. We also have so called 360 degree meetings at least once a year where we go through the customer's strategic plans and financial needs. These meetings result in an actionplan for the year ahead.

How do you channel back your customers' needs in the Nordea organisation?

We have a good CRM system where information and needs are registered. This is supplemented with customer team meetings where we create a work plan consisting of the actions every specialist have to take to deliver products and financial solutions.

Which products do you offer to large corporates?

Nordea is a full service bank with the goal to be the primary bank for our corporate customers. We cover the entire product range: cash management,

short- and long term financing, trade finance, FX, derivatives, asset management, pensions, leasing and corporate finance.

What room for development is there so that you can be even better at your job?

The overall high competence within the Nordea organisation makes it easy for me to be successful as relationship manager but for instance there is room for development of technical solutions and new systems for interaction. This could free up our time and would enable us to spend even more time in meetings with customers. Developing relationship is more important than price. We are already competitive in terms of pricing.

What do you think your customers appreciate the most by Nordea?

I think they appreciate all the highly competent people that are available for them in their dedicated customer team. Whatever financial need the customer might have, we have specialists that will meet and advise them on the issue. These meetings are moments where great customer experience is created in practice.

Why according to you is Nordea better than our competitors?

Nordea is very good in working as one team throughout the whole organisation. Our products are more or less the same as our competitors, but our people, values, and organisation is really what makes us unique.



trade and project finance, custody services, finance products (leasing), sales- and asset finance, efficient solutions for working capital financing, car financing, need for floor plan solutions at car retailers and equipment financing for vendors and manufacturers of industrial equipment.

// Nordea has a great business understanding and can therefore suggest more relevant solutions

When you work with the best you improve yourself

Morten Grongstad is the CEO of Fornebu Utvikling, a listed Norwegian property company. The company is currently developing Norway's largest housing project and Nordea is one of their most important financial business partners.

How long has Fornebu Utvikling worked with Nordea and how has the cooperation developed?

We have had a very close partnership the last 3 years. It has been a positive journey all the way. When I started as CEO in 2009 we had seven banks and no real partnership bank. My plan was to reduce the number of banks to two main ones and there was never any doubt that Nordea should be one of them.

Does Nordea's model with the Relationship manager structure facilitate your situation as a customer?

Absolutely, Morten Kirkebøe and his team are very professional. They always respond promptly to our requests and are well prepared in all matters.

Are you happy with the support you are getting?

Can Nordea cover all your needs in the real estate and constructing sector?

Yes, we really use Nordea as a full service bank, with solutions for cash management and different types of financing from standard construction loans to more tailor made solutions.

Do you get new innovative suggestions and solutions that contribute to enhancing your business?

We get a lot of ideas. But in this area I would like to challenge the team even further. Nordea has great possibilities to capitalise on knowledge leverage and true cross border cooperation. Best practices ideas in our sector could be channeled in a greater extent to Morten and his team in Norway.



Do you get enough input when it comes to macro-economic analysis and information about market developments?

We feel very safe with the analytical support we are getting. There are never any surprises when it comes to changes in interest rates and other important economic developments. Nordea is always on track.

What in your opinion is most important for a good banking relation?

The people you are faced with. Along with true partnership, long-term thinking. We operate in a cyclical business and can be faced with challenging times. Then it is extremely important that we have the same support as in good times.

Which are the strengths of Nordea compared to other banks, local and international?

Nordea is more structured but yet more flexible. Nordea also has a great business understanding and can therefore suggest more relevant solutions. We always get viable solutions fast which is not the case with many other banks. I have always believed that smart people that get up a bit earlier and go to bed a bit later tend to achieve more – and this is my perception of Morten and his team at Nordea.

Household customers – Gold segment

Households – Increased customer insight

In order to fulfil our ambition of creating great customer experiences Nordea has developed a unique contact policy and a clear segmentation enabling a targeted and relevant contact with our best customers. The relationship banking for Gold and Premium customers has been developed even further with named advisers for all customers and the content

of the sales meetings has been in focus. A consolidation of the number of branches to enhance operational excellence has released time for the advisors to concentrate on developing and deepening the relation with their customers.

Business development: increasing Gold customer base

The focus on developing the potential in the customer base and acquiring

new customers continued to be successful with a 5% net increase in the number of Gold and Premium customers.

Around 127,000 Gold and Premium customers were new customers to Nordea. This reflects Nordea's strong brand and competitive offering through the loyalty programme and advisory services.

Customer satisfaction increased during 2011.

Safe to be customer of a large bank

Berit Bugge Friis has been a customer of Nordea for a very long time. She will later this year retire from her job at insurance company Tryg and is now in the process of planning her future financials, which she is doing together with her adviser at Nordea, Finn Rydal.

– I think good advice is important, as well as support and credits in emergency situations, Berit Bugge Friis says when talking about her bank.

Berit Bugge Friis has been a Gold customer of Nordea for some time and her bank adviser Finn Rydal has followed her for the last 3 years. Recently she and her husband, who also is a customer of Nordea, were upgraded from Gold to Premium.

– It is working very well with Finn and his team, Berit Bugge Friis tells us. Some time ago he arranged a meeting to go through my financial situation and to discuss my pension plan.

After having worked a long time at Tryg, a Nordic insurance company, which also is a business partner of Nordea, Berit Bugge Friis now will retire.



In the past Berit has not had much advisory need. The products she uses are the internet bank, credit cards, a car loan and stock market investments. But now her situation has changed and she needs to plan her pension.

– Nordea invited me and my husband, who also is a customer of Nordea to a lecture on pension structures. It was really interesting and well arranged, Berit Bugge Friis tells.

We have started the discussions and we have got some really good advice by Finn Rydal and his team. I am really satisfied with my bank relation. It feels very safe to be customer of a large bank, Berit Bugge Friis ends.

// Number one is the relation with their adviser. I also think customers appreciate our reliability and our low-risk profile.

Deepening customer relations by building trust

Finn Rydal is a bank advisor for Gold and Premium customers. He has been with Nordea for over 20 years. The recent development of the branch network with more focused advisory branches in Denmark has enabled Finn to focus on being even more efficient at his job and deepen his customer relationships.

Can you describe your current role within the organisation?

My role has changed during the last year since we have concentrated the number of branches in Denmark in order to be able to work more efficient. Now we are 9 advisers in one branch instead of 3 as before and I can really focus on my job as an adviser.

How do you build your customer relation?

When you start you don't know anything about the customer. I think it is important to be well prepared and to listen to the customer. After that you need to keep up the dialogue, hold your promises and follow up on actions taken and new customer needs.

How do you pick up on what your customers need?

In Nordea we use a tool called 360 degree meetings. This is a meeting following a certain agenda set out to cover all eventual customer financial needs. Following this agenda also encourages the customer to talk about their entire financial situation. This is trust building and deepens the relation. The next step is to set up meetings with appropriate specialists within the bank to tailor the right solutions for the customer.



Have the work and the focus changed over recent years in order to obtain more full-service household customers?

There has been a meeting requirement that every personal bank adviser should hold on average five 360-meetings per week, thinking that these meetings will contribute to develop and increase our business with our existing customers. We also try to encourage our customers to recommend Nordea to people they know, which has been a very successful way of recruiting new customers.

What do you think your customers appreciate most by Nordea?

Number one is the relation with their adviser. I also think that they appreciate our reliability and our low-risk profile. They feel that Nordea is a safe bank with no surprises or huge loan losses.

Why, according to you, is Nordea better than its competitors?

Nordea has a very good reputation in Denmark due to our ability to pull through in the financial turmoil of 2008/2009. We are focusing a lot on risk management and credit control in a very structured way and we have been able to stand by our customers both in good and bad times.



Wholesale Banking

// We have built a truly customer-driven business centred on relationship banking. As the leading bank in the Nordic markets, we have a unique platform for serving our customers. With all our wholesale activities in one Nordea business area, we can leverage our product and service capabilities while benefitting from our strong local presence in the customer dialogue.



Casper von Koskull
Head of Wholesale Banking

Close relationships with large corporate customers and institutions continue to deliver

Wholesale Banking

Wholesale Banking provides services and financial solutions to the largest corporate and institutional customers in Nordea. The business area was formed in July 2011 to increase the business orientation and customer relationship focus of the underlying units and to strengthen the intensity and relevance in all customer dialogues.

The new organisation comprises three pillars, each consisting of indi-

vidual divisions. The incorporation of customer divisions, product divisions and support divisions enables the integration of almost all wholesale activities, spanning the entire value chain. In addition, scale of the operation allows Nordea to leverage the strong customer and product platform and harvest the synergies from streamlined operational processes.

Following the creation of Wholesale Banking in July, the organisation was

fine-tuned in November when the divisions serving corporate and institutional customers were combined into Corporate & Institutional Banking (CIB). This was done in order to establish strong local entities with a uniform footprint across countries as well as to allow for further operational streamlining and quality excellence.

Nordea's relationship strategy is fully implemented in the business area and the integrated value chain reinforces the ability to consistently serve the customers when they need it.

Business development 2011

The Wholesale Banking result was strong and almost at the level of 2010, despite challenging market conditions. During the second and third quarter, the re-emergence of the European sovereign debt crisis caused a level of market uncertainty and discontinuities not seen since the peak of the Lehmann Brothers crisis. In addition, the deterioration of the economic outlook over the summer led to reduced investment appetite from customers. Despite this, the year was characterized by solid activity, both in the customer and capital markets areas.

Banking

The activity from corporate customers was strong in early 2011, supported by positive economic projections. However, as worries about a new economic down-turn re-emerged over the summer, corporate customers became more cautious in their investment approach and consequently, the number of significant transactions subsided.

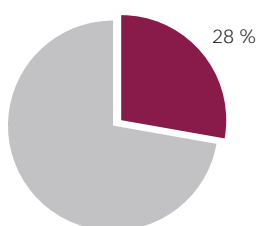
Financial institution customers were affected by the European sovereign debt crisis and their activity level was impacted accordingly.

In the Shipping segment, weakness in many sub-segments impacted the demand for new financing. A decline in vessel values for certain sectors resulted in increased loan losses. In the Offshore and Oil Services segments, customer activity was solid with syndicated loan activity above 2010.

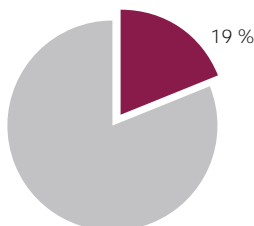
Capital markets

Customer activity was solid throughout the year in the largest product areas Foreign Exchange and Fixed Income, driven by commercial flows and risk management. Despite the extreme market turmoil, the full year trading income from risk management was strong.

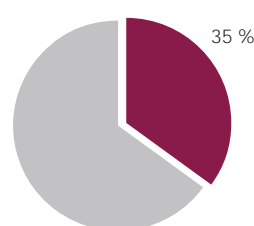
Share of Group total operating income, 2011



Share of total FTEs



Share of economic capital



The Wholesale Banking result was strong and the year was characterised by solid customer activity

Many customers took advantage of the low interest rates to hedge their exposures. Customer activity in the loan area was solid with volumes driven by refinancings and financial sponsor transactions. The primary bond market activity was somewhat subdued due to the financial market unrest.

In the secondary equity area, customer activity was moderate despite a strengthening of Nordea's market position in Denmark, Finland and Sweden. Corporate Finance customer activity was low in line with the general market.

Result

Total income for 2011 was EUR 2,680m, 3% down from 2010. Both net interest income and fee and commission income increased, but the extreme market conditions led to a reduction of the unallocated capital markets income.

Corporate & Institutional Banking

Corporate & Institutional Banking comprises the customer units servicing the largest Nordic corporate and institutional customers. Nordea CIB is the leading Nordic financial service provider to corporate customers, both in terms of market share and strength of the relationship. The business strategy is based on relationship banking with close, ongoing dialogue with customers as well as on thorough knowledge of markets and industries.

Business development

Business momentum varied over the year as the optimistic growth expectations during the first half of 2011 were replaced by a more negative outlook over the summer. Corporate customers displayed high investment activity in the beginning of the year.

However, the activity subsided as the customers adjusted to the less positive economic forecasts. The activity from financial institutions fluctuated in response to the high level of uncertainty caused by the European sovereign debt crisis and the political turmoil in many parts of the world.

Corporate customer activity was primarily driven by daily business with focus on cash management, refinancing transactions and risk hedging. The number of noticeable M&A transactions was modest and corporate bond issue activity was irregular during the second half of the year.

Lending volumes increased over the year. The pressure on lending spreads was particularly heavy during the first half of the year but lightened somewhat in the last quarter.

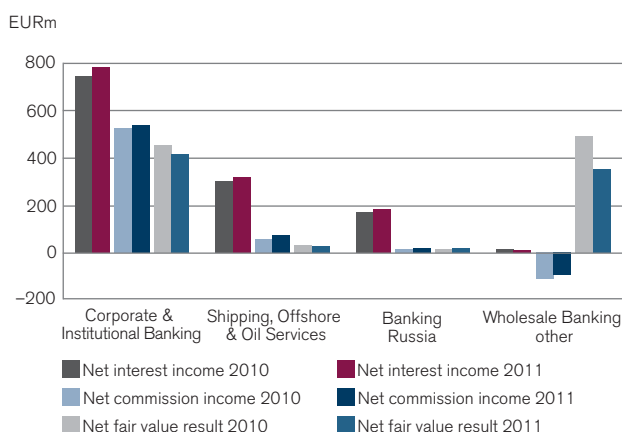
Deposit volumes increased significantly, mainly driven by deposits from financial institutions. As a consequence of the turmoil in the financial markets, customers put increasing emphasis on the solidity of their banks which was a benefit to Nordea. Competition for cash management and working capital mandates remained fierce.

The continued commitment to the relationship strategy remained valuable and Nordea received a top rating across the Nordic region in the 2011 Global Custodian Agent Bank Survey and recent customer surveys showed a further strengthening of the market position.

Result

Total income in 2011 increased to EUR 1,750m, driven by net interest income and fee and commission income. Loan losses fell significantly and constituted 7 basis points in 2011.

Wholesale Banking, income per unit



We assist our customers in achieving their business goals

Jan Upman is a Senior Relationship Manager in Nordea Corporate & Institutional Banking. He serves as the main contact for his clients and proactively assists them in achieving their business goals. Hence, he is a central element in Nordea's Relationship Management Process.

Describe shortly your role as an SRM in Nordea.

I am responsible for 10 large corporate customers and serve as their main contact for all matters with the bank. I act as the spider in the web and the customers' representative in the bank, channelling their needs to the right experts for tailor made financial solutions.

How does Nordea's integrated value chain work in practice?

Nordea has a long history of relationship management and the necessary processes are well in place across all countries. We work in structured client teams to ensure that the experts know the customers and their needs. To further increase market and customer insight, the teams are sector based. In addition to the on-going client servicing, we have annual internal strategic customer meetings with all functional areas and a client sponsor from our executive management team to ensure that the clients' needs are met.

How do you ensure that you know the needs of the customer?

I regularly talk to client CFOs and Group Treasurers as well as Nordea experts from the different product areas, eg Corporate Finance and Debt Capital Markets to maintain an updated view on the customer and market situations.

How do you channel your customer insight and specific feedback from customers to the support functions in Nordea?

It is important to use our CRM-system, of course, but even more important to network within the



bank and talk to all the people who can influence and enhance our customer service.

Can you give an example where input or ideas from the product areas of Nordea have enabled you to provide better service to the customers?

In Nordea, we have many experts who are extremely good at creating financial solutions for clients. One example is the Emerging Markets FX people who can really be of help, e.g. when setting up Cash Management in Russia for a client. Such operations involve many areas within the bank and then we really work as one team for the client.

What distinguishes Nordea from its competitors?

We have very skilled people all the way through our organization, whether in customer- product- or service areas. In addition, our strong rating and balance sheet make it possible for us to take on risk from our clients. And of course, Nordea's Relationship Management Process is truly a competitive edge.

How do you view the future possibilities for Nordea to further strengthen the relationship with customers?

I think we are already very well positioned. We still have a lot of work to do but we are active and we make it happen. Our executive management team is very active in meeting clients which is key when it comes to deepening our relationships.

// The close relationship through the customer teams is probably Nordea's primary competitive advantage

Good relations with large home banks are important in turbulent times

Lennart Persson is the CFO of SCA and has worked closely with Nordea for many years.

How long has SCA worked with Nordea?

We have worked with Nordea (formerly PK-banken) for a long time, ever since I started at SCA in 1987.

How has the cooperation developed during that time?

Nordea has always been a very important bank to us and the cooperation has further strengthened throughout the years. Strong relations with banks in your own home market are particularly important in turbulent times and Nordea has always been there to support us.

What do you see as Nordea's strengths?

We need a wide variety of financial services such as loans in different currencies, interest rate transactions and cash management products in different markets. Nordea has the entire product range which is important to us. We always get quick response, competitive prices and superb support. It is a further advantage that Nordea is a large and strong Nordic bank with a high competence level within most financial areas.

Nordea invests many resources in customer relations and the integration of value chain and customer teams. How is this visible to SCA?

It is very noticeable. The structure with the customer teams has been there for a long time in Nordea. This is a difference compared to other banks, which may have the same formal structure in place, but not implemented as thoroughly throughout the organisation. Nordea's customer teams meet with our Treasury very often and is therefore able to present customised solutions.

How well does Nordea understand your needs?

I would say very well. They are always very committed and ready to assist us. It is important for us

to have Swedish banks which support us, and Nordea is definitively there for us.

Do you at SCA get the proper support? Do you receive innovative suggestions which help improving your business?

Absolutely. Nordea has a high level of competence and innovation and always presents good solutions.

Can Nordea help you with financial solutions eg within emerging markets and commodities?

Yes. We get good support in certain emerging markets, which is important to us as these are the markets where we plan to grow further. Nordea even offers good solutions for hedging of pulp and paper contracts, although we currently do not hedge these.

Are you given the opportunity to discuss issues with Nordea's senior management?

We have good and informal relations to Nordea's top management, which we appreciate very much. It is nice to be located close to each other so that we can meet at short notice.

How does Nordea compare to other Nordic and international banks?

Very well. The close relation through the customer teams is probably Nordea's primary competitive advantage. SCA is in a capital intensive business and consequently has a large balance sheet to manage. Nordea has a strong balance sheet and has been an important lender to SCA throughout the years. Hence, we appreciate Nordea's wide and strong product range which enables a broad relationship, benefitting both parties.



Shipping, Offshore & Oil Services

Shipping, Offshore & Oil Services is the customer division in Wholesale Banking responsible for customers within the shipping, offshore, oil services, cruise and ferries industries worldwide. Customers are served from the Nordic offices as well as the international branches in New York, London and Singapore. Nordea is a leading bank to the global shipping and offshore sector with strong brand recognition and a world leading loan syndication franchise. The business strategy is founded on long term customer relationships and strong industry expertise.

Business development

Customer activity was robust with loan syndication business above 2010. The highest activity level was in the offshore and oil services sector, partly driven by high exploration and production spending by the oil and gas industries. New lending transactions were executed on conservative terms and at increased loan margins. Limited availability of capital among traditional industry banks resulted in

increased demand for bond origination and export credit finance services.

Nordea's lending volume to the Shipping, Offshore and Oil services industries were at the end of the year unchanged at EUR 13.6bn. The deterioration of the economic outlook in the second half of 2011 strongly affected cyclical sectors such as the shipping industry. Weak market conditions in the tanker, dry cargo and container-ship markets resulted in a general decline in vessel values during the year. As a result of this, Nordea's loan losses related to the industry increased, but remained in line with the general industry development. The approach to the shipping industry remains unchanged with new business on conservative terms.

Result

Total income increased to EUR 432m, up 10% compared to 2010. Net loan losses increased to EUR 135m which corresponds to a loan loss ratio of 99 basis points in 2011, reflecting the challenging conditions in certain segments.

Nordea Markets

Nordea Markets is the leading capital markets and investment banking operation in the Nordic region.

Business development

Customer activity within the FX and interest rate areas was solid throughout the year as customers managed the risk in their commercial activities and took advantage of the low interest rates to hedge their exposures. Despite the extreme market turmoil, the full year trading result was strong. The demand for bond issues subsided somewhat after the second quarter while demand for loans remained solid.

The activity level in the secondary equity area was subdued. However, Nordea strengthened its equity market position in Denmark, Finland and Sweden. The Corporate Finance market activity was even more affected by the uncertainty which led to a low number of transactions for Nordea in line with the market.

Relationship strategy also implemented in support divisions

Hanna Vainio, Head of Corporate IT Solutions, Wholesale Banking, has worked for over 10 years within different functions in Nordea.

Can you describe the most important IT products your teams work with?

Our product range is wide but our main product is the Corporate Netbank. This is a 24-7 on-line offering with several services such as handling of payments all over the world. Customer subsidiaries can be connected and account balances are shown in real time which saves customer time and provides overview. The system also facilitates liquidity planning and cash flow forecasting and provides access to a number of other e-services in Nordea.

How do you ensure alignment with customer needs?

Our work is truly customer-driven in the sense that the Relationship Managers and Customer Teams

convey feedback and customer demand to both product and IT development. On a regular basis, we meet with both customer and product units. We work together as one team which improves the communication and speeds up the process and time to market.

What are Nordea's strengths in this area compared to other banks?

Our strengths in this area are the same as for Nordea in general. Our scale, presence, close relationships and integrated value chain provide a strong platform for further growth and real customer value creation.



Banking Russia

Nordea Bank in Russia is a wholly owned, full service bank offering services to corporate and household customers. A particular focus is on making business with large global companies in Russia and core Nordic

clients. The customer base includes 40% of the top 100 Russian companies.

The Russian operation offers all regular banking products, including cash management, lending and capital markets services. It counts among the 25 largest banks in the country.

Based on the very strong presence in the Nordic countries, Nordea offer

companies active both there and in Russia very good solutions for their banking services.

Business development

Banking Russia showed strong development in 2011 with higher total income and increased lending and deposit volumes.

Paving the way for customer transactions in emerging markets

Jana Poulsenova, Director, Head of Global Emerging Markets Sales, has worked in the Nordea Markets emerging market organization for more than 10 years. Emerging Markets currencies is a strategic focus area for Nordea Markets.

What is the role of Global Emerging Markets Sales?

Global EM Sales paves the way for customer transactions in Emerging Markets currencies. The section handles complex Emerging Markets transactions and strategic advisory, establishing the necessary setup for managing new currencies. The unit has specialists with unique knowledge of e.g. Russian, Chinese or Kazakhstan financial markets. We are in close contact with central banks as well as our network of local banks to know the local market.

What sets Nordea apart in the Emerging Markets currency area?

Our strength is our close customer relationships. We follow the customers all the way when they go into a new market, from the beginning to the completion of the first transaction. After this, we provide on-going risk advisory where our knowledge about the markets helps the customers overcome the difficulties and risks related to their business.

We are the Nordic market leader in this area and on a European level, we are definitely an important player, especially in Russian Rubles, Baltic currencies and other eastern European currencies.

How do you work with the Relationship Managers to serve the customers?

We work closely with the Relationship Managers and are involved at an early stage when a customer is planning a transaction in Emerging Markets. We participate in customer meetings and talk to the customer to understand the transactions. We then structure a tailor made solution to suit their needs.



Does your unit bring new customers to Nordea?

The high level of expertise in this and other product units is often the driver behind the development of relationships with new and existing customers. Providing customised and highly specialized solutions regarding strategic customer transactions can lead to a strong relationship between that customer and Nordea and generate significant business with other parts of the bank.

Which products do you offer to customers?

We offer Money Market and Foreign Exchange products denominated in Emerging Markets currencies – both deliverable and non-deliverable products. Non-deliverable products (e.g. forwards and options) can be sometimes the best solution for hedging of risks in restricted currencies of emerging market countries.

Which trends do you see in terms of demand of service from Nordea's?

The emerging markets are becoming more and more important to our customers as they increase their presence in these markets. Countries like China, India, Brazil and Russia are now global economic powers and the governments push local companies to use their own currency. This means that banks must support their customers' exposed to these currencies as they become even more important for global trade.

Wealth Management

// A core strength of Nordea is the close interaction between the different areas of competence embedded in the organisation. From this comes a unique capability to offer value propositions tailored to different customers' specific needs and risk appetite in different market climates. Our diversified asset base reflects a stable and robust business.



Gunn Wærsted
Head of Wealth Management



The largest Nordic wealth manager – high-quality products and advice

Wealth Management

Wealth Management provides high-quality investment, savings and risk management products, manages Nordea customers' assets and advice affluent and high-net-worth individuals as well as institutional investors on their financial situation.

The business area consists of the business units: Nordic Private Banking, Asset Management, Life & Pensions and International Private Banking & Funds as well as the service

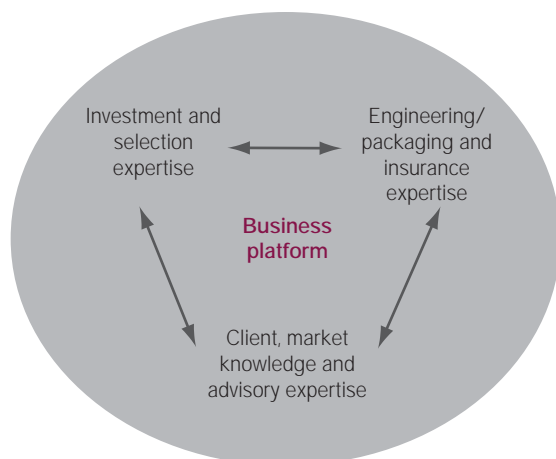
unit Savings. The business is global, but concentrated to Europe with home markets in the Nordic countries, Poland and the Baltic countries. With assets under management (AuM) of EUR 187bn, Nordea Wealth Management is the largest and fastest growing Nordic wealth manager and has just above 3,600 employees, of which approximately 600 are employed outside the Nordic countries, primarily in Europe.

A customer centric, integrated Wealth Management platform

Our business model builds on three core competences embedded in the Wealth Management organisation: investment and external investment manager selection expertise, top of the class product engineering, packaging and insurance expertise, and finally strong client and market knowledge and advisory competences. A fully integrated value chain ensures high quality and efficient delivery with the ability to tailor the right solution to each customer.

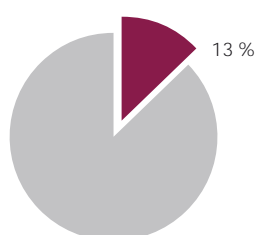
Benefits from an integrated Wealth Management platform

Wealth Management integrated business model

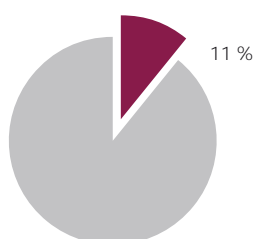


- ✓ Strong customer centric profile
- ✓ Tailored value propositions to relevant customer segments
- ✓ Scalable platform for profitable growth
- ✓ Proven successful in different market climates

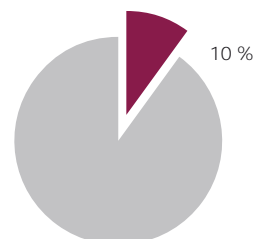
Share of Group total operating income, 2011



Share of total FTEs



Share of economic capital



The aim is to deliver a holistic view on customer advice with a full savings and wealth management offering under the Nordea brand

Business units

Asset Management – actively managed investment products

Nordea Asset Management is responsible for all actively managed investment products in Nordea comprising investment funds, insurance assets and discretionary mandates. The products are managed in-house by independent investment boutiques covering fixed income, credit, multi asset products and equities. In addition, Nordea Asset Management has a search and selection team responsible for selecting products from external managers complementing the product range.

The products of Nordea Asset Management are distributed to Nordea's retail customers, private banking customers, corporate customers and institutional clients. Operations are global but with a clear Nordic focus and the major centres are located across the Nordics, in Europe and New York.

Nordea Asset Management employs approximately 500 people and is – with a combination of global experience and Nordic standards – a strong, competitive player both in the Nordic home markets and internationally.

Business development 2011

Despite a turbulent year on the financial markets and accordingly a difficult business environment, Nordea reported just a slight decrease in AuM

of EUR 3.6bn to EUR 187bn, down 2% from one year ago. The decrease is explained by a negative investment return of EUR 8.6bn, which the year's strong net inflow of EUR 5.0bn could not entirely offset. Net inflow in 2011 was primarily driven by the Institutional Clients' business, Life & Pensions and the Global Fund Distribution.

2011 was characterised by high market volatility as financial markets were severely affected by the turbulence in North America and structural problems within the European Monetary Union caused by indebtedness in Southern Europe. The financial market volatility challenged Nordea's investment performance. Overall, 41% of investment composites performance was above their benchmarks. Fixed income composites generally showed a positive development, while equity composites overall had performance difficulties in 2011, with the exception of Stable Equities and some local equities which continued to yield strong, positive relative return. On a long-term horizon (36 months), Nordea's relative investment performance continues to be strong, with 81% of the investment composites outperforming their benchmarks.

Nordea's institutional asset management continued the strong development from previous years and ended a record year with a net flow of EUR 5.0bn. During 2011 Nordea significantly strengthened the foothold in the highly competitive, high-mar-

gin international market for institutional asset management and gained several international mandates, whereby these markets made a strong contribution to the AuM growth. Also especially the Danish, Norwegian and German businesses were successful in gaining high margin mandates during 2011.

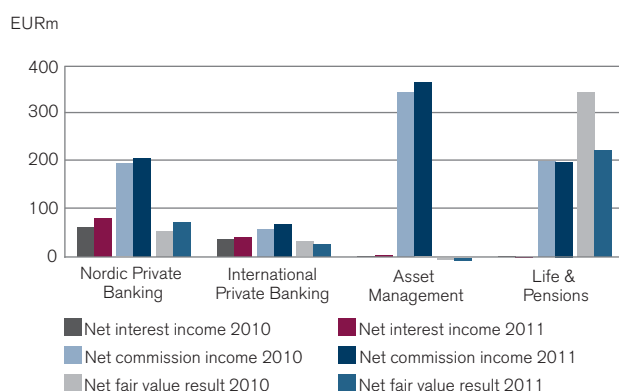
Household customers' risk appetite was generally subdued throughout 2011, which led to a net outflow in Nordic retail funds of EUR 2.3bn. The outflow was largely driven by customers moving assets to deposit products and particularly derived from Sweden.

Nordea continuously work with improving the product offering and during 2011 a number of strategically important products were launched. The list includes a new Alternative Investment fund offering to Private Banking customers, Emerging Market products, credit products, products for Poland and an enhancement of the product offering within Social Responsible Investment Funds. In addition focus has been at reaping efficiencies from merging and closing funds. Such activities will continue in 2012 by exploiting the UCITSIV regulation.

Savings – empowering the Relationship Managers

Savings is a service unit in Wealth Management with close to 250 employees located in the Nordic countries and Poland. The goal of

Wealth Management, income per unit



Assets under Management (AuM)

EURbn			Net inflow	
			2011	2010
Nordic retail funds	31.1	36.4	-2.3	0.7
Global fund distribution	6.3	5.8	0.8	1.9
Nordic Private Banking	51.4	57.3	0.1	2.7
International Private Banking	9.6	10.0	0.1	0.2
Institutional asset management	38.6	32.8	5.0	2.1
Life & Pensions products	50.4	48.7	1.3	1.9
Total	187.4	191.0	5.0	9.5

Savings is to position Nordea as the number one bank in savings by delivering high quality and cost efficient services to Retail Banking advisors (servicing both retail customers and corporate customers) and Private Banking advisers.

All savings related activities are planned and executed as an integral part of the value chain in Retail Banking and Nordic Private Banking. The primary savings deliveries are: Financial planning and asset allocation, market views and recommendations, offerings and product portfolio management, online business, brokerage and trading, general support and education of advisors, and support in legal and regulatory framework.

Business development 2011

The turmoil intensified the flight to safety trend among household customers causing a general shift in savings portfolio from investment products towards low-risk deposits products. Accordingly, investment funds saw negative net sales, sales of other investment products was subdued compared to net sales in 2010 and deposit products' net sale was very strong. Efforts to support the customers during the turmoil on financial markets in 2011 were many – among these eg extraordinary events/road show with Nordea's view on financial market, written market updates to customers and video conference and telephone con-

ference with Nordea's investment advice strategist.

Nordic Private Banking – increased focus and potential for growth

Nordic Private Banking caters for Nordea's affluent and high-net-worth individuals living in the Nordics. Nordic Private Banking offers customers traditional banking products, wealth planning, investment advice, credit, tax and estate planning. Customers are provided with a holistic overview of their financial situation and with advice and solutions that meet their needs and preferences.

The 95,200 Nordic Private Banking customers are served from 95 branches

Low-risk investments pay off

Robert Næss has worked in the equity market for 22 years and been with Nordea since 2004. He is responsible for the Norwegian Equity Team and they are investing in companies on behalf of Nordea's customers.

– I am running a Global Equity Portfolio together with a colleague in Copenhagen, Claus Vorm, Robert tells us.

The Global Equity Product was developed and set up by Robert, Claus and their colleague Asbjørn Trolle Hansen in 2005 and has a low-risk profile focusing on long-term earnings development in the companies invested in.

– We have developed advanced models that help us find the companies that not only have a current decent growth, but also have managed to deliver strong earnings growth for a decade, Robert says.

Low-risk investments have been very popular during the last years and the Global Equity fund has had a very strong performance since 2005, now involving customers from all Nordic countries, Europe, US and the Middle East. Last year for instance, a new customer from the US invested the substantial amount of USD 1.5bn. The fund had a positive return of 7% last year, which is 12% better than MSCI World Index.

– To be a successful portfolio manager you need to have strong analytical skills, Robert tells us. There is lots of financial data to analyse and even though the management in companies and analysts in investment banks are helpful in presenting data and scenarios, they often have their own agenda.



It is also very important to define your investment philosophy and stick to it. We believe that the market in general is too much focused on beating the index. They are neglecting companies that typically deliver decent returns every year, but could increase less than the market in a strong year, Robert continues.

As portfolio manager Robert meet with clients regularly. Institutional clients will normally not give mandates to Nordea before they have had a thorough interview with the Portfolio Managers that should run their portfolio.

– After having received the funds, we normally meet the clients quarterly and explain performance and transactions. If we are not living up to their expectations we would probably lose the mandate.

According to Robert, the main reasons for the customer to choose Nordea to manage their funds, apart from strong investment performance, is the set up with autonomous investment boutiques that are governed through continuous reviews. This organisation allows quick investment decisions.

– We have invested a lot in our operational platform to make it reliable and efficient. We consider us as curious in exploring opportunities and reliable in delivering which is how we earn the trust of the customer, Robert ends.

across the Nordic countries by a total of close to 1,000 employees. The business is supported by a well-functioning referral model in Retail Banking. Nordea Nordic Private Banking is with EUR 51bn in assets under management the largest Private Bank in the Nordic region, and has been awarded the best Nordic Private Bank by Euromoney in 2009, 2010, 2011 and 2012.

Business development 2011

Unrest on financial markets in 2011 had a significant impact on the Nordic Private Banking business. In general, customers responded by deleveraging and reducing their risk exposure which led to some asset outflows and a shift in asset mix towards deposit products. As a result, net inflows of EUR 0.1bn were weak compared to previous years' net inflow, and AuM decreased by 5% to EUR 51.4bn due to market depreciation. During 2011 the Nordic Private Banking advisors proactively facilitated a close dialogue with the customers on

the effects of the volatile financial markets and number of customer meetings was high.

Continued execution of the growth strategy in 2011 was tracked in several ways: Firstly, number of customers increased by 2,400 to 95,200. Secondly, an efficiency drive was introduced, of which small Private Banking customers have been transferred to Retail Banking to make room for additional large Private Banking customers. This priority explains the somewhat slower intake of customers compared to previous year. Finally, a number of tangible

improvements to the customer value proposition were made during 2011: The discretionary offering was enhanced and the share of AuM managed on a discretionary basis increased to 7%, alternative investments were introduced as an asset class for private banking customers and a dedicated offering was launched for entrepreneurs and business owners. All initiatives were very well received and resulted in an inflow of new customers and new assets.

// I am very happy with my adviser in Private Banking and the advisory and investment team connected to him

The attitude of the private banking adviser and his team is key

Gunilla von Platen, Entrepreneur and Chairman of Xzakt Kundrelation is one of Nordea's customers within Private Banking. According to her a proactive attitude of the private banking adviser is far more important than products and price.

Gunilla von Platen became a customer of Nordea in 2008. After needing to change her adviser at her previous bank, she started to compare offers from various banks in Sweden.

– I did a thorough investigation among all the banks and Nordea was the most active and aggressive one in the offering process. I felt that Nordea really wanted to work for giving me the best support Gunilla says.

Gunilla is very satisfied with her private banking adviser and the team connected to him.

– They are really helping me out in all matters – small and big ones. They are always available and we meet on a regular basis to discuss my investments, she continues. She also appreciates the updates on market and macroeconomic developments that she gets from the analysts at Nordea.

According to Gunilla, the most important thing when it comes to services in Private Banking is the

attitude of the adviser. She is prepared to pay a little bit more for good service.

– I have not the time myself to take care of my liquidity and other bank matters. So for me it is extremely important that I feel that my bank is doing whatever they can to provide what is best for me, Gunilla tells.

Last year was a tough year in terms of performance on Gunilla's investments, as for the financial industry as a whole. Still she has a lot of confidence in her advisors and trust that the return will be better over time.

Being both a private banking and a corporate customer, Gunilla interacts a lot with Nordea and is at the moment covered by two teams. In the future, the ideal situation would be to have only one channel into the bank that proactively could cover all her needs, both private and professional.



International Private Banking & Funds – capitalisation on a strong international platform

Nordea's International Private Banking unit is with EUR 9.6bn in AuM the leading Nordic pan-European private banking entity. International Private Banking is located in Luxembourg and Switzerland with offices in Spain and Singapore. The majority of the 12,000 clients are Nordic high-net-worth individuals, resident in Europe. However, the client base also counts Europeans of other nationalities. Customers are offered a wide range of services within advisory and discretionary investments, wealth planning and tax services.

With EUR 6.3bn in AuM Global Fund Distribution offers a wide palette of both internally and externally managed investment funds via active intermediaries such as banks, asset managers, IFA's and insurance companies. Headquartered in Luxembourg, it also operates locally with a presence in most major European countries including Austria, France, Germany, Italy and Switzerland, as well as in Latin America (São Paulo) and Asia (Singapore). International Private Banking & Funds employs a total of 355 people.

Business development 2011

International Private Banking and Funds reported an AuM of EUR 15.9bn in line with AuM end 2010 and net inflow of EUR 0.9bn. Net inflow was primarily driven by net inflow to the Global Fund Distribution.

Efforts to capitalise on the strong business momentum in the international private banking business were several in 2011. Amongst these was expansion of activities through the acquisition of the Danish Bank Sydbank's private banking client base in Switzerland. Further, preparations of the opening of a Singapore branch scheduled to 2012 were carried out in 2011, and finally a front office efficiency programme, which must facilitate even greater customer experience in the years ahead, was kicked off in the beginning of 2011.

2011 was a challenging year for the third party fund distribution industry in Europe, and total market flows were negative. Nordea Global Fund Distribution, however, managed to strengthen its market position by capturing a net inflow of EUR 0.8bn in 2011. The ability to offer clients various solutions to meet different macroeconomic scenarios was pivotal in delivering on this success. Accordingly a number of internally and externally

managed new products were launched in the second half of the year.

Life & Pensions – strong bancassurance model

Life & Pensions offers Nordea's retail customers, private banking customers and corporate customers a full range of pension, endowment and risk products tailor-made for Nordea Bank distribution. Life & Pensions employs 1,330 people and provides services in the Nordic countries, Poland, the Baltic countries, the Isle of Man and Luxembourg.

In the Danish, Norwegian and Polish markets, sales are also conducted through Life & Pension's own sales force operating independently of the Nordea branches as well as through tied agents and insurance brokers.

Building on a strong bancassurance model and Life & Pension's cost-efficient administration combined with benefitting from Nordea's asset management expertise, a Life & Pensions is the Nordic market leader with a Nordic market share of 11.7% based on gross written premiums and EUR 46bn in assets under management.

Size and capacity in bond markets important to deliver quality

Åmund T. Lunde is chairman of Vestre Viken Pensjonskasse, customer to Nordea institutional asset management. He has been cooperating with Nordea since a few years when Nordea received two investment mandates.

The pension fund Vestre Viken Pensjonskasse was founded in 2009 and covers the pension for hospital employees in a region west of Oslo. In 2010, they chose Nordea to manage two out of three mandates which are invested in Norwegian bonds.

– We chose Nordea due to its capacity and size in the bond market, Mr Åmund T. Lunde, chairman of the Board says. This is a very important prerequisite to be able to deliver quality in bond investments. We are very happy with the performance and the follow up. It has been fast and frequent and our relationship manager is very good, Mr Åmund T. Lunde continues.

The pension fund has engaged an investment consultant who works with Mr Åmund T. Lunde and together they suggest the changes in the portfolio to the board. It does not change very often. The regulatory situation and capital requirements for state pension funds in Norway are relatively strict and there is not much room to take on risk.

– Nordea has a very good understanding of what we need. The bank has invested in high competence and quality of their fund managers which is key. They are not calling us every day. They understand that we do not have time. Maybe it is because we are part of the same Scandinavian culture, Mr Åmund T. Lunde ends.



Business development 2011

Despite financial market unrest in 2011 and the general reluctance among household customers for savings- and investments products, Life & Pensions was able to report an all-time-high level of Gross Written Premiums at EUR 5.9bn up 10% from 2010 with contribution from all Life & Pensions' business lines. In 2011 Nordea Life & Pensions widened the gap to the closest peers with a premium growth exceeding the growth of the main competitors.

The strategic focus on increasing bancassurance distribution continued in 2011. Efforts of adapting product offering, streamlining delivery processes and providing support to bank

advisors on Life & Pensions paid off as bancassurance sales increased by 2% compared to last year. Further, advising customers to migrate from high-guarantee Life & Pension products to capital efficient products such as unit-linked continued to be of high priority in 2011.

The strong growth in gross written premiums generated a net inflow of EUR 1.3bn driven by inflows to unit linked products of EUR 2.1bn, which in combination with excellent investment performance in a challenging financial environment (5.1% return on the traditional portfolio), increased AuM by 15% to an all-time high of EUR 45.5bn. The financial buffers in

the traditional portfolio were, however, impacted negatively by EUR 0.5bn as the long interest rates declined in the Nordic countries. Financial buffers ended, however, at a satisfactory 5.1% of technical provisions due to strong asset/liability management.

MCEV decreased by EUR 941m to EUR 2,714m, as the significant decrease in long interest rates in 2011 put pressure on the predicted ability to generate future profits in some of the traditional portfolios. Stable inflow of profitable new business sales contributed by EUR 189m to MCEV in 2011.

Being there for our customers – in good times and in bad times

Frank Hvid Petersen is together with colleagues in the Nordic countries, Poland and Luxembourg responsible for giving strategic investment advice to all Nordea's private customers. He leads the Danish strategic investment advice team and started working for Nordea 10 years ago.

Can you describe your role in the Wealth Management organisation within Nordea?

My colleagues and I have an important internal role and that is to give support and input to the advisers and to the product specialists. We also have an external role which is building the Nordea brand through presenting analysis and reports to customers and media. Both have increased strongly in recent years and are important channels to reach potential new customers.

What kind of services do you offer to the advisers within Retail and Private Banking?

We offer many different types of portfolio solutions, and the customer can choose to be active in the investments or not. My team give advice on portfolio management on a longer-term strategic level but also on a more short-term and market-driven level. We give guidance in reaching the optimal portfolio structure taking into consideration customers risk appetite, investment horizon, our market views and taxation. We are also constantly developing investment- and risk management tools empowering the advisers in their role towards customers.

What, in your opinion, is most appreciated by the customers in the way you work?

We often meet with the customers and they appreciate to talk face to face not only with the advisers

but also with the experts behind the advisers. I think the customers appreciate that we are very structured in what we do and have a strict eye on managing risk for them. We work very hard with transparency and risk management and we and the advisers have shown our customers that we are there for them both in good and in bad times.

What in your field could be developed even more to deepen Nordea's relationship with its clients?

I think we can improve our customer segmentation even further and this is happening in many areas already within the bank. We can also work on making both more simplified, but also more advanced investment solutions in order to help our advisers to increase strengthen the relationship with customers.

What are the main success criteria for Nordea in this area?

We must continue to focus on understanding the customer, giving them what they need when they need it through the channels that suit them the best. Regarding investment advice the largest challenge right now is how to deal with the low-interest-rate environment.





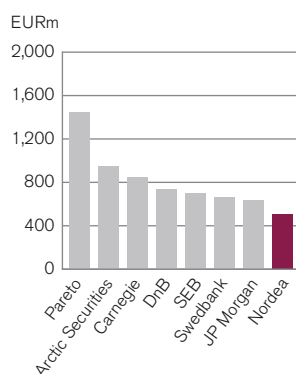
// The number of Gold customers increased by 5% in 2011. In the 360-degree meetings, our personal banking advisers meet with the Gold customers to discuss the full financial situation of the customer.

Market positions

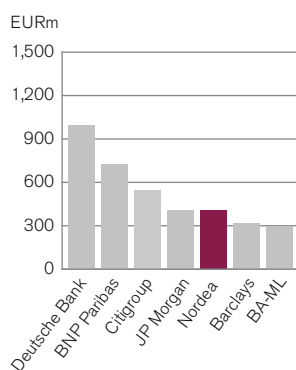
Market positions, 2011

	Denmark	Finland	Norway	Sweden	Estonia	Latvia	Lithuania	Poland	Russia	Shipping, internat, Luxembourg	Total
Number of customers, 000's											
Corporate customers	49	125	92	256	17	9	6	71	6	2	633
(change 2011/2010, %)	4%	2%	12%	3%	13%	29%	20%	8%	0%		3%
Household customers					114	101	139	645	62		
Household customers in customer programme	1,224	2,495	464	2,936	64	89	75	254	n.a.		7,602
– of which Gold customers	714	999	269	936	26	22	21	78	n.a.		3,065
(change 2011/2010, %)	3%	3%	12%	4%	14%	5%	18%	19%			5%
Private Banking	41	26	9	19	0.4	0.8	0.2	1.4	n.a.	12	110
(change 2011/2010, %)	5%	0%	5%	0%	33%	14%	0%	8%		0%	3%
Net banking	1,434	1,632	512	2,302	89	100	142	338	n.a.		6,549
(change 2011/2010, %)	4%	3%	8%	3%	11%	10%	11%	17%			5%
Number of branches											
	248	405	109	318	20	22	20	193	33		1,368
Market shares, % (change 2011/2010, %-points)											
Corporate lending	24 (+2)	33 (0)	14 (0)	16 (–1)	22 (+2)	15 (+2)	13 (+2)	2 (0)	1 (0)		
Corporate deposits	25 (–2)	38 (–1)	16 (–1)	19 (0)	8 (+1)	5 (0)	9 (+2)	2 (0)	1 (<1)		
Institutional investment funds	10 (–1)	27 (+1)	8 (–1)	8 (0)							
Household investment funds	16 (0)	23 (0)	13 (+1)	13 (–1)							
Life & Pensions	17 (+1)	26 (+4)	14 (+4)	7 (0)				6 (+1)			
Household mortgage lending	16 (0)	31 (0)	12 (0)	15 (0)	15 (+1)	18 (+1)	12 (+1)	6 (+1)	1 (0)		
Consumer lending	21 (+1)	30 (–1)	7 (0)	9 (0)	8 (0)	2 (0)	9 (0)	<1	<1		
Household deposits	23 (+1)	31 (–1)	9 (0)	17 (+1)	6 (0)	6 (0)	2 (+1)	1 (0)	<1		

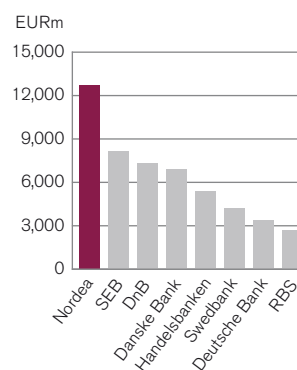
Nordic primary equity market, bookrunner 2011



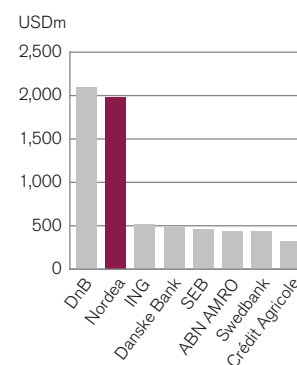
Nordic corporate Eurobond benchmark, bookrunner 2011



Nordic syndicated loans, mandated lead arranger 2011



Syndicated shipping and offshore services loans, bookrunner 2011







// It is our skilled and dedicated employees and their ability to deliver great customer experiences that distinguish us from our competitors and make Nordea Great

Our people are the key to our success

As a relationship bank, Nordea is committed to People, not least our employees. It is our skilled and dedicated employees and their ability to deliver great customer experiences that distinguish us from our competitors and make Nordea great.

People strategy

Our People strategy is defined by our business vision and strategy as well as by our values. The People Strategy emphasises that Nordea can reach its goals only if our 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 in Nordea. One Nordea team is one of our values emphasising that employees can fulfil their own and Nordea's ambitions while enjoying being part of a high-performing team.

Focus on values and leadership

Our values and leadership are the strongest drivers for both performance and for building our corporate culture. It takes great leaders to build a Great European bank. Great leadership in Nordea is the ability to engage and motivate people to reach out for our vision and the ability to create the right team to make it happen.

Our continued focus on leadership supports the development of employees' skills and increases the performance. New leaders are quickly initiated in their new roles via a special introduction programme giving them access to information and understanding of tools and processes related to their managerial roles. The employee satisfaction survey 2011 shows satisfaction with immediate manager at an index rate of 79 and living our values at 78.

Opportunities to develop and grow

Nordea aims at being a company with many possibilities for employees to develop within the Group. Development is a joint responsibility of the manager and the employee. Annual Performance and Development Dialogues form the basis for personal development plans and short and long-term career plans. The dialogue takes place between immediate manager and employee, requiring prepara-

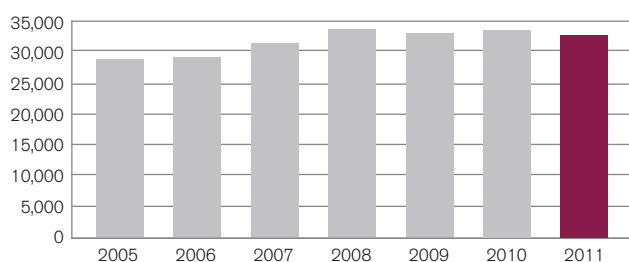
tion on both parts as well as follow-up throughout the year. During 2011, 90% of all employees report to have participated in a performance and development review.

Nordea provides group common leadership and employee development. Business Areas train specific skills and knowledge, often carried out through internal academies developed for securing common competence within a market area. Nordea also supports and rewards training leading to external certifications. The Talent Management process ensures that we have strong leaders, competent specialists, as well as high-quality succession.

A company with many possibilities

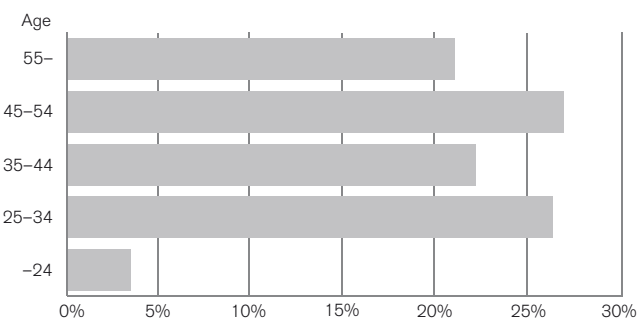
Internal mobility and cross-border assignments are ways to enhance job rotation and develop the employee's competence, and also build overall corporate citizenship and culture enforcing the "One Nordea Team" value. One way to learn about jobs and competence needs within the Group is to join our career days, which are run countrywise. 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. This is a fast track to get to know Nordea's culture and organisa-

Number of employees (full time equivalents, FTEs)



Employees distributed by age

% of employees 31 Dec 2011



tion. The programme is in high demand, hence a measure of our ability to attract some of the best young talents. Graduates are hired for a particular position and combine work with the Graduate training programme during the first year as a Nordea employee.

Responsible restructuring

The financial turbulence and new global requirements regarding capital, liquidity and cost has resulted in a need to continue ongoing cost and capital efficiency measures. During the first part of the financial disturbance (2008-9) Nordea managed to reduce personnel by natural attrition and utilising the possibilities of internal mobility. In 2011 Nordea has announced a reduction of approximately 2,000 positions in the Nordic region during 2011 and 2012. The ambition is to primarily reach the majority of the reduction in staff through natural attrition and voluntary agreements. Affected employees are presented with options to join our internal People Matching Process - where vacant positions and available people are structurally matched to find a good solution to the benefit of both the employee and Nordea - or to receive a country-specific voluntary redundancy package, also including outplacement support.

Employee satisfaction survey results

Annual employee satisfaction surveys (ESI) are run to ensure that we are living up to our goals. Response rates are high, 94% in the 2011, emphasising the importance employees assign to this survey.

Employee satisfaction survey results

ESI, index	2011	2010	2009
Satisfaction and motivation	72	73	72
Development	71	73	72
Considered a good workplace	74	79	78
Proud to tell others where I work	76	82	82
Recommend others to start working in Nordea	72	78	77

Number of employees, by area or function

Full-time equivalents (FTEs)	2011	2010
Retail Banking	19,305	20,151
Banking Denmark	4,265	4,462
Banking Finland	4,178	4,428
Banking Norway	1,432	1,504
Banking Sweden	3,500	3,734
Poland	2,000	1,936
Baltic countries	1,093	1,167
Retail Banking other	2,837	2,920
Wholesale Banking	6,217	6,366
Corporate & Institutional Banking	224	237
Shipping, Offshore & Oil Services	102	102
Banking Russia	1,547	1,710
Capital Markets Products	2,135	2,062
Wholesale Banking other	2,209	2,255
Wealth Management	3,639	3,645
Nordic Private Banking	998	971
International Private Banking & Funds	355	354
Asset Management	517	522
Life & Pensions	1,334	1,370
Savings	244	184
Wealth Management other	191	244
Group Operations & Other Lines of Business	2,431	2,221
Group Corporate Centre	441	452
Group Functions and Other	1,035	974
Nordea Group	33,068	33,809

Corporate Social Responsibility – focusing on core business

At Nordea we believe that responsible business leads to sustainable results.

Therefore our long term strategic CSR goal is to integrate CSR with business, to embed CSR in core strategies, policies and procedures, products and services. In 2011 we continued to work towards that goal.

A bank's impact on society lies foremost in its core business. Financial services are vital for development, jobs and growth. By helping households and companies realise their plans and dreams we help build the future of our societies. Therefore our CSR work is primarily focused on our core business: responsible credits and responsible investments. Ten years ago Nordea began systematically analysing environmental, social, governance and political (ESG) risks through specific tools and training within corporate credits and trade and project finance. Likewise, Nordea's asset management has been dedicated to the UNPRI since 2007. Further progress was made within both areas in 2011.

Improving risk management

In 2011 the process for identifying environmental, social, governance and political risks in the credit process was reviewed with the purpose of identifying risks earlier in the credit process thereby freeing resources to focus on the potential cases. The tools available to our analysts, databases, ESG analyses and our own Environmental Risk Assessment Tool and Social and Political Risk Assessment Tool will be reviewed in 2012. Identifying ESG risks in the credit process benefits all parties concerned.

Screening for positive impact

During 2011 the Responsible Investment and Governance team took another step by introducing investment opportunities with positive screening. We identify companies that adhere to ESG criteria, have with a future positive impact and create good returns. The strategy and policy was set in 2010 and the new funds were launched in 2011.

Nordea's fund companies and Nordea Investment Management signed the UNPRI in 2007. Since then we have incorporated ESG aspects in our investment analysis, decision-making processes, as well as ownership policies and practices. Nordea's Policy for Responsible Investment (RI) describes our strategy, vision and mission, the framework that RI is based on and how we address transparency with regard to RI.

The policy framework is based on international norms and conventions and is applied to all funds and portfo-

lios managed by Nordea Investment Management. One measure is a biannual screening of the companies we invest in, for cases of verified violations of international norms regarding environmental protection, human rights, labour standards and business ethics. We initiate engagement dialogues to change behaviour and to enhance business performance by addressing business practices employed by the companies we invest in, as well as proposing possible improvements. In certain cases Nordea can take the position to withdraw from investment but prioritises engagement and dialogue.

In our Responsible Investment and Governance reports we describe our approach in more detail. The reports are available on www.nordea.com/csr

Nordea was the best bank in the Nordic CDP Report

Nordea received a joint fourth place in the Carbon Disclosure Project's (CDP) report released 21 October and was thereby the best bank in the Nordics. The placement recognises Nordea's work to promote low-carbon alternatives by asserting influence as investor and lender. The CDP works on behalf of 550 investors with assets of USD 71 trillion, one being Nordea Investment Management, by requesting disclosure on the largest companies' approach to the threats and opportunities of carbon emissions.

Strengthening compliance

The role of compliance is to ensure that business is conducted in accord-



By helping households and companies realise their plans and dreams, we help build the future of our societies. Therefore our CSR work is primarily focused on our core business responsible credits and responsible investments.

ance with applicable laws, rules, codes and standards respecting the principles of integrity and fair dealing at all times. In 2011 one of the most important focus areas for the compliance organisation was to strengthen financial crime prevention. During the year more than 20,000 employees and managers were trained in how to recognise and prevent money laundering. Also in 2011 the GEM issued an anti-bribery and corruption policy with an appendix on gifts, benefits and events to meet international requirements such as the UK Bribery Act. Nordea also drafted a whistleblower system that is currently evaluated for implementation during 2012.

CSR organisation

The CSR Secretariat continued to coordinate and stimulate the CSR initiatives of business and to raise internal awareness of CSR issues. The CSR Secretariat consists of two persons who network with the CSR Stakeholder Board comprising representatives from key business areas and group functions. The Stakeholder Board is chaired by the responsible Group Executive Management (GEM) member, Ari Kaperi, Chief Risk Officer (CRO) of the Group. The purpose of the Stakeholder Board is to analyse CSR issues from different perspectives. In 2011 the composition of the Stakeholder Board was amended to reflect the organisational changes in the Group. The role of the members is to promote CSR in their respective business areas or group function.

The head of the CSR Secretariat reports to the CRO who is a member of GEM. He serves as CSR's voice in GEM. All major CSR initiatives have to be approved by GEM. The head of the CSR Secretariat has participated in GEM meetings two times in 2011. The Board of Directors discuss CSR issues minimum once a year in connection with the publication of the CSR Report.

Stakeholder dialogue

During 2011, the CSR secretariat continued the stakeholder dialogues that commenced in 2010 to better understand the priorities of our stakeholders. The dialogues were not as extensive as in 2010 and we focused on customers, employees, Non-Governmental Organisations (NGO) and the socially responsible investors (SRI).

The corporate customers and household customers were asked about CSR in the Customer Satisfaction Index. Some 370,000 household and 120,000 corporate customers in all of nine home markets were asked to rate various CSR issues. Customer satisfaction is essential to the strategic steering of the Group and a key performance indicator. We know that there is a strong connection between great customer experiences, living our values and our financial results - they all go hand in hand. CSR questions were also part of the annual Employee Satisfaction Surveys that are run to ensure that we are living up to our goals. Response rates are high and in 2011 it landed on 94%, emphasising the importance employees assign to this survey.

Meetings were held with three NGOs and will continue on a one on one basis throughout 2012. The CSR Secretariat's contact with the Socially Responsible Investor (SRI) community has greatly increased during 2011. In a first attempt to improve our communication with this stakeholder group a Q&A based on the most frequently asked questions was placed on Nordea.com/csr.

A survey was conducted to map the SRI community and the ESG issues connected. Approximately 10-15% of all capital under management in Europe and the US are screened using ESG criteria. Nordea has also researched the number of investors in the Nordea portfolio that have a SRI profile and are working with responsible investments of some kind. Out of all the investors in the portfolio the number of funds that had signed the UN initiative Principles of Responsible Investments was approximately 31%. Looking at only institutional holdings, the PRI signatories in the portfolio represented 72%.

A conclusion from this research is that Nordea seems to be an attractive investment from an ESG perspective. Another conclusion is that ESG issues are becoming increasingly important for Nordea when CSR issues become a part of investors' governance processes.

For further information please see our CSR Report available on www.nordea.com/csr

The Nordea share and shareholders

Nordea's financial target is to reach 15% return on equity (ROE) in a normalised macroeconomic environment and at 11% core tier 1 capital ratio.

The market capitalisation of Nordea at the end of 2011 was EUR 24.2bn. Ranked by market capitalisation Nordea was the 5th largest company in the Nordic area and among the ten largest European financial groups.

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

Share price development

The international equity markets were once again challenged by increased uncertainty. The Nordea share price depreciated 27% on the Stockholm Stock Exchange from SEK 73.15 to SEK 53.25. The daily closing prices listed for the Nordea share during 2011 ranged between SEK 79.60 and SEK 48.30. During 2011, the OMX Banks Index of the Stockholm Stock Exchange depreciated by 20% and

the Dow Jones STOXX European banks index depreciated by 34%. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated 49% and clearly outperformed the Dow Jones STOXX European banks index (-60%).

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

Total shareholder return 2011

Total shareholder return (TSR) is realised through market value growth per share and reinvested dividends. Total shareholder return in 2011 was -24.4% (3.7% in 2010). Nordea ranked number five among the European peer group banks in terms of TSR in 2011 (number nine 2010, seven 2009, number two in 2008 and number three in 2007 and 2006.) The average TSR in the peer group was -41.2%.

Turnover – the most liquid Nordic financial share

The Nordea share was the most liquid Nordic financial share in 2011, with an average daily trading volume of approx. EUR 98m, corresponding to 14 million shares. Turnover on all

stock exchanges combined totalled EUR 25bn in 2011, which corresponds to more than 3.5 billion shares.

A large part of the total trading is made on new alternative trading and reporting venues. 41% of the total volume traded in Nordea shares is conducted over other exchanges such as BATS Europe, Burgundy and Chi-X. Of the total number of Nordea shares traded in 2011, approx. 88% was SEK denominated, 8% EUR denominated and 4% DKK denominated.

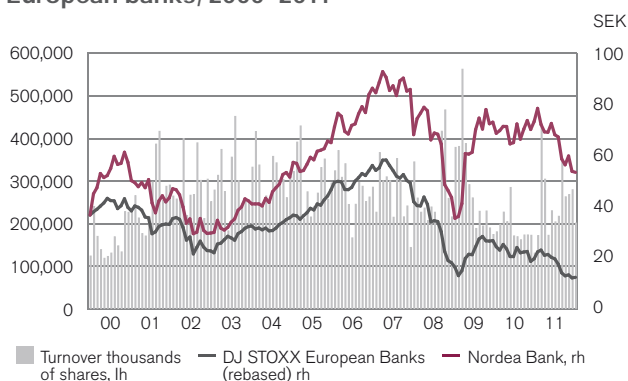
Share capital

In order to implement the Long Term Incentive Programme 2011 (LTIP 2011) in a cost-efficient manner the AGM 2011 decided on an issue of 4,730,000 redeemable and convertible C-shares. The C-shares should hedge the programme against negative financial effects from share price appreciations. C-shares do not entitle to any dividend. From 17 May 2011 when the C-shares were converted to ordinary shares, the share capital amounts to EUR 4,047,272,751.

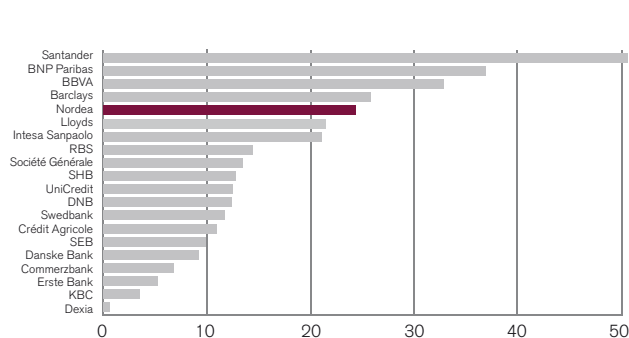
All ordinary shares in Nordea carry voting rights, with each share entitled to one vote at General Meetings. Nordea is not entitled to vote for own shares at General Meetings.

Further to the Long Term Incentive Programmes, there are no convertible bond loans or staff/management options in Nordea.

Nordea share performance compared to European banks, 2000–2011



Market capitalisation end 2011, EURbn



Source: Thomson Reuters Datastream

Dividend policy and proposed dividend

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

The Board of Directors proposes a dividend of EUR 0.26 per share for

2011. The total dividend payment for 2011 would then be EUR 1,048m, corresponding to a payout ratio of 40% of the net profit after tax. The dividend yield calculated on the share price 30 December 2011 is 4.3%.

The dividend is denominated in EUR, Nordea's accounting currency.

The currency of payment depends on in which country the shares are registered. Owners of shares registered in Sweden can choose between dividend in SEK or in EUR. An official exchange rate is published. In Denmark, dividends are paid in EUR. If the shareholder does not have a EUR account

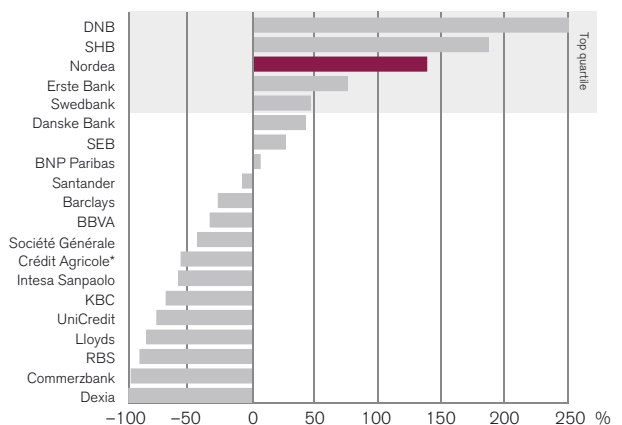
Largest registered* shareholders in Nordea, 31 Dec 2011

Shareholder	No of shares, million	Holdings %
Sampo plc	860.4	21.3
Swedish state	544.2	13.5
Nordea-fonden	158.2	3.9
Swedbank Robur Funds	136.0	3.4
AMF Insurance & Funds	87.7	2.2
SHB Funds	59.2	1.5
Norwegian Petroleum Fund	57.7	1.4
SEB Funds	53.7	1.3
AFA Insurance	50.9	1.3
Fourth Swedish National Pension Fund	47.3	1.2
First Swedish National Pension Fund	37.8	0.9
Nordea Funds	35.2	0.9
Skandia Life Insurance	31.0	0.8
Third Swedish National Pension Fund	28.4	0.7
Varma Mutual Pension Insurance	27.9	0.7
Second Swedish National Pension Fund	27.5	0.7
Alecta	26.5	0.7
Nordea Profit-sharing Foundation	21.2	0.5
Saudi Arabian Monetary Agency	18.4	0.5
SPP Funds	18.1	0.4
Total, 20 largest shareholders	2327.3	57.7

Source: SIS ägarservice, Nordic Central Securities Depository, VP Online.

* Excluding nominee accounts.

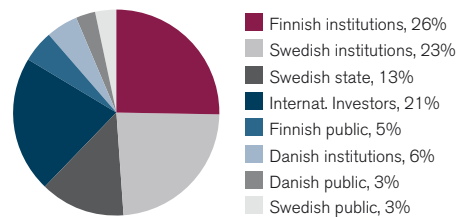
Total Shareholder Return (TSR) 2000–2011



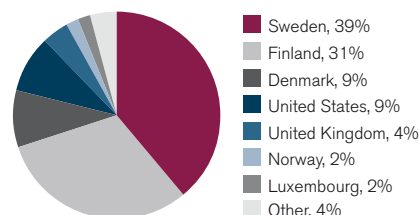
* Crédit Agricole from IPO in December 2001

Source: Thomson Reuters Datastream

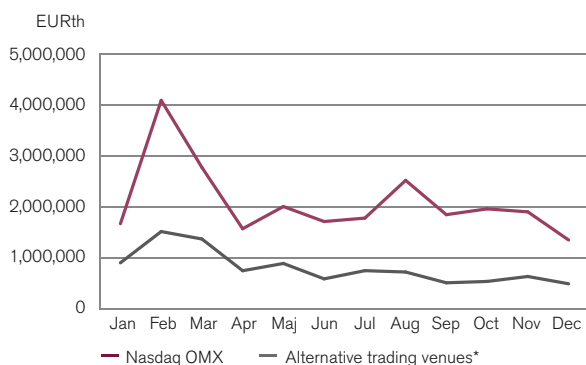
Shareholder structure, 31 Dec 2011, by investor category



Shareholder structure, 31 Dec 2011, by geography



Turnover of the Nordea share 2011



* BATS, Burgandy, Chi-X, EuroNext Arca, Turquoise and XETRA
Source: Nasdaq OMX

the dividend is converted into local currency. Each custody institute decides its own conversion rate. In Finland, the dividend is paid in EUR.

Shareholders

With approx. 462,000 registered shareholders at the end of 2011, Nordea has one of the largest share-

holder bases of all Nordic companies. The number of shareholders in Sweden is approx. 95,000 and in Finland approx. 191,000, which were largely unchanged. In Denmark, the number of shareholders decreased to approx. 175,000.

The largest among the various categories of shareholders is Finnish institutions (including Sampo plc), holding

26% of the shares in Nordea. Swedish institutional shareholders' increased somewhat while non-Nordic shareholders end 2011 holds 19% of the capital, compared to 18% one year ago. The largest individual shareholder is Sampo plc with a holding of 21.3%, the Swedish state held 13.5% at the end of 2011.

Distribution of shares, 31 Dec 2011

Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–1,000	339,237	74%	106,251,666	3%
1,001–10,000	115,926	25%	279,643,903	7%
10,001–100,000	6,088	1%	147,057,003	4%
100,001–1,000,000	644	0%	203,376,090	5%
1,000,001–	297	0%	3,292,694,560	81%
Total	462,192		4,029,023,222	

Share data 5 years

	2011	2010	2009	2008	2007
Share price	SEK 53.25	SEK 73.15	SEK 72.90	SEK 54.70	SEK 108.00
High/Low	79.60 / 48.30	76.00 / 60.30	79.10 / 30.50	108.00 / 52.50	119.30 / 99.60
Market Capitalisation	EUR 24.2bn	EUR 33.0bn	EUR 28.7bn	EUR 13.0bn	EUR 29.6bn
Dividend	EUR 0.26 ²	EUR 0.29	EUR 0.25	EUR 0.20	EUR 0.50
Dividend yield ³	4.3%	3.6%	3.1%	4.0%	4.9%
TSR	-24.4%	3.7%	78.6%	-46.9%	6.4%
DJ STOXX European banks index	-34.0%	-27.0%	46.9%	-64.0%	-16.9%
P/E (actual)	9.7	12.36	11.85	7.20	9.50
Price-to-book	0.92	1.34	1.34	0.90	1.73
Equity per share ⁴	EUR 6.47	EUR 6.07	EUR 5.56	EUR 5.29	EUR 5.09
Earnings per share ⁴	EUR 0.65	EUR 0.66	EUR 0.60	EUR 0.79	EUR 0.93
Outstanding shares¹	4,029,023,222	4,027,129,675	4,024,167,751	2,594,108,227	2,594,108,227

1) Excluding shares held for the Long Term Incentive Programmes.

2) Proposed dividend.

3) Dividend yield calculated at starting price on payment day, for 2011 calculated at price per 30 December 2011.

4) Previous years restated due to rights issue.

Change in share capital¹

Date		Quota value per share ² , EUR	Number of shares issued	Nominal change EURm	Total number of shares	Share capital EURm
11 May-06	Bonus issue	1.00		1,566	2,594,108,227	2,594
08 Jun-07	New issue ³	1.00	3,120,000	3	2,597,228,227	2,597
15 May-08	New issue ⁴	1.00	2,880,000	3	2,600,108,227	2,600
30 Apr-09	New issue ⁵	1.00	1,416,811,607	1,417	4,016,919,834	4,017
17 May-09	New issue ⁵	1.00	13,247,917	13	4,030,167,751	4,030
18 May-09	New issue ⁶	1.00	7,250,000	7	4,037,417,751	4,037
6 May-10	New issue ⁷	1.00	5,125,000	5	4,042,542,751	4,043
5 May-11	New issue ⁸	1.00	4,730,000	5	4,047,272,751	4,047

1) A presentation of changes in share capital before 2006 is presented and available at www.nordea.com.

2) As of January 2006, nominal value has been replaced by quota value according to the new Swedish Companies Act.

3) C-shares issued for the Long Term Incentive Programme 2007. Converted to ordinary shares 18 June 2007.

4) C-shares issued for the Long Term Incentive Programme 2008. Converted to ordinary shares 22 May 2008.

5) Shares issued in relation to the Nordea rights offering.

6) C-shares issued for the Long Term Incentive Programme 2009. Converted to ordinary shares 12 May 2009.

7) C-shares issued for the Long Term Incentive Programme 2010. Converted to ordinary shares 11 May 2010.

8) C-shares issued for the Long Term Incentive Programme 2011. Converted to ordinary shares 17 May 2011.



// Strong business development resulted in an increase in total operating income

Financial Review 2011

Stable result, despite challenging conditions

- Total operating income increased 2%
- Operating profit decreased 3%
- Solid credit quality
- Net loan losses down to 23 basis points (31 basis points)
- Strong development in the customer business
- The number of Gold and Private Banking customers increased 5% or by more than 140,000
- Increase in lending, deposits and inflow in Assets under Management
- Risk-adjusted profit increased 4%

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 process, which are not expected to be finalised during 2012.

Macroeconomic development

2011 has been characterised by sustained concerns related to European sovereign debt levels. Concerns spread from the periphery towards the core of Europe, questioning the sustainability of the Euroarea.

Economic growth in the US and Europe remains low. The European region remains under pressure, impacted by austerity measures and deleveraging. In Asia, growth is strong but weakening.

While the Nordic economies are influenced by the economic environment they continued to perform strongly relative to the European region. Sweden, Finland and Norway have maintained solid growth, although these economies are expected to experience a decline on growth in the end of 2011 and in 2012. Denmark has been more affected by the European slowdown with lower growth seen in 2011. Danish public finances however remain healthy and stronger than most European countries.

Result summary for 2011

Income

2011 showed continued high total income, up 2% compared to 2010. Net interest income increased 6% compared to last year. Lending volumes increased 7% and deposit volumes 8%. Lending spreads and deposit spreads have increased from last year.

Net fee and commission income continued to increase strongly, up 11% compared to 2010. Net result from items at fair value decreased by 17% compared to last year. The customer-driven capital markets operations continued to be strong, while results from Capital Markets unallocated income decreased. Income under the equity method was EUR 42m and other income was EUR 91m.

Expenses

Total expenses increased 8% compared to last year. Staff costs increased 12%. In local currencies and excluding restructuring costs, total expenses increased 3% and staff costs increased 5%. Restructuring costs for the cost efficiency measures under the New Normal plan are included with EUR 171m, of which EUR 148m in staff costs and EUR 23m in other expenses and depreciation.

Net loan losses

Net loan losses decreased 16% to EUR 735m, compared to last year, corresponding to a loan loss ratio of 23 basis points (31 basis points last year).

Operating profit

Operating profit decreased 3% compared to last year.

Taxes

The effective tax rate in 2011 was 25.7%, compared to 26.8% last year.

Net profit

Net profit decreased 1% from last year to EUR 2,634m.

Risk-adjusted profit

Risk-adjusted profit increased 4% compared to last year to EUR 2,714m.

Market Consistent Embedded Value (MCEV)

The MCEV decreased 26% to EUR 2,714m as the continued decrease in long-term interest rates put pressure on the predicted profit generation in some traditional portfolios. The value of new business was EUR 189m.

Financial structure

Total assets increased by 23% or EUR 135bn to EUR 716bn during 2011. All balance sheet items in foreign currencies are translated to EUR at the year-end rates when consolidated into the Nordea Group. See Note G1 for more information on accounting policies and section 27 therein for cross-currency rates used.

The Euro weakened against both the Swedish, Norwegian and Danish krona during 2011. The effect of changes in currency exchange rates amounted to a total increase in Group assets of EUR 2bn. Liabilities increased with EUR 2bn.

Lending

The growth in total assets was driven by a 7% increase in loans to the public, of EUR 23bn, to EUR 337bn and calculated in local currencies by 7% compared to one year ago.

Securities

Investments in interest-bearing securities and shares increased by EUR 12bn, or 11%, to EUR 121bn.

Deposits and funding activities

The growth of the total assets was financed by a growth in deposits and borrowings from the public, which increased by

EUR 14bn to EUR 190bn respectively, corresponding to 8%. During 2011, long-term issuance under Nordea funding programmes amounted to EUR 32bn, excluding Danish covered bonds. Total debt securities in issue as per the end of 2011 amounted to EUR 180bn.

Life insurance activities

Net premiums received in the Life business are invested in interest-bearing securities, shares and properties. Increase of fair values on these investments as well as higher premiums written led to an increase in "liabilities to policyholders" by EUR 2bn or 5%.

Derivatives

The balance sheet items "Derivatives" reflect the net present value of derivative contracts split on positive and negative fair values. These items increased by around EUR 70bn on both the asset and liability side, due to higher volumes and lower long-term interest rates.

The derivatives volume, measured in nominal terms, increased by EUR 1,077bn, or 19%, to EUR 6,824bn. High activity in the customer-driven capital markets operations supported the volume growth. For more information, see Notes G1 and G18.

Nordea's funding operations

Nordea issued approx. EUR 32bn of long-term debt during the year, excluding Danish covered bonds.

Liquidity management is presented on page 65.

Credit portfolio

Total lending increased to EUR 337bn, up 7% from one year ago. The share of lending to corporate customers was 54%. Lending in the Baltic countries constitutes 2.5% and to the shipping industry 4% of the Group's total lending. Lending to companies owned by private equity funds constitutes 3% of lending, all of which senior loans.

Migration continued to be positive in 2011, mainly in the corporate credit portfolio. The total effect from improved credit quality on RWA was a decrease by approx. 4.2% in 2011.

Impaired loans gross in the Group increased 12% to EUR 5,438m at the end of the year compared to last year. 60% of impaired loans gross are performing loans and 40% are non-performing loans. This development has been expected, since at this point of the business cycle, it has been easier to identify specific customers, where there is a need for a loan loss provision.

Further information about the credit portfolio is presented under Risk management on page 59, in Note G48 and in the Capital and risk management report 2011 (Pillar III Report) published at the web pages.

Hedge accounting

Nordea uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments and in order to hedge the exposure to varia-

bility in cash flows and net investments in foreign operations. More information on the hedged risks is presented in Note G1.

Market risk

A description of Market risk is presented on page 63.

Capital position and capital policy

A description of the Capital position is presented under Capital management on page 67 and in Note G41.

New financial target

Nordea has set the financial target: to reach a return on equity (ROE) of 15% in a normalised macroeconomic environment and at 11% core tier 1 capital ratio. ROE 2011 was 10.6% and 11.1% excluding the restructuring provisions in the third quarter.

New Group organisation

As of June 2011, a new organisation has been established, which builds on the value-chain thinking that has been central in the Nordea operating model since 2007.

The reorganisation is developed around the three main business areas: Retail Banking, Wholesale Banking and Wealth Management. All parts of the value chains – customer responsibility, support, products, staff and IT-development – are being incorporated into these business areas with the clear objective to improve efficiency, increase return on equity (ROE) and deepen the customer relationships.

In addition, a business area called Group Operations and Other Lines of Business has been established. Group Corporate Centre and Group Risk Management remain as central parts of the organisation.

The financial reporting has been adapted to the new organisation from 2011 with restated numbers for 2010.

The Nordea Share

According to the Articles of Association shares in Nordea may be issued in two classes, ordinary shares and C-shares. The total number of shares in the Company is 4,047,272,751.

During May the directed new issue of C-shares in Nordea resolved at the AGM 2011 as part of a hedging of the Long Term Incentive Programme 2011 was completed and the C-shares were converted into ordinary shares. Following these changes the total number of shares and votes in Nordea amounts to 4,047,272,751. All shares are ordinary shares, see also Statement of changes in equity on page 164 and a table showing the change in share capital is found on page 48. The voting rights are described on page 71.

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

However, since Nordea is a credit institution, a direct or indirect acquisition of shares in Nordea, which causes the acquirer's total holding to comprise a qualifying holding (represents 10 % or more of the equity capital or of the voting capital) or an increase of qualified holdings, may only take place following consent by the Swedish Financial Supervisory Authority according to the Swedish Banking and Financing Business Act.

As at 31 December 2011, Sampo plc was the largest individual shareholder with a holding of 21.3%. The second largest was the Swedish state with a holding of 13.5%. They were the only shareholders with holdings exceeding 10%. A table showing the largest registered shareholders in Nordea, end of 2011 is presented on page 47.

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

Holding of own shares

As of 31 December 2011, Nordea held 20,652,712 shares (0.5% of total number of shares) in Nordea. The quota value is EUR 1 and the acquisition price amounts to EUR 36m. These shares are partly held for trading purposes and partly as hedges of conditional rights in the Long Term Incentive Programmes.

Dividend

The Board of Directors and CEO propose to the AGM a dividend of EUR 0.26 per share (EUR 0.29), corresponding to a payout ratio of 40% of net profit, in line with the dividend policy. Total proposed dividend amounts to EUR 1,048m.

The ex-dividend date for the Nordea share is 23 March 2012. The proposed record date for the dividend is 27 March, and dividend payments will be made on 3 April.

Mandate to repurchase own shares

In order to hedge the financial exposure under the proposed LTIP 2012, the Board of Directors proposes to the AGM 2012 to resolve an issue of C-shares and an authorisation for the Board to decide on a directed offer to acquire own shares, ie the newly issued C-shares.

During 2011, a 10% authorisation to repurchase ordinary shares has been in place, as well as an authorisation to repurchase newly issued C-shares in connection with the LTIP 2011. Further an authorisation for the Board of Directors to decide on conveyance of own shares, to be used as payment for or financing of acquisitions of companies or businesses has been in place.

Rating

Ratings of the Nordea Group are presented on page 203.

Personnel

Personnel expenses, significant agreements with key management personnel and the distribution by countries and gender are disclosed in Note G7. More information is presented in Our people are the key to our success on page 42.

Profit sharing and share-based incentive systems

In 2011, a total of approx. EUR 46m was provided for under Nordea's ordinary profit-sharing scheme for all employees and the Long Term Incentive Programmes for managers and key employees.

For 2011, each employee could receive a maximum of EUR 3,200, of which EUR 2,000 is based on a pre-determined level of risk-adjusted profit, an additional EUR 600 based on the level of customer satisfaction and an additional EUR 600 based on Nordea's relative performance compared to a Nordic peer group as measured by Total Shareholder Return (TSR).

The Profit Sharing scheme for 2012 is based on Return On Equity and Customer Satisfaction and the possible maximum outcome of the programme is unchanged. If both performance criteria are met, the cost of the scheme will amount to a maximum of approx. EUR 95m.

The AGM 2011 approved a Long Term Incentive Programme (LTIP 2011), for up to 400 managers and key employees. To be part of the programme, the participants had to invest in Nordea shares and thereby align their interest and perspectives with the shareholders. LTIP 2011 is based on the same principles as previous programmes with matching and performance shares measuring performance over a longer time period. LTIP 2011 and LTIP 2010 have a three year vesting period instead of two years as the previous programmes and is based on shares free of charge instead of rights to acquire Nordea shares. The performance measures are growth in risk-adjusted profit per share and Total Shareholder Return (TSR) compared to Nordic and European financial companies.

The Board of Directors has decided to propose a Long-Term Incentive Programme (LTIP 2012) to the AGM 2012, based on similar principles as LTIP 2010 and LTIP 2011 although changing the financial targets. The financial target related to Risk Adjusted Profit is proposed to be replaced by a financial target related to Risk-adjusted Return on Capital at Risk to better reflect Nordea's current strategy. The financial target related to Total Shareholder Return is proposed to be replaced by the financial targets Risk-adjusted Return on Capital at Risk and Price to Book.

Price to Book reflects what distinguishes a successful bank after three years. The proposal for LTIP 2012 will be presented to the shareholders in the notice of the AGM 2012.

Pension liabilities

The total pension obligation in Defined Benefit Plans has increased from EUR 3,305m to EUR 3,484m during 2011. The increase is mainly due to discounting effects, changed actuarial assumptions and new pension rights earned, somewhat offset by pension payments. The fair value of plan assets has increased from EUR 2,766m to EUR 2,848m, mainly reflecting the return on plan assets and paid contributions, somewhat offset by pension payments. Total unrecognised actuarial losses amounts to EUR 534m at the end of 2011 (EUR 389m). See Note G34 for more information.

Legal proceedings

Within the framework of the normal business operations, the Group 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.

Further information is presented in Note G38.

Environmental concerns and corporate social responsibility

Nordea is committed to sustainable development by combining financial performance with environmental and corporate social responsibility. Nordea has adopted an environmental policy that provides guidance on how the group entities manage and control environmental issues in their own operations. The ten principles in the UN Global Compact constitute the basis of Nordea's Code of Conduct and together with the UN Declaration of Human Rights, it forms the basis for Nordea's Corporate Citizenship Principles, which spell out the Group's values and commitments to ethical business. The Code of Conduct and Citizenship principles both apply to all personnel and everyone working on behalf of or representing Nordea.

The main policies are supported by a number of specific and concrete policies to ensure compliance with the principles in everyday business. Examples are the environmental policy, the human resources policies, the anti-corruption policies and investment and credit policies. The Code of Conduct and the Corporate Citizenship Principles with relevant policies are available in some parts on the web pages.

Further information is presented under Corporate Social Responsibility on page 44 and in Nordea's CSR Report available on the web pages.

Government guarantee schemes

In response to the financial markets turmoil, the governments in each of the Nordic countries launched state funding schemes, guarantee schemes or capitalisation programs. To date, other than to facilitate the Swedish State's subscription of its pro rata number of new ordinary shares in the rights offering carried out in the spring of 2009 through the National Debt Office, the Nordea Group has not joined the Finnish or Swedish state funding or capitalisation schemes or the Danish or Norwegian capitalisation schemes. The Swedish State's subscription in Nordea's rights offering was financed through the State's stabilisation fund. The stabilisation fund is financed with fees paid by banks and other credit institutions. The total stabilisation fee paid by the Nordea Group in Sweden was EUR 55m in 2011.

In the first half of 2011, central banks and governments begun to unwind the support measures introduced in 2008 and 2009. However, during the summer months investors became increasingly concerned about the sovereign debt crisis together with political uncertainties and weakening growth prospects. The room for fiscal stimulus has been reduced by debt worries and consequently the central banks have been forced to continue to provide liquidity to the markets. There has been a clear tightening of liquidity conditions which has also been reflected in the interbank markets.

In Denmark, Nordea has incurred provisions in 2011 in relation to the Danish Deposit Guarantee Fund in connection to bank collapses. These provisions have been accounted for as net loan losses and amounted net to EUR 58m. In 2010, Nordea reported net loan loss provisions in relation to the previous Danish guarantee scheme of EUR 101m, in addition to the annual commission expenses.

Foreign branches

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

Annual General Meeting 2012

The AGM will be held on Thursday 22 March 2012 in Stockholm. Further information is presented on the last page in the Annual Report.

Business area results

Retail Banking, operating profit per market

EURm	Total		Denmark		Finland		Norway		Sweden		Poland & Baltic countries	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	3,927	3,380	1,167	1,107	684	579	670	601	1,039	754	289	253
Net fee and commission income	1,142	1,021	204	135	309	281	168	158	402	402	75	72
Net result on items at fair value	428	419	97	98	80	81	80	89	119	102	54	53
Equity method	11	28	14	28	0	0	0	0	0	0	0	0
Other operating income	31	30	2	13	9	3	1	2	-1	0	8	7
Total operating income	5,539	4,878	1,484	1,381	1,082	944	919	850	1,559	1,258	426	386
Staff costs	-1,363	-1,333	-350	-349	-236	-236	-150	-152	-286	-276	-82	-71
Other expenses and depr.	-1,864	-1,789	-533	-534	-429	-443	-337	-315	-605	-560	-118	-112
Total operating expenses	-3,227	-3,122	-883	-883	-665	-679	-487	-467	-891	-836	-200	-183
Profit before loan losses	2,312	1,756	601	498	417	265	432	383	668	422	226	203
Net loan losses	-545	-667	-390	-454	-57	-110	-39	-8	-25	-6	-25	-81
Operating profit	1,767	1,089	211	44	360	155	393	375	643	416	201	122
Cost/income ratio, %	58	64	60	64	61	72	53	55	57	66	47	47
RAROCAR, %	16	10	14	10	14	7	12	9	25	14	14	13

Other information, EURbn

Lending corporate	90.2	84.8	23.6	21.1	14.9	14.3	20.2	19.9	23.0	22.2	7.7	6.8
Lending household	144.6	136.2	41.6	39.6	29.8	28.4	25.9	23.8	39.5	37.6	7.1	6.2
Deposits corporate	45.5	44.9	7.4	7.4	10.0	10.7	12.2	11.9	12.7	12.3	3.2	2.6
Deposits household	72.6	68.5	21.6	21.4	22.3	21.1	7.7	7.0	19.1	17.4	1.8	1.6

Wholesale Banking, operating profit per unit

EURm	Total		Corporate & Institutional Banking (CIB)		Shipping, Off-shore & Oil Services		Banking Russia		Wholesale Banking other (including Capital Markets unallocated)	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	1,305	1,234	784	746	323	299	188	174	10	15
Net fee and commission income	547	492	541	531	81	60	14	12	-89	-111
Net result on items at fair value	823	1,001	425	458	28	34	14	14	356	495
Equity method	0	0	0	0	0	0	0	0	0	0
Other operating income	5	33	0	0	0	0	1	1	4	32
Total operating income	2,680	2,760	1,750	1,735	432	393	217	201	281	431
Staff costs	-729	-680	-39	-34	-25	-21	-58	-56	-607	-569
Other expenses and depr.	-144	-174	-427	-410	-39	-35	-41	-34	363	305
Total operating expenses	-873	-854	-466	-444	-64	-56	-99	-90	-244	-264
Profit before loan losses	1,807	1,906	1,284	1,291	368	337	118	111	37	167
Net loan losses	-173	-220	-30	-173	-135	-45	-7	-4	-1	2
Operating profit	1,634	1,686	1,254	1,118	233	292	111	107	36	169
Cost/income ratio, %	33	31	27	26	15	14	46	45		
RAROCAR, %	20	20	21	20	27	21	21	23		

Other information, EURbn

Loans to the public, corporate	90.8	74.4	44.5	42.9	13.6	13.6	6.1	4.4	26.6	13.6
Loans to the public, household	0.4	0.3					0.4	0.3		
Deposits from the public, corporate	62.5	44.4	40.4	32.6	4.7	5.0	2.4	0.8	15.0	5.7
Deposits from the public, household	0.2	0.1					0.2	0.1		

Wealth Management, operating profit per unit

EURm	Total		Asset Management		Nordic Private Banking		International Private Banking & Funds		Life & Pensions	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	122	94	4	1	79	59	38	32	0	0
Net fee and commission income	831	785	364	345	207	192	65	54	196	197
Net result on items at fair value	305	417	-5	-2	69	50	22	25	220	342
Equity method	0	0	0	0	0	0	0	0	0	0
Other operating income	19	30	0	7	3	0	9	0	1	17
Total operating income	1,277	1,326	363	351	358	301	134	111	417	556
Staff costs	-452	-434	-99	-94	-113	-110	-57	-54	-125	-124
Other expenses and depr.	-289	-272	-94	-93	-140	-124	-30	-25	-84	-82
Total operating expenses	-741	-706	-193	-187	-253	-234	-87	-79	-209	-206
Profit before loan losses	536	620	170	164	105	67	47	32	208	350
Net loan losses	-10	-1	0	0	-10	-2	0	0	0	0
Operating profit	526	619	170	164	95	65	47	32	208	350
Cost/income ratio, %	58	53	53	53	71	78	65	71	50	37
RAROCAR, %	24	28			37	24	19	12	13	22
Other information, EURbn										
Loans to the public	8.0	7.8			6.7	6.8	1.3	1.0		
Deposits from the public	11.0	9.6			8.5	7.9	2.5	1.7		

Group Corporate Centre, operating profit

EURm	2011	2010
Net interest income	367	493
Net fee and commission income	-12	-7
Net result on items at fair value	1	-19
Equity method	0	0
Other operating income	2	0
Total operating income	358	467
Total operating expenses	-186	-192
Operating profit	172	275

Life & Pensions, profit drivers

EURm	2011	2010
Profit drivers		
Profit Traditional products	39	195
Profit New Traditional products	0	1
Profit Unit Linked products	75	57
Profit Risk products	55	48
Total product result	169	301
Return on S/E, other profits and group adjustments	39	49
Operating profit	208	350

MCEV composition of Nordea Life & Pensions

EURm	2011	2010
Denmark	421	1,155
Finland	800	883
Norway	821	852
Sweden	475	495
Poland	198	271
Total	2,714	3,655

Value of new business

Traditional business (APE)	34	50
Unit-linked (APE)	150	198
Risk products	4	4

New business margin

Traditional business	7%	24%
Unit-linked	31%	42%
Risk products	18%	21%

Total Nordea Group and Business Areas

EURm	Retail Banking		Wholesale Banking		Wealth Management		Group Corporate Centre		Group Functions, Other and Eliminations		Nordea Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	3,927	3,380	1,305	1,234	122	94	367	493	-265	-42	5,456	5,159
Net fee and commission income	1,142	1,021	547	492	831	785	-12	-7	-113	-135	2,395	2,156
Net result on items at fair value	428	419	823	1,001	305	417	1	-19	-40	19	1,517	1,837
Equity method	11	28	0	0	0	0	0	0	31	38	42	66
Other operating income	31	30	5	33	19	30	2	0	34	23	91	116
Total operating income	5,539	4,878	2,680	2,760	1,277	1,326	358	467	-353	-97	9,501	9,334
Staff costs	-1,363	-1,333	-729	-680	-452	-434	-60	-64	-509	-273	-3,113	-2,784
Other expenses	-1,807	-1,733	-135	-168	-284	-264	-126	-128	438	431	-1,914	-1,862
Depreciations	-57	-56	-9	-6	-5	-8	0	0	-121	-100	-192	-170
Total operating expenses	-3,227	-3,122	-873	-854	-741	-706	-186	-192	-192	58	-5,219	-4,816
Net loan losses	-545	-667	-173	-220	-10	-1	0	0	-7	9	-735	-879
Operating profit	1,767	1,089	1,634	1,686	526	619	172	275	-552	-30	3,547	3,639
Cost/income ratio, %	58	64	33	31	58	53	52	41			55	52
RAROCAR, %	16	10	20	20	24	28					16	15
Volumes, EURbn												
Lending to corporates	90.2	84.8	90.8	74.4					3.2	10.7	184.2	169.9
Household mortgage lending	119.9	111.2	0.4	0.3	4.9	4.5					125.2	116.0
Consumer lending	24.7	25.0			3.1	3.3					27.8	28.3
Corporate deposits	45.5	44.9	62.5	44.4					-1.7	8.9	106.3	98.2
Household deposits	72.6	68.5	0.2	0.1	11.0	9.6					83.8	78.2

Risk, Liquidity and Capital management

Risk, liquidity and capital management are key success factors in the financial services industry.

The maintaining of risk awareness in the organisation is incorporated in Nordea's business strategies. Nordea has defined clear risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and capital structure.

Management principles and control

Board of Directors and Board Risk Committee

The Board of Directors 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 Board of Directors, which also decides on policies for credit, market, liquidity, business, life and operational risk management and the ICAAP. All policies are reviewed at least annually.

In the credit instructions, the Board of Directors decides on powers-to-act for credit committees at different levels within the business areas. 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 Board of Directors furthermore decides on the limits for market and liquidity risk in the Group.

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

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.

The CEO in Group Executive Management (GEM) decides on the targets for the Group's risk management regarding structural interest income risk (SIIR).

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

- The Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), prepares issues of major importance concerning the Group's financial operations, financial risks as well as capital management for decision by the CEO in GEM.
- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the

Nordea Group's risks on an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. Further, the Risk Committee decides, within the scope of resolutions adopted by the Board of Directors, the allocation of the market risk limits as well as the liquidity risk limits to the risk-taking units. 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 two sub-committees for its work and decision-making within specific risk areas.

- The two sub-committees are the Group Valuation Committee (GVC) and the Credit Risk Model Validation Committee (CRMVC). GVC addresses issues related to the valuation framework of traded financial instruments, including standards, processes and control of valuation. The responsibility of CRMVC is to review and approve the validation of credit risk models and parameter estimation (PD, LGD and CCF).
- The Group Executive Management Credit Committee (GEM CC) and the Executive Credit Committee (ECC) are chaired by the CRO and the Group Credit Committee Retail Banking (GCCR) and Group Credit Committee Wholesale Banking (GCCW) are chaired by the Chief Credit Officer (CCO). These credit committees decide on major credit risk limits and industry limits and policies for the Group. Credit risk limits are granted as individual limits for customers or consolidated customer groups and as industry limits for certain industries.

CRO and CFO

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 risk processes as well as the capital adequacy framework. Group Corporate Centre, headed by the CFO, is responsible for the capital policy, the composition of the capital base and for management of liquidity risk and structured interest income risk.

Each business area and group function is primarily responsible for managing the risks in its operations, 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 our shareholders,

and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders.

The Board of Directors are ultimately responsible for the overall risk appetite for 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 risk appetite and 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 potential 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 "Policy for internal Control and Risk Management in the Nordea Group" states that the management of risks includes all activities aiming at identifying, measuring, assessing, monitoring and controlling risks as well as measures to limit and mitigate consequences of the risks. Management of risks is proactive, emphasising training and risk awareness. The Nordea Group maintains a high standard of risk management by means of applying available techniques and methodology to its own needs. The control environment in Nordea is based on the principles for segregation of duties and independence. Monitoring and reporting of risk is conducted on a daily basis for market and liquidity risk, on a monthly and quarterly basis for credit and operational risk.

Risk reporting is regularly made to GEM and to the Board of Directors. Group Internal Audit makes an independent evaluation of the processes regarding risk and capital management in accordance with the annual audit plan.

The Pillar III disclosure

– Capital and risk management report

Further, more detailed, information on risk and capital is presented in the disclosure in accordance with the Pillar III requirements according to the CRD in the Basel II framework at www.nordea.com.

Risk management

Credit Risk management

Group Credit is responsible for the credit process framework and the credit risk management framework, consisting of policies, instructions and guidelines for the Group. Group Credit Control is responsible for controlling and monitoring the quality of the credit portfolio and the credit process.

Each business area and group function 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 credit decision-making authorities on different levels in the organisation.

The rating and the exposure of the customer decide at what level the decision will be made. The credit decision-making structure has been adjusted with effect from the third quarter 2011, following organisational changes in the Group in the second quarter 2011. The Group Executive Management Credit Committee (GEM CC) decides on the largest corporate proposals and proposals related to major principle issues.

Responsibility for a credit risk lies with a customer responsible unit. Customers are assigned a rating or score in accordance with the Nordea's rating and scoring guidelines.

Credit risk definition and identification

Credit risk is defined as the risk of loss if customers fail to fulfil their agreed obligations and that 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 derivatives contracts, transfer risk attributable to the transfer of money from another country and settlement risk. Risks in specific industries are followed by industry-monitoring groups and managed through industry policies, which establish requirements and caps.

Individual and collective assessment of impairment

Throughout the process of identifying and mitigating credit impairments, Nordea works continuously to review the quality of the credit exposures. Weak and impaired exposures are closely and continuously monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions.

A provision is recognised if there is objective evidence based on loss events or observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, collateral included. Exposures with provisions are considered as impaired. The size of the provision is equal to the estimated loss being the difference of 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

Credit decision-making structure for main operations



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

EURm	31 Dec 2011	31 Dec 2010
Loans to credit institutions	51,865	15,788
Loans to the public	337,203	314,211
– of which corporate	181,221	169,061
– of which household	150,960	140,503
– of which public sector	5,023	4,647
Total loans	389,069	329,999
Off-balance credit exposure ¹	109,572	112,363
Counterparty risk exposure ²	44,910	33,595
Treasury bills and interest-bearing securities ³	76,337	67,364
Total credit risk exposure in the banking operations	619,888	543,321
Credit risk exposure in the life insurance operations	23,419	24,378
Total credit risk exposure including life insurance operations	643,307	567,699

1) Of which for corporate customers approx. 90%.

2) After closeout netting and collateral agreements, including current market value exposure as well as potential future exposure.

3) Also includes treasury bills and interest-bearing securities pledged as collateral in repurchase agreements.

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 G48 to the Financial statements.

Credit portfolio

Credit risk exposure is measured and presented as the principle amount of on-balance-sheet claims, ie loans to credit institutions and the public, and off-balance-sheet potential claims on customers and counterparts, net after allowances. Exposure also includes the risk related to derivatives contracts and securities financing.

Nordea's total loans to the public increased by 7% to EUR 337bn in 2011 (EUR 314bn 2010), attributable to an increase of approx. 7% both in the corporate portfolio and in the household portfolio. The overall credit quality is solid with strongly rated customers and continued positive rating migration. Including off-balance sheet exposures and exposures related to securities and Life insurance operations, the total credit risk exposure at year end was EUR 643bn (EUR 568bn). Out of lending to the public, corporate customers accounted for 54% (54%) and household

customers 45% (45%). Nordea has no significant direct exposure to PIIGS. Lending in the Baltic countries constitutes 2.5% and the shipping industry 3.6% of the Group's total lending to the public. Lending to companies owned by private equity funds constitutes less than 3% of total lending, of which 99% are senior loans. Loans to credit institutions, mainly in the form of inter-bank deposits, increased to EUR 52bn at the end of 2011 (EUR 16bn) due to higher amounts of deposits to central banks.

Loans to corporate customers

Loans to corporate customers at the end of 2011 amounted to EUR 181bn (EUR 169bn), up 7%. Real estate and Energy together with Public and Organisations were the sectors that increased the most in 2011.

Real estate remains the largest sector in Nordea's lending portfolio, at EUR 44.8bn (EUR 42.5bn). The real estate portfolio predominantly consists of relatively large and financially strong companies, with 76% (71%) of the lending in rating grades 4- and higher. More than 40% of the lending to the real estate industry is to companies managing mainly residential real estate.

Loans to shipping and offshore increased by 7% to EUR 12.2bn (EUR 11.4bn) in 2011. The portfolio is well diversified by type of vessel, has a focus on large and financially robust industrial players and exhibits strong credit quality, with an average rating of 4. Nordea is a leading bank to the global shipping and offshore sector with strong brand recognition and a world leading loan syndication franchise. Reflecting Nordea's global customer strategy, there is an even distribution between Nordic and non-Nordic customers.

The distribution of loans to corporates by size of loans shows a high degree of diversification where approx. 67% of the corporate volume is for 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 as well as 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 is 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 2011, lending to household customers increased by 7% to EUR 151bn (EUR 141bn). Mortgage loans increased by 8% to EUR 120bn and consumer loans increased by 5% to EUR 31bn. The proportion of mortgage loans of total household loans was 80% (79%), of which the Nordic market accounted for 94%.

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

2011-12-31, EURm	Denmark	Finland	Norway	Sweden	Baltic countries	Poland	Russia	Total 2011	Total 2010
Energy (oil, gas etc)	1	927	1,316	1,277	92	48	1,323	4,984	3,959
Metals and mining materials	36	526	207	234	7	2	972	1,984	1,347
Paper and forest materials	359	972	74	917	52	8	129	2,512	2,293
Other materials (building materials etc.)	631	1,881	446	1,841	320	113	697	5,929	5,867
Industrial capital goods	396	575	129	854	11	49	8	2,022	1,985
Industrial commercial services, etc.	5,058	1,432	5,712	3,282	308	213	2	16,007	16,384
Construction and engineering	1,221	852	1,791	650	293	87	58	4,951	4,525
Shipping and offshore	1,176	4,410	5,297	1,285	1	3	0	12,172	11,427
Transportation	828	781	733	1,365	531	20	247	4,505	4,468
Consumer durables (cars, appliances etc)	579	859	778	1,105	86	13	35	3,455	3,507
Media and leisure	924	608	542	592	107	22	7	2,803	2,959
Retail trade	4,639	2,430	1,184	2,532	607	117	51	11,559	11,309
Consumer staples (food, agriculture, etc.)	7,595	1,687	1,622	542	322	36	15	11,819	12,553
Health care and pharmaceuticals	654	336	228	789	49	2	31	2,088	2,052
Financial institutions	4,766	1,076	1,615	4,758	292	0	42	12,547	20,944
Real estate	7,286	8,285	9,969	17,067	1398	370	447	44,823	42,545
IT software, hardware and services	652	367	79	371	7	27	1	1,505	1,891
Telecommunication equipment	7	110	0	9	1	0	47	175	156
Telecommunication operators	132	413	68	562	15	0	38	1,229	1,625
Utilities (distribution and productions)	1,593	1,042	811	1,504	412	44	0	5,406	4,769
Other, public and organisations	1,601	24,435	190	2,216	301	1	0	28,744	12,496
Total corporate loans	40,134	54,005	32,790	43,754	5,213	1,175	4,150	181,221	169,061
Household mortgage loans	27,598	26,058	25,981	34,357	3,069	2,967	324	120,354	111,179
Household consumer loans	12,469	7,206	1,041	6,511		1,104	47	30,606	29,324
Public sector	1,273	760	79	2,490	60	339	21	5,023	4,647
Total loans to the public	81,473	88,030	59,892	87,112	8,343	5,584	4,542	337,203	314,211
Loans to credit institutions	7,902	37,789	2,247	3,509	0	5	122	51,865	15,788
Total loans	89,375	125,819	62,139	90,622	8,343	5,588	4,664	389,069	329,999

Geographical distribution

Lending to the public distributed by borrower domicile shows that the Nordic countries and Poland, Baltics and Russia accounts for 91% (93%). Of the Nordic countries Denmark has the largest share of lending with approx. 27% or EUR 92bn. Other EU countries represent the main part of the lending outside the Nordic countries.

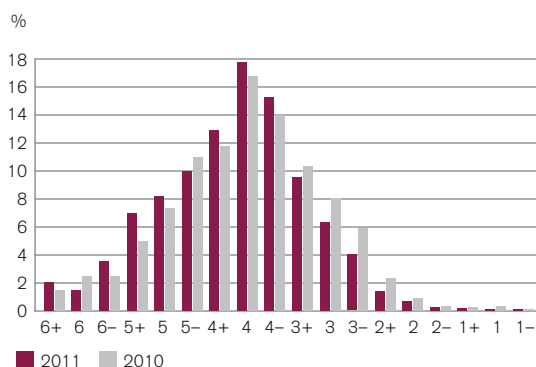
At the end of 2011, lending to customers in the Baltic countries was EUR 8.3bn (EUR 7.7bn), in Poland EUR 5.6bn (EUR 5.2bn), and in Russia EUR 4.5bn (EUR 3.9bn).

Rating and scoring distribution

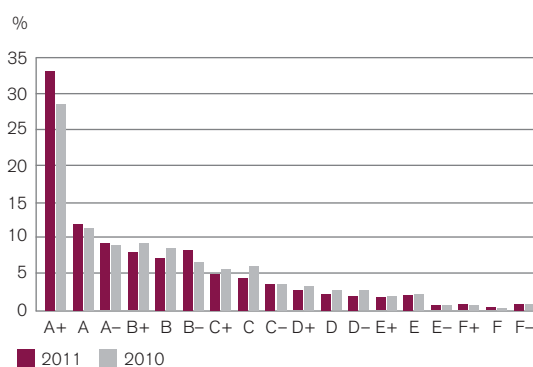
One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, ie retail exposures.

Credit quality has improved in the corporate credit portfolio as well as in the scoring portfolio in 2011. 32% of the number of corporate customers migrated upwards (33%) while 21% were down-rated (24%). 35% (25%) of the corporate customer exposure migrated upwards while 16% (18%) were down-rated. The total effect on risk-weighted

Rating distribution IRB Corporate customers



Risk grade distribution IRB Retail customers



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

2011-12-31, EURm	Denmark	Finland	Norway	Sweden	Baltic countries	Poland	Russia	Group	Allowances	Provisioning ratio
Energy (oil, gas etc)	0	0	0	0	0	0	0	0	12	
Metals and mining materials	0	1	1	0	0	0	4	5	9	164%
Paper and forest materials	4	2	1	0	0	0	0	8	6	79%
Other materials (building mtrle etc)	23	128	10	83	39	8	13	304	186	61%
Industrial capital goods	57	41	0	11	0	0	0	110	65	59%
Industrial commercial services etc	107	124	47	13	22	3	0	317	150	47%
Construction and engineering	74	32	23	3	16	4	39	191	91	48%
Shipping and offshore	173	34	167	70	0	0	0	443	137	31%
Transportation	32	28	4	2	0	6	0	73	35	47%
Consumer durables (cars, appl. etc)	68	35	3	94	4	2	0	206	78	38%
Media and leisure	46	53	4	5	3	0	0	112	54	48%
Retail trade	151	129	27	27	21	3	0	358	234	65%
Consumer staples (food, agric. etc)	494	23	11	3	12	1	4	547	225	41%
Health care and pharmaceuticals	7	11	0	0	0	0	0	19	5	25%
Financial institutions	234	15	2	0	1	0	0	252	92	36%
Real estate	190	31	130	31	142	0	0	523	223	43%
IT software, hardware, services	29	19	1	13	0	0	0	61	39	64%
Telecommunication equipment	0	6	0	0	0	0	0	6	7	114%
Telecommunication operators	1	0	0	0	0	0	0	1	1	118%
Utilities (distribution, production)	6	0	0	0	0	0	0	6	5	88%
Other, public and organisations	85	49	0	6	11	0	0	174	84	48%
Total corporate loans	1,804	760	431	362	271	28	60	3,717	1,736	47%
Household mortgage loans	47	267	41	9	234	40	4	643	204	32%
Household consumer loans	622	366	47	15		3	0	856	503	48%
Public sector	0	0	0	0	0	0	0	0	0	104%
Credit institutions	0	24	0	2	0	0	0	26	28	106%
Total impaired loans gross	2,473	1,418	520	387	505	71	64	5,438		
Total allowances	1,097	560	258	230	252	34	34		2,471	
Provisioning ratio	44%	39%	50%	59%	50%	47%	53%			45%

assets (RWA) from rating migration in the corporate portfolio was a decrease by approx. 5.7% during the full year 2011.

78% (72%) of the corporate exposure were rated 4– or higher, with an average rating for this portfolio of 4+. Institutions and retail customers on the other hand exhibit a distribution that is biased towards the higher rating grades. 89% (87%) of the retail exposures is scored C– or higher, which indicates a probability of default of 1% or lower. Impaired loans are not included in the rating/scoring distributions.

Impaired loans

Impaired loans gross in the Group increased during the year to EUR 5,438m from EUR 4,849m, corresponding to 139 basis points of total loans. 60% of impaired loans gross are performing loans and 40% are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to EUR 3,564m (EUR 3,097m), corresponding to 91 basis points of total loans. Allowances for individually assessed loans increased to EUR 1,892m from EUR 1,752m. Allowances for collectively assessed loans decreased to EUR 579m from EUR 782m following improved rating of the corporate customers. The ratio of individual allowances to cover impaired loans was

35% while total allowances in relation to impaired loans were 45% (52%).

The increase in impaired loans is mainly related to Denmark where the prolonged difficult economic environment has negatively affected overleveraged household, agriculture and SME customers. The overall credit quality is still good in Denmark and positive rating migration continued in the corporate portfolio as most corporates have a strong financial position with a relatively good outlook. The sectors with the largest increases in impaired loans were shipping, financial institutions, consumer staples and also consumer lending to households.

Past due loans to corporate customers that are not considered impaired decreased to EUR 1,443m (EUR 1,825m), while past due loans to household customers increased to EUR 1,754m (EUR 1,603m) in 2011.

At the end of 2011, gross impaired loans in the Baltic countries amounted to EUR 505m or 587 basis points of total loans and receivables, compared with EUR 572m or 712 basis points at the end of 2010. The total allowances for the Baltic countries at the end of 2011 were EUR 252m (EUR 320m) corresponding to 293 basis points of the lending portfolio (398 basis points). The provisioning ratio in the Baltic countries was 50%, down from 56% one year ago.

Impaired loans and ratios

EURm	2011	2010
Impaired loans gross, Group	5,438	4,849
of which performing	3,287	2,838
of which non-performing	2,151	2,011
Impaired loans ratio, basis points	139	146
Total allowance ratio, basis points	63	76
Provisioning ratio	45%	52%

Net loan losses

Net loan losses decreased 16% to EUR 735m in 2011 from EUR 879m in 2010. This corresponded to a loan loss ratio of 23 basis points (31 basis points last year). Net loan losses are well in line with Nordea's risk appetite over the cycle. EUR 481m relates to corporate customers (EUR 660m) and EUR 263m (EUR 220m) relates to household customers, of which EUR 201m is loan losses relating to consumer loans. Within corporates, the main losses were in the sectors shipping, consumer staples and IT software/hardware services. The severe deterioration of economic outlooks in the second half of 2011 strongly affected highly cyclical sectors such as the shipping industry. Weak market conditions in the tanker, dry cargo and containership markets resulted in a general decline in vessel values during the year resulting in increased losses.

Collective net loan losses were positive EUR 206m following positive rating migration.

In the Baltic countries, the loan loss ratio was 14 basis points compared to 99 basis points last year.

Net loan losses and loan loss ratios

Basis points of loans	2011	2010
Net loan losses, EURm	-735	-879
Loan loss ratio, Group	23	31
of which individual	30	33
of which collective	-7	-2
Loan loss ratio, Retail Banking	25	32
Loan loss ratio, Shipping, Offshore & Oil Services	99	34
Loan loss ratio, Baltic countries	14	99

Counterparty risk

Counterparty 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. The pre-settlement risk ("worst-case-scenario") at the end of 2011 was EUR 45bn, of which the current exposure net (after close-out netting and collateral reduction) represents EUR 11bn. 46% of the pre-settlement risk and 21% 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, for example changes to interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities.

Markets and Group Treasury are the key contributors to market risk in the Nordea Group. Markets is responsible

for the customer-driven trading activities whereas Group Treasury is responsible for asset and liability management, liquidity buffer, investments, and funding activities for Nordea's own account. For all other banking activities, the basic principle is that market risks are eliminated by matching assets, liabilities and off-balance-sheet items.

Structural FX risk arises primarily from investments in subsidiaries and associated enterprises denominated in foreign currencies. The general principle is to hedge this by matched funding, although exceptions from this principle may be made in markets where matched funding is impossible to obtain, or can only be obtained at an excessive cost.

Earnings and cost streams generated in foreign currencies or from foreign branches generate an FX exposure, which for the individual Nordea companies is handled in each company's FX position. Direct profit and loss in foreign exchange in the individual Nordea companies must be hedged at least monthly.

In addition to the immediate change in the market value of Nordea's assets and liabilities from a change in financial market variables, a change in interest rates could also affect the net interest income over time. In Nordea, this is seen as structural interest income risk (SIIR).

Market risk on Nordea's account also arises from the Nordea-sponsored defined benefit pension plans for employees (pension risk) and from the investment of policyholders' money with guaranteed minimum yields in Life & Pensions.

Market risk analysis

The total consolidated market risk for the Nordea Group, measured by VaR was EUR 47m (EUR 81m) at the end of 2011 demonstrating a considerable diversification effect between interest rate, equity, foreign exchange and credit spread risk, as the total VaR is lower than the sum of the risk in the four categories. The average VaR during 2011 was EUR 73m (EUR 84m). The market risk however, was significantly reduced during the year and the average VaR during the second half of the year was EUR 54m. The total consolidated VaR is mainly driven by interest rate risk.

The interest rate VaR was EUR 38m (EUR 91m). The most significant part of the interest rate risk stems from interest rate positions denominated in the Scandinavian currencies, Euro and US Dollar.

The fair value of the portfolio of illiquid alternative investments was EUR 638m (EUR 674m), of which hedge funds EUR 223m, private equity funds EUR 260m, credit funds EUR 94m and seed-money investments EUR 61m. All four types of investments are spread over a number of funds.

Foreign exchange positions¹

EURbn	2011	2010
DKK	0.3	0.5
NOK	0.0	0.0
SEK	0.0	0.2
USD	0.1	0.0
Other	0.1	0.0

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.

Consolidated market risk figures

EURm	Measure	31 Dec 2011	High 2011	Low 2011	Average 2011	31 Dec 2010
Total risk	VaR	47.2	114.7	41.1	72.5	80.9
– Interest rate risk	VaR	37.9	129.1	32.1	79.7	91.4
– Equity risk	VaR	6.1	14.9	1.5	7.8	13.0
– Credit spread risk	VaR	11.2	34.6	9.7	20.2	33.0
– Foreign exchange risk	VaR	5.0	15.8	3.8	8.2	13.9
Diversification effect	VaR	22%	49%	16%	37%	47%

Structural Interest Income Risk (SIIR)

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 re-pricing periods and volumes or the reference rates of assets, liabilities and derivatives do not correspond exactly.

Nordea's SIIR management is based on policy statements resulting in different SIIR measures, targets and organisational procedures. Policy statements focus on optimising financial structure and reliable earnings growth, identification of all significant sources of SIIR, measurement under stressful market conditions and adequate public information.

Group Treasury is responsible for the operational management of SIIR and for complying with Group wide targets.

SIIR measurement methods

The basic measures for SIIR are the two repricing gaps measuring (increasing rates and decreasing rates) the effect on Nordea's net interest income for a 12 months period of a one percentage point increase, respectively decrease, in all interest rates (note that the table below also covers repricing gaps over 12m). The repricing gaps are calculated under the assumption that no new market transactions are made during the period.

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

SIIR analysis

At the end of the year, the SIIR for increasing market rates was EUR 179m (EUR 213m) and the SIIR for decreasing market rates was EUR –276m (EUR –230m). 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 risk and compliance officer network in the business organisation, which ensures that operational and compliance risk is managed effectively within the Group. 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 self-assessment process, which puts focus on the key risks, which are identified both through top-down Division management involvement and bottom-up reuse of existing information from processes such as incident reporting, quality and risk analyses, and product approvals. The timing of this process is synchronised with the annual planning process to be able 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.

Life insurance risk and market risks in the Life & Pensions operations

The Life & Pensions business of Nordea Life & Pensions generally consists of a range of different products, from endowments with a duration of few years to very long-term pension savings contracts, with durations of more than 40 years. The two major risks in the life insurance business are life insurance risks and market risks.

The life insurance risk is the risk of unexpected losses due to changes in mortality rates, longevity rates, disability rates and selection effects. These risks are primarily controlled using actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts, stress tests and provisions for risks.

The market risks rising from the shareholders equity investments impacts Nordea's own account, while market risks and longevity risks from customers portfolio are managed through an Asset Liability Management Policy. The market risk for Nordea's own account from the customers' funds arises from mainly investment return, size of financial buffers and the interest level and is measured as a loss in operating income, due to movements in financial market prices.

Liquidity management

Liquidity risk

Key issues during 2011

Nordea has during 2011 continued to benefit from its focus on prudent liquidity risk management, reflected by a diversified and strong funding base. Nordea has had access to all relevant financial markets and has been able to actively use all its funding programmes. Nordea issued approx. EUR 32bn in long-term debt in 2011, excluding Danish covered bonds, of which approx. 18bn in the Swedish, Finnish and Norwegian covered bond markets.

Management principles and control

The Board of Directors of Nordea has the ultimate responsibility for Asset and Liability Management of the Group, ie limiting and monitoring the Group's structural risk exposure. Risks in Nordea are measured and reported according to common principles and policies approved by the Board. The Board of Directors also decides on policies for liquidity risk management. These policies are reviewed at least annually. The Risk Committee decides on, within the scope of resolutions adopted by the Board of Directors, the allocation of the liquidity risk limits. The ALCO, chaired by the CFO, prepares issues of major importance concerning the Group's financial operations and financial risks for decision by CEO in GEM. Group Treasury sets the targets and limits and develops the liquidity risk and SIIR management frameworks, which consist of policies, instructions and guidelines for the whole Group as well as the principles for pricing the liquidity risk.

Liquidity risk management

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea's liquidity management is based on policy statements resulting in different liquidity risk measures, limits and organisational procedures.

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude to liquidity risk. Nordea strives to diversify the Group's sources of funding and seeks to establish and maintain relationships with investors in order to manage the market access. Broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail customer base and the variety of funding programmes. Funding programmes are both short-term (US Commercial Papers, European Commercial Papers, Commercial Papers, Certificates of Deposits) and long-term Covered bonds, European Medium Term Notes, Medium Term Notes) in diverse currencies. However, foreign exchange risk is covered.

The funding sources are presented in the table. As of the end of 2011, the total volume utilised under short-term

programmes was EUR 66.8bn with the average maturity of 0.2 years and the total volume under long-term programmes was EUR 113.1bn with the average maturity of 6.4 years. In 2011, the volume of long-term programmes increased by EUR 16.3bn and the volume of short-term programmes increased by EUR 10.8bn. Nordea periodically publishes information on the liquidity situation of the Group to remain trustworthy at all times.

Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. Group Treasury is responsible for managing the liquidity and for compliance with the group-wide limits from the Board of Directors and the Risk Committee.

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. Limit is set by the Board of Directors for the minimum size of the liquidity buffer. The liquidity buffer is set to ensure a total positive cash flow defined by the funding risk measurement and consists of high-grade liquid securities that can be sold or used as collateral in funding operations.

During 2011, Basel Liquidity Coverage Ratio-alike Survival horizon metrics were introduced. In align with Basel, the Board of Directors has set a limit for minimum survival of 30 days. The survival horizon is composed of Liquidity buffer and Funding gap risk cash flows, but includes even expected behavioural cash flows from contingent liquidity drivers.

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

Liquidity risk analysis

The short-term liquidity risk has been held at moderate levels throughout 2011. The average funding gap risk, ie the average expected need for raising liquidity in the course of the next 30 days, has been EUR –5.8bn (EUR –10.2bn). Nordea's liquidity buffer has been in the range EUR 51–65bn (EUR 47–61bn) throughout 2011 with an average of EUR 59bn (EUR 53bn). Nordea's liquidity buffer is highly liquid, consisting of only central bank-eligible securities. Survival horizon has been in range of EUR 8.3–50.9bn throughout 2011. This expresses the excess liquidity for set limit for 30 days. By utilising the liquidity buffer, Nordea is able to secure its funding requirements for more than 2.8 years without access to new market funding. The aim of always maintaining a positive net balance of stable funding has been comfortably achieved throughout 2011. The yearly average for the net balance of stable funding was EUR 48bn (EUR 33bn).

Net balance of stable funding, 31 December 2011**Stable liabilities and equity**

Liability type, EURbn	Amount
Equity and Core Liabilities	
Deposits and borrowings from the public	151.3
Equity	26.1
Structural funding	
Long-term deposits from credit institutions	0.4
Long CD and CP	4.7
Long-term bonds issued	89.9
Other structural funding	2.4
Total stable liabilities	274.8

Stable long-term assets

Asset type, EURbn	Amount
Core assets	
Loans to the public	205.6
Long-term loans to credit institutions	4.5
Illiquid assets	6.1
Total stable long-term assets	216.3
Net balance of stable funding (NBSF)	58.5

Funding sources, 31 December 2011

Liability type, EURm	Interest rate base	Average maturity	EURm
Deposits by credit institutions			
– shorter than 3 months	Euribor etc	0.1	53,440
– longer than 3 months	Euribor etc	4.9	1,876
Deposits and borrowings from the public			
– Deposits on demand	Administrative	0.0	116,485
– Other deposits	Euribor etc	0.2	73,606
Debt securities in issue			
– Certificates of deposits	Euribor etc	0.2	35,459
– Commercial papers	Euribor etc	0.1	31,381
– Mortgage covered bond loans	Fixed rate, Market based	8.0	76,495
– Other bond loans	Fixed rate, Market based	3.0	36,615
Derivatives			167,390
Other non-interest-bearing items			50,119
Subordinated debentures			
– Dated subordinated debenture loans	Fixed rate, Market based	6.7	3,863
– Undated and other subordinated debenture	Fixed rate, Market based		2,640
Equity			26,118
Total (total liabilities and equity)			675,487
Liabilities to policyholders			40,715
Total (total liabilities and equity) including Life insurance operations			716,201

For a maturity breakdown, see Note G46.

Capital management

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

The goal is to enhance returns to the shareholders, while maintaining a prudent capital structure.

The Board of Directors decides ultimately on the targets for capital ratios and capital policy in Nordea. The CEO in GEM decides on the overall framework of capital management.

Nordea's ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the Asset and Liability Committee (ALCO) and the Risk Committee.

Nordea has during 2011 been included in the list of globally systemically important banks, G-SIBs, by the Financial Stability Board (FSB).

Capital requirements and RWA

EURm	31 Dec 2011		31 Dec 2010
	Capital requirement	Basel II RWA	Basel II RWA
Credit risk	12,929	161,604	164,662
IRB foundation	9,895	123,686	125,346
– of which corporate	6,936	86,696	90,047
– of which institutions	897	11,215	9,021
– of which retail	1,949	24,367	24,556
– of which other	113	1,408	1,722
Standardised	3,034	37,918	39,316
– of which sovereign	43	536	434
– of which retail	795	9,934	9,760
– of which corporate and institutions	2,196	27,448	29,122
Market risk	652	8,144	5,765
– of which trading book, Internal approach	390	4,875	1,317
– of which trading book, Standardised approach	206	2,571	3,469
– of which banking book, Standardised approach	56	698	979
Operational risk	1,236	15,452	14,704
Standardised	1,236	15,452	14,704
Sub total	14,817	185,200	185,131

Adjustment for transition rules

Additional capital requirement according to transition rules	3,087	38,591	29,629
Total	17,904	223,791	214,760

Pillar I

Risk Weighted Assets (RWA) are calculated based on pillar I requirements. Nordea had 75% of the exposure covered by Internal Rating Based (IRB) approaches by the end of 2011. Nordea will implement the IRB approach for some remaining portfolios.

Nordea is also approved to use its own internal Value-at-Risk (VaR) models to calculate capital requirements for the major parts of the market risk in the trading books. With the adoption of the CRD III amendment, new risk types

under the internal approach have been introduced. For Nordea Group this includes additional capital charge for stressed VaR, incremental and comprehensive risk. In addition, under the standardised approach the risk weights for specific equity risk have increased. The total CRD III impact for Nordea Group is an increase of EUR 3,984m in market risk RWA.

For operational risk, the standardised approach is applied.

Pillar II

Nordea bases the internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on pillar I and pillar II risks, which in practice means a combination of Capital Requirements Directive (CRD) risk definitions, Nordea's Economic Capital (EC) framework and buffers for periods of economic stress.

The ICAAP describes Nordea's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining an internal capital requirements reflecting the risk appetite of the institution.

EC is based on quantitative models used to estimate the unexpected losses for each of the following major risk types: credit risk, market risk, operational risk, business risk and life insurance risk. Additionally, the EC models explicitly account for interest rate risk in the banking book, market risk in the investment portfolios, risk in Nordea's sponsored defined benefit pension plans, real estate risk and concentration risk.

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 stress test are considered, along with potential management interventions, in Nordea's internal capital requirements. The internal capital requirement is a key component of Nordea's capital ratio target setting.

Economic Capital (EC including NLP) was at the end of 2011 EUR 17.7bn (EUR 17.5bn).

Economic Profit (EP)

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

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

In investment decisions and customer relationships, EP drives and supports the right behaviour with a balanced focus on income, costs and risk. The EP model also captures both growth and return. EC and expected losses (EL) are input 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.

The EL ratio used in the EP framework, calculated as EL divided by exposure at default (EAD), was 21 basis points as of the end of 2011 (24 basis points as of end of 2010) excluding the sovereign and institution exposure classes.

It should be noted that the EL ratio is a more stable measure than actual losses, but it will vary with the busi-

ness cycle as a consequence of shifts in the repayment capacity (PD dimension) and collateral coverage (LGD dimension) distributions.

Capital base

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

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

Tier 2 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, ie investment in insurance and other financial companies.

Summary of items included in capital base

EURm	31 Dec 2011	31 Dec 2010
Calculation of total capital base		
Equity	26,120	24,538
Proposed/actual dividend	-1,048	-1,168
Hybrid capital loans	1,964	1,946
Deferred tax assets	-169	-266
Intangible assets	-2,986	-2,878
IRB provisions excess (+)/shortfall (-)	-243	-234
Deduction for investments in credit institutions (50%)	-117	-106
Other items, net	-880	-783
Tier 1 capital (net after deduction)	22,641	21,049
- of which hybrid capital	1,964	1,946
Tier 2 capital	3,924	5,305
- of which perpetual subordinated loans	723	710
IRB provisions excess (+)/shortfall (-)	-243	-234
Deduction for investments in credit institutions (50%)	-117	-106
Other deduction	-1,367	-1,280
Total capital base	24,838	24,734

Capital adequacy ratios

	2011	2010
Core tier 1 ratio excluding transition rules (%)	11.2	10.3
Tier 1 ratio excluding transition rules (%)	12.2	11.4
Capital ratio excluding transition rules (%)	13.4	13.4
Capital adequacy quotient (Capital base / capital requirement excluding transition rules)	1.68	1.67
Core tier 1 ratio including transition rules (%)	9.2	8.9
Tier 1 ratio including transition rules (%)	10.1	9.8
Capital ratio including transition rules (%)	11.1	11.5
Capital adequacy quotient (Capital base / capital requirement including transition rules)	1.39	1.44

Capital situation of the financial conglomerate

During 2011, the Sampo Group's share in Nordea has been above 20%. Hence, Nordea is included in the Sampo financial conglomerate.

Further information –

Note G41 Capital adequacy and the Pillar III report

Further information on capital management and capital adequacy is presented in Note G41 Capital adequacy and in the disclosure in accordance with the Pillar III requirements according to the CRD in the Basel II framework, at www.nordea.com.

New regulations

The Basel Committee presented the final standards for the future regulatory framework for financial institutions in December 2010. Furthermore the European Commission issued a proposal of the Capital Requirement Directive IV for the European financial market in July 2011. A final version is expected to be presented early autumn 2012 and thereafter locally implemented within all member states as per January 2013.

Forthcoming regulatory framework

The changes for financial institutions in the regulatory area related to capital and risk are extensive and will be implemented in the years 2013 – 2023. In addition to the Capital requirement Directive (CRD IV), other closely related regulations are emerging such as the additional capital surcharge of so called systemically important banks (SIB's) both on global (GSIB's) and on national level (D-SIBs), a new policy for dealing with bank failure (crisis management) and changes to the accounting regulation that will have an effect on capital and risk. New regulation is also approaching the insurance business – Solvency II. During 2011 Nordea has put much effort into preparing for the new regulatory requirements and is moving into implementation phase in 2012. Nordea is well prepared to meet the new requirements both in form of liquidity, capital and processes.

In Europe, the Capital requirement Directive (CRDIV), is expected to be enforced from 1 January 2013 and will be implemented through a Regulation and a Directive. The Regulation is intended to set a single rule book for banks in all EU Member States, i.e. directly applicable to avoid divergent national rules. In Europe, the European banking Authority (EBA) was established in January 2011, replacing the tasks and responsibilities from the Committee of European Banking Supervisors. EBA is an authority which main focus is to set European regulatory technical standards and guidelines for banks.

The European Commission's proposal to a CRD IV has adopted the Basel III timetable, although according to the current proposal from July 2011, national regulators will be allowed to impose faster implementation than the time frame set forth in Basel III.

The Basel III and the CRD IV framework include several key initiatives, which change the current framework that has been in effect since 2007. 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 two global liquidity standards.

In line with the Basel III framework, the CRD IV proposal 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 8.0%

Besides the changed composition of the capital base, a capital conservation buffer of 2.5% will be established above regulatory minimum requirements. Further, a countercyclical buffer is implemented as an extension of the capital conservation buffer, which will be developed by national jurisdictions when excess credit growth is judged to be associated with a build-up of system wide risk. Both the capital conservation buffer and the countercyclical buffer should be covered by CET 1 capital. The Basel Committee has on top of this proposed that global systemically important banks (G-SIB's) should have an additional loss absorbency requirement ranging from 1.0% to 2.5% of RWA. This additional requirement should also be met by CET 1 capital.

Risk weighted amounts will mainly be affected by additional requirements for counterparty credit risk and an introduction of an asset correlation factor for exposures towards financial institutions.

In addition to capital requirements the regulation will be supplemented with a non-risk based measure, leverage ratio. The ratio will be calculated as the Tier 1 capital divided by the exposure (on-balance and off-balance sheet exposures, with some adjustments for certain items such as derivatives). A minimum leverage ratio of 3% will be evaluated during the parallel run period from 1 January 2013 to 1 January 2017.

The Basel Committee has developed two new quantitative liquidity standards, as part of the new Basel III framework i.e. liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). The standards aim to set the minimum levels of liquidity for internationally active banks.

During 2011 FSB published the Consultative Document of "Effective resolution of Systemically Important Financial institutions" and "Key Attributes of Effective Resolution Regimes for Financial Institutions". Also the EU Commission published the Consultative documents "Crisis Management Directive", which is planned to be adopted by 2014. The objective of the new regulations is to reduce the risk of a bank failure through better planning for financial disasters (recovery). The impact of failure could be reduced if a plan (resolution) could be prepared to enable an institution to be taken through bankruptcy in an orderly fashion without costs for tax payers.

New regulation is also approaching the insurance business - Solvency II with anticipated implementation 2013-2014. The three main objectives of the new legislation are firstly to have a forward looking Risk Based Solvency Capital assessment and replacing the old "volume based" capital requirement framework. Secondly, to ensure that the risk ownership is anchored in Group Executive Management and Board of Directors and finally to ensure that the risk measurement and governance is embedded into business operations and strategic planning.

Corporate Governance Report

Strong corporate governance is all about companies having clear and systematic decision-making processes, thus giving clarity concerning responsibilities, avoiding conflict of interests, and ensuring satisfactory transparency. Business' commitment to Nordea's mission and vision requires the integration of good corporate governance practices into regular business activities, to ascertain – to the extent possible – that the corporation is both well governed and well managed.

Corporate governance deals with the relationship between the shareholders and the company's board and CEO/executive management as well as the corporate goals. This Corporate governance report is based on a shareholder perspective as it is prepared in accordance with the requirements in the Swedish Annual Accounts Act as well as in the Swedish Code of Corporate Governance (the Code). The main emphasis is on the Board of Directors in its role as the main decision-making body in Nordea's corporate governance structure and the interaction with the other bodies to ensure good corporate governance. Nordea's system for Internal control and risk management regarding financial reporting is also covered.

Corporate governance in Nordea

Nordea Bank AB (publ) is a Swedish public limited company, listed on the NASDAQ OMX Nordic, the stock exchanges in Stockholm, Helsinki and Copenhagen. Corporate governance in Nordea follows generally adopted principles of corporate governance. The external framework which regulates the corporate governance work

includes the Swedish Companies Act, Banking and Financing Business Act, Annual Accounts Act, the NASDAQ OMX Nordic rules and the rules and principles of 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.

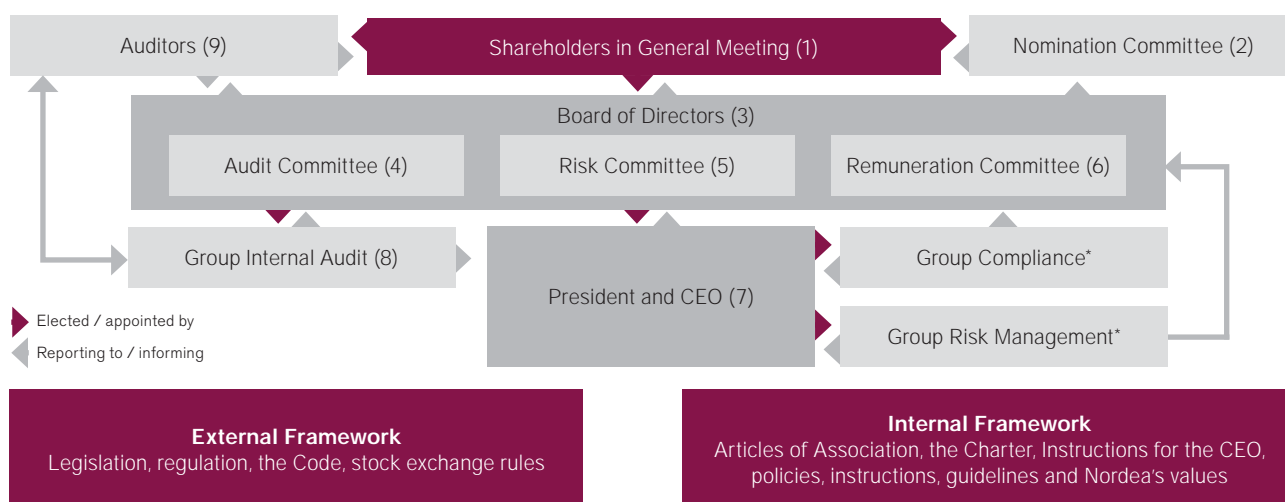
Division of powers and responsibilities

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)

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 among other things 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.

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 is presented on page 59 to 64.

General Meetings are held in Stockholm. For the minutes of the Annual General Meeting (AGM) 2011, 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 is presented in the section "The Nordea share and shareholders" on page 46 and in the Board of Directors' Report on page 51.

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.

Nomination process (2)

The AGM 2011 decided to set up a Nomination Committee whose task in reference to the AGM 2012 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 Björn Wahlroos (Chairman of the Board) and the four largest shareholders in terms of voting rights as of 31 August 2011, who wished to participate in the Committee. The appointment of the members of the Nomination Committee was made public on 16 September 2011. At the date of constitution, the Nomination Committee represented approximately 41% of the shareholders votes. Sampo plc appointed Torbjörn Magnusson, the Swedish government appointed Kristina Ekengren, Nordea-fonden appointed Mogens Hugo and AMF appointed Peder Hasslev. Torbjörn Magnusson was appointed chairman of the Committee.

The proposals of the Nomination Committee will be presented in the notice of the AGM 2012 and at www.nordea.com.

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 for 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 eight members elected by the General Meeting after Björn Savén having informed the Board of Directors on 22 December 2011 that he would resign with immediate effect from the Board of his own accord. This was made public the same day.

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 2011 is presented in the section "Board of Directors" page 200.

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.

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. All Board members and deputy Board members appointed by the employees are employed by the Group and therefore not independent of the Company.

The independence of the Board of Directors also appears in the table on page 73.

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 2011 elected the vice Chairman and appointed the Board Committee members. The Board has adopted rules of procedures for its work (the Charter), containing among other things 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 presented in the section "Nordea New Normal – a focused relationship strategy", page 11.

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 governance, risk management and control processes. The assurance statement for 2011 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 auditor 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 2011, the Board held 15 meetings. 11 meetings were held in Stockholm, one in Copenhagen and 3 meetings were held per capsulam. For more information see table on page 73. 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 2011, 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, the work of the Board Committees, 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 among other things 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.

Board Committees

In accordance with the external framework and in order to increase the effectiveness of the board work, the Board of Directors 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 (BAC) assists the Board of Directors in fulfilling its supervisory responsibilities by among other things monitoring the Nordea Group's financial reporting process, and in relation to this 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 Group Internal Audit. The BAC 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 BAC is accountable for the guidance and evaluation of the Group Internal Audit.

Members of the BAC are Svein Jacobsen (chairman), Stine Bosse and Sarah Russell, as from AGM 2011. Generally, the Group Chief Audit Executive (CAE) and the Chief Financial Officer (CFO) are present at meetings with the right to participate in discussions, but not in decisions.

According to the Code, the majority of the members of BAC are to be independent of the Company and the executive management of the Company. At least one of the committee members who are independent of the Company and its executive management is also to be independent of the Company's major shareholders. Nordea complies with this rule.

For more information see table on page 73.

The Board Risk Committee (5)

At the statutory meeting following the AGM 2011 the Board decided to transform the former Board Credit Committee into the Board Risk Committee (BRIC) for a comprehensive risk oversight.

The BRIC assists the Board of Directors in fulfilling its oversight responsibilities concerning management and control of the risks, risk frameworks, controls and processes associated with the Group's operations, including credit, market, liquidity, business, life and operational risk.

The duties of the BRIC include reviewing the development of the Group's overall risk management and control framework, as well as the Group's risk profile and key risk issues. In addition, the BRIC reviews and make recommendations regarding the Group's risk appetite and limits for market and liquidity risks. Further the BRIC reviews

resolutions made by lending entities concerning credit or limit above certain amounts as well as strategic credit policy matters and the development of the credit portfolio. Members of the BRIC are Kari Stadigh (chairman), Lars G Nordström and Tom Knutzen, as from AGM 2011. Generally the Head of Group Risk Management and, when deemed important and to the extent possible, the CEO are 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 presented in the section "Risk management", page 59.

There are no rules on independence of members of the BRIC in the external framework.

For more information see table on page 73.

The Board Remuneration Committee (6)

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

This duty includes proposals regarding the Nordea Remuneration Policy and underlying instructions and guidelines for remuneration to the executive officers to be decided by the AGM. Furthermore, proposals regarding the remuneration for the CEO, other members of GEM as well as the CAE and, on proposal by the CEO, for the Group Compliance Officer and the Head of Group Credit Control.

At least annually, the BRC follows-up on the application of the Nordea Remuneration Policy and underlying instructions through an independent review by Group

Internal Audit as well as exercises an assessment of the Nordea Remuneration Policy and remuneration system with the participation of appropriate Control Functions. The BRC 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 BRC also prepares other issues of principle for the consideration of the Board.

Members of the BRC are Marie Ehrling (chairman), Björn Savén (until 22 December 2011) and Björn Wahlroos, as from AGM 2011. Generally, the CEO and the Head of Group Human Resources participate in the meetings, with the right to participate in discussions, but not in decisions. The CEO does not participate in considerations regarding his own employment terms and conditions.

According to the Code the members of the BRC are to be independent of the Company and the executive management of the Company. Nordea complies with this rule.

Further information regarding remuneration within Nordea is presented in the separate section "Remuneration", page 77 and in Note G7, page 114.

Meetings, attendance and independence

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. It also shows the independence of the individual Board members in relation to the Company as well as to the major shareholders.

	Board of Directors	Board Audit Committee	Board Risk Committee ¹	Board Remuneration Committee	Independence in relation to the Company ²	Independence in relation to the major shareholders ²
Number of meetings	15	8	7	8		
(of which per capsulam)	3					
Meetings attended:						
Elected by AGM						
Hans Dalborg ³	5		1	3		
Björn Wahlroos ⁴	15		1	5	Yes	No
Marie Ehrling ⁵	15	3		5	Yes	Yes
Stine Bosse	14	4	1		Yes	Yes
Svein Jacobsen	14	8			Yes	Yes
Tom Knutzen	15		6	3	Yes	Yes
Lars G Nordström	15		7		No	Yes
Sarah Russell	15	5		3	Yes	Yes
Björn Savén ⁶	15			7	Yes	Yes
Kari Stadigh	15	3	6		Yes	No
Christian Clausen, CEO ⁷			1			
Appointed by employees						
Kari Ahola (deputy 1 Nov 2010–30 Apr 2011)	13	—	—	—	No	Yes
Ole Lund Jensen	14				No	Yes
Lars Oddestad (deputy 1 Nov 2011–30 Apr 2012)	15				No	Yes
Steinar Nickelsen (deputy 1 May 2011–30 Oct 2011)	15				No	Yes

1) At the statutory meeting following the AGM 2011 the Board Credit Committee was transformed into the Board Risk Committee.

2) For additional information, see Independence on page 71.

3) Chairman of Nordea from 2002 until AGM 2011 at which he was not up for re-election. Board member and member of the Credit Committee and Remuneration Committee until AGM 2011. By the Board appointed as Honorary Chairman of Nordea with effect from 25 March 2011.

4) Vice Chairman until AGM 2011 and Chairman from AGM 2011.

5) Vice Chairman from AGM 2011.

6) Boardmember and member of the Remuneration Committee until 22 December 2011, when he resigned at his own accord.

7) Until the AGM 2011 the CEO was a member of the Board Credit Committee. The CEO is not a Board member.

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 information regarding the control environment for risk exposures is presented in the section "Risk, Liquidity and Capital management", page 57. The CEO works together with senior officers within the Group in GEM. Presently GEM consists of seven members and the CEO. GEM has recorded weekly meetings. These meetings are chaired by the CEO, who reaches decisions after consulting with the other members of GEM. Further information regarding the CEO and GEM is presented in the section "Group Executive Management", page 202.

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 organi-

sation 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, the business organisation is responsible for operating its business within limits for risk exposure and in accordance with decided framework for internal control and risk management. As second line of defence, the centralised risk group functions 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 and 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 author-

Internal control process



used 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 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 one year. At the AGM 2011, KPMG AB was re-elected auditor for the time period up to the end of the AGM 2012. Carl Lindgren is the auditor-in-charge.

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 section "Nordea New Normal – focused relationship strategy", page 11.

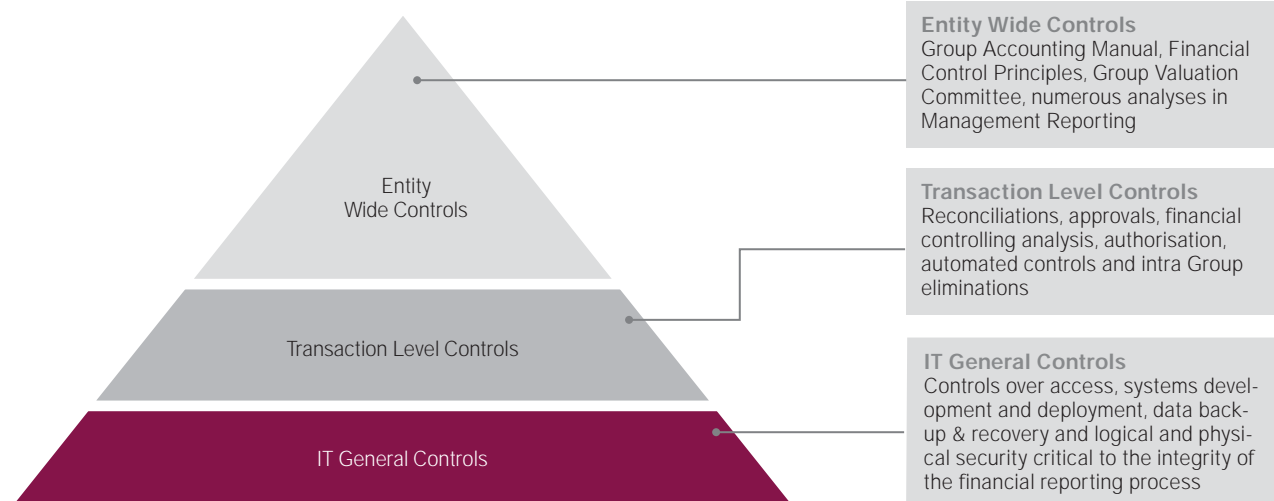
A clear and transparent organisational structure is of importance for the control environment. Nordea's business structure aims to support the overall strategy, with a strong business momentum and increased requirements on capital and liquidity. The business as well as the organisation is under continuous development. Further information on the Focused relationship strategy is presented on page 11.

The key principle of risk management in Nordea is the three lines of defence, with the first line of defence being the business organisation, the second line of defence the centralised risk group functions which defines a common set of standards and the third line of defence being the internal audit function, see illustration "Internal Control Process" (under the heading "Internal Control Process"). The second line of defence function, Accounting Key Controls (AKC), is established and the initiative aims at implementing a Nordea Group-wide system of accounting key controls to ensure that controls essential for the financial reporting are continuously identified, monitored and assessed.

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 as an integral part of running the business. The main responsibility for performing risk assessments regarding financial reporting risks, lies with the business organisation. To have the Risk Assessments performed close to the business, increases the 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.

Control activities



Control Activities

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

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 within Group Finance provide ses-

sions for accountants and controllers in order to inform about existing and updated rules and regulations with an impact on Nordea.

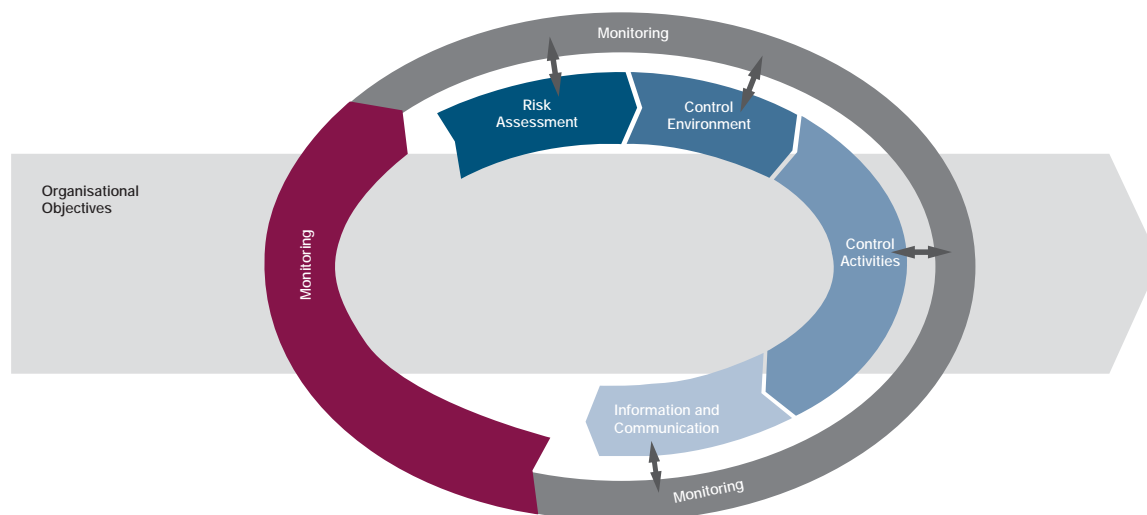
Matters affecting the achievement of financial reporting objectives are communicated with outside parties, where Nordea actively participates in relevant national fora, for example fora established by the Financial Supervisory Authorities, Central Banks and associations for financial institutions.

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, the Board Risk 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)", "Board Risk Committee (5)" and "Group Internal Audit (8)" above.



Remuneration

Nordea has clear remuneration policies, instructions and processes, securing sound remuneration structures throughout the organisation.

The Board of Directors decides on the Nordea Remuneration Policy, based on an analysis of the possible risks involved, and ensures that it is applied and followed-up as proposed by the Board Remuneration Committee (BRC).

The Nordea Remuneration Policy will

- Support Nordea's ability to attract, develop and retain highly motivated, competent and performance-oriented employees and thereby the People strategy.
- Be a supplement to excellent leadership and challenging tasks as driving forces to create highly committed employees and a Great Nordea.
- Ensure that compensation in Nordea is aligned with efficient risk management and the Nordea values: Great customer experiences, It's all about people and One Nordea team.

Nordea is offering competitive, but not market-leading compensation packages.

Nordea has a total remuneration approach to compensation acknowledging the importance of well balanced but different remuneration packages derived from business and local market needs, as well as the importance of compensation being consistent with and promoting sound and effective risk management not encouraging excessive risk-taking or counteracting Nordea's long term interests.

Nordea remuneration components

– purpose and eligibility

Fixed Salary is compensating employees for full satisfactory performance. The individual salary is based on three cornerstones: Job complexity and responsibility, performance and local market conditions.

Profit Sharing is aiming at stimulating value creation for the customers and shareholders and is offered to all employees. The performance criteria for 2011 programme reflect Nordea's previous long-term targets: Risk-Adjusted Profit, Total Shareholder Return compared to Nordic peers and Customer Satisfaction.

Variable Salary Part (VSP) is offered to selected managers and specialists to ensure focus and strong performance. Assessment of individual performance shall be based on a pre-determined set of well-defined financial as well as non-financial success criteria.

Bonus scheme is offered only to selected groups of employees employed in specific businesses areas or units. The aim is to ensure focus, strong performance and maintain cost flexibility for Nordea. Judgement of individual performance shall be based on a pre-determined set of well-defined financial as well as non-financial success criteria, including Nordea Group criteria.

One Time Payment (OTP) can be granted to employees in case of extraordinary performance exceeding requirements or expectations. Employees participating in a Bonus scheme cannot be offered an OTP and employees having Variable Salary Part can only in extraordinary situations be offered an OTP.

Long Term Incentive Programme (LTIP) is aiming at improving the long-term shareholder value and to strengthen Nordea's capability to retain and recruit the best talents. The programme targets managers and key employees identified as essential to the future development of the Nordea Group. Performance criteria in current LTIPs reflected Nordea's previous long-term financial targets: Risk-Adjusted Profit and Total Shareholder Return compared to Nordic and European peers.

Pension and Insurance schemes are aiming at ensuring employees an appropriate standard of living after retirement as well as personal insurance during employment. Pension and insurance provisions are according to local law, regulation and market practice done either in form of determined public collective-agreements, company determined schemes or in a combination of these elements. Nordea aims at having defined contribution pension schemes.

Benefits in Nordea are given as a means to stimulate performance and well being. Benefits are either connected to the contract of employment or local conditions.

Further information regarding Profit Sharing, Variable Salary Part, Bonus schemes and Long Term Incentive Programmes is provided under corresponding headings below in this section.

Risk analysis

Nordea's remuneration components are annually evaluated to ensure compliance with both international and local remuneration guidelines. In addition to the evaluation of the remuneration components as such, the risk analysis addressing issues arising in respect of Nordea's Remuneration Policy was updated in March 2011. Key factors addressed include risks related to the governance and structure of the remuneration schemes, goal setting and measurement of results, as well as fraud and reputation. The main focus of the analysis is the variable components that potentially may be leading to total compensations that might be considered high.

Nordea mitigates these risks by regularly reviewing the structure of the remuneration components, including the participants and potential payout amounts, and by disclosing relevant information to the public. Furthermore, Nordea has established clear processes for target-setting, aligned with the Group's strategy as well as predefined growth and development initiatives. Measurement of results is aligned with Nordea's overall performance measurement, and decision on payout is subject to separate processes and the Grandparent principle (approval by the manager's manager). Nordea also mitigates relevant risks by means of its internal control framework which is based on the control environment, and includes the following elements: Values and management culture, goal orientation and follow-up, a clear and transparent organisational structure, separation of duties, the four-eye principle, quality and efficiency of internal communication and an independent evaluation process.

Performance-related compensation for 2011 to employees in the risk analysis defined as Identified Staff will partly be deferred in 2012 to comply with international guidelines and national regulations. Amounts deferred and details about the deferrals will be published before the ordinary Annual General Meeting (AGM) on 22 March 2012.

Audit of the remuneration policy

At least annually, the BRC follows up the application of the Nordea Remuneration Policy and supplementing instructions through an independent review by Group Internal Audit.

Remuneration to the Board of Directors

The AGM annually decides on remuneration to the Board of Directors. Further information is found in Note G7 on page 114.

Remuneration to CEO and Group Executive Management (GEM)

The Board of Directors prepares the proposal for guidelines for remuneration to the executive officers to be approved by the AGM annually. According to these guidelines, the Board of Directors has decided on the actual remuneration to the CEO and members of GEM following a proposal from the BRC. More information regarding the BRC is found in the separate section "Corporate Governance Report", page 70

The external auditors presented a report to the AGM 2011 stating that the Board of Directors and the CEO during 2010 have complied with the guidelines for remuneration to executive officers as adopted by the AGM 2009 and 2010.

Further information about remuneration is found in Note G7 on page 114.

Approved guidelines for remuneration to the executive officers for 2011

The AGM 2011 approved the following guidelines for remuneration to the executive officers.

Nordea shall maintain remuneration levels and other employment conditions needed to recruit and retain executive officers with competence and capacity to deliver according to Nordea's short and long term targets. The term executive officers shall in this context mean the CEO of Nordea Bank AB (publ) and the executives reporting directly to him also being members of Group Executive Management. Remuneration of executive officers will be decided by the Board of Directors in accordance with Nordea's internal policies and procedures, which are based on the Swedish Financial Supervisory Authority's (SFSA) regulations on remuneration systems, EU's directive on capital requirements for banks as well as international sound compensation practices. Salaries and other remuneration in line with market levels is the overriding principle for compensation to executive officers within Nordea. Compensation to the executive officers shall be consistent with and promote sound and effective risk management and not encourage excessive risk-taking or counteract Nordea's long term interests.

Annual remuneration consists of a fixed salary part and a variable salary part. Fixed salary is paid for satisfactory performance. Variable salary part is offered to 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 variable salary part shall as a general rule not exceed 35 per cent of fixed salary. In accordance with international principles guaranteed variable salary part is to be exceptional and may only occur in the context of hiring a new executive officer and then be limited to the first year. The variable salary part shall be paid in the form of cash and shares/share-price related payment and be subject to retention, deferral and forfeiture clauses according to the SFSA's regulations on remuneration systems, taking account of domestic rules and practices where relevant.

The AGMs since 2007 have decided upon share- and performance-based Long Term Incentive Programmes which require an initial investment in Nordea shares by the participants and where compensation shall be dependent on the creation of long term shareholder value and the fulfilment of Nordea's financial targets, which are based on the principles of risk adjusted profit and total shareholder return. A similar programme as last year's programme with performance measured over a three years period, and based on matching and performance shares free of charge is proposed for AGM 2011. The programmes have a cap. On a yearly basis the Board of Directors will

evaluate whether a similar incentive programme should be proposed to the Annual General Meeting. The executive officers will be invited to join the Long Term Incentive Programmes and due to their influence on the long term development of Nordea, the conditions for participation and outcome differ compared to other participants. If the Annual General Meeting does not approve a Long Term Incentive Programme, the variable salary part to executive officers may be increased and shall as a general rule not exceed 50 per cent of fixed salary.

Non-monetary benefits are given as a means to facilitate executive officers' performance. The levels of these benefits are determined by what is considered fair in relation to general market practice. The executive officers shall be offered retirement benefits in accordance with market practice in the country of which they are permanent residents. Notice and severance pay in total shall not exceed 24 months of fixed salary for executive officers.

Any potential undertaking or commitment made by Nordea against a state or public authority in any guarantee agreement or any similar agreement which affect the remuneration of executive officers will be observed.

The Board of Directors may deviate from the guidelines stated above, if there in a certain case are special reasons for this.

Proposal for guidelines for remuneration to the executive officers for 2012

The Board of Directors will propose that the AGM 2012, in accordance with the Swedish Companies Act, approves the equivalent guidelines for remuneration to the executive officers for 2012 as was approved last year and is described above, with the following amendment: The financial targets for LTIP 2012 are Risk-adjusted Return on Capital at Risk and Price to Book instead of Risk Adjusted Profit Per Share and Total Shareholder Return.

Additional information to the Board of Directors' proposal for guidelines

Deviations from approved guidelines 2011:

There have been no deviations from the approved guidelines 2011.

Estimated cost for variable remunerations in 2012:

It is estimated that the maximum total cost for variable salary, excluding Long Term Incentive Programmes, for GEM can amount to approx. EUR 1.8m.

The estimated cost in 2012 for the approved Long Term Incentive Programmes (LTIP 2010 and LTIP 2011) and for the proposed Long Term Incentive Programme (LTIP 2012), allocated to CEO and GEM members is shown in the following table.

	LTIP 2010	LTIP 2011	LTIP 2012
Maximum cost ¹	EUR 0.4m	EUR 1.0m	EUR 0.8m
Expected cost ²	EUR 0.2m	EUR 0.6m	EUR 0.5m
Calculated cost ³	EUR 0.7m	EUR 1.9m	EUR 2.3m

1) Maximum cost in 2012 assuming maximum investments by CEO and all GEM members and that all criteria are fully met for LTIP 2010, LTIP 2011 and LTIP 2012 expensed over 36 months in 2010–2013, 2011–2014 and 2012–2015 respectively, excluding social costs.

2) Expected cost in 2012 assuming maximum investments by CEO and all GEM members based on 50% fulfilment of the performance criteria for each programme (although 23% fulfilment of performance criteria for performance shares I in LTIP 2010), for LTIP 2010, LTIP 2011 and LTIP 2012 expensed over 36 months in 2010–2013, 2011–2014 and 2012–2015 respectively, excluding social costs.

3) The calculated cost of respective whole programme for CEO and GEM as at grant date, excluding social costs.

Additional information about variable compensation Profit Sharing scheme

The Profit Sharing scheme is capped and not based on the value of the Nordea share. It is a benefit, by which the employees get a part of the profit to encourage good performance and one Nordea team, which in turn will lead to better profitability and make it more attractive to work within the Nordea Group.

In 2011, a total of EUR 43m was provided for under Nordea's Profit Sharing scheme for all employees. For 2011, each employee can receive a maximum of EUR 3,200, of which EUR 2,000 is based on a pre-determined level of risk-adjusted profit, an additional EUR 600 based on the level of customer satisfaction and an additional EUR 600 based on Nordea's relative performance compared to a Nordic peer group as measured by Total Shareholder Return. If all performance criteria were met, the cost of the scheme would have amounted to a maximum of approx. EUR 100m.

Variable Salary Part (VSP)

VSP may be offered to selected managers and specialists to reward strong performance and to attract, motivate and retain employees with strong performance within Nordea Group. VSP must be transparent and have predefined success criteria with clear weightings. A VSP must include financial and non-financial success criteria based on Nordea Group KPIs decided annually by CEO. In the event of weak or negative overall Nordea Group results, VSP outcomes can be adjusted downwards at the discretion of the CEO.

A VSP agreement does not exceed a maximum outcome of 25% of annual fixed salary, except for very few managers and key specialists within specific areas, where the amount can be a maximum of 50% of annual fixed salary. Responsible GEM member may in extraordinary cases approve a VSP agreement exceeding 50 % of annual fixed salary.

Nordea adheres to the Grandparent principle when enrolling employees to any VSP scheme and approving the outcome. The Board of Directors decides on VSP outcome for CEO and GEM on proposal from the BRC. Nordea has introduced deferral programmes for the staff in the risk analysis defined as Identified Staff.

Bonus schemes

Bonus schemes are only offered to selected groups of employees employed in specific businesses areas or units approved by the Board of Directors. Nordea pays bonuses linked to performance where both divisional bonus pools and individual allocations are explicitly based on defined performance measures. Divisional financial performance is measured as risk-adjusted profits, explicitly incorporating capital and funding costs, and adjust for multi-period revenue effects as well as minimum required profit. In the event of weak or negative overall Nordea Group result, bonus pools can be adjusted downwards at the discretion of the Board of Directors. As such, individual compensation is determined based on detailed performance evaluations covering a range of financial and non-financial factors.

Inappropriate individual bonuses are prevented through both caps on the percentage of risk-adjusted profit that can be paid out as well as individual caps. Nordea has introduced deferral programmes for the staff in the risk analysis defined as Identified Staff.

Care is taken to ensure that control and compliance staff employed in divisions having bonus schemes remains competitively rewarded.

The Board of Directors decides on new or revised bonus schemes and outcome of divisional bonus pools on proposal by BRC. GEM has responsibility for the implementation of the agreed bonus schemes. Nordea also applies a stringent process to ensure that compensation for individuals does not encourage excessive risk taking behaviour. To supplement the division level assessment, there is an approval process for significant bonuses to individuals, with the CEO's approval required for bonuses exceeding a predetermined level.

Long Term Incentive Programmes

Nordea's Long Term Incentive Programmes (LTIPs) are share-based and the outcome is subject to certain performance conditions. The Board's main objective with the programmes is to strengthen Nordea's capability to retain and recruit the best talent for key leadership positions. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's results, profitability and value growth, to increased efforts by aligning their interests and perspectives with those of the shareholders.

The participants take direct ownership by allocating Nordea shares to the programmes. For each ordinary Nordea share the participant locks into an LTIP, the participant, since LTIP 2010, is allotted one matching share and up to three performance shares, conditional upon fulfilment of certain performance conditions during the three year vesting period.

The underlying basic principles of the LTIPs are that the outcome shall be dependent on the creation of long-term shareholder value by fulfilment of Nordea's long-term financial targets.

It is further required that the participant, with certain exemptions, remains employed within the Nordea Group during the initial three year vesting period and that all Nordea shares locked into an LTIP are kept during this period.

Nordea's first LTIP was introduced in May 2007, targeting up to 400 managers and key employees identified as essential to the future development of the Group. LTIP 2007 has been followed by annual programmes based on the same principles. LTIP 2010 and LTIP 2011 have a three-year vesting period instead of two years as the previous programmes and are based on shares free of charge instead of rights to acquire Nordea shares. On a yearly basis the Board of Directors evaluates whether a similar incentive programme should be proposed to the AGM.

More information on the LTIP 2007, LTIP 2008, LTIP 2009, LTIP 2010 and LTIP 2011 is presented in Note G7 and at www.nordea.com, as well as in Annual Reports of previous years.

The BRC conducted a survey during autumn 2011 targeting present and earlier participants in LTIP still employed in Nordea. The facts, the results from the survey, the feedback from management and Nordea's financial performance clearly showed that LTIP in Nordea serves its purpose: Increasing the ability to attract and retain talents and contribute to align the organisation to the financial targets and to create an incentive for the participants to deliver excellent operating results.

The Board of Directors has decided to propose a Long-Term Incentive Programme (LTIP 2012) to the AGM 2012 based on similar principles as LTIP 2010 and LTIP 2011 although changing the financial targets. The financial target related to Risk Adjusted Profit is proposed to be replaced by a financial target related to Risk-adjusted Return on Capital at Risk to better reflect Nordea's current strategy. The financial target related to Total Shareholder Return is proposed to be replaced by the financial targets Risk-adjusted Return on Capital at Risk and Price to Book. Price to Book reflects what distinguishes a successful bank after three years. The proposal for LTIP 2012 will be presented to the shareholders in the notice of the AGM 2012.



// Everything we do in
Nordea aims at one thing
– creating great customer
experiences

Financial statements, Group

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Income statement, Group

EURm	Note	2011	2010
Operating income			
Interest income		11,955	9,687
Interest expense		-6,499	-4,528
Net interest income	G3	5,456	5,159
Fee and commission income		3,122	2,955
Fee and commission expense		-727	-799
Net fee and commission income	G4	2,395	2,156
Net result from items at fair value	G5	1,517	1,837
Profit from companies accounted for under the equity method	G20	42	66
Other operating income	G6	91	116
Total operating income		9,501	9,334
Operating expenses			
General administrative expenses:			
Staff costs	G7	-3,113	-2,784
Other expenses	G8	-1,914	-1,862
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9, G21, G22	-192	-170
Total operating expenses		-5,219	-4,816
Profit before loan losses		4,282	4,518
Net loan losses	G10	-735	-879
Operating profit		3,547	3,639
Income tax expense	G11	-913	-976
Net profit for the year		2,634	2,663
Attributable to:			
Shareholders of Nordea Bank AB (publ)		2,627	2,657
Non-controlling interests		7	6
Total		2,634	2,663
Basic earnings per share, EUR	G12	0.65	0.66
Diluted earnings per share, EUR	G12	0.65	0.66

Statement of comprehensive income, Group

EURm	2011	2010
Net profit for the year	2,634	2,663
Currency translation differences during the year	-28	669
Currency hedging of net investments in foreign operations	0	-407
Tax on currency hedging of net investments in foreign operations	0	107
Available-for-sale investments: ¹		
Valuation gains/losses during the year	5	3
Tax on valuation gains/losses during the year	-1	-1
Cash flow hedges:		
Valuation gains/losses during the year	166	1
Tax on valuation gains/losses during the year	-43	0
Other comprehensive income, net of tax	99	372
Total comprehensive income	2,733	3,035
Attributable to:		
Shareholders of Nordea Bank AB (publ)	2,726	3,029
Non-controlling interests	7	6
Total	2,733	3,035

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

Balance sheet, Group

EURm	Note	31 Dec 2011	31 Dec 2010
Assets			
Cash and balances with central banks		3,765	10,023
Treasury bills	G13	11,105	13,112
Loans to credit institutions	G14	51,865	15,788
Loans to the public	G14	337,203	314,211
Interest-bearing securities	G15	81,268	69,137
Financial instruments pledged as collateral	G16	8,373	9,494
Shares	G17	20,167	17,293
Derivatives	G18	171,943	96,825
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G19	-215	1,127
Investments in associated undertakings	G20	591	554
Intangible assets	G21	3,321	3,219
Property and equipment	G22, G23	469	454
Investment property	G24	3,644	3,568
Deferred tax assets	G11	169	278
Current tax assets	G11	185	262
Retirement benefit assets	G34	223	187
Other assets	G25	19,425	22,857
Prepaid expenses and accrued income	G26	2,703	2,450
Total assets		716,204	580,839
Liabilities			
Deposits by credit institutions	G27	55,316	40,736
Deposits and borrowings from the public	G28	190,092	176,390
Liabilities to policyholders	G29	40,715	38,766
Debt securities in issue	G30	179,950	151,578
Derivatives	G18	167,390	95,887
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G19	1,274	898
Current tax liabilities	G11	154	502
Other liabilities	G31	43,368	38,590
Accrued expenses and prepaid income	G32	3,496	3,390
Deferred tax liabilities	G11	1,018	885
Provisions	G33	483	581
Retirement benefit obligations	G34	325	337
Subordinated liabilities	G35	6,503	7,761
Total liabilities		690,084	556,301
Equity			
Non-controlling interests		86	84
Share capital		4,047	4,043
Share premium reserve		1,080	1,065
Other reserves		-47	-146
Retained earnings		20,954	19,492
Total equity		26,120	24,538
Total liabilities and equity		716,204	580,839
Assets pledged as security for own liabilities	G36	146,894	149,117
Other assets pledged	G37	6,090	5,972
Contingent liabilities	G38	24,468	23,963
Commitments	G39	86,970	91,426

Statement of changes in equity, Group

EURm	Attributable to shareholders of Nordea Bank AB (publ) ²						Total	Non-controlling interests	Total equity
	Share capital ¹	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available-for-sale investments	Retained earnings			
Balance at 1 Jan 2011	4,043	1,065	-148	—	2	19,492	24,454	84	24,538
Net profit for the year	—	—	—	—	—	2,627	2,627	7	2,634
Currency translation differences during the year	—	—	-28	—	—	—	-28	—	-28
Currency hedging of net investments in foreign operations	—	—	0	—	—	—	0	—	0
Tax on currency hedging of net investments in foreign operations	—	—	0	—	—	—	0	—	0
Available-for-sale investments:									
Valuation gains/losses during the year	—	—	—	—	5	—	5	—	5
Tax on valuation gains/losses during the year	—	—	—	—	-1	—	-1	—	-1
Cash flow hedges:									
Valuation gains/losses during the year	—	—	—	166	—	—	166	—	166
Tax on valuation gains/losses during the year	—	—	—	-43	—	—	-43	—	-43
Other comprehensive income, net of tax	—	—	-28	123	4	—	99	—	99
Total comprehensive income	—	—	-28	123	4	2,627	2,726	7	2,733
Issued C-shares ³	4	—	—	—	—	—	4	—	4
Repurchase of C-shares ³	—	—	—	—	—	-4	-4	—	-4
Share-based payments	—	—	—	—	—	11	11	—	11
Dividend for 2010	—	—	—	—	—	-1,168	-1,168	—	-1,168
Purchases of own shares ⁴	—	—	—	—	—	-4	-4	—	-4
Other changes	—	15 ⁵	—	—	—	—	15	-5	10
Balance at 31 Dec 2011	4,047	1,080	-176	123	6	20,954	26,034	86	26,120

1) Total shares registered were 4,047 million.

2) Restricted capital was 4,047m, unrestricted capital was EUR 21,987m.

3) Refers to the Long Term Incentive Programme (LTIP). LTIP 2011 was hedged by issuing 4,730,000 C-shares. The shares have been bought back and converted to ordinary shares. The total holding of own shares related to LTIP is 18.2 million.

4) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 20.7 million.

5) In connection to the rights issue in 2009 an assessment was made on the VAT Nordea would have to pay on the transaction costs. This assessment has been changed in 2011 based on a new tax case law.

	Attributable to shareholders of Nordea Bank AB (publ) ²								
			Other reserves:						
EURm	Share capital ¹	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available-for-sale investments	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2010	4,037	1,065	-517	-1	—	17,756	22,340	80	22,420
Net profit for the year	—	—	—	—	—	2,657	2,657	6	2,663
Currency translation differences during the year	—	—	669	—	—	—	669	—	669
Currency hedging of net investments in foreign operations	—	—	-407	—	—	—	-407	—	-407
Tax on currency hedging of net investments in foreign operations	—	—	107	—	—	—	107	—	107
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	—	—	—	1	—	—	1	—	1
Tax on valuation gains/losses during the year	—	—	—	0	—	—	0	—	0
Other comprehensive income, net of tax	—	—	369	1	2	—	372	—	372
Total comprehensive income	—	—	369	1	2	2,657	3,029	6	3,035
Issued C-shares ³	6	—	—	—	—	—	6	—	6
Repurchase of C-shares ³	—	—	—	—	—	-6	-6	—	-6
Share-based payments	—	—	—	—	—	17	17	—	17
Dividend for 2009	—	—	—	—	—	-1,006	-1,006	—	-1,006
Divestment of own shares ⁴	—	—	—	—	—	74	74	—	74
Other changes	—	—	—	—	—	—	—	-2	-2
Balance at 31 Dec 2010	4,043	1,065	-148	—	2	19,492	24,454	84	24,538

1) Total shares registered were 4,043 million.

2) Restricted capital was 4,043m, unrestricted capital was EUR 20,411m.

3) Refers to the Long Term Incentive Programme (LTIP). LTIP 2010 was hedged by issuing 5,125,000 C-shares. The shares have been bought back and converted to ordinary shares. The total holding of own shares related to LTIP is 15.4 million.

4) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 16.9 million.

Dividends per share

See Statement of changes in equity for the parent company, page 165.

Cash flow statement, Group

EURm	2011	2010
Operating activities		
Operating profit	3,547	3,639
Adjustment for items not included in cash flow	537	1,619
Income taxes paid	-981	-1,045
Cash flow from operating activities before changes in operating assets and liabilities	3,103	4,213
Changes in operating assets		
Change in treasury bills	3,400	1,156
Change in loans to credit institutions	-20,784	4,476
Change in loans to the public	-23,749	-18,960
Change in interest-bearing securities	-19,900	-15,672
Change in financial assets pledged as collateral	1,100	2,118
Change in shares	-2,776	-3,563
Change in derivatives, net	-2,151	1,610
Change in investment properties	-77	-63
Change in other assets	3,438	-8,563
Changes in operating liabilities		
Change in deposits by credit institutions	14,307	-12,863
Change in deposits and borrowings from the public	13,341	16,076
Change in liabilities to policyholders	1,587	2,353
Change in debt securities in issue	27,205	12,472
Change in other liabilities	5,686	13,012
Cash flow from operating activities	3,730	-2,198
Investing activities		
Acquisition of business operations	0	-38
Sale of business operations	0	0
Acquisition of associated undertakings	-16	-18
Sale of associated undertakings	4	10
Acquisition of property and equipment	-157	-146
Sale of property and equipment	35	48
Acquisition of intangible assets	-192	-181
Sale of intangible assets	0	0
Net investments in debt securities, held to maturity	7,876	1,991
Purchase/sale of other financial fixed assets	15	1
Cash flow from investing activities	7,565	1,667
Financing activities		
Issued subordinated liabilities	891	1,750
Amortised subordinated liabilities	-2,232	-1,556
New share issue	4	6
Divestment of own shares incl change in trading portfolio	—	74
Repurchase of own shares incl change in trading portfolio	-4	—
Dividend paid	-1,168	-1,006
Cash flow from financing activities	-2,509	-732
Cash flow for the year	8,786	-1,263
Cash and cash equivalents at the beginning of year	13,706	13,962
Translation difference	114	1,007
Cash and cash equivalents at the end of year	22,606	13,706
Change	8,786	-1,263

Comments on the cash flow statement

The cash flow statement has been prepared in accordance with IAS 7. The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Operating activities

Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for non-cash items includes:

EURm	2011	2010
Depreciation	190	166
Impairment charges	2	4
Loan losses	811	957
Unrealised gains/losses	-2,419	-931
Capital gains/losses (net)	-4	-2
Change in accruals and provisions	-225	236
Translation differences	62	-718
Change in bonus potential to policyholders	-575	159
Change in fair value of the hedge items, assets/liabilities (net)	1,842	-346
Other	853	2,094
Total	537	1,619

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:

EURm	2011	2010
Interest payments received	11,896	9,933
Interest expenses paid	6,376	4,542

Investing activities

Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial assets. Aggregated cash flows arising from acquisition and sale of business operations are presented separately and consist of:

EURm	2011	2010
Acquisition of business operations		
Cash and cash equivalents	—	7
Property & equipment and intangible assets	—	2
Other assets	—	2
Total assets	—	11
Other liabilities and provisions	—	-2
Total liabilities	—	-2
Purchase price paid	—	-9
Cash and cash equivalents in acquired business operations	—	7
Payment of the remaining settlement from the Fionia acquisition in 2009	—	-36
Net effect on cash flow	—	-38

Financing activities

Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/amortised subordinated liabilities.

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2011	31 Dec 2010
Cash and balances with central banks	3,765	10,023
Loans to credit institutions, payable on demand	18,841	3,683
	22,606	13,706

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;

- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Quarterly development, Group

EURm	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	2011	2010
Net interest income	1,427	1,379	1,326	1,324	1,365	1,310	1,249	1,235	5,456	5,159
Net fee and commission income	588	582	623	602	618	525	538	475	2,395	2,156
Net result from items at fair value	506	111	356	544	504	446	339	548	1,517	1,837
Profit from companies accounted for under the equity method	15	-4	13	18	5	29	7	25	42	66
Other income	22	23	24	22	15	53	28	20	91	116
Total operating income	2,558	2,091	2,342	2,510	2,507	2,363	2,161	2,303	9,501	9,334
General administrative expenses:										
Staff costs	-714	-887	-744	-768	-675	-721	-701	-687	-3,113	-2,784
Other expenses	-502	-474	-485	-453	-543	-436	-445	-438	-1,914	-1,862
Depreciation, amortisation and impairment charges of tangible and intangible assets	-50	-52	-46	-44	-52	-39	-40	-39	-192	-170
Total operating expenses	-1,266	-1,413	-1,275	-1,265	-1,270	-1,196	-1,186	-1,164	-5,219	-4,816
Profit before loan losses	1,292	678	1,067	1,245	1,237	1,167	975	1,139	4,282	4,518
Net loan losses	-263	-112	-118	-242	-166	-207	-245	-261	-735	-879
Operating profit	1,029	566	949	1,003	1,071	960	730	878	3,547	3,639
Income tax expense	-243	-160	-249	-261	-301	-249	-191	-235	-913	-976
Net profit	786	406	700	742	770	711	539	643	2,634	2,663
Diluted earnings per share (DEPS), EUR	0.19	0.10	0.18	0.18	0.19	0.18	0.13	0.16	0.65	0.66
DEPS, rolling 12 months up to period end, EUR	0.65	0.65	0.73	0.68	0.66	0.58	0.55	0.57	0.65	0.66

5 year overview, Group

Income statement

EURm	2011	2010	2009	2008	2007
Net interest income	5,456	5,159	5,281	5,093	4,282
Net fee and commission income	2,395	2,156	1,693	1,883	2,140
Net result from items at fair value	1,517	1,837	1,946	1,028	1,209
Profit from companies accounted for under the equity method	42	66	48	24	41
Other income	91	116	105	172	217
Total operating income	9,501	9,334	9,073	8,200	7,889
General administrative expenses:					
Staff costs	-3,113	-2,784	-2,724	-2,568	-2,388
Other expenses	-1,914	-1,862	-1,639	-1,646	-1,575
Depreciation, amortisation and impairment charges of tangible and intangible assets	-192	-170	-149	-124	-103
Total operating expenses	-5,219	-4,816	-4,512	-4,338	-4,066
Profit before loan losses	4,282	4,518	4,561	3,862	3,823
Net loan losses	-735	-879	-1,486	-466	60
Operating profit	3,547	3,639	3,075	3,396	3,883
Income tax expense	-913	-976	-757	-724	-753
Net profit for the year	2,634	2,663	2,318	2,672	3,130

Balance sheet

EURm	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
Treasury bills and interest-bearing securities	92,373	82,249	69,099	51,375	43,975
Loans to credit institutions	51,865	15,788	18,555	23,903	24,262
Loans to the public	337,203	314,211	282,411	265,100	244,682
Derivatives	171,943	96,825	75,422	86,838	31,498
Other assets	62,820	71,766	62,057	46,858	44,637
Total assets	716,204	580,839	507,544	474,074	389,054
Deposits by credit institutions	55,316	40,736	52,190	51,932	30,077
Deposits and borrowings from the public	190,092	176,390	153,577	148,591	142,329
Liabilities to policyholders	40,715	38,766	33,831	29,238	32,280
Debt securities in issue	179,950	151,578	130,519	108,989	99,792
Derivatives	167,390	95,887	73,043	85,538	33,023
Subordinated liabilities	6,503	7,761	7,185	8,209	7,556
Other liabilities	50,118	45,183	34,779	23,774	26,837
Equity	26,120	24,538	22,420	17,803	17,160
Total liabilities and equity	716,204	580,839	507,544	474,074	389,054

Ratios and key figures, Group

	2011	2010	2009	2008	2007
Basic earnings per share, EUR	0.65	0.66	0.60	0.79	0.93
Diluted earnings per share, EUR	0.65	0.66	0.60	0.79	0.93
Share price ¹ , EUR	5.98	8.16	7.10	3.90	8.90
Total shareholders' return, %	-24.4	3.7	78.6	-46.9	6.4
Proposed / actual dividend per share, EUR	0.26	0.29	0.25	0.20	0.50
Equity per share ¹ , EUR	6.47	6.07	5.56	5.29	5.09
Potential shares outstanding ^{1,2} , million	4,047	4,043	4,037	2,600	2,597
Weighted average number of diluted shares ³ , million	4,028	4,022	3,846	3,355	3,352
Return on equity, %	10.6	11.5	11.3	15.3	19.7
Assets under management ¹ , EURbn	187.4	191.0	158.1	125.6	157.1
Cost/income ratio, %	55	52	50	53	52
Loan loss ratio, basis points	23	31	56	19	-3
Core tier 1 capital ratio, excluding transition rules ¹ , %	11.2	10.3	10.3	8.5	7.5
Tier 1 capital ratio, excluding transition rules ¹ , %	12.2	11.4	11.4	9.3	8.3
Total capital ratio, excluding transition rules ¹ , %	13.4	13.4	13.4	12.1	10.9
Core tier 1 capital ratio ¹ , %	9.2	8.9	9.3	6.7	6.3
Tier 1 capital ratio ¹ , %	10.1	9.8	10.2	7.4	7.0
Total capital ratio ¹ , %	11.1	11.5	11.9	9.5	9.1
Core tier 1 capital ¹ , EURm	20,677	19,103	17,766	14,313	12,821
Tier 1 capital ¹ , EURm	22,641	21,049	19,577	15,760	14,230
Risk-weighted assets, incl transition rules ¹ , EURbn	224	215	192	213	205
Number of employees (full-time equivalents) ¹	33,068	33,809	33,347	34,008	31,721
Risk-adjusted profit, EURm	2,714	2,622	2,786	2,279	2,239
Economic profit, EURm	1,145	936	1,334	1,015	1,231
Economic capital ¹ , EURbn	17.7	17.5	16.7	15.8	13.4
EPS, risk-adjusted, EUR	0.67	0.65	0.72	0.68	0.67
RAROCAR, %	15.5	15.0	17.3	15.6	17.8
MCEV, EURm	2,714	3,655	3,244	2,624	3,189

1) End of the year.

2) Increase between 2008 and 2009 due to Nordea's rights issue.

3) 2007-2009 restated due to the rights issue.

Business definitions

These definitions apply to the descriptions in the Annual Report.

Allowances in relation to impaired loans Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

Basic earnings per share Net profit for the year divided by the weighted average number of outstanding shares, non-controlling interests excluded.

Capital base 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.

Cost of equity (%) Required return by investors on the Nordea share, measured as the long risk free euro rate plus required average risk premium to invest in equities multiplied by Beta, which reflects the Nordea share's volatility and correlation with market volatility.

Cost of equity in EUR is defined as Cost of equity (%) times Economic capital. The Cost of equity is set by management once a year as a parameter to manage risk appetite and investment level.

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

Diluted earnings per share Net profit for the year divided by the weighted average number of outstanding shares after full dilution, non-controlling interests excluded.

Economic capital (EC) Internal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business Risk and Life Insurance Risk arising from activities in Nordea's various business areas.

The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

Economic profit Deducting Cost of equity from Risk-adjusted profit.

Equity per share Equity as shown in the balance sheet after full dilution and non-controlling interests excluded divided by the number of shares after full dilution.

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

Impairment rate, gross Individually assessed impaired loans before allowances divided by total loans before allowances.

Impairment rate, net Individually assessed impaired loans after allowances divided by total loans before allowances.

Loan loss ratio Net loan losses (annualised) divided by opening balance of loans to the public (lending).

MCEV (Market Consistent Embedded Value) Estimate of the value a shareholder would put on a portfolio of in-force life and pension business based on objective market return. No franchise value or other additional value is included in MCEV.

Non-performing, not impaired Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

Price to Book Nordea's stock market value relative to its book value.

RAROCAR, % (Risk-adjusted return on capital at risk), Risk-adjusted profit relative to Economic capital.

Return on equity 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.

Risk-adjusted profit Total income minus total operating expenses, minus Expected losses and standard tax (26 % 2011). In addition, Risk-adjusted profit excludes major non-recurring items.

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

Tier 1 capital Proportion of the capital base, which includes consolidated shareholders' equity excluding investments in insurance companies, 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.

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 allowance rate Total allowances divided by total loans before allowances.

Total allowances in relation to impaired loans (provisioning ratio) Total allowances divided by impaired loans before allowances.

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

Total shareholders return (TSR) Total shareholders return measured as growth in the value of a shareholding during the year, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

G1

Accounting policies

1. Basis for presentation

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of such standards by the International Financial Reporting Standards Interpretations Committee (IFRS IC, formerly IFRIC), as endorsed by the EU Commission. In addition, certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the recommendation RFR 1 "Supplementary Accounting Rules for Groups" and the supplementary UFR statements issued by the Swedish Financial Reporting Board as well as the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25, with amendments in FFFS 2009:11 and 2011:54) 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 8 February 2012 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 22 March 2012.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2010 Annual Report, except for the categorisation of lending related commissions within "Net fee and commission income" and the recognition of repurchase and reverse repurchase agreements. These changes are further described below. Below follows also a section covering other changes in IFRSs implemented in 2011, which have not had any significant impact on Nordea.

Categorisation of lending related commissions

The categorisation of lending related commissions within "Net fee and commission income" (Note G4) has been changed, in order to be better aligned with the purpose for which the fees are received. The change mainly relates to syndicated transactions. The comparable figures have been restated accordingly and the impact is disclosed in the below table.

EURm	2010	
	New policy	Old policy
Lending	397	323
Other commission income	217	291

Recognition of repurchase agreements and reverse repurchase agreements

Repurchase agreements and reverse repurchase agreements have previously been recognised on the balance sheet on trade date, but are as from 2011 recognised on settlement date. This has not had any impact on the income statement. The comparative figures have not been restated as the impact is insignificant. The impact on the balance sheet as per 31 December 2011 and the impact, that has not been restated for, as per 31 December 2010 are disclosed in the below table.

EURm	31 Dec 2011		31 Dec 2010	
	New policy	Old policy	New policy	Old policy
Reverse repurchase agreements				
Loans to credit institutions	51,865	53,212	15,268	15,788
Loans to the public	337,203	346,273	313,630	314,211
Other liabilities	43,368	53,785	37,489	38,590
Repurchase agreements				
Deposits by credit institutions	55,316	59,145	38,264	40,736
Deposits and borrowings from the public	190,092	194,416	175,245	176,390
Other assets	19,425	27,578	19,240	22,857

Changes in IFRSs implemented 2011

The IASB has amended IAS 24 "Related Party Disclosures" (Relationships with the state), IAS 32 "Financial Instruments: Presentation" (Rights issues) and IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" as well as published "Improvements to IFRSs 2010" and IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments". These amended and published standards and improvements are effective for Nordea as from 1 January 2011, but have not had any significant impact on 2011. The amendment of IAS 32 may affect possible future rights issues involving different currencies, whilst the amendments to IAS 24 and IFRIC 14 as well as the published "Improvements to IFRSs 2010" and IFRIC 19 are not expected to have a significant impact on subsequent periods.

3. Changes in IFRSs not yet effective for Nordea IFRS 9 "Financial instruments" (Phase 1)

In 2009 the IASB published a new standard on financial instruments. 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 for Nordea is as from 1 January 2015, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

The tentative assessment is that there will be an impact on the financial statements as the new standard will decrease the number of measurements categories and therefore have an impact on the presentation and disclosures covering financial instruments. The new standard is, on the other hand, not expected to have a significant impact on Nordea's income statement and balance sheet as the mixed measurement model will be maintained. No significant reclassifications between fair value and amortised cost or impact on the capital adequacy are expected, but this is naturally dependent on the financial instruments in Nordea's balance sheet at transition.

Nordea has, due to the fact that the standard is not yet endorsed by the EU commission, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

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 for Nordea is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed these standards and amendments for implementation in 2011.

The tentative assessment is that the new standards and amendments are not expected to have any significant impact on Nordea's income statement. The main potential impact is that the new definition of control can potentially lead to consolidation of funds, for instance mutual funds. A potential consolidation of mutual funds would increase assets and liabilities in the balance sheet and reduce equity to the extent the consolidated fund holds shares in Nordea (Treasury shares). The new standards furthermore include more extensive disclosure requirements which will have an impact on Nordea's disclosures covering consolidated and unconsolidated entities. It is not expected that the new standards and amendments will have a significant impact on the capital adequacy.

Nordea has, due to the fact that the standards and amendments are not yet endorsed by the EU commission, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IFRS 13 “Fair Value Measurement”

The IASB has published IFRS 13. The effective date for Nordea is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

The tentative assessment is that the new standard will not have a significant impact on Nordea's financial statements nor on its capital adequacy.

Nordea has, due to the fact that the standard is not yet endorsed by the EU commission, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IAS 19 “Employee Benefits”

The IASB has amended IAS 19. The effective date for Nordea is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this amendment for implementation in 2011.

The tentative assessment is that the amended standard will have an impact on the financial statements in the period of initial application, as well as in subsequent periods. This is mainly related to defined benefit plans. The amended IAS 19 states that actuarial gains/losses shall be recognised immediately in equity through other comprehensive income, which will lead to higher volatility in equity compared to the current corridor approach.

The amended IAS 19 furthermore states that the expected return on plan assets shall be recognised using the same interest rate as the discount rate used when measuring the pension obligation. This will lead to higher pension expenses in the income statement as Nordea currently expects a higher return than the discount rate. Any difference between the actual return and the expected return will be a part of the actuarial gains/losses recognised immediately in equity through other comprehensive income.

The unrecognised actuarial losses as per 31 December 2011 amounts to EUR 534m excluding special wage tax and before deduction of income tax. If Nordea has unrecognised actuarial losses at transition there will be a negative impact on equity. See Note G34 “Retirement benefit obligations” for more information.

The Swedish Financial Reporting Board has furthermore withdrawn UFR 4 “Accounting for special wage tax and yield tax”. It is expected that this will lead to an increase in the total obligation when the amended IAS 19 is implemented.

As the amended IAS 19 has an impact on equity it is expected that there will be an impact also on the capital adequacy.

Other forthcoming changes in IFRSs

IAS 1 “Presentation of Financial Statements” has been amended. The amended standard changes the presentation of other comprehensive income. The effective date for Nordea is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

IFRS 7 “Financial instruments: Disclosures” has been amended and will lead to additional disclosures around transferred assets. The effective date for Nordea is as from 1 January 2012, but earlier application is permitted. The EU commission has endorsed this standard for implementation in 2011.

IAS 32 “Financial Instruments: Presentation” has been amended. The change relates to offsetting of financial assets and financial liabilities. The amendment is not intended to change the criteria for offsetting, but to give additional guidance on how to apply the existing criteria. IFRS 7 “Financial instruments: Disclosures” has furthermore been amended and will lead to additional disclosures around offsetting of financial assets and financial liabilities. The effective date for Nordea is as from 1 January 2014 for amendments to IAS 32 and from 1 January 2013 for amendments to IFRS 7, but earlier application is permitted. The EU commission has not endorsed these amendments for implementation in 2011.

The IASB has furthermore amended IFRS 1 “First-time Adoption of International Financial Reporting Standards” (Hyperinflation/Fixed dates) and IAS 12 “Income taxes” (Recovery of underlying asset) and published IFRIC 20 “Stripping costs”. The effective date for Nordea is as from 1 January 2012, but earlier application is permitted. The EU commission has not endorsed the amended standards and published interpretation for implementation in 2011.

The abovementioned amended standards and interpretation not yet adopted, within the section “Other forthcoming changes in IFRSs”, are not, in the period of initial application or in subsequent periods, expected to have any significant impact on the financial statements, apart from on disclosures, nor on the capital adequacy.

4. Critical judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of estimates and assumptions by management. The estimates are based on past experience and assumptions that management believes are fair and reasonable. These estimates and the judgement behind them affect the reported amounts of assets, liabilities and off-balance sheet items, as well as income and expenses in the financial statements presented. Actual outcome can later, to some extent, differ from the estimates and the assumptions made.

Certain accounting policies are considered to be particularly important to the financial position of Nordea, since they require management to make difficult, complex or subjective judgements and estimates, the majority of which relate to matters that are inherently uncertain. These critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments.
- the impairment testing of:
 - goodwill and
 - loans to the public/credit institutions.
- the actuarial calculations of pension liabilities and plan assets related to employees.
- the actuarial calculations of liabilities to policyholders.
- the valuation of deferred tax assets.
- the valuation of investment properties.
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

Critical judgement is exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices in the following areas:

- The choice of valuation techniques
- The determination of when quoted prices fail to represent fair value (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

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 ongoing basis reviews critical judgements that are deemed to have a significant impact on fair value measurements.

See also the separate section 11 "Determination of fair value of financial instruments" and Note G43 "Assets and liabilities at fair value".

Impairment testing

Goodwill

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. This consists of an analysis to assess whether the carrying amount of goodwill is fully recoverable. The determination of the recoverable amount involves establishing the value in use, measured as the present value of the cash flows expected from the cash-generating unit, to which the goodwill has been allocated.

The forecasts of future cash flows are based on Nordea's best estimates of future revenues and expenses for the cash-generating units to which goodwill has been allocated. A number of assumptions and estimates have significant impact on these calculations and include parameters like macroeconomic assumptions, market growth, business volumes, margins and cost effectiveness. Changes to any of these parameters, following changes in market conditions, competition, strategy or other, affects the forecasted cash flows. Under current market conditions such changes are not expected to lead to any significant impairment charges of goodwill, but may do so in subsequent periods.

See also the separate section 16 "Intangible assets" and Note G21 "Intangible assets".

Loans to the public/credit institutions

When testing individual loans for impairment, the most critical judgement, containing the highest uncertainty, relates to

the estimation of the most probable future cash flows generated from the customer.

When testing a group of loans collectively for impairment, the key aspect is to identify the events and/or the observable data that indicate that losses have been incurred in the group of loans. Assessing the net present value of the cash flows generated by the customers in the group contains a high degree of uncertainty when using historical data and the acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

See also the separate section 14 "Loans to the public/credit institutions" and Note G14 "Loans and impairment".

Actuarial calculations of pension liabilities and plan assets related to employees

The Projected Benefit pension Obligation (PBO) for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used. The most important financial parameter is the discount rate. Other parameters like assumptions about salary increases and inflation are based on the expected long-term development of these parameters. The fixing of these parameters at year-end is disclosed in Note G34 "Retirement benefit obligations".

The major part of the assets covering the pension liabilities is invested in liquid assets and valued at quoted prices at year-end. The expected return on plan assets is fixed taking into account the asset composition and based on long-term expectations on the return on the different asset classes. The expected return is also disclosed in Note G34 "Retirement benefit obligations".

See also the separate section 22 "Employee benefits" and Note G34 "Retirement benefit obligations".

Actuarial calculations for liabilities to policyholders

The liabilities to policyholders consist of long-term obligations with some insurance contracts having long durations. A valuation of these liabilities includes estimations and assumptions, both financial and actuarial. One of the important financial assumptions is the interest rate used for discounting future cash flows. Other important actuarial assumptions are mortality and disability assumptions, which affect the size and timing of the future cash flows. The financial and actuarial assumptions are, to a large extent, stipulated in local legislation and therefore not under Nordea's discretion. Also assumptions about future administrative and tax expenses have an impact on the calculation of policyholder liabilities.

See also the separate section 19 "Liabilities to policyholders" and Note G29 "Liabilities to policyholders".

Valuation of deferred tax assets

The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability. This assessment is updated and reviewed at each balance sheet date, and is, if necessary, revised to reflect the current situation.

See also the separate section 20 "Taxes" and Note G11 "Taxes".

Valuation of investment properties

Investment properties are measured at fair value as described in section 18 "Investment property". 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.

See also the separate section 18 “Investment property” and Note G24 “Investment property”.

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 these disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note G33 “Provisions” and Note G38 “Contingent liabilities”.

5. Principles of consolidation

Consolidated entities

The consolidated financial statements include the accounts of the parent company Nordea Bank AB (publ), and those entities that 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 purchase method, except for the forming of Nordea in 1997–98 when the holding in Nordea Bank Finland Plc was consolidated using the pooling method. Under the purchase method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the subsidiary’s assets and assumes its liabilities and contingent liabilities. The 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. When the cost of the business combination exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

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.

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

In the consolidation process the reporting from the subsidiaries 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. 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 companies are not eliminated.

Nordea does not have any transactions including sales of assets with associated companies.

Special Purpose Entities (SPE)

In accordance with IFRS Nordea does not consolidate SPEs’ assets and liabilities beyond its control. In order to determine whether Nordea controls 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 Nordea shall consolidate a SPE, a range of factors are evaluated. These factors include whether the activities of the SPE are being in substance conducted on Nordea’s behalf or if Nordea has in substance the decision making powers, the rights to obtain the majority of the benefits or the majority of the residual- or ownership risks. Nordea consolidates all SPEs, where Nordea has retained the majority of the risks and rewards. For the SPEs that are not consolidated the rationale is that Nordea does not have any significant risks or rewards on these assets and liabilities.

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 P21 “Investments in group undertakings” lists the major subsidiaries in the Nordea 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 AB (publ). The current method is used when translating the financial statements of foreign entities into EUR from their functional currency. The assets and liabilities of foreign entities have been translated at the closing rates, while items in the income statements and statements 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.

Information on the most important exchange rates is disclosed in the separate section 27 “Exchange rates”.

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.

Interest income and interest expense related to all balance sheet items in Markets and Nordea Life & Pensions are recognised in the income statement on the line “Net result from

items at fair value". Interest income and expense connected to internal placements by and internal funding of Markets are replaced with the related Group external interest income and interest expense and recognised on the line "Net result from items at fair value".

Interest on derivatives used for hedging is also recognised in "Net interest income", as well as fees that are considered to be an integral part of the effective interest rate of a financial instrument.

Net fee and commission income

Nordea earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection to performed services are recognised as income in the period these services are provided. A loan syndication fee received as payment for arranging a loan, as well as other fees received as payments for certain acts, are recognised as revenue when the act has been completed, i.e. when the syndication has been finalised.

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

Income from issued financial guarantees and expenses from bought financial guarantees, 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, which contain 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 and Nordea Life & Pensions, including the funding of these operations, are recognised in "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.

The income recognition and descriptions of the lines relating to life insurance are described in section 7 "Income recognition life insurance" below.

Profit from companies accounted for under the equity method

The profit from companies accounted for under the equity method is defined as the post-acquisition change in Nordea's share of net assets in the associated companies. Nordea's share of items accounted for in other comprehensive income in the associated companies is accounted for in other comprehensive income in Nordea. 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 Nordea.

Fair values are, at acquisition, allocated to the associated company's identifiable assets, liabilities and contingent liabilities. Any difference between Nordea'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 company. Subsequently the investment in the associated company increases/decreases with Nordea's share of the post-acquisition change in net assets in the associated company 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 companies. For some associated companies not individually significant the change in Nordea's share of the net assets is based on the external reporting of the associated companies and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated companies is, if applicable, adjusted to comply with Nordea's accounting policies.

Other operating income

Net gains from divestments of shares in subsidiaries and associated companies 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 13 "Financial instruments"), in the items "Loans to credit institutions" and "Loans to the public" in the balance sheet, are reported as "Net loan losses" together with losses from financial guarantees (including state guarantees in Denmark). 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 14 "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, 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-bearing securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated companies 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 13 “Financial instruments” and section 14 “Loans to the public/credit institutions”.

Investments in associated companies are assessed for impairment annually. If observable indicators (loss events) indicate that an associated company 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. Income recognition life insurance

Premiums received, and repayments to policyholders, related to the saving part of the life insurance contracts are reported as increases or decreases of liabilities to policyholders. See further information in section 19 “Liabilities to policyholders”.

The total income from life insurance mainly consists of the following components:

- Cost result
- Insurance risk result
- Risk and performance margin
- Investment return on additional capital in life insurance

The result from these components is, except for the cost result and the risk and performance margin relating to Unit Linked and Investment contracts, included in “Net result from items at fair value”.

The cost result is the result of expense loading from policyholders and is included in the item “Fee and commission income”, together with the risk and performance margin relating to Unit Linked and Investment contracts. The related expenses are included in the items “Fee and commission expense” and “Operating expenses”. The policyholder's part of a positive or negative cost result (profit sharing) is included in the note line “Change in technical provisions, Life” within Note G5 “Net result from items at fair value”.

The insurance risk result consists of income from individual risk products and from unbundled life insurance contracts as well as Health and personal accident insurance. The risk premiums are amortised over the coverage period as the provisions are reduced when insurance risk is released. A large part of the unbundled risk result from traditional life insurance is subject to profit sharing, which means that the policyholders receive a part of a net income or a net deficit. The risk income and the risk expenses are presented gross on the lines “Insurance risk income, Life” and “Insurance risk expense, Life” in Note G5 “Net result from items at fair value”. The policyholder's part of the result is included in the line “Change in technical provisions, Life” in the note.

Gains and losses derived from investments in Nordea Life & Pensions are split on the relevant lines in Note G5 “Net result from items at fair value” as for any other investments in Nordea. The lines include investment return on assets held to

cover liabilities to policyholders and return on the additional capital allocated to Nordea Life & Pensions (Shareholders capital in the Nordea Life & Pensions group).

The note line “Change in technical provisions, Life” in Note G5 “Net result from items at fair value” includes:

- Investment returns on assets held to cover liabilities to policyholders (including liabilities from traditional life insurance, unit linked insurance and investment contracts), individually transferred to policyholders' accounts according to the contracts.
- Additional bonus (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to the policyholders.
- Risk and performance margin regarding traditional life insurance products according to local allocation rules in each Nordea Life & Pensions unit and according to contracts with policyholders. The recognition of a risk and performance margin in the income statement is mainly conditional on a positive result for traditional life insurance contracts. Risk and performance margins not possible to recognise in the current period due to poor investment results, can, in some countries, partly or wholly be deferred to years with higher returns.
- The policyholders' part of the cost- and risk result regarding traditional life insurance contracts or unit linked contracts.

The note line “Change in collective bonus potential, Life” in Note G5 “Net result from items at fair value” relates only to traditional life insurance contracts. The line includes policyholders' share of investment returns not yet individualised. The line includes also additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

8. Recognition and derecognition of financial instruments in 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” in 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” in the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include e.g. security lending agreements and repurchase agreements.

Financial liabilities 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" in the balance sheet on trade date.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within 13 "Financial instruments", as well as Note G44 "Obtained collaterals which are permitted to be sold or repledged".

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity is decided based upon the primary economic environment in which the entity operates. The parent company Nordea Bank AB (publ) uses two functional currencies, SEK and EUR, for reporting in consolidated accounts, based on the different activities in the underlying business.

Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net 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".

10. Hedge accounting

IAS 39 includes principles and rules concerning accounting for hedging instruments and the underlying hedged item, so-called 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.

The hedge accounting policy within Nordea has been developed to fulfil the requirements set out in IAS 39. Nordea uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments as well as to hedge the exposure to variability in future cash flows and the exposure to net investments in foreign operations. The overall purpose is to have a true and fair presentation of Nordea's economical hedges in the financial statements. The overall operational responsibility to hedge positions and for hedge accounting lies within Group Treasury.

There are three forms of hedge accounting:

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

Fair value hedge accounting

Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value

of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged will be recognised separately in the income statement in the item "Net 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 will be close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged item in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" in 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 in a few transactions 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 directly in other comprehensive income and accumulated in the fair value reserve (related to cash flow hedges) 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 fair value reserve (related to cash flow hedges) in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the cash flow, normally the interest income or interest expense from the hedged asset or liability.

Hedged items

A hedged item in a cash flow hedge can be a recognised asset or liability or a highly probable forecast transaction. 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.

Hedges of net investments

See separate section 9 “Translation of assets and liabilities denominated in foreign currencies”.

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.

If the hedge relationship does not fulfil the requirements, hedge accounting will be terminated. The change in the unrealised value of the derivatives will, prospectively from the last time it was last proven effective, be accounted for in the income statement. For fair value hedges, the change in the fair value on the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item. In cash flow hedges, the cumulative gain or loss on the hedging instrument that has been recognised in the fair value reserve (related to cash flow hedges) 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 hedged item is derecognised, cancelled or 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.

11. 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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Treasury bills
- Interest-bearing securities
- Shares
- Derivatives (listed derivatives)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are

designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. Nordea is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Treasury bills (when quoted prices in an active market are not available)
- Loans to the public (mortgage loans in the Danish subsidiary Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

Fair value is calculated as the theoretical net present value of the individual contracts, based on independently sourced market parameters and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment. The portfolio adjustment covers uncertainties associated with the valuation techniques, model assumptions and unobservable parameters as well as the portfolio’s 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.

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 G43 “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 techniques using observable data (level 2), and
- valuation techniques 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 Group Risk Management and all models are reviewed on a regular basis.

For further information, see Note G43 "Assets and liabilities at fair value".

12. 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 13 "Financial instruments".

Loans to credit institutions payable on demand are also recognised as "Cash and cash equivalents" in the cash flow statement.

13. 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 in the balance sheet and how changes in its value are recognised. In Note G42 "Classification of financial instruments" the classification of the financial instruments in Nordea's balance sheet into different categories is presented.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net 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.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are mortgage loans and related issued bonds in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and interest-bearing securities, shares and investment contracts in Nordea Life & Pensions. Assets and liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. Interest-bearing securities, shares and investment contracts in Nordea Life & Pensions also belong to this category, as a consequence of that these assets and liabilities are managed on a fair value basis.

Nordea also applies the Fair value option on certain financial assets and financial liabilities related to Markets. The classification stems from that Markets is managing and measuring all its financial assets and liabilities to fair value. Consequently, all financial assets and financial liabilities in Markets are classified 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 14 "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 in the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

If more than an insignificant amount of the Held to maturity portfolio is sold or transferred the Held to maturity category is tainted, except for 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 14 "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-bearing 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 and 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 from Other financial liabilities is recognised in the item "Interest expense" in the income statement.

Hybrid (combined) financial instruments

Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from items at fair value".

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 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 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".

14. Loans to the public/credit institutions

Financial instruments classified as "Loans to the public/credit institutions" in the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 8 "Recognition and derecognition of financial instruments in the balance sheet" as well as Note G42 "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-bearing 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 significant loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, Nordea monitors whether there are indicators 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.

In the process to conclude whether there is objective evidence of impairment, an assessment is performed to estimate the most probable future cash flows generated by the customer. These cash flows are then discounted by the effective interest rate giving the net present value. Collaterals received to mitigate the credit risk will be assessed at fair value. If the

carrying amount of the loan is higher than the net present value of the estimated future cash flows, including the fair value of the collaterals, the loan is impaired.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of collectively assessed loans

All loans not impaired on an individual basis are collectively assessed for impairment, including individually insignificant loans. This means that significant loans not impaired on an individual level and insignificant loans that have not been tested on an individual level are collectively tested for impairment. The loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. Nordea monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in a group. 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, including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses 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. A realised loss is recognised and the value of the loan and the related allowance for impairment loss are derecognised with a corresponding gain or loss recognised in the line item "Net loan losses" in the income statement. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer 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 final losses unless Nordea retains the possibility to regain the realised loan losses incurred. In the event of a recovery the payment is reported as a recovery of realised loan losses.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans, shares issued by the obligor or other assets. 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 13 "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.

15. Leasing

Nordea as lessor

Finance leases

Nordea's leasing operations mainly comprise finance leases. A finance lease is reported as a receivable from the lessee in the balance sheet item "Loans to the public" at an amount equal to the net investment in the lease. The lease payment, excluding cost of services, is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

Operating leases

Assets subject to operating leases in the balance sheet are reported in accordance with the nature of the assets, in general as property and equipment. Leasing income is recognised as income on a straight-line basis over the lease term 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.

Nordea as lessee

Finance leases

Finance leases are recognised as assets and liabilities in the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between finance charge and reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

Operating leases

Operating leases are not recognised on Nordea'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 range between 3 to 25 years.

Operating leasing is mainly related to office premises contracts and office equipment contracts normal to the business.

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements 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.

16. 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 companies is not tested for impairment separately, but included in the total carrying amount of the associated company. The policies covering impairment testing of associated companies is disclosed in section 6 "Recognition of operating income and impairment".

As part of its transition to IFRS, Nordea elected to restate only those business combinations that occurred on or after 1 January 2004. In respect to acquisitions prior to that date, goodwill represents the amount recognised under Nordea's previous accounting framework (Swedish generally accepted accounting principles) less any amortisation and impairment losses.

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 is separable. The asset is amortised over its useful life.

Impairment

Goodwill and other intangible assets with indefinite useful lives are not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to 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 cash inflows in relation to the asset. 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 G21 "Intangible assets" for more information on the impairment testing.

17. 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.

18. Investment property

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. 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 property 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".

19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder".

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period. It is Nordea's assessment that a risk percentage of five or higher is a significant insurance risk.

The contracts can be divided into the following classes:

- Insurance contracts:
 - Traditional life insurance contracts with and without discretionary participation feature
 - Unit-Linked contracts with significant insurance risk
 - Health and personal accident
- Investment contracts:
 - Investment contracts with discretionary participation feature
 - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained consequently resulting in a non-uniform accounting policies method on consolidation.

Traditional life insurance provisions represent consolidated provisions for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland, Denmark, Poland, Luxembourg, Isle of Man, Estonia and Lithuania.

In Denmark, Sweden and Finland the measurements are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision, in addition, includes bonus potential on paid policies and on future premiums.

In Norway the provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates and assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is closely related to solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential.

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either with or without an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis in the same way as general insurance contracts.

Investment contracts

Investment contracts are contracts with policyholders, which do not transfer sufficient insurance risk to be classified as insurance contracts.

However, investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-features (Collective bonus potential) are classified as liabilities in the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included in the balance sheet representing either Change in technical provisions, Life and/or Change in collective bonus potentials, Life, depending on whether the investment result is allocated or not. Both the mentioned lines are included in the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

20. 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 subsidiaries and associated companies to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised 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 liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities.

21. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank AB by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long term incentive programmes.

The potential ordinary shares are only considered to be dilutive, on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

22. 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 25 "Share-based payment".

More information can be found in Note G7 "Staff costs".

Post-employment benefits

Pension plans

The companies within Nordea have various pension plans, consisting of both defined benefit plans and defined contribution plans, reflecting national practices and conditions in the countries where Nordea operates. Defined benefit plans are predominantly sponsored in Sweden, Norway and Finland. The major defined benefit plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation, the net amount is, after adjusting for unrecognised actuarial gains/losses, recognised as a liability (defined benefit obligation). If not, the net amount is recognised as an asset (defined benefit asset). Non-funded pension plans are recognised as defined benefit obligations.

Most pensions in Denmark, but also plans in other countries, are based on defined contribution arrangements that hold no pension liability for Nordea. Nordea also contributes to public pension systems.

Pension costs

The pension calculations are carried out by country and by pension plan in accordance with IAS 19.

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted and unrecognised actuarial gains/losses adjusted for. Actuarial calculations, performed annually, are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note G34 "Retirement benefit obligations").

When establishing the present value of the obligation and the fair value of any plan assets, actuarial gains and losses may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The actuarial gains and losses are not recognised immediately in the income statement. Rather, only when the net cumulative unrecognised actuarial gain or loss exceeds a "corridor" equal to 10 percent of the greater of either the present value of the defined benefit obligation or the fair value of the plan assets, the excess is recognised in the income statement over the expected average remaining service period of the employees participating in the plan. Otherwise, actuarial gains and losses are not recognised.

When the calculation results in a benefit to the Nordea entity, the recognised asset is limited to the net total of any unrecognised actuarial losses, unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan.

Discount rate in Defined Benefit 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 Sweden, Finland and Denmark the discount rate is determined with reference to corporate bonds and in Norway with reference to government 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 G7 "Staff costs".

23. Equity

Non-controlling interests

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank AB (publ).

Share premium reserve

The share premium reserve consists of the difference between the subscription price and the quota value of the shares in Nordea's rights issue. 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 in accordance with IFRS. These reserves include fair value reserves for cash flow hedges and financial assets classified into the category Available for sale 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 recorded as equity net of deferred tax at prevailing tax rates in the respective country.

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

Treasury shares

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are classified as deductions of "Retained earnings" in the balance sheet. Also own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash are either a financial asset or financial liability.

24. 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 on the balance sheet, at the higher of

either the received fee less amortisation, or a provision 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 "Commitments".

25. Share-based payment

Equity-settled programmes

Nordea has annually issued Long Term Incentive Programmes from 2007 through 2011. Employees participating in these programmes are granted share-based and 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 shall be expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date, and is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in D-rights/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.

Social security costs are also allocated over the vesting period, in accordance with statement UFR 7 issued by the Swedish Financial Reporting Board: "IFRS 2 and social security contributions for listed enterprises". The provision for social security costs is reassessed on each reporting occasion to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note G7 "Staff costs".

Cash-settled programmes

Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines. The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes under IFRS. These programmes are fully vested when the 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 G7 "Staff costs".

26. 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, by any means, have a significant influence over Nordea.

Group undertakings

For the definition of Group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the Nordea Group is found in Note P21 "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 G20 "Investments in associated undertakings".

Key management personnel

Key management personnel includes the following positions:

- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note G7 "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 G47 "Related-party transactions".

27. Exchange rates

	Jan-Dec 2011	Jan-Dec 2010
EUR 1 = SEK		
Income statement (average)	9,0293	9,5463
Balance sheet (at end of period)	8,9120	8,9655
EUR 1 = DKK		
Income statement (average)	7,4506	7,4472
Balance sheet (at end of period)	7,4342	7,4535
EUR 1 = NOK		
Income statement (average)	7,7946	8,0080
Balance sheet (at end of period)	7,7540	7,8000
EUR 1 = PLN		
Income statement (average)	4,1203	3,9957
Balance sheet (at end of period)	4,4580	3,9750
EUR 1 = RUB		
Income statement (average)	40,8809	40,2749
Balance sheet (at end of period)	41,7650	40,8200

Operating segments

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 Nordea the CODM has been defined as Group Executive Management. The main differences compared to the business area reporting are that the information to CODM is prepared using plan rates and to that different allocations principles between operating segments have been applied.

Changes in basis of segmentation

A new organisation has been established, developed around the three main business areas Retail Banking, Wholesale Banking and Wealth Management. In addition a business unit called Group Operations & Other Lines of Business has been established. As from the third quarter 2011 the segment reporting has been changed as a consequence of these organisational changes. Group Corporate Centre and the separate divisions within the three main business areas and within the business unit Group Operations & Other Lines of Business have, based on the new organisation, been identified as operating segments. The changes compared to the previous segment reporting are mainly that Nordic Banking has been renamed Retail Banking Nordic, that the banking activities in Russia, that were previously included in New European Markets, are now reported as an own operating segment within the main business area Wholesale Banking and that the service units and support functions within the main business areas Retail Banking and Wholesale Banking are now disclosed separately as operating segments named Retail Banking Other and Wholesale Banking Other. A new operating segment named Corporate & Institutional Banking has been established, including the former division Corporate Merchant Banking, previ-

ously included in Nordic Banking, and the former operating segment Financial Institutions. Capital Markets unallocated and Group Corporate Centre are furthermore disclosed separately as operating segments. Other operating segments, below the quantitative thresholds in IFRS 8, are included in Other operating segments. Comparative information has been restated accordingly.

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 Poland and the Baltic countries (Retail Banking Poland & Baltic countries). 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, equity products etcetera 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 tailor made solutions and syndicated loan transactions. Nordea Bank Russia offers a full range of bank services to corporate and private customers in Russia. 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 Nordea Group. The main income in Group Corporate Centre originates from Group Treasury.

	Retail Banking		Wholesale Banking		Group Corporate Centre		Other Operating segments ¹		Total operating segments		Reconciliation		Total Group	
Income statement, EURm	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	3,883	3,396	1,288	1,231	359	488	-178	-64	5,352	5,051	104	108	5,456	5,159
Net fee and commission income	1,406	1,335	544	496	-11	-7	571	593	2,510	2,417	-115	-261	2,395	2,156
Net result from items at fair value	426	423	820	1,004	10	-13	287	291	1,543	1,705	-26	132	1,517	1,837
Profit from companies accounted for under the equity method	22	29	0	0	0	1	19	32	41	62	1	4	42	66
Other income	22	35	5	35	0	7	118	137	145	214	-54	-98	91	116
Total operating income	5,759	5,218	2,657	2,766	358	476	817	989	9,591	9,449	-90	-115	9,501	9,334
Staff costs	-1,353	-1,348	-723	-681	-61	-65	-671	-621	-2,808	-2,715	-305	-69	-3,113	-2,784
Other expenses	-1,944	-1,926	-130	-166	-116	-129	39	-74	-2,151	-2,295	237	433	-1,914	-1,862
Depreciation, amortisation and impairment charges of tangible and intangible assets	-52	-52	-8	-4	0	0	-62	-69	-122	-125	-70	-45	-192	-170
Total operating expenses	-3,349	-3,326	-861	-851	-177	-194	-694	-764	-5,081	-5,135	-138	319	-5,219	-4,816
Profit before loan losses	2,410	1,892	1,796	1,915	181	282	123	225	4,510	4,314	-228	204	4,282	4,518
Net loan losses	-586	-682	-170	-221	0	—	-16	-8	-772	-911	37	32	-735	-879
Operating profit	1,824	1,210	1,626	1,694	181	282	107	217	3,738	3,403	-191	236	3,547	3,639
Income tax expense	-486	-342	-419	-441	-47	-73	-32	-60	-984	-916	71	-60	-913	-976
Net profit for the year	1,338	868	1,207	1,253	134	209	75	157	2,754	2,487	-120	176	2,634	2,663
Balance sheet, EURbn														
Loans to the public ²	221	225	48	49	—	—	0	0	269	274	68	40	337	314
Deposits and borrowings from the public ²	111	113	35	29	—	—	0	0	146	142	44	34	190	176

1) Including the main business area Wealth Management.

2) The volumes are only disclosed separately for operating segments if separately reported to the Chief Operating Decision Maker.

G2 Segment reporting, cont.

Break-down of Retail Banking and Wholesale Banking

	Retail Banking Nordic ¹		Retail Banking Poland & Baltic countries ¹		Retail Banking Other ²		Retail Banking	
Income statement, EURm	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	3,528	3,071	293	254	62	71	3,883	3,396
Net fee and commission income	1,346	1,286	75	74	-15	-25	1,406	1,335
Net result from items at fair value	371	374	56	53	-1	-4	426	423
Profit from companies accounted for under the equity method	22	29	—	—	0	0	22	29
Other income	4	12	8	8	10	15	22	35
Total operating income	5,271	4,772	432	389	56	57	5,759	5,218
Staff costs	-1,012	-1,025	-83	-72	-258	-251	-1,353	-1,348
Other expenses	-2,012	-1,991	-113	-104	181	169	-1,944	-1,926
Depreciation, amortisation and impairment charges of tangible and intangible assets	-35	-33	-9	-11	-8	-8	-52	-52
Total operating expenses	-3,059	-3,049	-205	-187	-85	-90	-3,349	-3,326
Profit before loan losses	2,212	1,723	227	202	-29	-33	2,410	1,892
Net loan losses	-509	-579	-68	-97	-9	-6	-586	-682
Operating profit	1,703	1,144	159	105	-38	-39	1,824	1,210
Income tax expense	-446	-310	-48	-41	8	9	-486	-342
Net profit for the year	1,257	834	111	64	-30	-30	1,338	868

Balance sheet, EURbn

Loans to the public	208	204	13	21	—	—	221	225
Deposits and borrowings from the public	107	107	4	6	—	—	111	113

	Corporate & Institutional Banking		Shipping, Offshore & Oil Services		Nordea Bank Russia		Capital Markets unallocated		Wholesale Banking Other ³		Wholesale Banking	
Income statement, EURm	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	777	756	320	300	185	165	2	11	4	-1	1,288	1,231
Net fee and commission income	537	536	81	62	14	13	-92	-118	4	3	544	496
Net result from items at fair value	421	463	28	32	13	13	358	492	0	4	820	1,004
Profit from companies accounted for under the equity method	0	0	—	—	0	0	0	0	—	0	0	0
Other income	0	0	0	0	1	1	1	1	3	33	5	35
Total operating income	1,735	1,755	429	394	213	192	269	386	11	39	2,657	2,766
Staff costs	-39	-35	-25	-20	-57	-55	-401	-374	-201	-197	-723	-681
Other expenses	-422	-416	-40	-37	-34	-31	179	131	187	187	-130	-166
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	-6	-2	-1	-1	-1	-1	-8	-4
Total operating expenses	-461	-451	-65	-57	-97	-88	-223	-244	-15	-11	-861	-851
Profit before loan losses	1,274	1,304	364	337	116	104	46	142	-4	28	1,796	1,915
Net loan losses	-31	-174	-133	-45	-7	-4	0	0	1	2	-170	-221
Operating profit	1,243	1,130	231	292	109	100	46	142	-3	30	1,626	1,694
Income tax expense	-296	-296	-87	-77	-27	-24	-12	-37	3	-7	-419	-441
Net profit for the year	947	834	144	215	82	76	34	105	0	23	1,207	1,253

Balance sheet, EURbn

Loans to the public	43	45	—	—	5	4	—	—	—	—	48	49
Deposits and borrowings from the public	34	28	—	—	1	1	—	—	—	—	35	29

1) Retail Banking Nordic includes banking operations in Denmark, Finland, Norway and Sweden, while Retail Banking Poland & Baltic countries includes banking operations in Estonia, Latvia, Lithuania and Poland.

2) Retail Banking Other includes the support areas Development & Projects, Distribution, Segments, Products and IT within the main business area Retail Banking.

3) Wholesale Banking Other includes the area International Units and the support areas Transaction Products, Segment CIB and IT within the main business area Wholesale Banking.

G2

Segment reporting, cont.

Reconciliation between total operating segments and financial statements

	Total operating income, EURm		Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	2011	2010	2011	2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Total Operating segments	9,591	9,449	3,738	3,403	269	274	146	142
Group functions ¹	7	6	-40	-80	0	0	0	0
Unallocated items	28	124	-335	155	60	45	27	30
Eliminations	-180	-180	—	—	—	—	—	—
Differences in accounting policies ²	55	-65	184	161	8	-5	17	4
Total	9,501	9,334	3,547	3,639	337	314	190	176

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

2) Impact on operating profit from internally developed and bought software expensed as incurred in the operating segments, but capitalised as required by IAS 38 in the Group's balance sheet, EUR 172m (EUR 165m). Impact on total operating income EUR 55m (EUR -65m) and on operating profit EUR 12m (EUR -4m) from plan rates used in the segment reporting.

Total operating income split on product groups
EURm

	2011	2010 ¹
Banking products	5,951	5,367
Capital Markets products	1,986	2,012
Savings products & Asset management	691	670
Life & Pensions	417	556
Other	456	729
Total	9,501	9,334

1) Restated due to the organisational changes described above.

Banking products consists of three different product types. Account products includes account based products such as lending, deposits and cards and Netbank services. Transaction products consists of cash management, trade and project finance services. Financing products includes asset based financing through leasing, hire purchase and factoring as well as offering 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, bonds, and existing arrangements. Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice and Pension Accounts. Investment Funds is a bundled product where the fund company invests 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 Advice is a service provided to support the customers investment decision. Life & Pensions includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2011	2010	31 Dec 2011	31 Dec 2010
Sweden	2,290	1,968	146	133
Finland	1,573	1,363	78	94
Norway	1,983	1,753	89	71
Denmark	2,680	3,245	320	220
Baltic countries	28	158	1	8
Poland	252	218	9	7
Russia	180	223	6	4
Other	515	406	67	44
Total	9,501	9,334	716	581

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

G3

Net interest income

EURm	2011	2010
Interest income		
Loans to credit institutions	282	231
Loans to the public	10,318	7,961
Interest-bearing securities	904	1,107
Other interest income	451	388
Interest income	11,955	9,687
Interest expense		
Deposits by credit institutions	-240	-166
Deposits and borrowings from the public	-2,158	-1,437
Debt securities in issue	-3,586	-3,040
Subordinated liabilities	-330	-285
Other interest expenses ¹	-185	400
Interest expense	-6,499	-4,528
Net interest income	5,456	5,159

1) The net interest income from derivatives, measured at fair value and related to Nordea's funding. This can have both a positive and negative impact on other interest expense, for further information see Note G1.

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 9,178m (EUR 6,955m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR -4,819m (EUR -3,387m).

Net interest income

EURm	2011	2010
Interest income	11,662	9,429
Leasing income, net	293	258
Interest expense	-6,499	-4,528
Total	5,456	5,159

G4

Net fee and commission income

EURm	2011	2010
Asset management commissions	754	698
Life insurance	306	305
Brokerage	200	198
Custody	90	77
Deposits	44	45
Total savings related commissions	1,394	1,323
Payments	421	412
Cards	446	397
Total payment commissions	867	809
Lending	437	397
Guarantees and documentary payment	214	209
Total lending related to commissions	651	606
Other commission income	210	217
Fee and commission income	3,122	2,955
Life insurance	-68	-62
Payment expenses	-305	-300
State guarantee fees	-55	-162
Other commission expenses	-299	-275
Fee and commission expense	-727	-799
Net fee and commission income	2,395	2,156

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 468m (EUR 345m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amount to EUR 1,260m (EUR 1,202m). The corresponding amount for fee expenses is EUR -67m (EUR -62m).

G5

Net result from items at fair value

EURm	2011	2010
Shares/participations and other share-related instruments	-518	2,394
Interest-bearing securities and other interest-related instruments	1,452	2,051
Other financial instruments	163	-230
Foreign exchange gains/losses	546	-20
Investment properties	158	161
Change in technical provisions, Life ²	-937	-2,423
Change in collective bonus potential, Life	607	-160
Insurance risk income, Life	217	312
Insurance risk expense, Life	-171	-248
Total	1,517	1,837

Net result from categories of financial instruments¹

EURm	2011	2010
Available for sale assets, realised	0	49
Financial instruments designated at fair value through profit or loss	20	132
Financial instruments held for trading ³	988	1,088
Financial instruments under hedge accounting	10	24
– of which net gains/losses on hedging instruments	1,940	-330
– of which net gains/losses on hedged items	-1,930	354
Financial assets measured at amortised cost	10	18
Financial liabilities measured at amortised cost	-8	—
Foreign exchange gains/losses excl currency hedges	317	220
Other	1	1
Financial risk income, net Life ²	132	241
Insurance risk income, net Life	47	64
Total	1,517	1,837

1) The figures disclosed for Life (financial risk income and insurance risk income) are disclosed on gross basis, ie before eliminations of intra-group transactions.

2) Premium income amounts to EUR 2,544m (EUR 1,733m).

3) Of which amortised deferred day one profits amounts to EUR 14m (EUR 16m).

G6

Other operating income

EURm	2011	2010
Sale of global custody operations	2	30
Income from real estate	3	8
Disposal of tangible and intangible assets	10	2
Other	76	76
Total	91	116

G7

Staff costs

EURm	2011	2010
Salaries and remuneration (specification below) ¹	-2,343	-2,130
Pension costs (specification below)	-299	-262
Social security contributions	-388	-333
Other staff costs	-83	-59
Total²	-3,113	-2,784

Salaries and remunerationTo executives³

– Fixed compensation and benefits	-20	-18
– Performance-related compensation	-7	-5
– Allocation to profit sharing	0	0
Total	-27	-23

To other employees	-2,316	-2,107
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Total	-2,343	-2,130
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1) Of which allocation to profit-sharing 2011 EUR 37m (EUR 19m) consisting of a new allocation of EUR 43m (EUR 24m) and a release related to prior years of EUR 6m (EUR 5m).

2) Of which EUR 111m related to New Normal in 2011.

3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating subsidiaries. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating subsidiaries, are included. Executives amount to 315 (282) positions. Comparative figures for compensation to executives and number of executives have been restated as a consequence of a widened definition of executives.

EURm	2011	2010
Pension costs¹		
Defined benefits plans (Note G34) ²	-104	-27
Defined contribution plans ³	-195	-235
Total	-299	-262

1) Pension cost for executives as defined in footnote 3 above, amounts to EUR 8m (EUR 5m) and pension obligations to EUR 56m (EUR 54m).

2) Excluding social security contributions. Including social security contributions EUR 124m (EUR 37m).

3) Last year the pension cost for defined contribution plans included an expense of EUR 46m for contributions payable to the Avtalefestet Pensjon plan in Norway.

Additional disclosures on remuneration under Nordic FSAs' regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) in due time before the Annual General Meeting 2012.

Remuneration to the Board of Directors, CEO and Group Executive Management**Board remuneration**

The remuneration for the Board was decided to be unchanged by the Annual General Meeting (AGM) 2011. The remuneration was EUR 252,000 for the Chairman, EUR 97,650 for the Vice Chairman and EUR 75,600 for other members. The annual remuneration for committee meetings is as from the AGM 2011 EUR 16,600 for the chairman of the committee and EUR 12,900 for other members. Board members employed by Nordea do not receive separate compensation for their Board membership. There are no commitments for severance pay, pension or other compensation to the members of the Board, except for pension commitments to one board member previously employed by Nordea.

Pension to the former Chairman of the Board, Hans Dalborg, is fully covered by an external pension institute and paid in full by Nordea. Hence Nordea does not have any pension obligation towards Hans Dalborg.

**Salary and benefits
CEO**

The fixed salary, variable salary part and contract terms for the CEO are proposed by the Board Remuneration Committee (BRC) and approved by the Board. Variable salary part, which is based on agreed, specific targets, can amount to a maximum of 35% of the fixed salary.

The fixed salary was increased to EUR 1,162,884 (SEK 10,500,000) as from 1 January 2011, which was announced at the AGM in 2011. The increase followed a period of close to

three years, from April 2008 until the end of 2010, where the CEO had taken a voluntary initiative prolonged by the requirements in the rights issue of new shares to keep the fixed salary unchanged and abstain from the variable salary part in 2009 and 2010. From 2011 the CEO has earned variable salary part and the fixed salary has been adjusted to be in line with market levels in accordance with Nordea's remuneration guidelines approved by the AGM. The CEO takes part of the Long Term Incentive Programmes as described in the separate section on remuneration in the Board of Directors' report and below. Benefits for the CEO include primarily car and housing.

Group Executive Management (GEM)

The BRC prepares alterations in salary levels and outcome of variable salary part as well as other changes in the compensation package for members of GEM, for resolution by the Board. Variable salary part, which is based on agreed, specific targets, can be a maximum of 35% of the fixed salary.

Also most GEM members have been part of the voluntary initiative prolonged by the requirements in the rights issue of new shares to abstain from variable salary part 2009 and 2010 and to keep fixed salary unchanged from April 2008 until the end of 2010. The increase from 2010 to 2011 is explained by the adjustment of the fixed salary levels as from 1 January 2011, the possibility for all members of GEM to earn variable salary part in accordance with Nordea's remuneration guidelines and the increased number of GEM members. As for the CEO, GEM members take part of the Long Term Incentive Programmes. Benefits include primarily car and/or housing.

G7 Staff costs, cont.

EUR	Fixed salary/ Board fee ¹		Variable salary part		Long Term Incentive Programmes ²		Benefits		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Chairman of the Board:										
Björn Wahlroos ³	-227,219	-103,998	—	—	—	—	—	—	-227,219	-103,998
Vice Chairman of the Board:										
Marie Ehrling ⁴	-112,839	-91,244	—	—	—	—	—	—	-112,839	-91,244
Former chairman of the Board:										
Hans Dalborg ⁵	-74,199	-275,427	—	—	—	—	—	—	-74,199	-275,427
Other Board members:⁶										
Tom Knutzen	-93,278	-85,890	—	—	—	—	—	—	-93,278	-85,890
Lars G Nordström	-87,767	-83,927	—	—	—	—	—	—	-87,767	-83,927
Björn Savén ⁷	-93,278	-85,890	—	—	—	—	—	—	-93,278	-85,890
Svein Jacobsen	-98,201	-95,960	—	—	—	—	—	—	-98,201	-95,960
Stine Bosse	-89,590	-80,286	—	—	—	—	—	—	-89,590	-80,286
Sarah Russell	-93,278	-60,030	—	—	—	—	—	—	-93,278	-60,030
Kari Stadigh	-96,089	-66,305	—	—	—	—	—	—	-96,089	-66,305
Timo Peltola ⁷	—	-26,818	—	—	—	—	—	—	—	-26,818
Heidi M Petersen ⁷	—	-23,043	—	—	—	—	—	—	—	-23,043
CEO:										
Christian Clausen ⁸	-1,162,884	-860,564	-308,164	—	-144,782	-232,178	-22,411	-30,817	-1,638,241	-1,123,559
Group Executive Management (GEM):										
7 (6) individuals excluding CEO ⁹	-4,637,433	-3,663,331	-1,084,710	-588,563	-507,492	-734,778	-222,780	-273,739	-6,452,415	-5,260,411
Total	-6,866,055	-5,602,713	-1,392,874	-588,563	-652,274	-966,956	-245,191	-304,556	-9,156,394	-7,462,788

1) The Board fee is a fixed annual fee as from the Annual General Meeting (AGM) 2011. These are accounted for in SEK and translated into EUR based on the average exchange rate each year.

2) CEO and members of GEM hold 12,253 A-rights, 12,253 B-rights and 4,901 D-rights in LTIP 2009, have a conditional right to maximum 61,158 matching shares, 122,316 performance shares I and 61,158 performance shares II in LTIP 2010 and 110,711 matching shares, 221,422 performance shares I and 110,711 performance shares II in LTIP 2011. For more information on the valuation of the Long Term Incentive Programmes, see below. The disclosed expense is calculated in accordance with IFRS 2 "Share-based Payment".

3) New Chairman of the Board as from the AGM 2011.

4) New Vice Chairman of the Board as from the AGM 2011.

5) Resigned as Chairman of the Board as from the AGM 2011.

6) Employee representatives excluded.

7) Resigned as Board member during 2010 or 2011.

8) The increase in 2011 is due to an actual salary increase of EUR 254,727, as communicated at the AGM 2011, and exchange rate effects. In 2010 the CEO abstained from variable salary part. Benefits are included at taxable values after salary reduction.

9) GEM members included for the period they have been appointed. As disclosed in the Annual Report 2010 two members of GEM earned variable salary part in 2010 and the variable salary part also included a guaranteed variable salary part for one new GEM member. Benefits are included at taxable values.

Pension

CEO

The retirement age for the CEO is 60 and his pension amounts to 50% of the pensionable income for life. From 1 January 2011 fixed salary is the pensionable income while variable salary part is no longer included in pensionable income. The maximum pensionable income is from 1 January 2011 increased from 190 to 200 Swedish Income Base Amounts. This has led to a retroactive adjustment affecting pension cost in 2011, but the impact on the pension cost as from 2012 will be significantly lower. The pension obligation is fully funded, meaning that it is covered in full by plan assets. At retirement the pension risk is transferred to the CEO. Pension payments are to be made in accordance with local legislations and pension insurance conditions.

Group Executive Management (GEM)

The pension agreements vary due to local country practices.

GEM members are entitled to retire with pension at the age of 60, 62 or 70. Pension agreements are Defined Benefit Plans (DBP), Defined Contribution Plans (DCP) or a combination of such plans.

Two members have DBPs not based on collective agreements. One of these DBPs provides retirement pension amounting to 50% of pensionable income for life from age 62, including national pension benefits. The second DBP not based on a collective agreement provides a retirement pension from age 60, including both national pension benefits and previously earned pension. The retirement pension benefit in this plan decreased from 70% to 66% of pensionable income for future earnings as from 1 January 2011. Two members have DBPs in accordance with the Swedish collective agreement and complementing DCPs. Three members have DCPs only. Fixed salary is pensionable income for all GEM-members. Variable salary part is included for two members.

G7

Staff costs, cont.

EUR	2011		2010	
	Pension cost ⁴	Pension obligation ⁵	Pension cost ⁴	Pension obligation ⁵
Board members¹:				
Lars G Nordström	—	430,549	—	419,686
CEO:				
Christian Clausen ²	-1,514,941	11,466,681	-652,473	8,805,485
Group Executive Management:				
7 (6) individuals excluding CEO ³	-2,184,289	4,606,923	-1,926,401	13,813,359
Former Chairman of the Board and CEOs:				
Vesa Vainio and Thorleif Krarup ⁶	—	18,271,060	—	17,382,662
Total	-3,699,230	34,775,213	-2,578,874	40,421,192

1) Employee representatives excluded.

2) The main reason behind the increase in pension obligation and pension cost is the increase of the maximum pensionable income, from 190 Swedish Income Base Amounts to 200 Swedish Income Base Amounts. The main effect is in Past service cost which explains EUR 838,042 of the pension cost for 2011 (Past service cost zero in 2010). The Past service cost constitutes the retroactive adjustment of the pension earned in earlier periods following the increase in the maximum pensionable income. A change in the exchange rate has had an increasing impact on the new pension rights earned in 2011, affecting pension cost, and changed actuarial assumptions (mainly the discount rate) have had an increasing impact on the pension obligation.

3) Members of GEM included for the period they have been appointed. The pension obligation is the obligation towards the members of GEM as of 31 December. The increase in pension costs 2011 is partly due to exchange rate effects.

4) Pension costs are related to pension premiums paid in DCP agreements and pension rights earned during the year in DBP agreements (Service cost, Past service cost and Curtailments and settlements as defined in IAS 19). Of the total pension cost EUR 1,029,988 relates to DCP agreements.

5) Pension obligations calculated in accordance with IAS 19. These obligations are dependent of changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations. The main reason behind the decrease in pension obligation is that the composition of GEM has changed, with a larger portion of the members having DCPs.

6) The pension obligation for Vesa Vainio and Thorleif Krarup is mainly due to pension rights earned in, and funded by, banks forming Nordea. The increase in 2011 is related to changes in actuarial assumptions.

Notice period and severance pay

In accordance with their employment contracts CEO and three GEM members have a notice period of 12 months and a severance pay equal to 12 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 12 months. Four GEM members are entitled to 6 months' salary during the notice period, and with regard to severance pay 18 months' salary to be reduced by the salary they receive as a result of any other employment during these 18 months.

Loans to key management personnel

Loans to key management personnel, as defined in Note G1 section 26, amounts to EUR 4m (EUR 5m). Interest income on these loans amounts to EUR 0m (EUR 0m).

For key management personnel who are employed by Nordea the same credit terms apply as for other employees, except for key management personnel in Denmark whose loans are granted on the same term as for external customers. In Norway the employee interest rate for loans is 100 basis points lower than the best corresponding interest rate for external customers, with a cap on the loan amount of 3 times salary grade 55 plus NOK 100,000. 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 for loans over EUR 400,000. In Sweden the employee interest rate on fixed- and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points for variable interest rate loans and 150 basis points for fixed interest rate loans). There is currently a cap of 57 Swedish price base amounts both on fixed- and variable interest rate loans. Interest on loans above the defined caps are set on market terms. 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 employed by Nordea.

Long Term Incentive Programmes

	2011			2010		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Conditional rights LTIP 2011						
Granted	950,056	1,900,112	950,056			
Forfeited	—	—	—			
Outstanding at end of year	950,056	1,900,112	950,056			
– of which currently exercisable	—	—	—			
	2011			2010		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Conditional rights LTIP 2010						
Outstanding at the beginning of year	896,645	1,793,290	896,645	—	—	—
Granted	—	—	—	903,490	1,806,980	903,490
Forfeited	-7,482	-14,964	-7,482	-6,845	-13,690	-6,845
Outstanding at end of year	889,163	1,778,326	889,163	896,645	1,793,290	896,645
– of which currently exercisable	—	—	—	—	—	—

G7 Staff costs, cont.

	2011			2010		
	A-rights	B-C-rights	D-rights	A-rights	B-C-rights	D-rights
Conditional rights LTIP 2009						
Outstanding at the beginning of year	959,006	959,006	383,602	981,332	1,962,664	981,332
Forfeited	—	—	—	-22,326	-1,003,658	-597,730
Exercised ¹	-642,508	-652,666	-263,658	—	—	—
Outstanding at end of year	316,498	306,340	119,944	959,006	959,006	383,602
– of which currently exercisable	316,498	306,340	119,944	—	—	—
	2011			2010		
	A-rights	B-C-rights	D-rights	A-rights	B-C-rights	D-rights
Conditional rights LTIP 2008						
Outstanding at the beginning of year	98,255	100,383	80,695	485,466	485,466	388,373
Forfeited	-500	-500	-500	-4,461	-4,461	-3,569
Exercised ¹	-45,101	-45,532	-36,622	-382,750	-380,622	-304,109
Outstanding at end of year	52,654	54,351	43,573	98,255	100,383	80,695
– of which currently exercisable	52,654	54,351	43,573	98,255	100,383	80,695
	2011			2010		
	A-rights	B-C-rights	D-rights	A-rights	B-C-rights	D-rights
Conditional rights LTIP 2007						
Outstanding at the beginning of year	51,542	32,327	47,979	141,575	134,139	160,390
Forfeited	-1,274	-1,274	-1,274	—	—	—
Exercised ¹	-50,268	-31,053	-46,705	-90,033	-101,812	-112,411
Outstanding at end of year	—	—	—	51,542	32,327	47,979
– of which currently exercisable	—	—	—	51,542	32,327	47,979

1) Weighted average share price during the exercise period amounts to EUR 7.45 (EUR 7.34).

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

	LTIP 2011			LTIP 2010			LTIP 2009		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Ordinary share per right	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Exercise price	—	—	—	—	—	—	EUR 0.77	EUR 0.38	EUR 0.38
Grant date	13 May 2011	13 May 2011	13 May 2011	13 May 2010	13 May 2010	13 May 2010	14 May 2009	14 May 2009	14 May 2009
Vesting period	36 months	36 months	36 months	36 months	36 months	36 months	24 months	24 months	24 months
Contractual life	36 months	36 months	36 months	36 months	36 months	36 months	48 months	48 months	48 months
Allotment	April/May 2014	April/May 2014	April/May 2014	April/May 2013	April/May 2013	April/May 2013	29 April 2011	29 April 2011	29 April 2011
Fair value at grant date	EUR 8.21	EUR 8.21	EUR 2.97	EUR 6.75	EUR 6.75	EUR 2.45	EUR 4.66	EUR 5.01	EUR 1.75
	LTIP 2008 ¹			LTIP 2007 ¹					
	A-rights	B-C-rights	D-rights	A-rights	B-C-rights	D-rights			
Ordinary share per right	1.30	1.30	1.30	1.30	1.30	1.30			
Exercise price	EUR 2.30	EUR 1.53	EUR 1.53	EUR 2.53	EUR 1.00	EUR 1.00			
Grant date	13 May 2008	13 May 2008	13 May 2008	17 May 2007	17 May 2007	17 May 2007			
Vesting period	24 months	24 months	24 months	24 months	24 months	24 months			
Contractual life	48 months	48 months	48 months	48 months	48 months	48 months			
First day of exercise	29 April 2010	29 April 2010	29 April 2010	30 April 2009	30 April 2009	30 April 2009			
Fair value at grant date	EUR 7.53	EUR 8.45	EUR 4.14	EUR 8.76	EUR 10.49	EUR 7.76			

1) The new rights issue, which was resolved on an extra ordinary general meeting on 12 March 2009, triggered recalculations of some of the parameters in LTIP 2007 and LTIP 2008, in accordance with the agreements of the programmes. The recalculations were performed with the purpose of putting the participants in an equivalent financial position as the one being at hand immediately prior to the new rights issue.

G7

Staff costs, cont.

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, with certain exemptions, and the conditional B-D-rights/Performance Share I and II to acquire or receive additional ordinary shares also 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). 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 Performance Share II are market related and comprise growth in total shareholder return (TSR) in comparison with a peer group's TSR.

When the performance conditions are not fulfilled in full, the rights that are no longer exercisable are shown as forfeited in the previous tables, together with 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 2011	LTIP 2010	LTIP 2009 ¹	LTIP 2008 ¹	LTIP 2007 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 two year vesting period.	Employed, with certain exemptions, within the Nordea Group during the two year vesting period.	Employed, with certain exemptions, within the Nordea Group during the two year vesting period.
Performance condition, B-rights/Performance Share I	Compound Annual Growth Rate in RAPPS from year 2010 (base year) to and including year 2013. Full right to exercise will be 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.	Increase in RAPPS 2008 compared to 2007. Full right to exercise was obtained if RAPPS increased by 12% or more.	Increase in RAPPS 2007 compared to 2006. Full right to exercise was obtained if RAPPS increased by 15% 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.	Reported EPS for 2008 lower than EUR 0.80.	Reported EPS for 2007 lower than EUR 0.80.
Performance condition, C-rights	—	—	Increase in RAPPS 2010 compared to 2009. Full right to exercise was obtained if RAPPS increased by 8% or more.	Increase in RAPPS 2009 compared to 2008. Full right to exercise was obtained if RAPPS increased by 12% or more.	Increase in RAPPS 2008 compared to 2007. Full right to exercise was obtained if RAPPS increased by 12% or more.
EPS knock out, C-rights	—	—	Reported EPS for 2010 lower than EUR 0.26.	Reported EPS for 2009 lower than EUR 0.52.	Reported EPS for 2008 lower than EUR 0.80.
Performance condition, D-rights/Performance Share II	TSR during 2011-2013 in comparison with 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 right to exercise will be 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.	TSR during 2008-2009 in comparison with a peer group. Full right to exercise was obtained if Nordea was ranked number 1.	TSR during 2007-2008 in comparison with a peer group. Full right to exercise was obtained if Nordea's TSR exceeded peer group index by 10% or more.
Cap	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.	The profit per A-D-right is capped to EUR 21.87 per right.	The profit per A-D-right is capped to EUR 19.18 per right.
Exercise price adjustments	—	—	The exercise price will be adjusted for dividends during the exercise period, however never adjusted below EUR 0.10.	The exercise price will be adjusted for dividends during the exercise period, however never adjusted below EUR 0.10.	The exercise price will be adjusted for dividends during the vesting and the exercise period, however never adjusted below EUR 0.10.

1) RAPPS for the financial year 2008 and 2009 used for LTIP 2008 (C-rights) and LTIP 2009 (B- and C-rights), EPS knock out in LTIP 2008 (C-rights) and LTIP 2009 (B- and C-rights) and the cap in LTIP 2009, LTIP 2008 and LTIP 2007 have been adjusted due to the financial effects of the new rights issue in 2009.

G7 Staff costs, cont.

Fair value calculations

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

	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008	LTIP 2007
Weighted average share price	EUR 8.39	EUR 6.88	EUR 5.79	EUR 11.08	EUR 12.23
Right life	3.0 years	3.0 years	2.5 years	2.5 years	3.0 years
Deduction of expected dividends	No	No	Yes	Yes	Yes
Risk free rate	1.48%	1.99%	1.84%	3.83%	4.20%
Expected volatility	36%	40%	29%	21%	20%

Expected volatility is based on historical values. As the exercise price (zero for LTIP 2010 and LTIP 2011) 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 programmes' exercise windows, however not applicable for LTIP 2010 and LTIP 2011.

The value of the D-rights/Performance Share II are based on market related conditions and fulfilment of the TSR targets have been taken into consideration when calculating the rights' fair value at grant date. When calculating the impact from the TSR targets it has been assumed that all possible outcomes have equal possibilities.

Expenses¹

EURm	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008	LTIP 2007
Expected expense	-16	-10	-11	-10	-12
Maximum expense	-26	-20	-11	-10	-12
Total expense 2011	-3	-4	-2	—	—
Total expense 2010	—	-2	-6	-3	—

1) All amounts excluding social security contribution.

When calculating the expected expense an expected annual employee turnover of 5% has been used in LTIP 2010 and LTIP 2011. The expected expense is recognised over the vesting period of 36 months (LTIP 2010 and LTIP 2011) and 24 months (LTIP 2009, 2008 and 2007).

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 below table only includes deferred amounts indexed with Nordea TSR. Nordea also operates deferrals not being TSR-linked, which are not included in the table below. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

EURm	2011	2010
Deferred TSR-linked compensation at beginning of the year	13	—
Accrued deferred/retained TSR-linked compensation during the year ¹	5	11
TSR indexation during the year	-3	1
Payments during the year ²	-4	—
Translation differences	-1	1
Deferred TSR-linked compensation at end of year	10	13

1) Of which EUR 4m is available for disposal by the employees in 2012. Additional deferrals not being TSR-linked amount to EUR 13m (EUR 0m). Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year relates to variable compensation earned the previous year.

2) There have been no adjustments due to forfeitures in 2011.

G7

Staff costs, cont.

Average number of employees

	Total		Men		Women	
	2011	2010	2011	2010	2011	2010
Full-time equivalents						
Denmark	8,475	8,881	4,248	4,042	4,227	4,839
Finland	7,785	7,957	1,957	1,913	5,828	6,044
Sweden	7,530	7,654	3,320	3,344	4,210	4,310
Norway	3,536	3,548	1,896	1,905	1,640	1,643
Poland	2,118	2,099	664	725	1,454	1,374
Russia	1,659	1,659	593	692	1,066	967
Estonia	469	452	76	106	393	346
Latvia	433	504	99	127	334	377
Luxembourg	354	399	336	249	18	150
Lithuania	345	368	91	106	254	262
United States	89	81	46	44	43	37
United Kingdom	71	67	42	40	29	27
Singapore	59	58	23	24	36	34
Germany	39	43	20	22	19	21
Other countries	21	21	9	9	12	12
Total average	32,983	33,791	13,420	13,348	19,563	20,443
Total number of employees (FTEs), end of period	33,068	33,809				

Gender distribution

In the Board of Directors of the Nordea Group companies, 84% (84%) were men and 16% (16%) were women. The corresponding numbers for Other executives were 68% (85%) men and 32% (15%) women. Internal Boards consist mainly of management in Nordea.

G8

Other expenses

EURm	2011	2010
Information technology	-647	-639
Marketing and entertainment	-131	-144
Postage, transportation, telephone and office expenses	-232	-227
Rents, premises and real estate	-444	-400
Other ¹	-460	-452
Total	-1,914	-1,862

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fee

EURm	2011	2010
KPMG		
Auditing assignments	-5	-4
Audit-related services	-2	-4
Tax advisory services	0	-1
Other assignments	-5	-2
PriceWaterhouseCoopers		
Auditing assignments	—	0
Audit-related services	—	0
Other assignments	—	0
Total	-12	-11

G9

Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2011	2010
Depreciation/amortisation		
Property and equipment (Note G22)		
Equipment	-110	-98
Buildings	-1	-1
Intangible assets (Note G21)		
Computer software	-55	-43
Other intangible assets	-24	-24
Total	-190	-166

Impairment charges/Reversed impairment charges

Property and equipment (Note G22)		
Equipment	—	—
Intangible assets (Note G21)		
Other intangible assets	-2	-4
Total	-2	-4
Total	-192	-170

G10

Net loan losses

EURm	2011	2010
Divided by class		
Loans to credit institutions	2	0
– of which provisions	-1	-1
– of which write-offs	-7	-3
– of which allowances to cover write-offs	7	3
– of which reversals	1	1
– of which recoveries	2	—
Loans to the public	-659	-738
– of which provisions	-1,154	-1,185
– of which write-offs	-800	-535
– of which allowances to cover write-offs	625	378
– of which reversals	596	531
– of which recoveries	74	73
Off-balance sheet items ¹	-78	-141
– of which provisions	-148	-156
– of which write-offs	-315	-52
– of which allowances to cover write-offs	315	52
– of which reversals	70	15
– of which recoveries	—	0
Total	-735	-879

Specification

Changes of allowance accounts in the balance sheet	-636	-795
– of which Loans, individually assessed ²	-761	-720
– of which Loans, collectively assessed ²	203	66
– of which Off-balance sheet items, individually assessed ¹	-87	-143
– of which Off-balance sheet items, collectively assessed ¹	9	2
Changes directly recognised in the income statement	-99	-84
– of which realised loan losses, individually assessed	-175	-157
– of which realised recoveries, individually assessed	76	73
Total	-735	-879

1) Included in Note G33 Provisions as "Transfer risk, off-balance", "Individually assessed, guarantees and other commitments".

2) Included in Note G14 Loans and impairment.

G11

Taxes

Income tax expense

EURm	2011	2010
Current tax ¹	-709	-1,022
Deferred tax	-204	46
Total	-913	-976
1) Of which relating to prior years	27	-38

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

EURm	2011	2010
Profit before tax	3,547	3,639
Tax calculated at a tax rate of 26.3%	-933	-957
Effect of different tax rates in other countries	14	11
Tax not related to profit	-9	-10
Income from associated undertakings	9	12
Tax-exempt income	48	86
Non-deductible expenses	-69	-79
Adjustments relating to prior years	27	-38
Income tax due to tax assets previously not recognised	0	0
Change of tax rate	2	—
Not creditable foreign taxes	-2	-1
Tax charge	-913	-976
Average effective tax rate	26%	27%

Deferred tax

EURm	Deferred tax assets		Deferred tax liabilities	
	2011	2010	2011	2010
Deferred tax related to:				
Tax losses carry-forward	16	22	—	—
Untaxed reserves	—	—	139	122
Loans to the public	29	29	441	345
Derivatives	147	125	212	2
Intangible assets	5	—	85	71
Property and equipment	8	12	2	26
Investment property	—	—	176	192
Retirement benefit obligations	60	59	69	41
Hedge of net investments in foreign operations	57	54	14	43
Liabilities/provisions	70	32	103	98
Netting between deferred tax assets and liabilities	-223	-55	-223	-55
Total	169	278	1,018	885
– of which expected to be settled after more than 1 year	96	111	891	746

EURm	2011	2010
Movements in deferred tax assets/liabilities (net)		
Amount at beginning of year (net)	-607	-745
Deferred tax relating to items recognised in other comprehensive income	-44	106
Translation differences	6	-31
Acquisitions and others	0	17
Deferred tax in the income statement	-204	46
Amount at end of year (net)	-849	-607

Current and deferred tax recognised in other comprehensive income

Deferred tax liability due to hedge of net investments in foreign operations	0	107
Deferred tax relating to available-for-sale investments	-1	-1
Deferred tax relating to cash flow hedges	-43	0
Total	-44	106

G11

Taxes, cont.

EURm	2011	2010
Current tax assets	185	262
– of which expected to be settled after more than 1 year	17	19
Current tax liabilities	154	502
– of which expected to be settled after more than 1 year	36	34
Unrecognised deferred tax assets		
Unused tax losses carry-forward	54	54
Unused tax credits	—	2
Total	54	56
Expire date 2011	—	1
Expire date 2012	1	1
Expire date 2013	0	0
No expiry date	53	54
Total	54	56

G12

Earnings per share

	2011	2010
Earnings:		
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	2,627	2,657
Number of shares (in millions):		
Number of shares outstanding at beginning of year	4,043	4,037
Average number of issued C-shares ¹	3	3
Average number of repurchased own C-shares ¹	–3	–3
Average number of own shares in trading portfolio	–16	–16
Basic weighted average number of shares outstanding	4,027	4,021
Adjustment for diluted weighted average number of additional ordinary shares outstanding ^{1, 2}	1	1
Diluted weighted average number of shares outstanding	4,028	4,022
Basic earnings per share, EUR	0.65	0.66
Diluted earnings per share, EUR	0.65	0.66

1) Relates to the Long Term Incentive Programmes (LTIP).

2) Contingently issuable shares not included, that can potentially dilute basic earnings per share in future periods, exist in the Long Term Incentive Programmes.

G13

Treasury bills

EURm	31 Dec 2011	31 Dec 2010
State and sovereigns	10,827	18,140
Municipalities and other public bodies	1,637	25
Total	12,464	18,165
– of which Financial instruments pledged as collateral (Note G16)	1,359	5,053
Total	11,105	13,112

G14

Loans and impairment

EURm	Credit institutions		The public ¹		Total	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Loans, not impaired	51,867	15,791	334,234	311,893	386,101	327,684
Impaired loans	26	33	5,412	4,816	5,438	4,849
– of which performing	—	4	3,287	2,834	3,287	2,838
– of which non-performing	26	29	2,125	1,982	2,151	2,011
Loans before allowances	51,893	15,824	339,646	316,709	391,539	332,533
Allowances for individually assessed impaired loans	–26	–33	–1,866	–1,719	–1,892	–1,752
– of which performing	—	–4	–1,080	–965	–1,080	–969
– of which non-performing	–26	–29	–786	–754	–812	–783
Allowances for collectively assessed impaired loans	–2	–3	–577	–779	–579	–782
Allowances	–28	–36	–2,443	–2,498	–2,471	–2,534
Loans, carrying amount	51,865	15,788	337,203	314,211	389,068	329,999

1) Finance leases, where Nordea Group is a lessor, are included in Loans to the public, see Note G23 Leasing.

Reconciliation of allowance accounts for impaired loans¹

EURm	Credit institutions			The public			Total		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2011	–33	–3	–36	–1,719	–779	–2,498	–1,752	–782	–2,534
Provisions	0	0	0	–1,065	–90	–1,155	–1,065	–90	–1,155
Reversals	0	1	1	304	292	596	304	293	597
Changes through the income statement	0	1	1	–761	202	–559	–761	203	–558
Allowances used to cover write-offs	7	—	7	625	—	625	632	—	632
Translation differences	0	0	0	–11	0	–11	–11	0	–11
Closing balance at 31 Dec 2011	–26	–2	–28	–1,866	–577	–2,443	–1,892	–579	–2,471
Opening balance at 1 Jan 2010	–35	–3	–38	–1,350	–835	–2,185	–1,385	–838	–2,223
Provisions	0	0	0	–966	–220	–1,186	–966	–220	–1,186
Reversals	0	1	1	246	285	531	246	286	532
Changes through the income statement	0	1	1	–720	65	–655	–720	66	–654
Allowances used to cover write-offs	3	—	3	378	—	378	381	—	381
Reclassification	—	—	—	12	—	12	12	—	12
Translation differences	–1	–1	–2	–39	–9	–48	–40	–10	–50
Closing balance at 31 Dec 2010	–33	–3	–36	–1,719	–779	–2,498	–1,752	–782	–2,534

1) See Note G10 Net loan losses.

Allowances and provisions

EURm	Credit institutions		The public		Total	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Allowances for items in the balance sheet	–28	–36	–2,443	–2,498	–2,471	–2,534
Provisions for off balance sheet items	–13	–20	–80	–311	–93	–331
Total allowances and provisions	–41	–56	–2,523	–2,809	–2,564	–2,865

Key ratios¹

	31 Dec 2011	31 Dec 2010
Impairment rate, gross, basis points	139	146
Impairment rate, net, basis points	91	93
Total allowance rate, basis points	63	76
Allowances in relation to impaired loans, %	35	36
Total allowances in relation to impaired loans, %	45	52
Non-performing loans, not impaired, EURm	405	316

1) For definitions, see Business definitions on page 93.

G15

Interest-bearing securities

EURm	31 Dec 2011	31 Dec 2010
Issued by public bodies	8,715	11,118
Issued by other borrowers	78,917	61,940
Total	87,632	73,058
– of which Financial instruments pledged as collateral (Note G16)		
	6,364	3,921
Total	81,268	69,137
Listed and unlisted securities incl Financial instruments pledged as collateral		
Listed securities	78,869	55,797
Unlisted securities	8,763	17,261
Total	87,632	73,058

G16

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.

EURm	31 Dec 2011	31 Dec 2010
Treasury bills	1,359	5,053
Interest-bearing securities	6,364	3,921
Shares	650	520
Total	8,373	9,494

Transferred assets that are still recognised in the balance sheet and associated liabilities

All assets transferred and the liabilities associated with these transactions are specified in the following tables. The assets continue to be recognised on the balance sheet since Nordea is still exposed to changes in the fair value of the assets. Therefore, these assets and its associated liabilities are included in the following tables.

G16

Financial instruments pledged as collateral, cont.

EURm	31 Dec 2011	31 Dec 2010
Repurchase agreements		
Treasury bills	1,359	5,053
Interest-bearing securities	6,364	3,921
Shares	650	32
Securities lending agreements		
Shares	—	488
Total	8,373	9,494

Liabilities associated with the assets

EURm	31 Dec 2011	31 Dec 2010
Repurchase agreements		
Deposits by credit institutions	3,821	7,421
Deposits and borrowings from the public	3,368	1,661
Securities lending agreements		
Other	1	—
Total	7,190	9,082

For information on reverse repos, see Note G44.

G17

Shares

EURm	31 Dec 2011	31 Dec 2010
Shares	10,509	10,858
Shares taken over for protection of claims	4	18
Fund units, equity related	5,034	5,961
Fund units, interest related	5,270	976
Total	20,817	17,813
– of which Financial instruments pledged as collateral (Note G16)		
	650	520
Total	20,167	17,293
– of which expected to be settled after more than 1 year		
	15,894	588
Listed and unlisted shares incl Financial instruments pledged as collateral		
Listed shares	15,283	13,413
Unlisted shares	5,534	4,400
Total	20,817	17,813

G18

Derivatives and Hedge accounting

31 Dec 2011, EURm	Fair value		Total nom amount
	Positive	Negative	
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	136,856	133,660	3,655,420
FRAs	76	92	79,776
Futures and forwards	1,084	873	1,451,249
Options	11,320	11,915	515,269
Other	0	—	15
Total	149,336	146,540	5,701,729
Equity derivatives			
Equity swaps	113	16	1,780
Futures and forwards	55	32	544
Options	470	640	14,820
Total	638	688	17,144
Foreign exchange derivatives			
Currency and interest rate swaps	15,140	15,466	859,021
Currency forwards	1,086	814	61,414
Options	301	255	33,758
Total	16,527	16,535	954,193
Credit derivatives			
Credit default swaps	1,483	1,493	61,889
Total	1,483	1,493	61,889
Commodity derivatives			
Swaps	1,228	1,152	13,182
Futures and forwards	79	76	1,137
Options	69	68	2,228
Total	1,376	1,296	16,547
Other derivatives			
Swaps	38	201	1,247
Futures and forwards	0	0	0
Options	3	3	98
Other	1	7	825
Total	42	211	2,170
Total derivatives held for trading	169,402	166,763	6,753,672
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	1,941	492	59,149
Options	0	1	954
Total	1,941	493	60,103
Foreign exchange derivatives			
Currency and interest rate swaps	600	134	10,505
Total	600	134	10,505
Total derivatives used for hedge accounting	2,541	627	70,608
Total derivatives	171,943	167,390	6,824,280

G18

Derivatives and Hedge accounting, cont.

31 Dec 2010, EURm	Fair value		Total nom amount
	Positive	Negative	
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	70,576	69,121	2,951,621
FRAs	574	605	1,192,366
Futures and forwards	495	87	69,145
Options	8,034	7,993	525,945
Other	4	4	22,102
Total	79,683	77,810	4,761,179
Equity derivatives			
Equity swaps	9	31	253
Futures and forwards	39	31	1,407
Options	731	742	20,343
Total	779	804	22,003
Foreign exchange derivatives			
Currency and interest rate swaps	5,797	6,092	326,883
Currency forwards	6,743	7,108	489,883
Options	629	648	41,924
Other	1	7	1,608
Total	13,170	13,855	860,298
Credit derivatives			
Credit default swaps	908	929	51,224
Total	908	929	51,224
Commodity derivatives			
Swaps	1,385	1,395	13,725
Futures and forwards	82	67	706
Options	67	63	1,392
Total	1,534	1,525	15,823
Other derivatives			
Swaps	21	276	750
Options	4	2	100
Other	0	25	2,054
Total	25	303	2,904
Total derivatives held for trading	96,099	95,226	5,713,431

G18

Derivatives and Hedge accounting, cont.

Derivatives used for hedge accounting**Interest rate derivatives**

Interest rate swaps	461	417	29,001
Options	0	5	642
Total	461	422	29,643

Equity derivatives

Options	0	1	9
Total	0	1	9

Foreign exchange derivatives

Currency and interest rate swaps	265	238	4,526
Total	265	238	4,526

Total derivatives used for hedge accounting	726	661	34,178
Total derivatives	96,825	95,887	5,747,609

G19

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

EURm	31 Dec	31 Dec
Assets	2011	2010
Carrying amount at beginning of year	1,127	763
Changes during the year		
Revaluation of hedged items	-1,343	335
Translation differences	1	29
Carrying amount at end of year	-215	1,127
Liabilities		
Carrying amount at beginning of year	898	874
Changes during the year		
Revaluation of hedged items	366	-33
Translation differences	10	57
Carrying amount at end of year	1,274	898

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.

G20

Investments in associated undertakings

EURm	31 Dec 2011	31 Dec 2010
Acquisition value at beginning of year	564	481
Acquisitions during the year	16	18
Sales during the year	-4	-10
Share in earnings ¹	60	72
Dividend received	-35	-51
Reclassifications	1	42
Translation differences	1	12
Acquisition value at end of year	603	564
Accumulated impairment charges at beginning of year	-10	-11
Impairment charges during the year	-1	0
Reclassifications	-1	0
Translation differences	0	1
Accumulated impairment charges at end of year	-12	-10
Total	591	554
– of which, listed shares	—	—

1) Share in earnings

EURm	2011	2010
Profit from companies accounted for under the equity method	42	66
Portfolio hedge, Eksportfinans ASA	6	-5
Associated undertakings in Life, reported as Net result from items at fair value	12	11
Share in earnings	60	72

The total amount is expected to be settled after more than 1 year.

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2011	31 Dec 2010
Total assets	8,091	8,108
Total liabilities	6,664	7,506
Operating income	194	194
Operating profit	84	66

Nordea has issued contingent liabilities of EUR 940m (EUR 1,688m) on behalf of associated undertakings.

31 Dec 2011	Registration number	Domicile	Carrying amount 2011, EURm	Carrying amount 2010, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	145	133	23
Ejendomspartnerskabet af 1/7 2003	27134971	Ballerup	190	180	49
Luottokunta	0201646-0	Helsinki	49	42	27
LR Realkredit A/S	26045304	Copenhagen	4	12	39
Oy Realinvest Ab	0680035-9	Helsinki	0	5	49
Realia Holding Oy	2106796-8	Helsinki	20	5	25
Samajet Nymøllevej 59-91	24247961	Ballerup	20	21	25
E-nettet Holding A/S	28308019	Copenhagen	1	2	20
Hovedbanens Forretningscenter K/S	16301671	Ballerup	14	14	50
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	9	9	33
Axel IKU Invest A/S	24981800	Copenhagen	1	1	33
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	8	8	33
KIFU-AX II A/S	25893662	Copenhagen	3	3	25
Bankernas Kontantsservice A/S	33077599	Copenhagen	3	3	20
Multidata Holding A/S	27226027	Ballerup	9	10	29
Samejet Lautruphøj I/S	50857859	Ballerup	6	6	50
Nets Holding A/S	27225993	Ballerup	91	79	21
NorVega SGR S.p.A.	1060050156	Milano	3	4	40
Opplýsningscentralen UC AB	556137-5113	Stockholm	0	3	26
BAB Bankernas Automatbolag AB	556817-9716	Stockholm	3	2	20
Other			12	12	
Total			591	554	

G21

Intangible assets

EURm	31 Dec 2011	31 Dec 2010
Goodwill allocated to cash generating units¹		
Retail Banking Norway	909	904
Retail Banking Denmark	592	591
Retail Banking Sweden	230	229
Retail Banking Poland	60	68
Life & Pensions	306	311
Banking Russia	268	274
Shipping, Offshore & Oil services	210	208
Goodwill, total	2,575	2,585
Other intangible assets		
Computer software	651	515
Other intangible assets	95	119
Other intangible assets, total	746	634
Intangible assets, total	3,321	3,219
1) Excluding goodwill in associated undertakings.		
Goodwill		
Acquisition value at beginning of year	2,586	2,447
Acquisitions during the year	—	3
Reclassifications	—	31
Translation differences	-10	105
Acquisition value at end of year	2,576	2,586
Accumulated impairment charges at beginning of year	-1	-1
Translation differences	0	0
Accumulated impairment charges at end of year	-1	-1
Total	2,575	2,585
Computer software		
Acquisition value at beginning of year	660	476
Acquisitions during the year	191	163
Sales/disposals during the year	-1	-5
Translation differences	4	26
Acquisition value at end of year	854	660
Accumulated amortisation at beginning of year	-140	-95
Amortisation according to plan for the year	-55	-43
Accumulated amortisation on sales/disposals during the year	0	4
Reclassifications	1	1
Translation differences	-1	-7
Accumulated amortisation at end of year	-195	-140
Accumulated impairment charges at beginning of year	-5	-6
Impairment charges during the year	-2	—
Translation differences	-1	1
Accumulated impairment charges at end of year	-8	-5
Total	651	515

G21

Intangible assets, cont.

EURm	31 Dec 2011	31 Dec 2010
Other intangible assets		
Acquisition value at beginning of year	221	208
Acquisitions during the year	1	17
Sales/disposals during the year	-1	-13
Translation differences	-5	9
Acquisition value at end of year	216	221
Accumulated amortisation at beginning of year	-98	-82
Amortisation according to plan for the year	-24	-24
Accumulated amortisation on sales/disposals during the year	1	13
Reclassifications	1	0
Translation differences	3	-5
Accumulated amortisation at end of year	-117	-98
Accumulated impairment charges at beginning of year	-4	—
Impairment charges during the year	—	-4
Accumulated impairment charges at end of year	-4	-4
Total	95	119

The total amount is expected to be settled after more than 1 year.

Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test.

The impairment test is performed for each cash generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Cash flows have been estimated for 30 years.

Cash flows in the near future (between 2-3 years) are based on financial forecasts, derived from forecasted margins, volumes, sales and cost development. These input variables are based on historical data adjusted to reflect Nordea's assumptions about the future. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. For impairment testing, a growth rate of 4% has been used for all cash generating units.

Growth rates are based on historical data, updated to reflect the current situation. Cash flows are risk adjusted using normalised loan losses.

The derived cash flows are discounted at a rate based on the long-term risk free interest rate plus a risk premium. The post-tax discount rate used for the impairment test 2011 is 9% (9.5%), which equals a pre-tax rate of 11.9% (12.4%). For operations in Russia, an additional risk premium of 200 basis points has been applied. The impairment tests conducted in 2011 did not indicate any need for goodwill impairment. See Note G1 section 4 for more information. A reasonably possible change in key assumptions, an increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 2 percentage points, would not result in an impairment in any of the cash generating units.

G22

Property and equipment

EURm	31 Dec 2011	31 Dec 2010
Property and equipment	469	454
– of which buildings for own use	72	70
Total	469	454
Equipment		
Acquisition value at beginning of year	891	857
Acquisitions during the year	154	143
Sales/disposals during the year	–70	–153
Reclassifications	–16	–7
Translation differences	1	51
Acquisition value at end of year	960	891
Accumulated depreciation at beginning of year	–497	–472
Accumulated depreciation on sales/disposals during the year	43	90
Reclassifications	18	10
Depreciations according to plan for the year	–110	–98
Translation differences	–5	–27
Accumulated depreciation at end of year	–551	–497
Accumulated impairment charges at beginning of year	–10	–22
Accumulated impairment charges on sales/disposals during the year	—	13
Reclassification	–2	—
Translation differences	0	–1
Accumulated impairment charges at end of year	–12	–10
Total	397	384
Land and buildings		
Acquisition value at beginning of year	79	97
Acquisitions during the year	3	3
Sales/disposals during the year	0	0
Reclassifications	0	–22
Translation differences	–1	1
Acquisition value at end of year	81	79
Accumulated depreciation at beginning of year	–9	–8
Accumulated depreciation on sales/disposals during the year	0	0
Depreciation according to plan for the year	–1	–1
Translation differences	1	0
Accumulated depreciation at end of year	–9	–9
Total	72	70

The total amount is expected to be settled after more than 1 year.

G23

Leasing

Nordea as a lessor**Finance leases**

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note G14) 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:

EURm	31 Dec 2011	31 Dec 2010
Gross investments	7,681	6,946
Less unearned finance income	-648	-444
Net investments in finance leases	7,034	6,502
Less unguaranteed residual values accruing to the benefit of the lessor	-29	-60
Present value of future minimum lease payments receivable	7,005	6,442
Accumulated allowance for uncollectible minimum lease payments receivable	7	8

As of 31 December 2011 the gross investment and the net investment by remaining maturity was distributed as follows:

EURm	31 Dec, 2011	
	Gross Investment	Net Investment
2012	1,630	1,541
2013	1,487	1,414
2014	1,400	1,331
2015	1,007	955
2016	636	598
Later years	1,521	1,195
Total	7,681	7,034

Operating leases

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

Carrying amount of leased assets, EURm	31 Dec 2011	31 Dec 2010
Acquisition value	102	125
Accumulated depreciations	-41	-43
Accumulated impairment charges	—	—
Carrying amount at end of year	61	82
- of which repossessed leased property, carrying amount	—	—

Carrying amount distributed on groups of assets, EURm

Equipment	61	82
Carrying amount at end of year	61	82

Depreciation for 2011 amounted to EUR 18m (EUR 19m).

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

EURm	31 Dec 2011
2012	14
2013	7
2014	4
2015	2
2016	1
Later years	0
Total	28

Nordea as a lessee**Finance leases**

Nordea has only to a minor extent entered into finance lease agreements. The carrying amount of assets subject to finance leases amounts to EUR 28m (EUR 8m).

Operating leases

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

Leasing expenses during the year, EURm	31 Dec 2011	31 Dec 2010
Leasing expenses during the year	-295	-262
- of which minimum lease payments	-288	-259
- of which contingent rents	-7	-3
Leasing income during the year regarding sublease payments	7	6

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

EURm	31 Dec 2011
2012	34
2013	16
2014	20
2015	58
2016	55
Later years	166
Total	349

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 19m.

G24

Investment property

Movement in the balance sheet

EURm	31 Dec 2011	31 Dec 2010
Carrying amount at beginning of year	3,535	3,505
Acquisitions during the year	129	87
Sales/disposals during the year	-48	-60
Net gains or losses from fair value adjustments	-17	62
Transfers/reclassifications during the year	32	8
Translation differences	13	-34
Carrying amount at end of year	3,644	3,568
– of which expected to be settled after more than 1 year	3,591	3,538

Amounts recognised in the income statement¹

EURm	2011	2010
Rental income	251	241
Direct operating expenses that generate rental income	-68	-65
Direct operating expenses that did not generate rental income	-11	-3

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

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment property.

Approximately 80% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 20% of the investment properties, appraisals were obtained from independent external valuers.

Geographical information

EURm	Carrying amount
Denmark	1,909
Norway	899
Finland	759
Other	77
Total	3,644

Yield requirements, average	Denmark	Norway	Finland
Department stores, multi-storey, car parks and hotels	7.4%	6.1%	4.6%
Office buildings	6.1%	6.5%	5.6%
Apartment buildings	5.3%	6.2%	7.1%
Other	—	7.4%	5.9%

G25

Other assets

EURm	31 Dec 2011	31 Dec 2010
Claims on securities settlement proceeds	11,587	17,725
Reinsurance recoverables	4	4
Cash/margin receivables	6,273	3,130
Other	1,561	1,998
Total	19,425	22,857
– of which expected to be settled after more than 1 year	6	218

G26

Prepaid expenses and accrued income

EURm	31 Dec 2011	31 Dec 2010
Accrued interest income	1,552	1,518
Other accrued income	374	315
Prepaid expenses	777	617
Total	2,703	2,450
– of which expected to be settled after more than 1 year	541	615

G27

Deposits by credit institutions

EURm	31 Dec 2011	31 Dec 2010
Central banks	17,161	6,910
Other banks	34,515	32,221
Other credit institutions	3,640	1,605
Total	55,316	40,736

G28

Deposits and borrowings from the public

EURm	31 Dec 2011	31 Dec 2010
Deposits from the public	174,609	163,870
Borrowings from the public	15,483	12,520
Total	190,092	176,390

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits. Individual pension savings (IPS) are also included. Portfolio schemes in Nordea Bank Danmark A/S of EUR 3,932m (EUR 3,868m) are also included in Deposits.

G29

Liabilities to policyholders

EURm	31 Dec 2011	31 Dec 2010
Traditional life insurance provisions	23,572	21,819
– of which guaranteed provisions	23,450	21,708
– of which non-guaranteed provisions	122	111
Unit-linked insurance provisions	4,899	5,202
– of which guaranteed provisions	1,061	609
– of which non-guaranteed provisions	3,838	4,593
Insurance claims provision	428	434
Provisions, Health & personal accident	277	181
Total insurance contracts	29,176	27,636
Investment contracts	10,226	9,339
– of which guaranteed provisions	3,319	2,953
– of which non-guaranteed provisions	6,907	6,386
Collective bonus potential	1,313	1,791
Total	40,715	38,766

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investments contracts.

Insurance contracts consists of Life insurance provisions and other insurance related items.

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies method on consolidation. Each market represented by Nordic and European entities measure and recognises insurance contracts using local accounting policies.

31 Dec 2011, EURm	Traditional life insurance provisions	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & per- sonal accident	Investment contracts provisions	Collective bonus potentials	Total
Provisions/ bonus potentials, beginning of year	21,819	5,202	434	181	9,339	1,791	38,766
Gross premiums written	2,153	781	—	—	2,626	—	5,560
Transfers	-177	126	—	—	-19	—	-70
Addition of interest/Investment return	702	-230	—	—	-355	—	117
Claims and benefits	-2,160	-343	-5	81	-1,269	—	-3,696
Expense loading including addition of expense bonus	-110	-40	—	—	-71	—	-221
Change in provisions/bonus potential	-92	—	—	14	—	-484	-562
Other	1,375	-591	—	—	—	—	784
Translation differences	62	-6	-1	1	-25	6	37
Provisions/ bonus potentials, end of year	23,572	4,899	428	277	10,226	1,313	40,715

Provision relating to bonus schemes/
discretionary participation feature:

98%

26%

31 Dec 2010, EURm	Traditional life insurance provisions	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & per- sonal accident	Investment contracts provisions	Collective bonus potentials	Total
Provisions/ bonus potentials, beginning of year	21,166	4,480	394	179	6,178	1,434	33,831
Gross premiums written	1,493	656	—	—	2,898	—	5,047
Transfers	-60	60	—	—	-23	—	-23
Addition of interest/Investment return	715	578	—	—	806	—	2,099
Claims and benefits	-1,869	-444	36	-4	-836	—	-3,117
Expense loading including addition of expense bonus	-142	-47	—	—	-64	—	-253
Change in provisions/bonus potential	—	—	—	6	—	275	281
Other	271	-98	—	—	-34	24	163
Translation differences	245	17	4	0	414	58	738
Provisions/ bonus potentials, end of year	21,819	5,202	434	181	9,339	1,791	38,766

Provision relating to bonus schemes/
discretionary participation feature:

99%

24%

G29

Liabilities to policyholders, cont.

Insurance risks

Insurance risk is described in the Risk, Liquidity and Capital management section of the Board of Directors' Report. Additional quantitative information is found below.

Life insurance risk and market risks in the Life insurance operations

Sensitivites EURm	31 Dec 2011		31 Dec 2010	
	Effect on policyholders	Effect on Nordea's own account	Effect on policyholders	Effect on Nordea's own account
Mortality – increased living with 1 year	-148.1	-92.1	-133.1	-73.4
Mortality – decreased living with 1 year	226.9	18.3	189.5	8.1
Disability – 10% increase	-33.7	-6.5	-27.7	-5.0
Disability – 10% decrease	33.6	6.5	27.5	5.0
50 bp increase in interest rates	-207.5	83.3	-77.9	-0.2
50 bp decrease in interest rates	200.4	-97.2	32.1	0.2
12% decrease in all shareprices	-712.8	-81.7	-457.4	-5.7
8% decrease in property value	-194.4	-46.3	-262.7	-8.3
8% loss on counterparties	-39.0	-0.2	-32.7	0.0

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

31 Dec 2011, EURm	non	0 pct.	0 to 3 pct.	3 to 5 pct.	Over 5 pct.	Total liabilities
Technical provision	10,867	3,647	13,627	10,380	176	38,697

31 Dec 2010, EURm	non	0 pct.	0 to 3 pct.	3 to 5 pct.	Over 5 pct.	Total liabilities
Technical provision	11,089	3,267	11,665	10,169	170	36,360

Risk profiles on insurance

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

G30

Debt securities in issue

EURm	31 Dec 2011	31 Dec 2010
Certificates of deposit	35,459	43,265
Commercial papers	31,381	12,792
Bond loans	112,954	95,369
Other	156	152
Total	179,950	151,578

G31

Other liabilities

EURm	31 Dec 2011	31 Dec 2010
Liabilities on securities settlement proceeds	14,355	17,516
Sold, not held, securities	13,539	14,048
Accounts payable	230	267
Cash/margin payable	4,374	2,896
Other	10,870	3,863
Total	43,368	38,590
– of which expected to be settled after more than 1 year	164	51

G32

Accrued expenses and prepaid income

EURm	31 Dec 2011	31 Dec 2010
Accrued interest	2,113	1,993
Other accrued expenses	1,027	1,074
Prepaid income	356	323
Total	3,496	3,390
– of which expected to be settled after more than 1 year	25	3

G33

Provisions

EURm	31 Dec 2011	31 Dec 2010
Reserve for restructuring costs	152	20
Transfer risk, off-balance	13	22
Individually assessed, guarantees and other commitments	80	309
Tax	112	111
Other	126	119
Total	483	581

	Restructuring	Transfer risk	Off-balance sheet	Tax	Other	Total
At beginning of year	20	22	309	111	119	581
New provisions made	155	1	86	0	57	299
Provisions utilised	–20	—	–247	—	–35	–302
Reversals	–3	–10	–60	—	–15	–88
Reclassifications	—	—	–8	—	0	–8
Discount effect	—	—	—	—	0	0
Translation differences	0	0	0	1	0	1
At end of year	152	13	80	112	126	483
– of which expected to be settled after more than 1 year	25	13	57	111	53	259

Provision for restructuring costs amounts to EUR 152m and relates mainly to New Normal. The New Normal provision relates to termination benefits (EUR 120m) as well as other provisions mainly related to redundant premises (EUR 20m) arising from the so called New Normal initiative. The New Normal initiative has 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. The majority of the provision is expected to be used during 2012. 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 2012.

Provision for Transfer risk of EUR 13m 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 G14. 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 80m. The significant decrease compared to the opening balance is due to that significant payments have been made in relation to Danish state guarantees.

Nordea has an on-going tax litigation related to the sales gain in respect of the divestment of Nordea's owner occupied properties in Sweden, which has been provided for with EUR 111m. Nordea is of the opinion that all tax rules and regulations have been complied with and is contesting the claim in court. The court procedures are expected to have a duration of several years.

Other provisions refers to the following provisions: Provision for premiums in Defined Contribution Plans EUR 44m (EUR 11m expected to be settled 2012), provision for state guarantee fees EUR 57m to be settled 2012 and other provisions amounting to EUR 25m (EUR 5m expected to be settled 2012). The provision related to Defined Contribution Plans is expected to be settled over the following 5–10 years.

G34

Retirement benefit obligations

EURm	31 Dec 2011	31 Dec 2010
Defined benefit plans, net	102	150
Total	102	150

Nordea has pension obligations from defined benefit plans (DBP) in all Nordic countries with the predominant share in Sweden, Norway and Finland. The plans in Finland, and Norway as from 2011, are closed to new employees and pensions for new employees are instead based on defined contribution plan (DCP) arrangements as is also the case in Denmark. DCPs are not reflected on the balance sheet, except when earned pensions rights have not yet been paid for. Nordea also contributes to public pension plans.

IAS 19 secures that the market based value of pension obligations net of plan assets backing these obligations will be reflected in the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

Funded schemes	Swe	Nor	Fin	Den
2011				
Members	22,191	5,191	18,988	57
Average member age	56	60	64	74
2010				
Members	21,979	6,068	19,208	59
Average member age	56	56	61	73

Changes in pension plans 2011

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer DBP plan that cannot be calculated as DBP by year end 2011, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a DCP in accordance with IAS 19. Information on the funded status in the plan is not available. However, Fellesordningen has increased the premium rate from 1.60% of the salary basis in 2011 to 1.75% in 2012, and the rate is expected to increase further in the future.

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on the actuarial assumptions fixed for each of the Group's pension plans.

Assumptions	Swe	Nor	Fin	Den
2011				
Discount rate	3.5%	3.0%	4.5%	3.5%
Salary increase	3.0%	3.0%	3.0%	3.5%
Inflation	2.0%	2.0%	2.0%	2.0%
Expected return on assets before taxes	4.5%	4.0%	5.5%	4.5%
2010				
Discount rate	4.0%	4.0%	4.5%	4.0%
Salary increase	3.5%	3.5%	3.5%	3.5%
Inflation	2.0%	2.0%	2.0%	2.0%
Expected return on assets before taxes	5.0%	5.0%	5.5%	5.0%

The expected return on assets is based on long term expectations for return on the different asset classes. On bonds, this is linked to the discount rate while equities and real estate have an added risk premium.

The discount rate has the most significant impact on the obligation and pension cost. If the discount rate is reduced the pension obligation will increase and vice versa. A one percentage point increase in the discount rate would lead to a decrease in pension obligation of 13% and in service cost of 22%. A one percentage point decrease in the discount rate would lead to an increase in pension obligation of 16% and in service cost of 29%.

Asset composition

The combined return on assets in 2011 was 3.5% (8.0%) mainly driven by the negative development in government bond holdings.

At the end of the year, the equity exposure in pension funds/foundations represented 17% (19%) of total assets.

G34 Retirement benefit obligations, cont.

Asset composition in funded schemes	Swe 2011	Nor 2011	Fin 2011	Den 2011	Total 2011	Total 2010
Equity	17%	17%	18%	8%	17%	19%
Bonds	82%	65%	70%	69%	74%	74%
Real estate	—	17%	10%	—	7%	5%
– of which Nordea real estate	—	—	3%	—	1%	1%
Other plan assets	1%	1%	2%	23%	2%	2%

Amounts recognised in the balance sheet

EURm	Swe 2011	Nor 2011	Fin 2011	Den 2011	Total 2011	Total 2010
Pension Benefit Obligation (PBO)	1,574	1,005	774	131	3,484	3,305
Plan assets	1,249	633	837	129	2,848	2,766
Total surplus/deficit (–)	–325	–372	63	–2	–636	–539
– of which unrecognised actuarial gains/losses (–)	–269	–205	–31	–29	–534	–389
Of which recognised in the balance sheet	–56	–167	94	27	–102	–150
– of which retirement benefit assets	64	7	121	31	223	187
– of which retirement benefit obligations	120	174	27	4	325	337
– of which related to unfunded plans (PBO)	137	207	20	4	368	346

Overview of surplus or deficit in the plans

EURm	Total 2011	Total 2010	Total 2009	Total 2008	Total 2007
PBO	3,484	3,305	3,087	2,830	2,775
Plan Assets	2,848	2,766	2,397	2,099	2,407
Surplus/deficit (–)	–636	–539	–690	–731	–368

Changes in the PBO

EURm	Swe 2011	Nor 2011	Fin 2011	Den 2011	Total 2011	Total 2010
PBO at 1 Jan	1,463	941	785	116	3,305	3,087
Service cost	35	25	3	0	63	73
Interest cost	57	35	34	5	131	132
Pensions paid	–67	–50	–41	–8	–166	–148
Curtailements and settlements	—	–16	—	—	–16	–106
Past service cost	14	17	—	0	31	3
Actuarial gains (–)/losses	66	48	–9	18	123	30
Translation differences	10	6	2	0	18	249
Change in provision for SWT/SSC ¹	–4	–1	—	—	–5	–15
PBO at 31 Dec	1,574	1,005	774	131	3,484	3,305

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway calculated on recognised amounts in the balance sheet.

Changes in the fair value of plan assets

EURm	Swe 2011	Nor 2011	Fin 2011	Den 2011	Total 2011	Total 2010
Assets at 1 Jan	1,155	614	872	125	2,766	2,397
Expected return on assets	53	31	45	5	134	120
Pensions paid	—	–49	–41	–7	–97	–83
Curtailements and settlements	—	–10	—	—	–10	0
Contributions	4	58	10	7	79	87
Actuarial gains/losses (–)	29	–15	–51	–1	–38	71
Translation differences	8	4	2	0	14	174
Plan assets at 31 Dec	1,249	633	837	129	2,848	2,766
Actual return on plan assets	82	16	–6	4	96	191

G34

Retirement benefit obligations, cont.

Overview of actuarial gains/losses

EURm	Total 2011	Total 2010	Total 2009	Total 2008	Total 2007
Effects of changes in actuarial assumptions	-130	-44	51	-337	230
Experience adjustments	-31	85	84	-268	-41
– of which on plan assets	-38	71	73	-225	-34
– of which on plan liabilities	7	14	11	-43	-7
Actuarial gains/losses	-161	41	135	-605	189

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 124m (EUR 37m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7).

Recognised net defined benefit cost, EURm	Swe 2011	Nor 2011	Fin 2011	Den 2011	Total 2011	Total 2010
Service cost	35	25	3	0	63	73
Interest cost	57	35	34	5	131	132
Expected return on assets	-53	-31	-45	-5	-134	-120
Curtailments and settlements ¹	—	-4	—	—	-4	-81
Recognised past service cost ²	14	17	—	0	31	3
Recognised actuarial gains (-)/losses	10	6	1	0	17	20
SWT/SSC ³	13	7	—	—	20	10
Pension cost on defined benefit plans	76	55	-7	0	124	37

1) Includes recognised actuarial losses of EUR 2m (EUR 25m) related to the curtailment.

2) Of which EUR 30m related to New Normal in 2011.

3) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

The pension cost is higher than expected in the beginning of the year, mainly due to the New Normal initiative further described in the Board of Directors' report. The pension cost on defined benefit plans is expected to decrease in 2012, mainly as a consequence of that past service cost is expected to decrease.

The Group expects to contribute EUR 61m to its defined benefit plans in 2012.

Key management personnel

The Group's total pension obligations relating to key management personnel amounted to EUR 35m (EUR 40m) at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Service cost, Past service cost and Curtailments and settlements as defined in IAS 19) relating to key management personnel in 2011 were EUR 3m (EUR 2m). Complete information concerning key management personnel is disclosed in Note G7.

G35

Subordinated liabilities

EURm	31 Dec 2011	31 Dec 2010
Dated subordinated debenture loans	3,818	5,173
Undated subordinated debenture loans	658	626
Hybrid capital loans	2,027	1,962
Total	6,503	7,761

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

G36

Assets pledged as security for own liabilities

EURm	31 Dec 2011	31 Dec 2010 ³
Assets pledged for own liabilities		
Lease agreements ¹	78	128
Securities etc ²	23,239	23,533
Loans to the public	103,451	103,453
Other pledged assets	20,126	22,003
Total	146,894	149,117

The above pledges pertain to the following liabilities

Deposits by credit institutions	10,263	18,728
Deposits and borrowings from the public	2,379	12,585
Derivatives	639	417
Debt securities in issue	78,208	67,756
Other liabilities and commitments	36,970	13,294
Total	128,459	112,780

- 1) The agreements are financial lease agreements where Nordea is the lessor. The associated assets are Loans to the public.
- 2) Relates only to securities recognised in the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised in the balance sheet and thus not included in the amount. Such transactions are disclosed in Note G44. Obtained collaterals which are permitted to be sold or repledged.
- 3) The comparative figures for 2010 have been restated to ensure consistency between years.

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.

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company's insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other relates to certificate of deposits pledged by Nordea to comply with authority requirements and assets funded by finance lease agreements.

G37

Other assets pledged

EURm	31 Dec 2011	31 Dec 2010
Other assets pledged¹		
Lease agreements	0	0
Securities etc	6,063	5,951
Other assets pledged	27	21
Total	6,090	5,972

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

Securities etc. includes interest-bearing securities pledged as security for payment settlements within the Central bank of Sweden. The terms and conditions require day to day security and relate to liquidity intraday/over night. Other pledged assets relate to pledged deposits.

G38

Contingent liabilities

EURm	31 Dec 2011	31 Dec 2010
Guarantees		
– Loan guarantees	4,897	5,644
– Other guarantees	16,730	15,646
Documentary credits	2,626	2,515
Other contingent liabilities	215	158
Total	24,468	23,963

In the normal business of Nordea, the bank issues various forms of guarantees in favour of the 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.

Nordea Bank AB (publ) has issued a guarantee covering all commitments in Nordea Investment Management AB, org no 556060-2301 and Nordea Fastigheter AB, org no 556021-4917.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in subsidiaries to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7.

Legal proceedings

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

G39

Commitments

EURm	31 Dec 2011	31 Dec 2010 ²
Future payment obligations	996	1,589
Credit commitments ¹	85,319	88,740
Other commitments	655	1,097
Total	86,970	91,426

1) Including unutilised portion of approved overdraft facilities of EUR 47,607m (EUR 50,522m).

2) The comparative figures for 2010 have been restated to ensure consistency between the years.

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2011 signed reverse repurchase agreements 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 2011. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about derivatives, see Note G18 and about reverse repos, see Note G44.

G40

Insurance activities¹

Operating profit, insurance

EURm	2011	2010
Operating income¹		
Fee and commission income	340	336
Fee and commission expense	-132	-126
Net fee and commission income	208	210
Net result on items at fair value	179	305
Operating income	387	515
Operating expenses		
Staff costs	-128	-124
Other expenses	-83	-81
Depreciation, amortisation and impairment charges of tangible and intangible assets	-6	-6
Total operating expenses	-217	-211
Operating profit, insurance	170	304

1) Before allocations and elimination of intra-group transactions.

Operating profit, insurance

EURm	2011	2010
Technical result		
Premiums written	5,576	5,113
Investment income, investment contracts	782	806
Investment income, insurance contracts	-354	1,984
Other technical income	139	-20
Claims paid	-3,823	-3,163
Change in technical provisions, investment contracts	-910	-2,778
Change in technical provisions, insurance contracts	-1,499	-1,180
Change in collective bonus potential	575	-159
Operating expenses	-350	-333
Technical result	136	270
Non-technical investment income	34	34
Operating profit	170	304

Balance sheet

EURm	31 Dec 2011	31 Dec 2010
Assets		
Cash and balances with central banks	1	66
Loans to the public	877	614
Loans to credit institutions	1,922	1,538
Interest bearing securities	25,789	25,591
Shares and participations	15,559	13,184
Derivatives	463	313
Participating interests	233	223
Intangible assets	335	341
Tangible assets	26	28
Investment property	3,523	3,506
Deferred tax assets	—	12
Current tax assets	—	3
Other assets	439	426
Prepaid expenses and accrued income	432	404
Total assets	49,599	46,249
– of which intra-group transactions	4,879	3,455

Liabilities

Deposits by credit institutions and central banks	3,941	3,840
Deposits and borrowings from the public	630	173
Liabilities to Life insurance policyholders	40,715	38,766
Derivatives	117	356
Current tax liabilities	22	24
Other liabilities	1,766	680
Accrued expenses and deferred income	128	160
Deferred tax liabilities	282	266
Retirement benefit obligation	9	7
Subordinated liabilities	523	522
Total liabilities	48,133	44,794
Equity	1,466	1,455
Total liabilities and equity	49,599	46,249
– of which intra-group transactions	5,796	4,182

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Capital adequacy

Calculation of total capital base

EURm	31 Dec 2011	31 Dec 2010
Equity	26,120	24,538
Proposed/actual dividend	-1,048	-1,168
Hybrid capital loans	1,964	1,946
Deferred tax assets	-169	-266
Intangible assets	-2,986	-2,878
IRB provisions excess (+)/shortfall (-)	-243	-234
Deduction for investments in credit institutions (50%)	-117	-106
Other items, net	-880	-783
Tier 1 capital (net after deduction)	22,641	21,049
– of which hybrid capital	1,964	1,946
Tier 2 capital	3,924	5,305
– of which perpetual subordinated loans	723	710
IRB provisions excess (+)/shortfall (-)	-243	-234
Deduction for investments in credit institutions (50%)	-117	-106
Other deduction	-1,367	-1,280
Total	24,838	24,734

Capital requirements and RWA

EURm	31 Dec 2011		31 Dec 2010	
	Capital requirement	Basel II RWA	Capital requirement	Basel II RWA
Credit risk	12,929	161,604	13,173	164,662
IRB foundation	9,895	123,686	10,028	125,346
– of which corporate	6,936	86,696	7,204	90,047
– of which institutions	897	11,215	722	9,021
– of which retail	1,949	24,367	1,964	24,556
– of which other	113	1,408	138	1,722
Standardised	3,034	37,918	3,145	39,316
– of which sovereign	43	536	35	434
– of which retail	795	9,934	781	9,760
– of which corporate and institutions	2,196	27,448	2,329	29,122
Market risk¹	652	8,144	461	5,765
– of which trading book, Internal Approach	390	4,875	105	1,317
– of which trading book, Standardised Approach	206	2,571	278	3,469
– of which banking book, Standardised Approach	56	698	78	979
Operational risk	1,236	15,452	1,176	14,704
– of which standardised	1,236	15,452	1,176	14,704
Sub total	14,817	185,200	14,810	185,131
Adjustment for transition rules				
Additional capital requirement according to transition rules	3,087	38,591	2,370	29,629
Total	17,904	223,791	17,180	214,760

1) Note that the comparison figures are not restated with respect to CRD III.

More Capital Adequacy information can be found in the Risk, Liquidity and Capital management section page 67.

Generally, Nordea Group has the ability to transfer capital within its legal entities without material restrictions. International transfers of capital between legal entities are normally possible after approval by of the local regulator and

are of importance when governing the capital position within the Group. The guarantee schemes introduced within EU during 2008 has under certain circumstances limited the transferability of capital with impact on crossborder financial groups. There are no such restrictions directly affecting Nordea as per end of 2011.

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Classification of financial instruments

			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		
31 Dec 2011, EURm	Loans and receivables	Held to maturity	Held for trading						Total
Assets									
Cash and balances with central banks	3,765	—	—	—	—	—	—		3,765
Treasury bills	300	361	9,838	—	—	606	—		11,105
Loans to credit institutions	43,026	—	5,312	3,527	—	—	—		51,865
Loans to the public	264,272	—	23,718	49,213	—	—	—		337,203
Interest-bearing securities	100	7,532	33,300	21,138	—	19,198	—		81,268
Financial instruments pledged as collateral	—	—	8,373	—	—	—	—		8,373
Shares	—	—	4,474	15,683	—	10	—		20,167
Derivatives	—	—	169,402	—	2,541	—	—		171,943
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-215	—	—	—	—	—	—		-215
Investments in associated undertakings	—	—	—	—	—	—	591		591
Intangible assets	—	—	—	—	—	—	3,321		3,321
Property and equipment	—	—	—	—	—	—	469		469
Investment property	—	—	—	—	—	—	3,644		3,644
Deferred tax assets	—	—	—	—	—	—	169		169
Current tax assets	—	—	—	—	—	—	185		185
Retirement benefit assets	—	—	—	—	—	—	223		223
Other assets	12,548	—	—	6,854	—	—	23		19,425
Prepaid expenses and accrued income	2,124	—	169	36	—	—	374		2,703
Total	325,920	7,893	254,586	96,451	2,541	19,814	8,999		716,204
			Financial liabilities at fair value through profit or loss						
			Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities		Total
Liabilities									
Deposits by credit institutions			12,934	7,204	—	35,178	—		55,316
Deposits and borrowings from the public			14,092	6,962	—	169,038	—		190,092
Liabilities to policyholders			—	10,226	—	—	30,489		40,715
Debt securities in issue			6,087	31,756	—	142,107	—		179,950
Derivatives			166,763	—	627	—	—		167,390
Fair value changes of the hedged items in portfolio hedge of interest rate risk			—	—	—	1,274	—		1,274
Current tax liabilities			—	—	—	—	154		154
Other liabilities			13,539	5,024	—	24,677	128		43,368
Accrued expenses and prepaid income			—	664	—	1,805	1,027		3,496
Deferred tax liabilities			—	—	—	—	1,018		1,018
Provisions			—	—	—	—	483		483
Retirement benefit obligations			—	—	—	—	325		325
Subordinated liabilities			—	—	—	6,503	—		6,503
Total			213,415	61,836	627	380,582	33,624		690,084

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Classification of financial instruments, cont.

31 Dec 2010, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss		Derivatives used for hedging	Available for sale	Non-financial assets	Total
			Held for trading	Designated at fair value through profit or loss				
Assets								
Cash and balances with central banks	10,023	—	—	—	—	—	—	10,023
Treasury bills	—	638	9,776	2,698	—	—	—	13,112
Loans to credit institutions	7,619	—	7,413	756	—	—	—	15,788
Loans to the public	251,090	—	17,256	45,865	—	—	—	314,211
Interest-bearing securities	—	15,417	28,536	19,425	—	5,759	—	69,137
Financial instruments pledged as collateral	—	—	9,494	—	—	—	—	9,494
Shares	—	—	3,976	13,311	—	6	—	17,293
Derivatives	—	—	96,099	—	726	—	—	96,825
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,127	—	—	—	—	—	—	1,127
Investments in associated undertakings	—	—	—	—	—	—	554	554
Intangible assets	—	—	—	—	—	—	3,219	3,219
Property and equipment	—	—	—	—	—	—	454	454
Investment property	—	—	—	—	—	—	3,568	3,568
Deferred tax assets	—	—	—	—	—	—	278	278
Current tax assets	—	—	—	—	—	—	262	262
Retirement benefit assets	—	—	—	—	—	—	187	187
Other assets	19,208	—	55	3,573	—	—	21	22,857
Prepaid expenses and accrued income	2,086	—	8	41	—	—	315	2,450
Total	291,153	16,055	172,613	85,669	726	5,765	8,858	580,839
31 Dec 2010, EURm	Financial liabilities at fair value through profit or loss				Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
	Held for trading	Designated at fair value through profit or loss						
Liabilities								
Deposits by credit institutions			11,827	7,545	—	21,364	—	40,736
Deposits and borrowings from the public			12,180	6,064	—	158,146	—	176,390
Liabilities to policyholders				9,339	—	—	29,427	38,766
Debt securities in issue			5,907	30,963	—	114,708	—	151,578
Derivatives			95,226	—	661	—	—	95,887
Fair value changes of the hedged items in portfolio hedge of interest rate risk			—	—	—	898	—	898
Current tax liabilities			—	—	—	—	502	502
Other liabilities			14,048	3,510	—	20,954	78	38,590
Accrued expenses and prepaid income			—	546	—	1,770	1,074	3,390
Deferred tax liabilities			—	—	—	—	885	885
Provisions			—	—	—	—	581	581
Retirement benefit obligations			—	—	—	—	337	337
Subordinated liabilities			—	—	—	7,761	—	7,761
Total			139,188	57,967	661	325,601	32,884	556,301

G42

Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2011	31 Dec 2010
Carrying amount	49,332	46,621
Maximum exposure to credit risk	49,332	46,621
Carrying amount of credit derivatives used to mitigate the credit risk	—	—

Financial liabilities designated at fair value through profit or loss

Changes in fair values attributable to changes in credit risk

The financial liabilities designated at fair value through profit or loss are issued bonds in the Danish subsidiary Nordea Kredit Realkreditaktieselskab, EUR 31,756m (EUR 30,963m), the funding of the Markets operation, EUR 19,852m (EUR 17,665m) and investment contracts in Life, EUR 10,226m (EUR 9,339m). The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant. The value of the investment contracts in Life is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

The fair value of bonds issued by Nordea Kredit Realkreditaktieselskab decreased by EUR 210m (decreased EUR 289m) in 2011 due to changes in own credit risk. The cumulative change since designation is a decrease of EUR 718m (decrease EUR 508m). The calculation method of the fair value changes attributable to changes in market conditions are based on relevant benchmark interest rates, which are the average yields on Danish and German (EUR) government bonds. For the issued mortgage bonds a change in the liability's credit risk and price will have a corresponding effect on the value of the loans. The reason is that a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loan.

Comparison of carrying amount and contractual amount to be paid at maturity

2011, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	45,641	44,225

2010, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	57,967	57,954

Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. The amount disclosed to be paid at maturity has been set to the carrying amount.

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Assets and liabilities at fair value

EURm	31 Dec 2011		31 Dec 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	3,765	3,765	10,023	10,023
Treasury bills	11,105	11,105	13,112	13,109
Loans to credit institutions	51,865	51,886	15,788	15,827
Loans to the public	337,203	337,354	314,211	314,212
Interest-bearing securities	81,268	81,530	69,137	69,119
Financial instruments pledged as collateral	8,373	8,373	9,494	9,494
Shares	20,167	20,247	17,293	17,293
Derivatives	171,943	171,943	96,825	96,825
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-215	-215	1,127	1,127
Investments in associated undertakings	591	591	554	554
Intangible assets	3,321	3,321	3,219	3,219
Property and equipment	469	469	454	454
Investment property	3,644	3,644	3,568	3,568
Deferred tax assets	169	169	278	278
Current tax assets	185	186	262	262
Retirement benefit assets	223	223	187	187
Other assets	19,425	19,425	22,857	22,857
Prepaid expenses and accrued income	2,703	2,703	2,450	2,450
Total assets	716,204	716,719	580,839	580,858
Liabilities				
Deposits by credit institutions	55,316	55,302	40,736	40,729
Deposits and borrowings from the public	190,092	190,047	176,390	176,418
Liabilities to policyholders	40,715	40,715	38,766	38,766
Debt securities in issue	179,950	179,902	151,578	152,088
Derivatives	167,390	167,390	95,887	95,887
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,274	1,274	898	898
Current tax liabilities	154	154	502	502
Other liabilities	43,368	43,368	38,590	38,590
Accrued expenses and prepaid income	3,496	3,496	3,390	3,390
Deferred tax liabilities	1,018	1,018	885	885
Provisions	483	483	581	581
Retirement benefit obligations	325	325	337	337
Subordinated liabilities	6,503	6,502	7,761	7,760
Total liabilities	690,084	689,976	556,301	556,831

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Assets and liabilities at fair value, cont.

Estimation of fair value for assets and liabilities

Financial assets and financial liabilities in the balance sheet are generally measured at fair value, with the exception of loans, deposits and borrowings and issued securities.

The carrying amounts on loans, deposits and borrowings and issued securities are adjusted for the value of the fixed interest term, unless the interest risk is hedged, in order to estimate the fair values that are presented in the tables above. The value of the fixed interest term is a result of changes in the relevant market interest rates. The discount rates used are based on current market rates for each term. The fair value of the hedged interest rate risk is included in the balance sheet item "Fair value changes of the hedged items in portfolio hedge of interest rate risk".

Fair value is estimated to be equal to the carrying amount for short-term financial assets and financial liabilities. The carrying amount is a reasonable approximation of fair value due to limited credit risk and short time to maturity.

Fair value is set to carrying amount, in the tables above, for assets and liabilities for which no reliable fair value has been possible to estimate. This is valid for the line items investments in associated undertakings, investments in group undertakings, intangible assets, property and equipment and provisions.

Nordea holds very limited amounts of financial instruments with discretionary participating features in the Life business, which are recognised in the balance sheet in the line "Liabilities to policyholders". These instruments can not be reliably measured at fair value and consequently the fair value for these instruments are set to carrying amount.

Nordea holds very limited amounts of equity instruments measured at cost. Fair value is set to carrying amount for these instruments as the fair value can not be measured reliably.

For further information about valuation of items normally measured at fair value, see Note G1.

Deferred Day 1 profit or loss

In accordance with the Group's accounting policy as described in Note G1, if there are significant unobservable inputs used in the valuation technique, the financial instrument is recognised at the transaction price and any trade date profit is deferred. The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of changes in the balance of this difference (movement of deferred Day 1 profit or loss).

EURm	31 Dec 2011	31 Dec 2010
Amount at beginning of year	42	44
Deferred profit/loss on new transactions	1	14
Recognised in the income statement during the year	-14	-16
Amount at end of year	29	42

Determination of fair value from quoted market prices or valuation techniques

Fair value measurements are categorised using a fair value hierarchy. The financial instruments carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy that reflects the 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. To categorise the instruments into the three levels, the relevant pricing models for each product is considered in combination with used input market data, the significance of derived input data, the complexity of the model and the accessible pricing data to verify model input. Although the complexity of the model is considered, a high complexity does not by default require that products are categorised into level 3. It is the use of model parameters and the extent of unobservability that defines the fair value hierarchy levels.

For bonds the categorisation into the three levels is based on the internal pricing methodology. The bonds 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.

Valuation of Private Equity Funds (PEF) and unlisted equities will in nature be 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 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.

Level 1 consists of financial assets and financial 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 ongoing 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 exists.

Level 2 consists of financial assets and financial liabilities which do not have directly quoted market prices available from an active market. The fair values are estimated using a valuation technique or valuation model based on market prices or rates prevailing at the balance sheet date and any unobservable inputs are insignificant in the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/loaned and other instruments where an active market supplies the input to the valuation technique or model.

Level 3 consists of those types of financial instruments 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, hedge funds, and both more complex or less active markets supplying input to the technique or model for OTC derivatives, certain complex or structured financial instruments such as CLNs and CDOs, and illiquid bonds.

The following table presents the valuation methods used to determine fair values of financial instruments carried at fair value.

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Assets and liabilities at fair value, cont

31 Dec 2011, EURm	Quoted prices in active markets for same instrument (Level 1)	– of which Life	Valuation technique using observable data (Level 2)	– of which Life	Valuation technique using non-observable data (Level 3)	– of which Life	Total
Assets							
Loans to credit institutions	48	—	8,791	—	—	—	8,839
Loans to the public	—	—	72,931	—	—	—	72,931
Debt securities ¹	71,424	14,443	19,230	5,944	1,149	750	91,803
Shares ²	15,893	12,134	3	—	4,921	3,425	20,817
Derivatives	551	3	170,435	11	957	—	171,943
Other assets	—	—	6,854	—	—	—	6,854
Prepaid expenses and accrued income	—	—	205	—	—	—	205
Liabilities							
Deposits by credit institutions	—	—	20,138	—	—	—	20,138
Deposits and borrowings from the public	—	—	21,054	—	—	—	21,054
Liabilities to policy holders	—	—	10,226	10,226	—	—	10,226
Debt securities in issue	31,756	—	6,087	—	—	—	37,843
Derivatives	396	38	165,748	17	1,246	5	167,390
Other liabilities	8,212	—	10,351	—	—	—	18,563
Accrued expenses and prepaid income	—	—	664	—	—	—	664

1) Of which EUR 10,444m Treasury bills and EUR 73,636m Interest-bearing securities (the portion held at fair value in Note G42). EUR 7,723m relates to the balance sheet item Financial instruments pledged as collateral.

2) EUR 650m relates to the balance sheet item Financial instruments pledged as collateral.

31 Dec 2010, EURm	Quoted prices in active markets for same instrument (Level 1)	– of which Life	Valuation technique using observable data (Level 2)	– of which Life	Valuation technique using non-observable data (Level 3)	– of which Life	Total
Assets							
Loans to credit institutions	—	—	8,169	—	—	—	8,169
Loans to the public	—	—	63,121	—	—	—	63,121
Debt securities ¹	54,916	17,502	18,404	2,835	1,848	1,787	75,168
Shares ²	13,483	10,674	93	85	4,237	2,425	17,813
Derivatives	700	7	93,928	17	2,197	—	96,825
Other assets	—	—	3,628	—	—	—	3,628
Prepaid expenses and accrued income	—	—	49	—	—	—	49
Liabilities							
Deposits by credit institutions	—	—	19,372	—	—	—	19,372
Deposits and borrowings from the public	—	—	18,244	—	—	—	18,244
Liabilities to policy holders	—	—	9,339	9,339	—	—	9,339
Debt securities in issue	30,963	—	5,907	—	—	—	36,870
Derivatives	421	2	93,204	15	2,262	—	95,887
Other liabilities	7,501	—	10,057	—	—	—	17,558
Accrued expenses and prepaid income	—	—	546	—	—	—	546

1) Of which EUR 12,474m Treasury bills and EUR 53,720m Interest-bearing securities (the portion held at fair value in Note G42). EUR 8,974m relates to the balance sheet item Financial instruments pledged as collateral.

2) EUR 520m relates to the balance sheet item Financial instruments pledged as collateral.

G43 Assets and liabilities at fair value, cont

Transfers between level 1 and 2

During the year, Nordea Group transferred debt securities of EUR 3,057m (EUR 31m) from level 1 to level 2 and EUR 496m (EUR 949m) from level 2 to level 1 of the fair value hierarchy for financial assets and liabilities at fair value. The reason for 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 transfers from level 2 to level 1 was that the instruments have again been actively traded during the year and reliable quoted prices are obtained in the markets.

Movements in level 3

The following table shows a reconciliation of the opening and closing carrying amounts of level 3 financial assets and liabilities recognised at fair value.

31 Dec 2011, EURm	1 Jan 2011	Fair value gains/losses recognised in the income statement during the year		Purchases	Sales	Settlements	Net transfers into/out of level 3	Translation differences	31 Dec 2011
		Realised	Unrealised ¹						
Debt securities	1,848	-13	149	417	-671	—	-587	6	1,149
– of which Life	1,787	-13	-16	110	-536	—	-587	5	750
Shares	4,237	65	-79	1,819	-1,533	—	599	-187	4,921
– of which life	2,425	43	2	1,434	-1,084	—	599	6	3,425
Derivatives (net of assets and liabilities)	-65	485	-228	—	—	-485	4	0	-289

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

31 Dec 2010, EURm	1 Jan 2010	Realised	Unrealised ¹	Purchases	Sales	Settlements	Net transfers into/out of level 3	Translation differences	31 Dec 2010
Debt securities	1,556	42	145	997	-919	—	15	12	1,848
– of which Life	1,436	49	115	980	-821	—	29	-1	1,787
Shares	3,705	237	377	2,048	-2,139	—	—	9	4,237
– of which life	2,288	310	96	1,171	-1,450	—	—	10	2,425
Derivatives (net of assets and liabilities)	56	8	-121	—	—	-8	—	0	-65

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

Fair value gains/losses recognised in the income statement during the year are included in “Net result from items at fair value” (see Note G5).

G43

Assets and liabilities at fair value, cont

Sensitivity of level 3 financial instruments measured at fair value to changes in key assumptions

Included in the fair value of financial instruments carried at fair value on the balance sheet are those estimated in full or in part 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. 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").

This disclosure shows the potential impact from the relative uncertainty in the fair value of financial instruments for which the valuation is dependent on unobservable input parameters. The estimates disclosed below 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.

The following table shows the sensitivity of the fair value of level 3 instruments to changes in key assumptions, by class of instruments. Where the exposure to an unobservable parameter is offset across different instruments only the net impact is disclosed in the table.

31 Dec 2011, EURm	Carrying amount	Effect of reasonably possible alternative assumptions	
		Favourable	Unfavourable
Debt securities	1,149	58	-58
– of which Life	750	28	-28
Shares	4,921	444	-444
– of which Life	3,425	342	-342
Derivatives	-289	20	-43
31 Dec 2010, EURm			
Debt securities	1,848	92	-92
– of which Life	1,787	89	-89
Shares	4,237	389	-389
– of which Life	2,425	242	-242
Derivatives	-65	22	-29

In order to calculate the effect on level 3 fair values, from altering the assumptions of the valuation technique or model, the sensitivity to unobservable input data is assessed. For the derivatives portfolio key inputs, that are based on pricing model assumptions or unobservability of market data inputs, are replaced by alternative estimates or assumptions and the impact on the valuation computed. The majority of the effect

on the derivatives is related to various types of correlations or correlation related inputs in credit derivatives, in interest rate OTC derivatives or OTC structured equity derivatives. For the level 3 portfolios of shares and debt securities the fair value was increased and decreased within a range of 3–10 percentage units, which are assessed to be reasonable changes in market movements.

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Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. 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.

EURm	31 Dec 2011	31 Dec 2010
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	32,700	29,575
– of which repledged or sold	10,499	21,844
Securities borrowing agreements		
Received collaterals which can be repledged or sold	2,261	1,493
– of which repledged or sold	2,206	1,501
Total	34,961	31,068

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Investments, customer bearing the risk

Life Group and Nordea Bank Danmark A/S have assets and liabilities included in their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included in the Group's balance sheet.

EURm	31 Dec 2011	31 Dec 2010
Assets		
Interest-bearing securities	2,262	1,860
Shares	13,649	13,766
Other assets	259	604
Total assets	16,170	16,230
Liabilities		
Deposits and borrowings from the public	3,932	3,868
Insurance contracts	4,900	5,202
Investment contracts	7,338	6,738
Other liabilities	—	422
Total liabilities	16,170	16,230

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Maturity analysis for assets and liabilities

Remaining maturity

31 Dec 2011, EURm	Note	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks		3,765	—	—	—	—	—	3,765
Treasury bills	G13	—	1,092	856	8,305	852	—	11,105
Loans to credit institutions	G14	18,840	28,306	271	4,070	377	—	51,865
Loans to the public	G14	25,293	78,608	17,138	74,826	141,338	—	337,203
Interest-bearing securities	G15	3,713	16,098	17,912	30,172	13,373	—	81,268
Financial instruments pledged as collateral	G16	—	1,013	3,632	2,240	1,488	—	8,373
Derivatives	G18	—	9,660	7,452	39,854	114,978	—	171,943
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G19	55	–644	93	298	–17	—	–215
Total assets with fixed maturities		51,666	134,133	47,354	159,765	272,389	—	665,307
Other assets		—	—	—	—	—	50,897	50,897
Total assets		51,666	134,133	47,354	159,765	272,389	50,897	716,204
Deposits by credit institutions	G27	7,025	42,675	1,800	3,153	663	—	55,316
Deposits and borrowings from the public	G28	131,019	42,054	9,200	966	6,853	—	190,092
– of which Deposits		129,845	28,126	8,935	932	6,771	—	174,609
– of which Borrowings		1,174	13,928	265	34	82	—	15,483
Liabilities to policyholders	G29	656	446	1,100	7,010	31,503	—	40,715
Debt securities in issue	G30	0	61,467	26,019	63,791	28,673	—	179,950
– of which Debt securities in issue		—	61,311	26,019	63,791	28,673	—	179,794
– of which Other		0	156	—	—	—	—	156
Derivatives	G18	—	8,157	7,535	41,420	110,278	—	167,390
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G19	80	–12	166	1,782	–742	—	1,274
Subordinated liabilities	G35	—	—	—	903	5,600	—	6,503
Total liabilities with fixed maturities		138,780	154,787	45,820	119,025	182,828	—	641,240
Other liabilities		—	—	—	—	—	48,844	48,844
Equity		—	—	—	—	—	26,120	26,120
Total liabilities and equity		138,780	154,787	45,820	119,025	182,828	74,964	716,204

31 Dec 2010, EURm	Note	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks		10,023	—	—	—	—	—	10,023
Treasury bills	G13	—	533	1,127	8,057	3,395	—	13,112
Loans to credit institutions	G14	3,683	9,685	974	1,380	66	—	15,788
Loans to the public	G14	22,965	75,677	18,509	73,079	123,981	—	314,211
Interest-bearing securities	G15	512	9,609	15,298	26,577	17,141	—	69,137
Financial instruments pledged as collateral	G16	31	975	1,666	4,878	1,944	—	9,494
Derivatives	G18	—	7,030	6,605	28,804	54,386	—	96,825
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G19	—	73	16	426	612	—	1,127
Total assets with fixed maturities		37,214	103,582	44,195	143,201	201,525	—	529,717
Other assets		—	—	—	—	—	51,122	51,122
Total assets		37,214	103,582	44,195	143,201	201,525	51,122	580,839

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Maturity analysis for assets and liabilities, cont.

31 Dec 2010, EURm	Note	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Deposits by credit institutions	G27	10,462	27,199	2,176	255	644	—	40,736
Deposits and borrowings from the public	G28	126,893	34,237	7,222	1,056	6,982	—	176,390
– of which Deposits		126,738	22,020	7,221	909	6,982	—	163,870
– of which Borrowings		155	12,217	1	147	0	—	12,520
Liabilities to policyholders	G29	608	446	1,147	4,706	31,859	—	38,766
Debt securities in issue	G30	2	54,608	17,355	48,178	31,435	—	151,578
– of which Debt securities in issue		—	54,486	17,327	48,178	31,435	—	151,426
– of which Other		2	122	28	—	—	—	152
Derivatives	G18	—	7,255	6,944	29,858	51,830	—	95,887
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G19	—	5	58	341	494	—	898
Subordinated liabilities	G35	—	—	598	2,545	4,618	—	7,761
Total liabilities with fixed maturities		137,965	123,750	35,500	86,939	127,862	—	512,016
Other liabilities		—	—	—	—	—	44,285	44,285
Equity		—	—	—	—	—	24,538	24,538
Total liabilities and equity		137,965	123,750	35,500	89,939	127,862	68,823	580,839

Cash flow analysis

31 Dec 2011, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	38,971	111,528	46,072	164,943	223,354	584,868
Non interest-bearing financial assets	—	—	—	—	227,040	227,040
Total financial assets	38,971	111,528	46,072	164,943	450,394	811,908
Interest-bearing financial liabilities	122,570	170,894	37,066	83,267	45,811	459,608
Non interest-bearing financial liabilities	—	—	—	—	284,343	284,343
Total financial liabilities	122,570	170,894	37,066	83,267	330,154	743,951
Derivatives, cash inflow	—	472,043	237,136	258,547	80,731	1,048,457
Derivatives, cash outflow	—	498,215	232,090	241,188	75,374	1,046,867
Net exposure	—	–26,172	5,046	17,359	5,357	1,590
Exposure	–83,599	–85,538	14,052	99,035	125,597	69,547
Cumulative exposure	–83,599	–169,137	–155,085	–56,050	69,547	—

31 Dec 2010, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	43,027	55,280	49,582	157,977	214,917	520,783
Non interest-bearing financial assets	—	—	—	—	149,593	149,593
Total financial assets	43,027	55,280	49,582	157,977	364,510	670,376
Interest-bearing financial liabilities	126,133	136,049	36,425	72,019	72,473	443,099
Non interest-bearing financial liabilities	—	—	—	—	204,374	204,374
Total financial liabilities	126,133	136,049	36,425	72,019	276,847	647,473
Derivatives, cash inflow	—	459,741	173,362	195,877	67,016	895,996
Derivatives, cash outflow	—	458,386	169,376	191,621	65,686	885,069
Net exposure	—	1,355	3,986	4,256	1,330	10,927
Exposure	–83,106	–79,414	17,143	90,214	88,993	33,830
Cumulative exposure	–83,106	–162,520	–145,377	–55,163	33,830	—

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Maturity analysis for assets and liabilities, cont.

The table is based on contractual maturities for on balance sheet financial 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 85,319m (EUR 88,740m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 21,627m (EUR 21,290m) which may lead to future cash outflows if certain events occur. For further information about remaining maturity, see also the section of Risk, Liquidity and Capital management.

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Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

EURm	Associated undertakings		Other related parties ¹	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Assets				
Loans	275	272	12	8
Interest-bearing securities	14	—	—	—
Derivatives	246	154	—	—
Investments in associated undertakings	591	554	—	—
Total assets	1,126	980	12	8
Liabilities				
Deposits	71	121	44	71
Debt securities in issue	30	30	—	—
Derivatives	93	89	—	—
Total liabilities	194	240	44	71
Off balance²	10,519	9,358	—	—

EURm	Associated undertakings		Other related parties ¹	
	2011	2010	2011	2010
Interest income and interest expense				
Interest income	7	5	—	—
Interest expense	0	0	0	0
Net interest income and expense	7	5	0	0

1) Shareholders with significant influence and companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj, PostNord AB, Danisco A/S, Svenska Försäkringskapital AB and Tryg A/S. Transactions with related companies, that are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing, are not included in the table.

2) Including nominal values on derivatives.

Compensation and loans to key management personnel
Compensation and loans to key management personnel are specified in Note G7.

Other related-party transactions

Starting in March 2008 Nordea takes part in a guarantee consortium to support Norwegian Eksportfinans ASA in relation to its securities portfolio. Nordea owns 23% of the company with other owners being the Norwegian state and other Nordic banks. Nordea's share of the negative fair value of the contract as of the balance sheet date amounts to approx. EUR 29m. The agreement's expiring date corresponds with the maturity dates of the bonds included in the guarantee. The latest maturity is on 31 December 2023.

In 2009 Nordea entered into one transaction with a company under significant influence by a member of key management personnel, which is disclosed separately in this note due to the transaction's significance for the related company. The related company has a credit limit of EUR 26m, of which EUR 12m was utilised as of 31 December 2011. The latest maturity is 30 June 2012, with the possibility of yearly prolongation after a new credit review. Nordea has collateral in securities (shares) corresponding to 200 percent of the utilised credit limit. The transaction is made on the same criteria and terms as those for comparable transactions with companies of similar standing.

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Credit risk disclosures

Credit risk management and credit risk analysis are 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 III) 2011, which is available on www.nordea.com. Much of the information in this note is collected from the Pillar III report in order to fulfil the disclosure requirement regarding credit risk in the Annual report.

The Pillar III report contains the disclosures required by the Capital Requirements Directive (CRD), which is based on the Basel II framework. The Pillar III disclosure is aligned to how Nordea manages credit risk and is believed to be the best way to explain the credit risk exposures in Nordea. Credit risk exposures occur in different forms and are divided into the following types:

Exposure types, EURm	31 Dec 2011	31 Dec 2010
On-balance sheet items	419,603	369,839
Off-balance sheet items	51,719	57,887
Securities financing	2,084	1,197
Derivatives	42,959	28,174
Exposure At Default (EAD)	516,365	457,097

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

Reconciliation of exposure types to the balance sheet

The CRD concept of EAD is different from the accounting framework. The tables below show reconciliations from the recognised amount in the accounts to EAD. Capital requirement for credit risk is only calculated for the banking book. The counterparty risk from derivatives and repos are included in the credit exposure, while assets related to the trading book are included in market risk. Assets in the Life operations are not part of the capital requirement calculation and consequently not included in the trading or banking books. The table below shows the reconciliation of the balance sheet assets to the EAD for credit risk. Assets outside the banking book contains credit risk, but from a CRD perspective these assets are measured in other risk classes.

On-balance sheet items

31 Dec 2011, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Life insurance operations	Other	Balance sheet
Cash and balances with central banks	3,764	—	—	1	—	3,765
Treasury bills, other interest-bearing securities and pledged instruments	51,308	26,019	—	23,419	—	100,746
Loans to credit institutions	45,789	—	5,513	—	563	51,865
Loans to the public	312,288	—	26,784	878	-2,748	337,202
Derivatives ¹	—	—	171,929	14	—	171,943
Intangible assets	—	—	—	335	2,986	3,321
Other assets and prepaid expenses	6,693	20,122	30	20,073	443	47,361
Total assets	419,842	46,141	204,256	44,720	1,244	716,203

Exposure at default²

1) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives are included in the credit risk.

2) The on-balance exposure have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.

31 Dec 2010, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Life insurance operations	Other	Balance sheet
Cash and balances with central banks	9,957	—	—	66	—	10,023
Treasury bills, other interest-bearing securities and pledged instruments	48,918	18,446	—	24,379	—	91,743
Loans to credit institutions	7,965	—	7,825	—	-2	15,788
Loans to the public	296,756	—	19,701	327	-2,573	314,211
Derivatives ¹	—	—	96,801	24	—	96,825
Intangible assets	—	—	—	341	2,878	3,219
Other assets and prepaid expenses	6,846	24,217	83	17,657	227	49,030
Total assets	370,442	42,663	124,410	42,794	530	580,839
Exposure at default²	369,839					

1) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives are included in the credit risk.

2) The on-balance exposure have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.

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Credit risk disclosures, cont.

Off-balance sheet items

	Credit risk in Basel II calculation	Life insurance operations	Included in derivatives and securities financing	Off- balance sheet
31 Dec 2011, EURm				
Contingent liabilities	24,292	176	—	24,468
Commitments	85,773	201	996	86,970
Total	110,065	377	996	111,438

	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
31 Dec 2011, EURm					
Credit facilities	47,600	5,557	53,157	48%	25,343
Checking accounts	25,038	—	25,038	23%	5,636
Loan commitments	13,112	1,674	14,786	41%	6,085
Guarantees	23,114	1	23,115	62%	14,315
Other	1,201	—	1,201	28%	340
Total	110,065	7,232	117,297		51,719

	Credit risk in Basel II calculation	Life insurance operations	Included in derivatives and securities financing	Off- balance sheet
31 Dec 2010, EURm				
Contingent liabilities	23,852	111	—	23,963
Commitments	89,574	1,033	2,142	92,749
Total	113,426	1,144	2,142	116,712

	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
31 Dec 2010, EURm					
Credit facilities	48,446	31,173	79,619	35%	28,034
Checking accounts	25,188	—	25,188	23%	5,751
Loan commitments	15,181	2,379	17,560	49%	8,555
Guarantees	23,088	—	23,088	64%	14,852
Other	1,523	—	1,523	46%	695
Total	113,426	33,552	146,978		57,887

Exposure classes split by exposure type

	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
31 Dec 2011, EURm					
Government, local authorities and central banks	72,815	1,866	227	2,727	77,635
Institutions	42,209	1,990	1,159	28,338	73,696
Corporate	138,686	37,005	688	11,531	187,910
Retail	155,261	10,841	—	121	166,223
Other	10,632	17	10	242	10,901
Total exposure	419,603	51,719	2,084	42,959	516,365

	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
31 Dec 2010, EURm					
Government, local authorities and central banks	40,906	978	114	1,657	43,655
Institutions	39,750	2,307	664	18,474	61,195
Corporate	133,564	41,195	419	7,691	182,869
Retail	146,909	13,362	0	59	160,330
Other	8,710	45	—	293	9,048
Total exposure	369,839	57,887	1,197	28,174	457,097

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Credit risk disclosures, cont.

Exposure split by geography and exposure classes

31 Dec 2011, EURm	Nordic countries	– of which Denmark	– of which Finland	– of which Norway	– of which Sweden	Baltic countries	Poland	Russia	Other	Total
Government, local authorities and central banks	62,874	12,094	32,515	5,693	12,572	833	1,798	607	11,523	77,635
Institutions	69,297	5,890	36,979	6,698	19,730	240	924	117	3,118	73,696
Corporate	165,040	39,378	44,263	36,182	45,217	4,466	1,831	4,603	11,970	187,910
Retail	161,018	51,231	34,541	30,783	44,463	1,025	4,060	49	71	166,223
Other	6,326	1,690	1,551	379	2,706	2,470	298	1,174	633	10,901
Total exposure	464,555	110,283	149,849	79,735	124,688	9,034	8,911	6,550	27,315	516,365

31 Dec 2010, EURm	Nordic countries	– of which Denmark	– of which Finland	– of which Norway	– of which Sweden	Baltic countries	Poland	Russia	Other	Total
Government, local authorities and central banks	39,726	4,195	16,137	2,272	17,122	835	922	288	1,884	43,655
Institutions	54,380	10,355	26,871	2,412	14,742	79	593	185	5,958	61,195
Corporate	160,056	39,915	39,067	34,634	46,440	4,385	1,526	4,387	12,515	182,869
Retail	155,036	48,944	35,071	28,389	42,632	1,490	3,373	276	155	160,330
Other	6,337	1,967	1,024	607	2,739	1,510	288	137	776	9,048
Total exposure	415,534	105,376	118,170	68,314	123,675	8,299	6,702	5,273	21,289	457,097

Exposure split by industry group

EURm	31 Dec 2011	31 Dec 2010
Retail mortgage	127,488	119,593
Other retail	39,111	40,081
Central and local governments	36,141	25,122
Banks	94,411	43,725
Construction and engineering	5,893	4,830
Consumer durables (cars, appliances etc)	5,651	6,294
Consumer staples (food, agriculture etc)	12,621	12,629
Energy (oil, gas etc)	4,433	4,186
Health care and pharmaceuticals	2,635	2,607
Industrial capital goods	5,840	5,584
Industrial commercial services	19,636	19,353
IT software, hardware and services	1,598	2,169
Media and leisure	2,973	3,136
Metals and mining materials	1,289	1,124
Paper and forest materials	3,529	4,085
Real estate management and investment	45,036	41,611
Retail trade	13,617	13,029
Shipping and offshore	13,441	13,105
Telecommunication equipment	622	613
Telecommunication operators	2,080	2,836
Transportation	4,711	4,526
Utilities (distribution and production)	8,685	7,394
Other financial companies	35,804	47,140
Other materials (chemical, building materials etc)	7,613	8,184
Other	21,507	24,141
Total exposure	516,365	457,097

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Credit risk disclosures, cont.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2011, EURm	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
Government, local authorities and central banks	74,474	77,635	290	2
Institutions	76,428	73,696	532	6,387
Corporate	242,455	187,910	7,812	58,473
Retail	177,118	166,223	3,062	124,971
Other	11,709	10,901	2	3,473
Total exposure	582,184	516,365	11,698	193,306

31 Dec 2010, EURm	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
Government, local authorities and central banks	43,913	43,655	352	—
Institutions	65,233	61,195	933	3,328
Corporate	256,668	182,869	6,475	50,699
Retail	171,463	160,330	2,811	117,674
Other	9,514	9,048	2	2,428
Total exposure	546,791	457,097	10,573	174,129

Collateral distribution

	31 Dec 2011	31 Dec 2010
Other Physical Collateral	5.9%	5.4%
Receivables	1.2%	1.1%
Residential Real Estate	71.5%	74.4%
Commercial Real Estate	17.3%	16.6%
Financial Collateral	4.1%	2.5%

Loan-to-value distribution

Retail mortgage exposure	31 Dec 2011		31 Dec 2010	
	EURbn	%	EURbn	%
<50%	90.3	75	85.7	75
50–70%	21.6	18	20.0	18
70–80%	6.0	5	5.3	5
80–90%	1.6	1	1.8	1
>90%	0.6	1	0.8	1
Total	120.1	100	113.6	100

Collateralised Debt Obligations (CDO) – Exposure¹

Nominal, EURm	31 Dec 2011		31 Dec 2010	
	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	1,575	2,792	1,535	2,999
Hedged exposures	1,394	1,394	1,322	1,322
CDOs, net²	181³	1,398⁴	213³	1,677⁴
– of which Equity	114	385	108	406
– of which Mezzanine	65	400	104	459
– of which Senior	2	613	1	812

1) First-to-Default swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 218m (EUR 71m) and net sold protection to EUR 53m (EUR 80m). 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 181m (EUR 209m) and sub investment grade EUR 0m (EUR 4m).

4) Of which investment grade EUR 1,279m (EUR 1,497m) and sub investment grade EUR 22m (EUR 22m) and not rated EUR 167m (EUR 158m).

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Credit risk disclosures, cont.

When Nordea sells protection in a CDO transaction, Nordea carries the risk of losses in the reference portfolio on the occurrence of a credit event. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio, in which Nordea has not necessarily invested, triggered by a credit event is then carried by the seller of protection.

The risk from CDOs is hedged with a portfolio of CDSs. The risk positions are subject to various types of market risk limits, including VaR, and the CDO valuations are subject to fair value adjustments for model risk. These fair value adjustments are recognised in the income statement.

Restructured loans and receivables current year

EURm	31 Dec 2011	31 Dec 2010
Loans before restructuring, carrying amount	81	119
Loans after restructuring, carrying amount	37	66

Assets taken over for protection of claims¹

EURm	31 Dec 2011	31 Dec 2010
Current assets, carrying amount:		
Land and buildings	105	50
Shares and other participations	26	29
Other assets	6	6
Total	137	85

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 assets taken over are, at the latest, disposed when full recovery is reached.

Past due loans, excl. impaired loans

EURm	31 Dec 2011		31 Dec 2010	
	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	920	991	1,021	841
31–60 days	186	329	491	349
61–90 days	114	127	91	114
>90 days	222	306	222	298
Total	1,442	1,753	1,825	1,602
Past due not impaired loans divided by loans to the public after allowances, %	0.85	1.25	1.08	1.14

Loans to corporate customers, by size of loan

Size in EURm	31 Dec 2011		31 Dec 2010	
	Loans EUR bn	%	Loans EURbn	%
0–10	75.6	42	68.8	41
10–50	44.9	25	37.7	22
50–100	21.6	12	18.5	11
100–250	24.0	13	21.3	12
250–500	13.2	7	11.1	7
500–	1.9	1	11.7	7
Total	181.2	100	169.1	100

Interest-bearing securities and Treasury bills

EURm	31 Dec 2011			31 Dec 2010		
	At fair value	At amor-tised cost	Total	At fair value	At amor-tised cost	Total
State and sovereigns	22,165	343	22,508	18,575	604	19,179
Municipalities and other public bodies	5,217	431	5,648	3,541	434	3,975
Mortgage institutions	27,362	2,669	30,031	18,964	8,746	27,710
Other credit institutions	20,110	4,458	24,568	15,554	6,100	21,654
Corporates	5,350	392	5,742	4,925	171	5,096
Corporates, sub-investment grade	784	—	784	1,673	—	1,673
Other	3,092	—	3,092	2,962	—	2,962
Total	84,080	8,293	92,373	66,194	16,055	82,249

Financial statements, Parent company

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Income statement, Parent company

EURm	Note	2011	2010
Operating income			
Interest income		2,626	1,641
Interest expense		-1,946	-1,057
Net interest income	P3	680	584
Fee and commission income		777	735
Fee and commission expense		-217	-164
Net fee and commission income	P4	560	571
Net result from items at fair value	P5	234	157
Dividends	P6	1,534	2,203
Other operating income	P7	122	123
Total operating income		3,130	3,638
Operating expenses			
General administrative expenses:			
Staff costs	P8	-823	-745
Other expenses	P9	-561	-526
Depreciation, amortisation and impairment charges of tangible and intangible assets	P10, P23, P24	-112	-112
Total operating expenses		-1,496	-1,383
Profit before loan losses		1,634	2,255
Net loan losses	P11	-20	-33
Impairment of securities held as financial non-current assets	P21	-9	-105
Operating profit		1,605	2,117
Appropriations	P12	1	0
Income tax expense	P13	-114	-115
Net profit for the year		1,492	2,002

Statement of comprehensive income, Parent company

EURm	2011	2010
Net profit for the year	1,492	2,002
Available-for-sale investments: ¹		
Valuation gains/losses during the year	8	1
Tax on valuation gains/losses during the year	-2	0
Cash flow hedges:		
Valuation gains/losses during the year	-27	1
Tax on valuation gains/losses during the year	7	0
Other comprehensive income, net of tax	-14	2
Total comprehensive income	1,478	2,004

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

Balance sheet, Parent company

EURm	Note	31 Dec 2011	31 Dec 2010
Assets			
Cash and balances with central banks		152	182
Treasury bills	P14	3,730	4,858
Loans to credit institutions	P15	59,379	48,151
Loans to the public	P15	36,421	33,800
Interest-bearing securities	P16	14,584	15,848
Financial instruments pledged as collateral	P17	1,237	6,160
Shares	P18	1,135	320
Derivatives	P19	4,339	2,611
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	-632	795
Investments in group undertakings	P21	16,713	16,690
Investments in associated undertakings	P22	5	4
Intangible assets	P23	658	671
Property and equipment	P24	81	77
Deferred tax assets	P13	26	8
Current tax assets	P13	12	1
Other assets	P25	2,262	2,620
Prepaid expenses and accrued income	P26	1,279	1,009
Total assets		141,381	133,805
Liabilities			
Deposits by credit institutions	P27	22,441	28,644
Deposits and borrowings from the public	P28	44,389	39,620
Debt securities in issue	P29	45,367	33,424
Derivatives	P19	3,014	2,174
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	147	749
Current tax liabilities	P13	71	110
Other liabilities	P30	1,776	4,458
Accrued expenses and prepaid income	P31	851	721
Deferred tax liabilities	P13	2	0
Provisions	P32	90	35
Retirement benefit obligations	P33	153	149
Subordinated liabilities	P34	6,154	7,135
Total liabilities		124,455	117,219
Untaxed reserves	P35	5	6
Equity			
Share capital		4,047	4,043
Share premium reserve		1,080	1,065
Other reserves		-13	1
Retained earnings		11,807	11,471
Total equity		16,921	16,580
Total liabilities and equity		141,381	133,805
Assets pledged as security for own liabilities	P36	3,530	6,843
Other assets pledged	P37	7,264	7,259
Contingent liabilities	P38	24,720	23,903
Commitments	P39	25,098	29,874

Statement of changes in equity, Parent company

EURm	Restricted equity	Unrestricted equity ¹				
	Share capital	Share premium reserve	Other reserves:			Total equity
			Cash flow hedges	Available-for-sale investments	Retained earnings	
Balance at 1 Jan 2011	4,043	1,065	—	1	11,471	16,580
Net profit for the year	—	—	—	—	1,492	1,492
Available-for-sale investments:	—	—	—	—	—	—
Valuation gains/losses during the year	—	—	—	8	—	8
Tax on valuation gains/losses during the year	—	—	—	-2	—	-2
Cash flow hedges:	—	—	—	—	—	—
Valuation gains/losses during the year	—	—	-27	—	—	-27
Tax on valuation gains/losses during the year	—	—	7	—	—	7
Other comprehensive income, net of tax	—	—	-20	6	—	-14
Total comprehensive income	—	—	-20	6	1,492	1,478
Issued C-shares ²	4	—	—	—	—	4
Repurchase of C-shares ²	—	—	—	—	-4	-4
Share-based payments	—	—	—	—	11	11
Dividend for 2010	—	—	—	—	-1,168	-1,168
Divestment of own shares	—	—	—	—	5	5
Other changes	—	15 ³	—	—	—	15
Balance at 31 Dec 2011	4,047	1,080	-20	7	11,807	16,921
Balance at 1 Jan 2010	4,037	1,065	-1	—	10,399	15,500
Net profit for the year	—	—	—	—	2,002	2,002
Available-for-sale investments:	—	—	—	—	—	—
Valuation gains/losses during the year	—	—	—	1	—	1
Tax on valuation gains/losses during the year	—	—	—	0	—	0
Cash flow hedges:	—	—	—	—	—	—
Valuation gains/losses during the year	—	—	1	—	—	1
Tax on valuation gains/losses during the year	—	—	0	—	—	0
Other comprehensive income, net of tax	—	—	1	1	—	2
Total comprehensive income	—	—	1	1	2,002	2,004
Issued C-shares ²	6	—	—	—	—	6
Repurchase of C-shares ²	—	—	—	—	-6	-6
Share-based payments	—	—	—	—	16	16
Dividend for 2009	—	—	—	—	-1,006	-1,006
Divestment of own shares	—	—	—	—	66	66
Balance at 31 Dec 2010	4,043	1,065	—	1	11,471	16,580

1) Apart from retained earnings, unrestricted equity consists of a free fund to the amount of EUR 2,762m (31 Dec 2010: EUR 2,762m).

2) Refers to the Long Term Incentive Programme (LTIP). LTIP 2011 was hedged by issuing 4,730,000 C-shares (LTIP 2010 5,125,000), the shares have been bought back and converted to ordinary shares. The total holding of own shares related to LTIP is 18.2 million (31 Dec 2010 15.4 million).

3) In connection to the rights issue in 2009 an assessment was made on the VAT Nordea would have to pay on the transaction costs. This assessment has been changed in 2011 based on new tax law.

Description of items in equity is included in Note G1 Accounting policies.

Share capital

	Quota value per share, EUR	Total number of shares	Share capital, EUR
Balance at 1 Jan 2010	1.0	4,037,417,751	4 037,417,751
New issue ¹	1.0	5,125,000	5,125,000
Balance at 31 Dec 2010	1.0	4,042,542,751	4,042,542,751
New issue ¹	1.0	4,730,000	4,730,000
Balance at 31 Dec 2011	1.0	4,047,272,751	4,047,272,751

1) Refers to the Long Term Incentive Programme (LTIP).

Dividends per share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). At the AGM on 22 March 2012, a dividend in respect of 2011 of EUR 0.26 per share (2010 actual dividend EUR 0.29 per share) amount-

ing to a total of EUR 1,047,546,038 (2010 actual: EUR 1,167,867,606) is to be proposed. The financial statements for the year ended 31 December 2011 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2012.

Cash flow statement, Parent company

EURm	2011	2010
Operating activities		
Operating profit	1,605	2,117
Adjustment for items not included in cash flow	-1,109	-1,344
Income taxes paid	-166	5
Cash flow from operating activities before changes in operating assets and liabilities	330	778
Changes in operating assets		
Change in treasury bills	1,401	-1,201
Change in loans to credit institutions	-8,644	-5,005
Change in loans to the public	-2,663	-4,994
Change in interest-bearing securities	-1,301	691
Change in financial assets pledged as collateral	4,923	-3,884
Change in shares	-876	386
Change in derivatives, net	-283	-85
Change in other assets	1,732	893
Changes in operating liabilities		
Change in deposits by credit institutions	-6,202	-1,543
Change in deposits and borrowings from the public	4,768	5,003
Change in debt securities in issue	11,943	11,305
Change in other liabilities	-2,682	-1,844
Cash flow from operating activities	2,446	500
Investing activities		
Acquisition of business operations	—	-442
Sale of business operations	2	—
Acquisition of associated undertakings	-1	-2
Acquisition of property and equipment	-32	-24
Sale of property and equipment	1	1
Acquisition of intangible assets	-74	-57
Sale of intangible assets	—	0
Net investments in debt securities, held to maturity	2,841	400
Purchase/sale of other financial fixed assets	-279	0
Cash flow from investing activities	2,458	-124
Financing activities		
Issued subordinated liabilities	957	1,740
Amortised subordinated liabilities	-2,160	-1,556
New share issue	19	6
Divestment of own shares incl change in trading portfolio	1	60
Dividend paid	-1,168	-1,006
Cash flow from financing activities	-2,351	-756
Cash flow for the year	2,553	-380
Cash and cash equivalents at the beginning of year	5,499	5,879
Translation difference	0	0
Cash and cash equivalents at the end of year	8,052	5,499
Change	2,553	-380

Comments on the cash flow statement

The cash flow statement has been prepared in accordance with IAS 7. The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Operating activities

Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for non-cash items includes:

EURm	2011	2010
Depreciation	110	112
Impairment charges	11	105
Loan losses	41	54
Unrealised gains/losses	-832	-47
Capital gains/losses (net)	0	0
Change in accruals and provisions	-89	55
Anticipated dividends	-1,055	-1,598
Group contributions	-355	-305
Translation differences	86	320
Change in fair value of the hedged items, assets/liabilities (net)	962	26
Other	12	-66
Total	-1,109	-1,344

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:

EURm	2011	2010
Interest payments received	2,502	1,558
Interest expenses paid	1,820	905

Investing activities

Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial assets.

Financing activities

Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/amortised subordinated liabilities.

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2011	31 Dec 2010
Cash and balances with central banks	152	182
Loans to credit institutions, payable on demand	7,900	5,317
	8,052	5,499

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.

5 year overview, Parent company

Income statement

EURm	2011	2010	2009	2008	2007
Net interest income	680	584	666	523	360
Net fee and commission income	560	571	456	468	463
Net result from items at fair value	234	157	152	-13	194
Dividends	1,534	2,203	973	2,063	1,323
Other income	122	123	123	190	127
Total operating income	3,130	3,638	2,370	3,231	2,467
General administrative expenses:					
Staff costs	-823	-745	-644	-676	-638
Other expenses	-561	-526	-443	-473	-514
Depreciation, amortisation and impairment charges of tangible and intangible assets	-112	-112	-106	-103	-101
Total operating expenses	1,496	-1,383	-1,193	-1,252	-1,253
Profit before loan losses	1,634	2,255	1,177	1,979	1,214
Net loan losses	-20	-33	-165	-80	25
Impairment of securities held as financial non-current assets	-9	-105	—	-26	—
Operating profit	1,605	2,117	1,012	1,873	1,239
Appropriations	1	0	-3	4	-2
Income tax expense	-114	-115	-24	11	-34
Net profit for the year	1,492	2,002	985	1,888	1,203

Balance sheet

EURm	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
Treasury bills and interest-bearing securities	18,314	20,706	20,675	12,178	5,783
Loans to credit institutions	59,379	48,151	43,501	43,855	36,824
Loans to the public	36,421	33,800	28,860	29,240	26,640
Investments in group undertakings	16,713	16,690	16,165	15,866	15,488
Other assets	10,554	14,458	9,125	11,895	9,743
Total assets	141,381	133,805	118,326	113,034	94,478
Deposits by credit institutions	22,441	28,644	30,187	34,713	24,275
Deposits and borrowings from the public	44,389	39,620	34,617	33,457	32,296
Debt securities in issue	45,367	33,424	22,119	17,949	13,839
Subordinated liabilities	6,154	7,135	6,605	6,829	6,151
Other liabilities/untaxed reserves	6,109	8,402	9,298	7,615	6,007
Equity	16,921	16,580	15,500	12,471	11,910
Total liabilities and equity	141,381	133,805	118,326	113,034	94,478

P1

Accounting policies

1. Basis for presentation

The financial statements for the parent company, Nordea Bank AB (publ), are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and IFRS with the amendments and exceptions following the recommendation RFR 2 "Accounting for Legal Entities" issued by the Swedish Financial Reporting Board and the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25, with amendments in FFS 2009:11 and 2011:54). Under RFR 2, the parent company shall apply all standards and interpretations issued by the IASB and IFRS IC to the extent possible within the framework of Swedish accounting legislation and considering the close tie between financial reporting and taxation. The recommendation sets out the exceptions and amendments compared to IFRS.

The Group's accounting policies described in Note G1 "Accounting policies" are applicable also for the parent company, considering also the information provided below.

Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2010 Annual Report, except for the categorisation of lending related commissions within "Net fee and commission income" and the accounting for group contributions.

More information on other changes in IFRSs implemented in 2011, which have not had any significant impact on the parent company, as well as on forthcoming changes in IFRSs not yet implemented by Nordea, can be found in section 2 "Changed accounting policies and presentation" and section 3 "Changes in IFRSs not yet effective for Nordea" respectively in Note G1 "Accounting policies". The conclusions within these sections are, where applicable, relevant also for the parent company.

Categorisation of lending related commissions

The categorisation of lending related commissions within "Net fee and commission income" (Note P4) has been changed, in order to be better aligned with the purpose for which the fees are received. The change mainly relates to syndicated transactions. The comparable figures have been restated accordingly and the impact is disclosed in the below table.

EURm	2010	
	New policy	Old policy
Lending	151	97
Other commission income	42	96

Accounting for group contributions

The accounting for group contribution has been changed as a result of the withdrawal of UFR 2 "Group contributions and shareholders' contributions", issued by the Swedish Financial Reporting Board. Previously, group contributions paid or received for the purpose of optimising the tax expense were reported as a decrease/increase of unrestricted equity (after adjustment for tax), through other comprehensive income. Group contributions regarded as substitutes for dividends were accounted for as dividends.

As from 2011 group contributions paid to subsidiaries are recognised as an increase in the value of investments in group undertakings, net of tax. Group contributions received from subsidiaries are recognised as dividends. The possible

tax effects on group contributions received are classified as "Income tax expense" in the income statement. The comparable figures have been restated accordingly and the impact is disclosed in the below table.

EURm	2011		2010	
	New policy	Old policy	New policy	Old policy
Investments in group undertakings	16,713	16,604	16,690	16,607
Retained earnings	11,807	11,698	11,471	11,388
Other comprehensive income	-14	-40	2	-81

Accounting policies applicable for the parent company only**Investments in group undertakings and associated undertakings**

The parent company's investments in subsidiaries and associated companies are recognised under the cost model. Impairment tests are performed according to IAS 36 "Impairment of Assets". At each balance sheet date, all shares in subsidiaries and associated companies are reviewed for indications of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of each holding of shares is fully recoverable. The recoverable amount is the higher of fair value less costs to sell and the value in use. Any impairment charge is calculated as the difference between the carrying amount and the recoverable amount and is classified as "Impairment of securities held as financial non-current assets" in the income statement.

Dividends

Dividends paid to the shareholders of Nordea Bank AB (publ) are recorded as a liability following the approval of the Annual General Meeting.

Dividends paid by group undertakings to the parent company are anticipated if the parent alone can decide on the size of the dividend and if the formal decision has been made before the financial report is published. Dividends from group- and associated undertakings are recognised on the separate income line "Dividends".

Differences compared to IFRS

The accounting principles applied differ from IFRS mainly in the following aspects:

Amortisation of goodwill

Under IAS 38, goodwill and other intangible assets with indefinite useful lives are not amortised in the consolidated financial statements. In the parent company financial statements goodwill is amortised as any other intangible asset in accordance with the rules set out in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), i.e. normally over a period of five years unless, under exceptional circumstances, a longer amortisation period is justified.

Functional currency

The functional and presentation currency of Nordea Bank AB (publ) is EUR. All transactions in other currencies are converted to EUR in accordance with the policies disclosed in section 9 "Translation of assets and liabilities denominated in foreign currencies" in note G1 "Accounting policies".

P1

Accounting policies, cont.

Pensions

The accounting principle for defined benefit obligations follows the Swedish rules ("Tryggandelagen") and the regulations of the Swedish Financial Supervisory Authority as this is the condition for tax deductibility. The significant differences compared with IAS 19 consist of how the discount rate is determined, that the calculation of the defined benefit obligation is based on current salary level without assumptions about future salary increases and that all actuarial gains and losses are recognised in the income statement when they occur.

In Sweden, actuarial pension commitments are guaranteed by a pension foundation or recognised as a liability. No net defined benefit assets are recognised. The pension cost in the parent company, classified as "Staff cost" in the income state-

ment, consists of changes in recognised pension provisions (including special wage tax) for active employees, pension benefits paid, contributions made to or received from the pension foundation and related special wage tax.

Group contributions

See section "Changed accounting policies and presentation", sub-section "Accounting for group contributions".

Untaxed reserves

The parent company reports untaxed reserves, related to accelerated depreciation under tax regulations, including the deferred tax component. In the consolidated financial statements, untaxed reserves are split on the items "Retained earnings" and "Deferred tax liabilities" in the balance sheet.

P2

Segment reporting

Operating segments

Income statement EURm	Retail Banking		Group Corporate Centre		Other Operating segments		Total operating segments		Reconciliation		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Total operating income	1,335	1,067	1,589	2,225	215	381	3,139	3,673	-9	-35	3,130	3,638

Geographical information

EURm	Sweden		Finland ¹		Norway ¹		Denmark ¹		Others ¹		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Total operating income	2,017	1,905	1,018	717	29	503	7	456	59	57	3,130	3,638

1) Regards dividends from subsidiaries.

P3

Net interest income

EURm	2011	2010
Interest income		
Loans to credit institutions	950	430
Loans to the public	1,164	721
Interest-bearing securities	460	456
Other interest income	52	34
Interest income	2,626	1,641
Interest expense		
Deposits by credit institutions	-275	-161
Deposits and borrowings from the public	-549	-155
Debt securities in issue	-888	-576
Subordinated liabilities	-294	-272
Other interest expenses ¹	60	107
Interest expense	-1,946	-1,057
Net interest income	680	584

1) The net interest income from derivatives, measured at fair value and related to Nordea's funding. This can have both a positive and negative impact on other interest expense, for further information see Note G1.

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 2,260m (EUR 1,300m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR -1,990m (EUR -1,167m).

P4 Net fee and commission income

EURm	2011	2010
Asset management commissions	90	89
Life insurance	10	10
Brokerage	104	88
Custody	11	8
Deposits	25	27
Total savings related commissions	240	222
Payments	121	118
Cards	202	182
Total payment commissions	323	300
Lending	133	151
Guarantees and documentary payment	36	20
Total lending related commissions	169	171
Other commission income	45	42
Fee and commission income	777	735
Payment expenses	-137	-120
State guarantee fees	-42	-16
Other commission expenses	-38	-28
Fee and commission expense	-217	-164
Net fee and commission income	560	571

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 158m (EUR 123m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amount to EUR 205m (EUR 182m).

P5 Net result from items at fair value

EURm	2011	2010
Shares/participations and other share-related instruments	45	72
Interest-bearing securities and other interest-related instruments	98	59
Other financial instruments	-6	10
Foreign exchange gains/losses	97	16
Total	234	157

Net result from categories of financial instruments

EURm	2011	2010
Financial instruments designated at fair value through profit or loss	40	32
Financial instruments held for trading ¹	140	135
Financial instruments under hedge accounting	7	15
– of which net losses on hedging instruments	901	38
– of which net gains on hedged items	-894	-23
Financial assets measured at amortised cost	—	-3
Financial liabilities measured at amortised cost	-8	—
Foreign exchange gains/losses excl currency hedges	55	-22
Other	—	0
Total	234	157

1) Of which amortised deferred day one profits amounts to EUR 0m (EUR 0m).

P6 Dividends

EURm	2011	2010
Dividends		
Nordea Bank Finland Plc	1,000	700
Nordea Bank Danmark A/S	—	449
Nordea Bank Norge ASA	29	500
Nordea Life Holding AB	26	122
Nordea Investment Management AB	40	44
Nordea Bank S.A Luxembourg	40	36
Nordea Investment Funds Company I SA	19	21
Nordea Investment Management Finland	18	17
Nordea Ejendomsinvestering A/S	7	6
Nordea Fondene Norge A/S	0	3
Group Contributions		
Nordea Hypotek AB	302	276
Nordea Fonder AB	28	28
Nordea Finans AB	25	—
Nordic Baltic Holding AB	0	1
Total	1,534	2,203

P7 Other operating income

EURm	2011	2010
Sale of global custody operations	—	2
Divestment of shares	3	—
Remuneration for financial services	52	56
Other	67	65
Total	122	123

P8

Staff costs

EURm	2011	2010
Salaries and remuneration (specification below) ¹	-498	-431
Pension costs (specification below)	-110	-120
Social security contributions	-186	-167
Other staff costs	-29	-27
Total	-823	-745

Salaries and remunerationTo executives²

– Fixed compensation and benefits	-6	-5
– Performance-related compensation	-2	-1
– Allocation to profitsharing	0	0
Total	-8	-6
To other employees	-490	-425
Total	-498	-431

1) Allocation to profit-sharing foundation 2011 EUR 4m (EUR 5m) consists of a new allocation of EUR 7m (EUR 6m) and a release related to prior years of EUR 3m (EUR 1m).

2) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, are included. Executives amounts to 19 (20) positions.

EURm	2011	2010
Pension costs¹		
Defined benefit plans	-67	-83
Defined contribution plans	-43	-37
Total	-110	-120

1) Pension costs for executives, see Note G7.

Additional disclosures on remuneration under Nordic FSAs' regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) in due time before the Annual General Meeting 2012.

Compensation to key management personnel

Salaries and remuneration to the Board of Directors, CEO and Group Executive Management, see Note G7.

Loans to key management personnel

Loans to key management personnel amounts to EUR 0m (EUR 0m). Interest income on these loans amounts to EUR 0m (EUR 0m). For information about loan conditions, see Note G7.

Long Term Incentive Programmes

Participation in the Long Term Incentive Programmes (LTIPs) requires that the participants take direct ownership by investing in Nordea shares. For more information about conditions and requirements, see Note G7.

For information on number of outstanding conditional rights in the LTIPs, see note G7. All rights in the LTIPs, both to employees in the parent company as well as to employees in subsidiaries, are issued by Nordea Bank AB (publ).

The expenses in below table regards only employees in Nordea Bank AB (publ).

Expenses¹

EURm	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008	LTIP 2007
Expected expense	-6	-3	-4	-3	-4
Maximum expense	-10	-7	-4	-3	-4
Total expense 2011	-1	-1	-1	—	—
Total expense 2010	—	-1	-3	-2	—

1) All amounts excluding social charges.

When calculating the expected expense an expected annual employee turnover of 5% has been used in LTIP 2011. The expected expense is recognised over the vesting period of 36 months (LTIP 2011 and 2010) and 24 months (LTIP 2009, 2008 and 2007).

Cash-settled share-based payment transaction

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 below table only includes deferred amounts indexed with Nordea TSR. Nordea also operates deferrals not being TSR-linked, which are not included in the table below. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage.

EURm	2011	2010
Deferred TSR-linked compensation at beginning of the year	2	0
Accrued deferred/retained TSR-linked compensation during the year ¹	0	2
TSR indexation during the year	0	0
Payments during the year ²	-1	0
Translation differences	0	0
Deferred TSR-linked compensation at end of year	1	2

1) Of which EUR 1m is available for disposal by the employees in 2012. Additional deferrals not being TSR-linked amount to EUR 3m (EUR 0m). Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year relates to variable compensation earned the previous year.

2) There have been no adjustments due to forfeitures in 2011.

Average number of employees

	Total		Men		Women	
	2011	2010	2011	2010	2011	2010
Full-time equivalents						
Sweden	7,023	7,429	3,071	3,266	3,952	4,163
Other countries	202	65	92	47	110	18
Total average	7,225	7,494	3,163	3,313	4,062	4,181

Gender distribution, executives

Per cent	31 Dec 2011	31 Dec 2010
Nordea Bank AB (publ)		
Board of Directors		
– Men	70	70
– Women	30	30
Other executives		
– Men	88	86
– Women	12	14

P9 Other expenses

EURm	2011	2010
Information technology	-220	-207
Marketing and entertainment	-33	-35
Postage, transportation, telephone and office expenses	-70	-74
Rents, premises and real estate	-116	-102
Other ¹	-122	-108
Total	-561	-526

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fee

EURm	2011	2010
KPMG		
Auditing assignments	-2	-1
Audit-related services	0	-1
Tax advisory services	0	0
Other assignments	-4	-2
Total	-6	-4

P10 Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2011	2010
Depreciation/amortisation		
Property and equipment (Note P24)		
Equipment	-24	-25
Buildings	0	0
Intangible assets (Note P23)		
Goodwill	-69	-72
Computer software	-12	-9
Other intangible assets	-5	-6
Total	-110	-112

Impairment charges

Intangible assets (Note P23)

Computer software	-2	—
Total	-2	—
Total	-112	-112

P11 Net loan losses

EURm	2011	2010
Divided by class		
Loans to credit institutions	1	0
– of which provisions	—	-1
– of which write-offs	-4	-3
– of which allowances used for covering write-offs	4	3
– of which reversals	1	1
Loans to the public	-26	-33
– of which provisions	-75	-69
– of which write-offs	-63	-70
– of which allowances used for covering write-offs	35	43
– of which reversals	56	42
– of which recoveries	21	21
Off-balance sheet items ¹	5	0
– of which provisions	-1	-3
– of which reversals	6	3
Total	-20	-33

Specification

Changes of allowance accounts in the balance sheet	-13	-27
– of which Loans, individually assessed ²	-27	-32
– of which Loans, collectively assessed ²	9	4
– of which Off-balance sheet items, individually assessed ¹	1	1
– of which Off-balance sheet items, collectively assessed ¹	4	0
Changes directly recognised in the income statement	-7	-6
– of which realised loan losses, individually assessed	-28	-27
– of which realised recoveries, individually assessed	21	21
Total	-20	-33

1) Included in Note P32 Provisions as "Transfer risk, off-balance", "Guarantees".

2) Included in Note P15 Loans and impairment.

Key ratios

	2011	2010
Loan loss ratio, basis points	6	12
– of which individual	10	13
– of which collective	-4	-1

P12

Appropriations

EURm	2011	2010
Change in depreciation in excess of plan, equipment	1	0
Total	1	0

P13

Taxes

Income tax expense

EURm	2011	2010
Current tax ¹	-125	-101
Deferred tax	11	-14
Total	-114	-115

1) Of which relating to prior years

16 -1

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2011	2010
Profit before tax	1,606	2,117
Tax calculated at a tax rate of 26.3%	-422	-557
Tax not related to profit	—	-14
Tax-exempt income	314	505
Non-deductible expenses	-22	-48
Adjustments relating to prior years	16	-1
Tax charge	-114	-115
Average effective tax rate	7%	5%

Deferred tax

EURm	Deferred tax assets		Deferred tax liabilities	
	2011	2010	2011	2010
Deferred tax related to:				
Derivatives	7	0	2	0
Retirement benefit obligations	7	7	—	—
Liabilities/provisions	12	1	0	0
Total	26	8	2	0

– of which expected to be settled after more than 1 year

8 7 0 —

EURm	2011	2010
Movements in deferred tax assets/liabilities, net are as follows:		
Amount at beginning of year (net)	8	20
Deferred tax relating to items recognised in other comprehensive income	5	0
Translation differences	—	2
Deferred tax in the income statement	11	-14
Amount at end of year (net)	24	8

Current and deferred tax recognised in other comprehensive income

Deferred tax relating to available-for-sale investments	-2	0
Deferred tax relating to cash flow hedges	7	0
Total	5	0

Current tax assets	12	1
– of which expected to be settled after more than 1 year	—	—
Current tax liabilities	71	110
– of which expected to be settled after more than 1 year	—	—

P14

Treasury bills

EURm	31 Dec 2011	31 Dec 2010
State and sovereigns ¹	4,868	10,946
Municipalities and other public bodies	99	15
Total	4,967	10,961
– of which Financial instruments pledged as collateral (Note P17)	1,237	6,103
Total	3,730	4,858

1) Of which EUR 353m (EUR 630m) held at amortised cost with a nominal amount of EUR 353m (EUR 630m).

P15

Loans and impairment

EURm	Credit institutions		The public		Total	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Loans, not impaired	59,381	48,153	36,318	33,742	95,699	81,895
Impaired loans	2	6	313	282	315	288
– of which performing	—	4	254	240	254	244
– of which non-performing	2	2	59	42	61	44
Loans before allowances	59,383	48,159	36,631	34,024	96,014	82,183
Allowances for individually assessed impaired loans	–2	–6	–130	–136	–132	–142
– of which performing	—	–4	–93	–99	–93	–103
– of which non-performing	–2	–2	–37	–37	–39	–39
Allowances for collectively assessed impaired loans	–2	–2	–80	–88	–82	–90
Allowances	–4	–8	–210	–224	–214	–232
Loans, carrying amount	59,379	48,151	36,421	33,800	95,800	81,951

Reconciliation of allowance accounts for impaired loans¹

EURm	Credit institutions			The public			Total		
	Indi- vidually assessed	Collec- tively assessed	Total	Indi- vidually assessed	Collec- tively assessed	Total	Indi- vidually assessed	Collec- tively assessed	Total
Opening balance at 1 Jan 2011	–6	–2	–8	–136	–88	–224	–142	–90	–232
Provisions	—	0	0	–66	–8	–74	–66	–8	–74
Reversals	—	—	—	39	17	56	39	17	56
Changes through the income statement	—	0	0	–27	9	–18	–27	9	–18
Allowances used to cover write-offs	4	—	4	35	—	35	39	—	39
Translation differences	—	—	—	–2	–1	–3	–2	–1	–3
Closing balance at 31 Dec 2011	–2	–2	–4	–130	–80	–210	–132	–82	–214
Opening balance at 1 Jan 2010	–8	–2	–10	–132	–79	–211	–140	–81	–221
Provisions	0	–1	–1	–71	1	–70	–71	0	–71
Reversals	0	1	1	39	3	42	39	4	43
Changes through the income statement	0	0	0	–32	4	–28	–32	4	–28
Allowances used to cover write-offs	3	—	3	43	—	43	46	0	46
Translation differences	–1	—	–1	–15	–13	–28	–16	–13	–29
Closing balance at 31 Dec 2010	–6	–2	–8	–136	–88	–224	–142	–90	–232

1) See Note P11 Net loan losses.

P15

Loans and impairment, cont.

Allowances and provisions

EURm	Credit institutions		The public		Total	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Allowances for items in the balance sheet	-4	-8	-210	-224	-214	-232
Provisions for off balance sheet items	-2	-5	-1	-4	-3	-9
Total allowances and provisions	-6	-13	-211	-228	-217	-241

Key ratios¹

	31 Dec 2011	31 Dec 2010
Impairment rate, gross, basis points	33	35
Impairment rate, net, basis points	19	18
Total allowance rate, basis points	22	28
Allowances in relation to impaired loans, %	42	49
Total allowances in relation to impaired loans, %	68	81

1) For definitions, see Business definitions on page 93.

P16

Interest-bearing securities

EURm	31 Dec 2011	31 Dec 2010
Issued by other borrowers ¹	14,584	15,905
Total	14,584	15,905
– of which Financial instruments pledged as collateral (Note P17)	—	57
Total	14,584	15,848
Listed securities	14,064	12,625
Unlisted securities	520	3,280
Total	14,584	15,905

1) Of which EUR 1,648m (EUR 4,212m) held at amortised cost with a nominal amount of EUR1,634m (EUR 4,170m).

P17

Financial instruments pledged as collateral, cont.

EURm	31 Dec 2011	31 Dec 2010
Repurchase agreements		
Treasury bills	1,237	6,103
Interest-bearing securities	—	57
Total	1,237	6,160

Liabilities associated with the assets

EURm	31 Dec 2011	31 Dec 2010
Repurchase agreements		
Deposits by credit institutions	1,258	6,276
Total	1,258	6,276

P17

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.

EURm	31 Dec 2011	31 Dec 2010
Treasury bills	1,237	6,103
Interest-bearing securities	—	57
Total	1,237	6,160

Transferred assets that are still recognised in the balance sheet and associated liabilities

All assets transferred and the liabilities associated with these transactions are specified in the following tables. The assets continue to be recognised on the balance sheet since Nordea is still exposed to changes in the fair value of the assets. Therefore, these assets and its associated liabilities are included in the tables below.

P18

Shares

EURm	31 Dec 2011	31 Dec 2010
Shares	1,131	302
Shares taken over for protection of claims	4	18
Total	1,135	320
Listed shares	1,100	277
Unlisted shares	35	43
Total	1,135	320
– of which expected to be settled after more than 1 year	38	58

P19

Derivatives and Hedge accounting

31 Dec 2011, EURm	Fair value		Total nom amount
	Positive	Negative	
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	1,783	2,029	130,296
FRAs	83	109	109,281
Futures and forwards	2	16	1,553
Options	5	6	21,133
Other	0	0	11,221
Total	1,873	2,160	273,484
Equity derivatives			
Equity swaps	124	14	131
Futures and forwards	7	0	22
Options	51	28	1,421
Total	182	42	1,574
Foreign exchange derivatives			
Currency and interest rate swaps	398	375	16,109
Currency forwards	24	215	16,397
Options	0	0	0
Total	422	590	32,506
Credit derivatives			
Credit default swaps	—	4	110
Total	—	4	110
Other derivatives			
Other	0	8	2,066
Total	0	8	2,066
Total derivatives held for trading	2,477	2,804	309,740
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	1,411	189	22,025
Options	0	0	37
Total	1,411	189	22,062
Foreign exchange derivatives			
Currency and interest rate swaps	451	21	3,565
Total	451	21	3,565
Total derivatives used for hedge accounting	1,862	210	25,627
Total derivatives	4,339	3,014	335,367

P19

Derivatives and Hedge accounting, cont.

31 Dec 2010, EURm	Fair value		Total nom amount
	Positive	Negative	
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	918	893	104,677
FRAs	64	65	15,949
Futures and forwards	3	2	800
Options	17	19	1,587
Other	4	4	22,698
Total	1,006	983	145,711
Equity derivatives			
Equity swaps	27	34	67
Futures and forwards	15	2	47
Options	76	48	1,456
Total	118	84	1,570
Foreign exchange derivatives			
Currency and interest rate swaps	681	638	17,507
Currency forwards	9	126	13,699
Options	0	0	0
Total	690	764	31,206
Credit derivatives			
Credit default swaps	50	47	6,451
Total	50	47	6,451
Other derivatives			
Other	0	25	2,054
Total	0	25	2,054
Total derivatives held for trading	1,864	1,903	186,992
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	488	156	19,131
Options	0	0	0
Total	488	156	19,131
Equity derivatives			
Options	1	1	17
Total	1	1	17
Foreign exchange derivatives			
Currency and interest rate swaps	258	114	3,893
Currency forwards	—	0	107
Total	258	114	4,000
Total derivatives used for hedge accounting	747	271	23,148
Total derivatives	2,611	2,174	210,140

P20

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

Assets EURm	31 Dec 2011	31 Dec 2010
Carrying amount at beginning of year	795	332
Changes during the year		
Revaluation of hedged items	-1,427	463
Carrying amount at end of year	-632	795
Liabilities		
EURm		
Carrying amount at beginning of year	749	285
Changes during the year		
Revaluation of hedged items	-602	464
Carrying amount at end of year	147	749

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.

P21

Investments in Group undertakings

EURm	31 Dec 2011	31 Dec 2010
Acquisition value at beginning of year	17,286	16,659
Acquisitions/capital contributions during the year	26	618
IFRS 2 expenses ¹	6	9
Acquisition value at end of year	17,318	17,286
Accumulated impairment charges at beginning of year	-596	-494
Impairment charges during the year	-9	-105
Reclassification	—	3
Accumulated impairment charges at end of year	-605	-596
Total	16,713	16,690

1) Allocation of IFRS 2 expenses for LTIP 2007–2011 related to the subsidiaries.
For more information, see Note P8.

– of which, listed shares — —

The total amount is expected to be settled after more than 1 year.

P21

Investments in group undertakings, cont.

Specification

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

31 Dec 2011	Number of shares	Carrying amount 2011, EURm	Carrying amount 2010, EURm	Voting power of holding %	Domicile	Registration number
Nordea Bank Finland Plc	1,030,800,000	5,955	5,954	100.0	Helsinki	1680235-8
Nordea Finance Finland Ltd				100.0	Espoo	0112305-3
Nordea Bank Danmark A/S	50,000,000	3,509	3,507	100.0	Copenhagen	13522197
Nordea Finans Danmark A/S				100.0	Høje Taastrup	89805910
Nordea Kredit Realkreditaktieselskab				100.0	Copenhagen	15134275
Fionia Asset Company A/S ¹				100.0	Copenhagen	31934745
Nordea Bank Norge ASA	551,358,576	2,406	2,405	100.0	Oslo	911044110
Nordea Eiendomskreditt AS				100.0	Oslo	971227222
Nordea Finans Norge AS				100.0	Oslo	924507500
Privatmegleren AS				67.0	Oslo	986386661
Nordea Bank Polska S.A.	55,061,403	362	362	99.2	Gdynia	KRS0000021828
OOO Promyshlennaya Companiya Vestkon	4,601,942,680 ¹	659	659	100.0	Moscow	1027700034185
OJSC Nordea Bank				100.0 ³	Moscow	1027739436955
Nordea Life Holding AB	1,000	690	666	100.0	Stockholm	556742-3305
Nordea Liv & Pension, Livförsikrings-selskab A/S				100.0	Ballerup	24260577
Nordea Liv Holding Norge AS				100.0	Bergen	984739303
Livförsikringselskapet Nordea Liv Norge AS				100.0	Bergen	959922659
Nordea Livförsäkring Sverige AB (publ)				100.0	Stockholm	516401-8508
Nordea Life Holding Finland Ltd				100.0	Helsinki	1737788-3
Nordea Life Assurance Finland Ltd				100.0	Helsinki	0927072-8
Nordea Hypotek AB (publ)	100,000	1,898	1,898	100.0	Stockholm	556091-5448
Nordea Fonder AB	15,000	229	229	100.0	Stockholm	556020-4694
Nordea Bank S.A.	999,999	454	453	100.0	Luxembourg	B-14157
Nordea Finans Sverige AB (publ)	1,000,000	116	116	100.0	Stockholm	556021-1475
Nordea Fondene Norge AS	1,200	29	29	100.0	Oslo	930954616
Nordea Investment Management AB	12,600	230	227	100.0	Stockholm	556060-2301
Nordea Investment Fund Company Finland Ltd	3,350	138	138	100.0	Helsinki	1737785-9
Nordea Ejendomsinvestering A/S	1,000	29	29	100.0	Copenhagen	26640172
Nordea Investment Fund Management A/S	25,000	8	8	100.0	Copenhagen	13917396
Nordea Investment Funds I Company S.A.	39,996	0	0	100.0	Luxembourg	B-30550
PK Properties Int'l Corp	100,000	0	0	100.0	Atlanta, USA	601624718
Nordea Hästen Fastighetsförvaltning AB	1,000	0	0	100.0	Stockholm	556653-6800
Nordea Putten Fastighetsförvaltning AB	1,000	0	0	100.0	Stockholm	556653-5257
Nordea North America Inc.	1,000	0	0	100.0	Delaware, USA	51-0276195
Nordea Do Brasil Representações LTDA	1,162,149	0	0	100.0	Sao Paulo, Brasil	51-696.268/0001-40
Nordic Baltic Holding (NBH) AB ²	1,000	0	9	100.0	Stockholm	556592-7950
Nordea Fastigheter AB ²	3,380,000	1	1	100.0	Stockholm	556021-4917
Total		16,713	16,690			

1) Nominal value expressed in RUB, representing Nordea's participation in Vestkon.

2) Dormant.

3) Combined ownership, Nordea Bank AB (publ) directly 7.2% and indirectly 92.8% through OOO Promyshlennaya Companiya Vestkon.

P21

Investments in group undertakings, cont.

Special Purpose Entities (SPEs) – Consolidated

SPEs that have been set up for enabling investments in structured credit products and for acquiring assets from customers.

EURm	Purpose	Duration	Nordea's investment	Total assets
Viking ABCP Conduit ¹	Factoring	<5 years	1,092	1,157
CMO Denmark A/S ²	Collateralised Mortgage Obligation	>5 years	2	2
Kalmar Structured Finance A/S ³	Credit Linked Note	>5 years	2	24
Total				

1) The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available. Nordea has provided liquidity facilities of maximum EUR 1,443m and at year end 2011 EUR 1,092m were utilised. There is no outstanding CP issue at year end 2011. These SPEs are consolidated as they are closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restriction on repayment of loans from Viking apart from that the payments are dependant on the pace in which Viking realises its assets.

2) Collateralised Mortgage Obligations Denmark A/S (CMO Denmark A/S) was established with the purpose to issue CMOs in order to meet specific customer preferences in terms of credit risk, interest rate risk, prepayment risk, maturity etc. The SPE purchased a pool of mortgage bonds and reallocated the risks through tranching a similar bond issue (CMOs). At year end 2011 the total notional of outstanding bonds were EUR 2m available to investors. Nordea holds bonds issued by CMO Denmark A/S as part of offering a secondary market for the bonds. The investment amounted to EUR 2m as of year end 2011.

3) Kalmar Structured Finance A/S was established to allow customers to invest in structured products in the global credit markets. The SPE enters into Credit Default Swaps (CDS) and hereby acquires a credit risk on an underlying portfolio of names (like corporate names) and at the same time the SPE issues Credit Linked Notes (CLN) with a similar credit risk that reflects the terms in the CDSs. Nordea is the counterpart in the derivative transactions. The total notional of outstanding CLNs in this category was EUR 24m at year end 2011. Nordea holds CLNs issued by the SPE as part of offering a secondary market for the notes. The investment amounted to EUR 2m at year end 2011.

P22

Investments in associated undertakings

EURm	31 Dec 2011	31 Dec 2010
Acquisition value at beginning of year	4	2
Acquisitions during the year	1	2
Acquisition value at end of year	5	4
Total	5	4
– of which, listed shares	—	—

31 Dec 2011	Registration number	Domicile	Carrying amount 2011, EURm	Carrying amount 2010, EURm	Voting power of holding %
BDB Bankernas Depå AB	556695-3567	Stockholm	1	1	20
Bankpension Sverige AB	556695-8194	Stockholm	1	1	40
BAB Bankernas Automatbolag AB	556817-9716	Stockholm	3	2	20
Other			0	0	
Total			5	4	

P23

Intangible assets

EURm	31 Dec 2011	31 Dec 2010
Goodwill allocated to cash generating units		
Retail Banking	452	521
Goodwill, total	452	521
Computer software	198	138
Other intangible assets	8	12
Other intangible assets, total	206	150
Intangible assets, total	658	671

P23

Intangible assets, cont.

EURm	31 Dec 2011	31 Dec 2010
Goodwill		
Acquisition value at beginning of year	1,059	1,059
Acquisition value at end of year	1,059	1,059
Accumulated amortisation at beginning of year	-538	-466
Amortisation according to plan for the year	-69	-72
Accumulated amortisation at end of year	-607	-538
Total	452	521
Computer software		
Acquisition value at beginning of year	175	123
Acquisitions during the year	74	52
Translation differences	0	0
Acquisition value at end of year	249	175
Accumulated amortisation at beginning of year	-37	-28
Amortisation according to plan for the year	-12	-9
Accumulated amortisation at end of year	-49	-37
Accumulated impairment charges at beginning of year	0	0
Impairment charges during the year	-2	—
Accumulated impairment charges at end of year	-2	0
Total	198	138
Other intangible assets		
Acquisition value at beginning of year	48	50
Acquisitions during the year	1	4
Sales/disposals during the year	—	-6
Acquisition value at end of year	49	48
Accumulated amortisation at beginning of year	-36	-37
Amortisation according to plan for the year	-5	-6
Accumulated amortisation on sales/disposals during the year	0	7
Accumulated amortisation at end of year	-41	-36
Total	8	12

The total amount is expected to be settled after more than 1 year.

Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test. See Note G21 and Note G1 section 4 for more information.

P24

Property and equipment

EURm	31 Dec 2011	31 Dec 2010
Property and equipment	81	77
– of which buildings for own use	0	0
Total	81	77
Equipment		
Acquisition value at beginning of year	193	183
Acquisitions during the year	32	24
Sales/disposals during the year	–11	–12
Reclassifications	—	–2
Translation differences	0	—
Acquisition value at end of year	214	193
Accumulated depreciation at beginning of year	–116	–102
Accumulated depreciation on sales/disposals during the year	7	8
Reclassifications	—	3
Depreciations according to plan for the year	–24	–25
Translation differences	0	—
Accumulated depreciation at end of year	–133	–116
Accumulated impairment charges at beginning of year	—	–2
Reclassifications	—	2
Accumulated impairment charges at end of year	—	—
Total	81	77
Land and buildings		
Acquisition value at beginning of year	0	0
Acquisition value at end of year	0	0
Accumulated depreciation at beginning of year	0	0
Depreciation according to plan for the year	0	0
Accumulated depreciation at end of year	0	0
Total	0	0

The total amount is expected to be settled after more than 1 year.

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment. See also Note G1, section 15.

Leasing expenses during the year, EURm	31 Dec 2011	31 Dec 2010
Leasing expenses during the year	–95	–84
– of which minimum lease payments	–95	–84
Leasing income during the year regarding sublease payments	37	36

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

EURm	31 Dec 2011
2012	110
2013	96
2014	74
2015	32
2016	19
Later years	161
Totalt	492

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 294m. EUR 275m of the subleases are towards group undertakings.

P25

Other assets

EURm	31 Dec 2011	31 Dec 2010
Claims on securities settlement proceeds	500	98
Anticipated dividends from group undertakings	1,055	1,598
Group Contributions	355	305
Other	352	619
Total	2,262	2,620
– of which expected to be settled after more than 1 year	—	—

P26

Prepaid expenses and accrued income

EURm	31 Dec 2011	31 Dec 2010
Accrued interest income	614	497
Other accrued income	21	21
Prepaid expenses	644	491
Total	1,279	1,009
– of which expected to be settled after more than 1 year	543	425

P27

Deposits by credit institutions

EURm	31 Dec 2011	31 Dec 2010
Central banks	4,331	1,231
Other banks	13,720	25,645
Other credit institutions	4,390	1,768
Total	22,441	28,644

P28

Deposits and borrowings from the public

EURm	31 Dec 2011	31 Dec 2010
Deposits from the public	43,219	39,499
Borrowings from the public	1,170	121
Total	44,389	39,620

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits. Individual pension savings (IPS) are also included.

P29

Debt securities in issue

EURm	31 Dec 2011	31 Dec 2010
Certificates of deposit	0	11,516
Commercial papers	16,800	—
Bond loans	28,469	21,787
Other	98	121
Total	45,367	33,424

P30

Other liabilities

EURm	31 Dec 2011	31 Dec 2010
Liabilities on securities settlement proceeds	130	2,620
Sold, not held, securities	454	604
Accounts payable	15	23
Cash/margin payable	0	—
Other	1,177	1,211
Total	1,776	4,458
– of which expected to be settled after more than 1 year	—	0

P31

Accrued expenses and prepaid income

EURm	31 Dec 2011	31 Dec 2010
Accrued interest	484	361
Other accrued expenses	163	167
Prepaid income	204	193
Total	851	721
– of which expected to be settled after more than 1 year	0	0

P32

Provisions

EURm	31 Dec 2011	31 Dec 2010
Provision for restructuring costs	44	6
Transfer risk, off-balance	2	6
Guarantees	1	3
Other	43	20
Total	90	35

	Restructuring	Transfer risk	Guarantees	Other	Total
At beginning of year	6	6	3	20	35
New provisions made	41	0	0	44	85
Provisions utilised	-3	0	0	-20	-23
Reversals	0	-4	-2	-1	-7
Translation differences	0	0	0	0	0
At end of year	44	2	1	43	90
– of which expected to be settled after more than 1 year	—	2	1	—	3

Provision for restructuring costs amounts to EUR 44m and relates mainly to New Normal. For further information about New Normal, see Note G33. Provision for transfer risk 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 P15. Provision for transfer risk is depending on the volume of business with different countries. Loan loss provisions for guarantees amounts to EUR 1m. Other provision of EUR 43m relates to state guarantees.

P33

Retirement benefit obligations

Pension provisions

The pension liabilities of Nordea Bank AB (publ) are mainly covered by allocations to its pension foundation.

The provisions in the balance sheet pertain almost exclusively to former employees of Postgirot Bank. EUR 127m (EUR 125m) of the provisions are covered by "Tryggandelagen".

A small percentage of the pension obligations are covered by insurance policies.

The following figures are based on calculations in accordance with Swedish rules ("Tryggandelagen").

Specification of amounts recognised in the balance sheet

	31 Dec 2011	31 Dec 2010
Present value of commitments relating to in whole or in part funded pension plans	-1,040	-996
Fair value at the end of the period relating to specifically separated assets	1,197	1,081
Surplus in the pension foundation	157	85
Present value of commitments relating to unfunded pension plans	-153	-149
Unrecognised surplus in the pension foundation	-157	-85
Reported liability net in the balance sheet	-153	-149

Specification of changes in the liability recognised in balance sheet as pension

	31 Dec 2011	31 Dec 2010
Balance at 1 Jan recognised as pension commitments	149	128
Pensions paid related to former employees of Postgirot Bank	-6	-5
Actuarial pension calculations	9	12
Effect of exchange rate changes	1	14
Balance at 31 Dec	153	149

Specification of cost and income in respect of pensions

	2011	2010
Pensions paid related to former employees of Postgirot Bank	-6	-5
Pensions paid covered by the pension foundation	-58	-54
Payment to pension fund	—	-17
Actuarial pension calculation	-3	-7
Defined benefit plans	-67	-83
Defined contribution plan	-43	-37
Pension costs¹	-110	-120
Return on specifically separated assets, %	7.3	7.0

1) See Note P8 Staff costs.

Actual value of holdings in pension foundations

EURm	31 Dec 2011	31 Dec 2010
Shares	197	219
Interest-bearing securities	980	820
Other assets	20	42
Total	1,197	1,081

Assumptions for benefit-determined obligations

	2011	2010
Discount rate	3.0%	3.1%
The calculation is based on pay and pension levels on the accounting date	Yes	Yes

Next year's expected payment to defined benefit plans amounts to EUR 66m.

P34

Subordinated liabilities

EURm	31 Dec 2011	31 Dec 2010
Dated subordinated debenture loans	4,127	5,173
Hybrid capital loans	2,027	1,962
Total	6,154	7,135

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

At 31 December four loans – with terms specified below – exceeded 10% of the total outstanding volume.

Year of issue / maturity, EURm	Nominal value	Carrying amount	Interest rate (coupon)
Dated loan ¹	1,000	995	Fixed
Dated loan ²	750	746	Fixed
Dated loan ³	618	618	Fixed
Dated loan ⁴	966	957	Fixed

1) Call date 26 March 2020.

2) Call date 29 March 2021.

3) Maturity date 30 November 2012.

4) Maturity date 13 May 2021.

P35

Untaxed reserves

EURm	31 Dec 2011	31 Dec 2010
Accumulated excess depreciation		
Equipment	5	6
Total	5	6

P36

Assets pledged as security for own liabilities

EURm	31 Dec 2011	31 Dec 2010
Assets pledged for own liabilities		
Securities etc ¹	3,530	6,843
Total	3,530	6,843

The above pledges pertain to the following liabilities

Deposits by credit institutions	3,432	6,700
Deposits and borrowings from the public	489	290
Total	3,921	6,990

1) Relates only to securities recognised in the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised in the balance sheet and thus not included in the amount. Such transactions are disclosed in Note P44. Obtained collaterals which are permitted to be sold or repledged.

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.

P37

Other assets pledged

EURm	31 Dec 2011	31 Dec 2010
Other assets pledged¹		
Securities etc	7,264	7,259
Total	7,264	7,259

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

Securities etc. includes interest-bearing securities pledged as security for payment settlements within the Central bank of Sweden. The terms and conditions require day to day security and relate to liquidity intraday/overnight.

P38

Contingent liabilities

EURm	31 Dec 2011	31 Dec 2010
Guarantees		
– Loan guarantees	8,614	8,367
– Other guarantees	16,102	15,531
Other contingent liabilities	4	5
Total	24,720	23,903

In the normal business of Nordea, the bank issues various forms of guarantees in favour of the 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.

Nordea Bank AB (publ) has issued a guarantee covering all commitments in Nordea Investment Management AB, org no 556060-2301 and Nordea Fastigheter AB, org no 556021-4917.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in subsidiaries to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age.

Legal proceedings

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

P39

Commitments

EURm	31 Dec 2011	31 Dec 2010
Credit commitments ¹	25,098	29,485
Other commitments	—	389
Total	25,098	29,874

1) Including unutilised portion of approved overdraft facilities of EUR 12,259m (EUR 13,972m).

For information about derivatives see Note P19.

P40

Capital adequacy

Calculation of total capital base

EURm	31 Dec 2011	31 Dec 2010
Equity	16,921	16,580
Proposed/actual dividend	-1,048	-1,168
Hybrid capital loans	1,964	1,946
Deferred tax assets	-26	-8
Intangible assets	-658	-691
IRB provisions excess (+)/shortfall (-)	-32	-31
Other items, net	13	—
Tier 1 capital (net after deduction)	17,134	16,628
– of which hybrid capital	1,964	1,946
Tier 2 capital	3,203	4,594
IRB provisions excess (+)/shortfall (-)	-33	-31
Other deduction	0	0
Total	20,304	21,191

Capital requirements and RWA

EURm	31 Dec 2011		31 Dec 2010	
	Capital requirement	Basel II RWA	Capital requirement	Basel II RWA
Credit risk	4,595	57,441	4,622	57,778
IRB foundation	2,186	27,328	2,390	29,869
– of which corporate	1,764	22,051	2,003	25,043
– of which institutions	198	2,477	147	1,834
– of which retail	201	2,518	209	2,609
– of which other	23	282	31	383
Standardised	2,409	30,113	2,232	27,909
– of which sovereign	0	0	0	0
– of which corporate and institutions	2,409	30,113	2,232	27,909
Market risk¹	92	1,158	111	1,392
– of which trading book, Internal Approach	30	376	13	163
– of which trading book, Standardised Approach	11	143	18	221
– of which banking book, Standardised Approach	51	639	80	1,008
Operational risk	190	2,375	175	2,185
– of which standardised	190	2,375	175	2,185
Sub total	4,877	60,974	4,908	61,355
Adjustment for transition rules				
Additional capital requirement according to transition rules	—	—	—	—
Total	4,877	60,974	4,908	61,355

1) Note that the comparison figures are not restated with respect to CRD III.

More Capital Adequacy information can be found in the Risk, Liquidity and Capital management section page 67.

P41

Classification of financial instruments

				Financial assets at fair value through profit or loss				
	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
31 Dec 2011, EURm								
Assets								
Cash and balances with central banks	152	—	—	—	—	—	—	152
Treasury bills	—	353	3,377	—	—	—	—	3,730
Loans to credit institutions	55,839	—	234	3,306	—	—	—	59,379
Loans to the public	33,743	—	—	2,678	—	—	—	36,421
Interest-bearing securities	—	1,648	7,642	—	—	5,294	—	14,584
Financial instruments pledged as collateral	—	—	1,237	—	—	—	—	1,237
Shares	—	—	1,097	38	—	—	—	1,135
Derivatives	—	—	2,477	—	1,862	—	—	4,339
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-632	—	—	—	—	—	—	-632
Investments in group undertakings	—	—	—	—	—	—	16,713	16,713
Investments in associated undertakings	—	—	—	—	—	—	5	5
Intangible assets	—	—	—	—	—	—	658	658
Property and equipment	—	—	—	—	—	—	81	81
Deferred tax assets	—	—	—	—	—	—	26	26
Current tax assets	—	—	—	—	—	—	12	12
Other assets	2,096	—	—	166	—	—	—	2,262
Prepaid expenses and accrued income	1,248	—	10	—	—	—	21	1,279
Total	92,446	2,001	16,074	6,188	1,862	5,294	17,516	141,381

	Financial liabilities at fair value through profit or loss					
	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
31 Dec 2011, EURm						
Liabilities						
Deposits by credit institutions	1,254	2,135	—	19,052	—	22,441
Deposits and borrowings from the public	3	506	—	43,880	—	44,389
Debt securities in issue	—	—	—	45,367	—	45,367
Derivatives	2,804	—	210	—	—	3,014
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	147	—	147
Current tax liabilities	—	—	—	—	71	71
Other liabilities	455	209	—	1,029	83	1,776
Accrued expenses and prepaid income	2	117	—	570	162	851
Deferred tax liabilities	—	—	—	—	2	2
Provisions	—	—	—	—	90	90
Retirement benefit obligations	—	—	—	—	153	153
Subordinated liabilities	—	—	—	6,154	—	6,154
Total	4,518	2,967	210	116,199	561	124,455

P41

Classification of financial instruments, cont.

				Financial assets at fair value through profit or loss				
31 Dec 2010, EURm	Loans and receivables	Held to maturity	Held for trading	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	182	—	—	—	—	—	—	182
Treasury bills	—	630	4,228	—	—	—	—	4,858
Loans to credit institutions	43,699	—	2,522	1,930	—	—	—	48,151
Loans to the public	30,858	—	—	2,942	—	—	—	33,800
Interest-bearing securities	—	4,212	6,397	3,052	—	2,187	—	15,848
Financial instruments pledged as collateral	—	—	6,160	—	—	—	—	6,160
Shares	—	—	262	58	—	—	—	320
Derivatives	—	—	1,864	—	747	—	—	2,611
Fair value changes of the hedged items in portfolio hedge of interest rate risk	795	—	—	—	—	—	—	795
Investments in group undertakings	—	—	—	—	—	—	16,690	16,690
Investments in associated undertakings	—	—	—	—	—	—	4	4
Intangible assets	—	—	—	—	—	—	671	671
Property and equipment	—	—	—	—	—	—	77	77
Deferred tax assets	—	—	—	—	—	—	8	8
Current tax assets	—	—	—	—	—	—	1	1
Other assets	2,535	—	55	30	—	—	—	2,620
Prepaid expenses and accrued income	980	—	—	8	—	—	21	1,009
Total	79,049	4,842	21,488	8,020	747	2,187	17,472	133,805

	Financial liabilities at fair value through profit or loss					
	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
31 Dec 2010, EURm						
Liabilities						
Deposits by credit institutions	6,276	156	—	22,212	—	28,644
Deposits and borrowings from the public	—	307	—	39,313	—	39,620
Debt securities in issue	—	—	—	33,424	—	33,424
Derivatives	1,903	—	271	—	—	2,174
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	749	—	749
Current tax liabilities	—	—	—	—	110	110
Other liabilities	604	109	—	3,711	34	4,458
Accrued expenses and prepaid income	—	0	—	554	167	721
Deferred tax liabilities	—	—	—	—	0	0
Provisions	—	—	—	—	35	35
Retirement benefit obligations	—	—	—	—	149	149
Subordinated liabilities	—	—	—	7,135	—	7,135
Total	8,783	572	271	107,098	495	117,219

P41

Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2011	31 Dec 2010
Carrying amount	5,984	4,872
Maximum exposure to credit risk	5,984	4,872

Financial liabilities designated at fair value through profit or loss

Changes in fair values attributable to changes in credit risk

The funding of Markets operations are measured at fair value and classified into the category "Fair value through profit or loss". The funding of Markets is generally of such a short term nature that the effect of charges in own credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

	Carrying amount	Amount to be paid at maturity
2011, EURm		
Financial liabilities designated at fair value through profit or loss	2,967	2,967

	Carrying amount	Amount to be paid at maturity
2010, EURm		
Financial liabilities designated at fair value through profit or loss	572	572

P42

Assets and liabilities at fair value

	31 Dec 2011		31 Dec 2010	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	152	152	182	182
Treasury bills	3,730	3,730	4,858	4,855
Loans to credit institutions	59,379	59,401	48,151	48,185
Loans to the public	36,421	36,430	33,800	33,803
Interest-bearing securities	14,584	14,849	15,848	15,812
Financial instruments pledged as collateral	1,237	1,237	6,160	6,160
Shares	1,135	1,135	320	320
Derivatives	4,339	4,339	2,611	2,611
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-632	-632	795	795
Investments in group undertakings	16,713	16,713	16,690	16,690
Investments in associated undertakings	5	5	4	4
Intangible assets	658	658	671	671
Property and equipment	81	81	77	77
Deferred tax assets	26	26	8	8
Current tax assets	12	12	1	1
Other assets	2,262	2,262	2,620	2,620
Prepaid expenses and accrued income	1,279	1,279	1,009	1,009
Total assets	141,381	141,677	133,805	133,803
Liabilities				
Deposits by credit institutions	22,441	22,433	28,644	28,644
Deposits and borrowings from the public	44,389	44,444	39,620	39,626
Debt securities in issue	45,367	45,080	33,424	33,735
Derivatives	3,014	3,014	2,174	2,174
Fair value changes of the hedged items in portfolio hedge of interest rate risk	147	147	749	749
Current tax liabilities	71	71	110	110
Other liabilities	1,776	1,776	4,458	4,458
Accrued expenses and prepaid income	851	851	721	721
Deferred tax liabilities	2	2	0	0
Provisions	90	90	35	35
Retirement benefit obligations	153	153	149	149
Subordinated liabilities	6,154	6,154	7,135	7,134
Total liabilities	124,455	124,215	117,219	117,535

Liabilities

Deposits by credit institutions	22,441	22,433	28,644	28,644
Deposits and borrowings from the public	44,389	44,444	39,620	39,626
Debt securities in issue	45,367	45,080	33,424	33,735
Derivatives	3,014	3,014	2,174	2,174
Fair value changes of the hedged items in portfolio hedge of interest rate risk	147	147	749	749
Current tax liabilities	71	71	110	110
Other liabilities	1,776	1,776	4,458	4,458
Accrued expenses and prepaid income	851	851	721	721
Deferred tax liabilities	2	2	0	0
Provisions	90	90	35	35
Retirement benefit obligations	153	153	149	149
Subordinated liabilities	6,154	6,154	7,135	7,134
Total liabilities	124,455	124,215	117,219	117,535

Determination of fair value for assets and liabilities

For information on how fair values are determined, see Note G43 Assets and liabilities at fair value. Nordea has not deferred any day 1 gains and losses in accordance with the accounting policy in Note G1.

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Assets and liabilities at fair value, cont

31 Dec 2011, 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				
Loans to credit institutions	—	3,540	—	3,540
Loans to the public	—	2,678	—	2,678
Debt securities ¹	14,067	3,320	163	17,550
Shares	1,097	4	34	1,135
Derivatives	69	4,270	—	4,339
Other assets	—	166	—	166
Prepaid expenses and accrued income	—	10	—	10
Liabilities				
Deposits by credit institutions	—	3,389	—	3,389
Deposits and borrowings from the public	—	509	—	509
Derivatives	99	2,915	0	3,014
Other liabilities	—	664	—	664
Accrued expenses and prepaid income	2	117	—	119

1) Of which EUR 3,377m Treasury bills and EUR 12,936m Interest-bearing securities (the portion held at fair value in Note P41). EUR 1,237m relates to the balance sheet item Financial instruments pledged as collateral.

31 Dec 2010, 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				
Loans to credit institutions	—	4,452	—	4,452
Loans to the public	—	2,942	—	2,942
Debt securities ¹	18,059	3,958	7	22,024
Shares	271	6	43	320
Derivatives	105	2,506	—	2,611
Other assets	—	85	—	85
Prepaid expenses and accrued income	—	8	—	8
Liabilities				
Deposits by credit institutions	—	6,432	—	6,432
Deposits and borrowings from the public	—	307	—	307
Derivatives	91	2,082	1	2,174
Other liabilities	—	713	—	713

1) Of which EUR 4,228m Treasury bills and EUR 11,636m Interest-bearing securities (the portion held at fair value in Note P41). EUR 6,160m relates to the balance sheet item Financial instruments pledged as collateral.

Movements in level 3

The following table shows a reconciliation of the opening and closing carrying amounts of level 3 financial assets and liabilities

31 Dec 2011, EURm	1 Jan 2011	Fair value gains/losses recognised in the income statement during the year			Purchases	Sales	Settlements	Net transfers into/out of level 3	Translation differences	31 Dec 2011
		Realised	Unrealised ¹							
Debt securities	7	—	-1	157	—	—	—	—	—	163
Shares	43	-11	—	2	—	—	—	—	—	34
Derivatives (net of assets and liabilities)	-1	—	—	1	—	—	—	—	—	0

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

31 Dec 2010, EURm	1 Jan 2010	Realised	Unrealised ¹	Purchases	Sales	Settlements	Net transfers into/out of level 3	Translation differences	31 Dec 2010

P42

Assets and liabilities at fair value, cont

Debt securities	7	—	—	—	—	—	—	—	7
Shares	23	-4	21	3	—	—	—	—	43
Derivatives (net of assets and liabilities)	-4	3	—	—	—	—	—	—	-1

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

Transfers between level 1 and 2

During the year, the parent company has transferred debt securities of EUR 671m (EUR 0m) from level 1 to level 2 and EUR 15m (EUR 33m) from level 2 to level 1 of the fair value hierarchy for financial assets and liabilities at fair value. The reason for 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 transfers from level 2 to level 1 was that the instruments have again been actively traded during the year and reliable quoted prices are obtained in the markets.

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Assets and liabilities in foreign currencies

31 Dec 2011, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Treasury bills	1.0	2.4	—	—	0.3	—	3.7
Loans to credit institutions	24.8	18.6	0.1	0.7	12.4	2.8	59.4
Loans to the public	5.6	21.9	2.3	0.7	4.8	1.2	36.5
Interest-bearing securities	3.6	9.4	1.5	—	0.1	—	14.6
Other assets	17.3	1.7	0.0	2.6	2.8	2.8	27.2
Total assets	52.3	54.0	3.9	4.0	20.4	6.8	141.4
Liabilities and equity							
Deposits by credit institutions	10.5	3.2	0.1	0.4	6.5	1.7	22.4
Deposits and borrowings from the public	5.4	37.5	0.1	0.3	0.8	0.2	44.3
Debt securities in issue	28.6	2.7	0.0	0.3	9.3	4.5	45.4
Provisions	—	0.1	—	—	—	—	0.1
Subordinated liabilities	2.7	0.0	—	—	3.2	0.2	6.1
Other liabilities and equity	5.3	10.5	3.7	3.0	0.4	0.2	23.1
Total liabilities and equity	52.5	54.0	3.9	4.0	20.2	6.8	141.4
31 Dec 2010, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Treasury bills	3.4	0.9	—	—	0.6	—	4.9
Loans to credit institutions	21.6	15.7	0.1	0.3	9.0	1.5	48.2
Loans to the public	5.9	20.9	2.2	0.6	3.3	0.9	33.8
Interest-bearing securities	3.6	7.8	3.6	0.1	0.7	—	15.8
Other assets	16.1	5.4	2.6	2.9	2.0	2.1	31.0
Total assets	50.6	50.7	8.5	3.9	15.6	4.5	133.8
Liabilities and equity							
Deposits by credit institutions	6.3	9.3	3.4	0.3	9.2	0.1	28.6
Deposits and borrowings from the public	2.9	35.2	0.3	0.2	0.7	0.3	39.6
Debt securities in issue	20.2	1.7	0.0	0.3	7.9	3.3	33.4
Provisions	0.0	—	—	—	—	—	0.0
Subordinated liabilities	3.8	0.4	—	—	2.6	0.3	7.1
Other liabilities and equity	19.7	0.7	3.7	0.1	0.7	0.2	25.0
Total liabilities and equity	52.9	47.3	7.4	0.9	21.1	4.2	133.8

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Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. 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.

EURm	31 Dec 2011	31 Dec 2010
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	233	2,495
– of which repledged or sold	—	17
Securities borrowing agreements		
Received collaterals which can be repledged or sold	2,180	1,453
– of which repledged or sold	2,180	1,453
Total	2,413	3,948

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Maturity analysis for assets and liabilities

Remaining maturity

31 Dec 2011, EURm	Note	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks		152	—	—	—	—	—	152
Treasury bills	P14	—	181	353	2,783	413	—	3,730
Loans to credit institutions	P15	7,900	27,567	13,781	7,030	3,101	—	59,379
Loans to the public	P15	4,669	12,572	4,125	14,481	574	—	36,421
Interest-bearing securities	P16	—	4,389	3,894	6,212	89	—	14,584
Financial instruments pledged as collateral	P17	—	50	405	769	13	—	1,237
Derivatives	P19	—	121	297	2,359	1,562	—	4,339
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	—	–657	49	56	–80	—	–632
Total assets with fixed maturities		12,721	44,223	22,904	33,690	5,672	—	119,210
Other assets		—	—	—	—	—	22,171	22,171
Total assets		12,721	44,223	22,904	33,690	5,672	22,171	141,381
Deposits by credit institutions	P27	1,166	19,242	938	752	343	—	22,441
Deposits and borrowings from the public	P28	34,440	8,645	1,151	153	—	—	44,389
– of which Deposits		33,270	8,645	1,151	153	—	—	43,219
– of which Borrowings		1,170	—	—	—	—	—	1,170
Debt securities in issue	P29	0	16,117	7,657	16,168	5,425	—	45,367
– of which Debt securities in issue		0	16,018	7,657	16,168	5,425	—	45,268
– of which Other		—	99	—	—	—	—	99
Derivatives	P19	—	247	266	1,920	581	—	3,014
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	—	430	152	1,198	–1,633	—	147
Subordinated liabilities	P34	—	—	—	499	5,655	—	6,154
Total liabilities with fixed maturities		35,606	44,681	10,164	20,690	10,371	—	121,512
Other liabilities		—	—	—	—	—	2,948	2,948
Equity		—	—	—	—	—	16,921	16,921
Total liabilities and equity		35,606	44,681	10,164	20,690	10,371	19,869	141,381

P45

Maturity analysis for assets and liabilities, cont.

Remaining maturity

31 Dec 2010, EURm	Note	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks		182	—	—	—	—	—	182
Treasury bills	P14	—	91	430	2,561	1,776	—	4,858
Loans to credit institutions	P15	5,317	25,438	14,734	2,145	517	—	48,151
Loans to the public	P15	4,404	13,546	3,363	12,259	228	—	33,800
Interest-bearing securities	P16	—	1,091	5,150	9,195	412	—	15,848
Financial instruments pledged as collateral	P17	—	—	23	5,683	454	—	6,160
Derivatives	P19	—	301	277	1,367	666	—	2,611
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	—	68	1	303	423	—	795
Total assets with fixed maturities		9,903	40,535	23,978	33,513	4,476	—	112,405
Other assets		—	—	—	—	—	21,400	21,400
Total assets		9,903	40,535	23,978	33,513	4,476	21,400	133,805

31 Dec 2010, EURm	Note	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Deposits by credit institutions	P27	1,168	24,906	2,359	211	—	—	28,644
Deposits and borrowings from the public	P28	33,297	3,509	2,716	98	—	—	39,620
– of which Deposits		33,176	3,509	2,716	98	—	—	39,499
– of which Borrowings		121	0	—	—	—	—	121
Debt securities in issue	P29	—	10,964	1,880	13,245	7,335	—	33,424
– of which Debt securities in issue		—	10,843	1,880	13,245	7,335	—	33,303
– of which Other		—	121	—	—	—	—	121
Derivatives	P19	—	381	307	986	500	—	2,174
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	—	1	9	396	343	—	749
Subordinated liabilities	P34	—	—	598	2,160	4,377	—	7,135
Total liabilities with fixed maturities		34,465	39,761	7,869	17,096	12,555	—	111,746
Other liabilities		—	—	—	—	—	5,479	5,479
Equity		—	—	—	—	—	16,580	16,580
Total liabilities and equity		34,465	39,761	7,869	17,096	12,555	22,059	133,805

In addition to the on balance sheet and derivative instruments, Nordea has credit commitments amounting to EUR 25,098m (EUR 29,485m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 24,716m (EUR 23,898m) which may lead to future cash outflows if certain events occur.

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Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures. For more information on definitions, see Note G1, section 26 and Note G47.

EURm	Group undertakings		Associated undertakings		Other related parties	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Assets						
Loans and receivables	57,981	47,005	52	45	—	—
Interest-bearing securities	1,258	4,128	—	—	—	—
Financial instrument pledged as collateral	0	57	—	—	—	—
Derivatives	1,297	1,131	—	—	—	—
Investments in associated undertakings	—	—	5	4	—	—
Investments in group undertakings	16,713	16,690	—	—	—	—
Other assets	431	463	—	—	—	—
Prepaid expenses and accrued income	716	492	—	—	—	—
Total assets	78,396	69,966	57	49	—	—

EURm	Group undertakings		Associated undertakings		Other related parties	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Liabilities						
Deposits	11,852	20,925	1	1	20	44
Debt securities in issue	54	155	—	—	—	—
Derivatives	2,265	1,364	8	25	—	—
Other liabilities	47,176	265	—	—	—	—
Accrued expenses and deferred income	25	19	—	—	—	—
Subordinated loans	309	—	—	—	—	—
Total liabilities	61,681	22,728	9	26	20	44
Off balance¹	29,599	30,707	2,068	2,056	—	—

1) Including nominal values on derivatives.

EURm	Group undertakings		Associated undertakings		Other related parties	
	2011	2010	2011	2010	2011	2010
Interest income and interest expense						
Interest income	943	485	1	0	—	—
Interest expense	–320	–463	0	—	0	0
Net interest income and expense	623	22	1	0	0	0

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7.

Other related-party transactions

Nordea Bank AB (publ) takes part in a guarantee consortium to support Norwegian Eksportfinans ASA. For further information, see Note G47.

Proposed distribution of earnings

According to the parent company's balance sheet, the following amount is available for distribution by the Annual General Meeting:

	EUR
Share premium reserve	1,079,925,521
Retained earnings	7,538,873,009
Other free funds	2,762,284,828
Net profit for the year	1,492,148,413
Total	12,873,231,771

The Board of Directors proposes that these earnings are distributed as follows:

	EUR
Dividends paid to shareholders, EUR 0.26 per share	1,047,546,038
To be carried forward to	
– share premium reserve	1,079,925,521
– retained earnings	7,983,475,384
– other free funds	2,762,284,828
Total	12,873,231,771

It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the Company's and the Group's equity, which are imposed by the nature, scope and risks, associated with the business, and the Company's and the Group's need for consolidation, liquidity and financial position in general.

The Board of Directors and the President and CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the International Reporting Standards (IFRS/IAS) referred to in the European parliament and councils' regulation (EC) 1606/2002, from 19 July 2002, on application of International Accounting Standards. They give a true and fair view of the Group's and the Company's financial position and result. The Board of Directors' Report for the Group and the Company gives a true and fair overview of the development of the operations, financial position and result of the Group and the Company and describes the material risks and uncertainties that the Company and the Group companies are facing.

8 February 2012

Björn Wahlroos
Chairman

Marie Ehrling
Vice Chairman

Kari Ahola
Board member¹

Stine Bosse
Board member

Svein Jacobsen
Board member

Ole Lund Jensen
Board member¹

Tom Knutzen
Board member

Steinar Nickelsen
Board member¹

Lars G Nordström
Board member

Sarah Russell
Board member

Kari Stadigh
Board member

Christian Clausen
President and CEO

Our audit report was submitted on 9 February 2012

KPMG AB

Carl Lindgren
Authorised Public Accountant

¹) Employee representative.

Auditor's report

To the annual meeting of the shareholders of Nordea Bank AB (publ)
Corporate identity number 516406-0120

Report on the annual accounts and the consolidated accounts

We have audited the annual accounts and the consolidated accounts of Nordea Bank AB (publ) for the year 2011. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 50–196.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and the consolidated accounts
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and for the fair presentation of the consolidated accounts in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and the consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and the consolidated accounts are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and the consolidated accounts 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 the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, the consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. A Corporate Governance Report has been prepared. The Board of Director's report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and the consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nordea Bank AB (publ) for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Banking and Financing Business Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss,

Auditor's report cont.

we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the

Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies, or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

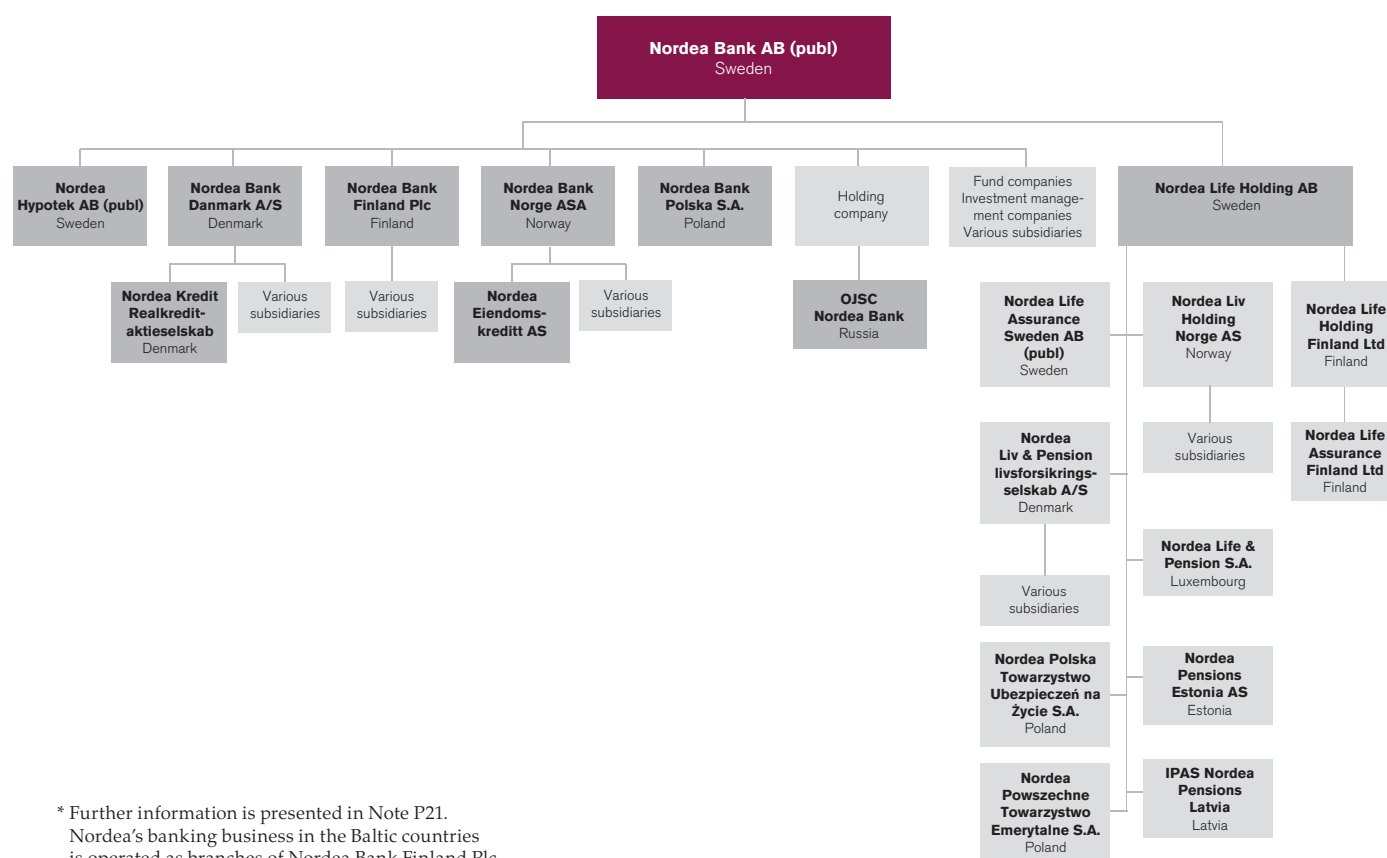
Stockholm, 9 February 2012

KPMG AB

Carl Lindgren
Authorised Public Accountant

Legal structure

Main legal structure*, as of 31 December 2011

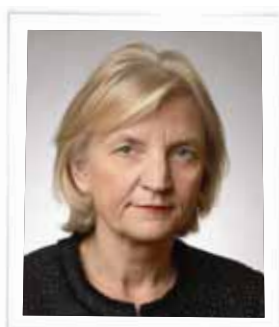


* Further information is presented in Note P21.
Nordea's banking business in the Baltic countries is operated as branches of Nordea Bank Finland Plc.

Board of Directors



Björn Wahlroos



Marie Ehrling



Stine Bosse



Svein Jacobsen



Tom Knutzen



Lars G Nordström



Sarah Russell



Björn Savén,
until 22 December 2011

Björn Wahlroos *Chairman*

Ph.D (Economics), 1979. Board member since 2008 and Chairman since 2011. Born 1952.
Board Chairman of Sampo plc, UPM-Kymmene Oyj and Hanken School of Economics.
Board member of several charities, including the Finnish Business and Policy Forum EVA/ETLA and the Mannerheim Foundation.

Previous positions:

2001–2009 Group CEO and President of Sampo plc
2005–2007 Chairman of Sampo Bank plc
1998–2000 Chairman of Mandatum Bank plc
1992–1997 President of Mandatum & Co Ltd
1985–1992 Various positions with Union Bank of Finland including executive vice president and member of the executive committee 1989–1992
1983–1984 Visiting associate professor in Managerial Economics and Decision Sciences at Kellogg Graduate School of Management, Northwestern University
1980–1981 Visiting assistant professor in Economics at Brown University
1979–1985 Professor and acting professor of Economics at the Swedish School of Economics
1974–1979 Acting lecturer and assistant professor in Finance at the Swedish School of Economics

Shareholding in Nordea: 100,000*

Marie Ehrling *Vice Chairman*

BSc (Economics). Board member since 2007. Born 1955.
Board member of Securitas AB, Loomis AB, Oriflame Cosmetics SA, Schibsted ASA, Safe Gate AB, Centre for Advanced Studies of Leadership at Stockholm School of Economics and World Childhood Foundation.
Chairman of the Norwegian Swedish Chamber of Commerce.
Member of Advisory Board Invest Sweden.
Member of the Royal Swedish Academy of Engineering Sciences (IVA)

Previous positions:

2003–2006 CEO TeliaSonera Sverige AB
1982–2002 Deputy CEO SAS Group, Head of SAS Airline and other executive positions within the SAS group
1980–1982 Information officer at the Ministry of Finance
1979–1980 Information officer at the Ministry of Education
1977–1979 Financial analyst at Fourth Swedish National Pension Fund

Shareholding in Nordea: 3,075*

Stine Bosse

Master of Law. Board member since 2008. Born 1960.
Board Chairman of Børnefonden, Flügger A/S and The Royal Danish Theatre.
Board member of TDC A/S, Aker ASA and Icopal a/s.
Non-executive Director of Amlin Plc.
Member of INSEAD, Danish Council.
Advocate for the MDG goals for UN.

Previous positions:

2002–2011 Group CEO of Tryg A/S
2004–2006 Board Member of TDC
2002–2005 Board Member of Flügger
1987–2001 Various positions within Tryg Forsikring A/S. Senior Vice President 1999–2002

Shareholding in Nordea: 2,917*

Svein Jacobsen

MBA. Certified public accountant. Board member since 2008. Born 1951.
Board Chairman of Vensafe AS, PSI Group ASA and Falkenberg AS.
Board member of Heidenreich Holding AS and Commass AS.
Member of the Advisory Board in CVC Capital Partners.

Previous positions:

2000–2011 Deputy Chairman of Orkla ASA.
2000–2010 Board Chairman Expert ASA
2007–2009 Board Chairman Think Global ASA
1984–1996 Various positions within Tomra Systems including CEO 1988–1996

Shareholding in Nordea: 5,000*

Tom Knutzen

MSc (Economics). Board member since 2007. Born 1962.
CEO Jungbunzlauer Suisse AG as from 2 April 2012.
Board Chairman of GUDP (Green Development and Demonstration Program) under the Ministry for Food, Agriculture and Fisheries.
Board member of the Confederation of Danish Industries (DI) in Copenhagen.
Member of Denmark's Growth Council.

Previous positions:

2006–2011 CEO Danisco A/S
2000–2006 CEO NKT Holding A/S
1996–2000 CFO NKT Holding A/S
1988–1996 Various positions within Niro A/S
1985–1988 Various positions within Fællesbanken

Shareholding in Nordea: 47,750*



Kari Stadigh



Kari Ahola



Ole Lund Jensen



Steinar Nickelsen



Lars Oddestad

Lars G Nordström

Law studies at Uppsala University. Board member since 2003. Born 1943.
Board Chairman of Vattenfall AB and the Finnish-Swedish Chamber of Commerce.
Board member of Viking Line Abp and the Swedish-American Chamber of Commerce.
Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Honorary Consul of Finland in Sweden.

Previous positions:

2008–2011 President and Group CEO of Posten Norden AB
2006–2010 Board member of TeliaSonera AB
2005–2009 Board Chairman of the Royal Swedish Opera
2002–2007 President and Group CEO of Nordea Bank AB
1993–2002 Various executive management positions within Nordea Group
1970–1993 Various positions within Skandinaviska Enskilda Banken (EVP from 1989)

Shareholding in Nordea: 23,250*

Sarah Russell

Master of Applied Finance. Board member since 2010. Born 1962.
CEO Aegon Asset Management.

Previous positions:

1994–2008 Various executive management positions within ABN AMRO, including Senior Executive Vice President and CEO of ABN AMRO Asset Management 2006–2008
1981–1994 Various management and other positions in Financial Markets within Toronto Dominion Australia Ltd

Shareholding in Nordea: 0*

Björn Savén

Ekon. dr. h.c., MBA and MSc (Bus. & Econ.). Board member since 2006 until 22 December 2011 when he resigned of his own accord. Born 1950.

Chairman of IK Investment Partners. Deputy chairman, eo., of the British-Swedish Chamber of Commerce. Vice President of the Royal Swedish Academy of Engineering Sciences (IVA).

Previous positions:

2008–2010 Executive Chairman of IK Investment Partners
1993–2008 Chief Executive of IK Investment Partners
1988–1993 Chief Executive Enskilda Ventures (SEB), London

1976–1988 General and financial management positions within the Esselte Group in Stockholm, London and New York, including President of Esselte Pendaflex Usa, New York and CFO of Esselte Business Systems Inc., London.

1974–1976 MBA studies at Harvard Business School, Boston

1972–1974 Analyst, Gulf Oil, Stockholm

Shareholding in Nordea: 1,000,000*

Kari Stadigh

Master of Science (Engineering) and Bachelor of Business Administration. Board member since 2010. Born 1955.
Group CEO and President of Sampo plc.
Board Chairman of If P&C Insurance Holding AB (publ), Kaleva Mutual Insurance Company and Mandatum Life Insurance Company Limited.

Previous positions:

2001–2009 Deputy CEO of Sampo plc
1999–2000 President of Sampo Life Insurance Company Ltd
1996–1998 President of Nova Life Insurance Company Ltd
1991–1996 President of Jaakko Pöyry Group
1985–1991 President of JP Finance Oy

Shareholding in Nordea: 100,000*

Employee representatives:

Kari Ahola

Board member from 2006. Born 1960. Shareholding in Nordea: 0*

Ole Lund Jensen

Board member from 2009. Born 1960. Shareholding in Nordea: 4,259*

Steinar Nickelsen

Board member since 2007. Born 1962. Shareholding in Nordea: 0*

Lars Oddestad

Board member from 2009. Born 1950. Shareholding in Nordea: 0*

* Shareholdings, as of 31 December 2011, also include shares held by family members and closely affiliated legal entities.

Group Executive Management



Group Executive Management

Front row from left to right: Casper von Koskull, Gunn Wærsted, Christian Clausen, Ari Kaperi.

Back row from left to right: Fredrik Rystedt, Torsten Hagen Jørgensen, Peter Nyegaard, Michael Rasmussen.

Christian Clausen

President and Group CEO since 2007.
Master of Science (Economics). Appointed member of GEM 2001.
Born 1955.
President of the European Banking Federation
Chairman of the Swedish Bankers' Association

Previous positions:

2000–2007 Executive Vice President, Head of Asset Management
& Life, Member of Group Management; Nordea
1998–2000 Member of Executive Board, Unibank
1996–1998 Managing Director and Chief Executive,
Unibank Markets
1990–1996 Managing Director and Chief Executive of
Unibørs Securities
1988–1990 Managing Director of Privatbørsen
Shareholding: 143,099 Nordea¹

Torsten Hagen Jørgensen

Executive Vice President, Head of Group Operations & Other
Lines of Business.
Born 1965.
Appointed member 2011.
Shareholding: 32,800 Nordea¹

Ari Kaperi²

Executive Vice President, CRO, Head of Group
Risk Management.
Born 1960.
Appointed member 2008.
Shareholding: 43,119 Nordea¹

Casper von Koskull

Executive Vice President, Head of Wholesale Banking.
Born 1960.
Appointed member 2010.
Shareholding: 35,000 Nordea¹

Peter Nyegaard

Executive Vice President, Chief Operating Officer of Wholesale
Banking.
Born 1963.
Appointed member 2011.
Shareholding: 28,059 Nordea¹

Michael Rasmussen²

Executive Vice President, Head of Retail Banking.
Born 1964.
Appointed member 2008.
Shareholding: 40,726 Nordea¹

Fredrik Rystedt²

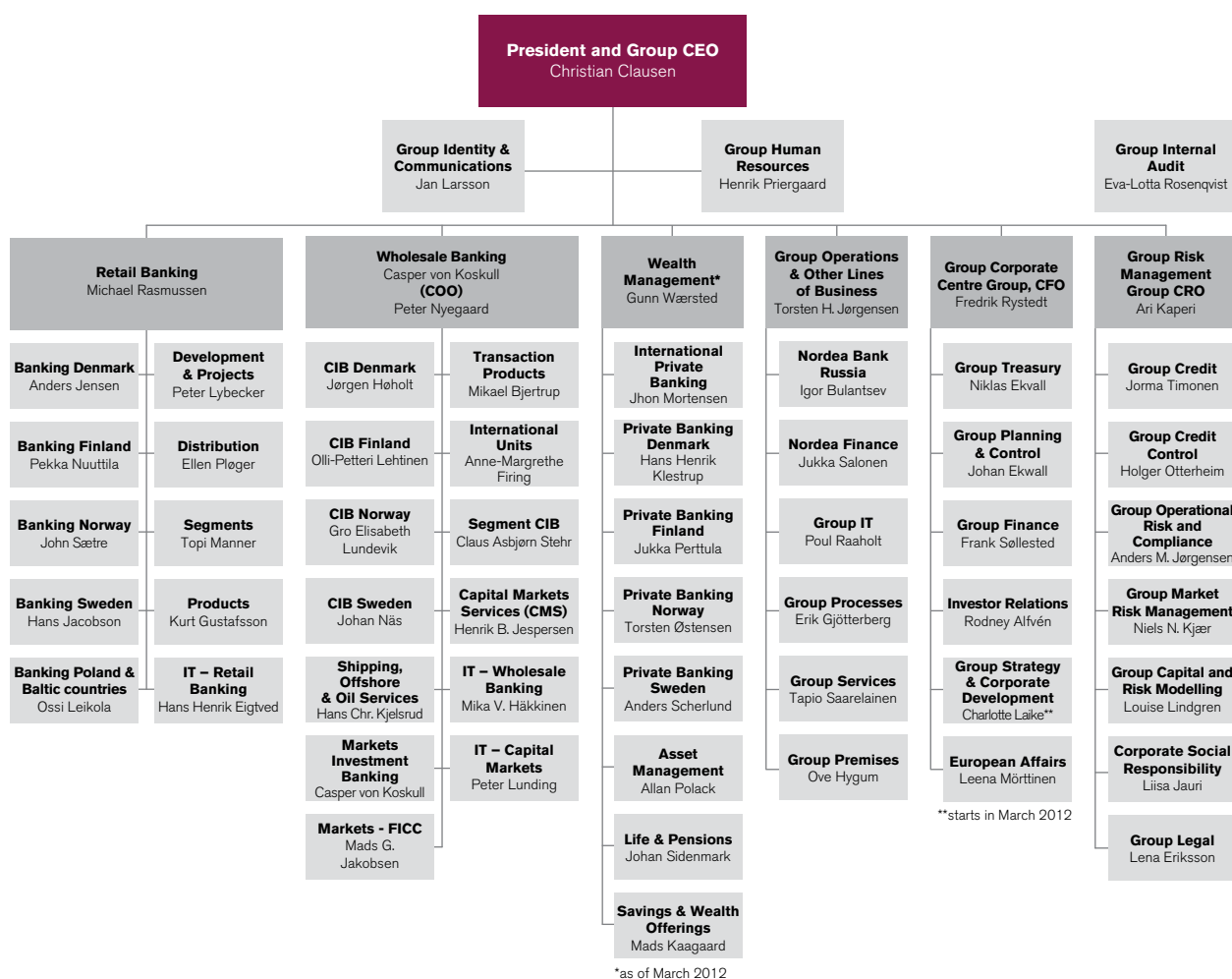
Executive Vice President, CFO, Head of Group Corporate Centre.
Born 1963.
Appointed member 2008.
Shareholding: 45,550 Nordea¹

Gunn Wærsted²

Executive Vice President, Head of Wealth Management.
Born 1955.
Appointed member 2007.
Shareholding: 47,752 Nordea¹

1) Shareholdings as of 31 December 2011, also include shares held by family members and closely affiliated legal entities.
2) Country Senior Executive.

Group Organisation



Ratings

	Moody's Investors Service		Standard & Poor's		Fitch		DBRS	
	Short	Long	Short	Long	Short	Long	Short	Long
Nordea Bank AB (publ)	P-1	Aa2	A-1+	AA-	F1+	AA-	R-1 (high)	AA
Nordea Bank Danmark A/S	P-1	Aa3	A-1+	AA-	F1+	AA-	R-1 (high)	AA
Nordea Bank Finland Plc	P-1	Aa2	A-1+	AA-	F1+	AA-	R-1 (high)	AA
Nordea Bank Finland Plc, covered bonds		Aaa ¹						
Nordea Bank Norge ASA	P-1	Aa2	A-1+	AA-	F1+	AA-	R-1 (high)	AA
Nordea Hypotek AB (publ)		Aaa ¹		AAA ¹				
Nordea Kredit Realkreditaktieselskab		Aaa ¹		AAA ¹				
Nordea Eiendomskreditt AS		Aaa ¹						

1) Covered bond rating.

Annual General Meeting 22 March 2012

Nordea's Annual General Meeting (AGM) 2012 will be held on Thursday 22 March at 13.00 CET at Aula Magna, at Stockholm University, Frescativägen 6, Stockholm.

Notification of participation etc

Shareholders who wish to participate in the AGM shall be entered in the share register maintained by the Swedish Securities Register Center (Euroclear Sweden AB) not later than 16 March 2012 and notify Nordea. Shareholders whose shares are held in custody therefore must temporarily re-register their shares in their own names with Euroclear Sweden AB in order to be able to participate. This applies for example to holders of Finnish Depositary Receipts in Finland and holders of shares registered in VP Securities in Denmark. Such re-registration must be effected in Euroclear Sweden AB in Sweden on 16 March 2012. This means that the shareholder in good time prior to this date must inform the trustee about this.

Shareholders registered in Euroclear Sweden AB in Sweden

Notification of participation in the AGM must be made to Nordea Bank AB (publ) at the latest on 16 March 2012 preferably before 13.00 Swedish time at the following address:

Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's web page www.nordea.com.

Holders of Finnish Depositary Receipts (FDR) in Finland

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 15 March 2012 at 12.00 noon Finnish time to Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's web page www.nordea.com.

Shareholders registered in VP Securities in Denmark

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 15 March 2012 at 12.00 noon Danish time to Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's web page www.nordea.com.

Financial calendar

Financial calendar 2012

Annual General Meeting	22 March
Ex-dividend date	23 March
Record date	27 March
Dividend payments	3 April
1st quarter report	24 April
2nd quarter report	18 July
3rd quarter report	24 October

Contacts

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Investor Relations

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Website

All reports and press releases are available on the Internet at: www.nordea.com. Financial reports published by the Nordea Group may be ordered via Investor Relations.

The annual reports of Nordea Bank Danmark A/S, Nordea Bank Norge ASA and Nordea Bank Finland Plc can be downloaded at www.nordea.com

Nordea's disclosure on Capital adequacy and risk management, in accordance with the Pillar III requirements according to the EU Capital Requirements Directive in the Basel II framework, is presented on www.nordea.com.

The Annual Report 2011

This Annual Report covers Nordea Bank AB (publ) and pertains to the operations of the Nordea Group, whose main legal structure is presented on page 199. The original annual report is in Swedish. This is an English version thereof. A Swedish version may be obtained upon request.

In this Annual Report, the Nordea Group presents income statements and other financial data quoted in euro (EUR).

